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magnitude would be inconsistent with the policy of the present administration that all important social institutions should have the opportunity to participate to the fullest extent possible in such decisions. Therefore, I believe the State should structure the proposed transaction so as to maximize the Legislature's ability to participate in the decision. (Indeed, the Administration endeavored to involve the Legislature throughout the public review process as the proposal has been developed.) The problem, of course, is that there is no mechanism by which the federal government can legally "negotiate" the matter through the Legislature during the session, for Congress must act now to get federal authority for a specific proposed transaction. Nor is it likely under our Constitution that the Legislature could, or would choose, to do so.

Given these premises, the only opportunity that the State has to insure that the Legislature may pass upon the merits of the proposal is for Congress to enact legislation empowering the Secretary to consummate the transaction (removing federal obstacles to the State's participating), such legislation to be subject to the State's subsequent consent. The state administration, in its turn, pledges that consent to the Congressionally legislated "offer" will be forthcoming, if at all, only after review and consideration by the Legislature. An action by the Legislature disapproving the exchange should result in an action by the Governor denying consent.

If the decision is made to seek legislative review the time factor is particularly important. For several reasons, including the Congressional need for certainty the inexorable progress of Cook Inlet's appeal, and the dynamic nature of land status in Alaska, final action by the State would be needed as soon as practicable consistent with the Legislature's need to have a thorough opportunity to review the proposal in sufficient detail to make responsible public policy. I believe we would be in a position during the first week of the session to thoroughly brief

members of the Legislature and make available to them any information we might have concerning the proposal. Under that scenario it would appear that 50 to 60 days should be sufficient time for the Legislature to thoroughly review the proposal, particularly in view of the already widespread publicity and general public awareness of the various aspects of the proposal.

I close with the request that action taken affirmatively and expeditiously on this matter as I believe it to be a unique, perhaps singular, opportunity to achieve a vital series of public and private objectives. It is important, and in my view, right.

MEMORANDUM

State of Alaska

Department of Natural Resources
Division of Geological & Geophysical Surveys

DATE: January 2, 1976

TO: Michael C.T. Smith, Director
Division of Lands

FILE NO:

THRU: Guy R. Martin, Commissioner
Department of Natural Resources

TELEPHONE NO:

FROM: Cleland N. Coowell *CNC*
Mining Engineer

SUBJECT: Mineral Analysis of Proposed
Cook Inlet Land Trade

On or about the 8th of October, Ross Schaff, Don McGee, and I met with you in your office to advise you of the value of coal land the State was proposing to give away. It is my recollection that we advised you at that time of the value of coal on these lands and of work in progress by the private sector in exploring the Beluga coal field. As I recall, all three of us, especially Ross and I, expressed personal disapproval of the trade. It was and is our opinion that some of the most valuable land in the State is being traded for land that has little or no economic potential.

In direct comment on the articles by Mr. Galliett:

Don McGee and K. O'Connor in AOF 51, page 7, estimate 7.8 billion tons of coal in the Beluga field. Therefore, Mr. Galliett has a reference from a report of the Alaska Geological Survey. My only comment on the first article is that recovery of 50% of the coal is low by today's standards.

In reference to the second article, it is my understanding that Fish and Game have control of fishing and the streams. I believe that this is covered in Section 16 of the State Statutes, so there is no need to control the Lake Clark or Iliamna areas for the fishing potential.

In the 3rd article, Galliett appears to be accurate. I am sure we could check on the number of natives and the allocation, but the figures are approximately those that I have read.

With regard to the specific "Lands to be given by the State to CNRI":

Pt. MacKenzie (Appendix C - 1.B) and This is within the Anchorage area and is a valuable section for port facilities.

Kuk-Wilow (Appendix C - 1.B and 3) — This is an excellent recreation area near Anchorage. It contains the Nancy Lake State Recreation area, Meadow Creek Campground, and many lakes. There is both a coal potential and oil and gas potential in the area. Coal at one time was mined at Huston.

Kashwitna (Appendix C - 1.B) — This is prime agricultural land — Ref: Alaskas Agricultural Potential, Alaska Rural Development Council, Publication No. 1, 1974. It also contains a site selected for the future capital of Alaska. It is accessible by road and railroad, and has many home sites. The land has potential for fossil fuels and uranium.

Chickaloon (Appendix C - 1.D and 3) -- This is excellent coal land and part is under coal lease. Coals in this area have a higher calorific value than the Beluga area, i.e., 7,200 Btu Beluga vs. 12,000+ Btu Matanuska. Some of the Matanuska coals have coking qualities. Therefore, Matanuska coals have a higher market value than Beluga coals. The railroad right-of-way to the area is retained by the Alaska Railroads. There are excellent home sites in this area.

Alexander Creek (Appendix C - 1.D and 3) -- Coal, oil, gas, and uranium potential.

Salamatof (Appendix C - 3) and Kenai Peninsula (Appendix C - 1.E and 3) -- These are excellent coal lands. The coals are nearly horizontal, therefore, favorable for mining. Several beds at least 5 feet thick underlie the area. Undoubtedly there are at least 11.7 billion tons of coal in these areas. In addition to the loss of coal there would be a loss of recreation along the beaches of the peninsula. This includes both clam digging and fishing. I have been informed by native groups that they intend to protect these rights, and prohibit non-natives from trespassing. A law suit on this matter is presently in court (Edwardsen vs. Norton). These lands also have a high agricultural potential. In the case of strip mining the agricultural potential could be utilized the year following cessation of mining.

Beluga (Appendix C - 2(a)) -- This area contains the outcrops of the Cassin and Waterfall coal beds which can have respective thicknesses of 27 and 50 feet. Some sections could contain 70 million tons of coal with a stripping ratio of less than 3 to 1. One township could contain 2.5 billion tons of coal. This is also an area of high agricultural potential, and experimental work has proven that reclamation can be done after strip mining.

In regard to the lands to be given to the State by the Federal Government:

In general, these lands are underlain by Jurassic intrusives that have a low mineral potential for hard minerals, lack equivalent agricultural potential, lack the recreational value, because of inaccessibility, and, if not selected by the natives might still be open to selection by the State.

In regard to the report by Dobey, Welch, and O'Connell:

There are many misleading statements in the report. I find errors in the calculations regarding the discounted cash flow. The Stanford Research Institute has a report issued in 1975 that gives figures that conflict with those of Robert Bottge. Nevertheless, assuming the inaccurate figures do have meaning, should the State give away such valuable revenue producing land?

By a separate memorandum I am requesting the report by Dobey et. al. be kept for in house use and not issued as an open-file report by the Division of Geological and Geophysical Surveys.

MEMORANDUM

State of Alaska

Department of Natural Resources
Division of Geological & Geophysical Surveys

DATE: January 2, 1976

TO: Guy Martin, Commissioner of
Natural Resources

FROM: Gil Eakins, Acting State Geologist

FILE NO:

TELEPHONE NO:

FROM: Cleland N. Conwell
Mining Engineer

SUBJECT: Economic Resource Analysis of
Measured and Indicated Coals
November 28, 1975
P.L. Dobey, J. Welch, K.M. O'Connor

At the request of Gil Eakins, Acting State Geologist, I have reviewed the subject report. I find that the report is misleading, contradicts Alaska Geological Survey open file report #51, is inaccurate and biased. I respectfully request that the report not be published as an open file report under your name and that of Ross G. Schaff. It may be of some use to Mike Smith within the department, but I feel that the quality is too low to justify publications as a Division Report. If published, the report certainly should be reviewed by Ross Schaff beforehand.

MEMORANDUM

State of Alaska

Department of Natural Resources
 Division of Geological & Geophysical Surveys

TO: Michael C.Y. Smith, Director
 Division of Lands

DATE: January 2, 1976

AKSH: Guy R. Martin, Commissioner
 Department of Natural Resources

FILE NO:

TELEPHONE NO:

FROM: Gilbert R. Eakins *GRE*
 Acting State Geologist

SUBJECT: Mineral Analysis of Proposed
 Cook Inlet Land Trade

In response to your letter of December 29, 1975 to Ross Schaff, I requested Cleland Corwell, State Mining Engineer, to review the three newspaper articles by Harold Galliett and again to assess the tracts of lands involved in the proposed land trade.

I concur with Mr. Corwell's assessment that it is not in the best interests of the State to make the proposed land trade. A purely economic view indicates a high potential dollar value of the tracts to be traded to the Cook Inlet Native Association. Large reserves of quality coal are known, agricultural lands are present, and a reasonably good potential exists for petroleum and uranium. In addition, the lands to be given to CIHA have wisely been selected near populated areas and where industrial and population growth may be expected. We believe the potential revenues are very significant and that an attempt to put a discounted cash value on the resources today is not a fair evaluation.

In contrast, the lands to be received by the State in the trade do not appear to have an important mineral potential, are relatively inaccessible, and are not suitable for development.

cc: Ross Schaff, State Geologist

Jan. 1976

The Honorable Chancy Croft
President of the Senate
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. President:

In my State of the State message, I laid before the Legislature the issue of the Cook Inlet Land Exchange. In doing so, I made the following statement:

Alaska's land, perhaps more than the offshore oil and gas programs, hits Alaskans where they live. This administration believes that sound land ownership patterns and practices are important and we will not hesitate to use State power to influence them when in the public interest.

I continued by expressing the further commitment of the administration to take a major role in land decisions seeking to "balance the proper rights of Alaska's Natives with the long-term interests of the entire Alaska public."

Setting forth the Cook Inlet exchange specifically, I indicated the importance of the matter and my desire that it be the subject of thorough Legislative scrutiny:

Perhaps the boldest of these (land) actions has been the Cook Inlet Land Exchange. Controversial from the first, this transaction is as large and complex as the issue it was intended to resolve. Pursuant to a Congressional request, we worked for months with the other parties for a settlement. More important, support for it has grown as its logic becomes apparent.

Now, though not obligated, I am bringing it to the legislature with confidence, having seen it move through Congress supported by our entire delegation. Should you disapprove it, I will not act, but I earnestly solicit your approval.

By now, this issue is well-known to many Alaskans, as it has had extensive press coverage, has been the subject of an extensive public process, has been reviewed by a special Legislative Council subcommittee, and has been the subject of full Congressional review and action.

In spite of this, and in spite of my conclusion that State participation in the agreement is authorized by existing law, I believe full Legislative review is in the broadest public interest on a matter of this importance and scale.

By the terms of the document entitled "Terms and Conditions for Land Consolidation and Management in the Cook Inlet Area", incorporated in Section 12 of the recently passed amendments to the Alaska Native Claims Settlement Act (P.L. 94-204), the consent of the State to the agreement must be given within 60 days of the commencement of the 1976 Session of the Alaska Legislature. I have stated my intent that such consent shall be given unless the Legislature disapproves State participation within this period. Should disapproval occur, I will withhold my consent for State participation.

The matter is thus submitted to you for oversight and policy review, and the attached material should be considered in addition to other public information on this matter and material earlier submitted to the special Legislative Council Subcommittee. Additionally, you have my pledge of full administration cooperation to further explain and illuminate the exchange agreement as your procedures indicate.

The materials attached are intended to permit an orderly analysis of the agreement, touching on the issues critical for Legislative review. In particular, there is a discussion of the considerations that entered into the deliberations, the alternatives as perceived by the State, and the economic evaluations that have been made. Most important, the documents trace the history of public participation and input into the agreement and the extent to which the final agreement reflects concerns stated by legislators, local governments, other Native Corporations and the public at large.

The exchange agreement, the legal and historical conditions which necessitated and permitted it, and the process by which it was formed are unique and critical to an understanding of the entire issue. So is an understanding of the paths not taken, or the consequences of a failure to take such an action. The entire Alaska delegation supported the agreement, and Congress acted to carry it into Federal law. When the bill was signed by the President on January 2, 1976, it placed the matter before the State and I am seeking your review.

In the House report that accompanied the federal legislation on the exchange, the Committee on the Interior and Insular Affairs noted that the document "harmonizes conflicting interest, seeking to adjust an equitable settlement for Cook Inlet Region consistent with the needs of Alaska and the public at large... It seeks to resolve harmful jurisdictional conflicts and arbitrary ownership and conserves for public use lands that should have that status." I agree.

I submit this set of documents to you cognizant of the care, delicateness and thoroughness that has been the hallmark of the evolution of the agreement, and seek your consideration of the land exchange agreement as the final step in this important endeavor.

Sincerely,

Jay S. Hammond
Governor

THE FOLLOWING PAGES WERE TREATED AS
A UNIT IN THE ORIGINAL FILE.

Joint Meeting of the House and Senate Natural Resources Committees
Jury Assembly Room, State Court Building, Anchorage, Alaska
Saturday, February 7, 1976

(tape one)

: ...people somehow feel that the Congress of the United States has the authority to liberalize what State administrators can do with the authority that they have been given by the State Legislature. This is absolutely false; Congress cannot release State administrators from the responsibilities of the State Constitution and State Statutes. Only the Legislature of the State of Alaska can do this. So whatever Congress says or whatever you may think Congress may have said with respect to the supposed amendment of the Statehood Act, it's irrelevant. What the administration can do, must be done within the framework of the laws which you have passed or which you will pass. So in no way is this trade related to what Congress has said or has not said with respect to the section of the recently passed Omnibus Act. I would like at this point, since I believe that we will have a substantial amount of testimony today from interested members of the public concerning one aspect of the trade, that is the trade involving lands in the Beluga area, to have Mr. Ross Shaff explain in a short summary form some of the points that were raised in the document which has been put out as an open file report by the Division of Geological-Geophysical Survey, namely this yellow report which a number of you have and I see Senator Rader reading now, entitled "Economic and Geologic Studies of the Beluga/Capps Area and Geologic Resource Occurrences in the other areas of the Proposed Cook Inlet Land Trade." We feel that this is appropriate at the outset to define a few of the terms and parameters which you may hear mentioned today so that everyone here will be able to understand when a term's used that, hopefully, everybody is using it in the same method. And so I would like at this time to ask Ross to summarize that report.

Sen. Poland: As each of the people speak, we would appreciate if they would give their names and position in the department (IA)

Shaff: Senator Poland and members of the committee. My name is Ross Shaff and I'm the State Biologist and as such, I'm Director of the Division of Geological/Geophysical Surveys of the Department of Natural Resources. Traditionally, our State surveys as well as the United States geological surveys, our main function has been to provide information in part about land areas if possible and to be involved in policy decisions. Since the Cook Inlet State land trade became an issue, our survey has provided as much information to various interested parties as possible including the Division of Lands and the Commissioner of Natural Resources. We thought it might be helpful to the Legislature if we could compile as much of this information that has been submitted to other people into one report and this is a preliminary open file report which I believe was distributed by the Commissioner a few weeks ago. The authors of this report are present here today to answer any of the details of the technical questions which you may have. Actually our interest in the Cook Inlet Basin began some time ago and there are other detailed publications of our survey, Open File Report #51 dealing with coal resources in Alaska in general. And Open File Report #74 dealing with Cook Inlet coals in particular. This Open File Report then is essentially a summary of information that we have access to and would like to share with the Legislature.

(IA -inaudible)

The report is divided into three parts; part one speaks specifically to the reserves that we estimate are present within the land trade area in the Beluga region. This report was done by Don McGee who is here today and he'll answer questions as to how we arrived at these figures and so forth. His best estimate of known coal reserves in the Beluga land trade area only 570 million short tons. The hypothetical reserves within the land trade area, amounts to 2 billion short tons. This does not include the 1.6 billion known short tons in the mental health lands. These figures are only for the land trade area within the Beluga region. I think it is very important that we come to a clear definition as to what we mean by known reserves and hypothetical. We have seen in newspaper articles very large figures without a qualifying adjective to indicate whether they're talking about known coals or hypothetical. There is an established terminology, I say established - generally accepted terminology for known and hypothetical which are the two terms that we've used mainly in our report and I think the easiest way to say this is that in the case of known recoals, we're 95% sure that those coals are there. We are not saying necessarily that the coals are economic, that they are recoverable; we are saying we know those coals exist in a given region. When we're talking about hypothetical coals, we are in the realm of speculation and we are really saying that in our professional opinion the geological setting is adequate for the formation of coals and that it is probable that those coals exists and we must make a few assumptions as to the thicknesses of coals based on very scattered data and arrive at some very broad figures. Actually, this hypothetical estimate will be different depending upon the operator or the investigator.

Part two of our report speaks to the loss of royalty income to the State of Alaska if the Beluga coals are transferred to CIR. The study that we did shows two main things; one is that the income to the State of Alaska in terms of royalty on coals is really a function of the rate at which those coals are produced. Inasmuch as the royalty is based upon ten cents per ton, the royalty may be moved upward or downward, but based on a tonnage factor. Pat Doby is the author of this report; he is here today to answer specific questions on this and to give you some summary numbers of this part of the report - our total estimated accumulative to the year 2025 would range between 84 million dollars and 650.9 million dollars. If we discount those figures at 8% to present day values, we would be talking between 6.5 million and 67 million. If we discount them at 10%, we would be talking between 3.7 million and 42 million as income to the State. This does not include rental fees or lease fees. Now the royalty would be the largest amount of money of income to the State. This is what this study points out.

The third section of our report deals with the other trade areas and here we are more or less in the realm of speculation because of the uncertainty of the actual land that will be traded. I would point out that the third section simply indicates the kinds of resources that we know to exist in the trade areas. Where possible, we give an estimate of known coal reserves or known metallic deposits and so forth. In the other trade areas and in the Beluga-Capps trade area, our estimate is that we are dealing with a total of 895 million known short tons of coal. So that in terms of the total trade, the State would be trading away a total of 895 short tons of known coal. In terms of hypothetical coal, and again the figure of hypothetical reserves are very speculative, we are probably talking about 50 billion tons would be our estimate. We have the figure before us that we would like to have clarified at some point and that is the range of figure for recoverable coal in the trade area which ranges between 4 and 17 billion tons. This was in a newspaper article. We have no idea how this particular figure was arrived at. Actually, when we look at the 50 billion total, hypothetical, we are

not really talking about 50 billion because our estimates for the hypothetical reserves, for example in the Kenai Peninsula includes the entire Kenai Peninsula and we are not including specific townships (IA) in consideration. Just for your information, in comparison to the total hypothetical coals in the State reported by McGee and Oakland File at 51, we're probably talking about 4 trillion short tons of coals.

Sen. Poland: Thank you very much. Are there further questions from (IA)

: Mr. Shaff, could we determine our known likely oil and gas reserves in this area?

Shaff: The report speaks to that very briefly. In the Beluga, as you know, there is a potential for oil and gas inasmuch as we're dealing with a similar geological formation. We do not have any direct evidence that oil and gas exists. We can speak of the potential.

Sen. Poland: Senator (IA)

: I wasn't quite clear on what you mentioned about the mental health land; are they involved in this to any degree?

Shaff: We have... mental health lands are not involved in the trade. I did mention the mental health lands because we do have a known reserve in the mental health lands at 1.6 billion tons. That is not included in the figure that I gave you for the trade area in the Beluga region.

Smith: Just to summarize that, within the Beluga area, 75% of the known coal reserves remain with the State, approximately 25% of the known coal reserves would be available if selected by Cook Inlet.

Sen. Poland: (IA)

: Seventy-five per cent would remain with the State?

Smith: Would remain with the State, has nothing to do with the trade.

: You said that percentage of the known coal reserves. What percentage of what you're calling the hypothetical coal reserves would remain with the State and, of the reserves in that area, what percentage becomes (IA)?

Shaff: I don't have a hypothetical figure for the coal reserves in the mental health lands before me so I can't quickly calculate the percentage. We could do that when we put up - we have a map. . .

: Do you think it's about that same proportion or is it different?

Shaff: Well, he was speaking about the known.

: I know, but do you think that the hypothetical coal reserves, subject to check of your materials that it would even out backwards - same order of magnitude or proportion to (IA) or substantially different?

Shaff: I think staff is working that out right now.

Doby: It's not an answer exactly but we can work that figure out for you. But if we take the hypothetical coal reserves in the entire Cook Inlet region, the State possesses a very large percentage of reserves. The estimates of reserves underneath the Cook Inlet which may be developed some day through liquification are extremely large - up in the trillions of tons. I think Mr. McGee can bear that out. The potential for the entire State is in excess of 5 trillion and again we could bear that out. The State has a huge coal potential in the hypothetical range and there is a lot of coal in the Cook Inlet region that is not involved in the trade. To answer your question, I think the percentage would probably be (IA).

Sen. Poland: Would you please identify yourself?

Doby: My name is Patrick Doby. I work for this gentleman here.

Smith: Pat is one of the authors of the report in front of you.

: Are you determining that because there no doubt will be people here who will testify that what you're calling hypothetical coal reserves may be a little more than hypothetical so any representations you make as to what proportion you think is in or out of the land that is subject to the trade would be important to both what you're calling hypothetical reserves as it would be for what you're calling proven or known.

Sen. Poland: (IA) Representative Cotten.

Rep. Cotten: Mr. Smith, although probably "threat" wasn't the best word to use in - anytime I hear the subject (IA) about what the Federal Government might do. But it seems that the possibility of another Frizzel type offer occurring, that the State does nothing. The evidence of that, it seems to me, to be a - threat maybe is a little bit too large a term - but perhaps you might address your attendant to, in the rest of the testimony, go over what the status of such lands like the Swanson oil fields, the Campbell tract, Point Campbell out there - what would be the status of those if the trade doesn't go through?

Smith: First of all, I would like to say that: when I alluded before to the term "threat", I was tying it more to the wording that occurred in that particular article which said that no other lands would be transferred to the State, as though they were refusing to transfer our statehood entitlement because of this and that's what I was trying to say - that that is not the case at all. With respect to the point you raise now, taking heed of your term that maybe we shouldn't use the word threat but being in the realm of that ballpark, the U.S. Congress has said that they will seek an equitable solution to the Cook Inlet problem. They are aware of what the Secretary offered to Cook Inlet at one point, the quote 'Frizzel' offer. And this of course is what, last year, approximately a year ago, the Cook Inlet region approached Congress to implement, was that offer. And if Congress does - if the trade does not go through and Congress does decide that they are going to legislate a settlement, it's hard to say - our Congressional delegation which asked the State initially to become involved, is aware, I think, that Congress is serious when they say that. I think our delegation would indicate that they do feel that the settlement might not be at all in the State's best

interest. With respect to the particular aspect that you're talking about now, the Swanson River oil revenues, the park lands out here in the Campbell airstrip area, it's very hard to say. I do feel that the State would put up a tremendous hue and cry concerning the oil revenues in the Swanson River. The question about whether or not the delegations would feel that or whether or not they could hold that line in Congress, that's a discretionary judgement. I should say a subjective judgement on various peoples parts. We do know that it was offered. We do know, since the State gets 90% of those revenues anyway, they're not of particular interest or significance to the Secretary because he doesn't get them one way or the other. With respect to the land within the Anchorage Bowl, Section 22-L of the Claims Act says that in implementing the Claims Act the Secretary would not be able to allow any native corporation to get title to federal land within two miles of a first class city. Now, in the agreement in front of you, Congress has waived that right. So even though we're talking about what happens if the agreement doesn't go through, Congress has already indicated that it does not feel that that protection, you might say, for municipality is sacrosanct. They have already waived it once. Of the three areas about a third of the Campbell tract is outside that two mile limit as it existed in 1971 anyway. And I believe Pt. Campbell is completely out and I'm pretty sure that the approximately 255 acres of Pt. Woronzof is also out, certainly it is right on the edge. Now again, how Congress will review those, I don't know. They might decide to protect one and allow the other to be part of an agreement. It's very hard to say. I think it is fair to say that Congress did indicate that if the State decided not to participate in the agreement, which they fully realize is within the States' rights, the State has come into this on their own, that Congress has asked that those lands not be transferred, to leave its options open. And again, that could be read on the face for face value for what you think they meant by indicating that. But it is their land over which they do have control.

: (IA) I understood you to say at the previous meeting that the Frizzel offer wasn't withdrawn?

Smith: The Frizzel offer was withdrawn before Cook Inlet did select it, that's true. I just indicate again, it was an offer that we feel on its face was valid at the time.

Sen. Poland: (IA)

: What is the status then right now of, for instance, the Campbell tract? You say that they waived that provision for this agreement but if this agreement doesn't go through, then the Campbell tract really wouldn't be eligible for selection by CIRCA.

Smith: If the agreement did not go through, it is my assumption that the Secretary will still be bound by Section 22-L. If Congress decides to legislate some settlement, they can do what they want with that restraint. They can allow it to stand or get rid of it. The Secretary would not be able to go around that constraint however. Although as I say, approximately 1/3 of Campbell airstrip, the Campbell tract itself is outside that two mile limit.

Sen. Poland: Senator Orsini.

Sen. Orsini: Part of the study on the economic end of the study involved the use of probabilities of certain lawsuits either taking place or not taking place. Who estimated the probabilities?

Smith: It's a result of a number of discussions. Again, that is something which you could call subjective on any one individual's part. But when you bat these around, you come out with a figure. I guess I was the person who ultimately nailed down the final probability on it.

Sen. Orsini: (IA) consultation with a number of attorneys who will be familiar with the cases, discuss the matter and in your opinion that the different viewpoints that these were the average or most likely (IA)?

Smith: More or less. For instance, with respect to one as an example, the Cook Inlet appeal in court - some counsel has said that the appeal might probably have a little bit less than fifty. Other people who - not necessarily directly counseled here but who have probably a darn good background of what happened in the State and would be knowledgeable - say that it might be as high as, and might even be 70% for that specific aspect of the analysis. So it's hard to say. I think people could generally say that the appeal Cook Inlet has lodged with the Court of Appeals is certainly stronger than their initial District Court appeal. Most people think that it's got a stronger possibility than they had on the first go around.

Sen. Poland: (IA)

Smith: Excuse me Madam Chairman, can I - I would like to add to that. As an early part of this negotiation, something which has fallen out now because the time has changed, the State was offering half a township to each of the villages of Salmantof and Alexander Creek if they dropped their appeals to become villages. A lot of people including a number of attorneys felt that the State was out of their mind because there was no way those two villages were going to win their suit. Those two are now villages. They have selected tremendous amounts of land including State mental health land around Salamator. Alexander Creek has selected land that under the terms of this agreement would come to the State, so it came right out of the State part of what we would have gotten from the agreement. And yet a good deal of counsel and expertise said that they would not do it. They are now villages. So my point is, to emphasize that it's a subjective situation.

: You were giving us some figures on royalty, that figured on present royalty?

Shaff: The numbers that I gave you were based upon two assumptions; that they would continue with the present royalty until the year 1991 at 10¢ per ton. After that the study includes three possible royalties anticipating that the State perhaps - I wish to change its royalty policy and a fixed dollar amount per ton, you would fix dollar per (IA) a ton of coal. We used the package three royalties, 1/3 royalty or 33 and a third percent or 1/8 (IA) 1991 to the year 2025 would change the scenario to a royalty fixed on the cost of coal as best we could estimate the cost of coal in 1991. And we used the Bureau of Mines figures for that estimate.

: (IA)

Shaff: Our agreements were, or our discussions and work in the survey started some time in October. I can't be more specific now on the date than October, 1975.

Sen. Poland: (IA)

: What is this ten cents per ton based on (IA) picked out of the air or based on some rational process or how is it arrived at?

Schaff: The ten cents per ton is the present State policy for the royalty to be received per ton of coal. But where that ten cents came from, I can't answer that question.

: Since time immemorial or is that something more recent or . . . (IA)

Smith: The ten cents per ton figure is a figure which is put into the initial prospecting permit when an applicant asks for a right to go out and explore on State lands. In the cases of most of the major leases in the Beluga area, the value is ten cents a ton. These leases were taken - or this prospecting permits were taken to lease in approximately 1971 in the case of the land trade area; 1972 in the case of other State lands in that area. Which means the prospecting permits themselves were issued say about 1969. At that time, ten cents a ton was a figure that was arrived at within the leasing section of the Division of Lands as an appropriate return to the State. Right now, current prospecting permits, as an example, carry a value of thirty cents per ton. In both cases these are fixed values and one of the results of the report in front of you, one of the recommendations is that setting a fixed value for a period of twenty years is the case, is probably not the best idea particularly in a time of inflation as we're faced with now. I think, as a result of this we can look to a change in this in the future. Because as was queried a moment ago concerning what happens to our economic analysis after 1991 - we hypothesize in the analysis that we would go to a percentage royalty basis, a percent of the actual coal and that would be a much better return, probably, to the State as a royalty on simply because as the price of coals goes up the State would rise with it. We would take a bit more of the risk but we would share in those profits. I might add with respect to that assumption in here, that assumption increases tremendously with some dubious legal status the totals that the State would be trading away in this case. In other words, we have no reason to believe that the leasee would actually allow the State to change to this more favorable status at that time. They have a lease which says that certain cents per ton and they would probably argue very strongly to keep it. So another reason why this assumption is a very liberal assumption for coming up with totals of the value of that royalty to the State, in this case

: (IA) leases of this whole area is involved in (IA) What do you think is implied (IA)

Smith: Under the terms of the lease, as they stand now, they can be renegotiated, or not renegotiated. They will be reappraised after a period of twenty years which would be 1991 in the leases involved here. The lease itself would extend as long as the person pays their lease fees and essentially maintains within the framework of requirements.

: What happens to the Cook Inlet Regional Corporation when they take over this land, they take over the leases too (IA) then they will get to use (IA) ten cents a ton or what happens (IA)?

Smith: If the trade was consummated, Cook Inlet would receive title to the surface and subsurface resources in the area and that would include administration of the lease. They would be bound by the terms and conditions of the lease. If any coals were mined before 1991, Cook Inlet would receive the ten cents a ton. If any coal was mined after that, that would be on the basis of whatever the reappraised value would be under the reappraisal clause.

: (IA) exact definition to the State (IA)

Smith: That's true. As Senator Rodey observed on Wednesday, in a way the State is giving away what we now look at as kind of some poor bargaining in the past as far as fixed royalty rate perhaps or just giving this on to Cook Inlet and they are going to have to worry about the problems that they would have there. We're still going to have the same problems on the three quarters that we retain now.

: Has your department projected the earliest possible development date for the reserves that exist there (IA)

Shaff: Yes. (IA) report we've made some assumptions as to when production might begin and make preparations. (IA) If I can find (IA) I could tell you. We took three scenarios for that (IA) and the most optimistic would be that in 1981 production would start in the trade area of the Beluga (IA) at one million tons per year. And the most pessimistic would be that no production would start until 1990 at half a million short tons per year. The rates of production were geared to accumulative production at the end of fifty years of a hundred and fifty million tons in the pessimistic case and 891 million accumulative production in the optimistic case presuming a production of 21 million tons per year - shows that twentyone million tons per year as it was cited in a report by Stanford Research Institute. However, production rate of 21 million tons per year is almost three times the annual production rate of the largest coal producer in the United States. The (IA) Mine produces about 7.4 million tons per year. So our optimistic rate of production is about three times as optimistic (IA, is not.

: What sort of date would be necessary for full production by 1981?

Shaff: I'm sorry, I don't understand the question?

: If we're going to have coal produced by 1981, then we're going to have to start at...

Shaff: I would assume that they would start with their planning now.

: Now?

Shaff: Now.

: Next week? Last week?

Shaff: Right. Our optimistic is that it would take approximately 6 years, or 5

years to get coal producers...

Smith: I would like to add...

Shaff: These are somewhat arbitrary figures, difficult to (IA) available, etc.

Smith: I would like to add something to that briefly. Two points; one, in the optimistic case we also assume that there are approximately 400 million more tons of coal over there than we know today. We are not quite doubling, but I think it's an increase from 570 to 891 of over 400. It must be about 80% more over there than we actually know under that scenerio. Again, another temendous assumption, which is just that, very optimistic. But, I would like to indicate that this also, the whole report, makes the assumption that the Capps Clacier area, the know coal reserves that would be transferred under the proposal, would be developed first. I think that most people would agree that that will not be the case. The 3/4ths of the known resources that are within the mental health lands that would stay with the State, will nost probably be developed first. It's interesting that the same company that holds the Capps lease also holds a major portion of the coal reserves that will remain on State land and one of their early and most prominent concerns in talking with the State on this, was that they might have to develop the Capps Glacier before the other, the Chuitna field, that would stay with the State, because they are looking at developing the Chuitna fields first and, therefore, every year that development of the Capps Glacier is put off, the present, lost value to the State under the terms of the trade, of course, decreases.

: I understand half (IA) coal (IA) the hypothetical problems that are coming up. You're estimating up to 80% of how much coal is there (IA) 25 million to 42 million. The spread is fantastic (IA).

Smith: Well, that's one of the risks they're taking. They personally are not, I don't believe, looking at that as the crown jewels in the trade at all.

: We have a right to look with suspicion when you're talking about those (IA) involved in this decision here. (IA) hard money figures that are given to us about what values are represented (IA) in this trade. We simply don't know.

Smith: That's a very good theme, I think, that's running through it and what we're trying to present in here are the best ideas on the various scenerios by State experts. Cook Inlet, I believe, values the lands even lower than the State does from the standpoint of the mineral rights.

: One more thing, has anybody from our State people (IA) federal people (IA) looked at this with a better eye than the State has?

Smith: There are other people that have looked at it. I'm sure that they will be before you before the end of your meeting here. As to whether they've looked at it with better eyes than the State, I would withhold that. I would be biased on that question. I think, I can say that nobody has looked specifically at this area particularly recently in trying to analyze the aspects of the trade. But what you have are, as I say from the standpoint of the State's experts, is the best information we can come up with.

: (IA) optimistic assumption for production in 1931. What did you assume to be the use of the coal there (IA) typical or what? (IA)

: (IA) for export not power generation (IA)

: Japanese export or what?

: Probably.

: (IA)

: You have to make an assumption that there's a market for it (IA) what the assumption was.

Doby: (IA) the assumptions actually made were a pessimistic assumption that the coal would not be exported - that was the pessimistic. The first thing that was assumed, that the real pessimistic is zero production, nothing ever happens, which is possible. A catastrophe could arise that we would have no production. We said, or I said, that the pessimistic assumption, and this has been realized by some other people at least in your minds, that the coal would be produced for internal use primarily for electric generation and this type of thing and that's the low end.

Then taking the optimistic, this is the second optimistic, I have a previous calculation that's about half of this much and I talked to a number of people and the technique was to call mines and a number of people and say, 'how quick can you actually come to production?' I keep asking people. And then, 'what do you think the market will be?' and that's a big question. The assumption here is that somebody can absorb 21 million tons a year of our coal which is a tremendous amount of coal. And that's why it's extremely optimistic - if it has to be exported, most likely Japan and the western United States, and that's assuming the western United States isn't going to go ahead and do what they're trying to do and that's produce a lot of coal. So, I think I mentioned in the report that it's very optimistic - it's just about as far out as we can possibly get and the reason for that is that this is probably the best discounted income we could expect to get for the State. I used a 1/6 royalty. I just negotiated what I thought was the best deal we could possibly make and produce a heck of a lot of coal for the whole world as fast as I could do it and that's about what it is. You come down from that a heck of a lot but those numbers, from the people I talked to and it's just plain reason or as much money as they could see (IA)

(IA)

Doby: Thank you.

Sen. Poland: Senator (IA)

: It's my understanding the legislation pending before Congress embodied the transfer of Swanson River fields as well as Anchorage (IA) lands to Cook Inlet (IA). Is that correct?

Smith: If you're talking about the legislation that was proposed to talk about last spring, in other words the old Frizzel offer which was there - that did

include all the things, whether it's pending before Congress, I would say that that's back burner now since we've all come up with a proposal as something that we all felt we could live with. I don't know if it is in Congress, exactly where it is. I would assume it would still be in sub-committee, probably House sub-committee.

: Both houses by Congressman Meeds and Senator Jackson respectively. And sponsored in...

: Certainly in the House by Congressman Meeds. I cannot say for sure in the Senate who it was. Cook Inlet Region might be able to help you with that question.

: It's also my understanding that gentlemen in the various houses have recourse to input (IA) legislature and have they (IA) to push the legislation through and some reasonable settlement of (IA) might be (IA)

Smith: I think that's a pretty set conclusion. Congressman Meeds felt he wanted a 13th regional corporation over some considerable opposition from both the natives of Alaska and others and he got a 13th regional corporation. Senator Jackson, I don't feel I have to say about his power in the Senate.

: (IA) capable that the State must do something to negotiate a settlement that will prevent the transfer of the Swanson River fields which brings (IA) revenue to the State, (IA) Anchorage (IA) prevent (IA) I don't know whether it raised the proper word uses (IA) Point out it seems that they have a considerable hold on much of our natural resources and something has to be done even discounting the possibility of (IA)

Smith: Again I, that's what I meant when I alluded at the outset to the alternatives we're faced with and I concur again. It's hard to say that Congress, in fact, if someone were to ask me, I would say that Congress would probably not pass the Frizzel offer as such because it would impact the State and I'm sure that the Congressional delegation would be out there running interference but they can just throw so many blocks and my point is, I think we could safely say that there would definitely be some aspects of any settlement which would not be in the State's interests. You mentioned a couple of them that the State might protect but they can't protect all of them is what I'm saying.

(IA)

Sen. Poland: Senator (I'

: Most of what you've talked about so far in regard to the Cook Inlet lands that are proposed to be traded under this three-way trade to the Cook Inlet Regional Corporation, what about the other lands that the State would be getting in exchange - what do you have to say about those? I know that they're not only mentioned in the material (IA) reports but if you're going to give a capsule summary of one part of it, you should give a capsule summary of the other part.

Shaff: I can't. I would have to walk through the report and respond in terms of each area we're talking about and give you a (IA) areas of the State.

: We're talking in terms of value in dollars for various purposes - what kind of comments in regard to the (IA) you might (IA)

Shaff: Very few because in those areas we're talking mainly about resource potential rather than resource value. And in the case of the Beluga fields we have known coals and in certain other areas, for instance the Matanusak and so forth, some known coals, so we can speak a little more specifically. In terms of some of the other areas of the State will receive, we're in geological no-man's land essentially (IA) in regard to certain types (IA) problems (IA) proper subject. So that, there is not too much I can say about those lands.

Smith: I think one of the reasons on that is that, with respect to the Beluga area, we're talking about coal which is found usually in, if it's of importance at all, in some type of thick beds in one area and because of the nature of our leasing requirements, before they are leased, we have a good handle on what's there. Secondly, the State does get royalty from coal. If we were able, in some way, to have the prescience to know exactly what minerals were on the land the State was getting, we could put a dollar value on their value. The State gets nothing. We have no royalty, we have no severance tax on those minerals right now so even if we knew what was there, as far as the value, it's kind of unfair because we do not have a royalty or a severance on those minerals where we do on the situation with coal.

Sen. Poland: (IA)

Smith: Well, this was all we had in the way of prepared text because of the request by the Committee that we limit our initial presentation to within half an hour subject from then on afterwards to questioning. We have other members available here pursuant to your request as Mr. Shaff indicated, members of the Geological survey staff and if you have any particular questions to ask, I would feel that as you feel it appropriate to ask, we could then refer the questions to the proper individuals.

: (IA) economics value tables, as I recall (IA) two rates of discount (IA)

Smith: That's correct

: Which of those (IA)?

Smith: I believe it's the 8%.

(IA)

: This is the December 6th memorandum?

Smith: Yes, my December 6th memorandum is based upon the 8% summary that's in this book which, of course, is less favorable to the State than the 10% discount and we ran into discount rates because some people discount higher than others. Industry generally discounts at a higher rate. We felt that 8% was more realistic with respect to what the State returns as an investment on. I should say gets as interest on its investments within the general fund.

(IA)

Smith: I'm not sure but it was certainly an in-the-ball-park figure that we felt more comfortable with than the 10%.

(IA)

Doby: It was the 8%, Mike and I have discussed this. In most cases we kept trying to favor value of the resource and this is a standard economic cash flow calculation and we kept trying to push the numbers - or I did - to look at the most optimistic return to the State because when you're looking at the 8 - so we used the 8% as being a pretty optimistic cash flow and 10% is probably a little bit high with respect to the way we discount or sometimes, with respect, with a State project I would like to discount at 10% - I would like to think we could do that well and I wish we could.

: What about (IA)?

Doby: Well, I'm not an economist and I couldn't tell you that. Probably more than 10%, I'm sure.

(IA)

Doby: I wouldn't know. Sorry, But I'll find out for you.

(IA)

Smith: I would like to interject here that that figure of 8%, as far as a discount rate, it's in the ball park but I think that we may have missed the point if we try to put it against what we're getting within our investment funds where the State has had its general fund monies, and one of the reasons being that a state operates not like a giant corporation. We, whatever we got for this, if somebody was paying us money based upon these, for those lands, or whatever, the State would probably not be putting it into an investment trust fund. The State has other requirements and duties to its citizens of railroads, schools, hospitals, what have you, so that is a return; the capacity of doing something now with that money, not necessarily just whipping it into a bank. But you have to refer that probably to Commissioner Warwick to get an idea what - I should say Commissioner Gallagher - to find out what we're receiving from investments.

(IA)

Rep. Brown: Thank you Madam Chairman. I was not able to attend the Senate Resources Committee hearing again in Juneau on some of this (IA) having (IA) issues (IA) I think still are (IA) but I'm a little perplexed about what exactly really is the Administration's position. Is the Administration's position right now that they are strongly urging us to approve or bless or whatever this particular land trade or are they saying that the Administration wishes not to take a position and wants the Legislature to decide one way or the other?

Smith: I think we can fairly safely say the Administration is definitely behind this bill. We have been in the process of negotiations for going on, or in excess

of, nine months right now and until about three days ago, as Senator Poland mentioned earlier, we had indicated that the Governor was going to consummate the trade and bind the State to the agreement on March 12, and let the Legislature indicate an action definitely one way or the other. That does not at all diminish the Administration's intent on fulfilling the terms of the agreement which we initialed with the other two parties involved and the only reason we will not do it is if the Legislature votes it down since the only other alternative would be that they would confirm the trade.

Rep. Brown: You know, you really do change the ball game an awful lot when on Tuesday one week you're saying you're going to do what you're going to do unless the Legislature says no and now you're saying you're not going to do what you're going to do unless the Legislature says yes. There's a lot of difference between sitting in the Legislature and doing absolutely nothing and passing a bill or a resolution and it seems to me, at least based upon press releases from the Governor's office and reports in the press the last two or three days, there has been a change in position and that now the Governor wants to be almost for something and if any decision is made, it has to be made by the Legislature and if there's anything wrong with the decision, even though it was all generated by the Administration, the Legislature is given a deadline of about three weeks, it's all the fault of the Legislature in the event there is a mistake.

Smith: No. On the contrary. I don't agree with that, Representative Brown.

Rep. Brown: It sure sounded like what the press release said.

Smith: Well, I'm sorry. Press releases aren't always the best method of getting information and I believe that that was the interpretation by the Associated Press which removes it once again from the horse's mouth. I think what is the main point which the Governor has said is that because of the on-going tracking we have done on this, on a legal basis, and because of the amount of effort involved and because of the very large significance of the trade, that we don't want to be in a position of having a trade occur after the Legislature has spent a large amount of time looking at the trade even should they decide under the first scenario not to do anything. We do not want to consummate it with it still what might be a legal could as to whether or not the authority existed. This, as you realize, is one of the reasons why the Governor indicated in the first place that he wished the Legislature to take a look at it indicating that we feel the authority is there.

Rep. Brown: In the first place, my understanding is that the Administration didn't intend the Legislature to take a look at it at all. As a matter of fact, in Legislative Council we were constantly in the situation that we thought we were going to be presented with fait accompli that had already been completely finished before we even began the Legislative session and it seems to me that now, at least the part that was supposed to be direct quotes from the Governor as opposed to a press release or a re-recording by John Greely, who is a relatively competent reporter, is that even in the direct quotes, the Governor was saying that 'I want you to give me the authority that my legal advisors have told me I don't need.'

Smith: To try to sum it up without getting into a political argument, I think the Governor has said, as he did three days ago, that we wish the Legislature to look

at the land trade and the values that it holds for the State, weigh that, look at the alternatives, and to vote up or down concerning it. And that if the Legislature votes up on it, that we are going to feel much more comfortable in consummating the trade with the other two parties than we would have, had the Legislature looked at it and just done nothing. And that, I think, was the purpose in the change of course.

Sen. Poland: (IA) Representative Brown and Mr. Smith, as you know when the Select Committee went to Juneau there was no indication that the Legislature would have any part of the action and we insisted on it and I was very happy that the Governor took the attitude that if he were in the Legislature, he would feel the same way about it. But he has switched horses in mid-stream here and left us in the position of, we must either take a positive action or fail. The other alternative, if we didn't do anything, it was going to go through so you can see where it does give us cause to take an extra look at this. I notice that, I believe it was Mr. Doby who said that he was figuring exports as a market for this coal. Now I realize that your department probably does not have a bunch of economists on hand to give us all the various types of figures but I can't help but wonder if you have taken into consideration if these were converted or used for other performance of (IA), if there were worries to get it out if we, a figure based on the oil equivalent by conversion, has there been any thought to any of this?

Smith: I'll defer those points to Mr. Doby. I will say that the array of possibilities of course, is quite large. It does not matter, under the terms of the scenarios, really what the use is if the use is there. If somebody's going to slurry it out and take it somewhere, if they're taking out 21 million tons a year, it's irrelevant as to what they're using it for as long as they're taking it out in the quantities and under the time tables shown in the chart here.

Sen. Poland: Well, for the next 20 - or since the 1971 leases, but after that there would certainly be a drastic change, wouldn't there - when they start renegotiating?

Doby: The optimistic scenario is the 21 million tons a year - was taken from the Stanford Research Institute study which assumes that the coals would be run through - they have two different studies, but that some type of electric or slurry process would be used. That high scenario, more or less, that could be in there. The market for that amount of barrel oil equivalent within our next period of time is probably not too good in the State because of our own indigenous oil and gas reserves and this type of thing. By assuming an export, it means that really there is a market for it and most people assume that we're an energy exporting State - that most of our energy is going to be exported. But really the use of coal probably will be barrel oil equivalent to some type of a slurry. A lot of people feel that's the way the coal will go out and we have within your report (IA) that we've handed out, we have the Stanford Research Institute report which discusses this type of conversion (IA)

Sen. Poland: We had requested that Mr. Cleveland Conwell of Fairbanks (IA)

Smith: Mr. Conwell is here if you have any questions for him.

Sen. Poland: I would like to have him, I know he's involved in a coal seminar that was held in Fairbanks this year and since this subject is directly involved in the trade lands, I would like to hear from Mr. Conwell.

Conwell: Can everybody hear me? I certainly will be glad to answer any questions. My name is Cleveland Conwell and I'm a State mining engineer.

Sen. Poland: Mr. Conwell, have you ever been asked to give an appraisal of the land involved in the trade?

Conwell: I was asked twice. Once about the 8th of October when I was with Mr. Smith and he asked me if there were substantial coal reserves in the area (IA) said here were and then again on the 31st of January I was asked to make a very quick appraisal of the (IA) valley appraisal that had been made for the Beluga fields.

Sen. Poland: Did the figures that you came up with agree basically with the figures in the report that has been presented to this Committee?

Conwell: I have some very definite opinion of the report that was given. As far as mathematics, I'd say yes, I think they're correct. But there are other...

Sen. Poland: As far as reserves, what do you think?

Conwell: Well, I think it's a little bit misleading, yes. The report, to me, if I was reading it without the knowledge that perhaps I have of it, I would interpret the 10 cents per ton royalty as applying to the trade area. Actually we're talking about 10 cents per ton royalty on one specific lease that was granted in 1971 and that is only on 7,000 acres and that specifically says the approximately 550 million tons of proven reserve coal which was drilled and outlined by Amex Plastic Development Company. Of course, they are now working down in the Chalitna area. And, as Mr. Smith has already point out to you, in more recent times the royalty has been raised - I think he mentioned 30 cents a ton on any permits we would be doing and certainly we have the prerogative, the Director of the Division of Lands, to increase that royalty.

Sen. Poland: Representative Brown.

Rep. Brown: What range of royalty is, what is the widest range from lowest to highest figure that's common or familiar to those people who know the coal business in the United States. I mean, is 10 cents nominal, is it kind of like a magic figure like that 12 and 1/2 over any royalty overtures over oil or is it low...?

Conwell: It's a low historic figure that was used, say, prior to 1969.

Rep. Brown: What other kinds of figures are used by the public, private landowners outside for royalty...?

Conwell: The state of Montana recently has raised their royalty to, I understand, 33%.

Rep. Brown: 33%?

Conwell: 33%. And that's your range. I mean, you were asking for a range (IA)

Rep. Brown: That's quite a wide range?

Conwell: It's quite a wide range.

Sen. Poland: Representative Beirne.

Rep. Beirne: Mr. Conwell, in your estimation what is the (IA) what time frame?

Conwell: Well, I don't think the time frame is so bad in this. Of course, Amex is working on it and they're spending a great deal of money but I think you have to sort of look at the political climate before development actually proceeds. Be sure who you're dealing with and then even if all those were settled, the time frame of actually getting the equipment on the ground, I don't think we would actually have a large scale mining - and I'm talking about 10 million tons or greater - in less than probably 6 years - I don't think we could do that. And I would say that 6 to 10 year time limit for a major operation is realistic.

Sen. Poland: Representative (IA)

: What would you think that climate was (IA)?

Conwell: Well, prime market today, I think, would be for export. I think the markets are there. Well, I know of two markets in the Pacific Northwest that each supply 4 million tons per year now. There certainly is Japanese, have been looking for from 2 to 4 million ton a year markets. And certainly if you go to the coal conversion which is the Stanford Research, you're looking at 100 thousand barrels of oil per day and certainly that will be absorbed into the market with no problem.

Sen. Poland: Representative (IA).

: (IA) expiration? (IA)

Sen. Poland: Mr. Hackett, were you included when (IA) report that was prepared (IA)

Hackett: No ma'am.

(IA)

Hackett: Steve Hackett, exploration geophysicist for the Division of (IA) project for geophysical survey.

Sen. Poland: Are you, you're familiar with the figures that have been given here, do you basically agree with them, with the research that you've done in this field?

Hackett: The area, in a recent geophysical survey, indicates that the Beluga Basin area's quite a bit more complex than had been assumed previously. There is substantial evidence that indicates that here is quite a bit of tertiary sediment in the Beluga Basin north of the Casa mountain fault.

Sen. Poland: What does that mean?

Fishburger: Are you trying to tell me that there's a bunch of dirt that you hadn't planned on finding on top of coal that you thought you might take out sometime? You've got more problems than you thought you had?

Hackett: Right. I don't want to get into a technical discussion but kind of a summary is that the gravity and magnetics in the area indicate that there could be a substantial tertiary sediment which encloses the coal and possibly oil and gas resources within the area of discussion, the trade discussion.

Fishburger: I assume then that the natural question to follow that, is that the six year plan for (IA) production is possibly higher?

Hackett: That's completely out of my specialty, of my realm. I couldn't answer that.

Sen. Poland: Representative Brown.

Rep. Brown: Madam Chairman, following up on Mr. Fishburger's question, at least your statement that you've just given us right now, as far as you know, was not taking into account, or doesn't seem to be taking into account in the estimate study we're talking about here...

Hackett: I believe that this report refers specifically to a coal evaluation and it does mention oil and gas potential but the survey, as such, just used known geologic evidence. The areas that I work in are more in direct evidence of structure and basins and mineral accumulation and it's not, it's kind of an ambiguous science is what I'm trying to say and I don't know why it was not considered in the economic evaluation of the Beluga Basin. Other than that, I can't answer your question.

: I'd like to ask a question, if I could, of perhaps Mr. Hackett. Are you saying that the comment you just made in some way affects the known recoverable resources over there - that we know about.?

Hackett: Right. I think that there's quite a bit of evidence to indicate that there is oil and gas potential in Beluga Basin area that has not been previously considered.

: That wasn't my question. Is what you're talking about affecting the 570 million figure that this report speaks of, of tons of known coals?

Hackett: Yes, it could.

: You mean, it could reduce it?

Hackett: It could make it greater. The basin outline in actual potential or possible thickness for Kenai coal group could be a lot more than had previously been recognized.

: I don't seem to be able to get my question across. This is based on known coal. We're not talking about what may be out there; we're talking about what is

there today. Is what you're saying, if we only know that here's so much now, and you're hypothesizing there may be more, it does not mean that what we have put out here today is not correct as far as it goes.

Hackett: Correct...as far as the coal resources.

: Okay. That, I think, was important because that is not what I understood Representative Brown to ask.

Shaff: Could I attempt to clarify a little. I think what we're stumbling over a little bit is a matter of scale. We're talking about the Cook Inlet Basin that has been fairly well defined by aeromagnetics and gravity studies as well as several wells. Steve's work dealing primarily with aeromagnetic data and gravity data has recently indicated that the Beluga Basin seems to be of larger magnitude in terms of depth and Steve might want to predict that depth from these studies and this report of his in press and he has reported to the Society of Experimental Geophysicists this past fall. We're really talking about a bigger basin. Now, how does it affect the hypothetical reserves? Don correct me if I say this incorrectly, but hypothetical reserves are based at times on a depth of 2500 feet and at other times on doubling that figure. So, in a sense it does mean in terms of the coals, that there may be more coal in the Beluga Basin simply because the basin's bigger than we thought it was. But in terms of the hypothetical reserves and our estimation, it may not have that much effect. So, it's sort of a yes and no answer but it's really a matter of scale, I think, that we're talking about.

Sen. Poland: Representative Smith.

Rep. Smith: I'm having trouble following this tale. Sometimes we're talking about the Beluga Basin and sometimes the Kenai Basin and (IA) differentiate that from (IA) specifically the area he's talking about. (IA)

Shaff: We came loaded with maps.

(IA)

Hackett: The area in question outlines, first of all, the Beluga Basin is on the west side of Cook Inlet, water bound by the (IA) faults cuts across the west side of Cook Inlet and around by Mt. Susitna here, Mt. Beluga, and Mt. (IA) here and (IA) Basin bound by faults and the black dot here represents (IA) myself with a survey a couple of summers ago and (IA) help outline the basin. The trade lands per se that we were talking about are right here in Beluga Lake and what is indicated from summary survey is that it was previously believed that the basin north, northwest of the Beluga (IA) fault was quite shallow, in other words, less than 2000 feet of tertiary sediment and both gravity and magnetic data indicate that there is a 6th section involved possibly up to 7500 feet of tertiary sediment sitting over (IA) right through here and Lake Beluga and in summary to just indicate the technology previously suspected and there is a lot of various potential, I think, just a larger basin than previously recognized. Does that help answer or clarify in very generalized terms.

: What does (IA) on the map?

Hackett: Kenai (IA) Anchorage is right here Bar Island, (IA) Island, this area right here, Beluga Basin is about 600 square miles, it covers about 600 square miles of the tertiary basin per se.

: Where's (IA) go on that map?

Hackett: It's right here.

: You said that an area (IA) in the middle of that is one of the areas that is the subject of the trade that is proposed, is that right?

Hackett: (IA) trade is sitting in the middle of the basin.

: I'm trying to spin my head back and forth and look here and there and back again.

Hackett: This yellow outline here is outlined on this gravity (IA). Recent production, oil and gas production, is associated right here (IA) bay. Right in here, Cook Inlet Basin is defined by this gravity low right here.

: If (IA) basin is larger than you thought it was, how does that, only a portion of the basin apparently is involved in the proposed trade...to what extent does that change the assumptions that have been used by those who have looked at the trade lands and estimated their value?

: On that question, I think the analysis of the coal subject based on the upper 2000 feet of sediment, in other words, that was considered to be economically feasible to mine. The point being that (IA) there is also oil and gas potential in the area and also the basin covers a larger area (IA) than previously considered.

: You mean within the trade area, is that right?

: The trade area is still the same (IA) I don't believe I can answer your question.

Smith: Mr. Chairman, I believe that Mr. Doby would like to add a comment.

Doby: Let me put on a couple of different hats. This is my geophysicist hat. I am a geophysicist by trade so I understand a little bit about gravity and then I'll also put on my chief petroleum geologist's hat. But first I'll put the geophysicist hat on. I've got a coal hat sticking out here too so if I get confused, you'll know what's going on. I just talked to Mr. McGee and within the value of the coal in the geographic area of the trade, there's different assumptions, but with the economics we're looking at, we're assuming about 500 feet for strip mining and we're looking at strip mining, really, for economic reasons for this quantity of coal, producing this coal within 500 feet and certainly the deepest is 2000. Now, the gravity can tell you the thickness of a particular section of rock and we're talking about sedimentary rock of tertiary age, which is young, and what we find in the coal in here. Now, Mr. McGee had a report of '74 which calculated that coal underneath the water of Cook Inlet, we had 15 or 20,000 feet of the same kind of rock and we had trillions of tons of coal in it. But with respect to this particular trade, the actual thickness, whatever gravity, the variation of thickness

in terms of the trade doesn't really have a bearing because we're only mining the upper, economically feasible part of it - that's the coal. To answer your question, except for the edges, (IA) 50 foot on the edge, we don't know, but I mean, except for the edges as the basin increases, it shouldn't have much bearing if we add another 5000 foot because the calculations then, within this period of time, 50 years, we can only mine so much coal at a strip mining rate as fast as we can get it out if the market will take it. Now, the oil and gas, I have nothing - anybody can take their best guess at the value of the oil and gas there. It's been there a long time - there's quite a bit of information (IA) from whatever else, I can't answer that. Generally, I can say is, again as a chief petroleum geologist, the relative value of that land - it hasn't been exactly very high in the past. I mean, there could be oil any where out there but we simply haven't seen much activity, much discoveries, much luck and data doesn't indicate that it's what we would call high potential petroleum land and has not been rated as such by ourselves.

(IA)

: Question for Mr. (IA)

Sen. Poland: Representative Rhode.

Rep. Rhode: In other words, if you've got, let's say the coal ceiling was 10,000 feet deep, it doesn't mean anything, say, below 2500 anyway (IA) we mine it.

Doby: Pretty much in the future. The problem is we're looking at here, primarily at this time, strip mining, scraping it off to get to it, because we've got to have high volume production to equate the transportation costs and the costs of mining it here and with that type of production, of course, the deeper you get, the higher your costs and frankly, most people I've, at least according to Mr. McGee, you're looking at 500 feet for the economic projections we have. We're looking at economically mining the shallower coals now. Sometime far off in the future it's possible that deeper coals might become economic someday but it's always tough up here to think about, of that potential (IA)

Rep. Rhode: One more question: coming back to this ten cents a ton oil lease, then, the determination of the ten cents could easily be based on the, say, the feasibility of getting the coal out, would it not be that near salt water were easy to mine, the royalty would be, say, ten cents or way up in, say, the coal country or something (IA) it really wouldn't be worth anything, would it?

Doby: That's true. Actually, the paragraph in the report, the whole principle of assigning a constant monetary value for a royalty, like 10 cents, just is not done anymore because of inflation. We're living in an inflationary world and I discount that 10 cents, that dime, at the end of ten years is worth a penny or two and the rate royalty, a percentage royalty like we have on oil and gas of 12 1/2%, but this you take a little bit of money and you pay a little bit of money and that's...the ten cents a ton is just, I said it in there, is just not very darn good, it just stinks, to be quite frank. And I hope that we don't use that type of approach anymore.

Sen. Poland: Representative (IA)

: Who did you say you work for again?

Hackett: I work for the Geological/Geophysical Survey.

: That's the State?

Hackett: Right. It's part of Natural Resources.

: Do you agree with Mr. Doby's assessment of the possible future production of oil and gas in the specified area there?

Hackett (IA) previously, these statements right here other than all the wells, all the deep wells that are around the (IA) Lake faults or (IA) in that area so the only deep control we have in Cook Inlet Basin is out of Beluga, the basin per se. These new gravity stations here, (IA) this helps to find the gravity field in the area and very strong (IA) this area has been overlooked by companies and by the State as possible petroleum (IA).

: So you disagree then?

Hackett: Right. I think that the reason why there hasn't been any interest here before, we had no data to, or (IA) of the area other than the activity down where Paul Gaston was.

: You just did this, these gravity studies and so forth last summer?

Hackett: Summer before last. The project (IA). So, I don't disagree with Pat's conclusions there, other than this evidence indicated that there is additional possibilities that have never been recognized before (IA)

: You completed your analysis much more recently than the time that you did the survey (IA)

Hackett: No, this analysis has been in preliminary form but, to my knowledge, it was in our division since last year. I gave a talk in Denver in October summarizing the study (IA) exploration (IA)

: Mr. Hackett, do you have anyway of determining the potential for oil and gas?

Hackett: The only way that this type of data can be expanded (IA) drilling and the same thing with any other speculations, coal (IA), the only way that we can really get a grip on any analysis of the Beluga land trade is to actually get in there and (IA) what's there. A lot of the tools that we use for surface geology and a lot of geophysical/physical properties to project what's there, the only reality we could (IA) from drilling.

: Thank you very much.

Sen. Poland: Excuse me, Representative Smith had another question.

Rep. Smith: For Mike Smith. Mike, do you know offhand if any of this land is under oil and gas lease at present?

Smith: I'd have to defer that. I believe my mineral leasing officer, Detoro Denton, is here at the moment. I believe that most of the area of interest is, as was just indicated, much more coastally oriented in the areas where we have the two known existing fields, the Nicholia and the Beluga gas field, but I'll have to check.

Sen. Poland: (IA) anyway, would you come forward please? Representative Smith had a question here?

Rep. Smith: Is this area under oil and gas lease now?

(IA)

Denton: I'm Detoro Denton with the State Division of Lands. I'm not sure. I believe that a part of it is. I expect some mixed status. We've had a lot of leases terminate in that area recently. Expiring or terminating. I haven't looked at it with that in mind so I can't be sure.

Sen. Poland: Mr. Denton, were you involved in the firming up of the, I realize you're not involved in the policies, but were you brought into the discussions on this land trade?

Denton: In a very limited way.

Sen. Poland: Were you in from the beginning?

Denton: The first contact I had with, was at about the time the proposal was made public, a few weeks before that.

Sen. Poland: Do you see any problem in the difference of management between the State or private ownership?

Denton: You mean as far as the development of the resource goes?

Sen. Poland: Yes sir.

Denton: Yes. It's always easier and better if you have the land under one management.

Sen. Poland: And part of these leases would be under the State, those that are not involved in the land trade, and the other part would be under a private corporation with the set-up that we have right now if this trade were consummated.

Denton: Yes ma'am.

Sen. Poland: Are there any further questions? Representative Beirne?

Rep. Beirne: You mentioned that several of the leases were terminated. Is there - part of the termination is because they realize that (IA) region potential is not there and would feel at this time, this is a second question, we know more or less about potential leases than at the time those leases were (IA)?

Denton: Now we're speaking of the oil and gas leases terminating?

Rep. Beirne: Right.

Denton: I would say we know more but leases terminate under a variety of circumstances; one is that they abandon them, another is that their time runs out and they haven't got everything put together to spend the money to explore them, and it's a common practice in the areas that are being explored in the State now, this is something that happens all the time, is re-leased and re-leased and...

Rep. Beirne: (IA) they are (IA) to re-lease them, that's correct? (IA)

Denton: Yes ma'am.

Sen. Poland: Representative Rhode?

Rep. Rhode: That was my question, thank you.

Sen. Poland: Thank you, Mr. Denton. I would also like to hear from Mr. McGee who was, as I understand, was one of the authors of the book.

McGee: My name is Don McGee. I'm a member of the State Division of Geological/Geophysical Survey. Mr. Ross is my boss here.

Sen. Poland: You were, as I understand it, Mr. McGee, also working on the report that was prepared and presented to the Legislators with regards to the reserve?

McGee: Yes ma'am.

Sen. Poland: Were you involved in the negotiating, not the policy, but again, the preparation for the negotiations of the land trade?

McGee: Yes.

Sen. Poland: Early on or...?

McGee: In October, just before the announcement to the public in the newspapers.

Sen. Poland: And you, I take it, agree with the figures that are in the book - do you feel that they are a complete picture, that we're in a position to make profit judgements is this one of the things (IA)?

McGee: Yes. I think the figures are probably as accurate as we can make them (IA). Again, I want to emphasize that when we talk about known coals, we're talking about coal that has a high probability of being there. Hypothetical coals may have a plus or minus value maybe as much as 50 or even 75% - the best guess we have based on our present knowledge.

Sen. Poland: Representative Smith.

Rep. Smith: I have a problem with this scale still, Don. When we talk about the known reserve, I assume they're in the area that's pretty well defined here. Does that same hold true for hypothetical reserves, that when you find a hypothetical value, do you look at a whole valley or...?

McGee: No sir. The hypothetical value, as we mentioned here, are those values

within that area.

Rep. Smith: Roughly within the area outlined by yellow here or...?

McGee: Yes, within the area we're talking about, the land trade area. If we go outside the area, we get much larger hypothetical reserves, much more area's involved.

Sen. Poland: Are there any further questions? Mr. Smith?

Smith: I have a question, I might, or a couple, I might ask Mr. McGee while he's here to bring out for the Committee, particularly as alluded to earlier by Mr. Shaff on some of the reports we've seen floating around in the papers concerning the various amounts of coal to be found and Mr. McGee, I know, is aware of some of these and I would like to ask, without getting into specifics, but do you feel that, your estimates as published in this report here, that, say, some of the amounts of coal and tonnages that have been quoted in the newspapers, do you feel that these have reasonable bases on which to use estimates following the work that you've done, this type of work in that area?

McGee: This is terminology. In the paper, the tonnages mentioned were mentioned as recoverable coal; I don't know what the word recoverable means. To me, it means what I would call known coals, coals we can extract within a reasonable economic picture. Hypothetical coals may, at some time in the future, become known coals for reason of drilling 17 (IA) and etc. But at the present time, they're not what I consider recoverable coal. So we're talking about two different things; we're talking about the coal (IA) and the coal that may be there.

Sen. Poland: And you feel these figures, there may be a combination of the two?

McGee: (IA)

Sen. Poland: Recoverable. Do you feel those were put forth and that they're a combination of (IA)?

McGee: I think they're too high to be called recoverable coal. They may become a hypothetical and a known coal (IA) combination (IA)

Sen. Poland: Representative Brown.

Rep. Brown: Thank you, Madam Chairman. Smith, when did you first become involved in the subject at hand?

Smith: The subject being?

Rep. Brown: The entire subject, the subject of the land trade. When were you first directly involved in discussions relating to it and what land would be included or not included?

Smith: I would say just about a year ago, almost to today.

Rep. Brown: And how would other people within your division answer that question. Mr. McGee has just said that he became involved shortly before the matter got into

public press in October and at least another member of that same division said the same thing. How many members of your division were involved in these discussions?

Smith: Well, you mean involved in the actual discussions with the three parties?

Rep. Brown: Or participating, whether they were participating as advisors of the represented the State or whatever.

Smith: Oh, at one time or another, I would say there were several people involved. As to when, most intense, I say intense when we really began under the initial congressional deadline of approximately mid to late May, there were people involved, discussed at various lengths, not in any great detail, but it would include the staff, with (IA) backgrounds. I had talked to Mr. Denton on one or two occasions, again, not in great detail. Whatever other resources we have, our land people, our planning department.

Rep. Brown: It just seems very strange to me, we've already had two people with quite a lot of expertise who work for the State say that they did not become involved in these matters until a matter of just a couple of weeks before it got to the public press. Now, the way I interpret that, you know, I can only interpret this is that a policy decision was made first and the defense of the policy decision was put together afterwards including getting all the technical support. At least, that's certainly what it sounds like.

Smith: I couldn't agree with you more, Mr. Brown. If you have taken the time to read some of the information that I believe was passed on to you by the Governor, you would have seen that the final decision to go on this was not made until sometime after the 6th of December and...

Rep. Brown: That certainly was not the way we heard it on Legislative council.

Smith: Well, I don't know how you heard it in Legislative council. Since the State did not enter into any agreements until after the 6th of December, I don't see how you could feel... I would like to explore that, there seems to be some problem here. I'd be very happy if somebody would show me where the Administration committed itself with respect to the land trade until early December in Washington.

Sen. Poland: I think you're playing with semantics. It was published on about (IA) 29th of September and announced a public hearing on the 3rd of October and when we went down there, Representative Smith and Senator Rader...

: That was November, wasn't it?

Sen. Poland: Early part of November and...

Smith: May I ask...

(tape three)

Smith: ...when the decision was made. Now, I think it's very obvious that the proposal which we have right here today that was made public on the 1st of October,

is very, very different from the agreement that was finally negotiated and agreed to in Washington D.C. I will stand up and say that the Legislative Committee, Select Committee, of which you are a member, was told at that time that some very significant changes had been made pursuant to the public announcement and public presentation in early October, which, of course, was a specific reason why the Administration went public, was to get the information and the ideas of the public. The memo transmittal said, dated December 6, lays out in two or three pages what that public input was and precisely how the agreement document was changed. Among other things, the six townships involved in the Beluga area which contains the other 75% of the known coal reserves were dropped. Now, if Mr. Brown wishes to say that that was not a change, that the Administration had made up its mind before that, I would just let the Alaskan public look at those two things to make the decision.

Rep. Brown: Madam Chairman, I didn't intend to make Mr. Smith think that I was cross examining him. I was asking questions and just drawing conclusions from what seemed like the answer to questions had been. I still think, you know, I think I might well end up when push comes to shove, voting for the bill that now the Governor says we need that we didn't need a few weeks ago. But I still just have the feeling that there's an awful lot about the whole way in which this was done, is something I just don't like and I don't say - see that was but that's just a suspicion. Maybe this isn't a forum for suspicions but, you know, if he thinks I'm throwing spears at him, I'm not.

Sen. Poland: I believe that's taken care of all the people you had here without (IA).

Excuse me, Representative Rhode, did you have a further question?

Rep. Rhode: No. I thought maybe we were - I was going to ask unanimous consent for a ten minute stretch.

Break.

Sen. Poland: Professor Wolf. We've turned the table so we hope that you folks will be able to hear better. We were unable to get a microphone.

Wolf: My name is Ernest Wolf. I am employed by the University of Alaska (IA) Research Laboratory. I hope that the Committee is not disappointed in my testimony because how much you like (IA) more information (IA) or which you have already gotten or might get better from these other people. I'm no expert on this coal trade or land trade here. I know I've been asked because I've thought a lot about the land situation in Alaska and the resource situation in Alaska and in the country and in the world. (IA) pipeline and the (IA) coal industry will also have to come here (IA) Washington to further make a deal (IA). A very short statement which I have (IA) to the Chairman and he asked me to just read this. It is a very (IA) broad statement and it touches on one aspect of the proposed trade:

"The land along with its resources in Alaska is one of the most important heritages that all people of the State have for individual benefit, as well as for providing a strong economy for the State. The land trade, as proposed, and as I understand the situation, would take State land that has mineral potential and place it in Native Corporation ownership. In return, the land that the State will

obtain has value for surface products (IA) which are less valuable than the wealth represented by the coal potential. The mineral land, if held by the State, can be leased to private industry. As provided for by the Settlement Act, a portion of the State's income from this land will go to each of the native corporations. The remaining portion of the mineral royalty receipts will go to the State for the benefit of all people of Alaska. Thus, in my opinion, the State should retain as much of its mineral resources as possible and make such resources available to the private sector for exploration and mining - which in the final analysis, will be for the good of all people of the State and the Nation."

My own statement of this and I might add a little for a statement that the mineral (IA) surface land (IA) cooked up by (IA) laboratory (IA) Fairbanks (IA) quadrangel which has been pretty well mined out (IA). Now if you want to adopt these (IA) northern (IA) cost the public an equivalent amount (IA) agriculture and 3/4 of you who think that's (IA) 47 years. (IA) at any rate (IA) 50 years anyway. Now I don't have a prepared statement. I've got down a number of observations that I've made about this (IA) which we've been hearing about today. First, I think that with all the insights the economists (IA) the economy studies that have been made. (IA) I think we're (IA) in fact, we've been talking about 8% and 10% (IA) present value (IA) gold return (IA) land economy (IA). We've got these other things which (IA) land (IA). Too many labels to really get down to business (IA) ten cents a ton and 33 and 1/3%. We've got inflation, all kinds of things and if you look ahead (IA) present value (IA) things is practically zero. Certainly (IA) resources will be zero if we consider that (IA) subsidy but before the land (IA) in 1956 the resources of Alaska had no dice. You couldn't get across (IA) file for (IA), And I submit (IA) again. (IA) but before (IA) in 1966, of Alaska (IA) again, the surface value (IA) drops very rapidly. The problem is (IA) back off (IA) land and we don't have to be economists or engineers (IA). But the basis of all production and the basis of all (IA). We're talking about land (IA) land (IA) of gold or recreation or climbing or whatever you want to do. The other thing I think we should say is that, as an old mining friend of mine used to say, everything we have comes out of the ground or off the ground. (IA) We've got to have land in order to keep up our agriculture potential and that's all that's standing between us and disaster right now. (IA) our farmers (IA). In order to have mining, you're going to have to have energy. (IA) of our civilization and our cultural attainment. And we're running (IA) consequences (IA) people throughout the State, right off the bat (IA). I don't care what the present value of coal is. It does supply (IA) people of the State and the nation and maybe the world (IA) pass through to the State. Now (IA) from the State's standpoint (IA) mining geologists and mineral economy (IA) one of the things that we don't seem to think about is that (IA) study reduces by an equal amount the potential (IA) and the result of this in this context is (IA) State (IA) known coal reserves decreases by that amount the potential for future discoveries on State land (IA) mining engineers on State land than we've got right now. Another incidence of high (IA) of discovery and development of mineral deposits (IA) takes longer to find than to develop. (IA) critical factor (IA) requires not related to discovery (IA) raise production (IA) rate of production and the result is (IA) state land and reserves. (IA) down the road somewhere (IA) We've got a few hundred pounds of (IA) here. I believe the price, I think we could say (IA) royalty would be the only loss to the State. (IA) Matanuska field (IA) we're going to have to have (IA) probably that first (IA) the corporation (IA) native lands (IA). We've got to realize that we are (IA) and we've got to take care of those needs first and then we can take care of the recreational needs and the environmental needs and the spiritual needs and so

on (IA) got a contract, they had a contract with the Federal Government (IA) several times (IA) Federal Government (IA) contract (IA). Thank you.

Sen. Poland: Are there any questions for Mr. Wolf? Representative Brown.

Rep. Brown: (IA)

Sen. Poland: Representative Rhode.

Rep. Rhode: Dr. Wolf, you mentioned in Dr. Breistline's statement there's, he felt that private industry was being asked to develop these resources particularly coal (IA). It was my understanding that if this land trade goes through and the Beluga coal fields wind up with the native corporation, they are considered private corporations and (IA) private industry was an efficient way to be developed.

Wolf: I think what Dr. Breistline meant there was that either way it was going to be developed by private industry (IA) incorporated (IA) private industry (IA) developed (IA)

Sen. Poland: Representative Brown.

Rep. Brown: Thank you Madam Chairman. Mr. Rhode said, you know, at least it seemed at the beginning of our statement that you're implying that if the land trade goes through, that the State would then lose the benefit of ever developing the resource at all. Of course, Representative Rhode questioned your answer, points out that's not really the case. I'm sure that, you know, and that there are economically feasible lands to develop in these areas and they're going to be developed whether somebody has a lease from the state or somebody has a lease from a private corporation or a native corporation or any corporation at all. So I would disagree with those implications at the beginning of the statement. That's all I have to say.

Sen. Poland: Representative Anderson.

Rep. Anderson: You say you work for the University of Alaska?

Wolf: Yes.

Rep. Anderson: And is this the University of Alaska's position of this?

Wolf: (IA) to that. I was asked to attend this hearing. I got a letter from Senator Poland. I think that I can say that much of what I've said might reflect (IA)

: I don't see why they should be involved anyway.

(IA)

Sen. Poland: (IA) Thank you for testifying Professor Wolf. We have one gentleman here who has to catch an airplane and he has asked me if he can testify at this time and I'll ask those that are having to wait to bear with us. Mr. Bill Waugeman.

Waugeman: My name is Bill Waugeman. Can you hear? I'm president of the Alaska Miners Association. I've been a coal miner in Alaska for 25 years. I'm one of the last of the breed. I think I know a little about it, at least I should. I have tried to analyze the situation as carefully as I can from various and sundry viewpoints and I, for one, and the Alaska Miners Association's position on this is that this trade (IA) regard to the coal land itself. Actually (IA) it's over the mental health lands. As far as I'm concerned, that should go too. What the people in Anchorage don't realize, I'm sure, some of these days, and it's not very far off, the Federal Government's going to come up with a fuel policy. When they come up with that fuel policy, it's not going to be good for the oil producers in the Anchorage area. It may not even be very good for the home owners as far as their heating facility is concerned in their homes. We have been using a high quality fuel in our boilers in this area ever since gas was struck at (IA) inlet. We've been using gas in our homes, too. Now this is a high quality fuel that should never be used in a boiler and my personal opinion is, and it's the opinion of many other people in the United States, that it shouldn't be used in the home. We have billions of tons of coal in the Beluga field as well as in the Nenana field and the other coal fields around here. And this is the kind of fuel that we should be using for boilers. So, it appears to me that one of these days that fuel office in Washington D.C. is going to finally come to the conclusion that they're going to have to write a policy and that policy regardless of the public (IA) something like this. Any place that has coal available will utilize that for their own heating and their (IA) and any other place that they can utilize that fuel. And oil and gas is going to be reserved for a better and higher use. Now, as far as the Alaska Miners Association is concerned, there are some other areas in this area with regard to hard rock minerals that I'm not going to touch on today. I'm just going to talk about coal. When you analyze that Beluga coal field, and I've prospected in there for about a week 25 years ago, 24 years ago. I didn't think too much of the field because it's too far away from transportation and too far away from the market. Our Administration, our State Administration, with it's no (IA) policy has turned off practically all of the investors, especially the mineral investors, in Alaska and if anything is going to be developed in the way of coal or minerals in Alaska, it's going to have to be done by local people. We had our oil for sale and the outfit that was interested in it, decided against it. I know one of the contributing factors was the fact that they didn't like this political climbing of the ladder. We need cheap power. It's a cold country and we need cheap heat. We should have utilized our coal resources. Now, frankly, it is the policy of the Miners Association to get as much of this land into private hands as possible. Although I thought the Native Land Claims Act, of 40 million acres, I can now see where I made a mistake. Unless we get more land into private hands in Alaska we're going to be a poor people. The only thing that makes wealth is natural resources. About the only natural resource we can develop in this country is the coal resources which we'll utilize ourselves and our precious metals. Why do I say the native corporation should have it? Since the State has turned off the biggest part of the potential dollars that would come in and develop our State, the only people that are going to have enough money to do this is going to be the native corporations, so if anybody (IA) these park lands (IA) is fuel, it looks to me like it's going to be the Cook Inlet Region, and I think the people in the Anchorage area should be encouraging, and I, for one, think it's a good idea. Thank you.

Sen. Poland: Thank you, Mr. Waugeman. Any questions? Representative Beirne.

Rep. Beirne: Mr. Waugeman, when you're talking about cheap energy, if the reason you believe that here in Alaska that coal would be any cheaper than hydroelectric power, you could put (IA) or out in some of the remote areas that (IA)

Waugeman: I'm glad you asked that question because that's one of the things I'm going to touch on. We put a few figures together on the Devils Canyon Dam deal, and we estimated that we could build a power plant (IA) developing the same amount of energy for just the interest cost on that project, basically the interest that we (IA). So the question is, yes; not only yes, but definitely yes, much cheaper. That construction cost has gotten pretty high.

Rep. Beirne: Madam Chairman, could we have the (IA)?

Sen. Poland: If Mr. Waugeman has the ...

(IA)

Waugeman: (IA) background material? I don't have it with me, but I can work it up for you very simply.

Sen. Poland: If you could send that to us in Juneau...

Waugeman: Sure.

Sen. Poland: Wednesday we're going to be having another hearing on this trade and we'd certainly welcome it.

Waugeman: (IA) done by a consulting engineering firm (IA) by a couple of our engineers.

Rep. Beirne: (IA)

Sen. Poland: Representative Osterback.

Rep. Osterback: Madam Chairman. You said it won't be too long before we'll get the bill from Washington D.C. saying that we can't burn fuel, gas in our homes?

Waugeman: I predict this to be true, yes.

Rep. Osterback: How many cubic feet (IA) home (IA) gas (IA) or whatever you're using?

Waugeman: Well, we're exporting that in the form of a product. We're manufacturing that. We're getting the benefit of the manufacturing profit on that and the utilization of our own manpower.

Rep. Osterback: But you're trying to tell us that we will still ship it over to Japan but we'll be outlawed to use it in our own homes. Nobody's going to give it to us, we'll have to buy it. But we're going to burn coal and let them burn gas.

Waugeman: Well, I don't know what (IA) contract already been let on (IA) this

sort of thing. All I'm saying is that gas is too good to be used for heating purposes. When you have a requirement for this high quality element for the purposes of (IA). There's darn few substitutes for gas, for petro-chemical (IA) and if we have a substitute (IA) substitute (IA) that's coal. Now what is wrong with building a power plant that can furnish you with electricity to heat with?

Rep. Osterback: That's not the question, the answer to the question I asked. We're going to outlaw ourselves through Washington that we can't burn gas but we're still going to ship it to Japan and what are they going to do? It's too good for us to use, but it's fine for the foreign countries?

Waugeman: Well, Japan uses it for heat because they use it for petro-chemical use?

Rep. Osterback: That's the question I asked you.

Waugeman: I don't know. I'm just saying, all I'm predicting is what I think the Federal Government is going to do with regard to a fuel policy for the United States. After all, we don't have 15 (IA) of gas return (IA)

Rep. Osterback: Thank you.

Sen. Poland: Representative Huntington?

Rep. Huntington: I have to kind of disagree with you on your use of coal potential on the basis that environmentalists seem to be pretty successful in blocking all uses of any kind of energy that has a puff of smoke to it.

Waugeman: Well, actually, when you take the analysis of the coal in the Beluga field and the Nenana field and well, those two main fields which are both accessible somewhat to the rail belt (IA) The sulfur in coal, in the coal, is low enough that they will meet the standards very easily. So the initial standards, to be exact, are no problem.

Rep. Huntington: Thank you.

Sen. Poland: Representative Brown.

Rep. Brown: Thank you Madam Chairman. Mr. Waugeman, you indicated that you thought that the resource more likely to be developed was (IA) a good portion we're talking about (IA) regional corporation (IA)

Waugeman: Well, I've - the State, I hope, will never see (IA) they would turn it over to somebody else.

Rep. Brown: I realize that, but I'm saying in that you (IA) way you introduce yourself (IA) you apparently, feel that it's more likely to be developed, I'm just asking...

Waugeman: Yes, it's much better (IA) Cook Inlet. What I'm, what I really meant to say was I can see a great possibility of the Cook Inlet Region going into (IA) Now if you're going to build a power plant (IA) and put in full (IA) the only way you can go with that outfit is to have them own their own coal mine. We can't be dependent on somebody else for the coal. So (IA)

Rep. Brown: I notice that electric rates in Fairbanks is (IA) recently (IA) oil company that did not own coal resources.

Waugeman: Well, that is not the problem in that town. (IA) increase, that surcharge on fuel is for oil, not coal (IA)

Rep. Brown: I was, if you like playing games there a little bit, but at any rate I have, after showing all the disputes (IA) the Administration from earlier questions, I'd like to at least point out one thing to you. You were talking about the discouraged attitude of the people and miners and that (IA) in developing an industry (IA) requirements of the State and the attitudes of the Administration. I hope you did know that I did, at least on one issue (IA) the Administration did withdraw the sale relating (IA) to the mineral (IA) act.

Waugeman: Reluctantly.

(IA)

Waugeman: I like to be nice, too.

Rep. Brown: That's all I have to say.

Sen. Poland: Thank you Mr. Waugeman. Now a gentleman who's been most patient, the president of the Cook Inlet Native Corporation, Mr. Roy Huhndorf, and his attorney, Monroe Price.

Huhndorf: Thank you. Chairman Poland, Chairman Anderson and members of the Committee. My name is Roy Huhndorf and I am the President of the Cook Inlet Region, Inc. I had planned to give more than a blanket talk today but knowing that you're pressed for time, I shortened my presentation. The Cook Inlet Region Corporation consists of more than 6000 native shareholders.

Sen. Poland: Mr. Huhndorf, in all fairness to you, we think that we're going to be able to get a building for an additional four hours tomorrow and I hate to see you cut your testimony unless you feel that you can do so without harming your presentation.

Huhndorf: I will be happy to answer all questions that you may want to ask and perhaps continue with my presentation tomorrow?

Sen. Poland: You go ahead and take all the time you want.

Huhndorf: The Cook Inlet Region Corporation consists of more than 6000 native shareholders, most of whom are residents of the State of Alaska. I welcome the opportunity to appear before you to discuss the document entitled "Terms and Conditions for Land Consolidation and Management in the Cook Inlet Area."

I come here as part of a long journey, a journey to secure for the people of Cook Inlet Region their land entitlement under the Alaska Native Claims Settlement Act.

The land that Cook Inlet obtained under the Alaska Native Claims Settlement Act is its birthright. We must protect that birthright. If we failed to protect that birthright, through inside selection of lands, the historical claims of our people might forever be lost or slowly reduced to nothing. The Region would be taxed out of existence shortly after 1991. There would not be a viable corporation.

In 1972, after the Act was passed, the Secretary withdrew what was mainly

mountain tops and glaciers for the Region. The State had already patented most of the low-lying land in the Region. Virtually all of the remaining low-lying land was committed to the State by the Secretary of the Interior in September, 1972 when Alaska vs. Morton was settled. This was done without consultation with the Region even though our interests were substantially affected.

The State had taken the land that the Federal government should have withdrawn for Cook Inlet Region under the Act.

This was the situation faced by our shareholders for over two years. In 1974, Senator Jackson and Congressman Meeds promised legislative relief for Cook Inlet Region. It appeared that a just solution could be worked out. On the event of such a solution, as it became clear that there was Federal support for our cause, Cook Inlet Region was urged by the State to change its legislative strategy so that the interests of the State's citizens would be better harmonized with the interests of Cook Inlet's shareholders. The Borough urged the Region to change its legislative goals and remove the Campbell Airstrip, Point Woronzof and other lands from consideration in the draft legislation then before Congress. In effect, the Region was urged by all sides not to look selfishly at its claims for a just settlement of its entitlement under the Alaska Native Claims Settlement Act. The Region was urged to work out with all the competing interests what would be a rational and thoughtful approach in which public needs could be melded with private needs.

This was one of the most difficult periods in the Corporation's history. We were being asked to abandon our past course of action and set out on an entirely new approach, one where we could be asked, where we would be asked to put the claims of the Region in the context of the general public interest.

Let me recount some of the hurdles that this new approach placed in our way: We were being asked to abandon claims to Point Campbell, Campbell Airstrip, and Point Woronzof in light of the Borough's interests. We were asked to abandon claims to the Swanson oil fields so that the present income of the State of Alaska could be maintained. We were asked by environmental groups to abandon claims that would affect the recreational interests, not only of Alaskans, but of the American public. We were asked to abandon claims that would adversely affect wildlife habitats or that would impair the quality of water. We were asked to abandon claims to lands, even though they were withdrawn for the Region, because they were located near potential capitol sites.

The Region agreed to work for a thoughtful general approach that would demonstrate that the interests of the native corporations would be consistent with the interests of the State as a whole. It was critical to show that the native corporations were concerned with orderly growth.

This approach meant more than eight months of constant negotiations. Working out a thoughtful solution has had its physical and mental toll on the voluntary, volunteer members of our Board of Directors who gave unselfishly of their own time.

We bargained in good faith. We followed the rules imposed by the State. I do not think we should be penalized for that. We thought

we had reached a settlement last December. Now, Madam Chairman, we fear that the bargaining rules may be changing after a settlement has been reached.

To be sure, we are not altogether pleased with the outcome of the settlement. We have had to shift more than half our land outside the boundaries of our Region against our will, and only with the deepest tolerance and concern by our sister Regions. The total surface land to which the Region is entitled has been reduced. We have agreed to a greater State and Federal role on some of our lands than would be the case under the Act.

Our village corporations were required to abandon selections in Lake Clark. We surrendered claims to other very valuable and important lands withdrawn for our selection. These are points that are overlooked. It is also overlooked that the native people lived on and occupied all the low-lying land in this area. The Act provides that the land for the native corporations should be similar to village land. Our Region is the one Region where the State had patented almost all such land for itself.

Also overlooked are some of the benefits to the State in the agreement. In the absence of the agreement there are certain hazards for the State. Some of the problems faced by the State in the absence of a negotiated settlement are as follows:

Possible elimination of a steady stream of income to the State from producing federal fields. Possible elimination of the chance to receive immediately the Campbell Airstrip for the Anchorage Borough. The possibility that the Ninth Circuit or the Congress will set aside the 1972 Agreement between the State and the Federal government on the ground that the agreement breached the federal trust responsibility to Cook Inlet Region. Long and painful litigation for every piece of land to which Cook Inlet is entitled. In addition and conversely, the State adds substantially to its Statehood entitlement. It improves its bargaining position in the upcoming Section 17, D-2 negotiations. The agreement also provided the State with its only coastline on the west coast of Cook Inlet, south of Tuxedni Bay. More generally, the agreement seeks to improve land holding patterns from the Talkeetnas to the mouth of the Kvichak.

Madam Chairman, I want to, at this time, also touch on a few issues that have become of particular concern.

The first is the relationship between this agreement and the Statehood Act. I have made it clear to the Chairman that we did not seek an amendment to the Statehood Act nor did we consider such an amendment necessary to carry out the terms of our agreement. The House Judiciary Committee in the House Journal for April 21, 1972, explaining A.S. 38.95.060(b), suggested that subsurface transfers could be accomplished by three way transfers with the Secretary of Interior. We relied on that suggestion and on our interpretation of Section 6 (i) of the Statehood Act. We maintain that there was no need for an Amendment to the Statehood Act for our transfer.

We fought to have the amendment removed from the Cook Inlet provision of the Statute. Second, there is the question whether this transfer is a bad precedent. No Region in Alaska had the concentration of State patented lands that faced Cook Inlet Region. In the first ten years after Statehood when these lands were selected by Alaska, the State was already on notice that the Natives had claims to such land. It is only because more than five million acres of low-lying land had been patented to the State in Cook, in the Cook Inlet Region that the Federal Government and the Congress looked to the State for participation in the solution. It is doubtful that this Legislature, this Legislature will find another instance where this is the case.

Third, there is the question of procedures for such land trades. I assure you that we support legislative efforts to make clearer the procedures to be followed by a Native Corporation seeking to work with the State. We have suffered because of the lack of such procedures. I think Cook Inlet did the best that could be done under the circumstances. We think such procedures should provide guidance on the following issues:

What steps should be taken to consult with local governments where land to be traded is in their vicinity.

At what point should the intention of the State to engage in exchange negotiations be made public and what steps should be taken to notify the public.

What role should the public play, if any, in the exchange negotiations.

At what point should tentative agreements be made public.

What size transfer agreement would be referred to the Legislature.

Under what circumstances, if any, should there be subsurface transfers. And if there can be such transfers, what special procedures should be developed.

How should value determinations be made, particularly for large tracts where there are no present obvious ways of calculating value.

Fourth, there is the question of the Beluga coal lands. These lands were a crucial part of the bargain. The State precluded all known producing oil fields. The Cook Inlet Region concurred - if the Beluga lands were included. We then agreed, after very hard bargaining, to the exclusion of over 75% of the coal-bearing lands because they had Mental Health status.

I believe this was a fair bargain. I also believe that erroneous figures have been employed to inflate the loss to the State and the gain to the Cook Inlet Region. The coal in the Capps Glacier lease is not clearly economic in the short run. It is uncertain that it will be developed before the coal in the Chuitna lease (coal that remains in State ownership). If that is so, the modest figures in the State geology report may, themselves, be too high.

It should also be made clear that the State had already transferred to private parties the right to extract the coal. If the State lost its coal future, it is not because of this transaction, but because of the leases it entered into some years ago.

Finally, it has already been made clear from preliminary talks with some of the lessees that Cook Inlet will not be able to profit from the coal unless it contributes, through capital, to the acceleration of development. Our feeling is that we will be a good and helpful partner as lessor; better, we think, for the economy than the State as a partner.

(tape four)

And finally, Madam Chairman, I wish to summarize by saying that this agreement is a difficult and complex one. It represents months of negotiations, of consultations with the Anchorage Borough, with the various interests that are involved in the future of Alaska. It has been praised by Congressman Don Young. The Alaska delegation unanimously supported it.

It passed the Senate and House of Representatives unanimously. I am glad that the agreement is the subject of these discussions under your careful guidance. I am glad that questions as to the Governor's authority will be clarified by the Legislature's action. Many technical questions will arise as you go through your process of deliberation. We are ready to answer those questions. Our very future is at stake. We have done everything that we think could reasonably be expected of us. We are now asking for your support and approval.

Sen. Poland: Thank you, Mr. Huhndorf. Are there questions? Rep. Beirne.

Rep. Beirne: Madam Chairman. Mr. Huhndorf, in your testimony you refer in one place here to where the State (IA) transfer to private parties like (IA). Could you expand on that?

Huhndorf: I'm referring to the existing State leasing procedures (IA) so that the prospecting firm that's going to lease (IA) fixed a (IA) royalty (IA). I believe the figures are ten cents a ton.

Rep. Beirne: Does that mean then that if agreement is negotiated and you become the owners of this land (IA) anything lease which now is in effect will remain in effect and you have to honor any negotiations that have taken place prior to this.

Huhndorf: We believe that it is necessary (IA) lease.

Rep. Beirne: How large a portion (IA) that lease?

Huhndorf: I believe the entire tract in question is under some sort of computer contracting firm (IA) leases or leases themselves. Our geological consultants indicated that (IA) I would have to get the actual map and look at it but it appears the entire area in question would (IA) some preliminary (IA).

Rep. Beirne: Mr. Huhndorf, that means that you actually have purchased a land lord's rights, probably negotiations (IA).

Huhndorf: That is essentially correct.

Sen. Poland: Representative Brown.

Sen. Brown: I'd like to follow that up. In your statement, you stated that your understanding of, I guess the economic development of coal in that area was the developers or the people who have the leases might not be developing it but for future capital from - in your case, if the swap goes, the Cook Inlet Regional Corporation, if it is your understanding, have you been advised by those you consulted with that this is the case? Did I understand you?

Huhndorf: Yes. It is expected us (IA) to inject capital. We want to inject capital and (IA).

Rep. Brown: Well, there's at least some room for speculation that if the land remains State land, there might be some problems developing over coal resources (IA).

Huhndorf: I can't speak to that.

Rep. Brown: I notice on page four of your statement you said that the Cook Inlet Region surrendered claims to other very valuable and important land withdrawn for its selection. Can you give us one or two examples of that?

Huhnsdorf: One example is approximately seven townships in the upper part of the Susitna-Matanuska Valley that was withdrawn for Regional selection (IA).. another area (IA)..

Rep. Brown: What are those townships (IA).

Huhnsdorf: There's basically only low-lying lands that come to us under normal withdrawal the Secretary made to us (IA) The other lands include the West side of the lower inlet about (IA). We desire to obtain those lands, therefore, we agreed to have the Secretary handle this withdrawal for us.

Rep. Brown: Have you already, have you made an irrevocable decision in relinquishing these claims (IA) position (IA) so that you wouldn't be able to go back and regain these claims without a lot of litigation and problems?

Huhnsdorf: The Statutes of the U.S. Congress guarantee that our rights will be re-established if the State (IA).

Rep. Brown: I'm very interested in, in the comments that you had in your statement on page six where you said that the Cook Inlet Region had suffered because of the lack of procedures for dealing with these trades. I'm sure you might have heard under my breath (IA) Osterback, he's suffered too. He's seen some of the pushing and pulling going on between the administration and the Legislature recently in this regard. I find the comments you make on pages six and seven very helpful, but, at least as far as I'm concerned, those address the things that I'm most disturbed about in this land trade. In my view, at least, many factors that - the things addressed in your statement are also some of the political realities regarding (IA) have done and other things that at least make me tentatively support the land trade. But, I am very distressed about some of the procedures that were followed by the administration and the lack of procedures and, at least what looked to me, like a lack of any involvement of the Legislature (IA)...if you were disturbed about something like (IA) administration, they were addressed to the procedures involved and I would not attempt to express an opinion on the substance of the trade itself. I suspect that we might have to, or we should go a lot broader in the areas of those things discussed on pages six and seven so that rather than just involving issues involving likely trades with native corporations, but other matters involving unilateral dis..., you know, prejudicial disposition of State resources by the administration with no Legislative input. That sort of thing could be addressed by (IA) and I thank you very much for your time in that regard.

Huhnsdorf: I would ask, Madam Chairman, that all (IA) Monroe Price our legal consultant in this matter (IA). He has been intimately associated with all of the policy (IA) documents that have been written inviting the trade and if there are questions that you want to ask him after I'm through, I'm sure that he'll be happy to answer them.

Sen. Poland: (IA) I had a question for you, Mr. Huhnsdorf. You know, this

consistent mention of the possible and probable Legislative relief that the U.S. Congress would provide for Cook Inlet in the event that the State didn't take any action here. You probably have an idea of what that might entail. Would you like, perhaps, to describe generally what you could expect in a settlement with someone other than the State?

Huhnsdorf: It would be difficult for me to say what would happen in the event that the Federal Government had to, Congress had to determine (IA) Cook Inlet on the grounds (IA) State participation. I can only say that our position, in my mind, is stronger than (IA). I say that because if the State, with the State now trying to participate, (IA) feeling I'm sure is (IA) I don't know what view Congress would take of that (IA) they could simply write that off as possible (IA) without paying as much attention to (IA) as they did (IA) personal. Maybe it's wrong, maybe that's not the case, but I know last spring when the (IA) was going on in the newspapers in Washington (IA) Congress was paying a lot of attention to the Anchorage Borough and to the State, and I'm not so sure that they'll do that next time.

Sen. Poland: You say that they wouldn't be, in your opinion, they wouldn't be, they would be less sympathetic to the State's needs if the State doesn't conclude the negotiations.

Huhnsdorf: Right. Well, and I don't want that to sound as a threat. I don't mean it as a threat. I just think that the situation, if the State (IA)..because for very real economic reasons it is impossible. The Congress might not feel that way.

Sen. Poland: Representative Huntington.

Rep. Huntington: Mr. Huhnsdorf, I'm very sorry to see this situation here (IA) football, but, at the same time, the agreement you have with the State now, the negotiated agreement, do you feel that your Region will become completely satisfied if there was no alternation to that agreement and it went through as is?

Huhnsdorf: Yes, sir. I believe the settlement represents a carefully balanced and carefully calculated working out of all the differences and kind of like (IA) so that I would say, that yes, it is a very finely tuned agreement for all three parties are in basic agreement. I think that would be the situation.

Sen. Poland: Senator Rhodes.

Sen. Rhodes: Mr. Huhnsdorf, I'm a little bit curious why, especially with regard to the Beluga lands, the Cook Inlet Region would be terribly anxious to accept them. There are leases on all the lands. The royalty on those leases is extremely small, the State literally gave those lands away to the detriment of the taxpayers and I can understand the State wanting to transfer that land, and I'm curious as to why or possibly how Cook Inlet envisions it will manage these lands to the best of it's corporate ability.

Huhnsdorf: We, as negotiators, are taking into consideration the fact that, under the existing Federal withdrawals, no more than six townships, if that, of land were available for Cook Inlet, that would satisfy the (IA) under this agreement, there are twenty townships, and that, to my Board of Directors, is very good

attractive and whether or not there was coal, whether or not the coal was leased or not, the surface value had a lot to do with decisions (IA). The very fact that we were getting land surrounding (IA) and these lands were low-lying (IA). That was one of the big considerations (IA).

Sen. Rhodes: Madam Chairman, I have one more question. In considering the value of the portion of the Beluga coal fields that would be conveyed to the Cook Inlet Corporation, has the spector of increased taxation on resource taxation, on these lands been considered by the Cook Inlet Corporation? The lease royalty is extremely low and there is a possibility that there may be additional increases at some point in the future in terms of (IA) Was this taken into account by the Cook Inlet Region and, if so, what was your analysis of it?

Huhnsdorf: Yes, Senator, it was. All I can say to that is that we do ourselves a good favor. We see the potential for (IA) under the (IA) we feel we can take our chances.

Sen. Poland: Thank you very much. Representative Beirne.

Rep. Beirne: Madam Chairman, may I just ask one question (IA) clarify my (IA) on coal (IA) a certain period of time and then we support the possibility of coal not really being (IA) for use for a long period of time, wouldn't it be a possibility that those leases will have to be renewed and that (IA) re-negotiated.

Huhnsdorf: That's a possibility.

Rep. Beirne: What would be your estimate of the time frame if we ever do use this coal for energy, when would that be? How long a period of time?

Huhnsdorf: I would agree with most estimates, the time frame would be (IA) early 1980s (IA)

Sen. Poland: Mr. Huhnsdorf, I'm going to ask you a question that you and I have discussed so I know the answer, but the reason I'm asking it is for the benefit of the Committee and the audience here is that, the first time that the select Beluga Committee met with the State, they said that Cook Inlet was not interested in the coal - you do intend to draw out the coal?

Huhnsdorf: Yes, we do.

Sen. Poland: Thank you. And I also wish to express my appreciation and I'm sure other members of the Committee here, on your thoughts on amending the Statehood Act. I know from earlier discussions with Mr. Huhnsdorf that this was true from the very beginning. They did not feel (IA) was needed and opposed and the State now tells us that they didn't feel it was needed either. We've now been left with Congressman Young wearing the hat of amending the Statehood Act, and I intend to talk to Congressman Young because I don't believe he dreamed that idea up by himself.

Huhnsdorf: Madam Chairman, we know that the Dept. of Interior wished that (IA)

Sen. Poland: I think you're exactly correct, Mr. Huhnsdorf. Representative Brown.

Rep. Brown: Mr. Huhnsdorf, Senator Rhodes asked you some questions about whether or not the (IA) tract is considering (IA) subject to the leases that most people in the State have had a relatively low royalty. But you also said, in your statement that the Cook Inlet Region may well be, you'd be putting capital rather than just asking or (IA) the people with coal (IA) leases into contingency development and maybe as a suggested and speculated answer to that, one little bit of leeway that you may have that the State does not have, is to re-negotiate those leases and getting higher (IA) if you're offering the developer capital to aid the owner in development of the resources so in addition to the question of renewal appearing, it also gives the idea that you're entering into the business transaction involving diffusion of capital, might well end up re-negotiating the lease. I would be reluctant to (IA) capital basis myself.

Sen. Poland: Are there further questions for Mr. Huhnsdorf? Representative Osterback (IA)

Rep. Osterback: Yes, Mr. Huhnsdorf. How, I still can't get it clear, how long will the State lease, if you do get the land? Will they expire in five years or two years or (IA) they expire based on the lease (IA)

Huhnsdorf: The leases are written in such a way..I'm not quite sure I understand that legally, but they're written in such a way that the holder can virtually perpetuate his lease holdings and there really isn't too much other than re-negotiation to some degree that the holder of the lease can do. And I know I told you at the proceedings that we will be the administrator of the lease, we will negotiate to the extent that we can to improve any detriments that we might be able to (IA) of the leases. But, again we don't see any real way of breaking the State's contract with the existing lease. We have not sought to do that, nor do we want to do that. We think that (IA) and we're prepared to live with that and do the best we can.

Rep. Osterback: Thank you.

Sen. Poland: Representative Cotton.

Rep. Cotton: Thank you. Mr. Huhnsdorf raised the question in his testimony that I have for Mr. Smith and he brought up the question of, if I could direct the question to Mr. Smith, the question of the procedures for such land trades; and, apparently the legality is somewhat in question whether the administration can do it by themselves without the approval of the Legislature and this is still in question, I assume.

Smith: (IA) The administration, after looking at the Statutes (IA) particularly the Statutes referring to Title 38.095 (IA) code permitted the same type of trade for the purposes of consolidating land ownership and management that was alluded to in Section 22(f) of the Claims Act. In that Section of the Claims Act, Congress gave the Secretary of the various Federal agencies the right for making this type of trade for land management and ownership consolidation purposes. Two months or three months after that bill was passed, the State

Legislature passed the Statute I just made reference to using some of the exact language of the Federal Act. So that it is our feeling that this trade dealing those criteria does not meet this Legislative context (IA) approval from a legal standpoint, I believe the Governor (IA) made clear (IA) a couple of things. One, it is a very large land trade - it does effect a sizeable amount of acreage and in the vicinity of 50% of the State's population and, as Senator Poland indicated that she and the Legislators would like the time to review, that was a very important feature. Secondly, and this was brought out again this week, he feels that the people have raised questions about whether or not such trades as this are legal whereas he feels that they are. He has said to the Legislature, while you are looking at this trade, if there is any question concerning the legality, we want you to vote on it. If you approve it, we feel that you approve the trade and having gone through that process, what with the addition of the administrations the last year, let us sit down and make sure there's no question about the method in which future land trades will be conducted; because, I think we feel quite strongly, having looked at what has happened during implementation (IA) that future land trades are going to be absolutely necessary if we're to have the type of action passed that are needed. They're probably aware that selections have occurred right in the heart of two of our State parks and there has been an indication, certainly by the Legislature initially, that they felt these suitable (IA) set aside for park purposes. So, if there is to be a trade out, the administration is working with the Legislature. (IA) have by the administration can testify these procedures on how the Senate (IA) can set up some type of bill, perhaps emerge after the Legislature. Address (IA) trade (IA) to make sure that all agree in the future on this question of is it legal - what is precisely, the way to go about doing it no more is in question.

Rep. Cotton: Okay, I just have one further question. I wanted to know..in that case, I just interpret from your previous testimony and Commissioner Martin's previous testimony that this trade is going to kind of establish a precedent and I just wonder, and again, the point that Mr. Huhnsdorf brought up, what size transfer agreement should be referred to the Legislature. I mean, do you feel that that would be included in any legislation? Do you think that...

Smith: Well, it's (IA) that the Legislature at some point has a need to decide something. I think it would be an appropriate thing to view. I think I can say safely that I don't view the type, certainly not the complexities of the trade such as Cook Inlet and would feel (IA) something that was moving on the rise with the exception of the D-2 property because the landowners stated that already (IA) Claims Act which would be more or less between the State and Federal Governments (IA). I would emphasize the point that, yes, this is a first time, it is a pilot operation. I can safely say that it is the, by far the most drawn out, the most meticulously discussed and negotiated trade that affects State land. Many of the others, because of political necessity, (IA) just larger had to be done much quicker. For example, the State's monumental land selection four years ago last month. That probably could never have gone through what was gone through today. (IA) The Governor had indicated that public process and the opportunity for people to review, I mentioned earlier is subject to change, this is the process that we (IA) is appropriate (IA) from what we've just done and trying to look ahead with the help of the Legislature to set up a proper course for the next (IA) impossible. But this is the first attempt to do it.

Rep. Cotton: This is kind of a unique trade. I think most people agree to that. I mean, a unique situation. Other than the upcoming deed to the possible negotiations of those lands, do you have anything else in mind in the near future?

Smith: Well, as example, (IA) the most important (IA) that I foresee on the horizon are considerably smaller and just a minuscule amount compared to this one. There will be hearing later on in the month concerning proposals about somewhere between sixty or seventy acre land trade in the Yakutat area. We have (IA) selected a (IA) State park (IA) the village is included in that, up to two townships of land or close to it in this or close to the Chugiak forest right behind Anchorage. We have a number of situations, we have been approached by other people and corporations who, looking at their land patterns which by the formula in the Claims Act (IA) land ownership pact some anticipate the same thing. We've got the (IA). We've got the land, perhaps we can work together. I believe (IA) the State will be involved in for many years obviously recognizing the (IA) the Claims Act was passed, and it's starting to come home to us now. I think you realize the reality of the situation.

Rep. Cotton: In other words, then, if we would establish somewhat of a precedent here, in the future, smaller trades that you mentioned there that the Legislature probably wouldn't come into participation in those cases.

Smith: Yes, that's the present criteria. With something like the Yakutat situation, first, perhaps, long public hearings will be involved there. This is (IA) attitude (IA) this is why the government. (IA) Legislative point of view (IA).

Rep. Cotton: Okay.

Sen. Poland: Representative Anderson.

Rep. Anderson: I became concerned here, Mr. Smith, when I was told by one of the Bristol Bay Native Corporation officials that they had not been notified of, or that the State had failed to notify them of what was really going on. I read about it in the paper and wasn't too concerned because I naturally assumed that the State had made it's contact in Bristol Bay and would assume, since I represent that district where land is being talked about being traded, and the Chairman of the Resources Committee, I felt that I should have been notified, I mean, of the up-coming decisions that were being made. I think it was sloppily done and I think that both the Senate and the House Resources Committee members should have been notified of what was going on and I think it's causing the Cook Inlet Region some very serious concern now because of the sloppy manner in which it was handled. I think that's why I object to the...I wrote a letter to the Governor expressing my concern and I also sent a copy to Senator Poland stating that we certainly hope that in the future, some method of alerting the appropriate committees in the Legislature, or at least inform them what they intend to do. I think that may interest in the area is also, with the position that I have as House Resources Chairman in the Beluga area, we're talking about sub-surface minerals that the State is entitled to and we ought to take a very close look at that. I'd be very greatly, I mean, I'd be very happy with what Cook Inlet's been able to do - they've come down to Juneau at great expense - I know they've spent an awful lot of time doing the job that I think the State

government should have been doing and speaking as (IA) what's happening. And I think I'd like to compliment Mr. Huhnsdorf whose been extremely patient and I hope he won't be too - I hope he'll be patient a little bit longer because we do intend to look into this a little bit more.

Smith: I would like to say that, in respect to the area you represent and the Bristol Bay Native Corporation, the only impact on the area with respect to land ownership would be possibly twenty-five (IA) of land which the State (IA) title to and the State, under the Statehood Act, has a right to select land. The State, because of (IA) really not involved in land selection since the Claims Act was passed. That's like trying to tell (IA) what the State policy should be with respect to the public process of selecting future land. I think the extent to which the State is required or obligated to (IA) select lands for public trade, in a way, that's something we should very much discuss..what I'm trying to say is we are not in any way (IA) in the area, we were, in fact, putting State preference in the area (IA) nine days before the public hearing was held that the Div. of Lands (IA) each and every legislator in the State of Alaska Legislature gave notice of the public hearing, when and what it was, and where it was going to be held and two days before that time all (IA) President of the Senate and one or two other hearings of the Legislative Council which was going to be meeting in Anchorage and they made an exclusive offer to give them full and complete agreement concerning the matter and only after Representative Cotton showed up at the meeting. So, to the extent that you feel that the legislators are not contacted, I think I can say that the administration made a two phase attempt at that time to bring the Legislature on board, and it was not until the following month (IA) made through Legislative Council that we were even aware that the Legislature had been (IA) because as I say, we had tried (IA) unfounded. But I agree (IA) mentioned before that (IA) good outcome of this whole process may be the codification of the process in the future which both the administration and the Legislature would proceed along in the accomplishment of any future land trade.

Sen. Poland: Representative Kelley.

Rep. Kelley: Yes, earlier, Mr. Smith, earlier in your testimony you stated that the lands in the Beluga coal field which are not in this land swap, talking to the people that have the leases, that they felt those areas would be developed first, is that correct?

Smith: Yes, (IA)

Rep. Kelley: Okay, my question is, that when speaking to them, that, at that time, did you ever speak to them about the possibility of this time frame being reversed if, indeed, the land swap was to go through and the Native Corporation did, indeed, go partnerships with them in developing those leases? Would that reverse, you seem to be very strong on the feeling that the others would be developed first and I can see a very strong potential for the opposite happening, that the land...

Smith: It's hard to say exactly from (IA) how they view the operations. They expressed apprehension to me early when we made the State proposal public, we talked to them, let them know that we're interested in protecting (IA) and they

indicated a bit of apprehension there that they might in some way, in both cases, through future capital or (IA) whatever, be pressed into a (IA) developing their operation and we assured them that they were the lessees, in both cases and it was strictly up to them to take (IA) position or (IA) land owner (IA). A land owner might be, such as Cook Inlet (IA) mitigated (IA) indicated attempt to speed up development of those areas (IA) area I could not say right now whether (IA) measurable effect on that land to develop (IA) economic basis (IA) develop (IA) assumes that the leases (IA) would be developed first and we made the assumption that the State holdings would not be developed so we've given you the worst scenario in that respect (IA)

Sen. Poland: Any further question for Mr. Smith (IA). Thank you very much, Mr. Huhnsdorf. Dave Jackman.

Jackman: Madam Chairman, I appreciate this opportunity to appear before you. I'm David Jackman, State Co-Chairman of the Federal State Land Planning Commission for Alaska. I want to first review the actions of the Commission with respect to this land trade and make clear that the Commission at this time has nothing further to add regarding subjects of the land trade and then, second, to offer some of my, some thoughts on this trade that are solely my own. And I want to make this clear too, today, at this time. The Commission was presented with the rudimentary outline of this land exchange at one of it's earlier meetings which occurred during the period of time that the Omnibus Act was being debated before the United States Congress. They communicated their views of general approval for this kind of a land trade effort. I think there are many of us who were concerned that when the Alaska Native Claims Settlement Act was passed, that it had laid the groundwork for, you might say, the callous dismembering of the State of Alaska - that if anything was to be gained in the long run, it required the greatest of efforts of all the parties involved, State, Federal, and Native, and try to make the best of what on paper looked like some rather unreasonable or unrealistic land patterns. The Commission viewed this proposed trade very much in that context, as a very highly motivated effort to try to resolve these kinds of problems which are likely to occur time and time again in the next few years in this State. At that time, the Commission did not have the ability to, given the other issues before it, to delve in great detail into the substance of the exchange and they have not done so as the meeting is adjourned today. But they did authorize me to say, and took formal action on this yesterday, again, supporting legislative reform, State law legislative reform, which would set down guidelines and procedures and standards for trades of this kind which would make, hopefully, a, would set a pattern so that important trades of this kind can be formed where there is reason for them, to move away from the strict equal value cash appraisal type of judgement to something that can successfully lay out the benefits in cost in a way that will make these trades possible in the future.

That was the conclusion which the Commission reached and that is the recommendation that I bring here today.

Second, on my own thoughts regarding this exchange, I want to say that I have the utmost respect for the efforts of all the parties that are involved from (IA) very much from the sidelines, I have been impressed greatly with the diligence with which and the good faith with which the parties have bargained and for the overall integrity of the entire process. I think that the Alaska Native Claims Settlement Act must be, we must remember that it was a Federal

settlement and I refer back to the remarks of Mr. Huhnsdorf has just made; there were many unfortunate aspects of that settlement as they affected the Cook Inlet Region. The State, I think, wisely took notice of this and made every effort to cooperate in a wise and more just resolution of these claims. But I think at this junction, the State must look at this as eventually a land trade. The authority and the guidelines that are laid out in the State now, the law now speaks of equal value. Perhaps not equal value in a straight cash sense but the State, whatever the Federal failures in implementing the Settlement Act, they were Federal failures. I would submit that the State was not morally culpable in creating the situation in which Cook Inlet found itself. I want today to very briefly lay out what I see as some of the issues which have not yet been addressed. I think I can put your mind at ease - I'm no expert on coal nor do I intend to address (IA). As a matter of fact, and I've studied over this agreement, the Beluga coal field aspect seems one aspect that is least subject to question, (IA) my mind.

But I would like to try to note some issues that I think raise questions that must be answered before any of us can strike that final balance sheet. There is uncertainty involving this land trade, the count has been made several times that a lot remains to be done, that in a sense the selection period has been extended for two and a half years and that's the first point I'd like to make. I hope these questions can be answered, but I think there are major ones that we have to address. The extra-regional selection rights, as I'm sure you know, Cook Inlet has an opportunity to take another two and a half years to look at available Federal lands outside the Region and nominate lands that may be desirable for it to select, and also it can select up to about thirty townships of those lands. This provision underlines the basic theme of what I'm trying to say. It is very, very difficult to appraise what the ultimate effect of that provision will be. To begin with, those lands, absent this provision, would be lands the State could select. So there's clearly a cost involved to the State of Alaska and Cook Inlet and that's the provision in the agreement of extra regional selection rights. Let me explain that. These lands can be drawn from the so-called 17-D-1 lands or what remains of the public domain lands outside the region. The State has up to about, I think around thirty-five or forty million acres left to select in the Statehood Act entitlement (IA). Now, it's probably reasonable to assume that Cook Inlet will act in a rational manner and will try to find lands that will have high resource value, perhaps not just developable resources such as coal, minerals, oil and gas, but low-lying lands that may have other attributes that make them desirable. One of the main motivations of this exchange was that otherwise, they would wind up with mountains and glaciers. So, they're going to be looking for desirable and valuable lands and I only note this as a cost, or a loss, that has to be addressed in the equation because in effect, your displacing thirty townships that might otherwise rank fairly high in the unfolding scheme of State selection. And the loss in value, in my mind, would be roughly equal to the difference in value between those thirty townships off the top and the last thirty townships the State would otherwise be able to select in this thirty-five or forty million acres. And if that value were only \$50 an acre, you're dealing with an order of magnitude of \$60 million, so it is not an insubstantial consideration. On the other side of that question, and there is another side, it's quite possible, I suppose, that the United States Congress should decide that they've had enough of State selection and that all Federal land should be closed to State selection, that States should not be allowed to fulfill it's entitlement.

If this happens, there will be no loss, clearly; but I think that it would be a rather unlikely course of events.

The other thing that worries me about these extra regional selections, and there may be answers, I hope that there are, is that we have, within the Region, tried to consolidate land and improve land management patterns. But by creating the prospect of extra regional selection, thirty townships which can be selected in tracts no larger than one township, we create the prospect of several new isolated tracts of private lands scattered around the other areas of Alaska which may create land management problems of the very type we're trying to avoid to begin with. It's very difficult to know. They could all be consolidated in a single block in a very logical way, but they could be scattered in thirty separate tracts hither and yon across the State. So, all I suggest is there is a trade-off there that should be addressed.

There is a township pool a six township pool that will be created on land within the region and it's, the way I understand this agreement, if Cook Inlet desires, they can move any of those out side the region selection site into that township pool and take them within the region where the lands will tend to be more valuable - higher value land. As a matter of fact, the agreement sets forth an acre equivalency standard for those six townships of land based on a rough rule of some value of an acre being worth \$500. So 138,00 acres at \$500 an acre, again, is on the order of, I think, \$35 million. Now, a lot of these lands would have been available perhaps for Cook Inlet to select after this agreement. There would have been surplus Federal property under (IA) of the Settlement Act. There are five categories of lands that could potentially wind up in this category - in the pool. As to two of them, I think they would otherwise have been available so there's no loss to the State there. But there's at least a potential of loss in terms of the other three categories that after this agreement, they would have been available for State selection and they are in the heavily impacted area, the northern Cook Inlet area and then converted back to land (IA). The other side of that coin is that (IA) region selection pool, the State has insured itself the right to consult the Secretary to strike up the 1500 acres. I'm sure that Mike Smith has explained these things to you so, again, my concern isn't that it's a bad deal - but it is unclear what kind of deal it is - that it's very, very difficult to anticipate how that will unfold and what the magnitude of the cost may be to the State.

Some of the plus factors that have to be noted. The Kameshak Bay land is one of the few stretches of coast line that is available on the western Cook Inlet shore. The Mulchatna lands, the Talkeetna lands, no one would gainsay the value of those lands. But even though it's a complex trade, what it boils down to within the region is this; the State's giving up twenty-one townships of land on the Kenai Peninsula and northern Cook Inlet in exchange for fifty-three townships in Kameshak Bay and Mulchatna range and the Talkeetna mountains plus the other factors that I normally term in the extra regional selections.

I think the other thing that's been a recurring theme in the testimony here today is what's going to happen, what kind of risks is the State running, or is the State running now, and they're very real. I think that Congress has, in a sense, indicated that they feel that Cook Inlet did not get a fair shake and that they will make some restitution of this if they fail, if Cook Inlet fails to win their court appeal, and get that kind of a result anyway in the straight-a-way. And in many respects I think the State's, or Mike Smith's pamphlet, has set forth some of the values involved in this trade, has undervalued the likeli-

hood that Cook Inlet may prevail in their court appeal. But, by the same token, I think it's over-valued the likelihood that State lands would be threatened by the outcome of that. I think the most logical result would be a remand to the District Court and perhaps ultimately a mandate to the Secretary that he is to find better lands but first, I think he would look at the Federal land, the D-2 lands, the D-1 in the area.

Turning to State land would at least involve him in more protracted..

(tape five)

(IA)

Jackman: ...they might turn the Swanson River oil revenues (IA) although it's my understanding (IA) copper or minerals (IA) have not been overturned. The State may very well lose the Swanson River oil revenues anyway. So these are answers. They're variables, they're very difficult to calculate. I don't know how they ultimately weigh out, I just know that...

There is a possibility, too, that some of these lands that we're getting in trade, and I'm speaking of the D-2 lands over in the Iliamna area, the State would have received anyway. From my work on Land Use Planning Commission, I think it's fair to say that some weaknesses, D-2 reserve proposal from the Secretary's book, were in Iliamna and the Lake Clark area.. And that under 17,D-2 the State can select those lands, they won't receive them until Congress acts. But they can go before Congress and make their case that those lands should not be put in federal reserves and tell them they should come to the State. So again, these lands that we have received in trade that are not available for us to select, now might come to us anyway. I think that's also true with respect to the Campbell tract. There's a question in my mind about what state of affairs had to take place to remove that from public holding in State use which would be the status that's guaranteed under this agreement. I think that it is unlikely, even if it does not pass the State, that the Federal Government would ever have disposed of that this way. That would destroy the protection of the (IA) watershed value, public (IA) state recreational value.

We've spoken of the bargaining position with respect to D-2 lands. That was a very difficult thing to anticipate. Certainly many of these lands have been eyed by the federal agencies as desirable additions to the national park system. But the question in my mind, to what extent this proposal will indignify those recommendations and make it difficult for the State to take another tack with respect to these lands. To sum up, I believe that the uncertainty of this agreement is perhaps one of the most disturbing factors. That here we, in effect, are fleshing out the settlement provisions, I'm speaking of (IA) the actual regional selections. For two and a half years in dispute under 7 (IA) all will share in those benefits, in the benefits of those extra regional selections. And that is as it should be. But we will not have certainty as to land status in Alaska for another (IA) years. And one of the things I think a lot of people have in mind with the passage of the Settlement Act is that all (IA) somewhat will be under (IA) close. We'll be able (IA) State selections and move forward from there. I will reiterate again that I'm only raising these questions because they trouble me and because I think they have to be addressed. And I think that when that (IA) deed is struck, the highest standard of public trust has to be applied because we're dealing with literally thousands and thousands of acres of public land that belongs to all the people of the

State. (IA)

I'm not speaking from prepared remarks today. I want to check down my list to make sure I covered all points that I wanted to cover. One final note on the Beluga coal fields. Again, I'm perhaps less troubled by that section of the agreement than anything else. I think it's clear that most of the valuable coal lands are still within State hands and that the real benefits (IA) coal zones will be just (IA) the spin-off benefits of development and that's almost one aspect of this trade that I think deserves... I'm not suggesting it doesn't deserve further (IA), but I'm really less concerned by that aspect after the mental health lands which were excluded from the trade. I believe that I'll close with that and ask if there are any questions.

Sen. Poland: Senator Rader.

Sen. Rader: Mr. Jackman, we have maybe three or four weeks within which to act on this under the Governor's request. And of course I don't think there's anyway to give that definition to the well thought-out policy which is mentioned here. Do you think there is anyway to give definition to that in the next three or four weeks?

Jackman: I think some of it can be analyzed with some degree of precision. I think that some of the costs involved, probably draft dollar figures can't be tied down, but I think order of magnitude can be approached and I'm not suggesting that I for a minute think that it is improper for any trade like this to go forward in the absence of exact equality of balance sheets. All I'm saying is that I think that over the next three or four weeks all the issues have to be brought out and examined.

Sen. Rader: Do you think that we could by committee report deal with some of these questions and perhaps review some legislative intent as to what the intent is to approve here on some of these State matters or not? Our problem is, we keep being presented with an accomplished agreement that people say (IA) hard to do and the proofs of negotiations and settlement and compromise. It's difficult for us to, at this point, to change that agreement, redefine the terms. We almost have to accept or reject it, don't we?

Jackman: I agree. I'm very troubled by that aspect. I don't think there is. It's a very complex agreement. I don't feel that I fully understand it and I spent several days trying to study it out. It is complicated. I don't know what the answer is. There is one thing that troubles me, it makes it very difficult to evaluate when there are so many exact points or provisions that are sort of yet to be fulfilled. As a matter of fact, I would suggest that if you want, in terms of the Legislature, again I would offer as much technical assistance (IA) trying to think about trades like this, can be provided for, but any one deed would be that transaction before completion in a given period of time, if you follow what I'm saying, is not stretched out over a period of years. But in this case, we are dealing with the same situation, something that will be negotiated in the context of the Omnibus Act. I'm not (IA) that. It probably was discussed (IA) State of Alaska. But again, we still have to (IA).

Sen. Rader: Even if we could qualify some of these dollar figures, you know, and put the values there, or some estimate - so what? Is that going to help us

in three weeks now in deciding whether to approve this or disapprove it?

Jackman: If I were in your position, I think that's certainly where I would start. Look and see if the equities are there in terms on what the State is giving and what the State is getting. Because the other elements, I think, there will be no question of good faith given the intent, the desire to make a better land management decision. I don't think that's assailable.

Sen. Poland: Thank you, Mr. Rader. Representative Brown.

Rep. Brown: My question, in light of Senator Rader's question. Do you think some of these things you've pointed out for the record as being inconclusive could be addressed by, in an equally effective way, by committee report or some form of committee... any kind of legislation, Senate document? Do you have any final proving board at all with respect to some of these questions or do you pretty well have whole (IA)?

(tape six)

Jackman: (IA) valid point because rational mechanism and if so use it for (IA). I think (IA)

Sen. Poland: (IA)

Rep. Brown: (IA) I suppose my question is, do you think that anything along the order suggested by Senator Rader, legislative intent, is going to be of any help at all to State (IA)

Jackman: I think that, this is subjective, (IA) to be effective here (IA) legislative guide telling the State how to execute that. In other words, with respect to what type of land (IA) protect (IA) protect the mechanism. In other words, how (IA) is going to play (IA) as opposed to things that are (IA) agreement is signed subject to (IA) cooperation, in terms of setting a time when this standard under which (IA) will occur. State (IA) there (IA) lands State has opportunity there (IA) select lands which the public would want to inspect things - Cook Inlet will be nominated by us. The State has the right to (IA) those lands could not then be selected by Cook Inlet. That problem could have influence. But I think that you will find that the State's interest (IA) Legislator (IA) and Legislator (IA)

(inaudible portion)

Jackman: Madam Chairman, I wonder if I could go into a little more detail. I know it is getting late. But this extra regional selection pool, the Secretary has protected those lands that are of federal concern. They cannot be drawn from the lands west of 161° West Meridian. I might suggest a very logical place, one place the State can't select. But under this agreement they cannot be drawn from there, they cannot be drawn from any of the D-1 areas included in the Secretary's D-2 proposals. They cannot be drawn from any of the D-1 areas that surround the areas of ecological concern. So what I'm saying is we're throwing - that this pool comes from those very lands that will be the prime candidate for future State selection and they have up to three years to nominate those. We won't know really for two and a half years, I believe, what lands

they're talking about and that's the basic sum of my concern. Also, there is a buffer zone provided as perhaps there should be around other native corporate and village lands. But the very existence of that buffer zone again will create a non-compact, a scattered pattern of private lands which one of the land management objectives that, in my mind, we ought to be trying to get away from. And this one theme I forgot to mention because I didn't have a formal presentation, that is worth mentioning, I think. I think the question could be raised - if the loss of control over these tracts of lands in the northern Cook Inlet area and on the Kenai Peninsula isn't a very great loss in terms of the State's ability to direct or control the timing of development and the disposal of lands, we're really giving over to a private corporation the ultimate decisions on how to dispose of those lands, subdivide them, and what role they'll play in community growth in the most heavily impacted areas of the State. The counter-argument could be made that it's in the northern Cook Inlet, the Anchorage Bowl, the Kenai Peninsula region, that we should really be hanging onto some of the remaining tracts of public land or at least disposing of lands fairly carefully with some planning and design. That's just another factor, I think, that should be weighed.

Sen. Poland: Representative Hershberger.

Rep. Hershberger: The fact that we're hanging onto lands around there, started this whole problem.

Jackman: Sure it did. It was a Federal Government problem. That's my point. And at this point, we have an obligation, in good faith, to try to help with the resolution of that, but I don't think it's fair to say the State was really morally culpable at the time of the Settlement Act or the Secretary's withdrawal. So what happened in this region?

Rep. Hershberger: Now this whole (IA) and questions that have not solved this as far as my experience goes. And I appreciate your concern, very important questions that you raised. Mr. Rader (IA) for three weeks if we have an agreement here that parties have agreed to and certainly some of this must have been thought of at the time that it was entered into...

(inaudible - two people talking at once)

Rep. Hershberger: Perhaps I am painting things so black, I'm really afraid (IA) said tonight (IA) fall asleep.

Jackman: I can honestly say that every member of, here present, that I've been going over these things. That I think, I hope the question - that answers are there. Some of the answers have become more clear to me as I read through the agreement. I'm not saying that there perhaps aren't some answers to these questions but at this point in my study of the thing I think that these are difficult issues that have to...

Sen. Poland: Senator Rader.

Sen. Rader: Mr. Jackman, in your mulling through this ignorance, in your own mind, do you think that we can do much be, let's say this (IA) committee report, couple of bills?

Jackman: It would be difficult in my mind because so many of the terms of the agreement are, even though executory, the (IA) discretion is pretty well laid out within the... As to the exercise of some of the State discretion, that would be true, but a major area of concern is Secretarial discretion and the discretion of Cook Inlet region and clearly we can't bind them.

Sen. Rader: At least to some extent we have a five party agreement here and our legislative intent would be the understanding of one party of what that agreement meant and I suppose that if the other parties didn't agree with that, you'd say there was a failure of the minds to work on an agreement even though we tentatively approved it. If the other parties didn't agree, somebody thought that our interpretation was not their interpretation. I don't know how you contract by statute, that's kind of a new concept, but we have a problem situation here. I'm wondering if we might not be able to, in effect, actually define some of the terms and the areas that concern us. I think their concerns are representative and very helpful. I think their testimony has added new dimensions to our hearings and our understanding of this problem. I'm just groping for some way in three weeks here with the good auspices of the Cook Inlet people and the Legislature, the Executive branch of this government, to try to sit down and define at least what two of the parties maybe agree upon. It's a matter of working out, I think, virtually the policy raised. I think that would be very helpful.

(tape seven)

Jackman: ...kind of disturb me in a way because even though the native corporations have agreed to this, they may not be completely satisfied and I don't think they are completely satisfied, but they have agreed to it in good faith. And the State has agreed to it in good faith and I doubt that the State is completely satisfied with this swap either. It's all been in good faith. Congress has approved it. At some time along the line, someone is going to have to bite the bullet and settle it, which is what the Legislature is going to have to do in a matter of a month or six weeks, as Senator Rader mentioned. But I don't think that the problem is resolved and twenty years from now history is only going to tell us who got the best deal out of this. This is just about the size of it as I see it. I don't see how we can tell who's going to get the best deal. Whatever (IA) administrate, I'm sure. But I'm just at a loss at how we're going to add any more to it in two or three weeks. After all, we must have put (IA) off. Whether it's good or bad. History will tell us. (IA)

Sen. Poland: Representative Anderson.

Rep. Anderson: Senator Poland, Mr. Jackman and I (IA) listened to the testimony of Mr. Huhndorf, I think you expressed his concern. I think you heard that, didn't you, that he had the very same concerns that you do, that there is no structure, no vehicle yet by the State by which an exchange of this nature can occur. And I heard it very clearly in my discussion with their attorney, I heard this very clearly. It's not a new thing, that this thing, at least to my attention anyway, it has been addressed by the Cook Inlet people. I think it's a meaningful concern and certainly concerns me also. But what is the answer, you know, in the time frame, how can you address adequately, I don't know.

Jackman: I think that the very fact that we're here is evidence of a real

milestone. Land trades like this couldn't even be thought about before Section 22-F had been passed, before we really looked at the problem we're facing with the Settlement Act. I couldn't be more supportive of the needs for these kinds of trades and that's why I think some legislative reform, some procedure setting how we're going to go about it, what the periods of review will be. And I'm not so sure that in the future you can expect a Legislature to negotiate this thing. I mean I think this all may come back to you in an administrative manner but the guidelines can be set down, the rules of the road. So I really believe and this is what the Commissioner sent me over to say, they feel very strongly that whatever happens in the context of this exchange, these kinds of exchanges are absolutely essential.

Sen. Poland: Representative Huntington.

Rep. Huntington: Yes, I'm looking at it, I've got no education, I (IA) I don't see any problem with it myself. If the State of Alaska can't handle it's own affairs (IA) so far. And I don't think that the trading off of this land is going to hurt the State of Alaska one bit. I think it's better for (IA) hands and see what they can do and come up with some solutions to the problem. I think the State of Alaska has got a lot to learn from the people that have lived here a long time. You get all the fine education and stuff - you start fooling around with problems, you start fooling around with lawyers, you don't know which one is right. (IA)

(inaudible)

Sen. Poland: Are there any further questions for Mr. Jackman? Thank you and I hope, David, you will be able to attend the hearing in Juneau on Wednesday. There will be many other legislators there that were unable to attend today.

Jackman: Perhaps I could call you later on that but there will be some problems. We have a series of meetings scheduled with Representatives from the House and Senate Interior Committee. But I may be able to arrange it, I just can't make a commitment right now.

Sen. Poland: Thank you very much.

: Let me ask Mr. Jackman. Mr. Jackman, how much time could you devote to this in the next two or three weeks with perhaps staff and this committee and others in trying to go through some of these things you're talking about? (IA)

Jackman: I simply don't have the time in the next two or three weeks, Senator. I'm not trying to be unhelpful. I'll try to spend as much time as I can, but I don't see how I can make a large time slot.

: (IA) telephone.

Jackman: I suppose so.

Sen. Poland: We have time for one more witness and then we're going to take a break for dinner. We will resume at seven o'clock and continue on until 9:00 this evening. Those that have not been heard tonight, we're attempting to make

arrangements and we will make some kind of arrangements but we're attempting to get this room again tomorrow morning.

: I haven't approached this in the budget yet but we should be able to get this room.

Sen. Poland: We should be able to, Representative Brown. The next person we have here is Sam McDowell of the Alaska Fisheries Resources and I just welcome you.

McDowell: Senator Poland, members of the committee and ladies and gentlemen. My name is Sam McDowell. I'm wearing two hats also. Tonight I'm wearing the hat of Chairman of the environmental section of our League. We want to go on record that we do feel that the State of Alaska and the people who represent our interests have worked very diligently and we do support this trade, however, with some reservations. We feel that there're some points that should be touched on that have not to my knowledge been touched on. In this trade area there is considerable private land holdings. We feel that these people that do have these land holdings should not be financially hurt due to this trade. Therefore, we feel that the State of Alaska should make some provisions to insure that they do have access to their private property. We are a part of and, I'm happy to say, the State of Alaska has gone on record with a letter to us, that they also endorse many easements along all streams, all lakes and along coastlines in the State of Alaska. We questioned the State of accepting as a standard criteria the recent decision of Secretary of Interior, Kleppe. As I'm sure that most of you are aware, this decision is in litigation. We would be very disappointed if the State puts themselves in the position where they also have to be incorporated into this litigation. I understand that this criteria that's being worked out in this trade will possibly and most likely be used in future trades, for various other lands that various native regional corporations own and the State should decide to bargain. For this reason, we feel that it's extremely important that this matter be addressed and, hopefully, taken care of so that all Alaskans that are involved in this are protected. Thank you.

Sen. Poland: Representative Rhode.

Rep. Rhode: Mr. McDowell, in my understanding of your statement, you feel that the lease holder within any of this area that the State owns and is going to trade off should be protected?

McDowell: We feel this land that is being traded has been used by especially a lot of Alaskans for many, many years. Lots of them get in their float planes, fly over there. The land was put out many years ago as captain flags. They purchased this land, they have built their summer homes and they rely upon this as their recreational retreat. Now it's possible, if these easements along these lakes or along these streams are not granted for, this title to this land will fall to the regional corporations. Therefore, their investments, for all practical purposes, would be lost. And this is something that's very, very serious. Now, we do, like I said before, want this matter in the record. We feel the Cook Inlet Native Corporation has acted in good faith, we feel the State has. Now, we will endorse this trade with these reservations. We feel that the State of Alaska and especially our League has a responsibility. We are dedicated to the protection of the woods, waters, and wildlife and fish of

this State. And we ask that you pursue this to try to make Alaska a better place to live. And we feel it would be a horrible mistake to take and make a practice to go in and trade off land that people have a substantial investment because we all came to Alaska, I would say almost 100% of us, to enjoy Alaska. And I think it would be an absolute disaster for the people who are sitting in this room at this negotiating table and make an error in their judgement whereby many Alaskans could get hurt.

Sen. Poland: Representative Brown.

Rep. Brown: I was just saying, the reason I asked that question, we have a problem in the Kachenak Bay area and you wouldn't mind if I quote you on the protection of the resources would you?

McDowell: No sir.

: I suppose this is a question for whoever wants to answer it. (IA) staff attorney Berry or someone else, I'm sorry, Director of Legal Services (IA) be more (IA). What does happen? I know that when the State has land in, which is private in holdings, it has a legal obligation to try (IA) egress. What happens when (IA) having trade or sell us all of that land to a private entity? Does that private entity still have some of those same obligations or not? The question is (IA) occurred to me, it never occurred to me before. (IA)

: With respect to land involved here (IA) one of our federal land. Those lands from the Federal Government to Cook Inlet (IA) will come with the same restrictions on them that all the land under the Native Claim Act. (IA) They will have to have seventeen feet either put on - same process (IA) I wonder (IA) that is some State's land (IA) Cook Inlet. These lands will first go to the Secretary of the Interior, to the Federal Government. And he will then take those lands and (IA) same process as all the rest of these lands already been (IA) Will put on (IA)

: (IA) in the Act?

: procedure in the Act. . .

: Because I know (IA) they're already State land (IA)

: Yes. They will be put on. In addition, the grievance in the Legislature (IA) that on lands the State does transfer (IA) those lands, the State will retain (IA) and all dedicated or (IA) highways or otherwise. So (IA) but that where the State has (IA) that he was going to require (IA) So the State (IA)

: I wonder what Mr. Huhndorf and Mr. Price have to say about this?

Reeves: I'm Jim Reeves, attorney (IA). There's one further layer of protection to (IA) again one which applies to protect all the land (IA) to the Federal Government in the regional (IA). That (IA) Section 14-B (IA) which protects all (IA) Certainly 14-G (IA) protect all (IA). So that I think, you know, a number of instances in which one would (IA) context would be very few. I hate to say this but if I had (IA) I would hate to rely on my access to (IA) on the

basis of how somebody is going to interpret that phrase. (IA) one of the biggest question marks of the whole Act.

: I'm sorry, I'm sorry. Your (IA) have taken the position that every State grant under State law to the third party creates (IA). And the Bureau of Land Management's people are specifically identifying everyone in the entire involved (IA) setting before in detail and (IA). Originally, you're right, that was very complex (IA)

: I question that but anyway I wonder what the people from Cook Inlet have to say on the question?

: Well, I think personally (IA) testify (IA) So whatever the body is (IA)

: I don't really know if anybody answered my question but I'll just try to answer your question. But I also (IA) call for witnesses. But of course you were talking about two different things. One was the question (IA). But the other question was, you went ahead and said you assumed that the way in which this land trade is being carried out is, or will be in many respects, to be the precedent for land trades in the future and I sure don't think that's true. That's the whole point, I think, of the Bill that's sitting in the Senate. Some of the reasons for the disagreements that you heard here earlier and some of the suggestions the Legislation. So I hope very much that it's not a precedent. I don't think there's anything wrong in saying that the way in which Cook Inlet proceeded but I have some question in my mind about the other two parties. That, of course, is not something that we have to decide in the next two or three weeks. That's legislation that would affect future negotiations. Hopefully, we won't feel under the gun and we can push that through with the proper amounts of Committee deliberation. I'm sure that that's what's intended. I don't think that it's a precedent for the way in which land trades... (IA) native groups or any kind of disposal of large amounts of natural resources that the Administration has in the future. At least what I was (IA) legislation is something - not just addressed to land trades involving native lands but ways of properly and necessarily restricting the Executive in the ways in which he's talking about proposals and natural resources in the State of Alaska (IA)

McDowell: I believe the wording in this easement is frequent and submit (IA) use. Now again I question you. I have friends that have cabins over there that walk two and a half, three miles across country to go to their cabin. Now I have heard provisions not made (IA) that there are many easements along the lakes and along the streams. Suppose you Legislators go ahead and endorse this, and we are endorsing this, like I say, with exceptions and what happens if this thing goes to court and all of a sudden it's decided that perhaps the natives of this State do have a right to this. Will this affect this trade? Now definitely it's going to affect the people in the (IA) and there's going to be some very irate people when they find out all of a sudden, when all the smoke clears, that they no longer have access to their private holdings. Now if you walk down -as I interpret this and I've been very close to it - if there is no access on these streams and if you should even be in a boat and step out of that boat -you are trespassing. I don't think the State of Alaska should take and pass any laws that are against or for any segment of the population. This is

what I'm asking. I'm asking you to give very serious consideration when you do make this trade, that you do look out for all Alaskans and I don't think that's an unfair request. Thank you.

Sen. Poland: Thank you Mr. McDowell. We will take our dinner break now.

Sen. Poland: We're going to resume. I don't care whether people (IA) or not. Helen Neinhauser?

(many people talking at once)

Neinhauser: My name is Helen Neinhauser and I am testifying for myself this evening. I am a resident of Anchorage and have been a resident of Alaska for nearly seventeen years. I support the land trade and urge the Legislature to approve it. My reason for supporting the land trade is that it just plain makes sense. It's effect will be to place the bulk of the land in private hands and to retain land which ought not to be developed in public ownership. This is rational land ownership and is in the best interest of all the residents of the State. If land is suitable for development, whether it be coal mining or residential use, it ought to be in private hands. The only question is, which private hands. In my opinion, it is fair that Cook Inlet Region be the private party which develops that portion of Alaska's land. The lands originally available to them under NCSA were not fair to Cook Inlet. If the land trade does not go through, I fear that the result will be unsatisfactory to Anchorage residents and detrimental to the State as a whole. It is particularly important to Anchorage residents that as a result of the trade, the Campbell Tract, Point Larenso, Point Campbell, and Goose Lake lands will be retained in public ownership for park and recreation purposes. Can we place a dollar value on what these park lands will mean to Anchorage residents in the future? Projections of Anchorage's future population are frightening. As our population grows, the present de facto open spaces will be filled in. What price can we set on the peace of mind and the physical exercise derived from a two hour ski trip in a nearby park, all the time a busy urban resident may have. As one of the originors of the Talkeetna Mountain State park proposal, now also before you, I am particularly happy that as a result of the land trade, the State will obtain ownership of key sections of the proposals which were formally eligible for native selection. These lands are valuable recreation lands but totally unsuited for development. The capitol will almost surely go into this vicinity. Can we put a dollar value on what that park will mean to future residents of the capitol? Or what it will mean to Anchorage and Matanuska Valley residents where local parks and the Chugach are overcrowded and can't afford the time to get to Talkeetna. I visited Lake Clark last summer and loved it. One of the loveliest spots I've seen in a State full of beauty. Lake Kontrashibuna is also very special and has fantastic fishing. Both belong in a national park where their use will be available to all for generations to come. Uncontrolled private development along the shores of Lake Clark would be a tragedy. The natives relinquished their claims to this area as a part of the trade leaving it in federal ownership thereby opening the way for a park. It will be used and enjoyed by many Alaskans. What dollar value can be placed on this? Private ownership to the Moose Range will be held to a lower level than would be the case without the trade so I cannot object. The selections in the Iliamna area are sensible inasmuch as they give the State D-2 lands that would not otherwise be available to them. They will doubtlessly

select remaining federal lands in the region giving them basic control of the area, important to the fisheries resource and more compatible with the native ownership in the area than would be federal ownership. There has been a lot of talk about the dollar value of what the State will give up. Those who talk about this are not looking at the whole picture. They are not talking about what the State will gain. And they certainly are not looking at what the people of the State will gain by continued public ownership by the Federal Government of such areas as Lake Clark and the Moose Range. Besides the intangible values, there are others. What about the taxes that will eventually accrue to the State or political subdivisions from private property ownership of developable land. What about taxes on profits of this (IA) taking place on these lands. What about the values to the Iliamna fisheries, of State control of the lands in the area? What about the reduced cost to the State that will occur because of the development that will take place on native lands will now be closer to population centers and therefore less expensive to service? One gentleman said earlier that we some recreational lands but we need to worry about food and housing first. It seems to me that he was forgetting that there are other coal deposits as well as oil and gas fields that will remain in State ownership. There isn't another Campbell tract or Lake Clark. It is crucial that the Legislature look at the whole picture. As you do, ask yourselves some questions. What is it we value about living in Alaska? What is the best way to achieve a balance between necessary private development of Alaska's mineral resources and public protection of Alaska's fantastic scenic resources? What must we do in the face of increasing development to keep Alaska a special place to live?

Sen. Poland: Thank you Helen. There's one item I would like to have cleared up. It's my understanding that the villages have regained their lands along the lake.

Neinhauser: It's my understanding that the lake ownership where Cook Inlet, in the more mountainous end of the lake - that will go to federal... you're talking about Lake Clark? But (IA) will retain it's ownership.

Sen. Poland: Perhaps Mr. Huhndorf could clear up that point. Do the villages retain the land along the lake?

Huhndorf: No. The villages have agreed under this exchange to (IA)

Sen. Poland: Thank you.

Neinhauser: Helen Heinhauser.

Sen. Poland: Yes. (IA) Were there any questions from the committee? If not, thank you very much.

Neinhauser: Thank you.

Sen. Poland: Virginia dal Piaz?

(inaudible)

: There won't be any snow machines going by.

dal Piaz: I'm glad (IA)

: ... the trade.

dal Piaz: private joke. That Talkeetna Mountain hearing this morning (IA) 500 is going right by. (IA) I think Neils arranged it.

dal Piaz: My name is Virginia dal Piaz and I'm President of the Upper Cook Inlet Chapter of the Alaska Conservation Society. We've not previously had the public opportunity to announce our position on the Cook Inlet land trade and we appreciate the chance to tell the Legislature that we do favor the trade. We support totally the concept of trading lands to facilitate rational ownership patterns and management. Federal, State, native and other land owners have different goals as owners and managers of Alaska's land. It is therefore reasonable and laudible to negotiate trades which, on the balance, benefit all parties concerned. We are thankful the State Administration perceived the need for a land trade with Cook Inlet Region and devoted so much energy to this settlement. We're pleased that Congress sought this Act quickly and supported the trade, thus placing their trust in Alaska negotiators familiar with the Cook Inlet land situation. We're equally appreciative that members of the Legislature have taken an interest in the trade. It gives us faith in the checks and balances of government. However, we feel that the energies of the detractors of the Cook Inlet trade are misplaced. Early October, '75 the State Administration first announced the conditions of the trade. The time allowed for public input appeared ludicrously short. However, since then, the public has had ample opportunity to consider the proposal and the trade has been altered as the result of public input. The land trade approved by Congress is favorable to State interests and urge the Legislature to lend its support to the final agreement. Now, I'll briefly discuss a few specifics. It's our feeling that the Kenai Moose Range should be held substantially intact. To this extent, the pieces of the Moose Range were traded to the Cook Inlet natives, those pieces should be located on the edge of the range away from prime wildlife habitat. Further we hope that this is the last time the Moose Range's borders are tampered with thus reducing the size of the range. We will urge the Federal Government to protect the Canus system from development and to designate eligible parks of the range as wilderness. We find the Cook Inlet land trade in keeping with our interest in the Kenai Moose Range although we regret that it was necessary for the Federal Government to trade away any portion of the range. This is one of the most heavily used outdoor recreation areas in the State. The townships the State will pick up in the Talkeetna Mts. are critical additions to the proposed Talkeetna Mt. State Park. The Upper Cook Inlet Chapter of the ACS is on record in strong support of this park proposal. We're happy that Campbell Airstrip, Point Woronzof, Point Campbell and Goose Lake are all being retained in public ownership. We're particularly pleased that Congressional action (IA) conveyance of the Campbell Airstrip tract to a plan for a (IA) Bi-centennial park. We will be watching implementation of the selection pool that Mr. Jackman alluded to earlier which is 1C-2A, page 39-40 of the agreement document. Important potential park and open space acreage on the Anchorage hillside may be declared federal surplus property and we intend to keep an eye on any conveyance of such critical acreage from public to private ownership. I'll be adding when I send in my testimony a little more in depth on that particular subject. We're hopeful that the land trade will ultimately lead to State management of Iliamna watershed, a region of

extreme value for fish habitat. Moreover, we support federal ownership of the lands around Lake Clark and areas serving as protection for the valuable recreation land. It appears that by reducing native land ownership in the Lake Clark, Lake Iliamna region, the State and Federal governments are moving closer to a workable management plan for that portion of the State. Finally a few comments on the Beluga coal fields. Since the State has retained the land of highest value for coal production, it, nevertheless, has given up many acres of potentially energy rich resource land. It's time the State looked beyond how many dollars worth of nonrenewable resources we control. It's obvious that the State has to give something of value in order to receive valuable renewable resource land including the possibility of gaining control of the extremely valuable fish and wildlife habitat around Iliamna. What the State is giving up in revenue might very well accrue to tax periods of one generation. What it is gaining is control of renewable resources that will benefit many generations of State citizens. I think that the Beluga fields are a reasonable loss for what the State will gain including retention of revenue from the Moose Range oil field. In conclusion, the Upper Cook Inlet Chapter of the Alaskan Conservation Society strongly supports the Cook Inlet land trade. We urge the Legislature to do the same. We also wish to thank the committee for holding these hearings and allowing the public to express their views.

Sen. Poland: Thank you. Are there any questions from the committee?

dal Piaz: I also will ask the committee's advise on how to handle the following: the Alaska representative from the Sierra Club had to catch a plane and left his testimony with me. There are quite a few copies here. I could just give them to you or I could read them.

Sen. Poland: You can just hand them out to us and we'll put them (IA). If there's time at the end, you might want to read it but otherwise, I'd like to go ahead and hear the people that are here. Senator Rader, did you have a question?

Sen. Rader: One brief question. What is your position on the acquisition of Bristol Bay lands by the State of Alaska (IA) aspects of that land acquisition? Do you feel that's of particular value for conservation purposes?

dal Piaz: I would have to - I must admit I'm not really familiar with that area. I will find out an answer for our group.

(inaudible)

dal Piaz: I can just summarize briefly the Sierra Club statement is in support of this land trade (IA)

Sen. Poland: Mr. Homer Burrell?

Burrell: Madam Chairman, members of the Senate and House Resources Committees, Legislators, staff, public. Speaking for myself. We've got a real problem here tonight. We've really bitten the bullet. The Administration has given (IA) I'm not here to recommend you approve it or recommend you disapprove it. I'm here to recommend you find out something before you take an action. You have not got any adequate information. I don't think you have correct legal information, for instance AS 38-95.060 limits you to a one township exchange, limits you to

equal value and makes no reference to minerals. If you don't change the entire law, either appeal that one or enact a new one or amend that one, or do something, I think you're going to be very susceptible to a law suit over this action, over the action proposed by the Administration should... If you want to do that, fine. You should do it. But the main thing that bothers me about this is a lack of information. You've heard testimony from experts and I am not an expert. You've heard experts testify tonight on the value of the resources that would be exchanged on both sides. What hasn't been dealt with is, what are we talking about when we say value. We're talking about economic value, talking about recreational value, aesthetic values, what are we talking about? There's been no definition of those terms. That is where you are somewhat in the position of a jury in the condemnation case. When I say that the land the Highway Department took worth ten thousand dollars and the Highway Department says it's worth ten dollars, you know the jury has to reach the verdict there as to what that land is worth. What did I deprived of and that's your unenviable position. And I do not envy you for that. There's no definition of value. I don't think the straight economic value is right, I don't think it can be entirely disregarded. I don't know what the coal in Beluga is worth or the coal which apparently's been overlooked to a large extent. And the coal in the Kenai Peninsula and the other lands that are purported to be part of this exchange. I have no idea what they're worth. I have no idea how to find out. If you'll tell me what the Arabs are going to do with oil prices or what the Federal Government is going to do with oil prices, then I could tell you what coal might be worth. But I don't know the answers to that. I deplore the Administration's, despite their protestations to the contrary, keeping the details of this thing confidential for so long. Now the Legislature has got something like three weeks or four weeks to try to make their own independent determination. You've already heard the conflicts to the Department of Natural Resources itself and other qualified mining engineers and geologist over the value of this. It is not clear cut. If you buy the Dept. of Natural Resources position of what this is, you are committing an error which is going to approach Teapot Dome someday. And I don't think the Legislature wants to. The Administration may want to. Now, I know, as you all do, that despite some baloney that came out of Juneau and other places recently, the revenues from the subsurface resources and timber resources, 70% of them are spread around all regional corporations. You don't even have to be a member of the corporations to share them. Likewise, if I had a lodge on a lake, I would not want a profit making corporation own the land in the area because I'd have competition. Consider that. The history of this transaction from a secrecy standpoint has been sickening. Two things have been done wrong. Because the State law requires under criminal penalty that records be made available to the public, simply a private file is kept so that nobody, including the Legislature, had the opportunity to find out what is going on. There's another Legislative Act which you have - I'm not going to give you the citations here, I'm sure the attorney knows about all of this. It says that all meetings of agencies shall be public with certain specified exceptions which these type of meetings didn't fall under. I happen to think a meeting with the Div. of Lands, with Cook Inlet Region and the U.S. Dept. of Interior is an agency meeting. I came within one fourth of an inch of signing a criminal complaint against the State's negotiator on this. He was perfectly willing to file against somebody else who got trapped by conflicting orders of various State agencies. I suggest you take a hard look at this. You have not been given the facts. Despite what they say, this has been the most secret game played right up to the last minute until they decided

to have a deal and wanted (IA) Therefore, you're at a terrible handicap right now trying to get the facts. What you should get is some independent appraisals of the values. And I don't mean from somebody with an ax to grind on either side. I mean an independent appraisal. And I don't know whether how an independent appraiser could consider the recreational value and the subsurface values at the same time. That's beyond me. But it should be considered if you don't want to go down as a Teapot Dome legislation. And if you could get that information before you move, I think you'd be a lot better off and you could defend your position. Thank you.

Sen. Poland: Representative Hershberger?

Rep. Hershberger: Mr. Burrell, maybe you could tell us, are the indians trying to stop us or are we trying to shoot them? If this is collusion, which are the bad guys? Mr. Huhndorf? Who is it?

Burrell: I don't know.

Rep. Hershberger: Who's playing the game to what advantage?

Burrell: I would say this...

Rep. Hershberger: I mean, I know why your remarks are stated as they are. We all recommend political values and all that, but you tell us what's wrong here now?

Burrell: Alright, I'd be happy to. Madam Chairman and strike the (IA) remarks. Obviously both sides, I think, think they have something to gain or they wouldn't make the deal. Actually, all three sides think they're either gaining or at least not losing or they wouldn't make the deal. That's a typically negotiated transaction. Right? Okay, I'm speaking, not asking. I beg your pardon. Everybody thinks they're either going to gain or at least not going to lose or they wouldn't enter into the transaction. Okay. Now, the only thing you can assume from that is that they have different motives, different objectives. And I suggest, the State objectives are different from those of the Cook Inlet region and different from the United States Department of Interior. Everybody has different objectives and they're all happy with them apparently. When I say the State, I mean the State Administration.

Rep. Hershberger: It's pretty obvious that the State has done something with the region natives that they don't know about so would you go to the natives and tell them to be on their guard or are you telling us to tell them to be on their guard?

Burrell: Madam Chairman, I am not saying that the State is doing some thing the natives do not know about. I said the State had different objectives than the natives have and apparently both groups in this case, let's leave the Dept. of Interior and the Federal Government out of it. In each case, both groups were satisfied with the objectives and thought their objectives were attained. Like I might want your red card and you might want my blue card and to both be happy, we make a trade because you like red and I like blue or whatever.

Rep. Hershberger: (IA) I'm confused then. If both parties are in agreement,

what's this (IA)? You said somebody's trying to take advantage of someone else so presumably...

Burrell: Madam Chairman, my remarks were the fact that I think you ought to get an appraisal. That's all. You can't buy something that's just been fed to you, spoiled. You're going to have to live with what you do. If you, quote "give away" - and I don't mean it that way, but if you give away the Beluga coal reserves and the Kenai Peninsula coal reserves or various park land, that may or may not be right. I'm not saying it's wrong, I'm saying you've got to know. And I don't think you know. There's obviously controversy within the Department of Natural Resources itself, you've heard the controversy over parks and values, or differing interpretations of the values from various people who've testified. And I don't necessarily say either one is right or wrong, I'm saying you ought to find out. I guess that's why we're all here.

Sen. Poland: Representative Rhode.

Rep. Rhode: Where would one go to find out what the recreational value of these lakes are? Just where would we go to find this out and tie this in to the value of the coal field?

Burrell: Madam Chairman, that's the, in reference to Rep. (IA), that is a value judgement and that is why I made my previous remarks, that you're sitting here as a jury. I don't know what a recreational site or a recreational use of it were...

Rep. Rhode: Who would know that we could go to?

Burrell: I think you have to get the testimony as to the economic value of both. Many of you have to throw in your own evaluation of its recreational or renewable resource value and determine what you are gaining and make your own evaluation.

: May I make one remark here.

Sen. Poland: Senator ?

: If you would tell who (IA). I don't know where you go to get an evaluation until after say twenty years from now, we find out who gained and who didn't.

Burrell: Madam Chairman, I'd hate to wait twenty years to find that out. I'd like to find out before. But I'm for (IA) find out.

: Madam Chairman, I have to agree completely. I don't know where to go to find out either. But what I would say is this, what is the State losing from a control standpoint in giving up ownership of the Lake Clark area. I don't know. I haven't seen anything in writing that explains to me what the State is losing. As far as I know, we have not lost our management control over Fish & Game although we might lose it over the habitat for the fish and game. (IA) I appreciate that. All I'm suggesting is that we just don't have enough facts on what is the State giving up and what is the State gaining in both areas, say Lake Clark for instance, and Beluga. I don't know.

Sen. Poland: Representative Brown.

Rep. Brown: (IA) Rep. Cotten is (IA) is not mentioning anything that (IA) already passed last year.

: (IA) designated smoking area.

Rep. Brown : Designated smoking area. Just one comment. You talked about whether or not negotiations were carried on privately and the way in which things were done and this doesn't directly relate to that but (IA) you just might be interested in the fact that Rep. Cotten and I were sitting in the House Judiciary Committee (IA)

tape 8

: (IA)

Sen. Poland: We said if we couldn't finish that there would be (IA) we didn't want to lock ourselves in because we would certainly like to finish, in fact we figured if we were almost through by 9:00 we would ask the people to stay (IA) because some of our legislators are unable to get reservations on the plane tomorrow and they will have to leave on the morning plane. Bob Rude.

Rude: Madam Chairman and Legislators, my name is Bob Rude, I am a stockbroker in the Cook Inlet region and I am the First Vice-President of the Cook Inlet region, President and General Manager of the Cook Inlet General Property Corporation and am a member of the Cook Inlet Region Land Negotiation Committee. I have been a resident of Anchorage for 35 years and I am here today to testify in favor of the proposed land trade. I believe the land trade is something that is beneficial to all three parties. The proposed land trade provides for the settlement of certain claims and in doing so it consolidates ownership among the United States Government, the Cook Inlet Region and the State of Alaska within the Cook Inlet area of Alaska. The proposed land trade facilitates land management and creates land ownership patterns which encourage settlement and development in appropriate area. The proposed land trade will enhance the State of Alaska's land holdings by 48.8 to 53 additional townships of land. The proposed land trade makes available Point Campbell, Point Woronzof, and Campbell Field to the State of Alaska. The land trade protects wildlife and fishing resources of the State of Alaska. The land trade provides areas for future recreation of the Anchorage residents and the residents of the State. As a member of the Cook Inlet Region's Land Negotiating Committee, I have been involved in with Cook Inlet Region's land problems for three years. In 1972 and 1973, I was on the first land negotiation committee of Cook Inlet Region. Our committee met many times with the Federal Government. We made many trips to Washington, D. C. and spent thousands of dollars only to see negotiations fall apart. A full year went by before negotiations were resumed and it was at this time that the State of Alaska, the Federal Government and the Cook Inlet Region began to negotiate. These negotiations resulted in our present land trade that is now before you. Throughout our negotiations with the State of Alaska and the Federal Government, Cook Inlet Region has made many concessions. We gave up our rights to Campbell Field, Goose Lake Point, Uronsoff and Point Campbell, to appease the residents of Anchorage. We gave up our rights to the Swanson oil fields to appease the State of Alaska. We

dropped our claims to National Forest lands and reduced our claims to Moose range land to appease the Federal Government. We saw the State of Alaska and the Federal Government transfer 17 townships of land during the land freeze that could have come to us. We relinquished the right offered us on Beluga Mental Health lands. This area was supposed to contain 80 percent of the estimated coal resources first offered to us. We agreed to accept approximately (?) townships out of our region so that the State and Federal Government could retain more land within the Cook Inlet Gulf. In doing this, we will again have to spend millions of dollars to study the land in five other regions, so that we can select the land most suitable for our corporation. I have attended several hearings concerning our land trade and have heard adverse testimony by many non-natives, the testimony that I have heard makes me sad. Some individuals feel the only lands we are entitled to are mountains and glaciers and that any land with any value should be kept from us Natives. Are the people aware that the Natives lived on and occupied all of the lowland, low-lying land in this area? Are you aware of the fact that we agreed to a land claims bill that specified that we could receive land of similar character as the lands we gave up in the Act? Are the people aware of the fact that if this trade is not approved, there will be no land planning in this area? Are the people aware that if this trade does not materialize, that Cook Inlet Region will progress in its court case and will file and fight for every piece of land possible in this area? In conclusion, I feel that Cook Inlet Region has paid its price. The Cook Inlet Region (IA) and the lands listed within CL 94-204, I believe it will greatly benefit the State of Alaska and the community of Anchorage. It is my belief that Cook Inlet Region will move to develop the land in the Beluga area and this development will bring additional income in the form of taxes to the State of Alaska. Millions of dollars will be made available to the Anchorage community and many jobs will become available. I believe it would be a very embarrassing situation if the State Legislature fails to approve this land trade. This land trade has been supported by the Federal Government, the State Administration, State Congressional Delegation, and conservation groups in the Cook Inlet Region. CL 94-204 was overwhelmingly passed by the Congress of the United States. For the State Legislature to (IA) the trade now would show the Nation and the world that this State does not have the concern of the rights of its first citizens. I hope you will seriously consider our views and I hope you will support the proposed land trade when it comes up for a vote in Juneau. Thank you.

Sen. Poland: Thank you Mr. Rude. Representative Cotton?

Rep. Cotton: Mr. Rude, you mentioned that you had given up your claim to several areas of land around Anchorage here that were considered by some to be uh-anyway Anchorage wanted them and so you gave them up to appease the Anchorage area. Are there any other lands left in that same category that were either asked for or that can be considered similar lands that you haven't given up?

Rude: No, what I was referring in this statement --like I mentioned I was on the first negotiating committee. Federal Government came into Anchorage and with a team of negotiators at that time these were the areas that they brought up and said that the changes there and the final offer was something like 23 townships of land that we would give up our title on 48 townships.

Rep. Cotton: (IA) Campbell Point, Campbell Air Strip that you mentioned you gave up your claim to in order to appease Anchorage. Were these the only areas that Anchorage asked you to give up in order to appease them?

Rude: Yes, to my recollection.

Rep. Cotton: Well now, this is just Cook Inlet Region, that doesn't include any of the other corporation, isn't that correct? You don't have anything to do with any other village corporation within that region?

Rude: No, I don't.

Cotton: Thank you.

Sen. Poland: Representative Brown.

Rep. Brown: The tone of your testimony concerns me. I hope you understand that there is no great negative feeling for the Cook Inlet Region Corporation, not that I know of. It bothers me very much that you seem to think the people would threaten or appear to threaten to lower the boom on your efforts. I want you to feel that your birthright as a people. That's not what is happening at all. My concern and the concern of many of the others of the group is the whole process. There is something wrong with the process. Probably (IA) hindsight and some of us have only been in the Legislature a year or so and some of us a long time, we see these (IA) differently but you have heard no doubt, that the dispute (IA) the representative administration (IA) legislation involved in a very important decision (IA) and I think it is that process that really (IA) as opposed to the particular issue in question or merits of the particular Act (IA) it was represented here that I and other members of the council have (IA) if that is true I certainly don't remember (IA) certainly it was not presented in a way (IA) we found later the (IA) the State of Alaska that we found out that we would likely be coming back to Juneau and it was at the beginning of the session that we found out this had all taken place (IA) and it occurred with a shouting of the press and were drawn into the action (IA) through the process of the issue (IA) legislation make sure that the administration's feeling on the disposal of a, or trading large lots of land or resources in the State of Alaska (IA) I don't know (IA) the distribution if possible. Maybe this Governor or some other Governor (IA) a different feeling (IA) we could have some serious problems. All of those concerns are not directed at you or at the Cook Inlet Region (IA) you know we come to a legislative council meeting and we get work, formally or informally, on and off the record that vital decisions (IA) without any input from the Legislature at all. (IA) I don't think that it was anything directed in a negative fashion. That's all I have, thank you.

Sen. Poland: Are there any other questions of Mr. Rude? Thank you very much, Mr. Rude. Patrick Pourchot, of Knik, Knoers & Kyahers, Inc.

Jeff Knaebel: Senator Poland and members, I am Jeff Knaebel, a resident of Fairbanks, I am a member of an engineering and geological consulting firm with head offices in Fairbanks, Anchorage, and Ketchikan, and which numbers among its clients, more than two dozen mining and construction companies to whom we have provided engineering and geologic service. Cook Inlet Region is among my firm's clients. I am not however, testifying on behalf of any of my clients nor on behalf of my firm, but as a citizen of Alaska, on my own behalf. First, I think it is important to bear in mind that the purpose of the proposed trade

is to complete in an orderly manner, the implementation of the Alaska Native Claims Settlement Act, which was an Act for the purpose of settling aboriginal land claims, that has behind it the full moral weight of the Congress of the United States, and also citizens of the United States. It is also important to remember that when you talk about the Native people of Alaska, it is not a "them and us" situation. These people are Alaskan citizens. They are the first citizens of this great land, they and we share a common bond of Alaskan citizenship. They are us, in other words. When we propose to deed land to the Native ownership, we are giving ourselves land. I doubt that there are many Alaskans who would not rather have us own our own land than the Federal Government own our land. And this trade offers a net gain (IA) ownership and a net gain of State and title land. State government has seen fit to provide to private ownership only 3/10 of 1 percent of Alaska's land. The citizens of this State desperately need land. Land to live on, and to earn a livelihood on. Private productive land ownership is a corner stone of individual liberty and free enterprise, two things which are sadly rapidly slipping from our grasp. The Alaska Native Claims Settlement Act, in my opinion, is the single Act in support of individual liberties in decades. The land trade in force today goes a long way toward meeting the needs of the citizens of this State. Aside from the direct land benefits to Alaska citizens I will enumerate shortly, there is a moral issue to be decided here. In the past four years I have witnessed treatment of Cook Inlet Region at the hands of our Federal Government that is so shabby that it would make Americans hang their heads in shame. It grieves me that a law enacted by the people of the United States assembled in Congress can be so blatantly abused by the Federal Government charged with the implementation of the law of the land. I have seen glaciers and mountains withdrawn from the Cook Inlet Region, and have seen good faith on and an attempt in taking corrective action met with hypocrisy, deceit and broken promises. The State also has a moral obligation to redress the wrong done to these, its first citizens, when the State entered a secretly negotiated contract with the Federal Government in September 1972, which took away lands in the Lake Tulatin area which should properly have been made available for Cook Inlet selection. Incidentally, the dedication of that contract is still pending and can be settled by the agreement before us today. I think it is time for these things to be put behind us. Since 1972, all attempts to have the Alaska Claims Settlement Act properly implemented for Cook Inlet Region have failed except for the proposed agreement before us today, and this agreement contains good faith compromises made by Cook Inlet in recognition of the interests of the State of Alaska, because of 1975 sympathy for Cook Inlet Region by the U. S. Congress resulted in commitments that would have given Cook Inlet certain trade lands including Swamp River plus Campbell Air Strip, Point Uronsoff, Point Kanby and other areas that were in negotiation at the time. When the State of Alaska became actively interested, Cook Inlet agreed to discuss issues in good faith negotiations which ensued between the three parties for over eight months. From my own contact with people, it appears to me that most Alaskans knowledgeable of the details feel that the agreement before us is in the best interests of all the parties. Except for objections centering on the Beluga coal issue and the method by which the agreement was negotiated. It is my opinion that many of the figures quoted in the newspapers on this Beluga matter are misleading. First, those figures are based on trends of mental health land in trading. Mental health land has subsequently been removed from the trade, thereby moving 75 percent of the reserves that are being argued about. Second, the figures quoted in the newspapers are based on reserves calculated to the depth of 2000 feet. It is unlikely that mining will progress to that depth in the foreseeable future. Coal reserve figures are meaningful only if they are reserves that can be economically mined. It is needed by people

of the greater Anchorage area, and add to the local borough tax base. The State is reimbursed with other potential resource lands. The title cloud on all lands in the Cook Inlet region is removed. Cook Inlet withdraws blanket filings and draws its lawsuit. The State-Federal agreement of September 1972, remains intact. This agreement protects that area to selectable and selective State lands, a large portion of which could go to Cook Inlet should Cook Inlet win it's law suit. Cook Inlet has given up its right as you have heard other people say, on the majority of the Moose Range, Campbell Air Strip, Point Woronsoff, Point McKinsey, the Lake Tulatin land and 30 townships within the region of the lake park area and Talketna mountain area plus Cook Inlet has given up 46,000 acres of its total legal entitlement under the Alaska Native Claims Settlement Act. I think that Cook Inlet has conducted itself in an exemplary manner, that the Alaska Native Claims Settlement Act guaranteed a just settlement, that this particular trade before us, is just and as well brings a net increase in value to the State in the particular situation that we face. I ask you to analyze those portions of public law 94-204, which apply to Cook Inlet alone. Other issues in that law may be controversial but they do not apply to the Cook Inlet Land trade and should not be considered in bringing the agreement before us today. It is time that this issue should be settled. It is time for the Government of our State and Nation to uphold the laws of this land as those governments expect the citizens to do. Thank you.

Sen. Poland: Do you have any questions of Mr. Knaebel?

I would like to make a statement here. Your remarks seem to place the burden on the State, and in that I think you are being as unfair as you accuse the State of being. I don't think there is anyone here that hasn't supported the Alaska Native Land Claims Settlement Act, nor do I sense in any of our members and there may be a few whose feelings I don't know, I can't speak for all 60, that don't have the decent concurrence, but let's not lose site of the fact that the original agreement was with the Federal Government, and Cook Inlet and the other regions. I could not agree with you more, that Cook Inlet was offered something that was completely unsatisfactory, on the other hand, the Federal Government also has an obligation to see that Cook Inlet receives its proper entitlement. I hate to see them give up 46,000 acres. I think they should get their full entitlement. but I think you're twisting things a little bit to say that the State is this involved.

Knaebel: It was not my intention to input any blame to the State. I do think that there are moral issues involved there that the State, whether they like it or not, is placed in a position of making the final decision, and that the State, in my own opinion, did clearly do a wrong thing in that the previous administration did set down with the Federal Government and gave away Lake ? land to the Feds and to itself that properly under the standard of the Act, should have been withdrawn for Cook Inlet region, and had they been withdrawn for Cook Inlet region, there is a distinct chance that this whole thing might never have come to pass, because there might not have been a legal basis for Cook Inlet's complaint. To that extent, I feel that the past administration of the State is involved and to that extent I think there is a moral issue that relates directly to the State as well as the uninvited moral issue that has

significantly (IA) like Federal reserves that have little chance of being mined in the foreseeable future. Return to Cook Inlet, or loss to the State of Alaska is related not to the total reserves in the ground, but to the rate and time which they are mined. The largest coal mine in the United States according to a state report, produced about 7 million tons per year. The question then becomes when will production start on the Caps ground which is the coal that Cook Inlet would now get in the agreement. The Chitna coal is closer to tidewater and has an estimated 1.6 billion tons of coal. This coal will in all probability, be mined first. At a production rate of 7 million tons per year, it will be 228 years before Chitna is mined out and it would be logical in terms of the Caps. The present value of the Caps ground is nearly zero. On the other hand, let's just suppose hypothetically the Cap was mined first. There is certainly value in lease rental and production royalties. The cap has about 50 million tons of coal, sufficient to operate a mine of seven million tons per year for 79 years. Present value of royalties calculated by State engineers are for a mine of 6 million tons a year and calculated between 3.7 and 6.5 million. A probable scenerio for the Cap might be that mining starts and progresses for 20 to 50 years. Since the Chitna is closer and both areas will be under lease to the same party on the assumption that both areas remain in State hands, the low cost coal in Chitna would be gone 50 years from now and the Cap would then be opened up. The present value of Caps then are lease payments through the years, plus royalties after 20 years. This totals up to a series of figures which, including the lease payments and royalties and the value of the coal itself brings the total present value of the Caps to about two million, seven hundred eighty seven thousand dollars (\$2,787,000) rather than several billion dollars. In summary, regarding the Beluga, Cook Inlet has received 13.5 townships. This excludes 75 percent of the known coal. 1.6 billion tons of known coal remain to the State. Cook Inlet gets 570 million tons of known coal, 850 million tons of hypothetical coal. The State estimates royalties to Cook Inlet at 15 million dollars on the 570 million tons of known coal in the Cap. Since however, Chitna would probably be mined first, the present value of the Caps, the value of future income discounting the present is 3 million for land. Therefore, what we have here is the State giving up very hypothetical future coal income of very uncertain value in exchange for high present value of land exemplified by Campbell Air Strip, Swanson River revenue and other Federal excess properties. In summary, the net effect of the whole trade agreement appears to be as follows. The State gets high valued Federal excess property near Anchorage that might otherwise go to Cook Inlet. The State oil revenues from Swanson River are protected for the State. Cook Inlet gets some resource land that would otherwise be locked up by the Federal Government and not used for the economic benefit of Alaska. Contrary to what has been said earlier, the out-of-regions selected do not cost the State. There is enough (IA) land and land available (IA) to more than meet the State's entitlement, and in addition to that, the effect of this Act and this trade is to increase the final total State title, over and above the Statehood Act by approximately 30 townships. It appears to me that the potential gain of 30 extra townships of State ownership has a good chance of exceeding the potential loss from the production of coal reserves of questionable value. Also, approximately 19.7 townships of State land are transferred to private ownership. These lands are

been dropped into the State's lap, but I surely did not mean to impure any tendency on the part of the State or you folks to rule against Cook Inlet, per se, I simply wanted to bring out these points.

Sen. Poland: Did you help Cook Inlet select this particular range that they selected?

Knaebel: We advised them on technical matters relating to land and have helped them to decide the priority of the lands that were available up to this time for selection.

Sen. Poland: Are there any further questions of Mr. Knaebel?

Rep. Brown: Madam Chairman?

Sen. Poland: Brown.

Rep. Brown: I am interested in the computation that has been made in regard to the comparison of various coal lands and I am sure that other people here will be testifying and variously agreeing and disagreeing with what you have to say and because that is true and because the issue falls back to Juneau, and we'll be looking at those same figures again, I am wondering if it would be possible for you to have that portion of your remarks or that summary typed up and sent to the committee.

Knaebel: Yes sir. We can not only do that but we can show you the basis of how we arrived at that figure. I might point out that to the engineers here that probably the most common point of disagreement is going to be the assignment of a probability function as to whether or not a given unit of coal is going to be economically mineable by a certain point in time. We have taken the State's report and we think they are basically right and have taken a somewhat more conservative view point on what are true economic reserves that can be mined at a profit.

Brown: I am sure that those who agree with you would like to have that material in support the argument and the disagreeing people would like to have it (IA) to try to shoot it down.

Sen. Poland: Thank you very much. Mr. Chuck Hawley.

Hawley: I am C. C. Hawley, the local mining geologist, I am president of the local chapter of the Alaska Mining Association. We don't feel that we can take a negative position on this for two main reasons, one the complexity of the thing, and we have only just been able to get the facts and then we have conflict of interest too. For one thing, the mining companies are members of the Cook Inlet Native Association and members of the Alaska Mining Association and we have had difficulty in getting all the facts. It doesn't appear the proper course to advocate a position. I think we will,..... there are