proposed exchange of land between the State of Alaska and the Cook Inlet Region, Inc. be declared illegal as in contravention and in violation of the Federal and State Constitutions, and the applicable Alaska Statutes; further,

Plaintiffs pray for judgment permanently enjoining defendants, their agents and employees, from consenting to, implementing, negotiating, or in any manner conveying or attempting to convey any of the lands and mineral rights as contemplated in Section 12 of the Amendments to the Alaska Native Claims Settlement Act; and further,

For judgment awarding plaintiffs their costs and attorney fees for protecting their interests and the interests of all citizens of the State of Alaska.

DATED at Anchorage, Alaska this 31st day of March, 1976.

Raymond A. Nesbett
RAYMOND A. NESBETT
Attorney for Plaintiffs

STATE OF ALASKA)
) ss:
THIRD JUDICIAL DISTRICT)

J. R. LEWIS and HAROLD H. GALLIETT, JR., being first duly sworn on oath, depose and say:

That they are the plaintiffs in the above-entitled action; that they have read the foregoing Complaint, know the contents thereof and believe the same to be true.

J. R. Lewis
J. R. LEWIS

Harold H. Galliett, Jr.
HAROLD H. GALLIETT, JR.

SUBSCRIBED AND SWORN to before me this 31st day of March, 1976.

Raymond A. Nesbett
Notary Public in and for Alaska
My Commission Expires: 9-16-77

RAYMOND A. NESBETT
ATTORNEY AT LAW
837 WEST 5th AVENUE
ANCHORAGE, ALASKA 99501
TELEPHONE (907) 272-8477

(e) The extremely valuable patented state lands which these top officials are attempting to exchange for unconscionably less valuable lands, are as follows:

(1) POINT MACKENZIE POOL - An unspecified 3,200 acres of land, together with mineral estate. This land could include uniquely-valuable, Point Mackenzie port lands or enormously-valuable lands containing an estimated 550 million tons of coal between the surface and a depth of 2,000 feet, as estimated from oil well logs.

(2) KNIK-WILLOW POOL - An unspecified 4,480 acres of land, including mineral estate. This land could include enormously-valuable coal lands containing an estimated 770 million tons of coal between the surface and a depth of 2,000 feet, as estimated from oil well logs.

(3) KASHWITNA POOL - An unspecified 38,400 acres of land, together with mineral estate. This land could include valuable home and agricultural land, for which Alaskans and outside speculators alike have competed to purchase at rapidly escalating prices.

(4) CHICKALOON POOL - An unspecified 4,800 acres of land, including mineral estate. This land could include extremely-valuable coal lands containing large reserves of bituminous coal. Some of this coal is of high-priced, coking-quality, as determined from U. S. Geological Survey and U. S.

Bureau of Mines investigations.

(5) KENAI POOL - An unspecified area of at least 115,200 acres - and possibly much more acreage, depending on as yet uncertain Native village corporation entitlement - together with mineral estate. This land could include enormously-valuable coal lands containing about 20 billion tons of coal between the surface and a depth of 2,000 feet, as estimated from oil well logs and surface outcrop data.

(6) BELUGA POOL - An unspecified area of 13½ townships (311,040 acres), including mineral estate. This land is to be selected by the Cook Inlet Region, Inc., from a larger area consisting of 16 townships (368,640 acres), after possible selection of one township of surface estate by the Tyonek village corporation. The attempted land exchange permits the Cook Inlet Region, Inc., to select the most valuable lands in the pool. Under the terms of the attempted exchange, enormously-valuable patented state coal lands will be granted by the state. The most valuable coal lands in this pool contain about 26 billion tons of coal between the surface and a depth of 2,000 feet, as estimated from nearby oil well logs, surface outcrop data and geophysical surveys.

3. VALUE OF COAL WHICH MAY BE LOST TO THE STATE

(a) I estimate eventual recovery of 50 percent of the coal estimated above.

(b) I estimate the present mean effective state coal royalty in said pools to be 20 cents per ton.

(c) In making my estimate of future state coal royalty income from lands which may be lost, I first estimate that no significant reduction of the estimated resource will occur in the next 20 years as a result of mining. Second, I estimate inflation henceforth at 6 percent per annum, compounded annually. Third, I estimate a real increase in the value of coal due to improvements in technology and increased demand, at 3 percent per annum, compounded annually. Fourth, I estimate that the royalty paid to the state for coal will be changed by law to a percentage of pit head price, and that this percentage of pit head price will become fully effective within 20 years from the date hereof. Fifth, I estimate that the overall escalation factor to be applied to state coal royalties will be 9 percent per annum, compounded annually.

(d) In making my estimate of the present value of future state coal royalty income from lands which may be lost, I first estimate that interest charged the state for bond funds will be 6 percent per annum. Second, I estimate that the required marginal utility of state bond funds above interest cost, will be 50 percent of interest cost. Therefore, I estimate that the overall discount factor to be applied to determine the discounted present value of future state coal royalty income from lands which may be lost, will be 9 percent per annum.

(e) Therefore, I calculate that the escalation factor offsets the discount factor, and that my estimate of the present mean effective state coal royalty may be applied to recoverable coal to compute the present value of future state coal royalty income from lands which may be lost.

(f) Thus, the estimated present value of only a part of the coal which may be lost by the state in this attempted land exchange, is as follows:

(1) POINT MACKENZIE POOL

550,000,000 Tons		
X 50% Recovery		
X 20¢/Ton Royalty	=	$55,000,000

(2) KNIK-WILLOW POOL

770,000,000 Tons		
X 50% Recovery		
X 20¢/Ton	=	77,000,000

(3) KENAI POOL

20,000,000,000 Tons		
X 50% Recovery		
X 20¢/Ton	=	2,000,000,000

(4) BELUGA POOL

26,000,000,000 Tons		
X 50% Recovery		
X 20¢/Ton	=	2,600,000,000

(5) PRESENT VALUE OF COAL WHICH MAY BE LOST BY THE STATE $4,732,000,000

(g) The complex Chickaloon coalfields contain large resources of bituminous coal which could be estimated, if need be.

(h) The quantities of coal in the attempted exchange lands below a depth of 2,000 feet are larger than the quantities of coal above a depth of 2,000 feet. These resources could be estimated, if need be, and many mines could be cited which recovered coal as early as 1910 from depths greater than 2,000 feet.

(i) The estimated quantities of coal in the lands to be lost by the state from the Beluga Pool are conservative. These estimated quantities amount to about 2.5 percent of the volume of tertiary sedimentary rocks to a depth of 2,000 feet in the possible Beluga Pool exchange area. The average percentage of coal in nearby tertiary sedimentary rocks, as determined by interpretation of suites of oil well logs, is about 7.8 percent.

4. VALUE OF OIL AND GAS WHICH MAY BE LOST TO THE STATE

(a) The Beluga tertiary basin, much of which is in the attempted exchange lands, has recently, as a result of gravity geophysical work, been recognized as having sufficient depth of sedimentary rocks to offer good possibilities for oil and gas discoveries.

(b) At the Beluga River gas field, drilling by Standard Oil Company of California of three stepout wells has resulted in increasing the probable reserves of this field from 500 billion cubic feet to one trillion cubic feet. Parts of the

Beluga River gas field are excluded from the attempted land exchange. But, continuation of planned stepout drilling is likely to extend this gas field out into the lands attempted to be exchanged.

(c) Ten miles northeast of the Beluga gas field, Cities Service Oil Company and Pacific Lighting Corporation have very recently discovered a gas field estimated to hold one trillion cubic feet of gas. Similar discoveries are likely in the attempted exchange lands

(d) Gas discoveries in the amount of one trillion cubic feet in the attempted exchange lands would yield about 125,000,000 MCF of in-kind royalty gas to the State of Alaska. I follow the same rationale for estimating present value of future gas income as has been given above for coal royalties. Using a present gas sale price of 50 cents per MCF, gas discoveries in the amount of one trillion cubic feet in the attempted exchange lands would have a present value to the state of $62,500,000.

(e) Yet, the state has thus far assigned no value to the great oil and gas potential in the attempted exchange lands.

5. VALUE OF SURFACE ESTATE WHICH MAY BE LOST BY THE STATE

(a) The present value of surface estate which may be lost by the state in the attempted land exchange is estimated as follows, using the same present value rationale as for coal:

(1) POINT MACKENZIE POOL

3,200 Acres
X $10,000
Per Acre = $32,000,000

(2) KNIK-WILLOW POOL

8,320 Acres
X $2,000
Per Acre = 16,640,000

(3) KASHWITHA POOL

38,400 Acres
X $1,000
Per Acre = 38,400,000

(4) CHICKALOON POOL

5,730 Acres
X $500
Per Acre = 2,865,000

(5) ALEXANDER CREEK

4,560 Acres
X $500
Per Acre = 2,280,000

(6) SALAMATOF

5,945 Acres
X $1,000
Per Acre = 5,945,000

(7) KENAI PENINSULA

117,315 Acres
X $1,000
Per Acre = 117,315,000

(8) BELUGA POOL

11,520 Acres
Port &
Industrial
Site X
$10,000
Per Acre = 115,200,000

5,760 Acres
Townsite
X $10,000
Per Acre = 57,600,000

316,800 Acres
Coal Surface
X $200 Per
Acre = 63,360,000

(9) PRESENT VALUE OF SURFACE ESTATE WHICH MAY BE LOST BY THE STATE $451,605,000

(b) The theory used by state officials in valuation of surface estate has been that all surface estate must be valued as though put on the market at once. Such a one-time sale would yield prices much less than would be realized by spreading sales over a period of years.

(c) My estimates above are based on sales at continuously escalating land prices, over a long period of years. I estimate that the escalation factor for land prices offsets the discount factor derived from the interest cost and required marginal utility of state bond funds.

6. VALUE OF SURFACE ESTATE WHICH MAY BE RECEIVED BY THE STATE

(a) The present value of surface estate which may be received by the state in the attempted land exchange is estimated as follows:

(1) NUSHAGAK, KULCHATNA & KOKSETNA DRAINAGES

587,520 Acres
X $40 Per
Acre = $23,500,800

(2) TALKEETNA MOUNTAINS, KAMISHAK BAY & TUTNA LAKE AREAS

596,480 Acres
X $60 Per
Acre = 35,788,800

2,560 Acres,
Chenik Port
Site, X
$5,000
Per Acre = 12,800,000

(3) CAMPBELL AIRSTRIP TRACT

4,120 Acres
X $20,000
Per Acre = 82,400,000

(4) TALKEETNA MOUNTAINS & KOKSETNA DRAINAGE

285,696 Acres
Selection Rights
Only,
Discretionary
With Secretary
of the Interior,
X $40 Per Acre = 11,427,840

(5) PRESENT VALUE OF SURFACE ESTATE WHICH MAY BE RECEIVED BY STATE $165,917,440

7. SUMMARY OF ATTEMPTED EXCHANGE VALUES

(a) The following is my summary of estimated values which the state may lose in the attempted land exchange:

(1)	PRESENT VALUE OF COAL	$4,732,000,000
(2)	MINIMUM PROBABLE PRESENT VALUE OF OIL & GAS	62,500,000
(3)	PRESENT VALUE OF SURFACE ESTATE	451,605,000
		$5,246,105,000

(b) The following is my summary of estimated value which the state may receive in the attempted land exchange:

(1)	PRESENT VALUE OF SURFACE ESTATE	$165,917,440

(c) From this summary, the net loss to Alaska citizens is as follows:

$5,080,187,560

8. LAND CONSOLIDATION AND FACILITATION OF MANAGEMENT OR DEVELOPMENT OF THE LAND

(a) The attempted land exchange will destroy the compact integrity of patented state lands in the heartland of our state. State lands will be broken up, not consolidated.

(b) The attempted land exchange will create conflict of land management where none existed or could exist before.

(c) The attempted land exchange discourages settlement on the land by all citizens equally, except as leasehold tenants on terms dictated by Native corporations.

(d) The attempted land exchange denies Alaska citizens responsible state environmental and economic control in the public interest of an empire of coal on the threshold of development.

(e) The attempted land exchange makes inadequate provision for rights-of-way to and from state lands, across lands which may be lost by the state.

(f) The attempted land exchange could result in the loss to the state of the critical deep-water port and industrial site at Beluga. This site is essential to the future processing and shipment of not only Beluga coal, but also Susitna coal, Matanuska coal, Nenana coal, and other future exports from the Interior and North Slope. The hinterland of this port will be as large as Texas. The result of selection of the Beluga surface estate by the Tyonek village corporation, as provided for in the attempted land exchange, will be to create a virtual monopoly of natural resources port sites on the northwest shore of Cook Inlet in this one, narrowly-based, profit-making corporation.

9. EQUAL VALUE

(a) There is no way to assure equal value in the attempted land exchange. No cash payment to equalize values attempted to be exchanged is authorized under the pertinent federal act. The major values are mineral values. Not enough testing with the drill has been done, and there is not enough time to drill and report and evaluate under the fixed terms and conditions of the importunate federal act.

(b) It is impossible to determine most of the values which will be exchanged in the short time which has been allowed by the federal act. Alaska citizens are denied a map showing the exact patented state lands which will be lost. Alaska citizens are denied a legal description of the specific lands

to be conveyed away. Alaska citizens are denied any development plan for the lands to be given up, with which to properly assess values.

(c) It is impossible to obtain a complete and unbiased geological report by state geologists. This results not only from inadequate time, but also from intimidation of professional staff by gubernatorial firing of a chief advisor for giving testimony before the Alaska legislature against the attempted land exchange. Present reports from the Alaska Division of Geological and Geophysical Survey are so incomplete as to be false. These present reports show evidence of having been instigated and hastily-prepared to support a predetermined conclusion by officials named earlier in this affidavit.

(d) Advice from the Joint Federal-State Land Use Planning Commission has been compromised by the firing of the state co-chairman, David Jackman, as noted above. The pressure on other state-appointed members of the Commission tends to bias, not rational consideration and impartial advice. A new appointee, mindful of the fate of his predecessor, may vote accordingly.

(e) Increase in the value of Governor and Master Guide Jay S. Hammond's Lake Clark lodge, resulting from creation of nearby federal and state hunting lands protected from Native hunting restrictions, creates another conflict of interest which further taints any determination of equal value by the present administration.

Alaska State Legislature

30 APRIL 76

JUNEAU ALASKA

M E M O R A N D U M

TO: ALL SENATORS

FROM: SENATOR KAY POLAND, CHAIRMAN
RESOURCES COMMITTEE

SUBJECT: ALASKA ROYALTY GAS SALE NO. 76-1 KEP

A packet containing the particulars of the above referenced matter has been placed in every Senator's mail box. The Resources Committee has scheduled a hearing on the concurring measure, SCR 106, or it's House counterpart, on Wednesday, 12 May.

It is expected that the measure will be calendared for floor action almost immediately thereafter, and each member is urgently requested to review the applicable material.

JAY S. HAMMOND
GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

April 30, 1976

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

Transmittal of Proposed
Alaska Royalty Gas Sale No. 76-1

Dear Mr. President:

Attached is Alaska Royalty Gas Sale Contract No. 76-1 providing for a sale of State royalty gas from the North Cook Inlet Gas Field to Alaska Pipeline Company pursuant to AS 38.06 et seq., AS 38.05.182-183, and 11AAC26.005-.900. Also attached are all necessary waivers or consents related to this action and required under the law. The contract and all necessary related actions have been approved by the Alaska Royalty Oil and Gas Development Advisory Board pursuant to the above statutes and regulations. Other information pertinent to the proposed sale is also attached, with the intention of supplying you with an adequate record on this matter.

Alaska Pipeline Company, and its subsidiary Alaska Gas and Service Company, supply natural gas to the Anchorage area and a portion of the North Kenai peninsula known as the North Kenai road area. Increased use of natural gas due to growth in both areas is diminishing the gas reserves dedicated to Alaska Pipeline Company faster than anticipated. The company estimates that the contract amount for the North Kenai road area will be exhausted by May of this year and has executed a one year contract with their present supplier to extend their service.

Natural gas from the North Cook Inlet Gas Field, operated by Phillips Petroleum Company, is transported from the offshore platform to the LNG plant in the Nikiski area served by the North Kenai road and liquified for export to Japan.

The proposed contract provides that the State of Alaska will take its royalty share of the North Cook Inlet Gas Field production in kind rather than in value, and sell this gas to Alaska Pipeline Company at the same price that the State would otherwise receive from Phillips Petroleum Company. The amount of gas sold would average 15 to 16 million cubic feet per day and total about 41 billion cubic feet over the term of the royalty sales contract, which would expire June 1, 1984, coincidentally with the expiration of the present Phillips contract for export to Japan. Transportation or exchange provisions will be arranged by Alaska Pipeline Company, as will all necessary regulatory clearances.

The present peak gas demands along the North Kenai road can be as high as 10 million cubic feet per day. Gas excess to these needs can be used to augment the gas supply to Anchorage and extend the life of those reserves.

The total contract amount represents about one and one-half year's supply of gas at Anchorage's present rate of use, and about one year's production of the North Cook Inlet Gas Field.

The Commissioner of Natural Resources and the Alaska Royalty Oil and Gas Development Advisory Board recognize that the proposed sale of royalty gas will somewhat shorten the productive life of the North Cook Inlet Gas Field by approximately one year. Since the LNG contract requires delivery of a specified amount each year it will be necessary to increase the daily production of the field by the amount of the royalty gas withdrawn from the LNG plant. On balance, nowever, the sale of this royalty gas to supply the North Kenai road area and Anchorage is deemed to be in the best interest of the State, as it returns State royalty gas from foreign export to Alaska consumers at a price which assures all Alaskans a fair return for their resources.

I have, at various times, expressed the belief that section 55 of the Royalty Board Statute (which requires legislative approval by concurrent resolution of any sale of surplus royalty gas) is unconstitutional. The Administration believes that this requirement raises a substantial constitutional question and has concluded that in the future appropriate action will be necessary either by the Legislature to amend the Royalty Board Statute or by the courts to decide the constitutionality of

section 55. Notwithstanding such doubts concerning the constitutionality of this provision, the contract is being submitted to the Legislature for approval. Two reasons support this submission First, arly in this session, the Commissioner of Natural Resources advised the Legislature of his intent as a policy matter to carry out all the requirements of the Royalty Board Statute. I believe it would be less than forthright to pursue any other course for a sale during the closing days of the legislative session. Second, although this sale involves a relatively small quantity of gas, I am anxious to see it consummated at the earliest possible time as it will directly and immediately benefit gas consumers in the Anchorage and North Kenai areas. For that reason, it is undesirable that this contract become entangled in litigation which might extend over a lengthy period of time.

To avoid the choice of either appearing to acquiesce in the requirement of legislative approval or undertaking a perhaps unnecessary confrontation, a term has been included within the contract which provides that the contract will not become effective until approved by concurrent resolution passed by a majority of each house of the Legislature. The Administration always has the right to seek the advice and counsel of the Legislature and I have in this contract sought to make legislative approval a condition precedent to the contract becoming effective. I am submitting this contract to you for your approval pursuant to that term. However, in doing so, I wish to make clear beyond preadventure that my action should not be construed as either approval of or acquiescence in section 55 of the Royalty Board Statute and that I do not feel personally or legally obligated to submit future contracts for the sale of royalty oil or gas to the Legislature for approval by concurrent resolution.

You are aware that this is the first royalty sale contract prepared under the existing Statute, and of the first of its kind in the Nation. The Commissioner of Natural Resources, who is the official responsible for the agreement, is prepared to supply all necessary additional information to assist you in your consideration of this sale contract. Thank you for your consideration.

Sincerely,

Jay S. Hammond
Governor

Attachment

Gas Purchase Contract No. 76-1

This Contract, made and entered into this_____day of_____1976, by and between the Alaska Pipeline Company ("APC") herein referred to as "Buyer" and the State of Alaska, hereinafter referred to as "Seller" :

WITNESSED

WHEREAS, Buyer owns and operates a natural gas pipeline system in areas of Alaska for the delivery of natural gas for ultimate consumption within the State of Alaska, and

WHEREAS, Seller has the right under each of the leases identified at Exhibit "A" attached hereto to be paid by the lessee thereunder a royalty of twelve and one-half percent in kind or in value of the natural gas produced and saved and used off of the lands covered by each such lease, and

WHEREAS, Seller is authorized by AS 38.05.183 to sell royalty gas; and

WHEREAS, Buyer represents to Seller that all gas purchased under this contract will be used to meet the requirements of its customers within the State of Alaska;

NOW, THEREFORE, in consideration of the representations, covenants, and conditions herein contained, Buyer and Seller hereby agree as follows:

ARTICLE 1

Seller's Royalty Gas

1.1 Seller hereby agrees that within 30 days after the execution and approval of this agreement as required by the laws of the State of Alaska, Seller shall notify the lesse under the leases set forth at Exhibit "A" of this agreement of Seller's election to take its royalty gas in kind. Said notice will provide that the lessee shall commence the delivery of said royalty gas to Seller (or to Seller's designee) upon a receipt of notice from Seller that all facilities necessary to enable Buyer to receive and market said gas are ready; provided, however, in no event shall lessee be required to commence the delivery of royalty gas to Seller (or its designee) prior to six (6) months following lessee's receipt of notice of Seller's election to take its royalty gas in kind.

1.2 In order that Seller can give its lessee as much advance notice as possible of the date it will start receiving its royalty gas in kind, Buyer shall notify Seller, and Seller shall notify its lessee, at least 60 days prior to the date Buyer will receive gas from Seller pursuant to this contract.

ARTICLE II

Quantity

2.1 It is understood and agreed by the parties that the volume of gas available to Seller from the leases covered by this contract depends upon the production from the leases over which Seller has no control. Buyer hereby agrees to purchase on each day commencing with the date of first delivery

hereunder and continuing during the term of this contract all of Seller's royalty gas available at the point of delivery described in Article III hereof.

ARTICLE III

Delivery Point and Delivery Pressure

3.1 The point of delivery of all gas delivered hereunder shall be at the same point of delivery that Seller receives delivery of its royalty gas from its lessee in the North Cook Inlet Field.

3.2 Buyer, at its own expense, shall arrange to accept Seller's gas at the point of delivery.

3.3 Seller will deliver gas received by Seller from lessee at the pressure at which the gas is received by Seller from its lessee.

ARTICLE IV

Quality

4.1 The gas to be delivered by Seller to Buyer at the delivery point shall be gas of the same quality as is delivered to Seller by the lessee at the point of delivery.

ARTICLE V

Price and Billing

5.1 The price to be paid by Buyer to Seller for gas delivered shall be as follows:

a. Commencing on the date of first deliveries hereunder, assuming that this date occurs prior to July 1, 1977 and continuing until the first day of July 1977, the price shall be 55.5 cents per MCF.

b. Commencing on the first day of July 1977 and continuing until the first day of July 1978 the price shall be the higher of (i) 60.36 cents per MCF, (ii) the price Seller would have received from Phillips Petroleum Company had it not elected to receive its royalty gas in kind, (iii) the highest price paid by any purchaser in the upper Cook Inlet area for gas of similar quality and similar conditions of delivery; with due regard to appropriate factors including, but not limited to, difference of BTU content, delivery pressure, term of the contract and connection charges.

c. For each succeeding 12 month period commencing July 1, 1978 the price shall be increased to the higher of (i) the previous year's price plus 2 cents per MCF, (ii) the price Seller would have received had it not elected to take its

royalty in kind, (iii) the highest price paid by any purchaser in the upper Cook Inlet area for gas of similar quality and conditions of delivery; with due regard to appropriate factors including, but not limited to, difference of BTU content, delivery pressure, term of the contract and connection charges.

5.2 Thirty days prior to the date of each annual price change, Seller, at its option, may determine the price which it would have received from its lessee had it not elected to take its royalty gas in kind and the highest price being paid for gas of similar quality and similar conditions of delivery; with due regard to appropriate factors including, but not limited to, difference of BTU content, delivery pressure, term of the contract and connection charges in the upper Cook Inlet area and submit the same to Buyer along with suitable supporting evidence as to such prices. Buyer shall have the right to submit other evidence within the 30 day period.

5.3 After the delivery of gas has commenced Buyer shall, on or before the 20th day following the end of each month, render to Seller a statement showing the quantity of gas delivered during that month and shall therewith pay Seller the amount due for all such gas.

5.4 Each party hereto shall have, at its expense, the right to examine the books and records of the other party to the extent necessary to verify the accuracy of any statement, charge, computation, or demand made under or pursuant to this

contract. Any statement shall be final as to both parties unless questioned in writing within two (2) years after payment thereof has been made.

5.5 The terms "upper Cook Inlet area" as used here in shall mean the area encompassed in a radius of 100 kilometers from the Phillips Petroleum North Cook Inlet platform.

ARTICLE VI

Term

6.1 This contract shall become effective upon the execution hereof and the approval of the Alaska Royalty Oil and Gas Development Advisory Board and the State Legislature and shall continue and remain in effect until July 1, 1984, unless terminated prior to such date by mutual agreement of the parties, or pursuant to Article VII.

ARTICLE VII

Conditions Precedent

7.1 Buyer shall have the right to terminate this contract upon 30 days written notice to Seller if Buyer is unable to make satisfactory arrangements to take delivery of the gas. Buyer shall exercise this right to terminate on or before January 31, 1978, thereafter Buyer may not exercise this right to terminate.

ARTICLE VIII

Notices

8.1 Notices required to be given under this contract shall be deemed sufficiently given and served when and if

deposited in the United States mail postage prepaid and certified or registered addressed to Seller at:

Commissioner

Department of Natural Resources

Pouch M, Juneau, Alaska 99811

or to Buyer at:

Alaska Pipeline Company

P. O. Box 6288

Anchorage, Alaska 99502

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in four (4) original counterparts on this day and year first above written.

"BUYER"

_____

ATTEST:

_____

STATE OF ALASKA

_____

ATTEST:

_____

Approval to Reject Bids

The Alaska Royalty Oil and Gas Development Advisory Board approves rejections of all bids or applications for the royalty gas from the North Cook Inlet gas field except that of Alaska Pipeline Company as provided for in AS.38.06.050(b)

Date April 26, 1976

Approved	Disapprove

Approval to Waive Competitive Bidding

The Alaska Royalty Oil and Gas Development Advisory Board approves the waiver of competitive bidding by the Commissioner of Natural Resources in the sale of North Cook Inlet royalty gas to Alaska Pipeline as provided for in AS.38.05.183(a) and AS.38.06.050(c).

Date April 26, 1976

Approved

Disapproved

Approval of North Cook Inlet Field Royalty Gas Purchase and Sale Agreement

The Alaska Royalty Oil and Gas Development Advisory Board approves the Gas Purchase and Sale Agreement for the sale of North Cook Inlet Field royalty gas to the Alaska Pipeline Company as provided for in AS 38.05.183 and AS 38.06.050.

Date April 26, 1976

APPROVED	Disapproved

Findings and Conclusions for Non-Competitive Sale

Pursuant to AS.38.05.183 and AS.38.06 the findings and conclusions which form the basis for the decision that the sale of North Cook Inlet Gas Field royalty gas to Alaska Pipeline Company should be non-competitive sale are summarized.

1. Alaska Pipeline Company formerly Anchorage Natural Gas Company, is in need of additional natural gas supply. The present contract of 10 billion cubic feet to supply the North Kenai road area will be exhausted during the first half of 1976. Alaska Pipeline has executed an agreement recently with their supplier which enables them to use gas from the Anchorage contract reserves to supply the North Kenai area for one additional year. Projections of the present growth rate of Anchorage and use of natural gas indicate that the Anchorage contract dedicated gas supply could be exhausted several years before the contract termination at the end of 1992.

2. The proposed sale amount of royalty gas is sufficient to meet the needs of the North Kenai area for the term of the agreement. Present use of the North Kenai area is 10 million cubic feet per day. About 90% of this gas is used by the Bernice Lake electric generating plant of Chugach Electric Association. The difference between winter and summer loads is small. The North Cook Inlet Gas Field royalty gas share averages 15 to 16 million cubic feet per day. Gas in excess to the North Kenai area demand can be used to augment the Anchorage contract gas supply. The total volume of gas which would be sold under the proposed agreement is approximately 40 to 41 billion cubic feet.

3. North Cook Inlet Gas Field gas furnishes 70% of the gas supply of the Nikiski LNG plant, the remaining 30% is supplied by Marathon from the Kenai Gas Field. The LNG is shipped to Japan in cryogenic tankers and revaporized for use by Tokyo Gas and Tokyo Electric. At this time, the State is taking its royalty share in value and this gas brings the greatest return to the State of any royalty gas.

4. Proposed sale of this royalty gas will not diminish State revenue. Alaska Pipeline has agreed to pay the State the same price that the State otherwise would have received

from Phillips. Price terms in the proposed agreement are based on Phillips prices plus an agreement to pay a price equal to the highest price paid in Upper Cook Inlet for gas of similar quality and similar conditions of delivery.

5. The proposed action may reduce the productive life of the field equivalent to one year at the present rate of production. The total amount of gas sold under the agreement will be about 40 to 41 billion cubic feet per year. The present LNG contract dedicated reserves are 647,543 million cubic feet. Estimated original recoverable reserves were 1,500,000 million cubic feet. The estimated remaining gas reserves not committed to contract are about 834 billion cubic feet. The proposed sale involves about 5% of the remaining uncommitted reserves. Because the LNG sale contract requires delivery of 50,750 million cubic feet of gas per year to Tokyo, it will be necessary for Phillips to increase the field production by the amount withdrawn for royalty sale. While this increased production will shorten the producing life of the field, the amount of decrease is small and amounts to less than one year's production.

6. During the period of review of Alaska Pipeline Company's application for purchase of royalty gas applications were also made by Homer Electric Association, Pacific Alaska LNG and Phillips Petroleum.

   Homer Electric wished to buy the Bernice Lake generating facility from Chugach Electric and wanted to use the North Cook Inlet Gas Field royalty gas to supply the generator. This would be the same use proposed by Alaska Pipeline. Homer Electric subsequently advised the Alaska Royalty Oil and Gas Development Board that HEA had made satisfactory arrangements with the City of Kenai for a gas supply in the event it would be needed.

   Pacific Alaska LNG made a statement that they would be interested in bidding for the North Cook Inlet royalty gas if it were offered in a competitive bid sale.

   Later, Pacific Alaska advised the Board both by mail and in person that they were not making application for the North Cook Inlet royalty gas but rather a general statement applicable to possible future sales of other royalty gas.

Phillips Petorleum made a firm offer to purchase the royalty gas with an increase in price of five cents per thousand cubic feet (MCF) the first year, a similar increase the second year, and an annual escalation of two cents per MCF thereafter for the life of the present contract.

The withdrawals of Homer Electric and Pacific Alaska LNG left Phillips Petroleum as the only viable alternate to Alaska Pipeline's application.

CONCLUSION:

The decision to hold a negotiated sale rather than a competitive sale was based on several factors: end use, price to consumers, and future gas supply for Alaska.

The export of LNG to Japan has created a substantial market for Alaska's natural gas converting a non-revenue producing resource into a valuable asset with substantial revenues to the State.

The exported LNG produces about 75% of the State revenue from natural gas. While there was a reluctance to alter the use of the royalty gas and possibly necessitate additional costs to the LNG project, the use of the gas by the Kenai and Anchorage consumers was deemed to be a higher and better use.

Alaska Pipeline agreed to pay the State the same price the State otherwise would have received for the gas thereby maintaining the same revenue from the gas. While a competitive sale might have resulted in more revenue for the State it would also result in the gas being exported from the State and not available for Alaskan use. Alternately, if an Alaskan comapny was the successful high bidder it likely would set a new high price to the Alaskan consumer.

The present sale represents a balance of public values regarding this series of issues. The proposed non-competitive sale of North Cook Inlet Gas Field royalty gas appears to be in the best interest of the State as a whole and of the Kenai and Anchorage area gas consumers more directly. There is no loss of revenue to the State; the gas sale will be the gas supply for the North Kenai road area and add to the Anchorage area gas reserves; the slight loss of productive life of the North Cook Inlet Gas Field is offset by the continued service to the Alaskan gas consumers.

Homer Electric Association, Inc.
P. O. BOX 255 • HOMER, ALASKA 99603 • PHONE (907) 235-8551

March 30, 1976

Mr. Guy Martin, Commissioner
Royalty Oil and Gas Development Advisory Board
Department of Natural Resources
Pouch M
Juneau, Alaska 99811

Dear Sir:

In our letter to Mr. Fackler dated January 22, 1976, and at a hearing before your Advisory Board, we applied for the State Royalty Gas that you plan to make available from presently producing fields in the North Kenai area.

The purpose of this letter is to inform you that we have been able to obtain commitments to purchase fuel for the proposed new electric generating facility at North Kenai from what we believe to be a reliable source; and, further, Mr. Dale Teel of the Alaska Pipeline Company has agreed to supply our Association with natural gas for fuel for the existing electric generating plants in the North Kenai area if we are successful in acquiring these from Chugach Electric Association.

In view of the foregoing, we feel that it is in the best interest of all concerned that we withdraw our application as outlined in our letter of January 22.

As the Kenai Peninsula continues to attract industry, we do not wish to imply that we will not, at some future time, be interested in dealing with the State for royalty gas that may become available in other, yet to be developed, fields on the Kenai Peninsula area. If, at any time, additional royalty gas does become available we would appreciate it very much if your office would advise us so that we can ascertain whether or not it would be needed in our ever-expanding operation.

We note with interest the development of the Advisory Board's intention to adopt a regulation in Title 11 of the Alaska Administrative Code to interpret and make specific Alaska Statute 38.06, including the determination of surplus.

We sincerely hope that the proposed regulation 11AAC26.900(a) (5) will define the term "industrial use" as referred to in existing regulations, and that the State's royalty gas will be made available first to industrial use and then to all other uses, according to priorities established by your office.

We sincerely appreciate the courtesies extended to our Association by the Advisory Board and your office, and we are looking forward to further negotiations should the need arise.

Sincerely yours,

HOMER ELECTRIC ASSOCIATION, INC.

W. C. Rhodes
General Manager

WCR:em

cc: Rep. Leo Rhode
cc: Mr. Dale Teel

March 17, 1976

Mr. Bill Rhodes, General Manager
Homer Electric Association, Inc.
P. O. Box 255
Homer, Alaska 99603

Dear Bill:

Reference is made to our recent conversation regarding a possible natural gas sales agreement between K.U.S.Co. and H.E.A. The purpose of the agreement would be to provide fuel for power generation at a site approximately 6.5 miles north of Wildwood access road on the Kenai Spur Road.

We are of the present opinion that the feasibility exists to provide fuel gas for your proposed generating facilities at a cost considerably below that of any alternate sources known to us. In general, we propose that such an undertaking could be accomplished as follows:

1. The sale would be made under the rates and conditions outlined in Schedule III of our published Tariff, a current copy of which is enclosed herewith. The volume of 4,000 MCF of gas per day mentioned in our discussion represents a total annual volume of 1,460,000 MCF. Computed on a monthly basis the daily sales volume would carry an annual cost of $704,380.00, or an average weighted cost of 48.24¢/MCF. It is noteworthy that if the cost of royalty gas, which might be obtainable from the State of Alaska, was set at 56¢/MCF the differential would be 7.76¢/MCF, or approximately 16%. The annual cost differential would equal some $113,150.00. Although our rates are subject to regulation by the Alaska Public Utilities Commission it is my personal belief that, all things being equal, the rates quoted herein could be sustained throughout the life of our existing gas supply contract which terminates in 1987.

2. Service to your facility would involve a requirement for capital expenditures estimated at $475,000.00 to $500,000.00 (at projected 1977 costs). We would require a non-interest bearing advance-on-construction in the total amount of the initial investment which would be subject to refund in its entirety. The refund would be made at the rate of 10% of the total revenues derived from your account in those calendar years when such revenues equalled or exceeded $700,000.00. The refund provision would, of course, become inoperative

at such time as the initial advance had been returned. Referring back to our illustrated rates and the suggested cost of royalty gas, the annual savings of $113,150.00 combined with a yearly $70,000.00 refund on the construction advance relates to a 2.73 year pay-out, exclusive of the cost of money.

3. The service facilities installed would remain under our ownership with maintenance and operating costs to be born by us.

4. Resale of gas would be prohibited, as would the extraneous use of gas for purposes other than power generation.

5. Point of delivery would be at the downstream flange of a block valve located on the downstream side of a metering run located on your site. Delivery pressure would be 200 P.S.I.G.

6. You may recall our conversation with Mr. Dale Teel, President of Alaska Gas and Service Co. regarding a waiver which would allow us to serve you in his certificated area. He has since confirmed that he would support, before the A.P.U.C., an agreement reached between K.U.S.Co. and H.E.A. that would culminate in your withdrawal from competition for the Cook Inlet royalty gas. Such support would undoubtedly satisfy any objections the A.P.U.C. might put forth before granting us the necessary authorization to proceed.

Some of the provisions suggested herein are unique in our experience. Consequently, final committment to this proposal, or any similar plan, would necessarily involve approval by our Board of Directors.

There are other alternatives which could be considered in connection with the utilization of our currently unused gas reserves. At your convenience we will be most happy to discuss these with you or to further explore the possibilities outlined herein.

Very truly yours,

KENAI UTILITY SERVICE CORPORATION

Oscar L. Thomas, Vice-President

OLT:jc

Enc.

cc: J. M. Covington
Dale Teel

ACA ALASKA COMMUNICATIONS, INC.
PHONE: 586-6440
JUNEAU, ALASKA 99801

#

IPNAFUB AHG

1-234980C389 03/29/76

TWX PAC LGHT LSA

215 LOS ANGELES, CA MARCH 29, 1976

PNS MR. GUY MARTIN, CHAIRMAN

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

POUCH M

JUNEAU, ALASKA 99811

7580

WITH REFERENCE TO THE LETTER FROM PACIFIC ALASKA LNG COMPANY TO MR. GUY R. MARTIN, COMMISSIONER OF NATURAL RESOURCES, DATED MARCH 5, 1976. OUR OFFER TO BID ON THE PURCHASE OF THE STATES ROYALTY SHARE OF GAS IN THE NORTH COOK INLET AREA WAS LIMITED ONLY TO THOSE FIELDS IN THAT GENERAL AREA IN WHICH WE CURRENTLY HAVE THE RIGHT TO PURCHASE GAS OR MAY IN THE FUTURE HAVE THE RIGHT TO PURCHASE GAS. WE HAVE NO INTEREST IN BIDDING ON THE PURCHASE OF ANY STATE ROYALTY GAS PRODUCED FROM THE "NORTH COOK INLET FIELD"

PACIFIC ALASKA LNG COMPANY

BY P. VER PLANCK

1556 EST

IPNAFUB AHG

PHILLIPS PETROLEUM COMPANY
BARTLESVILLE, OKLAHOMA 74004 918 661-6600

March 5, 1976

State Royalty Gas
North Cook Inlet Field

File: 1-Ho-111-76-G&GL

Commissioner Guy Martin, Chairman
Alaska Royalty Oil and Gas Development
Advisory Board
c/o Department of Natural Resources
Pouch M
Juneau, AK 99801

Dear Mr. Martin:

We have become aware that since the Board's decision of December 10, 1975, to take the State's royalty share of the gas in the North Cook Inlet Field and sell it to Anchorage Natural Gas, other parties have indicated a desire to purchase this gas. Assuming that the State does elect to take its royalty in kind under the lease, Phillips would be interested in an opportunity to purchase such gas. Phillips submits the following proposal to purchase all of the royalty gas from the North Cook Inlet Field.

1. Volume: The State will sell and Phillips will purchase all of the royalty gas owned by the State of Alaska as produced from the North Cook Inlet Field each day.

2. Price: 50.25¢ per million Btu until July 1, 1976;
55.5¢ per million Btu from July 1, 1976 to July 1, 1977;
60.0¢ per million Btu from July 1, 1977 to July 1, 1978.

For the yearly period commencing July 1, 1978, and each yearly period thereafter, the price will increase 2¢ per million Btu.

3. Term: Until June 1, 1984.

4. Delivery Point: At the wellhead on the platform in the North Cook Inlet Field.

5. Delivery Pressure: The pressure available at the wellhead.

The above proposal is subject to the completion of a mutually agreeable contract between the State of Alaska and Phillips. This offer is open until July 1, 1976.

If the above proposal is of interest to you, we will be happy to meet with you or your representatives and negotiate the details of the formal agreement.

Very truly yours,

John Horn

John Horn, Manager
Gas and LNG Sales Branch

JH:bla

To: Senator Kay Poland

From: George C. Silides, P.E.

Subject: Cook Inlet Land Trade

Transmitted herewith is the final Committee Report on HR 6644. I can find no substantive changes from the preliminary report you received earlier, except that this edition is much more complete.

Pages 1 - 10 represent the final language of the Bill itself as passed. The earlier edition of HR 6644 that we sent you shows, also, the original language that was deleted. Sections 12 and 17 of HR 6644 deal with the land trade between the State of Alaska and the Cook Inlet Native Regional Corporation. Section 12 describes the trade, and Section 17 sets aside the restrictions of the Alaska Statehood Act to permit accomplishment of this and any other and future trade. (Emphasis added).

Pages 10 - 14 constitute a letter of intent. It is noted that the State-Cook Inlet trade was not included in the Purpose description of the original Bill.

Pages 14 - 54 are a Section - By - Section Analysis. Section 12, which describes the trade in general terms begins on page 30. A detailed description of terms and conditions of the trade begins on page 35 and extends through page 52. The present prohibitions of the Statehood Act and the consequences of its being amended are recited at the bottom of page 34 and the top of page 35.

Pages 54 - 58 describe changes in existing law that would be caused by HR 6644. Section 17 on page 56 is germane.

Pages 58 - 85 include reports by the various federal departments concerning their feelings on the measure. Not all are favorable. The Department of Agriculture specifically objects to the inclusion of Section 12 on the basis that the section reopens conflicts that ANCSA was intended to resolve.

The Congress had taken due note of the existing debate as to the propriety of the State's involvement and of the nature and extent thereof. The Governor has promised that he will not implement the terms of Section 12 of HR 6644 unless the Legislature concurrs. Section 12 (c) (3) (i) (center of page 8), calls for a report by the Secretary of the Interior to Congress by April 15, 1976. The Legislature's decision must reach him in time to prepare that report. He reserves until December 18, 1976 to make other

amends to Cook Inlet if you decide to reject the Administration's proposal as set out in HR 6644.

We are unaware of the form in which the Governor will submit his request for your approval of his administration's actions. It may be in the form of a Resolution. We suspect, however, that since the prohibition against the transference of mineral rights and the equal value provision still remain as part of the Alaska Statutes, he will submit a Bill amending Title 38.

I suggest that the Congressional Committee Report and this letter of transmittal letter be forwarded to the Legislature's head of legal section for his examination and comments, especially concerning any extinguishment of the State's rights by this arbitrary and unpublicized action of the Congress at the request of our Administration.

TESTIMONY OF ROY HUHNDORF, PRESIDENT
COOK INLET REGION, INC.
BEFORE JOINT HOUSE-SENATE RESOURCES COMMITTEES

Chairman Poland, Chairman Anderson, and Members of the Committees: I am the President of the Cook Inlet Region, Inc., a Corporation that consists of more than 6,000 Native Shareholders, most of whom are residents of the State of Alaska. I welcome the opportunity to appear before you to discuss the "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 obtains under the Alaska Native Claims Settlement Act is its birthright. We must protect that Birthright. If we failed to protect that birthright, through wise selection of lands, the historical claims of our people might be forever 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 mountaintops 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 in September, 1972, when Alaska vs. Morton was settled. This was 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 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 eve 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 Woronzoff 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 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:

1. We were being asked to abandon claims to Point Campbell, Campbell Airstrip and Point Woronzoff in light of the Boroughs interests.

2. We were asked to abandon claims to the Swanson oil

fields so that the present income of the State of Alaska could be maintained.

3. We were asked by environmental groups to abandon claims that would affect the recreational interests, not only of Alaskans, but of the American public.

4. We were asked to abandon claims that would adversely affect wildlife habitats or that would impair the quality of water.

5. We were asked to abandon claims to lands, even though they were withdrawn for the Region, because they were located near potential capital 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 settlement has had its physical and mental toll on the volunteer members of our Board of Directors who gave unselfishly of their 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:

a) elimination of a steady stream of income to the State from producing federal fields.

b) elimination of the chance to receive immediately the Campbell Air Strip for the Anchorage Borough.

c) 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 breeched the federal trust responsibility to Cook Inlet Region.

d) 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 provides 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 Talkeetna's 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 the 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 Inlet Region that the federal government and the Congress looked to the State for participation in the solution. It is doubtful that 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:

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

b) 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.

c) what role should the public play, if any, in exchange negotiations.

d) at what point should tentative agreements be made public.

e) what size transfer agreement should be referred to the Legislature.

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

g) 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 critical 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 that 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 has 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.

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 these 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.

Requested by:
Prepared by: Land Trust Fund Counsel
For Reading: 2/10/76

ANCHORAGE ASSEMBLY RESOLUTION ON COOK INLET LAND TRADE PROPOSAL

(See Bottom Page 2)

ANCHORAGE, ALASKA

UNANIMOUSLY ADOPTED

AR NO. 8-76

10 TO 0

A RESOLUTION OF THE ANCHORAGE ASSEMBLY EXPRESSING ITS CONCERN REGARDING THE DISPOSITION OF CERTAIN LARGE TRACTS OF PUBLIC LAND WHICH ARE THE SUBJECT OF PUBLIC LAW 94-204, AN AMENDMENT BY THE U.S. CONGRESS TO THE ALASKA NATIVE CLAIMS SETTLEMENT ACT OF 1971.

THE ANCHORAGE ASSEMBLY RESOLVES:

Section 1. The Congress of the United States has recently cacted Public Law 94-204, containing certain amendments to the Alaska Native Claims Settlement Act of 1971, one of which, at Section 12 of the Act and entitled "Cook Inlet Settlement", would have the effect of trading certain lands and future rights in lands between and among the federal government, the State of Alaska, and Cook Inlet Region, Inc., a native regional corporation, for the stated purposes of consolidating rational land ownership patters and settling certain pending litigation in the public interest.

Section 2. The Cook Inlet Settlement section of P.L. 94-204 provides that, if the Alaska Legislature disapproves of the Cook Inlet Settlement prior to April 15, 1976, that settlement shall be null and void and the options of the Congress to fashion an appropriate remedy shall not have been foreclosed.

Section 3. The great bulk of lands and land rights so exchanged between the parties lie outside the boundaries of the Anchorage Municipality, and do not directly affect the property interests or planning authority of the Municipality; however, certain specific tracts of land identified in P.L. 94-204 directly affect present and future property interests of this Municipality

and may consequently determine the direction of future growth and development which the Municipality will undergo and the amenities and necessities of life which will exist here for future generations. These tracts are the Campbell Airstrip Tract, the Point Campbell Military Reservation, the Point Woronzof FAA Reservation, and the Goose Lake Tract.

Section 4. The Municipality of Anchorage and its predecessors have long attempted to insure that the Campbell Airstrip Tract remains intact in public ownership as the Far North Bicentennial Park, both for its recreational and its watershed attributes. More recent efforts by local governments have stressed the importance of retaining the Goose Lake Tract, Point Campbell Reservation, and Point Woronzof Reservation in public ownership to guarantee that non-intensive land uses compatible with existing adjacent uses will occur in these areas in the future. While public ownership of each of these unique tracts of land at the local, State or Federal level is imperative, the Municipality of Anchorage believes that it is best qualified and equipped to plan and to manage these tracts in the public interest to meet the open space, watershed, recreational, institutional and cultural needs of a growing Anchorage, and this belief is hereby restated in this Resolution.

Section 5. Insofar as P.L. 94-204 may affect the future disposition and use of the Campbell Airstrip Tract, the Point Campbell Military Reservation, the Point Woronzof FAA Reservation and Goose Lake Tract, the Anchorage Assembly strongly urges that the Alaska State Legislature approve the Cook Inlet Settlement portion of P.L. 94-204 to insure that the public interest in

retaining these large, undeveloped tracts of land in continued public ownership is fully protected.

Section 6. The Municipal Legal Office has, at the request of the Assembly, monitored the progress of negotiations regarding the proposed agreement entitled "Terms and Conditions for Land Consolidation and Management in the Cook Inlet Area", and the legal office is hereby directed to continue to monitor the progress of said agreement and to report to the Municipality any changes which may affect those tracts of land which the Assembly has determined by this Resolution to be significant to the public interest.

Section 7. The Municipal Clerk is hereby directed to inform the Governor, the President of the Senate, the Speaker of the House, the Chairpersons of the House and Senate Resource Committees, and each member of the Anchorage Legislative delegation of this action by the Municipal Assembly, and to provide a full text of this Resolution to each of such persons.

PASSED AND APPROVED by the Anchorage Assembly this 10th day of February, 1976.

_____
Chairperson

ATTEST:

_____
Municipal Clerk

APPROVED this ____ day of _____, 1976.

Federal-State
Land Use Planning Commission
For Alaska

731 W. FOURTH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99501

REC'D CIRI FEB 2 '76

ROUTE TO:	Info	Action	Initial	Date
PRESIDENT	✓			
GEN. MANAGER				
LAND DEPT.	✓			
VILLAGE COORDINATOR				
PUBLIC RELATIONS				
LEGAL DEPT.	✓			
CENTRAL FILES		1		
COPY FOR BOARD MBRS.				
COPY FOR VILLAGES				

October 30, 1975

Honorable Henry M. Jackson
Chairman
Senate Committee on Interior
and Insular Affairs
Attn: Steve Quarles
3106 Dirksen Building
Washington, D.C. 20510

Dear Chairman Jackson:

It is our understanding that the Interior Committee will soon commence its markup of certain proposed amendments to the Alaska Native Claims Settlement Act. With this in mind, I am writing to communicate the Commission's strong support for amendatory legislation relating to the land entitlement of Cook Inlet Region, Inc., and its constituent villages, as such legislation is described in the recently announced agreement between Cook Inlet and the State of Alaska.

For the past three years, the Commission has been actively involved in efforts to resolve the land-related problems which have confronted Cook Inlet and its constituent villages. These efforts have taken the form of technical assistance to the regional corporation and, more recently, to the State of Alaska, and recommendations to the Secretary of the Interior with respect to the location and quantity of withdrawals needed to help satisfy the requirements provided in Section 11(a)(3) of the Settlement Act. Most recently, the full Commission has considered the tentative agreement arrived at between Cook Inlet and the State of Alaska. On the basis of this consideration, which took place at a Commission meeting held on October 24-25, 1975, I have been authorized to communicate our unanimous support for the approach taken in the proposed agreement.

The Commission's position is premised on the following principal considerations. First, in our opinion, a significant portion of the acreage presently withdrawn for possible selection by Cook Inlet does not meet the qualitative criterion provided in Section 11(a)(3) of the

Settlement Act. In arriving at this conclusion, we are cognizant of the Federal District Court's ruling in Cook Inlet v Morton, and are constrained to disagree with that portion of the ruling which relates to compliance with the criteria specified in Section 11. Second, the land status pattern in the Cook Inlet region, which encompasses large Federal withdrawals and significant acreage in State and private ownership, indicates that it would be very difficult for Cook Inlet to obtain a satisfactory land entitlement in the absence of the land exchanges and other mechanisms provided in the pending agreement. Third, implementation of the agreement would greatly improve land management within the Cook Inlet region by consolidating Federal, State, and Native ownership in areas which aptly reflect the interests of the various parties. Thus, for example, the agreement would result in Native ownership of certain areas on the Kenai Peninsula which, by virtue of their location, soils, and other characteristics, appear suitable for private settlement and development. Similarly, the State would obtain additional lands in the Bristol Bay watershed, which is of critical importance to the State for its fishery and recreational values, and the Federal government would be assured of a viable management unit in the Lake Clark area, which has been proposed for national park status pursuant to Section 17(d)(2) of the Settlement Act. Improved management and ownership patterns would also result in other areas of the Cook Inlet region, including the Talkeetna Mountains and the Kenai Peninsula. Fourth, the proposed agreement would lessen the impact of private ownership on the Kenai National Moose Range by reducing the total acreage that might otherwise be transfered to Native corporations and by requiring that certain protective measures be taken in a significant portion of the lands that would be conveyed. In short, implementation of the agreement would permit the creation of rational patterns of land management and ownership which reflect the varied interests of the parties involved. Neither the administrative nor judicial alternatives afford the flexibility which is necessary to accomplish this result.

In supporting the proposed agreement, the Commission does not mean to minimize the technical and other problems which must be overcome prior to its final adoption. For example, there are certain legal issues which must be addressed. However, the research conducted by our staff and more extensive work performed by attorneys for Cook Inlet and the State indicate that solutions to these problems do exist. Moreover, since the agreement would authorize Cook Inlet to select lands within the boundaries of certain other regional corporations, the views of those corporations must be considered with great care, and an effort must be made to insure that in the process of improving land ownership and management patterns in the Cook Inlet region, we do not jeopardize

the opportunity to create sensible patterns in other areas of the State. In addition, full participation on the part of Cook Inlet's constituent villages and groups will be required, for the agreement calls for the relocation of certain withdrawals made for their benefit. We believe that the participation and cooperation of all of the parties to the agreement and other affected Native corporations will create an atmosphere in which possible problems can be resolved and the objectives of the current proposal can be successfully achieved.

Thank you for your consideration of this correspondence.

Sincerely,

Burt Silcock /aw

Burton W. Silcock
Federal Co-Chairman

cc: Senator Ted Stevens
Senator Mike Gravel
Royston C. Hughes, Assistant Secretary, Program Development and Budget
Ken Brown, Legislative Counsel, Department of the Interior
Guy Martin, Commissioner, State Department of Natural Resources
Michael C.T. Smith, Director, State Division of Lands
Sam Kito, President, Alaska Federation of Natives
Roy Huhdorf, President, Cook Inlet Region, Inc.

STATEMENT OF JOHN BORBRIDGE, JR.
PRESIDENT OF SEALASKA CORPORATION BEFORE THE JOINT SENATE-HOUSE RESOURCES COMMITTEE HEARINGS
REGARDING THE COOK INLET REGIONAL CORPORATION LAND TRADE

It gives me a great deal of pleasure to present this statement in support of the proposed land trade involving the State of Alaska, the Department of Interior and the Cook Inlet Regional Corporation.

The passage of the Alaska Native Claims Settlement Act of December 18, 1971, was a response by the Congress of the United States to the obligation to define the precise nature and extent of the land rights then being asserted by the Indians, Eskimos and Aleuts of Alaska. That the legislation was enacted and that justice was done to the aboriginal claimants of the land is a tribute to our system of government. That the legislative product is imperfect and does contain certain ambiguous or incomplete provisions appears to be a result of a system of compromise that must function under the stress of other pressing business in the congressional forum.

The proposed land swap is the final chapter in efforts to completely identify the land to which Cook Inlet Region, Inc. should receive title.

It represents the final chapter of efforts to ensure that the Alaska Native Claims Settlement Act objective of achieving justice occurs.

I am frankly impressed with the good faith efforts being exhibited by the parties to the proposed land swap and the thoroughness of their preparations. It is a pleasure to note the apparent desire of the State of Alaska and the Department of Interior to ensure, to the degree possible, that the ultimate objectives of all parties are realized. The process of selecting land, a once-in-a lifetime responsibility, is a difficult and sufficiently challenging task when only one party to the transaction must be satisfied. I am pleased with the success experienced by the Cook Inlet Region, Inc. in working with the various interests concerned about this proposed transaction. The patent effort by this Corporation to ensure compatibility between its desires and the diverse interests expressed by other citizen organizations bodes well for the future of similar regional corporations. This corporation proceeded in a responsible fashion which is a compliment to its leadership.

It seems appropriate to us for land trades to be made between the Native regional corporations and the State or Federal government

so as to provide the optimum resource management capabilities for the corporate and governmental agencies involved. Congress quite obviously envisioned the possibility of land trades inasmuch as Section 22(f) of the Alaska Native Claims Settlement Act provides that the federal government is authorized to exchange any federal lands or interest therein in Alaska for lands or interest therein of the village corporation , regional corporations, individuals or the State for the purpose of facilitating the management or the development of the land. Subsequently, in the Alaska Native Claims Settlement Act Amendment commonly called the Omnibus Bill, Congress further underscored this ability to make land trades between the Federal and State governments and the regional corporations through specific approval of the land trade presently before this committee.

While it might be expected that Sealaska Corporation would support this land trade due to the involvement of the Cook Inlet Regional Corporation, a sister corporation, we feel we can also support the land trade on the basis of our dealings both with the Department of Interior and the Alaska State Department of Natural Resources, both of whom are staffed with dedicated people whose primary purpose

appears to be to protect the interests of their respective governmental agencies. Sealaska Corporation's dealings with the Department of Interior and the Alaska Department of Natural Resources indicates a propensity by those two agencies to be overly assertive with respect to public easements on Native lands reserved by the Department of Interior in the interim conveyances issued to Native corporations, and the Alaska State Department of Natural Resources continued insistence on a 25-foot wide coastal easement on all shoreline waters. In this instance, it is a pleasure to express our approval of the role assumed by each.

In summary, we believe that not only the Cook Inlet Regional Corporation, but also the United States Department of Interior and the State of Alaska Department of Natural Resources has completely reviewed the land trade and each finds it beneficial to enter into the trade. As a consequence, Sealaska Corporation supports the proposed land trade between the State of Alaska, United States Government and the Cook Inlet Regional Corporation, Inc. as set forth before your joint committees during these hearings.

Special To The Times - By Harold H. Galliett, Jr.
First of a Series

THE GREAT COAL FRAUD

Of what are we defrauded?

A clique of top state officials conspires to give the Cook Inlet Native Corporation the following immensely-valuable state lands:

1. 13.5 townships (311,000 cres) of patented state coal land in the Beluga coalfield, including the critical deep-water port and industrial area essential to Alaska coal processing and shipment. I have estimated the recoverable coal in these townships from work by Barnes, McGee, Hackett and Grantz and from private data. Using a 50 percent recovery factor applied to coal in seams over 2 feet thick and less than 2,000 feet deep, I estimate that there are at least 5 billion tons - and possibly as much as 14 billion tons - of recoverable coal in these townships.

2. 5 townships (115,000 acres) of patented or tentatively-approved state coal land in the Homer coalfield. I have estimated the recoverable coal in these townships from work by Barnes and McGee and from private data. Using a 50 percent recovery factor applied to coal in seams over 2 feet thick and less than 2,000 feet deep, I estimate that there are at least 7 billion tons - and possibly as much as 12 billion tons - of recoverable coal in these townships.

3. 1.2 townships (28,000 acres) of the most valuable tracts of patented or tentatively-approved state land in various areas of the Matanuska-Susitna Borough. The specific tracts to be given away have not been made public, but, if the profligacy of the rest of this deal holds, we can expect these tracts to include Point Mackenzie port lands and proven coal lands of great value. I have estimated the recoverable coal in these most valuable tracts from work by McGee and from private data. Using a 50 percent recovery factor applied to coal in seams over 2 feet thick and

less than 2,000 feet deep. I estimate that there are at least 1.5 billion tons - and possibly as much as 3 billion tons - of recoverable coal in these tracts.

4. Other, smaller tracts are also involved.

At a coal royalty of only 20 cents per ton, we will be losing 2.7 to 5.8 billion dollars in future coal royalties. At a price of only $10,000 per acre for critical deep-water port and industrial land, we will be losing 100 to 150 million dollars in future state land income. At a price of only $2,000 per acre for Matanuska-Susitna land, we will be losing over 50 million dollars in future state land income. In adding it all up, we stand to lose the appalling sum of 2.8 to 6.0 billion dollars in future state income because of this deal!

We are being gulled into giving away an enormous resource of readily-accessible, easily-mined coal of phenominally-low sulfur content. This coal is on the threshold of development to replace declining US production of oil and gas and to reduce our national dependence on foreign oil.

We are asked to hand over the critical deep-water port and industrial area essential to the future processing and shipment of not only Beluga coal, but also Susitna coal, Matanuska coal, Nenana coal and other resources from the Interior and North Slope! We are importuned to dispose of routes to Mental Health coal lands and rights-of-way for road and railway extensions, pipelines and water supply works.

Are we expected to hold still for this outrageous defalcation without a map, without a legal description, without a development plan, without a geological report, without a drilling program, without a valuation? Are we to be kept in the dark to the eleventh hour, so that this robbery can be railroaded through Congress?

Under the circumstances, we ordinary citizens may be forgiven for demanding a searching, unhurried, no-nonsense investigation by our legislature.

Next: What kind of "Gold Brick" do we get?

Special To The Times - By Harold H. Galliett, Jr.
Second of a Series

THE GREAT COAL FRAUD

What kind of "Gold Brick" do we get?

In return for immensely-valuable state coal lands, which were described in the first article of this series, the Cook Inlet Native Corporation proposes to give the state 31 townships (714,000 acres) of almost-inaccessible back country in the following areas:

1. Mountains and hills near the canyon of the Susitna River. This land surrounds a federal power site withdrawal for the Susitna power project, and is almost worthless except as a state-financed hunting preserve. Most of the poor-best of this area has been selected by Native Village Corporations.

2. Hills and mountains northwest of Lake Clark and Lake Iliamna and the rocky coastline, hills and mountains fronting on Kamishak Bay. This land is almost worthless, except as a state-financed hunting preserve.

The Department of Interior "magnanimously" proposes to allow the state to use part of our statehood acreage entitlement to select 30 townships (691,000 acres) of hard-to-reach hinterlands in the following areas:

1. Lake Clark - Lake Iliamna watershed. Local Native Village Corporations have selected almost all of the waterfront land on Lake Iliamna and about one-quarter of the waterfront land on Lake Clark. The Department of Interior proposes to retain about one-quarter of the waterfront land on Lake Clark in a new national park. Native allotment claims and private hunting lodges occupy another significant fraction of the waterfront land on Lake Clark.

   The state owns the beds of all navigable lakes, rivers and streams in the Lake Clark - Lake Iliamna watershed. The famous red salmon from this area spawn in the lakes, rivers and larger streams. The state has jurisdiction over fish and game, and has adequate authority to protect fish and game on both public and private lands. The state will continue

to govern, tax and serve citizens in the area. The area and its citizens cannot be somehow severed from the state by proposed improvements in federal management of the hinterlands.

Therefore, "control", as touted by top state officials, of the Lake Clark - Lake Iliamna watershed, even by state acquisition of all 30 townships in this one area, is impractical. Ownership of the entire watershed would require a far greater commitment of statehood selection entitlement than the proposed 30 townships. Clearly, this schemer's dream of somehow wresting "control" of the entire watershed is impractical and unnecessary: Impractical because of federal, Native and other ownership of nearly all waterfront land; unnecessary because of existing state ownership, jurisdiction and authority.

This land is almost worthless except as a state-financed hunting preserve.

2. High mountains and glaciers around Chakachamna Lake. This land surrounds a federal power site withdrawal, and is so rugged as to be almost worthless, even for hunting.

   Other, smaller tracts are also involved.

Thus, for 19.7 townships (454,000 acres) of state coal lands worth 2.8 to 6.0 billion dollars in future state income we are to receive 31 townships of almost-inaccessible backcountry and hard-to-reach hinterlands which are nearly worthless except as a state-financed hunting preserve!

Next: Who gains? Who loses?

Special To The Times - By Harold H. Galliett, Jr.

Third of a Series

THE GREAT COAL GIVEAWAY

Who gains? Who loses? And how much?

In return for immensely-valuable state coal lands, the Cook Inlet Native Corporation proposes to give the state almost-inaccessible backcountry and hard-to-reach hinterlands. The state coal lands to be given away are estimated to be worth $2.7 to $5.8 billion in future coal royalties, based on present royalty rates. The surface estate to be given away is estimated to be worth $200 to $400 million in future state income, based on present land prices.

The estimates given above look far to the future. To determine the present value of future receipts, we need first to increase present royalty rates and present land prices by an escalation factor representing inflation plus real increase in the price of energy resources and land. We also need to decrease future receipts at a discount rate representing inflation plus the real cost of hiring money.

Foreseeable improvements in coal extraction, conversion and transportation; increase of world population and industrialization; inexorable depletion of US and world oil and gas - all these factors foretell a rapid increase in coal royalties. For example, from 1967 to 1973 state coal royalties in the Beluga coalfield increased from 5 cents to 30 cents per ton.

Future state coal royalty rates will probably be based on a percentage of pit-head price backed in from the market. And, world oil, which paces the price of coal, is on an escalator from which there is no exit. Price of surface estate at state land auctions has also increased rapidly.

Consequently, I estimate that the escalation factor will offset the discount factor, and that present value of future income may be calculated with sufficient accuracy using present royalty rates and present land prices.

There are about 75,000 Natives enrolled in the 12 Native regional corporations located in Alaska. About 6,500 of these Natives are enrolled in the Cook Inlet Native Corporation. The population of Alaska today is

about 385,000 persons. Under the Alaska Native Claims Settlement Act, 70 percent of all revenues received by each regional corporation from subsurface estate patented to it under the Act shall be divided among all 12 regional corporations according to the number of Natives enrolled in each region. Native corporation profit, after effective taxes and administrative costs, is estimated at 50 percent of coal royalties and 40 percent of income from surface estate. The present value of future coal royalties and the present value of future income from surface estate to be lost by the state to the Cook Inlet Native Corporation is estimated at $2.7 to $5.8 billion and $200 to $400 million, respectively.

Who gains?

From the premises above, I calculate as follows:

1. Each enrolled Native in the 11 Native corporations in Alaska other than the Cook Inlet Native Corporation, will receive an increase in the present value of his or her stock of from $12,600 to $27,100. Thus, for a family with only three enrolled Native members, this generous gift will total $37,800 to $81,300!

2. Each enrolled Native in the Cook Inlet Native Corporation will receive an increase in the present value of his or her stock of from $87,200 to $185,500. Thus, for a family with only three enrolled Native members, this munificent endowment will total $261,600 to $556,500!

Who loses?

Each citizen loses in increased state taxes or in benefits which must be denied by our state government.

I estimate coal extraction will require 100 years, and the state will lose an average of $29 to $62 million in 1975 dollars during each year of that century.

And who will pay for the impact of coal development?

Next: Conflict of interest?

Special To The Times - By Harold H. Galliett, Jr.

Fourth of a Series

THE GREAT COAL GIVEAWAY

Recent Events

On January 2, 1976, President Ford signed into law - over objections by the Treasury, the Office of Management and Budget and the Department of Agriculture - an Omnibus Bill amending the Alaska Native Claims Settlement Act. This Omnibus Bill also amends our Statehood Act by removing the basic protection that the state retain mineral rights in land exchanges. To cap this piece of politically-expedient, election-year legislation, the Secretary of Interior is given authority to waive the "equal value" provision in future exchanges of state land.

Earlier proposals by the Hammond administration have been changed, voted by Congress and signed into law with neither adequate notice nor opportunity for response by Alaskans. Nevertheless, the Omnibus Bill, as sent to the conference committee, does give the State of Alaska a chance to accept or reject the controversial Cook Inlet land swap.

Most of the Omnibus Bill amending the Alaska Native Claims Settlement Act helps our Native people without hurting the other 80 percent of Alaskans. However, the controversial land swap destroys the compact integrity of patented state lands in the heartland of our state, creates conflict in land management where none existed, discourages settlement except by leasehold tenants on terms dictated by Native corporations, and denies 80 percent of Alaskans the income and responsible state control of an empire of coal on the threshold of development.

The consent of the State of Alaska to the controversial Cook Inlet land swap must be given, if at all, within 60 days of the commencement of the 1976 session of the Alaska legislature. Surely, it is arrogant that so short a time is allowed our legislature to evaluate a giveaway of energy resources at least equal to Prudhoe. However, the strategy of the proponents of this dissipation of the common property is to keep us in the dark, and to ram this infamous give-away through before common sense can prevail. For example,

it took two weeks to get a copy of the bill as voted by the House, and that copy was incomplete. It is unlikely that Alaskans will have the printed Omnibus Bill to study until well after our legislature convenes.

One or more bills will soon be filed with our legislature to give the consent of the State of Alaska to the controversial Cook Inlet land swap. Our legislature may then (1) consent to the vague and indefinite terms of the Omnibus Bill, (2) consent to a hard and specific bargain within the outlines of the Omnibus Bill, (3) refuse to consent or (4) do nothing. If the legislature does nothing, I expect Governor Hammond will proceed without legislative approval, unless restrained by the courts.

Next: How will the coal be mined?

Special To The Times By Harold H. Galliett, Jr.

Fifth of a Series

THE GREAT COAL GIVEAWAY

How will the coal be mined?

Recoverable coal which may be given away by the Hammond administration in the infamous Cook Inlet land swap, is estimated at 13 to 29 billion tons. At a royalty of only 20 cents per ton, this coal is estimated to be worth $2.7 to $5.8 billion in future state income, or about $7,000 to $15,000 for each man, woman and child in Alaska today!

In tne deeper parts of the Cook Inlet basin, the coal-containing Kenai formation, which contains numerous thick and thin coal beds, is more than 20,000 feet thick. Oil well logs, coal drilling, outcrop measurements and geo-physical surveys are available today for useful estimates of coal resources. Contour maps of coal thickness have been plotted. The estimated coal resources in the entire Cook Inlet Basin exceed 1.3 trillion tons, but most of this coal is either beneath Cook Inlet, covered by thick glacial deposits, below a depth of 2,000 feet, or distant from deep tidewater.

In the Beluga area, near deep tidewater, enough coal has been found in the shallow Capps and Chuitna beds alone, to keep two, 6 million ton-per-year surface mines going for over 50 years. Stanford Research Institute estimates that the Capps beds will be 30 percent cheaper to mine than the Chuitna beds. Unfortunately, the Hammond administration proposes to give the Capps beds to the Cook Inlet Native Corporation.

No matter how large our coal resources may be, these resources have little value until we can foresee a regular progression of future technologies by which the coal can be mined at a net benefit.

Today, our coal must be mined by surface methods. Colossal bucket-wheel excavators will remove soft over-burden. Huge power shovels and draglines will excavate hard materials and coal. Conveyor belts will move the excavated materials. Belt stackers will spread the over-burden on mined-out areas. Under our climatic conditions, it will be relatively-easy to establish forest or grass-land on recontoured areas.

The quality of surface restoration and the effectiveness of coal conservation will depend on land ownership and future laws. If the state owns the land, we may expect mining to be controlled in the long-term public interest.

Coal recovery by surface mining methods may be as high as 90 percent. Each 6 million ton-per-year surface mine will create about 200 mining jobs with top pay and benefits.

In favorable locations, underground mining will begin soon after surface mining. Sophisticated continuous mining machines and longwall methods will be used. Coal recovery will range from 50 to 90 percent.

Underground gasification of coal will begin soon after conventional mining. Steam and oxygen will be used to drive the reaction. The raw product will be synthesis or fuel gas consisting of hydrogen and carbon monoxide with impurities.

In one method of underground coal gasification, high-speed tunnel boring machines will open the coal beds by boring a grid of tunnels in the coal. Some solid coal will be produced by tunnel boring, and this will pay most or all of the cost of opening the coal beds. Shafts, pipes, stoppings and controls will be installed to direct gas flow and to guide the firefront. The burn will be lit, steam and oxygen supplied, and coal gas recovered. Roof let-down will follow the firefront.

Coaly-shale and coal in thin beds - values usually lost in conventional mining - may be recovered by underground gasification. Coal recovery should range from 50 to 90 percent. Safe mining depths will be moderately greater than for conventional coal mining.

In another method of underground coal gasification, wells will be drilled into the coal. Adjacent wells will be linked by hydraulic fracturing. The burn will be lit, steam and oxygen injected and coal gas withdrawn from adjacent wells. Coal recovery may be less than 50 percent, but this and similar underground gasification methods are expected to recover coal from deep coal beds which can be mined in no other way.

Next: Oil from coal! Who needs OPEC?