

ALASKA LEGISLATIVE COMMITTEE REPORTS 1981

1869 SRES AK LANDS 2/2/81 - ALPETCO CONTRACT 6/2/81

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Requirement	Deadline	Responsible Agency	Participating DOI Agencies	Participating Federal Agencies	State of Alaska Participation	Comments
<u>Title I - Purposes, Definitions, and Maps</u>						
Section 103(b): Maps for Areas of Changed Management Status	As soon as practicable	NPS, FWS, & BLM lead for respective areas; USGS lead for reproduction; BLM lead for assis- tance in legal des- cription	BIA-review	Department of Agricul- ture		

Requirement	Deadline	Responsible Agency	Participating DOI Agencies	Participating Federal Agencies	State of Alaska Participation	Comments
Title II - National Park System						
Section 201: Establishment of New Areas in National Park System	Established upon passage	NPS	BLM-lead on cadastral survey for NPS			
			BIA- monitor management vis-a-vis Native culture			
Section 201(2): Reindeer Grazing on Bering Land Bridge National Preserve	None	NPS	BIA-consultation			
Section 201(2): Customary Travel Corridor within Bering Land Bridge National Preserve	None	NPS	BIA-cooperation			
Section 201(4)(b): Environmental and Economic Analysis of Surface Transportation Right-of-Way Across Gates of the Arctic National Preserve	Draft environmental and economic analysis--within 9 months of receipt of application; final analysis--within 1 year; DOI and DOT Secretaries must agree on route within 60 days of completion of analysis	ELM-overall analysis; NPS responsibility to provide analysis for NPS lands	FWS-consultation USC/DOM-consultation and technical assistance	Department of Transportation		
Section 201(8)(a): Board of Arctic Research Experts to Encourage Scientific Research in Noatak National Preserve	None	NPS				

Requirement	Deadline	Responsible Agency	Participating DOI Agencies	Participating Federal Agencies	State of Alaska Participation	Comments
Section 201(10): Yukon-Charley Rivers National Preserve						
-- BLM visitor center at Eagle, Alaska, access point	None	BLM				
-- Aircraft permitted to land in upper Charley River watershed except where inconsistent with purpose of Preserve	None	NPS				
Section 202: Additions to Existing National Park System Area	Established upon passage	NPS		BIA-monitor management vis-a-vis Native culture		
Section 202(3)(a): Alaska Railroad Right-of-Way within Denali National Park	None	NPS			Department of Transportation-concurrence required on regulations	
Section 202(3)(b): Kaktashna Hills/Dunkle Mine Study	Report to Congress within 3 years	Alaska Land Use Council		BOM-technical assistance NPS		
Section 203: General Administration of Park System Units		NPS				
Section 204: Confirmation of Native Selections within Parks		BLM		NPS-consultation		
Section 205: Commercial Fishing and Appendage	None	NPS				

Requirement	Deadline	Responsible Agency	Participating DOI Agencies	Participating Federal Agencies	State of Alaska Participation	Comments
Title III - National Wildlife Refuge System						
Section 302: Establishment of New National Wildlife Refuges	Established upon passage	FWS				
Section 302(7)(C): Selawik National Wildlife Refuge Reindeer Grazing Regulations	None	FWS	BIA-consultation			
Section 303(7)(C): Yukon Delta Wildlife Refuge Reindeer Grazing Regulations	None	FWS	BIA-consultation			
Section 303(7)(D): Yukon Delta National Wildlife Refuge Access Regulations	None	FWS				
Section 304(b): Alaska Refuges Compatibility Regulations	None	FWS				
Section 304(d): Commercial Fishing and Attendant Regulations	None	FWS				
Section 304(e): Fish Stock Regulations	None	FWS				
Section 304(f): Fire Management	None	BLM	FWS			
Section 304(g): Refuge Comprehensive Conservation Plans	Not less than 5 refuges - 3 years; not less than 10 refuges - 5 years; all refuges - 7 years	FWS	HORS-technical assistance on cultural resources aspects of plan		State agencies-consultation; Native Corporations-consultation	
Section 306: Barren-Ground Caribou Study	None-projected completion 5 years	FWS	NPS-cooperation/consultation on NPS lands; BLM-coop. on BLM lands; BIA-coop./consultation		Governor of Alaska-cooperation	

Requirement	Deadline	Responsible Agency	Participating DOI Agencies	Participating Federal Agencies	State of Alaska Participation	Comments
Title IV - National Conservation Area and National Recreation Area						
Section 402: Steese National Conservation Area Land Use Plan	5 years	BLM	FWS-participation in studies			
Section 402: White Mountains National Recreation Area Land Use Plan	5 years	BLM	FWS-participation in studies		State of Alaska-close cooperation/consultation	
Section 402: Fire Management	None	BLM				
Section 402: Boundary Survey	None	BLM				
Section 402(c): Steese National Conservation Area and White Mountains National Recreation Area Mining Regulations	None	BLM				
Sections 404(b), (c): Unperfected Mining Claims Regulations and Mining Operations Regulations for Steese National Conservation Area and White Mountains National Recreation Area; Mineral Compliance Checks	None	BLM				
Section 404(d): Validity Determinations	Upon request or after 9/30/82	BLM				
Section 404(e): Issue and Monitor Permits for Access to Unpatented Mining Claims; Develop Permit Requirements	None	BLM				

Requirement	Deadline	Responsible Agency	Participating DOI Agencies	Participating Federal Agencies	State of Alaska Participation	Comments
Title V - National Forest System						
Section 501: Additions to Existing National Forests	Established upon passage	Department of Agriculture-U.S. Forest Service	FWS-participate in land use planning and regulatory processes BIA-protection of subsistence users			
Section 502: Mining and Mineral Leasing on Certain National Forest Lands	None	Department of Agriculture-U.S. Forest Service				
Section 503(f)(2)(A): Mining Regulations for Misty Fjords and Admiralty Islands National Monuments within Tongass National Forest	None	Department of Agriculture-U.S. Forest Service	BLM-Cadastral survey for Misty Fjord and Admiralty Islands; mining claims and validity determinations			
Section 503(h)(2): Quartz Hill Mine Development Study	Draft-6 months from enactment Final-9 months from enactment	Department of Agriculture-U.S. Forest Service	Secretary of Interior-consultation DOM-technical assistance	Secretary of Commerce-consultation	State of Alaska-consultation	
Section 503(h)(3): Quartz Hill Mine Access Road	Draft EIS within 12 months from enactment	Department of Agriculture-U.S. Forest Service	FWS-participate in drafting EIS USGS-technical assistance			
Section 503(h)(4)(A): Quartz Hill Access Road Special Use Permit	Within 4 months after publication of final EIS pursuant to Section 503(h)(3)	Department of Agriculture-U.S. Forest Service				
Section 504(h): Unperfected Mining Claims Requirements in Misty Fjords and Admiralty Island National Monuments	90 days from enactment (applications for permits must be made within 270 days from enactment; Secretary must issue permits within 18 months of receipt of application)	Department of Agriculture-U.S. Forest Service				

Requirement	Deadline	Responsible Agency	Participating DOI Agencies	Participating Federal Agencies	State of Alaska Participation	Comments
Section 505(a): Regulations for Fisheries on National Forest Lands in Alaska	None	Department of Agriculture-U.S. Forest Service	Secretary of Interior (FWS)-consultation BIA-consultation	Secretary of Commerce-consultation	State of Alaska-consultation	
Section 506(a)(3)(C)(ii): Admiralty Island Exchanges-Public Access and Use Regulations	None	Department of Agriculture-U.S. Forest Service	BIA-consultation			
Section 506(a): Kootz-noowoo Conveyances	None	BLM	NPS-consultation	Secretary of Agriculture-designation of easements		
Section 506(b): Goldbelt Land Conveyances	None	BLM		Secretary of Agriculture-designation of easements		
Section 506(c): SheeAtika Land Conveyances	None	BLM		Secretary of Agriculture-designation of easements		
Section 507(a): Co-operative Fisheries Planning	None	Department of Agriculture - U.S. Forest Service	BIA-cooperation (trust responsibilities for fisheries near Annette Island Reserve)			

Requirement	Deadline	Responsible Agency	Participating DOI Agencies	Participating Federal Agencies	State of Alaska Participation	Comments
Title VI - National Wild and Scenic Rivers System						
Section 601: Designation of Rivers within National Park System	Established upon passage	NPS				
Section 602: Designation of Rivers within National Wildlife Refuge System	Established upon passage	FWS				
Section 603: Designation of Rivers outside Conservation System Units	Established upon passage	NPS-Alagnak River; BLM-all other rivers				
Section 604: Designation of Study Rivers	3 years from enactment; Utukok and Kavaktok reports to be submitted no later than Bristol Bay Cooperative Region Plan prepared pursuant to Section 1203	NPS	FWS, HCRS, BLM			
Section 605: Boundaries and Management Plans for National Wild and Scenic Rivers	Plans for rivers within National Park System or National Wildlife System to be coordinated and submitted with plans for those units; plans for other rivers-3 years	NPS, FWS, BLM for rivers each manages	HCRS-coordination/consultation role through lead on Statewide Rivers Planning Group			
Section 606: Amendments to Wild and Scenic Rivers Act	None	NPS, FWS & BLM for rivers each manages				

Requirement	Deadline	Responsible Agency	Participating DOI Agencies	Participating Federal Agencies	State of Alaska Participation	Comments
Title VII - National Wilderness Preservation System						
Section 701: Designation of Wilderness within National Park System	Established upon passage	NPS				
Section 702: Designation of Wilderness within National Wildlife Refuge System	Established upon passage	FWS				
Section 703: Designation of Wilderness within National Forest System	Established upon passage	Department of Agriculture-U.S. Forest Service				
Section 704: National Forest Wilderness Study	3 years	Department of Agriculture-U.S. Forest Service				
Section 705(b)(1): Forest Industry Loan Program	None	Department of Agriculture-U.S. Forest Service				
Section 705(c): Forest Yield Study	3 years	Department of Agriculture-U.S. Forest Service				
Section 706: Southeast Alaska Timber Reports	Report each year	Department of Agriculture-U.S. Forest Service				
Section 706(b): Tongass Forest Study	End of 5 years; every 2 years thereafter	Department of Agriculture-U.S. Forest Service	FWS-technical assistance	Alaska Land Use Council-consultation	Consultation with: State of Alaska Native Corporations Timber Industry S.E. Alaska Conservation Council	
Section 707: Administration of Wilderness		NPS, FWS, U.S. Forest Service for wilderness areas each manages				

Requirement	Deadline	Responsible Agency	Participating DOI Agencies	Participating Federal Agencies	State of Alaska Participation	Comments
<u>Title VIII - Subsistence</u>		Alaska Cooperative Planning Group-overaight and coordination; NPS, FWS & BLM management responsibilities on their lands; BIA participation in planning and development; FWS-administration of grant program			State of Alaska-consultation	
Section 805(a): Establishment of Subsistence Resource Regions, Land Advisory Committees, and Regional Advisory Councils	1 year					
Section 805(e)(2): Report to Congress on Whether Payments to the State are Adequate to Carry Out Subsistence Program	At least once every 5 years					
Section 806: Secretarial Report to the State and Congressional Committees on the Effectiveness of Implementation of the Subsistence Title	Annually and at other times the Secretary deems necessary					
Section 808(a): Appointment of National Park and Park Monument Subsistence Resource Commission	1 year, and within 18 months the Secretary must act upon Commission's recommendations				Governor-appoint 3 members to each commission Regional Advisory Council-appoint 3 members to each commission	
Section 811: Subsistence Access Regulations	None					

Requirement	Deadline	Responsible Agency	Participating DOI Agencies	Participating Federal Agencies	State of Alaska Participation	Comments
Section 812: Subsistence Research	None	FWS-clearinghouse		Department of Agriculture	State of Alaska-cooperation	
Section 813: Periodic Reports to Congress	4 years from enactment and every 3 years thereafter			Department of Agriculture		
Section 814: Subsistence Regulations	None					

Requirement	Deadline	Responsible Agency	Participating DOI Agencies	Participating Federal Agencies	State of Alaska Participation	Comments
<u>Title IX - Implementation of Alaska Native Claims Settlement Act and Alaska Statehood Act</u>						
Section 901: Submerged Lands-Conveyances and Reconveyances	None	BLM	NPS, FWS, BIA	Department of Agriculture		
Section 905: Alaska Native Allotments	180 days after enactment	BIA-maintain trust responsibilities BLM-issue conveyances	USGS/BOM-consultation			
Section 906: State Selections	Issuance of patents within 6 months of State's election	BLM				
Section 907: Alaska Land Bank		NPS, FWS, BLM & USFS as appropriate	BIA-advocacy role	Department of Agriculture		

Requirement	Deadline	Responsible Agency	Participating DOI Agencies	Participating Federal Agencies	State of Alaska Participation	Comments
Title X - Federal North Slope Lands Studies, Oil and Gas Leasing Program and Mineral Assessments						
Section 1001: North Slope Study	Study and findings-8 years; Annual Reports to Congress	BLM	FWS participation USCS/OMPRA-assistance	Department of Agriculture Department of Energy Alaska Land Use Council	Consultation with: State of Alaska Native Village and Regional Corps. North Slope Borough	*Consultation with Canada required
Section 1002: Arctic Coastal Plain Resource Assessment	18 months from enactment-first publication	FWS	USCS-technical assistance BLM		Consultation with: Governor of Alaska Native Village and Regional Corps. North Slope Borough Interested Persons	
Section 1002(d): Arctic National Wildlife Refuge Coastal Plain Resource Assessment Regulations	2 years	FWS	OMPRA/USCS-technical assistance BLM			
Section 1002(e): Arctic National Wildlife Refuge Coastal Plain Exploration Plans	No plan approved during 2 year period following enactment; thereafter Secretary must approve or disapprove 120 days from submission	FWS	BLM USCS-technical assistance			
Section 1002(h): Arctic National Wildlife Refuge Coastal Plain-Report to Congress on oil and gas potential and impact on fish and wildlife resources	No earlier than 5 years; no later than 5 years, 9 months from enactment	FWS	BLM and in cooperation with USCS/OMPRA			

Requirement	Deadline	Responsible Agency	Participating DOI Agencies	Participating Federal Agencies	State of Alaska Participation	Comments
Section 1004: North Slope Survey	None	BLM	USGS-assistance			
Section 1005: Wildlife Resources Portion of §1001 Study	Study and findings-8 years; Annual Reports to Congress	BLM	FWS-assistance			Cooperation with: State of Alaska Native Village and Regional Corps.
Section 1006: Transportation Alternatives Portion of Study	8 years Annual Reports to Congress	BLM		Department of Transportation		
Section 1007: Arctic Research Study	1 year	FWS	USGS-technical assistance	Department of Transportation Department of Energy Department of Defense-Navy Department of Agriculture - U.S. Forest Service Department of Commerce-NOAA National Science Foundation Smithsonian		Consultation with: State of Alaska Native Village and Regional Corporations
Section 1008: Oil and Gas Leasing: Non-North Slope-Regulations and Report	October 1, 1981 Annually thereafter	FWS	FWS USGS-assistance	Department of Energy		
Section 1009: Oil and Gas Lease Applications	6 months from lease application if no EIS; 3 months after publication of final EIS if EIS required	FWS				
Section 1010: Alaska Mineral Resource Assessment and Related Regulations	None	USGS	BOM/OMPRA	Department of Energy		State of Alaska-consultation

Requirement	Deadline	Responsible Agency	Participating DOI Agencies	Participating Federal Agencies	State of Alaska Participation	Comments
Section 1011: Presidential Transmittal to Congress of information relating to minerals	October 1, 1982 Annually thereafter	President-USCS/OMPIA	DOM			

Requirement	Deadline	Responsible Agency	Participating DOI Agencies	Participating Federal Agencies	State of Alaska Participation	Comments
Title XI - Transportation and Utility Systems						
Section 1104: Develop and Publish a Consolidated Application Form for Transportation and Utility System; Processing of Applications	180 days-Publication of Application 60 days after receipt-inform applicant of status of application 30 days after additional information received-inform applicant of sufficiency of application 9 months from filing-draft EIS 1 year from filing-final EIS	BLM-clearinghouse	USGS/OMPRA/BOH-technical assistance NPS/FWS-participate in preparation of form	Department of Transportation Department of Agriculture Consultation with other federal agencies, e.g. Coast Guard, Maritime Administration, Army Corps of Engineers		
Section 1110(a): Regulations for Use of Vehicles on Conservation System Units, National Recreation and Conservation Areas and Wilderness Study Areas	None	NPS, FWS, BLM		Department of Agriculture		
Section 1110(b): Regulations for Access to State or Private Lands Within or Effectively Surrounded by Conservation System Units, National Areas or Wilderness Study Areas	None	NPS, FWS, BLM		Department of Agriculture		
Section 1113: Stikine River Region Report	5 years	Department of Agriculture-U.S. Forest Service	FWS			Consultation with Canada required

Requirement	Deadline	Responsible Agency	Participating DOI Agencies	Participating Federal Agencies	State of Alaska Participation	Comments
Title XII - Federal-State Cooperation						
Section 1201: Alaska Land Use Council	Report by February 1 annually	SIO & Federal Co-chairman	NPS, FWS, HCRS, BLM	U.S. Forest Service Department of Transportation	State Co-chairman Commissioner Alaska Departments of: Natural Resources Fish and Game Environmental Conservation Transportation Native Regional Corp. Representatives	
Section 1202: Federal Coordination Committee	Meet at least once every 4 months	Federal Co-chairman	Secretary of Interior	Secretary of Agriculture Secretary of Energy Secretary of Transportation Administrator of EPA Administrator of NOAA		
Section 1203(b): Bristol Bay Cooperative Region Plan	3 years	FWS	BLM		State of Alaska Native Corps.	

Requirement	Deadline	Responsible Agency	Participating DOI Agencies	Participating Federal Agencies	State of Alaska Participation	Comments
<u>Title XIII - Administrative Provisions</u>						
Section 1301: Management Plans for National Park System Units	5 years	NPS	HCRS	Alaska Land Use Council	State of Alaska Native Corps. Citizens Local, State & National Organizations	
Section 1302: Land Acquisition Authority		NPS, FWS, BLM				
Section 1303: Use of Cabins and Sites on Conservation System Units-Regulations		NPS, FWS, BLM				
Section 1305: Cooperative Information/Education Centers	None	Alaska Land Use Council	Secretary of Interior NPS, FWS, HCRS, BLM	Secretary of Agriculture	State of Alaska Native Corps.	
Section 1306: Administrative Sites and Visitor Facilities		NPS, FWS, BLM				
Section 1307(a): Revenue-Producing Visitor Services	None	NPS, FWS				
Section 1308: Local Hire	Regulations-None Reports-From time to time	Alaska Cooperative Planning Group-coordinator NPS, FWS, HCRS, BLM, BIA		Office of Personnel Management		
Section 1311(b): Denali Scenic Highway Study	3 years	BLM-overall coordinator with NPS responsibility for substantive planning and development on NPS lands		Department of Transportation	State of Alaska Native Corps.	
Section 1312(b): White Mountains National Recreation Area-Regulations for Removal of Minerals	None	BLM	FWS-Consultation			

Requirement	Deadline	Responsible Agency	Participating DOI Agencies	Participating Federal Agencies	State of Alaska Participation	Comments
Section 1313: National Preserves: Regulations Restricting Hunting, Fishing, Trapping or Entry	None	NPS				
Section 1314: Taking of Fish and Wildlife	None	NPS, FWS, BLM				State of Alaska - retain responsibility for management of fish and wildlife on public lands
Section 1315: Wilderness Management	None	NPS, FWS, BLM			Department of Agriculture	
Section 1315(b): Aquaculture Regulations	None	Department of Agriculture	FWS			
Section 1315(e): Wilderness Management & Timber Contracts	None	Department of Agriculture				
Section 1316: Allowed Uses-Regulations	None	NPS, FWS & BLM as appropriate				
Section 1317: General Wilderness Review	5 years - Report to President 7 years - Report to Congress	NPS, FWS				
Section 1318: Statewide Cultural Assistance Program	None	IICRS	NPS, FWS, BLM, BIA			
Section 1320: BLM Land Reviews	From time to time	BLM				

Requirement	Deadline	Responsible Agency	Participating DOI Agencies	Participating Federal Agencies	State of Alaska Participation	Comments
Section 1323(a): Regulations for Access to Non-federally Owned Lands within the National Forest System	None	Secretary of Agriculture				
Section 1323(b): Regulations for Access to Non-federally Owned Lands Surrounded by Public Lands	None	BLM				
Section 1324: Yukon Flats National Wildlife Refuge Agricultural Use	None	FWS				
Section 1325: Terror Lake Hydroelectric Project	None	FWS				

Requirement	Deadline	Responsible Agency	Participating DOI Agencies	Participating Federal Agencies	State of Alaska Participation	Comments
<u>Title XIV - Amendments to Alaska Native Claims Settlement Act and Related Provisions</u>						
Section 1409: Fire Protection		BLM	FWS, NPS			
Section 1411: Escrow Account-Cook's Inlet Selection	Identification within later of 2 years following conveyance or date of Act	BIA-escrow account BLM & FWS - identify proceeds		Department of Agriculture-U.S. Forest Service-identify proceeds		
Section 1413: Supplemental Appropriations for Native Groups	None	NIA				
Section 1414: Fiscal Year Adjustment for Alaska Native Fund	Deposit 10 days after enactment & distribute by end of 1st full quarter following enactment; for FY 1982 deposit on 1st day of fiscal year, distribute by end of 1st full quarter	NIA				
Section 1417: Pribilof Islands Acquisition Authority		FWS	BLM			
Section 1419: Doyon Selections and Mineral Exploration Regulations or Studies	None	BLM				
Section 1420: Hodzana River Study Area	None	FWS				

Requirement	Deadline	Responsible Agency	Participating DOI Agencies	Participating Federal Agencies	State of Alaska Participation	Comments
Section 22: Doyon Conveyances	Promptly upon Doyon's Satisfaction of conditions	BLM				
Section 1427: Koniag Lands	Conveyance of Afognak Island "as soon as practicable" following joint-venture agreement	BLM	FWS on its lands			
Section 1430: Chugach Region Study and Report to Congress	1 year	Alaska Land Use Council	FWS, BLM	Secretary of Agriculture	State of Alaska Chugach Natives	
Section 1431: Arctic Slope Lands-Pipeline Right-of-Way	None	BLM with NPS responsibility for lands in Gates of Arctic Park and Preserve				
Section 1431(g)(3): Kaktovik Exchange	None	BLM-conveyance FWS-negotiate				
Section 1432: Cook Inlet Village Settlement	None	BLM-conveyance FWS-negotiate				
Section 1435: Report to Congress on Cook Inlet Region	January 15, 1992	BLM				

Requirement	Deadline	Responsible Agency	Participating DOI Agencies	Participating Federal Agencies	State of Alaska Participation	Comments
<u>Title XV - National Need Mineral Activity Recommendation Process</u>						
Section 1502: President's Recommendations to Congress	Publish notice of intent to recommend 90 days before recommendation submitted to Congress	President	FWS OMPRA/ROM-technical assistance BLM			



STATE OF ALASKA
OFFICE OF THE GOVERNOR
D-2 INFORMATION OFFICE
ANCHORAGE

Summary

Alaska Lands Act
(P.L. 96-487)

This summary outlines major changes in the management of Alaska's lands and resources that result from the recently enacted (d) (2) lands bill, the Alaska National Interest Lands Conservation Act (Alaska Lands Act). The framework for this summary is the State's seven consensus points respecting Alaska lands legislation: (I) conveyance of State lands, page 1; (II) access and transportation, page 2; (III) development of high-value commodity resources, page 3; (IV) wildlife management, page 4; (V) traditional uses (including sport hunting), page 4; (VI) revocation of existing withdrawals, page 6; and (VII) the "no more" concept, page 6.

An acreage summary is found on page 7; an "allowable uses" chart is on page 8.

I. CONVEYANCE OF STATE LANDS

BACKGROUND:

Under the 1958 Alaska Statehood Act, Alaska was granted a total of 103.4 million acres of land to support the costs of statehood and to create an economy that would sustain the state. About 40% of this grant has been either finally or tentatively conveyed to the State. Section 17(d) (2) of the Alaska Native Claims Settlement Act provided for identification of lands within (d) (2) withdrawals which the State was interested in selecting, with the ultimate resolution of these selections to be dependent upon Congressional action regarding the entire (d) (2), lands question.

Three major impacts on state lands are examined: (a) impact on lands already patented, approved to or selected by the State of Alaska; (b) impact on lands the State of Alaska selected as "interest lands" in November 1978 to fulfill its Statehood Act land entitlement; and (c) the process for conveying of selected lands to the State.

ACTION:

(a) Virtually all existing valid state patented or approved lands and prior land selections are outside the boundaries of the conservation units created by the Act. Management problems associated with state-owned inholdings within federal conservation system units are, therefore, minimized.

(b) Congress resolved the disposition of 7 million acres of state "interest lands" in the State's favor. Consequently, the State will receive title to valuable federal lands in the Yukon Flats, Chulitna, Ambler Valley, and Iliamna Lake areas. Congress did not approve about 5 million acres of state "interest lands" located on (d)(2) lands in the Hodzana, White Mountains, Nabesna, Yukon-Charley and Kantishna areas.

(c) The Act includes a comprehensive land conveyance title which legislatively conveys existing state selections, as well as those "interest lands" selections filed in November 1978 which are not inside conservation unit boundaries. It also contains provisions which amend the existing Statehood Act land requirements to the State's benefit, including an extra ten years to fulfill the land grant and clarifying the relationship between state selections and present and future administrative actions. With the passage of the Act, Congress has assured the present and future conveyance of all of the State's entitlement.

II. TRANSPORTATION & ACCESS

BACKGROUND:

There are three distinct subjects encompassed in this heading:

(a) Major rights-of-way across federal conservation units in the form of highways, pipelines, railroads, etc.;

(b) Access to private, state or Native lands located within federal units; and

(c) Special access in conservation units for traditional activities (e.g., hunting, trapping, rural travel, etc.) requiring the use of airplanes, snowmobiles, and motorboats.

ACTION:

(a) The Act rewrites previous law in a comprehensive transportation title designed to streamline the process for obtaining rights-of-way and other necessary authority for building new transportation or utility systems across federal lands. The process has five major features: (i) The Secretary of Transportation (in situations where he has programmatic responsibility under existing law) will share decision-making responsibility with federal land-managing agencies involving the issuance of rights-of-way and other necessary authority; (ii) The Secretaries of Interior and Transportation are directed to render decisions on applications within a specified period of time; (iii) Decisions shall be made pursuant to nine specified criteria, including economic feasibility and environmental compatibility; (iv) Where applicable law currently prohibits approval of a proposed transportation or utility system, Secretarial action on applications is subject to Congressional review; and (v) All Secretarial decisions to deny a transportation or utility system are subject to expedited judicial review. In addition, certain decisions are also subject to further review by the executive branch.

(b) Access for inholders within, or effectively surrounded by, conservation system units is guaranteed by law, but is subject to reasonable regulation. Inholders are granted assured access for economic and other purposes. The Act emphasizes the criterion of economic feasibility in regulating access, although the most economically feasible access is not mandated in every case.

(c) The Act guarantees traditional access by airplane, motorboat, snowmachine, etc. This access is subject to reasonable regulation, but the Secretary may prohibit such access only where he can demonstrate that significant resource damage is being caused by this type of access, and after he has held a hearing in the area affected.

III. HIGH-VALUE COMMODITY RESOURCES

BACKGROUND:

High-value commodity resources in Alaska which are affected by the Act include: (a) oil and gas, (b) hardrock minerals, and (c) timber products.

ACTION:

(a) The Act contains an oil and gas study provision for the coastal plain of the Arctic National Wildlife Refuge. To facilitate this study, a one-million acre area is excluded from the Range's wilderness classification. In addition, the Secretary is directed to establish a program to pursue oil and gas leasing on non-North Slope federal lands outside conservation system units. Moreover, the Secretary is required to act on applications for oil and gas leasing in Wildlife Refuges which are not designated as Wilderness within a specified period of time. Leases are to be issued pursuant to an environmental compatibility finding. However, the Secretary has the burden of proof of documenting the basis for denying a lease application -- a change from prior law.

Note: With respect to National Petroleum Reserve-Alaska, the Interior Department appropriations bill, a separate Act, mandates private oil and gas leasing within 20 months, and provides a two-year waiver of the requirements of the National Environmental Policy Act.

(b) (i) Six of nine major mineral discoveries are excluded from land designations which would have effectively prevented their development. Additionally, Greens Creek and U.S. Borax (Quartz Hill), although included in a National Forest Monument, are given special treatment that will allow their development. The remaining major mineral find at Orange Hill is included in a Park Preserve, with no special administrative or geographic provisions, which may make its development difficult. The Act contains special language that guarantees access across the Gates of the Arctic "boot" into the Ambler mineral district.

(ii) The Chulitna, the upper Ambler Valley, and portions of the Squirrel River mineral districts are transferred to state ownership or are designated as federal multiple-use areas, and may be opened for

mineral development in the future. These areas were withdrawn from mineral entry under the various executive withdrawals. The Act provides for a two-season moratorium on claim validity determinations by the United States for claims in the White Mountains and Steese Highway BLM units.

(c) The Act designates 5.4 million acres of Wilderness in the Tongass National Forest. The Forest Service is directed to offer 450 million board feet of timber for harvest, which will be made possible by authorizing special funds for intensive timber management, and not subject to annual appropriations. Land exchanges for both Kootznoowoo and Shee-Atika Native corporations are essentially completed, with Kootznoowoo receiving selection rights on Prince of Wales Island and Shee-Atika receiving lands on northwest Admiralty Island.

IV. WILDLIFE MANAGEMENT

BACKGROUND:

The primary purpose of wildlife management programs in Alaska is to maintain or enhance fish and wildlife populations. The State believes that the traditional relationship between the State of Alaska and the federal government regarding wildlife management encourages this purpose. Consequently, the State has sought to guarantee its primary responsibility for fish and resident wildlife management on all lands in Alaska.

ACTION:

(a) The Act contains a provision that specifically reaffirms the traditional relationship between the state and federal governments regarding wildlife management. This provision recognizes the State's primary responsibility except with regard to subsistence use as outlined below.

(b) The Act provides for a subsistence preference, based on concepts contained in existing state laws, when a limitation on taking is required due to the depleted condition of the resource.

(c) The Act allows the State to implement a program that meets the Act's subsistence use guidelines. So long as the State implements the Act's subsistence preference, which is now largely in accordance with existing state laws on this subject, direct federal intervention in this aspect of fish and game management will be prevented. Under such a State management program, the Act allows an aggrieved party, after exhausting available administrative remedies, to request judicial review of particular state regulations providing a subsistence preference in a particular instance. Judicial review is limited to the regulation involved, and a judicial decision may affect the state regulation for only a limited period, which in most instances would be only one year.

V. TRADITIONAL USES

BACKGROUND:

This concept refers to a number of so-called "lifestyle" issues, with the general goal of Alaskans being allowed to continue certain

uses of federal lands as they have in the past. These uses include hunting, trapping, campsites, protection of inholdings, cabins, and activities such as fish hatcheries that would not normally be permitted in Wilderness.

ACTION:

A. Land Closed To Hunting

The Act closes some 25 million acres of National Parks and Monuments to sport hunting and trapping but keeps open to these uses 19 million acres of National Preserve lands. The chart below shows National Park Service areas established by the Act that are open and closed to sport hunting. Wildlife refuges and other conservation system units remain open to sport hunting under the Act.

**SPORT HUNTING IN NATIONAL PARK SYSTEM
UNITS CREATED OR EXPANDED BY THE
ALASKA LANDS ACT (P.L. 96-487)**

<u>National Park System Unit</u>	<u>Preserve Acreage (Open to Sport Hunting)</u>	<u>Park or Monument Acreage (Closed to Sport Hunting)</u>
Aniakchak	376,000	138,000
Bering Land Bridge	2,457,000	-0-
Cape Krusenstern	-0-	560,000
Gates of the Arctic	900,000	7,052,000
Kenai Fjords	-0-	567,000
Kobuk	-0-	1,710,000
Lake Clark	1,214,000	2,439,000
Noatak	6,460,000	-0-
Wrangell-St. Elias	4,171,000	8,147,000
Yukon-Charley	1,713,000	-0-
Glacier Bay Additions	57,000	523,000
Katmai Additions	308,000	1,037,000
Denali Additions (extencions to "Mt. McKinley")	1,330,000	2,426,000
TOTALS:	18,986,000	24,599,000

B. Other Wildlife Provisions

(a) The Act contains provisions ensuring that hunting-related activities, such as the construction of campsites, location of equipment caches, etc., shall be permitted on all public lands where hunting and trapping are allowed.

(b) The Act provides that the State of Alaska shall continue to regulate the hunting guide industry. There is no "grandfather clause" for continuation of guiding activities within Parks and Monuments.

(c) The Act specifically authorizes sport hunting and trapping in National Park Preserves.

C. Condemnation/Land Acquisition

The Act protects inholdings owned by the State, Native corporations and private individuals who received title under ANCSA or the Native Allotment Act from involuntary acquisition for purposes of addition to a conservation system unit. For other private landowners, the Secretary is required to make a good faith effort to exchange other Federal lands for the inholding prior to undertaking involuntary acquisition through condemnation.

D. Cabins

The Act codifies and improves upon the approach proposed in the earlier National Monument regulations. Long-time occupants would be permitted to retain the use of their cabins, so long as such use did not significantly affect the purpose of the conservation system unit. This occupancy is protected, subject to compliance with certain criteria, for the lifetime of the principal occupant or the continuous occupancy by the last surviving member of the immediate family currently living in the cabin.

E. Wilderness Management

Within National Forest Wilderness areas, the Act mandates guidelines that permit a broad range of aquaculture, fisheries enhancement activities, and facilities. Existing public use cabins would remain, and would be maintained, in all Wilderness areas, and new cabins could be constructed as necessary for the protection of public health and welfare.

F. Exemption from Wilderness Review

The Act statutorily exempts Alaska from the mandatory Wilderness review provisions of Section 603 of the Federal Land Policy and Management Act ("BLM Organic Act"). The Secretary retains discretionary power to recommend additional Federal lands for Wilderness designation, but is no longer required to do so. In addition, the Act exempts Alaskan National Forests from further wilderness studies under RARE II (Roadless Area Review Evaluation, Phase II).

VI. REVOCATION OF EXISTING MONUMENTS AND EXECUTIVE WITHDRAWALS

This concept refers to the revocation by Congress of the National Monuments and executive withdrawals imposed on Alaska in November and December of 1978. The National Monuments and executive withdrawals are revoked in the face of the designations made by this Act.

VII. "NO MORE" CLAUSE

This concept refers to the assurance that any future federal

withdrawals for conservation system units in Alaska may be made only by act of Congress, and not by unilateral secretarial or Presidential actions. The Act contains a provision limiting the duration of future executive withdrawals in Alaska which exceed 5,000 acres to one year, unless Congress approves the withdrawal.

ACREAGE COMPARISONS

<u>LAND DESIGNATIONS</u>	<u>ALASKA LANDS ACT</u>
<u>New Congressional Designations</u>	
Parks/Monuments	24.6
Parks/Preserves	18.9
Refuges	53.7
Forests	3.4
Wild & Scenic Rivers	1.5
BLM Units/Conservation & National Recreation Areas	<u>2.2</u>
TOTAL	104.3

<u>Wilderness</u>	
Parks	32.4
Refuges	18.6
Forests	<u>5.4</u>
TOTAL	56.4*

* Wilderness classifications overlap about 21 million acres of New Congressional designations; the balance of new wilderness (25 million acres) involves federal conservation system units created prior to passage of the Section 17(d) (2) provision of the Alaska Native Claims Settlement Act of 1971.

	<u>National Park Service</u>			<u>Fish & Wildlife Service</u>	<u>National Forest Service</u>		<u>Bureau of Land Management</u>		
	<u>Park</u>	<u>Preserve</u>	<u>Monument</u>	<u>Refuge (2)</u>	<u>Forest</u>	<u>Monument</u>	<u>Rec. Area</u>	<u>Cons. Area</u>	<u>Other (3)</u>
Sport/Trophy Hunting	NO	YES	NO	YES	YES	YES	YES	YES	YES
Subsistence Uses	YES (1)	YES	YES	YES	YES	YES	YES	YES	YES
New Mining Claims	NO	NO	NO	NO	YES	NO	YES	YES	YES
New Oil & Gas Leasing	NO	NO	NO	YES	YES	NO	YES	YES	YES
Commercial Timber Cutting	NO	NO	NO	YES	YES	NO	NO	NO	YES
Commercial Trapping	NO	YES	NO	YES	YES	YES	YES	YES	YES
Sport Fishing	YES	YES	YES	YES	YES	YES	YES	YES	YES

WILDERNESS: Can only be created by Congress. Wilderness can be established on any unit and is managed by the agency which administers the unit involved. Generally, Wilderness rules ban all use of motorized equipment or permanent structures and take precedence over any uses shown on the above chart. However, the Alaska Lands Act guarantees traditional means of access (such as motorboats, snowmachines, and airplanes), and access to valid inholdings, subject to reasonable regulation. Wilderness Study areas permit no activity that would disqualify them for Wilderness. Additional uses are permitted in certain Wilderness areas as specified in the Act; check with the managing agency for details.

WILD, SCENIC, AND RECREATIONAL RIVERS: Can be established by Congress in any Federal unit, and are managed by the agency which administers the unit involved. Generally, no activity which would impair the scenic or water quality of a River is permitted. Thus, new mining claims, oil & gas leasing, dam construction, and clear-cut logging are usually not allowed. Activities which usually will be permitted on Rivers are: Sport and subsistence hunting and trapping, sport and commercial fishing, airplane landings and take-offs in the River and on its banks. Generally, the same rules apply for Study Rivers.

(1) Subsistence uses are permitted only in the National Parks created by the 1980 Act, except Kenai Fjords; subsistence uses are not allowed within the old boundaries of Katmai, Glacier Bay, and the former Mt. McKinley National Park.

(2) All activities in a Refuge have to be determined to be compatible with the purposes for which the Refuge was created. In general, this chart indicates uses which theoretically can occur, subject to a finding of compatibility.

(3) Unclassified Federal Lands managed by the B.L.M. are subject to Public Land Orders closing them to new mining claims and oil & gas leasing, among other uses. Each area of interest must be researched at B.L.M. to determine which Orders apply.

NOTE: Refuges, Recreation Areas, and Conservation Areas which may permit new mining and/or oil & gas leasing are closed to new entry until management plans are developed for each area. This is in addition to the compatibility test for Refuges.

(This chart was reviewed and approved by the affected agencies)

United States
Department of Agriculture

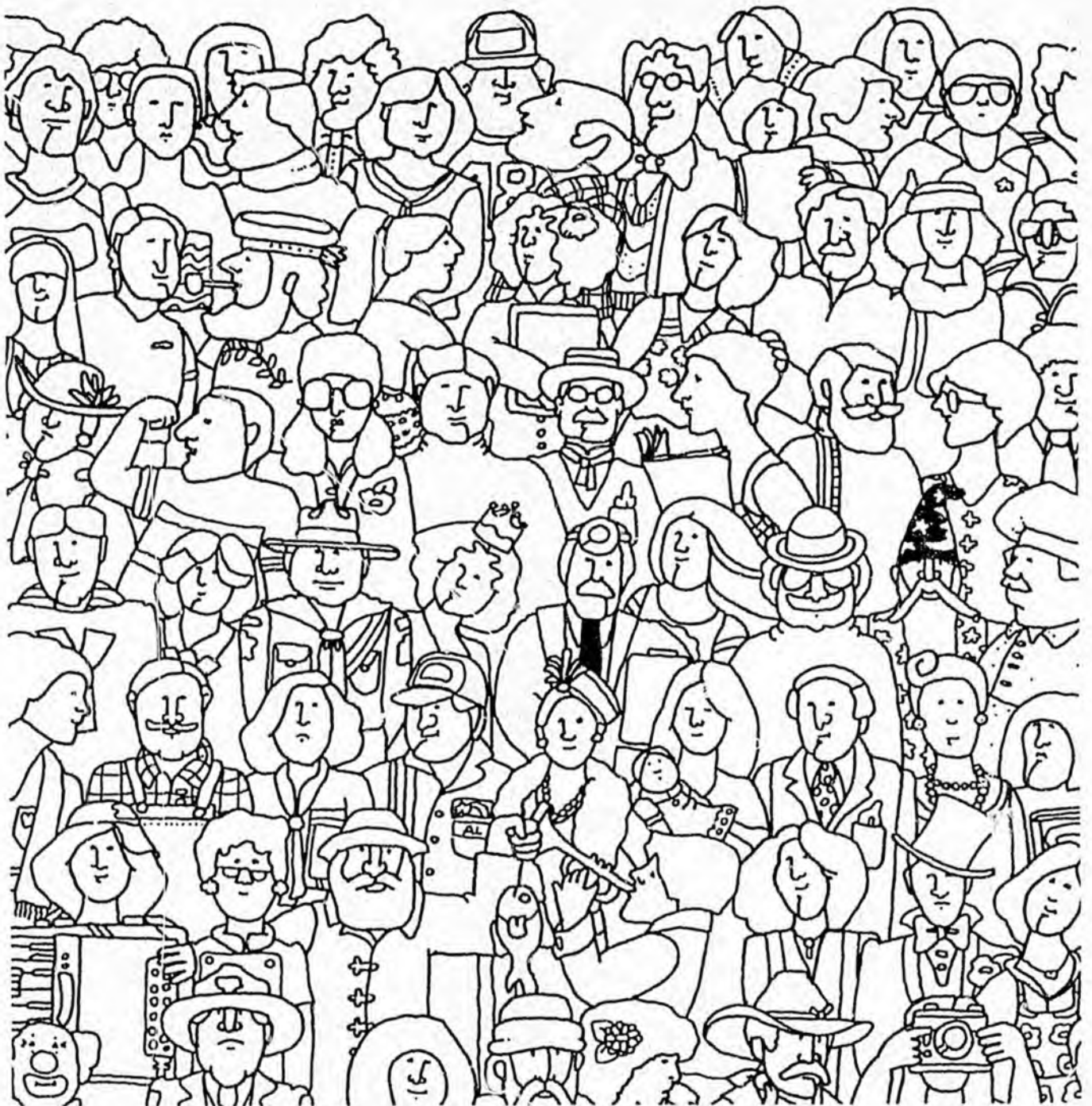
Forest Service

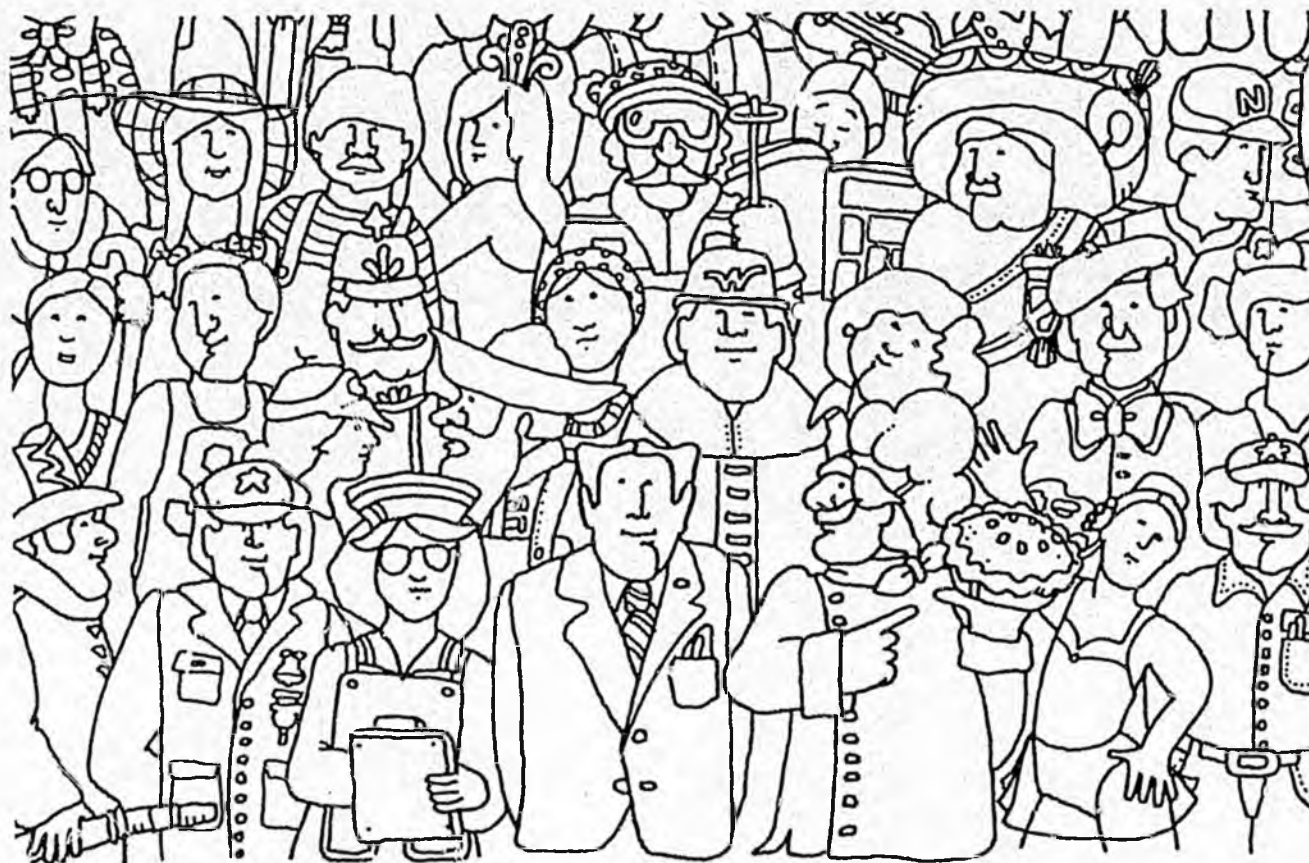
Alaska Region
Report
Number 120



ALASKA NATIONAL INTEREST LANDS CONSERVATION ACT

*How the Alaska Lands Act
Affects Forest Service Programs
In Alaska*





THE ACT AND FOREST SERVICE PROGRAMS

National Forest lands and Forest Service programs in Alaska, administered by the Forest Service, U.S. Department of Agriculture, are affected in a variety of ways by the Alaska Lands Act (known formally as the Alaska National Interest Lands Conservation Act).

The Act affects programs of the National Forest System, as well as cooperative forestry efforts of the Forest Service State and Private Forestry organization and activities of the Forest Service Research organization.

Following is a summary of provisions in the Alaska Lands Act regarding lands and programs in Alaska administered by the Forest Service.

STATE AND PRIVATE FORESTRY

State and Private Forestry programs of the Forest Service are directly affected by a number of special provisions in the Act and through emphasis on increasing the yield of wood products through cooperative efforts with the State Forester and private forest land owners.

Cooperative forestry and related resource programs are underway and have involved a number of Alaska Native villages and corporations in all forested regions of Alaska. Activity in these programs is expected to increase as a result of the Act.

Chugach Region Study

The Alaska Lands Act specifically directs the completion of a Chugach Region Study within one year--that is, by December 1981. The Secretaries of Interior and Agriculture, along with the Alaska Land Use Council; the Chugach Natives, Inc.; and the State of Alaska, will study land ownership and use patterns in the Chugach Region.

The study objectives are to identify lands that can be made available for conveyance to Chugach Natives, Inc., in keeping with the intent and purpose of the Alaska Native Claims Settlement Act and to improve the boundaries of conservation units. The one-year study will involve affected communities and will include public hearings.

The results of the study will be transmitted to the President who will in turn report to Congress along with any proposed legislation to implement study recommendations.

The Alaska Lands Act provides other opportunities for coordination of activities. Resource inventories are of vital importance to the successful implementation of this Act. Oil, gas, and other energy resource surveys; mineral exploration; and renewable resource surveys are essential to the development of land management plans which can make the United States more independent of foreign energy, minerals, and other resources. Forest Service inventories of Alaska's forests and related renewable resources will be coordinated with State and other agency surveys.

The Alaska Lands Act also provides for the establishment of an Alaska Lands Bank. Management agreements involving forest lands can be developed under these provisions of the act.

RESEARCH

Forest Service research programs are directly affected through a number of studies directed by the Alaska Lands Act.

The Act mandates more intensive forest practices in Alaska that will yield more timber including increased volume from so-called marginal forest stands. The technology for maintaining or increasing timber production, while protecting the environment, wildlife, and other resources will be strengthened.

Research will be concentrated in two general areas: 1) intensive timber management and utilization, and 2) environmental protection. Studies will explore methods to improve growth and yield by thinning and other cultural management practices, improve timber harvest equipment and technology for use in southeast Alaska terrain, and intensify timber utilization. Studies will also be done to determine costs and benefits of different timber management practices. In connection with timber harvest, additional studies will determine how to protect and enhance production of anadromous fish, protect wildlife habitat, minimize impacts on soil and water, and maintain scenic values.

Most of the research in fiscal year 1981 will be done through cooperative studies with Universities and other contractors.

COOPERATIVE STUDIES

The Act prescribes a number of cooperative studies and plans. In several of these, specific cooperators have been named. In such studies, the Forest Service will follow established land management planning procedures for public involvement. Cooperators will include other Federal agencies, State agencies, communities, Native corporations and villages, and private groups. Involvement of the general public will be elicited. The Alaska Land Use Council will also be involved in these studies.

A cross-section of resource issues will be studied:

- o Mining and fisheries, cooperative fisheries, aquaculture;
- o Operational plans for mining and mining access within some wilderness areas;
- o Wilderness study, opportunities to increase timber yields, monitoring of timber supply and demand in southeast Alaska;
- o Canadian-Alaska access, coordinated land ownership;
- o Wild and scenic rivers;
- o Oil and gas leasing potential.

ALASKA'S NATIONAL FORESTS

In accord with the various laws governing the administration of National Forests, such forests are managed for multiple use. The various resources are managed in the configuration that best meets the needs of the American people. (Regulations governing resident fish and wildlife species, including hunting, fishing, and trapping regulations on the National Forests, are developed and administered by the State.)

The Alaska Lands Act, together with earlier laws governing the administration of the National Forests, provide for comprehensive planning. This planning is coordinated with State and local community planning efforts. The Tongass National Forest Land Management Plan (TLMP), developed during the 1977-79 period, was utilized in the development of the Alaska Lands Bill. In accordance with the legislative history (Congressional Record, August 19, 1980), TLMP will be modified to reflect the land use designations and other changes prescribed by the Act. The Forest Service's Alaska Regional Plan and Chugach National Forest Plan, which are now being prepared, will also reflect direction in the Alaska Lands Act. The State, local communities, and the public will be involved in all of these planning efforts.

ADDITIONS AND LAND ADJUSTMENTS TO NATIONAL FOREST AREAS

Four areas totaling 1,900,000 acres are added to the Chugach National Forest by the Act; Nellie Juan, College Fiord, Copper/Rude River, and Controller Bay.

Three areas totaling 1,450,000 acres are added to the Tongass National Forest; Kates Needle, Juneau Icefield, and Brabazon Range.

Alaska Region, National Forest System

	<u>Tongass N.F.</u>	<u>Chugach N.F.</u>
Total acreage before act	15,555,388 Acres Net	4,392,646 Acres Net
Total acreage after act	17,005,388 Acres Net*	6,292,646 Acres Net*
Wilderness acreage created	5,361,899 Acres**	None Created
Wilderness Study	None Created	2,019,000 Acres
Wild and Scenic River Study	Situk River***	None Created

* This net total includes 57,000 acres that were deleted from the Tongass National Forest and 97,000 acres that were deleted from the Chugach National Forest. The Act also provides for additional transfers of National Forest land to Native Corporations, the State, and the Fish and Wildlife Service of an estimated 296,000 acres on Afognak Island and an estimated 242,000 acres to the Chugach Native Corporation.

** Final acreage may vary from these figures as official boundary maps are completed.

*** The Act provides for a maximum of 640 acres on each side of the river, for each mile of river length.

WILDLIFE AND FISHERIES MANAGEMENT

As on all National Forests throughout the United States, the State has the primary authority for management of resident fish and wildlife species and prescribing hunting, fishing, and trapping regulations.

Commercial and Sport Fishing

Boundaries, seasons, and limits for commercial and sport fishing in National Forest areas were not affected by the Act. Commercial and sport fishing regulations will continue to be administered by the State.

Fish Habitat Enhancement

Forest Service fisheries enhancement programs, in cooperation with the State, will continue. The Act provides for fishery research, management, enhancement, rehabilitation activities, and hatcheries within National Forest Wildernesses and Wilderness Study Areas designated by the Act.

NATIONAL FOREST TIMBER SUPPLY AND HARVEST

The Act directs the Forest Service to maintain a timber supply of 4.5 billion board feet per decade on the Tongass National Forest. Timber yield on the Chugach National Forest will be determined with the development of the Chugach Forest Plan.

The Act requires a series of reports to Congress on (1) the status of timber harvest levels in the Tongass National Forest since enactment; (2) the impact of Wilderness designation on the timber, fishing, and tourism industries in southeast Alaska; (3) measures instituted by the Forest Service to protect fish and wildlife; and (4) the status of the Small Business Set Aside Program on the Tongass National Forest.

The studies required for these reports will be conducted in cooperation and consultation with the State, affected Native corporations, the southeast Alaska timber industry, the Southeast Alaska Conservation Council, and the Alaska Land Use Council. An annual report will be submitted to the Senate's Committee on Energy and Natural Resources and the House of Representative's Committee on Interior and Insular Affairs.

The Act authorizes that a special loan program be established for purchasers of National Forest wood products to help them acquire equipment and to develop new rechnology for using wood products. This program is designed to encourage the utilization of marginal supplies of timber. A fund of 5 million dollars will be established for these loans.

STRUCTURES AND FACILITIES UNDER SPECIAL USE PERMIT AND/OR PUBLIC USE

Existing special use permits and leases on all National Forest lands for cabins, homesites, or similar structures will continue with some limitations on conveyance or transfer in Wilderness areas. Existing uses of temporary campsites, shelters, and other temporary facilities and equipment related to hunting and fishing will continue.

Existing public use cabins within Wildernesses designated by the Act will be maintained and, when necessary, replaced. A limited number of new public use cabins and shelters in Wilderness areas may be constructed for public safety.

NEW WILDERNESS

The "Alaska National Interest Lands Conservation Act" established the following National Forest Wilderness areas:

<u>Wilderness</u>	<u>Acres</u>
Admiralty Island National Monument Wilderness.....	900,000
Coronation Island Wilderness.....	19,122
Endicott River Wilderness.....	94,000
Maurelle Islands Wilderness.....	4,424
Misty Fiords National Monument Wilderness.....	2,136,000
Petersburg Creek -	
Duncan Salt Chuck Wilderness.....	50,000
Russell Fiord Wilderness.....	307,000
South Baranof Wilderness.....	314,000
South Prince of Wales Wilderness.....	97,000
Stikine - LeConte Wilderness.....	443,000
Tebenkof Bay Wilderness.....	65,000
Tracy Arm - Fords Terror Wilderness.....	656,000
Warren Island Wilderness.....	11,353
West Chichagof - Yakobi Wilderness.....	<u>265,000</u>
 TOTAL ACREAGE.....	 <u>5,361,899*</u>

*The final acreage of Wilderness areas may vary from these figures as official boundary maps are completed and State and Native selection acreages are deleted from these totals.

The Act allows until December 2, 1983, for the completion of the study of the Nellie Juan-College Fiord Wilderness Study Area on the Chugach National Forest. The study will involve the public and may result in recommending all or part of the Study Area for Wilderness designation. Until the study is complete and Congress has acted on the recommendations, the Study Area will be managed to protect its wilderness quality.

The Wilderness areas will be managed as directed by the 1964 Wilderness Act as amended by Alaska Lands Act. The primary objective of a Wilderness area is to maintain the Wilderness character of the land. However, the Alaska Lands Act specifically authorizes the following uses for Alaska Wilderness areas:

1. Fishing, Hunting & Trapping
Fishing, hunting, and trapping will continue as on other National Forest land. They are subject to State fish and game regulations.
2. Subsistence
Subsistence uses, including sport hunting and fishing, will be given special attention on all National Forest lands including Wilderness. The State of Alaska prescribes hunting, fishing, and trapping regulations.

3. Public Recreation Cabins

Existing Public Recreation Cabins will continue to be maintained and may be replaced as needed. A limited number of new public cabins may be added if needed for health and safety reasons.

4. Structures & Facilities Under Special Use Permit and/or Public Use

Existing special use permits and leases on all National Forest lands for cabins, homesites, or similar structures will continue. Use of temporary campsites, shelters, and other temporary facilities and equipment related to hunting and fishing will continue.

5. Fish Habitat Enhancement

Fishery research, management, enhancement, and rehabilitation activities are permitted within National Forest Wildernesses and Wilderness Study Areas designated by the Act. This includes permanent improvements such as fishways, weirs, hatcheries, spawning channels, stream clearance, egg planting, and other accepted means of maintaining, enhancing, and rehabilitating fish stocks. In Wilderness, structures will be constructed in a rustic manner to minimize impact on the wilderness character of the area. Reasonable access, including temporary uses of motorized equipment, will be permitted. Fish hatchery and related aquaculture projects are jointly renewed and approved by the State of Alaska and the Forest Service.

6. Special Use Permits for Guides and Outfitters

Existing guides and outfitters may continue to offer services within the Wilderness Areas under special use permits as on other National Forest lands.

7. Private, State, and Native Lands

Private, State, and Native lands within a Wilderness are not affected by this Act and access to these properties is assured.

8. Use of Airplanes, Motorboats, and Snow Machines

Existing use of airplanes, motorboats, and snow machines will continue and can only be restricted or prohibited after public hearings.

9. Timber

Timber may not be sold or harvested from Wilderness lands. Beach log salvage is permitted along saltwater shorelines. Timber may be used for campfires, trail construction, and to fulfill subsistence needs of local residents.

WILD AND SCENIC RIVERS

The Situk River near Yakutat on the Tongass National Forest is designated for study as a potential addition to the National Wild and Scenic River System. The Forest Service will conduct a study of the river by September 30, 1984, to determine whether it should be included in the National System. The Forest Service will solicit advice from the public and other agencies in preparing this study.

During the study period, all public lands within an area extending 2 miles from the banks of both sides of the river are withdrawn under this Act, from mining, entry, sale, State selection, or other disposition under the Public Land Laws, except for valid existing rights.

PROSPECTING & MINING IN NATIONAL FOREST WILDERNESS AREAS AND MONUMENTS

The prospecting for and development of mineral resources are long established uses on National Forests. A number of restrictions on such use apply to designated Wilderness areas. National Monuments are closed to further mineral entry, but valid claims remain.

The Wilderness Act permits exploration for mineral deposits until December 31, 1983. Mining claims determined to be valid as of December 31, 1983, can be developed. Mining claims located in these Wilderness Areas prior to establishment by the Act include both the land surface and the minerals beneath the surface.

Although National Monuments are closed to mineral entry, the Alaska Lands Act provides for mineral development in specific portions of both Misty Fjords and Admiralty Island National Monuments. These provisions accommodate proposed mining development by U.S. Borax and Chemical Corporation at Quartz Hill in the Misty Fjord National Monument and the Pan Sound Venture at Greens Creek in the Admiralty Island National Monument.

Although the lands in the area of both Quartz Hill and Greens Creek are withdrawn from entry, the Act makes provisions for continued prospecting on lands within 3/4 of a mile of valid claims. This will permit some expansion of both operations should additional valuable deposits be located adjacent to the valid claims.

The new legislation prohibits new mining claims in the Copper/Rude River addition to the Chugach National Forest. However, mineral removal on existing claims will be allowed under reasonable regulations.

DEVELOPMENT OF REGULATIONS

The Alaska Lands Act will require the development of various regulations to implement specific provisions of the Act. The State of Alaska, local communities, public and private organizations, and individuals will be involved in the development of these regulations involving Forest Service programs in Alaska.

Further information on the Alaska Lands Act as it affects Forest Service programs and activities may be obtained by contacting any Forest Service office in the State.

NOTE REGARDING THE FOLLOWING FRAME ON MICROFILM:

COMPLETE DOCUMENT IS AVAILABLE IN ORIGINAL FILES
IN ALASKA STATE ARCHIVES. TITLE PAGE ONLY HAS
BEEN FILMED.

Monday
January 19, 1981

Part XXV

**Department of the
Interior**

National Park Service

National Park System Units in Alaska



NOTE REGARDING THE FOLLOWING FRAME ON MICROFILM:

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WILDLIFE REFUGES

Monday
January 19, 1981

Alaska National Wildlife Refuge
1076
Anchorage, Alaska 99501

Part XXVI

Department of the Interior

Fish and Wildlife Service

Alaska National Wildlife Refuges

ALASKA RE-
NEWABLE
RESOURCES
CORP (ARRC)
BRIEFING
1-21-81

Alaska State Legislature

BETTYE FAHRENKAMP, CHAIRMAN
 VIC FISCHER, VICE-CHAIRMAN
 BRAD BRADLEY
 DICK ELIASON
 DON GILMAN
 BOB MULCAHY
 ARLISS STURGULEWSKI



POUCH V
 STATE CAPITOL
 JUNEAU, ALASKA 99811
 (907) 465-3834
 (907) 465-3835

Senate

Committee on Resources

February 19, 1981
 10:40 a.m.

Beltz Room
 211 - Capitol

MEMBERS PRESENT

SENATOR FAHRENKAMP
 SENATOR FISCHER
 SENATOR BRADLEY
 SENATOR GILMAN
 SENATOR ELIASON
 SENATOR MULCAHY
 SENATOR STURGULEWSKI

The meeting was called to discuss what action the Committee should take in regards to the Alaska Renewable Resources Corp. (ARRC) and the closure of the Coos Bay Processing plant.

Senator Jalmar Kerttula, President of the Alaska State Senate, stated that he had attended some of the Senate Finance Committee meetings when the formation of ARRC was under consideration. He had suggested that ARRC be structured on a classic banking system: Loan officers should only make recommendations to the Board. The Board Members should be competent, well compensated and five in number. He also suggested that prior to investing capital outside of state in projects, it should invest in Alaskan problems first.

Senator Eliason stated that when he asked ARRC why they were investing in the plant in Coos Bay, they indicated that there was not any place to build it in Alaska, it was just a pilot plant and if it was successful one would be built in Alaska.

Senator Sturgulewski put forth the motion to call ARRC and have them explain the Coos Bay processing plant situation to the Committee. The motion passed and staff was directed to have ARRC come before the Committee.

The Committee adjourned at 11:00 a.m.

(ions await Lana's decision. "Love
Bout" has a script and "Fantasy Is-

top attractions. Van Meter expects

Processing plant closes

Associated Press

The processing plant that was to supply most of the fish waste to be turned into meal and oil products by a state of Alaska-backed company in Oregon has been closed, its owners say.

Charter Co., a Florida-based conglomerate which is the lead partner in a proposed \$1.5 billion oil refinery in Valdez, said it shut down Charter Ocean Products Co. in Coos Bay because of unfavorable economic conditions in the fishing industry.

"We've done everything possible to maintain operations at a time when the seafood industry is in serious trouble," said Dale Bond, a Charter vice president. "In the light of current economic conditions, it's not feasible for us to continue operations."

Bond said TEPA Inc., should be able to locate new suppliers among Oregon processors still in operation for its waste conversion project. TEPA is partially financed by the Alaska Renewable Resources Corp., a state-funded investment company.

Charter's lone processing plant was completed in August of 1979. The fully automated 33,000-square-foot

facility was capable of processing 100,000 pounds of round fish per day, 50,000 pounds of shrimp, 60,000 pounds of crab and 5,000 pounds of shellfish.

Bond said 150 full- and part-time workers will be idled by the closure.

Charter will keep the plant and hire management consultants to evaluate new uses for it, Bond said.

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Question No. 8

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51 clr
41 clr
62 .01 cdy
38 cdy
57 cdy
45 .23 cdy
38 .02 cdy
50 .14 rn
31 clr
33 cdy
43 cdy
47 .05 cdy
51 56 clr
4 53 cdy
8 47 .08 rn
31 45 cdy
77 62 cdy
41 29 .14 cdy
31 40 .06 rn
68 35 clr
60 47 cdy

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hours ending 8
Sky conditions



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License Public Hearing

City of the Municipality of Anchorage will hold a public hearing on a special zoning exception at a meeting of March 3, 1981, beginning at 7:00 p.m. in the Assembly Hall, 3500 East Tudor Road. The following:

Super Grocery, Inc.;
Compton, Warren T. Baker

EVER GROCERY
Block 1, Highland Subd.
Tudor Highway)

Public is invited to attend and be heard.

City Clerk
Municipal Clerk

PACKERS LOOK TO 1984

**Jack Germond
and
Jules Witcover**



Brown got himself appointed a vice chairman of the NGA's committee on transportation, commerce and technology. Twice since then, when Gov. Harry Hughes of Maryland, the chairman, couldn't make it over from Annapolis to attend meetings of the NGA executive committee, Brown flew in from California for them.

reportedly is flagging as well. Aides say the whole matter is on hold until election of the new chairman to succeed John C. White.

You have to get up early in the morning to keep up with those who raise money for politicians. A new fund-raising letter from the "Inter-American Security Council," signed by Rep. Dan Crane of Illinois, is seeking money to back his campaign, and legislation, against terrorism in the Western Hemisphere. But unlike other such mailings, this one sets a goal not of \$1 million or \$500,000, but precisely \$14,800.

According to a council spokesman, that is the amount needed to pay for the mailing. The hope of the anti-terrorist group is that the letter will produce more than that, and that the surplus then can be used to finance "research projects" on terrorist activity in the Americas.

Predictably, the fund-raising appeal begins by saying: "Ronald Reagan needs your support now more than ever." There is no suggestion, though, that the president is part of the effort to finance the campaign.

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Space Cadet Orbits Again: When the National Governors Association begins gathering here for its winter meeting at the end of the week, the governors will be treated to a day-long special conference on technological innovation as a key to economic growth in the 1980s.

The chief mastermind of the conference is—you guessed it—the prime promoter of technology among the governors, Jerry Brown of California.

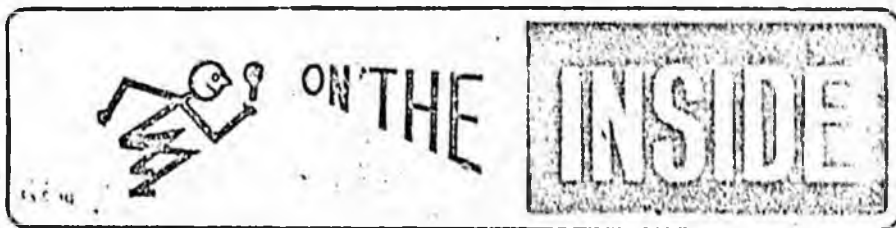
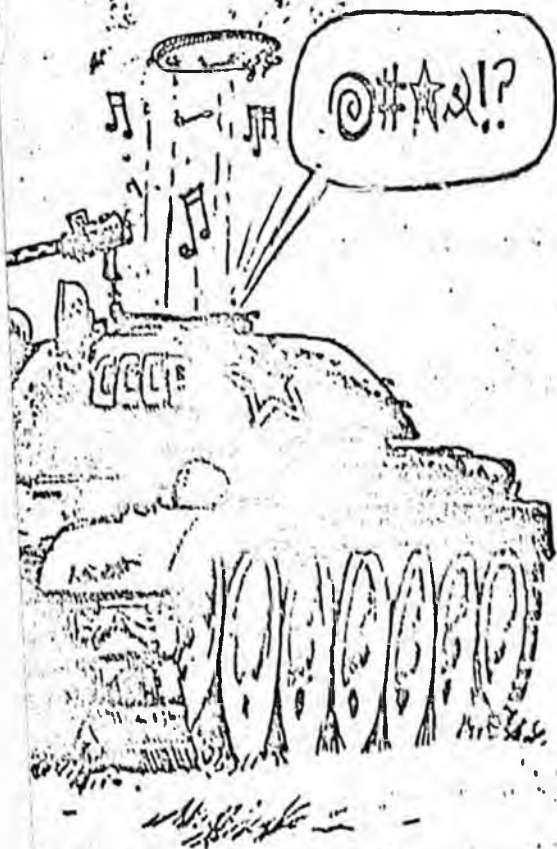
Brown, who during his first term treated the governors' conferences as if they were meetings of the National Halitosis Association, has decided since his failed 1980 presidential bid that he's got to be nicer to his colleagues. Indeed, he apparently has concluded that the meetings may be an effective way to get more national exposure for his ideas.

At last August's meeting in Denver,

The technology conference next Saturday will be opened by Brown and he will close it by leading the other governors into a private-industry technology display that will include the latest computers and other space-age marvels.

Although his selection as the new Democratic national chairman hasn't become official, Chuck Manatt of California has demonstrated his clout by apparently putting the skids to a plan for a "Democratic Coordinating Committee" headed by Robert Strauss and including delegations from both the House and Senate.

The plan may still be revived, after the expected election of Manatt later this month, but Strauss has passed the word to House Speaker Tip O'Neill that he is not interested in becoming chairman. And O'Neill's interest



SPEND THAT MONEY—If you thought the pressure on the Legislature to spend the gusher of oil money that is flowing to the state has been strong, wait until details of President Reagan's budget cuts become known.

There can be little question that they'll affect many programs in Alaska. And there also can be little question that Alaskans won't have a very sympathetic ear in Congress for restoring the lost money. That means the programs will have to be trimmed or dropped—or the state will have to take up the slack.

AN INVESTIGATION—Don't be surprised to see the Legislature open an investigation into the closing of a state-backed fish-waste processing plant in Oregon. The plant, some of whose owners are former state officials, got part of its financing from the Alaska Renewable Resources Corp., which was created by the state.

The loan had raised some eyebrows previously among legislators, who wondered about some of the partners and the location—outside the state. Now that the business has been closed because of poor economic conditions in the fishing industry, those legislators are likely to push for a through look at the deal.

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ALASKA FISHERMAN'S JOURNAL

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Alaska Renewable Resources Corporation leading deal

Will Big Oil bolster Icicle Seafoods?

by Brad Matson

© Alaska Fisherman's Journal

Icicle Seafoods, an aggressive but financially beleaguered Alaskan company, has been negotiating to bring a major oil corporation into the industry as an investor.



Standard Oil of Ohio (SOHIO) reportedly may provide a major share of the \$7 to \$10 million needed to keep Icicle in business following losses over the past two years. SOHIO's investment would be secured by subordinate debentures which can be converted into stock in five years.

The deal has been under consideration for over 10 months, according to a highly placed source at Icicle, with the Alaska Renewable Resources Corporation taking the lead role in the transaction.

"We feel that we have been leading the deal, as they say in venture capital circles," said ARRC chairman Bill Spear. "There is always the possibility that this thing won't go through, because that's the nature of this kind of action. But whether it does or not, it is significant to us at ARRC. We aren't playing from the boys' tees anymore. We're being taken seriously by the venture capital people," Spear said.

SOHIO's Dick Smith, Manager of Corporate Development, said his company has not made a final decision. "There are a lot of factors that make this an awfully long stretch for SOHIO. We had limited discussions some time ago, and only recently started a careful analysis. It will be two weeks before we know for sure. I don't want to

get anybody's hopes up," Smith said.

SOHIO's entrance into the fishing industry would be a landmark connection between non-renewable and renewable resource industries in Alaska. "They (SOHIO) are interested specifically in getting into a renewable resource company in Alaska," said a source at Icicle. "They've been constantly accused of raping and running and they're not really thinking that way. A third party put us and SOHIO together about a year ago."

SOHIO owned only retail gasoline outlets until its participation in the Trans Alaska Pipeline project when it became a producer by trading assets with British Petroleum. SOHIO's profits, like those of other major petroleum producers, have soared recently because the deregulation of fuels in the U.S. now allows them to compete on the world market scale. Consequently, they are seeking diverse investments for the excess cash. Exxon, for example, is becoming very visible in the production and sale of office and computer systems.

A cash infusion is absolutely necessary to the continued existence of Icicle Seafoods, according to a former Icicle executive. "The new cash is essential to put Icicle in a debt to equity position acceptable to commercial banks."

Another source at Icicle said he doubted that Icicle will qualify for pack financing for the coming season without new investors.

"It's unfortunate, because each element of the company by itself is sound, with good banking and business relationships. If the interest rates had not skyrocketed, Icicle would be a very healthy company. We got caught in a pinch between expansion and interest rates that took all the cash," said Icicle president Bob Brophy.

Icicle is organized into three operating divisions for Southeast, Central, and Western Alaska. The company was founded in Petersburg by a group of fishermen, including Bob Thorstenson who served as president until last year. Thorstenson is now the chairman of the board at Icicle.

Since it left the small, entrepreneurial business scene for the fast lane of booming seafood expansion, Icicle's financial picture has been shaky. Last spring, as they were gearing up for the 1980 season, Icicle sought and received \$2 million in guarantees from ARRC to qualify for pack financing. The year before, Icicle secured loans from Mitsubishi and Hooi, as well as several

private Japanese investors, to launch their fleet of three floating processors for the distant water fisheries of Western Alaska.

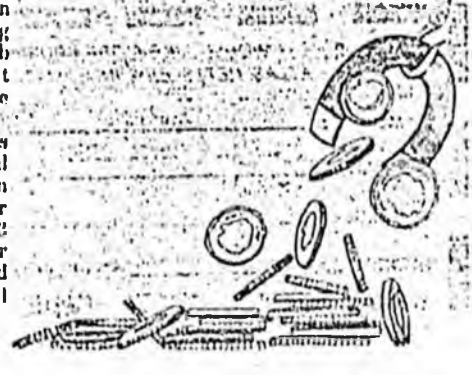
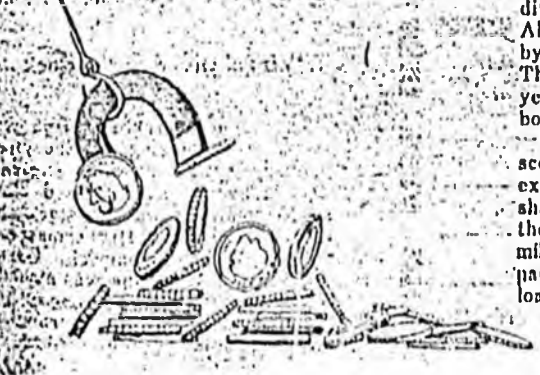
"We will hopefully do away with the Japanese financing in the near future," Brophy said. "We took the money because we needed it to get the barges into the season."

According to Brophy, who was Icicle's vice president for finance for three years, the creative approach to securing venture capital has been planned rather than simply reactive. "You have to get the money you need from the available sources," Brophy said. "And they change from time to time."

In spite of the shifting financial scenario, Icicle has managed to remain a 51 percent or more Alaskan controlled company, with over 100 fishermen among its common stockholders. ARRC is prohibited from investing in any but Alaskan owned enterprises, and the restructuring of the company debt with new cash would be mindful of this requirement, according to Spear.

Spear said that a major new investor would be calling some of the shots if the deal goes through. "The only collateral that a venture capital investor has is what I'll call the soul of the company; the officers; the concepts; the systems in use. Banks and other secured capital sources have the hardware, they're fully collateralized. A venture investor wouldn't be active in the actual management of the operations of Icicle, but they need to be sure that the elements are sound," Spear said.

Though Icicle and SOHIO expect to conclude their agreements in principle by the end of January, the paperwork for the transaction will take another month or more. The ink could be dry in time for the 1981 season. □



Trust is key to cannery survival

By TOM ATKINSON
Daily News correspondent

KENAI — Survival of Salamatos of Seafoods, the financially ailing Kenai processor, will depend on the trust of local fishermen this coming season.

"Cash at the dock" will be the drawing card of general manager Robert Scott in his efforts to insure an adequate supply of raw fish.

At a meeting with fishermen at the Kenai plant this week, trustees of Alaska Renewable Resource Corp., the plant owner, outlined a preliminary recovery plan. The plan calls for the resource corporation to borrow \$700,000 from unnamed Anchorage banks to finance operations in 1981.

"If we're not reasonably profitable this year we will not be back next year," said Wayne Littleton, president of the corporation. But he acknowledged that even a profitable year won't solve all of the firm's problems; its audited net worth is \$3 million in the hole.

"We are not going to come out in one season no plant makes \$3 million in one season," he said.

The renewable resource corporation is a state-funded company that loans money to risk ventures in fishing, timber and other renewable resource industries in Alaska.

Littleton is serving as interim president of Salamatos, which went to bankruptcy court this fall.

He told the group of about 40 fishermen that 1981 operations would be limited to fish butchering and marketing, which he said is the most conservative operation.

Littleton outlined the three major risks to be faced by Salamatos this year as the buying price of fish, operating costs and market price. Experts predict this year will see a large salmon harvest.

To proceed with the plan the resource corporation attorney, Thomas Yerbich, must gain the approval of federal bankruptcy court Judge Doug William next week.

Corporate trustee Phil Hubbard stressed that for the plant to work, fishermen must gamble on Salamatos by selling their fish there this year. "We're committed to making it work. We need you to do it," Hubbard said.

To entice fishermen to sell to Salamatos, the general manager, Scott, pledged that all pur-

chases will be cash transactions.

But some fishermen remain dubious. "It is going to be tough for me to take Salamatos at its word," said one fisherman present at the meeting. Another quipped, "This is the third or fourth stanza on the same verse."

Hubbard said after the meeting that he felt fishermen would see Salamatos through another season.

Salamatos owes about 50 Kenai fishermen \$220,000. The fishermen are unsecured creditors who ordinarily would be paid after secured creditors in a bankruptcy case.

But Littleton told the gathering, "We do not want the fishermen in the back seat." Yerbich said he will petition the court in mid-February to declare the fishermen preferred creditors, making them payable before secured creditors, the largest of which is Alaska Pacific Bank. Yerbich warned, however, that the petition is likely to be denied.

Scott said Salamatos will extend credit to fishermen for gear, gasoline and groceries. Such credit from past seasons has left fishermen owing Salamatos \$300,000, according to Littleton.

Scott predicted there is a good chance of Salamatos flying in salmon from Bristol Bay this year.

He intends, he said, to operate tenders for remote fishermen as usual this year. When asked if sales to tenders would be on a cash basis also, Scott said, "I really don't like putting cash on tenders, but if we have to, I guess we will."

Hubbard told fishermen the operating plan is not yet certain.

After the coming season, the resource corporation will devise a reorganization plan for future years. That plan should be ready for approval by the courts and by creditors at the end of the year, Yerbich said.

Some fishermen proposed future ownership plans at the meeting. Ideas ranged from ownership by a co-op of local fishermen to taking stock in exchange for fish. Corporate trustees were receptive to the proposals. "We have no desire to remain owners of this company," said trustee Bill Spier.

The resource corporation acquired its first 50 percent of Salamatos stock in November from founder and former president Tom Waterer. Waterer

had borrowed \$300,000 from the corporation, putting up his stock as collateral. When he defaulted on the loan, the corporation collected his stock. According to Littleton, Waterer still has an option to buy back his stock.

The plant then was managed by the other half-owners, Mr. and Mrs. Dean Yeasel of Ohio. When the Yeasels announced plans to seek liquidation bankruptcy, the resource corporation assumed control of their stock.

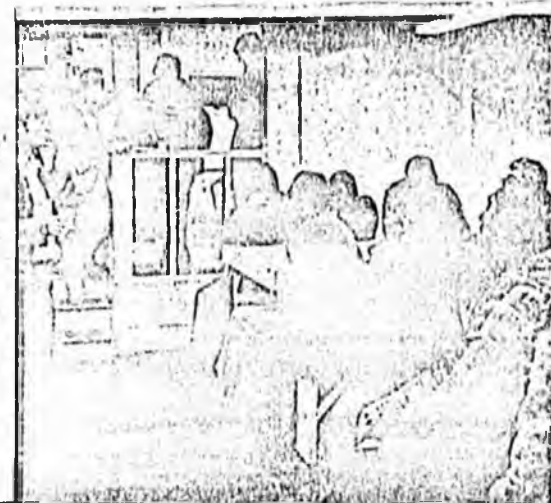


Photo by Kent West
Lawyer Thomas Yerbich talks to Kenai fishermen Thursday night.

ARRC takes over ownership of Salamatof Seafoods

by Brad Matsen

The Alaska Renewable Resources Corporation (ARRC) has taken over complete ownership of Salamatof Seafoods, Inc., of Kenai; and will seek to reorganize the financially troubled company under Chapter 11 of the bankruptcy laws.

The Salamatof plant will operate during the 1981 season, ARRC Chairman Bill Spear told the *Journal*. The company employs several hundred people and accounts for 17 percent of the Kenai Peninsula's freezing capacity.

About 250 fishermen (owed a total of about \$200,000) and other unsecured creditors face a long wait for payment. With Salamatof under a Chapter 11, says Spear, they stand a better chance of eventually collecting. "If the company liquidated, fishermen would get zero. Salamatof has a negative net worth."

Last year, Salamatof lost \$2 million on total sales of \$15 million. Just prior to the onset of the fishing season, ARRC injected \$2.3 million into the already troubled company. "Our investment is still well covered," Spear said. "Even in the event of liquidation, the plant and facilities will get us even."

ARRC is a private corporation funded by special appropriations from the Alaska legislature. Under ordinary circumstances, ARRC is prohibited from assuming a direct management role in companies in which it invests. ARRC is also usually prohibited from owning more than 49 percent of any company.

ARRC is permitted to enter into direct management and majority control to protect its investment in a company. "That's what we're doing with Salamatof," Spear said. "And we'll be looking for a way to divest

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"The leadership role the Board has determined to take in reorganizing the company," Spear said in a prepared statement, "is not motivated by a concern for our own balance sheets, but rather by a recognition that the corporation has responsibilities beyond simple financing, to stand by its investments and the communities in which they operate."

In taking full control of Salamatof, ARRC acquired the outstanding shares in the company which were owned by an Ohio couple. Spear declined to elaborate on the terms of their arrangement with those owners. He did say that ARRC had spent about \$50,000 since Salamatof closed its doors. "That money might have been part of the settlement with the Ohio owners," Spear said.

ARRC appointed an interim board for Salamatof after accepting the resignations of the former officers and directors, including Salamatof founder and president Tom Waterer. Wayne Littleton, ARRC's president, has been named acting president of Salamatof, and Bob Scott, an experienced manager formerly with Whitney-Fidalgo, has been hired as plant manager. □



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Senate

Committee on Resources

June 2, 1981
3:00 p.m.

Courtroom A
Court Bldg.

Joint House & Senate Resources Committees

Briefing on the "Alpetco" contract

TESTIFYING

Robert LeResche, Commissioner of Natural Resources
Dudley Parker, President, Charter Oil Company
Zeke Zechella, President, Alaska Oil Company

Attached please find an unofficial transcript of the June 2, 1981 briefing by the Department of Natural Resources, Charter Oil Company and Alaska Oil Company.

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JOINT MEETING OF THE SENATE AND HOUSE RESOURCE COMMITTEES
June 2, 1981 Transcript (From Tape)

Chairman Betty Fahrenkamp: Today we are very appreciative of the fact that the Alaska Oil Company and Charter Oil Company have volunteered to come up and report on what's going on. We will start the testimony today with Commissioner Bob LeResche.

Commissioner Bob LeResche: Thank you. We thought it would be a good idea for me to take this opportunity to get the Committee up to date basically on the history and some of the technicalities that have occurred over the last three or four weeks for Charter Oil and the Alaska Oil contract which is known affectionally to most of us as the Alpetco oil contract. In addition I want to take the opportunity to suggest to the Committee some lessons that I hope the State has learned from the experience. Basically everyone here remembers first hand that a year ago last month the State and Alaska Oil Company then Alpecto did renegotiate the original supply contract of 1978. We made several changes in it to reduce the volume of crude oil that Alpetco would take initially from 150,000 barrels to down to half of that, 75,000 barrels a day. In addition we set a new deadline by which Alaska Oil was required to come to the State not only with a complete design and configuration, product slate, site plan, permits and several other things, but also and most importantly with the refinery the financing documents executed and the construction contract executed that is to show us that the money was committed to actually begin construction. Furthermore, on the December 31 date the State withheld the sole discretion to decide within 60 days of that time whether or not to allow the contract to go ahead

or cancel it just summarily at that time, even if the benchmark had been met. At about the same time about a year ago, Charter Oil or Alpetco also began taking delivery of the 75,000 barrels a day of the crude allowed them under the contract. They started taking these deliveries under the terms of the contract as to say they gave the State six or seven months notice which was passed on * to the producers under the contract. They paid the in-value price that is exactly the same amount the State would have gotten if it sold to the producers, they established rather severe credit requirements that is, letters of credit for 90 days of crude oil which is running right now at about \$185 million of revolving letters of credit for Charter. Part of the contract that allowed them to take the crude oil before the refinery was constructed as you all know has been quite a controversy. The original Alpetco partners as well Charter hoped that this taking of crude before completion of construction would allow them to turn hopefully at least a modest profit which they would then use as money for the project. Many people and, frankly myself was one, could not understand how an * oil company could be forced to take crude at a price that the producers were earning for a like amount or larger volume for the same type of crude and turn a profit on it. Unfortunately, they have proven to be right. . . . anyway back to last year. At the time of the renegotiation because of the distrust that was rampant in Juneau, Mr. Parker and other representatives of Charter Oil promised the Administration that if the failure of the project was imminent and if it was clear enough to them that they knew that there was a very very small chance of actually meeting the December 31 requirement, they would come to us and return the oil to the State. Under the terms of the contract that (unintelligence-not apparently important). This seemed to be a very important promise at the time because many people were concerned that the right to take this crude was a great and valuable asset for Charter and they wanted the State

* to take it back if Charter wasn't going to build a refinery. Again, recent events have made us look again at whether it is such a good deal to have _____.

In any event, they did promise that they would let us know ahead of time, ahead of December 31, if the contract or if construction would be impossible. Two weeks ago they came to town and so notified us. After trying very hard to my knowledge and looking practically everywhere to my knowledge they concluded that the project was not financeable under _____. They offered of course to return all the crude immediately and asked of course that we do whatever we could within the best interests of the State to take the crude back at a time before the 7 month notice. We agreed to help them under certain conditions. The first condition is that Charter denominate now under the contract, that is give us the 7 month notice we need to give to the producers the 6 month notice that we wish to return the oil to the producers. Secondly, we agreed that they would relinquish or release any rights to the crude that they would have in order for us to be able to sell to anyone else. And thirdly, we agreed that if we were able to place all of the crude, that they would terminate the contract prematurely and not hold on to December 31, just for the sake of holding it. I spent the last two weeks trying to sell the 75,000 barrels a day of crude oil. We contacted first instate refiners: Tesoro, Chevron, North Pole Refinery. We contacted second those firms that supply products in the State. Chevron of course is one, as is Shell and Union. Third, we contacted the producers who, of course, have a close relationship with the State. Fourth, we contacted Dow Chemical and the United States Strategic Petroleum Reserve. We did not, of course, call nationwide to contact 700 companies. We only contacted those with which sales would accrue and add a (unintelligible), rather than just a sale to let Charter out of the contract. The results have been extremely disappointing.

Tesoro would not agree to take any of this crude oil. Chevron would agree to take some only if we could give it to them for 15 years, which of course was not acceptable to the State. MAPCO and North Pole Refining not only would not agree to take any, but asked me to please try to get back part of the volume which they presently take or will be taking in very few weeks. Instate suppliers, Shell and Union both of them of course did not respond to our option and did want one extra drop at this time. The producers Exxon refused to take any crude back, Sohio has agreed tentatively to take back their share that is 53% * of Alpetco's volume which should come to 39,750 barrels per day under in-value * conditions. We are still having somewhat of a misunderstanding with them about what the in-value price shall be pending our lawsuit, which has been kicking around the courts for several years. So we have not made an arrangement with Sohio, they have tentatively agreed if we can work out the price to keep the State whole. Arco has agreed to take for sure 10,000 barrels a day. You probably all know that one of the buyers in our option in December is Energy Coop Corporation is going bankrupt so we really have a problem with that and those are the first barrels to sell. Arco has agreed to take those and we know if they will take a bit more. I doubt seriously if they will consider taking any more than 10,000 barrels a day. So that leaves Charter with the burden to take up to or at least 40,000 barrels a day and continue taking it for several months. We could ask them but I am sure that they will continue to fulfill their obligations under the contract. The right to take crude oil under our contract is not only a right but also an obligation that we review very carefully.

* Let me make just a few personalized remarks about what's happening. I won't be repetitive. There are some things to think about. Ever since Prudhoe came on line, ever since the State first took large volumes of crude oil we have all been working under the assumption that oil is scarce, that it's easy to sell, and that long term contracts have some kind of residual value above the price of the oil. We have all been very leary of people who want long term contracts because I think a lot of us labored under the impression that they got a better deal than we ever realized. We have also worked under the assumption - the assumption is strong enough that it has been written into statute - that there shall be a presumption that the State to take every barrel in kind and the Commissioner must make a finding of State's interest in order to take in value. That presumption has been that in kind taking is always better than leaving it with the producers and taking (cash?). I hope all of us will pause and consider some of these previous assumptions in light of what's happened. Basically it's not to say that we thought before isn't sometimes true, but it's sure as heck not always true. Right now - believe it or not and it's hard to switch your thinking - a long term contract with the State of Alaska is no asset: it's a heck of a burden. Most of the people who have long term contracts with us now are trying to return crude oil to us more quickly than the contract allows: Charter and Mapeo. The question really comes down to is how much can a company, small or medium size company afford to lose over the six month period or seven month period it takes to give our oil back if they guessed wrong. Secondly, we are seeing frankly what some of the producers have been trying to say all along and I still maintain it's not always true, but it's true right now, that

our last and safest refuge is taking in value, the taking of money, leaving the burden of sales on the producers. Right now for example, rumors in the industry are that Sohio, who holds the Lion's share of Prudhoe Bay crude is actually able to sell their crude for \$3.00 - \$3.50 more than Charter is able to sell, sell the in kind share. So again the presumption of always taking in kind doesn't always follow, depending on what's happening in the market. Secondly, when the announcement was made that Charter finally could not do financing, Representative Malone came out and said, very strongly well that ought to teach us to look very carefully at any offers that we get. Well I couldn't agree more, frankly I don't think it is a lesson we need to learn, I think we have learned it. There are only two ways to look at whether an offer is a good one and whether a project is actually going to happen. The first way which some people favor is having an academic hired as a consultant, hire a professor, and try to look 20 years down the road and tell you whether or not you can finance the thing or not. The second way is the way we chose, and I sit here today feeling just as strongly as I did three years when we chose the right _____. That route basically is market test. You create as risk-free a contract as you possibly can with the most competent firm you can, with performance terms, you give them the incentive, the very strong incentive to make the project work; but you hold the State whole in case the project doesn't go. Be sure the contract is very tight in terms of pricing, you ensure delivery of the crude is taken at Pump Station #1, to keep the State out of the shipping business. Be sure that the 7 month notice provision is written in the contract, to allow us to return to the producers or to continue the burden the buyer will take (the obligation to take it). And, of course, you would have very strong security. Now under the market test of finding out whether the project is really feasible, nobody is promising

ultimately that the facility will be built. Certainly the public and press have gotten the idea that everyone promises for it to be built. A thorough review of the record, I don't think you will find one statement that makes this promise, but that they will try, what they hv done is try, and I think that the State finally understands that a big refinery these days is not going to be financed and built in Alaska. Fourthly, I hope recent events have underscored the policy which we have always had, that is to keep the state out of the spot market; to keep us out of the short term sales agreement (anything under a year if possible). Keep us out of the shipping business. Don't let us get stuck with crude oil. The concern and nature of all of our contracts to date have reflected that fear and, believe me, what we have gone through in the last couple of weeks has just underscored that in spades. The State should not be dealing with _____. One other comment I would like to make. There have been comments during the last two weeks during the time everyone currently shifted from how could you let Alpecto keep taking this oil to how can you let them give it back to us, there have been alot of comments that well if we had just chosen somebody else they could have made this happen. Well, think back three years. There was nobody else of the stature of Alaska Interstate which was in the initial majority partner and certainly no one else with the stature of Charter. I suppose it is possible that someone else might have been able to handle it but its highly improbable. Today in America there are 17 million barrels of oil a day of refinery capacity. 13 million barrels a day are sitting there on the ground that no one is taking. A recent Oil and Gas Journal has a list of 8 or 10 refineries that are for sale or shut down, 70,000 roughly barrels a day. These are not Charter Oil

Company refineries, or Alaka Interstate refineries or Mapco refineries. They are Amoco, Texaco, Gulf, Mobil, Conoco, Dow, Petrofina. Those people can't make money on a refinery these days, so I caution you into thinking that we chose the wrong partner. Its the market. Certainly you all understand whats happening. Its
* not a matter of incompetence, its a matter of foresight. In short, let me just say the State hasn't lost a thing on this contract and I don't want to sound like I am apologizing too much, because I am not. We took the best chance we had three years ago and maybe we shouldn't have taken any chances. We did. We didn't take a chance with our money and we didn't take a chance with our crude
* oil. We received every cent we would have received from that oil if we had
* chosen someone else or taken it in value. But we have gotten the feasibility study which costs several tens of millions of dollars according to Charter and this feasibility study was done not by a consultant, not by a university professor, but by somebody who has \$40 million bucks risked on it and therefore somebody who had the greatest incentive of anyone to make it happen. And with that Madam Chairman, I certainly encourage you to listen to Charter tell you exactly why the _____.

Chairman Betty Fahrenkamp: Thank you Commissioner LeResche. Dudley Parker - Here with Charter Oil will now speak.

Mr. Dudley Parker: Madam Chairman, members of the Committee I speak for Charter which really owns 93% of Alaska Oil Company of which is the project in the joint venture in which evolved from Alpetco. I am President of Charter Oil Company. I have with me today sitting on my right, Zeke Zechella, who is President of Alaska Oil Company, and the young fellow sitting up at the table, Frank Smith, who is Vice President of Operations of Alaska Oil Company. I

appreciate the statements Commissioner LeResche made and I appreciate the opportunity to appear here today. We do not come from the standpoint to apologize. We do not come from the standpoint to ask any favors. We hope when we leave this room today, that we would have told the story, a story that started many years ago of which we were not a party of, but more closely we would like to take and tell that story of the last year after Charter got involved in it and really came about to the amendment in what has transpired in that year's time. And I again would add from the standpoint to what Bob said not only in the amendment of that contract we agreed and did provide reports to the office of the Commissioner on a quarterly basis and later on a monthly basis to keep the Commissioner and his staff completely apprised of what we were doing and to all aspects of this project. Its going to be divided into two parts. The first part I am going to ask Mr. Zechella to handle and let him tell you as far as the project, the refinery, the petrochemical facility or processing unit, whatever you want to call it, to let you understand that why there was \$40 million spent and why to the extent that this refinery would have and could have worked. Also, Bob read a list of the refineries that were shut down. I think testimony will prove that we made the statement that a facility to survive in today's market and into the future must be a very sophisticated highly conversion complex facility. That was the design, that was intended to be built, not a topping plant, not a means of just a sham to take the crude oil and run at the end of it. And I hope when we leave the room today that there will not be any doubts in anybody's mind as to the intention of Charter and the other partners towards this project and towards the State of Alaska. And with that Zeke I would like to turn it over to you.

Mr. Zeke Zeehella: Madam Chairman, I think that possibly the best way for me to bring this joint committee up to date is to list the items of the contract which were required to be submitted to Commissioner LeResche by the end of this year. If I could have some light, thank you, I will quote these items right of out of the contract and then discuss them to the degree I think is necessary for your to understand what we have done. The first requirement was that we configure, engineer and design a 100,000 barrel a day refinery. This requirement of course came after the amendment. The original requirement was for 150,000 barrel a day facility which had been almost completely designed before we had the amendment. So when the amendment came, we had to redesign a great portion of this refinery to utilize 100,000 barrels a day. As Mr. Parker stated, our study showed that to build a topping plant was sheer folly, absolutely no economic way that it could be made to work. We hired Foster Wheeler Engineering Company, one of the leaders in the field in petrochemical design, in conjunction with the German firm of Thyssen Technique as a joint venture to do this design work. And we designed a high conversion very high thermal efficiency, refinery. We made it as flexible as we could so that our product slates could be varied from time to time to meet the market conditions as they changed, but essentially our product slate was 43,000 barrels a day of gasoline, 26,000 barrels a day of jet fuel, and 25,000 barrels of diesel (Arctic and regular diesel). We made no residual fuel oil. We installed a flexicoker which is a state of the art process primarily because at the site in Valdez we had no access to any powerplant of the size sufficient to furnish the necessary power to run a refinery of this size. And with this flexicoker we made low btu gas which we then channelled to our powerplant to furnish the energy we needed to run the facility. And, as Mr. Parker said, this was not a topping plant as you can see.

As a result of our engineering design we have produced 29 volumes of engineering data and drawings. We didn't bring them with us but they would extend from me to that table over there. These volumes include every system necessary to make this refinery work with the latest state of the art processes, many of them licensed processes from various engineering and petroleum companies. In addition, we completed a product dock design in a very precarious seismic area as you know. That design is complete and ready to be built. So we think we have met that first requirement of configure, engineer and design a refinery. As part of that, you see before you a very small portion of the model which is a part of the design effort. As someone said that would cost \$2 billion, obviously that isn't what cost \$2 billion. That model is a scale or that portion of the model I should say the total model would not fit into this arena area here is a part of the refinery referred to as the crude unit. That is a scale model and it is utilized by the engineers to enter the coordinates of each piece of equipment and the design parameters of that equipment into a computer so that the pipe runs and the pipe stress analysis and the insulation and all the instrumentation and everything else that it takes to build that refinery could be used, could be developed with a computer model. So we brought that little piece of model here just to show you that it is an excellent design tool and its only the first step in modeling. The next step in modeling goes far beyond this block model what you see here, into a detailed scale model of every piece of equipment in the refinery. The second thing we were required to do is to obtain the permits and licenses. I got out them a little out of sequence there, I will go with that sequence. The construction contract - lets talk about them and where we stand. I mentioned before that we had hired Foster Wheeler/Thyssen

as a joint venture to not only design the facility but the input from Thyssen which is a large German steel company basically, but they have had many large projects throughout the world and they are expert in international financing. This combine was supposed to furnish to us a firm fixed contract for the construction of this refinery in Valdez. We worked very closely with them, we traveled with them around the world to many of the industrial countries _____ price contract. So as a result of that we terminated that negotiation, however we did tell them to continue to do their work until they had finished the design to sufficient position to where they could give us a firm fixed price estimate. We had to have some sort of an estimate as to what this refinery was going to cost. They gave us that estimate and it was \$3.42 billion. This obviously was impossible for us to accept and we did have from them a construction schedule which is required by the contract which showed start up in January of 1986, three months before the contract requirement of processing oil through the crude unit on March 1 of 1986. So we did have a construction schedule and we had on our own established a total project control where we used computer techniques for the controls of construction and costs. We used the so called critical path technique of scheduling. Now let's go back and talk a bit about the permits. We have obtained all the state and federal permits including the Corp of Engineer permits. We have completed the environmental impact statement. As a matter of fact, the EIS was cited by the EPA as a perfect example of how industry and government could work together to produce an environmental impact statement in a short order time which was acceptable to all parties. So we have met that requirement. And the next requirement was _____ of real property for the site. I feel we do not have to dwell on this for very long. You have all read in the newspapers. We have a site, we have

a 99 year lease that is signed with the City of Valdez. Last summer we cleared that site, we built the dikes for water control and we built access roads and bridges. _____ borings and geophysical work is completed and we are ready to build on that site. Now what remains. Obviously the last item is * financing. As Mr. LeResche mentioned that part of the program was to include a reasonable profit on the interim crude oil, which was going to be our equity, a portion of our equity contribution to this facility. Now let me spend some time talking about our financing effort.

The first thing we did was we had a feasibility study conducted not by Foster Wheeler (the people who had a vested interest in keeping the project alive because of the engineering work required, but by the Pace Engineering Company. Now Pace is a highly accepted engineering consultant firm in the oil industry. We hired them to make this feasibility study, we asked them to review our configuration and our product slate. They confirmed that the configuration was right, our product slate was correct and that the cost estimate, by their estimates, this refinery should be able to be built in Valdez for \$1.5 billion. Several things came out of that study. One was that the refinery built in Alaska, as a stand alone investment without any interim crude, was a marginal investment at best: they showed a return on equity of 13 percent. Why did we continue this, why if we knew in our Pace study that the feasibility showed that this was a marginal return, why did we continue? Well first of all, the study was very conservative. We asked Pace to make a study of the refinery standing alone with no crude oil profits on the front end, no investment tax credits for the construction because we didn't know who our partners might be and what tax

credits were available, and also at the time we didn't know what our financing program would be so we asked them to do it on a 100% equity basis. So it was a very conservative estimate and therefore we felt as conservative as it was the 13% return was a reasonable risk to take to continue. In addition to this, we constructed our own internal economic model which was a very complex model and I will just show you, these pages is the output of that computer model. We have 42 different parameters that we have into this economic model and it goes from the number of plant workers all away down to the inflation rate estimates. This model included in it a barrel profit on the interim crude which we thought at the time was a rather conservative figure. This model also chose a 25% equity contribution and a 75% debt. This model will produce a profit and loss statement and a balance sheet and will compute the return on the equity investment. Our model showed a 22% return based on these parameters that we assumed in the model. Therefore we had a little more feeling of confidence that we were on a project which made some sense. The third thing we did was we hired another consulting firm called the Petroleum Industry Research Associates headed by Mr. Lichtblau and Associates and asked them to make a study of the market area in which we were going to have to work with our products, mainly the PAD V area which of course as you know is the West Coast, Alaska and Hawaii. Using the product slate that we had determined for our refinery, and the crude prices which they projected they confirmed the product slate to be correct. They did point out that there was excess refining capacity in the PAD V area and that we would be selling in their estimate 80% of our product in that area and only 20% in the State of Alaska, but nevertheless they concluded that it was a risky but feasible project. So the reason I went through all this was to point out to people that we didn't just say we are gonna build a refinery in Alaska. We did some very detailed analyses of why we thought this project would

work. In addition we went to four different Wall Street investment houses for advice and finally settled on E.F. Hutton as our financial advisor primarily because they had originally been a part of the joint venture and knew the project very well. Commissioner LeResche mentioned the fact that we had established a credit facility to handle the interim crude \$185 million required by the State of Alaska and as I mentioned before we had worked with the Foster Wheeler/Thyssen group and Thyssen had agreed that they would furnish \$750 million of export financing to help us with the equipment financing. We worked with the City of Valdez and we submitted to the Internal Revenue Service the request for tax exempt revenue bonds to the extent of about \$750 million. So we made every effort to put this thing together in a conventional manner. And I might like to just for a minute go back to what Commissioner LeResche said and express to you in the change of attitude that took place over the months we were working in the financial community. When we first went to the financial community and we said that we have a long term 20 year after start up interim crude guaranteed contract from the State of Alaska, invariably they said that is an excellent asset and should help the financing of this project. Now the attitude is how much are you going to lose on that crude oil and why do you think it is an asset? Its exactly what Commissioner LeResche said. So we had many changes in the course of this period of try and finance. When we terminated our efforts with Foster Wheeler, we went on and hired the Ralph M. Parsons Company and they are currently still on our payroll and they are doing and are continuing to do some of the design work and the further estimating of the cost of the refinery. But we didn't give up, we continued to work, we looked for partners. For a company the size of Charter to take on a \$2 billion project

alone is foolhardy. We knew that at the outset and one of our prime purposes, prime efforts I should, say was to find a partner who would join us in the equity position on this refinery. I don't think it helps to say who but I can say we talked to some majors, we talked to some smaller companies, we talked to some non-oil companies and in every case the high risk of doing construction work in Alaska - the Pipeline syndrome - how do you know your estimate is good? - what makes you think your better than the majors who were working on the Pipeline?

These are the kinds of things we ran into. The other thing that happened of course is that many of these people we went to for partnership consideration felt that they had other projects with less risks, with better return that they could put their money in. The result was we were unable to find anyone willing to join us in this project. And I guess the final blow in the financing effort really came when you look at the fact that when we started the project the prime rate was 15%. The prime rate today as you know is 20% and those five points add \$100 million to the first year of operation of this refinery. When you add it all up even though we spent \$40 million on the work that has been done to date and we are estimating, and I use the word estimating a probably \$5 to \$7 million profit on the crude and Mr. Parker will discuss that in more detail later. These numbers that I have quoted here the \$40 million and the \$5 million to \$7 million are certainly going to turn up in the audit that is now being conducted. The State Auditors have been in our office for the past two weeks, we have cooperated with them and made everything available to them so that they can verify these numbers. We have nothing to hide, we are not here apologizing, we came here, we had a learning experience, albeit an expensive one and now Mr. Parker is going to discuss some of the other economic factors which strengthen our conclusion to return the interim crude to the State of Alaska. Thank you very much Madam Chairman.

Mr Dudley Parker: Thank you Zeke. That reason was that we came to the closest conclusion that we could not finance that project and I will emphasize again that as Zeke indicated your talking about an expenditure of \$40 million and that's an expenditure that is continuing to go forward and your talking about an estimated profit and estimated at this point in time is through June of this year with actual as far as we are able to determine. And I will cover the reason why its hard to determine your actual profit a little bit later in this. I might also add that we will erase from anyone's mind in that we are talking in this case both about Alaska oil and you say well there was a sale to somewhere else in Charter they ran it to the Bahamas and they ran it to Houston refinery and these are mirrors rather than the true facts. As Zeke said they are down there auditing the books, there has not been any crude oil run in the Bahamian refinery, Alaskan crude, you cannot export it and I will add to that so you don't pursue that questioning there has not been any crude oil in exchanged for other crude oil that has run in the Bahamian refinery. I will go as far as to say that the partnership agreement that we have with our partners there is no provision to calculate a split of profit based on running any facility that Charter has in addition to Houston. As far as running this crude oil in Houston there was an amount due to having to go through a storage problem and as it came out of there some hills in the tanks and the amount as I was told today was approximately 40,000 to 50,000 barrels - not a day of barrels, somebody could make that calculation it probably comes out less than one-half of one percent of the total. So I will emphasize that has not been run in any of these profit calculations or shadowed by something that is put elsewhere within Charter. Okay we say why couldn't we finance it, what has changed? The first one I will start with is demand. And you really need to pay attention to this. In 1979 I

* think that the use and consumption of petroleum products peaked, in 1980 it

showed a decrease roughly 5%. You can read many places today that they are anticipating an additional 5% (I didn't know we were getting that high) so it looks like that the demand for petroleum products has peaked and is continuing down, that is products and crude oil and I will quote from Platt's Oil Gram on May 15 which says that U.S. Imports 35% total domestic deliveries, the lowest level since April of 1973, comparing 1973 April to April of this year. So we establish from the standpoint that the demand for both crude oil and products is decreasing. The second factor is refinery utilization, which I will define as throughput or the amount in which you run through a delivery. There is a draft showing coming out of the API weekly showing a decline in the utilization of refining capacity. Now along that line in January of 1980, you were using your refining capacity at 82% in the first quarter of 1981 the refining capacity was approximately 71% in April the refining capacity utilized was 61.9% and in the first half of May it has averaged 66.8%. And that's the reason why the list the Commissioner read as far as refining capacity is being shut down. We basically had a tremendous decrease in the utilization of refining capacity in this country and continues to drop. The third factor: refinery margins. If demand is down, refining utilization is down, there isn't any questions that the profitability of refining crude oil and selling products has to also go down. This is based on Arab light and shows the decline in refining origins. In January of 1980 the refinery margins were \$7.46 per barrel whereas it has been reported in March of 1981 as \$2.50 per barrel. Now refinery margins are not profits, its not after taxes, its not after operating expenses. The difference between the cost of the crude oil and the value of the product produced and that is what has happened to the refining industry in the U.S.

The next item: we have had a decrease in demand, we have had refinery utilization go down and profitability go down and what has happened to crude

oil? We have continued to produce crude oil and we are continuing today, we
* have created a tremendous inventory in this country of crude oil. In January of
1980 there were 300 million barrels of crude oil in U.S. inventory, in April and
May of 1981 there is 405 million barrels of crude oil in existence today. We have
a glut of crude oil, who would have predicted that when you were looking at this
in 1979, 1980. I would like to give you an example setting up there on the plane
I read from the standpoint, the May 22 Platt's Oil Gram, U.S. crude stock is at
408 million barrels refiners running at 67.6% and you end up in the standpoint
and gave a comparison of the week ending May 15, 1981 and I will again read
crude inventory stocks was roughly 408 million barrels the week before May the
8th, the inventory was 399 million barrels, a year ago the inventory was 386
* million barrels, they just recently had the meeting in OPEC and they are now
looking at a cutback as far as production instead of continuing to produce that
crude. You can read everyday of companies that are trying not to take crude
oil that are backing away from countries yet we continue to produce that crude.
Along those same lines that note in this Oil Gram said that on the week ending
May the 15th that there was 34.2 million barrels of Alaskan waterborn crude
included in there. The week before 5/8 there was 30.7 million barrels and a year
ago in May of 1980 (May 16) that week ending you had 10 million barrels, you
* basically have three times as many barrels included in that inventory coming out
of the State of Alaska than you had in 1980. The item right below that says all
majors are now posting \$34 a barrel for domestic crude oil and they are speaking
in this case of west Texas that's a drop of \$2.00 per barre!. Crude prices are
going down and the reason why you don't have the demand, with that you have
no refining capacity that is being utilized and we absolutely are drowning in
crude oil. And I might also add that this occurred during that time frame when

we had our oil interrupted between Iran and Iraq. What would happen if their production was stacked on top of that? There are other factors in addition to this and I do not want again to make excuses, but the government helped us in this project, we started taking crude on July 18. August 1 they enacted the special entitlements covering Alaskan crude, the bottomline on what that did was to increase the cost of Alaska crude to a refiner and it is not hard to figure out if his cost goes up and his product prices don't go up and the desire for that crude goes down where the profit margin decreases.

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In addition to that in December of 1980 they established what was referred to as a crude reseller margin and they established that maximum rate at \$.20 a barrel, \$.20 a barrel - and they solved that problem when they decontrolled in January of 1980. In addition to that we have had a customer of which had a contract, that customer chose to breach the contract has left us with 40% of our crude oil to come back into us to place under today's conditions. We had it contracted to sell, and they chose to walk away from it. One other aspect
* of this and that's the pricing of ANS crude. Commissioner LeResche indicated that maybe some of the others could get \$3 a barrel more, we would be glad to sell ours and share in that profitability. But not only from the standpoint that we are out there to peddle that crude and we told you an estimated profit of \$5 to \$7 million. You know one of the reasons why we can't tell you what that profit is? We do not yet know what our price will pay in the month of April - How would you like to be in a position that you sell your crude or your product or you are widget and 60 days later somebody tells you: here's what it costs. That's basically what's required in the way it works under the contract. Included in that pricing is very little detailed support. It's required by the contract that

certain support be put into that billing - we don't have that. We are concerned from the standpoint as far as the relative market prices of this crude that we basically being billed by. So it we must still stay with that estimate that again the audit is there and the audit will show basically what that profitability will be. Those are some of the reasons we chose to come back and return that crude to the State of Alaska and asked Commissioner LeResche to work with us. And we are working with him under the confines of the crude oil contract attempting to redeliver this crude back to the State as provided under the contract and also to operate under our rights under that contract. I guess and I hope from the standpoint that times change, you people control a very valuable asset, you control a commodity which this State should use to better its industry, to provide jobs but it should also realize that there got to be from time to time incentives for companies and projects to come into the State of Alaska. I hope from the standpoint that all of us will recognize that there is very seldom a one way street or as we used to say back where I came from: Its a long worm that never turns. From the standpoint I challenge all these projects as they come forward, please review those with that in mind, but its not from the standpoint that this refinery was not built that you should be concerned. But its from a standpoint that those jobs are not available in the State of Alaska. WE like Alaska, we have been treated quite well, we have enjoyed the dealings we have had regardless of what people may think with the Legislature here and many members of it and we appreciate it very much. And the City of Valdez and the leaders of Valdez community and the other Anchorage cities across your great State. We like Alaska and we will continue to pursue and hopefully to be able to do something within the State of Alaska because we think not only from the

standpoint having paid the price, the education to go through this, we understand a little bit more about Alaska and we very definitely hope to become a very good corporate citizen of the State of Alaska. With that I will open the floor to any questions and I really request that if anyone has a concern let's ask it because if we walk out of this room, let's don't second guess the path in which we took the Legislature, the Department of Natural Resources and Charter as a partner to this project.

Chairman Fehrenkamp: Thank you Mr. Parker. Does anyone of the Committee have any questions?

Ms. Sturgulewski: Mr. Parker, from what you said and what we early heard the Commissioner say that everybody did okay, but its world economic conditions that have cost us, in otherwords we haven't received information that would say either from your point of view or from the State's point of view we should done a great deal differently? Is that a correct assumption?

Mr. Parker: I don't think that we could have done a great deal differently, and I think that Bob said and I was not there at the time they chose the Alpeteo people to go forward, he indicated that that was the best that was available at that time. I dont know what else could have been done on this project in Alaska. It is not all consumed on the West coast, it must move to the Gulf Coast and rid a worldwide glut for crude oil. It must compete at alternate values.

Mr. Zechella: May I comment?

Mr. Parker: Absolutely.

* Mr. Zechella: A company does not go bankrupt if they are making a profit, and I think that the fact that particular company did have many of the same problems we have. We don't know what their internal management was, whether they were doing a good job or bad job but the bottomline is you don't go back up when you make a profit. I think the contribution of the problems they have had with the Alaskan crude where probably part of that.

* Mr. Gardiner: Madam Chairman this question may be both for Mr. Parker and Mr. LeResche. I am not quite sure exactly legally what the status of the contract is now and when the Commissioner talked about the fact that the deadline of the contract is not here and Alpeteo _____ to return it, so I wanted to get it straight in my own mind where exactly we are at in terms of the legal provisions in the contract in terms of the State and company's point of view.

* Commissioner LeResche: Let me say first, the contract is still in effect, given that it's still in effect, Charter still has the right to denominate all or part of the crude oil given its 7 month notice. They haven't done it and it's impossible for us to do it now and until we know about number 3, which is the amount of crude that we are voluntarily trying to place at no loss to the state back with the producers.

Mr. Gardiner: So the status is, rather than a formal process of Alpeteo's denominating and setting that in motion and at the end of the 7 months the State taking over, whether they have anything lined up or not we have an
* informal process with the contract still in effect Alpeteo told us what there chances are and the State is trying to arrange something to do with Alpeteo.

Mr. Parker: Let me answer your question. We are working with Commissioner LeResche. The contract is in effect, we are attempting an orderly winddown under that contract of the provisions that will provide an end - that's what your talking about. You pick one item, the contract is in total, we are in the process of working that as an orderly winddown of that contract.

* Commissioner LeResche: Not instead of that along with the formal denomination process, that will occur in one day or three days - the formal denomination. But along side of that, we are trying to help them place the crude back with the producers if we don't lose anything on it.

Mr. Gardiner: Between now and 7 months.

* Commissioner LeResche: Yes, its going to be now, I mean that what we agree on this week is what happens. They're not going to take any back in the middle of the seven months - its a one time offer.

Mr. Gardiner: Okay but at some point you said within the next few days there will be a formal denomination.

Commissioner LeResche: The formal denomination will be: Charter's released to their right to that portion of the crude which we have been able to place.

* There is no contract provision for that but both members of the contract can sign such a release. And it will be their agreement that the contract shall terminate absolutely actually 60 days after they take the last delivery of crude from us. That is the billing period.

Mr. Gardiner: Okay, there is a formal denomination and then at that point
* legally have 7 months before we legally take back the oil?

Commissioner LeResche: Yes, of course, that's just wrapped in with the unit agreement, because we need to give the producers six months unless they voluntarily take it before.

Mr. Gardiner: But between the 7 month period what we have is something that is not an arrangement within the contract its a different arrangement you are working out now?

* Commissioner LeResche: That's right.

Mr. Parker: Its within the contract.

Commissioner LeResche: The denomination is within the contract, but then there are two side agreements: one is that the contract shall terminate on the

date that all of our obligations are mutually satisfied; the other is that they give up the right to the volume of crude that we placed and also of course we agreed not to renominate that crude at any time while the contract is still in effect.

Chairman Betty Fahrenkamp: Anyone else with questions? Mr. Parker, you mentioned something that _____ our report that was very interesting to me you said that in order to make this contract work to make Alaska's oil more valuable, we needed to offer incentives, would you like to extend on that anymore?

Mr. Parker: No mam, not under these conditions.

Madam Chairman: Okay.

Mr. Parker: Let me say that, I didn't mean for that to come out wrong is that that was sort of a personal preference that I set in this room almost a year ago and we talked about at that point in time we had spent several millions of dollars being geared up to meet a benchmark required under the existing contract and we ended up with an amendment to that contract. And we hoped from the standpoint that the amendment of that contract was one of the reasons why there would be a more favorable atmosphere for us to continue forward with. It greatly improved but it did not solve all the problems. And I do not believe from the standpoint to try to go in today to give any indication that we would like to renegotiate that contract that which the Commissioner may have been erroneously quoted was not our intention. We have never asked for that and from that standpoint I think we need to address the issue today and that is

that the Royalty Contract has the provisions, the rights, etc and that document should fold down to be put to bed forever. So if I came in from the standpoint that you should create this incentive and that then I do not want that to be misconstrued as an attempt to renegotiate that contract.

Madam Chairman: That is not what I had in mind. I was thinking future contracts with other parties.

Commissioner LeResche: I would like to make a personal comment on that, that I have been wanting to say and its a little sour but I am going to say it anyway. Here is a company that is the successor that were the holders of a very controversial contract, and since Charter has been in, since the contract has been in effect, don't hold me to these figures but the they spent 40 billion dollars and made 5 to 7, that's a loss of 35 million dollars more or less. They have operated under what they figured was a contract. Now a contract in the real world - non government world - its not a treaty, its not a statute, but its an agreement in which both sides undertake an obligation in good faith. Now as far as I am concerned, every company that has been in charge and involved in the Alpeteo side has certainly operated in good faith. As far as I am concerned the State has operated in good faith, but just sit back and think, you are a company that might want to do business in the future with Alaska sometime, and you see what happened to these guys: they lost \$35 million, fine they made a bad contract; from a Monday morning quarterbacking point of view, but meanwhile they tried to finance a very expensive thing in a world where people and Wall Street are reading newspapers. Various Alaskans in public