

ALASKA LEGISLATURE COMMITTEE FILES 1985-1986 86/2

4255 SRES SB 223 - SB 232

COOK INLET CHAPTER
JUNEAU CHAPTER
KETCHIKAN CHAPTER
YUKON RIVER CHAPTER
SITKA CHAPTER
STIKINE RIVER CHAPTER

FEB 27 1986
**ALASKA STATE SOCIETY
OF
AMERICAN FORESTERS**



February 24, 1986
POB 2447
Sitka 99835

Senator Arlis Sturgulewski
Senate Resources Committee
Pouch V
Juneau, AK 99811

Dear Senator Sturgulewski:

Enclosed are my two statements made at the Resources
Committee hearing on 2/24/86, for SR 8, and SB 223.
Thank you also for your letter of February 10th.

Sincerely,

A handwritten signature in cursive script that reads "hank".

Hank Hays
Executive Secretary

HENRY E. HAYS
P.O. BOX 2447
SITKA, AK 99835

2/24/86

Statement on SB223, Susitna State Forest

I am Hank Hays, Executive Secretary for the State SAF, and am also speaking from the basis of my own experience and opinions having spent some years dealing with forest management in the north.

The State suffered a loss not fully realized as yet when new National Forests were not included in the federal land designations, but at least the State is in a position to make up some of the loss. The SAF supports the concept of State Forests and the one under discussion, and has already submitted a resolution to this effect in April 1984. I see State Forests as particularly important in the Railbelt for the following reasons:

A source for firwood, houselogs and lumber for local uses, to minimize trespass on private land much of which is unguarded.

Local employment and milling.

A land base for longer-term research.

Opportunities for cooperation with private landowners, and the Mat Su Boro.

A source for longer-term commitments of wood to help interest business development in lumber, etc.

Recommendations:

Concentrate State Forests in the north in the Railbelt at first. With the Tanana SF established, the Susitna is needed at the Anchorage-Mat Su area. I personally feel that more State forest parcels or blocks are needed as well, in order to tie together the Railbelt system and provide a wood and other uses to the small communities scattered along that very long distance.

* The State should better define 'Multiple Use' in establishing a State Forest, so that these forests are used in the intended manner. Wood, for instance, should be a primary use in any State forest as well or along with other uses.

★ **Sec. 38.05.120. Disposal procedure.** Timber and other materials shall be sold either by sealed bids or public auction, depending on which method is determined by the commissioner to be in the best interests of the state, to the highest qualified bidder as determined by the commissioner. An aggrieved bidder may appeal to the commissioner within five days after the sale for a review of the determination. The sale shall be conducted by the commissioner, and at the time of sale the successful bidder shall deposit the amount specified in the terms of sale. The means by which the amount of deposit is determined shall be prescribed by appropriate regulation. The commissioner shall immediately issue a receipt containing a description of the timber or materials purchased, the price bid, and the terms of sale. The receipt shall be accepted in writing by the bidder. A contract of sale, on a form approved by the attorney general, shall be signed by the purchaser and the contract shall be signed by the commissioner on behalf of the state. The commissioner may impose conditions, limitations, and terms considered necessary and proper to protect the interests of the state. Violation of any provision of this chapter or the terms of the contract of sale subjects the purchaser to appropriate legal action. (§ 3 art VI ch 169 SLA 1959; am § 13 ch 61 SLA 1960; am § 3 ch 137 SLA 1962; am § 1 ch 200 S¹ 1963; am § 35 ch 152 SLA 1984)

★ **Sec. 4. .090. NOTIFICATION AND REVIEW OF OPERATIONS.**
(a) Operations on forest land shall be reviewed under this section for consistency with the policies and provisions of this chapter and regulations adopted under this chapter.

(c) Before operating on forest land, an operator shall give notification to the commissioner consisting of

- (1) a brief written description of the proposed operation;
- (2) a USGS map of the largest available scale showing the location of all proposed activities;
- (3) proposed measures for soil conservation and reforestation; and
- (4) evidence that the landowner and timber owner (if different from the operator) have approved the proposed operation.

● **11 AAC 95.120. HARVESTING.** (a) Felling, bucking, and yarding must be conducted so as to:

- (1) avoid depositing vegetative material in surface waters to the extent feasible; if vegetative material enters surface waters, it must be removed as an on-going process during harvesting activities;
- (2) protect the integrity of the streambank and its vegetative cover;
- (3) provide for shading and water filtering effects of vegetation along streams when necessary to protect water quality and aquatic habitat; and
- (4) minimize soil erosion from the cutover area.

(b) Landings, skid trails, and fire trails must be located, constructed, maintained, and revegetated, if necessary, to minimize siltation of surface waters.

(c) On state and municipal forest land, harvesting plans must recognize, and operations protect, species and their habitats identified by the Department of Fish and Game as threatened or endangered.

(d) On state and municipal forest land, a buffer 330 feet in radius must be retained around each bald eagle nesting tree.

(g) For operations on state owned forest land, a detailed harvesting plan must be developed by the district involved and approved by the state forester before harvesting commences. The plan must take into consideration other forest resources and the extent to which these resources will be affected by the harvesting activities. Before approving any plan, the state forester will consult with and consider the views of the Department of Environmental Conservation and the Department of Fish and Game.

★ **Sec. 38.05.035. Powers and duties of the director.**

(e) Upon a written finding that the interests of the state will be best served, the director may, with the consent of the commissioner, approve contracts for the sale, lease, or other disposal of available land, resources, property or interests in them, and, in addition to the conditions and limitations imposed by law, may impose additional conditions or limitations in the contracts as the director determines, with the consent of the commissioner, will best serve the interests of the state. A contract for the sale, lease, or other disposal of available land or an interest in land is not legally binding on the state until the

COMMERCIAL COMPETITIVE SALES
AS 38.05.120

★ AS 38.05.120

ONE YEAR PRESALE

Completed "HARVEST PLAN" to Central Office

AAC 95.120e

11 AAC 95.120e

START OVER

Approval by Central Office

Non-approval by Central Office

> 1 year pre-sale

Remainder of chart addresses sales in "current year plan" only

Completed Approved "HARVEST PLAN." May be sent for Agency Review & Advertised now or later - To be determined case by case based on complexity & expected controversial problems w/ sale.

★ AS 41.17.090c

Extensive Field Recon & Pre-Cruise Establish cruise standards, Roads, R/O/ Travel Needs, (as necessary)

PPM 3120

GO BACK AS FAR AS NECESSARY

Complete R/O, Process thru agencies if not approved. Advertise 30 days if not done above. ACMP Consistency review. Apply for R/O/W and grave! to DL&WM.

PPM 3141.1
3141.3
3141.35

> 6-9 months pre-sale*

No Objections or minor- can be negotiated easily.

Major Objections or Problems with Proposal

> 6-9 months pre-sale

Begin Fieldwork in Earnest - thru completion. "Initiate Case" to LAS (Computer) as "TBR SALE PROPOSED"

(Form 10-2101)
(Form LAS-11)

Prepare FINAL FINDING

Prepare Appraisal, Contract, Prospectus Notice. In house review- outside if previous agreement.

AS 38.05.110
AS 38.05.115
AS 38.05.945
AAC 71.085
AAC 71.020

★ AS 38.05.035e

PPM 3141.49

> 30-50 days pre-sale

Package Completion

30 Day Advertisement + Media Release

Sale Pkg to Prospective Bidders

> 30 days pre-sale

3140.31
3141.5

AAC 71.075

3141.6 AUCTION

RETAIN BID DEPOSIT! offer to next high bidder at his bid or new auction

AUCTION DAY

★ AS 38.05.120

NEXT DAY

Reject all bids or else- Money to Accounting, Contracts to High Bidder For Execution & Bonding

3141.75
3141.64
3141.7
3141.8
(10-2110)
(10-2111)

> 1 DAY post-sale

30 Days -can be extended to 60

Back To State

Failure to execute

AAC 71.075

★ AS 38.05.120

Execution by Delegated State Representative, Additional money to acctg. State Forester "CONSENT" if appraised value > \$50,000.00 Copy of contract to Central & Regional Off. Assign Log-Brand if applicable.

3141.7
3140.4

> 30-60 days post sale

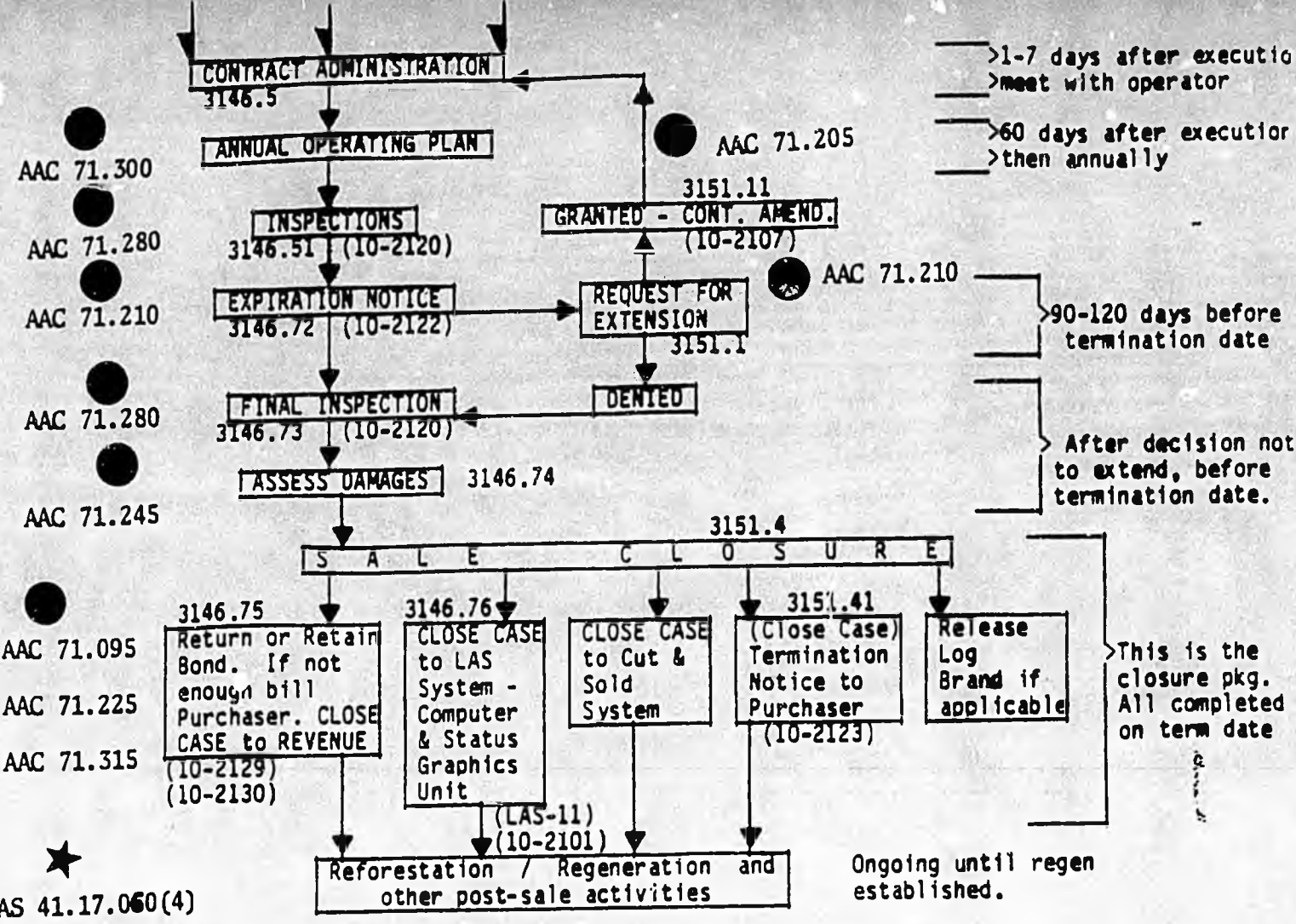
★ AS 38.05.035e

Entry to Cut & Sold System (computer)

Update LAS System to "ISSUED"

To Status thru Status Graphics Unit (LAS-11)

> 1 day after execution



- ★ STEPS REQUIRED BY STATUTE
- STEPS REQUIRED BY REGULATION

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★ **Sec. 41.17.090. NOTIFICATION AND REVIEW OF OPERATIONS.**
(a) Operations on forest land shall be reviewed under this section for consistency with the policies and provisions of this chapter and regulations adopted under this chapter.

(c) Before operating on forest land, an operator shall give notification to the commissioner consisting of

(1) a brief written description of the proposed operation;

(2) a USGS map of the largest available scale showing the location of all proposed activities;

(3) proposed measures for soil conservation and reforestation; and

(4) evidence that the landowner and timber owner (if different from the operator) have approved the proposed operation.

● **11 AAC 95.120. HARVESTING.** (a) Felling, bucking, and yarding must be conducted so as to:

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(2) protect the integrity of the streambank and its vegetative cover;

(3) provide for shading and water filtering effects of vegetation along streams when necessary to protect water quality and aquatic habitat; and

(4) minimize soil erosion from the cutover area.

(b) Landings, skid trails, and fire trails must be located, constructed, maintained, and revegetated, if necessary, to minimize siltation of surface waters.

(c) On state and municipal forest land, harvesting plans must recognize, and operations protect, species and their habitats identified by the Department of Fish and Game as threatened or endangered.

(d) On state and municipal forest land, a buffer 330 feet in radius must be retained around each bald eagle nesting tree.

(e) For operations on state owned forest land, a detailed harvesting plan must be developed by the district involved and approved by the state forester before harvesting commences. The plan must take into consideration other forest resources and the extent to which these resources will be affected by the harvesting activities. Before approving any plan, the state forester will consult with and consider the views of the Department of Environmental Conservation and the Department of Fish and Game.

★ **Sec. 38.05.035. Powers and duties of the director.**

(e) Upon a written finding that the interests of the state will be best served, the director may, with the consent of the commissioner, approve contracts for the sale, lease, or other disposal of available land, resources, property or interests in them, and, in addition to the conditions and limitations imposed by law, may impose additional conditions or limitations in the contracts as the director determines, with the consent of the commissioner, will best serve the interests of the state. A contract for the sale, lease, or other disposal of available land or an interest in land is not legally binding on the state until the

★ **Sec. 38.05.110. Sale of timber and materials.** The commissioner shall provide for cruises of timber and appraisals of other materials in or upon state land and shall assess the supply of and current markets for timber on and other materials in privately owned land in close proximity to state land to determine

(1) the timber and other materials that should be offered for sale, and

(2) the terms of sale of the timber or other materials. (§ 1 art VI ch 169 SLA 1959; am § 31 ch 152 SLA 1984)

★ **Sec. 38.05.115. Limitations and conditions of sale.** (a) The commissioner shall determine the timber and other materials to be sold, and the limitations, conditions and terms of sale. The limitations, conditions and terms shall include the utilization, development and maintenance of the sustained yield principle, subject to preference among other beneficial uses. The commissioner may negotiate sales of timber or materials without advertisement and on the limitations, conditions, and terms that are considered to be in the best interests of the state. However, not more than 500 M.B.M. or equivalent other measure of timber or more than 25,000 cubic yards of materials may be sold by nonadvertised, negotiated sale to the same purchaser within a one-year period.

(b) Negotiated sales not exceeding 50 M.B.M. or the equivalent other measure of timber or 2,500 cubic yards of materials are exempt from the provisions of AS 34.15.150.

(c) The limitations of this section are not applicable to timber which becomes state property under the provisions of AS 45.50.210 — 45.50.235. (§ 2 art VI ch 169 SLA 1959; am § 1 ch 66 SLA 1969; am § 9 ch 257 SLA 1976; am §§ 2, 3 ch 73 SLA 1978; am § 32 ch 152 SLA 1984)

★ **Sec. 38.05.945. Notice.** (a) This section establishes the requirements for notice given by the department for the following actions:

(1) classification or reclassification of state land under AS 38.05.300 and the closing of land to mineral leasing or entry under AS 38.05.195;

(2) zoning of land under applicable law;

(3) a decision under AS 38.05.035(e) regarding the sale, lease, or disposal of an interest in state land or resources; and

(4) a competitive disposal of an interest in state land or resources after final decision under AS 38.05.035(e).

(b) Notice of one or more actions described in (a) of this section shall be given at least 30 days before the action by publication in newspapers of statewide circulation and in newspapers of general circulation in the vicinity of the proposed action and one or more of the following methods:

(1) publication through public service announcements on the electronic media serving the area affected by the action,

(2) posting in a conspicuous location in the vicinity of the action,

(3) notification of parties known or likely to be affected by the

or

(4) another method calculated to reach affected persons. A notice shall contain sufficient information in commonly understood terms to inform the public of the nature of the action and the opportunity of the public to comment on the action.

(c) Notice at least 30 days before action under (a) of this section shall also be given to the following:

(1) to a municipality if the land is within the boundaries of the municipality;

(2) to a regional corporation if the boundaries of the corporation as established by sec. 7(a) of the Alaska Native Claims Settlement Act encompass the land and the land is outside a municipality;

(3) to a village corporation organized under sec. 8(a) of the Alaska Native Claims Settlement Act if the land is within six miles of the village for which the corporation was established and the land is located outside a municipality;

(4) to the postmaster of a permanent settlement of more than 25 persons located within six miles of the land if the land is located outside a municipality, with a request that the notice be posted in a conspicuous location.

(d) Notice is not required under this section for a permit or other authorization revocable by the department.

(e) The provisions of this section do not apply to a lease issued under AS 38.05.205.

(f) The provisions of this section do not apply to a production license issued under AS 38.05.207. (§ 10 art III ch 169 SLA 1959; am § 8 ch

11 AAC 71.085. VOLUME DETERMINATIONS. (a) The division will estimate timber volumes used in appraisals and as a basis for the volume of timber included in a timber sale offering by a timber cruise method prescribed by the director.

(b) Timber volumes reported in cutting reports by the purchaser as a basis for payment must be determined by scaling, unless otherwise specified in the contract.

(c) Material volumes shall be determined in the manner required by the contract. (Eff. 7/2/82, Reg. 83)

11 AAC 71.020. NOTICE OF SALE. (a) The division will give public notice of a competitive sale of timber or material in accordance with AS 38.05.345. Public notice given under this subsection will state

(1) the minimum acceptable bid, if applicable;

(2) the method of bidding;

(3) the time and place of sale;

(4) the amount of deposit required;

(5) whether additional information is available at division offices;

(6) the duration of the contract;

(7) that the state reserves the right to reject any or all bids and that, unless all bids are rejected, the sale will be awarded to the responsible qualified bidder offering the highest total bid value for timber and the highest unit price for material; and

(8) the amount of any bond required.

(b) The division will, in its discretion, make a negotiated sale of 500 M.B.M. or less of timber or 25,000 cubic yards or less of material without giving public notice of the sale.

(c) The division will give public notice of a negotiated timber sale authorized by AS 38.05.118 in accordance with AS 38.05.345.

(d) The division will, in its discretion, make a negotiated sale of timber or material authorized by AS 38.05.315(a) without giving public notice of the sale in accordance with AS 38.05.345. (Eff. 7/20/60, Reg. 1; am 6/24/62, Reg. 5; am 7/2/82, Reg. 83)

11 AAC 71.075. AWARD OF SALE. (a) Within 30 days after receipt by certified mail of a contract under this chapter, the purchaser of timber or material must sign and return the contract, together with any required bond. However, the director may, in his discretion, extend the period an additional 30 days. If the purchaser fails to complete the contract as required in this section his deposit under 11 AAC 71.070 will be forfeited.

(b) For competitive sales, if the successful bidder fails to comply with the requirements of (a) of this section, the director may offer the sale within 45 days to the next high bidder at the price which he bid and under the same terms and conditions. If the next high bidder accepts the offer of sale at the price he bid, he must sign and return the contract, together with a required bond, within 30 days of receipt of the contract by certified mail. (Eff. 7/2/82, Reg. 83)

Authority: AS 38.05.020
AS 38.05.110

AS 38.05.115
AS 38.05.120

11 AAC 71.300 ANNUAL OPERATING PLAN. A purchaser of timber under this chapter shall if required by the contract, before beginning operations within the timber sale area, and before beginning operations each calendar year thereafter, prepare an annual plan of operations acceptable to the director. The plan of operations may be modified by written mutual agreement of the director and the purchaser. (Eff. 7/20/60, Reg. 1; am 6/24/62, Reg. 5; am 7/2/82, Reg. 83)

11 AAC 71.280. INSPECTION AND REPORTS. (a) Activities conducted on state land under timber or material sale contracts or under log skidder licenses are subject to inspection by agents of the division. Books and records of a purchaser or licensee, and of the purchaser's or licensee's contractors and subcontractors, relating to operations under the contract or license are also subject to inspection by agents of the division. Upon request of the purchaser or licensee, the division will keep information obtained under this section confidential to the extent permitted by law.

(b) In a material sale the director will, in his discretion, require the purchaser to submit monthly, semiannual, annual, or other periodic reports, including a final report, on a form provided by the division. The reports must provide an accurate accounting of the quantity of materials removed. (Eff. 7/20/60, Reg. 1; am 11/20/60, Reg. 2; am 6/24/62, Reg. 5; am 7/2/82, Reg. 83)

11 AAC 71.205. AMENDMENTS TO CONTRACT. (a) A timber or material sale contract may, upon approval of the director, be amended to include at the same unit price additional timber or material in the sale area or in an area adjacent to, or in the immediate vicinity of, the sale area if the amount of timber or material to be included in the amended contract does not exceed 25 percent of the volume provided for in the contract before amendment and if

(1) The volume of timber or material estimated to be in the sale area by the division was grossly in error; or

(2) timber in the sale area has been blown down or infested with insect or disease and prompt harvest is in the interest of full and efficient utilization.

(b) amendments to the contract will be made in writing and become part of the contract upon mutual agreement of the director and purchaser. However, an amendment under this subsection may not materially affect or change the meaning or intent of the contract. (Eff. 7/20/60, Reg. 1; am 6/24/62, Reg. 5; am 7/2/82, Reg. 83)

11 AAC 71.210. CONTRACT EXTENSION.

(a) A contract under this chapter must state the date upon which the severance or extraction of timber or material under the contract is to be completed. Upon written request from the purchaser not more than 120 days before expiration of the contract, the director will, in his discretion, grant an extension if he determines that the purchaser has substantially completed the contract by having removed at least 75 percent of the timber or material required under contract. An extension may not exceed one year.

(b) When determined by the director that the delay in completing the contract is due to causes beyond the purchaser's control and without fault or negligence, the contract will be extended for a time period equal to the delay in completion of the contract caused by the event. (Eff. 7/20/60, Reg. 1; am 6/24/62, Reg. 5; am 7/2/82, Reg. 83)

11 AAC 71.245. DAMAGES. (a) A purchaser shall conduct operations under a contract under this chapter in a workmanlike manner and may not unnecessarily damage the land or resources in the sale area. Damage attributable to the purchaser's operations which, as determined by the director, is excessive or was avoidable must be corrected by the purchaser to the satisfaction

of the director within the time designated by the director. The division will assess a purchaser's liability for damage in accordance with the purchaser's contract.

(b) If a purchaser cuts or removes timber or material which is not designated for cutting or removal under the purchaser's contract, the purchaser is liable for damages as provided in the purchaser's contract. (Eff. 7/20/60, Reg. 1; am 6/24/62, Reg. 5; am 7/2/82, Reg. 83)

11 AAC 71.095. PERFORMANCE BOND.

(a) In connection with a timber or material sale, the director will, in his discretion, require the purchaser to provide a performance bond to guarantee performance of the terms of the contract.

(b) If the director requires a performance bond under this section, the bond amount will be based on the total value of the sale. If the total value of the sale is

(1) \$50,000 or less, the bond amount will be at least 10 percent of the total value of the sale;

(2) between \$50,000 and \$100,000, the bond amount will be at least \$5,000; or

(3) \$100,000 or more, the bond amount will be at least five percent of the total value of the sale, but will not exceed \$200,000.

(c) If the value of the sale is less than \$10,000, the bond amount will be rounded to the nearest \$100.

(d) If the value of the sale is more than \$10,000, the bond amount will be rounded to the nearest \$1,000.

(e) The performance bond must be executed on a form provided by the division and may be

(1) a corporate surety bond issued by a corporation licensed to do business in Alaska;

(2) a personal bond secured by cash or its equivalent or by negotiable securities acceptable to the director, in a sum equal to the amount of the bond, together with an assignment of the security to the state which is attached to and becomes a part of the security; or

(3) an individual surety bond guaranteed in a sum equal to the amount of the bond by each of at least two individual sureties who are not related to the purchaser, are of good financial standing, are acceptable to the director, and have liquid assets sufficient to meet any obligation arising from the contract.

(f) The performance bond must remain in effect for the duration of the contract or until released in writing by the director.

(g) If, as determined by the director, the removal of timber or material from a portion of the sale area has been satisfactorily completed, the director will, in his discretion and upon written request of the purchaser, reduce the amount of the performance bond. (Eff. 7/20/60, Reg. 1; am 6/24/62, Reg. 5; am 7/2/82, Reg. 83)

● 11 AAC 71.225. TERMINATION OF CONTRACT. If the purchaser breaches a provision of the contract, the director will, in his discretion, give the purchaser written notice of the breach. If, after giving the purchaser notice of the breach, the breach is not remedied in the time specified by the director, the director will, in his discretion, terminate the contract. If the director terminates the contract, title to the timber or material which has not passed to the purchaser vests in the state, and the purchaser is liable for damages sustained by the state arising from the purchaser's breach. (Eff. 7/30/60, Reg. 1; am 6/24/62, Reg. 5; am 7/2/82, Reg. 83)

● 11 AAC 71.315. LOG IDENTIFICATION. The division will, in its discretion, require a purchaser of timber under this chapter to identify timber with a brand or other mark approved by the director before removing the timber from the sale area. (Eff. 7/2/82, Reg. 83)

★ Sec. 41.17.060. REGULATORY AND ADMINISTRATIVE STANDARDS. (a) All regulations, administrative actions, and other activities and duties undertaken under this chapter shall be in full accordance with the standards set out in this section.

(b) With respect to state, municipal, and private forest land, the following standards apply:

(1) to the maximum extent possible, all applicable data and information of applicable disciplines shall be updated and used in making decisions relative to the management of forest resources,

(2) environmentally sensitive areas and best management practices shall be recognized in the implementation of any nonpoint source pollution control measures authorized under this chapter;

(3) administration of forest land shall consider marketing conditions and other economic constraints affecting the forest landowner, timber owner, or the operator;

(4) to the fullest extent practicable, harvested forest land shall be reforested, naturally or artificially, so as to result in a sustained yield of merchantable timber from that land; if artificial planting is required, silvi-culturally acceptable seedlings must first be available for planting at an economically fair price in Alaska.

**DEPARTMENT OF COMMERCE &
ECONOMIC DEVELOPMENT**

POUCH D
JUNEAU, ALASKA 99811
PHONE: 465-2094

OFFICE OF FOREST PRODUCTS

The primary purpose of the Office of Forest Products is to help strengthen and expand a statewide forest products industry.

The office consists of the Director, Thyes Shaub, located in Juneau and a Senior Marketing Specialist, Frank Seymour, located in Ketchikan.

MAJOR ACTIVITIES - 1985

- * actively participated in the Governor's Timber Task Force
- * established a Market Advisory Committee consisting of statewide industry heads, the State Forester and the USFS Regional Forester.
- * planned and participated in hosting timber trade groups from Korea and Japan as part of the Governor's Pacific Rim Trade Program
- * published "Alaska's Commercial Forest Resource" providing an overview of the resource, ownership patterns, and the forest products industry.
- * utilized USFS research funds to contract the development of a computer model which analyzes the effects of changes in regulatory variables on production costs.
- * initiated review and problem identification study of the Railbelt forest products industry to identify necessary courses of action for furthering the use of Alaskan wood fiber and wood products in Alaska.
- * coordinated with the Department of Natural Resources, Division of Forestry, in developing a five-year strategy plan to encourage the development of the forest products industry.
- * facilitated communication between members of the industry and State agencies.
- * responded to regular requests for information from the public, legislators, State agencies, the media and members of the industry.
- * participated in policy review and State comment on ANILCA and TLMP reports and coastal zone consistency reviews.
- * provided telex communication for market inquiries between the Alaskan Asian offices and Alaska businesses.

PLANNED ACTIVITIES - 1986

- * initiate a "Buy Alaska" campaign to increase awareness and acceptance of Alaska timber products.
- * research the potentials of Alaska timber products to supply in-state markets competitively.
- * facilitate trade missions, sample shipments and communications between the Alaskan industry and the Pacific Rim customers.
- * participate in policy and regulatory review for State and Federal laws and management plans such as ANILCA, CZM and TLMP.
- * continue input and follow-up on Timber Task Force recommendations.
- * develop technical species and product brochures for promotion with contractors, architects, Pacific Rim customers and other potential users of Alaska wood products.
- * continue work with the Division of Forestry to implement a resource management and economic development action plan to enable the forest products industry to contribute its potential to the diversification of the State's economy.
- * participate with the Market Advisory Committee in developing a statewide forest products association and market development strategy.
- * prepare forest industry information for the Governor's office, Legislators, State agencies, educators, the public and the media.
- * compile a directory of producers of Alaska's forest products.

*
* DELIVER TO: LTCJ *
* *
* ORIGINAL *
* SENT: 02/24/86 TIME: 13:37 *
* FROM: LIJNOM *
* SUBJECT: 2/24 SEN RES TC *
* PRINT DATE: 02/24/86 TIME: 13:37 *
*

NAME

MESSAGE #1

2/24 SEN RESOURCES TELECONFERENCE, 1:30PM

TO TESTIEY ON SB (343)

HENRY ANGUPUK, REINDEER HERDERS ASSOCIATION

TO: ALL LEGISLATORS

FROM: CLARENCE FURBUSH
SRA BOX 6001
PALMER 99645

745-3357

FRANK

RE: SB 223 - SUSITNA ST FOREST

PLEASE DEFEAT SB 223. WE NEED THESE 530,000 ACRES AS A RESOURCE
BASE TO DEVELOP MULTI-RESOURCE FARMS. DIVERSIFIED FARM
OPERATIONS CAN PRODUCE TIMBER FOR LOGGERS AND OTHER AMENITITES
FOR THE PUBLIC. 3300 FARM BUSINESSES WOULD CREATE A SIZEABLE TAX
BASE & EMPLOYMENT OPPORTUNITIES. LEGISLATION MAY BE NEEDED FOR
THIS CONCEPT.

Feb 15
Tulkeston
9:16 AM

FEB 20 1986

Senator Fabrenkamp,

The Susitna State Forest Bill has not been created to meet the needs of the people of Alaska. We do need state forest designation for some lands in the Susitna Basin in order to provide a secure resource base for the forest products that are needed now, and will be needed in the future, by the people of Alaska. However SB 223 will NOT accomplish that because it has not been designed for that purpose.

Therefore, I am asking that you defer action on the Susitna State Forest Bill until hearings with local residents can be held to determine where a State Forest should be located and how it should be managed to best meet the needs of the people. Thanks for your consideration.

Judy Price

Senate Resources Committee Minutes

April 17, 1985
1:00 pm

Senate Resource Members Present

Senator Arliss Sturgulewski, Chairman
Senator Bettye Fahrenkamp, Vice Chair
Senator Zharoff

Senator Rick Halford
Senator Vic Fischer

Calendar

Forestry Overview

SB 223 "An Act establishing the Susitna State Forest; and providing for an effective date."

Senator Sturgulewski

Called the meeting to order. Senator Sturgulewski passed out responses to a letter she had written to state agencies regarding state loans on the Red Dog Project.

Jim Clark, Chairman, Governor's Timber Task Force, provided an overview of what the Timber Task Force has done and where it's going. He stated the Timber Task Force was formed last February for 2 reasons:

1. to try to help with the economic health of the industry in Southeast Alaska; and
2. to further the efforts to start the industry in Southcentral and the Interior of Alaska.

He stated that there are 14 members on the Task Force; 6 from government and 8 from industry. He stated that there are areas with which they need help:

1. marketing program for the pulp industry;
2. would like the Alaska Railroad to buy railroad ties from Alaskans and the use of the Alaska Railroad as a vehicle for taking the logs to central processing facilities and then after they are processed, moving them out to market. The Alaska Railroad has about doubled its rate on logs since it was bought by the state.
3. have asked the state for leadership on planning of an export/import bank that would deal with timber and all other Alaskan products.
4. assistance in marketing from the Alaska Asian market in two ways:
 - a. generic marketing of Alaska wood products in those countries; and

countries that use Alaskan wood products.

5. series of budgeting programs in the State Forestry Division, DNR
6. assistance for the Forest Assistance Program in the Interior and Southcentral areas.

Mr. Clark stated that there are a series of federal budget matters which they have discussed with John Katz's office and they are getting help there.

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : 2-12-86

REQUEST

Bill/Resolution No. : SB 223
 Title : Establish the Susitna State Forest
 Sponsor : Rules at request of Governor
 Requestor : Senate Resources
 Date of Request : 2-6-86

FISCAL DETAIL

Agency Affected : Natural Resources
 BRU : Forest Management
 Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

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

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

FUNDING : (Thousands of Dollars)

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

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by : Carol J. Wilson *CJW* Phone : 465-2400
 Division : Commissioner's Office Date : 2-12-86
 Approved by Commissioner : Robert D. Smith, Deputy Date : 2-18-86
 Agency : Natural Resources

Distribution (by Agency preparing fiscal note) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

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The Honorable Bill Sheffield
Governor, State of Alaska
Pouch A
Juneau, Alaska 99811

Dear Governor Sheffield:

This is to report to you on the excellent meeting which the Alaska Timber Task Force had on March 15, 1985. The Task Force reviewed your administration's response to the December 14, 1984 Task Force Report, as well as the responses of the Forest Service and industry. We would like to commend you on your response and commend to you the responses we received from the other Task Force participants. The setting of priorities by the State, the Forest Service and industry was reasonable and realistic considering what can be done to help the industry within Federal and State budget constraints.

This letter is to list the Task Force's priorities after reviewing the responses:

A. Marketing Program.

1. At page 7 of the Task Force report, the Task Force recommended that the U.S. Trade Representative's office be made more fully aware of the declining position of the dissolving sulfite pulp industry both in Alaska and the lower 48. We urged that diplomatic persuasion be used in an attempt to increase the United States' market share of dissolving sulfite pulp. As you know, South Africa is one of Alaska's chief competitors on the Pacific Rim because it produces pulp at far less cost than Alaska pulp.

We appreciate having your Washington Office cooperate with the Congressional delegation in urging the help of the U.S. Trade Representative. The Task Force considers this a priority matter.

2. The Alaska Railroad can greatly assist our effort to use Alaska wood products in the Southcentral and Interior markets in two ways:

FILE COPY

The Honorable Bill Sheffield
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a. At pages 12 and 13 of the report, the Task Force discussed the use of the Alaska Forest Product Preference (AS 36.15.010 - .020) to increase the marketing of Alaska wood products in Alaska. Hemlock, which has been difficult to market, can be used to produce railroad ties. Purchase of Alaska hemlock railroad ties would be of great help to the industry and would meet the intent of this Act.

Representative Sund has raised concerns, which the Task Force shares, about whether the Alaska Railroad plans to give Alaska timber processors a chance to sell railroad ties to the Alaska Railroad. In a recent request for bids for railroad ties, neither of the FOB points specified by the Railroad were in Alaska.

b. At page 36 the Task Force recommended a study of the Alaska Railroad as a means of moving logs to a processing facility along the railbelt and then moving manufactured products to markets along the railbelt. This proposal has been set back by the Railroad's recent raise in rates. The rate on logs has increased by eighty-eight percent (88%).

The Task Force urges that your good offices be used to raise the consciousness of Alaska Railroad officials about the role it might play in assisting the timber industry in Alaska. If the Interior and Southcentral timber industry plays the role the Task Force has proposed for it, it will someday be a major revenue producer for the Railroad.

3. As part of the overall marketing program, specifically with the People's Republic of China in mind, the Task Force recommended at page 38 of its report that an export-import bank be established. The Task Force did not make a recommendation whether this should be done by the State or by the private sector. However, state government leadership is needed to help develop a plan. Since this would affect not only the timber industry, but other industries as well, the Task Force suggests that your office call a meeting with interested industries, including the banking industry, to explore the possible structure of a state export-import bank. This is a priority matter with the Task Force.

4. At page 9 of the Report, the Task Force recommended that the State assist in marketing in two ways:

a. generic marketing through the Asian offices; and

b. State participation in associations in Pacific Rim countries which use Alaska wood products. For

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example, your new representative in Tokyo, Mr. Kaz Hayashi, would be in an excellent position to join the Japan Rayon Manufacturers' Association and urge the purchase of Alaska pulp in behalf of the State.

The Task Force requests that the Department of Commerce and Economic Development's Forest Division be provided sufficient funds to pursue these marketing objectives.

B. State Budget Matters.

1. At pages 14 and 15 of the Report, the Task Force recommended a forestry assistance program, which would provide technical assistance and training in forest matters, forest products processing, and wood utilization in Southcentral and the Interior. The Task Force urges that this be a priority matter in setting the Division of Forestry's budget for this upcoming year. The Task Force believes this program is highly important and would provide much needed assistance and benefits for buyers, sellers, and manufacturers of timber in Southcentral and Interior Alaska. Accordingly, the Task Force recommends that the positions for this program be budgeted in the State Forester's office.

2. The Task Force proposes that the budget of the State Division of Forestry be increased to include a staff position to allow the State Forester to participate in inter-agency discussions involving regulatory matters - specifically stipulations suggested by other agencies concerning timber harvest activities. The Task Force was distressed to learn that State Forester Sturgeon is presently required to do his own research and staff work in order to participate in such discussions. Accordingly, the Task Force requests that money be found within the DNR budget to provide such staff.

3. The industry presented a loan guarantee program which would convert the money set aside last year for Ketchikan Pulp Corporation's proposed employee stock ownership plan to a program that would benefit the entire industry as a loan guarantee program. We have talked with a number of officials within your administration regarding this and received very sound and realistic advice about how to proceed in shaping a bill which will be worthy of consideration.

The proposed guarantee program would be administered through the banking industry which would have an important economic interest in the success of the loans. The loans must be commercially reasonable - i.e. that is to say, they must be fully collateralized. The loans would be made at market interest rates. In addition, users of the guarantee program would pay a "user fee."

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We feel that this is a reasonable program in light of existing budget constraints and urge your consideration and assistance in shaping it.

4. Attached to this letter are letters from Greg Bell to Senator Edna Armstrong DeVries concerning a kiln demonstration project at the Goose Bay facility. We ask the help of your administration in bringing together the necessary people to consider and coordinate this idea.

C. Federal Budget Matters.

1. Section 705(a) of the Alaska National Interest Lands Conservation Act (ANILCA) provided funding for the timber management program on the Tongass National Forest. Section 705(b) provides for a revolving loan fund to assist in acquiring equipment and implementing technologies which lead to utilization of wood products which might not otherwise be utilized.

This was simply an oversight. Creation of this source of funding is a priority with the Task Force. At our meeting the Forest Service reported that the Farmer's Home Loan Administration is prepared to promulgate regulations for the use of this funding, but that Congress has not yet appropriated money to fund the program. We urge the assistance of your Washington office, in cooperation with the Congressional delegation, to obtain the funding needed to make this a viable program.

2. At page 32 of its report, the Task Force recommended that the Forest Service obtain the maximum possible amount of ANILCA funding for roads and related facilities during poor timber markets and that the Congressional Delegation and the State of Alaska work with the Forest Service to receive these funds. While the Forest Service has shifted about \$6.5 million of ANILCA funds during the past two years into road construction to share in the construction costs of some roads with timber sale purchasers during current poor timber markets, the Task Force believes that current funding for preroading is insufficient to offset deficits for some timber sale offerings.

We need to continue to push for funding of pre-roading during times of depressed markets. It provides jobs for Alaskans in Southeast Alaska who would work for the construction companies which would obtain the preroading contracts. And, it makes it economically possible to harvest the timber, thus providing timber-related jobs.

We appreciate the assistance you have given us on this matter, including the pledge to continue to have your

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Washington office work with the Congressional delegation to increase the amount of this funding. This is a priority matter with the Task Force.

3. Section 14(i) of the National Forest Management Act contains a proviso which excludes small operators in Alaska from the opportunity to elect to have the Forest Service build the roads needed for independent sales. Roading costs are a major front-end cost that makes it impossible for many small operators to obtain the financing needed to perform Forest Service contracts. If this Alaska exclusion were removed, it would be a great assistance to independent loggers and operators, particularly in Southeast Alaska. We appreciate your continuing cooperation on this matter and appreciate the efforts of your Washington office to assist the Congressional delegation. This is a priority item with the Task Force.

D. Rules and Regulations.

1. We appreciate the continued assistance of your administration in attempting to eliminate the necessity to obtain a Section 402, National Pollution Discharge Elimination System (NPDES), permit in order to construct a log transfer facility. This point is fully discussed at pages 20 through 22 of the Task Force report and is being handled by your Washington office and the Congressional Delegation.

In coordination, we also need to obtain a common set of log transfer facility siting criteria agreed to by all agencies. In particular, we need to get administrative cooperation from the Corps of Engineers by eliminating newly instituted requirements in their permits which incorporate onerous provisions from the now-defunct general permit proposed by EPA (and opposed by the State, industry, and the Forest Service). The Task Force asked the Forest Service to obtain a meeting to seek this goal with the relevant agencies, private land owners, and the timber industry, which will take place on April 15, 1985.

In addition, we are seeking federal legislation which would make it clear that a Section 402 permit is not required to construct a log transfer facility. Your administration supports this legislation. Sealaska is taking the lead on it for industry.

It is important to get these matters resolved as soon as possible because of the major expenses involved in retrofitting log transfer facilities and building new transfer facilities. This is a key priority item with the Task Force.

The Honorable Bill Sheffield
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2. The Alaska Coastal Zone Management Program is involved in timber harvesting matters. Consistency determinations play an important role in deciding under what stipulations a project will be permitted. We have found that there has been in the past insufficient liaison between those administering the Program and those upon whom the Program is being administered. Accordingly at page 26, the Task Force recommended that there be in-the-field workshops to narrow the gap between parties. We appreciate the offer of the Department of Commerce and Economic Development to help fund these trips in FY 84. We urge that sufficient funds be budgeted to accommodate this important need in the FY 86 budget. We also urge your continuing assistance in nominating forestry as a use of State concern.

E. Infra-Structure Matters. At pages 33 and 34, the Task Force report discusses log hauling on public highways. The Task Force recommended the State consider amending the Alaska Administrative Code to provide for regulation of log hauling on designated routes. At our meeting State Representatives reported to the Task Force that the regulation changes proposed in the Report could not be made until 1986. This is a matter of great urgency within the industry. Therefore, the Task Force requests that your administration consider emergency regulations for the 1985 logging season.

The Task Force wishes to thank you again for the excellent cooperation we have received from your administration. The Task Force continues to believe that its other recommendations are valuable and important suggestions. However, the Task Force thought it would be helpful to you to prioritize our concerns in order to provide a realistic program for moving a number of these suggestions along.

The Task Force will meet again on April 16 to continue to work for implementation of its recommendations. Thank you again for all your assistance.

Yours Very Truly,


James F. Clark

JFC:lyn/2

cc: Congressional Delegation
Regional Forester Mike Barton

Environment



Governor wants Mat-Su land for state forest

By JIM SPRINGER
MAT-SU—A 460,000-acre state forest would be established in the Susitna Valley under a bill proposed Monday by Gov. Bill Sheffield.

It would be the first state forest in this region, and would be added to the existing two state forests in Alaska, which cover 2.1 million acres.

The proposed Susitna State Forest, composed of five units, stretches south from Petersville Road to Cook Inlet, with a unit east of the Parks Highway near the Kashwitna River. The land is wooded primarily with old-growth birch, but also has some

spruce stands and younger birch, according to State Forester John Sturgeon.

The forest land has enough timber on it to support an industry employing perhaps 200 people directly, with a payroll of \$7 million annually, said Sturgeon. With spinoff economic effects, it could create a total of 500 jobs in the next 10 to 15 years, he said.

Currently there is no road access in the proposed forest, but roads would be extended into the region as part of the development of the resource, he said.

In the Fairbanks area,

where there is an active forest products industry, about 95 miles of road have been constructed over the last five years, Sturgeon said.

Birch is an underappreciated wood species, said Sturgeon, and is valued more highly outside of Alaska than it is in the state. The hardwood can be used for cabinets, plywood, wafer board and pulp as well as for fuelwood. Currently its primary use is as fuelwood, and it is generally sold by the cord.

While many of the birch trees are overmature and rotting inside, birch is a fast growing species and

once it is cleared, the regrowth would be ready for harvest in 85 to 90 years, Sturgeon said. But he said some of the trees are in good condition right now.

He said foreign and domestic companies have expressed interest in establishing forestry operations here, with the domestic market probably being the strongest.

The lack of designated forest land has been a hindrance to the development of the forest industry, Sturgeon said.

"Our biggest problem is developing a steady supply of timber. We asked the industry why they were

not developing more rapidly, and they said 'Hey, we can't get a steady supply.'

"This would provide protection that that forest will be around and allow a steady supply year after year," said Sturgeon.

But the land would be available for other uses compatible with timber harvest, he said.

Under state law, the forest would be managed under a plan to be adopted and implemented within three years of the establishment of the forest.

The management plan

would have to allow for mining and mineral leasing, recreation, wildlife and fisheries habitat management, greenbelts, trapping, sport and subsistence fishing and hunting, and watershed management, according to state law.

Sturgeon said the management plan could be drafted by current state employees and that the cost of the plan would be minimal. There is no fiscal note attached to the bill.

The Mat-Su Borough recently established a 25,000-acre forest of its own in the same region as the proposed state forest.

Mat-Su Regional Forester Bill Beebe said he would have liked to have more acreage, but that the 460,000 acres will make a good-sized forest.

"It will help the moose population, it will let us move into new areas with a sustained cut. It will provide for recreation when the loggers put roads in—the roads will be good for dog sledding, snow machines and skiing," Beebe said.

He said the state would build some of the main roads into the area, but that logging companies would construct spur roads.

135,210 ac

+ 897 ac

+ 17,536 ac

+ 28,000 ac

23,789 ac

113,223 ac

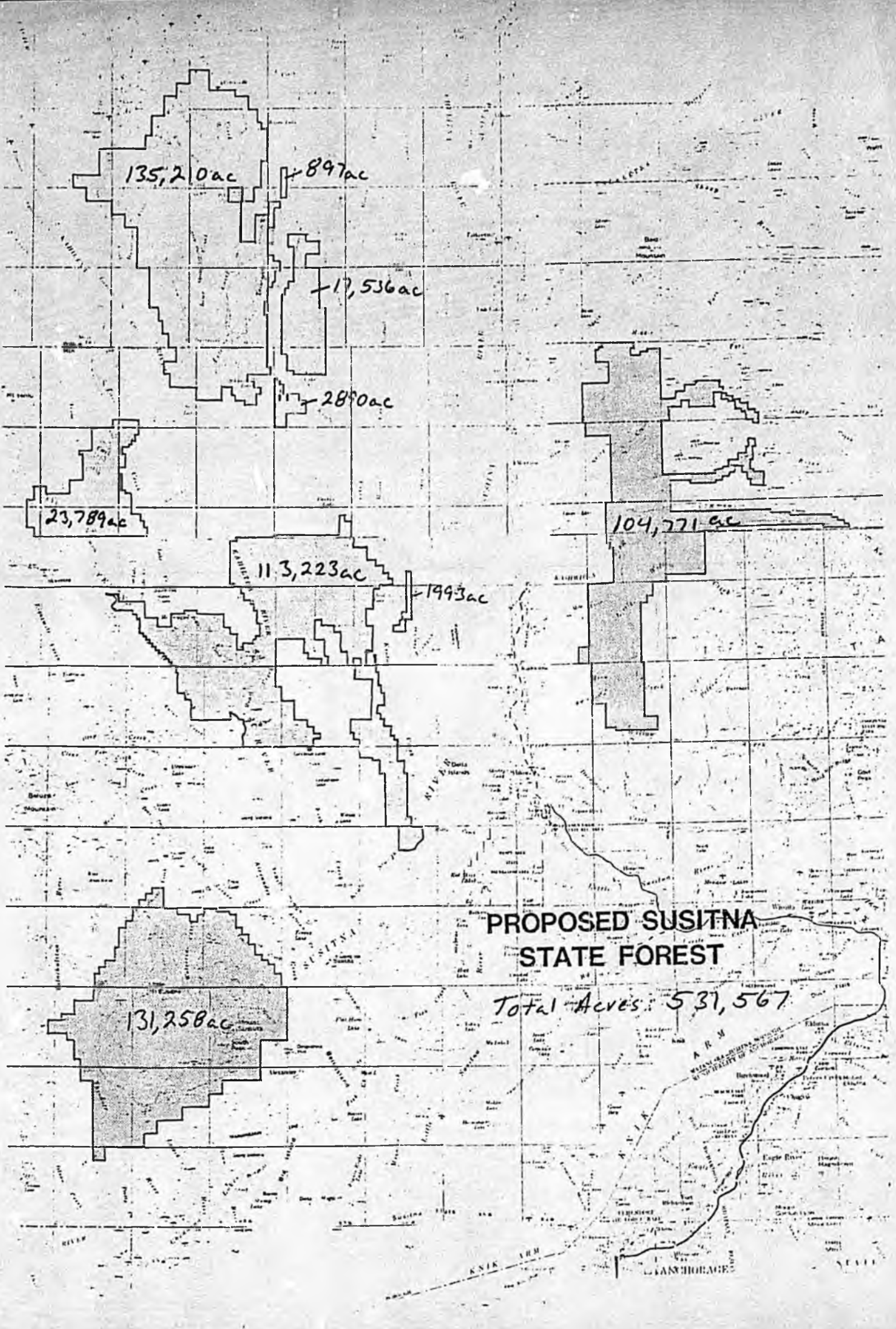
+ 1993 ac

104,771 ac

131,258 ac

PROPOSED SUSITNA STATE FOREST

Total Acres: 531,567



Susitna State Forest Senate Bill 223

In 1983 the legislature established a state forest system and created the Haines State Forest. Senate Bill 223 establishes a state forest of approximately 460,000 acres in the Susitna Basin area. Approximately 150,000 acres in the proposed Susitna State Forest contain stands of commercial timber, and the annual allowable cut for commercial timber could be as high as 1.5 million board feet for softwood such as spruce and 15 thousand cords for hardwoods such as birch and aspen.

The legislation requires the Department of Natural Resources to prepare a management plan for the forest according to the principles of multiple use and sustained yield. All potential uses of forest resources will be permitted under the management plan including; commercial timber harvest, harvest of forest products for personal use, mining, mining claims, mineral lease hold locations, mineral leasing, material extraction, recreation, wildlife and fisheries habitat, greenbelts, trapping and sport fishing, watershed management, research, and other traditional uses.

The State of Alaska manages over 900 thousand acres in the Susitna area with high or moderate potential for commercial timber management. Through the area planning process, which included substantial public involvement, acreage suitable for the proposed forest was designated. Lands proposed for the forest are generally high quality land that are currently accessible by road or are likely to have road access in the near future. At present, most of the wood harvested from these lands is used for fuel. Some of the harvest is manufactured by the 30 or so local sawmills into rough green lumber. A smaller amount is manufactured into cabinets, siding and other products.

Legislatively designating suitable state-owned commercial forest land as a state forest will ensure a secure supply of wood for the wood products industry and enable financial investment in industry projects. Committing lands to long term forest management in the Railbelt area is critical to the achievement in Alaska of a long term self sufficiency with respect to fuelwood, lumber and other forest products.

Trail Ridge Block

T18N R7W S.M.

Section 18 SW1/4, W1/2 SE1/4
Section 19 W1/2, SE1/4, W1/2 NE1/4
Section 28 W1/2 SW1/4
Section 29 W1/2, SE1/4, E1/2 NE1/4
Sections 30-33

T18N R8W S.M.

Section 1 W1/2 W1/2
Sections 2-3
Section 4 E1/2
Section 10 N1/2, SE1/4
Section 11
Section 12 W1/2, W1/2 SE1/4
Section 13
Section 14 N1/2, SE1/4, NE1/4 SW1/4
Section 15 N1/2 NE1/4
Section 23 NE1/4, E1/2 SE1/4
Sections 24-25
Section 26 E1/2 NE1/4
Section 36 E1/2

GOVERNOR'S TIMBER TASK FORCE REPORTS

by

JOHN STURGEON, State Forester, Alaska Department of Natural Resources



One of the most significant occurrences in recent history, affecting Alaska's forest products industry, took place on October 24, 1984, when Governor Bill Sheffield established a combined government and private industry task force by administrative order. The goal of this task force was to find ways to help the forest products industry

in Southeast Alaska, which is currently beleaguered with problems. In addition, it had another goal of helping to establish the fledgling industry in Alaska's interior. The task force was asked to submit its final report to the Governor and the Regional Forester of the U.S. Forest Service not later than December 15, 1984. A very tight time frame!

The task force members covered a wide range of involvement with the forest products industry. They included representatives from large and small operations, state and federal government, and large and small native corporations. The chairman appointed to the task force was the prominent Juneau attorney, Jim Clark. Mr. Clark has been very active in issues affecting the forest products industry in Alaska. The 14-member task force included:

- Steve LaRoe of Fairbanks, representing the Interior Woodcutters Association.
- Bill Thomas of Haines, Chairman of Klukwan, Inc., a village corporation organized under the Alaska Native Claims Settlement Act.
- Robert Loescher of Juneau, an executive of the Sealaska Regional Corporation.
- George Woodbury of Ketchikan, logging manager for the Louisiana Pacific Corporation pulp mill.
- Jim Rynearson of Sitka, an executive of the Alaska Pulp Corporation mill.
- Steve Seley, owner of Seley, Inc., which operates a sawmill in Wrangell.
- Wayne Gaskins of Portland, Ore., representing the Western Forest Industries Association.
- Regional Forester Mike Barton of the U.S. Forest Service, Department of Agriculture.
- Three state commissioners: Esther Wunnicke of the Department of Natural Resources; Dick Lyon of the Department of Commerce and

Economic Development; and Don Collinsworth of the Department of Fish and Game.

- Lennie Boston, special assistant to Governor Sheffield.
- Craig Lindh, of the Division of Governmental Coordination.

In addition, Sheffield asked Edward Packee of the University of Alaska-Fairbanks School of Agriculture, and me, to serve as technical advisors to the task force.

Broadly Based Group

Another unique feature of this task force was that it marked the first time that such a broad base of the forest products industry had been appointed to meet jointly. These various factions soon learned that they had a lot in common in terms of their current problems.

The discussions, during which problems were identified and solutions suggested, did much to increase the understanding among these representatives. This, in turn, had a very obvious binding effect. Eventually, one of the long term side benefits from this effort will be an improved statewide voice from the forest products industry.

The approach used by the task force was unusual among groups given the mission of making recommendations to the government. At the very first meeting the following criteria were established:

- A. A consensus-based approach was used to identify problems and recommend solutions. Those issues that could not be resolved were assigned to a follow-up group, which would have a longer period of time to suggest recommendations.
- B. The task force sought to use existing structures and programs rather than create new ones. This approach was used not only because of attempts to limit state spending, but also because it was felt that the timber industry in Alaska had a proud tradition of being self-sufficient.
- C. An emphasis was given to what the industry could do for itself with secondary consideration given to what government help could be provided.
- D. Above all, the recommendations were to be practical and realistic if they were to accomplish their goals.
- E. Since not every interest associated with the forest products industry could be represented, the task force meetings were advertised and the full involvement of all those attending the various meetings was encouraged.

Alaska Forest Market Report, December 1984



Interior Alaska sawtimber is mostly white spruce, in bands along watercourses.

The actual task force report had over fifty recommendations. These were contained in four major categories: marketing, rules and regulations, infrastructure, and financing. The criteria mentioned earlier were used to guide the development of these specific recommendations. Some of the most significant ones are briefly explained as follows:

Marketing

The marketing section was further divided into two sections, foreign and domestic. A major recommendation regarding foreign marketing was the establishment of an export trading company to deal exclusively with the People's Republic of China. It was felt by all that a unified approach to developing the China market would benefit the entire industry in Alaska. A very minor amount of marketing assistance from the State was requested. This would mostly be in the form of generic marketing of Alaska species.

The section on domestic marketing identified areas that needed further study and suggested that the University of Alaska be the focal point for this research. Specific recommendations included looking into the possibility of enforcing the current forest products preference law, and investigating the demand for softwood lumber products in the lower 48.

A forestry assistance program was recommended to provide technical assistance to private landowners and processors. This unit, which would be located within the Division of Forestry, would also provide technical guidance on forestry-related issues facing the state.

Rules and Regulations

This section covered a wide range of issues, including fish habitat protection, deer and timber

management, wood utilization standards, log transfer facilities, consistency determination on the Coastal Zone Management program and its relation to the Forest Practices Act, Corps of Engineers' jurisdiction over wetlands, size of clearcuts on federal lands, capitalization of roads, 'opted' roads and road standards on National Forest lands and, finally, a review of the appraisal systems currently used by both the State and the federal governments. The majority of these recommendations identified a follow-up group that would investigate the problem in more detail and formulate much more specific suggestions on resolving the issue. The members of this group would be those most involved with the issues.

Infrastructure

The group agreed that infrastructure maintenance and development are critical to a viable forest industry in Alaska. The costs associated with the construction and maintenance of associated roads, bridges, landings, log transfer facilities, storage areas, docks, barging and deep water ports are all extremely high. It was believed by the members of the task force that a coordinated effort by all users would help alleviate some of the infrastructure cost burden on industry. The sources of funding to develop this infrastructure were singled out as being especially important. Funding sources to aid developing an infrastructure include: ANILCA funding, State cost-share programs, and State direct funding programs. In addition, specific recommendations were made to consider the following: regional transportation/processing facilities, use of the Alaska Railroad, power sources, and energy from waste-wood utilization.

(Continued on Page 36.)

A new view of Chinese forestry was presented to the delegation. The forest area is tremendous — some 300 million acres in extent, comprising about 13 percent of the entire land area. Considering China's huge population, however, this is the equivalent of only one-third of an acre and 350 cubic feet of wood per person, well below the world's average. Most of the forests are located in the eastern part of the country.

Perhaps the most educational portion of the day was what the delegation said about the type of products that interested them the most. They prefaced their remarks by noting that the vast majority of homes built in China used very little wood. The floors were cement, the walls stone or cement blocks, with roof trusses often made of steel; even the window and door frames were frequently made of steel. The three provincial timber company general managers, who answered most of the questions through an interpreter, repeatedly stated that they were most interested in smaller logs. They said that in their provinces one of the most extensive uses for wood was poles for the construction of farm buildings. He also noted that round logs were definitely preferred. The peasants refused to use square 'logs' or cants, as we call them here in the West. It should be noted again that these were not the views expressed by the entire delegation, only those of the provincial timber managers. Mr. Gong of the China Timber Corporation was not present during this exchange.

In summary, it appears that the People's Republic of China is very interested in developing trading relations with Alaska, especially for our lower-grade logs. This exchange between governments is the first step of many to solidifying a stable trading relationship.

After this exchange, all involved were very encouraged by the possibilities for developing a long-range relationship with China.

**BEST WISHES TO ALL OF YOU
FOR A GREAT 1985!**

Financing

The final section was devoted to solving some of the unique financing problems that the industry must deal with. The first thing this section did was to outline what the criteria are for securing financing for Alaska's timber industry. The next step was to outline what was currently available and then what changes must be made to assure that these sources of financing fulfill the needs of the industry.

Export/Import Bank Proposed

Perhaps the most significant recommendation from this section included the establishment of an Export/Import Bank. Even after the changes suggested previously, the Task Force noted a major gap in financing: the lack of funds for start-up and mid-term capital requirements when contracts for sale of products can be made with foreign purchasers. The purpose of such a bank would be to translate purchaser commitments into funds for production of timber and timber products. It would be capitalized through the sale of tax-exempt bonds. Its mission would be to provide a secondary market for loans made by private financial institutions against future sales.

Other items not covered in the four previous sections included recommendations to establish a dedicated State land base for multiple-use management and to consider the development of a statewide forest resources plan. The first came in the form of a recommendation to establish State Forests in Southcentral and Interior Alaska. Members believed that a portion of these State Forests dedicated to timber production could be used as a base to develop a timber industry in these regions. The latter recommended that a Resources Planning Act approach be taken to the development of the statewide plan.

Summary

The establishment of this Timber Task Force was in itself a major event in the history of Alaska's industry. It met to make some very practical and useful recommendations to solve the problems facing the industry in Southeast Alaska, and to guide the development of the Interior's just emerging industry. In addition, it also marked the first time that so many segments of the industry from so many parts of the state discussed mutual problems in a unified form. With this kind of beginning and the continued outstanding leadership exhibited by Chairman Jim Clark, the situation should unquestionably improve for Alaska's timber industry.

John Sturgeon

COOK INLET CHAPTER
JUNEAU CHAPTER
KETCHIKAN CHAPTER
YUKON RIVER CHAPTER
SITKA CHAPTER
STIKINE RIVER CHAPTER

ALASKA STATE SOCIETY
OF
AMERICAN FORESTERS

Cook Inlet Chapter

FEB 23 1985



Senate Committee on Resources
Alaska State Legislature
Pouch V
Juneau, AK 99811

February 22, 1985

Dear Committee Members:

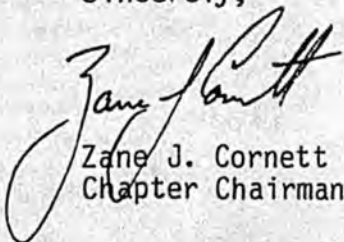
The current legislative session provides another opportunity to assure that responsible, active management of the State's forested land is initiated. By this, I mean land management actions based on recognition of the presence and values of the various land resources and on objectives to preserve, protect, conserve, enhance, and harvest those resources as appropriate. The productive forest lands in State ownership need management if they are to provide the full range of products, services and amenities of which they are capable. A system of State Forests is provided for in the statutes. Appropriate units of forest land need to be added to the system, which now includes only the Haines and Tanana Valley State Forests.

Senate Bill 30 would add a Cape Yakataga Forest to the system. A bill, yet to be introduced, would add a Susitna Forest to the system. Both of those forests are of high priority because one contains the most productive forest lands in State ownership (Yakataga) and the other a portion of the forest land available in the Susitna River Basin where on half of the State's population resides.

Both provide excellent opportunities for wood production and growth, wildlife habitat enhancement and protection, dispersed recreation opportunities, and all of the additional benefits of forested land. The people of Alaska will receive the full benefits of public land ownership when those lands are actively and efficiently managed for multiple resource protection and use.

Your support of the establishment of these units of the State Forest system is needed. The Cook Inlet Chapter of the Society of American Foresters urges you to provide that support to speed passage of these bills.

Sincerely,


Zane J. Cornett
Chapter Chairman



Bradley
4/22/86

Original sponsor: Rules/Governor

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 CS FOR SENATE BILL NO. 223 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Susitna State Forest; and
7 providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 41.17 is amended by adding a new section to read:

10 ARTICLE 5A. SUSITNA STATE FOREST.

11 Sec. 41.17.410. SUSITNA STATE FOREST. (a) Subject to valid
12 existing rights and except for land owned by or transferred to the
13 University of Alaska under ch. 22, SLA 1983, the state-owned or
14 acquired land and water lying within the parcels described in (c) of
15 this section are designated as the Susitna State Forest.16 (b) The commissioner shall consider and permit the uses de-
17 scribed in AS 41.17.230(e) within the Susitna State Forest, subject to
18 the procedures established in AS 41.17.230(f). The commissioner may
19 establish transportation corridors within the Susitna State Forest.20 (c) The Susitna State Forest includes the state-owned or
21 acquired land and water lying within the following described parcels:

22 Township 14 North, Range 10 West, Seward Meridian

23 Section 3

24 Township 15 North, Range 8 West, Seward Meridian

25 Sections 3 - 4

26 Section 5: S1/2, NE1/4

27 Section 7

28 Township 15 North, Range 9 West, Seward Meridian

29 Sections 1 - 4

1 Section 5: S1/2

2 Section 6: S1/2

3 Sections 7 - 22

4 Sections 29 - 31

5 Township 15 North, Range 10 West, Seward Meridian

6 Sections 1 - 4

7 Sections 10 - 15

8 Sections 22 - 27

9 Sections 34 - 36

10 Township 16 North, Range 8 West, Seward Meridian

11 Sections 1 - 3

12 Section 10: E1/2

13 Sections 11 - 14

14 Section 15: E1/2

15 Section 18: SW1/4

16 Section 19: W1/2

17 Sections 22 - 24

18 Section 27

19 Section 28: E1/2

20 Sections 33 - 34

21 Township 16 North, Range 9 West, Seward Meridian

22 Section 1: W1/2

23 Sections 2 - 3

24 Section 6: W1/2

25 Sections 10 - 11

26 Section 12: W1/2

27 Sections 13 - 15

28 Section 21: E1/2

29 Sections 22 - 27

1 Section 28: E1/2

2 Section 33: E1/2, E1/2SW1/4

3 Sections 34 - 35

4 Section 36: W1/2

5 Township 16 North, Range 10 West, Seward Meridian

6 Sections 1 - 3

7 Section 8: E1/2

8 Sections 9 - 12

9 Section 13: N1/2

10 Sections 14 - 17

11 Section 18: E1/2, SW1/4

12 Section 19: N1/2

13 Sections 20 - 22

14 Section 23: W1/2

15 Sections 26 - 28

16 Section 29: E1/2

17 Section 32: NE1/4

18 Sections 33 - 35

19 Township 16 North, Range 11 West, Seward Meridian

20 Section 13: SE1/4

21 Section 24: NE1/4

22 Township 17 North, Range 8 West, Seward Meridian

23 Section 4: SW1/4

24 Section 5: S1/2, S1/2N1/2

25 Sections 6 - 8

26 Section 9: W1/2, SE1/4

27 Section 15: W1/2, S1/2SE1/4

28 Sections 16 - 22

29 Section 23: SW1/4

1 Section 25: SW1/4, S1/2NW1/4

2 Sections 26 - 28

3 Section 30

4 Section 31: W1/2

5 Township 17 North, Range 9 West, Seward Meridian

6 Section 1: SE1/4

7 Section 2: S1/2

8 Sections 3 - 5

9 Section 6: E1/2

10 Sections 7 - 15

11 Section 17: W1/2

12 Sections 18 - 19

13 Section 20: W1/2

14 Sections 22 - 26

15 Section 27: NE1/4

16 Section 29: W1/2

17 Sections 30 - 31

18 Section 32: NW1/4

19 Sections 35 - 36

20 Township 17 North, Range 10 West, Seward Meridian

21 Section 12: SE1/4

22 Section 13: E1/2

23 Section 24: E1/2, E1/2W1/2

24 Section 25

25 Section 26: E1/2, SW1/4

26 Section 34: E1/2E1/2

27 Sections 35 - 36

28 Township 18 North, Range 6 West, Seward Meridian

29 Section 2: that portion west of the east bank of the

Susitna River

Section 3

Section 10: N1/2, N1/2S1/2

Section 11: that portion west of the east bank of the
Susitna River

Township 18 North, Range 7 West, Seward Meridian

Section 18: SW1/4, W1/2SE1/4

Section 19: W1/2, SE1/4, W1/2NE1/4

Section 28: W1/2SW1/4

Section 29: W1/2, SE1/4, S1/2NE1/4

Sections 30 - 33

Township 18 North, Range 8 West, Seward Meridian

Section 1: W1/2W1/2

Sections 2 - 3

Section 4: E1/2

Section 10: N1/2, SE1/4

Section 11

Section 12: W1/2, W1/2SE1/4

Section 13

Section 14: N1/2, SE1/4, NE1/4SW1/4

Section 15: N1/2NE1/4

Section 23: NE1/4, E1/2SE1/4

Sections 24 - 25

Section 26: E1/2NE1/4

Section 36: E1/2

Township 18 North, Range 9 West, Seward Meridian

Section 28: S1/2

Section 32: E1/2, SW1/4

Section 33

1 Township 19 West, Range 5 West, Seward Meridian

2 Sections 3 - 10

3 Sections 15 - 22

4 Sections 25 - 34

5 Township 19 North, Range 6 West, Seward Meridian

6 Section 1: E1/2

7 Sections 4 - 5

8 Section 6: N1/2, N1/2S1/2

9 Section 8: E1/2

10 Section 9

11 Section 10: W1/2

12 Sections 12 - 13

13 Section 15: W1/2, W1/2E1/2

14 Section 16

15 Section 21

16 Section 22: W1/2, W1/2E1/2

17 Sections 24 - 26

18 Township 19 North, Range 7 West, Seward Meridian

19 Section 3

20 Section 4: NW1/4NW1/4

21 Section 10: NE1/4

22 Township 20 North, Range 3 West, Seward Meridian

23 Sections 3 - 10

24 Sections 15 - 18

25 Sections 20 - 22

26 Sections 26 - 28

27 Section 29: N1/2, N1/2S1/2, SE1/4SE1/4

28 Township 20 North, Range 5 West, Seward Meridian

29 Sections 2 - 4

1 Section 5: E1/2E1/2

2 Section 8: E1/2

3 Sections 9 - 11

4 Sections 14 - 17

5 Section 18: E1/2E1/2

6 Section 19: E1/2

7 Sections 20 - 22

8 Sections 27 - 29

9 Sections 32 - 34

10 Township 20 North, Range 6 West, Seward Meridian

11 Section 5: E1/2W1/2, W1/2SW1/4

12 Section 6

13 Section 8: W1/2, W1/2, SE1/4

14 Section 17

15 Section 20: W1/2, W1/2SE1/4

16 Section 25: E1/2E1/2

17 Section 28: SW1/4

18 Sections 29 - 32

19 Section 33: W1/2, SE1/4, SW1/4NE1/4

20 Section 36: E1/2

21 Township 20 North, Range 7 West, Seward Meridian

22 Section 1: E1/2

23 Section 2: SW1/4, W1/2NW1/4

24 Sections 3 - 10

25 Section 11: W1/2, SE1/4, W1/2NE1/4

26 Section 12: W1/2, SW1/4

27 Section 13: W1/2W1/2

28 Sections 14 - 17

29 Section 18: S1/2

1 Section 19

2 Sections 20 - 23

3 Section 24: W1/2W1/2

4 Sections 25 - 36

5 Township 20 North, Range 8 West, Seward Meridian

6 Section 1

7 Sections 2 - 20

8 Section 21: that portion north of the south bank of
9 the Yentna River.

10 Sections 22 - 26

11 Section 27: that portion east of the west bank of the
12 Yentna River

13 Sections 34 - 36

14 Township 20 North, Range 9 West, Seward Meridian

15 Sections 1 - 2

16 Section 3: E1/2NE1/4

17 Sections 11 - 13

18 Section 14: NE1/4

19 Section 24

20 Township 21 North, Range 3 West, Seward Meridian

21 Sections 2 - 10

22 Section 11: NW1/4

23 Sections 15 - 22

24 Sections 27 - 34

25 Township 21 North, Range 4 West, Seward Meridian

26 Section 25: S1/2SE1/4, SE1/4SW1/4

27 Section 36: E1/2, E1/2W1/2

28 Township 21 North, Range 5 West, Seward Meridian

29 Sections 24 - 25

1 Section 26: W1/2, NE1/4

2 Section 27

3 Section 28: NE1/4

4 Section 33: SE1/4

5 Sections 34 - 35

6 Township 21 North, Range 6 West, Seward Meridian

7 Section 2: W1/2

8 Section 5: W1/2, N1/2NE1/4

9 Sections 6 - 7

10 Section 8: NW1/4, N1/2SW1/4

11 Section 11: W1/2

12 Section 14: NW1/4

13 Section 15: SE1/4, E1/2NE1/4

14 Sections 18 - 19

15 Section 20: W1/2

16 Section 22: N1/2

17 Section 29: W1/2

18 Section 30

19 Section 31: N1/2, SE1/4

20 Section 32: W1/2SE1/4, SW1/4NE1/4

21 Township 21 North, Range 7 West, Seward Meridian

22 Sections 1 - 14

23 Section 15: N1/2, SE1/4

24 Sections 16 - 21

25 Section 23: NE1/4

26 Sections 24 - 25

27 Section 27: W1/2, W1/2E1/2

28 Sections 28 - 33

29 Section 34: NW1/4, SW1/4, SE1/4, W1/2NE1/4, SE1/4NE1/4

1 Section 36: E1/2

2 Township 21 North, Range 8 West, Seward Meridian

3 Sections 1 - 2

4 Section 3: E1/2, E1/2NW1/4

5 Section 11: NE1/4, E1/2NW1/4, NW1/4NW1/4, SE1/4,
6 NE1/4SW1/4

7 Sections 12 - 13

8 Section 14: NE1/4, N1/2SE1/4, SE1/4SE1/4

9 Sections 17 - 20

10 Section 21: W1/2, SE1/4

11 Section 23: E1/2E1/2, SW1/4SE1/4

12 Section 24

13 Section 25

14 Section 26: E1/2, SW1/4, E1/2NW1/4, SW1/4SW1/4

15 Section 27: SE1/4, S1/2NE1/4, S1/2SW1/4, NW1/4SW1/4

16 Sections 28 - 35

17 Section 36

18 Township 21 North, Range 9 West, Seward Meridian

19 Section 7: N1/2, N1/2S1/2

20 Section 8

21 Section 12: S1/2S1/2

22 Sections 13 - 14

23 Section 16: S1/2, S1/2N1/2

24 Section 17: E1/2, E1/2NW1/4

25 Section 20: NE1/4, NE1/4SE1/4

26 Sections 21 - 27

27 Section 28: NE1/4, NE1/4NW1/4, NE1/4SE1/4

28 Section 34: NE1/4, NE1/4NW1/4, NE1/4SE1/4

29 Sections 35 - 36

1 Township 21 North, Range 10 West, Seward Meridian

2 Section 1: that portion of S1/2 north of the south
3 bank of the Yentna River

4 Section 12: that portion east of the west bank of the
5 Susitna River

6 Township 22 North, Range 1 West, Seward Meridian

7 Section 5: S1/2S1/2

8 Section 6: S1/2S1/2

9 Sections 7 - 9

10 Section 10: S1/2, S1/2N1/2, N1/2NW1/4

11 Section 11: S1/2, S1/2N1/2

12 Section 12: S1/2, S1/2N1/2

13 Township 22 North, Range 2 West, Seward Meridian

14 Section 1: S1/2S1/2

15 Section 2: S1/2

16 Section 3: S1/2

17 Section 4: S1/2

18 Section 5: S1/2

19 Section 6: S1/2, NW1/4

20 Sections 7 - 12

21 Section 15: N1/2N1/2

22 Sections 16 - 21

23 Sections 28 - 30

24 Section 31: N1/2

25 Section 32: N1/2

26 Section 33: N1/2

27 Township 22 North, Range 3 West, Seward Meridian

28 Sections 1 - 4

29 Section 5: E1/2

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Section 8: E1/2

Sections 9 - 12

Sections 13 - 16

Section 17: E1/2

Section 20: E1/2NE1/4

Sections 21 - 28

Sections 33 - 36

Township 22 North, Range 6 West, Seward Meridian

Section 19

Section 28: W1/2SW1/4

Section 29: W1/2, SE1/4, W1/2NE1/4

Sections 30 - 32

Section 33: W1/2, SE1/4, SW1/4NE1/4

Section 35: W1/2

Township 22 North, Range 7 West, Seward Meridian

Section 1: SW1/4

Sections 12 - 36

Township 22 North, Range 8 West, Seward Meridian

Section 13: S1/2, S1/2N1/2

Section 14: S1/2, S1/2N1/2

Section 15: S1/2, S1/2N1/2

Section 16: SE1/4

Section 21: E1/2

Sections 22 - 27

Section 28: E1/2

Section 33: NE1/4, N1/2SE1/4, SE1/4SE1/4

Sections 34 - 36

Township 22 North, Range 9 West, Seward Meridian

Section 5: SW1/4, W1/2SE1/4

1 Sections 6 - 8

2 Section 9: W1/2SW1/4

3 Section 16: NW1/4NW1/4

4 Section 17: N1/2N1/2

5 Section 18: N1/2N1/2

6 Township 22 North, Range 10 West, Seward Meridian

7 Sections 1 - 12

8 Section 13: S1/2NW1/4, NW1/4SW1/4

9 Sections 14 - 18

10 Section 21: All North and East of right limit of
11 Yentna River

12 Sections 22 - 23

13 Section 26

14 Section 27: All North and East of right limit
15 of Yentna River

16 Section 28: All North and East of right limit of
17 Yentna River

18 Section 35: All North and East of right limit of
19 Yentna River

20 Township 22 North, Range 11 West, Seward Meridian

21 Section 1

22 Section 12: N1/2, SE1/4

23 Section 13: N1/2NE1/4

24 Township 22 North, Range 1 East, Seward Meridian

25 Section 7: S1/2NW1/4, S1/2

26 Section 8: S1/2SW1/4

27 Section 17: N1/2N1/2

28 Section 18: N1/2N1/2

29 Township 23 North, Range 1 West, Seward Meridian

- 1 Section 5: NW1/4NW1/4
- 2 Section 6: NE1/4NE1/4
- 3 Section 7: SE1/4
- 4 Section 18: W1/2E1/2, E1/2W1/2, W1/2SW1/4
- 5 Section 19: W1/2, SW1/4SE1/4
- 6 Section 29: W1/2
- 7 Section 30: E1/2, E1/2NW1/4

Township 23 North, Range 2 West, Seward Meridian

- 9 Section 13: E1/2SE1/4
- 10 Section 23: SE1/4, S1/2SW1/4
- 11 Section 24: N1/2, SW1/4
- 12 Section 26: N1/2N1/2, S1/2NW1/4
- 13 Section 27: N1/2, N1/2S1/2
- 14 Section 28: N1/2, N1/2S1/2
- 15 Section 29: N1/2
- 16 Section 30: N1/2, SW1/4
- 17 Section 31: W1/2

Township 23 North, Range 3 West, Seward Meridian

- 19 Sections 1 - 6
- 20 Sections 9 - 16
- 21 Sections 21 - 28
- 22 Sections 33 - 36

Township 23 North, Range 9 West, Seward Meridian

- 24 Section 5: NW1/4, W1/2SW1/4
- 25 Section 6
- 26 Section 7: NW1/4, W1/2NE1/4, NE1/4NE1/4, W1/2SW1/4
- 27 Section 18: W1/2
- 28 Section 19: W1/2SW1/4
- 29 Section 30: W1/2W1/2, SE1/4SW1/4

1 Section 31

2 Township 23 North, Range 10 West, Seward Meridian

3 Sections 1 - 2

4 Section 10: S1/2S1/2

5 Sections 11 - 14

6 Section 15: E1/2, E1/2W1/2

7 Section 22: E1/2, E1/2W1/2

8 Sections 23 - 27

9 Section 28: E1/2, E1/2W1/2

10 Section 30: SW1/4

11 Sections 31 - 36

12 Township 23 North, Range 11 West, Seward Meridian

13 Section 25: SE1/4

14 Section 36: E1/2, SW1/4

15 Township 24 North, Range 1 West, Seward Meridian

16 Section 30: S1/2SW1/4

17 Section 31: NW1/4, SW1/4, S1/2NE1/4, E1/2SW1/4

18 Section 32: W1/2SW1/4

19 Township 24 North, Range 2 West, Seward Meridian

20 Section 20: S1/2S1/2, NE1/4SE1/4, SE1/4NE1/4

21 Section 21: S1/2, NE1/4, S1/2NW1/4

22 Section 22

23 Section 23: W1/2, W1/2SE1/4

24 Section 25: S1/2NW1/4, N1/2SW1/4, SE1/4

25 Section 26: NE1/4

26 Sections 27 - 28

27 Section 29: N1/2, SW1/4

28 Section 30: S1/2, S1/2N1/2

29 Section 31: W1/2

1 Section 36: N1/2NE1/4

2 Township 24 North, Range 3 West, Seward Meridian

3 Section 1: S1/2

4 Section 2: S1/2SE1/4

5 Section 3: W1/2, NE1/4, W1/2SE1/4

6 Section 4

7 Section 5: S1/2, NE1/4, SE1/4NW1/4

8 Section 8: N1/2

9 Sections 9 - 16

10 Sections 19 - 36

11 Township 24 North, Range 7 West, Seward Meridian

12 Sections 3 - 5

13 Section 6: NE1/4

14 Section 8: N1/2, SE1/4, N1/2SW1/4

15 Sections 9 - 10

16 Section 18: SW1/4, SW1/4NW1/4, SW1/4SE1/4

17 Section 19: W1/2, SE1/4, W1/2NE1/4, SE1/4SW1/4

18 Section 20: S1/2

19 Section 28: W1/2

20 Sections 29 - 31

21 Township 24 North, Range 8 West, Seward Meridian

22 Section 1: W1/2

23 Sections 2 - 11

24 Section 12: W1/2, W1/2SE1/4

25 Section 14: SW1/4

26 Sections 15 - 20

27 Section 21: E1/2NE1/4

28 Section 22

29 Section 23: W1/2, W1/2SE1/4, NE1/4

1 Section 26: N1/2NW1/4, NW1/4NE1/4

2 Section 27: NE1/4NE1/4

3 Township 24 North, Range 9 West, Seward Meridian

4 Section 1

5 Section 2: E1/2

6 Section 10: E1/2

7 Sections 11 - 14

8 Section 15: E1/2E1/2

9 Section 31: S1/2

10 Section 32: SW1/4

11 Township 24 North, Range 10 West, Seward Meridian

12 Section 36: SE1/4

13 Township 25 North, Range 7 West, Seward Meridian

14 Sections 3 - 4

15 Section 6: W1/2, N1/2NE1/4

16 Section 7: W1/2NW1/4

17 Section 8: E1/2, E1/2SW1/4

18 Sections 9 - 10

19 Sections 15 - 17

20 Sections 20 - 22

21 Section 23: W1/2

22 Section 26: W1/2

23 Sections 27 - 29

24 Sections 32 - 34

25 Section 35: W1/2

26 Township 25 North, Range 8 West, Seward Meridian

27 Sections 1 - 5

28 Sections 8 - 12

29 Section 13: N1/2, SW1/4, W1/2SE1/4

1 Sections 14 - 23

2 Section 24: W1/2, W1/2E1/2, E1/2SE1/4

3 Sections 25 - 36

4 Township 25 North, Range 9 West, Seward Meridian

5 Sections 1 - 3

6 Sections 10 - 15

7 Township 26 North, Range 7 West, Seward Meridian

8 Section 5: NW1/4, N1/2SW1/4

9 Section 7: N1/2, SW1/4

10 Section 18: W1/2

11 Section 20: SE1/4

12 Section 21: S1/2

13 Sections 27 - 28

14 Section 29: NE1/4

15 Section 31: W1/2SE1/4

16 Section 33

17 Township 26 North, Range 8 West, Seward Meridian

18 Section 2

19 Sections 4 - 10

20 Section 13

21 Sections 15 - 18

22 Section 22

23 Sections 24 - 29

24 Sections 32 - 36

25 Township 27 North, Range 7 West, Seward Meridian

26 Section 29: W1/2

27 Section 32: W1/2

28 Township 27 North, Range 8 West, Seward Meridian

29 Section 1: W1/2W1/2

1 Sections 2 - 3

2 Section 12: W1/2, SE1/4

3 Sections 13 - 15

4 Sections 19 - 24

5 Section 25: W1/2

6 Sections 26 - 35

7 Section 36: W1/2

8 * Sec. 2. The commissioner of natural resources shall prepare a manage-
9 ment plan for the Susitna State Forest under AS 41.17.230. Within the
10 first 10 days of the First Session of the Sixteenth Alaska State Legisla-
11 ture, the commissioner shall submit the management plan to the legislature
12 for its review.

13 * Sec. 3. This Act takes effect July 1, 1986.
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STATE OF ALASKA THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY LEGISLATIVE REFERENCE LIBRARY

May, 1986

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS date base CM 14. In order to save space copies of minutes have not been left in the files.

Jeanie Henry

SENATE RESOURCES COMMITTEE	4/1/85	1:35
" "	4/12/85	1:30

TESTIMONY

BY DIRECTOR, DIVISION OF OIL & GAS

TO SENATE RESOURCES COMMITTEE

ON SB 232

ROYALTY OIL CONTRACT WITH GOLDEN VALLY ELECTRIC ASSOCIATION

APRIL 1, 1985

Thank you Madam Chairman. For the record, I'm Kay Brown, Director of the Division of Oil and Gas for the Alaska Department of Natural Resources. With me is Assistant Attorney General Steve Porter. I appreciate this opportunity to discuss the proposed long-term royalty oil contract with the Golden Valley Electric Association, also known as GVEA.

Contract Terms

The proposed contract would sell about 2.6% of the state's daily royalty oil from Prudhoe Bay Unit -- currently about 5,000 barrels a day -- to GVEA for 10 years.

The contract price is the monthly volume weighted average of the producers' current reported netback prices, plus field costs, plus adjustments for the final outcome of the Amerada Hess litigation, plus a 30¢ premium, with a price reopener in July 1987 and every two years thereafter.

I would refer the committee to the two-page sheet of background information we have provided on SB 232/HB 287, which summarizes the major

provisions of the contract.

Background

Golden Valley Electric Association is a cooperative which generates electricity for sale to its members. It uses a variety of fuels to generate the electricity, including turbine fuel. Some of the turbine fuel GVEA purchases is refined directly from royalty oil purchased under the cooperative's present state contract. GVEA purchases additional turbine fuel directly from the Mapco refinery.

Under its present and former state royalty oil contracts, GVEA assigns the royalty oil to Mapco, which processes the oil at its North Pole Refinery and sells Golden Valley turbine fuel at a discount. The discount on those purchases amounts to about \$550,000 annually in savings to GVEA. When measured from the consumer's perspective, this discount translates to a savings of about 1.5% on the average consumer bill.

History of GVEA Sales and Negotiations

I would like to briefly give the committee some history on the state's royalty oil sales with Golden Valley Electric Association. The first contract with Golden Valley was signed in April 1977, shortly after establishment of the Royalty Oil and Gas Development Advisory Board and the adoption of new statutory procedures governing royalty oil sales. Golden Valley did not commence taking under the contract until June 1981, when it began purchasing 5,000 barrels per day and assigning it to Mapco.

That contract expired in June 1984.

In November 1982, well in advance of the expiration of Golden Valley's original contract, GVEA requested a 10-year extension of the contract. No action was taken by the outgoing administration in 1982, and the new administration began negotiations with Golden Valley in March 1983. In November 1983, the department published a public notice of its intention to adopt a new contract with Golden Valley. The royalty board reviewed the contract in December 1983, and that review revealed specific concerns by both the public and the board members with respect to the state's option on residual oil and the relationship between Mapco and GVEA. In view of those reservations and the limited time for further negotiation, the long-term GVEA contract was not presented for legislative approval in 1984. Instead, an interim contract not requiring legislative approval was put into effect pending contract revisions responsive to the issues raised at the meeting of December 7, 1983. That interim contract expires June 30, 1985.

Intermittent negotiations were held on the proposed long-term contract during 1984. We had planned to complete negotiations so that approval legislation for the long-term contract could be introduced on the first day of the 1985 session.

Our timeline called for a preliminary contract and findings to be completed and a preliminary notice to be published in early October 1984. The final contract and findings were to be available November 16, 1984, Royalty Board review was scheduled for December 7, 1984, and approval

legislation was to be introduced on the first day of the session. Due to denomination deadlines, it was apparent to all the parties that if legislative approval did not occur by March 29, 1985, oil deliveries would have to be interrupted.

During September 1984, I informed Golden Valley and Mapco of the time pressure under this timeline, and had numerous negotiation sessions with representatives of both Golden Valley and Mapco. Draft agreements were exchanged, and we believed that agreement had been reached in early October 1984. However, at the conclusion of a negotiation session on October 9, 1984, Bert Sharp of Golden Valley stated his severe reservations about Golden Valley's liability for retroactive adjustments to the royalty oil price based on the Amerada Hess litigation. His primary objection was that as a regulated public utility, Golden Valley could only pass on to its customers retroactive adjustments for a one-year period. Amerada Hess adjustments for purchases older than one year could not be passed on to Golden Valley's customers, and would cause Golden Valley severe financial difficulty. Mr. Sharp proposed that the state charge an increased price premium but that it waive Amerada Hess adjustments. This price term offer was unacceptable to the state, and we suggested contract terms that would require Mapco to pay the Amerada Hess adjustments.

Negotiations stalled for almost two months at this deadlock. However, on November 23, 1984, I wrote to Bert Sharp and stated that an agreement among the state, Golden Valley and Mapco looked unlikely. I suggested commencing negotiations towards a contract between Golden Valley and the

state, without any assignment of the oil to Mapco. Negotiations resumed immediately, and on November 29, 1984, an agreement was reached on the terms now found in the proposed long-term contract. We immediately prepared findings and a final contract, and worked to get the contract before the royalty board and the legislature as soon as possible. However, due to the negotiation stalemate, legislation approving the long-term contract could not even be introduced in the legislature until mid-March 1985.

Benefits Under the Contract

Many of the questions that have been raised thus far about the contract center on the benefits to be derived from the contract - what those benefits are and who receives them. Three parties would receive benefits--the state, GVEA and Mapco. I'd like to briefly summarize those benefits as we perceive them, Madam Chairman.

Benefits to the State of Alaska

The benefits to the State are described in our final finding of January 16, 1985. Under the statutes governing royalty oil and gas sales, the commissioner is obligated to maximize benefits to the citizens in a negotiated sale.

The price received is a benefit to the state. The state would receive a 30¢ premium above in-value, which makes this sale roughly equivalent to the Tesoro and Chevron royalty oil contracts approved by the Legislature

last session. There is no price subsidy to GVEA, and to the extent that Mapco gets the oil, it pays more for this oil than it does for the oil it buys directly from the state.

Other benefits to the state are explained in detail in the final findings, but they include cheaper electricity rates for Fairbanks consumers, a dependable electricity supply, and protection of existing investments in the North Pole refinery and the utility's turbines.

Benefits to GVEA's Consumers

The sale is premised on providing benefits to Alaska consumers. These consumer benefits depend on GVEA's assignment agreement with Mapco, which provides turbine fuel at a price lower than what GVEA would otherwise pay. Under GVEA's current contract, the state is unable to enforce the degree of advantage afforded to GVEA since that agreement is between GVEA and Mapco only.

Exhibit A to the new contract is a three-party agreement signed by the state, GVEA and Mapco. Exhibit A recognizes existing agreements between GVEA and Mapco. In Exhibit A, the state consents to those agreements so long as they are not modified to reduce the benefits to GVEA's consumers. The state retains the option to terminate the contract should the relationship between GVEA and Mapco change materially.

GVEA's benefits come not from a reduced sale price, but from the reduced turbine fuel price Mapco gives GVEA on the turbine fuel Mapco produces

from GVEA's royalty oil.

GVEA's benefit can be calculated by comparing two prices. Those prices are Mapco's general turbine fuel price to GVEA (which covers roughly half of GVEA's turbine fuel needs) and Mapco's reduced price to GVEA for turbine fuel processed from GVEA's royalty oil (which covers the other half of GVEA's turbine fuel needs). Specifically, the 1980 Petroleum Products Agreement between GVEA and Mapco generally obligates Mapco to sell turbine fuel to GVEA at a price of Mapco's acquisition cost plus a processing fee. Mapco has requested that we keep that exact processing fee confidential. A second 1980 agreement between GVEA and Mapco obligates Mapco to sell GVEA turbine fuel processed from GVEA's royalty oil at a reduced processing fee. Mapco has also requested that we keep that exact fee confidential.

Although the exact processing fees charged by Mapco are confidential, GVEA manager Bert Sharp testified March 20 that the difference is between 5 and 6 cents a gallon. Multiplying that savings by 42 gallons per barrel, by 625 barrels per day, and by 365 days per year, GVEA achieves a yearly savings of between \$479,000 and \$575,000. In our final savings, our petroleum economist projected an annual savings to GVEA of approximately \$550,000.

This \$550,000 yearly savings translates into a benefit to GVEA's consumers of .1446¢ per kilowatt hour. (This number is obtained by dividing the \$550,000 yearly benefit by the 380,412,000 kwh that GVEA produces each year.)

Benefits to Mapco

Mapco would also receive benefits under the contract. Mapco would get 87.5% of each barrel, either as non-turbine fuel products or as return oil. ✓

The Mapco refinery, because of its location near the Trans Alaska Pipeline, is able to reinject the heavy and lightest ends of the barrel which are not converted into products back into the pipeline. This so-called "return oil" then reemerges as whole oil at Valdez, with Mapco paying a \$.10 per degree quality bank differential penalty.

We did negotiate an option to purchase the return oil into the new GVEA contract. However, although the option to purchase return oil is embodied in Section 3.4 of the new GVEA contract, the state has agreed in Exhibit A that we will not exercise that option in return for Mapco paying Amerada Hess adjustments on the portion of the royalty oil that is converted into turbine fuel used by GVEA.

As I mentioned a moment ago, the negotiations were deadlocked for several months, and foregoing the return oil option was a concession we made to break the deadlock.

With respect to refinery profits made by Mapco off the GVEA contract, it is not possible to calculate the profitability of a refinery based solely on information in the public record. Although the Department of Natural Resources has access to some confidential information provided by Mapco,

we are obligated to hold this information confidential under AS 38.05.035 at Mapco's request. However, considering those constraints, we have attempted to provide some general information about refining profits.

Mapco's refining profits were examined in the February 1983 report entitled Alaska Petroleum Product Pricing prepared for the Senate Resources Committee. That document was authored by Messers. Pernela and Delong, both of whom are former employees of North Pole Refining. As can be seen in the report and the responses of Mapco and Tesoro to that document, the profitability of a refiner is nearly impossible to infer without access to certain cost data which is normally held confidential. This has proven true even though the authors, as former employees of Mapco, may have had access to such data. This information gap largely accounts for the difference in the return to investment calculated in the report - 46% - and Mapco's stated return to investment of 15% to 17% (see Mapco's letter to Sen. Fahrenkamp of April 8, 1983).

Like most refiners, Mapco does not make available to the public separate accounts of its various operations such as the North Pole refinery. While Mapco's overall profitability is stated in its annual reports, the profits of a particular refinery cannot be deduced from those reports. The operating costs of a refinery are not normally available to the public since such knowledge would be of considerable advantage to a competitor.

For this reason Messers. Pernela and Delong were forced to rely on a variety of unsatisfactory proxy figures which included the original cost of the North Pole refinery, a supposed cost of capital, and the adjusted

operating costs of refiners in the continental United States, among other things. These shortcomings enabled Mapco to handily rebut the report by mentioning such items as investment which occurred after the initial construction, interest during construction, the original investment risk, the irrelevance of operating costs in other parts of the U.S. and the vagaries of the federal crude oil entitlement program, which was in effect over part of the study period.

Although Mapco's apparent markup can be found by comparing their wholesale prices with the acquisition cost of crude oil, a net profit per barrel cannot be arrived at without knowing all the capital and operating costs of the refinery as well as the method of amortization. Mapco has not volunteered this information to date.

Since the information available to DNR concerning Mapco's profitability must by statute be held confidential, I would suggest that your specific questions about the relationship between GVEA and Mapco, and about Mapco's profits from this sale, be addressed to either GVEA or Mapco.

Summary

In summary, Madam Chairman, this contract is intended to provide a modest amount of consumer benefit to the Alaska citizens living in the Interior and served by the Golden Valley Electric Association cooperative, and also to provide the state with a market price for the royalty oil. I believe that the state's interest is served by pursuing this alternative, compared to the alternative of not making a sale and leaving the oil in-value. It

could be argued that this contract does not maximize the value of royalty oil relative to what could be obtained by selling the oil competitively. However, the statutes do not require competitive sales and, in fact, the statutes clearly contemplate negotiated sales that provide ancillary benefits from using the royalty oil within the State of Alaska. I think you could view this contract as maintaining the status quo between the in-state refiners, as it does not increase Mapco's benefit relative to the present situation. In fact, Mapco's benefit is slightly decreased under the new GVEA contract.

Madam Chairman, I believe this contract complies with all requirements of the statute and the regulations, and that it is consistent with the state's policy of obtaining market value for its royalty oil.

For these reasons, the administration supports the contract and we urge your approval of SB 232.

That concludes my formal remarks, Madam Chairman. Thank you.

1629K

Kil

DENNIS M. LARSON
P.O. BOX 55500
NORTH POLE ALASKA 99705

JULY 25, 1985

DEAR SENATOR STURGULEWSKI

REGARDING PROPOSED AMENDMENTS TO SENATE BILL 232.

I OBJECT MOST STRONGLY TO PARAGRAPH d OF 11 AAC 83.700 WHICH STATES IN PART "AS A CONDITION OF WAIVER OF ANY TERM OF A MINIMUM WORK COMMITMENT UNDER SUBSECTION (C) OF THIS SECTION THE COMMISSIONER WILL REQUIRE THE LESSEE TO POST A PERFORMANCE BOND OF \$100,000 TO ENSURE THE FULFILLMENT OF THE WORK COMMITMENT.....A SEPERATE BOND WILL BE REQUIRED FOR EACH LEASE....

THE EFFECT OF SUCH A REQUIREMENT WILL BE TO REMOVE SMALL INVESTORS WHO HAVE MADE CONSIDERABLE EFFORTS TOWARD EXPLORATION AND DEVELOPMENT OF LESS DESIRABLE OIL AND GAS LEASES FROM PARTICIPATION IN THE ALASKAN OIL AND GAS BUSINESS.

LEASES WHICH WERE ORIGINALLY SOLD BY THE STATE FOR \$25,000 WILL NOW REQUIRE \$100,000 BONDS TO GET A WAIVER OF WORK COMMITMENT FOR TWO YEARS. ALL LEASES CAN NOT BE EXPLORED AND DEVELOPED INDIVIDUALLY. ANY REQUIREMENT FOR A PLAN OF EXPLORATION AND DEVELOPMENT SHOULD ALLOW FOR UNITIZATION OR SOME FORM OF COOPERATIVE DEVELOPMENT.

I FEEL THAT THESE PROPOSED AMMENDANTS ARE HARMFUL TO ALASKANS AND URGE YOU RESIST THIS SUBVERSION OF LEGISLATIVE INTENT.

THANK YOU SINCERELY


DENNIS M. LARSON

CERTIFIED MAIL

162
1 July 1985
PO BOX 73960
Fairbanks, Alaska 99707
Phone (907) 456-4880

STATE of ALASKA
DEPARTMENT of NATURAL RESOURCES
ESTHER C. WUNNICKE, COMMISSIONER
Pouch 7-034
Anchorage, Alaska 99510

RE: PROPOSED AMENDMENTS TO REGULATIONS
11 ACC 83.700 --- 11 ACC 83.705

Dear Commissioner Wunnicke,

The proposed amendments, Article 7. WORK COMMITMENT, Section 11 ACC 83.700 paragraph (e) proposes a one hundred thousand dollar (\$100,000.00) performance bond for each lease and paragraph (d) proposed a penalty of forfeiture of the one hundred thousand dollar (\$100,000.00) performance bond.

These proposed amendments are unreasonable, unjust and not proposed in the best interest for the People of the State of Alaska, These proposed amendments are biased and extremely prejudice against the Private Sector of the oil and gas industry in Alaska.

It is well understood by all, Department of Natural Resources, namely your office, the Major oil companies, the Private Sector of the oil industry, the People of Alaska including the State Legislation that the maximum bonding that would be required from any one Major oil company for these proposed amendments would be only five hundred thousand dollars (\$500,000.00), while the Private Sector could be required a maximum bonding of three million and seven hundred thousand dollars (\$3,700,000.00).

The State of Alaska has at this time sufficient Oil and Gas Leasing Rules and Regulations to cover every aspect of Mineral Management for State owned lands.

Chapter 83, Article 1, Section 11 ACC 83.160 OIL AND GAS LEASE BONDING now provides bonding for operations of oil and gas leases. Amounts of at least ten thousand dollars (\$10,000.00) before any operations is commence on a State oil and gas lease or a statewide bond in the amount of five hundred thousand dollars (\$500,000.00). These amounts have proven to be reasonable and just for all, including the State of Alaska, the Major oil companies and the Private Sector.

The State Oil and Gas Rules and Regulations also provide for penalties. New amendments are not required or needed.

1 July 1985

There are no existing State Oil and Gas Rules and Regulations for punishment. It would appear your office designed the proposed amendments as punishment for the Private Sector and have hidden them under Bonding and Penalties.

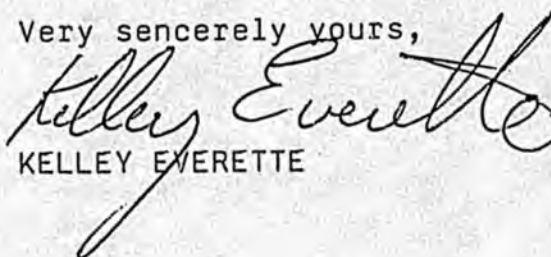
To show how unreasonable these amendments are let us assume a one hundred thousand dollar (\$100,000.00) bond is posted on every lease in question and the required permits were applied for, including road permits to every lease at this time. Construction began and you, DNR, have just created the biggest environmental devastation that has ever hit Alaska. NO your proposed amendments are not reasonable and do not set about conservation of the environment and natural resources which your office is responsible for.

I will go farther and shown why these proposed amendments are not in the best interest of the People of Alaska.

The People of Alaska share in the revenue from Oil and gas production in Alaska. If commercial production were found on any of the leases in question then the State of Alaska and the People of Alaska would share in and receive the maximum revenue return they have ever received from any onshore lease in Alaska and they would continue to receive the maximum revenue as long as production continued, but if these leases terminated today they would be placed in the five (5) year leasing program and later leased at reduced Royalty below the current 20% Royalty and the state net profit share lease (NPSL) would decrease below the existing 30% NPSL or maybe the NPSL would be abolished completely. Just common sense shows what is reasonable or unreasonable and what is or is not in the best interest of the People of Alaska.

As I have stated, I do sincerely believe these proposed amendments are not in the best interest of the State of Alaska and I do humbly request you put aside any and all prejudice you may harbor against the Private Sector and I request you thoroughly review every aspect of these proposed amendments as seen by all eyes, the State, the People, the Legislation, the Major oil companies and the Private Sector and come to a reasonable and just conclusion for all.

Very sincerely yours,



KELLEY EVERETTE

cc: GOVERNOR BILL SHEFFIELD
SENATOR BETTYE FAHRENKAMP
REP JOHN RINGSTAD
SENATOR ARLISS STURGULEWSKI
ALL OTHER INTERESTED PARTIES

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH 7-005

ANCHORAGE, AK 99510

PHONE: (907) 276-2653

June 6, 1985

Dear Alaskans:

The Alaska Department of Natural Resources, Division of Oil and Gas, is proposing to amend the regulations governing work commitments of State oil and gas leases (Title 11, Chapter 83, Article 7 of the Alaska Administrative Code). This change in the regulations is being made to implement Senate Bill No. 232, which was passed by the legislature on May 12, 1985, and signed into law by the Governor on June 2, 1985.

The effect of Senate Bill No. 232 is to permit the Commissioner of the Department of Natural Resources to waive work commitments attached to oil and gas leases for a period of up to two years under certain circumstances. The amendments to the regulations being considered will set out the criteria the Commissioner will use in determining whether such a waiver of work commitment is justified, the terms under which such a work commitment waiver will be granted, and the procedure for application for waiver of a work commitment.

A copy of the proposed amendment to the regulations is attached. Language proposed to be added to the existing regulations is underlined. Ellipses in the form of three hyphens (- - -) indicate that intervening unchanged subsections of the regulations have been omitted.

You are invited to comment on the proposed amendments to the regulations. Comments must be in writing and must be received by the Division of Oil and Gas by July 12, 1985 to be considered. All written comments should be addressed to the Alaska Department of Natural Resources, Division of Oil and Gas, Pouch 7-034, Anchorage, AK 99510, Attn: Catherine Fortney. Additional copies of the proposed regulations may be obtained from the same address.

The Division of Oil and Gas will also hold public hearings on these regulation changes on the following dates:

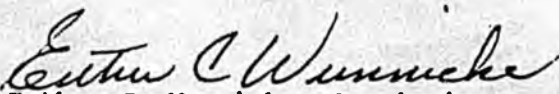
ANCHORAGE

Date: July 2, 1985
Time: 10:00 A.M.
Place: Conference Room
Mountain View Library
120 S. Bragaw Street

FAIRBANKS

Date: July 1, 1985
Time: 1:30 P.M.
Place: Conference Room
North Star Borough Library
1215 Cowles Street

Sincerely,


Esther C. Wunnicke, Commissioner
Alaska Department of Natural Resources

I would like to present testimony pertaining to the proposed amendments to the oil & gas regulations.

My name is KELLEY EVERETT, of Fairbanks and I am an interest owner in some of the leases in question. I Certified Mailed my letter to the Commissioner today which was too lengthy to present at this hearing. I do have a statement I would like to present. These statements come in part from a letter to the Commissioner from a friend who cannot be here today.

The majority of the leases to be effected by these proposed changes were leased in State Sale No. 31 on September 16, 1980 and were awarded to a group of individuals in Alaska.

The terms set forth were the best terms the State has ever received. 20% Royalty and 30% NPSL on a ten year lease with a 5 year work commitment.

In the year 1980 the State Department of Natural Resources were so enchanted with the world oil crisis and what it meant to Alaska that DNR predicted and published in their reports that oil would reach \$90.00 a barrel before the year 1990. Under this scenario the lease terms were justified or maybe leaned to favor the leaseholder. Today things have changed dramatically with current prediction of oil dropping to \$20.00 a barrel or below. Now with these changes the terms of these leases are not realistic.

Today, in every form of government, world trade, marketing, industry, union, employment and etc., it is common to renegotiate any issue that has changed critically and adjust the benefits of one or both sides of the issues.

I, as a partical leaseholder feel the work commitments for these leases could be dropped completely without any loss of face to the State of Alaska or the Department of Natural Resources.

If the present leaseholders can produce any of these leases then Alaska will receive revenue under present terms. If the leaseholders cannot produce then these leases will terminate but in the mean time Alaska has received \$3.00 per acre rentals and hopefully the world oil market will change and again favor Alaska by 1990.

If a moratorium were placed on the work commitment for these leases, I believe the Governor of Alaska, the State Legislation and the people of Alaska would applaud you for this consideration.

Thank you,

*Presented 1 July 85
AT FAIRBANKS, HEARING*

Kelley Everett

C. Burglin
Land Consultant
P.O. Box 131
Fairbanks, Alaska 99707
(907)452-5149

Key

June 5, 1985

Jim Eason
Deputy Director
Department of Natural Resources
Pouch 7034
Anchorage, Alaska 99510

Dear Mr. Eason:

As a follow up to my letter of May 15, 1985, I would like to ask you the following questions:

1. What changed the geology on our leases, ADL 318612, 318613, and 318614, after we declined to put them in the Hemi Springs Unit?
2. What makes you say that there are no prospects in the proposed Key Unit when there have been no wells drilled in this area since these leases were issued? Your opinion puts you in direct opposition to the geology departments of Exxon, Arco, Union, Standard of Indiana, Chevron and all the other lessees who applied for the Duck Island extension in September of 1979.

I have shown your letter to geologists with years of experience on the North Slope. To say the least, they do not have much faith in the geological competence of the author.

In our meeting with Commissioner Wunnicke, Senator Fahrenkamp, Senator Sturgulewski and others in Juneau, Commissioner Wunnicke made the statement that if the use of proprietary and confidential information was going to be used to turn down the leases, it would only be fair that the Burglin interests have access to that information.

I would like an answer to these questions in writing, and a response to my letter of May 15, 1985, within 15 days of receipt of this letter.

Sincerely,



C. Burglin

CB/mbg

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH 7-005

ANCHORAGE, AK 99510

PHONE: (907) 276-2653

June 6, 1985

Dear Alaskans:

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The effect of Senate Bill No. 232 is to permit the Commissioner of the Department of Natural Resources to waive work commitments attached to oil and gas leases for a period of up to two years under certain circumstances. The amendments to the regulations being considered will set out the criteria the Commissioner will use in determining whether such a waiver of work commitment is justified, the terms under which such a work commitment waiver will be granted, and the procedure for application for waiver of a work commitment.

A copy of the proposed amendment to the regulations is attached. Language proposed to be added to the existing regulations is underlined. Ellipses in the form of three hyphens (- - -) indicate that intervening unchanged subsections of the regulations have been omitted.

You are invited to comment on the proposed amendments to the regulations. Comments must be in writing and must be received by the Division of Oil and Gas by July 12, 1985 to be considered. All written comments should be addressed to the Alaska Department of Natural Resources, Division of Oil and Gas, Pouch 7-034, Anchorage, AK 99510, Attn: Catherine Fortney. Additional copies of the proposed regulations may be obtained from the same address.

The Division of Oil and Gas will also hold public hearings on these regulation changes on the following dates:

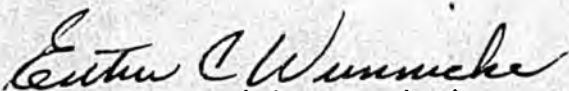
ANCHORAGE

Date: July 2, 1985
Time: 10:00 A.M.
Place: Conference Room
Mountain View Library
120 S. Bragaw Street

FAIRBANKS

Date: July 1, 1985
Time: 1:30 P.M.
Place: Conference Room
North Star Borough Library
1215 Cowles Street

Sincerely,



Esther C. Wunnicke, Commissioner
Alaska Department of Natural Resources

CHAPTER 83. OIL AND GAS LEASING.

Article

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7. Work Commitment (11 AAC 83.700 -- 11 AAC 83.705)

ARTICLE 7. WORK COMMITMENT.

Section

- 700. Work commitment
- 705. Work commitment modification

11 AAC 83.700 is amended to read as follows:

11 AAC 83.700. WORK COMMITMENT. (a) If a work commitment is a condition of the lease, the work commitment will be specified in terms to be announced by the commissioner of the Department of Natural Resources (commissioner) in the notice of sale for the original term of the lease. The stipulated commitment will state the minimum annual requirement for exploration and development commitment on a specific lease. The lessee shall file annual reports with the commissioner substantiating adherence to the work commitment terms.

(b) The commissioner will, at his discretion, alter or abrogate the terms of the work commitment if

(1) the lessee presents evidence that the lease will be unproductive and/or uneconomic under the terms of the work commitment;

(2) the lessee presents evidence that the existing terms of the work commitment cannot be performed by reason of war, riots, acts of God, unusually severe weather, or any other cause beyond the lessee's reasonable ability to foresee or control (including delays caused by judicial decisions or lack of them), whether similar to those enumerated or not;

(3) the lessee becomes party to a unit agreement; or

(4) the lessee relinquishes the lease.

(c) The commissioner may waive for up to two years any work commitment imposed on a lease under subsection (a) of this section if the commissioner makes a written finding either that conditions preventing fulfillment of the work commitment were beyond the lessee's reasonable ability to foresee or control, or that the lessee has demonstrated through good faith efforts the intent and ability to fulfill the terms of the work commitment during the term of the waiver. The commissioner will consider the following factors when determining whether a lessee has demonstrated the intent and ability to fulfill the terms of a work commitment during the term of any waiver that may be granted

(1) whether the lessee has undertaken appropriate actions to fulfill the work commitment, including the acquisition of necessary permits, materials, and financing required to meet the work commitment;

(2) reasons why the lessee did not meet the terms of the work commitment during its initial term;

(3) the lessee's specific plans and actions taken to meet the work commitment during the term of the waiver; and

(4) the fulfillment or lack of fulfillment of other work commitments or similar obligations by the lessee within the state.

(d) As a condition of waiver of any term of a minimum work commitment under subsection (c) of this section the commissioner will require the lessee to post a performance bond of \$100,000 to ensure the fulfillment of the work commitment during the period of waiver. The bond will be returned to the lessee if the work commitment is fulfilled by the end of the waiver period.

and will be forfeited automatically to the state if the work commitment is not fulfilled by the end of the waiver period. A separate bond will be required for each lease for which a waiver of a work commitment is granted.

(e) If a lessee fails to meet any term of a work commitment by its due date, including any additional period granted by extension, alteration, or waiver, the lease will automatically terminate. In addition, any penalty provisions established by the commissioner in the work commitment stipulation, or as a condition to any extension, alteration, or waiver, will take effect immediately if the work commitment is not completed by its due date, including period of extension and waiver. [FAILURE TO COMPLY WITH THE MINIMUM ANNUAL WORK COMMITMENT CONSTITUTES GROUNDS FOR FORFEITURE OF THE LEASE.] (Eff. 11/9/79, Register 72; am / / Register)

Authority: AS 38.05.020
AS 38.05.180

11 AAC 83.705 is amended to read as follows:

1' AAC.83.705. WORK COMMITMENT MODIFICATION. (a) Application for modification under AS 38.05.180(h) must comply with 11 AAC 88.105 and must

(1) state all the facts that may entitle the applicant to modification;

(2) state location and status of all past and present activities on the lease;

(3) contain a detailed report of all activity on the lease preceding the filing of the application and include an accounting for all expenses and costs of operating the lease;

(4) be filed not later than 30 days before the existing deadline for the fulfillment of the term of the work commitment;

(5) address all pertinent factors listed in 11 AAC 83.700(b) or 11 AAC 83.700(c), as appropriate; and

(6) in connection with applications for waivers under 11 AAC 83.700(c), affirm the lessee's readiness and ability to post a performance bond. (Eff. 11/9/79, Register 72; am / / Register)

Authority: AS 38.05.020

AS 38.05.180

2366A

C. Burglin
Land Consultant
P.O. Box 131
Fairbanks, Alaska 99707
(907)452-5149

KW

June 11, 1985

Commissioner Wunnicke
Pouch 7-034
Anchorage, Alaska 99510

Dear Commissioner Wunnicke:

SB 232 clearly gives you the power to waive onerous work commitments on 10 year leases for Sales 30 and 31. Without this bill you have already waived work commitments for Amoco, Amerada Hess and others. This bill does not give you the power or permission to write regulations or law. If it did, there would be no need for the legislature.

I am enclosing a copy of your proposed regulations concerning this bill to all of the legislators. As far as I am concerned your intent is very clear. You intend to stall through bureaucratic implementation the clear intention of the legislature and legislation.

If the legislators allow you or anyone else to get by with these tactics, they should resign because obviously there is no need for them.

Sincerely,



Burglin

CB/mbg

enclosures

copies: all interested parties

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH 7-005
ANCHORAGE, AK 99510
PHONE: (907) 276-2653

June 6, 1985

Dear Alaskans:

The Alaska Department of Natural Resources, Division of Oil and Gas, is proposing to amend the regulations governing work commitments of State oil and gas leases (Title 11, Chapter 83, Article 7 of the Alaska Administrative Code). This change in the regulations is being made to implement Senate Bill No. 232, which was passed by the legislature on May 12, 1985, and signed into law by the Governor on June 2, 1985.

The effect of Senate Bill No. 232 is to permit the Commissioner of the Department of Natural Resources to waive work commitments attached to oil and gas leases for a period of up to two years under certain circumstances. The amendments to the regulations being considered will set out the criteria the Commissioner will use in determining whether such a waiver of work commitment is justified, the terms under which such a work commitment waiver will be granted, and the procedure for application for waiver of a work commitment.

A copy of the proposed amendment to the regulations is attached. Language proposed to be added to the existing regulations is underlined. Ellipses in the form of three hyphens (- - -) indicate that intervening unchanged subsections of the regulations have been omitted.

You are invited to comment on the proposed amendments to the regulations. Comments must be in writing and must be received by the Division of Oil and Gas by July 12, 1985 to be considered. All written comments should be addressed to the Alaska Department of Natural Resources, Division of Oil and Gas, Pouch 7-034, Anchorage, AK 99510, Attn: Catherine Fortney. Additional copies of the proposed regulations may be obtained from the same address.

The Division of Oil and Gas will also hold public hearings on these regulation changes on the following dates:


ANCHORAGE

Date: July 2, 1985
Time: 10:00 A.M.
Place: Conference Room
Mountain View Library
120 S. Bragaw Street

FAIRBANKS

Date: July 1, 1985
Time: 1:30 P.M.
Place: Conference Room
North Star Borough Library
1215 Cowles Street

Sincerely,


Esther C. Wunnicke, Commissioner
Alaska Department of Natural Resources

CHAPTER 83. OIL AND GAS LEASING.

Article

- - -
- 7. Work Commitment (11 AAC 83.700 -- 11 AAC 83.705)
- - -

ARTICLE 7. WORK COMMITMENT.

Section

- 700. Work commitment
- 705. Work commitment modification

11 AAC 83.700 is amended to read as follows:

11 AAC 83.700. WORK COMMITMENT. (a) If a work commitment is a condition of the lease, the work commitment will be specified in terms to be announced by the commissioner of the Department of Natural Resources (commissioner) in the notice of sale for the original term of the lease. The stipulated commitment will state the minimum annual requirement for exploration and development commitment on a specific lease. The lessee shall file annual reports with the commissioner substantiating adherence to the work commitment terms.

(b) The commissioner will, at his discretion, alter or abrogate the terms of the work commitment if

(1) the lessee presents evidence that the lease will be unproductive and/or uneconomic under the terms of the work commitment;

(2) the lessee presents evidence that the existing terms of the work commitment cannot be performed by reason of war, riots, acts of God, unusually severe weather, or any oth cause beyond the lessee's reasonable ability to fcresee or control (including delays caused by judicial decisions or lack of them), whether similar to those enumerated or not;

(3) the lessee becomes party to a unit agreement; or

(4) the lessee relinquishes the lease.

(c) The commissioner may waive for up to two years any work commitment imposed on a lease under subsection (a) of this section if the commissioner makes a written finding either that conditions preventing fulfillment of the work commitment were beyond the lessee's reasonable ability to foresee or control, or that the lessee has demonstrated through good faith efforts the intent and ability to fulfill the terms of the work commitment during the term of the waiver. The commissioner will consider the following factors when determining whether a lessee has demonstrated the intent and ability to fulfill the terms of a work commitment during the term of any waiver that may be granted

(1) whether the lessee has undertaken appropriate actions to fulfill the work commitment, including the acquisition of necessary permits, materials, and financing required to meet the work commitment;

(2) reasons why the lessee did not meet the terms of the work commitment during its initial term;

(3) the lessee's specific plans and actions taken to meet the work commitment during the term of the waiver; and

(4) the fulfillment or lack of fulfillment of other work commitments or similar obligations by the lessee within the state.

(d) As a condition of waiver of any term of a minimum work commitment under subsection (c) of this section the commissioner will require the lessee to post a performance bond of \$100,000 to ensure the fulfillment of the work commitment during the period of waiver. The bond will be returned to the lessee if the work commitment is fulfilled by the end of the waiver period,

and will be forfeited automatically to the state if the work commitment is not fulfilled by the end of the waiver period. A separate bond will be required for each lease for which a waiver of a work commitment is granted.

(e) If a lessee fails to meet any term of a work commitment by its due date, including any additional period granted by extension, alteration, or waiver, the lease will automatically terminate. In addition, any penalty provisions established by the commissioner in the work commitment stipulation, or as a condition to any extension, alteration, or waiver, will take effect immediately if the work commitment is not completed by its due date, including period of extension and waiver. [FAILURE TO COMPLY WITH THE MINIMUM ANNUAL WORK COMMITMENT CONSTITUTES GROUNDS FOR FORFEITURE OF THE LEASE.] (Eff. 11/9/79, Register 72; am / / Register)

Authority: AS 38.05.020
AS 38.05.180

11 AAC 83.705 is amended to read as follows:

11 AAC.83.705. WORK COMMITMENT MODIFICATION. (a) Application for modification under AS 38.05.180(h) must comply with 11 AAC 88.105 and must

(1) state all the facts that may entitle the applicant to modification;

(2) state location and status of all past and present activities on the lease;

(3) contain a detailed report of all activity on the lease preceding the filing of the application and include an accounting for all expenses and costs of operating the lease;