

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672

4869 HRES ANSWR REPORTS 5-19-87 (DNR) - 2-10-88 (AL ADAMS) ~~48~~

Access: The actual physical access is considered fairly similar, however, the sale is considered slightly superior because of access by ski or float plane immediately adjacent on the Yukon River.

Size: The sales size is considered slightly superior.

Topography and Utility of surface: The topography and utility of surface are considered fairly similar with the sale having a slight edge.

In the overall comparison, I find that the sale is generally slightly superior in all factors. It is my opinion that the sale indicates about \$125 per acre for the subject property.

Sale #4: 2,053.71 acres. Time adjusted indicates \$175 per acre.

Location: The sale has a slightly superior climate and is far superior in location being located just out of Nome, Alaska, and indicates a downward adjustment.

Access: The sale has direct road access indicating a substantial downward adjustment to the sale in comparison to subject's access.

Size: The sale has 2,053 acres, more or less, while the subject has only 640 acres. Although a general study of Alaska sales indicates little change on a per unit basis after 160 acres, there are not enough large sales such as sale #4 to draw an absolute conclusion. It is reasonable to assume the market would consider something slightly more per acre for the subject tract. This would indicate a slight upward adjustment to the sale.

Topography and Utility of surface: Physical preparation of the sale and subject would be fairly similar, however, the cost of preparation due to location would be less on the sale and year-round use is more probable on the sale property. This indicates a downward adjustment to the sale.

The overall comparison of sale #4 to the subject property indicates that the sale is superior in location, access and topography and utility of surface indicating a sizeable downward adjustment. The sales size being slightly inferior indicating a slight plus adjustment to the sale. After adjustments, it is considered that sale #4 indicates about \$105 per acre for the subject property.

CORRELATION AND FINAL ESTIMATE OF VALUE ASRC TRACT 2

There are no direct utilities available to any of the sales or subject property, therefore, no adjustments were made. The sub-surface rights for minerals are available to the sales if any exist, except sale No. 4, and the subject property. This has been considered in the overall adjustments of the sales.

The sales used are considered by this appraiser the best information available for comparison.

The sales indicate a fairly close range from \$105 to \$125 per acre for the subject property.

Based on the foregoing data, after studying, comparing, and analyzing all the comparable sales as well as all other information available, it is the considered opinion of this appraiser that the estimated market value of the surface of the subject property, known as ASRC TRACT 2 is \$70,500, or \$110 per acre.

Sales Comparison to ASRC TRACT 3 (582 acres)

Sale # 1: 318.56 acres. Time adjusted indicates \$179 per acre.

Location: The sale is considered to have a superior location weather-wise and for possible year-round activities and uses indicating a downward adjustment.

Access: Actual access to the subject is inferior to the sale due to no on-site air landing except by helicopter. This indicates a downward adjustment.

Size: Both within a reasonable range and no adjustment required.

Topography and Utility of Surface: The general topography of the sale and the subject is fairly similar as well as the utility of surface. This indicates no adjustment to the sale is necessary.

In the overall comparison I find that downward adjustments are indicated to the sale for location and access. In my opinion, this would indicate about \$110 per acre for the subject.

Sale No. 2: 505 acres. Time adjusted indicates \$200 per acre.

Location: The sale is superior in location to the subject due to distance from Nome, Alaska. This indicates a large downward adjustment to sale.

Access: The sale is far superior in access due to road access. This indicates a large downward adjustment.

Size: The size is considered to be similar and no adjustment necessary.

Topography and utility of surface: The sale is considered superior due to cost of site preparation because of the distance from Nome, Alaska, and the topography of subject similar indicating a downward adjustment to the sale.

The overall comparison of sale #2 to the subject indicates that downward adjustments are required on all factors except size. It is my considered opinion that the sale indicates about \$120 per acre for the subject property.

Sale #3: 214.56 acres. Time adjusted indicates \$173 per acre.

Location: The location of the sale is considered somewhat superior to the subject due to the sales, interior climate zone indicating a downward adjustment.

Access: The actual physical access of the sale is considered superior to the subject property indicating a downward adjustment is necessary.

Size: The size is considered to be within a reasonable range, but the sale is considered slightly superior.

Topography and Utility of surface: The utility of surface is considered slightly superior to the subject property because of subject's ratio of useable land to the whole property. The subject has the John River traversing across it. The topography is similar.

In the overall comparison, I find that the sales access, location, size, and utility of surface is superior to the subject. It is my opinion that the sale indicates about \$125 per acre for the subject property.

Sale #4: 2,053.71 acres. Time adjusted indicates \$175 per acre.

Location: The sale has a slightly superior climate and is far superior in location being located just out of Nome, Alaska, and indicates a downward adjustment.

Access: The sale has direct road access indicating a substantial downward adjustment to the sale in comparison to subject's access.

Size: The sale has 2,053 acres, more or less, while the subject has only 582 acres. It is reasonable to assume the market would be considered something slightly more per acre for the subject.

Topography and Utility of surface: The sales topography is similar to the subject property. The cost of preparation due to location would be less on the sale and year-round use is more probable on the sale property. This indicates a downward adjustment to the sale.

The overall comparison of sale #4 to the subject property indicates that the sale is superior in location, access and utility of surface indicating a downward adjustment. The subject is slightly superior in size indicating an upward adjustment. After adjustment it is considered that sale #4 indicates about \$115 per acre for the subject property.

CORRELATION AND FINAL ESTIMATE OF VALUE FOR ASRC TRACT 3

There are no direct utilities available to any of the sales or subject property, therefore, no adjustments were made. The subsurface rights for minerals are available to the sales if any exist, except sale No. 4, and the subject property. The sub-surface rights of the sales and subject have been considered in the overall final estimated market value.

The sales used are considered by this appraiser the best information available for comparison.

The sales indicate a fairly close range from \$110 to \$125 per acre for the subject property.

Based on the foregoing data, after studying, comparing, and analyzing all the comparable sales as well as all other information available, it is the considered opinion of this appraiser that the estimated market value of the surface of the subject property, known as ASRC TRACT 3 is \$67,000, or \$115 per acre.

Sales Comparison to ASRC TRACT 4 (43,403 acres)

Sale # 1: 318.56 acres. Time adjusted indicates \$179 per acre.

Location: The sale is considered to have a superior location weather-wise and for possible year-round activities and uses indicating a downward adjustment.

Access: Actual access to the subject is inferior to the sale due to no on-site air landing except by helicopter. This indicates a downward adjustment.

Size: The sale property is considered to be far superior to the subject in size.

Topography and Utility of Surface: The general topography of the subject property is 75% plus mountainous which would be substantially inferior to the sales topography and utility of surface and indicates a great downward adjustment.

In the overall comparison I find downward adjustments are indicated to the sale for all factors. In my opinion, this would indicate about \$25 per acre for the subject.

Sale No. 2: 505 acres. Time adjusted indicates \$200 per acre.

Location: The sale is superior in location to the subject due to distance from Nome, Alaska. This indicates a large downward adjustment to sale.

Access: The sale is far superior in access due to road access. This indicates a large downward adjustment.

Size: The size is considered to be superior and a downward adjustment is necessary.

Topography and utility of surface: The sale is considered superior due to cost of site preparation because of the distance from Nome, Alaska, and the topography of subject is inferior indicating a downward adjustment to the sale.

The overall comparison of sale #2 to the subject indicates that downward adjustments are required on all factors. It is my considered opinion that the sale indicates about \$25 per acre for the subject property.

Sale #3: 214.56 acres. Time adjusted indicates \$173 per acre.

Location: The location of the sale is considered somewhat superior to the subject due to the sales, interior climate zone indicating a downward adjustment.

Access: The actual physical access of the sale is considered superior to the subject property indicating a downward adjustment is necessary.

Size: The sales size is considered to be substantially superior indicating a downward adjustment to the sale.

Topography and Utility of surface: The utility of surface is considered superior to the subject property because of subject's ratio of useable land to the whole property. The subject is 75% plus mountainous.

In the overall comparison, I find that the sales access, location, size, topography, and utility of surface is superior to the subject. It is my opinion that the sale indicates about \$35 per acre for the subject property.

Sale #4: 2,053.71 acres. Time adjusted indicates \$175 per acre.

Location: The sale has a slightly superior climate and is far superior in location being located just out of Nome, Alaska, and indicates a downward adjustment.

Access: The sale has direct road access indicating a substantial downward adjustment to the sale in comparison to subject's access.

Size: The sale has 2,053 acres, more or less, while the subject has 43,403 acres. This indicates a downward adjustment to the sale.

Topography and Utility of surface: The sales topography is superior to the subject property. The cost of preparation due to location would be less on the sale and year-round use is more probable on the sale property. Also, the subject is very mountainous. This indicates a downward adjustment to the sale.

The overall comparison of sale #4 to the subject property indicates that the sale is superior in all factors indicating a downward adjustment. After adjustments, it is considered that sale #4 indicates about \$30 per acre for the subject property.

CORRELATION AND FINAL ESTIMATE OF VALUE FOR ASRC TRACT 4

There are no direct utilities available to any of the sales or subject property, therefore, no adjustments were made. The subsurface rights for minerals are available to the sales if any exist, except sale No. 4, and the subject property. The sub-surface rights of the sales and subject have been considered in the overall final estimated market value.

The sales used are considered by this appraiser the best information available for comparison.

The sales indicate a fairly close range from \$25 to \$35 per acre for the subject property.

Based on the foregoing data, after studying, comparing, and analyzing all the comparable sales as well as all other information available, it is the considered opinion of this appraiser that the estimated market value of the surface of the subject property, known as ASRC TRACT 4 is \$1,302,000, or \$30 per acre.

SALE NO. 1

Location: Head of Utak Bay on Kodiak Island and in the Maritime Climate Zone of southern Alaska

Legal Description: NW 1/4 NW 1/4 Section 5, NE 1/4 NE 1/4 Section 6, Township 34 South, SE 1/4 SE 1/4, N 1/2 SE 1/4, NE 1/4 SW 1/4 and lots 4, 5 and 6, Section 31, Township 33 South, all in Range 27 West, Seward Meridian

Grantor: Ulah M. Leininger

Instrument: Deed

Grantee: Jeffery Porelite, Thomas Truitt,
Terence Barker and Eric Sprade

Book/Page: 23/951

Sale Price: \$40,000

Date of Sale: 2/19/76

Terms: \$500 with agreement
\$7,500 on acceptance of
deed & \$32,000 in 30 days

Assessments: None

Size: 318.56 acres

Zoning: None

Shape: Irregular

Use: vacant at time
of sale

Anticipated Use: Recreational--to sell off possibly some acreage
building sites

Access: Via boat or float plane. Ground access would be extremely
difficult

Utilities: None

Easements/Restrictions: None

Confirmed with: Eric Sprade and G. McWilliams, an appraiser with BLM

Property Description: This tract is variable from sloping to steep with marsh-type vegetation to high brush and is located on the Utak Bay with water frontage.

Analysis: \$40,000 div. by 318.56 acres = \$126 per acre

SALE NO. 2

Location: Approximately 40 miles northeast of Nome on the Casadepaga River and part is 6 miles northwest of Nome on the Snake River

Legal Description: U.S.M.S. 1281 bounded by Quartz Creek on the west and Dixon Creek on the East, Township 7 South, Range 28 West, Katelle River Meridian

Grantor: Billy Smith Instrument: Deed of Trust

Grantee: Casa Six Book/Page: N/A
(Mick Killion/General Partner)

Sale Price: \$80,000 Date of Sale: 11/79

Terms: \$25,000 down payment D/T: \$55,000 - payable
in 5 years

Shape: Irregular Zoning: None

Size: 505 acres Use: vacant at time
of sale

Anticipated Use: Buyer acquired property for mineral development
and possible resale for recreational uses

Access: air, river, or road Assessments: None
access during summer months

Utilities: None Easements/Restrictions: None

Confirmed with: Billy Smith

Property Description: The large tract of about 400 acres is relatively remote with approximately 2-1/2 miles of river running across it. There are areas of wet ground due to the rivers. Based on discussions with Billy Smith and investigation by George Moerlein, a consulting geologist, a good portion of the value was contributed by the strong possibility of placer value. The smaller tract of about 105 acres is only about 6 miles northwest of Nome and has the Snake River running through it. Both tracts have potential for recreational building sites, especially the smaller tract.

Analysis: \$80,000 div. by 505 acres = \$158 per acre


ESTIMATED MARKET VALUE SUMMARY OF THE 4 TRACTS

	<u>Acres</u>	<u>Total Value</u>
ASRC TRACT 1	55,274	\$3,593,000
ASRC TRACT 2	640	70,500
ASRC TRACT 3	582	67,000
ASRC TRACT 4	<u>43,403</u>	<u>1,302,000</u>
Overall Totals	99,899	\$5,032,500

APPRAISER'S CERTIFICATION

The undersigned does hereby certify that:

1. I have no present or contemplated interest in the real estate which is the subject of this appraisal report.
2. I have no personal interest or bias with respect to the subject matter of the report or the parties involved.
3. The appraisal report has been made in accordance with the "Uniform Appraisal Standards for Federal Land Acquisition."
4. I personally and thoroughly inspected the subject property by air under winter conditions on 3/1/83.
5. The value conclusions presented in this report is the opinion of the appraiser and none other.

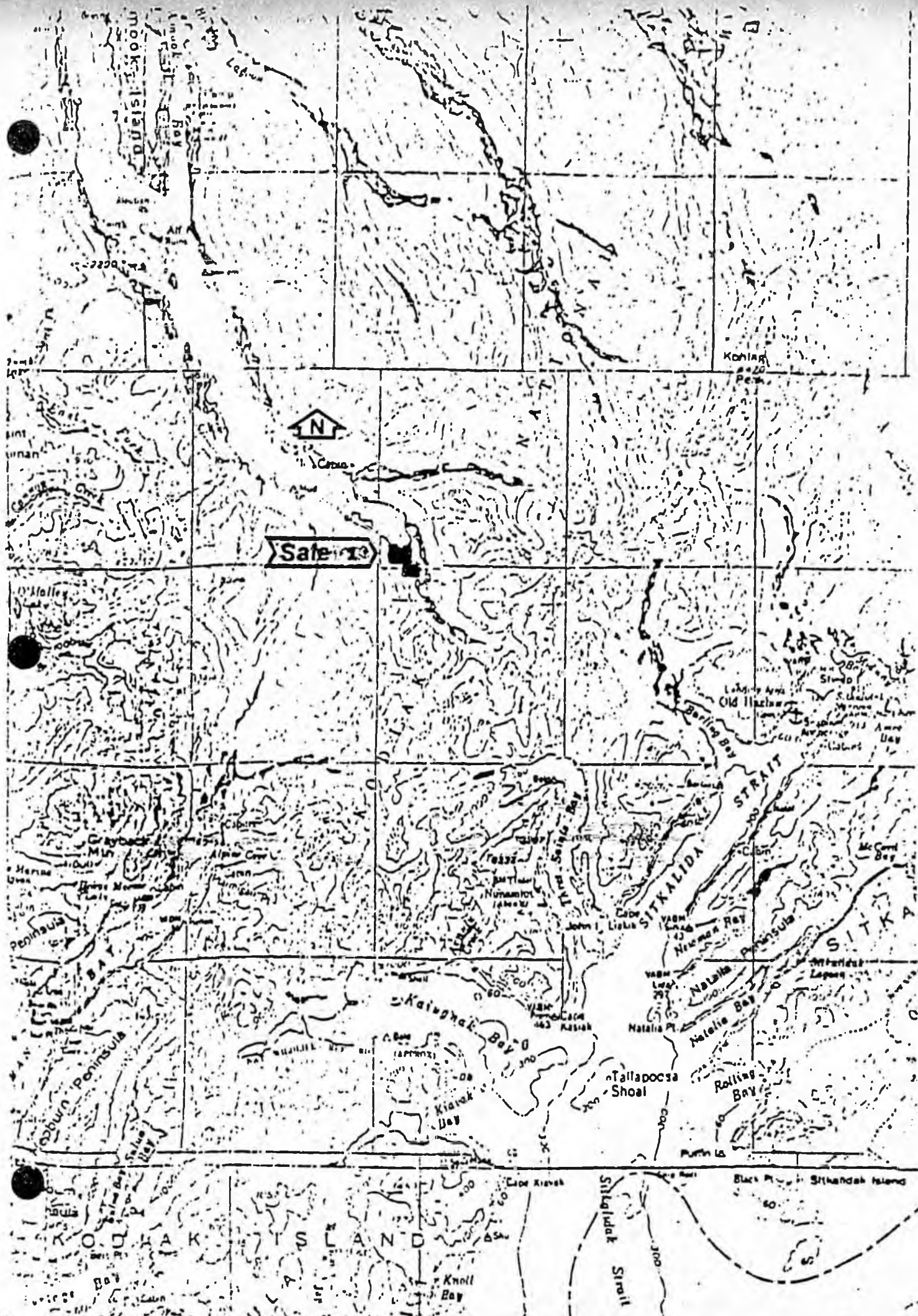


Rex E. Daugherty
Chief Appraiser
Pacific Northwest Region

ADDENDA



LOCATION MAP
Comparable Sales Map



Mook Island



Safe

SITKALIDA STRAIT

SITKA

KALINGNAK BAY

Tallapoosa Shoal

Rolling Bay

Peninsula

Down Peninsula

KOUKAK ISLANDS

SITKA ISLANDS

Sitkalida Strait

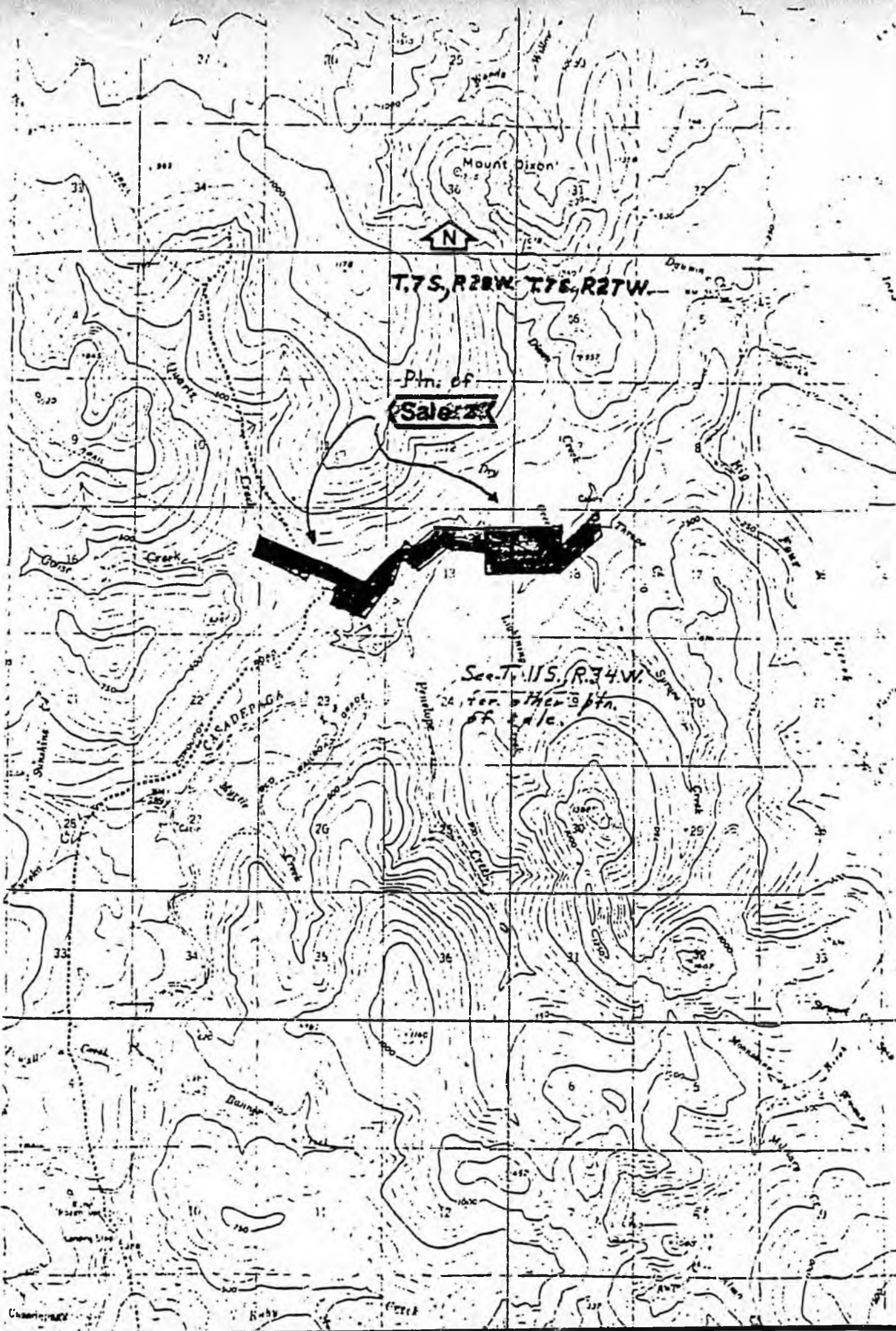
Black Pt

Sitkah Island

Knoll Bay

Black Pt

Sitkah Island



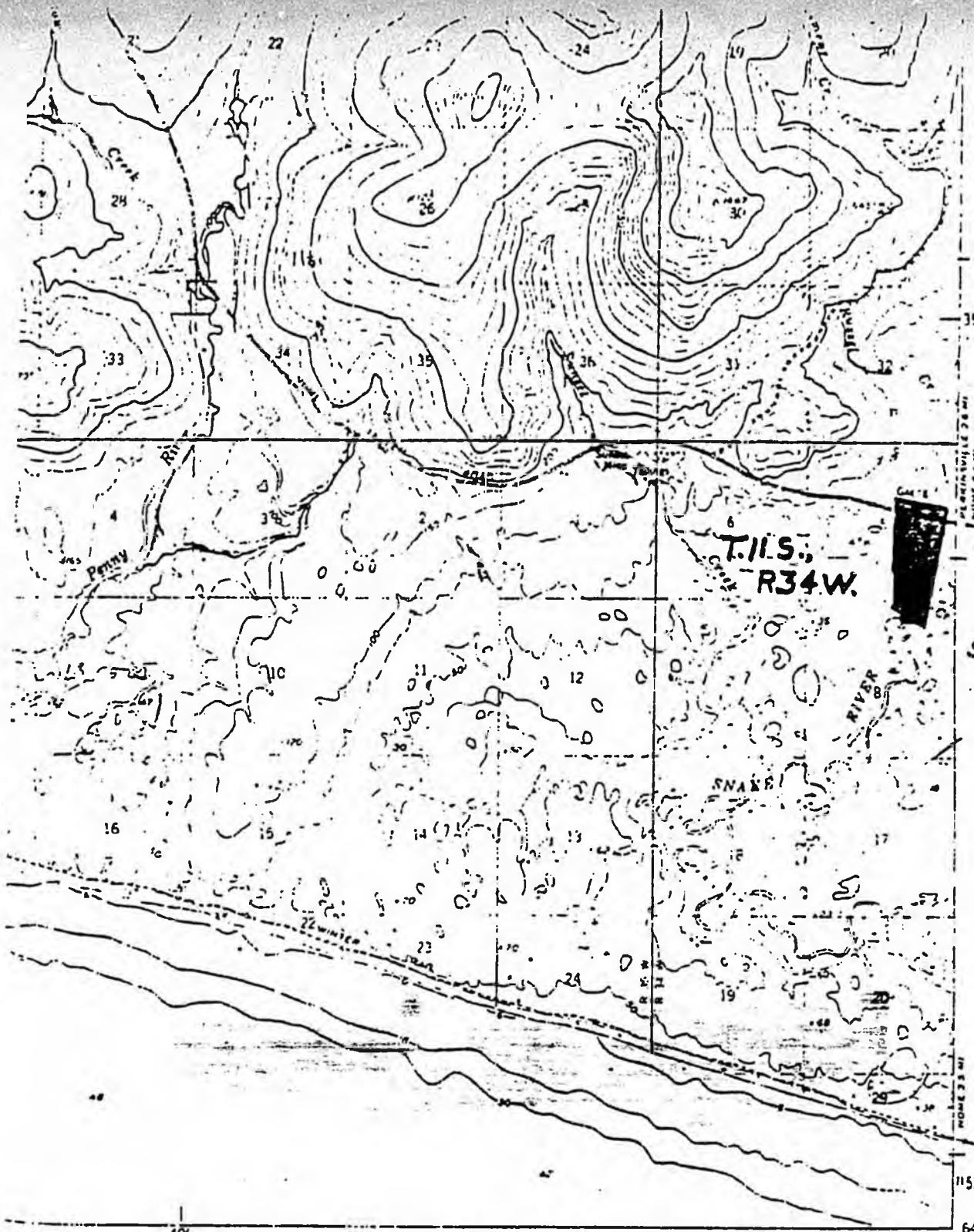
T.7S, R.28W T.7E, R.27W

Pl. of **Saler**



See T.11S, R.34W
for other pts.
of sale.

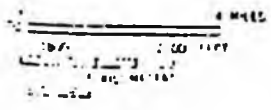
CASADERAGA



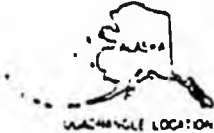
Ptn. of
Sale 27

See - T. 75.,
 R. 28. W. for
 other ptn of
 sale.

**T.I.S.
 R34W.**



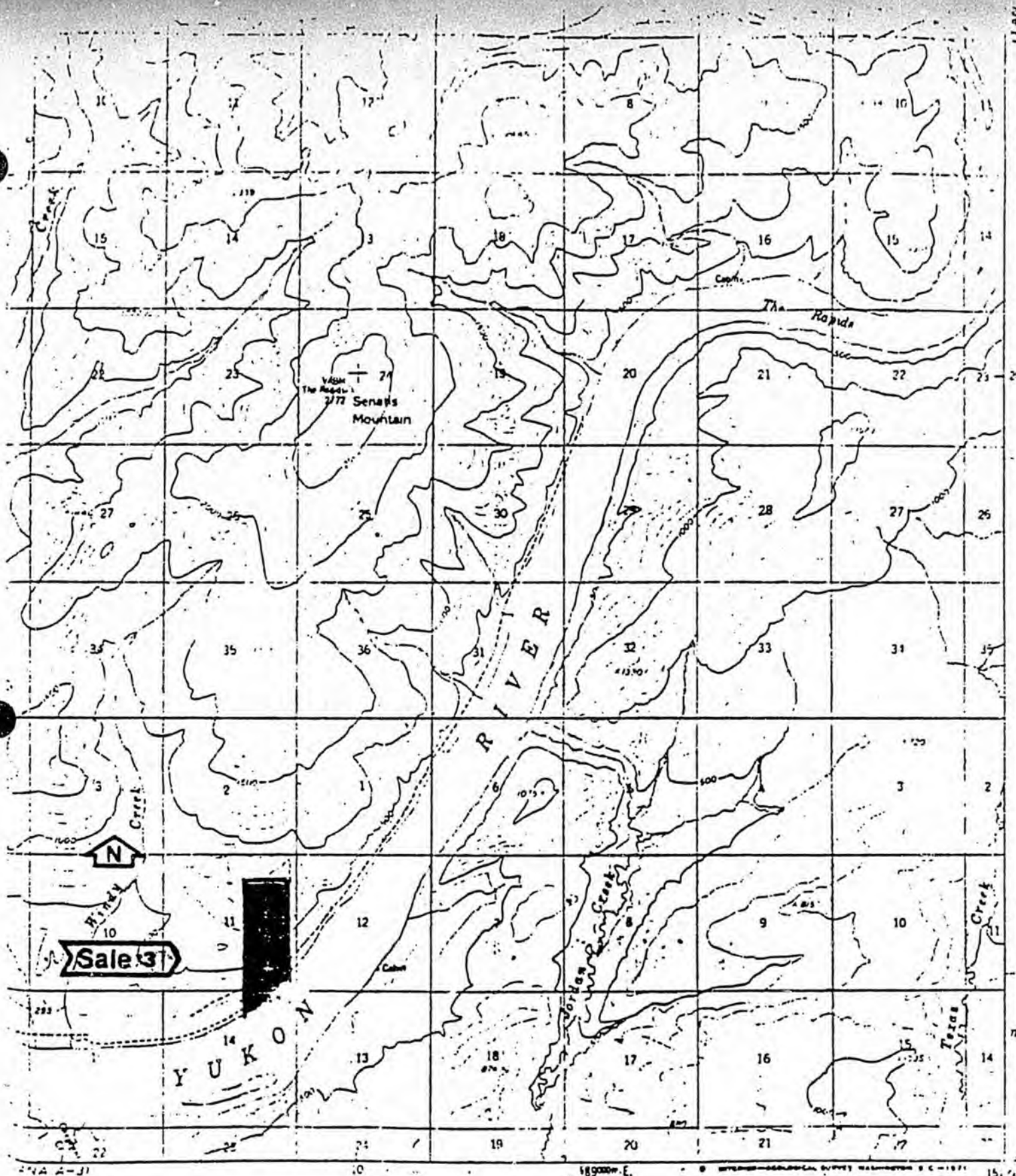
ROAD CLASSIFICATION
 Light-duty ————— Unimproved dirt



NOME (C-2). ALASKA
 N6430-716530/15x30

1950
 MAP 11-24 (17)

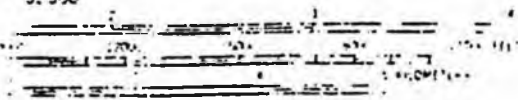
GINIA 22092
 4151



Sale 31



62360



SCALE 100 FEET TO 1 MILE



QUADRANGLE LOCATION

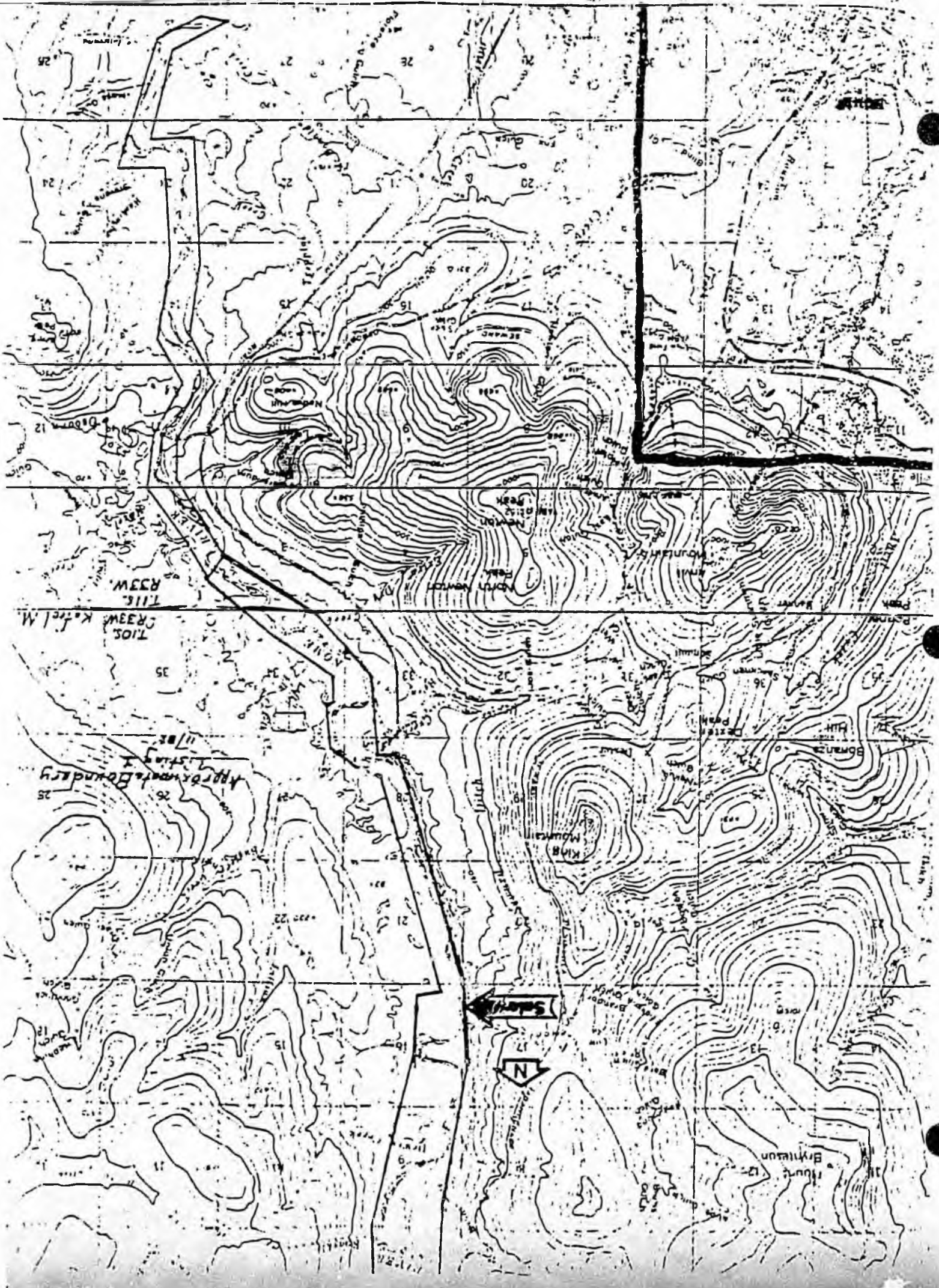
ROAD CLASSIFICATION

Trails

TANANA (B-3), ALASKA
 66515-615106/15130

1956

U.S. GEOLOGICAL SURVEY
 WASHINGTON, D. C. 20242
 MAPS AND SYMBOLS IS AVAILABLE ON REQUEST



T105
CRAW K. J. M.

T116
R33W

Approximate Boundary

Scale

N

Mount
17

BDWANA

Mountain

Jitch

DEER

HILL

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Small

Small

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40 miles NE of Nome

400 acre part

Looking Northerly



40 miles NE of Nome

400 acre part

Looking Easterly

6 miles NW of Nome

105 acre part

Looking Northerly
on Snake River



SALE NO. 3

Location: Old Jordon Homestead, north side of Yukon River below the T.A.P.S. Bridge. About 160 air miles westerly of Fairbanks

Legal Description: U.S.S. 1471, Township 5 North, Range 18 West, Fairbanks Meridian

Grantor: Jim Smith (Rampart Investment Corporation)

Instrument: Purchase of Corp.

Grantee: Joseph Vogler

Book/Page: not recorded
as a land sale

Sale Price: \$30,000

Date of Sale: 6/78

Terms: property was purchased by obtaining all the outstanding stock in a corporation. The number of outstanding stock for the \$30,000 was not obtained

Assessments: None

Size: 214.56 acres

Zoning: None

Shape: Rectangular

Use: vacant at time
of sale

Anticipated Use: Could be used for recreational subdivided acreage sites

Access: Via float plane and foot trails. No year-round roads or seasonal roads are near property.

Utilities: None

Easements/Restrictions: None

Confirmed with: Joseph Vogler

Property Description: The property is on a bluff about 50 feet above the river but has accessible areas to reach the 1/2 mile of river frontage. It has undulating topography and generally slopes toward the river with some fairly level areas. This parcel is located in the Interior Climate Zone

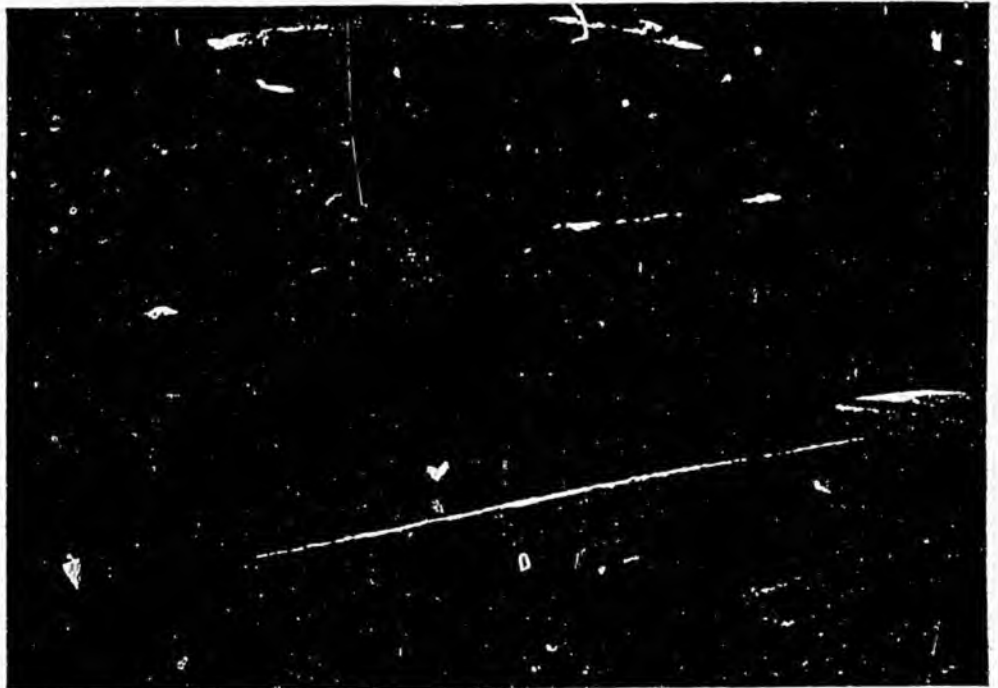
Analysis: \$30,000 div. by 214.56 acres = \$139.82 per acre

S A L E N O 3

Date Taken: 3/1/83

Yukon River
in foreground

Looking Northerly



Yukon River
in background

Looking Southerly



SALE NO. 4

Location: Approximately 8 miles northeast of Nome on the Nome River

Legal Description: Easterly portion of U.S.M.S. 498, 499, 500, 1110, 1118, 1119, 1120, 1140, 1161, 1285, and 1286. (T10&11S, R33W, Katoel River Meridian)

Grantor: Robert Ackor
P.O. Box 217 - Mt. Dora, FL
Instrument: Statutory
Quitclaim Deed

Grantee: Nome 2000, AK. Limited partner-
ship, P.O. Box 195, Fairbanks, AK
Book/Page: 303/138

Sale Price: \$350,000
Date of Sale: 10/22/82

Terms: \$10,000 down - \$65,000 at closing. 11% interest, \$3,000/month, increase to \$4,500/month on 25th month & \$5,000/month on 37th month. On 7th month and 13th month after closing, a \$10,000 balloon payment will be made

Shape: Irregular
Zoning: None

Size: 2,053.71 acres
Use: vacant at time
of sale

Anticipated Use: Subdividing acreages for building sites

Access: via Kougerak Road & Beam
Road out of Nome, AK
Assessments: None

Utilities: None
Easements/Restrictions: Grantor
has reserved all mineral rights

Confirmed with: Bob Bean/Realtor in Nome, AK

Property Description: The property involves patented mining claims on Nome River which bisects the property. Approximately 50% of the site is useable. The remainder consists of some wet and low-lying ground. Access is good to about 1/2 of the property. George Moerlein, consulting geologist, places a very low possibility of placer value on this acreage. The property is located in the Western Climate Zone.

Analysis: \$350,000 div. by 2,057.71 acres = \$170.50 per acre

5 1/2 miles E
of Nome

Southerly end of sale

Looking Northerly



About middle of
sale

old, abandoned
dredge

other homesites
not on sale

Looking Westerly

Bridge about 1/4 mile
NW of sale

Looking Southwesterly



QUALIFICATIONS OF APPRAISER

REX E. DAUGHERTY
Chief Appraiser, PNR, NPS

Appraisal Training

Two week concentrated course in the "Appraisal of Real Property," sponsored by the Montana State Highway Commission, March 1961

AIREA Course I, "Basic Appraisal," University of Missouri, Columbia, Missouri, two weeks - August 1967

AIREA Course IA, "Basic Appraisal," Seattle Pacific College, Seattle, Washington, two weeks - July 1974

Appraisal Experience

May 1953 to May 1957 (4 years), appraiser for Doane Agricultural and Appraisal Service. Appraisals included residential, commercial and farm properties for tax assessment.

May 1957 to December 1957 (8 months), appraiser for Linn County Assessor, Cedar Rapids, Iowa. Appraisals of residential property for tax assessment purposes.

October 1960 to August 1962 (1 year, 11 months), appraiser for Montana State Highway Commission, Billings, Montana. Appraisals included ranch, farm, and commercial properties. Also qualified as expert witness in condemnation cases.

August 1962 to June 1970 (7 years, 10 months), appraiser for U.S. Army Corps of Engineers in the states of Montana, Missouri, Iowa, and New Mexico. Appraisals included farm, ranch, residential, recreational acreage, and commercial properties. Also qualified as expert witness in condemnation cases.

June 1970 to February 1972 (1 year, 8 months), appraiser for Department of Housing and Urban Development, FHA, Spokane, Washington. Appraisals of residential properties.

February 1972 to present, Chief Appraiser for National Park Service. Appraisals included residential, recreational, commercial, farm, timber lands, and legislative land cost estimates; also, the total review and approval of all types of properties of staff and fee appraisers. Assisted U.S. Attorney's office in condemnation cases. Areas included in appraisal assignments include Washington, Oregon, Idaho, Alaska and Florida.



United States Department of the Interior

IN REPLY REFER TO

9300 (940)

BUREAU OF LAND MANAGEMENT

Alaska State Office
701 C Street, Box 13
Anchorage, Alaska 99513

AUG 4 1983

Memorandum

To: Director (311)
From: State Director, Alaska
Subject: Kaktovik Exchange Valuation Report

Subject report is attached as per your request. Please contact Ben Olson, State Appraiser if you have further questions.

Enclosures (1)
Encl. 1 - Kaktovik Report

Kaktovik Subsurface Valuation Report

Background

As a step in estimating the value of the Kaktovik lands, the Division of Minerals provided an estimate of the fair market value of the mineral resources within the Kaktovik lands. That value, \$388,522,450, was determined by analyzing a set of comparable sales to determine the expected bonuses and by doing a discounted cash flow analysis to estimate the government's share of production revenues (royalties). The government's interest in those mineral resources is limited by law. The government may never be able to capture fair market value because of these legal contingencies. To determine the value to the federal government of the Kaktovik lands, a three step contingency adjustment process was employed. That process is discussed below.

Process

The first step in determining the value of the government's interest in Kaktovik minerals is shown in Table One. The calculations in this table speak to the fact that the federal government does not receive the total fair market value of the minerals it sells. In Alaska, depending on which of several laws apply, the federal government either receives only ten or receives fifty percent of the value of bonuses and royalties. Congress has not yet stated which of these revenue sharing approaches would apply if federal lands in the Arctic National Wildlife Refuge were leased. At the present time, Alaska, under the Statehood Act is entitled to 90 percent of the reserves if minerals are leased under the Mineral Leasing Act. Therefore, Table One assumes that both approaches are likely, however, because of the existing laws it is calculated that the 10/90 split has a greater probability of occurring. A probability factor of 85 percent is assigned to the 10/90 split occurring and 15 percent probability that the 50/50 split would occur.

Table One
Estimating the Federal Interest

<u>Fair Market Value</u>	<u>Revenue Allocating System</u>	<u>Federal Share</u>	<u>Weighting Factor*</u>	<u>Weighted Value*</u>
\$388,522,450	50/50	\$194,261,225	.15	\$29,139,183
	10/90	38,852,245	.85	<u>33,024,408</u>
		Expected Oil Value -		\$62,163,591
		Expected Gravel Value -		<u>7,018,000*</u>
		TOTAL		<u>\$69,181,091</u>

*The analysis of the resource value of possible gravel deposits proceeded in four steps. First, the likely abundance of gravel was estimated. Second, the value (price times quantity) based on comparable sales was developed. Third, the estimated value was inflated to year-of-sale dollars (based on the assumption that the highest and best use of the gravel was to support future oil and gas and/or village development). Finally, these future cash flows were discounted back to the net present worth shown in the table.

Table One indicates that the federal interest in the Kaktovik minerals approximates at most, \$62,163,591 of expected value. Table Two adjusts the Table One value to reflect the fact that Congress may be unwilling to allow oil production in ANWR because of its important environmental amenities. If Congress refused to allow oil development, then the oil and gas leases could not be marketed and would, in fact, be valueless. Again, lacking clear indications of Congressional intent we must assume that closure of ANWR has a probability of .5 and opening also has an equal probability.

Table Two
Adjusting for ANWR Closure

<u>State of Nature</u>	<u>Value of Federal Interest</u>	<u>Probability</u>	<u>Expected Values</u>
ANWR Open	\$69,181,591	.50	\$34,590,795.5
ANWR Closed	0	.50	0
			<u>\$34,590,795.5</u>

Finally, the Arctic Slope Regional Corporation has a right to claim the Kaktovik lands at some future date under separate ANILCA exchange provisions (Section 1431(0)). Thus, the government must adjust the \$31,081,795 figure to reflect the fact that the government may have to exchange the Kaktovik subsurface eventually under ANILCA 1431(0) if the lands are not exchanged for Chandler Lake surface. Section 1431(0) of the Alaska National Interest Lands Conservation Act (ANILCA) sets forth some practical limitations on the government's interest in the Kaktovik minerals. That section gives ASRC an option to acquire the Kaktovik subsurface at any time within five years of a decision by Congress to open ANWR to commercial development. Should ASRC exercise the 1431(0) option, then the government would forego title to the Kaktovik minerals in exchange, on an acre-for-acre basis for in lieu subsurface lands which it selected pursuant to section 12(a)(1) of the Alaska Native Claims Settlement Act. The government should adjust its subjective evaluation of the current worth of the Kaktovik minerals to reflect the fact that it may, under 1431(0), pass title to those minerals to ASRC at some future date. If it does not do so under the pending exchange, the only approach for this adjustment process was to multiply the government's share of the Kaktovik minerals times the probability that the minerals would remain in Federal ownership. To do this,

it is necessary to consider the probabilities of three separate events and then multiply them together to estimate the joint probability of all three occurring (more correctly, the conditional probability that event C will occur, given event B had occurred, given event A had occurred). Those three events are (a) that Congress will not alter, restrict, or withdraw ASRC's 1431(0) option, (b) that ASRC will choose to exercise its 1431(0) option, and (c) that the Kaktovik Village Corporation will concur in the exercise of the option. The probability that Congress will not abridge ASRC's option was set at .94 because of the 14 substantive sections of ANILCA as passed into law in December of 1980, Congress has only attempted to revise one section (hunting on the National Preserve) for a probability of .06 (1/14) any Congressional revision(s). The probability that ASRC would exercise its 1431(0) option was set at .99 (99 chances in 100 that ASRC would exercise the option); 1 chance in 100 was reserved for the fact that nothing is certain about the future. To say that there were 100 chances in 100 that ASRC would exercise the option would be to argue that ASRC must do so and the law does not require an exchange. The probability that the Kaktovik Village Corporation would concur was set at 90 percent because Kaktovik has stated, in a letter to the Secretary, that they support the proposed exchange. There is a small possibility of Kaktovik changing its mind and not concurring. The joint probability of all three events occurring was, therefore, set at .84 (.94 x .99 x .90).

Table Three
Outcome When Either (A) the Chandler Lake Exchange had
not Occurred Subsequently ASRC Exchanges Under 1431(0) or (B) ASRC had
not Exchange for Chandler Lake and is Unable to Exchange Under 1431(0).

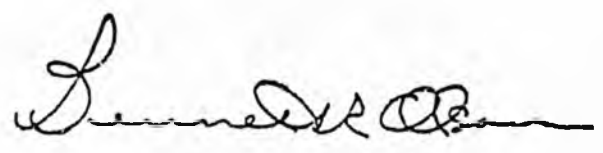
<u>Outcome</u>	<u>Value of this outcome States of Nature</u>	<u>Probability This Outcome</u>	<u>Expected Value</u>
No Chandler Lake Exchange and No 1431(o) Exchange; Therefore, Kaktovik Lands Retained by the Federal Government	\$34,590,795.5	.16	\$5,534,527.28
1431(o) Exchange; Takes Place and Other Subsurface is Acquired by the Federal Government	464,430.8*	.84	391,121.87
			<u>\$5,924,649.15</u>

*Assumes that the federal government acquired 92,000 acres of subsurface from ASRC under Section 1431(0). This further assumes that the acquired acreage is offered in 1986 at a noncompetitive sale in 640 acre tracts earning, at a \$75.00 filing fee per tract, \$10,800 for the 144 tracts with a present worth of \$7,376.40 at 10 percent discount. This figure includes a 10 year lease at \$100 per acre per year with a 10 percent discount rate.

This valuation considers approximately 300 acres of Kaktovik townsite subsurface and 1600 acres of subsurface beneath Native allotments in the exchange area.

Conclusion

Based on the analysis presented above, we estimate the value of the federal interest in the Kaktovik land to be \$5,924,649.15 (1983 dollars).



Bennett R. Olson
Chief State Appraiser

FIGURE USING BONUS ONLY

Valuation Using Bonus Only

Values adjusted by same process as shown in the three-step process of the report.

\$111,855,000.00	\$55,927,500.00	\$ 8,389,125.00
	11,185,500.00	<u>9,507,675.00</u>
		\$17,896,800.00
\$17,896,800 00	.50	\$12,457,400.00
<u>7,018,000.00</u>		
\$24,914,800.00		
\$12,457,400.00	.16	\$1,993,184.00
\$464,430.80	.84	<u>\$390,121.87</u>
		<u>\$2,383,305.87</u>



United States Department of the Interior

9380 (010)

BUREAU OF LAND MANAGEMENT

Anchorage District Office
4700 East 72nd Avenue
Anchorage, Alaska 99507

IN REPLY
REFER TO:

August 3, 1983

Memorandum

To: State Director (940)

From: District Manager

Subject: Kaktovik Inupiat Corporation Exchange Lands - Errors in Calculation of Subsurface Value

We have noted several arithmetic errors in the calculation of royalty value furnished to you on July 25. Also, the earlier calculation did not take into account the fact that the land would not be available for leasing prior to 1987 under terms of ANILCA. Assuming a 10-year delay between lease acquisition and first production, the royalty income would be delayed 14 years from the present. This results in a considerable reduction in the estimate of royalty value, which is only partially offset by the inflation in oil prices.

The corrected value is as follows:

Bonus bid value (Enclosure 3 of July 25 memorandum)	= 111,855,000
Royalty value (See enclosed calculation)	= <u>276,667,450</u>
	388,522,450

Richard J. Vermeil
District Manager
Acting

Enclosure

ESTIMATED ROYALTY VALUE - KAKTOVIK INUPIAT CORPORATION EXCHANGE LANDS

Assumptions for Royalty Calculation:

Reserve Base:	570 Million Barrels (Bascle, 07/15/83)
Recovery Factor:	0.31
Recoverable Reserves:	177 Million Barrels
Oil Price, 1983:	\$17/BBL
Oil Price Inflation Rate:	0.065 -
Discount Rate:	0.09 -
Earliest Availability for Leasing:	1987
First Production:	1997 (10-year Delay)
Peak Production:	1998-2002
Abandonment:	2015

<u>Year</u>	<u>Oil Price</u>	<u>Production</u>	<u>Royalty Production</u>	<u>DCF to Government</u>
1997	\$ 41.03	11,151,000	1,858,871	20,691,909
1998	43.70	14,868,001	2,478,495	26,850,106
1999	46.54	14,868,001	2,478,495	26,138,119
2000	49.57	14,868,001	2,478,495	25,444,098
2001	52.79	14,868,001	2,478,495	24,767,965
2002	56.22	14,868,001	2,478,495	24,105,991
2003	59.87	13,098,000	2,183,436	20,667,198
2004	63.76	11,328,000	1,888,377	17,518,624
2005	67.90	10,089,000	1,681,836	15,073,960
2006	72.31	9,027,000	1,504,800	13,133,618
2007	77.01	7,965,000	1,327,765	11,278,305
2008	82.02	7,079,999	1,180,235	9,777,090
2009	87.35	6,372,000	1,062,212	8,536,148
2010	93.03	5,664,000	944,188	7,378,376
2011	99.07	5,133,000	855,671	6,527,392
2012	105.51	4,602,000	767,153	5,665,962
2013	112.36	4,071,000	678,635	4,880,091
2014	119.66	3,717,000	619,623	4,374,501
2015	127.44	3,363,000	560,612	3,857,997
		177,700,004	29,505,889	276,667,450



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Anchorage District Office
4700 East 72nd Avenue
Anchorage, Alaska 99507

IN REPLY REFER TO

9380 (015)

COPY

Memorandum

To: State Director (940)

From: District Manager, Anchorage District Office (015)

Subject: Appraisal of Assumed Gravel Resources, Kaktovik Inupiat Corporation (K.I.C.) Exchange Lands

Enclosed is an appraisal of gravel resources of the subject lands by Robert Bascle of the District Minerals staff. Please note the disclaimer in paragraph one, regarding the lack of information on the existence of gravel in the area, to say nothing of the volume or quality.

As in the case of subsurface data on the oil and gas resource, more definitive information on the gravel resources of the coastal plain of the Arctic National Wildlife Refuge should be forthcoming as a result of the ANILCA Sec. 1002(h) studies.

The District Minerals Division plans to have a geologic field party in the section 1002 study area during the latter part of this month. A cursory examination of possible gravel deposits could be included in this program, but any such activity on the KIC lands would probably require permission from the village or regional corporation. In any case, the primary objective of this years field work is to examine and sample bedrock outcrops for hydrocarbon source and reservoir properties, and the time available for examination of surficial deposits would be limited.

Enclosure



United States Department of the Interior

9380 (015)

BUREAU OF LAND MANAGEMENT

Anchorage District Office
Division of Mineral Resources
411 West 4th Avenue, Suite 2A
Anchorage, Alaska 99501

AUG 02 1983

IN REPLY
REFER TO

Memorandum

To: Assistant District Manager for Mineral Resources

From: Robert Bascle, Geologist, Branch of Resource Evaluations

Subject: Gravel Appraisal Report, Proposed Exchange with Kaktovik Inupiat Corporation

The existence of mineable gravel deposits in the proposed exchange area is unknown. The only apparent gravel deposits are the offshore barrier islands and the beds of the rivers flowing through the proposed exchange area. Knowledge of the existence of deposits other than these would require on-site field examinations to first identify the deposits. This examination would then have to be followed by a drilling and trenching (probably with a bulldozer) program to measure the quantity and quality of gravel present. Once the deposits have been identified and measured, the value would then depend upon the existence of a market for the gravel. Possible markets include the construction of roads, the development of building sites, airfields, docks, and drill pads if the area is opened to oil and gas exploration.

Use of the gravel from the barrier islands and/or river beds would require political decisions and the changing or reinterpretation of regulations. The North Slope Borough Coastal Zone Management Plan (part 5-5.6) "prohibits the mining of beaches, barrier islands, or offshore shoals unless no alternatives exist for extraction of the resource. In those circumstances, substantial alteration of shoreline dynamics is prohibited."

As pointed out by this office in the resource appraisal for the proposed exchange in the Barrow area, the value of North Slope gravel deposits is a matter of speculation. Roberts and Tremont, in Minerals Management Service Technical Paper 7, of October 1982, estimated the cost of moving fill in the Beaufort Sea as varying between \$15 and \$20 per cubic yard. This, however, does not establish a value on in situ gravel. The nearest gravel appraisal is at Prudhoe Bay. Leland P. James, a professional appraiser, in a report for the State of Alaska Department of Natural Resources, estimated the in-place value for the first user-developer at \$.25 per cubic yard. As for the total value of the gravel in the Kaktovik area, I do not know how much is there nor how much would be allowed to be removed.

Based on U.S. Geological Survey topographic maps, I estimate about 3,400 acres could be underlain by gravel deposits in the firmly established exchange area. In addition, up to about 2,400 acres of gravel deposits could underlie the additional, unspecified township to which the Kaktovik Inupiat Corporation

is entitled. As a hypothetical case, if the top 3 feet of gravel were removed in these areas, at 25 cents per cubic yard, they could be worth about \$4,114,000 and up to \$2,904,000, respectively.

This appraisal is based on the unverified assumption than mineable gravel is present. Undoubtedly, this will be challenged. The alternative, however, is to assume no value simply because there is no information available to determine value. We think that neither approach is justified.

Robert J Bascle

Robert J. Bascle

FEB 12 1987

Memorandum

To: DSD (980)

From: J. E. Callahan

Subject: Tract Evaluation Review Process - ANWR Coastal Plain

I have listed below a few questions that might be appropriate for the Review Panel to consider. It might be worthwhile to get some responses on the record.

1. Would you use the values from this analysis as the basis for acceptance or rejection of bids in a competitive lease sale?
2. If not, why do you feel that a different type of analysis (and different values) are appropriate for this land exchange evaluation, as opposed to a normal lease-sale situation?
3. Given the current level of knowledge about the 1002 area, how would you proceed in evaluating tracts for a competitive lease sale? That is, what would you do differently from the process currently under review?
4. Do you feel that it would be in the interests of the State of Alaska to understate the resource potential of the 1002 area?
5. What do you think of the State's area and conditional deposit probabilities? Do you think they apply to the minimum possible resource levels? Is the State wrong, too, in this respect?
6. Do you agree or disagree with the State's comments on the adequacy of data for a tract evaluation at this time (see enclosure 1)?
7. If you agree with State's comments about data adequacy, do you believe that the levels of certainty implied by the risk factors used in the analysis under review are appropriate?
8. Having reviewed the analyses and assumptions, in what category would you place prospects in the 1002 area, using the qualitative criteria used in the Gulf of Mexico OCS, assuming the Ellesmerian section is the "productive trend"? (See enclosure 2). Should ANWR prospects be risked at the same level as drainage or development tracts?

9. If you believe that the Gulf of Mexico criteria are inappropriate for the area under review, could you provide some reasons, and possible alternatives?
10. What do you think the National Academy of Sciences means by a "significant field" (see enclosure 3)? How should that be defined for the 1002 area?
11. How should a "significant field" be risked? Would the Gulf of Mexico criteria be appropriate, once a "significant field" has been defined?
12. Do you believe that it would be worthwhile to review one or two prospects a little more detail, possibly to define some realistic minimum volumetric parameters that would be consistent with a producible oil field on the north slope, while still remaining within the existing ranges of values?

If comments on the draft 1002 report indicate a legitimate technical (not political) reason for re-examining the resource estimates, some well thought out answers to the above questions might be useful for that purpose as well as the tract evaluation.

/s/ Jim Callahan

cc: Kareia
Schrott
Horton
Berman
McHullin
SD
Henge
Broughan

**THE ARCTIC
NATIONAL WILDLIFE REFUGE
COASTAL PLAIN:
A PERSPECTIVE
FOR THE FUTURE**

**MARCH
1987**

A Report to the United States Congress



**National Wildlife Federation
1412 Sixteenth Street, N.W.
Washington, D.C. 20036-2266**




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RECEIVED

MAR 20 1987

Alaska Oil & Gas Corp. C. - 11111111
Anchorage

SUMMARY OF REPORT AND RECOMMENDATIONS

The Alaska National Interest Lands Conservation Act (ANILCA), passed in 1980, created a variety of natural resource lands in Alaska, but it did not resolve a pressing problem concerning the possible presence of oil and gas resources in the coastal plain of the 19-million-acre Arctic National Wildlife Refuge in northeastern Alaska.

Congress determined that more information should be available before decisions about the conflicting recommendations could be made -- one for oil and gas leasing and the other, the protection of extraordinary fish and wildlife resources. The Department of the Interior was instructed to conduct a study of the various resources of the area and frame a recommendation to Congress, which would make the final decision (Section 1002(h), ANILCA).

The draft results of the five-year study were released in November, 1986, with a recommendation that the whole of the study area be leased immediately for oil and gas development. Written as a resource assessment and an environmental impact statement, the study does not provide information adequate for making such a far-reaching a decision.

The National Wildlife Federation finds the study to be seriously flawed in a number of ways. It does not provide answers to many of the critical resource questions involved and because of the questionable process by which the conclusions were reached. Information clearly indicating oil and gas development would have environmental impacts that could not be accommodated without jeopardizing fish and wildlife resources, including the internationally important Porcupine caribou herd, was discounted or disregarded by appointed officials of the Interior Department.

Because there is such a great disparity between the information available and the assumptions upon which the full lease recommendation was based, the National Wildlife Federation has prepared a detailed report for the use of Congress and the general public outlining the most obvious shortcomings of the Interior study.

The fundamental conflict is between the possibility of finding oil and gas reserves in the Arctic coastal plain and the known values of a large and productive arctic ecosystem providing benefits important to native subsistence users, to citizens of several nations, and to a world-class national wildlife refuge set aside more than a quarter-century ago for all citizens of the nation.

The National Wildlife Federation proposes legislation that would establish a nine member Commission charged with the responsibility for reviewing the information presently available, securing additional information as necessary, and making a report and recommendations of its own to the Congress.

The National Wildlife Federation advocates an orderly, thoughtful, and scientifically-based consideration and recommendation, based on the accumulation of sound information.

The Federation recognizes, also, that there are parts of the study area of overwhelming value because of the natural resources involved, including the principal calving and insect-relief areas for the Porcupine caribou herd. We recommend this key part of the study area be set aside immediately as legislatively-designated Wilderness, to protect these irreplaceable resources, and to complement Wilderness designation already made of adjacent lands of the Arctic National Wildlife Refuge.

III. CRITICAL CONCERNS: GEOLOGY

The geologic information presented by the Department of the Interior in the Draft Assessment is limited. The detailed data supporting Interior's geologic evaluation of the coastal plain area are not presently available, and are not scheduled for publication until August, 1987. Without this information, any review of the geologic conclusions of the Draft Assessment is limited to the summary geological and geophysical information provided in Chapter III.

Due to these shortcomings, the National Wildlife Federation retained the services of a respected consulting geologist to review the geologic information and conclusions of the Draft Assessment. The report by Mr. Thomas R. Marshall, Jr., a former chief geologist for the State of Alaska, is in the Appendix of this report.

The Department of the Interior both exaggerates and understates the oil and ~~gas~~ potential of the coastal plain. The Draft Assessment exaggerates the probability of recoverable oil being present in the coastal plain. At the same time, its estimate of potential hydrocarbon resources appears conservative.

The Executive Summary, as well as the public pronouncements of the Department, do not stress the fact there is only a 19% probability (or a one-in-five chance) that any economically recoverable oil is present in the area studied. Instead, the public has been encouraged to believe that major oil and gas reserves exist under the coastal plain, a conclusion not supported by the existing information.

The Draft Assessment is based largely upon seismic exploration and some shallow stratigraphic drilling. Such efforts may be able to identify potential oil- and gas-bearing geologic formations, but they cannot determine whether oil and natural gas is present in commercial quantities in those formations. It is usual for only a few of these kinds of formations to hold producible hydrocarbons. Nationally, the Bureau of Land Management estimates that only 1 in 16 wells drilled into identified structures in unproven areas (so-called "wildcat" wells) produce significant amounts of oil or gas. It should be noted also that the presence of oil seeps in the area of some of these formations and the proximity to Prudhoe Bay does not guarantee that producible oil and gas will be found.

Without access to the detailed information supporting the conclusions the Draft Assessment reaches about oil and gas potential, it is difficult to determine exactly how the study team determined there is a 19% probability (a one-in-five chance) of finding economically producible oil and gas in this area. This estimate, which is optimistic, appears to make the most of all the known and inferred geologic factors.

? Is this their interpretation of 16%?

While the Draft Assessment exaggerates the probability that producible hydrocarbons are present, it appears conservative in its assessment of the "potential" hydrocarbon resources. The potential hydrocarbon resources of the coastal plain would appear to be greater than stated for three reasons: (1) the conclusion that any natural gas found would be economically recoverable is questionable, (2) the potential resources of "stratigraphic traps" were not considered in estimating recoverable resources, and (3) no prospects were defined in the detached Mesozoic and Tertiary rocks.

The most significant oversight is the first – the fact that the report ignores potential natural gas production. Given the potential lifetime of any development in this area, natural gas production would appear to be a possibility. However, neither the economic nor the environmental consequences of producing natural gas from the coastal plain have been examined.

To date, the geologic studies of the coastal plain have been of a reconnaissance nature. In order to determine fully the nature and extent of the coastal plain's potential hydrocarbon resources, a series of additional steps would have to be taken. Additional seismic work could help define some structures, particularly smaller structures. Stratigraphic test wells could help determine whether oil-bearing rock formations exist in the identified structures.

Such steps would help refine the prospect areas, reduce the uncertainty of the resource estimates, and perhaps eliminate some areas from consideration for further exploration. Exploration wells would be necessary eventually to determine whether hydrocarbons are present in the structures identified. If oil or gas is present, delineation wells would be necessary to define the extent of producible reserves.

The first issue which Section 1002(h)(1) mandates the Department of the Interior to address regarding the coastal plain – whether oil and gas are present, where, and in what quantities – is not resolved by the Draft Assessment. Moreover, the Department of the Interior fails to examine and recommend any responsible course of action to determine the oil and gas potential of the area. Instead, it simply sidesteps critical issues and recommends that the entire area should be leased for development.

Information which is not presently available will be critical to determine the hydrocarbon resources of this area. Obtaining that information, however, will require additional exploration and exploratory drilling. Yet, as the Draft Assessment notes, even one exploratory well would pose significant adverse environmental impacts to the resources of the coastal plain.

The 1.5-million-acre study area contains 75% of the coastal plain of the Arctic National Wildlife Refuge and is the most productive biological component of the refuge. The productivity of the coastal plain is, in large part, because 99% of the area is a wetland and is rich in variety and zones of transition. According to the Draft Assessment, the 1002 area is "the only conservation system that protects, in an undisturbed condition, a complete spectrum of the various Arctic ecosystems in North America."

Permafrost underlies the region, but few data are available on ground ice and permafrost. Only one well has been drilled through the permafrost in the 1002 area and the results are held as proprietary information. The well was drilled by private interests on the Kaktovic Inupiat Corporation (KIC) subsurface ownership tract within the study area.

Annual precipitation is slight, although comprehensive meteorological records for the study area are not available. Likewise, there are few air quality data for the 1002 area, but the Draft Assessment reports that temperature inversions occur frequently.

Fresh water resources on the Arctic National Wildlife Refuge generally are limited and are confined largely to the surface as a few large lakes. Most of these lakes freeze solid during the winter months. In contrast, water is abundant during early spring as meltwater is released.

Water resources on the coastal plain are more limited. According to the Draft Assessment, the river environments on the coastal plain are among the most complex in the area. Because the rivers are shallow and rely on spring melt for most of their flow, they are dry throughout the winter. Numerous intermittent springs dot the study area and are a seasonal water source. The exception is Sadlerochit Spring, which flows year-round and maintains fish throughout the winter.

Gravel: According to the Draft Assessment, gravel resources -- which are critical to all phases of oil development on the Arctic coastal plain for roads, drilling pads, and waste disposal pits -- are in short supply and are not readily available. Potential sources of gravel include upland sites that could be mined, and river terraces, streambeds, and lagoons. Extracting the amounts of gravel necessary for development to proceed would impact the local environment and many of these (i.e., mining upland sites) may be difficult, if not impossible, to mitigate.

Not only does the Draft Assessment concede that "the availability of adequate gravel supplies on the 1002 area is uncertain", but it fails completely to quantify the amount of gravel needed for all phases of development, or identify gravel sources. Furthermore, the report is silent on the environmental impacts related to the development, extraction, and transportation of gravel. There is no explanation of how upland areas will be restored;

the Draft Assessment admits it "will be extremely difficult to rehabilitate to pre-project natural conditions."

There is no indication of what the impacts of gravel removal from floodplain environments will be. According to the Alaska Fish and Game Department, this activity disrupts flow patterns, contributes to siltation, causes fish blockage and entrapment, reduces protective cover, and diminishes fish populations. Experiences at Prudhoe Bay do not suggest that gravel extraction sites can be rehabilitated for fish and wildlife. The Alaska Department of Fish and Game noted in their comments that no sites in the Prudhoe Bay/Kuparuk development areas yet have been rehabilitated to improve the site for fish and wildlife. Until such rehabilitation is attempted, an accurate assessment of impacts of gravel extraction to fish and wildlife cannot be made.

As reported throughout the Draft Assessment, fresh water resources on the 1002 study area are extremely limited. This is especially true for groundwater since permafrost barriers prevent the infiltration of what little surface water there is. Furthermore, much of the groundwater in the 1002 area is saline. Given the lack of fresh water, developers must look to the Beaufort Sea as a potential source of water for oil development on the coastal plain.

As with gravel, abundant water supplies are critical to all phases of oil development on the coastal plain. According to the Draft Assessment, the water needed for a single exploratory well is estimated to be 15 to 20 million gallons during the period of drilling. As with gravel, there is uncertainty as to the source of this water. The Interior Department admits that locating water resources for exploration alone, "poses a major problem on the area"; that "ideas on how to overcome the problem ... must be innovative"; and that the lack of water presents a "major engineering obstacle."

The lack of specificity that plagued the Draft Assessment's discussion on gravel also colors the report's narrative on water. Whereas estimated water needs are provided for certain phases of a full lease option (e.g., ice roads require 1.5 acre-feet/mile; seismic trains require 2,000 gallons/day; production camps require 10,000 to 30,000 gallons/day), the report fails to evaluate total water requirements for full-scale development. The estimates provided in the Draft Assessment are vulnerable to the same problems described for gravel.

The lack of a comprehensive review of water requirements precludes meaningful discussion and an objective assessment of whether or not oil development on the area is even physically possible. Indeed, by reporting that "the large quantities of water required to develop drilling on 1002 are not available," the Interior Department implies, but does not make a part of its decision, that full-scale production from the Arctic National Wildlife Refuge is unrealistic.

pre-project

The Draft Assessment makes no effort to reconcile these inconsistencies. Instead, various engineering solutions are proposed that "might" overcome the obstacle of water availability. At this juncture, Interior views pits and the excavation of catchments as the most likely means to resolve the water issue. This is suggested despite little or no state-of-the-art information with which to judge whether such catchments are realistic, from a physical and an economic perspective. The Draft Assessment is disquietingly uncertain about meeting the water requirements for oil development, a pivotal defect, considering the overwhelming importance of water.

More importantly, the Draft Assessment only superficially explores the environmental trade-offs and consequences of such a strategy. For example, the Interior Department concludes that streambed-pool development will cause only minor impacts to fishery resources, and at the same time observes that taking the quantity of water necessary for oil development will result in major adverse impacts. According to the Draft Assessment, "overwintering habitat is probably the greatest limiting factor for arctic anadromous and freshwater fish populations," yet these very habitats will be affected by oil development. Studies conducted by the Alaska Fish and Game Department have shown that water available in winter is likely a limiting factor for arctic cisco and that overwintering freshwater habitat in large rivers is reduced 95% from summer conditions. At this time too little is known about how pit construction adjacent to or in streambeds will affect fish and wildlife resources. It is therefore inappropriate that pit and catchment construction precede comprehensive investigations to assess the potential impacts this activity will have on arctic biota in the region.

The Draft Assessment has two major deficiencies related to the critical issues of land and water resources. First, it fails to predict the quantity of water that would be required for full-scale oil development on the area. Equally important, the report does not address the issue of how gravel and water requirements are to be met, let alone whether a full development scheme can be supplied. Second, the Draft Assessment provides little information and credible evidence with which to evaluate environmental impacts which might result from developing the land and water resources to support oil exploration and field development.

VIII. CONCLUSIONS AND RECOMMENDATIONS

In Section 1002(h) of ANILCA, Congress provided instructions to the Secretary of the Interior to guide him in the preparation of information and recommendations that would be useful to Congress in making the final decisions about the coastal plain of the Arctic National Wildlife Refuge. Those instructions were:

"Not earlier than five years after December 2, 1980, and not later than five years and nine months after such date, the Secretary shall prepare and submit to Congress a report containing:

- (1) the identification by means other than drilling of exploratory wells of those areas within the coastal plain that have oil and gas production potential and estimate of the volume of the oil and gas concerned;
- (2) the description of the fish and wildlife, their habitats, and other resources that are within the area identified under paragraph (1);
- (3) an evaluation of the adverse effects that the carrying out of further exploration for, and the development and production of, oil and gas within such areas will have on the resources referred to in paragraph (2);
- (4) a description of how such oil and gas, if produced within such area, may be transported to processing facilities;
- (5) an evaluation of how such oil and gas related to the national need for additional domestic sources of oil and gas; and
- (6) the recommendations of the Secretary with respect to whether further exploration for, and the development and production of, oil and gas within the coastal plain should be permitted and, if so, what additional legal authority is necessary to ensure that the adverse effects of such activities on fish and wildlife, their habitats, and other resources are avoided or minimized (16 U.S.C. Section 3142(h)).

As has been pointed out in this report, the Draft Assessment does not, in fact, provide this information, yet proposes that a dramatic risk be taken in the process of going from the incomplete level of information now available to the leasing for exploration and possible development the whole of the 1002 study area. This recommendation does not serve the Congress well and is a clear abrogation of responsibility to the people of the

United States -- not to mention obligations to citizens of nations with whom the United States has arranged treaties for the mutual protection of the very resources the Arctic National Wildlife Refuge was established to protect.

Even in light of the array of deficiencies evident in the process by which the Assistant Secretary's recommendations were developed, the National Wildlife Federation recognizes there are several options at hand for the future use of the coastal plain area. We believe those options remain available and should be pursued -- or closed off -- only as credible, well-documented, and appropriately-focused information is available.

As we have suggested, there are many areas in which further information is necessary, and several key elements must be weighed carefully. These include the fundamentally critical issue of cumulative impacts studied against the background of worldwide arctic development.

A second important issue is that of viewing the Arctic Refuge coastal plain and its as-yet-uncertain oil and gas resources in the context of a total national energy policy. Without thoughtful consideration of these elements, it will be impossible to gauge the merits of decisions that will affect a singular and widely-recognized natural treasure of the kind represented by the Arctic National Wildlife Refuge and its varied resources.

Recognizing it is in the national interest to continue to consider the questions raised by Congress at the passage of ANILCA, and reflected in Section 1002(h), the National Wildlife Federation proposes the establishment of a Commission to guide a process of identifying information needs, securing that information, and making a recommendation or recommendations to Congress about the use of the resources of the coastal plain of the Arctic Refuge.

The Commission

We propose that a nine-member Commission be established by an Act of Congress to review the critical issues surrounding the potential development of petroleum resources on the Arctic Refuge, and to make recommendations to Congress regarding the future management of the Refuge and the disposition of any oil and gas resources which may exist there. The Commission should be comprised of nine members, with three appointed by the House of Representatives, three by the U.S. Senate, and three by the President. One Commissioner should be designated Chair of the Commission, and that person should be authorized to assure overall responsibility for executing the Commission's work and hiring staff. Funds necessary for the Commission to conduct its work should be authorized and appropriated by Congress.

The Commission's charter should set forth the following responsibilities for the Commission:

1. The Commission shall review the provisions of Section 1002(h) of ANILCA, plus all data developed by Department of the Interior agencies, other government agencies, and private interests, in their efforts to fulfill the requirements of Section 1002(h). Based upon this review the Commission should determine the extent to which the requirements of Section 1002(h) have been or have not been fulfilled by the Department of the Interior, and the additional information that is needed to fulfill the mandate set forth by Congress in Section 1002(h).

2. Upon determining the data needs that must be fulfilled to satisfy the requirements of Section 1002(h), the Commission will establish a process for acquiring the needed information. In addition to its own staff, the Commission will be authorized to seek the guidance of outside experts to assemble existing information, or direct studies to provide that information, and to hold hearings to ascertain the views of the public.

3. The Commission shall consider the implications of oil and gas exploration and development in the context of the cumulative impacts that the entire range of oil and gas exploration and development activities has upon the attributes of the total ecosystem of the Refuge, including its land and marine mammals, migratory birds, aquatic life, and marine and atmospheric resources. Furthermore, the Commission should be especially cognizant of the special environmental characteristics of the arctic ecosystem, and the fact that the arctic environment responds to human alterations of the environment in a manner far different from that experienced in more temperate climates.

4. After acquiring the data necessary upon which to base decisions, and after the Commission has considered the potential impacts of oil and gas exploration and development activities on the environmental values of the Refuge, and upon the arctic biome as a whole, the Commission shall make its recommendations to Congress regarding whether and to what extent exploration and/or development activities should proceed within the coastal plain. These decisions must provide reasonable assurance that all environmental and habitat values will be fully protected from adverse impacts. This recommendation shall be made recognizing: (1) the unique wildlife values presented in the Arctic Refuge; (2) the special problems posed by industrial development upon the arctic environment; (3) the cumulative impacts of industrial development in other nations within the arctic biome; and (4) the nation's national security needs.

5. The Commission shall initiate a public process for the review of the procedures, merits, and benefits of any proposed land exchanges with any entity or related proposals for the disposition of publicly-owned subsurface mineral rights in the Section 1002 study area in exchange for surface rights elsewhere in Alaska.

6. The Commission should make its findings and recommendations to Congress within two years of its creation. The Commission's charter may be extended by Congress, if necessary. The Commission shall have no authority to execute any of its recommendations, or alter the current management mandate of the Arctic National Wildlife Refuge, or take other actions inconsistent with the law. These prerogatives shall remain the responsibility of Congress.

The Commission can reach a number of conclusions, including one that advises nothing be done at this time. On the other hand, it is possible that an informed decision can be reached regarding orderly and cautious exploration, development and extraction of petroleum resources that may be found in the area. The most important responsibility, however, will be to ascertain that recommendations made are based upon long-term interests of the nation and that no premature judgments are made.

The National Wildlife Federation believes a Commission to which are appointed individuals of the highest caliber who have a strong sense of the long-term needs and values of the country, and who are able to view the broad context of their complex decisions, will reach conclusions and make recommendations to Congress that will represent the best interests of the Nation and fulfill our responsibilities to present and future generations to be stewards of economic and environmental resources.

Special Protection

At present, the Section 1002(b) study area is subject to the provisions of ANILCA requiring it to be managed as if it were a Wilderness Area until a decision is made about the use of the sub-surface resources. If no decision is made by the Congress the status quo continues. The Congress may also decide formally to designate the coastal plain as part of the National Wilderness System. The area would be contiguous to areas to the south and east that were designated as wilderness at the passage of ANILCA.

In addition, the coastal plain is a part of the National Wildlife Refuge System and is subject to the controls and protections provided in law to that System. A significant feature of that protection is the requirement that a determination be made as to the compatibility of proposed uses with the purposes for which the refuge was established. If these purposes and the proposed uses are not compatible, the use cannot be permitted.

The varied fish and wildlife and habitat resources of the coastal plain are intertwined and interdependent. They form a natural system bound together by the requirements of the organisms and the complex processes affecting the system. It would be inaccurate biologically to suggest that one part of the area is more important than another.

since all parts of it represent habitats suited to and important for an array of fish and wildlife.

Furthermore, the entire coastal plain has characteristics of wildness and the absence of disturbance that qualify it for designation as Wilderness. Even so, as Congress recognized in 1980, there are mixed values in the coastal plain and it was the charge of Section 1002(h) that these values be assessed and weighed.

However, within the study area there is what might be termed "prime" Wilderness. This is in the southeast segment of the plain, including Sadlerochit Spring and extending northeastward to Angun Point on the Beaufort Sea coast (see Map 4). This should be designated as Wilderness, immediately, and be managed in accordance with the provisions of the Wilderness Act of 1964.

This area embraces values of special importance, including the Sadlerochit Spring and its important wintering water; key staging areas for geese and other migratory birds; the upper reaches of several rivers; and the important core calving area for the Porcupine caribou herd, along with much of its insect-relief area. This is a part of the coastal plain so important to fish and wildlife resources that it should be protected, without compromise, into the future.

The proposed Wilderness Area includes four of the 26 petroleum prospect areas identified in the Draft Assessment, and are not among those noted as being of particular interest geologically.

Final Comments

The coastal plain of the Arctic National Wildlife Refuge has become the classic environmental dilemma of this century: a potential direct conflict between living natural resources and a perceived opportunity to recover energy resources at great profit. It is unfortunate that it is here, in the high arctic region, where little is known about the resources involved and even less about the natural systems, that a conflict of this magnitude is emerging.

It has been the good fortune of our country that, in most resource conflicts, it has been possible to have a full measure of both values: oil and gas and whooping cranes on the Texas Gulf coast; migratory birds and space exploration activities at Cape Canaveral in Florida; timber management and wild turkeys in Georgia. In most cases the real conflicts have been minor.

Now we face a conflict that is poorly understood, so its resolution is far from clear. We know enough so that we should be properly cautious and more concerned than ever before about the possible consequences of the actions we may elect to undertake. The lure of a resource that may be worth billions of dollars is an overpowering one. The value of a remarkable natural heritage that can be handed down to the future may be at least as important.

This critical balancing has not been done and recommendations have been formulated with no strength in fact. The actions taken thus far have been flawed and the issues for the nation (and for at least some of the rest of the world as well) are so important that the National Wildlife Federation has found it necessary to point out many of these shortcomings in this report submitted directly to the Congress. At the same time, we cannot in good conscience simply criticize and do no more.

Therefore, we have recommended an approach to resolving the issue in a logical, orderly, objective way. There are other methods, of course. The nation deserves a better approach than has been followed so far. The National Wildlife Federation speaks for 4.6 million members and supporters. In the case of the coastal plain of the Arctic National Wildlife Refuge, we believe we speak for the entire nation and for generations yet to come. We believe this is a unique and important opportunity to pursue a responsible course of action to resolve a series of nationally important public policy issues.

ANVWR

REPORT,

2-10-88,

AI ADAMS

Alaska State Legislature

House of Representatives

Al Adams

Chairman

Committee on Finance

WHILE IN SESSION
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Official Business

DATE: February 10, 1988

TO: All State Senators and Representatives

FROM: Al Adams, Chair *APA*
House Finance Committee

RE: State Participation in ANWR land exchanges

The intent of this letter and attached documents is to demonstrate the critical importance of the State of Alaska's return to ANWR land exchange negotiations with the U.S. Department of the Interior.

To appreciate why this should occur, we need to understand the administration's course of conduct in withdrawing from exchange negotiations.

I urge you to review the enclosed materials in a positive way--to see them as a lesson to be learned. View this information as a summary of the many unfortunate errors in judgment by the state administration. But view it also as showing that there is still a unique opportunity that can be salvaged.

There are two enclosures. The first is a narrative summary of the State's decision-making process in withdrawing from the exchanges, and the events that followed. The second is a set of public records that document the summary. Together they show three disturbing facts:

1. The Department of Natural Resources, under the direction of the Sheffield administration, had completed the appraisal of its in-holdings before the State left the negotiating table in February of 1987. It was the largest appraisal effort ever undertaken by DNR. In the words of John Katz, the State had become a "co-equal" exchange participant. DOI had made the state the largest participant in exchange negotiations -- with over 35 percent of the total value brought to the exchange table. DOI, as the State had long sought, had delayed the tract selection process to conform to the State's wishes. Despite all this, the State abruptly abandoned an opportunity of perhaps overwhelming economic significance. It did so, moreover, in the blind. The Department of Revenue -- at DNR'S request -- had earlier prepared a computer program to show the potential economic benefits of state land exchanges. DNR, however, refused to run the program.

It thus chose to leave the table without any information on the potential economic benefits of state exchanges, even though its sister agency had provided it the wherewithal to do precisely that.

2. Through early 1987, DNR's resources were focused on the hard job of finalizing possible State exchanges. After its abrupt withdrawal, the agency's energies turned instead to an intensive lobbying campaign against the Native exchanges. Records show that the administration decided, at the highest policy levels, to smear the exchanges by analogizing them to the criminal Teapot Dome bribery scandal. It considered participating in the environmental lawsuit against the exchanges, coordinating its efforts with environmental groups opposed to the opening of ANWR. It also launched an intensive Washington, D.C. lobbying effort with the "primary purpose" of swaying undecided congressmen against the exchanges. The director of the Division of Oil and Gas assumed the responsibility of monitoring and responding to press coverage on the exchanges, and keeping tabs upon the strategies and personnel of the Native corporations involved. The Division of Oil and Gas became dedicated to drumming up precisely that opposition to the exchanges that Governor Cowper had cited as the reason for his withdrawal.

3. The Division spun arguments against the Native exchanges that were squarely contradicted by its own qualified staff. The acquisition of ANWR subsurface by Arctic Slope Regional Corporation was painted as a discretionary act not authorized by ANILCA. A 1986 DNR opinion unequivocally concluded exactly to the contrary. The division criticized the Native corporations for seeking a "public interest" value enhancement for their lands -- ignoring the fact that the State, while it was at the table, insisted that it, too, was entitled to such an adjustment. While the Division criticized DOI's valuation of ANWR tracts as too low, the Division's own petroleum staff was criticizing DOI's valuations as far too high, and labeling the majority of Native tract selections as marginal or poor prospects.

The enclosed summary describes each of these matters in turn. Because of the gravity of this issue, and the public policy implications raised by the State's course of conduct over the past year, I trust you will take the opportunity to read these documents.

INDEX OF EXHIBITS

1. Transcript of conference, 2/6/87 -- 9 pages
2. Memo: Gary Gustafson to Commissioner Wunnicke, re: ANWR Trade, 11/12/87 -- 10 pages
3. Memo: Commissioner Wunnicke to Governor Sheffield, re: ANWR Trades Issue Paper, 11/17/87 -- 2 pages
4. Memo: Commissioner Wunnicke to Commissioner Collinsworth, re: ANWR Trade, 11/18/86 -- 2 pages
5. Memo: Gary Gustafson to Lattery, Starrett, et al, re: ANWR Appraisals, 2/19/87 -- 1 page
6. Meeting notes, Dcebel, Mathias, Gustafson, Trasky, 11/20/86 -- 6 pages
7. Memo: Gary Gustafson to Commissioner Brady, re: ANWR Trade Strategy, 2/17/87 -- 5 pages
8. Memo: Rod Swope to Governor Cowper, re: Questions for ANWR Meeting, 1/12/87 -- 2 pages
9. Memo: Gary Gustafson to Tom Hawkins, re: February 2-6 ANWR Exchange Meeting, Washington, D.C., 2/10/87 -- 6 pages and 1 page list of names and phone numbers
10. Memo: Gary Gustafson to Governor Cowper, re: Trip Report: ANWR Exchange Meetings in Washington, D.C., 3/11/87 -- 4 pages
11. Memo: James Eason to Commissioner Brady, re: Recommendations to Oppose Further Land Exchanges of ANWR Acreage, 2/18/87 -- 5 pages

12. Letter: Vincent Wright to Jonathan Tillinghast, re: record request on ANWR exchanges, 2/2/88 -- 1 page
13. Notes re: Stipulations on Land Trades -- 8 pages
14. Newspaper article: Anchorage Daily News, 7/25/87 -- 2 pages
15. Memo: James Eason to Lennie Boston Gorsuch, re: ANWR Testimony, 5/20/87 -- 1 page
16. Meeting schedule, Jim Eason, 6/19-23/87 -- 2 pages
17. Memo: James Eason to Rod Swope, re: ANWR Critique, 9/10/87 -- 3 pages
18. Memo: James Eason to Maggie Moran/John Katz, re: ANWR Land Exchange, 12/21/87 -- 1 page
19. Memo: James Eason to John Katz, re: Young/Horn Discussion on Land Exchanges, 12/31/87 -- 1 page
20. Memo: James Eason to John Katz, re: Anchorage Daily News "Compass" Piece, 1/5/88 -- 1 page
21. Memo: Carol Larsen to Paul Meyerhoff, re: KENI/Newstalk, 12/21/87 -- 1 page
22. Memo: Gary Gustafson to Commissioner Brady, re: Trip Report: Washington, D.C., 12/15/87 -- 16 pages
23. Memo: John Katz to Governor Cowper, re: Land Trades/Strategy and Tactics on the Federal Level, 10/5/87 -- 3 pages
24. Legal Opinion: Winthrop, Stimson, Putnam & Roberts re: Legality of the Proposed Land Exchanges in the Arctic National Wildlife Refuge, 11/24/87 -- 31 pages
25. Letter: James Eason to Dan Hinkle, Marathon Oil Company, 10/30/87 -- 1 page
26. Letter, James Eason to Dan Hinkle, Marathon Oil Company, 10/26/87 -- 1 page

27. Resolution Relating to Land Exchanges within the Coastal Plain (to Rod Swope from Lennie Gorsuch), 10/30/87 -- 3 pages
28. Memo: Gary Gustafson to Tom Hawkins, re: ANWR Land Trade Update, 10/30/87 -- 2 pages
29. Memo: Tom Hawkins to Molly McCammon, re: ASRC Trade - ANWR, 3/12/86 -- 1 page
30. United States/ASRC Land Exchange, with map, 8/9/83 -- 4 pages
31. Memo: Tom Hawkins to Bob Arnold, re: ANWR, 5/20/86 -- 3 pages
32. Memo: Tom Hawkins to Governor Cowper, re: (blank) 12/9/86 -- 3 pages
33. Letter John W. Katz to William P. Horn, with attachments, 2/6/87 -- 4 pages
34. Map description -- 1 page
35. Map -- 1 page
36. DNR, Division of Mining & Geology report: A Comparison of State and Federal Appraisals of the ANWR Coastal Plain by James J. Hansen and Richard W. Kornbrath, undated, -- 4 pages
37. Memo: Richard Kornbrath to Commissioner Brady, re: Ongoing concerns with Interior's PRESTO analysis of recoverable reserves for the 1002 area, 6/15/87 -- 5 pages
38. Memo (Draft) Richard Kornbrath to Jim Eason, re: DOI press release regarding ANWR land selections, 8/4/87 -- 5 pages
39. Hearings: Committee on Energy, Testimony of Governor Cowper, -- 7 pages
40. Transcript, Governor Cowper testimony - 4 pages

SUMMARY OF THE STATE'S DECISION-MAKING PROCESS
REGARDING ITS WITHDRAWAL FROM
ANWR EXCHANGE NEGOTIATIONS

I. The State's precipitous withdrawal from the exchange process.

The State had participated in land exchange discussions with DOI since mid-1985. Ex. 1 at 2. By October, 1986, "the State became a co-equal participant in the land exchange process." Id. The delay in achieving bargaining equality occurred for a number of reasons -- including disputes over the kind and amount of acreage DOI would accept for exchange. Ex. 2 at 5-6. However, as John Katz observed, "our skirts are not totally clean on that in terms of the long hiatus . . ." Ex. 1 at 7.

In late 1986, the State committed itself to a quick and coordinated effort to finalize its land exchange package. On November 12, 1986, Gary Gustafson -- DNR's chief of land management -- recommended to Commissioner Wunnicke that "the State must act quickly if it is to interject itself as a viable player in the initial ANWR land exchange efforts." Ex. 2 at 2. According to Gustafson:

The State should immediately advance its own land trade proposal and join the ANCSA corporations at the starting gate of the ANWR selection race. This means the State has to quickly identify a trade package of State lands and proceed to have it appraised in time for submission of the trade proposal to the legislature.

Id. at 7. Commissioner Wunnicke concurred, and on November 17, 1986, recommended to Governor Sheffield that the administration appoint "an ANWR exchange team charging it with . . .

developing final list of lands to be included in exchange (December);

conducting appraisal of State land in pool;

negotiating with Interior, formulating exchange agreement.

Ex. 3 at 2.

Governor Sheffield concurred in Wunnicke's recommendation, and an ANWR exchange team was created. See Ex. 4. As part of the exchange team's effort, DNR completed the appraisal of all of the State land potentially involved in the exchanges. According to Gustafson, this "was undoubtedly the largest single appraisal effort ever taken by the Department." See Ex. 5.

The State's expedited effort was undertaken in order to ensure that the State could meet the tract selection deadlines then in existence. Those deadlines were driven by Koniag, which wanted to take its proxy statement to its shareholders before the upcoming summer. According to Gustafson, "I assured [U.S. Fish and Wildlife Service's

John] Doebel that it is our intent to meet the Koniag deadlines -- not to slow them up." Ex. 6 at 6. 1/

Moreover, in early 1987, a number of events occurred to substantially enhance the value of the exchange process to the State. These events had been accurately predicted by Gustafson in a February 17, 1987 memo to Commissioner Brady. Ex. 7. At that time, the new Cowper administration was deciding whether to continue the State's concerted efforts to negotiate exchanges. Ex. 8. Gustafson, whose division had been responsible for the State's exchange effort, acknowledged that "Governor [Cowper] is predisposed to oppose any trades . . ." Ex. 7 at 1. Even so, Gustafson argued, the threat of State withdrawal gave the State "excellent leverage with which to advance its interests." Id. The State shouldn't withdraw from the trades, Gustafson argued; rather, "the time is right to advance and negotiate

1/ In testimony before the joint Senate and House Resources and Finance Committees on February 3, 1988, (hereinafter "Joint Hearing"), DNR's Tom Hawkins argued that the State objected to the exchange process in part because of the fast time frames driven by Koniag's schedule. Tr. at 148. The record, however, indicates that the State intended to meet those deadlines, and invested considerable resources accordingly.

for those concessions and positions which benefit the State." Among the concessions which the State might obtain, Gustafson argued, were expansion of the State's acreage; a better tract selection conflict resolution process; a restructuring of the tract selection time frame; and, possibly, even an overriding royalty. Id. at 1-3.

Gustafson proved prescient, for by the end of February, DOI had bent, or broken, on many of the points raised in his February 17, memo. DOI Assistant Secretary Bill Horn had told the State, on February 10, "that if the State feels the [tract selection] timing sequence is out of whack, he is prepared to delay the process." Ex. 9 at 5. In fact, and as the State had requested, Horn delayed tract selection until after the release of the Secretary's 1002 report. Ex. 10 at 1. Horn also agreed to "very significant" changes in the tract selection process which "conforms to earlier State suggestions." Id. at 2. And, Horn "did not dismiss the idea" of an overriding royalty. Ex. 9 at 6. Of perhaps greatest importance:

Just last week DOI agreed to expand the State's trade acreage from about 250,000 acres to over 800,000 acres. This now makes the State the largest trade participant from an acreage standpoint.

Ex. 7 at 2. As a result, the State would have been able to obtain between \$238 million and \$507 million in ANWR tracts -- a sum representing over 35% of the total value brought to the exchange table. Id. at 4. Plainly, this muscle would have enabled the State to obtain the best ANWR tracts available at tract selection.

Finally, Governor Cowper was advised that if the State remained at the table, it would have better information than anyone else. As John Katz advised the Governor:

The KIC [well] information is of course available to ASRC. ASRC is really not a participant in these land trade discussions To my knowledge, no Native corporation has any of the information relating to the KIC well. We certainly don't have it. I am fairly confident, having talked to the state geologists and geophysicists, that outside of the KIC well, we have geologic and geophysical information that is equal to or superior to anybody else's in the process, if only for the reason that our people are capable of interpreting that data with some of the most sophisticated computer models in the world.

Ex. 1 at 5. 2/

2/ At the time of his advice, Katz did not know that the industry partner of one Native participant had access to the KIC well data. The partners of the five others, however, did not. And, even the one corporation with access ultimately selected only 3000 ANWR acres, none of which was near the KIC well.

In sum, by late February, 1987, the State had virtually completed extraordinary efforts to assemble its exchange package. Those DNR officials most intimately involved both with this exchange, and with land exchanges as a management tool, strongly believed that it was in the State's best interest to quickly complete its exchange package, and obtain a 100% interest in valuable ANWR acreage. DOI had agreed to a number of major State demands, and had shown flexibility on others. The State had become the most powerful and knowledgeable participant in the exchange process. The State was on the verge of a land transaction of massive economic significance to the people of the State.

On February 18, 1987, DNR Oil and Gas Division Director James Eason, who had not been actively involved in the exchanges to this point, recommended that the State leave the exchange table (Ex. 11), and on February 26, 1987, Governor Cowper announced the State's withdrawal.

There was, of course, no burning reason for the State to burn its bridges so precipitously in February, 1987 -- particularly in light of major concessions that DOI had and seemed willing to make. The State's haste, and its disregard of its own experts' advice, is even more disturbing in light of the administration's refusal to

gather available information on the economic consequences of participating in the exchange process. In early 1987, Gustafson had requested Department of Revenue research section chief Vince Wright to prepare a computer program to analyze the economics of the State's participation in the ANWR land exchanges. Ex. 12. DOR, in fact, prepared that program, and delivered it to Ed Phillips at DNR before the State decided to withdraw. Id. DNR, however, refused to run the program. The program disc, to this very day, sits in Mr. Phillips' desk, unused. At the Joint Hearing, Mr. Eason could only explain that the Department ignored the program because it required the agency to make assumptions about oil prices, and oil production. Tr. at 202-03. Of course, the State's ANWR position; its criticisms of the Native exchanges; and in fact virtually every significant decision involving State government, is made on the basis of assumptions about oil prices and oil production.

The better explanation -- and one offered by DNR personnel in confidence -- is that the administration didn't consider economics to be a factor.

Economics should, of course, have been a major concern, particularly because of the real threat that the State might lose its 90 percent entitlement to ANWR revenues. Were the

State forced to accept a 50 percent share, obtaining a 100 percent interest in valuable ANWR acreage would compensate for that loss. Governor Cowper has frankly acknowledged to the United States Senate that Congress has the power to reduce Alaska's share:

The CHAIRMAN. The question to you, of course, would be, how do you feel about 50 percent to the State of Alaska? Is that too much?

Governor COWPER. Well, Mr. Chairman, 90 percent is always better than 50 percent. But we also recognize that 90 percent of nothing is nothing.

Let me put it this way. The Congress has the jurisdiction to decide that question. Our position is as stated earlier, that we [are] entitled to a 90 percent share, based on a historical analysis of how that number got into the Statehood Act to begin with.

So, I think perhaps I will let it rest at that.

Ex. 39 at 2. Cowper added, in testimony before the United States House of Representatives, that retention of the 90 percent share was not a precondition to the State's support for opening ANWR:

I don't want to give anybody here the impression that the state would oppose a bill which was otherwise satisfactory to us simply because there was a provision that some reduction in the revenue share. I want to say that right here and now, however, you can count on our opposing any such motions as they may come up.

Ex. 40 at 2.

The administration was ideologically predisposed against the exchanges. The advice of its experts; the State's uniquely favorable position in the exchanges; the substantial movement of DOI on issues of major concern to the State; and hard economics, could not overcome this blind bias, and could not prevent the administration from making a hurried decision that it did not need to make.

2. The reallocation of resources to anti-exchange lobbying.

Attached as Ex. 13 is a series of meeting notes from the files of the Division of Land and Water Management. These notes capture the comments of high level policy makers during ANWR strategy sessions held in the spring of 1987. They indicate, first, that shortly after leaving the table, the State began looking for ways to rejoin the process. At an April meeting between Rod Swope, Tom Koester and John Katz, the three discussed "strategies available to insure that we can get what we want. Get back into trades -- restructure." Id. at 1.

More significantly, at a meeting between Commissioner Brady, Mr. Swope and Jim Eason, Commissioner Brady frankly acknowledged that which Alaska's Native corporations had feared: that the State was opposing the Native trades only because the State itself could not rejoin the process. Said Commissioner Brady:

See if we can develop package that is in best interest of State to get back in ballgame. If we can't figure out way, then we need to block trades. Id. at 6. [Emphasis added.]

There is a darker side to these notes. Following Brady's comments, Rod Swope asked the obvious question -- "How to stop [the Native trades]?" His answer was "political":

"Teapot Dome".

The "Teapot Dome" strategy appears in other appended notes as well. Id. at 7. It is apparent, then, that the administration decided -- at the highest policy levels -- to "block the trades" by linking them to a 60-year old bribery scandal. That horrible analogy -- used unfairly and time and time again -- was neither inadvertent nor casual. It

was, rather, a calculated attack upon some of Alaska's most respected businesses. 3/

The State considered other, equally distasteful ways of opposing the Native exchanges. Brady and Swope raised, for example, the possibility of filing "amicus briefs" in the environmental lawsuit brought by Trustees of Alaska to stop the exchanges. Id. at 6. Tom Koester and John Katz argued over whether the State could file its own lawsuit to block the exchanges under the National Environmental Policy Act. Id. at 1-2. At bottom, the State felt that, acting in concert with environmental groups, it could block the trades politically:

As long as environ. and State are opposed, trades won't go anywhere . . .

Bottom line -- State is holding the cards if State doesn't want trades to happen likely won't.

Id. at 2 and 5.

3/ It took little time to put the "Teapot Dome" approach into action. On April 25, 1987, Commissioner Brady told the Associated Press "the last time something like this was done wrong, it showed up in the encyclopedia under Teapot Dome." Ex. 14.

From Spring, 1987, onward, a major part of the State's lobbying effort involved direct assaults on the Native exchanges. 4/

In a May 20, 1987 letter to DNR Deputy Commissioner Gorsuch, Mr. Eason complains that the Native corporations are beginning a lobbying effort of their own, and issues a plea for a major, coordinated effort by State employees against the exchanges:

Although their efforts aren't very public at this stage, I have no doubt that Interior and the corporations continue to be very active. If we do not intend for our strategy to be other than reactive, we need to determine the roster of our players, develop strategies and assign responsibilities while the State's proposal is still fresh in the public mind. I would appreciate it if you could discuss these issues with Commissioner Brady, and let me know when she will have time to pull the staff, John Katz, Tom Koester and others together.

Ex. 15.

4/ At the joint hearing, DNR officials assured legislators, repeatedly, that the State was lobbying the larger issue of ANWR opening, and was not taking the public relations initiative on the exchanges. Commissioner Brady told the legislature: "We have never volunteered, for instance, to go back to Washington, D.C. and take the offensive on the trades." Tr. at 179. The record, as we shall see, speaks
(Footnote Continued)

Next, on June 19-23, 1987, Eason scheduled 22 meetings with senators, representatives, and congressional aides in Washington, D.C. Ex. 16. Mr. Eason also assumed the role of public relations coordinator in the State's anti-exchange battle. He wrote memos to the Governor's office warning about local pro-exchange publicity (Exs. 17 and 18) and gathered "intelligence" on Native corporation activities. Ex. 18. He had video tapes of television programs concerning the exchanges copied and distributed within the administration. Ex. 19. Native personnel matters became Mr. Eason's concern -- as when he alerted John Katz that Chip Dennerlein would soon be replacing Michael C. T. Smith at the Native lands group. Ex. 20. In the same memo, Eason complains that a recent newspaper article "makes three unanswered editorial-like pieces in the last three weeks." Id. Radio and television appearances were coordinated through the Commissioner's office "to talk on ANWR land trades." Ex. 21.

(Footnote Continued)
to the contrary.

When Governor Cowper withdrew from the exchanges, he cited his fear of Congressional opposition to the exchanges in Congress. The Native corporations, for their part, have feared that the chief opponent of the exchanges in Washington, D.C. was the State itself, and that the Governor's concerns were a self-fulfilling prophecy. A December 15, 1987 trip report written by Gustafson confirms those fears. Ex. 22. During the week of December 5-12, Eason and Gustafson flew to Washington, D.C. -- at State expense -- for a trip whose "primary purpose" was to lobby congressmen against the exchanges. This despite a contemporary warning by John Katz that:

In our opinion, now is not the time to increase our visibility on the Hill with heightened lobbying activities. The land trades have not become the central focus of the ANWR debate. Instead, the committees are focusing on the issue of opening ANWR, and we do not want to divert their attention.

Ex. 23 at 3.

Nonetheless, Eason and Gustafson met with 22 congressmen and staff over a 3-day period. The memo boasted that the State had successfully turned exchange supporters, as well as undecided congressmen, against the exchanges:

There is no question but that our message got through. For instance, Representative Lindsey Thomas (GA) who was thought to be a trade

supporter, expressed considerable concern over DOI's methodology following our presentations. A number of previously uncommitted congressmen definitely seemed to tilt toward the State's posture following our disclosure reports. I put Congressman Richardson (NM), Sweeney (TX), Herger (CA), Rhodes (AZ), Lujan (NM), and Huckaby (LA) in this category. Although it's difficult to relate our contacts to exact Congressional postures, it is safe to say all our contacts bore fruit.

Ex. 22 at 3. The memo concluded:

In summary, I felt we accomplished our purpose. There seems to be little sentiment in Congress at present to support the trades.

The memo also discloses the close alliance between the State and environmental groups opposed to opening ANWR.

Gustafson said:

We also met on Wednesday with Mike Matz of the Sierra Club, Randy Snodgrass of the Wilderness Society, Tim Mahoney of the Alaska Coalition and other environmental group representatives. The environmental groups definitely support the state's position on this issue as they oppose any effort to use the trades as leverage to help open ANWR.

Id.

The State has cooperated with other anti-exchange concerns. Mobil Oil, for example, has been a vocal opponent of the exchanges. In late January, it released a legal opinion by the Washington, D.C. firm of Winthrop, Stimpson, Putnam & Roberts on the "legality" of the exchanges. Oddly, that same opinion has been in DNR's files since

December, 1987. Ex. 24. Correspondence also indicates that Mr. Eason used Marathon Oil Company to "liberally" distribute DNR's anti-exchange materials. Ex. 25-26. Throughout 1987, the State lobbied against the exchanges at every turn. It drafted and lobbied, for example, an anti-exchange resolution before the Interstate Oil Compact Commission. Ex. 27. DNR employees other than Eason also kept close tabs on Native corporation activities, including their luncheon engagements. Ex. 28.

Over the past 10 months, DNR has been carrying on an aggressive anti-exchange public relations campaign at considerable State expense. This unusual use of State funds is doubly troublesome because of the motivations suggested by the notes contained in Ex. 13. It is, at best, unusual for a Division Director to monitor and control press coverage; gather "intelligence"; and lead an organized intensive lobbying activity against his fellow Alaskans.

3. The inconsistency between DNR's criticism of the Native exchanges, and the record.

DNR's goal over the past year has been to look for opportunities to "block the trades." In many cases, DNR has gone too far.

Repeatedly -- and again at the Joint Hearing -- DNR has prefaced its critique of the ANWR exchanges by arguing that a discretionary, economically-harmful exchange has already occurred in ANWR. See Tr. at 24-25. The reference, of course, is to the 1983 ASRC exchange. The Native corporations (and DOI) have insisted that the 1983 ASRC exchange was mandated by §1431(o) of the Alaska National Interest Lands Act (ANILCA). Therefore, the State lost nothing in this congressionally-mandated exchange.

Mr. Eason has vigorously disagreed. At the Joint Hearing, he said:

You are also going to hear . . . that this [ASRC] exchange . . . was contemplated and allowed under ANILCA. . . [i]n fact, it wasn't."

Tr. at 24-25.

On March 12, 1986, Division of Land and Water Management Director Tom Hawkins issued a DNR opinion unequivocally concluding that the ASRC trade was

contemplated and allowed by §1431(o) of ANILCA, and therefore did not result in the loss of any revenues to the State. Ex. 29. Said Hawkins:

My staff and I have examined the 1983 NPS/ASRC trade package and conclude that the State's royalty share was not affected due to specific allowances in ANILCA. . . .

The State was not affected by the trade because, as noted above, ANILCA §1431(o) had already granted ASRC the right to obtain this land anyway (at its option) had it gone into commercial production. Therefore, the State's 90% royalty share under the Minerals Leasing Act was not compromised by the trade. Rather, ANILCA had already bargained away this right for the first area to go into commercial production which might then be obtained by ASRC.

Id.

Indeed, not only was the ASRC exchange mandated by ANILCA; moreover, "the State endorsed the proposed land exchange and found it to be consistent with the Alaska Coastal Management Program [on] August 3, 1983." Ex. 30.

Mr. Eason has never mentioned DNR's prior, dispositive opinion in his hearing testimony.

The State has also criticized the Native exchanges because DOI allowed "public interest values" to influence its appraisal of the Native's National Wildlife Refuge inholdings. As Assistant Secretary Horn pointed out at the Joint Hearing, commercial "fair market value" concepts

simply don't work with large, remote Alaska parcels. It may be that Native land is worth, say, \$100.00 per acre as commercial property -- just as the slopes of the Grand Canyon may be worth \$50.00 per acre as homebuilding sites. That does not, however, necessarily equate into a willing buyer/willing seller price for inholdings of great environmental value. As a result, DOI looked instead to comparable appraisals of prior exchanges that have either been approved or directed by the United States Congress. In all cases, the value given the Natives' inholdings were comparable to, or substantially less than, prior congressionally approved prices.

From the record, it appears that the State is being hypocritical in its attack on this "public interest" valuation. In a thoughtful May 20, 1986 memo, Tom Hawkins explains DOI's difficulties in valuing remote parcels, and agrees that the appraisals would be "quite low" if only commercial FMV concepts were utilized. Ex. 31 at 2-3. In fact, a major part of the State's exchange effort was to ensure that the State received public interest value adjustments for its land. On December 9, 1986, Hawkins and Gustafson told Governor Cowper:

F&WS personnel have yet to acknowledge that 'full public interest consideration values' can be claimed by the state. The theme of this discussion requires the State to justify why federal ownership would be more appropriate than State ownership of particular habitat lands.

Ex. 32 at 2-3.

DOI had been reluctant to grant the State "public interest" values, because of the argument that the land would simply be transferred from one governmental entity to another. The State maintained its position, however, that a public interest valuation of its lands was necessary as a matter of fairness and equity. As Gustafson explained about a meeting with John Doebel,

I mentioned that I could foresee a problem wherein State and Native land of like type might be valued considerably differently (with Natives getting much more value) if Natives get to negotiate public interest adjustments and we don't. He recognizes problem, but said USFWS preferred to deal with State on only the FMV appraisal basis (no adjustment). I said I thought that would be unacceptable, and proposed an "equitable servitude" or "willing buyer" adjustment to inflate State land values. Doebel said that was possible and would discuss with Gilmore (note, we need to get Horn to agree to this or something similar!) Doebel said that this kind of adjustment was not without precedence (sic), but we like to have to negotiate it out individually, just like the Natives are doing.

Ex. 6 at 3-4.

Then, when the State transmitted its "final" exchange package on February 6, 1987, John Katz forcefully argued that the threat of inholding development was equally true of State lands, and that a "public interest value" valuation was critically important:

Although some speculate that Native ownership poses a greater future development threat to parks and refuges than State ownership, the State believes this to be an overstatement. . .

In conclusion, the State requests that your final exchange land valuation process treat State and Native land values in the same manner (i.e., similar situated land should be assigned similar values).

Ex. 33 at 2-3.

DNR has criticized "public interest valuation" of Native lands as being somehow immoral or improper. Yet the same agency demanded "public interest valuation" for its lands as both necessary and appropriate. This is the same department that urged withdrawal from the exchange negotiations in order to be consistent in its principles. Consistency, apparently, has its limits.

Finally, Mr. Eason has criticized the Native exchanges because, in his view, the Natives obtained the most prospectively valuable ANWR tracts, and DOI's assigned values for those tracts were far too low.

Mr. Eason's first point is contradicted by DNR's own mapping. DNR has ranked the areas of the coastal plain on a scale of 1-5, with categories 3-5 being "marginally or poorly prospective." Ex. 34. DNR's accompanying map shows that a vast majority of Native selections are in areas ranked 3-5. Ex. 35.

DNR's "ANWR valuation" complaint was laid to rest at the Joint Hearing. As Assistant Secretary Horn pointed out, the most coveted ANWR tracts (according to both the State and DOI) were assigned values comparable to the bids actually received for the most valuable Mukluk tracts -- tracts of equal promise (at the time of bidding) to ANWR, and that were bid upon at a time when oil prices were far higher. Comparable sales aside, however, DNR's own records show that DNR's petroleum geologists strongly believe that DNR's valuation of ANWR tracts was far too high.

The heart of DNR's criticism over DOI's high valuation of ANWR tracts is the substantially lower probability that the State attaches to finding oil in ANWR. Ex. 36. In a June 15, 1987 memo, Petroleum Geologist Rich Kornbrath took issue with the analysis used by DOI to assess possible recoverable reserves in the 1002 area. According to Kornbrath, "Interior used abnormally low geologic risk (high

success factors) for its evaluation estimates." Ex. 37 at

1. As Kornbrath explained:

Of course, the final step taken by Interior is to use these same prospect estimates to affix a dollar value to individual 2,560 acre tracts for the purpose of land exchanges. The effect of the high success factors is to substantially increase the dollar value on individual tracts. (Emphasis added). 5/

Id. at 4.

Kornbrath reiterated his criticism of DOI's high values after tract selection occurred. Kornbrath noted that if the Natives had paid cash for the ANWR tracts (i.e., at a competitive sale), the value might well have been "quite a bit lower." Ex. 38 at 5. Kornbrath gave the following summary of his perception of the values placed on the ANWR tracts:

However, the BLM assigned dollar values on most tracts seem to be impressively high as compared to bids in Camden Bay and the Eastern Beaufort. We are at a loss to explain how the high values were calculated.

5/ At the joint hearing, Mr. Eason attempted to rationalize Kornbrath's memo by saying that it referred not to low risk assessment, and hence high values, but rather to DOI's failure to map structures. Tr. at 190. As a reading of Ex. 37 will indicate, the memo has nothing whatsoever to do with mapping structures and quite explicitly does state that Interior has overvalued the ANWR tracts.

Id. at 1-2.

In sum, according to DNR, the federal government received materially more for its ANWR tracts than the State believes is justified on the basis of current information.

ARCTIC NATIONAL WILDLIFE REFUGE

February 6, 1987

10:00 a.m.

Pete Jeans: This meeting was called because there seemed to be some confusion in the Senate on what's happening with ANWR. I was called in by Bennett, Faiks, Fahrenkamp, Halford, and Hensley. There seems to be some confusion over what we're doing and what's happening in our Washington, D.C. office. I thought the best thing would be to get together, sit down and try to clear the air on this thing because there is some concern, and we want to get it cleared up.

Vern Wiggins: I was down here on another matter when Jan Faiks called me in and asked if I would tell them what's going on with ANWR. Well, I'm not part of the ANWR issue. Jan said she had some questions, so we sat down and talked about it. It became clear to me that her knowledge level about what was going on with land exchanges, not the 1002 report, was not good. She knew next to nothing and, in fact, was very misinformed on a number of things. We ended with a long distance with Bill Horn in the late afternoon. Bill is the person that is really able to answer their questions and did, about state involvement, and the discussion on land exchanges. About that time, Bettye Fahrenkamp came in on the conversation, and said that John has just been on the phone with the Committee and John has reported essentially the same thing about state involvement in the discussions on land exchange. So everybody down in the Senate side, and I haven't talked to anybody on the House side, and when I say everybody, I would include Faiks, Bennett, Halford, Kelly, Fahrenkamp, Kerttula, Hensley; are operating under zero level knowledge and in fact contradicting knowledge, on state involvement. At that point, Faiks went to Pete Jeans and talked to Pete and then I understand that Willie and Halford came up and saw the Governor yesterday.

I requested that the Governor give an update of that conversation. They felt that it was helpful about the state's involvement and state communication. At that point, Jan went to Pete and told him that we don't understand what's going on, would you see that the Governor discusses the state involvement/communications. At that point, Jan went to Pete and said we don't understand what's going on, would you take Vern to see the Governor and let Vern and the Governor discuss the state involvement. My response was fine, but I felt the person to talk about state involvement should be Bill Horn. Pete and I had the same discussion with members of the Senate.

I think there is a misconception down in the Senate about the state involvement/participation. Some of them were even under the impression that the state had never been at the table to discuss land trades at all. In fact, the Senate is barred from any discussion with Interior, had not participated in any discussions with the Interior, and it was even too late to have any discussions. I attempted, at a personal level, to change all those impressions, my mission is just simply try to get the level of understanding increased and I had hoped that you and Bill could get on the phone at the same time. Apparently, we can't get that worked up.

John Katz: I testified for about 1 1/2 hours last night to the Senate Oil & Gas Committee. I would like to think at least with respect to Committee members there, there is no misconception or misunderstanding, at least now about what the state's involvement has been and is. I think Senator Fahrenkamp was the only one of the people mentioned before who was present. If it would be helpful to you, I would be glad to capitulate that discussion in about 5 to 6 paragraphs just so that you know what has been represented.

What I said was that in the beginning of late October 1986, the state became a co-equal participant in the land exchange process. However, we had been involved in the land exchange process long before that. When I say we, I mean principally, at that time the Department of Natural Resources (DNR). The state, both at DNR and here, began to hear rumors about two years ago that Koniag Corporation was in fact in discussions about land trades with the Interior Department. Beginning 18 months ago, Interior Department appraisers began to show up in DNR offices as they were going out to the field to look at Koniag lands, and possibly some other lands. Apparently, there were very sporadic discussions at that point in time. In December 1985, Governor Sheffield wrote a letter to Bob Gilmore that, at that time appointed Tom Hawkins as the lead for the state in pursuing land trades. In February 1986, Tom responded with a letter to Gilmore that suggested about 12 million acres of state land that might be made available in land trades. That 12 million acres had evolved between the DNR and other resources agencies and this office. In March 1986, Gilmore wrote back and prioritized the state acreage but expressed a principal interest in the Tetlin area where there are some significant state inholdings. From that communication by Gilmore until early October, DNR was not very active with respect to land trades and during that period, I had 3 or 4 discussions with Bill Horn on a number of issues. Bill indicated that in fact there was a high interest on their side and they were ready to proceed. Discussions were then renewed in early October. At that point and time, I didn't feel that we were involved in the mainstream DOI decision process. I felt that we were in sort of a back channeled process involving federal bureaucrats that were a lot lower

in rank than the folks that I knew the Natives were dealing with at Interior. In late October, Bill Horn agreed to designate us as co-equals to sit at the table with the big boys, and since late October, in fact, that has been the case. The first manifestation of this occurred in early December when there was a series of meetings at which this office was present, accompanied by representatives of each of the resource agencies. In early January, there was a second set of meetings, and this week we have been involved in a third set of meetings with Interior. Incidentally, I checked this chronology this morning with DNR just so that I could provide an accurate perspective. In summary, this is what I communicated to the Senate Oil & Gas Committee, and I think there were two reactions. One is, there has been a lot more involvement than we knew about, and some people felt that that was terrific and some people wondered why we're at the table at all. But our arrangement with Bill Horn is that we can sit at the table and participate unless or until a decision is made not to support land trades. In the interim, we are participating in good faith and commenting on three principle documents: the boilerplate contract, the tract selection document, and the proposed stipulations. So, that in a nutshell, is where we've been and where we're headed unless or until you decide otherwise.

Governor: Let me inquire, what is the problem here? What is it that we're getting at?

Vern Wiggins: As I perceived it yesterday, and as I think they conveyed to Pete downstairs, the Senate has been told that the state has not been involved in this process and discussion.

Governor: We didn't tell them that. We told them that we had. I don't know what anybody else said. What I have said is that the state has been involved in the process, that we got into it kind of late, but apparently there have been some negotiations going about which the state had no knowledge, but I don't think I put any timeframe on it.

Vern Wiggins: The knowledge level downstairs is backwards.

Governor: They didn't get that from us unless they misconstrued what was said. I don't know if we ever said to the Senate whether we were involved in the trades or not. But certainly, it has been my understanding that the state has been at the table all along. Not all along, but certainly as of last fall.

Rod: That is the general perception that I have been working under, that we haven't been actively involved in these land exchanges until just recently.

Governor: Maybe what they did, was construe my statements which basically indicated that the state, in order to be at the table and fully participate, we had to have as much knowledge as everyone else.

Vern Wiggins: There are two levels at which the state is actually participating as I understand it, John. By the way, your chronology is precisely as I understand it. One is as an observer and interested and what happens in the land trades between Interior and the Native corporations; and two, the state is participating as an interested party, as a proprietor, owner of land, and an interested party, and in trading land with the Interior at two different levels.

Governor: How about this Vern, as I understood it I may be wrong in this, but the state also participates as a jurisdictional entity. In other words, the state has the authority at least to regulate the development on the KIC land.

Vern Wiggins: I included that in the first one as a proprietary interest party. You are there not just as an observer, but as a regulator, if you will. That was fully explained yesterday. I think frankly, Pete, you can concur with this. Frankly, they were aghast. Several of them had related to me flatly that they had been told that the state did not go to the table, and has not been involved in this thing until just very recently.

John Katz: I don't know what their sources of information are, but I find it anomalous that they would be contacting everybody in creation except the state Administration people that are actually involved in the process either in Juneau or back here. The only state senator that we have heard from back here over a significant period of time has been Senator Kerttula. And at least he should be aware, because we went through the Reader's Digest version of this same chronology for him on a couple of different occasions. I've got to think frankly, that there are some problems that we are not totally aware of yet.

Vern Wiggins: John, in that regard, I have thought of that very point when I was hearing it from my republican friends in the Senate, when I heard it from Willie Kensley, and Kerttula, as you mentioned, and Fahrenkamp, all three. It's obviously not a partisan issue.

Governor: Kerttula said that he was fully briefed.

Vern Wiggins: It sounds like he was briefed to me, because he had a lot of information.

Pete Jeans: That was exactly why I wanted to have this meeting. The feeling I was getting from Senator Bennett, Faiks, and also from Halford and Hensely, was that we

weren't providing them with information that we have, and that all of a sudden, Vern had come in and they got the information that we should have been sharing with them. I said wait a minute, let's get this cleared up right now, that's not the case. They were leading me to believe that Vern knew all this and that you knew all this, but we didn't.

Vern Wiggins: Unfortunately, John, the information that I was imparting to them is precisely consistent with your information and with what Pete and the Governor have reiterated as their understanding. Those of us in this room, including yourself, have been saying the same thing. The people who are on the outside of the loop are saying that's not what we were told.

John Katz: My suggestion is to put out a press statement that makes it real clear where we've been and what we've been doing. And in fact, even if we had only come into the discussions in January, there are no options that were available to the state before that are not still available. The process is still flexible and is moving forward. The state is in a position to do whatever it feels is necessary to protect its interest.

Vern Wiggins: John, that's an interesting, absolutely correct point, and Horn reiterated that yesterday several times in discussion with Jan and others.

Governor: Here's where we might have gotten off track. My impression has always been that the other participants at the table had more knowledge than the state did. In other words, if they had data either from the KIC well or from other sources that the state was not privy to. Is that right?

John Katz: I was asked that last night, and here's what I responded. The KIC information is of course available to ASRC. ASRC is really not a participant in these land trade discussions. All they require is an affirmative decision by Congress to open the coastal plain, and their land is then susceptible to immediate development. To my knowledge, no Native corporation has any of the information relating to the KIC well. We certainly don't have it. I'm fairly confident, having talked to the state geologist and geophysicist, that outside of the KIC well, we have geologic and geophysic information that is equal to or superior to anybody else's in the process, if only for the reason that our people are capable of interpreting that data with some of the most sophisticated computer models in the world.

Governor: Maybe what I did, was to get caught up in the motion that somehow KIC had information that related to the well that was shared with the regional corporations but not