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with the state. I don't know where that came from, but if it is incorrect, maybe that's something that created part of the confusion. The only remarks that I made that could have been interpreted the way they are being interpreted down in the Senate, was that we are going to sit down at the table with the regional corporations and with Interior and that we had to have the same information that they had.

John Katz: Governor, some of the industry partners that are involved with Arctic Slope and KIC, are also involved with some of the other Native corporations. I don't know how that plays itself out. The industry partners are pretty close mouthed, even with their joint venture partners, on what sort of information they have.

Governor: Maybe I was misconstrued in the value of the information that is available through the KIC well. I kind of assumed that the information for the purposes of this negotiation process that the information that came out of KIC well was available to the industry which was in fact a partner or punitive partner with the regional corporations and that information, and perhaps other information, as well, was available. I don't know whether the industry turned it over to the regional corporations or not. At least it was available as a guide for negotiations. In other words, they didn't have to turn the information over to urge the regional corporations to choose a certain swatch of land there. I've got no idea of getting into a negotiating process there when one set of people have certain information, and we don't have it. I'm not going to do that.

Furthermore, of course I object to the whole thing anyhow, because no matter who's got what information, it seems to me that nobody on earth knows what decisions the Congress is going to make with respect to what parts of the ANWR are going to be open and what parts are going to be closed. There's some loose consensus on what the core calving area is, but you don't know whether that is going to be it, what stipulations are going to apply. In any event, all of those things will have a pretty profound effect in your decisions regarding which lands you want to negotiate for. I'm real uncomfortable on the process to start with, and uncomfortable with the process in which the other people have got more information than we do. That's basically what I've said. By the way, to clarify what was actually said at the press deal that we had last week, I very clearly said that we are open to persuasion. In other words, the burden of proof is not on me, the burden of proof is on the other people that stand to benefit from it as far as I'm concerned.

Vern Wiggins. As an Alaskan, that's a good position to take. John, I think the important thing on this, the

information level is a whole lot higher downstairs and upstairs. More importantly than that, or at least equally important, they are now reassured that there are no options foreclosed to the state, and that's where I think the whole discussion ought to go. Whether what happened yesterday, and who, what, why, and where, there are no options foreclosed to state. Your words are that the state is a co-equal partner at the table. There seems to be a whole lot higher comfort level with that and maybe Pete could take pulses downstairs on behalf of the Governor and you guys to be reassured of that. But I think that's the important point.

Rod: The other thing that's added to this perception, is that I have always felt, for some reason, that we recently had to flex our muscles a bit to gain access to the negotiations that were occurring.

Vern Wiggins: John, do you recall the trip in August 1985 when Bill came to Alaska and we met with Governor Sheffield? We met over in a Park Service office. Bill, at that time, made the personal invitation and request to the Governor. Bill requested to bring your proposals and land trades to the table because we are starting to talk with the Natives, and then that chronology that you went through followed. The fact that Rod indicates that there was a necessity to flex a muscle, that may have given some perception that I guess I'd characterize as unfortunate, because it's my perception that the state has always been invited and equal. Part of the problem may be bound up, John, in an age old problem, that you and I and Bill Horn understand better than anybody in this room and that is the confrontation that exists with the Park Service and the rest of the world. The Park Service has worked diligently to queer some of these kinds of things. The state has some land that the Park Service would like to have.

John Katz: Part of the problem may be the terminology that everybody is using. I don't think that it is accurate to say that the state has ever been foreclosed from the process. But I do think that it is accurate to say that the state really was not a co-equal participant in the process until October. We were given a process to pursue earlier than that, which we did pursue. Our skirts are not totally clean on that in terms of the long hiatus before DNR's next response, and neither are Interior's totally clean on that. We were not, however, forced away from the table. We did have to muscle our way in October. There was some reticence at the bureaucratic level that the U.S. Fish and Wildlife Service, and even among the Native corporations, about our participation and it required a policy level decision by Bill Horn to get us there. I kind of agree with others at your end, in the sense that all this is sort of nice history, but it is almost irrelevant, except to the extent

that perceptions of the past influence the competency of the state to participate constructively with respect to the future.

Vern Wiggins: And chats where it ought to be.

Governor: Well, does anybody have anything to add on this?

Vern Wiggins: I would only suggest one thing, John, concurring or not, whichever your feeling is. I feel it would be helpful if, before the day is out, the Governor could talk to Bill Horn. I think a reassurance and an open line of dialogue between Bill and the Governor would be very helpful. Bill was extremely open and candid and helpful yesterday, and cleared up a lot of misinformation, so I would urge that. You make the choice, Governor.

Governor: I think that this is a detailed matter that represents a complicated set of events over time, and here we are trying to deal with it over long distance. I've always been 2 or 3 jumps away from it. I wasn't there at any of it.

John Katz: I wouldn't discourage a telephone call to Bill Horn, but I don't think that it's necessary. Your agents have been in constant touch with this process, and in fact, my staff, Gary Gustafson, and I spent an hour with Bill Horn this morning and went through all our policy concerns from top to bottom. I think part of the problem may well be the following.

We feel constrained to some extent by the confidentiality that Interior understandably wants to govern this process. The way we've chosen to deal with that, as a matter of law and policy, may not be correct but what we've done is at the Interior's request. We have absolutely refused to give to the public or anybody else documents which they have provided to the Native corporations and to us. We have felt that under the State Freedom of Information Act, we are compelled to provide any written material that we give to the Interior department, and in fact we've done that. One of the things I find surprising about some of the state Senators' reactions is that there have been several articles actually quoting from those letters which were very detailed, and I think would convey to the reader the concept that the state had to be involved in order to make those kind of comments. It is arguable that the Interior Department is required, by its own rules and regulations, to have a more open process and they've chosen not to. We have honored that in order to accommodate their concerns.

Governor: Thanks a lot, John. Rod, do you have anything further to say?

Rod: No.

Vern Wiggins: I think there's a comfort level downstairs that wasn't there before barring something else, giving someone else the heebiejeebies; it should move on. Thanks, John.

John Katz: I'm not a big fan of chronologies or press statements or cover your tail kinds of things. But given what you just said, do you think there is any value in having a couple of pages of written chronology that just sets out what has been discussed. I'm not so much concerned right now about the Senate as I am just about the view of the general body politic about what your Administration is doing on this.

Governor: No, you have enough to do as it is. We'll just transcribe this conversation if you think that it covers it.

John Katz: Yes, I think it covers it. I'm comfortable.

MEMORANDUM

STATE OF ALASKA

TO:
ESTHER C. WUNNICKE
COMMISSIONER

FROM: GARY GUSTAFSON, CHIEF
LAND MANAGEMENT
LAND AND WATER MANAGEMENT

DATE: NOVEMBER 12, 1986

FILE NO: 9105

TELEPHONE NO: 762-4346

SUBJECT: ANWR TRADE

THE ISSUE

YOU HAVE ASKED FOR AN UPDATE ON THE STATUS OF PROPOSED LAND EXCHANGES INVOLVING THE ARCTIC NATIONAL WILDLIFE REFUGE (ANWR) AS WELL AS RECOMMENDATIONS TO OUTLINE THOSE ACTIONS AND FINANCES NECESSARY FOR THE STATE TO PARTICIPATE IN EXCHANGES. ACCORDINGLY, I HAVE INCLUDED A BACKGROUND AND SUMMARY REPORT OF THESE EXCHANGE NEGOTIATIONS AND RECOMMEND THE IMMEDIATE APPOINTMENT OF AN ANWR EXCHANGE TEAM TO ADVANCE STATE INTERESTS.

THE 1.5 MILLION ACRE COASTAL PLAIN OF ANWR IS CONSIDERED HIGHLY PROSPECTIVE FOR OIL AND GAS BY KNOWLEDGEABLE OBSERVERS. AS A RESULT, SECTION 1002(H) OF THE ALASKA NATIONAL INTEREST LANDS CONSERVATION ACT (ANILCA) DIRECTED THE SECRETARY OF THE DEPARTMENT OF INTERIOR (DOI) TO PREPARE A REPORT TOGETHER WITH HIS RECOMMENDATIONS ".... WITH RESPECT TO WHETHER FURTHER EXPLORATION FOR, AND THE DEVELOPMENT AND PRODUCTION OF, OIL AND GAS WITHIN THE COASTAL PLAIN SHOULD BE PERMITTED"

IN ANTICIPATION OF THE RELEASE OF THIS REPORT AND A SUBSEQUENT DECISION BY CONGRESS TO OPEN THE COASTAL PLAIN TO OIL AND GAS EXPLORATION AND DEVELOPMENT, DOI HAS BEEN ENGAGED IN LAND EXCHANGE NEGOTIATIONS WITH SEVERAL NATIVE CORPORATIONS FORMED PURSUANT TO THE ALASKA NATIVE CLAIMS SETTLEMENT ACT (ANCSA). MORE PARTICULARLY, THE U.S. FISH AND WILDLIFE SERVICE (USFWS) PROPOSES TO TRADE OIL AND GAS RIGHTS WITHIN ANWR'S COASTAL PLAIN FOR ANCSA VILLAGE AND REGIONAL CORPORATION LANDS (SURFACE AND SUBSURFACE ESTATE) WITHIN OR ADJACENT TO COMPONENTS OF THE NATIONAL WILDLIFE REFUGE SYSTEM IN ALASKA.

LAND EXCHANGE NEGOTIATIONS BETWEEN THE DOI AND SEVERAL ANCSA CORPORATIONS HAVE PROGRESSED TO THE POINT THAT VALUES FOR THE PROPOSED TRADE LANDS HAVE BEEN ESTABLISHED AND THE ANCSA CORPORATIONS WILL SOON BE ALLOWED TO MAKE OIL AND GAS RIGHT TRACT SELECTIONS IN THE COASTAL PLAIN. ALTHOUGH THERE WILL LIKELY BE OPPORTUNITY FUTURE TRADES, THE ANCSA CORPORATIONS (ARMED WITH

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INDUSTRY EXPERTISE) CAN BE EXPECTED TO ACQUIRE THE MOST VALUABLE PROSPECTIVE TRACTS IN THE FIRST ROUND OF ANY EXCHANGES. GIVEN THE ADVANCED STATUS OF THESE NEGOTIATIONS, THE STATE MUST ACT QUICKLY IF IT IS TO INTERJECT ITSELF AS A VIABLE PLAYER IN THE INITIAL ANWR LAND EXCHANGE EFFORTS.

BACKGROUND REPORT

DOI_EXCHANGE_TEAM

THE ANILCA SECTION 1002(H) REPORT REFERENCED ABOVE WAS ORIGINALLY SCHEDULED TO BE SUBMITTED BY THE SECRETARY OF THE DOI TO CONGRESS BY SEPTEMBER 2, 1986. HOWEVER, ENVIRONMENTALIST- SPONSORED LITIGATION, DEALING WITH WHETHER THE REPORT REQUIRES PUBLIC INPUT AND A REVISED ENVIRONMENTAL IMPACT STATEMENT PURSUANT TO THE NATIONAL ENVIRONMENTAL POLICY ACT (NEPA), HAS DELAYED RELEASE OF THE REPORT. THE SECRETARY IS EXPECTED TO RELEASE THE REPORT ON NOVEMBER 24, 1986. ONCE RELEASED, CONGRESS WILL REVIEW THE REPORT AND DECIDE THE FUTURE MANAGEMENT REGIME TO GOVERN ACTIVITIES ON ANWR'S COASTAL PLAIN.

AT THE SAME TIME THE ANILCA SECTION 1002(H) REPORT WAS BEING PREPARED, DOI BEGAN LAND TRADE NEGOTIATIONS WITH ANCSA CORPORATIONS. INFORMAL DISCUSSIONS OCCURRED OVER TWO YEARS AGO AND SOON PROGRESSED TO THE POINT THAT MANY ANCSA LANDS WERE IDENTIFIED AND APPRAISED. MOST OF THESE DISCUSSIONS OCCURRED IN WASHINGTON, D.C. AND INVOLVED BILL HORN, DOI ASSISTANT SECRETARY FOR PARKS AND REFUGES. IN AN EFFORT TO STANDARDIZE NEGOTIATIONS WITH ANCSA CORPORATIONS AS WELL AS TO DEFINE FEDERAL LAND MANAGEMENT OBJECTIVES, DOI HAS APPOINTED AN ANWR LAND EXCHANGE TEAM MADE UP OF THE FOLLOWING FIVE INDIVIDUALS:

SHARON ALLENDER, USFWS SOLICITOR, WASHINGTON, D.C.
JIM GILLETTE, USFWS REALTY CHIEF, WASHINGTON, D.C.
TED STEPHENSON, BLM, ALASKA PROGRAM STAFF, WASHINGTON, D.C.
PAUL KIRTON, SOLICITORS OFFICE, WASHINGTON, D.C.
JOHN DOEBEL, USFWS, ASST. SECRETARY'S LIAISON, ANCHORAGE

IN ADDITION, THE USFWS ALASKA STATE OFFICE IN ANCHORAGE HAD BEEN ACTIVELY INVOLVED, PARTICULARLY BOB GILMORE, STATE DIRECTOR AND JOHN ROGERS, DIRECTOR GILMORE'S ASSISTANT. MR. DOEBEL IS RESPONSIBLE FOR KEEPING ASSISTANT DOI SECRETARY BILL HORN ABREAST OF ALL NEGOTIATIONS.

ANWB_OIL_AND_GAS_VALUATION

IN 1980, PRIOR TO THE ACQUISITION OF SEISMIC AND OTHER GEOPHYSICAL DATA AND OTHER INFORMATION ON THE COASTAL PLAIN, THE U.S. GEOLOGICAL SURVEY (USGS) ESTIMATED THAT THERE WAS A FIVE PERCENT PROBABILITY THAT THE COASTAL PLAIN COULD CONTRIBUTE UP TO 1.7 TRILLION BARRELS OF CRUDE OIL AND 24 TRILLION CUBIC FEET OF

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NATURAL GAS. USGS ALSO ESTIMATED THERE WAS A MEAN PROBABILITY THAT THE COASTAL PLAIN COULD CONTAIN UP TO 4.85 BILLION BARRELS OF CRUDE OIL AND 12 TRILLION CUBIC FEET OF NATURAL GAS.

UNDER TERMS OF ANILCA, GEOPHYSICAL SURVEYS OF THE COASTAL PLAIN HAD TO BE COMPLETED BEFORE DECEMBER 2, 1985. APPROXIMATELY 600 LINE MILES OF GEOPHYSICAL DATA WERE ACQUIRED DURING THE WINTER OF 1984-85. THESE DATA AND THEIR SUBSEQUENT ANALYSIS WILL FORM THE BASIS OF THE ANILCA SECTION 1002(H) REPORT TO CONGRESS.

ACCORDING TO OIL INDUSTRY, STATE AND FEDERAL ESTIMATES, ANWR IS CONSIDERED TO HAVE POTENTIAL OIL AND GAS RESOURCES IN EXCESS OF ONE-THIRD OF THE CURRENT U.S. OIL RESERVES AND PROBABLY MORE THAN THE INITIAL RESERVES AT PRUDHOM BAY. SPECIFIC FEDERAL ESTIMATES SHOULD BE INCLUDED IN THE ANILCA 1002(H) REPORT.

HOWEVER, PRIOR TO THE COMPLETION AND RELEASE OF THE 1002(H) REPORT, THE DOI HAS ASSIGNED PRELIMINARY VALUES (BASED UPON OIL AND GAS POTENTIAL) TO LANDS WITHIN THE COASTAL PLAIN. FOR PURPOSES OF THE PROPOSED LAND TRADES, DOI HAS DIVIDED THE COASTAL PLAIN INTO TRACTS OF 2,560 ACRES EACH. THESE TRACT SIZES WERE DERIVED BY DIVIDING EACH TOWNSHIP (23,040 ACRES) IN NINE EQUAL COMPONENT PARTS. EACH TRACT, THEREFORE, CONSISTS OF FOUR SECTIONS (640 ACRES X 4 = 2,560 ACRES). THIS PARCELIZATION IS SIMILAR TO THAT USED FOR FEDERAL OIL AND GAS LEASE SALES. USING THE ABOVE DESCRIBED TRACT GRID, DOI HAS NUMBERED AND ASSIGNED A VALUE TO EACH TRACT. THESE VALUES WILL BE KEPT CONFIDENTIAL UNTIL THE PROPOSED EXCHANGES ACTUALLY OCCUR.

IT APPEARS TO BE DOI'S INTENT TO ALLOW THE CORPORATION'S TO USE THE APPRAISED VALUE OF THEIR LANDS TO SELECT AND ACQUIRE COASTAL PLAIN OIL AND GAS TRACTS. THE METHOD OF ACQUISITION WOULD BE SIMILAR TO A MONTE CARLO GAME, IN THAT OIL AND GAS TRACTS WOULD BE SELECTED AND ACQUIRED WITHOUT PRIOR KNOWLEDGE OF THEIR ESTIMATED VALUE. THUS, ARMED WITH OIL COMPANY EXPLORATION KNOWLEDGE, THE CORPORATION'S ARE LIKELY TO SELECT THE MOST PROMISING TRACTS.

THE DEPARTMENT'S DIVISION OF MINING AND GEOLOGY HAS ALSO COMPLETED A REPORT CONCERNING THE SUBSURFACE RESOURCES AND PROSPECTIVE VALUE OF THE ANWR COASTAL PLAIN. THIS STATE REPORT WAS COMPLETED SOME TIME AGO AND HAS REMAINED CONFIDENTIAL, PENDING RELEASE OF THE ANILCA SECTION 1002(H) REPORT. THE 1002(H) REPORT WAS PARTIALLY BASED UPON INFORMATION OBTAINED FROM THE STATE.

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ANWR LAND STATUS

ORIGINALLY ESTABLISHED IN 1960 AS THE 8.9 MILLION ACRE ARCTIC NATIONAL WILDLIFE RANGE, ANWR NOW INCLUDES ABOUT 19 MILLION ACRES. THE COASTAL PLAIN CONSISTS OF 1.5 MILLION ACRES (APPROXIMATELY EIGHT PERCENT OF ANWR'S TOTAL ACREAGE). MANAGED BY THE USFWS, THE COASTAL PLAIN HAS ONLY ONE IN-HOLDING, THE LARGE SURFACE AND SUBSURFACE ESTATE OWNED BY THE VILLAGE OF KAKTOVIK AND THE ARCTIC SLOPE REGIONAL CORPORATION (ASRC) RESPECTIVELY.

PURSUANT TO SECTION 12(A) OF ANCSA, THE KAKTOVIK INUPIAT CORPORATION ON BARTER ISLAND IN ANWR, SELECTED 92,160 ACRES ALONG THE BEAUFORT SEA. HOWEVER, A PROVISION OF ANCSA REQUIRED ASRC, WHICH NORMALLY WOULD HAVE ACQUIRED THE SUBSURFACE ESTATE UNDER KAKTOVIK'S SURFACE ESTATE, TO SELECT IN-LIEU SUBSURFACE ACREAGE OUTSIDE ANWR AND NFRA. IN AUGUST, 1983, ASRC EXCHANGED ABOUT 100,000 ACRES OF THIS IN-LIEU SUBSURFACE ENTITLEMENT NEAR CHANDLER LAKE IN THE GATES OF THE ARCTIC NATIONAL PARK FOR 92,000 ACRES OF SUBSURFACE RIGHTS IN ANWR UNDER THE KAKTOVIK INUPIAT CORPORATION LAND. THE LAND TRADE PREEMPTED ANOTHER PROCESS ESTABLISHED BY SECTION 1431(O) OF ANILCA, WHEREBY ASRC COULD HAVE OBTAINED THESE SAME LANDS AT A LATER DATE, PROVIDED CONGRESS OPENED THE COASTAL PLAIN TO COMMERCIAL OIL AND GAS DEVELOPMENT WITHIN 40 YEARS AND ASRC SELECTED LAND WITHIN 75 MILES OF KAKTOVIK'S LAND. THE ATTACHED MAP DEPICTS THE KAKTOVIK AND ASRC OWNERSHIP ON THE COASTAL PLAIN.

NATIVE_EXCHANGE_EEOBIS

AT THE PRESENT TIME, THERE ARE FOUR GROUPS OF NATIVE INTERESTS INVOLVED IN ANWR LAND EXCHANGE EFFORTS. KONIAG, THE KODIAK-BASED VILLAGE/REGIONAL CORPORATION MERGER, HAS BEEN INVOLVED IN TRADE DISCUSSIONS WITH THE USFWS FOR ALMOST TWO YEARS. KONIAG OWNS SEVERAL AREAS OF LAND (E.G. KARLUK RIVER) OF GREAT INTEREST TO USFWS DUE TO THEIR LOCATION WITHIN THE KODIAK NATIONAL WILDLIFE REFUGE. THE KONIAG ANWR TEAM IS HEADED BY BILL TIMME, ART KENNEDY AND BOB PUTZ (FORMER USFWS ALASKA DIRECTOR). A DRAFT EXCHANGE AGREEMENT HAS BEEN DRAFTED AND KONIAG'S LANDS WERE APPRAISED LAST WINTER BY A TEAM OF DOI APPRAISERS. THE INITIAL EXCHANGE AGREEMENT HAS NOW BEEN REDRAFTED FOLLOWING RECENT MEETINGS IN WASHINGTON, D.C.

ANOTHER ANWR TRADE PACKAGE HAS BEEN ASSEMBLED BY DOYON, LTD., BASED IN FAIRBANKS. I HAVE BEEN UNABLE TO OBTAIN MUCH INFORMATION CONCERNING THIS PROPOSAL. PRESUMABLY, HOWEVER, MOST OR ALL OF DOYON'S LAND WAS ALSO APPRAISED LAST WINTER BY THE USFWS. THE AKHIKAGUYAK CORPORATION, LOCATED ON THE SOUTH END OF KODIAK ISLAND (NOT PART OF KONIAG), HAS ALSO ADVANCED A PROPOSAL TO TRADE UP TO 100,000 ACRES TO THE USFWS.

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THE NEWEST AND LARGEST ANWR TRADE PACKAGE HAS BEEN ASSEMBLED BY A NATIVE CORPORATION CONSORTIUM HEADED BY COOK INLET REGION, INC. (CIRI) THE ANCHORAGE BASED REGIONAL CORPORATION. CONSISTING OF VILLAGE CORPORATION LANDS FROM THE BRISTOL BAY, CALISTA AND DOYON REGIONAL AREAS, AS WELL AS CIRI LAND HOLDINGS WITHIN THE KENAI NATIONAL WILDLIFE REFUGE, THIS CONSORTIUM HAS MOVED RAPIDLY TO PRESENT A VERY ATTRACTIVE TRADE PACKAGE TO THE USFWS.

THE CIRI ANWR TEAM IS HEADED BY THREE EXPERIENCED LAND TRADERS, MARGIE SAGERSER, MARK RINDNER AND MICHAEL C. T. SMITH. MS. SAGERSER IS A CIRI BOARD MEMBER AND FORMER CIRI VICE-PRESIDENT FOR LAND MANAGEMENT. MARK RINDNER IS A PRIVATE ATTORNEY WHO HAS HANDLED LAND USE MATTERS FOR CIRI. MICHAEL C. T. SMITH IS A FORMER DNR DEPUTY COMMISSIONER AND CURRENT LAND USE CONSULTANT, OFTEN RETAINED BY CIRI. MS. SAGERSER AND MR. SMITH WERE PREVIOUSLY THE PRINCIPALS IN THE 1976 COOK INLET LAND TRADE.

CERTAINLY IN THE CASE OF THE KONIAG AND CIRI, AND PROBABLY THAT OF DOYON, OIL COMPANY MONEY IS A DRIVING FORCE AND INTEREST. THOSE COMPANIES RUMORED TO BE HELPING FINANCE CORPORATION TRADE EFFORTS INCLUDE ARCO, TEXACO AND EXXON. //

IT IS EVIDENT THAT THE CORPORATIONS ARE WELL ORGANIZED, FINANCED AND ON THE VERGE OF CONSUMMATING PRELIMINARY LAND EXCHANGE AGREEMENTS WITH THE USFWS. THUS FAR THE CORPORATIONS VIEW THE STATE AS A POSSIBLE COMPETITOR FOR KEY ANWR LANDS AND HAVE BEEN RELUCTANT TO PROVIDE THE STATE WITH MUCH INFORMATION. IN ADDITION, THEY UNDOUBTEDLY FEAR THE STATE MIGHT CHOOSE TO OPPOSE ANCSA TRADES IN ANWR DUE TO THE LOSS OF OUR 90 PERCENT ROYALTY SHARE FROM FEDERAL LEASING.

WITH THE EXCEPTION OF SOME OF THE CIRI TEAM LANDS, THE USFWS HAS APPRAISED ALL ANCSA LANDS PROPOSED FOR EXCHANGE. HOWEVER, THESE FEDERAL APPRAISALS MUST STILL BE ADJUSTED TO ACCOUNT FOR PUBLIC INTEREST VALUES. THESE ADJUSTMENTS ARE PART OF THE ON-GOING NEGOTIATIONS.

STATE_EXCHANGE_EEEQRIS

AFTER LEARNING OF POSSIBLE LAND TRADES BETWEEN ANCSA CORPORATIONS AND THE USFWS INVOLVING ANWR, YOU ASKED THE DEPARTMENT TO INITIATE THE TRADE DISCUSSIONS WITH THE USFWS IN LATE 1985. IN FEBRUARY, 1986, TOM HAWKINS, DIRECTOR OF THE DEPARTMENT'S DIVISION OF LAND AND WATER MANAGEMENT, WROTE BOB GILMORE, USFWS STATE DIRECTOR TO FORMALLY PROPOSE A STATE/FEDERAL LAND TRADE INVOLVING ANWR.

AT THAT TIME, THE DEPARTMENT OFFERED 12 MILLION ACRES OF STATE LAND HOLDINGS WITHIN OR ADJACENT TO NATIONAL PARKS OR REFUGES IN ALASKA AS CANDIDATES FOR TRADE. INCLUDED WERE VERY IMPORTANT

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HABITAT AREAS SUCH AS THE SHEARWATER PENINSULA AND MARMOT ISLAND AT KODIAK, THE BLACK HILLS CARIBOU CALVING GROUNDS ON THE ALASKA PENINSULA, TRUMPETER SWAN NESTING AREA IN THE COPPER RIVER BASIN AND STATE INHOLDINGS NEAR MCCARTHY IN THE WRANGELL-ST. ELIAS NATIONAL PARK.

MR. GILMORE RESPONDED IN MARCH, 1986, CLAIMING THAT ONLY THE STATE LANDS WITHIN THE TETLIN NATIONAL WILDLIFE REFUGE MERITED HIGH PRIORITY FOR USFWS ACQUISITION BY TRADE. THE REMAINING STATE LANDS WERE REFERENCED AS HAVING ONLY LOW TO MODERATE USFWS ACQUISITION INTEREST.

IN OCTOBER OF 1986 DURING A TRIP TO WASHINGTON, D.C., YOU DISCUSSED THE ANWR TRADE MATTER WITH BILL HORN, DOI'S ASSISTANT SECRETARY FOR PARKS AND REFUGES. MR. HORN APPARENTLY RELAYED THAT DOI WAS INTERESTED IN A STATE/FEDERAL ANWR TRADE, AND THAT STATE LANDS IN NATIONAL PARK UNITS WERE ACCEPTABLE TRADE CANDIDATE AREAS. THIS PROMPTED THE STATE TO REASSEMBLE ITS ANWR TRADE PACKAGE, EXPANDING THE LIST OF CANDIDATE STATE LANDS TO INCLUDE NUMEROUS AREAS OF INTEREST TO THE NPS. MR. HORN ALSO CONTINUED TO ASSURE YOU AND JOHN KATZ THAT DOI WOULD KEEP THE STATE INFORMED OF THE PROGRESS OF DOI/ANCSA CORPORATION TRADE EFFORTS. UNFORTUNATELY, IT IS NOW EVIDENT THAT MUCH HAS OCCURRED WITHOUT STATE CONSULTATION. //

ON THE BASIS OF THE WASHINGTON, D.C. DISCUSSIONS, DIRECTOR HAWKINS ONCE AGAIN WROTE MR. GILMORE OF THE USFWS TO TRY AND SOLIDIFY A STATE LAND TRADE PROPOSAL. INCLUDED IN THIS REVISED STATE TRADE PROPOSAL WERE IN-HOLDINGS WITHIN NATIONAL PARKS FOR WHICH THE NPS HAS A LONG-STANDING INTEREST (E.G. MCCARTHY, WOLF TOWNSHIPS, KAMISHAK, ETC.). WE HAVE NOT YET RECEIVED A RESPONSE TO THIS LATEST STATE TRADE PROPOSAL.

RECOMMENDATION

THE ADVANCED STATUS OF THE DOI/ANCSA CORPORATION LAND EXCHANGE NEGOTIATIONS REQUIRES AN IMMEDIATE AND ACCELERATED RESPONSE FROM THE STATE OF ALASKA. ASSUMING THE COASTAL PLAIN OF ANWR IS OPENED TO OIL AND GAS DEVELOPMENT BY CONGRESS IN THE NEAR FUTURE, THE STATE MAY ASSUME TWO POSTURES IN ORDER TO PROTECT OR ENHANCE ITS INTERESTS.

FIRST, THE STATE MUST SEEK PROFORMA TO PRESERVE ITS 90 PERCENT ROYALTY INTEREST FROM FEDERAL OIL AND GAS LEASE SALES, PURSUANT TO THE MINERAL LEASING ACT. ALTHOUGH SOME MAY SUGGEST OUR 90 PERCENT ROYALTY IS AN EXCESSIVE STATE BENEFIT IN THIS TIME OF FEDERAL BUDGET AUSTERITY, THE STATE SHOULD DO EVERYTHING WITHIN ITS MEANS TO AVERT THE LOSS OF REVENUE WHICH MIGHT ACCRUE TO THE STATE.

*to meet this act at 90% because alaska
didn't get other funds that
other states receive related to fuel
oil & gas development*

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SECOND, AND COINCIDENT TO ATTEMPTS TO MAINTAIN THE STATE'S CURRENT FEDERAL LEASE ROYALTY PERCENTAGE, 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 THEM APPRAISED IN TIME FOR SUBMISSION OF A TRADE PROPOSAL TO THE LEGISLATURE. BECAUSE STATE LAND APPRAISALS WILL LIKELY BE COMPLETED LATER THAN THE NORMAL LEGISLATIVE EXCHANGE SUBMISSION DEADLINE ESTABLISHED BY AS 38.50, THE GOVERNOR WILL HAVE TO SUBMIT THE EXCHANGE AT A LATER DATE, FOLLOWING A FINDING OF EXIGENT CIRCUMSTANCES.

THE FOLLOWING TIMEFRAME SHOULD BE CLOSELY FOLLOWED IF THE STATE IS TO BE IN POSITION TO JOIN THE ANCSA CORPORATIONS IN THE INITIAL ANWR TRACT SELECTION PROCESS (ESTIMATED BY MARCH-APRIL, 1987).

1. BRIEF GOVERNOR BILL SHEFFIELD, GOVERNOR-ELECT COWPER AND KEY LEGISLATORS ON THE CONCEPTUAL STATE EXCHANGE PROPOSAL AND DESIGNATE A STATE ANWR EXCHANGE TEAM (NOVEMBER, 1986).
2. FINALIZE STATE LAND POOL TO BE INCLUDED IN EXCHANGE (DECEMBER 1, 1986).
3. CONDUCT FAIR MARKET VALUE APPRAISALS OF STATE LANDS PROPOSED FOR EXCHANGE (FEBRUARY 15, 1987).
4. SUBMIT PROPOSED TRADE TO LEGISLATURE FOR APPROVAL (FEBRUARY 20, 1987).
5. ENTER INTO PRELIMINARY OR CONCEPTUAL EXCHANGE AGREEMENT WITH DOI (APRIL, 1987).

THE UNIQUE NATURE OF THIS EXCHANGE WILL NECESSITATE VARIANCES IN THE NORMAL AS 38.50 PROCESS. THESE VARIANCES MUST BE APPROVED BY THE LEGISLATURE AS PART OF THEIR FINAL REVIEW OF THE PROPOSAL.

OBVIOUSLY, THERE IS A TREMENDOUS AMOUNT OF WORK TO BE DONE BETWEEN NOW AND MID-MARCH. THE ONLY WAY THE STATE CAN HOPE TO SUCCESSFULLY ASSEMBLE, MARKET AND DELIVER THIS EXCHANGE IS TO IMMEDIATELY IDENTIFY AND APPOINT A QUALIFIED MULTI-DISCIPLINARY ANWR EXCHANGE TEAM AND PROVIDE THEM WITH SUFFICIENT SUPPORT (BOTH ADMINISTRATIVE AND FINANCIAL) TO COMPLETE THE ASSIGNMENT. I HAVE PROPOSED BELOW A ROUGH OUTLINE OF THE PERSONNEL AND SUPPORTING NECESSARY TO ACCOMPLISH THE TASK. IT IS ESSENTIAL THAT TEAM MEMBERS BE THE MOST EXPERIENCED AND CAPABLE STAFF MEMBERS WITHIN THEIR REALM OF EXPERTISE. TEAM MEMBERS SHOULD BE AVAILABLE FOR THE PROJECT ON A FULL-TIME BASIS FOR A THREE MONTH PERIOD FROM NOVEMBER, 1986, TO FEBRUARY, 1987, AND AT LEAST PART-TIME THEREAFTER.

PERSONNEL AND RESPONSIBILITIES

1. GOVERNOR'S OFFICE, WASHINGTON, D.C. - CONGRESSIONAL DELEGATION LIAISON, COORDINATION WITH DOI REPRESENTATIVES IN WASHINGTON, D.C., REPRESENT GOVERNOR'S INTERESTS.
2. STAFF MEMBER, DIVISION OF MINING AND GEOLOGY - RESPONSIBLE FOR ANWR SUBSURFACE EVALUATION, COORDINATION WITH GOVERNMENT, INDUSTRY INTERESTS RELATED TO RESOURCE INFORMATION, LEGISLATIVE BRIEFINGS.
3. ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF LAW - PREPARATION OF LEGISLATION AND EXCHANGE AGREEMENTS, LEGAL SUPPORT, COORDINATION WITH SOLICITORS OFFICE.
4. STAFF MEMBER, DIVISION OF LAND AND WATER MANAGEMENT - RESPONSIBLE FOR ASSEMBLAGE OF STATE EXCHANGE LAND, COORDINATION OF STATE AGENCY INVOLVEMENT, APPRAISAL PROCESS, LEGISLATIVE BRIEFINGS, NEGOTIATIONS.

IN ADDITION, IT IS ESSENTIAL TO INVOLVE OTHER AFFECTED STATE AGENCIES (E.G. ADF&G, DEC) REGARDING THOSE ISSUES WITHIN THEIR RESPONSIBILITY OR EXPERTISE.

FINANCIAL

PRIMARY COSTS ARE FOR APPRAISALS AND TRAVEL. APPRAISALS WILL LIKELY BE NEEDED FOR SUBSTANTIAL ACREAGE OF STATE LAND, AND COSTS WILL BE REDUCED IF DNR USES IN-HOUSE STAFF APPRAISERS. TRAVEL COSTS INCLUDE SEVERAL TRIPS TO WASHINGTON, D.C. FOR NEGOTIATIONS WITH DOI OFFICIALS AS WELL AS SEVERAL JUNEAU TRIPS FOR LEGISLATIVE BRIEFINGS.

TRAVEL (2 TEAM TRIPS TO WASHINGTON
5 TEAM TRIPS TO JUNEAU)

APPRAISAL (CHARTER FLIGHTS,
OTHER CONTRACTUAL (MAPS, AER
PHOTOS, PRINTING, POSTAGE
EQUIPMENT (FILING CABINET)

TOTAL ESTIMATED PROJECT BUDG

← why do we need "team" trips to DC when we have a liaison there? Also, won't DOI officials be traveling to Alaska? Why not arrange to meet with them here?

FINALLY, BECAUSE THE SECRETARY I: REPORT ON NOVEMBER 24, 1986, IT ANNOUNCE THE FORMATION OF A STATE THAN NOVEMBER 21, 1986.

(H)
CLY

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00149

NOVEMBER 12, 1986

PERSONNEL AND RESPONSIBILITIES

1. GOVERNOR'S OFFICE, WASHINGTON, D.C. -
CONGRESSIONAL DELEGATION LIAISON, COORDINATION WITH
DOI REPRESENTATIVES IN WASHINGTON, D.C., REPRESENT
GOVERNOR'S INTERESTS.
2. STAFF MEMBER, DIVISION OF MINING AND GEOLOGY -
RESPONSIBLE FOR ANWR SUBSURFACE EVALUATION,
COORDINATION WITH GOVERNMENT, INDUSTRY INTERESTS
RELATED TO RESOURCE INFORMATION, LEGISLATIVE BRIEFINGS.
3. ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF LAW -
PREPARATION OF LEGISLATION AND EXCHANGE AGREEMENTS,
LEGAL SUPPORT, COORDINATION WITH SOLICITORS OFFICE.
4. STAFF MEMBER, DIVISION OF LAND AND WATER MANAGEMENT -
RESPONSIBLE FOR ASSEMBLAGE OF STATE EXCHANGE LAND,
COORDINATION OF STATE AGENCY INVOLVEMENT, APPRAISAL
PROCESS, LEGISLATIVE BRIEFINGS, NEGOTIATIONS.

IN ADDITION, IT IS ESSENTIAL TO INVOLVE OTHER AFFECTED STATE AGENCIES (E.G. ADF&G, DEC) REGARDING THOSE ISSUES WITHIN THEIR RESPONSIBILITY OR EXPERTISE.

FINANCIAL

PRIMARY COSTS ARE FOR APPRAISALS AND TRAVEL. APPRAISALS WILL LIKELY BE NEEDED FOR SUBSTANTIAL ACREAGE OF STATE LAND, AND COSTS WILL BE REDUCED IF DNR USES IN-HOUSE STAFF APPRAISERS. TRAVEL COSTS INCLUDE SEVERAL TRIPS TO WASHINGTON, D.C. FOR NEGOTIATIONS WITH DOI OFFICIALS AS WELL AS SEVERAL JUNEAU TRIPS FOR LEGISLATIVE BRIEFINGS.

TRAVEL (2 TEAM TRIPS TO WASHINGTON, D.C., 5 TEAM TRIPS TO JUNEAU)	\$15,000
APPRAISAL (CHARTER FLIGHTS, ETC.)	\$25,000
OTHER CONTRACTUAL (MAPS, AERIAL PHOTOS, PRINTING, POSTAGE COPY)	\$9,800
EQUIPMENT (FILING CABINET)	\$200
 TOTAL ESTIMATED PROJECT BUDGET	 \$50,000

FINALLY, BECAUSE THE SECRETARY IS EXPECTED TO RELEASE THE 1002(H) REPORT ON NOVEMBER 24, 1986, IT WOULD BE ADVANTAGEOUS TO PUBLICLY ANNOUNCE THE FORMATION OF A STATE ANWR EXCHANGE TEAM NO LATER THAN NOVEMBER 21, 1986.

0014J

00150

EXHIBIT 2 PAGE 9

ESTHER C. WUNNICKE, ET AL - 9 -

NOVEMBER 12, 1986

GG/JLH

ATTACHMENT

CC: JIM EASON, DO&G
LAUREL MURPHY, DM&G
RICH KORNBATH, DM&G
JOHN KATZ, GOV. OFFICE, WASHINGTON, D.C.
BOB ARNOLD, CO
JIM BARNETT, CO
NED FARQUHAR, CO
TOM KOESTER, AGO
NORM COHEN, ADF&G
TOM HAWKINS, DLWM

00153

00151

EXHIBIT 2 PAGE 10

3

MEMORANDUM

State of Alaska

TO: The Honorable Bill Sheffield
Governor

DATE: November 17, 1986

FILE NO:

TELEPHONE NO:

FROM: *E. H. H.*
Esther C. Hunnicke
Commissioner
Department of Natural Resources

SUBJECT: ANWR Trades Issue Paper

ISSUE: Should the State broaden and accelerate its ANWR exchange efforts immediately?

1. ANWR land/status

- Of ANWR's total acreage of about 19 million acres, about 1.5 million acres make up the coastal plain.
- The only in-holding in the Refuge is the 92,160 acres of surface estate owned by Kaktovik Inupiat Corporation, the subsurface of which is owned by the Arctic Slope Regional Corporation (ASRC), and about one township of subsurface estate, also owned by ASRC. (Map attached.)

2. The U.S. Fish and Wildlife Service has shown little interest in trading ANWR lands for State lands.

- Of the 12 million acres identified by DNR this year near parks and refuges, only the lands within Tetlin National Wildlife Refuge were of interest.
- Bill Horn of Interior subsequently expressed interest in obtaining park lands as well as refuge lands.
- DNR proposed an expanded list of lands for possible trade to the Fish and Wildlife Service this month, including lands important to national parks.

3. We have just learned there has been an acceleration of efforts by Native corporations to trade for lands in ANWR.

- Four groups (led by Koniag, CIRI, Doyon, and Akhiokaguyak) have developed draft proposals or draft agreements, and most of their lands have been appraised.

DELIVER TO: <i>George Gustafson</i>	LOCATION: <i>1. v. v.</i>
FROM: <i>Bob H. H.</i>	LOCATION: <i>C.D. Johnson</i>
TELEPHONE/TELECOPIER:	TOTAL NUMBER OF PAGES:
TRANSMITTING ON SPEED:	DATE: <i>11-17-86</i>
PHONE FOR PROBLEMS/NUMBER:	TIME: <i>2:40 PM</i>

OPTIONAL FORM NO. 10

The Honorable Bill Sheffield -2-

November 17, 1986

- Several oil companies are reportedly helping advance the Native corporation proposals.
4. Interior has made much progress in its planning for exchanges.
 - An exchange team of five persons (USFWS, BLM, Solicitor's Office) has been appointed; all but one are in Washington, D.C.
 - The coastal plain has been divided into tracts of 2,360 acres and each has been assigned a preliminary value.
 - A tract selection process has reportedly been established, tract selection expected to take place in March or April, 1987, but could take place earlier.
 5. Interior is now expected to release its ANILCA 1002(h) report on November 24 for public comment.

RECOMMENDATIONS:

1. Obtain the concurrence of Governor-elect Cowper and immediately name an ANWR exchange team, charging it with:
 - briefing key legislators;
 - developing final list of lands to be included in exchange (December);
 - conducting appraisals of State land in pool;
 - negotiating with Interior, formulating exchange agreement.
2. The Exchange Team should consist of representatives from two divisions in DNR, the Attorney General's Office, and the Department of Fish and Game.
3. The naming of an exchange team should be seen only as a single element of a larger ANWR strategy.
4. Public announcement should immediately follow Interior's release of its 1002(h) report, but it should be in the context of planning an overall strategy for influencing ANWR decisionmaking.

Attachments

FORM 3 PAGE 2

01556

MEMORANDUM

State of Alaska

To: The Honorable Don Collinsworth
Commissioner
Department of Fish and Game

Date: November 18, 1986

File no:

Telephone no: (907) 465-2400

From: Esther C. Wunnicke
Commissioner
Department of Natural Resources
Office of the Commissioner

Subject: ANWR Trade

As you know, the specter of land trades in the Arctic National Wildlife Refuge (ANWR) is of great importance to state interests and is part of our overall ANWR strategy. Accordingly, I met Monday with the Governor to recommend that the state immediately broaden and accelerate its ANWR exchange efforts. The Governor indicated that he advocates such an effort and will convey Governor-elect Cowper a personal message to that effect.

In order to assemble a state land trade package in time to meet federal ANWR exchange time frames, it is essential that your agency be involved in initial land identification discussions. Your Habitat Division proved very helpful last spring when the initial 12 million acre state land trade pool was assembled.

My recommendations to the Governor include the creation of a state ANWR Exchange Team, including the Department of Fish and Game. I perceive your participation as critical to completion of the following tasks.

1. Assemble a refined land trade pool of state land with fish and wildlife resource values which will serve as the basis for negotiations between the state, USFWS and the NPS.
2. Represent ADF&G's interests in land trade negotiations designed to identify those lands from the pool, above, which will be offered for exchange.
3. Negotiate any stipulations or other provisions pertaining to your agency's interests in the final exchange agreement.
4. Represent ADF&G in briefings on the ANWR trade proposal before the legislature, interest groups, etc.

01561

November 18, 1986

In addition, I suspect there are also other appropriate arenas for ADF&G involvement and welcome your suggestions. It would be of great assistance if you would appoint a representative to participate in the ANWR Exchange Team and notify me promptly. I will be sending related background information to your office under separate cover.

Thanks for your assistance.

EW/GG/jlh
ATTACHMENT

cc: Norm Cohen, ADF&G
Tom Hawkins, DLWM
Gary Gustafson, DLWM/LMS
Bob Grogan, OMB

01585

EXHIBIT 4 PAGE 2

MEMORANDUM

State of Alaska

DEPARTMENT OF NATURAL RESOURCES - Division of Land and Water Management

TO: ~~Dennis Lattery~~, LMS
~~Steve Starrett~~, LMS
~~Judy Robinson~~, SCRO
Dennis Phillips, NRO

DATE: February 19, 1987

FILE NO:

TELEPHONE NO: 762-4346

FROM: Gary Gustafson, Chief
Land Management

SUBJECT: ANWR Appraisals

I'd like to express my appreciation for the hard work and long hours expended by each of you to complete the appraisals of state land proposed for trade to the Department of Interior. As you know, the scope of the appraisal and the tight deadline for completion made this task particularly ambitious and challenging. It was undoubtedly the largest single appraisal effort ever undertaken by the department. I am very pleased with the result and feel confident your reports will facilitate the state's interests as we continue the ANWR trade process.

I also appreciate the patience of your supervisors, whose realization of the importance of this task helped to compensate for the delay in getting other appraisals completed. Again, thanks for a job well done -- and time.

cc: Tom Hawkins, DLWM
Dick LeFebvre, DLWM
Meg Hayes, SCRO
Jerry Brossia, NRO
Kyle Cherry, DLWM/LMS

GG/jth

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01708

EXHIBIT 5 PAGE 1

11 B

cc Jim
Eason

ANWR

MEETING WITH DOEBEL (USFWS) AND MATHIAS (USFWS)
WITH GUSTAFSSON (DNR) AND TRASKY (ADFG). 11/20/86 1:00

This meeting was held to present the USFWS with specific tract boundaries to better identify USFWS interest in some 12 million acres of state land with habitat value which might be exchanged. I brought with me site specific boundaries on 1:250,000 scale USGS CSU ANILCA maps for the national wildlife refuge system. Mr. Mathias was present as he is the USFWS Alaska Realty Section Head and has been involved with review of all prior Native lands propose for exchange.

Lance Trasky and I presented the following list of areas and specifically discussed habitat and wildlife values, threats from development, land management efficiency and federal CSU Refuge Plan recommendations.

1. Tetlin NWR . . . 45,000 acres..
2. Alaska Maritime NWR . . 30,000 acres
 - marmot Island
 - Tugidak Is.
3. Alaska Peninsula NWR . . . 400,000 acres
 - Blain Hills
 - Mother Goose Lk.
 - Herrenden Bay
4. Yukon Delta NWR . . . 100,000
 - Kisaralik R. (upper)
5. Kodiak NWR . . . ~~100,000~~ 200,000
 - Raspberry Is.
 - Shearwater Peninsula
6. Redoubt Bay
7. Gulkana Basin
8. Nushagak / Iliamna
9. melozi
10. Kanuti NWR - John/Alatna R.

RECEIVED

D+C 15 1986

DIVISION OF OIL & GAS
ANCHORAGE, ALASKA

EXHIBIT 6 PAGE 1
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In addition, we emphasized ^{that} other areas identified by

Based upon comments and general observations, I perceived interest in areas #1-5, above, but very little interest in the other areas. Doebel explained that it was doubtful that his agency would consider acquiring any new lands not already within or adjacent to, NWR's. The concept of Congress creating new NWR's just isn't attractive.

I also mentioned the possibility of including development rights to state submerged lands in NWR's in the trade. Doebel seemed unattracted by but will discuss with Gilmore.

Doebel said it appeared there was enough state land of interest to USFWS that he thought we'd likely be allowed in the trade negotiations. He also said he needed to confirm with refuge managers and Gilmore as to exactly which tracts they would request in trade. He will cover that base and let me know by 11/26. He felt confident enough about state involvement to say he would draft a letter to state and hope to finalize by 11/26. He thought the letter ~~will go~~ would generally confirm our participation in trade. It will not describe the state land of interest. That will occur at same time via phone. There appears to be deliberate USFWS attempt to avoid saying much in writing about trade, due to... public disclosure laws.

He also emphasized that it is "absolutely essential" for the state to participate in the Washington, DC discussions and negotiations on Dec. 1-5. At that time, the DOI ANWR Exchange Team proposes to meet with all Native corporations to:

1. review draft exchange agreement;
2. discuss and attempt to decide ANWR tract selection process;
3. review draft exchange stipulations.

Doebel will provide me with copies of the draft exchange agreement and stipulations. The draft exchange agreement may be revised again

001: EXHIBIT 6 PAGE 2

prior to the meetings. If so, he'll attempt to get me a copy.

He expects the Dec. 1-5 discussions to be very involved and lengthy. In the past, he said the attorneys tend to monopolize discussions. However a lot of ground will be covered and usually the Natives bring a team of 2-4 persons to advance their causes. The discussions will likely occur from 9:00 - 12:00 and 1:30 - 3:30 everyday. In addition, there are expected to be many private meetings with DOI officials, including Bill Horn. He said we would be well advised to have an attorney in attendance. He added that if we go, it would be well to make travel arrangements ASAP. because he had difficulty getting his own trip back arranged.

We then discussed the appraisal process. First, he mentioned that all Native lands are already appraised, except for some in the CIRI package. USFWS is now arranging to get appraisers up to Alaska to do the CIRI appraisals.

~~As a result~~ It appears that each ANWR trade participant gets to negotiate its own land values. Once FMV is established, each Native corp. team (for example) will negotiate with USFWS to establish a public interest adjustment, which Doebl expects will increase most Native appraisal values by 1.5 to 4 times! Each negotiation effort ~~value~~ to establish value will be handled independently. In other words, the criteria will not necessarily be the same.

EXHIBIT 6 PAGE 3

I explained that we intended to do our own FMV appraisals using DNR appraisers in accord with state and federal appraisal standards. Doebl had no problem with this and said Gilmore had already conceptually approved this process. Furthermore, he recognized the time and money savings ~~DOI~~ addition, there are no USFWS appraisers available. 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 the problem, but said USFWS preferred to deal with state on only the fmv appraisal basis (no adjustments). I said I thought that would be unacceptable, and proposed a "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, but we'd like have to negotiate it out individually, just like Natives are doing

I asked Doebel to please check 3 policy calls with Gilmore.

1. Is USFWS interested in state submerged lands within refuges?
 2. Does USFWS desire subsurface estate?
 3. Will Gilmore consider appraisal adjustment valuation enhancement for state lands?
- Doebel will discuss with Gilmore and get back AS

EXHIBIT 6 PAGE 4

00112

00113

GUSTAFSON MEETING WITH DOEBEL (USFWS) 11/21/86 11AM

Doebel had met with Bob Gilmore (USFWS - Director) to discuss substance of state trade proposal. Gilmore was asked to clarify 3 policy matters concerning the state's proposal. USFWS realty officers and refuge managers are evaluating the state's land package.

Gilmore says:

1. not interested in subsurface acquisition;
2. not interested in submerged lands;
3. prefers fair market value appraisals for state land with no public interest adjustments.

He is willing, however, to consider including a 35% increase over fmv for "expediency and willing seller" posture.

Doebel said Gilmore would be in Washington, D.C. on 11/24/86 and planned to meet with Bill Horn to discuss state involvement. He will be carrying with him a draft letter which will simply say that the state's package is of interest to the USFWS and will therefore welcome the state into trade negotiations for ANWR. Gilmore will also discuss ~~with~~ NPS involvement with Horn - hopefully Horn will set ground rules which will include NPS inclusion.

Doebel stressed that the state will need to negotiate individually with Horn to achieve any appraisal adjustments upward from fmv.

Another key issue Gilmore will discuss with Horn is whether USFWS may include state land "adjacent to" refuges, rather than just "inholdings" in the trade. Apparently all the Native trade lands are inholdings rather than adjacent lands. This question is critical to the state because most of the proposed state trade land is in the adjacent category.

Doebel specified that although he expected the state would be allowed into negotiations, the corporations have already expressed concern. ^{EXHIBIT 6 PAGE 5} DOI, in particular, doesn't want the state in the game.

The bottom line for DOI is that the Keniaa timefram

must be met if any other group (i.e. CIRI, DOYON or state) want to participate. This timeframe calls for all appraisals to be completed by Feb. 15, 1987. I assured Doebel that it is our intent to meet the Koniag deadlines - not to slow them up.

Doebel then talked a bit further about the ANWR tract selection process which is still evolving. Horn apparently wants to give Koniag priority tract selection consideration due to their long-standing involvement in the exchange process. However, Doebel says this is a gut feeling, not something Horn has articulated directly.

The Native acreages in the trade are:

1. CIRI 250,000 acres
2. Koniag 125,000 "
3. Akhiokaguyak 100,000
4. DOYON 600,000 "

According to Doebel, USFWS generally ranks the CIRI lands as of highest value, followed by Koniag, Akhiokaguyak and DOYON, in that order.

Doebel also provided me with a copy of Koniag's "proposed tract selection process" which he emphasizes the USFWS has not accepted (he was very reluctant to release the draft).

I also obtained for the first time the draft exchange agrmt boilerplate and the draft land use stipulations (copies of which I subsequently provided to Lance Trasky, ADFG and Jim Eason, DOG).

Finally, Doebel mentioned that Akhiokaguyak has retained Terry Smith, who may be on a Cowper Transition Team. He also suggested that I call Bill Timme at Koniag to advise him of the state's exchange efforts so that it will not be a surprise when we appear at the Dec. 1-5 meetings in Wash. D.C. I also intend to so notify CIRI.

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00115

EXHIBIT 6 PAGE 6

MEMORANDUM

State of Alaska

Jim Gust

TO: Judith M. Brady
Commissioner

DATE: February 17, 1987

FILE NO:

TELEPHONE NO:

GUG
FROM: Gary Gustafson, Chief
Land Management

SUBJECT: ANWR Trade Strategy

I reviewed the draft memorandum to the Governor which recommends that the state oppose further ANWR land exchanges. While I agree with the substance and conclusion of the memorandum given existing circumstances, I believe the memorandum might be strengthened if it also includes other considerations. Based upon my direct participation in the ANWR trade process, I believe it is still possible to restructure the proposed land exchange process in a manner which properly addresses state interests.

In my opinion, the state currently enjoys excellent leverage with which to advance its interests. It is now well known that the Governor is predisposed to oppose any trades unless he can be convinced that they are in the state's best interest. Accordingly, the Department of Interior (DOI) and the Native corporation trade participants wish to avoid state trade opposition. Therefore, the time is ripe to advance and negotiate for those concessions and positions which benefit the state. The following items might be negotiated should this strategy be embraced:

1. Obtain an overriding royalty from any interests traded to the Native corporations in ANWR. The concept of the state receiving an overriding royalty from any Native oil and gas interests obtained in ANWR is picking up steam. It was mentioned by Senator Murkowski in his speech before the Alaska State Legislature and was also discussed with Bill Horn on February 6th in Washington, D.C. Even the Native corporation participants appear willing to address the possibility as an alternative to state opposition to the trades. I view the best overriding royalty scenario to be a contractual arrangement between DOI, the Native corporation participants and the state with the state receiving a percentage of the federal royalty (e.g. 25 percent of a 16 2/3 percent royalty, or a 4 percent state override), with DOI able to trade only its retained share to the Natives.

EXHIBIT 7 PAGE 1

000299

Judith M. Brady

-2-

February 17, 1987

2. Seek Native corporation and oil industry support for retention of the existing 90-10 royalty percentage allocated the state. As you know, the existing state royalty share in ANWR will be very difficult to defend before Congress. Only by showing a united front within Alaska can the state hope to defer those who would alter this formula.
3. All areas not traded to the state or Natives should be included in a subsequent federal lease sale. Although there has been some discussion of future ANWR trades (beyond the present proposal) the state should make it clear that it will support only one trade. All remaining tracts (excluding sensitive areas) should be leased by the federal government pursuant to the Mineral Leasing Act.
4. Expand the state acreage included in the proposed trade. Just last week DOI agreed to expand the state's trade acreage from about 250,000 acres to over 300,000 acres. This now makes the state the largest trade participant from an acreage standpoint. DOI might accept yet more state refuge acreage (i.e. 360,000 acres of the Black Hills unit adjacent to the Alaska Peninsula NWR) which would further enhance the state values used to obtain ANWR oil and gas. In addition, the inclusion of national park in-holdings remains a possibility.
5. Negotiate for a ANWR tract selection conflict resolution process that better matches state interests. At present, DOI has structured the ANWR tract selection conflict resolution process in a manner that allows Bill Horn to choose among three modes: DOI acquisition priority, competitive bidding or lottery. Now that the state's trade acreage has risen substantially, it appears that only the competitive bidding process favors state interests. Furthermore, the DOI land acquisition priority is already built into DOI's land value enhancement methodology. Therefore, the state should continue to advance competitive bidding as the best method of conflict resolution.
6. Alter the terms of the land exchange contract to better address state concerns. The draft exchange contract, as prepared by DOI and Koniag, does not meet several state objectives and may preempt certain state authorities. We have identified these concerns in prior correspondence as well as during the negotiation meetings. Such items as drainage, interests conveyed, state/federal regulatory authorities, subsistence easement, force majeure clause, etc., require further attention and clarification.

EXHIBIT 7 PAGE 2

000300

Judith M. Brady

-3-

February 17, 1987

7. Restructure the Koniag timeframe. The existing DOI ANWR trade timeframe is driven by Koniag's desire to distribute its proxy vote on the trade prior to the summer. In addition, Koniag's financial difficulties have caused it to request continued DOI adherence to an expedited timeframe in order to obtain a scheduled financial distribution from its industry partner. However, DOI's Bill Horn and the other exchange participants do not now appear particularly wedded to this timeframe. The state and congressional delegation should ask for additional time to resolve exchange contract difficulties prior to any tract selection. This will also delay tract selection beyond the Secretary's final recommendation concerning the 1002 opening.

8. Deletion of submerged lands under navigable waters from tract selection. DOI currently intends to allow the exchange participants to nominate and select tracts which include submerged lands under waters which the state has a navigability claim. The state has claimed title to the beds of seven rivers which cross the coastal plain. In order to preserve the state's claim and to avoid unnecessary title litigation, these tracts should be removed from tract selection.

The items noted above are a few of the possible negotiation strategies which the state might entertain. The most important consideration is that the Governor's decision with respect to the proposed trades not be viewed as a disruptive or preemptive move towards the paramount goal of opening the coastal plain.

Although the revenue impacts are extremely difficult to portray, we can describe how the proposed trades might be restructured to advance the state's interests. First, it is necessary to describe the nature and extent of each of the individual trade participants' interests. This is difficult to do because not all of the participants have locked in their final acreages. In addition, DOI has not yet finalized values for any of the participants. However, using known information in combination with estimates it is possible to produce a generalized chart depicting participant interests.

EXHIBIT 7 PAGE 3

000301

Judith M. Brady

-4-

February 17, 1987

<u>Participants</u>	<u>Trade Acreage</u>	<u>Estimated Trade Value*</u>	<u>Maximum Possible Trade Value**</u>
Koniag	130,000	\$ 62,500,000	\$ 78,000,000
Doyon	600,000	\$135,000,000	\$ 360,000,000
Native Land Group	390,000	\$182,000,000	\$ 234,000,000
Akhiokaguyak	100,000	\$ 38,000,000	\$ 60,000,000
Old Harbor	35,000	\$ 18,000,000	\$ 21,000,000
State of Alaska	845,000	\$238,000,000	\$ 507,000,000
TOTAL	2,100,000	\$673,500,000	\$1,260,000,000

* The estimated trade value is based upon an estimate of the amount of USFWS Class I-IV land acquisition lands held by each participant multiplied by a uniform per acre class value. The actual trade values have not yet been determined by DOI.

** The maximum possible trade value is calculated by multiplying the participants acreage by \$600/acre, the ceiling established by Bill Horn. It is unrealistic to assume that any participant will achieve maximum value.

Note that the state now has about 40.2 percent of the total acreage in the proposed trade and perhaps about 35.3 percent of the estimated trade value.

On the other side of the equation, the coastal plain consists of about 1.5 million acres which will be divided into about 586 tracts of 2,560 acres each (or less where water bodies occur). I expect that DOI will not offer about 255,000 acres or 100 tracts of this total, due to possible conflicts with caribou calving areas. Therefore, the exchange participants can be expected to compete for about 486 tracts. However, since the proposed tract selection process establishes a ceiling of 15 tracts to be nominated by each participant (this may be increased to 20 tracts), the participants may select no more than 90 (or 120) tracts, assuming no conflicts. More likely, however, there will be numerous conflicts which will further reduce the number of affected tracts as the participants agree to accept undivided interests in tracts, etc., as part of conflict resolution.

I offer these procedural observations as a means of placing the proposed trades in perspective. While it is true that some of the Native participants industry representatives possess information unavailable to the state (KIC well data), the size and value of the state's trade package, combined with an overriding state royalty interest and federal leasing for retained areas, may compensate for these disadvantages. A more detailed revenue analysis of the trades which encompasses these variables would help to validate this assertion.

EXHIBIT 7 PAGE 4

000302

Judith M. Brady

-5-

February 17, 1987

In summary, the present format for ANWR land trades clearly would not benefit the state when compared with federal leasing (under either a 90/10 or 50/50 royalty percentage formula). However, the state is currently in a position to alter the proposed ANWR trade format to more closely conform to state interests and objectives. Before making a final decision on the wisdom of the trades, the state should advance its interests at the highest policy level and attempt to restructure the trades in a more favorable posture. Such considerations as enhanced state trade acreage, an overriding state royalty on interests traded to Natives and active federal leasing on untraded lands give the state an opportunity to both advance its interests while working to achieve the overall objective of opening ANWR's coastal plain. This strategy has the additional benefit of keeping the state abreast of the status of the DOI/Native trade negotiations while we finalize a position.

EXHIBIT 7 PAGE 5

000303

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

MEMORANDUM

TO: The Honorable Steve Cowper Governor
DATE: January 12, 1987
PHONE: 465-3500
FROM: Rod Swope *RS* Special Staff Assistant to the Governor
SUBJECT: Questions for ANWR Meeting

The following questions, among others, have been raised to be discussed with you at this meeting.

1. Is it time for the state to present a definitive position to the Interior Department on Native land trades, either because of the impact of such trades on the state's 90-10 revenue split or because of the intrinsic nature of the proposed exchanges? If so, what position should be advocated? Should the state continue to participate in negotiations involving the possible exchange of state-owned inholdings in Conservation System Units for ANWR lands? What is our position regarding the proposed Native/DOI land exchanges?
2. If reduction of the state's 90-10 revenue formula would improve chances for ANWR development by providing a revenue stream for use in connection with other federal programs, should the state acquiesce in such a modification? (This question need not be decided now.)
3. What standards of protection and mitigating measures should be utilized to protect air, water, and biological resources - (particularly with regard to the Porcupine Caribou Herd), Prudhoe Bay requirements or higher?
4. Should we establish a "blue ribbon" panel or other formal mechanism to provide outside input to the Administration on ANWR or, should the Administration rely on less formal and/or existing mechanisms as suggested in the attached memorandum?
5. Should the state implement a comprehensive advocacy program to influence federal decision-making on ANWR? If so, should this program include: (a) a prominent Washington, D.C., lobbyist, (b) a public relations firm, (c) an additional staff person in the Governor's Washington, D.C., office?

8

Not if we can help it

ASK F&G

NO but consult regularly - Legist

ASK KETZ I want Bill Ross if we do it

- 6. Should the state join the existing coalition of organizations which support opening ANWR to oil and gas development, or, in the alternative, should the state act in "conscious parallelism," where appropriate, but not become a formal member? - NO
- 7. Should state resource agencies hire additional personnel, receive more travel monies, and/or otherwise increase their budgets to facilitate work on ANWR? If so, how much? - Yes.

cc: Lt. Governor Stephen McAlpine
Commissioner Judy Brady
Commissioner Don Collinsworth
Commissioner Denny Kelso
Pete Jeans
Nadine Winters
Bob Grogan
Lennie Gorsuch
Tom Koester

Ask for
Suppl. but
DON'T LOAD
IT DOWN

MEMORANDUM

State of Alaska

DEPARTMENT OF NATURAL RESOURCES · Division of Land and Water Management

TO: Tom Hawkins
Director

DATE: February 10, 1987

CONFIDENTIAL

FILE NO: 9105.2

TELEPHONE NO: 762-4346

FROM: Gary Gustafson, Chief ^{GUS}
Land Management

SUBJECT: February 2 - 6 ANWR
Exchange Meeting
Washington, D.C.

RECEIVED
FEB 11 1987
DIV. OF OIL & GAS
DIRECTOR'S OFFICE

I thought it would be useful to recap for you and others my observations of the ANWR land exchange discussions held in Washington, D.C. the week of February 2 - 6, 1987. The following narrative summarizes the major provisions of these discussions.

The meetings were very similar in form and substance to the initial discussions held in Washington, D.C. on December 1 - 5, 1986. The primary agenda topics consisted of the draft ANWR tract selection process, the draft exchange contract and the draft land use stipulations. Participants included the Department of Interior's (DOI) ANWR land exchange team and representatives from the state, DOYON, Koniag, Native Land Group, Akhiokaguyak and Old Harbor. Old Harbor is a Kodiak Island village which recently entered the exchange process. They have approximately 35,000 acres proposed for trade to DOI. Old Harbor was represented at the meeting by Walt Ebell, Bill Garner and Joe Chomski, all from Birch, Horton, et. al. (their industry partner is Texaco). I have attached the meeting attendance record for your information. In addition to myself, Martha Fox and Eric Laschever of John Katz' office also attended most of the sessions.

As usual, Sharon Allender of the Solicitor's Office ran the meetings. She began the February 2 meeting by stating that significant progress had been made on the exchange proposal since the last meeting. A number of high level briefings had occurred within DOI of late, including several involving Bill Horn. Sharon said she felt good about the process and that eventually the exchange would be perceived to be in the public interest.

The DOI ANWR exchange team had spent most of their energy since December on the draft ANWR tract selection process and the draft exchange contract, with less attention devoted to the draft land use stipulations.

After a brief overview and outline of the week's agenda, Sharon stated that it was her impression that all parties were at the table because they wished to participate in the trade. She then proceeded to question the state's sincerity given recent events, and asked us to elaborate on the state's position. Eric Laschever responded by saying that while the governor has indeed expressed serious reservations about the exchange process, the state remains an active participant and desires to be treated on an equal basis with the Native participants.

Sharon said she was surprised the state had released comments to the press regarding DOI drafts of the contract, stipulations and tract selection process. She asked that in the future the state attempt to be faithful to the negotiation process by keeping these documents confidential.

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We related that we were now responding to a pending Rural Cap request to release these documents. John Doebel (USFWS) added that his agency also has pending freedom of information requests about the exchange from Rural Cap, the Anchorage Daily News, ARCO, Texaco and Sunoil.

It was agreed that the next participant/DOI ANWR exchange negotiation session would be February 23 - 27, 1987 in Washington, D.C. This will afford the parties sufficient time to resolve any remaining problems prior to tract selection.

Tract Selection Process

Tract selection is currently scheduled for the week of March 24, 1987, in Washington, D.C. DOI anticipates holding tract selection in the ballroom of a hotel with separate rooms available to the participants to use for conflict resolution, conferencing and phone contacts.

Sharon expects a short cover agreement on the tract selection process will be signed in advance by all participants. This cover agreement has not yet been drafted. In addition, it is envisioned that each participant must obtain a letter from Bill Horn in which the negotiated value of the participant's exchange land is articulated. This will then be the approved value the participant brings to the ANWR tract selection process. These values must be approved by Horn by March 6th.

DOI expects to distribute an ANWR tract nomination map to the participants on February 23rd. Participants are to then mark their tract nominations and return them to DOI by March 20th. On March 23rd DOI will redistribute the map showing all participant tract nominations.

DOI is apparently also working on a "constraints policy" which may remove certain tracts from selection. As a general matter, however, DOI has decided to offer tracts for selection which the state may have pending or future title claims (by virtue of navigability or the equal footing doctrine). The state was asked to advise the other participants of such claims in advance of tract selection so they might proceed at their own peril. We disagreed with this position but offered to make this map available in a timely fashion.

DOI will hold back the tracts to which the Kaktovik Inviat Corp. (KIC) still has pending selections. KIC apparently has about 1,476.7 acres remaining pursuant to Sec. 1431(g)(3) of ANILCA. These selected areas will be depicted on the tract nomination map.

The revised tract selection process anticipates that each participant will nominate no more than 15 tracts to DOI by March 20th. However, the participants generally felt this total to be insufficient due to potential selection conflict overlaps. As a result, DOI may allow the participants to nominate as many as 20 tracts. Sharon mentioned that the Solicitor's Office is also concerned about anti-trust violations with respect to overlapping selection conflicts.

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DOI will distribute the final tract selection map the day preceeding the selection process. This map will depict all nominated tracts, but will not show conflicts. The participants asked that the map show such conflicts. DOI will consider the request and report back.

Sharon said there are four reasons why DOI may withhold tracts from selection:

1. environmental;
2. state title claims (e.g. navigable and submerged lands);
3. KIC selections; and
4. constraint policy.

Selections will proceed on March 24th by having each participant select its highest priority tract.

Any participant which selects a tract not in conflict will receive that tract, provided they have sufficient value. In each selection round, every participant will receive at least one tract or part of at least one tract, depending on mode of conflict resolution.

The method of conflict resolution remains arbitrary. Under the revised process, Bill Horn may decide among three conflict resolution mechanisms:

1. USFWS acquisition priority;
2. competitive bidding; and
3. lottery.

The state argued that this resolution process is arbitrary and will result in inequitable treatment among participants. We asked that there at least be written criteria developed and adopted for conflict resolution modes. Sharon said she would consider developing such criteria.

Koniag argued that if a participant has some value left over following tract selection, why not allow DOI to acquire the participants land in return for an instrument which could be redeemed as value at some future federal oil and gas lease sale? Sharon discouraged this approach, but agreed to look into it further.

Exchange Contract

DOI wants to have the draft exchange contracts in good shape by the next negotiation session (scheduled for the week of February 23rd). Koniag, Akhiokaguyak and DOYON apparently have already submitted versions to DOI. It is envisioned that each participant will have a distinct and separate contract, although all contracts must generally adhere to the Koniag format.

Sharon provided an overview of the draft exchange contract and then we proceeded to engage in a page by page analysis. It was clear that very few of the state's earlier comments and changes had been incorporated by DOI into the revised draft. Sharon stressed that the revised draft had not yet been cleared by Bill Horn.

February 10, 1987

DOI did combine the "avoidable surface loss" definition with that for "waste" per the state's suggestion. However, the question of who has jurisdiction over waste still remains (AOGCC v. DOI).

Everyone agreed that the Force Majeure clause needs to be made applicable to the entire agreement.

The contract also needs to deal with the entire state/federal jurisdictional question over development in ANWR (e.g. AOGCC, water, etc.).

DOYON suggested that participants be able to deduct all costs associated from negotiating the exchange. Sharon said absolutely not.

Participants also wanted to obtain any geological/seismic data performed by any party on the surface estate on ANWR if they hold the oil and gas rights under that surface estate - at no cost. Sharon thought that was a reasonable request. The agreement already provides that a participant has the option to buy into any data acquired on neighboring tracts.

At present, DOI imagines that rescission may occur only on a tract by tract basis so they don't get high graded. DOI will not provide different rescission terms to different participants. The cost of rescission is a 1.5 percent royalty to the U.S. Furthermore, if you rescind, you only receive 65 percent of your land back again. The U.S. will keep 35 percent of your land as well as an option to purchase the remainder at termination value. Participants have ten years from date of first test well to rescind.

DOI noted that it had added language in the subsistence easement to protect the U.S. in case of repeal of Section 303 of ANILCA. We also spent a large amount of time trying to clarify the drainage provision of the contract - with little resolution.

Sharon asked each participant to summarize its primary contract concerns:

<u>Participant</u>	<u>Concerns</u>
Native Lands Group	tract select process not well refined, selection priorities unduly locked in, concept of rescission is objectionable.
Old Harbor	timing of termination clause.
Akhiakaguyak	concept of rescission objectionable.
DOYON	conflict resolution during tract selection is unsubstantial, partial tract exclusions unnecessary, drainage, AOGCC/DOI jurisdictional overlap, termination fee, royalty calculations unclear.
Koniag	drainage calculations, unitization, conveyance process (warranty?).

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00333 00329

State timing of tract selection v. 1002 recommendation, oil and gas interests insufficient for leasing, AOGCC/DOI jurisdictional consistency (drainage, unitization, waste, etc.), unresolved state title claims in ANWR, arbitrary conflict resolution process.

The exchange contract discussion concluded with an agreement to provide DOI with any remaining major concerns by February 19, with more particulars and a draft contract by February 23rd. Martha and myself will redistribute the revised draft among affected state agencies and compile comments.

Land Use Stipulations

The discussion then evolved to the land use stipulations which are Appendix 5 to the exchange contract. However, the stipulations received only minor attention as the parties recognized they did not need to be completed prior to tract selection. In addition, DOI had added a provision that any conflict between the stips and any future requirements attached by the Opening Legislation would be resolved in favor of the Opening Legislation.

In order to address the state's earlier stipulation comments in greater detail, John Doebel, Ted Stephenson and Eric Kaarlela of DOI will meet with state technical representatives in Anchorage on February 12th at 1:30 PM. I will arrange to have appropriate state agency people in attendance.

Policy Calls

Major remaining policy calls for the state include:

1. Do we want rescission in the contract for the state?
2. Will we reserve public use easements in lands we trade to DOI?
3. Adequacy of proposed Native subsistence use easement reservation.
4. Adequacy of drainage portion of contract.

We also agreed to provide Sharon with a letter detailing the state's position on submerged lands. This will address our title claims in the 1002 area, state submerged land reservations in our trade package and state posture relative to Native conveyances of submerged land. Tom Koester will be contacted to assemble a letter.

Horn Meeting

On February 6th at 10:00 AM, John Katz, Martha Fox, Eric Laschever and myself met with Bill Horn in his office. We had arranged the meeting to discuss state problems associated with the exchange process and to stimulate DOI to expand our trade package by adding additional state areas.

John began the meeting by expressing some concern with the timing of the proposed tract selection process.

Bill responded that if the state feels the timing sequence is out of whack, he is prepared to delay the process. He added that the proposed March 24

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February 10, 1987

tract selection date is probably too ambitious and that late April is more realistic.

He also added that if trades go forward he expects there will be plenty of tracts left over due to the high values assigned to the ANWR tracts.

John also asked whether DOI is receptive to the state retaining an overriding royalty in any Native exchange effort. Bill did not dismiss the idea, rather he characterized it as a double-edged sword because any royalty to the state must come out of the amount of land DOI acquires in refuges. Katz then stressed that an overriding royalty doesn't capture economic rent. Horn also wanted to know if there are any regulatory impacts associated with an overriding royalty. Katz felt this problem could be avoided by properly structuring the royalty arrangement.

Horn wants a copy of our appraisals as soon as they are completed. He said his approach to finalizing values with exchange participants is based upon a "four cornered box" approach, as follows:

1. fair market value appraisal;
2. USFWS acquisition priority;
3. transactional benefits (willing seller, fire suppression cost reduction);
4. congressional comparables.

He confirmed that the state will be treated the same as Natives with respect to values establishing final exchange values to be used for tract selection.

Attachments

cc: Judy Brady, CO
Bob Arnold, CO
Jim Barnett, CO
Rod Swope, Governor's Office, Anchorage
Martha Fox, Governor's Office, Washington, D.C.
Eric Laschever, Governor's Office, Washington, D.C.
Tom Koester, AGO, Juneau
Jim Eason, DOG
Curt Fredrickson, DGC/OMB
Frances Neville, AGO
Mark Worchester, AGO

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00335

00331:

A NWR
meetings

Feb 2, 1987

Name	Orig	PH
Ted Stephenson	34m	202 343 6511
Jim Wilkels	AKI	907 278-4511
Jim Mery	Doyon	907 452-4755
Arthur Layman, Jr.	"	202 639-7170
Bill Timme	Koniag	907 - 276-3390
Mark Rindner	NHG	907 272-3522
Eric Pascheva	Alaska Governor's Office	202 - 303 - 621 - 5858
Walt Ebell	Old Harbor	(907) 486-6024
Paul Kirtou	SOL/DOT	907 - 343-4036
Sharon Allender	SOL/DOT	907 - 343-2172
William W. Gaener	Old Harbor/Brian Horton	202-659-5808
Paul L. Powell	A-KI	202 857-9860
Ralph & Glucka	AKI	907 338 2322
Marina Fox	Alaska Governors Office	202 624-5858
GARY GUSTAFSON	ALASKA / DNR	907 762-4346
Joe [unclear]	[unclear]	202-551-5900
Art Kennedy	KONIAG	(907) 276 66 83
U. L. GROSS	KONIAG	(907) 561 - 2608
Bob Wright	Doyon, Limited	907 - 452 - 4755
Alan Mintz	ASRC	202 - 331 - 9400
ERICK KARLELA	BLM	202 - 343 - 4537
JOHN DIESEL	FWS	907-766-3543

CC's 12

184

MEMORANDUM

State of Alaska

DEPARTMENT OF NATURAL RESOURCES - Division of Land and Water Management

TO: The Honorable Steve Largent
Governor

DATE: March 11, 1987

FILE NO: 9105.2

13 1987 TELEPHONE NO:

762-4346

FROM: Gary Gustafson, Chief, Division of Oil & Gas
Land Management ANCHORAGE, ALASKA

SUBJECT: TRIP REPORT: ANWR
Exchange Meetings
in Washington, D.C.

As you know, I attended the third round of ANWR land exchange discussions in Washington, D.C. the week of February 23-27, 1987. I have summarized below the principal aspects of these discussions.

The meetings were again chaired by Sharon Allender from the Department of Interior's Solicitor's Office. The list of attendee's was very similar to those participating at the second session the first week of February. I have attached the attendance list for your information. The only new faces were Glenn Elison, Manager of the Arctic National Wildlife Refuge and Jeff Lowenfels, an attorney representing the Old Harbor Village Corporation. The state representatives were Martha Fox of John Katz' office and myself. The meetings were originally to have begun on February 23rd. However, a major snowfall the evening of February 22nd caused federal offices to close the next day and the meetings did not convene until February 24th. The meeting agenda included a discussion of the ANWR tract selection procedures, individual meetings with the participants on their draft exchange contracts and a group meeting to discuss the draft contract and land use stipulations.

ANWR Tract Selection Process

According to Bill Horn, the Secretary's final ANILCA 1002(h) report to Congress will likely be released around April 15th. ANWR tract selection will not occur before the Secretary releases the report and may be postponed until after the initial round of congressional hearings on the 1002 report (expected in May). Horn says he is under pressure from some congressmen to delay ANWR tract selection until after these hearings. However, he has not yet made a decision on the matter and will monitor the situation a bit longer before making a commitment. The DOI negotiators, however, have tentatively scheduled tract selection for April 28th.

DOI distributed both a refined draft ANWR tract selection process and four copies of an ANWR 1002 area tract grid map to the participants. The grid map is an overlay to a 1002 area land ownership map and depicts prior KIC/ASRC conveyances as well as Native allotment locations and status. I distributed a 1002 area state title navigability claim map, depicting the state's ownership claim to coastal lagoons and the submerged land under seven potentially navigable rivers traversing the coastal plain.

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EXHIBIT 10 PAGE 1

The revised tract selection procedures included one very significant change. The Assistant Secretary's discretion to resolve conflicts among the participants is now confined to only two modes: competitive bidding and lottery. If a conflict(s) occurs, one of these methods will be selected arbitrarily by Bill Horn. This change enhances the participants ability to negotiate conflicts prior to a DOI conflict resolution decision and conforms to earlier state suggestions. The revised process also eliminates DOI's option to identify tracts for a participant if the participant does not have enough remaining value to obtain one of the remaining nominated tracts.

Horn claims the lion's share of the coastal plain will not be traded. He has apparently reviewed the values assigned to the ANWR subsurface by BLM and feels these values are high enough to ensure that the majority of the estimated ANWR oil and gas reserves will remain in federal ownership. Unfortunately, there is no way to verify this claim until DOI releases the subsurface values of the tracts.

DOI has held a mock tract selection process using most of the same rules as now proposed. This mock process had the participants nominating 15 ANWR tracts and proceeding to each select one tract per round. This process resulted in only about 22 percent of the nominated tracts being awarded. The mock process lasted seven rounds before all participants exhausted their values. The exercise reinforced DOI's position that 15 tract nominations per participant are more than adequate.

Horn also dislikes the provision in the current draft that allows the participants to pay for tracts with cash, provided they first exhaust their acreage values. This will probably be eliminated from the process. He did agree to allow participants to award or assign their selections in individual rounds to other participants as part of conflict resolution. However, participants may not assign any of their value to another participant. The total value assigned to each participant at the beginning of the selection process will not be revealed to other participants.

Exchange Contract

A revised Koniag/DOI draft contract was distributed to each participant. Bill Timm then passed out new draft Koniag changes to the contract. This draft contract was the subject of most of our discussion on Thursday, February 26th.

At 4:00 PM on Wednesday, February 25th, Martha Fox and myself met with the DOI ANWR Exchange Team to discuss the state's individual draft exchange document. This draft was prepared by Mark Worchester and Frances Neville of the AGO, following consultation with DNR, John Katz' office and Charlie Meyers, a nationally recognized oil and gas attorney from Denver. It incorporated several major departures from the draft Koniag/DOI document.

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EXHIBIT 10 PAGE 2

We spent a little over one hour discussing the state's version of the exchange contract. Specifically, Martha and I articulated a number of state concerns with the DOI contract, including:

1. new definition of oil and gas interests;
2. expanded definition of "authorized official" to include state personnel where applicable;
3. expanded force majeure applicability;
4. revised definition of "gas" consistent with the MMS standard (Spring, 1986);
5. redefined "cessation of production" and "first commercial production";
6. eliminate dry hole rescission references;
7. remove severability clause.

We agreed it will be necessary to meet again over at least one day to better identify and resolve state concerns.

Subsistence Easement

The February 26th meeting included a discussion of the subsistence easement proposed to be retained in the trade by the Natives. Martha Fox presented the state's position in response to the easement and distributed an opinion on the subject written by Lisa McCracken of the Attorney General's Office. Martha stressed that the proposed easement appears to usurp state regulation of fish and wildlife resources by granting a subsistence priority. Furthermore, a subsistence priority cannot be reserved as a property right. Rather, an access easement is the better means to achieve the goal. The AGO opinion includes a redraft of the subsistence easement which focuses on access, rather than subsistence priority. We indicated a willingness to work on a compromise position provided it would not conflict with state law.

All of the Native participants stressed that the subsistence easement is a deal-breaker which they believe must be incorporated into any final exchange contract.

Land Use Stipulations

John Doebel of USFWS distributed a new draft of the land use stipulations proposed as an appendix to the contract. It appears that the stipulations must be largely finalized by the time of tract selection, although they may still be changed as necessary to ensure consistency with the final 1002 report. We then participated in a short discussion of the revised draft.

March 11, 1987

Doebel and I also reported on a meeting held in Anchorage the previous week in which state agency representatives from DNR, JFG and DEC met with USFWS representatives to discuss technical aspects of the draft stipulations. We agreed that another such meeting would be useful.

Public Disclosure

With respect to public release and disclosure of the draft documents, the parties were of differing opinions. The state, NLG, Old Harbor and Akhiok all felt the drafts should be released, while DOYON and Koniag disagreed. It appeared a consensus was finally reached, however, whereby the documents will be released in several weeks, provided a cover letter is attached which clearly indicates their preliminary status.

The next negotiation session will begin the week of March 23rd and will include day-long individual meetings with each participant on their contracts. It was hoped this will settle all outstanding policy issues and result in agreement upon the body of standard and individual contract language.

cc: Judy Brady, CO
Lennie Boston-Gorsuch, CO
Jim Barnett, CO
Jim Eason, DOG
Frances Neville, AGO, Anchorage
John Katz, Governor's Office, Washington, D.C.
Eric Laschever, Governor's Office, Washington, D.C.
Martha Fox, Governor's Office, Washington, D.C.
Mark Worchester, AGO
Bill Van Dyke, DOG
Tom Hawkins, DLWM
Tom Koester, AGO, Juneau

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00475

EXHIBIT 10 PAGE 4

MEMORANDUM

State of Alaska

DEPARTMENT OF NATURAL RESOURCES

TO: Judith M. Brady
Commissioner

DATE: February 18, 1987

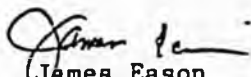
FILE NO:

465-2400 (Juneau)

TELEPHONE NO:

762-2483 (Anchorage)

FROM:


James Eason
Director

SUBJECT:

Recommendation to Oppose
Further Land Exchanges of
ANWR Acreage

As you are well aware, the department has been participating in ANWR exchange-related discussions with representatives of the Department of the Interior (Interior), interested Native Corporations and other state agencies for several months now. During that time, we have reviewed Interior's proposed exchange agreement, the environmental and operating stipulations which presumably would be incorporated in any agreement and the written descriptions of the procedures which would govern tract selection, as well as adjudication and award of tracts when there are competing selections (i.e., tie bids).

We have analyzed the proposed exchanges from many different perspectives, assigning staff from several discrete disciplines to review the benefits and impacts of the exchanges from their respective points of view. Department personnel involved have included staff from the Divisions of Land and Water Management, Oil and Gas, and Mining and Geology, as well as the commissioner's office. These personnel have included petroleum geologists and geophysicists, engineers and professional land managers. In addition, we have coordinated the department's review closely with attorneys from the Oil and Gas and Natural Resources sections of the Department of Law, as well as with Dr. Charles Meyers, outside counsel who is recognized internationally for his expertise in oil and gas contract law.

Following a very thorough review, including an analysis of the recent written communications from CIRI and Koniag in support of the exchanges, it is the consensus of the division's staff who have participated in this review that the proposed exchanges are not in the state's best interest, and that their implementation under the procedures contemplated by Interior would substantially reduce state revenue from the future leasing of ANWR. I agree with those conclusions, and for the reasons discussed below, I urge you to oppose any and all additional land exchanges involving the subsurface of ANWR.

Although there have been numerous claims to the contrary recently, it is by no means clear to me that the proposed exchanges will increase the likelihood of Congressional passage of legislation opening the coastal plain of ANWR to oil and gas exploration and development. Congress expressly reserved unto itself by statute the decision on the future of oil and gas leasing in ANWR. Although it now appears that its schedule may slip somewhat, Interior's intent is to initial exchange agreements within the next month, before it has even submitted its report to Congress on whether it recommends that ANWR be opened, and before Congress has made its decision on that report.

EXHIBIT 11 PAGE 1

Judith M. Brady, Commissioner
February 18, 1987
Page 2

To date, all aspects of Interior's negotiations with the interested parties to the exchange have been secret, including the specific values and locations of available exchange lands, the exact nature of the interests to be conveyed in ANWR, and the specific requirements of stipulations to protect wilderness and wildlife values. Given these circumstances, at a minimum, opponents to the opening legislation will be able to question the objectivity of whatever subsequent recommendations Interior may make in light of the fact that it will have committed itself "in principle," and even completed tract selection, in advance. Some members of Congress may be so offended by Interior's attempts to preempt Congressional prerogatives that they may vote against opening legislation on process grounds alone.

There are negative implications of a more parochial political nature, as well, which should be considered. One of the potential exchange participants, CIRI, has been associated with past trades with the state which were highly controversial. CIRI was the recipient of extremely valuable gas producing leases in Cook Inlet which were the subject of a major series of highly critical newspaper articles this past fall. More recently, within the last month one of the Anchorage newspapers printed an editorial referencing the CIRI "windfall" from these Cook Inlet exchanges, and calling for caution by the state in its evaluation of the effects of ANWR exchanges. Thus, while ANWR exchanges with CIRI might arguably be viewed favorably by some members of Congress, they would not necessarily have the same attraction to many of Alaska's residents.

From a strict revenue perspective, any additional trades of ANWR land to Native Corporations reduce potential state revenues. Considering only those trades which have already occurred, the department estimates that Arctic Slope Regional Corporation (ASRC) alone has received title to lands which may contain 25 percent of the coastal plain's total reserve potential. The lands to which ASRC has already received title are situated above two of the most promising subsurface anomalies in ANWR. It is particularly important to note that the ASRC inholdings consist of only 112,000 acres, or approximately seven percent of the surface area of the coastal plain, yet they account for one-fourth of the most highly prospective lands within the coastal plain of ANWR.

Any additional trades like those between Interior and ASRC will reduce further the pool of prospective lands in federal ownership, and thus impact the state's expected 90 percent share of bonuses, rentals and royalties from future leasing and production from those lands. Although there are insufficient data to quantify the magnitude of these potential losses at this time, it is clear that they could be substantial. Furthermore, based upon the department's assessment of ANWR's oil and gas potential, we have every reason to believe that to be the case.

If commercial quantities of oil and gas are discovered in ANWR and produced, the resulting royalty income will be in the billions of dollars; it is the potential loss of the state's 90 percent share of that revenue stream that concerns us. We would be glad to discuss with you the range of royalty revenues that could be generated from oil and gas in ANWR.

Judith M. Brady, Commissioner
February 18, 1987
Page 3

Both Koniag and CIRI have claimed that additional trades will only result in the exchange of "...small amounts of acreage..." However, this argument is disingenuous, at best. Since all potential trading partners have the benefit of industry partners' recommendations, Native Corporation selections will be based upon informed evaluations of each tract's relative prospectivity. The absolute number of acres which may be obtained in one or more exchanges is not the significant factor--it is where those lands are situated relative to the prospective subsurface anomalies that is important.

Another way of viewing the potential significance of surface selection size relative to subsurface resource values is provided by comparing the "insignificant" selections of ASRC (112,000 acres) and Koniag (35,000 acres) with the total surface acreage in the Participating Area of the Prudhoe Bay Unit. The Participating Area is that area which directly overlies the oil and gas reserves contained within the larger unit boundaries. The combined selections of ASRC and Koniag total 147,000 acres; the Prudhoe Bay Unit Participating Area (including the Oil Rim and the Gas Cap of the Sadlerochit Formation) encompasses 212,266 acres. I doubt that anyone would argue that a selection of 69 percent of the oil and gas reserves of the Prudhoe Bay Unit by Native Corporations would have been "insignificant."

As a result of the Native Corporations' technical knowledge (or that of their partners), it is virtually certain that every selection round in the exchange procedures would result in a "high-grading" of the then remaining uncommitted acreage. Koniag implied in its February 10, 1987 letter Governor Cowper that since ASRC is not participating in the exchanges, none of the Native Corporations will have a competitive advantage in the selection rounds. However, it is important to note that Koniag's industry partner is Chevron, one of the partners of ASRC in the KIC well, the only exploratory well to have been drilled in ANWR.

Given the state of each participant's technical knowledge, it is virtual^y certain that competing selections for the most prospective tracts will result. The selection adjudication procedures designed by Interior only exacerbate the state's relative disadvantages in those situations. There is good reason to believe (from the history of negotiations and Interior's acquisition priorities) that in the event of a tie in the selection (bidding) process it will favor exchanges for Native lands over exchanges for state lands. Additionally, there is presently no mechanism which would prevent such favoritism. Consequently, it is not inconceivable (in fact, it may be very likely) that the state's active participation in the early selection rounds would be totally unsuccessful. It is possible that we will lose the tie breaker in each and every case.

Given the bias inherent in the selection procedures, i.e., the predisposition toward exchange for Native lands and the potential for Interior's subjective inflation of native land values vis-a-vis state lands, it is unlikely that the state could gain title to any but the least prospective lands. The procedures

Judith M. Brady, Commissioner

February 18, 1987

Page 4

contemplated by Interior are truly biased toward this end, and any participation by the state, although possibly unsuccessful, would lend credence to subsequent claims of fairness and equity which Interior might advance. Stated a little differently, we strongly believe that the rules of the game are being designed in favor of the Native Corporations and Interior. As a result, we believe that the state will fair poorly in any tract selection process. We will hardly be in a position to justify or complain about a poor end result if, knowing all the risks in advance, we agree to play the game.

There are numerous additional arguments which can be made against either participating directly in the proposed exchanges, or acquiescing to the Native Corporation's request not to formally oppose the exchanges. The division is prepared to provide a point-by-point rebuttal to the arguments which have been advanced in support of the exchanges, particularly those written comments provided by CIRI and Koniag. My staff and I are prepared to discuss these issues in detail with you at your convenience, and to provide you the necessary background information to understand the economic and geological implications of the proposed exchanges.

Although I believe the state's best interest lies in opposing any additional ANWR exchanges, I also realize that you may want to consider alternatives short of opposing exchanges which might provide an acceptable compromise. If it is decided that supporting (or not actively opposing) exchanges is in the state's best interest, there is one alternative which could provide some guaranteed return to the state for the "loss" of its current 90 percent share of revenues from the leasing of ANWR.

The simplest and most direct option would be to support exchanges with one or more corporations in return for an overriding or shared royalty interest on the state's behalf on all the tracts that are conveyed. The state would not be faced with the complexity of joint management and administration of leases with the Native Corporations, but would have the benefit of a prenegotiated retained royalty interest. It is also a good way of spreading the risk. There are many facets---legal, as well as technical---which would have to be considered in structuring such agreements, but documents could be drafted which would protect the state's interests. Variations of this option could include reservation of some predetermined percentage share of bonuses and rentals, as well as the overriding or shared royalty interest. Regardless of the final form of the royalty agreement, the state would continue to receive taxes from whatever development occurs on regional corporation and federal leases. Under a properly structured royalty agreement, the state would be able to take its royalty in-value or in-kind.

In lieu of any exchanges with Native Corporations or the State, the Department of the Interior, Native Corporations, and the State of Alaska could strongly support an amendment to the Native Claims Settlement Act (or other appropriate vehicle) that would allow Native Corporations to use the value of their inholding lands, with public interest multipliers included, as payment for obtaining oil and gas leases in future competitive oil and gas lease sales in ANWR. If no oil is found under the purchased tracts, provisions could be

Judith M. Brady, Commissioner
February 18, 1987..
Page 5

included in the Congressional proposal that would allow the Native Corporations to have a portion of their lands returned or additional credits issued. Native Corporations should be allowed to sell or assign these "credits" or participate directly in the lease sale.

Discussion: The advantages of this proposal over the currently proposed land exchanges are numerous, and include:

- the expected public opposition to Native Corporation exchanges at both the state and national level will be, at least in part, eliminated;
- the state, federal government, and Native Corporations would be united in their efforts to allow oil and gas leasing in ANWR;
- the negotiations would be removed from the closed-door, confidential sessions that are currently occurring. Instead, Native Corporation efforts to obtain an interest in ANWR, and the USF&WS' efforts to obtain inholdings, would occur in a public, fair, competitive process;
- there would be a greater likelihood of ensuring that the end result would be in the best interest of the state and federal governments, and Native Corporation shareholders;
- administratively, this approach would be significantly less complex. Established leasing and bidding procedures and standard contracts would be used;
- potential revenue losses to the state and federal government would be significantly reduced; and
- exploration and development would not occur until all appropriate environmental requirements are completed.

The disadvantages of this proposal would be to slightly reduce the potential economic return to the Native Corporations and their oil industry "partners," and delay revenues to Native Corporations. As a working interest owner in an oil and gas lease, a Native Corporation would be assuming more of the associated risk.

me0621E
021887

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

P.O. BOX 5
JUNEAU, ALASKA 99811-0400
PHONE: (907) 465-2300



February 2, 1988

Jonathan K. Tillinghast
Attorney-at-Law
One Sealaska Plaza
Suite 301
Juneau, Alaska 99801

Dear Jon:

In reference to your letter of January 22, 1988 regarding records request on ANWR Exchanges, the following information may be of use to you. The Department of Revenue about a year ago developed a discounted cash flow model which contained tax and royalty structure information, but to the best of my knowledge no numbers. The model was developed by Roger Marks who is located in our Oil and Gas Audit Division in Anchorage.

The model was recorded on a diskette and turned over to Ed Phillips of the Department of Natural Resources.

If I can be of further assistance, please feel free to call.

Sincerely,

Vincent Wright
Vincent Wright, Chief
Research Section

VW:smc

① Stipulations on Land Trades

--- premature - must see 1002 report
April 20th is due date

Strategies available to ensure that we can get what we want.

1. get back into trades - restructure

2. totally new alternative
competitive bidding

who do we talk to? what to do?

RS - under assumption that we had good legal

arguments available to stop trades
also politically stop trades

TK - if they don't go to Congress with trades

we can stop em, if not, there's nothing

we can do.

TK - if Sec. submits his recommendations to Congress

we can do nothing

3 remedies - deal directly to DOI

• (not likely to be productive)

- NEPA compliance

- DOI taking into itself,

things Congress filed 1/2/85

TK - Doesn't believe enviv. case is persuasive

doesn't think illegal for govt. to be handled

in closed door fashion

TK NEPA requirements don't apply
lack of value is bad government, but DOI
can do it!

JK - disagree with Koesters NEPA call! Thinks
DOI has to do it - process ~~is~~ should be spelled
out.

Trustees will ask for injunctive relief to hear matter while
its in Secs hands.

JK - Roger Herrera ~~met~~ met w/ 100 Cong. - 2x
Lt. Gov. met w/ 50 Cong - 3-4x

Congress' knowledge of land trades is low
Leadership of Congress

Bill Horns re letter
House Int. Comm.

timing, process - deviation from MUA competitive
bidding

As long as environ. & state are opposed, trades
won't go anywhere

RS - no reason to get involved in NEPA challenge

JK - suggests TK contact Adler re timing

01496

Worse thing we can do is send mixed signals to Congre

Combined bill will be problem

2 bills -

* Gov. should write letter to Sec. ? *

NATIVES NEED TO BE CONVINCED THAT THEY
~~WILL BE~~ RIDE BETTER HORSE
SOPHISTICATED SET OF MANUEVERS

WE ALL AGREE, THAT IF

10-15 o/o

WILLIE HENSLEY CALLED

1. LITIGATION - OK
2. GOV. RAISED EXPECTATIONS - ALTERNATIVES
3. TOO EARLY TO BE LOBBYING LAND TRADES

① getting together
* trade exploration

WORK ON ALTERNATIVES, HAVE

NEED TO CONTACT

BRN7

3 - PAGE 3

11/19/7

HORN SAYS THERE WILL BE TIME FOR STATE & PUBLIC INPUT

9AM THURS - TELECONF ^{ONE HOUR} FRI. - ONE HOUR

349 563-8143

HORN ON RECORD - SAYS TRACT IDENTIFICATION
WILL NOT OCCUR IN NEAR FUTURE

~~IN~~

IF STATE STAYS ON SIDELINES, GETTING SWAPS
APPROVED WOULD BE DIFFICULT
NOT BIG APPRECIATION OF SWAPS
NO FOCUS ON IN-HOLDING VALUES, FED WILL NEVER
APPROPRIATE \$ TO BUY IN-HOLDINGS
LAND SWAPS ARE VIEWED AS SOMETHING BAD;

IF ALASKA IS BICKERING; THEN THERE WILL BE
SIGNIFICANT BODY OF PEOPLE IN DC THAT SAY
IF AK CAN'T GET IT TOGETHER, THEN TOO
BAD

PEOPLE DON'T FACTOR STATE INTO SWAPS
MURKOWSKI HAS BEEN TRYING TO COME UP WITH
MECHANISM THAT WOULD ALLOW STATE TO
PARTICIPATE

A DEAL MUST HAVE COMPONENT

THERE IS NO SYMPATHY FOR STATE OF ALASKA ABOUT
LAND SWAPS

EXHIBIT 13 PAGE 4

HORN FOCUSING ON VALUE OF PUBLIC OWNERSHIP

FEDS WILL HOLD-BACK FOR THEIR OWN LEASING

* SOMETHING MUST BE RETAINED FOR FED INTERESTS

- Whatever total of Native land is, state gets credit say 20
state sits at table with credits + in-holding value & participate in tract selection
has right to buy into each Native tract, up to a certain %
- protecting aspect

- state doesn't have to be active part partner, state.

KONIAG → 60 million

25% interest 45 million

- HORN'S reaction - was

15 million

60

* BOTTOM LINE - STATE IS HOLDING THE CARDS
IF STATE DOESN'T WANT TRADES TO HAPPEN, THEY LIKELY WON'T

- NATIVES UNDERSTAND THAT

MARLO COOK - AKHIOK LOBBYIST

MURK - TRADES CAN BE DONE IN WAY TO FACIL.

OPENING -

- WILL ASSIST PROCESS -

71500

JB - 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.

Amicus brief's -

Swope - "HOW TO STOP" - POLITICAL

TEAPOT DOME

ARCO → YES OR NO -

GS - 35%

JE - Chits used only against bonus oblig., not royalty obligations

Option 4 - Let him write it

spread sheet - who benefits, who loses

Status Quo

Ky Campbell - meet. this

- Land April 1st → interview

* Position of SB 137 *

brilliant to say
reconciliation speech -
here's what

ANWR - will
1002 - environmental

Stevens to begin ← ⊕ → 90/10 not to worry →

premature ← ⊕ → CBS Program Sunday ← ⊕ →

work out position state can live with re: ANWR trades
once ANWR is open, you don't need trades
memo from Mertz re: State Land Bank
[package together at once] ?

← [inevitability] →

Tea Pot Dome

Presume to (hard-hitting)

get away from federalism v. state perspective
up to date understanding of up

business community *

continuing to work on "plan of action"
not like d-2 - Governor has reason
not ? of opening, rather who benefits

Depth of concern for environment

ANWR

FOCUS

★ REFUGE IN LOUISIANA — DEVELOPMENT W/ AUDUBON
~~WE~~ WE ARE AWARE OF OTHER
AREAS — IDENTIFY THEM

IT ~~IS~~ WOULD BE A MISTAKE TO BEGIN THE
ANWR DEBATE ON THE PREMISE THAT
~~THE~~ PRUDHOE BAY

REAL AGGRESSIVE IN DNR

DNR AS PROBLEM SOLVER

SIT-DOWN WITH PEOPLE WHO ARE DOING

STUFF — EACH WEEK WE HAVE 2-3

EXAMPLES TO ARTICULATE

STORY ABOUT DGG'S PUBLICATIONS

CHANGE SEQUENCE OF ~~THE~~ PRESS RELEASE

QUOTES FROM DIRECTORS

TRAVEL — HOOKED UP WITH RADIO

DEALING WITH REGIONAL ISSUES

FROM LITTLE NEWSPAPERS →

SET UP PROCESS — AHEAD OF THINGS

DRAFT MEMO

* ALASKA BUSINESS MONTHLY

EXHIBIT 13 PAGE 8

* DNR TEAM CONCEPT

11/16/85

- will be
bombers,
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outes, at
perating
off "als
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d.
are-mile
brage to
running
Unalak-
- and
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udes the
it says
MALGAM

\$1 million.

and killed on Oct. 12, 1985, that every-

See Page B-3, MACKAY

State may return to ANWR bargaining table

The Associated Press

JUNEAU — State resource officials say all Alaska Native corporations, not just a few, should be allowed mineral lease rights in the Arctic National Wildlife Refuge.

Participation of Alaska's 13 regional Native companies was one of a list of criteria that might prompt the state to return to land negotiations with the federal government.

The state pulled out of negotiations with the corporations and the federal government to determine the process for exchanging Native lands throughout Alaska for federal land in the arctic refuge, which may contain valuable oil and gas deposits. The state

would get 90 percent of the royalties from deposits on federal land, but none if the land was traded to Natives.

Commissioner of Natural Resources Judy Brady on Thursday had listed for some lawmakers and Native corporations criteria the state wants to see before it would return to negotiations. Afterward, some Native leaders said it signals a move toward the bargaining table.

But Brady said Friday that isn't so.

"This is not an offer to sit back down at the table," Brady said, "unless it's a different table. It'd have to be out of the back room and onto the front porch."

Earlier this year, Gov. Steve Cowper

pulled Alaska out of land talks with the Interior Department and Native corporations. Cowper said negotiations were being conducted in secret and Native companies were not sharing information about oil potential in the arctic refuge.

The Interior Department and the state of Alaska are lobbying Congress to open up parts of the arctic refuge to oil development. Interior officials want to line up land trades before the decision is made.

Brady said the state would not rejoin the process unless all sides follow "good government" principles, and

See Page B-3, ANWR

EXHIBIT 14 PAGE 1
ADN 7/25/87

ANWR: State may step back into land trade negotiations

Continued from Page B-1

after Congress makes its decision. She's afraid the land trades would divert attention from the primary goal of opening the refuge.

"This would be the biggest land deal of the century. We are not talking trading a south 40 for a creek bed. We are talking about something so large that the last time something like this was done wrong, it showed up in the encyclopedia under Teapot Dome," Brady said.

Interior officials are negotiating with five Native corporations — Doyon, CIRI, Koniag, Akhiokaguyak and Old Harbor.

On Wednesday, Assistant Interior Secretary Bill Horn said the department wants to trade its oil and gas rights in ANWR for Native land in other parts of Alaska.

The land would be added to the federal wildlife refuge system.

The traded lands would be surveyed and have a value assigned. At the same time, Interior would assign values to the oil and gas rights in ANWR that would determine the basis for the trades.

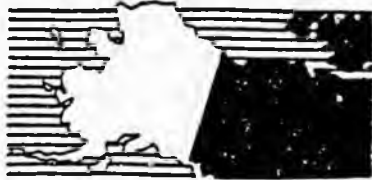
Horn said the federal government is considering proposals to share both risks and profits — if there are any — from the subsurface trades.

But Brady said Horn's ideas are not fair to the state or Natives.

"If you don't hit it (oil), you get your land back," she said.

Under her plan, corporations could use land in lieu of cash to bid for mineral lease rights in the refuge. Alaska would not get any royalties from subsurface rights given Native corporations in the trades.

However, when federal land is leased, Alaska is entitled to 90 percent of all royalties. Ten percent would go to the federal government. Bra-



dy hopes to protect the state's lease rights.

Congress could reduce the state's royalty share.

As of Friday afternoon, Interior officials had not seen the state's proposal.

Rep. Sam Cotten, D-Eagle River, said the plan shows "good public policy. I think the governor's shown initiative in getting back to negotiating."

Jeff Lowenfels, an attorney for Old Harbor Native Corp. of Kodiak, said corporation officials are still contemplating the proposal's details.

"It's good to see the state recognizes the significance of the Native trades to opening up ANWR. And it's good to see them trying to get back to the table," Lowenfels said Friday.

Koniag Inc. Vice President Uwe Gross said corporation officials are looking forward to having the state back at the negotiating table.

"The state's active participation in the exchanges will benefit all the citizens of Alaska through obtaining its (the state's) own inholding in the coastal plain for development," Gross said.

Margaret Sagerser, project director of the Native Lands Group, applauded the state's announcement.

"The state clearly has the most to gain from being a player in the trades, and its best interests are served by participation — not by standing to one side or promoting divisiveness on opening ANWR," she said.

"The state's specific proposal still has a long way to go, and is unrealistic in several respects, but it is a first step," she said.

MEMORANDUM
DEPARTMENT OF NATURAL RESOURCES

State of Alaska
DIVISION OF OIL AND GAS

TO: Lennie Boston Gorsuch
Deputy Commissioner

DATE: May 20, 1987

FILE NO:

TELEPHONE NO: 762-4241

FROM:

James E. Eason
James E. Eason
Director

SUBJECT: ANWR Testimony

Yesterday I received a copy of Margaret Moran's May 13, 1987 memorandum to Commissioner Brady and others entitled "ANWR Chronology". The memorandum provides a schedule of ANWR-related hearings before Congress this summer, as well as an internal (state) schedule for preparing testimony and selecting witnesses for those hearings.

There is a hearing before the Water and Power Resources Subcommittee of the House Interior and Insular Affairs Committee on June 23, 1987 to receive testimony on oil and gas production in Alaska. A notation in the memorandum indicates that Ms. Moran has asked the department to identify state witnesses for this hearing. Would it be presumptuous of me to assume that I might have some involvement in this phase of the ANWR hearings? There is a fairly tight timeline with written testimony to be completed by June 8th, so that it can be reviewed by others in Juneau and Washington, D. C. before June 15.

In addition to the hearings in Washington, there are a number of ANWR-related questions which have arisen since Commissioner Brady and the staff unveiled the state's alternative last month. For example, both Koniag and the CIRI Lands Group have made public replies, and staff from this division have compiled a great deal of "new" background material on the earlier exchange valuation. (copies of these materials were mailed to you and Commissioner Brady in yesterday's Juneau pouch) These valuation materials and the related correspondence provide support for the state's arguments against the exchanges, and they undoubtedly will be of use in countering Interior's and the Native Corporations' strategies before Congress.

It is critical, however, that we regroup as soon as it is convenient with the commissioner's schedule to review these materials, as well as the developments of the last month to plan our next moves. 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 the time to pull the staff, John Katz, Tom Koester and others together.

0776E

DELIVER TO:	Lennie Boston Gorsuch	LOCATION:	Juneau
FROM:	Jim Eason	LOCATION:	Anchorage
TELEPHONE/TELECOPIER #	586-2754	TOTAL NUMBER OF PAGES	1
TRANSMITTING ON/SPEED		DATE	5/20/87
PHONE FOR PROBLEMS-NAME/NUMBER	Roberta Keith	TIME	9:40
COMMENTS	00380 00386		

15

Jim Eason

Friday, June 19, 1987

10:00 Rick Kounihan
Congressman Phil Sharp
House Interior Committee

10:30 Rod Moore
Congressman Don Young
Merchant Marine Subcommittee on Fish and Wildlife
Congressman Gerry Studds, Chairman Merchant Marine
Subcommittee on Fish and Wildlife

11:45 Tobin Anderson
Senator Conrad
Senate Energy Committee

1:00 Svend Brandt-Erichson
Senator Ted Stevens

2:00 Mike Harvey
Chief Counsel-Senate Energy Committee

3:00 Jeremiah Bresnahan
Congressman Glenn Anderson
Merchant Marine Committee

3:30 Jeff Petrich
Chief Counsel House Interior Subcommittee on Water
and Power Resources

Monday, June 22, 1987

9:30 Jim Martin
Senator Wirth
Senate Energy Committee

10:00 Tom Heming *Fleming*
Senator Wendell Ford
Senate Energy Committee

11:00 Tom Roberts
Senator Frank Murkowski

11:30 Mitch Foushee
Senator Binguman
Senate Energy Committee

1:00 Ron Ungvársky
Congressman Austin Murphy
House Interior Committee

00603

EXHIBIT 16 PAGE 1 00523

Page 2

2:00 Ed Welch
Don Barry
Tom Kitsos
Chief Counsel House Merchant Marine Committee

3:00 Dave Berick
Senator Brock Adams

4 - 6 Briefing with Katz

Tuesday, June 23, 1987

8:15 Don Berry
Merchant Marine

9:45 - 10:45 Testimony

10:45 Congressman Lindsay Thomas

00610

EXHIBIT 16 PAGE 2 00611

MEMORANDUM

State of Alaska ^{file}

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL AND GAS

TO: Rod Swope, Special Staff Assistant
Office of the Governor

DATE: September 10, 1987

FILE NO:

TELEPHONE NO: 762-2547

FROM: 
James E. Eason
Director

SUBJECT: ANWR Critique

Rod, as promised, enclosed is a copy of the executive summary of our critique of the proposed land exchanges. The critique is based upon a review of the exchange selections and appraisal values, as well as a detailed analysis of the geophysical mapping of the ANWR prospects. I cannot stress with words how important I feel it is that this message gets conveyed to the decisionmakers who will be considering the approval of these proposed exchanges. Quite simply, they are terrible. The combined effect of the former exchanges and the proposed exchanges potentially will leave the federal government with little, if any, prospective lands in ANWR to offer in competitive sales should ANWR be opened. Under that circumstance, it is almost irrelevant from a public revenue perspective whether or not ANWR is in fact opened. I realize there are other perspectives that must bear on this issue, but I believe folks have not been fully informed yet on how great the revenue loss may be and just how unfair the non-competitive selections and exchanges are.

If there is any doubt about our assessment, I suggest a look at the enclosed article from today's Daily News. It confirms precisely the disproportionate value that the corporations will receive from what the Fish and Wildlife Service has determined to be the appraised value of the exchange lands. Under Old Harbor's exchange, it will be reimbursed the full amount of its surface land's value (\$45 million) and, in addition, it will retain a 14 percent royalty for any oil that Texaco subsequently discovers and produces from Old Harbor's ANWR lands. The lands either are worth \$45 million as Fish and Wildlife Service claims, or they are worth \$45 million plus 14 percent future royalty as I, Texaco and Old Harbor clearly believe.

A more disturbing thought is that there is no reason to believe that Old Harbor's deal is a particularly good one. Given their oil and gas experience and negotiation skills, I would be willing to wager that C.I.R.I.'s deal is even better. So, if the corporations, the Fish and Wildlife Service, and the exchange participants win, it should be a simple matter to figure out who loses. Call if you have any questions.

1054E

DELIVER TO: <u>W. Swope</u>	LOCATION: <u>...</u>
FROM: <u>J. Eason</u>	LOCATION: <u>...</u>
TELEPHONE/TELECOPIER # <u>413 3-...</u>	TOTAL NUMBER OF PAGES <u>5</u>
TRANSMITTING ON/SPEED	DATE <u>9/10/87</u> TIME <u>4:00</u>
PHONE FOR PROBLEMS-NAME/NUMBER	<u>...</u>
COMMENTS	

00529

00525

EXECUTIVE SUMMARY
OF THE ALASKA DIVISION OF OIL AND GAS CRITIQUE
OF THE PROPOSED ANWR LAND EXCHANGES

When combined with the previous ASRC/KIC exchange, the Department of the Interior's (DOI) most recent proposed ANWR land exchanges result in the non-competitive conveyance of well over a quarter of a million acres of the most prospective lands within the Coastal Plain of ANWR for a TOTAL VALUE OF ONLY \$543.8 MILLION (the appraised value of the exchange lands tendered to DOI). In the ASRC/KIC exchange DOI received surface estate appraised at \$5.1 million in exchange for subsurface rights to approximately 100,000 acres of highly prospective mineral estate beneath the Coastal Plain of ANWR. The currently proposed exchange would convey the subsurface rights to an additional 166,278 acres of the remaining most highly prospective lands to six Native Corporations and their industry partners in exchange for 891,000 acres of surface estate with an appraised value of \$538.7 million.

Although impossible to calculate, it is likely that a competitive lease sale of this same Coastal Plain acreage would generate bonus revenues hundreds of millions of dollars higher while still retaining a significant royalty interest in any future production for the federal government. The value of the royalty interest, should significant discoveries occur, potentially may be measured in the billions of dollars.

The uniquely high hydrocarbon potential of ANWR presents DOI with a one-time-only opportunity both to reduce the national dependence on foreign oil imports and to receive significant public revenues in the process. In acknowledging the extremely high upside resource potential and realizing the uncertainties attached to DOI's assigned value for individual ANWR tracts, a prudent approach, at the very least, would require that the federal government retain a significant royalty interest in future ANWR petroleum production.

According to DOI's press release describing the latest exchange selections, "...of the 73 tracts identified, 34 were on potential oil and gas structures mapped for the 1002 study and report to Congress." However, based upon our independent mapping of the same geophysical data, every one of the 73 tracts selected for exchange lies above a structural trap.

Further, all of the mappable four-way closures (representing the best potential targets) have either been exchanged or selected for exchange. The fact that most of the industry selections do not overlie structures mapped by DOI in the final 1002 study indicates that DOI's mapping is suspect. The actual exchange selection pattern reveals that the native corporations and their industry partners have recognized and mapped these underlying structures and that they apparently have high regards for their oil and gas potential.

The combined exchanges would transfer over 250,000 acres of the 1.53 million acre Coastal Plain (approximately 18 percent) into private ownership. However, to focus on the relative number of acres conveyed through exchanges, as DOI does, is very misleading. It is the location of that acreage relative to the most prospective subsurface structures which is relevant, not the absolute number of acres exchanged. Relatively small but well-informed or simply fortuitous selections could effectively result in the exchange of all of the area's potential oil and gas reserves.

00530 00526

EXHIBIT 17 PAGE 2

It is clear from both the selection pattern and our independent mapping that the tops (structurally highest and most prospective portions) of all the best structures, including the very large prospects #18 and #19 (from the 1002 study), and numerous prospects aligned along the Marsh Creek trend, have been selected already by the exchange participants, just as would be expected to occur if the acreage were offered for competitive leasing and exploration by informed bidders. The acreage remaining for any future competitive sales is situated over the structurally lower (and therefore less prospective) portions of the subsurface structures as they are currently known.

It is the uniquely high upside potential of the ANWR acreage which is attracting the wide-spread exploration interest in the Coastal Plain. It is very important to remember, however, that the most likely outcome of exploration in any frontier area, including ANWR, is that there will be more dry holes than commercial discoveries. The less prospective tracts in ANWR, those remaining after the exchange selections, may very well be condemned through early drilling of the exchange tracts, with a resultant loss in public revenues.

The incorporation of a rescission clause in any of the exchange contracts would enable a corporation to relinquish title to its subsurface estate in ANWR in exchange for the reconveyance of a portion--rumored to be as high as 65 percent--of the surface estate which it has traded for the ANWR lands. The effect of this particular stipulation, when combined with the advance cash payments the corporations are reported to have received from their respective industry partners, places the corporations in a very enviable low or no-risk position. The public interest does not enjoy parallel protection, however. In exchange for an indeterminate number of abandoned exploratory well locations on the Coastal Plain for which it will regain title, DOI will have to reconvey title to some of the valuable refuge inholdings which it has temporarily received from one or more of the corporations. Under these circumstances, the stated basis for the proposed exchange literally will disappear.

The federal government's receipt of fair market value for ANWR's oil and gas resources can be assured only through a fully open and competitive leasing program which retains a significant royalty interest in any oil and gas reserves which ultimately may be discovered and produced there. The fairness and equity offered by competitive leasing procedures are in marked contrast to the terms of DOI's proposed exchanges. Those exchanges are not equal value exchanges. In fact, the actual value of the ANWR lands proposed for exchange cannot be determined prior to the drilling and testing of numerous exploratory wells on the tracts.

1043E 09/09/87

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2

EXHIBIT 17 PAGE 3 00531

MEMORANDUM

DEPARTMENT OF NATURAL RESOURCES

State of Alaska

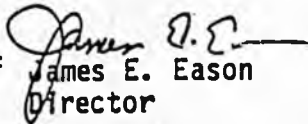
DIVISION OF OIL AND GAS

TO: Maggie Moran/John Katz
Office of the Governor

DATE: December 21, 1987

FILE NO:

TELEPHONE NO: 762-2547

FROM: 
James E. Eason
Director

SUBJECT: ANWR Land Exchange

It appears that the corporations do intend to increase the "heat", both locally and nationwide in their rebuttal to our criticism of the exchanges. As evidence, these two articles, one from the editorial page of the Anchorage Times this weekend and the other from the Anchorage Daily News clearly continue the theme which was suggested at the recent meeting with Governor Cowper...sever the agency from the Governor, and hopefully bring the governor back to the bargaining table.

According to our latest intelligence, Mystrom Advertising, Inc. has been approached to submit a proposal to conduct a pro exchange campaign. It is our understanding that the proposal would include mailings to each member of Congress in their home district to encourage their support of the exchanges. I will give you more details as they become available. Meanwhile, if you have any questions, please call.

I have also transmitted for your files a copy of a letter from Ms. Lynne Corn of the CRS expressing her appreciation for our earlier meeting with them to discuss the exchanges.

cc: Judith M. Brady, Commissioner
Lennie Gorsuch, Deputy Commissioner

Enclosures

1225E

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EXHIBIT 18 PAGE 1

MEMORANDUM

DEPARTMENT OF NATURAL RESOURCES

State of Alaska

DIVISION OF OIL AND GAS

TO: John ~~Ray~~, Special Counsel
Office of the Governor

DATE: December 31, 1987

and
Judith M. Brady
Commissioner, DNR

FILE NO:

TELEPHONE NO: 907-762-2547

FROM: James E. Eason
Director

SUBJECT: Young/Horn Discussion
on Land Exchanges.

Enclosed is a copy of a videotape aired on the local public television station, KAKM, on Saturday, December 26, 1987. The program consists of a discussion between Congressman Young and Assistant Secretary Bill Horn on the proposed ANWR land exchanges.

It is our understanding that this tape was delivered from Congressman Young's office to KAKM earlier the week of Christmas, although the tape appears to have been made in July prior to the Congressman's trips to ANWR. The time of the tape coincided perfectly with the recent pro-exchange media blitz, including the two editorials in the Anchorage Times which the Native corporations have undertaken.

We are forwarding only one copy to Juneau, assuming that it will be made available for viewing by Ned Slope and other interested parties. If you need additional copies or have questions, please feel free to call.

Enclosure

EXHIBIT 19 PAGE 1

ANWR

MEMORANDUM
DEPARTMENT OF NATURAL RESOURCES

State of Alaska
DIVISION OF OIL AND GAS

TO: John Katz, Special Counsel
Office of the Governor

DATE: January 5, 1988

FILE NO:

TELEPHONE NO: 907/762-2547

FROM: *James E. Eason*
Director

SUBJECT: Anchorage Daily News
"Compass" Piece

Tom Hawkins and I were talking about strategy after our teleconference yesterday, and he remarked, "...Seems like deja' vu...looks like I may get the opportunity to fight my second no-win war this generation."

Along those lines, the "Compass" piece by Emil Christiansen appeared in this morning's Anchorage Daily News. This makes three unanswered editorial-like pieces in the last three weeks. The question is, do folks begin to believe what they hear if they only hear one side of the story?

On another ANWR-related matter, I learned yesterday afternoon that Michael C. T. Smith will be leaving the Native Lands Group later this month. His replacement for ANWR exchange matters is Chip Dinnerlein. Chip told me yesterday afternoon that he will be going to Washington tomorrow (Wednesday). Call if you have questions.

Attachment

1256E

DELIVER TO: <i>John Katz</i>	LOCATION: <i>U.C.</i>
FROM: <i>James Eason</i>	LOCATION: <i>Oil & Gas - Anch</i>
TELEPHONE/TELECOPIER # <i>207/624-5857</i>	TOTAL NUMBER OF PAGES: <i>4</i>
TRANSMITTING ON/SPEED _____	DATE: <i>1/5/88</i> TIME: <i>8:25</i>
PHONE FOR PROBLEMS-NAME/NUMBER _____	<i>submit to K with 907/762-2549</i>
COMMENTS _____	

EXHIBIT 20 PAGE 1

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OFFICE OF THE COMMISSIONER

P.O. Box 107005

Anchorage, Alaska 99510-7005

(907) 762-2483

to: Paul Meyerhoff
fr: Carol Larsen / 762 2452-
date: Mon. Dec. 21, 1987
re: KENI/Newstalk

To follow up on our conversation today - I will call your office later this week to schedule Jim Eason - our Oil & Gas director - to appear on Newstalk as soon as possible - to talk on ANWR/Land Trades.

I know that the Commissioner looks forward to participating as soon as she can. Her response is attached.

Thanks again for your time today -



MEMORANDUM

State of Alaska

DEPARTMENT OF NATURAL RESOURCES - Division of Land and Water Management

TO: Judith M. Brady
Commissioner

DATE: December 15, 1987

FILE NO:

TELEPHONE NO: 762-2680

THRU: Margaret J. Hayes
Director

SUBJECT: Trip Report:
Washington, D.C.

FROM: Gary Gustafson, Chief
Land Management

As you know, the week of December 5-12, 1987 I flew to Washington, D.C. for a series of meetings concerning the proposed ANWR land exchanges. The primary purpose of the trip was to join Jim Eason in briefing key members of Congress and staff regarding the State of Alaska's posture regarding the proposed exchanges. In this context, we were to distribute and discuss two separate state critiques of the process used by the Department of the Interior (DOI) to value the Native corporation surface estate in-holdings as well as the federal oil and gas interests in ANWR proposed for exchange.

The Division of Oil and Gas had previously completed and distributed a critique of the DOI ANWR subsurface valuation process, while I had just recently completed an analysis of the DOI surface valuation process for the Native refuge in-holdings.

After travelling to Washington, D.C. over the weekend, I met Monday morning with John Katz and his staff to discuss strategy and plan the week's schedule. Meetings with individual Congressmen and staff were not scheduled to begin until Wednesday morning, following the arrival Tuesday night of Jim Eason from an Interstate Oil Compact Commission meeting in Santa Fe, New Mexico.

I spent a portion of Monday reviewing a draft version of H.B. 3601, a bill proposed by Congressman Jones to open ANWR. The draft bill had been circulated among affected state agencies by DGC for comment. Having previously talked with Carol Wilson, I prepared comments and telecopied them to Kurt Fredrickson of DGC in Juneau. I also drafted new bill sections dealing with a proposed water resources study, navigability determinations and rights-of-way, should they be needed. I met with Kay Gouwens of John's staff on the BLM Utility Corridor Plan, Eric Ostrovsky on RS 2477's, Maggie Moran on ANWR strategies and Eric Laschever on HB 3601.

On Tuesday, Eric Laschever and I participated in a conference call regarding HB 3601. Also participating were representatives of ADFG and DEC as well as Bill Van Dyke and Carol Wilson of DNR. We agreed on an

EXHIBIT 22 PAGE 1

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overall state approach which Kurt agreed to write-up. I also sent Kurt the draft legislation I had drafted previously.

Kay Gouwens and I then participated in a conference call with Francis Neville of the AG's Office to discuss the Oliktok Point situation. BLM had proposed a federal oil and gas lease at Oliktok Point without properly dealing with a pending state selection and without assurances that the state would receive a 90 percent royalty pursuant to the 1920 Mineral Leasing Act. I also talked several times with Anchorage Daily News reporter Ronnie Chappell in preparation for his ANWR land trade story.

Beginning Wednesday morning, Jim Eason and I (sometimes accompanied by Maggie Moran) began a series of meetings with Congressmen and staff regarding the proposed ANWR land trades. Jim focused upon the uncertainties and undervaluation associated with the DOI ANWR subsurface valuation, while I concentrated upon the inflated values for the Native in-holdings resulting from DOI negotiations. We met a total of 22 Congressmen or staff over the three days. Each meeting consisted of about 30 minutes during which we would present our reports, provide pertinent overview comments and then answer questions.

In addition, we also met Wednesday morning with about 15 staff from the Congressional Research Staff (CRS) a brain trust of federal employee's of various disciplines who are preparing an independent analysis of the proposed trades. The CRS people proved to be well informed on the subject and asked a number of good questions. We provided them with some information they did not have and also added insite into a number of issues they had not yet explored. My sense was that they will conclude the trades to be adverse to the national interest as they are procedurally flawed. The CRS report is expected out within about ten days.

Regarding the Congressional contacts, I reached a number of generalized conclusions (see attachment for schedule).

1. While everyone was aware of the proposed ANWR trades, the level of information and comprehension was not very high;
2. There was a high degree of skepticism concerning the practices of the current DOI administration;
3. Our information raised a number of eyebrows;
4. Most of the House members asked how Don Young stood on the issue; and
5. Almost everyone agreed the trades were a disruptive and unnecessary influence on the central issue of achieving a decision on whether to open ANWR.

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 Congressmen 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's safe to say that all our contacts bore fruit. I felt even the meeting with Dan Kish of Congressman Young's staff was productive in this regard.

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.

Late Thursday afternoon I returned to John's office from Capitol Hill to meet with him, Kay Gouwens, and BLM's Mike Penfold, Ted Stephenson and Bob Faithful. The principal issue was the proposed Oliktok Point federal oil and gas lease sale. We made it clear that the state favors an amendment to the existing military withdrawal to allow the existing state general grant selection to attach to the mineral estate. Penfold seemed uncomfortable with that scenario, however, probably because he fears the same tact might then be applied to other federal withdrawals. He prefers BLM retention of the area with the state able to receive 90 percent of any lease royalties. However, as this option is not assured, Penfold has asked the Solicitor's Office in Washington, D.C. to prepare an opinion regarding the applicability of the 1920 Mineral Leasing Act. He said he would provide us with a draft to review before it becomes final.

We also talked about BLM's Utility Corridor Plan. Penfold made it clear that the inner corridor would never be available for state selection (at least as long as he is state director). He bases this decision on the rationale that Alaska needs a strong federal multiple use agency - and that if the state acquires too much strategic land, BLM's role will be reduced to just realty functions. At least he was honest with us. He said he would be willing to meet with you to discuss further state selection options in the outer-corridor. The Draft BLM Utility Corridor Plan currently denies even this opportunity. Any meeting will have to occur soon, however, as the plan is expected to be finalized in about three months.

In summary, I felt we accomplished our purpose. There seems to be little sentiment in Congress at present to support the trades. One other thing we may have inadvertently triggered might be the DOI LEIS. I sense our efforts, combined with the recent press accounts, have forced DOI to begin the LEIS process.

Judith M. Brady

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December 15, 1987

Attachment

cc: Lennie Gorsuch, CO
Rod Swope, Governor's Office-Juneau
Tom Hawkins, CO
Jim Eason, DOG
Tom Koester, AGO
John Katz, Governor's Office-Washington, D.C.
Maggie Moran, Governor's Office-Washington, D.C.

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EXHIBIT 22 PAGE 4

Wednesday, December 9, 1987

9:30 am - 11:30 am

CRS Briefing, James Madison Bldg., Room 423, Conference Room., Maggie Moran, Gary Gustafson, (contact: Lynn Cor- 287-7267).

12:00 noon

Lunch

1:00 pm

Meeting with Roy Willis, Bill Tauzin's Staff (D-La), Maggie Moran, Gary Gustafson, 222 Cannon House Office Bldg., (225-4031).

1:30 pm - 2:00 pm

Meeting with Congressman Lindsay Thomas (D-Ga), Maggie Moran, Gary Gustafson, 431 Cannon House Office Bldg., (contact: Nancy Newton 225-5831).

2:00 pm - 2:30 pm

Meeting with Congressman Bill Richardson (D-NM), Maggie Moran, Gary Gustafson, 332 Cannon House Office Bldg., (contact: Jean Barber 225-6190).

3:00 pm

Meeting with Mike Mata, Sierra Club, Maggie Moran, Gary Gustafson, 330 Pennsylvania Ave., S.E., (547-1141).

4:00 pm

Meeting with Mike Lowry (D-Wa), Kurt Marshall, Jim Evans, Maggie Moran, Gary Gustafson, 2454 Rayburn House Office Bldg.

4:30 pm

Meeting with Russ Shay, Congressman Studts Staff (D-Mass), Maggie Moran, Gary Gustafson, 543 House Office Bldg., Annex II, (226-3533).

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Thursday, December 10, 1987

9:00 am - 9:45 am Meeting with Rick Counihan, Congressman Sharp's staff (D-Indiana), Maggie Moran, Gary Gustafson, 331 House Office Bldg., Annex II, (226-2500).

10:00 am - 10:30 am Meeting with Congressman Mac Sweeney (R-Texas), Maggie Moran, Gary Gustafson, 1713 Longworth House Office Bldg., (contact: Linds Mathis 225-2831). Note: If Congressman cannot make it, Allen Halbbrook, Leg. Director, will meet with you.

10:30 am - 11:00 am Meeting with Congressman Wally Herger (R-CA), Maggie Moran, Gary Gustafson, 1108 Longworth House Office Bldg., (contact: Sharon 225-3076).

11:00 am - 11:30 am Meeting with Congressman John Rhodes (R-AZ), or Jim Huska, Legislative Director, Maggie Moran, Gary Gustafson, 510 Cannon House Office Bldg., (contact: Marcia Summers 225-2635).

11:30 am - 12:00 noon Meeting with Kathleen Latimer, Congressman Douglas Bosco's staff (D-CA), Maggie Moran, Gary Gustafson, 508 Cannon House Office Bldg., (contact: Peg Thompson 225-3311).

12:15 pm - 12:30 pm Meeting with Congressman Manuel Lujan (R-NM), Maggie Moran, Gary Gustafson, 1323 Longworth House Office Bldg., (contact: Christy Calderwood 225-6316).

12:30 pm - 1:30 pm Lunch

1:30 pm - 2:00 pm Meeting with Congressman Jerry Huckaby (D-LA), Maggie Moran, Gary Gustafson, 2421 Rayburn House Office Bldg., (contact: Collette Carter 225-2376).

Thursday, December 10, 1987 (cont.)

2:00 pm - 4:00 pm Senate Hearings, 406 Dirksen
Senate Office Bldg.

5:00 pm Meeting with Dan Kish,
Congressman Young's staff,
Maggie Moran, Gary Gustafson,
1329 Longworth House Office
Bldg., (contact: Chris
225-6065).

Friday, December 11, 1987

9:15 am - 9:45 am Meeting with Paul Carothers,
Senator Breaux's staff (D-LA),
Maggie Moran, Gary Gustafson,
516 Hart Senate Office Bldg.,
224-4623.

9:45 am - 10:15 am Meeting with Bob Davison,
Energy, Power & Water
Committee, Maggie Moran, Gary
Gustafson, 408 Hart Senate
Office Bldg., 224-7189.

10:30 am - 11:00 am Meeting with Mark Trautwein,
Congressman Udall's staff
(D-Ariz), Maggie Moran, Gary
Gustafson, 1328 Longworth
House Office Bldg., 225-8331.

11:00 am - 11:30 am Meeting with Walter Sanders,
Legislative Director and
Counsel for Congressman
Dingell (D-MI), Maggie Moran,
Gary Gustafson, 2456 Rayburn
House Office Bldg., 225-2754.

12:00 noon - 1:00 pm Lunch

1:30 pm - 2:00 pm Meeting with Jeff Petrich,
House Water and Power
Resources Committee, Maggie
Moran, Gary Gustafson, 1413A
Longworth House Office Bldg.,
225-6042.

~~2:15 pm - 2:45 pm Meeting with Dan McAuliffe,
Congressman Campbell's staff
(D-Colo), Maggie Moran, Gary
Gustafson, 1724 Longworth
House Office Bldg., (contact:
Dan Jiron 225-4761).~~

Friday, December 11, 1987 (cont.)

3:00 pm - 3:30 pm

Meeting with Jim Mathews,
Congressman Manton's staff
(D-NY), Maggie Moran, Gary
Gustafson, 327 Cannon House
Office Bldg., (contact: Betty
Rogers 225-3965).

3:35 pm

Meeting with Steve Seiberling,
Congressman Clarke's staff
(D-NC), Maggie Moran, Gary
Gustafson, 217 Cannon House
Office Bldg., (contact: Ann
Owens 225-6401).

EXHIBIT 22 PAGE 8

JIM EASON
DIRECTOR, DIVISION OF OIL AND GAS
DEPARTMENT OF NATURAL RESOURCES
D.C. ITINERARY

Tuesday, December 1, 1987

9:30 am - 10:30 am	Briefing with John Katz and Staff, Governor's Washington, D.C. Office.
10:45 am - 11:15 am	Meeting with Greg Chapados, Svend Brandt Erichsen, Maggie Moran, Senator Stevens Office, 522 Hart Bldg., 224-3004.
12:15 pm - 1:15 pm	Lunch
1:30 pm - 2:00 pm	Meeting with Dr. Charles Broches, Maggie Moran, Congressman John Miller's Office, 1224 Longworth House Office Bldg., (contact: Sue Claeys 225-6311).
3:15 pm - 3:45 pm	Meeting with Senator Frank Murkowski, Maggie Moran, 709 Hart Senate Bldg., (contact: Carol 224-6665).
4:00 pm - 4:30 pm	Meeting with Congressman Glen Anderson (D-CA), Maggie Moran, 2329 Rayburn House Office Bldg., (contact: Mary Ellen 225-6676).

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Wednesday, December 2, 1987

1:30 pm - 2:00 pm

Meeting with Mike Harvey, Tom Williams, Senate Energy Committee, 364 Dirksen Senate Office Bldg., (224-4971).

2:45 pm - 3:15 pm

Meeting with Congressman Peter Kosmayer (D-Pa), 123 Cannon House Office Bldg., (contact: Sallie Bell 225-4276).

3:30 pm - 4:00 pm

Meeting with Dan Evans, AA for Congressman Don Bonker, 434 Cannon House Office Bldg., (contact: Linda Suter 225-3536).

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Thursday, December 3, 1987

10:00 am	Meeting with Tony Bevinetto, Senate Energy Committee, Maggie Moran, 310 Dirksen Senate Bldg., (224-1017).
11:00 am - 11:30 am	Meeting with Congressman Wayne Owens (D-Utah), Maggie Moran, 1728 Longworth House Office Bldg., (contact: Todd Swindell 225-3011).
11:45 pm - 12:45 pm	Lunch
2:00	Meeting with Congresswoman Patricia Saiki (R-Hawaii), Maggie Moran, 1407 Longworth House Office Bldg., (225-2726).
3:00 pm	Meeting with Congressman Sam Gejdenson (D-Ct), Maggie Moran, 1410 Longworth House Office Bldg., (225-2076).
4:00 pm	Meeting with Congressman Tom Carper (D-Del.), Maggie Moran, 131 Cannon House Office Bldg., (contact: Heidi Glenn 225-4165).

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Friday, December 4, 1987

9:00 am Meeting with Jim Martin,
Senator Tim Wirth's (D-Co)
Staff, Maggie Moran, 380
Russell Senate Office Bldg.,
(224-5852).

10:00 am Meeting With Gene Peters,
Maggie Moran, 731 Hart Senate
Office Bldg., (224-8581).

11:00 am Meeting With Brian Sweeny,
Congresswoman Schneider's
(R-RI) Staff, Maggie Moran,
1512 Longworth House Office
Bldg., (225-2735).

12:00 noon Lunch

1:00 pm Meeting with Ed Welsh, Don
Barry, Russ Shay, Maggie
Moran, 1334 Longworth House
Office Bldg., (contact: Mary
225-4047).

2:00 pm Meeting with Stan Sloss,
National Parks and Public
Lands, Maggie Moran, 812 House
Office Bldg., Annex I,
(226-7736).

Wednesday, December 9, 1987

9:30 am - 11:30 am	CRS Briefing, James Madison Bldg., Room 423, Conference Room., Maggie Moran, Gary Gustafson, (contact: Lynn Corn 287-7267).
12:00 noon	Lunch
1:00 pm	Meeting with Roy Willis, Bill Tauzin's Staff (D-La), Maggie Moran, Gary Gustafson, 222 Cannon House Office Bldg., (225-4031).
1:30 pm - 2:00 pm	Meeting with Congressman Lindsay Thomas (D-Ga), Maggie Moran, Gary Gustafson, 431 Cannon House Office Bldg., (contact: Nancy Newton 225-5831).
2:00 pm - 2:30 pm	Meeting with Congressman Bill Richardson (D-NM), Maggie Moran, Gary Gustafson, 332 Cannon House Office Bldg., (contact: Jean Barber 225-6190).
3:00 pm	Meeting with Mike Matz, Sierra Club, Maggie Moran, Gary Gustafson, 330 Pennsylvania Ave., S.E., (547-1141).
4:00 pm	Meeting with Mike Lowry (D-Wa), Kurt Marshall, Jim Evans, Maggie Moran, Gary Gustafson, 2454 Rayburn House Office Bldg.
4:30 pm	Meeting with Russ Shay, Congressman Studts Staff (D-Mass), Maggie Moran, Gary Gustafson, 543 House Office Bldg., Annex II, (226-3533).

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Thursday, December 10, 1987

9:00 am - 9:45 am

Meeting with Rick Counihan, Congressman Sharp's staff (D-Indiana), Maggie Moran, Gary Gustafson, 331 House Office Bldg., Annex II, (226-2500).

10:00 am - 10:30 am

Meeting with Congressman Mac Sweeney (R-Texas), Maggie Moran, Gary Gustafson, 1713 Longworth House Office Bldg., (contact: Linds Mathis 225-2831). Note: If Congressman cannot make it, Allen Halbrook, Leg. Director, will meet with you.

10:30 am - 11:00 am

Meeting with Congressman Wally Herger (R-CA), Maggie Moran, Gary Gustafson, 1108 Longworth House Office Bldg., (contact: Sharon 225-3076).

11:00 am - 11:30 am

Meeting with Congressman John Rhodes (R-AZ), or Jim Huska, Legislative Director, Maggie Moran, Gary Gustafson, 510 Cannon House Office Bldg., (contact: Marcia Summers 225-2635).

11:30 am - 12:00 noon

Meeting with Kathleen Latimer, Congressman Douglas Bosco's staff (D-CA), Maggie Moran, Gary Gustafson, 508 Cannon House Office Bldg., (contact: Peg Thompson 225-3311).

12:15 pm - 12:30 pm

Meeting with Congressman Manuel Lujan (R-NM), Maggie Moran, Gary Gustafson, 1323 Longworth House Office Bldg., (contact: Christy Calderwood 225-6316).

12:30 pm - 1:30 pm

Lunch

1:30 pm - 2:00 pm

Meeting with Congressman Jerry Huckaby (D-LA), Maggie Moran, Gary Gustafson, 2421 Rayburn House Office Bldg., (contact: Collette Carter 225-2376).

Thursday, December 10, 1987 (cont.)

2:00 pm - 4:00 pm Senate Hearings, 406 Dirksen
Senate Office Bldg.

5:00 pm Meeting with Dan Kish,
Congressman Young's staff,
Maggie Moran, Gary Gustafson,
1329 Longworth House Office
Bldg., (contact: Chris
225-6065).

Friday, December 11, 1987

9:15 am - 9:45 am Meeting with Paul Carothers,
Senator Breaux's staff (D-LA),
Maggie Moran, Gary Gustafson,
516 Hart Senate Office Bldg.,
224-4623.

9:45 am - 10:15 am Meeting with Bob Davison,
Energy, Power & Water
Committee, Maggie Moran, Gary
Gustafson; 408 Hart Senate
Office Bldg., 224-7189.

10:30 am - 11:00 am Meeting with Mark Trautwein,
Congressman Udall's staff
(D-Ariz), Maggie Moran, Gary
Gustafson, 1328 Longworth
House Office Bldg., 225-8331.

11:00 am - 11:30 am Meeting with Walter Sanders,
Legislative Director and
Counsel for Congressman
Dingell (D-MI), Maggie Moran,
Gary Gustafson, 2456 Rayburn
House Office Bldg., 225-2754.

12:00 noon - 1:00 pm Lunch

1:30 pm - 2:00 pm Meeting with Jeff Petrich,
House Water and Power
Resources Committee, Maggie
Moran, Gary Gustafson, 1413A
Longworth House Office Bldg.,
225-6042.

2:15 pm - 2:45 pm Meeting with Dan McAuliffe,
Congressman Campbell's staff
(D-Colo), Maggie Moran, Gary
Gustafson, 1724 Longworth
House Office Bldg., (contact:
Dan Jiron 225-4761).

EXHIBIT 22 PAGE 15

Friday, December 11, 1987 (cont.)

3:00 pm - 3:30 pm

Meeting with Jim Mathews,
Congressman Manton's staff
(D-NY), Maggie Moran, Gary
Gustafson, 327 Cannon House
Office Bldg., (contact: Betty
Rogers 225-3965).

3:35 pm

Meeting with Steve Seiberling,
Congressman Clarke's staff
(D-NC), Maggie Moran, Gary
Gustafson, 217 Cannon House
Office Bldg., (contact: Ann
Owens 225-6401).

EXHIBIT 22 PAGE 16

October 5, 1987

MEMORANDUM

PRIVILEGED AND CONFIDENTIAL

TO: THE HONORABLE STEVE COWPER, Governor

ATTN: LYNN BARTLETT, Secretary to the Governor

FROM: JOHN W. KATZ, Director of State/Federal Relations
and Special Counsel to the Governor

SUBJECT: LAND TRADES/STRATEGY AND TACTICS ON THE FEDERAL
LEVEL

BACKGROUND

The State withdrew from the land trades discussions with the Department of the Interior (DOI) in February of this year. There were three main reasons for our withdrawal: the substance of the proposed trades, the negotiation and evaluation process, and the belief that the trades would divert attention from the State's main objective of opening ANWR to oil and gas development.

At the time of our withdrawal, we announced an alternative that met the stated objectives of both the Native corporations and the DOI -- an alternative that allows such corporations to exchange refuge inholdings for bidding rights on ANWR. However, we announced the alternative only to State groups. No formal communication from the State concerning our opposition to the trades or our alternative approach has been made either to the DOI or to Congressional groups.

The State, through its Washington, D.C. office, has made its opposition to the trades known on a behind-the-scenes basis and has focused on the main objective of opening ANWR.

Recently, there has been a change of tempo. DOI has begun lobbying for support for the trades with Congress. Native groups and oil company partners are also lobbying on Capitol Hill. One or more Native corporations recently have hired a prominent Democratic lobbyist to begin a major advocacy effort in support of the trades.

ISSUE

What role does the State now want to play before Congress on this issue?

OPTIONS

1. Send a letter to Secretary Hodel reiterating State (and for the first time formally communicating) the State's opposition to the land trades, as well as outlining the State's alternative. Attachments would consist of an analysis of the hydrocarbon consequences of the trades, recently prepared by DNR. (Attached)
2. Maintain our present profile on Capitol Hill -- discussing our opposition when the issue is raised and circulating relevant information to committee members and staff.
3. Maintain our present profile on Capitol Hill and send a copy of your letter to Secretary Hodel, with attachment, to key committee chairmen and staff.
4. Increase our profile by bringing DNR staff to Washington to actively lobby against the trades, and/or utilize the advocacy resources of this office, including our ANWR lobbying team.
5. Circulate DNR critique without sending the Hodel letter.

ANALYSIS AND RECOMMENDATIONS

Apart from the Alaska delegation, there is currently little support in Congress for the land trades. Two of the three committee chairmen with jurisdiction over ANWR, Senator Johnston and Congressman Udall, have come out strongly against the trades. The Merchant Marine Committee has been silent to this point, but we can expect the trades to find some support in that Committee because of acreage acquisition in the wildlife refuge system.

The options portray varying degrees of State involvement and Gubernatorial visibility. The principal advantage of the highest profile option (a combination of 1 and 4) is that it increases the chances that the trades will not gain any momentum. The disadvantages are: a) strong Native corporation opposition to our action, and b) some risk of diluting our message on the central issue of opening ANWR.

We recommend a combination of option of 1 and 3. Although the Hodel letter will generate substantial unhappiness in the Native community, we believe that the Secretary should

Page 3

be apprised of the State's analysis of the selections and our continued opposition to the exchanges. By forwarding copies of the letter and enclosure to key congressmen, senators, and staff, we reinforce the State's position and at the same time give them information for their dealings with DOI and Native groups.

In our opinion, now is not the time to increase our visibility on the Hill with heightened lobbying activity. 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.

However, there is growing evidence that proponents of the trades will soon initiate a major lobbying effort. Accordingly, we should be prepared to accelerate our own advocacy efforts on short notice if the Congressional situation begins to change. This could be accomplished by bringing DNR staff to Washington and/or by using the resources of this office.

Previously Reviewed and Approved By: Department of Natural Resources

Attachments

cc: Lt. Governor Stephen McAlpine
Commissioner Dennis Kelso
Commissioner Judy Brady
Commissioner Don Collinsworth
Garrey Peska
David Ramseur
Rod Swope
Bob Grogan

GERALD D. MORGAN, JR.
RAYMOND S. CALAMARO
PETER F. GOLD*
KENNETH BERLIN
RESIDENT PARTNER

ROBERT REED GRAY
LOUIS H. KURRELMEYER
JOHN E. GILLICK
RESIDENT COUNSEL

*FEDERAL PRACTICE ONLY

LAW OFFICES OF

WINTHROP, STIMSON, PUTNAM & ROBERTS

1155 CONNECTICUT AVENUE, N. W. WASHINGTON, D. C. 20036

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TELECOMPAR 202-633-8488

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TELEX 62884

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400 SUMNER STREET
STAMFORD, CONN 06901
TELEPHONE: 203-348-2300

FLORIDA OFFICE
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OPINION ON THE LEGALITY
OF THE
PROPOSED LAND EXCHANGES IN THE
ARCTIC NATIONAL WILDLIFE REFUGE

You have asked us to prepare an opinion concerning the legality of the proposed ANWR land exchange agreements that have been negotiated by the Secretary of the Interior. As is set forth in detail below, it is our opinion, based on the exchange documents that we have reviewed to date, that:

- (a) Interior has severely undervalued the subsurface rights of the tracts in ANWR it is exchanging with the native corporations by (i) failing to require competitive bidding, (ii) grossly undervaluing the present value of royalties that the federal government will lose as a result of the exchange, and (iii) permitting rescission of four of the exchange agreements for up to 15 years;
- (b) Interior has overvalued the inholdings it will receive from native corporations by (i) failing to recognize that 45 percent of the inholdings are as well protected from development now by section 22(g) of ANCSA as they would be if the exchange is completed, and (ii) inflating the appraised fair market value of the inholdings by a factor of three by employing an inappropriate valuation method;

- (c) Interior failed to comply with competitive bidding policies that have been followed for almost 70 years in oil and gas leasing, failed in its valuation of the exchanged properties, failed to consider alternatives that would protect the public interest and failed to consider the effects on competition;
- (d) As a result, the exchanges are not in the public interest, are not for the purposes of ANILCA and are not being made for equal value. The exchanges are therefore invalid under section 1302(h) of ANILCA, the section relied upon by Interior.

I. Factual Background

A. The Arctic National Wildlife Refuge

The tracts of land at issue lie within the coastal plain of the Arctic National Wildlife Refuge ("ANWR"). The present size and status of ANWR was established by Congress in 1980 in the Alaska National Interests Lands Conservation Act ("ANILCA"), 94 Stat. 2371. The coastal plain of ANWR is the only section of the North Slope of Alaska that is still closed to oil and gas development and has long been regarded as a potential source of significant oil and gas reserves. Oil industry spokespeople have stated that the coastal plain of ANWR "provides the world's best chances of finding super giant oil fields" and have speculated that it may produce as much oil as Prudhoe Bay. See Oil Daily August 25, 1986 and November 19, 1986.

The coastal plain also has been regarded as an area of significant environmental value. Congress' attempt to strike a balance between its desire to preserve this rich environment and the need to explore potential oil and gas reserves is reflected in section 1002 of ANILCA in which