

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672  
4880 HRES ANWR LAND TRADES: DOI, ANCSA, STATE 152

March 24, 1987

of Federal ownership in order to compensate Native corporations for the corresponding reduction of the value of their Coastal Plain's ownership. He was unwilling to countenance this expansion of private ownership interest, particularly since he feels that the State has no vested rights under the Mineral Leasing Act. Further, with respect to any situation in which the State is not actually a participant in the land exchanges, he said that the Interior Department lacks the legal authority to grant an overriding royalty, because the State would not be in a position to provide sufficient consideration to the Federal government.

In summary, I believe that it is unequivocally clear that the State requested an overriding royalty on several occasions. For the policy and or legal reasons outlined in the Assistant Secretary's letter to you, he steadfastly refused these requests.

I hope that my letter clarifies the record. If you would like a further elaboration on this or other subjects pertaining to ANWR, please let me know.

Sincerely,

*John*

John W. Katz,  
Director of State/Federal  
Relations and Special Counsel  
to the Governor

cc: Bill Horn

Statement by Robert Gilmore, Regional Director  
U.S. Fish and Wildlife Service, before the  
House Resources Committee of the Alaska Legislature  
February 13, 1987

OPENING REMARKS

Mr. Chairman, my name is Robert Gilmore and I am the Regional Director for the U.S. Fish and Wildlife Service. I am pleased to appear before you today on behalf of the Department of the Interior to discuss efforts now underway concerning potential exchanges involving oil and gas interests on Arctic National Wildlife Refuge.

The Alaska Native Claims Settlement Act of 1971 and the Alaska National Interest Lands Conservation Act of 1980 allowed for Native selections of millions of acres of prime habitat within refuges in Alaska. Depending on the amount of lands ultimately conveyed, it is estimated that 13-15 million acres of inholdings will be established in Alaska's 16 refuges.

Should Congress decide to open the coastal plain of the Arctic Refuge to oil and gas development, several Native corporations and the State of Alaska have proposed to exchange some of their inholdings within existing Alaska refuges for oil and gas resources of comparable value on specifically described tracts on the 1002 area of the Arctic Refuge.

As a matter of policy, any Alaskan land exchanges in Arctic Refuge will only come about if Congress opens the area to oil and gas exploration and development. In addition, should any exchange agreements be successfully negotiated, they will be subject to Congressional review and approval.

During the past 18 months, Department of the Interior representatives have been meeting with Native corporations and State representatives to discuss the terms and conditions that might be associated with any potential exchanges. The Fish and Wildlife Service has identified, to the participants and others, approximately 5 million acres of refuge inholdings that represent high priority resource areas. The participants have cooperated with FWS to develop exchange proposals that are responsive to these priorities. While the final configuration of these proposals is still being negotiated, indications are that one to two million acres may be available for exchange in 12 of the 16 Alaska refuges. To date, there has been no identification of tracts on the Arctic Refuge for inclusion in such an exchange.

### ACCEPTANCE OF EXCHANGE PROPOSALS

- Responsibility of Regional Director
- Dictated by priority system
- Directed at Refuge inholdings (no other agency involvement)
- No subsurface
- No 14(h)(1) sites (generally)

### PARTICIPATION

<u>Participants</u>	<u>Approximate Size of Proposal</u>	<u>Refuges Involved</u>
Koniag	107,000 acres	Kodiak
Akhiok-Kaguyak	117,000 acres	Kodiak
Old Harbor	50,000 acres	Kodiak
Doyon	600,000 acres	Arctic, Innoko Nowitna, Kanuti
Native Lands Group	390,000 acres	Yukon Delta, Kenai
State of Alaska	792,000 acres	Togiak, Koyukuk, Innoko, Yukon Delta, Maritime, Tetlin Alaska Peninsula
Approximate Total	2,056,000 acres	

### BENEFITS

- Assures that high priority resource areas are held in public trust in perpetuity
- Eliminates prospect that Native lands might be converted to other uses
- Protects continued subsistence uses by local rural residences
- Allows for early exploratory activity on the coastal plain
- Generates direct and indirect revenues to the State and Native corporations
- Makes opening of the coastal plain more palatable to some

EXCHANGE AGREEMENT

- consistent with 1002(h) report
- based on comparable value
- involves only oil and gas interest for specified period
- gravel owned by U.S.
- Title XI access rights will be waived
- consistent with ultimate leasing program
- subsistence easement on inholdings
- rescission/termination clauses - participants are not guaranteed total value will be received
- DOI approves plans of operations
- DOI get "down-hole" information

US SENATORS - HODEL  
AUGUST 86

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# United States Senate

COMMITTEE ON  
ENERGY AND NATURAL RESOURCES

WASHINGTON, DC 20510

FRANK M. CUSHING, STAFF DIRECTOR  
GARY G. ELLSWORTH, CHIEF COUNSEL  
D. MICHAEL HARVEY, CHIEF COUNSEL FOR THE MINORITY

August 15, 1986

The Honorable Donald P. Hodel  
The Secretary of the Department  
of Interior  
Washington, D.C. 20240

Dear Mr. Secretary:

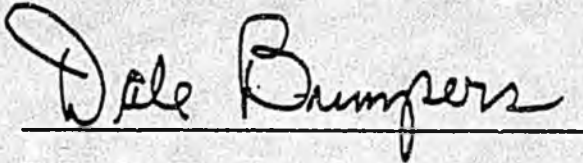
We are deeply concerned about an effort underway at the Department of the Interior to exchange native inholdings in wildlife refuges in Alaska for subsurface rights in the coastal plain of the Arctic National Wildlife Refuge, presumably so this area can be developed for oil and gas. Pursuant to Section 1002 of the Alaska National Interest Lands Conservation Act, Congress deferred the decision to develop or preserve this sensitive area until an assessment could be made of the oil and gas potential and the effects development of these resources would have on fish and wildlife, native culture and subsistence, and wilderness values. Ongoing negotiations with Native regional corporations on a land exchange may jeopardize the objectivity of the report to Congress. Moreover, the proposed exchange will complicate and possibly prejudice a decision by this body regarding the fate of these lands.

Furthermore, we are dismayed to learn that the U.S. Fish and Wildlife Service has sent 8 real estate appraisers to Alaska at a cost of nearly \$300,000, yet has failed to formally notify the appropriate committees of Congress of the intended land exchange. This is contrary to the intent of the Conference Committee Report for the Fiscal Year 1986 Interior Appropriations Bill (P.L. 98-473), which requires that the "appropriate committees of jurisdiction be consulted before exchanges in [national wildlife refuges and national park units in Alaska] are proposed."

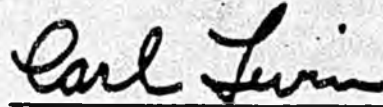
We therefore urge you to suspend efforts to negotiate an exchange of native inholdings in wildlife refuges in Alaska for native-owned subsurface rights in the coastal plain of the Arctic National Wildlife Refuge until Congress has decided future management of this area.

Letter to Honorable Donald P. Hodel  
Page Two

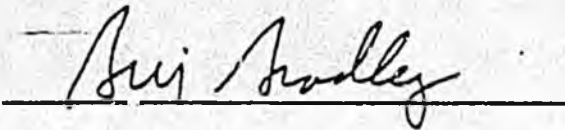
Respectfully,



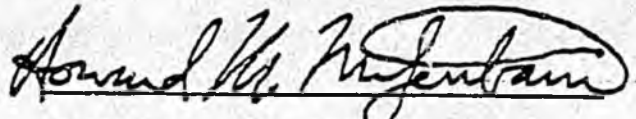
Dale L. Bumpers



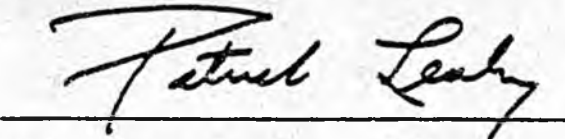
Carl Levin



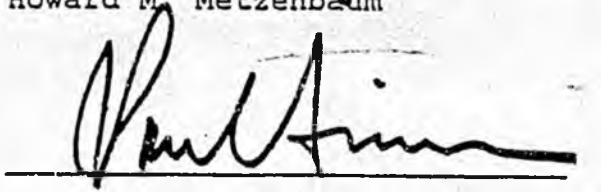
Bill Bradley



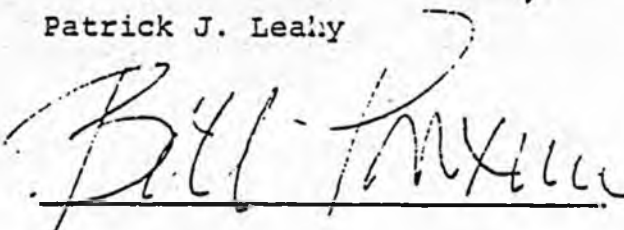
Howard M. Metzenbaum



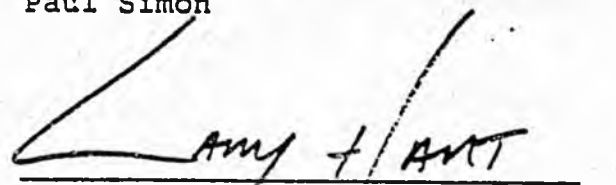
Patrick J. Leahy



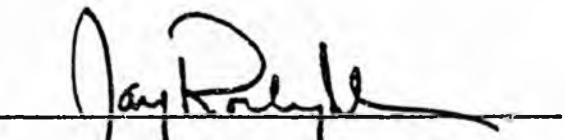
Paul Simon



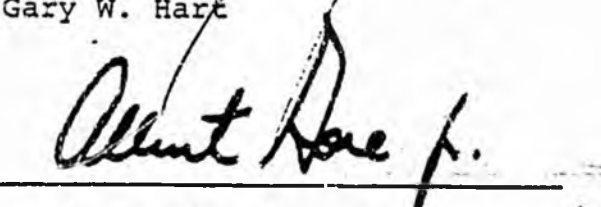
William Proxmire



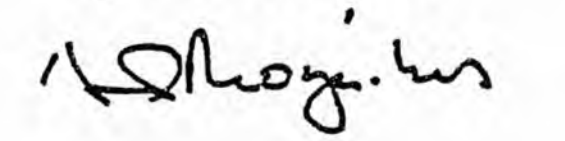
Gary W. Hart



John D. Rockefeller, IV



Albert Gore, Jr.



Daniel Patrick Moynihan

Honorable Dale L. Bumpers  
United States Senate  
Washington, D.C. 20510

NOV 6 1986

Dear Senator Bumpers:

Thank you for your letter of August 15, 1986, urging the Department of the Interior to suspend its efforts to negotiate an exchange of native-owned inholdings in national wildlife refuges in Alaska for subsurface rights in the coastal plain of the Arctic National Wildlife Refuge. I regret the delay in providing a response to your concerns.

Since I have had no personal involvement in this matter, I have referred your letter to the responsible official, Assistant Secretary for Fish and Wildlife and Parks William P. Horn. Mr. Horn's explanation of the Department's position regarding this exchange is enclosed for your information.

I share and appreciate your desire to ensure that the future use of the coastal plain's resources be premised upon a sound and objective basis. I am confident that the current departmental efforts at exploring an exchange that will be subject to Congressional approval will not jeopardize our mutual goal.

Sincerely,

DONALD PAUL HUEDEL

Enclosure

cc: Regional Director, Region 7  
Refuge Manager, Artic NWR  
Secretary's Reading File (2) 6013 MI  
Directorate Reading File 3252 MI  
DU Chron 3252 MI  
RF/CCF 2343 MI  
LS 3040 MI  
CCU 3012 MI  
CL 6242 MI  
FW 3147 MI  
ES (8) 6221 MI  
SOL 7129 MI  
LM 6628 MI  
IA 4640 MI  
PBA 5119 MI

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Identical Letters Sent To:

Bill Bradley, Patrick J. Leany, William Proxmire, John D. Rockefeller, IV  
Daniel Patrick Moynihan, Carl Levin, Howard M. Metzenbaum, Paul Simon,  
Gary W. Hart and Albert Gore, Jr.



# United States Department of the Interior

OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20240

October 15, 1986

Memorandum

To: Secretary

From: Assistant Secretary for Fish and Wildlife and Pa

Subject: Arctic National Wildlife Refuge Land Exchange

This memorandum is in response to your referral of the August 15, 1986, letter from Senator Dale L. Bumpers and 10 other Senators concerning the Arctic National Wildlife Refuge (ANWR). You have asked me to review their concerns about the potential exchange of subsurface interests in the coastal plain of the ANWR for native-owned inholdings on other refuges.

I can assure you that the Department's consideration of a possible ANWR exchange concurrent with preparation of the report to Congress required by section 1002(h) of the Alaska National Interest Lands Conservation Act (ANILCA) will not compromise the objectivity of the 1002(h) report or prejudice Congressional action on any of the report's findings and recommendations.

In passing section 1002(h) of ANILCA, Congress carefully prescribed the preparation of a balanced and thorough report which evaluates the surface and subsurface resources of the coastal plain and the impacts of any further exploration for, and development and production of, oil and gas in that area. An interdisciplinary team of over 50 experts within the Department has been working diligently over the past 5 years to produce a highly informative and credible report. It has always been our goal to submit a report containing all the information that Congress has requested to determine how the coastal plain should best be managed in the future. I have no doubt that our report will accomplish this goal.

The exchange to which the Senators' letter refers could present the means of acquiring vast amounts of important fish and wildlife habitat from a small group of landowners. Native corporation inholdings within wildlife refuges and parks total millions of acres including lands with unsurpassed fish and wildlife values. We are statutorily restricted to acquiring these holdings on a willing seller basis only. Therefore, when we were approached by a number of these corporations willing to offer their inholdings in an exchange involving ANWR, I decided it was worth pursuing negotiations. We have, however, consistently notified the native corporations that no exchange proposal (if agreed upon) could go to Congress until after the Secretary made an independent decision on the section 1002(h) report and that any proposed exchange will require Congressional approval notwithstanding our administrative authority to consummate such exchange pursuant to section 1302(n) of ANILCA. Thus, because we recognize the

significance that such an exchange would have, we agree that Congress should have the deciding voice in determining whether the exchange will go forward. In this manner, adequate Congressional review and oversight is assured.

I hope this memorandum provides sufficient information with which to answer the Senators' letter. I will of course be glad to answer any additional questions that they may have.



# GANNA-A' YOO LTD.

BOX 38 • GALENA, ALASKA 99741 • PHONE (907) 656-1606

December 22, 1987

The Honorable Sam Cotten  
Alaska State Representative  
P.O. Box 296  
Eagle River, AK 99577

Re: ANWR Native Land Exchanges

Dear Representative Cotten:

The purpose of this letter is to respond to a letter you have recently written to Senator Jan Faiks relating to the Native land exchange in the Arctic National Wildlife Refuge (ANWR). Your letter to Senator Faiks contains the following statement: ". . . the proposed land trades could do enormous violence to the general interest of the people of the State of Alaska". We believe that statement is incorrect. The purpose of this letter is to state the reasons we believe that statement is incorrect, and to urge the opening of a dialogue with the Native trade participants.

In seeking to respond to your statements, it is necessary first to focus upon the basis for your concerns. We do not understand your concern to be one relating to federal game management policy. Of course, you are aware that significant percentages of important water fowl species and other game, including Kodiak Island brown bears, live on huge private property inholdings in the National Wildlife Refuges in Alaska. You are also aware that significant public recreation presently takes place in trespass on private property inholdings in game refuges, such as the Russian River fishing area. Both of these circumstances would be corrected by the land exchanges. However, we do not understand that you are concerned with these problems.

Nor do we understand you to be concerned with the human benefit of the exchanges. As you are certainly aware, the standard of living in many Bush villages in Alaska is very low. Nowhere else in America do people live in such isolation and poverty, and under such harsh conditions. As you know, there is no real hope of escape from such conditions. As a result, alcoholism and drug abuse have become widespread, and suicide is the highest cause of death among young males in many of these Bush villages. The exchanges present the first possibility of real change for the village participants. The corporations will be able to offer

December 22, 1987

employment and educational opportunities as well as regular dividend distributions. The villages finally will have the opportunity to improve the harsh environment in which their shareholders live. However, we do not understand you to be concerned with the human benefits of the exchanges either.

Nor do we understand your concern to be one of State economic development. You probably know that the exchanges represent the first time any Alaskan corporation will have a stake in Norman Slope oil development, and that 100% of the economic benefits that flow to the Alaska Native corporations will stay in the State, because these benefits will be paid to Alaskan shareholders and spent in what are now economically fallow areas of the State. This will directly encourage substantial in-state economic development. You probably also know that the State government would otherwise only get a 50 percent share of funds from ANWR, and that 50 percent of that, in turn, would be invested by the Permanent Fund outside the State, returning only the earnings to Alaskan citizens. In other words, 100 percent of the income generated by the trades stay in Alaska, while only 25 percent of same ANWR revenues (plus the earnings on another 25 percent) would stay in the State without the trades. But we do not understand you to be concerned with economic development in Alaska.

What we do understand your concern to be is purely one of State government revenues -- the mistaken perception that a significant amount of State revenue will be lost as a result of the land exchanges. However, such concerns are misplaced.

First, it is important to analyze the source of the State's revenues from oil and gas operations. About 60 percent of the State's oil and gas revenues are generated by taxes which would apply to ANWR trade lands just as they do elsewhere. Such taxes include severance taxes, oil and gas property taxes, corporate income taxes, etc. That 60 percent of State oil and gas revenues is completely unaffected by the land trades.

Second, the remaining 40 percent of State oil and gas revenues is derived from bonuses and royalties. But only a tiny portion, if any, of State revenues from those sources is affected by the exchanges. In analyzing the impact of the trades on the State's royalty revenues, it is important to understand four things: First, Congress will probably not open ANWR without diminishing the State's share to 50 percent, from its present 90 percent, of the 12.5% federal royalty. That means the State's share of federal ANWR royalties is cut by nearly half. Second, only about 14 percent, or one-seventh, of the ANWR Coastal Plain lands identified as "on-structure" by the BLM have been affected by the exchanges. The State's right to share in royalties and bonuses from the other six-sevenths of "on-structure" lands is unaffected. Third, the royalty income the Native corporations get from ANWR will be subject to taxation by the State. Fourth, this

Native royalty interest is in some cases significantly higher than the 12.5 percent federal royalty rate.

In summary, the total fiscal impact of the exchanges on State revenues represents the difference between 50 percent of a 12.5 percent federal royalty, and the amount the State receives from taxing the Native trade participant on 100% of their (possibly higher) retained royalty shares. The State may actually get more by directly taxing a higher Native royalty than it would get from sharing 50 percent of 12.5 percent. This minimal effect occurs only with respect to one-seventh of the "on-structure" ANWR lands. The State's revenues from the remaining six-sevenths of the lands is unaffected.

The easiest way to illustrate the relative difference is to consider that, of the 40 percent of its revenues the State would derive from royalties and bonuses if it owned all the Coastal Plain lands, the State's 50-50 share means it would get only 20 percent. Added to the sixty percent derived from taxes, the State gets 80%, instead of 100% of the revenues. The Native land exchanges affect only one-seventh of the on-structure lands: assuming the Native lands also have one-seventh of the oil, then the trades impact one-seventh of 20% of State revenues, or a decrease of about 3 percent, to 77% from 80%. In turn this 3 percent impact on the State's interests is subject to taxation, which may eradicate the difference.

That is a tiny difference, at best. When analyzed completely, the impact of the land exchanges on State revenues goes from one of "enormous violence" to one of insignificant or nonexistent impact.

Even assuming there is a minor economic impact remaining after taxation, it could be totally vitiated if the State returned to the land exchange table itself. If it did so, it would collect 100 percent, and not 50 percent, of the royalties and bonuses on the lands it thereby obtained, while still preserving its revenues from taxation of the Native royalty interests and bonuses.

We believe a significant amount of misinformation has been circulated concerning the lands which remain after the land exchanges, to the effect that all or substantially all the "good" lands are now gone. Nothing could be further from the truth. First, an entire, massive, and highly prospective structure totalling about 140,000 acres located on the upper Jago River was not touched by the trade at all. Second, only 15 percent of the massive Niguanak structure lying in the east of the coastal plain was affected by the land exchange. This is because the tract values were simply too high for the Native land trade participants and thus they were forced instead to take acreage positions on small plays spotted around the Coastal Plain. It should be noted

Representative Cotten  
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December 22, 1987

that, were the State to return to the bargaining table, many valuable and highly prospective tracts thus remain available for the State to obtain. It should also be recalled that the State has about double the trade values of all of the Native trade participants put together and could easily afford these high quality tracts.

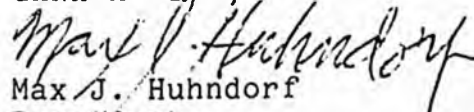
A significant amount of misinformation about the impact of the land exchanges has been spread by a State bureaucracy that, 6 months ago, claimed it did not possess enough reliable geological and geophysical information to engage in land exchanges, and which now considers itself able to speak with conviction concerning the presence of oil in structures it previously claimed to be ignorant of. The reliability of the present statements can be gauged by noting that the present statements completely contradict those made 6 months ago, and by the fact that no new seismic work or geological work has been done in the meantime.

Representative Cotten, we are concerned that the 23,000 shareholders of the trade participants not be caught in a partisan political crossfire in the State Legislature, or trapped by a general dislike of Native corporations which is based in ideology and not in fact. The land exchanges have much to recommend them, in terms of significant game management benefits, human benefits, and benefits of economic development which accrue to the State's economy as a whole. In turn the costs to the State government are insignificant or nonexistent and can be avoided altogether if the State returns to the trade table.

We are concerned that a clear and fair picture of the trades has been obscured by the bias of some of the old elements in Alaska who oppose any benefits for Alaska's Bush communities, and who believe that the only appropriate place for revenues is in the State coffers, instead of in the hands of the private economy. We are also concerned that the misinformation sown by these elements may have misled some in our Legislature. We would like a chance to meet with you to share further information on the exchanges that may not have been previously available to your staff.

Sincerely,

GANNA-A' YOO, LIMITED

  
Max J. Huhndorf  
President

MH:st

cc: Governor Cowper  
Senator Jan Faiks  
All Legislators  
All Senators

REPRESENTATIVE  
SAM COTTEN  
DISTRICT 15



P.O. BOX 296, EAGLE RIVER, AK 99577  
P.O. BOX V, JUNEAU, AK 99811

ALASKA STATE LEGISLATURE  
HOUSE OF REPRESENTATIVES

January 14, 1988

Max Huhndorf, President  
Gana-a' Yoo Ltd.  
Box 38  
Galena, AK 99741

Dear Mr. Huhndorf:

Thank you for writing me about the proposed land exchanges in the Arctic National Wildlife Refuge. I must take issue with your statements alluding to prejudice against Alaska native corporations. It is simply untrue that my opposition to the trades is based on "a general dislike of Native corporations, which is based in ideology and not in fact." In fact I'm not even sure what this statement means. I hope you are not suggesting a racial motivation; if so, nothing could be further from the truth.

I welcome your invitation to open a dialogue with native land trade participants. This fall at the Anchorage Public Policy Forum meeting mentioned in my memorandum to Senator Faiks, forum organizers were unable to locate trade supporters interested in such dialogue. At last year's House Resources Committee meetings on the land trades, a representative of one involved ANCSA corporation insisted on secrecy in the trade process. Obviously, it has not been easy to conduct a dialogue on this issue.

I would like to address a number of your points. Repeatedly you have attempted to ascribe to me views or positions that I simply do not hold. For instance, by questioning the land trades as structured, I do not oppose recreation and public use of affected trade parcels but I believe that the public interest could well be served by acquisition of these parcels in some other way.

Max J. Huhndorf  
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January 14, 1988

I also recognize that the habitat value of the trade acreage is high and worth protecting in many cases. I believe that the federal government should dedicate some portion of the revenue stream from ANWR leasing to acquiring refuge inholdings at their market value.

I do not question your statements regarding the social needs of Alaska villagers; in fact I have long been a strong supporter of adequate social funding to address alcohol and drug abuse, health problems, and community development throughout the state. But I must take issue with land trade supporters who believe that the trades constitute the means to address these problems. The trades are speculative at best. If the acquired acreage does not produce oil and gas, the trades could result in the elimination of Native landholdings (and revenue base) resulting in even greater demand for state-supported public services.

I noted, with interest, a story in today's Anchorage Daily News, entitled "Nulato's Bid to Just Say No". It appears that your corporation, over the strong objection of local villagers, is leasing land for a liquor store near Nulato. Your chief executive is quoted as saying, "We didn't get into the right or wrong of the alcohol issue. Be it right or wrong, our intent was to lease it." Is this action consistent with your letter to me discussing the problem of alcoholism in the villages and the role of the village corporations in addressing it?

It is not clear to me that the trades will increase economic benefits and economic development in Alaska. They could concentrate a large amount of wealth among a few Native corporations rather than in the general public's control (e.g., the Permanent Fund, which directly benefits every Alaskan). And it is misleading to imply that ANCSA corporations focus their spending entirely in-state. The acquisition of media-holding companies on the east coast by one ANCSA corporation, and the development of properties held out-of-state, may benefit some ANCSA shareholders but provide at best a tertiary benefit for the Alaska economy. Additionally, the diversion of Congress' attention from the central issue of opening the coastal plain may have already slowed down the economic development that will result from a decision to open the coastal plain.

Some other points deserve to be made. The trades were consummated behind closed doors, based on speculative appraisals rather than on a market test such as competitive bidding. This could deprive the federal treasury (not just the State of Alaska) of large amounts of revenue, amounting to a windfall for the ANCSA corporations and their oil industry partners.

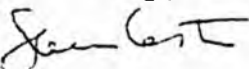
Max J. Huhndorf  
Page Three  
January 14, 1988

I also do not accept your calculations regarding the effects of the trades on state tax revenues. State geologists indicate that the oil and gas potential of the affected ANWR acreage is much higher than would be indicated by the simple percentages you chose to present in your letter. Also, in defense of the state geologists whom your letter attacks, I must say that I have not heard them "speak with conviction concerning the presence of oil in structures (they) previously claimed to be ignorant of." On the other hand, I have heard them advocate a market test of the Interior Department's appraisals and question their geological basis.

I do support the opening of ANWR to responsible exploration, and hopefully the production of oil. I think all Alaskans would benefit from this activity and hope we can all work together in support. I feel that opposition from the ANCSA corporations unless they receive a benefit at the expense of the general Alaskan public would be counter to the best interests of Alaska.

In closing, please allow me to restate that I do not belong to any group showing "bias" or "oppos(ing) any benefits for Alaska's Bush communities." I am disappointed that this has been implied. I do respect the economic interests that represent and look forward to a continuing dialogue with you.

Sincerely,

  
Sam Cotten  
Representative

cc: Govenor Cowper  
All Legislators

# Native Lands Group

January 11, 1988

House of Representatives  
State of Alaska  
Pouch 7  
Juneau, AK 99811

Re: Alaska Wildlife Refuge Exchanges - The Native Perspective

Dear Representative:

As you are aware, the proposed Arctic National Wildlife Refuge (ANWR) land exchanges have become controversial. This has spawned a considerable amount of misinformation, misunderstanding and rhetoric. Because this issue will undoubtedly come before the Alaska Legislature in 1988, we believe it is important that you are aware of the Native perspective on the land exchanges.

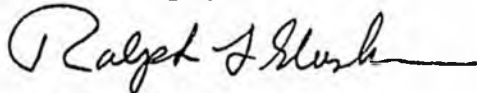
Enclosed is a copy of our just completed booklet entitled "Alaska Wildlife Refuge Exchanges - The Native Perspective." This booklet succinctly outlines the major aspects of the proposed exchanges, describes the background against which the Native corporations entered exchange negotiations, and enumerates the varied and very important wildlife habitats encompassed by the Native refuge inholdings.

We sincerely hope that you will take a few moments to read the booklet, and we encourage you to contact the corporations involved for further information (see back cover).

Welcome to Juneau, and our best wishes for a productive session.

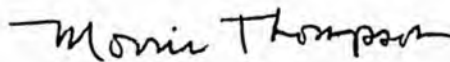
Sincerely,

Akhiok-Kaguyak, Inc.



Ralph Eluska  
Chief Executive Officer

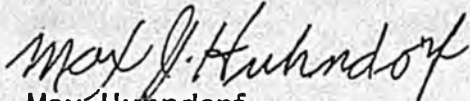
Doyon, Limited




Morris Thompson  
President

P.O. Box 93330  
Anchorage, Alaska 99509-3330  
(907) 272-3522

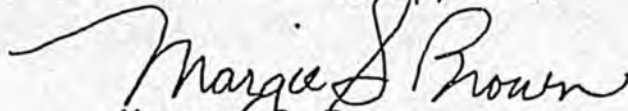
Gana-A'Yoo, Limited

  
Max Huhndorf  
President

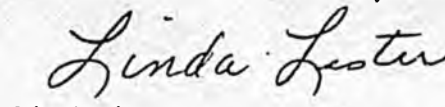
Koniag, Inc.

  
Frank Pagano  
President

Relative Lands Group, L.P.\*

  
Margaret S. Brown  
Project Director

Old Harbor Native Corporation

  
Linda Lester  
Treasurer

pat51/062

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\* A limited partnership including 13 Native corporations - Aleut Corporation; Askinuk Corporation; Bethel Native Corporation; Chevak Company Corporation; Cook Inlet Region, Inc.; Kenai Native Association; NIMA Corporation; Nunakuiak Upik Corporation; Paimiut Corporation; Salamatof Native Association; Tununrmiut Rinit Corporation; and Tyonek Native Corporation.

NATIVE LANDS GROUP  
P.O. Box 93330  
Anchorage, Alaska 99509-3330

December 15, 1987

Representative Sam Cotten  
P.O. Box 296  
Eagle River, AK 99577

Re: ANWR Land Exchanges

Dear Representative Cotten:

As participants in the proposed ANWR land exchanges, we, as Alaska Native corporations, are very concerned about the position the State of Alaska is taking with respect to the exchanges. Through letters from the Governor and certain legislators you have received information opposing the exchanges. As with any issue, there are two sides to the story, and we wish to provide you with the enclosed information to provide some basis for understanding the Natives' perspective on the exchanges.

We believe the exchanges as a whole are in the best interests of the citizens of the state, and believe that the State's direct participation in the exchanges will be of even greater benefit.

We hope you will take the time to review this material as the exchanges promise to be a major issue during the upcoming legislative session.

Sincerely,

Akhiok-Kaguyak, Inc.  
Doyon Limited  
Gana-A'Yoo Limited

Koniag, Inc.  
Native Lands Group, L.P.  
Old Harbor Native Corporation

:pat  
51/027

FOR IMMEDIATE RELEASE

December 14, 1987

By:

Akhiok-Kaguyak, Inc.  
Doyon Limited  
Gana-A'Yoo Limited  
Koniag, Inc.  
Native Lands Group, L.P.  
Old Harbor Native Corporation

SUMMARY

The State of Alaska made a monumental mistake last February that could cost it substantial revenues if not rectified soon, and now the Department of Natural Resources (DNR) is engaged in a major cover-up to divert public attention from that mistake.

Instead of waving misleading and self-serving analyses regarding the proposed land exchanges which are creating an atmosphere not conducive to the opening of ANWR itself, the State should be answering one key question. It is a question every citizen of Alaska should be asking his/her Governor and elected representatives ....

Why is the State of Alaska not participating in the land exchange process?

Consider:

- o The State of Alaska was an active participant with Native corporations in land exchange negotiations for many months before the spring of 1987. Then, in February, DNR Commissioner Judy Brady and her staff convinced the Governor that even with its unique access to proprietary data, DNR did not know enough about the subsurface resources and was thus unable to select desired oil and gas tracts in ANWR, and the State abruptly pulled out of the exchange negotiations.
- o In October after Native groups had made their tract identifications in ANWR, and with no new data available, Division of Oil and Gas Director Jim Eason made a startling about-face. He suddenly produced a geological structure map and report and announced that the tracts identified by the Native corporations were on the most prospective structures.

Question:

Why did the Division of Oil and Gas, with its unique access to both proprietary well and seismic data, fail to provide that information to the Governor in February before the decision was made to withdraw from the exchanges?

# **CORRECTION**

**THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY**

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By:

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Question:

Why did the Division of Oil and Gas, with its unique access to both proprietary well and seismic data, fail to provide that information to the Governor in February before the decision was made to withdraw from the exchanges?

The answer appears, in hindsight, to have been a failure in judgment by the Division of Oil and Gas in citing the "... inability of anyone to select desired tracts, not just the State ...."\* How is it then that the Native corporations were able to make selections that the state now considers so valuable?

Even today, however, the State still retains an unparalleled opportunity to protect the State's position in ANWR and to participate in decisions regarding that refuge -- all by immediately rejoining the land exchange process.

Consider:

- o The Fish and Wildlife Service (FWS) has repeatedly expressed interest in exchanging lands in ANWR for approximately 700,000 acres of state lands.
- o The state lands desired by the FWS have public values of approximately \$600/ac (total: \$420 million).
- o The State already has determined that the highest and best use of these lands is for wildlife habitat purposes, and the Alaska Department of Fish and Game will retain management control of these lands even if they enter the refuge system.
- o Although Native corporations have identified tracts, tremendous opportunities remain because the resource potential is so great. The corporations did not have enough exchange value to even approach selecting all the most promising prospects. Specifically, over 20 tracts valued in excess of \$700 million are now available to the State right atop the most promising structure in ANWR.
- o In other words, for less than seven tenths of one percent of the State's 105 million acre land entitlement, the State can essentially turn 700,000 acres with very low "commercially economic" values into \$420 million worth of land selections in the heart of the most promising oil and gas structure in North America.

Question:

Does DNR's present course of action really benefit the State's citizens in the long-term?

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\* See: Alaska Division of Oil and Gas response to "Critique of a Critique," November 20, 1987.

Consider:

- o Virtually all knowledgeable observers have agreed for some time that the State will not retain its 90% share of federal revenues from oil and gas development within ANWR. A much more likely figure will be 50% of revenues as Governor Cowper indicated would be acceptable in his most recent testimony before Congress.
- o For Alaska, the potential to participate directly in ANWR oil and gas rights is a "once-in-a-century" opportunity. In fact, it may well be the last such opportunity of any consequence.
- o By joining the exchange process now the State assumes a "win-win" position. If it successfully retains its 90% share of federal revenues, it can simply drop the exchange. If Congress reduces the State's share to 50%, the State can execute its option for exchange and completely protect the other 50% of revenues on the high-value tracts it will have selected.
- o Irrespective of whether the Native exchanges are approved, if the State does not participate in an exchange, and Congress reduces its revenue share to 50% as expected, the State effectively will have walked away from substantial revenues by refusing to exchange a mere fraction of its land entitlement for oil and gas rights in ANWR.

Question:

Why is the State not at the land exchange table?

DISCUSSION

We are appalled by the shoddy and frankly embarrassing tactics employed by DNR in its attacks on the ANWR land exchanges. The State appears bent upon fulfilling its own prophesy that the proposed exchanges will detract from the major question of Congressional approval to open ANWR. On December 9th, for example, DNR released an analysis of the evaluation procedure for Native refuge inholdings. The analysis was both inaccurate and misleading.\* Perhaps more disturbing, it was deliberately designed to preempt the legislative process, and to stifle further public discussion of the proposed land exchanges. This tactic should be deplored by all Alaska citizens. As ANWR land exchange participants, representing over 25,600 Alaska Native shareholders, we call upon the Governor of Alaska to bring a rational approach to public discussion of the proposed exchanges, regain control over his cabinet, and to rejoin the land exchange process.

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\* See attached: Native Participants' Response To The State of Alaska's Analysis of Evaluation of Corporation Lands To Be Acquired In The Proposed ANWR Land Exchanges

The State of Alaska was an active participant in the land exchange process before leaving it in February of this year. If the ANWR land exchanges are as good a deal as the Division of Oil and Gas now claims, then the State left on the table substantial monies - far in excess of the purported loss in revenues that DNR claims would be effected by these ANWR land exchanges. DNR made a bad decision for Alaska citizens when it urged the Governor to pull out of the land exchanges, and it has been trying to divert public attention from that mistake ever since.

The State claims it left the negotiating table in February because of the inability for anyone to select desired tracts in ANWR. However, in October the Division of Oil and Gas claimed that the resources in ANWR were so valuable that they should not be considered for exchange with private parties because of the extraordinary loss of public revenues. How can DNR, when no additional data has been made available, go from knowing so little to knowing so much about the subsurface values? DNR can't have it both ways.

The State of Alaska will reap considerable revenues from its severance and corporate income taxes on Native corporations' operations in ANWR. Moreover, the Native corporations are, first and foremost, Alaskan corporations. They will spend and distribute funds locally.

The exchanges will accelerate exploration and production from these important oil and gas lands. Resulting impacts on jobs, local taxes, and earnings will be substantial, and will come three to five years sooner than through the normal federal leasing process.

DNR, through its misguided assumption that the State will continue to retain a 90-10 revenue split, has intentionally skewed the "cost" of these exchanges.

Through its participation in the negotiating process, DNR knows full well there has been no sinister secret plot involved in the negotiation and valuation processes, and, in fact, DNR officials were meaningful participants for a major portion of these processes.

Prior decisions by Congress and DOI dating back to the 1960s assigned values to wildlife lands which equaled or exceeded the values for comparable Native inholdings involved in the ANWR exchanges. DNR knows full well that the public value standard is a perfectly legal and logical one, under which both DOI and Congress traditionally have operated in Alaska. For example, recent Congressionally approved Alaska land acquisitions equal or exceed the negotiated public values of these exchanges.

The State has substantially prejudiced its ability to obtain full value for lands that it might trade with the federal government in the future by abandoning a long standing concept of remote land valuation - that of "public value" as opposed to the more narrow commercial "fair market value" criteria. DNR Commissioner Brady's statement that State officials would like to see the trade based on the market value of the Native lands is an unprecedented and extremely short-sighted position for DNR to take. It is also contrary to the State's position while it was participating in the exchange negotiations.

Combined with DNR's position that lands must be surveyed and patented before an exchange so the exact acreage is known, Commissioner Brady will now have to withdraw the State from the "Denali Land Exchanges" it has been negotiating for years with the National Park Service because both the state and federal lands involved are neither patented nor surveyed, nor have fair market value appraisals been conducted.

### CONCLUSION

We are shocked and appalled by DNR's deliberate attempts to manipulate and mislead the Alaskan public. The two DNR papers regarding the valuation of ANWR tracts and the Native refuge inholdings to be exchanged for those tracts employ what can only be characterized as disingenuous, misleading and skewed analysis in an attempt to justify DNR's position and cover up the State's decision to withdraw from the exchanges. Unfortunately, beneath all the shrillness and extreme positions taken in the reports, they also do a disservice to the Alaska public.

The real question that should be asked at this time is why DNR is trying so hard to cover up its misguided decision in February of 1987 to leave the land exchange table. Had the State continued to participate, it would have had an opportunity to exchange lands of low "commercially economic" value (but high public value) for lands which, by its own admission, have substantial oil and gas potential. Such a decision would have allowed the State to enjoy 100% of revenues that may be available under those lands instead of the fraction the federal government decides to toss its way.

It appears now that the State is trying to stop a process which it had encouraged through full knowledge and participation. Now, it is trying to obscure its misguided decision to leave the negotiating table by creating a smokescreen of half-truths and outright misrepresentations designed to subvert the entire process.

We respectfully call on the Governor to publicly reassess the State's abandonment of the ANWR land exchange opportunity. We also respectfully ask the Governor to consider the inconsistencies, misstatements, and grave policy errors exhibited in DNR's positions. Not merely the credibility of his administration, but the fair consideration of this and future trades by the State of Alaska are at stake.

Native Participants' Response To The  
State of Alaska's Analysis of Evaluation of Corporation Lands to be  
Acquired in the Proposed ANWR Land Exchanges

SUMMARY

The six Native participants in the proposed ANWR land exchanges are both surprised and saddened by the recent release of the State of Alaska's "Analysis of Evaluation of Corporation lands to be Acquired in the Proposed ANWR Land Exchanges." Surprised because it is such a slipshod, hastily written document that clearly exhibits a lack of knowledge of the exchange negotiation process. At best it is an inept attempt to review the administrative record - at worst and attempt to misrepresent the valuation process.

We are saddened because the State has been reduced to making such irresponsible accusations in its single-minded objective to destroy the land exchanges despite overwhelming evidence that it is not only in the best interests of the State to support the exchanges, but also to rejoin the exchange process itself.

A review of the issues drawing state criticism shows where its analysis is misguided.

First, the State exhibits at best a cloudy understanding of the evaluation process using "public values" instead of classical "fair market values." It incorrectly assumes that fair market value is somehow a starting point and goes on to imply that something is improper with the evaluation process reaching higher public values despite numerous congressional precedents. It also "quotes" nonexistent language from the U.S. Constitution to support its position.

Second, the State arrogantly accuses DOI of not accurately accounting for ANCSA Section 22(g) effects when no one, least of all the State, can determine the precise effects since the issue is still in its infancy and has yet to be litigated.

Third, the State disregards the administrative record and incorrectly accuses DOI of inconsistency in applying discounts for retained access easements on Native inholdings.

Fourth, it chastises DOI for not obtaining the subsurface estate under Native inholdings while being ignorant of, or ignoring, the decades-old Fish and Wildlife Service policy of not obtaining subsurface resources under inholdings because it is simply not cost effective. Also, it suggests that the corporations may have carefully excluded subsurface estate from the exchange to avoid the revenue-sharing requirements of ANCSA Section 7(i) when the record shows that over 107,000 acres were offered by the corporations specifically to include a 7(i) component in the exchanges.

Fifth, the State ignores almost 30 years of Alaska land selection, transfer and management history and severely restricts future state management and land exchange options by waving a red flag questioning the certainty of land title. Additionally, the analysis reveals the State's dismal ignorance of the exchange's protections of federal interests from future navigability determinations, and of the Fish and Wildlife Service - Native Land Bank agreements.

In summary, the analysis exhibits such ineptness and is of such poor quality that it is an embarrassment to the citizens of Alaska.

### DISCUSSION

The State's analysis of the valuation process of Native corporation refuge inholdings to be acquired by the Department of Interior (DOI) through the proposed ANWR land exchanges is flawed in both its factual basis and its conclusions. The document clearly exhibits a lack of knowledge of the negotiation process, and is at best an inept attempt to review the administrative record, or at worst a deliberate attempt to misrepresent the valuation process.

Throughout the state analysis runs the inuendo that because arms-length negotiations of values occurred in private the public good has somehow been compromised. This is absolutely incorrect. From the onset of negotiations all parties knew that the details of the proposed exchanges, including the valuation of Native corporation lands, would be subjected to rigorous public scrutiny before Congress, in the media, and probably the courts. The actions of those involved were taken accordingly, and the Native participants welcome public scrutiny of the record.

The State's analysis focused on five major areas. These are summarized below with an accompanying response.

#### 1. Public Value vs. Fair Market Value

State: DOI did not follow uniform federal land appraisal practices. Instead, it substituted subjective factors through negotiation to inflate the final value of the corporations' surface estate refuge inholdings.

Calculating an averaged appraised fair market value for the inholdings, and comparing it with the average final negotiated public values, the State contends that "The average \$/acre value of the Corporation land increased through negotiation by an average of \$490.16/acre, or approximately 539 percent." The State implies that this is unconstitutional because it does not adequately protect the public which is to pay for the acquired inholdings.

Response: There is nothing at all inappropriate about the difference in the values. The ANWR land exchanges are specifically being negotiated under the Secretary of the Interior's authority to conclude land exchanges based upon "public values." While the exchanges

will be comparable value exchanges, that does not mean the comparable values must be "fair market values." Simply put, the ANWR exchanges are not "fair market value exchanges" in the classical sense of Fish and Wildlife Service (FWS) acquisitions in the Lower 48 states. DOI, logically, is operating under the specific authority of Section 1302(h) of the Alaska National Interest Lands Conservation Act (ANILCA) which authorizes land exchanges in Alaska for other than equal economic value, if it is determined they are in the public interest. DOI has made that determination for the ANWR exchanges. Therefore, while fair market value appraisals were conducted as a benchmark for comparison with final negotiated values, DOI determined that the "public values" associated with the Native inholdings are the basis upon which the exchanges should be concluded.

There are numerous precedents of congressionally approved purchases of lands based strictly on public values, not fair market values. An example may be found in Section 1417 of ANILCA which approved the purchase of the cliffs supporting the large seabird colonies on the Pribilof Islands strictly on the basis of public values. In addition, the negotiation record shows analyses of similar values paid by FWS to acquire hundreds-of-thousands of acres with comparable public values over many years from refuges throughout the United States. By definition, once FWS purchased or condemned these inholdings for their fair market value, that value immediately equated to the "public value" of the lands, else they would not have been purchased.

Therefore, the State's contention that the ultimate negotiated values somehow "increased through negotiation" from the appraised "fair market value" is spurious. There is no basis to use the fair market values as a starting point in negotiations. The Alaska Native corporations are well aware of the very significant public values found on their lands, and are unwilling to accept the unrealistically low fair market value as equitable in these exchanges. Unlike many refuge inholding acquisitions in the Lower 48 states, FWS does not have condemnation authority over lands transferred by the Alaska Native Claims Settlement Act (ANCSA). Thus, the only realistic way DOI could bring these inholdings into the refuge system is by negotiating on the basis of public values, which the Secretary has done.

As an aside, it is interesting to note that the State's quote of non-existent language from the "Constitution of the United States" shows it is working under a different constitution than most of the rest of us.

## 2. Effects of ANCSA Section 22(g)

State: The negotiated values for the corporation lands do not accurately account for the effects of Section 22(g) of ANCSA.

The effect of Section 22(g) constraints upon Native refuge inholdings is a matter of conjecture upon which reasonable people can disagree. There is little empirical evidence upon which to base any conclusion, and uncertainties abound because the issue has never been litigated. The appraisal letter by Dirksen Appraisal Company, referenced in the State's analysis, appropriately says that the impact of Section 22(g) could reduce values from a low 10% to a high of 90%. This supports the view that the impacts may range widely depending upon a specific situation and the observer involved. The State's attempt to use the Dirksen letter's observation that the FWS appraisal "overstated the market value of the Koniag lands by 40 - 45%" is not germane since he is referring to the appraised fair market values which, as noted above, were so low as to not be relevant to the exchange negotiations.

The inability of the State to determine the extent to which Section 22(g) resulted in a discount effect on Native inholdings must not be taken to mean that a clear policy did not exist. Section 22(g) discounts ranging from a low of 5% to a high of over 65% were assessed against inholdings depending upon the degree of development pressure. Therefore, lands in far western Alaska with relatively little threat of eminent development were discounted at the low end of the scale while prime river front recreational parcels on the Kenai Peninsula were discounted at the high end of the scale. This information is in the record. Why did the State choose to ignore it?

### 3. Access Easements

State: The negotiated values of corporation lands do not accurately account for the effects of the corporations retention of subsistence access easements.

The State contends that the retained access easements on Native inholdings was not consistently accounted for in the evaluation process.

Response: Again, the State's disregard of the administrative record is not a valid basis to conclude a lack of consistency in the valuation process.

All inholdings upon which an access easement was retained were discounted by 2%. The fact that this is mentioned in the Koniag proxy statement but not mentioned in the Old Harbor proxy statement merely reflects the decisions of the drafters of those two documents as to whether the point needed to be included in those statements. Doyon's lands included a retained access easement reduction of 2% on only 30% of its inholdings simply because it decided it only wished to retain an easement on those particular lands. Doyon's remaining lands do not contain a retained access easement and therefore the values of those lands was not reduced.

4. Subsurface Estate

State: Negotiated values of the corporation lands do not recognize the risk associated with the corporations' retention of the subsurface estate.

The State's analysis makes two points.

State: By not obtaining subsurface estate during the exchange FWS is risking future impacts to the surface.

Response: In not seeking to include subsurface estate in the ANWR exchanges FWS is merely practicing a decade-old policy of not spending public monies to obtain subsurface estate under refuge inholdings because history has shown that it is simply not cost effective. Over 90% of the impacts to refuges are from surface users, not subsurface users. In those instances where subsurface resources have been developed (e.g., Aransas NWR, Kenai NWR) reasonable and workable solutions to permit development with minimal surface environmental impacts have been worked out. For a given dollar, history has shown it makes eminently more sense to purchase additional surface estate than to purchase any subsurface estate under refuge inholdings.

Additionally, had subsurface estate been included in the exchanges, the State would have been undoubtedly even more strident in its criticisms by claiming that the value of such subsurface resources could not be properly ascertained as they have charged in ANWR.

It is interesting to note that in point #1 above the State condemns FWS for not adhering to normal evaluation standards (i.e., for using public values rather than fair market values), while here it makes an 180° turn and attacks FWS for adhering to its long-standing practice of not obtaining subsurface estate.

State: Subsurface resources might not have been included in the exchanges because that might have triggered the ANCSA Section 7(i) mechanism which requires regional corporations to share 70% of revenues from subsurface resources among all Native corporations.

Response: First, over 57% of the subsurface estate under Native inholdings proposed for exchange is already held by the federal government. Second, a total of at least 107,000 acres of subsurface estate under exchange inholdings was offered to DOI specifically to include a Section 7(i) component in the exchange. For the reasons cited above, the offer was rejected by DOI.

5. Uncertainty of Land Title

State: The negotiated values for the corporation land do not reflect the title uncertainty associated with the land.

The State contends that in its valuation of inholdings the federal government has not discounted those values for uncertainties related to title. The State believes the federal government may be getting questionable title due to the "selected" status of some of the lands, the fact that navigability determinations have not been concluded on all lands involved, and because of lack of survey.

Response: Because of the tremendously large acreages which have been selected and conveyed to the State and the Native corporations, rational mechanisms to allow for management of lands in Alaska have been devised since statehood to address the problems inherent in such huge land transfers. Large landowners have, are, and into the foreseeable future will, continue to buy, sell, and exchange lands to conduct the necessary business of society. For the State of Alaska, as the state's second largest landowner, to imply that actual title to lands must be received and that they must be surveyed before they can be exchanged or otherwise conveyed is not only shortsighted, but verges on irresponsibility. Under the State's criteria as set out in its analysis, it will now have to pull out of the "Denali Land Exchanges" with which it has been negotiating with the National Park Service for some time as both the state and federal lands involved are neither patented nor surveyed. Thus, the State will not know the acreage it will receive or convey.

With respect to the State's concern that lands under navigable waters belong to it rather than to the Native corporations, and that the federal government may therefore be paying for land it will not receive, a proper reading of the exchange agreements clearly would show that it is the Native corporations, not the federal government, which will lose entitlement if the State is successful in proving navigability. This was agreed to by the Native corporations specifically to prevent any accusation that the federal government would not receive full title to lands which might ultimately be determined navigable and therefore belong to the State.

Likewise, if the State proves navigability on Native-owned tracts in ANWR, it is the Native corporations that will have paid very high values for acreage actually belonging to the state. The Native corporations, not the federal or state governments, are therefore accepting all the navigability risks.

Lastly, the State is woefully ignorant of the terms of the Gana-A'-Yoo Alaska Land Bank agreement. Not only does FWS not have "exclusive management control" over the Gana-A'-Yoo land banked lands (FWS has no direct land management authority over them at all), but Gana-A'-Yoo can withdraw its lands at any time for development purposes.

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## ANWR LAND EXCHANGES

### SUMMARY

#### I. AN OVERVIEW OF THE PROPOSED EXCHANGE

For the past two years, representatives of the Department of the Interior (DOI) have been discussing the possibility of acquiring certain lands within national wildlife refuges in Alaska owned or selected by Alaska Native corporations. DOI currently is negotiating with six different Native entities: (1) Koniag, Inc., a regional corporation which is merged with certain village corporations within its region; (2) Doyon, Ltd., a regional corporation; (3) Gana-A'Yoo, Ltd., a consolidated corporation comprised of several former village corporations within the Doyon region; (4) Native Lands Group, L.P., a limited partnership consisting of a subsidiary of Cook Inlet Region, Inc., a regional corporation, the Aleut Corporation, a regional corporation, and several village corporations in the Cook Inlet and Calista regions; (5) Ahkiok-Kaguyak, Inc., a consolidated corporation comprised of two former village corporations in the Koniag region; and (6) Old Harbor Native Corporation, a village corporation in the Koniag region. These six entities represent a total of 18 Native corporations.

Acquisition of the Native inholdings would be accomplished by exchanging Native lands for limited oil and gas interests in the Coastal Plain of the Arctic National Wildlife Refuge (ANWR). The exchanges are designed to benefit the national wildlife refuge system by acquiring approximately 891,000 acres of Native-owned inholdings in seven Alaska refuges.

The land exchanges will be on an equal value basis and will not be implemented until Congress enacts legislation: (1) opening the Coastal Plain of ANWR to oil and gas exploration and development; and (2) approving the land exchanges. In exchange, the Native corporations will receive limited rights to extract oil and gas in ANWR for a finite period of time. At the end of that time, all title in ANWR will revert to the federal government. Title to Native lands conveyed in the exchange would stay with the federal government in perpetuity.

#### II. WHY THE NEED FOR AN EXCHANGE?

Pursuant to the provisions of the Alaska Native Claims Settlement Act (ANCSA), forty million acres of land were conveyed to Native village and regional corporations in Alaska. A portion of these lands constituted the heart of several Alaskan refuges, encompassing some of the most valuable lands providing critical habitat for brown bear, eagles, salmon, several species of geese, moose, deer, fox, sea otter, sea lions, seals and millions of pelagic and migratory birds. In addition, the lands provide some of the best sport fishing and hunting opportunities in Alaska. However, because of their status as private lands, the level of control which can be exercised by the Fish and Wildlife Service over them is limited. Like most ANCSA lands, title cannot be acquired through condemnation by the United

States for refuge purposes. Because of the lands' high recreational values, some of the corporations owning them are subject to pressures to subdivide them for distribution to their shareholders or sale to third parties.

ANCSA was a major blow to refuge management, and the DOI has considered a number of alternatives for transferring Native inholdings back to the government, either through exchanges or outright purchase. However, federal budgetary constraints have prevented direct purchase of inholdings. DOI wishes to acquire as many inholdings as possible, thus assuring compatible management within the refuge system.

### III. BASES FOR THE EXCHANGES

The bases for the exchanges will be value for value rather than acre for acre. Each corporation will receive rights to explore for and develop any oil and gas on tracts in ANWR whose total value equals the value of the refuge inholdings it exchanges. Each Native corporation's land was valued through a series of individual negotiations conducted with DOI over several months. Through an ANWR tract identification process, which was completed during the week of July 6, 1987, the corporations individually identified tracts of land in ANWR that each would receive if the land exchanges are completed.

### IV. ANWR TRACT IDENTIFICATION

The DOI divided the Coastal Plain of ANWR into 576 tracts, each containing approximately 2,560 acres. Based upon its potential for oil and gas development, the Bureau of Land Management (BLM) then computed the exchange value of each ANWR tract in the same manner it would calculate a minimum acceptable bid for a contemporaneous competitive federal lease sale, with one important exception. In a typical competitive federal lease sale, royalties which are paid to the U.S. Government by the lessee, if oil is found, are assumed to be costs to the lessee; and the value per acre of a tract is reduced accordingly. However, under the proposed land exchanges, the government would not receive any royalties from the tracts which are exchanged. Therefore, in valuing the ANWR tracts, the government increased the tract values by the present value of the royalty component. Thus, the value of each ANWR tract included the value of the royalties which the government will not receive from such tracts if the exchanges are approved. In other words, the exchange value of the ANWR tracts established by the DOI was higher than a lease sale minimum bid to account for the loss of royalties. Also, it should be noted that royalty payments would be received from a lease sale only if there is oil production, while in the case of the exchanges the government will receive the royalty value in the form of Native inholdings whether or not there is any oil production from that tract.

During the tract identification process, the six participants identified the acreage of ANWR land each will receive if the exchanges take place. The participants as a group chose 65 whole tracts and 8 partial tracts covering

166,278 acres, with an aggregate exchange value of \$538,700,000. Individually, each participant chose whole and/or partial tracts up to the value of the inholdings it is willing to exchange.

Table 1 reflects the amount of land each participant is willing to exchange, the value placed upon that land by DOI, the acreage identified within ANWR, and the value of the ANWR acreage as determined by DOI. Table 2 presents the acreage the Alaskan refuge system will acquire through these exchanges.

TABLE 1:  
LANDS TO BE EXCHANGED AND THEIR VALUES

<u>Corporation</u>	<u>Native Inholdings</u>		<u>Identified ANWR Tracts</u>	
	<u>Acres</u>	<u>Value (millions)</u>	<u>Acres</u>	<u>Value (millions)</u>
Old Harbor	89,000	\$ 45.7	57,579	\$ 45.7
Akhiok-Kaguyak	115,000	74.9	19,237	74.9
Koniag	112,000	77.4	3,183	77.4
Doyon	220,000	121.7	43,367	121.7
Gana-A'Yoo	56,000	35.0	21,914	35.0
Native Lands Group	<u>298,000</u>	<u>184.0</u>	<u>20,898</u>	<u>184.0</u>
TOTAL:	890,000	\$538.7	166,178	\$538.7

TABLE 2:  
ACREAGE TO BE ADDED TO EACH REFUGF

<u>Wildlife Refuge</u>	<u>Acres</u>	<u>Native Participant Offering Land</u>
Alaska Maritime	86,000	Old Harbor, Native Lands Group
Innoko	125,000	Doyon, Gana-A'Yoo
Kanutu	75,000	Doyon
Kenai	33,000	Native Lands Group
Kodiak	260,000	Old Harbor, Akhiok- Kaguyak, Koniag
Nowitna	78,000	Doyon
Yukon Delta	<u>233,000</u>	Native Lands Group
TOTAL	890,000	

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## The ANWR Land Exchange Proposals Make Sound Public Policy and Business Sense

### Introduction

The Arctic National Wildlife Refuge (ANWR) exchange proposals represent a unique, once-in-a-century opportunity which will not only acquire and preserve world-class wildlife habitat lands within existing U.S. Wildlife Refuge boundaries, but, for once, will allow the benefits of the transaction to stay primarily in Alaska. For the reasons noted below, Cook Inlet Region, Inc. (CIRI) and the Native Lands Group (NLG) (composed of CIRI and 12 other Alaska Native corporations) believe these exchanges deserve the wholehearted support of the Alaska business community.

### The Facts

- (1) Under the six separate Native exchange proposals, the U.S. Fish and Wildlife Service would receive 391,000 acres of superlative wildlife value lands located within seven National Wildlife Refuges in Alaska.
- (2) The 18 Alaska Native Corporations involved in the exchanges, representing approximately 25,600 Alaska Native shareholders, would receive 166,278 acres of limited oil and gas rights in ANWR.
- (3) The ANWR lands received by the Native Corporations under the exchanges represent only 11% of the acreage of the ANWR Coastal plain.
- (4) The ANWR lands ultimately will be conveyed back to the United States after a specific period of time, whether or not oil and gas production occurs. The United States will keep title to the Native lands.

### The Public Policy and Business Development Reasons Supporting the Exchanges

Aside from the environmental-interest advantages to the exchanges, there are a substantial number of public policy and practical, business-development reasons to support the exchanges. Those include the following:

1. The Exchanges Will Benefit the Private Sector of the Alaska Economy.

The real economic issue in the exchanges is not a question of possible loss of some revenues for the State, but rather the prudent and balanced allocation of some portion of ANWR revenues from the public sector in the State to the private sector in the State. The corporations that will participate in the exchanges are first, foremost and exclusively Alaska corporations. They are "for-profit" entities. Revenues received by those corporations not only will be spent and reinvested in the state, but they will be invested in that tier of the Alaska economy -- basic goods and services -- with the greatest demonstrated multiplier effect for our economy.

2. The Exchanges Will Keep Substantially More Net Revenue In the State.

The State, in all likelihood, will get no more than 50% revenue sharing in ANWR. The benefits to the State under this "public sector" approach thus

are limited to 50% of the standard federal lease royalty of 1/8. This boils down to only 6.25% of the pie. Viewed from the perspective of the overall Alaskan economy, the "private sector" approach represented by the land exchanges outperforms this return in four fundamental ways.

First, the Native corporations, as Alaskan private property owners, will get 100% of 100% of the property interests involved. This is much different from the less-than-whole starting point for the State government.

Second, in the event these private land owners elect to lease the ANWR lands to oil companies (a likely possibility), it is very clear that they will get far better lease terms than does the federal government (and derivatively, the State) under their leases. The benefits of these better economic terms will stay in the State as the subject of reinvestment by Alaska corporations, rather than be siphoned off to the Lower 49 by the oil companies.

Third, the Alaskan private sector lessors will retain 100% of their lease royalty, rather than the mere 50% which the State will get from the federal government.

Last, but not least, once ANWR revenues are received by the State of Alaska, 50% of these monies will go to the Permanent Fund. Those monies are invested almost exclusively outside Alaska.

Accordingly, let us assume that the State gets one-half of 1/8 from the federal government and then puts one-half of that in the Permanent Fund. This leaves 3-1/8% of the total revenue stream "inside" the state. By contrast, assume a private Native corporation gets a 1/6 (i.e., 16-2/3%) royalty. Virtually all of that stays in the state. The difference is over a five-fold advantage for the state economy under the land exchanges.

### 3. The Exchanges are Fair, Equal Value Transactions.

To anyone who has carefully reviewed the details of the proposed exchanges, the claim of a "give away to the Natives" is ridiculous. The exchanges are equal value trades and will be scrutinized by Congress as such. The Native land values were based on government, Congressional and quasi-public land trust comparables (in and out of Alaska) for acquisitions of valuable habitat lands. The ANWR values, in turn, were based on the standard federal government leasing methodology (i.e. the same valuation that would be used in any ANWR lease sale), plus a substantial "bump" in the values to compensate for loss of a potential royalty stream. In effect, the Natives are paying more for the ANWR lands than they would at a lease sale.

The United State is thus getting not only a premium price for the ANWR lands, it is getting a 7:1 benefit in acres received and it gets reversionary title to the ANWR lands on top of it all.

### 4. The Exchanges Will Not Lock-Up the Best ANWR Tracts.

Interior imposed several constraints in the ANWR tract selection process to ensure that the exchange participants would not "lock-up" all the most

promising ANWR tracts. As a result, over 87% of the ANWR tracts that Interior believes lie over hydrocarbon-bearing structures remain available for competitive leasing. Competitive leasing remains available for 89% of the ANWR Coastal Plain acreage and for 83% of the total DOI estimated value of those lands. Thus, the ANWR exchanges preserve the great majority of valuable lands on oil and gas structures for leasing.

5. A "Bidding Credits" System Is Not A Practical Substitute for the Exchanges.

It has been suggested that, in lieu of the exchanges, Alaska Native corporations should be issued bidding credits for the value of their inholdings. The corporations could then use those to bid at a lease sale. This alternative simply will not work for Alaska Native corporations.

One of the basic problems is that a bidding credits system does not allow an Alaska Native corporation to capture the value of its traded lands. Alaska Native corporations are not oil companies -- they have neither the expertise to bid knowledgeably by themselves on lease tracts nor the resources to develop the tracts themselves. Consequently, Alaska Native corporations would be forced to joint venture with an oil company or would be forced to sell the bidding credits to an oil company. Both alternatives would, as a practical matter, involve a substantial discount of the face value of the chits.

In addition to unfairly penalizing the Alaska corporations that desire to trade lands, a bidding credits system has no substantial public benefits over the exchanges. There are no conservation benefits gained because the ANWR exchange tracts will be subject to the same stringent environmental controls as will ANWR lease tracts. There are few, if any, intrinsic benefits to the Alaska economy because the credits would not inure to the benefit of the State treasury, and the benefits of the discounted values for purchase of bidding credits would go to out-of-state entities, the oil companies.

Bidding credits also have been rejected by Congress already, with respect to the Koniag lands, in 1984.

Finally, because 10 oil corporations are already participating with Alaska Native Corporations in ANWR exchanges, and roughly 83% of the total ANWR tract values remain available for competitive leasing, any change to a bidding credits system would not increase competition.

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## PROPOSED ARCTIC NATIONAL WILDLIFE REFUGE LAND EXCHANGES

1. What are the proposed land exchanges? They are a proposal that the United States Government and certain Alaska Native Corporations enter into land exchanges whereby these Corporations would trade 891,000 acres of their inholdings in 7 Alaskan National Wildlife Refuges to the Government in exchange for certain limited oil and gas rights (similar to those granted by federal leases) on 166,278 acres in ANWR.

2. Why should the proposed exchanges be considered at all? The lands to be acquired by the U.S. represent some of the very best wildlife habitat in the world, and, by acquiring those lands, that habitat would come under the full protection of the Fish and Wildlife Service and the public would then have the right to use the lands which it does not presently have. By approving the exchanges, Congress can acquire key inholdings in the Refuges without having to appropriate funds directly for that purpose.

3. Aren't these proposed land exchanges usurping the right of Congress to make the decision as to whether or not ANWR will be opened to oil and gas activities? Absolutely not. The proposed exchanges have been developed only as an option for Congress to consider, if and when it decides to approve oil and gas activities within ANWR. Under the proposed exchange terms, the U.S. will not go through with the exchanges unless Congress approves them. However, until Congress has an opportunity to act, the Native Corporations are obligated to preserve the present undeveloped status of the lands being offered.

4. If it's true the Department of the Interior has been working on them for over a year, why have they been kept secret and why is Congress only now learning about them? It has only been since July that the Native Corporations have been in a position to decide whether to proceed with the proposed exchanges. Before they could decide, there were lengthy negotiations necessary to reach an understanding of the nature of the rights they might obtain, the identity and value of the lands they were willing to trade, and the identity of the lands in ANWR where they might acquire subsurface rights. Until these terms had been fleshed out, there were no details to discuss as an exchange package. Principal Senators and Congressman and key staffers were briefed on the general status of the exchange proposal activities during this prior negotiation period once the Secretary had made his decision to recommend the development of ANWR (thereby making the exchanges a possibility). Moreover, all of the proposed exchange provisions are still subject to further environmental review and public comment

before the Interior Secretary even makes a decision whether to recommend them to Congress for consideration.

5. Aren't these proposed exchanges really a "give-away" program to the Natives? The exchanges are equal value exchanges which means the assigned value of the tracts where rights may be acquired in ANWR could not exceed the value assigned to the Native Refuge inholdings offered for exchange. In establishing a value for the Native inholdings, Interior used comparables such as previous Congressional authorized purchases, Land and Water Conservation Act purchases, and other Fish and Wildlife Service acquisitions of lands with similar public values. In valuing the ANWR tracts, the Bureau of Land Management used standard procedures for determining the minimum acceptable bid for a Federal lease sale, except the value was increased to reflect the present value to the U.S. of any royalties it would receive under a lease. While the royalty value would have been received under a lease only if there was production, in the case of the exchanges, the U.S. will receive value in the form of the Native inholdings, whether or not there is any production.

6. Won't the exchanges deprive the U.S. Treasury of revenues? If the proposal is approved, the ANWR lands offered for exchange would not be available for a lease sale. However, the U.S. will have received value in the form of the lands it will acquire from the Native Corporations. Because the Corporations' lands are private lands, if the U.S. wished to acquire them, it would have to pay otherwise for them, which would ultimately involve a cost to the United States Treasury.

7. Would Congress take a risk with public resources by allowing these ANWR tracts to be conveyed without competitive bidding? For potentially valuable tracts, competitive bidding is generally regarded as the best assurance that fair value is received, but competitive bidding does not guarantee accuracy in determining value. The value assigned to the ANWR tracts used as compensation in this acquisition-by-exchange proposal was established by the same analysis used prior to other federal competitive lease sales. All land exchange proposal value determinations will be subjected to Congressional approval, employing independent evidence of value which should include an LEIS, public testimony, and possibly a GAO analysis. Taken in combination, there should be sufficient evidence available to allow Congress to decide whether the value of the potential acquisitions for the National Refuge System supports a decision to convey a small percentage of the total ANWR tracts and values without competitive bidding.

8. Are there any other ways to acquire the Native Corporation inholdings? Since the lands by statute cannot be condemned, they can only be acquired through negotiations. (Section 1302(c) of the Alaska National Interest Lands Conservation Act established an offer to exchange as a first option for Government acquisition of inholdings.) Congress could always appropriate the funds to purchase them; however, this is not considered as a strong alternative because of tight budget constraints. The State of Alaska and certain environmental groups suggested giving lease sale bidding credits in exchange for the lands. This was rejected because the bidding credits would have value only if these Corporations actually bid at a lease sale and are awarded a tract. If these Corporations sought to sell them, the credits would be discounted heavily by industry for the same reasons. Thus, the Natives would not get full value for their lands.

9. Is it true, as some environmental groups have stated, that, as the result of these proposed exchanges, the federal government would largely relinquish the environmental control of the Coastal Plain? No. The rights proposed to be granted would be specifically subject to the standards set by Congress in opening the ANWR Coastal Plain. In addition, the proposed contract agreements include extensive environmental standards and stipulations which would be subject to Congressional approval or modification. These standards further provide that when regulations are adopted to govern activities in the Coastal Plain, those regulations will govern as well the Native Corporation activities on the tracts in ANWR where subsurface rights are acquired through the exchanges.

10. If Congress decides to open ANWR, is there anything left for leasing if it approves the exchanges? Over 87% of the on-structure tracts in the Coastal Plain would remain for leasing, if the exchanges are consummated. The remaining value of these on-structure tracts for leasing is over 83%.

11. If ANWR is opened, would the proposed exchanges give an unfair advantage to the oil companies with agreements with the Native Corporation participants? There are presently approximately 10 oil companies with arrangements with the Native participants. The proposed exchanges could permit certain activities to occur in advance of a lease sale. Thus, in a lease sale, those companies may have more knowledge than other companies bidding (as a result of the Kaktovik well, two companies already do). However, the public's interest is protected because under the proposed agreements all information obtained by these companies would

be required to be provided to the U.S. Governments. This information will substantially enhance the Government's ability to ensure it receives the maximum value on all remaining tracts at any lease sale which may be held.

12. Aren't the exchanges really premature? Shouldn't further work on them be delayed until Congress decides whether to open ANWR? The land exchange proposal has several additional administrative steps to be completed before it could be sent to Congress. In order to have all of the information available which Congress would need to consider a formal Proposal, Interior should proceed immediately to prepare a Legislative Environmental Impact Statement. This "LEIS" would not only analyze the environmental impacts of these exchanges, but would also provide the public with ample opportunities to learn more about and to comment on the proposed exchanges. Only after this analysis is completed and the public input has been received will the Secretary be able to make the decision whether he will forward the exchange package to the Congress for approval. In order to complete the LEIS, at least 6 months of work is required. Thus, in order to have adequate information available for Congress to consider early in 1988, work must be commenced as soon as possible and public input be solicited. The LEIS process will allow the land exchanges to be examined in another forum while the Congress addresses the separate ANWR-opening issue on its own merits.



# Koniag, Inc.

November 16, 1987

The Honorable Donald Paul Hodel  
Secretary  
Department of the Interior  
Main Interior Building  
18th and C Streets, N.W.  
Washington, D.C. 20240

Re: ANWR Land Exchange

Dear Secretary Hodel:

We have recently received a copy of Governor Cowper's letter to you dated October 28, 1987, and a copy of Critique of the proposed ANWR Land Exchanges prepared by the Alaska Division of Oil and Gas ("ADO&G"). While we would not normally comment on a position taken by the Governor in correspondence with you, the letter has been released to the press. Because of the obvious misstatements, inferences and inconsistencies in the purported analysis prepared by ADO&G upon which the Governor appears to be relying, we are compelled to respond.

As you are aware, the land exchanges present an unparalleled opportunity for the United States to acquire lands which would not otherwise be available to the United States. The acquisition of these lands and the preservation of the integrity of the refuge system is an issue of critical importance to the federal government.

In outlining the areas of greatest concern to the State, the Governor states that the exchanges will divert attention from the larger question regarding the opening of ANWR. We disagree with the Governor's conclusion as to the impact of the exchanges, because it is our belief that the exchanges provide Congress with an opportunity to acquire lands for the public which would not be

otherwise available. The only two groups that seem to consistently raise the exchanges in the recent hearings have been the environmental groups, who have publicly acknowledged their fear that the proposed exchanges will influence Congress to open ANWR, and the representatives of the Governor's administration. We regard the current legislation on the exchanges as reflective of Congress' concern that it reserves to itself the ultimate decision. The proposed Jones bill (H.R. 3601) clearly reflects this desire of Congress.

The Governor also goes on to state that he now opposes the exchanges because they propose to trade surface values for unknown but highly prospective subsurface values. However, in March of this year, based upon the same data, he opposed the exchanges and withdrew the State from further participation in the negotiations with the Department for entirely different and inconsistent reasons. It was his belief then that the State lacked sufficient information to determine the actual location and value of any petroleum reserves, and that, therefore, the State could not obtain desirable tracts. Thus, the Governor reasoned, given the unreliability of the data, it would be inappropriate for the State to trade known surface values for "speculative" ANWR subsurface values. It was not his concern that the concept was flawed as he now asserts. It is difficult for us to understand this inconsistency in the State's reasoning. In March, the tracts were too speculative for the State to accept in exchange for known surface values, whereas in October, the subsurface values are too prospectively valuable to be exchanged. Yet no new data has been generated in the interim. As you are aware the procedures followed by BLM to determine tract values for the exchanges are the same ones used by the United States to determine values for other disposition of oil and gas interests and, to some extent the State, in determining the acceptable level of bonus compensation under the standard leasing programs.

The Governor also faults the exchanges for not acquiring the subsurface estate in those lands where it is available. It is our understanding that decision was reached by the Department of the Interior after concluding that the subsurface had little or no potential for developable minerals, making it unwise to incur the cost of acquiring it.

The last reason given by the Governor for his opposition is perhaps the most significant--the fact that the exchanges may deprive the State of revenues from the tracts. The Governor points to the ASRC/KIC exchange as an example of this, and

attempts to create the impression that this exchange is part of the pending exchange proposals. What the Governor fails to acknowledge is that under the provisions of ANILCA, ASRC had the rights to acquire the subsurface of those lands upon the opening of the Coastal Plain by Congress. Thus, in no event would the State receive any lease revenues from those lands had the exchange not been consummated. In fact, by consummating the exchange, the Department was able to acquire valuable inholdings in the National Park System at no additional cost to the United States.

With respect to the State's need for revenues, it is our understanding that, even with the very significant royalties derived by the State from its holdings at Prudhoe Bay, over 60% of the State's revenues from oil and gas is derived from taxes, the same taxes which will be levied on any interests that are acquired in the ANWR exchanges. Furthermore, our corporations are Alaska corporations which do most, if not all, of their business in Alaska. Any dollars we earn are spent locally helping the economy of the State. Our shareholders are by and large all residents of the State and likewise to the extent we are able to pay dividends, those dividend dollars are immediately put into the State's economy.

Because the Governor's position is in a large part based upon the ADO&G Critique, we have taken the liberty of attaching a brief review of that document for your consideration. In our judgment, the ADO&G Critique is not an honest and factually accurate analysis of the proposed exchanges. Inasmuch as the Governor has relied upon that Critique, he has been ill served.

We neither agree with nor understand the Governor's opposition to the proposed exchanges. Suffice it to say that his position is not shared by the Alaska State Senate which adopted a Resolution this spring addressing exchanges in a more positive light. Nor is there any evidence that it is shared by the Alaska Congressional delegation. It may be that the State administration fails to understand the implications of national policy when viewed from the more narrow perspective of State self interest. The acquisition of critical inholdings in these Refuges is a national issue which has implications far beyond the day-to-day operations of the State.

We appreciate the opportunity to correct some of the misinformation that has been so broadly circulated by the State.

Respectfully,

NATIVE LANDS GROUP

By:

*Margie Sagerser Brown*  
Margie Sagerser Brown

AKHIOK-KAGUYAK, INC.

By:

*Ralph Eluska*  
Ralph Eluska

DOYON LTD.

By:

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Morris Thompson

GANNA-A' YOO LIMITED

By:

*Max Huhndorf*  
Max Huhndorf

OLD HARBOR NATIVE CORPORATION

By:

*Emil Christiansen*  
Emil Christiansen

KONIAG, INC.

By:

*Frank Pagano*  
Frank Pagano

The Honorable Donald Paul Hodel  
Page 5

cc: Senator Ted Stevens  
Senator Frank Murkowski  
Congressman Don Yeung  
Assistant Secretary William Horn

## CRITIQUE OF A CRITIQUE

The following is not intended as a line-by-line rebuttal of the statements in the Critique of the Proposed ANWR Land Exchanges prepared by the Alaska Division of Oil and Gas, but seeks to address the more fundamental inaccuracies and misstatements contained in the document. These inaccuracies go to the heart of the analysis and cast very substantial doubts on its validity.

### ASRC Exchange.

The Critique clearly misstates the impact of the proposed exchanges by including with them as an integral part of its analysis the 1983 Arctic Slope Regional Corporation ("ASRC") Exchange. The ASRC Exchange is in no way involved with the present proposed exchanges. Two-thirds of the lands received by ASRC under that exchange is outside the Coastal Plain as defined by Congress. Furthermore, in ANILCA, Congress mandated that upon the opening of the Coastal Plain of ANWR, ASRC was authorized to acquire those same lands by exchanging on an acre-for-acre basis other subsurface lands which it owned. It was only as the result of the 1983 exchange that the United States was able to receive any lands of value for the rights granted by Congress. Correspondingly, as the result of ANILCA, the ASRC Lands would have never been available for leasing by the United States and thus no bonus could have ever been derived from them. Notwithstanding this very obvious distinction, the author of the Critique repeatedly includes these ASRC Lands in his analysis, resulting in over a 50% overstatement of the acreage actually involved in the proposed exchanges.

### Valuation.

Likewise, the State's analysis of the valuation process is equally flawed. Rather than valuing the oil and gas in place, the procedure which was utilized sought to place a value on the right to explore, develop and produce any oil and gas which might be found. There have never been any representations by the United States that oil or gas will be found under the tracts or, if found, the exchange participants will ever receive sufficient income to equal the value of the tracts as determined by BLM. While the State seeks to point out that in fact if there is oil and gas present, the value of the tract could be in excess of the value established, it fails to acknowledge that there is a greater than 80% risk that there is no oil and gas under the tract and that if there is no oil or gas, the value being charged for these rights is far in excess of the "actual value" of the tract.

The procedure utilized to arrive at the value of these rights with respect to the tracts utilizes the standard methodology followed by BLM (and to some degree the State of Alaska as

well) in determining whether the compensation offered to the United States is fair value for granting such rights in a lease sale. There was, however, one important departure from the application of this methodology in the case of the valuations for the exchanges. In arriving at the exchange values, BLM added a second amount to the amount it determined to be fair compensation for the tract. The amount added was the net present value of the right of the United States to receive a royalty from any production. Thus, unlike a normal lease where the obligation to pay a royalty is dependent upon actual production, the participants were required to prepay to the United States the value of that royalty irrespective of whether or not production ever occurs from these lands. Thus, the United States bears none of the risk of whether oil or gas is present under a tract exchanged to a Native Corporation. That risk is borne solely by the Corporation and to the extent the Corporation is able to pass that risk on to a third party does not mean that the valuation process for the tracts is faulty. It should be noted that most of the participants for whatever reasons were not as successful as Old Harbor Native Corporation in passing on that risk. The participants are not in the oil and gas business and are not accustomed to taking such risks. Thus, it was only through their ability to pass on some or all of that risk to industry that they were able to go forward with the exchanges and make their inholdings available to the Refuge System.

#### Rescission.

Another incorrect inference suggested by the Critique is that the Native Corporations have the right to rescind the exchange and reacquire their refuge inholdings if the exploration efforts are unsuccessful, thereby depriving the United States of the consideration it received for granting those rights. While it is true that at this time one participant has negotiated a limited right to rescind the exchange with respect to a portion of its lands in consideration for the payment to the United States of an overriding royalty, of the approximately 895,000 acres of Native lands being acquired, the United States will retain approximately 820,000 acres even if that Corporation is able to exercise its rights of rescission, and even of that Corporation's inholdings, the United States will retain its best lands having a value equal to any consideration that Corporation may receive from industry, but in no event less than 35% of such lands.

#### Structures.

The Critique makes numerous statements regarding the Department's failure to identify all possible structures and how, based upon the State's independent analysis, every one of the 73 tracts selected by the participants is located above structures. It also asserts that all mappable closures have been exchanged or proposed for exchanges and that the tops of all of the best structures have been selected. It is surprising that this was

accomplished by the identification of only 15% of the lands within Coastal Plain, and that no selections were identified in the area of the major structure core calving area and very few in some of the other identifiable structures. What is even more surprising and calls into question the accuracy of these assertions, is that a little more than seven months ago the Governor, in giving his reasons for withdrawing the State from the exchange negotiations, stated that a major reason for his action was the unreliability of the available data and the lack of sufficient data for the State to be able to make selections. After the completion of the identification process, and with no new data than the same data which was available to the Department and most of the industry advisers of the participants, the State is now able to identify structures where before the structures had fallen through the holes in the seismic grid. The one participant whose industry advisers had the data from the KIC well, however, selected on the structures mapped by DOI.

#### Pre Lease Exploration.

The ADC&G Critique also expresses a concern regarding the effects of any pre-lease exploration activities of the participants which might be authorized by Congress. In opposing such activities, the Critique points to the potential lost revenues from bonuses which would be paid at a lease sale from "premature condemnation" of the area based on unsuccessful exploration efforts. If Congress were to authorize such activity, it would appear that the advantages of the United States having the down-hole data from such activities would be extremely beneficial. If the results were positive, the Department could shape the lease sale accordingly. If the results were negative and the area "condemned," the unnecessary environmental impacts from the full scale exploration efforts which would follow the lease sale could be avoided. If as the results of such activities it were determined that the Coastal Plain were to have no potential, then clearly no one would advocate holding a lease sale and permitting the environmental impacts from the resulting exploration activities to occur, solely to generate a few dollars in lease bonuses.

TESTIMONY ON HOUSE JOINT RESOLUTION # 9  
ON BEHALF OF THE NATIVE LANDS GROUP  
BEFORE THE HOUSE RESOURCES COMMITTEE  
FEBRUARY 13, 1987

The Native Lands Group appreciates the opportunity to testify before the House Resources Committee and respectfully submits the following written testimony.

By way of background, the Native Lands Group (NLG) assemblage is a partnership of thirteen Alaska Native corporations currently offering lands in exchange for oil and gas rights in ANWR. The general partner of the NLG is CIRC Land Exchange, Inc., a wholly-owned subsidiary of Cook Inlet Region, Inc. (CIRI).

The thirteen Native corporations, with over 11,000 Native shareholders, include CIRI, a Native regional corporation and twelve village corporations in southcentral and western Alaska. Participation of each partner is determined by its contribution of land to the partnership. The corporations each have roughly equal shares in the partnership.

Opening ANWR - Role of Land Trades

The NLG urges support of the ANWR land exchange concept because we believe the exchanges will benefit the State of Alaska by facilitating the opening of ANWR for oil and gas leasing and therefore assisting the State in ultimately acquiring a revenue stream from its development.

We believe Native exchanges will play a pivotal role in the congressional debate over the opening of ANWR.

1. Native exchanges are a key basis for developing environmental support for the opening of ANWR. Native refuge inholdings to be exchanged include extremely important habitats for rapidly declining populations of geese, as well as lands intensively used for fish and wildlife-oriented recreation. As Congressional debate intensifies, the focus of the debate inevitably will move to the tremendous public values involved in these inholdings. The contention that environmentalist groups disfavor Native land trades is a classic "half-truth." The trades have been opposed by those groups hoping to see ANWR locked up precisely because they recognize that the trades form a basis for opening up ANWR.
  
2. Native involvement will broaden the supportive constituencies within the Democratic congress. With exchanges, Natives will bring a new dimension to the lobbying efforts that the State and oil companies cannot bring, particularly to congressional delegates sympathetic to the concerns of Native Americans.

Besides the benefits gained in assisting in the opening of ANWR, the NLG believes Native participation in ANWR land exchanges benefits the State in other ways.

1. Native corporations are local corporations. Monies will stay within the state, and in many cases be directed to rural Alaska where economic opportunities are few and far between. Economic benefits will flow to a wide representation of Natives; shareholders of 22 Native corporations, both village and regional, are currently involved in various exchange consortiums.

2. Native corporations have strong local hire and in-state contracting provisions within the agreements with their oil industry partners, and they have a solid record for enforcing those provisions. Private sector status empowers Native corporations to enforce much stronger local hire requirements than the State because the State operates under severe constitutional restraints.
  
3. Oil and gas exploration will occur faster. Native corporations are not constrained by federal or state leasing regulations that of necessity have many built-in delays. Leasing terms already have been negotiated between Native exchange participants and industry partners. These call for immediate leasing and expeditious exploration. A crucial head start of a year or more will be gained in proceeding to development.

The State would directly benefit by its own participation in an exchange and is not at a disadvantage in relation to the other exchange participants.

1. State involvement as an exchange participant would allow the State to acquire ownership of highly prospective tracts in ANWR. On those tracts the State would control its own lease terms, and therefore be able to capture significantly more than a mere share of a 1/8 royalty. As the owner of 100% of oil and gas reserves on lands it acquires through exchange, the State would not be exposed to some politically variable percentage of the Federal Government's royalty share.
  
2. The State presently has better geological and geophysical information, taken as a whole, than any other exchange

participant. The geological data from the recently drilled well on Kaktovik Inupiat Corporation/Arctic Slope Regional Corporation land is being held confidential by the oil companies which conducted the drilling. It is not available to the Department of Interior or any of the exchange participants.

3. The State is currently negotiating its own ANWR land exchange with the Department of Interior. The State has been assured equal treatment with other exchange participants, particularly regarding valuation and selections, if it can move expediently and expeditiously toward an exchange.

We believe negative State revenue impacts from supporting the exchanges are outweighed by other revenue benefits.

1. Maintaining the 90/10 revenue sharing provision is uncertain and unlikely. The State must be prepared to make political judgements that best assure a revenue stream from ANWR. And in doing so, the harsh political realities of Congress need to be recognized.
2. Exchanges will account for only a limited portion of ANWR lands. The potential size and impact of the proposed Native and State trades have been greatly exaggerated. Because exchanges will be on a value basis, and because the values of ANWR lands are so large in comparison to the Native and State lands being proposed for exchange, the amount of land exchanged within ANWR will not significantly impair a viable leasing program for the remainder of ANWR.

3. No tax revenues would be lost due to Native exchanges. The State's sovereign authority to levy and collect taxes on all production from Native lands will remain.
  
4. It is doubtful whether onshore support facilities, including pipelines, could be used to support development within State submerged lands north of ANWR. Severely restricting the uses of the ANWR coastal plain may effectively condemn adjacent State and Federal lands rendering potential State losses of revenue even greater than just those losses incurred if ANWR remains closed.

We believe the land exchanges will not lead to environmental impacts or loss of land management control. Only limited oil and gas development rights will be transferred through exchanges. All surface ownership will remain within the federal Fish and Wildlife refuge system. All exploration and development will occur under strict regulatory and contractual stipulations of appropriate federal and state agencies. The combined federal and state governmental controls within ANWR would be at least as comprehensive as those presently exercised by the State at Prudhoe Bay.

### Conclusion

The opening of ANWR is going to require a united Alaska. A divided Alaska only plays into the hands of those whose agenda it is to keep ANWR permanently closed to exploration and development. It is a fact that a divided Alaska has never achieved major lands legislation in its favor.

The NLG feels that land exchanges, both Native and State, will significantly facilitate the opening of ANWR and therefore assist the State in ultimately acquiring a revenue stream from its development.

We urge the House Resources Committee to endorse the concept of lands exchanges and to urge the State administration to move quickly to consummate its own exchange. At the very least, we feel you should defer judgement until the Department of the Interior has presented to Congress for ratification the land exchanges as actual proposals.

Thank you.

6/022

## NATIVE LANDS GROUP

The Native Lands Group (NLG) assemblage is a partnership of thirteen Alaska Native corporations currently offering lands in exchange for oil and gas rights in ANWR. The general partner of the NLG is CIRI Land Exchange, Inc., a wholly-owned subsidiary of Cook Inlet Region, Inc. (CIRI).

The thirteen Native corporations, with over 11,000 Native shareholders, include CIRI, a Native regional corporation and twelve village corporations in southcentral and western Alaska. Participation of each partner is determined by its contribution of land to the partnership. The corporations each have roughly equal shares in the partnership.

*from CIRI for  
Native Lands Group.*

## OPENING ANWR - THE ROLE OF LAND TRADES

By the admission of many members of all levels of State government, there exists considerable uncertainty and confusion regarding Native land exchanges and their relationship to the opening of ANWR. The Native Lands Group (NLG), a consortium of Alaska Native corporations, believes that clarifying these matters is essential to developing a fair, rational, and fact-based State policy on the Native land trades. The following discussion attempts to deal fairly with a number of the misconceptions, and to place the correct facts in the context of the basic policy issues which the State will decide in the coming weeks.

1. Native exchanges will play a pivotal role in the congressional debate over the opening of ANWR.
  - a. Native exchanges are a key basis for developing environmental support for the opening of ANWR. Native refuge inholdings to be exchanged include extremely important habitats for rapidly declining populations of geese, as well as lands intensively used for fish and wildlife-oriented recreation. As Congressional debate intensifies, the focus of the debate inevitably will move to the tremendous public values involved in these inholdings. The merits of the exchanges and the benefits to the public if the exchanges are consummated will be clearly evident, and will form the basis for the compromises necessary to achieve opening legislation.
  - b. Native involvement will broaden the supportive constituencies within the Democratic congress. Natives will bring a new dimension to the lobbying efforts that the State and oil companies cannot bring, particularly to

congressional delegates that are sympathetic to the concerns of Native Americans.

- c. The contention that environmentalist groups disfavor Native land trades is a classic "half-truth." The trades have been opposed by those groups hoping to see ANWR locked up precisely because they recognize that the trades form a basis for opening up ANWR. For the State to mimic their environmentalist position is to play right into the hands of the opponents of opening ANWR.

2. Native participation benefits the State in other ways.

- a. Native corporations are local corporations. Monies will stay within the state, and in many cases be directed to rural Alaska where economic opportunities are few and far between. Economic benefits will flow to a wide representation of Natives; shareholders of 22 Native corporations, both village and regional, are currently involved in various exchange consortiums.
- b. Native corporations have strong local hire and in-state contracting provisions within the agreements with their oil industry partners, and they have a solid record for enforcing those provisions. Private sector status empowers Native corporations to enforce much stronger local hire requirements than the State because the State operates under severe constitutional restraints.
- c. Oil and gas exploration will occur faster. Native corporations are not constrained by federal or state leasing regulations that of necessity have many built-in delays.

Leasing terms already have been negotiated between Native exchange participants and industry partners. These call for immediate leasing and expeditious exploration. A crucial head start of a year or more will be gained in proceeding to development.

3. The State would directly benefit by its own participation in an exchange.
  - a. State involvement as an exchange participant would allow the State to acquire 100% of highly prospective tracts in ANWR. On those tracts the State would control its own lease terms, and therefore be able to capture significantly more than a mere share of a 1/8 royalty.
  - b. As the owner of 100% of oil and gas reserves on lands it acquires through exchange, the State would not be exposed to some politically variable percentage of the Federal Government's royalty share.
  
4. The Natives do not have superior information to the State.
  - a. The State presently has better geological and geophysical information, taken as a whole, than any other exchange participant. The geological data from the recently drilled well on Kaktovik Inupiat Corporation/Arctic Slope Regional Corporation land is being held confidential by the oil companies which conducted the drilling. It is not available to Kaktovik, Arctic Slope, the Department of Interior or any of the exchange participants.

5. Negative State revenue impacts from supporting the exchanges are outweighed by other revenue benefits.

- a. 90% of nothing is nothing. 50% of nothing is still nothing. The State will receive no revenues (royalty or tax) unless ANWR is opened - an event much more likely to occur if Native and State exchanges have occurred.
- b. Maintaining the 90/10 revenue sharing provision is uncertain and unlikely. The State must be prepared to make the political judgement call that best assures a revenue stream from ANWR. And in doing so, the harsh political realities of Congress need to be recognized.
- c. Exchanges will account for only a portion of ANWR lands. The potential size and impact of the proposed Native and State trades have been greatly exaggerated. Because exchanges will be on a value basis, and because the values of ANWR lands are so large in comparison to the Native and State lands being proposed for exchange, the amount of land exchanged within ANWR will not significantly impair a viable leasing program for the remainder of ANWR.
- c. No tax revenues would be lost due to Native exchanges. The State's sovereign authority to levy and collect taxes on all production from Native lands will remain.

6. Native exchanges will not lead to environmental impacts or loss of land management control.

Only limited oil and gas development rights will be transferred to Native corporations through exchanges. All surface ownership will remain within the federal Fish and Wildlife refuge system.

All exploration and development will occur under strict regulatory and contractual stipulations of appropriate federal and state agencies. The combined federal and state governmental controls within ANWR would be at least as comprehensive as those presently exercised by the State at Prudhoe Bay.

7. If ANWR is not opened because of the failure of the exchanges to be consummated, the State faces significant revenue losses.
  - a. The State will receive no revenues, either from royalties or taxes.
  - b. It is doubtful whether onshore support facilities, including pipelines, could be used to support development within State submerged lands north of ANWR. Severely restricting the uses of the ANWR coastal plain may effectively condemn adjacent State and Federal lands rendering potential State losses of revenue much greater than just those losses incurred if ANWR remains closed.

### Conclusion

The opening of ANWR is going to require a "united" Alaska. A "divided" Alaska only plays into the hands of those whose agenda it is to keep ANWR permanently closed to exploration and development. It is a fact that a divided Alaska has never achieved major lands legislation in its favor.

The NLG feels that land exchanges, both Native and State, will significantly facilitate the opening of ANWR and therefore assist the State in ultimately acquiring a revenue stream from its development.

We urge the State to support Native land exchanges and move expeditiously and expediently to consummate its own exchange. At the very least, the State should defer judgement until the Department of the Interior has presented the land exchange as an actual proposal.

6/015



CIRI ON TRADES  
FEB 87  
Telegram

020C9

1987 FEB 2 11 25

ANCHORAGE ALASKA 441 02-01 1020 AST

PMS

REP SAM COTTEN

0013

JUNEAU AK

HJRS OPPOSES NATIVE LAND TRADES FOR LANDS IN ANWR, CHIEFLY ON THE BASIS THAT THE STATE NEEDS THE 90 PERCENT OF FEDERAL ROYALTIES THAT IT WOULD GET UNDER PRESENT LAW IF THE U.S. GOVERNMENT OWNS AND LEASES THE LAND. THIS REASONING IS MISGUIDED FOR FIVE REASONS.

FIRST, 90 PERCENT OF NOTHING IS STILL NOTHING. NATIVE INVOLVEMENT AND SUPPORT WILL BE ESSENTIAL IF CONGRESS IS TO OPEN ANWR AT ALL. ALASKA IS SEEN OUTSIDE AS HAVING HAD ITS FLING, AND HOW MANY NEW VOTES CAN THE OIL COMPANIES DELIVER? CONGRESSIONAL SUPPORT IN D.C. TOWARD NATIVE AMERICANS AND WILDLIFE REFUGE ENHANCEMENT THROUGH NATIVE TRADES WILL OFF-SET THE INCLINATION TO CAST AN EASY PRO-ENVIRONMENTAL VOTE TO KEEP ANWR CLOSED. LANDS GIVEN UP BY THE NATIVES WILL INCLUDE EXTREMELY IMPORTANT INHOLDINGS IN OTHER WILDLIFE REFUGES IN ALASKA, SUCH AS THE MAJOR HABITAT FOR SEVERAL THREATENED SPECIES OF GEESE AND BRANDT. FEDERAL ACQUISITION OF SUCH INHOLDINGS (WILL) WIN THE SUPPORT OF SEVERAL WILDLIFE ORGANIZATIONS, AND FORM

PAGE 2

THE BASIS FOR THE KIND OF COMPROMISE WHICH WILL BE NEEDED TO OPEN ANWR. OPPOSING THESE LAND TRADES PLAYS RIGHT INTO THE HANDS OF THOSE WHO WOULD LOCK UP ANWR FOREVER.

SECOND, THE 90 PERCENT FIGURE IS CERTAIN TO BE REEXAMINED IF CONGRESS OPENS ANWR TO OIL AND GAS DEVELOPMENT. NATIVE SUPPORT WILL BE VALUABLE FOR THE STATE IN ITS ATTEMPT TO KEEP ITS SHARE OF FEDERAL ROYALTIES AT A HIGH LEVEL.

THIRD, THE POTENTIAL SIZE AND IMPACT OF THE NATIVE TRADE ON THE ANWR LANDS HAS BEEN GREATLY EXAGGERATED. WHILE THE NATIVES WILL BE TRADING IN VERY SUBSTANTIAL ACREAGE IT WILL BE TRADED ON A VALUE BASIS. THE VALUE OF THE ANWR LANDS FAR EXCEEDS THAT OF THE NATIVE LANDS.

FOURTH, THE TRADES WILL ESTABLISH A STRONG TAX-BASE. STATE PRODUCTION TAXES WILL BE PAID FOR NATIVE ROYALTY PRODUCTION FROM NATIVE LANDS.

FIFTH, NATIVE CORPORATIONS, BEING PRIVATE, CAN IMPOSE AND ENFORCE ALASKA WIRE PROVISIONS IN A WAY THAT THE STATE CAN NEVER HOPE TO MATCH CONSTITUTIONALLY.

FINALLY, THE BOTTOM LINE IS NOT TO LOSE SIGHT OF THE ULTIMATE OBJECTIVE OF OPENING ANWR, CREATING JOBS AND DEVELOPMENT, AND ESTABLISHING A SOUND TAX BASE FOR THE STATE. IT IS AN HISTORICAL AXIOM THAT ALASKA HAS NEVER ACHIEVED MAJOR LAND LEGISLATION IN CONGRESS WHEN THE STATE WAS DIVIDED.

ON BEHALF OF OUR 6300 SHAREHOLDERS AND THE 12 VILLAGE CORPORATIONS IN OUR REGION AND WESTERN ALASKA COMPRISING THE NATIVE LANDS GROUP, COOK

PAGE 3

INLET REGION INC. ASKS FOR YOUR CONSIDERATION IN REMOVING THE PROVISIONS IN HJR9 OPPOSING NATIVE LAND TRADES.

ROY M. HUENDORF, PRESIDENT  
COOK INLET REGION INC.

CC: GOVERNOR STEVE COWPER  
COMMISSIONER BRADY  
COMMISSIONER KELSO

# Native Lands Group

March 16, 1987

Mr. Ned Farquhar, Legislative Assistant  
House Resources Committee  
Pouch V  
Juneau, AK 99811-0101

SAM → Ned  
I haven't reviewed  
this yet but will

Dear Ned:

I'm sorry I was not in to take your call last week concerning the ANWR Land Exchange. Mike Smith relayed your conversation to me, and the purpose of this letter is to respond to your two requests.

You first asked the identity of the Native Lands Group (NLG) partners. While we do not believe that revealing the names of our partners would significantly influence matters one way or the other, we are bound by a mutual confidentiality agreement which binds us to refrain from identifying partners until the partnership structure is finalized. Once this has occurred, it will definitely be in the NLG's interests to make known the partners. I assure you that the House Resources Committee will be one of the first to know when that time arrives.

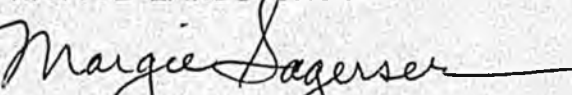
Regarding your second request, I am enclosing a copy of the 7(i) agreement. As you can see, it is a rather complicated document. If you have any specific questions concerning the applicability of the 7(i) agreement to the ANWR Exchange, I would be happy to try and explain the relationships or lack thereof.

Concerning the availability of information about the Arctic Slope Regional Corporation (ASRC) arbitration process, neither the NLG nor CIRI is involved in that process. I suggest you contact ASRC directly to determine the current status.

We appreciate your help in coordinating input to the House Resources Committee, and please feel free to contact us in the future if you have any further questions.

Sincerely,

NATIVE LANDS GROUP



Margie Sagerser  
Project Director

Enclosure

P.O. Box 93330  
Anchorage, Alaska 99509-3330  
(907) 272-3522

COOK INLET REGION, INC.

February 12, 1987

Sam Cotten, Co-Chairperson  
House Resources Committee  
P.O. Box V  
Juneau, AK 99811

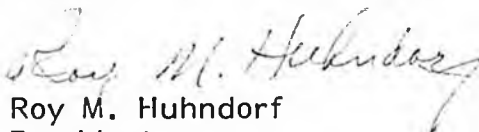
Dear Representative Cotten:

Thank you for responding to my recent telegram to you and other legislators regarding land exchanges in the Arctic National Wildlife Refuge.

Margie Sagerser, Project Director of the Native Lands Group, a partnership of thirteen Alaska Native corporations including CIRI, will be attending your committee meeting on ANWR land exchanges Friday 13, 1987. Unfortunately, I will be outside of the state that day and therefore unable to attend. I trust Ms. Sagerser can respond to any questions you or other committee members may have in order to become informed on this matter.

Sincerely,

COOK INLET REGION, INC.

  
Roy M. Huhndorf  
President

RMH:pat  
29/11

cc: Adelheid Herrman, Co-Chairperson  
Margie Sagerser

February 6, 1987

Mr. Roy Huhndorf, President  
Cook Inlet Region, Inc.  
2525 "C" Street  
Anchorage, Alaska 99501

Dear Mr. Huhndorf:

I am writing in response to your recent telegram about the proposed land exchanges in the Arctic National Wildlife Refuge. I appreciate being informed of your point-of-view and am certainly open to discussion of the issues.

Several members of the House Resources Committee, and some other legislators, have expressed interest in learning more about the land exchange proposals. To date, the legislature and other Alaskans have not been privy to the information needed to make decisions on many of the state interests that you mentioned in your telegram.

I hope that you will be able to attend the committee's meeting on ANWR land exchanges scheduled for Friday, February 13, 1987 from 1:00 - 3:00 p.m., Capitol 124. It would be useful for the committee to hear your points and learn more about the proposed changes.

Sincerely,

s/

Sam Cotten, co-Chairman  
House Resources Committee

SC:smc

cc: Adelheid Herrman, co-Chairman



# GANNA-A' YOO LTD.

BOX 38 • GALENA, ALASKA 99741 • PHONE (907) 656-1606

March 17, 1987

House Resources Committee  
Chairman, Sam Cotten  
P.O. Box V  
Juneau, Alaska 99811

Dear Representative Cotten:

Gana-a' Yoo, Ltd. is the consolidated village corporation for the villages of Galena, Koyukuk, Nulato and Kaltag. Our corporation is comprised of approximately 1,200 shareholder's and is the largest village corporation in the Doyon region.

This letter is to express our corporate position on the Arctic National Wildlife Refuge (ANWR) issues and our opinions on House Joint Resolutions No. 7 & 9. We support opening the coastal plain of ANWR to environmentally responsible oil and gas exploration, development, and production. We also support the concerns of the subsistence Caribou users and stand for protection of that resource. We are supportive of the Native groups who are negotiating land trades with the Department of Interior.

We are not supportive of House Joint Resolution No. 9 as it blatantly puts Native against Native in their struggle to survive and improve their quality of life. House Joint Resolution No. 9 offers some protection of the core caribou calving grounds, until a later date, and in exchange demands that other Native groups pay an exorbitant price by not allowing them a chance to trade their lands for oil and gas rights in ANWR. Such rights obtained by the Native groups would, in our opinion, not have a material effect on State revenues. The funds derived by the Native groups could well do more benefit for those people and their communities than an equal amount going through the State.

It is our position that House Joint Resolution No. 7, with the addition of reserving the leasing of land in the core caribou calving grounds until a later time, should be passed by State. We ask that you also lend your support to this position.

Sincerely,

Max J. Huhndorf  
President

MJH/dp



# Koniag, Inc.

March 2, 1987

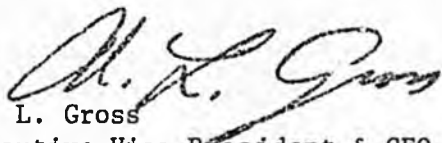
Representative Sam Cotton, Co-Chairman  
House Resource Committee  
Pouch V  
Juneau, AK 99811

Dear Representative Cotton:

Please find enclosed Koniag, Inc.'s position paper regarding the opening of the ANWR and land exchanges for submission into the record of State Senate hearing, reference HJR 7, HJR 9.

Sincerely,

KONIAG, INC.

  
Uwe L. Gross  
Executive Vice President & CEO

ULG/dh

KONIAG/USA LAND EXCHANGE

BRIEFING PAPER

*As presented to  
Gov. S. Conroy  
on 2/10/87.*

BACKGROUND

Pursuant to the provisions of ANCSA, in excess of 300,000 acres of Kodiak National Wildlife Refuge lands were conveyed to certain Village Corporations. These lands constituted the heart of the Kodiak refuge, encompassing all of the Karluk River Valley, the Sturgeon River and Red River valleys, and most of the uplands around Karluk Lake. The lands are the most valuable lands in the refuge for brown bear habitat as well as providing critical salmon habitat. In addition, the lands provide some of the best sports fishing and hunting opportunities in the State. However, because of their status as private lands, the level of control which can be exercised by the Fish and Wildlife Service over them is severely limited. Like most ANCSA lands, title to the lands cannot be acquired through condemnation by the United States for refuge purposes. Because of the lands high recreational value, the corporations owning them are subject to pressure to subdivide them for distribution to their shareholders.

In recognition of the importance of these lands, and the threat that private ownership of them poses to the integrity of the refuge, the Department of Interior has been very desirous of acquiring title to them. These efforts began in 1982 with the passage by the House of legislation providing for the acquisition of the lands by the United States. Because of internal considerations, Koniag subsequently withdrew its support of the legislation and it died in the Senate. After the conclusion of the "demerger" litigation, the new administration of Koniag in early 1985 reopened discussions with the Fish and Wildlife Service regarding its acquisition of approximately 125,000 acres of the land which Koniag owned. These negotiations were subsequently joined by Akhiok-Kaguyak Corporation and Old Harbor Native

Corporation which own approximately the balance of the Native inholdings in the Kodiak refuge.

Because of federal budgetary constraints, funds have not been available for the direct purchase of the inholdings. Discussions have thus focused on a land exchange for comparable values under ANILCA and ANCSA. However, after the passage of ANILCA, there are very few federal lands in Alaska available for exchange which have any potentially realizable value. Because of the 1002 process which was under way when the discussions began, Koniag suggested an exchange which would involve some type of interest in ANWR lands. For almost the past two years Koniag has been in continuing discussion with representatives of the Department of Interior exploring the circumstances under which such an exchange might occur.

#### EXCHANGE NEGOTIATIONS

At the present, there are five Native corporations or groups of Native corporations in addition to the State which are discussing the exchange possibilities. While the exact number of acres which may be exchanged has not been finalized yet, there are approximately 1,000,000 acres of Native inholdings involved. Any exchange which might occur would be conditioned upon two events occurring: the opening of ANWR to oil and gas development and production, and the Congressional ratification of the exchanges.

The exchanges are being structured as comparable value exchanges. Thus the participants would be able to acquire interests in ANWR which have a value comparable to the value of the lands which would be conveyed by them. The interests to be acquired in ANWR are being valued by BLM in the same manner as they would for a federal lease sale. In fact because of the lack of a retained royalty interest by the federal government (which interest would be retained in a lease sale) the value of the ANWR

tracts for exchange purposes will be greater than the amount normally established as a minimum bid amount.

In light of the use of this valuation mechanism, even if all of the Native lands proposed are exchanged, the impact on ANWR will be slight. Because of the high values of the ANWR tracts (each tract comprising 2,560 acres), the Native corporations will be fortunate if they are able to acquire in total 10 to 15 tracts or approximately 25,000 to 35,000 acres. From Koniag's discussions it is apparent that given the values involved, it will not be possible for the corporations to obtain the best tracts available (the better the tract, the greater its value). Such high value tracts would still be available for any lease sale which would be held. In fact, if one estimates the number of potentially prospective tracts from the Draft 1002 Report maps, there appears to be in excess of 400 tracts with potential. In other words, for 1,000,000 acres of lands to be traded by them, the Native interests might acquire only 25,000 to 35,000 acres of medium to good potential land out of the 1.3 million acres of coastal plain or less than 5% of all lands which might be prospectively valuable for oil and gas production. If the parties are able to reach agreement as to the major issues in the exchange, it is anticipated that an identification process for tracts would be undertaken about the third week in March. At that time the extent of the interests to be conveyed under any proposed exchange would be known.

Questions have been raised regarding the accuracy of the value estimates in light of the limited seismic data available. While the grid upon which the seismic was conducted is not very tight, it represents the only non-proprietary data available, and obviously until such time as all of the prospects have been drilled, all estimates of value will be just estimates. However, the data base available to Interior in arriving at its tract values is the same which is available to the state and to industry. It is the same data which industry will use to

determine its bids in any lease sale. The Native corporations involved in the exchange have no superior knowledge as to the prospectively valuable tracts. By in large they will be utilizing recommendations they have obtained resulting from their respective arrangements with industry. The State, in fact, is in a better position than the corporations since it has access to the seismic data from the 1002 study without having to have entered into a pre-selection lease arrangement. While a well has been drilled on Arctic Slope Regional Corporation lands, Arctic Slope is not a participant in any of the pending exchanges.

As your staff has no doubt advised you, the interest to be acquired in ANWR is not an interest in the surface estate but rather a limited right to extract oil and gas for a fixed period of time. In reality, what Interior is proposing to convey, closely resembles a leasehold interest except that there is no royalty burden. All surface activities will be closely regulated to prevent any unnecessary adverse effects to the environment. The Native interests will be subject to the same environmental standards as the federal lessees. All gravel will continue to be owned by the United States and the holders of the inholdings will merely have the right to purchase it at fair market value. Access will also be closely regulated as the result of the agreed upon waiver of Title IX rights for inholders. Interior has already indicated that in addition to the foregoing, the corporations will probably not be allowed to make selections in particularly environmentally sensitive areas such as the calving grounds, although the areas available for selection will not be defined until after the comments on the 1002 Report have been reviewed.

Finally, any development which may occur on any of the tracts subject to a Native interest would be subject to all applicable state and federal laws and regulations.

## STATE'S CONCERNS

As Koniag presently understands the position of the State, it has several basic concerns: first, that ANWR be opened for further exploration, development and production of oil and gas; second, that the State's 90% share of revenues not be diminished; third, that because ANWR is a federally established refuge, that it not be parceled out; and fourth, that the State has an opportunity to participate in development both as a potential party to an exchange and as a sovereign.

It is Koniag's understanding that the exchanges will be a positive factor in opening ANWR. The possibility of the acquisition of a million acres of valuable refuge inholdings as the result of the opening of ANWR should assist the State's efforts to secure the opening of ANWR.

With respect to the State's right to share in revenues, Koniag has advised both the Department and John Katz that this is an issue between the State and the United States. Koniag's only concern is that it not be required to pay for 100% of the value of a tract only to find its interest encumbered. If the State is to receive a share of the royalties from the interests conveyed to Koniag then that fact should be reflected in the value that Koniag is to be charged for the tract. As citizens of the State, we recognize the difficult financial position of the State, and we recognize the desire of the State to retain as much of the ninety percent as possible. We also recognize the difficulty of the task given that other states only receive 50% at best and that the public perception of Alaska because of the permanent fund distributions is that there is no justification for Alaska to receive a greater share of such revenues than any other state. It would appear that the State's argument for 90% of the revenues from non-exchanged lands is stronger if the exchanges are consummated since the State could argue that because of the exchanges it takes a greater percentage of the revenue from the

remaining lands (even though their magnitude is greater) to make up for the value lost in the exchanges. This position would allow the State to reap the benefit to the opening of ANWR to be derived from the exchanges while at the same time justifying why a different treatment should be accorded Alaska with respect to the sharing formula. As has been pointed out, because of the small number of tracts involved, the effect of the exchanges on the State's revenues should be minimal.

Koniag does not believe that the interest to be conveyed by the exchanges would constitute a "parceling up" of the Refuge any more than a lease sale would have the same results. Given the nature of the interest to be acquired, the surface remains in the ownership and control of the United States. An exchange participant will have no greater right to use the surface than a federal oil and gas lessee would and in fact its rights to use the surface will be regulated in the same manner as a lessee's use will be. In both cases the interest acquired will terminate after a fixed period of years or the conclusion of production whichever is longer. The problem does not appear to be one of substance but rather of perception and we would welcome any suggestions as to what can be done to have the perception reflective of the substance. We would respectfully submit that because Congress has the ultimate responsibility to approve the exchanges, if Congress is concerned then it will simply not approve the exchanges or modify them to meet the national needs.

It is also Koniag's understanding that the Department of Interior has sought to address the State's concerns about being afforded an opportunity to participate in the exchanges as a participant. We understand that the prior administration had engaged in discussions with Fish and Wildlife Service as early as January, 1986 and most recently has been involved in the negotiations of exchange documents. We understand that the Fish and Wildlife Service has not shown much enthusiasm for some of the land being sought to be exchanged by the State which are not

inholdings in refuges. This lack of enthusiasm is consistent with that shown for any non-refuge lands. Interior has repeatedly advised us that for the initial exchanges it would be interested in acquiring only key inholdings in existing refuges. This is also consistent with the Department's position that since the interests to be conveyed by the United States are in a refuge, the Department wanted first to acquire other lands for refuge purposes. However, we have also been advised that the Department had not closed the door to park lands, only that it sought to first accommodate its refuge needs.

Koniag also recognizes the concerns that the State has regarding its right to influence and regulate development in ANWR. It is our belief that the proposed agreements and stipulations recognize the role of State law and regulation in the development process. It is apparent that development in ANWR will occur only under circumstances which minimize the environmental effects of such development. Because the Stipulations governing operations on the tracts to be acquired are expressly subject to regulations which may be adopted in the future and as the State and the federal governments further develop and coordinate their regulatory processes, the operations on such acquired tracts will be subject to the product of that coordination.

#### ADVANTAGES OF EXCHANGES

The exchanges will provide Congress with a unique opportunity to acquire approximately a million acres of critical inholdings in existing refuges. Much of the lands being acquired, as in the case of the Kodiak refuge represents the heart of the habitat, which without public ownership threaten the vitality of the refuge. By returning them to public ownership, these lands will be available for use by the general public for recreation, sports fishing and hunting activities. In a broader sense, the exchanges provide an opportunity on a state-wide basis to mitigate the impact of development in ANWR. Rather than being

compensated for the environmental impacts solely by the value of the oil and gas produced which give rise to the impacts, the exchanges provide a mechanism to strengthen other refuges as well. The opening of ANWR which would normally be viewed only in terms of its environmental costs, now offers some environmental benefits to the refuge system as a whole.

Because of the possibility for activities on the exchange tracts in advance of a lease sale and the requirement that the data so generated be provided to the Department, the exchanges provide an opportunity for more information to be acquired at no direct cost to the government. This information will be used to further refine BLM's data base and will directly impact the valuation process for a lease sale. Thus, the lease sale should carry higher minimum bids than without the information and bidding should be more vigorous because of the enhanced competitive position of industry.

On the Alaska scene, such early operations should provide an immediate stimulus to the economy. Exploratory activities will result in more expenditures in the State sooner. Rather than waiting until a lease sale to be held four years after legislation, the State will see immediate effects from the legislation through the operations conducted on the exchanged tracts.



BOX 719  
BETHEL, ALASKA 99589

February 4, 1987

Representatives Sam Cotton and  
Adelheid Herrmann, Co-chairmen  
House Resources Committee  
Juneau, Ak 99811

RE: House Joint Resolution No. 9

Dear Chairmen Cotton and Herrmann:

We would appreciate it if the following testimony could be incorporated into the public record of the hearings on House Joint Resolution No. 9.

The Bethel Native Corporation, representing 1,750 Bethel area shareholders and their families, supports the use of the coastal plain of the arctic National Wildlife Refuge for oil and gas exploration, development and production in an ecologically and environmentally safe and orderly manner. We feel that the State of Alaska's environmental protection agencies working in conjunction with the oil industries have the ability and technical expertise to develop and produce oil and gas in a sensitive environment.

We will not attempt to repeat all of the economic and state and national security reasons supporting the development of ANWR in this testimony as you have received ample input in these areas from experts in their fields. Instead we would like to focus on the land exchange issue addressed in the Resolution; specifically, numbered paragraphs (2) and (3) and in the paragraph beginning "Further Resolved..."

So that the record is clear let me state that we are reviewing one of the exchange proposals. However, no decision has been made on whether or not we will participate in such an exchange or to what extent we may participate. But leaving aside the obvious self interest we have we feel that there is a larger issue which is not being addressed.

Granted the proposed land exchanges would be "inimical" to the revenues of the government of the State of Alaska. But we take exception to the assumption that the land exchanges and the resulting reduction in state government revenues would be inimical to the interests of the State. The State of Alaska is more than just its government and we would respectfully suggest that the State's interests might best be served through the land exchanges.

For the past several months the Alaskan public has been bombarded with rhetoric regarding the need for economic development and the development of a diversified economic base. Indeed, we elected a Governor whose major thrust was "let private industry do it." We agree that a diversified stable

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economy is the long term key to the economic well being of this State. To achieve that goal someone must provide the capital. Over the past few years the State has provided an enormous amount of capital for infrastructure development which will help support the development of a diversified economy. Now it is time for the private sector to step in and actually establish the diversified economy. And who better to do it than the Native Corporations with capital or revenues that may not be realized by anyone unless all of us in Alaska present a united front?

One of the reasons that Congress gave land to ANSCA Corporations was for development purposes. If DNO chooses to participate in the proposed land exchange (and that is not a given) we will be giving up prime habitat land within another wildlife refuge. If we were to move to develop that land I am absolutely sure that the State of Alaska, USF&WS, and a plethora of environmental groups would all move very rapidly to try to stop that development. I suggest that exchanging this land for developable land elsewhere is not only beneficial to the State of Alaska (and its government) but also has quantifiable benefits to the public outside the State.

In the strongest possible words I urge you to take a long range view for the sake of the State's economic well being. You have all seen the bumper sticker or tee shirt that says, "Please God, give us another pipeline and this time we promise not to p... (throw) it away." Haven't any of you learned the lesson that oil revenues are short term revenues? You have in front of you a golden opportunity to invest in the future through a transfer of unrealized funds. Not only would you be directly investing in the economy of Alaska but you would be investing in the environmental and ecological future of Alaska by improving existing parks and wildlife refuges.

It is recognized that only a relatively small number of private corporations are in a position to benefit directly by the land exchanges but they are in that position exactly because Congress intended that they have the means to take advantages of just this type of opportunity. But absolute numbers are not necessarily relevant in this instance. You need to look at who the corporations are and where they are located and what they would do with the investment capital. These are corporations that are scattered across the breadth of Alaska often times in communities with chronic unemployment and underemployment along with the social ills that go along with those conditions. Where would these corporations invest their money? Look at the commitment to Alaska of these corporations. Because of ties to the land and because of cultural ties, etc. these corporations are in Alaska for the long haul for better or worse and are highly unlikely to take their profits and run to the lower 48 or elsewhere. To a large extent these corporations have had their baptism of fire and are now sophisticated enough to be able to utilize an influx of capital. Look at the variety of businesses

these corporations are all ready involved in and just think of the diversity of business that would be available if they had access to additional capital.

Using BNC as an example, we have been profitable for the past two years and there is no reason for that to change even in the down economy. On my "projects" list are 12 different investment opportunities that I have identified which need only capital to bring to fruition. Some of the projects might drop out during the investigation phase but other projects would come up to replace the dropouts. They are just about evenly split between retail trade, services, tourist oriented projects and manufacturing. Every single one of them is in Bethel. Every single one of them is oriented towards utilizing local labor. I know a number of other people in other corporations and I am absolutely positive that they have similar ideas and plans.

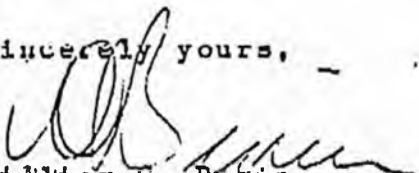
Just for a moment be visionary. Think of the impact that 12 or 15 corporations (or more) scattered across Alaska would have on the economy. Think of the welfare and unemployment not paid. Think of the potential for reducing Alaska's social problems and their associated costs. Think of the long term taxes the corporations will be paying, not to mention the long term property and income taxes which the employed tend to pay.

Take a long hard look at what you are doing and ask yourselves if there might not be ulterior motives for opposing these land exchanges. If you oppose the land exchanges based solely on reduced revenues to the State government then you are so short sighted that you will never be able to move Alaska toward a stable economy.

Two more points then I'll quit. First, because the land exchanges are based on value and not acreage I think you will find that the adverse impact on the total State revenues won't be that great. The Government of the State of Alaska will still be receiving the lion's share of the revenues.

Second, the assumption has been that the Native Corporations will make a great deal of money with out any risk on these land exchanges. In fact, there is no written guarantee that any of the corporations will make a dime. The vagaries of oil exploration and development being what they are there is a high probability that the exchanges will be worthless. In that case the public will have benefited at the expense of the corporations through the enhancement of the various parks and refuges. There is very real risks for the involved corporations and these risks are not taken lightly.

Sincerely yours,

  
William C. Bivin  
General Manager

ft. HJR 9

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February 23, 1987

Representative Sam Cotten  
House Natural Resources Committee, Co-Chairman  
Pouch V  
Juneau, Alaska 99811

Re: Koniag ANWR Exchange

Dear Representative Cotten:

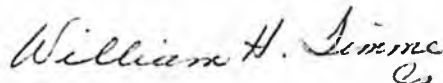
On behalf of Koniag, Uwe Gross and myself, I want to express our appreciation for the time you took to meet with us last Wednesday to discuss the pending negotiations between Koniag and the Department of Interior regarding a possible land exchange involving interests in ANWR. We also appreciated the opportunity to have Art Kennedy testify before your Committee last Friday.

Koniag believes that this dialogue will help to dispel the erroneous rumors which appear to be circulating about the nature of these possible exchanges. Once the exchanges have reached a point that their terms have been agreed to and the extent of their limited impact on ANWR lands is known, we are hopeful that you will agree with us that they provide a real benefit to the State of Alaska.

Mr. Kennedy has communicated to Koniag the Committee's inquiry regarding the identity of the oil company with whom Koniag may have an arrangement. As we indicated to you when we met on Friday, at this time Koniag is bound by a confidentiality agreement with respect to its arrangement with the oil company with whom it is dealing. We regret that we are not at liberty to discuss the matter further.

If you should have any further questions please feel free to contact us.

Yours truly,



William H. Timme

WHT:mb

cc: Uwe Gross, CEO Koniag, Inc.

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\*\* ADMITTED IN WASHINGTON AND ALASKA  
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February 17, 1987

Representative Sam Cotten  
Alaska State Legislature  
P. O. Box V (MS 3100)  
Juneau, AK 99811

Re: Akhiok-Kaguyak, Inc. Land Exchange  
Our File No. 438-1

Dear Representative Cotten:

I am the General Manager of Akhiok-Kaguyak, Incorporated ("AKI"), an Alaskan Native Corporation formed under the Alaska Native Claims Settlement Act ("ANCSA"). AKI is presently engaged in the negotiation with the Department of Interior ("DOI") for the exchange of certain of AKI's surface land located in the Kodiak National Wildlife Refuge ("KNWR") for subsurface acreage in the Arctic National Wildlife Refuge ("ANWR").

This letter is written to explain the present status of the exchange negotiations and to set forth our view as to why the State of Alaska should fully support the contemplated exchanges.

## I. Introduction

It is in the highest national, state and general public interest for Congress to approve the opening of ANWR for

exploration and development with appropriate environmental safeguards. The proposed exchange of highly valued native land inholdings with federal national refuges for federal lands within Section 1002(h) of the Alaska National Interest Lands Conservation Act ("ANILCA") study area presents a significant opportunity for economic benefit to the State of Alaska and to the Alaskan native community, for the consolidation of valuable refuge land now held in private hands into the national refuge system, and for the development of a consensus necessary to open ANWR to oil and gas exploration and development.

It is important that the State of Alaska and its Congressional Delegation are fully apprised of the nature of this opportunity and how critical it is that they presently join in efforts to ensure that this opportunity is not lost.

## II. Explanation of the Exchange Process

Five native corporations, including AKI, Doyon, Cook Inlet, Koniag and Old Harbor, as well as the State of Alaska, have become involved at various times over the last 18 months in an exchange process contemplated under Section 22(f) of ANCSA and Section 1302(a) of ANILCA. Section 22(f) of ANCSA provides general authority for exchanging federal lands for native-selected or municipal-selected lands "for the purpose of effecting land consolidation or to facilitate the management or development of the land, or for other public purposes." Section 1302(a) of ANILCA specifically authorizes the Secretary of Interior to carry out exchanges for the purposes of acquiring lands "within the boundaries of any conservation system unit other than National Forest Wilderness." The lands offered for exchange by the native corporations all fall within the definition of "conservation system unit" as defined by Section 102(4) of ANILCA. Their inholdings are within the National Wildlife Refuge System in Alaska. Lands offered by the Department of Interior in exchange for these refuge lands are offered consistent with the purposes of both ANCSA and ANILCA.

Thus far in the exchange process, much time has been spent in attempting to arrive at correlative land values for purposes of exchanging lands. Though there is provision for the exchange of lands on a basis other than "equal value," the negotiations carried out to date have presumed the use of the "equal value" for "equal value" standard. In addition, the various native corporations involved have negotiated agreements with oil companies to explore and potentially develop the ANWR lands conveyed

to them as a part of the exchange. Revenues received from the oil companies acting as lessees in relationship to the native corporations is the source of economic benefit derived from the exchange.

The negotiations which have taken place between native corporations and oil companies have been conducted on an arms-length basis. As such, the native corporations involved have received no benefit of geological or geophysical interpretations from the oil companies. In that regard, all parties involved in the land exchange, including the State of Alaska, if it chooses to continue to participate, stand on an equal footing. The one factor which distinguishes all parties is the relative valuation given their lands compared to the value of ANWR lands for which they would be exchanged. Not all parties will benefit equally, both in terms of acreage totals and in terms of relative prospectiveness of the tracts offered for exchange. However, no one is in a predominant position to know to a high degree of certainty which of the tracts in ANWR are the most valuable.

The first stage in the exchange process is nomination of tracts for selection. Following this, DOI will administer a tract identification process whereby through rounds of selections the available tracts will be distributed until the acreage credits of each participant run out. Using this formula, it is virtually certain that each participant will receive at least one tract, with a possibility for more, depending upon the relative value of the lands which they are exchanging.

After the selections have been made and all parties have determined the satisfaction with the results, they will wait for congressional approval of the opening of ANWR and separate congressional approval of the exchanges made under this procedure.

### III. The Exchanges Are Necessary in Order to Open ANWR to Oil and Gas Exploration and Development.

The State of Alaska will benefit economically only if the U.S. Congress authorizes the opening of ANWR to oil and gas exploration and development. Because of the national environmental interests in ANWR, a monumental battle can be expected before such oil and gas exploration and development will be allowed in ANWR. In order to garner sufficient support in the U.S. Congress, a broad-based coalition of interests must be formed. The coalition must include, in addition to the State of Alaska,

responsible members of the environmental community. Such responsible members of the environmental community are likely to support the opening of ANWR only if it is accomplished with a minimum environmental impact on ANWR and if the federal government can reacquire other key environmental resources in other refuges in Alaska. By reacquiring other key environmental resources in other refuges in Alaska, the federal government will consolidate its control and management of these refuges so as to preserve and protect in perpetuity these national interest lands. It is only by reacquiring these key resources and by regaining consolidated control and management over these resources that the nation is likely to fully support the opening of ANWR to oil and gas exploration and development.

As Alaskans, we cannot be shortsighted and must consider the problem from this national perspective. The contemplated exchange provides the essential component to gain the national support necessary to open ANWR. By gaining the national support necessary to open ANWR, all of Alaskans will economically benefit.

#### IV. All of Alaska Will Benefit From the Exchanges.

If the coalition of interests is able to obtain congressional support necessary to open ANWR to oil and gas exploration and development, all of the State of Alaska will benefit. Presently, the State of Alaska is a participant in the exchange negotiations. The State of Alaska is apparently attempting to exchange as much as 800,000 acres of its lands. At the present time, this would equate to approximately 40% of the total acreage of land being exchanged. By being a direct participant in the exchanges, the State of Alaska will receive the direct economic benefit derived from the land it is exchanging in this process.

All of Alaska will also receive benefit from the other participants involvement in the exchange. Clearly, what is good for the individual people of the State of Alaska is good for the state as a whole. The strengthening of the economy of private corporations in the state will recirculate throughout the Alaska economy. The benefits received by the participants will lead to diversification of the state economy, thus attracting new investments in Alaska. The State of Alaska will obtain the taxes charged for private development of these resources. The development of these resources will provide jobs for the people of Alaska. The development of these resources will likely occur

faster by private industry than it would by the state. Thus, the state as a whole will benefit from the exchange process.

Finally, the state will benefit from the impetus that the exchange will provide to the effort to open ANWR. The State of Alaska will benefit economically only if ANWR is opened to oil and gas exploration and development. Stated differently, 90% of zero equal zero. The exchange process will provide the essential component necessary to form the coalition of interests required to open ANWR. Further, ANWR is more likely opened if on a smaller scale with strict environmental controls. The exchange provides this mechanism for opening ANWR. The exchange contemplates the opening of only a small part of the Coastal Plain of ANWR, with strict environmental controls. The exchange will allow the opportunity to determine whether oil and gas is present in ANWR as indicated in DOI's Section 1002 report. Thus, the participants in the exchange will be the pioneers in this initial exploration effort. If the pioneering effort confirms that oil and gas is present, the exchange will provide the impetus to open all of the Coastal Plain to exploration and development. The State of Alaska will then receive all of the revenue from the entire remaining portion of ANWR from federal oil and gas leases.

#### V. Conclusion.

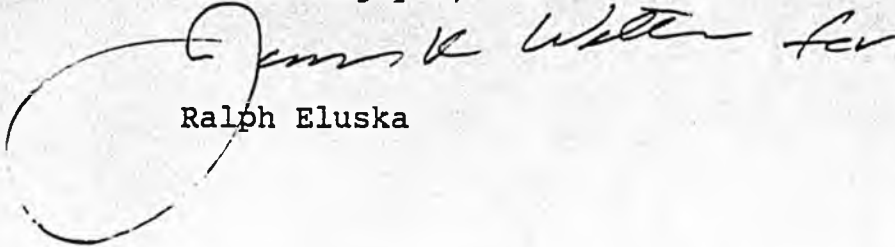
The State of Alaska must be politically realistic in its expectation to open ANWR to oil and gas exploration and production. From a national perspective, the exchange process provides the necessary element to form the coalition required to open the Coastal Plain of ANWR. Once ANWR is opened to oil and gas exploration and development, all of the State of Alaska will benefit from the exchange. The state is a direct participant in the exchange process and will be the beneficiary of all revenues received from such participation. The state will receive the economic benefit received because of involvement of the state's private industry in the exchange process. The state will receive severance taxes from the development of this land by private industry. The exchange will lead to new job opportunities for all Alaskans. The development of this land by private industry will likely occur faster than by the state. Finally, the exchange will provide the impetus for opening all of the Coastal Plain to oil and gas development, thus leading to full development and the consequential state revenue obtained from federal oil and gas leases.

Representative Sam Cotten  
February 17, 1987  
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For these reasons, we respectfully request that you consider the economic benefits which will be received by the State of Alaska from the contemplated exchange process, and that you lend your full support to the exchange process.

Regards,

Akhiok-Kaguyak, Inc.

  
Ralph Eluska

RE/JKW/cl/44  
438-1