

ALASKA LEGISLATURE COMMITTEE FILES, 1987-1988 8672
4886 HRES ANSWR PROXY STATEMENTS - BRIEFING: DNR, 2/11/87

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

The Honorable Ted Stevens
United States Senate
Washington, D.C. 20010

March 9, 1987

Dear Senator Stevens:

Thank you for addressing the Alaska Legislature in part on the issue of opening the Arctic National Wildlife Refuge coastal plain to oil and gas exploration and drilling. I agree with you that the issue is very important to Alaskans and that the State of Alaska needs a coordinated policy on ANWR issues. For your information I am enclosing a copy of HJR 9, presently under consideration by the Resources Committee of the Alaska State House.

You will note that the resolution proposes five consensus policy points: 1) ANWR should be opened immediately, except that leasing of the core calving area should be deferred; 2) discussion of proposed land trades which could harm the State's interests should end; 3) Congress should make no adjustments in the State's existing entitlement to oil and gas leasing revenues on public land without the State's concurrence; 4) environmental protections should be guaranteed on those lands available for leasing; and 5) Alaska work forces should be employed in any ANWR development. These consensus points, I believe, should generally guide our congressional and executive negotiators as they discuss ANWR issues in Washington. And the House Resources Committee, which I co-chair, has been conducting a methodical and comprehensive review of these proposed policy points in an open forum here in Alaska.

With regard to your speech to the Legislature, I must candidly say that I do not agree with your statement that "debate within Alaska over the merits of land exchanges and possible modification of the 90-10 revenue sharing formula may interfere with our efforts to organize a national ANWR movement." The ANWR issue could be more important to

Alaskans than any other lands issue for the foreseeable future; it deserves full and free debate before we arrive at a consensus negotiating position. The State cannot be expected to forsake a potentially gigantic revenue source on the basis of the political information available today, especially when so little is known about the proposed land trades.

I was puzzled by your statement that "reduction of Alaska's revenue share to 50 percent was part of the price of opening the 23 million acre National Petroleum Reserve--Alaska." In fact, based on legal research conducted by the Attorney General's office after your speech, it is clear that Alaska would have received no revenue share from oil and gas production within the former Naval Petroleum Reserve No. 4 when it was managed by the Navy. Naval petroleum reserves are explicitly exempt from the revenue-sharing provisions of the Mineral Leasing Act of 1920. It seems more reasonable to say that the NPRA Act of 1976 probably raised Alaska's revenue entitlement (from 0% to 50%) for production from this area.

You are right that Alaskans need to understand and react to national needs in the ANWR debates. The coastal plain could produce oil and gas that will increase national security, reduce our nation's burgeoning trade deficit, measurably boost the nation's economy, improve foreign relations, and cut the cost of energy to American consumers. But this does not mean that Alaska's rights and needs should be submerged at the beginning of a long debate.

Alaska's rights include the 90% entitlement to oil and gas revenues from public land, established as part of the solemn compact between Alaska and Congress at the time of Statehood. Whether or not Alaskans will consent, at some future time, to a reduction of this entitlement is unknowable, but for now it seems incumbent upon us as Alaska policymakers to negotiate toward the maximum national and state benefit.

I realize that this must be a difficult time for Alaska's congressional delegation. I know that you value the comments and suggestions of Alaskans, especially on major policy issues like ANWR. And I look forward to continuing to work together, as Alaskans, toward opening ANWR under the best possible conditions serving national and state interests.

Sincerely,


Rep. Sam Cotten
Co-Chair, House Resources Committee

cc: Governor Cowper

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

February 16, 1987

The Honorable Ted Stevens
United States Senate
522 Hart Building
Washington, D. C. 20510

Dear Senator Stevens:

I am writing with regard to the proposed land exchanges in the Arctic National Wildlife Refuge. As you may know, the House Resources Committee of the Alaska State Legislature has been investigating the proposed land exchanges and last week heard about them from the Interior Department, ANCSA Corporations, and the State of Alaska.

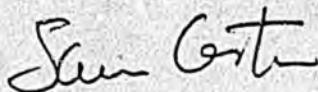
As Senator Murkowski stated in his annual address to the Legislature on February 13th, the protection of the state's interest is vital in any ANWR land exchange. I agree with him that one way of protecting the state's interests would be to provide that the state's entitlement to revenues from the traded ANWR acreage will not be reduced by the exchange.

However, in our hearing last week, we heard from Bob Gilmore of the U.S. Fish and Wildlife Service (who stated that he has the "responsibility for making the exchanges happen") that the exchanges are "a long way down the road," and that inclusion of a provision to retain the state's revenue entitlement would require renegotiation of the proposed land exchange contract. To my understanding there would also need to be an adjustment of the subsurface appraisals of ANWR acreage to reflect the lower revenue potential for holders of the limited subsurface interests after the trades occur.

Senator Stevens, it is my belief that the time has come for our congressional delegation to work as closely and immediately as possible with the Interior Department to assure that the state's revenue entitlement is protected in any land exchange agreement. Obviously, we cannot afford for the agreements to proceed to finalization without this protection.

I hope that you will be able to help out on this issue which needs your personal attention right now.

Sincerely,



Sam Cotten, Co-Chairman
House Resources Standing Committee

cc: The Honorable Steve Cowper
Governor, State of Alaska

Mr. John Katz, Special Assistant
Office of the Governor, Washington D. C.

Mr. Robert Gilmore, Regional Director
United States Fish and Wildlife Service

REPRESENTATIVE
SAM COTTEN
DISTRICT 13



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

ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES

February 16, 1987

The Honorable Don Young
House of Representatives
2331 Rayburn House Office Building
Washington, D. C. 20515

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CORRECTION

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

REPRESENTATIVE
SAM COTTEN
DISTRICT 15



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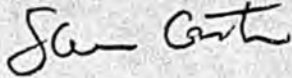
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Mr. John Katz, Special Assistant
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ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES

M E M O R A N D U M

To: Rod Swope, Special Assistant
Office of the Governor

From: Ned Farquhar, Special Assistant *Ned*
Representative Sam Cotten

Date: February 10, 1987

Re: ANWR Land Exchange Meeting

This summarizes our telephone call of Friday, February 6th regarding the Resources Committee's February 13, 1987 meeting at 1:00 p.m., Capitol 124 on the topic of ANWR land exchanges.

The committee will hear from Bob Gilmore, who will do a general briefing on the land exchange proposals, and from interested ANCSA corporations.

From the state, the committee will be interested in:

- (1) The administration's policy position (as much is known) on the proposed trades;
- (2) The state's participation to date and in the future - what state lands have been offered and are now being considered? What problems does the state identify in proposed agreements, appraisals, and trade processes? What timeline does the state see (and what would it prefer) for movement on land trades and state policy making? Would the state support the "recission" clause?; and
- (3) Legal analysis - what does the state believe would be legal in the way of exchanges or ANWR development without Congressional approval? What regulatory authorities would the state and federal governments lose in a land trade, if any? Does the 7(i) revenue-sharing clause apply to exchange lands?

I hope that the state will be able to have present appropriate technical and policy staff. Thanks for your assistance.

cc: Bob Arnold, DNR
Tom Hawkins, DNR
Tom Koester, AGO
Norm Cohen, ADF&G
Dennis Kelso, DEC

ANWRI.TXT

HIGHLIGHTS OF FEBRUARY 1987 HEARING

State involvement:

1. Katz says State wanted to participate at same "key policy levels" as ANCSA corporations, but had "difficulty insinuating itself" in the negotiations (pp.43,47-48); State was in "back channel" (p.43); Katz provides a chronology of state involvement (pp.46-47)
2. State only learned of exchanges by "rumors" till latter 1985 (p.46)
3. Koniag says State was only involved in negotiations from September or October 1986 (pp.42-43); Koniag describes negotiations to which state was not invited (p.43)
4. Acc. to Katz and Swope, state had no position on trades but participated as a sovereign and landowner (p.45)
5. The State expected tract selection March 2, 1987 (Katz, p.48; Gilmore, p.5)

"Secrecy"

1. Gilmore says public will see documents after they are signed (pp.7,18); says he doesn't know if state negotiators are prohibited from releasing documents (p.20); says Interior is moving at pace needed by ANCSA corporations (p.25); says Interior will release documents then corrects that statement on p.39
2. CIRI/NLG doesn't object to releasing documents (p.30); reveals its industry partners (p.31)
3. Koniag opposes release of documents (p.40); will not reveal its partners (p.41);
4. State wants documents released, has been required to maintain secrecy (Katz, p.49); state doesn't like proposed "conflict resolution" by negotiation (Hawkins, p.52)

State interests

1. Katz talks about wanting overriding royalties for state (p.50); says timelines are "very, very constrained" (p.48)
2. CIRI says it doesn't oppose overriding royalties (p.30); Koniag sounds more negative (p.37)

3. Koniag says the agreement it drafted protects state's rights (p.39)

4. State says the agreements have not been amended per state's suggestions in December and January (Hawkins, p.51); "preemption" of state authorities (p.53)

HOUSE RESOURCES STANDING COMMITTEE

February 13, 1987

1:00 p.m.

5

Members Present:

Representative Sam Cotten, Co-Chair
Representative Adelheid Herrmann, Co-Chair
Representative Mike Navarre
Representative Drue Pearce
Representative John Sund
Representative Cliff Davidson
Representative Dick Shultz
Representative Henry Springer

Members Absent:

Representative Lyman Hoffman

COMMITTEE CALENDAR

Arctic National Wildlife Refuge: Land Exchanges

WITNESS REGISTER

Mr. Robert Gilmore, Regional Director
U. S. Fish and Wildlife Service
1011 East Tudor Road
Anchorage, Alaska 99501
Telephone: 786-3542
Position Statement: Department of Interior: Overview

Margie Eagerser
Native Land Groups
Cook Inlet Region, Inc.
2525 "C" Street
Anchorage, Alaska 99501
Telephone: 274-8638
Position Statement: Urged state support for ANWR land exchanges.

Art Kennedy, Consultant
Koniag, Inc.
3300 "C" Street
Anchorage, Alaska 99501
Telephone: 276-6683
Position Statement: Urged state support for ANWR land exchanges.

Rod Swope, Special Assistant
Office of the Governor
P. O. Box A
Juneau, Alaska 99811
Telephone: 465-3500
Position Statement: The state does not have a position on
land trades at this time.

John Katz, Special Assistant
Office of the Governor
444 North Capital, N. W.
Suite 518
Washington, D. C. 2001-1512
Telephone: (202) 624-5858
Position Statement: Chronology of state's position.

Tom Hawkins, Director
Division of Land & Water Management
Department of Natural Resources
3601 Frontier Street
Anchorage, Alaska 99510
Telephone: 561-2020
Position Statement: Specifics of the land trade documents.

ACTION NARRATIVE

TAPE #16, SIDE ONE
Recording

Number 001

Chairman Cotten called the House Resources meeting to order
at 1:06 p.m. Present were Representatives Cotten, Pearce,
Herrmann, Davidson, Navarre, Sund, Shultz, Springer and
Representative Kay Brown. Chairman Cotten announced the
calendar and asked Mr. Robert Gilmore, Regional Director,
U. S. Fish and Wildlife Service, to come forward. }

Number 037

Bob Gilmore, representing the U. S. Department of Interior,
begins to testify, "I have a brief statement with some
brief information at the tail end of it, leaving as much
time as possible for the committee to ask questions because
I can start at the beginning and talk about it until I got
to the end of it and we wouldn't get out of here, it is
such a complicated subject. I will go briefly through the
overview and then if there are questions I will be glad to
answer them. I am pleased to appear before you today on
behalf of the Department of the Interior to discuss efforts
now under way concerning potential exchanges involving oil
and gas interests in the Arctic National Wildlife Refuge.
The Alaska Native Claims Settlement Act (ANCSA) of 1971 and

the Alaska National Interest Land Conservation Act (ANILCA) of 1980 allowed for native selections of millions of acres of prime habitat within refuges in Alaska. Depending on the amount of land ultimately committed, it is estimated that 13 to 15 million acres of inholdings will be established in Alaska's 16 refuges. That was the map that I left on the plane, Mr. Chairman.

"Should Congress decide to open the coastal plain of the Arctic Refuge to oil and gas developments, several native corporations in the State of Alaska have proposed to exchange some of their inholdings within the existing Alaska refuges for oil and gas resources of comparable value on specifically described tracts in the general vicinity of the Arctic Refuge. As a matter of policy, any Alaskan land exchange in the Arctic Refuge will only come about if Congress opens the the refuge to oil and gas exploration and development. In addition, should any exchange be successfully negotiated, they will be subject to Congressional review. During the past 18 months, the Dept. of Interior representatives have been meeting with the native corporations and state representatives to discuss the terms and conditions it might be associated with in the exchange. The Fish and Wildlife Service has identified to the participants and others, approximately 5 million acres of refuge inholding that represent high priority resource area. The participants have cooperated with the Fish and Wildlife Service to develop exchange proposals that are responsive to these priorities. While the final configuration of the proposal is still being negotiated, indications are that from one to two million acres may be available for exchange in 12 of the 16 refuges. To date, there has been no identification of tracts in the Arctic Refuge (inaudible) in such an exchange."

Number 102

Mr. Gilmore notes, "Some briefs points: The responsibility for making this exchange happen rests with the Regional Director in the Fish and Wildlife Service in Alaska. The priority system that we established for identifying those potential inholding lands and those lands that are in fact inholding now, in the National Wildlife Refuge system is a rather extensive document but it does clearly lay out, in a priority order, what the Fish and Wildlife Service's priorities are if anything happened to resources under the (inaudible) of Congress. In that priority list starting out with migratory birds and moving endangered species and moving migratory birds, resident species, recreation and all the way down to the last one which says, 'To prevent threat of destruction or some other kind of threat that would prevent the natural resources that are out there now and continuing to exist.'"

At the same time we identify those inholding lands that we would be interested in, we follow along the policy of the Fish and Wildlife Service, not to acquire subsurface when we acquire land. As a general rule in the lower 48, we do not seek the subsurface, for numerous reasons, the federal government does not have enough money to buy what people think is under the surface, and secondly, we have a very difficult time with anybody agreeing what might be there so we could figure out what it might be worth. In keeping with that policy, we did not seek nor do we seek any subsurface rights under the refuge or in the withholding inholdings."

Number 140

Generally speaking, we have avoided the 14 (h)(1) site with the exception of the possible leavement of one. The participants, up to this point and time, are the Koniag Corporation, Akhiok-Kaguyak, Old Harbor, Doyon, the Native Lands Group, and the State of Alaska. The benefits as we see them assure us that the high priority resource areas are held in the public trust in perpetuity, and those are the one that we are the most interested in, the ones we are trying to assure that they are under the federal protection for as long as we are around. It eliminates the prospect of the lands might be converted to other uses, that was one of our primary concerns. It protects continued subsistence uses by local rural residents and allows for early exploration activities on the coastal plains to generate direct and indirect revenue to the State and the Native Corporations and make opening the coastal plains calculable to some, it is easy to say it is not very calculable."

Number 157

Mr. Gilmore states, "I'll talk about about the exchange agreement for just a moment. In considering in the fact that it still is being negotiated and the final aspects of that agreement might very well be ready by the middle of March. It is consistent with the 1002(h) report, a very important point that everything is being negotiated in the agreement does not conflict with what they put out in the 1002(h) report earlier this past year. In exchange that is based on comparable value, to clarify that, it is not an acre for acre exchange, it is value for value, meaning if an acre of Native land was worth \$400, they would be able to receive \$400 worth of value on the subsurface of the Arctic Refuge which may not be anywhere near an acre. Matter of fact, I don't think it would be. This involves only gas and oil interests for specific periods, meaning when the exchange is brought about and if there is an exchange, those involved in the exchange would

Not acquiring inholders subsurface

Subsistence easement

only receive the opportunity to explore for and develop oil and gas. Gravel, water and other subsurface minerals would not be available and it is only for a specific period of time, (some time in the future) when it was determined that there was no additional resources there or no interest by the corporation. To continue, it would convert back to the federal government.

The Title XI access rights would be waived in this process, it would be consistent with the leasing program and apparently carried out by the federal government. We would allow and would encourage subsistence easements on the inholdings that would be exchanged which is an interesting concept since if someday somebody decided they don't like subsistence, to a great degree, and decide to change it, in this exchange the native corporations would retain an easement and a right for subsistence on their land in perpetuity. There are rescissions in termination clauses which are far too complicated for me to discuss at this point." *W*

rescission clause

Lead

Number 198

Mr. Gilmore states, "One item that was very important to the Interior Department, because we anticipate a fairly large lease sale in the area after the exchange is completed, is that we get the 'down-hole' information of any exploratory activities of the participants in the exchange.

acquire well data - (didn't in ASRC/KIC exchange)

"One other item I feel I should make clear because you asked a specific question. At the present time the subsurface value that is determined by the Bureau of Land Management, that process is nearly complete but it still has to go through several approval levels by the Department in Washington and until then it will not be available for public review.

March 87 tract selection

State withdrew on 2/27/87; tract selection kept getting postponed till July 87)

"In regards to the time frame that you might expect, we anticipate some fairly active movement about the last week in March in regards to possible tract selection that the Natives would tell us what tracts they would like to have under the Arctic Refuge and we in turn would begin to move at that point. This is a little optimistic but it is what we are trying to achieve at this point and time."

State was still in as of 2/13/87

Number 223

Rep. Davidson asks for a copy of Mr. Gilmore's remarks. Mr. Gilmore answers, "Yes I will make them available, unfortunately I have been in and out of the office. I picked this copy of at six o'clock this morning and as you can see I have already masticated it somewhat. I will see that you get copies."

Number 232

Rep. Shultz asks, "How is BLM making a determination as to the value of that land."

Mr. Gilmore states, "We ran seismic surveys the last two seasons and the raw data from those seismic surveys were available to the government BLM. BLM's geologists and engineers and other specialist have evaluated the subsurface and are attempting to come to some value of what they think is under every parcel of land that might be available out there."

"The land parcels, as I recall, is about 2,000 acres of of the tract site would be in the Arctic Refuge. Under each one of those tracts, BLM's responsibility will be to determine if there is an oil and gas potential down there and what it is worth."

Number 260

Rep. Shultz states, "The refuges in the State of Alaska, in federal control, are open at the present time for hunting and fishing and now we are inserting language that refers to subsistence corridors into this land that you are swapping for, that you mentioned, is that right?"

Mr. Gilmore answers, "I don't think so."

Rep. Shultz asks, "You're not referring to the hunting and fishing rights that presently exists with the people, right?"

Mr. Gilmore states, "The hunting and fishing subsistence rights that those people have at this point and time will always be there. We are obligated to make sure that that happens. The hunting and fishing rights of all people, we don't anticipate any curtailment of their activities. There are and have been, as you know at Prudhoe, different controls in the oil fields than we have on the refuge at this time. I would expect in there that there would be some control and I think it would be appropriate for the wildlife point of view not to have hunting within certain distances of the road or certain distances from development. I don't anticipate any severe curtailment of the activity in the refuge."

Rep. Shultz states, "What I was saying was that under the present time in the federal refuges, the government has hunting and fishing that's allowed for the public. Right?"

Mr. Gilmore, "Correct."

Rep. Shultz states, "That now you are inserting a subsistence clause, so in other words, if this goes through, then you will be able to stop everything except the subsistence use on that portion of that land that you got."

Mr. Gilmore states, "We can do that now, yes sir, that is correct. If the wildlife is in danger, and we feel there is some.....the last thing that we have the opportunity (?) is subsistence. We can also deal with that. The point is that we have that opportunity right now."

Rep. Shultz asks, "Then why would you want to include it in there."

Mr. Gilmore states, "The Natives would like to include it. The problem, I think if you understand, that there is a great deal of discussion and consternation about subsistence and in the future, as this State grows, it may in fact become an issue of real discussion in the State and if for some reason or other, it were repealed, then the native corporations have asked that the subsistence preference remain on these lands that they are exchanging away. We are in agreement with that right now."

Rep. Shultz asks, "Let's just say that the subsistence was repealed, would you identify or would recognize subsistence use on all federal lands in the future, excluding these."

Mr. Gilmore states, "The hypothetical that you put forward, was if there were no subsistence, the lands that would be exchanged under this agreement would still have a subsistence preference, all the other lands would not."

Number 309

Chairman Cotten states, "I was not clear on the time line on the agreements and I would like to know have there been any public hearings on the agreements, or do you intend to have any before they are signed."

Number 314

Mr. Gilmore answers, "I think what we have is an opportunity and a window between March and June. A two step process which is having tract selection carried out so the native corporations can go back and talk to their constituents. At the same time, the agreement may be very well have not been signed until June or July. If that is the case, we have indicated earlier on that we had hoped that sometime between March and June/July we could get out to the public and explain, in more detail, what we're doing. They would be public meetings."

Chairman Cotten asks, "Are there was some draft agreements that are in existence right now."

Mr. Gilmore answers, "Yes there are."

Chairman Cotten asks, "Are they available to the Legislature."

Mr. Gilmore answers, "I think that they probably are available since the State has had a copy of the draft agreement for sometime. I suspect if they are in the state government hands, they certainly should be in yours."

*This is wrong -
see p. 40
p. 49
p. 55 -*

Chairman Cotten states, "They aren't, we've asked for them, and don't have them. Can we get a copy from you?"

Mr. Gilmore answers, "Yes, sir you can but I really wish you would get them from the State but I will be glad to give it to you. I think there is a letter over there responding to it."

He ends up retracting this later

Number 337

Chairman Cotten states, "The question about the determining value in the lands and the coastal plains has been raised and the other question about who has what information has also been raised. In order to do the best evaluation, those who have the most information will be able to make the best guess about what is underneath the ground. Does BLM currently hold the well that has been drilled up there? Does BLM currently hold the down holed information?"

Gilmore says the KIC data might confuse Interior

Mr. Gilmore answers, "No sire, they do not." !!!

Chairman Cotten states, "So some people would have a better idea than you as to what might lie under the ground then."

Mr. Gilmore answers, "Not to quibble over words too much but the more that I get into this oil business, every time I say something like that I get in trouble. Somebody will have what they think is a better idea, they may have gained some information that would have helped them and they have gained some information that left them further in the dark, so I'm told. I'm not a petroleum engineer or whatever it is that those people do to dig those holes."

Chairman Cotten states, "I just have a hard time imagining that you would know less if you had the well information."

Mr. Gilmore states, "Well you could be further in the dark."

Number 356

Rep. Davidson states, "Director Gilmore there seems to be a heightened sense of urgency. In fact a stampede seems imminent but you do not have contractual language for this Committee to examine as far as land exchanges are concerned. We do not have values on subsurface rights. What explains this sense of urgency or this, what I perceive anyway, a sense to hurry along on this issue?"

Mr. Gilmore answers, "We're moving at the pace requested by the the native corporations."

Number 369

Rep. Sund asks, "Just a couple questions, you're dealing with Fish & Wildlife, and I guess I know you have been negotiating with the State on land exchanges. Where is the negotiations with the State, and you've been working with the native groups and that, is there any negotiations going on with the State for exchange of State land held in wildlife refuges?"

Mr. Gilmore answers, "Yes there is and the State is in same place, I think, as the rest of the negotiators. They have their own document, they've been to the table, they been to the negotiating sessions. I think, and I haven't been to the negotiating session and I am a little fuzzy at exactly what the State might have at this point, but I think they have everything that all the other negotiators have."

Gilmore says State has info re?

Rep. Sund states, "There is wildlife refuges and national parks, are any of the inholdings in the parks being discussed here."

Number 380

Mr. Gilmore answers, "I can't answer that question. When the subject came up, it would be terribly inappropriate for the Fish and Wildlife Service to begin to take on land exchanges within parks. The State brought those apparently large acreage up. I suggest that they go to the Regional Director of the Park Service and explain what was going on and tell him that if he was interested in the exchanging of land that he, in fact, should get involved in the process and contact the same Assistant Secretary that I do."

Number 392

Rep. Sund asks, "Is it possible, is this a three party negotiation, do you have to be with Parks and Wildlife Service at the table separately. Is there within the Department of Interior, manage both parks and refuges, can you exchange park lands for lands in the refuge?"

Gilmore
says
NPS
didn't
want to
get
involved

Mr. Gilmore answers, "Yes, you can. The Park Service had they chosen to get involved a year or so ago, would be at the table with all the rest of us."

Rep. Sund asks, "Is it too late."

Mr. Gilmore answers, "Not as far as I'm concerned, it isn't. But it is a long way down the road. As you move along, I think it is fair to say that several groups have come in with their proposals as late as December and January. We just got some proposals. It will be very difficult and it would depend on the completeness of the documentation and how they want to work it, but I don't think it is too late."

Number 409

Rep. Kay Brown asks, "Does federal law require competitive bidding for disposal of oil and gas rights in the refuge land."

Mr. Gilmore answers, "You're a little out of my bailiwick in regards to oil and gas responsibility, but generally, anything that the government makes available goes out for competitive bidding."

Rep. Brown asks, "How does the proposals being contemplated fit in with that requirement for competitive bidding."

Mr. Gilmore answers, "In this particular case, they don't fit in because it is an exchange of value for value. There is no bidding involved. We exchange lands quite often in the federal government, for this or that, to better achieve what the public expects us to achieve. When we so do so, we don't have a process, that I know of, that says, is there anybody else that's got anything better involved which would make it a competitive bid process of people bringing other lands into exchange."

Number 426

Rep. Brown states, "But it would seem to be that the effect is actually to dispose of sometimes valuable properties, potential oil and gas development and public interest overall would be concerned by of disposing of those properties by competitive bid."

Mr. Gilmore responds, "I think there are two pieces of interest to answer that question. 1) I do not think we are disposing of it, I think we're giving the people in this state, an opportunity to make some dollars off of this land. Secondly, I feel that an exchange of this sort does in fact, fit within the concept of what we're trying to

Gilmore
not competitive
bec. want
companies to
make

achieve. What you are going to see is, maybe 15% or 20% of the surface acreage will be utilized in the exchange. The remainder of it will be up for the highest bid lease sale."

Number 440

Rep. Brown states, "But is it not likely that the most promising parts of the structure will, in fact, be selected and will not be available for competitive bid."

Mr. Gilmore states, "Well there is an awful lot of people that hope they can do that, yes. But again, that is depending on the information and the capability of the people who do it."

Number 443

Rep. Springer asks, "Did I understand you right that one of the goals or one of the stipulations in regards to wildlife is that the human activities don't diminish the status of the different species up there, or did I misunderstand you."

Mr. Gilmore states, "No sir, I don't think you misunderstood me, I think what we are trying to do at this point and time in the general 1002(h) report where we have laid out what we think development scenarios can be and explain what effect it would have on wildlife. We feel like that the effects from the scenario, in the report, does not bring about significant problems for wildlife."

Rep. Springer states, "I have a hard time understanding what is being used as a base because some species like musk ox and so on, have a fairly constant density or number of animals in a specific herd but when you get into lower forms of life like different small earth species or insects and so on, you don't have that. It is a fluctuating thing that changes drastically from one year to another. This is a natural phenomenon. I don't understand what are we going to use as a base from a management standpoint to truth work."

Number 465

Mr. Gilmore answers, "Well we spent five million dollars in five years gathering a base data bank of information in regards to fish and wildlife species on the coastal plain. Probably the most extensive study ever done on any refuge in the United States or in the Lower 48. We think we have as good a base information as can be obtained at this point and time. Obviously, if you spent five more years out there you could get it a little better. What we have, we feel fairly confident at this point that we know what is

going on out there and have some idea about what effects different types of development plan."

Rep. Springer states, "Yes, I understand that, but what I basically don't understand is are some species that have a natural condition, uninfluenced by man, a very strong fluctuations, like snowing out, for example. What are they going to use as a base and say at that point or that point human activity was responsible for diminishing or not."

Mr. Gilmore answers, "If we proceed through this, we will have a complete monitoring program that starts from five years ago and monitors right on through the times that there is either no development out there or something different changes. We are going to have an annual monitoring exercise that tells us basically what is going on out there. As is recognized, the Arctic Science of Wildlife Management is not specific enough to get down to real numbers of animals, so we look at trends. When we see trends of something happening out there, we do have and will have in the stipulations that will accompany these such actions as this, the opportunity and the prerogative to change whatever is going on out there for the benefit of wildlife."

Number 490

Rep. Springer states, "That is exactly my point because I have experienced the same thing during the oil pipeline construction. Because of the unexact nature of natural sciences, that is open to the whim of field observance and administrators and that causes me a great amount of concern. Thank you I appreciate your answer."

Number 497

Chairman Cotten states, "Mr. Gilmore one of the questions that came up today in Senator Murkowski's speech was something that this committee had slightly discussed before, and that had to do with the question of the State's interest in the land as it sits right now. As you know if the land were leased right now the State would receive 90% of any bonus or royalties. If the land were transferred to private ownership, the people of Alaska wouldn't receive those. One proposition that has been put forth would be for the State to, in the event that a transfer to private ownership, receive an overriding royalty. In response to a direct question, at least one of our U.S. Senators said he supports that concept very much. I feel like that would go a long way toward resolving the question of fairness to the general population of Alaska. How could that be included in an agreement between the Department of Interior and the interested private parties?"

*overriding
royalty*

Mr. Gilmore answers, "I would to say that I would have to go back and study up on what an overriding royalty is."

Chairman Cotten states, "The point is that the State would continue to receive the interest they would have received had it remained in federal ownership."

Mr. Gilmore states, "I guess at that point the agreements that we have worked out, if I understand it correctly, with the corporations would have to be completely redone. In the event that some dollar amounts were taken from their potential proceeds, in the future, or in this case it would be their land value, if there was something on their land value or in the exchange it diminished their opportunity to make what they want to make. I suspect we would have to renegotiate."

Number 521

Chairman Cotten responds, "I suspect that that would probably be satisfactory with me. I noticed that earlier, that you said that you were proceeding at the pace that was suggested to you by the native groups. I would suggest that you might want to spend maybe a little more time with that proposition, serious consideration. I certainly don't have a big problem with the lands being transferred. I was concerned about the public interest and the revenue interests of the general population of Alaska had. If the land did get transferred to private ownership, as long as the State's interests were protected, I think we would all benefit under those circumstances."

Number 530

Mr. Gilmore states, "I was dealing with a hypothesis that you set up, I think I must respond a little bit on the other side of the issue. The hypothesis that you set up was that it's safe to go with a stand now, but I think that it might be wise to consider that Congress has got to open it first. At that point and time, whether Congress decides to allow it to be 90/10 or not, the big question, at least that's what we're led to believe, and as most of you probably know, I'm hearing a great deal of discussion in the Lower 48 from the congressional people of patterning the opening after the NPRA which is a 50/50."

Chairman Cotten states. "This committee expects to hear more about that, in more detail, at a later time. There has been some suggestion that as a part of the State working off that for legal reasons, we may have a case and we may not. But that is something that we as a State again would no doubt hope that we could maintain the existing language."

would have to redo the deals for over. royalties (Horn says on 3/6/87 re overriding royalties)

Number 540

Rep. Sund states, "That's just a follow up, Mr. Chairman, that the prior existing rights series that is obviously had to have made a determination of whether the State has prior existing rights in that land to any royalty share of the oil. I wondered if you have any legal opinions or what position you take and the issue is if it's federal land and there is prior existing rights for the State to get 90% royalty share. If you take and trade it away the State is getting a zero consideration for that prior existing right, as I understand the position you are taking now. I was wondering if you had any research or legal opinion done on that."

Number 550

Mr. Gilmore states, "That has so many avenues that I don't know if I can answer all those and keep in mind what your question totally was. First off, our position is fairly simple. We have laid the report on the door of Congress and we expect it to take whatever action they choose to take. In regards to whether it is 90/10 or 50/50 will be up to them, not us. One piece of information that we do have, that Congress has already shown us what some of their intentions are and that is to take in the NPRA, when they provide for opening the NPRA, they changed it to to 50/50. That is all we have to go on at this point and time. As far as I know, there has been no solicitation or review of prior state interest. As I understand it, partially what you are saying, I saw some of the information that has been brought forward. Did I get part of it?"

Number 560

Rep. Sund states, "We're getting there. In terms of establishing the value to the land in the land exchange, it seems to be that's a pretty basic consideration of it. If you're in the native group position of how much acreage or value for value land you are going to get, how much of that oil that is under the lands is going to be yours or theirs for the receipt you're in. It is pretty important, if it's a 90/10, then they get 10% or if it is 50/50, they get 50% or if the state is found to have a zero prior existing right and they get it all, that seems to me that the impact is pretty heavily on the value in terms of trading this land back and forth. I was wondering what basis or formula you have been using."

Number 570

Mr. Gilmore states, "The formula is fairly simple as far as we're concerned. We are trading on the basis that Congress

will make that decision whenever the decision is. Our point of view is that the oil values up there are given amount and that anybody that who became owner of those oil values by exchange would get the full amount."

Number 580

Rep. Sund states, "So the negotiations table now is that whoever gets the land on the coastal plains is going to get 100% of the value of the oil underneath. You are setting up a trade based on that, so if Congress comes in and says no, we're only going to give them 50% and we are going to give 50% to the State, then what do the amount of land that you're going to get in the inholdings is going to be cut in half."

Mr. Gilmore states, "I suspect that we'll do some renegotiating. I couldn't answer whether it would be a half or not. I think that I see it in Senator Murkowski's talk and I don't want to go back over it too much but certainly you're not overlooking the taxes that has become accrued to the State as a result of anybody, private or what have you, finding oil and developing it."

Number 586

Rep. Sund notes, "It has been our experience in the State that alot more comes from severance in royalty than comes from taxes. Is there a list of the land or the lands that have been proposed for inholdings for exchange?"

Mr. Gilmore answers, "Yes, as I indicated, I have a map that I left on the plane which would have shown all of the inholdings in the refuges and we, in turn, prioritize with inholdings, indicating those that were the highest priority to us and to low priority."

Rep. Sund asks, "About the list that you gave in your talk."

Mr. Gilmore states, "I did not give that list in my talk."

Rep. Sund states, "No, but in the priority list, you might endanger species and right on down the list."

Mr. Gilmore, "Yes, right, and that is available."

Number 595

Chairman Cotten asks, "On the other hand, have you been able to identify the lands in the wildlife refuge that would be offered for exchange."

All
1002
lands
available

Mr. Gilmore answers, "Lands in....which refuge." Chairman Cotten states, "That one." Mr. Gilmore states, "No, no sir, the reason I wouldn't identify it, at this point and time everything in the 1002(h) area is available for exchange except those lands that belong to Kaktovik and ASRC. Everything else would be available for exchange."

Chairman Cotten asks, "And then would be nominated by those interested parties. Is that the process?"

Mr. Gilmore answers, "That would be the native corporations selection, they would tell us what they want and at that point when we know what the value of that piece is, then we know where we are. We will know that before we go into the selection process."

Number 605

Rep. Sund asks, "Do they have access to the BLM seismic data that you have for evaluating those lands."

Mr. Gilmore answers, "I really don't know what the native corporations have for information."

Rep. Sund asks, "You don't know whether BLM shared that seismic data with them."

Mr. Gilmore answers, "The raw data, I believe is available to everybody. They interpreted that, it would depend on who interpreted it. And they interpreted that that BLM is using is not available. In other words, BLM interpreted the raw data and that information is not available."

Number 611

Rep. Brown states, "On the issue of value, it seems pretty obvious that the one well that has been drilled or has a great effect on how that evaluation takes place. I'm wondering how you feel you can make a valid assessment of the value without having that information. You stated that you don't have that information."

Mr. Gilmore answers, "Unfortunately that would be a little bit like crying over spilt milk because whether I wanted it or not, I can't get it. It's not available to me."

Rep. Brown states, "The premise you're putting forward is that the values being exchanged here are equal."

Mr. Gilmore states, "That is the only....let's see if I can go back over that. If, a 1,000 acres was worth a 1,000 dollars, then the native corporations that owned that 1,000 acres would get a 1,000 dollars worth of subsurface

someplace, which may be a square foot. That's the value for value that I'm talking about."

Rep. Brown states, "Right, at that same point, that it could be a square foot or it could be ten miles, depending on whether there is oil there or not. The only way we are going to know whether there is in fact, oil there is through the drilling of wells and some parties have that information and other parties do not. It seems like the negotiations would be obscured in that way."

Mr. Gilmore replies, "I think you'll find the well that is drilled out there is on private land. Whatever information they have, they have a right to it. At this point and time everybody that is attempting to exchange for lands in the open lands have no more information than the others."

Number 633

Rep. Brown states, "That may or may not be the case. I can see how some of the other parties may have access to that information. Could you elaborate a little bit on how the reverter clause fits into the valuation?"

Mr. Gilmore answers, "I don't understand it well enough to get into the details of it, but if I did, I would surely make a mess of it. I would prefer not to do that but I would greatly like the opportunity, when we get it finished up, to be able to come back and explain to you how it works when we have finished the negotiations."

Number 639

Rep. Brown asks, "Are you one of the people involved in the negotiations."

Mr. Gilmore answers, "Yes, I get involved in negotiations in about one of every three. I go catch up about one out of every three. I have one person who works for me, almost full time, keeping the exchanged pieces put together."

Number 643

Rep. Brown asks, "Do you have petroleum specialists, geophysicists, geologists representing the federal government in these negotiations."

Mr. Gilmore answers, "The BLM supplies those."

Number 648

Rep. Brown asks, "Could you tell us the name of the person who could explain the reverter clause."

Untrue -
Koniag/
Chevron/
AKIS -
KIC data

Mr. Gilmore answers, "Yes, one of my people could explain it very well. John Doble could explain it, but I'm not going to let him explain it until we've finished negotiations in agreement."

Rep. Brown asks, "In your opinion, does..... or as I understand it or what I have read about it, it provides that the land could be traded but if what were to be drilled and dry holed and the lands would revert back."

Number 659

Mr. Gilmore notes, "There are options in there for rescision, I think that is the right word, and at this point and time there is a fairly large segment on rescisions which is complicated and that is the reason I don't want to get into it at this point and time, because I would surely mess it up and somebody would say but he said so and so. I am being very cautious about that because I don't understand it well enough, at this point. It is very technical and it is being developed by a group of lawyers and my people and BLM's people. Most of the work on the rescision is being done by a group of lawyers and that is the reason why I am kind of nervous about getting into it."

Number 660

Rep. Brown asks, "Does the fact that there is a clause of this type in the agreement affect your value and the value you place on those lands in the agreement."

Mr. Gilmore answers, "Yes there are assured risks and I think I know where you're going, what kind of question you're trying to ask me, and yes there are assured risks between the native corporations or the participants and us. Nobody is going to get it all. In other words, if they go out there and they can't find a hole or something there in the rescision, and in the rescision, their costs in the rescision for the natives and their costs for each one of the terms so that there isn't a complete give away or a complete scoop. There are reservations in the rescision that provide for protection of the American people's interest. I couldn't do it if it weren't there."

Number 670

Rep. Shultz asks, "Did you say earlier that the State was proposing to trade some land for the State."

Mr. Gilmore answers, "Yes."

Rep. Shultz asks, "Do you know exactly where approximately or how much an acreage we're talking about."

no info
on rescision
till agreements
are over

Mr. Gilmore answers, "We're talking in the refuge business now, I don't know what they proposed to the parks other than what was initially laid out, but it is somewhere in the vicinity of 700,000 or 800,000 acres, I believe."

Rep. Shultz asks, "The State."

Mr. Gilmore answers, "Yes the State would like to be involved in the exchange."

Rep. Shultz asks, "Are we though, we might like to be but are we."

Mr. Gilmore answers, "As far as I'm concerned, you are. You're an active member of all the negotiations and have been for a year and a half."

Number 680

Chairman Cotten asks, "Would you say that by saying that, are you suggesting any way that the state has endorsed the land trades in any way, because they are attempting to participate."

Mr. Gilmore answers, "I don't know the answer to that. I've seen several positions taken by the State and I really don't know right now where the State is but my impression from the sincerity of the negotiations and the people involved in the negotiations, the State is proceeding as an active, interested partner in the State."

Chairman Cotten asks, "So you wouldn't say that the State, has in any way, endorsed these trades."

Mr. Gilmore answers, (inaudible - end of tape).

Change Tape
Tape 16, Side 2

Number 000

Chairman Cotten states, "I don't accept that, I think that we're going to probably ask the State the same questions."

Mr. Gilmore states, "I am trying my best not to put words out of my mouth, speaking for the State."

Rep. Shultz asks, "What is the State asking for in return."

Mr. Gilmore answers, "I think what they are asking is the same as any other group in the participants and have the right to select parcels in the coastal plain or oil development."

*disputed by
Katz, p.
46, 47, 48*

*does
State
endorse
the
trades?*

Number 020

Rep. Navarre asks, "Are the State negotiators under any constraints from the Department of the Interior not to release information to the Alaska Legislature."

Mr. Gilmore answers, "I don't know. There is none that I know of but I don't perceive to know most of everything that goes back on in the Department of the Interior, even though I am the rep out here."

Rep. Navarre asks, "Are we then just not getting the cooperation."

Chairman Cotten states, "It sounds like there is more than one person from the Department of Interior that is making decisions here and they aren't all here today."

Number 025

Mr. Gilmore answers, "My responsibility is to make the decisions out here, and of course there are lots of people going to be involved in making decisions of a action such as this. There are petroleum people, land managing people, wildlife people and lawyer types or solicitor types, all of those people must be involved in a decision of this sort."

Chairman Cotten states, "We appreciate you being here and we recognize that you are here and you don't have to be and we have invited you and you showed up and we appreciate that very much."

Rep. Navarre states, "I guess our interest is in seeing that the legislature be involved in the decision also, the Alaska Legislature."

Mr. Gilmore states, "In response to both of those statements, I would look forward to coming back at any time you need any additional information. I would be glad to come back down and go through whatever part of the process that you need to understand or whatever we can provide the state legislature. There has been no intention to keep anyone short sheeted in this operation but it has been such a difficult text of trying to pull together four or five major groups of people, with different interests, into an exchange of a sort that is brand new to most of us. It is complicated and we would be glad to come back and explain any part of it that we might be able to do in the future."

Number 067

Rep. Sund states, "I just have a new issue here on terms of how do you establish a value for wildlife refuge inholding."

traders
restricted
all
documents

invitation
was
extended
to Horn
2/5/87,
he sent
Gilmore

Do you have an appraiser that goes out and does it or do you have some formulas?"

Mr. Gilmore answers, "Oh yes, what we have is a standard government appraisal process."

Rep. Sund asks, "For wildlife refuge."

Mr. Gilmore answers, "For wildlife refuge or anything, any land. In other words, we're not appraising a wildlife refuge, we're appraising private holdings within a refuge."

Rep. Sund asks, "Is that available within the regs or someplace where we could get a copy. I would be interested in reading what goes into the consideration, what is a snowy owl worth."

Number 090

Mr. Gilmore answers, "I guess I'm going to get a little more detailed. When we run a standard appraisal, the appraisal techniques that are used today are the land appraisals. They do not take into consideration the wildlife that lives on it, that is a standard government appraisal. The wildlife that lives on it is one part of the evaluation of what the land is worth. In a government appraisal, it is appraised for it's highest and best use. If the highest and best use happens to be for hunting and fishing, then that's worth, generally so much an acre based on other appraisals that have been run throughout the State and throughout the Lower 48. If the highest and best use is condos, then obviously, the value goes up considerably. It is based on the highest and best use, the government appraisal. When you attempt to translate a piece of land, land value, rate value into it's value for fish and wildlife, which is in the ANILCA, I believe, provides for public interest and that is where you are trying to evaluate a snowy owl or what have you. There have been some rather definitive works done over the past 15 or 20 years attempting to arrive at values for fish and wildlife. Briefly, one simple example, it is very complicated if you try to do it but if a fish were to swim up the Karluk River and spawn, we have a general idea of about how many little fish might be produced and, in fact, would escape back out into the ocean. We also know what each one of those fish is worth per pound and depending on how many fish swim back down that river and are available for the commercial catch which we have a pretty good idea based on the statistic work that the State does. We have an idea of what that system is worth in commercial fish. Now when you get over to how much it's worth for a guy who has one on the tip end of a rod, that came from France, you've got a pretty good idea what he was willing to pay for it, to come out and catch a fish or five fish, or whatever. There are

ways to get to some relative values. At this point and time, the economists aren't in total agreement as to the best way to do it."

Rep. Sund states, "I just wanted to follow up on that point, though, which value are you using. You're taking the basic land values and then putting it on top. Is there any instream water appropriation, the value of appropriated water going on in any of these trades? "

Mr. Gilmore answers, "That is taken into consideration in the standard government land appraisal. Right now we are at a point where we have identified the land value, the appraised value of those lands. Any value over and above that will be arrived at through negotiations between the department and the native corporations."

DOI will negotiate "public interest value"

Number 150

Rep. Shultz states, "Just to quickly respond to the questions asked, no, we are not interested in putting any part of the Delta Barley agriculture project into a refuge (laughing). But other than that, is the State in their negotiations, are they asking for subsistence corridors." Mr. Gilmore answers, "No, not that I know of." Rep. Shultz responds, "I just want to ask another question, let's say that this goes through the clauses put in there on the subsistence, it could conceivably, I would think, happen that an area that is traded could be shut down only for subsistence use. The other part of the refuge that has customarily and traditionally been used for hunting and fishing, it would not be necessary to close down but because of closing down this one area, and allowing only subsistence corridors into it, could in essence shut down the entire refuge as that accessibility to everyone's estate."

Mr. Gilmore responds, "With that kind of hypothesis, yes it could but equally, no it would not necessarily have to. It goes both ways."

Rep. Shultz states, "I can see where there is mechanized vehicles or whatever it may be, float planes, well I guess float plane operations would be o.k."

Mr. Gilmore notes, "I would add to that that discussions of that sort are fair and square kind of discussions, but we hope that we have learned enough through the past years on management wildlife not to get to that position, so we could, in fact, reduce the value or reduce the text so we don't get to it in negotiation."

Rep. Shultz asks, "If in essence that did happen, are you negotiating something to the effect that it may, in this area where you would have subsistence, utilization of this land only that those corridors could be utilized to get to the different part of the refuge."

Mr. Gilmore answers, "Yes, we wouldn't close it down to that bad of extent."

Number 190

Rep. Cliff Davidson states, "Mr. Gilmore, you spoke and referred the salmon in the Karluk River, my understanding is that you're talking about a habitat evaluation process. My understanding is that the value that you will place on the land, chronologically, is present value, yet you indicated the future value predicated on what would happen. As we know, land values change according to use or abuse and I was just wondering how you correlate the value now with what is supposed to be heightened value in the future, say in the ANWR lands."

Mr. Gilmore asks, "Will you try that again, I'm not sure I quite understand the point you're trying to get at. The heightened value, I'm sorry, maybe we better try that again."

Rep. Davidson responds, "I'll try. If we evaluate a certain parcel of land in the Kodiak Wildlife Refuge, a thousand dollars say, that's present value according to the MAI appraisals, proposals or their guidelines. Yet, future use of that land is not considered, it is only on that present value, yet we're going to trade that for value for value with land in ANWR and yet, we don't know the value of the subsurface rights, we don't know what the exchange of partners are giving for what. I guess I'm wanting you to comment on that."

Number 226

Mr. Gilmore answers, "Well we do a pretty precisely, when we make the exchange, exactly what each parcel is worth. In regards to the appraisal of the land, as I indicated, it is appraised for it's highest and best use. That does take into consideration it's future use, highest and best use. That means, as I said to you, it would be pretty hard for any of us at this table right now, I think, to assume that somebody would put a condo on the Karluk (River). The point being, though, if that were determined by the appraiser and he felt that that was possible, then that would in fact take into consideration for future use. Now, at the time the exchange is to be made, we're looking at the highest and best use value for the lands that we're giving to the native corporations. We're looking at

*Gilmore
ignores
22(g)*

present value as determined by geologists or petroleum economist or whatever and BLM. We think we're going to get a value for value exchange. We're relatively confident, right now, that we can come to fairly close figures."

Number 248

Rep. Davidson states, "My understanding that back in 1983, some of this land that we're talking about now was worth as much as \$600 an acre, on that appraisal basis and yet today we're talking about \$178 to a \$150 an acre."

Mr. Gilmore answers, "I certainly can't respond to where you may have gotten your \$600 an acre, or where you got your \$178. The \$600 an acre figure, generally bounces around the State, comes from the Pribilof terms and conditions of which Congress provided an eight million dollar settlement in the Pribilof's. That boils down to about, when you divide the acreage into dollars, \$600. I don't think, as a matter of fact I'm fairly sure, when we started into the appraisal process, probably the most extensive appraisal that has ever been done in the State of Alaska and in many places in the whole United States. We were not able to find the comparables that were necessary, I thought, to come up with real solid figures so we had to do some additional work, working with people in Canada and the Lower 48. I would say that probably the \$600 acre is a float figure that we used alot in Alaska as a result of some discussions earlier on. I don't know where the value would have come from on a \$600 acre other than that."

DOI
couldn't
come up
w/
comparables
for
surface
appraisals

Number 271

Chairman Herrmann states, "Mr. Gilmore, I have a concern about what you said about a pace requested by the native corporations. From in my district there is alot of national wildlife refuges as you well know and alot of plans coming forward for those refuges. I have alot of concerns about planning processing and where the planners come from, like Washington D.C., Denver, Colorado, and they have the attitude that is not necessarily the attitude of alot of people in the State of Alaska. My concern is that I know in those plans that you do have a very strong interest in inholders in that land so you can say that you're working on the pace requested by the native corporations, but I think that during this whole ANWR discussion, it will come in a full circle. Everybody will be interested in this certain case and so I have some concern there. Also, you talk about highest and best use, those terms are just like in the State's best interest and those kind of things. Also, if you could just give us your interpretations of what will happen regarding (7) (i), your opinion on that."

Number 295

Mr. Gilmore responds, "Let's see if I can go back and pick up what were your concerns. My statement in regards to the pace is that we have been moving along at a pace that we felt the natives needed to move on because the lands that we want to preserve are extremely important to us and we feel like if we don't move at their pace we may not get to protect them. That is one reason why we're moving at their pace and I might add, we're quite comfortable with the pace that we're moving at so it is not causing us a great deal of discomfort. In regards to the planners, that you're concerned about, I'm a little surprised because the planners that we've been sending out for the past three years have all been in Alaska for the past five years. They have lived in the villages, they've lived in peoples houses and based on all of the information that I can receive, and I can't get it all of course and I appreciate your insight also, is that the planning effort that we're putting out here now is being well accepted by most of the people that we have talked with. I would appreciate any additional information I might have to any way you can improve it anymore. In regards to (7)(i), I consider that a native corporation responsibility and I'm not getting in it."

DOJ
moving out
ANCSEA
corporations
pace

Number 320

Chairman Cotten states, "I'm going to have some follow up questions on that in writing as to, as I understand it, BLM will make a determination, for instance on (7)(i) with the existing Kaktovik and ASRC lands. That hasn't been decided yet, is that true."

Mr. Gilmore answers, "That is true."

Chairman Cotten asks, "Does BLM make that decision."

Mr. Gilmore answers, "I'm not sure just exactly what decision BLM does make and I would not try to speak for BLM at this point."

Chairman Cotten notes, "Again I will defer that and present it in writing to you."

Mr. Gilmore responds, "If you present it to me, I'll make sure that we get BLM's answer to you in response."

Chairman Cotten thanks Mr. Gilmore for his willingness to come forward today and for his willingness to return at the request of the committee.

Number 330

Rep. Shultz asks, "I was wondering if I could get just a map showing the Wrangell - Mt. St. Elias Park, the land that is being proposed and also the one in the Tetlin Wildlife Refuge."

Mr. Gilmore states, "I can get you Tetlin, but I can't get you Wrangell - Mt. St. Elias. I would suggest that you get that from the State, if there are State lands in the Wrangell - Mt. St. Elias."

Rep. Shultz asks, "Are we talking all of the State lands that is presently in the Mt. St. Elias Park."

Mr. Gilmore answers, "I don't know the answer to that."

Number 345

Chairman Cotten introduces Margie Sagerser with the Native Lands Group (NLG).

"My name is Margie Sagerser and I am here representing the Native Lands Group, which is a consortium of native corporations and one of the participants negotiating for oil and gas rights in the Arctic National Wildlife Refuge. I have a written testimony which I believe is in your packets. In lieu of reading it, I would prefer to go through this and highlight the areas I think are important and then give as much time for answering questions as we need. By way of background, I feel it is important that you understand what the NLG is. It is a new name that I am sure that you have not heard before, it is an assemblage of native corporations that have joined together in a partnership pooling their lands, negotiating with the Department of Interior for oil and gas rights in the ANWR. The regional corporation involved is Cook Inlet Region, Inc. They are one of thirteen native corporations in this partnership. The other twelve are village corporations, primarily in western Alaska and the Kenai Peninsula. All of us hold lands within either the Yukon Delta National Wildlife Refuge or Kenai National Wildlife Refuge.

*Answer B
No - no
park
inholdings*

Number 381

"I am here today to urge your support for the ANWR land exchange confidence because the NLG believes that these exchanges are in the best interest of the State of Alaska and that the State of Alaska will benefit because, I believe, that we will facilitate in the opening of ANWR and therefore, assist the state in acquiring a revenue stream out of the ANWR development. I think that my understanding is that the State interests are just as well. We heard today from Senator Murkowski, that he felt as we believe

that the native exchanges, in particular, bring some very special things to the congressional debate that is going to be going on in the future. In particular, the native land exchanges are bringing to the table critical wildlife habitat or highly used recreational properties that we believe that when push comes to shove, the environmental community will analyze and see that indeed they are receiving benefits from the opening of ANWR.

Number 401

"In addition, we also strongly believe that we bring to the lobbying effort a constituency that the State cannot do on its own nor can the oil industry do on its own. We are Native Americans. We are of concern to many people in the democratic process and I think that they would be very interested in hearing how we feel that we can participate in the economic benefits of ANWR. We think that we will find sympathetic ears in Congress.

"I think besides just the benefits that the state receives by us helping to open ANWR, the State will receive other benefits for supporting native lands exchanges. We are local corporations. Monies that will be derived from these exchanges will stay within the State of Alaska. In speaking for our group alone, we have participants, particularly those in western Alaska, that receive very little chance to reach the economic benefits. These are areas that receive alot of assistance from the State now, I think one reason is because there are so few economic benefits for those. We feel that this is one of the few opportunities to allow rural Alaskans an opportunity that I think that Governor Cowper has already expressed an interest in and to see that rural Alaska is a sound area of the State and I'm sure its from each area of interest for the legislative body.

"Additionally, we have the ability to have strong local hire as in the State contractors provisions. We have, to my knowledge, all of the participants, speaking for the NLG in particular, we have arrangements with oil industry partners, ours in particular, does include provisions for shareholder/buyer and for contracting preferences. Many of them, Cook Inlet in particular, and the other corporations as well, have joint ventures that employ Alaskans and infuse the money into the economy and are very much looking forward to utilizing these contractors preferences and shareholders hire preferences to achieve the goal we all want, which is Alaska hire.

"Also I think the State benefits because of these arrangements that we have with the oil industry. At least speaking for the NLG partnership, we have already negotiated leasing terms with these partners which will

mean that we will get... participate several year, with a head start on the exploration because we are not subject to the stringent oil and gas leasing provisions within the federal government. I think that the benefit of an early start is going to be particularly beneficial because of exploration and hopefully development of ANWR is still a long term project and the sooner we begin on that process the greater the benefit."

"We believe that the potential negative impact to the State revenues, from supporting these exchanges, are out weighed by other revenue benefits. We heard today that again from Senator Murkowski that the decision to open ANWR is a very difficult decision, we have heard that as well and believe it, We don't understand your position of trying to have a strong front regarding the 90/10 issue but we think that that provision is uncertain and it may be very difficult to maintain. Senator Murkowski also said quite clearly that the impact of exchanges into the ANWR was going to be minimal and that I think the number that he used was up to 15% may be subject to exchanges. Mr. Gilmore explained to you in detail that these exchanges are going to be known at value basis and that they are likely to be a great disparity between the value of the land that we offer and it must be the value that is placed on the ANWR. We have every reason to believe that a viable, strong leasing program will remain even if these exchanges are ultimate. We also wish you to understand that, it is very much within your interests that native corporations are private corporations. You will receive severance taxes, income taxes, all of the other taxing situations that the sovereign will levy against the private corporation. It is my understanding, in the North Slope situation today, over half of the revenues come from a taxing situation. There will be revenues going to the state on these private inholdings. Also, I think the State benefits from the opening of ANWR and where we can assist in opening ANWR because, I believe, that if ANWR is closed to leasing or if it is committed to wilderness area, then it is unlikely, or certainly much more difficult for having adjacent State land brought into production. In the decision making, on the revenue rate, you have to make some political calls. I think it's a harsh political climate out there and I think that the native corporations do insist in the opening of ANWR.

I think that the State would also benefit. given the fact that they may be revenue impact for land exchanges, may be able to minimize those by participating itself in exchange. I'm sure that you will hear later on in the day from the state people themselves but their participation, the NLG supports their participation has an exchange participant. We feel that that will allow State to acquire highly prospective tracts to bid on ANWR. On those tracts, be

able to set its own destiny, and then would own 100% of the reserves and you could set your own lease terms on however that works and whatever the decision is. At any rate, you can be at the table and participate in selection of the tracts.

"We believe that the State is a viable exchange participant and in some ways a very competent competitor. We feel that they have, at their disposal, as much information, perhaps even more, than the NLG partnership and that that representation, in fact, has been made in negotiations sessions in Washington by state people and had no reason to doubt that they were not in a position fully capable of making selections with ANWR. I believe the State is going to probably address the time, their participation as for as how long they have been in it, I think they have for perhaps for several years entertained the idea of the exchange. Right now it is my understanding that they will not be intrigued until they are being treated as equal partners in every respect."

Number 500

Ms. Sagerser states, "In summary, I think that I would like to reiterate what Senator Murkowski said today, he spent a great deal of time saying that the opening of ANWR is going to require a very united Alaska. I think a good way to assure that the State is united, is for this committee and the State in general to sit down and embrace the idea of land exchanges in the state. I think that given the harsh political realities, careful assessments of those land exchanges is the way the State can best maximize its benefits from ANWR development."

Number 540

Chairman Cotten states, "I would like to just point out that in our resolution, we don't say that we are opposed to all land trades. We do suggest, at least I suggest, that I would oppose lands trades if they're not in the best interest of the State and if they would reduce or eliminate the State's interest. We don't say that we're automatically opposed to all land trades. I understand that the fact that you represent a private corporation and you have a responsibility to your share holders to pursue economic benefits to the shareholders and certainly, I understand the position you are coming from.

"I'm going to just take a parting of the Chair and ask a couple questions myself first."

Number 549

Chairman Cotten states, "First of all we asked Mr. Gilmore about the draft agreements between the Department of Interior and the NLG and the other corporations. I think he said that he would deliver those draft agreements to the committee. He said, yes that we could see them. Does your group have any opposition to our receipt of those draft agreements."

Number 554

Ms. Sagerser answers, "Again I think those agreements are in a very preliminary stage and I think you should keep in mind that those are preliminary agreements and it is obvious that we don't have control that level of information."

Number 560

Chairman Cotten asks, "Would your group have any opposition to the legislature seeing those draft agreements."

Ms. Sagerser shook her head in the negative, no verbal response.

Chairman Cotten states, "You referred several times to Senator Murkowski's statements and of course you can't overlook one of the statements he made in support of an overriding royalty situation. Your absence of comment of that was noticeable. I won't make you respond to that. But if you would like to, please."

Number 565

Ms. Sagerser answers, "I think the overriding royalty is one way of sharing the economic benefits. I'm not sure that that is what the State would wish or would be in the best interest for the State. Overriding royalty means that you would turn over your participation in ANWR to another entity. You would be depending on the native corporations, essentially for competent development of ANWR. I would think that the State would rather have more control of it's own destiny."

Number 570

Chairman Cotten states, "I guess maybe you misunderstood what I mean when I say an overriding royalty. What I mean is that if the land were open right now for development and if there were leases and bonus' received and royalties received, right now the State would receive 90%. I would just say the chances of land fine but the State to continue to receive the same thing it would have received under

NLG doesn't oppose releasing documents (Koning does on p. 40)

NLG seems to accept overriding royalty concept -

federal ownership. When I discuss an overriding royalty that is what I am saying, that the State protect it's financial interests."

Number 581

Chairman Cotten asks, "One quick other question about tract selection which is an interesting one because as you point out, the NLG probably doesn't have better information than the State about what lies under the ground. Perhaps during the tract selection your industry partners may, I should ask you, would your industry partners assist you in your tract selection."

Ms. Sagerser answers, "Yes."

Chairman Cotten asks, "Who are your industry partners."

Ms. Sagerser answers, "Our industry partners are Conoco and Exxon."

Number 590

Rep. Shultz asks, "AHTNA is not part of the NLG."

Ms. Sagerser answers, "No."

Rep. Shultz states, "AHTNA is not, but Doyon is which includes Tetlin."

Ms. Sagerser answers, "Doyon is one of the native corporations participating in the discussion of negotiations. They are not a member of the NLG."

Rep. Shultz states, "Some of the land that is going to be given up is in the Tetlin Refuge at the present time. The one thing that I'm asking is the (~~vaska~~?) radar is going to go in, the Air Force is going to put (vaska?) radar in my district, all nine sights that have been chosen, all are in my district, so it's going to go. We're going to be a party, we wanted to be on the map and we are. The point is, it is going to take a considerable amount of land, to put this radar system in because some of these, it's 14,000 feet long or something like that. For one of them, I think, the receiver sight and the transmitter sight is something like 5,000 or 6,000 feet. The land is going to have to be acquired. The second choice that the Air Force has is all on the Tetlin Wildlife Refuge at the present time. I am just wondering, in the negotiations, if in fact it has been taken into consideration. If we had to go back and establish a precedent as to what that land is worth, or if 18 acres of land that were purchased in the Tetlin Refuge, at one time by the school district, and it amount to be equivalent to about \$23,000 an acre. Taking that

NLG reveals its industry partners, but Kering will not (p. 41)

backscatter

into consideration, if they had to acquire 9,000 or 10,000 acres of land to put this radar system in, we're looking at, not only would they be able to trade land and become part of the (7)(i), possibly, and share in the profits from that. They would also have the ability to sell the land to the Air Force for a tremendous amount of money which could amount to several million dollars. I'm just wondering and to ask Bob, has any consideration been given when the feds have been talking about swapping land to - the other land that they're talking about is owned by us - but over in the Tok area, they're second choice is in fact on the Tetlin Wildlife Refuge. Is there any talk of making a swap in that area rather than making the swap and turning around in five or ten months later and buying this land? Can I ask Margie that?"

Margie Sagerser answers, "The NLG does not include any package, any land in the Tetlin Refuge on the matter of the negotiations that are happening."

Number 627

Rep. Sund states, "I want to know whether my map is right. We're at 1.9 million acres that is being talked about in this coastal plains and 1.5 and about 15-20%, if I remember in Senator Murkowski's comments, is what's being subject to the land swaps here. That's about 300,000 acres, if you multiply 20% X 1.5. The whole Prudhoe area, if I can figure it out right, is about 384,000 acres. If you got lucky on your land selections, you could land swap the entire area that is the equivalent of Prudhoe Bay and leave nothing left over to lease. We're talking about a surface acreage that is the size of the surface acreage over Prudhoe Bay. That could be swapped out one for one here and if you got, like I say, lucky and picked the tracts, there isn't anything left over. I would just like your comments on that."

15% est.
with inc.
State
land -

Ms. Sagerser comments, "First of all, whether that 15% was land, number of acres or amount of value is unclear to me. Also that number, I assume, includes the State of Alaska participation and at this point they may become the largest participant in the exchange. You would, perhaps, be sharing in the prospects."

Rep. Sund states, "Again, from southeast Alaska, that is the only way we share any of this, is what comes through the State government. I was just curious, how many acres are in NLG that you are looking at swapping, or how many surface acres is in the ANWR in your negotiations?"

Ms. Sagerser answers, "Our current proposal amounts to approximately 260,000 acres that we are offering for exchange."

Rep. Sund asks, "Yes, but how much are you expecting to get in ANWR for that?"

Number 652

Ms. Sagerser answers, "Much, much less. We are not privy to the ANWR evaluation numbers. We have just been told that the reduction is going to be substantial, some people have even said that as much as 20 to 1. I don't know. That information is being held very close by the federal government for obvious reasons and they have just forewarned us that the reduction, because of the value, is going to be great."

Rep. Sund asks, "One more question in a little different area, you forwarded an argument here in favor of why the state would benefit here and by decrease social spending in your area because you have more money and that would put up in the Red Dog/Cominco argument that there would be one reason the State should get involved here or support this is because we put more money in that area of the State and therefore be less social transfer system going on. I kind of went with it in the Red Dog area because they created a borough and they are going to have a fixed tax base to be able to support some borough government. How does that effect the native corporations and the village corporations in the Yukon and Kenai areas? I want to follow that argument somewhat."

Number 669

Ms. Sagerser answers, "Again, I think that there are few opportunities to view economic benefits to rural Alaska. In their probable past record, I don't know how that works, but I can say that indeed some of these participants are in desperate need of cash. Some of the things that they are talking about are things like providing medical services in their villages. Now I can only imagine that that will help of providing social and economic benefits by the State as a whole. I also can point to Cook Inlet, as an example, we are a successful corporation and we have taken great strides in establishing foundations, having nonprofit organizations that can excuse some of that capital to our shareholders. I can only imagine that the other village corporations have those very same desires and wishes to be able to transfer some of that benefit to their shareholders."

Rep. Sund states, "I just hope the shareholders find a way to invest it in there area. I think they're facing the same problems everybody else is. Cook Inlet has a large amount of money invested outside the State too. Many of the village corporations in my area, the ones that have been successful have got their money invested outside Alaska. Those that have invested in Alaska have gone bankrupt. That is an apparent problem with investing funds."

Chairman Cotten states, "I think we'll try to wrap this up too. I think Rep. Brown and Springer have indicated that they wanted to ask questions."

Number 691

Rep. Brown asks, "Has the group already entered into exploration, development agreements with your industry partners?"

TAPE NUMBER 17 SIDE ONE
Number 000

Margie Sagerser, continued: (some of testimony is inaudible as speaker's voice is very soft) I can only say that we feel very comfortable with the good strong lease terms.

Rep. Brown: What is the position of your group on sharing of any revenues that might come to the group through the 7(i) position?

Margie Sagerser: 7(i) sharing, and I'd like to respond to Representative Cotten's question whether BLM determines 7(i) sharing. BLM does not determine 7(i) sharing. Seven (i) sharing is determined by two documents: the Native Claims Settlement Act to begin with and an agreement between the regional corporations on how to interpret the positions of the Act. Those agreements essentially say very specifically which lands or section of 7(i) that we want. Currently our proposal does not include land that we traded for revenue sharing portion prescribed by those two documents.

Representative Cotten: I guess I misunderstood...I had a conversation the other day with you about it and I thought you said that the submerged lands would be in it and the surface lands wouldn't be, but I must have been mistaken.

Margie Sagerser: At this point, the Department of Interior has only allowed us to put forward in our proposal the surface estate holdings. Those, and, well the twelve corporations that are village corporations, they only own

the surface, so we have only surface lands in our proposal that is at the instruction of the Department of Interior.

Number 050

(Tape malfunctioned)

Margie Sagerser: I believe that we are going to make our appeal to Assistant Secretary.

Number 061

Representative Cotten: I guess that's what I meant when I thought BLM finally made the determination.

Margie Sagerser: He and Mr. Gilmore will make the determination of what lands they want to make....

Number 071

Representative Springer: I'm very intrigued with the whole principal of land exchange. On page 2 it says that twenty-two native corporations both village and regional, are involved. Is that from the standpoint of mechanism instead of ad hoc group or did CIRI take a lead role in coming together? How did this come about?

Margie Sagerser: Our group has thirteen, there are others and Mr. Gilmore indicated to you which they were, other native corporations under there. Some of them are represented in large corporations so they're actually share holders of several village corporations. Our particular proposal and group was formed on actually the request of the Department of Interior. They felt very strongly that they needed somebody to reach to western Alaska to acquire the critical habitat that we have in the proposal. They were aware of Cook Inlet's past record and the ability to work with these corporations and to work with them and encouraged us to put together such a proposal so indeed they would have a world class habitat to deal with when they were talking about exchanges.

Number 110

Representative Springer: So the first initiative actually came from the Department of Interior then?

Margie Sagerser: For our proposal, only for ours. The others I'm sure got to the table in different ways.

Representative Springer: Okay, in this by any chance are Bering Straits and NANA Corporations involved in that too, or is that privileged information.

Margie Sagerser: To my knowledge they are not involved in the exchange negotiations.

Representative Springer: Then there's actually nothing--I probably shouldn't ask you the question--that prevents another group to form a multitude of little ad hoc groups with land holdings that say we've got a deal for you. Another question is are there any native allotments involved? The reason I ask is that in the multitude of management plans for the different federal holdings there is a very controversial issue about the desire on the part of the Federal Government to absorb the native allotments which are in different refuge and park systems and are there native allotment holders which hold right now very prime property within those refuges involved in that group?

Number 126

Margie Sagerser: Most of the lands are conveyed and in those conveyances if there were native allotments they would have been excluded from the conveyance. The village corporations then do not own title to those. They are only offering what they have title to. There are areas of Alaska that have many, many native allotments. I believe our lands are relatively clear of native allotments. I'm sure that there some existing (inaudible) but the village corporations just cannot do more than they have time for.

Representative Springer: Okay, maybe I didn't phrase my questions right. In your group here, it's just corporations--there are no individual allotment holders that have joined in with you?

Margie Sagerser: Yes. I'm sorry if I misunderstood you. There are no individuals.

Representative Cotten: Thank you very much Margie. We are going to try to squeeze, you've got a meeting at 3:00...we got started a few minutes late, so we might run over a few minutes.

Margie Sagerser: Thank you very much. I appreciate being able to testify.

Number 156

Representative Cotten: Art Kennedy is here, I believe, to speak for the Koniag Corporation. Welcome.

Mr. Kennedy: Mr. Chairman, members of the committee, I'm Art Kennedy, I'm the legislative and governmental affairs consultant to Koniag, and have been involved probably longer than most people in the exchange process, dating

clear back 'til 1982-1983. Instead of reiterating what Mr. Gilmore and Margie have said on various issues I'd like to submit my full reports to the record and briefly summarize a part that hasn't been touched on in the extent and then answer questions.

To begin with, Koniag currently understands the position of the State, or as we understand it, that it has several concerns, and the first concern is that ANWR is open for further exploration and development and production of oil and gas. Second that the State's ninety percent share of revenue not be diminished. Third, that because ANWR is a federally established refuge that it is not parcelled out, and fourth, that the state has an opportunity to participate in development, both as a partner in the exchange, and as a sovereign. It is Koniag's understanding that the exchange will be a positive factor in opening ANWR. The possibility of the acquisition of many acres of valuable refuge inholdings as the result of the opening of ANWR should assist the State's in an effort to restore the opening of ANWR.

With respect to the State's right to share in revenues, Koniag has advised both the Department of Interior and John Katz, the State's representative in Washington, 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 one hundred percent of the value of any tract of land that they receive, only to find out its interest is encumbered. If the State is to receive a share of the royalties from interest conveyed to Koniag, then that fact should be reflected in the value that Koniag is to be charged for the tract. Koniag does not believe that the interest to be conveyed by the exchanges would constitute a parcelling up of the ANWR refuge any more than a lease sale would have the same result. Given the nature of the interest in the acquired, the service remains in the ownership and control of the United States. The exchange participant would have no greater right to use the service than a federal oil and gas lease team would have, and in fact the price to use the service would be regulated in the same manner as the lessee would be. In both cases the interest acquired would be terminated after a fixed period of years and/or the conclusion of production, whichever is longer. 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 of developing process. It is apparent that the development of ANWR will appear only after circumstances will minimize environmental effects of such development. Because of 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 Federal

Government further develop coordinating the regulatory process the operation of such acquired tracts would be subject to the product of that coordination.

Number 221

There are many advantages to the exchanges as seen by Koniag. The exchanges will provide Congress with an unique opportunity to acquire approximately one million acres of critical inholdings in existing refuges. Much of the land being acquired, as in the case of the Kodiak refuge, represents the heart of that habitat, which without public ownership, threatens the viability of that refuge. By returning them to the public ownership, these lands will be available for use for the general public for recreation, sports fishing, hunting and other activities, and in a broader sense, the exchanges provide an opportunity on a statewide basis to mitigate the impact of development in ANWR. Rather than being compensated for the environmental impact solely by the value of the oil and gas produced, the exchanges provide a mechanism to strengthen other refuges as well. The opening of ANWR, which normally would be viewed only in the terms of its environmental costs, now offers some environmental benefits to the refuge system as a whole. Because of the possibility of activities on the exchange tracts in advance of the lease sale, and the requirement that data so generated be provided to the Department of Interior, 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 future lease sale. Thus the lease sale will generate higher minimum bids than without the information before bidding and bidding should be more vigorous because of the highly competitive position of the industry.

On the Alaskan scene such early operations should provide an immediate stimulus to the economy. Exploratory activities will result in more expeditious expenditures in the State, and sooner. Rather than waiting for the lease sale to be held after legislation the State will feel immediate effects from the operations conducted on the exchange tracts.

With that, I appreciate having the opportunity to come down to Juneau, and voice Koniag's concerns and opinions. I will try to answer any questions the committee may have.

Number 257

Representative Cotton: Thank you Mr. Kennedy. I have a couple of quick questions. I'll ask you the same ones I asked the previous persons in regard to the draft

Probably
wrong.
acc to -
Mogel
& State

agreements. We've not had the opportunity to see those and it appears that we may not; there still seem to be a few smirks when I ask that question, but would Koniag have any objection to the Legislature seeing the draft agreements?

Mr. Kennedy: I'm surprised, Mr. Chairman, that you don't have them, because when comments were made by the State, they were circulated to at least 15 c.c.'s, and knowing the bureaucratic process I cannot believe that one of those copies has not found its way into your office or anybody else's. Especially, due to some of the remarks that have been made to the Press, have direct bearing on someone having read those agreements.

Representative Cotten: Well, I haven't read them...we've asked for them....

Number 260

Mr. Kennedy: Well, officially you probably don't have them, but I'd venture to state also that that draft that was circulated that was commented on by the State was a very early-on draft.

Representative Cotten: We saw the comments...

Mr. Kennedy: Well, the comments were based on a very early draft. Many of the concerns in there, especially with regard to the State's regulatory sovereign powers have been fully addressed. The draft agreement as now presented protects the State's rights and states, in effect, that the leases will be operating as stipulations apply as per all existing state and federal law and regulations.

Number 282

Mr. Gilmore: Mr. Chairman, if I might clarify for you. I think I might have unfairly put my state colleague on the spot. That agreement is still not available. I will follow through with my promise that I will get it for you as soon as it is available. I was reminded by those who attended the last negotiating session that my confusion was with the stipulations in the agreement, so I will get it to you as soon as it is available.

Representative Cotten: When will that be?

Mr. Gilmore: I will have to call you on the phone and tell you that, I don't know how close we are to finishing it up.

Representative Cotten: Mr. ~~Chairman~~, will that be before it is signed?

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he is the →

not acc to State -
DOJ ignored state's 12/86 and 1/87 letters on contract stipps

Mr. Gilmore: I can't honestly answer that question. I don't know that you'll see it before it is signed.

Representative Cotten: Who is objecting to the Legislature seeing it?

Mr. Gilmore: Well, it is a contract being negotiated between private parties and the government, and for that reason the government has a responsibility to keep portions of that negotiation confidential.

Representative Cotten: Some of the other parties don't mind, so...

Mr. Gilmore: Well, if that is the case, I'm sure that it can be worked out.

Number 301

Mr. Kennedy: Chairman Cotten, I would like to compare your request to the next time you are in a business deal, selling your house, or buying a car, we ask to come down and view the document and comment on it before you sign it.

Representative Cotten: Who would like to see it, I'm sorry?

Mr. Kennedy: Anybody who'd like to...

Representative Cotten: Between two private parties?

Mr. Kennedy: A contract between two private parties should be kept that way until....

Representative Cotten: There's one private party here, and one not-so-private party. The United States Government is not a private party.

Mr. Kennedy: It may be viewed that way, but until there is an agreement I think that the negotiations should remain in a confidential nature.

Representative Cotten: Well, that's been part of the whole problem, it's been shrouded in, I shouldn't use the word secrecy, but nobody knows what's in these agreements and if we have to wait until they're signed, sealed and delivered until we get to see them, we have very little chance of ...

Mr. Kennedy: You've dwelled on a very important note there, it will not be signed, sealed and delivered before you get to see them. All the agreements that are being signed are predicated upon being ratified by Congress and they can be changed by Congress.

*Kennedy
won't
allow
release of
document*

*see
p. 8*

Representative Cotten: Oh, they can be?

Mr. Kennedy: Yes....

Number 317

Representative Cotten: One other question, I wanted to ask you who are the industry partners of Koniag.

Mr. Kennedy: I can not tell you that at this time because my understanding that my clients, Koniag, have signed confidentiality statements with their partner and before I could tell you I would have to ask them permission to do so.

Representative Sund: I guess that brings up the old point here, we're being asked to either approve or disapprove the whole land exchange concept without being able to see what the terms of the exchange are, and I find that real difficult to do. I don't know what assumption to take, whether I should assume that we should support land exchanges and pray that you will take the State's best interests at heart, or whether we should just disapprove land exchanges until somebody wants to come forth and tell us what part of the deal is.

Representative Cotten: Of course, the point is, we don't get to approve or disapprove but we're being asked to support....

Representative Sund:support the concept without being able to see what the impact of state government is going to be.

Mr. Kennedy: Representative Sund, may I respond to your question. We are not asking you to take a position on the exchanges until you have seen the drafts. I don't know what the rush of state government, the Governor, or the Legislature is to approve or disapprove agreements that you have not yet had the time to look at and review. There is ample time from the time they're signed and signed in tentative form and presented to Congress and Congress makes a decision on it. Congress makes a decision on whether there is a land exchange, and the State Legislature and the Governor and everybody else can voice their opinion to Congress on whether to approve or disapprove. To come out at this time to make a judgement you don't know anything about seems kind of not understanding the whole process.

Representative Cotten: Well that's why we're here, trying to understand the process, trying to make a case for (inaudible) and what the State's best interest's are.

Koniag will not reveal partners (later shown to be Chevron/Standard who have KIC well data)

Mr. Kennedy: I think the State's best interests are in opening ANWR.

Number 350

Representative Herrmann: I don't know who to direct this to, but as far as I understand, the State is part of the negotiating, that they are involved in the negotiations. Isn't that right?

Mr. Kennedy: Yes. Yes, the State is a part at the table at this time as a full member, exchange member. I have been to every exchange meeting that involves a group except one. The State is now at the table with the group; they have all the information that every other member and if you with to make a request of them for this exchange document, the basic one, the model one, it's up to them whether they want to give it to you or not, but each model agreement is going to be changed to suit the individual group needs. I mean, Koniag' agreement won't look like Doyon's, except in the overall framework, or the State's who are given different requirements.

Number 365

Representative Navarre: If we don't take any action, if we don't approve to support or not support....the land exchanges, then in effect, we're approving them.

Mr. Kennedy: No, I'm saying that we suggest that you hold your approval or disapproval until you have a chance to see the agreement.

Representative Navarre: Right, and that's going to be after the fact.

Mr. Kennedy: But the agreements are strictly an intent that will become fact only after Congress ratifies them.

Representative Davidson: Mr. Kennedy, you stated that you had been to every meeting except one and that now the State was in fact at the table. I was just wondering what percentage of the dealings would you say the State was at?

Mr. Kennedy: Okay, the chronology of events that took place as far as meetings....Koniag early on, three, four years ago, were at the table by themselves. We tried to get other regions involved. The other regions didn't show interest at that time. After many, many months of dealing one-on-one with the Interior Department other regions started showing an interest, the plan the Fish and Wildlife Service laid before us were that we could not just bring any land and dump it on them. They wanted valuable

State is "now" at the table - contradicts DSI's statements about 1 1/2 years of involvement - also see Katz p 47, 48

wrong in info - at least as far as sub surface

habitat, one. Two, that habitat had to be an inholding from an existing refuge, and three, it had to reflect future protection of an habitat resource, and so they were limiting who could come to the table, under that scenario. But, about last May, a large group did get together, probably three, four of the present, and some...six people, three or four of the present exchanges and several who aren't here now because they had nothing to offer. And, it got to be a circus to the point that Koniag volunteered to do all the ground work in preparing the model agreement. That was done throughout the summer with negotiation with the Department of Interior, and then this past fall a meeting was called and all those were at that one meeting and anyone else that was interested to come and go over that draft and begin negotiating on stipulations and other aspects. There has been about a meeting a month since September that all participants have been at. The State's been at all of them, I think, since October.

not
the
State.
(Katz's
"back
channel"
p.47)

State got
in in
October

Representative Davidson: So then all those meetings that you've been to, what percentage would you say the State was at?

Mr. Kennedy: Group meetings I'd say two thirds of them. But the State in the meantime has been meeting one on one with the Department of Interior and exchanging correspondence, and also, every time we had a meeting in Washington we would trot up to Capitol Hill to call John Katz and tell him what we were doing.

Representative Davidson: My understanding is that you said you were involved in this process since 1982?

Mr. Kennedy: 1983 as far as the exchange of Koniag lands.

Representative Davidson: I still don't understand what percentage of all the meetings you went to was the State at the table.

Mr. Kennedy: Out of all these that I went to, I'd say probably, all of them back to 1982, probably ten to fifteen percent.

Representative Shultz: I just want to know approximately what time, when did the State get involved? How many months ago?

Mr. Kennedy: I can only speak for when I knew they were involved at our meetings, factually, and that was beginning, I believe in September. But I know they had some conversations with some of the State's people. They had gone to the Department of Interior as long as a year and a half ago to present a proposed exchange.

Koniag
says
State only
got
involved
in Sept

Representative Cotten: We'll be hearing from the State people.

Representative Navarre: Do you and your partners have access to the Kaktovik data?

Mr. Kennedy: I can't answer that because I'm not sure who the other partner is. I was not privy to negotiating the oil company partner, associate, whatever you want to call it, contract; I don't know, that's not my role in this process.

Representative Navarre: You mentioned that before you could tell us who your partners are, you have to ask them. So, would you ask them and get back to us with a response yes or no?

Mr. Kennedy: Yes, I will have them respond one way or another.

Before we're done talking, could I fill in one blank that was brought up earlier. It's a question about recision.

Mr. Gilmore didn't have the information on that. I can give you some broad understandings on that.

Representative Cotten: I prefer to wait as a lot of people are expecting the hearing to be over at 3:00. I'll wait around after the State testifies, but I want to keep as close to schedule as possible.

Mr. Kennedy: Thank you very much for the opportunity.

Representative Cotten: Please stay with us if you can. Mr. Swope, will you join us? Yes, Rod Swope is with us from the Governor's office, and John Katz, I believe, is still on the line, from Washington D.C., and I will turn the program for the administration over to Mr. Swope.

Number 455

Mr. Swope: Thank you Mr. Chairman, Members of the Committee. I commend you on some very well informed, pointed questions. Also with us is Tom Hawkins, with the Division of Natural Resources. I'll just very quickly say that, as you know, the majority of the discussions regarding land exchanges recently have occurred back in Washington D.C., so in terms of the sorts of questions you're asking I think that John Katz, as well as Tom Hawkins, who has participated in most of those meetings, should have the answers.

I know a question that you're going to want to know an answer to so I'll go ahead and give it at this time. At the outset the State does not have a position on land exchanges. During a teleconference with all of the Native Corporations we did express a concern that the land trades may not be in the overall best interests of the citizens of the State. In response, the native corporations requested an opportunity to provide the State with additional information. Since that time we've met with both CIRI and Doyon to discuss the land trades with them and hear the information they've had, and I think that at this point it's safe to say that we remain open to persuasion with regard to land exchange.

released
2/27/8

Representative Cotten: So could I interpret that, I mean I don't want to ask you if you've "quit beating your wife" as Mr. Gilmore suggested that I ask him, but would you say that the State has endorsed in any way, shape or form, the land trades.

State
has no
position on
trades

Mr. Swope: No, I would not. I think that I would prefer to say that the State does not have a position on land trades at this time. We do have concerns, and I think that some of them are concerns that the committee has. We are certainly concerned with the overall interests of the citizens of the State, so I think that until we are persuaded that the land trades either are in the best interests of all citizens of the state, or not, we are not inclined to take a position.

Did you wish to have someone else in the Administration speak today?

Representative Cotten: I'd like to have both Tom Hawkins and John Katz come up on some of the specific comments you had. Tom, why don't you go ahead and take that seat.

Number 486

John Katz, via teleconference from Washington, D. C.:
. . . published in writing and I think that will establish a context which will then permit Mr. Hawkins to talk about some of the specifics of the land trade documents.

Teleconference operator: Mr. Katz, is that you speaking right now?

Mr. Katz: Yes, it is.

Operator: I believe Mr. Hawkins was going to go first, but I'll defer to the Chairman.

Mr. Katz: No, he's not. We talked in advance.

Representative Cotten: John, we missed the first part of your remarks here, so if it is the Office of the Governor's intention for you to speak first, that's fine with us, but we did miss the first part of that sentence so would you please start over?

Mr. Katz: With your permission I will address about four of the questions which you posed in writing to the Administration, and then I think that will set the context in which Tom Hawkins will testify and he and I have agreed upon this order in advance.

First of all, with respect to state policy, Mr. Swope accurately reflected what that is, but I want to translate it into the context of the actual negotiation back here. As he indicated, the Governor indicated some previous position against land trades. The native corporations indicated that they were in possession of information that perhaps the Governor had not been made aware of; he indicated that he would like to have that information. Some of it has been submitted, some additional information will probably be forthcoming and he has suspended judgement on the trades until he has an opportunity to review the full spectrum of materials. In terms of how that has been translated here, we have said to the Interior Department officials and to the native corporations that we have not taken a position with respect to whether these land trades are in the national interests, or in the states best interests. However, unless and until a negative decision is made we will participate in good faith at the negotiation table in an effort to try to improve the three land exchange documents that are under consideration. In fact the State has been participating as both a landowner, that is as an entity with lands on the table, and also as the sovereign, that is as the representative of the people of Alaska.

State is participating to protect sovereign interests

I want to briefly trace through the chronology of how long the state has participated and what that participation has entailed. Incidentally, in this regard, I have corroborated this chronology both with officials at the Interior Department and with officials at the Department of Natural Resources.

The State first began to hear rumors about the land trades approximately two years ago. Those rumors manifested themselves concretely when Interior Department land appraisers showed up in Interior Department and DNR offices probably about 18 or 19 months ago.

land trades were "rumored" before told from Sheffield

In August of 1985, when Assistant Secretary ~~Phil Form~~ ^{Bill Horn} was in Alaska, he visited with Governor Sheffield and told him about the existence of native land trades. About the same

KATZ'S CHRONOLOGY

time he cooperated with me in this office, those land trade discussions were, in fact, taking place. There were some very intermittent discussions between state and interior officials after August, but they were not in the form of negotiation, and we were not then at the table. In November of 1985, Regional Director Gilmore wrote the Governor and basically invited the State's participation in the land trade discussions. In December of 1985, the Governor wrote back designating Tom Hawkins as the lead contact point for the State. In January of 1986, Mr. Gilmore responded in writing acknowledging the Governor's letter and acquiescing in the State's involvement.

In February of 1986, the Department of Natural Resources wrote a letter to the Interior Department proposing the possibility of the examination of approximately twelve million acres of land.

In March, Mr. Gilmore wrote back and he prioritized the State's twelve million acres in terms of the federal interest in that acreage, and basically he said that the only acreage that he was extremely interested in at that point in time was acreage within the Tetlin National Wildlife Refuge, and expressed lesser interest in some other acreage.

From that time until October of 1986, there were either intermittent discussions between state officials and federal officials, not so much in the form of negotiations, but to keep up contacts about how the land trades were going. There were a couple of written out contacts, but most of them were verbal.

During that entire period of time, the State was trying to elevate its participation to the level enjoyed by the native corporations. We knew that the native corporations were dealing at key policy levels here in Washington D. C. and as quickly as possible we wanted to make the transition between the discussions we were having in Alaska, which we felt were a back channel, to the real discussions which were occurring back here.

In October of 1986, Assistant Secretary Horn acquiesced in the full fledged participation of the State of Alaska in the discussions both as sovereign and as land owners. The first really concrete manifestation of that involvement occurred early in December of 1986 when in fact the State for the first time was present at the negotiating table in possession of all the documents that had been made available to the native corporations involved.

Subsequently, in January, 1987, there was a one week series of meetings again in which the State participated as a full partner, and once again in February, there have been a series of discussions just recently completed in which the State was a full partner.

On February 23, the next round of discussions has been scheduled here in Washington. I think it is safe to say, and this view is corroborated by every other participant in the process with whom we've spoken, that irrespective of the history, and frankly of the difficulty of the State insinuating itself as a full fledged partner in discussions until November, that we have lost no options in the process and in fact every option that is available to a native corporation or the federal government is still available to the state of Alaska at this point in time.

*Katz says
it's been
hard getting
State involved*

Now, with respect to future timing we are advised that on or about March 2, the Interior Department desires to begin the tract selection process, and that that process will continue from March 2 to approximately March 24. On March 2, it is expected that there will be agreements in principal among the parties and with the Interior Department. Assistant Secretary Horn has indicated, notwithstanding that time frame, that no land trades will be presented to the Secretary of Interior for consideration until the Secretary has independently reviewed and made his comments to Congress within the context of the so-called 10-02 report. After that, the Secretary will be called upon to consider the land trades and may present one or more of those to the Congress. The timelines I have outlined are very, very constrained, and I think after you have heard Tom Hawkins testimony you may well wonder whether all of the problems can in fact be resolved prior to the timelines involved.

*DOI intends
to do tract
selection on
March 2*

With respect to the legal basis of these trades both for the federal government and for the state; with respect to the federal government the Interior Department seems to maintain that it has the administrative authority to execute these land trades but it has made it very clear that it's a matter of policy with the Congress that no trades will be approved on an Administrative basis but in fact they will be submitted to Congress for review and ultimate approval. On the State side of things, we have made it very clear in the context of our discussions that these land trades must come before the state legislature for approval.

There are two alternative modes for that consideration. One is the process that is provided in AS 38.50 which is the generic land exchange statute which governs relations between the executive branch and the legislature. That

process calls for a very structured series of steps involving first the executive branch in terms of the compilation and analysis and presentation of information and then subsequently the review of that information by the legislature in the normal legislative process. And, incidentally that is the procedure we would prefer to follow.

The second possible mode involves the presentation of the land trades to the Legislature at the time when they have crystallized. The only reason for pursuing that mode is if the timelines that are set by the Interior Department and the Congress will not admit the more structured and more elongated 38.50 process.

With respect to a couple of points that have come out in prior remarks. First, the confidentiality of the negotiations and the distribution of documents. It was made very clear to us, I would say almost as a precondition of our participation, but certainly as an extremely important component of our participation, that we were not to distribute or make available successive drafts of the land exchange documents. We felt that, a bit uncomfortable with that, and wondered in our own minds whether that procedure is even complying with federal policy regulation, but it was not for us at that point to make that determination. However, in terms of our own State Freedom of Information Act, we felt that any material which the State produced was in fact available for public scrutiny under the terms of the State Freedom of Information Act. And in fact, have made those documents available upon request. Now those documents are in a form where encumbrances, extrapolations to the documents themselves, can be made. So, to summarize our position here, we are divided by the ground rules that we thought existed with respect to federal documents and recognizing that those documents are evolving over time and with respect to the State's documents we have in fact made those available. I was very pleased to hear what Mr. Gilmore said earlier about the possibility of federal distribution of their documents. In our judgement the public consideration of debate would be benefited if in fact that was permitted to occur.

With respect to another point asked by the Committee, we early-on suggested the possibility of Interior Department consideration of State and other inholdings within National Park areas. That proposal was rebuffed by the Interior Department on the grounds that this was basically a program and a mandate of U.S. Fish and Wildlife Service in an effort to remove inholdings within National Wildlife refuge areas, and that Park Service inholdings might be considered but they would be considered in a so-called phase two, later round. That made us somewhat uncomfortable because

we don't know how the tract selection process will work or what may be available in a later round.

Finally, with respect to the issue of an overriding royalty, we have requested on numerous occasions that the Interior Department include an overriding royalty in the land exchange document. We did that, recognizing that we really weren't impairing the interests of native corporations so long as, as a prior witness said, they are not penalized or "dinged" for the fact that the State was able to acquire an overriding royalty interest. The position that we have advocated has been adamantly and consistently rebuffed by the Interior Department. We continue to advocate it and are hopeful that there will be some additional flexibility in that process.

I think, with that, Mr. Chairman, I'll turn this back to you and Mr. Hawkins.

Representative Cotten: Thank you John. Let me ask one quick question, and I'll turn it over to Mr. Hawkins.

I want to make sure I understood you correctly. Did you say that the Legislature would need to approve the trade before the administration could support them?

Mr. Katz: No, Sir. What I said was that under state law the executive branch is obligated to submit the trades to the legislature for approval under either 38.50 or some other process. Of course, the executive branch is free to take an affirmative position with respect to the trades without legislative approval but those land trades cannot be executed and finalized without legislative approval.

Representative Cotten: You're just talking about the state land, right?

Mr. Katz: Yes, Sir, that's the fact of the case.

Representative Cotten: Thank you very much, John. I'll ask Mr. Hawkins to supplement your remarks with any comments he has.

TAPE 17 SIDE TWO
Number 001

Tom Hawkins: Thank you Mr. Chairman. It's good again to be here.

John Katz has delivered an accurate summary of the chronology of participation by the state of Alaska in the talks concerning the ANWR exchange. He has also usefully

augmented Rod Swope's description of the State's policy position on these matters.

Our view is that if ANWR is to be opened by Congress, the State must search for ways that enable the Interior to pursue all of its goals. At this time, Interior appears to have as goals: assuring environmentally sensitive oil and gas exploration and development on a portion of the Arctic coastal plain, and enlarging the refuge system generally by reducing inholdings. Recognizing these goals, we have advanced lands for inclusion in that refuge system in exchange, or possible exchange, for oil and gas rights. We have reviewed planning by Interior for the trades generally, met with the native participants, and avoided condemning the actions contemplated, despite the loss of potential royalties to the state.

We have, however, raised what we consider to be substantial questions about the process for planning for the exchanges, and criticized specific elements of these plans. Five general areas of attention, primarily detailed in the documents before you, are, first: we are very interested in maximizing the State's stake, or potential opportunity to participate. Second, we have been extremely concerned about the stipulation and mitigation strategies design by Interior to deal with this particular development. Third, we've been very interested in the tract selection process and have had some concerns about how conflict resolution would ensue during that program. Fourth, we've paid particular attention to the contract and elements of the contract which give different segments of the State interests particular cause for concern.

Finally, we have discussed earnestly, the issue of timelines.

As I said, a precise analysis of the exchange plan was delivered to Interior by the State in late December, and early January. There has been progress on a number of concerns we raised. For instance, on the matter of identifying state lands of interest to Interior, we initially and in conjunction with the Department of Fish and Game, identified twelve million acres primarily valuable for habitat purposes, for consideration by Interior. They came back, initially, with a prime interest in about 100,000 acres. Over the ensuing time, we have discussed back and forth what state lands would be of interest.

I provided you a map and a listing showing general locations and listing the particular categories of state land looked at by Interior and then in the list I've listed those parcels that Interior showed interest in, up through number 10. Parcels 11, 12, 13, 14, and 15 are a part of

the discussion but actually appraised by us, but have not been accepted to the negotiations themselves. From where we started to where we are today, in terms of the size of the state's potential stake, we're looking at roughly 792,000 acres.

Second, we'll discuss the matter of stipulations. In the December meetings, when we were presented with the first set of stipulations, we had concern that those stipulations and mitigating strategies were not consistent with the same idea or stipulations advanced in the 10-02 report. We raised those concerns and in those documents offered a number of problems the state had. There has been continual progress towards improving those stipulations, those environmental standards, and particularly recently the Department has made it abundantly clear that the results of the statutory opening of ANWR and the results of the 10-02 report will be the standards for activities, so on the issue of environmental standards we've seen some progress, and we're pleased with it.

Our third area of concern is in the tract selection process. That concern breaks down into two segments. One, the valuation questions, which you raised and discussed earlier. We are not certain that the Bureau of Land Management has sufficient information to make an accurate valuation of the subsurface values. Second, in terms of the valuation of the surface interest, in other words the interest to be acquired by Interior, we've been pleased as the standards which allow the land value to be established have evolved, but essentially, Mr. Gilmore did a good job of describing that fair market value and additional considerations both went into that valuation process, and so the establishment of a standard government appraisal was one aspect of those values. There were additional aspects, including comparative purchases by Congress, like the Pribilof Island example, and other attributes, as those have been defined, and as the Interior Department has explained that State lands would be valued and treated like other lands being considered, we have less concern about the surface valuation process. A second part of the tract selection process that's made us nervous is the dispute and the resolution mechanism. Our primary concern which is in our documents is that we believe that the discretion to the Secretary of Interior as to which methodology for choosing between conflicting nominations or bids for parcels, is too arbitrary. We've always preferred competitive bidding. The fact that lottery and refuge acquisition values are also choices for resolution, and the choice of those choices available to the Secretary has us concerned us.

State prefers competitive bidding

Turning to the contract, you have heard in detail a number of things about the contract. Two particular flavors of concern have been advanced by the State. One of those is

in the preemption area; the preemption of state rules, state authorities. They break down into areas of water rights, subsistence, jurisdiction of other state agencies and the submerged lands questions. We think we've made good progress in the area of water rights. We continue to have difficulty with some of the subsistence easement language because we believe that it preempts language which currently controls that situation. As far as jurisdiction its another area where EPA, DEC, Fish and Game, Fish and Wildlife Service, Alaska Oil and Gas Conservation Commission are groups with overlapping jurisdictions, and we think that the Department of Interior has made considerable progress towards dealing with this particular preemption issue.

Finally, submerged lands as a preemption issue. One, we've identified potential submerged lands, conflicts on the 10-02 area on the coastal plain. We also have the situation dealing with submerged lands within lands that the State might offer to the Fish and Wildlife Service and whether the State can convey those to the Fish and Wildlife Service. So far we're not satisfied that those potential ownerships of the State have been segregated in this process, and we have continuing concerns there.

The second flavor of our contract concern has to do with the area of the interest conveyed. The State is somewhat different than the other players in this process in that we don't have yet an industry partner and consequently we're faced with the perhaps opportunity of leasing to a third party at a later time, lands that are subsurface interests that we might acquire inside the refuge. Our concern is that the interests offered in the contract are not sufficiently clear that our oil and gas attorneys, both private consultants and existing attorney general analysts, believe that its worth as much as a normal oil and gas situation. We are requesting additional attention to that particular interest. Finally, there are a number of technical oil and gas concerns in terms of compensatory royalty per drainage provisions that concern that same segment of the state analysis team. Those issues have been raised to Interior and we are eager to see a lot of additional attention paid to it.

Finally, the fifth point, and I believe the last unanswered of your questions, is the issue of timing. There is a lot of work and a ~~barely~~ constrained schedule. Our experience today has been that Interior has flexed as problems have been encountered and we've had the opportunity to address them and work them out, and we continue to look for that opportunity as well as expand major energy to achieve an analysis of the situation so that we're in a position to decide whether or not to proceed. Thank you.

Number 247

Representative Cotten: We've got about two and a half hours in. I'm going to try to get out of here in a few minutes. I think that next Thursday we have another hearing on general topic of environmental and local hire issues. We have Tuesday open if the committee has interests in asking the State people to come back and answer more questions. If you do have a couple of questions, it's fine now, but I would prefer to shut the meeting down in the next few minutes.

Representative Shultz: I just want to go back to one other question. 450 million dollars is going to be spent, and I don't think it's a state question and again it has to go back previously. The question I asked: the lands that are going to be utilized for the back scatter radar that are presently sitting in the refuge; are they in fact part of the negotiations, or not?

Mr. Hawkins: My staff has followed the back scatter radar and we're familiar with the sites under consideration by the Air Force. It is my understanding at this time there isn't a conflict between the state lands sought by Interior in Tetlin and the proposals of the Air Force, but I will research that and hand you maps that show if that conflict does exist.

Representative Shultz: It is my understanding that the second choice is all in the refuge at the present time, it's all federal. That's the question. That's the question I was trying to get to awhile ago. Is the federal government, when you're asking and when you're negotiating, are you folks taking into account that the possible sites that may end up being on refuge land when you're talking about the land swap?

Mr. Hawkins: Yes, Sir.

Mr. Davidson: Yes, I just was wondering if we could get a copy of Mr. Hawkins' remarks.

Mr. Hawkins: Yes, they're yellow now, but I'll have to get them.

Representative Brown: Tom, is what's happening here that sometime between now and late March there will be either an agreement reached or not reached and if the State and Interior do not come together on an agreement the process will proceed without an opportunity to acquire lands in this way? Is that correct?

Mr. Hawkins: Mr. Chairman, Representative Brown, that appears to be correct. There will be other phases perhaps but there's a train that's on a fast track, and there's probably other trains. The first train seems to be the one, if you're going to participate, the one upon which you'd like to be aboard.

Number 295

Representative Cotten: Somebody mentioned to me that there is a recent correspondence from Secretary Horn to the congressional delegation and the Governor that would be of interest to the committee. Is that available?

Mr. Katz: There is in fact such a letter. We can make it available to you. It basically lays out in slightly greater detail the chronology that I just provided the committee and then talks a little bit about the timing, but we can get it to you forthwith.

Number 311

Representative Cotten: Apparently we already have it and I didn't know it. Thank you, John.

If there is nothing else, we are adjourned. (3:28 p.m.)

Alaskan Land Proposal Stirs High-Stakes Game

By WALLACE TURNER
Special to The New York Times

Set: Feb. 28, 1987

ANCHORAGE — While others argue publicly whether oil-drilling rigs should invade the Arctic National Wildlife Refuge, the calving ground of the continent's largest caribou herd, a related game with billion-dollar stakes has been going on in the back room.

The players are the Interior Department's Fish and Wildlife Service, several Alaska native groups in partnership with major oil companies, and the State of Alaska, a latecomer to the table. The stakes involve who will profit if the exploration proceeds and the area does, as experts predict, prove to be one of the largest oil and gas fields in North America.

"The only way drilling is going to be opened up is if there is something in it for everyone," said George Kriste, an executive of Cook Inlet Region Inc., one of the Alaska native corporations negotiating to obtain mineral rights in the refuge's coastal plain. "This is a very emotionally charged issue."

So, as environmentalists, oil companies and others argue the wisdom of drilling in the protected area, the quiet game being played in the background is part of an effort to convince Congress, which will have the final say, that there is indeed something in it for everyone.

Now, U.S. Owns the Land

As things now stand, the wildlife refuge is owned by the Federal Government, which would ordinarily get the royalties, the owner's share of oil and gas produced from the land. Under current law, however, 90 percent of Federal royalties are turned over to the state, so it is Alaska that would reap a windfall if a major oilfield came in.

But the Interior Department, which has proposed opening the 1.5 million-acre coastal plain to mineral development, is seeking to trade the subsurface rights to land it owns inside the refuge for environmentally valuable land held by Alaska natives elsewhere. In addition to countering some of the conservationist opposition, this would give a big share of potential oil profits to the Indians, Eskimos and Aleuts.

Senator Ted Stevens, a Republican, said the Alaska Congressional delegation supported the land trade "because it will help build support for allowing oil and gas leasing in the coastal plain area."

And some leaders among the Alaska natives raise the possibility that if their interests are ignored, they might join with environmentalists in opposing mineral exploration.

"If the interests who want to drill in the wildlife refuge are going to use the Alaska native peoples as a battering ram to beat their way in, they are going to have to let the natives have a stake in what comes out of it," said State Senator Willie Hensley, an Eskimo from Kotzebue.

Some officials familiar with the confidential negotiations have said the natives could acquire two-thirds of the drilling area. But the State of Alaska, though it would retain the power to tax any production, would lose its 90 percent share of royalties on land that the Federal Government trades to the native groups.

And while state officials have been in on the talks since October, they have no proposal on the table for Alaska itself to share in actual ownership of the subsurface rights. To do that, it would have to trade state-owned land for tracts inside the drilling area, and Gov. Steve Cowper has been hesitant to make such a commitment.

"I have no way of knowing the potential of the area," the Governor said, "and what we would get for our investment might turn out to be worthless."

But it might turn out to be worth quite a bit.

The coastal plain in the refuge "is generally considered to have the greatest oil and gas potential of any onshore area in North America," says a staff report issued by State Representative Sam Cotton, chairman of the Natural Resources Committee in the Alaska House, who wants the state to acquire mineral rights of its own.

\$11 Billion Royalties Nearby

Using seismic test data taken two years ago, Interior Department geologists estimated a 95 percent chance that 600 million barrels of oil exists beneath the coastal plain, and a 5 percent chance that it could amount to 29.4 billion barrels, which would make it as big as the Prudhoe Bay field, 125 miles to the west.

The royalties from that field, where the state owned all the subsurface rights, have totaled more than \$11 billion over 10 years. Thus, the land swap would have the potential to make some Alaska Indians, Eskimos and Aleuts the richest North American aborigines.

Robert Gilmore, regional director for the Fish and Wildlife Service, said an agreement for the land trades would probably be ready to present to Congress by June or July.

Virtually all Alaska interests support drilling, although some natives in the Arctic have been lukewarm, while environmentalists oppose it. John Katz, the state's lobbyist in Washington, said Congressional opinion on the issue had not yet crystallized.

Meanwhile, Governor Cowper says he is certain the state will get its proper share. "It's difficult for me to believe that a Democratic-controlled Senate would approve a trade that I opposed," he said. "I don't believe they would stuff land-trade language into a bill to open the coastal plain for drilling when it had to be done over the body of the Democratic Governor of Alaska."

Hi Sam - did you know you made the NY Times?

Shaman

CORRECTION

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

Alaskan Land Proposal Stirs High-Stakes Game

By WALLACE TURNER
Special to The New York Times

Set Feb. 28, 1987

ANCHORAGE — While others argue publicly whether oil-drilling rigs should invade the Arctic National Wildlife Refuge, the calving ground of the continent's largest caribou herd, a related game with billion-dollar stakes has been going on in the back room.

The players are the Interior Department's Fish and Wildlife Service, several Alaska native groups in partnership with major oil companies, and the State of Alaska, a latecomer to the table. The stakes involve who will profit if the exploration proceeds and the area does, as experts predict, prove to be one of the largest oil and gas fields in North America.

"The only way drilling is going to be opened up is if there is something in it for everyone," said George Kriste, an executive of Cook Inlet Region Inc., one of the Alaska native corporations negotiating to obtain mineral rights in the refuge's coastal plain. "This is a very emotionally charged issue."

So, as environmentalists, oil companies and others argue the wisdom of drilling in the protected area, the quiet game being played in the background is part of an effort to convince Congress, which will have the final say, that there is indeed something in it for everyone.

Now, U.S. Owns the Land

As things now stand, the wildlife refuge is owned by the Federal Government, which would ordinarily get the royalties, the owner's share of oil and gas produced from the land. Under current law, however, 90 percent of Federal royalties are turned over to the state, so it is Alaska that would reap a windfall if a major oilfield came in.

But the Interior Department, which has proposed opening the 1.5 million-acre coastal plain to mineral development, is seeking to trade the subsurface rights to land it owns inside the refuge for environmentally valuable land held by Alaska natives elsewhere. In addition to countering some of the conservationist opposition, this would give a big share of potential oil profits to the Indians, Eskimos and Aleuts.

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Hi Sam - did you know you made the NY Times?

Shannon

City/State

B

Plan may gain share of refuge for Alaska

By Harry McFarland
Times Business Writer

The state's chief land manager on Saturday offered a plan that could guarantee Alaska a share of billions of dollars in royalties, rents and bonuses from any oil that may be produced in the future from the 1.2 million-acre coastal plain of the Arctic National Wildlife Refuge.

The plan would cancel proposed land trades between the U.S. Fish & Wildlife Service and 17 native corporations. Gov. Steve Cowper has pulled the state out of the land trade talks because he says the talks are not in Alaska's best interest.

Representatives of the federal government and native corporations questioned the need for the state's new plan.

Proposal would allow natives to swap land for leases

On land owned by the native corporations, any state revenues would be limited to severance and corporate taxation — there would be no royalty earnings.

"From a strict revenue perspective, there is no combination of exchanges which could provide equivalent (to the status quo) fiscal benefits to the state," Gary Gustafson, director of land management in the Alaska Division of Land & Water Management, told state senators during hearings on Saturday.

"In other words, any exchanges reduce the state's share of potential bonuses, royalties and annual rentals," Gustafson

said.

Under provisions of the statehood act, Alaska is guaranteed 90 percent of the earnings from federal lease sales, though some members of Congress are now seeking to reduce the state's share of those revenues.

Under the state's proposed plan, native corporations would bid for federal leases like an oil company would with "assigned value" land rather than cash. The state would still collect 90 percent of the revenues under this bidding system.

The state proposal would also include a provision that would allow the natives to retrieve

their traded inholdings if no oil were found on the ANWR tracts they acquired or to retain credit to be used in bidding in other national lease sales, Gustafson said.

A 1983 land swap that gave nearly 100,000 acres in subsurface rights to Arctic Slope Regional Corp. would not be affected by the state's plan.

"The whole premise (of the state's plan) is built on the 90-10 split," said Jim Doebel, associate regional director of Fish & Wildlife and chief land negotiator for the federal agency. "Nobody I know believes that will happen."

Doebel declined to comment further, saying a formal Fish & Wildlife opinion may be drafted later.

"How does that (the state proposal) accomplish any better what we're doing now?" said Judy Meidinger, an official of the Kodiak-based Koniag Inc.

Koniag has offered 107,000 acres of inholdings in the Kodiak National Wildlife Refuge for the right to acquire access to ANWR land.

Any land swaps between the federal government and native corporations will have to receive

congressional approval. Congress also will decide whether to allow any oil and gas exploration in the arctic refuge; a draft U.S. Department of Interior report recommends that drilling be permitted in the coastal plain.

Gustafson, who was the state's chief negotiator when the state was offering 445,000 acres of lands, said the proposal was a suggestion and not an absolute.

"It is a way," he said, "but not the only way."

As evidence that the state is flexible, he offered a second proposal in which Alaska would negotiate a royalty share from native corporations in exchange for Cowper administration support of land trades.

Arbitrator to determine ANWR profit-sharing

Times
3/15/87
B-1

By Harry McFarland
Times Business Writer

An arbitrator has been asked to determine whether the Arctic Slope Regional Corp. will have to share with its 11 native corporation counterparts around the state any revenues the regional native corporation would earn if oil is found on its Arctic National Wildlife Refuge land.

The dispute focuses on a provision (Section 7i) of the Alaska Native Claims Settlement Act of 1970 that mandates that 70 percent of the mineral revenues from lands conveyed to native corporations are shared equally by the 12 regional native corporations.

The arbitrator's ruling could also affect four other native regional corporations — Arctic Slope, Koniag Inc., Doyon Ltd. and Cook Inlet Region Inc. — and

several village corporations which have offered to trade for land in the potentially oil-rich ANWR coastal plain.

Challenging Arctic Slope's claim to all the mineral revenues from ANWR holdings acquired by trade are Juneau-based Sealaska Corp., Dillingham-based Bristol Bay Native Corp. and Anchorage-based Aleut Corp.

"We believe the claims are non-meritorious," said an attorney, who because he represents a native corporation watching the arbitration proceedings, asked not to be identified. He said the four corporations have agreed to abide by the arbitrator's decision, and the losers would not take the dispute into court.

Koniag official Judy Meidinger said the Kodiak-based regional native corporation de-

cidated not to participate in the arbitration, even though it may be bound by a decision against Arctic Slope.

State and federal officials, who say they are sitting out the battle on the issue, believe that provision is unenforceable on any lands that a native corporation has acquired through a trade rather than under provisions of ANCSA.

No native corporation can drill in ANWR unless Congress votes to approve drilling in the refuge. Congress also has to agree to allow the U.S. Fish & Wildlife Service to trade ANWR access for native corporation holdings in national refuges around the state.

Officials of the four native corporations involved in the arbitration were unavailable on Saturday.

BRIEFING:

DNR,

2-11-87

HOUSE RESOURCES COMMITTEE
February 11, 1987

Department of Natural Resources
Overview

<u>DIVISION</u>	<u>PRESENTER</u>
Agriculture	Dean Brown Acting Director
Forestry	George Hollett Acting State Forester
Oil and Gas	Jim Eason Director
Mining, Geological and Geophysical Surveys	Laurel Murphy Acting Director
Parks and Outdoor Recreation	Neil Johannsen Director
Land and Water Management	Tom Hawkins Director
Management	Sharon Barton Director

DEPARTMENT OF NATURAL RESOURCES

1987

LEGISLATIVE BRIEFINGS



Judith M. Brady
COMMISSIONER

Constitution
For the
State of Alaska

Article VIII
Natural Resources

Section 1. Statement of Policy. It is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest.

Section 2. General Authority. The legislature shall provide for the utilization, development, and conservation of all natural resources belonging to the State, including land and waters, for the maximum benefit of its people.

Section 3. Common Use. Wherever occurring in their natural state, fish, wildlife, and waters are reserved to the people for common use.

Section 4. Sustained Yield. Fish, forests, wildlife, grasslands, and all other replenishable resources belonging to the State shall be utilized, developed, and maintained on the sustained yield principle, subject to preferences among beneficial uses.

Section 5. Facilities and Improvements. The legislature may provide for facilities, improvements, and services to assure greater utilization, development, reclamation, and settlement of lands, and to assure fuller utilization and development of the fisheries, wildlife, and waters.

Section 6. State Public Domain. Lands and interests therein, including submerged and tidal lands, possessed or acquired by the State, and not used or intended exclusively for governmental purposes, constitute the state public domain. The legislature shall provide for the selection of lands granted to the State by the United States, and for the administration of the state public domain.

Section 7. Special Purpose Sites. The legislature may provide for the acquisition of sites, objects, and areas of natural beauty of or historic, cultural, recreational, or scientific value. It may reserve them from the public domain and provide for their administration and preservation for the use, enjoyment, and welfare of the people.

Section 8. Leases. The legislature may provide for the leasing of, and the issuance of permits for exploration of, any part of the public domain or interest therein, subject to reasonable concurrent uses. Leases and permits shall provide, among other conditions, for payment by the party at fault for damage or injury arising from noncompliance with terms governing concurrent use, and for forfeiture in the event of breach of conditions.

Section 9. Sales and Grants. Subject to the provisions of this section, the legislature may provide for the sale or grant of state lands, or interests therein, and establish sales procedures. All sales or grants shall contain such reservations to the State of all resources as may be required by Congress of the State and shall provide for access to these resources. Reservation of access shall not unnecessarily impair the owners use, prevent the control of trespass, or preclude compensation for damages.

Section 10. Public Notice. No disposals or leases of state lands, or interests therein, shall be made without prior public notice and other safeguards of the public interest as may be prescribed by law.

Section 11. Mineral Rights. Discover and appropriation shall be the basis for establishing a right in those minerals reserved to the State which, upon the date of ratification of this constitution by the people of Alaska, were subject to location under the federal mining laws. Prior discovery, location, and filing, as prescribed by law, shall establish a prior right to these minerals and also a prior right to permits, leases and transferable licenses for their extraction. Continuation of these rights shall depend upon the performance of annual labor, or the payment of fees, rents, or royalties, or upon requirements as may be prescribed by law. Surface uses of land by a mineral claimant shall be limited to those necessary for the extraction or basic processing of the mineral deposits, or for both. Discovery and appropriation shall initiate a right, subject to further requirements of law, to patent of mineral lands if authorized by the State and prohibited by Congress. The provisions of this section shall apply to all other minerals reserved to the State which by law are declared subject to appropriation.

Section 12. Mineral Leases and Permits. The legislature shall provide for the issuance, types and terms of leases for coal, oil, gas, oil shale, sodium, phosphate, potash, sulfur, pumice, and other minerals as may be prescribed by law. Leases and permits giving the exclusive right of exploration for these minerals for specific periods and areas, subject to reasonable concurrent exploration as to different classes of minerals, may be authorized by law. Like leases and permits giving the exclusive right of prospecting by geophysical, geochemical, and similar methods for all minerals may also be authorized by law.

Section 13. Water Rights. All surface and subsurface waters reserved to the people for common use, except mineral and medicinal waters, are subject to appropriation. Priority of appropriation shall give prior right. Except for public water supply, an appropriation of water shall be limited to stated purposes and subject to preferences among beneficial uses, concurrent or otherwise, as prescribed by law, and to the general reservation of fish and wildlife.

Section 14. Access to Navigable Waters. Free access to the navigable or public waters of the State, as defined by the legislature, shall not be denied any citizen of the United States or resident of the State, except that the legislature may be general law regulate and limit such access for other beneficial uses or public purposes.

Section 15. No Exclusive Right of Fishery. No exclusive right or special privilege of fishery shall be created or authorized in the natural waters of the State. This section does not restrict the power of the State to limit entry into any fishery for purpose of resource conservation, to prevent economic distress among fishermen and those dependent upon them for a livelihood and to promote the efficient development of aquaculture in the State.

Section 16. Protection of Rights. No person shall be involuntarily divested of his right to the use of waters, his interests in lands, or improvements affecting either, except for a superior beneficial use or public purpose and then only with just compensation and by operation of law.

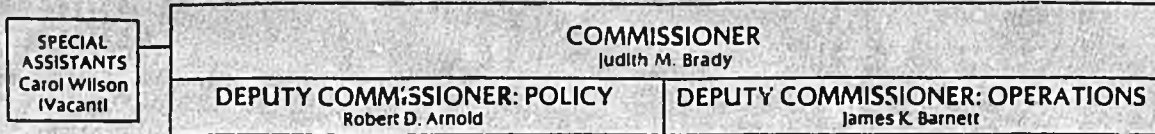
Section 17. Uniform Application. Laws and regulations governing the use or disposal of natural resources shall apply equally to all persons similarly situated with reference to the subject matter and purpose to be served by the law or regulation.

Section 18. Private Ways of Necessity. Proceeding in eminent domain may be undertaken for private ways of necessity to permit essential access for extraction or utilization of resources. Just compensation shall be made for property taken or for resultant damages to other property rights.

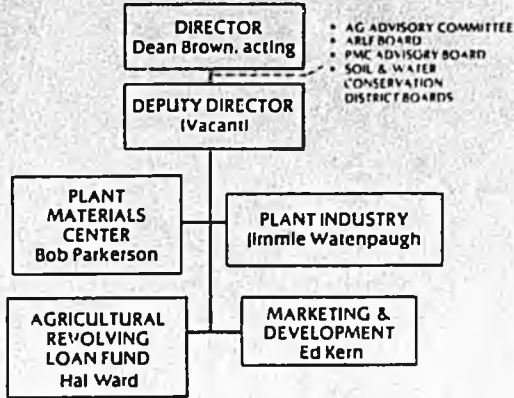


Alaska Department of NATURAL RESOURCES

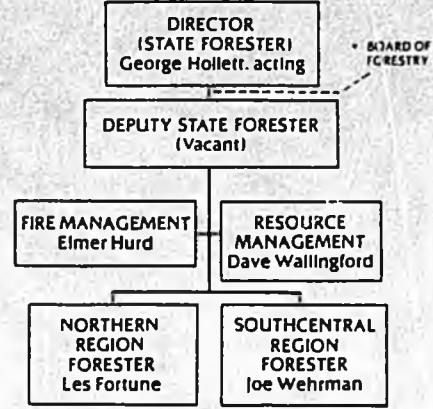
January, 1987



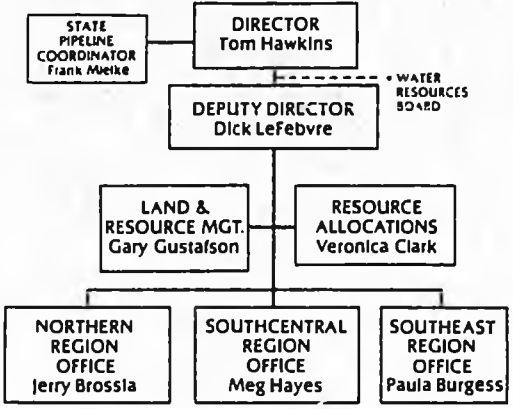
AGRICULTURE



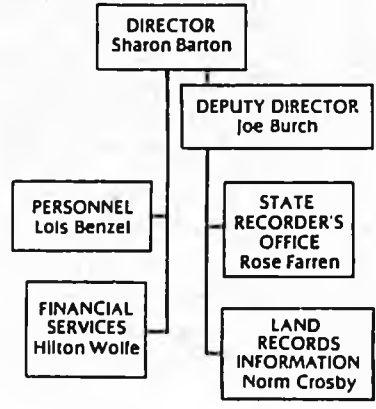
FORESTRY



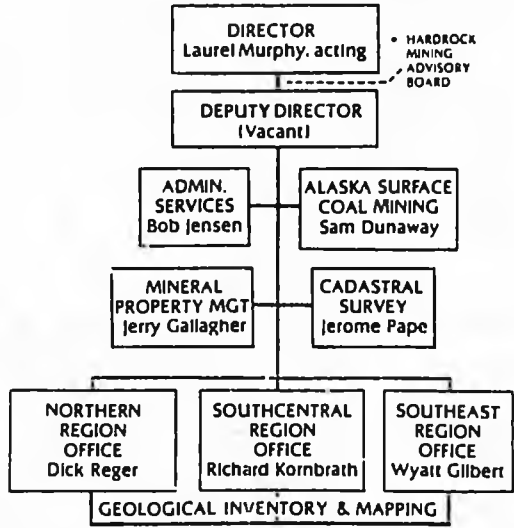
LAND & WATER MANAGEMENT



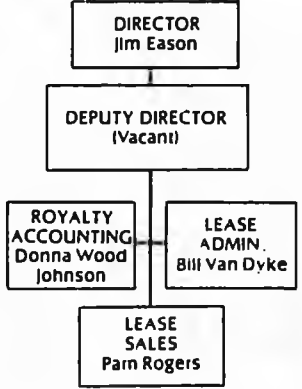
MANAGEMENT



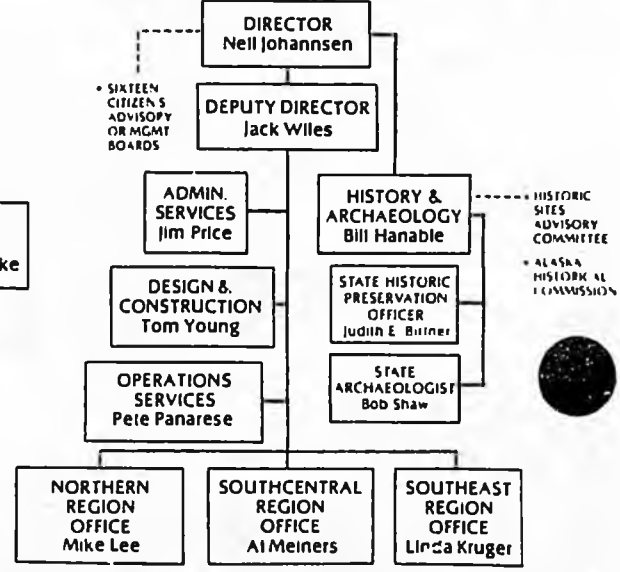
MINING AND GEOLOGICAL & GEOPHYSICAL SURVEYS



OIL & GAS



PARKS & OUTDOOR RECREATION



DNR OPERATING BUDGET SUMMARY

	<u>FY 87 Authorized</u>	<u>FY 87 Revised</u>	<u>FY 88 Governor</u>
<u>Commissioner's Office</u>			
General Funds	1,212.1	1,030.3	875.8
Total	1,212.1	1,030.3	875.8
PFT/PPT	15/0	15/0	12/1
<u>Management</u>			
General Funds	7,003.6	5,992.4	4,150.9
Total	7,225.3	6,695.2	6,216.9
PFT/PPT	166/1	162/0	131/1
<u>Land and Water</u>			
General Funds	10,916.6	9,780.0	7,588.0
Total	12,009.5	10,872.9	9,000.3
PFT/PPT	210/3	212/3	156/9
<u>Forestry</u>			
General Funds	7,935.7	6,745.3	11,969.4
Total	8,434.2	7,944.8	15,668.9
PFT/PPT	79/133	78/133	67/132
<u>Oil and Gas</u>			
General Funds	2,675.3	2,469.4	2,385.2
Total	2,771.3	2,565.4	2,472.6
PFT/PPT	41/0	41/0	39/0
<u>Mining & GGS</u>			
General Funds	8,694.4	7,390.2	5,304.4
Total	11,974.8	10,670.6	8,497.4
PFT/PPT	135/13	116/23	71/35
<u>Parks</u>			
General Funds	5,495.8	4,671.4	4,300.8
Total	7,239.6	6,266.6	6,143.5
PFT/PPT	64/97	47/113	39/104
<u>Agriculture</u>			
General Funds	1,257.6	1,069.0	827.5
Total	2,608.4	2,419.8	2,328.7
PFT/PPT	37/14	34/14	28/14
<u>Commissions</u>			
General Funds	247.0	210.0	61.2
Total	247.0	210.0	61.2
PFT/PPT	2/0	2/0	0/0
<u>Grants</u>			
General Funds	355.0	314.3	Ø
Total	355.0	314.3	Ø
PFT/PPT	0/0	0/0	0/0
<u>DEPARTMENT TOTAL:</u>			
General Funds	45,793.1	39,672.3	37,463.2
Total	54,077.2	48,989.9	51,265.3
PFT/PPT	749/261	707/286	543/296

**NATURAL RESOURCES: Summary of Unrestricted Revenues &
 Fund Distribution - FY86 Actual & FY87 Projected (\$'s in thousands)**

	Revenue Account Codes	Multiple Division or DNR	Comm. Office	Management	Land & Water	Mining & Geology	Agri-culture	Oil & Gas	Parks	Forestry	DNR TOTAL FY86 Act	DNR FY87 Projected TOTAL ^b
GENERAL FUND												
Licenses & Permits												
Homestead Permits	62340				79						79	68
Commercial Operator	62345								56		56	9
Feder 1 Shared												
Oil & Gas Lease	63040	2244									2244	9011
Land Sales	63080	17									17	0
Charges for Services												
Recording Office Fees	64070			2680							2680	3116
Services Rendered	64750	9									9	15
Food Services	64760									11	11	6
Uniform Commercial Code	64830			274							274	262
Document Handling	64880				39						39	30
Log Brand Fees	61520									1	1	0
Filing Fees	62280				187	37		12			236	246
Fines & Forfeitures												
Judgment Settlement	65040									1	1	20
Other Revenues												
Coal Rental Lease	65254					48					48	17
Coal Royalties	65270					28					28	0
Gravel Sales	65280				2585						2585	10593
Offshore Prospecting	65300					10					10	0
Land Lease	65320				1385						1385	1290
Mineral Lease	65330							3000			3000	4414
Oil & Gas Bonus	65370							8327			8327	676
Tideland Leases	65380				495						495	484
Gas Royalty	65390							3741			3741	583
Equipment Rental	65420	1									1	4
Office/Shop Rental	65450	2									2	0
Oil Royalty	65470							22246			22246	251298
Cabin Rentals	65480								11		11	13
Water Rights Fees	65490										0	15
Interest Earned	65750	6					18	45			70	4
Escheated Land	65775										0	2

FY87 Projected from 1/15/87 Actuals

NATURAL RESOURCES: Summary of Revenues (cont'd)

(\$'s in thousands)

Prepared By
Approved By

Revenue Account Code	Multiple Division or DNR	Comm. Office	Management	Land & Water	Mining & Geology	Agriculture	Oil & Gas	Parks	Forestry	DNR TOTAL		DNR FY87 Projected TOTAL ^b
										FY86 Act		
GENERAL FUND (cont'd)												
Other Revenues (cont'd)												
Jury Duty	66160	2									2	4
Prior Year Recovery	66190	73									73	35 ^a
Fire Suppression Recov	66240	1936									1936 ^a	0 ^a
Escrow Suspense Trust	66255	26									26	76
Grain Seed Sales	64370										9	0
Land Sales	65340			8546							8546	9433
Timber Sales	65350								321		321	124
Publications Sales	66358	45									45	63
Concession Fees	66359										0	2
Donations	66360	6									6	0
AS41.17.310	66363									6	6	4
Miscellaneous	66370	7									7	0
GENERAL FUND TOTAL:		2439		2954	123	27	737372	67	2275^a	758673		291917, or 38.5% of FY86
Note: ^a Federal recovery of fire suppression costs becomes a restricted receipt in FY87 and FY89, with a corresponding reduction of general fund expenditures.												
NAVAL PETROLEUM RESERVE - ALASKA FUND												
Federal Shared Mineral Rentals TOTAL:	63060	16703									16703	994^c
PUBLIC SCHOOL FUND												
Federal Shared												
Oil & Gas Lease	63040	15									15	61
Minerals Rental	63060	(35)									(35)	(147) ^c
Other Revenues												
Gravel Sales	65280			13							13	54
Land Lease Rental	65320			7							7	7
Mineral Lease Rental	65330						36				36	42
Oil & Gas Bonus	65370						351				351	7
Tideland Leases	65380			2							2	2
Gas Royalty	65390						36				36	4
Oil Royalty	65470						6109				6109	2003

^bFY87 projected from 1/15/87 Actuals.
^cOne-time accounting adjustments factored in.

Prepared By: _____ Date: _____
 Approved By: _____

NATURAL RESOURCES: Summary of Revenues (Cont'd)
 (\$'s in thousands)

	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Revenue Account Code	Multiple Division or DNR	Comm. Office	Management	Land & Water	Mining & Geology	Agri-culture	Oil & Gas	Parks	Forestry	DNR TOTAL FY86 Act		DNR FY87 Projected TOTAL ^b	
PUBLIC SCHOOL FUND (Cont'd)														
Miscellaneous														
Land Sales	64810				35						35		42	
Land Sale Principal	65340				7						7		0	
Timber Sales	65350									2	2		0	
PUBLIC SCHOOL FUND TOTAL:		(20)			64			6532		2	6578		2075	
UNIVERSITY PERMANENT FUND														
Other Revenues														
Travel Sales	65280										0		2	
Mineral Lease Rental	65330							20			20		20	
Timber Sales	65350										0		13	
UNIVERSITY FUND TOTAL								20			20		35	
MENTAL HEALTH TRUST														
Other Revenues														
Coal Rental Lease	65254					40					40		44	
Coal Royalties	65270					38					38		96	
Travel Sales	65280				5						5		20	
Land Lease Rental	65320				53						53		42	
Mineral Lease Rental	65330							98			98		45	
Oil & Gas Bonus	65370										0		20	
Timber Sales	65350									1	1		153	
Land Sale Principal	65340										0		48	
MENTAL HEALTH TOTAL:					58	78		98		1	235		469	
OSKA PERMANENT FUND														
Transfers to Other Funds														
Federal Shared Royalties	22717	753									753		3024	
Coal Rental	24480					18					18		6	
Coal Royalty	24482					12					12		0	
Offshore Prospecting	24483					5					5		0	
Oil & Gas Rental	24484							3758			3758		4014	
Oil & Gas Bonus	24485							35057			35057		583	

^b FY87 projected from 1/15/87 Actuals.

15 COMPTON USA • CELLON PRINT • CATERPILLAR ACTUALS • BENTON DESIGN

NATURAL RESOURCES: Summary of Revenues (Cont'd)

(\$'s in thousands)

Prepared By: [blank]
 Approved By: [blank]

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Revenue Account Code	Multiple Division or DNR	Comm. Office	Management	Land & Water	Mining & Geology	Agriculture	Oil & Gas	Parks	Forestry	DNR TOTAL FY86 Act		DNR FY87 Projected TOTAL ^D		
ALASKA PERMANENT FUND (cont'd)															
Due to Other Funds (cont'd)															
Gas Royalty	24486							1893			1893		196		
Other Mineral Royalty	24487	636									636		0		
Oil Royalty	24488							305633			305633		100252		
Bid Payment Interest	24489							40			40		74		
ALASKA PERMANENT FUND TOTAL:		1389				35		346381			347805		108249		
TOTAL ALL FUNDS:		20511		2954	13538	236	27	1090403	67	2278	1113001 ^C		412692, or 36.5% of FY87		

^C FY87 projected from 1/15/87 Actuals.

COMMISSIONER'S OFFICE

MISSION

It is the responsibility of the Commissioner's Office to assure balanced management of Alaska's oil and gas, energy, mineral, land, and water resources pursuant to the Constitution, applicable statutes, and the Governor's goals and policies.

FUNDING
SUMMARY

	<u>FY 87 Authorized</u>		<u>FY 87 Revised</u>		<u>FY 88 Governor</u>	
	GF	<u>PFT PPT</u>		<u>PFT PPT</u>		<u>PPT PPT</u>
Total	\$1212.1	15	\$1030.3	15	\$875.8	12 1
	1212.1		1030.3		875.8	

IMPACT
OF
BUDGET
CUTS -
ALTERNATIVE
PLAN

- Eliminate one deputy commissioner position; greater reliance will be placed on remaining deputy commissioner position and division directors.
- Reduces public affairs support in the Commissioner's Office requiring more assistance from divisions to keep the adequately informed of natural resource actions and decisions.

CONTACT:

Commissioner: Judith M. Brady

Deputy Commissioner: Robert D. Arnold

Deputy Commissioner: James K. Barnett