

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672  
4994 HRES HJR 29 - HJR 49

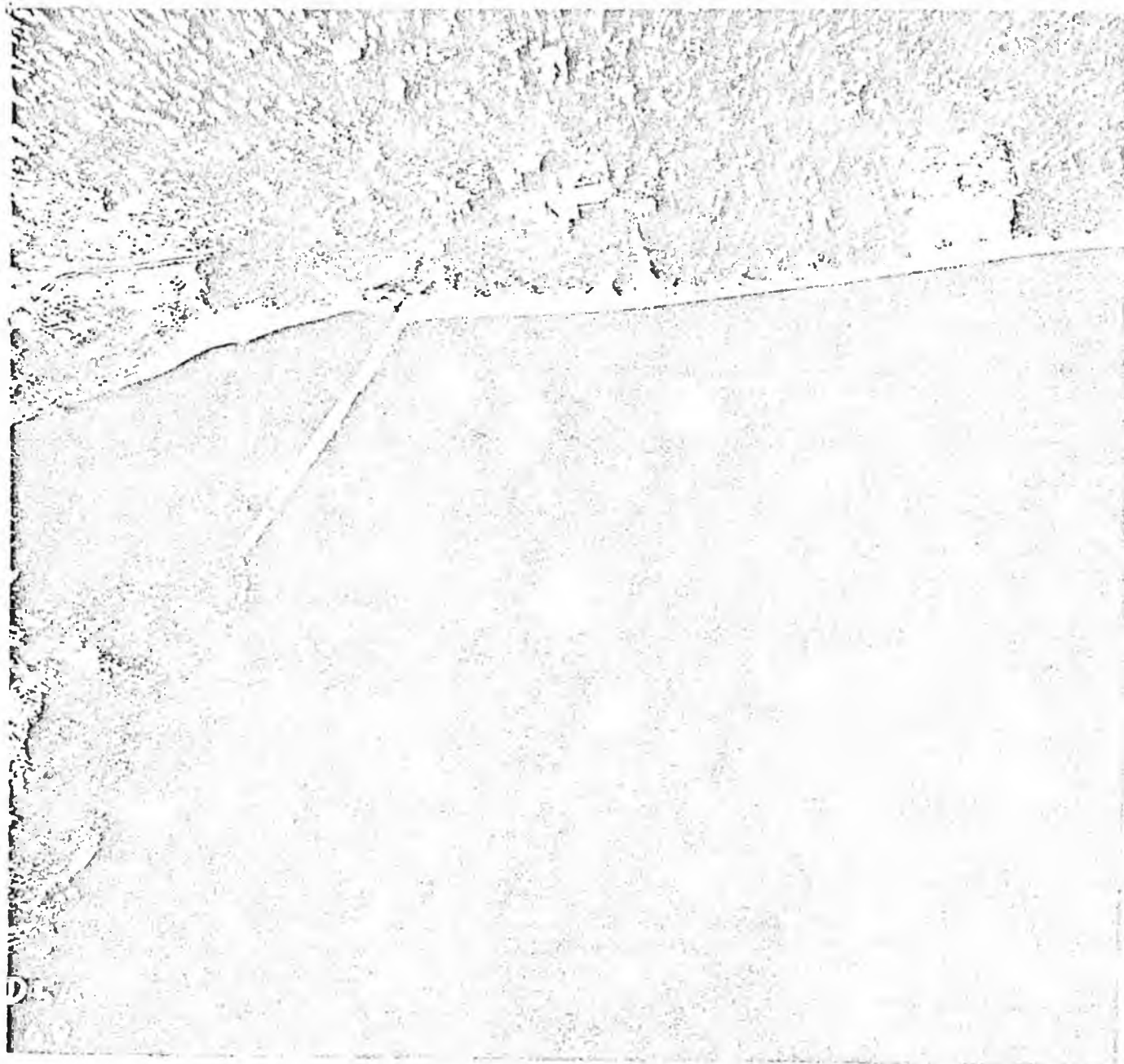


Fig. 5 Vertical aerial view of weir at outlet of Brooks Lake from 1000 foot altitude. Salmon may be seen in spawning array below the weir and in schools in the lake above.

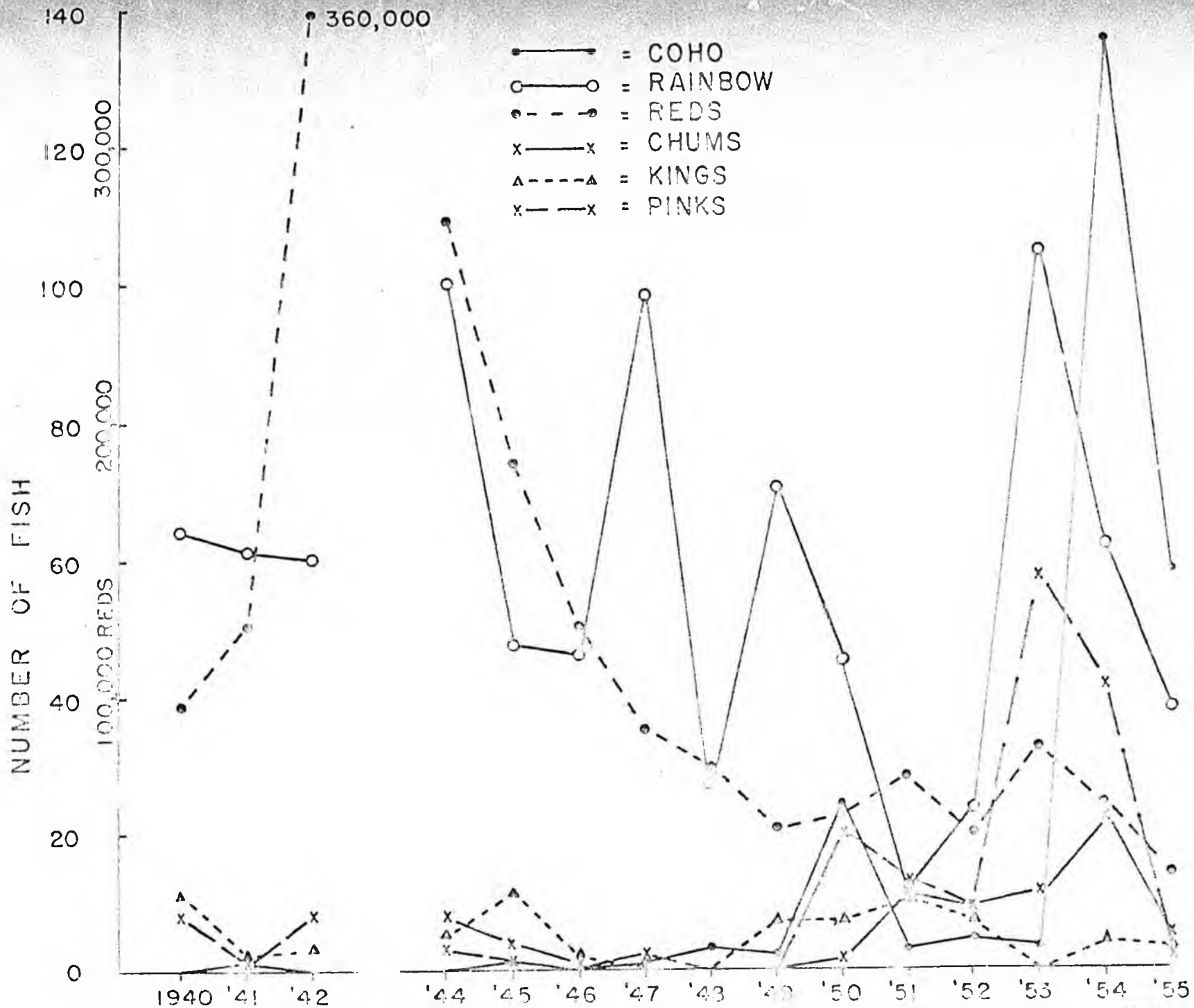
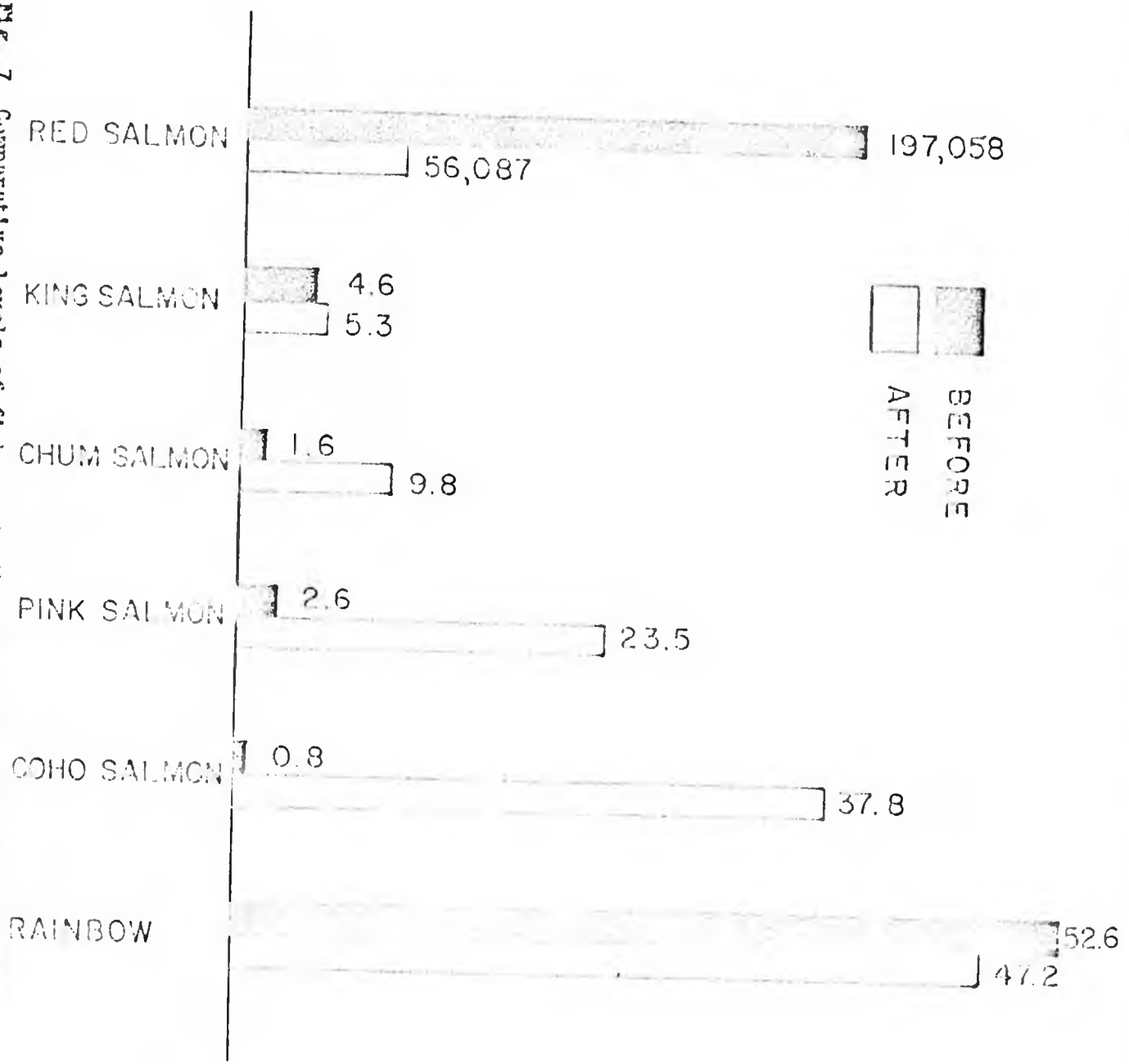


Fig. 6 Counts of rainbow trout and five species of Pacific salmon through Brooks Lake year—1940-1955. Weir not installed in 1943. See salmon counts reproduced on scale 1/2500 that of other fish.

FIG. 7 Comparative levels of fish counts through Brooks Lake weir before and after installation of ladder at falls.



MAR 26 1987

EICHER ASSOCIATES, INC.  
ECOLOGICAL AND ENVIRONMENTAL  
ANALYSIS AND PLANNING

8787 SW BECHER DR  
PORTLAND OREGON 97223  
503-246-9709

GEORGE J. EICHER  
PRESIDENT

March 21, 1987

Dean Paddock  
PO Box 020312  
Juneau AK 99812

Dear Dean:

It was a pleasure talking to you on the phone and learning of the latest developments with respect to the Brooks Falls fish ladder. Enclosed is a copy of the manuscript I put together in 1956 on the subject. It is interesting because it shows a pronounced increase in three of the five species of salmon using the ladder. It does not show much for sockeye primarily because the commercial fishery on this species was so intense that year to year changes in regulations and other factors affecting discrete populations such as the Brooks River race tend to mask out such changes. In view of the pronounced increases in the other three species, it seems safe to assume that a salutary effect must have also occurred with respect to sockeye, given the other data gleaned from years of observation. We had long noted such things as the fact that, in average years, about one fish (sockeye) in five made it over the falls. Of course we didn't know if each fish made it on its fifth try or the exact mechanism of this frequency. We did note that in low-water years, the success ratio was materially lower. We also had no way of measuring the effect that multiple unsuccessful leaps and collisions with rocks in these attempts had on later spawning success, sex ratios on the spawning grounds or other factors bearing on population changes. It seems certain that after a certain number of unsuccessful attempts, the fish lacked reserve energy to continue.

When we opened the ladder for the first time in 1950, an immediate surge of several hundred fish pushed up through. These were mostly individuals that had been unable to negotiate the falls, as evidenced by the fact that they had changed color. Before the ladder, only bright sockeye made it over the falls. It seems certain that the falls were at least a partial block to sockeye. Of course it could be argued that this tended to breed a race of good leapers, which could be countered by the obvious rebuttal that in the 17 years since, the leaping ability may have been bred out, and that closing the ladder now would result in heavy losses of those not equipped by heredity to make this leap.

Of course the lengthy holdup at the falls before the ladder provided bear an exceptionally heavy concentration in which to fish. From what I have seen in television sequences and in a visit I made in 1965, brown bear have greatly increased in the area since I worked there. I don't know the reason unless it is because they have become less fearsome of humans.

I understand that some Park Service employees now contend that the ladder was constructed without knowledge or consent of that agency. This is simply untrue. At the time of ladder construction, this was a National Monument, with less attention to such details as would held true under Park status. Until about 1940, this area was out of the Monument boundary. The falls had long been regarded as a partial block to sockeye salmon, and in the mid 1930's a channel was blasted at the right bank of the falls through the rock at the location of the present ladder by the then Bureau of Fisheries warden. Predictably, it was of no value in passage of fish. When George B. Kelez, the first director of the Bristol Bay salmon research group, made exploratory inspections of Bristol Bay spawning areas in 1938, the Brooks Falls problem was pointed out to him by Fred Lucas, the warden at that time. In 1939, my first year in the area, as an assistant to Kelez, he held preliminary discussions with the Regional Director of the Park Service in San Francisco on the subject of laddering the falls. Kelez was a stickler for government protocol.

In 1940, a Park Service representative, Victor Cahalane, accompanied by another biologist (I believe it was Leo Crouch) made a visit to the Naknek Lake and Katmai Monument area. This was in August after the fishing season. Lucas and Kelez took the two Park Service people up through the Naknek Rapids in Patrol Boat No. 7 of the Bureau of Fisheries. Although their principal destination was the Valley of 10,000 Smokes, Lucas and Kelez took Cahalane to Brooks River and Brooks Falls enroute, pointing out where the intended ladder was to be constructed. Cahalane took Kodachrome pictures of the area and of sockeye salmon on the Itutan fish drying racks on the right bank of Brooks River at the mouth.

In 1941, the San Francisco Regional Director of the Park Service (I believe it was Al Kuehl [sp?]), visited the area by air and landed at Brooks Lake to inspect the laboratory we were constructing at the time and discuss the proposed fish ladder. Kelez and I went with him to the falls. Both the ladder and laboratory were subjects of correspondence between Kelez and Kuehl in this period of years. I had much of this correspondence in my files until I left the Fish and Wildlife Service in 1956. World War II halted construction of the ladder and most of that on the laboratory. When I returned to head the Bristol Bay Investigation in 1947 under Kelez, who then headed all Alaska research for the Fish and Wildlife Service, one of the immediate priorities assigned me was, in addition to completion of the laboratory, design and construction of the ladder. In 1948, the Regional Director of the Park Service (I believe it was Al Kuehl, again) flew in to the area with Kelez to inspect the laboratory work and the fish ladder plans which were then being finalized by two FWS engineers brought in from Seattle. I accompanied Kelez and Kuehl to the falls, where discussions included suggestions by Kuehl for making the ladder as unobtrusive as possible through disposal of soil in a nearby natural pit and hiding the ladder weirs under water by using the old blasted channel as a flume to hold them. His suggestions were followed.

I hired four men in 1949 specifically to work exclusively on construction of the ladder. They virtually completed it in that year leaving minor details to be finished in 1950. On July 28, 1950, the last concrete was

poured in the no. 7 weir, and on August 7 the ladder was opened and immediately used by a large school of sockeye salmon which had been unable to negotiate the falls. This was the year that Northern Consolidated Airlines opened its fishing camp on the left bank of Brooks River at the mouth. Two Park Service employees built a cabin nearby with our help. I remember that one of them was a Willie Nancarrow. They observed our work on the ladder completion, but we gathered that they did not approve of it.

I apologize for the quality of the manuscript on the ladder, which is from a carbon copy. The photographs did not copy too well. I am also including a historical piece I did for the then BCF, at its request, in 1967 which you may find of interest. Should you have any questions on any of the foregoing, please let me know.

Sincerely,



George J. Eicher

HJR

34

# HOUSE COMMITTEE REPORT

(9)

Date referred: 4/27/87

FURTHER REFERRALS:

DATE: 5/12/87  
HJR 34

The Resources Committee has considered \_\_\_\_\_  
Relating to a proposed federal ban on the export of crude oil and refined oil products.

**RECOMMENDS:**

- replace with \_\_\_\_\_  the same title
- attached amendment(s)  a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the \_\_\_\_\_ Committee

**ADOPTS:**  \_\_\_\_\_ letter of intent

**ATTACHES NEW FISCAL NOTE(S):**

- fiscal impact  same as previous fiscal note published \_\_\_\_\_
- zero fiscal note  same as previous zero fiscal note published \_\_\_\_\_
- zero with analysis

**SIGNING DO PASS:**

\_\_\_\_\_

*Adelheid Herrmann*

*Harold Spritzer*

*Dick Stult*

*Al Davidson*

*Tom Keane*

*Mike Yavane*

*Jan Gtz*

\_\_\_\_\_

\_\_\_\_\_

**SIGNING OTHER RECOMMENDATIONS:**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

*Jan Gtz*

Chairman's signature

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE; FOR THE RECORD, MY NAME IS REPRESENTATIVE BETTE CATO.

I AM BEFORE YOU TODAY AS THE SPONSOR OF HOUSE JOINT RESOLUTION NO. 34, SEEKING YOUR SUPPORT.

THE UNITED STATES CONGRESS IS CURRENTLY CONSIDERING LEGISLATION KNOWN AS THE "OMNIBUS TRADE BILL". THE HOUSE OF REPRESENTATIVES VERSION, WHICH HAS ALREADY PASSED, PROHIBITS THE EXPORTATION OF COOK INLET CRUDE AND REFINED OIL PRODUCTS. THE SENATE IS CURRENTLY CONSIDERING THE LEGISLATION.

THIS EXPORT BAN, IF PASSED AND SIGNED BY THE PRESIDENT, WILL PREVENT THE STATE FROM RECEIVING SIGNIFICANT ECONOMIC BENEFITS DURING A TIME OF STATEWIDE RECESSION.

I FEEL THAT WE NEED TO LET CONGRESS KNOW OUR FEELINGS ON THIS IMPORTANT LEGISLATION. THE PROHIBITION ON THE EXPORT OF REFINED PRODUCTS IS OF PARTICULAR CONCERN TO ME AS THE REPRESENTATIVE FROM VALDEZ.

AS MOST OF YOU ARE AWARE, ALASKA PACIFIC REFINING INC. ("APRI") INTENDS TO BUILD A 100,000/BPD REFINERY IN VALDEZ, ALASKA. APRI HAS ALREADY ENTERED INTO A LEASE FOR THE

REFINERY SITE, PIPELINE RIGHT-OF-WAY AND MARINE TERMINAL FROM THE CITY OF VALDEZ. IT HAS OBTAINED A CONDITIONAL USE PERMIT FOR THE FACILITY, AND HAS ENTERED INTO A SIDE AGREEMENT WITH THE CITY OF VALDEZ TRAINING AND LOCAL HIRE. APRI IS ACTIVELY PURSUING ALL NECESSARY STATE AND FEDERAL PERMITS FOR THE REFINERY, AND IT EXPECTS THOSE PERMITS TO BE ISSUED IN THE SUMMER OF 1987. LETTERS OF INTENT HAVE BEEN RECEIVED FROM TWO INTERNATIONAL COMPANIES FOR PRODUCT OFF-TAKE, AND A MAJOR U.S. AIRLINE HAS FORMALLY EXPRESSED AN INTENT TO PURCHASE 15,000/BPD OF JET FUEL ON A LONG-TERM BASIS.

IN TERMS OF BOTH ENVIRONMENTAL QUALITY AND EFFICIENCY, THE REFINERY WILL BE AMONG THE MOST ADVANCED IN THE WORLD. IT IS DESIGNED TO ACHIEVE A 98.1% CONVERSION FACTOR FROM ITS CRUDE OIL SUPPLY. IT WILL PRODUCE ONLY HIGH QUALITY REFINED PRODUCTS, I.E. HIGH OCTANE UNLEADED GASOLINE, JET FUEL AND DIESEL FUEL. IT IS SPECIFICALLY CONFIGURED TO PROCESS ANS CRUDE USING DEMONSTRATED DESIGN AND NEW CONVERSION PROCESSING EQUIPMENT. THE REFINERY IS LOCATED ON THE SITE OF THE ONCE-PROPOSED ALPETCO REFINERY. MAJOR ENVIRONMENTAL PERMITS WERE ISSUED FOR THE ALPERCO REFINERY BEFORE ITS ABANDONMENT. DESPITE SOME SIMILARITIES WITH ALPETCO, THE APRI REFINERY WILL HAVE AIR EMISSION OF 60% OF THE LEVEL PREVIOUSLY PERMITTED PROJECT, WHILE WASTE WATER EFFLUENT WILL BE ABOUT 20% OF THE PREVIOUSLY PERMITTED PROJECT.

APRI HAS ALREADY RETAINED MAJOR CONTRACTORS FOR THE PROJECT. BECHTEL HAS BEEN ENGAGED AS PROJECT MANAGER FOR THE

DEVELOPMENT OF THE REFINERY; UOP, INC. HAS BEEN RETAINED TO SUPPLY THE LICENSES AND DESIGN OF THE TECHNOLOGY FOR MOST OF THE REFINERY PROCESSING UNITS; AND TEXACO WILL BE THE DESIGNER AND LICENSOR OF THE PARTIAL OXIDATION UNIT.

SITE WORK ON THE REFINERY IN VALDEZ WILL BEGIN IN LATE SUMMER, 1987; LONG LEAD ITEM PURCHASE ORDERS ARE EXPECTED TO BE PLACED IN JUNE, 1987. THE REFINERY WILL BE CONSTRUCTED, TESTED AND COMMENCE OPERATIONS BY JANUARY, 1990.

AT PEAK OF CONSTRUCTION, 1,500 PEOPLE WILL BE EMPLOYED ON THE SITE. TOTAL CONSTRUCTION PAYROLL IS ESTIMATED TO BE \$200 MILLION. THE REFINERY AND ASSOCIATED FACILITIES WILL REQUIRE A CAPITAL INVESTMENT OF \$750 MILLION, RESULTING IN ANNUAL PROPERTY TAX PAYMENTS TO THE CITY OF VALDEZ OF AN ESTIMATED \$7.68 MILLION. DURING THE OPERATION PHASE, 250 PEOPLE WILL BE EMPLOYED AT THE SITE AND AT ALASKA CORPORATE HEADQUARTERS, WITH AN ANNUAL PAYROLL OF \$12.25 MILLION. APRI IS COMMITTED TO THE CITY OF VALDEZ TO PROVIDE A \$1.5 MILLION LOCAL TRAINING PROGRAM AT VALDEZ COMMUNITY COLLEGE, AND HAS ALSO SIGNED A LOCAL HIRE AGREEMENT WITH THE CITY.

THANK YOU FOR LISTENING.

STEVE COWPER  
GOVERNOR

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

March 24, 1987

APR 10 1987

The Honorable Dante Fascell  
Chairman  
House Foreign Affairs Committee  
2170 Rayburn House Office Building  
Washington, D.C. 20515

Dear Mr. Chairman:

The House Omnibus Trade Bill, H.R. 3, which your committee is scheduled to mark up today contains a section that is particularly troublesome to the State of Alaska. Section 331 would prohibit the export of all domestically produced crude oil, and also would prohibit all exports of refined oil products by a refinery that exports more than 33 per cent of its production. I urge you to oppose these provisions.

While couched in terms generally applicable to activities in any state, the prohibitions in Section 331 are specifically aimed at activities within the State of Alaska. The first provision would prevent the export of crude oil produced from state owned submerged lands in Cook Inlet, Alaska. Last year, the Department of Commerce amended its export regulations to permit export of this crude oil. As a result of that action, the state has entered into a contract with Chinese Petroleum Corporation to export its royalty share of production, approximately 3,600 barrels per day. A refinery in the state has received a license to export 1.2 million barrels of Cook Inlet crude oil, and it is shipping 550,000 barrels to a Republic of Korea refinery. A Cook Inlet oil producer has also applied for an export license.

The justifications put forward for restricting or banning Cook Inlet crude oil exports range from concerns for national security to fear that exports would unduly impact the maritime industry. I believe that these concerns are unfounded. The existing set of statutes regulating exports of crude oil already protect national security interests. Furthermore, the Cook Inlet oil that is being exported, because it is small in volume and was previously used in Alaska rather than being shipped elsewhere, poses minimal, if any, threats to the maritime industry. The prohibition on crude oil exports in Section 331 will, therefore, disrupt

Ned - This here is what amounts to the back up for SJR 34. One is the speech Rep. CATO will read tomorrow, the other is a letter from Gov Cowper to Chairman of House Foreign Affairs

Committee in D.C.  
This letter explains the gist of HJR 34.  
There are 10 copies of each.  
Call if you have any questions!  
Thanks! Wendy

important ties between Alaska and the importing countries involved, while serving none of the purposes it is intended to promote.

The second provision in Section 331, which would prohibit export of refined products, is intended to stop the proposed development of a refinery in Valdez, Alaska, that would refine up to 100,000 barrels per day of Alaska North Slope crude oil and would export a portion of that product to Pacific Rim markets.

Currently, there are no restrictions on the export of refined petroleum products. (An average of 617,000 barrels of refined product are exported from this country daily, and this provision will probably not affect most of that export activity.) In reliance on the current statutory regime, substantial time and money has been spent to develop a highly efficient and economic project that would benefit both the Alaska economy and the U.S. trade balance.

Because of problems with obtaining U.S. financing for oil refineries, financing for the project will come in significant part from foreign sources. Some of the refinery output must be committed to those foreign sources as part of the financing plan. However, the result will be a much needed addition to new U.S. refining capacity. Even during the financing payback period, the refinery will be supplying domestic markets through the output it controls.

The provision restricting refined product exports was added to H.R. 3 by the Subcommittee on International Economic Policy and Trade during markup last week without benefit of a hearing. I believe that the provision is ill-advised and should not be supported by the full committee.

For the reasons discussed above, I urge you to oppose the inclusion of Section 331 in H.R. 3. Thank you for your consideration of this correspondence.

Sincerely,

*John W. Katz for*  
Steve Cowper  
Governor

cc: Congressman Don Young  
Congressman Stephen J. Solarz  
Congressman Morris K. Udall  
Congressman Robert J. Lagomarsino  
Congressman Henry J. Hyde  
Congressman Robert K. Dornan  
Senator Ted Stevens  
Senator Frank Murkowski

HJR

40

# HOUSE COMMITTEE REPORT

(9)

Date referred: 1/11/88

FURTHER REFERRALS:

DATE: 4-21-88

The Resources Committee has considered HJR 40

Relating to petroleum research and development in the state.

**RECOMMENDS:**

- replace with CS HJR 40 (Res) [ ] the same title
- [ ] attached amendment(s) [ ] a new title
- do pass
- [ ] do not pass
- [ ] no recommendation
- [ ] individual recommendations
- [ ] additional referral to the \_\_\_\_\_ Committee

**ADOPTS:** [ ] \_\_\_\_\_ letter of intent

**ATTACHES NEW FISCAL NOTE(S):**

- [ ] fiscal impact [ ] same as previous fiscal note published \_\_\_\_\_
- zero fiscal note [ ] same as previous zero fiscal note published \_\_\_\_\_
- [ ] zero with analysis

**SIGNING DO PASS:**

Saul R. Galt

Arthur Herrmann

Harold Springs

Dick Stutz

Clyde Davidson

Paul Weaver

John Hoff

**SIGNING OTHER RECOMMENDATIONS:**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Saul R. Galt  
Chairman's signature

**STATE OF ALASKA  
1988 LEGISLATIVE SESSION**

**BILL VERSION:** CS HJR 40 (RES)  
**PUBLISH DATE:** April 21, 1988

**FISCAL NOTE**

**REQUEST:**

Revision Date: \_\_\_\_\_ Agency Affected: None  
 Title: Petroleum Research and Development BRU: \_\_\_\_\_  
 Sponsor: Zawacki Components: \_\_\_\_\_  
 Requestor: \_\_\_\_\_

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE						
---------	--	--	--	--	--	--

**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS : (Attach a separate page if necessary)**

\_\_\_\_\_

Prepared by: Staff Phone: 465-3711  
 Division: \_\_\_\_\_ Date: \_\_\_\_\_  
 Approved by Commissioner: [Signature] Date: 4/21/88  
 Agency: Resources Committee

- Distribution (by preparer):**
- Legislative Finance
  - Legislative Sponsor
  - Requestor
  - Office of Management and Budget
  - Impacted Agency(ies)

Original sponsors: Zawacki, Adams,  
Frank, et al.

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE JOINT RESOLUTION NO. 40 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 Relating to petroleum research and  
6 development in the state.

7 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 WHEREAS petroleum production in the state provides nearly 85 percent  
9 of the revenue for the state and will continue to be the major economic  
10 force in the state for coming decades; and

11 WHEREAS the state presently provides nearly 24 percent of the domestic  
12 crude oil produced in the United States; and

13 WHEREAS the petroleum resources in the state's arctic, subarctic, and  
14 offshore regions are expected to constitute nearly 40 percent of all of the  
15 future petroleum resources found within the United States in the near  
16 future; and

17 WHEREAS potential incremental oil production through enhanced oil  
18 recovery could amount to 10,000,000,000 barrels from known Alaska reserves;  
19 and

20 WHEREAS enhanced oil recovery from current and future oil fields in  
21 the state will require continuing basic laboratory research and modeling;  
22 and

23 WHEREAS the arctic North Slope represents a unique and major petroleum  
24 province that has special research needs and requires special technology;  
25 and

26 WHEREAS the state is well suited geographically to be the site for a  
27 research center for the petroleum development needs of the arctic North  
28 Slope; and

29 WHEREAS the United States Department of Energy is interested in

1 increasing the domestic supply of petroleum by encouraging scientific and  
2 technological advances at all stages of Alaska petroleum resource assess-  
3 ment, research development, and technology transfer; and

4 WHEREAS, based on the advice of the United States Energy Research  
5 Advisory Board, the United States Congress has appropriated funds for the  
6 U.S. Department of Energy to initiate geoscience and enhanced oil recovery  
7 research and development; and

8 WHEREAS the U.S. Department of Energy and Alaska recognize that it  
9 would be beneficial to cooperatively sponsor those projects on petroleum  
10 resource identification and extraction in which both the department and the  
11 state are interested; and

12 WHEREAS the state and the U.S. Department of Energy also recognize  
13 that it is beneficial to help promote petroleum resource identification,  
14 petroleum research characterization, development of extraction technology  
15 for petroleum resources, and the transfer of petroleum research technology  
16 to the private sector; and

17 WHEREAS the state is the owner of vast oil reserves now being produced  
18 by lessees at Prudhoe Bay, Kuparuk, and other fields, but the state is not  
19 at this time able to analyze the industry's estimate about when production  
20 from these vast fields will begin to decline; and

21 WHEREAS the state's revenue projections are affected by the decline  
22 projections provided by industry, and the projected decline of the Prudhoe  
23 Bay field has been changed from 1987 to 1990; and

24 WHEREAS the state will benefit from petroleum research that includes  
25 reservoir analysis and understanding of the actual benefits derived from  
26 enhanced oil recovery; and

27 WHEREAS the Petroleum Development Laboratory of the University of  
28 Alaska, Interior/Western, at Fairbanks is a nationally recognized and  
29 well-equipped petroleum research center that places special emphasis on the  
30 CSHJR 40(Res)

1 unique problems associated with development of the petroleum resources of  
2 the state;

3 BE IT RESOLVED that the Alaska State Legislature supports petroleum  
4 research and development and urges the Governor and the Alaska congress-  
5 sional delegation to continue to encourage petroleum research and develop-  
6 ment in the state by supporting the Petroleum Development Laboratory of the  
7 University of Alaska, Interior/Western, at Fairbanks; and be it

8 FURTHER RESOLVED that the Alaska State Legislature urges the Secretary  
9 of the U.S. Department of Energy to recognize the importance to national  
10 security of petroleum research and development at the Petroleum Development  
11 Laboratory of the University of Alaska, Interior/Western, at Fairbanks.

12 COPIES of this resolution shall be sent to the Honorable John S.  
13 Herrington, Secretary of the U.S. Department of Energy; and to the Honor-  
14 able Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the  
15 Honorable Don Young, U.S. Representative, members of the Alaska delegation  
16 in Congress.



# Alaska State Legislature

HOUSE OF REPRESENTATIVES  
COMMITTEE ON RESOURCES

POUCH V  
JUNEAU, ALASKA 99811  
(907) 465-3715

## MEMORANDUM

April 21, 1988

TO: Rep. Sam Cotten, Co-Chair  
Rep. Adelheid Herzmann, Co-Chair  
Committee Members

FROM: Ned Farquhar, staff *Ned*

SUBJECT: Language for HJR 40

Rep. Zawacki has prepared a suggested committee substitute for HJR 40, on petroleum research and development. The proposed substitute (dated 3/15) is in the committee files.

I have also provided language to address another issue. At the Committee's last hearing on HJR 40 and HB 186, a question arose regarding the state's ability to analyze the oil industry's estimates of when major oil fields will decline.

For instance, at Prudhoe Bay the projected decline has been postponed from 1987 to 1990. The production decline estimate for Prudhoe is enormously important to Alaska; it affects the state's revenue projections and the tax climate. Revenue Commissioner Hugh Malone believes that better knowledge of the characteristics of major Alaska oil fields is a high priority. At the last hearing on HB 186, AOGCC Chair Chat Chatterton stated that the state is in the dark on the industry's production decline estimates for major fields.

The attached language, if added to HJR 40, might help encourage the Petroleum Development Laboratory at UAF to begin serving as an impartial and objective observer and analyst of production capabilities in Alaska oil fields.

cc: Rep. Zawacki

Attachment

1 increasing the domestic supply of petroleum by encouraging scientific and  
2 technological advances at all stages of Alaska petroleum resource assess-  
3 ment, research development, and technology transfer; and

4 WHEREAS, based on the advice of the United States Energy Research  
5 Advisory Board, the United States Congress has appropriated funds for the  
6 U.S. Department of Energy to initiate geoscience and enhanced oil recovery  
7 research and development; and

8 WHEREAS the U.S. Department of Energy and Alaska recognize that it  
9 would be beneficial to cooperatively sponsor those projects on petroleum  
10 resource identification and extraction in which both the department and the  
11 state are interested; and

12 WHEREAS the state and the U.S. Department of Energy also recognize  
13 that it is beneficial to help promote petroleum resource identification,  
14 petroleum research characterization, development of extraction technology  
15 for petroleum resources, and the transfer of petroleum research technology  
16 to the private sector; and

17 WHEREAS the state is the owner of vast oil reserves now being produced  
18 by lessees at Prudhoe Bay, Kuparuk, and other fields, but the state is not  
19 at this time able to analyze [REDACTED] the industry's estimate about when  
20 production from these vast fields will begin to decline; and

21 WHEREAS the state's revenue projections [REDACTED] are af-  
22 fected by the decline projections provided by industry, and the projected  
23 decline of the Prudhoe Bay field has been changed from 1987 to 1990; and

24 WHEREAS the state will benefit from petroleum research that includes  
25 reservoir analysis and understanding of the actual benefits derived from  
26 enhanced oil recovery; and

28 WHEREAS the Petroleum Development Laboratory of the University of  
29 Alaska, Interior/Western, at Fairbanks is a nationally recognized and  
well-equipped petroleum research center that places special emphasis on the

5-1389B  
Bannister  
3/15/88

Original sponsors: Zawacki, Adams,  
Frank, et al.

1 IN THE HOUSE

2 CS FOR HOUSE JOINT RESOLUTION NO. 40 ( )

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

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14 offshore regions are expected to constitute nearly 40 percent of all of the  
15 future petroleum resources found within the United States in the near  
16 future; and

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13 that it is beneficial to help promote petroleum resource identification,  
14 petroleum research characterization, development of extraction technology  
15 for petroleum resources, and the transfer of petroleum research technology  
16 to the private sector; and

17 WHEREAS the Petroleum Development Laboratory of the University of  
18 Alaska, Interior/Western, at Fairbanks is a nationally recognized and  
19 well-equipped petroleum research center that places special emphasis on the  
20 unique problems associated with development of the petroleum resources of  
21 the state;

22 BE IT RESOLVED that the Alaska State Legislature supports petroleum  
23 research and development and urges the Governor and the Alaska congress-  
24 sional delegation to continue to encourage petroleum research and develop-  
25 ment in the state by supporting the Petroleum Development Laboratory of the  
26 University of Alaska, Interior/Western, at Fairbanks; and be it

27 FURTHER RESOLVED that the Alaska State Legislature urges the Secretary  
28 of the U.S. Department of Energy to recognize the importance to national  
29 security of petroleum research and development at the Petroleum Development

1 Laboratory of the University of Alaska, Interior/Western, at Fairbanks.

2 COPIES of this resolution shall be sent to the Honorable John S.  
3 Herrington, Secretary of the U.S. Department of Energy; and to the Honor-  
4 able Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the  
5 Honorable Don Young, U.S. Representative, members of the Alaska delegation  
6 in Congress.

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TESTIMONY TO  
HOUSE RESOURCES COMMITTEE  
BY REPRESENTATIVE JIM ZAWACKI  
MARCH 17, 1988

Madam and Mr. Chairman and members of the committee I appreciate the opportunity to come before you and address House Joint Resolution 40 and the proposed Committee Substitute which pertains to petroleum research and development in our state.

Please take a moment and reference the letter in your packet dated January 29, 1988 addressed to me from U.S. Senator Ted Stevens. The letter addresses recommendations by the Energy Research Advisory Board, which was formed to advise the Department of Energy (DOE) on research needs, to establish six energy producing provinces throughout the country and to establish a university-based "center of excellence" that would have included Alaska. Unfortunately due to budget constraints from DOE and Congress the proposal has been put off. Because of this it was necessary to amend HJR 40, producing the CS that is in your packets.

I have highlighted the areas on the original bill that were deleted and have highlighted the additions on the Committee Substitute.

The importance of the amended resolution, which is supported by Dr. Sharma Research Director of University of Alaska,

Fairbanks is to send a message to the Governor, our Congressional leaders and the Secretary of the Department of Energy of the extreme importance of petroleum research and development in our State.

It is also a further acknowledgement that Alaska is the number one petroleum producing state in the country and through the nationally recognized Petroleum Development Laboratory of the University of Alaska, Fairbanks a special emphasis on the unique problems associated with petroleum production within the state needs to be addressed.

In the letter of March 9, 1988 to Senator Stevens from DOE it further addresses certain steps being taken by the Energy Research Advisory Board to obligate congressional funds to establish a consortium of states and universities which would deal with the problems of declining domestic oil through extensive research and development. Alaska is being considered as one of the consortium groups.

Again, the resolution would bring further recognition to our State and the fine Research Development Center at the University of Alaska, Fairbanks. With this I am asking this committee to support the proposed CS for HJR 40.

Madam, Mr. Chairman and members of the committee thank you for your time and consideration.



**Department of Energy**  
Washington, DC 20585

March 9, 1988

Honorable Ted Stevens  
United States Senate  
Washington, D.C. 20510

Dear Senator Stevens:

This is in response to your letter of January 25, 1988, expressing your concern over several issues related to advanced petroleum recovery. I welcome this opportunity to provide you with our views on this critically important issue.

The February 1987 Energy Research Advisory Board (ERAB) report on geosciences and national security made a significant contribution to the continuing dialogue on the appropriate Federal response to the current decline in domestic oil production. This report, which was received with much interest by the Department, established the need for high priority research to improve the recovery of domestic oil and gas and identified the important role that geoscience can play. I believe that there is full agreement among all parties on the validity of this need. However, there is not complete agreement on the most appropriate strategy for implementing the needed work.

We have, nonetheless, taken several steps to move forward with the ERAB recommendations. First, we have given much greater management attention to the entire area of oil and gas extraction. We have established the Office of Geoscience Research (OGR), reporting directly to me. Its core staff has been placed, and we are vigorously recruiting a distinguished geoscientist to head the office. The OGR will oversee and coordinate all the geoscience research conducted by Fossil Energy and will work very closely with our Office of Oil, Gas and Shale Technology in assuring that the critical integration of all the needed disciplines does, in fact, occur. Also, the Hydrocarbon Geoscience Research Coordinating Committee, which I chair, has been chartered to coordinate oil and gas research across the full Department and other Government agencies. These efforts have been undertaken in direct response to recommendations in the ERAB report.

We have also increased the Fossil Energy Program's emphasis on research in this critical area. Our request to Congress for Enhanced Oil Recovery (EOR) for Fiscal Year 1987 was under \$4.5 million; our current request is for nearly \$17 million. A review of our budget request will show the extent to which this increase deals with the issues of geoscience and advanced oil

recovery, rather than what has classically been EOR. I would note that this increase is consistent with our overall concern that we focus on work appropriate to Federal support, and that our requests be consistent with the requirements of Gramm-Rudman-Hollings and the results of the 1987 budget summit.

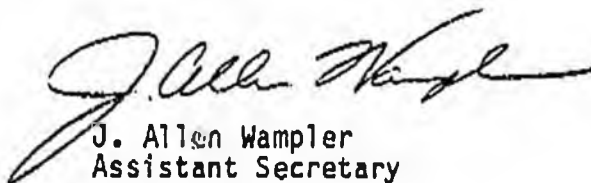
We are in the process of obligating the Congressionally directed funds for obtaining outside expert opinion needed to develop a comprehensive plan. Once we have this information we will be developing a formal research plan, which will lead to a resolution of any unresolved implementation questions.

We have followed very closely the efforts of Dr. William Fisher, of the Texas Bureau of Economic and Geology, and his colleagues from many other states, to establish a consortium to deal with the problems of declining domestic oil and gas production. This issue is, quite appropriately, a public sector question that can only be resolved through the participation of the affected states themselves. They are, after all, the repositories of the data that is critical to the problem.

On February 23, 1988, I signed a statement of intent to the effect that we intend to support such a consortium. This support references the Congressionally directed funds for obtaining outside expert opinion needed to develop a comprehensive geoscience and oil extraction plan. We understand that this group is preparing an unsolicited proposal on this subject. I should note that the consortium, as proposed, includes the universities and/or geological surveys from 13 states, including Alaska.

Thank you for the opportunity to present our views on this important national issue.

Sincerely,



J. Allen Wampler  
Assistant Secretary  
Fossil Energy



UNIVERSITY OF ALASKA - FAIRBANKS  
Fairbanks, Alaska 99775-0500

December 8, 1987

Mr. Douglas B. Uthus, Director  
Office of Oil, Gas and Shale Technology  
U.S. Department of Energy  
Fossil Energy (FE-30, GTN)  
Washington, D.C. 20545

Dear Mr. Uthus:

This is in response to your solicitation for comments on the draft, "EOR Initiative - A Strategy for Enhanced Domestic Oil Production," mailed to Dr. G. D. Sharma, Director, Petroleum Development Laboratory, University of Alaska Fairbanks. The draft has been reviewed by the staffs of the Petroleum Development Laboratory and Petroleum Engineering Department.

The state of Alaska presently provides over 23 percent of the U.S. total crude and has the potential for providing the nation a significant supply during the next century. Therefore, Alaska will be a key component in the strategy for the future domestic production. The state of Alaska and the University of Alaska Fairbanks are, therefore, committed to the development of petroleum resources to meet the nation's petroleum demand and security needs (copy of letter from Honorable Governor Steve Cowper to the Honorable John S. Herrington, Secretary of Energy, enclosed). The Petroleum Development Laboratory, University of Alaska Fairbanks being the sole oil and gas research institution in the state of Alaska, undoubtedly will be an important and integral element in developing the petroleum resources of the state. Thus, it is essential that the Department of Energy and the Petroleum Development Laboratory work closely to formulate strategy for these resources. We indeed are looking forward to working with the Department of Energy.

The staff's comments on the draft have been delivered to you by Dr. Sharma in Denver and both of you had time to discuss Alaska's research needs that will be incorporated in the draft proposal.

The EOR Initiative draft, in my opinion, includes salient research agenda proposed by the Energy Research Advisory Board (ERAB) to the Secretary of Energy. The spectrum of research included in the ERAB recommendation was, to a large extent, extremely broad and did not include feasible orderly means to achieve its objectives. The EOR Initiative draft, on the other hand, has focused on critical research needs and has prioritized

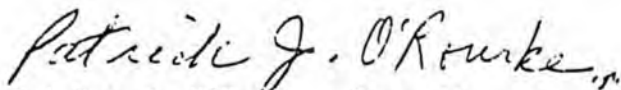
UNIVERSITY OF ALASKA

interrelated research components in a meaningful schedule which appears to be reasonable and attainable.

The University of Alaska Fairbanks supports the "EOR Initiative - A Strategy for Enhanced Domestic Oil Production" draft proposal. Dr. Sharma, as in the past, will be coordinating research and development of Alaskan petroleum resources with you during the implementation of the EOR Initiative.

In the meantime, if the University of Alaska Fairbanks can be of any further assistance, please feel free to contact me or Dr. Sharma at your convenience.

Sincerely,



Patrick J. O'Rourke, Chancellor  
University of Alaska Fairbanks

PJO'R:lm

cc: Governor Steve Cowper  
Senator Ted Stevens  
Senator Frank Murkowski  
Mr. John W. Katz  
Dr. G. D. Sharma ✓

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## United States Senate

COMMITTEE ON APPROPRIATIONS  
WASHINGTON, DC 20510-6025

FRANCIS J. SULLIVAN, STAFF DIRECTOR  
J. KEITH KENNEDY, MINORITY STAFF DIRECTOR

January 29, 1988

The Honorable Jim Zawacki  
Alaska State House  
Pouch V  
Juneau, Alaska 99811

Dear Jim:

Last fall you contacted me with a request for information relating to petroleum research. I have done some checking on recent proposals and wanted to pass on what I have learned.

In February, 1987, the Energy Research Advisory Board, which was formed to advise the Department of Energy on research needs, delivered a report to the Secretary of Energy. The report called for the division of the country into 6 energy producing provinces and the establishment of a university-based "center of excellence" in each province. The centers of excellence would carry out oil, gas and coal research tailored to the needs of each particular province. This report, by the way, recommended including Alaska with the West Coast states in one province, while putting Texas by itself in another.

The Department of Energy, while accepting the need for more research aimed at improving petroleum recovery techniques, rejected the implementation recommendations of the report. DOE objected to the practical problems of this approach. There is simply no way we could pick six universities out of all the petroleum producing states and focus a federal research program on those schools alone. Note that the University of Alaska Fairbanks would have to compete with the California schools to be named the "center of excellence" in our proposed province.

The Honorable Jim Zawacki  
January 29, 1988  
PAGE TWO

The likely result would be a compromise where the available federal funds would be spread thinly between a large number of schools. In fact, almost exactly this result occurred when, several years ago, a research program was set up for hard rock minerals. Today, more than 15 schools split approximately \$1.5 million under the remnants of that program.

The fact remains, however, that research on advanced recovery techniques is needed. It could significantly extend the life of our oil fields and make a major contribution to the nation's future energy supply. The question is how such a program should be carried out.

I have learned that a group of universities from the other oil producing states are forming a consortium to define and establish our research needs. They plan to approach both the federal government and private industry to support the resulting research plan.

This approach makes sense to me, and I am encouraging the University of Alaska to become involved. The work done by the University's Fossil Energy Research Council would tie in well with this plan.

I would be pleased to work with you on this project, Jim.

With best wishes,

Cordially,



TED STEVENS

# ★ Fairbanks North Star Borough

809 Pioneer Road

P.O. Box 1267

Fairbanks, Alaska 99707

907 452-4761

September 29, 1987

Representative James (Jim) Zawacki  
P.O. Box 783  
Girdwood, Alaska 99587

Dear Representative Zawacki:


Enclosed is a copy of Fairbanks North Star Borough Assembly Resolution No. 87-097 in support for Establishing The Petroleum Research And Development Center at the Petroleum Development Laboratory, University of Alaska - Fairbanks.

Petroleum production in the state provides nearly 85% of the revenue for the State of Alaska and will continue to be the major economic force in the State for coming decades.

It is hoped that every member of the Senate and House will work hard to support funding in petroleum research and development and persuade the Department of Energy to designate Alaska as a major U.S. petroleum province and the Petroleum Development Laboratory, University of Alaska - Fairbanks, as one of the six recommended "Center of Excellence" to conduct oil and gas research.

Your efforts in promoting this opportunity will benefit us all, and thank you in advance for your consideration.

Sincerely,



Howard "Buzz" Otis  
Presiding Officer

Enclosure


HBO/nb

*Alaska*  
**MUNICIPAL**  
*League*

TELEPHONE  
(907) 586-1325

105 MUNICIPAL WAY, SUITE 301  
JUNEAU, ALASKA 99801

TO: Representative Adelheid Herrmann, Co-Chair  
Representative Sam Cotten, Co-Chair  
Members of the House Resources Committee

FROM: Scott A. Burgess, Executive Director 

DATE: March 14, 1988

SUBJECT: HJR 40 - Petroleum research and development

The Alaska Municipal League supports HJR 40. Attached is AML Resolution No. 88-40 which supports the concepts outlined in HJR 40.

Attachment

RESOLUTION OF THE ALASKA MUNICIPAL LEAGUE

RESOLUTION NO. 88-40

A RESOLUTION FOR ESTABLISHING THE PETROLEUM  
RESEARCH AND DEVELOPMENT CENTER AT THE  
PETROLEUM DEVELOPMENT LABORATORY,  
UNIVERSITY OF ALASKA FAIRBANKS.

WHEREAS, the League supports petroleum production in the State which provides nearly 85% of the revenue for the State of Alaska and will continue to be the major economic force in the State for coming decades, and

WHEREAS, Alaska's arctic, subarctic, and offshore regions are expected to provide up to 40% of all future petroleum resources within the United States, and

WHEREAS, potential incremental oil production through Enhanced Oil Recovery (EOR) could be as much as 10 billion barrels from known Alaskan reservoirs, and

WHEREAS, potential natural gas production could be as much as 600 trillion cubic feet from known, but unconventional, formations, and

WHEREAS, additional recovery (EOR) from current production and future fields will need continuing basic research and modeling in the laboratory, and

WHEREAS, the U.S. Department of Energy has been advised by the Energy Research Advisory Board to establish six major petroleum recovery research "Centers of Excellence," one in each major U.S. petroleum province, and

WHEREAS, the Arctic North Slope represents a unique and major petroleum province requiring special technology and with its own research needs, and

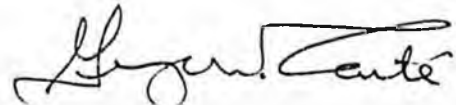
WHEREAS, the University of Alaska Fairbanks, by virtue of its geographic location, is well suited for a research center for the Arctic North Slope petroleum developmental needs, and

WHEREAS, the Petroleum Development Laboratory, University of Alaska, is a nationally recognized, well-equipped petroleum research center, with special emphasis on the unique problems associated with Alaskan petroleum resources;

NOW, THEREFORE, BE IT RESOLVED that the Alaska Municipal League urges the Honorable Governor of the State of Alaska, the Alaska State Legislature, the U.S. Congressional Delegation, and the Alaskan oil industry to support funding in petroleum research and development.

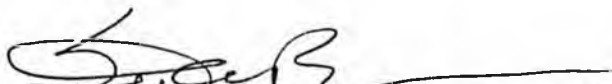
BE IT FURTHER RESOLVED that the Alaska Municipal League does encourage the State's Congressional Delegation to persuade the Department of Energy to designate Alaska as a major U.S. petroleum province and the Petroleum Development Laboratory, University of Alaska Fairbanks, as one of the six recommended "Centers of Excellence" to conduct oil and gas research.

Adopted this 13th day of November 1987.



George W. Carte', President

ATTEST:

  
Scott A. Burgess, Executive Director

Resolution No. 88-40

AGREEMENT

RELATING TO FOSSIL ENERGY RESOURCE CHARACTERIZATION,  
RESEARCH, TECHNOLOGY DEVELOPMENT, AND  
TECHNOLOGY TRANSFER,

BETWEEN THE

UNITED STATES DEPARTMENT OF ENERGY

AND

THE STATE OF ALASKA

WHEREAS, the United States Department of Energy (hereinafter referred to as DOE) is interested in enhancing the domestic supply of fossil fuels by encouraging scientific and technological advances at all stages of resource assessment, research, development, and technology transfer, and

WHEREAS, the State of Alaska (hereinafter referred to as the STATE) recognizes that it contains the largest quantity of domestic unextracted reserves of crude oil, natural gas, heavy oil, tar sand oil, coal, shale oil, methane hydrates, and peat, which can be supplied to domestic and international markets in a safe and economic manner consistent with minimizing the possible adverse effects upon the rich natural environment of the STATE, and

WHEREAS, both the DOE and the STATE share the mutual goal of encouraging research, resource characterization, technology development and technology transfer in order to successfully make Alaskan fossil energy resources available to the consumer, in a safe, economic, and environmentally acceptable manner;

THEREFORE, the DOE and the STATE recognize that it would be beneficial to cooperate in the sponsorship of joint research and development projects of mutual interest in fossil energy resource identification and extraction, and

THEREFORE, the Parties agree as follows:

Article 1

OBJECTIVES

This agreement is undertaken to help advance the fossil energy resource identification, characterization, extraction technology development, and technology transfer to the private sector, for Alaska reserves of crude oil, natural gas, heavy oil, tar sand oil, coal, shale oil, methane hydrates, and peat, and may include scientific activities and investigations of underlying environmental concerns.

## Article 2

### FORMS OF COOPERATION

The following cooperative activities may be undertaken:

- a) Exchange of information, publications, reports, technical data, samples, materials, instruments, and components for test purposes; including data bases, computer codes, results and methods of research and development which will be specified in future Annexes to this agreement;
- b) Exchange visits by scientists, engineers, and other specialists for participation in research and development activities related to the furtherance of the objectives of the agreement which will be specified in future Annexes to this agreement;
- c) Joint research projects, which may include a cost-sharing arrangement and/or an arrangement for joint planning and/or joint project execution, which will be specified in future Annexes to this agreement;
- d) Such other scientific and environmentally-related cooperative activities which may be agreed upon, which would further the objectives of this agreement which will be specified in future Annexes to this agreement.

## Article 3

### SUBJECT AREAS OF COOPERATION

Subject areas of cooperation will include:

- a) ice research
- b) fossil fuel resource identification and characterization;
- c) transfer of existing fossil energy technology into the Arctic environment
- d) scientific and environmentally-related investigations relevant to fossil energy extraction and development.
- e) other areas of fossil energy research and development as may be mutually agreed upon.

#### Article 4

#### FINANCIAL CONDITIONS

No financial commitments are established initially in this agreement, and it is understood that participation by either party in future specific activities shall be subject to the availability of funds. The parties shall set forth in each Annex to this Agreement the financial terms and conditions, including the budget and the funding commitments of each party, for the activities defined in the task statement in each Annex. All other costs resulting from cooperation under this Agreement shall be borne by the party that incurs them.

#### Article 5

#### LAWS AND REGULATIONS

Activities under this agreement shall be in accordance with applicable State and Federal laws and regulations, including specifically those governing the public disclosure of certain geological and geophysical data.

#### Article 6

#### THIRD PARTY INVOLVEMENTS

It is specifically understood that activities may be conducted under this agreement by the University of Alaska, acting as a unit of the State, with approval by appropriate STATE and University officials, for specific research activities to be described in future Annexes. The provisions of this agreement shall not affect the rights or obligations of either party under its other agreements or arrangements with other agencies, contractors, or individuals.

#### Article 7

#### INTELLECTUAL PROPERTY

Each Annex shall include appropriate intellectual property provisions which recognize the rights and equities of each party consistent with applicable laws and regulations.

Article 8

COORDINATION


Each of the parties will appoint an Arctic Fossil Energy Research Coordinator who will facilitate joint activities under this agreement, with the intention that there be regular communication between the two coordinators to assist in the implementation of this agreement. An annual report of activities under the agreement will be prepared jointly by the coordinators and submitted to the DOE and the STATE.

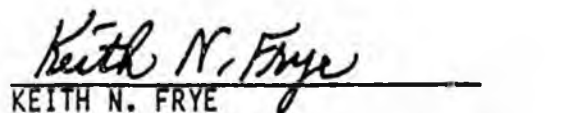
Article 9

ENTRY INTO FORCE AND DURATION

This agreement shall enter into force upon signature of both parties, shall extend for a period of five (5) years after the date of signature and may be amended or extended by mutual written agreement of the parties. Either party may terminate this agreement by providing the other party with four (4) months advance written notice. Any such termination shall be without prejudice to the rights which have accrued under this agreement to either party up to the date of such termination.

Agreed this 23 day of August, 1985, at Anchorage,  
Alaska

  
BILL SHEFFIELD  
GOVERNOR  
STATE OF ALASKA

  
KEITH N. FRYE  
DEPUTY ASSISTANT SECRETARY FOR  
OIL, GAS, SHALE AND COAL LIQUIDS  
U.S. DEPARTMENT OF ENERGY



UNIVERSITY OF ALASKA - FAIRBANKS  
Fairbanks, Alaska 99775-0500

December 8, 1987

Mr. Douglas B. Uthus, Director  
Office of Oil, Gas and Shale Technology  
U.S. Department of Energy  
Fossil Energy (FE-30, GTN)  
Washington, D.C. 20545

Dear Mr. Uthus:

This is in response to your solicitation for comments on the draft, "EOR Initiative - A Strategy for Enhanced Domestic Oil Production," mailed to Dr. G. D. Sharma, Director, Petroleum Development Laboratory, University of Alaska Fairbanks. The draft has been reviewed by the staffs of the Petroleum Development Laboratory and Petroleum Engineering Department.

The state of Alaska presently provides over 23 percent of the U.S. total crude and has the potential for providing the nation a significant supply during the next century. Therefore, Alaska will be a key component in the strategy for the future domestic production. The state of Alaska and the University of Alaska Fairbanks are, therefore, committed to the development of petroleum resources to meet the nation's petroleum demand and security needs (copy of letter from Honorable Governor Steve Cowper to the Honorable John S. Herrington, Secretary of Energy, enclosed). The Petroleum Development Laboratory, University of Alaska Fairbanks being the sole oil and gas research institution in the state of Alaska, undoubtedly will be an important and integral element in developing the petroleum resources of the state. Thus, it is essential that the Department of Energy and the Petroleum Development Laboratory work closely to formulate strategy for these resources. We indeed are looking forward to working with the Department of Energy.

The staff's comments on the draft have been delivered to you by Dr. Sharma in Denver and both of you had time to discuss Alaska's research needs that will be incorporated in the draft proposal.

The EOR Initiative draft, in my opinion, includes salient research agenda proposed by the Energy Research Advisory Board (ERAB) to the Secretary of Energy. The spectrum of research included in the ERAB recommendation was, to a large extent, extremely broad and did not include feasible orderly means to achieve its objectives. The EOR Initiative draft, on the other hand, has focused on critical research needs and has prioritized

UNIVERSITY OF ALASKA

interrelated research components in a meaningful schedule which appears to be reasonable and attainable.

The University of Alaska Fairbanks supports the "EOR Initiative - A Strategy for Enhanced Domestic Oil Production" draft proposal. Dr. Sharma, as in the past, will be coordinating research and development of Alaskan petroleum resources with you during the implementation of the EOR Initiative.

In the meantime, if the University of Alaska Fairbanks can be of any further assistance, please feel free to contact me or Dr. Sharma at your convenience.

Sincerely,



Patrick J. O'Rourke, Chancellor  
University of Alaska Fairbanks

PJO'R:bm

cc: Governor Steve Cowper  
Senator Ted Stevens  
Senator Frank Murkowski  
Mr. John W. Katz  
Dr. G. D. Sharma ✓

HJR 40



## PETROLEUM DEVELOPMENT LABORATORY

University of Alaska • Fairbanks, Alaska 99701

April 19, 1988

The Honorable Sam Cotten, Chairman  
House Resource Committee  
P.O. Box V (MS 3100)  
Juneau, Alaska 99811

Dear Representative Cotten:

Thank you very much for meeting with me and taking time from your busy schedule. I would like to again emphasize that the passage of CHJR-40 is extremely important for the faculty and staff of the Petroleum Development Laboratory - Petroleum Engineering. Your endorsement for the passage will significantly affect the program attracting federal funds and thus qualified faculty and students. Most importantly, the resolution will enhance research for petroleum extraction in Alaska.

As per our discussion I am enclosing copies of correspondence regarding the request for West Sak crude samples for research purposes and the denial. If I could be of any further assistance towards the passage of the pending resolution, please do contact me at your convenience.

Once again, thank you for your consideration.

Sincerely yours,

A handwritten signature in cursive script, which appears to read "G.D. Sharma".

G.D. Sharma  
Director  
Petroleum Development Laboratory

GD/jw  
Encl

HJR

45

# STATE OF ALASKA

STEVE COWPER, GOVERNOR

## DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

P.O. BOX EE  
JUNEAU, ALASKA 99811-0800  
PHONE: (907) 465-2017

### DIVISION OF BUSINESS DEVELOPMENT

BRIEFING MEMO -- HJR45 and SJR51

#### SUPPORT SERVICES PRIORITY FOR FISHERY OPERATIONS IN THE EEZ

The Southwest Alaska Municipal Conference submitted a proposal in October 1987 to the North Pacific Management Council to "establish a linkage between the issuance of permits to foreign fish processing vessels and their use of U.S. transport and bulk fuel carriers. Permits to foreign processing vessels would be issued only upon the condition of existing contracts for the purchase of specific volumes of the services of U.S. cargo and bulk fuel carriers for their at sea operations. The volume required by the contract would equal U.S. capacity to provide those services."

The Department of Commerce and Economic Development (DCED) supports this proposal and the intent of the resolutions before the Legislature. The idea clearly has merit and support service development has great potential to spur economic growth in Alaska. The proposed support services preference should provide U.S. suppliers of at-sea services with needed market access to the foreign fleets, and is likely to generate spinoff business on-shore. It is unlikely that such access will be achieved through other developments such as market forces or Americanization of the processing and fishing sectors.

The department has not conducted an in-depth legal review of the proposal, however, there are several options for the council to consider for implementation. The resolutions may be overly specific in calling for an amendment to the Fishery Management Plan. As the council and NOAA review the legal framework and ramifications, DCED will elaborate on its position.

#### COUNCIL ACTIONS TO DATE

At its January meeting, the NPFMC set up a work group to study the proposal. There was general support on the council for the amendment, but there was concern about legal aspects and the staff workload from this and several other major proposals pending in the amendment process. This proposal could have sweeping implications and members felt that adequate staff work at this stage was essential.

To date, NOAA general counsel has not advised the council on the legality of the proposal. The council reserved the right to put the proposal in the amendment cycle following issuance of the legal opinion (due March 1) and work group report. This would likely occur at the April meeting. The amendment could be adopted at the September meeting and be in force by December.

#### THE LEGAL ASPECTS

The Magnuson Act provisions cited below appear to be specific to U.S. vessels that service the fishing fleet. Under the proposal, these support vessels could obtain a preference over foreign providers. The Act is mute on shore-based service suppliers and there is nothing in the law that would require U.S. fishing and processing vessels to buy domestic services.

A legal opinion prepared for American President Lines found that:

The Magnuson Act can be read to justify an FMP giving preferential treatment for U.S. support services: Under the act, "fishing" includes "any operations at sea in support of, or in preparation for" catching, taking or harvesting or other activities reasonably expected to result in these activities. Similarly, the Act defines "fishing vessel" to include "any vessel . . . which is normally used for . . . aiding or assisting one or more vessels at sea in the performance of any activity relating to fishing, including . . . transportation."

NMFS currently requires foreign-flag transport vessels to obtain activity code 3 (support) permits in recognition of this provision of the FCMA.

#### MAGNITUDE OF PROPOSAL

In 1985, there were 359 foreign flag vessels operating in the Bering Sea, and 99 of them were freighters and tankers. Almost no goods or services are procured by foreign fleets from U.S. firms or from U.S. coastal communities. The Russian fleet of approximately 40 vessels does buy some fuel and provides shore leave in Dutch Harbor.

Supporters estimate current foreign fleet fuel consumption at 160 million gallons annually. DCED estimated 144 million gallon consumption in 1985. Using an average of 150 million gallons at \$.60/gal yields about \$90 million in potential fuel sales. Dutch Harbor vendors sold approximately 56 million gallons to all customers in 1986.

SWAMC materials state that

"In 1986, more than 5,000 vessel-to-vessel at-sea transshipments were made of frozen fish and meal products by foreign vessels. This amounted to 1,200,000 metric tons . . . in contrast to the total estimated shipment of fish on U.S. bottoms of 50,000 to 75,000 metric tons."

That total of 1.2 million metric tons equals 2.6 billion pounds, and freight related tariffs are estimated to be in the range of \$350 million.

The Jones Act prohibits shipping between American ports on foreign bottoms and the Nicholson Act prohibits landing fish on foreign bottoms. Therefore, U.S. vessels are needed to transport products to U.S. ports and markets. With joint venture operations rapidly dwindling, there will soon (perhaps by 1990) not be enough domestic vessels and cargo handling facilities to move the volume of products required by the growing U.S. market. Without additional capacity, seafood products from the Bering Sea will have to be first shipped overseas on foreign vessels.

#### TECHNICAL ASPECTS OF NPFMC ACTION ALTERNATIVES

Lawyers for supporters indicate that linking foreign processing allocations to the use of U.S. support services in the Fishery Management Plan (FMP) would be legally permissible, only if the action was not based solely on economic considerations. Biological justifications might include improved enforcement which would follow from more accurate foreign catch reporting through monitoring of shipping records on domestic carriers.

As an alternative to FMP amendments, the council could recommend permit restrictions on foreign processing permits, requesting that NOAA impose conditions linked to the use of U.S. support services. If the council offered the permit restriction as a "recommendation" rather than as a part of a formal FMP, NOAA would have more latitude to impose conditions which reflect commercial considerations, but would also be less compelled to act on the recommendation.

#### EFFECT ON DOMESTIC SERVICE PROVIDERS

The DCED has been encouraging the development of support services for some time, as roughly two-thirds of the processing capacity for North Pacific groundfish is expected to develop off-shore due to the location of the resource relative to good harbors and the relative economics of at-sea processing. That was the conclusion of the North Pacific Fisheries Delphi study conducted by DCED in 1985.

A Support Services Survey, released last year, was undertaken by DCED to determine the supply patterns of the existing American fleet and to examine the potential for development of support services. The conclusion was that there is significant potential, especially in the Pribilof Islands and for at-sea fuel and supply services. However, lack of adequate infrastructure was identified as a critical bottleneck. Another problem has been the degree of vertical integration in the foreign fishing operations, and the reluctance to break established supply patterns even if the U.S. alternative is less expensive.

Development of harbors in the Pribilofs and transportation infrastructure there and in the regional transshipment centers at Dutch Harbor and Kodiak must go hand-in-hand with initiatives such as this if the state is to realize its full potential for development from the North Pacific fisheries resources.

The DCED has been investigating the possibility of public/private partnerships in infrastructure development for the region with some success. Cargo carriers and fuel suppliers are poised to move, and have been following events in the Bering Sea very closely. Those approached have expressed considerable interest in the public/private infrastructure development concept. Clearly, the financial markets would be much more receptive if there were a federal policy giving domestic carriers priority in the Bering Sea.

The SWAMC proposal was supported in testimony before the NPFMC permit review committee by: Western Pioneer, Crowley Maritime, Sea Land, Total Ocean Trailer Express, American President Line, Foss Maritime, Petro Marine, Coastal Transportation and American Waterway Operators.

For Further Information Contact:  
Paul Peyton, Development Officer  
Phone: 465-2162

HJR

479

# HOUSE COMMITTEE REPORT

(9)

Date referred: 1/25/88

FURTHER REFERRALS:

DATE: 2-10-88

The Resources Committer has considered HJR 49

Relating to the development of a visitors' center and facilities on the southside of the Alaska Range.

**RECOMMENDS:**

- replace with \_\_\_\_\_  the same title
- attached amendment(s)  a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the \_\_\_\_\_ Committee

**ADOPTS:**  \_\_\_\_\_ letter of intent

**ATTACHES NEW FISCAL NOTE(S):**

- fiscal impact  same as previous fiscal note published \_\_\_\_\_
- zero fiscal note  same as previous zero fiscal note published \_\_\_\_\_
- zero with analysis

**SIGNING DO PASS:**

Jan Galt

Mike Yavane

Edelheid Herrman

Heidi Gauder

David

Mike Leance

**SIGNING OTHER RECOMMENDATIONS:**

Dick Stanley 1/10 Rec

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Jan Galt

Chairman's signature

FISCAL NOTE

REQUEST:

Revision Date: 1/13/88  
Title: Development of Visitors Center  
at South Denali  
Sponsor: Rep. Pearce  
Requestor: House Resources

Agency Affected: Department of Natural Resources  
BRU: Parks Management  
Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Lawrence Ostrovsky  
Division: Commissioner's Office

Phone: 465-2400  
Date: 1-27-88

Approved by Commissioner: [Signature]  
Agency: Department of Natural Resources

Date: 1-27-88

Distribution (by preparer):

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

# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

400 WILLOUGHBY AVE.  
JUNEAU, ALASKA 99801-1796  
PHONE: (907) 465-2400

February 8, 1988

The Honorable Sam Cotten  
Chairman House Resource Committee  
P.O. Box V  
Juneau, Alaska 99811

Dear Representative Cotten:

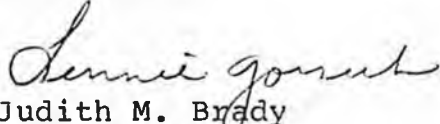
SUBJECT: HJR 49

POSITION: The Department of Natural Resources supports HJR 49.

BACKGROUND: HJR 49 resolves that the Alaska Legislature support joint state, federal, and private participation in cooperative planning and development of a South Denali visitors' complex.

RECOMMENDATION: Currently there are no funds available in the state budget for a joint state/federal planning and development effort. However, the Department supports the goals and intent of the resolution and looks forward to working with the legislature and federal government in exploring further the feasibility of a South Denali project.

Sincerely,

  
for  
Judith M. Brady  
Commissioner


# Alaska State Legislature House of Representatives

6035 TANAINA DRIVE  
ANCHORAGE, ALASKA 99502  
(907) 243-8110

REPRESENTATIVE DRUE PEARCE  
DISTRICT 9, SEAT A  
MINORITY WHIP

WHILE IN JUNEAU  
POST OFFICE BOX V  
JUNEAU, ALASKA 99811  
(907) 465-4993

## MEMORANDUM

TO: All Members of House Resources  
FROM: Representative Drue Pearce   
DATE: February 10, 1988  
RE: HJR 49

At a time when all of us are casting about for ways to stimulate the economic growth of Alaska, I believe that your support of the development of a visitor center and related visitor facilities on the south side of the Alaska Range sends a positive message.

This resolution supports the acceleration of a growing section of Alaska's economy -- the tourist industry.

In a recent survey of potential visitors to Alaska, the question was asked about what they would most like to do or see on a visit to Alaska. Viewing Mount McKinley received the highest rating.

The development of a major visitors' destination on the south side of the Alaska Range has been discussed for many years. Over the years, the the National Park Service, the Alaska Department of Natural Resources and the Alaska Department of Transportation and Public Facilities have studied the issue. Proposals made by the three entities have received mixed reviews. There has been considerable sentiment that the state and the National Park Service should hear more public input concerning the possible location of a visitors' center and that private land should be considered. HJR 49 covers those issues.

Your support of HJR 49 is support of the visitor industry, small businesses, and Alaska's economic well-being.

## SUMMARY

### SOUTH DENALI PROJECT

Background - The South Denali project is intended to accomplish the planning and public proceedings necessary to provide a sound basis for initiating the development of a visitor center and related visitor facilities on the south side of the Alaska Range. The location of the complex would be selected to provide an excellent view of Mt. McKinley and opportunity for enjoying the recreation activities in the surrounding state and national parklands. Total project cost is estimated at \$400,000 - \$200,000 from the State and \$200,000 from the National Park Service.

#### Accomplishments

- Step 1 Update the Denali State Park Master Plan, determine criteria for the location of the visitor complex, identify and prioritize alternative sites, consult with the Denali State Park Citizens' Advisory Board, and hold public meetings on this process. (Step 1 is currently underway using \$100,000 advanced by the National Park Service to contract with a private planning consultant.)
- Step 2 Study priority sites more thoroughly: conduct subsurface tests, analyze environmental and socioeconomic impacts of the development, conduct public hearings.
- Step 3 Prepare an overall site plan for the visitor complex. (If private property is involved, coordinate with private owners.)
- Step 4 Prepare sample documents for state concessions contracts for the development.

At the conclusion of this project, the Denali State Park will have an updated master plan, and the State and the National Park Service should have sufficient information and public input so they can agree on a site and an overall site plan for the proposed visitor complex. At that point the National Park Service would be able to proceed to request federal development funds for the visitor center, and the State could engage private parties to provide commercial facilities and services for the complex.

Potential Benefits - The project will accelerate a growing sector of the economy. Viewing Mount McKinley has been rated as Alaska's top tourist attraction. With year-round road access, the complex will contribute to the development of winter and shoulder season tourism. Jobs will be generated by the planning, engineering and construction as well as the ongoing operation of the complex. Federal financial investment in Alaska will be extended through the operation of the visitor center. In addition, the project will have spill-over benefits for numerous businesses oriented towards recreation and tourist traffic in the region.

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Denali State Park Citizens' Advisory Board  
SR Box 6706  
Wasilla, Alaska 99687  
January 14, 1988

The Honorable Steve Cowper  
Governor, State of Alaska  
Pouch A  
Juneau, Alaska 99811

Dear Governor Cowper:

We, the Denali State Park Citizens' Advisory Board, would like to bring a matter of great concern to your immediate attention - proposed funding (\$200,000) for completing the planning phase for Denali State Park. This funding has somehow been deleted from the Administration's proposed budget for the upcoming session.

Initially, it was our understanding that the Administration was supportive of these efforts because it would lead to an updated comprehensive master plan for the park which would enable Division of Parks and Outdoor Recreation (DPOR) to establish solid management decisions for Denali State Park - for resource management and protection as well as recreation and economic development (outdoor enthusiasts and tourists alike).

Since the establishment of the Board, three years ago, we have dealt with the issue of potential major commercial development in the Park. From our inception, we have stated that we feel it is imperative to have an updated solid comprehensive management plan for the park before anything - either of conservation or commercial orientation happens in the Park. The Director has supported our efforts to update the comprehensive plan.

We have requested and supported a complete updating of the plan for Denali State Park for three years. This planning effort would enable the state to plan and develop the park in an orderly manner taking into consideration all factors and facets - environmental concerns, recreation and economic development, and resource management and protection.

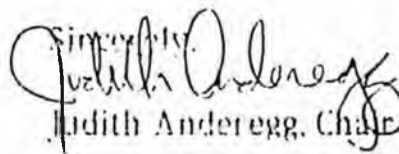
National Park Service has had an interest in development of a visitor center for Denali State Park for sometime, hoping it would alleviate some of their overcrowding on the North Side and allow more people to enjoy the Mountain. This past summer, they came forth with \$100,000 to begin the effort to update Denali State Park's comprehensive master plan with the

understanding that the State would support a \$200,000 appropriation this next session to continue the effort next summer.

At our meeting on January 12, we were informed as a Board that the \$200,000 request was no longer in the Administration's budget. We also received a copy of the January 4 letter from National Park Service to you stating that they could not continue their effort in Denali State Park if the state would not make a financial commitment. Further, it is the understanding of the Board that several legislators have come forth and stated that they would support the effort, if the Administration would take the lead.

Everyone seems to feel that Denali State Park has great potential - environmentalists, recreational enthusiasts, tourists, hunters, park managers, and commercial interests. The Board's concern is that whatever happens to the Park is well balanced and well planned. Without state support for the planning effort, this can not happen. We will lose what federal funds have been made available and continue to have no state funds. We can not afford to allow such a magnificent park to be developed without adequate planning and foresight. If tourism is the state's new economic hope, then surely Denali State Park needs to be considered. We would appreciate your attention to this matter and your consideration of reinstating the \$200,000 request for Denali State Park.

We look forward to your thoughts on this matter. We would appreciate hearing why it was deleted and if there is anything that we can help to provide information that would cause you to reconsider the budget request. Thank you for your consideration and attention.

  
Sincerely,  
Judith Anderegg, Chair

cc: Judy Brady, Commissioner, DERR  
Neil Johannsen, Director, DPOR  
Mat-Su Delegation - Senators Jay Kerttula and Mike Szymanski  
Representatives Ron Larson and Curt Menard  
Ric Davidge, Development Services Director, Mat-Su Borough

Senator Artiss Sturgulewski



# United States Department of the Interior

## NATIONAL PARK SERVICE

ALASKA REGIONAL OFFICE  
2525 Gambell Street, Room 107  
Anchorage, Alaska 99503-2892



IN REPLY REFER TO:

A22 (ARO-SA)

4 - JAN 1988

Honorable Steve Cowper  
Governor of Alaska  
Box A  
Juneau, Alaska 99811

Dear Governor Cowper:

We were disappointed to learn that the Department of Natural Resource's budget request for \$200,000 for the South Denali Project was deleted from the budget that you transmitted to the Legislature.

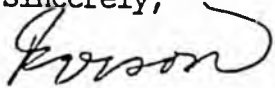
For several years we have been working with the Alaska Division of Parks and Outdoor Recreation on this project. We are currently in the midst of a cooperative planning process, using a private contractor, that will update the Denali State Park Plan and determine components and alternative sites for the visitor complexes. NPS has committed \$100,000 to this planning and is seeking an additional \$100,000 in federal funding. This funding was to be matched by \$200,000 from the state. The total expenditure of \$400,000, half state and half federal, was to have taken us to the point where the state could contract with a private sector developer to build a resort/lodge and the National Park Service could request funding for the development of a visitor center focusing on Mt. McKinley and the Alaska Range.

In addition to the money already expended, both the state and federal governments have already invested substantial amounts of staff time in preparing this project. It would be extremely difficult to get the project back on track if it were derailed by lack of state funds at this time.

We have committed planning funds, have worked long and patiently with state personnel, and we hope to invest in the development of a Mt. McKinley visitor center that will be a major attraction for people coming to Alaska, as well as residents. However, we cannot continue this program without a state financial commitment. Unless there are state funds, we will be forced to cancel our financial investments in the project.

We hope state funds can be made available, to permit continuation of the project. For a relatively small investment, the state can expect very substantial returns, from a perpetual resource. For lack of such investment, a great deal would be lost.

Sincerely,

A handwritten signature in cursive script, appearing to read "Ersson".

Regional Director

cc:

Commissioner Brady

Mike Abbott, Resource Development Council

STEVE COWPER  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

January 20, 1988

Mr. Boyd Evison  
Regional Director  
U.S Department of the Interior  
National Park Service  
2525 Gambell Street, Room 107  
Anchorage, AK 99503-2892

Dear Mr. Evison:

Governor Cowper asked me to respond to your January 4 letter regarding the South Denali Project.

Since we first began discussing this project with you and your staff, we consistently stated that we would not be able to make any financial commitments given our current revenue situation. We have been supportive of the project and have done what we could with your staff given our limited staff and resources.

During preparation of our budget, which we just submitted to the Legislature, we received in excess of \$800 million in requests to fund various projects and programs throughout the state. The majority of these requests were for essential services such as improvements to health facilities, ports, road maintenance, sewer and water construction and maintenance programs, and education facilities, just to name a few.

Based on current revenue projections, we believe that we will only be able to fund one-tenth of these projects. Many essential programs cannot be funded and projects that are partially completed will not be finished.

The South Denali Project is a good project which deserves support. We appreciate your commitment and efforts on


Mr. Evison

-2-

January 20, 1988

this project. Unfortunately, the reality for the state is that we simply do not have the funds to commit to this project at this time.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rod Swope', with a stylized flourish extending from the end of the name.

Rod Swope  
Special Staff Assistant  
to the Governor

cc: Commissioner Judith Brady  
Mike Abbott, Resource Development Council

SCOPE OF SERVICES  
UPDATE OF MASTER PLAN FOR DENALI STATE PARK  
INCLUDING AN  
ANALYSIS OF AND ALTERNATIVES FOR A VISITORS DESTINATION COMPLEX

I. Background

The concept of developing a major visitors' destination on the south side of the Alaska Range has been discussed and studied for many years. The South Denali Concept Proposal, 1986, (attachment 1) summarizes a series of state and federal studies conducted during the past 20 years. Public interest in a hotel and visitors' center oriented toward the region's dramatic views of Mount McKinley strongly influenced the creation of the Denali State Park by the 1970 Alaska state legislature. Subsequently the Tokositna site was studied, but these plans were dropped, largely because of widespread public outrage at the "domed city" concept.

In 1984, the National Park Service, Alaska Department of Natural Resources, and Alaska Department of Transportation and Public Facilities entered a memorandum of agreement (attachment 2) to further study the proposal and to arrive at a joint decision regarding a site for the destination complex. During the summers of 1985 and 1986, state and federal staff compiled existing research and conducted field studies focussing on sites along Curry Ridge near the Parks Highway. The resulting concept proposal was reviewed by the public at a series of hearings in April 1986.

The proposal met with mixed reaction. There was considerable sentiment that the state and NPS should receive more public input on alternate sites, that private lands in the area should be considered as development sites and that the scale of the proposal was excessive. The Denali State Park Citizens Advisory Committee, a state appointed oversight group, supported the South Denali concept but recommended that the state park plan be updated and that alternatives be analyzed before further action was taken on the proposal.

II. Overall Project Program

State and federal governments have agreed on the following basic goals for the South Denali Project:

### III. Purposes of this Phase

The basic purposes of the scope of services for the current project are as follows:

- A. To prepare a regional overview of public recreational opportunities and activity in the planning region. (Defined as shown on the attached map.)
- B. To prepare an update of the 1975 master plan for Denali State Park.
- C. Within the context of the regional overview and the State Park plan to evaluate alternatives for a visitors' destination complex.
- D. To involve the Denali State Park Citizens Advisory Board and the public in this planning process.

### IV. SCOPE OF SERVICES

The contractor shall provide all manpower, transportation, equipment, and supplies necessary to perform the following services complete and in conformity with all requirements contained in this work directive. All of the work shall be conducted or supervised by planners, landscape architects, engineers or biologists licensed (where applicable) in the state of Alaska. A project planner, architect, landscape architect, or project engineer shall be assigned by the contractor to manage and coordinate the work. Any land disturbing field work will have prior approval by the Area Superintendent, Division of Parks and Outdoor Recreation, if it involves state park lands, and by the superintendent of Denali National Park and Preserve, if it involves national park lands.

#### A. Regional Overview

1. Outdoor Recreational Opportunities - Assess and describe public recreational values and opportunities in the planning region. Consider the role of the Denali State Park and potential visitors' center in relation to the railbelt region.
2. Public use - Assess and describe current patterns of public recreational land use in the planning region. Identify recent trends and changes in use and estimate probable trends. Note recreational locations and opportunities that are over crowded, under used and unused.

patterns of tourism and recreational traffic using the Parks Highway and the Alaska railroad. Evaluate the complex as an attraction for additional tourism outside Alaska.

5. Recommendations - Prepare recommendations to park managers on the following subjects. Where possible utilize schematic diagrams to help illustrate recommendations.
  - a. Park management policies to protect park resources and to respond to current and projected recreational use and demand.
  - b. Changes, closures, or new development of trails, campgrounds, public use cabins, informational and interpretive facilities, and/or other public recreational facilities that are needed and appropriate in the planning region. Prepare schematic bubble diagrams to represent changes or new development within the park.
  - c. The components of a visitors destination complex, including desirable level of development and recommended criteria for site selection for the complex. A matrix with weighted values may be developed to help clarify site selection criteria and their relative priority.
  - d. The nature and type of additional private recreational services and facilities that would enhance and complement the existing range of public and private recreational opportunities and be appropriate for a concession or permit from state and federal land managers.
  - e. Measures which would encourage extension of greater public recreational use into the spring, fall, and winter months.

C. Evaluation of Alternatives for visitors' Destination Complex.

1. In accordance with site selection criteria, identify and evaluate three alternative sites and probable development of foot prints of the complex. Use the largest scale maps available (where applicable the 20' contour maps from DOTPF). At least one of these sites shall

F. Field Inspections and Reviews

At the initiation of the project there shall be one fixed wing overflight of the planning area. The overflight shall include state and federal personnel who will share their knowledge of the area with the contractor. During the summer of 1988 the National Park Service will provide a helicopter trip to assist the consultant in field inspection of sites. The evaluation of alternative sites in relation to the adopted criteria shall be based on this inspection, existing aerial photography, topographic maps and other considerations.

G. Schedule/Public Meetings

It is intended that the fall and winter of 1987 and 1988 be used to complete research and data collection for the study, together with preparation of preliminary drafts and maps of this material. The spring and summer of 1988 shall be used to apply site selection criteria and complete planning recommendations. During the fall and early winter, at the initiation of the contract work there will be a series of meetings with the State park and NPS personnel to obtain information about Denali State Park and State park planning and management practices and to obtain information about previous work on South Denali Planning. Frequent (at least monthly) contact with state and federal personnel is expected to review progress, obtain data and discuss policy choices.

The consultant shall attend meetings with the public and the Denali State Park Advisory Board as follows:

November, 1987 - Meeting at Susitna Valley School with Advisory Board and public to review the regional overview, describe the project and ask for advice about issues, resources and other considerations.

February, 1988 - Meeting at Susitna Valley School with Advisory Board and public to present the assessment of resources, needs, impacts, opportunities, etc. (B. 1. - 4.) and to ask for advice about site selection criteria and components of development.

June, 1988 - Meeting at Susitna Valley School with Advisory Board and public to present master plan update recommendations (B. 5. a. - c.) and to review and revise site selection criteria. (Draft criteria to be distributed to Board prior to meeting.)

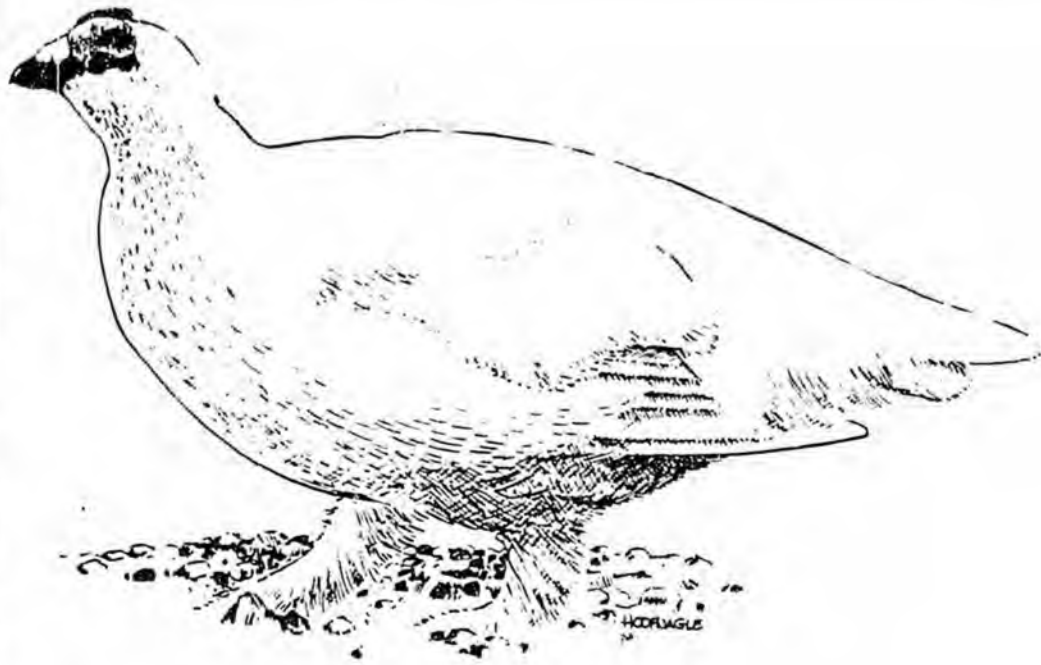
# SOUTH DENALI



A CONCEPT PROPOSAL FOR  
DEVELOPING A MAJOR VISITOR  
DESTINATION IN DENALI STATE  
PARK ON THE SOUTH SIDE OF THE  
ALASKA RANGE



Prepared Cooperatively by the Alaska Department of Natural Resources, Division of Parks and Outdoor Recreation and  
the National Park Service - Alaska Region



## CONCEPT SUMMARY

The concept of developing a major visitor destination on the south side of the Alaska Range has been discussed and studied for many years. Views of Mt. McKinley and its companion peaks are spectacular in this area and are highlighted by the great glaciers which flow down the south side of the range. The dramatic sculptured landscape offers scenery and recreational opportunities that could attract worldwide tourism visitation and expand outdoor recreation opportunities for Alaskans as well.

Alaskan artist Sydney Laurence painted his most famous scenes of Mt. McKinley from the south side. In the 1920s, the Alaska Railroad built a hotel and scheduled an overnight stop at Curry Station. A bridge and trail led to a lookout on top of Curry Ridge. Over the past 20 years, potential South Denali development sites have been studied by state and federal agencies and have been the subject of environmental and economic investigations and public meetings. The resulting public interest influenced creation of the 282,000-acre Denali State Park (expanded to 324,240 acres in 1976) by the 1970 Alaska Legislature.

After reviewing these studies, the participants focused their analyses on alternatives within the most promising zone for site selection. The Curry Ridge area offers an excellent combination of public benefits, at a comparatively low cost, with minimal environmental impact. Within this focus area, an array of alternatives for both location and type of development exist.

The outstanding features offered by the Curry Ridge area are:

**View** — Curry Ridge is the first place where a traveler heading north along the Parks Highway enters the environment of the Alaska Range. Hillside benches have spectacular views of Mt. McKinley and the Alaska Range. The ridge top offers the sense of space and isolation of a remote Alaska location. Some points afford a 360 degree panorama of the mountains of southcentral Alaska.

**Access** — Potential sites would be within a short distance of the year-round Parks Highway. A hiking trail from the Alaska Railroad can be developed by recreating the historic footbridge and trail to Curry Lookout. Located approximately 140 miles from Anchorage and 220 miles from Fairbanks, Curry Ridge is a convenient, desirably spaced stopover along an established tour route.

**Outdoor Recreation** — The varied ecosystems in the Curry Ridge vicinity (riverine, forest, sub-alpine and alpine) offer a wide range of outdoor recreation possibilities. Fishing, boating and camping would be possible on nearby rivers and lakes. The wooded hillsides and ridge top provide a variety of opportunities including: hiking, cross-country skiing, wildlife and wildflower viewing.

**Unique Destination Point** — As a development within a park, South Denali must have distinctive qualities which protect and enhance the visitor experience of natural Alaska. It should be a place where people feel close to nature and enjoy the natural world. With appropriate design and operational controls, the development can provide a unique and memorable experience leaving the visitor with a sense of having experienced the spacious vistas and remoteness of Alaska.

## BACKGROUND: LOCATIONS CONSIDERED IN PREVIOUS STUDIES

### Indian Ridge Site (Chulitna Pass)

Cresap, McCormick, and Paget, *A Program for Increasing the Contribution of Tourism to the Alaskan Economy*, prepared for State of Alaska, Department of Economic Development, Travel Division and U.S. Department of Commerce, Economic Development Administration, December, 1968.

This study discussed the need and defined the planning considerations for a hotel complex on the south side of the Alaska Range. The site selected was in the vicinity of Chulitna Pass looking across the Chulitna River up the Eldridge Glacier to Mt. McKinley, 42 miles away. A 300-room lodge/hotel was to be located at the 1,700-foot level one mile east of the Parks Highway (approximately Mile Post 164-165) and 5½ miles from the railroad. Although other sites also met location criteria, the team selected Chulitna Pass area. They recommended control of the land by a government agency and development of a variety of facilities catering to various types of visitors, saying, "If visitor travel is to continue to increase in proportion to Alaska's potential, a major hotel must be built in the vicinity of Mt. McKinley."

After construction of a road, this site would have convenient access to the railroad and the highway. The location is a north-facing slope which could be cold. Winds through the pass and severe weather could limit the season. Some think this viewshed is not as dramatic as other locations.

### South Curry Ridge Site

U.S. Department of the Interior, National Park Service, *Lodging for Mount McKinley National Park-Present and Projected Requirements and its Relationship to Park Visitation, Possible Park Enlargement, and Alaska Tourism*, April 4, 1969.

This study selected south Curry Ridge because it "provides a superlative platform for viewing and interpreting the climactic section of the Alaska Range". It outlined a major park-oriented tourism complex with a hotel/lodge of 125 rooms in the first phase. This site is within the zone proposed for site selection in this brochure.

U.S. Department of the Interior, National Park Service, *Draft General Management Plan, Denali National Park and Preserve*, March 1985.

This study recommends a south Curry Ridge site and a location to be decided by a joint state and federal group.

### Byers Lake Site

State of Alaska, Department of Highways, *Environmental Impact/Section 4f Statement*, September 1973.

State of Alaska, Division of Parks, *Development Prospectus, Denali State Park*, May 1974.

State of Alaska, Division of Parks, *Denali State Park, a Master Plan*, 1975.

The Environmental Impact Statement and Development Prospectus were prepared to solicit proposals for development of a service complex by a concessionaire in the Byers Lake area (Parks Highway, approximately Mile Post 147). This complex was to include a lodge, ski area, park headquarters and visitor center.

The Denali State Park Master Plan further discussed this site. The site has easy access, a nice view of Mt. McKinley, and topography conducive to a recreational development. The area can support a variety of activities including camping, hiking, boating, fish and skiing. Currently, this area includes a 66-unit campground, 15 picnic sites, boat launch and a small boat-in campground. Potential negative aspects of developing this site include the anticipated change in future use patterns, proximity to the lake and associated utilities, and location of a sewage treatment plant. As a recreation area for boating and camping, Byers Lake provides a valuable component in the overall recreational opportunities of the Curry Ridge area.

### Tokositna Site

State of Alaska, Division of Parks and U.S. Department of the Interior, National Park Service, *Environmental Investigation and Site Analysis - Tokositna, Denali State Park*, July 1980, and 14 other study reports.

The Tokositna area has a long history of interest. The concept of a facility in the area was proposed in 1951 by Dr. Bradford Washburn, the scientist who first mapped Mt. McKinley. This concept was supported in 1969 in the Mount McKinley National Park Master Plan and in 1975 in the Denali State Park Master Plan. In 1976 Denali State Park was expanded to include the Tokositna area. In 1978, money was appropriated by the State Legislature to evaluate the feasibility of developing a visitor facility.

The Tokositna study site is approximately 15 miles west of the Parks Highway near Long Point. This site has superlative views up the Tokositna Glacier of Mt. McKinley, 35 miles away. It lends itself to numerous other recreational opportunities including float trips, hiking, fishing, skiing, wildlife viewing and glacier exploration.

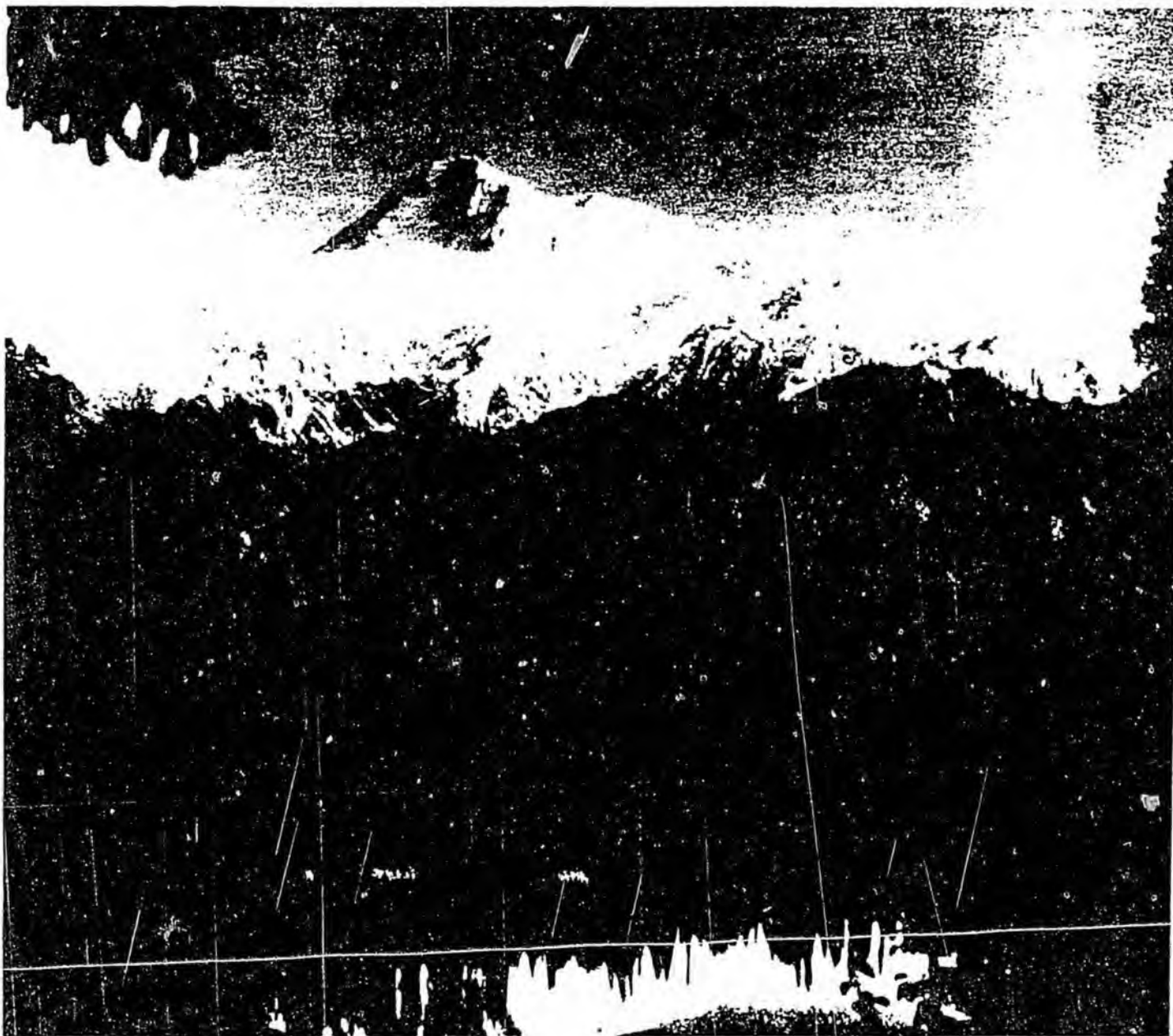
Problems with the site include its remote location, cost of access, land use conflicts and weather. Studies recommend two possible routes of access. One would require building an entirely new 14-mile road, the other upgrading 22 miles of the existing Petersville Road (Mile Post 114.8 Parks Highway) and constructing 12 additional miles to the site. Currently, the road construction costs would be prohibitive.

Three public meetings were held in January 1979. Miners expressed concern that upgrading the Petersville Road would have adverse effects on their mining operations in Cache Creek. Other local residents felt a new road would impact their rural lifestyles. The variety of mixed land uses in the Peters Hills and Dutch Hills, particularly mining activity, might conflict with a large increase in visitor use. The Tokositna site is on a north-facing slope and would be cold, windy and sunless during parts of the year.

#### Alder Point Area

National Park Service Rangers, Denali State Park Rangers, and local residents, *Memorandum, Development Alternatives, South Denali*, April 17, 1985.

This site was never seriously considered as a major development site but was discussed as a main vantage point. It is located in the mountains and has superlative views of Mt. McKinley. Though the costs of road or tram access would be prohibitive, Alder Point may be a feasible destination for hiking.



## GOALS

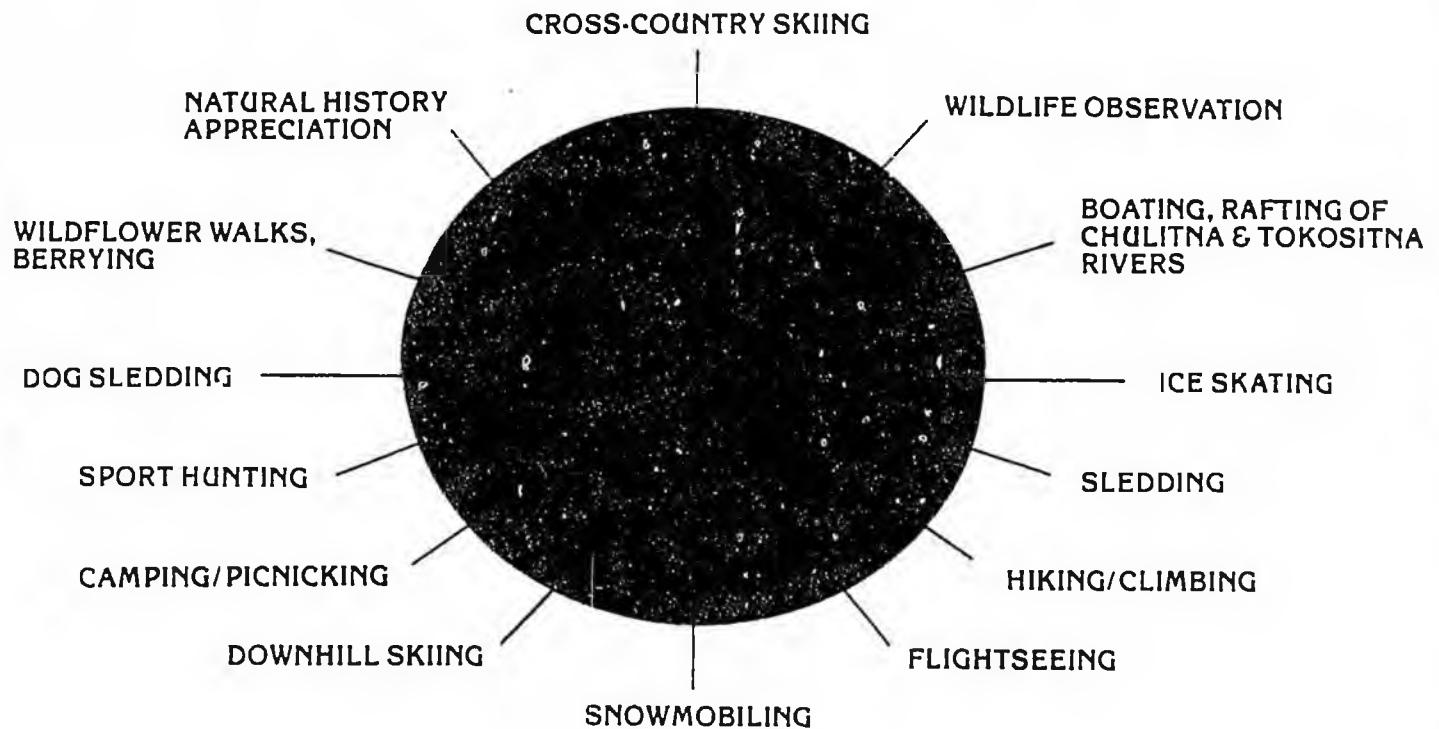
1. To provide for public use and enjoyment of state and federal park lands in the South Denali region
  - To establish a visitor destination in a location with a prime view of Mt. McKinley
  - To enhance outdoor recreation opportunities in the surrounding region
  - To provide the public with information about the geology and natural and cultural history of the Alaska Range, Mt. McKinley and the Denali region
  - To integrate planning of the South Denali destination with updating of plans for Denali State Park, Denali National Park and Preserve, and the surrounding area
  - To develop facilities which are compatible in architecture, design and use with the natural beauty of the setting; to create a unique visitor's attraction
2. To manage and protect area resources
  - To develop in a manner which complements and protects the site's natural character
  - To minimize impacts to wildlife populations
  - To provide additional outdoor recreation opportunities and management facilities in Denali State Park
  - To complement and guide development within and adjacent to Denali State Park
  - To offer an alternative to visiting the park facilities on the north side of the Alaska Range
3. To develop and diversify the state's economy
  - To encourage the expansion of the Anchorage-Fairbanks tour business
  - To extend the length of the tourism season
  - To provide additional sources of state revenues and private sector jobs
  - To encourage government/private partnership in tourism development
  - To benefit the local economy and minimize impacts on local lifestyles



## ALTERNATIVES TO BE ANALYZED

During this initial planning stage, public comment on the following topics will be gathered to determine the scope and direction of future studies:

**Outdoor recreation opportunities** — Development in the Curry Ridge area should serve as a center for a wide range of outdoor recreational activities radiating throughout the area. Alaskan tourists and recreationists are increasingly looking for a diversity of outdoor activities. Shuttle bus service could connect the visitor with opportunities for river trips, flightseeing, hiking, fishing, wildlife and bird viewing. Cross-country skiing, dog sledding and other snow-related activities will also be analyzed.



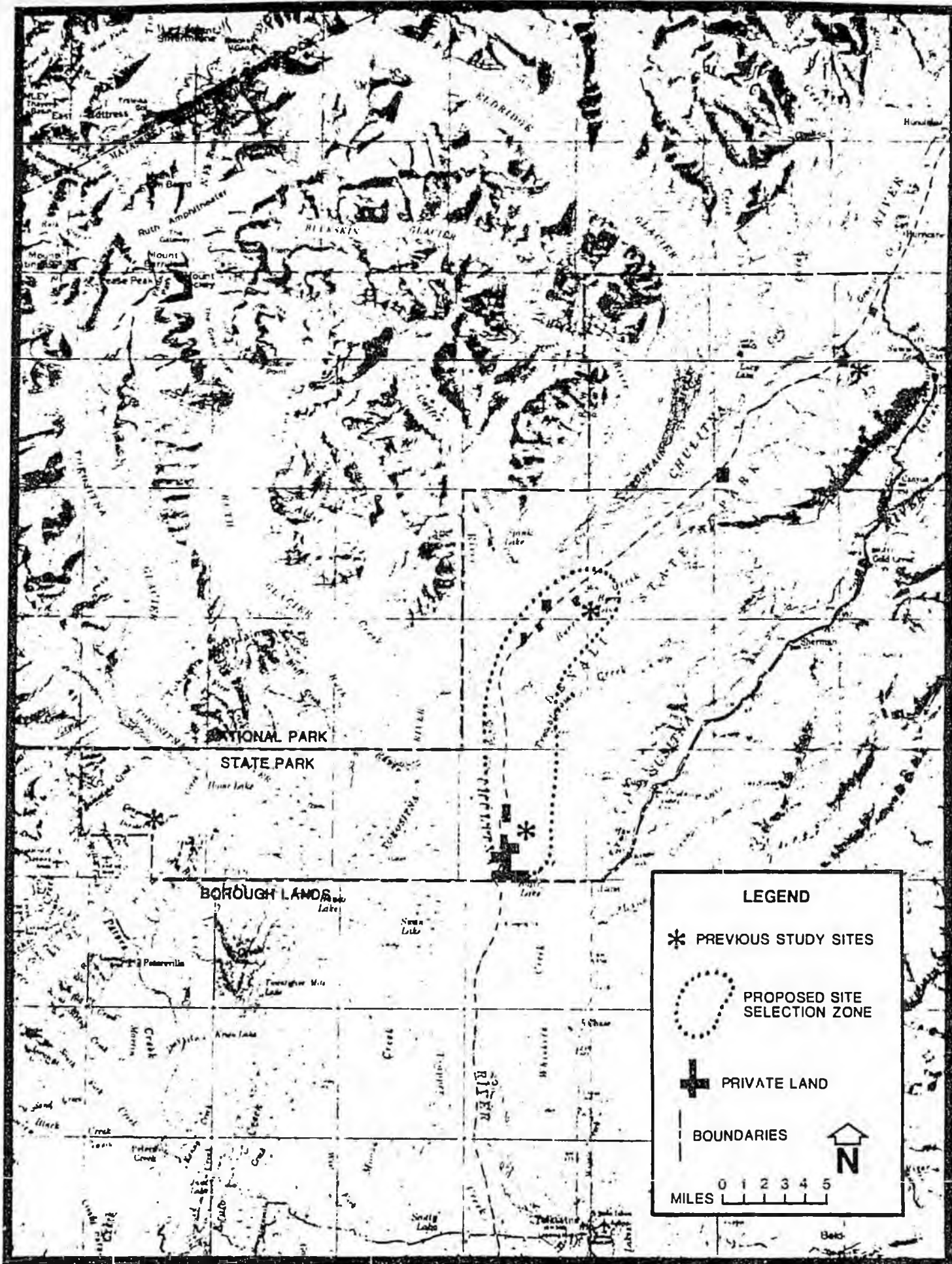
**Facilities included** — The types of services to be provided by the development include lodging, visitor information and interpretation, access and maintenance. These services indicate that the following developments should be included:

- Visitor center
- Lodge(s) and restaurant(s) (at one or more sites)
- Campgrounds
- Maintenance compound
- Parking lot(s)
- Tramway
- Youth hostel
- Trails
- Utilities

**Site selection criteria:**

- soils
- drainage
- view of Alaska Range
- wildlife habitat
- impacts to wildlife, plants, view

- weather conditions
- vegetation
- cost
- access
- diversity of recreation



## PROCESS: PURPOSE OF THIS BROCHURE

The project will be planned and developed cooperatively, with roles and responsibilities as follows:

**The State** — Because the main development will be located within Denali State Park, the State Division of Parks and Outdoor Recreation will serve as project lead and make final decisions regarding use of state lands.

**The Federal Government** — The visitor center would be a point of orientation for public use and enjoyment of the nearby national park lands as well as state park lands. The National Park Service will work with the state in the joint development and operation of South Denali.

**Private Developers** — Private sector participation is essential for the development of commercial components of the South Denali destination, primarily the lodge and related facilities and utilities.

**The Public** — South Denali represents a major use of public resources. The public will be asked to provide input and guidance by reviewing and commenting on the proposal. This brochure is the first step in public review. A second public review will occur next year when the draft environmental impact statement is complete and the proposed alternatives are defined.

In summary, purposes of this brochure are:

**To inform** — To introduce the concept of developing a major visitor destination in Denali State Park

**To generate interest** — To generate discussion and stimulate thinking and ideas from both governmental participants, private corporations and the public; to facilitate this process public workshops will be scheduled

**To generate comment** — To ask public assistance in identifying significant issues which should be analyzed and noting alternatives which should be considered or eliminated

**To help define the scope of future studies** — Public comment generated by this brochure will assist in defining the scope of forth-coming studies, including an environmental impact statement which will be prepared subject to federal appropriations

## PROPOSED TIMETABLE

February to April 4, 1986

- Public workshops and comment on concept brochure

April 4 to June, 1986

- Consideration of public comments
- Consideration of scope of future slides
- Decision by Legislature to include study funds in FY'87 budget

July, 1986 to January, 1987

- Site analysis
- Analysis of economic feasibility and operations
- Preparation of concession contract guidelines
- Preparation of environmental studies

February to April, 1987

- Public review of draft report on alternative proposals and draft environmental impacts

May to June, 1987

- Analysis of public review on alternatives
- Revision and printing of report
- Preparation of draft concession contract terms

July, 1987

- State/federal decision on preferred alternative
- Competitive contracting process for concessions

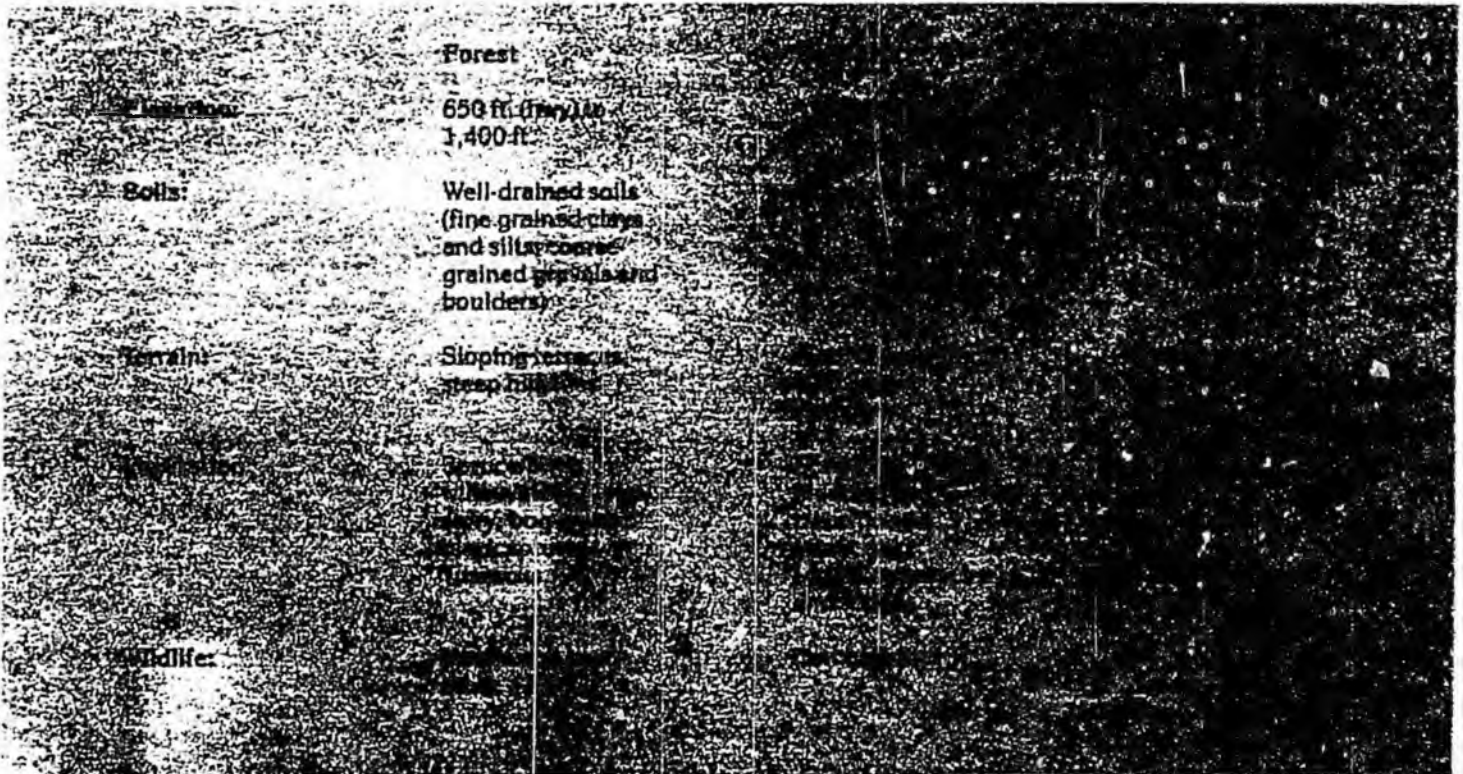
April, 1988

- Target date for start of development phase

## ENVIRONMENT

The area proposed for further study includes several different ecosystems within the 1,000-foot rise covered in the distance of two or three miles between the highway and the ridge top. The terrain ranges from relatively level ground along the river and highway, to gradual slopes with occasional bench lands, to the steep hillside leading to the alpine ridge top. Treeline occurs at about 1,650 feet of elevation where the ridge levels to become an undulating hilltop plateau. Summit points in the central area of the ridge are between 2,500 and 2,900 feet of elevation.

Ecosystems roughly align with elevation:



Weather is moderated by the relatively warm coastal waters 100 miles to the south, and protected by the Alaska Range against the extreme cold of the Interior to the north. Snow accumulations, beginning in October, build to five or six feet by March. Snow usually melts during April and May, although snow patches above 2,500 feet often persist into July. Summer temperatures average from 44 to 68 degrees with occasional highs above 80, and more than 20 hours of mid-summer daylight. In winter, average temperatures range from zero to 40 above, though extremely cold days can reach minus 40 and lower.

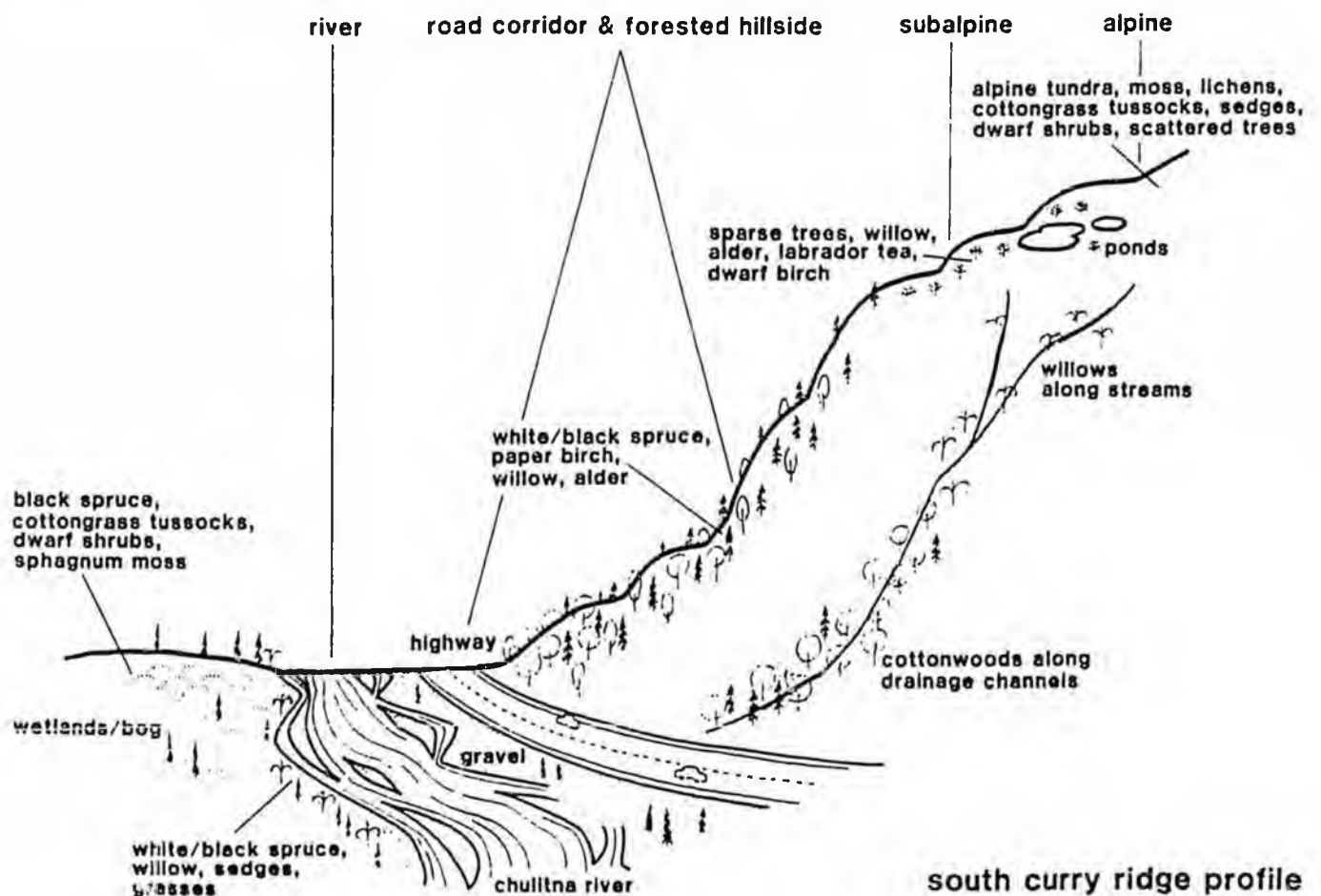
Through this brochure and the public workshops, agencies are seeking public comment on the issues to be considered in the preparation of an environmental impact statement. Initially, the following categories of consideration have been identified:

- Wildlife protection, prevention of bear/human conflict
- Water quality
- Viewshed
- Automobile and aircraft noise
- Climate, including cloud cover, wind, temperature, precipitation, avalanche potential, whiteout conditions
- Soils, particularly problems associated with glacial till
- Vegetation, particularly fragility of alpine vegetation
- Development of roadside inholdings
- Local economy and lifestyles

**Site selection** — The site selection zone extends from the Chulitna River to the ridge top near the southern end of Curry Ridge. Here there is a magnificent view of the Alaska Range across the Chulitna and Tokositna River valleys and the Ruth Glacier. In addition, the hillside and ridge are comparatively near to the Parks Highway, thus minimizing the distance and cost of access.

Terrain within this zone offers a choice of sites near the highway, on forested bench lands partially up the hillside, in sub-alpine zone and on the ridge top. The above listed facilities each have different locational requirements and could be arranged in several different configurations between the highway and the ridge top. Clearly, the maintenance compound should be in a convenient but hidden location near the highway, and the lodge and visitor center require sites with good views; but the combination or separation of various facilities, the choice of a hillside, sub-alpine or alpine location and the accommodation of parking require careful analysis. Public comment on the following and other considerations would be helpful:

1. The visitor center would probably be the major traffic generator in the development and should be readily accessible to all visitors at minimal cost. A prime view of the Alaska Range is essential, but should the center be located in the alpine zone in a sub-alpine zone or on a bench in the forested hillside? Should it stand alone within an easy hike of the lodge or be incorporated with the lodge in a single structure?
2. The lodge also will require a premiere view of the range. There will be two general types of clientele: tour travelers (mainly overnight visitors) and vacationers staying several days. Should the lodge be designed to cater to both types of visitors or planned as two separate facilities, one with a leisurely atmosphere for long-term visitors and the other with the familiar conveniences desired by overnights? Should these facilities be located in the alpine, sub-alpine or forested zones? To what extent should the lodge include related amenities such as shops, athletic facilities, convention facilities, etc.? Should the lodge be designed for expansion or should a fixed capacity be set?
3. Mode of access to various facilities will influence the visitors' convenience and enjoyment. If people drive private vehicles to the visitor center and the lodge, large parking areas must be provided, with consequent noise and activity incompatible with the goal of preserving the peace and natural quality of the environment. Alternatively, public parking could be provided near the base of the ridge and access to facilities above achieved either by a tram or a shuttle bus system. A tram offers the possibility of being a unique and attractive recreation opportunity in itself, with minimal environmental damage. However, prices must be affordable by the general public. If a tram is used, it would still be necessary to connect facilities with a low speed road limited to service and emergency vehicles.



## ECONOMIC CONSIDERATIONS

Mt. McKinley, North America's tallest mountain, consistently ranks at the top of Alaska's attractions for visitors. Several recent factors contribute to the economic viability of the South Denali project:

1. Alaskan tourism has increased more than 25% in the past four years, with estimates of a 7% to 10% annual growth.
2. Cruise ships are now calling on southcentral ports of Anchorage, Whittier and Seward. This not only brings more visitors directly into the Anchorage-Fairbanks tour route, but also reduces by at least one day the time necessary to get into that route. Formerly, passengers disembarked at Haines or Skagway and traveled by bus to Anchorage.
3. The road into Denali National Park, a hundred miles north of the south Denali site, has reached its visitation capacity; additional traffic would diminish wildlife viewing opportunities. Necessary limitations will inhibit further hotel development in that region and encourage development elsewhere in locations with a good view of the mountain and access to park lands.

However, the main economic strength of the South Denali development stems from its attractiveness on its own merits. It will be:

- A unique "in park" facility, especially designed and developed to harmonize with its natural setting
- A central point in a range of surrounding outdoor recreational opportunities
- A site which can be accessible during the early spring and late fall seasons as well as the summer
- A center of information and interpretation of Mt. McKinley and the Alaska Range
- A destination with a magnificent view of Mt. McKinley

## SOCIO/CULTURAL CONSIDERATIONS

Socio/economic impacts of the development will also be studied. This assessment will include impacts on local and regional economy, population, lifestyles and cultural resources.





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## A resolution of the Alaska Visitors Association

Whereas, the planning process for the concept of developing a major tourism destination on the south side of the Alaska Range has been ongoing since 1976; and

Whereas, three major goals have been identified including: to provide for public use and enjoyment of State and Federal park lands in the South Denali Region; to manage and protect area resources; and to develop and diversify the State's economy; and

Whereas, tourism is important to the economy of the Matanuska-Susitna Borough and to the State of Alaska; and

Whereas, private sector participation is essential for the successful development of commercial components of the South Denali concept; and

Whereas, the potential future social, cultural, and economic impacts on the local, state and regional levels will be analyzed to determine the costs and benefits of the South Denali projects; and

Whereas, the potential future environmental impacts of the project will be further analyzed in an Environmental Impact Statement jointly prepared by State and Federal agencies;

Now, therefore be it resolved, that the Alaska Visitors Association supports the South Denali concept for development of the Curry Ridge area within Denali State Park and supports private enterprise participation within this development.

*Passed and adopted in October of 1987 by the AVA Convention  
in Anchorage, Alaska.*