

ALASKA LEGISLATURE COMMITTEE FILES 1991-1992 8672  
7206 HOUSE RESOURCES

the State and BP or ARCO.

2.6 Point and Time of Delivery. Simultaneously with receipt of its Royalty Oil from its Lessees, the State shall tender the Oil to Petro Star JV at the point at which the State receives the Royalty Oil from its Lessees. That point as presently agreed to by the State and its Lessees in Section 2.3 of the Field Cost Agreement is the Central Production Facility Meter into the Kuparuk Pipeline.

2.7 Passage of Title and Risk of Loss. Title and risk of loss to the Oil sold under this Agreement shall pass from the State to Petro Star JV for all purposes when the State tenders the Oil at the Point of Delivery.

2.8 Petro Star JV's Responsibility. Petro Star JV shall be responsible for the Oil after passage of title. Petro Star JV will indemnify and hold the State harmless from and against any and all claims, costs, damages (including reasonably foreseeable consequential damages), expenses, or causes of action arising from or in connection with any transaction or event which relates to the Oil after title has passed to Petro Star JV.

2.9 Transportation Arrangements. Petro Star JV shall make all necessary arrangements for transporting the Oil sold under this Agreement from the Point of Delivery, including satisfaction of line fill obligations and storage tank bottom requirements of the Kuparuk Pipeline and of TAPS, if any. If requested by the State, Petro Star JV shall submit specific information concerning its arrangement for transportation of the

Oil sold under this Agreement through and away from the Kuparuk Pipeline and the TAPS and for the resale or other disposal of the Oil. Such information may include the specific tenders of Oil made to the Kuparuk Pipeline and TAPS and identification of tankers, if any, which will transport the Oil. In addition, Petro Star JV will provide the State, if requested by the State, with satisfactory evidence or reasonable assurance of the existence and continuing validity of adequate arrangements for the transportation or disposal of the Oil subject to this Agreement. Failure to provide information, evidence, or assurances requested will, at the State's election by notice to Petro Star JV, be a material default under this Agreement.

2.10 Absolute Obligations. The obligations of Petro Star JV to accept, pay for, and arrange for the transportation of the Oil tendered or sold under this Agreement are absolute and will not be excused or discharged by the operation of any disability of Petro Star JV, event of force majeure, impracticability of performance, change in conditions, or any other reason or cause.

2.11 Date of First Delivery. The date of First Delivery will be the first Day of the first Month that is the later of (i) seven Months after the Effective Date or (ii) seven Months after Petro Star JV certifies that within seven Months the refinery will be ready to accept and process Oil. If requested by Petro Star JV, the State, in its sole discretion, may set an earlier date of First Delivery

2.12 Performance Guaranty and Reservation Fee. If at any time, Petro Star JV does not take the Maximum Quantity, Petro Star JV shall pay to the State, in addition to the purchase price on the actual quantity taken, an amount equal to .75% of the purchase price per barrel per Day on the difference between the Maximum Quantity and the actual quantity tendered to and accepted by Petro Star JV for each Day Petro Star JV does not take the Maximum Quantity.

2.13 In-state Processing. Petro Star JV agrees that not less than 80% of the Royalty Oil sold under this Agreement, averaged on a quarterly basis, shall be processed through Petro Star JV's refinery near Valdez, Alaska, except as provided below. "Process" means producing refined petroleum products from the Oil in quantities not less than 20% of the volume of Royalty Oil run through Petro Star JV's refinery pursuant to this Agreement.

Petro Star JV's obligation to process Royalty Oil in-state may only be suspended or excused under (1) the provisions of Articles VIII and XI, or (2) during refinery maintenance.

The State may, at its sole option, waive the in-state processing requirement in whole or in part, if the State is satisfied that Petro Star JV is using its best efforts to process the Royalty Oil sold under this Agreement at Petro Star JV's Valdez refinery and that the waiver would not be contrary to the underlying intent of the other provisions of this Agreement.

### ARTICLE III

#### REPRESENTATION AND OBLIGATIONS OF PETRO STAR JV

Petro Star JV warrants, represents, and agrees:

3.1 Good Standing and Due Authorization. Petro Star Valdez, Inc., Alaska Refining Inc., Arctic Slope Regional Corporation, and Harbor Enterprises, Inc. are and at all times during the operation of this Agreement shall remain, corporations organized and existing under and by virtue of the laws of the United States or of any state, territory or the District of Columbia, and qualified to do business in, and in good standing with, the State of Alaska. Petro Star Valdez, Inc., Alaska Refining Inc., Arctic Slope Regional Corporation, and Harbor Enterprises, Inc. each have all necessary corporate power to enter into this Agreement and to perform the covenants and obligations under this Agreement. All necessary corporate action has been taken to authorize Petro Star Valdez, Inc., Alaska Refining Inc., Arctic Slope Regional Corporation, and Harbor Enterprises, Inc. entering into this Agreement and performing its covenants and obligations under this Agreement.

Petro Star Valdez Refinery Joint Venture is, and at all times during the operation of the Agreement, shall remain a joint venture consisting of Petro Star Valdez, Inc., Alaska Refining Inc., and Harbor Enterprises, Inc. Petro Star Valdez Refinery Joint Venture is organized and exists under and by virtue of the laws of the State of Alaska, and is qualified to do business in, and in good standing with, the State of Alaska. Petro Star

Valdez Refinery Joint Venture is authorized by and on behalf of Petro Star Valdez, Inc., Alaska Refining Inc., and Harbor Enterprises, Inc., to enter into this Agreement and to perform its covenants and obligations under this Agreement. All necessary acts have been taken to authorize Petro Star Valdez Refinery's entering into this Agreement and performing its covenants and obligations under this Agreement.

3.2 Financial Condition. The financial information submitted to the State is complete and correct and fairly presents Petro Star JV's financial condition at the time the information was submitted to the State. The financial information was prepared in accordance with generally accepted accounting principles consistently applied. Since the date the information was submitted, the condition, business, and properties of Petro Star JV have not been materially adversely affected in any way. Petro Star JV agrees to inform the State immediately if there is any material adverse change in its condition, business, or properties which may have an appreciable adverse effect on its ability to perform under this Agreement. Petro Star JV, in addition, will immediately inform the State of any significant change in ownership of Petro Star JV, affiliates, parent company, and of any change in Petro Star JV's operations or Agreements, which may appreciably affect Petro Star JV's performance under this Agreement.

3.3 Financial Statements. As soon as possible after the end of each fiscal year of Petro Star JV, and in any event

within one hundred twenty Days thereafter, Petro Star JV will furnish to the State, at Petro Star JV's sole cost and expense, a report or a complete copy of a report in a form to be prescribed from time to time by the State which will include each of Petro Star JV's balance sheet as of the close of the fiscal year and the income statement for that year, prepared in each case in accordance with generally accepted accounting principles consistently applied by certified public accountants of recognized standing. For purposes of complying with this article in the first year of this Agreement, Petro Star JV may submit, and the State will accept, the annual report of the corporate parties to this agreement filed with the United States Securities and Exchange Commission pursuant to Sec. 13 or 15(d) of the Security Exchange Act of 1934.

#### ARTICLE IV

##### MEASUREMENTS AND TESTS

The quantity and quality of Oil sold under this Agreement shall be determined at the Point of Delivery. Procedures and methods for measuring and metering the Oil sold under this Agreement shall be in accordance with the practices then in effect at Kuparuk River Unit, Alaska, between the Lessees and the operators of Kuparuk Pipeline.

## ARTICLE V

### PAYMENTS AND ACCOUNTING

5.1 Billing. The State will send to Petro Star JV, on or before the tenth business Day of each Month after delivery of Oil, an invoice statement of account of all Oil estimated to have been measured at the Central Production Facility Meter into the Kuparuk Pipeline and tendered to Petro Star JV under this Agreement during the immediately preceding Month according to the best information available to the State, the estimated purchase prices applicable to those deliveries, and the total amount due ("Initial Billing"). The estimates will be made by the State according to the best information reasonably available to the State. The State may render its Initial Billing to Petro Star JV based in part upon information reported by the Lessees to the State, information published by the U.S. Government, and information published in Platt's Oilgram Price Report or any other publicly available report. The State shall thereafter adjust its Initial Billing under this Article as soon as more accurate information concerning the quantity and purchase price of Oil delivered each Month is available. The State, however, shall not be required to adjust the Initial Billing before the sending of the next Month's invoice statement of account.

5.2 Initial Adjustment. After the Initial Billing under Section 5.1, the next Monthly invoice will also state the State's initial adjustments to be made, if any, to the invoice rendered in the immediately preceding Month, in accordance with

any additional or more accurate information which may have become available to the State. Whether or not initial adjustments are made, however, subsequent adjustments may be made under Section 5.5.

5.3 Payment. Petro Star JV will make payment of each amount billed under this Article within ten Days after receipt of the invoice statement of account. Payment shall be made without any deduction, set off, or withholding, by wire transfer of immediately available funds to the State's account at the following address:

State Street Bank & Trust Company  
Boston, Massachusetts  
ABA #011000028  
For credit to the State of Alaska  
General Investment Fund, AY01  
Account #00657189  
Attn: Kim Chan, Public Funds

Payment may be made in such other manner or to such other address as the State may specify in the invoice statement of account or by other written notice. All other payments to be made under this Agreement shall be paid in the same manner. If payment is due on a Saturday, Sunday, or legal holiday of the place where payment is to be received, payment shall be made on the next following business Day. It is recognized that the State may bill, and that Petro Star JV will pay, amounts that are based upon confidential information held or received by the State. If confidential information is used as the basis for a billing, then upon request, the State will furnish Petro Star JV with the certified statement of the Commissioner that the amounts billed

are correct based upon the best information available to the State. If a dispute concerning a bill arises, Petro Star JV agrees to pay the full amount billed by the State, except for obvious clerical mistakes, pending final resolution of the dispute.

5.4 Payment to Lessee. Petro Star JV, at the request of the State in the invoice statement of account or otherwise in writing, shall pay all or any portion designated by the State of that payment required to be made to one or more of the Lessees at an address or addresses and in the manner designated by the State. The payment will be made within the time limit specified in Section 5.3. The State may authorize and designate a third party to make the request and designate the amount, manner and place of payment under this provision. Unless otherwise specified, the balance of the payment due, if any, and payment for subsequent Months, shall be made in accordance with Section 5.3.

5.5 Subsequent Adjustments. Petro Star JV acknowledges that after the Initial Billing and initial adjustment, more accurate information concerning the quantity of or purchase price for Royalty Oil tendered may become available to the State. If any such information should later become available to the State, it shall promptly furnish a corrected invoice statement of account to Petro Star JV and the State will adjust the amount billed; and Petro Star JV will pay, or the State will credit or refund the amount of those adjustments. If

the State should render a corrected invoice to Petro Star JV, any amount to be credited or refunded from the State to Petro Star JV or paid from Petro Star JV to the State will be refunded or paid within thirty Days after the date of the corrected invoice. The provisions of this Section 5.5 will survive any termination of this Agreement.

5.6 Interest. The amount of all sums, which are not paid when due under this Agreement or which are later determined to be due as an adjustment, shall bear interest from the date accrued until paid in full at the rate as provided in AS 38.05.135(d) or as may later be amended. Currently, that interest rate in a calendar quarter is at the rate of five percentage points above the annual rate charged member banks for advances by the 12th Federal Reserve District as of the first Day of that calendar quarter, or at the annual rate of 11 percent, whichever is greater, compounded quarterly as of the last Day of that quarter. The term "date accrued" means the date of the receipt of the "Initial Billing plus ten Days." Interest shall apply to both adjustments for overpayments and underpayments.

5.7 Late Payment Penalty. If Petro Star JV fails to make a full payment within ten business Days of the date that payment is due, then in addition to the amount due plus interest from the date that payment was due until the date of actual payment, Petro Star JV will pay an amount equal to five percent of the amount owed. The late payment penalty is due at the time of the next Month's payment.

5.8 Payment to Third Parties. The State may direct that Petro Star JV pay any amount due or which may become due directly to a third party in a manner and time as may be directed by the State in written notice to Petro Star JV if, in the State's sole discretion, the payment to the third party will assist State in monitoring or enforcing this Agreement.

## ARTICLE VI

### TERM

This Agreement shall become effective upon execution by the parties and after enactment of legislation by the State of Alaska (including approval by the Governor) approving this Agreement. This Agreement shall be null and void if it is not so approved by December 31, 1993, or if Petro Star JV does not certify that it will within seven Months be ready and able to accept and process the Oil as required by Section 2.11 before December 31, 1993. Subject to the other provisions contained in this Agreement, State's obligation to sell and Petro Star JV's obligation to buy Royalty Oil shall begin as provided above, and shall end December 31, 2003. As used in this Article, "enactment of legislation" is as defined in AS 01.10.070(f)(4).

## ARTICLE VII

### DEFAULT OR TERMINATION

7.1 Default. If any one or more of the following events ("Events of Default") occur, then at the State's sole option, the State may terminate or suspend its obligation to tender and sell Royalty Oil and proceed to exercise any one or more of the rights and remedies provided in this Agreement:

- (i) At any time, Petro Star JV (a) repudiates any of its covenants or obligations under this Agreement, or (b) fails, within five Days, after written request from the State to provide the State with written affirmation of this Agreement and of Petro Star JV's intention to perform under this Agreement (together with evidence or assurances of transportation arrangements pursuant to Section 2.9 reasonably satisfactory to the State); or
- (ii) Petro Star JV does not pay in full any sum owed under this Agreement at the time when payment is due; or
- (iii) Petro Star JV fails to observe or perform any of its other covenants and obligations under Article II; or
- (iv) Petro Star JV does not perform any act required or contemplated under this Agreement

and: (a) the nonperformance cannot be cured;  
(b) the nonperformance continues for more than thirty Days after the State has notified Petro Star JV of Petro Star JV's nonperformance; or (c) Petro Star JV had failed to perform the same or any other act required or contemplated under this Agreement during the immediately preceding twelve Month period; or

- (v) There is a material adverse change in Petro Star JV's condition, business, or property which may appreciably affect its ability to perform any of their obligations under this Agreement and Petro Star JV is unable or unwilling to give the State adequate assurance of continued performance either within five Days of a request for such an assurance or within such other shorter time period as the State may request under the circumstances; or
- (vi) Any representation or warranty made by Petro Star JV in this Agreement was materially false or incorrect when made.
- (vii) Petro Star JV's failure or inability for any reason (including reasons beyond Petro Star JV's control) to maintain the Security

described in Article XV, notwithstanding Petro Star JV's continuing willingness and ability to perform its other obligations and covenants under the Agreement.

7.2 Failure to Pay Debts. If Petro Star JV becomes unable to pay any of its debts when due, or should otherwise become insolvent (without regard to how that insolvency may be evidenced), Petro Star JV will immediately give notice of that fact to the State. Whether that notice is given, if Petro Star JV becomes unable to pay any of its debts when due or should otherwise become insolvent, the State's obligation to tender and sell Oil under this Agreement will automatically and immediately terminate without any requirement of notice or other action by the State; however, Petro Star JV will nevertheless be and remain liable for payment and performance of all its obligations and covenants under this Agreement with respect to Oil actually tendered by the State to and after any such termination. Within thirty Days after receipt of Petro Star JV's notice or, if no notice is given, after the State otherwise becomes aware (as determined in the State's sole discretion) of Petro Star JV's insolvency, the State will have the right, upon written notice to Petro Star JV, to reinstate all of the State's and Petro Star JV's obligations under this Agreement retroactively to the date of termination.

7.3 State's Remedies. If any Event of Default occurs or if the State's obligation to tender and sell Oil under this

Agreement is terminated or suspended, all Petro Star JV's obligations accrued but not otherwise due and payable under this Agreement will immediately be due and payable in full. In addition, Petro Star JV will indemnify and hold the State harmless from and against all other liability, damages (including reasonably foreseeable consequential damages), costs, losses and expenses (including reasonable attorney's fees and disbursements) incurred by the State and arising out of the Event of Default, termination, or suspension. The State shall have the right cumulatively to exercise any and all other rights and remedies and to obtain all other relief available under applicable law or at equity, including mandatory injunction and specific performance.

Additionally, in its sole discretion, the State, upon occurrence of any Event of Default: (1) may dispose to third parties Royalty Oil to be tendered and sold under this Agreement and (2) may release Petro Star JV from the in-state processing obligations set forth in Article 2.13 until the Event of Default no longer exists or the obligation of Petro Star JV to take Oil under this Agreement expires. If the State disposes Oil to third parties, or if Petro Star JV is released from Article 2.13, whether or not this Agreement is terminated, Petro Star JV will nevertheless remain liable for the difference between the purchase price for that Oil under this Agreement and the price received by the State by disposition, including all of the expenses (including reasonable attorneys' fees and costs), and

losses incurred by the State arising out of the Event of Default or disposition.

7.4 Petro Star JV's Exclusive Remedies. Upon any breach of, or default in performance of any of the State's covenants or obligations under this Agreement, Petro Star JV agrees that its remedies will not include a temporary restraining order or preliminary injunction preventing the State from taking any action with regard to the Royalty Oil which is the subject of this Agreement.

#### ARTICLE VIII

##### DISPOSITION OF OIL

###### 8.1 Disposition of Oil Upon Default or Termination.

Petro Star JV recognizes that the State may be required to give six Months notice under the Unit Agreement (or ninety Days if the amount increased or decreased is less than ten percent of the then current nominations) to increase or decrease the amount of Daily Royalty Oil to be taken in-kind. Petro Star JV agrees that the State's election to invoke its rights to return to taking its Royalty Oil in-value on less than six Month's prior notice, or to attempt to secure a waiver of any condition or requirement, is at the State's sole discretion. Notwithstanding termination of this Agreement for any reason, Petro Star JV shall continue to take and purchase the State's Royalty Oil in the amount and for the price set forth in this Agreement for up to six Months following termination if the State, in its sole discretion, so requires.

8.2 Inability to Receive Oil. If for any reason Petro Star JV is unable or refuses to accept or receive any Oil tendered under this Agreement, Petro Star JV shall nevertheless be and remain responsible for the disposal of that Oil and for paying the State for the Oil as though it had been received and accepted by Petro Star JV unless the State, in its sole discretion, elects to waive this requirement. In order to secure the obligations of Petro Star JV under Section 8.2 and Section 2.10, Petro Star JV shall, if the State requests, assign to the State all right, title and interest of Petro Star JV under any nominations, Leases, Agreements, contracts, charter parties and other arrangements for the transportation of the Oil sold under this Agreement through and away from the Kuparuk Pipeline and the Trans Alaska Pipeline System; provided, that the State shall not have any liability or obligations under any such nominations, Leases, Agreements, contracts, charter parties or other arrangements unless, and to the extent that, the State shall actually exercise its rights to succeed to Petro Star JV's interest under them and shall obtain the benefits of them.

8.3 No Right to Storage or Underlift. Petro Star JV waives and disclaims any interest or right that it may assert to storage of Royalty Oil, including by underlift or other means, to which the State is or may come to be entitled under the Leases or any other agreement.

## ARTICLE IX

### WAIVER

The failure of either party to insist upon strict performance of any provision of this Agreement shall not constitute a waiver of, or estoppel against, asserting the right to require that performance in the future. A waiver or estoppel in any one instance shall not constitute a waiver or estoppel with respect to a later breach of a similar nature or otherwise. A course of performance established by a party shall also not estop the other party from complaining of a later breach similar in nature.

## ARTICLE X

### VALIDITY

If any provision or clause of this Agreement or application of this Agreement is held invalid, that invalidity shall not affect other provisions or applications of this Agreement which can be given effect without the invalid provision or application. If, however, an invalidity should operate to impair any material right or remedy of a party to this Agreement, that party may terminate this Agreement by notice to the other.

## ARTICLE XI

### FORCE MAJEURE AND CHANGE IN CONDITION

11.1 Effect of Force Majeure. Except for Petro Star JV's obligations to pay for Oil tendered and to accept and

dispose of Royalty Oil, neither party shall be liable for any failure to perform when the failure is caused in whole or in substantial part, by force majeure. The term "force majeure" shall mean Acts of God, strikes, lockouts and industrial disputes or disturbances, civil disturbances, arrests and restraints from rulers or people, interruptions by government or court orders or by present or future orders of any regulatory body having or asserting jurisdiction, acts of the public enemy, wars, riots, blockades, insurrections, inability to secure materials by reasons of allocations promulgated by authorized governmental agencies, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or pipelines, or any other event or condition, whether of the kind herein enumerated or otherwise, not within the reasonable control of the party claiming the benefit of this excuse. If, however, any material obligation of Petro Star JV is excused or suspended by a force majeure for three hundred sixty-five successive Days or more, the State will have the right to terminate this Agreement. Before the State exercises its right to terminate, the State and Petro Star JV shall in good faith negotiate to restore the benefits and obligations that existed under this Agreement before the occurrence of the force majeure condition.

11.2 Responsibility. If a party believes that force majeure has occurred, the party shall immediately notify the other party of its claim of force majeure. If force majeure

occurs, that occurrence shall, so far as possible, be remedied with reasonable diligence. Except for Petro Star JV's obligations to pay for Oil tendered and to accept and dispose of Oil, the disabled party's obligations to perform that are affected by the force majeure shall be suspended from the time that notification occurs until the disability should have been remedied with reasonable diligence, and for no longer. But, the settlement of strikes, lockouts, or industrial disputes or disturbances will be entirely within the sole discretion of the party having the difficulty.

## ARTICLE XII

### NOTICES

12.1 Method. All notices, requests, demands or statements shall be in writing, and may be delivered personally, telecopied, or sent by registered or certified United States mail, postage prepaid, with a return receipt requested, to the party to be notified. Notice deposited in the mail in this manner shall be effective upon the expiration of seven Days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the addressee. For the purposes of notice, the addresses of the parties shall be as follows:

If to the State:       State of Alaska  
                          Commissioner of Natural Resources  
                          400 Willoughby Avenue  
                          Juneau, AK 99801

and

Commissioner of Revenue  
P.O. Box S  
Juneau, AK 99811-0400

and

Director, Division of Oil and Gas  
P.O. Box 107034  
Anchorage, AK 99510-0734

If to Petro Star JV: Attn: Stephen T. Lewis  
Petro Star Valdez Refinery Joint Venture  
P.O. Box 61030  
Fairbanks, Alaska 99706  
Telecopy Number: (907) 474-0503

12.2 Change of Address. Each party may change its address for notice by giving written notice of the change.

#### ARTICLE XIII

##### RULES AND REGULATIONS

This Agreement is subject to all present and future valid laws, orders, rules and regulations of the United States, the State of Alaska, and any duly constituted of the State of Alaska.

#### ARTICLE XIV

##### SOVEREIGN POWER OF THE STATE

This Agreement shall not be interpreted as a limit on the State of Alaska's exercise of any of its sovereign or regulatory powers, whether conferred by constitution, statute or regulation, including, but not limited to, its regulatory power over the Leases. Its exercise of any sovereign or regulatory power will not operate or be deemed to enlarge any rights of

Petro Star JV or to limit or impair any obligations or liability of Petro Star JV under this Agreement.

## ARTICLE XV

### SECURITY

One hundred ninety Days before the Date of First Delivery, Petro Star JV shall cause to be issued and delivered to the State an irrevocable stand-by letter of credit, with an effective date no later than the Date of First Delivery, issued for the benefit of the State by a state or national banking institution of the United States ("Issuer"), which is insured by the Federal Deposit Insurance Corporation and has an aggregate capital and surplus of not less than One Hundred Million Dollars (\$100,000,000), or other banking institution acceptable to the State in its sole discretion. The principal face amount of such letter of credit shall be a sum estimated by the Commissioner to be equal to the aggregate purchase price for the approximate total amount of Oil to be tendered by the State to Petro Star JV during the first ninety Days following the Date of First Delivery. The letter of credit shall be in a form satisfactory to the Commissioner, but in any event shall not require any documents to be submitted in support of drafts drawn against this letter of credit other than the certified statement of the Commissioner or his designee and the Attorney General of the State of Alaska or his designee that Petro Star JV is liable to

the State for a sum equal to the amount of such draft, and that sum is due and payable in full and has not been timely paid. The letter of credit must be renewed ninety Days before its expiration so that a letter of credit is continuously valid for ninety Days after the date of the last delivery of Royalty Oil. If a replacement letter of credit, in a form satisfactory to the Commissioner in his sole discretion, is not received ninety Days before the expiration of the existing letter of credit, then Petro Star JV shall be deemed to have materially breached this Agreement, there shall have occurred an event of default under Article 7.1, and all obligations of Petro Star JV accrued, but not otherwise due and payable under this Agreement, will immediately become due and payable in full.

If the State has reasonable grounds for asserting any claims against Petro Star JV and does assert those claims in an aggregate amount in excess of the aggregate principal face amount of the letter of credit then in effect, Petro Star JV shall upon the State's request (whether or not Petro Star JV may deny, reject or otherwise resist such claims) cause the principal face amount to be increased by an amount equal to the excess. Petro Star JV shall also automatically increase the principal face amount, without request from the State, whenever the face amount is less than the expected purchase price of ninety Days of Oil tenders, to an amount equal to the expected purchase price of ninety Days of Oil tenders. Petro Star JV may decrease the principal face amount upon approval of the State, if the face

amount is more than the expected purchase price of ninety Days of Oil tenders to an amount equal to the expected purchase price of ninety Days of Oil tenders.

The letter of credit must allow drafts to be drawn and presented to the Issuer up to and including the 90th Day after the last delivery of Royalty Oil to Petro Star JV under this Agreement. The Commissioner may accept such other or additional security as he, in his sole discretion, considers adequate to protect the State.

#### ARTICLE XVI

##### PREFERENTIAL HIRING AND NON-DISCRIMINATION

Petro Star JV agrees to employ Alaska residents and Alaska companies to the extent they are available, willing and qualified for all work performed in Alaska in connection with the Agreement. "Alaska resident" means an individual who has resided in Alaska for one year at the time of employment and "Alaska companies" means companies incorporated in Alaska or whose principal place of business is in Alaska.

If this provision is determined to be unconstitutional, then Petro Star JV agrees to employ Alaska residents and Alaska companies to the extent such preferential hiring is determined to be constitutional.

## ARTICLE XVII

### APPLICABLE LAW

17.1 Alaska Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Alaska, excluding any conflict-of-law rule or principle which might refer such construction to the laws of another state or country.

17.2 Submission to Jurisdiction. Any legal action or proceeding arising out of or relating to this Agreement or for the enforcement of the covenants or obligation of either party must be instituted in a state court of general jurisdiction sitting in the State of Alaska, and Petro Star JV hereby irrevocably submits to the jurisdiction of that court in any such action or proceeding.

## ARTICLE XVIII

### WARRANTIES

The purchase and sale of Royalty Oil is subject only to the warranties of the State expressly set forth in this Agreement and the State disclaims and Petro Star JV waives all other warranties, express or implied in law, whatsoever.

## ARTICLE XIX

### AMENDMENT

This Agreement may be supplemented, amended, or modified only by written instrument duly executed by the parties. Any amendment which appreciably reduces the

consideration received by the State requires prior approval of the Legislature of the State of Alaska.

#### ARTICLE XX

##### SUCCESSORS AND ASSIGNS

No assignment, pledge, or encumbrance of this Agreement shall be made by either party without the written consent of the other party. The Commissioner or his designee may grant or deny such consent in his sole discretion. Subject to the above requirements in this Article, this Agreement will be binding upon and inure to the benefit of each of the parties and its successors and permitted assignees.

#### ARTICLE XXI

##### HEADINGS

Headings used in this Agreement are for convenience only and shall not affect its construction.

#### ARTICLE XXII

##### RECORDS

22.1 Preservation of Records. Petro Star JV will preserve and maintain all books, accounts, and records relating to or arising out of the performance of this Agreement including, but not limited to, the purchase or sale of Royalty Oil and its refined products, for a period of no less than six years from the date of transaction or last adjustment relating to the

transaction. Petro Star JV will also maintain and preserve all similar books, accounts, and records of which it has possession belonging to those third parties with whom it contracts for the performance of various parts of this Agreement. Neither Petro Star JV nor the State shall be required to retain any records for more than six years unless retention of such records is specifically required by applicable law or regulation, or this Agreement. Petro Star JV shall either maintain its records within the State of Alaska or make such records available to the State at Petro Star JV's principal office in the State of Alaska within thirty Days after written request by the State.

22.2 Inspection of Records of Parties. Petro Star JV and the State will accord to each other and to their authorized agents, attorneys, and auditors during reasonable business hours access to any and all property, records, books, documents, and indexes directly relating to Petro Star JV's or the State's performance of this Agreement and which are under the control of the party from which access is desired so that the other party may inspect, photograph and make copies of that property, records, books, documents and indexes. The State shall not be required to disclose any information, data, or records which are required to be held confidential by state or federal law or regulation. If the information obtained by the State may be held confidential under state or federal law or regulation, Petro Star JV may request that information be held confidential by the State and the State will keep this information confidential.

## ARTICLE XXIII

### INTERPRETATION OF TERMS AND CONDITIONS

In the event that there is a disagreement about the meaning or application of a word, term, or condition in this Agreement, Petro Star JV will present the arguments supporting its view in writing to the Commissioner for his consideration. The Commissioner will subsequently issue a finding on the meaning or application of the disputed word, term, or condition, setting forth the basis for his conclusions. Petro Star JV agrees to accept findings by the Commissioner under this Article are supported by substantial evidence.

## ARTICLE XXIV

### COUNTERPARTS

This Agreement may be executed in multiple counterparts, it not being necessary for all parties to sign the same counterpart. Each counterpart shall be deemed to be an original and all of which taken together shall be one and the same instrument.

SIGNATURES

the State:

THE STATE OF ALASKA

Harold C. Skung  
Commissioner  
Department of Natural Resources

Date: 3/4/92

Petro Star Valdez Refinery  
Joint Venture

By: \_\_\_\_\_

Date: \_\_\_\_\_

Petro Star Valdez, Inc.

By: \_\_\_\_\_

Date: \_\_\_\_\_

Alaska Refining, Inc.

By: \_\_\_\_\_

Date: \_\_\_\_\_

Arctic Slope Regional Corp.

By: \_\_\_\_\_

Date: \_\_\_\_\_

Harbor Enterprises, Inc.

By: \_\_\_\_\_

Date: \_\_\_\_\_

SIGNATURES

the State:

THE STATE OF ALASKA

\_\_\_\_\_  
Commissioner  
Department of Natural Resources

Date: \_\_\_\_\_

Petro Star Valdez Refinery  
Joint Venture

By: *Stephen T. Linn*

*Chairman of the Management Committee*

Date: *3/5/92*

Petro Star Valdez, Inc.

By: *Stephen T. Linn*

*President*

Date: *3/5/92*

Alaska Refining, Inc.

By: \_\_\_\_\_

\_\_\_\_\_

Date: \_\_\_\_\_

Arctic Slope Regional Corp.

By: *Jared Adams*

*1992*

Date: *3/5/92*

Harbor Enterprises, Inc.

By: \_\_\_\_\_

\_\_\_\_\_

Date: \_\_\_\_\_

SIGNATURES

the State:

THE STATE OF ALASKA

\_\_\_\_\_  
Commissioner  
Department of Natural Resources

Date: \_\_\_\_\_

Petro Star Valdez Refinery  
Joint Venture

By: \_\_\_\_\_

Date: \_\_\_\_\_

Petro Star Valdez, Inc.

By: \_\_\_\_\_

Date: \_\_\_\_\_

Alaska Refining, Inc.

By: *A. L. B.*

Chairman

Date: 3/5 92

Arctic Slope Regional Corp.

By: \_\_\_\_\_

Date: \_\_\_\_\_

Harbor Enterprises, Inc.

By: \_\_\_\_\_

Date: \_\_\_\_\_

SIGNATURES

the State:

THE STATE OF ALASKA

\_\_\_\_\_  
Commissioner  
Department of Natural Resources

Date: \_\_\_\_\_

Petro Star Valdez Refinery  
Joint Venture

By: \_\_\_\_\_

\_\_\_\_\_  
Date: \_\_\_\_\_

Petro Star Valdez, Inc.

By: \_\_\_\_\_

\_\_\_\_\_  
Date: \_\_\_\_\_

Alaska Refining, Inc.

By: \_\_\_\_\_

\_\_\_\_\_  
Date: \_\_\_\_\_

Arctic Slope Regional Corp.

By: \_\_\_\_\_

\_\_\_\_\_  
Date: \_\_\_\_\_

Harbor Enterprises, Inc.

By:  \_\_\_\_\_

Date: SR P MARKET  
\_\_\_\_\_  
- APR - 5 1994

ACKNOWLEDGMENT

STATE of Alaska                    )  
  ) ss.  
Third Judicial District         )

THIS IS TO CERTIFY that on the 4th day of March, 1992, before me, appeared Harold C. Heinze, the Commissioner, Department of Natural Resources, State of Alaska; that Harold C. Heinze executed that document under legal authority and with knowledge of its content and that this act was performed freely and voluntarily upon the premises and for the purposes state in the document.

Witness my hand and official seal the day and year in this Agreement first above written.

Shirley Howes  
Notary Public in and for Alaska  
My commission expires: 7/10/94

State of Alaska )  
 ) ss.  
Third Judicial District )

THIS IS TO CERTIFY that on the 5<sup>th</sup> day of March, 1992, before me appeared Stephen T. Lewis, the person who has been lawfully authorized as the Chairman of the Comm. of the State of Alaska Refinery IV to execute this document; that Stephen T. Lewis executed that document under legal authority and with knowledge of its contents; and that this act was performed freely and voluntarily upon the premises and for the purposes stated in the document.

Witness my hand and official seal the day and year in this Agreement first above written.

Carol Boase  
Notary Public in and for Alaska

My commission expires: 10-3-94

State of Alaska )  
 ) ss.  
Third Judicial District )

THIS IS TO CERTIFY that on the 5<sup>th</sup> day of March 1992, before appeared Stephen T. Lewis, the person who has been lawfully authorized as the President of Peter Star Valdez, Inc. to execute this document; that Stephen T. Lewis executed that document under legal authority and with knowledge of its contents; and that this act was performed freely and voluntarily upon the premises and for the purposes stated in the document.

Witness my hand and official seal this day and year in this Agreement first above written.

Carol Bogue  
Notary Public in and for Alaska

My commission expires: 10-3-94



State of Alaska )  
 ) ss.  
Third Judicial District )

THIS IS TO CERTIFY that on the 5 day of March 1992, before me appeared Jacob Adams, the person who has been lawfully authorized as the President of Arctic Slope Reg'l Corp. to execute this document; that Jacob Adams executed that document under legal authority and with knowledge of its contents; and that this act was performed freely and voluntarily upon the premises and for the purposes stated in the document.

Witness my hand and official seal the day and year in this Agreement first above written.

Cornel B. Brown  
Notary Public in and for Alaska

My commission expires: 10-3-14

State of Alaska )  
 ) ss.  
Third Judicial District )

THIS IS TO CERTIFY that on the 5<sup>th</sup> day of March, 1992, before me appeared James S. Burns, the person who has been lawfully authorized as the Senior V.P. of HARDAC Ent. to execute this document; that James S. Burns executed that document under legal authority and with knowledge of its contents; and that this act was performed freely and voluntarily upon the premises and for purposes stated in the document.

Witness my hand and official seal the day and year in this Agreement first above written.

Donald W. Wadley  
Notary Public in and for Alaska

My commission expires: 7/29/94

## EXHIBIT A. INTEREST CALCULATION EXAMPLE

Numbers in this exhibit are illustrative. They do not represent accurate values that may have existed in the past or are forecasted for any time in the future. Companies A and B represent the illustrative Kuparuk netback values for ARCO and BP. Consistent with Section 2.3, the average monthly Kuparuk Netback of other lessees are not included in the price calculation.

Mechanics of the calculations include:

1. The annual interest rate specified in legislation is converted to a daily rate for calculations.
2. Credits are applied to the next monthly payment. Payment for an underpayment is due within 10 days of the time the bill is received, and interest on underpayments stops accruing when payment is received.

### Example 1. Initial Billing

#### Assumptions

1. Month is February
2. Royalty Oil delivered to Petro Star JV in January = 800,000 bbls
3. Bill Received by Petro Star JV on February 10th; Payment due to State on February 20th.

#### Offtake for Calculating Price to Petro Star JV:

<u>Lessee</u>	<u>Monthly Reported Offtake</u>	<u>Average Monthly Kuparuk Netback plus Field Costs</u>
Company A (Arco or BP)	3,000,000 bbls	\$10.5000/bbl
Company B (other of ARCO or BP)	<u>4,500,000 bbls</u>	<u>\$10.7575/bbl</u>
Total for Calculating Price:	7,500,000 bbls	Weighted Average: \$10.6545/bbl

#### Notes and Calculations

There are other lessees in the Kuparuk Unit, but their offtake is not used for calculating the price to Petro Star JV.

$$\begin{aligned} \text{Volume-weighted average price under Section 2.3 of the Agreement} &= \\ &= \frac{(\$10.5000/\text{bbl} \times 3,000,000 \text{ bbls}) + (\$10.7575/\text{bbl} \times 4,500,000 \text{ bbls})}{7,500,000 \text{ bbls}} = \$10.6545/\text{bbl} \end{aligned}$$

#### Billing

If billing received Feb. 10th; payment due Feb. 20th = 800,000 bbls x \$10.6545/bbl = \$8,523,600.00

## Example 2. Initial Adjustment

### Assumptions

1. Month is March.
2. Royalty Oil delivered to Petro Star JV during January = 800,000 bbls
3. Annual interest rate charged member banks for advances by 12th Federal Reserve District as of January 1 rate assumed to be 5%. Annual interest rate for contract = 11%
4. Petro Star receives notice of credit as of March 3rd.

### Revised Offtake for Calculating January Price to Petro Star JV:

<u>Lessee</u>	<i>Revised</i> <u>Monthly</u> <u>Reported</u> <u>Offtake</u>	<i>Revised</i> <u>Average Monthly</u> <u>Kuparuk Netback</u> <u>plus Field Costs</u>
Company A (Arco or BP)	<i>3,200,000 bbls</i>	\$10.5000/bbl
Company B (other of ARCO or BP)	<i>4,500,000 bbls</i>	<u>\$10.7500/bbl</u>
Total for Calculating Price:	<i>7,700,000 bbls</i>	Weighted Average: \$10.6461/bbl

### Notes and Calculations

Volume-weighted average price under Section 2.3 of the Agreement =  

$$= \frac{(\$10.5000/\text{bbl} \times 3,200,000 \text{ bbls}) + (\$10.7500/\text{bbl} \times 4,500,000 \text{ bbls})}{7,700,000 \text{ bbls}} = \$10.6461/\text{bbl}$$

### Billing

Revised January bill = 800,000 bbls x \$10.6461/bbl =	\$8,516,880.00
<u>Amount paid =</u>	<u>\$8,523,600.00</u>
Overpayment for January =	(\$6,720.00)

Difference between date when Petro Star notified of credit (March 3rd) and original due date (February 20th) = 12 days

Interest due = \$6,720.00 x (11%/366)*12 =	(\$24.24)
Credit due Petro Star for next month's billing =	(\$6,744.24)

### Example 3. Subsequent Adjustment

This adjustment is assumed to occur after true-up of BP expenses, a reopener for one of the Royalty Settlement Agreements, or for some other reason. It is assumed to occur in June 5th.

#### Assumptions

1. Month is June.
2. Royalty Oil delivered to Petro Star JV during January = 800,000 bbls
3. Annual interest rate charged member banks for advances by 12th Federal Reserve District as of January 1 assumed to be 5%; as of April 1, 7%. Annual interest rate for contract = 11% for first quarter; 12% for second quarter
4. Petro Star JV receives notice of underpayment on June 5th.

#### Revised Offtake for Calculating January Price to Petro Star JV:

<u>Lessee</u>	<u>Revised Monthly Reported Offtake</u>	<u>Revised Average Monthly Kuparuk Netback plus Field Costs</u>
Company A (Arco or BP)	3,200,000 bbls	<u>\$10.6005/bbl</u>
Company B (other of ARCO or BP)	<u>4,500,000 bbls</u>	<u>\$10.7500/bbl</u>
Total for Calculating Price:	7,700,000 bbls	Weighted Average: <u>\$10.6879/bbl</u>

#### Notes and Calculations

Volume-weighted average price under Section 2.3 of the Agreement =  

$$= \frac{(\$10.6005/\text{bbl} \times 3,200,000 \text{ bbls}) + (\$10.7500/\text{bbl} \times 4,500,000 \text{ bbls})}{7,700,000 \text{ bbls}} = \$10.6879/\text{bbl}$$

#### Billing

Revised January bill = 800,000 bbls x \$10.6879/bbl = \$8,550,320.00  
Amount paid = \$8,516,880.00  
 Underpayment for January = \$ 33,440.00

Days of interest in first quarter (Feb. 20th through March 31st) = 40

Days of interest in second quarter (April 1 through June 5th) = 66

Interest for first quarter = \$33,440.00 x (11%/366) x 40 = \$402.01

Interest for second quarter = (\$33,440.00 + \$402.01) x (12%/366) x 66 = \$732.32

Payment from Petro Star due state within 10 days of receiving bill = \$34,574.33

## EXHIBIT B. CALCULATION OF PRICE

This exhibit shows the mechanics of the price calculation and data sources. Average Royalty Value and production volumes for BP and ARCO are taken from the Royalty Reports filed by those lessees.

Royalty Value (before field costs deduction) is taken from Column H of these reports; Royalty Volume is taken from Column C. An example calculation using the information from November 1991, from the attached reports is shown below.

The format of these reports may change from time to time. However, the information will remain available.

(1)	(2)	(3)	(4)
<u>Lessee</u>	Production Volume (Column C) <u>Barrels</u>	Royalty Value Before field costs (Column H) <u>\$/barrel</u>	Production times Value [Col 2] x [Col 3] <u>Dollars</u>
ARCO	4,904,813.86	\$11.360	\$55,718,685.4496
BP	<u>3,835,974.69</u>	\$10.1400	<u>\$38,896,783.3566</u>
	Total: 8,740,788.55		Total: \$94,615,468.8062

$$\text{Monthly Price} = \frac{\text{Total of Column (4)}}{\text{Total of Column (2)}}$$

$$\text{Monthly Price} = \frac{\$94,615,468.8062}{8,740,788.55 \text{ barrels}}$$

$$\text{Monthly Price} = \$10.82/\text{barrel}$$

STATE OF ALASKA  
 DEPARTMENT OF NATURAL RESOURCES  
 OIL OR GAS ROYALTY REPORT SUMMARY

Page 1 of 2  
 UNIT KUPARUK RIVER UNIT  
 FIELD  
 ZONE  
 LEASE

COMPANY NAME ARCO ALASKA, INC. A Subsidiary  
 of Atlantic Richfield Company  
 ADDRESS P. O. Box 100360  
 CITY, STATE, ZIP Anchorage, Alaska 99510

REPORT FOR MONTH OF November 1991  
 REVISION NUMBER  
 DATE OF REVISION

(a)	(b)	(c)	(d)	(e)	(g)	(h)	(i)	(j)		
Gross unit or Lease Production (Bbls) or (MCF)	Working Interest Ownership %	(a) x (b) (Bbls) or (MCF)	Royalty Rate (%)	(c) x (d) (Bbls) or (MCF)	Royalty In-Kind (Bbls) or (MCF)	Royalty In-Value (e) - (f) (Bbls) or (MCF)	Royalty Value \$ per Bbl or MCF	Field Costs per Bbl or MCF	(h) - (i) Reported Royalty per Bbl or MCF	(g) x (j) Royalty In-Value Dollars
CRUDE 9,456,439	51.74%	CRUDE NPSL 94,934.29	12.50030%	11,867.07	2,410.44	9,456.63	\$11.36000	\$0.000	\$11.360	\$107,427.33
		CRUDE NON NPSL 4,797,630.04	12.50030%	599,718.15	121,814.75	477,903.40	\$11.36000	\$0.418	\$10.942	\$5,229,218.98
KRUTP NPSL		237.69	12.50030%	29.71	0.00	29.71	\$11.36000	\$0.000	\$11.360	\$337.52
KRUTP NON NPSL		12,011.84	12.50030%	1,501.52	0.00	1,501.52	\$11.36000	\$0.418	\$10.942	\$16,429.59
NGL'S ARE INCLUDED ON THIS REPORT FOR CONVENIENCE ONLY.										
NGL'S NON NPSL		0.00	12.50030%	0.00	0.00	0.00	\$0.000	\$0.000	\$0.000	\$0.00
NPSL		0.00	12.50030%	0.00	0.00	0.00	\$0.000	\$0.000	\$0.000	\$0.00
(1) TOTALS		4,904,813.86	12.50030%	613,116.45	124,225.19	488,891.26	\$11.360	\$0.410	\$10.950	\$5,353,413.42

\* WEIGHTED AVERAGE VALUE

I declare that I have examined this report, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete.

SIGNED Devery L. Prince  
 Title: Analysis Accountant TYPED NAME Devery L. Prince

PHONE NO: 265 6045

DATE 19-Dec-91

GAS ROYALTY: ATTACH FORM 10-422

OIL ROYALTY: ATTACH FORM 10-405

OIL AND/OR

GAS ROYALTY: VERIFICATION OF WIRE TRANSFER AMOUNTS OR A COPY OF THE CHECK MADE IN PAYMENT OF ITEM (5) MUST BE ATTACHED

AMENDMENTS: Mail With Applicable Attachments To:

State of Alaska  
 Department of Natural Resources  
 Division of Oil and Gas  
 Royalty Accounting Section  
 P. O. Box 7034  
 Anchorage, Alaska 99510-7034

(3) KRUTP \$3,667.75  
 (4) Less Field Costs for RIK (\$50,918.57)  
 Lease/Plant Split Costs for RIK \$0.00  
 (5) Revisions (attach amended returns) See Below (\$594.13)  
 NPSL  
 (6) Amount Due \$5,305,568.48  
 (3) through (5)

9/91 ROYALTY ON NPSL (\$594.13)

(\$594.13)



S B

4 4 9

TO: The Honorable Cliff Davidson  
Chairman  
House Resources Committee

DATE: April 6, 1992

FAX NO: 789-6170

TELEPHONE NO: 789-6160

FROM: COMMERCIAL FISHERIES  
ENTRY COMMISSION  
Bruce Twomley, Chairman  
Frank Homan, Commissioner  
Rich Listowski, Commissioner

SUBJECT: Governor's HB 560  
SB 449

As you know, Governor Walter J. Hickel has introduced HB 560/SB 449 now referred to your House Resources Committee. The proposed Bills addresses the fact that two court decisions have declared that certain creditors may validly execute upon entry permits to enforce claims against the permit holders. The proposed legislation is the first attempt by the State to regulate transfers of entry permits due to these valid executions. The legislation does not discriminate between such creditors.

Section 3 of the proposed legislation will:

1. For the first time regulate transfers of entry permits due to valid execution;
2. Require such transfers to conform to state law;
3. Protect the revolving loan funds of the State Commercial Fishing Loan Program and the Commercial Fishing and Agricultural Bank (CFAB) by denying transfer of a permit which is security for a loan from either of these programs;
4. Attempt to protect fishers who most need their entry permits; and
5. Grant the State the right of first refusal with respect to the permit sold at a valid execution sale.

Please call, if you have any questions or comments.

cc: Lori Nottingham, Deputy Legislative Liaison, Office of the Governor  
Deborah E. Behr, Esq., Assistant Attorney General  
John T. Baker, Esq., Assistant Attorney General

## INTRODUCTION AND REFERENCE OF SENATE BILLS

## SB 449

SENATE BILL NO. 449 by the Senate Rules Committee by request of the Governor, entitled:

"An Act relating to the transfer of a limited entry permit, including a transfer due to an execution; and providing for an effective date."

was read the first time and referred to the Judiciary Committee.

Zero fiscal notes published today from Department of Fish and Game (2), Department of Revenue and Department of Commerce and Economic Development.

Governor's transmittal letter dated March 16:

Dear President Eliason:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill to establish procedures for, and in certain circumstances to restrict, the transfer of limited entry permits. A limited entry permit is required for the commercial taking of certain fishery resources in Alaska.

Section 2 of the bill is a housekeeping measure (1) to clarify that AS 16.43.170(b) applies to all voluntary limited entry permit transfers, not just those transfers governed by an agreement between the permit holder and a third party, and (2) to codify a longstanding practice of the state. Section 3 of the bill sets out the conditions governing the transfer of a limited entry permit when the transfer is requested due to a valid execution on that permit.

Since the enactment of AS 16.43.150(g), which protects a limited entry permit from execution by creditors, the courts have nonetheless ruled in two specific cases that a permit holder's interest in a limited entry permit may be executed upon to satisfy a third-party claim against that permit holder. Under state law, only the Commercial Fisheries Entry Commission ("the commission") is authorized to transfer title of a limited entry permit. The commission's existing statutes do not provide for transfers to a third party in the case of an execution by creditors of a permit holder. The bill is intended to address this statutory deficiency. AS 16.43.150(g) is amended in sec. 3 of the bill, to acknowledge the transfer provisions added by sec. 3 of the bill.

The conditions established in proposed AS 16.43.170(g)(1)-(5), in sec. 3 of the bill, for a transfer related to an execution on the permit conform to those conditions presently required in existing AS 16.43.170(b) for a voluntary transfer of a permit and for transfer of the title of a permit which is held by the Department of Commerce and Economic Development (DCED) under AS 16.10.300 - 16.10.370 or by the Commercial Fishing and Agriculture Bank (CFAB) under AS 44.81. Proposed AS 16.43.170(g)(4) is applicable when the limited entry permit requested to be transferred is subject to a certificate of title issued to DCED or CFAB to secure a loan extended by either entity. Presently, the commission denies a holder's request made under AS 16.43.170(b) for the transfer of the title to a limited entry permit if that permit is already subject to such a certificate. Proposed AS 16.43.170(g)(4) would allow the commission, for the same reason, to deny a request for the transfer of the title to a limited entry permit made because of a valid execution against that permit.

The Alaska Statehood Act entrusted Alaska with management of its fish and game resources to further the economic well-being of Alaska. Consistent with this responsibility, and recognizing that many Alaska fishers are dependent solely upon fishing for their livelihoods, sec. 3's proposed AS 16.43.170(g)(6) seeks to protect those fishers' permits from transfer by valid execution if the commission determines that the permit is a "necessary means of support" for the fisher and those dependent upon the fisher.

Finally, the bill provides the State of Alaska with a right of first refusal to purchase a limited entry permit requested to be transferred due to a valid execution against that permit. The state would have an opportunity to purchase a limited entry permit after an execution sale when the state's interests would be served by doing so. See proposed AS 16.43.170(g); sec. 3 of the bill. A similar opportunity is already reserved for the state under Alaska law in the event of foreclosure upon a limited entry permit by DCED or CFAB.

I urge your early and favorable consideration of this bill.

Sincerely,

/s/  
Walter J. Hickel  
Governor

CS FOR SENATE BILL NO. 449 (JUDICIARY)  
 IN THE LEGISLATURE OF THE STATE OF ALASKA  
 SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE JUDICIARY COMMITTEE

Offered: 3/27/92  
 Referred: Rules

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the transfer of a limited entry permit, including a transfer due to  
 2 an execution; and providing for an effective date."

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 \* Section 1. AS 16.43.150(g) is amended to read:

5 (g) Except as provided in AS 16.10.333 - 16.10.338 [AS 16.10.333 - 16.10.337],  
 6 AS 44.81.210, 44.81.225, and 44.81.230 - 44.81.250, an entry permit may not be

7 (1) pledged, mortgaged, leased, or encumbered in any way;

8 (2) transferred with any retained right of repossession or foreclosure, or on any  
 9 condition requiring a subsequent transfer; or

10 (3) attached, distrained, or sold on execution of judgment or under any other  
 11 process or order of any court, except as provided in AS 16.43.170(g) and (h).

12 \* Sec. 2. AS 16.43.170(b) is amended to read:

13 (b) Except as provided in (c) and (e) of this section, the holder of an entry permit may  
 14 transfer the permit to another person or to the commission upon 60 days notice of intent to

1 transfer under regulations adopted by the commission. No sooner than 60 days nor later than 12  
2 months from the date of notice to the commission, the holder of an entry permit may transfer the  
3 permit. If the proposed transferee, other than the commission, can demonstrate the present ability  
4 to participate actively in the fishery and the transfer [AGREEMENT] does not violate any  
5 provision of this chapter [AS 16.43] or regulations adopted thereunder, and if a certificate for  
6 the permit under AS 16.10.333(b)(1) - (2), 16.10.338, or AS 44.81.230(b)(1) - (2) is not in  
7 effect, the commission shall approve the transfer and reissue the entry permit to the transferee  
8 provided that neither party is prohibited by law from participating in the transfer.

9 \* Sec. 3. AS 16.43.170 is amended by adding new subsections to read:

10 (g) A person may request the commission to transfer an ent., permit due to an execution  
11 on the holder's interest in that permit. The request shall be made in the form and manner  
12 provided in this chapter and regulations adopted under this chapter. The commission may deny  
13 a request for transfer of an entry permit due to an execution of a holder's interest in that permit  
14 if

15 (1) the execution does not comply with legal requirements or otherwise is not  
16 valid;

17 (2) the transfer violates this chapter or regulations adopted under this chapter;

18 (3) the proposed transferee or other party to the transfer is prohibited by law from  
19 participating in the transaction;

20 (4) a certificate for the permit under AS 16.10.333(b)(1) - (2), 16.10.338, or  
21 AS 44.81.230(b)(1) - (2) is in effect at the time of the proposed transfer;

22 (5) the proposed transferee of the entry permit, other than the commission, cannot  
23 demonstrate the present ability to actively participate in the fishery; or

24 (6) the holder of the entry permit as shown by the records of the commission  
25 demonstrates, under regulations adopted by the commission, that the entry permit is a necessary  
26 means of support for the holder and those dependent upon the holder.

27 (h) Notwithstanding (g) of this section, the commission may not approve a request for  
28 transfer of an entry permit after an execution sale unless the parties to the transfer offer the  
29 commission a right to purchase the permit at the same price and on the same terms as those of  
30 that execution sale. If the commission exercises its right to purchase the permit, the permit then  
31 shall be transferred to the commission.

1 \* Sec. 4. This Act takes effect immediately under AS 01.10.070(c).

CS FOR SENATE BILL NO. 449 (JUDICIARY)  
 IN THE LEGISLATURE OF THE STATE OF ALASKA  
 SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE JUDICIARY COMMITTEE

Offered: 3/27/92

Referred: Rules

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the transfer of a limited entry permit, including a transfer due to  
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5 (g) Except as provided in AS 16.10.333 - 16.10.338 [AS 16.10.333 - 16.10.337],

6 AS 44.81.210, 44.81.225, and 44.81.230 - 44.81.250, an entry permit may not be

7 (1) pledged, mortgaged, leased, or encumbered in any way;

8 (2) transferred with any retained right of repossession or foreclosure, or on any

9 condition requiring a subsequent transfer; or

10 (3) attached, distrained, or sold on execution of judgment or under any other

11 process or order of any court, except as provided in AS 16.43.170(g) and (h).

12 \* Sec. 2. AS 16.43.170(b) is amended to read:

13 (b) Except as provided in (c) and (e) of this section, the holder of an entry permit may

14 transfer the permit to another person or to the commission upon (4) days notice of intent to

1 transfer under regulations adopted by the commission. No sooner than 60 days nor later than 12  
2 months from the date of notice to the commission, the holder of an entry permit may transfer the  
3 permit. If the proposed transferee, other than the commission, can demonstrate the present ability  
4 to participate actively in the fishery and the transfer [AGREEMENT] does not violate any  
5 provision of this chapter [AS 16.43] or regulations adopted thereunder, and if a certificate for  
6 the permit under AS 16.10.333(b)(1) - (2), 16.10.338, or AS 44.81.230(b)(1) - (2) is not in  
7 effect, the commission shall approve the transfer and reissue the entry permit to the transferee  
8 provided that neither party is prohibited by law from participating in the transfer.

9 \* Sec. 3. AS 16.43.170 is amended by adding new subsections to read:

10 (g) A person may request the commission to transfer an entry permit due to an execution  
11 on the holder's interest in that permit. The request shall be made in the form and manner  
12 provided in this chapter and regulations adopted under this chapter. The commission may deny  
13 a request for transfer of an entry permit due to an execution of a holder's interest in that permit  
14 if

15 (1) the execution does not comply with legal requirements or otherwise is not  
16 valid;

17 (2) the transfer violates this chapter or regulations adopted under this chapter;

18 (3) the proposed transferee or other party to the transfer is prohibited by law from  
19 participating in the transaction;

20 (4) a certificate for the permit under AS 16.10.333(b)(1) - (2), 16.10.338, or  
21 AS 44.81.230(b)(1) - (2) is in effect at the time of the proposed transfer;

22 (5) the proposed transferee of the entry permit, other than the commission, cannot  
23 demonstrate the present ability to actively participate in the fishery; or

24 (6) the holder of the entry permit as shown by the records of the commission  
25 demonstrates, under regulations adopted by the commission, that the entry permit is a necessary  
26 means of support for the holder and those dependent upon the holder.

27 (h) Notwithstanding (g) of this section, the commission may not approve a request for  
28 transfer of an entry permit after an execution sale unless the parties to the transfer offer the  
29 commission a right to purchase the permit at the same price and on the same terms as those of  
30 that execution sale. If the commission exercises its right to purchase the permit, the permit then  
31 shall be transferred to the commission.

1 \* Sec. 4. This Act takes effect immediately under AS 01.10.070(c).

WALTER J. HICKEL  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

March 16, 1992

The Honorable Richard I. Eliason  
President of the Senate  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

449

Dear President Eliason:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill to establish procedures for, and in certain circumstances to restrict, the transfer of limited entry permits. A limited entry permit is required for the commercial taking of certain fishery resources in Alaska.

Section 2 of the bill is a housekeeping measure (1) to clarify that AS 16.43.170(b) applies to all voluntary limited entry permit transfers, not just those transfers governed by an agreement between the permit holder and a third party, and (2) to codify a longstanding practice of the state. Section 3 of the bill sets out the conditions governing the transfer of a limited entry permit when the transfer is requested due to a valid execution on that permit.

Since the enactment of AS 16.43.150(g), which protects a limited entry permit from execution by creditors, the courts have nonetheless ruled in two specific cases that a permit holder's interest in a limited entry permit may be executed upon to satisfy a third-party claim against that permit holder. Under state law, only the Commercial Fisheries Entry Commission ("the commission") is authorized to transfer title of a limited entry permit. The commission's existing statutes do not provide for transfers to a third party in the case of an execution by creditors of a permit holder. The bill is intended to address this statutory deficiency. AS 16.43.150(g) is amended in sec. 1 of the bill, to acknowledge the transfer provisions added by sec. 3 of the bill.

The conditions established in proposed AS 16.43.170(g)(1) - (5), in sec. 3 of the bill, for a transfer related to an execution on the permit conform to those conditions presently required in existing AS 16.43.170(b) for a voluntary transfer of a permit and for transfer of the title of a permit which is held by the Department of Commerce and Economic Development (DCED) under AS 16.10.300 - 16.10.370 or by the Commercial Fishing and Agriculture Bank (CFAB) under AS 44.81. Proposed AS 16.43.170(g)(4) is applicable when the limited entry permit requested to be transferred is subject to a certificate of title issued to DCED or CFAB to secure a loan extended by either entity. Presently, the

The Honorable Richard I. Ellason  
March 16, 1992  
Page 2

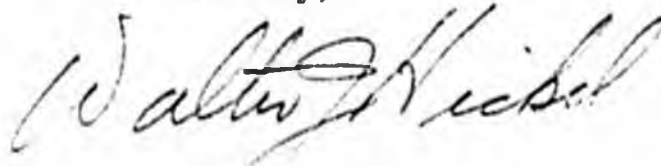
commission denies a holder's request made under AS 16.43.170(b) for the transfer of the title to a limited entry permit if that permit is already subject to such a certificate. Proposed AS 16.43.170(g)(4) would allow the commission, for the same reason, to deny a request for the transfer of the title to a limited entry permit made because of a valid execution against that permit.

The Alaska Statehood Act entrusted Alaska with management of its fish and game resources to further the economic well-being of Alaska. Consistent with this responsibility, and recognizing that many Alaska fishers are dependent solely upon fishing for their livelihoods, sec. 3's proposed AS 16.43.170(g)(6) seeks to protect those fishers' permits from transfer by valid execution if the commission determines that the permit is a "necessary means of support" for the fisher and those dependent upon the fisher.

Finally, the bill provides the State of Alaska with a right of first refusal to purchase a limited entry permit requested to be transferred due to a valid execution against that permit. The state would have an opportunity to purchase a limited entry permit after an execution sale when the state's interests would be served by doing so. See proposed AS 16.43.170(g); sec. 3 of the bill. A similar opportunity is already reserved for the state under Alaska law in the event of foreclosure upon a limited entry permit by DCED or CFAB.

I urge your early and favorable consideration of this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Walter J. Hickel". The signature is written in a cursive, flowing style.

Walter J. Hickel  
Governor

FISCAL NOTE

Bill Version: SB 449  
 (S) Publish Date: 3-16-92

STATE OF ALASKA  
 1992 LEGISLATIVE SESSION

Revision Date: 3/12/92

Department Affected: Fish and Game

Title: Transfer of limited entry permits

BRU: Commercial Fisheries

Component: Commercial Fisheries

Sponsor: Rules Committee by Governor

Requestor: \_\_\_\_\_ COMPONENT SERIAL NO. 

4	5	9
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 Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE:	0	0	0	0	0	0
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year impact: None

Changes in CSSB 449 (JUD) have no fiscal impact. This fiscal note is appropriate.

ANALYSIS: (Attach a separate page if necessary.)

3/24/92 date PC Comte Aide (initial)

Prepared By: Geron Bruce G.B.

PHONE: 465-4100

Division: Commissioner's Office

Date: 3/12/92

Approved by Commissioner: Tom Somerville

Agency: Department of Fish and Game

Date: 3/12/92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBA, Gov. Legis. OSC., & Impacted Agency(ies).

FISCAL NOTE

STATE OF ALASKA  
 1992 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_  
 Title: Draft bill establishing procedures to  
govern transfers of entry permits  
 Sponsor: \_\_\_\_\_  
 Requestor: \_\_\_\_\_

Department Affected: Commerce & Econ. Dev.  
 BRU: Investments  
 Component: \_\_\_\_\_

COMPONENT SERIAL NO. 

0	3	8	4
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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE FUND RESOURCE:	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER FUND SOURCE:						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

Estimate of current year impact: 0

ANALYSIS (Attach a separate page if necessary.)  
 Changes in CSSB 449 (JW) have no fiscal impact. This fiscal note is appropriate.  
3/26/92 date RC Comte Aide (initial)

Prepared By: Martin J. Richard, Director Phone: 465-2510  
 Division: Investments Date: 3/13/92  
 Approved by Commissioner: Glenn A. Olds  
 Agency: Department of Commerce & Economic Development Date: 3-18-92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Ofc., and Impacted Agency(ies).  
 Page 1 of 1

FISCAL NOTE

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

Version: SB 449  
(S) Publish Date: 3-16-92

Revision Date: \_\_\_\_\_  
Title: Regulate transfer of limited entry permits due to execution  
Sponsor: Governor  
Requestor: \_\_\_\_\_

Department Affected: Revenue  
BRU: Revenue Operations  
Component: \_\_\_\_\_

Component Serial No. 

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
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REVENUE FUND SOURCE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER FUND SOURCE						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: \_\_\_\_\_

Changes in CS 5,3 449 (JUD) have no fiscal impact. This fiscal note is appropriate.

ANALYSIS: The Department of Revenue is unaffected by this legislation.

3/26/92 date RC Comte Aide (initial)

Prepared by: Rod Mourant Phone: 465-2300  
Division: Commissioner's Office Date: March 12, 1992  
Approved by Commissioner: Darrel J. Rexwinkel  
Agency: Revenue

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

Bill Version: SB 449  
(S) Publish Date: 3-16-92

Revision Date: \_\_\_\_\_ Department Affected: FISH AND GAME  
Title: Regulate the transfer of limited BRU: Commercial Fisheries Entry Commission  
entry fishing permits Component: Limited Entry Program Administration  
Sponsor: Rules Committee  
Requestor: Governor COMPONENT SERIAL NO. 

	4	7	1
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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE FUND SOURCE:						
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER FUND SOURCE:						
<b>TOTAL</b>	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: \_\_\_\_\_

ANALYSIS: (Attach a separate page if necessary.)

Changes in SSB 449 (JUD) have no fiscal impact. This fiscal note is appropriate.

3/26/92  
date

RC  
Comte Aide (initial)

Prepared By: Roger Kolden Phone: 739-6160

Division: Commercial Fisheries Entry Commission Date: 03/11/92

Approved by Commissioner: \_\_\_\_\_

Agency: CFEC Date: 3/11/92

S B

4 5 7

FISCAL NOTE

No. 1

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

Bill Version: SB 457

(S) Publish Date: 4-8-92

Revision Date: 3/32/92

Department Affected: Fish and Game

Title: Management of Wild and Hatchery

BRU: Commercial Fisheries

Salmon Stocks

Component: Commercial Fisheries

Sponsor: Senate Rules

Requestor: Senate Resources

COMPONENT SERIAL NO. 

4	5	9
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE:	0	0	0	0	0	0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Changes in CSRB 457 (RES) have no fiscal impact. This fiscal note is appropriate.

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

4-6-92 date Tony Orlis Comptroller (Initial) T.O.

Prepared By: Geron Bruce GB

Phone: 465-4100

Division: Commissioner's Office

Date: 4/1/92

Approved by Commissioner: Carl R. Rosen

Agency: Department of Fish and Game

Date: 4/1/92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. OBC., & Impacted Agency(ies).

THE  
**CONSTITUTION**  
OF THE  
**STATE OF**  
**ALASKA**



John B. Coghill  
Lieutenant Governor

December 1990

**Section 2 - State University.**

The University of Alaska is hereby established as the state university and constituted a body corporate. It shall have title to all real and personal property now or hereafter set aside for or conveyed to it. Its property shall be administered and disposed of according to law.

**Section 3 - Board of Regents of University.**

The University of Alaska shall be governed by a board of regents. The regents shall be appointed by the governor, subject to confirmation by a majority of the members of the legislature in joint session. The board shall, in accordance with law, formulate policy and appoint the president of the university. He shall be the executive officer of the board.

**Section 4 - Public Health.**

The legislature shall provide for the promotion and protection of public health.

**Section 5 - Public Welfare.**

The legislature shall provide for public welfare.

**Article VIII****Natural Resources****Section 1 - Statement of Policy.**

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

**Section 2 - General Authority.**

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

**Section 3 - Common Use.**

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

**Section 4 - Sustained Yield.**

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

**Section 5 - Facilities and Improvements.**

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

**Section 6 - State Public Domain.**

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

**Section 7 - Special Purpose Sites.**

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

**Section 8 - Leases.**

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

**Section 9 - Sales and Grants.**

Subject to the provisions of this section, the legislature may provide for the sale or grant of state lands, or interests therein, and establish sales procedures. All sales or grants shall contain such reservations to the State of all resources as may be required by Congress or the State and shall

PRINCE WILLIAM SOUND AQUACULTURE CORPORATION  
P. O. BOX 1110  
CORDOVA, ALASKA 99574

April 6, 1992

Senator Lloyd Jones, Chairman  
Senate Resources Committee  
Alaska State Senate  
P.O. Box V  
Juneau, Alaska 99811

Dear Mr. Chairman:

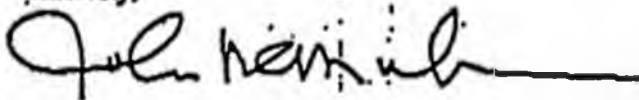
On April 1st, I testified before your committee on Senate Bill 457. A written copy of that testimony is included in your committee's files.

Prior to the time that I testified, a committee substitute for Senate Bill 457 was discussed by the committee. At the close of my testimony, in response to a question from Senator Menard, I tentatively agreed to the language in the Bill.

Since that date, I have received the Committee Substitute and have had an opportunity to discuss it with some members of our board of directors. We are supportive of CSSB 457 as written.

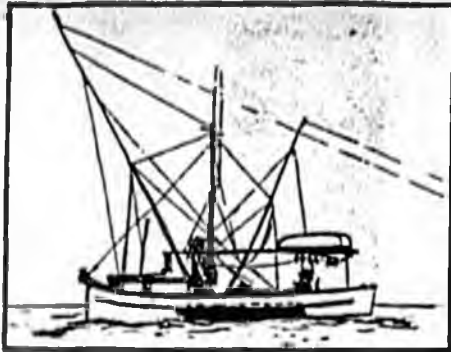
Thank you very much for providing us the opportunity to participate in this legislative process.

Sincerely,



John McMullen  
President

cc: PWSAC EXCOM Members



# Alaska Trollers Association

REPRESENTING ALASKA TROLLERS

130 Seward St., No. 213  
Juneau, Alaska 99801  
(907) 586-9400

April 3, 1992

Senator Dick Eliason, President  
Alaska State Senate  
Pouch V  
Juneau, AK 99811

Dear Senator Jones:

On behalf of the Alaska Trollers Association (ATA), I would like to issue support for the April 3, 1992 committee substitute for SB 457. This bill seeks to affirm Alaska's commitment to its fisheries resource by mandating a wild stock management priority; a policy which ATA has endorsed for many years.

Salmon fishermen throughout the state have been the beneficiaries of more stable fisheries due to hatchery programs. In addition, many wild stocks have enjoyed reduced fishing pressure because of the presence of hatchery fish. Unfortunately, one side-effect of hatchery production has been the confusion which has arisen, due to the lack of a definitive management policy regarding wild stocks.

The success of the fishing industry is deeply rooted in the health of our natural runs of fish. Our members recognize an obligation to sustain healthy populations of fish and do not wish to see enhanced runs given preferential treatment over wild. Also, our fishermen are concerned that without clear statutory wording, the potential exists whereby traditional fisheries could be disrupted to accommodate the needs of hatchery facilities.

ATA believes that by adopting the language in SB 457 the intent of the state, to protect wild stocks of fish above all others, is made sufficiently clear to the Board of Fisheries and the Department of Fish and Game. Without such language, increased levels of frustration, and subsequent polarization of fishing and hatchery interests, is likely. This would be unfortunate, given the obvious benefits that have been realized through our enhancement programs. Finally, it should also be noted that the language is not so restrictive as to prevent the Board of Fisheries from choosing to provide adequate passage of hatchery fish for cost recovery, so long as wild stock needs are given first priority.

Thank you for your efforts on this important piece of legislation. If I can be helpful on this or any other issue, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script, appearing to read "Dale", followed by a horizontal line.

Dale A. Kelley  
Executive Director

# Petersburg Vessel Owners Association

P.O. Box 232

Petersburg, Alaska 99833

Phone (907) 772-9323 Voice and Fax

April 28, 1992

Representative Cliff Davidson, Chairman  
House Resources Committee  
Alaska State Legislature  
Box V  
Juneau, Alaska 99811

RE: SB 457

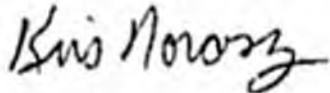
Dear Representative Davidson,

We will be unable to participate in the scheduled teleconference for April 29 regarding SB 457. However, we would like to express our support for the bill.

Our organization believes that it is imperative that the State adopt statutory language giving wild stocks a priority over enhanced fish stocks. In addition, we feel language is needed which clearly indicates that the State is not obligated to guarantee hatcheries a return for broodstock and cost recovery needs. Senate Bill 457 provides for both of these concerns.

We urge the Resources Committee to pass this bill and work towards its final adoption by the Legislature. Thank you for your consideration.

Sincerely,



Kris Norosz  
Director



# Alaska Environmental Lobby, Inc.

P.O. Box 22151 Juneau, Alaska 99802

907-463-3366

## SB 457 - ANADROMOUS FISH

The Alaska State Constitution mandates sustained yield of fish stocks, but because hatcheries did not exist when the Constitution was written, questions have arisen. The Department of Fish & Game and the Fish Board have always assumed that they are managing fisheries with the priority for sustained yield of wild fish stocks over hatchery stocks. But this concept has never been mentioned in statute.

**SB 457 will give overriding protection to wild stocks.** It clarifies that hatchery fish do not have the same status as wild fish. It won't change the way things have been done, it will simply enhance everyone's understanding of the law. This will guarantee that wild anadromous fish stocks will always have priority in Alaska.

The Alaska Environmental Lobby supports SB 457.

April 29, 1992 Issue Paper  
Linda Franklin, citizen lobbyist





# UNITED FISHERMEN OF ALASKA

211 4th Street, Suit 112  
Juneau, AK 99801  
907-586-2820  
Fax# 907-463-2545

## MEMBER ASSOCIATIONS

Alaska Crab Coalition  
Alaska Independent Fishermen's  
Marketing Association  
Alaska Longline Fishermen's  
Association  
Alaska Trollers Association  
Bering Sea Fishermen's Association  
Bristol Bay Driftnetters Association  
Concerned Area 'M' Fishermen  
Cook Inlet Aquaculture Association  
Copper River Fishermen's Cooperative  
Cordova District Fishermen United  
Kenai Peninsula Fishermen's Association  
North Pacific Fisheries Association  
Northern Southeast Regional  
Aquaculture Association  
Peninsula Marketing Association  
Petersburg Vessel Owners Association  
Prince William Sound  
Aquaculture Association  
Prince William Sound Seiners Association  
Seafood Producers Cooperative  
Southeast Alaska Seiners  
Southern Southeast Regional  
Aquaculture Association  
United Cook Inlet Drift Association  
United Southeast Alaska Gillnetters  
Western Alaska Cooperative  
Marketing Association  
Area K Seiners Association

April 29, 1992

The Honcrable Cliff Davidson  
Chairman, House Resources Committee  
House of Representative  
Post Office Box V  
Juneau, Alaska 99811

Dear Representative Davidson:

The United Fishermen of Alaska would like to take this opportunity to express support for the Committee Substitute for Senate Bill 457.

As you are undoubtedly aware, UFA is composed of 21 commercial fishing organizations. These organizations include four of the regional aquaculture associations.

Many of our member organizations have worked closely on the numerous drafts and the Committee Substitute that is before you at this time. The present version of the bill contains language that has been finely tuned to address all the concerns that, to our knowledge, have been expressed.

The proposed legislation does not mark a policy change but places in statute the present management priorities.

All the regional aquaculture associations that are members of UFA and the other member organizations support this bill in its present form.

Very truly yours,

  
Greg Seider  
Executive Director

S B

4 6 5

K E T C H I K A N   G A T E W A Y   B O R O U G H

RESOLUTION NO. 1035

A RESOLUTION OF THE ASSEMBLY OF THE KETCHIKAN GATEWAY BOROUGH, ALASKA, POSITION STATEMENT ON THE AMENDMENTS TO SENATE BILL 465; AND PROVIDING AN EFFECTIVE DATE.

R E C I T A L S

WHEREAS, the Ketchikan Gateway Borough Assembly has supported the Alaska Department of Natural Resources-Cape Fox Corporation land exchange and has understood that the DNR has not been in a fiscal position, nor is it likely to be, to open, operate and maintain the public recreation lands resulting from this trade. A lease arrangement between the Borough and the DNR has been predicated on the Borough developing a Land Management Plan that would best express the recreation needs of the citizen of the Borough.

WHEREAS, the Borough Assembly has stated its position in two resolutions. Resolution No. 954, dated December 3, 1990, supported the land exchange. Moreover, Section 3 of that resolution specified that the Borough would complete a Land Management Plan as a condition of approval of the land exchange. In Resolution No. 1027, dated April 22, 1992, the Borough again supported the land exchange with Section 2 of that Resolution again specifically stating a commitment to preparing a Land Management Plan.

WHEREAS, Sections 4, 5, and 6 of Senate Bill 465 (Rules) requires the Borough to prepare a Land Management Plan, and Article II, Section 19 of the Alaska Constitution requires the approval of the majority of the voters of a political subdivision when a local act necessitates the appropriation of money by the political subdivision. The mechanism to accomplish this is a vote on the land exchange issue at the next regular election.

NOW, THEREFORE, IT IS RESOLVED BY THE ASSEMBLY OF THE KETCHIKAN GATEWAY BOROUGH, ALASKA, as follows:

Section 1.      Opportunity For Public Vote.

The Borough Assembly acquiesces in the amendments to Senate Bill 465, as adopted by the State Senate. The Assembly welcomes the opportunity for a public vote on the land exchange and the Borough's role in the preparation of a Land Management Plan.

Section 2. Effective Date. The resolution shall be effective upon adoption.

ADOPTED this 4th day of May, 1991.

*[Handwritten Signature]*

BOROUGH MAYOR

ATTEST:

*[Handwritten Signature]*

BOROUGH CLERK

APPROVED AS TO FORM:

*[Handwritten Signature]*

BOROUGH ATTORNEY

Public Hearing:	<u>N/A</u>		
Effective Date:	<u>5-4-92</u>		
Roll Call:	Y	N	A
Boatwright	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cote	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cruise	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fader	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
McCarty	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Holman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Conlay	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Four (4) affirmative votes required for passage			

FISCAL NOTE

Version: SB 465  
 (S) Publish Date: 4-10-92

STATE OF ALASKA  
 1992 LEGISLATIVE SESSION

Revision Date: 3/12/92  
 Title: Cape Fox Land Exchange

Department Affected: Fish and Game 465  
 BRU: Habitat  
 Component: Habitat

Sponsor: Rules Committee by Governor  
 Requestor: \_\_\_\_\_

COMPONENT SERIAL NO. 

	4	8	6
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
<b>TOTAL OPERATING</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE:	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year impact: No impact on current

changes in CS SB 465 (RWS) have no fiscal impact. This fiscal note is appropriate.

ANALYSIS: (Attach a separate page if necessary.)

5/1/92 date THH Comptroller (initial)

Prepared By: Frank Rue, Director Phone: 465-4105  
 Division: Division of Habitat Date: 3/12/92  
 Approved by Commissioner: [Signature]  
 Agency: Department of Fish and Game Date: 3/13/92

# FISCAL NOTE

No. 2

Bill Version: SB 465

SI (S) Publish Date: 4-10-92

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_  
Title: Cape Fox Land Exchange  
Sponsor: Governor  
Requestor: Governor

Department Affected: Environmental Conservation  
BRU: Environmental Quality  
Component: \_\_\_\_\_

COMPONENT SERIAL NO. 

1	0	1	6
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EXPENDITURES/REVENUES:

(Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND&STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE FUND SOURCE:						
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0.0	0.0	0.0	0.0	0.0	0.0
FEDERAL FUNDS						
OTHER FUND SOURCE:						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

Estimate of current year impact: none

ANALYSIS: (Attach a separate page if necessary.)

Changes in CS SA 465 (RIS) have no fiscal impact. This fiscal note is appropriate.

5/1/92 TH  
date Comptroller (initial)

Prepared by: Janice Adair  
Division: Commissioner's Office

Phone: 465-5010  
Date: \_\_\_\_\_

Approved by Commissioner: Janice Adair for Gov. Seward  
Agency: Environmental Conservation Date: 3/13/92

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

BILL

Revision Date: 16-Mar-92 Department Affected: Natural Resources  
 Title: Cape Fox Land Exchange BRU: Land Management  
 Components: Land Management  
 Sponsor: Rules Committee  
 Requestor: Rules Committee COMPONENT SERIAL NO. 431

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND&STRUCTURES						
GRANTS.CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE						
Funding Source:						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
Funding Source:						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME				
PART-TIME				
TEMPORARY				

Changes in CS 56 465 (2.15) have no fiscal impact. This fiscal note is appropriate.

Slide 2 date THP Come Aide (initial)

Estimate of Current year impact:

ANALYSIS:

(Attach a separate page if necessary)

Zero if the State is not required to maintain the road.

Prepared by: Ron Swanson Phone: 762-2692  
 Division: Land Management Date: 16-Mar-92  
 Approved by Commissioner: Harold C. Heinze Date: 16-Mar-92  
 Agency: Department of Natural Resources

Distribution (by preparer) : Legislative Finance, legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

PROPOSED CAPE FOX EXCHANGE SUMMARY  
(APRIL 29, 1992)

WHAT IS THE EXCHANGE?

\*State would exchange with Cape Fox Corporation (CFC) the surface estate of 2,335 acres located near Leask Lake for the surface estate of 4,366 acres of CFC land located at White River, Harriet Hunt Lake and Talbot Lake. CFC would also be required to upgrade five miles of existing road and construct an additional six miles of road to recreation standards. CFC would also be required to construct two parking lots, and to work with the state to ensure that any material wasted from construction is used to create turnouts and or additional parking at strategic locations\*

ADVANTAGES OF EXCHANGE TO STATE AND/OR RESIDENTS OF KETCHIKAN?

- \* 87% increase in the state's surface estate (state gets 4,366 acres and gives away 2,335 acres)\*
- \* More diversified portfolio of state land and resources \*
- \* 25% increase in Ketchikan's road access to recreational areas\*
- \* Protection of important fish habitat in both the White River and Leask Creek drainages \*
- \* Sensitivity to protection of visual impacts from Leask Lakes \*
- \* Attempt to protect important deer habitat and travel corridors \*
- \* Retention of continued access of the public to 42% of the lands to be traded to CFC \*
- \* Retention of 300 foot Right-of-Way for a DOT/PF road on land traded to Cape Fox\*
- \* Retention of right to do the upgrades and reduce state land and resources committed to the exchange proportionally \*
- \* Acquisition of harvested lands at bargain basement prices \*
- \* Detriments primarily accrue to the communities which support and benefit most from the exchange \*
- \* The proposed use is compatible with the purpose for the state selection (community recreation and expansion) \*
- \* Allows public use of CFC land as well as Leask Lakes \*
- \* The additional road represents an alternative way to build part of the tie road connecting Ketchikan to the Forest Service's proposed Shelter Cove system \*

The Exchange was found by the Commissioner of the Department of Natural Resources to be in the public interest. The land to be received and the value of road to be upgraded by CFC are substantially equal or exceed the fair market value of state land to be exchanged.

WHAT IS THE STATE GIVING UP AND WHAT IS THE STATE GETTING  
PROPOSED CAPE FOX EXCHANGE  
(May 6, 1992)

1. Amount of Surface Estate:

GIVING UP: 2,335 acres, 42% of which is still open to the public;

RECEIVING: 4,366 acres;

2. Amount frontage along a salt water body, a river, or a lake:

GIVING UP: NONE;

RECEIVING: OVER FIVE MILES, not counting several islands that the state will receive;

2.35 miles fronting Upper George Inlet;

2.5 miles along the South shore of Lake Harriet Hunt

.6 miles along the shore of Talbot Lake;

3. Amount of Timber:

GIVING UP: Approximately 40 million board feet (19% spruce);

RECEIVING: Approximately 38 million board feet (29% spruce);

4. Amount of lands that have been clear cut:

GIVING UP: NONE;

RECEIVING: Approximately 1039 acres or about 24% of the CFC lands (Area #4 which is 650 acres almost entirely clearcut is valued at \$254/ac);

5. Habitat: Presumed Mostly Fish Habitat:

GIVING UP: The timber appraiser estimated 13 acres would need protection under forest practices. This amounts to about 377,000 board feet of timber;

RECEIVING: The timber appraiser estimated 250 acres would need protection under forest practices. This amounts to about 3,734,000 board feet of timber;

THE STATE IS RETAINING OR RECEIVING THE BEST FISH HABITAT LANDS IN BOTH DRAINAGES, WHITE RIVER, AND LEASK LAKE;

6. Amounts of Deer Habitat:

Rather than presenting this as to the amount of deer habitat given up or received, the data and tables represent expected impacts from CFC logging exchanged lands from several perspectives.

ADF&G estimates as much as 71% greater mortality to deer during medium to severe winters on the Leask Lake exchange area, due to scheduled cutting associated with the exchange. CFC felt it was important to balance this loss against deer that would be protected on CFC lands by not cutting. The magnitude of losses is dependent on the scope of the area viewed.

The decline of deer populations is off-set by other benefits of the exchange. For example, logging on CFC land that could occur if not acquired by the state would also impact wildlife populations. The table below was constructed from data developed by CFC consultant ANI, and ADF&G.

**DNR Summary of Results of Combined ANI/ADF&G Impacts Analysis on Deer Populations created by the Exchange:**

**Impact Analysis-Exchange Areas Only:**

<u>Year</u>	<u>Assumption</u>	<u>No. Deer</u>	<u>%Decrease</u>
1992	Base (LL&CFC Exch. Land)	258	-
2030	No Add. Cut	239	7
2030	Log CFC Land Only	206	20
2030	Log LL Land Only	142	45
2030	Log Both CFC&LL	109	58

**Impact Analysis-All State Leask Lake Land (5000ac plus) & All CFC Exchange Land (4,000ac plus):<sup>1</sup>**

<u>Year</u>	<u>Assumption</u>	<u>No. Deer</u>	<u>%Decrease</u>
1992	Base (All LL & CFC Exc.)	345	-
2030	No Add. Cut	326	6
2030	Log CFC Land Only	293	15
2030	Log LL Land Only	225	35
2030	Log Both LL&CFC	192	44

OTHER FACTORS:

1. Timber layout indicates a sensitivity to visual impacts from Leask Lakes. Additional 40 acres was removed, and 13.5 acres transferred to open space, after the public hearings to provide additional visual protection;
2. CFC will be required to construct and/or upgrade 11.11 miles of road to recreation standards (25 miles per hour horizontal alignment, 20 foot running surface, six inches of graded rock, screened to two inch minus, with two foot ditches, etc. This will increase the road system in Ketchikan by about 25%;
3. CFC will also be required to develop two parking areas, and to work with the state to waste material from road construction in a manner which will create additional parking or turnouts;
4. CFC is also required to widen the section of the White River road, between 1.5 and 2 miles within the first year.
5. If the state finds a quicker way to do the road upgrades it has reserved the right to do so, and to adjust the state resources committed to the exchange accordingly;
6. This exchange has the additional advantage that any detriments will also accrue to the community benefiting.

## Appraised Values

### CAPE FOX PARCELS

	-1-	-2-	-3-	-4-	-5-
Timber Value	\$2,700,000	\$408,000	\$102,000	\$45,000	\$2,141,000
Residual Land Value +	\$1,438,290	\$650,080	\$68,409	\$165,100	\$278,622
Subsurface Adj.	\$14,383	\$6,501	\$684	\$1,651	\$2,786
Final Value =	\$4,123,907	\$1,051,579	\$169,725	\$208,449	\$2,416,836
Total Original Value of Cape Fox Parcels:					\$7,970,496
Less 17 ac. of KGB timber (Talbot Lake)					- 20,389
Total Adjusted Value of Cape Fox Parcels:					= \$7,950,107
Rounded:					\$7,950,000

The right hand column below is adjusted for removal of 110 acres, and placement of an additional approximately 33 acres into open space. To equalize the values the state had to reduce the amount of road to be upgraded by approximately 10,500 feet.

### LEASK LAKE PARCELS

	Original w/Road Fee	Orig w/o Road Fee	Adj w/o Road Fee
Timber Value	\$ 9,411,000	\$ 9,828,042	\$ 9,090,000
Residual Land Value +	\$ 1,775,224	\$ 1,775,224	
Subsurface Adj. -	\$ 17,752	\$ 17,752	
Open Space Adj. -	\$ 636,781	\$ 636,781	
Real Estate Value =	*\$10,526,014	*\$10,943,056	\$10,123,386
Extra Road Cost -	\$ 2,529,000	\$ 2,529,000	\$ 2,171,045
Final Value	*\$ 7,997,014	*\$ 8,414,056	\$ 7,952,341
Rounded:			\$ 7,950,000

\* original decreased by \$5,677 for road R/W adjustment requested by the state.

RESIDUAL LAND VALUE FOR CFC LAND BEFORE SUBSURFACE ADJUSTMENT = APPROXIMATELY \$596/ACRE;

RESIDUAL LAND VALUE FOR STATE LAND BEFORE SUBSURFACE AND OPEN SPACE ADJUSTMENTS = APPROXIMATELY \$724/ACRE.

DEPARTMENT OF NATURAL RESOURCES  
SUMMARY STATUS OF PROPOSED CAPE FOX CORPORATION LAND EXCHANGE  
(May 5, 1992)

Public review of the proposed agreement for an exchange of state land in the Leask Lakes area near Ketchikan has been completed. The Department of Natural Resources held hearings in Saxman, Ketchikan and Juneau on March 11, and 12. Public comments were taken until March 26. The final report, and the final exchange agreement have since been completed and the exchange, as required by law, advanced to the legislature for approval.

The following is a brief summary of the exchange:

1. Cape Fox Corporation (CFC) land (five parcels) included in the exchange consists of the White River Valley, land adjacent to Harriet Hunt Lake and land adjacent to Talbot Lake totaling 4,366 acres;
2. State of Alaska land in the exchange consists of three parcels in the Leask Lake area totaling 2,335 acres. This was reduced, after public review, from 2445 acres to give additional protection to habitat and Leask Lake view sheds;
3. The exchange includes only the surface estate as defined by the Alaska Native Claims Settlement Act;
4. State land in the exchange includes approximately 40.0 million board feet of commercial timber on 1,350 acres. The remaining acreage to be conveyed to CFC is dedicated to "open space." This is a reduction from the preliminary exchange agreement of approximately 2.6 million board feet and 110 acres of timber harvest. This reduction is to reduce wildlife and visual impacts.
5. Land exchanged to CFC not within the areas proposed for timber harvest (designated open space) will be open to public use. CFC will have limited use rights in these areas;
6. CFC will upgrade the existing White River road to "recreation" standards, thereby providing access to the land acquired by the state;
7. CFC will construct the main road into the Leask Lakes area to "recreation" standards, thereby adding access to state land near Leask Lakes;
8. 90% of the anadromous streams in the entire Leask Lake tract, the largest and most sensitive streams, have been deliberately buffered and excluded from the exchange;
9. Substantial areas of the critical deer winter range