

ALASKA LEGISLATURE COMMITTEE FILES 1993-1994 8672

8025 HOUSE RESOURCES

# STATE OF ALASKA

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

CHIEF OF PLANNING AND ADMINISTRATIVE SERVICES

HB 182  
WALTER J. HICKEL, GOVERNOR

FISCAL  
ANALYSIS

2301 PEGAN ROAD  
FAIRBANKS, ALASKA 99709-5316  
PHONE: (907) 451-5150

December 23, 1992

Re: Fairbanks-Seward Peninsula  
Railroad Extension

Red Swanson  
113 W. 5th Street  
Juneau, AK 99801

Dear Mr. Swanson:

The following information is in response to your December 23, 1992 inquiry regarding the estimated cost for reconnaissance work to identify an alignment for railroad extension to the Seward Peninsula. We did a similar estimate in 1980 based on what it had cost us for comparable work between Eielson Air Force Base and the Canadian Border. The following figures reflect that estimate, updated to take into account inflation, technological advances, a substantial increase in length, and the relatively remote nature of new corridor. The estimate is based on a distance of 875 miles from Fairbanks to Lost River through Tanana, Allakaket and Bornite. While that may, or may not, be the ultimate alignment, it appears to be representative of the relative length of any possible alignment from Fairbanks to the Western Seward Peninsula.

#### Cost Breakdown

Reconnaissance Photography	\$75,000
-topo map work to identify alignment(s)	
-color photography of an entire route including alternate routes over 50% of its length	
Reconnaissance Study	\$90,000
-photo interpretation	
-some fieldwork	
-selecting a route for mapping	
-compile preliminary report	
Reconnaissance Subtotal	<u>\$165,000</u>

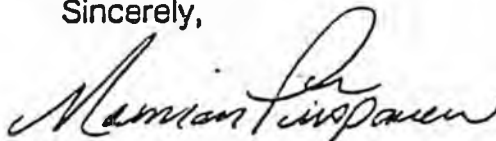
(This is as far as we could go without performing on-the-ground work. It would be adequate for identifying a corridor. It would not be adequate for identifying right of way limits. The following steps would be required for defining the necessary right of way. The estimated costs do not include environmental work that could be required for ground work, especially on park and refuge lands.)

Placing photo control panels on ground (assumes all work done with helicopters).	\$920,000
Aerial photography for mapping.	\$85,000
Control survey for mapping (assumes consultant contract).	\$5,000,000
Selecting center line for mapping -a study of the mapping photos -some field work	\$100,000
Mapping a 500 foot band for 875 miles.	\$840,000
Placing a final center line on mapping	\$160,000
Defining the right of way along the selected center line. -ties to section corners and property corners -property descriptions, etc.	\$50,000
Right of Way Mapping Subtotal	<u>\$7,135,000</u>
Total Cost of Reconnaissance/Location Project (not including Environmental document).	<u>\$7,300,000</u>

As you see, the cost of work that could be done to identify a corridor, without getting on the ground, is relatively small (\$165,000). On the other hand, delineation of right of way limits would cost substantially more and would involve actual ground work.

Please contact me if you have questions regarding either the cost estimate or the reconnaissance/location process.

Sincerely,



Norm Piispanen  
Access Planner  
Northern Region

Fiscal Note  
HB 183

4.

STATE OF ALASKA  
1993 LEGISLATIVE SESSION

BILL NUMBER: HB 183

FISCAL NOTE

Revision Date: Department Affected: DOT&PF  
Title: Transportation Corridor, Fairbanks-Nome BRU:  
Sponsor: James Component:  
Requestor: James Component Serial Number:

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY94	FY95	FY96	FY97	FY98	FY99
OPERATING						
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
CAPITAL	4,090.0	3,210.0	0	0	0	0
REVENUE FUND SOURCE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

1002 FEDERAL RECEIPTS	0	0	0	0	0	0
1003 GF MATCH	0	0	0	0	0	0
1004 GF	4,090.0	3,210.0		0	0	0
1005 GF/PROGRAM RECEIPTS	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL FUNDING:	4,090.0	3,210.0	0	0	0	0

POSITIONS

FULL-TIME	25	25	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY93) impact: \$ \_\_\_\_\_

ANALYSIS: (Attach a separate page if necessary)  
 Funding amount is based on an estimate by DOT&PF (included in HB 182). Work would require hiring several survey crews, substantial air charter, and extensive GPS program.

Prepared by: Norm Piispanen Phone: 451-2381  
 Division: Northern Region Planning Date: March 3, 1993  
 Approved by Commissioner: Frank G. Turpin Phone: 465-3901  
 Agency: Department of Transportation and Public Facilities Date: March 3, 1993

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*Department of Transportation  
and Public Facilities*

# POSITION PAPER

BILL NO: HB 183

APPROVED:

A handwritten signature in black ink, appearing to read "J. J. Durkin".

TITLE: Transportation Corridor:  
Fairbanks - Nome

DATE: March 3, 1993

DOT&PF is available to perform this work if authorized and funded. The information gained would be valuable in terms of identifying a future corridor and in protecting it during subsequent land management/land use planning exercises. The information would also be useful to future transportation planning and development exercises.

Development of access within the resulting corridor would support expansion of the state's resource-based industries. It would also serve surface transportation between Europe/Asia and North America.

The department is opposed to Section 1(E)(2).

*For Further Information contact Katy McHugh at 465-3904.*



## BERING STRAITS NATIVE CORPORATION

March 30, 1993

The Honorable Richard Foster  
Alaska State Representative  
State Capitol  
Juneau, AK 99811

Dear Representative Foster,

The Bering Straits Native Corporation (BSNC) has received a copy of House Bill number 182 and 183 concerning the funding and identification and delineation of a transportation and utility corridor between Fairbanks and the Seward Peninsula.

BSNC favors the allocation of funding for this project. However, HB 183 would as currently worded allow the State Department of Transportation and Public Facilities authority to acquire rights of way across land within the "corridor". BSNC advocates a lease agreement rather than condemnation.

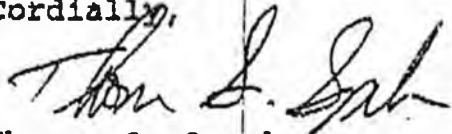
While BSNC favors the above noted bills, action would be needed by our Board of Directors on BSNC's stance of the actual building of a corridor between Fairbanks and the Seward Peninsula.

While much benefit may be derived from such a corridor, there are many questions as to its potential impact of the subsistence cash economy which currently exists in BSNC's villages. BSNC does not advocate any project that will negatively impact the subsistence economy of our villages.

BSNC believes that the State must devote funds to study and delineate a corridor and identify the known and potential mineral occurrences along such a route. If and when such a project is financially feasible and supported by the people of the BSNC region, the majority of the initial preliminary work would be completed by passage of the above noted bills.

At the appropriate time, please contact BSNC for action by its Board of Directors for a policy statement on the actual development of a transportation corridor between Fairbanks and the Seward Peninsula.

Cordially,



Thomas S. Sparks  
Resource Development Specialist

cc: BSNC Village Corporations  
Mr. Jack Carpenter, President  
Mr. Guy Martin, Land Manager

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ALASKA MINERS ASSOCIATION, INC.  
NOME BRANCH  
P.O. BOX 1974  
NOME, ALASKA 99762

March 1, 1993

Senator Bert Sharp  
Room 514  
State Capitol  
Juneau, Alaska 99801-1182

and

Senator Mike Miller  
Room 423  
State Capitol  
Juneau, Alaska 99801-1182

Dear Senators,

We have reviewed Senate Bill No. 130 and 131 in reference to studies for transportation systems from Fairbanks to the Seward Peninsula. We support the idea behind these bills, and would like to provide input to the DOTPF before the preliminary report is finalized.

We feel that access is necessary to resource development on lands within the state and the Seward Peninsula has much to offer.

If you have any comments, please call me at 443-2632.

Thanks kindly.

Sincerely,



Irene Anderson  
Chair

cc: Senator Al Adams  
Representative Richard Foster

# WESTERN ARCTIC COAL

the

# Alaska Miner

7.

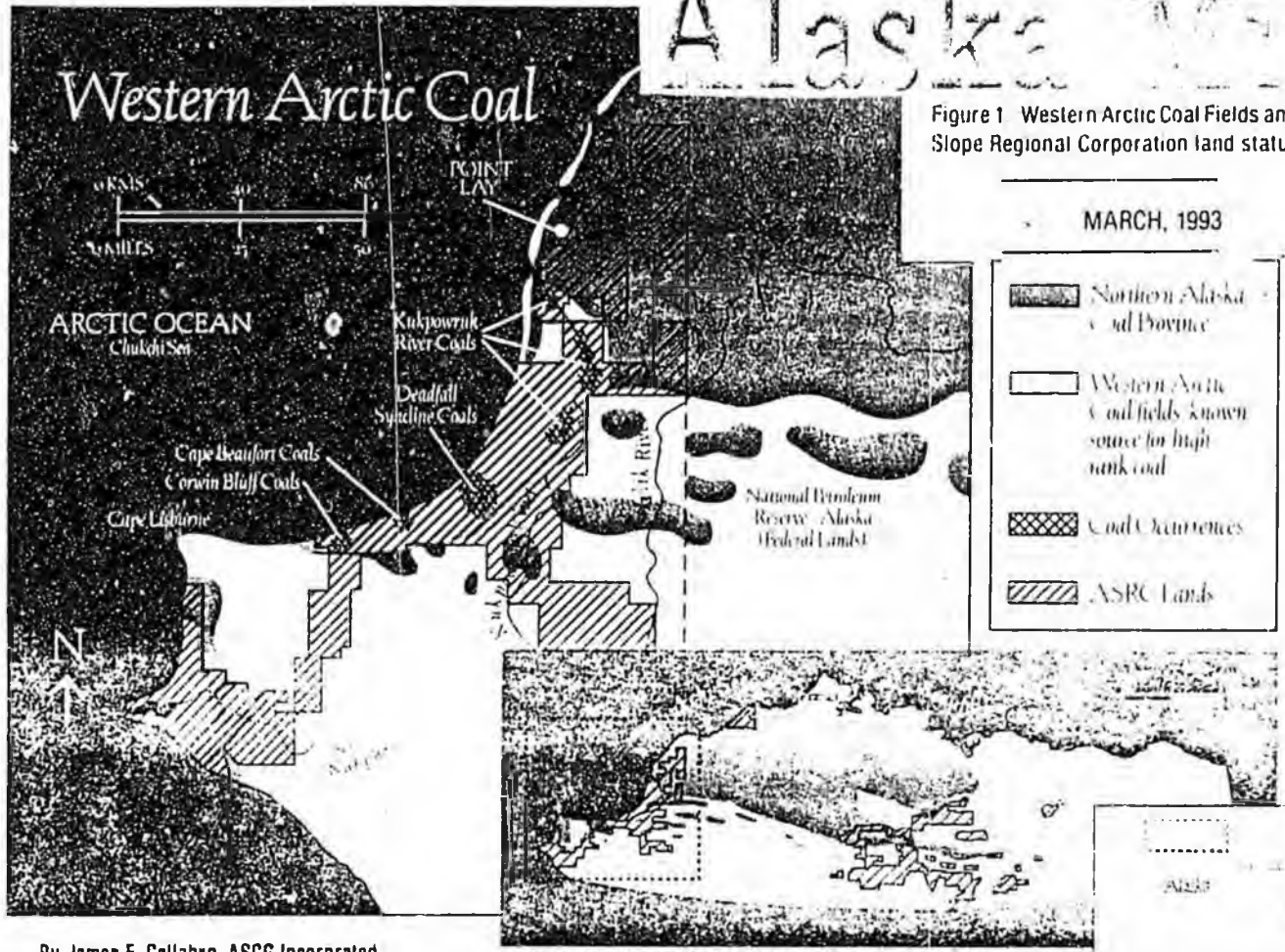


Figure 1 Western Arctic Coal Fields and Arctic Slope Regional Corporation land status.

By James E. Callahan, ASCG Incorporated  
 Steve W. Denton, Denton Civil & Mineral  
 Teresa A. Imm, ASCG Incorporated

## INTRODUCTION

Located in northern Alaska is the Northern Alaska Coal Province (NACP), one of the largest coal provinces in the world. The NACP underlies approximately 30,000 square miles and extends 300 miles eastward from the Chukchi Sea. At the western end of the NACP lies the Western Arctic Coal Fields which contain hypothetical reserves of three billion tons of clean-burning, high-rank coal. The Western Arctic Coal Fields (figure 1), which lies outside the National Petroleum Reserve-Alaska boundary, is owned in large part by a private corporation, Arctic Slope Regional Corporation (ASRC). ASRC holds title to both surface and subsurface land and is working actively to market its coal deposits to the world.

## GEOLOGY

Substantial bituminous coal resources are present in the Corwin Formation of the Nanushuk Group of Cretaceous age on the Arctic Slope of Alaska. The Corwin is a progradational fluvio-delta plain type deposit which thins in a southwest to northeast direction, from Corwin Bluffs reaching a zero edge south and southwest of Barrow. The

maximum measured thickness is in the type section at Cape Beaufort, where Chapman and Sable (1960) measured a 15,000 foot section. This figure was revised to 11,000 feet by Smiley (1969), based on repetition of floral zones resulting from faulting within the section. Elsewhere, large thicknesses of the upper part of the formation have been removed as a result of post-depositional uplift, deformation and erosion in the northern foothills belt of the Brooks Range. As a consequence of deep burial and subsequent exposure, the best quality coals (ie., with the greatest heating value) are exposed in the foothills, in broad east-west trending synclinal basins separated by complexly faulted anticlinal belts. In the present Arctic Coastal Plain of the National Petroleum Reserve-Alaska (NPRA), near surface coals exhibit a steadily decreasing trend in heating values northward from the foothills toward the shoreline.

In the foothills of the western Arctic, west of NPRA, relatively detailed investigations specifically oriented to evaluation of coal resources have focused on three areas: The Kukpowruk River, Cape Beaufort, and the Deadfall Syncline. On the Kukpowruk River about 30 miles from Point Lay, a 23 foot coal is exposed in the south limb of the Howard

Syncline. This coal has been extensively drilled and sampled in the immediate vicinity of the cutbank exposure, by private interests and by the U.S. Bureau of Mines (USBM) and the U.S. Geological Survey (USGS). However, information on its lateral extent and continuity is limited, particularly to the east. At Cape Beaufort, in the onshore portion of a synclinal basin, about 7,500 feet of the Corwin formation is present. The USBM and USGS conducted drilling and trenching operations in that area to evaluate several promising coals during the 1960's and 1970's. In 1982, exploratory work sponsored by the State of Alaska was begun on private lands of ASRC in the Deadfall Syncline northeast of Cape Beaufort.

At Cape Beaufort, the thickest known coal reaches a maximum thickness of approximately 17 feet, but it contains a thick zone of clay partings interbedded with high ash coal. Several other coal seams reach a thickness of 11 feet, these contain numerous clay partings and a high ash "bony" zone. One 11 foot seam appears to be free of thick partings and maintains its thickness for three miles or more along strike. However, dip angles along the southeast flank of the basin increase fairly rapidly from a minimum of about 15 degrees on the northeast to over 50 degrees at the

southwest end of the syncline. Dip angles also increase quite rapidly downsection in the coal-bearing part of the Corwin Formation. These conditions are less favorable for conventional surface or underground mining.

It is the Deadfall syncline that currently holds the most promise for near-term development. The western extension of the Deadfall Syncline contains 7,000-8,000 feet of Corwin Formation, and known coals are generally comparable in thickness and quality to those coals at Cape Beaufort and the Kukpowruk River, with the added advantage of lower dip angles and dip-slope topography. Reconnaissance drilling funded by the State of Alaska in 1983 confirmed the presence of several thick coals in the axial plunge area of the basin. Exploratory work continued in 1984 by Howard Grey and Associates for Arctic Slope Consulting Engineers at both Cape Beaufort and the Deadfall Syncline. The purpose of the program was to evaluate sites for development of a small scale mining operation to provide coal as a substitute for fuel oil in western Alaska. Based on the 1984 work and preceding investigations, the Deadfall area was selected. In August, 1991, additional exploratory drilling was initiated by the Arctic Slope Consulting Group for the purpose of identifying a block of mineable reserves large enough to develop for export. This included drilling to confirm the continuity and quality of an 18-foot coal seam, and relatively deep drilling up- and down-section to begin to assemble a complete stratigraphic record through the coal-bearing section.

In the Deadfall Syncline, the thickest known coal seam, the K3 seam, reaches a maximum thickness of 18 feet. This maximum occurs near the axis of the syncline, where dips are less than 10 degrees over a broad area. Several other coals occur in the same part of the stratigraphic section at Deadfall Syncline. Two of these coal seams are found lower in the section, than the thick K3 seam, and reach thicknesses of greater than eight feet and 12 feet respectively on the north flank of the basin. The project area covers approximately 10% of the eastern end of the syncline (figure 2). Over 100 shallow to moderately deep (750 foot maximum) boreholes, as well as numerous auger holes have been drilled in the project area (figure 3). Drilling on the east end of the syncline has been used to establish the reserve base for future mining in the area. Recent boreholes have been logged using natural gamma and gamma density tools. These tools provide good resolution in coal beds and indicate the lithology of over- and underburden rocks (figure 4).

#### COAL QUALITY

The apparent rank of most unweathered samples of Nanushuk coals from the foothills basins of the central and western Arctic is high-volatile A to C bituminous, with heating

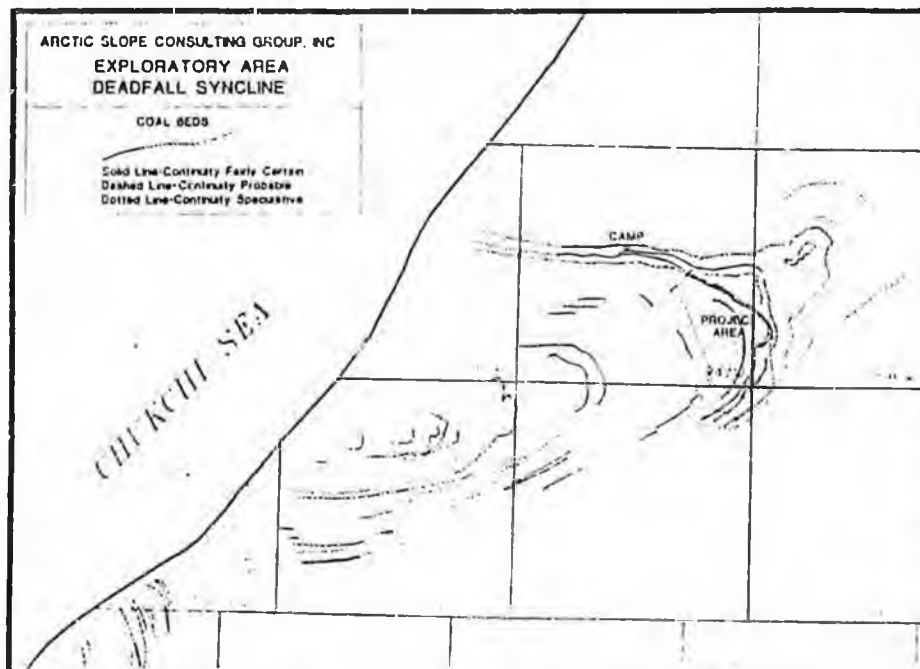


Figure 2 Exploration Area, Deadfall Syncline, Western Arctic Coal Project



Figure 3. Winter drilling operations at Deadfall Syncline.

values often exceeding 13,000 BTU's on a moist, mineral matter-free basis. Moisture contents are generally less than 7% for samples taken at depths of greater than thirty feet. Full seam ash contents vary, depending on the

number and thickness of partings, but the inherent ash contents (excluding partings) are generally less than 10%.

The K3 seam at Deadfall Syncline appears exceptionally clean, with a full-seam as-received weighted average ash content of about 6%. If a four foot, relatively high ash zone (14%) found at the top of the K3 seam, is excluded the remaining 13-14 feet averages less than 4%. Percent sulfur of the K3 coal seam ranges from 14% to 39% averaging .23% (figure 5). Analysis of samples from typical boreholes at Deadfall Syncline shows that the coal is an excellent steam coal and is suitable as a blending coal in the formation of coke. Sulfur dioxide emissions are less than a quarter (1/4) of the U.S. Environmental Protection Agency's standard of 1.2 pounds per million BTU's.

#### COAL QUALITY SEAMS K1, K3, AND K4\*

	K1	K3 <sup>total</sup>	K4
Moisture	1.72	3.26	3.20
Ash	20.39	7.21	4.21
Heating Value (Btu/lb)	11,068	13,078	13,662
Total Sulfur	0.23	0.23	0.25
Rank	---	High Volatile A Bituminous	High Volatile A Bituminous

\* RESULTS FROM 1991 EXPLORATORY DRILLING PROGRAM

Figure 5. Table of coal quality analyses of coals in the Deadfall Syncline.

#### DEVELOPMENT PLANS

Development of the western Arctic coal resources will be a challenge, but should be relatively straightforward. The only significant impediment to development, that has been identified to date, is the necessity to deal with the arctic climate of the Chukchi Sea. The long

*Continued on page 17*

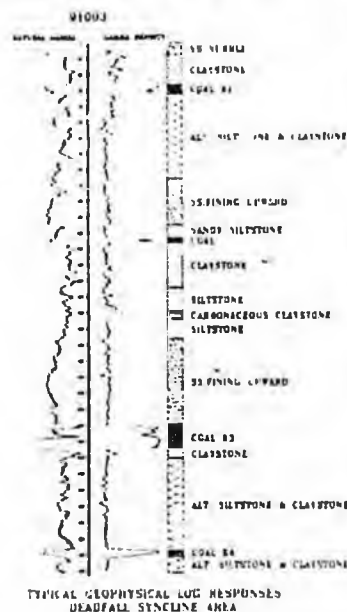


Figure 4. Typical geophysical log responses of coal seam within the Deadfall Syncline.

ice bound season and the heavy dependence of local residents on beluga whales for subsistence during the open water season are an impediment to shipping. However, the very factors which create these hurdles to development have a positive side.

Ledyard Bay, the nearest water body, is protected from the severe ice forces that create the immense pressure ridges typically associated with the Arctic Ocean. This opens up the potential of winter time operations for ice breakers and reduces the risks associated with building structures, such as offshore conveyors. The short open water season means that the time window for whale migration past the site is brief and mitigating impacts on them should be easily achievable.

Although the site is remote, the nearest national parks lands are approximately 50 miles away and national interest land impacts should not be an issue during development of this resource. The Deadfall Syncline is located in the foothills and impacts to coastal plains wetlands will be limited to those associated with the transportation system. Development of the western Arctic coal field can be accomplished in a fashion that will result in a very low level of adverse impact to the local environment. An Alaska Surface Coal Mining Permit has recently been issued for a small demonstration mine on the north limb of the syncline for extraction of 50,000 tons over a five year period.

Mining in the western Arctic coal field is expected to be more conventional than it will be unique. Although winters are long, the severity of the weather is moderated by proximity to the ocean. Minimum temperatures are higher than those experienced by Usibelli Coal Mine at Healy and the experience of the Red Dog Mine points to the likelihood that the western Arctic coals can be mined year round, with very little productivity loss due to weather. Pilot scale surface mining operations, that have been conducted to date, have shown that work can proceed during the full range of seasons and that typical surface mining practices for drilling, blasting and excavating can be employed. Because the area is within an "Arctic desert" zone, volumes of water that must be handled have been low and untreated water quality from the mine pit has been good.

Underground mining has not been studied to the same degree as surface mining, due to local availability of personnel trained in the use of surface-type mining equipment. However, the thickness, quality, continuity and structural simplicity of the deposit suggests that high efficiency underground mining should be well suited to many of the deposits. The major effects of weather will be mitigated by underground mining and environmental impacts would be reduced. However, the effect of permafrost on the behavior of rock types in the formation is largely unknown. We have identified only one coal mine in Spitsbergen, Norway as a possible analogue for underground mining in a permafrost environment. Therefore, large scale mechanized underground mining will probably be preceded by conventional surface and underground mining methods.

#### REFERENCES

- Chapman, R.M., and Sable, E.G., 1960. Geology of the Utukok-Corwin region, northwestern Alaska - Exploration of Naval Petroleum Reserve No. 4 and adjacent areas, northern Alaska, 1944-1953, Pt. 3, Area geology: U.S. Geological Survey Prof. Paper 303-C.
- Smiley, C.J., 1959. Floral zones and correlations of Cretaceous Kukpowruk and Corwin Formations, northwestern Alaska: AAPG Bulletin, v. 53, no. 10, pt. 1, p. 2079-2093. *A*

*Report Recd:*

*3/30/93*

*From: Mark Hickey*

ALASKA RAILROAD CORPORATION CORRIDOR PROFILES

STATE OF ALASKA LANDS SELECTION PROJECT

INITIAL SUBMISSION

SUBMITTED BY:

ROBERT S. HATFIELD, JR.  
PRESIDENT & CEO  
ALASKA RAILROAD CORPORATION

OCTOBER 16, 1991

# ALASKA RAILROAD CORPORATION CORRIDOR PROFILES

## STATE OF ALASKA LANDS SELECTION PROJECT

### INITIAL SUBMISSION

#### INTRODUCTION

The Alaska Railroad Corporation (ARRC) has prepared this package of corridor profiles for use by the Access Corridors Steering Committee. The information identifies thirteen separate corridors that may be needed for railroad extensions, or new, unconnected rail systems. The ARRC has reviewed its own files and other known information in the time available to prepare a summary of the most likely corridors that may be needed, or the most prominent routes identified for rail transportation purposes that may be valuable from a multi-use perspective.

Considerable work has been done over the last eighty years by primarily federal and state agencies to identify and locate possible rail expansion routes. The ARRC has attempted to sift through that body of information and present those corridors worthy of further scrutiny by the Access Corridors Steering Committee.

This is not an all inclusive list of every route or corridor ever identified for rail purposes. Nor is it intended to serve as a definitive statement, since there may be new, unidentified extension proposals worth assessment. No attempt has been made to prioritize as yet these routes from a rail perspective. It should also be noted that mere inclusion in this package is not meant to suggest that all or most of these routes will be needed for rail purposes.

Some of the corridors have been included because they could serve as major multi-modal transportation corridors connecting different areas of Alaska (e.g., the line to the Seward Peninsula; the Kuskokwim Extension). Others are included because they continue to remain as higher priority rail expansion prospects that may need to be developed (e.g., Nenana to Kobuk/Bornite/Ambler; Palmer North). Others have been included because considerable engineering information exists establishing the corridor's location irrespective of current justification for need (e.g., the North Slope Extension; the Canadian Border Extension).

Based on discussions with staff from the Office of the State Pipeline Coordinator, it was decided to submit more corridors than might have otherwise been the case so they would have the benefit of the available data. The ARRC does not expect or recommend that state land selections be pursued for any or all of these corridors on the basis of this submission. Clearly there are a number of issues and policy considerations to be addressed by the entire Steering Committee to determine the best course of action for the state's limited selection options.

## LIST OF CORRIDORS

The following list depicts the individual corridors included in the submission, with some indication whether the corridor has some engineering data to support location, versus merely a conceptual proposal.

<u>Corridor Number</u>	<u>Title</u>
001	Nenana to Tanana (Yukon River)
002	Tanana to Kobuk/Bornite/Ambler Mining District
003	Tanana to Deadhorse Airport
004	Tanana to Port Clarence (Teller), Seward Peninsula
005	Kobuk/Bornite to Cape Lisburne/Thetis Mine
006	Eielson Air Force Base to the Canadian Border
007	Western Alaska Routes*
008	Kuskokwim Extension
009	Kuskokwim Drainage Route*
010	Point Mackenzie Extension Beluga Coal Field Extension*
011	Palmer to Matanuska Coal Fields
012	Fire Island Extension
013	Kenai/Nikiski Extension*

(NOTE: \* Indicates corridors that are conceptual in nature, with little or no engineering data or activity to support actual route location.)

## PROFILE INFORMATION

Each corridor profile sheet includes information identifying the route's general alignment (if available); mileage estimate; survey information establishing location; recommended corridor width if known; whether material sites have been identified and located; the source document and other reconnaissance or survey studies supporting the recommended corridor; alternate alignments; and the location of plan and profile sheets if known.

Each corridor included has been developed as a stand-alone rail extension proposal. This means there is a minimal amount of overlap between some of the corridors identified. For example, Nenana to Tanana has been identified as a potential rail extension, and been presented as a stand-alone proposal in this package. There are several, additional routes that use the Nenana to Tanana extension as the first leg of a longer extension (e.g., Tanana to Deadhorse Airport; Tanana to Kobuk/Bornite/Ambler). These extensions share a common alignment from Tanana to Alatna. Portions of a corridor such as the Tanana to Alatna route have not been depicted as a stand-alone corridor, however, since that route would not be useful for rail purposes except as part of one of these longer extension proposals.

## MAPPING

As noted previously, there is little or no engineering data or activity to support a precise location for several routes. Additional maps with greater detail can be provided by ARRC engineering staff for many of these corridors if that proves necessary. In most cases, it will be possible to perform this work at the desired scale of 1:250,000.

# ALASKA RAILROAD CORPORATION CORRIDOR PROFILE

## STATE OF ALASKA LANDS SELECTION PROJECT

Corridor Identification Number: 001.

Corridor Title: Nenana to Tanana (Yukon River).

**Route Description/Alignment:** The line leaves the existing railroad near Nenana and heads west and north to the Yukon River. Leaving Nenana the line passes just north of Black Bear Lake, then uses the Tanana River Valley to the Yukon River. Round Point, which is between the mouths of the Tanana and Tozitna Rivers, is the Yukon River crossing location. A major bridge of about 3,600 feet would be required.

Mileage: 120 to 125 miles.

**Survey Information:** Location based on controlled preliminary survey using state-of-the-art air photo interpretation, with additional air and ground reconnaissance. Control points were established in the field to 3rd order accuracy. Plan and profile drawings were prepared with a horizontal scale of 1" = 800' and a vertical scale of 1" = 80'. Air photo interpretation was based upon the U.S. Geological Survey photos of the area taken in the early and mid-1950's. Accuracy is limited by the base maps used (i.e. USGS quadrangle sheets at scales of 1:63,360 and 1:250,000 with contour intervals of 50 to 200 feet). These scales translate as 1-inch to 1-mile and 1-inch to 4 miles.

**Recommended Corridor Width:** 5-mile wide band based on aerial photography.

**Material Sites Identified/Located:** Yes.

**Source Document(s):** *Alaska Transportation Corridor Study*; Tudor-Kelly-Shannon Engineering Consultants; 1970 (performed for the Federal Highway Administration; U.S. Department of Transportation).

### Other Corridor/Reconnaissance Studies:

- \* *Richardson Reconnaissance and Survey for a Land Route from Fairbanks to Council City, Alaska*; U.S. Army; 1906 (general reconnaissance with some rail consideration).
- \* *Railroad Routes in Alaska*; Alaska Railroad Commission; 1913 (major U.S. government railway route assessment).
- \* *Army Reconnaissance for Railroad or Highway West of Fairbanks*; U.S. Army; June 1942 (major assessment of several east/west corridors).
- \* *Berryhill Report*; U.S. Army; 1943 (rail route location survey - Dunbar to Port Clarence via Tanana).

- \* *Report on Location Investigation for the Northerly Extension of the Alaska Railroad from Nenana to the Yukon River in Vicinity of Rampart Dam Site (Dalton Study); NORTH Commission; 1968 (Nenana to Tanana/Yukon River winter field reconnaissance survey).*

**Alternate Alignment/Route(s):**

- \* *Dunbar to Tanana (Alaska Transportation Corridor Study; Berryhill Report; and Dalton Study).*
- \* *Fairbanks to Yukon River (Richardson Reconnaissance and Survey for a Land Route from Fairbanks to Council City, Alaska; Railroad Routes in Alaska; and Army Reconnaissance for Railroad or Highway West of Fairbanks).*

**Location of Plan & Profile Sheets:** Engineering Department; Alaska Railroad Corporation.

## ALASKA RAILROAD CORPORATION CORRIDOR PROFILE

### STATE OF ALASKA LANDS SELECTION PROJECT

Corridor Identification Number: 002.

Corridor Title: Tanana to Kobuk/Bornite/Ambler Mining District.

Route Description/Alignment: The line heads north from the Yukon River crossing at Round Point via the Tozitna and Mentanontli River Valleys passing near Norseman and Todatonten Lakes to the Koyukuk River at Alama. The route then heads westward through the flood plain of the Alama River, passing south of Norutak Lake and on into the Kobuk River Valley, ending at the Dahl Creek Airstrip near Kobuk.

Mileage: 273 miles.

Survey Information: Location based on controlled preliminary survey using state-of-the-art air photo interpretation, with additional air and ground reconnaissance. Control points were established in the field to 3rd order accuracy. Plan and profile drawings were prepared with a horizontal scale of 1" = 800' and a vertical scale of 1" = 80'. Air photo interpretation was based upon the U.S. Geological Survey photos of the area taken in the early and mid-1950's. Accuracy is limited by the base maps used (i.e., USGS quadrangle sheets at scales of 1:63,360 and 1:250,000 with contour intervals of 50 to 200 feet). These scales translate as 1-inch to 1-mile and 1-inch to 4 miles.

Recommended Corridor Width: 5-mile wide band based on aerial photography.

Material Sites Identified/Located: Yes.

Source Document(s): *Alaska Transportation Corridor Study*; Tudor-Kelly-Shannon Engineering Consultants; 1970 (performed for the Federal Highway Administration; U.S. Department of Transportation).

#### Other Corridor/Reconnaissance Studies:

- \* *Army Reconnaissance for Railroad or Highway West of Fairbanks*; U.S. Army; June 1942 (major assessment of several east/west corridors).
- \* *Berryhill Report*; U.S. Army; 1943 (rail route location survey - Dunbar to Port Clarence via Tanana).
- \* *Report of the NORTH Commission*; the NORTH Commission; June 1970 (report did not analyze specific routes except Nenana to Tanana).

**Alternate Alignment/Route(s):**

- \* Dunbar to Bornite via Tanana and Kobuk (*Army Reconnaissance for Railroad or Highway West of Fairbanks; Berryhill Report*).
- \* Dunbar to Bornite via Bettles (*Alaska Transportation Corridor Study*).

**Location of Plan & Profile Sheets:** Engineering Department; Alaska Railroad Corporation.

## ALASKA RAILROAD CORPORATION CORRIDOR PROFILE

### STATE OF ALASKA LANDS SELECTION PROJECT

Corridor Identification Number: 003.

Corridor Title: Tanana to Deadhorse Airport.

**Route Description/Alignment:** The line heads north from the Yukon River crossing location at Round Point via the Tozitna and Mentanontli River Valleys passing near Norseman and Todatonten Lakes to the Koyukuk River at Alatna. The route then continues east and north along the Koyukuk River past Bettles and Coldfoot and up the Dietrich River to Dietrich Pass and the Chandalar Shelf in the Brooks Range. The line crosses the mountains using a 4.25 mile tunnel. Beyond the mountains, the route would move through the Atigun River Valley, across a 100-mile stretch of arctic plain, and along the Toolik and Sagavanirktok Rivers, terminating at the Deadhorse Airport near Prudhoe Bay.

Mileage: 461 miles.

**Survey Information:** Location based on controlled preliminary survey using state-of-the-art air photo interpretation, with additional air and ground reconnaissance. Control points were established in the field to 3rd order accuracy. Plan and profile drawings were prepared with a horizontal scale of 1" = 800' and a vertical scale of 1" = 80'. Air photo interpretation was based upon the U.S. Geological Survey photos of the area taken in the early and mid-1950's. Accuracy is limited by the base maps used (i.e., USGS quadrangle sheets at scales of 1:63,360 and 1:250,000 with contour intervals of 50 to 200 feet). These scales translate as 1-inch to 1-mile and 1-inch to 4 miles.

**Recommended Corridor Width:** 5-mile wide band based on aerial photography.

**Material Sites Identified/Located:** Yes.

**Source Document(s):** *Alaska Transportation Corridor Study*; Tudor-Kelly-Shannon Engineering Consultants; 1970 (performed for the Federal Highway Administration; U.S. Department of Transportation).

**Other Corridor/Reconnaissance Studies:** *Report of the NORTH Commission*; the NORTH Commission; June 1970 (report did not analyze specific routes except Nenana to Tanana).

**Alternate Alignment/Route(s):**

- \* Dunbar to Deadhorse via Bettles (*Alaska Transportation Corridor Study*).
- \* Bettles to Deadhorse via Anaktuvuk Pass Corridor (*Alaska Transportation Corridor Study*).
- \* Bettles to Deadhorse via North Fork (of the Koyukuk River) Corridor (*Alaska Transportation Corridor Study*).
- \* Tanana to Deadhorse via recommended route except for a longer Sag River alternate (*Alaska Transportation Corridor Study*).

**Location of Plan & Profile Sheets:** Engineering Department; Alaska Railroad Corporation.

# ALASKA RAILROAD CORPORATION CORRIDOR PROFILE

## STATE OF ALASKA LANDS SELECTION PROJECT

Corridor Identification Number: 004.

Corridor Title: Tanana to Port Clarence (Teller), Seward Peninsula.

**Route Description/Alignment:** The route generally follows the Yukon River Valley west from the Yukon River crossing near Tanana. The line passes just north of Galena and then through the mountain pass near the village of Koyukuk. The line goes southwest from this point across the Nulato River, along the Shaktolik River Valley, across the Ungalik and Inglutalik Rivers to a crossing of the Kwik River just north of Norton Bay. The remainder of the route follows the Kwiniuk River Valley to Council and then on to Port Clarence (Teller).

Mileage: 576 miles.

**Survey Information:** This route was developed by the U.S. Army during World War II, with the intent of connecting the existing surface transportation system of interior Alaska with ports on Alaska's west coast. Apparently a considerable amount of actual route location and survey work was conducted on all or major portions of this alignment and several alternatives. Alaska Railroad Corporation personnel have been unable as yet to discover any plan and profile sheets. However, Mr. Cliff Fugelstad, former Chief Engineer of the Alaska Railroad, and Mr. Mark Hickey, ARRC consultant, have some of the detailed information depicting this work.

**Recommended Corridor Width:** Unknown, but probably not addressed based on review of available records.

**Material Sites Identified/Located:** Unknown, but probably not addressed based on review of available records.

**Source Document(s):**

- \* *Army Reconnaissance for Railroad or Highway West of Fairbanks*; U.S. Army; June 1942 (major assessment of several east/west corridors).
- \* *Berryhill Report*; U.S. Army; 1943 (rail route location survey - Dunbar to Port Clarence via Tanana).

**Other Corridor/Reconnaissance Studies:** *Richardson Reconnaissance and Survey for a Land Route from Fairbanks to Council City, Alaska*; U.S. Army; 1905 (general reconnaissance with some rail consideration).

**Alternate Alignment/Route(s):**

- \* Fairbanks to Council City (*Richardson Reconnaissance and Survey for a Land Route from Fairbanks to Council City, Alaska*).
- \* The 1942 *Army Reconnaissance for Railroad or Highway West of Fairbanks* addressed a number of alternate routes, including branch lines to Golovin Bay, Nome, St. Michael and Unalakeet. Alternate routes for a line from Fairbanks to Kotzebue or Deering were also identified and assessed, including a more northerly route using the Tozitna and Kobuk River Valleys.

**Location of Plan & Profile Sheets:** None found at ARRC Headquarters; copies available from Mr. Fugelstad, former ARR Chief Engineer, and Mr. Hickey, ARRC consultant.

ALASKA RAILROAD CORPORATION CORRIDOR PROFILE  
STATE OF ALASKA LANDS SELECTION PROJECT

Corridor Identification Number: 005.

Corridor Title: Kobuk/Bornite to Cape Lisburne/Thetis Mine.

Route Description/Alignment: Alignment heads west from Bornite crossing the Ambler River and then along the north bank of the Kobuk River. The route continues west along the south foothills of the Baird Mountains, across the Noatak River immediately north of Kotzebue, then north through the DeLong Mountains using the Kukpowruk River Valley. The line terminates at the Thetis Mine near Cape Lisburne on the Arctic Ocean.

Mileage: 361 miles.

Survey Information: Proposed corridor is based on drawing of a probable alignment on USGS quad maps (Scale 1:250,000). Work was performed under the direction of Mr. Cliff Fugelstad, former Alaska Railroad Chief Engineer. Apparently no other engineering data is available.

Recommended Corridor Width: Not established.

Material Sites Identified/Located: No.

Source Document(s): USGS quad maps (Scale 1:250,000) prepared by the Alaska Railroad's Engineering Department circa 1970 - 1975.

Other Corridor/Reconnaissance Studies: None identified.

Alternate Alignment/Route(s): None identified.

Location of Plan & Profile Sheets: USGS quad sheets located at Engineering Department; Alaska Railroad Corporation.

**ALASKA RAILROAD CORPORATION CORRIDOR PROFILE**  
**STATE OF ALASKA LANDS SELECTION PROJECT**

Corridor Identification Number: 006

Corridor Title: Eielson Air Force Base to the Canadian Border.

**Route Description/Alignment:** The proposed alignment takes off from the existing spur line to Eielson Air Force Base, running southeast between the Richardson Highway and the Tanana River, then crossing that river near Flag Hill. The line then heads southeast up the Tanana River Valley, crosses the confluence of the Tanana and Delta Rivers, passes just south of Delta Junction, and generally parallels the Alaska Highway north of Tok and Tetlin Junction. The line then leaves the Alaska Highway and heads northeast through the Ladue Summit and along the Ladue River to the Canadian Border.

Mileage: 271 miles.

**Survey Information:** Considerable work has been performed by the Alaska Department of Transportation & Public Facilities in the late 1970's and early 1980's to identify and locate a specific route. This includes full control and centerline surveys, with some tying of section and property corners.

**Recommended Corridor Width:** 300 feet.

**Material Sites Identified/Located:** Considered, but apparently not identified.

**Source Document(s):** *Alaska Railroad Extension - Route Selection Project #X20089, Eielson to Canadian Border*, Alaska Department of Transportation & Public Facilities; June 1979 and April 1982 Update (detailed route reconnaissance and survey tying down a precise corridor). (NOTE: The portions of right-of-way crossing federal and state lands were applied for by the state in the early to mid-1980's; however, apparently no final actions occurred to reserve the requested right-of-way.)

**Other Corridor/Reconnaissance Studies:**

- \* *Railroad Routes in Alaska*; Alaska Railroad Commission; 1913; (major U.S. government railway route assessment).
- \* Some consideration for route in 1942/1943 route reconnaissance and survey work performed by the U.S. Army.
- \* There are other studies addressing the feasibility of the proposed route, but none that identified a specific corridor.

**Alternate Alignment/Route(s):** Haines to Fairbanks (*Railroad Routes in Alaska*).

**Location of Plan & Profile Sheets:** Northern Region Division of Design & Construction; Alaska Department of Transportation & Public Facilities.

## ALASKA RAILROAD CORPORATION CORRIDOR PROFILE

### STATE OF ALASKA LANDS SELECTION PROJECT

Corridor Identification Number: 007.

Corridor Title: Western Alaska Routes (Golovin Bay/Cape Darby to Western Seward Peninsula and western portions of the Brooks Range, with a branch from Selawik to Kobuk).

Route Description/Alignment: There is no evidence of any engineering work to support this proposal. This alignment is conceptual only, starting at the Golovin Bay/Cape Darby area on the southern coast of the Seward Peninsula, heading north to numerous mineral deposits (coal in particular) in the western portions of the Brooks Range. A branch line between Selawik and Kobuk has also been suggested to access the Ambler mineral belt. Portions of the Kobuk to Cape Lisburne alignment might be useful for part of this route. Additional branch lines accessing the northern part of the Seward Peninsula have also been suggested as part of this concept.

Mileage: Main route - 400 miles (plus/minus); Selawik to Kobuk - 150 miles (plus/minus).

Survey Information: No known material available.

Recommended Corridor Width: Not established.

Material Sites Identified/Located: No.

Source Document(s): *The Alaska Railroad and its Future*; Commonwealth North; April 1988 (general assessment of long-term roles for the Alaska Railroad, including identification of several expansion proposals).

Other Corridor/Reconnaissance Studies: No known activity, although the Arctic Slope Regional Corporation has looked recently at some access alternatives as part of developing coal deposits. The Alaska Industrial Development and Export Authority (AIDEA) is just beginning an effort to determine the most feasible transportation system to support additional resource development activity in Northwest Alaska.

Alternate Alignment/Route(s): Brooks Range to Kivalina, or an adjacent port site closer to mineral deposits (based on general review of economic considerations and AIDEA's experience developing the Red Dog Mine Project).

Location of Plan & Profile Sheets: No known material available.

## ALASKA RAILROAD CORPORATION CORRIDOR PROFILE

### STATE OF ALASKA LANDS SELECTION PROJECT

Corridor Identification Number: 008.

Corridor Title: Kuskokwim Extension.

Route Description/Alignment: The line leaves the existing alignment of the Alaska Railroad where it crosses Willow Creek (approximately Milepost 187), and crosses the Susitna River Valley to the confluence of the Skwentna and Yenma Rivers. The route then follows the north bank of the Skwentna and Happy Rivers through Rainy Pass and on to McGrath with an alignment generally parallel to Dalzell Creek and the south fork of the Kuskokwim River.

Mileage: 229 miles.

Survey Information: The Alaska Engineering Commission conducted a general reconnaissance survey in 1914 with accompanying mapping. Location was determined by solar and celestial observation methods. Apparently no control points were established.

Recommended Corridor Width: Not established.

Material Sites Identified/Located: No.

Source Document(s): Captain McPherson's *Reconnaissance Survey*; Alaska Engineering Commission; 1914.

Other Corridor/Reconnaissance Studies: *Railroad Routes in Alaska*; Alaska Railroad Commission; 1913 (major U.S. government railway route assessment).

Alternate Alignment/Route(s): Alaska Railroad Commission work suggested a partial alternative to the alignment through Rainy Pass.

Location of Plan & Profile Sheets: Engineering Department; Alaska Railroad Corporation.

## ALASKA RAILROAD CORPORATION CORRIDOR PROFILE

### STATE OF ALASKA LANDS SELECTION PROJECT

Corridor Identification Number: 009.

Corridor Title: Kuskokwim Drainage Route.

Route Description/Alignment: There is no evidence of any engineering work to support this proposal. This alignment is conceptual only, starting at McGrath on the Kuskokwim River and generally following the Kuskokwim drainage to tidewater near Cape Newenham on Kuskokwim Bay. This line would serve as an outlet for numerous strategic and critical mineral deposits and timber in the general vicinity of the proposed route.

Mileage: 400 miles (plus/minus).

Survey Information: No known material available.

Recommended Corridor Width: Not established.

Material Sites Identified/Located: No.

Source Document(s): *The Alaska Railroad and its Future*; Commonwealth North; April 1988 (general assessment of long-term roles for the Alaska Railroad, including identification of several expansion proposals).

Other Corridor/Reconnaissance Studies: None identified.

Alternate Alignment/Route(s): None identified.

Location of Plan & Profile Sheets: No known material available.

## ALASKA RAILROAD CORPORATION CORRIDOR PROFILE

### STATE OF ALASKA LANDS SELECTION PROJECT

Corridor Identification Number: 010.

Corridor Title: Point Mackenzie/Beluga Coal Field Extensions.

**Route Description/Alignment:** The Point Mackenzie route leaves the existing line at Willow and heads southwest, threading its way between lakes and wetlands just west of the Nancy Lake Recreation Area and the Little Susitna River. The line continues south along the westerly boundary of the State Agricultural Lands, and then turns east to the terminus at Point Mackenzie. This is also the same alignment proposed for the north end if a railway is constructed with the Knik Arm crossing proposal. A different extension proposal in the same general vicinity would extend the line from a location near Pittman into the Beluga Coal Fields to the southwest.

**Mileage:** Point Mackenzie - 44 miles; Beluga - 70 miles (plus/minus).

**Survey Information:** Unable to determine level of activity performed to locate these routes. It appears the Matanuska-Susitna Borough has conducted some level of survey activity to support route location work.

**Recommended Corridor Width:** Apparently not established.

**Material Sites Identified/Located:** No information located.

**Source Document(s):** *Reconnaissance Report - Alaska Railroad Extension to Point Mackenzie*; Domhoff & Associates, Inc.; January 1982 (preliminary reconnaissance report performed for the Matanuska-Susitna Borough). The Beluga Extension was assessed in various studies conducted for the Diamond Alaska Coal Company.

**Other Corridor/Reconnaissance Studies:** *Knik Arm Railroad Crossing Feasibility Study*; Alaska Transportation Consultants, Inc.; July 1984 (part of a major Knik Arm Feasibility Study performed for the Alaska Department of Transportation and Public Facilities).

**Alternate Alignment/Route(s):** Willow to Anchorage via Knik Arm Crossing (*Knik Arm Railroad Crossing Feasibility Study*).

**Location of Plan & Profile Sheets:** Data available is apparently held by the Public Works Department; Matanuska-Susitna Borough.

## ALASKA RAILROAD CORPORATION CORRIDOR PROFILE

### STATE OF ALASKA LANDS SELECTION PROJECT

Corridor Identification Number: 011.

Corridor Title: Palmer to Matanuska Coal Fields (via Sutton).

**Route Description/Alignment:** This route would follow the old Alaska Railroad alignment to the extent possible. Pursuant to the Alaska Railroad Transfer Act, the Alaska Railroad Corporation received a warranty of at least an exclusive-use easement for the line as far as Sutton, then a quit claim deed for the remaining rights-of-way to the east and north. There has not been any recent engineering work to identify possible alignments other than in relation to the Wishbone Hill Coal Project.

Mileage: 40 miles (plus/minus).

**Survey Information:** Considerable data exists based on actual line location information held by the Alaska Railroad Corporation and the Bureau of Land Management.

**Recommended Corridor Width:** 200 feet (if available).

**Material Sites Identified/Located:** Yes, but in most cases these holdings may not be available for use.

**Source Document(s):** Alaska Engineering Commission and Alaska Railroad engineering records.

**Other Corridor/Reconnaissance Studies:** *Railroad Routes in Alaska*; Alaska Railroad Commission; 1913 (major U.S. government railway route assessment).

**Alternate Alignment/Route(s):** None identified.

**Location of Plan & Profile Sheets:** Engineering Department; Alaska Railroad Corporation (some of this information may be held in archives).

## ALASKA RAILROAD CORPORATION CORRIDOR PROFILE

### STATE OF ALASKA LANDS SELECTION PROJECT

Corridor Identification Number: 012.

Corridor Title: Fire Island Extension.

Route Description/Alignment: Little detailed engineering work has been located to support a specific alignment for this proposal. One proposal depicts the line on an alignment leaving the existing branch line to Anchorage International Airport, crossing under or going around the North-South Runway, and then following the proposed causeway out to Fire Island. Another alternative would leave the existing line near Dimond Boulevard, passing between Anchorage International and Kincaid Park, and then out to Fire Island.

Mileage: 7 miles.

Survey Information: No known material available.

Recommended Corridor Width: Apparently not established.

Material Sites Identified/Located: No.

Source Document(s): *The Alaska Railroad and its Future*; Commonwealth North; April 1982 (general assessment of long-term roles for the Alaska Railroad, including identification of several expansion proposals). Some initial engineering activity to support route location has been performed by the Alaska Department of Transportation & Public Facilities and the Municipality of Anchorage. ARRC records do not contain this information presently.

Other Corridor/Reconnaissance Studies: None identified.

Alternate Alignment/Route(s): None identified.

Location of Plan & Profile Sheets: No known material available, except preliminary work noted above. The Public Works Department, Municipality of Anchorage would be the best source for additional information.

## ALASKA RAILROAD CORPORATION CORRIDOR PROFILE

### STATE OF ALASKA LANDS SELECTION PROJECT

Corridor Identification Number: 013.

Corridor Title: - Kenai/Nikiski Extension.

**Route Description/Alignment:** There is no evidence of any substantial engineering work to support this proposal. One proposal would create a rail line to connect the Port of Seward and the petrochemical facilities at Nikiski north of Kenai via Moose Pass. Another version would connect Nikiski with Anchorage via a Turnagain Arm crossing. A line extending from Moose Pass would probably follow a large portion of the existing right-of-way for the Sterling Highway to Kenai and then proceed north to Nikiski.

**Mileage:** Moose Pass to Nikiski - 80 miles (plus/minus).

**Survey Information:** No known material available.

**Recommended Corridor Width:** Not established.

**Material Sites Identified/Located:** No.

**Source Document(s):** Apparently some work was performed by engineering staff at the Alaska Railroad during the 1950's and 1960's to identify potential alignments using aerial photography and drawing a probable alignment on USGS quad maps. No detailed information supporting this work has been located.

**Other Corridor/Reconnaissance Studies:** None identified.

**Alternate Alignment/Route(s):** Anchorage to Nikiski via Turnagain Arm.

**Location of Plan & Profile Sheets:** No material found; USGS quad sheet maps may be held in Alaska Railroad archival records.



Please Print

HOUSE RESOURCES COMMITTEE

SUBJECT OF MEETING:

HB 182 } FBX - Name  
 HB 183 } Transportation Corridor

DATE: April 16, 1993

PLACE: Capitol, Room 124

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
Jim Stumpfke	Name Co FC	Box 729 Nome	99762		443-2002	Y N	Support HB 182/183
Polly Wheeler	TCC	122 First Ave FBX	99701		452-8257	Y N	oppose 182/183
Frank Ireland	RIFY	Box 181 Nome	99762		443-2773	Y N	182
Julie Roberts		Tainauna				Y N	opposed 182/183
Herbie Edwinn	Tainauna Village Council	"				Y N	oppose
Red Swanson		113W. 5th St. Juneau		63896		Y N	
Mike McKinnon	Act. Dir. Plan. DOT	6860 Glacier Hwy Juneau	99801-7999	1774		Y N	
						Y N	
						Y N	
						Y N	
						Y N	

04/16/93  
08:05:25

TCN: 30550

PUBLIC HEARING

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM  
PARTICIPANT LIST (ALL PARTICIPANTS)  
SCHEDULED FOR: 04/16/93 08:00 TO 10:00  
HOUSE RESOURCES

LTN1150  
BY: NOM  
FOR: NOM

LOCATION: NONE

ALL ITEMS  
ALL ITEMS

MR.  
MR.

JIM  
FRANK

STIMPFLER ✓  
IRELAN

NONE CHAMBER OF TESTIFY  
KIFY TESTIFY

04/16/93  
08:08:51

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM  
PARTICIPANT LIST (ALL PARTICIPANTS)

LTN1150  
BY:FBX  
FOR:FBX

TCN:30550 SCHEDULED FOR:04/16/93 08:00 TO 10:00  
PUBLIC HEARING HOUSE RESOURCES

LOCATION: FAIRBANKS  
ALL ITEMS MS.

POLLY

WHEELER

TCC

TESTIFY

**HB**

**197**

(9)

Date Referred: March 30, 1993

FURTHER REFERRALS:

Finance

Date of Committee Action: 3/31/93

The RESOURCES Committee considered:

HB 197

HOUSE BILL NO. 197

APPROP: ALYESKA SETTLEMENT

"An Act making an appropriation to the Alyeska Settlement Fund and making appropriations from the Alyeska Settlement Fund; and providing for an effective date."

RECOMMENDATIONS:

be replaced with \_\_\_\_\_  the same title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal impact \_\_\_\_\_

fiscal note(s) \_\_\_\_\_

zero fiscal note \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_

SIGNING <u>DO PASS</u>	DP	<u>OTHER RECOMMENDATIONS</u>	DNP	NR	AM
Bill Hanson	✓	Joseph D. ...		✓	
Pat M. ...	✓	David ...		✓	
Janette ...	✓	Gal & ...		✓	
Edon ...	✓				
Con ...	✓				
W.K. Williams	✓				

*W.K. Williams*  
CHAIRMAN'S SIGNATURE

**SPONSOR STATEMENT**  
**HB 197**  
By Representative Olberg

"An Act making an appropriation to the Alyeska Settlement Fund and making appropriations from the Alyeska Settlement Fund; and providing for an effective date."

**House Bill 197** appropriates **\$28,200,00** from the Alyeska Settlement Fund as stipulated under the Agreement and Consent Decree dated November 25, 1992.

**\*\* \$14.5 million** of the \$28.2 million is for docks and construction of response storage facilities at Tatitlek and Chenega;

**\*\* \$6 million** is for the construction of a road from Cordova to Shepard Point;

**\*\* \$7.5 million** is for the acquisition of land for the Kachemak Bay State Park and;

**\*\* \$200,000** is for communications equipment to be purchased by the US Coast Guard and the State.

It should be noted that the original agreement totaled **\$31.7 million**.

Of that amount, HB 197 appropriates **\$28.2 million**. Upon the Funding Date, Alyeska paid the federal government **\$2 million** for expenses incurred and paid the State **\$1.5 million** for 1989 tax revenues under AS 43.75 (Fisheries Business Tax), which would be refunded to local governments under AS 43.75.130. (SLA 92, Ch. 111).

**The blackmail clauses on page 11 and page 12 necessitates that action be taken this session.**

This is a very simple bill that merely appropriates, as defined, the funds.

FISCAL NOTE

Revision Date:  
Title: Approp: Alyeska Settlement

Department Affected: DOT&PF  
BRU:

Sponsor: Olberg  
Requestor:

Component:  
Component Serial Number:

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
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
CAPITAL	20,500.0	0	0	0	0	0
REVENUE FUND SOURCE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

1002 FEDERAL RECEIPTS	0	0	0	0	0	0
1003 GF MATCH	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/PROGRAM RECEIPTS	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	20,500.0	0	0	0	0	0
TOTAL FUNDING:	20,500.0	0	0	0	0	0

POSITIONS

FULL-TIME	1	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY93) impact: \$0

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Norm Piispanen

Phone: 451-2385

Division: Northern Region Planning

Date: March 15, 1993

Approved by Commissioner:   
Frank G. Turpin

Phone: 465-3901

Agency: Department of Transportation and Public Facilities

Date: March 15, 1993

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*Department of Transportation  
and Public Facilities*

# POSITION PAPER

BILL NO: HB 197

APPROVED:

A handwritten signature in cursive, appearing to read "J. Durkin", written over a horizontal line.

TITLE: Approp: Alyeska Settlement

DATE: March 15, 1993

DOT&PF supports appropriation for construction of a road from Cordova to Shepard Point. The proposed road to Shepard Point would serve the additional purposes of access to community expansion land and access to a future port. The port, when developed, would enhance marine access to Cordova, as well as to eastern Prince William Sound. Ultimately the road and port would serve the tourist industry, the fishing industry, the timber industry, and the general Cordova Community. DOT&PF is neutral on the construction of storage facilities, acquisition of equipment, and the purchase of inholdings.

*For Further Information contact Katy McHugh at 465-3904.*

(7)

Date Referred: March 24, 1993

FURTHER REFERRALS:

Resources  
Finance

Date of Committee Action: \_\_\_\_\_

The HOUSE SPECIAL COMMITTEE ON OIL AND GAS considered:

HB 197

HOUSE BILL NO. 197

APPROP: ALYESKA SETTLEMENT

"An Act making an appropriation to the Alyeska Settlement Fund and making appropriations from the Alyeska Settlement Fund; and providing for an effective date."

RECOMMENDATIONS: [ ] the same title  
 be replaced with \_\_\_\_\_ [ ] a new title

[ ] have attached amendments(s)

[ ] do pass

[ ] do not pass

[ ] no recommendations

[ ] individual recommendations

[ ] additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) \_\_\_\_\_

APPROVES PREVIOUS: (Dept/Date) \_\_\_\_\_

[ ] fiscal impact \_\_\_\_\_

[ ] fiscal note(s) \_\_\_\_\_

[ ] zero fiscal note \_\_\_\_\_

[ ] zero fiscal note(s) \_\_\_\_\_

SIGNING <u>DO PASS</u>	DP	<u>OTHER RECOMMENDATIONS</u>	DNP	NR	AM
<i>[Signature]</i>	<input checked="" type="checkbox"/>	<i>[Signature]</i>		<input checked="" type="checkbox"/>	
<i>[Signature]</i>	<input checked="" type="checkbox"/>				
<i>[Signature]</i>	<input checked="" type="checkbox"/>				
<i>[Signature]</i>	<input checked="" type="checkbox"/>				

*[Signature]*  
 CHAIRMAN'S SIGNATURE



HOUSE RESOURCES COMMITTEE

DATE: March 31, 1993

PLACE: Capitol, Room 124

SUBJECT OF MEETING:  
 HB 197 - Alyeska Appropriation  
 HB 239 - Raffle/Auction Big Game Permit

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
Chip Thoma	Self	#2 Marine Way #204	99801			(Y) N	HB 197
Anne Wieland	Kachemak Bay Citizens Coalition	1421 N St Anch	99501	276-5477		(Y) N	HB 197
Dave Kelleyhouse	ADEFG	Box 25524 Juneau	99802	465-4190		(Y) N	HB 239
Russell Heath	AK Environmental Lobby	P.O. Box 22151 Juneau AK 99802			463-3766	(Y) N	HB 197
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	

**HB**

**199**

(9) Date Referred: February 9, 1994 FURTHER REFERRALS: Finance

Date of Committee Action: 2/28/94

The RESOURCES Committee considered: HB 199

HOUSE BILL NO. 199 OIL & GAS EXPLORATION LICENSES/LEASES

"An Act providing for oil and gas exploration licenses, and oil and gas leases, in certain areas of the state; and providing for an effective date."

RECOMMENDATIONS:  the same title  
 be replaced with CSHB 199 (O & G)  a new title  
 have attached amendments(s)  
 do pass  
 do not pass  
 no recommendations  
 individual recommendations  
 additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) APPROVES PREVIOUS: (Dept/Date)  
 fiscal impact \_\_\_\_\_  fiscal note(s) \_\_\_\_\_  
 zero fiscal note \_\_\_\_\_  zero fiscal note(s) DNR / 2-7-94

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>W. Williams</i> Williams	<input checked="" type="checkbox"/>	<i>Carney</i> Carney		<input checked="" type="checkbox"/>	
<i>Green</i> Green	<input checked="" type="checkbox"/>	<i>James</i> James		<input checked="" type="checkbox"/>	
<i>Mulder</i> Mulder	<input checked="" type="checkbox"/>	<i>Davies</i> Davies			<input checked="" type="checkbox"/>
<i>Hudson</i> Hudson	<input checked="" type="checkbox"/>				
<i>Con Bunde</i> Bunde	<input checked="" type="checkbox"/>				

*V.C. Bill Hudson Jr*  
 CHAIRMAN'S SIGNATURE

# FISCAL NOTE

No. 2

Bill Version: CASHB 199 (O&G)

STATE OF ALASKA  
1994 LEGISLATIVE SESSION

BILL (H) Publish Date: 2/9/94

Revision Date: 7-Feb-94 Dept Affected: Natural Resources  
 Title: "An Act providing for oil and gas exploration licenses, and oil and gas leases, in certain areas of the state..." BRU: Resource Development  
 Sponsor: House Rules by request of the Governor Component: Oil & Gas Development  
 Requestor: House Oil & Gas Component Serial No. 439

Expenditures/Revenues		(Thousands of Dollars)				
OPERATING EXPENDITURES	FY95	FY96	FY97	FY98	FY99	FY00
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
<b>CAPITAL EXPENDITURES</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>CHANGE IN REVENUES ( )</b>	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE		(Thousands of Dollars)				
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY94) cost: \$ None

POSITIONS		FY95	FY96	FY97	FY98	FY99	FY00
FULL-TIME		0	0	0	0	0	0
PART-TIME		0	0	0	0	0	0
TEMPORARY		0	0	0	0	0	0

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

The zero fiscal note is predicated on the Division of Oil & Gas being funded to the full level of the Governor's budget request. The Division of Oil & Gas will be the primary administrators of this program and need to be fully staffed to accomplish this task.

Prepared by: Jim Eason, Director Phone: 762-2548  
 Division: Oil & Gas Date: 7-Feb-94  
 Approved by Commissioner: Harry A. Noah Date: 7-Feb-94  
 Agency: Natural Resources

Position Paper  
Department of Natural Resources  
Exploration Licensing Legislation  
HB 199 & SB 150

The Exploration Licensing Bill allows the State to offer large tracts of land (up to 500,000 acres) to potential licensees, with the option of later converting part (or all) of the license to lease, contingent upon the successful completion of the required work commitments. Exclusive licenses will be granted to the company submitting the most comprehensive work plan as expressed in dollars of work commitment.

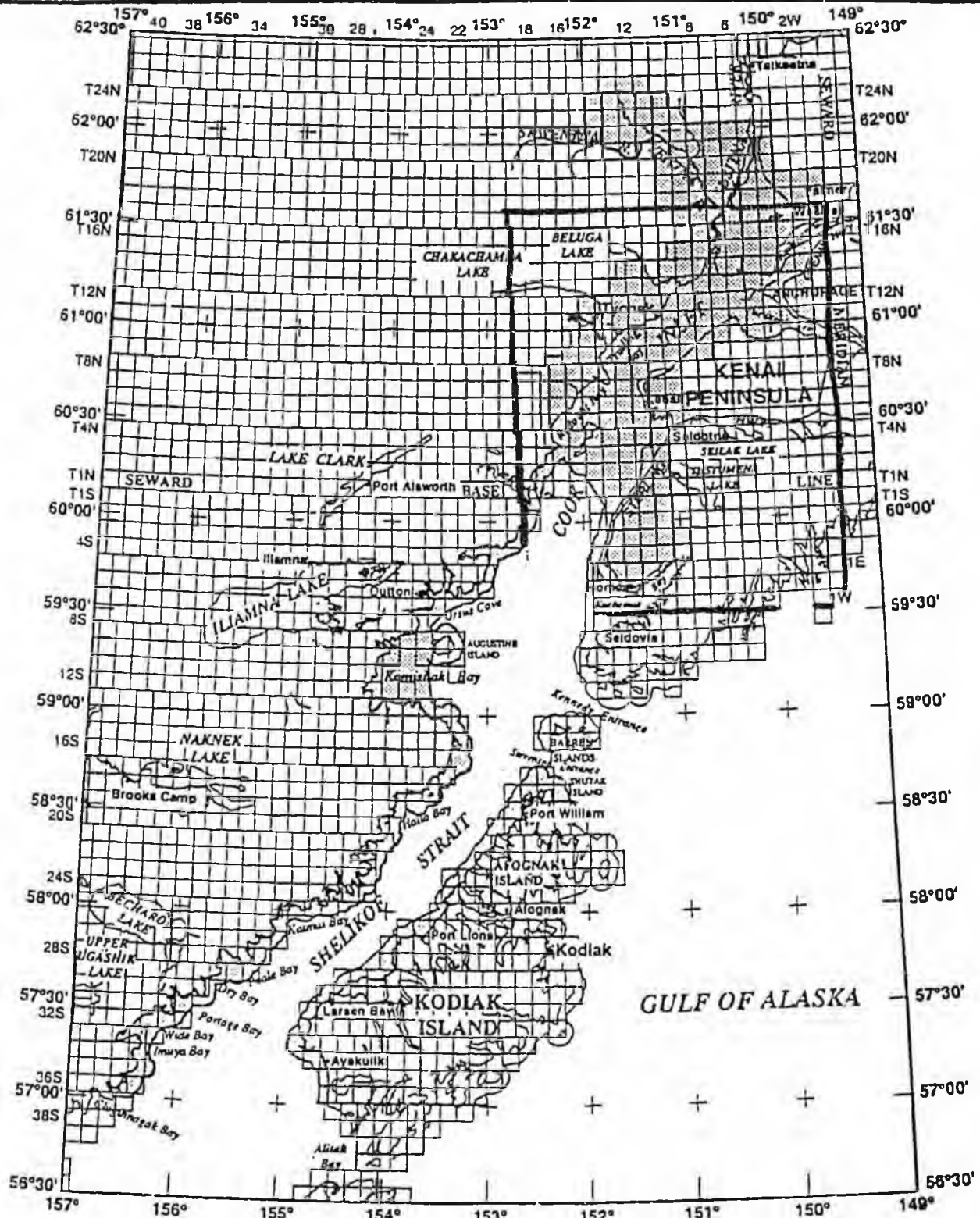
A bond covering the proposed work commitment expense is required, and will be forfeited for that portion of the work that is not completed. The same Best Interest Finding procedures that are currently used for competitive leasing under the state's Five Year leasing program, and the public process that is part of the Finding, remains in-place for exploration licensing. At the end of the license period a lease covering some (or all) of the license area may be awarded.

The Department of Natural Resources will administer this program as it administers competitive lease sales under the existing Five Year Oil and Gas leasing program. The Departments of Fish and Game, Environmental Conservation and Law, as well as other interested local, state and federal agencies, will be involved in the Best Interest Finding. In addition, there will be ample opportunity for public review and comment on the award of proposed licenses, as well as on the terms and conditions of those licenses and any resulting leases.

Governor Hickel's proposal in HB 199 and SB 150 expands the exploration options available in, but does not replace, competitive leasing under the existing Five Year program. Its main purpose is to get companies working in areas of the State that have drawn little (or no) attention under the current leasing program. Similar license/lease programs are offered by most countries worldwide.

The Governor's goal is to get more money "into the ground." The State makes the majority of its income from royalties and severance taxes on oil and gas production, not bonuses and lease rentals. In order to obtain new royalties and severance taxes, we must have new oil being explored for and produced. The only way to find new reserves that may eventually be produced is to have companies actually drilling wells. This bill is intended to expedite the exploration process, which, hopefully, will lead to new commercial discoveries of oil and gas.

Oil and gas exploration always means money and jobs. Likewise, increasing the opportunity to explore and develop new areas can only mean more money and more jobs. Exploring the remaining "underexplored" basins in the state will certainly provide jobs during the exploration phase—jobs for all sorts of people—from geologists to camp cooks. If discoveries are made, more jobs will be created and new revenues will accrue from taxes and royalties. These jobs will be created in geographically diverse areas of the state, contributing to the expansion and diversification of the state's economy.



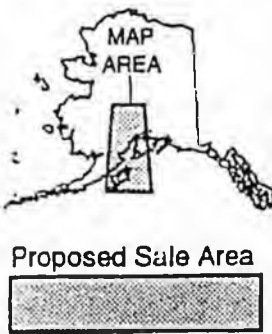
STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL AND GAS

## PROPOSED OIL AND GAS LEASE SALE 85 COOK INLET / SHELIKOF STRAIT

SCALE 1:3,300,000 ONE INCH = 56 MILES approx.

DIRECTOR, DIVISION OF OIL AND GAS <b>JAMES E. EASON</b> <i>[Signature]</i>	DRAWN BY: <i>H.P. &amp; O.D.S.</i> DATE APPROVED: 12-21-92
PETRO. GEOPHYSICIST, <b>JAMES HANSEN</b> <i>[Signature]</i>	CHECKED BY: <i>[Signature]</i> BASE MAP: TRANSPOSED FROM U.T.M. PROJECTIONS BY U.S.G.S. REDRAWN IN AUTOCAD AND CLARIS CAD.

NOTE: NO DECISION HAS YET BEEN MADE ON WHETHER THE STATE WILL HOLD THIS LEASE SALE. THE STATE IS GATHERING SOCIAL ENVIRONMENTAL & ECONOMIC INFORMATION ON WHICH TO BASE A DECISION.

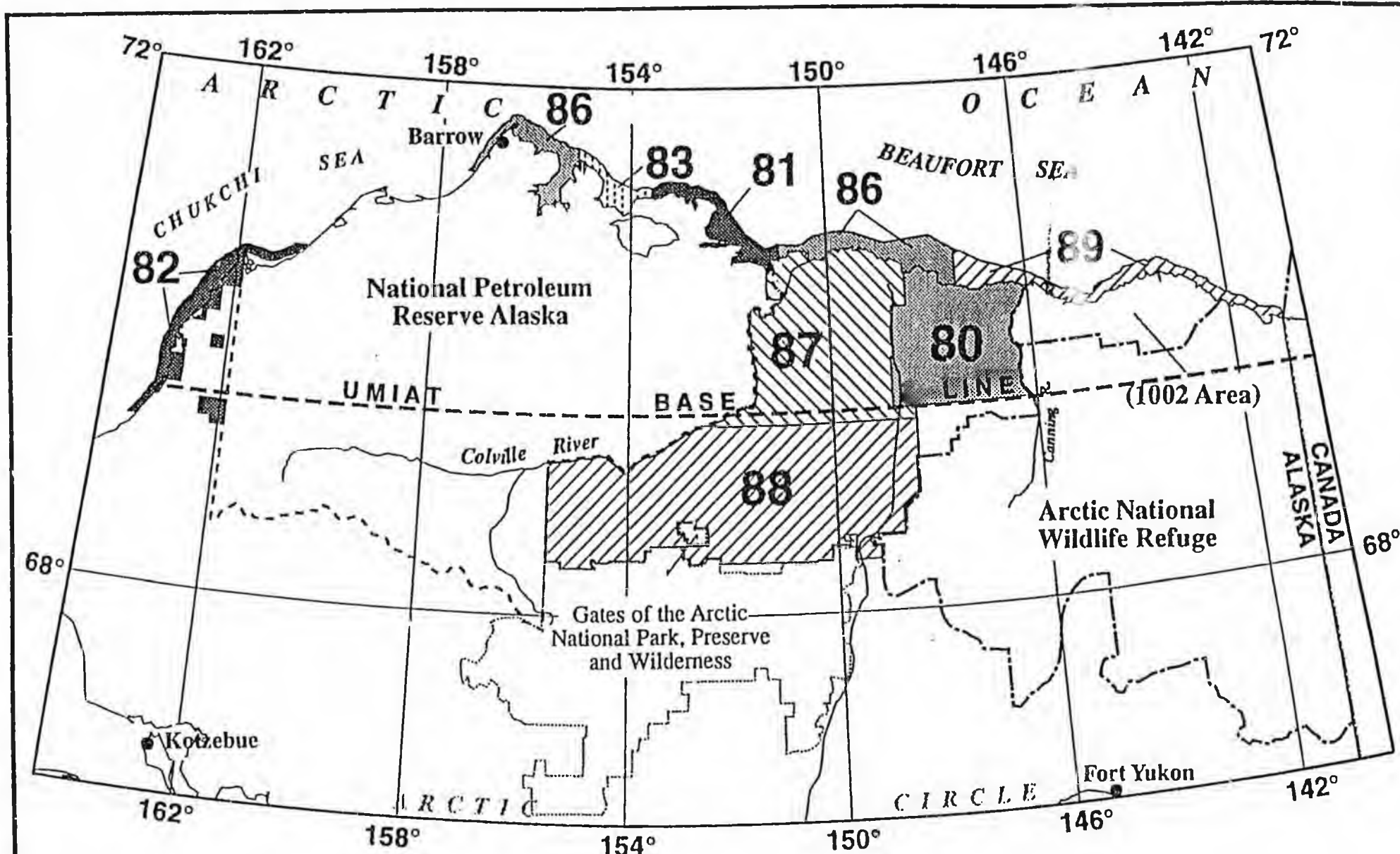


## State of Alaska Revenues

\$ Millions

<u>Fiscal Year</u>	<u>Oil &amp; Gas Severance Tax</u>	+	<u>Oil &amp; Gas Gross Royalties</u>	+	<u>Lease Bonus Sales</u>	+	<u>Petroleum: Other Tax &amp; Settlements</u>	=	<u>Total Petroleum Revenues</u>
1959-69	9		29		96		89		223
1970	8		19		900		12		939
1971	11		24		0		12		47
1972	11		25		0		12		48
1973	12		24		4		11		50
1974	15		29		25		12		80
1975	27		40		1		23		90
1976	28		43		0		320		392
1977	24		46		0		421		491
1978	108		199		0		185		492
1979	174		332		0		399		906
1980	507		918		457		720		2,601
1981	1,170		1,502		14		1,011		3,697
1982	1,582		1,553		10		838		3,983
1983	1,494		1,447		73		443		3,457
1984	1,393		1,409		17		418		3,237
1985	1,389		1,390		24		321		3,124
1986	1,108		1,098		70		753		3,029
1987	649		592		1		337		1,578
1988	819		954		11		607		2,391
1989	699		819		23		533		2,074
1990	1,002		1,004		0		385		2,391
1991	1,285		1,293		38		690		3,306
1992	1,053		936		5		628		2,622
	<u>14,573</u>		<u>15,724</u>		<u>1,770</u>		<u>9,181</u>		<u>41,248</u>

Source: Alaska Dept. of Revenue, Revenue Sources Book, Fall 1992



### North Slope Areas Proposed For Leasing

Sale	Date
80	11-94

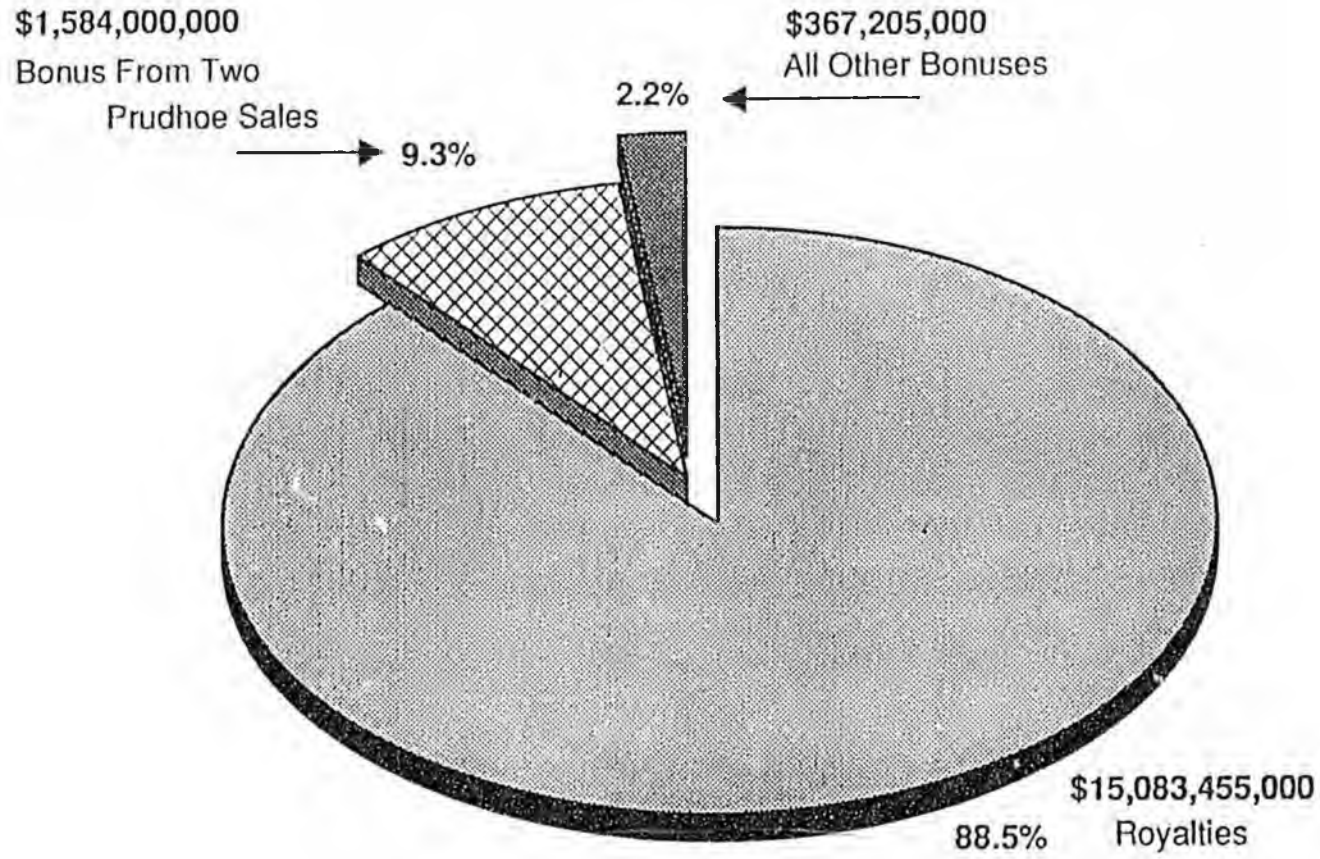
Sale	Date
81	4-95
82	7-95
83	11-95

Sale	Date
87	4-97
88	7-97
89	11-97

86	11-96
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Scale 1: 5,000,000 Approx.  
 0 100 200 Miles 11/93

# Comparison of Royalties and Bonuses FY'65-FY'92



**COMPARISON OF HB199, OCTOBER 25 DRAFT  
& PROPOSED HSE O&G CS (VERSION "I")**

Prepared by O&G Committee Staff 1-28-94

	HB 199	October 25 Draft	Proposed O&G CS (version "I")
<b>Geographical Restrictions</b>	All state land with insufficient geological or geophysical information, unleased state land and land previously available for lease is available for exploration licensing.	Land north of the Umiat Baseline, certain areas of Cook Inlet, and the areas defined in pending lease sales 80, 87 & 88 are excluded. Other state land is available.	Land north of the Umiat Baseline, certain areas of Cook Inlet, and the areas defined in pending lease sales 80, 87 & 88 are excluded. Other state land is available.
<b>Minimum Work Commitments</b>	Must fulfill work commitment by the end of the license term.	Must complete at least 25% of work commitment by end of the 4th year.	Must complete at least 25% of work commitment by end of the 4th year.
<b>Relinquishment</b>	No requirement provisions.	No relinquishment required if 50% of work commitment is completed by end of 4th year. If 50% not completed by end of 4th year, 25% of the original acreage must be surrendered, with an additional 10% of the remaining acreage surrendered each year - to a maximum of 50%.	No relinquishment required if 50% of work commitment is completed by end of 4th year. If 50% not completed by end of 4th year, 25% of the original acreage must be surrendered, with an additional 10% of the remaining acreage surrendered each year - to a maximum of 50%.
<b>Bonding</b>	Bonding required for the total work commitment. If work commitment not completed, forfeit remaining amount of bond.	Calculated annually as the entire work commitment expressed in dollars, less cumulative expenditures, divided by the number of license years remaining.	Calculated annually as the entire work commitment expressed in dollars, less cumulative expenditures, divided by the number of license years remaining.
<b>Competitive Bidding</b>	Oral outcry auction. Bid awarded to highest work commitment expressed in dollars.	Competitive sealed bids. Award goes to highest dollar-amount work commitment. Allowed expenditures are defined by statute. (Depreciation, interest & insurance premiums are NOT allowed as an expense. Drilling, logging, testing and evaluating oil & gas wells are allowed as an expense.)	Competitive sealed bids. Award goes to highest dollar-amount work commitment. Allowed expenditures are defined by statute. (Depreciation, interest, & insurance premiums are NOT allowed as an expense. Drilling, logging, testing and evaluating oil & gas wells are allowed as an expense.)
<b>Acreage Chargeability</b>	License area of not more than 500,000 acres. Upon fulfillment of work commitment all or part of area can be converted to lease, with 30,000 tracts. Not subject to AS 38.05.140(c) acreage limitations. Annual rental is \$3 per acre.	License area of not <i>less</i> than 20,000 acres, and not <i>more</i> than 500,000 acres. Upon fulfillment of work commitment all or part of area can be converted to lease, with standard tract size. Subject to acreage limitations of AS 38.05.140(c). Annual rental is \$3 per acre.	License area of not <i>less</i> than 20,000 acres, and not <i>more</i> than 500,000 acres. Upon fulfillment of work commitment all or part of area can be converted to lease, with standard tract size. Subject to acreage limitations of AS38.05.140(c). Annual rental is \$3 per acre.

WALTER J. HICKEL  
GOVERNOR



P. O. Box 110001  
Juneau, Alaska 99811-0001  
(907) 465-3500

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

LLB 199

March 5, 1993

*The Honorable Ramona L. Barnes  
Speaker of the House  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182*

*Dear Speaker Barnes:*

*Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill authorizing oil and gas exploration licenses for tracts of state land up to 500,000 acres in size and providing for subsequent leasing of some or all of the acreage subject to the license.*

*The bill is designed to encourage the exploration and development of areas within the state with undetermined oil and gas potential. In contrast to the provisions of the state's existing competitive oil and gas leasing program, the bill would allow the state to issue licenses covering relatively large tracts to licensees based upon their commitment to perform certain exploration programs, the monetary value of which has been predetermined. The bill is not intended to replace the state's competitive leasing program; rather, it is intended to provide an effective alternative to encourage exploration in those areas that traditionally have not attracted the interest of explorationists under the state's current leasing regime.*

*Under the bill, either the state or a prospective licensee could nominate an area of unidentified oil and gas potential, consisting of reasonably compact and contiguous acreage that should be subject to a license. The commissioner of natural resources would be authorized to impose reasonable work commitments on the licensee with respect to the license area. Subsequent to the successful completion of the predetermined work commitment, the licensee could convert portions or all of the*

~~ORIGINAL~~

COMMITTEE COPY

The Honorable Ramona L. Barnes

March 5, 1993

Page 2

HB 199

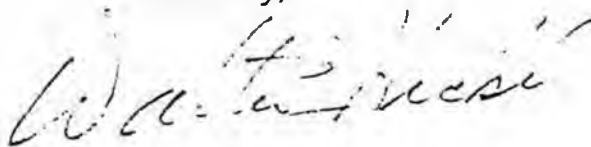
acreage to one or more leases, each not to exceed 30,000 acres in size. The imposition of the required work commitment and the requirement to pay an annual rental on acreage subject to lease are together intended to discourage warehousing of acreage that the licensee does not intend to explore or develop. The commissioner is authorized to include reasonable conditions and obligations in the leases arising from conversion of licenses.

A license proposal would require public notice and the opportunity for competing proposals by other prospective licensees as well as the opportunity for public comment. The commissioner of natural resources would be required to make a finding that issuing a license is in the best interest of the state.

The exploration and potential development of Alaska's remote and underexplored basins will be further encouraged by the adoption of the licensing and leasing methodology contained in this bill.

I urge your prompt and favorable consideration of this bill.

Sincerely,

A handwritten signature in cursive script, appearing to read "Walter J. Hickel".

Walter J. Hickel  
Governor

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..(13) "park and recreation land" means land chiefly valuable for public park and recreation use:

(14) "preference right forest lease" means a lease granted to a lessee whose United States Forest Service term special use permit was cancelled to allow the land under permit to be selected by the state:

(15) "preference right grazing lease" means a grazing lease granted to a lessee whose federal grazing lease was cancelled to allow the land under lease to be selected by the state:

(16) "public water" means navigable water and all other water, whether inland or coastal, fresh or salt, that is reasonably suitable for public use and utility, habitat for fish and wildlife in which there is a public interest, or migration and spawning of fish in which there is a public interest;

(17) "rule of approximation" is the rule which is applied in determining whether or not a lease complies with the area limits set forth in this chapter and regulations adopted under it and in keeping the boundaries of leased land coincidental with legal subdivisions; under the rule, if the area covered by a lease in excess of the permitted maximum is smaller than the area of any deficiency that would result by eliminating from the lease the smallest legal subdivision covered by the lease or application for lease, the excess area will be permitted to remain in the lease; if the excess area is greater than the deficient area would be, then the smallest legal subdivision will be eliminated from the lease;

(18) "shoreland" means land belonging to the state which is covered by nontidal water that is navigable under the laws of the United States up to ordinary high water mark as modified by accretion, erosion, or reliction;

\* } (19) "state land" or "land" means all land, including shore, tide and submerged land, or resources belonging to or acquired by the state; } \*

(20) "submerged land" means land covered by tidal water between the line of mean low water and seaward to a distance of three geographical miles or further as may hereafter be properly claimed by the state;

(21) "tideland" means land that is periodically covered by tidal water between the elevation of mean high water and mean low water:

(22) "timber land" and "material land" mean state land chiefly valuable for materials, including, but not limited to, sand, stone, gravel, pumice, common clay, or timber and other forest products;

(23) "university land"

(A) means

(i) all sections 33 reserved to the university under 38 Stat. 1214, as amended;

(ii) all land granted to or reserved for the benefit of the university that retains its designation as university land;

## Exploration License

### Summary

#### OBJECTIVE

- ENCOURAGE MORE EXPLORATION
- MINIMIZE DIRECT COST TO STATE
- SHORTEN TIME TO DISCOVERIES
- REDUCE RISK/COSTS OF EXPLORATION
- DISCOURAGE LAND SPECULATION
- MAINTAIN COMPETITION FOR STATE RESOURCES

#### CONCEPT

- SUPPLEMENTS LEASING PROGRAM
- LICENSE GRANTED FOR ACTIVITY COMMITMENT
- COMMITMENT SECURED BY PERFORMANCE BOND
- LEASE CONVERSION UPON WORK COMPLETION
- LEASE TERMS ATTACHED TO LICENSE

#### PROCEDURE

- UNLEASED STATE LAND IDENTIFIED
- EXPLORATION EXPENDITURES PROPOSED
- COMPETITIVE PROPOSALS INVITED
- SELECTION/BEST INTEREST FINDING MADE
- LICENSE/LEASE TERMS FINALIZED
- ACTIVITY PERMITS ACQUIRED
- ACTIVITY CONDUCTED
- LICENSE CONVERTED TO LEASES

## EXPLORATION LICENSING

### KEY ASPECTS

#### PROTECTS STATE'S INTEREST

- ENOUGH TIME FOR COMPETITION TO MATURE
- STATE CAN REJECT ANY PROPOSAL
- SUPPLEMENTS EXISTING LEASE PROGRAM
- LICENSE CONVERTS TO SMALLER LEASES
  - EXISTING RULES THEN APPLY
- PUBLIC BEST INTEREST FINDING MADE
- PERFORMANCE BOND ENSURES WORK GETS DONE
- SHIFTS ANALYSIS TO INDUSTRY
- COMMERCIAL DEVELOPMENT YIELDS ROYALTY TAXES

#### ENCOURAGES EXPLORATION/DEVELOPMENT

- CAPITAL GOES TO ACTIVITY NOT BONUS/RENTAL
- SHORTENS TIME FOR EXPLORATION
- FITS WITH TAPS INFRASTRUCTURE TIMING
- LAND SIZE FITS WITH EXPLORATION
- SECURITY OF TITLE ACHIEVED
- OWNERSHIP WORKED OUT AHEAD OF DISCOVERY
- REDUCED COSTS/RISKS

# BUSINESS

## Bills aim to speed oil exploration

### Licensing, data exchange plans hoped to offset Prudhoe decline

By IAN MADER  
The Associated Press

JUNEAU — The Hickel administration has proposed legislation that it says would promote quicker exploration of the state's oil reserves.

One bill would allow oil companies to apply for licenses to explore large tracts at once, bypassing the need to collect enough contiguous smaller tracts at state lease auctions to make exploration practical.

Under Senate Bill 150 and House Bill 199, a company would get a large-area license by committing to do the exploration soon and posting a bond to guarantee the work.

Ken Boyd, deputy director of the state Oil and Gas Division, said auctions often leave several contiguous tracts in the hands of different companies, which would have to team up for exploration. They often do not agree on when to start drilling.

Licensing would remove that delay, he said. "There's no hemming and hawing. You put down your bond and away you go."

Competition would not end under licensing, he said. Once a company applied for a license, other companies could make counterproposals to the state. State officials would choose the best proposal. If the company found oil, it would have the option

to lease the land.

Arco Alaska Inc., the biggest supporter of "exploration licensing," says the idea could help make Alaska more attractive to new oil companies and those that have been leaving the state for foreign prospects.

"We think it will attract new investors by cutting as much as a decade from the time required to find and develop a new Alaska oil field," Arco vice president James M. Davis told the Juneau Chamber of Commerce last week.

BP Exploration (Alaska) Inc. says it

Please see D-6, LICENSING

## LICENSING: Hoped to entice more oil firms

Continued from Page D-4

prefers the competitive lease process for known oil-rich areas such as the North Slope and Cook Inlet, but would support licensing for basins in interior Alaska.

Rep. Joe Green, R-Anchorage and chairman of the House Oil and Gas Committee, said a company's support for the idea "will depend how cash-rich they are at the moment."

Arco apparently has the cash. The company says it will spend \$900 million on Alaska exploration in the next five years.

BP recently slashed its Alaska operations and has not announced an exploration spending plan, but has said it will drill three wells this year and take part in a fourth.

Boyd said the legislation is not necessarily intended for the North Slope, and that the natural resources commissioner could say that licensing would only apply in remote basins in interior Alaska.

BP spokesman Tom Williams said the company would not support the bill unless it had more provisions to guarantee millions of acres of unleased North Slope land would not be licensed in large blocks.

"We like the bidding process," Williams said. "In large-block licensing there's enough blanks to be filled in that we just don't know."

Smaller companies have worried that they won't have enough capital to apply for a large-block license, Boyd said. Unless such companies team up with others, they probably should not be drilling in the interior anyway, he said.

"I don't want somebody to go out into a basin and not be financially responsible to do the work," Boyd said. "Unfortunately, Alaska is not a good place for the smaller independents. It's remote, it's large, it's cold."

The commitment to exploration also will prevent speculators from holding potential oil fields for years, Boyd said.

Rep. John Davies, D-Fairbanks, said he's concerned the speedy timetable under licensing might compromise public review that would examine environmental effects and look at alternative uses for the land.

"It seems to me that both Arco and BP have announced increased exploration in the next decade," he said. "I'm skeptical as to whether we really need any incentives."

Under another Hickel proposal, the state would pay up to half of a company's exploration costs on non-state lands in exchange for data that could shed light on the prospects for nearby state land, Boyd said.

Under SB151 and HB200, the state would use that information to market the nearby state land, Boyd said.

"Any information we can get on these strange interior basins, so much the better," Boyd said.

Green said both proposals could help offset the decline in Prudhoe Bay oil production.

"OK, we've driven a lot of oil companies out with unstable taxing," Green said. "These measures say, 'Look, we're trying to come up with ways of enticing you back into the state.'"

**ALASKA POLICY FORUM : A paid message for Alaskans about oil and the economy**

LEGISLATIVE DIGEST Aug./Sept 93

**Doyon Drilling, Inc. J.V.**  
Anchorage, Alaska  
(907) 563-5530

**Northrim Bank**  
Anchorage, Alaska  
(907) 562-0062  
*Supporting intelligent development of Alaska's resources*

**Flowline Alaska**  
Fairbanks, Alaska  
(907) 456-4911

**Holiday-Parks, Inc.**  
Fairbanks, Alaska  
(907) 452-7151  
*The source for custom sheet metal fabrication*

**LCMF Limited**  
Anchorage, Alaska  
(907) 562-1830  
*Engineers, project managers, surveyors and architects. Specializing in complete engineered fuel systems.*

**Unitech of Alaska**  
Anchorage, Alaska  
(907) 349-5142  
*Providing materials to Alaska/Pacific Northwest to help keep our environment clean*

**Crowley Marin**  
Anchorage, Ala  
(907) 563-1114  
*Ro/Ro barge service, assist, bunker, environmental, transportation & petroleum terminal installation*

**Sahlberg Safety**  
Anchorage, Ala  
(907) 276-5494  
*Providing Alaska with quality industrial equipment for 4*

Post-it™ brand fax transmittal memo 7671	# of pages ▶	7
To	From	Donna
Co.	Co.	U I T
Dept.	Phone #	541-5585
Fax #	Fax #	561-4577

# Bangladesh does it. Greenland does it. Mongolia does it.

There's probably lots of undiscovered oil in Alaska, enough to keep the trans-Alaska pipeline operating for years after our known North Slope fields run down.

But we'll never produce it unless we find it.

And we'll never find it if we don't drill.

We need to stimulate more oil exploration, in all parts of Alaska.

To do this, we need a new tool added to our existing state oil and gas leasing program. It's a concept new to Alaska, but commonly used for years overseas, and even by Alaska Native corporations on private lands in Alaska.

A proposal to create that tool, as a supplement to Alaska's existing leasing program, is now before the state legislature.

**"Exploration licensing" has been used for years in at least 63 countries, including the U.S.**

All over the world, variations of exploration licensing are used. From Abu Dhabi and Dubai; to Angola, and Chad; Argentina to Columbia, Ecuador and Costa Rica; China and India to Ireland, Denmark and Greece, exploration licensing is used to stimulate new oil exploration. Mongolia and Greenland have just adopted it. The U.S. government uses it on certain federal lands.

Basically, exploration licensing gives an oil company the right to explore in large blocks of land, which gives the company's geologists the flexibility to test new theories of how oil is deposited deep underground.

It streamlines the process of exploration by making large areas of land available sooner than under the state's current leasing system,

All over the world, variations of exploration licensing are used. From Abu Dhabi and Dubai; to Angola, and Chad; Argentina to Columbia, Ecuador and Costa Rica; China and India to Ireland.

**A paid message for Alaskans about oil and the economy**

and without changing environmental requirements.

It is also "market driven." The companies can tell the state which lands they are interested in exploring. The state doesn't have to guess what acreage the industry is interested in acquiring.

ARCO Alaska's recent discoveries on the North Slope and in Cook Inlet show what just one company can do when it turns its exploration staff loose to test new geologic theories.

Those theories led directly to new oil finds in the Sunfish discovery in the inlet and on the Colville River delta of the North Slope.

We need a lot of companies like ARCO exploring.

Senate Bill 150 and House Bill 199, now in advanced stages of consideration in the legislature, would provide the tool to get more companies exploring in Alaska.

Exploration licensing streamlines the process of exploration by making large areas of land available sooner than under the state's current leasing system, and without changing environmental requirements.

There's nothing wrong with Alaska's current leasing system. It works fine in parts of the state with known oil discoveries and production.

But it doesn't do much to attract exploration dollars into high-risk, unknown parts of the state, where there is geologic potential but no previous discoveries.

Exploration licensing is designed precisely for these new, unknown areas.

Our current system leases tracts in relatively small sizes, about 5,600 acres, and in competitive "bonus bid" sales. These are auctions where the winner is the company, or group of companies, that offers the largest cash "bonus" payment to the government, in addition to paying rentals on the lease and royalties from any production.

The problem with small lease tracts is that it takes time for companies to consolidate land rights over several geologic targets its geologists are interested in, which which are usually broadly dispersed in a new, unexplored basin.

*(Continued next page)*

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*(Continued from preceding page)* That's because competitive bidding can create complex lease ownership over geologic prospects. If different companies wind up owning small-size leases over a prospect with marginal potential, it may take years to negotiate the complex agreements needed to finance the drilling of a well. That often happens under Alaska's current leasing system.

Another problem with competitive bonus-bid sales, in new and unexplored regions, is that it puts money into the government's treasury that could have gone for drilling wells. In the long term, drilling wells and finding new oil will make much more money for the public treasury.

**A better approach in frontier areas is to give exploration companies, either by themselves or in groups, the opportunity to get a "hunting license" over a larger area.**

That's the idea behind the legislation now pending in Juneau.

Companies whose exploration staffs have new ideas can propose an exploration program to the State of Alaska. The Commissioner of Natural Resources would be free to invite competing proposals, and then choose which group offers the best exploration proposal.

A performance bond, or some other instrument, guarantees to the state that the exploration work promised will get done. All existing environmental laws will apply.

When the proposed work is done, the explorers have the option of converting their discovery into a conventional state oil and gas lease. That gives them the incentive to invest in exploration.

After a discovery, the state has the option to bring its current leasing system into play, leasing nearby unleased acreage under competitive bonus bids.

Another problem with competitive bonus-bid sales, in new and unexplored regions, is that it puts money into the government's treasury that could have gone for drilling.

Exploration licensing can speed up the discovery and development of new oil fields, generating new revenues for the state.

**A paid message for Alaskans about oil and the economy**

In the legislature, the problems in SB-150 and HB-199 are being worked out. It's no surprise that there are differences of opinion over a new idea like exploration licensing. There are differences between the major oil companies operating in Alaska, and concerns by independent oil companies and small investors who fear being "locked out" of exploration licensing. Most differences between oil companies have been worked out, and other concerns are

being addressed by the legislature. The senate version of the bill, SB-150, has already gone through substantial modifications. Legislative committees will consider both bills again in 1994. Among problems still being worked out is the bonding provision, which is intended to guarantee that exploration commitments are actually carried out. The bond needs to be large enough to provide a serious penalty to a company that abandons its commitment to explore. But it also must be structured to allow smaller companies, not just large oil firms, to participate in exploration licensing.

Another problem is "relinquishment" of acreage, where a certain amount of acreage in a license is given up each year as an exploration program proceeds. This is intended to guarantee a company will aggressively explore, and not just "warehouse" acreage.

But there are differing views. Some feel it will do the opposite, and encourage warehousing (the feature may become an incentive to accumulate more acreage than is really needed). Another problem: Periodic review of ongoing exploration by state officials. The State of Alaska needs some mechanism to oversee the progress of exploration under licenses, but some in industry worry that this could inject bureaucratic, or political, meddling. Exploration licensing can speed up the discovery and development of new oil fields, generating new revenues for the state and economic opportunities for Alaskan businesses and workers. The whole idea of licensing is to turn the explorers loose to find oil.

In the legislature, the problems in SB-150 and HB-199 are being worked out. It's no surprise that there are differences of opinion over a new idea like exploration licensing.

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*(Continued next page)*

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## Around the world, exploration licensing is the way things are done

*(Continued from preceding page)* Exploration licensing is really the normal method for exploring for oil and gas. It is used by the U.S. government on certain federal lands, and even in Alaska, by Alaska Native corporations, on their own private lands.

Here are the countries around the world that allow exploration licenses on large blocks of land:

Abu Dhabi	Israel
Algeria	Italy
Angola	Ivory Coast
Argentina	Jamaica
Australia	Jordan
Bahamas	Kenya
Bangladesh	South Korea
Belize	Malaysia
Benin	Malta
Bolivia	Morocco
Burma	Netherland Antilles
Chad	Nicaragua
Chile	Niger
China	Nigeria
Columbia	Panama
Costa Rica	Paraguay
Denmark	Portugal
Dominican Republic	Qatar
Dubai	Ras Al-Khaimab
Ecuador	Somali
Egypt	Sudan
Fiji	Switzerland
French Guiana	Syria
Gambia	Taiwan
Greece	Tunisia
Greenland	Turkey
Guatemala	Umm al-Qaiwain
Haiti	United States
Honduras	Uruguay
India	Vietnam
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**Part Two, Exploration Incentive Tax Credits**

In addition to licensing, Alaska has another tool to encourage new exploration, particularly by smaller companies. The program, DNR's Exploration Incentive Credit (EIC) system is already in existence. It allows, on certain leases, explorers to apply for a credit against tax or royalty paid to the state of up to 50% of drilling and geophysical costs on new exploration.

Modeled after Alberta's successful tax credit system, it has been law since the late 1970s, and was implemented by DNR in the 1980s. It has been underutilized because its scope is limited to just state lands and it can be administered only through the present leasing system. Nonetheless, the system has helped in at least two new discoveries on the North Slope.

What is proposed in Senate Bill 151 and House Bill 200 is an expansion of the EIC program that would broaden its scope to include federal and private lands, thus making it more usable by explorers, including smaller Alaska-based companies, exploring for oil outside the present state leasing system.

Another problem has been that the program allows credits only where they have been provided for ahead of time in leases, before those leases were issued. SB-151 and HB-200 make it possible for companies to petition the commissioner of DNR for tax credits after the lease is in place or, in the case of non-state lands, where there is no state lease involved.

Including non-state lands makes sense because on both federal and private lands the state still receives severance taxes. In fact, under present law, 90% of oil and gas tax revenues from federal land go to the state, and just 10% are remitted to the federal government.

Unexplored basins often include a combination state, private and federal lands. Therefore, if a successful prospect is drilled on private or federal land, it could yield tax revenues, as well as enhance the value of nearby state lands.

SB-151 and HB-200 would impose a \$50 million "cap" on the EIC program. It would be in effect for 10 years, after which the legislature would evaluate the program.

What is proposed in SB 151 and HB 200 is an expansion of the Exploration Incentive Credits program that would broaden its scope to include federal and private lands.

If a successful prospect is drilled on federal or private land, it could yield tax revenues, as well as enhance the value of nearby state lands.

In fact, under present law, 90% of oil and gas tax revenues from federal lands go to the state, and just 10% are remitted to the federal government.

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**Conclusion**

The bad news is, the decline of Prudhoe Bay production has begun, as has the exodus of the petroleum industry from Alaska. This pattern reflects a national trend. US oil companies are going outside the country with their exploration and development capital, and domestic production is in decline.

The good news is, our state lawmakers can do something about it. Alaska is largely unexplored, and most of what has been explored was done by using now out-dated concepts and technology. Government and oil industry experts believe Alaska has vast quantities of oil that is recoverable at today's prices. Some oil companies, including some with significant investments in Alaska's petroleum infrastructure, are interested in stepping up exploration activity in Alaska. They are pushing for an updated licensing program that will allow them to do just that. Others want an extension of the EIC program to provide further incentive for exploration.

The enhancement of our oil and gas leasing program proposed in the legislation should be viewed as part of a long-term economic strategy to create a stable economic base for Alaska. The problem of revenue shortfalls is attributed to declining oil production from the Prudhoe Bay field. But the real source of the problem is Alaska's historical reliance on megaprojects.

Our good fortune in the past has limited our vision of the future. We want to believe in the discovery of a second Prudhoe Bay, in ANWR, in gas and water pipelines. We hope for grandiose projects to secure our economic future, instead of creating state policy that is conducive to long-term, sustained development of more modest resources, such as smaller oil fields. The result has been a boom and bust economy.

At its peak, Prudhoe Bay was responsible for 25% of all the oil produced in the US. It accounts for 80% of Alaska's oil production. Fields of this size are rare, and it's the only one discovered to date in the Western Hemisphere.

It would be less risky to have several smaller fields in production at any one time, with new ones coming on-line as production from existing fields declines. As mentioned earlier, exploration for new discoveries has declined in recent years. Alaska has just one, possibly two, new fields scheduled to come on-line under current economic conditions.

Increased exploration will probably not yield another Prudhoe Bay and hence singlehandedly recharge Alaska's economy or solve the state's fiscal shortfalls, but it can make a very important economic contribution for years to come.

**We hope for grandiose projects to secure our economic future, instead of creating state policy that is conducive to long-term, sustained development of more modest resources, such as smaller oil fields.**

ALDEZ STAR.  
JAN 5, 94

## OPINION

CLIFF BURGLIN...

*At Large*



by Cliff Burglin  
Special To The Star

The legislature convenes January 10. Balancing the budget with less oil income will be high on the legislative agenda.

Isn't it amazing that the Governor and the majority of the legislature only consider raising taxes or adding taxes as the only means to make state ends meet.

Despite billions of acres of federal and state land that could and should produce billions of dollar worth of oil, gas and minerals that would make Alaska the wealthiest piece of real estate on the face of the earth, all the Governor and the legislators and our two, statewide "Daily News" papers can think of or talk about is raising and imposing taxes on Alaska's minimum wage workers and the middle class small businesses and their employees.

The Governor and the legislators don't even discuss putting more land into private hands or leasing oil and gas basins that would bring in tens of millions of dollars per year in rentals and production. Plus jobs. Jobs by the thousands.

The only effort to bring more land into exploration is HB199, the so called "licensing bill" that would cost Alaska even more money by paying the major oil companies from the state coffers to take all of Alaska's last, best onshore and offshore state oil basins. This licensing bill would legalize the corruption of the multinational oil companies and the state government.

This bill (HB199) allows companies at no cost, except for attorney's fees, to take millions of acres of the best state land and tie it up for decades.

Basically, these contracts would be negotiated by one man, the head of the Division of Oil and Gas. Who also turns out to be an ex Arco employee. Arco, as I have pointed out, has written HB 199. Governor Hickel is using all of his formidable powers to push it through the legislature into law. If this bill becomes law, Alaskans might just as well deed the state over to the multinational oil cartel.

It will mean fewer jobs, higher costs, lower pay, and will close off all of the licensed land to any other activity. Just as the North Slope oil fields and the pipeline corridor already are.

No one but multinational personnel will be able to hunt, fish, snowmachine, backpack, or sightsee on any of these contract licensing areas. The oil company security, backed by the state police, will take care of trespassers. Every Alaska citizen would become a trespasser. Is this the future that we have promised our children and their children? A Police State run by the multinational oil companies and their professional econ-hypocrite, multinational, Alaskan accomplices.

In case you missed one of my columns, the private environmentalists have a yearly budget of \$1 billion \$180 million dollars and answer to no one. Contrary to popular belief, their main purpose is to protect the multinational corporations from competition. Eco hypocrites get most of their money from multinational corporations and their affiliate foundation and families.

Alaskan should not become too concerned about Arco's 15 thousand gallon oil spill. Oil is a natural product and there are oil seeps throughout the state of Alaska that naturally spill this much oil every month.

Two large seeps are in the Barrow and Umiat area. There are thousands more throughout the state. Maybe the Governor and the legislature should pass a law against their favorite girl friend (Mother nature).

By this time, Alaskans should know that no laws can keep or prevent a multinational oil company from having careless accidents.

Alaskans, we don't need higher taxes, or more taxes or fees. We need a Governor and legislators who will not sell us out to the major oil companies, the non-Alaskans eco hypocrites, and the overpaid, too numerous, state bureaucrats.

Feel free to send a copy of any of my articles to Governor Hickel or your legislators.

To: Resource Committee  
Alaska Delegation

My name is Clifford Burglin. I represent at least 500 people in the Fairbanks area.

I am opposed to HB 199 in any form for the following reasons:

Amerada Hess; Amoco (alias Standard of Indiana); Arco; BP; Chevron (alias Standard Oil Company of California and also a part of the Saudi-Aramco consortium that markets eight to ten million barrels per day of Saudi oil); Conoco; Exxon (alias Standard Oil of New Jersey and also part of Saudi-Aramco consortium); Marathon; Mobil (also known as Standard Oil Company of New York and also part of Saudi-Aramco consortium); Murphy Oil; Petrofina; Phillips Petroleum; Texaco (also a partner in the Aramco consortium); Union-Texas and Unocal all own and have under lease three to four million acres in the State of Alaska that they have not fully explored or developed.

You legislators can find this information on any status map which should be readily available from the Department of Natural Resources.

I also keep track, on a daily basis, of oil industry activity throughout the world. For instance, how many of you legislators know that BP, Alaska's largest producer has recently discovered five hundred million to a billion barrels of oil in the North Sea with Shell Oil as their partner?

BP also has discovered in excess of one billion barrels of oil in Columbia, which is much closer to their Gulf of Mexico refineries than is Alaskan oil.

These companies are the ones who are pressuring you to pass HB 199 not so that they can increase development and exploration in Alaska, but only to keep any competition out. The proponents of this bill claim that it will increase revenue to the State of Alaska, provide jobs and help find more oil. The main reason the above companies promote this legislation is to make sure that no other companies or individuals will have access to state land.

It is true that they have these exploration licensing agreements in other countries. It is also true that the citizens of these other countries standard of living is among the lowest in the world. The rulers are rich and their people are poor.

If this Alaska legislature passes this bill in any form, the oil companies will have no need for any of you or us. You will have given them absolute and complete control of the states land and resources, both surface and subsurface.

If you pass the bill or anything like it, you will find the companies that have been financing your campaigns will not be so

generous in handing out their money for your re-election. You will be representatives of a state that no longer controls its own land and resources. Alaska will be like a corporation that no longer has any land and resource assets.

Another point that I would like to make is that the people who will be administering the licensing program are in the Department of Natural Resources, a department that has proven itself to be unstable, unreliable and incompetent. An example of this instability is that during the Hickel administration there have been three commissioners in three years.

Another point to make is that the reason production in Alaska is declining is not for lack of discoveries. Alaska could produce another two million barrels per day. It is because of the worldwide oil glut and the non competitive price of Alaskan oil due to the high overhead of the producing companies and lack of competition. BP's overseas discoveries only add to Alaska's non competitiveness, these are other good reasons not to let these companies have more of Alaska's land.

It will take great courage for you legislators to stand up to the multinational oil companies on behalf of the people who elected you. If you don't kill this bill and any other bill like it, you will have destroyed the productive economy of Alaska for all time.

A copy of this newsletter is being faxed to all of the news media in the state of Alaska.

Cliff Burglin

February 25, 1994

I have a request to make of each and everyone of my readers. Please go to your local legislative information Office (LIO) and ask for a copy of House Bill 199 and Senate Bill 150. Read and study these bills and discuss them with your Representative and Senator. The chances are good that few legislators have ever read these bills and fewer yet have studied them. It is extremely doubtful if ten percent of the total legislature knows what effect the passage of these bills in any form will have on every Alaskan citizen.

Ask the owners and editors of your local paper to print a copy. Demand to know what his or her stand is.

This legislation will determine the economic future of this state. If either of these bills are passed in any form, Alaskans will have no future.

Prices of energy products will be high. Wages in every sector of Alaska's economy will be low. Competition will be non-existent. The only choice of jobs in Alaska will be with federal, state or local government, multinational corporations, or minimum wage jobs with banks, small businesses or fast food chains. All Alaskans are getting a taste of the future now. If these bills are passed, Alaska's economy will get worse.

You readers need to understand the implications of this legislation even if your legislators and the news media do not know or care.

This legislation has been prepared and is being powered by over a dozen of the worlds largest oil companies. It has been well prepared and thoughtfully organized and authored. The multinational oil companies are sneaking this evil legislation through with the help of Governor Hickel (the sponsor). The oil companies are curtailing their Alaskan operations. The bills will ensure that no one else can develop.

It is moving through the legislature faster than Tommy Moe in the downhill race in Lillehammer.

Please read and study the legislation and contact your local legislators and the Governor's Office. Time is short.

By the way, did you know that Governor Hickel is in Russia meeting with Russia's top economist? He evidently feels that he (Governor Hickel) can make communism work. Governor Hickel was elected and ran as an independent. Not as a cross between an "owner state" socialist and a communist masquerading as an advocate for freedom and opportunity for all Alaskans.

HB 199 and SB 150 are two of the worst pieces of legislation that have ever been proposed. If enacted, this legislation will wipe out all access to Alaska's land. There are no safeguards or oversight provisions.

This legislation will turn over all of Alaska's major economic resource (oil and gas) to the same corporations that the State of Alaska is now suing for having underpaid their taxes for 25 years to the tune of \$6 to \$10 billion dollars.

The very same state employees who have allowed this to happen will be in charge of administrating the vague guidelines in this legislation. None of these state administrators are elected.

The very least affect that the passage of this legislation in any form will be that most of Alaska's land will be tied up in endless litigation.

Alaskans, we need to stop these bills.

**ALASKA OIL AND GAS ASSOCIATION  
POSITION  
ON  
LARGE BLOCK EXPLORATION LICENSING LEGISLATION  
(HB 199/SB 150)**

The Alaska Oil and Gas Association (AOGA) is a trade association whose member companies account for the majority of oil and gas exploration, production, transportation and marketing activities in Alaska.

AOGA believes that large block licensing is an attractive addition to the State's leasing program to accelerate exploration and potential development of Alaska's frontier areas.

The Association has established the following position on large block exploration licensing legislation:

- AOGA supports a large block licensing program that does not apply to lands (1) north of the Umiat baseline; (2) lands south of the Umiat baseline that are within proposed Competitive Oil and Gas Lease Sales 80, 87 and 88 prior to the initial sale; and (3) in the vicinity of Cook Inlet that are within the area bounded by the north boundary of Township 17 North S.M., the Seward Meridian, the south boundary of Township 7 South S.M., and the west boundary of Range 19 West S.M.
- AOGA supports a program in which a license is conditioned upon the posting of an annual bond or other security in favor of the state and in which the annual bond or other security is calculated as the entire work commitment expressed in dollars less the cumulative expenditures as of the last day of the most recent project-year, divided by the remaining years of the exploration license.
- AOGA supports a competitive program in which all licenses are awarded on the basis of written, sealed bids for total dollar work commitment. The commissioner should adopt regulations to evaluate competing proposals.

**AOGA Position on HB 199/SB 150**

Page 2

- AOGA supports a program in which conversion from license to lease is under existing state leasing statutes AS 38.05.180 (j)-(m), (o)-(u), and (x)-(z), and upon conversion, such a lease is subject to the acreage chargeability of AS 38.05.140(c).
- AOGA supports a program in which any relinquishment of the License area does not occur before the fourth anniversary of the License and each year thereafter is a percentage relinquishment of the remaining License area not to exceed 50 percent of the original License area. As an incentive for early evaluation of a License area, AOGA believes no relinquishment should be required if the Licensee has expended 50 percent of the approved work commitment by the fourth anniversary of the License.

The House Oil and Gas Committee Substitute for HB 199 is consistent with the AOGA position on exploration licensing legislation. AOGA supports CSHB 199.

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## A citizen's position on HB199/SB150

Gregory J. Gamels  
1176 Broadview Drive  
Fairbanks, Alaska 99712-1840  
February 20, 1994

As a citizen I find myself quite concerned about the exploration licensing provisions contained in House Bill 199 and Senate Bill 150. It would appear that the declared purpose of the bills is to provide a way to prove out the levels of resources in areas of the state that have not been fully explored as to resource content. I have some concerns as to the true reason for these provisions. In many of the places where it has been used, exploration licensing has not been terribly successful in bringing product to market. It would appear that the provisions of these bills would allow a large company to prevent productive use of large tracts of land for long periods of time at relatively little expense. A company will not often enter into an expensive out and out lease unless it has plans to actually do something with the area in question.

### An Inflated Ambition

The president of a great corporation went into a dry-goods shop and saw a placard which read:

"If You Don't See What You Want Ask For It"

Approaching the shopkeeper, who had been narrowly observing him as he read the placard, he was about to speak, when the shopkeeper called to a salesman:

"John, show this gentleman the earth."

— Ambrose Bierce in Fractured Fables

The determination of the level of the work requirements is very vague. It appears quite easy for very large companies to insure that no local or small operators are able to participate. They can simply up the ante beyond what the smaller competition can bear. Having done so, they don't have to accomplish anything toward the goal of proving out resources for 4 years, and then must only do half of what they originally proposed in order to keep the land tied up for the duration of the license plus any extensions that the all powerful commissioner may decide to grant them. What about disputes over the amount of work commitment that has been completed? It would seem likely that a very large corporation with tremendous legal assets at hand would have only to dispute the level of work that has been done or not done, and then tie the whole matter up in court while the land remains unproductive, and of course is not competing with that company's assets that are in production elsewhere. The 20,000 acre low limit on size also serves to prevent small operators from participating. It is no secret that the major oil companies have moved many of their operations overseas. While they may or may not be terribly interested in expanding their operations in Alaska at this juncture, they would most certainly be interested in preventing anyone else from competing with them. It would be pure naivety to disregard this possibility. Indeed, I see this as the main reason for the major oil companies' support of these bills. Let us be cautious that we are not, like the shopkeeper, saying, "Mr. Noah, show these gentlemen Alaska."

What about conflicts with the Mental Health Trust? Generating a conflict and causing a protracted litigation would also be a marvelously effective way for a large outfit to lock up a great

deal of land for a long period of time.

Small efficient companies that can react quickly and operate with great economy can make a profit and provide royalty and severance tax income to state government at lower price levels than can larger ones. It is quite apparent that state government in general and that the DNR in particular have gone out of their way to make it difficult for small (read Alaskan owned and operated) companies to compete. Do the people that run this state seriously believe that it is in the state's best interests to do things that prevent its citizens from developing locally owned self sufficient endeavors?

If a license is converted to lease per provision in these bills, will the lease be sold under competitive bid? If the area is to be leased under competitive bid, will the pertinent data that has been discovered during the tenure of the exploration license be released so that all may participate on an equal footing? It is highly unlikely that there would be much in the way of competitive bidding if no one but the license holder and the DNR were privy to the information. Indeed, DNR has been very reluctant to release such information in the past. One is inclined to wonder just who DNR is there to represent. If the point of exploration licensing is to get resources discovered and known, it would seem that it would be in the best interest of the state to insure that all information was freely available. To do otherwise is to insure that the proceeds to the state of a follow on lease after exploration would be greatly diminished. It should be the business of the state to insure that at all times the state and it's people should realize the greatest possible benefit in any venture.

I mistrust the judgment of every man in a case in which his own wishes are concerned.

—First Duke of Wellington

I have problems with the fact that the commissioner seems to have absolute power here with very little constraint. Among other things, there is the provision that the commissioner can cut the royalties on a lease to 5%. I think we might be taking careful aim and shooting ourselves in the foot here. There is a tremendous potential for conflicts of interest, and this person is NOT an elected representative of the people nor is this person answerable to the people in any meaningful way. I suppose this fellow is a sainted individual beyond any and all reproach and it is just my low and suspicious nature that makes me see a possible problem with concentrating tremendous power to dispense resource largess in the hands of one former employee of a major oil company. What's that old thing about foxes and chickens?

*Greg Garrick*

TCN: 40395 DATE & TIME: 02/28/94 08:45 TO 11:00 STATUS:6 ADJOURNED

\*\*\*\* ORDER SUMMARY \*\*\*\*

SPONSOR: HRES HOUSE RESOURCES CHAIRS: WILLIAMS  
PURPOSE: PUB PUBLIC HEARING LEGISLATIVE  
CONTACT: MARY MCDOWELL TEL#: (907)465-3713  
CHAIRING SITE: JUNEAU CAPITOL CAP124

SPONSOR REMARKS(PUB): TESTIMONY:Y ALLOWED 99 MINUTE LIMIT  
TESTIMONY WILL BE TAKEN. NO TIME LIMIT AT THIS TIME.  
TCN REQUESTED ON 02/28/94 AND HAS 3 UPDATES

\*\*\*\* AGENDA \*\*\*\*

1 HB 199 OIL & GAS EXPLORATION LICENSES/LEASES

\*\*\*\* PARTICIPATING LIOS \*\*\*\*

ANC ANCHORAGE 716 W 4TH, #200 LOCATION STAFF  
FBX FAIRBANKS 119 N CUSHMAN ST LOCATION STAFF  
\* JNU JUNEAU CAPITOL CAP124 LOCATION STAFF

\*\*\*\* VOLUNTEER & OFFNET SITES \*\*\*\*

ZZZ OF1 OFFNET 1 HAWAII KEN BOYD (999)999-9999  
ZZZ OF2 OFFNET 2 ANCHORAGE JACK HENDRICKSON (907)266-4280

PARTICIPANTS IN:ANCHORAGE

1 GEORGE FINDLING ANCHORAGE TSFY. HB 199  
PO BOX 110360 700 G ST ANCHORAGE AK 99510 (907)263-4174  
2 ARDIE GRAY ANCHORAGE TSFY. HB 199  
121 W FIREWEED STE 207 ANCHORAGE AK 99503 (907)272-1481  
3 BECKY GAY RDC TSFY. HB 199  
121 W FIREWEED STE 250 ANCHORAGE AK 99503 (907)276-0700  
4 WALT FURNACE ANCHORAGE TSFY. HB 199  
4220 R STREET ANCHORAGE AK 99503 (907)563-2226

PARTICIPANTS IN:FAIRBANKS

1 MR. GREG GARRELS FAIRBANKS TSFY. HB 199  
1176 BROADVIEW DR. FAIRBANKS AK 99712 (907)457-3543  
2 MR. CLIFF BURGLIN FAIRBANKS TSFY. HB 199  
17 ADAK ST. FAIRBANKS AK 99707 (907)452-514  
3 MS. LINDA J. PATTON OBSV. HB 199  
1176 BROADVIEW DR. FAIRBANKS AK 99712 (907)457-3543

PARTICIPANTS IN:JUNEAU

1 REP BILL HUDSON JNU TSFY. ALL ITEMS  
AK (907)000-0000  
2 REP DON BUNDE TSFY. ALL ITEMS  
AK (907)000-0000  
3 REP JOE GREEN TSFY. ALL ITEMS  
AK (907)000-0000  
4 REP JOHN DAVIES TSFY. ALL ITEMS  
AK (907)000-0000  
5 REP JEANNETTE JAMES TSFY. ALL ITEMS  
AK (907)000-0000  
6 REP PAT CARNEY TSFY. ALL ITEMS  
AK (907)000-0000  
7 REP BILL WILLIAMS TSFY. ALL ITEMS

TCN: 40395 DATE & TIME: 02/28/94 08:45 TO 11:00 STATUS:6 ADJOURNED

PARTICIPANTS IN:JUNEAU

JNU AK (907)000-0000  
8 TO OBSERVE OBSV. ALL ITEMS  
9 TO OBSERVE OBSV. ALL ITEMS  
10 TO OBSERVE OBSV. ALL ITEMS  
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25 TO OBSERVE OBSV. ALL ITEMS  
26 TO TESTIFY TSFY. ALL ITEMS  
27 TO TESTIFY TSFY. ALL ITEMS  
28 TO TESTIFY TSFY. ALL ITEMS  
29 TO TESTIFY TSFY. ALL ITEMS

PARTICIPANTS IN:OFFNET 1

1 MR KEN BOYD ZZZ OF1 HAWAII AK TSFY. HB 199  
(907)000-0000

PARTICIPANTS IN:OFFNET 2

1 MR JACK HENDRICKSON ZZZ OF2 ANCHORAGE AK TSFY. ALL ITEMS  
(907)266-4280

**HB**

**201**

**HOUSE COMMITTEE REPORT**

(9)

Date Referred: March 5, 1993

FURTHER REFERRALS:

Judiciary  
Finance

Date of Committee Action: 3/29/93

The RESOURCES Committee considered:

HB 201

HOUSE BILL NO. 201

MENTAL HEALTH TRUST AMENDMENTS

"An Act amending provisions of ch. 66, SLA 1991, that relate to reconstitution of the corpus of the mental health trust, the management of trust assets, and to the manner of enforcement of the obligation to compensate the trust; and providing for an effective date."

RECOMMENDATIONS:

be replaced with \_\_\_\_\_

CSHB201 (Res)

the same title  
 a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the \_\_\_\_\_ Committee

Attaches a position statement by Rep. James

~~APPROVES:~~ \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) \_\_\_\_\_

APPROVES PREVIOUS: (Dept/Date) \_\_\_\_\_

1  fiscal impact ~~known~~ DNR

fiscal note(s) \_\_\_\_\_

2  zero fiscal note Law & Fish & Game

zero fiscal note(s) \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>[Signature]</i>	<input checked="" type="checkbox"/>	<i>Bill Hudson</i>		<input checked="" type="checkbox"/>	
<i>John W. James</i>	<input checked="" type="checkbox"/>	<i>[Signature]</i>		<input checked="" type="checkbox"/>	
<i>W. K. Sullivan</i>	<input checked="" type="checkbox"/>	<i>James James</i>		<input checked="" type="checkbox"/>	
		<i>[Signature]</i>		<input checked="" type="checkbox"/>	

*W. K. Sullivan*  
CHAIRMAN'S SIGNATURE

8-LS0728K

Chenoweth

3/27/93

CS FOR HOUSE BILL NO. 201(RES)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
EIGHTEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE RESOURCES COMMITTEE

Offered:

Referred:

Sponsor(s): HOUSE RESOURCES COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act amending provisions of c SLA 1991, that relate to reconstitution  
2 of the corpus of the mental health trust, the management of trust assets, and  
3 to the manner of enforcement of the obligation to compensate the trust; relating  
4 to survey requirements applicable to the land to be conveyed by the state to the  
5 Alaska Mental Health Trust Authority; relating to the jurisdiction of courts in  
6 the resolution of disputes arising under the reconstitution of the corpus of the  
7 mental health trust; and providing for an effective date."

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

9 \* Section 1. AS 22.10.020 is amended by adding a new subsection to read:

10 (j) The superior court is the court of original jurisdiction to hear and determine  
11 any dispute arising under AS 37.14.036(c) - (e).

12 \* Sec. 2. AS 37.14.009(a), added by sec. 10, ch. 66, SLA 1991, is amended to read:

13 (a) Except for land and minerals managed under AS 38.05.802 - 38.05.809.

1 department shall

2 (1) comply with AS 38.05.285; however, the authority and the  
3 department are excused from complying with the requirements of AS 38.05.285  
4 if disposal or use of state land in conformity with that section would conflict with  
5 a power, duty, or responsibility of the trustee set out in AS 37.14.007 or 37.14.009:

6 (2) give public notice in the manner provided under AS 38.05.945(b)  
7 and (c)

8 (A) of a preliminary decision to dispose of trust land and  
9 consider any written comments submitted within 30 days of the giving of  
10 the public notice before making a final decision; and

11 (B) of a final decision to dispose of trust land [, BUT IS NOT  
12 OTHERWISE BOUND BY THE PROVISIONS OF AS 38.04 OR AS 38.05].

13 \* Sec. 4. AS 37.14.009, added by sec. 10, ch. 66, SLA 1991, is amended by adding a new  
14 subsection to read:

15 (c) In exercising its power under (a)(1) - (4) and (b) of this section with  
16 respect to land or minerals where there is a protected interest under AS 38.05.802, the  
17 authority or, to the extent that it is managing or disposing of the land or minerals of  
18 the trust under (a)(4) of this section, the Department of Natural Resources shall comply  
19 with all statutes, regulations, and the common law applicable to conflicts between  
20 different owners of the land and mineral interests in the same land.

21 \* Sec. 5. AS 37.14.036(c), added by sec. 11, ch. 66, SLA 1991, is repealed and reenacted  
22 to read:

23 (c) As compensation (1) for the land and minerals, or interests in them, that  
24 constituted the trust established by the enabling Act and that are not reconstituted as  
25 part of the mental health trust corpus established under AS 38.05.800, and (2) for any  
26 reduction in value to the trust resulting from the management or disposal of land or  
27 minerals under AS 38.05.802, the state shall make an annual payment of three percent  
28 of the unrestricted general fund revenue of the state during each fiscal year. The  
29 commissioner of revenue shall annually allocate that amount from the general fund to  
30 the mental health trust income account established in (a) of this section. In this  
31 subsection, "unrestricted general fund revenue of the state" means all the categories of

# **CORRECTION**

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

8-LS0728\K  
Chenoweth  
3/27/93

CS FOR HOUSE BILL NO. 201(RES)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
EIGHTEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE RESOURCES COMMITTEE

Offered:  
Referred:

Sponsor(s): HOUSE RESOURCES COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act amending provisions of ch. 66, SLA 1991, that relate to reconstitution  
2 of the corpus of the mental health trust, the management of trust assets, and  
3 to the manner of enforcement of the obligation to compensate the trust; relating  
4 to survey requirements applicable to the land to be conveyed by the state to the  
5 Alaska Mental Health Trust Authority; relating to the jurisdiction of courts in  
6 the resolution of disputes arising under the reconstitution of the corpus of the  
7 mental health trust; and providing for an effective date."

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

9 \* Section 1. AS 22.10.020 is amended by adding a new subsection to read:

10 (j) The superior court is the court of original jurisdiction to hear and determine  
11 any dispute arising under AS 37.14.036(c) - (e).

12 \* Sec. 2. AS 37.14.009(a), added by sec. 10, ch. 66, SLA 1991, is amended to read:

13 (a) Except for land and minerals managed under AS 38.05.802 - 38.05.809.

1 the [THE] Alaska Mental Health Trust Authority

2 (1) shall

3 (A) manage the assets of the trust in a fiduciary manner to  
4 fulfill the purposes of the trust; or

5 (B) contract for management of the assets of the trust under  
6 (4) or (5) of this subsection:

7 (2) may, consistent with (1) of this subsection and AS 47.30.036(1),  
8 sell, lease, exchange, or otherwise dispose of the land or minerals in the trust;

9 (3) may, consistent with (1) of this subsection, use land that is an asset  
10 of the trust directly for the integrated comprehensive mental health program;

11 (4) ~~shall~~

12 (A) under AS 47.30.031, adopt regulations relating to  
13 management and disposal of the land and minerals of the trust: and

14 (B) [MAY] contract with the Department of Natural Resources  
15 to manage and dispose of the land and minerals [ASSETS] of the trust,  
16 unless the authority determines that the best interests of trust beneficiaries  
17 would be served by other arrangements: if, under this subparagraph, the  
18 Department of Natural Resources manages and disposes of the land and  
19 minerals of the trust, it shall do so

20 (i) in accordance with the regulations adopted by the  
21 Alaska Mental Health Trust Authority under (A) of this paragraph:

22 (ii) in a fiduciary manner to fulfill the purposes of the  
23 trust; and

24 (5) shall contract with the Alaska Permanent Fund Corporation for  
25 management of the trust's cash assets, unless the authority finds that the best interests  
26 of trust beneficiaries would be served by contracting with another entity.

27 \* Sec. 3. AS 37.14.009(b), added by sec. 10, ch. 66, SLA 1991, is amended to read:

28 (b) In exercising its power under (a)(1) - (3) [(a)(2) OR (3)] of this section,  
29 the authority, or the Department of Natural Resources to the extent it is managing  
30 or disposing of the land or minerals of the trust under (a)(4) of this section, is not  
31 required to comply with AS 38.04 or AS 38.05, except that the authority, and the