ALASKA LEGISLATURE COMMITTEE FILES 1995-1996 8672
8731 HOUSE RESOURCES

House Resources

Tape 95-55, Side A, #000

Green call to order @ 9:37

SB 147

John Sorgensen
no obj. amend HB 219

Green - p2 lns 15-16

Davies - MOVE Amend
p.2 Ln 15 SB 147 scope } delete
insert - percentage of
No Obj.

Sims - MOVE SB 147 as Bd. Rec.
fiscal note
No Obj.

HB 312 Extends Current

132 Kyle Parker Aide
Liza Gay
1992 st. subs. law is set Oct.
bill repeals sunset clause ext 1992 law
indefinitely

Liza G.

Davies - how preserves 92 law Sec. 1
Sec 3 spec. session law 93 leg.
Gage - takes away '96 law
Davies - Sec. 3 session law
Gage -
Davies -
24.5 Parker -
Williams - Sec. 12 Oct. 1
Parker - sunset
Williams
Parker - extends 312 extend 92 law indef.

293 Geron Bruce ADF&G

admin. Lt. gov. solution for subs.
oppose gov. willing to support leg. ext. status quo
but not an ext.
cannot support it. review 92 law in 1995
& support current ... pref.
admin is willing to work w/sponsor
Davies - key differences 86 - 92 law
Bruce - 86 law cont. rural pref. for subs.
92 does not 92 est. mech. non subs. areas
93 definitions cust trade - reas. opport.

383 Jerry McKune Pres UFA
support.
Davies - 92 over 86
McKune -

Adj. 10:07 p.m.

HOUSE RESOURCES COMMITTEE

Alaska State Legislature
House of Representatives

SUBJECT OF MEETING:
HB 312 - Extend Current Subsistence Law
SB 147 - Municipal River Habitat Tax Credit

DATE: 4/25/95

PLACE: ROOM 124

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?		WHAT SUBJECT/ WHICH BILL?
Geron Bruce	Dept Fish/Game	P.O. Box 25526	99802		465-6143	(Y)	N	HB 312
Eddie GRASSER	AOC	Box 22374 JNO 99802	99802		463-3430	Y	(N)	HB 312
Jay McCune	VFA	4 St suite 112 211	99801		465 2820	(Y)	N	HB 312
						Y	N	
						Y	N	
						Y	N	
						Y	N	
Liza Gay Atty		6300 Cosmos Dr Anchorage	99517		248-2533	Y	N	
						Y	N	
						Y	N	
						Y	N	

Alaska State Legislature

Official Business
Fax : (907) 465-3472

Speaker of the House of Representatives

State Capitol
Juneau, Alaska 99801-1182
(907) 465-3720
(907) 465-2689

SPONSOR STATEMENT

HB 312, "An Act relating to subsistence use of fish and game."

Under terms of the Act by which the state's 1992 subsistence law was enacted (Sec.3, CH.1, SSSLA 1992), the 1992 law will be repealed on October 1, 1995. It will then be replaced by its predecessor, the 1986 subsistence law. This "sunset" provision was premised on the expectation that the legislature would consider reinstating the 1992 law following a review by the Governor. Unfortunately, this review has not been completed.

Although there are many similarities between the 1986 and the 1992 versions of Alaska's subsistence law, there are some significant differences which favor the 1992 law.

First, the 1992 law incorporates the concept of "nonsubsistence areas". These are areas or communities where dependence on subsistence is not a principal characteristic of the economy, culture and way of life of the community or area, as determined by the Boards of Fisheries and Game based on several specific criteria. This allows the Boards to identify places such as the Anchorage bowl or parts of the Kenai Peninsula where the subsistence priority does not apply. Although this provision has been challenged in court and its operation temporarily stayed, the Alaska Supreme Court has not yet ruled, so it is entirely possible that this provision may still be viable.

A second major advantage of the 1992 law is its definition of "customary and traditional" and "customary trade". These definitions are lacking in the 1986 law and hence are a continuous focus of controversy and litigation. The definitions in the 1992 law recognize prior interpretations of the Boards and give them latitude to further refine those definitions. The definition of

"customary trade" and its legislative history clarify that trade is noncommercial and also requires the Boards to identify and provide for those trades.

Another advantage of maintaining the 1992 law is that all Board regulations will remain intact. If the law is allowed to sunset, the Board will be required to review all regulations for consistency with the 1986 subsistence law. This will be a time-consuming, expensive process that will disrupt the Boards' regulatory meetings and create public confusion. This disruption should not occur until the legislature decides that it prefers to return to the provisions of the 1986 law.

The 1992 law is also superior to the 1986 version because it provides clarification that the Boards are not required to quantify an exact harvestable surplus of fish or game -- a task usually biologically impossible. The Boards do, however, have to identify the portion of harvestable surplus that is reasonably necessary to for subsistence use.

In sum, the clarifying definitions alone make the 1992 law an improvement over the 1986 law. In addition, the 1992 law's "nonsubsistence area" provision may well be upheld by the Alaska Supreme Court. Reverting to the 1986 law will be costly to the state and its citizens, both in terms of money and public confusion, and will serve no purpose.

HB 312 should be passed to simply extend the state's 1992 subsistence law. This would retain the status quo until the Supreme Court rules on the validity of the "nonsubsistence areas" and a complete review of the 1992 law by the Governor's office has been completed.

DIVISION OF LEGAL SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM April 21, 1995

SUBJECT: HB 312; Extension of the current law regarding subsistence hunting and fishing

TO: Representative Gail Phillips
Attn: Kyle Parker

FROM: George Utermohle GU
Legislative Counsel

You have asked for an explanation of how HB 312 has the effect of extending the current law regarding subsistence hunting and fishing (AS 16.05.258).

Under the terms of the Act by which it was enacted (ch. 1, SSSLA 1992), the current subsistence law will be repealed and replaced by another version[1] of the subsistence law on October 1, 1995. Two definitions ("customary and traditional" and "customary trade") enacted as part of the current subsistence law will also be repealed on October 1, 1995.

The version of the subsistence law that will repeal and replace the current version of the law on October 1, 1995 was enacted by sec. 3, ch. 1, SSSLA 1992. The definition of the terms "customary and traditional" and "customary trade" will be repealed by sec. 5, ch. 1, SSSLA 1992.

By repealing secs. 3 and 5 of ch. 1, SSSLA 1992 before October 1, 1995, those sections will never take effect and the current subsistence law and the associated definitions will not be repealed or replaced. Thus the current law will be extended indefinitely.

In anticipation that secs. 3 and 5 would take effect as planned on October 1, 1995, sec. 8, ch. 1, SSSLA 1992 grants authority to the Board of Fisheries and the Board of Game to adopt regulations in advance of the new subsistence law taking effect, so that there would be smooth transition between the current subsistence law and the new law. Once secs. 3 and 5 are repealed sec. 8 becomes unnecessary, so it is also repealed by HB 312.

---

[1] The new version of the law that will replace the current version of AS 16.05.258 is in fact the former subsistence law that was partially invalidated by the Alaska Supreme Court in McDowell v. State, 785 P.2d 1 (Alaska 1989).

The key to the successful operation of HB 312 is that it take effect before October 1, 1995. Because HB 312 does not have a special effective date, it will take effect 90 days after it becomes law by being signed by the governor, by taking effect without the governor's signature, or by being passed over the governor's veto. Assuming the governor does not veto HB 312, the governor could hold the bill for up to 20 days, not including Sundays, after the bill was transmitted to him by the legislature, before it would become law by the mere passage of time. Though the absolute latest date for transmittal of the bill to the governor, in order to assure that it takes effect before October 1, 1995, is sometime in early June, the legislature would best achieve its purpose by passing HB 312 and transmitting it to the governor as soon as possible in April or May.

If I may be of further assistance, please advise.

GU:klb
95-286.klb

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL VERSION HB 312
PUBLISH DATE 4/25/95

F I S C A L N O T E

REQUEST:
Revision Date: _____ Affected Agency: _____
Title: Extend current subsistence law BRU: _____
Sponsor: Phillips Components _____
Requestor: _____

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 2000	FY 2001
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants, Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL						
REVENUE						

FUNDING: (THOUSANDS OF DOLLARS)

General Fund	0.0	0.0	0.0	0.0	0.0	0.0
Federal Fund	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

Full-Time	0	0	0	0	0	0
Part-Time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

Estimated FY 95 Impact: 0

ANALYSIS: (ATTACH A SEPARATE PAGE IF NECESSARY)

Prepared By: House Resources Committee Date: 4/25/95
Division: Phone: 465-6547

Approved By: Rep. Joe Green
Agency: Co-Chair, House Resources Committee Date: 4/25/95

DISTRIBUTION (BY PREPARER
LEGISLATIVE FINANCE
LEGISLATIVE SPONSOR
REQUESTOR
OFFICE OF MANAGEMENT AND BUDGET
AGENCY(IES)

LAWS OF ALASKA

1992

Second Special Session

Source
CCS HB 601

Chapter No.
1

AN ACT

Relating to the taking of fish and game; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1

Approved by the Governor: July 14, 1992
Actual Effective Date: Sections 6 - 8 take effect July 15, 1992; sections 1, 2, 4, and 9 are conditional; sections 3 and 5 take effect October 1, 1995

AN ACT

Relating to the taking of fish and game, and providing for an effective date.

---

* Section 1. FINDINGS, PURPOSE, AND INTENT. (a) The legislature finds that

(1) there are Alaskans, both Native and non-Native, who have a traditional, social, or cultural relationship to and dependence upon the wild renewable resources produced by Alaska's land and water; the harvest and use of fish and game for personal and group consumption is an integral part of those relationships;

(2) although customs, traditions, and beliefs vary, these Alaskans share ideals of respect for nature, the importance of using resources wisely, and the value and dignity of a way of life in which they use Alaska's fish and game for a substantial portion of their sustenance; this way of life is recognized as "subsistence";

(3) customary and traditional uses of Alaska's fish and game originated with Alaska Natives, and have been adopted and supplemented by many non-Native Alaskans as well; these uses, among others, are culturally, socially, spiritually, and nutritionally important and provide a sense of identity for many subsistence users;

(4) while Alaska's fish and game are generally still plentiful, these resources are not unlimited and cannot provide for every desired use, now or in the future; competition for and the level of effort on these resources have required the legislature and the Board of Fisheries and Board of Game to establish a preference for subsistence among the various beneficial uses of fish and game in the state; and

(5) in most areas of the state, a preference for subsistence can be provided without an overly burdensome intrusion upon other consumptive uses of fish and game.

(b) It is the purpose of this Act

(1) to develop and maintain healthy fish stocks and game populations through management based on the sustained yield principle; and

(2) to provide for a preference for subsistence uses over other consumptive uses of fish and game resources.

(c) It is the intent of the legislature that

(1) subsistence uses of Alaska's fish and game resources are given the highest preference, in order to accommodate and perpetuate those uses; and

(2) this Act not result in significant reallocations of fish and game in Alaska.

* Sec. 2. AS 16.05.258 is repealed and reenacted to read:

Sec. 16.05.258. SUBSISTENCE USE AND ALLOCATION OF FISH AND GAME. (a) Except in nonsubsistence areas, the Board of Fisheries and the Board of Game shall identify the fish stocks and game populations, or portions of stocks or populations, that are customarily and traditionally taken or used for subsistence. The commissioner shall provide recommendations to the boards concerning the stock and population identifications. The boards shall make identifications required under this subsection after receipt of the commissioner's recommendations.

(b) The appropriate board shall determine whether a portion of a fish stock or game population identified under (a) of this section can be harvested consistent with sustained yield. If a portion of a stock or population can be harvested consistent with sustained yield, the board shall determine the amount of the harvestable portion that is reasonably necessary for subsistence uses and

(1) if the harvestable portion of the stock or population is sufficient to provide for all consumptive uses, the appropriate board

(A) shall adopt regulations that provide a reasonable opportunity for subsistence uses of those stocks or populations;

(B) shall adopt regulations that provide for other uses of those stocks or populations, subject to preferences among beneficial uses; and

(C) may adopt regulations to differentiate among uses;

(2) if the harvestable portion of the stock or population is sufficient to provide for subsistence uses and some, but not all, other consumptive uses, the appropriate board

(A) shall adopt regulations that provide a reasonable opportunity for subsistence uses of those stocks or populations;

(B) may adopt regulations that provide for other consumptive uses of those stocks or populations; and

(C) shall adopt regulations to differentiate among consumptive uses that provide for a preference for the subsistence uses, if regulations are adopted under (B) of this paragraph;

(3) if the harvestable portion of the stock or population is sufficient to provide for subsistence uses, but no other consumptive uses, the appropriate board shall

(A) determine the portion of the stocks or populations that can be harvested consistent with sustained yield; and

(B) adopt regulations that eliminate other consumptive uses in order to provide a reasonable opportunity for subsistence uses; and

(4) if the harvestable portion of the stock or population is not sufficient to provide a reasonable opportunity for subsistence uses, the appropriate board shall

(A) adopt regulations eliminating consumptive uses, other than subsistence uses;

(B) distinguish among subsistence users, through limitations based on

(i) the customary and direct dependence on the fish stock or game population by the subsistence user for human

consumption as a mainstay of livelihood;

(ii) the proximity of the domicile of the subsistence user to the stock or population; and

(iii) the ability of the subsistence user to obtain food if subsistence use is restricted or eliminated.

(c) The boards may not permit subsistence hunting or fishing in a nonsubsistence area. The boards, acting jointly, shall identify by regulation the boundaries of nonsubsistence areas. A nonsubsistence area is an area or community where dependence upon subsistence is not a principal characteristic of the economy, culture, and way of life of the area or community. In determining whether dependence upon subsistence is a principal characteristic of the economy, culture, and way of life of an area or community under this subsection, the boards shall jointly consider the relative importance of subsistence in the context of the totality of the following socio-economic characteristics of the area or community:

(1) the social and economic structure;

(2) the stability of the economy;

(3) the extent and the kinds of employment for wages, including full-time, part-time, temporary, and seasonal employment;

(4) the amount and distribution of cash income among those domiciled in the area or community;

(5) the cost and availability of goods and services to those domiciled in the area or community;

(6) the variety of fish and game species used by those domiciled in the area or community;

(7) the seasonal cycle of economic activity;

(8) the percentage of those domiciled in the area or community participating in hunting and fishing activities or using wild fish and game;

(9) the harvest levels of fish and game by those domiciled in the area or community;

(10) the cultural, social, and economic values associated with the taking and use of fish and game;

(11) the geographic locations where those domiciled in the area or community hunt and fish;

(12) the extent of sharing and exchange of fish and game by those domiciled in the area or community;

(13) additional similar factors the boards establish by regulation to be relevant to their determinations under this subsection.

(d) Fish stocks and game populations, or portions of fish stocks and game populations not identified under (a) of this section may be taken only under nonsubsistence regulations.

(e) Takings and uses of fish and game authorized under this section are subject to regulations regarding open and closed areas, seasons, methods and means, marking and identification requirements, quotas, bag limits, harvest levels, and sex, age, and size limitations. Takings and uses of resources authorized under this section are subject to AS 16.05.831 and AS 16.30.

(f) For purposes of this section, "reasonable opportunity" means an opportunity, as determined by the appropriate board, that allows a subsistence user to participate in a subsistence hunt or fishery that provides a normally diligent participant with a reasonable expectation of success of taking of fish or game.

* Sec. 3. AS 16.05.258 is repealed and reenacted to read:

Sec. 16.05.258. SUBSISTENCE USE AND ALLOCATION OF FISH AND GAME. (a) The Board of Fisheries and the Board of Game shall identify the fish stocks and game populations, or portions of stocks and populations, that are customarily and traditionally used for subsistence in each rural area identified by the boards.

(b) The boards shall determine

(1) what portion, if any, of the stocks and populations identified under (a) of this section can be harvested consistent with sustained yield; and

(2) how much of the harvestable portion is needed to provide a reasonable opportunity to satisfy the subsistence uses of those stocks and populations.

(c) The boards shall adopt subsistence fishing and subsistence hunting regulations for each stock and population for which a harvestable portion is

determined to exist under (b)(1) of this section. If the harvestable portion is not sufficient to accommodate all consumptive uses of the stock or population, but is sufficient to accommodate subsistence uses of the stock or population, then nonwasteful subsistence uses shall be accorded a preference over other consumptive uses, and the regulations shall provide a reasonable opportunity to satisfy the subsistence uses. If the harvestable portion is sufficient to accommodate the subsistence uses of the stock or population, then the boards may provide for other consumptive uses of the remainder of the harvestable portion. If it is necessary to restrict subsistence fishing or subsistence hunting in order to assure sustained yield or continue subsistence uses, then the preference shall be limited, and the boards shall distinguish among subsistence users, by applying the following criteria:

(1) customary and direct dependence on the fish stock or game population as the mainstay of livelihood;

(2) local residency; and

(3) availability of alternative resources.

(d) The boards may adopt regulations consistent with this section that authorize taking for nonsubsistence uses a stock or population identified under (a) of this section.

(e) Fish stocks and game populations, including bison, or portions of fish stocks and game populations, not identified under (a) of this section may be taken only under nonsubsistence regulations.

(f) Takings authorized under this section are subject to reasonable regulation of seasons, catch or bag limits, and methods and means. Takings and uses of resources authorized under this section are subject to AS 16.05.831 and AS 16.30.

* Sec. 4. AS 16.05.940 is amended by adding new paragraphs to read:

(36) "customary and traditional" means the noncommercial, long-term, and consistent taking of, use of, and reliance upon fish or game in a specific area and the use patterns of that fish or game that have been established over a reasonable period of time taking into consideration the availability of the fish or game;

(37) "customary trade" means the limited noncommercial exchange, for minimal amounts of cash, as restricted by the appropriate board, of fish or game

resources, the terms of this paragraph do not restrict money sales of furs and furbearers.

* Sec. 5. AS 16.05.940(36) and 16.05.940(37) are repealed.

* Sec. 6. REGULATIONS. Notwithstanding the provisions of AS 16.05.258, as in effect on the day before the effective date of sec. 2 of this Act, the Board of Fisheries, Board of Game, and Department of Fish and Game shall adopt regulations necessary to implement the provisions of secs. 1, 2, and 4 of this Act.

* Sec. 7. TRANSITION. (a) It is the intent of the legislature that the Board of Fisheries and the Board of Game expeditiously adopt regulations necessary to implement secs. 1, 2, and 4 of this Act.

(b) Regulations adopted by the Board of Fisheries, Board of Game, or Department of Fish and Game after July 1, 1992, may not be inconsistent with the provisions of secs. 1, 2, and 4 of this Act.

(c) Regardless of whether regulations in effect on July 1, 1992, and adopted under the authority of AS 16.05.251, 16.05.255, or 16.05.258, as that statute read on the day before the effective date of sec. 2 of this Act, are inconsistent with the provisions of secs. 1, 2, or 4 of this Act, they may continue to be implemented and enforced until the effective date of sec. 2 of this Act.

* Sec. 8. TRANSITION. After January 1, 1995, the Board of Fisheries, Board of Game, and Department of Fish and Game may adopt regulations to implement AS 16.05.258, as amended by sec. 3 of this Act. Regulations adopted under this section may not take effect before the effective date of sec. 3 of this Act.

* Sec. 9. REVIEW. (a) The legislature acknowledges and recognizes that this Act deals with a subject of vital concern and that the subject merits review. Therefore, it is the intent of the legislature that the operation of this Act and the regulations adopted under this Act be fully reviewed by the governor no later than June 1, 1994.

(b) This review period is intended to allow for further research and to gain experience in implementing this Act and regulations adopted under secs. 6 and 7 of this Act. It is the intent of the legislature that the governor convene a representative group to provide recommendations to the governor before the end of the review period. It is the intent of the legislature that representatives of the legislature and persons with a history in the formulation

of subsistence legislation in this state participate in the group.

(c) It is the intent of the legislature that the review under this section occur with public input and participation.

(d) No later than September 1, 1994, the governor shall provide a report to the legislature on the results of the review and proposed recommendations for statutory amendments.

* **Sec. 10.** Sections 6 - 8 of this Act take effect immediately under AS 01.10.070(c).

* **Sec. 11.** Sections 1, 2, 4, and 9 of this Act take effect on the effective date of regulations first adopted under sec. 6 of this Act by the Board of Fisheries and the Board of Game.

* **Sec. 12.** Sections 3 and 5 of this Act take effect October 1, 1995.

Rep. Green
For Committee Packets
— -12 372

Rosmussen
11:00 pm

Jack Polster 907 235 2298/8777 April 27, 1995

FAX 465 - 3472

To: Representative Gail Phillips. Please pass a copy of the following to each member of the committee which will be hearing testimony on H.B. 312 which will be heard today at 4 pm. The submission is to be considered public testimony and a matter of the public record.

Ultimately, all life is sustained by combining the very activity of life with the resources of nature. That combination exists as either a long train of interconnected specializations, regulated by government, and constituting today's complex commercial markets...or a simple lifestyle called subsistence.

Each Alaska citizen holds, by birthright, the natural right to combine his or her labor with that bounty of nature declared to be owned in common. Perhaps no single human activity, except breathing air, better exemplifies "natural right" than subsistence use of commonly owned natural resources; all other rights pale when compared to the overwhelming historical importance of natural resource use by man.

Each and every Alaskan citizen is a living testament to over 10,000 generations of hunters and gatherers spanning over 250,000 years. Against unfathomable odds the ancestors of each Alaskan citizen successfully and continually passed the genetic baton he holds today. Ones very existence today is an unlikely opportunity for celebration of a necessarily successful and long-practiced subsistence tradition. The subsistence tradition however has been increasingly forgotten in the bright lights of relatively recent distractions - supermarkets, computers, and other modern ammenities.

Most politicians will agree that rights are universal - held by every individual under jurisdiction of the governmental entity which has authority over activities in that particular area. Yet recent political statements and newspaper articles indicate that subsistence "rights" may soon be relegated by government to rural, native, poor, or other classes within the total population of Alaska citizens.

For exapmple, some citizens of Alaska have forsaken their natural birthright to subsist by accepting from the state, via license or permit, the privilege of using a particular commonly-owned natural resource for purposes of sport, commercial, and/or personal-use...i.e. patently privileged uses. Those individuals therefore, by their own action, have lost status as a true subsistence user. They have chosen privilege and relinquished right. One cannot exist under both a conflicting right and privilege. (One cannot have accepted a permit to bear arms and still retain his natural right to do so. Loss of a right occurs only through the action of the individual who once held it.)

State and Federal government should officially recognize both the individual right to subsist, and the priority-use of natural subsistence rights over government granted privilege (sport, commercial, and personal use).

Both the Federal government and Alaska state government could give much-needed direction in the the seemingly unending subsistence dilemna by simply answering the following questions;

1) Is subsistence a) a right - or, b) a privilege?

[And, since each individual is entitled to a right, and only he alone (by his actions) can relinquish that right, therefore...]

2) What action or actions by an individual would cause him to indicate that he has relinquished to the state or federal government his natural birthright to subsistence?

The right to subsist can be claimed by the beligerent claimant who desires to use I-207 of the universal commercial code to claim his natural common-law right to subsist.

Jack Polster 907 235 2298/8777
1506 Ocean Drive
Homer, Ak. 99603

HB

313

9-LS1083\G
Utermohle
2/19/96

CS FOR HOUSE BILL NO. 313( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVE OGAN

A BILL

FOR AN ACT ENTITLED

"An Act relating to big game tags for wolves; and providing for an effective date."

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

* Section 1. AS 16.05.340(a)(15)(J) is amended to read:

(J) Wolf, each ..... 30 [175]

A nonresident is not required to have a nonresident wolf tag to take a wolf in a game management unit if the Board of Game has adopted an intensive management program under AS 16.05.255 for all or a portion of the game management unit.

* Sec. 2. AS 16.05.340(a)(21)(K) is amended to read:

(K) Wolf, each ..... 50 [250]

A nonresident alien is not required to have a nonresident alien wolf tag to take a wolf in a game management unit if the Board of Game has adopted an intensive management program under AS 16.05.255 for all or a portion of the game management unit.

* Sec. 3. This Act takes effect January 1, 1997.

Mar 9,1996

We adamantly oppose the absurd and arrogant anti-wildlife and anti-environment agenda projected in SB77, SB81, SB247, SB230, SB262 and HB313.

They are absurd in their assumption that we can tinker with and manipulate the complex and inadequately understood complexities of nature. They are arrogant in their anthropocentric assumption that we should.

These measures cannot be supported on scientific, economic or moral grounds and reflect short sightedness and mistaken priorities.

In SB77, SB247, SB 81 and HB313, the Legislature assumes for itself the knowledge and responsibilities of the dedicated, experienced and educated scientists of our Fish and Game Dept.. It is not within their duties or their expertise to legislatively micro-manage the departments which we have charged to protect our public recources.

SB262 correlates to the rantings of a spoiled 5 year old. "If you take my toy I'll break 5 of yours." This formula is irrational as applied to any circumstance. Likewise, in SB230, the treatment of ecosystems as playgrounds for big boys with big toys is disturbing and ultimately destructive to all concerned (including hunters).

We implore you to oppose these bills and the philosophies that sponsored them.

Sincerely,

James M. Demko Jr.

Kelly O'connor Demko
P.O. Box 271
Petersburg AK 99833

DICK GUNLOGSON

Master Guide and Outfitter

BOX 193

WILLOW, ALASKA 99688

TELEPHONE (907) 495-6434

FAX 495-6625

FEBRUARY 6, 1996

HOUSE RESOURCES COMMITTEE

TESTIMONY RE: HB 313

I STRONGLY SUPPORT THIS BILL. IT WILL ENCOURAGE AN ADDITIONAL HARVEST OPPORTUNITY FOR THIS READILY RENEWABLE RESOURCE. AS A PRACTICAL MATTER , BASED ON MY MANY YEARS IN THE FIELD CONDUCTING BIG GAME HUNTS, OPPORTUNITIES TO HARVEST A WOLF, WHEN IN THE FIELD HUNTING OTHER BIG GAME SPECIES, DO NOT OCCUR VERY OFTEN. THE PERCENTAGE OF A CHANCE IS LOW ENOUGH THAT I CANNOT IN GOOD CONCIENCE ENCOURAGE A CLIENT TO SPENT $175.00 OR $250.00 TO PURCHASE THE TAG. HOWEVER, WITHOUT A TAG, THE CLIENT CANNOT SHOOT EVEN IF AN OPPORTUNITY DOES ARISE.

THIS BILL WOULD MAKE IT PRACTICAL FOR ALL HUNTERS IN THE FIELD TO HAVE A TAG, AND CONSEQUENTLY MORE OPPORTUNITIES FOR HARVEST WOULD BE UTILIZED. CURRENT LEGAL METHOD AND MEANS MAKE IT VERY DIFFICULT TO ACHIEVE AN ADEQUATE ANNUAL HARVEST OF WOLVES, IN SPITE OF THE FACT THAT THEY ARE ONE OF OUR MOST READILY RENEWABLE RESOURCES. WHILE THIS BILL WOULD NOT RESULT IN A LARGE ADDITIONAL HARVEST, IT WOULD PROVIDE MORE OPPORTUNITI ES THAN CURRENT LAW.

I BELIEVE THAT THE ADDITIONAL NUMBER OF TAGS PURCHASED WOULD FULLY OFFSET THE REDUCED VALUE OF EACH TAG. REVENUES MIGHT EVEN INCREASE.

THANK YOU,

DICK GUNLOGSON
MASTER GUIDE OUTFITTER

ALASKAN

DICK GUNLOGSON

Master Guide and Outfitter

BOX 193

WILLOW, ALASKA 99688

TELEPHONE (907) 495-5434

FAX 495-6625

ALASKA BOARD OF GAME, NOVEMBER 1989 MEETING

BOARD MEMBERS:

MY TESTIMONY WILL BE DIRECTED TOWARD ATTEMPTING TO PUT THE WOLF HARVEST INTO PROPER PERSPECTIVE IN RELATION TO ITS IMPORTANCE AND PLACE IN ALASKA'S WILDLIFE MANAGEMENT PROGRAM.

SIMPLY PUT, OUR WOLF POPULATION IS BUT ANOTHER OF OUR RENEWABLE RESOURSES, AND SHOULD BE VIEWED NO DIFFERENTLY FROM THE SALMON FISHING INDUSTRY OR ALL THE OTHER READILY RENEWABLE RESOURCES WE HARVEST EVERY YEAR. AN ANNUAL HARVEST OF ONE THOUSAND WOLVES REPRESENTS AN INCOME OF FROM THREE TO FIVE HUNDRED THOUSAND DOLLARS! VIRTUALLY ALL OF THIS IS NEW MONEY IN THE ALASKAN ECONOMY AND IT STAYS HERE, TO THE BENEFIT OF THE APPROPRIATE ECONOMIC MULTIPLIERS. BEST OF ALL WE HAVE JUST AS MANY WOLVES AGAIN THE NEXT YEAR AND THE HARVEST CAN CONTINUE. IN THESE DAYS OF DECLINING REVENUES THESE DOLLARS REPRESENT A VERY SIGNIFICANT AMOUNT OF MONEY TO BE PUT INTO THE ECONOMY OF THE STATE - ESPECIALLY SINCE IT IS MONEY THAT GOES TO SUPPORT THE AVERAGE ALASKAN WHO MAKES HIS HOME AND HIS LIVING HERE IN ALASKA.

I SUBMIT TO THE BOARD THAT THE WOLF POPULATION CAN AND SHOULD BE PROPERLY MANAGED ON THE BIOLOGICAL PRINCIPLE OF MAXIMUM SUSTAINED YIELD, AS IT RELATES TO THE RENEWEABLE RESOURCE CONCEPT. HARVEST QUOTAS WOULD BE ESTABLISHED IN EACH GMU, AND, MOST IMPORTANT, ADEQUATE METHODS AND MEANS WOULD BE ESTABLISHED WHICH WOULD ENSURE THOSE QUOTAS ARE MET. I FEEL THAT THIS BOARD IS DOING A GRAVE INJUSTICE TO THE MAJORITY OF THE WORKING PEOPLE IN ALASKA BY PAYING AN UNDUE AMOUNT OF TIME AND ATTENTION TO A SMALL VOCAL GROUP OF PEOPLE, MOSTLY NEW TO THE STATE, IF EVEN RESIDENTS, WHOSE VIEWS ARE BLINDLY EMOTIONAL IN NATURE AND IN TOTAL DISREGARD FOR THE VALUE OF THIS RESOURCE TO THE PEOPLE WHO LIVE AND MAKE A LIVING HERE IN ALASKA.

THE RENEWABLE RESOURCE CONCEPT IS MUCH MORE TO THE ISSUE THAN IS THE PREDATOR ISSUE CONCERNING THE WOLF POPULATION. IF WOLVES ARE MANAGED AS A READILY RENEWEABLE RESOURCE, WHICH WE KNOW THEM TO BE, AND, THEY ARE HARVESTED ON A MAXIMUM SUSTAINED YIELD BASIS, WE WOULD HAVE NEITHER A PROBLEM WITH EXCESSIVE WOLF POPULATIONS, NOR WITH EXCESSIVE PREDATION ON UNGULATE SPECIES. THE ANNUAL WOLF HARVEST WOULD KEEP THE WOLF POPULATION WITHIN LIMITS WHICH IN TURN WOULD HELP TO MAINTAIN AN ADEQUATE POPULATION OF UNGULATES.

DICK GUNLOGSON

Master Guide and Outfitter

BOX 193

WILLOW, ALASKA 99688

TELEPHONE (907) 495-6434

FAX 495-6625

IF THE BOARD TRULY SEEKS TO MAINTAIN A BALANCE BETWEEN WOLVES AND UNGULATE SPECIES TO THE BENEFIT OF THE GREATEST NUMBER OF ALASKANS THEY CAN DO SO BY PUTTING INTO EFFECT THE MAXIMUM SUSTAIN YIELD CONCEPT. CERTAINLY, WE KNOW THAT OUR STATE BIOLOGISTS CAN MANAGE WOLVES ON THE SAME BASIS AS THEY DO OUR OTHER READILY RENEWABLE RESOURCES OF FISH AND GAME.

I WOULD BE AMONG THE FIRST TO SUPPORT A VIABLE WOLF POPULATION THROUGHOUT THE ENTIRE STATE. AS A PROFESSIONAL HUNTER WE TAKE A GREAT DEAL OF PLEASURE IN BEING ABLE TO SEE AND HEAR WOLVES, ON OCCASSION, AND FOR OUR CLIENTS TO DO THE SAME. I CERTAINLY DO NOT FAVOR WIPING OUT THE WOLF POPULATION. HOWEVER, BY THE SAME TOKEN A GOOD SHARE OF OUR INCOME CAN BE DERIVED FROM HARVESTING SURPLUS WOLVES. NOT ONLY DOES THIS BRING INCOME TO US TO HELP RAISE OUR FAMILIES HERE IN ALASKA, BUT IT ALSO ENABLES US TO MAINTAIN A BALANCE AMONG THE ANIMALS THAT LIVE IN ANY GIVEN AREA.

AND, IN TOTAL CONTRAST TO THE NEGATIVE CASH FLOW BROUGHT ABOUT BY SPENDING THOUSANDS OF DOLLARS OF TAXPAYERS MONEY TO GO OUT AND TO THIS VERY SAME JOB, WE CAN DO IT AT NO COST TO THE TAXPAYER - INDEED, THE RESULT IS A STRONG POSITIVE CASH FLOW INTO THE ECONOMY.

I HAVE HUNTED WOLVES IN MOST AREAS OF THE STATE AT ONE TIME OR ANOTHER OVER THE LAST 25-30 YEARS. A VERY SIMPLE LAW OF ECONOMICS ENTERS INTO THE HARVESTING OF WOLVES, WHETHER BY AERIAL SHOOTING, AERIAL TRAPPING OR GROUND TRAPPING. WHEN THE WOLF POPULATION IN ANY GIVEN AREA IS REDUCED TO WHERE IT IS NO LONGER ECONOMICALLY FEASIBLE TO SPEND THE TIME AND MONEY IT TAKES TO HARVEST THEM, THEN, FOR ALL PRACTICAL PURPOSES ACTIVITIES WILL STOP IN THAT AREA. THE WOLF POPULATION HAS NOT BEEN WIPED OUT. IT HAS JUST BEEN REDUCED TEMPORARILY TO A LEVEL UNECONOMICAL TO HARVEST. HARVEST PRESSURE WILL REMAIN AT A LOW LEVEL IN THAT AREA UNTIL SUCH TIME AS IT ONCE AGAIN BECOMES ECONOMICALLY PRACTICAL TO PURSUE WOLVES ON A COST EFFECTIVE BASIS. WHEN THAT HAPPENS HARVESTING OF THE SURPLUS WILL RESUME.

ACTUALLY, THIS PARALLELS THE CONCEPT OF LETTING NATURE TAKE ITS COURSE WITH NO WOLF HARVEST UNTIL THERE ARE SO MANY WOLVES THAT THEY EAT ALL THEIR AVAILABLE FOOD SUPPLY - AT WHICH POINT THEY EAT EACH OTHER AND THE POPULATION CRASHES. IN EFFECT ABOUT THE SAME THING HAS TAKEN PLACE, BUT WITHOUT ANY OF THE BENEFITS OF A CONTROLLED HARVEST OR THE REVENUE DERIVED THEREFROM.

DICK GUNLOGSON

Master Guide and Outfitter

BOX 193

WILLOW, ALASKA 99688

TELEPHONE (907) 495-6434

FAX 495-6825

IT IS A BIOLOGICAL FACT THAT WOLVES WILL REPLENISH THEIR POPULATION IN ANY GIVEN AREA OVER A MUCH SHORTER PERIOD OF TIME THAN WILL A SEVERELY DEPRESSED UNGULATE SPECIE. A BREEDING PAIR OF WOLVES IN A 400 SQUARE MILE AREA CAN, WITHIN 3 YEARS, BECOME 30 WOLVES. I DO NOT HOLD MUCH WATER WITH THE MYSTIC OF THE BREEDING PAIR. WHILE IT MAY BE TRUE THAT ONLY ONE MALE AND ONE FEMALE WILL BREED IN A FAMILY PACK, WE KNOW THAT ADULT WOLVES CAPABLE OF BREEDING WILL SOON SPLIT OFF TO FORM ANOTHER FAMILY GROUP AND THIS CONTINUES UNTIL THE POPULATION OF THE AREA EQUALS OR - IF UNHARVESTED - EXCEEDS THE AVAILABLE FOOD SUPPLY.

ONLY BY HARVESTING WOLVES ON A MAXIMUM SUSTAINED YIELD BASIS CAN WE AVOID THE EXCESSIVELY HIGH WOLF POPULATIONS THAT TRIGGER A CRASH IN THE AVAILABLE FOOD SUPPLY, FOLLOWED BY A CRASH IN THE WOLF POPULATION, ADINFINITUM. WITH A MAXIMUM SUSTAINED YIELD HARVEST WE CAN MAINTAIN AN ADEQUATE SUPPLY OF WOLVES FOR THOSE WHO WISH TO PLAY WITH THEM, WE CAN PROPERLY UTILIZE A RESOURCE IMPORTANT TO BOTH RURAL AND URBAN ALASKANS, AND WE CAN PROTECT THE UNGULATE SPECIES TO ASSURE THEY WILL NOT BE DECIMATED TO LEVELS WHERE IT TAKES MANY, MANY YEARS FOR THEM TO RECOVER TO A NORMAL POPULATION LEVEL

OBVIOUSLY, THERE ARE A SMALL NUMBER OF PEOPLE WHO ARE IRREVERSIBLY OPPOSED TO THE KILLING OF ANY WOLVES - OR ANYTHING ELSE FOR THAT MATTER. THIS BOARD IS CHARGED WITH A MUCH BROADER AND DEEPER RESPONSIBILITY TO ALL ALASKANS, MOST OF WHOM, FOR ONE REASON OR ANOTHER, FIND IT DIFFICULT OR IMPOSSIBLE TO COME TO ANCHORAGE TO TESTIFY ON THESE ISSUES. THE MAXIMUM SUSTAINED YIELD HARVEST SHOULD PROVE ACCEPTABLE TO ANY REASONABLE AND FAIR-MINDED PERSON. I URGE THE BOARD TO TAKE IMMEDIATE STEPS TO ADOPT THIS PROPOSAL.

THANK YOU FOR YOUR TIME.

DICK GUNLOGSON
BOX 193
WILLOW, ALASKA

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. HB 313

Revision Date:
Title: Big game tags for wolves

Dept. Affected: Fish and Game
BRU: Wildlife Conservation
Component: Wildlife Conservation

Sponsor: Representative Ogan
Requester: House Resources

COMPONENT SERIAL NO. 473

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES (1024)	(42.5)	(42.5)	(42.5)	(42.5)	(42.5)	(42.5)

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other (1024 Fish & Game Fund)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY96) cost: $ 0.0

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary)

Assumptions: (1) because the number of tags sold annually has remained nearly constant at 215 for nonresidents and 30 for nonresident aliens, the level of harvest of wolves by nonresidents will remain approximately the same; and
(2) effective date of bill is changed to 1/1/97.

Prepared by: Wayne Regelin, Director WR
Division: Wildlife Conservation
Phone: 465-4191
Date: 2/2/96

Approved by Commissioner: Gordon Brune
Agency: Alaska Department of Fish and Game
Date: 2/5/96

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
For further distribution information, call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. HB 313

Revision Date:
Title: Big game tags for wolves
Sponsor: Representative Ogan
Requester: House Resources

Dept. Affected: Fish and Game
BRU: Wildlife Conservation
Component: Wildlife Conservation

COMPONENT SERIAL NO. 473

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES (1024)	(42.5)	(42.5)	(42.5)	(42.5)	(42.5)	(42.5)

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other (1024 Fish & Game Fund)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY96) cost: $ 0.0

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary)

Assumptions: (1) because the number of tags sold annually has remained nearly constant at 215 for nonresidents and 30 for nonresident aliens, the level of harvest of wolves by nonresidents will remain approximately the same; and
(2) effective date of bill is changed to 1/1/97.

Prepared by: Wayne Regelin, Director WR
Division: Wildlife Conservation
Phone: 465-4191
Date: 2/2/96

Approved by Commissioner: Brian Bruce
Agency: Alaska Department of Fish and Game
Date: 2/5/96

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
For further distribution information, call the Governor's Legislative Office

Alaska State Legislature

Resources, Vice Chair
State Affairs, Vice Chair
House Special Committee on Oil & Gas, Vice Chair
House Special Committee on Fisheries

State Capitol
Room 409
Juneau, Alaska 99801-1182
(907) 465-3878

Representative Scott Ogan
House District 27

Sponsor Statement HB 313
Amendments to Title 16

This bill was introduced by me to give the Game Board and Department of Fish and Game more latitude to manage predators. If the tag fees are lowered for nonresident and nonresident alien hunters, more hunters will be encouraged to purchase tags and the incidental take of these predators should be increased. Generally, these hunters retain the services of a guide. The Game Board will have greater latitude to adjust the wolf harvest by regulating seasons and bag limits, based on recommendations by the Department of Fish and Game. I believe this will be an important tool in managing predators in a non-controversial, determining factor in managing healthy populations of all game animals.

Alaska State Legislature

Resources, Vice Chair
State Affairs, Vice Chair
House Special Committee on Oil & Gas, Vice Chair
House Special Committee on Fisheries

State Capitol
Room 409
Juneau, Alaska 99801-1182
(907) 465-3878

Representative Scott Ogan
House District 27

Sectional Analysis HB 313
Amendments to Title 16

Section 1. This change has been proposed to reduce the amount of a nonresident wolf tag from $175 to $10.

Section 2. This change has been proposed to reduce the amount of a nonresident alien wolf tag from $250 to $15.

Section 3. This section gives the effective date as January 1, 1996, and the date needs to be amended to Janaury 1, 1997.

9-LS1083\K
Utermohle
2/21/96

CS FOR HOUSE BILL NO. 313(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE RESOURCES COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVE OGAN

A BILL

FOR AN ACT ENTITLED

"An Act relating to big game tags for wolves; and providing for an effective date."

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

* Section 1. AS 16.05.340(a)(15)(J) is amended to read:

(J) Wolf, each ..... 30 [175]

A nonresident is not required to have a nonresident wolf tag to take a wolf in a game management unit if the Board of Game has adopted an intensive management program under AS 16.05.255 for all or a portion of the game management unit.

* Sec. 2. AS 16.05.340(a)(21)(K) is amended to read:

(K) Wolf, each ..... 50 [250]

A nonresident alien is not required to have a nonresident alien wolf tag to take a wolf in a game management unit if the Board of Game has adopted an intensive management program under AS 16.05.255 for all or a portion of the game management unit.

* Sec. 3. This Act takes effect January 1, 1997.

Alaska State Legislature

Resources, Vice Chair
State Affairs, Vice Chair
House Special Committee on Oil & Gas, Vice Chair
House Special Committee on Fisheries

State Capitol
Room 409
Juneau, Alaska 99801-1182
(907) 465-3878
1-800-

Representative Scott Ogan
House District 27

Amended Sponsor Statement CS HB 313
Amendments to Title 16

This bill was introduced by me to give the Game Board and Department of Fish and Game more latitude to manage wolves. Generally, these hunters retain the services of a guide. If the tag fees are lowered for nonresident and nonresident alien hunters, more of these hunters will be encouraged to purchase tags and the incidental take of these predators should be increased as well as the revenue generated from the sale of these tags. There are approximately 10,000 nonresident and nonresident alien hunters each year. Of those, 245 have purchased wolf tags with 30 wolves being taken. If 2,500 nonresident and 2,500 nonresident alien hunters purchase tags, this would generate $200,000 to the state fish and game fund. This is three times the amount of revenue generated currently. The Game Board will have greater latitude to adjust the wolf harvest by regulating seasons and bag limits, based on recommendations by the Department of Fish and Game. I believe this will be an important tool in managing wolves with the accepted practice of fair chase hunting.

The changes in the CS should not compromise revenues because the anticipated increase in tag sales will offset the reduction in price. Also, the statute will mandate that the areas that are identified to be intensively managed will have the tag fees waived. This should increase the incidental harvest of wolves in these areas.

Alaska State Legislature

Resources, Vice Chair
State Affairs, Vice Chair
House Special Committee on Oil & Gas, Vice Chair
House Special Committee on Fisheries

State Capitol
Room 409
Juneau, Alaska 99801-1182
(907) 465-3878

Representative Scott Ogan
House District 27

Amended Sectional Analysis CS HB 313 (RES)
Amendments to Title 16

Section 1. This change has been proposed to reduce the amount of a nonresident wolf tag from $175 to $30. Also, additional language has been inserted that will allow nonresident hunters to take a wolf in a game management unit if the Board of Game has adopted an intensive management program for all or a portion of the game management unit.

Section 2. This change has been proposed to reduce the amount of a nonresident alien wolf tag from $250 to $50. Also, additional language has been inserted that will allow nonresident alien hunters to take a wolf in a game management unit if the Board of Game has adopted an intensive management program for all or a portion of the game management unit.

Section 3. This section gives the effective date as January 1, 1997.

Official Business

COMMITTEE:

HOUSE RESOURCES

DATE: FEBRUARY 7, 1996

Subject of meeting:

HB 313 - BIG GAME TAGS FOR WOLVES

SIGN-IN

PLEASE PRINT!

NAME	ADDRESS (MAILING) & (ZIP)	PHONE	REPRESENTING	DO YOU WANT TO TESTIFY?
BO FORREST	P.O. Box 22151 JUNEAU, AK 99802	463-3366	AEL	YES

HB

325

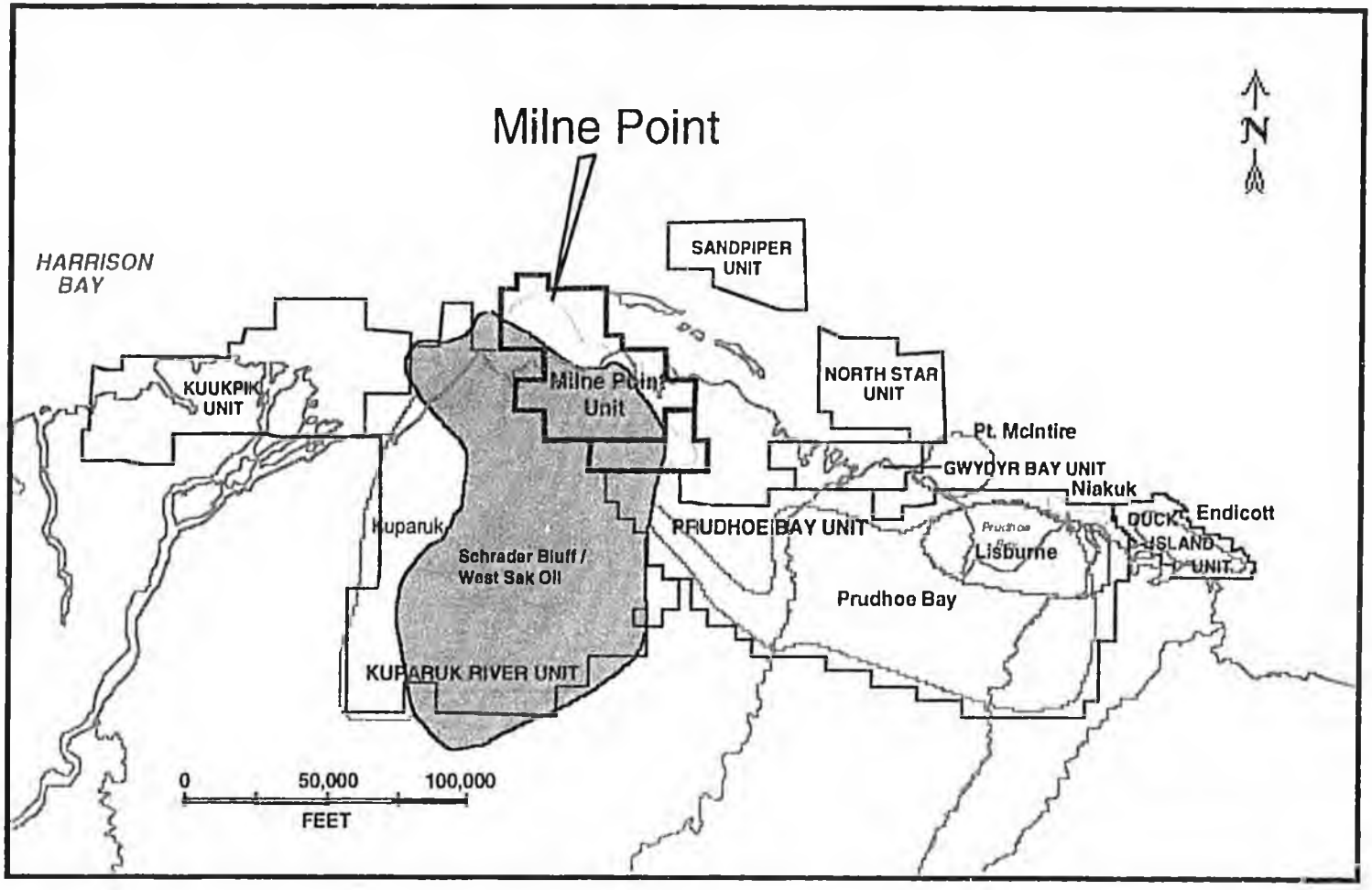
Heavy Oil Potential at Milne Point

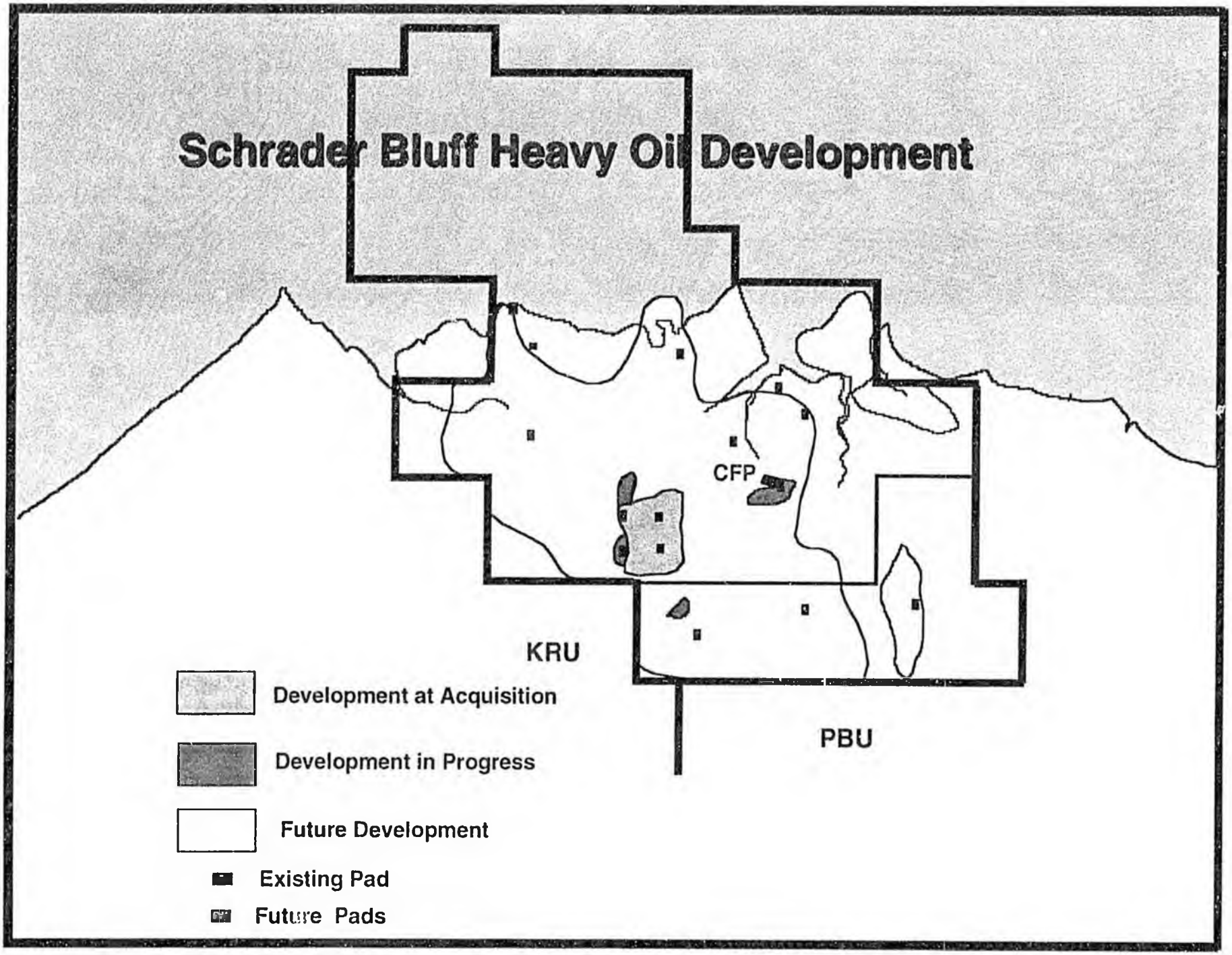
Presentation by BP Exploration (Alaska) Inc

before the House Natural Resources Committee

January 26, 1996

North Slope Fields




Schrader Bluff Heavy Oil Development
CFP
KRU
PBU
Development at Acquisition
Development in Progress
Future Development
Existing Pad
Future Pads

Schrader Bluff Development History

- First production from pilot project in 1991.
- 16 producers and 5 injectors drilled.
- Low average initial well rate ~275 bpd.
- Completion technology advanced.
- Not commercially competitive.
- Development stopped '91.

Significant technical and commercial hurdles remain to be overcome

MPU Schrader Bluff - Potential Program

1994

Drill Test Well

1995

Drill six "Test Wells"

?? - 1998 - ??

Potential Development

230 Wells

45,000 bpd Production

Key Decisions

Determine viability and scope for '95 wells. Demonstrate increased rate and reduce costs.

Establish viability of larger scale initial development.

1995 Schrader Bluff Development

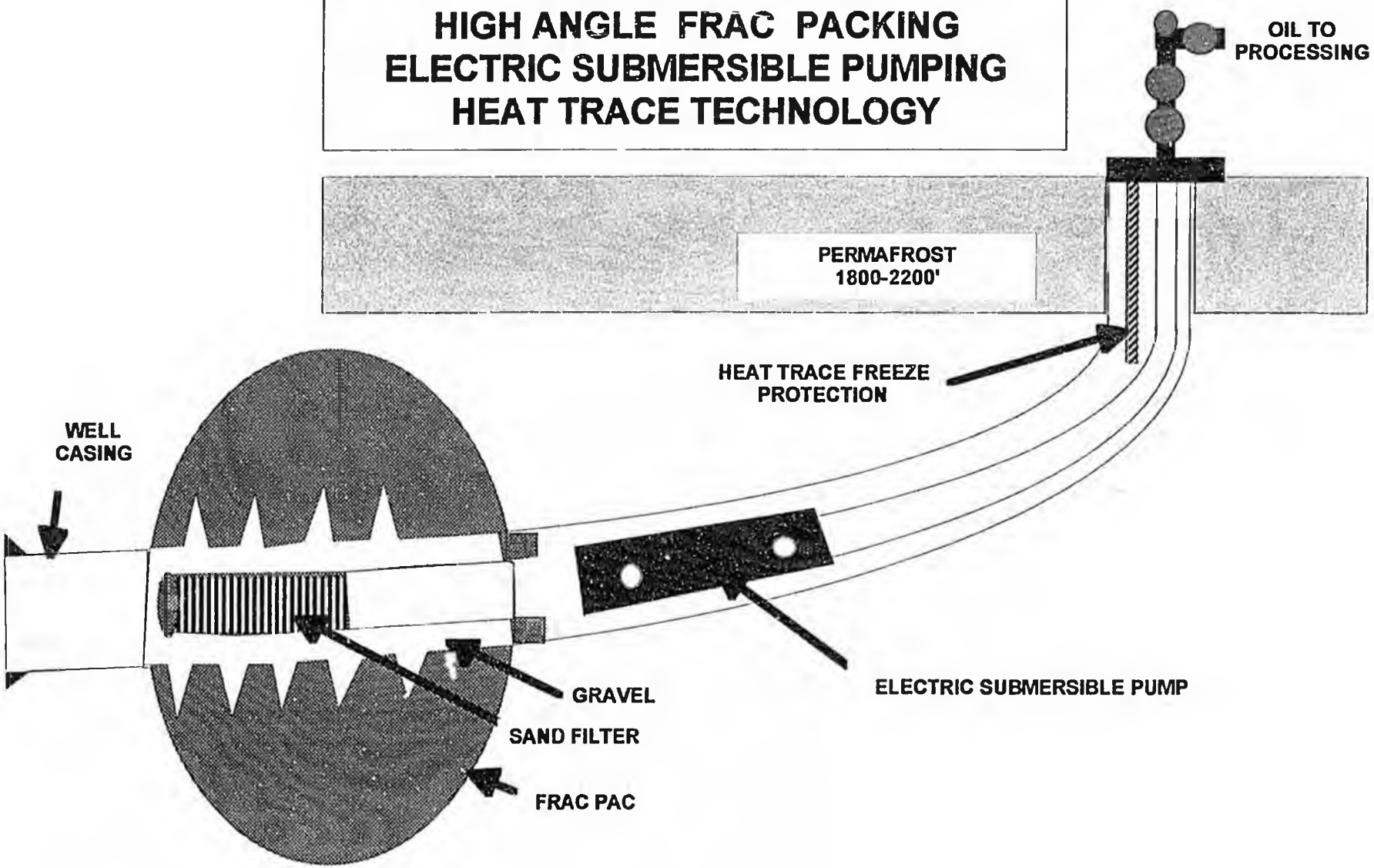
- Objectives
  - Reduce capital requirements and operating costs
  - Increased production rates from new wells
  - Reduce development uncertainty

- Progress - 1995 spend $15,000,000
  - Six wells drilled; completions in progress; not on production
  - Three wells recompleted and on production
  - Reservoir and facility technical studies initiated

- Results
  - Drilling cost reduction demonstrated
  - Completion cost remains problematic
  - Improved submersible pump life realized
  - Well performance and technical study results not yet available

SCHRADER BLUFF TECHNOLOGY:

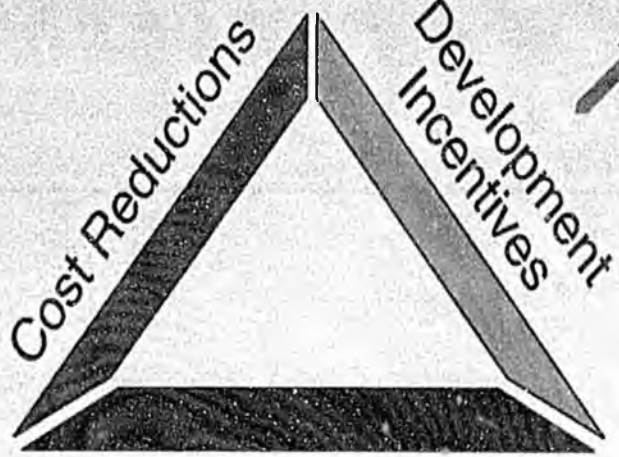
HEAVY OIL TEST BED
HIGH ANGLE FRAC PACKING
ELECTRIC SUBMERSIBLE PUMPING
HEAT TRACE TECHNOLOGY



Schrader Bluff Challenges

Field Development

Compete Internationally for Funds

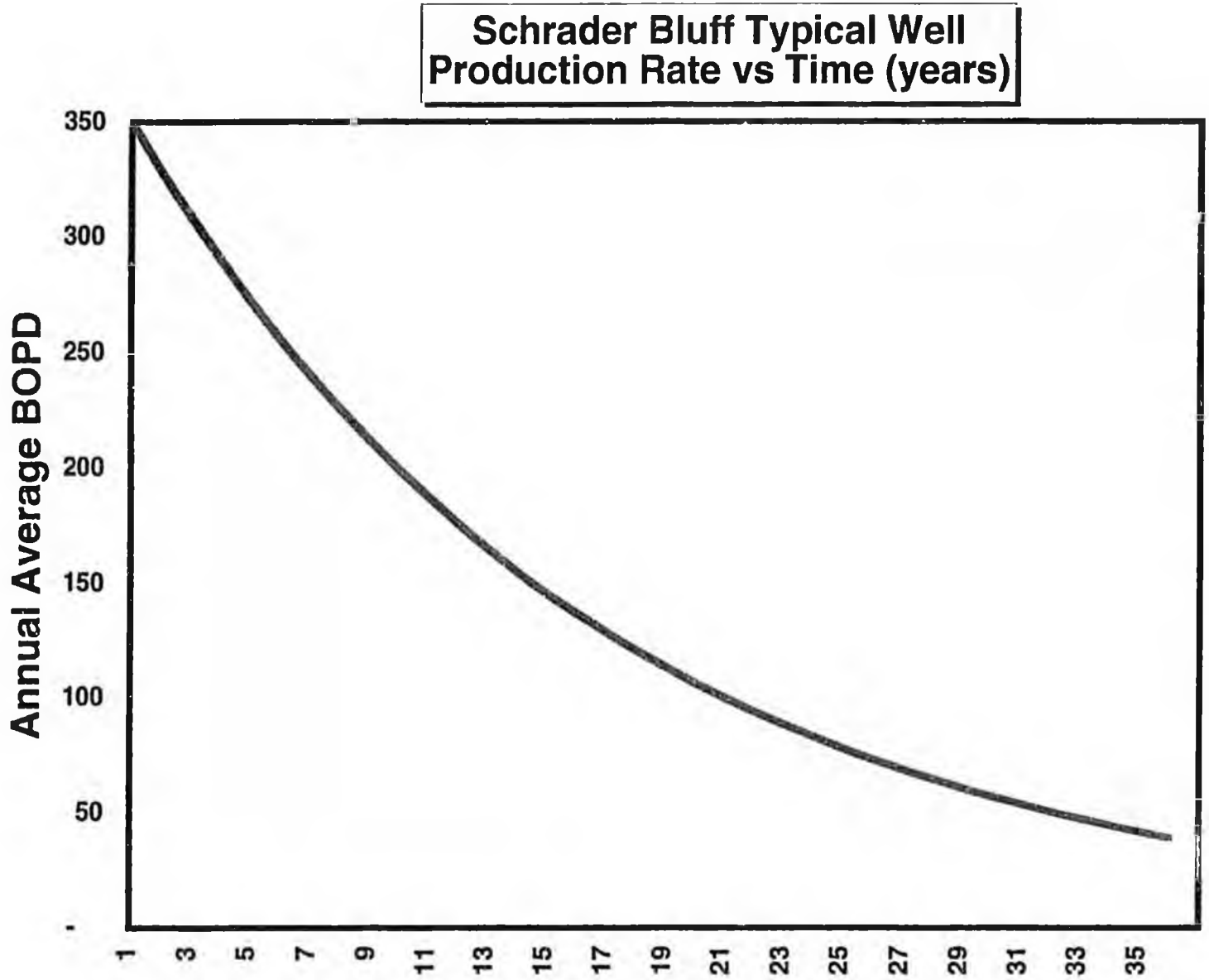


The "Prize" at Schrader Bluff

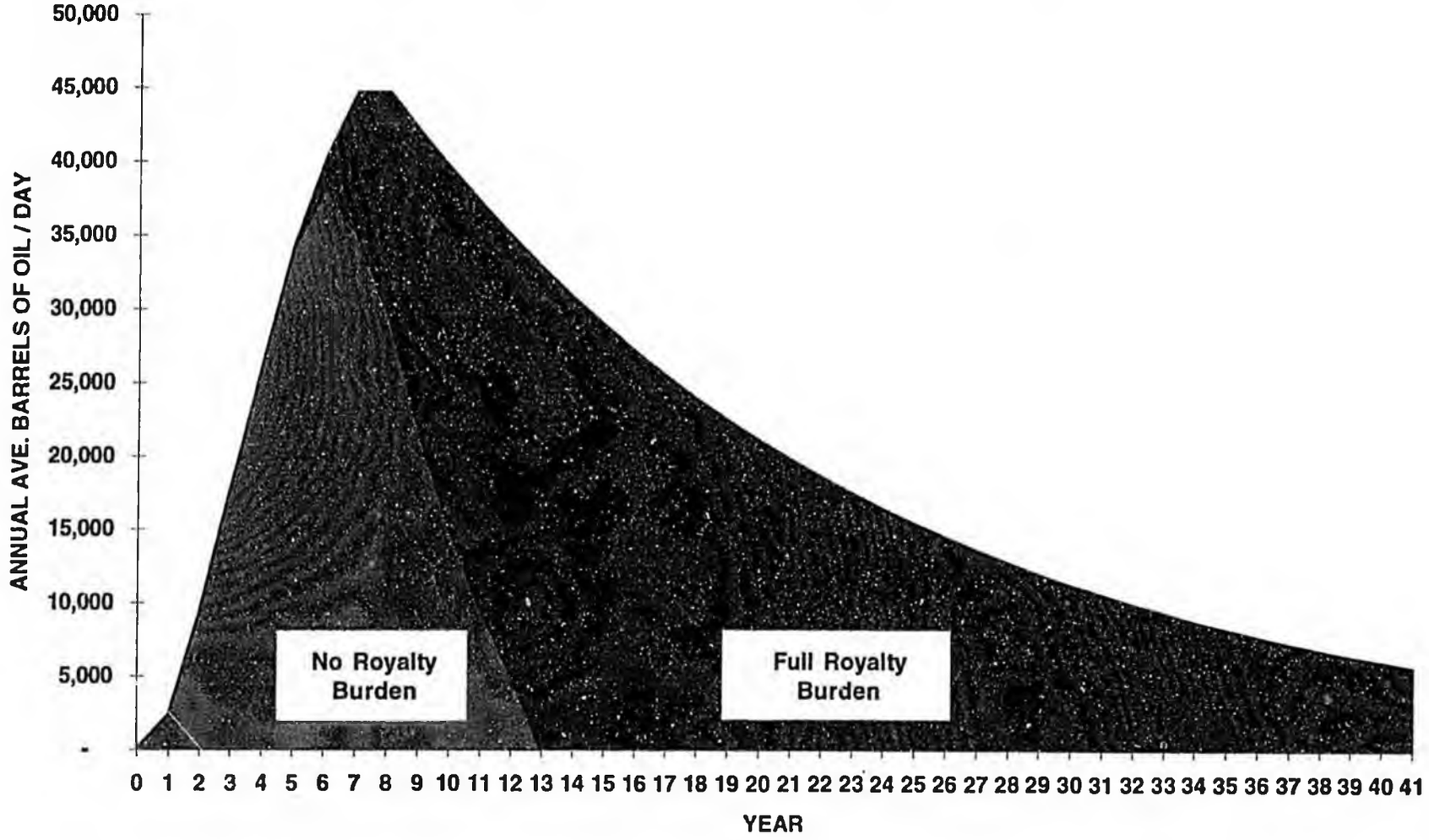
- 2+ Billion barrels of oil in place
- Potential ultimate recovery - 200 to 800 million barrels
- Expansion to adjacent fields

Heavy Oil Royalty Holiday (HB-325)
Impact on Schrader Bluff Project

- Royalty holiday will:
  - Reduce investment uncertainty
  - Encourage investment
  - Send positive signal
  - Accelerate pace and increase development scope
- Time lag from incentive to start of investment is short
- Ultimate project scope remains uncertain


Schrader Bluff Typical Well
Production Rate vs Time (years)
Annual Average BOPD
350
300
250
200
150
100
50
-
1
3
5
7
9
11
13
15
17
19
21
23
25
27
29
31
33
35

ADDITIONAL PRODUCTION FROM HEAVY OIL
BY DEVELOPMENT YEAR
(300 million bbls recovered; 230 wells drilled over seven years)

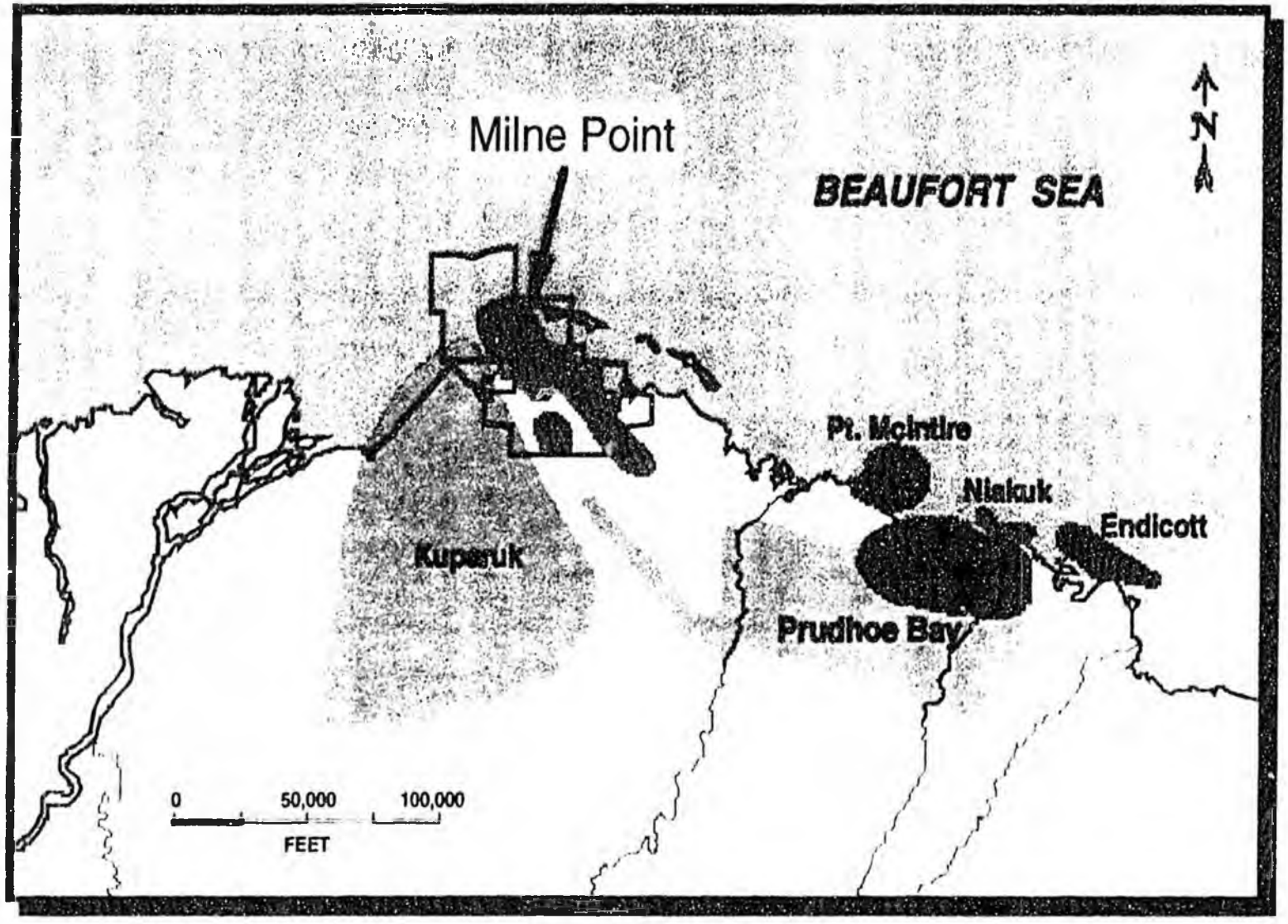


The "Risk" of Project Development Delay

- Current development momentum is lost
- Economic benefits deferred / value lost
- Ultimate recovery placed at risk
- Project economics placed at risk

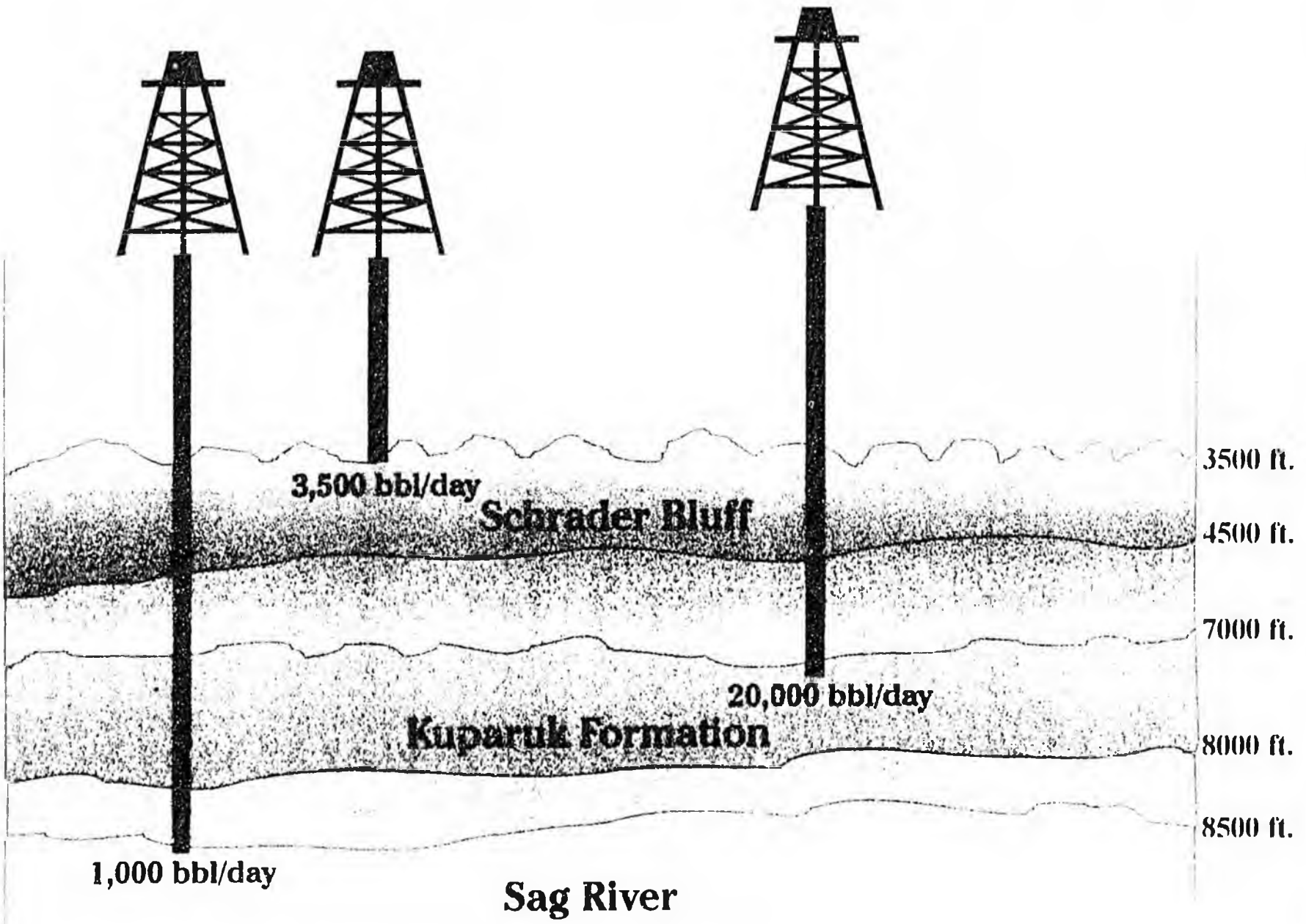
WHO IS OCCIDENTAL OIL AND GAS CORPORATION?

- *Oil & gas part of Occidental Petroleum Corporation*
- *Large independent in the US, no refining or marketing operations*
- *No financial interest in TAPS*
- *Operator of Heavy Oil properties in California*
- *The last original owner in Milne Point Unit with around 9% WI*



North Slope Fields and Milne Unit Outline

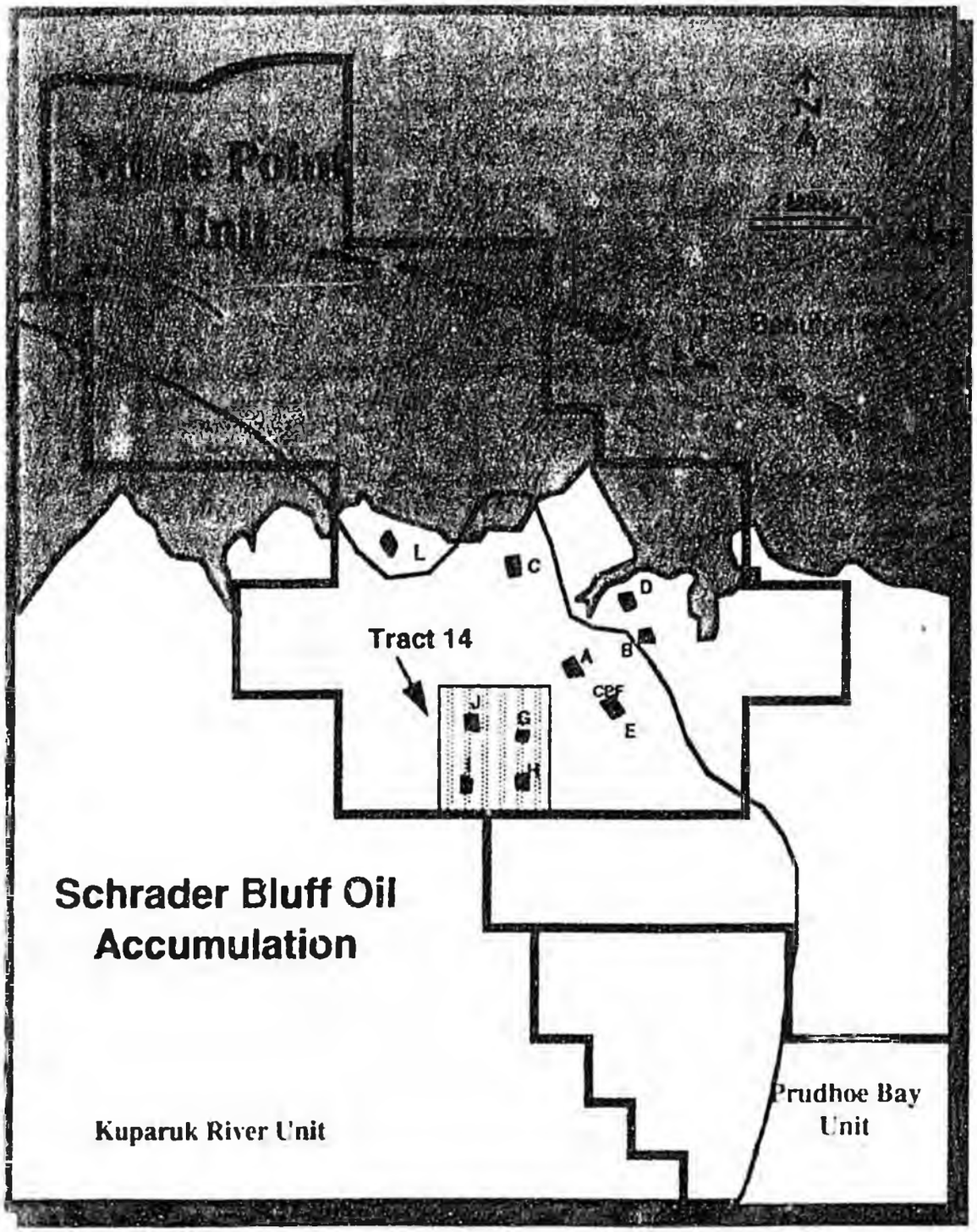
Occidental and BP produce oil from three formations at MPU



What is "heavy oil"?

- Low gravity
- Thick
- Produces slowly over a long period of time
- Disadvantaged in market place

  Capital intensive
- A focus of current debate on oil and gas incentives



Schrader Bluff Oil Accumulation

Previous Heavy Oil Experience

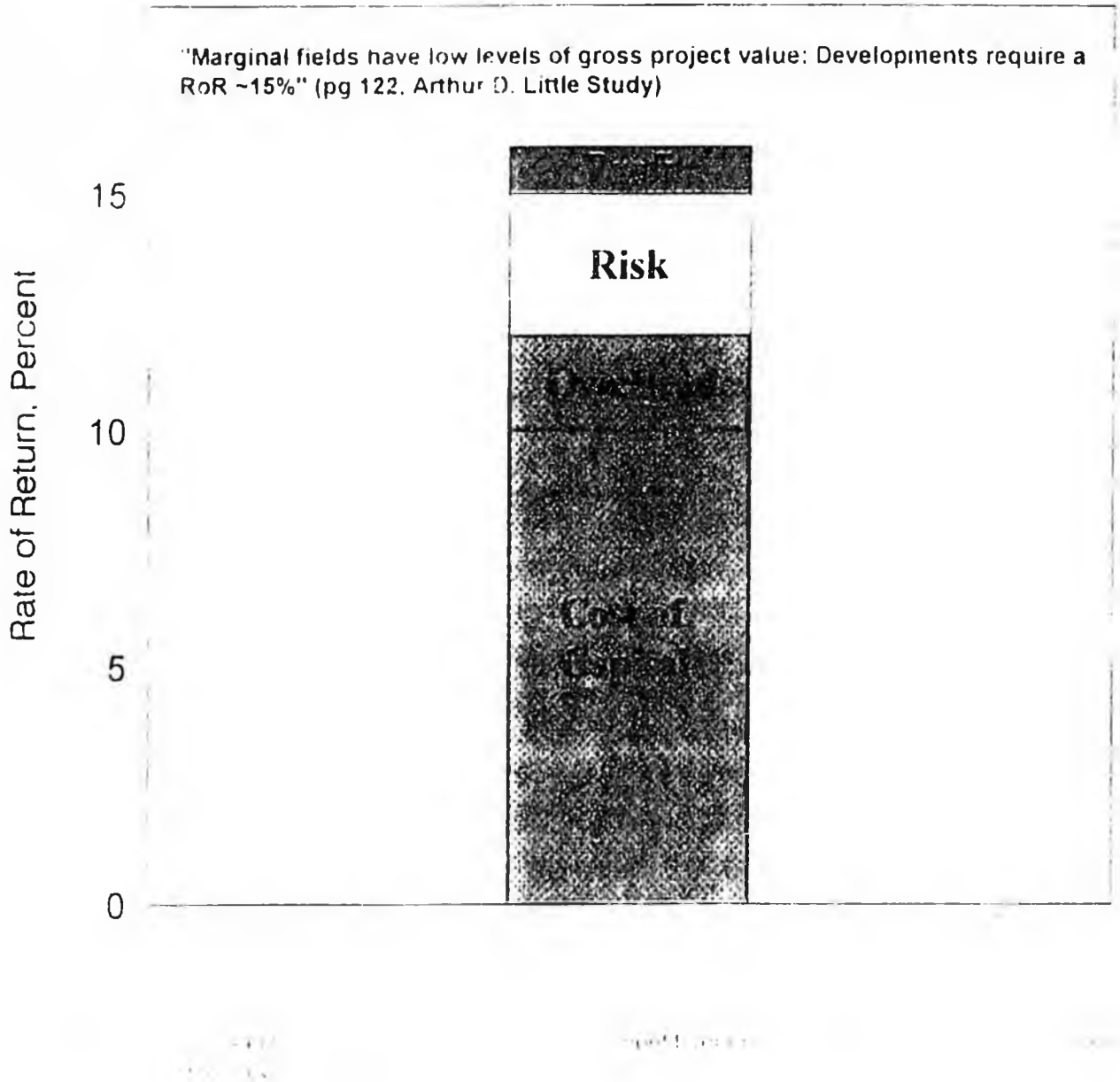
Conoco Tract 13

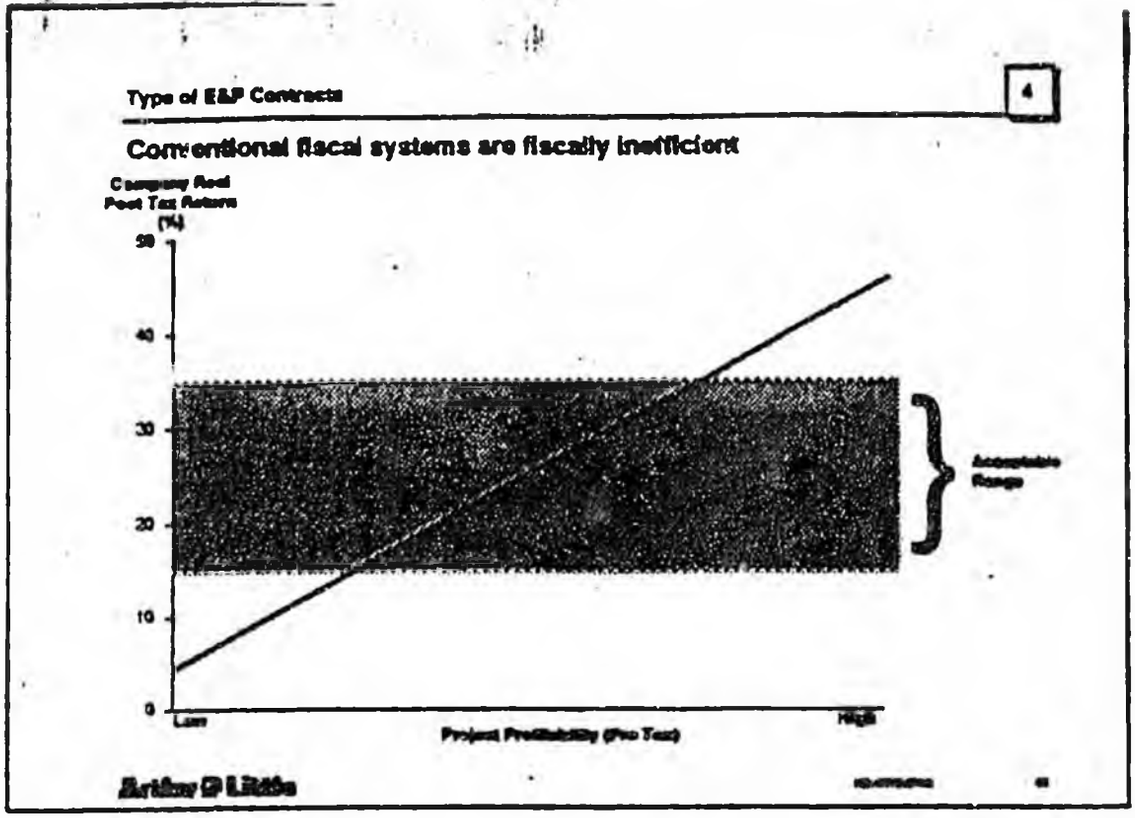
- *Spent a minimum of $126 Million on 22 wells, pads, etc.*
- *Average producing rate = 275 BOPD per well*
- *Expected Recovery = 13.5 Million Barrels*
- *Total Investment = $9.30/BBL*

Uneconomical

Source: SPE 30,289, "Milne Point Schrader Bluff: Ending the Keys to Two Billion Barrels", 6/95. Reserves determined from decline curve analysis.

"Hurdle Rate" -- The Minimum Rate of Return Necessary to Justify Capital Investment





Conventional fiscal systems are fiscally inefficient:

- Under a traditional petroleum agreement (with fixed royalty and income tax rates under a licence agreement or fixed cost and profit sharing under a production sharing contract) the total government take and the oil company profitability change considerably with the characteristics of the discovery (size and development cost) and with oil prices.

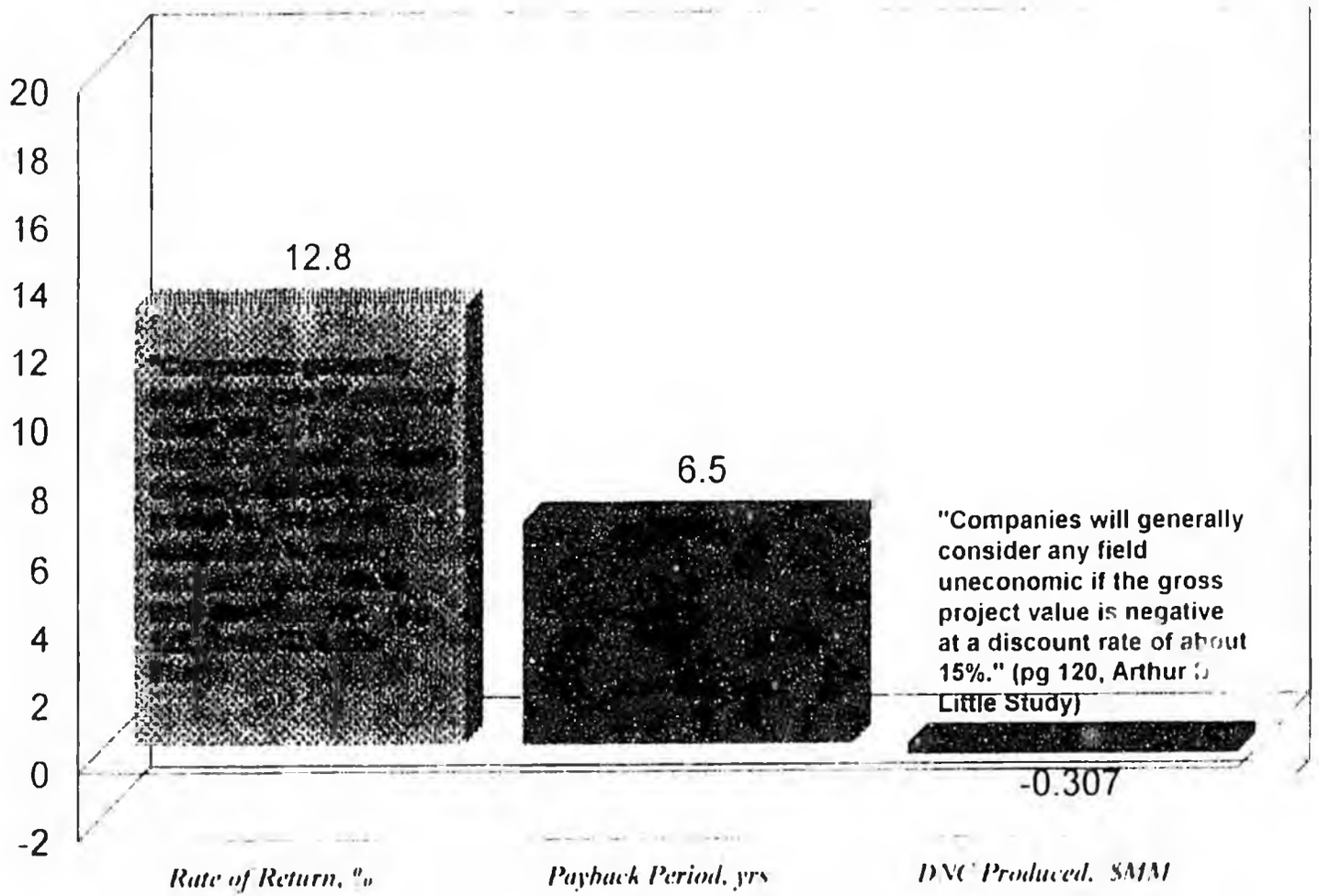
- This type of system is "fiscally inefficient" and has fallen into disfavour following the oil price fall in 1986 and a worldwide trend towards smaller field discovery sizes.

- In a fiscally inefficient system:
  - Smaller and higher cost fields will not be developed as the profitability is too low to attract oil companies.
  - Larger and least expensive fields will generate excessive profits for the companies; the government take will be lower than it has the potential to be.
  - Similar effects will be experienced if oil prices are unexpectedly high or low.

- Thus, uniform fixed rate fiscal systems produce non-uniform results which are economically discriminatory:
  - It is important to "tailor" the contractual terms so that the conditions offered are attractive both for significant and for small discoveries and so that the long term interests of host country and the investors are protected, for example, in the case of wide variations in crude oil prices.

Typical Heavy Oil Well Economics

Based on the 5 best wells to date in Tract 14



What are we proposing?

HB 325 by Representative Green

- Applicable to heavy oil production as defined by 26 U.S.C. 613A(c)(6)(F)
- Applicable only to the Alaska North Slope
- Suspension of royalty payments for each new well for the:
  - first five years
  - first 500 barrels of oil per day
- A simple, automatic process

Suspension Incentives in Other Jurisdictions

Texas
- high-cost gas (10 year exemption)

Utah
- wildcat wells (first 12 months)
- development wells (first 6 months)

Oklahoma
- horizontal wells (until payout)
- enhanced oil recovery projects (until payout)

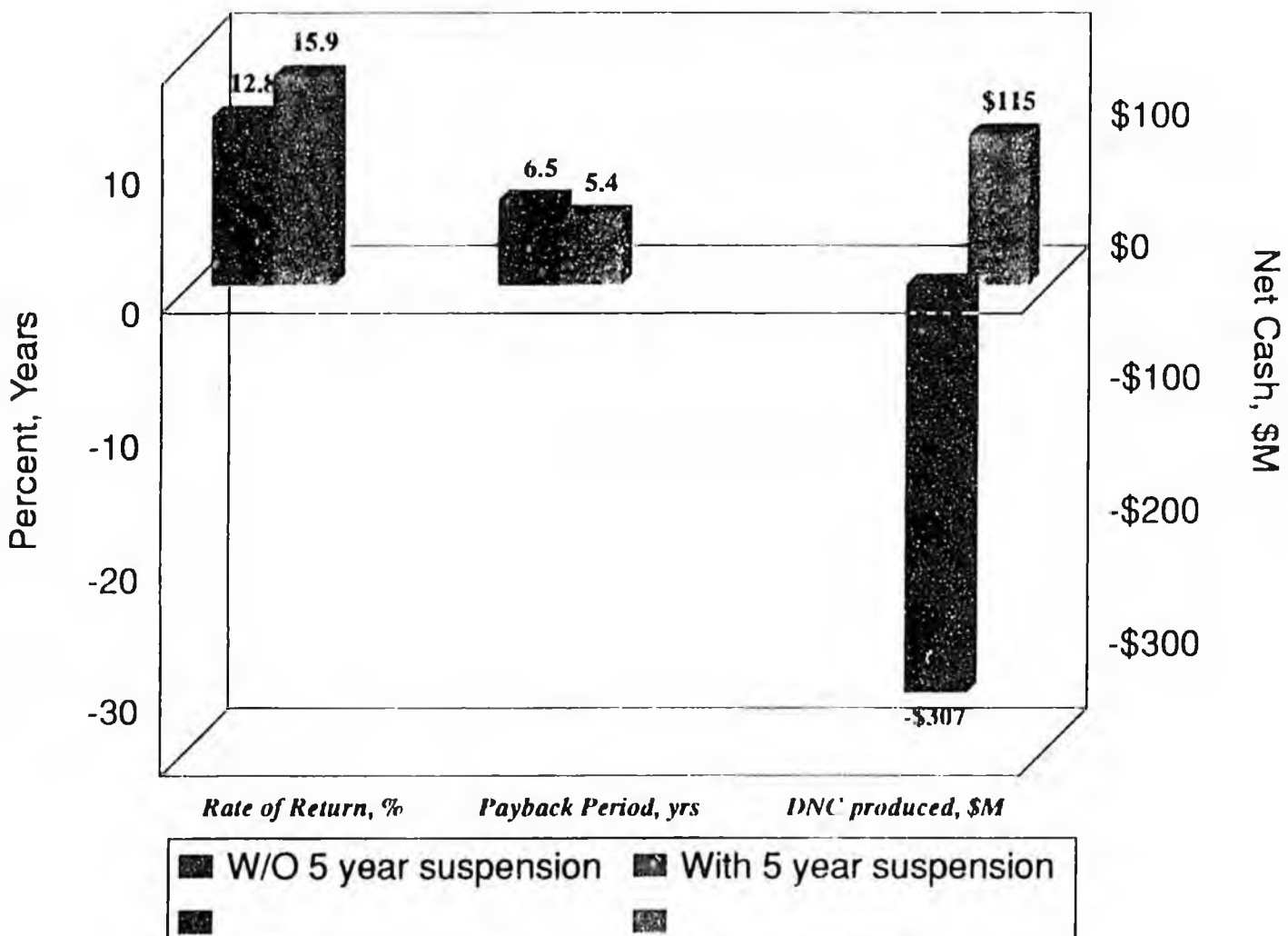
Montana
- horizontal wells (first 18 months)

Mississippi
- discovery wells (first 5 years)
- re-activated wells (first 3 years)

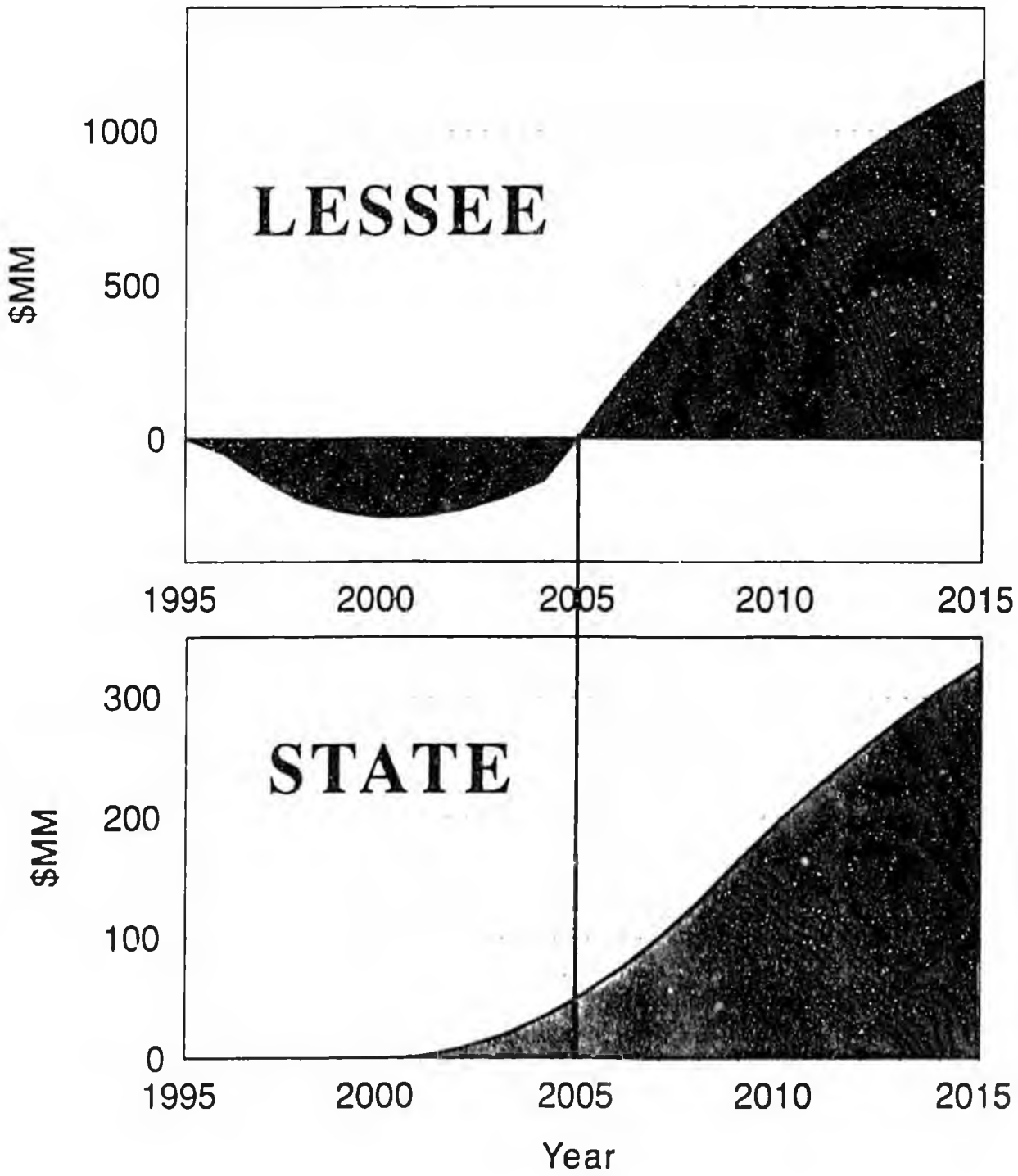
Kansas
- tertiary projects (for life of project)
- shallow wells (for life of project)
- discovery wells (first 12 years)

Arkansas
- discovery wells (first 5 years)

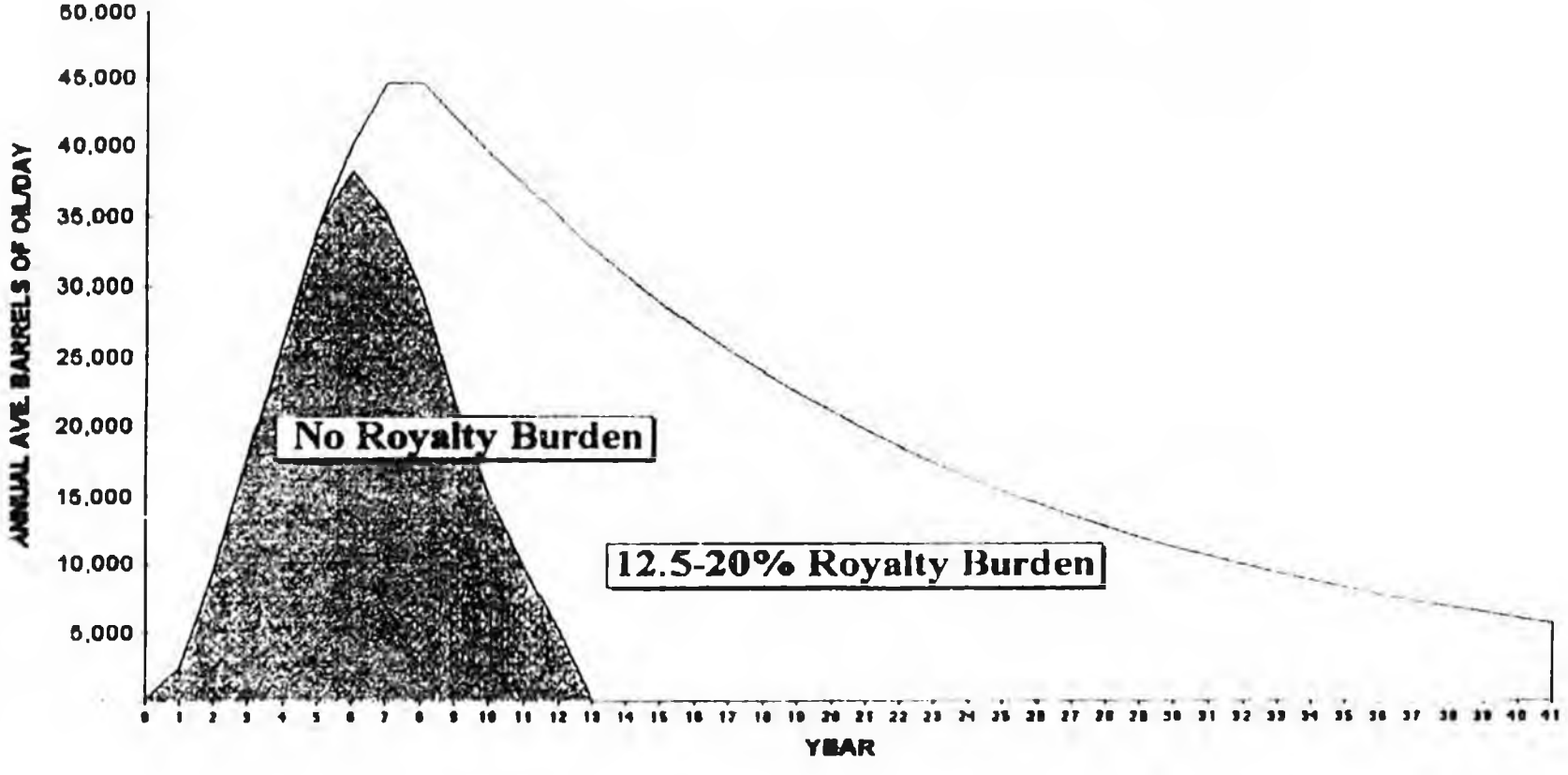
The Effect of Royalty Suspension on Schrader Bluff Economics



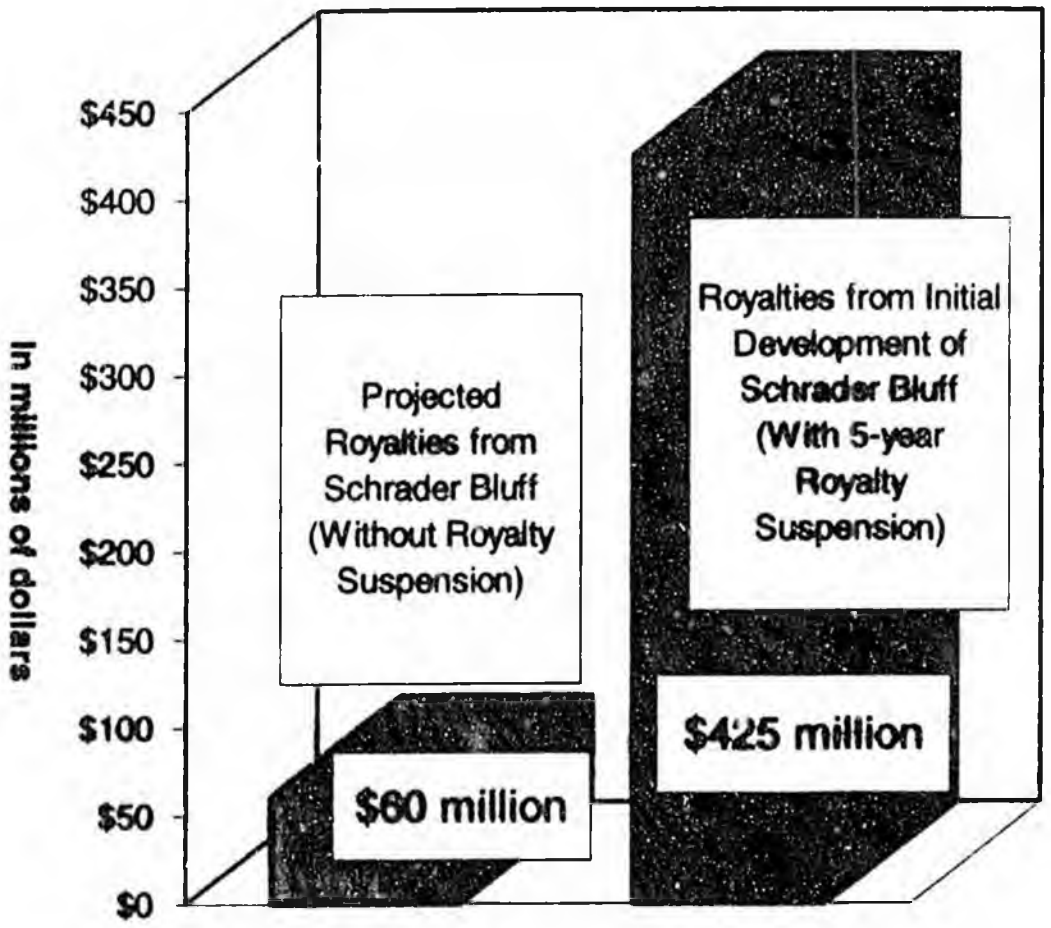
Cumulative Cash Flows From Full Development



ADDITIONAL PRODUCTION FROM HEAVY OIL
BY
DEVELOPMENT YEAR



Two Paths for Schrader Bluff



SPE 30289

Milne Point Schrader Bluff: Finding the Keys to Two Billion Barrels

C. R. Bidinger*; J. F. Dillon, BP Exploration (Alaska) Inc.
* SPE Member

This paper was prepared for presentation at the International Heavy Oil Symposium held in Calgary, Alberta, Canada, 19-21 June1995.

ABSTRACT

Milne Point, North Slope Alaska, contains in excess of 2 billion barrels original oil in place (OOIP) in the shallow, Late Cretaceous, Schrader Bluff Formation. This resource is part of a larger accumulation in excess of 26 billion barrels OOIP overlying many of the deeper producing fields. A small waterflood pilot presently produces 3300 barrels of oil per day (BOPD) of 19 API oil from 2650 acres in Milne Point. Initial average well productivity's of 350 BOPD, low by North Slope standards, coupled with current cost, performance, and fiscal conditions, render the resource uneconomic. A multi-pronged approach dealing with well productivity, drilling and facility costs, and development incentives is underway to save this resource from abandonment. Technological and contractual innovations are considered keys to success. Which keys fit the lock will determine the development of billions of barrels of recoverable oil.

Illustrations at end of paper

INTRODUCTION

Milne Point is located approximately twelve miles west of Prudhoe Bay on the North Slope of Alaska (Figure No. 1). BPXA acquired Milne Point from the majority owners, CONOCO and Chevron, and began operating the field on 1 January, 1994. Occidental Petroleum continues to maintain a minority working interest in the field. The field currently produces 28,000 BOPD primarily from the Kuparuk Formation, one of the main North Slope reservoirs. The Schrader Bluff accumulation overlies this deeper horizon. BPXA has initiated a significant challenge to commercialize this Schrader Bluff reservoir following earlier attempts by CONOCO at Milne and by ARCO to the south and west of Milne, in the reservoir interval known informally as West Sak.

THE RESOURCE

The shallow Schrader Bluff/West Sak/Ugnu reservoirs overlie the main reservoirs at the Kuparuk River, Milne Point, and Prudhoe Bay fields. With 26 billion barrels of oil in place, these shallow pools are larger than the North Slope's Prudhoe Bay. The Milne Point portion of this resource(Figure No. 2), the subject of this paper, consists of a stacked sequence of

reservoirs with variable oil water contacts and variable API gravities, covering over 32,000 acres (50 square miles). This challenging reservoir is one of the largest undeveloped accumulations in North America, and with even modest recoveries, reserves must be considered substantial.

SHALLOW SAND NORTH SLOPE HISTORY

The Schrader Bluff discovery well at Milne Point, Kavearak Point 32-25, was drilled by Standard Oil of California with partners, Mobil and Phillips in mid-1969. Although a deeper horizon was tested, the shallower intervals were only logged. Additional drilling concentrated on the deeper horizons, but the accumulations were considered uneconomic until the CONOCO partnership crystallized and committed to development in the early 1980's. Milne Point #1 was the first to test the shallower interval, yielding 125 BOPD of 19 degree API oil by drill stem test. The partnership developed the deeper Kuparuk Formation starting in 1985, leaving the Schrader Buff until later.

Arco's West Sak pilot at the Kuparuk River Unit attempted to produce from roughly the stratigraphic equivalent of Milne Point's Schrader Bluff. Commencing production in September 1984, an estimated $135 million was invested in 13 wells and processing facilities. Significant additional investments were made in reservoir studies and project design. The production wells averaged 120 BOPD without stimulation and about 250 BOPD after fracture stimulation. About 0.8 MM barrels were recovered before the pilot was abandoned in December 1986. Difficult reservoir fluid properties (high oil viscosity), unconsolidated sands, and low completion efficiency contributed to the project's low productivity.

CONOCO's Schrader Bluff pilot at the Milne Point commenced production in March 1991. The pilot was producing about 3,300 BOPD at the end of 1993 when BP acquired the Milne Point Unit. At this point, the 12 producers averaged 275 BOPD/well of 19 degree API gravity crude and about 3 MM barrels had been recovered. Approximately $126 million had been invested in 22 wells, four pads, roads power lines, and pipelines. As with the West Sak pilot, this project lost money and failed to meet key development hurdles for commercial viability: sufficient well productivity at low capital costs.

RESERVOIR CHARACTERISTICS

The Schrader Bluff consists of Late Cretaceous near shore marine sand sequences, informally referred to as the "N" and "O" sands. The individual reservoir units are predominantly very fine to fine grained, moderately sorted, unconsolidated quartz sands with varying amounts of accessory minerals, mainly rock fragments, mica and glauconite. The reservoir units are amalgamations of storm deposits redistributed, for the most part, below wave base. Bioturbation, and burrows are common in some intervals whereas, others display finely laminated bedding, suggesting more rapid sedimentation. Calcareous interbeds are locally common, often associated with concentrations of bivalve debris.

The upper "N" sands consist of multiple reservoir layers varying in thickness between 5 and 15 feet, with permeabilities ranging between 5 millidarcies to 5 darcies. The lower "O" sands consist of two main sand bodies that although are finer grained than the "N" sands, are generally more massive and competent. These sands are more continuous and correlative across the North Slope than the thinner, more discontinuous "N" interval. The "O" sands thickness varies between 10 to 35 ft with permeabilities between 10 millidarcies and 1 darcy. The average porosity in all sand units varies between 25 to 28 percent.

The formation dips gently north-northeast at a rate of approximately 170 ft per mile. The resulting monocline is broken by numerous faults of variable displacement, most of which trend north-northeast and progressively downdrop the reservoir to the northeast. Depths range from 3500 feet - 4500 feet. Faults, generally producing offsets between 20-150 feet compartmentalize the reservoir to some

degree. This coupled with stratigraphic discontinuities, can hydraulically isolate individual reservoir units.

The fracture gradient is between 0.66-0.70 psi/ft with an overburden stress gradient of 0.85 psi/ft. The estimated net confining stress is between 1000 to 1300 psi.

OIL CHARACTERISTICS

The Schrader Bluff Pool is understaturated by about 500 psi and correspondingly has no gas cap. The initial average reservoir pressure is 1750 psig at 4000 ft true vertical depth subsea with an average reservoir temperature of 81°F. These pressures are only slightly higher than the local hydrostatic pressures. Currently, the average reservoir pressure is between 1400 to 1750 psi depending on producing fault block.

The hydrocarbon quality varies between the N and O sands, the deeper O sand containing a better-quality crude than the N sand. The N sand oil gravities range from 14° to 19° API with viscosities between 40 and 140 centipoise(cp). The oil gravities and viscosities improve in the O sands, oil gravities typically falling between 18° to 21.5° API with viscosities from 30 to 45 cp. Figure No. 3 shows the anticipated API gravity variations across the Schrader Bluff formation.

In general, the PVT properties of the Schrader Bluff hydrocarbons bear a resemblance to conventional heavy oil systems, namely:

- low API gravities (14-22°),
- low gas oil ratio(GOR)(100-200 scf/stb),
- low oil formation volume factor (about 1.04-1.08 rbbl/stb),
- high average viscosity (30 to 70 cp at original conditions).

The live oils of the Schrader Bluff are dominated by the C7+ fractions (67 mole percent on average). This corresponds to an exceedingly small amount of C2-C6 intermediate hydrocarbons and suggests high bio-degradation. The hydrocarbons contain no hydrogen sulfide, and very little quantities of carbon dioxide or nitrogen. The gas composition is primarily methane. The formation water contains approximately 27,000 ppm total dissolved solids, with an average salinity of 20,000 ppm NaCl equivalent.

In common with fluid systems from shallow and soft sands, the Schrader Bluff hydrocarbon properties exhibit significant variations across sand bodies. This variance is seen vertically, from sand to sand, and laterally within one sand as it is traced down dip. The mapped variance is poorly understood at this time.

PRESENT DEVELOPMENT

A localized Tract 14 pilot project was initiated in 1991, developing approximately 2560 acres (Figure No. 2). Roads, pipelines and general facilities to support 4 pads were constructed and presently support 23 deviated wells (Figure No. 4). A limited waterflood was initiated in March 1992 The reservoir is currently developed on a spacing that varies from 160 acre to 80 acres. It is anticipated that development will be ultimately be equal to, or less than, 80 acres.

RESERVOIR / FIELD PERFORMANCE

Drilling

Drilling and completion costs comprise one of the major cost levers being aggressively worked. Historical drilling and completion costs averaged $2.3 MM per well. Changes in the casing program have resulted in significant cost reductions. Current drill and completion costs average $1.6 MM, a 30 percent savings. Work is underway to reduce these costs further.

Completions

Typical completion design includes 2 7/8" tubing with an electrical submersible pump (ESP) and a wellbore heat trace system preventing freezing in the permafrost section of the wellbore. (Figure No. 5). Sand control methods are required to insure long ESP run lives. Wells where O-sands have not been controlled have produced varying quantities of sand, leading to premature ESP failures.

Gravel packs, pre-packed screens, and frac-packed sand control techniques have been

employed to determine the most cost effective and least damaging completion. The future challenge is to improve frac-packing technology and reduce completion costs.

Offtake History

Commercial production from Schrader Bluff began in March 1991. Waterflood was initiated in March 1992 in four different fault blocks when several production wells were converted to water injectors and two additional injectors wer drilled. There are twenty three (23) wells in Tract 14 region; 2 horizontal producers, 15 active conventional producers, of which 4 are shut-in because of ESP failures, 5 injectors and 1 well that was never completed due to faulted section.

Initial production averaged approximately 350 BOPD. The initial gas oil ratio averaged 180 scf/stb with watercuts generally less than 1 percent. Currently, the average production rate is 200 BOPD per well with an average GOR of 450 scf/stb. The watercut has increased to 14 percent. The most productive wells of the field have cumulative volumes of 0.5 MMstbo. Cumulative production to date is approximately 4.1 MMstbo representing approximately 1.4 percent of original oil in place within the Tract 14 region. The field decline rate is 6 percent per year (Figure No. 6).

Completion designs limit reservoir surveillance activities. Therefore, alternative data acquisition methods are used. For example, RFT pressures are obtained in the Schrader Bluff from wells drilled to the deeper Kuparuk formation. This pressure information provides valuable data for monitoring depletion in the different sands.

Reserves

Reservoir volumetric analysis quantifying oil in place, as complex as it might be, is one of the more straight forward estimations regarding the Schrader Bluff. Actual reservoir connectivity due to stratigraphy and sedimentology, as well as structural compartmentalization, complicate the picture. Therefore, sweep efficiency will be highly variable and in some areas, ineffective.

Additional efforts are focused on quantifying the effects of three drive mechanisms providing energy to the reservoir: solution gas, compaction, and water drives. Initial performance is attributed to solution gas drive, followed by contributions from compaction and water support. The ultimate necessity and timing of waterflood support is considered key to large-scale planning.

Milne Point's Schrader Bluff contains more than 2 billion barrels of oil. The Schrader Bluff, over the entire North Slope, contains more than 16 billion barrels. An additional 10 billion barrels resides in the informally named Ugnu sands overlying the Schrader Bluff. The oils in this unit have progressively lower API gravities corresponding to increased bio-degradation. The associated higher viscosities, coupled with the lower temperatures as one approaches the permafrost at 1500-2000 feet, renders recoveries from this resource more problematic.

Assuming waterflood support, and limiting production to existing producers, modeling indicates recoveries exceeding 16 percent. Applying these recoveries to original oil in place yields greater than 320 MMstbo with fieldwide development. This first generation model will be replaced with a more refined simulator being developed to assist in reservoir evaluation, planning and maintenance.

EOR Recoveries

The reservoir and oil characteristics of the Schrader Bluff make it a prime candidate for various enhanced oil recovery (EOR) projects. Among the methods that have passed initial screening are Air Injection (In-situ Combustion), various floods, such as CO2 or natural gas liquid projects, and to a lesser degree, steam flooding. Each of these methods has its own advantages and disadvantages, with varying probabilities of success. Several methods might ultimately be employed in different parts of the field, depending upon local reservoir and oil character.

Scoping models of these processes yield possible incremental recoveries from 12-40 percent over those recovered by waterflood.

These models indicate that air injection yields the highest recoveries, although capital costs for compressors, facilities, and recompletions are anticipated to be significant. Extremely tight environmental compliance on the North Slope is another significant consideration in what processes ultimately move from modeling to field testing.

CHALLENGES

Presently, the Schrader Bluff and the total shallow oil accumulation of 26 billion barrels in the greater North Slope area, do not favorably compete for international development funds. Contributing factors are: elevated North Slope facility and drilling costs; costs associated with environmental protection, presently inflexible fiscal terms; all coupled with production rates, low by North Slope standards. The combination yields net rates of return and paybacks that are unattractive under current economic conditions.

Assuming constant economic factors such as royalty rates, and oil prices, main challenges to unlocking large-scale development include:

1) driving down front end capital costs associated with drilling and facilities to levels, comparable with Canadian and northern tier Lower 48 operations, through design, operational innovations, and judicious contractual agreements,
2) accelerating initial production and modifying decline curves on a per well basis through innovative completion techniques and reservoir management,
3) maximizing ultimate recovery through reservoir management and to a lessor degree, enhanced oil recovery methods.

If such challenges can be met, the keys to success will have been found.

Costs

Cost savings have already been realized in many areas including: casing programs, well head hardware, hydraulic fracture designs, analysis of hole sizing, facilities design, piggybacking on existing facility designs, utilizing surplus equipment from other North Slope assets, pad design, fit for purpose rigs, logging costs, workover costs, and investigation of coil tubing completions.

In addition, general operating and overhead costs are prime targets for reduction. As an example, the workover cost of replacing a failed ESP, universally utilized at Milne Point, has been reduced by half. Furthermore, costs are expected to be reduced to one third of the original costs within the year. The frequency of ESP replacement, a significant operating expense has also seen improvement with expected runlives increasing from 3 to 5 years.

Well Productivities

Well productivities are primarily keyed to net pay, oil viscosity, completion design, and ESP runlives. Whereas, net pay and oil viscosity are variables somewhat beyond control, gains have been made in completion design, and all operational aspects of ESP's.

Recent innovative hydraulic fracture designs involving pumping large volumes in short time frames, achieving wide fracture width with minimal propagation, have yielded the highest productivity index to date. These rates, while pushing the envelope of existing equipment, have the potential of increasing initial production rates by a factor of 2 to 3.

Environmental Considerations

Operations on the North Slope of Alaska are not "business as usual" when it comes to environmental concerns. In these times of heightened awareness, Milne Point is located in a place where this awareness is focused. Alaska contains a high percentage of our protected lands within the United States. Over 50 % of the total acreage devoted to Parks or Refuges fall within Alaska, and with this high concentration, goes a heightened responsibility. As stewards of the environment in which we work, we must be diligent in our protection of this resource. This stewardship comes with a cost, however, and this cost is substantial.

Due to land ownership, lease conditions, and legislation, the North Slope is regulated by three layers of government, the North Slope Borough, the State of Alaska, and the United States government. As a result, regulations must be followed, studies conducted, reports filed and permits obtained for each of these entities.

The nature of the tundra wetlands and its associated flora and fauna drives many aspects of operations, all to minimize impact: facility design, waste disposal, drill pad site selection, road construction, and timing of operations with regard to temperature and wildlife cycle. These costs are necessary for doing business in a responsible manner. But, the costs are considerable and put an additional economic burden upon any successful development. Being fully committed to our environmental responsibilities, and simultaneously striving to find keys to unlocking this resource, crystallizes an environmental challenge: finding ways to fully protect the environment by reducing the foot print, and thereby, reducing overall costs.

PRESENT DEVELOPMENT PLANS

The 1995 Schrader Bluff program includes drilling as many as 5 wells from the existing Milne Point pad infrastructure to achieve higher production rates at lower drilling and completion costs. Non-conventional wells and large scale frac-packs are two examples of technologies under consideration to improve production rates. In addition, drilling and completion methods and costs are being challenged and alternative drilling fluids are being evaluated to minimize completion and formation damage.

In conjunction with this drilling program, a comprehensive reservoir and fluid study is underway to more fully understand performance. This work is fully cross-disciplinary and interlinks at many levels. (Figure No. 7) As well as integrating existing data, conventional core and downhole fluid samples are being taken to further this analysis. Much of this data will be the basis for a fullfield simulator being constructed to assist in reservoir management and evaluation.

Development scenarios for collection and processing facilities are being evaluated. The aim is to efficiently collect production from potentially hundreds of new wells, while increasing facility capacity to process the flowstreams. Several alternatives are under consideration, including debottlenecking the central processing plant and 'partial processing' of produced fluids at well pads.

The desire to minimize surface impact by centralized pad design dovetails with cost reduction. However, this drives up drilling costs and complicates field development, and maintenance, as it requires highly deviated wells. As the iterations involving development strategy, facility design and drilling costs are far from unique, choosing the final solution will be a challenge in its own right.

EOR processes are being screened and scoping analyses will be conducted to evaluate incremental recoveries. However, primary and secondary recovery, coupled with cost, are the main Schrader Bluff economic drivers. Enhanced oil recovery is not considered a key to unlocking the Schrader Bluff resource. As presented in this paper, the keys are closer at hand.

ACKNOWLEDGMENTS

The authors wish to acknowledge Occidental Petroleum for granting permission to publish this material. Thanks go to the previous staff of CONOCO who saw the potential of the Schrader Bluff resource and went forward with the initial pilot project. Similarly, those within BP who have seen the potential and can see the path towards realization are acknowledged. Thanks also go to Craig Smalley, BP-Sunbury, for assistance rendered.

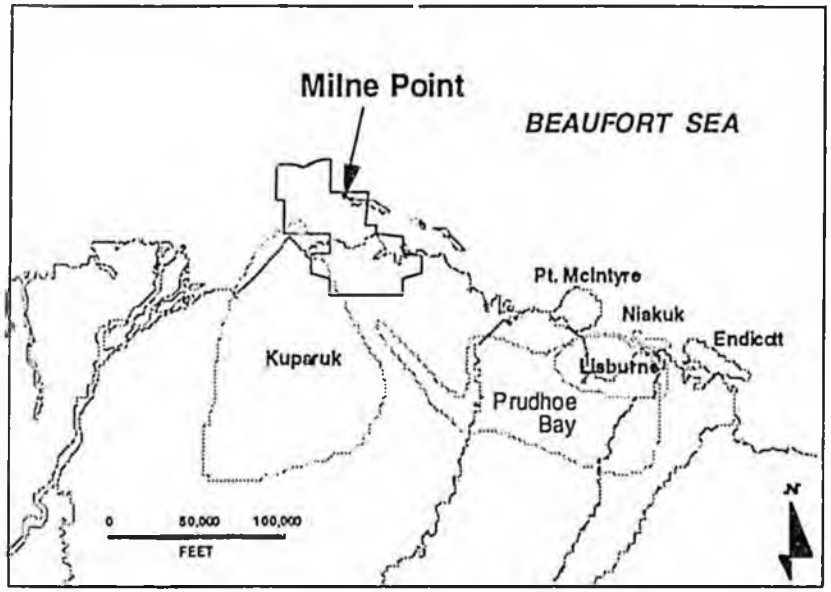


Figure 1 - Map of the North Slope of Alaska

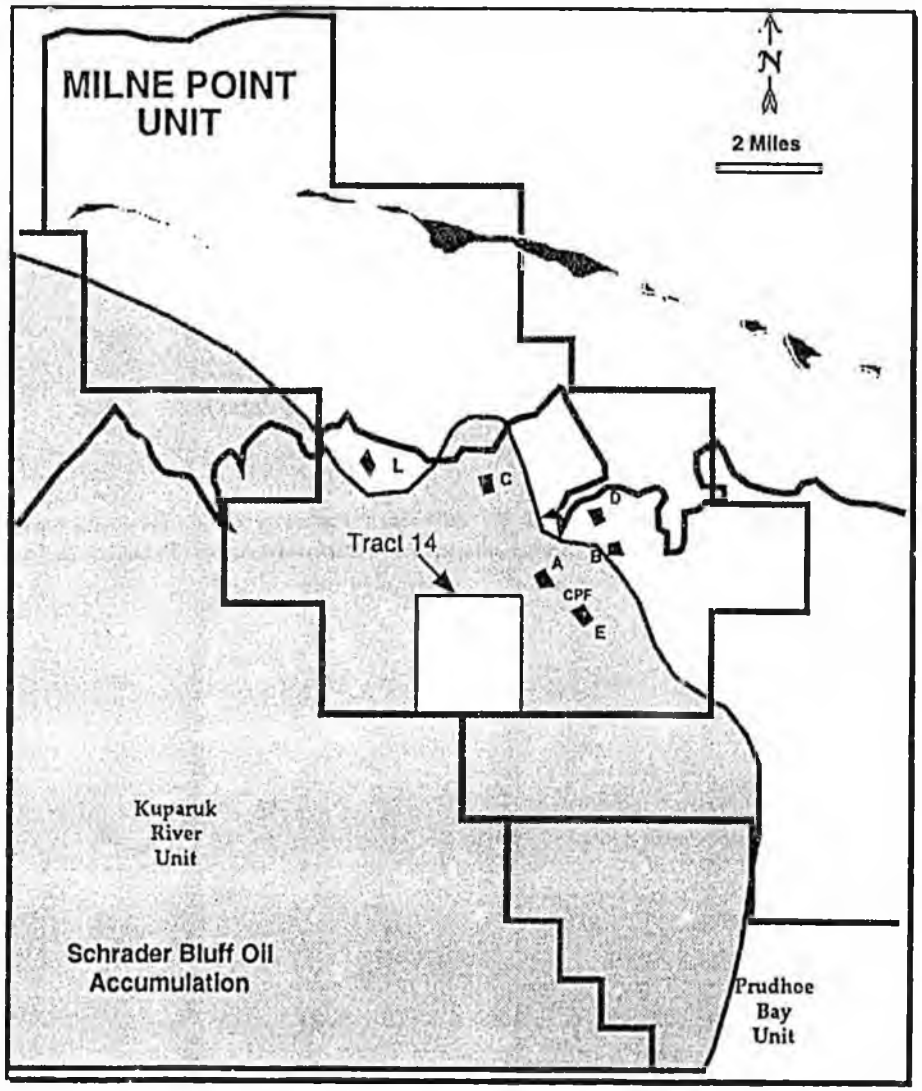


Figure 2 - Schrader Bluff Oil Accumulation

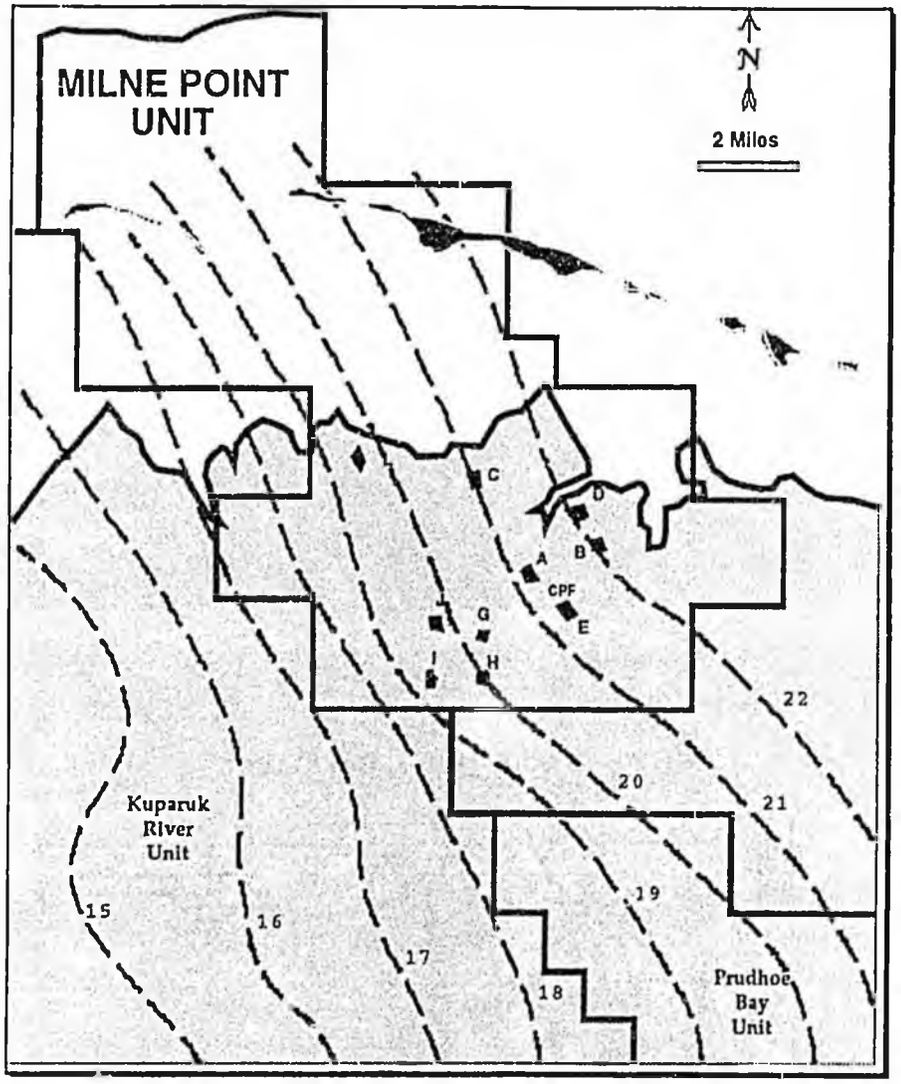


Figure 3 - Schrader Bluff API Gravity Map

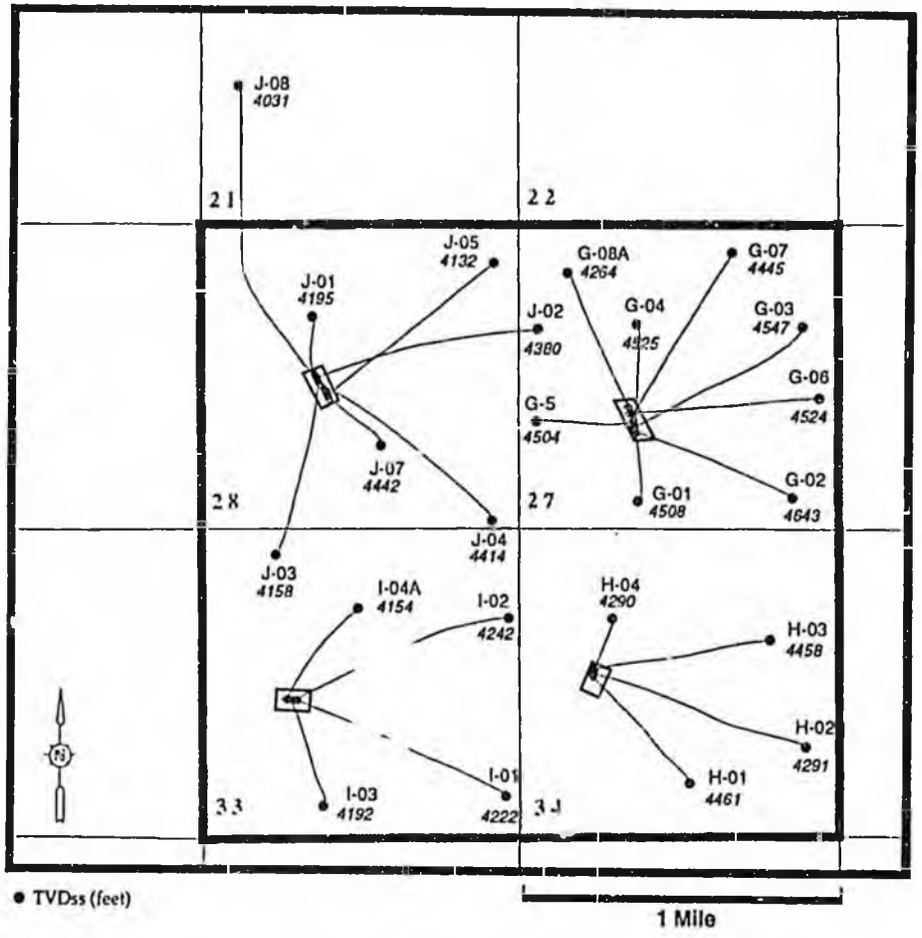


Figure 4 - Tract 14 Well Location Map

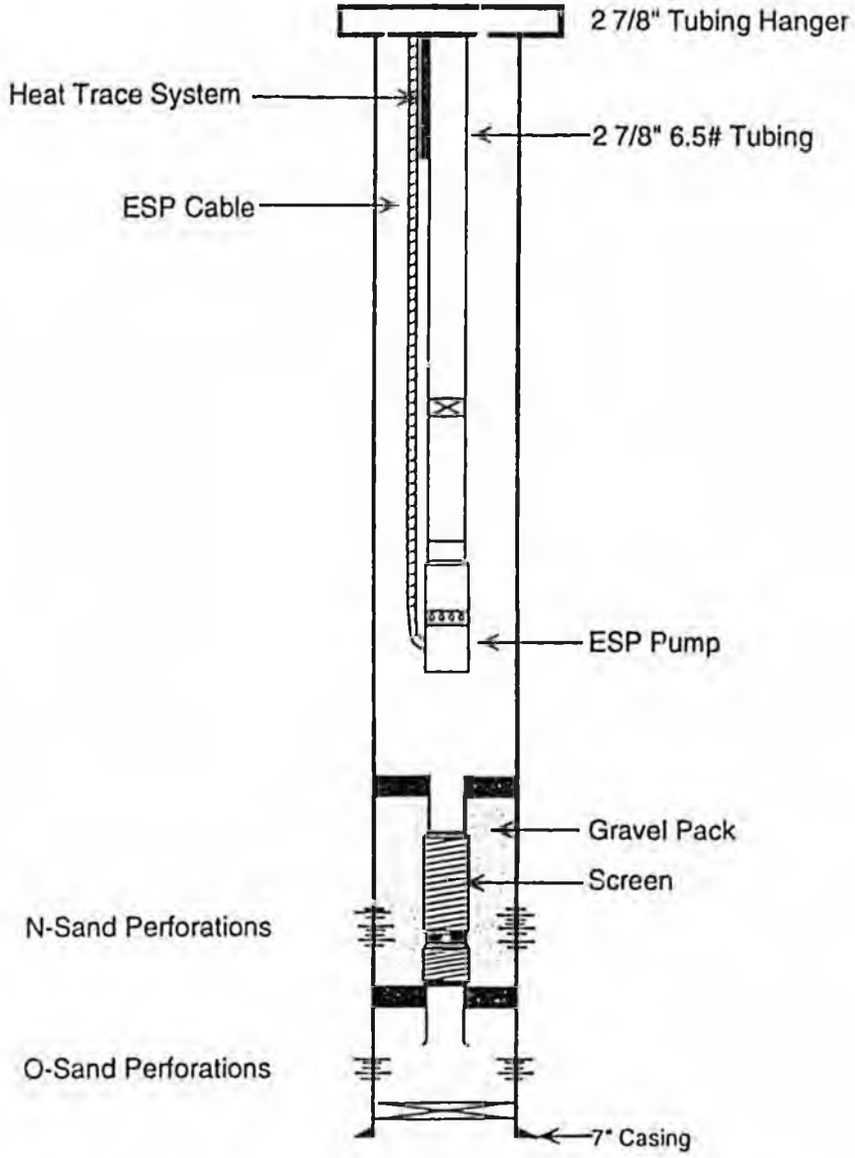


Figure 5 - Generic Schrader Bluff Completion

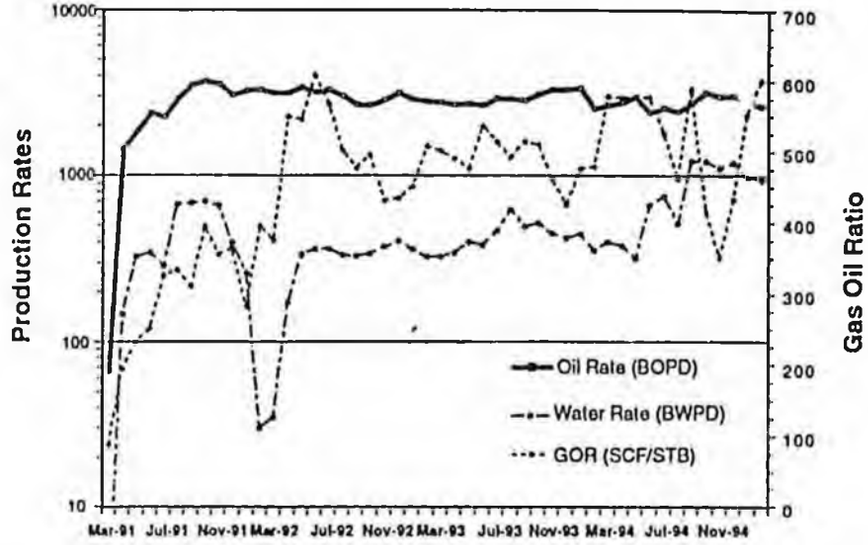


Figure 6 - Monthly Average Production History

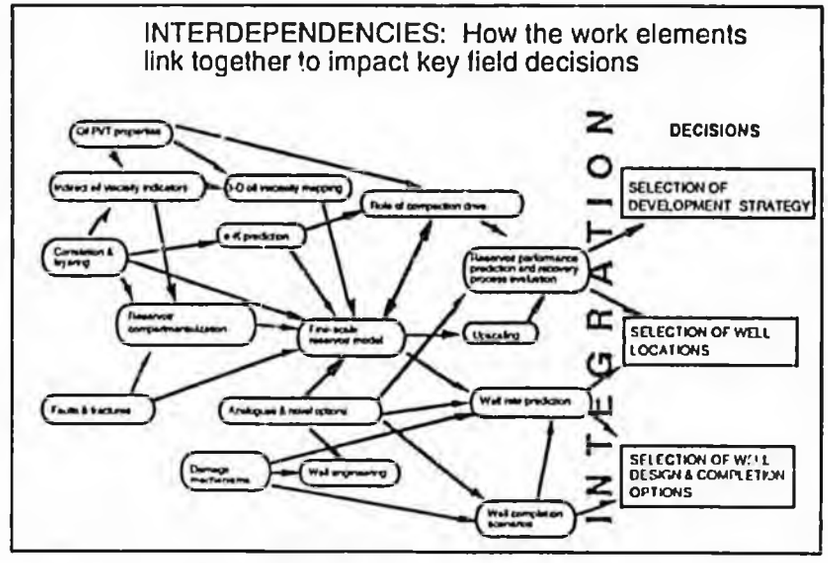


Figure 7 - Work Program Interdependencies

I)USE COMMITTEE REPOI '

(7)
Date Referred: April 28, 1995

FURTHER REFERRALS: Resources, Finance

Date of Committee Action: 1/23/96

The HOUSE SPECIAL COMMITTEE ON OIL AND GAS Committee considered: HB 325

HOUSE BILL NO. 325 — ROYALTY SUSPENSION: N. SLOPE HEAVY OIL

"An Act authorizing suspension of payment of a portion of the royalty due the state for initial production of heavy oil from wells on the Arctic Slope."

recommends it be replaced with the following committee substitute CSHB 325(O&G)

[ ] the same title
[X] a new title

[ ] additional referral to ____________ Committee
[ ] attached amendment(s)

ADOPTS: ____________ Letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept)

[X] fiscal note(s) (1) DNR (2) DOR

[ ] zero fiscal note(s) ____________

APPROVES PREVIOUS: (Dept/Date)

[ ] fiscal note(s) ____________

[ ] zero fiscal note(s) ____________

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
Scott Ogan	✓			
Norman Rokeberg	✓			
Eileen R. MacLean Williams	X			
[illegible]			✓	
[illegible]	X			
[illegible]		X		
Bettye Davis by Shirley [illegible]	X			

CHAIR'S SIGNATURE Norman Rokeberg 1-23-96

Alaska State Legislature

WHILE IN SESSION:
CAPITOL BUILDING
[illegible]
[illegible]

INTERIM ADDRESS:
716 WEST 4TH AVENUE
ANCHORAGE, ALASKA [illegible]
[illegible]

CO-CHAIR, RESOURCES COMMITTEE
VICE CHAIR, JUDICIARY COMMITTEE
MEMBER, STATE AFFAIRS COMMITTEE

FINANCE SUBCOMMITTEES:
DEPT. OF NATURAL RESOURCES
DEPT. OF COMMERCE & ECONOMIC DEVELOPMENT
DEPT. OF ENVIRONMENTAL CONSERVATION

Representative Joe Green
District 10

Sponsor Statement

HB 325 - Heavy Oil Royalty Holiday

HB 325 allows the producers of heavy oil to forgo the payment of royalty to the state on the first 500 barrels of heavy oil produced each day, for a period of five years. The heavy oil considered in this bill is a thick, tar-like hydrocarbon that is more difficult to produce than the lighter, more conventional oil and gas. The purpose of suspending the royalty is to encourage the lessees of heavy oil deposits to do field research and hopefully develop the maximum amount of recoverable oil in a timely manner.

HB 325 requires no application, the suspension is automatic. In order to receive the suspension the producer must simply submit documentation to DNR certifying that the oil produced meets the definition of "heavy oil" and monitor the production rate to satisfy the requirements in the bill.

HB 325 sends a message to potential investors world-wide that the 19th Alaska Legislature supports the development of heavy oil.

FISCAL NOTE

STATE OF ALASKA **BILL NO. HB325**

1996 LEGISLATIVE SESSION

Revision Date: Original
Dept Affected: Natural Resources
Title: An Act authorizing suspension of payment of a portion of the royalty due the state for initial production...
BRU: Resource Development
Component: Oil & Gas Development
Sponsor: Representative Green
Requestor:
Component Serial No. 439

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES (1004)	(228.0/well)	(228.0/well)	(228.0/well)	(228.0/well)	(228.0/well)	(228.0/well)

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY96) cost: $ none

POSITIONS

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)

It is not possible at this time to accurately predict the number of new wells that will be drilled that will qualify for the proposed royalty reduction. Nor is it possible to accurately predict the timing of the drilling of any of these new wells. For each new well that is drilled, if it produces at a rate of 500 barrels per day and oil is valued for royalty purposes at $10 per barrel, then the annual royalty reduction will be $228,000 for each of the first five years of well life. Assuming that the well produces at the 500 b/d rate for five years and oil prices stay flat, the total royalty reduction would amount to $1.14 million per well -- close to the cost to drill the well. For a new demonstration project equal in size and scope to the existing Milne Point Schrader Bluff heavy oil project, the royalty reduction would range from $1.5 million per year at current well rates to $3.7 million per year at well rates of 500 b/d/well.

Long term production behavior also is unknown for these wells. It is suspected that the wells will produce at a fairly constant rate for at least five years then production decline will begin. Behavior of the Milne Point Schrader Bluff wells is being analyzed to see if any production trends are evident to date.

Prepared by: Ken Boyd, Director — Phone: 269-8800
Division: Oil & Gas — Date: 18-Jan-96
Approved by Commissioner: — Date: 18-Jan-96
Agency: Natural Resources

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

FISCAL NOTE

BILL NO: HB325

Revision Date:
Dept. Affected: Revenue
Title: Royalty Suspension: N. Slope Heavy Oil
BRU: Revenue Operations
Component: Oil and Gas Audit
Sponsor: Representative Green
Requestor: H (O&G) Committee
COMPONENT SERIAL NO. 115

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )	**-1,800.0**	**-2,400.0**	**-5,700.0**	**-11,000.0**	**-12,000.0**	**-24,500.0**

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY96) cost $ _____

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by: Chuck Logsdon
Phone: 276-1363 ext. 265
Division: Oil & Gas Audit
Date: 1/19/96
Approved by Commissioner:
Date: 1/19/96
Agency: Department of Revenue

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
For further distribution information call the Governor's Legislative Office

I:LEG:HB325.XLS

Analysis of Bill/Program Effects

This bill has two main parts. The first addresses the ability of the Commissioner of the Department of Natural Resources to modify the payment of royalty on leases, and the second suspends the royalty obligation for wells producing less than 500 barrels a day of Alaska North Slope (ANS) heavy oil for five years of production.

The Department of Revenue Fall 1995 forecast assumptions for Alaska North Slope heavy oil production, wells, and revenues FY 1997 to FY 2002 is contained in the following table:

	Production	Wells	Severance Tax	Royalties
1997	3000 bb/d	14	0	$1800 thousand
1998	4000	16	0	2400
1999	5700	22	0	5700
2000	11100	42	0	11000
2001	18100	65	0	12000
2002	24500	85	0	24500

The bill would effectively reduce projected heavy oil royalties to zero.