

ALASKA LEGISLATURE COMMITTEE FILES 1995-1996 8672

8732 HOUSE RESOURCES

# 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

# Previous Heavy Oil Development

## ARCO/West Sak Project

- *Spent \$135 Million on 13 wells and facilities*
- *Average producing rate = 250 BOPD per well*
- *Expected Recovery = 1 million barrels*
- *Total Investment = \$135/Barrel*
- *Uneconomical*

# Previous Heavy Oil Experience

## Conoco/Tract 14

- *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*

# 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)

# BUSINESS

1995 - NOV. 17

ANCHORAGE DAILY NEWS

SECTION E

ACE

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NYSE

18.48  
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SDAQ

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-2.63

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## Oil royalty breaks get hearing Legislators, producers back incentives for tough fields

By KIM FARARO  
Daily News business reporter

The Legislature is expected to take up a bill next year that would guarantee oil companies significant financial breaks at the North Slope's giant, but difficult-to-produce, West Sak field.

Rep. Joe Green, R-Anchorage, the bill's sponsor, said it would allow oil companies to produce 500 barrels per day, per well, for each well's first five years without paying the royalty Alaska is due as landowner.

Because most or all West

Sak wells are likely to produce less than 500 barrels daily, the bill could slash Alaska's royalty take over the life of the oil field. The state Department of Revenue says the state could collect tens of millions of dollars less than if the field were developed without a financial incentive.

At a House Oil and Gas Committee hearing this week, Green said that's a small price to pay to get the field on line. Without the incentive, he said, West Sak won't be economic to develop, and the state will lose out on the royalty generated

after wells produce for five years.

The financial incentive is just one of many that have been considered by the Legislature and governor over the last several months in efforts to revive the state's ailing oil industry.

Green, a former Arco Alaska Inc. engineer, said he proposed the bill during this year's legislative session because he didn't think a new royalty-reduction law, passed this year, would provide enough incentive for companies to develop West Sak.

That law allows the natural resources commissioner to drop royalties at new marginal fields, though not below 5 percent. A 5 percent royalty means the state owns 5 percent of the oil, or one out of every 20 barrels produced. The royalty on most state land is 12.5 percent, or one of every eight barrels.

To earn the royalty break, companies must convince the commissioner that the break is needed to make the field worth developing.

Please see Page E-4, OIL

## OIL: Legislative panel reviews royalty bill

Continued from Page E-1

Green says the biggest problem with that new law is that the reductions are discretionary, not mandatory.

His bill would provide breaks not only to West Sak, but to other North Slope fields that produce heavy oil, meaning thick, hard-to-pump crude. Those fields would include Schrader Bluff, as well as other producing fields if new wells there produce heavy oil.

BP and Occidental Oil, Schrader Bluff's owners, are pushing the legislation. The companies say the royalty break will help them develop the field, a relatively small heavy-oil field considered easier to pump than most of West Sak. The companies are producing some crude from Schrader Bluff, but they say devel-

oping the rest of the field with existing technology is uneconomic.

Arco owns much of West Sak. At this week's committee hearing, Arco lobbyist George Findling said Arco probably won't be sure for a year or two whether it might need even more of a break than a zero royalty for five years.

West Sak contains an estimated 20 billion barrels of crude, but Arco says it would expect to recover just a half-billion barrels because the oil is so difficult — and expensive — to pump. By comparison, Alaska's largest field, Prudhoe Bay, contains 25 billion barrels and is expected to produce 13 billion barrels.

The main difficulty with West Sak is that it's much closer to the earth's surface, making the oil colder and thicker than Prud-

hoe's. Pumping Prudhoe's oil is like sucking soda through a straw; producing from West Sak is like trying to suck molasses.

Worse yet for West Sak, the rock that holds the crude crumbles easily, closing off the tiny openings that allow oil to flow toward wells.

Schrader Bluff suffers from the same difficulties, but it's deeper than West Sak, so the crude isn't as cold or thick.

Rep. Norman Rokeberg, R-Anchorage, chairman of the oil and gas committee, said Wednesday he likes the bill because he thinks it will spark development of Schrader Bluff, where he hopes BP and Occidental will pioneer techniques that will make West Sak easier to pump.

"(West Sak) is the real big enchilada, if you will," said Rokeberg.

the ...  
fore the Civil War.

The closing has left Bethlehem workers feeling betrayed. They helped bail out the company with concessions in the 1980s, only to see it spend the money on other plants out of town and out of state.

The hot-metal men and the big-beam shapers are the latest to fall to cut-backs that have shrunk the Bethlehem plant in north-eastern Pennsylvania from 31,000 workers at its post-war heyday in the 1960s to 1,200 today. The skeleton crew will continue non-steelmaking operations, including a coke furnace and a combine mill that rolls unfinished steel.

Bethlehem was once America's No. 2 steelmaker, back when 85 percent of all goods manufactured in the United States had some steel in them and 40 percent of the nation's work force owed its wages, directly or indirectly, to steel.

Chances are almost any major bridge you cross or any skyscraper you see has some Beth steel in it. Metal forged here went into landmarks like the Golden Gate and George Washington bridges, helped erect missile silos.

But over the past 30 years, American giants like Bethlehem and U.S. Steel have been caught in what industry expert Paul Tiffany called "the twin pincers of foreign steel and the minimills."

"Bethlehem had to get out of the 'hot end,'" Tiffany said. Making iron and steel "is the most labor-intensive part of the industry, and Bethlehem was far out of the running."

For instance, Bethlehem sells the massive I-beams

## Postcards puts animated tour guide to work

age is 50, so it's a grandchild product. It has to be marketed a little bit different."

The creation of Monty and the video really began last Christmas, Hardesty said. That's when the company began researching basic animation of the 1940s and started maneuvering through the process of giving Monty a look and a voice.

Actor and announcer Larry Robinson of Brooklyn Heights, N.Y., gives

as he reviewed the tape in the company's production room. "He's kind of the Rex Harrison of cartoons."

Hardesty is gambling a sizable investment that viewers will appreciate a moose with the mannerisms of the late "My Fair Lady" actor.

"This is the most expensive tape we have produced," Hardesty said. The company has more than a dozen tapes on the market. With a budget of roughly \$200,000, the Monty video

combination packages. The plan is to sell the product to the 80,000 to 100,000 tourists who come through the firm's doors each summer.

"They are all looking for something for their grandchildren," Tougas said. "People always come up to the counter and ask if you have anything for kids."

The bulk of the company's clients are 50 or older, he said.

"It hits that grandparent market," Tougas said. "I told him (Hardesty) to go ahead and send me 200 of

## MARGINAL OIL FIELD DEVELOPMENT: THE ECONOMIC IMPACT

### EXECUTIVE SUMMARY

Marginal oil field development in Alaska can generate jobs and income for Alaska workers, sales for Alaska businesses, and an increase in the state tax base more than sufficient to offset any additional costs to government from resource management and public service requirements from population increase.

This conclusion is based on an analysis using existing information about the economy and public sector combined with a description of a hypothetical marginal oil field. In reality, each marginal field would have different characteristics, and the actual economic and public sector effects would differ from the description in this study. However, given the economics of field development, this study demonstrates that the general conclusions are consistent with a broad range of assumptions about both field characteristics and the economy.

The purpose of this study is to provide a framework for analysis of the economic effects of new, small marginal oil fields which may be typical of new petroleum industry activity in Alaska. The analysis is generic and hopefully will lead to more detailed and specific studies where appropriate. Some of the information used to develop the parameters for the analysis come from the ongoing study of the Badami oil field on the North Slope. Since that project is only in the earliest stages of its evolution, it would be inappropriate to interpret this analysis as a study of the Badami prospect.

The study examines a hypothetical marginal oil field on the North Slope with anticipated recoverable reserves of 100 million barrels of oil. We assume a total development budget of \$320 million, most of which would be spent in a two-year period during which the initial wells would be drilled, the pipeline constructed, the modules fabricated and put into place, and the operating facility built. Production would subsequently continue over a 20-year period at a cost of \$320 million. In the early production years, the drilling of wells would continue and after year 5, the drilling activity would switch to workovers of the existing wells. The purpose of these development and production cost figures is to calculate economic effects, and they should not be interpreted as reflecting the actual costs associated with any particular field.

Although some expenditures, in particular module fabrication and equipment for the modules and pipeline, would be purchased outside the state, much of the work would be carried out onsite during both field development and production. These tasks include site preparation, pipeline and module installation, and well drilling; and all have a large labor component. During production the operation of the field and drilling would continue around the clock so the number of workers employed would be 4

times the number of jobs to be done onsite. The development and production jobs would require highly trained and skilled workers so wages would be high and some specialized jobs would, of necessity, be filled by workers from Outside. Based on current experience, the share of jobs going to residents would be high, but some workers would choose to live outside the state.

Other costs associated with field development and production would generate sales, employment, and payrolls for Alaska vendors providing supplies, equipment, and services to the owner company, the oil service companies doing the contract drilling and other work, the construction contractors, etc. A large portion of the economic effect of marginal field development would come from the recirculation within the economy of the high payrolls paid the North Slope workers. These payrolls would generate sales, jobs, and tax base in the communities where the Slope workers live.

Figure 1 shows the size and composition of Alaska employment and payroll which the development and production of the field would generate after subtracting onsite jobs likely to be filled by nonresidents. Field development would be spread over several years, so the number of annual average jobs produced in the peak year would be about 500 with a payroll of \$25 million. As the figure shows, the majority of those jobs would be offsite in vendor businesses, in the communities where the workers reside, and in the public sector. During production the number of jobs would fall to under 250 for an average year, and the pattern again is that most of the jobs would be offsite. However, in both the development and production phases, the payrolls are concentrated onsite.

The actual economic impact in a real situation would depend on the development and production plan as well as the resident share of employment and purchase of other inputs. But once the field size has been estimated, the budget and with it the economic effect would be constrained within a narrowly defined range. Basically the budget must be economically feasible, and the economic effect would flow from that budget. While the economic effects are clearly defined once the development strategy has been identified, the revenues that the field would generate are much less so since they are sensitive to actual, rather than anticipated, production, wellhead price, and the tax and royalty rates in place.

The range of variation of state revenues from production, primarily royalties but also the state share of the property tax and the corporate income tax, in response to variation in these parameters is shown in Figure 2. For example, if over its life the field were to produce 150 million barrels, the wellhead averages \$8.31 (1995 \$) and the royalty rate is 6%, production revenues would be \$84 million. For the range from low to high price, production, and royalty, the range of production revenues is \$29 to \$328 million.

Two other sources of revenue, from the "full pipeline effect" and the payrolls generated by the new jobs, are less volatile and significant. Adding production from a marginal field to the existing throughput of the Alyeska pipeline marginally reduces

the tariff on existing throughput and increases its wellhead value. This "full pipeline effect" would increase severance tax and royalty revenues from production from all North Slope fields. The payroll generated by the marginal field activity represents a tax base which could be tapped to pay some of the state government costs imposed by the new workers and their families. Although the state currently has no vehicle to allow these workers to pay for some of the public services they receive, the tax capacity represented by their payroll should be included as a potential revenue source.

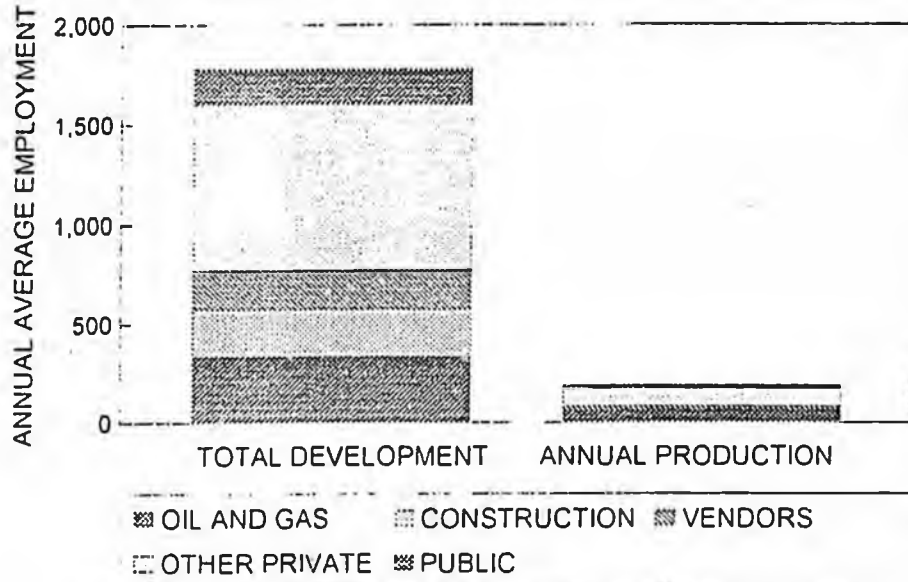
The costs to state government from marginal field development consist of management costs such as environmental monitoring, tax auditing, etc., and more importantly the costs of providing services for the families of the new workers both onsite and in Alaska's urban centers. These costs can be divided into those which support oil industry families, vendor families, and other private and public workers in the urban centers. The public management costs are about \$7 million, and the population-related costs are about \$4.4 million, totaling about \$51 million.

These public sector costs are contrasted with the range of revenues which the field could produce over its life in Figure 3. Subtracting the costs from the revenues yields a range for the state revenue "dividend" (Figure 4), which is the tax base generated by the marginal field over and above the amount necessary to pay for the costs of state government imposed by the field. The "dividend" ranges from \$1 to \$300 million depending upon production, price, and royalty rate.

Figure 5A shows the range of production revenues introduced as Figure 2, converted to an annual equivalent. It contrasts the potential range of revenues for the marginal field with the total annual revenues to the state generated by other natural resources based on a recent analysis of the sources of state revenues prepared by Legislative Research in 1993. The range for the marginal oil field is clearly consistent with the total revenues to the state from most other natural resources.

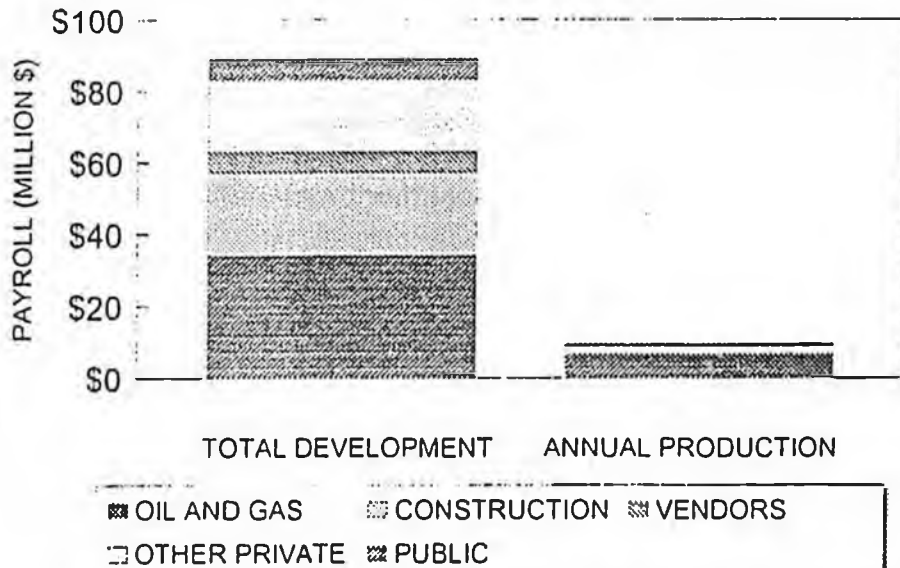
Finally, Figure 5B compares the state's natural resource revenues from various resources with the state's resource management expenditures for those same natural resources. The marginal oil field is the only case where resource management costs are covered by the revenues generated, and the substantial revenues are available to contribute to the general costs of government.

**FIGURE 1A. MARGINAL FIELD ECONOMIC EFFECT  
RESIDENT EMPLOYMENT**



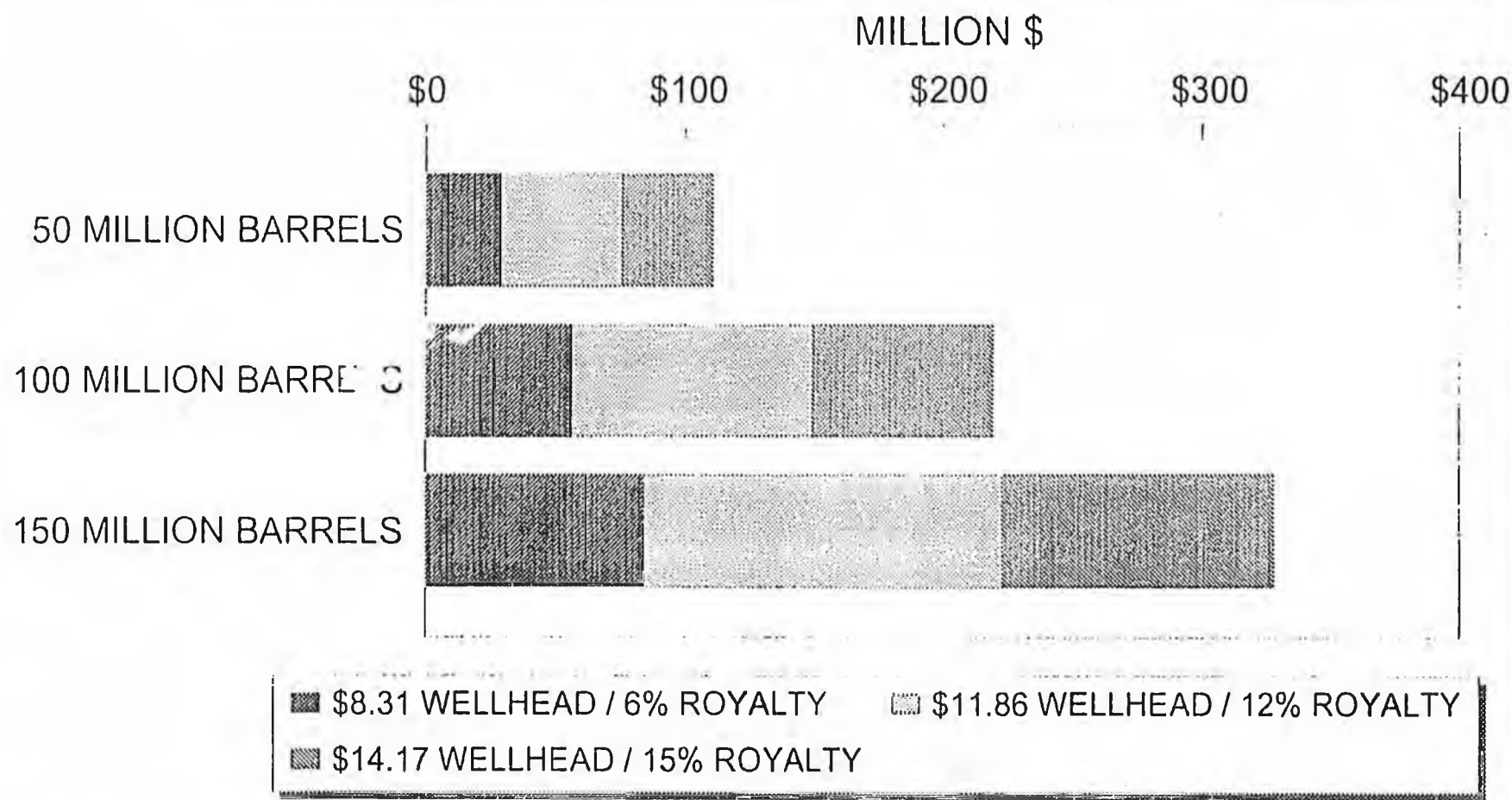
DEVELOPMENT EMPLOYMENT SPREAD OVER SEVERAL YEARS

**FIGURE 1B. MARGINAL FIELD ECONOMIC EFFECT:  
RESIDENT PAYROLL**



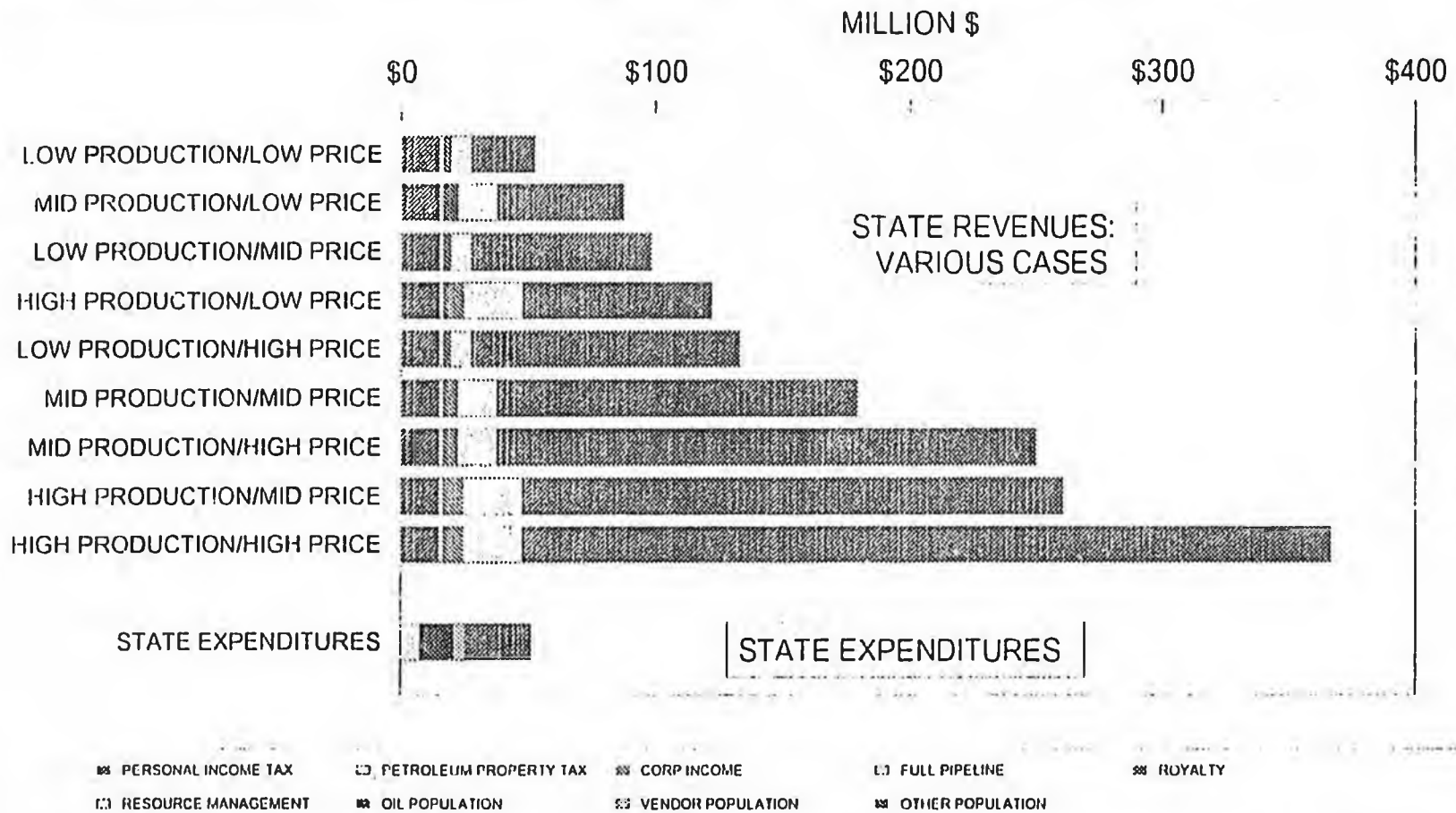
DEVELOPMENT EMPLOYMENT SPREAD OVER SEVERAL YEARS

**FIGURE 2. MARGINAL FIELD PRODUCTION REVENUES**  
 SENSITIVITY TO PRODUCTION, WELLHEAD PRICE, AND ROYALTY RATE



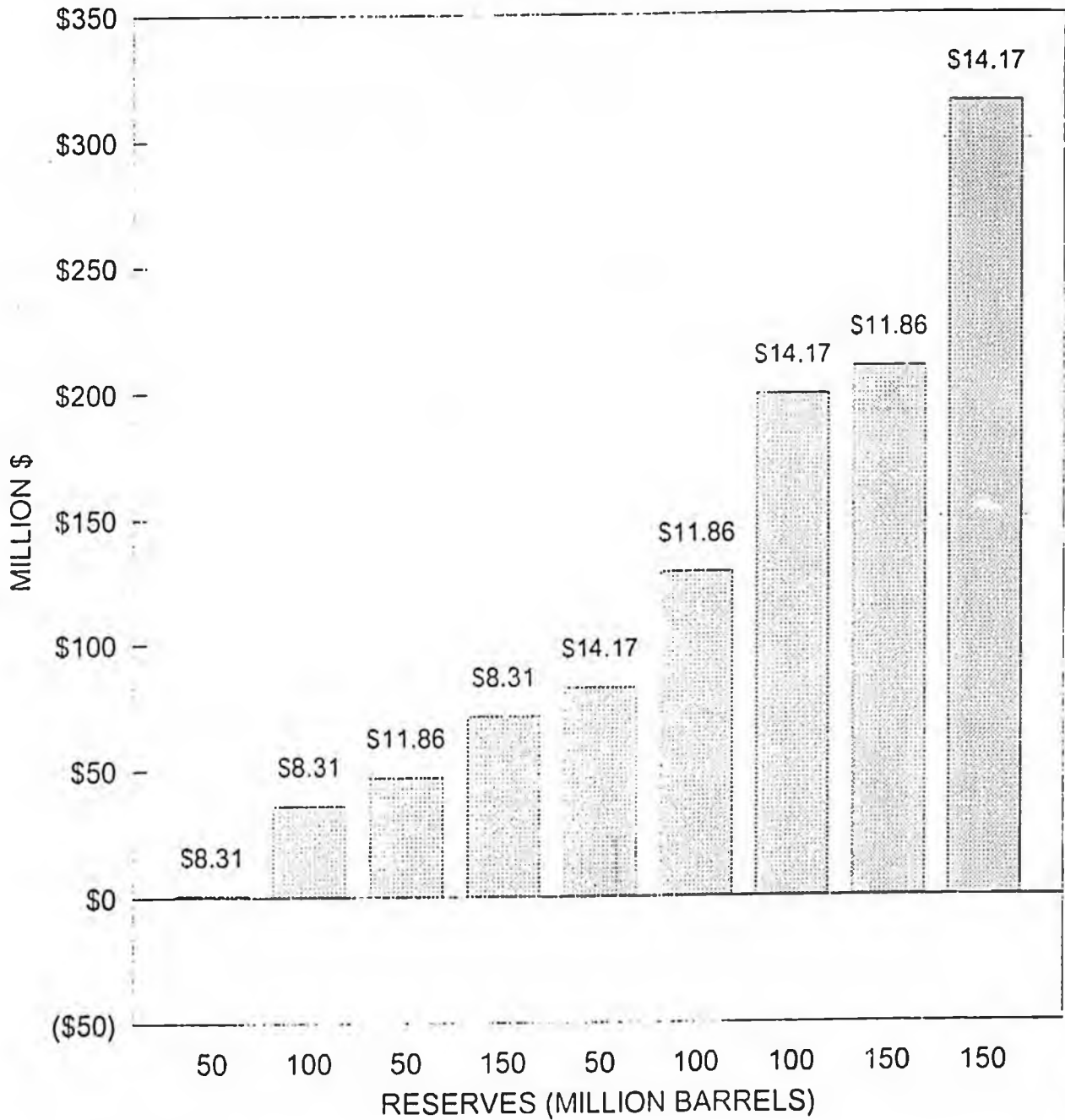
REVENUES OVER THE LIFE OF THE FIELD

**FIGURE 3. STATE REVENUES AND EXPENDITURES:  
LIFE OF THE FIELD**



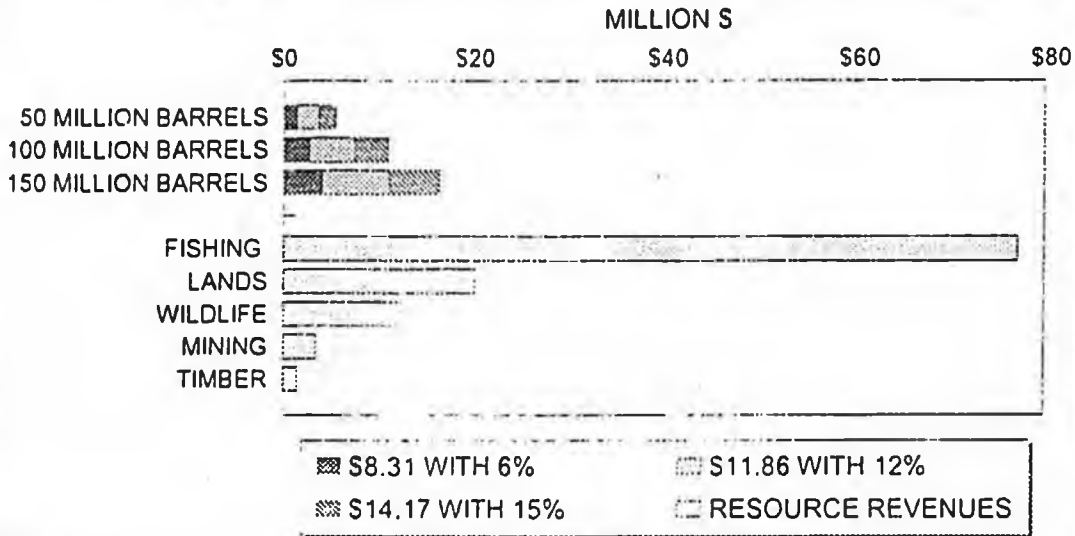
# FIGURE 4. STATE REVENUE "DIVIDEND"

VARIATION IN RESERVES, PRICE, AND ROYALTY RATE



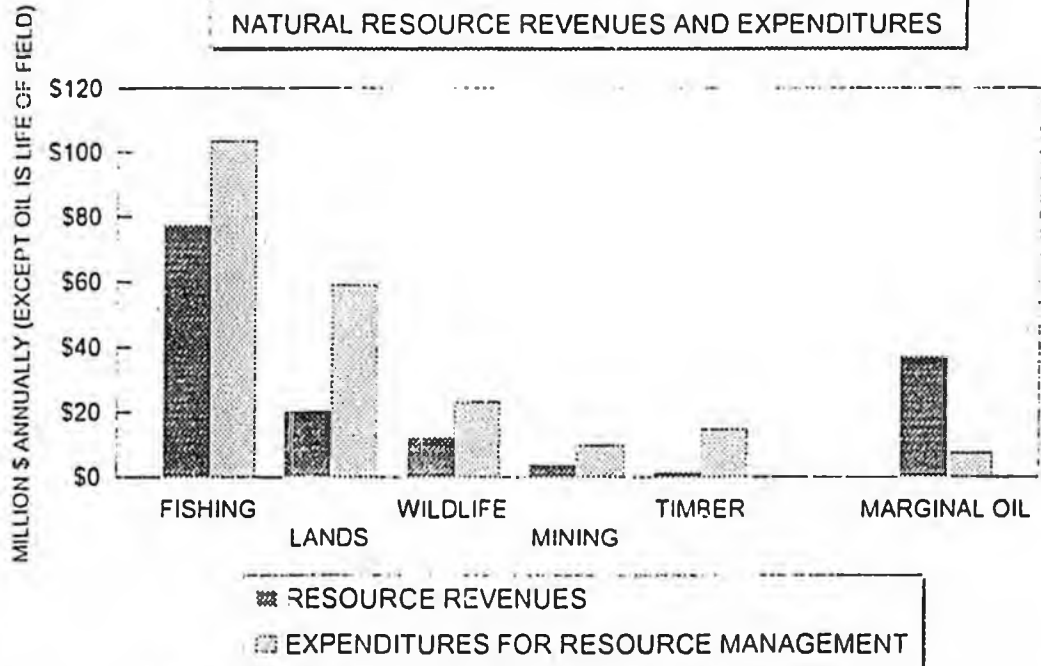
REVENUES IN EXCESS OF AMOUNT NEEDED  
TO PROVIDE NEW PUBLIC SERVICES

**FIGURE 5A. ANNUAL MARGINAL FIELD PRODUCTION REVENUES  
COMPARISON TO TOTAL REVENUES FROM OTHER RESOURCES**



SOURCE FOR OTHER RESOURCES: LEGISLATIVE RESEARCH 1993

**FIGURE 5B. STATE OF ALASKA  
NATURAL RESOURCE REVENUES AND EXPENDITURES**



SOURCE: LEGISLATIVE RESEARCH, 1993.  
EXCEPT MARGINAL OIL IS LOWEST REVENUE CASE FROM TEXT NET OF INCOME AND SALES TAX RE

## DENALI

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BUSINESS • D-1



## TOP 10 UPSETS

No. 4 Colorado 24, No. 24 Kansas 40  
No. 7 Michigan 13, No. 25 Northwestern 19  
No. 8 Texas A&M 7, Texas Tech 14  
No. 9 Virginia 17, North Carolina 22

SPORTS • C-1

## LATHROP

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SPORTS • C-1



# Daily News-Miner

The Voice of Interior Alaska

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\$1.5

## West Sak's oil powerful magnet

### Giant field draws money, but not profits

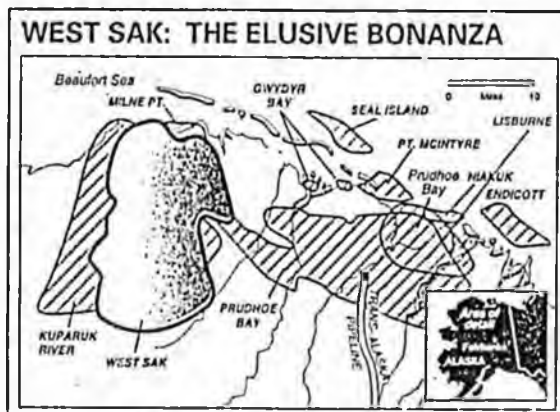
By BRIAN O'DONOGHUE  
Staff Writer

Like mythic knights tugging on the sword in the stone, North Slope oil producers keep reaching, without payoff, for the tantalizing rewards locked in the shallow sands of Alaska's West Sak.

"There's a couple billion barrels of that heavy oil in place. That's a pretty big target," said Al Hastings, who worked for Conoco during that producer's costly pilot project tapping the gigantic field of thick, cold crude.

BP Exploration recently estimated West Sak might contain as much as 16 billion barrels of heavy oil. This July Arco executive Scott Kerr told a congressional committee the formation's "oil-in-place exceeds 10 billion barrels, which makes it larger than the Kuparuk field but smaller than Prudhoe Bay."

The staggering size of West Sak, and the similar Ugnu sands, has caused some environmentalists to view the North Slope's heavy oil formations as sleeping giants, whose development could offset Prudhoe's declining production. Those opposed to permitting exploration inside the Arctic National Wildlife Refuge point to West Sak's proven reservoir as a



Source: Arco Alaska and BP Exploration

Gina Macphee/News Miner

ready alternative source of oil needed to keep the trans-Alaska pipeline in business.

But producers, who've already lost hundreds of millions on West Sak, and state experts say the costs and technological problems associated with the Slope's heavy oil formations make recovery prospects speculative at best. "Even under our most optimistic scenario," Kerr said, "we anticipate oil reserves in the range of a half billion barrels—a significant number but substantially less than the giant fields to which West Sak is often compared."

Alaska's oil and gas division shares that cautious assessment.

"We look at it as a big resource but not a big proven reserve," said division petroleum

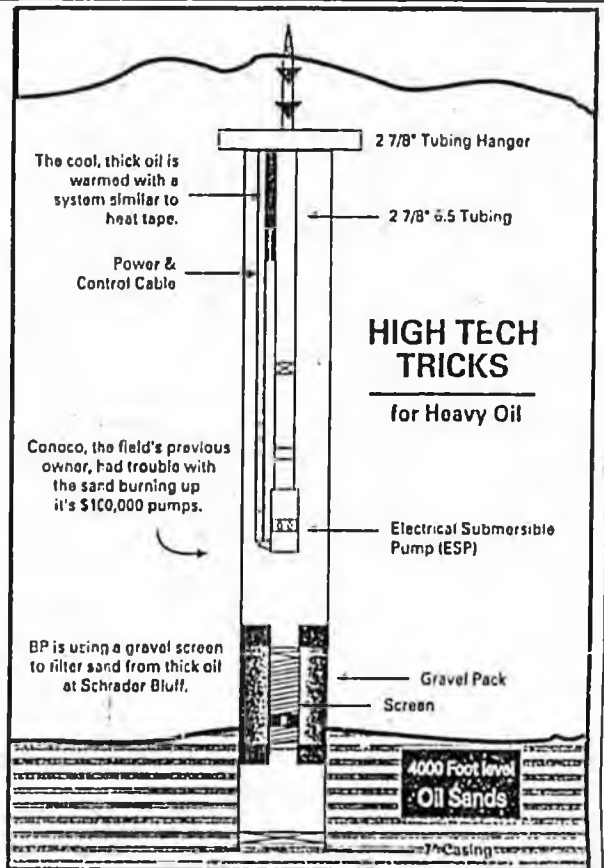
expert Bill Van Dyke. "It's a lot of oil and there is some production, but the individual wells just don't produce at a very high rate."

### Money down the hole

Beginning in 1981 Arco spent nine years and some \$200 million sinking 13 wells into West Sak. The company pumped more than a million barrels of oil, before admitting defeat, Kerr told the Senate Natural Resources Committee.

"The pilot project was a technical success but an economic failure," he said. "The cost... was too high to continue production from even the best part of the West Sak formation. The pilot was abandoned in 1986 and production never resumed."

By all accounts, the best commercial prospects reside in the



Source: BP

Dave Branner/News Miner

eastern portions of West Sak's 300-square-mile field, where the oily sands rest 4,000 to 4,500 feet below the surface, or about 3,000 feet above Kuparuk. Conoco and, more recently, BP Exploration, have attempted to cash in on the heavy oil using their Milne Point facility to sink wells into the section of the field known as Schrader Bluff.

"It's deeper in the ground, so the temperature is a little warmer," BP's field asset ma-

nager, Howard Mayson, said of the heavy oil accessible through Milne's wells. "So it flows a little easier."

But any advantage is relative, Mayson said. Even in BP's sweet corner, West Sak's heavy oil "flows 40 times worse than Prudhoe Bay."

Conoco's \$126 million Schrader Bluff investment started pumping in 1991. At its height, the project's 22 wells

See OIL, Page A-7

## Dividend time: when dreams become reality

By ROSANNE PAGANO  
Associated Press Writer

ANCHORAGE—The calendar says autumn but for Alaskans it's the windfall time of year, when permanent fund dividends arrive and—if you're Ambler writer Nick Jans—visions of Visqueen dance through your head.

"Basically, my dividend check defrayed the packing and loading costs for the air charter that all my building supplies came in on," said Jans, a magazine columnist and nature book author

who teaches school during the day, writes at night and builds his new house in between.

The charter itself cost \$13,000, Jans said. The home, with its tongue-and-groove flooring, cutaway loft and view of the Kobuk River headwaters, ought to be ready by Thanksgiving. "This," he says, "is a real house."

The annual dividend—which this year totals \$990—is the stuff Alaska's dreams are made on.

State surveys show that about half of us use the check, paid

every year since 1980, to cover day-to-day bills. Nearly two-thirds say they'll save some, while nearly one-in-four Alaskans say they spend, spend, spend it all.

Among the spenders: Explorers Norman and Carolyn Muegge Vaughan, who are chipping away at debt from their arctic treks. Among the savers: U.S. Sen. Ted Stevens, whose family puts their checks toward a college fund for 14-year-old daughter, Lilly.

"My dividend is going right into the dog barn," said top-ranking Iditarod Trail musher DeeDee Jonrowe.

The building at Jonrowe's Willow kennel is a just-finished two-story affair, with an apartment for her dog handler above and a warm sleeping area for her team below.

"I'm so excited," Jonrowe said at the prospect of being able to keep her arthritic dogs comfy in the 24-foot-by-24-foot insulated barn. "Last year, I had as many

as six dogs in: the garage part of the house. This year, I built them their own building."

A bit of basking is what former Anchorage school board member Theresa Obermeyer has in mind with her family's six checks—one each for her and her husband, Tom, and their four children, aged 9 to 13.

Obermeyer says last year she parlayed the dividends into Mark Air travel coupons, but the move made her somewhat unpopular. See DREAMS, Page A-7

## INSIDE

## Supply of pumpkins

## Great pumpkin

# OIL: Giant West Sak draws money

Continued from Page A-1  
 added a grand total of 3,300 barrels a day to the company's Milne Point production. The effort was undermined by a costly series of equipment breakdowns. The worst problems arose with the submersible pumps inserted at the bottom of the well shafts to force the thick oil to the surface.

"Conoco's pumps were lasting from one day to a couple of months," said Bruce Policky, exploitation manager of BP Exploration, which bought out Conoco's Milne Point investment in 1993. "Sand would come in, just plug up the pump, and the motor would burn out."

Each of the long narrow 150 horsepower pumps is "worth the better part of \$100,000," according to Mayson. The dollar-value of that loss is magnified by the difficulty of inserting replacements deep in the well. "So that's why you want them to last as long as you can."

Conoco's appetite for West Sak oil was curbed by the continuing pump failures. "We needed about a two-year-pump run to keep costs down for a chance at being economic," recalled Hastings, who now serves as oil and gas director for CIRI, a regional for-profit native corporation.

Schrader Bluff chief John Dillon is one of several Conoco employees who stayed on with BP when the field changed hands. "We've had the benefit of all of their mistakes," he said. "It's all part of the learning curve."

BP's team has managed to boost Milne's heavy oil production to about 4,000 barrels a day, with individual wells now averaging about 200 barrels daily, or less than one-third the output of most Kuparuk wells. A mixture of new and old tricks is evident in BP's current West Sak effort.

A warming device, similar to heat tape, prevents freeze ups as the thick oil passes through some 2,000 feet of permafrost. Gravel filters inserted at the bottom of each well restrain the sands like a coffee filter.

"We haven't had a (pump) failure since we've been running the field," Mayson said. "We have two wells where the pumps are approaching five years. We'd like to see five year runs be the rule of the day."

Individual well output has shown improvement from blasting water down into the formation, a technique known as Fracpack, which penetrates and opens a pathway for the oil's retrieval, Policky said. "All of that sand fractures and creates an interstate highway back to the well."

Schrader Bluff's operators are considering other innovations, including injection of bacteria, Dillon said. "The idea is to put friendly bugs down into wells and see if we can change some of the oil qualities."

Bugs in the goo  
 The slope's heavy oil isn't just colder than the crude presently filling the pipeline. Even at room temperature, West Sak oil is thick and viscous, less gassy and

possessing fewer so-called lighter petroleum ends. These qualities are due, in part, to a bio-degradation process, which Dillon attributes to "bugs" naturally present in West Sak's shallow formation. "The lighter ends of the oil are being attacked by bacteria. Essentially the bugs are eating and enjoying themselves at your expense."

Not only is heavy oil more difficult to extract, it yields less gasoline and other premium products, reducing its value to Slope producer's by about 60-cents-a-barrel. "More of it ends up as heating oil," Mayson said.

Given the investment disincentives, some lawmakers are talking about cutting producers a break on Alaska's heavy-oil. Rep. Joe Green, R-Anchorage, has introduced legislation to declare a "royalty holiday" qualifying wells.

"There's a significant reserve of heavy oil if we can make it more profitable," Green said. "There might be more interest from producers if they knew they could recoup their investment faster, say, in a 4-5 year period."

Green's bill is scheduled for a hearing later this month.

The state's natural resources chief, John Shively, said heavy oil formations are suited to the royalty adjustments lawmakers authorized last session.

"We developed the royalty incentive bill with things like West Sak in mind," Shively said. "It's a well-delimited pool, where you could look at the economics and make a decision. Developing technology might allow the state to capture the up side as well, the commissioner noted, referring to the provisions for raising royalties if a marginal field becomes a money maker."

Richard Fineberg, an independent North Slope environmental

and oil policy analyst, contends that producers downplayed West Sak's potential in their recent congressional testimony to strengthen arguments that ANWR oil is needed to shore up the viability of the trans-Alaska pipeline.

"Given all the problems it (West Sak) faces, Arco first said prices had to be \$35 per barrel," Fineberg noted. "Then it was \$25. Now at \$20 they're looking at it again. Why do we presume they can't overcome the barriers?"

Journalist Debbie Miller, who covers North Slope oil issues and opposes ANWR development, urged Congress to heed the bullish assessment from Occidental, one of BP's Schrader Bluff partners.

"The West Sak formation is a sleeping giant," Miller told Sen. Frank Murkowski's committee. "If the reason for invading the refuge is to find oil, we've already found it near Prudhoe Bay."

Arco is weighing a new West Sak pilot project, spokesman Ronnie Chappell said last week. "No decision's been made. We're at the point in our planning cycle where people are putting forward their projects for next year's spending."

But Mayson cautions that no one, including BP, has proven that money can be made on West Sak oil.

"Arco and Conoco spent more than \$120 million apiece. Essentially they lost that money and we haven't made a go of it yet," Mayson said. "In early 1997 we'll come to the decision point on whether or not we can make the case for the next level of production."

"I personally think that if we don't make a go of it, major companies will go cold on West Sak for the next decade."

# DREAMS PUMPKIN: S

Continued from Page A-1  
 ular when the airline quit flying in Alaska. "This year, I want to go to Hawaii," she said. "That really sounds fun."

Sitka-based detective novel writer John Straley has sun on his mind, too, but wouldn't dare move from rainy Southeast and risk losing the inspiration for his books.

Straley, who's lived in Sitka since 1977 and has received every dividend issued from Alaska's oil-wealth savings account, says this year he's investing in ultra-bright lights that ward off dark thoughts brought on by Alaska's dark winters.

Usually, the family's checks go into general income. "This year, I'm going to buy lamps," said Straley, who's at work on a second look for Bantam publishing. "If that doesn't work, I just might get a whole collection of aloha shirts and shorts and wai' around 'em in them. I always get gloomy in wintertime."

In Juneau, Susan Knowles says family rules don't change just because her husband was elected governor. This year's checks will once again go into an education savings account for the couple's three children.

"There's usually a bit of discussion," Knowles said Friday as she recalled the wheeling she and Gov. Tony Knowles wade through each year when the children report how their friends are allowed to spend \$50, or \$100, or \$200 out of their dividend.

Continued from Page A-1  
 pollen, bees took a long break from the heat, and heat-stressed flowers didn't want to open, Eastburn explained. The result was fewer pumpkins, or small ones that were easily devoured by fungi.

A killing frost Sept. 23 did in a lot of the late-setting fruit, he added.

There's one bit of comfort, he noted. The canning pumpkins used for Thanksgiving pies are a different species and weren't hit as hard.

In other big pumpkin states such as Pennsylvania and New York, the large growers who invested in irrigation made it through the summer, averting an out-and-out shortage. Still, pumpkins are generally smaller and more expensive, because of the lower yields and higher production costs.

"I know from some of the things I've seen on the national level that they are evidently in short supply across the country," said Bill Troxell, executive secretary of the Pennsylvania Vegetable Growers Association. "We certainly aren't going to have any

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CROSS TOWN INSURANCE

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UNIVERSITY OF ALASKA, PATTY CENTER

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## ARCO plans to pump West Sak

ARCO Alaska, Inc., may begin producing oil from the giant West Sak field as early as 1997, but most of the 20 billion barrels of crude in the formation will never be produced because of the oil's thickness.

West Sak is the giant, hard-to-produce North Slope oil field that ARCO has been studying for years, trying to develop the technology necessary to profitably pump the field. The company's president, Ken Thompson, said ARCO intends to bring on the field one section at a time, starting with the easiest in 1997, if ongoing studies show that such an approach is sound.

ARCO plans to spend about \$10 million in 1996 on West Sak studies and expects to make a final decision late in the year. At that point the company should know how much crude it can produce from its first phase of development and how many wells it will need.

Speaking before the RDC Thursday breakfast forum last month, Thompson said phased development would allow ARCO to learn how best to pump the field and to test theories on how drilling technologies will work at West Sak. The field lies above the large Kuparuk formation. Because it is closer to the surface, West Sak's oil is thick as molasses, which poses much greater development and production challenges compared to warmer, thinner oil deeper underground. Thinner the oil, the easier it is to pump to the earth's surface.

Although West Sak rivals Prudhoe Bay in size, it's considered a marginal field since most of the oil is non-recoverable. Moreover, West Sak is likely to be a slow producer because of the characteristics of its crude. The field is unlikely to generate large revenues to the state's treasury, but will create jobs.

# Advisers see Alaska's oil output rising

Legislature's consultants say marginal North Slope fields likely to offset decline after 2000

By IAN MADER  
The Associated Press

JUNEAU — The legislature's oil consultant gave lawmakers a surprisingly bullish report Wednesday about Alaska's oil-producing potential during the coming decade.

Massachusetts-based Cambridge Energy Research Associates told law-

makers it would be possible for Alaska to produce more oil in 2005 than today.

State oil economist Chuck Logsdon said the report probably took into account a trend toward greater tax and royalty relief for oil companies.

But industry critics said the forecast may show that

■ **SURPRISES UNLIKELY:** Analysts predict stable North Slope crude prices for the year. D-1

royalty giveaways proposed by Gov. Tony Knowles and many lawmakers are not needed to make marginal Alaska oil fields feasible.

Cambridge indicated Alaska's current decline in production likely would be offset by new production potential between 2000 and 2010 from North Slope oil fields currently deemed marginal, such as Badami Bay and West Sac.

In a presentation to House and Senate finance committees, Cambridge oil

expert Ann-Louise Hittle showed lawmakers graphs indicating a surge in potential North Slope production starting in 2002. Production would peak in 2005 at a rate somewhat higher than this year, before beginning another decline.

"All the graphs I've ever seen have lines just going straight down. This one

goes down and then up," said Sen. Tim Kelly, R-Anchorage, who saw the graphs but not the presentation. "It's certainly good news for Alaska."

Hittle said company forecasts involve assessments of world oil supply and demand, and techn-

Please see Back Page, OIL

## OIL: Legislature's consultant gives bright view of future production

Continued from Page A-1

logical advances.

After checking with Cambridge officials, Hittle declined to tell a reporter whether the forecast took into account proposed changes in Alaska's royalty structure, or whether the production likely would become profitable even without such royalty breaks.

"I do not want to get involved in politics," Hittle said. "I don't want to answer your question."

Oil companies, the Knowles administration and many state lawmakers currently agree that companies need royalty breaks in order to make production possible at several Alaska oil fields.

Royalty, now usually at 12.5 percent, is the oil that companies must turn over

to the state in return for producing here, in addition to excise and income taxes.

Bills introduced by Knowles and amended by lawmakers would give the natural resources commissioner wide authority to temporarily or permanently reduce royalty, on a case-by-case basis, as low as zero.

What the state sacrifices in revenue it would gain by guaranteeing oil-industry jobs for Alaskans, Knowles says.

Rep. David Finkelstein, D-Anchorage, said the Cambridge forecast was good news for Alaska, but that it increased his skepticism about aspects of the royalty legislation.

"It makes it doubly clear to me that we don't need to allow royalty reduction to go down to zero, ever."

*Oil companies, the Knowles administration and many state lawmakers agree that companies need royalty breaks in order to make production possible at several Alaska oil fields.*

Richard Fineberg, oil adviser to former Gov. Steve Cowper and a critic of the royalty proposals, said Cambridge may not have considered royalty changes in its forecast.

"In the past they have tended to not factor in current Alaska political dialogue," Fineberg said.

Fineberg has testified that Alaska oil production — which gives the state about 85 percent of its annual revenues — is not in as severe a decline as is traditionally assumed. He

maintains oil companies exaggerate their need for royalty reduction.

"The wolves cry only when they think they can frighten you and get rewards out of that fright," Fineberg said. "Here, the legislature's own consultant is coming in with forecasts that are even more optimistic than mine. It's forecasts like this that lead us to want to see a substantive case being made for royalty relief, rather than rhetoric."

On one chart in the Cambridge report, total Alaska

production potential is pegged at 1.71 million barrels per day this year, 1.35 million in 2000 and 1.73 million in 2005.

Another chart indicates in a footnote that production figures for 2005 assume development of Badami Bay, West Sak, North Star, Gwydyr Bay, Point Thompson, Hammerhead, Tern Island and Colville Delta fields.

Production and infrastructure at Badami would be a key to developing many other fields on the list, Hittle told lawmakers.

BP Exploration (Alaska) Inc., majority owner of Badami, has so far been unsuccessful in its attempts to get royalty breaks it says would be needed to make that field workable. Company spokesman Jim Palmer said a royalty break would

be just one of many factors that must fall in place before the field could begin producing.

"If this stuff's going to come on, why do you need the incentives? Well, to say that this is going to come on regardless of other variables would be absurd," Palmer said. "It's more complicated than that."

Logsdon, the state oil economist, said Cambridge probably did not consider specific bills before the legislature. But he said the company likely would have assumed there would be some tax and royalty breaks for oil companies in coming years.

"When they forecast, it's mostly trend extrapolation. If the trend is governments reviewing changes on the tax side — well, that's going on everywhere," Logsdon said.



## CALIFORNIA INDEPENDENT PETROLEUM ASSOCIATION

Main Office: 1112 "I" Street, Suite 350, Sacramento, CA 95814 • 916-447-1177 • Fax 916-447-1144  
Environmental Affairs Office: 5201 Truxtun Avenue, #119, Bakersfield, CA 93309 • 805-633-3119 • Fax 805-633-3191

June 21, 1995

JUL 05 1995

Representative Joe Green  
Alaska State Legislature  
Alaska State Capitol  
Juneau, Alaska 99801

**RE: CIPA Support for HB 325, the "Heavy Oil Royalty Suspension" Bill**

Dear Representative Green:

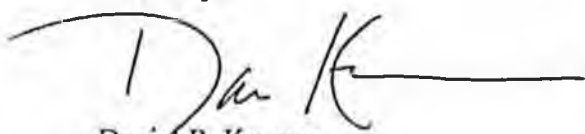
The California Independent Petroleum Association (CIPA) wishes to express its strong support for HB 325, provided that Congress lifts the ban on the export of Alaskan North Slope crude oil which appears likely to happen soon. CIPA represents over 550 production, exploration and service companies operating in California.

This measure proposes a simple yet effective incentive for independent producers, including those in California, to invest in heavy oil projects in Alaska. As you know, approximately two-thirds of California's oil production is heavy oil and this state's producers know only too well the difficult investment climate for heavy oil and the large role incentives can play in stimulating such activity.

Simplifying the process of obtaining incentives is critical for the independent producer because of limited manpower resources. And in order to be an effective inducement to increase activity, the incentive must significantly affect an independent's economics. HB 325 appears to accomplish both of these goals.

Please do not hesitate to contact me at (916) 447-1185 if I may be of assistance in your deliberations on this proposal.

Sincerely,



Daniel P. Kramer  
Executive Director

1/31/96

AMENDMENT

OFFERED IN THE HOUSE BY REPRESENTATIVE DAVIES

TO: CSHB 325(O&G)

Page 1, line 1:

Delete "exemption from payment of royalty"

Insert "modification of royalty due"

Page 1, line 8:

Delete "royalty is not payable"

Insert "a lessee who makes application for and obtains an exemption under this subsection shall be granted a modification of royalty due on production"

Page 1, line 13:

Delete "exemption from payment of royalty"

Insert "modification of royalty due"

Page 2, following line 18:

Insert a new subparagraph to read:

"(A) demonstrates to the satisfaction of the Legislative Budget and Audit Committee, hereinafter "committee", that modification of royalty due under this subsection is reasonably necessary to allow for oil production from the lease that would not otherwise be feasible; as a condition of meeting the

(9)

# HOUSE COMMITTEE REPORT

Date Referred to Committee: January 24, 1996

FURTHER REFERRALS:

Finance

Date of Committee Action: 2/7/96

The RESOURCES 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 (0+6)  the same title  a new title

additional referral to \_\_\_\_\_ Committee  
 attached amendment(s)

ADGPTS: \_\_\_\_\_ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) APPROVES PREVIOUS: (Dept/Date)  
 fiscal note(s) Rev, DNR  fiscal note(s) \_\_\_\_\_

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

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Wendy Mitchell</i>				X
<i>Paul G. Davis</i>				X
<i>Ed K. Williamson</i>	✓			
<i>Joseph [unclear]</i>	✓			
<i>William [unclear]</i>	✓			
<i>John [unclear]</i>	✓			
<i>Scott [unclear]</i>	✓			

CHAIR'S SIGNATURE *Joseph [unclear]*

# CORRECTION

THE FOLLOWING DOCUMENT(S)  
HAVE BEEN REFILMED TO  
ASSURE LEGIBILITY OR PAGINATION



Rev. 6/98

Central Microfilm Services  
Department of Education  
State of Alaska

1/31/96

AMENDMENT

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Page 1, line 13:

Delete "exemption from payment of royalty"

Insert "modification of royalty due"

Page 2, following line 18:

Insert a new subparagraph to read:

"(A) demonstrates to the satisfaction of the Legislative Budget and Audit Committee, hereinafter "committee", that modification of royalty due under this subsection is reasonably necessary to allow for oil production from the lease that would not otherwise be feasible; as a condition of meeting the

requirement set out in this subparagraph, the committee may require the lessee making application for the royalty modification to pay for the services of an independent contractor, qualified to evaluate hydrocarbon development, production, transportation, and economics, who is selected by the committee to assist in evaluating the application and financial and technical data; selection of an independent contractor under this subparagraph is not subject to AS 36.30.020; if, on the basis of the lessee's application, the report of the independent contractor, and other evidence of record, the committee finds a modification from payment of royalty under this subsection is reasonably necessary to allow for the production of the oil from the lease, the committee shall submit a joint resolution authorizing the modification; the modification shall take effect upon adoption of the resolution by both houses of the legislature; and"

Reletter the following subparagraphs accordingly.

Page 2, line 20:

Delete "exemption from royalty payment"

Insert "modification of royalty due"

Page 2, line 22:

Delete "exemption"

Insert "modification"

Page 2, line 27:

Delete "exemption"

Insert "modification"

(9)

# HOUSE COMMITTEE REPORT

Date Referred to Committee: January 24, 1996

FURTHER REFERRALS:

Finance

Date of Committee Action: 2/7/96

The RESOURCES 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 (0+6)  the same title  a new title

additional referral to \_\_\_\_\_ Committee  
 attached amendment(s)

ADOPTS: \_\_\_\_\_ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) \_\_\_\_\_ APPROVES PREVIOUS: (Dept/Date) \_\_\_\_\_  
 fiscal note(s) Rev, DNR  fiscal note(s) \_\_\_\_\_

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

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Wendy Michener</i>				X
<i>Paul E. Davis</i>				X
<i>Ed. K. Williams</i>	✓			
<i>Joseph A. ...</i>	✓			
<i>William ...</i>	✓			
<i>John ...</i>	✓			
<i>Scott ...</i>	✓			

CHAIR'S SIGNATURE *Joseph A. ...*

**HB**

**329**



REPRESENTATIVE CON BUNDE  
CO-CHAIR HEALTH, EDUCATION  
& SOCIAL SERVICES  
VICE-CHAIR RULES

Alaska State Legislature  
House of Representatives

DURING SESSION:  
STATE CAPITOL, ROOM 108  
JUNEAU, ALASKA 99801-1182  
1 (907) 465-4843

DURING INTERIM:  
716 WEST 4th AVENUE  
ANCHORAGE, ALASKA 99501-2133  
1 (907) 258-8168

## SPONSOR STATEMENT

### HB 329

**“An Act providing for restitution to the state for the unlawful taking of game.”**

Penalties for violating wildlife protection laws vary with the crime and state. The most common crime classification for wildlife violations in all states is the criminal misdemeanor. For misdemeanors, states generally give judges discretion in choosing the amount of fine, length of jail term, or both. In Alaska, persons convicted of wildlife violations are guilty of a misdemeanor. The penalty is jail for up to a year and a fine of up to \$5,000(AS 16.05.925 (a)).

In addition to criminal penalties, some states have civil liability provisions of some kind. About half the state legislatures have assessed the value of wild life for civil liability proposes and list damages which may be sought as part of a civil penalty. Some states require the violator to pay, as a condition of sentencing, restitution to the state for each animal taken. **Alaska is one of only 12 states which does not have restitution provisions for wildlife violations in statute. HB 329 provides a schedule of restitution for wildlife violators to repay as a condition of sentencing.**

Alaskans are losing valuable wildlife to poachers. Each piece of game that is illegally taken from our state is an economic loss that affects both our hunting and tourism industries. HB 329 will hold those illegal takers of game accountable for the value of their take. Poachers will now have to pay restitution, as well as, the penalties already in statute.

I urge your positive consideration of this legislation.



REPRESENTATIVE CON BUNDE  
CO-CHAIR HEALTH, EDUCATION  
& SOCIAL SERVICES  
VICE-CHAIR RULES

Alaska State Legislature  
House of Representatives

*DURING SESSION:*  
STATE CAPITOL, ROOM 108  
JUNEAU, ALASKA 99801-1182  
1 (907) 465-4843

*DURING INTERIM:*  
716 WEST 4th AVENUE  
ANCHORAGE, ALASKA 99501-2133  
1 (907) 258-8168

MEMORANDUM

DATE: February 19, 1996  
TO: Representative Joe Green  
Co-Chair House Resources  
FROM: Representative Con Bunde  
Co-Chair House HESS  
RE: HB 329

HB 329, "An Act providing for restitution to the state for the unlawful taking of game.", is in the House Resources Committee. This memo is a request for a committee hearing at your earliest possible convenience.

If you have any questions regarding this bill or the information in the attached packet please do not hesitate to call my office. Thank you for your cooperation with this matter.

Number of Citations, Averaged Fines, and Averaged Jail Time  
for Sport Fish and Hunting Violations  
as of: 4/6/95

Offense	1993	1994	1995
Codes	1/1/93-12/31/93	1/1/94-12/31/94	1/1/95-3/31/95

**Sport Fish:**

Closed Season 8410			
Citations	76	113	7
Averaged Fines \$	110	126	
Averaged Jail Time	0	0	
No Disposition	25	45	7
Closed Area 8411			
Citations	234	160	0
Averaged Fines \$	100	98	
Averaged Jail Time	0	0	
No Disposition	71	72	

**Sport Game:**

Closed Season 8622-8626			
Citations	113	118	15
Averaged Fines \$	471	464	900
Averaged Jail Time	3	2	0
No Disposition	39	40	8
Closed Area 8620-8621			
Citations	48	38	3
Averaged Fines \$	538	464	
Averaged Jail Time	1	0	
No Disposition	14	17	3

**Sport Fish Totals 8300-8495**

Citations	1,558	1,614	66
Averaged Fines \$	105	109	104
Averaged Jail Time	0	0	0
No Disposition	571	809	53

**Sport Game Totals 8600-8781**

(Excludes guiding)

Citations	710	712	126
Averaged Fines \$	321	340	416
Averaged Jail Time	1	1	0
No Disposition	236	332	86

If an individual is given multiple citations, each citation/fine/jail time are included in above total.

**SELECTED STATES' PENALTIES FOR WILDLIFE VIOLATIONS**

STATE	CRIMES	ANIMALS INVOLVED	PENALTY
ARIZONA	<i>Illegal taking, wounding, killing, possessing</i>	<i>Civil actions may be brought in the name of the state to seek to recover the following minimum sums as damage:</i>	
		Buffalo, elk, bighorn sheep, eagle, endangered species	\$750
		Bear, mountain lion, antelope, deer	\$450
		Turkey, javalina	\$150
		Beaver	\$75
		Goose, raptor	\$40
		Duck, small game animal or bird	\$15
		Nongame bird or game fish	\$10
CALIFORNIA	<i>Taking and other violations</i>	Bighorn sheep, large cats, mammals and fish in game refuge, all furbearers, salmon, steelhead, striped bass, sturgeon, shad	\$2,000
	<i>Taking</i>	Endangered, threatened or protected birds of prey	\$5,000
	<i>Selling or purchasing</i>	Bear, sturgeon eggs	\$5,000
	<i>Violations of code (illegal size, illegal waters, etc.)</i>	Abalone	\$5,000
	<i>Using gill nets to take, with exceptions</i>	Salmon, steelhead, striped bass	\$5,000
COLORADO	<i>Illegal killing or possessing</i>	<i>Violators guilty of a misdemeanor shall be punished by a fine as follows:</i>	
		Eagles, endangered species, rocky mountain goat, moose, rocky mountain bighorn sheep, lynx	\$1,000
		Elk, threatened species	\$700
		Antelope, deer, black bear, mountain lion	\$500
		Raptors not otherwise covered, wild turkeys	\$200
		One illegal animal or bird	\$50
		Each additional illegal animal or bird	\$25
		One illegal fish	\$35
	Each additional illegal fish	\$10	

**SELECTED STATES' PENALTIES FOR WILDLIFE VIOLATIONS**

<b>STATE</b>	<b>CRIMES</b>	<b>ANIMALS INVOLVED</b>	<b>PENALTY</b>		
<b>IDAHO</b>	<i>Illegal taking, possessing, wasting</i>	<i>The minimum criminal fine per animal for the following animals:</i>			
		Bighorn sheep, mountain goat, moose	\$500		
		Elk	\$300		
		Deer, pronghorn antelope, wild turkey, swan, sturgeon	\$200		
		Chinook salmon	\$100		
	<i>Illegal killing, possessing, wasting</i>	<i>In addition to criminal penalties, violators shall reimburse the state as follows :</i>			
		Bighorn sheep, mountain goat, moose, caribou	\$1,000		
		Elk	\$500		
		Deer, pronghorn antelope, wild turkey, swan, sturgeon	\$200		
		Chinook salmon	\$100		
<b>MONTANA</b>	<i>Illegal killing or possessing</i>	<i>In addition to other penalties, a person convicted shall reimburse the state as follows:</i>			
		Bighorn sheep, grizzly bear, endangered species	\$2,000		
		Elk, mountain goat, caribou, bald eagle, moose	\$1,000		
		Mountain lion, black bear, lynx, wolverine, buffalo, golden eagle, osprey, falcon, antlered deer, adult buck antelope	\$500		
		Other deer, antelope, fish, other raptors, swan, bobcat, white sturgeon	\$300		
		Paddlefish, grayling, fur-bearing animals not listed	\$100		
		Game birds (except swan)	\$25		
		Game fish	\$10		
		<b>NEVADA</b>	<i>Illegal killing or possessing</i>	<i>In addition to other penalties, persons are liable for civil penalties as follows:</i>	
				Big game mammal, bobcat, swan, eagle	\$250-\$5,000
Other fish or wildlife	\$25-\$1,000				
<b>NEW MEXICO</b>	<i>Illegal taking, killing, possessing</i>	<i>Violators guilty of a misdemeanor subject to fines for each animal as follows:</i>			
		Elk, bighorn sheep, oryx, ibex, barbary sheep	\$1,000		
		Deer, antelope, javalina, bear, cougar	\$400		
	<i>Illegal wounding, killing, possessing</i>	<i>Civil verdicts or judgments recovered by the state shall not be less than the following sums:</i>			
		Elk, mountain or barbary sheep, mountain goat	\$200		
		Cougar, bison, ibex, kudu, oryx	\$300		
		Antelope, black bear	\$100		
		Deer, javalina	\$50		
		Bird	\$10		
		Fish	\$1		

**SELECTED STATES' PENALTIES FOR WILDLIFE VIOLATIONS**

<b>STATE</b>	<b>CRIMES</b>	<b>ANIMALS INVOLVED</b>	<b>PENALTY</b>
<b>UTAH</b>	<i>Illegal taking, possessing or wanton destruction</i>	<i>Violators found guilty may be ordered to pay the suggested minimum restitution values for each animal as follows:</i>	
		Bison, bighorn sheep, rocky mountain goat, moose, bear, cougar, endangered species	\$1,000
		Elk, threatened species	\$750
		Golden eagle, river otter	\$500
		Pronghorn antelope, deer	\$400
		Bobcat	\$350
		Swan, sandhill crane, turkey, egret, pelican, loon, heron, raptors not endangered or threatened	\$100
		Furbearers except bobcat, river otter and threatened or endangered species	\$35
		Game birds except turkey, swan, sandhill crane	\$15
		Game fish	\$10
		Brine shrimp including eggs	\$8 per pound
Protected wildlife not listed	\$5		
<b>WASHINGTON</b>	<i>Illegal killing or possessing</i>	<i>The court shall order violators to pay reimbursement to the state in the following amounts for each animal:</i>	
		Moose, antelope, mountain sheep, mountain goat, all endangered wildlife	\$2,000
		Elk, deer, black bear, cougar	\$1,000
		Mountain caribou, grizzly bear	\$5,000
<b>WISCONSIN</b>	<i>Illegal killing, wounding, catching, trapping, possessing</i>	<i>If the court imposes a fine for game violations, the court may impose a wild animal protection assessment that equals the amount specified as follows:</i>	
		Endangered species	\$875
		Moose, elk, fisher, prairie chicken, sandhill crane	\$263
		Bear, wild turkey, wild swan	\$175
		Wildcat, fox, beaver, otter	\$88
		Deer, coyote, raccoon, mink	\$44
		Sharptail grouse, ruffed grouse, spruce hen, wild duck, coot, wild goose or brant	\$26
		Pheasant, Hungarian partridge, quail, rail, Wilson's snipe, woodcock, shore bird, protected song bird	\$18

**SOURCES:**

Center for Wildlife Law, University of New Mexico, "State Wildlife Law Handbook," 1993;  
 California Senate Office of Research, "Issue Brief: Summary of California 'Poaching' Laws," no date; and  
 Statutes from the states listed.

## Table 8. Restitution, Spotlighting and Waste Statutes

### Restitution

Civil Penalties and other forms of restitution are now required by most states for illegal taking of certain species of wildlife or big game animals. Several states, of which Colorado is a good example, provide for setting rules for replacement costs of fish and wildlife, costs of investigations, and setting schedules of replacement or restitution costs for court use, but usually do not prevent a court or jury from examining the reasonableness of the regulations or from assessing the special factors in a case which may make the true costs higher or lower than the amount stated in the rules. Colorado provides that "replacement costs" must be broadly construed to include habitat improvement or restoration where direct stocking is not feasible". There are many good examples of restitution provisions among the states, and schedules of specific animals and their "values" given (see Pennsylvania, Wisconsin, Louisiana, Minnesota and others for examples). Valuable restitution provisions should be mandatory and the amounts or values set for each species should be adequate to effect deterrence and to pay to restock the animal or otherwise compensate for its loss, and collection should be made for each animal, bird or fish as a separate offense. Most states do stipulate that restitution shall be required and collected. Colorado provides that the amounts collected for each animal "may not be for less than the sum stated by statute, but may be for such greater amount as the evidence may show the value of the wildlife to have been when living and uninjured". Wisconsin also provides that "no penalty prescribed in this chapter shall be diminished because the violation for which it is prescribed falls also within a more general prohibition," and that the burden is on the defendant to show that animals were commercially raised, taken for scientific purposes, or otherwise innocently and legally taken. Nearly all states provide that the civil or restitution penalties are in addition to any criminal penalties imposed. Pennsylvania, however, only assesses replacement costs for violations involving threatened or endangered species, or others designated by the Commission, but provides that additional compensatory and punitive damages for game or wildlife killed or habitat injured or destroyed may be sought by civil action, including costs of gathering evidence, expert testimony and other costs. Wisconsin, however, notes that a civil action shall be a bar to a criminal prosecution for the same offense and vice-versa. Amounts shall not be less than those stated in the statutes, and shall be for each protected animal, bird, fish or part taken. In Colorado, the division may bring a civil action against an owner whose dog inflicts death or injury to any big game other than bear or mountain lion, and to small game, birds and mammals according to established restitution values.

### Spotlighting

Please refer to discussion in Chapter 3, "Wildlife Poaching in the U.S."

### Waste

Please refer to discussion in Chapter 3. All states should have a "waste" provision and should clearly define what is "edible meat." Alaska and some other Western states are good examples; also Oklahoma and a few others include waste of aquatic resources, salmon or other wildlife, and more states should do so. Oklahoma is the only state to mention that "no person may capture, kill, mutilate or destroy wildlife protected by law and remove the head, claws, teeth, hide, antlers, horns or parts with intent to abandon the body, nor capture or mutilate a *living* wild animal protected by law by removing claws, teeth, hide, antlers or body parts, with such "waste" fines being up to \$1,000. It is disturbing to realize that live animals may be mutilated for valuable parts, but since some wildlife parts are worth more per ounce than cocaine, the lengths to which commercial poachers and others will go are not surprising.

Table 8. Restitution, Spotlighting and Waste Statutes

State	Restitution Statute Present	Spotlighting Statute Present	Waste Statute Present	State	Restitution Statute Present	Spotlighting Statute Present	Waste Statute Present
AK			♦	MT	♦	♦	♦
AL		♦		NC	♦	♦	
AR			♦	ND	♦	♦	
AZ	♦	♦	♦	NE	♦	♦	♦
CA	♦	♦	♦	NH	♦	♦	
CO	♦	♦	♦	NJ	♦	♦	
CT		♦		NM	♦	♦	♦
DE		♦		NV	♦	♦	♦
FL		♦		NY	♦	♦	
GA		♦	♦	OH	♦	♦	
HI				OK	♦	♦	♦
IA	♦	♦		OR	♦	♦	♦
ID	♦	♦	♦	PA	♦	♦	
IL	♦	♦	♦	RI		♦	
IN	♦	♦		SC	♦	♦	
KS	♦	♦		SD	♦	♦	♦
KY	♦	♦		TN	♦	♦	
LA	♦	♦		TX	♦	♦	♦
MA	♦	♦		UT	♦		♦
MD	♦	♦		VA	♦	♦	
ME		♦		VT	♦	♦	
MI	♦			WA	♦	♦	♦
MN	♦	♦	♦	WI	♦	♦	
MO				WV	♦	♦	
MS		♦		WY	♦	♦	♦

Table 14. States with Criminal Felony Provisions for Various Violations

Felony Provision Present				
Arizona	Idaho	Missouri	North Dakota	Texas
Arkansas	Illinois	Montana	Ohio	Utah
California	Indiana	Nebraska	Oklahoma	Virginia
Colorado	Kansas	New Hampshire	Oregon	Washington
Florida	Michigan	New York	South Dakota	West Virginia

Although only twenty-four states provide for felony provisions for various wildlife violations, virtually every state provides for misdemeanor violations. Examples of the types of violations that constitute felonies in various states are listed below.

**Categories for profit or commercial gain include:**

- knowingly capturing, killing, possessings, exporting, importing, or receiving an endangered species for profit or commercial enterprise;
- buying or selling game or protected animals for profit;
- game wardens accepting bribes;
- commercialization in general (aggregate value varies);
- combined sales greater than \$200 within a 90-day period by someone not possessing a commercial license;
- sale of fish with a value greater than \$250 caught with personal fishing gear; and
- wanton destruction of wildlife whose value is greater than \$500.

**Examples of specific animals include:**

- killing a raptor;
- releasing a live wolf;
- taking big game during closed seasons;
- destroying paddlefish or pallid sturgeon;
- killing a panther;
- using bull, bear, dog or other animal for fighting, baiting or as a target;
- killing an endangered species or destroying its nest or eggs; and
- illegally shipping a protected animal.

**Examples of previous violations include:**

- subsequent misdemeanor violations;
- subsequent violation of illegally taking fish or eggs;
- subsequent violations within 5 years involving big game or endangered species; and
- multiple convictions of using aircraft to harass wildlife.

**Other examples include:**

- resisting an enforcement officer;
- using an explosive substance to kill or catch a fish;
- abandoning, or not rendering assistance to someone hunter shot and/or not reporting it immediately;
- buying, selling, or using illegal devices for bear, deer or moose parts, bear traps, and spotlighting if not a natural person of that state; and
- having knowledge that fraud was committed in a tournament having a prize greater than \$10,000 and not notifying law enforcement.

**HB**

**331**



# ALASKA MINERS ASSOCIATION, INC.

501 W. Northern Lights Blvd., Suite 203, Anchorage, Alaska 99503 FAX: (907) 278-7997 Telephone: (907) 276-0347

April 16, 1996

Honorable Joe Green  
Honorable William Williams  
Co-Chairmen, House Resources  
Capitol Building  
Juneau, AK 99801

RE: HB-331, Relating to Damages and Posting of Bond

Dear Representatives Green and Williams,

The Alaska Miners Association wishes to go on record in support of HB-331. This bill will clarify existing statute by establishing in statute the current interpretation and practice followed by the Department of Natural Resources and by industry.

The change to HB-331 is needed to insure the rights of the State to its subsurface mineral resources where the surface estate has been sold or otherwise transferred to a third party. Under the Statehood Act, the State cannot sell or dispose of its mineral resources but rather must retain all such mineral resources in State ownership. Therefore, whenever an interest in the surface estate is sold or disposed of, the State retains the subsurface mineral estate.

Unless specifically closed to mineral entry this land is still available for staking of mining claims. It has been the interpretation and practice of the State that claim staking is the only activity that can be allowed on the land without getting permission from the third party surface estate owner.

HB-331 will merely clarify this statute and make it clear that a bond is not needed if the only activity that occurs is claim staking.

We would suggest one change to HB-331. This change is to make HB-331 retroactive to Statehood for existing mining claims. This has been the State interpretation and practice, and existing, as well as new, mining claims should therefore be covered by it.

We urge that this bill be passed this Session.

Sincerely,

Steven C. Borell, P.E.  
Executive Director

cc: Representative Gene Therriault  
House Resources Committee Members

# Alaska State Legislature



## House Of Representatives

REPRESENTATIVE  
GENE THERRIAULT

Mailing Address:  
119 N. Cushman, Suite 101  
Fairbanks, Alaska 99701  
(907) 488-0857  
FAX: (907) 488-4271

While in Session  
State Capitol  
Juneau, Alaska  
99801-1182  
(907) 465-4797  
Fax: (907) 465-3884

House District 33

HB 331 "An Act relating to Mining."

SPONSOR: Rep. Gene Therriault

A handwritten signature in cursive script, appearing to read "Gene", written over the printed name of the sponsor.

### SPONSOR STATEMENT:

HB 331 clarifies that the act of staking a mining claim does not require permission of the surface owner or require bonding where the surface is no longer owned by the state. This ambiguity has the potential of involving the department in resolving disputes from the mere act of staking. HB 331 helps to avoid these potential future costs to the department.

# Alaska State Legislature

REPRESENTATIVE  
GENE THERRIAULT

Mailing Address:  
119 N. Cushman, Suite 101  
Fairbanks, Alaska 99701  
(907) 488-0857  
FAX: (907) 488-4271



## House Of Representatives

While in Session  
State Capitol  
Juneau, Alaska  
99801-1182  
(907) 465-4797  
Fax: (907) 465-3684

House District 33

### MEMORANDUM

**TO:** Representative Joe Green, Co-Chair ✓  
Representative Bill Williams, Co-Chair  
House Resources Committee

**FROM:** Representative Gene Therriault *Gene*

**DATE:** April 11, 1996

**SUBJECT:** Scheduling of HB 331

---

I respectfully request House Bill 331, "An Act relating to Mining" be scheduled for a hearing in the House Resources Committee.

House Bill 331 would clarify that the mere act of staking a state mining claim does not require permission of the surface owner or require bonding where the surface is no longer owned by the state.

A copy of HB 331, the sponsor statement and the DNR fiscal note from last year are attached. I appreciate your consideration of my request.

attachments (3)

# Alaska State Legislature

REPRESENTATIVE  
GENE THERRIAULT

Mailing Address:  
119 N. Cushman, Suite 101  
Fairbanks, Alaska 99701  
(907) 488-0857  
FAX: (907) 488-4271



## House Of Representatives

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A copy of HB 331, the sponsor statement and the DNR fiscal note from last year are attached. I appreciate your consideration of my request.

attachments (3)

**Sec. 38.05.128. Obstructions to navigable water.** (a) A person may not obstruct or interfere with the free passage by a member of the public on any navigable water as defined in AS 38.05.965 unless the obstruction or interference is

- (1) authorized by a federal or state agency;
- (2) authorized under a federal or state law or permit;
- (3) exempt under 33 U.S.C. 1344(f) (Clean Water Act);
- (4) caused by the normal operation of freight barging that is otherwise consistent with law; or

(5) authorized by the commissioner after reasonable public notice.

(b) A violation of (a) of this section is a class B misdemeanor.

(c) An unauthorized obstruction or interference is a public nuisance and is subject to abatement. The cost of abatement shall be borne by the violator and is in addition to any penalty imposed by the court.

(d) This section may not be construed to affect or abridge valid existing rights. (§ 2 ch 82 SLA 1985)

**Cross references.** — For legislative findings and purpose in connection with the 1985 enactment of this section, see § 1, ch. 82, SLA 1985 in the Temporary and Special Acts.

**Sec. 38.05.130. Damages and posting of bond.** Rights may not be exercised by the state, its lessees, successors or assigns under the reservation as set out in AS 38.05.125 until the state, its lessees, successors, or assigns make provision to pay the owner of the land full payment for all damages sustained by the owner, by reason of entering upon the land. If the owner for any cause refuses or neglects to settle the damages, the state, its lessees, successors, assigns, or an applicant for a lease or contract from the state for the purpose of prospecting for valuable minerals, or option, contract or lease for mining coal or lease for extracting geothermal resources, petroleum or natural gas, may enter upon the land in the exercise of the reserved rights after posting a surety bond determined by the director, after notice and an opportunity to be heard, to be sufficient as to form, amount, and security to secure to the owner payment for damages, and may institute legal proceedings in a court where the land is located, as may be necessary to determine the damages which the owner may suffer. (§ 2 art VII ch 163 SLA 1959; am § 15 ch 61 SLA 1960; am § 3 ch 175 SLA 1980)

#### Article 6. Leasing of Mineral Land.

<p>Section 135. Generally 137. Leasing agreements 140. Limitations 145. Leasing procedure 150. Coal</p>	<p>Section 155. Phosphates 160. Oil shale 165. Sodium 170. Sulphur 175. Potassium</p>
---	---

# FISCAL NOTE

STATE OF ALASKA

BILL NO. HB331

1995 LEGISLATIVE SESSION

Revision Date: Original Dept Affected: Natural Resources  
 Title: "An Act relating to mining." BRU: Resource Development  
 Component: Mining Development  
 Sponsor: Representatives Theriault, Kelly  
 Requestor: \_\_\_\_\_ Component Serial No. 442

Expenditures/Revenues	(Thousands of Dollars)					
OPERATING EXPENDITURES	FY96	FY97	FY98	FY99	FY00	FY01
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

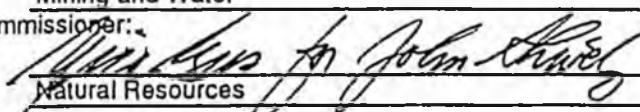
FUND SOURCE	(Thousands of Dollars)					
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY95) cost: \$ None

POSITIONS	FY96	FY97	FY98	FY99	FY00	FY01
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)

SEE ATTACHED.

Prepared by: Jules Tileston, Director Phone: 762-2165  
 Division: Mining and Water Date: 9-May-95  
 Approved by Commissioner:  Date: 5-9-95  
 Agency: Natural Resources

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**FISCAL NOTE  
HB 331 ATTACHMENT**

**ANALYSIS**

AS 38.05.130 requires an agreement for damages, or a surety bond, with respect to the exercise of the reserved mineral rights under AS 38.05.125. AS 38.05.125 is silent with respect to claim staking. A recent Superior Court ruling found that "staking" could not take place without the "consent" of the surface owner when the surface estate is no longer in State ownership. AS 38.05.130 further provides that under certain circumstances the director will determine the proper amount of a surety bond to protect the surface owner.

HB 331 makes it clear that the mere act of staking a state mining claim does not require permission of the surface owner or require bonding where the surface is no longer owned by the State. This ambiguity has resulted in litigation that has lasted more than 12 years and is now in the Supreme Court. Resolving this uncertainty by making it clear that staking does not require permission of the surface owner or the potential involvement of the department in resolving disputes on the potential damages from the act of staking has a positive impact by avoiding some future long-term annual costs to the department.

The bill may result in a cost avoidance of potential future expenses, not a reduction to current operating expenditure levels. If this bill is not implemented, costs associated with the resolution of disputes will become increased expenses to the operating budget, requiring additional funding and personnel. Unless corrected, the costs associated with staking of mining claims where the State is no longer the surface owner could increase in direct proportion to the amount of State land transferred into private ownership.

# FISCAL NOTE

STATE OF ALASKA  
1996 LEGISLATIVE SESSION

BILL NO. HB 331

Revision Date: 15-Apr-96 Dept Affected: Natural Resources  
 Title: An Act relating to Mining BRU: Resource Development  
 Component: Mining Development  
 Sponsor: Rep. Theriault, Kelly  
 Requestor: House Resources Component Serial No. 442

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 ( )	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						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY96) cost: \$ None

POSITIONS	FY97	FY98	FY99	FY00	FY01	FY02
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)

HB 331 amends AS 38.05.130 to exempt posting the corners of a mining claim from the requirements of an agreement for damages or a surety bond. A recent Superior Court ruling found that "staking" could not take place without the "consent" of the surface owner when the State does not own the surface. To avoid future questions about the validity of a past staking of State minerals at a time when the State had transferred the surface to non-State ownership, an amendment is recommended to make the effect of HB 331 retroactive to Statehood.

HB 331 may result in a significant, unquantified cost avoidance of potential future expenses by making it clear that owner consent is not necessary to post the corners of a mining claim. The bill removes an unfunded element that only has recently become a potential work load. Therefore, there would be no reduction to current DNR operating expenditure levels.

Prepared by: Jules Tileston, Director Phone: 269-8625  
 Division: Mining & Water management Date: 15-Apr-96  
 Approved by Commissioner: [Signature] Date: 15-Apr-96  
 Agency: Natural Resources

**HB**

**334**

HOUSE RESOURCES COMMITTEE  
Roll Call and Members' Bill Votes

\* (indicates first public hearing)

Room 124, Capitol Bldg.

Mon., Wed., Fri.

Date: 5/5/95

Tape# 95-65

Joint Oil + Gas

Time: 8 44

am/pm

Time Adjourned: \_\_\_\_\_

am/pm

ROLL CALL:

	PRES	ABS	TIME	AR		
Rep. Joe Green	✓					
Rep. Bill Williams	✓					
Rep. Scott Ogan	✓					
Rep. Alan Austerman	✓					
Rep. Ramona Barnes						
Rep. John Davies				<u>8:47</u>		
Rep. Pete Kott				<u>9:30</u>		
Rep. Eileen MacLean						
Rep. Irene Nicholia				<u>8:55</u>		

Other Legislators Present \_\_\_\_\_

AGENDA:

Bill No.

Short Title

Action Taken

HB 334

Exempt Nat. Gas Facility From Bond and Pledge

HR 48

Kenai Peninsula Subsistence Proposal

OTHER

Hokberg ✓

Gary Davis - 9:10

Brice ✓

Betty Davis

Hinkelstein

WMS  
09/11/2

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Copies of minutes listed below were originally included in this file. The minutes are available on the legislative computer database. In order to save space copies of minutes have not been left in the files.

Mary Pagenkopf

*House Resources  
5-5-95 8:44am  
Tape #95-65  
HB 334*

9-LS1150\F  
Chenoweth  
5/4/95

CS FOR HOUSE BILL NO. 334( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
NINETEENTH LEGISLATURE - FIRST SESSION

BY

Offered:  
Referred:

Sponsor(s): HOUSE RESOURCES COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to regulation of certain natural gas exploration facilities for  
2 purposes of preparation of discharge prevention and contingency plans and  
3 compliance with financial responsibility requirements, and amending the duties of  
4 the Alaska Oil and Gas Conservation Commission as they relate to natural gas  
5 exploration activities; and providing for an effective date."

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

7 \* Section 1. AS 31.05.030 is amended by adding a new subsection to read:

8 (i) When requested by a person preparing to explore for gas, the commission  
9 may determine whether there is a reasonable expectation that the exploration activities  
10 are directed to hydrocarbon formations containing oil. If the commission determines  
11 that there is reasonable probability that the exploration activities are not directed to  
12 formations containing oil, the commission shall so certify.

13 \* Sec. 2. AS 46.04.030(b) is amended to read:

1 (b) A person may not cause or permit the operation of a pipeline or [AN  
2 EXPLORATION OR] production facility in the state or, except as provided in (s) of  
3 this section for a natural gas exploration facility for which a certificate has been  
4 issued by the Alaska Oil and Gas Conservation Commission under  
5 AS 31.05.030(i), may not cause or permit the operation of an exploration facility  
6 in the state unless an oil discharge prevention and contingency plan for the pipeline  
7 or facility has been approved by the department and the person is in compliance with  
8 the plan.

9 \* Sec. 3. AS 46.04.030 is amended by adding a new subsection to read:

10 (s) If the operator of a natural gas exploration facility, for which the Alaska  
11 Oil and Gas Conservation Commission has certified under AS 31.05.030(i) that there  
12 is reasonable probability that the activities of the exploration facility are not directed  
13 to formations containing oil, encounters oil, the operator shall

14 (1) notify the oil spill response cooperative designated in the permit  
15 issued by the Alaska Oil and Gas Conservation Commission and all other appropriate  
16 state agencies; and

17 (2) submit to the department, within 15 days, an oil discharge  
18 prevention and contingency plan and, when the plan has been approved, be in  
19 compliance with the plan.

20 \* Sec. 4. AS 46.04.040(b) is amended to read:

21 (b) A person may not cause or permit the operation of a pipeline or [AN  
22 EXPLORATION OR] production facility in the state or, except as provided in (n) of  
23 this section for a natural gas exploration facility for which a certificate has been  
24 issued by the Alaska Oil and Gas Conservation Commission under  
25 AS 31.05.030(i), may not cause or permit the operation of an exploration facility  
26 in the state unless the person has furnished to the department, and the department has  
27 approved, proof of financial ability to respond in damages. Proof of financial  
28 responsibility required for

29 (1) a pipeline or an offshore exploration or production facility is  
30 \$50,000,000 per incident;

31 (2) an onshore production facility is

1 (A) \$20,000,000 per incident if the facility produces over  
2 10,000 barrels per day of oil;

3 (B) \$10,000,000 per incident if the facility produces over 5,000  
4 barrels per day but not more than 10,000 barrels per day of oil;

5 (C) \$5,000,000 per incident if the facility produces over 2,500  
6 barrels per day but not more than 5,000 barrels per day of oil;

7 (D) \$1,000,000 per incident if the facility produces 2,500 barrels  
8 per day or less of oil;

9 (3) an onshore exploration facility is \$1,000,000 per incident.

10 \* Sec. 5. AS 46.04.040 is amended by adding a new subsection to read:

11 (n) The operator of a natural gas exploration facility for which the Alaska Oil  
12 and Gas Conservation Commission certifies under AS 31.05.030(i) that the activities  
13 of the exploration facility are not directed to formations containing oil may not cause  
14 or permit the facility's operation unless the operator first obtains a surety bond in an  
15 amount that the Alaska Oil and Gas Conservation Commission may require to assure  
16 performance of surface oil clean up.

17 \* Sec. 6. AS 46.04.050 is amended by adding a new subsection to read:

18 (c) AS 46.04.030(a) and 46.04.040(b) do not apply to a natural gas exploration  
19 facility for which the Alaska Oil and Gas Conservation Commission certifies under  
20 AS 31.05.030(i) that there is reasonable probability that the activities of the exploration  
21 facility are not directed to formations containing oil.

22 \* Sec. 7. This Act takes effect immediately under AS 01.10.070(c).

# **Proposed CSHB 334(O&G) Exempt Natural Gas Facilities from Bond & Plans**

## **Sectional Analysis**

Section 1 of the bill amends AS 31.05.030 by adding a new subsection (i) granting authority to the Alaska Oil & Gas Conservation Commission (AOGCC) to determine whether there is a reasonable expectation that an exploration well will encounter oil when requested by a permit applicant to do so. If the Commission determines there is no reasonable probability that the activity will encounter oil, the Commission must so certify.

Section 2 of the bill amends AS 46.04.030(b) to exempt exploration activities from the requirement to have an oil spill contingency plan in place if the activity has been certified by the AOGCC under the provisions of AS 31.05.030(i), added by Section 1 of the bill, unless the operator encounters oil.

Section 3 of the bill adds a new subsection (s) to AS 46.04.030 requiring an operator of a facility exempted under AS 31.05.030(i) to notify the local oil spill response cooperative and all appropriate state agencies, and to develop an oil spill response plan within 15 days, if the operator encounters oil.

Section 4 of the bill amends AS 46.04.040(b) to exempt exploration activities from the oil spill financial responsibility requirements if the activity has been certified by the AOGCC under AS 31.05.030(i)

Section 5 of the bill amends AS 46.04.040 by adding a new subsection (n) requiring the operator of an activity exempt under AS 31.05.030(i) to obtain a surety bond to assure performance of surface clean up. The amount of the bond is to be set by AOGCC.

Section 6 of the bill amends AS 46.04.050 by adding a new subsection (c) creating a general exemption for facilities certified under AS 31.05.030(i). The exemption applies to financial responsibility requirements and oil spill contingency plan responsibilities except as provided in Sections 3 and 5 of the bill.

Section 7 of the bill provides for an immediate effective date under AS 01.10.070(c).



# Alaska State Legislature

## HOUSE RESOURCES COMMITTEE

State Capitol  
Juneau, Alaska 99801-1182  
(907) 465-3715

### SPONSOR STATEMENT

#### HB 334

In 1992, the Alaska Legislature passed amendments exempting gas production facilities and gas terminal facilities from the requirements to post a \$1 million bond and develop an approved oil spill contingency plan. Gas exploration activities, however, are not exempt from these requirements. This acts as a deterrent for small operators who may want to develop potential gas fields in areas where there is small likelihood of striking oil. The bonding requirement is particularly daunting, since a \$1 million bond would cost a small operator approximately \$70,000 to post. This is cost prohibitive in many cases.

House Bill 334 addresses this problem by making provisions for an exemption under controlled circumstances. The bill provides that the Alaska Oil & Gas Conservation Commission (AOGCC) must determine that there is a reasonable probability the exploration activity is not directed to a formation containing oil before the exemption is allowed. The bill further requires the applicant to obtain a surety bond in an amount determined by the AOGCC.

House Bill 334 also establishes an interim response plan that must be followed by an operator exploring under an exemption permit if the operator encounters oil during the course of his exploration. Under provisions of the bill, the operator must notify the local oil spill response cooperative and all other appropriate state agencies. The operator must also submit an oil discharge prevention and contingency plan to the Department of Environmental Conservation within 15 days, and be in compliance with that plan.

**BRIEFING PAPER ON THE NEED TO AMEND AS 46.04.050 TO  
INCLUDE GAS EXPLORATION WELLS  
IN THE EXISTING GAS FACILITIES EXEMPTION  
FROM OIL SPILL CONTINGENCY PLANNING AND  
FINANCIAL RESPONSIBILITY REQUIREMENTS**

Under existing state law, oil and gas-related facilities, including oil and gas exploration facilities, are generally subject to the requirement to prepare an oil spill contingency plan (AS 46.04.030) and prove financial responsibility in the event of an oil spill by posting a bond or other means (AS 46.04.040). This requirement applies to all exploratory wells, without any consideration of whether the well is expected to encounter oil or gas.

An exemption for natural gas production and terminal facilities from oil spill contingency planning and financial responsibility requirements is set forth in AS 46.04.050(b). The exemption was adopted, with no opposition, because an accidental discharge of natural gas does not pose any environmental risk. Natural gas, unlike oil, dissipates harmlessly into the atmosphere at normal temperatures and pressures.

Some exploration wells are true wildcat wells and are drilled with no definitive knowledge of whether the well will encounter oil or gas. Because such a well may encounter oil, the imposition of the contingency planning and financial responsibility requirements is appropriate. Other exploration wells, which are essentially offset or delineation wells and not true wildcat exploration wells, may be targeted specifically at natural gas deposits or formations in areas with no known oil deposits, with the intention of extending the boundaries of existing fields or developing new fields in areas that previously have experienced exploration and/or development drilling providing information on potential deposits.

To date, the Alaska Dept. of Environmental Conservation has interpreted the exemption in AS 46.04.050(b) in a manner that excludes gas extension, offset or delineation wells, even though such wells have no reasonable likelihood of encountering oil and instead ultimately are intended to produce only gas. Exploratory wells that are targeted solely at natural gas, and have no reasonable likelihood of encountering oil, should not be subject to the expensive, burdensome contingency planning and financial responsibility requirements. Stratigraphic wells or other drilling not intended to drill to a producing formation already are exempted from the contingency plan and financial responsibility requirements under the definition of exploration facility in AS 46.04.900(8).

An exemption for gas exploratory facilities in AS 46.04.050 is necessary to allow smaller, independent oil and gas operators to economically explore and develop smaller properties in existing natural gas provinces such as those in the Cook Inlet Basin. Imposing the very expensive and burdensome contingency planning and financial responsibility requirements on wells that have no reasonable expectation of encountering oil stifles exploration for gas by smaller companies without providing any additional environmental protection.

Without an exemption for gas exploratory wells, the application of AS 46.04.030 and 46.04.040 results in absurd situations. Under the contingency plan requirement to plan for the "realistic maximum oil discharge," for example, the estimate of such a discharge would have to be zero, because there would be no reasonable expectation, based on well logs or other geologic analyses, of encountering oil when drilling such a well. In the case of the financial responsibility requirements, the "per incident" language in AS 46.04.040(b) essentially means that the financial responsibility requirement has no effect when applied to its proposed well, because no oil-related incident could occur from the drilling of the well. These absurdities illustrate why the exemption for gas facilities in AS 46.04.050(b) should include gas exploratory facilities.

To the extent that any question exists as to the likelihood of encountering oil, the State of Alaska Oil and Gas Conservation Commission has the technical expertise to answer the question as part of its drilling permit review process. All oil or gas wells (whether classified as exploratory, development, service or stratigraphic) require a drilling permit from the Alaska Oil and Gas Conservation Commission, and include the requirement to post a \$100,000 bond with the Commission for any liabilities resulting from drilling activities.

# Z-ENERGY INC.

April 9, 1995

Senator Loren Lemam  
State Capital  
Juneau, AK 99801

Dear Senator Lemam:

Thank you for discussing the Independent Oil & Gas Industry with me during our Juneau - Anchorage flight on Friday. As I promised, please find attached a proposed amendment that would solve the bonding problem for gas exploration wells. A briefing paper is attached for your review.

The proposed amendments to 46.04.050 would resolve a major barrier preventing Dave Lappi of Lapp Resources Inc. and myself from drilling natural gas wells. As I mentioned, there are many other hurdles that should either be removed or streamlined. However, Rome was not built in a day and the problems facing the Independents will not be resolved in one session. If we can resolve the issue of oil spill contingency bonding for natural gas wells this session, we will have accomplished a lot.

I do not think there will be any environmental opposition to this amendment. Natural gas represents an environmentally friendly fuel. If this amendment is passed, Independents could approach small villages regarding use of locally produced coalbed methane to generate electricity and fuel. It is conceivable that some vehicles in the villages could be converted to natural gas. The outcome would be less hazard of spillage associated with the transport of fuel oil, diesel, and gasoline to bush communities. Also, the villages would enjoy improved air quality by burning natural gas rather than the heavier hydrocarbons.

Exemption of natural gas production and transportation facilities from the oil spill contingency bonding requirements was easily adopted by the Alaska Legislature when it was discovered that these facilities had been inappropriately subsumed under oil spill legislation. The proposed amendment is a logical extension of the exemption of natural gas facilities.

If this amendment is not passed, Independents will be left in the untenable position of buying a one million dollar oil spill contingency bond and hiring a consultant to write an oil spill contingency plan to meet DEC requirements. Writing such a plan becomes an exercise in absurdity. For example, under the section specifying expected quantities of oil to be encountered, the logical answer would be "none." Writing an oil spill contingency plan costs about \$100,000. Buying the bond is expected to cost about \$70,000 to \$100,000 -- assuming a vendor can be found. This type of bonding is not required for land based operations anywhere else in the United States. There is no protocol for how

Z-ENERGY INC.

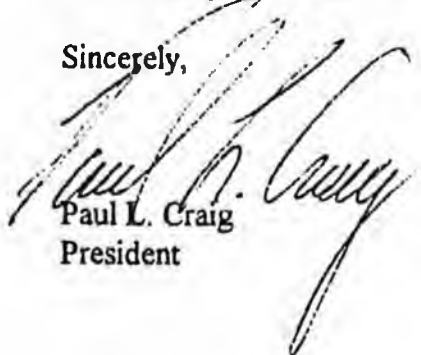
Page 2

to handle this type of bonding within the insurance industry. Hence, simply finding a vendor of this type of insurance product becomes a challenging task.

If this amendment is enacted, the AOGCC could be called upon to identify whether a given well has any chance of encountering liquid hydrocarbons. If not, then the Independent Exploration & Production Company could sensibly develop the prospect without fulfilling absurd oil spill contingency planning and bonding requirements. If the oil spill contingency requirements remain in place relative to natural gas wells, the Independents would make better use of their precious capital by drilling in the Sacramento Valley where an entire well can be drilled for the combined cost of writing an oil spill contingency plan and purchasing an oil spill contingency bond.

Thank you for your interest in the plight of the Independents in Alaska. I hope we are able to resolve this issue during the current session. Between sessions, we could discuss other pressing issues that are inhibiting the growth of the Independent industry in Alaska. Again, it was a pleasure speaking with you during the flight. Your concern for the needs of Alaskans attempting to build the Independent Exploration & Production industry is genuinely appreciated.

Sincerely,



Paul L. Craig  
President

Enclosure: Proposed Amendment  
Briefing Paper

cc: Dave Lappi  
Lapp Resources, Inc.

# Z-ENERGY INC.

May 4, 1995

Representative Norm Rokeberg  
Chairman, Oil & Gas Committee  
Alaska State Legislature  
Juneau, AK 99801

VIA FAX: 907-465-2040

**Re: CS HB 334**

Dear Representative Rokeberg:

As President of a nascent oil and gas exploration and production (E&P) company with 27 square miles of hydrocarbon properties in the Cook Inlet Basin held by the company and its principals, I am writing this letter in support of CS HB 334 entitled "Exempt Natural Gas Facilities from Oil Spill Bond and Plans."

I will provide oral testimony at the May 5, 1995 hearing before the Oil & Gas Committee and the Resources Committee. Briefly, CS HB 334 is critical to the survival of small Independent E&P companies. Also, CS HB 334 is a rational response to the illogical problem of requiring oil spill bonding and contingency planning in the context of a natural gas well. Because deep stratigraphic wells are not expected to encounter oil, they are already exempt from oil spill contingency planning and bonding. The Alaska Oil and Gas Conservation Commission has the necessary technical expertise and geophysical knowledge to draw reasonable conclusions about the probability of encountering oil in a well being drilled on a previously delineated geologic structure. In this context, if the AOGCC concludes that it is improbable for a proposed well to encounter oil, imposing oil spill contingency bonding and planning upon the operators creates a useless economic burden that does nothing to protect the environment.

From an economic perspective, passage of CS HB 334 will allow Independents to develop and produce reserves that may not be evaluated as economically viable by the Majors. Similarly, development of coalbed methane for Bush villages would become more economically feasible with passage of CS HB 334. This resource could provide village residents with an inexpensive and clean fuel for heat and electricity. Furthermore, the environmental risks associated with transporting fuel oil in the bush could be reduced through development of this local environmentally friendly resource.

There are many reasons why there are 8000 Independents doing business in the Lower-48 and only a couple of Independents (Stewart Petroleum & CIRI) producing in Alaska. One of these reasons is the onerous oil spill bonding requirement on natural gas exploration projects. Passage of CS HB 334 could help remove a major hurdle standing

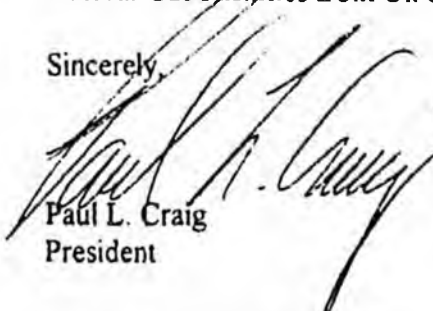
2900 BONFACER PARKWAY, #610  
ANCHORAGE, ALASKA 99504-3132

TELEPHONE: 907-563-5686  
FAX: 907-562-7489

in the way of development of Alaskan owned and operated Independent oil and gas exploration and production companies.

Thank you for your support of Committee Substitute for HB 334 entitled, "Exempt Natural Gas Facilities from Oil Spill Bond and Plans."

Sincerely,



Paul L. Craig  
President

cc: Representative Joe Green  
Representative Bill Williams



## E. A. OPSTAD & ASSOCIATES

Geoscience • Engineering • Project Management  
3500 Taiga Drive (99516)  
P.O. Box 190754  
Anchorage, Alaska 99519-0754

Telephone/Fax : (907) 345-6346

Senator Loren Lemam  
State Capitol  
Juneau, Alaska 99801

April 9, 1995

**Subject:** Amendment to AS 46.04.050

APR 13 1995

Dear Senator Lemam:

This letter lends my support to efforts being made by Z-Energy and Lapp Resources to amend AS 46.04.050 by eliminating current bonding and oil spill contingency plan requirements for gas wells in the State of Alaska.

As currently enacted AS 46.04.050 requires a One Million dollar bond and *exhaustive* contingency planning to cover *crude oil* spill response procedures....for *gas wells*? Never mind that gas pipelines, gas processing facilities, gas export terminals, and all other related portions of the State's natural gas system have been appropriately exempted from these same bonding and spill contingency planning requirements! Not only is this regulatory framework illogical, it provides absolutely no incremental protection for the environment. When was the last time a crew was mobilized to environmentally remediate crude oil contamination resulting from a gas leak or incident? What current regulations do very well is erect tremendous financial hurdles for villages and small energy companies who wish to develop local natural gas resources for the benefit of their citizenry and owners.

I suspect that the current regulatory situation is a consequence of legislative oversight, or of being generally uninformed relative to the risks associated with natural gas resource exploration and development operations, rather than purposeful intent, but in any event, the current regulatory implementation has effectively stymied the emergence of an independent gas industry in Alaska.

As a licensed Professional Geologist speaking with 18 years of experience in the State I can tell you that Alaska imposes the most restrictive environment for gas operators among all 50 states. This burden is so great that most independent operators don't even bother to consider Alaska as a potential operations area. When enormous bonding and contingency planning requirements are coupled with the State's restrictive land leasing policy (no over-the-counter sales of exempt acreage) and high operating costs, most oil and gas companies simply elect to invest their time and money elsewhere. By way of an example, my company and its partners drilled 6 wells during 1994 in California with a total budget of approximately \$3.5MM (including pipeline and facility construction). This activity (funded largely with Alaska based money) created nearly 50 temporary California jobs associated with exploration drilling activities, and roughly a half a dozen new long term production jobs. The benefits of this work and associated tax revenues are being realized by California, not Alaska, because as Alaskans we find the regulatory environment in our own state too hostile for a small scale operations.

With its inherently high operating costs and remote location, Alaska may never become a major play for independent operators, but by removing some of the barriers that now exist we may at least unlock the door. Alaska needs a viable independent oil and gas industry to undertake projects which are too small to interest the large multinational companies that currently dominate Alaska's oil and gas scene. For example:


- Would any of the North Slope Operators consider a 2 or 3 well coal gas development program for heating and cooking fuel in one or more of the villages?
- Would any of the Cook Inlet Operators have developed the small West McAurther River Unit discovered by Stewart Petroleum?
- Have the major companies either dropped leases on "uneconomic" fields or farm-out the acreage, so that they could be developed immediately by independent operators?
- Have any of the majors helped private property owners in the Cook Inlet realize the oil and gas potential of their property (excluding the big CIRI - UTP deal)?

The answer to all of these questions, with a very few exceptions, is of course, NO! Only with the emergence of a viable independent oil and gas industry will small Alaskan communities and private individuals be afforded the opportunity to develop their own energy resources. Only with the emergence of a viable independent oil and gas industry will the many small oil and gas pools throughout the State get developed in a timely fashion, and only a viable independent oil and gas industry can support Alaska when the majors move on to greener international pastures.

The road to developing a healthy independent oil and gas industry in Alaska will be long and arduous, because we have constructed so much of the State's regulatory framework around "big oil" situations. However, we can begin to correct this situation simply by eliminating the oil spill bonding and contingency planning requirements for exploration and development gas wells. This minor adjustment to current statute will open the door to energy independence for many villages and individuals throughout the State, and perhaps, lay the first course of block in the foundation of a new Alaskan industry.

Thank you for taking an interest in this issue, and please feel free to call on me for any support or assistance you might need relative to oil and gas matters.

Respectfully yours,



Erik A. Opstad, BS, MS, PG  
President

EAO:lm

*Proposed changes to H.B. 334 by AOGCC*

\*Section 1. AS 31.05.030 is amended by adding a new subsection to read:

**MAY 05 1995**

(1) When requested by a person proposing to explore for gas by means of drilling a well, the commission may evaluate the likelihood that the well will penetrate a formation containing oil. If the commission concludes with reasonable certainty that the well will not penetrate a formation containing oil, the commission shall so certify.

\*Sec. 3. AS 46.04.030 is amended by adding a new subsection to read:

(s) If a well certified by the Alaska Oil and Gas Conservation Commission under AS 31.05.030(i) penetrates a formation containing oil, the operator of the exploration facility shall

item (1) notify the Alaska Oil & Gas Conservation Commission & all other appropriate state agencies  
item (2) as written

~~\* Sec. 5. AS 46.04.040 is amended by adding a new subsection to read:~~

~~(n) if a well certified by the Alaska Oil and Gas Conservation Commission under AS 31.05.030(i) penetrates a formation containing oil, the operator of the exploration facility shall cease all activity until the requirements of (b) of this section are met.~~

Sec. 5 AS 46.04.040 is amended by adding a new subsection to read:

(n) if a well certified by the Alaska Oil & Gas Conservation Commission under AS 31.05.030(i) penetrates a formation containing oil, the operator of the exploration facility shall cease ~~all~~ <sup>exploration</sup> activity until the requirements of (b) of this section are met.

PH. 5 55 PM 5-23      INTERSTATE LTD      TRA NO. 3072581201      P. 03

\* Sec. 6. AS 46.04.050 is amended by adding a new section to read:

(c) Except as provided in AS 46.04.030(s) and 46.04.040(n), AS 46.04.030(b) and 46.04.040(b) do not apply to operation of an exploration facility to the extent that it is used to drill a well certified by the Alaska Oil and Gas Conservation Commission under AS 31.05.030(i).

**STATE OF ALASKA**  
**DEPARTMENT OF LAW**  
**OFFICE OF THE ATTORNEY GENERAL**  
**ENVIRONMENTAL SECTION**  
 1031 W. 4th Avenue, Suite 200  
 Anchorage, AK 99501  
 907/269-5100

Our Fax Number: (907) 278-7022

**FAX TRANSMITTAL LETTER**

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PLEASE DELIVER THE FOLLOWING PAGES TO:

Jack Phelps  
House ~~Resources~~ Committee  
Resources

FAX NO: 465 3795

Total Number of Pages including this cover sheet: 5

Here is the language. Rob Mintz and I  
have worked out with AOGCC and DEC  
for HB 334. Sections 2 & 4 are not  
necessary but we included revisions to  
confirm the correct language.

DATE: 5/5/95 TIME: 4:30pm

FROM: Breck Tostevin, Assistant Attorney General - Anchorage

IF YOU DO NOT RECEIVE ALL THE PAGES, PLEASE CALL:

Vicki O'Brien, Mary Simeonoff or Lory Hahn at (907) 269-5274.

# HB 334 Draft

\* Sec. 1. AS 31.05.030 is amended by adding a new subsection to read:

(1) When requested by a person proposing to explore for gas by means of drilling a well, the commission may evaluate the likelihood that the well will penetrate a formation containing oil. If the commission concludes with reasonable certainty that the well will not penetrate a formation containing oil, the commission shall so certify.

\* Sec. 2. [Delete. But if required, use revised section 2 attached.]

\* Sec. 3. AS 46.04.030 is amended by adding a new subsection to read:

(s) If a well certified by the Alaska Oil and Gas Conservation Commission under AS 31.05.030(i) penetrates a formation containing oil, the operator of the facility

(1) shall notify the department, the Alaska Oil and Gas Conservation Commission, and all other appropriate state agencies; and

(2) may not conduct exploration activity except

(A) in compliance with an oil discharge prevention and contingency plan for the facility approved by the department; or

(B) in compliance with an oil discharge prevention and contingency plan for the facility

submitted to the department, pending the department's decision on plan approval.

\* Sec. 4. [Delete. But if required, use revised section 4 attached.]

\* Sec. 5. AS 46.04.040 is amended by adding a new subsection to read:

(n) If a well certified by the Alaska Oil and Gas Conservation Commission under AS 31.05.030(i) penetrates a formation containing oil, the operator of the facility may not conduct exploration activity until the requirements of (b) of this section are met.

\* Sec. 6. AS 46.04.050 is amended by adding a new subsection to read:

(c) Except as provided in AS 46.04.030(a) and 46.04.030(n), the provisions of 46.04.030(b) and 46.04.040(b) do not apply to the operation of an exploration facility to the extent that it is used to explore for gas by means of drilling a well that has been certified by the Alaska Oil and Gas Conservation Commission under AS 31.05.030(i).

\* Sec. 7. This Act takes effect immediately under AS 01.10.070(c).

Sec. 2. AS 46.04.030(b) is amended to read:

(b) A person may not cause or permit the operation of a pipeline or [AN EXPLORATION OR] production facility in the state or, except as provided in AS 46.04.050(c), may not cause or permit the operation of an exploration facility in the state unless an oil discharge prevention and contingency plan for the pipeline or facility has been approved by the department and the person is in compliance with the plan.

Sec. 4. AS 46.04.040(b) is amended to read:

(b) A person may not cause or permit the operation of a pipeline or [AN EXPLORATION OR] production facility in the state or, except as provided in AS 46.04.050(c), may not cause or permit the operation of an exploration facility in the state unless the person has submitted to the Department, and the department has approved, proof of financial ability to respond in damages. Proof of financial responsibility required for

(1) a pipeline or an offshore exploration or production facility is \$50,000,000 per incident;

(2) an onshore production facility is

(A) \$20,000,000 per incident if the facility produces over 10,000 barrels per day of oil;

(B) \$10,000,000 per incident if the facility produces over 5,000 barrels per day but not more than 10,000 barrels per day of oil;

(C) \$5,000,000 per incident if the facility

produces over 2,500 barrels per day but not more than 5,000 barrels per day of oil;

(D) \$1,000,000 per incident if the facility produces 2,500 barrels per day or less of oil;

(3) an onshore exploration facility is \$1,000,000.

4

**Memorandum State of Alaska**  
**Oil and Gas Conservation Commission**

To: Jack Phelps  
c/o Rep. Rokeburg

Date: May 4, 1995

Telephone: 279-1433  
Fax number: 276-7542

From: David W. Johnston  
Chairman

Subject: HB 334

The Commission proposes the following changes in HB334.

In Section 1, we propose the following language:

"(i) When requested by a person proposing to explore for gas by means of drilling a well, the commission may ~~determine~~ the likelihood that the drilling activity will ~~penetrate~~ a formation containing oil. If the Commission concludes with reasonable certainty that the drilling activity will not penetrate a formation containing oil, the commission shall so certify as to the natural gas exploration facility used in that drilling. For purposes of this subsection, the term natural gas exploration facility has the same meaning as in AS 46.04.900." [Note—Need a definition for natural gas exploration facility in AS 46.04.900 (i.e., natural gas exploration facility shall mean an exploration facility used only for natural gas exploration.)]

In Section 3, we recommend deleting the phrase after AS 31.05.030(i). The section should read:

"If the operator of a natural gas exploration facility, for which the Alaska Oil and Gas Conservation Commission has certified under AS 31.05.030(i), encounters ~~an~~ oil, the operator shall...."

We then recommend changing item (1) to read:

"notify the Alaska Oil and Gas Conservation Commission and all other appropriate state agencies."

In Section 5, we recommend the following language:

"If the operator of a natural gas exploration facility for which the Alaska Oil and Gas Conservation Commission certifies under AS 31.05.030(i) encounters oil, the operator must cease all activity until the bonding requirements of (b) of this section are met."

The commission lacks expertise for determining the appropriate bonding amounts to assure surface clean up spilled oil. The commission would likely need to add staff to accomplish this task.

Finally, in section 6, we recommend ending the subsection after AS 31.05.030(i).

**HB**

**335**

CS FOR HOUSE BILL NO. 335(RES)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
NINETEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE RESOURCES COMMITTEE

Offered:  
Referred:

Sponsor(s): REPRESENTATIVE OGAN

A BILL

FOR AN ACT ENTITLED

1 "An Act extending the termination date of the Big Game Commercial Services  
2 Board to June 30, 1999; eliminating the requirement for a commercial use permit  
3 and for payment of commercial use permit fees; amending the membership of the  
4 Big Game Commercial Services Board; relating to the qualifications for an  
5 assistant guide-outfitter license; eliminating the requirement for testing of assistant  
6 guide-outfitters; providing for additional licensing requirements for transporters;  
7 eliminating the requirement for prior approval to enter or remain on state and  
8 federal land; eliminating the requirement to register base camps; amending the  
9 definition of 'big game commercial services'; and providing for an effective date."

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

11 \* Section 1. AS 08.03.010(c)(5) is amended to read:

12 (5) Big Game Commercial Services Board (AS 08.54.300) - June 30,

1           1999 [1994];

2       \* Sec. 2. AS 08.54.300(b) is amended to read:

3           (b) The board consists of nine members:

4                   (1) two members who are licensed guide-outfitters;

5                   (2) two members who are licensed transporters, one of whom must be  
6 engaged in the business of providing air transportation services;

7                   (3) [ONE MEMBER WHO HOLDS A COMMERCIAL USE PERMIT,  
8 BUT DOES NOT HOLD ANY CLASS OF GUIDE-OUTFITTER LICENSE OR A  
9 TRANSPORTER LICENSE;

10                   (4)] one member of the Board of Game who is chosen by the Board  
11 of Game [AND WHO DOES NOT HOLD A COMMERCIAL USE PERMIT];

12                   (4) [(5)] one member who represents Native landholders; and

13                   (5) three [(6) TWO] public members.

14       \* Sec. 3. AS 08.54.310(a) is amended to read:

15           (a) The board shall

16                   (1) prepare, grade, and administer

17                           (A) a written and oral examination of an applicant for a guide-  
18 outfitter license that requires demonstration that the applicant is qualified  
19 generally to provide guide-outfitted hunts and, in particular, to guide-outfit in  
20 each game management unit the applicant has selected; if an applicant  
21 demonstrates limited ability to read or write the English language, the entire  
22 examination shall be administered orally; and

23                           (B) an oral examination of a guide-outfitter who seeks an  
24 amendment of a game management unit certification; the examination must  
25 require demonstration that the guide-outfitter is qualified to provide guide-  
26 outfitted hunts in each new game management unit for which the guide-outfitter  
27 seeks to be certified;

28                   (2) determine qualifications of applicants for class-A assistant guide-  
29 outfitter and [,] marine mammal guide-outfitter [, AND ASSISTANT GUIDE-  
30 OUTFITTER] licenses and authorize the issuance of licenses to those who qualify;

31                   (3) establish performance standards for providers of big game

1 commercial services and regulate the activities of these providers;

2 (4) compile, maintain, and publish an annual register of big game  
3 commercial service providers subject to this chapter who have not been convicted of  
4 a violation of a state or federal statute or regulation relating to the provision of big  
5 game commercial services; a big game commercial services provider listed in the  
6 register whose license [OR PERMIT] is revoked or suspended shall be removed from  
7 the register while the provider's license [OR PERMIT] is revoked or suspended;

8 (5) prohibit guide-outfitting and [,] transporting [, AND OTHER BIG  
9 GAME COMMERCIAL SERVICES] activities that are unsportsmanlike, unethical,  
10 unsafe, against principles of game conservation, degrading to a profession subject to  
11 this chapter, or that adversely affect natural resources;

12 (6) after a hearing, revoke, suspend, or deny renewal of a license [OR  
13 PERMIT] under AS 08.54.500 - 08.54.510;

14 (7) authorize issuance of transporter licenses;

15 (8) [AUTHORIZE ISSUANCE OF COMMERCIAL USE PERMITS;

16 (9)] meet at least twice annually, once in Anchorage and once in  
17 another municipality;

18 (9) [(10) PROVIDE FOR REGISTRATION OF BASE CAMPS AND  
19 FACILITIES USED BY PERSONS WHO ARE LICENSED OR WHO HOLD A  
20 PERMIT UNDER THIS CHAPTER;

21 (11)] require an applicant for issuance or renewal of any class of guide-  
22 outfitter license to state in a written and signed document whether the applicant's right  
23 to obtain, or exercise the privileges granted by, a sport fishing, hunting, trapping, or  
24 guide-outfitting license is revoked or suspended in another state.

25 \* Sec. 4. AS 08.54.350(a) is amended to read:

26 (a) A natural person is entitled to a guide-outfitter license if the person

27 (1) is 21 years of age or older;

28 (2) has practical field experience in the handling of firearms, hunting,  
29 judging trophies, field preparation of meat and trophies, first aid, photography, and  
30 related guide-outfitting activities;

31 (3) is familiar with the terrain and transportation problems in the game

1 management unit for which the license is requested;

2 (4) has passed the qualification examinations prepared and administered  
3 by the board;

4 (5) has demonstrated to the board sufficient standards of competence  
5 and ethical conduct and has not been convicted of a state or federal hunting or guide-  
6 outfitting statute or regulation within the last five years for which the person was fined  
7 more than \$500 or imprisoned for more than five days;

8 (6) has legally hunted in the state for part of each of any five years in  
9 a manner directly contributing to the person's experience and competency as a guide-  
10 outfitter;

11 (7) has been licensed as and performed the services of a class-A  
12 assistant guide-outfitter or assistant guide-outfitter in the state for a part of each of  
13 three years, or has guide-outfitted in the state for a part of each of three years under  
14 a marine mammal guide-outfitter license issued under AS 08.54.360;

15 (8) has demonstrated a current knowledge of fishing, hunting, and  
16 guide-outfitting regulations;

17 (9) is capable of performing the essential duties associated with guide-  
18 outfitting;

19 (10) has been favorably recommended in writing by eight big game  
20 hunters, at least two for each year of the person's most recent three years as a class-A  
21 assistant guide-outfitter or assistant guide-outfitter, when the person has guide-outfitted  
22 or assisted in guide-outfitting as a class-A assistant guide-outfitter or assistant guide-  
23 outfitter, whose recommendations have been solicited by the board from a list provided  
24 by the applicant;

25 (11) possesses a business license to provide guide-outfitting services;  
26 and

27 (12) has paid the license fee [AND COMMERCIAL USE PERMIT  
28 FEE].

29 \* Sec. 5. AS 08.54.360(a) is amended to read:

30 (a) The board may issue a marine mammal guide-outfitter license to a natural  
31 person who applies to guide-outfit a hunt for a specific species of marine mammal in

1 a specifically designated area if the person

2 (1) is 21 years of age or older;

3 (2) has, for at least 10 years, resided and hunted in the area of the state  
4 in which the applicant is to guide-outfit;

5 (3) is able to perform the duties of a marine mammal guide-outfitter;

6 (4) has demonstrated knowledge of the following areas to an extent and  
7 degree satisfactory to the board:

8 (A) current fish and game laws and regulations;

9 (B) relevant characteristics of the specific species to be hunted;

10 (C) field preparation of trophies;

11 (D) care of game meat;

12 (E) use of guide-outfitting gear;

13 (F) firearm safety;

14 (G) practical first aid; and

15 (H) booking and contracting hunts;

16 (5) has not been convicted of violating a state or federal game or guide-  
17 outfitting statute or regulation during the previous five years for which the person was  
18 fined more than \$500 or imprisoned for more than five days;

19 (6) possesses a business license to provide guide-outfitting services; and

20 (7) has paid the license fee [AND COMMERCIAL USE PERMIT  
21 FEE].

22 \* Sec. 6. AS 08.54.370(a) is amended to read:

23 (a) An applicant for renewal of a guide-outfitter license or a marine mammal  
24 guide-outfitter license shall submit with the application for renewal

25 (1) the hunt record required under AS 08.54.550 for the period covered  
26 by the current license; and

27 (2) the license fee for the next licensing period [; AND

28 (3) THE COMMERCIAL USE PERMIT FEE FOR THE NEXT  
29 LICENSING PERIOD].

30 \* Sec. 7. AS 08.54.390(a) is amended to read:

31 (a) The department shall issue [A NATURAL PERSON IS ENTITLED TO]

1 an assistant guide-outfitter license to a natural [IF THE] person who

2 (1) is 18 years of age or older;

3 (2) provides a copy of a written recommendation from a guide-  
4 outfitter or master guide-outfitter [PASSES AN EXAMINATION ADMINISTERED  
5 BY THE BOARD];

6 (3) has hunted in the state in two of the last five years;

7 (4) has demonstrated practical knowledge of first aid and  
8 cardiopulmonary resuscitation; and

9 (5) is in sound physical condition; and

10 (6) has not been convicted of a violation of a state or federal  
11 hunting or guide-outfitting statute or regulation within the last five years for  
12 which the person was fined more than \$500 or imprisoned for more than five  
13 days [MEETS ADDITIONAL QUALIFICATIONS THAT THE BOARD MAY  
14 ESTABLISH].

15 \* Sec. 8. AS 08.54.400(a) is amended to read:

16 (a) A person is entitled to a transporter license if the person

17 (1) applies on a form provided by the department;

18 (2) pays the license fee;

19 (3) has not been convicted of a violation of a state or federal  
20 hunting or guide-outfitting statute or regulation within the last five years for  
21 which the person was fined more than \$500 or imprisoned for more than five  
22 days [PAYS THE COMMERCIAL USE PERMIT FEE];

23 (4) provides proof of

24 (A) an air taxi/commercial operator certificate issued by the  
25 Federal Aviation Administration under 14 C.F.R. Part 135, if the person  
26 provides air transportation services to big game hunters;

27 (B) licensure by the Coast Guard to carry passengers for hire,  
28 if the person provides water transportation services to big game hunters and if  
29 licensure is required by the Coast Guard; and

30 (5) has a business license to transport big game hunters.

31 \* Sec. 9. AS 08.54.400(b) is amended to read:

1 (b) A transporter may provide transportation services for compensation to big  
2 game hunters and accommodations in the field at a permanent lodge, house, or cabin  
3 owned by the transporter or on a boat with permanent living quarters located on salt  
4 water. [A TRANSPORTER MAY ALSO PROVIDE, UNDER AUTHORITY OF A  
5 COMMERCIAL USE PERMIT, OTHER BIG GAME COMMERCIAL SERVICES  
6 AS DEFINED UNDER AS 08.54.460.] A transporter may not provide big game  
7 commercial hunting services without holding the appropriate license.

8 \* **Sec. 10.** AS 08.54.505 is amended to read:

9 Sec. 08.54.505. DISCIPLINE OF TRANSPORTERS [AND COMMERCIAL  
10 USE PERMITTEES]. (a) The board may hold a hearing to determine whether  
11 disciplinary action is necessary if a written complaint concerning the big game  
12 commercial service activities of a transporter who is licensed under AS 08.54.400 [OR  
13 A COMMERCIAL USE PERMITTEE WHO HOLDS A PERMIT ISSUED UNDER  
14 AS 08.54.460] is filed with the board. The board shall hold a hearing to determine  
15 whether a licensee [OR PERMITTEE] should be disciplined within a reasonable time  
16 after

17 (1) written complaints concerning a licensee's [OR PERMITTEE'S]  
18 activities are filed with the board within a two-year period by three or more of the  
19 licensee's [OR PERMITTEE'S] clients from separate hunting parties; or

20 (2) a licensee [OR PERMITTEE] has been convicted of a violation of  
21 a federal or state statute or regulation relating to hunting or provision of big game  
22 commercial services.

23 (b) After a hearing, the board may revoke, suspend, or deny renewal of a  
24 transporter license [OR COMMERCIAL USE PERMIT] issued under this chapter, if  
25 the board finds that the licensee [OR PERMITTEE]

26 (1) engaged in unethical activity, unsafe activity, or activity that  
27 adversely affects the natural resources of the state when the activity is related to the  
28 purposes of providing big game commercial services, however the board may not  
29 discipline a licensee [OR PERMITTEE] under this paragraph for unsafe operation of  
30 an aircraft; or

31 (2) violated a provision of a federal or state statute or regulation

1 relating to hunting or provision of big game commercial services.

2 (c) The board may not revoke, suspend, or deny renewal of a transporter  
3 license [OR COMMERCIAL USE PERMIT] for a violation of a federal or state statute  
4 or regulation relating to game or provision of big game commercial services committed  
5 by an employee of the licensee [OR PERMITTEE] unless the licensee [OR  
6 PERMITTEE] participated or aided in the violation.

7 (d) After a hearing, the board shall revoke a license [OR PERMIT] if the  
8 board finds that the licensee [OR PERMITTEE]

9 (1) does not meet the qualifications specified by statute or regulation  
10 for the license held; or

11 (2) during the five years immediately preceding the hearing has been  
12 convicted of a violation of a federal or state statute or regulation prohibiting

13 (A) waste of a wild food animal;

14 (B) hunting on the same day airborne;

15 (C) hunting during a closed hunting season; or

16 (D) hunting in an area closed by state or federal regulation.

17 (e) If a certified copy of a judgment of conviction of a licensee [OR  
18 PERMITTEE] for an offense described under (d)(2) of this section is filed with the  
19 board, the board shall immediately suspend the licensee's [OR PERMITTEE'S] license  
20 [OR PERMIT]. The suspension may be ordered even if the conviction resulted from  
21 a pleas of nolo contendere or if the conviction is under appeal. The suspension  
22 remains in effect until after the final disposition of the disciplinary proceeding under  
23 this section.

24 \* Sec. 11. AS 08.54.510(a) is amended to read:

25 (a) A person who is disciplined under AS 08.54.500 or 08.54.505 may not  
26 engage in the provision of big game commercial services during the period of license  
27 [OR PERMIT] revocation or other disciplinary action. A person who is licensed under  
28 this chapter [, OR WHO HOLDS A PERMIT ISSUED UNDER THIS CHAPTER,]  
29 may not hire a person whose license [OR PERMIT] to provide big game commercial  
30 services is suspended or revoked under AS 08.54.500 or 08.54.505. A person whose  
31 license [OR PERMIT] is suspended or revoked may not be employed by a person who

1 is licensed [OR WHO HOLDS A PERMIT] under this chapter.

2 \* Sec. 12. AS 08.54.510(b) is amended to read:

3 (b) If the board revokes a license [OR PERMIT] under AS 08.54.500 or  
4 08.54.505, the person whose license [OR PERMIT] has been revoked shall surrender  
5 immediately the license [OR PERMIT] to the department.

6 \* Sec. 13. AS 08.54.510(c) is amended to read:

7 (c) A certified copy of a judgment of conviction of a licensee [OR  
8 PERMITTEE] for an offense is conclusive evidence of the commission of that offense  
9 in a disciplinary proceeding instituted against the licensee [OR PERMITTEE] under  
10 AS 08.54.500 or 08.54.505 based on that conviction, regardless of whether the  
11 conviction resulted from a plea of nolo contendere or the conviction is under appeal,  
12 unless the conviction is overturned on appeal.

13 \* Sec. 14. AS 08.54.520(a) is amended to read:

14 (a) It is unlawful for a

15 (1) person who is licensed [OR WHO HOLDS A COMMERCIAL USE  
16 PERMIT] under this chapter to knowingly fail to timely report to the Department of  
17 Public Safety, division of fish and wildlife protection, and in no event later than 30  
18 days, a violation of a state fish, game, or big game commercial services statute or  
19 regulation that the person reasonably believes was committed by a client or an  
20 employee of the person;

21 (2) person who is licensed [OR WHO HOLDS A COMMERCIAL USE  
22 PERMIT] under this chapter to knowingly

23 (A) commit or aid the commission of a violation of this chapter,  
24 a regulation adopted under this chapter, or a state fish or game statute or  
25 regulation; or

26 (B) permit the commission of a violation of this chapter, a  
27 regulation adopted under this chapter, or a state fish or game statute or  
28 regulation that the person knows or reasonably believes is being or will be  
29 committed without

30 (i) attempting to prevent it, short of using force; and

31 (ii) reporting it;

1 (3) [PERSON WITHOUT A CURRENT COMMERCIAL USE  
2 PERMIT ISSUED UNDER THIS CHAPTER TO KNOWINGLY PROVIDE BIG  
3 GAME COMMERCIAL SERVICES;

4 (4) person who is licensed [OR WHO HOLDS A COMMERCIAL  
5 USE PERMIT ISSUED] under this chapter to intentionally obstruct or hinder or  
6 attempt to obstruct or hinder lawful hunting engaged in by a person who is not a client  
7 of the person;

8 (4) [(5)] class-A assistant guide-outfitter or an assistant guide-outfitter  
9 to knowingly guide-outfit a hunt except while employed and supervised by a guide-  
10 outfitter;

11 (5) [(6)] person who holds any class of guide-outfitter license to  
12 knowingly enter or remain on [STATE, FEDERAL, OR] private land without prior  
13 authorization during the course of providing guide-outfitting services;

14 (6) [(7)] person to knowingly guide-outfit without having a current  
15 guide-outfitter, marine mammal guide-outfitter, class-A assistant guide-outfitter, or  
16 assistant guide-outfitter license and hunting license in actual possession;

17 (7) [(8)] person without a current guide-outfitter or marine mammal  
18 guide-outfitter license to knowingly advertise as or represent to be a guide-outfitter;

19 (8) [(9)] person to knowingly provide transportation services to big  
20 game hunters without holding a transporter license;

21 (9) [(10)] class-A assistant guide-outfitter or an assistant guide-outfitter  
22 to knowingly contract for a hunt; or

23 (10) [(11)] person to knowingly engage in a big game commercial  
24 services activity during the period for which the person's license to conduct that  
25 activity is suspended or revoked.

26 \* Sec. 15. AS 08.54.590(4) is amended to read:

27 (4) "big game commercial service" means a service for which the  
28 provider of the service must obtain a license issued under this chapter  
29 [COMMERCIAL USE PERMIT];

30 \* Sec. 16. AS 16.05.407(f) is amended to read:

31 (f) An applicant for a nonresident hunt permit for the taking of an animal