

**ALASKA LEGISLATURE COMMITTEE FILES 1995-1996 8672**

**8950 SENATE RESOURCES**

CONFIRM.

J. DAVID

NORTON

AK O&G

CONSERV.

COMMIS.



OFFICIAL BUSINESS

Alaska State Legislature  
Senate  
Office of the Secretary

STATE CAPITOL  
JUNEAU, ALASKA 99801-1182  
(907) 465-3701  
FAX 465-2832

January 30, 1996

MEMORANDUM

TO: Senator Leman, Chair  
Resources Committee

FROM: Nancy Quinto *NQ*  
Secretary of the Senate

SUBJECT: Governor's Confirmations

Pursuant to AS 39.05.080, President Pearce has referred the following name for legislative confirmation to your committee for a hearing, recommendation and report:

Alaska Oil and Gas Conservation Commission  
J. David Norton, P.E. - Anchorage  
Appointed: 11/20/95; Expires: 12/31/00

NQ/vw

Resume attached

# GOVERNOR APPOINTS ENGINEER TO ALASKA OIL & GAS CONSERVATION COMMISSION

Governor Tony Knowles today appointed David Norton of Anchorage as the third member of the Alaska Oil & Gas Conservation Commission. "David Norton brings 20 years of Alaska engineering experience to this commission and I welcome his expertise and enthusiasm," Knowles said.

The commission regulates everything from development and production of oil and gas drilling to recovery of hydrocarbon resources. The governor selects the commissioners who serve for six years.

"The North Slope has produced more than 10 billion barrels of oil and additional barrels are becoming more difficult to extract," Norton said. "With gas sales on the horizon, the commission's work will become more complex. I'm excited and honored to be selected to serve and I look forward to the challenge of guiding the efficient use of the state's oil and gas."

Norton is currently Haskell Corporation's project manager for a \$20 million fueling facility for a group of airlines at the Anchorage International Airport. Norton has previously worked for Alyeska Pipeline Service Company as manager of engineering and a project manager. During his 15 years of work with Alyeska, Norton supervised pipeline integrity monitoring and managed expansion of the Valdez Terminal ballast water treatment plant. Norton served as Anchorage's municipal engineer in the mid 1980s.

Norton has a degree in civil engineering from Rice University, is a registered professional engineer in Alaska, a member of the American Society of Civil Engineers and the National Association of Corrosion Engineers. Norton has served on the state's Water Resources Board for the last four years.

Norton replaces Russell Douglass whose term expired at the end of 1994. Norton begins work November 20, 1995 and will earn approximately \$78,000 annually.

Return to the October listing of Press Releases.

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Posted by: R. Welton, 10/17/95, Alaska State Library

**STATE OF ALASKA  
ALASKA OIL AND GAS CONSERVATION COMMISSION**

**Commissioners: David W. Johnston, J. David Norton, P.E., Tuckerman Babcock**

**History**

The Alaska Oil and Gas Conservation Act (1955) created the Alaska Oil and Gas Conservation Commission. The Commission was composed of the Governor of the Territory of Alaska, the Territorial Commissioner of Mines, and the Territorial Highway Engineer. Rules and regulations governing Commission activities became effective on October 1, 1958.

Under the State Organization Act of 1959, the Oil and Gas Conservation Commission was abolished, its function and authority transferred to the Department of Natural Resources, Division of Mines and Minerals. A group within the department was designated to hold hearings and issue decisions on oil and gas matters. This group was the Alaska Oil and Gas Conservation Committee which consisted of the Director of the Division of Mines and Minerals (Chairman), the State Petroleum Geologist, the State Petroleum Engineer, and the Deputy Commissioner of the Department of Natural Resources.

In 1968 the Division of Oil and Gas was created within the Department of Natural Resources. The new division arose from the Petroleum Branch of the Division of Mines and Minerals. The Alaska Oil and Gas Conservation Committee was placed within the new division, and consisted of the Director, Chief Petroleum Geologist and Chief Petroleum Engineer. In 1978 the word "conservation" was added to the division's title, and it became the Division of Oil and Gas Conservation.

With the advent of production from Prudhoe Bay in 1977, the Legislature became concerned that there was the appearance of a conflict of interest with the Department of Natural Resources, an owner of oil and gas rights, also acting as the regulator of other owners of oil and gas rights. To obviate its concern, the Legislature amended AS 31.05 by Chapter 158, SLA 1978 to restore the Commission, effective January 1, 1979, as an independent quasi-judicial agency within the executive branch of the state. Initially, the new Commission was housed within the Department of Natural Resources, but in 1980 it was transferred to the Department of Commerce and Economic Development. More recently, Governor Hickel transferred the Commission to the Department of Administration on February 17, 1994.

The Commission continues to function as the regulatory agency overseeing the underground operation of the Alaska oil industry on private and public lands and waters. Its responsibilities include regulating drilling and production of oil and gas to ensure that physical waste does not occur, protecting the correlative rights of mineral interest owners, ensuring maximum ultimate resource recovery and managing the Class II Underground Injection Control (UIC) program for oil and gas wells in Alaska as authorized by the U. S. Environmental Protection Agency on June 19, 1986.

The Commission compiles and maintains a data bank of drilling, production and reservoir statistics, including information on oil production, associated gas production, non-associated gas production, and injection volumes on an individual well, pool and field basis. Other data includes drilling permits, well histories, well logs, and public hearings testimony. The Commission also monitors oil and gas reservoir depletion in Alaska. A reservoir surveillance system allows the Commission to provide other state agencies with detailed reservoir information, including production decline estimates.

An inspection arm of the Commission oversees drilling rig blowout prevention equipment tests and other safety requirements of oil and gas exploration and production.

STATE OF ALASKA  
ALASKA OIL AND GAS CONSERVATION COMMISSION

Overview of Statutory Responsibilities and Functions

The Alaska Oil and Gas Conservation Commission is an independent, quasi-judicial agency of the State of Alaska. It is established under the Alaska Oil and Gas Conservation Act, Title 31 of the Alaska Statutes; its regulatory authority is outlined in Title 20, Chapter 25 of the Administrative Code.

The Commission acts to prohibit the physical waste of crude oil and natural gas, ensure maximum ultimate resource recovery, and protect the correlative rights of persons owning oil and gas interest in lands subject to Alaska's police powers. It also administers the UIC program for oil and gas wells in Alaska, and oversees metering operations to determine the quality and quantity of oil and gas produced in the state. The Commission holds hearings and/or adjudicates decisions, which require the combined expertise of geology and reservoir and petroleum engineering.

Physical waste can occur at the surface from the failure of surface and subsurface equipment or below ground from inappropriate reservoir management practices. Surface waste is prevented by reviewing each drilling proposal to ensure proper well design (i.e., casing/tubing program, cement program, casing setting depth, etc.), well control equipment (i.e., mud system, diverter, blowout prevention equipment, etc.), hydrogen sulfide detection equipment, well logging program, production practices, plugging and abandonment procedures, and to check for shallow geohazards and over-pressure zones. The Commission's field inspection staff then verifies that operations are conducted in accordance with approved procedures and regulations.

Waste below ground has the potential for even greater impact to the state's economy since it directly determines the amount of oil and natural gas that will be recovered. It is prevented by ensuring proper reservoir management practices, and hinges on Commission decisions about well spacing, completion techniques, production rates, injection fluid type and rates, injection well pattern, gas/oil/water ratios, and pressure maintenance efforts. Findings and conclusions of the Commission are rendered in pooling rules and conservation orders.

Maximizing ultimate recovery is similar to preventing waste, but requires detailed understanding of the physical parameters of the reservoir (e.g., porosity, permeability, stratigraphy, faulting, reservoir pressure and drive mechanism), and its production performance over time (i.e., production decline curve analysis).

Correlative rights is the right of opportunity to produce an owner's just and equitable share of a reservoir, is generally accomplished by establishing drilling units and by unitized operations of pools and plans of development.

The UIC program requires the Commission to verify the mechanical integrity of injection wells, determine appropriate injection zones and overlying confining strata, determine the presence or absence of freshwater aquifers, ensure their protection, and prepare quarterly reports of both in-house and field monitoring for the U. S. Environmental Protection Agency.

The Commission's metering responsibilities require verification of the accuracy of crude oil sales meters used for royalty and severance tax determinations. In the field, Commission engineers and inspectors monitor water drawing and calibration of volumetric provers, and witness proving operations. Meter factor calculations and fluid volume calculation are verified to ensure that correct temperature and pressure factors were used.

In addition, the Commission also acts as Alaska's jurisdictional agency for the Natural Gas Policy Act as administered by the Federal Energy Regulatory Commission (FERC), and for qualifying enhanced recovery operations under the Windfall Profits Tax Act (1978) for the U. S. Treasury.

The Commission requires reports, data and material from operators ranging from drilling, testing and completion reports, production and injection volumes, well logs, cuttings, cores, maps, cross-sections, pressure and material balance reports, Gas/Oil Ratio reports, ownership and unitization agreements and development plans.

**Sec. 31.05.005. Alaska Oil and Gas Conservation Commission created.** (a) There is created as an independent quasi-judicial agency of the state the Alaska Oil and Gas Conservation Commission, composed of three commissioners appointed by the governor and confirmed by the legislature in joint session.

(b) The governor shall designate one member of the commission as chairman of the commission. This member shall serve as chairman for a term of four years, but may be appointed for successive terms. (§ 1 ch 158 SLA 1978)

**Sec. 31.05.007. Term of office; vacancy; removal.** (a) The term of office of each member is six years. The governor shall designate who among the initial appointees shall serve respectively for terms of two years, four years and six years. A commissioner, upon the expiration of a term, shall continue to hold office until a successor is appointed and qualified.

(b) A vacancy arising in the office of a commissioner shall be filled by appointment by the governor and confirmed by the legislature in joint session, and an appointee selected to fill a vacancy shall hold office for the balance of the full term for which the predecessor on the commission was appointed.

(c) A vacancy in the commission does not impair the authority of a quorum of commissioners to exercise all the powers and perform all the duties of the commission.

(d) The governor may remove a commissioner from office for cause including but not limited to incompetence, neglect of duty or misconduct in office. A commissioner, to be removed for cause, shall be given a copy of the charges and afforded an opportunity to be publicly heard in person or by counsel in the commissioner's own defense upon not less than 10 days' notice. If a commissioner is removed for cause, the governor shall file with the lieutenant governor a complete statement of all charges made against the commissioner and the governor's finding based on the charges, together with a complete record of the proceedings. (§ 1 ch 158 SLA 1978)

**Sec. 31.05.009. Qualifications of members.** Members shall be qualified as follows: one member shall be a licensed professional engineer with educational and professional background in the field of petroleum engineering; one member shall be a geologist with educational and professional background in the field of petroleum geology; one member need not be trained and experienced in the fields of petroleum engineering or petroleum geology. (§ 1 ch 158 SLA 1978)

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# Alaska State Legislature

## Senate Resources Committee

Official Business

State Capitol  
Juneau AK 99801

April 18, 1996

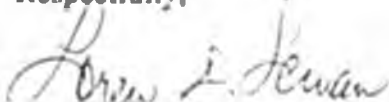
The Honorable Druc Pearce  
President of the Senate  
State Capitol  
Juneau, AK 99801-1182

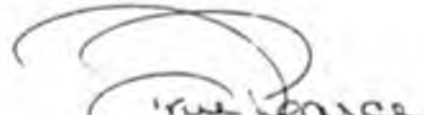
Dear Madam President:

The Senate Resources Committee reviewed the following with regard to confirmation of the Governor's appointment:

Alaska Oil and Gas Conservation Commission  
J. David Norton, P.E. - Anchorage  
Appointed 11/20/95; Expires: 12/31/00

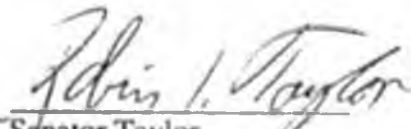
Respectfully,

  
\_\_\_\_\_  
Senator Leman, Chairman

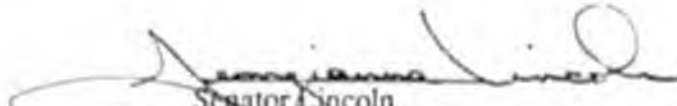
  
\_\_\_\_\_  
Senator Pearce

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Senator Halford

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Senator Frank

  
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Senator Taylor

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Senator Hoffman

  
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Senator Lincoln

April 17, 1996

## **Norton Confirmation Hearing Statement to Senate Resources Committee**

### **Introduction**

Mr. Chairman and members of the committee, my name is David Norton. Thank you for inviting me to address the committee. I am sorry I cannot be in Juneau today but the commission is holding hearings this week in Anchorage on Prudhoe Bay's plan of development. I appreciate the committee holding this hearing to consider me for the commissioner's seat.

To refresh the committee on the Alaska Oil and Gas Conservation Commission, I have attached a one-page overview of the commission's responsibilities and functions. I have also attached a one page review of the history of the AOGCC.

The commission's role is to ensure the efficient depletion of the State's hydrocarbon resources. This is accomplished in three ways: preventing waste of the resource, ensuring maximum ultimate recovery of the resource, and protecting correlative rights of adjacent owners of oil and gas properties. These three aspects of the AOGCC's mission are the basis of the term "conservation" as used in oil and gas regulation and are typical of the mission that all petroleum producing states provide through conservation agencies like the AOGCC.

### **Qualifications**

I would like to address my qualifications as commissioner. The commissioner's seat I stand for today is reserved for an Alaskan "licensed engineer with an educational and professional background in the field of petroleum engineering". I believe you have my resume and a letter to Rep. Joe Green submitting additional detail of my qualifications.

After graduation from Rice University, I moved to Alaska in 1974 to work on the trans-Alaska pipeline. For the past twenty-two years, the majority of my career has been associated with design, construction and operation of the pipeline, including facilities for gas handling, refining, and metering. I have significant experience in managing development of complex oil and gas facilities in Alaska. I have been a licensed professional engineer in the state of Alaska since 1984.

I believe a commissioner is best qualified by a range of experience in the oil and gas industry that allows a broad perspective while maintaining an understanding of the technical challenges associated with public policy. There is a difference between technical staff work and the judgment required of a commissioner. The professional staff at the commission includes two petroleum engineers and a petroleum geologist. As do most commissioners and legislators, I will use my technical staff as is appropriate.

I believe I have a unique industry perspective because of my Alyeska pipeline experience. At Alyeska, I was required to obtain financial and technical approvals of the major owners: Arco, BP, and Exxon. As a result, I have intimate knowledge of the companies' various cultures, biases, and procedures. I am the only current commissioner with direct industry experience.

I would like to provide a response to criticism that I do not have appropriate petroleum engineering background for this seat.

Petroleum engineering is such a broad category that no one could claim experience in all areas under the commission's purview. Petroleum engineering can be viewed as encompassing three broad areas. It covers reservoir characteristics and petrophysics. It covers drilling and recovery techniques. And it covers surface equipment, processes and delivery. My background is in the area of surface equipment, processes and delivery.

The statute does not specifically require a licensed petroleum engineer. If the intent of the statute was to reserve the seat for licensed petroleum engineers, then according to state records only a small pool of about twenty people would be qualified, some of whom may have conflicts because of their employment. I am a licensed civil engineer with significant background in the oil and gas industry in Alaska.

I believe I am a good fit with the current commissioners and staff. We are working well together and I would like to apprise you of some current initiatives that I believe we should and can accomplish at the commission.

## **Initiatives**

### **1. Regulation Revision**

We are in the process of completing the first comprehensive revision of our regulations since 1986. The focus is on streamlining technical and procedural requirements for drilling and reservoir management. AOGA is a key industry partner in this effort. We are deleting obsolete requirements and providing less prescriptive regulations to allow more latitude to regulate rapidly changing oilfield techniques. We are anticipating new requirements for abandoning offshore platforms in Cook Inlet. The first phase was completed this quarter and we hope to adopt the finished set this summer.

### **2. Alaska Energy Infobank**

The Infobank is an exciting joint industry and government initiative championed by Arco and BP that puts non-proprietary private and public petrotechnical data on a common shared database. The prize is significant cost savings in not maintaining duplicate sets of data. Since the AOGCC is the primary state archive of well and production data, there are opportunities and challenges for the commission to be more efficient at less cost. I am on the Infobank Steering Board, along with representatives of Arco, BP, Exxon, Unocal and DNR. For more information on the Infobank see the website at: <http://www.alaska.net/~infobank/index.html>

### **3. Budget Discipline**

The commission is committed to efficient use of state funds, including the Oil and Gas Conservation Tax, to monitor safe oilfield practices and to promote maximum recovery of the state's petroleum resources. To gain the efficiencies to live within our means, we are evaluating several options, including moving facilities to reduce cost and share infrastructure, sharing resources with other agencies, and upgrading technology to take advantage of opportunities to cut costs.

In closing, I would like to use an analogy I picked up at the annual petroleum industry Alliance meeting last January. Dick Olver, John Morgan's boss at BP, had flown in to give his assessment of the state of the industry in Alaska. He spoke about a metaphorical bridge between today and tomorrow by comparing it to a real bridge over the Gulkana River. The real bridge was a critical link in the completion of the trans-Alaska pipeline and required extraordinary innovation, teamwork and cooperation to complete on time.

Mr. Olver said that the girders of the metaphorical bridge will be marginal oil fields developed with new emerging technologies. This bridge will require the same extraordinary efforts used on the Gulkana bridge and will span today's gap between Prudhoe Bay and future opportunities such as ANWR and a gas pipeline.

I worked on that Gulkana bridge twenty years ago as a young engineer. Now, as a more seasoned bridge builder, I look forward to working on today's bridge to tomorrow. Thank you.



08/28/95

**J. DAVID NORTON, P.E.**  
1208 "S" Street  
Anchorage, AK 99501  
(907) 276-2530

**EXPERIENCE****1995-Present HASKELL CORPORATION, Bellingham, Washington****Project Manager:**

Managing construction of \$20 million fueling facility at Anchorage International Airport for a consortium of cargo airlines. Facility includes tank farm, pipelines, Pump Station/Filter System, and fire suppression and control systems.

**1988-1995 ALYESKA PIPELINE SERVICE COMPANY, Anchorage, Alaska****Manager of Engineering/Engineering Supervisor:**

Managed transition of 200-person technical staff to smaller, leaner organization that met reduced expectations of pipeline throughput. Supervised pipeline integrity monitoring and corrosion mitigation program that focused on "fit-for-service" life-cycle planning for pipeline maintenance and repair. Maintained technical standards as the Design Authority for the company. Primary technical interface with regulators.

**Project Manager: Ballast Water Treatment System Expansion**

Managed permitting, design, and construction of \$40 million expansion of Valdez Marine Terminal Tankership Ballast Water Treatment System to meet terms of National Pollution Discharge Elimination System (NPDES) Permit. Completed on time and within budget expectations.

**1985-1988 MUNICIPALITY OF ANCHORAGE****Municipal Engineer, Department of Public Works:**

Manager of engineering division, \$6.5 million operating budget, 100-person staff. Responsible areas included: planning, design and construction of \$50 million/year capital improvement program, including roads, drainage, water quality, and traffic control; development of an automated mapping/facility management (AM/FM) system with an installed value of \$3.5 million; management of the private development/land use/subdivision process; and oversight of the traffic management system.

**J. DAVID NORTON, P.E.**

Page 2

**1977-1985 ALYESKA PIPELINE SERVICE COMPANY, Anchorage, Alaska**

**Project Supervisor:**

Provided project management for several pipeline/pump station repair and renovation projects, including a \$25 million above-ground pipeline reroute; a \$4 million line-wide pipeline corrosion study; installation of a pump station naphtha fuel conversion system; a line-wide fire foam system expansion; and rehabilitation of a fuel gas compressor/flare system.

**Pipeline and Civil Supervisor:**

Directed maintenance contractors in installation, operation, and repair of mainline pipe and appurtenances, including a fuel gas pipeline, drainage and river training structures, roads, and airports. Supervised hazardous waste spill response and clean-up in accordance with RCRA requirements within a 100-mile pipeline section.

**Civil Engineer:**

Responsibilities and projects included: geotechnical evaluation and foundation design for buildings, towers, and other pipeline facilities; thermal analysis of frozen soils relating to pipeline support; utilities delivery design for remote worker housing; and structural design and evaluation of pipeline components.

**1974-1977 MICHAEL BAKER ENGINEERS, Fairbanks, Alaska**

**Field Engineer: Trans-Alaska Pipeline Project**

Duties included: access road design and mineral material site planning; coordination of survey control for above-ground pipeline system; and supervision of construction engineering for above-ground pipe supports.

**REGISTRATION:** Professional Engineer: Alaska CE6253; Texas 58028 (inactive)

**EDUCATION:** RICE UNIVERSITY, Houston, Texas  
Bachelor of Science in Civil Engineering, 1974

**COMMUNITY:** Member, Alaska State Water Resources Board  
Former Member, Anchorage Public Transit Advisory Board  
Member, Gov. Knowles Transition Team - Transportation

**PROFESSIONAL:** Member, American Society of Civil Engineers  
Member, National Association of Corrosion Engineering  
Member, Alaska Pipeline Builders Association

References available upon request.

# Alaska State Legislature

AMLE 11-11-95 24  
CAPITOL BUILDING  
JUNEAU, ALASKA 99901-1007  
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907-586-2114 FAX

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FINANCE POLICIES COMMITTEE  
OFF CHAIR JUDICIARY COMMITTEE  
MEMBER STATE AFFAIRS COMMITTEE

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

## Representative Joe Green

District 12

November 7, 1995

The Honorable Tony Knowles  
Governor of Alaska  
State Capitol Building  
Juneau, Alaska 99811

Governor Knowles:

*Tony*  
It has come to my attention that you have appointed Mr. J. David Norton to a position on the Alaska Oil & Gas Conservation Commission (AOGCC) currently held by a registered professional petroleum engineer.

I have never met Mr. Norton, and certainly hold nothing against him personally. However, after reviewing his resume, I have grave concerns about his lack of qualifications for this position.

The statute establishing qualifications for AOGCC commissioners (AS 31.05.009) is very clear, as is the legislative intent reflected by the legislative record. Every version of the bill that created the commission required the seat to which Mr. Norton has been appointed to be filled by "a licensed professional engineer with educational and professional background in the field of petroleum engineering."

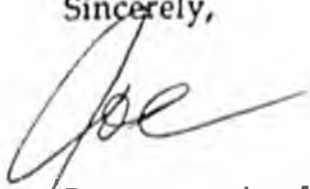
It is imperative from a safety, as well as a resource conservation standpoint, that the person filling the petroleum engineering position be proficient in subsurface hydrocarbon reservoir mechanics and the highly specialized technology required to analyze the design of drilling, completing, and producing oil and/or gas wells. The required level of expertise is only acquired through specific course study supplemented by actual field experience. As you learned during your days as a rig hand, drilling and completing oil and/or gas wells requires a specialized knowledge, skill, and implementation of proper safety precautions.

Governor Tony Knowles  
November 7, 1995  
Page 2

There is no single "blue print" or "go by" for this requirement as each well presents its own unique set of conditions. Mr. Norton is clearly deficient in this regard.

For the above reasons I cannot support, and feel compelled to oppose, Mr. Norton for the position to which you have appointed him.

Sincerely,

A handwritten signature in cursive script, appearing to read "Joe", written in dark ink.

Representative Joe Green, Co-Chairman  
House Resources Committee

cc: Members, 19th Alaska Legislature

# STATE OF ALASKA

TONY KNOWLES, GOVERNOR

## ALASKA OIL AND GAS CONSERVATION COMMISSION

3001 PORCUPINE DRIVE  
ANCHORAGE, ALASKA 99501-3192  
PHONE: (907) 279-1433  
FAX: (907) 278-7542

February 14, 1996

Representative Joe Green  
Room 24 State Capitol  
Juneau, AK 99801

Dear Representative Green:

Thank you for meeting with me to discuss my appointment to the Alaska Oil and Gas Conservation Commission. As we discussed, I am providing you with additional information on my educational and professional background in the field of petroleum engineering.

I received a B.S. in Civil Engineering from Rice University in 1974. I have previously provided a transcript of my undergraduate academic record at Rice to Jack Chenoweth, at his request. Rice does not offer a degree program in petroleum engineering. However, the field of petroleum engineering is derived from the major engineering branches of Mechanical, Chemical, and Civil, and the principal sciences of Geology, Materials Science, Mathematics, Computer Sciences, Physics, and Chemistry. I have completed coursework at Rice in all of these disciplines except for Chemical Engineering.

My relevant post-undergraduate work includes Arctic Engineering credit from the University of Alaska Anchorage and NACE certification in corrosion engineering and cathodic protection/coatings inspection. I have also received significant training in Safety, Loss Control, Risk Management, and Quality Assurance in the oil and gas industry in Alaska.

In response to your concern about my educational background, I have engaged additional formal and informal coursework in reservoir engineering and drilling practices. Formal coursework includes (see attached course outlines for content):

University of Texas Austin "Basic Reservoir Engineering for the Oil and Gas Professional" 3.0 Continuing Education Credits

University of Alaska Fairbanks "Introduction to Drilling and Production"  
PETE 205 (audit)

MMS Well Control/Safety Certification, including drilling simulator

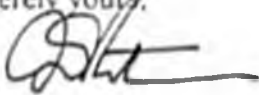
Rep. Green  
2/14/96  
page 2

I am also a member of the Society of Petroleum Engineers and avail myself to continuing educational and professional development opportunities afforded by membership in the Society

My professional background includes management of highly technical projects and programs in pipelines and process facilities supporting North Slope development, and significant experience in regulatory affairs, including industrial wastewater treatment permitting and approval of "smart pigging" programs by regulators. I was Manager of Engineering at Alyeska Pipeline and was the single, designated Design Authority in the Alyeska Integrity Management System. I am also a member of the Alaska State Water Resources Advisory Board.

In summary, I believe my educational and professional background covers a significant portion of the oil and gas industry in Alaska, and I have endeavored to expand my knowledge base into the remaining areas of the Commission's responsible charge. I hope this information helps your understanding of my qualifications. If you have additional questions, I will be pleased to oblige.

Sincerely yours,



J. David Norton, P.E.  
Commissioner

attachments

cc: Pat Pourchot, Office of the Governor  
Senator Loren Leman, Chairman, Senate Resources Committee  
John B. Chenoweth, Legislative Affairs Agency

The University of Texas at Austin  
College of Engineering

*presents*

a 5 day short course

Basic Reservoir Engineering  
for the  
Oil and Gas Professional

January 8 - 12, 1996

*Presented by*

**Petroleum & Geosystems Engineering Department**

*Administered by*

**Continuing Engineering Studies**

UT ΔJSTW

## Schedule

### January 8, 1996 (Monday)

8:30	am	Welcome - Mike Jackson, Introductory remarks - Mark Miller
10:00	am	Break
10:15	am	Nature of petroleum reservoirs
11:45	am	Lunch
1:15	pm	Properties of petroleum reservoir fluids
2:45	pm	Break
3:00	pm	Properties of petroleum reservoir fluids (cont.)
4:30	pm	Adjourn

### January 9, 1996 (Tuesday)

8:30	am	Properties of petroleum reservoir rocks
10:00	am	Break
10:15	am	Properties of petroleum reservoir rocks (cont.)
11:45	am	Lunch
1:15	pm	Volumetric determination of initial oil and gas in-place
2:45	pm	Break
3:00	pm	Natural drive mechanisms and recovery factors
4:30	pm	Adjourn

### January 10, 1996 (Wednesday)

8:30	am	Material balance
10:00	am	Break
10:15	am	Reserves
11:45	am	Lunch
1:15	pm	Flow of fluids in reservoirs
2:45	pm	Break
3:00	pm	Flow of fluids in reservoirs (cont.)
4:30	pm	Adjourn

### January 11, 1996 (Thursday)

8:30	am	Pressure transient testing of oil and gas wells
10:00	am	Break
10:15	am	Pressure transient testing of oil and gas wells (cont.)
11:45	am	Lunch
1:15	pm	Deliverability testing of oil and gas wells
2:45	pm	Break
3:00	pm	Rate vs. time forecasting
4:30	pm	Adjourn

### January 12, 1996 (Friday)

8:30	am	Decline curve analysis
10:00	am	Break
10:15	am	Reservoir simulation
11:45	am	Lunch
1:15	pm	Enhanced oil and gas recovery
2:45	pm	Break
3:00	pm	Enhanced oil and gas recovery (cont.)
4:30	pm	Adjourn

U.A.F.

PETE 205: COURSE OUTLINE (SPRING 1996)

- Week 1 (1/23, 1/26) - Introduction to early days of oil activities, Geology of Pet. Reservoirs.
- Week 2 (1/30, 2/2) - Drilling Practices
- Week 3 (2/6, 2/9) - Drilling Fluids
- Week 4 (2/13, 2/16) - Drilling Problems dependent on drilling fluid control
- Week 5 (2/20, 2/23) - Drilling Hydraulics
- Week 6 (2/27, 3/1) - Well Control and BOP, Casing Program
- Week 7 (3/5) - Cementing - 3/2  
(3/8) - Mid-Semester Exam - 3/5 @ BA
- Week 8 (3/12, 3/15) - SPRING BREAK
- Week 9 (3/19, 3/22) - Early Production Methods, Field Development
- Week 10 (3/26, 3/29) - Formation Evaluation (logging, core, etc)
- Week 11 (4/2, 4/5) - Completing the well
- Week 12 (4/9, 4/12) - Well testing, Production Concepts
- Week 13 (4/16, 4/19) - Production Methods, Improved Recovery Techniques
- Week 14 (4/23, 4/26) - Surface Production Equipment
- Week 15 (4/30, 5/3) - Production Problems & Workover Operations, Stimul. Methods
- Week 16 (5/7) - FINAL EXAM



# STATE OF ALASKA

TONY KNOWLES, GOVERNOR

DEPARTMENT OF EDUCATION

## ALASKA VOCATIONAL TECHNICAL CENTER

701 E. Tudor, Suite 270 • Anchorage, Alaska 99503

Phone: (907) 561-4436

Fax: (907) 561-3563



*PTC*

Brian Gillis P.E.

(512) 471-3163

FOT(512)471 9410

### CURRICULUM FOR 32 HOUR MMS CLASS

#### FIRST DAY

Morning:

- Intro
- Formation pressures
- Causes of kicks
- Warning signs of kicks
- U - tube concept
- Pressure relationships - HP, SIDPP, SICP, HP loss due to influx
- Indicators of changing formation pressures
- Shut-in procedures
- Circulating pressures, ECD, slow pump rates and choke line friction if necessary
- Constant bottom hole pressure methods - drillers, wait & weight, concurrent

Afternoon:

- Boyles gas law - regarding expansion of gas during migration vs. circulating
- Wait & Weight method of well control - kill sheet
- Necessary math

#### SECOND DAY

Morning:

- MMS regs - Federal guidelines for drilling on leases
- Review constant bottom hole methods - advantages/disadvantages

Afternoon:

- Diverter operation
- Leak-off tests/formation integrity tests
- Pressure on the shoe
- Surface pressure limitations
- Riser displacement - if necessary
- Removal of stack gas - if necessary

Post-it® Fax Note	7671	Date	# of Pages
To	<i>James Thompson</i>	From	<i>Brian</i>
Company		Cell	
Phone #		Phone #	
Fax #		Fax #	



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### THIRD DAY

Morning:

- Tripping
- Correct fill
- Trip margin/overbalance
- HP loss pulling pipe and not filling the hole
- Kicks with pipe off bottom
- Safety valve/inside dart valve
- Stripping using bag or rams

Afternoon:

- Difference between gas/water kicks
- Volumetric well control
- Lubrication
- Lost circulation

### FOURTH DAY

Morning:

- Horizontal well control
- Completion activities
- Review

Afternoon:

- Testing - written and simulator

Simulator is used twice a day. Slides and videos also shown periodically to emphasize topics

**ALASKA  
LEASING**

**IDEAS**

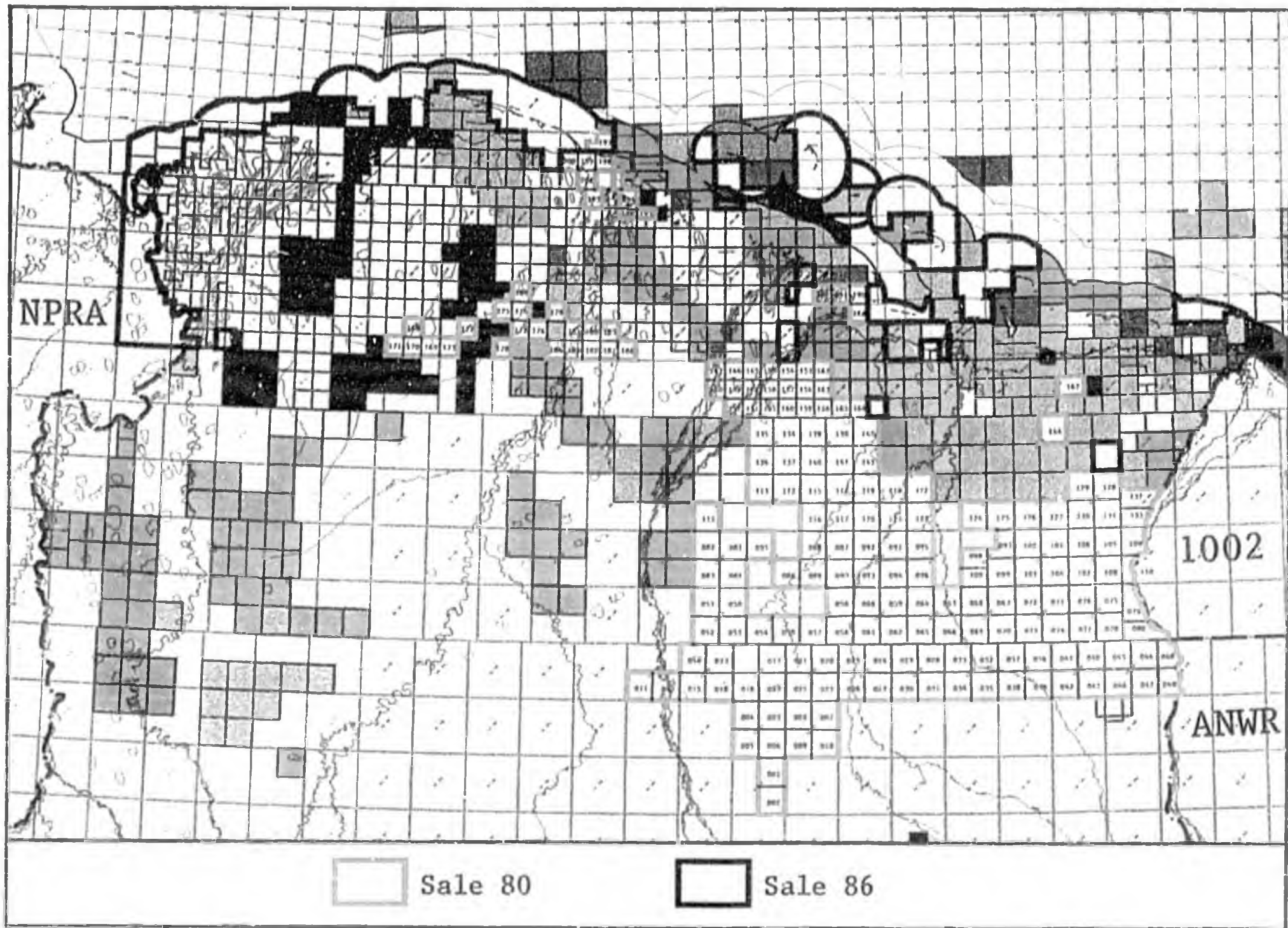
**9-12-95**

**ANCH.**

**ALASKA LEASING IDEAS**  
**SENATE RESOURCE COMMITTEE**

**September 12, 1995**

*Taylor*



ALASKA LEASING IDEAS  
OIL AND GAS POLICY COUNCIL

August 21, 1995

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Identify Core Areas within Alaska where it is clearly in the best interest of the State to conduct lease sales.

# Alaska Leasing Core Areas

200 Miles



August 21, 1995

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## PROPOSED CORE LEASING AREAS

- **North Slope**

All State of Alaska uplands lying north of the Umiat Baseline, between the Colville and Canning Rivers.

- **Cook Inlet**

All State of Alaska uplands and submerged lands lying in the area bounded to the north by the northern boundary of T17N S.M. and bounded to the south by the southern boundary of T6S S.M., bounded to the east by the Seward Meridian, and bounded to the west by the western boundary of R19W S.M.

ALASKA LEASING IDEAS  
OIL AND GAS POLICY COUNCIL

August 21, 1995

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Incorporate MMS Philosophy used in the Gulf of Mexico for State of Alaska lands in designated core areas.

1. Best interest finding in core areas would be updated every five years to account for any changes.
2. Offer the core areas for area-wide leasing on an annual basis with a set time of the year in which the sale will occur.
3. Delete only those areas within the core area that are environmentally sensitive or require further action from DNR, i.e., surface area consent, etc.

ALASKA LEASING IDEAS  
OIL AND GAS POLICY COUNCIL

August 21, 1995

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By having annual sales, DNR could consider shorter lease terms for core area lease sales.

ALASKA LEASING IDEAS  
OIL AND GAS POLICY COUNCIL

August 21, 1995

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Require industry to be more specific in identifying level of interest in non-core areas.

ALASKA LEASING IDEAS  
OIL AND GAS POLICY COUNCIL

August 21, 1995

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Drop or eliminate sales in non-core areas where there is little or no industry interest. Supplement those areas with licensing if necessary.

ALASKA LEASING IDEAS  
OIL AND GAS POLICY COUNCIL

August 21, 1995

---

Give DNR more authority to consider different royalty schemes  
on licensing requests.

**ALASKA LEASING IDEAS  
OIL AND GAS POLICY COUNCIL**

**August 21, 1995**

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Avoid using lease sales to invoke operational stipulations for areas affected by leasing.

ALASKA LEASING IDEAS  
OIL AND GAS POLICY COUNCIL

August 21, 1995

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## CONCLUSION

1. Identify core leasing areas within Alaska.
2. Use an area-wide leasing program for the core areas.
3. Give the DNR flexibility to do their job.
4. Work on comprehensive regulations instead of lease stipulations.



Official Business

# Alaska State Legislature

## SENATE

State Capitol  
Juneau, AK 99801-1182

### MEMO

TO: All Resources Committee Members

FROM: Senate Resources Committee Staff *(M)*

DATE: September 8, 1995

RE: Materials for Hearing 9/12/95

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Attached are:

- 1) The meeting agenda
- 2) Back up materials for Items IV and V.
  - a) Two page preliminary report to the committee from Resources staff on best interest finding and permitting issues.
  - b) Three pages of persons invited to first work session on those issues.
  - c) Example of issue raised by a department in the best interest finding process (isostatic rebound) (one page)
  - d) Response from DNR to example raised by department regarding isostatic rebound. (one page)
- 3) For the first two items on the agenda, I have a copy of AOGCC's Conservation Order #360 (25 pages) and a copy of DNR's "Decision Regarding Jurisdiction" (86 pages) if committee members desire copies. I will have extra copies available for reference at the meeting.



Official Business

# Alaska State Legislature

## SENATE

State Capitol  
Juneau, AK 99801-1182

### SENATE RESOURCES COMMITTEE

Chairman: Senator Loren Leman  
Vice Chairman: Senator Drue Pearce  
Senator Steve Frank  
Senator Rick Halford  
Senator Robin Taylor  
Senator Georgianna Lincoln  
Senator Lyman Hoffman

#### AGENDA

10 a.m. to 2 p.m.

Tuesday, September 12, 1995

Second Floor Conference Room

Anchorage Legislative Information Office

- I. Alaska Oil and Gas Conservation Commission briefing on Conservation Order No. 360 and subsequent action by AOGCC  
David Johnston, Chairman AOGCC (20 mins. presentation and questions)
  
- II. Department of Natural Resources briefing on hearings for optimization of Natural Gas Liquids blending and utilization of miscible injectant within the Prudhoe Bay Unit and subsequent action by DNR  
Patrick Coughlin/Department of Law (20 mins. presentation and questions)  
Ken Boyd, Director/Division of Oil and Gas/DNR
  
- III. Overview of Final Work Session Report to Resources Committee  
Senate Resources Committee Staff (10 minutes)

**IV. Arcawide Best Interest Finding (1.5 hours testimony/questions)**

**David Sutter/ARCO**

**Ken Boyd/Department of Natural Resources**

(also present to respond to presentations):

**Commissioner Frank Rue, Department of Fish and Game (telec.)**

**Al Bohn, Department of Environmental Conservation/Air**

**Quality**

**Diane Mayer, Director, Division of Governmental Coordination**

**V. Resource Permitting (1.5 hour testimony/questions)**

**Steve Porter/ARCO**

**Brad Penn/Marathon**

(also present to respond to questions):

**Ken Boyd/DNR**

**Commissioner Frank Rue, DF&G**

**Al Bohn, DEC**

**Diane Mayer, DGC**

**VI. Adjourn**

PRELIMINARY REPORT TO  
SENATOR LOREN LEMAN, Chairman  
Senators: Pearce, Frank, Halford, Taylor, Lincoln and Hoffman  
SENATE RESOURCES COMMITTEE  
By: Senate Resources Committee Staff

Work Sessions with Oil and Gas Industry on Best Interest Finding and Permitting

At your request, I held a work session with representatives of the oil and gas industry and others (list attached) in Anchorage August 8. Another work session dealing more specifically with permitting and projects in coastal zones is scheduled for September 8. An update to this preliminary report will be finished for your use September 11. This report only reflects my interpretation of the comments of those who attended the work sessions.

Best Interest Finding

- 1) The companies and the state want certainty to the best interest finding process. There are two slightly different viewpoints on "areawide best interest finding":
  - a) do a BIF on a chunk of geography, the BIF applies to lease sales in the next 3-5 years, area broken up by the state into lease tracts; and
  - b) Entire North Slope BIF and allow companies to competitively bid for larger areas (instead of 63 tracts, would be one tract or 10 tracts). I believe DNR and industry view this process slightly differently.

Some commented that the BIF adopted in SB 238 (CH 34, SLA 94) lengthens the permitting process with no positive result - it has become a delaying tactic. All who commented said SB 308 (CH 38, SLA 94) was a good start to addressing the problems of continual lawsuits aimed at delaying or derailing development projects. However, they see no value in having to address tract by tract factors which could be addressed in a uniform best interest finding. They said this uniform or areawide best interest finding should/could be done in areas where the factors affecting development are fairly uniform. The Colville/Canning rivers area was mentioned as one area where from the permittee perspective, the factors affecting a permit to operate are relatively uniform. The permittees said that rather than working with the permittees to mitigate concerns, some regulating agencies' (esp. DEC and F&G) seem to be more focused on thinking up not just reasonably foreseeable measures, but mitigation measures for minute concerns such as "isostatic rebound" in the comments on preliminary findings for the Yakataga Sale (copy attached). Companies state that if they don't "aggressively" track every mitigation measure, a mitigation measure becomes a "permit standard" by default of the company not being aware or believing that it wouldn't be kept in the final permit. This "permit standard" is then applied to succeeding permits.

- 2) The interest in re-evaluating how best interest findings are done seems to reflect the companies experience with downsizing and having to become more efficient at reducing operating costs. In the work session, a DNR/DO&G representative commented about reduced budgets and the need to be more efficient - the reaction was nods from around the room. Most agreed the first areawide BIF would be expensive. Paperwork would be voluminous, but those proposing it believe the resulting benefit is efficiency for DNR to be able to lease more land. Jack Chenoweth, DAA/Legal states "no prohibitions" as far as he can see, providing there is a lease sale of the area for which the BIF is done. His only

concern was in AS 38.05.035 (e)6(g): exempt sale under 180(d) sale within previous 5 years and AS 38.05.035(e)6(h): sale under 180(w) sale within 5 years is subject to BIF.

3) Jim Eason, consultant at the work session, mentioned a bifurcated best interest finding process. This would require rewriting the BIF provisions to allow sale areas where a final BIF has been accepted and upheld without challenge or if challenged and subsequently upheld, no additional findings would be required, unless the commissioner (of DNR) determines in his discretion that additional findings are necessary. Sale areas that have never gone through a BIF could be done under an areawide BIF which would require the entire AS 38.05.035 process.

4) Some of the smaller operators felt the 5-year oil and gas lease sale process is too long, but because a sale can be added so that it's on the lease sale schedule for only three years, this did not seem to be such a problem. State is trying to get companies to be more forthcoming about the areas they want to lease. (Pretense of nonchalance or active bluffing may result in leases being dropped from a sale.) This is where the areawide BIF is attractive to the strategic, secretive nature of the oil industry. If the second option mentioned in item 1 is chosen, a company could place sealed bids for any tract(s) in the area covered by the BIF - the larger the area of the BIF and the sale, the better for the company's strategy.

#### Permitting

1) The September 8 meeting will reveal more details, but in short there are questions about the ability of government departments to be efficient in permitting matters. There is perceived distrust among agencies. Instead of phoning or faxing for additional information, letters are sent to permittees resulting in additional time delays. The departments don't seem to realize that outside of government most matters are dispatched with a quick (documented) phone call or fax. Even the most important/sensitive answers can be readily attained with a phone confirmation that a fax was received. Problem with getting industry to speak about these problems on the record is the perceived threat of retaliation by the permitor.

2) Concerns and real-world problems are concentrated in several areas:

a) Lots more days are being tacked onto the permitting process - agencies say they can't meet the 5-day deadlines to issue permits once coastal zone requirements are met;

b) No comment from agencies until the last day for review.

c) Air Quality Permitting: Amount of time it is taking for permit evaluations not satisfactory. Consensus that inexperienced staff, plus reorganization at DEC may be hampering this permitting program.

3) Shared Costs. Under this arrangement, a company purchases expedited permits. Agencies say otherwise it's first come first served. This shared cost arrangement expedites permits, but raises eyebrows because:

a) concern that state employees are under pressure to overlook infractions in order to process the permit which was paid for;

b) concern about inexperienced employees taking too long to do what private sector counterparts do in less time;

c) concern about the "message" of industry financing the expedition of permits;

d) concern about departments blackmailing industry to pay for full time positions "necessary" to expedite permits.

Title Mr.	fn Paul	In Quesnel	cotitle Coordinator, Government and Public Affairs, Alaska	co BP Pipelines (Alaska) Inc.
Mr.	David	Parish	Senior Public Affairs Representative	Exxon Company, USA
Mr. Mr.	Gerry John	Gallagher Landrum	Kenai Region Manager	Phillips 66
Ms.	Pam	Neal	President	Alaska State Chamber of Commerce
Mr.	J. Y.	Christopher	Offshore/ Alaska Land Manager	Amerada Hess Corporation
Mr.	Dan	Bordelon	District Manager, Alaska	Anadrill/Schlumberger
Mr.	Cliff	Burglin	Vice President	Borealis Resources, Inc.
Mr. Mr.	Dan Shawn	Donkel Rice	President Manager	Danco Exploration Western Geophysical Co.
Mr.	Paul	Walker	Alaska Land Manager	Chevron U.S.A. Production Co.
Mr.	Fred	Pierson	Senior Land Advisor	Mobil Oil Corporation

Ms.	Teresa	Imm		Arctic Slope Regional Corporation
Mr.	J.P.	Tower	Land Manager	Petrofina Delaware Inc.
Mr.	Bill	Stewart	President	Stewart Petroleum Co.
Mr.	Steven	Fly	Manager, Business Develop ment	Union Texas Petroleum Alaska Corp.
Mr.	Brad	Penn	Landman	Marathon Oil Co.
Mr.	David	Lappi	President	Lapp Resources Inc.
Ms.	Sharon	Macklin		Government Relations
Mr.	James	Johnson	Manager of Governm ent and Environ mental Affairs	Anadarko Petroleum Corporation
Mr.	Keith	Burke	General Manager	Alaska Support Industry Alliance
Ms.	E.H.	Nelson	Land Manager	Texaco Exploration & Production, Inc.
Mr.	Kevin	Tabler	Land Manager	UNOCAL
Mr.	Rick	Foppiano	Regulator y Affairs Advisor	OXY USA, Inc.
Mr.	Gerald	Booth	President	CIRI Production Co.
Mr.	David	Marquez	Vice President	ARCO Alaska, Inc.

Mr.	Ken	Boyd	Director, Division of Oil and Gas	Department of Natural Resources
Ms.	Judy	Brady	Executive Director	Alaska Oil and Gas Association
Ms.	Shirley	Armstrong	Aide	House Special Committee on Oil and Gas
Mr.	Jeff	Logan	Aide	House Resources Committee
Mr.	Eric	Opstead		Opstead & Associates
Mr.	Paul	Craig		Z-Energy
Mr.	Chris	Bamette	Log Analyst	Western Atlas

stage in this area during the spring migration. Recent data suggest that Controller Bay is the primary landfall for shorebirds arriving in this area, with the birds then moving westward across the Bering and Copper River Deltas.

The most abundant species are western sandpiper and Pacific dunlin. Other common species include: the black-bellied plover, black turnstone, dowitchers, sanderlings; white-fronted, snow, and Canada geese; mallard, green-winged teal, American widgeon, and northern pintail. Most return to the Copper and Bering River deltas during the fall migration, although the birds are more dispersed over time and space when migrating south.

Wetlands in this area also provide important staging and nesting habitat for trumpeter swans. During August and early September of 1990, the USFWS counted 1364 swans between Dry Bay and Orca Inlet. The largest concentration of swans was observed around and to the west of Controller Bay.

Hazards Analysis: Storms and Heavy Seas: Although the document does mention (page 82, second paragraph) that "the Gulf of Alaska has turbulent sea storms", there is little analysis or recognition of the magnitude and intensity of these storm events, and when and where their effects are most likely to be manifest. For example, the section titled "Subsea Pipelines" (page 109) makes no mention of storms relative to oil spill cleanup. We question the statement that (page 109, last paragraph) "the tidal currents in the Gulf of Alaska could make repair and cleanup of subsea pipeline leaks more difficult." Are there really exceptionally strong tidal currents in this area? We also suggest that tidal current effects will pale in comparison to a severe storm which could make access to a spill virtually impossible for a period of days.

Our staff recollects a time in the early 1970's when a drill ship, the Glomar Conception (or Glomar Explorer?), attempted a stratigraphic drilling program in this part of the Gulf, only to be driven away by waves that sometimes exceeded 100' in height and storm events with 50' waves at 5 second intervals.

The possible effects of storms on transportation, production and cleanup of oil should be addressed in the Director's Finding. We also suggest that seasonal restrictions on trans-shipment of oil might serve to diminish the risk of oil spills or other catastrophic events.

Another source of geologic instability that was not mentioned is isostatic rebound. To what extent would the slow rising of lands recently covered by glaciers, threaten the integrity of pipeline wells, or other facilities.

38) Isostatic rebound as a source of geologic instability was not mentioned. To what extent would the slow rising of lands recently covered by glaciers, threaten the integrity of pipelines, wells, or other facilities.

Response: The above comment is not material to the scope of this finding. Although there may be gradual isostatic uplift in this region, about 1 cm/yr. for the past 5,000 yrs. (Combellick, memorandum to Hansen, citing to Plasker 1980, 1994), most of the uplift probably occurs suddenly during great earthquakes. Any hazard to engineered facilities from uplift would not be significant and will likely be overshadowed by other earthquake effects, such as strong shaking, seafloor failures, and tsunamis (Combellick, DGGG, 1994a). Since facilities within the Sale 79 area would be designed to withstand earthquakes, they would be able to withstand gradual isostatic uplift.

DNR RESPONSE TO EXAMPLE

REPORT TO  
SENATOR LOREN LEMAN, Chairman  
Senators: Pearce, Frank, Halford, Taylor, Lincoln and Hoffman  
SENATE RESOURCES COMMITTEE  
By: Senate Resources Committee Staff

Best Interest Finding and Permitting  
Summary

At your request, I held work sessions with representatives of the oil and gas industry and others in Anchorage August 8 and September 8. I also conducted phone interviews with mining and logging representatives active in Alaska. In addition to touching on the best interest finding process for oil and gas lease sales, this report is meant to begin defining the "problem of permitting" which has been referred to in previous testimony by industry before legislative committees. The Energy Council's CLEER Report on Production and Jobs recommended state's audit their permitting process as part of any oil and gas legislative incentive package. Other reports to the legislature have criticized the state as being less than friendly to business. This report reflects my interpretation of the anecdotal comments of those interviewed and who attended the work sessions. It is my impression that those who are commenting on these issues are alerting the state to the fiscal reality of their business. Long lead times and uncertainty of development are no longer being accepted as normal business practice in Alaska. With the amount of acreage being released in Alaska, and the oil axiom that you find oil where there's oil, the practice of raising the same issues over and over again with the same players on the same leases seems to be striking a nerve in Alaska's industrial body.

Best Interest Finding Process for Oil and Gas Lease Sales

- 1) The companies and the state want certainty to the best interest finding process. There are two slightly different viewpoints on "areawide best interest finding":
  - a) do a BIF on a chunk of geography, the BIF applies to lease sales in the next 3-5 years, area broken up by the state into lease tracts; and
  - b) Entire North Slope BIF and allow companies to competitively bid for larger areas (instead of 63 tracts, would be one tract or 10 tracts). I believe DNR and industry view this process slightly differently.

Some commented that the hearing process adopted in SB 238 (CH 34, SLA 94) lengthens the permitting process with no positive result - it has become a delaying tactic. All who commented said SB 308 (CH 38, SLA 94) was a good start to addressing the problems of continual lawsuits aimed at delaying or derailing development projects. However, they see no value in having to address tract by tract factors which could be addressed in a uniform best interest finding. They said this uniform or areawide best interest finding should/could be done in areas where the factors affecting development are fairly uniform. The Colville/Canning rivers area was mentioned as one area where from the permittee perspective, the factors affecting a permit to operate are relatively uniform. The permittees said that rather than working with the permittees to mitigate concerns, some regulating agencies' (esp. DEC and F&G) seem to be more focused on thinking up not just reasonably foreseeable measures, but mitigation measures for minute concerns such as "isostatic rebound" in the comments on preliminary findings for the Yakataga Sale (copy attached). Companies state that if they don't "aggressively" track every mitigation measure, a mitigation measure becomes a "permit standard" by default of the company not being aware or believing that it wouldn't be kept in the final permit. This "permit standard" is then applied to succeeding permits.

2) The interest in re-evaluating how best interest findings are done seems to reflect the companies experience with downsizing and having to become more efficient at reducing operating costs. In one work session, a DNR/DO&G representative commented about reduced budgets and the need to be more efficient -the reaction was nods from around the room. Most agreed the first areawide BIF would be expensive. Paperwork would be voluminous, but those proposing it believe the resulting benefit is efficiency for DNR to be able to lease more land. Jack Chenoweth, LAA/Legal states "no prohibitions" as far as he can see, providing there is a lease sale of the area for which the BIF is done. His only concern was in how the idea would impact AS 38.05.035 (e)6(g): exempt sale under 180(d) sale within previous 5 years and AS 38.05.035(e)6(h): sale under 180(w) sale within 5 years is subject to BIF. Of course, that would depend on the proposal put before the committee for consideration.

3) Jim Eason, consultant at the work session, mentioned a bifurcated best interest finding process. This would require rewriting the BIF provisions to allow sale areas where a final BIF has been accepted and upheld without challenge or if challenged and subsequently upheld, no additional findings would be required, unless the commissioner (of DNR) determines in his discretion that additional findings are necessary. Sale areas that have never gone through a BIF could be done under an areawide BIF which would require the entire AS 38.05.035 process.

4) Some of the smaller operators felt the 5-year oil and gas lease sale process is too long, but because a sale can be added so that it's on the lease sale schedule for only three years, this did not seem to be such a problem. State is trying to get companies to be more forthcoming about the areas they want to lease. (Pretense of nonchalance or active bluffing may result in leases being dropped from a sale.) This is where the areawide BIF is attractive to the strategic, secretive nature of the oil industry. For example, in the second option mentioned in item 1, a company could place sealed bids for any tract(s) in the area covered by the BIF - the larger the area of the BIF and the sale, the better for the company's strategy.

### Permitting

1) Permitting is an important factor in decisions about investing in Alaska. In one company's experience, "reserves, economics and permits are important to the (successful) development of a project". There are questions about the ability of government departments to be efficient in permitting matters. There is perceived distrust among agencies. There is a perception that departments don't seem to realize that outside of government most matters are dispatched with a quick (documented) phone call or fax. Instead of phoning or faxing for additional information, letters are sent to permittees resulting in additional time delays. Even the most important/sensitive answers can be readily attained with a phone confirmation that a fax was received.

2) Concerns and real-world problems are concentrated in several areas:

a) Interface between federal and state governments "critical".

Depending on land ownership and type of operation, companies may be working with local, state and federal governments. They may be required to completed from six to several dozen permits. Memorandums of Understanding to facilitate interaction between state and federal agencies exist now, but are apparently out of date. The Division of Governmental Coordination may be having internal discussions about updating the MOUs. The relationship between governments is "critical" because of the timing in issuance of permits. Companies are reluctant to say how much impact NOT getting permits in a timely

fashion has on the viability of a project. Although, if delays in land sales cause projects to lose their attractiveness, one might surmise that the same would hold true for permit delays.

b) Lots more days are being tacked onto the permitting process - industry reports agencies say they can't meet the 5-day deadlines to issue permits once coastal zone requirements are met.

What contributes to permit delays? The Alaska Coastal Zone Management Program can contribute to delays when the same issues are raised over and over again, even after the issue has previously been elevated to the commissioner level and a decision rendered (e.g., bear interaction plans attached to certain permits by DF&G at the request of USFWS, subsequently overruled. Although some companies have found ways to cope with additional requirements by implementing master plans such as bear interaction plans, all of these efforts increase operating costs - one of the prime factors in determining marginal fields.) Expanded authorities for agencies may be legal under the ACMP, but some question whether the stipulations on permits are consistent with the jurisdiction of the agency (DF&G stopping the clock to ask in a letter whether pipe being proposed for a pipeline was old or new pipe)

Undoubtedly, the issue of budgets will surface with the issue of delays. Industry, having undergone significant internal reductions, understands that issue, but questions whether state agencies can or will find more efficient methods of dealing with permits.

c) No comment from agencies until the last day for review. Uncertainty of whether projects can go forward.

For the most part, companies feel the ACMP program works "pretty well". Its consensus nature is "helpful". The veto power of one person to squelch a project is viewed as a negative. It is discouraging to industry that the clock can be stopped at the last hour. There is a perception that the public hearings are now forums for slowing or stopping projects. Frustration expressed that the question after a lease sale seems be if, not how, the project proceeds.

d) Air Quality Permitting: Amount of time it is taking for permit evaluations not satisfactory. Consensus that inexperienced staff, plus reorganization at DEC may be hampering this permitting program.

There is concern that there is no accountability in the billing system for the AQ program. At least one company would prefer using knowledgeable contractors selected by the state to process AQ permits. Concern about the level of training of employees processing AQ permits - most egregious example of billing was 45 hours processing an AQ permit when industry felt it could have been done in 8-16 hours. Some reported instances of being referred to a second employee and being billed for the initial contact who could not assist them and for the second contact. If this is not the case, the department may need to review it's billing so that charges are clearly documented.

e) Vagueness of Coastal Zone standards and expansion of state agency authority across agency boundaries under ACMP.

The general assessment is that the ACMP standards are open to interpretation. This could mean the agencies have the discretion to expedite or to hinder a permit based on an individual's subjective interpretation of the standards. The lack of standards for permitting contributes to the delays (e.g., for contiguous tracts the stipulations on overhead flights may be different from one tract to another. Stream setbacks vary from tract to tract.) Some consensus that putting additional activities on the ACMP "B" List would expedite permitting for those activities. Recommendation from industry that the ACMP program proposals be put in a form similar to proposed regulations for simpler review.

3) Shared Costs. Under this arrangement, a company purchases expedited permits. Agencies say otherwise it's first come first served. This shared cost arrangement expedites permits, but raises eyebrows because:

a) concern that state employees are under pressure to overlook infractions in order to process the permit which was paid for;

b) concern about inexperienced employees taking too long to do what private sector counterparts do in less time;

c) concern about the "message" of industry financing the expedition of permits;

d) concern about departments blackmailing industry to pay for full time positions "necessary" to expedite permits.

Dalton Highway Vehicle Permit  
 Permission to Cross Lands and Easements Owned  
 by the U.S. (U.S. Forest Service)  
 Discharge of Dredged or Fill Material into U.S. Waters  
 Structures or Work in/or Affecting Navigable Waters  
 Natural Gas Certificate of Public Convenience  
 and Necessity  
 Application for Authorization to Export or  
 Import Natural Gas  
 Land Lease Authorization — (Indian Land)  
 Rights-of-Way for Indian Land  
 Rights-of-Way for Bureau of Land Management Lands  
 National Wildlife Refuge Lands Special Use Permit  
 Permits for Facilities & Vessels to Handle  
 Hazardous Materials  
 Annual and Accident Reports (Pipeline Safety Act)  
 Pipeline Inspections (Pipeline Safety Act)  
 Use of Explosives  
 Environmental Impact Statement  
 Clean Air Act — Prevention of Significant Deterioration  
 of Air Quality Program  
 Oil Storage Facilities — Spill Prevention Control  
 Countermeasure Plans  
 Permit to Discharge into Water — National Pollutant  
 Discharge Elimination System (NPDES)  
 Disposal of Hazardous Waste  
 Radio and Wire Communications — Construction  
 New Source Performance Standards

#### Local Government

Contact the local government regarding its permit requirements  
 North Slope Borough  
 P.O. Box 69  
 Barrow, Alaska 99723  
 Telephone: 907/852-2611

### OIL OR GAS EXPLORATION AND DEVELOPMENT ACTIVITIES (Onshore and Offshore)

*(State, Federal and local permits that may be needed in Alaska)*

Conclusive Consistency Determination and  
 Coastal Project Questionnaire  
 Permit to Drill or Deepen  
 Approvals — Oil or Gas Wells  
 Articles of Incorporation  
 Foreign Corporations — Certificate of Authority  
 Certificate of Public Convenience and Necessity  
 (Oil or Gas Pipeline)  
 Permits (Oil or Gas Pipeline)  
 Construction Contractor's License  
 Air Quality Control Permit to Open Burn  
 Air Quality Control Permit to Operate  
 Certificate of Reasonable Assurance  
 (Water Quality Certification)  
 Plan Review for Sewage Systems or Water and  
 Wastewater Treatment Works  
 Solid Waste Disposal Permit  
 Surface Oiling Permit  
 Food Service Permit  
 Wastewater Disposal Permit  
 Oil Discharge Contingency Plans  
 Proof of Financial Responsibility (Oil Storage  
 Facilities, Tank Vessels, Tank Barge, Oil Barge,  
 Offshore Exploration Facilities)  
 Disposal of Hazardous Waste  
 Anadromous Fish Protection Permit  
 Critical Habitat Area Permit  
 Fishways for Obstructions to Fish Passage  
 State Game Refuge Permit  
 Prevention of Accident & Health Hazards — Inspections  
 Fired & Unfired Pressure Vessels — Inspections  
 Foreign Labor Requirements

Unemployment Insurance  
 Worker's Compensation Insurance  
 Leasing of Lands Other Than for the  
 Extraction of Natural Resources  
 Land Use Permit  
 Water Rights Permit  
 Rights-of-Way Easement  
 Material Sale (Applies to sand, gravel, rock, peat, etc.)  
 Burning Permit  
 Incompatible Use Permit  
 Oil and Gas Leasing  
 Lease Operations Approval (Oil and Gas)  
 Unit Agreement Approval (Oil and Gas)  
 Miscellaneous Land Use Permit (Oil & Gas, Seismic Work)  
 Life/Fire Safety Plan Check for Construction/  
 Occupancy of Buildings  
 Permit to Use Dangerous Fireworks  
 Permit for Oversize/Overweight Vehicles or Loads  
 Alaska Business License  
 Nonresident Affidavit and Tax Security Requirements  
 Utility Permit  
 Encroachment Permit  
 Dalton Highway Vehicle Permit  
 Mineral Material Permit — National Forest  
 Special Use Permit  
 Discharge of Dredged or Fill Material into U.S. Waters  
 Structures or Work in/or Affecting Navigable Waters  
 of the U.S.  
 Natural Gas Certificate of Public Convenience  
 and Necessity  
 Application for Authorization to Export or  
 Import Natural Gas  
 Exporting Natural Gas  
 Land Lease Authorization — (Indian Land)  
 Rights-of-Way (Indian Land)  
 Vegetative Mineral Material  
 National Wildlife Refuge Lands — Special Use Permit  
 Oil and Gas Exploration Operations — Notice of Intent  
 Oil and Gas Leasing  
 Oil and Gas Leasing — Outer Continental Shelf  
 Agreement for the Subsurface Storage of Gas  
 Development and Production Plans (OCS)  
 Exploratory Drilling Plan (OCS)  
 Oil & Gas Leases Communitization or Drilling Agreement  
 Oil and Gas Wells Application for Permit to  
 Drill, Deepen or Plug Back  
 Oil and Gas Wells Sundry Notices  
 Outer Continental Shelf Geological/Geophysical  
 Exploration Permit & Agreement  
 Unit Agreements — (Onshore & Offshore Joint or  
 Secondary Recovery of Oil & Gas)  
 Authorization for Disposal of Produced Water  
 Alaska Railroad — Permit and Construction Agreement  
 Permit for Bridges over Navigable Waters  
 Private Aids to Navigation  
 Certificate of Numbers — (for Vessels on Water)  
 Merchant Vessel Documentation  
 Merchant Vessels — Certificate of Inspection  
 General Permit for Facilities to Handle Dangerous Cargo  
 Letter of Intent (Waterfront Facilities Handling  
 Bulk Petroleum (U.S. Coast Guard)  
 Operations Manual (Waterfront Facilities Handling  
 Bulk Petroleum (U.S. Coast Guard)  
 Welding and Hot-Work Permit (CG-4201)  
 U.S. Coast Guard (for all Waterfront Facilities)  
 Application and Permit to Handle Hazardous Materials  
 Tank Vessel Examination Letter  
 Special Permit for Shipments of Bulk Solid Hazardous  
 Materials by Vessel and Shipboard fumigation  
 Letter of Compliance  
 Report of Entrance — Any Vessel of More Than 300  
 Gross Tons Entering Prince William Sound  
 Via the Sitka-John Entrance



Approvals of Containerized Shipments of "Class A"  
Explosives by Vessel and Use of  
Oversize Portable Magazines  
Structures Which May Interfere with Airplane Flight Paths —  
Notice of Proposed Construction or Alteration  
Use of Explosives — Permit and License  
Environmental Impact Statement  
Clean Air Act — Prevention of Significant Deterioration  
of Air Quality Program  
Permit to Discharge into Water — National Pollutant  
Discharge Elimination System (NPDES)  
Approval of Disposal of Hazardous Waste  
New Source Performance Standards  
Oil Storage Facilities — Oil Spill Prevention, Containment  
and Countermeasure Plans (SPCC)  
Radio and Wire Communications Construction  
Permits and Licenses

**Local Government**

*If a project, or a portion of a project, is located within the bound-  
aries of any local government (city, borough, etc.), the developer  
should contact local authorities regarding their permit and zoning  
requirements.*

**OIL REFINERY PLANT (In Fairbanks)**

*(State, Federal and local permits that may be needed in Alaska.)*

Conclusive Consistency Determination  
Articles of Incorporation  
Foreign Corporations — Certificate of Authority  
Construction Contractor License  
Production Reporting of Facilities (Oil & Gas)  
Certificate of Public Convenience and Necessity  
(Oil or Gas Pipeline)  
Permits (Oil or Gas Pipeline)  
Air Quality Control Permit to Open Burn  
Air Quality Control Permit to Operate  
Certificate of Reasonable Assurance  
(Water Quality Certification)  
Plan Review for Sewage Systems or Water and  
Wastewater Treatment Works  
Solid Waste Disposal Permit  
Surface Oiling Permit  
Food Service Permit  
Oil Discharge Contingency Plans  
Proof of Financial Responsibility (Oil Storage Facilities,  
Tank Vessels, Tank Barges, Oil Barges,  
Offshore Exploration Facilities)  
Wastewater Disposal Permit  
Disposal of Hazardous Waste  
Health Inspection/Plan Review of Public Establishments  
Anadromous Fish Protection Permit  
Critical Habitat Area Permit  
Fishways for Obstructions to Fish Passage  
State Game Refuge Permit  
Prevention of Accident & Health Hazards — Inspections  
Fired & Unfired Pressure Vessels — Inspections  
Elevator Certificate of Operation  
Foreign Labor Requirements  
Unemployment Insurance  
Worker's Compensation Insurance  
Land Use Permit  
Water Rights Permit  
Leasing of Lands Other Than for the  
Extraction of Natural Resources  
Rights-of-Way Easement  
Material Sale (Applies to sand, gravel, rock, peat, etc.)  
Pipeline Right-of-Way Lease (Oil & Natural Gas)  
Burning Permit  
Access Route Permit  
Special Land Use Permit  
Incompatible Use Permit  
Notice of Operation (Harvesting Timber)

Life/Fire Safety Plan Check for Construction/  
Occupancy of Buildings  
Permit for Oversize/Overweight Vehicles or Loads  
Alaska Business License  
Nonresident Affidavit and Tax Security Requirements  
Utility Permit — on State Right-of-Way  
Encroachment Permit  
Discharge of Dredged or Fill Material into U.S. Waters  
Structures or Work in/or Affecting Navigable Waters  
Production Reporting of Facilities (Oil & Gas)  
Land Lease Authorization — (Indian Land)  
Rights-of-Way (Indian Land)  
Vegetative Mineral Material  
National Wildlife Refuge Lands — Special Use Permit  
Alaska Railroad — Permit and Construction Agreement  
Structures Which May Interfere with Airplane Flight Paths --  
Notice of Proposed Construction or Alteration  
Use of Explosives — Permit and License  
Annual & Accident Reports (Pipeline Safety Act)  
Pipeline Inspections (Pipeline Safety Act)  
Environmental Impact Statement  
Clean Air Act — Prevention of Significant Deterioration of  
Air Quality Program  
Permit to Discharge into Water (NPDES)  
Disposal of Hazardous Waste  
New Source Performance Standards  
Oil Storage Facilities — Oil Spill Prevention,  
Containment and Countermeasure Plans (SPCC)

**Local Government**

*If a project, or a portion of a project, is located within the bound-  
aries of any local government (city, borough, etc.), the developer  
should contact local authorities regarding their permit and zoning  
requirements.*

City of Fairbanks  
410 Cushman Street  
Fairbanks, Alaska 99701  
Telephone: (907)452-1881

Fairbanks North Star Borough  
PO Box 1267  
Fairbanks, Alaska 99707  
Telephone: (907)452-4761

**PIPELINES**

*(State, Federal and local permits that may be needed for pipelines in  
Alaska.)*

Conclusive Consistency Determination  
Articles of Incorporation for Foreign Corporations  
Air Quality Control Permit to Open Burn  
Air Quality Control Permit to Operate  
Certificate of Reasonable Assurance  
(Water Quality Certification)  
Solid Waste Disposal Permit  
Surface Oiling Permit  
Wastewater Disposal Permit  
Anadromous Fish Protection Permit  
Critical Habitat Area Permit  
Fishways for Obstructions to Fish Passage  
State Game Refuge Permit  
Prevention of Accident & Health Hazards  
Fired & Unfired Pressure Vessels  
Explosive Handlers — Certificate of Fitness  
Leasing of Lands Other Than for the  
Extraction of Natural Resources  
Tidelands Permit  
Water Rights Permit  
Rights-of-Way/Easement Permits  
Incompatible Use Permit  
Sand and Gravel Extraction  
Burning Permit

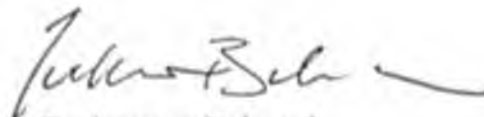
**NOTICE OF CHANGE OF DATES OF  
HEARING AND PRE-HEARING CONFERENCE  
ALASKA OIL AND GAS CONSERVATION COMMISSION**

Re: Prudhoe Oil Pool - Compulsory Unitization Plan  
Pre-Hearing Conference and Hearing Rescheduled

Notice is hereby given that the Alaska Oil and Gas Conservation Commission (AOGCC) on its own motion has rescheduled to October 24, 1995, the hearing previously scheduled for September 11, 1995, to develop a plan for compulsory unitization of the Prudhoe Oil Pool, as provided by Conservation Order 360. The prehearing conference in this matter is rescheduled from September 5, 1995, to October 17, 1995. The hearing and pre-hearing conference will be held at 9:00 AM at the AOGCC office, 3001 Porcupine Drive, Anchorage, AK.

Upon written request, the hearing and pre-hearing conference may be postponed if, in the judgment of the Commission, the owners of the Prudhoe Oil Pool are working to integrate the separate and competing equities of the gas cap and oil rim within the Prudhoe Bay Unit.

If you are a person with a disability who may need a special accommodation, auxiliary aid or service, or alternative communication format in order to comment on the proposed action, please contact Diana Fleck at 279-1433 by 4:00 PM, October 10, 1995.

  
Tuckerman Babcock  
Commissioner

Published August 30 and August 31, 1995

**STATE OF ALASKA**  
**ALASKA OIL AND GAS CONSERVATION COMMISSION**  
**3001 Porcupine Drive**  
**Anchorage Alaska 99501-3192**

In the matters of: )  
)  
A hearing to review the plan of development )  
and operation and other agreements as they )  
affect Natural Gas Liquid (NGL) throughput, )  
Miscible Injectant (MI) utilization and ultimate )  
recovery from Prudhoe Bay; )  
)  
The Petition of ARCO Alaska, Inc., for a )  
ruling on maximization of NGL blending; and )  
)  
The Petition of BP Exploration (Alaska) Inc. )  
requesting action or an order after the Com- )  
mission's review of the plan of development )  
and operation and other agreements as they )  
affect NGL throughput, MI utilization and )  
ultimate recovery from Prudhoe Bay. )

**ORDER DENYING PHILLIPS PETROLEUM COMPANY'S**  
**APPLICATION FOR REHEARING OF CONSERVATION ORDER 360**

Phillips Petroleum Company ("Phillips") has applied for a rehearing with respect to Conservation Order 360 issued on August 9, 1995 ("Order"). Phillips has failed to show that the order is erroneous in any respect, and its application is therefore denied.

Contrary to Phillips' argument, the Commission's jurisdiction is not limited to the prevention of physical waste.<sup>1</sup> For example, AS 31.05.030(e)(6)—a provision not addressed by Phillips—authorizes the Commission to "regulate, for conservation purposes...the quantity and rate of the production of oil and gas from a well or property...." "Conservation purposes" include, at least, the purposes of preventing waste, insuring a greater ultimate recovery of oil and gas, and protecting correlative rights. See AS 31.05.030(d)(9) and 31.05.110(a). The Commission interprets

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<sup>1</sup>Moreover, Phillips interprets this term in an overly narrow way. The reference in AS 31.05.170(14)(A) to "good oil field engineering practices" does not mean that an operator must be violating good oil field engineering practices in order to be committing waste. That phrase acts as a qualification to the general rule that a method of operation which results in reducing the quantity of oil or gas to be recovered is wasteful: e.g., the failure to invest an additional billion dollars in pool development in order to recover one more barrel of oil is not wasteful, even though it literally reduces the quantity of oil to be recovered, because such an investment would not be in accordance with good oil field engineering practices.

AS 31.05 on the assumption that the legislature did not include superfluous or meaningless language, and consequently the concept of "insuring a greater ultimate recovery of oil and gas," while no doubt related to the concept of "preventing waste," is not identical to it.

In requiring maximum NGL blending through August 31, 1996, paragraph (1) of the Order regulates the quantity and rate of the production of oil and gas from Prudhoe Oil Pool wells for conservation purposes.

In claiming that the Order "does nothing to prevent" waste, and indeed that "maximum NGL blending will result in waste," Phillips ignores the limited duration of that portion of the Order regarding maximum NGL blending and its relationship to the Commission's findings and conclusions regarding unitization. The Commission believes that once the distorting effects of competitive equity interests are removed by complete unitization, the operators will likely be able to agree on a balance of MI and blendable NGLs that insures a greater ultimate recovery of oil and gas and prevents waste.<sup>2</sup> That course seems preferable to the Commission's imposition of a permanent rule based on a record in which the evidence and positions on the technical issues have been substantially driven by conflicting economic interests.

In the meantime, the Order is intended to minimize the likelihood of waste and of failing to insure greater ultimate recovery, while at the same time avoiding any impairment of correlative rights. That does not require that the Commission choose between two-dimensional and three-dimensional modeling, *see* Phillips Petroleum Company's Application for Rehearing ("Application") at 13, find that physical waste has occurred, *see id.* at 8, or believe or disbelieve the testimony of Dr. Jones, *see id.* at 14. It requires only that the Commission recognize that maximum NGL blending for a period of approximately one year will probably not adversely impact EOR recovery, while failure to maximize NGL blending during this period would result in the loss of some NGL production. That recognition is fully supported by the evidence and by the Commission's findings and conclusions. *See, e.g.*, Findings 54, 61, 66, 86, 87; Conclusions 13, 14, 15, 16. Phillips' factual claims in support of its argument that "maximum NGL blending will result in waste" are not justified by the record.

Phillips' arguments concerning Conservation Order 290 requires little discussion. No one questions that it would be preferable if the expectations presented to the Commission in the hearings leading to that order had been realized, and if there were no competition between MI and NGL production. Unfortunately, the present controversy does involve such competition and therefore demands, for the present at least, a decision that addresses such competition. Conclusion No. 5 in the present Order, however, reminds the working interest owners that neither maximum NGL blending as has been temporarily ordered, nor constrained NGL blending as had been imposed by BPXA at Skid 50, addresses the larger issue of fulfilling the expectations underlying Conservation Order 290.

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<sup>2</sup>It is true that such an outcome is not guaranteed, and that even after complete unitization the possibility of technical disagreement will remain. In that event the Commission may be compelled to resolve the disagreement on a more permanent basis.

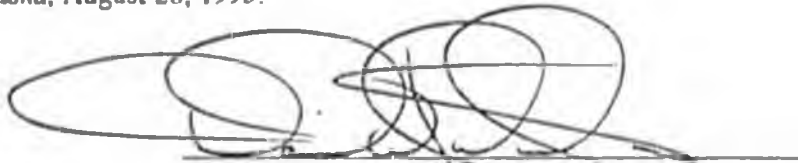
Finally, Phillips' attack on the Commission's authority to compel unitization of the equity interests in the Prudhoe Oil Pool is not persuasive. Phillips' premise, that there exists "an existing voluntary unit," is incorrect for purposes of AS 31.05.110.<sup>3</sup> In "a unit", within the meaning of AS 31.05.110, all of the interests in affected land are integrated, and each tract receives an allocated share of "all oil and gas produced from [the] unit area." (Emphasis supplied). The existing property regime for the Prudhoe Oil Pool might perhaps be viewed as two units, one covering the oil rim and one covering the gas cap, or it might be viewed as an arrangement that meets many but not all of the requirements for a unit, but it is not "a unit" for purposes of AS 31.05.110.

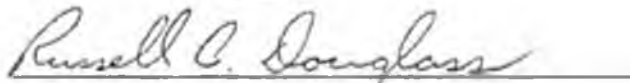
**THEREFORE, IT IS ORDERED BY THE COMMISSION THAT:**

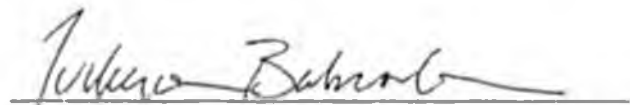
Phillips Petroleum Company's Application for Rehearing is denied.

DONE at Anchorage, Alaska, August 28, 1995.



  
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David W. Johnston, Chairman  
Alaska Oil and Gas Conservation Commission

  
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Russell A. Douglass, Commissioner  
Alaska Oil and Gas Conservation Commission

  
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Tuckerman Babcock, Commissioner  
Alaska Oil and Gas Conservation Commission

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<sup>3</sup> This does not affect whether a cooperative or unit plan exists for purposes of AS 38.05.180.

**STATE OF ALASKA  
ALASKA OIL AND GAS CONSERVATION COMMISSION  
3001 Porcupine Drive  
Anchorage Alaska 99501-3192**

In the matters of: )  
)  
A hearing to review the plan of development )  
and operation and other agreements as they )  
affect Natural Gas Liquid (NGL) throughput, )  
Miscible Injectant (MI) utilization and ultimate )  
recovery from Prudhoe Bay; )  
)  
The Petition of ARCO Alaska, Inc., for a )  
ruling on maximization of NGL blending; and )  
)  
The Petition of BP Exploration (Alaska) Inc. )  
requesting action or an order after the Com- )  
mission's review of the plan of development )  
and operation and other agreements as they )  
affect NGL throughput, MI utilization and )  
ultimate recovery from Prudhoe Bay. )

**ORDER RESCHEDULING HEARING**

The Commission has decided to reschedule the hearing that was previously scheduled to take place on September 11, 1995, to develop a plan for compulsory unitization of the Prudhoe Oil Pool, as provided by Conservation Order 360.


The Commission also wishes to clarify the nature of this hearing, since it appears from certain filings received in this matter that some confusion may exist on this question. Under AS 31.05.110(b), a petition to compel unitization of a pool may be filed by or with the Commission, followed by a hearing. The petition must be accompanied by a recommended plan of unitization. The Commission to this date has neither filed a petition to unitize the Prudhoe Oil Pool nor developed a recommended plan of unitization. The hearing now scheduled for October 24, 1995, is intended to enable the Commission to develop a recommended plan of unitization. After developing such a recommended plan, the Commission anticipates petitioning on its own motion for compulsory unitization (unless appropriate voluntary efforts are evident) and scheduling a hearing on that petition.

**IT IS ORDERED BY THE COMMISSION THAT:**

The hearing to develop a plan for compulsory unitization of the Prudhoe Oil Pool is rescheduled to 9:00 a.m., October 24, 1995, at the offices of the Commission, 3001 Porcupine Drive, Anchorage, Alaska. The prehearing conference in this matter is

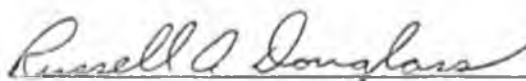
rescheduled to 9:00 a.m., October 17, 1995, at the same location. The deadline for written submittals referred to in paragraph 3 of Conservation Order 360 is unchanged from September 1, 1995.

DONE at Anchorage, Alaska, August 28, 1995.



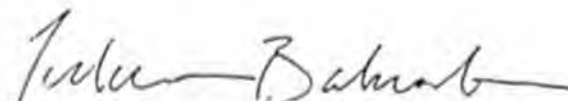
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David W. Johnston, Chairman  
Alaska Oil and Gas Conservation Commission



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Russell A. Douglass, Commissioner  
Alaska Oil and Gas Conservation Commission



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Tuckerman Babcock, Commissioner  
Alaska Oil and Gas Conservation Commission

**STATE OF ALASKA  
ALASKA OIL AND GAS CONSERVATION COMMISSION  
3001 Porcupine Drive  
Anchorage Alaska 99501-3192**

In the matters of: )  
)  
A hearing to review the plan of development )  
and operation and other agreements as they )  
affect Natural Gas Liquid (NGL) throughput, )  
Miscible Injectant (MI) utilization and ultimate )  
recovery from Prudhoe Bay; )  
)  
The Petition of ARCO Alaska, Inc., for a )  
ruling on maximization of NGL blending; and )  
)  
The Petition of BP Exploration (Alaska) Inc. )  
requesting action or an order after the Com- )  
mission's review of the plan of development )  
and operation and other agreements as they )  
affect NGL throughput, MI utilization and )  
ultimate recovery from Prudhoe Bay )

**RULING ON REQUESTS TO EXTEND TIME FOR FILING APPLICATIONS  
FOR REHEARING AND TO POSTPONE COMPULSORY UNITIZATION PLAN  
HEARING**

On August 28, 1995, the Commission received requests from BP Exploration (Alaska) Inc. ("BPXA") and Exxon Company, U.S.A. ("Exxon"), seeking to extend the time within which applications for rehearing may be filed under AS 31.05.080(a). The requested extensions, however, would apply to rehearing with respect to only certain portions of Conservation Order 360, not the entire order. Whether or not the Commission is authorized under AS 31.05.080(a) to grant piecemeal extensions, to do so would create potentially tangled problems concerning the appealability of the order and the deadlines for filing appeals. This is particularly true given the fact that Phillips Petroleum Company has already filed an application for rehearing and that the time for deciding its application expires today.

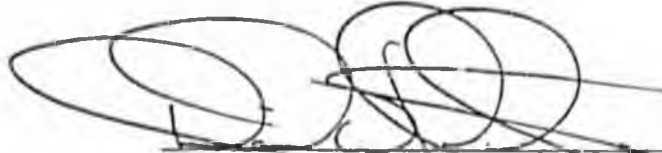
**IT IS ORDERED:**

For the reasons stated above, and for the reason that in a separate action today the Commission on its own motion is postponing the hearing referred to in Rule 2,

RULING ON REQUESTS TO EXTEND TIME FOR FILING APPLICATIONS FOR REHEARING AND  
TO POSTPONE COMPULSORY UNITIZATION PLAN HEARING  
PAGE 2

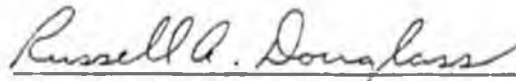
Conservation Order 360, thus effectively providing part of the relief sought by BPXA and Exxon, the requests of BPXA and Exxon are denied.

DONE at Anchorage, Alaska, August 28, 1995.



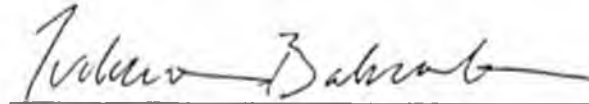
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David W. Johnston, Chairman  
Alaska Oil and Gas Conservation Commission



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Russell A. Douglass, Commissioner  
Alaska Oil and Gas Conservation Commission



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Tuckerman Babcock, Commissioner  
Alaska Oil and Gas Conservation Commission

**STATE OF ALASKA  
ALASKA OIL AND GAS CONSERVATION COMMISSION  
3001 Porcupine Drive  
Anchorage Alaska 99501-3192**

Re: THE APPLICATION OF ARCO ) Conservation Order No. 361  
ALASKA, INC. for an order granting )  
an exception to spacing requirements of ) ARCO Alaska Inc.  
Title 20 AAC 25.055 to provide for the ) Tabasco No. 1.  
drilling of the ARCO Tabasco No. 1 )  
development oil well. )

August 16, 1995

**IT APPEARING THAT:**

1. ARCO Alaska, Inc. submitted an application dated July 25, 1995 requesting exception to 20 AAC 25.055(a)(3) to allow drilling the ARCO Tabasco No 1 development oil well to an undefined oil pool in the Kupanuk River Unit to a producing location which is closer than 500 feet to a drilling unit boundary.
2. Notice of hearing was published in the Anchorage Daily News on July 29, 1995 pursuant to 20 AAC 25.540.
3. No protests to the application were received.

**FINDINGS:**

1. The ARCO Tabasco No. 1 well as proposed will be drilled as a deviated hole with a surface location of 240' from the south line and 556' from the west line of Section 1, T11N, R8E, Umiat Meridian (UM) and a bottomhole location of 90' from the north line and 893' from the east line of section 11, T11N, R8E, UM.
2. Offset owners BP Exploration (Alaska) Inc., Chevron U.S.A. Inc., Exxon Company U.S.A., Mobil Oil Corporation and Union Oil Company of California have been duly notified.
4. An exception to 20 AAC 25.055(a)(3) is necessary to allow drilling of this well.

**CONCLUSION:**

Granting a spacing exception to allow drilling of the ARCO Tabasco No. 1 well as proposed will not result in waste nor jeopardize correlative rights.

Conservation Order No. 361  
August 16, 1995

**NOW, THEREFORE, IT IS ORDERED:**

ARCO Alaska, Inc.'s application for exception to 20 AAC 25.055 for the purpose of drilling the Tabasco No. 1 well is approved as proposed.

DONE at Anchorage, Alaska and dated August 16, 1995.



*Russell C. Douglass*

Russell A. Douglass, Commissioner  
Alaska Oil and Gas Conservation Commission

*Tuckerman Babcock*

Tuckerman Babcock, Commissioner  
Alaska Oil and Gas Conservation Commission

AS 31.05 080 provides that within 20 days after receipt of written notice of the entry of an order, a person affected by it may file with the Commission application for rehearing. A request for rehearing must be received by 4:30 PM on the 23rd day following the date of the order, or next working day if a holiday or weekend, to be timely filed. The Commission shall grant or refuse the application in whole or in part within 10 days. The Commission can refuse an application by not acting on it within the 10-day period. An affected person has 30 days from the date the Commission refuses the application or mails (or otherwise distributes) an order upon rehearing, both being the final order of the Commission, to appeal the decision to superior Court. Where a request for rehearing is denied by nonaction of the Commission, the 30-day period for appeal to Superior Court runs from the date on which the request is deemed denied (i.e., 10th day after the application for rehearing was filed.)

**STATE OF ALASKA**  
**ALASKA OIL AND GAS CONSERVATION COMMISSION**  
**3001 Porcupine Drive**  
**Anchorage Alaska 99501-3192**

Re: **THE APPLICATION OF STEWART ) Conservation Order No. 359**  
**PETROLEUM COMPANY for an order )**  
granting an exception to the spacing ) **Stewart Petroleum Company**  
requirements of Title 20 AAC 25.055 ) **West McArthur River Unit No. 1A**  
for the Stewart West McArthur River Unit )  
No. 1A development oil well. ) **August 14, 1995**

**IT APPEARING THAT:**

1. Stewart Petroleum Company submitted an application dated July 10, 1995 requesting exception to 20 AAC 25.055(a)(3) to allow drilling the West McArthur River Unit No. 1A development oil well as the second well within a drilling unit to produce oil from the West McArthur River Oil Pool.
2. Notice of an opportunity of public hearing was published in the Anchorage Daily News on July 14, 1995 pursuant to 20 AAC 25.540.
3. No protests to the application were received.

**FINDINGS:**

1. Stewart Petroleum's West McArthur River Unit No. 1A well as proposed will be a deviated hole drilled from a surface location 2871' from the south line and 1351' from the west line of Section 16, T8N, R14W, Seward Meridian (SM) to a bottom-hole location 1793' from the north line and 1710' from the east line of Section 10, T8N, R14W, SM.
2. Offset owner Union Oil Company of California has been duly notified.
3. An exception to 20 AAC 25.055(a)(3) is necessary to bring this well into compliance with statewide rules governing well spacing and drilling units.

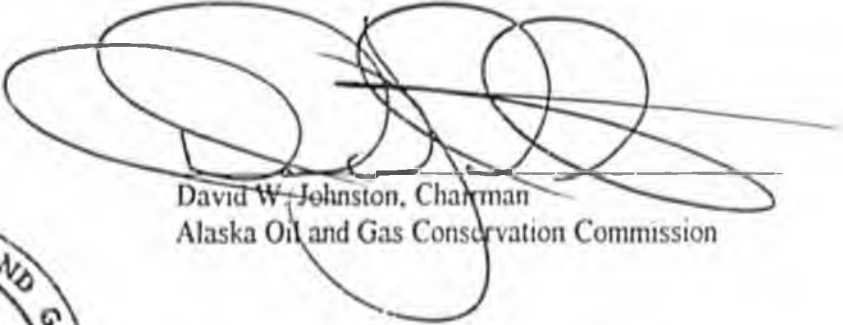
**CONCLUSION:**

Granting a spacing exception for the West McArthur River Unit No. 1A development oil well will not result in waste nor jeopardize correlative rights.

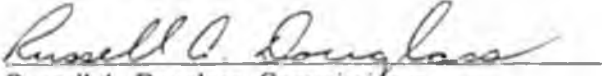
**NOW, THEREFORE, IT IS ORDERED:**

Stewart Petroleum Company's application for exception to 20 AAC 25.055 for the West McArthur River Unit No. 1A well is approved as proposed.

DONE at Anchorage, Alaska and dated August 14, 1995.



David W. Johnston, Chairman  
Alaska Oil and Gas Conservation Commission



Russell A. Douglass, Commissioner  
Alaska Oil and Gas Conservation Commission



Tuckerman P. Ibbcock, Commissioner  
Alaska Oil and Gas Conservation Commission

AS 31.05.080 provides that within 20 days after receipt of written notice of the entry of an order, a person affected by it may file with the Commission an application for rehearing. A request for rehearing must be received by 4:30 PM on the 23rd day following the date of the order, or next working day if a holiday or weekend, to be timely filed. The Commission shall grant or refuse the application in whole or in part within 10 days. The Commission can refuse an application by not acting on it within the 10-day period. An affected person has 30 days from the date the Commission refuses the application or mails (or otherwise distributes) an order upon rehearing, both being the final order of the Commission, to appeal the decision to Superior Court. Where a request for rehearing is denied by nonaction of the Commission, the 30-day period for appeal to Superior Court runs from the date on which the request is deemed denied (i.e., 10th day after the application for rehearing was filed).

## Notice of Public Hearing

### STATE OF ALASKA Alaska Oil and Gas Conservation Commission

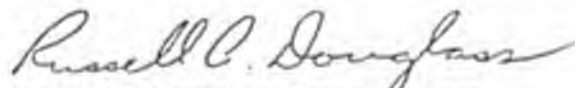
Re: The application of STEWART PETROLEUM COMPANY for exception to 20 AAC 25.055 to allow drilling the WEST McARTHUR RIVER UNIT No. 4 exploratory oil and gas well.

STEWART PETROLEUM COMPANY by letter dated August 23, 1995 has requested an exception to the provisions of 20 AAC 25.055(a)(2) & (3) for the drilling of an exploratory oil and gas well in the West McArthur River Unit, in the Cook Inlet.

The exception would allow Stewart Petroleum Company to directionally drill the West McArthur River Unit No. 4 exploratory well to a potentially gas productive location that is closer than 1500 feet from a section line. The well is also projected to encounter a secondary oil target within 500 feet of a quarter section line. The proposed surface location is 2026' from the south line and 1974' from the west line (FWL) of Section 16, T8N, R14W, Seward Meridian (SM) and the proposed bottom-hole location is 1088' from the north line and 200' FWL of Section 22, T8N, R14W, SM.

A person who may be harmed if the requested order is issued may file a written protest prior to 4:00 PM September 14, 1995 with the Alaska Oil and Gas Conservation Commission, 3001 Porcupine Drive, Anchorage, Alaska 99501, and request a hearing on the matter. If the protest is timely filed and raises a substantial and material issue crucial to the Commission's determination, a hearing on the matter will be held at the above address at 9:00 am on September 29, 1995 in conformance with 20 AAC 25.540. If a hearing is to be held, interested parties may confirm this by calling the Commission's office, (907) 279-1433 after September 14, 1995. If no protest is filed, the Commission will consider the issuance of the order without a hearing.

If you are a person with a disability who may need a special modification in order to comment or to attend the public hearing, please contact Diana Fleck at 279-1433 no later than September 25, 1995.



Russell A. Douglass, Commissioner  
Alaska Oil and Gas Conservation Commission

Published August 30, 1995

## NATURAL RESOURCES

### AOGA Briefing Paper Leasing Policy November, 1994

A predictable and dependable oil and gas leasing program is essential to the continued vitality of the oil industry in Alaska. Companies that might be interested in investing in Alaska need a dependable leasing program so that budgetary and manpower commitments can be made to effectively evaluate lease areas and prospects.

***Desired Action:*** *The Commissioner of Natural Resources, key managers of the Division of Oil and Gas, and industry representatives should jointly participate in a leasing policy work session to identify areas of agreement on ways to improve and strengthen the state's leasing program.*

**Benefit to State:** A predictable oil and gas leasing program allows the state, public, local governments and the industry to efficiently plan for oil and gas related activities and fiscal expenditures.

**Significance:** The future expenditure of exploration dollars and the drilling of exploration wells is dependent on the financial and logistical planning of lease sales within the state. Companies are competing on a worldwide basis for exploration dollars and a reliable and consistent leasing program will enable companies to evaluate opportunities in Alaska.

**Background:** The state has a Five-Year Leasing Program in place since 1979 and has held over 36 sales under this program. The sale areas are concentrated on the North Slope and Cook Inlet. There has been a rather hesitant leasing program in these areas over the last 9 years. This is in no way the states fault, in that external events have largely shaped when lease sales will occur. The strengthening of this program along with supplementing the system with exempt sales and a supplemental exempt system will allow for more options in making state lands available for leasing.

There is a window of opportunity for leasing in the different areas which is driven by the companies economics and the prospects available. To supplement the leasing program exempt sales should be offered to allow for no more than one year to pass between offerings in an area. In areas where bids are received exempt sales should be used to supplement the Five-Year Leasing Program.

An optimum leasing program would include a mix of successful policies and practices aimed at a goal of providing new leasing opportunities annually. The mix would include planned sales under the Five-Year Plan, supplemented by both *Annual Exempt Sales* and some form of *Supplemental Exempt Sales*.

The State's Five-Year Leasing Program is the cornerstone of oil and gas exploration in Alaska. A joint effort of the industry and the state in improving lines of communication with each other and the public about the implementation of SB 308 in planning and holding lease sales will benefit everyone.

Alaska's Leasing Program could be strengthened through the following:

- Areawide Best Interest Findings: *The preparation of Areawide Best Interest Findings would shorten the time and work now undertaken to hold a lease sale. The amendments to Title 38 will allow the use of an Areawide Best Interest Finding for Cook Inlet and North Slope. New and additional data would be addressed in sale specific Best Interest Findings (in which the Areawide Best Interest Finding would be incorporated by reference). Areawide findings are extensively used by the Department of Fish & Game, the federal Environmental Protection Agency, and other national management agencies, like the Forest Service and Bureau of Land Management*
- Exempt Oil and Gas Lease Sales: *To supplement the lease sale process in Cook Inlet and the North Slope, exempt sales should be offered in each area where recent leasing has occurred and where the industry shows an interest. A 2 to 3 year period is too long to go without offering a lease sale in areas where there is demonstrated interest. The goal should be a minimum of annual exempt sales.*
- Supplemental Exempt Lease Sales: *An addition to the statutory Five-Year Leasing Program would be a form of supplemental exempt lease sales held at industry request following the nomination of individual tracts or small numbers of tracts which have been previously offered for lease under the regular lease sale process and for which no bids were received. Following tract nominations, a 30-day public notice period would allow all interested parties to submit bids on the nominated tracts. 45 days after the tracts were originally nominated, bids would be opened and the tracts would be offered to the highest bidder.*
- Administration of State Leases: Unitization: *A model administration program would include agreement on more objective guidelines for establishment, expansion, contraction, and work commitments associated with state units. The move toward rationalized work commitments based on prudent practices will encourage early development and production.*

Schedule: The Five-Year Leasing Program is scheduled for release in January of 1995. Developing regulations for supplemental exempt sales could be done in conjunction with the legislative session.

**LAPP Resources Inc.**

4900 Sportsman Drive  
Anchorage, Alaska U.S.A.  
99502-4169

Telephone +1 (907) 248-7188

Facsimile +1 (907) 248-7278

September 11, 1995

Ms. Annette Kreitzer  
Senate Resources Committee  
Suite 540  
716 West Fourth Avenue  
Anchorage, AK 99501-2133

Dear Annette:

Thank you for conducting the last two work sessions on oil and gas statutes, regulations and the permitting process. I have received your FAX dated September 10 and would like to offer the following comment.

Page 2, Item 4 of the BIF/Permitting Report states that the smaller companies do not see much problem with a three-year (instead of five-year) time line on the State's leasing process. I believe that the Alaskan independents are still poorly served by even a three-year time line. We often cannot get the land which we want to explore included in a lease sale. When we find attractive land in a lease sale, we may not be able to secure enough of the play or prospect at any given sale to attract partners to form a larger joint venture.

As an illustration of the above, I enclose a real-world example of the difficulties encountered by my company in trying to get any previously-offered acreage from a specific area offered as an exempt sale or included in an upcoming sale. The earliest our preferred acreage could be included in a scheduled sale is July 1996 - Sale 85), and no guarantees then! What do we do in the meantime for three years???

A much more flexible and attractive leasing program, especially for smaller companies, would be an "over the counter" type leasing program on acreage offered but not awarded in previous sales. Notice the "not awarded" terminology will allow the State to offer even those tracts which received bids at previous sales, but were either not eventually awarded, or were awarded and later surrendered or forfeited.

Outside independents looking at Alaska as a possible exploration destination need to see that acreage is available at a reasonable cost within a reasonable time frame (measured in weeks or months, not years), to seriously consider that Alaska is truly "Open for Business".

Thank you.

Sincerely,



David W. Lappi  
President

---

**LAPP Resources Inc.**

4900 Sportsman Drive  
Anchorage, Alaska USA  
99502-4189

Telephone +1 (907) 248-7188

Facsimile +1 (907) 248-7278

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May 21, 1993

Division of Oil and Gas  
Alaska Department of Natural Resources  
3601 "C" Street, 13th Floor  
Anchorage, AK 99510-7034

Attn: Mr. James A. Eason - Director  
Re: Request for Additional Cook Inlet Lease Sale

Dear Mr. Eason:

LAPP Resources Inc. hereby requests the Department to schedule an additional lease sale as soon as possible in the Cook Inlet Basin within the area identified on the enclosed map. The proposed lease sale could be held pursuant to Alaska Statute 38.05.180 (d) or (w). If possible, the sale could be held in conjunction with Sale 78 in January, 1994. This would allow the State to take advantage of the considerable industry interest developed in the basin by the ARCO/Phillips information releases on their Sunfish discovery.

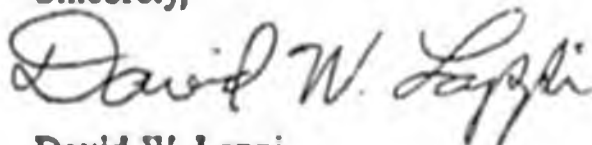
Our fresh evaluation of the Basin over the last year-and-a-half has identified this area as one of high potential and we look forward to exploring it over the coming years. We believe that this area contains significant undiscovered reserves (several hundred million barrels recoverable) that were overlooked during past exploration activities.

As early as the last half of 1993, when the sale for the above area is firmly scheduled, LAPP Resources Inc. and its partners will expend approximately \$300,000 on regional airborne geophysics, satellite studies, and subsurface geological studies to prepare for the sale. These new exploration data will help guide our bid preparation for these new leases and assist in locating economic reserves once we have obtained our acreage.

LAPP Resources realizes that some of this area has been available in Lease Sale 67A in 1991 and Sale 67A-W in 1993. LRI not active in Alaska during the 1991 Sale, and participated as an exercise in the January, 1993 Sale 67A-W, bidding on and winning one lease. We are now prepared to undertake a larger, multi-year exploration program aimed at establishing commercial hydrocarbon production in this area.

I would be pleased to meet with you to confidentially discuss our plans.

Sincerely,



David W. Lappi  
President

# STATE OF ALASKA

WALTER J. HICKEL, GOVERNOR

## DEPT. OF NATURAL RESOURCES

### DIVISION OF OIL AND GAS

P.O. BOX 107034  
ANCHORAGE, ALASKA 99510-7034  
PHONE: (907) 782-2553

June 17, 1993

David Lappi  
LAPP Resources Inc.  
4900 Sportsman Drive  
Anchorage, Alaska 99502-4169

Re: Nomination of acreage for proposed Sale 78 Cook Inlet

Dear Mr. Lappi:

The division of Oil and Gas appreciates your interest in the state's oil and gas leasing program and thanks you for your nomination. Unfortunately, we are unable to accede to your request for a separate oil and gas lease sale to be held concurrently with proposed Oil and Gas Lease Sale 78 (Cook Inlet), in January of 1994. There is insufficient time remaining before the sale date for this division to complete the necessary research and review and to adhere to the legal requirements. Nor is there enough time to attempt to include the acreage in Sale 78. To attempt to hold a sale concurrent with, or to include this acreage in proposed Sale 78 would mean delaying the sale six to eight weeks.

Under state law, the division must follow certain administrative procedures and adhere to prescribed schedules so as not to invite legal challenges and unneeded delays to our lease sales. As a result of our obligation to follow the law and to abide by regulations, the division's schedule may not always conform to a company's own individual requirements.

Regularly scheduled sales must be included on the state's five-year oil and gas leasing schedule for at least two years before the sale may be held. Sales exempt from this specific requirement, such as under AS 38.05.180(d), still require adequate public review and public notice, as well as a best interest finding under AS 38.05.035 and a coastal zone consistency determination under AS 44.19 (ACMP).

Exempt sales under AS 38.05.180(w) are functionally sales that re-offer lands included in oil and gas lease sales held within the last five years for which a best interest finding has already been issued. Sales under this statute can be exempted from the issuance of a new best interest finding if, after public review, the commissioner determines that no new information has been submitted that would require a revision of the existing best interest finding. This exemption, however, does not relieve the division of its responsibility for proper title review, soliciting substantive public comment and giving adequate public notice. An exempt oil and

gas lease sale of this type would require six to nine months of preparation depending on the information obtained during the comment periods.

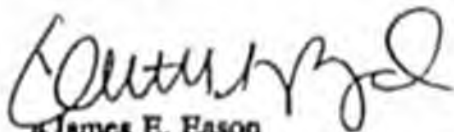
In reviewing your nomination it appears that AS 38.05.180(w) would not be applicable to most of the acreage you have nominated. A large portion of the acreage included in your nomination is currently under lease. Half of the unleased acreage indicated was not offered in either Sales 67A, 67A-W or 76 and therefore would not qualify under this exemption. This acreage would have to be offered under one of the other exemptions under AS 38.05.180(d) which are not exempted from a full public review and the issuance of a new best interest finding and consistency determination under ACMP. This process would require twelve to eighteen months of preparation, depending on the information obtained during the comment periods.

The balance of your nomination was offered in two oil and gas lease sales held just this last January. Acreage from Sale 67A-W was previously offered as recently as January 1991 in Sale 67A. DO&G has offered a total of four oil and gas lease sales within the Cook Inlet Basin in the last 30 months and is actively preparing for another three over the next three years. I believe that this division has done its best in providing industry with ample opportunities to acquire leases on lands within this region.

Because of this division's diminished manpower, adding another Cook Inlet exempt sale would require the deletion of one of the state's currently scheduled sales. Though the division is interested in leasing as much acreage as it can in the Cook Inlet Basin, it is obligated to the public interest and to industry to offer lands in other basins as well. Industry has devoted substantial time and resources to evaluating and preparing for these sales. I feel that it would be unreasonable to forego opportunities to offer acreage in other prospective areas in order to give some companies a third or fourth shot at the same acreage in the Cook Inlet. However the area you have nominated will be considered when the division selects acreage to be included in proposed Oil and Gas Lease Sale 85 (Cook Inlet), scheduled for offering in July 1996.

If you have any questions you may contact our Lease Sales Manager, Jim Hansen, at 762-2588.

Sincerely,



James E. Eason  
director

**CDOQ  
BRIEF.**

**3-1-95**

Juneau schedule for CDQ delegation

Wednesday, March 1, 1995

- 7:30 a.m.            Organizational breakfast  
*Coffee shop, Baranof Hotel*
- Morning            Free for individual appointments with legislators or  
other business  
(ADF&G's Citizens Advisory Committee on Federal  
Legislation Reauthorization will meet 9:30-noon at Fish  
and Game)
- 1:30-2:30 p.m.    House Finance Committee  
Chaired by Rep. Mark Hanley of Anchorage and Rep.  
Richard Foster of Nome  
*House Finance Room, Capitol Bldg., 5th floor*
- 3-3:15 p.m.        Gov. Tony Knowles  
*Governor's office, Capitol Bldg., 3rd floor*
- 3:30-4:15 p.m.    Senate Resources Committee  
Chaired by Sen. Loren Leman of Anchorage  
*Butrovich Room, Capitol Bldg., 2nd floor*
- 5-6 p.m.            House Special Committee on Fisheries  
Chaired by Rep. Alan Austerman of Kodiak  
*House Resources Room, Capitol Bldg., 1st floor*
- 6:30 p.m.           Legislative Seafood Reception  
Featuring:  
    Norton Sound king crab (Norton Sound Crab Co.)  
    Norton Sound king salmon (NSCC)  
    Rockfish fillets (YDFDA, Sahalee of Alaska)  
    Pollock fillets (NSEDC, Glacier Fish Co.)  
    Pink salmon fillets (NSEDC, Glacier Fish)  
    Cold smoked king salmon (NSEDC, Glacier Fish)  
*Silverbow Inn, 120 Second St., downtown Juneau*



## BRISTOL BAY PERMIT BROKERAGE AND SALMON FISHING PERMIT PRESERVATION PROGRAM

Salmon are the lifeblood of the region, because of the continuing slide in salmon prices, many fishermen face serious economic hardship and possible seizure and sale of their limited entry fishing permits by the IRS. BBEDC provides intervention, tax counseling and financial management training. As an intermediary between the IRS, loan institutions and permit holders, BBEDC has been effective in stopping the loss of permits due to IRS seizures and loan defaults. The Bristol Bay Permit Brokerage, Inc. was formed in early March, 1994 and is currently conducting business. The Brokerage assists with buying, selling, leasing and transferring of commercial fishing permits. The Brokerage manager, Bernice Heyano, also assists Bristol Bay residents who need assistance and advice with IRS tax obligations, boat loans or permit payments. BBEDC's goal is to help people keep their Bristol Bay permits and ensure that these permits stay in the region. Since the limited entry salmon fishing permit system was established by the State of Alaska in 1975, the Bristol Bay region has lost nearly one quarter of the permits to fishermen who live outside the region. Most Bay fishermen who sold their permits did so because of immediate economic need and having few liquid assets. The Brokerage currently has the following commercial fishing permits available: Bristol Bay drift permits 16, Bristol Bay set net permits 1, 3 other district permits, 6 boats, 1 skiff, as well as 2 herring seine packages.

## PRESIDENTS VISION

H.R. (Robin) Samuelson, Sr.,  
member North Pacific Fishery  
Management Council

"The Community Development Quota program offers a once in a lifetime opportunity for the Bay. We have seen good times and bad times in the local salmon and herring fisheries and recognize the need to diversify our local economy. While rich in salmon, our region is very shallow and icebound in winter, making it impractical to base Bering Sea vessels here. Through CDQ's, we can now participate in the nearby groundfish and crab fisheries for which we have not had the capital or infrastructure."

"Our experience has given us enough wisdom to realize that although the opportunities are endless, we must maintain a conservative approach. Our Board has adopted a careful approach, using the Alaska Seafood Investment Fund to invest in projects that will remain as sustainable development. We will still be here in ten years, in twenty years, providing jobs, training and local business development opportunities for the region. We are proud of the good start we have made, and are confident in our ability to make a real difference in the long term."

## Bristol Bay Economic Development Corporation



*"In order to promote economic growth within the Bristol Bay Region, it is the purpose of the Bristol Bay Economic Development Corporation to return maximum social and economic benefits to participating communities, using the resources of the Bering Sea."*



P.O. Box 1264  
Dillingham, AK 99576  
(907) 842-4370  
Fax (907) 842-4336



the CDQ Program

## BACKGROUND

Bristol Bay Economic Development Corporation (BBEDC) was established in 1992, to participate in the Community Development Quota program. The purpose of the CDQ program is to provide development to the economically depressed coastal communities of Western Alaska through access to fisheries resources from the Bering Sea. Jobs, economic development and educational opportunities are becoming a reality through this program.

The CDQ program allows coastal communities in Western Alaska to participate in the Bering Sea pollock fisheries by forming joint ventures with an existing fishing company to harvest, process and market their catch. BBEDC received 1.5% of the Bering Sea pollock annual allowable catch (20,289 metric tons of pollock in 1993) for the years 1992-1995. This was 20% of the quota available in the CDQ program.

The joint venture partner is Oceantrawl Inc., an Alaska corporation operating three large, state of the art surimi trawlers from corporate offices in Seattle. BBEDC and Oceantrawl are true partners, sharing in the profits and the risks. BBEDC receives 60% of the total profits from the CDQ quota pollock operations.

## JOBS

After two years of the program 144 people have been hired and 33 people have been promoted to better

positions and increased salaries on the Oceantrawl ships. A total of \$452,819.00 in factory trawl wages earned since 1992. An internship program has been established with Oceantrawl with 2 graduates. Those seeking employment in the region will find new opportunity's through the employment and internship programs. Oceantrawl and BBEDC have already exceeded their goal of employing 120 people by the end of 1995.

## VOCATIONAL/TECHNICAL TRAINING

"To date, BBEDC has provided basic and advance vocational/technical training to 232 residents of the Bristol Bay area." Basic and Advanced vocational/technical training are major parts of the BBEDC program. The Basic training offers disadvantaged individuals improved job skills in oral and written communications and comprehension, analytical skills, job interview skills and employee responsibilities. A cultural bridging component is also offered. The Adult Basic Education (ABE) Program is available to any person who is in need of a High School Diploma, needs counseling to further their education, improves basic educational and life skills, family literacy and will make an effort to hire local village people as instructors/tutors in the villages.

## SCHOLARSHIPS

BBEDC has also established a Scholarship Endowment using 10% of its CDQ revenues. Scholarships of up to \$10,000 are awarded annually on a competitive basis. These scholarships are awarded to full time Juniors, Seniors or Graduates in good standing at fully accredited universities. Applicants are not limited to specific fields of study, but those focusing on fields where employment is available in the region may be given preference. BBEDC granted \$60,000.00 in academic scholarships between 1992 and 1994. Between 1995 and 1996 BBEDC will grant another \$60,000.00 in academic scholarships.

## ALASKA SEAFOOD INVESTMENT FUND

ASIMCo., Inc. is the company that was formed by BBEDC to manage and operate as a corporation to engage in profit making businesses. ASIMCo., Inc. stands for Alaska Seafood Investment Management Company, Inc. BBEDC owns 80% of ASIMCo. and 20% is owned by Oceantrawl. BBEDC is a limited partner and is protected from lawsuits and financial liability through this business arrangement. The purpose of ASIMCo. is to enter into fish related businesses to diversify BBEDC's income stream so that we are not totally dependent on CDQ pollock to support our community development program. ASIMCo.'s board is made up of three BBEDC board members and two from Oceantrawl. An outside director will be selected by both BBEDC and Oceantrawl. A manager has been hired to get ASIMCo. on its feet and start evaluating a range of business prospects for possible investments for the board to consider.

## LOCAL FISHERIES DEVELOPMENT

BBEDC is working to develop the local fisheries economy through formulation and implementation of a regional fisheries development plan, active participation in fisheries management forums affecting the region, and technical assistance to local fishermen organizations. If funding allows, the corporation will also assist in financing critical fisheries infrastructure and purchase or financing of transferable fishing quotas for groundfish species in the North Pacific and Bering Sea.

## HALIBUT/SABLEFISH CDQ

BBEDC has been awarded a CDQ for halibut and sablefish in the Bering Sea / Aleutian Islands. Starting in 1995, BBEDC area residents will have the opportunity to be trained, and to participate, in the offshore longline fisheries of Alaska. This opportunity will allow BBEDC region residents to learn new skills, be paid crew and harvest shares for successful fishing and create an avenue for residents to break into other fishing operations.

# Going where work is

## Villagers find jobs on ships

By DANIELLE STEVENS  
Daily News business reporter

Thomas Chikitgak of Alakanuk doesn't want to leave his girlfriend and young child for three months of work on a factory ship in the Bering Sea. But there's not much work back home, and he's eager to earn money to support his family.

So on Tuesday, Chikitgak was

rendezvousing with some western

Alaska villagers at the Anchorage International Airport to head for the start of the winter fishing season.

"I'm excited and homesick at the same time. It's hard going out, but we decided it was (for) the best for the three of us," Chikitgak said. "Hopefully, I will be able to make some money ... to buy a bigger bed — a really big bed for the three of us."

Traditionally, the factory trawler fleets have been manned by recruits from the Lower 48. But under a four-year old Community Development Quota program, more and more western Alaskans are taking to the sea. That program vested associations representing more than 60 western Alaska villages with 7.5 percent of the harvest rights to Bering Sea pollock, the nation's biggest

## SEA: Villagers find work

Continued from Page D-1

tonnage fishery. Those associations are working in partnerships with various seafood companies.

The 44 recruits were headed for the ships of American Seafood Co. and Golden Alaska under a program organized with the Central Bering Sea Fishermen's Association and the Yukon Delta Fishery Development Association. It was the largest at-sea hiring of villagers yet, according to Donna Parker, a fisheries development official with the state.

The partnerships give people like Chikitgak an opportunity to work when jobs are scarce in many villages. After three months of work, Jacobs estimated the four dozen workers would collectively

make \$500,000.

The biggest recruiting success was in the village of Alakanuk, where about 20 percent of the village population signed up for ship work, said Ragnar Alstrom, a board member of the Yukon Delta association.

"People out there want to work," Alstrom said. "There was tremendous excitement in the village. One person almost cried because he wasn't in the first batch to go (to Anchorage). He was so afraid he'd miss this opportunity."

The North Pacific Fishery Management Council is considering proposals to extend the community development quota program to the late '90s at a meeting this week in Anchorage.

# The Nome Nugget

Alaska's Oldest Newspaper

• USPS 508-100 • Single Copy Price - 50 Cents in Nome •

VOLUME XCIV NO. 31 AUGUST 11, 1994

## CDQ starts UNK fish processing

By Thomas Bohn

A Unalakleet fish-processing plant is seeing real action for the first time in 14 years thanks to investment in the facility by Norton Sound Economic Development Corporation (NSEDC).

NSEDC is one of six Bering Strait region Community Development Quota (CDQ)-eligible corporations. The fish-processing plant, formerly used by Whitney Seafoods as a fish icing station, was upgraded to a processing facility by NSEDC to handle the harvests taken by an estimated 120 fishermen, 50 of whom are based in Unalakleet.

The converted processing plant is now employing 70 persons working three shifts on a production line where 10,000 pounds of fish are processed every hour.

"We've brought workers in from villages throughout the region," said Frank Johnson, managing director of the plant's operations. "NSEDC is renting a building from the local

Native corporation to house the workers we've brought in from as far away as Stebbins, Shaktoolik and St. Michael. It's an old bunk house... and we've even hired a couple of cooks to provide meals for the out-towners.

"We can't handle the rate of fish that are coming in, here, so some of our fish get shipped to Anchorage for custom processing. We're also working with a Japanese buyer for high-quality salmon roe.

"The CDQ program has really been a blessing to this region because before, no company was willing to invest in processing locally. So a lot went to waste. The facility we are now using served as an icing station for fish that were shipped to Anchorage.

"Unless the fish were shipped out, they had no value, and of course, that takes the money out of the community."

But with the money earned on harvests allotted to NSEDC through the

CDQ program, the local situation is beginning to change. As of last Friday 350,000 pounds of silver salmon had been processed in the Unalakleet plant.

Similar efforts are being pursued at NSEDC's Shaktoolik plant. The Shaktoolik facility is currently being expanded and prepared for fish-processing capability.

"The NSEDC approach is different than some of the other CDQ groups," said Eugene Asicksik, NSEDC's Shaktoolik project development manager. "Rather than just supply the fishermen with boats and equipment, we're attempting to provide them with self-drive by giving them

as many opportunities as possible.

"On the pink salmon season alone... June 27 - July 23, 77 participating fishermen caught 2,188,842 pink salmon, all of which were sold to the market NSEDC provided, Glacier Fish. That whole fishing

operation brought over \$400,000 to local economies in under one month."

Asicksik pointed out that everybody benefited from the purchasing power and coordination derived from NSEDC's organization.

NSEDC not only provides the fishermen with a market for their catch, they provide other services as well, opening up opportunities for small businesses.

"For example, I work with bulk  
*Continued on page 3*

### • CDQ

*Continued from page 1*

purchasing for the fishermen so that everybody benefits. Take netting as one example of bulk purchasing: I shop around with, say, seven or eight suppliers until I find the best quality netting at the cheapest price and I order it in bulk... I then deliver that bulk netting to local net hangers. They hang the nets and get to maintain service on those nets and the local fishermen have the opportunity, if they don't like the way the

net's been hung or if there's some defect or if they want some sort of customizing... they can go directly to those net hangers instead of having to work through the postal service.

"And if you calculate things out, by getting together and buying in bulk, we're cutting the price of netting to the fisherman almost in half and, at the same time, we're opening up new, localized economic opportunities."

said Nome Joint Utility System Manager Joe Murphy. "Five Council members were present, as well as the whole Utility Board, so the proposal was accepted unanimously and the

not approval.

Handeland also indicated that Operating Engineers Local 302 has been presented with a revised proposal and negotiations have been



# Pollock quota pays for fishing school

Young villagers from the Yukon delta learn to jig for rockfish in a program fueled by Community Development Quota money.

By Jool Gay  
Field Editor

**D**oug Horn sits quietly at the tiny galley table as skipper Sean Rhodes fixes dinner: boiled spaghetti, sauce from a jar, buttered bread, garlic salt. After two months at "fishing school" in Seward, Alaska — 400 miles and a world away from his home on the Yukon River delta — no doubt Horn, who is a Yup'ik Eskimo, would love a bit of dried whitefish and seal oil.

Outside, the aurora borealis has burned a green stripe across the evening sky. We brush our teeth on the deck of the 32' Arctic Chinook, weary from jigging for rockfish on the rim of the Gulf of Alaska. No one says much of a goodnight.

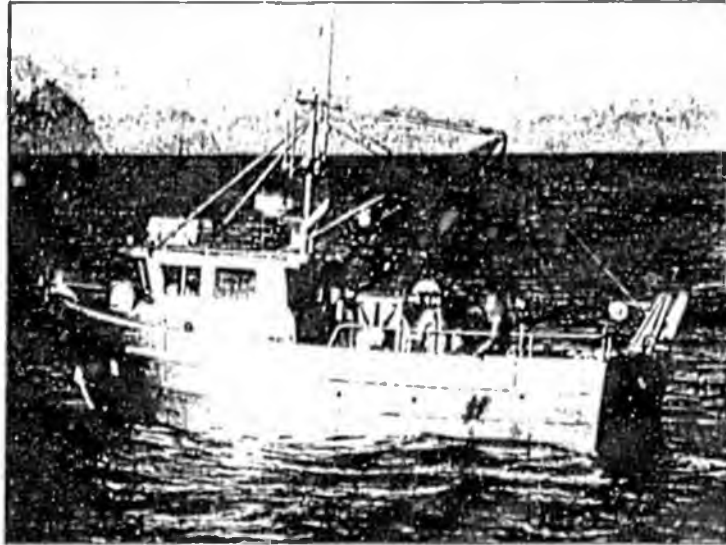
The next morning Horn says nothing as he ties spare jigging setups and stows lines. He's quiet when we set the gear, and he doesn't emit a single whoop when we get into fish so thick they rise to the surface like hungry trout, snapping at our hooks.

For three days Horn says almost nothing, though not surprisingly. The Yup'ik people are known for their taciturnity. It's hard to imagine Horn yelling and almost impossible to see him as a skipper. Yet that's what he's here for — to learn how to run a modern, small boat fishing operation on the Bering Sea.

He and a dozen other Yukon delta village residents spent five weeks last winter at the Alaska Vocational-Technical Center (AVTEC) in Seward learning the basics of longlining and jigging. They also studied boat safety and navigation, how to use loans and rebalck depth sounders, gear repair and more.

And last spring they were doing their internships: hunting for the wily rockfish, driving and docking the boat, learning about ocean currents and marine weather, filling out forms for the National Marine Fisheries Service. No doubt they have memorized Rhodes' famous spaghetti dinner recipe. And though it's not on the curriculum, perhaps someone will teach Horn to yell.

The classes and fishing are part of an innovative program launched by the Com-



An aluminum 32-footer set up with DNG jigging machines is the on-site classroom. The setting is pristine Resurrection Bay, near Seward.

munity Development Quota (see box, p. 17). "The consensus in our region was to form a fishing company and get our guys fishing," says Ed Gistfeldt, executive director of one of the Yukon Delta Fisheries Development Association (YDFDA).

YDFDA bought or leased three boats last year and started them immediately, plowing the proceeds back into the association for additional community development work. Over the winter, the group bought six specially designed 32-footers from Kvichak Marine (see *MF*, June '94, p. 36), including the Arctic Chinook.

But it takes skilled workers on shore to keep a fleet going, and YDFDA ordered two more Kvichak "Bering Sea 32s" in kit form, to be built by village students in AVTEC's welding classes. In addition to learning welding, they will help install all the mechanical, hydraulic and electrical systems. The class has also built a Yukon River skiff, and plans are underway to build a small repair shop in the delta region.

Fishing class graduates become deckhands on the Arctic Chinook and other YDFDA vessels, and eventually the deckhands can become skippers. This fall, Gistfeldt said,

the students with the most promise can start buying the Kvichak boats from YDFDA. "Idyllic Classroom"

Driving out of Seward on a bright spring afternoon, it's hard to imagine a more idyllic classroom. Resurrection Bay is flat calm, and whales' spouts punctuate the scenery. Glaciers pour around the sharp peaks of the Harding Icefield west of us like beer foaming through a broken bottle. This coastline is so staggeringly beautiful that it is now Kenai Fjords National Park, and tourists pay \$50 apiece for a half-day visit on tour boats.

But where mountains drop precipitously into the sea is also rockfish territory. Our target, black rockfish (*Sebastes melanops*), cluster in 20 to 80 fathoms along the submerged ridges and rubble that extend off the mainland and around numerous islands. A mile away the water can be 200 fathoms deep.

It's almost sundown by the time we reach No Name Island, a 150' high boulder frozen as it leaps from the sea. Rhodes slows the boat to an idle, and Horn sets up the gear. The boat was rigged with four electric DNG C-5000 machines mounted on davits, but we can fish only three or we tangle ferociously.

A jig set up consists of a 4-lb cylindrical lead weight attached by swivel to a leader of 150-lb-test monofilament. Every fathom or so along the leader, Horn ties a "jigging knot," which works like a bowline on a high. He ties six of them, leaving the loops 6" to 8" long, onto which he threads a commercial jig hook. The set up attaches by swivel to 300-lb-test mono or woven Kevlar line on the reel, so that when we hang up in the rocks — which happens all too often — the line breaks somewhere along the leader rather than at the speed.

Over the setups go, but carefully. Six sharp hooks attached to stiff, 150-lb mono line make an untidy pile, and Horn drops each hook in sequence.

"There's lots of cycling, looking for fish, trying to figure out where you are," Rhodes says as he stares intently into his depth sounder. We vector across a submerged ridge, pushed by wind and tide, and our 18 hooks slide through what the sounder says is a school of rockfish. The machines stay quiet, however.

Top of the line jigging machines, whether hydraulic or electric, spool out until the sinker hits bottom, then reel in a set amount and begin jigging automatically. The operator can adjust all parameters, such as how far off the bottom to jig and the height of the jigging motion itself. These DNGs whir and hum and beep as they go through their paces.

The machines also sense when a fish hits, and when enough fish are hooked, they retract automatically, keeping all the way. These are the sounds Horn and Rhodes want to hear — the soft, mechanical beep of fish hitting the hooks, the whisper of line spooling onto the reel. But on this first drift they remain as quiet as Horn himself. Rhodes



## How the CDQ program works

To coastal residents of the Bering Sea, the Magnuson Act seemed to make little difference. For decades, huge and hungry factory vessels had taken what they wanted and whether they hailed from Seattle or Vladivostok mattered not a whit to the people of Emmonak, Elm and Eek.

But in fact, Magnuson was a turning point even for villagers in Eek because after 1976 the North Pacific fisheries were managed out of Anchorage. It didn't take long before Bering Sea residents were at every council meeting, demanding a share of the richest fishery in the world.

Last year they got what they wanted. The Community Development Quota (CDQ) program gives coastal villages 7.5% of the Bering Sea pollock quota — about 100,000 mt, worth \$200 million a year.

The CDQs are part of the highly controversial amendment giving shoreside processors a fixed percentage of the Bering Sea pollock quota. The entire amendment was approved as a stop-gap measure while the North Pacific Fishery Management Council adopts a broad new management regime. Both the shoreside allocation and the CDQ program expire after 1995, but advocates are hoping pollock CDQs extend into the future and that

**CDQs give coastal villages 7.5% of the Bering Sea pollock quota — worth \$200 million a year.**

Typ: \$20 million a year

the program expands to include other species.

The quota is set aside for 60-odd Bering Sea villages, which coalesced into six regional groups and wrote their own plans for economic development. Some regions have used their pollock quota directly,

putting village residents on board factory trawlers and bringing home their wages. Others have sold their quota and built processing plants or boats. One has talked about starting a cattle ranch and slaughterhouse on the Aleutian Chain to feed meat-hungry processing hands in Dutch Harbor. Their plans require prior approval of the state and federal governments and the projects are audited annually.

The program has made a palpable difference in western Alaska, says Henry Mitchell, director of the Bering Sea Fishermen's Association and an architect of the CDQ plan. The region has historically suffered from poverty, suicide and alcohol abuse, "a real malaise because there was no opportunity," he says. "In my 14 years working with these people I've never seen the amount of excitement that occurred" when the CDQ programs began. "There's a whole new spirit out there."

— J.G.

finally breaks the lull. "OK, reel 'em in."

The machines aren't infallible, however, and four black rockfish, often but incorrectly known as black seabass, come over the rail. Averaging 4 lbs. apiece, they are dark gray on top, lighter on the bottom, with big black eyes rimmed in gold and heavily spined — a noble-looking fish but for the pink air bladders popping out of their mouths.

For two hours we circle and drift, and by the time we quit in the fading darkness we have 45 fish reeled in the hold, including one gorgeous 10-lb. red rockfish (*S. talarum*), with a huge mouth and skin the color of cooked lobster.

Rockfish, of which there are more than 50 species in the North Pacific, are generally a slow-growing, long-lived fish. Fearing that high prices and the increasing popularity of jigging machines could wipe out the stocks around individual underwater pillars and ridges, the Alaska Department of Fish and Game put a 4,000-lb. trip limit on rockfish in the central Gulf region.

Figure 4 lbs. apiece and that's 1,000 fish we must catch before we return home. Only 955 to go. We'll get 4½ lbs., regardless of the species.

In the morning, after Cap'n Crunch, Pop Tarts and tea, we drive farther offshore, to the Chiswell Islands, and join another

YDFDA jigging boat, the 48' Hoquatam winner Nakat. On board are hired skipper Robert Hanson and two more students from the Yukon delta, Ted Hamilton and Richard Weaver. There is friendly competition between the boats, but also cooperation, and Rhodes and Hanson radio frequently to share information.

Fishing is spotty. Sometimes the hooks come up blank, sometimes full. But every now and again the fish go nuts, filling every hook and then following the set-up to the surface. After shaking the fish off the hooks we return the gear to the water and hand jig momentarily, catching fish we can see.

"C'mon, come on," Rhodes implores, "take it, take it!" And sure enough another fish or two bite. Horn is no less excited, just quieter, as if conserving his energy for something more useful.

The bite ends as quickly as it began, and soon we reel up and start over. A good drift might yield 50 fish, but by mid-morning we're down to six or eight. We decide to explore while the Nakat stays put. We're treated to spectacular views of glaciers and dramatic islands, but the Nakat catches more fish.

The Arctic Chinook is a spartan boat, built for no more than three. But it's new and comfortable — a little too new, perhaps. It lacks the touches of a lived-in boat, like a drying rack and clothes pins over the oil stove, a collection of beat-up magazines and mismatched silverware.

Kvichak Marine designed this boat for the Bering Sea coast, with a deeper V, thicker keel, and different deck layout than its Bristol Bay boats. It packs 15,000 lbs. and is piped for refrigeration and, with a 350-hp. Eγγστ 6108, has plenty of power. Rhodes likes the feel and the steering and looks forward to May, when he and Hanson will drive the Arctic Chinook and the Nakat from Seward to Dutch Harbor, that marks the start of graduate school for the fledgling fishermen from the Yukon River delta.

There they will meet the rest of the Kvichak Marine fleet, barged up from Seat-



In operation, the jigging machines spool out line until the sinker hits bottom, then begin jigging automatically. The Arctic Chinook is one of several 32-footers built for the Yukon Delta Fisheries Development Association by Kvichak Marine in Seattle.

tle. First they will jig for Pacific cod, thanks to a new jig-only allocation made recently by the North Pacific Fishery Management Council. It's not part of the CDQ program, but rather a response to the high halibut bycatch of cod longliners and trawlers. Jiggers will get 2% of the Bering Sea total, about 3,800 mt.

Next comes the early June halibut opening, which requires longline gear. By July 1, the YDFDA fleet will be in Norton Sound for the opening of a small red king crab fishery. State "superexclusive registration" virtually prohibits the big Bering Sea boats from participating, which leaves about 350,000 lbs. for coastal fishermen. After that, more cod and halibut, and then start planning for the following spring.

"It's going to be a busy summer," says Hanson. "But that's the way it's gotta be if these boats are going to make money."

Horn nods in agreement.

11

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## BUYS BERING FUTURES

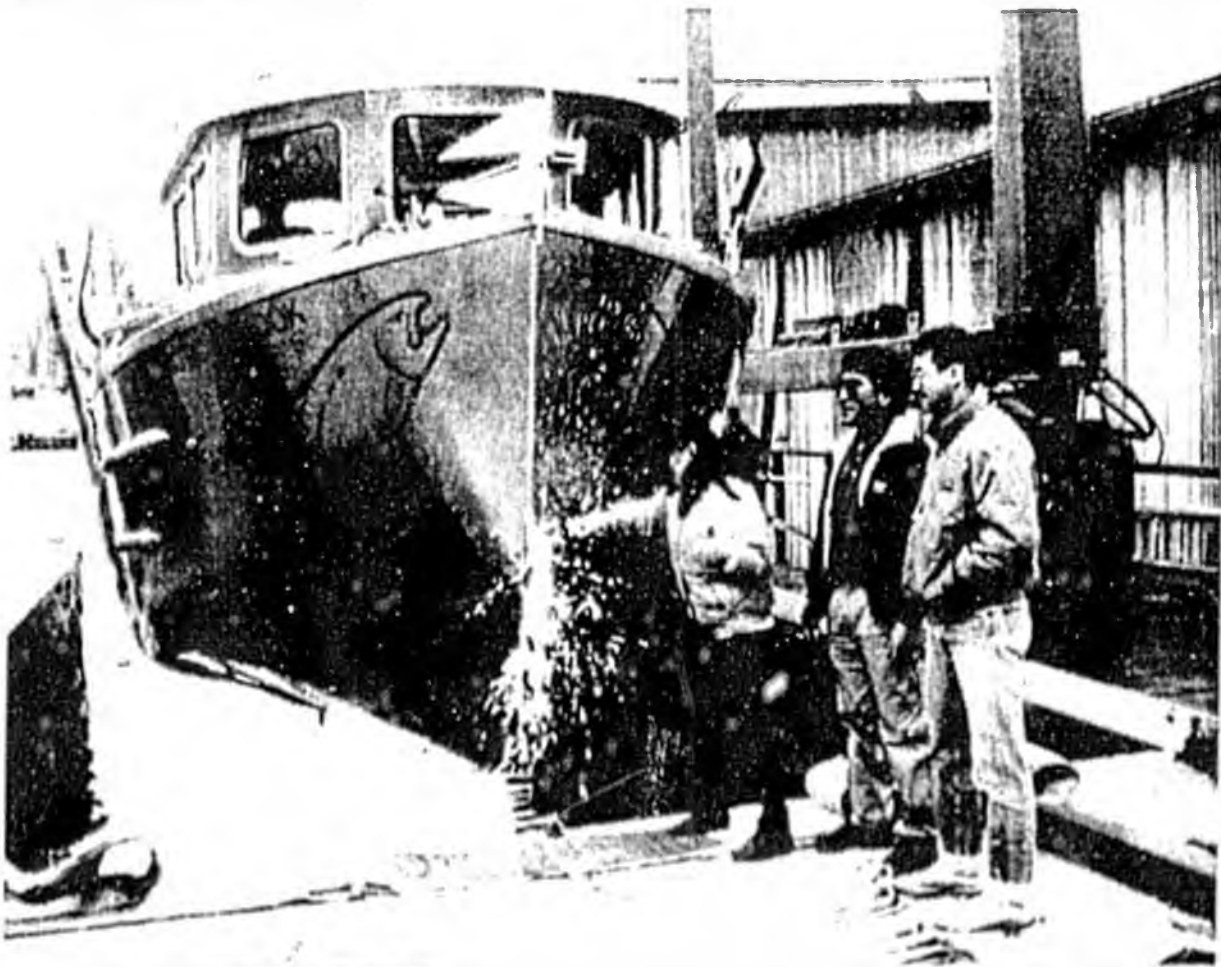
*A new fleet starts up*

**T**he Seattle weatherman was predicting snow for the launching party but that didn't bother the folks milling around the travelift where a brand new aluminum 32-footer sat in the straps. Most of the audience had grown up along the Bering Sea and were getting a kick out of Seattle's media madness over the prospect of a few inches of February snow.

The mood was upbeat as the group gathered for the christening.

*Laurie Murphy does the honors while Bill Charles and Ragnar Alstrom look on. (Photos by Bill Rudolph)*

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"It's good for everybody," said an ebullient Ed Glotfelty, turning up his collar against the wind. Glotfelty heads the Yukon Delta Fisheries Development Association, sponsor and coordinator of the project. The boats were built from funds set aside by large-scale Bering Sea harvesters to be used by various village groups to expand their local economies.

Keith Whittemore, president of Kvichak Marine, look pleased, too. His company was building five boats for Glotfelty's group. Kvichak stirred interest at last year's Fish Expo, when it

showcased its new model, the first of three boats built for the Aleutian Pribilof Community Development Association.

Three young men from the Yukon Delta group spent the winter at Kvichak's Seattle yard, where they learned boatbuilding and impressed Kvichak personnel with their good humor and quickness. Twelve more students will be putting together kit versions of the 32-footer at the Alaska Vocational Technical Training Center in Seward.

The Yupik Eskimo CIQ group will soon have a small, versatile fleet to work their waters—shaking herring, potfishing for crab, longlining halibut, jigging for cod.

With three benches in the fore-cabin and a wider pilothouse than the

version built for the Bering Sea CIQ group, the Arctic Chinook will roam from the roe grounds off Seward to Norton Sound. It's powered by a 350 hp. Luger 6100 through a Twin Disc gear.

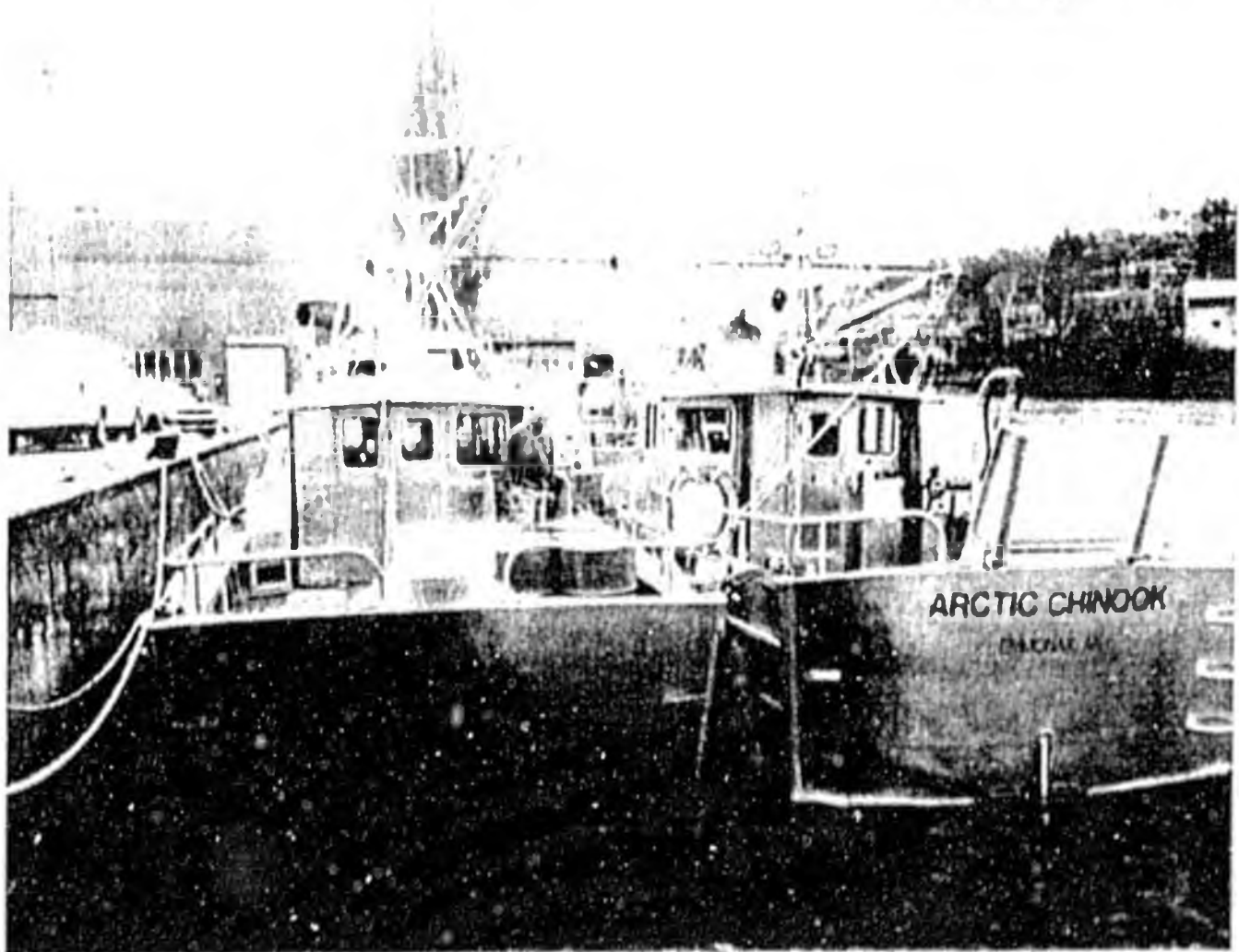
Laurie Murphy smashed a bottle across the bow and the gleaming vessel was lowered into the water. After a few minutes at the dock to check for leaks, the boat was spinning doughnuts around the canal with a deckload of enthusiastic Alaskans.

—Bill Rudolph



Tony Redfox spent the winter learning boatbuilding at Kvichak

New 32 footers get the finishing touches before being barged to CIQs



# Atka changing, striving for economic stability

By Vera Obeso  
Fisherman staff

Dutch Harbor Fishermen  
6/9/94

Two brand new 32-foot longliners passed through Unalaska last week on their way to Atka, the westernmost fishing community in Alaska's Aleutian Islands. They will be tying up alongside a brand new floating dock and delivering to a processing plant operated by Atka Pride Seafoods, a joint venture corporation formed just last week.

The tiny community of Atka is changing rapidly as it struggles to achieve economic stability.

The Aleutian Pribilof Island Community Development Association purchased three of

the little aluminum boats as part of an ambitious community development project revived by Community Development Quota dollars. The vessels were developed by Alvin Merculief, an APICDA board member from St. George Island, and built by Kvichak Marine in Seattle. The boats are very versatile and can be used to longline for halibut, jig for cod, gillnet for herring, and pot fish for crab.

Total cost for the three vessels, including electronics, gear, and transport from Seattle to Atka, was about \$500,000. Two of the boats will be operated by Atkans Ronald Snigaroff and Nick Dirks. The third vessel, which arrived at the island earlier this spring, will

be run by Ronald Dushkin from Nikolski.

APICDA is one of six regional groups formed as a result of the CDQs, which were created to ensure that Western Alaska Natives benefit from fisheries resources in the Bering Sea. The CDQ groups formed partnerships with established fishing vessels and seafood plants to harvest their allocated share of the Bering Sea pollock quota, which amounted to 7.5 percent in 1993. APICDA represents the communities of Atka, Akutan, False Pass, Nelson Lagoon, Nikolski, St. George and Unalaska.

APICDA also provided Atka with \$200,000 to purchase a floating dock for the harbor near the village. The dock began ser-

vice a little over a month ago and will allow fishermen to deliver their catches without having to beach their fishing vessels.

"It's an ingenious dock," said Larry Cotter of Pacific Associates, a Juneau-based consulting firm which provides professional services to APICDA. "Each section can also be separated and used as a barge to transport goods."

Cotter says that each of the three sections, measuring about 21 feet by 12 feet, have already transported much freight from cargo trappers to shore in preparation for the halibut season. They can also be hauled up onto the beaches during the winter.

The floating dock is actually only a tem-

See Atka, page 3

## Atka ...

From page 1

porary solution for Atka fishermen. A permanent multipurpose dock at Nazan Bay has been number one on the city's list of economic development projects for 10 years. But it was not until recently that the city began to seriously look for funds to construct the facility, which is expected to cost more than \$3 million.

Atka City Administrator Mary Schultheis said that the steel and concrete dock will provide marine access for the villagers of Atka as well as support services, such as water, fuel, and crew change facilities, for the western Aleutian fishing fleet. She hopes dock construction will start in 1995 and is working hard to raise enough funds to make the project a reality. "For Atka, credibility is a real issue," she said. "It's a small community. People question our ability to raise money."

The city received a \$50,000 municipal grant from the state for dock design in 1992, said Snigaroff. He has asked the state to

provide them with an additional \$300,000 this year for dock construction. APICDA set aside \$500,000 for the project earlier this year.

The city is also hoping to receive \$25,000 from the state for the engineering and design of a water system for the dock. "After the dock is constructed, we hope to develop water service and provide fueling for the small boats," said Schultheis.

Either dock gives fishermen easier access to the small processing facility on the island, which is also undergoing many changes. A \$400,000 grant from the Economic Development Authority helped the newly formed Atka Fisherman's Association construct the plant in 1989, said Cotter. Atka Pride Seafoods, which incorporated just this week, will be operating the plant this summer. "The idea is to provide a stable economic base in Atka," said Cotter.

Last year, said Cotter, the Atka plant processed about 22,000 pounds of halibut, which amounts to two full trips for the diminutive new aluminum longliners. With the restructuring of the halibut fishery for 1994, Cotter hopes that the boats will be able to bring in about

200,000 to 300,000 pounds of halibut this summer. To encourage a local fishery, the International Pacific Halibut Commission has set aside 15 percent of the area 4B quota for 12-hour openings each day. The openings have a trip limit of 10,000.

In 1995, said Cotter, when the halibut and sablefish CDQ begins, Atkans will have about 450,000 pounds available for harvest in area 4B, 20 percent of the area's harvest limit.

According to Michael Snigaroff, Mayor of Atka, the city "suffers from chronic under and unemployment and exceedingly low household income compared to other communities in the Aleutian/Pribilof Region." He says that the only full-time jobs are associated with the school. Fisheries provide villagers with a source of income but are seasonal.

"Without a new dock and new employment and business opportunities, there is a very real danger that Atka will cease to exist as a community in the long run as young people leave the village to seek opportunities elsewhere," he wrote in a letter to Sen. George Sacko asking for State support.