

ALFONSO BERTOLINI COLLEGE 1972

8963 SENATE RESOURCES

At approximately 1:30 hours, the ARPA helicopter landed at the Muddy Creek site #102. Ed Crain, the ARPA biologist, proceeded to the snare area, followed by Haber and the one of the news crew. Crain requested Haber and the news crew to remain at their helicopter, but they refused. Crain, a firearms safety instructor, said he was very concerned with conditions and people around him and didn't want a firearm accident or a accidental discharge, so he loaded the .22 magnum revolver with one cartridge at a time. When the camera's, he was nervous and was trying to focus on the top. Crain approached the first wolf which was caught by the leg. The wolf stance gave him a frontal shot and he shot the wolf between the eyes. Crain said he could see he had hit right where he had aimed and was surprised when the wolf did not fall. He claimed he was now obviously very nervous and wrongfully recalled the cylinder for the second shot, causing a mistake. He reported that the cylinder and fired the second shot at the rear of the skull. This sound entered below the ear and traveled approximately three inches toward into the neck. Crain chambered another round at. Ed and again at the rear of the skull, apparently missing as no entry holes or bullet were found. When the wolf did not react, Crain then shot the wolf in the head/neck area, as he said this was a quick and effective way to kill wolves. When this did not kill the animal, Crain returned to the helicopter and got the .22 magnum ammunition. Crain returned to the first wolf, loaded a .22 magnum round and fired into the head, killing the animal. He then proceeded to the other two wolves dispatching each of them with a single shot. The wolves were then transported out of the area.

## FIREARM AND AMMUNITION TESTING

The revolver and remaining ammunition used on November 23, 1994, was submitted to the Department of Public Safety Scientific Crime Detection Laboratory for examination. The testing of the firearm and ammunition revealed two significant facts. The mismatching of the ammunition to the firearm and the barrel length of the revolver adversely affected the performance of the ammunition. The use of .22 long rifle ammunition in a .22 magnum cylinder resulted in poor ballistic performance. The smaller .22 long rifle cartridge fails to fill the interior space of the larger .22 magnum chamber. When fired, a substantial portion of the propellant gasses leaks by the bullet and the cartridge case will usually split. This leaking of the gasses and splitting of the cartridge reduces the energy used to propel the bullet.

The short four inch barrel of the revolver prevents the chambered cartridge from reaching its full potential. The ammunition companies rate their .22 ammunition performance in rifle length barrels. When fired from a shorter barrel, the bullet emerges from the gun before it can reach full speed. In addition, the advantage of the .22 magnum over the .22 long rifle ammunition is lost when the barrel length is shortened to handgun dimensions.

Test results revealed the ballistic performance of the revolver and the ammunition were as followed:

<u>Ammo</u>	<u>Energy 210'</u>	<u>Published Muzzle Energy</u>
.22 Long Rifle	24.5 ft. lbs.	217 ft. lbs.
.22 Magnum	31.5 ft. lbs.	300 ft. lbs.

\* Published Ballistics are for rifle length firearms.

Weather conditions and temperature can adversely affect the performance but was not factored in the above tests.

## NECROPSY

The wolf carcass from the November 23, 1994, incident was examined by the State Veterinarian, DVM Gore on December 19, 94. The examination summary indicates there were four wounds on the carcass. The fatal shot was from the .22 magnum that penetrated the skull, entered the brain, and exited below and behind the right ear.

The initial shot fired by Crain would have proven fatal had the bullet penetrated the internal frontal bone and entered the brain. The remaining two shots caused muscle damage but would not have been fatal.

Laboratory findings indicate that in order to ensure quick and humane dispatching of animals, the proper combination of firearms, ammunition, and accurate shot placement, is required.

Submitted by: Sen. Bert Sharp

# Alaska State Legislature

SENATOR  
BERT SHARP

DISTRICT 9

CHAIRMAN  
SENATE STATE AFFAIRS COMMITTEE

MEMBER  
FINANCE COMMITTEE  
ALLES COMMITTEE

LEGISLATIVE  
COUNCIL  
STATE OF ALASKA  
SARASOTA, FLORIDA  
1978  
LEGISLATIVE  
COUNCIL  
STATE OF ALASKA  
SARASOTA, FLORIDA  
1978

SENATE

Department of Fish and Game's Program Review Committee (PRC) indicates that they recommend business as usual - managing people not the resource.

MEMORANDUM

STATE OF ALASKA  
DEPARTMENT OF FISH AND GAME

TO: Wayne Regelin  
Acting Director  
Division of Wildlife Conservation

DATE: December 13, 1994

FROM: PRC Members

SUBJECT: Recommendations on  
Wolf Management

The PRC (minus Peterson and Pitcher) met December 13 to discuss wolf management issues. Members present reached consensus on several recommendations for your consideration. We did not reach consensus on one recommendation; minority reports on that point are included below.

Recommendations:

1. In future deliberations regarding wolf control, the department should provide an objective analysis of the benefits and costs of wolf control and management other options. The department should not advocate for or against wolf control.

2. The majority of the PRC (3 members) believe DWC should recommend continued suspension of wolf control until the governor's review process is complete. Two minority views on this recommendation follow:

Minority view #1: The potential negative consequences of a decision by this group to recommend continued suspension of the 20A control program may be far greater than any potential positive effects of making such a recommendation on our professional credibility. The responsible action would have been to objectively consider all reasonable alternatives, including continued suspension, and to identify the potential costs, benefits and/or liabilities associated with recommendations regarding each alternative prior to making a decision. To make recommendation #2 without following the process outlined above is reactionary and ill advised. (2 Members)

Minority view #2: Regardless of the merits of continued suspension to future discussion and resolution of the controversy over wolf control, recommendation #2 conflicts with Recommendation #1. If the division is to remain neutral on wolf control as called for in #1, it is contradictory to take any position regarding the existing program in GM 20A. (1 Member)

December 15, 1994

3. An impartial review of the state's wolf management policies and programs should be conducted.

4. A credible survey of Alaska public attitudes is essential to developing a balanced statewide wolf management policy.

5. The current Board of Game decision-making processes are not producing broadly supportable, sustainable wolf management policies. We recommend that those processes be reviewed.

If you need elaboration on any of the points, please feel free to contact any of us individually.

cc:

PRC Members

MAR 7 1955

Ed Gelvin  
PO Box 108  
Central, AK 99730  
April 3, 1995

Loren Harrison, Chairman  
Senate Resources Committee

Dear Sir:

I am writing in support of SB # 81. It's good to see that people in the bush may get some relief from the very low moose populations. Many of my friends and neighbors have gone without moose on a regular basis for a good number of years. And there is no excuse for it. I have lived in this area for over 40 years. Two or three decades ago, there were 50 moose where there is only one now. I have hunted, guided, and trapped all these years and I know what goes on out there.

This winter - Nov., Dec., Jan. - I kept track of two packs of wolves containing

11 in one pack and 10 in the other. I managed to trap 3 so far. Each pack killed about 25 moose and that is just the ones I was able to find.

A year past, aerial shooting was just enough to keep the wolves in check so we had a fairly stable moose population. Since it has been illegal to shoot from aircraft, the moose have steadily declined.

It is downright criminal the state has treated its citizens like this. The solution is simple but until you stop listening to the emotionally disturbed, opinion writers, and self-proclaimed biologists, and the scare tactics to tourists, nothing is going to change.

Senate Bill # 81 will help and I hope it passes.

Sincerely -

Ed Gelvin



# The Alaska Wildlife Alliance

SB81

April 6, 1995

The Honorable Loren Leman,  
Alaska State Senate  
Juneau, AK 99801

APR 11 1995

RE: Senate Bill 81

Dear Senator Leman,

We are deeply concerned about SB 81 (the "wolf bounty bill"), and are writing to express our opposition.

As you are probably aware, SB 81 creates "harvest incentive areas" and would pay private hunters and trappers \$200 bounties for each wolf killed in these areas. The public considers the word change of "bounty" to "harvest incentive" an attempt to fool them. Because cash will be paid for dead wolves, SB 81 is a bounty bill, no matter what label is attached.

The Alaska Department of Fish and Game remains opposed to the idea of paying cash for killing wildlife, because it has proven to be ineffective, controversial, expensive, and open to abuse. Most wildlife managers consider bounties an embarrassment to their profession. Aside from the prevailing biological opinion, with which we would concur, SB 81 presents numerous other problems. Some of them include:

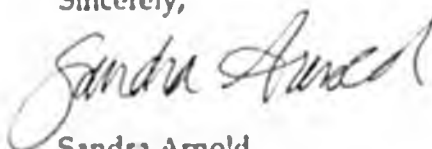
- Alaska is already setting wolf-killing records. Last year, 1,583 Alaskan wolves were *reported* killed, a 20-year record high. To dramatically increase the kill with a bounty will threaten the long-term viability of wolf populations, and have other unforeseen ecological consequences.
- Establishing a wolf bounty will encourage more federal intervention in Alaska's wildlife management. If a bounty is passed, it is possible that the U.S. Department of the Interior would close federal lands in Alaska to wolf hunting/trapping, in response to national outcry and biological considerations. Although the proposed bounty would only be paid for wolves killed on state land, people *will* kill wolves on federal land too, and report them as being killed on state lands in order to collect the cash. The vastness of Alaska precludes scrutiny or enforcement of a bounty program.
- SB 81 is expensive, at a time when general-fund support for the Alaska Dept. of Fish & Game has been cut by nearly 40%. SB 81 will cost the state money that would be better spent on wildlife law enforcement or habitat protection.
- In the wake of graphic wolf-kill video, the world is watching Alaska and its treatment of wolves and all wildlife. Passage of a bounty will again bring negative international attention to the state. *The possibility of a renewed tourism boycott is strong.*
- The Alaska Board of Game is already busy implementing SB77, which was signed into law in 1994. SB77, or the "intensive game management law" mandates more predator killing in Alaska. The legislature should wait to see the effects of this first predator-kill law before passing another one.

- Bounties hold an overly simplistic view of ecosystems, threaten long-term wolf viability and reflect badly on Alaska's wildlife image. They are ineffective because more dead wolves will not necessarily mean more game in targeted areas, and people will kill wolves outside of the targeted areas and report them as being killed within the target area in order to collect the money (enforcement is difficult).
- Senators Bert Sharp and Robin Taylor (SB 81 sponsors) say that "public opinion has nothing to do with game management." On the contrary; Wildlife professionals are finally learning that unless wildlife programs have public support, they are doomed at the outset. Public opinion does count, and the reason wildlife controversies continue to rage on in Alaska is precisely because the public has for too long been ignored.

We realize that the Legislature and members of the Alaska Wildlife Alliance may have divergent philosophies regarding predator control in general. However, while we may disagree where and when wolf/bear control is necessary or appropriate, it is our hope that we can at least agree that bounties are never appropriate. We strongly believe that passage of SB 81 is the single most damaging action Alaska could take at this time, not only for wildlife but for tourism, international reputation, federal involvement, anti-hunting/trapping sentiment, financially, and to the many Alaskan residents with nonconsumptive wildlife values.

Thank you for your time and consideration. We urge you to reject SB 81. Please contact us at any time should you need more information or would like to discuss these matters further.

Sincerely,



Sandra Arnold  
Executive Director

cc: other Alaska Legislators and leaders

CAROL JENSEN  
4800 E. 112th Avenue  
Anchorage, Alaska 99516-1612  
(907) 346-3321

February 21, 1995

FEB 23 1995

TO: All Members of Alaska State Senate  
FROM: Carol Jensen  
RE: SB 81, Establishment of Wolf Bounty

Of all the bills to be introduced in the history of the Alaska legislature, this has to be the worst. If I didn't know better I would think it was a joke. However, with the Republicans in power and the twisted, sick mind of Senator Taylor in great power, I fear this bill actually has a chance to pass and sustain a veto unless the public reacts quickly and strongly. Unfortunately, a majority of the public, though they may strongly oppose a bill, will not usually contact their legislators.

Alaska has the much deserved reputation as being terribly irresponsible and outright reckless regarding management and treatment of our precious wildlife and environment. The world-wide condemnation of our wolf control trapping program is evidence of people's views on wildlife. Now, we are carrying this ruthless war on wolves to the lowest possible level.

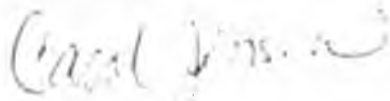
This bill should never have been assigned to just one committee. It should be assigned to Finance, since if passed, will cost the state millions of dollars. It should also go to Judiciary, because the entire bill contradicts current State law and hunting/trapping regulations, and the new Tourism Committee, because this will definitely kill tourism. Senator Pearce, I am requesting you assign this bill to the above listed committees at once.

This bill is so broad, it leaves open the use of machine guns, aircraft, denning, as well as more conventional methods such as trapping and poisoning, which kills other non-target species, including those protected by Federal law. It also legalizes torture. It allows the killing of all wolves year-round, state-wide. This bill would not be legal on Federal land. Since everybody and their brother would be out trying to kill wolves for money, most people would not know or care if they were on Federal land. The wolf would become an endangered species very quickly, at which point NO hunting or trapping would be allowed on any lands.

I am certain the Fish & Game Dept. is firmly opposed to this bill. Wiping out of wolves will have disastrous long range impact on all other species of wildlife as well as humans. It's obvious this bill was written with no thought or knowledge of wildlife interactions.

Senator Taylor is the worst enemy of our environment and wildlife. However, this bill still came as a shock to me. It must be killed. No amount of amendments will ever make it acceptable.

Sincerely,



Carol Jensen

*Handwritten notes:*  
Please bury this bill  
No wolf, restore  
at party line 1-200-200-1000  
just  
Taylor intimidate  
Thank  
of

# OPINION





# Alaska State Legislature

SRES Senate Resources

Please enter into the record my testimony to the Resources

committee on SB-81 / Classifying Wolf as predator dated 2/20/95  
bill/subject

I Support SB-81

OUTSIDE Animal Rights Groups seem to run our Game management  
They should have no say.

ALSO our Public officials Don't like this or that about SB-81  
They should support + uphold the ALASKA CONSTITUTION or Resign  
The ALASKA CONSTITUTION should be the final word.

Read it!!!

Signed: Bernard Goodno  
Testifier

Representing (Optional)  
90 Box 92 Delta Junction, Alaska Republic  
Address  
895-4000  
Phone No.



# Alaska State Legislature

Please enter into the record my testimony to the Senate Resources Comm-  
committee name

committee on SB 81 , dated Feb. 20, 1995  
bill/subject

I support SB 81, especially to get the discussion started on wolf control. We realize that bears are also big predators with significant impact but they can be controlled by hunting. The prob. with wolves is that the normal Alaskan moose hunter is not efficient at wolf hunting. If we are ever going to get out from under the allocation ~~down~~ problems in areas with tremendous potential for moose harvest, we have to give human harvest the priority over wolf and bear predators.

This bill heads us in the right direction.

Let's use GMA 13 as an example; please ask the ADP&G to check my numbers

Present Moose Pop. 18,000  
assume 70% are cows (12,600)

State Calving (sum) '96  
(nearly 100% turning  
over)

Pop. will be: 40,000 moose

Signed: \_\_\_\_\_

Testifier Mike Twiller

Representing (Optional) Self

Address Box 2289  
ESTER, ALASKA 99725

Half of the calves will be bulls

So, June '95 we have 15,000 bulls  
25,000 cows

ADP&G says numbers can only  
take 300 bulls in fall 195

that allocates nearly all the cow calves, 11,000  
w/ all the bull calves, 11,000 plus existing to  
other predators

Score: Humans 300

Pred: 23,000



# Alaska State Legislature

Please enter into the record my testimony to the SRES committee name

committee on SB 81 , dated 2-20-95  
bill/subject

Alaska's game animals are in serious trouble something has to be done to bring predators under control and now is the time of the year to do it.

Signed: Carl E. Nichols  
Testifier

Representing (Optional)  
1234 Hill Ave FBX5, AK 99712  
Address



# STATE of ALASKA

## Delta Junction Legislative Information Office

P.O. Box 1189  
Room 210, Jarvis Office Center  
Delta Junction, AK 99737  
(907) 895-4236

Fax: (907) 895-5017

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February 21, 1995

TO: Senate Resources Committee

Please accept the enclosed original of written testimony for the Senate Resources teleconference hearing that was scheduled on 2/20/95.

A copy of this testimony was transmitted to your committee via fax on 2/20/95.

Thank you.

A handwritten signature in cursive script that reads "E.A. Sarver".

Elizabeth A. Sarver  
Information Officer

Enclosures: 1

FROM: Peter E. K. Shepherd 1012 Galena St. Fairbanks, AK 99709  
Testimony prepared for Feb. 20, 1995 hearing on SB 81

TO: Senate Resource Committee

Feb. 21, 1995

I support SB 81 because a bounty system is one of the few remaining means for providing big game relief from excessive predation. All other effective methods for reducing wolf predation on critically low sheep, moose, and caribou populations have been subverted or eliminated for non-biological political and emotional reasons.

Wolves are increasing over Arctic and Interior Alaska and have severely impacted sheep, moose and caribou populations. Past experience suggests that resident trappers and hunters can reduce wolves to levels permitting recovery and increased productivity of these species while still maintaining viable wolf populations.

Presently, low fur prices and lack of demand for wolf pelts are providing little incentive to harvest wolves. A bounty system would encourage private citizens participation in wolf control and could have many benefits. Among these benefits is the lower cost per wolf compared to government control efforts. Bounties would provide opportunities for additional earned income, especially in job-poor rural Alaska. Moreover, wolf reduction in rural areas would benefit subsistence resources by reducing predation on moose and caribou.

Bounties should not encourage wide-spread elimination of wolves because such intentions would be self-defeating. Further assurance that wolf harvests do not become excessive could be achieved by area-specific regulatory means. Considerable wolf habitat in Alaska occurs within the boundaries of Federally dedicated lands where hunting and trapping of wolves is banned; thereby providing ample refuges for wolf survival.

Intensive management of wildlife on patented state lands is becoming imperative with growing Federal regulatory intervention on government owned lands. To better enhance big game populations for human use the state must continue predator control, including bounties. A bounty system would encourage participation in this effort by the people most in need of wild game resources.

Pete Shepherd-Retired ADF&G biologist, trapper, and registered guide.



# ALASKA STATE LEGISLATURE

PLEASE ENTER INTO THE RECORD MY TESTIMONY TO THE \_\_\_\_\_

COMMITTEE ON SB-81 COMMITTEE NAME  
DATED 2/22/95  
BILL/SUBJECT

My name is Bob [unclear] I have hunted [unclear] and [unclear] for [unclear] years. I have seen the result of wolf control and believe me a control program does work.

At the present time the sheep and caribou in unit 20A are in a very poor shape. This is a result of bad winters (deep snow) and heavy predation from wolf & bears.

Since the state wolf control program has become a political football and the present administration has no intentions of having a control program for the next four years and the price of wolf pelts have declined in the last year, making the hunting and trapping of wolves not economical feasible for the serious wolf trapper. We need a monetary incentive to the hunters and trappers to save our ungulate populations. The only thing left for interior Alaska is the bounty system.

SIGNED \_\_\_\_\_  
TESTIFIER

\_\_\_\_\_  
REPRESENTING (OPTIONAL)

1630 Willow F-616 AK 99709 (907)452-4679  
ADDRESS/PHONE NUMBER



# Alaska State Legislature

Please enter into the record my testimony to the SENATE RESOURCES  
 committee name  
 committee on SB-81 , dated 2/20/95  
 bill/subject

INTENSIVE PREDATOR CONTROL ACTIONS ARE NEEDED IN SOME GMU'S IN THE STATE TO INSURE THE STRENGTH OF ALASKA'S MOOSE AND CARIBOU POPULATIONS. I DON'T AGREE WITH THE BOUNTIES OR UNLIMITED METHODS AND MEANS OR NO CLOSED SEASONS ON WOLVES.

F+G PREDATOR CONTROL POLICIES HAVE BEEN DOMINATED BY SPECIAL INTEREST GROUPS FOR TOO LONG, BUT WE NEED TO DO WOLF CONTROL ON A GM UNIT BY GM UNIT BASIS.

I AGREE THAT DEPARTMENT RESOURCES BE FOCUSED ON RESOURCE MANAGEMENT NOT HUNTER MANAGEMENT, THROUGH SHORT OR NON-EXISTANT HUNTING SEASONS.

IN SOME GMU'S, BEARS ARE MORE OF A PREDATOR ON MOOSE OR CARIBOU CALFS THAN WOLVES. BUT WOLVES ARE A YEAR ROUND PREDATOR - BEARS ARE NOT.

FINALLY, WE NEED TO CLASSIFY WOLVES AS A BIG GAME ANIMAL

Signed: Will [Signature]  
 Testifier

SELF  
 Representing (Optional)

PO BOX 3628 SLDOTNA AK 99669  
 Address

262-7746  
 Phone No.

# ALASKA RAINFOREST TOURS

WILDERNESS, ADVENTURE, AND CULTURAL TOURS  
FOR THE INDEPENDENT TRAVELLER SEEKING QUALITY,  
KNOWLEDGE, AND THE UNUSUAL IN ALASKA'S  
RAINFOREST.

369 S. FRANKLIN STREET, SUITE 200  
JUNEAU, ALASKA 99801  
(907) 463-3466  
FAX (907) 463-4453

Fax to: Senator Loren Leman, Chair  
Senate Resource Committee

907-465-~~3466~~ 2810

February 20, 1995

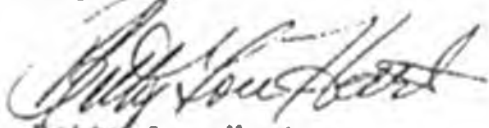
Dear Senator Leman,

I am writing to indicate our distress at the bill reclassifying wolves from "big game" to predators and putting a \$400 bounty on them with no restrictions.

Our business targets independent travellers who are interested in wilderness and wildlife. My partner was in Chicago at a Travel Show last weekend and reported that she talked to people who had cancelled a trip to Alaska that they already booked because of the state wolf policy.

It is a highlight of a tour if our clients are able to see a wolf in the wild. Here in SE Alaska they are almost an endangered species and with a \$400 bounty it won't be long before they are extinct.

Regards,



Betty Lou Hart  
Partner



## ALASKA UP CLOSE

---

P.O. Box 32666, Juneau, AK 99803  
(907) 789-9544 FAX: (907) 789-3205

February 20, 1995

Senator Loren Leman  
Chair, Senate Resources Committee  
Alaska State Legislature  
FAX: 465-3810

RE: SB 81

Dear Senator Leman:

Alaska Up Close offers custom travel planning services and markets photography and wildlife watching tours to visitors from the Lower 48 and abroad. We also work with non-profit travel programs, representing such organizations as zoological societies, universities, museums, environmental organizations.

Our clientele is very sensitive to environmental concerns. We have been told directly by organizations that they can not sponsor a trip to Alaska as long as the state sanctions a program that kills wolves. It is impossible to say how many simply never contacted us because of a policy they find offensive. Alaska tourism competes in a global marketplace and tourists can choose to go anywhere in the world.

Adventure travel is the fastest growing segment of the travel industry, and holds great potential for smaller communities throughout Alaska. The impacts of a bounty program on wolves should rightly include the economic impact on small independent tour operators, who are particularly affected because of the clientele we serve.

Sincerely,

Judy Shuler  
Alaska Travel Specialist



ALASKA  
WILDLAND  
ADVENTURES™

URGENT  
Regards 3:30 meeting  
Today

P.O. BOX 389 GIRLWOOD, AK 99587

OUTSIDE ALASKA: 800-334-8730

DIRECT: 907-783-2928

WITHIN ALASKA: 800-478-4100

DIRECT: 907-783-2928

FAX: 907-783-2130

DATE: 2/20

FAX

TO: Senator Loren LemmanSENATE- RESOURCES  
ATTENTION: COMMITTEE HEARINGSFROM: Kirk Hoessle, Pres.TO FAX #: 907-465-3810# OF PAGES TRANSMITTED (INCLUDING THIS PAGE): ①

PLEASE CALL A.W.A. UPON RECEIPT

 YES NO

MESSAGES: Dear Senator Lemman - We stand very much against SB 81  
regarding a bounty on wolves. It would only serve as a continuing  
public relations nightmare for nature tourism. We lost between  
\$60,000 - \$100,000 in revenue when wolves first hit the nation's  
headlines in late '92, first of '93. It is bad wildlife management and  
bad for tourism business. Respectfully, Kirk Hoessle, Pres.



# Alaska State Legislature

Please enter into the record my testimony to the SENATE RESOURCES  
 committee name  
 committee on SB 49, dated 2/20/95  
 bill/subject

I AGREE WITH THE BILL <sup>WHERE</sup> MEMBERS OF THE BOARD OF FISHERIES SHOULD HAVE NO VESTED ECONOMIC INTEREST IN FISHING PERMITS OR FISHING BUSINESSES. HOWEVER, I BELIEVE THE BOARD OF FISHERY MEMBERS SHOULD NOT BE REDUCED TO THREE MEMBERS. KEEP IT AT A SEVEN MEMBER BOARD.

Signed: William J. Gawn  
 Testifier

SELF  
 Representing (Optional)

PO BOX 3628 SIDLINGTON AK 9969  
 Address

262-7746  
 Phone No.



# Alaska State Legislature

Please enter into the record my testimony to the SRES  
committee name

committee on SB 81, dated 2/20/95  
bill/subject

AS WRITTEN, THIS BILL WOULD DO LITTLE MORE  
THAN ANTAGONIZE ANIMAL RIGHTS ACTIVISTS & MAKE  
MONEY FOR LAWYERS. — WOLF BEING TAKEN  
WITHOUT BITE LIMIT OR OTHER RESTRICTION IS  
IN VIOLATION OF ALASKA CONSTITUTION ART III  
SEC 4 WHICH STATES IN PART WILDLIFE WILL BE  
MANAGED ON A SUSTAINED YIELD BASIS.

Signed: Jack H. Heston  
Testifier

SELF

Representing (Optional)

P.O. BOX 2376 SODONA 99609

Address

262-5455

Phone No.



Alaska  
Wilderness  
Recreation &  
Tourism  
Association

*Sustainable recreation and tourism for a quality future*

P.O. Box 1353  
Valdez, AK 99686  
Phone: 907-835-4300  
Fax: 907.835.5679

To: Senator Loren Leman, Chairman Senate Resources Committee  
From: Nancy R. Lethcoe, President (Testimony presented by Ed Davis, AWRTA Board Member)  
Date: Feb. 20, 1995

RE: SB 81

Senator Leman, Senate Resources Committee members. Thank you for the opportunity to testify today.

My Name is Ed Davis. I am testifying as a board member for the Alaska Wilderness Recreation and Tourism Association, and also as a hunter. AWRTA opposes SB 81 because of: a) the negative impacts it will have on the economic viability of rural tourism, and b) the impact it will have on the future of sport hunting. Finally, we believe that the bill requires additional committee assignments.

#### Negative Economic Impacts on Tourism:

- 1) Several of our members profit from guiding wolf hunts under sport hunting regulations. This bill would unfairly reduce the wolf populations and force them to compete with <sup>US\$121,200</sup> commercial and aerial hunters.
- 2) Independent visitors to rural areas who may wish to view or hunt wolves spend far more per capita than the average Alaskan visitor. Whereas the average cruise/air visitor spends \$225 in Alaska, independent and inde/package travelers who visit rural areas spend from \$827 to \$1,816 (AVSP, *Expenditures*, p. 61).
- 3) SB 81 is likely to trigger another Tourism Boycott by animal rights activists. The tourism industry has just experienced two years of a tourism boycott on the wolf issue. Many of our rural, non-hunting businesses saw a decline in bookings and income. In response to Governor Knowles' cancellation of the wolf hunt, the tourism boycott was cancelled. A preliminary survey of some of AWRTA's members involved in rural, non-hunting tourism shows that their inquiries and bookings are ahead of the past two years. We encourage you to consider the economic impacts of this bill on small Alaskan tour operators by assigning it to the State Affairs Committee.

#### Undermines Sport Hunting:

SB 81 will undermine sport hunting because:

- 1) It does not follow sound game management practices and it authorizes hunting techniques such as aerial hunting and unrestricted commercial hunting which plays into the hand of anti-hunting and anti-trapping groups. These organizations are thriving because they portray responsible and scientifically managed hunting as a sensationalized form of brutality and poaching. SB-81 will provide them with documentation to further advance this image. We need to encourage responsible scientifically managed sport hunting rather than the mad free for all that this bill advocates.

2) It may result in a federal takeover of wolf hunting, just as earlier State practices lead to a federal government take over of marine mammal management.

**Need for Additional Hearings:**

- 1) The bounty mandated under SB 81 will be paid for with State funds. This will have a fiscal impact on the state, so the bill needs to be referred to the Senate Finance Committee. A fiscal note should be prepared.
- 2) There has been inadequate notification of this public hearing given the potentially serious economic consequences of the bill to the rural tourism industry. AWRTA, for example, which is located in Valdez received its first notification this morning. It was impossible to notify many of our more than 300 members on such a short time notice. We request that the Senate Resources Committee hold additional public hearings.
- 3) Since SB-81 may trigger a tourism boycott which will have adverse economic impacts on the tourism industry in general and remote tourism in particular, the bill should be assigned to the Senate State Affairs committee.

Post-It™ brand fax transmittal memo 7671 # of pages = 2

To <i>J. Resurre</i>	From <i>Valdez 810</i>
Co. <i>Testimony for</i>	Co.
Dept. <i># 50247</i>	Phone # <i>835-2111</i>
Fax # <i>465-3810</i>	Fax #

State of Alaska  
**Office of the Governor**

TONY KNOWLES  
Governor  
P.O. Box 110001  
Juneau, Alaska 99811-0001  
**NEWS RELEASE**



Bob King  
Press Secretary  
907-465-3500  
FAX: 907-465-3533

FOR IMMEDIATE RELEASE: February 3, 1995

95-27

**KNOWLES CANCELS UNIT 20A WOLF CONTROL PROGRAM**  
**Orders Examination of Predator Control Policy**

Governor Tony Knowles today cancelled the state's ground-based wolf control program and ordered a thorough examination of state predator control policies. The announcement followed the release of the Department of Public Safety's report on the November 29, 1994 wolf kill incident in interior Alaska.

"The findings of this report will be disturbing to all Alaskans," Knowles said. "The lack of leadership, training and direction in implementing this program during the Hickel Administration are unacceptable. Most disturbing is that in addition to the wolves, dozens of other animals were killed by the snares - including animals that the wolf control program was designed to help. This program has harmed Alaska's reputation and done a disservice to Alaska's legitimate trappers and hunters."

Knowles requested last month that the Department of Public Safety investigate the incident that was videotaped and broadcast nationwide. The ~~final~~ report, written by state Division of Fish and Wildlife Protection personnel, stated that there were no written policies or procedures for the program and no training for personnel involved. The report documented that use of the wrong type of ammunition in a handgun resulted in one snared animal being shot four times before it was killed.

A total of 1,735 snares were used during the two-year program in which 134 wolves were killed. In addition, 35 moose, 14 caribou and four golden eagles were accidentally caught in the snares, as well as many other small animals. The program was suspended and the snares were removed after the airing of the videotape in early December.

After reviewing the public safety report, Governor Knowles ordered the wolf control program in Game Management Unit 20A cancelled and asked his Chief of Staff and the acting commissioner of Fish and Game to take other action as deemed appropriate.

Knowles also directed the commissioner to work with the game board and the public to develop conditions and procedures so that any future predator control efforts would be acceptable to the public and the scientific community.

SHEEP

MOOSE

CARIBOU

# HARVEST RATIO



Data from ADFG 1991

ATTACHMENT A

Wolf Kill Statistics

(12/02/94)	1993-94 (10/01/93 - 04/30/94)	1994-95 (10/01/94 -	
<b>Non-Targeted Species Information</b>			
Moose	29 (17 survived)	6 (5 survived)	63% survival
Caribou	7 (5 survived)	7 (2 survived)	50% survival
Grizzly Bear	2 (2 survived)	0	100% survival
Wolverine	2	1	
Coyote	7	3	
Red Fox	25 (1 survived)	1	
Snowshoe Hare	1	0	
Raven	1	0	
Golden Eagle	4 (2 survived)	0	50% survival
<b>Total No. Taken</b>	<b>78</b>	<b>18</b>	

FAIRBANKS DAILY  
NEWS MINER

APRIL 8, 1994

# WOLVES: First season ends

Continued from Page A-1

caribou to escape unharmed. Four other snared moose and one wolverine were tranquilized and released.

"The eagle was an unfortunate surprise," Taylor said. "It actually landed to feed on one of the foxes and ended up getting caught in a nearby snare."

Department officials blamed the high cost and incidental catches on special interest groups that fought an aerial wolf control program. Most of those groups fought wolf control of all kinds.

"If we had removed the wolves by aerial shooting, we wouldn't have had the incidental take, it could have been much cheaper in terms of our operating cost, and it would have been more effective in removing whole packs within the core calving area," said Chris Smith, Division of Wildlife Conservation regional supervisor.

Taylor said operating costs for

the program totaled about \$100,000, plus about \$35,000 for a seasonal employee, plus staff time.

"The staff time isn't extra money but a reallocation within the division," he said.

Changes being considered for next year include starting later in the winter and ending earlier to reduce the incidental catches, and using more of the breakaway snares Taylor said.

The program was successful in that it proved the number of kills necessary could be accomplished with traps, he said. "As to the effect on the prey population over the next three years, it's too early to say," Taylor said.

Although state trappers finish pulling out their equipment Thursday, the public wolf trapping season remains open through April.

## State traps 98 wolves

### Three wolf packs eliminated: skinned carcasses go to dump

By KELLY BOSTIAN  
Star Writer

Alaska wrapped up its first season of wolf control with 98 wolves dead at a cost of about \$1,000 per wolf and with the headless, skinned remains placed in the Fairbanks North Star Borough Landfill.

"That's kind of symbolic of the whole program," said Stephen Wells of the Alaska Wildlife Alliance, a group long opposed to wolf control.

"We're still working on doing what we can to get the Alaska Board of Game process changed in the long term, which is the best thing we can do ultimately," Wells said.

Ken Taylor, Fairbanks management coordinator for the Division of Wildlife Conservation, said three wolf packs were eliminated and that 45 wolves remain in the main control area—much of which makes up the spring calving area for the Delta Caribou Herd.

"Wolf distribution remains essentially unchanged," he said. "There are small packs out there that will have pups this spring and it may pop right back up to where it was before."

Taylor also said it is not unusual to dispose of wolf carcasses at the dump.

Bob Troun, borough solid waste division manager, said the landfill accepts animal carcasses from anyone but that advance notification is appreciated. He said the borough follows "a strict require-

ment that they are buried immediately."

The 98 wolf hides remain in the state's possession and will be sold at auction, possibly at next year's Fur Rendezvous in Anchorage, Taylor said. Some of the hides are going to educational institutions, as are the skulls of the animals.

The Board of Game last summer approved a three-year effort by the state to reduce wolves and boost numbers of the Delta caribou herd in Game Management Subunit 20A, roughly 2,000 square miles south of Fairbanks and north of the Alaska Range.

Lawsuits, public outcry and a renewed national call for an Alaska tourism boycott by some groups could not stop it.

Before the program, about 250 to 300 wolves inhabited the 20A area, the department said. Board guidelines said the department was to leave at least 35 wolves in the control area, or 100 in all of Subunit 20A.

The 98 wolves killed by Fish and Game staff, plus wolves killed by private trappers in the area, will bring the total dead close to the department's original goals.

"I wouldn't be surprised if it is 150 total when it's all done," Taylor said.

Officials added 13 fox, 12 moose, six coyotes, two caribou, one snowshoe hare, one wolverine and one golden eagle to the death toll.

Experimental "breakaway" snares allowed four moose and five

See WOLVES, Back Page

**S B**

**9 3**

MAR 15 1995 FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO. CSSB 93 (Res)

Revision Date: \_\_\_\_\_ Dept. Affected: Fish and Game  
 Title: Disposal of state land along the Dalton Highway BRU: Habitat and Restoration  
 Component: Habitat  
 Sponsor: Senator Miller  
 Requester: Resources, Finance COMPONENT SERIAL NO. 486

**Expenditures/Revenues** (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
-----------------------------	------------	------------	------------	------------	------------	------------

<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
-------------------------------	------------	------------	------------	------------	------------	------------

**FUND SOURCE** (Thousands of Dollars)

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

Estimate of any current year (FY95) cost: \$ 0.0

**POSITIONS**

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

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

Designation of non-residential development nodes along the Dalton Highway per so will not result in an increased agency workload. However, over the long term, it may become necessary to conduct a comprehensive land use plan for haul road node development. In addition, it may become necessary to monitor and evaluate the effects increased public use of the haul road corridor may have on fish and wildlife stocks and their habitats. Such studies may include traditional population management evaluations to support recommendations to the Board of Fisheries and Game as well as cumulative assessments of potential impacts on subsistence harvests of fish and wildlife.

Prepared by: Ellen Fritts, Acting Director  
 Division: Habitat and Restoration  
 Approved by Commissioner: Frank Am  
 Agency: Fish and Game

Phone: 485-4107  
 Date: 3/13/95  
 Date: 3.14.95

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

For further distribution information, call the Governor's Legislative Office

# FISCAL NOTE

STATE OF ALASKA

BILL NO. SB93

1995 LEGISLATIVE SESSION

Revision Date: Original Dept Affected: Natural Resources  
 Title: An Act relating to the disposal of state land along BRU: Resource Development  
the Dalton Highway; and providing for an effective date... Component: Land Development  
 Sponsor: Senator(s) Miller, Green  
 Requestor: \_\_\_\_\_ Component Serial No. 431

Expenditures/Revenues	(Thousands of Dollars)					
OPERATING EXPENDITURES	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>CAPITAL EXPENDITURES</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>CHANGE IN REVENUES ( )</b>	0.0	0.0	0.0	0.0	0.0	0.0

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

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

POSITIONS	FY96	FY97	FY98	FY99	FY00	FY01
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

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

There is no fiscal impact associated with implementation of this legislation.

Amendment proposed: The legal description for the Yukon River crossing should be changed from Umiat Meridian to Fairbanks Meridian.

Prepared by: Ron Swanson, Director Phone: 762-2692  
 Division: Lane Date: 23-Feb-95  
 Approved by Commissioner: John Lewis Date: 2-23-95  
 Agency: Natural Resources

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# SENATE COMMITTEE REPORT

## First Committee of Referral

DATE: 2/21/95

FURTHER: Finance

Date of 5-Day Notice: 2-23-95  
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 2-28-95

Resources Committee considered SENATE BILL NO. 93

"An Act relating to the disposal of state land along the Dalton Highway; and providing for an effective date."

and recommends:

- be replaced with CS SB 93 (RES)
- adopt previous CS ( )
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

- Senate Bill:**
- same title
  - new title
- House Bill:**
- technical change
  - new: SCR# \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Rick Halford</i>	✓				
<i>John Taylor</i>	✓	<i>Len Hoff</i>	X		
<i>John Taylor</i>					
<i>John Taylor</i>					
<i>John Taylor</i>					
<b>CHAIR:</b> <i>John Taylor</i>	✓				

**NEW FISCAL NOTE(S):**

Department	Date	Zero	Fiscal

**PREVIOUS FISCAL NOTE(S):\***

Department	Date	Zero	Fiscal
DNR (land)	2/23/95	✓	

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

9-LS0680F  
Utermohle  
2/27/95

CS FOR SENATE BILL NO. 93( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
NINETEENTH LEGISLATURE - FIRST SESSION

BY

Offered:  
Referred:

Sponsors(s): SENATORS MILLER, Green

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the disposal of state land along the Dalton Highway; and  
2 providing for an effective date."

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

4 \* Section 1. AS 19.40.200(b) is amended to read:

5 (b) The prohibition on disposal of state land under (a) of this section does not  
6 apply to a disposal

7 (1) to a licensed public utility or a licensed common carrier under  
8 AS 38.05.810(e);

9 (2) for the reauthorization of leases that were in effect on January 1, 1994,  
10 for nonresidential purposes within the following development nodes:

11 (A) Coldfoot:

12 Township 28 North, Range 12 West, Fairbanks Meridian

13 Sections 3 - 4

14 Sections 9 - 10

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Sections 15 - 16

Sections 20 - 22

(B) Yukon River Crossing:

Township 12 North, Range 10 West, Fairbanks

Meridian

Sections 6 - 7

Township 12 North, Range 11 West, Fairbanks

Meridian

Sections 1 - 2

Section 12

Township 13 North, Range 10 West, Fairbanks

Meridian

Sections 29 - 32

Township 13 North, Range 11 West, Fairbanks (UMIAT)

Meridian

Section 22

Sections 25 - 27

Sections 34 - 36

[SECTION 26];

(3) for nonresidential development within the following development nodes [NODE]:

(A) Deadhorse:

Township 10 North, Range 14 East, Umiat Meridian

[SECTIONS 24 - 25]

Township 10 North, Range 15 East, Umiat Meridian

Section 8

Sections 17 - 20

[SECTION 19]

Section 30

(B) Coldfoot:

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Meridian

Township 28 North, Range 12 West, Fairbanks

Sections 3 - 4

Sections 9 - 10

Sections 15 - 16

Sections 20 - 22

Township 29 North, Range 12 West, Fairbanks

Meridian

Sections 23 - 27

Sections 34 - 35

(C) Franklin Bluffs:

Township 4 North, Range 14 East, Umiat Meridian

Sections 3 - 4

Sections 9 - 10

Sections 15 - 16

(D) Happy Valley:

Township 3 South, Range 15 East, Umiat Meridian

Sections 19 - 20

Sections 29 - 30

(E) Yukon River Crossing:

Township 12 North, Range 10 West, Fairbanks

Meridian

Sections 6 - 7

Township 12 North, Range 11 West, Fairbanks

Meridian

Sections 1 - 2

Section 12

Township 13 North, Range 10 West, Fairbanks

Meridian

Sections 29 - 32

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Township 13 North, Range 11 West, Fairbanks

Meridian

Section 22

Sections 25 - 27

Sections 34 - 36; or

(4) necessary for

(A) an oil and gas lease under AS 38.05.180;

(B) exploration, development, production, or transportation of oil and gas north of 68 degrees north latitude; or

(C) a state lease or materials sale for

(i) exploration, development, production, or transportation of oil and gas;

(ii) reconstruction or maintenance of state highways; or

(iii) construction or maintenance of airports.

\* Sec. 2. This Act takes effect immediately under AS 01.10.070(c).



# Alaska State Legislature

MEMO

Session:  
State Capitol  
Juneau AK 99801-1182

Interim:  
716 W 4th Avenue  
Anchorage AK 99501-2133

TO: Legal Services  
VIA FAX: 2029

*2 pages*

FROM: Annette E. Kreitzer, Resources Committee Aide

DATE: February 27, 1995

RE: CS SB 93

.....  
The Department of Natural Resources reports that the township/section sites in current law and cited in SB 93 are incorrect.

Please prepare a blank CS for today's Senate Resource Committee hearing incorporating the attached corrections (see memo to A. Kreitzer from Teresa Sager).

Please call me at 4907 if there are questions. Thanks for expediting this.

To: Annette Kreitzer  
From: Teresa Sager  
Re: SB 93 - Dalton Highway Land Disposals  
legal description corrections  
Date: February 27, 1995

Here are the recommended corrections submitted by DNR for inclusion in a blank committee substitute.

Deadhorse: T10N, R14E, UM  
T10N, R15E, UM  
Sections 8, 17-20, 30

Coldfoot: T28N, R12W, FM  
Sections 3, 4, 9, 10, 15, 16, 20-22  
T29N, R12W, FM  
Sections 23-27, 34, 35

Franklin Bluffs: T4N, R14E, UM  
Sections 3, 4, 9, 10, 15, 16

Happy Valley: T3S, R15E, UM  
Sections 19, 20, 29, 30

Yukon River: T13N, R11W, FM  
Sections 22, 25-27, 34-36  
T12N, R10W, FM  
Sections 6 & 7  
T12N, R11W, FM  
Sections 1, 2, 12  
T13N, R10W, FM  
Sections 29-32



# Alaska Environmental Lobby, Inc.

P.O. Box 22151      Juneau, Alaska 99802

Phone: 907-463-3366

Fax: 907-463-4312

## Senate Bill 93: Disposal of Land Along the Dalton Highway

### The Alaska Environmental Lobby opposes SB 93:

We believe the original intent of the Dalton Highway, the Haul Road, was to serve as an access corridor and supply line for the Trans-Alaska Pipeline. This is still the only reasonable economic function for this expensive, albeit important road.

The expensive is derived from many factors: If we have private land we are under an obligation to protect it - Fish and Wildlife agents and Alaska State Troopers are already overburdened. They will need more resources if they will be expected to encompass the Haul Road into their jurisdiction. Also, in this era of frugal state attitudes and lower economic resources we need to consider every cost incurred in every decision.

Preserving the original intent and expanding it to include the upcoming Trans-Alaska Gas Pipeline demands that the state concentrate its efforts to responsibly manage all aspects of this valuable transportation corridor. This means that opening the Haul Road for any peripheral development, actions which are unrelated to and most probably interfering with corridor usage, is irresponsible.

ms 2/27/95



**STATE OF ALASKA**

**LEGISLATIVE AFFAIRS AGENCY**

**DIVISION OF PUBLIC SERVICES**

DATE: 2/28/95

Please accept the enclosed original(s) of written testimony  
for the Senate Resources teleconference hearing that was  
scheduled on 2/27/95.

A copy of this testimony was transmitted to your committee via  
fax on 2/28/95.

Thank you,

Francis J. Hys 210



# ALASKA STATE LEGISLATURE

PLEASE ENTER INTO THE RECORD MY TESTIMONY TO THE Senate Resources  
COMMITTEE ON SB93 DATED 2-27-95  
BILL/SUBJECT COMMITTEE NAME

SIGNED G. Jerry Som  
TESTIFIER

Alotna Village Council  
REPRESENTING (OPTIONAL)

801 D St. Fairbanks AK 99701-9558946  
ADDRESS/PHONE NUMBER

My name is Jerry S...  
Ch. J. of the Wildlife of Alaska  
and I am here speaking in  
opposition of Senate bill 93

Our Village is 6 miles north of the  
Arctic Circle on the Koyuk River

Although we may be long - the

21st century, most or all the residents  
rely on what we can harvest off of the  
land. When I am talking about harvesting  
I am talking about caribou, fish,  
berries, roots and ect ect. we do not  
to live our lives in ~~the~~ rural ~~Alaska~~

Upon my arrival all along the coast and  
with most of the people in danger over  
the state - the time measured in number of  
People passing through

You need \$ is more than law and order  
in the areas you are purposing to  
open up. As we all know the state is  
making drastic cuts in the budget  
Just how do you all intend for this to work

# Alaska State Legislature

SENATOR  
MIKE MILLER

P.O. Box 15004  
Juneau, Alaska 99801  
(907) 465-0812

Senate District 12



Senate

White in January  
State Capitol  
Juneau, Alaska  
99801-1182  
(907) 465-4976

## Senate Bill 93 Disposal of Land Along the Dalton Highway

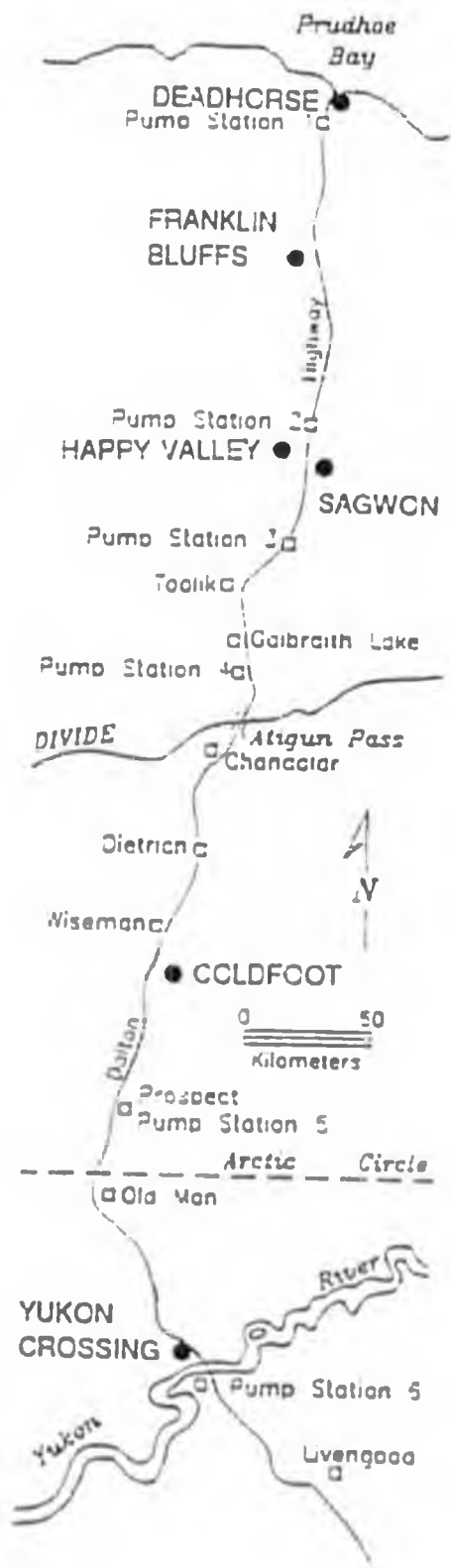
by Senator Mike Miller

Last session the Legislature passed Senate Bill 210 which provided for the reauthorization of existing leases in three development nodes along the Dalton Highway including Deadhorse, Yukon River Crossing and Coldfoot. It also allowed for future non-residential land disposals in at Deadhorse.

With the recent opening of the highway to public traffic, the need for additional services is anticipated. Senate Bill 93 will allow the state to proceed with future non-residential disposals in each of the remaining four nodes along the route for development of various public facilities. It is structured to allow disposals *only* within the identified nodes which have existing pads so that orderly development is maintained at regular intervals along the highway. The development areas affected are Yukon River Crossing, Coldfoot, Happy Valley, and Franklin Bluffs.

As with any state land disposal, all proposed sales or leases within the development nodes will require a Land Use Plan, subject to procedures set forth in law which provide for thorough public review.

I appreciate your consideration of Senate Bill 93.



**S B**

**1 1 2**

## INITIAL SECTIONAL SUMMARY

3/8/95 by Kreitzer, Committee Aide

**SB 112:** "An Act establishing a discovery royalty credit for the lessees of state land drilling exploratory wells and making the first discovery of oil or gas in commercial quantities."

**Section 1.:** Makes the first discovery royalty credit applicable under the exploration licensing program passed last year (SB 150). The royalty shall be reduced to five percent for the first 10 years following the date of first discovery of oil or gas in commercial quantities. NO definition of "commercial quantities" or "date of discovery" and how that is determined. Commercial quantities has different meaning than paying quantities- recover operating costs. Commercial quantities - need to recover investment, development, and production costs.

**Section 2.:** Adds back into statute the ability for the commissioner of the Department of Natural Resources to allow a royalty reduction of 5% for the first 10 years on oil or gas leases on state land. After 10 years, the royalty reverts to the leasing method chosen by the commissioner (A-G).



# Alaska State Legislature

## Senate Resources Committee

State Capitol  
Juneau AK 99801

Official Business

Sponsor Statement for:

Senate Bill 112: Discovery Royalty

When SB 112 was introduced by the Senate Resources Committee it was written for discussion purposes as the law had been when it was repealed in 1969 (1, CH 65 SLA 1969), recognizing that such terms as "in commercial quantities", "geologic structure" and "first discovery" would have to be discussed regarding their current relevance.

These vague terms resulted in litigation over the previous discovery royalty program. The committee has worked closely with the Department of Natural Resources and industry to write legislation that narrows the opportunity for litigation over who is awarded a discovery royalty under this proposal.

The new program is intended to reward not only the first person to drill a well resulting in a new discovery, but that person must also complete the well - resulting in production. The discovery royalty provision is available to all Cook Inlet Sedimentary Basin future leases and to non-producing, non-unitized leases entered into before the effective date of the act.

Lessees with leases under the old discovery royalty program may choose either that program or the new program, but not both.

It is the sponsor's intent that this legislation will encourage new activity in the Cook Inlet region.

**SENATE COMMITTEE REPORT  
First Committee of Referral**

DATE: 3/7/95

FURTHER: Finance

Date of 5-Day Notice: 3-15-95  
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 3-20-96

Resources Committee considered SB 112

Establishing a discovery royalty credit for the lessees of state land drilling exploratory wells and making the first discovery of oil or gas in commercial quantities.

and recommends.

- be replaced with CS SB 112 (RES)
- adopt previous CS ( )
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

Senate Bill:  
 same title  
 new title  
House Bill:  
 same title  
 technical title  
 new: SCR# \_\_\_\_\_

SIGNING DOPASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Chris C. Taylor</i>	<input checked="" type="checkbox"/>				
<i>John Hoff</i>	<input checked="" type="checkbox"/>				
<i>Chair: [unclear]</i>	<input checked="" type="checkbox"/>				

**NEW FISCAL NOTE(S):**

Department                      Date      Zero      Fiscal

DNE/O+G			
Revenue - Div. Audit			

**PREVIOUS FISCAL NOTE(S):\***

Department                      Date      Zero      Fiscal

<del>DNE/O+G</del>			
Revenue			

TO SB

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill




# Alaska State Legislature

Official Business

State Capitol  
Juneau AK 99801

## MEMO

TO: Jack Chenoweth, Legal Services  
via fax: X2029 this page only

FROM: Annette Kreitzer, Aide to   
Senate Resources Committee

DATE: March 18, 1996

RE: CS SB 112(RES): Discovery Royalty

---

Please create a FINAL Resources committee substitute for SB 112 using 9-LS0808K dated March 15, 1996.

There were no other changes to the bill. Please deliver the FINAL to Senator Leman's office, Room 115 of the Capitol.



# Alaska State Legislature

## SENATE RESOURCES COMMITTEE

Official Business

State Capitol  
Juneau AK 99801

### MEMO

TO: Senator Pearce, Vice Chairman  
Senator Halford  
Senator Frank  
Senator Taylor

THROUGH: Senator Loren Leman, Chairman

FROM: Annette Kreitzer, Aide to  
Senate Resources Committee

DATE: March 18, 1996

RE: CS SB 112(RES)

A handwritten signature in cursive script, reading "Loren Leman".

-----  
Attached is the Committee Substitute which incorporates the amendments made in Senate Resources to SB 112. Please let me know if the language beginning on page 3, line 25 through the end of the bill is not consistent with your interpretation of the amendments.

I will request a final committee substitute to be read across for Wednesday (March 20) and initiate a request to the Senate Finance Committee for a hearing if there are no discrepancies.

CS FOR SENATE BILL NO. 112(RES)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered:  
Referred:

Sponsor(s): SENATE RESOURCES COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act establishing a discovery royalty credit for the lessees of state land  
2 drilling exploratory wells and making the first discovery of oil or gas in an oil  
3 or gas pool in the Cook Inlet sedimentary basin."

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

5 • Section 1. AS 38.05.134 is amended to read: *Allow discovery royalty to be  
applied to exploration license  
converted to lease. of Cook Inlet  
the Cook Inlet sedimentary  
basin*  
6 Sec. 38.05.134. CONVERSION TO LEASE. If the licensee requests and the  
7 commissioner determines that the work commitment obligation set out in an oil and  
8 gas exploration license issued under AS 38.05.132 has been met, the commissioner *shall  
issue the  
BDR  
created and  
applied*  
9 shall convert to one or more oil and gas leases all or part, as the licensee may indicate,  
10 of the area described in the exploration license that remains after the relinquishments,  
11 removals, or deletions required by AS 38.05.132(d)(2). A lease issued under this  
12 section

- 13 (1) is subject to the acreage limitations imposed by AS 38.05.140(c);
- 14 (2) is subject to AS 38.05.180(j) - (m), (o) - (u), and (x) - (z);

1 (3) must be conditioned upon a royalty in amount or value of not less  
2 than 12.5 percent of production, except that the lessee who, proceeding under  
3 AS 38.05.131 - 38.05.134, under a lease issued in the Cook Inlet sedimentary basin  
4 who is certified by the commissioner to be the first to drill a well discovering oil  
5 or gas in a previously undiscovered oil or gas pool shall pay a royalty of five  
6 percent on all production of oil or gas from that pool attributable to that lease for  
7 a period of 10 years following the date of discovery of that pool, and thereafter  
8 the royalty payable on all production of oil or gas from the pool attributable to  
9 that lease shall be determined and payable as specified in the lease; the payment  
10 of the five percent royalty under this paragraph is authorized only to a holder of  
11 a lease who meets the requirements of AS 38.05.180(f)(4);

12 (4) must include an annual rent of \$3 per acre or fraction of an acre  
13 initially paid to the state at inception of the lease and payable annually after that until  
14 the income to the state from royalty under that lease exceeds the rental income to the  
15 state under that lease for that year; and

16 (5) is subject to other conditions and obligations that are specified in  
17 the lease.

18 • Sec. 2. AS 38.05.180(f) is amended to read:

19 (f) Except as provided by AS 38.05.131 - 38.05.134, the commissioner may  
20 issue oil and gas leases on state land to the highest responsible qualified bidder as  
21 follows:

22 (1) the commissioner shall issue an oil and gas lease to the successful  
23 bidder determined by competitive bidding under regulations adopted by the  
24 commissioner; bidding [ BIDDING] may be by sealed bid or according to any other  
25 bidding procedure the commissioner determines is in the best interests of the state;

26 (2) whenever [ WHENEVER], under any of the leasing methods listed  
27 in this subsection, a royalty share is reserved to the state, it shall be delivered in pipeline  
28 quality and free of all lease or unit expenses, including but not limited to separation,  
29 cleaning, dehydration, gathering, salt water disposal, and preparation for transportation  
30 off the lease or unit area;

31 (3) following [ FOLLOWING] a pre-sale analysis, the commissioner  
32 may choose at least one of the following leasing methods:

1 (A) [(1)] a cash bonus bid with a fixed royalty share reserved to  
2 the state of not less than 12.5 percent in amount or value of the production  
3 removed or sold from the lease;

4 (B) [(2)] a cash bonus bid with a fixed royalty share reserved to  
5 the state of not less than 12.5 percent in amount or value of the production  
6 removed or sold from the lease and a fixed share of the net profit derived from  
7 the lease of not less than 30 percent reserved to the state;

8 (C) [(3)] a fixed cash bonus with a royalty share reserved to the  
9 state as the bid variable but no less than 12.5 percent in amount or value of the  
10 production removed or sold from the lease;

11 (D) [(4)] a fixed cash bonus with the share of the net profit  
12 derived from the lease reserved to the state as the bid variable;

13 (E) [(5)] a fixed cash bonus with a fixed royalty share reserved  
14 to the state of not less than 12.5 percent in amount or value of the production  
15 removed or sold from the lease with the share of the net profit derived from the  
16 lease reserved to the state as the bid variable;

17 (F) [(6)] a cash bonus bid with a fixed royalty share reserved to  
18 the state based on a sliding scale according to the volume of production or other  
19 factor but in no event less than 12.5 percent in amount or value of the production  
20 removed or sold from the lease;

21 (G) [(7)] a fixed cash bonus with a royalty share reserved to the  
22 state based on a sliding scale according to the volume of production or other  
23 factor as the bid variable but not less than 12.5 percent in amount or value of the  
24 production removed or sold from the lease;

25 (4) notwithstanding a requirement in the leasing method chosen of  
26 a minimum fixed royalty share, on and after a date that is 180 days following the  
27 effective date of this Act, the lessee under a lease issued in the Cook Inlet  
28 sedimentary basin who is certified by the commissioner to be the first to drill a well  
29 discovering oil or gas in a previously undiscovered oil or gas pool shall pay a  
30 royalty of five percent on all production of oil or gas from that pool attributable to  
31 that lease for a period of 10 years following the date of discovery. ~~That period shall~~  
32 thereafter the royalty payable on all production of oil or gas from the pool

1 attributable to that lease shall be determined and payable as specified in the lease;  
2 the reduced royalty authorized by this paragraph is subject to the following:

3 (A) a lessee is eligible to pay the reduced royalty authorized  
4 by this paragraph only if the lessee is the first to drill a well discovering oil  
5 or gas in a previously undiscovered oil or gas pool;

6 (B) only one reduction of royalty authorized by this  
7 paragraph may be allowed on each lease that qualifies for reduction of  
8 royalty under this paragraph;

9 (C) if, under this paragraph, application is made for a royalty  
10 reduction for a lease that was entered into before the date that is 180 days  
11 following the effective date of this Act, the commissioner may approve the  
12 application only if, on the date referred to in this subparagraph, the lease  
13 was a nonproducing lease that was not committed to a unit approved by the  
14 commissioner under (m) of this section, that is not part of a unit under (p)  
15 or (q) of this section, and that has not been made part of a unit under  
16 AS 31.05;

*this language a lease →  
now that is  
non-producing,  
an existing  
unit may  
be part of  
a unit  
(p) or (q)  
is not  
under (m)  
under (p)  
(A) + (B)*

17 (D) if application for a royalty reduction is made under this  
18 paragraph for a lease on which a discovery royalty was claimed or may be  
19 claimed under the discovery royalty provisions of former AS 38.05.180(a) in  
20 effect before May 6, 1969, the commissioner shall disallow the application  
21 under this paragraph unless the applicant waives the right to claim the right  
22 to a reduced royalty under the discovery royalty provisions of former  
23 AS 38.05.180(a) in effect before May 6, 1969; and

*only program  
prevails -  
either old  
or this  
one.*

24 (E) the commissioner shall adopt regulations setting out the  
25 standards, criteria, and definitions of terms that apply to implement the  
26 filling of applications for, and the review and certification of, discovery oil  
27 and gas royalty certifications under this paragraph.

*conditions for discovery royalties*

AMENDMENTS ADOPTED IN 3/11/96 SENATE RESOURCES  
COMMITTEE TO VERSION F OF SB 112: Discovery Royalty  
(Chenoweth 3/9/96)

**Amendment #1**

1) See attached (The committee gave staff fairly broad authority to continue to work with the Department to tighten language in the bill to reflect its purpose as a discovery royalty provision and to bring it back for Wed. 3/13). This amendment was altered slightly after further discussion with the department and begins after: (3) must be conditioned upon a royalty in amount or value of not less than 12.5 percent of production, except that the lessee who, proceeding under AS 38.05.131-38.05.134, under a lease issued in the Cook Inlet sedimentary basin who is certified by the commissioner to be the first to drill a well discovering oil or gas in a previously undiscovered oil or gas pool shall pay a royalty of five percent on all production of oil or gas from that pool attributable to that lease for a period of 10 years following the date of discovery of that pool, and thereafter the royalty payable on all production of oil or gas from the pool attributable to that lease shall be determined and payable as specified in the lease. The payment of the five percent royalty under this paragraph is authorized only to a holder of a lease who meets the requirements of AS 38.05.180(f)(4).

2) Parallel language had to be added in AS 38.05.180(f)(4) as follows:  
Page 2, Line 32 through Page 3, Line 9:

following "commissioner to"  
[HAVE MADE] be the first to drill a well [DISCOVERY OF] discovering oil or gas in [COMMERCIAL QUANTITIES FROM] a previously undiscovered oil or gas pool shall pay a royalty of five percent on all [LEASE] production of oil or gas from that pool attributable to that lease for a period of 10 years following the date of discovery of that pool [OIL OR GAS IN COMMERCIAL QUANTITIES IN THE POOL, AS CERTIFIED BY THE COMMISSIONER,] and thereafter the royalty payable on all [LEASE] production of oil or gas from the pool attributable to that lease shall be determined and payable as specified in the lease; a lessee is eligible to pay the reduced royalty authorized by this paragraph only if the lessee [MAKES] is the first to drill a well [DISCOVERY OF] discovering oil or gas in [COMMERCIAL QUANTITIES FROM] a previously undiscovered oil or gas pool within five years of the effective date of the lease; the commissioner...

**Amendment #2 (INCORPORATED ABOVE)**

3) Page 3, Lines 2-3:

or gas pool shall pay a royalty of five percent on all [LEASE] production of oil or gas from that pool attributable to that lease for a period of 10 years following the date of discovery of oil or gas

Page 3, Lines 5-6:

thereafter the royalty payable on all [LEASE] production of oil or gas from the pool attributable to that lease shall be determined...

**Amendment #3** (became moot with the language the committee adopted in Amendment #1 above and the parallel language found in CS SB 112 version G).

3) Replace "in commercial quantities" throughout the bill and any amendments adopted by the committee with the phrase "capable of producing in commercial quantities".

**Amendment #4**

4) Not adopted by the committee as written, but instructions were given to the committee staff to work with the Department to bring an amendment before the committee Wednesday, 3/13/96 to allow Discovery Royalty to be applied to all nonproducing leases and future leases as of the effective date of the bill.

**AMENDMENTS ADOPTED IN 3/13/96 SENATE RESOURCES COMMITTEE TO VERSION G OF SB 112: Discovery Royalty (Chenoweth 3/13/96)**

**Amendment #1**

1) Page 4, Line 3: Following "undiscovered oil or gas pool"  
**DELETE: [WITHIN FIVE YEARS OF THE EFFECTIVE DATE OF THE LEASE;]**

**Amendment #2**

2) The committee adopted a conceptual amendment to limit discovery royalty to one application per lease. It doesn't matter how many partners are involved - only one discovery royalty will be allowed on the lease.

**Amendment #3**

3) The committee adopted a conceptual amendment to include nonunitized leases in the applicability section. However, a later amendment rewrote the applicability section and appears as Amendment #5.

**Amendment #4**

4) The committee wants to plainly state that on leases carrying the former discovery royalty provision, if a lessee applies under this new Discovery Royalty, the old program cannot also be used.

**Amendment #5**

5) The committee adopted an amendment to the effect that the provisions of AS 38.05.180(f)(4) added by sec. 2 of this Act, apply only to leases in the Cook Inlet sedimentary basin and the Act is effective on all non-producing, non-unitized leases (see Amendment #3) and future leases that are certified first discovery by the commissioner six months after the effective date of the Act.



# Alaska State Legislature

Official Business

State Capitol  
Juneau AK 99801

## AMENDMENT #1

OFFERED IN SENATE RESOURCES  
TO: CS SB 112 (LS0808F)  
DATE: 3/11/06

*Adopted*

Page 1, Line 5:  
Following Section 1. Insert:

AS 38.05.134 is amended to read:

Sec. 38.05.134. CONVERSION TO LEASE. If the licensee requests and the commissioner determines that the work commitment obligation set out in an oil and gas exploration license issued under AS 38.05.132 has been met, the commissioner shall convert to one or more oil and gas leases all or part, as the licensee may indicate, of the area described in the exploration license that remains after the relinquishments, removals, or deletions required by AS 38.05.132(d)(2). A lease issued under this section

(1) is subject to the acreage limitations imposed by AS 38.05.140(c);

(2) is subject to AS 38.05.180(i) - (m), (o) - (u), and (x) - (z);

(3) must be conditioned upon a royalty in amount or value of not less than 12.5 percent of production, except that the lessee who, proceeding under AS 38.05.131-38.05.134, under a lease issued in the Cook Inlet sedimentary basin who is certified by the commissioner to have made the first discovery of oil or gas in commercial quantities from a previously undiscovered oil or gas pool shall pay a royalty of five percent on all lease production of oil or gas from that pool for a period of 10 years following the date of discovery of oil or gas in commercial quantities in the pool, as certified by the commissioner, and thereafter the royalty payable on all lease production of oil or gas from the pool shall be determined and payable as specified in the lease. The payment of the five percent royalty under this paragraph is authorized only to a holder of a lease who meets the requirements of AS 38.05.180(f)(4).

SB112

## FACTS RE: FORMER DISCOVERY ROYALTY

### Former Definition

5% royalty for any production from a lease in the first 10 years following the discovery of oil and gas in commercial quantities in a geologic structure.

### Timeline

1937 - 1946, 1950 - 1958: Regulations under Federal Mineral Leasing Act establish discovery royalty for Alaska only.

1959: Alaska Land Act codifies federal regulation language into state statute; state lease form copies statute's language.

1962: Cook Inlet drilling races result in two blowouts: 45 days; 14 months. State grants discovery royalty for both.

1963: State regulations adopted.

1969: State legislature abolishes discovery royalty (ch 65, SLA 1969).

### Contentious

Many disputes, some over leases that never produced during the discovery royalty period.

Three Alaska Supreme Court decisions re: discovery royalty:

- Pan American, 455 P.2d 12 (Alaska 1969) (challenge by competitor)
- Union Oil, 526 P.2d 1257 (Alaska 1974) (denial of certification)
- Union Oil, 574 P.2d 1266 (Alaska 1978) (denial of certification)

Many administrative decisions by DNR.

### Litigation / Administrative Appeal Issues

What constitutes "first discovery", and is spud date relevant?

What are "commercial quantities", and is a controlled well test necessary?

What is a "geologic structure?"

What is the "discovery date?"

Does a discovery royalty apply to production from all zones in a lease?

## ISSUES RE: REINSTATEMENT OF DISCOVERY ROYALTY

The merits of reinstating the discovery royalty should be evaluated in the context of incentives for all the stages of exploration and production:

- Vigorous acquisition of land interests that give the right to explore for oil and gas.
- Prompt exploration of acquired land.
- Early production of discovered fields.
- Full production from declining reservoirs.

Discovery Royalty was a method of encouraging early production of discovered accumulations. It supplemented the leases' fixed primary term as a method of encouraging production. The Administration's efforts to amend AS 38.05.180(j) - royalty reduction - would encourage production of marginal fields.

Discovery Royalty in Alaska was contentious, provoking strife between competing lessees, and between lessees and the State. Discovery Royalty, in comparison to the conflict it provoked, was arguably of low effectiveness. Lessees could not count on receiving a discovery royalty.

Discovery royalty proposal could be modified to encourage vigorous acquisition, exploration and production of state lands without the ambiguities inherent in the former discovery royalty:

- Blanket 5% royalty for the 10 year primary term of new leases.
- Fixed 5% royalty for the first five years of production from any leases located more than 5 miles from existing production.
- Fixed 5% royalty for the first five years of production from any new unit located more than 5 miles from existing production.

The former discovery royalty statute was implemented by regulations establishing application procedures and defining various relevant terms. Should any new statute address these issues, or leave them for regulation?

The former discovery royalty statute was made effective by lease provisions. Should any new provisions be available for current leases, or only for leases issued in the future?

<u>Name of Well</u>	<u>Lessee (present names)</u>	<u>ADI No.</u>	<u>Date of Discovery<sup>1</sup></u>	<u>First Affidavit or claim of discov- ery</u>	<u>Date of written decision granting discovery royalty</u>	<u>Effective date of the 10-year discovery royalty</u>	<u>Commence- ment of commer- cial pro- duction</u>	<u>Date 12 1/2 royalty replaced 5 1/2 discovery royalty rate</u>	<u>Period royalty actually reduced</u>
Falls Creek Unit No. 1	Chevron ARCO	00590	4-10-61	12-3-63	2-18-64	5-1-61	none <sup>7</sup>	no royalty ever paid	never used
Middle Ground Shed No. 1	AMOCO Getty Phillips	17595	6-10-62	11-12-62	1-15-63	6-10-62	5-66 <sup>8</sup>	6-10-72 <sup>12</sup>	6 years, 1 month <sup>12</sup>
Inlet State No. 1	Phillips	17589	8-21-62	11-12-62	11-24-64	9-1-67	3-69 <sup>11</sup>	9-72	3 years, 6 months
Beluga River Unit No. 1	Chevron ARCO Shell	17599	12-1-62	9-17-63	12-19-62	1-1-63	3-68 <sup>8</sup>	1-73	6 years, 10 months
Granite Point No. 1	Hobll Union	18761	5-16-65	5-21-65	9-14-65	6-1-65	5-67 <sup>9</sup>	6-75	2 years, 1 month
Trailing Bay No. 1 A	Union Marathon	18731	5-23-65	6-10-65	8-27-65	6-1-65	1-67 <sup>9</sup>	6-75	2 years, 5 months
Cracking Bay 1 A	Union Marathon	17594	9-22-65 <sup>2</sup>	10-20-65	1-19-82	10-1-65	10-67 <sup>10</sup>	10-75 <sup>10</sup>	6 years, 1 month <sup>10</sup>
W. Side Creek No. 1	Texaco Superior	17598	4-28-66	5-21-66	8-19-66	5-1-66	10-68 <sup>8</sup>	no production <sup>13</sup> after 1972	no more than about 4 years
Trudlow Bay State No. 1	ARCO Exxon	28101	12-19-67 <sup>3</sup>	1-26-68	4-7-69	1-1-68	6-20-77 <sup>10</sup>	1/78	6 months, 11 days
Trudlow Bay No. 1	BP, Sobito ARCO	25633	4-7-69	9-15-69	11-12-82	5-1-69	12-13-81 <sup>11</sup>	12 1/2 royalty paid from 12-13-81, the first date of production	never used

North Slope  
Discovery Royalty Applications

Well No.	Well Name	Field Name	Applicant	Date of Application	Status of Application
33203	Frudhoe State # 1	Frudhoe Bay	ARCO	March 12, 1968	Granted
33263	Luparul State # 1	Frudhoe Bay	Mobil	December 25, 1969	Dormant(10-years over)
33273	Luparul # 1	Luparul	APCI-BP	April 7, 1969	Granted
33283	Kot River SP 01-11-12	Frudhoe Bay	BP	July 30, 1969	Dormant(10-years over)
33514	Simpson Lagoon 22-124	Luparul / Milne Pt.	Chevron	September 1, 1969	Dormant(10-years over)
33519	Lovebrak Point	Milne Point	Chevron	October 9, 1969	Dormant(10-years over)
33623	Point Storlarsen # 1	Undefined	Hamilton Brothers	November 25, 1969	Dormant(10-years over)
33624	North Frudhoe Bay St. #1	Undefined	ARCO	March 31, 1970	Dormant(10-years over)
33633	Sag Delta #3	Endicott	BP	March 31, 1977	Withdrawn by Applicant
33625	Hialuk #2-A	Hialuk	BP	April 11, 1977	Dormant(10-years over)
33634	Sag Delta # 1	Lisburne	BP	June 10, 1977	Dormant(10-years over)
33633	Sag Delta # 4	Endicott	BP	February 14, 1978	Active
33635	Hialuk # 5	Hialuk	CP	April 7, 1985	Active

DRAFT

Information compiled April, 1988  
William Van Dyke  
Division of Oil and Gas

Date \_\_\_\_\_



# Alaska State Legislature

Official Business

State Capitol  
Juneau AK 99801

## MEMO

TO: Jack Chenoweth  
Legal Counsel  
U.A. 118 2/18/96

FROM: Annette Kreitzer, Aide to  
Senate Resources Committee

DATE: March 15, 1996

RE: CS for SB 112 (RES)

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Please prepare a Senate Resources committee substitute with the following changes. These changes are to version G dated March 13, 1996.

### Amendment #1

1) Page 4, Line 3: Following "undiscovered oil or gas pool"  
**DELETE: [WITHIN FIVE YEARS OF THE EFFECTIVE DATE  
OF THE LEASE;]**

### Amendment #2

2) The committee adopted a conceptual amendment to limit discovery royalty to one application per lease. It doesn't matter how many partners are involved - only one discovery royalty will be allowed on the lease.

### Amendment #3

3) The committee adopted a conceptual amendment to include nonunitized leases in the applicability section. However, a later amendment rewrote the applicability section and appears as Amendment #5.

### Amendment #4

4) The committee wants to plainly state that on leases carrying the former discovery royalty provision, if a lessee applies under this new Discovery Royalty, the old program cannot also be used.

### Amendment #5

5) The committee adopted an amendment to the effect that the provisions of AS 38.05.180(f)(4) added by sec. 2 of this Act, apply only to leases in the Cook Inlet sedimentary basin and the Act is effective on all non-producing, non-unitized leases (see Amendment #3) and future leases that are certified first discovery by the commissioner six months after the effective date of the Act. **As I understand this amendment, the program begins six months after the effective date of the act. This amendment deletes the G version language of Section 3 and replaces it with the language offered herein. (page 4, lines 8-17).**



9-LS0808G  
Chenoweth  
3/13/96

CS FOR SENATE BILL NO. 112(RES)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered:  
Referred:

Sponsor(s): SENATE RESOURCES COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act establishing a discovery royalty credit for the lessees of state land  
2 drilling exploratory wells and making the first discovery of oil or gas in an oil  
3 or gas pool in the Cook Inlet sedimentary basin."

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

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7 commissioner determines that the work commitment obligation set out in an oil and  
8 gas exploration license issued under AS 38.05.132 has been met, the commissioner  
9 shall convert to one or more oil and gas leases all or part, as the licensee may indicate,  
10 of the area described in the exploration license that remains after the relinquishments,  
11 removals, or deletions required by AS 38.05.132(d)(2). A lease issued under this  
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7 a period of 10 years following the date of discovery of that pool, and thereafter  
8 the royalty payable on all production of oil or gas from the pool attributable to  
9 that lease shall be determined and payable as specified in the lease; the payment  
10 of the five percent royalty under this paragraph is authorized only to a holder of  
11 a lease who meets the requirements of AS 38.05.180(f)(4):

12 (4) must include an annual rent of \$3 per acre or fraction of an acre  
13 initially paid to the state at inception of the lease and payable annually after that until  
14 the income to the state from royalty under that lease exceeds the rental income to the  
15 state under that lease for that year; and

16 (5) is subject to other conditions and obligations that are specified in  
17 the lease.

18 \* Sec. 2. AS 38.05.180(f) is amended to read:

19 (f) Except as provided by AS 38.05.131 - 38.05.134, the commissioner may  
20 issue oil and gas leases on state land to the highest responsible qualified bidder as  
21 follows:

22 (1) the commissioner shall issue an oil and gas lease to the successful  
23 bidder determined by competitive bidding under regulations adopted by the  
24 commissioner; bidding [. BIDDING] may be by sealed bid or according to any other  
25 bidding procedure the commissioner determines is in the best interests of the state;

26 (2) whenever [. WHENEVER], under any of the leasing methods listed  
27 in this subsection, a royalty share is reserved to the state, it shall be delivered in pipeline  
28 quality and free of all lease or unit expenses, including but not limited to separation,  
29 cleaning, dehydration, gathering, salt water disposal, and preparation for transportation  
30 off the lease or unit area;

31 (3) following [. FOLLOWING] a pre-sale analysis, the commissioner  
32 may choose at least one of the following leasing methods:

1 (A) [(1)] a cash bonus bid with a fixed royalty share reserved to  
2 the state of not less than 12.5 percent in amount or value of the production  
3 removed or sold from the lease;

4 (B) [(2)] a cash bonus bid with a fixed royalty share reserved to  
5 the state of not less than 12.5 percent in amount or value of the production  
6 removed or sold from the lease and a fixed share of the net profit derived from  
7 the lease of not less than 30 percent reserved to the state;

8 (C) [(3)] a fixed cash bonus with a royalty share reserved to the  
9 state as the bid variable but no less than 12.5 percent in amount or value of the  
10 production removed or sold from the lease;

11 (D) [(4)] a fixed cash bonus with the share of the net profit  
12 derived from the lease reserved to the state as the bid variable;

13 (E) [(5)] a fixed cash bonus with a fixed royalty share reserved  
14 to the state of not less than 12.5 percent in amount or value of the production  
15 removed or sold from the lease with the share of the net profit derived from the  
16 lease reserved to the state as the bid variable;

17 (F) [(6)] a cash bonus bid with a fixed royalty share reserved to  
18 the state based on a sliding scale according to the volume of production or other  
19 factor but in no event less than 12.5 percent in amount or value of the production  
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21 (G) [(7)] a fixed cash bonus with a royalty share reserved to the  
22 state based on a sliding scale according to the volume of production or other  
23 factor as the bid variable but not less than 12.5 percent in amount or value of the  
24 production removed or sold from the lease;

25 (4) notwithstanding a requirement in the leasing method chosen of  
26 a minimum fixed royalty share, the lessee under a lease issued in the Cook Inlet  
27 sedimentary basin who is certified by the commissioner to be the first to drill a well  
28 discovering oil or gas in a previously undiscovered oil or gas pool shall pay a  
29 royalty of five percent on all production of oil or gas from that pool attributable to  
30 that lease for a period of 10 years following the date of discovery of that pool, and  
31 thereafter the royalty payable on all production of oil or gas from the pool  
32 attributable to that lease shall be determined and payable as specified in the lease;

1 a lessee is eligible to pay the reduced royalty authorized by this paragraph only if  
2 the lessee is the first to drill a well discovering oil or gas in a previously  
3 undiscovered oil or gas pool <sup>within five years of the effective date of the lease</sup> the  
4 commissioner shall adopt regulations setting out the standards, criteria, and  
5 definitions of terms that apply to implement the filing of applications for, and the  
6 review and certification of, discovery oil and gas royalty certifications under this  
7 paragraph.

8 \* Sec. 3. APPLICABILITY OF SEC. 2. The provisions of AS 38.05.180(f)(4), added by  
9 sec. 2 of this Act, apply only to leases in the Cook Inlet sedimentary basin that

10 (1) were entered into before the effective date of the regulations adopted by the  
11 commissioner of natural resources under AS 38.05.180(f)(4) to implement the filing of  
12 applications for and the review and certification of discovery of oil and gas royalty certifications  
13 under that paragraph, and that are nonproducing leases on that effective date; or

14 (2) are entered into on or after the effective date of the regulations adopted by  
15 the commissioner of natural resources under AS 38.05.180(f)(4) to implement the filing of  
16 applications for and the review and certification of discovery oil and gas royalty certifications  
17 under that paragraph.



# Alaska State Legislature

Official Business

State Capitol  
Juneau AK 99801

## MEMO

TO: Jack Chenoweth  
Legal Counsel - *VIA FAX 2/12/96*

FROM: Annette Kreitzer, Aide to  
Senate Resources Committee *(MK)*

DATE: March 12, 1996

RE: CS for SB 112 (RES)

Please prepare a Senate Resources committee substitute with the following changes. These changes are to version F dated March 9, 1996. *PL Enclosed 3/12/96*

1) Page 1, Line 5:

Following Section 1. Insert:

AS 38.05.134 is amended to read:

Sec. 38.05.134. CONVERSION TO LEASE. If the licensee requests and the commissioner determines that the work commitment obligation set out in an oil and gas exploration license issued under AS 38.05.132 has been met, the commissioner shall convert to one or more oil and gas leases all or part, as the licensee may indicate, of the area described in the exploration license that remains after the relinquishments, removals, or deletions required by AS 38.05.132(d)(2). A lease issued under this section

(1) is subject to the acreage limitations imposed by AS 38.05.140(c);

(2) is subject to AS 38.05.180(j) - (m), (o) - (u), and (x) - (z);

(3) must be conditioned upon a royalty in amount or value of not less than

12.5 percent of production except that the lessee who, proceeding under AS 38.05.131-38.05.134, under a lease issued in the Cook Inlet sedimentary basin who is certified by the commissioner to be the first to drill a well discovering oil or gas in a previously undiscovered oil or gas pool shall pay a royalty of five percent on all production of oil or gas from that pool attributable to that lease for a period of 10 years following the date of discovery of that pool, and thereafter the royalty payable on all production of oil or gas from the pool attributable to that lease shall be determined and payable as specified in the lease. The payment of the five percent royalty under this paragraph is authorized only to a holder of a lease who meets the requirements of AS 38.05.180(f)(4).

2) Page 2, Line 32 through Page 3, Line 9:

following "commissioner to"

[HAVE MADE] be the first to drill a well [DISCOVERY OF] discovering oil or gas in [COMMERCIAL QUANTITIES FROM] a previously undiscovered oil or gas pool shall pay a royalty of five percent on all [LEASE] production of oil or gas from that pool

attributable to that lease for a period of 10 years following the date of discovery of that pool [OIL OR GAS IN COMMERCIAL QUANTITIES IN THE POOL, AS CERTIFIED BY THE COMMISSIONER,] and thereafter the royalty payable on all [LEASE] production of oil or gas from the pool attributable to that lease shall be determined and payable as specified in the lease; a lessee is eligible to pay the reduced royalty authorized by this paragraph only if the lessee [MAKES] is the first to drill a well [DISCOVERY OF] discovering oil or gas in [COMMERCIAL QUANTITIES FROM] a previously undiscovered oil or gas pool within five years of the effective date of the lease; the commissioner...

3) Sec. 2. APPLICABILITY. The provisions of AS 38.05.180(f)(4), added by Sec. 1. of this Act apply to then existing non-producing leases and to new leases in the Cook Inlet sedimentary basin entered into after the effective date of regulations promulgated by the Department under AS 38.05.180(f)(4).

4) As all of these amendments are to the F version, the sections will have to be renumbered and "applicability" will have to be changed to refer to the appropriate section.

9-LS0808VF  
Chenoweth  
3/9/96

CS FOR SENATE BILL NO. 112( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
NINETEENTH LEGISLATURE - SECOND SESSION

BY

Offered:  
Referred:

Sponsor(s): SENATE RESOURCES COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act establishing a discovery royalty credit for the lessees of state land  
2 drilling exploratory wells and making the first discovery of oil or gas in an oil  
3 or gas pool in the Cook Inlet sedimentary basin."

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

5 \* Section 1. AS 38.05.180(f) is amended to read:

6 (f) Except as provided by AS 38.05.131 - 38.05.134, the commissioner may  
7 issue oil and gas leases on state land to the highest responsible qualified bidder as  
8 follows:

9 (1) the commissioner shall issue an oil and gas lease to the successful  
10 bidder determined by competitive bidding under regulations adopted by the  
11 commissioner; bidding [. BIDDING] may be by sealed bid or according to any other  
12 bidding procedure the commissioner determines is in the best interests of the state;

13 (2) whenever [. WHENEVER], under any of the leasing methods listed  
14 in this subsection, a royalty share is reserved to the state, it shall be delivered in pipeline

1 quality and free of all lease or unit expenses, including but not limited to separation,  
2 cleaning, dehydration, gathering, salt water disposal, and preparation for transportation  
3 off the lease or unit area;

4 (3) following [. FOLLOWING] a pre-sale analysis, the commissioner  
5 may choose at least one of the following leasing methods:

6 (A) [(1)] a cash bonus bid with a fixed royalty share reserved to  
7 the state of not less than 12.5 percent in amount or value of the production  
8 removed or sold from the lease;

9 (B) [(2)] a cash bonus bid with a fixed royalty share reserved to  
10 the state of not less than 12.5 percent in amount or value of the production  
11 removed or sold from the lease and a fixed share of the net profit derived from  
12 the lease of not less than 30 percent reserved to the state;

13 (C) [(3)] a fixed cash bonus with a royalty share reserved to the  
14 state as the bid variable but no less than 12.5 percent in amount or value of the  
15 production removed or sold from the lease;

16 (D) [(4)] a fixed cash bonus with the share of the net profit  
17 derived from the lease reserved to the state as the bid variable;

18 (E) [(5)] a fixed cash bonus with a fixed royalty share reserved  
19 to the state of not less than 12.5 percent in amount or value of the production  
20 removed or sold from the lease with the share of the net profit derived from the  
21 lease reserved to the state as the bid variable;

22 (F) [(6)] a cash bonus bid with a fixed royalty share reserved to  
23 the state based on a sliding scale according to the volume of production or other  
24 factor but in no event less than 12.5 percent in amount or value of the production  
25 removed or sold from the lease;

26 (G) [(7)] a fixed cash bonus with a royalty share reserved to the  
27 state based on a sliding scale according to the volume of production or other  
28 factor as the bid variable but not less than 12.5 percent in amount or value of the  
29 production removed or sold from the lease;

30 (4) notwithstanding a requirement in the leasing method chosen of  
31 a minimum fixed royalty share, the lessee under a lease issued in the Cook Inlet  
32 sedimentary basin who is certified by the commissioner to have made the first

1 discovery of oil or gas in commercial quantities from a previously undiscovered oil  
2 or gas pool shall pay a royalty of five percent on all lease production of oil or gas  
3 from that pool for a period of 10 years following the date of discovery of oil or gas  
4 in commercial quantities in the pool, as certified by the commissioner, and  
5 thereafter the royalty payable on all lease production of oil or gas from the pool  
6 shall be determined and payable as specified in the lease; a lessee is eligible to pay  
7 the reduced royalty authorized by this paragraph only if the lessee makes the first  
8 discovery of oil or gas in commercial quantities from a previously undiscovered oil  
9 or gas pool within five years of the effective date of the lease; the commissioner  
10 shall adopt regulations setting out the standards, criteria, and definitions of terms  
11 that apply to implement the filing of applications for, and the review and  
12 certification of, discovery oil and gas royalty certifications under this paragraph.

13 \* Sec. 2. APPLICABILITY. The provisions of AS 38.05.180(f)(4), added by sec. 1 of this  
14 Act, apply only to leases in the Cook Inlet sedimentary basin that are entered into on or after  
15 the effective date of this Act.



# Alaska State Legislature

Official Business

State Capitol  
Juneau AK 99801

## AMENDMENT #1

OFFERED IN SENATE RESOURCES  
TO: CS SB 112 (LS0808F)  
DATE: 3/11/96

Page 1, Line 5:  
Following Section 1. Insert:

AS 38.05.134 is amended to read:

Sec. 38.05.134. CONVERSION TO LEASE. If the licensee requests and the commissioner determines that the work commitment obligation set out in an oil and gas exploration license issued under AS 38.05.132 has been met, the commissioner shall convert to one or more oil and gas leases all or part, as the licensee may indicate, of the area described in the exploration license that remains after the relinquishments, removals, or deletions required by AS 38.05.132(d)(2). A lease issued under this section

(1) is subject to the acreage limitations imposed by AS 38.05.140(c);

(2) is subject to AS 38.05.180(i) - (m), (o) - (u), and (x) - (z);

(3) must be conditioned upon a royalty in amount or value of not less than 12.5 percent of production, except that the lessee who, proceeding under AS 38.05.131-38.05.134, under a lease issued in the Cook Inlet sedimentary basin who is certified by the commissioner to have made the first discovery of oil or gas in commercial quantities from a previously undiscovered oil or gas pool shall pay a royalty of five percent on all lease production of oil or gas from that pool for a period of 10 years following the date of discovery of oil or gas in commercial quantities in the pool, as certified by the commissioner, and thereafter the royalty payable on all lease production of oil or gas from the pool shall be determined and payable as specified in the lease. The payment of the five percent royalty under this paragraph is authorized only to a holder of a lease who meets the requirements of AS 38.05.180(f)(4).

AMENDMENT

#4

OFFERED IN THE SENATE

TO: Draft CSSB 112( )

1 Page 3, line 9, after "pool":

2 Delete "within five years of the effective date of the lease"

3 Page 3, lines 13 - 15:

4 Delete all material and insert:

5 "§ Sec. 2. RETROSPECTIVE APPLICABILITY. The provisions of AS 38.05.180(f)(4),  
6 added by sec. 1 of this Act, are retroactive and apply to discoveries of oil or gas in  
7 commercial quantities on leases in the Cook Inlet sedimentary basin made on or after  
8 January 1, 1991."

The effect of this amendment will be to set it up so current leaseholders in the Cook Inlet Basin will fall within this royalty bill.

Without this amendment, current leaseholders will not re-invest in their fields or work to bring on new fields. This consequently, will not bring jobs and growth to the Cook Inlet area, which this bill is designed to do.



# Alaska State Legislature

Official Business

State Capitol  
Juneau AK 99801

## MEMO

TO: Jack Chenoweth, Legal Counsel  
via fax: X 2029 this page only

FROM: Annette Kreitzer, Aide to  
Senate Resources Committee

DATE: March 9, 1996

RE: CS SB 112 (RES)

*Corporate 180( )  
only for Cook Inlet  
Article 134*

-----  
Please prepare a draft Committee Substitute for SB 112 using the following language. The changes are to the LS0808C version dated March 4, 1996. I have to leave the office at 12:30 p.m., however, my home phone number is 790-3136. I'll take the file with me.

TITLE CHANGE: Page 1, Line 1: Following "lessees of state land" INSERT:  
in the Cook Inlet sedimentary basin

Page 1, Line 6: Sec. 38.05.134. CONVERSION TO LEASE. As to licenses in the Cook Inlet sedimentary basin, if the licensee...

Page 2, Lines 1-7:  
DELETE all.

Insert: than 12.5 percent of production, except that a lessee, who, proceeding under AS 38.05.131-38.05.134, is certified by the commissioner to have made, within five years of the effective date of the lease, the first discovery of oil or gas in commercial quantities from a previously undiscovered pool will be eligible to pay a reduced royalty of five percent on all lease production from that pool for a period of 10 years following the date of discovery certified by the commissioner. Thereafter, the royalty payable on all production from the pool in which the first discovery was made will be determined as specified in the lease;

Page 3, Lines 21-29:  
DELETE all.

Insert: (4) notwithstanding a requirement in the leasing method chosen of a minimum fixed royalty share, a lessee who is certified by the commissioner to have made, within five years of the effective date of the lease, the first discovery of oil or gas in commercial quantities from a previously undiscovered pool in the Cook Inlet sedimentary basin will be eligible to pay a reduced royalty of five percent on all lease production from that pool for a period of 10 years following the date of discovery certified by the commissioner. Thereafter, the royalty payable on all production from the pool in which the first discovery was made will be determined as specified in the lease. The commissioner shall adopt regulations defining the definitions, standards, and criteria to be used in implementing the filing of applications and the review and certification of requests for discovery royalty certification under AS 38.05.134(3) and AS 38.05.180(f).

9-LS0808\C  
Chenoweth  
3/4/96

CS FOR SENATE BILL NO. 112( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
NINETEENTH LEGISLATURE - SECOND SESSION

BY

Offered:  
Referred:

Sponsor(s): SENATE RESOURCES COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act establishing a discovery royalty credit for the lessees of state land  
2 drilling exploratory wells and making the first discovery of oil or gas in an oil  
3 or gas pool."

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

5 \* Section 1. AS 38.05.134 is amended to read:

6 Sec. 38.05.134. CONVERSION TO LEASE. If the licensee requests and the  
7 commissioner determines that the work commitment obligation set out in an oil and gas  
8 exploration license issued under AS 38.05.132 has been met, the commissioner shall  
9 convert to one or more oil and gas leases all or part, as the licensee may indicate, of the  
10 area described in the exploration license that remains after the relinquishments, removals,  
11 or deletions required by AS 38.05.132(d)(2). A lease issued under this section

12 (1) is subject to the acreage limitations imposed by AS 38.05.140(c);

13 (2) is subject to AS 38.05.180(j) - (m), (o) - (u), and (x) - (z);

14 (3) must be conditioned upon a royalty in amount or value of not less

1 than 12.5 percent of production, except that the lessee who, proceeding under  
2 AS 38.05.131 - 38.05.134, makes the first discovery of oil or gas in an oil or gas  
3 pool, as the term is defined in AS 31.05.170, shall pay a royalty on all production  
4 under the lease of five percent for the primary term of the lease following the date  
5 of discovery and thereafter the royalty shall be as determined under this paragraph;  
6 the payment of the five percent royalty under this paragraph is authorized only to  
7 a holder of a lease who meets the requirements of AS 38.05.180(f)(4);

8 (4) must include an annual rent of \$3 per acre or fraction of an acre  
9 initially paid to the state at inception of the lease and payable annually after that until  
10 the income to the state from royalty under that lease exceeds the rental income to the  
11 state under that lease for that year; and

12 (5) is subject to other conditions and obligations that are specified in the  
13 lease.

14 \* Sec. 2. AS 38.05.180(f) is amended to read:

15 (f) Except as provided by AS 38.05.131 - 38.05.134, the commissioner may  
16 issue oil and gas leases on state land to the highest responsible qualified bidder as  
17 follows:

18 (1) the commissioner shall issue an oil and gas lease to the successful  
19 bidder determined by competitive bidding under regulations adopted by the  
20 commissioner; bidding [. BIDDING] may be by sealed bid or according to any other  
21 bidding procedure the commissioner determines is in the best interests of the state;

22 (2) whenever [. WHENEVER], under any of the leasing methods listed  
23 in this subsection, a royalty share is reserved to the state, it shall be delivered in pipeline  
24 quality and free of all lease or unit expenses, including but not limited to separation,  
25 cleaning, dehydration, gathering, salt water disposal, and preparation for transportation  
26 off the lease or unit area;

27 (3) following [. FOLLOWING] a pre-sale analysis, the commissioner  
28 may choose at least one of the following leasing methods:

29 (A) [(1)] a cash bonus bid with a fixed royalty share reserved to  
30 the state of not less than 12.5 percent in amount or value of the production  
31 removed or sold from the lease;

32 (B) [(2)] a cash bonus bid with a fixed royalty share reserved to

1 the state of not less than 12.5 percent in amount or value of the production  
2 removed or sold from the lease and a fixed share of the net profit derived from  
3 the lease of not less than 30 percent reserved to the state;

4 (C) [(3)] a fixed cash bonus with a royalty share reserved to the  
5 state as the bid variable but no less than 12.5 percent in amount or value of the  
6 production removed or sold from the lease;

7 (D) [(4)] a fixed cash bonus with the share of the net profit  
8 derived from the lease reserved to the state as the bid variable;

9 (E) [(5)] a fixed cash bonus with a fixed royalty share reserved  
10 to the state of not less than 12.5 percent in amount or value of the production  
11 removed or sold from the lease with the share of the net profit derived from the  
12 lease reserved to the state as the bid variable;

13 (F) [(6)] a cash bonus bid with a fixed royalty share reserved to  
14 the state based on a sliding scale according to the volume of production or other  
15 factor but in no event less than 12.5 percent in amount or value of the production  
16 removed or sold from the lease;

17 (G) [(7)] a fixed cash bonus with a royalty share reserved to the  
18 state based on a sliding scale according to the volume of production or other  
19 factor as the bid variable but not less than 12.5 percent in amount or value of the  
20 production removed or sold from the lease;

21 (4) notwithstanding a requirement in the leasing method chosen of  
22 a minimum fixed royalty share, the holder of a lease who makes the first discovery  
23 of oil or gas in an oil or gas pool, as the term is defined in AS 31.05.170, shall pay  
24 a royalty on all production under the lease of five percent for the primary or initial  
25 term of the lease following the date of discovery and thereafter the royalty shall be  
26 determined and payable under (3) of this subsection; the payment of royalty under  
27 this paragraph is authorized only to a holder of a lease who first files with the  
28 department a statement of discovery setting out the information that the  
29 commissioner may, by regulation, require.

30 \* Sec. 3. APPLICABILITY. The provisions of this Act apply only to leases that are entered  
31 into on or after the effective date of this Act.



# Alaska State Legislature

Official Business

State Capitol  
Juneau AK 99801

## MEMO

TO: Jack Chenoweth, Legal Counsel  
via fax: X2029

FROM: Annette Kreitzer, Aide to  
Senate Resources Committee

DATE: March 2, 1996

RE: Committee Substitute for SB 112: Discovery Royalty

---

Please prepare a draft Senate Resources Committee Substitute for SB 112, Discovery Royalty, with the following provisions:

1) Page 3, Lines 21-22 are fine until we get to "oil or gas in commercial quantities in a geologic structure". This language needs to be changed so that the new provision allows for first discovery of an oil or gas pool as defined by Alaska Oil and Gas Conservation Commission (AS 31.05.170(11)) shall pay a royalty on all production under the lease of five percent for the primary term of the lease following the date of discovery and thereafter the royalty shall be determined and payable under (3)...

There is a problem with using the phrase "oil or gas in a geologic structure", because it is an undefinable term which was adopted at statehood from federal law. Technology has moved the oil/gas industry and the Department of Natural Resources farther and farther away from the effective use of that phrase.

The reason for inserting the phrase "primary term of the lease" is that the intent of this legislation is to: get people out exploring (which is why it continues to be tied to the exploration licensing program); since primary terms run 7-10 years, it forces the issue of working a lease, rather than sitting on it, and hopefully ensures a quicker return to the state.

2) This legislation should apply to new leases only. As you are aware, the discovery royalty provision still exists in leases issued prior to the repeal of that provision in 1969. If we are not specific that this provision applies to leases entered into after the effective date of the Act, DNR's concern is that there will be an issue of whether the program is retroactive.

3) The old regulations under the previous discovery royalty program required a "statement of discovery" for the royalty reduction to be granted. This would eliminate problems of dual companies drilling on the same lease and both trying to claim first discovery for the same pool.

Thank you for your assistance. Please call me at 465-4907 if you desire further clarification.

PROPOSED AMENDMENT TO  
SB 112: Discovery Royalty

Page 3, lines 13-15:

DELETE ALL MATERIAL

Insert:

Sec. 2. APPLICABILITY. The provisions of AS 38.05.180(f)(4), added by sec. 1 of this Act, apply to both non-producing leases and to new leases in the Cook Inlet sedimentary basin that were entered into on or after the effective date of regulations promulgated by the Department under AS 38.05.180(f)(4).



# Alaska State Legislature

Session:  
State Capitol  
Juneau AK 99801-1182

MEMO

Interim:  
716 W 4th Avenue  
Anchorage AK 99501-2133

TO: Ken Boyd, Deputy Director  
Division of Oil and Gas, DNR  
FA (907) 542-3852

FROM: Annette E. Kreitzer, Committee Aide  
Senate Resources Committee

DATE: March 9, 1995

RE: SB 112: Discovery Royalty Credit

\*\*\*\*\*

- 1) SB 112 has been scheduled for Wednesday, March 15 and Friday March 17 in Senate Resources. The Wednesday hearing would be mostly background and the division answering questions about the ramifications of reinstating this credit.
- 2) I have asked the legislative reference library for the legislative record pertaining to the repeal of the credit by CH65 SLA 1969. I've been told it's going to be skimpy. Does your Division/Department have any information on why it was repealed? Any position papers, etc.?
- 3) What leases currently carry the old provision ?
- 4) What known fields could possibly be impacted by reinstatement of the credit?
- 5) Do you have any maps which would help illustrate these points?
- 6) Take a deep breath.

Alaskan Oil and Gas Discoveries  
Since Prudhoe Bay

<u>Oil Fields</u>	<u>Discovery Date</u>	<u>First Production</u>	<u>Operator</u>
Redoubt Shoal	9/68	NA	Amoco
Kuparuk River	4/69	12/81	ARCO
Kuparuk River West Sak	4/69	8/83	ARCO
Milne Pt.- Kuparuk	8/69	10/85	BP Exploration
Milne Pt.- Schrader Bluff	8/69	3/91	BP Exploration
North Prudhoe Bay	4/70	9/93	ARCO
Beaver Creek	12/72	12/72	Marathon
Pt. Thompson	9/75	NA	Exxon
Prudhoe Bay-West Beach	7/76	4/93	ARCO
Endicott	3/78	6/86	BP Exploration
North Star Unit	1/84	NA	BP Exploration
Niakuk/W. Niakuk*	4/85	4/94	BP Exploration
Point McIntyre**	3/88	9/93	ARCO
West McArthur River	12/91	8/93	Stewart Petroleum
*Niakuk received Discovery Royalty Benefit, expired 3/95.			
**Pt. McIntyre is receiving Discovery Royalty Benefit, expires 2/98.			
<u>Gas Fields</u>			
Kavik	11/69	NA	Amoco
Kemik	6/72	NA	Forest Oil
Lewis River	9/75	9/84	Cities Service/Unocal
Stump Lake	5/78	6/90	Chevron/Unocal
Pretty Creek	2/79	11/86	Chevron/Unocal
North Trading Bay Unit	10/79	4/80	Texaco
Walakpa	2/80	9/92	Husky

COOK INLET BASIN

DATA SUMMARY

FOR

STATE OF ALASKA HOUSE OF REPRESENTATIVES

FINANCE COMMITTEE HEARING

RE: SENATE BILL 112

APRIL 22, 1996

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PART I:

Cook Inlet Basin-Data Summary

Map of Basin

PART II:

Discovery rates and historical oil & gas reserves. (Discussion)

Graph comparing drilling and discovery rates during 1959 - 1969 and subsequent years. (PLATE "A")

Bar chart showing oil & gas reserves discovered prior to, during and after "discovery royalty" provision. (PLATE "B")

PART III:

Estimate of remaining undiscovered oil & gas reserves (Discussion)

Bar chart - PLATE "C": Estimated Undiscovered Oil & Gas Reserves - Cook Inlet Basin.

**PART IV:**

Estimate of ultimate State of Alaska royalty values attributable to undiscovered oil & gas reserves. (Discussion)

**TABLE "A": Estimated Value to State of Alaska Royalties on Undiscovered Oil & Gas Reserves - Cook Inlet Basin.**

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COOK INLET BASIN

DATA SUMMARY

FOR

STATE OF ALASKA HOUSE OF REPRESENTATIVES

FINANCE COMMITTEE HEARING

RE: SENATE BILL 112

APRIL 22, 1996

PART I

1. BASIN DESCRIPTION

The Cook Inlet Basin is an intermontane sedimentary basin trending NE-SW, bounded by the Southern Alaska Range and the Chugach Mountains and is roughly coextensive with the present Cook Inlet waters and immediately surrounding terrain.

It is an important hydrocarbon producing area containing numerous individual oil and gas fields.

2. BASIN SIZE

It is approximately 200 x 70 miles and contains 9,000,000 (+/-) surface acres.

3. OIL & GAS FIELDS

(Oil) 7 producing fields  
(Gas) 22 total fields (11 producing; 11 shut-in)

4. ESTIMATED TOTAL  
PROVED  
RECOVERABLE  
RESERVES

(Oil) 1.35 Billion Bbls. (BBO)  
(Gas) 6.6 Trillion Cu. Ft. (TCF)

5. ESTIMATED  
REMAINING PROVED  
RECOVERABLE  
RESERVES

(Oil) 120 million BO (MMBO)  
(Gas) 1.9 TCF

6. ESTIMATED  
UNDISCOVERED OIL  
& GAS RESERVES

(Oil) 1.00 Billion Bbls (BBO)  
(Gas) 2.0 TCF