

ALASKA LEGISLATURE COMMITTEE FILES 1999-2000 8672

10118 SENATE RESOURCES



RECORDS CERTIFICATION



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A handwritten signature in cursive script, appearing to read "Peter Davis", written over a horizontal line.

Signature of Camera Operator

A handwritten date "12/5/2001" written over a horizontal line.

Date

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BRIEFING: Foothills Pipelines, Ltd., 3/8/00

Chenik Institute Lease, Proposed

Confirmation Hearing: Board of Fisheries,
5/3/99

Confirmation Hearing: Board of Fisheries,
3/29/00

Confirmation: Board of Game, 3/24/99

SUBSISTENCE LEGISLATION

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Foot -

hills

Pipe

Line

3/8/00

PRESENTATION TO THE ALASKA SENATE RESOURCES
COMMITTEE
BY ROBERT L. PIERCE, CHAIRMAN & C.E.O.
JUNEAU, ALASKA
MARCH 8, 2000

THANK YOU FOR THE INVITATION TO APPEAR BEFORE YOUR COMMITTEE AND THE OPPORTUNITY TO PRESENT THE FOOTHILLS CASE.

WE HAVE A PACKAGE OF MATERIALS ABOUT OUR COMPANY THAT MIGHT BE OF INTEREST TO THE COMMITTEE. I UNDERSTAND THAT YOUR RULES AND PROCEDURES ALLOW THE DOCUMENTS TO BE TENDERED AS PART OF THE RECORD.

I WILL USE MY TIME BEFORE THE COMMITTEE TO EXPLAIN WHY WE BELIEVE THAT THE TIME IS RIGHT TO COMPLETE THE ALASKA NATURAL GAS TRANSPORTATION SYSTEM, ALSO KNOWN AS THE ALASKA HIGHWAY PIPELINE.

FOOTHILLS BELIEVES THAT THE ALASKA HIGHWAY PIPELINE IS COST EFFECTIVE... ENVIRONMENTALLY SOUND...AND POLITICALLY PALATABLE.

AS YOU KNOW, THERE IS A GREAT DEAL OF HISTORY AROUND THIS ISSUE. ORIGINALLY, THREE PROPOSALS TO MOVE ALASKA NORTH SLOPE NATURAL GAS VIED FOR APPROVAL. (1) THE EL PASO PROJECT THAT WOULD PIPELINE THE GAS TO A LNG FACILITY AT VALDEZ AND THEN SHIP THE PRODUCT TO CALIFORNIA. (2) THE ARCTIC GAS PROPOSAL WHICH WOULD PIPELINE GAS ACROSS THE NORTH SLOPE TO THE MACKENZIE VALLEY AND ON THROUGH CANADA TO THE U.S. MARKET. (3) THE ALASKA HIGHWAY PROJECT...AN OVERLAND PIPELINE ALONG THE DALTON AND ALASKA HIGHWAY THROUGH ALASKA AND CANADA TO THE LOWER 48 MARKETS.

THE REST IS HISTORY AND AS THEY SAY, "THOSE WHO FORGET HISTORY ARE BOUND TO REPEAT IT."
THE HISTORY IS THAT BOTH THE UNITED STATES AND CANADA AGREED ...THAT WHEN ALL THINGS WERE CONSIDERED ...THE ALASKA HIGHWAY ROUTE WAS THE BEST OPTION.

ACCORDINGLY, CERTIFICATES WERE ISSUED ...INTERNATIONAL AGREEMENTS WERE SIGNED BY THE PRESIDENT AND THE PRIME MINISTER ...AND THE AGREEMENTS WERE RATIFIED BY CONGRESS IN THE U.S. AND BY PARLIAMENT IN CANADA. THE DECISION...THE AGREEMENT...AND THE LEGISLATION SELECTING THE ALASKA HIGHWAY ROUTE HAVE THE FORCE AND EFFECT OF A TREATY BETWEEN OUR TWO COUNTRIES.

FOR ONE WHO ACTIVELY PARTICIPATED IN THOSE PIPELINE WARS BACK IN THE 70'S...THERE IS A SENSE OF "DÉJÀ VU".

THERE IS NOW A PROPOSAL BEING FLOATED...WHOSE CENTRAL PREMISE IS TO MOVE ALASKA GAS EAST TO THE MACKENZIE DELTA AND THEN DOWN THE VALLEY TO JOIN THE CANADIAN PIPELINE GRID. THIS DIFFERS FROM THE EARLIER ARCTIC GAS PROJECT IN THAT THIS NEW PIPELINE IS TO BE LAID UNDER THE OCEAN ICE RATHER THAN THROUGH THE ANWR.

I SAY DÉJÀ VU BECAUSE THIS IS NOT A NEW CONCEPT ...WE (AND OTHERS) LOOKED AT SIMILAR OPTIONS BEFORE. I PREDICT THAT THIS PROPOSAL WILL FAIL FOR THE SAME REASONS AS BEFORE... NAMELY, ECONOMICS, ENVIRONMENT AND POLITICS. WE CAN RETURN TO THIS ISSUE LATER.

CLEARLY THERE IS A RENEWED INTEREST IN BUILDING A PIPELINE FROM ALASKA TO THE LOWER 48 STATES.

WHY?

THE U.S. DEMAND AND PRICE FOR NATURAL GAS CONTINUES TO ESCALATE, DRIVEN PRIMARILY BY THE DEMAND FOR NEW GAS FIRED ELECTRICAL GENERATION. MOST ANALYSTS PREDICT A 30 TCF U.S. MARKET AND UP TO A \$3.00/MCF PRICE BY THE SECOND HALF OF THIS DECADE.

THERE IS A NEED TO CONNECT NEW SOURCES OF SUPPLY. MANY BELIEVE THAT THIS U.S. DEMAND WILL BE MET WITH INCREASED EXPORTS OF CANADIAN NATURAL GAS. THIS ASSUMPTION MIGHT BE TOO OPTIMISTIC. RECENTLY, THE CHAIRMAN OF THE NEB WARNED ABOUT THE POTENTIAL OF A 2 BCF/D SHORTFALL IN DELIVERABILITY FROM CANADA BY 2001. THIS WINTER, WE ARE SEEING SURPLUS PIPELINE CAPACITY AND THE 1.5 BCF/D ALLIANCE PIPELINE WILL BE PUT IN-SERVICE LATER THIS FALL.

AND THIRDLY, THE NORTH SLOPE IS THE LARGEST UNCONNECTED GAS RESERVE IN NORTH AMERICA.

I HAVE BEEN IN THE GAS BUSINESS FOR SOME TIME. LET ME GIVE YOU AN ALBERTA'S PERSPECTIVE ON THIS ISSUE. AT ONE TIME, MUCH OF ALBERTA'S NATURAL GAS RESERVES WERE STRANDED ...NOT UNLIKE THE CURRENT SITUATION IN ALASKA.

WORKING TOGETHER, INDUSTRY AND GOVERNMENT TOOK UP THAT CHALLENGE. THE STRATEGY WAS NOT DIFFERENT FROM WHAT I UNDERSTAND TO BE A LONG-STANDING ALASKAN POLICY AND ONE THAT YOUR COMMITTEE IS CURRENTLY INVESTIGATING, NAMELY: (1) LOOK FOR INCREASED MARKET OPPORTUNITIES IN THE LOWER 48. (2) LOOK FOR WAYS TO USE OR FURTHER PROCESS THE GAS WITHIN THE STATE.

THERE WAS ENOUGH GAS IN ALBERTA FOR BOTH PURPOSES JUST AS I UNDERSTAND THERE IS IN ALASKA. THE ALBERTA STRATEGY TO PROCESS SOME OF ITS GAS WITHIN ALBERTA AND FIND NEW MARKETS FOR THE REST SUCCEEDED, IN PART BECAUSE OF THE POLICIES OF GOVERNMENT AND

DEVELOPMENT PLANS OF INDUSTRY ...BUT ALSO BECAUSE ALBERTA WAS IN THE RIGHT PLACE AT THE RIGHT TIME.

ALBERTA'S STRATEGY WAS TO DEVELOP A PETROCHEMICAL INDUSTRY IN THE PROVINCE AND AGGRESSIVELY PURSUE INCREASED EXPORTS TO THE U.S. INCLUDING NEW MARKETS IN THE U.S. NE. IT WAS VERY SUCCESSFUL.

CAPITAL INVESTMENTS IN THE PETROCHEMICAL INDUSTRY IS APPROACHING \$7 BILLION, OVER 400 CONSTRUCTION JOBS ARE CREATED FOR EACH \$1BILLION INVESTMENT AND A SINGLE \$200 MILLION PETROCHEMICAL DERIVATIVE PLANT IN ALBERTA PAYS CUMULATIVE TAXES OF \$300 MILLION OVER A 20 YEAR PERIOD.

NATURAL GAS EXPORTS TO THE U.S. HAVE INCREASED DRAMATICALLY IN THE PAST TWO DECADES.

IT WAS ALBERTA'S TURN TWO DECADES AGO. I THINK IT WILL BE ALASKA'S TURN VERY SOON.

CAN THE "DISTANCE FACTOR" BE OVERCOME?

WILL THE CHICAGO GAS PRICE ALLOW FOR THE PROFITABLE MOVEMENT OF ALASKA GAS SOUTH?

I BELIEVE THAT THE ANSWER IS YES AND I BELIEVE THAT THE BEST WAY TO TRANSPORT YOUR GAS TO MARKET IS ALONG THE ALASKA HIGHWAY PIPELINE.

LET ME BRIEFLY DESCRIBE THE DETAILS OF OUR PIPELINE PROPOSAL.

THE CURRENT PROJECTED CAPITAL COST FOR THE PIPELINE IS AROUND U.S. \$6 BILLION.

WE NOW BELIEVE THAT AN APPROPRIATE DESIGN WOULD INVOLVE USING A HIGH-PRESSURE PIPE THAT WOULD HAVE THE CAPABILITY OF MOVING GAS LIQUIDS THAT MIGHT OTHERWISE BE LEFT STRANDED ON THE NORTH SLOPE.

WE ANTICIPATE THROUGHPUT VOLUMES IN THE RANGE OF 2.5 – 3 BCF/D.

THE DISTANCE WOULD BE ABOUT 1700 MILES COMMENCING AT THE NORTH SLOPE WITH ROUGHLY ONE-HALF OF THE NEW PIPELINE BEING BUILT IN ALASKA AND THE OTHER HALF IN CANADA.

BECAUSE WE HAVE MANY OF THE KEY APPROVALS IN HAND, WE BELIEVE THAT OUR PIPELINE COULD BE IN-SERVICE BY AS EARLY AS 2006.

THIS IS AN AMBITIOUS PLAN BUT A REALISTIC ONE. SOME MIGHT ASK ...HOW IS IT THAT THIS PIPELINE IS SO MUCH CHEAPER THAN PREVIOUS ESTIMATES? THERE ARE SEVERAL REASONS FOR THIS. A SIZABLE SECTION OF THE ORIGINAL PIPELINE HAS ALREADY BEEN BUILT...THE "PREBUILD".

HIGHER STRENGTH STEEL AND HIGHER OPERATING PRESSURES ENABLE US TO USE SMALLER DIAMETER PIPE TO MOVE THE SAME VOLUME OF GAS. NEW WELDING TECHNIQUES ALSO ENABLE US TO ACHIEVE HIGHER PRODUCTIVITY IN PIPELINE CONSTRUCTION.

THERE ARE KEY SENSITIVITIES TO A PROJECT SUCH AS THIS...TWO OF THE MORE IMPORTANT BEING THE COST OF GAS IN THE MARKET...AND THE PIPELINE THROUGHPUT VOLUMES. LET ME DEAL WITH THOSE IN ORDER.

ULTIMATELY FOR ANY PROJECT TO SUCCEED THERE MUST BE SOMETHING IN IT FOR EVERYONE...THE PRODUCERS...THE PIPELINES ...MAJOR SUPPLIER AND UNIONS...IN-STATE GAS USERS AND GOVERNMENTS. THE HIGHER THE PRICE OF GAS IN THE LOWER 48 STATES ...THE MORE MONEY THERE WILL BE TO GO AROUND.

WE BELIEVE THAT A CHICAGO GAS PRICE IN THE RANGE OF \$3.00/MCF COULD PROVIDE A SUFFICIENT PROFIT MARGIN FOR EVERYONE TO SIGN ON.

TURNING TO THE QUESTION OF THROUGHPUT VOLUMES. AS A RULE OF THUMB...LARGER PIPELINE CAPACITIES EQUAL LOWER PER MILE TRANSPORTATION TOLLS. HOWEVER, PIPELINE DESIGNS MUST ALWAYS BE COGNIZANT OF THE LOWER 48 MARKET PLACE. OVERBUILDING THE PIPELINE COULD DEFEAT THE PURPOSE OF THE EXERCISE.

THERE ARE OBVIOUS SYNERGIES IF WE CAN HARMONIZE PIPELINE DESIGNS SO AS TO SERVE BOTH THE LOWER 48 AND THE IN-STATE GROWTH IN GAS DEMAND. THIS SHOULD BE A WIN-WIN FOR ALASKA ECONOMIC DEVELOPMENT AND THE ALASKA HIGHWAY PIPELINE, NOT TO MENTION THE CONSUMER ADVANTAGE FOR ALASKANS THAT WILL RESULT FROM THE OPPORTUNITY TO USE NATURAL GAS FOR HOME HEATING.

AS YOU KNOW, FOOTHILLS IS A PARTNER IN THE ANS LNG PROJECT. WE HAVE BEEN ACTIVELY INVESTIGATING THESE SYNERGIES AND BELIEVE THAT WE COULD SAVE SEVERAL HUNDRED MILLION DOLLARS IF THE TWO PROJECTS COULD BE BROUGHT TOGETHER. THIS MIGHT VERY WELL BE ENOUGH TO ENSURE THE PROJECT CAN MEET THAT ALL-IMPORTANT CHICAGO PRICE.

LET ME NOW RETURN TO THOSE THREE FUNDAMENTAL FACTORS OF ANY PIPELINE PROPOSAL THAT I SPOKE OF EARLIER. (1) ECONOMICS (2) ENVIRONMENT (3) POLITICS.

CAN AN ALTERNATIVE PROPOSAL MOVE THE GAS CHEAPER?

THE ONE ALTERNATIVE CURRENTLY BEING INVESTIGATED IN SOME CIRCLES IS THE PROPOSAL TO BUILD A PIPELINE UNDER THE ICE OF THE BEAUFORT SEA.

THE PROMOTERS OF SUCH A PROJECT CLAIM THAT THEIR PIPELINE IS SHORTER... WILL ENCOUNTER FEWER CONSTRUCTION OBSTACLES AND THEREFORE CAN DELIVER ALASKAN GAS INTO THE CANADIAN GRID CHEAPER THAN THE ALASKA HIGHWAY PIPELINE.

WE WILL CONCEDE THAT A PIPELINE THROUGH THE OCEAN IS SHORTER BY APPROXIMATELY 125 MILES...OR ABOUT 7 % OF THE TOTAL PROJECT.

HOWEVER, DISTANCE ALONE WILL NOT MAKE THE PROPOSAL MORE COST EFFICIENT.

WHY?

THE ALASKA HIGHWAY PIPELINE WILL BE BUILT ALONG AN EXISTING TRANSPORTATION CORRIDOR...THE DALTON AND ALASKA HIGHWAYS.

EASY ACCESS TO THE RIGHT-OF-WAY IS EXTREMELY IMPORTANT TO LOW-COST, EFFICIENT PIPELINE CONSTRUCTION. WITHOUT IT, THE MOVEMENT OF PERSONNEL, MATERIALS AND EQUIPMENT WOULD BE A MAJOR UNDERTAKING IN ITS OWN RIGHT.

TO BUILD A PIPELINE WHERE NO ROAD CURRENTLY EXISTS OFTEN MEANS THAT THE COST OF A NEW ROAD IS INCLUDED IN THE CAPITAL COSTS OF A PIPELINE. NORTHERN ROADS COST MONEY TO BUILD AND MAINTAIN.

THE TERRAIN ALONG THE ALASKA HIGHWAY ROUTE PROVIDES NO GREATER CONSTRUCTION CHALLENGES THAN THOSE FACED NOW IN NORTHERN CANADA AND ALASKA. MOST OF THE GEOTECHNICAL WORK HAS BEEN COMPLETED ALONG THE RIGHT-OF-WAY. THE MOUNTAIN PASS IN THE BROOKS RANGE IS DIFFICULT CONSTRUCTION BUT NOT EXTRAORDINARY BY ANY MEANS.

WE HAVE MANY OF THE NECESSARY PERMITS IN HAND AND MOST RIGHTS-OF-WAY HAVE BEEN SECURED. AN ALTERNATIVE PROJECT MUST BEGIN FROM SCRATCH. THAT EFFORT REQUIRES TIME AND MONEY ...AND PLENTY OF BOTH AS WE CAN ATTEST TO.

WE BELIEVE THAT A PIPELINE UNDER THE OCEAN WILL COST MORE THAN OUR PROJECT.

THE SECOND FUNDAMENTAL FACTOR RELATES TO ENVIRONMENTAL ISSUES.

IS AN OFFSHORE NORTH SLOPE PIPELINE MORE ENVIRONMENTALLY BENIGN? I DOUBT IT.

IN FACT, ENVIRONMENTAL FACTORS PLAYED A KEY ROLE IN THE ORIGINAL DECISION WHEN THE ALASKA HIGHWAY PIPELINE ROUTE WAS CHOSEN AS THE BEST ALTERNATIVE.

AGAIN THE FACT THAT THE PIPELINE FOLLOWS AN EXISTING, WELL-USED TRANSPORTATION CORRIDOR MEANS THAT IT WILL BE LESS ENVIRONMENTALLY DISRUPTIVE, PARTICULARLY WHEN COMPARED TO A PIPELINE THROUGH A PRISTINE UNDEVELOPED AREA.

THERE WILL BE THOSE WHO SCOFF AT SUCH SUGGESTIONS. THEY MIGHT BE WELL ADVISED TO STUDY SOME RECENT SAMPLING OF NORTH AMERICAN ATTITUDES REGARDING ENERGY ISSUES. THE MOST IMPORTANT ENERGY/ENERGY INDUSTRY ISSUE WAS NOT COST BUT THE EFFECTS ON THE ENVIRONMENT. THAT IS A MARKED CHANGE IN PUBLIC SENTIMENT AND PERHAPS A FUNDAMENTAL CHANGE.

FINALLY, LET ME SAY A FEW WORDS ABOUT THE POLITICAL FACTOR. I DO THIS WITH SOME TREPIDATION WHEN SPEAKING TO SUCH A FORUM AS THIS.

POLITICS OFTEN BOIL DOWN TO A DEBATE ABOUT WHAT BENEFITS WILL FLOW FROM ANY GIVEN PUBLIC POLICY. THIS DEBATE WILL BE ABOUT TWO VERY DIFFERENT PIPELINE PROPOSALS ...THE ONE THAT WE PRESENT WILL RUN THROUGH THE LENGTH OF YOUR STATE ...CAN BECOME A CATALYST FOR FURTHER DEVELOPMENT...WILL PROVIDE JOBS FOR YOUR CITIZENS...AND IN THE LONG-RUN WILL GENERATE MAXIMUM TAX REVENUES.

I BEGAN BY SPEAKING ABOUT ALBERTA...THE JOBS THAT HAVE BEEN CREATED ...THE BUSINESS INVESTMENT THAT HAS RESULTED...THE TAXES THAT HAVE BEEN GENERATED.

IF MAXIMIZING BENEFITS FOR ALASKA IS THE GOAL OF ENERGY DEVELOPMENT ...THEN OUR PIPELINE PROPOSAL SHOULD WIN THE DAY.

PIPELINES ARE ABOUT MORE THAN RIBBONS OF STEEL PIPE CONNECTING GAS WELLS TO THE MARKET PLACE. THEY CANNOT BE REDUCED TO ONE-DIMENSIONAL ECONOMIC THINKING.

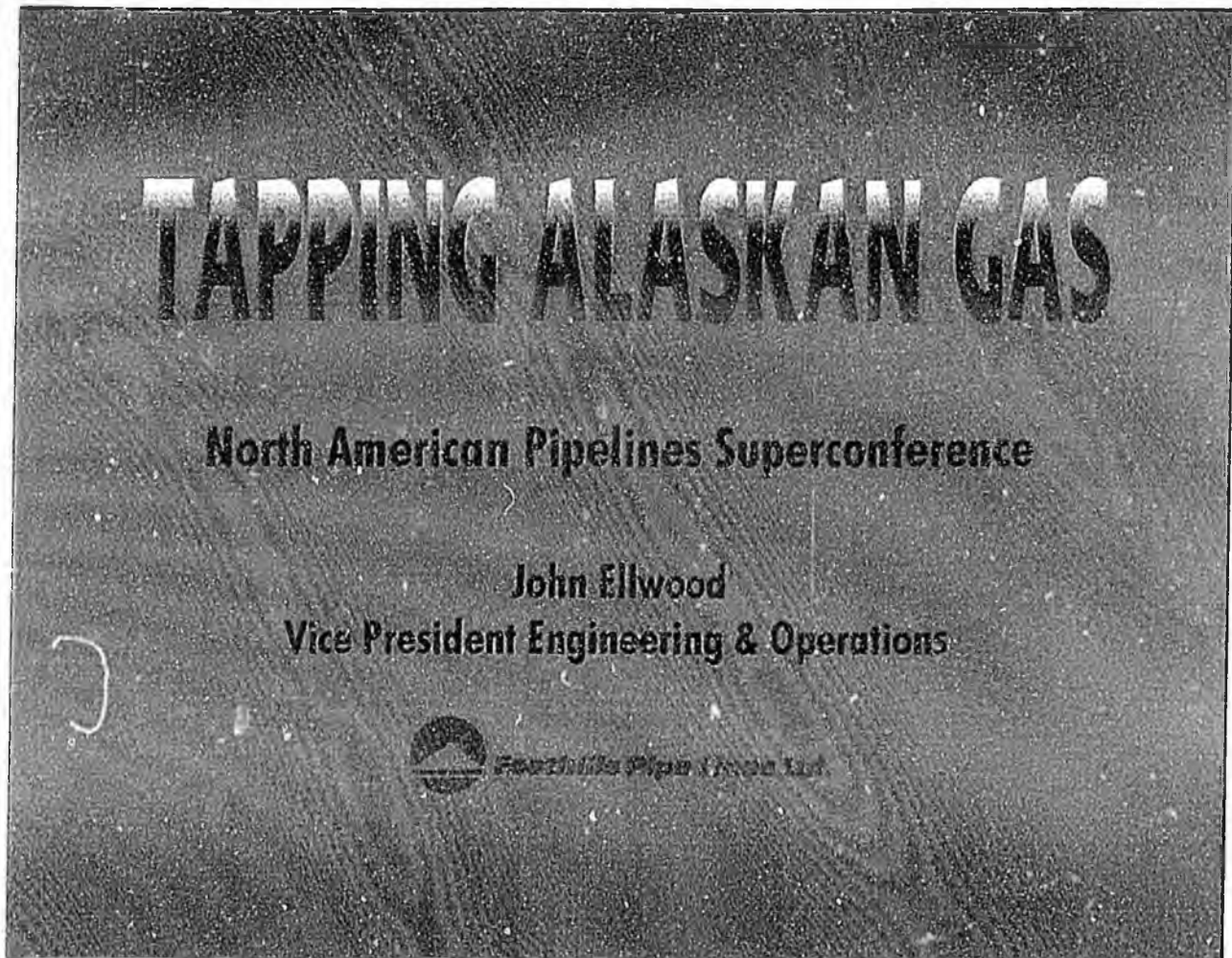
THEY ARE INSTRUMENTS OF NATIONAL, REGIONAL AND STATE ECONOMIC AND SOCIAL POLICY ...THEY OFTEN PRESENT DIFFICULT CHOICES ABOUT COMPLEX ECONOMIC AND LONG-TERM ENVIRONMENTAL PRIORITIES...AND ULTIMATELY THEY ARE ABOUT POLITICS.

OUR PROJECT IS ECONOMICALLY COMPETITIVE WITH ANY ALTERNATIVE. ENVIRONMENTALLY, IT IS FAR SUPERIOR. I WILL LEAVE TO OTHERS THE DEBATE AND DECISION ABOUT THE BEST PUBLIC POLICY AND THE BEST POLITICS. OUR PROJECT WON THE DAY...THE LAST TIME THIS ISSUE WAS HEARD.

IF THERE MUST BE A REMATCH ...WE BELIEVE THAT THE ANGTS WILL WIN AGAIN.

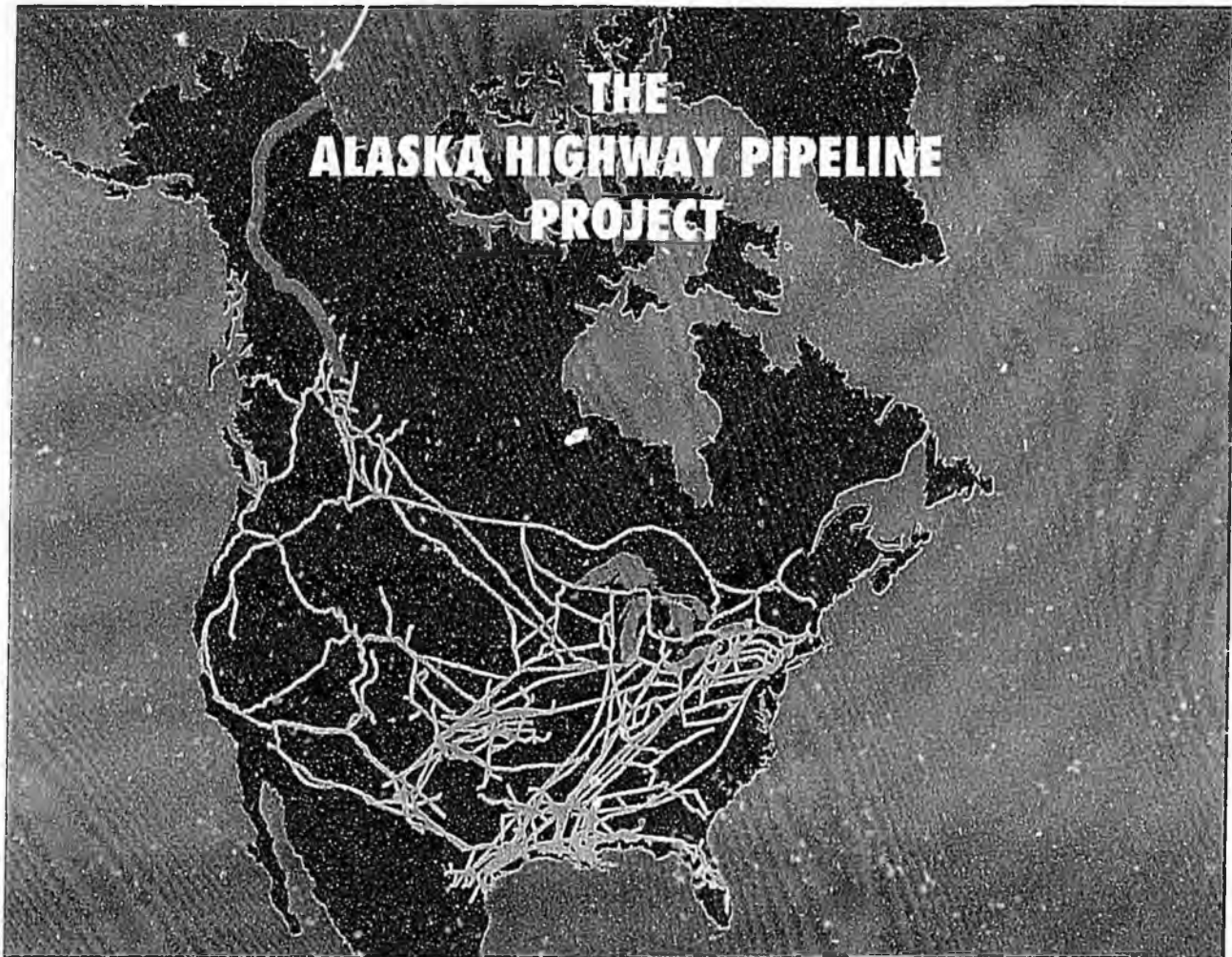
THANK YOU. WE WELCOME YOUR QUESTIONS.

**THE FOLLOWING PAGES MAY
NOT FILM LEGIBLY BECAUSE OF
THE POOR QUALITY OF THE ORIGINAL**



Good Morning Everyone.

- We've heard this morning and we will hear more this afternoon about gas supply and demand in North America. At Foothills we believe the supply / demand picture indicates the time is right to complete the Alaska Highway Pipeline Project.

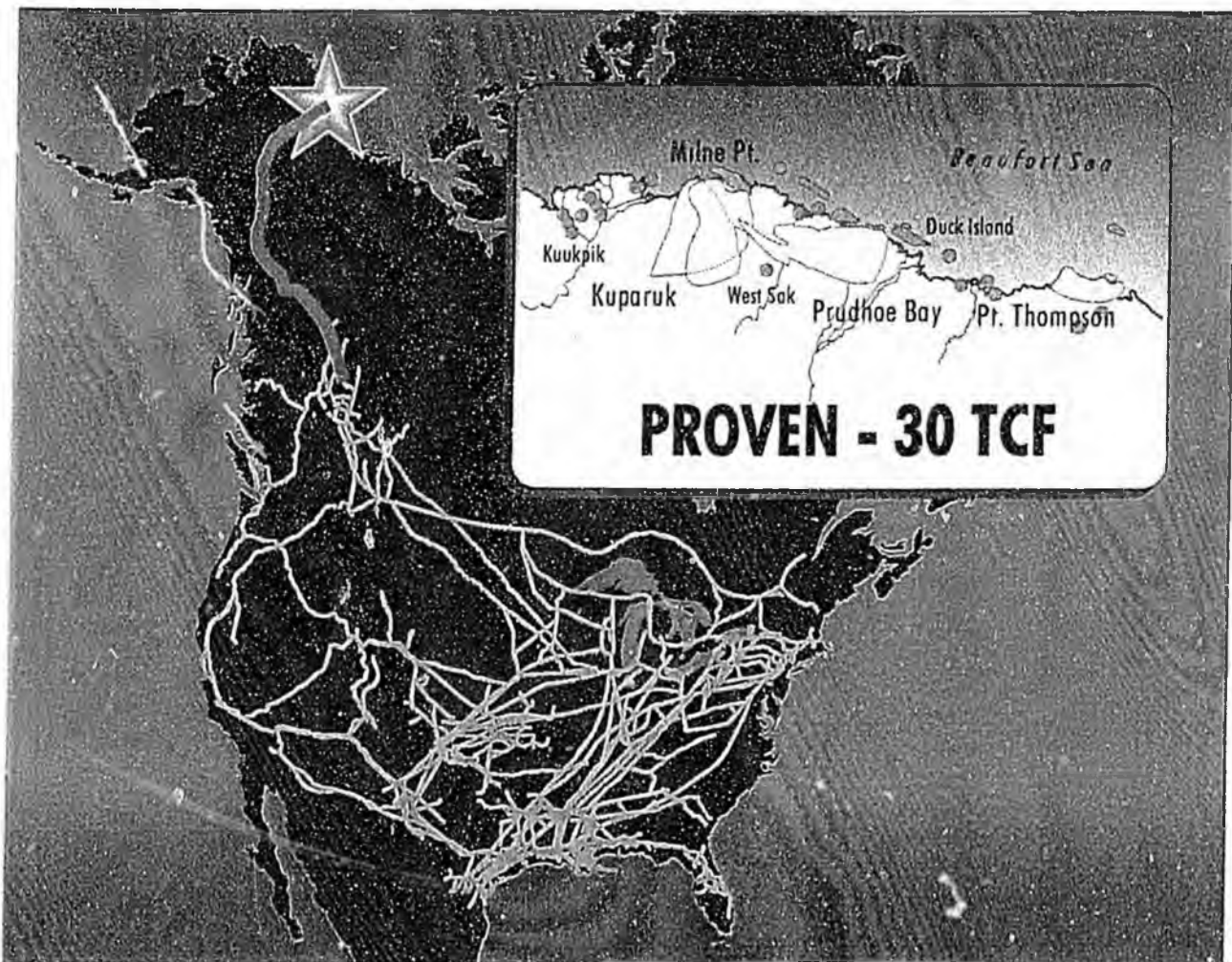


- This project will be an important element in meeting the growing demand for natural gas. As many of you know, we've been discussing the Alaska pipeline for a long time. I know there are skeptics who think it will never be built.
- I want to use my time today to tell you why I believe they're wrong. I'll spend a little time discussing the size and deliverability of the Alaska gas reserves. I also want to put into perspective the challenge of moving Alaska gas to market.
- And lastly I'll explain the advantages of the Alaska Highway Project and, why it is the option with the best chance of success.



THE ACCESSIBLE ARCTIC - TAPPING ALASKA GAS

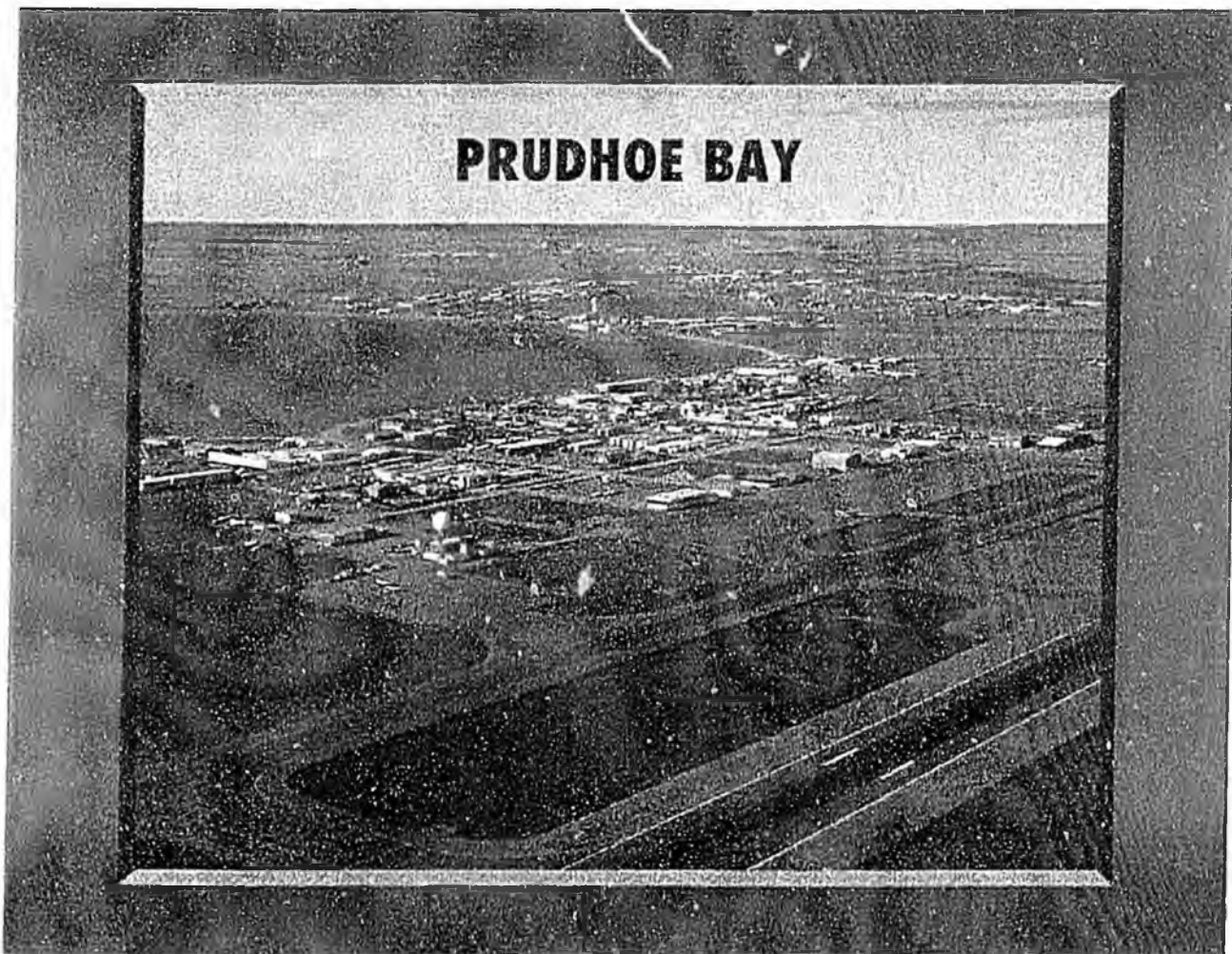
- But before I begin, let me deal with one issue that we are frequently asked about. That is the validity of the Certificates that were granted to the Alaska Highway Project by the Canadian Parliament and the US Federal Energy Regulatory Commission. Some people take the view that because we've not completed the entire project in the timeframe originally envisioned, we should be required to go back through the approval process again.
- Well, the Certificates in both Canada and Alaska are just as valid today as the day they were issued. The regulatory and legislative underpinning for this project is not outmoded nor is it burdensome. Rather, it is one of the major advantages this project enjoys.
- That said, let me begin by discussing the North Slope gas reserves. It's no secret there are very large reserves on the North Slope of Alaska.





THE ACCESSIBLE ARCTIC - TAPPING ALASKA GAS

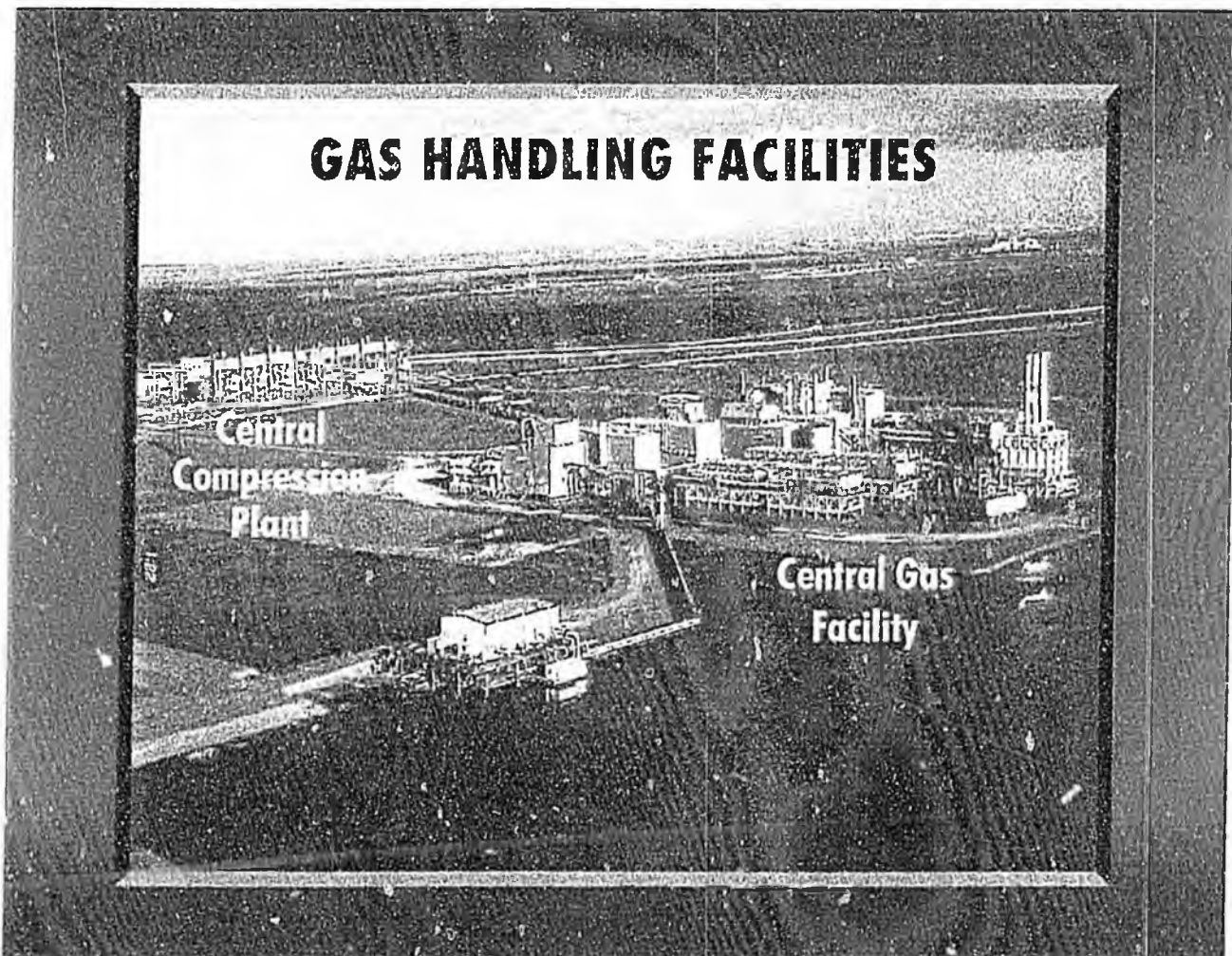
- The Prudhoe Bay field alone contains some 26 trillion cubic feet. This area around Prudhoe Bay contains over 30 trillion cubic feet of proven reserves. The North Slope Province as a whole is estimated to have a potential of 100 trillion cubic feet.
- Some of my colleagues in the upstream oil and gas business suggest this is just the beginning. They describe the 30 tcf as an 'accident' that happened while they were looking for oil! They feel that once attention turns to finding gas - the proven reserves will pale in comparison.
- I have a photo here that I hope will give you a sense of the scale of development on the North Slope.
- The view is north with the airport at Prudhoe Bay in the foreground and the Arctic Ocean in the background. As you can see, there is a very large investment in infrastructure. Currently gas is produced in association with the oil. It is separated out and for the most part re-injected into the reservoir to enhance further oil recovery.

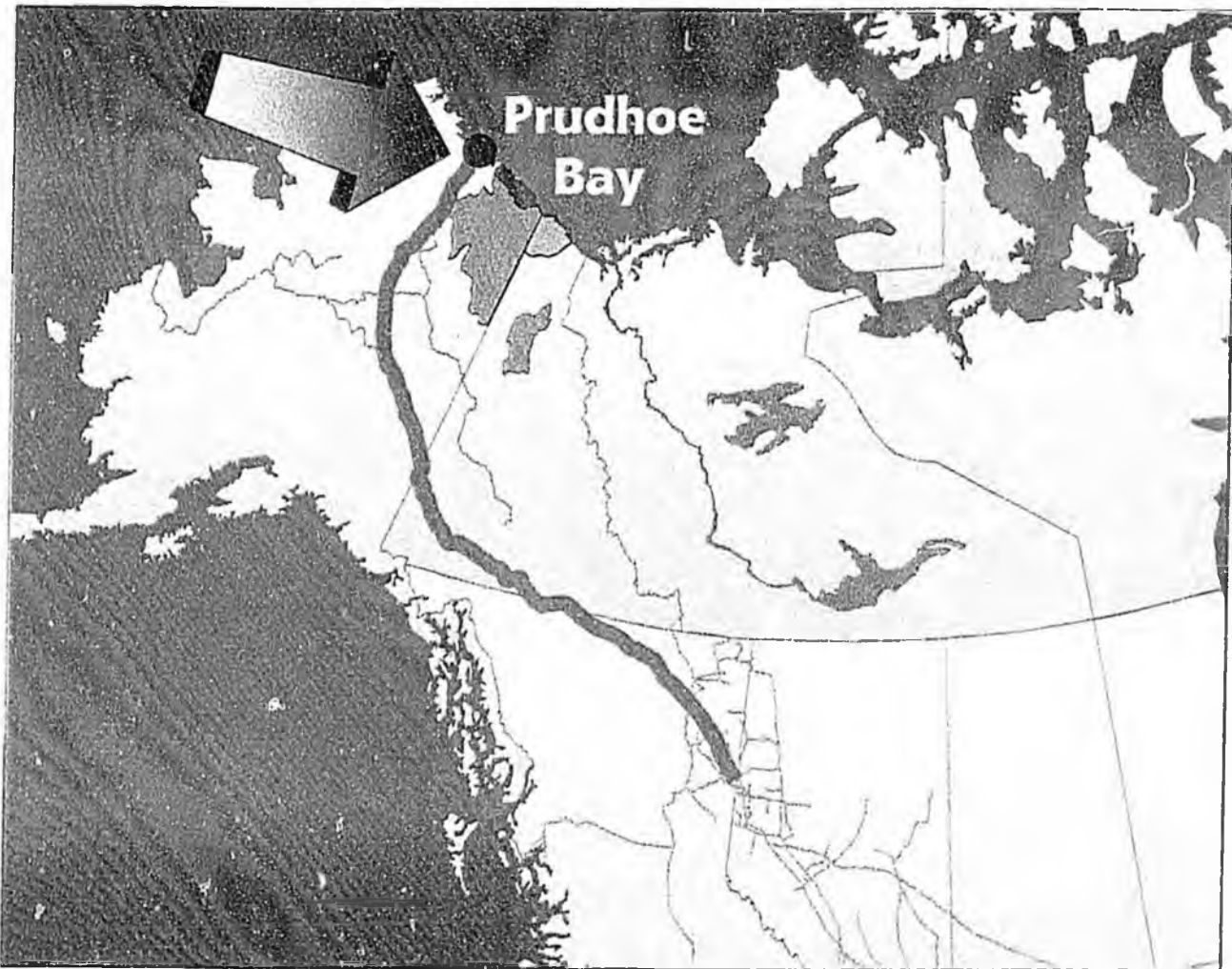




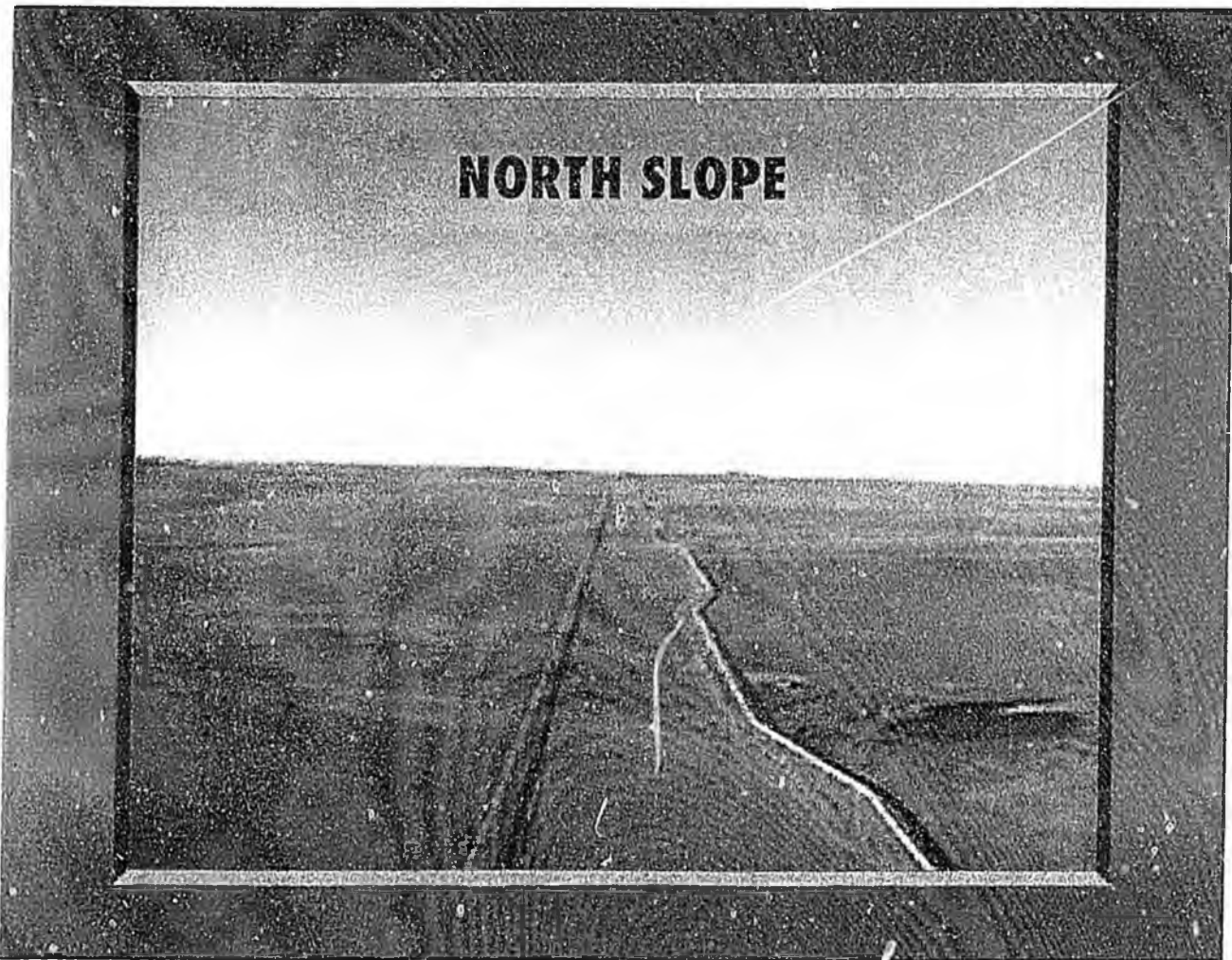
THE ACCESSIBLE ARCTIC - TAPPING ALASKA GAS

- The gas is processed here in the Central Gas Facility, one of the largest gas processing plants in the world. It currently handles about 8 billion cubic feet per day. That volume equals the take away capacity of TransCanada's pipeline east of Empress.
- To make the Alaska gas reserve "pipeline quality" is easily done. The bulk of the field development costs have already been incurred.
- There's no question the gas reserve is there.

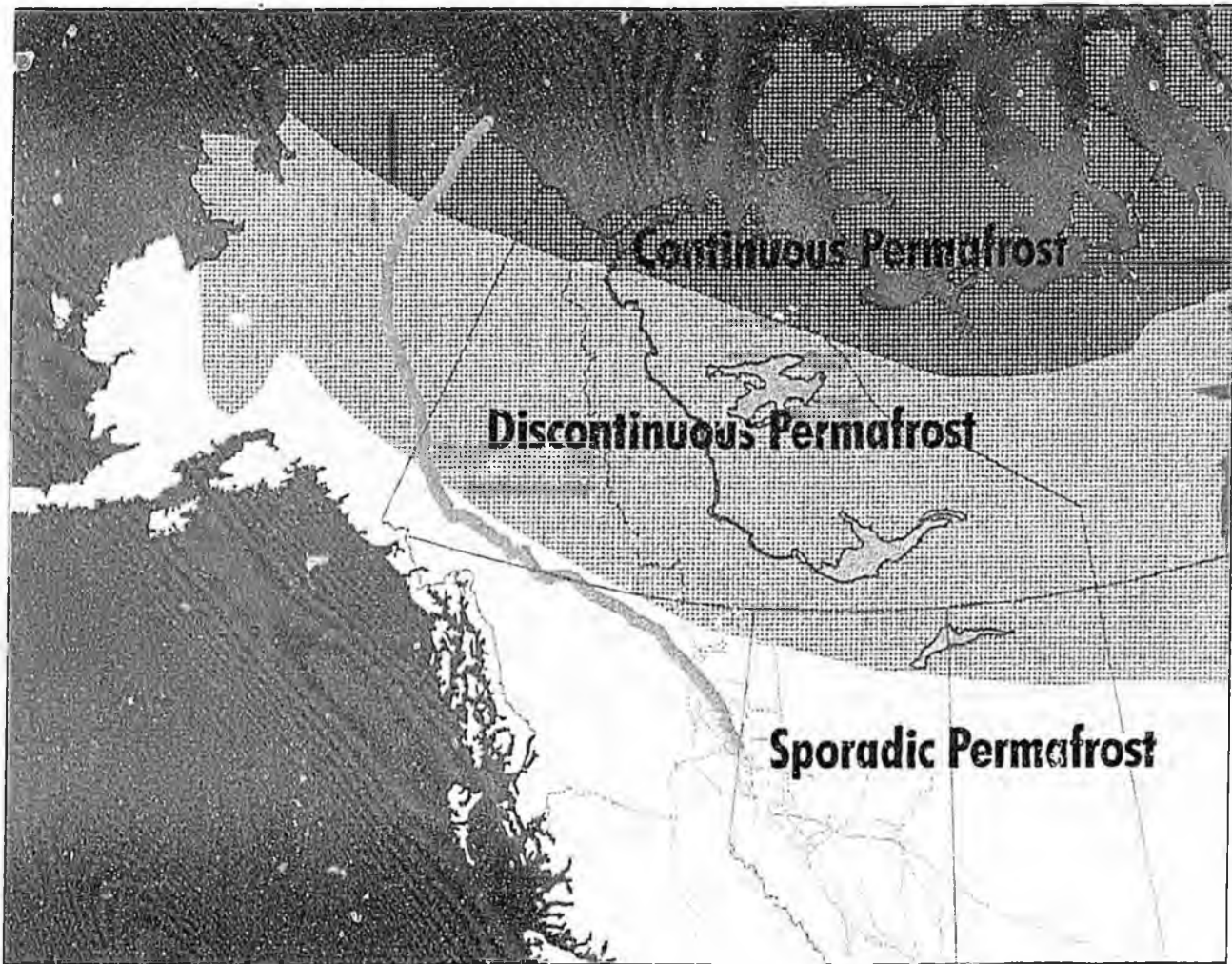




- Now lets look at the pipeline route again.
- I'd like to address some of the challenges of moving the North Slope gas to market along this route. I'll do this by taking you on a helicopter flight along the pipeline route. We'll be able to stop along the way while I describe some of the challenges and the methods by which they can be overcome.
- We'll start here.



- Two points of interest as we begin. First - notice the all weather State highway on the left hand side of the picture. Easy access to the right of way is extremely important to low-cost, efficient pipeline construction. And there is no better access than a highway along 100% of the route. Without it the movement of personnel, material and equipment would be a major undertaking in it's own right. This is one of our major advantages.
- Second - As you can see, there is an existing pipeline here. The TAPS oil pipeline, its about 800 miles long, and moves oil from Prudhoe Bay to Valdez on the south coast of Alaska. Throughout the video, you'll see this pipeline is elevated at times as it is here. This usually means the pipeline is traversing an area of permafrost. Let's stop for a moment and talk about permafrost.

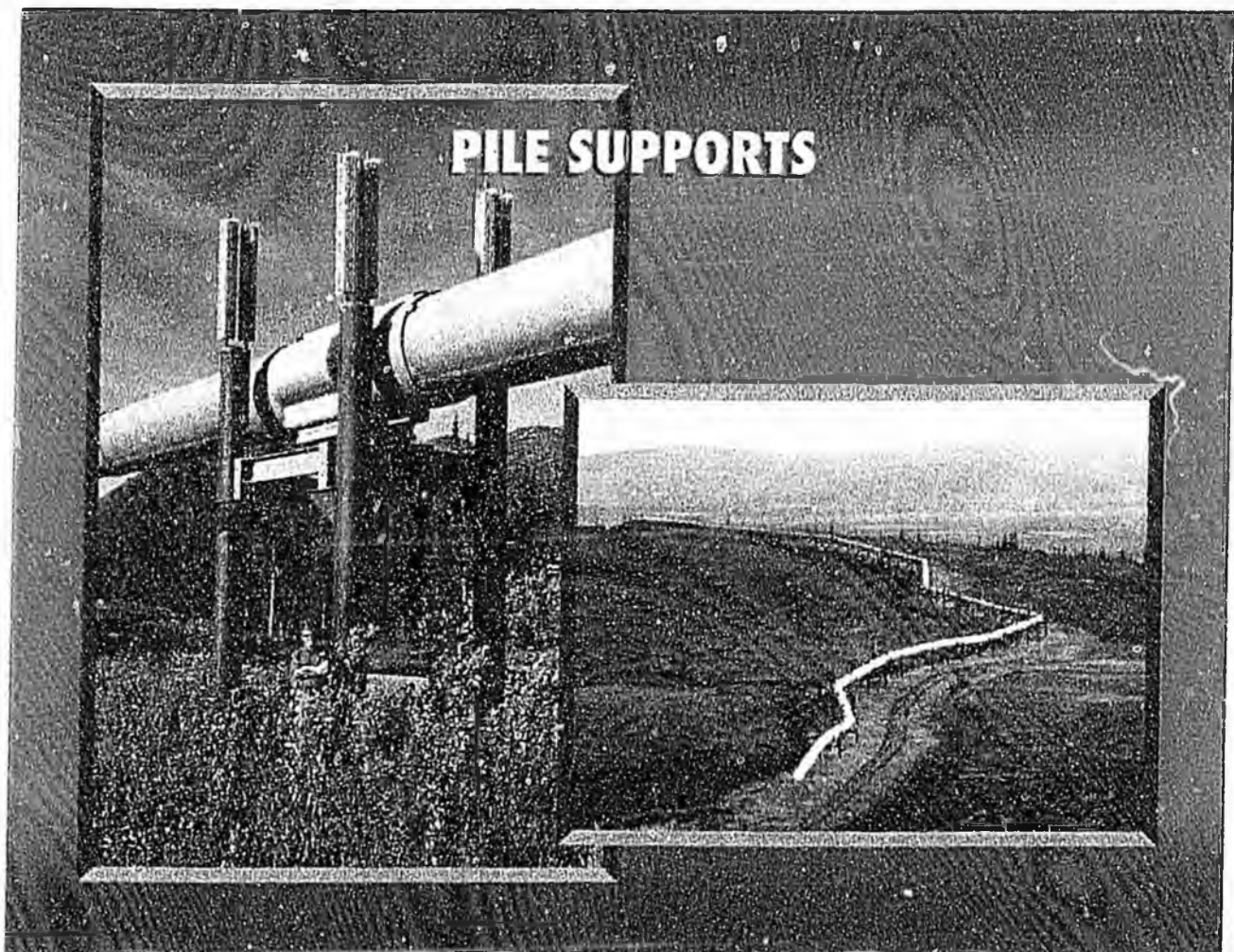


- It's the biggest technical challenge to pipeline construction in the Arctic.
 - In the far north the ground is permanently frozen except under the largest rivers and lakes.
 - In the discontinuous permafrost zone the majority of the ground is frozen with some unfrozen sections.
 - In the sporadic permafrost zone the majority of the ground is thawed with some frozen sections.
- Frozen soil is actually a pretty good material to build on as long as we can keep it frozen. The difficulties start when the ground begins to thaw.



THE ACCESSIBLE ARCTIC - TAPPING ALASKA GAS

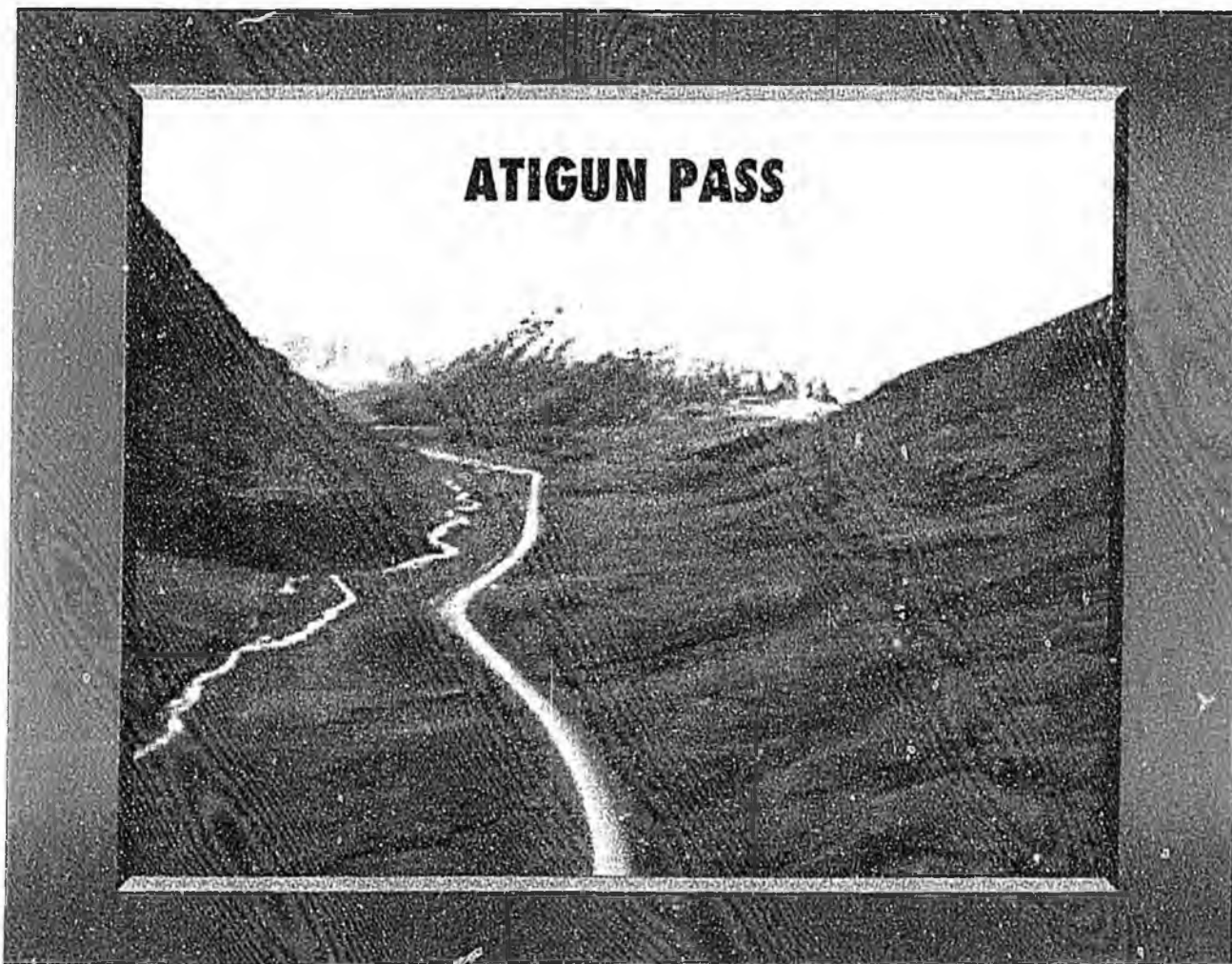
- As you can see the designers of the oil pipeline chose to put it above ground on pile supports. This was necessary because of the requirement to keep the oil warm so it would flow easily.
- With a gas pipeline we have another option. We can cool the gas to just below 0°C and bury the pipe in the frozen ground.
- This has two important consequences:
 - First - the cold gas is slightly denser therefore more energy can be transported when compared to the same pipeline operating at higher temperatures. An arctic pipeline is more efficient!
 - Second - burying the pipe allows us to use the same very efficient pipeline construction techniques that have been developed and used in Canada for many years.
- This photo clearly shows the difference in complexity and cost between above ground and buried construction.





THE ACCESSIBLE ARCTIC - TAPPING ALASKA GAS

- Now lets get back on the helicopter and continue our journey.
- But - before we start let me set up the next leg. We're going to be moving towards what some feel is the greatest construction challenge along our route. The Atigun Pass in the Brooks Mountains.

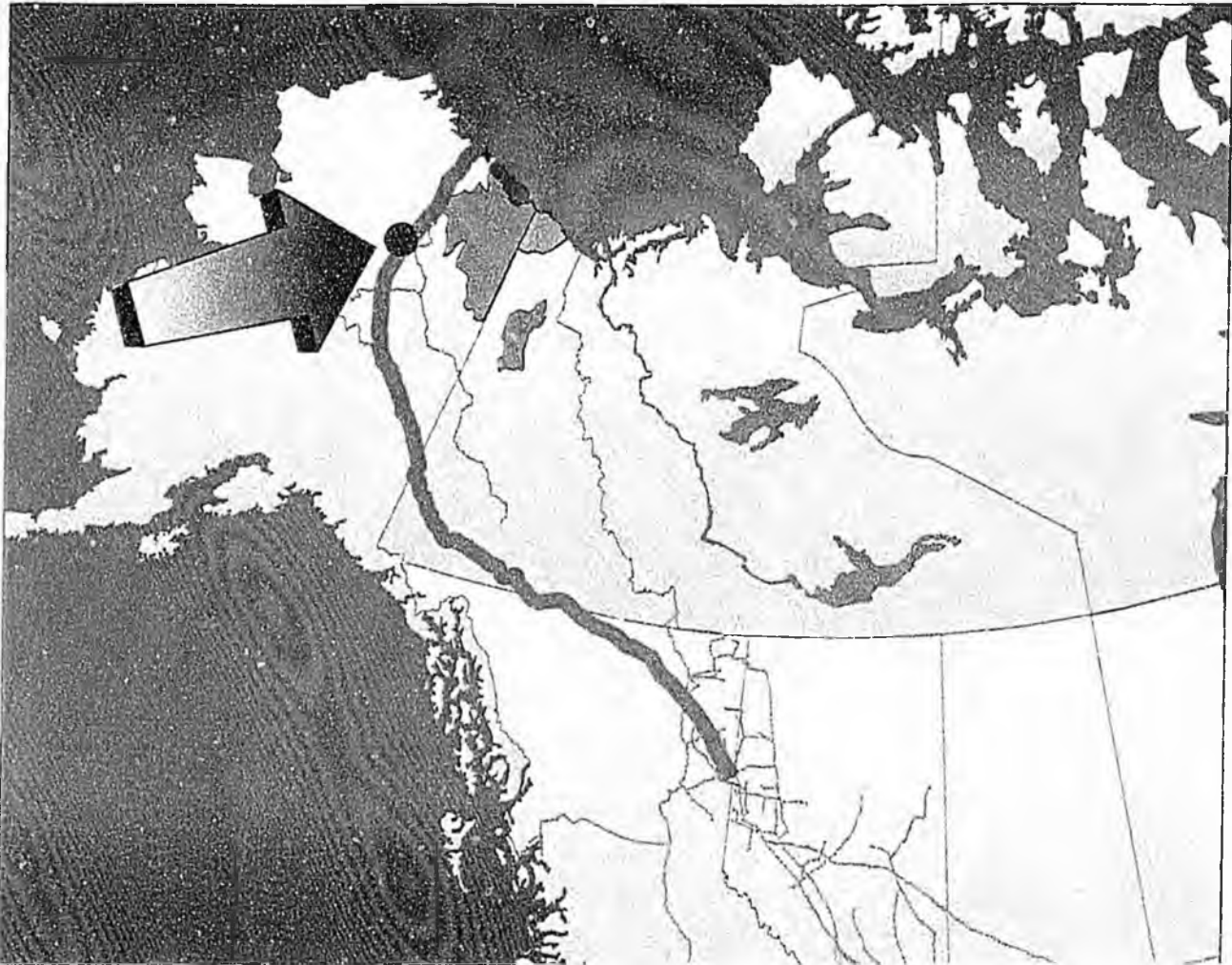


- As you can see the valley narrows down as we approach the summit of the pass. The oil pipeline is buried in the bed of the river along this stretch. As we come up onto the summit you can see the highway make a big loop and climb along the side of the mountain while the oil pipeline route goes straight up the slope in the lower right corner of the picture.



THE ACCESSIBLE ARCTIC - TAPPING ALASKA GAS

- Now we're right up on top, this video was taken in September and as you can see the weather is not always cooperative. We expect construction of this small segment of the route will cost several times as much per mile as the average cost across Alaska. However the constricted section is only 2 miles long.
- Now the valley is starting to widen out and the terrain becomes much easier again. This is a good time to stop and talk about the second point I want to make.
- Putting into perspective the challenge of moving Alaska gas to market.
- Several new technologies make construction of the pipeline much easier and less expensive than it would have been when it was first proposed.
- For example higher strength steels and higher operating pressures enable us to use smaller diameter pipe to move the same volume of gas. The smaller diameter pipe is much easier and cheaper for our contractors to install. Another challenge: working positively with the environment.
- I'm sure we all agree that the environment needs careful consideration when selecting the best way to bring Alaska gas to the south.

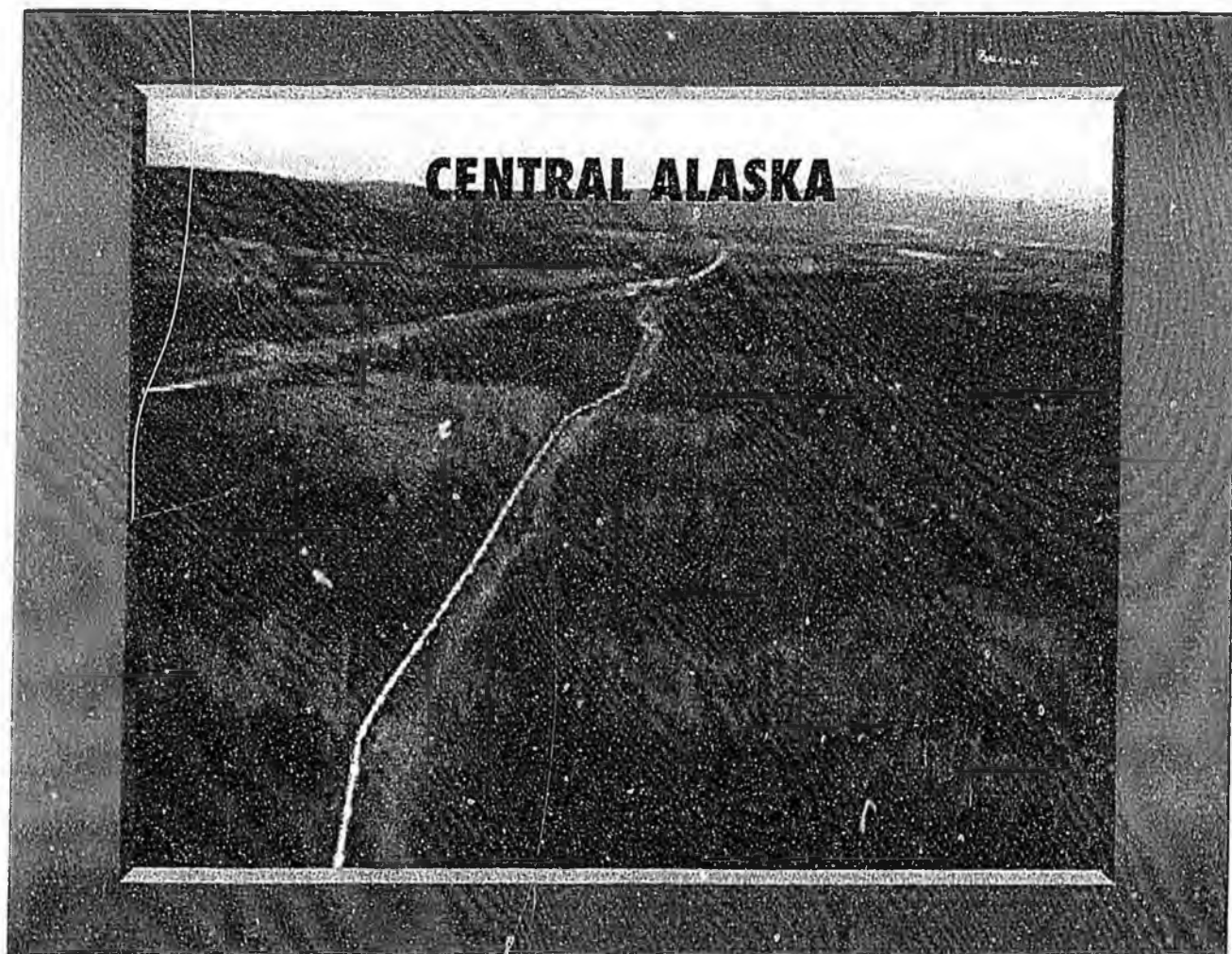


- The Alaska Highway Project was subjected to an extraordinary level of environmental scrutiny and assessment. In fact many of the environmental standards that are applied to pipelines today were developed during that assessment and were adopted and supported by Foothills. At the end of that assessment, the Highway Project was chosen as the best alternative from an environmental standpoint.
- Why was it chosen? In part, because of the commitments made by Foothills to environmental protection but I believe it was primarily due to the environmental advantages that come with a route that follows an established transportation corridor.
- The advantages have not changed.
- As we continue our journey, I'll show you more of the route while I continue to discuss some environmental issues.



THE ACCESSIBLE ARCTIC - TAPPING ALASKA GAS

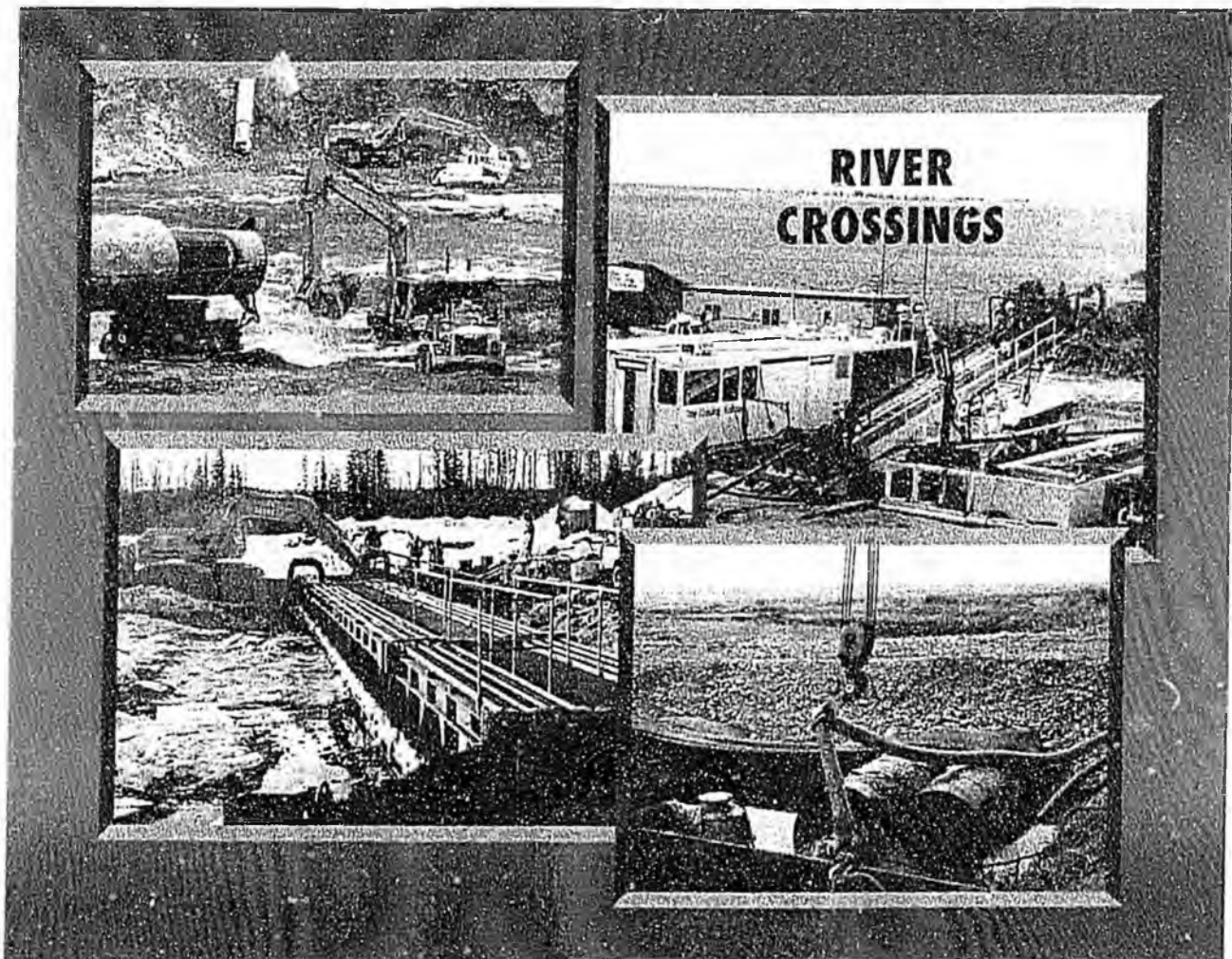
- I'm just going to let the video run and you will see the terrain poses no unusual environmental or construction challenges.
- I mentioned Foothills' commitments to environmental protection and I want to focus on that for a moment. Every pipeline constructor has an obligation to protect the environment through which its pipeline passes. Foothills has always recognized those obligations and has made a full commitment to meet them.
- The route we've chosen along an established transportation corridor meets the environmental challenge. Protecting environmental values will be much easier in this corridor than in remote wilderness areas. That relative ease in meeting requirements for environmental protection is another major advantage of the Alaska Highway Project. In addition, we now have available much improved techniques for environmental protection. Nowhere is this more true than for river and stream crossings.
- Let's stop here for a moment.

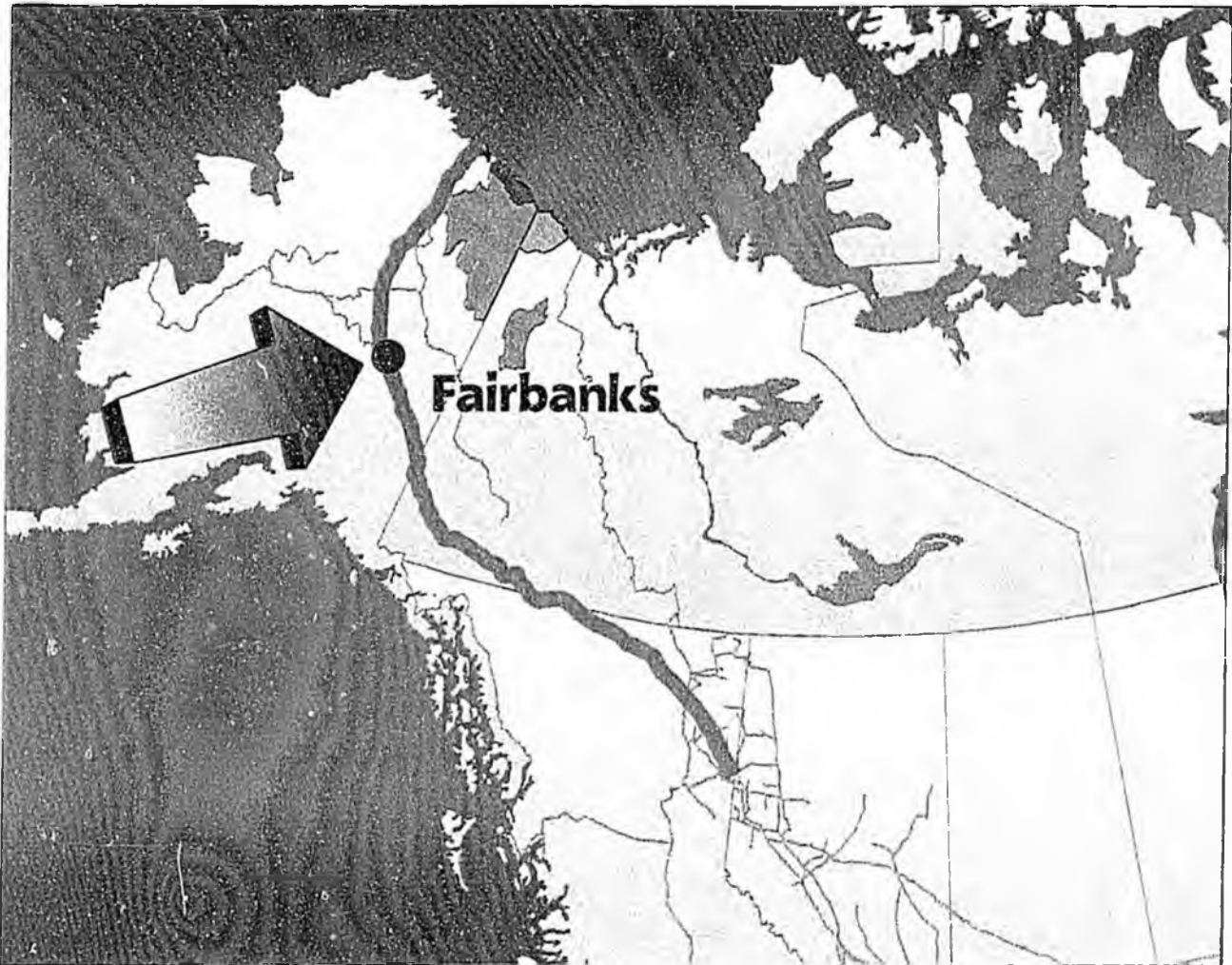




THE ACCESSIBLE ARCTIC - TAPPING ALASKA GAS

- In addition to the standard "open cut" and "aerial" methods of crossing streams that were employed two decades ago.
- All contractors now employ a suite of techniques that include "dam and pump", "fluming" and "directional drilled" crossings. The appropriate stream crossing technique can now be selected to maximize environmental protection while minimizing costs.
- Foothills is absolutely committed to utilizing the best environmental practices, 21st century practices!



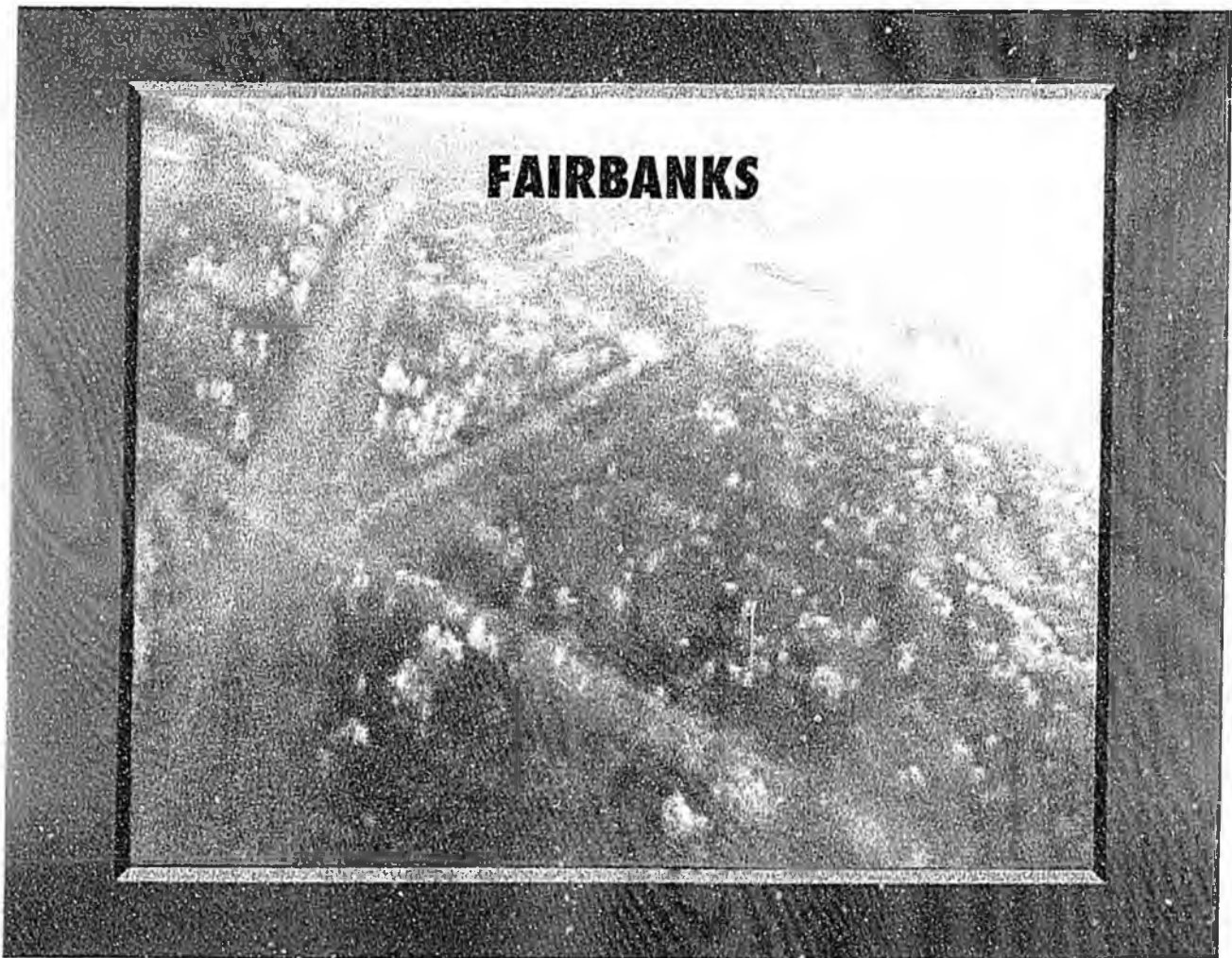


- The Alaska Highway route was selected as the most environmentally acceptable option and it remains the most acceptable today.
- There's one more point I'd like to make as we take a last look at the Alaska portion of the proposed pipeline. That deals with future economic development in the region.



THE ACCESSIBLE ARCTIC - TAPPING ALASKA GAS

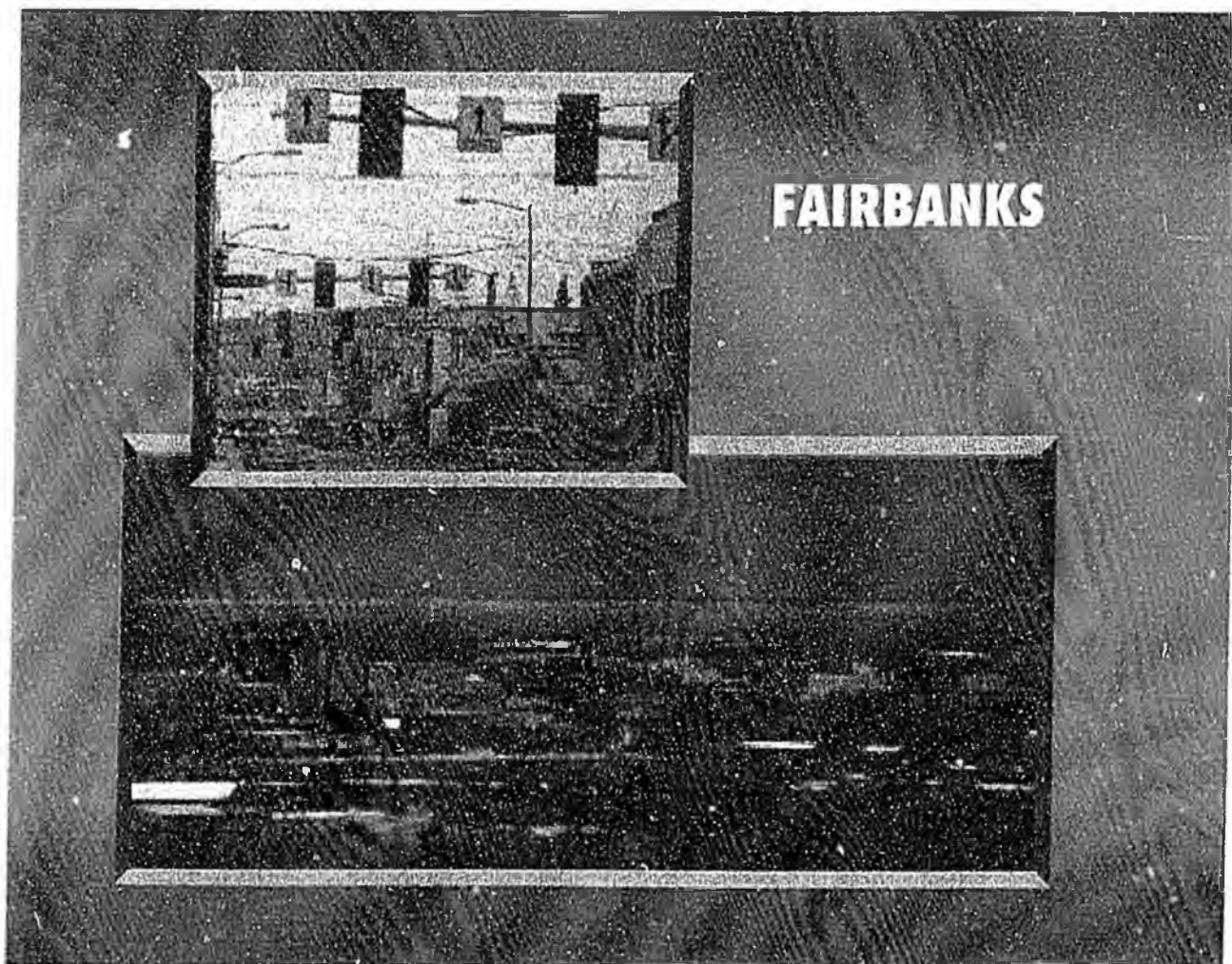
- We are now in central Alaska, approaching the city of Fairbanks. You can see the highway and the oil pipeline right of way. In a few seconds you will see a major airfield on the left-hand side. As you can see from the extent of the existing development there are no serious impediments to pipeline construction in this area.
- Construction can proceed here just as it does near Grande Prairie or Fort St. John.





THE ACCESSIBLE ARCTIC - TAPPING ALASKA GAS

- Now I'd like to say a few words about what this project will mean to the people and communities along the corridor. You have only to look in our province of Alberta to see how oil and gas exploration and development has grown the communities along the way.
- The people of Alaska, and remember we are talking about Alaska gas, are not unlike people from any other part of the world. When natural resources are found in their state, they demand, with considerable justification, benefits from any exploitation plan. Benefits not only in the form of royalties, but also in the form of jobs. Benefits like an alternative source of energy to heat their homes and generate electricity and opportunities for further economic development.





- Any of you who were here last year will remember Terry Cameron discussing the Alaska North Slope LNG Project.
- Just a word or two to bring you up-to-date on that project.
- Foothills, along with our partners BP Amoco, ARCC, Phillips, and Marubeni are continuing to develop the LNG option. We are actively investigating the synergies that could be achieved through sharing the Alaska Highway pipeline corridor from Prudhoe Bay to Fairbanks.



THE ACCESSIBLE ARCTIC - TAPPING ALASKA GAS

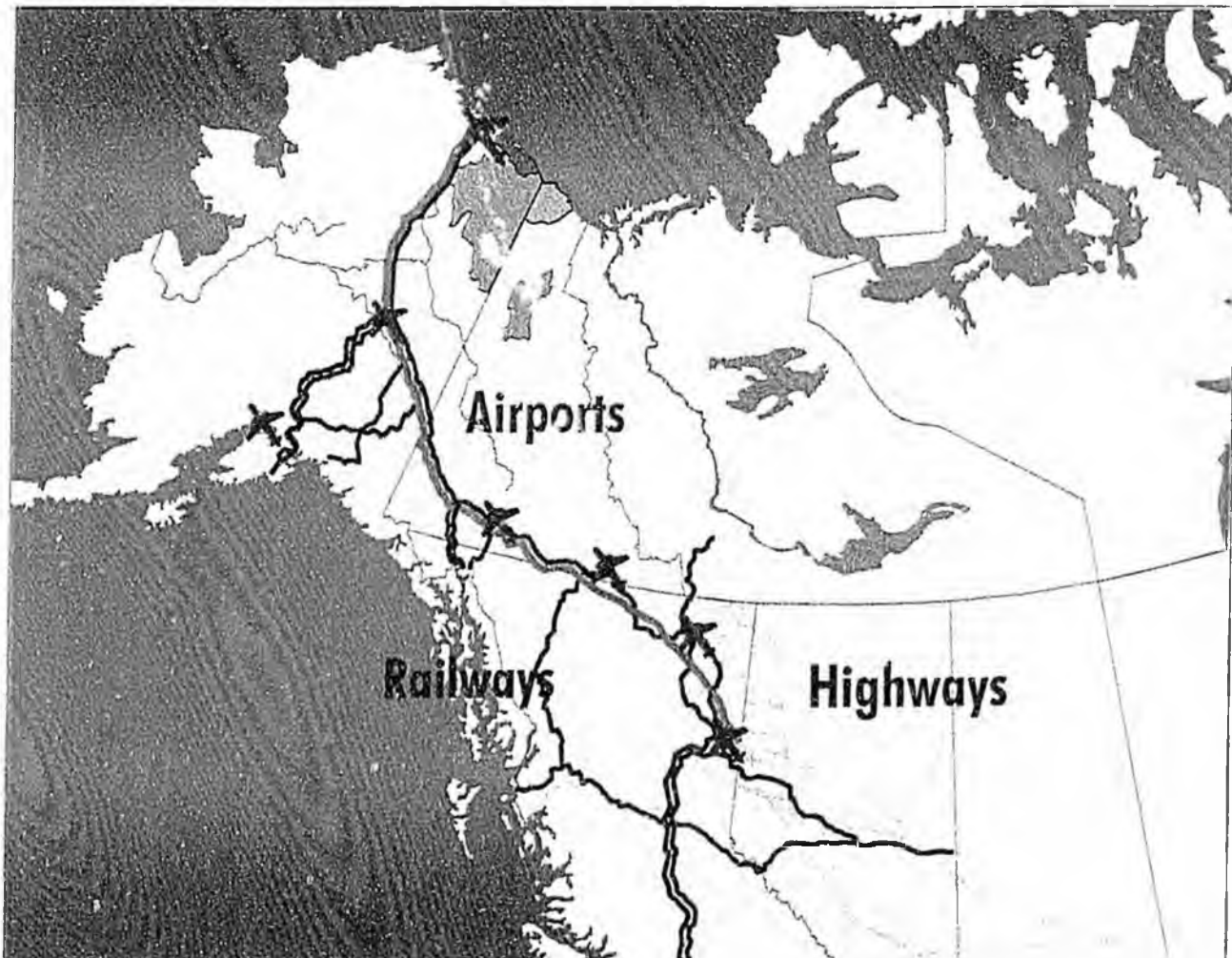
- If we can bring these two projects together it would shave the equivalent of several hundred million dollars off the cost of the stand-alone projects significantly improving the competitiveness of both.
- That about does it for the Alaska part of our trip down the Alaska Highway pipeline route.
- I've concentrated on the Alaskan challenges because fewer people have had an opportunity to see that part of world. As you've seen, it isn't as difficult as many have imagined. The other half of the pipeline will be built through the Yukon and British Columbia.





THE ACCESSIBLE ARCTIC - TAPPING ALASKA GAS

- This region has its own challenges. But they are familiar challenges. The industry faces them every day in northern Alberta, north eastern B.C., Yukon and the Northwest Territories.
- I'd like to turn now to the third item that I indicated I would address today and that is why is the Alaska Highway Pipeline the most competitive option?
- First, Alaska gas is ready for market. As we have seen there is a massive and proven reserve on the North Slope. The majority of the field development costs have already been incurred. Other projects face as much as \$1.00 per thousand cubic feet in field development costs.
- Secondly, this project follows an existing and well-developed transportation corridor.





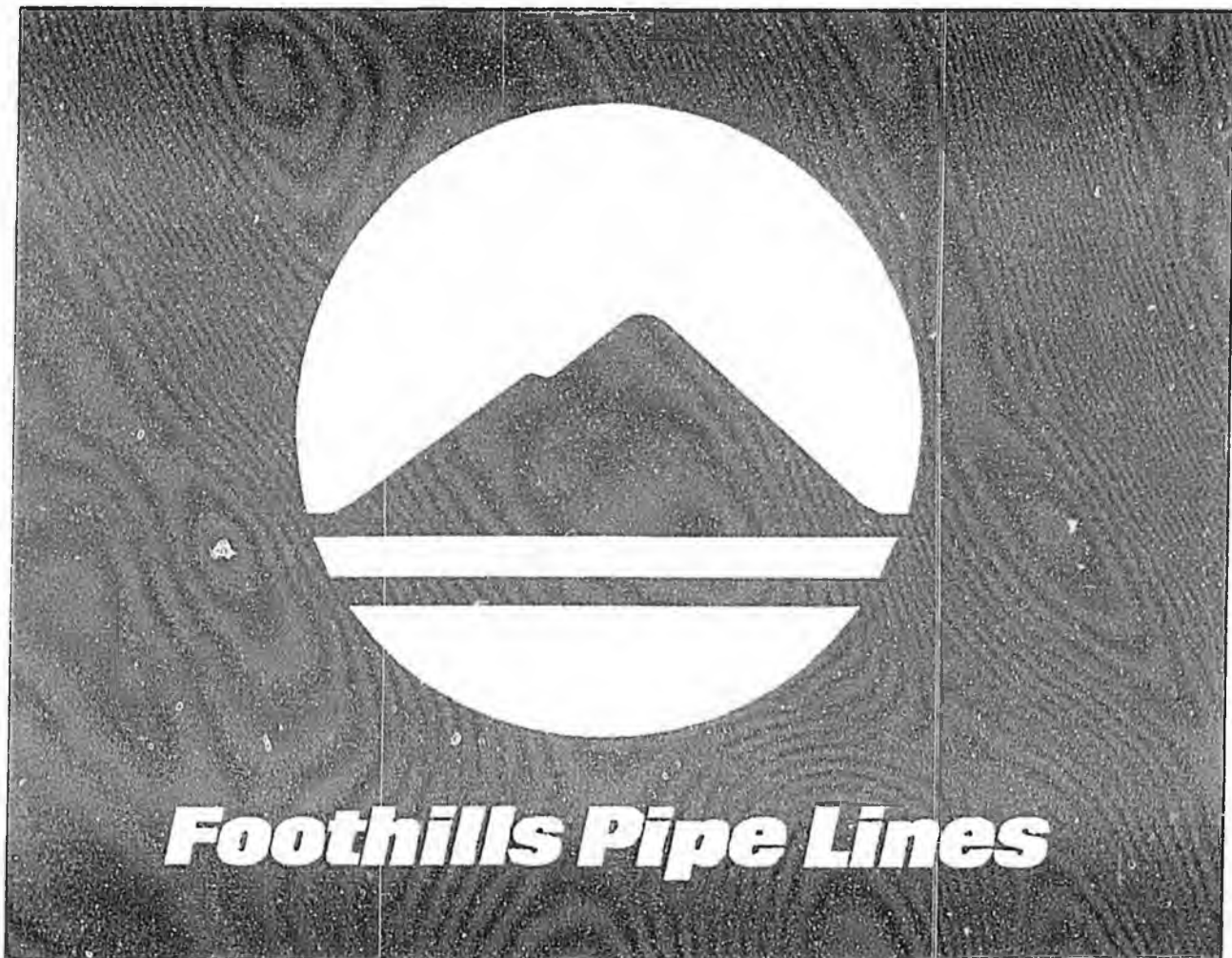
THE ACCESSIBLE ARCTIC - TAPPING ALASKA GAS

- As you've seen, there is a major highway along 100% of the length of the pipeline. Not to mention the numerous other highways that will give us access from various seaports.
- There is railway access into central Alaska as well as to Fort St. John and Fort Nelson at the southern end of the route.
- There are numerous major airports along the route.
- All of this means the Alaska Highway Project will be significantly less costly and more environmentally acceptable than a project in undeveloped wilderness
- Also the Alaska Highway Project has a significant head start. Certificates of Public Convenience and Necessity have been issued in both Canada and the United States. Wetlands permits for both the pipeline and the gas conditioning facility have been issued in Alaska. Final environmental impact assessments have been completed. Most of the field data needed for design has been collected and approximately half the right of way has been acquired.
- Clearly this project is well down the path and can be completed at least three years ahead of any greenfield project.
- Lastly, this project enjoys significant support from the people and governments along its route. It will provide the major northern population centres with employment, access to an alternative energy source and the potential for further industrial development.
- Some twenty years ago the National Energy Board, the Federal Energy Regulatory Commission, the Government of Canada, the President and Congress of the United States all selected the Alaska Highway route as the best one to move Alaska gas to the lower 48 states.



THE ACCESSIBLE ARCTIC - TAPPING ALASKA GAS

- It was the right decision then. It is the right decision now.
- We can move Alaska Gas to market at a competitive price.
- We can move it in a more timely manner.
- We can move it with the least environmental disturbance.
- We can do this with the greatest benefit to those living in the area.



Chenik

Inst.

Lease



Official Business

Alaska State Legislature

Senate

**RICK
HALFORD**

State Capitol
Juneau, Alaska
99801-1182
Phone (907) 465-4958
Fax (907) 465-4928

P.O. Box 670190
Chugiak, Alaska 99567
Phone (907) 694-4958
Fax (907) 694-0549

600 E. Railroad Avenue
Wasilla, Alaska 99654
Phone (907) 376-4958

March 11, 1999

Commissioner Frank Rue
Alaska Department of Fish and Game
P.O. Box 25526
Juneau, Alaska 99802-5526

Commissioner John Shively
Alaska Department of Natural Resources
400 Willoughby Avenue
Juneau, Alaska 99801-1724

Dear Commissioners,

This letter is in follow up to the Senate Resources Committee review of the proposed Bureau of Land Management (BLM) lease of state selected land within the McNeil State Game Refuge. After thorough examination of the history of the long-term unauthorized use of the land in question and complete review of the substantial documentation provided by both of your agencies, I find no reason or procedural allowance on which to base a best interest finding for the required 906k concurrence.

The following is a summary of the facts presented to the Resources Committee:

- Mr. McBride has been in trespass on the land since 1978.
- During that time there was no permission granted for the use of the land.
- Mr. McBride improved the facilities on the land over time, including the building of multiple permanent structures.
- Mr. McBride used the land for a commercial enterprise and derived substantial personal gain without compensating any state or federal agency for its use.
- The BLM classified Mr. McBride's use of the land as unauthorized.
- ADF&G staff repeatedly advised against the creation of a private in-holding within the refuge.
- DNR previously denied a 906k concurrence requested by the BLM.

- DNR departmental orders #134 and 137 advise against the acceptance of any land transfer with an outstanding unauthorized use.
- BLM has specific remedies to deal with unauthorized use as outlined in 43 CFR, Chapter 2.

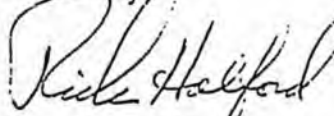
While I appreciate your departments' participation and candor in the hearings we conducted, I am greatly discomfoted that this issue was allowed to progress as far as it had. The circumstances surrounding this issue seem to warrant your examination of the motives and methods employed and how they can be justified within your departmental policy and procedures.

I have enclosed the minutes from the Senate Resources Committee hearings conducted on February 17 and March 3, 1999, for your review. It was apparent in the committee discussion that final issuance of the DNR, Division of Land Finding and Decision ADL 225906 would be in violation of the regulations governing the management of the refuge, the statutory obligations for competitive bid and the Constitutional obligation to equal access.

The facts point out only one fair and responsible remedy to this glaring unauthorized use of state selected land. I urge you to deny the requested 906k lease concurrence, formally request that BLM remove the facility in trespass and then accept transfer of the land to the state free of encumbrance.

As the McNeil State Game Refuge is a legislatively designated area, I am formally requesting that you keep me informed of any further action or decisions regarding this matter; including any consideration of a change in the management plan or of a finding pertaining to commercial facilities. Seeing the issue through to a fair and responsible conclusion remains a priority of the Senate Resources Committee.

Sincerely,



RICK HALFORD

RH:bwh

cc Senate Resource Committee members
Pat Pourchot, Legislative Director
Bruce Botelho, Attorney General

enclosures

Fate of bear-viewing camp now rests with state agency

By JON LITTLE
Daily News Peninsula Bureau

Michael McBride runs a rustic lodge in a plum location — the heart of the world-famous McNeil River State Game Refuge, where visitors pay him thousands of dollars so they can watch brown bears and go sea kayaking.

But there's a hitch: McBride has no legal right to be there. He's squatting on public land. He's run the business without permission for about 20 years.

He first pitched a tent near Chenik Creek in 1978, and Chenik Brown Bear Photography Camp was born on the wind-swept tundra at the edge of

Kamishak Bay.

"It's really, really a magic place over there," said Dale Chorman, who managed the camp last summer. "It's not just the bears, it's the bdtany."

The operation changed its name over the years, to Chenik Wilderness Camp, Chenik Camp and, now, the nonprofit Chenik Institute. It also grew. McBride has built a 24-by-36-foot central lodge along with cabins, a sauna, observation deck, barabara and a footbridge over a creek.

After a sputtering decadelong bid for an official land-use permit, McBride is

Please see Page A-9, BEAR VIEWING

Continued from Page A-1

trying one more time to go legit. He's closer than ever to succeeding. But he has run into objections from several sides.

Critics — among them hunters, biologists and commercial fishing organizations — cry trespass, saying squatters shouldn't be rewarded.

The state is "trying to dress it up in a manner that's acceptable, but it doesn't deal with the issue that the process has been violated almost from day one," said John Hilsinger, former commercial fisheries supervisor for Cook Inlet. "It's kind of a bad precedent in my mind."

But McBride and his backers, many of them conservationists, say he's run the camp in good faith, has tried to win permission and has proved over the years that he knows how to run a safe, clean lodge with no bear trouble.

McBride says he's a victim of bureaucracies that brushed him off for years while the state and Natives battled over who had rights to the land.

"That's one thing that people lose sight of," McBride said. "The whole way this thing got thrown into the trash can is somebody yelled 'trespass.'"

Just six miles from the world-renowned McNeil River bear-viewing site, Chenik boasts smaller-scale but just as breathtaking scenes of bears feeding on salmon along Chenik Creek. Clients pay \$2,250 a week for the privilege. It's also near a harbor seal haulout and seabird rookeries. It offers sea kayaking and is within easy walking of an immense variety of tundra wildflowers.

While many people know of McBride as the operator of Kachemak Bay Wilderness Lodge south of Homer, he says Chenik is a separate venture.

The word "institute" and its nonprofit status are recent changes to an operation that historically has catered to professional photographers. Walt Disney film crews and politicians. But McBride said the lodge exists primarily as an educational platform.

He sees Chenik Institute as a model, showing lodges how eco-tourism in Alaska can flourish without destroying the wilderness. It's a growth industry waiting to take off and somebody has to show how it can be done, he said.



Photo courtesy of the Chenik Institute

A Chenik Institute visitor photographs bears.

COMPLICATED HISTORY

The past and future of McBride's lodge are intertwined with the state and federal governments and with the Seldovia Native Association. Seldovia fought for the property through the 1980s but lost. Now that the federal Bureau of Land Management is about to convey it to the state, the association is talking about becoming McBride's partner.

The association sees his camp as a key piece in its planned network of lower Cook Inlet eco-lodges. It has a long relationship with McBride and sees Chenik as a jewel.

"We would be the operator of the lodge; that's where Seldovia eventually wants to go," said Michael Beal, chief operating officer of the Native association. "It's very important for us to have a bear-viewing lodge in the mix."

The Native association's connection with Chenik lodge runs deeper, however. Chenik Head is the site of a former Native village with possible ties to the people of Seldovia, Beal said. The Native association fought in court for the Chenik land through the 1980s, creating confusion over who would eventually hold title.

Thick files at Fish and Game and the Department of Natural Resources make it clear that McBride tried to win permission to run his business. But he was bounced between federal and state agencies and the Seldovia Native Association while the land ownership was up in the air.

For a number of years, McBride kept in touch with the Seldovia Natives because BLM officials told him the Native association would probably gain title to the land. Then in the early 1990s, when the state won title, McBride began seeking state permission.

But while the land dispute was going on, McBride kept expanding his tent camp into something more substantial. Now state and federal land managers are left wondering what to do with McBride's enterprise. With Alaska poised to accept title to the federal land where the lodge sits, state land managers are teetering toward approving a proposed long-term lease.

Critics say that would set a bad precedent. And sport hunting guides fear the lodge could lead to wider hunting restrictions.

McBride's lodge operates much like the state-run McNeil River sanctuary, by habituating bears to people. Hunting guides like Rod Arno, president of the Alaska Outdoor Council, see habituation as a conflict to hunting. He said he can see a day when so many eco-tourism companies have popped up on the west side of Cook Inlet that much of the Alaska Peninsula will be closed to trophy hunters.

"Do we manage brown bears in the state of Alaska as habituated, or do we want to have a management plan that includes that human harvest?" Arno said. "It's as good a place as any to have the debate."

But most of McBride's opponents say they don't have a problem with a wilderness lodge. They object to what they describe as the backward way he has created it. It's not fair to move in first and seek permission later, they say.

Hilsinger, the retired biologist, said McBride's lodge does not fit within rules set out in the state's McNeil refuge management plan. The rules say commercial bear-viewing lodges are OK but only after the state follows a formal process and reaches a finding of fact. That kind of process hasn't even begun, Hilsinger said.

"In my mind, those other things -- arche-

ology, bird-watching, sportfishing and kayaking — those things are no justification for a commercial facility there," Hilsinger said. "I think if the department decided they needed some kind of research institution there, they would go through the process."

Cook Inlet Aquaculture Association had to meet strict environmental rules when it built its fish ladder at nearby Paint River, and it figures McBride should have to do the same.

"The standards set for us at Paint River down there are clearly more stringent than are being proposed for him," said Tom Walker, special projects manager for the aquaculture organization. "I have to wonder why that is."

State officials reviewing the situation agree that a permit for McBride should be accompanied by a set of operating conditions but say that's not the immediate question. They're just trying to figure out if the camp should be there at all.

"I think if he were to stay, we would need to write the commissioner's authorization that the (McNeil Refuge) plan calls for," said Rob Bosworth, deputy commissioner of Fish and Game.

TOUGH DECISION

A key to the Chenik debate is McBride himself, a charismatic, complex man who describes himself as a simple wilderness guide and naturalist.

He has been outspoken on wildlife issues.

McBride ardently backed the McNeil refuge expansion in the early 1990s, which occurred despite strong objection from Alaska hunting guides like Arno. He also opposed the aquaculture association's Paint River fish ladder. After years of public land battles, McBride has made friends, and enemies, in high places.

"What I found is nobody has neutral opinions about Michael McBride," Bosworth said. "But the opinions are just about evenly distributed between those who think he's a saint and those who think he's a sinner."

Bosworth was saddled in 1996 with trying to sort through a stack of memos, reports and letters about McBride that piled up over the years. His job was to come up with Fish and Game's official position on the lodge.

Fish and Game's opinion carries a lot of weight. Chenik Institute sits within 23,000 acres about to be deeded from federal to state control, and it is the only hitch in the land transfer. The state won't accept title until federal land managers approve or reject a permit, and the feds won't even consider issuing a permit without the state's consent.

Bosworth wrote a memo saying Fish and Game gave grudging approval to the federal lease. The opinion runs counter to long-standing Fish and Game opposition, and he said it was a tough decision.

"I thought there were definitely some judgment errors on Michael's part, but I did not find in the record I had that he demon-

strated any intent to deceive or defraud or to trespass or all these other accusations," Bosworth said. "It's definitely a judgment call on my part too."

He later explained that McBride may have known he was trespassing but there were circumstances beyond his control.

"He knew he didn't have a lease, but he was also trying to get one, and nobody told him to leave," Bosworth said. "Was he in trespass? He probably was, but he was in a very ambiguous situation where some were telling him to stay there while others were telling him to talk to another agency."

Late last year, the state Department of Natural Resources drafted a proposed letter of consent and asked for public comment. After receiving about 40 responses, evenly split pro and con, state land managers now will spend about a month reviewing their position, said Mike Sullivan, a resource manager in the division of land.

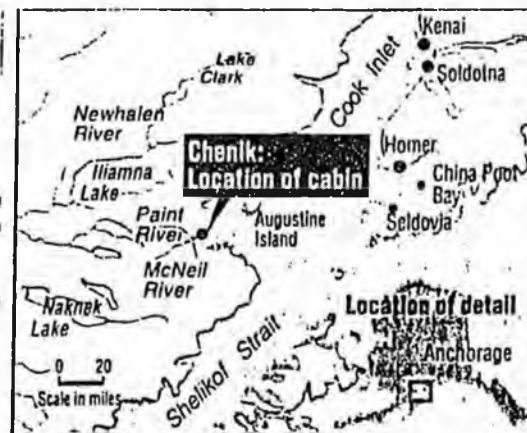
If the state sticks with its proposed approval, McBride and the Bureau of Land Management will be free to negotiate a lease. If not, he could be ordered to dismantle the lodge.

McBride has met with Gov. Tony Knowles to make his case, but the administration has not influenced Fish and Game's decision making, Bosworth said. While the governor's office did ask the department to review its earlier decision, it made no suggestion about the outcome, he said.

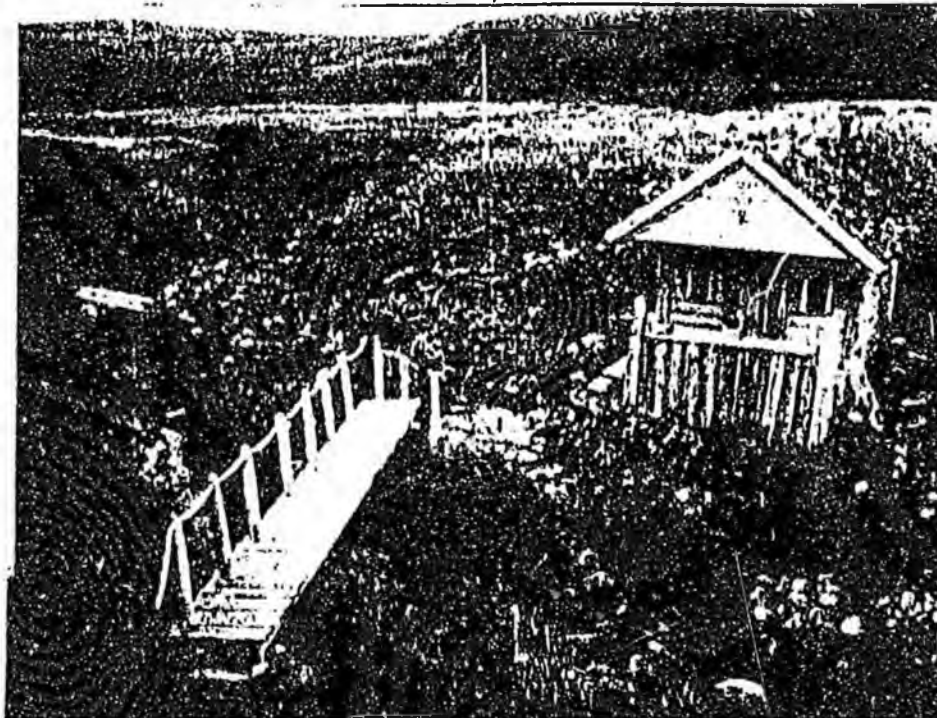
McBride and his supporters say more hangs in the balance than a little lodge in a remote, beautiful location. Camp manager Chorman said the lodge's closure would be a loss to wildlife conservation.

"One of the things I can do is introduce people with clout to all these incredible things. When it comes time to cast a vote, maybe I will have influenced them in the direction of preserving things," he said.

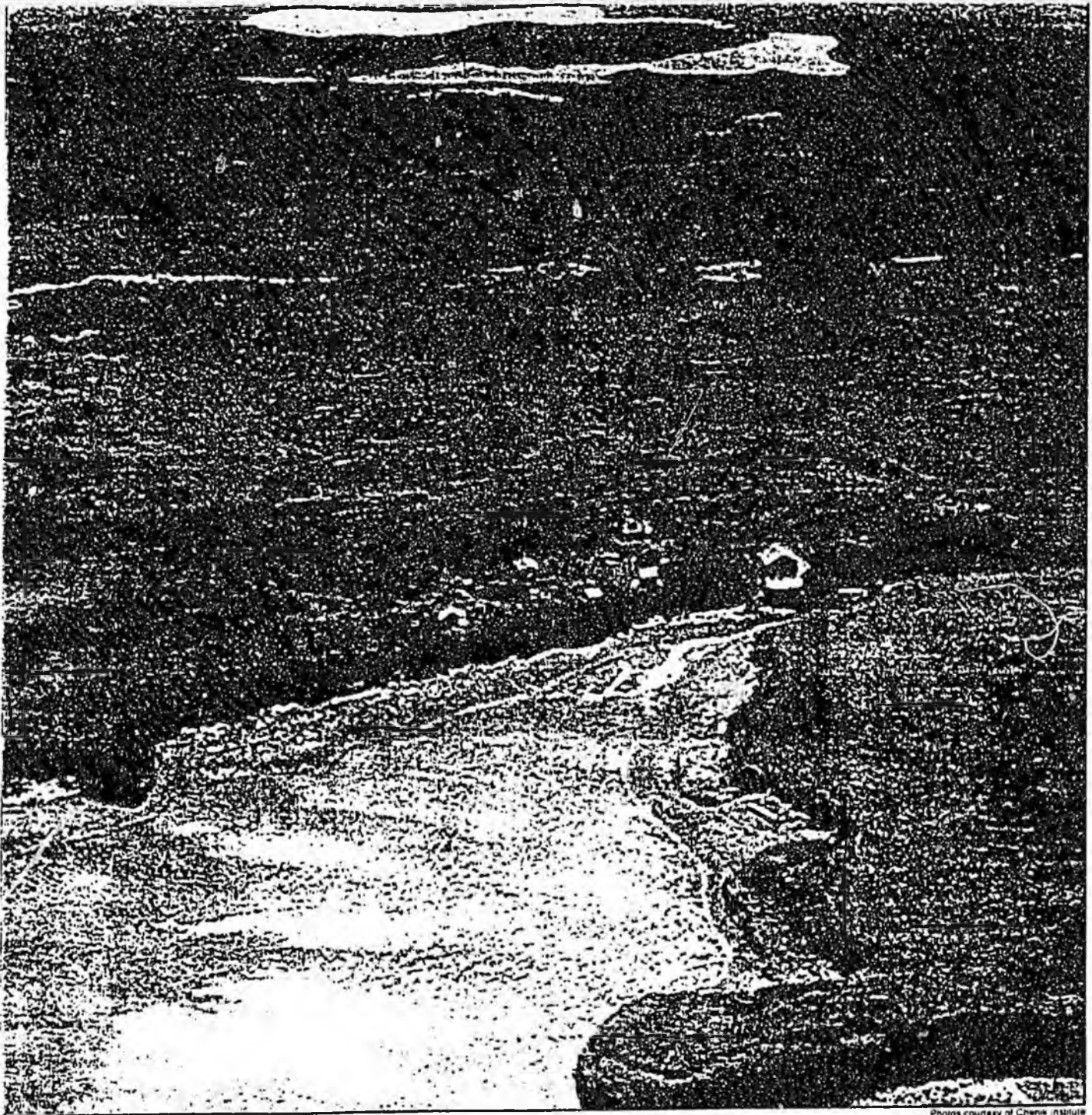
□ Reporter John Little can be reached at jlittle@adn.com.



RON ENGSTROM / Anchorage Daily News



The sauna at Chenik Institute is left furnished and stocked with supplies for use as a vival cabin for anyone in distress in the area.



Photos courtesy of Chenik Institute

Chenik Institute is located at Chenik Head on Kamishak Bay.

Chenik Institute, Inc.

an Alaskan Nonprofit dedicated to Bears and their marine and coastal environments

"Like the beginning of the world before the trees, living waters all around..." Vusamazulu Credo Mutwa

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Chenik Institute Mission

Our mission is to encourage and actively participate in the protection and preservation of Alaska's coastal wilderness, especially brown bear habitat.

Chenik Institute Goals

Our goal is to work cooperatively with others to provide permanent protection for brown bears and other coastal wilderness resources.

We provide opportunities for guests, scientists, policy and decision-makers, interns and students, to learn to appreciate and protect all coastal wilderness resources.

We work with all national and international efforts to accomplish our mission.

History of the Organization

The Chenik Institute was incorporated in August 1996.

The organization is now completing its IRS nonprofit determination application.

Founders Michael & Diane McBride began offering world class experiences to guests at their remote wilderness lodge in the McNeil River area on the western shores of Cook Inlet, Alaska, in 1978.

Stories from Chenik guests about the remarkable and intimate opportunities to view brown bears quickly spread.

The Chenik Camp has empowered powerful advocates for stewardship, while providing education and research possibilities not previously available. It has supported Alaska Department of Fish and Game efforts to monitor brown bears and area fisheries.

The Unique & Important Nature of This Opportunity

Michael and Diane McBride had the foresight to realize the importance of Chenik, and have founded and helped to create the Chenik Institute to protect and preserve what is there -- for the spiritual needs of humans, the resource-rich coastal and marine environments, and for the bears.

The Chenik Camp site is perched off headlands of Kamishak Bay, across Cook Inlet and one hundred miles southwest of Homer, in southcentral Alaska. The rugged shoreline lies between glacier-capped Cape Douglas to the south, and the 10,000 foot twin peaks of Iliamna and Redoubt to the north. Not more than 20 miles away the 4,000 foot Augustine volcano dominates the eastern sky.

As one of the only private inholdings surrounded by the McNeil River State Game Refuge,

Chenik is a priceless gem.

To make the Chenik dream a reality that survives, Chenik Institute is in pursuit of benefactors who understand the global significance of this opportunity. The Chenik Institute needs seed money, a long range endowment, and guidance.

The Institute is now identifying *which* potential long-term collaborations to pursue.

Program Potential

As Chenik Institute is brand new, it is now charting its course into the future. Educational programs are centerfold -- for policy makers, youth, adults, and even business owners wanting to see first hand a successful model of compatible interaction between humans and nature. Ongoing scientific research will provide a sound baseline of information about bears and their marine and coastal environments. A Bureau of Land Management archaeologist will survey the area this summer.

The window of opportunity to visit this remote wilderness in a given year is brief. The inaccessibility of the area and the profound silence which surrounds it is a cornerstone of Chenik's magic. Recreational opportunities are abundant, like delightful hiking to Chenik Lake, or nearby Chenik Falls, with photographic, fishing, beachcombing and other opportunities readily available.

Projected 1997 - 1998	Program Budget Total	= \$69,000
	Operating Budget Total	= \$53,500
	Long Term Needs & Capital Budget Totals	= appraisal underway
PROJECTED 1997 - 1998 TOTAL NEEDS		= \$122,500+

Flexible Terms are Encouraged

The Chenik Institute has a five year window to fund its obligations for the existing infrastructure and investment owed to Chenik Camp founders; who in the spirit of cooperation around the critical nature of this undertaking, wish to be flexible in setting terms with both the Institute and donors.

For further information please contact:

Chenik Institute, Inc.

P.O. Box 862, Homer, AK 99603
Web site: <http://www.xyz.net/~chenik>

(907) 235-5488 phone
Email: chenik@xyz.net

Chenik Institute, Inc.

1997 - 1998 BUDGET SUMMARY

Program Budget *projected for 1998*

Archaeological Studies & Field Work	\$20,000.00
Program & Internship Design	5,000.00
Research Intern	6,000.00
Land & Aerial Surveys	4,000.00
Geological Survey	3,000.00
Archaeological Studies Subtotal	\$ 38,000.00
Brown Bear Monitoring & Field Work	\$ 7,500.00
Program & Internship Design	5,000.00
Research Intern	6,000.00
Sample Collection & DNA Analysis	5,000.00
Video Monitoring Equipment	\$ 7,500.00
Brown Bear Monitoring Subtotal	\$ 31,000.00

Program Budget Subtotal *projected for 1998* \$69,000.00

Planning & Development *actual for 1997 and projected for 1998*

Development Director <i>projected 1998</i>	\$25,000.00
Development Consultant - 1997 Contract	\$ 5,000.00

Fundraising - Projects:

Coastal Alaska Committee (10/97): Explorer's Club NY & Chicago

Project Coordinator - Contract	\$13,950.00
Project Bonus	5,000.00
Project Assistant - Subcontract	3,500.00
Facility	1,700.00
Auctioneer - expenses only/in-kind	-
Catering	4,600.00
Centerpieces	200.00
Printing	400.00
Postcard	4,900.00
Catalog	3,000.00
Postage	350.00
Office Supplies	1,200.00
Telephone/fax	8,000.00
Travel	200.00
Copying	

(Coastal Alaska Committee (Subtotal)*

projected \$47,000.00;

* Expenses are shared equally by Chenik Institute, Inc. and the Center for Alaskan Coastal Studies, Inc.

Fundraising - Projects (Chenik Institute) Subtotal	\$23,500.00
Planning & Development Subtotal	\$53,500.00

1997 - 1998 PROJECTED PROGRAM & OPERATING BUDGET \$122,500.00

Welcome to Chenik Institute, Inc.

Our Home Page:

<http://www.xyz.net/~chenik>

We will be further developing this site in the near future. Please visit us again!

● [history.html](#)

● [board list.html](#)

● [mission.html](#)

Chenik Institute Inc. PO Box 862 Homer, Alaska 99603

Phone (907) 235-5488 or e-mail us at [**chenik@xyz.net**](mailto:chenik@xyz.net)

Chenik Institute, Inc.

(907) 235-5488

History of the Organization

Chenik Institute was incorporated in August 1996. The organization has completed its IRS nonprofit determination application and been awarded a 501 c(3) status.

Stories from Chenik guests have quickly spread around the world regarding the remarkable and intimate opportunities to view brown bears, immersed in one of America's great wilderness areas.

Founders Michael & Diane McBride began offering world class experiences to guests at their remote wilderness lodge in the McNeil River area on the western shores of Cook Inlet, Alaska, in 1978.

The Chenik Camp has empowered powerful advocates for stewardship, while providing education and research possibilities not previously available. It has supported Alaska Department of Fish and Game efforts to monitor brown bears and area fisheries. We will continue and expand our two decades of mutual respect and successful cooperation with the Seldovia Native Association in the greater Cook Inlet and Kachemak Bay area.

[home.html](#)

[mission.html](#)

[board list.html](#)

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an Alaskan Nonprofit dedicated to Bears and their marine and coastal environments

"Like the beginning of the world before the trees, living waters all around..."

Vusamazulu Credo Mutwa

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To make the Chenik dream a reality that survives, Chenik Institute is in pursuit of benefactors who understand the global significance of this opportunity. The Chenik Institute needs seed money, a long range endowment, and guidance.

Program Potential

Chenik Institute is new, and is charting its course into the future. Educational programs are a top priority -- for policy makers, youth, adults, and even business owners wanting to experience first hand a successful ecotourism model of compatible interaction between humans and nature. Ongoing scientific research will provide a sound baseline of information about bears and their marine and coastal environments. A Bureau of Land Management archaeologist surveyed the area in 1997.

The window of opportunity to visit this remote wilderness in a given year is brief. The inaccessibility of the area and the silence which surrounds it are cornerstones of Chenik's magic. Recreational opportunities include hiking to **Chenik Lake**, or nearby **Chenik Falls**, with **photography, fishing, beach-combing, kayaking** and other opportunities readily available.

For further information please contact:

Chenik Institute, Inc.

P.O. Box 862, Horner, AK 99603

(907) 235-5488 phone

Web site: <http://www.xyz.net/~chenik>

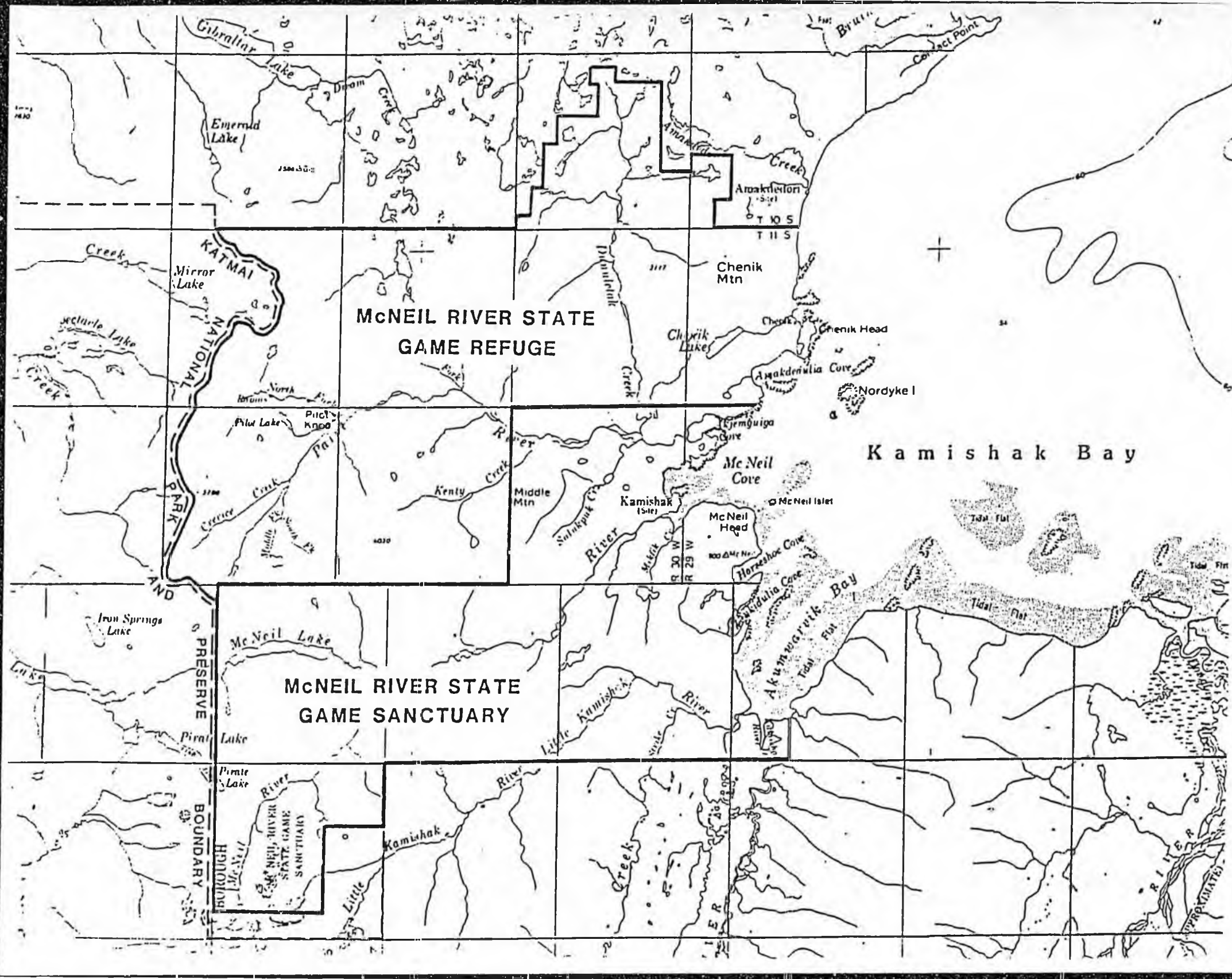
Email: chenik@xyz.net

[home.html](#)

**McNEIL RIVER STATE
GAME REFUGE**

Kamishak Bay

**McNEIL RIVER STATE
GAME SANCTUARY**



MEMORANDUM

State of Alaska

DEPARTMENT OF FISH & GAME

TO: Janet Kowalski
 Director
 Habitat and Restoration Division
 Department of Fish and Game

DATE: December 19, 1995

FAX NO.: 267-2464

TELEPHONE NO.: 267-2285

THRU: Lance L. Trasky
 FROM: Debra Clausen
 Special Areas Coordinator
 Habitat and Restoration Division
 Department of Fish and Game

SUBJECT: The McBride Chenik
 Lodge Trespass Case

- The Chenik Lodge ("Wilderness Camp") is located on a parcel of state-selected Bureau of Land Management (BLM)-managed land in the northeast corner of the McNeil River State Game Refuge. The BLM parcel, consisting of approximately 11 square miles around Chenik Lake and Chenik Head, has been jointly selected by the state and by Seldovia Native Association (SNA). In 1987, the Interior Board of Land Appeals (IBLA) determined that SNA has no valid claim to the land based on an agreement between BLM, Cook Inlet Region Incorporated (CIRI), and the state. This agreement, entitled "terms and conditions for land consolidation and management in Cook Inlet area," was subsequently ratified by Congress. As a result, the parcel is supposed to be conveyed to the state. SNA, claiming they were not consulted regarding the terms of the agreement, has sued the three parties to the agreement. BLM can not dispose of the land until the suit is settled, which may take years. If the land is ultimately acquired by the state, it automatically becomes part of the refuge. If SNA wins the suit and includes it in their final selections (they are over-selected now), it will be an inholding in the refuge.
- The written case history of this trespass situation is difficult to reconstruct because so little is in writing and possible early records have been destroyed. Mr. McBride claims that many of the agreements and advice he received from BLM and SNA were oral. BLM has no record that Mr. McBride was ever issued a special recreation permit for Chenik Wilderness Camp.

According to Mr. McBride, he obtained a special recreation permit (temporary use not to exceed one year) from BLM in 1978 and established a temporary camp primarily for photographers on Chenik

Head. When he asked BLM for a subsequent annual permit in 1979, he was told the SNA had selected the land and he needed to talk to them. He then asked permission from SNA and was told they did not mind. Between 1979 and 1983, he is not sure exactly when, McBride built, apparently in violation of BLM temporary use guidelines, a large permanent cabin (24 x 28 feet) with a large deck on the site to serve as a kitchen, dining room, and bunkhouse for staff and clients. Concerned about protecting his investment, he claims he contacted SNA every year and, beginning in the 1980's, he contacted BLM and the state on numerous occasions. During this period (1980-1989), he built two smaller cabins (12 x 16 feet and 12 x 14 feet) for clients, two tent platforms (10 x 12 feet), a sauna, two outhouses, a barabara for storage under a large observation deck (30 x 30 feet), a bridge across the creek, and buried a barrel in a nearby seep and connected it with pipe to the kitchen. Overflights this past summer revealed two new additional structures.

- Mr. McBride has been unable to provide us with any documentation that he has ever obtained federal permission to build and operate his camp. He has maintained for several years that he was issued a BLM special recreation permit in 1978. However, BLM has no record of a special recreation permit ever being issued to Mr. McBride for Chenik Wilderness Camp. When Mr. McBride finally produced his copy of the "permit" it was the original application form, signed in ink by Mr. McBride, with no signatures by BLM personnel authorizing the activity. Even if he had a valid special recreation permit in 1978, the standard conditions of these permits would have only authorized temporary tent platforms and would have required removal of the temporary camp at the end of the 1978 field season.

By his own admission, Mr. McBride has never obtained a subsequent permit, not even for a temporary camp, and he has never obtained permission from BLM to build permanent structures on the land. His major argument appears to be that the BLM misinformed him in 1979 when he was told to ask SNA for permission because land transfer was imminent. However, when Mr. McBride was asked if he had ever made any payments to SNA for the right to use "their" land, he admitted that Fred Elvsaas, the president of SNA, told him they could not charge him because it was not their land yet. Given that he has known all along that this is still public land, he should have received prior authorization from BLM to build improvements and occupy the land.

- Mr. McBride is now requesting a lease from BLM for use of this land. Department of Natural Resources' last formal communication with BLM on the subject (dated February 25, 1994), requested that BLM not issue the lease because under state law (Art. VIII, Sec. 17), it is unconstitutional to transfer a parcel of public property into private ownership without allowing other interested parties equal access to that or similar parcels. By approving the BLM lease or remaining silent, the state would be rewarding trespassers and penalizing citizens who have not built unauthorized structures on public land.
- The state (DNR) has informally offered to agree to BLM issuing a one-time only ten-year non-transferable lease as Mr. McBride discussed with Commissioner Rosier in the fall of 1994; however, Mr. McBride has declined that offer, as he wants to be able to transfer/sell the lease.
- The draft McNeil River State Game Refuge and State Game Sanctuary Management Plan, now out for public review, would allow for a commercial operation such as Chenik Lodge, but of course does not guarantee that Mr. McBride would be the operator. The policy on Commercial Facilities/Structures in that plan reads as follows:

To protect fish and wildlife habitat, conserve fish and wildlife populations, and maintain public use opportunities in a high quality environment, permanent commercial facilities will not be allowed in either the refuge or the sanctuary except that the Commissioner may, in his or her discretion, allow a permanent commercial facility in the refuge specifically for the purpose of facilitating the brown bear viewing program under appropriate terms and conditions and in a manner compatible with the purpose for which the area is established, only after a finding of fact indicates that refuge and sanctuary management goals are better served with a commercial facility than without. Temporary structures (not exceeding one season's use) including tent platforms, may be allowed by individual Special Area Permit only if they meet a public need for which there is no feasible alternative and are compatible with maintaining the brown bear viewing opportunities in the sanctuary. Use of temporary structures does not convey any future or exclusive rights. To allow for monitoring of levels and periods of use, permits for commercial operations will include a requirement to report frequency, location, and timing of aircraft landings in the refuge and sanctuary and numbers of visitors transported.

Based on the above background information, the basic question that needs to be determined is land ownership. Because of the court suit, this may take years.


The department should not agree to any transfer of lands that would be in violation of the constitution and/or state law. Mr. McBride does not appear to have any ability to transfer the site or structures to a third party because he has no legal status regarding ownership of the site, and indeed appears to be in trespass.

cc: John Westlund
Wayne Dolezal
Gary Liepitz

MEMORANDUM

State of Alaska
DEPARTMENT OF FISH AND GAME

TO: Harry A. Noah
Commissioner
Department of Natural Resources

FROM: 
Carl L. Rosier
Commissioner
Department of Fish and Game

DATE: November 22, 1994

FILE NO:

TELEPHONE NO.: 465-4100

SUBJECT: McBride Lease at
Chenik Camp

Regarding the Michael McBride lease proposal, the following conditions should be stipulated in the lease.

- The lease is issued for a maximum of 10 years and is non-renewable and nontransferrable.
- The lease should be limited in size to the footprint of existing improvements and expansion is prohibited.
- Removal of structures and restoration of the area is required upon lease termination.
- A comprehensive review of activities on both the lease and on adjacent public lands should be required in a Development/Operations Plan.
- An environmental audit should be required before the lease is issued and again upon lease termination.
- The lessee assumes liability for damage to the site, and a compliance bond should be required.

Thank you for the opportunity to comment.

cc: F. Rue
L. Trasky

STATE OF ALASKA

TONY KNOWLES, GOVERNOR

DEPARTMENT OF FISH AND GAME

Habitat and Restoration Division

333 Raspberry Road
Anchorage, AK 99518-1599
PHONE: (907) 344-0541
FAX: (907) 267-2464

MEMORANDUM

TO: Rob Bosworth
Deputy Commissioner

FROM: Lance L. Trasky ✕
Regional Supervisor
Region II
Habitat and Restoration Division

DATE: September 9, 1996

SUBJECT: BLM Lease for Unauthorized Use (i.e., McBride at Chenik Head)

We have received at least two different answers from two different perspectives regarding your question about the appropriateness of asking Bureau of Land Management (BLM) to issue a lease to the owner of an unauthorized structure on state selected lands. In attachments 1 and 2, you will find copies of BLM memoranda requesting advice on the legality of authorizing "an unauthorized use by issuing a FLPMA lease to Michael McBride". The federal solicitor had to give his approval since the case was and continues to be in litigation. BLM is required to resolve trespass cases on federal land prior to transferring title to the state. The October 5, 1993 memo is noteworthy because the BLM District Manager clearly refers to this as an unauthorized use, and proposes to resolve it by issuing a lease to the owner, probably because of an inquiry during the Hickel Administration about a lease for McBride. The issuance of a BLM lease for a unauthorized structure on BLM land which would ultimately go to the state or a corporation would require a state request to resolve the unauthorized use by giving the owner an interest in the property. The more commonly used alternative would be to tell BLM to remove the unauthorized structure. As you recall, the state objected to issuance of a lease in February 1994 (see attachment 3). That position was modified in November 1994 (see attachment 4), however, Mr. McBride does not like the terms that were recommended. A good summary of the situation up to the time of the Commissioner's July 8, 1996 letter is found in attachment 5.

The attorney who is handling the Kamishak Bay litigation, said that the court had not barred any of the litigants from selling or leasing whatever interest they might have in the land in question. However, she had a lot of questions about why the state would be in a rush to do this and why the state would want to resolve a trespass situation in this manner.

Attachments:

1. October 5, 1993 - BLM memo to Regional Solicitor
2. October 12, 1993 - Regional Solicitor to BLM
3. February 25, 1994 - DNR letter to BLM (with January 27, 1994 ADF&G letter as attachment)
4. November 22, 1994 - ADF&G memo to DNR
5. December 19, 1995 - Clausen memo to Kowalski

cc: Don McKay
Wayne Dolezal

05 OCT 1993

AA-74592 (2920)
041

Memorandum

To: Regional Solicitor, Alaska

Through: State Director (932)

From: District Manager

Subject: Issuance of a Lease on Lands in the Kamishak Bay Area.

We are seeking approval as required by BLM Manual 1810.5 and 1870.06 concerning issuance of a lease pursuant to 43 CFR 2920 and Section 302 of FLPMA on lands that are in litigation, Seldovia Native Ass'n v. U.S.A., Case No. A91-076.

We propose to resolve an unauthorized use by issuing a FLPMA lease to Michael McBride. He has utilized this land since the 1970's to base his operation from and has built several cabins to house clients. This camp is in Kamishak Bay, Sec. 22, T. 11 S., R. 29 W., Seward Meridian.

We are currently in the process of obtaining an ANILCA 906 (k) concurrence from the state for this lease proposal, in addition to Native comments.

We are, at this time, requesting approval to proceed with this proposed lease.

If you have any questions, please call Carol Heath at 267-1264.

As: SANDRA CUNN

for Richard J. Vernimen



United States Department of the Interior

OFFICE OF THE SOLICITOR
ALASKA REGION

4230 University Drive
Suite 300
Anchorage, Alaska 99508-4626



BLM.AK.1354

October 12, 1993

Memorandum

To: District Manager
Anchorage District Office
Bureau of Land Management

Through: Division of Resources (932)
Alaska State Office
Bureau of Land Management

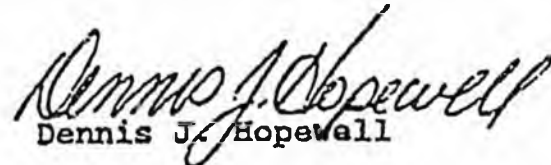
From: Deputy Regional Solicitor
Alaska Region

Subject: Issuance of a Lease on Lands in Litigation in the
Kamisaak Bay Area

By a memorandum dated October 5, 1993, you requested approval to process and issue a lease on land involved in the pending lawsuit, Seldovia Native Ass'n v. U.S.A., Case No. A91-076 (D. Alaska). The land was selected by the State of Alaska and Seldovia Native Association and the litigation involves their conflicting claims to the land. Since the land is in litigation, legal review and authorization to act is required by BLM Manual 1810.5 and 1870.06.

Processing and issuance of a lease is customary and appropriate on lands selected under the Alaska Statehood Act and the Alaska Native Claims Settlement Act. Nothing in the pending litigation has changed this practice and issuance of a lease would not prevent a court from rendering full relief.

Accordingly, BLM may proceed with processing and issuance of the lease under its normal rules.


Dennis J. Hopewell

STATE OF ALASKA
 DEPARTMENT OF NATURAL RESOURCES

DIVISION OF LAND
 SOUTHCENTRAL REGION

3601 C STREET
 P.O. BOX 107005
 ANCHORAGE, ALASKA 99510-7005

February 25, 1994

Sandra Dunn
 Division of Land
 Bureau of Land Management
 6881 Abbott Loop Road
 Anchorage, Alaska 99507-2599

ALASKA DEPT. OF
 FISH & GAME

MAR 08 1994

REGION II
 HABITAT AND RESTORATION
 DIVISION

RE: ADL 225906 - 906k Request for Concurrence
 Michael McBride Lease Application
 Kamishak Bay Wilderness Lodge

Dear Ms. Dunn:

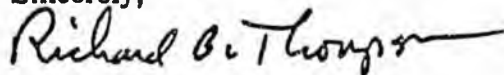
We have reviewed your proposal to issue a long-term commercial recreational lease to Michael McBride for a parcel of State-selected land located at Chenik Head in the Kamishak Bay area within the NE¼ of Section 22, Township 11 South, Range 29 West, Seward Meridian. The site contains approximately 5 acres of land and is intended for use in support of Mr. McBride's Kamishak Bay Wilderness Lodge, a wildlife viewing and photographic touring business which consists of a lodge and several outlying structures as well as a couple of hiking trails.

The Southcentral Region of the Division of Land has determined that this activity is *not* in the best interest of the State of Alaska and therefore does not concur with issuance of a lease on the grounds that the proposed activity is in conflict with the use planned for the area and has unresolved third party interests.

The site is located entirely within a larger parcel of land that has been legislatively designated to become part of the McNeil River State Game Refuge at the time of conveyance. Management of the area will be the responsibility of the Alaska Department of Fish & Game and their objections to the project are a factor in this decision (See attached memo dated January 27, 1994). In addition, efforts to locate any duly executed documents from the Bureau of Land Management authorizing Mr. McBride's use of the site have been unsuccessful and technically his occupancy of the site is unauthorized. It is Department policy not to accept conveyance of land that has any unresolved third party interests. Mr. McBride's encumbrance of this area requires resolution prior to conveyance.

If you have any questions please contact Irene Garcia-Sandoval of my staff at 762-2270.

Sincerely,



Richard B. Thompson
 Regional Manager

cc: Ron Swanson, Director
 Allan T. Samet, ADNR/Land
 Don McKay, ADF&G/Habitat
 Michael McBride

Enclosure: DF&G memo dated

A:\906K\225906.LT.RJT

MEMORANDUM

State of Alaska

DEPARTMENT OF FISH & GAME

TO: Al Samet
Natural Resource Manager
Division of Land
Department of Natural Resources

DATE: January 27, 1994

FILE NO.:

TELEPHONE NO.: 267-2284

DMC
FROM: Don McKay
Habitat Biologist
Region II
Habitat and Restoration Division
Department of Fish and Game

SUBJECT: Michael McBride
ADL 225906
906(k) Request for
Concurrence

The Alaska Department of Fish and Game (ADF&G) has reviewed the Bureau of Land Management (BLM) proposal to issue a 20 year lease for a 5 acre parcel of land to Mr. Michael McBride dba Kachemak Bay Wilderness Lodge. The purpose of the proposed lease is to support a commercial recreation base camp for wildlife viewing and photographic touring. The land and improvements are located at Chenik Head adjacent to Kamishak Bay within the NE 1/4 Section 22, T. 11 S., R. 29 W., S.M. The parcel proposed to be leased to Mr. McBride is within a larger acreage selected by the State. BLM issued a decision and draft Tentative Approval to convey the land to the State in 1987. On January 1, 1993, the McNeil River State Game Refuge, which encompasses this land, was established. Once the land is conveyed to the State it will become part of the McNeil River State Game Refuge and subject to management by the ADF&G. The Seldovia Native Association (SNA) has initiated a legal challenge to BLM's decision to convey the property to the State.

From the original materials received for review, meetings, and telephone conversations with the applicant, and from supplemental information provided by the Alaska Department of Natural Resources (DNR) on January 3, 1994, we understand that Mr. McBride has operated a commercial recreation facility at the Chenik Head site since 1978. Official authorization for such use prior to State selection in form of a signed Recreation Use Permit from federal authorities has not been documented. Over time, the temporary tent camp has become a hardened facility consisting of a 24 foot by 28 foot cabin with large deck, two smaller cabins (one 12 feet by 16 feet and the other 12 feet by 14 feet), two 10 foot by 12 foot tent platforms, a sauna, two outhouses, and a barabara for storage beneath a 30 foot by 30 foot observation deck.

Although the files are full of confusing and at times seemingly conflicting information, it is clear that the BLM was

responsible for management of the land at Chenik Head. The file contains several documents from the SNA indicating that they expect to be granted title to the land. However, they also clearly state that they are not yet the owner and can not legally authorize any land use activities on the site. Likewise, the State provided the same type of information to Mr. McBride. Information in the file confirms that Mr. McBride contacted SNA, DNR, and the BLM regarding authorization for his land use and improvements. Mr. McBride apparently had concurrence from SNA for use of the land. However, once the BLM decided to convey the area to the State in 1987, Mr. McBride applied to the DNR to purchase the land under a preference right. Authorization of the land use was not given by SNA or DNR because the BLM still owned and was responsible for management of the land. We are uncertain why BLM failed to act on the situation. However, in the absence of any formal approvals, Mr. McBride continued his use and maintained or expanded his facilities.

The BLM has continuously been responsible for managing public use of the area throughout the 15 years that Mr. McBride has operated at the site without formal authorization. For whatever reasons, it appears that Mr. McBride's operations have been conducted while in trespass on federally administered public lands. While we understand Mr. McBride's desire to gain interest in the land, we question the prudence of constructing improvements and conducting a business on land to which he had neither title nor formal permission to use.

The ADF&G objects to the conveyance of the land to the State with an unresolved trespass situation. Furthermore, we are not interested in managing McNeil River State Game Refuge with private inholdings. Private use of the area could lead to habituation of bears to human presence and the association of human presence with food. We are concerned that this would jeopardize human safety and result in an adverse impact to the department's bear viewing and interpretive program within the adjacent McNeil River State Game Sanctuary.

ADF&G staff have considered short term, non-transferable use of the land at Chenik Head by Mr. McBride and transfer, after expiration of the use period, of the unauthorized facilities to the State for use by the ADF&G as administrative, scientific, and educational facilities. These alternatives are not preferred by the ADF&G. Consequently, the ADF&G recommends that no lease of any type be issued to the Kachemak Bay Wilderness Lodge or any associated parties for the property in question. We strongly recommend that the State's position be to request that the BLM fulfill its duties and responsibilities as federal land steward under 43 CFR 2920, declare a trespass situation

January 27, 1994

pursuant to 43 CFR 2920.1-2, and require removal of all improvements from the site pursuant to 43 CFR 2920.1-2(a)(3). To do otherwise is to condone and reward an individual who knowingly and willfully conducted unauthorized activities on public lands.

We appreciate the opportunity to comment on this action. We are available to discuss these comments and recommendations with you. Please advise us of your decision and proposed recommendation to BLM. Thank you for the opportunity to comment.

cc: C. Rosier, ADF&G
F. Rue, ADF&G
K. Pitcher, ADF&G
L. Trasky, ADF&G
J. Brady, ADF&G
J. Westlund, ADF&G
D. Clausen, ADF&G
M. McBride

MEMORANDUM

ALASKA DEPARTMENT OF FISH AND GAME

Date: November 22, 1996

To: Frank Rue, Commissioner

File: McBride3

From: Robert Bosworth *RB*
Deputy Commissioner

Subject: McBride Lease

As you requested, I have reviewed in considerable detail the background information on Michael McBride's request for a lease at Chenik Point, west Cook Inlet, where he has operated a guide and photography camp and lodge on about two acres of land since 1978. I have spoken with Mr. McBride on two occasions and consulted with many of the department staff who are familiar with the issue. Based on this review and consultation I have prepared a summary of events surrounding the lease application from 1978 to the present, which is attached. This memorandum summarizes my assessment and provides my recommendation.

Over the years this case has been represented in two very different ways. One view is that the facts describe an individual, Michael McBride, attempting to subvert state and federal land use law and process for personal gain. An opposing view is that Mr. McBride has worked in good faith with federal and state agencies and the Seldovia Native Corporation (SNC) to gain permits to use land upon which he has been a responsible steward.

Numerous individuals from the BLM, ADF&G, and DNR have tried in vain to reconcile these opposing views and there are a handful of key points in the past 18 year chronology that illustrate this. For example, 1978 is the year Mr. McBride first applied for a one-year recreational use permit from the BLM. The question of whether or not a permit was issued is a decisive consideration in a subsequent determination by ADF&G that Mr. McBride has been trespassing since 1978. Mr. McBride says he received a permit but does not know what happened to it, and points to the fact that it had no apparent value to him after it expired. BLM can neither confirm nor deny the existence of a permit. In 1990, DNR acknowledged a permit was issued, but found that subsequent improvements to the site were unauthorized. The absence of the initial permit has led some to conclude that Mr. McBride's actions after 1978 were illegal and reprehensible, but other documents appear to support his assertion that he obtained a permit and since then has acted responsibly and in accordance with BLM direction.

There seems to be no one doubting that Mr. McBride sought permit renewal in 1979 and that he was told at that time, by BLM, that SNA would soon acquire the parcel and he should go to SNA for a use permit. Thus began several years of occupancy and use of the Chenik site, during which time Mr. McBride regularly corresponded with SNC about his activities at the site and

improvements he made to buildings. SNC wrote on several occasions that they expected to gain title soon. Mr. McBride was apparently content with this arrangement and did not pursue other means to gain leaseholder status until BLM informed him in 1987 that the state, not SNC, would be getting title to the land in the area. Following this new, and erroneous, advice from BLM, Mr. McBride then applied to DNR for a purchase preference. This was denied by DNR in 1990 on the basis that the land had not been approved for transfer to the state, and in any event the improvements he had made to the site had not been authorized by BLM.

In 1993 the McNeil River area, encompassing the Chenik site, became a state wildlife refuge. ADF&G solidified its opposition to the lease at this time, citing lack of evidence of a BLM use permit and concerns about the compatibility of an inholding at Chenik with the purposes of the refuge. No specific concerns about Mr. McBride's past activities are noted, however, and language later included in the Refuge Management Plan does provide for operation of a commercial facility like the Chenik camp (not necessarily operated by Mr. McBride).

In 1994 ADF&G's opposition resulted in DNR opposing and BLM denying Mr. McBride a standard lease for the site. Later that same year, presumably after an appeal by Mr. McBride, Commissioners Rosier and Noah reversed that decision and offered a 10-year non-transferable, non-renewable lease. Mr. McBride declined that offer. Soon after, he suggested since he did not intend to profit personally from future sale, a lease might instead be provided to a non-profit organization with goals compatible with the refuge. Presumably Mr. McBride would hope to continue managing the photography camp/learning center under this scenario.

Given the lack of agency progress and variety of opinions that have been expressed on this issue over several years, I have been prepared to find some evidence that Mr. McBride has willfully trespassed at Chenik, been negligent in following necessary procedures, or dishonest in his representation of the facts. I did not find that evidence. I think Mr. McBride may be guilty of poor judgement in continuing for several years to follow BLM's initial direction to seek SNA's permission to use the land, even when he knew SNA did not hold title. However, under the circumstances, and considering his history of responsible use and stewardship of the site, I do not consider this to be adequate grounds for denying the lease request.

I recommend that a memorandum be sent to DNR and the BLM under your signature, that withdraws our 1994 opposition to issuance of a standard lease to Mr. McBride, with certain conditions. I have attached recommendations for lease conditions and a sample memorandum.

Recommended conditions to be stipulated in a lease to Mr. Michael McBride for use and occupancy of the Chenik Camp site.

1. Operating guidelines shall be developed by ADF&G in consultation with Mr. McBride assuring that operations of the Chenik Camp will not impact the operations of the refuge/sanctuary including the bear viewing program. These operating guidelines should be incorporated into the Lessee's Development/Operations Plan described below.
2. Any lease renewal or transfer shall be subject to review and approval by ADF&G and the Authorizing Officer.
3. The lease shall not expire upon conveyance of the underlying land to the state. Conveyance of Title will be "subject to" this lease.
4. The area to be leased shall reasonably conform to the "footprint" now occupied by the existing improvements. The state will not require a survey, but the site shall be located and mapped prior to issuance of the lease.
5. The Lessee shall submit a Development/Operations Plan for approval by the Authorized Officer prior to execution of the lease. The Development Plan will describe the existing improvements in the form of a detailed, drawn to scale, schematic and narrative representation. Operations plans shall address all client related activities both on and off the lease site. Once approved the Development/Operations Plan is incorporated into and becomes a condition of the lease.
6. The number of persons occupying the site on any given day shall not exceed the maximum occupancy level authorized by the approved Development/Operations Plan. Any exception will be made only with the express written permission of the Authorizing Officer, following application by the Lessor that includes information demonstrating that accommodating additional persons at the site for a specified period of time will not adversely effect the operations of the refuge/sanctuary including the bear viewing program
7. The issuance of the lease does not preclude the lessee's need to acquire any necessary state, federal, or local authorizations as may be required and to be in compliance with these authorizations
8. This Lease is for the development and operation of a commercial recreation facility and attendant activity as described herein and in an approved Development/Operations Plan. The Lessee may use the leasehold only to provide services and facilities that are described in the approved Development Plan.
9. The Lessee shall not sell, assign, rent, sublet, or enter into an agreement for the whole or any portion of the lease area.
10. Airstrip, roads, or the establishment of trails in support of activities arising from use of this leasehold are prohibited. Public use of existing natural landing areas or existing overland access trails used to access public lands or public water shall not be prohibited by the Lessee.
11. The Lessee may use dead and down timber but shall not cut standing timber on the leasehold or in the area unless specifically authorized by the Division of Forestry, Department of Natural Resources. Issuance of this lease does not obligate the Department of Natural Resources to assume any responsibility for the protection of temporary structures or personal property in cases of brush, grass or woodland fire.
12. On-site disposal of solid or hazardous waste is prohibited. All solid waste, hazardous waste and foreign debris will be eliminated by removal to a Department of Environmental Conservation approved site. The leasehold will be kept clean. Food, refuse and fish will be stored in bear-proof containers. Open fire pits are not

permitted and refuse will not be burned.

13. Disposal of gray and/or black water waste to the ground surface or water sources from any operation associated with this lease is specifically prohibited unless approved by the Alaska Department of Environmental Conservation (ADEC). If pit privies are utilized, they must be located at least 200 feet from any surface waterbodies. The bottom of the pit must be four feet above high ground water level. Upon expiration of the permit, lime shall be applied to the wastes in the pit prior to back-filling. Other ADEC restrictions may apply.
14. A bond, cash deposit, certificate of deposit, or other form of surety acceptable to the Authorized Officer, unless otherwise specified, will remain in effect for the entire term of the lease. The Lessor specifically reserves the right to make periodic adjustments to bond amounts. The Lessee must submit bonds or other form of surety acceptable to the Lessor as follows:
 - a Performance Bond in the amount of \$10,000 to ensure faithful performance of the terms and conditions of the lease is due at the time of lease execution and will remain in effect for the entire term of the lease.
 - The Lessee is responsible for site reclamation within the leasehold. One year prior to lease termination the Lessee must file a Reclamation Plan for the site that must be approved in writing by the Authorized Officer. A reclamation performance bond in the amount of the total estimated cost of implementing the reclamation Plan must be posted with the lessor when the Lessee received written approval of the Reclamation Plan or as directed by the Authorized Officer.
15. The Lessee, its officers, agents, employees, contractors, subcontractors, and personnel shall indemnify and hold harmless the State of Alaska, its officers, agents, and employees from all demands, claims, losses, legal actions, and liabilities including cost and expense of any nature arising directly or indirectly from or in any way connected with their actions under the provisions of this authorization.
16. The Lessee shall exercise diligence in protecting from damage the land and property of the Lessor covered by and used in connection with this Lease. The Lessee shall in a timely and reasonable manner:
 - Repair damage and restore the site to its previous condition or to the satisfaction of the Authorized Officer.
 - Pay the Lessor the full cost of any resource damage, including materials and administrative costs, resulting from negligence or activities occurring under the terms of this Lease or under any law or regulation applicable to state land generally, whether caused by the Lessee or by agents or employees of the Lessee; or
 - Accomplish other remedies reasonably prescribed by the Authorized Officer.
17. If, in connection with activities authorized under this Lease, the Lessee, his agents or employees, encounter any paleontological, archeological, or historical sites or artifacts, the Lessee shall suspend all field activities on the affected portion of the parcel, and shall immediately notify the State Historic Preservation Officer.

Michael McBride/ Chenik Camp chronology — 1978 to 1996

3/28/78 Michael McBride (MM) applies to BLM for a Recreation Use Permit for the Chenik site. MM states he did receive the 1-year temporary use permit, but he did not retain it after its term had expired. A receipt for the permit is on file. BLM acknowledges the application, was accepted and "serialized" with Permit # AK-016-8064. BLM has been unable to locate the necessary files and cannot verify whether a permit was issued or not.

3/28/79 MM states he went to BLM to renew the permit and was told to speak to Seldovia Native Association (SNA) about a permit or lease since they would soon be the landowners. First meeting with SNA results in SNA acknowledgment of the Chenik Camp, and a statement that SNA would negotiate a lease when they receive title; no objection to the presence of the camp.

1979-1987 During these years MM was aware that the land had not transferred to SNA. He reports having had several interactions with BLM but did not formally seek another BLM permit. Correspondence from 1970 to at least 1990 documents MM's continued interaction with SNA, requesting yearly approval to use the site, appraising them when minor improvements are made, requesting permission to replace tents with buildings in 1983. On more than one occasion SNA reports to MM that land transfer is imminent.

1987 BLM prepares to TA Chenik area land conveyance to state; SNA appeals decision. BLM tells MM that the state would be getting the land, and MM should request lease or purchase from state.

1988 MM sends documentation of use to DNR along with application fee for land purchase under preference right. MM receives reply from DNR that the land is state-selected but tied up in litigation with SNA, so they cannot accept the application.

1989 MM receives update from DNR: land status still in litigation, so BLM cannot convey to state. Later in the year, BLM writes to MM that the land has now been TA'd to the state. An application fee for a BLM lease is therefore returned to MM and he is told the casefile is closed.

1990 MM resubmits purchase application to DNR, based on information that land had been TA'd to the state. DNR replies that no, the land had not been TA'd, is still in BLM ownership and refers MM back to BLM. MM was also told by DNR that although he apparently did receive a BLM permit in 1978, it was for tents only, and the state will not accept title to any land with unauthorized improvements.

1991 SNA files lawsuit against CIRI and BLM. MM resubmits application for lease to BLM. BLM Solicitor issues opinion stating that processing and issuing permit on land under litigation is possible, even "customary."

1992 BLM requests "state 906k concurrence" with their decision to issue lease to MM. DOL requests comments from DEC, Kenai Peninsula Borough, ADF&G. ADF&G requests information about stipulations, notes that the site is slated for a refuge.

1993 ADF&G indicates refuge is now a reality and the McBride camp is not an appropriate use. BLM proposes to issue a lease to MM and drafts possible lease stipulations. State agencies meet to discuss MM lease and BLM's request for comment. DEC approves issuance, with lease stipulations regarding water quality.

1994 ADF&G position is transmitted to DNR; requests DNR ask BLM to deny the lease. An alternative position developed by ADF&G, if DNR or BLM don't agree to no lease, is to support issuance of a 10 year, not transferable, non-renewable lease. DNR then writes to BLM that it does not concur with lease issuance. Following appeal to Commissioners by MM, lease stipulations are drafted for a 10 year lease, non-transferable, non-renewable.

1995 MM declines to accept lease stipulations. Initiates discussion with The Nature Conservancy regarding their collaboration on use of the Chenik site. ADF&G begins internal discussion of this option. Land status remains an issue, as does MM's lack of a 1978 BLM permit. Draft McNeil River State Game Refuge/Sanctuary Management Plan language would allow for a commercial operation such as the Chenik Lodge.

1996 Letter from ADF&G (Commissioner Rue) to MM states that because facts are in dispute and will not become more clear ADF&G is willing to discuss a lease arrangement with The Nature Conservancy as a third party. MM responds by proposing that if ADF&G withdraw its objection to the standard lease, MM will operate the site consistent with the Refuge Management plan and appropriate statutes, and assign the lease to The Nature Conservancy or other appropriate conservation organization.. MM proposes operation of the site as both a commercial facility and as a non-profit "learning center." TNC cannot commit to taking on the Chenik project at this time. MM and ADF&G discuss options.

STATE OF ALASKA

TONY KNOWLES, GOVERNOR

DEPARTMENT OF FISH AND GAME
OFFICE OF THE COMMISSIONER

P.O. BOX 25526
JUNEAU, AK 99802-3526
PHONE: (907) 465-4100
FAX: (907) 465-2332

MEMORANDUM

TO: John Shively
Commissioner
Department of Natural Resources

FROM: Frank Rue *Frank*
Commissioner

DATE: November 22, 1996

SUBJECT: McBride Lease
ADL 225906-906k Request

We have recently conducted a thorough review of the Michael McBride, d.b.a. T'achemak Bay Wilderness Lodge, lease application and 906k Request for Concurrence. Mr. McBride has unsuccessfully sought a lease from the Bureau of Land Management, with concurrence by the state, for a site at Chenik Point on the west side of Cook Inlet, that he has used seasonally since 1978. The 2.5 acre site is located within the boundaries of the McNeil River State Game Refuge.

We have reconsidered our previous opposition to BLM issuing a standard lease to Mr. McBride. We have determined that the circumstances surrounding Mr. McBride's technically unauthorized use of the site are unusual and do not provide a basis for continued opposition to a lease. We conclude it is in the state's interest that Mr. McBride be provided with the legal right to continue using the site at Chenik, with strict conditions to assure use remains consistent with the purposes of the McNeil State Game Refuge and Sanctuary. I have attached a preliminary list of conditions we will recommend be attached as stipulations to any lease.

cc: Janet Kowalski
Wayne Regelin
Michael McBride

ADF&G preliminary list of conditions to be stipulated in a lease to Mr. Michael McBride for use and occupancy of the Chenik Camp site.

11/31/96

1. Operating guidelines shall be developed by ADF&G in consultation with Mr. McBride assuring that operations of the Chenik Camp will not impact the operations of the refuge/sanctuary including the bear viewing program. These operating guidelines should be incorporated into the Lessee's Development/Operations Plan described below.
2. Any lease renewal or transfer shall be subject to review and approval by ADF&G and the Authorizing Officer.
3. The lease shall not expire upon conveyance of the underlying land to the state. Conveyance of Title will be "subject to" this lease.
4. The area to be leased shall reasonably conform to the "footprint" now occupied by the existing improvements. The state will not require a survey, but the site shall be located and mapped prior to issuance of the lease.
5. The Lessee shall submit a Development/Operations Plan for approval by the Authorized Officer prior to execution of the lease. The Development Plan will describe the existing improvements in the form of a detailed, drawn to scale, schematic and narrative representation. Operations plans shall address all client related activities both on and off the lease site. Once approved the Development/Operations Plan is incorporated into and becomes a condition of the lease.
6. The number of persons occupying the site on any given day shall not exceed the maximum occupancy level authorized by the approved Development/Operations Plan. Any exception will be made only with the express written permission of the Authorizing Officer, following application by the Lessor that includes information demonstrating that accommodating additional persons at the site for a specified period of time will not adversely effect the operations of the refuge/sanctuary including the bear viewing program.
7. The issuance of the lease does not preclude the lessee's need to acquire any necessary state, federal, or local authorizations as may be required and to be in compliance with these authorizations.
8. This Lease is for the development and operation of a commercial recreation facility and attendant activity as described herein and in an approved Development/Operations Plan. The Lessee may use the leasehold only to provide services and facilities that are described in the approved Development Plan.
9. The Lessee shall not sell, assign, rent, sublet, or enter into an agreement for the whole or any portion of the lease area.

10. Airstrips, roads, or the establishment of trails in support of activities arising from use of this leasehold are prohibited. Public use of existing natural landing areas or existing overland access trails used to access public lands or public water shall not be prohibited by the Lessee.
11. The Lessee may use dead and down timber but shall not cut standing timber on the leasehold or in the area unless specifically authorized by the Division of Forestry, Department of Natural Resources. Issuance of this lease does not obligate the Department of Natural Resources to assume any responsibility for the protection of temporary structures or personal property in cases of brush, grass or woodland fire.
12. On-site disposal of solid or hazardous waste is prohibited. All solid waste, hazardous waste and foreign debris will be eliminated by removal to a Department of Environmental Conservation approved site. The leasehold will be kept clean. Food, refuse, and fish will be stored in bear-proof containers. Open fire pits are not permitted and refuse will not be burned.
13. Disposal of gray and/or black water waste to the ground surface or water sources from any operation associated with this lease is specifically prohibited unless approved by the Alaska Department of Environmental Conservation (ADEC). If pit privies are utilized, they must be located at least 200 feet from any surface waterbodies. The bottom of the pit must be four feet above high ground water level. Upon expiration of the permit, lime shall be applied to the wastes in the pit prior to back-filling. Other ADEC restrictions may apply.
14. A bond, cash deposit, certificate of deposit, or other form of surety acceptable to the Authorized Officer, unless otherwise specified, will remain in effect for the entire term of the lease. The Lessor specifically reserves the right to make periodic adjustments to bond amounts. The Lessee must submit bonds or other form of surety acceptable to the Lessor as follows:
 - A Performance Bond in the amount of \$10,000 to ensure faithful performance of the terms and conditions of the lease is due at the time of lease execution and will remain in effect for the entire term of the lease.
 - The Lessee is responsible for site reclamation within the leasehold. One year prior to lease termination the Lessee must file a Reclamation Plan for the site that must be approved in writing by the Authorized Officer. A reclamation performance bond in the amount of the total estimated cost of implementing the reclamation Plan must be posted with the lessor when the Lessee received written approval of the Reclamation Plan or as directed by the Authorized Officer.
15. The Lessee, its officers, agents, employees, contractors, subcontractors, and personnel shall indemnify and hold harmless the State of Alaska, its officers, agents, and employees from all demands, claims, losses, legal actions, and liabilities including cost and expense of any nature arising directly or indirectly from or in any way connected with their actions under the provisions of this authorization.

16. The Lessee shall exercise diligence in protecting from damage the land and property of the Lessor covered by and used in connection with this Lease. The Lessee shall in a timely and reasonable manner:

- Repair damage and restore the site to its previous condition or to the satisfaction of the Authorized Officer.
- Pay the Lessor the full cost of any resource damage, including materials and administrative costs, resulting from negligence or activities occurring under the terms of this Lease or under any law or regulation applicable to state land generally, whether caused by the Lessee or by agents or employees of the Lessee; or
- Accomplish other remedies reasonably prescribed by the Authorized Officer.

17. If, in connection with activities authorized under this Lease, the Lessee, his agents or employees, encounter any paleontological, archeological, or historical sites or artifacts, the Lessee shall suspend all field activities on the affected portion of the parcel, and shall immediately notify the State Historic Preservation Officer.

MEMORANDUM

STATE OF ALASKA
Office of the Governor

TO: Commissioner Frank Ruc
Department of Fish and Game

DATE: January 23, 1996

FROM: Marilyn Heiman
Marilyn

TELEPHONE: 465-3938
FAX: 465-3532

SUBJECT: Mike McBride

In December the Governor met with Mr. Mike McBride, of Homer. Mr. McBride and his wife Diane own the Kachemak Bay Wilderness Lodge.

Mr. McBride expressed his concern over the Department of Fish and Game's long time opposition to the Bureau of Land Management's desire to give the McBride's a standard twenty year, five acre lease at Chinik, near the McNeil River Refuge. According to Mr. McBride, the state, under ANILCA, must concur with the BLM's proposed lease, although these five acres are not on state land. Mr. McBride has proposed transferring his lease to the Nature Conservancy.

The Governor asked me to look into a resolution of this issue, and by way of this memo, I request the Department of Fish and Game reexamine this matter and advise us on a resolution.

Thank you for your prompt attention to this matter, and please call me if I can be of assistance.

cc: Lance Trasky, Division of Habitat and Restoration
Department of Fish and Game

Mary McDowell

RECEIVED

JAN 25 1996

DEPT. OF FISH & GAME
COMMISSIONER'S OFFICE

LOG ITEM C1322
DRAFTED BY DEBBY CLAUSEN ^{DC}
APPROVED BY LANCE TRASKY ^X
SENT TO JANET KOWALSKI
SENT VIA E-MAIL 1/30/96

MEMORANDUM

State of Alaska

DEPARTMENT OF FISH & GAME

TO: Marilyn Heiman
Special Staff Assistant
Office of the Governor

DATE: DRAFT/January 30, 1996

FILE NO.:

TELEPHONE NO.: 465-4100

SUBJECT: The McBride
Chenik Lodge
Trespass Case

FROM: Frank Rue
Commissioner
Department of Fish and Game

The Chenik Lodge to which you refer in your memo of January 23 is located on a parcel of state-selected Bureau of Land Management (BLM)-managed land in the northeast corner of the McNeil River State Game Refuge. The land status is further complicated by a dual selection by Seldovia Native Association (SNA). Although BLM has ruled in the state's favor on the dual selection, SNA intends to continue to appeal. It is BLM's policy to consult with the state prior to leasing of state-selected land, however, and that is what they have done regarding the Chenik trespass. Mr. McBride has used the Chenik Lodge site without authorization since 1978. He has been repeatedly asked but is unable to produce any permits authorizing his use of the property. BLM is also unable to locate any authorization. He is now requesting a lease from BLM for use of

the land. Alaska Department of Natural Resource's (DNR) last formal communication with BLM on the subject (dated February 23, 1994), requested, on the advice of the Alaska Department of Fish and Game (ADF&G), that BLM not issue the lease. Under state law (Article VIII, Section 17), it is unconstitutional to transfer a parcel of public property into private ownership without allowing other interested parties equal access to that or similar parcels. By approving the BLM lease or remaining silent, the state would establish a policy of rewarding trespassers and penalizing citizens who have not built unauthorized structures on public land, resulting in far reaching implications for hundreds of other trespass structures around the state.

However, subsequent to the official response, the state (DNR) also, informally, offered to agree to BLM issuing a one-time only ten-year non-transferable lease as Mr. McBride discussed with Commissioner Rosier in the fall of 1994. Mr. McBride has declined that offer, as he wants to be able to transfer/sell the lease.

It continues to be the department's position that the state should not agree to any transfer or disposal of lands that would be in violation of the constitution and/or state law. Over the past several years, Mr. McBride has met with BLM officials and state officials from DNR, ADF&G, and the Division of

Governmental Coordination on this matter and the paper trail is extensive. He has now gone to the governor to secure what has eluded him through proper channels and due process.

If the governor wishes to pursue the issue, we would recommend that he request an Attorney General's opinion regarding the question of equal access under Article VIII Section 17 of the State Constitution as it pertains to awarding a transferable lease to a trespasser generally and to Mr. McBride specifically. There are many unauthorized structures on state-managed and state-selected lands in Alaska and while the details of each case vary, the precedent and the principle apply to all.

cc: John Shively, Department of Natural Resources Commissioner
Bruce Botelho, Attorney General