

ALASKA LEGISLATURE COMMITTEE FILES, 2003-2004

10958 HOUSE RESOURCES

Planning & Development Program Manager (Effective November, 1990)
Division of Commercial Fisheries

Coordination and implementation of Pacific Salmon Treaty negotiations for the Department as Chairman of the Northern Panel for the Pacific Salmon Commission, as well as the comprehensive salmon planning, strategic planning, and developing fisheries initiatives for the division on a statewide basis.

Previous responsibilities as a Planner IV (10/16/88-11/12/90), Planner III (2/16/84-10/15/88), and Project Assistant (10/16/81-2/15/84) within the FRED Division include:

Lead planner for: Implementation of the U.S./Canada Pacific Salmon Treaty enhancement program (\$4 million federal funding annually, total of \$20 million); regional comprehensive salmon planning efforts on a statewide basis; statewide mariculture program; implementation of developing fisheries program with the Southeast Alaska dive fishery association; and statewide public participation program.

Divisional headquarters liaison for contracts and cooperative agreements, rehabilitation and enhancement programs.

Administrator of: Fish Transport Permit system for the state, and review and approval process for scientific/educational permit system.

Facilitator for departmental project reviews, Alaska Coastal Zone Management Program.

**Alaska Vocational Education
Planning Council
Executive Director**

November 1980-October 1981

Planned, managed, and administered 16-member Council, appointed by the State Board of Education. Developed Five-year plan for Vocational Education in for FY 1983-87 and directed all Planning Council meetings.

Miscellaneous

January 1976-November 1980

Education

**Masters of Public Administration
University of Washington**

March 1976

**Bachelor of Arts in Political Science, cum laude
University of Washington**

June 1974

Division Awards

- ADF&G, FRED Division award for public involvement/citizen participation on departmental long-range planning efforts, 1986.
- ADF&G, FRED Division award for meritorious service as a Planner IV in 1988.

- ADF&G FRED Division award for extraordinary public service, 1989 Exxon-Valdez oil spill.

Acknowledgements

- Governor's Recognition Award for leadership in representing Alaskan fishermen and local communities during the 1999 Pacific Salmon Treaty negotiation process.
- Letter of acknowledgement from Governor Knowles for my role in the development of the Letter of Agreement among all U.S. parties for management of Chinook salmon in Southeast Alaska, July 1996.
- Letter from Alaska Troller's Association acknowledging my efforts on behalf of the industry in the Pacific Salmon Treaty negotiation process, June 1997.
- Friend of the Trollers award at Alaska Troller's Association meeting, spring 1998.

Additional Training

- "Improving Your Negotiating Skills" a two day course sponsored by Pacific Lutheran University Center for Executive Development, September 1985.
- "Introduction to Excel" sponsored by the Productivity Improvement Center, August 1994.
- Contract Law, Three credit course, University of Alaska, completed in June 1985.
- "Managing Multiple Demands" a seminar sponsored by the Institute for Applied Learning, January 1990.
- "Introduction to Supervision" a three day course sponsored by the State of Alaska, Productivity Improvement Center, August 1990.
- "Essentials of Negotiation" sponsored by the Institute for Applied Learning, September 1990.
- Cross Cultural Training Course sponsored by the University of Alaska Southeast, July 1991.

References

Jeffrey P. Koenings, Ph.D.
Director
Washington Department of Fish and Wildlife
600 Capitol Way N.
Olympia, WA 98501-1091
Phone: (360) 902-2234
FAX: (360) 902-2947
E-mail: director@dfw.wa.gov

Mr. David Bedford
Executive Director
Southeast Alaska Seiners Association
P.O. Box 23081
Juneau, AK 99801
Phone: (907) 463-5030
FAX: (907) 463-5080
E-mail: seasjnu@ptialaska.net

Mr. John Garner
North Pacific Crab Association
4335 Leary Way NW
Seattle, WA 98107
Phone: (206) 789-8522
FAX: Same
E-mail: jgarner@norquest.com

Additional references available upon request

Copies of recent letters of support for Commissioner are provided in hard copy.

5/7/03

CONFIRM:

BOARD

OF

FISH

THE
FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES

— Board of Fisheries

P.O. Box 537
Anchor Point AK 99556

Phone 907-235-5555
E-mail
outlook@ptialaska.net

Robert E. Dersham

Education 1970 University of Oregon Eugene, Oregon
Degree: BBA - Bachelor of Business Administration

Professional experience 1971 - 1985 U.S. Department of Justice
Drug Enforcement Administration San Diego CA & Anchorage AK
Special Agent - Criminal Investigator

1985 - Present Dersham's Outlook Lodge Anchor Point, AK
Lodge Owner

1989- Present U.S. Coast Guard Licensed
Charter Boat Captain Anchor Point, AK

1997-2001 Alaska Board of Fisheries
Board Member State of Alaska
Attended all Board of Fisheries meetings since appointment
Chaired numerous sub-committees of the Board of Fish

1999- Present North Pacific Management Council-Board of Fish
Chairman Joint Protocol Committee State of Alaska
Responsible for liaison between Alaska Board of Fisheries and NPFMC in matters of cross jurisdiction, mutual management of fisheries occurring in adjacent Federal and State waters and issues of fisheries regulated by the Board of Fish through delegation of authority from the NPFMC

2001 - Present Alaska Board of Fisheries
Board Chairman
Responsible for chairing all Board of Fish meetings
Representing the Board of fish in all matters between regulatory meetings
Liaison with the Alaska Dept. of Fish & Game
Liaison with the Alaska State Legislature



Official Business

Alaska State Legislature

House of Representatives

Office of the Chief Clerk

State Capitol, Room 216
Juneau, AK 99801-1182
Phone: (907) 465-3725
Fax: (907) 465-5334

MEMORANDUM

Date: May 6, 2003

To: Representative Fate, Chair
Resources Committee

From: Suzi Lowell *sl*
Chief Clerk

Subject: Governor's Appointment

The Governor has corrected Robert (Ed) Dersham's reappointment information for the Board of Fisheries. A new committee report is attached for Mr. Dersham. Please use this report so the correct information is reflected.

If you have any questions, please call my office.

Attachment: Committee Report: Robert (Ed) Dersham



Official Business

Alaska State Legislature

House of Representatives

Office of the Chief Clerk

State Capitol, Room 216
Juneau, AK 99801-1182
Phone: (907) 465-3725
Fax: (907) 465-5334

MEMORANDUM

Date: May 1, 2003

To: Representative Fate, Chair
Resources Committee

From: Suzi Lowell *SL*
Chief Clerk

Subject: Governor's Appointments

Speaker Kott referred the following Governor's appointments to the Resources Committee:

Board of Fisheries

Dr. Floyd F. Bouse - Fairbanks

Appointed: 07/01/2003 Term Expires: 06/30/2006

Robert (Ed) Dersham - Anchor Point

Appointed: 03/03/1997 Reappointed: 03/20/2000
Reappointed: 07/01/2003 Term Expires: 06/30/2006

The resumes and committee reports are attached for your use.

Attachments as noted

APP / FISH / 037



STATE OF ALASKA
OFFICE OF THE GOVERNOR
P.O. Box 110001, Juneau, AK 99811-0001
Phone: (907) 465-3500 Fax: (907) 465-3532

Board of Fisheries

BOARDS AND COMMISSIONS APPLICATION/RESUME FORM

INSTRUCTIONS

A separate application is required for each position for which you apply. Complete and specific answers will aid in rapid and accurate processing of your resumé. Please type or print legibly in ink. Forward to the above address. Be sure your answers are true. A willfully false answer may result in your disqualification or removal from office if you are appointed.

Board or Commission for which I am applying: Fisheries

Please list any other State Boards or Commissions on which you currently or previously have served:
NONE

Name: Floyd Frederick Bouse

Mailing Address: 4020 Dunlap Ave. Fairbanks, 99709

Residence Address: SAME

City, State and Zip Code: _____

Home Telephone: 907 479 2122 Business or Message Telephone: 479 2208 cell 590 7622

Fax Number: 907 474 8488 Cell Phone: 907 590 7622

Email address: Fiddle@GCI.NET

AS 39.05.100 requires that a person appointed to a state board or commission be a registered voter prior to the last general election:

Are you a registered voter? YES NO

Voter Registration Number (Optional): _____ Social Security Number (Optional): 494545606

Have you ever been convicted of a misdemeanor within the past five years or a felony within the past ten years?

YES _____ NO If "YES", explain the circumstances on a separate sheet of paper and attach it to this application. A conviction is not necessarily grounds for disqualification. The number of convictions, nature, recency, and relationship to the board position applied for will be evaluated and a determination will be made after a review of all relevant facts.

CONFLICTS OF INTEREST: Certain boards and commissions require full disclosure of personal financial data under AS 39.50.010. If required for the board or commission for which you are applying, are you willing to do so?
YES NO _____

Could you or any member of your family be affected financially by decisions to be made by the board or commission for which you have applied? YES _____ NO

If "YES", explain:

TRAINING AND EXPERIENCE: (If resumé attached, it is not necessary to complete items A-D)

A. List any professional licenses, certifications, or registrations and dates obtained that may be used as qualifying criteria:

Alaska dental License, Midwest Regional Board Certificate in Dentistry, Alaska Dental Board

B. List both formal and informal education and training experiences: (Use additional paper if necessary)

highschool, College - Southwest Mo. State University - Bachelor of Science in Biology, Chemistry Minor
University of Mo. School of Dentistry graduated June '73 - military at Ft. Wainwright - then private practice in Fairbanks since Nov. '76

C. List any community service, municipal government, and state positions held, and any awards received. Include both compensated and uncompensated positions (such as president of a service organization or a mayor). Include length of time served.

no local or state positions except: participated in state funded remote village dental service projects at Creech City, Alaska and Chalkyitsik (sp?) in late '70's

D. Employment work history - paid, unpaid or voluntary: (Use additional paper if necessary)

As youngster, worked with my Dad in construction. - I AM A JOURNEYMAN MASON - bricklayer, spined cattle, high Iron bridge construction labor - but since graduating from dental school have had my own private practice business (after finishing military service)

The Office of the Governor and the State of Alaska have an Affirmative Action Equal Employment Opportunity Program. To assist in the program, you are asked to voluntarily answer the following questions to provide the information necessary for reporting purposes. Under State and Federal law, the information you provide will not be used to illegally discriminate against you.

DATE OF BIRTH: 6 May '46

SEX: Male Female

ETHNICITY: Alaska Native American Indian Asian or Pacific Islander Black Hispanic White

MILITARY SERVICE (if applicable, give dates): College ROTC - Active Service - August 1973 thru Nov. 1976 at Fort Wainwright, AK

CERTIFICATION: I swear the information I have entered on this form is true to the best of my knowledge. I understand that if I deliberately conceal or enter false information on the form my application may be rejected, I may be removed from the list of eligible candidates, or I may be removed from the position. I agree that the Office of the Governor may contact present or former employees or other persons who know me to obtain additional information about my skills and abilities. I understand that the information on this application is public information and may be released through a legal request for such information.

Signature (in ink): Ralph J. Sorensen Date: 23 April '03

— Board of Fisheries

P.O. Box 537
Anchor Point AK 99556

Phone 907-235-5555
E-mail
outlook@ptialaska.net

Robert E. Dersham

Education 1970 University of Oregon Eugene, Oregon
Degree: BBA - Bachelor of Business Administration

**Professional
experience** 1971 - 1985 U.S. Department of Justice
Drug Enforcement Administration San Diego CA & Anchorage AK
Special Agent - Criminal Investigator

1985 - Present Dersham's Outlook Lodge Anchor Point, AK
Lodge Owner

1989- Present U.S. Coast Guard Licensed
Charter Boat Captain Anchor Point, AK

1997-2001 Alaska Board of Fisheries
Board Member State of Alaska
Attended all Board of Fisheries meetings since appointment
Chaired numerous sub-committees of the Board of Fish

1999- Present North Pacific Management Council-Board of Fish
Chairman Joint Protocol Committee State of Alaska
Responsible for liaison between Alaska Board of Fisheries and NPFMC in
matters of cross jurisdiction, mutual management of fisheries occurring in
adjacent Federal and State waters and issues of fisheries regulated by
the Board of Fish through delegation of authority from the NPFMC

2001 - Present Alaska Board of Fisheries
Board Chairman
Responsible for chairing all Board of Fish meetings
Representing the Board of fish in all matters between regulatory meetings
Liaison with the Alaska Dept. of Fish & Game
Liaison with the Alaska State Legislature

CONFIRMATION COMMITTEE REPORT

Action date: May 7, 2003

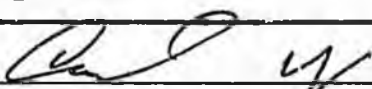
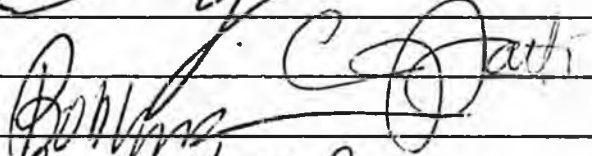
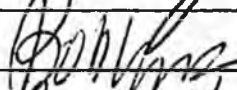
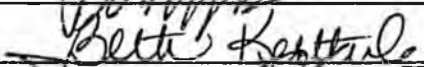
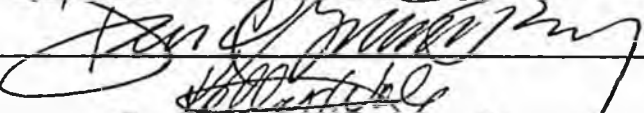
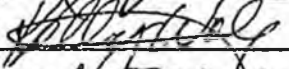
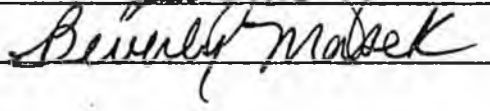
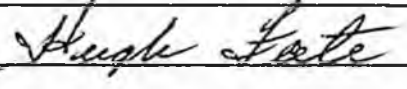
In accordance with AS 39.05.080, the Resources Committee has reviewed the qualifications of the following Governor's appointee and recommends that this name be forwarded to a joint session for consideration:

Board of Fisheries

Robert (Ed) Dersham - Anchor Point

Appointed: 03/03/1997 Reappointed: 03/20/2000
 Reappointed: 04/25/2003 Term Expires: 06/30/2006

This does not reflect intent by any of the members to vote for or against this individual during any further sessions for the purposes of confirmation.

Signature:	Printed Last Name
	Morgan
	GATTU
	LYNN
	Kerttula
	GUTTENBERG
	Wolf
	Masek
Chair: 	Fate
Chair:	

Please return to the Chief Clerk's office.

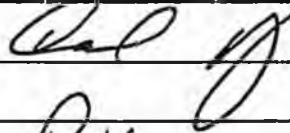
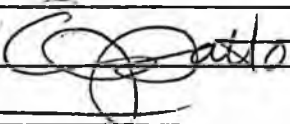
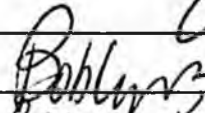
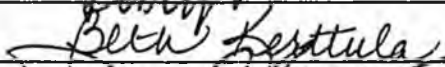
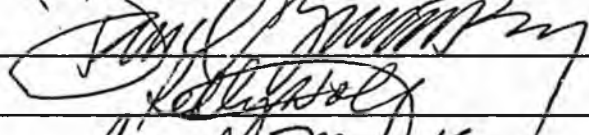
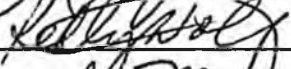
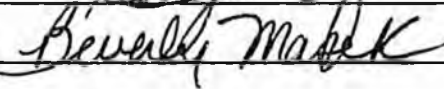
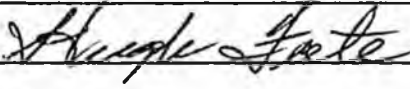
CONFIRMATION COMMITTEE REPORT

Action date: May 7, 2003

In accordance with AS 39.05.080, the Resources Committee has reviewed the qualifications of the following Governor's appointee and recommends that this name be forwarded to a joint session for consideration:

Board of Fisheries
 Dr. Floyd F. Bouse - Fairbanks
 Appointed: 07/01/2003 Term Expires: 06/30/2006

This does not reflect intent by any of the members to vote for or against this individual during any further sessions for the purposes of confirmation.

Signature:	Printed Last Name
	Morgan
	GATTU
	LYNN
	Kerttula
	WALTER
	WOLFE
	Masek
Chair: 	Frote
Chair:	

Please return to the Chief Clerk's office.



Official Business

Alaska State Legislature

House of Representatives

Office of the Chief Clerk

State Capitol, Room 216
Juneau, AK 99801-1182
Phone: (907) 465-3725
Fax: (907) 465-5334

MEMORANDUM

Date: May 1, 2003

To: Representative Fate, Chair
Resources Committee

From: Suzi Lowell *sl*
Chief Clerk

Subject: Governor's Appointments

Speaker Kott referred the following Governor's appointments to the Resources Committee:

Board of Fisheries

Dr. Floyd F. Bouse - Fairbanks

Appointed: 07/01/2003 Term Expires: 06/30/2006

Robert (Ed) Dersham - Anchor Point

Appointed: 03/03/1997 Reappointed: 03/20/2000
Reappointed: 07/01/2003 Term Expires: 06/30/2006

The resumes and committee reports are attached for your use.

Attachments as noted

APP / FISH / 037



STATE OF ALASKA
OFFICE OF THE GOVERNOR
P.O. Box 110001, Juneau, AK 99811-0001
Phone: (907) 465-3500 Fax: (907) 465-3532

Board of Fisheries

BOARDS AND COMMISSIONS APPLICATION/RESUME FORM

INSTRUCTIONS

A separate application is required for each position for which you apply. Complete and specific answers will aid in rapid and accurate processing of your resumé. Please type or print legibly in ink. Forward to the above address. Be sure your answers are true. A willfully false answer may result in your disqualification or removal from office if you are appointed.

Board or Commission for which I am applying: Fisheries

Please list any other State Boards or Commissions on which you currently or previously have served:
NONE

Name: Floyd Frederick Bouse

Mailing Address: 4020 Dunlap Ave. Fairbanks, 99709

Residence Address: SAME

City, State and Zip Code: _____

Home Telephone: 907 479 2122 Business or Message Telephone: 479 2208 cell 590 7622

Fax Number: 907 474 8488 Cell Phone: 907 590 7622

Email address: Fiddle@GCI.NET

AS 39.05.100 requires that a person appointed to a state board or commission be a registered voter prior to the last general election:

Are you a registered voter? YES NO

Voter Registration Number (Optional): _____ Social Security Number (Optional): 494545006

Have you ever been convicted of a misdemeanor within the past five years or a felony within the past ten years?

YES _____ NO If "YES", explain the circumstances on a separate sheet of paper and attach it to this application. A conviction is not necessarily grounds for disqualification. The number of convictions, nature, recency, and relationship to the board position applied for will be evaluated and a determination will be made after a review of all relevant facts.

CONFLICTS OF INTEREST: Certain boards and commissions require full disclosure of personal financial data under AS 39.50.010. If required for the board or commission for which you are applying, are you willing to do so?

YES NO

Could you or any member of your family be affected financially by decisions to be made by the board or commission for which you have applied? YES _____ NO

If "YES", explain:

TRAINING AND EXPERIENCE: (If resumé attached, it is not necessary to complete items A-D)

A. List any professional licenses, certifications, or registrations and dates obtained that may be used as qualifying criteria:

Alaska dental License Midwest Regional Board Certificate in Dentistry, Alaska Dental Board.

B. List both formal and informal education and training experiences: (Use additional paper if necessary)

highschool, College - Southwest Mo. State University - Bachelor of Science in Biology, Chemistry Minor University of Mo. School of Dentistry graduated June '73 - Military at Ft. Wainwright -- then private practice in Fairbanks since Nov. '76

C. List any community service, municipal/government, and state positions held, and any awards received. Include both compensated and uncompensated positions (such as president of a service organization or a mayor). Include length of time served.

no local or state positions except: participated in state funded remote village dental service projects at Caribou City, Alakaket and Chal Kytzyik (sp?) in late '70's

D. Employment work history - paid, unpaid or voluntary: (Use additional paper if necessary)

As youngster, worked with my Dad in construction - I am a journeyman mason - bricklayer, framed cattle, high Iron bridge construction labor - but since graduating from dental school have had my own private practice business (after finishing military service)

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DATE OF BIRTH: 6 May '46

SEX: Male Female

ETHNICITY: Alaska Native American Indian Asian or Pacific Islander Black Hispanic White

MILITARY SERVICE (if applicable, give dates): College ROTC - Active Service - August 1973 thru Nov. 1976 at Fort Wainwright, AK

CERTIFICATION: I swear the information I have entered on this form is true to the best of my knowledge. I understand that if I deliberately conceal or enter false information on the form my application may be rejected, I may be removed from the list of eligible candidates, or I may be removed from the position. I agree that the Office of the Governor may contact present or former employees or other persons who know me to obtain additional information about my skills and abilities. I understand that the information on this application is public information and may be released through a legal request for such information.

Signature (in ink): Ralph J. Bourse Date: 23 April '03

2004

CONFIRM-
ATIONS



Official Business

Alaska State Legislature

House of Representatives

Office of the Chief Clerk

State Capitol, Room 216
Juneau, AK 99801-1182
Phone: (907) 465-3725
Fax: (907) 465-5334

MEMORANDUM

Date: April 5, 2004

To: Representative Dahlstrom, Co-chair ✓
Representative Masek, Co-chair
Resources Committee

From: Suzi Lowell *SL*
Chief Clerk

Subject: Governor's Appointments

Speaker Kott referred the following Governor's appointments to the Resources Committee:

Board of Fisheries

Mr. Robert Heyano - Dillingham

Appointed: 07/01/2004 (by law, terms begin July 1)

Term Expires: 06/30/2007

Mr. Art N. Nelson - Anchorage

Reappointed: 03/25/2004

Term Expires: 06/30/2007

The resumes and committee reports are attached for your use.

Attachments as noted

Arthur N. Nelson

[REDACTED]
Anchorage, AK 99504

[REDACTED]
[REDACTED]
[REDACTED]

BOARDS & C. [REDACTED]

DEC 18 2002

E

Work experience

At-sea Processors Association

October 1999 to present

Anchorage, Alaska

Employment/Development Coordinator. Managing an ongoing program to recruit and place Alaskans on catcher/processor vessels operated by member companies. Analyze catch and employment statistics. Represent the interests of member companies and their CDQ investors before the North Pacific Fisheries Management Council and the Alaska Board of Fisheries.

Bering Sea Fishermen's Association

March 1996 to October 1999

Anchorage, Alaska

Fisheries Specialist. Coordinated and assisted with field projects monitoring and restoring chum salmon runs in Kotzebue and Norton Sounds and the Yukon and Kuskokwim Rivers. Principal Investigator to project examining alternative commercial fishery resources in the Kotzebue Sound region. Represented Western Alaska's small-boat fisheries interests at policy meetings such as the Alaska Board of Fisheries and the North Pacific Fisheries Management Council.

Kawerak, Incorporated

March 1994 to March 1996

Nome, Alaska

Fisheries Specialist. Planned and directly implemented field projects monitoring and restoring chum salmon runs to the Norton Sound/Bering Strait region. Represented Native subsistence and commercial fishing interests of at policy meetings such as the Alaska Board of Fisheries and the north Pacific Fisheries Management Council.

F/V Gunvor

May-August 1993

Elfin Cove, Alaska

Crewmember. Salmon trolling and halibut longlining in Southeast Alaska.

Alaska Department of Fish and Game

May-July 1990

Cordova, Alaska

Technician I. Worked at remote project site, tagging Dolly Varden and Cutthroat Trout.

Veco, Incorporated

June-August 1989

Prince William Sound, Alaska

Oil Recovery Technician. Worked on Exxon Valdez oil spill cleanup efforts, including beach washing, skimmer barge operator and water pump operator.

F/V Orca and F/V Lady Dianne

May-August (many years)

- Cordova, Alaska

Crewmember. Grew up working summers on family owned commercial fishing boats in Prince William Sound and on the Copper River flats.

E d u c a t i o n

Dimond High School, Graduated

University of Alaska, Fairbanks

Fairbanks, Alaska

Senior status, 4 credits remaining towards B.S. Biology degree

I n v o l v e m e n t i n F i s h e r i e s I s s u e s

Seafood Industry Human Resources Consortium, *Co-chair*

January 2001-present

Seafood Advisory Committee, *Advisor At-Large*

November 2000-present

United Fishermen of Alaska, *Alternate Board Member*

October 2000-present

Nome Chum Salmon Working Group, *Facilitator*

December - March 1999

Northern Norton Sound Fish and Game Advisory Committee, *Secretary*

July 1995 - March 1996

APP/037/Fish

February 16, 2004

BOARDS & COMMISSIONS

4715

Robert Heyano

FEB 19 2004

BTC

[Redacted]
Dillingham, Alaska 99576

Governor Frank Murkowski
Office of the Governor
Boards and Commissions
P.O. Box 110001
Juneau, Alaska 99811-0001

Dear Governor Murkowski;

I would like your consideration to be ~~appointed to the Alaska Board of Fisheries~~. I believe, if appointed to serve, I can offer a positive contribution to the Board of Fisheries. I would like to submit the following information as to my qualifications for consideration for this appointment.

- 1) Currently serving member of the Nushagak Advisory Committee for approximately 20 years.
- 2) Past elected chairman of the Nushagak Advisory Committee for approximately 10 years.
- 3) Currently serving member on the Federal Subsistence Bristol Bay Rural Advisory Council since its creation.
- 4) Currently and active owner/operator of a Bristol Bay salmon drift gill net operation for 31 years.
- 5) Currently and active participant in the Togiak herring seine fishery for 24 years.
- 6) Owner/operator of a small sport fish camp on the Nushagak River for 7 years.
- 7) Active subsistence user
- 8) Public participant in the Board of Fisheries process for approximately 24 years.
- 9) Served as a committee member in development of the Southwest Alaska Rainbow Trout Management Plan.
- 10) Served as a committee member in the development of the Nushagak/Mulchatna Chinook Management Plan.
- 11) Served as a committee member in the development of the Nushagak/Mulchatna Coho Management Plan.
- 12) Served as a committee member in the development of the Wood River Special Harvest area.

Thank you for your time and consideration.

Robert Heyano

Robert Heyano

Fax Received

FEB 17 2004

Office of the Governor



UNITED FISHERMEN OF ALASKA

April 13, 2004

211 Fourth Street, Suite 110
Juneau, Alaska 99801-1172
(907) 586-2820
(907) 463-2545 Fax
E-Mail: ufa@ufa-fish.org
www.ufa-fish.org

Representative Nancy Dahlstrom, Co-Chair
House Resources Committee
Alaska House of Representatives
State Capitol (MS 3100)
Juneau, AK 99801-1182

Dear Representative Dahlstrom,

United Fishermen of Alaska supports that Governor's appointments of Mr. Art Nelson and Mr. Robert Heyano to the Board of Fisheries. The Board faces many issues that will impact both the health of the resource and the wellbeing of Alaska communities. The issues are complex and demand well qualified Board members who have experience and skills equal to the task, and UFA feels that Art Nelson and Robert Heyano would serve the people of Alaska well on the Board.

Art Nelson has experience with fisheries in several parts of the state and has lived in geographically diverse communities where fishing is a critical part of the community fabric. Mr. Nelson brings organizational experience, especially development and facilitation, and a fair and open-minded approach to Board issues.

Robert Heyano has been active in fishery related issues for many years, including ongoing Bristol Bay restructuring studies, UFA's 2001 Salmon revitalization meetings, and the Joint Legislative Salmon Industry Task Force Finance Subcommittee in 2003.

United Fishermen of Alaska represents thirty-two commercial fishing groups and hundreds of individual members, altogether representing over 10,000 Alaska commercial fishermen. We encourage your support of the appointments of Art Nelson and Robert Heyano.

Sincerely,

Bob Thorstenson, Jr.
President

MEMBER ORGANIZATIONS

Alaska Crab Coalition • Alaska Druggers Association • Alaska Longline Fishermen's Association • Alaska Trollers Association • Armstrong Keta • At-sea Processors Association
Bristol Bay Reserve • Chignik Regional Aquaculture Association • Chignik Seiners Association • Concerned Area "M" Fishermen • Cordova District Fishermen United
Crab Rationalization and Buyback Group • Douglas Island Pink and Chum • Groundfish Forum • Kenai Peninsula Fishermen's Association • Kodiak Regional Aquaculture Association
Kodiak Seiners Association • North Pacific Fisheries Association • Northern Pacific Scallop Cooperative • Northern Southeast Regional Aquaculture Association
Old Harbor Fishermen's Association • Petersburg Vessel Owners Association • Prince William Sound Aquaculture Corporation • Purosa Seine Vessel Owners Association
Seafood Producers Cooperative • Southeast Alaska Regional Dive Fisheries Association • Southeast Alaska Seiners Association • Southern Southeast Regional Aquaculture Association
United Catcher Boats • United Salmon Association • United Southeast Alaska Gillnetters • Valdez Fisheries Development Association • Western Gulf of Alaska Fishermen

Alaska State Legislature

Rep. Carl Gatto
Rep. David Guttenberg
Rep. Cheryll Heinze
Rep. Beth Kerttula
Rep. Bob Lynn
Rep. Nick Stepovich
Rep. Kelly Wolf



State Capitol, Room 124
Juneau, AK 99801-1182
Co-Chairs
Rep. Nancy Dahlstrom
(907) 465-3783 fax: 465-2293
Rep. Beverly Masek
(907) 465-2679 fax: 465-4822

House Resources Committee

MEMORANDUM

TO: House Resource Committee Members

FROM: Rep. Beverly Masek, Co-Chair
Rep. Nancy Dahlstrom, Co-Chair

DATE: April 6, 2004

RE: Board of Agriculture and Conservation Appointments

It is the intent of Co-Chairman Masek, and Co-Chairman Dahlstrom to forward the Governor's Appointments to the Board of Agriculture to the full body for consideration. The appointees include: Mr. Pete Alexion (North Pole), Mr. Allan Baldwin (Palmer), Ms. Rhonda P. Boyles (Fairbanks), Mr. Donald J. Brainard (Palmer), Mr. Peter T. Fellmen (Delta Junction), Mr. Sam F. Lightwood (Copper Center), and Mr. Ron E. Long (Seward).

If you believe the appointments need to be reviewed by the full committee, please contact Rachel Essen at 3783 before Thursday, April 8th at 5pm.

Thank you.



Official Business

Alaska State Legislature

House of Representatives

Office of the Chief Clerk

State Capitol, Room 216
Juneau, AK 99801-1182
Phone: (907) 465-3725
Fax: (907) 465-5334

MEMORANDUM

Date: May 1, 2004

To: Representative Dahlstrom, Co-chair ✓
Representative Masek, Co-chair
Resources Committee

From: Suzi Lowell *sl*
Chief Clerk

Subject: Governor's Appointment

Speaker Kott referred the following Governor's appointment to the Resources Committee:

Board of Game
Mr. Michael R. Fleagle - McGrath
Appointed: 1/21/2003 Reappointed: 4/30/2004
Term Expires: 3/1/2007

The resume and committee report are attached for your use.

Attachments as noted

Jan 1981

R E S U M E

Michael R. Fleagle
P.O. Box 33
McGrath, Alaska 99627

EDUCATION:

Grade 1-8	Manley State Operated School	Manley Hot Springs, Alaska
Grade 9-11	Monroe High School	Fairbanks, Alaska
Grade 12	West Valley High School	Fairbanks, Alaska

VOCATIONAL TRAINING:

Automotive Mechanics, Hutchison Career Center, Fairbanks, 1974, 3/4 Credit

Auto and Diesel Mechanics, Teamster's Training Trust, Anchorage, 1977 16 weeks, Graduated.

COMMUNITY SERVICE ACTIVITIES:

McGrath Christian Fellowship Board, Board member	1984-1986
Bean Ridge Corporation Board, Vice-president	1983-1985, 1993-Present
McGrath City Council, Council member	1985-1987
McGrath Advisory School Board, Chairman	1993-1996
Kuskokwim Public Broadcasting Corporation, Vice-president	1993-1996
McGrath Native Village Council, 2nd Chief	1995-Present
Doyon, Limited Board, Board member	1996-Present

WORK EXPERIENCE:

I started in the workforce in 1977 on the Trans-Alaska Pipeline as a Teamster swamper and tire changer in Prudhoe until RIF in October 1977.

My work experience is rather diverse, having spent most of 2 years in Barrow as a light duty and a heavy duty mechanic between 1979 and 1982. I worked as a heavy equipment operator for the City of Fairbanks in the summer of 1982, and when laid off at season's end, returned to McGrath.

Fleagle, Michael R.

Since returning, I've worked for McGrath Light and Power as a power plant operator, Alaska Construction and Mining as a mechanic/welder/operator at Moore Creek Mine, self employed as a mechanic, City of McGrath as a water plant operator and equipment operator, Rockford Construction as a welder and operator. In April of 1985, I went to work seasonally for the State Division of Forestry as a maintenance worker, and spent some time on fire assignments, including Lower 48. In the winters, I would trap, do mechanics work, building maintenance, plumbing and heating, etc. September, 1989 brought me to my present occupation, and that is a heavy equipment mechanic/operator for the State Department of Transportation. I travel to 5 other communities in my duties to assist in their airport operations.

OTHER INTERESTS and ACCOMPLISHMENTS:

Private pilot and aircraft owner since 1993.

Lifelong hunter and trapper.

Metal detecting and sluicing gold mining tailings.

Boating on the Kuskokwim River.

Salmon fishing and smoking.

Built our own 26'x32' 2-story log home on a family homestead, including harvesting and milling logs.

Alaska Federation of Natives Parents of the Year award, 1992.


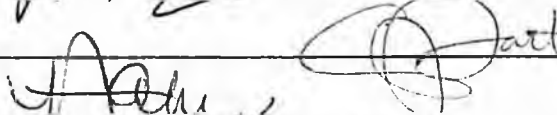
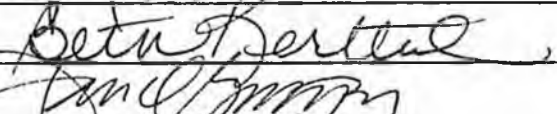

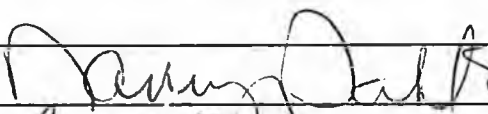
CONFIRMATION COMMITTEE REPORT

Action date: April 16, 2004

In accordance with AS 39.05.080, the Resources Committee has reviewed the qualifications of the following Governor's appointee and recommends that this name be forwarded to a joint session for consideration:

Board of Fisheries
 Mr. Robert Heyano - Dillingham
 Appointed: 07/01/2004 (by law, terms begin July 1)
 Term Expires: 06/30/2007

This does not reflect intent by any of the members to vote for or against this individual during any further sessions for the purposes of confirmation.

Signature:	Printed Last Name
	LYNN
	Dahlstrom
	Kerthula
	GULLENBERGET
Chair: 	Dahlstrom
Chair: Beverly Masek	Masek

Please return to the Chief Clerk's office.

HB

11

ALASKA STATE LEGISLATURE

House of Representatives

COMMITTEE ASSIGNMENTS:

RULES COMMITTEE, CHAIRMAN
LABOR & COMMERCE COMMITTEE, MEMBER
LEGISLATIVE COUNCIL, MEMBER
SPECIAL COMMITTEE ON OIL & GAS, MEMBER
LEGISLATIVE ETHICS COMMITTEE, MEMBER

website: <http://www.akrepublicans.org/rokeberg/>



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ANCHORAGE, AK 99501
PHONE: (907) 269-0117
FAX: (907) 269-0119

SESSION:
ALASKA STATE CAPITOL
JUNEAU, AK 99801-1182
PHONE: (907) 465-4968
FAX: (907) 465-2040

Representative Norman Rokeberg

e-mail: Representative_Norman_Rokeberg@legis.state.ak.us

SPONSOR STATEMENT FOR HB 11 BY: Representative Norman Rokeberg

Title: An Act relating to deposits to the Alaska permanent fund from mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), federal mineral revenue sharing payments received by the state from mineral leases, and bonuses received by the state from mineral leases, and limiting deposits from those sources to the 25 percent required under art IX, sec. 15, Constitution of the State of Alaska; and providing for an effective date.

This legislation returns the percentage of all mineral lease royalties and bonuses deposited into the Permanent Fund to the constitutionally mandated 25 per cent.

HB 11 proposes changes to a statute -- not the Constitution. Article IX, Section 15 of Alaska's Constitution states that "at least twenty-five percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the state shall be placed in a permanent fund." In 1980, the Legislature recognized excess revenues existed (GF revenues for FY 81 totaled \$4.07 billion) and wisely decided to raise the amount of royalties and bonuses deposited into the Permanent Fund to 50 percent. This surplus situation with state revenues no longer exists today.

It is time for the State to redirect the extra 25% to the General Fund. Passage of this bill would generate an estimated \$43.3 million (average) per year over the next seven years, and \$54.1 million in FY 2004 at an estimate \$23.25 per barrel average.

As the Prudhoe Bay and Kuparuk fields - which currently contribute to the General Fund at a 25 percent rate - diminish, we need to replace that production with the new, smaller satellite fields (for example, Alpine, and North Star) contributing at the same 25 percent rate not at a larger 50 percent rate.

While we can and should continue to make budget reductions, we would be foolish to ignore this source of General Fund revenue in solving our budget problem, as well as planning for the future development of Alaska's resources. Prudent fiscal management requires this statutory change. HB 11 is a small step in the right direction.

I strongly urge you to support this much needed, fiscally-prudent legislation.

Subject: Re: HB 11-Deposits to the Permanent Fund

Date: Thu, 23 Jan 2003 10:38:20 -0900

From: Charles Logsdon <charles_logsdon@revenue.state.ak.us>

Organization: State of Alaska - Department of Revenue


To: Heather Nobrega <Heather_Nobrega@legis.state.ak.us>

CC: Larry Persily <larry_persily@revenue.state.ak.us>

Heather,

I have updated the spreadsheet that contains the tables and charts for HB 3 using the Departments Fall 2002 production and price assumptions. The tables also include estimates for what the revenue effect would have been for FY 2002 and FY 2003. The higher prices in our latest forecast increase the revenue effect to the general fund from this legislation to over \$50 million next year with an average increase through FY 2010 of over \$40 million per year.

Chuck Logsdon

 hb 11 updated tables & charts-Jan22,2002.xls	Name: hb 11 updated tables & charts-Jan22,2002.xls Type: EXCEL File (application/msexcel) Encoding: base64 Download Status: Not downloaded with message
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To: Representative Norm Rokeberg
From: Chuck Logsdon 269 1019
Date: January 22, 2003
Subject: HB 11

I have updated the charts that were prepared last April for HB 3 based on our Fall 2002 forecast!
The higher current and projected oil prices have increased the estimate of the gain from HB 11 to over \$40 million per year through FY 2010

Basically I would summarize the information in the tables and charts in the different worksheets as follows:

1. Over the next 7 years, new leases will account for an average of over 22% of total production.
2. Over the next 7 years HB 11 will contribute on average just over \$40 million per year to the general fund under our current forecast assumptions.
3. Over time as the smaller new fields deplete relative to our old fields like Prudhoe, the gain from HB11 will diminish.
4. Although production from new leases has grown with Alpine and Northstar coming on line a good chunk of other new production will come from satellite fields that are mostly old leases within existing unitized production.
5. Alpine and Northstar are now approaching peak production. Northstar is all new leases and Alpine is over half new leases. This is a period where the gain from HB 11 is very attractive since in a few years these fields will begin to deplete. Any other major new lease oil is probably 5 to 10 years off or longer.
6. Finally, with respect to ANWR, the federal royalty passthrough may be watered down from 90% to 50%. Assuming leasing in 2004 and a modestly rapid development schedule we would not expect production to commence until after 2010.

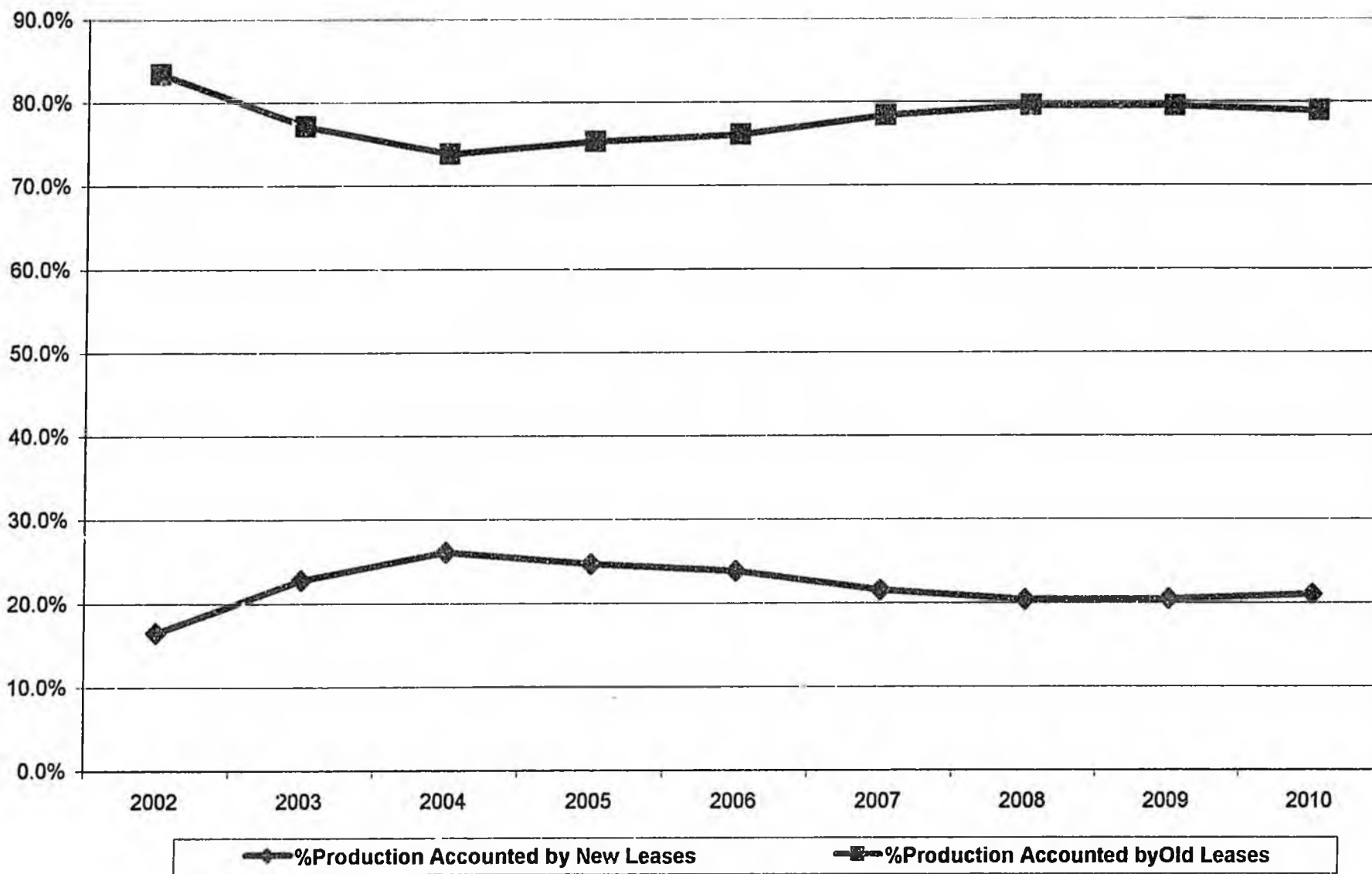
General Fund Gain to HB 11 Millions \$

2004	54.1
2005	45.8
2006	45.3
2007	43.1
2008	37.6
2009	38.5
2010	38.8
Average	43.3

CURRENT PERMANENT FUND CONTRIBUTION RATES FOR NORTH SLOPE OIL FIELDS
ALASKA DEPT. OF REVENUE FALL 2002 FORECAST

25% Contributing Oil Fields	FY 2002 Prod. Millions Bbl/Day	Permanent Fund Average Contribution	Greater than 25% Contributing Oil Fields	FY 2002 Prod. Millions Bbl/Day	Permanent Fund Average Contribution	25%*vol	Other*vol
PRUDHOE	0.4873	0.25	KUPARUK	0.1754	0.2524	0.121824	0.044275
TABASCO	0.0028	0.25	TARN	0.0273	0.4587	0.00071	0.012526
PBU SATELLITES	0.0260	0.25	MELTWATER	0.00321	0.5000	0.006512	0.001605
EIDER	0.0017	0.25	MILNE POINT	0.0397	0.3696	0.000428	0.014689
WEST SAK	0.0060	0.25	SCHRADER BLUFF	0.0117	0.2901	0.001493	0.003407
LISBURNE	0.0102	0.25	SAG RIVER	0.0007	0.5000	0.00255	0.000362
NIAKUK	0.0191	0.25	ENDICOTT	0.0296	0.3169	0.004784	0.00938
WEST BEACH/NORTH PRUDHOE	0.0000	0.25	BADAMI	0.0017	0.5000	5.19E-06	0.000866
			PT MCINTYRE	0.0454	0.3308		0.015002
			ALPINE	0.0956	0.3950		0.037782
			NORTH STAR	0.0200	0.5000		0.009986
			NPRA	0.0000	0.5000		0
			ANWR	0.0000	0.5000		0
			sum			0.138305	0.149879
							0.287124
							0.707876 =wt avg contribution pl & sl
Total FY 2002 Production	0.5532			0.4505	1.0037		
Estimated Total Production (Million Bbl/day)	0.5532			0.4505	1.0037		

Alaska North Slope Oil Production from Old (25% to PF) and New (50% to PF) Leases



**Royalties to the General Fund with and without HB11 Based on the Department of Revenue
Fall 2000 Forecast Assumptions**

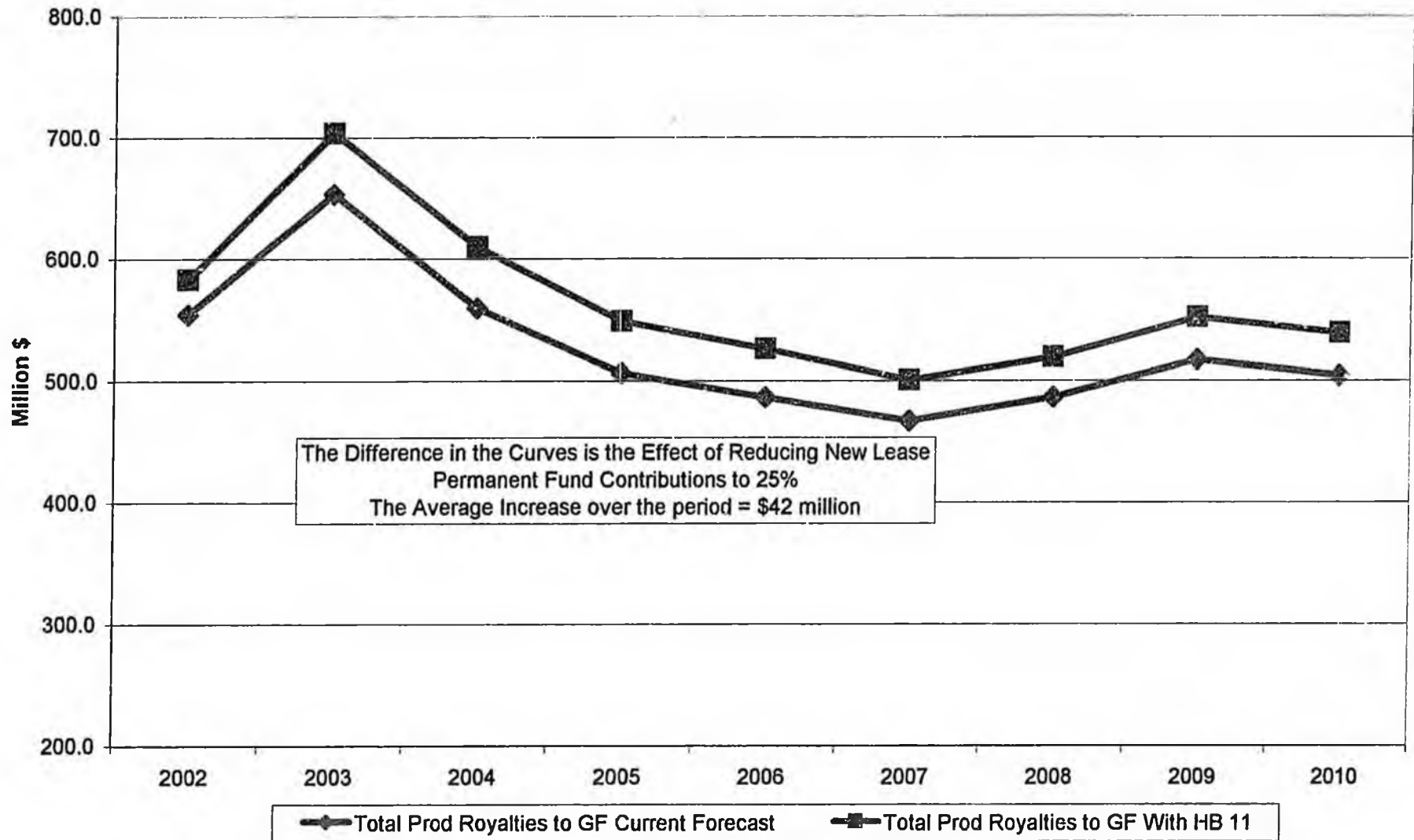


Illustration of the Impact of HB 11 on General Fund Cash Flow--Old Fields and New Fields

Fiscal Year	Perm Fund Factor = Fall 2002- cut)	New Field Extra % to PF	Old Lease Field %	Production	%Production Accounted by New Leases	%Production Accounted by Old Leases	NPRA	Forecast Market Price
2002	0.7079	0.0371	0.25	1.011	16.5%	83.5%		21.78
2003	0.6918	0.0532	0.25	0.994	22.8%	77.2%		25.94
2004	0.6833	0.0617	0.25	0.997	26.1%	73.9%		23.25
2005	0.6870	0.0580	0.25	0.992	24.7%	75.3%		22.00
2006	0.6892	0.0558	0.25	0.971	23.8%	76.2%		22.00
2007	0.6950	0.0500	0.25	0.956	21.6%	78.4%		22.00
2008	0.6980	0.0470	0.25	1.010	20.4%	79.6%	0.030	22.00
2009	0.6978	0.0472	0.25	1.091	20.5%	79.5%	0.065	22.00
2010	0.6964	0.0486	0.25	1.074	21.0%	79.0%	0.090	22.00
2011	0.6972	0.0478	0.25	1.036	20.7%	79.3%	0.095	22.00
2012	0.6996	0.0454	0.25	0.970	19.8%	80.2%	0.088	22.00
2013	0.7017	0.0433	0.25	0.904	18.9%	81.1%	0.079	22.00
2014	0.7036	0.0414	0.25	0.846	18.2%	81.8%	0.071	22.00
2015	0.7058	0.0392	0.25	0.806	17.3%	82.7%	0.064	22.00
2016	0.7065	0.0385	0.25	0.756	17.1%	82.9%	0.058	22.00
2017	0.7078	0.0372	0.25	0.713	16.5%	83.5%	0.052	22.00
2018	0.7089	0.0361	0.25	0.673	16.1%	83.9%	0.047	22.00
2019	0.7100	0.0350	0.25	0.635	15.7%	84.3%	0.042	22.00
2020	0.7112	0.0338	0.25	0.604	15.2%	84.8%	0.038	22.00
Average 2002--2010					21.9%			
Average 2003--2010					22.6%			

Illustration of the Impa

Fiscal Year	Forecast Price Wellhead	Total Prod Royalties to GF Current Forecast	Total Prod Royalties to GF With HB 11	Total Bonus to GF	GF Gain from HB 3
2002	16.80	554.3	583.4		29.1
2003	20.53	653.5	703.8	5.5	53.0
2004	17.88	559.5	609.9	7.2	54.1
2005	16.56	506.2	548.9	6.2	45.8
2006	16.41	486.6	526.0	11.8	45.3
2007	16.30	467.0	500.7	18.8	43.1
2008	16.26	486.4	519.2	9.6	37.6
2009	16.28	517.1	552.1	7.0	38.5
2010	16.17	503.9	539.0	7.3	38.8
2011	16.00	482.9	516.0	6.1	36.1
2012	15.98	455.1	484.6	5.4	32.3
2013	15.78	421.5	447.5	6.0	29.0
2014	15.57	391.5	414.6	6.0	26.1
2015	15.39	371.0	391.6	6.0	23.6
2016	15.17	344.9	363.7	6.0	21.8
2017	14.94	322.2	339.1	6.0	19.9
2018	14.72	301.4	316.8	6.0	18.3
2019	14.48	281.1	295.0	6.0	16.9
2020	14.25	264.3	276.9	6.0	15.6
Average 2002--2010					42.8
Average 2003--2010					



Alaska Permanent Fund Corporation

P.O. Box 25500 Juneau, AK 99802-5500

Telephone (907) 465-2047

Facsimile (907) 586-2057

MEMORANDUM

DATE: January 28, 2003

TO: Representative Norman Rokeberg

FROM: Bob Bartholomew, Chief Operating Officer

SUBJECT: Effect of HB 11 on Oil Contributions

You have asked about the effect of House Bill 11 on future oil contributions. Based on our financial analysis (see attached), the reduction in oil contributions will total \$372 million from fiscal year 2004 through 2012. The reduction in the amount available for distribution from the fund (calculated under AS 37.13.140 & 145) is \$43 million over the 9 years.

Officials from the Department of Revenue are calculating the effect on the per capita dividend. Please let me know if you have any additional questions.

c: APFC Executive Director
Governor's Legislative Liaison
DOR Deputy Commissioner



Analysis of HB 11
Alaska Permanent Fund Corporation
Based on December 2002 financial projections (\$ in millions)

	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	Totals
Dedicated mineral revenue status quo	\$322	\$291	\$261	\$256	\$251	\$246	\$248	\$237	\$221	\$206	\$2,539
Dedicated mineral revenue HB 11	\$322	\$237	\$215	\$211	\$208	\$208	\$209	\$198	\$185	\$174	\$2,167
Difference (Status Quo - HB 11)	\$0	\$54	\$46	\$45	\$43	\$38	\$39	\$39	\$36	\$32	\$372
Lump sum distribution to dividend fund per status quo	\$715	\$545	\$455	\$494	\$665	\$820	\$954	\$1,058	\$1,155	\$1,235	\$8,097
Lump sum distribution to dividend fund per HB 11	\$715	\$545	\$455	\$493	\$663	\$816	\$949	\$1,050	\$1,145	\$1,223	\$8,054
Difference (Status quo - HB 11)	\$0	\$0	\$0	\$1	\$2	\$4	\$6	\$8	\$10	\$12	\$43

Note: These projections represent only our best estimate of the median case rate of return; actual annual performance will vary with market volatility. Distributions shown for the Dividend are calculated and booked as payables at fiscal year end and actually paid out the following fiscal year. There may be slight differences due to rounding.

Subject: Re: HB 11

Date: Wed, 29 Jan 2003 16:57:05 -0900

From: Larry Persily <Larry_Persily@revenue.state.ak.us>

Organization: Department of Revenue

To: Janet Seitz <Janet_Seitz@legis.state.ak.us>

CC: Heather Nobrega <Heather_Nobrega@legis.state.ak.us>, Bill Corbus <bill_corbus@revenue.state.ak.us>, charles_logsdon@revenue.state.ak.us, Dan Dickinson <dan_dickinson@revenue.state.ak.us>

In answer to your questions:

What tax rate would be needed to raise \$43.3 million a year in new revenue?

1) Sales tax: A statewide sales tax of 0.4% on all goods and services would raise approximately \$44 million per year.

2) Income tax: A personal income tax of 0.33% on adjusted gross income (no deductions) or 0.44% on taxable income (after deductions) would raise about \$45 million per year.

3) Motor fuel tax: A tax increase of 15 cents per gallon would raise about \$45 million per year.

How much oil would have to be discovered or pumped in order to generate \$54.1 million this year and/or average \$43.3 million over the years?

This is not an easy question to answer definitively because of the ELF. Individual well production rate, in addition to field size, will determine the production tax rate. For instance, another Northstar-sized field producing around 60,000 barrels per day with the most productive wells currently on the slope (around 12,000 barrels per day) would generate revenue to the general fund equivalent to the \$43 million average of HB 11. On the other hand, if a field produced from wells averaging 2,000 barrels per day you would need a field that produced 70,000 barrels per day total to raise the same amount of revenue (because of the ELF multiplier in the tax rate). If you were talking about a bunch of satellite fields that would pay zero production tax because of ELF, you would need to fire up six fields of 20,000 barrels per day each, with average well production of 1,000 barrels per day, to generate the equivalent revenue from royalties alone (because there would be no production tax revenue).

Bottom line, you would need between 50,000 and 120,000 barrels of sustained daily production under current law to generate general fund revenues equivalent to HB 11. Reserve wise this is probably something on the order of a field holding 150 million to 200 million barrels of oil.

Let me know if you need anything more.

Larry

ALASKA STATE LEGISLATURE

House of Representatives

COMMITTEE ASSIGNMENTS:

RULES COMMITTEE, CHAIRMAN
LABOR & COMMERCE COMMITTEE, MEMBER
LEGISLATIVE COUNCIL, MEMBER
SPECIAL COMMITTEE ON OIL & GAS, MEMBER
LEGISLATIVE ETHICS COMMITTEE, MEMBER

website: <http://www.akrepublicans.org/rokeberg/>



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PHONE: (907) 269-0117
FAX: (907) 269-0119

SESSION:
ALASKA STATE CAPITOL
JUNEAU, AK 99801-1182
PHONE: (907) 465-4968
FAX: (907) 465-2040

Representative Norman Rokeberg

e-mail: Representative_Norman_Rokeberg@legis.state.ak.us

March 6, 2003

Dear Colleague:

HB 11 returns the percentage of all mineral lease royalties and bonuses deposited into the Permanent Fund to the constitutionally mandated 25 percent (please see the attached bill packet).

HB 11 would provide Alaska with a source of General Fund revenue while staying true to the purposes of the Permanent Fund and the intent of our constitution. As the table in your bill packet indicates, passing this bill would generate an extra \$43 million average per year, plus bonus revenues, over the next seven years.

Governor Murkowski had emphasized resource development as way to solve Alaska's fiscal future. The deposits received from passage of HB 11 would be the equivalent of finding another Northstar-sized field producing approximately 60,000 barrels per day.

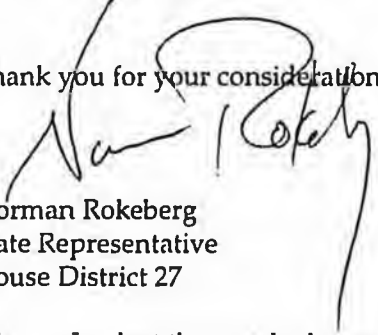
This plan will not only help our present economic situation, it will also allow for prudent management of potential future mineral royalties. As the wealth of older fields such as Prudhoe and Kuparuk diminish, we must look at replacing them with newer fields such as Alpine to ensure continued return to the corpus of the Permanent Fund.

- This plan is only a first step of any plan to fill the fiscal gap.
- Alaska cannot save its way to prosperity.
- Repealing the 1980 legislative action is a TAX avoidance measure.

It is time for the legislature to begin taking steps to help solve our budget problem, and to plan for the potential future development of Alaska's resources. HB 11 can help us succeed on both fronts and I would appreciate your support on this legislation.

Some members have voiced concerns that this bill could be construed as a raid on the Permanent Fund. **It Is Not!** It is a statutory change that recognizes the fiscal reality of our state **without raising taxes**. Therefore, please get back to me if you need additional information or if I have your support.

Thank you for your consideration,


Norman Rokeberg
State Representative
House District 27

PS: Look at the attached revenue impacts.

Attachments

Sectional

LEGISLATIVE RESEARCH REPORT

FEBRUARY 12, 2003



REPORT NUMBER 03.101

ESTIMATED IMPACT ON THE GENERAL AND PERMANENT FUNDS IF PERMANENT FUND CONTRIBUTIONS WERE AT 25 PERCENT OF MINERAL INCOME

PREPARED FOR REPRESENTATIVE NORMAN ROKEBERG

BY PATRICIA YOUNG, MANAGER

Alaska Statute 37.13.010 specifies that 25 percent of income from mineral leases issued before December 1, 1979, must be deposited into the permanent fund.¹ For leases issued after December 1, 1979, the required permanent fund contributions are 50 percent of income. You asked us to calculate the effect on the permanent fund and general fund if required deposits to the permanent fund were 25 percent of income from all mineral leases.²

Over the past few years, we have sent you several tables showing actual contributions to the permanent fund from mineral revenues in past years, as well as projected revenues from oil and gas royalties for future years. You asked for an update of material sent to you previously.

Table 1 shows projected future contributions and includes assumptions regarding oil prices and production. Charles Logsdon, petroleum economist at the Alaska Department of Revenue, provided the predictions using data from the department's fall 2002 forecast. As you can see from Table 1, the department's fall 2002 forecasting model predicts that if all deposits to the

¹ This report discusses what happens to state mineral revenues once they are collected. Changes to AS 37.13.010 affect not the amount of revenue collected overall, but how much revenue is deposited into the permanent fund as opposed to the general fund. Deposits to the permanent fund under AS 37.13.010 derive mostly from petroleum (primarily oil royalties), but they also include some revenue from other minerals (mostly coal).

² The majority of mineral income deposited into the permanent fund comes from leases issued before December 1, 1979, and is, therefore, already deposited at the 25 percent rate. Alaska Statute 37.13.010 specifies that the following incomes from leases issued after December 1, 1979, are subject to 50 percent deposits: mineral lease rentals, royalties, royalty sale proceeds, net profit shares, and federal mineral revenue sharing payments. Bonuses received by the state from mineral leases issued after February 15, 1980, are also subject to 50 percent deposits.

permanent fund were at 25 percent of income, additional deposits to the general fund would average about \$41 million annually over the next 11 years.

The Department of Revenue estimates contributions based on production forecasts on a field-by-field basis. As the table indicates, the model predicts oil prices at approximately \$26 per barrel for FY 2003, with decreases thereafter. The oil prices assumed on the spreadsheet can be changed to roughly estimate the revenue impact on the permanent and general funds as oil prices vary.³

It should be noted that the small amount of mineral rent deposited into the state treasury, primarily from coal leases, is not included in the department's forecasting model. Future revenue from currently undiscovered sources of oil are also not included in these projections. **The additional general fund revenues predicted in Table 1, therefore, underestimate deposits to the extent that mineral rents and revenues from as yet undiscovered fields are not included in the figures.**

Table 2 shows actual contributions to the permanent fund from mineral royalties for the years 1990 through 2002. To enable you to look in one place for both past actual deposits and future predictions, Table 2 also repeats (from Table 1) the projected estimated gains to the general fund for the years 2003 through 2013.

I hope you find this information to be useful. Please do not hesitate to contact us if you have questions or need additional information.

³ Although possible, the Department of Revenue notes that the daily production numbers on the spreadsheet cannot be as easily changed. Changes to production figures depend on what fields are assumed to change from the baseline and would have to be re-estimated by the department.

TABLE 1

**Projected Contributions to the Permanent and General Funds
If All Oil & Gas Leases Contributed to the Permanent Fund at 25 Percent of Income, FY 2003 - FY 2013**

Fiscal Year	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
	ANS West Coast Price	TAPS, Marine, Other Allowable Costs	Royalty Wellhead Price	Daily Production	Annual Value of Production for Royalties	Average Royalty Rate	North Slope Current Gross Royalties	Current Average Permanent Fund Contribution Rate	Current			If Permanent Fund Contributions @ 25%			
									Contribution to the Permanent Fund from North Slope Oil Royalties	Contribution to the General Fund from North Slope Oil Royalties	Contribution to the General Fund from North Slope Oil Bonuses	Contribution to the Permanent Fund from North Slope Oil Royalties	Contribution to the General Fund from North Slope Oil Royalties	Estimated Gain to the General Fund from Oil Royalties	Estimated Gain to the General Fund from Royalties & Bonuses
									Millions of Dollars	Percent	Millions of Dollars	Percent	Millions of Dollars		
	A-B	C*D*365		E*F			G*H	G-I	E*K	G*25%	G-L	M-J	N+(.5*K)		
2003	\$25.94	\$5.41	\$20.53	0.994	\$7,444.9	13%	\$944.6	30%	\$286.4	\$658.3	\$4.0	\$236.2	\$708.5	\$50.2	\$53.0
2004	\$23.25	\$5.37	\$17.88	0.997	\$6,526.1	13%	\$821.0	31%	\$255.9	\$565.1	\$4.0	\$205.2	\$615.7	\$50.6	\$54.2
2005	\$22.00	\$5.44	\$16.56	0.992	\$5,996.3	12%	\$736.8	31%	\$226.9	\$509.9	\$4.0	\$184.2	\$552.6	\$42.7	\$45.8
2006	\$22.00	\$5.59	\$16.41	0.971	\$5,816.9	12%	\$706.1	31%	\$215.9	\$490.1	\$4.0	\$176.5	\$529.5	\$39.4	\$45.3
2007	\$22.00	\$5.70	\$16.30	0.956	\$5,685.1	12%	\$672.0	30%	\$201.6	\$470.4	\$4.0	\$168.0	\$504.0	\$33.6	\$43.1
2008	\$22.00	\$5.74	\$16.26	1.010	\$6,011.6	12%	\$698.8	30%	\$207.6	\$491.2	\$4.0	\$174.7	\$524.1	\$32.9	\$37.7
2009	\$22.00	\$5.72	\$16.28	1.091	\$6,479.3	11%	\$741.1	30%	\$220.3	\$520.8	\$4.0	\$185.3	\$555.8	\$35.0	\$38.5
2010	\$22.00	\$5.83	\$16.17	1.074	\$6,340.8	11%	\$723.5	30%	\$216.0	\$507.5	\$4.0	\$180.9	\$542.7	\$35.1	\$38.8
2011	\$22.00	\$6.00	\$16.00	1.036	\$6,050.5	11%	\$692.6	30%	\$206.2	\$486.3	\$4.0	\$173.1	\$519.4	\$33.1	\$36.1
2012	\$22.00	\$6.02	\$15.98	0.970	\$5,659.1	11%	\$650.5	30%	\$192.2	\$458.3	\$4.0	\$162.6	\$487.9	\$29.6	\$32.3
2013	\$22.00	\$6.22	\$15.78	0.904	\$5,207.1	12%	\$600.6	29%	\$176.1	\$424.5	\$4.0	\$150.2	\$450.5	\$26.0	\$29.0

NOTES: Alaska Statute 37.13.010 specifies that 50 percent of income from mineral leases issued after December 1, 1979, must be deposited into the Permanent Fund. For leases issued before December 1, 1979, required Permanent Fund contributions are 25 percent of income. This table projects future deposits to the Permanent and General Funds if contributions to the Permanent Fund from all leases were at 25 percent of income. Projections are based on the Alaska Department of Revenue's fall 2002 revenue forecast. Figures include oil and gas royalties and bonuses but the relatively small amount of rent from mineral leases is not included.

SOURCE: Alaska Department of Revenue, Tax Division (Charles Logsdon).

TABLE 2
Contributions to the Permanent and General Funds
from Mineral Lease Income
(millions of dollars)

FISCAL YEAR	Current Deposits to the Permanent Fund From Mineral Leases			If PF Contributions @ 25%	
	Contributing at 25%	Contributing at 50%	TOTAL	Contributions to the Permanent Fund	Gain to the General Fund
1990 (a)	\$261.8	\$8.4	\$270.2	\$266.0	\$4.2
1991 (a)	\$431.0	\$16.7	\$447.7	\$439.3	\$8.4
1992 (a)	\$304.2	\$14.8	\$319.0	\$311.6	\$7.4
1993 (a)	\$269.6	\$13.2	\$282.8	\$276.2	\$6.6
1994 (a)	\$202.3	\$9.1	\$211.3	\$206.8	\$4.5
1995 (a)	\$267.8	\$10.6	\$278.4	\$273.1	\$5.3
1996 (a)	\$236.1	\$18.2	\$254.3	\$245.2	\$9.1
1997 (a)	\$281.2	\$39.4	\$320.6	\$300.9	\$19.7
1998 (a)	\$217.2	\$30.8	\$248.0	\$232.6	\$15.4
1999 (a)	\$136.6	\$21.4	\$158.0	\$147.3	\$10.7
2000 (a)	\$227.9	\$45.2	\$273.1	\$250.5	\$22.6
2001 (a)	\$295.9	\$55.0	\$351.0	\$323.5	\$27.5
2002 (a)	\$187.7	\$63.3	\$251.0	\$219.3	\$31.7
2003 (b)			\$286.4	\$236.2	\$50.2
2004 (b)			\$255.9	\$205.2	\$50.6
2005 (b)			\$226.9	\$184.2	\$42.7
2006 (b)			\$215.9	\$176.5	\$39.4
2007 (b)			\$201.6	\$168.0	\$33.6
2008 (b)			\$207.6	\$174.7	\$32.9
2009 (b)			\$220.3	\$185.3	\$35.0
2010 (b)			\$216.0	\$180.9	\$35.1
2011 (b)			\$206.2	\$173.1	\$33.1
2012 (b)			\$192.2	\$162.6	\$29.6
2013 (b)			\$176.1	\$150.2	\$26.0

NOTES:

(a) Actual deposits--data compiled from actual transfers to the Permanent Fund that were listed in the state's accounting system (AKSAS) and in the "Additional Due the Permanent Fund for Post Chapter 13 Leases" reports. **Included are all mineral royalties, rents, interest, and bonus bids.**

(b) Projected deposits--based on the Alaska Department of Revenue's fall 2002 revenue forecast (same data as presented in Table 1). **Included are oil and gas royalties and bonuses.**

SOURCES:

(a) Alaska Department of Natural Resources, SSD/FSS (Cathy Poulos).

(b) Alaska Department of Revenue, Oil & Gas Audit Division (Charles Logsdon).

Subject: HB11 dividend projections

Date: Wed, 29 Jan 2003 07:45:31 -0900

From: Larry Persily <Larry_Persily@revenue.state.ak.us>

Organization: Department of Revenue

To: Heather M Nobrega <heather_nobrega@legis.state.ak.us>

CC: bob Bartholomew <bbartholomew@alaskapermfund.com>,
Chris Phillips <cphillips@alaskapermfund.com>

Heather,

We have calculated the projected Permanent Fund dividend through 2012 under the existing royalty deposit percentage in statute and the amended percentage as proposed in Rep. Rokeberg's HB11.

These calculations are based on financial data from the Permanent Fund Corporation as of Dec. 31, 2002, and the Department of Revenue's estimates for the number of future dividend applicants.

These are rounded off to the nearest \$10, so there may be a difference of a few dollars each year that doesn't show up on this chart. However, projecting future dividends down to a single dollar would mistakenly represent a level of precision that does not exist. That's why we round up (or down) to the nearest \$10. The \$10 difference doesn't start to show until the October 2010 dividend.

Please let me know if you need any additional information. We will put this in a formal fiscal note for the first hearing on the bill.

Larry

<u>Status quo dividends</u>	<u>HB11</u>
October 2003 - \$1,170	\$1,170
October 2004 - \$880	\$880
October 2005 - \$720	\$720
October 2006 - \$780	\$780
October 2007 - \$1,060	\$1,060
October 2008 - \$1,310	\$1,310
October 2009 - \$1,530	\$1,530
October 2010 - \$1,690	\$1,680
October 2011 - \$1,840	\$1,820
October 2012 - \$1,960	\$1,940

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 11
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Deposits to the Permanent Fund BRU Revenue Operations
 Component Tax Division
 Sponsor Representative Rokeberg
 Requester House Resources Committee Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	54,232.9	45,828.8	45,291.9	43,050.5	37,682.8	38,520.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill would set all royalty contributions to the Permanent Fund at the constitutionally mandated 25%. This would reduce the contribution rate to the Permanent Fund on royalties from leases issued on or before February 15, 1980 from 50% to 25%.

Based on the Department of Revenue Fall 2002 production and price assumptions, this would increase deposits to the General Fund by approximately \$40 million to \$55 million annually. This legislation would reduce royalty deposits to the Permanent Fund by the same amount.

Prepared by: Chuck Logsdon, Chief Petroleum Economist
 Division Tax Division
 Approved by: Larry Persily, Deputy Commissioner
 Agency Department of Revenue

Phone 269-1019
 Date/Time 3/11/03 9:10 AM
 Date 3/11/2003

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 11
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Deposits to the Permanent Fund BRU Permanent Fund Corp.
 Component Permanent Fund Corp.
 Sponsor Representative Rokeberg
 Requester House Resources Committee Component No. 109

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	(54,232.9)	(45,828.8)	(45,291.9)	(43,050.5)	(37,682.8)	(38,520.0)
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The legislation would reduce oil royalty contributions to the Permanent Fund principal.

The bill would have no effect on the operating budget of the Alaska Permanent Fund Corporation.

Prepared by: Robert D. Storer, Executive Director Phone (907)465-2047
 Division Alaska Permanent Fund Corporation Date/Time 3/10/2003 1:00: PM
 Approved by: Larry Persily, Deputy Commissioner Date 3/11/2003
 Agency Department of Revenue

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 11
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Deposits to the Permanent Fund BRU Revenue Operations
 Component Permanent Fund Dividend
 Sponsor Representative Rokeberg
 Requester House Resources Committee Component No. 981

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See Page 2 for analysis.

Prepared by: Larry Persily, Deputy Commissioner
 Division: Department of Revenue
 Approved by: Larry Persily, Deputy Commissioner
 Agency: Department of Revenue

Phone 465-5469
 Date/Time 3/11/03 10:35 AM
 Date 3/11/2003

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

BILL NO. HB11

ANALYSIS CONTINUATION

This legislation would, over time, result in slightly reduced Permanent Fund dividends as less money is deposited into the fund from royalty payments. With the reduced royalty deposits into the fund, there would be less money to invest and fewer investment earnings to distribute through the dividend program.

Based on the Permanent Fund Corporation's December 2002 earnings projections, and the Department of Revenue's Fall 2002 Forecast, we project the following change in dividends under this legislation:

	October 2005	2006	2007	2008	2009	2010	2011	2012
Status Quo	\$719	\$780	\$1,062	\$1,314	\$1,529	\$1,691	\$1,841	\$1,962
HB11	\$718	\$778	\$1,058	\$1,307	\$1,519	\$1,677	\$1,824	\$1,942

HB

16

ALASKA STATE LEGISLATURE

House of Representatives

Representative Hugh (Bud) Fate

State Capitol, Room 128
Juneau, AK 99801
Phone: (907) 465-4976
Fax: (907) 465-3883
Toll Free: (866) 465-4976



Chair Resources
Member:
Military & Veterans Affairs
Oil & Gas
Transportation

Sponsor Statement

CS for House Bill 16

“An Act amending the standards applicable to determining whether, for purposes of the Alaska Stranded Gas Development Act, a proposed new investment constitutes a qualified project, and repealing the deadlines for applications relating to the development of contracts for payments in lieu of taxes and for royalty adjustments that may be submitted for consideration under that Act; and providing for an effective date.”

House Bill 16 is cleanup language for the qualification and application procedures the Commissioners of Natural Resources, Revenue, or Labor and Workforce Development may use when considering a project involving natural gas. The changes update the language in order to allow continued interest in the development of the resource. By expanding the areas of potential gas exploration and development that fall under the Act.

Presently, statute only allows for natural gas projects if the product is to be exported in a liquefied form. HB 16 resolves this limitation, by expanding gas development and transportation in any form. Likewise, it will assure that Alaskan Companies, interested in pipeline projects may participate through equity interest.

When the Alaska Stranded Gas Development Act was passed, the language included an application deadline of June 30, 2001. HB 16 eliminates that deadline so the state and producers can resume contract negotiations with a clear understanding that the goal is the development of Alaska's natural gas for both foreign and domestic markets.

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB 16
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Stranded Gas BRU Administration and Support
Development Act Amendments Component Commissioner's Office
Sponsor Representatives Fate and Whitaker
Requester House Oil and Gas Committee Component No. 123

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services	89.5	89.5				
Travel	25.0	25.0				
Contractual	150.0	200.0				
Supplies	2.0	2.0				
Equipment	5.0	1.0				
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	271.5	317.5	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	121.5	117.5				
1005 GF/Program Receipts						
1037 GF/Mental Health						
1108 Statutorily Designated Receipts	150.0	200.0				
TOTAL	271.5	317.5	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time	1	1				
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached analysis.

Prepared by: Larry Persily, Deputy Commissioner Phone 465-5469
Division: Department of Revenue Date/Time 2/5/03 2:59 PM
Approved by: Larry Persily, Deputy Commissioner Date 2/5/2003
Agency: Department of Revenue

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

BILL NO. HB 16

ANALYSIS CONTINUATION

BILL DISCUSSION

The intent of the Stranded Gas Development Act, AS 43.82, is to provide a mechanism for achieving the fiscal certainty that potential project sponsors say they need before proceeding with the large investment needed to bring Alaska North Slope natural gas to market. The Act allows the state to negotiate a contract for payments in lieu of taxes with a project sponsor. This contract could cover all state and municipal taxes and royalties on a project, including state corporate income taxes, production taxes, royalties, state and municipal property taxes, and any special municipal assessments.

This bill (House Bill 16) would amend the 1998 Stranded Gas Development Act to:

- Expand the Act to include a natural gas pipeline to serve mid-America as an eligible project under the law. The existing statute limits the application of the Act to only liquefied natural gas projects. This change would allow sponsors of either an LNG project and/or a natural gas pipeline to mid-America to apply to the state under the provisions of the Act to negotiate a contract for payments in lieu of taxes. This amendment also would limit eligible applicants under the Act to only a natural gas pipeline to mid-America that would parallel the Trans-Alaska Pipeline System and the Alaska Highway, thereby eliminating from inclusion in the Act the so-called "over-the-top" route.
- Eliminate the June 30, 2001 deadline in existing statute for project applications. This legislation does not introduce a new deadline, but rather simply eliminates any deadline in statute.
- Add a requirement that only those projects producing gas from north 64 degrees north latitude (roughly Delta Junction) would qualify for the provisions of the Act.

OPERATING EXPENSES

The Act allows the Department of Revenue under AS 43.82.240 to recover from a project applicant the costs of contracting with an independent consultant to assist the state in evaluating applications submitted under the Act and in developing contract terms. Those statutorily designated program receipts are shown above.

The Act does not allow the state to seek reimbursement from a project applicant for any other costs. The department would hire a project manager for the estimated two years of contract development, negotiations and approval, and the personnel services, travel and equipment expenses for that position and other commissioner's office expenses are shown in the fiscal note as General Fund money.

The above costs are essentially the same as the Legislature approved for the Department of Revenue in passing the 1998 Stranded Gas Act.

The Stranded Gas Development Act

The Stranded Gas Development Act, AS 43.82, was passed into law by the Alaska Legislature in 1998. During the session it was House Bill 393. The application deadline for a project application under the Act was June 30, 2001. There were no applications by that date. Legislative action is required to reopen the option for a gas project developer. Such a reopener failed to win legislative approval last session, and has been introduced again this year as HB 16, sponsored by Representatives Fate and Whitaker.

The Act's genesis was in HB 250, which in 1997 established a North Slope Gas Commercialization Team in the administration to research and recommend changes to state law to encourage commercialization of North Slope gas. The team issued a report to the Governor in February 1998. The team's conclusions were that the project faced considerable risk, namely construction cost risk and gas price risk, and the state's fiscal system exacerbated those risks. Three of the risks of particular concern were fiscal uncertainty, the state's regressive tax system, and the front-end aspects of the fiscal system. We will discuss these in turn.

Given the high cost of the project, coupled with the volatility of gas prices, the project is financially risky. Given that the project is marginal under the current fiscal system, there is concern among potential project sponsors that if a project is started, the state could later modify the fiscal terms after the project had been built, changing its overall attractiveness to investors after they had invested. This is the fiscal uncertainty risk.

Second, there are two significant elements of the state's fiscal system that make it regressive. Regressivity means that the state's take in terms of share of the profits is high at low prices and low at high prices. Regressive systems exacerbate the risk of low prices to the project developers. First, the property tax is based on cost of the asset. The higher the cost, the higher the tax. Second, the basis of value for the severance tax and royalty is at the wellhead and does not consider capital and operating costs. Thus when capital and operating costs are high, and prices are low, the state's take is a high percentage of the low profits. (Regressive systems also reduce what the state's take could be at high prices, which means the state loses out on a greater slice of revenues during high prices and high profits.)

Third, the property tax makes for a front-end loaded system. The property tax is payable when construction begins, which could be several years before revenues start accruing. On a time value of money basis, this diminishes the rate of return on the project and exacerbates the risk of not recovering the investment.

Page 4 of 5
House Bill 16
Department of Revenue

After the team issued its report to the Governor, it worked with the major Prudhoe Bay producers to develop legislation to deal with these risks. The producers at the time had been studying commercializing gas through an LNG project to tidewater. The result was HB 393.

The law provided a mechanism for converting the state's fiscal system from a statutory basis to a contractual basis. This would provide for greater fiscal certainty. The fiscal system would be negotiated between the administration and the project sponsors and approved by the Legislature. And per the Act the contract terms could provide for a more progressive (less regressive) system.

The process for developing the contract was as follows: A sponsor would submit a project plan and application to the administration for contract negotiation. The project had to produce 500 billion cubic feet within 20 years and be an LNG export project. (The original bill called for any project. It was changed to only LNG during the legislative process.)

The sponsor group would negotiate fiscal terms with the state. Payments to the state would be made in-lieu of taxes. Fiscal terms would be customized to the specific project structure. The term of the contract could not exceed 35 years.

The commissioner of Revenue would be the primary agent for negotiating and implementing the contract. However, the commissioner of Natural Resources is also responsible for reviewing the project plan for acceptability, and for negotiating changes in royalty terms, if any.

The law allowed the commissioner of Revenue to use independent contractors to assist in the evaluation of any project application, and to condition the contract on an agreement with the project applicant that it would fully reimburse the state for the cost of the contractors retained for the state's analysis. The fiscal note for the legislation authorized the Department of Revenue to collect and expend those application fees to cover its contractor costs. The Legislature also approved General Fund money for the Department of Revenue to hire a full-time project coordinator for two years to help manage the application review and negotiations. That position was never filled because there was no project application.

In addition to replacing state oil and gas production taxes and corporate income taxes with a contract for payments, the Act also allowed the Revenue commissioner to include municipal sales taxes, municipal special assessments, state and municipal property taxes and any other state or municipal taxes in the negotiations. The intent was to wrap up as much as possible into the contract for payments in lieu of taxes.

Page 5 of 5
House Bill 16
Department of Revenue

Once a contract was developed, preliminary findings would be submitted to the governor. If the governor chose to proceed the preliminary findings would be given to the Legislature and the public. There would be a 30-day public review period.

After the review, the commissioner of Revenue would modify the contractual terms as appropriate and if acceptable to the sponsors. The final contract would be submitted to the governor. The governor would transmit the contract to the legislature with a request for authorization to execute the contract. Finally, the legislature would vote on it.

There was great concern by local municipalities that a contract could compromise the property tax revenues they might receive, especially given the concerns about the property tax discussed above. Accordingly, the Act requires that a portion of the payments due under the contract is paid to affected municipalities. Also, the law created a municipal advisory group to participate in developing contract terms.

The law also has provisions intended to help make gas available to communities, to promote local hire, and to deal with confidential information provided by the sponsors.

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB 16
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Natural Resources
Title Stranded Gas Development Act Amend. BRU Oil and Gas Development
Component Oil and Gas Development
Sponsor Fate
Requester House Oil and Gas Component No. 439

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel	10.0	10.0				
Contractual	289.0	289.0				
Supplies	1.0	1.0				
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	300.0	300.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	300.0	300.0				
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	300.0	300.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0
Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill would authorize the executive branch to negotiate a contract with sponsors of proposed projects to develop stranded gas in Alaska. The payments required by the contract would replace some or all of the state royalties and taxes and municipal taxes that would otherwise pertain to major economic activity engendered by the project.

Given the extended time frame to develop and market the large volumes of stranded gas, revenue impacts expected as a result of the bill are outside the time horizon of this fiscal note.

Under AS 43.82.220, the state is responsible for evaluating and negotiating contract terms relating to royalties.

Prepared by: Mark D. Myers Phone 269-8800
Division Oil and Gas Date/Time 2/5/03 11:12 AM
Approved by: Tom Irwin Date 2/5/2003
Agency Natural Resources

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

BILL NO. HB 16

ANALYSIS CONTINUATION

Pursuant to these responsibilities, DNR is requesting a total of \$600,000 over a two-year period.

The line item breakdown for the two years is as follows:

Contractual:

\$550,000 is to fund contractual services and advice from experts in technical, fiscal, regulatory, contract negotiation, legal, and financial areas. These technical, evaluative, and negotiation services would be required to assist the state in substantive and complex contract development and negotiation, potentially with multiple sponsors. The state does not have all of this expertise in-house. \$75,000 of these costs will be incurred in preparation for the application process regardless of whether there are applicants.

As per the proposed bill, contract applications are not time-limited. Expenditures for contractual services, therefore, may be necessary any time. Furthermore, one North Slope producer has estimated that contract development and negotiations will take two years. Since there is no way of knowing now specifically when expenditures would be required, it may be beneficial to treat this \$550,000 as a continuing appropriation.

The proposed legislation allows reimbursement of the state by the applicant for the expenses of independent contractors used to assist in the evaluation of an application. Consequently, some or all of these expenditures may be recouped.

\$28.0 is for miscellaneous contractual expenditures such as purchase of technical reports and conference participation.

Other:

\$20.0 to fund the travel for negotiations, and \$2.0 for miscellaneous supplies.

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 16
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
 Title Stranded Oil & Gas Development Act BRU Regulatory Commission of Alaska (399)
Amendments Component Regulatory Commission of Alaska
 Sponsor Representative Fate
 Requester House Oil & Gas Component No. 2417

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

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

This bill has no fiscal impact on this agency.

Prepared by: G. Nanette Thompson, Chair Phone 907-276-6222
 Division Regulatory Commission of Alaska Date/Time 2/5/03 6:00 PM
 Approved by: Edgar Blatchford, Commissioner Date 2/5/2003
 Agency Department of Community & Economic Development

HB

24

ALASKA STATE LEGISLATURE

Representative Bruce Weyhrauch

HOUSE DISTRICT 4



ALASKA
STATE CAPITOL
JUNEAU, ALASKA
99801-1182

(907) 465-3744
FAX (907) 465-2273

CS for HB 24

Comanagment Agreements Glacier Bay National Park and Preserve

The committee substitute, to be adopted by the Resources Committee requires the legislature to approve co-management agreements concerning Glacier Bay National Park and Preserve. Once passed, HB 24 would require that intergovernmental agreements with the National Park Service regarding management of the navigable waters within or adjoining Glacier Bay to be approved by law before they become effective. The form of approval would be a regular bill, requiring committee referrals, public hearings and the signature of the governor.

HB 24 includes transitional language that allows the legislature to review any current intergovernmental agreements and if an existing agreement is not approved before July 1, 2004, that agreement or relevant portion is voided.

The intent is to prevent government officials from ceding the state's management jurisdiction over fish and game resources by means of a contract without a full airing of the public policy implications through the legislature.

23-LS0135S
Utermohle
3/4/03

CS FOR HOUSE BILL NO. 24()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVES WEYHRAUCH AND WHITAKER, Coghill

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to intergovernmental agreements with the National Park Service**
2 **regarding management of fish or game in the navigable waters within or adjoining**
3 **Glacier Bay National Park and Preserve."**

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

5 *** Section 1.** AS 16.20.010 is amended by adding a new subsection to read:

6 (c) Nothing in this title authorizes the department or a board to enter into an
7 agreement with the National Park Service of the United States Department of the
8 Interior regarding the management of fish or game in the navigable waters within or
9 adjoining Glacier Bay National Park and Preserve unless the legislature has approved
10 the agreement by law before the agreement takes effect. In this subsection,
11 "management" means the regulation of the method, manner, means, time, or place of
12 taking of fish or game or the regulation of the amount of fish or game that may be
13 taken.

14 *** Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to

1 read:

2 REVIEW OF EXISTING AGREEMENTS REGARDING MANAGEMENT OF
3 FISH AND GAME IN THE NAVIGABLE WATERS WITHIN OR ADJOINING GLACIER
4 BAY NATIONAL PARK AND PRESERVE. (a) Until July 1, 2004, AS 16.20.010(c), added
5 by sec. 1 of this Act, does not apply to an agreement, or a severable portion of an agreement,
6 with the National Park Service regarding management of fish or game in the navigable waters
7 within or adjoining Glacier Bay National Park and Preserve entered into by the Department of
8 Fish and Game, the Board of Fisheries, or the Board of Game before the effective date of this
9 Act.

10 (b) Notwithstanding (a) of this section, an agreement, or a severable portion of an
11 agreement, with the National Park Service regarding management of fish or game in the
12 navigable waters within or adjoining Glacier Bay National Park and Preserve entered into by
13 the Department of Fish and Game, the Board of Fisheries, or the Board of Game before the
14 effective date of this Act is void on and after July 1, 2004, unless, before July 1, 2004, the
15 department submits the agreement, or the severable portion of the agreement, to the
16 legislature for review and the legislature approves the agreement by law.

Alaska State Legislature

House of Representatives

RULES COMMITTEE, CHAIR
COMMITTEE ON COMMITTEES
LABOR & COMMERCE COMMITTEE
MILITARY & VETERANS AFFAIRS
LEGISLATIVE COUNCIL



INTERIM:
10928 EAGLE RIVER RD., SUITE 141
EAGLE RIVER, AK 99577

SESSION:
ALASKA STATE CAPITOL
JUNEAU, AK 99801

HB 24

Co-Management Agreements Regarding Glacier Bay National Park & Preserve

Sectional Analysis

Section 1 of the bill amends AS 16.20.010 by adding a new subsection providing that no provision of AS 16 grants authority to the Department of Fish and Game, the Board of Fisheries, or the Board of Game to enter into agreements with the National Park Service regarding management of fish or game in the navigable waters within or adjoining Glacier Bay National Park and Preserve unless the legislature has approved the agreement by law. This subsection does not prevent the department or a board from entering into agreements with other federal agencies involving the Migratory Bird Treaty Act, Northern Pacific Halibut Act, Marine Mammal Protection Act, Magnuson-Stevens Fishery Conservation and Management Act, Endangered Species Act, or the Pacific Salmon Treaty Act.

Section 2 of the bill is a transitional provision providing for legislative review of current intergovernmental agreements with the National Park Service relating to the management of Glacier Bay National Park and Preserve. If an agreement that is in effect on the effective date of this Act is not approved by the legislature before July 1, 2004, that agreement or the pertinent portion of the agreement is void.

Updated: February 27, 2003



Representative Pete Kott

JUNEAU OFFICE (907) 465-3777 TOLL FREE 1-800-861-KOTT(5688) FAX (907) 465-2819
EAGLE RIVER OFFICE (907) 694-8944 FAX (907) 694-8945 E-MAIL: representative_pete_kott@legis.state.ak.us
<http://www.akRepublicans.org/Kott.htm>



HB

28

ALASKA STATE LEGISLATURE

Interim:

600 East Railroad Avenue
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Fax (907) 373-4729



Session:

State Capitol Building
Juneau, Alaska 99801-1182
(907) 465-2186
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REPRESENTATIVE VIC KOHRING DISTRICT 14

SPONSOR STATEMENT

SSHB 28

House Bill 28 will take a royalty adjustment system that has not been used and put in its place an understandable and usable adjustment method for fields that might otherwise prove to be uneconomic. It will provide a usable system for reduction of royalties belonging to Alaska so that the State can encourage production of oil and gas fields that might be marginal or not economically feasible were it not for such reductions.

As has been pointed out so many times, in this global market, Alaska needs to remain competitive in order to encourage development of its oil and gas resources. Development of these resources will provide a broader economic base, more employment for Alaskans and a safer, more stable environment for all concerned.

The 19th Alaska Legislature amended AS 38.05.180(j) and put in place, the current system. Unfortunately, the calculation contained in the current law is arguably unintelligible to many. The implementation of the current statute is too limiting in the flexibility allowed to the Commissioner to craft a deal acceptable to individuals and in the best interest of Alaska. Additionally, the process review put forth in the 1995 legislation is too burdensome and costly for the private sector and thus discourages people from making application. The end result is that oil is left in the ground that could be extracted and adding to the State's economic base.

Although the idea behind HB 28 is not new, it sets forth an understandable modification formula; protecting the public's interest in such proceedings and maintaining the public's ability to comment on the preliminary findings and determination made by the Commissioner. This legislation further maintains the involvement of the Legislature through the Legislative Budget and Audit Committee, a committee that holds meetings year round. HB 28 is consistent with the Governor's goal of increasing oil and gas production and increasing Alaska's resource revenue.

THE
FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES

Unocal Alaska
Union Oil Company of California
909 West 9th Avenue, P.O. Box 186247
Anchorage, Alaska 98519-6247
Telephone (907) 276-7600
Fax (907) 263-7698



Kevin A. Tabler, Manager
Land/Government Affairs

March 7, 2003

Representative Norman Rokeberg
State of Alaska Legislature
State Capitol
Juneau, Alaska 99801-1182

Re: Oil and Gas Royalty Modification
Information

Representative Rokeberg:

During my recent visit to Juneau, March 4, 2003, you asked me for certain background information regarding Union Oil Company of California's (Unocal) application to the Department of Natural Resources (DNR) for royalty relief under HB 207. Specifically, you asked two (2) questions:

1. You wanted to know our opinion and experience with the application process and as an applicant, our thoughts on the applicant for a royalty modification having input into the selection of a contractor; and
2. Information regarding the availability of certain data that may be requested by DNR in the application approval process, particularly over a property that was previously owned by another company.

Attached to this letter are copies of testimony I provided during the 1995 hearing process partially addressing the issues above. I also participated in answering questions at several hearings wherein I expressed Unocal views not specifically stated in the attached testimony. I hope the attached will provide some context to the following comments. It's clear from the outcome of the legislation in 1995 that some of the concerns expressed thru testimony and subsequent non-use of HB207 were proven correct. We applaud your efforts to correct these deficiencies.

UNOCAL Support

Concern over contractor selection was intensely debated in 1995. Unocal expressed concern over the necessity of adding additional costs to the process by not using DNR personnel to evaluate the applicant's submittal. It was felt then, and we continue to believe, DNR has the personnel to make the evaluation. Applicants may choose to contract the services of contractors or consultants to help in the analysis and preparation of an application only later to find the dollars expended will be of no value or duplicated in the DNR application approval process without selection input from the applicant; only the duty to pay for such additional services.

During the Unocal application process, we spent approximately \$250,000.00 in consulting fees when the total resulting benefit to Unocal would have amounted to around \$600,000.00. We hired Gaffney Cline as our consultant because the State of Alaska had just used them for a reserve study in Cook Inlet. The thought here was that Gaffney Cline would provide credibility and DNR would be comfortable with their work and our analysis. We ultimately pulled the application because we had over 12 months and too many man-hours involved to justify the time and expense for such a nominal benefit. The biggest problem with the process was that the requirements for justifying royalty reduction were undefined so the applicant did not know what criteria they were trying to satisfy. The process has to be simple, predictable, easily understood and administered. It can't be a process for DNR to try and get into the financial workings of a company in order to make a determination of what the DNR believes a reasonable rate of return should be. Additionally, it can't be a process where any relief is tied somehow to the state being made whole in the future. The reality may be the State won't be made whole in terms of royalty revenue receipts from future production but compensated through ancillary benefits.

With mature fields in Cook Inlet, when a royalty application is needed, the volumes of production and corresponding royalty associated therewith are such that life extension of the facility is the primary benefit. If you wait until the field is truly uneconomic to apply or qualify then there is very little benefit to the applicant since royalty relief does not really add enough revenue to significantly increase field life. The time to get relief is when you are still economic and there is potential to increase field life by investing more capital or expense dollars to increase production. With such an extension you have the ancillary benefits of jobs, taxes and the multiplying effect of money in a community.

Although we understood the concerns expressed in 1995 regarding contractor selection, if we have to have a selection process, a process where the DNR provides a list of approved contractors and the applicant can pick from the list and negotiate the price seems most fair. The criteria would be determined up front and the costs would be established to provide certainty to the process. The applicant can then decide if the cost is justified in proceeding with the application.

Secondly, the issue of data availability is an important one. Not all data that may be requested by the DNR is available for all facilities. In past years, properties have exchanged hands on a number of occasions and the resulting effect is each company has different policies for retaining, evaluating, maintaining and storing data. Historical data,

in particular financial and production data, is often lost, determined to be confidential or not provided at all.

In one Unocal transaction, the selling party decided to make duplicate copies of the files for their records. Labeled file jackets were removed and retained for the selling parties duplicate files. The original contents were bound by rubber bands, unidentified and placed in boxes for shipping. Upon arrival, we had no transmittal verification of what was sent. The selling company was later acquired by another company and the duplicate set of files destroyed. It took a year to sort out what was sent, and in the process, paperwork and files determined at the time to be of no value were destroyed.

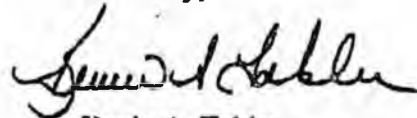
In another case, a property transferred to Unocal years ago, involved a Purchase and Sales Agreement and a Bill of Sale. No operational, financial or production data was ever received by Unocal. Additionally, it is not uncommon for geological and geophysical data licenses to be non-transferable. Unless the selling party has an ownership in the data, or the data is proprietary to the selling company, the purchaser may not be entitled to certain data requested or required by DNR for its royalty modification application review.

Finally, data acquired today has a better chance of being retained, inventoried and located due to electronic imaging. Historical information is bulky, cumbersome, requires storage and often destroyed as standard past operating procedure.

The issues of data availability and contractor selection become less problematic if the application process is clear and concise and the qualifying criteria quickly and automatically administered.

Hopefully, the foregoing answers your questions.

Sincerely,



Kevin A. Tabler

Attachments

Union Oil Company of California
Testimony on HB207
House Committee on Oil and Gas
March 16, 1995

Mr. Chairman and members of the Oil and Gas Committee--My name is Kevin A. Tabler, Land Manager for Union Oil Company of California (Unocal) in Alaska. I appreciate this opportunity to be heard today and to present Unocal's comments on House Bill 207. First I'd like to say, we are very encouraged with the positive atmosphere and effort expended, thus far, by the Legislature and Administration in trying to develop incentive legislation to enhance and stimulate further exploration and development throughout the State. We recognize and appreciate the concerted in-depth effort being made by your committee to fully assess the utilization and applicability of this Bill prior to subsequent referral. This time, spent early on, understanding the implications of the Bill, and providing the opportunity for intended users to clarify and augment specific sections, will greatly enhance its acceptability and help ensure its passage into legislation.

By broadening the applicability of AS 38.05.180 (j), we believe this Bill is a step in the right direction toward revising existing Statutes. This approach provides additional opportunity for certain marginally economic fields to compete both, internally within a company and externally on a global basis. But, before I address specifics under Section 2., I would like to make a brief comment about Section 1.

Unocal is taking a neutral position on the appropriateness or need to revise the funding mechanism previously established for the Alaska permanent fund under AS 37.13.010(a). The sharing of revenues and proceeds derived through leasing, exploration and development of the States mineral wealth, split between the permanent fund and general fund, is not the focus of our analysis of this Bill. Our focus and concern of the Bill is one of clarification, administration and utilization as it pertains to our Cook Inlet operations.

Section 2.

Last Thursday, I listened to a discussion during the first hearing on this Bill regarding the need to define the term "field". Bill Van Dyke did an excellent job of explaining the differences between fields, pools, horizons, and the delineation of same, in the context of the applicability of each, regarding this Section. To help clarify and more accurately describe the aerial extent of an accumulation for which this Section would apply, we offer the following suggestions. On line 29, page 2 after the word field, insert ", pool or portion of a field or pool". On line 30, we would suggest that the word "an" be eliminated and the words "a producing" be inserted between "of" and "oil". The same wording suggested on line 29, would apply after the word "field" on line 30. The application here is that the

AOGCC has clearly defined pools and separate horizons or zones associated with any recognized field. Similar testimony was provided Tuesday by DNR and we support their modification.

Our second comment is related to lines 8 thru 10 on page 3. As a condition of evaluating an application and data, the commissioner may require the lessee to pay the costs of contractors selected by the commissioner to assist in the evaluation. We feel all attempts should be made to utilize existing DNR staff wherever possible to reduce costs. On Thursday, the commissioner indicated the intent of this subsection was to have mutual agreement between the applicant and the commissioner as to the selection of contractors. We believe it is important to spell this out in the Bill. Equally important is the need to mutually agree on the costs contemplated for expenditure by lessee, prior to the hiring of a contractor. For extremely marginal properties, such as our Stump Lake Unit, the cost of hiring a consultant (at say \$20,000 – a likely amount) could eliminate most of the benefit derived from royalty reduction. This Bill currently has no control over costs. Alternatively we heard from commissioner Dave Johnston of AOGCC on Tuesday, recommending that the applicant hire and pay for the contractor in support of its application to control costs. The commissioner of DNR would provide a list of contractors that would be acceptable to DNR and the applicant would then have the ability to select one for the analysis. This approach makes the most sense, in that the company would then be able to negotiate the best price possible and thereby have some control on costs. We would support this concept. This preferred approach would also eliminate the need for the costly and time consuming RFP process DNR would have to employ.

The elimination of the reasonable rate of return criteria on lines 13 thru 17 page 3 is a positive step in cleaning up the Statute. This determination is too subjective and open to debate. It is unrealistic to think that common agreement will ever be reached by any two parties. This requirement is unnecessary and therefore is better left out.

We need a very clear understanding that modifications made to existing Statutes do not inadvertently have a debilitating or limiting effect on the mature, marginally economic future development of Cook Inlet. There is a monumental difference between the exhausted fields typically found in Cook Inlet as opposed to those on the North Slope.

The next two comments are very important to Unocal and it's operations in Cook Inlet, but first, let me give you an example of one economic scenario involving our platform operations:

Four (4) of the ten (10) Unocal operated producing platforms produce less than 2,000 BOPD each. One (1) produces less than 900 BOPD. Expenses on all of these properties make them marginally profitable. In an effort to increase

production, Unocal committed over \$80 million in capital investments over the last two years, with the potential to spend an additional \$31 million in 1995 on these four (4) platforms. At this point, it is difficult to commit additional capital to develop these properties due to their short remaining platform lives and marginal profitability. Reducing or eliminating the state's royalty on these marginal properties could make the projects economically viable and significantly increase the economic life of the platforms, thereby maintaining employment and the associated community benefits. For fields or platforms facing abandonment today, such as a platform with less than 1000 BOPD, complete royalty relief is warranted. These properties provide minimal income to the state and complete royalty relief will extend field life and employment by about years.

Lines 17 thru 21 provide for a modification and change to the existing Statute, limiting the commissioners ability to reduce royalty by specifying certain limits. We propose this additional language and limitation be taken out in its entirety. We believe it is in the state's best interest for the commissioner to have the flexibility to reduce royalty down to 0, as currently provided, given a finding on the part of the commissioner, supported by financial and technical data which demonstrates the benefits of such action is warranted.

Lines 23 and 24 need revisions to eliminate the unilateral right of the commissioner to increase royalty beyond the state's original royalty share prior to any reduction on a previously producing mature field or re-establishment of commercial production of shut-in oil or gas. The big upside potential of a field, as discussed last Thursday and again at Tuesday's hearing, only applies to delineated but not previously produced fields where one may reasonably expect a pleasant surprise. A previously negotiated change in royalty at the time of the initial reduction, under strict criteria, may be warranted in the case of a delineated but not previously produced field. Bids were made on leases and evaluated on known parameters and an economic analysis at the time of bidding. Companies need the opportunity to evaluate any royalty change upward in light of field economics and overall company economics, and agree to any royalty modifications prior to committing manpower and capital to a project. It's not realistic to anticipate that mature producing fields hold the same type of promise. For the commissioner to have unilateral authority to increase the royalty rate to whatever level beyond the royalty originally specified in the lease, is not warranted in these mature fields. For mature fields, the impact of price only effects extending field life. If we are opening ourselves to the possibility of higher future royalty by applying for a reduction today, we may be eliminating the incentive to apply. Companies need certainty for planning and capital commitment purposes.

Line 1 on page 4 indicates the commissioner's decision regarding a request is final and not appealable. This really is no change from the current Statute. If this provision is of concern to the committee or the Legislature, then perhaps a peer review of the decision could be conducted. In Tuesday's hearing, the

AOGCC provided a couple of alternative approaches to address the concern of oversight and appealability, both of which are acceptable to Unocal.

In conclusion, We believe this Bill has the potential to add certain attractive parameters to the administration of the royalty reduction process. For Unocal, at this time, this Bill has application only to our existing producing fields. Page 3 changes proposed in the bill, further restrict Unocal's ability to seek royalty relief beyond what is currently in Statute and make it difficult to support in its current form. With the changes we have proposed, we believe the interests of all parties are protected while at the same time afford the commissioner the discretion he is entitled under current Statute.

Unocal already has in place a vehicle under current Statute to address the concerns of its marginal fields in Cook Inlet, as they reach their economic limit. Albeit not an ideal vehicle, at least one which is less onerous than that which is proposed. Although we like the ability to expand the applicability of this Statute, and eliminate the requirement for a subjective reasonable rate of return determination, the potential for increased royalty beyond that which was originally agreed and an arbitrary floor placed on the amount royalty may be reduced, eliminates flexibility and hurts our efforts toward field life extension in Cook Inlet.

We look forward to working with the Legislature as this Bill progresses through the legislative process.

Thank You

Union Oil Company of California
Testimony on CS HB 207
Senate Resources Committee
April 28, 1995

Mr. Chairman and members of the Resources Committee—My name is Kevin A. Tabler, Land Manager for Union Oil Company of California (Unocal) in Alaska. I appreciate this opportunity to be heard today and to present Unocal's comments on CSHB 207. I would like to begin my testimony by saying that the Sectional Analysis provided after the April 26, 1995 Hearing was particularly helpful in making a more informed analysis of the Bill. Some of the concerns I expressed in Wednesday's Hearing have been clarified by the Analysis and therefore the enclosed testimony more accurately reflects Unocal's view and opinion of the Bill.

Subsection (j)(1)

From purely a Unocal perspective, based on its present acreage position, Unocal is not directly impacted by paragraph (A). Most of the Unocal leases held today are located within producing fields, some of which are nearing the end of their economic viability. We have however, testified in earlier hearings on this Bill that we have not endorsed the concept of Sunset Provisions.

Subsection (j)(3)

Paragraph (B) appears to be a reopener. As long as it is clear the conditions of any future adjustments are determined at the time of royalty reduction and not intended to be a unilateral determination on the part of the Commissioner, we don't have an objection. I believe the wording should be changed to make this point absolutely clear. }

Subsection (j)(4)

We believe the requirement for legislative approval under paragraph (A) will be a time consuming and unnecessary requirement resulting in an administratively burdensome process. Under the House Finance version of the Bill, adequate Commissioner oversight is provided under Subsection (j)(8).

In reading the provisions of paragraph (B) of this Subsection, it is unclear to me as to the intent of the language "in amount or value of the Production". If this is to mean a net 3% floor or a maximum 76% reduction of the current royalty rate, than Unocal is opposed to this revision. Under the House Finance version of the Bill, the floor established for producing and shut-in fields is 90%. There needs to be clarification on this point. Any increase in the floor reducing flexibility would be inconsistent with our position and prior testimony.