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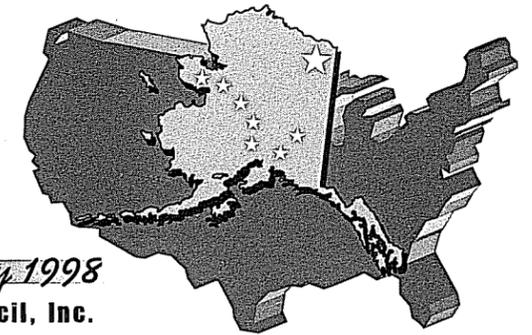
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Resource Review

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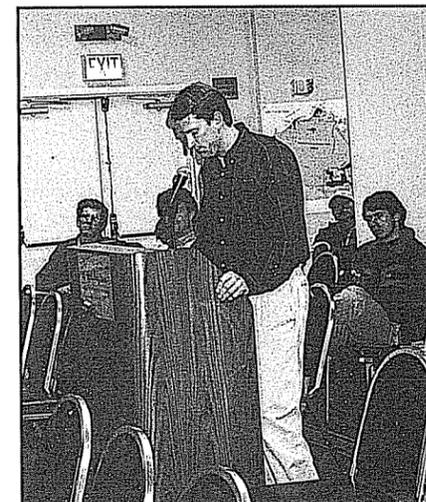


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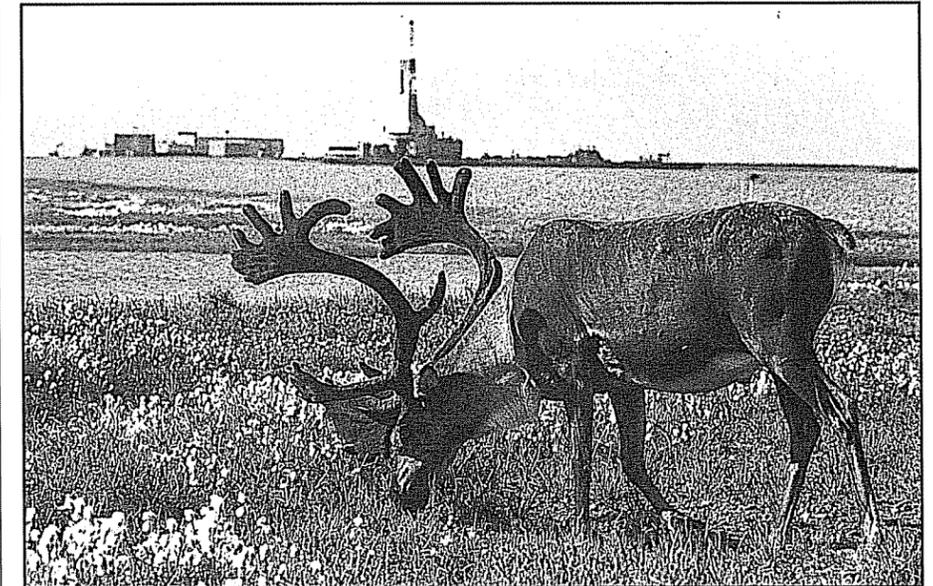
Listen to Alaska, RDC urges

Testifying at public hearings in San Francisco and Anchorage, the Resource Development Council has urged the Bureau of Land Management (BLM) to resume oil and gas lease sales in the National Petroleum Reserve-Alaska (NPR-A).

The BLM held a series of public hearings last month from Washington, D.C., to Barrow to hear what the public had to say about a new round of oil and gas lease sales in NPR-A. The specific



Fourth-generation Alaskan Ken Freeman testifies in San Francisco on oil and gas leasing in NPR-A. RDC also testified at a similar public hearing in Anchorage.



Environmental studies of North Slope oil and gas development confirm that wildlife coexist harmoniously with oil field activities. Caribou migration, calving and feeding activities have not been adversely affected by either the trans-Alaska pipeline or Prudhoe Bay activities.

area being considered for lease sales is called the "study area," a 4.6-million-acre unit in the northeast corner of the 23-million-acre petroleum reserve.

The public has until March 12 to comment on a draft environmental impact statement (DEIS) which outlines five alternatives ranging from no leasing to full leasing of the study area.

Environmental groups across the nation have alerted their members to the issue and are demanding Congress grant permanent Wilderness protection to the Teshekpuk Lake and Colville River Special Areas, which are both located within the study area. These two areas contain the land considered to have the highest potential for oil and gas discoveries.

Opponents to leasing are advocating a ban on any surface development, including roads and pipelines. Moreover, they are

demanding the transfer of the Teshekpuk Lake and Colville River Special Areas to the U.S. Fish and Wildlife Service, claiming BLM would "spoil the natural treasures of the reserve."

"If the U.S. can forgo oil drilling and mining in the Antarctic, we can certainly afford to do the same in our own Arctic wilderness," said Roger Featherstone of the Green Connection in an action alert sent out over the world wide web.

Environmental activists made a strong showing at the NPR-A hearings in the Lower 48, far outnumbering those supporting a lease sale. And they are doing their homework, too. BLM has received hundreds of letters and postcards requesting the study area or large portions of it be permanently closed to development.

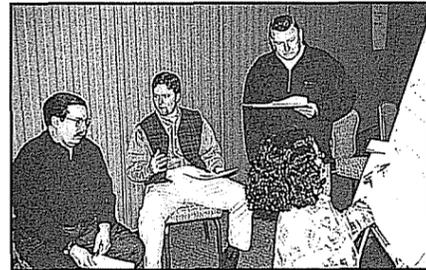
"In one generation, unspoiled places like the reserve are disappearing (Continued to page 4)



Message from the Executive Director
by Ken Freeman

Growing Alaska through responsible resource development

Planning retreat nets new mission, goals



Jim Branch, Tadd Owens and Paul Glavinovich provide focus group recorder Elizabeth Rensch with input.

Resource Review is the official periodic publication of the Resource Development Council (RDC), Alaska's largest privately funded nonprofit economic development organization working to develop Alaska's natural resources in an orderly manner and to create a broad-based, diversified economy while protecting and enhancing the environment.

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In preparation for our first Strategic Planning Retreat, RDC recently surveyed its members to give them an opportunity not only to comment on RDC's past performance, but also help guide the future direction of the organization. The response was excellent! The survey furnished those board members participating in the retreat with valuable insights to our membership. This information served as a starting point from which the retreat's fruitful discussions began.

RDC's work as a liaison between industry and government, its continued role as an educator and its actions to bring together diverse interests on common issues were identified by the vast majority of our members as keys to RDC's past and future success. The respondents were particularly impressed with RDC's work to improve Alaska's business climate and its efforts to provide a forum for industry to discuss and analyze public policy.

Respondents stressed the need for RDC to continue to expand its role as an information clearinghouse for members, policy makers, the media and the public. Also, many members urged RDC to maintain its leadership role on issues which affect a broad base of industry.

As board members reflected on RDC's past 23 years, the January retreat at the Westin Alyeska Prince Hotel in Girdwood began with a serious look at RDC's previous mission statement, past and current issues and how feedback

from the membership survey impacts current strategies. The two-day retreat challenged board members to develop goals to maintain the success of RDC, as well as identify the critical success factors -- the "must do's" in order to be successful in the coming one to three years.

After lively debate, a consensus was reached on RDC's new mission statement: "**Growing Alaska through responsible resource development.**"

The board also identified the following critical success factors and goals:

- **Promote sound resource development in Alaska** - Goals: Influence public policy, increase land access, promote a stable business environment, promote infrastructure development.
- **Link diverse interests on resource issues** - Goals: Build coalition structures and industry consensus, serve as an information clearinghouse.
- **Sustain and expand a diverse membership** - Goals: Continue board community outreach programs, increase cash flow, create an "online" presence, increase membership.
- **Resource Education** - Goals: Develop new education products, serve as an information clearinghouse, continue to support AMEREF, increase the use of RDC services by regulators, increase PR/membership value.

The RDC board and staff are currently in the process of developing strategies and tactics to transform the goals into reality, as well as identifying the tools to evaluate and measure progress in implementing the plan.

I would like to extend a big thank you to Dick La Fever of Crossroads Leadership Institute for facilitating the retreat, to all board members who participated and those members who responded to the recent survey. My review of the responses convinced me that RDC has a truly dedicated and active membership.

Legislation amends forest law

Protects fish habitat

Legislation that would amend the Alaska Forest Practices Act to strengthen upstream fish habitat protection and enhance water quality measures has been unveiled in Juneau.

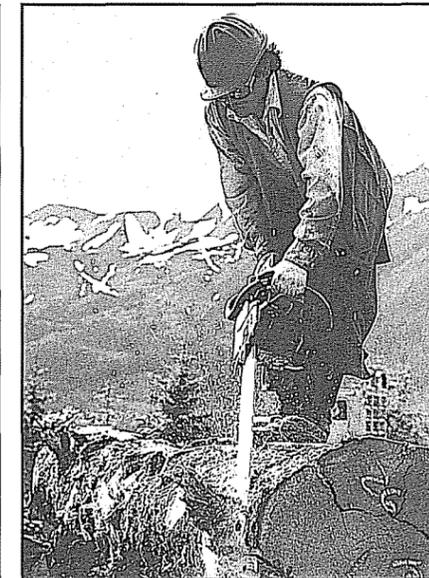
"This legislation recognizes the importance of safeguards when it comes to harvesting timber along Alaska's streams," said House Speaker Gail Phillips. "I'm proud to sponsor the compromise legislation that ensures the protection of our fish habitat. Our Forest Practices Act is recognized by all interested groups as one of the best in the nation and today we are strengthening it."

Calling it a model of stakeholder involvement, Governor Tony Knowles hailed the work that crafted proposed amendments to the Forest Practices Act.

"By bringing together Alaskans from all sides, we have crafted a bill which increases fish habitat and water quality protections and is workable for the timber industry," Knowles said. "The Forestry Board and the Science and Technical Committee have produced a solid bill that could only come about by bringing all stakeholders to the table."

The Science and Technical Committee was created to work on amendments to the Forest Practices Act after concerns regarding the act were raised by the Alaska Department of Fish and Game. The committee included state agency officials, timber industry representatives and the fishing industry. The nine-member Board of Forestry, which included representatives of the forest, mining, commercial fishing and recreation industries, reviewed the work.

After an in-depth review, the Science and Technical Committee reported that many of ADF&G's concerns were unfounded. However,



A science-based review of the Alaska Forest Practices Act has led to proposed improvements to the law.

agreement on the need for a solution was presented specific to increased riparian zone protections. A package was presented to the Board of Forestry and the Board, in turn, presented its compromise package to the Legislature where Senator Mike Miller and House Speaker Phillips introduced the legislation.

"This legislation is the result of hard work, years of research and consensus building among the various stakeholders, including outdoor enthusiasts, environmentalists, the fishing community and the forest products industry," said Senator Miller. "It represents a balance, protecting private property rights, encouraging economic development and protecting the environment."

Changes to the Forest Practices Act include:

- Changes to the number and definitions of stream classifications to better protect Alaska's resources.
- Buffers on ALL anadromous fish streams and stronger protections along their tributaries.
- New variance requirements for removal of logs within riparian areas.
- Protection of nonmerchantable trees during variation harvesting.
- Refining what constitutes a blockage to fish passage.

The bill should pass this session.

Construction spending is stable

Despite political uncertainties, construction spending in Alaska should remain stable this year as it has for the last three years, according to Henry Springer, Executive Director of the Associated General Contractors.

Up to \$1.8 billion will be spent on projects in Alaska this year, Springer told a gathering at an RDC breakfast forum last month. Last year about \$1.5 billion was spent on government and private industry construction.

Springer warned that political uncertainties surround federal transportation funding, a major source of work for contractors.

The federal highways program, which makes up the bulk of funding for Alaska surface transportation projects, is being reviewed by Congress. Many states support changes in the funding formula that would give them federal funds in the amount they contribute in gasoline taxes to the federal treasury. Since Alaska and most western states receive more than they contribute in tax revenues, the change would hit Alaska hard, Springer said.

He also warned about a trend in using the federal highway funds for non-highway "quality of life" amenities like trails and landscaping which divert money from the original purpose of building roads and highways.

Moreover, Springer noted that the federal and state governments are relying more on municipal priorities set by local officials. He pointed out that local officials are more vulnerable to special interests groups who want the funds spent on trails and other non-highway uses. Those groups, Springer warned, are skilled in filing administrative appeals and lawsuits in hopes of raising a project's cost and killing it.

Springer noted that litigation challenging the Whittier Road has added \$6 million to that project's price tag.

AGC and other groups are attempting to form a highway users group to counter such efforts, Springer said.

Mining sets another record



Expansion of the Red Dog mine helped drive mining activity in Alaska to record levels last year. Pictured above are the Chukchi Sea port facilities for Red Dog.

Spending, production at all-time high

After a record-setting 1996, the mining industry set yet another record for spending and production last year, according to the Alaska Minerals Commission.

The Alaska mining industry saw more than \$1.1 billion in activity in 1997, spending \$203 million on exploration and mine development while producing another \$855 million in minerals, noted an Alaska Minerals Commission report.

Mining activity occurred across the entire state, from the Fort Knox gold mine near Fairbanks, to the Red Dog zinc and lead mine near Kotzebue, to the Greens Creek silver, lead and zinc mine outside of Juneau. Last year's figures included start-up production of the Illinois Creek gold mine near Galena.

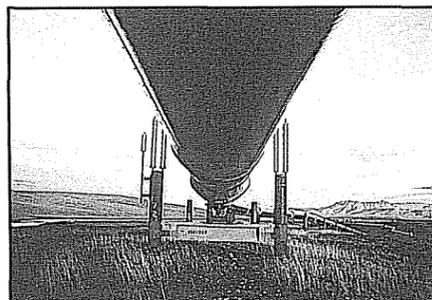
At the January 29 RDC breakfast meeting in Anchorage, Labor Economist Neal Fried pointed out that the stellar performer in Alaska's resource sector is the mining industry. Fried said mining now employs more than 1,200 Alaskans, more than at any time since statehood. Employment in the industry has doubled over the last ten years and wages are second only to those in the oil industry.

Many of the well-paying, year-round jobs are in rural areas where unemployment runs high.

Fewer barrels of crude flow through pipeline

More than 487 million barrels of North Slope crude flowed south through the trans-Alaska pipeline from Prudhoe Bay to Valdez in 1997, according to Alyeska Pipeline Service Company.

Daily throughput was about 1.3 million barrels, representing a steady drop in production during the year. About 1.2 million barrels a day are now flowing through the pipeline, which carried about 2.1 million barrels a day when the Prudhoe Bay field was at full production in 1987.



Alyeska shut down the pipeline for routine maintenance ten times in 1997 for a total of 52.5 hours.

Pearce champions Areawide Leasing resolution in Senate

Resolution reaffirms support for program

Senator Drue Pearce introduced a resolution last month in support of the State's current Areawide Leasing Program created by legislation passed unanimously by the Legislature and signed by the governor in 1996.

Senator Pearce, Co-Chair of Senate Finance and member of the Energy Council, said recent attempts to dismantle this important program by groups opposed to all oil development prompted her to introduce the measure.

"We all voted to put areawide leasing into place in 1996 because it would provide a cost and labor saving approach to offering lease sales in areas of Alaska already subjected to extensive leasing," Pearce said. "The program has been a positive component of the State's oil and gas policy and should not be threatened by a few special interest groups that would prefer to see it eliminated."

Ken Freeman, Executive Director of RDC, said it is important that Alaska's leaders stay united in support of responsible oil development.

"The Legislature and the governor have tried to create a strong pro-business environment to encourage long-term investment into our state," Freeman said. "This is exactly what the areawide leasing program does -- it creates a predictable, consistent program that encourages development."

The original legislation creating the areawide leasing program, HB 388, was introduced by Rep. Norm Rokeberg.

The bill extended a Best Interest Finding for a lease sale from five to ten years.

"This was a major achievement for the Legislature in terms of economic development," said Rokeberg. "I'm proud to be the original sponsor of this program and I'm sure it will stimulate new oil and gas exploration and jobs for Alaska."



Thoughts from the President by Allen Bingham

Roads moratorium equates to more Wilderness

Wait a minute!

Perhaps you better put on hold any celebration over the so-called exemption extended to the Tongass National Forest from a proposed moratorium on new construction in roadless areas.

Alaskans were relieved last month when the Forest Service announced the Tongass would be exempt from the proposed 18-month moratorium on new road construction in roadless areas of 5,000 acres or larger. The interim policy directive would impose a moratorium on entering any roadless areas while regulations are developed to govern roadless and yet-to-be-defined "special areas" for the next generation of forest plans.

The proposed moratorium would have had a disproportionate effect on the Tongass compared to Lower 48 forests where extensive road networks are more common. The moratorium would virtually shut down timber harvesting in the Tongass since most reforested areas where roads now exist are too young to be logged.

While on the surface it may appear the Tongass has escaped the road ban, in reality that may not be the case. Moreover, no exception has been made for the Chugach National Forest where 98 percent of the forest is roadless.

The Clinton administration has said it would not apply the moratorium to the Tongass because of the new land management plan taking effect there. The new plan, which is under appeal by both industry and environmental groups, reduces the annual timber harvest ceiling for sawlog-quality timber from 450 million board feet to approximately 180 million board feet. It also sharply cuts the commercial timber base available for logging from 1.7 million acres to only 676,000 acres. There are approximately 6 million acres of commercial-grade forest stands in the Tongass and har-

For the Chugach, the roadless policy may mean no new roads to access timber stands in roadless areas devastated by the spruce bark beetle.

vesting occurs on a 100-year rotation cycle.

While the Clinton administration says the Tongass will be exempt from the moratorium, the Forest Service is addressing the roadless policy through the appeals process on the Tongass plan.

In their appeal of the new management plan, environmentalists are essentially demanding the roadless policy apply to the Tongass. They oppose new construction in roadless units of 5,000 acres or larger and want additional 1,000 acre buffers adjacent to Wilderness, Wild and Scenic Rivers and roadless areas. There is a danger these demands could be imposed on the Tongass through an administrative decision coming out of the appeals process.

For the Chugach, the roadless policy may mean no new roads to access timber stands in roadless areas devastated by the spruce bark beetle. The policy could shut down future construction from Seward to Cordova to access lands for new tourism and recreation opportunities, as well as other commercial activities, including mining. If the moratorium sticks, it would serve to effectively create a huge wilderness block over the Chugach — not by an act of Congress, but by yet another Clinton administration end run.

Rep. Bill Williams, sponsor of a recently-passed resolution in the Alaska House of Representatives opposing the roadless moratorium, says this land freeze is a violation of ANILCA.

"The 'no more' provision of ANILCA

clearly states that only a vote of Congress can create any more Wilderness in Alaska. Inclusion of the Chugach violates the spirit, if not the letter, of the law," Williams said.

In the Lower 48, the effects of the moratorium would be far-reaching on mining, logging, recreation, grazing and other uses. There are 35 million acres of designated Wilderness on Forest Service lands already, including those in the Tongass. The moratorium covers 33 million acres of roadless areas, basically doubling the amount of Wilderness in our forests.

The moratorium not only covers roadless areas of 5,000 acres and larger, but any 1,000 acre-plus unroaded tracts next to official Wilderness or Wild and Scenic Rivers. The moratorium also includes all unroaded areas larger than 1,000 acres contiguous to 5,000 acres or larger roadless blocks adjacent to other federal lands such as wildlife refuges, national parks and BLM roadless areas. No doubt about it, this is an epic land grab that makes Escalante Monument look like a fight over a parking space.

In a letter to Agriculture Secretary Dan Glickman, Governor Tony Knowles said the "precipitous interim action, made behind closed doors outside Alaska, will not be tolerated." The Governor said the state will leave no stone unturned in its effort to prevent this interim policy from being implemented through federal fiat.

Editor's Note: Senator Jim Duncan has introduced a resolution in the Senate raising questions about the roads moratorium.

RDC advocates full leasing in NPR-A

Alaskans have until March to comment

As oil drilling spreads rampantly across Alaska's far north," said preservationist David Brower on hearing about potential lease sales.

In their campaign to whip up public opposition against lease sales, environmental groups have portrayed the petroleum reserve as a previously unknown, special and wild place.

"Several California residents attending the San Francisco hearing were surprised to learn from RDC's testimony that the National Petroleum Reserve has a history of lease sales, exploration and drilling activity," pointed out Pat Davison, the California field director of People for the USA. "They shook their heads in disbelief when the facts were presented."

NPR-A was established in 1923 by President Warren Harding to provide a

Reliance on foreign oil grows

American oil production is at its lowest level in four decades and nearly half of the oil now used in the U.S. is imported, according to the U.S. Department of Energy.

Oil reserves have fallen 30 percent since 1977 and production has declined more than 25 percent since 1986, says the Energy Department. As a result, America is becoming more dependent on foreign sources for its oil.

The Energy Department estimates imports may account for as much as 68 percent of U.S. oil supplies in 2015.

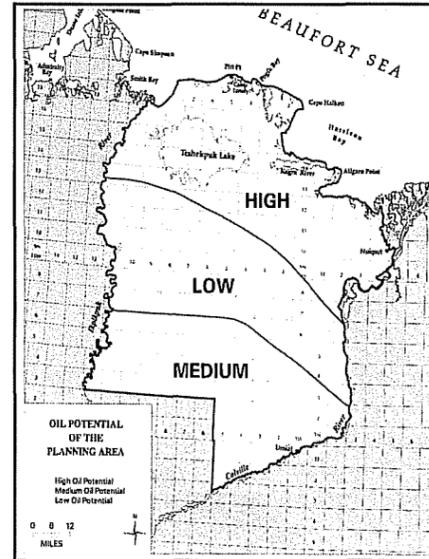
potential supply of oil to the U.S. Navy. The Navy and the U.S. Geological Survey have conducted reconnaissance, geological and geophysical surveys of the petroleum reserve, as well as exploratory drilling. In addition, industry has performed some exploratory work as a result of four lease sales between 1982 and 1984.

A great deal of new information regarding NPR-A shows the area has great potential for containing significant oil and gas accumulations. With major advances in exploration and production technology, the prospects of finding commercial quantities of oil and gas are high if industry is allowed to explore those lands within the petroleum reserve with the highest prospects.

RDC is urging BLM to select Alternative E in the DEIS as its Preferred Alternative. Alternative E is the only land management option in the DEIS that reflects the management regime and dominant use Congress prescribed for the petroleum reserve. RDC strongly believes the entire planning area should be opened for oil and gas leasing, especially those lands with the highest potential for oil and gas discoveries.

Although RDC supports the full leasing recommendation of Alternative E, it does not support the creation of new "Special Areas" or the expansion of existing "Special Areas" as called for under Alternative E. In addition, RDC opposes a Wild and Scenic River designation for the Colville River, as well as federal Wilderness designations in the study area.

"With advances in technology and the appropriate regime of environmental stipulations, the oil industry can develop oil and gas deposits anywhere in the study area without harm to fish and wildlife and traditional subsistence uses



The Teshekpuk Lake area, as well as those lands within 20 miles of the coast, have the highest potential for oil and gas discoveries. Environmentalists want a ban on any surface development in this area.

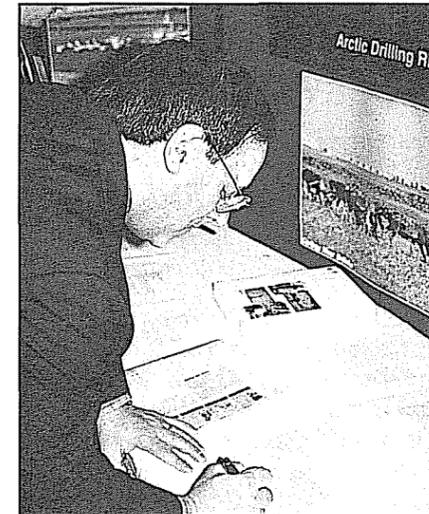
of the land," said RDC Executive Director Ken Freeman. "Mitigation measures, therefore, should take precedence over land set-asides."

Speaking to the official record in San Francisco, Freeman emphasized full leasing should be allowed within the Teshekpuk Lake and Colville River Special Areas. Proposed land closures in Alternatives B through D of the DEIS would remove most of the highly-prospective lands near the coast from leasing.

"Such deletions are not only unnecessary to protect fish and wildlife, they would sharply reduce the likelihood of commercially-viable oil and gas discoveries and the substantial economic benefit Alaska's economy would gain from subsequent production," Freeman said.

North Slope hydrocarbon deposits generally occur within a 20-mile strip of the Beaufort Sea coastline. All of the producing fields on the North Slope are located within 20 miles of the coast, as well as all pending developments. Further inland from this 20-mile strip, 42 prospects have been explored and only six gas discoveries and one oil discovery have been verified, but none warrant development because of their size.

During the past 25 years, government wildlife agencies and the



RDC board member Jim Arnovitz, Harding Lawson Associates, confirms his support for oil and gas leasing in NPR-A at an exhibit sponsored by RDC and the Alliance at the Meet Alaska conference. Both organizations have collected dozens of letters from their members supporting the lease sale.

oil industry have conducted a series of joint long-term monitoring studies of the North Slope environment. These studies have generated extensive and detailed information on the effects of oil and gas production on the behavior of Arctic fish and wildlife, and on their habitats.

"The knowledge gained from these studies has enabled federal, state and local governments to anticipate the effects that oil and gas development may have on wildlife and fish and to design and prescribe specific operational requirements and restrictions to eliminate detrimental impact," pointed out Mike Joyce, Senior Consultant for Biological Sciences for ARCO Alaska, Inc.

Alternative E, which would authorize leasing throughout the study area, including the Teshekpuk Lake Special Area, contains more than 80 operational stipulations.

"The DEIS stipulations give more than adequate protection — protection with a wide margin of safety — to geese and other important species," Joyce said. "Observance of the operational limitations and prohibitions contained in these stipulations will allow oil and gas development throughout the planning area without harm to fish and wildlife or their habitat."

Meanwhile, Pat Davison, the California field director of People for the USA, told Californians attending the San Francisco hearing that it's time for a reality check.

"Alaska supplies about 20 percent of U.S. oil," Davison pointed out. "It's clear that every American citizen, even those who may oppose this project or who have no clue where gas comes from, is affected in some way by the DEIS. Since Alaska is a primary supplier for California refineries, California families and our state's economy will benefit."

In his San Francisco remarks, RDC's Freeman pointed out the results of a recent survey that showed 86 percent of Alaskans believe oil and gas development has been good for their state and communities. Freeman also noted the many positive benefits of oil development to Alaska's economy and how state revenues from oil production fund a wide variety of essential public services.

Freeman pointed out that Alaska has done more than any other state to strike a balance between development and preservation, explaining that 70

percent of all national park lands are found in Alaska and not a single acre is open to oil development. Alaska also accounts for 90 percent of all national wildlife refuge lands. Moreover, Alaska also contains 62 percent of the nation's federally-designated Wilderness, an area larger than the state of Utah.

RDC included these facts and others in its San Francisco testimony to counter statements made at other public hearings that implied Alaska was developing the last of its Arctic wilderness into a 500-mile strip of industrial wasteland.

Editor's Note: RDC strongly encourages its members to submit written comments to the BLM supporting Alternative E. Comments must be in by March 12.

Submit comments to: Gene Terland, NPR-A Project Coordinator, Bureau of Land Management (930), Alaska State Office, 222 W. 7th Avenue, Anchorage, AK 99513-7599. (email: gterland@ak.blm.gov) For additional information and sample letters supporting Alternative E, call RDC at 276-0700.

Great weight should be given to State's position

The viewpoints of Alaskans should be weighed most heavily in the decision making process concerning petroleum leasing in the National Petroleum Reserve- Alaska, an organization representing 21 oil and gas producing states asserted last month.

The comment was delivered by Christine Hansen, Executive Director of the Interstate Oil and Gas Compact Commission (IOGCC). Hansen was among those testifying January 26 at a Washington, D.C., public hearing sponsored by the Bureau of Land Management.

Alaska's program "is perhaps the most restrictive oil and gas regulatory program in the world, due to the extremely unique and sensitive geological and geographical conditions of producing these important resources in an Arctic environment," Hansen noted.

"The spotless appearance of Alaska petroleum production sites is not happenstance," Hansen said. "It is the result of strong commitment by the State of Alaska and by those doing business in the state to minimize impact while producing the world's most demanded energy source."

The IOGCC comments emphasized "the great caring by the state government for the protection of the Alaska environment" and therefore the "great weight which should be given to the comments and recommendations of Governor Tony Knowles on behalf of the people of Alaska."