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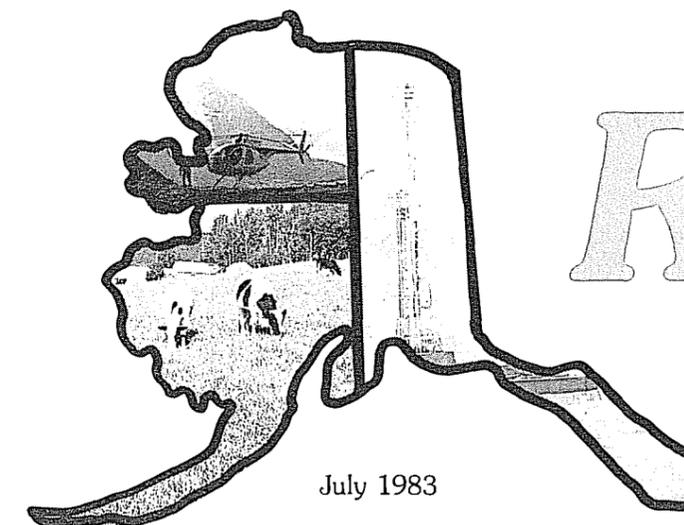
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July 1983

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GENERAL MOTORS PARTS DIVISION

Legislators

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However, other bills, including those aimed at creating economic diversification for Alaska, died with adjournment.

With all the ingredients for the most productive legislative session in Alaska's history, we saw only occasional glimpses of positive action. Alaskans stood by with increasing frustration and disappointment as they watched their elected officials become enmeshed in needless conflict, while the economic future of the state hung in the balance and was largely ignored.

Power struggles and personal conflicts were waged using the most important issues as pawns. Personal prerogative and secretive political tradeoffs left critical legislation lying unaddressed in committees while public battles between personalities occupied the attention of most of our elected officials and the press.

Consideration of those appointed to administer government was not even scheduled until almost five

months after the session had convened. A house of the legislature resigned without having considered most of the state's business in order to avoid being "steamrolled." The list of disappointments is exhaustive. Why did it happen?

Perhaps one reason is that our representatives were unable to remember the mandates of the electorate who sent them to Juneau. Perhaps there are those who, having been elected, feel they do not have to answer to the electorate for their actions. The largest single cause of the failures, however, was that the people of Alaska allowed it to happen.

When those elected are unresponsive to our needs, they should be replaced by someone who better understands who works for whom.

Many opportunities were missed in the first session. In less than seven months, another session of this Legislature will convene. It is our responsibility to insure that our legislators work together in the future and use the opportunities to diversify our economy and enhance the business climate throughout Alaska.

Borax Chief . . .

(Continued from Page 7)

"I think we should have confidence that the two objectives can be compatible, and that with diligence and cooperation, the challenge will be met, and the opportunity fulfilled."

Randolph stressed that the days of reckless exploitation are long past. He said current laws and regulations, as well as public opinion and enlightened management in the major mining companies "provide safeguards against the irresponsible spectre of rape, ruin and run raised by Cecil Andrus, our last Secretary of the Interior." The time is right for the development of a spirit of cooperation between agencies of government, the mining industry and the people of Alaska with a common aim of moving forward with resource development, Randolph said.

"It is a sad thing to see those who, seeking a no-risk world, would make time stand still," Randolph said. "You cannot live in a state of suspended animation divorced from the world for long."



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Message From The Executive Director

By Paula P. Easley

Miners call it "claim jumping." Our attorney says we must refer to it as "top-filing." Whatever it is called, the action of Sierra Club attorney Geoffrey Parker to try to obtain possession of mining claims in the Chugach National Forest by this method is, in our opinion, deplorable.

There are many legitimate environmental issues which the Sierra Club could and should be addressing. Instead, the group chooses to harass individuals who have chosen the backbreaking lifestyle of placer mining, where the rewards are solitude, scenery and, hopefully, a pouch of gold.

This weekend I visited the Crescent Creek mine camp with Rob Rivett, the Pacific Legal Foundation attorney who is representing our side of the battle to protect some miners from losing their claims as a result of Sierra Club's action.

Bob Holbrook, Judy and Clyde Holbrook and Ed and Jeannie Ellis are the kind of folks you'd like to have living next door. They're decent, honorable people. Mining is in their blood. They love this land, and Ed Ellis beams with pride at the success of his tree farm where he's experimenting with species from several states to be used in their claims' reclamation. Bob and Clyde Holbrook have personally designed and constructed the most ingenious equipment for processing the ore; their sense of accomplishment could not be hidden as they explained to us how it worked.

It has taken some time, perseverance and large sums of money to design and build the equipment for working their claims.

The slick, East Coast-attorney-types such as Geoffrey Parker are philosophically opposed to mining in Alaska. This case isn't about assuring that the mining is done in an environmentally sensitive way — Ellis and the Holbrooks know how to do that; it evolved because the Sierra Club doesn't want mining at all. It will go to any lengths to achieve its goals, regardless of how it will affect the lives of the people the group hopes to put out of business.

The first thing we heard at the lodge where we met the claimholders was that Geoffrey Parker had stepped in. He should have known he was in unfriendly territory, as more than a few miners in the Cooper Landing area frequent the lodge, but he must have had some motive. Maybe it was a good thing the Ellises and Holbrooks weren't around, because they wouldn't have taken kindly to what Parker had to say.

Parker, described as arrogant but intelligent, proceeded to brag about how he was going to shut down the Crescent Creek operation. Since he, personally, was the topfiling of the gold claims in question, he was asked about his plans for mining them. Parker apparently indicated he had no intention of going into the mining business — his goal was to preserve the area for recreationists. (Mining law makes it illegal to file mining claims for any other reason but mining.)

Regardless of who wins this legal battle — made possible by a technicality, an administrative procedure known as the "tract book rule," one can't help but feel great sympathy for the folks who suffered through it, people who simply wanted to live their lives quietly, doing the painstaking work they know best, backwoods mining, mom and pop style.

And one can't help but wonder if the many Sierra Club members really know how their dues are being spent. Do the members really care about the rights of individuals, and do they honestly condone such actions by staking another man's claims for any reason?

COVER: Southeast Alaska logging officials say their efforts to harvest timber in the region's dense forests are hindered by lengthy permit processing delays. See story, page 6.

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Resource Development Council, Inc.

The Resource Development Council (RDC) is Alaska's largest privately funded non-profit 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.

RDC invites members and the general public to its weekly breakfast meeting featuring local and nationally-known speakers on economic and resource development issues. The meetings are held on Thursday at 7:15 a.m. in the Rony Room of the Pines on Tudor Road. Meeting charge is \$2 and reservations are requested by calling 278-9615.

Membership Information

The Resource Development Council extends an invitation to all persons interested in the responsible development of Alaska's resources to join the Council's efforts. For membership information, contact:

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Help Wanted For Agriculture

From the Fairbanks Daily News-Miner

Is agriculture in trouble in Alaska?

Without strong state support in these initial years, the answer may be yes. And that would be unfortunate.

Developing a viable agriculture industry in our state makes sense for several reasons: it would help create a more diversified state economy; it depends on the renewable resource of land; it could offset high transportation costs for food shipped here from Outside; it could help alleviate world food shortages some experts predict will occur in the future.

But just as agriculture in much of the Midwest and Western United States depended on a government subsidy in the beginning — free land, made available through the homesteading program — so agriculture here requires state support.

Alaska hasn't chosen to make free land available; rather, we've sold agriculture rights to land at cut-rate prices. Still, farmers face enormous costs in their early years as they clear the land, build roads, arrange for electricity, purchase seed and fertilizer with no history of successful crops to use as collateral, find their own markets and search for economical transportation.

The state of Alaska can help farmers overcome major obstacles by offering strong support to agriculture. Marketing and transportation have been controversial arenas, but state aid definitely is needed there.

More basic, though, is getting more land into production. The Nenana-Totchaket project has the strong support of the community of Nenana but has gotten little support out of either the Hammond or Sheffield administrations. It's time to change that.

There are plenty of precedents for state aid to private industry development. The Division of Tourism, for instance, spends millions to aid tourism. Plenty of state dollars go to aid the fishing industry.

Eventually, agriculture should be able to stand on its own two feet. But that day is not upon us yet; perhaps it won't ever be, if the state chooses to take a hands-off policy. That would be Alaska's loss.

Borax Chief Says Reckless Exploitation Thing of Past

The development of Alaska's abundant resources is not only crucial to the self-sufficiency of the United States, but to the future well-being of the state, according to Dr. Carl Randolph, President of U.S. Borax & Chemical Corporation.

"I can think of no other area of the world in which the possibilities of major mineral discoveries and the opportunities for their development exist to the degree that they do in this state," Randolph said in a May address before the 1983 graduating class of the University of Alaska in Fairbanks. He assured the graduates "we will never again see the excesses and tragedies of the gold rush days, but certainly the excitement that accompanies new discoveries will always be with us."

Randolph said discovery and development of the mineral potential of Alaska is the opportunity that can benefit all state residents. He said the challenge is to be able to develop these resources in a manner consistent with preservation and environmental values.

"The 'Great Debate' that has raged for over a decade has been concerned with the questions of whether resource development was compatible with the preservation of the natural ecosystems," Randolph said. The U.S. Borax president pointed out that accumulation of the scientific data and development of methods for measuring air and water quality have provided the tools with which to define areas of concern and to develop solutions to environmental problems. He said industry also has a better understanding of potential risks of any proposed development from new methodologies which have been developed to examine all factors impacting the environment.

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Southeast Loggers Blasts Permit Delays

Southeast Alaska logging officials have charged the U.S. Army Corps of Engineers with excessively delaying tideland permits on some intertidal log transfer sites.

In a meeting with Senator Frank Murkowski, the loggers claim that delays up to three years on intertidal log transfer sites have doubled and tripled the costs of log transfer sites. They insist that the permit process allows a single agency to stop a project or delay it indefinitely, especially in the intertidal zones.

Pete Hubreth of the Alaska Loggers Association's forest practices commission told the Ketchikan Daily News "the Corps just works as a sort of clearinghouse." He continued, "the problem is one of delays and added conditions."

Steve Brink of the U.S. Forest Service said the Corps decisions are made without giving consideration to economic implications of such decisions.

Vern Eliason, Chief Forestry Engineer for the Alaska Lumber and Pulp Company, pointed out that a

timber operation in Fools Inlet in Southeast Alaska was delayed for over a year while the Corps searched for a way to protect an existing crab fishery valued at \$1,200 a year.

"There is a tendency of some agencies to manage for every single fish," said Jim Clark, a lawyer with the Alaska Loggers Association. "We're looking at multiple use."

Permits for a log transfer site in View Cove were delayed for two years even though three large developments had taken place in the area over the past 60 years, noted Frank Roppel, president of Sealaska Timber Corporation. "If they had looked around the cove, they could see that there was no demonstration of degradation of the environment," Roppel said. "Someone has to look at the objections some of the agencies raise to see if they make sense."

In defending the Corps permitting process, Dave Barrows, chief of the Alaska District Regulatory Program, explained that the Corps has a statutory obligation to rigorously review each permit application and to

fully coordinate with other state and federal agencies. He admitted the permit process takes time, but stressed that incomplete reviews cause even more delays when they end up in a court challenge.

"Long delays in processing of routine permits for the logging industry are ancient history," Barrows said. He noted that memorandums of agreement that were signed last summer by the Corps and several pertinent agencies have now been fully implemented. Barrows said the memorandums have helped streamline the review process and reduce delays.

According to Barrows, the average time required to process a permit for a log-transfer facility last summer was 127 days. That time now has been reduced to approximately 75 days, a reduction of nearly 40 percent. He said almost half of all permits processed in the Alaska District are now completed in less than 60 days.

Of all permit applications before the Corps, Barrow pointed out that only three are currently taking over 120 days to process. Two of those are pending the outcome of an Environmental Impact Statement (EIS) required by litigation.

The Corps regulatory official said that all but one case cited by Southeast logging officials to Senator Murkowski had been resolved.

In that instance, the Corps had issued a permit to Shee Atika Corporation for a log transfer site on Admiralty Island, but was forced to suspend it after the Sierra Club succeeded in securing a court ruling requiring a full-blown EIS.

The Sierra Club contends the Shee Atika timber project will pose a threat to the crab fishery around Admiralty Island and adversely affect water quality in streams on the island.

Barrows said the scoping phase of the EIS has been completed and that the Draft Environmental Impact Statement should be ready for release early next year.

Analysis

Legislators Miss Many Opportunities

By James Jinks
Deputy Director

In reviewing the results of the second longest legislative session in our state's history, we are filled with frustration and disappointment as we weigh what could have been against what actually occurred.

When the session convened, we were filled with a strong sense of hope that many of the substantive issues, unaddressed for eight years, would be quickly and sensibly dealt with and, at last, Alaska could begin to realize new economic growth. All the ingredients were there. A new administration committed to growth was in office; new legislators who campaigned for development had been elected; many of the seasoned legislators who had supported sensible growth for our state returned; several divisive issues in our state had been resolved in the fall elections; and all the Juneau cast of players appeared to be better organized for action than in the past.

With state income from oil revenues declining, the common goals of our representatives would lead them to work together in the best interests of all Alaska and to judiciously husband our financial and natural resources, or so we thought. Certainly they would make laws that promoted the well-being of our people and provided economic direction to compensate for declining state revenues.

Alaska was in a position to take giant strides and achieve the impetus that would bring us closer to economic parity with the rest of the nation. We had the players, the resources and the collective will to put it all together for our state.

A number of critical issues faced the new legislature as it convened and more would surface during the session. Regulatory reform, economic

development enhancement, homesteading, forestry development and hydroelectric projects were all subjects of legislation as the session began.

The need for regulatory reform — particularly for permitting — has been recognized by many as one of the most critical issues to Alaska development. The process has become so unwieldy that it is frustrating to those administering the programs and those who must abide by it. Bills that would have greatly streamlined the process and eliminated delays by setting specified time limits on permit processing failed.

A number of bills introduced during the session would have improved Alaska's reputation as a good place to do business, but they all failed! Not a single piece of legislation on permit reform, special investment tax

credits, sale of royalty oil to in-state refineries or a state economic development policy passed.

Legislative action such as this doesn't help Alaska's negative reputation as a place to do business. In periodic ratings by respected agencies, the state has consistently been rated at or near the bottom of the fifty states as a preferred place to do business. Factors contributing to Alaska's poor ratings include a lack of incentives offered to attract new business, an unstable tax climate, state and local indebtedness ratios, an absence of a clearly defined state economic development policy and burdensome regulatory requirements.

Legislation was passed to allow homesteading, establish a state forest in the Interior, continue hydroelectric development and increase legislators' salaries by about 30 percent.

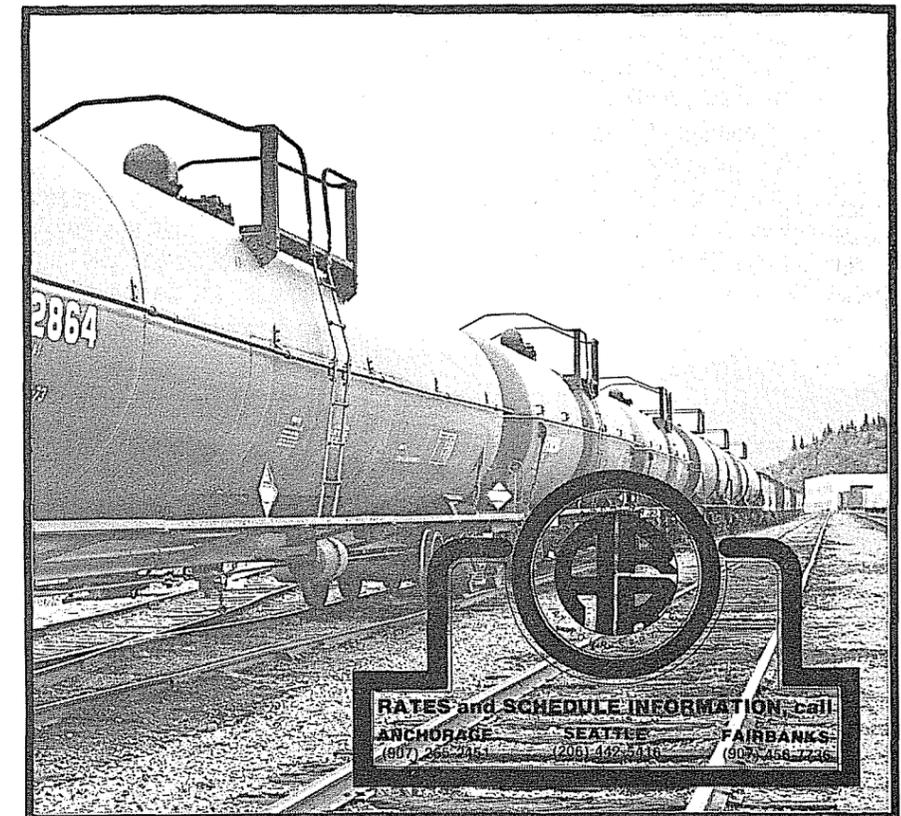
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AOGA Official Warns State

Tax increases, compounded stipulations and unnecessary regulations are changing the face of a once vibrant and strong oil industry in Alaska, warns the Exploration and Production Affairs Manager of the Alaska Oil and Gas Association (AOGA).

with developing additional oil fields in Alaska, O.K. "Easy" Gilbreth told the Resource Development Council July 7 that additional taxes, stipulations, regulations and lawsuits are not the way to encourage exploration and development at a time when the state's appetite for revenue continues to grow.

Gilbreth, who also serves as AOGA's Assistant Executive Director, explained that until other industries can develop, most state income for the next 20 years will come from oil and gas development, as it does today. However, with falling oil prices, industry profits are down as well as overall activity, employment and drilling in Alaska. Gilbreth hinted this picture will lead to a reduction of oil revenues to state coffers.

Gilbreth pointed out that in the 1960s the production outlook was much brighter when the state provided incentives for development. Companies at that time were in hot pursuit of a 'Discovery Royalty' which gave a

10-year 7-1/2 percent lease royalty bonus for the first discovery on a new geologic structure. All Alaskan production was discovered while this incentive was in effect.

Shortly after the discovery of Prudhoe Bay, Gilbreth said the once vibrant and strong climate began to change with annual tax increases. Instead of becoming partners, the state and the oil industry became opponents in many instances.

Gilbreth indicated that state government in most cases is the source to the major problems confronting future exploration and development. He explained that up to two-thirds of the estimated undiscovered oil and gas for the entire nation is located in Alaska, yet only 8/10ths of 1% of the wells in the U.S. are drilled in the 49th state. If drilling activity were proportional to undiscovered resources, Alaska would have up to 1,300 oil rigs operating today, instead of the 15 to 30 now active.

Due to government controls, logistics and other factors, Alaska has a nine to fourteen year delay from date of a lease sale until oil is flowing to consumers.

"The public and government have little understanding that this means many of today's decisions will have maximum impact on the industry as



Approximately 90 percent of state revenues are derived from the petroleum industry. As oil industry profits fall, so do state revenues.

well as state income ten to fifteen years from now," Gilbreth said. He warned that oil companies are facing a real dilemma when they consider investing billions or millions in Alaska on oil and gas leases with absolutely no prospect of recovering investment in less than fifteen years. If the industry could explore, drill and produce oil exactly the same way it does now with every environmental precaution, the AOGA executive says oil could be flowing to consumers within five to seven years of a lease sale if it did not have to obtain state permits.

"I'm not advocating doing away with permits, but it is evident there is a lot of room for government officials to trim their permitting requirements and reduce this lead time without sacrificing anything," Gilbreth said. If an oil company could expect a return on its investment in five years instead of fifteen, Gilbreth said it could bid as much as ten times more for a lease.

Because the risks are high and the return is long, exploration dollars are leaving Alaska.

"If an Alaska exploration manager has a budget request for \$100 million to drill two or three wildcats with an estimated payoff of thirteen years and a Denver manager has a request for

(Continued on Page 5)

Chevron May Curtail Kenai Operations

Chevron U.S.A. may have to sharply curtail operations at its Kenai refinery unless it gets a contract to buy a portion of the state's royalty oil.

Spokesman George Day said his company needs a contract for royalty crude with terms comparable to those given Tesoro and the MAPCO refinery at North Pole.

A bill that would have allowed Chevron to buy 18,000 barrels a day of the Prudhoe Bay crude and Tesoro 26,000 barrels a day, died when the legislature adjourned. The bill would have also renewed an existing Tesoro contract which provides that company 8,000 barrels a day.

Day revealed that his Kenai refinery, one of eight Chevron is operating in the United States, is operating below 65 percent capacity due to a lack of an assured source of oil on competitive terms. If Chevron is forced to shut down its refinery, the state will have lost its local supplier of asphalt.

If contractors were forced to import asphalt from out-

side Alaska, considerable delays, plus increased costs, on large construction projects would occur.

In a telegram to House Speaker Joe Hayes and co-chairman of the House Resources Committee John Cowdery, RDC President Chuck Webber said the state's largest economic development organization was deeply disturbed and disappointed with the legislature's failure to act on the bills. Webber said the lack of legislative action "may cause devastating effects on the economy that would far exceed long-range goals envisioned by opponents of the contracts." He added, "those gains are worthless to those now jobless."

If Tesoro and Chevron are not awarded contracts, the RDC president said "there would not only be a loss of hundreds of jobs on the Kenai Peninsula, but also the costs of programs for the jobless would rise."

Webber said the legislature "must encourage others to do business here, not intimidate and discourage those now here."

State Should Encourage Oil Industry Production . . .

(Continued from Page 4)

the same \$100 million to drill fifty-five wells that will return the investment in five years, who do you think will get the budget?" Gilbreth asked.

Gilbreth predicted that state and federal governments will have to improve the incentives considerably to get the industry into an aggressive program of exploration and development of state and federal uplands. He said the state should be drilling up to three thousand wells in Alaska annually, instead of the 248 drilled last year. In 1982, Texas drilled over 23,000 wells.

Gilbreth suggested the state reinstate incentives which resulted in the discovery of every major producing reservoir on state lands. He said politicians must create a climate of tax stability and show that they mean it.

If the state wants more income

from the oil sector, Gilbreth recommended that it change its attitude, cut permitting time up to 75 percent, eliminate half of the permits and do away with costly stipulations that have doubtful value. He stressed that each additional stipulation compounds the load and adds another straw to the camel's back. "Do you want to bet on how many he can carry?" Gilbreth asked.

Gilbreth also suggested that frivolous lawsuits be stopped by requiring a bond and making the loser pay all costs.

"A government which doesn't encourage exploration cannot expect increasing petroleum revenues for very long," Gilbreth concluded. "Without changing, that government should start looking for another source of revenue or another goose to pluck."

Poll Says Most Oppose Rail Price of \$100 Million

A majority of Alaska business people oppose the state paying \$100 million for the Alaska Railroad, according to a Afti-Dittman poll conducted for the "Alaska from the Inside" newsletter.

Over half of the several hundred respondents opposed the payment while four out of ten supported state acquisition for \$100 million. Those opposed questioned the purchase price and what it would include while others were concerned with government operational involvement, economic obligations after its purchase, maintenance and upkeep.

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Up to two-thirds of the estimated undiscovered oil and gas reserves for the entire nation is located in Alaska, yet only 8/10ths of 1 percent of the wells in the U.S. are drilled in Alaska.