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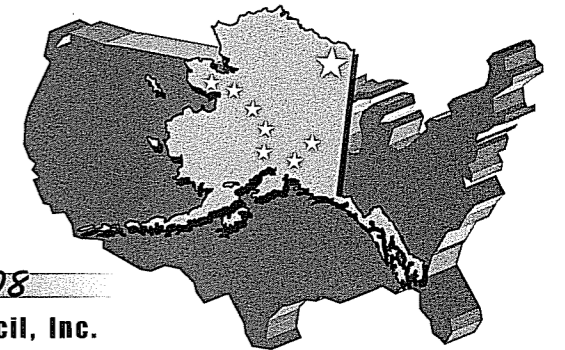
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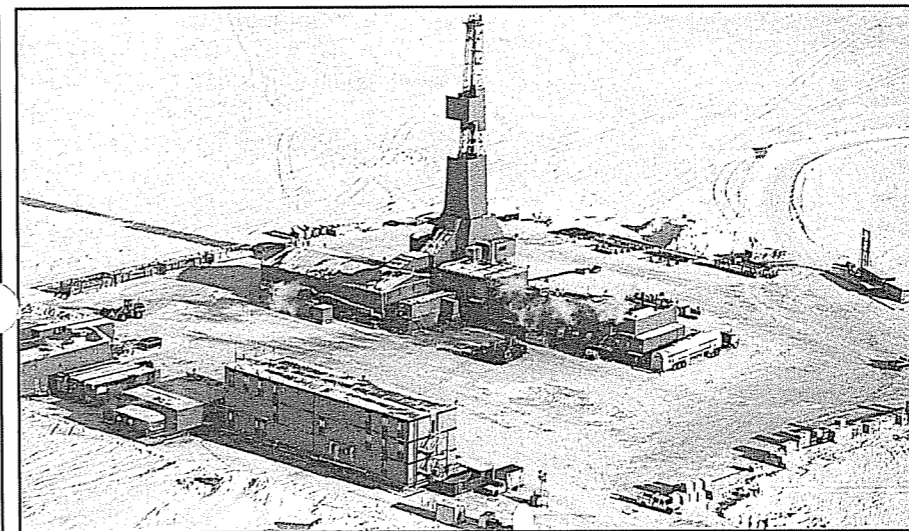
RESOURCE Review

June 1998

A periodic publication of the Resource Development Council, Inc.



ALPINE



Alpine oil rigs, buildings, camp and pipe were removed from the tundra by the end of April. The remote site will not be connected to the North Slope road system.
(Photo by Aaron Weaver)

State backs ARCO in lawsuit, Knowles says company "doing it right"

The State of Alaska has filed legal briefs in support of developing the Alpine oil field on Alaska's North Slope, saying the project has been subject to rigorous environmental review by both state and federal agencies.

Attorneys for the State filed the briefs in U.S. District Court April 30 in response to a lawsuit by four environmental groups challenging the project. The Alaska Center for the Environment, Trustees for Alaska, Equinox Wilderness Expeditions and the Northern Alaska Environmental Center are seeking to void a U.S. Army Corps of Engineers' wetlands permit, claiming the Corps should have completed an Environmental Impact Statement instead of an Environmental Assessment.

(Continued to page 4)

Court upholds Northstar

Work to resume

Upholding a lower-court ruling, the Alaska Supreme Court has given approval to the innovative Northstar lease agreement between the state and BP Exploration Alaska, signaling the go-ahead for development of the North Slope oil field.

"Renegotiating the Northstar leases was a hard-fought victory in the Legislature, but it was conducted in an open process that looked out after the public's interest," said Governor Tony Knowles. "The Supreme Court's decision clears the way for development of this long-neglected oil field to get under way, meaning jobs for Alaskans and revenues for the state."

The Northstar field, in the Beaufort Sea six miles from Prudhoe Bay, is expected to yield 145 million barrels of oil and generate 300 new construction jobs and 50 permanent positions. BP officials have promised to hire Alaskans and spend more than 85 percent of the project's cost in state, including the fabrication of sea-lift modules.

"This ruling will enable us to get Alaskans back to work before year's end as we ramp up construction and fabrication activity," said Richard Campbell, President of BP Exploration Alaska. "It also will enable us to conduct a year 2000 major sealift and begin Northstar production by late 2000 or early 2001."



Message from the Executive Director by Ken Freeman

Legislature and Governor aim to improve business

Much of the business conducted during the 20th Alaska State Legislature centered around promoting resource development and improving the business climate in Alaska.

The state is fortunate to have a pro-business Legislature and Governor -- this combination bodes well for current and future jobs and a stable economy.

Several of RDC's high priority bills passed this year. The first was HB 472 which the Governor recently signed into law.

This legislation was important to many of RDC's members because of its potential impact to current and future business in Alaska. This new tax re-

gime could have impacted almost every resource sector in the state as well as foreign flagged cruise ship operations and airline passenger travel.

HB 393 is another legislative initiative which promotes future business in the state. HB 393 allows the state to create favorable fiscal conditions for the development of Alaska's stranded gas reserves on the North Slope.

The bill grants the State of Alaska the power and flexibility needed to maximize the economic benefit of a North Slope gas project.

The development of a North Slope natural gas project will create substantial permanent and temporary jobs for Alaskans, energize the economy and provide for additional state revenues.

Another important bill for Alaska is HB 386, reauthorization of the Alaska Industrial Development and Export Authority (AIDEA). HB 386 also streamlines AIDEA's activities and targets its efforts to address the needs of Alaskan businesses more effectively.

There were a number of additional bonding authority provisions included in the bill. Two closely followed by RDC were AIDEA bonds for the expansion of the port facilities at Nome and improvements to the port and other facilities at Red Dog.

Improvements at the Red Dog mine would extend the shipping season in the region to December and allow Red Dog to become a regional port for other users. Both projects will improve the conditions for exporting raw materials from Northwest Alaska.

RDC tracked two other key funding issues which moved through the legislature this year. The first appropriation gives the City of Saint Paul the funds needed for the Corps of Engineers and the city to proceed with a much needed port expansion and improvement project.

Although a large percentage of the project is federally funded, it was necessary for the state to appropriate a

matching fund. This wise spending decision will make the St. Paul harbor a safer more efficient place to conduct commerce.

The Legislature, with strong support from the Knowles administration, approved the critical appropriation to keep the AMEREF program funded within the Department of Education. AMEREF and the DOE have partnered to provide the Alaska Resources Kit to Alaska schools.

The last few years we have seen many positive legislative and administrative initiatives come out of Juneau. Our hats go off to the members of the 20th Alaska State Legislature and the Knowles administration for a job well done in promoting resource development and a stable and growing economy.

7,000 express comment on NPRA leasing

The Bureau of Land Management (BLM) received more than 7,000 responses from the public on its Draft Integrated Plan and Environmental Impact Statement for the northeast corner of the National Petroleum Reserve-Alaska (NPR-A).

"Many comments were well reasoned, thoughtful and helpful, and we'll use the information provided to develop a preferred alternative in the final EIS which is due out in late July," said Tom Allen, BLM-Alaska Director.

Many Alaskans and North Slope residents said they did not want any permanent designations for particular areas. However, a large number of pre-printed post cards were received from across the Lower 48 opposing oil leasing in the petroleum reserve. The cards were printed by environmental groups.

Beetle infestation continues to take toll

Outbreak to continue until bugs kill non-protected spruce in areas under attack

Active spruce beetle infestations have declined by 50 percent in both Southcentral and Southeast Alaska, according to an annual aerial insect and disease survey conducted by the U.S. Forest Service and the State of Alaska's Division of Forestry.

The infestation is beginning to drop off because many spruce stands are now 80 to 90 percent dead and have little or no susceptible host material to support spruce beetle populations, according to Roger Burnside, State Forest Entomologist. Visually these stands have few recently-killed trees, are gray in appearance and are not mapped in the annual survey.

Burnside estimates 2.3 million acres are in this condition as a result of the spruce beetle activity over the past seven years. Since 1994, up to 50 million trees have been killed each year on the Kenai Peninsula from the beetle.

Heavy mortality exists in most spruce stands in the lower Kenai Peninsula from Bradley Lake near Kachemak Bay northwest to Tustumena Lake and south to East End Road near Homer, as well as the Copper River Valley. Although it may appear the spruce beetle has run its course in many areas because of the loss of susceptible host, areas remain where beetle populations could expand into, including Anchorage.

The Anchorage Bowl has seen increasing beetle activity since 1992 with more than 100,000 acres from Potter Marsh to Palmer experiencing up to 90 percent spruce mortality.

Burnside said because the Homer area experienced a tremendous beetle flight last year, more spruce trees will be showing red needles in 1998. The 1997 beetle flight in the Homer area may have been the largest single flight ever witnessed.

Spruce beetle activity

1997

(Acreage infested)

State & Private	263,187
National Forest	14,773
Other Federal	142,462
Native Corp.	143,319

1997 total	563,741
1996 total	1,130,756
Percent change	-50%

Veneer plant for Ketchikan

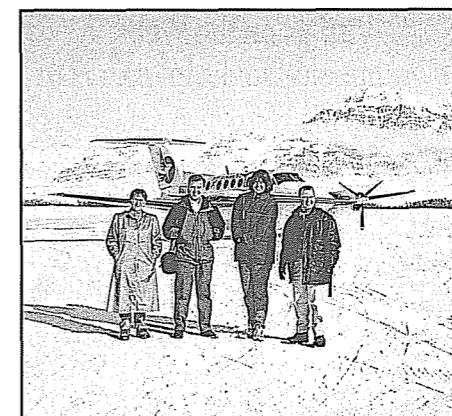
A veneer plant employing about 50 people per shift could be in operation by early next year in Ketchikan.

Louisiana Pacific Corporation and Sealaska Timber Corporation are working together to make the plant a reality. The joint venture includes a veneer mill, a modernized sawmill and a chip mill on the site of the former pulp mill that closed last year. It is not yet known if a new structure will be built or if the plant will utilize one of the existing Ketchikan Pulp Company buildings.

The new veneer plant may run two shifts after a year of operation.

"The joint venture will keep Alaska wood fiber at home and help ensure the continued economic viability of the region," said Sealaska President Bob Loescher.

Fairbanks showcases meeting facilities



This spring RDC's Steven Dougherty was the guest of the Fairbanks Convention and Visitors Bureau for a Meeting Planners and Familiarization Seminar. Linda Paonessa from the FCVB coordinated the two-day event, focusing on Fairbanks area hotel and convention facilities. Some of the stops included the Captain Bartlett Inn, Fairbanks Princess Hotel, Wedgewood Resort, River's Edge and the new Comfort Inn. Special thanks to the newly remodeled Westmark Hotel for hosting the entire group of guests, as well as Frontier Flying Service for a spectacular flight to Anaktuvik Pass, pictured at left.

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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Alpine's footprint minimal

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Arctic environment."

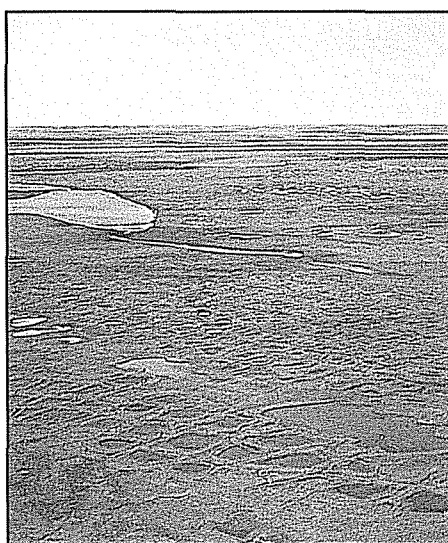
Brown noted for six years ARCO developed baseline environmental data of the wildlife and physical habitat that could be affected by development of the Alpine oil field, of which less than 0.2 percent will be affected by development.

"ARCO designed the project so it would have the smallest footprint possible, utilizing the latest directional drilling technology from just two drill sites," Brown said. "The technology allows us to capture oil from a wide area with very little surface impact, offering new confidence that development can proceed elsewhere with the smallest environmental disturbance."

Brown, Knowles and North Slope Native leaders are not alone in praising the design and planning that has gone into Alpine. Secretary of the Interior Bruce Babbitt was so impressed by Alpine he cited the field last summer during his trip to Alaska as one reason he was willing to consider leasing in the nearby NPR-A.

Senator Frank Murkowski blasted the Alpine lawsuit, saying "it seems that environmental groups have decided that no good deed should go unpunished." Murkowski said the lawsuit seems designed more to delay the creation of hundreds of jobs across Alaska and delaying the state and the North Slope Borough from sharing in the more than \$1 billion in taxes and royalties that will flow from Alpine, than in protecting the environment.

Construction of the \$750 million Alpine project began several months ago when Houston Contracting Company installed one of three horizontal, directionally-drilled, cased pipeline crossings 100 feet below the Colville River. A gravel pad from which development drilling will occur has also been constructed. Pipeline construction,



The Alpine oil field is located in the Colville River Delta, 35 miles west of Kuparuk and just east of the National Petroleum Reserve. Development of the field will impact 115 acres of the 80,000-acre Colville River Unit. (Photo by Aaron Weaver)

which will create 300 union jobs, is to begin later this year. Development drilling is scheduled to commence early next year and is expected to take five years, creating employment for an estimated 100 workers.

Meanwhile, a Nikiski fabrication yard is ramping up for the construction of large sealift modules for the project. The Nikiski facility is a major boost to the Kenai Peninsula economy where the Alpine modules — the first to be built in Alaska — will create 18 months of employment and up to 250 new jobs.

The facility represents a major expansion of the state's fabrication capability. Seven large sealift modules will be constructed in Nikiski and almost 50 Alpine production modules in Alaska.

Truckable modules for the project will also be assembled in Alaska with most of the work to be done at the Alaska Petroleum Contractors fabrication facility in Anchorage. Installation of the Alpine facilities is set to begin in late 1999 and create more than 12 months of stable North Slope employment for 100 workers, peaking at more than 350 in 2000.

About 80 percent of the state's revenues comes from royalties and taxes paid on North Slope oil production, which currently totals about 1.4 million barrels per day. It is the smaller fields like Alpine and BP's North Star that will help offset the production decline at Prudhoe.

Asian economic crash

Downturn impacts Alaska's basic industries

Recent economic trouble in East Asia is reaching close to home in Alaska where the state's basic resource industries are experiencing a sharp reduction in exports to Asia.

East Asia and the Pacific is the most important trading region for Alaska with some 83 percent of the state's total exports going there — nearly \$2.7 billion in 1997.

Led by a sharp decline in fish exports to Asian countries, goods and services exported from Alaska decreased 5.5 percent last year, according to the Alaska Department of Commerce and Economic Development.

Seafood exports decreased by \$160 million to \$840 million. Alaska exported more than \$683 million in fish and fish products to Japan in 1997, a 19.3 percent decrease. Overall, exports to the state's largest customer declined 13.7 percent to \$1.3 billion.

The effects of the Asian economic crisis could undermine hard-earned gains in trade-related growth for the state, bad news for Alaska resource industries which employ thousands of Alaskans.

In a recent speech before the Alaska World Affairs Council, Koncor Forest Products President John Sturgeon noted his company has cut back its timber production by 67 percent this year in response to the downturn in Asian markets. Sturgeon explained that 95 percent of Alaska's timber is sent abroad with Japan accounting for 65 to 75 percent of foreign demand.

RDC's Annual Meeting Luncheon June 19 in Anchorage will focus on the implications of the Asian financial crisis on Alaska's basic industries.



Thoughts from the President by Allen Bingham

Alaskans speak out on Cook Inlet leasing

Comment period still open

RDC members and other Alaskans attending recent public hearings across Southcentral Alaska to speak up in favor of the proposed Cook Inlet Areawide Oil and Gas Lease Sale deserve a hardy pat on the back. Those testifying in favor of the lease sale outnumbered opponents by a 3-1 margin at the Anchorage hearing. The ratio was even more impressive in Soldotna and Palmer.

I am heartened by this strong show of support as public hearings on resource development issues tend to attract those individuals generally opposed to development.

Several months ago I pointed out that we need to do a better job standing up for our beliefs and making our voice heard. Those supporting reasonable development were heard loud and clear at the latest hearings.

Alaskans recognize the benefits of oil and gas development in their state. The industry provides nearly 80 percent of the state's total unrestricted revenue, money that helps pay for education, public safety, airports, and hundreds of other public needs throughout Alaska. Since oil production began in Alaska, the state has received more than \$45 billion in taxes and royalties.

The industry plays a significant role in the economies of Southcentral Alaska, providing more than 1,600 high-paying jobs. Through investments, salaries, taxes and royalties, Cook Inlet

oil and gas production contributes about \$250 million annually to the region's economy.

New oil and gas exploration is essential to keep Alaska's most mature energy province producing the oil and gas Southcentral Alaska needs to heat and light its homes and businesses. Cook Inlet natural gas is used to generate 80 percent of the electricity used in Southcentral Alaska. Cook Inlet production is the sole source of natural gas for home and business heating throughout the region.

Anchorage and surrounding communities will begin to experience shortages of natural gas in several years. The last natural gas discovery in Cook Inlet was in 1982, so it's imperative that we look for new reserves and bring them on line.

Unfortunately, some folks attending the hearing denied any benefit to the community from oil and gas development. They don't believe we should be using clean natural gas to heat or light our homes. Instead, they preach alternative energy, recommending we harness the wind blowing down Turnagain Arm. But where does one put the wind generators — in the national forest, the national wildlife refuge or the state park?

Areawide leasing will work well in Cook Inlet. The new program will allow businesses to plan ahead by providing a consistent and predictable schedule of lease sales. Areawide leasing makes sense in an extremely competitive global market. Alaska's competitors are resource-rich countries abroad with policies and practices that make them much more attractive to investors. Areawide leasing will go a long way toward keeping Alaska competitive.

The Cook Inlet Areawide Lease Sale, scheduled for February 1999, is critical to the future of the oil industry and the economic growth of Southcentral Alaska. Just as critical for its adoption is a strong show of support

from Southcentral residents.

The Alaska Department of Natural Resources will be accepting written comments through June 29. It is imperative that all RDC members participate in this process.

Submit written comments to: **James Hansen, Division of Oil and Gas, 3601 C Street, Suite 1380, Anchorage, AK 99503-5948. You may also fax (562-3852) or email comments to: Jim_Hansen@dnr.state.ak.us.**

Judge rules against nationwide general wetlands permit

A federal judge in Anchorage has ordered the Army Corps of Engineers to suspend a nationwide general permit that allows the filling of wetlands for single family homes.

U.S. District Judge John Sedwick issued the injunction April 30 in response to a lawsuit by several Alaska and national environmental groups.

Sedwick ordered the Corps to consider excluding high-value wetlands from the expedited permits and to consider lowering the acreage ceiling for single-family home lots to less than the current half-acre. Sedwick said those issues were not adequately addressed in the environmental assessment prepared by the Corps.

The Corps maintains that the nationwide permit for single-family homes on lots up to one-half acre would not have a significant impact on the environment.

Jim Burling, an attorney with the Pacific Legal Foundation, said Sedwick's order amounts only to a temporary victory at best for environmentalists.

"The decision will require the Corps to go back and do a more thorough job on its environmental assessment for the nationwide permit," Burling noted. "The court did not buy the more serious allegations that the general permit violated the Endangered Species Act or would cause such harm as to make a general permit for this type of activity inappropriate."

"ASRC is excited about the first oil royalty to be received from our Native-owned lands. In addition to the 50-50 split on royalties with the State of Alaska, this revenue will also be subject to 7(i) revenue sharing under ANCSA with the other eleven Alaska Native regional corporations on a 70-30 basis. The oil industry continues to be important to our region as well as the State as a whole. We look forward to continued success."

- Jacob Adams, President, Arctic Slope Regional Corporation

Alaska Natives have unique stake in Alpine

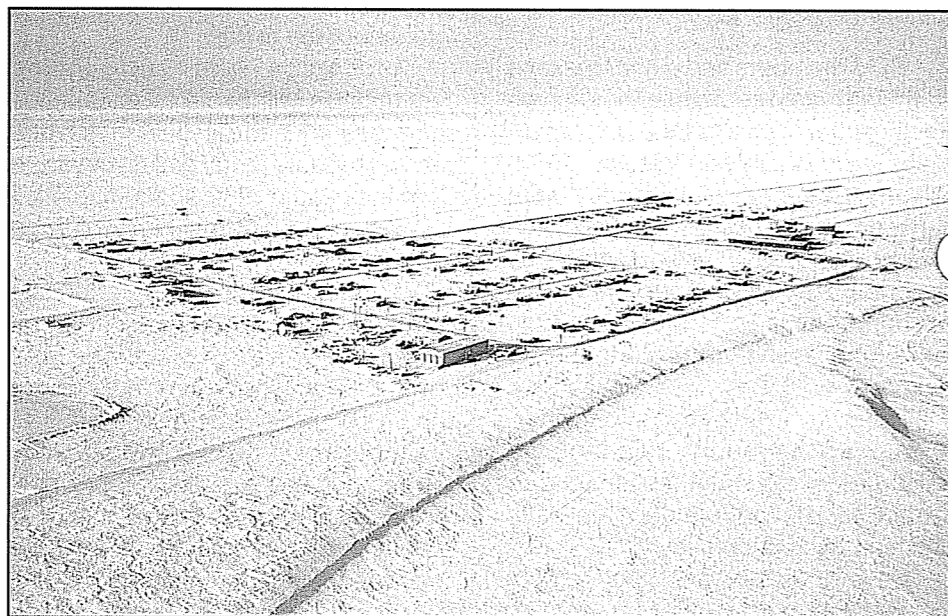
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"With the use of innovative exploration and development techniques developed from over 20 years of Arctic oil experience, I believe the Alpine project is an example of 'doing it right,'" said Governor Knowles. "The Alpine project has undergone detailed and intensive review by state and federal agencies," Knowles added. "Development of this field can be done in an environmentally responsible manner and provide jobs, revenues and energy for the people of Alaska and residents of nearby villages."

In addition to the State, Arctic Slope Regional Corporation (ASRC) and ARCO Alaska, Inc., the developer of the project, have intervened on behalf of the Corps to oppose the lawsuit. Meanwhile, the Justice Department has asked the federal court to move the case from Washington, D.C., to Alaska, an action ARCO supports.

The Corps conducted a thorough environmental assessment of the project, concluding no impact statement was needed. The Corps followed a public process that included a number of opportunities for public comment and which involved full consultation with stakeholders from the village of Nuiqsut and the North Slope Borough, to state and federal agencies and environmental groups.

In addition to the Corps' environmental assessment, state assessments and permits were required from the Departments of Environmental Conser-



The small village of Nuiqsut is located eight miles south of the Alpine field. The Alpine oil field is unique because it includes a substantial amount of Native-owned land. ARCO has agreed to create employment opportunities for local residents, fund scholarships for village residents and provide the community with free natural gas. Residents can continue traditional hunting and fishing in the oil field. (Photo by Aaron Weaver)

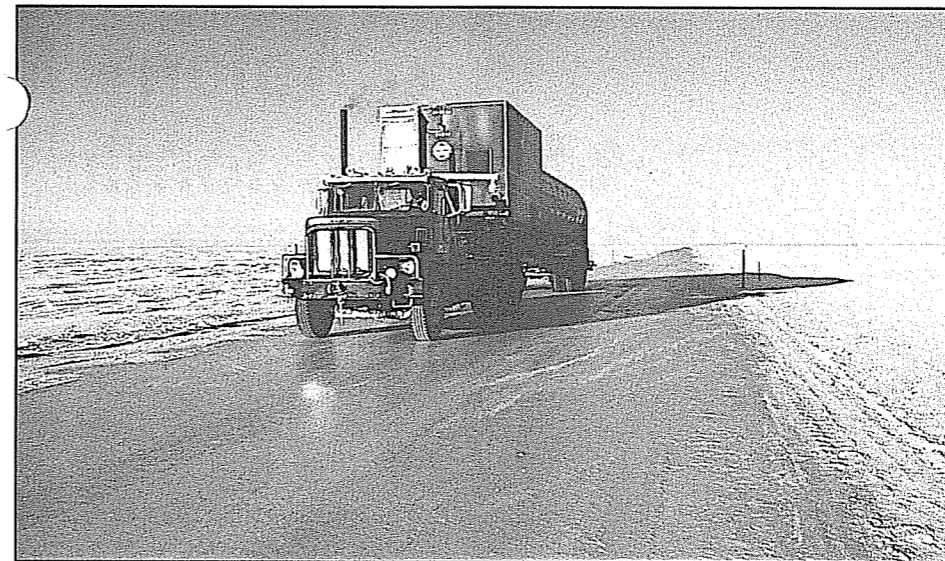
vation, Fish and Game, and Natural Resources. The project was subjected to a consistency review under the Alaska Coastal Management Program before detailed development plans were approved.

Well before any leases were issued, potential environmental impacts of oil and gas development were also evaluated and reviewed in a public process resulting in 55 lease stipulations to mitigate potential impacts.

The Alpine oil field is located near

the North Slope's Colville River Delta, 35 miles west of the Kuparuk oil field, eight miles north of Nuiqsut and just east of the National Petroleum Reserve-Alaska. The field is projected to contain up to 365 million barrels of recoverable oil and will begin production in 2000, peaking at 70,000 barrels per day in 2001. ARCO, Anadarko Petroleum Company and Union Texas Petroleum are leaseholders in the field.

Development of the Alpine field will impact 115 acres of the approximately



Nuiqsut is connected to an ice road built for Alpine field development, giving the North Slope community the ability to bring freight in on the road system. No permanent road will be made to Alpine's stand-alone facilities. When the snow melts, all signs of the ice road will vanish from the landscape. Local residents are employed on the Alpine project. (Photo by Aaron Weaver)

80,000-acre Colville River Unit. No permanent road will be made to Alpine's stand-alone facilities; access will be by ice road in the winter and aircraft in the summer. Only three miles of gravel road connecting two drill sites are planned. The field will be connected to the Trans-Alaska Pipeline System at Kuparuk by means of a 35-mile pipeline that at one point runs almost 100 feet beneath the Colville River.

The Alpine field is unique because it includes a substantial amount of Native corporation-owned land. ASRC is the sole owner of two leases and a joint owner with the State in many other leases. The Kuukpik Corporation of Nuiqsut owns surface rights to much of this land. In exchange for its consent to develop the oil and gas beneath its lands, ARCO has made significant commitments to Kuukpik, including a promise to create employment opportunities for local residents, fund scholarships for village residents and provide the community with free natural gas.

Under a deal cut last summer between ARCO, ASRC and the tiny Eskimo village, ASRC agreed to give part of its Alpine oil to Kuukpik and ARCO agreed to let Nuiqsut residents continue traditional hunting and fishing in the oil field. The oil company also agreed to pay Kuukpik annual rent for

The Kuukpik Corporation also praised the project and had good words for ARCO and ASRC.

"We're looking forward to having a good working relationship with ARCO and ASRC and being able to have controlled development," said Lanston Chinn, General Manager of Kuukpik. Chinn said he believes Kuukpik is the first Native village corporation to get a share of production from an Alaska oil field.

Frank Brown, an ARCO Vice President overseeing the Alpine project, called the arrangement "a major milestone in what is sure to be a long and positive partnership with Kuukpik and the people of Nuiqsut."

Brown said the alignment between industry, the State, the regional Native Corporation, Nuiqsut and the village corporation demonstrates broad support for the Alpine project. He noted surface use conditions and other clauses negotiated with Nuiqsut Natives contributed to a unique arrangement that, when combined with permitting stipulations, will effectively mitigate downsides to development.

"Alpine goes beyond new jobs and the economy, it's also about preserving Native values while providing new quality of life opportunities for local residents," Brown said. "Alpine will not only be a model for the Governor's 'doing it right' program, it will showcase how state-of-the-art technology can allow us to produce oil and protect the

(Continued to page 6)



ARCO designed the Alpine project to have the smallest footprint possible. Technology will allow the company to capture oil from a wide area with very little surface impact. Pictured is a well-house from one of two Alpine drill sites. (Photo by Aaron Weaver)