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We're putting HUNDREDS OF ALASKANS TO WORK—in towns like Kenai, Nikiski and Fairbanks.

Alpine will produce 365 MILLION BARRELS of new reserves. That means more than \$1 BILLION in taxes and royalties for the state of ALASKA.

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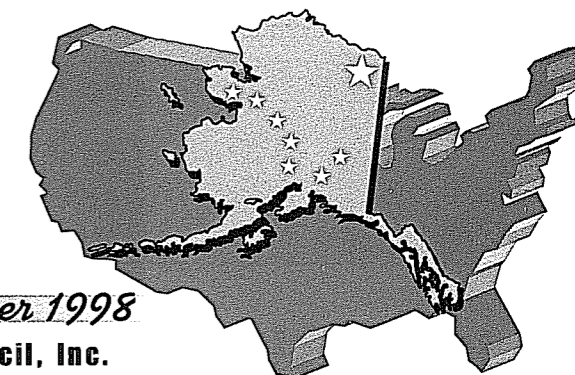
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PARTNERS IN ALASKA'S FUTURE

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# Resource Review

September 1998

A periodic publication of the Resource Development Council, Inc.



## NPR-A leasing proposal is step in right direction

### RDC supports leasing at the earliest opportunity

The Resource Development Council has applauded Interior Secretary Bruce Babbitt's decision to reopen a portion of the National Petroleum Reserve - Alaska (NPR-A) to oil and gas leasing, but expressed disappointment that much of the highest prospective acreage in the region was removed from the proposed lease sale area.

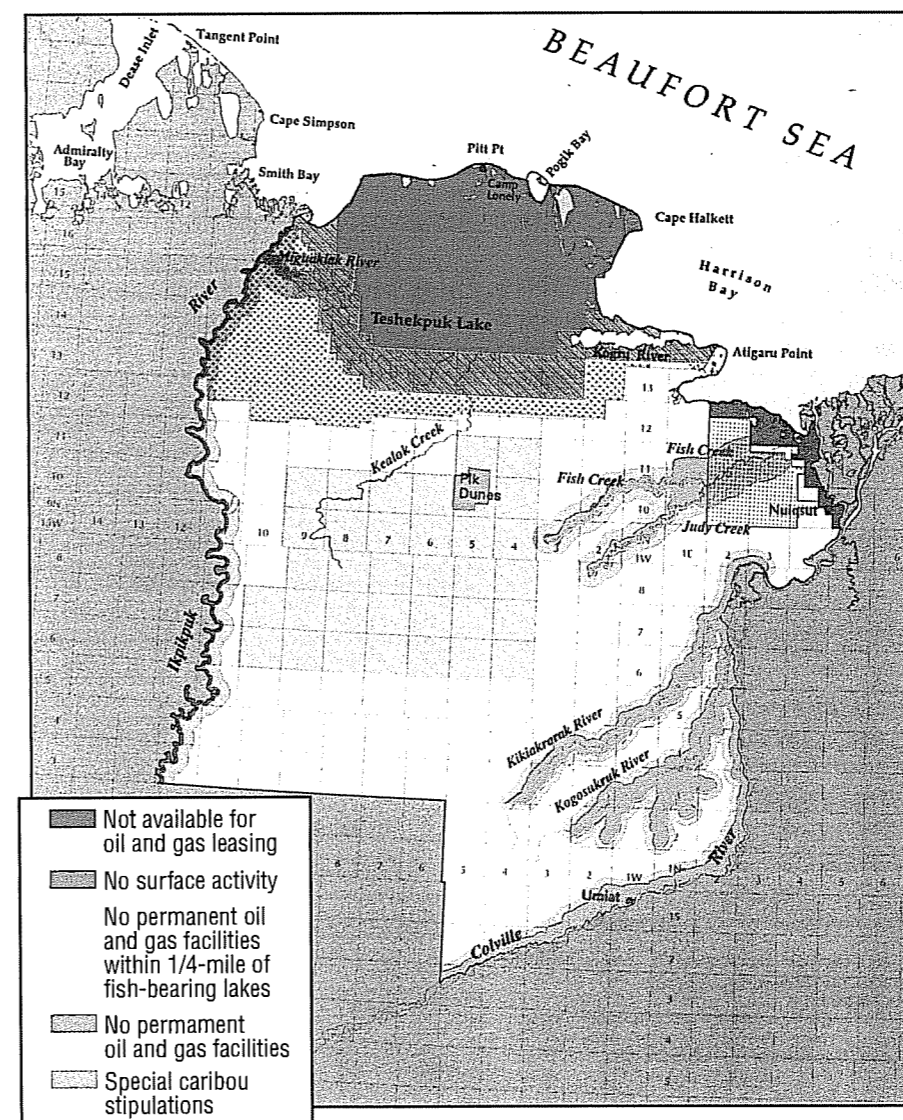
"We're pleased that the Department of Interior is recommending a lease sale," said RDC Executive Director Ken Freeman. "Interior's lease sale proposal is a step in the right direction, however, we wish the first step had been larger."

Freeman pledged RDC would continue to work with the Interior Department, the State and the North Slope Borough toward a successful lease sale and other lease sales in NPR-A.

"We appreciate the efforts of Secretary Babbitt and the Bureau of Land Management," Freeman said. "They completed a comprehensive analysis of the study area in a timely manner."

Freeman also credited Governor Tony Knowles and Alaska's congressional delegation in helping convince Babbitt to reopen NPR-A to leasing.

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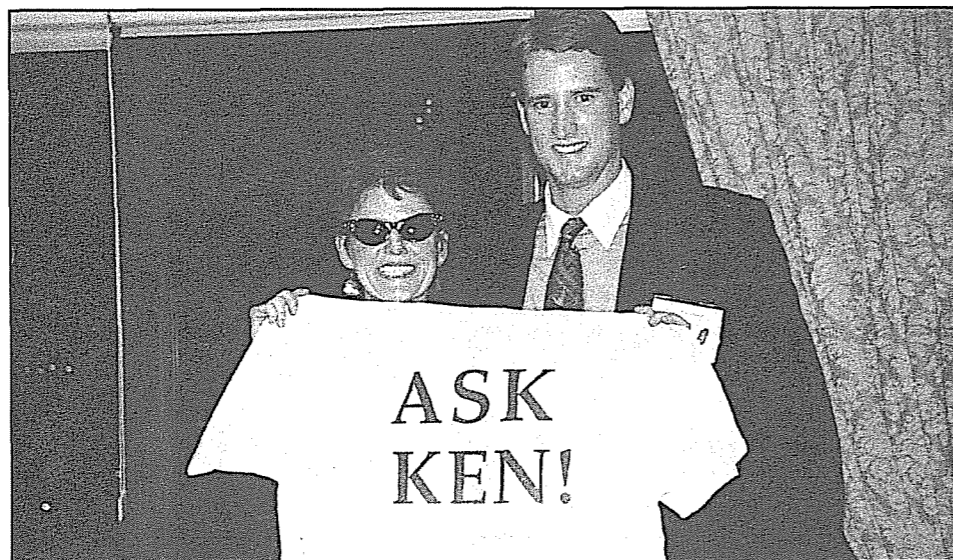
## Message from the Executive Director by Ken Freeman

### It's fall again

#### Breakfast meetings resume, conference set

Well its the time of year to start setting our alarm clocks for 5:30 a.m., for our weekly Thursday morning breakfast meetings. We kicked off our meetings September 10 with DNR Commissioner John Shively addressing the progress of releasing in the National Petroleum Reserve.

In addition to the breakfasts, please mark your calendar for RDC's 19th annual conference set for November 19-20. This year's conference is going to focus on the internal and external



Almost one year ago Ken Freeman was appointed Executive Director of RDC after long-time chief Becky Gay resigned to accept a post with the North Slope Borough. As Government Affairs Administrator, Gay works on a wide variety of issues for the Borough. Above, Gay presents Freeman with a tee-shirt during her "roasting" last November.

forces shaping the future of Alaska's economy.

Staff and board members recently had the opportunity to participate in a dinner with U.S. House Speaker Newt Gingrich aboard the Riverboat Discovery on the Chena River near Fairbanks. Speaker Gingrich was traveling in Alaska in late August as a guest of the Western States Coalition.

Currently, RDC is keeping close watch on two important federal/state initiatives; the President's Clean Water Action Plan and implementation of Essential Fish Habitat (EFH) by the National Marine Fisheries Service (NMFS).

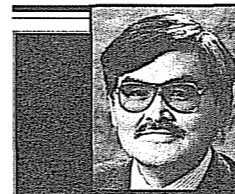
Some of you may have received a list of prioritized "watersheds" put out by the U.S. Natural Resource Conservation Service and Alaska's Department of Environmental Conservation. If Alaska and the other 49 states prioritize their "watersheds" by October 1, states will be eligible for federal funds under the Clinton administration's Clean Water Initiative (For more information about the Clean Water Initiative, please read the story in the April '98 edition of the

Resource Review).

RDC has some concerns regarding the regulatory outfall of this list and also the process by which "watersheds" were picked to be on the list. It is our understanding the list started with impaired water bodies, but grew to include many additional "watersheds."

RDC will be participating in a September 17 meeting in which ADEC and the NRCS will assess public input of the proposed "watersheds" list. We hope in the final analysis that ADEC will remove many of the proposed "watersheds" that do not have adequate rationale for listing.

RDC continues to closely track implementation of Essential Fish Habitat (EFH) as proposed by the National Marine Fisheries Service. NMFS presumes adverse impacts on salmon and other fish from all kinds of coastal and upland resource development and land use activities. Many RDC members are concerned that implementation of EFH could lead to an additional regulatory burden.



## Guest Opinion

by Jacob Adams, President, Arctic Slope Regional Corporation

# Alaska Natives committed to making Alpine a model development

## For Alaska Natives, Alpine has special significance

ARCO ALASKA Inc. discovered the Alpine oil field in 1994 during the drilling of the Bergschrund #1 well on the Colville River delta. The Alpine reservoir is estimated to contain up to 1 billion barrels of crude oil, 365 million barrels of which are estimated to be recoverable.

The Colville River Unit is 80,000 acres and the Alpine reservoir covers 40,000 acres. The owners of Alpine are Arctic Slope Regional Corporation (ASRC) and the State of Alaska, each with an approximate 50 percent interest in the field. Leases in the field range from 100% ASRC to 100% State with a varied level of joint ownership in between.

Alpine is 35 miles west of the Kuparuk River field and 8 miles north of the Inupiat Village of Nuiqsut. The field represents a major westward extension of the North Slope's commercial oil development and facilities. Alpine's importance is reflected in the oil industry's renewed interest in leasing in the National Petroleum Reserve-Alaska (NPR-A).

Secretary Babbitt's visit to the North Slope and the Alpine field last summer underlined the progress made in recent years in reducing the footprint of development in Arctic Alaska. Hopefully, the recently released Final EIS for the northeast corner of NPR-A will lead to a healthy renewal of oil and gas leasing in 1999.

Alpine is an important development for the Nation, the State and ASRC. Alpine means corporate, municipal tax, jobs and continued economic development. It also means that development of smaller North Slope oil fields can keep our oil based economy strong and vital for decades into the future.

For ASRC, Alpine has special significance. First, Alpine represents ASRC's first participation as a royalty owner in a commercial oil field. And because ASRC is an ANCSA corporation, this means that all Alaskan Native shareholders will share in our good fortune through the 7(i) revenue sharing provision of ANCSA. Second, ASRC subsidiaries are major alliance partners with operator ARCO on the project through Alaska Petroleum Contractors (APC), Houston Contracting, and Nuiqsut Constructors (a Village Corporation). Kuukpik Corporation has also aligned itself with others to perform services in support of the project.

In the 1998 construction season approximately 700,000 man-hours of work were performed on the Alpine project. A 300 man camp was established in the Village of Nuiqsut,

360,000 cubic yards of gravel were excavated from an ASRC Colville gravel pit, and 4,200 feet of pipe were welded. ASRC subsidiaries were involved in most aspects of this work. This included the initiation of module construction by APC in Anchorage and at our new fabrication plant in Nikiski, and work on the under river pipeline crossing — a major first in Arctic technology — with Houston Contracting.

We are also seeing good native/shareholder hire numbers coming from the Alpine project. In 1998 we saw a high of 85 Kuukpik shareholders working on the project, and a total of 186 native Alaskans most of whom are ASRC shareholders. With an increase in job training skills we hope to see higher local and native numbers improve in the 1998/99 construction season.

Alpine is scheduled to go into production in mid-2000. The State and the North Slope Borough (NSB) will share an estimated \$1 billion in taxes and royalties from Alpine over the life of the project. Tax revenue collected by the NSB will enable all of the villages on the North Slope to share in the project through needed capital improvement projects.

Other benefits to ASRC and its shareholders include the development of relationships with new players on the North Slope such as Anadarko Petroleum Company, a 22% working interest owner in the Alpine Field. In recent weeks an ASRC/Anadarko Exploration Agreement was concluded covering other ASRC lands located in the Central Arctic.

ASRC and its shareholders are committed to making Alpine a model development for the North Slope and Alaska. This means that Alpine will be state of the art in minimizing environmental impacts and in protecting the subsistence uses of our shareholders that reside in and near the oil field. It also means that we will be incorporating the best planning, construction practices and new technology in ways that are cost effective. And it also means training and using skilled local people to develop and operate the oil field.

Alpine is an important step in educating the American public and our critics that, on -shore, North Slope oil development can proceed in ways that are compatible with fish and wildlife and a quality environment. If ASRC, the State and the industry achieve our goals for Alpine, we will gain greater credibility and public confidence for leasing in NPR-A, in the Coastal Plain of ANWR, and in other prospective areas of the North Slope.

**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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# Regulators target non-point activities

*Shift in clean water policy took place several years ago*

By Andy Anderson  
Homer Soil and Water Conservation District

In a recent issue of the "Resource Review" there was an extensive article on the President's Clean Water Initiative.

This was an interesting article that suggested the clean water initiative was the beginning in the shift of direction for the federal government and the environmental community from a focus on point source to non-point source activities. This shift actually took place several years ago and on several fronts.

EPA began this shift by putting more focus on the state compiled 303(d) list, which is a point source list. They did this by placing streams on the 303(d) list that are limited by non-point source activities only, when by definition those streams should have gone on the 303(e) list. This is significant because those streams on the 303(d) list have to go through the TMDL (Total Maximum Daily Load) process while those on the 303(e) list don't.

At the same time several environmental groups filed lawsuits against EPA stating that they weren't enforcing section 303(d) in the states of Idaho and Georgia. This resulted in federal judges ruling in favor of the environmental groups and against EPA and the states. This means that a federal judge has ordered that Idaho and Georgia establish TMDLs for all their 303(d) listed streams, even those that deal only with non-point source activities. Since Idaho and Georgia lost; the same suits have been filed against several other states.

Another environmental group filed a lawsuit against the Forest Service stating that the agency could not issue grazing permits unless the rancher had a section 401 (point source) permit. In its argument, the environmental group argued that timber sales, road building and other non-point source activities will have to meet the point source criteria.

I wanted to recap this to get to my main point of water monitoring. Also mentioned in the Resource Review was the EPA 319 grant process and in particular the grant given to the Homer Soil and Water Conservation District (SWCD) and Cook Inlet Keeper.

These were two separate grants, one to Cook Inlet Keeper for its citizen monitoring program, amounting to \$52,000 and another for \$48,000 to Homer Soil and Water Conservation District to do water monitoring on the Ninilchik, Deep Creek, Stariski Creek and Anchor River systems. The SWCD has hired a water scientist and has established a technical review team to insure that sampling is done in a scientifically-verifiable manner, as well as having samples periodically checked by an independent lab.

The pressure will only increase on non-point source activities, as well as increased attempts to apply point source criteria to these activities. This is and will continue to be an area where a lot of emotional charges will be made against

*"The question is will those engaged in non-point activities become proactive and help groups like the SWCDs keep the debate based on sound science or will they place their heads firmly in the sand and allow the debate to be based on emotion?"*

- Andy Anderson

those who use natural resources, i.e. logging, mining, oil and gas and agriculture.

The reason the Homer SWCD applied for the 319 grant was to attempt to assess the health of these four watersheds so that the discussion could take place on sound scientific data and not on emotion.

Having worked in Idaho and Oregon on these same issues, I can tell you that if the discussion is allowed to be one of emotion and unsubstantiated charges instead of one based on sound, verifiable science, those interested in the use of natural resources will lose.

Right now no one is doing the monitoring and the discussion is one of emotion. Rather than complain about the lack of monitoring being done or about 319 grants being used in ways some deem questionable, the Homer SWCD decided to apply for a 319 grant to do the monitoring itself. It seems to me landowners, industry and other interested parties could work with local SWCDs to get monitoring done statewide.

The only interest the Homer SWCD has is the desire to see the debate take place around scientific fact and not on emotion. The reality is that the clean water debate has shifted from point source activities to non-point source activities. To use an old military term, non-point activities have become a target of opportunity. The question is will those engaged in non-point activities become proactive and help groups like the SWCDs keep the debate based on sound science or will they place their heads firmly in the sand and allow the debate to be based on emotion? The choice is yours. If the monitoring isn't done and the debate driven by sound science then everyone including the resource will lose.

*Andy Anderson currently administers 319 grant for the Homer Soil and Water Conservation District. He has worked for the Oregon Farm Bureau, the Rocky Mountain Oil and Gas Association and has served on the Governor's Clean Water Task Force in Oregon. He has also worked on a national coalition dealing with the reauthorization of the Clean Water Act.*



## Thoughts from the President by Allen Bingham

The much anticipated Alaska North Slope (ANS) gas project recently took a significant step toward becoming reality. In August, ARCO Alaska, Inc., Foothills Pipelines Ltd., Marubeni Corporation, Phillips Petroleum Company and CSX Corporation, through its subsidiary, Yukon Pacific Corporation, announced the signing of a new Sponsor Agreement.

The agreement calls for substantial permitting, engineering and commercial work through the year 2002 to advance the prospects for exporting liquefied natural gas from Alaska's North Slope to markets in East Asia. The sponsor group expects to spend \$100 million over the next four years.

The sponsor group includes representation from the ANS gas owners, international pipeliners, current Alaskan LNG players, permit holders, and a major trading house in the East Asian market place. The group's technical expertise, practical experience and diversity bodes well for its success.

For years industry has discussed the potential of bringing Alaska's North Slope gas reserves to market. Low commodity prices, technology shortfalls, tax disincentives and strong international competition, along with a

## ANS gas project is one step closer to reality

number of other factors, have kept the project from gathering momentum.

The past several months, however, have witnessed many changes in the formula needed to make the project happen. Perhaps the most important step was the passage and signing of the Alaska Stranded Gas Development Act by the Legislature and Governor Knowles.

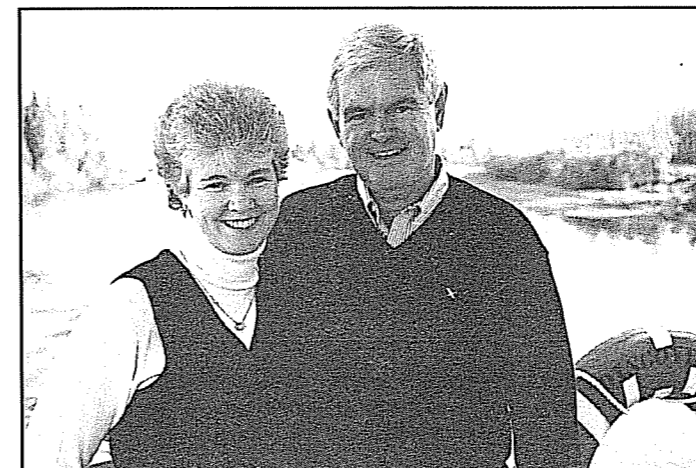
This important piece of legislation grants the Department of Revenue power to change the current "front-end loaded" tax regime to a more incentive based "back-end loaded" structure for any North Slope liquefied natural gas project.

Industry has reacted positively to the State's efforts to encourage an ANS gas project. The sponsor group's primary goal will be to significantly reduce costs and risks in many areas of the project. Industry's willingness to aggressively pursue this project is very encouraging for Alaskans and for our

state.

If Alaska's economy is to continue to mature and diversify, new projects must be continually pursued and developed. The oil and gas industry has assumed a leadership position in this effort. Enhanced oil recovery, development of satellite fields, construction of the MIX module at the Port of Anchorage, and now the ANS gas project are all examples of industry's renewed commitment to invest in Alaska.

The State of Alaska also continues to foster investment and economic diversity in our state. Governor Knowles and the Legislature have worked tirelessly to encourage development not only in oil and gas, but also in the mining and transportation industries. Without a doubt, Alaska stands to benefit greatly from the cooperative relationship between industry and state and local governments.



At left, RDC Executive Committee member Thyges Shaub joined U.S. House Speaker Newt Gingrich on a dinner cruise aboard the Riverboat Discovery on the Chena River last month. At right, Captain John Binkley, Alaska House Speaker Gail Phillips, the Alliance's Karen Cowart and RDC's Ken Freeman enjoy the evening. Gingrich's recent Alaska tour was coordinated by the Western States coalition. The riverboat dinner was sponsored by the Alliance. (Photos by Carl Portman)

# NPR-A

## RDC hopeful lease sale can occur early next year

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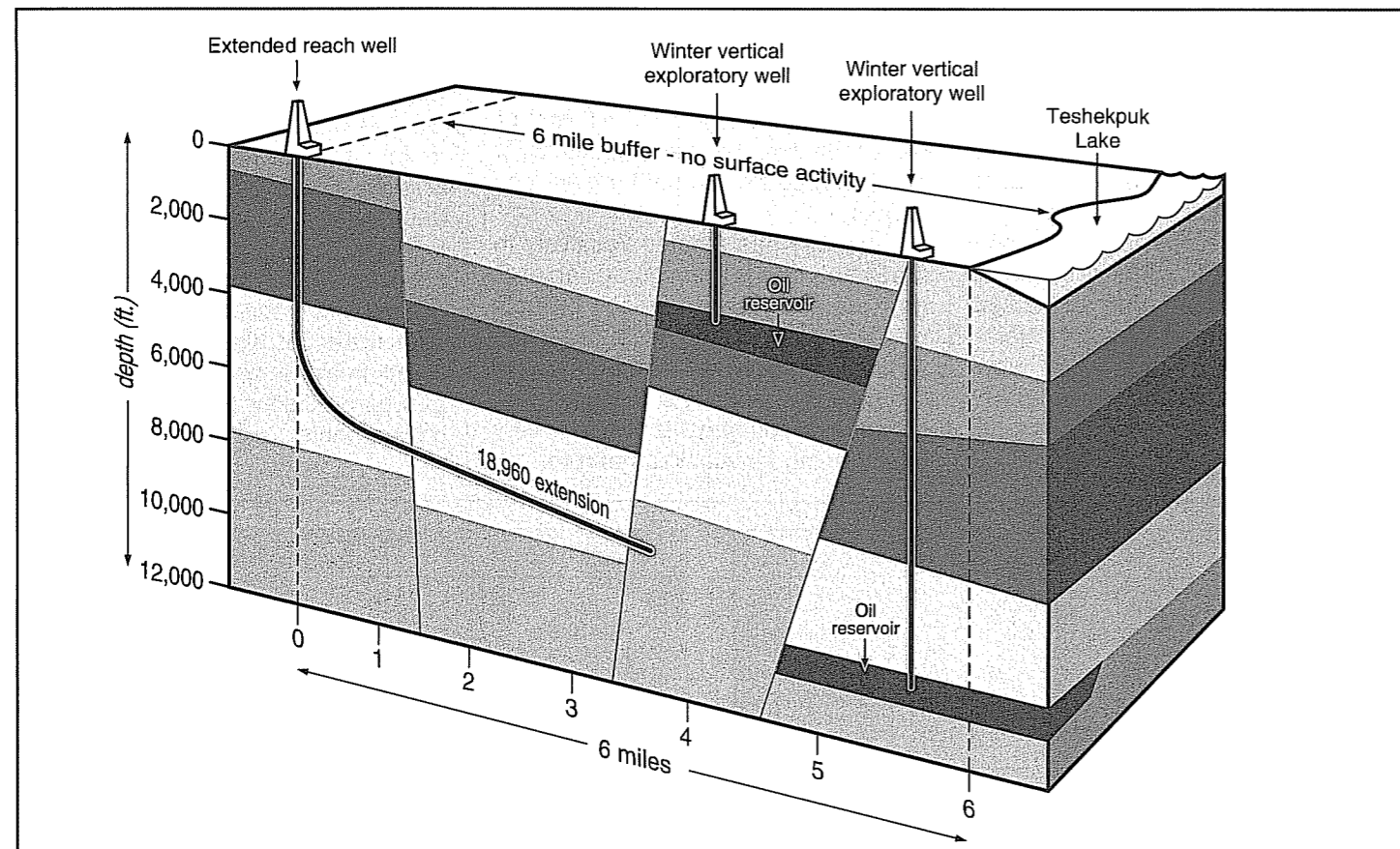
Last month the Interior Department announced its preferred alternative for leasing within the petroleum reserve. The proposal would make about 4 million of 4.6 million acres in the northeast corner of the 23 million-acre petroleum reserve available for oil and gas leasing. The department's plan, however, would bar leasing and development on 580,000 acres of sensitive wildlife habitat north and east of Teshekpuk

Lake. A six-mile buffer bordering the lake would be available for leasing, but no surface activity, including exploratory drilling, would be allowed. Oil could be recovered from a portion of the buffer with horizontal extended-reach drilling, but evaluation of oil deposits would be difficult without the ability to drill winter-only vertical exploration wells from the surface of the buffer zone.

The northern third of the proposed

lease area, a strip which lies within 25 miles of the coast, holds the most highly prospective lands for major oil and gas discoveries. Geologists believe that the Barrow Arch, the geologic fold that holds the Prudhoe Bay deposit, extends into the area. In fact, all of the producing fields on the North Slope are located within approximately 20 miles of the coast. Interior's preferred alternative would not only close much of those highly-prospective lands to leasing, it would also prohibit permanent oil and gas surface occupancy in other locations important for fish and subsistence use. Altogether, about one-third of the study area would be closed to surface development under Babbitt's plan.

Subsistence activities would be protected by a ban on oil and gas surface facilities around specific rivers and streams. The plan also restricts road construction to drilling units and estab-



Under the preferred alternative, the six-mile buffer zone bordering Teshekpuk Lake would be available for oil and gas leasing, but no surface activity would be allowed. The Interior Department assumes this area could be developed from surface facilities outside the buffer area, presumably through directional drilling techniques. However, the feasibility of using extended-reach drilling can only be established after exploration activities are conducted and target locations are identified through the drilling of vertical wells. Once a field is delineated, extended-reach wells can be drilled to specific locations for production. Vertical drilling also allows for better assessment of hydrocarbon accumulations that may exist at various geologic intervals which are encountered as a vertical well is being drilled. RDC has asked Interior to allow exploratory drilling in the buffer south of the lake.

*"Oil and gas leasing, exploration and development can take place in all areas of NPR-A without adverse impacts to the environment, wildlife or subsistence uses. Thirty years of environmentally-safe operations on Alaska's North Slope have proven industry's ability to operate without adverse impacts."*

**- Marilyn Crockett**

RDC Executive Committee member

lishes one-mile setbacks of no permanent production facilities around cabins and campsites. No interconnecting roads would be allowed in the petroleum reserve. The plan also contains 79 stipulations to fully mitigate impacts to wildlife and traditional uses.

RDC is enthusiastic that the Department of Interior is moving ahead with the process and is hopeful a lease sale can occur early next year. RDC continues to support competitive leasing in as much of the study area as possible and at the earliest opportunity.

RDC Executive Committee member Marilyn Crockett explained that advanced technology and the consolidation of facilities have substantially reduced industry's footprint in the Arctic and have made oil and gas operations on the North Slope the safest in the world. Crockett pointed out with careful planning and appropriate mitigation measures, healthy populations of caribou, geese and other wildlife can coexist with oil and gas development in NPR-A.

"Oil and gas leasing, exploration and development can take place in all areas of NPR-A without adverse impacts to the environment, wildlife or subsistence uses," said Crockett. "Thirty years of environmentally-safe operations on Alaska's North Slope have proven industry's ability to operate without adverse impacts."

While supportive of Babbitt's decision to re-open NPR-A to leasing, North Slope Borough Mayor Ben Nageak questioned the rationale which prohibits surface activity in some highly prospective areas.

"Following a detailed review of the draft EIS, the Borough proposed a comprehensive alternative for oil leasing within the NPR-A planning area which was based on sound science and

extensive local knowledge," Nageak said. "We believe that our Borough alternative would have allowed responsible exploration and development of onshore areas of high hydrocarbon potential, while preserving the environment and wildlife resources upon which our people depend."

The Borough applauded the Secretary's decision to provide heightened protections along key river drainages in the southern portions of the planning area, but found closure of the northern high hydrocarbon potential zone troubling. Nageak expressed particular displeasure with a prohibition on winter exploratory drilling in the buffer south of the closed area.

Industry has asked Babbitt to allow exploratory drilling during the winter in the buffer area south of Teshekpuk Lake. Since all exploration would be conducted in the winter from ice roads and pads, there would be no impact to

the tundra or fish and wildlife resources of the area.

Extended-reach horizontal drilling could recover oil from a portion of the buffer, but the application of the cutting-edge technology is for the recovery of an oil deposit that has already been targeted accurately by traditional surface vertical exploration wells. Extended-reach drilling is not only impractical in most exploration efforts, it is high cost and presents a number of technical challenges.

Moreover, because of its horizontal reach, extended-reach drilling could easily miss oil accumulations pooled at different levels beneath the surface. Vertical drilling allows for much better assessment of oil accumulations that may exist at the various geologic intervals which are encountered as a vertical well is being drilled.

Meanwhile, Governor Knowles has asked state biologists, geologists and economists to give Interior's recommendations close scrutiny.

"I think we can recommend some improvements to make some additional progress," Knowles said. "First, I want to hear again from the stakeholders and also to see whether adequate areas of high oil potential are being offered to make development economically feasible." Knowles noted Interior did not make any permanent withdrawals within the study area.

## Bering fishery feels pinch

By Stephanie Madsen

September is known as the month of transition and for communities involved in the Bering Sea pollock fishery this month marks the transition into the next season. The season, referred to as the pollock "B" season, started September 1.

Processors and fishermen had little difficulty settling on a price, but both parties believe this is a season where nobody will make any money. The price of six cents a pound is the lowest in recent memory and reflects continuing concerns over the Asian economy.

The news for crab fishermen is mixed. The Alaska Department of Fish and Game has announced the Guide-

line Harvest Levels (GHL) for the upcoming crab fisheries. Most GHLs are slightly lower than last year except for Bristol Bay Red King Crab, which has doubled.

Unalaska/Dutch Harbor maintained its status as the port with both the highest volume and the greatest dollar value of fish in the nation. Commercial fishermen brought in 587.8 million pounds of fish worth \$122.6 million. Despite landings at Dutch Harbor decreasing by \$4 million from the 1996 value, the Aleutian port netted the top landings slot for the tenth straight year. Kodiak held its rank as the nation's third richest fishing port in 1997, but fell to sixth place in terms of volume.