The future of Alaska and Tesoro are traveling the same road. With the completion of the $93 million expansion project at our Kenai Peninsula refinery, Tesoro is able to refine 80,000 barrels of crude oil per day, ensuring Alaska's continued access to top-quality petroleum products. And, up on the North Slope, Tesoro’s PEDCO division is working with Fraley Equipment to expand its services to that area. Wherever you live, and whatever your particular energy needs, we’re working for you. We’re Tesoro.

The North Slope oil fields are an important part of the range of the Central Arctic Caribou herd. Despite extensive development over the past 10 years, the herd has increased from 5,000 animals in 1975 to about 18,000 in 1985.

Despite a temporary surplus of oil on the world market today, energy experts have informed Congress that unless new fields are developed now, a future energy crisis will likely find the nation without a workable solution. In order to make the U.S. more self-sufficient in energy, we need to find more oil and gas reserves. The best way to do that is to select the places where large deposits of oil and gas are most likely to be found and concentrate exploration activities on those areas.

In Alaska’s northeast corner, the Arctic National Wildlife Refuge (ANWR) is the hottest onshore prospect in the nation for significant new oil discoveries. Geologists have found structures within ANWR which indicate great promise for significant discovery of new resources. Geologists believe several of the structures on the coastal plain of ANWR could contain large quantities of oil, perhaps as large as some of the giant Prudhoe Bay fields.

Lying between Prudhoe Bay and the Canadian border, the coastal plain of ANWR spans some 1.5 million acres, which is only a small part of the total reserve which has about 18 million acres. The area is notable for its tremendous oil potential and its wildlife values. The coastal plain is on the migration route of the Porcupine caribou herd and is home for other Arctic animals, including the Arctic fox, polar bear, and various migratory birds. Some environmentalists want the federal government to manage the entire coastal plain as a wilderness area. If exploration wells

(Continued on page 4)
Alaskan's favor reduced spending, new state survey confirms

A recently-released survey by the Finance Committee of the Alaska Senate concluded that, by a large margin, Alaskans support the idea of reducing state spending rather than finding additional sources of income. William W. Hopkins, executive director of the Alaska Oil and Gas Association, noted this parallels the results of an earlier statewide study performed by AOGA.

The Finance Committee survey indicated that 53 percent of the respondents supported a reduction in state spending as a solution to the state's falling revenues, while 31 percent preferred measures to increase state income. In the AOGA study, 68 percent wanted to see spending cuts as a solution to declining revenues compared to 17 percent who preferred increasing taxes.

Substantial percentages of both samples supported a state sales tax and a personal income tax as sources of additional state revenues.

Both surveys also addressed various methods to increase the state's income, although the surveys did not have an identical set of choices.

Governor, RDC agree on 7-point program

The Resource Development Council and Governor Bill Sheffield have agreed on a seven-point plan for the Alaska Legislature to advance Alaska's agriculture industry. The Council has asked its statewide membership as well as other organizations concerned with the continued viability and expansion of Alaska agriculture to support the platform.

In recent correspondence to Paula Easley, Executive Director of RDC, Governor Sheffield noted that the Council's platform would be a vital part of his administration's program for agriculture. The Governor said he sees the development of the agriculture industry as an important part of diversifying the state's economy.

The proposed platform calls for support of pending legislation to allow production credits and the restructuring of farm debt. Other points of the platform range from splitting agriculture tracts to allowing farmsteads on new tracts, to the formation of commodity associations. The platform also supports a "Grown in Alaska" marketing campaign and adoption of legislation mandating the use of local food products by state agencies.

The Council's priorities do not require new state funding, and in the long-term encourage the development of marketing efforts from the state to the private sector.

"A "white paper" detailing the seven-point plan explains that a production credit program would relieve the debt load on Alaska's farmers without requiring additional state funding. The program would allow farmers, stockgrowers and dairymen to deduct a percentage of their gross annual production from interest payments on state loans. Production credits would apply only to interest and not principal.

The Council's platform also urges support of a concept included within pending legislation that provides for restructuring farm debt. By executing flexible policies, government can help farmers overcome problems in debt payment schedules due to production risks inherent in the industry, the Council notes. With current emphasis on building an insate agriculture industry rather than a worldwide ecnomic industry, the Council stressed that it is imperative that those farmers who acquired large parcels from the state for export production have the flexibility to reduce the size of those holdings if it makes economic sense to do so. Such a move would encourage development of the state's agriculture resources, prevent economic waste and protect interested parties.

The split portion must be of sufficient size to allow for an economically viable farm unit. It also noted that no more than one farmstead should be maintained on the resulting parcel.

In its fourth point, the Council pointed out that the formation of commodity associations would not necessarily require state funding since it would be managed by farmers.

Commodity associations are units formed by producers to aid their marketing efforts.

Who owns the land?

The wise management of land is necessary to meet present, near-term future and long-term future needs. Adequate supplies of forest, food, minerals, water, space for people to live, work and recreation must be provided.

To gain information for an article dealing with public perceptions on land use, we would like your "off-the-cuff" response to the questions below. Mail your response to us by February 28 so your answers can be included in the tabulation. The answers will be published in the March RESOURCE REVIEW.

1. What percent of land in the United States do you think is used for settlement, commerce, industry and mineral production, transportation, water storage and other consumptive uses? %

2. What percent of land do you think is used for agriculture and forestry, including rangelands? %

3. What percent of land do you think is devoted to non-consumptive uses (parks, wilderness, glaciers, deserts, wildlands and water)? %
Another problem facing the industry is the state's system for selling timber. The RDC report pointed out the state's system is labor intensive and very inefficient. The key to the management of timber as a renewable resource is making sure that the resource is renewed, Tindall said.

To solve these and other problems, including permitting, stumpage, development requirements and loans, RDC is urging the state to implement Forest Management Agreements (FMAs), a process used with success in the Canadian province of Ontario.

FMAs would contract forest management, including harvesting, road building and reforestation, to private companies. The agreements replace the policies of government with contractual agreements beneficial to both parties. The contracts contain stiff penalties for poor performance and incentives to stimulate good performance.

The greatest reported gain from the FMAs is the integration of timber harvesting with reforestation, which is proving successful, and providing for a larger annual timber harvest in Ontario.

The results of the Ontario FMAs have been overwhelmingly positive with greater timber cuts, increased employment opportunities, greater public use of forests, more timber generation for future harvests and less money spent by government to oversee the process.

RDC stressed that the process does not lessen state control over the land. It obligates the operators to meet the forest management goals set in the contracts. The operator manages for new timber and industry in Alaska. For over 50 years, long before Alaska became America's 49th state, he watched the state mature and grow through the development of its abundant natural resources.

In his 69 years in America's last frontier, Dr. Beistline considers his biggest Alaskan accomplishment that of developing excellent educational programs at the University of Alaska focusing on mining and mineral extension services.

RDC board member Dr. Earl H. Beistline talks from experience when he discusses roadblocks to the establishment of new business and industry in Alaska. For over 50 years, long before Alaska became America's 49th state, he watched the state mature and grow through the development of its abundant natural resources.

In his 69 years in America's last frontier, Dr. Beistline considers his biggest Alaskan accomplishment that of developing excellent educational programs at the University of Alaska focusing on mining and mineral extension services.

For nearly four decades, Dr. Beistline played a major role in developing the University of Alaska's mining education programs at the Fairbanks campus. One of his most satisfying accomplishments was the initiation of a degree program in petroleum engineering and overcoming other problems to allow the formation of the Tanana Valley Community College.

When Dr. Beistline retired three years ago as Dean of the School of Mineral Industry, he vowed to remain active in helping solve the problems that confront the development of Alaska's minerals industry.

Today he lends his time and expertise to organizations such as the Research Development Council, the Alaska Miners Association and the Alaska Resource Policy Coalition.

Dr. Beistline believes the greatest threats to the expansion of Alaska's mineral industry are "unreasonable environmental regulations and laws that are detrimental to initiation of new projects." Transportation, access and taxation are important factors in new industry operations, adds Dr. Beistline.

Dr. Beistline believes the greatest threats to the expansion of Alaska's mining industry are "unreasonable environmental regulations and laws that are detrimental to initiation of new projects." Transportation, access and taxation are important factors in new industry operations, adds Dr. Beistline.

The Resource Development Council in a presentation to the Senate Finance and Natural Resources Committee January 27, 1986, launched a new campaign to convince industry leaders, state officials and the legislature to unite under RDC to work with industry to solve the problems that confront Alaska's economy.

"The Resource Development Council must continue its work of identifying problems detrimental to resource development and work with other organizations, private and public, and government, to solve problems and present the case for resource development and economic stability," Beistline said.

"Educational programs directed at the general public are essential," Dr. Beistline said. "The Resource Development Council Board of Directors for seven years and is a member of the Council's Lands and Renewable Resources Division and the Minerals and Energy Division.

RDC recommends forest management agreements

(Continued from page 3)

The U.S. Forest Service has admitted that its settlement agreement with environmental groups over the Chugach National Forest Plan appeal does not encourage the growth of a viable timber industry in the nation's second largest national forest.

In replying to a strongly-worded letter from Joseph Henri, President of South-Central Timber Development, Inc., Regional Forester Michael A. Barton said there is a need for sustained timber offerings in the Chugach that will support a regenerated timber industry. Barton argued the settlement does not allow sufficient opportunity to encourage timber industry growth.

However, Barton noted the reduced timber volume of the settlement agreement is preferable to no volume if the Forest plan were flied and the environmentalists were satisfied.

Foresters have estimated the annual sustainable yield of the Chugach National Forest at approximately 47 million board feet. The Forest Service had initially proposed an annual cut of 17 million board feet, but later slashed it to 8.6 million board feet as part of its agreement with environmentalists.

Private foresters believe the annual cut is far too small to encourage a viable timber industry in the forest, let alone a good forest industry.

South-Central Timber Development blasted the Forest Service for the small allowable cut and for failing to make Martin River timber, which is said to contain some of the best trees in the Chugach, available for sale.

In defending his position, Barton said the Martin River timber stands are not economical to develop. He said the only way Martin River timber could be considered economically suitable is if a road connecting the Bering River Coal Fields to the Copper River Highway is constructed. Without such a road, Barton said it is unlikely the timber harvest could sustain the costs of road construction necessary to provide the needed access.

Although the pioneering trail is risky and not for the faint hearted, its rewards can be overwhelming. For our young country is a land of pioneers and perhaps our state is the epitome of that activity.

Alaska's youthful population has the opportunity to move forward with vigor in addressing the issues that concern us and participate in the development of Alaska's resources.

Relatively free from the normal constraints of high population and heavy industry, our pioneers should be allowed to develop the methodology and technology that will lead to preparation of Alaska's abundant resources. Although the pioneering trail is risky and not for the faint hearted, its rewards can be substantial in terms of economic and national progress. Let us then commit ourselves to a pioneering spirit and get on with our mission.
Refuge is hottest onshore prospect

(continued from page 1)

dried, and if oil is found, the wildlife need not be seriously affected.

Although some environmentalists opposed development on the North Slope for 15 years, the North Slope Caribou herd, which has been carefully managed by the Alaska Department of Fish and Game, has successfully coexisted with oil operations. In the spring the herd calves in close proximity to oil field operations. In some cases, numbers lie under or move about the buildings and large groups can be seen moving through the oil fields to the coast to escape the mosquitoes.

The North Slope oil fields are an important part of the range of the Central Arctic Caribou herd. The herd has increased from about 5,000 animals in 1975 to about 18,000 in 1985. In recent years the herd has increased at a rate of about 15% per year, which is about as good as any herd in Alaska.

The Alaska National Interest Lands Conservation Act of 1980 charged the Department of the Interior to study ANWR's energy potential and wildlife values to help Congress decide whether to open the coastal plain to oil and gas drilling. The information and recommendations in the report will be submitted to Congress in September, and environmentalists will be lobbying Congress once again to prevent any oil development, regardless of the results of the Interior Department's excellent track record in the Arctic. As required by law (ANSHA and ANILCA), the Interior Department is requesting nominations for areas to be assessed privately within refuges across Alaska in preparation for possible land exchanges. The Administration is the primary landowner of ANWR. Several Native corporations have proposed exchanging some of their land for land managed by the federal government. Land exchanges would enhance fish and wildlife management across Alaska by allowing the government to acquire Native inholdings within wildlife refuges elsewhere in Alaska. The proposed exchanges would result in improved protection of fish and wildlife habitat under the Agency's management, since land of equal value would be traded, and refuges in Alaska cover over 47 million acres, and 12 to 15 million acres are inholds of regional and village Native corporations.

ANWR has the potential to provide jobs and income. However, he warned that there are some in Alaska government who are opposing the proposal by adding to already-heavy tax burden. The Interior Department has ripples that extend to every Alaskan. Governor Heinz pointed out that New York state has taken an aggressive role in creating jobs and strengthening our private sector economy. In New York state, government knows that the only lasting and productive economic growth is growth through the expansion of private sector employment.

ANWR will bring the biggest summer seafarer ever and the largest construction year yet to the North Slope. Oil companies say such activity is the result of a stable tax climate, adopted by the legislature in 1981.

State, oil companies share common interests, opportunities and challenges

With over 40 percent of Alaskan finances based on oil production, America’s largest energy company and one of the nation’s number of common interests, opportunities and challenges.

Larry Smedley, Area Manager of Exxon Alaska Operations, said that declining worldwide oil prices have considerable impact on both the state and his industry while future development of Alaska’s resources offers great potential for both.

However, to realize this potential will require that both Alaska and the oil industry remain strong during difficult times, Smedley told delegates attending the Alliance Meeting Alaska conference January 19.

Smedley, who observed that state annual operating expenses have ballooned from about $500 million ten years ago to $2.2 billion today, Alaska spending is the highest in the nation, Smedley said, at a level of almost $8,000 per resident — five times the national average.

With the outlook for Prudhoe Bay production declines in the next couple of years, and falling worldwide oil prices, Smedley issued a plea to reduce government spending to a sustainable level.

Some existing tax laws are providing the state a very large share of oil production revenues. He explained that a recent Alaska Department of Revenue study revealed Alaskan’s share of net oil production revenues after costs are deducted have increased by 80 percent since 1984.

ARCO Alaska President Harold Heinz warned that increasing taxes on the oil industry would likely result in state companies having to cut back operations.

New York’s economic progress, it has been encouraging productive economic growth, and Heinz stressed, "The last thing we need is an increased tax burden, which would not only cut deeply into the amount of money available to invest in new projects, but would also send a signal to the investment community that Alaska is a risky place to do business. Besides providing 50 percent of the state income, the oil industry also provides jobs for much of every four Alaskans. The direct and indirect impact of oil revenues and employment has ripple effects that extend to every Alaskan.

Among other programs and projects, oil revenues fund new schools, roads, hospitals, fish and game programs, boat harbors, highways, airports and recreation facilities.

Heinz noted that his industry has invested over $90 billion in Alaska since the discovery of oil 30 years ago on the Kenai Peninsula.

"For my company, that means we have invested in Alaska more every year than we have taken in net profits," Heinz said. "That is a superfluous example of good corporate citizenship.

ANWR task force to meet

The Resource Development Council is forming a task force to work on issues surrounding potential oil and gas development in ANWR. The first meeting of the task force will be held February 16 at 4:00 p.m. in the RDC conference room at 807 G Street, Suite 200. U.S. Fish and Wildlife Service officials will be present to deliver a briefing on the status of various programs associated with ANWR and some of the issues to be resolved in the future.

The Resource Development Council encourages members with interests in this highly volatile and important topic to join its task force and help RDC develop and advocate a thoughtful, comprehensive position.