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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."

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)
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.

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

HB 383 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 legislative process. Both projects were part of the 1998 Alaska State Legislature and the Knowles administration for a job well done in promoting resource development and a stable and growing economy.

Resource Review is the official periodical published by the Resource Development Council (RDC) of Alaska, a 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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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.

“Join us as we turn Ketchikan wood fiber into home building products to meet the critical need for increased economic viability of the region,” said Sealaska President Bob Loescher.

Fairbanks showcases meeting facilities

The spring RDC’s Steven Dougherty was the guest of the Fairbanks Convention and Visitors Bureau for a Meeting Planners and Family Reunion Coordinator, Lisa Plaunosa from the FCVB coordinated the two-day event, focusing on Fairbanks area hotel and convention facility. Some of the stops included the Captain Bartlett Inn, Fairbanks Princess Hotel, Wedgewood Resort, River’s Edge Condo and Tanana Condos. Special thanks to the newly remodeled Westmark Hotel for hosting the entire group of guests, as well as Frontier Flying Services for a spectacular flight to Anaktuvuk Pass, pictured at left.

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 in 50 percent of the 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 most spruce trees that 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 an annual survey. Burnside estimates 2.3 million acres are in this condition as a result of the spruce beetle activity that has continued for 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 Kenai to the Turnagain Arm 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.

The beetles have depleted most of the spruce stands in the Copper River Valley and many side drainages remain under attack. Beetles have also been more active in the Susitna River Valley for several years, although the loss of spruce will not be as devastating due to the mix of hardwood.

Burnside predicted beetle activity is not yet over, however, he does not expect beetle populations this summer to reach the 1996 level of 1.13 million acres infested.

Michael Fastabend, a forestry program coordinator with the Alaska Cooperative Extension Service, explained that recently mild winters and dry springs have created ideal conditions leading to the current outbreak.

“Unless we get a couple of wet springs and summers in a row, we will probably see this outbreak continue until the beetles kill available non-protected large diameter spruce in areas under attack,” Fastabend warned.

Fastabend said that on a landscape level, the intensity and duration of the spruce beetle outbreak is unprecedented in scientific literature or known historical record.

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,” said Tom Allen, BLM-Alaska Director. Many Alaskans and North Slope residents said they did not want any prosperity or development 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.

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Alpine’s footprint minimal
(Continued from page 5)

Arctic environment.” Brown noted for six years ARCO
developed a baseline of the wildlife and
could be affected by development of the Alpine oil field, of which
less than 0.2 percent will be affected by develop-
ment.
“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 disturbances.

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.”
Meanwhile, the suit seems designed more to delay the creation of
hundreds of jobs across Alaska and
delaying the state and the North Slope Borough Council from collecting
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
was awarded the construction of three horizontal, directionally-drilled, cased pipeline
crossings 100 feet below the Colville River. A gravel pad from which
drilling operations will occur has already
been constructed. Pipeline construction,

Asian economic crash

Downtown 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 Expo and Conference on
Konica 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.

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

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 in favor of the proposed Cook Inlet Areawide Oil and Gas Lease Sale deserve a
hardy pat on the back. Those testifying
favor of the lease sale outnumbered opponents by a 3-1 margin at the
Anchorage hearing. The ratio was even more impressive in Seldovia 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 per-
cent of the state’s total unrestricted
revenue, money that helps pay for edu-
cation, 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
continuation of Southcentral Alaska’s economy. A stable and
growing source of employment, taxes, and
royalties, the industry helps keep
Alaska competitive in the national
market. Alaska’s competitors are
resource-rich countries abroad with
huge natural gas reserves that help keep
them competitive.

It is important that all RDC members
participate in this process.

Legal Foundation, said Sedwick’s order
amounts only to a temporary victory at best
for environmentalists.

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The decision will require the Corps to
goto the Injunction April 30 in response to a
lawsuit by several Alaska and national
environmental groups.

Sedwick ordered the Army Corps of Engineers to
suspend a nationwide general permit that
would allow developers to construct gravel pads for
creosote treatment facilities.

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.

Sedwick said the 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
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the Alpine project is an example of 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 a 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. ARCO Alaska, Inc., the developer of "The Alpine project has undergone detailed and intensive review by state and federal agencies to ensure that it includes as 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."

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 resulted in 55 lease stipulations of oil and gas development were also included in the permit. The Kuukpik Corporation also has control of the development," said Lanston Chinn, General Manager of Kuukpik. "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 landscape."

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.

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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 wall-house from one of two Alpine drill sites. (Photo by Aaron Weaver)