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Evolving arctic oil technology
Development footprint becomes vanishingly small in Alaska

Because of major advances in oil field technology and design, the "footprint" of future energy development in the arctic will become vanishingly small, ensuring that alteration of land will be minimal and disturbances to wildlife can be avoided in almost all cases.

A new brochure released by Standard Alaska Production Company and ARCO Alaska, Inc., details numerous advances in oil field technology and design that will minimize the impact of oil development in frontier areas.

Made possible through the operating experience of the four existing North Slope oil fields, the footprint of future development in the arctic is expected to be drastically smaller than in the Prudhoe Bay region, an area accounting for 25 percent of domestic oil production.

"Over the years, important strides have been made in drilling and production technology that have reduced the amount of land needed for oil field facilities," the brochure says. "This evolution in technology minimizes the 'footprint' of oil activities and is important as we look to the future and consider development on the Coastal Plain of Alaska's Arctic National Wildlife Refuge (ANWR)."

Representing five percent of the state of Alaska, ANWR covers some 19 million acres. Only eight percent of the refuge, the Coastal Plain, is being considered for oil and gas leasing. Of that small part, less than one percent of the surface area would be affected by development.

For some 30 years, the oil industry has been exploring and operating on Alaska's oil-rich North Slope. For the most part, state and federal regulators believe the industry has conducted responsible, environmentally-sound operations. In fact, some call (Continued on page 4)
15th Legislature ends with little accomplished

Ecological development bills fail

By Mike Abbott, Projects Coordinator

Despite a generally perceived mandate for ecological development legislation, the 15th Alaska legislature passed virtually nothing that would have accomplished the major new resource development activity. The vast majority of the legislative proposals, generated as a result of the publication of RDC’s New Strategies for Advancing Alaska’s Economy, 1988-89, either failed to reach the floor of both houses or were rendered ineffective before passage.

There were few highlights in the 1987-88 sessions. In 1987 legislation allowing AIA to take part in important forest ventures died in committee. In 1988 the RDC supported alternative sawmill proposals after the House Ag. Division initiated this concept and was instrumental in securing existing support programs or advisory comments for the U.S. Congress. When the legislature had the opportunity to take bold action and give Alaskans an opportunity to lead the state into new markets and development strategies, it failed miserably. In 1988 we were among the first to attempt to reform the Workers’ Compensation issue to the benefit of employers and employees. After inordinate delay the legislature also passed joint resolutions in support of reasonable positions on the Arctic National Wildlife Refuge and Tongass National Forest.

These, however, were either relatively minor modifications of existing support programs or advisory comments for the U.S. Congress. When the legislature had the opportunity to take bold action and give Alaskans an opportunity to lead the state into new markets and development strategies, it failed miserably. The 1988 session saw the beginning of the development failure of the 15th Alaska legislature. Farming seafood products are clearly going to increase their already significant economic importance in the state’s development equation. Although not all companies have felt the effect yet, let us remind the reader that the Alaska Banana Company’s renewed investment, brought about in part by the ELF, is enjoyed by everyone — when not so good, we suffer together.

5th Alaska Legislature fails short ...

The Economic Limit Factor

Trickle-down theory at work

By Randy Goodrich

RDC Board Member

There has been a lot of talk about the "big" profits the oil companies take out of Alaska. Mr. Ericksen of the State’s Office of Management and Budget spoke of this at a recent RDC annual forum on the ELF. As I listened I could not help but feel he was not telling the whole story. I believe the full story involves more than just the oil companies profits and their direct investment into the Alaskan economy. It is the effect that their presence, investment, and influence have on legislative process and policy creation.

RDC’s proposals to implement statutory teeth to enforce a strong Constitutional multiple-use mandate for state land management ended up without many teeth. RDC proposed legislative review of oil and gas lease allocations, more specific description of the phrase “multiple-use.” As they traveled through the process; these proposals became so watered down they hardly mattered and even then they didn’t pass.

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The various layers of our economy will be affected at different times. It was a good thing that the Senate was able to prevent the repeal of the ELF. We believe it is critical not to upset this "rebound" by not having a strong ELF in place. We must continue to renew the ELF this cycle. To leave it alone and allow the system to work will lead to increased activity at all levels of the economy. The "trickle-down" theory does work. When times are good, the harvest is enjoyed by everyone — when not so good, we suffer together. Temporary "bailout" schemes and other "unnatural acts" will not lead to any permanent rebound. Only changes in the market factors affecting our primary industry along with a stable and fair tax and regulatory environment will bring about a revitalization of our economy.

Finally, Alaska is a resource state. Anyway we can help the resource industries to develop the resources in a responsible manner, it will not only increase their activity but also the activity of most other Alaskan companies. This "trickle-down" effect equates to more jobs and that is good for ALL ALASKANS!
Gold mining of Nome

Coal royalties... (Continued from page 3)

he said an increase of this magnitude could discourage investment throughout the industry.

Until last year, Usibelli had been paying a fixed rate. This rate was set when the land was owned by the federal government. The area was subsequently selected for leasing by the State of Alaska and the original royalty rate retained until renewal of the lease.

The 1982 regulations adopted by DNR require mining companies to pay 5% of adjusted gross value. When DNR renewed Usibelli's two main leases in mid-1987, the royalty rates jumped ten-fold.

If Usibelli is to continue coal development or if the lease cannot be operated profitably at present royalties levels.

This is the first time the state has dealt with a request for a coal royalty reduction. Although no language exists in law for coal royalty reductions, DNRL does have the authority by regulation.

State officials say they turned down Usibelli's request because the company did not have the specific leases involved, and only used an argument that the reduction would promote development.

Sims vowed to work through the state's appeal process to turn the decision around. He has gained the support of the Resource Development Council, which believes an increase of such magnitude in royalties will not only discourage new development opportunities at the Usibelli mine, but threaten existing contracts and reduce the economic viability of the operation.

The Council believes a smaller increase such as that petitioned by Usibelli should be granted and remain in effect for several years to demonstrate stability in government royalty charges. The lower rate, the Council argues, would allow Usibelli and others to continue to pursue exploration in order to expand their operations.

Thoughts from the President

by Joseph R. Haner

A recipe for resource development

Kenichi Ohmae, prominent Japanese industrial policy consultant, recently told us that the growth of emerging economies depends upon the principles for the development of "Third World Countries," especially in critical areas such as the allocation of natural resources. He describes one such area as the need to allocate natural resources in a manner that allows for locally-identified development with a positive impact on the national economy.

Mr. Ohmae is wise in the ways the world works. His list of general directions will well serve as guidelines for developing the 13th state.

1. Emphasize education above all, but do not treat the educated as a special privileged group. Teach them to become leaders rather than elites.

2. Select only several priority industries with which to establish effective and productive infrastructural support sequentially over time, encompassing both downstream and upstream operations.

3. Separate import-substituting industries from export-build-

4. Use taxpayers' money for building a statewide intras-

5. Paying an average of 7.5 cents per ton while the state's new struc-

6. Encourage indigenous entrepreneurs, because the long-

Coal from the Usibelli Coal Mine is transported by the Alaska Railroad to the Port of Valdez, where it is loaded aboard large carriers for the journey to Korea.

Usibelli Coal Mine is a small operation and lacks size to achieve economies of scale. The current development level does not encourage companies to expand production and secure new export sales, according to John Sims, Vice President of Marketing at UCM. According to Sims, it costs about $250 per ton to ship coal from the Port of Valdez to Korea, but only $200 per ton to ship coal from Korea to Japan. The cost of transporting coal from the Port of Valdez to Korea is prohibitive for smaller operations.

Sims said the company is pursuing additional sales opportunities with the US navy, which contracts with companies to provide coal for power plants and other uses. The company is also exploring the possibility of expanding its operations to other areas in the US and Canada.
Advances in Arctic petroleum development

(Continued from cover)

the North Slope oil fields a model of careful development and an example of evolving technology.

Numerous studies have enhanced industry's understanding of the land, and show no conclusive evidence of significant impacts. The industry is heavily regulated and has a serious commitment to continue research and monitoring activities of its operations.

New Technological Advances

As a result of improved drilling technology, the size of new well pads has dramatically reduced. In the arctic, wells and facilities are placed on gravel pads to insulate the permafrost from thawing.

Through the use of directional drilling, many wells can be drilled at high angles from a single pad. As a result, drilling technology continues to be refined with an ever increasing number of wells on a single small pad.

Other major advances include new drilling rigs which can drill the arctic without the need for ice roads. As a result of new technology, pads can be drilled as little as 10 feet apart on some pads.

As a result of the new technology, pads containing twice as many wells and covering less than half the acreage can be constructed in field development.

As with drilling technology, a decade of production experience has led to the development of new equipment and refinement of facilities. Recently, efforts to redesign the production facilities at Prudhoe Bay showed the same facilities could be built today using half the surface area.

Industry has also made great strides in consolidating support service centers. The existing service area at Prudhoe Bay covers over 1,000 acres, but the new service center for the Kuparuk field (the second latest oil field in the U.S.) occupies only 55 acres. In ANWR, support services and facilities can be consolidated to create a significantly smaller footprint as was done at Kuparuk.

As a result of new technology, the visual impact of oil development on the broad, flat treeless Coastal Plain will be extremely small. By drilling many more wells from much smaller pads, consolidating support services and using the latest production equipment, the area required for well pads, production facilities and service centers will be reduced by at least 50 percent or less in operation at Prudhoe Bay.

Environmental Considerations

This is good news for a nation seeking desperately-needed new supplies of domestic crude in an expansive wildlife re-

fuge. Each summer, thousands of shorebirds, waterfowl and caribou migrate to the arctic where they feed, reproduce and rear their young in both developed and undeveloped areas of the North Slope.

To minimize wildlife and habitat disturbance from oil development, industry is required to incorporate environmental considerations into facility planning, design, construction and operations. Before facilities are built, many environmental studies are conducted. Maps are prepared showing drainage, soil types and vegetation, and bird and caribou studies are performed. This information is used to ensure that areas of high value to wildlife are avoided.

Studies show that negative effects on wildlife have been minimal. Positive effects are documented. For instance, since the early 1970s, the caribou population in the Prudhoe Bay region has increased five-fold. Birds continue to feed and nest within development areas. Constant monitoring and research have provided no evidence that oil development has had any but positive changes in size of any North Slope wildlife population at any time of the year.

ANWR spans just 5 percent of the state of Alaska. Only eight percent of ANWR is being considered for oil and gas leasing. Of that small part, less than one percent of the surface area would be affected by development.

ANWR bill passes, but battle looms

Alaska's struggle to open a tiny fraction of the Arctic National Wildlife Refuge (ANWR) to oil and gas leasing is now shifting to the House of Representatives. A Special Affairs Committee of the House Merchant Marine and Fisheries Committee voted 28-13 to open the refuge to development.

The committee's non-justified plans to waste for a new president and Congress, it also beat back a series of amendments to position the leasing until the administration taking office next year can formulate a new national energy policy that emphasizes strict conservation measures. Hill's winning vote was crucial; a congressional decision on leasing within the refuge would have been put off until the early 1990s. Drilling advocates stress that conservation alone cannot solve the nation's domestic energy shortfalls and that new oil from ANWR will be needed in any case.

The legislation to open ANWR to oil drilling, crafted by House Merchant Marine and Fisheries Committee Chairman Walter James, is now before the Interior Committee, where environmentalists have their best chance of derailing the bill. That panel, chaired by Representative Morris Udall of Arizona, plans a round of public hearings tentatively set for June 7, 8 and 9 in Washington, D.C.

In preparation for last minute Senate action, Alaskans are working hard to convince a dozen undecided senators to support ANWR drilling. There are about 34 sure votes in the Senate now to open the Coastal Plain to development.

If the legislation emerging from the House is passed, it is similar to an earlier bill passed by the Senate, a compromise bill may be able to work out a compromise bill before Congress adjourns.

Send a letter

Urgc key congressmen to open ANWR to development

House Committee on Interior and Insular Affairs

Mo Udall, Chairman

Executive Director's Message

(Continued from page 2)

challenge. Those formidable hurdles cost dearly to overcome, and even more dearly if we ignore them.

To provide a glimpse of RDC operations on behalf of sound resource development in Alaska, I hope each of you will reflect on the following. We are discussing one of the many problems -- or the solution -- to the problem. Help RDC flourish. Our strength is our membership. To the extent you can help that membership grow, our political and working case-laws would be greatly expanded.

RDC is working to educate Alaskans on the political, economic and resource education. Our work is before us and your support, financial and otherwise, is vital to our success.

Mo Udall, Chairman

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Appendix A

Environmental Considerations

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