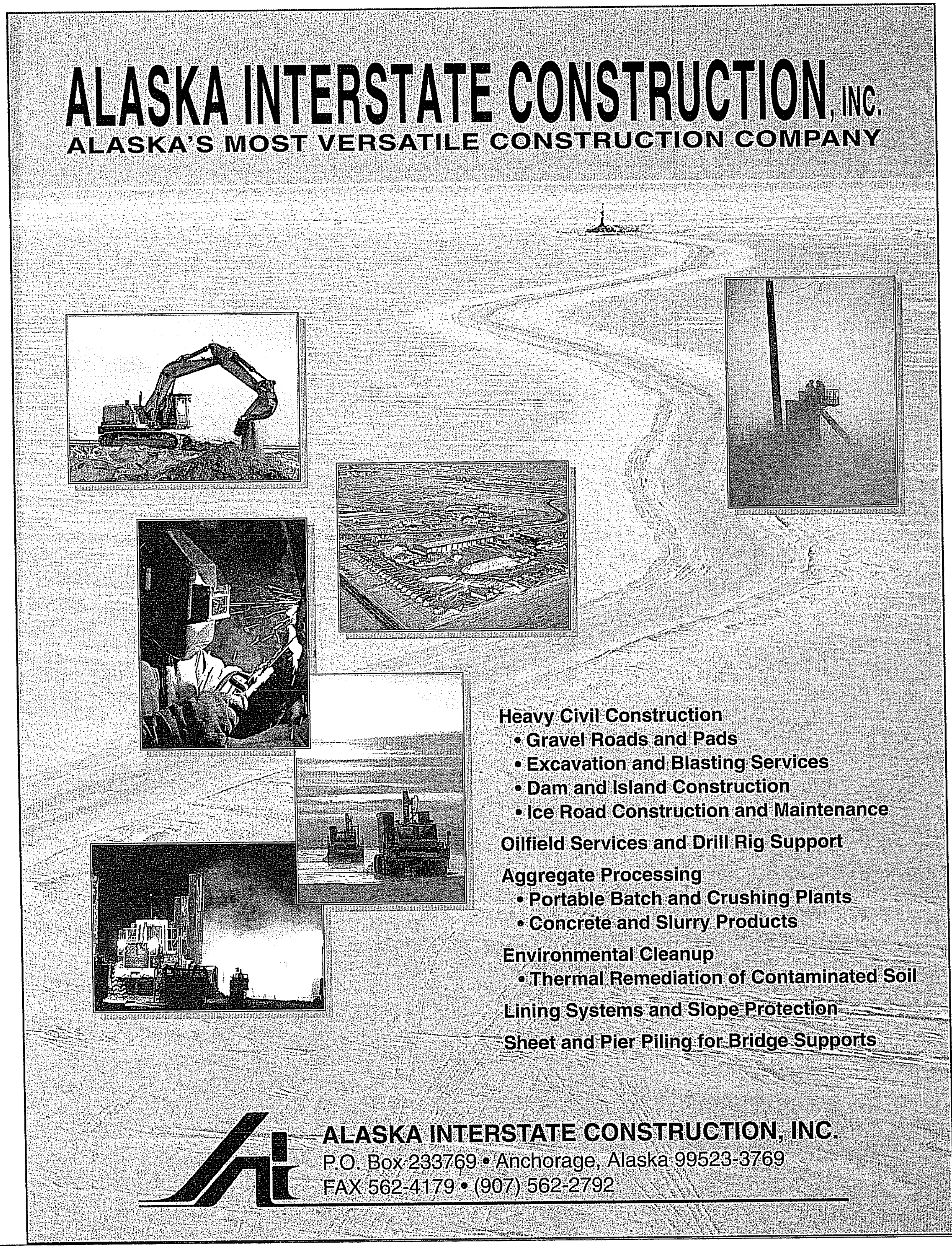

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Resource Review

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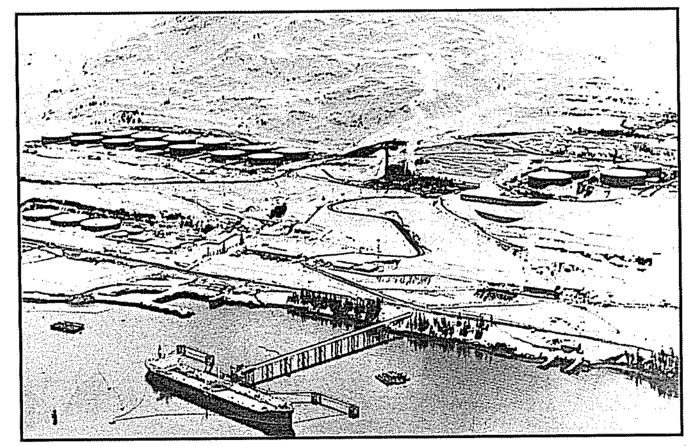
Energy study outlines benefits of lifting North Slope oil export ban


About 1.6 million barrels of oil from the North Slope are transported daily to U.S. markets from the Port of Valdez.

A long-awaited study by the U.S. Department of Energy has found that lifting the ban on the export of North Slope oil would create 11,000 more jobs for American workers while leading to higher revenues for Alaska, California and the federal government. The 126-page analysis also forecasts greater investment in the domestic oil industry if the export ban is lifted.

All of these economic and energy gains, the study concludes, can be achieved without adversely affecting the environment and with a minimal or non-existent increase in gasoline prices.

"The study concludes that the export of Alaskan oil would yield clear economic and energy benefits to the country," said Energy Secretary Hazel O'Leary. "In both California and Alaska, it would create new jobs, stimulate onshore production and increase state revenues."

The report, however, made no recommendations. President Clinton said he needs to fully evaluate the issue before making a recommendation to Congress.

Export of North Slope oil to foreign shores was banned by Congress when it passed a 1973 law authorizing construction of the Trans-Alaska pipeline.

(Continued to page 7)

Inside this issue:

Despite industry cuts, there's still a lot of oil to be discovered in Alaska

Although Alaska oil producers are cutting back operations and production is declining from the prolific Prudhoe Bay oil field, there's still a tremendous amount of oil to be discovered and produced in the 49th state. But finding and bringing new reserves on line in a world of low oil prices and expensive environmental mandates will not only demand new technology to capture Alaska's potential, but leaner, lower-cost operations to compete with investment options overseas.

In that light, the recent steps taken by ARCO Alaska and BP Exploration (Alaska), Inc., to trim costs is not all bad news for Anchorage and the state's

(Continued to page 7)

Message from the Executive Director
by Becky L. Gay

Major victory for property rights

In a major victory for private property rights, the U.S. Supreme Court has checked the ever-expanding reach of government.

The latest decision came after Oregonian John Dolan, now deceased, refused to comply with a local government demand to give up a portion of his property as a condition for receiving a building permit. Dolan wanted to expand his hardware store in Tigard, Oregon, but city officials would not allow the expansion to go forward unless some of the property was let go for a bike path and storm drain area. He took the case to court, but lost. Eventually the issue went all the way to the Supreme Court when Dolan's widow refused to drop the case.

The Court said the Fifth Amendment to the Constitution bars a government from requiring such property concessions without supportable justification. The Court said this case constituted a "taking" because the city's stipulation required the private property owners to surrender a piece of property as a condition for the permit.

The Court ruled that such a demand can only be made when the land dedication is "related both in nature and extent to the impact of the proposed development." Otherwise, the Fifth Amendment requires that property owners be compensated when their land is acquired for public purposes.

Basically, the Court said that if government wants the property, whether it's for a bike path or whatever, it must pay for it.

Jim Burling of the Pacific Legal Foundation called the decision a warning to government that they cannot run over the rights of citizens. PLF worked hard on this case, working on behalf of the Dolan family before the Oregon and U.S. Supreme Courts. This is just one of many cases PLF is involved with both in the Lower 48 and Alaska.

RDC has a long-standing relationship with PLF in Alaska. We look forward to sharing more successes in the future.

The Resource Development Council (RDC) is 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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Writer & Editor
Carl Portman

GCIU 722C

RDC meets with key officials in Washington over wetlands issue

After 102-degree heat and 95 percent humidity, RDC Projects Coordinator Ken Freeman and I are glad to be back in Alaska. Late last month we went to Washington, D.C., for a series of meetings with key Clinton administration and congressional officials on wetlands regulation in Alaska.

The trip was timed to put us in the nation's capital just prior to reauthorization of the Clean Water Act. The issue was postponed, but the trip served as an important event to educate lawmakers, touch base with many staffers who participated on prior congressional wetland trips to Alaska and discuss proposed wetlands legislation. The meetings revolved directly around legislative solutions to the current wetlands regulatory programs.

The Washington visit provided RDC with a unique opportunity to represent Alaska community and Native interests. Joining our delegation were Nelson Angapak of Calista Corporation and Jennifer Loporcaro of BP Exploration (Alaska), Inc.

RDC continues to spearhead the Alaska Wetlands Coalition and work diligently for flexible policy which recognizes Alaska's unique situation with respect to wetlands.

In August the Coalition plans to once again lead a contingent of administrative and congressional officials across Alaska to meet first hand with community, Native and business leaders. These tours involve a great deal of work, but there is no better mechanism to get Washington to understand exactly where we're coming from in regard to development of wetlands in Alaska.

Benefits of lifting export ban...

(Continued from page 1)

The pipeline carries about 1.6 million barrels of oil daily to Valdez where it is shipped on U.S. tankers to West and Gulf Coast refineries.

The U.S. maritime unions have hotly opposed lifting the ban, but they recently agreed to support exports as long as the North Slope oil is transported on U.S. tankers staffed by American crews.

With the new Energy Department's report and the support of the maritime unions, the prospects are better than ever for lifting the export ban. Substantial opposition, however, still remains from a coalition of consumer groups and independent refiners. Environmental groups are reportedly gearing up to fight any efforts to lift the ban, despite the report's reaffirmation of the Clinton administration's opposition to opening the Coastal Plain of the Arctic National Wildlife Refuge to oil and gas exploration and development.

Among the key findings of the report:

• Alaska would gain between $700 million and perhaps as much as $1.6 billion in additional revenues over the next six years. Revenues would rise because lower transportation costs would increase the wellhead price of the oil.

• With less Alaska oil flooding West Coast markets, oil production would increase in California, leading to as much as $230 million in new revenues to the state treasury over the next six years.

• Oil company profit margins would increase, allowing for additional investments in new domestic production.

• Export of North Slope oil would add as much as $560 million to the nation's Gross Domestic Product by the end of the decade. As many as 11,200 new jobs would be gained at current oil prices, but many more would result if prices rise.

The issue is expected to come up on the Senate floor late this month when the Export Administration Act is considered. Ten years ago, the Senate killed a measure to lift the ban on a 70-20 vote.

Oil will remain strong economic force in Alaska well into 21st Century ...

(Continued from page 1)

economy. Leaner and more competitive operations will emerge from the reorganizations now taking place and that's important because both BP and ARCO are allocating increasingly large sums of their exploration dollars to overseas prospects. The ability to develop more oil at less cost will enhance Alaska's chances of re-capturing some of those dollars.

Because of its immense size, the Prudhoe Bay oil field is a prime target for new exploration dollars. Prudhoe was originally estimated to produce 9.6 billion barrels of oil, but with advancements in technology, producers now hope to capture 13 billion barrels. Overall, there are about 23 billion barrels of oil in place at Prudhoe, leaving a big incentive for oil producers to invest in new research and development. Much of the oil to be "discovered" on the North Slope will likely come from oil now in place in existing fields, but not yet economic to produce.

Kuparuk, Endicott and the Point McIntyre field are producing beyond their original expectations due to new investments in development drilling and other measures to enhance recovery. With continuing new advancements in technology, increasing Prudhoe's recovery from 12 to 13 billion barrels or more is equivalent to discovering a new major billion barrel oil field.

But squeezing more out of Prudhoe Bay and nearby fields will depend largely upon investment decisions yet to be made by the producers. In fact, it is estimated that half of the oil expected to be produced from the North Slope in the year 2000 will come from cost-sensitive, short-range type investments susceptible to shifts in oil prices, changes in taxation policies and other economic factors.

The big North Slope oil recovery enhancement projects, such as the GHX-2 gas handling facility, are now done or nearing completion. The projects to follow are much smaller, but are precisely the kind that will deliver much of the oil expected to be produced in the future.

The oil industry, with encouragement from the State of Alaska and cooperation among its contractors in keeping costs down, will remain a strong and dominant economic force in Alaska well into the 21st century.

Mining Law reforms...

(Continued from page 5)

objectionable provisions not found in any of the other versions. One provision requires that before actual mining operations commence, the government agency must determine whether the lands are "suitable" for mining, even if a commercial deposit has been identified at enormous cost on the mining claims. Another provision allows private citizens to bring lawsuits for damages against mine operators for alleged violations of a permit and other noncompliance with the law. The bill would also give Fish and Wildlife Service veto power over mining anywhere if a "threatened or endangered species" is suspected.

Tongass logging ...

(Continued from page 6)

management decisions that are not part of the Tongass land use plan.

The real issue here, insiders claim, is not the health of those species, but rather the use of them as a means to drastically curtail legitimate economic use of the Tongass, much as was the case in the Pacific Northwest with the spotted owl.

Stevens expressed disappointment with the process, noting that use of habitat conservation areas and buffers around goshawk nests are planning level decisions that are being made without following the public planning and notice provisions mandated by the National Forest Management Act and other laws.

Forest Service makes another move to curtail timber harvests in Tongass

The U.S. Forest Service has made yet another incremental move to curtail the timber harvest in the Tongass National Forest.

In its Tongass Independent Timber Sale Schedule released June 30, the Forest Service has scheduled 280 million board feet of timber for harvesting in FY 94 and 320 million board feet in FY 95. Nearly half of the FY 94 allotment is from re-offer sales and 26 million board feet in the FY 95 schedule is through re-offer.

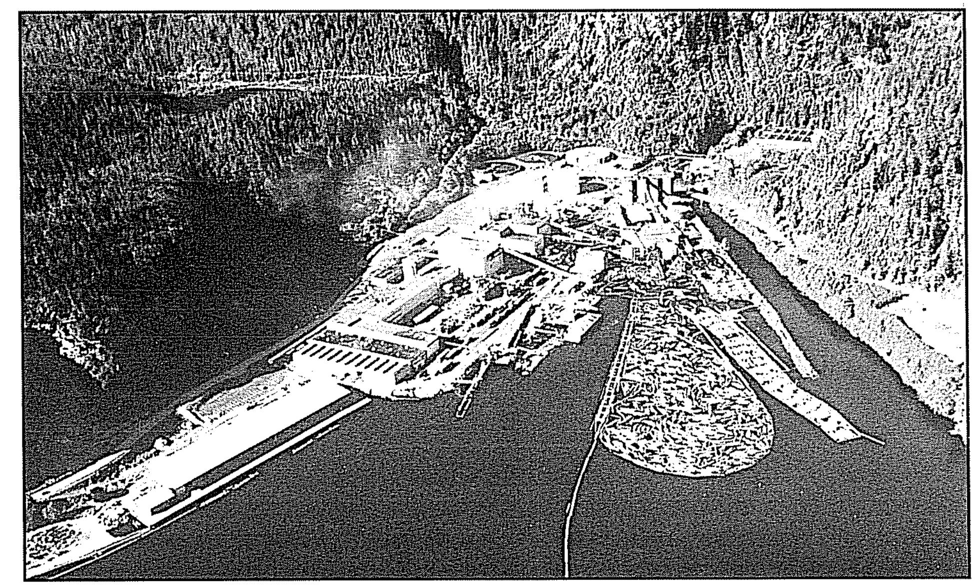
The Alaska National Interest Lands Conservation Act (ANILCA), as amended by the Tongass Timber Reform Act, directs the Forest Service to meet market demand in its release of timber from the Tongass. The Forest Service's own studies indicate that projected market demand exceeds 400 million board feet annually.

Two-thirds of the forested lands in the Tongass are closed to logging. In the one-third of the timber opened to logging over a 100-year rotation cycle, the forest can sustain an annual harvest of over 800 million board feet and remain healthy.

"While on the surface the allocation may appear reasonable, it represents another move toward shutting down the industry," said Governor Wally Hickel.

Troy Reinhart, Executive Director of the Alaska Forest Association, warned the scheduled harvest levels are not enough to sustain a viable timber industry in the Tongass. Reinhart noted Congress had funded a harvest schedule of 420 million board feet. He said the region's stable and healthy economy is being threatened by Forest Service actions that fly in the face of congressional directives and executive promises.

The new schedule comes fast on the heels of the Forest Service's cancellation of the Alaska Pulp Corporation's long-term timber sale contract.



The Forest Service's latest move to curtail the timber harvest in the Tongass comes on the heels of the agency's cancellation of the Alaska Pulp Corporation's long-term timber contract.

When the APC contract was canceled, the Clinton administration pledged to dedicate the contract's 120-million board foot annual harvest to independent timber sales, but the Forest Service has essentially eliminated that volume from the schedule, Reinhart pointed out. He said the new timber sale program, coupled with delays in some key sales, could shut down of the Wrangell sawmill until April. In addition, the rescheduling of several timber sales for Ketchikan Pulp Company could hurt operations at the large pulp mill in Ketchikan.

Most of the timber volume scheduled for harvest under the independent sale program will be needed just to run the Wrangell mill, leaving little timber for other operators. Reinhart fears the amount scheduled for logging could pit one mill against another.

Alaska Regional Forester Phil Janik said some timber sales will be delayed to allow the Forest Service to address new issues, including petitions by environmental groups to list two species, the Alexander Archipelago wolf and the Queen Charlotte goshawk, as threatened under the Endangered Species Act.

"If they put a boundary around every goshawk tree, over half the timber land now available will be closed," said Senator Ted Stevens.

Stevens said the Forest Service is using the recent petitions to justify rescheduling timber sales that were to have been offered in FY 95. He noted there has been no objective scientific evaluation of the claims made in the petitions, and any action based upon them is premature.

The Alaska Department of Fish and Game has conducted a preliminary review of the goshawk petition and has found it deficient in analysis and scientific basis, and concludes that the petitioner has not shown that the goshawk warrants endangered status. The wolf petition itself recognizes that wolf populations are not declining in Southeast Alaska.

With most of the Forest now closed to logging, Stevens does not want to see the Forest Service unilaterally take away more trees from the Southeast Alaska timber industry. Stevens is working to win approval of an amendment to the Forest Service's budget bill that would prevent the agency from making

(Continued to page 7)

Thoughts from the President
by David J. Parish

- Wetlands.
- Clean Water Act reauthorization.
- Mining Law reform.
- Withdrawal of more federal land within Alaska from multiple use, including commercial tourism.
- Continued assaults on the timber industry.
- Stable taxation of resource development industries.

These are just a few of the key issues RDC faces this year.

New RDC officers set two major goals

Making resource development concerns heard will be all the more important in the future, that's why we need to retain strong advocacy organizations more than ever — particularly RDC.

The new officers elected at RDC's recent annual meeting reflect a desire of the board to accomplish two major goals — to continue the important work of RDC on a wide range of state and federal issues, and secondly, to solidify and strengthen our membership base in an era of declining revenues.

On the issue front, RDC is coming off a highly successful legislative session. The hard work of our staff paid off with significant accomplishments in many areas. RDC played a key role in passage of legislation to address the long-standing mental health lands trust issue, enactment of civil nuisance lawsuit legislation and adoption of exploration licensing and exploration incentive credits provisions. RDC also worked hard to prevent any major tax increases on resource development industries.

All of RDC's success on these fronts is dependent upon continued support on another front — membership. RDC is a statewide, membership-funded organization representing thousands of Alaskans. Our broad base is one of our primary strengths in working issues.

These are difficult times for many of our resource industries. Recent announcements of continued cutbacks in oil industry employment have received a great deal of attention. This news hits at a time when the timber and mining industries face tremendous uncertainty, yet a potential for strong, sustained growth and opportunity. It's a time when Alaska tourism is enjoying positive national media exposure, but is battling numerous access issues that threaten future growth and expansion. In these tough times, it is more important than ever to pull together for the good of the whole.

That's where you come in as a member of RDC. Your membership commitment is what enables our organization to work the issues and go for the opportunities that arise in these challenging times.

If our state's economy is to grow and develop, much less survive as something close to what we know now, we need to build upon our strong common ground. Making resource development concerns heard will be all the more important in the future, that's why we need to retain strong advocacy organizations more than ever — particularly RDC.

A primary commitment of your RDC officers over the coming year will be the solidifying of our membership base. Your membership is crucial to our success.

Now is the time to pause and think about who else you know should be involved in RDC. Your assistance is greatly appreciated.

RDC President Dave Parish, far right, along with past presidents Paul Glavinovich and Jim Cloud, join Governor Wally Hickel shortly after the signing of legislation settling the long-standing dispute over the Mental Health Lands Trust. There were three unsuccessful legislative settlement attempts in 1987, 1990 and 1991. This settlement, if approved by the Court, will resolve the divisive mental health trust litigation. RDC played a key role in the proposed settlement, which has broad support from the mental health community, trust land purchasers, resource development, environmental, tourism and sportfishing interests.

Congress deliberating on Mining Law reforms

Conference Committee will decide which provisions of two bills become law

A Senate/House conference committee is now deliberating on legislation reforming the Mining Law of 1872 and will likely reach its conclusions by late summer.

Last year both the House and Senate passed legislation that would make sweeping changes to federal mining statutes. The conference committee will decide which provisions of the two bills become law.

"These two bills are so different from each other that many observers believe the 'conference bill' can be anything that the Senate/House conferees finally decide upon," said Robert Pruitt, a mining law attorney from Utah.

The most radical changes are set in H.R. 322, a bill sponsored by Congressman Nick Rahall. Pruitt describes the Rahall bill as an impending disaster for the domestic mining industry, warning that if the sweeping provisions of the bill are adopted, thousands of jobs would be lost and future exploration would grind to a near halt.

Among other things, the bill contains a proposal that would create buffer zones three to five miles wide outside national conservation units. In Alaska, such a proposal would place another 40 million acres off limits to resource development, violating compromises reached in ANILCA.

Forty-two senators have asked Senator Bennett Johnston, D-LA, to hold firm against proposals contained in the House bill as final compromise legislation is worked out in conference. Johnston is the Senate chairman of the panel.

"Do we want to create jobs and a tax base in the United States or do we force the mining industry to go outside?" asked Senator Frank Murkowski at the opening of the conference committee deliberations in late June. Both Murkowski and Congressman Don Young are on the conference panel.

Sen. Malcolm Wallop of Wyoming, the ranking Republican on the conference committee, described the Rahall

Conferees need to hear your views

Conference committee members need to hear your views on Mining Law reform. Between now and early August, your comments can be heard; afterwards they will not.

Please take the time to write or FAX at least some of the conferees and ask their support. Remember that politicians tend to listen to public input, although sometimes they merely count the cards and letters received.

Keep your comments short, simple and focused; do not try to educate the conferees or explain the situation in depth. Merely let your reader know that you have a serious concern, and what you want the reader to do. Address specific issues under consideration by the Conference Committee (see RDC summary). Use your word processor to generate letters to everyone, since "numbers" seem to count as much as "content."

Names and Addresses of Conferees

Senate Conference Committee:

Hon. J. Bennett Johnston (D-LA) Chairman
Hon. Larry E. Craig (R-ID)
Hon. Malcolm Wallop (R-WY)
Hon. Frank Murkowski (R-AK)
Hon. Dale Bumpers (D-AR)
Hon. Bill Bradley (D-NJ)
Hon. Daniel Akaka (D-HI)

House Conference Committee

Hon. George Miller (D-CA) Chairman
Hon. Richard H. Lehman (D-CA)
Hon. Nick Joe Rahall (D-WV)
Hon. Don Young (R-AK)
Hon. Barbara Vucanovich (R-NV)
Hon. Kika de la Garza (D-TX)
Hon. Charlie Rose (D-NC)
Hon. Pat Roberts (R-KS)
Hon John Dingell (D-MI)
Hon. Al Swift (D-WA)
Hon. Michael Crapo (R-KS)
Hon. Gerry Studds (D-MA)
Hon. William Hughes (D-NV)
Hon. Jack Fields (R-TX)

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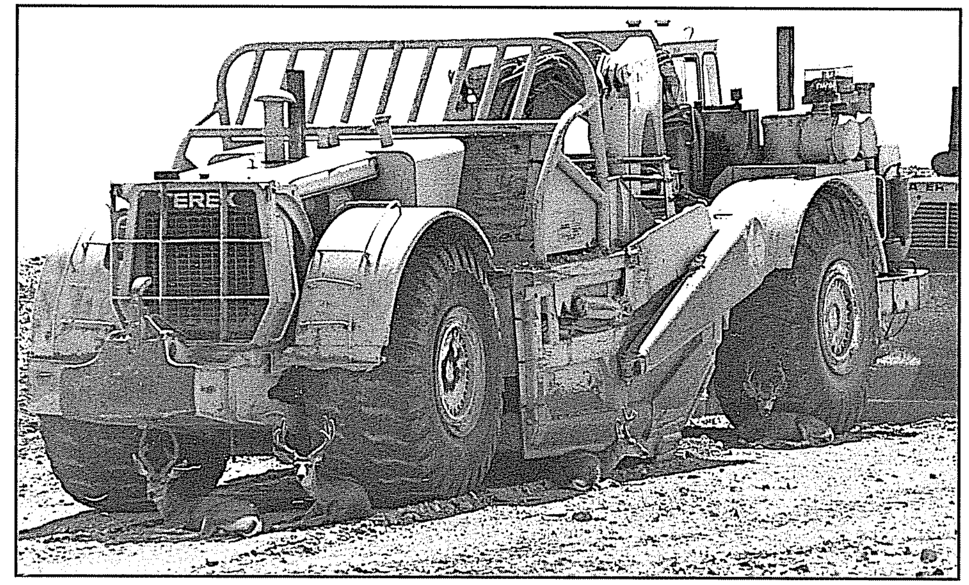
Washington, D.C. 20510

Address for all Representatives:
The Hon. (name)
U.S. House of Representatives
Washington, D.C. 20515



Seeking relief from the heat, several deer rest in the shadow of construction equipment at a Montana mine. Reforms to the Mining Law will impact mining operations across America.

bill as an attack on states' rights. He said passage of its far-reaching proposals would result in massive job losses.

Wallop said Western congressmen are willing to work with the Clinton administration to fashion a reasonable mining law reform bill, but added, "if we cannot, then, of course, our only recourse will be a bipartisan regional legislative conflict."

Once the conference committee reports out a final compromise bill, further changes in the proposed law will be impossible. Both the Senate and the House will vote on the compromise bill "as is" and, barring a filibuster in the Senate, passage by the full Senate and House is virtually assured.

Decisions by the House/Senate Conference Committee will be made for the Senate by a seven-member Senate conference committee acting as a body and casting a single vote. A larger House conference committee will likewise cast a single vote for the House. Unless both groups mutually agree to a specific provision, it will not be included in the final compromise bill.

Johnston, the powerful chairman of the Senate Energy Committee, is viewed as the deciding vote for the Senate conference committee, which is evenly split between three anti-mining and three pro-mining members.

The House conferees come from five different House committees, complicating predictions on how the House conference committee will function. Conferees include Representatives George Miller (D-CA), Richard Lehman (D-CA), John Dingle (D-MI) and Nick Rahall (D-WV).

Johnston has already had his staff prepare a proposed compromise bill which differs considerably from either of the bills passed by the separate houses of Congress. Here are some of the major proposals now before the Conference Committee.

• *Royalties on mining:* It's not an issue whether there will be royalties on minerals mined from public lands, but rather the methods of calculation. S. 775 (the Craig bill) imposes a 2 percent royalty on "net income," H.R. 322 imposes an 8 percent royalty on "gross value" and Johnston's proposed compromise imposes a minimum 2 percent royalty on "gross value," escalating to 33 percent royalty for gold and copper mining, depending upon the prevailing price of the refined metal. At recent prices, the royalty rate would be 10.5 percent. As of now, the royalty rates and the basis for calculating royalty is wide open to debate and decision. Miners warn that high royalties will condemn low grade ores and financially impact exploration and mining on all federal lands. Average returns in the mining industry reportedly are under 5%.

• *Mine reclamation/permitting:* This is a very critical issue which pits existing state requirements against proposed federal requirements, ranging from "impossible" under the Rahall proposal to "difficult" under the Johnston compromise. The Craig bill would adopt existing state reclamation/permitting requirements. The debate will focus on whether new federal requirements are needed or whether existing state requirements are adequate.

• *Claim holding (rental) fees:* The debate will focus on whether to further increase annual holding fees above $100 per claim and how to exempt small claim groups if actual assessment work has been performed. Earlier proposed bills increased claim holding fees greatly over the life of a claim and this threat could re-emerge in the Conference Committee.

• *Transition from old law to new law:* H.R. 322 requires all existing mining/exploration plans to be converted to new federal requirements within five years. S. 775 allows existing plans to continue for their stated duration, with new or revised plans to comply with new federal requirements.

• *Size of mining claims:* H.R. 322 and Johnston's compromise bill require 40-acre mining claims to be located as compact squares by reference to existing section lines. S. 775 requires 20-acre claims. H.R. 322 abolishes the distinction between lode and placer claims, and abolishes mill site claims. S. 775 retains the existing distinction among the kinds of claims, but mandates both lode and placer claims will be 20 acres in size.

• *Mining claim patents:* H.R. 322 completely eliminates mining claim patents, S. 775 allows existing patent applications to be processed to patent under old law, but provides for future patent applications to pay fair market price for surface values and continue to pay the production royalty due on unpatented mining claims. The Johnston compromise allows payment of a production royalty and does not mention fair market value pricing (since no surface will be patented). Mining attorney Pruitt said, "If a miner is ever to escape bureaucratic micro-management and the risk of claim loss by failure to pay annual holding fees, some sort of a patent must be allowed under the new law."

H.R. 322 contains a number of other

(Continued to page 7)