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## PRUDHOE BAY

### “OIL IN!”

### JUNE 20, 1977

By Frank Baker

*June 20, 2007, the eve of the summer solstice, marks the anniversary of an important date in Alaska’s history — when the Trans-Alaska Pipeline System, or TAPS, received first oil from the Prudhoe Bay field.*

Construction crews place a segment of the pipeline into the Tonsina River in 1975. At the time construction began in 1974, TAPS was the largest private construction project in the world with an estimated price tag of \$900 million. When completed in 1977, final costs were over \$8 billion. Please see TAPS facts on page 4.

Extraordinary days in history most often take on the appearance of ordinary days, and so it was on that gray, overcast morning of June 20, 1977 at 10:26 a.m. when pumps were started, valves were opened, and the first crude oil from Prudhoe Bay – North America’s largest oil field – flowed into the Trans-Alaska Pipeline System (TAPS) for its 800-mile journey down the pipeline to Valdez, where it would be loaded aboard a tanker destined for the U.S. west coast.

It was the eve of the summer solstice, but it was chilly at Prudhoe Bay as scores of reporters and dignitaries huddled

behind Pump Station 1 at Milepost 0, the beginning of the pipeline, waiting patiently to witness the event.

For the field operators, BP and ARCO, it was a long-awaited moment that was the culmination of a major push into the Arctic that began nearly 20 years earlier, when their geologists ventured north to probe this remote frontier. For the companies’ technicians, operators and others working in the Prudhoe Bay field, the day was anticlimactic. The major work – drilling the wells, getting the flow lines and other pipelines constructed, building and testing the production facilities –

had been done.

They were ready. They waited day after day for those words, the command: “Pump Station 1 is ready to receive oil.”

For the U.S. news media, the startup was a TAPS startup story rather than an oil field story. How would the pipeline perform on its trial run? When would the oil front reach Valdez? The wager captured everyone’s imagination. The feat of barging oil field facilities thousands of miles from the U.S. west coast to the Arctic Ocean; the massive effort of constructing the power station and other oil field facilities in a hostile

Arctic environment; the multi-billion dollar investments needed to produce that first barrel of oil, were for the most part unheralded.

In its remote spot near the top of the world, Prudhoe Bay

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The 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 a responsible manner and to create a broad-based, diversified economy while protecting and enhancing the environment.



## Gunalchéesh! Quyana! Tsin'aen! Thank You!

To the sponsors, speakers, and attendees of RDC's 32nd Annual Meeting, I'd like to express my sincere gratitude. For those of you who missed the event, I am sorry. You missed a lot.

Hearing the stories of Bobbi, Marie, and Matthew and how their Native Corporations have made the commitment to responsible resource development without sacrificing their traditional ways of life was awe inspiring. Though not the same as hearing them in person, copies of their speeches are available on our website at [www.akrdc.org](http://www.akrdc.org).

The Alaska regional corporations are the future of our state and RDC is proud and honored to call all of them members.

Opportunities for Alaskans.

Hope for the future.

Honoring the past.

The models of responsible resource development these companies have put forward are something for all of us to emulate.

Gunalchéesh! Quyana! Tsin'aen! Thank you!

## BELUGA WHALES IN COOK INLET PROPOSED FOR ESA LISTING

I was fascinated when I read an action alert on the website of the Center for Biological Diversity, a conservation organization based in Arizona, urging its members to support the proposed listing of beluga whales in Cook Inlet under the Endangered Species Act. It read, "Bush's friends in the fossil fuel industry, who wish to build offshore oil rigs in the beluga's critical habitat, are adamantly opposed to the whale's protection."

I could only laugh. As most know, there have been oil rigs in Cook Inlet for over 40 years. In fact, belugas in Cook Inlet have thrived with oil and gas exploration and development, commercial and sport fishing, vessel traffic, community wastewater discharges, and more. The well-being of wildlife, including belugas, is of utmost concern to all Alaskans, including "Bush's friends in the fossil fuel industry."

The agency responsible for the whales' oversight has identified the lone cause of the beluga population decline as the unsustainable subsistence harvest of the mid-90s. This has now been limited to no more than two animals per year.

But still, as the Center's action alert implies, development must be having a

big impact on belugas. Interestingly, these animals possess the lowest contaminant level of any Alaskan beluga population in tissue sampling studies. It appears development and wildlife can coexist. No surprise.

Fortunately, beluga whales in Cook Inlet are showing signs of a growing population. A recent study has shown over 40 percent of the population is classified as sub-adult, and not yet capa-



ble of sexual reproduction. When these juveniles start reproducing, watch out! But note, it takes three years of parental investment to bring a new beluga into the population. As I've often said, they're not mice. It will take time.

Another interesting thing to ponder is the fact that the development community has spent between \$5 and \$10

million alone in the last five years studying the beluga whales in Cook Inlet. Does this sound like folks that are opposed to the whale's protection?

I dare ask, how much has the Center for Biological Diversity, or other conservation organizations for that matter, spent on the whale's protection? Not on legal fees used to delay or stop responsible development, but on good hard science to learn more about the animals and their ecology.

Nearly 30,000 comments have been submitted on this listing to date, likely all from websites like the Center for Biological Diversity. I urge you to submit comments as well. However, I ask that you oppose the listing. Request more time for the whales to recover and encourage the agency to increase its research effort.

The comment deadline is August 3, and hearings will be held on July 19 in Homer and July 20 in Anchorage.

Additional information will be available soon on our website. I can only hope the the same people reading the Center's website will read ours.

STATE OF ALASKA 23RD OIL AND GAS LEASE SALE  
ALASKA MAP SERVICE, INC.

## PRUDHOE BAY, TAPS TRANSFORM ALASKA

It was the discovery of the giant Prudhoe Bay oil field in 1967 that established Alaska as a world-class oil and gas province. Two years later the State of Alaska received a record \$900 million from the North Slope lease sale. With the discovery of Prudhoe Bay and the building of the Trans-Alaska Pipeline System, oil and gas development became the economic driver for Alaska. The industry today accounts for 90 percent of Alaska's general fund revenues. Since 1957, the state has collected over \$72 billion from the industry in taxes and royalties.



(Continued from page 1)

has over the past 30 years told its own story through a partnership with Alaska that has benefited both the state and the industry. The State of Alaska has benefited from billions of dollars of taxes and royalties; billions of dollars more from investment; the creation of the Permanent Fund that has grown to more than \$38 billion; thousands of Alaska jobs and the emergence of many local companies that support the oil and gas industry. Alaska has been a key supplier of energy for the United States. More than 15 billion barrels of North Slope oil have been sent to market in the U.S., accounting for an average 15-20% of the nation's production for three decades.

But over the past 30 years Prudhoe Bay has yielded more than oil, revenue and jobs. It has been a proving ground for oil field technology and Arctic engineering. It has been a one-of-a-kind, outdoor laboratory for environmental science.

Because of Prudhoe Bay, there are now 24 separate oil fields on the North Slope – five of which are among the nation's top 10 largest producing fields. And despite the natural oil production decline of the big fields, the North Slope is today producing about 800,000 barrels per day – a significant contribution to America's energy production.

Because of Prudhoe Bay, Alaska is poised to reap a new Arctic bounty – the trillions of cubic feet of natural gas lying beneath the surface, natural gas that an energy-hungry America needs.

A few years after his moon landing on Apollo 17, former astronaut and New Mexico Senator Harrison Schmidt visited Prudhoe Bay during winter. After being shown around the area, he commented, "if we can live and work here, we can go to Mars."

He got it right. In one sentence he revealed a deep understanding of Prudhoe Bay's importance to Alaska, the nation, and the world. Prudhoe Bay has been a testament to what human beings can do when they set their mind to it.

Frank Baker is a lifetime Alaskan resident, who has been writing and reporting for the oil and gas industry for 30 years.

### the facts

#### Trans-Alaska Pipeline System

- **Diameter of pipe:** 48 inches
- **Highest elevation:** Atigun Pass, 4,739 feet
- **Length of line:** 800.3 miles
- **River and stream crossings:** 34 major, 500 others
- **Air temperature along route:** -80F to 95F
- **Valves:** 178
- **Vertical support members:** 78,000
- **Time for preconstruction effort:** 6 years
- **Years built:** 1974-1977
- **Construction workforce:** Total for project was 70,000 (1969-1977) with a peak of 28,072 in Oct. 1975
- **Cost:** Original estimate \$900 million, final cost \$8 billion+
- **Caribou:** TAPS crosses the range of the Central Arctic Herd on the North Slope and the Nelchina Herd in the Copper River Basin.
- **Earthquake:** On November 3, 2002 the pipeline withstood magnitude 7.9 earthquake that was centered along the Denali Fault in Interior Alaska. It was among the strongest earthquakes in North America in over 100 years.
- **Oil throughput:** More than 15 billion barrels since 1977. Peak daily throughput was over 2 million barrels per day in 1988. Today nearly 800,000 barrels per day travel through the pipeline to its marine terminal in Valdez. Up to 20% of U.S. domestic production has been shipped through TAPS.
- **State revenue:** Since completion, TAPS has accounted for 84 percent of Alaska's unrestricted general fund revenues.
- **Pipeline operator:** Alyeska Pipeline Service Company
- **Pipeline owners:** BP (Alaska) Inc. 46.93%  
ConocoPhillips Transportation Alaska, Inc. 28.29%  
ExxonMobil Pipeline Company 20.34%  
Koch Alaska Pipeline Company 3.08%  
Unocal Pipeline Company 1.36%

For more Alaska oil and gas facts,  
see [www.akrdc.org](http://www.akrdc.org)

GLEN ALSWORTH, JR.



## PEBBLE PROJECT: WHEN IS RIGHT TIME TO DECIDE?

Opponents of the Pebble Project have been advertising a very strange message. They have been telling us that the time to stop the Pebble Mine is now, before a company applies for permits.

This concept is perplexing. The mining company will have invested tens – if not hundreds – of millions of dollars worth of environmental and engineering data before it applies for permits. Why shouldn't Alaskans get the opportunity to review the information before we make a decision? Only after the agencies have evaluated the data and the design can we say whether the project is compatible with our critical fisheries and resources.

Because this message is so perplexing, it is easy to overlook the implicit message in advertisements and of those who oppose the project. That message is this: "Don't trust the permit process. Once the company applies, the agencies will never deny the permits." This message appears to motivate some who wish to say "No" before the information is available.

History shows agencies do say "No" to projects. (See box at right developed by RDC). Alaska has a rigorous permit process. We will have adequate opportunity to disapprove the mine if it fails to protect our resources.

There is a lot we do not know about the Pebble Project:

The currently discussed design was published before the company really explored the underground, high-grade, east zone. As a result, we do not know if the mine will be an open pit mine, underground mine, or combination.

We do not know when the permit application package will be submitted. It may be years away before Alaskans can review the proposed design and alternatives.

We do not even know what company will apply for permits or operate a mine if it is permitted. Northern Dynasty has indicated that it is currently marketing the project. The owner may be a single international mining company or a

consortium. Northern Dynasty may or may not be involved.

With over 50 permits required for a hard-rock mine, there are numerous opportunities for agencies to deny approvals. Perhaps the most important basis for denial would be if the mine cannot protect water quality.

Both the state and federal governments (the U.S. Environmental Protection Agency and the Alaska Department of Environmental Conservation) must agree that the mine will protect water quality. Both government entities are required to deny permits if the project cannot show it will protect water quality. This is not a political decision, it is a technical one. If the agencies' scientists do not agree that water quality is protected, the agencies must deny the permits.

Scientists' predictions of future water quality are not foolproof. Therefore, the agencies must evaluate the predicted water quality, but they must also review contingencies. The project must have a

safety net and back-up facilities in the system in case the predictions are wrong or a reasonably foreseeable accident occurs. In the critical location where Pebble is found, the project must not only show that it will meet Alaska's water quality standards, it must also show there are back-up mechanisms in place to protect water quality from errors in prediction or accidents. If the project cannot do this, Alaskans and agencies have the obligation and legal responsibility to deny permits for the project.

But to do so now, before Alaskans have had a chance to review the data and design, or even the technical and operational capacities of the proposed operating company, is wrong.

In the words of ancient King Solomon, "He who answers a matter before he hears it, it is a folly and a shame to him."

*Glen Alsworth Jr., is the mayor of the Lake and Peninsula Borough*

### ALASKA PROJECTS REJECTED BY PERMITTING PROCESS

#### Projects Abandoned

**Quartz Hill:** In 1987, U.S. Borax abandoned \$100 million+ molybdenum project (almost \$180 million in today's dollars). After the EIS evaluation, EPA would not authorize the tailings system that the company said was necessary to develop the project.

**Ryan Lode:** In 1996, the owner of the Fort Knox Gold Mine acquired the Ryan Lode property and began the process to permit gold mining. After an initial public meeting, the company realized that the environmental and neighborhood protections that the agencies would require made the project uneconomic to develop. As a result, the company abandoned plans to mine the property and reclaimed the site.

**AJ Mine:** Echo Bay Mining Company's attempt to re-open the historic Alaska Juneau Gold Mine near Juneau was dropped after the agencies refused to authorize a tailings site in the Sheep Creek valley. The company began the process for submarine tailings disposal, but shut down the project for economic reasons before the agencies decision became known.

#### Projects Changed

In addition to those above, there are many other projects where the agencies refused to permit the company's initial design, but the company was able to re-design the mine to meet agency approval. Two out of numerous possible examples are below:

**Pogo Gold Mine:** State and federal agencies denied the company's request to approve an exploration shaft, and then took issue with the company's initial mine design. Both times, Teck (now TeckCominco) was able to redesign the project to gain agency approval.

**Illinois Creek Gold Mine:** The company's initial plans called for a road to the mine. It re-designed the project to be a fly-in facility to mitigate agency and public concerns.

## NATIVE CORPORATION LEADERS SPEAK BEFORE SOLD-OUT RDC ANNUAL MEETING LUNCHEON



Above are RDC's 2007-2008 officers. John Shively was re-elected to his fifth consecutive term as president. Re-elected to additional terms were Rick Rogers, Senior Vice President, Wendy Lindskoog, Vice President and Stephanie Madsen, Treasurer. Scott Thorson, not pictured, was elected Secretary. At right are members of the new RDC Statewide Board of Directors. Joining the board this year are Greg Baker, Westward Seafoods; John Binkley, Alaska Cruise Association; Joseph Everhart, Wells Fargo Corporation; Eric Fjelstad, Perkins Coie; Becky Gay, Colville, Inc.; Lee Horst, Northrim Bank; Bill Stewart, Chugach Electric Association and Mayor John Williams, Kenai Peninsula Borough.



## NATIVE LEADERS SPEAK BEFORE 660 AT RDC ANNUAL MEETING LUNCHEON

"Developing Our Resources While Honoring The Past" was the theme three Native Corporation leaders addressed before a sold-out crowd of 660 at the RDC Annual Meeting June 19 in Anchorage. Matthew Nicolai, President, Calista Corporation, Marie Greene, President, NANA Regional Corporation and Bobbi Quintavell, President, Arctic Slope Regional



Corporation highlighted current operations, new development prospects and the benefits such development has brought to their regions. They also spoke on the balance they have struck between resource development and the need for protecting the environment and maintaining traditional way of life for local residents.

Photos by Judy Patrick



Marie Greene  
President, NANA Regional Corporation



Matthew Nicolai  
President, Calista Corporation



Bobbi Quintavell  
President, Arctic Slope Regional Corporation

32<sup>nd</sup>

# Annual Meeting Luncheon Developing Our Resources While Honoring The Past

## Thank You!

*The Resource Development Council would like to acknowledge the many generous sponsors of our 32nd Annual Meeting Luncheon. Because of your support, RDC continues to play a key role in advancing responsible resource development in Alaska. Thank you for helping grow Alaska!*

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## PARK SERVICES PUBLISHES NEW ACCESS GUIDE

Three years ago, a series of events related to access to private property within Wrangell-St. Elias National Park started a remarkable process that has reached an important milestone this summer.

We are publishing an interim regional policy, “A User’s Guide to Accessing Inholdings in a National Park Service Area in Alaska.” That title may not cause bells and whistles to immediately sound off, but the document represents a significant accomplishment on the part of scores of landowners, businesses, and state and federal employees. All who had a hand in its crafting can be proud of the product.

What is that product? First, a little context. Alaska is home to more than 54 million acres of national parkland. Within those boundaries are about 1.6 million acres of non-federal land, a mix of generally large parcels of Native corporation and state or university land, and smaller parcels of privately owned property such as mining claims.

**“We believe this summer’s guide is a far better product thanks to the input of the Resource Development Council and many others.”**

Some have obvious access along state roads. Others are on rivers where boat access makes the most sense. Many have overland access routes which cross national parkland. In most cases, that access has never been officially documented.

Title 11 of the Alaska Lands Act guarantees the right of access to non-federal lands within parks, subject to reasonable regulation to protect the underlying park resources. In the 27 years since ANILCA passed, the NPS has never had a consistent policy or process in documenting those access routes or in

**“The access guide now includes guiding principles which acknowledge, among other things, the guarantees of ANILCA 1110(b), that our processes should be simple, and that residents within national park areas are part of the essential fabric of those parks.”**

handling requests for new routes. Our new Access Guide is designed to provide a consistent approach by managers and to allow property owners to understand both their rights and responsibilities.

Our first attempts at writing the guide were flawed. Landowners, interest groups and others were not shy in pointing that out. Members and staff of the Resource Development Council were among those who helped us find a different and better path. At their urging, we held stakeholder meetings that included executives from Chugach Alaska, Ahtna, Doyon, the University of Alaska, the Alaska Miners Association, the Alaska Land Rights Coalition, Residents of the Wrangells, the State of Alaska and representatives of environmental groups. We held public meetings in Fairbanks and Slana, in McCarthy and Anchorage, and heard first hand from property owners how we were progressing.

The result of a process that put two draft guides out for public review, and used multiple stakeholder meetings, is a guide that – we believe – meets the needs of landowners and meets our responsibilities as stewards of national parks.

We took to heart several suggestions from the public.

We heard that while we were clearly mapping out procedures, our larger intent remained unclear. The access guide now includes guiding principles which acknowledge, among other things, the guarantees of ANILCA 1110(b), that our processes should be simple, and that residents within national park areas are part of the essential fabric of those parks.

We heard concerns about costs, especially from landowners who were happy with their existing access. The decision was made that the evaluation of an access route through an environmental assessment will be free to the landowner. Federal regulations require requesters to share the cost of more complex environmental impact statements.

Many commenters felt that ANILCA provided a permanent right of access, and that rights of way should not be for a set number of years. After some lengthy consideration, we agreed. The guide provides an indefinite term for the right of way, so long as needs and conditions remain stable.

Many people also bristled at the notion of applying for a “permit.” We will instead authorize ANILCA 1110(b) right of ways.

This summer, the National Park Service will start an environmental assessment on about 40 existing access routes within Wrangell-St. Elias National Park and Preserve as our first “test drive” of the access guide. Our staff, landowners and others will recommend changes as we move through the documentation and authorization process.

We believe this summer’s guide is a far better product thanks to the input of the Resource Development Council and many others. Our mutual success will depend on keeping these lines of communication open and active. We look forward to your continued involvement.

The interim access guide will soon be available on the web at [www.nps.gov/akso/AccessGuide.htm](http://www.nps.gov/akso/AccessGuide.htm)  
*Marcia Blaszak is the Alaska Regional Director of the National Park Service.*





## Alaska Clean Coal In Our Future

Possibly half of the nation's coal resource lies buried in Alaska, undeveloped due to lack of markets and infrastructure.

Geologists say Alaska may contain as much as 6 trillion tons of coal, enough to supply the entire nation's need for more than 1000 years. Upwards of 80 percent of these huge reserves underlie the 23-million-acre National Petroleum Reserve on the North Slope. Other major deposits are located in Cook Inlet-Susitna Lowland and the Nenana Trend.

While Alaska is coal-rich, it is mining poor. The Usibelli Coal Mine operates the state's only coal mine near Healy, selling about half of its annual production to Interior power plants and shipping the rest to Korea and Chile.

All that may be about to change. New advances in clean-air technology and rising natural gas prices have prompted several of the state's largest fuel consumers to take a hard look at coal.

The most exciting prospect is on the Kenai Peninsula where Agrium is pursuing an environmentally-friendly technology that could add decades to the life of its Kenai Nitrogen Operations, support hundreds of good-paying jobs, preserve a major tax base, and provide a new source of competitively-priced electricity.

Agrium's Kenai Gasification Project would develop a world-class, low-

**"All this adds up to a win-win-win situation for Alaska. Coal could give us competitive new power sources, a new feedstock for our fertilizer plant, a new industry that would create hundreds of good-paying jobs, low environmental impact, and stable economic development for many Alaskan communities."**

emission coal gasification facility that would provide Alaska's largest value-added business the feedstock it needs to operate over the long term. The plant now uses Cook Inlet natural gas to make fertilizer but has operated at half capacity in recent years due to a natural gas shortage.

Agrium began investigating coal gasification in the winter of 2004 and is concluding its Phase 2 analysis, which includes a detailed feasibility study. If the company decides to go forward, the facility could be operational by 2011-2012.

First discovered in 1792, coal gasification has made huge environmental strides in recent years. Today's technologies efficiently turn coal into a gas that can be cleaned of virtually all of its pollutant-forming impurities. The CO<sub>2</sub> that is surplus to the manufacturer of fertilizer could become its own value-added product by injecting it into the aging Cook Inlet oil field to produce an estimated 300 million barrels of additional crude. This would not only increase oil production, but it would efficiently sequester a gas that some folks argue may contribute to climate change.

The Agrium project would require a new, coal-fired power plant, one of three coal plants being discussed for Southcentral Alaska.

Even though these plants are barely into the planning stages, some critics are reacting with pronouncements of environmental doom.

Southcentral Alaska now relies on natural gas to generate the bulk of its electricity, and much of the current generating equipment is approaching retirement. Replacing gas generation with coal generation diversifies our power supply, better controls the price of electricity and releases increasingly scarce Cook Inlet gas for home and business heating.

We can make this switch without adverse impact to the environment. Today, we have a new generation of energy processes that sharply reduce air emissions and other pollutants when compared with the older coal-burning systems. These technologies are in use around the world. Coal is the world's most abundant fossil fuel and the United States has lots of it.

Coal is Alaska's largest untapped resource, but until recently natural gas prices were so low, our coal had virtually no market. All that is changing – at the same time technology is moving coal generation into the zero emissions column.

All this adds up to a win-win situation for Alaska. Coal could give us competitive new power sources, a new feedstock for our fertilizer plant, a new industry that would create hundreds of good-paying jobs, low environmental impact, and stable economic development for many Alaskan communities.

*Steve Borell is the Executive Director of the Alaska Miners Association.*



Coal seams are seen here running through a bluff at the Usibelli Coal Mine.



## AGIA AND PPT: OUR FUTURE AT STAKE

The Alaska Gasline Inducement Act (AGIA) and the Petroleum Production Tax (PPT) are obviously two issues affecting the oil and gas industry in our state, but other links between the two may be more important than some people realize.

With regard to AGIA, RDC strongly supported two major aspects of Governor Palin's proposal. We thought that a Request for Applications (RFA) process to solicit proposals from a number of parties was a good idea. We also believed the transparency built into the process was the responsible way to go.

However, we parted ways with the governor and her administration over the issue of flexibility of the terms in the proposal. RDC believed that if the terms were more flexible there would be more applicants.

In the end, the legislature supported the governor. It is important to understand the governor and her key gasline advisors (DNR Commissioner Tom Irwin, Department of Revenue Commissioner Pat Galvin and Department of Natural Resources Deputy Commissioner Marty Rutherford) are strongly committed to getting a gasline for Alaska and equally they strongly believe in their approach.

We should be able to make some preliminary observations about AGIA's strengths by this fall and have some feel for its future direction after the end of next year's legislative session. Under the current plan, the state will issue the RFA some time in early July. Those entities wishing to respond will have to do so by early October.

The proposals will be made public sometime late in the year and the administration hopes to be ready to recommend a licensee to the legislature in January. The legislature will need to approve the successful applicant. If all goes as planned by the administration, the winning applicant will begin its field season next summer.

Who might respond to the RFA? The North Slope producers have indicated it is likely they will not bid. Other possible bidders include several pipeline companies and the Port Authority.

Assuming the process proceeds as expected, the next major step in the AGIA process will be the licensee's decision as to when to hold an open season, which is the point at which owners of gas will have to make the long term, binding commitments to ship gas on the proposed line. Most observers agree this commitment is the key to getting the line financed.

There is no set time line for the open season. It is likely it will take place somewhere between two and four years after the license has been issued to the winning bidder.

There is no question the open season is where the rubber meets the road. Many familiar with the oil industry believe the open season will not be successful. The state is requiring the licensee to proceed to Federal Energy Regulatory

**"The state needs to be very careful as it proceeds with both AGIA and PPT. Our future is at stake."**

Commission (FERC) certification, even if the open season fails. The state is willing to pay 80 percent of the costs for that activity up to \$500 million.

The administration believes if the proposal to the producers is reasonable, their board and shareholders will insist the companies proceed to monetize their gas assets. Others are not so sure.

One thing I will say for the administration is that they have developed their strategy and have stuck to it. Although there are many, including the producers, who feel the state's strategy is flawed and highly risky, I believe the administration's theory is not without merit, and I know it is committed to make it work.

One concept virtually any reasonable person can agree with is that sooner or later the producers have to come to the party. When (or, in a worst case scenario, if) they come to the party and what the party will look like are still the great unknowns of the elusive gas line project.

If it is unclear what the producers will do with AGIA, it is equally clear the role they are playing with PPT. They paid the state almost \$1 billion in new taxes for a nine month period in 2006. Now the oil industry is facing a special session this fall that one can only assume is being called to see if the state can hike the tax further. In addition, some legislators are proposing to change the methodology for calculating the tax and to exempt certain expenses from being credited against it.

And some legislators seem surprised the producers feel compelled to seek some fiscal certainty before they commit their gas to any pipeline project. However, to be fair, some in the industry agreed to a change in the PPT last year – as part of a contract on fiscal terms related to construction and operation of the gasline. But the industry ended up with no contract, and was left with a significant increase in the PPT.

Taking more will hurt not only the "big three," whom some public officials seem to love to hate, but it will also send the wrong message to those companies who are new to the state or who have returned after an absence. The wrong decision on PPT will not only increase the rate of decline for North Slope production, (now under 800,000 barrels per day), it will also put a damper on any enthusiasm the industry has for AGIA or any other approach to getting a gas line.

The state needs to be very careful as it proceeds with both AGIA and PPT. Our future is at stake.

## MARLEANNA SOTO JOINS RDC STAFF

Life-long Alaskan Marleanna Soto has assumed the position of RDC Projects Coordinator/AMEREF Development Director. The position was modified after Jason Brune was selected as Executive Director of RDC, and Lee Clune as Executive Director of AMEREF. Soto was born in Nome and earned a Bachelor's degree in Business Administration from the University of Alaska-Anchorage.

Soto worked previously for Tesoro in retail operations, and at the Arc of Anchorage in business and administration. Soto will be working on issues for RDC, and fundraising for AMEREF. Contact Soto at [msoto@akrdc.org](mailto:msoto@akrdc.org) or 276-0700 ext. 4.



## Kensington Mine Permit Struck Down By Court

The Kensington gold mine project near Juneau is in jeopardy after the Ninth Circuit Court of Appeals struck down a lower court ruling that had upheld a key U.S. Army Corps of Engineers permit that would have allowed Coeur Alaska to use Lower Slate Lake for tailings disposal.

The appeals court said the tailings would contain concentrations of potentially hazardous materials and that the Environmental Protection Agency, not the Corps, has jurisdiction over the permit.

The decision sets a precedent in potentially denying mining operations from storing tailings in ponds, lakes and other water bodies. It could have severe implications for other major mining prospects across Alaska.

Before the appeal was filed by the Southeast Alaska Conservation Council and other environmental groups, the mine was expected to open later this year, employing hundreds of local residents and giving a significant boost to the Southeast Alaska economy. Construction had been underway at the proposed mine with some 400 people working on the project.

The appeals court also overturned a Native corporation's permit for a dock to ferry workers to and from the mine and the Forest Service Record of Decision authorizing the mine.

An appeal to the U.S. Supreme Court is being considered by the mining company. The state intervened in the case last year in support of the Corps' permit. That permit would have allowed for the discharge of processed water into the 23-acre lake. Coeur said the tailings would not cause long-term harm to resident fish in the lake, which would ultimately be restored to a more productive condition.

The Corps and the Forest Service had both found in their initial decision that Lower Slate Lake was the environmentally-preferred alternative over a much more expensive dry-stack tailings option.

Coeur has been working to develop the Kensington mine for nearly two decades and has spent over \$200 million on the project. The approved plan struck down by the court reflected the collective expertise of dozens of independent scientists and engineers whose work went into more than 900 studies.

At this point, construction at the mine is 85 percent completed with the mill standing at 95 percent completion.

## PETITION SEEKS TO LIST YELLOW-BILLED LOON ON ESA

The U.S. Fish and Wildlife Service (FWS) announced that a petition to list the Yellow-billed Loon (YBLO) under the Endangered Species Act (ESA) might be justified.

The petition, submitted in 2004, has resulted in the development and implementation of a Conservation Agreement for the YBLO. The findings are based on research done primarily in Alaska.

Roughly only one quarter of the world population of YBLOs breed in Alaska, primarily in northern, coastal and low-lying areas, especially in the National Petroleum Reserve where 75 percent of the Alaska breeding population is found.

An ESA listing of the YBLO could severely restrict and reduce development of natural resources across Alaska. Data supporting the petition, provided mainly by the Center for Biological Diversity and other environmental groups, indicate the decline in YBLO population is partly due to resource development in breeding grounds.

However, records indicate an increase of over 25% in the number of nests in the Colville River Delta was observed from 1983 to 2003, despite development in that area.

FWS is seeking additional information from interested parties. The comment period ends on August 28, 2007.

## BRADY TO RETIRE; CROCKETT TO LEAD AOGA

Judy Brady, Executive Director of the Alaska Oil and Gas Association (AOGA), has announced her retirement after 14 years with the association.

AOGA's Board of Directors has named Deputy Director Marilyn Crockett to the position of Executive Director effective July 1, 2007, which will be 37 years to the day she was hired by the association.

"Marilyn will be an outstanding spokesperson for the Oil and Gas Association," Brady said. "She has extensive knowledge of the industry and the State of Alaska and is highly respected."

Brady started her career as a news editor for the Fairbanks Daily News-Miner in 1963. Since then she has held policy management positions with the federal and state governments, as well as the private sector. In 1973 she was named Chief Administrative Judge for the Alaska Native Claims Appeals Board in the U.S. Department of the Interior. She was the Commissioner of the Alaska Department of Natural Resources under Governor Steve Cowper and led the Alaska Bond Bank Authority.

## COAL CLASSIC GOLF TOURNAMENT RAISES FUNDS



RDC Board member Jeff Foley, Calista Corporation, participates in the 15th Annual Alaska Coal Classic Golf Tournament June 13 at the Anchorage Golf Course in support of AMEREF. The event raised funds for resource education in Alaska schools. A list of the many generous sponsors and pictures of the event may be found at: [www.ameref.org/coalclassic/](http://www.ameref.org/coalclassic/)

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