

# INJUNCTION STYMIES BOROUGH

## Ruling Creates Bad Situation in The Arctic Land

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The Eskimo people of the North Slope fought a modern day battle of survival in Superior Court in Fairbanks last week in another round of efforts to co-exist with oil companies developing the Prudhoe Bay oil field.

At stake is some \$4 million in taxes assessed against the oil companies by the giant North Slope Borough. The one year old local government encompasses the five major Eskimo communities on the Slope as well as the Prudhoe Bay properties.

Superior Court Judge Warren Taylor granted an injunction Friday staying the right of the Borough to collect taxes on a large portion of the properties held by the oil companies within Borough boundaries.

Borough Mayor Eben Hopson said the taxes under contention represent about 61 to 62 per cent of the Borough's anticipated revenue, and while there are some taxes still incoming, as well as sales taxes and shared revenue funds, Friday's ruling creates a severe crisis for the struggling new borough.

The borough has operated to date on funds from the sale of anticipated revenue bonds in the amount of approximately \$520,000, issued last year and due this June 30.

Mayor Hopson explained, "We can either go one way or the other. If I use the money that's in now to pay back our anticipation notes then I lose

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every penny that I have for operating expenses."

Thus this latest action by the oil companies places the economic stability of the Borough in serious jeopardy. The Borough presently employs approximately 16 full-time personnel and utilizes several consultants.

The budget for fiscal year 1973 - 1974 was to encompass such vitally needed items as development of roads and streets; long-range planning to upgrade water and sewer facilities in Borough communities; projections for school needs, including a much-needed high school for the vast region; and construction of a physical plant for government activities.

Formation of the Borough was originally contested by most of the same oil companies involved in last week's suit, but following a victory at Superior Court level, the North Slope Borough was officially certified by the Lieutenant Governor on July 2.

At the present time, however, that certification is being challenged in an appeal by the oil companies to the Superior Court of Alaska and is currently pending.

Mayor Hopson recounted these beginnings.

"At that time, July 2, 1972, we started out with absolutely nothing outside of the name, North Slope Borough. We had no property rolls, we had no records of any kind, no employees.

"You're starting with the election having been certified, the Chairman having been elected with five assemblymen and five school board members who didn't have even one lead pencil to claim as the property of the North Slope."

Hopson said it took him the better part of the year to complete the tax roll needed to operate the budget. Hopson explained the two year period objected to by the oil com-

panies covering as that period before the tax roll was complete and constituting a legal period for the Borough.

In the next fiscal year, Hopson said the Borough intended to return to a normal 12 month tax period.

The suits filed against the Borough protested the two-year taxing period as well as claiming that a local government cannot level ad valorem taxes on oil and gas leases under Alaska statutes reserves that right to the state of Alaska.

Hopson counters that ad valorem taxes can be leveled until such time as the Prudhoe properties are actually producing. "At the time of production," he stated, "we can no longer tax on the ad valorem bases. Then we switch over to a production tax."

Oil companies also objected to the addition of intangible drilling expenses in assessing their holdings in the Borough, claiming that such expenses are ordinary operating costs and not subject to property tax.

"An oil and gas producer," stated their brief, "is not in the business of drilling and selling holes. A hole, per se, has no value."

If a hole, per se, has no value, one would be hard put to explain the furor of international interest over the idle holes in the Prudhoe field and the continuing lawsuits in every area related to these holes.

Hopson told Judge Taylor that the Borough expects great difficulty in marketing anticipated revenue bonds for the coming fiscal year with the validity of the Borough in question before the state Supreme Court.

Thus the beleaguered North Slope Borough with a total assessed valuation of taxable property "on paper" at close to one billion dollars is still wondering how to pay for a single lead pencil to continue the fight for its very existence.