

SCOMM

16:5

APC'S
VARIOUS
GAS
CONTRACTS

CONTRACTS/AGREEMENTS BETWEEN U-M AND APC

Anchorage Contract
North Kenai Road Contract

CONTRACTS/AGREEMENTS BETWEEN ALASKA PIPELINE COMPANY AND ANCHORAGE NATURAL
GAS/ALASKA GAS AND SERVICE COMPANY

UTILITY SERVICE CONTRACTS BETWEEN APC

AND

FORT RICHARDSON AND
FORT RICHARDSON AND EAFB

AGO 570377

May 21, 1977

Contracts/Agreements between U-M and APC

1. ✓ May 13, 1960 Gas Purchase Contract (Anchorage)
✓ January 1, 1972 Amendment of Gas Purchase Contract
✓ January 1, 1975 Amendment of Gas Purchase Contract (CURRENT CONTRACT)
2. ✓ May 1, 1967 Gas Sales Agreement (North Kenai Road)
✓ March 12, 1976 Amendment to Gas Sales Agreement

The May 13, 1960 contract as amended is the "main" contract. Everything refers back to it, including the North Kenai Gas Sales Agreement dated May 1, 1967, as amended March 12, 1976.

The price for the North Kenai Road gas is the same as the May 13, 1960 contract as amended, PLUS 1-1/2 cents per Mcf. Anything over the 10,000,000 Mcf amount also has the "Special Deliverability Charge" of 19-1/2 cents per Mcf.

Therefore, APC should be paying U-M 45 cents per Mcf at the moment for gas from the Kenai Gas field being delivered to the North Kenai Road area. (Marathon refers to a cost of 45.7¢ per Mcf. I have no idea what the .7¢ is for or how they arrived at it unless the "Special Deliverability Charge" has been raised, which is quite possible).

Current Price according to January 1, 1975
amended contract to May 13, 1960 "Gas
Purchase Contract"

24¢

Special Deliverability Charge

19.5¢

Over and Above "Anchorage" contract
price being charged for North
Kenai Road deliveries

*1.5¢

45.0¢

*This is the figure which now and then is referred to as a "transportation" charge, which in fact it might be. However, nothing in the contract or amendment indicates or even implies that it is a transportation cost. It simply reflects a cost over and above that cost for gas contracted for by APC for Anchorage.

Contracts/Agreements between Alaska Pipeline Company and Anchorage Natural Gas/Alaska Gas and Service Company

3. ✓ December 9, 1960 Gas Sale Contract
✓ October 16, 1962 Amendment to Gas Sale Contract
✓ October 15, 1963 Amendment to Gas Sale Contract
✓ April 1, 1970 Amendment to Gas Sale Contract
✓ October 3, 1972 Amendment to Gas Sale Contract
✓ August 27, 1973 Amendment to Gas Sale Contract

4. ✓ Utility Service Contracts between APC and Fort Richardson and Fort Richardson and EAFB

✓ *have*

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1/1/72

Amendment

K9/K995

CHANGES IN GAS PURCHASE CONTRACT

1. Effective date 1-1-72.
2. Change contract year (Oct. to Oct.) to Calendar Year Jan. thru Dec.
3. Change reserves from 240,000,000,000 to 550,000,000,000 unless in 1981 if remaining reserves are more than 12-years' supply based on 1980 usage, then reserves reduced to remaining 12 years.
4. Change in delivery points from mouths of wells to a central Buyer's master meter.
5. Change in delivery pressure from 700 psi prior to August 14, 1971 to 900 psi prior to December 31, 1972; and from 500 psi after 1971 to 700 psi from 1-1-73 to 12-31-75 and 500 psi thereafter.
6. Change in price

Old Contract

Flat 6 billion cu. ft. per year 24¢
All additional volumes 16¢
Escalation 1¢ starting October 1972
and 1¢ every 5 years thereafter

New Contract

25¢
17¢ but not less than 21¢ average
1¢ starting 1-1-74
2¢ starting 1-1-76
3¢ starting 1-1-81
After 1985 not less than 27¢ or
average delivered gas f.o.b.
Kensai Gas Field received by
Seller during 1985 from all new
sales made to other than APC
after 1972 but sales to others
on which average calculated
shall be at least 1/4 of quantity
of gas delivered to APC

7. Term - From September 30, 1967 changed to December 31, 1992.
8. Change in Quality of gas in water content to not more than 4⁰ water per million cu. ft. of gas (dehydrated gas). Prior contract APC provided own dehydration.

File



ALASKA PIPELINE COMPANY

P. O. BOX 6554 • HOUSTON, TEXAS 77005

June 15, 1971

Union Oil Company of California
Union Oil Center
Los Angeles, California 90017

and

Marathon Oil Company
539 South Main Street
Findlay, Ohio 45640

Gentlemen:

Reference is made to that certain letter agreement between us dated October 1, 1967, concerning special handling of unused gas reserves under our "Kenai-Nikiski Agreement" as defined below.

Reference is also made to that certain "Amendment of Gas Purchase Contract" (amending the Gas Purchase Contract dated May 13, 1960) between Union Oil Company of California ("Union"), and Marathon Oil Company ("Marathon"), as "Seller", and Alaska Pipeline Company ("Alaska"), as "Buyer", which said Amendment is dated effective January 1, 1972, and is herein referred to as "Anchorage Service Area Agreement". Executed copies of the Anchorage Service Area Agreement are transmitted to you herewith.

Reference is also made to that certain "Gas Sales Agreement" dated and effective as of May 1, 1967, between Union and Marathon, as Seller, and Alaska, as Buyer, involving certain taps and deliveries of gas off of Seller's Kenai-Nikiski Pipeline until an aggregate quantity of 10,000,000 Mcf of gas has been delivered and purchased thereunder, or for a period of ten (10) contract years, whichever first occurs (herein referred to as "Kenai-Nikiski Agreement").

This letter confirms our further agreement as follows:

- (1) Effective January 1, 1972, the above-mentioned letter agreement dated October 1, 1967, is terminated and the further agreements set out below become effective.

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ALASKA PIPELINE COMPANY

P. O. BOX 8554 • HOUSTON, TEXAS 77005

Union Oil Company of California
Marathon Oil Company
June 15, 1971
Page 2

- (2) Upon the termination of the Kenai-Nikiski Agreement, in whatever way it is terminated, the quantity of gas reserves specified in Section 11A(1) of the Anchorage Service Area Agreement, shall be increased by the amount of gas, if any, which was not taken by Alaska under the Kenai-Nikiski Agreement.
- (3) Any gas paid for but not taken by Alaska under the provisions of the Kenai-Nikiski Agreement may, but only upon the termination of said Agreement, be taken by Alaska during the remaining term of the Anchorage Service Area Agreement without further payment, except that Alaska shall pay the differential in applicable taxes described in Section 5.2 of the Kenai-Nikiski Agreement, if any, between that existing when such payments were originally made and that applicable at the time of such taking.
- (4) Any gas taken by Alaska under Paragraph (3) above, shall be at the delivery points and under the technical specifications applicable to gas deliverable under the Anchorage Service Area Agreement.

Your execution of the enclosed copy of this letter and returning the same to us evidences your agreement to the above.

Very truly yours,

ALASKA PIPELINE COMPANY

By *Sherman H. Decker*
Vice President

Accepted and Agreed to
as of the date of this letter:
UNION OIL COMPANY OF CALIFORNIA

By *William S. Murray*
Attorney-in-Fact
MARATHON OIL COMPANY

By *R. E. McMahon*
R. E. McMahon, SENIOR VICE PRESIDENT

AGO 570382

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ATTACHMENT 1

AMENDMENT OF GAS PURCHASE CONTRACT

THIS AGREEMENT, made and entered into effective as of the 1st day of January, 1972, by and between UNION OIL COMPANY OF CALIFORNIA, hereinafter sometimes referred to as "Union," and MARATHON OIL COMPANY (formerly The Ohio Oil Company), hereinafter sometimes referred to as "Marathon," both companies hereinafter referred to collectively as "Seller" and sometimes herein individually as "seller" and ALASKA PIPELINE COMPANY, hereinafter referred to as "Buyer,"

W I T N E S S E T H:

WHEREAS, Buyer and Seller are parties to that certain Gas Purchase Contract dated May 13, 1960, as amended and modified, covering the purchase and sale of natural gas from certain properties of Union and Marathon located on the Kenai Peninsula, Alaska; and

WHEREAS, the parties desire to further amend said Gas Purchase Contract, as heretofore amended and modified, as of the effective date, stated above;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the parties hereby amend that certain Gas Purchase Contract between Buyer and Seller dated May 13, 1960, as heretofore amended and modified, and agree as follows:

1. Each and every prior amendment to, or modification of that certain Gas Purchase Contract dated May 13, 1960, which has been entered into or agreed to by any party hereto, and Exhibits "A" and "B" of said agreement, are hereby cancelled and shall be of no further force or effect as of the effective date of this Amendment.

2. Exhibits A, B, C and C-1, attached hereto, are hereby added to and made a part of said Gas Purchase Contract dated May 13, 1960.

3. Commencing with the word "WITNESSETH:", on the first page of said Gas Purchase Contract and including Pages 2 through 15 thereof, said contract is hereby amended to read as follows:

WHEREAS, Alaska Public Service Corporation (formerly named Anchorage Natural Gas Corporation), hereinafter sometimes referred to as "Anchorage", has held and now holds a franchise from the City of Anchorage, Alaska, and a Certificate from the Alaska Public Utilities Commission, to distribute gas for domestic, commercial and industrial purposes within the City of Anchorage; which is more particularly defined in City of Anchorage Ordinance No. 1347, and holds or may from time to time acquire other such franchises and certificates for rendering said services within the area outlined and described, respectively, in Exhibit C and Exhibit C-1, and said area is hereinafter referred to as "Service Area"; and

WHEREAS, Buyer owns and operates a gas transmission pipe line system extending from the Kenai Unit Area, Third Judicial Division, State of Alaska, to said Service Area; and

WHEREAS, Buyer and Anchorage have entered into an agreement under which Buyer has agreed to sell, deliver and furnish to Anchorage and Anchorage has agreed to purchase, take and receive from Buyer, all of Anchorage's requirements for gas pursuant to the terms thereof and of this Agreement; and

WHEREAS, Union and Marathon each own or control oil, gas and mineral leaseholds and/or lands within the Kenai Unit Area, which leaseholds and lands are more particularly described in Exhibit B attached hereto and made a part hereof, and each has a supply of gas by virtue of its ownership or control of said leaseholds and lands which, together with certain other gas that Union and/or Marathon may from time to time purchase from co-owners of interests in said leaseholds and lands, it is willing to commit by this contract to sell to Buyer within the total volume limitation hereinafter provided; and

WHEREAS, Buyer desires to purchase from Seller all of its gas requirements for the Service Area, as said "Service Area" is hereinafter defined.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the parties hereto do hereby covenant and agree as follows:

I. DEFINITIONS

Except where the context otherwise indicates another or different meaning or intent, the following terms are intended and used herein and in Exhibit A, attached hereto and made a part hereof, and shall be construed to have meanings as follows:

(1) The term "day" shall mean a period of twenty-four (24) consecutive hours beginning and ending at eight o'clock a.m., Alaska Standard Time.

(2) The term "month" shall mean a period beginning at eight o'clock a.m. on the first (1st) day of a calendar month and ending at eight o'clock a.m. on the first (1st) day of the next succeeding calendar month.

(3) The term "year" shall mean a period of twelve (12) consecutive months beginning on the first day of January of any calendar year.

(4) The term "Gas" shall mean natural gas meeting the standards set forth in Section C of Exhibit A hereof.

(5) The term "Mcf" shall mean one thousand (1,000) cubic feet.

(6) The term "British thermal unit" (Btu) is defined as the amount of heat required to raise the temperature of one (1) pound of water from fifty-nine degrees (59°) Fahrenheit to sixty degrees (60°) Fahrenheit at a pressure of fourteen and sixty-five one hundredths (14.65) pounds per square inch absolute.

(7) The term "Seller's Delivery Capacity" shall mean the maximum quantity of gas which can be withdrawn (subject to any applicable State or Federal laws and statutes and any valid rules, orders and regulations of any State or Federal regulatory body) daily from the leaseholds and/or lands of Seller covered by this Agreement and which is available for delivery to Buyer for use in the Service Area at the point or points of delivery hereunder at the pressure provided for in Article VI hereof.

(8) The term "Service Area" shall mean the geographical area outlined on Exhibit C and described in Exhibit C-1 attached hereto and made a part hereof.

(9) The term "Buyer's Requirements" shall mean Buyer's total requirements for gas sold and delivered by Buyer from its system in the Service Area for resale, use or consumption in said Service Area.

(10) "Kenai Unit Area" as used herein means that area described in Unit Agreement for the Development and Operation of the Kenai Unit Area, Third Judicial Division, State of Alaska, No. 14-08-001-6367, dated May 1, 1959, and revisions thereto.

II. SCOPE OF AGREEMENT

A. Service Area

(1) Subject to and in accordance with all of the terms, conditions and limitations set forth hereinafter and in Exhibit

A hereof, Seller agrees to sell and deliver or cause to be delivered to Buyer, and Buyer agrees to purchase and receive from Seller, all of Buyer's Requirements of gas for the Service Area during the term hereof up to a maximum total quantity of Five Hundred Fifty Billion (550,000,000,000) cubic feet of gas. Said maximum total quantity of gas is hereinafter referred to as "Seller's Gas Reserve", and shall be produced from the leaseholds and/or lands described in Exhibit B.

Provided, however, that if the total deliveries of gas delivered hereunder during the year commencing January 1, 1980 and ending December 31, 1980 divided into Seller's remaining recoverable reserves committed to this contract (550,000,000,000 cubic feet of gas less the quantity of gas theretofore delivered hereunder), as of January 1, 1981, is more than twelve (12), then upon written notice by Seller to Buyer given by January 1, 1982 and not thereafter, Seller's Gas Reserve shall be reduced to a quantity of gas which is twelve (12) times the total quantity of gas so delivered hereunder during such year beginning January 1, 1980 and ending December 31, 1980.

(2) Seller shall, with due diligence, operate the lands and leaseholds subject to this Agreement in a skillful and reasonably prudent manner to the end that Seller's Delivery Capacity and Seller's Gas Reserve shall be maintained from time to time during the term hereof at a volume necessary to satisfy Buyer's Requirements. On or before the first day of August

of each year during the term hereof, Buyer shall notify Seller of Buyer's maximum daily firm load requirements and Buyer's maximum daily interruptible load requirements during the twelve-month period beginning the first day of August of the following year, furnishing Seller with evidence satisfactory to Seller of such requirements. "Buyer's maximum daily firm load requirements" shall mean the maximum quantity of gas the Buyer is required to deliver during any one day of the aforesaid twelve-month period to all purchasers to whom Buyer is obligated to deliver gas without any right to interrupt such deliveries at any time. "Buyer's maximum daily interruptible load requirements" shall mean the maximum quantity of gas that Buyer is required to deliver during any one day of the aforesaid twelve-month period to all purchasers to whom Buyer is obligated to deliver gas, subject only to the right of Buyer to interrupt such deliveries during any period when Buyer does not have the gas available for delivery due to its firm load requirements. Seller shall then notify Buyer on or before the first day of October following receipt of such notice of one of the following:

(i) Seller's Delivery Capacity is equal to 110% of such requirements, furnishing Buyer with evidence satisfactory to Buyer of such delivery capacity, or

(ii) Seller does not have such delivery capacity and will not attempt to provide such capacity, or

(iii) Seller does not have such delivery capacity, but will attempt to provide such delivery capacity of 110% of such maximum daily load requirements on or before the first of April next succeeding the date of such notice.

In the event Seller gives Buyer the notice called for in (ii) or (iii) above, then Buyer shall be free, from the date of receipt of such notice from Seller that (ii) applies, or from the first of April in the event (iii) applies and Seller has not then provided such delivery capacity, to contract with others for the purchase of gas up to 2500 Mcf per day, or the amount by which the current Seller's Delivery Capacity (as stated by Seller to Buyer) is less than Buyer's maximum daily load requirements, whichever is the greater; provided, however, that to the extent of Seller's ability to perform, the annual daily average quantity which Buyer is obligated to take hereunder (i.e., Buyer's Requirements expressed as a daily volume), shall not in any event be reduced by more than 2500 Mcf. Nothing herein shall be construed to require Seller to drill additional wells in order to increase Seller's Delivery Capacity nor shall Seller be required to produce any well or wells in a manner which, in Seller's sole judgment, would not be in accordance with prudent gas field operating practice.

(3) Buyer agrees to purchase solely from Seller all of Buyer's Requirements for gas in its operations in and for resale in the Service Area up to the total quantity of Seller's Gas Reserve, as hereinabove defined, and subject to the conditions hereinafter contained. To the extent that Buyer's Requirements exceed Seller's Gas Reserve, and to the extent that Seller has reserves available and uncommitted to others in addition thereto by virtue of its ownership or control of the leaseholds and lands described in Exhibit B, Seller is hereby given the right and option to commit such additional reserves to this contract sufficient to meet all or a portion of Buyer's excess requirements. Seller shall, upon written request from Buyer to be made not more frequently than one time per year, certify to Buyer that the gas remaining to be delivered hereunder from Seller's Gas Reserve is available from the leaseholds and/or lands described in Exhibit B, and that said quantity of gas is free of commitments to others. Seller shall furnish to Buyer with such certificate a report of an Independent Geologist substantiating such certification, which Independent Geologist (employed for the purpose of rendering such report) shall be one designated by Seller.

In the event that Seller should elect not to commit additional gas reserves to satisfy all of Buyer's Requirements, Buyer shall have the right to contract with others for the

purchase of sufficient gas to meet such requirements. In the further event that Buyer's Requirements subsequently exceed the gas reserves then committed to this Agreement by Seller, plus any gas committed by others, Buyer agrees to again give the Seller the right and option to supply such requirements by committing additional gas reserves within the Kenai Unit Area, subject to the terms hereof.

Buyer agrees that during such years as it is purchasing gas from others for use in its operations in and for resale in the Service Area it will continue purchasing from Seller during such years a quantity of gas equal to Seller's remaining recoverable reserves committed to this contract (Seller's Gas Reserve, less gas delivered hereunder) divided by the number of years remaining on the term of this agreement; provided, however, in the event Buyer's Requirements shall decrease in any remaining year of the contract term, then Buyer agrees to purchase from Seller the same proportion of Buyer's Requirements of gas for such year as was purchased from Seller during the preceding year.

B. Special Supply of Gas for Use Outside of Service Area

(1) The parties agree that, apart from the gas currently sold by Seller to Buyer for use in the Service Area, Seller shall sell to Buyer and Buyer shall purchase and receive from Seller a special supply of gas for use outside of the Service Area upon the following terms and conditions:

(a) The special supply shall not exceed an aggregate of five (5) billion cubic feet of gas.

(b) Buyer shall notify Seller on or before the first day of August of each year during the term hereof of Buyer's Maximum Daily Need during the twelve-month period beginning the first day of August of the following year. "Maximum Daily Need" as used herein shall mean the maximum quantity of gas, if any, as set forth in such notice, which Buyer desires to purchase from Seller on any day or days of said period for sale or use outside of the Service Area, but shall not exceed 1000 Mcf per day. Seller agrees to have available for delivery and sale to Buyer on each day during such twelve-month period, a quantity of gas equal to such Maximum Daily Need. Buyer agrees to purchase from Seller during such twelve-month period an annual quantity of gas equal to the lesser of (a) the total requirements of Buyer for gas sold or used by Buyer outside of the Service Area or (b) the applicable Maximum Daily Need multiplied by 182.5.

(c) The aggregate quantity of gas delivered to Buyer by Seller under this Section IIB shall be deducted from the maximum total quantity of Five Hundred Fifty Billion (550,000,000,000) cubic feet, designated "Seller's Gas Reserve" in Section IIA(1) hereof.

(2) The parties agree that, with the exceptions of Sections 7 and 9 of Article I and Article IIA hereof, all other terms and provisions of this Gas Purchase Contract shall apply to the sale and delivery of gas chargeable to the special supply. Volumes of gas delivered under this Section IIB shall be added to volumes of gas delivered to Buyer for Buyer's Requirements in the Service Area in determining the charges to Buyer for all gas delivered hereunder.

(3) Except for and subject to the provision contained in Paragraph (1)(c) of this Section IIB, said Section IIB may be terminated as follows:

(a) Buyer may, by written notice to Seller, terminate this Section IIB whenever, in Buyer's sole judgment, Buyer has no further need for such special supply of gas. Such termination shall be effective at 8:00 a.m., Alaska Standard Time, on the first day of the month next occurring after ninety (90) days notice to Seller.

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(b) This Section IIB shall automatically terminate as of the end of any twelve-month period beginning on any first day of August if, during such period, Buyer fails to purchase at least 135,000 Mcf pursuant to this Section IIB, unless during such period gas purchased pursuant to this Section IIB is the sole source of gas utilized by Buyer for sale or use outside the Service Area.

C. Use of Seller's Delivery Capacity Outside of Service Area.

The parties agree that, upon any day when the current Seller's Delivery Capacity (as stated by Seller to Buyer) exceeds Buyer's Requirements for such day, such excess may be used by Buyer at Buyer's option outside the Service Area, and the quantity so used shall be deducted from Seller's Gas Reserve designated in Section IIA(1) hereof, and shall be added to volumes of gas delivered to Buyer for Buyer's Requirements in determining the charges to Buyer for all gas delivered hereunder. Gas may be taken under this Section IIC whether or not gas is then being taken by Buyer under Section IIB hereof.

III. RESERVATIONS OF SELLER

Without impairment of Seller's Gas Reserve, Seller hereby expressly reserves the following rights with respect to gas in, or which may be produced from, the leaseholds and/or lands covered by this Agreement:

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(1) The right to use gas produced from said leaseholds and/or lands for the following purposes:

(a) For the development and operation of such leaseholds and/or lands owned by Seller and any other leaseholds and/or lands owned by Seller or in which Seller owns an interest located in the Kenai Unit Area.

(b) For delivery to the lessors in Seller's leases of the gas which such lessors are entitled to take under the terms of such leases.

(c) For the operation of the facilities which Seller may install in order to deliver gas hereunder in accordance with the terms hereof.

(d) For domestic use by Seller's employees employed in conducting operations in said Unit Area.

(e) For all other uses of Seller, including existing or future commitments of gas by Seller to others for any purpose whatsoever.

(2) Seller shall have the right at its option to extract, or cause to be extracted, liquefiable hydrocarbons from the gas delivered hereunder by means of processing in a plant to be located in the field or at any point along Buyer's transmission line; such right to process and extract, as herein reserved to Seller, being conditioned as follows:

(a) Not more than one such plant shall be constructed on Buyer's pipeline.

(b) The residue gas, after processing, shall have a total heating value of not less than 950 Btu's per cubic foot.

(c) Seller shall reimburse Buyer for the actual fuel consumed in the processing operation, and for a calculated amount sufficient to cover shrinkage.

(d) Seller shall provide such compression as may be necessary to make up any pressure drop resulting from such processing in excess of 50 psig.

(e) Seller shall furnish and pay the cost of installing block valves and by-pass valves required to effect delivery of gas to such plant and redelivery to the Buyer after processing.

(f) Seller agrees to indemnify and save Buyer harmless from all losses, damages and expenses which may occur or be asserted by reason of accident or occurrences resulting from Seller's operations in processing the gas delivered through the processing facilities.

IV. THIRD PARTY SALES

It is understood that with respect to natural gas in the State of Alaska, Marathon and Union are primarily engaged in exploration and production operations, the export of liquefied natural gas, the manufacture of products from and the processing

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of natural gas and sales of gas at or near the point of production or processing. Neither Marathon nor Union intends to transport gas to the Service Area, sell gas to others for resale within the Service Area or to distribute gas within the Service Area either directly through its own facilities or indirectly through facilities of any subsidiary or affiliate. It is further understood that Buyer, and its affiliated companies, are primarily engaged in the business of purchasing, transporting, distributing and reselling natural gas. The parties desire that there be continuing increases in the quantities of gas produced from Seller's Gas Reserve and resold by Buyer within the Service Area and accordingly the parties have agreed to the following:

(1) Subject to the terms and conditions hereinafter set forth in Paragraphs (4), (5) and (6) hereof, each seller agrees to sell gas for resale within the Service Area exclusively to Buyer during the term hereof.

(2) If during the term hereof, either seller hereunder considers selling gas produced in the State of Alaska to a third party for its use or consumption in the Service Area, but not for resale therein (and if such sale is not excluded from this Article IV by the provisions of Paragraph (5) below or excepted from this Article IV by the provisions of Paragraph (6) below), then, before a gas sales contract is signed with such third party, such seller shall notify Buyer in writing of all the terms and conditions of such proposed sale. Buyer shall thereupon have

the option for a period of ninety (90) days from receipt of such notice, to purchase such gas upon the same terms and conditions. The exercise of such option by Buyer shall be evidenced by written notice delivered to the seller, within the time specified. If the option is so exercised, Buyer shall then attempt in good faith to negotiate a resale of such gas to such third party. If a binding contract of sale of such gas from Buyer to such third party is not signed within ninety (90) days after such exercise of the option by Buyer, and if other gas is not available in sufficient quantity for purchase by such third party upon substantially the terms and conditions contained in the original notice, such seller may sell to such third party the quantity of gas specified in the original notice upon the terms and conditions contained in such notice. Any gas purchased pursuant to the exercise of such option may be resold, used or consumed by Buyer in the Service Area and in such event the quantity of gas thus resold, used or consumed shall be considered to be a part of Buyer's Requirements for the contract year in which such gas is delivered to Buyer and such quantity shall be considered to be produced from Seller's Gas Reserve.

(3) In the event the option is not exercised as above provided, the seller may complete such sale to such third party purchaser upon the terms and conditions set forth in the notice;

provided, however, from and after the commencement of deliveries of such gas to such third party purchaser, Buyer's obligations to such seller under the provisions of Paragraphs (1), (2) and (3) of Section A of Article II hereof shall be partially discharged as hereinafter provided by the purchase of gas by Buyer from any party other than such seller. The partial discharge of Buyer's obligations shall be effected only under the following procedure:

(a) within ten (10) days following the first full month during which deliveries of gas have been made to such third party purchaser, such seller shall notify Buyer in writing of the aggregate amount of gas so delivered to such purchaser. Such notice shall also set forth a "Maximum Annual Exempt Quantity of Gas" which shall be equal to the greater of (i) 15 times the first month's deliveries to such purchaser or (ii) the estimated deliveries for the first twelve (12) months of such contract. Provided, however, whenever the annual deliveries of gas to a third party purchaser are increased, said "Maximum Annual Exempt Quantity of Gas" shall be revised by such seller to conform to the actual deliveries of gas to such purchaser during

the current annual period with the effect that each revised "Maximum Annual Exempt Quantity of Gas" shall thereafter govern the rights of Buyer under the following Subparagraph 3(b).

(b) Buyer may thereafter purchase from any other seller, for delivery in any one or more of the twelve-month periods remaining under this Agreement, a quantity of gas equal to, or less than the "Maximum Annual Exempt Quantity of Gas" and the annual quantity of gas so purchased for delivery in any such twelve-month period shall be credited in such year as a part of Buyer's Requirements hereunder.

(c) Any quantity of gas to be credited as a part of Buyer's Requirements in compliance with the provisions of Subparagraph (b) of this Paragraph (3) shall be considered to be produced from Seller's Gas Reserve.

(4) Any partial relief from Buyer's obligations to purchase Buyer's Requirements as provided for in Paragraphs (2) and (3) above shall not affect the commitment of Buyer to purchase gas from the party seller who does not sell gas to such third party. This agreed result implements the acknowledged "separate

interest" of Union and Marathon referred to in Article XI of this Agreement.

(5) Paragraphs (1), (2) and (3) of this Article IV shall not be applicable with respect to any sale of gas by either seller to a third party unless prior to the signing of the contract for the sale of such gas such seller knows or has reasonable grounds to believe that the gas included in such sale will be resold, used or consumed within the Service Area.

(6) It is expressly agreed that Paragraphs (1), (2) and (3) of this Article IV shall never apply to (a) any sale, use or consumption of gas for or in connection with any operation for the production of oil or gas such as, but not limited to cycling, reservoir pressure maintenance or repressuring, gas lift operations or fuel for any pump, or other field facility, (b) any use or consumption of gas for or in connection with the liquefaction of gas, any manufacturing operation in which gas or any component thereof is a raw or finished product, or gas processing of any nature whether similar or not, by either or both sellers or any affiliate of either or both sellers and (c) sales of gas by either seller which do not exceed in the aggregate per year, as to each seller separately, the greater of: (i) 250,000 Mcf, or (ii) two percent (2%) of the highest aggregate quantity of gas sold by Buyer, its subsidiaries and affiliates, in the Service Area during 1967 or any year thereafter.

V. POINT OF DELIVERY

(1) The delivery point for the gas deliverable hereunder shall be at the upstream flange of Buyer's master meter located in Section 30, Township 5 North, Range 11 West, Kenai Peninsula Borough, Seward Base and Meridian, Alaska.

(2) Title to and ownership of such gas shall pass to and absolutely vest in Buyer at the point of delivery as aforesaid.

(3) As between the parties hereto, Seller shall be in control and possession of the gas deliverable hereunder and shall indemnify and hold Buyer harmless for any damage or injury caused thereby until the same shall have been delivered to Buyer, after which delivery Buyer shall be deemed to be in exclusive control and possession thereof and shall indemnify and hold Seller harmless for any injury or damage caused thereby.

VI. PRESSURE

(1) The gas to be delivered hereunder shall be delivered by Seller into Buyer's facilities against the pressure existing therein from time to time at said point of delivery; provided, however, that Seller shall not be required to deliver such gas at a pressure (a) in excess of nine hundred (900) pounds per square inch gauge prior to December 31, 1972; (b) in excess of seven hundred (700) pounds per square inch gauge from January 1, 1973 to December 31, 1975; nor (c) in excess of five

hundred (500) pounds per square inch gauge thereafter during the term hereof. Neither Seller nor Buyer shall be obligated to install or operate compression facilities in order to deliver or receive gas hereunder, but either Seller or Buyer may do so at its option.

(2) In the event, however, that the gas cannot be delivered at the aforesaid pressures, and if neither Seller nor Buyer installs or operates compression facilities; then either party, at its option, may terminate this contract after 30 days' written notice to the other party, unless such other party advises the party giving such termination notice within said 30-day period that it elects to take steps to meet such delivery pressures.

VII. PRICE

(1) Subject to the provisions of Paragraph (2) below, the prices to be paid by Buyer to Seller for gas delivered to Buyer hereunder shall be as follows:

First 8 billion cubic feet per year	25.0¢ per Mcf
-------------------------------------	---------------

All additional volumes per year	17.0¢ per Mcf,
---------------------------------	----------------

provided, however, that the average price for all gas delivered in any year shall not be less than 21.0¢ per Mcf. Each of the above prices, including the average price, shall be increased 1.0¢ per Mcf effective January 1, 1974, an additional 2.0¢ per Mcf effective January 1, 1976, and an additional 3.0¢ per Mcf

effective January 1, 1981. From and after January 1, 1986, the average price for all gas delivered hereunder in any year thereafter shall be not less than the greater of (1) 27.0¢/Mcf, or (2) the "average delivered price f.o.b. the Kenai gas field, received by Seller, or each of the sellers in the aggregate, during the year commencing January 1, 1985 and ending December 31, 1985; From all new sales made to buyers other than the Buyer after January 1, 1972, in significant or substantial quantities", hereinafter called the "Average Third Party Price". For the purposes of clause (2) above the Average Third Party Price shall mean the aggregate proceeds on which royalty was calculated and paid from all such new sales to others during such year, divided by the total quantity of such gas so delivered; provided, however, the aggregate quantity of such deliveries and sales to others during the year commencing January 1, 1985 and ending December 31, 1985 shall be at least one-fourth (1/4) of the quantity of gas delivered to Buyer hereunder during such year.

(2) Any sales, transactions, occupation, service, production, severance, gathering, transmission, export or excise tax, assessment or fee levied, assessed or fixed by the United States or any State or other governmental authority and taxes of a similar nature or equivalent in effect (not including income, excess profits, capital stock, franchise or general

AGO 570405

property taxes) in addition to or greater than those, if any, being levied, assessed or fixed on May 13, 1960, in respect of or applicable to the natural gas to be delivered by Seller to Buyer hereunder and which Seller may be liable for during any month either directly or indirectly through any obligation to reimburse others, are hereinafter collectively referred to as "additional tax". It is expressly understood and agreed between the parties that so long as the additional tax shall be in effect Buyer shall reimburse Seller for all such additional tax. In the event all or any part of such liability of Seller is not determined or not determinable by the end of any month, then such additional amount required in respect of such liability not determined or determinable shall be set forth for all such months in any calendar year in a statement to be rendered by Seller to Buyer by April 1 of the following calendar year and Buyer shall pay the amount due pursuant to such statement on or before May 1 of such following calendar year.

VIII. TERM

This Gas Purchase Contract shall continue and remain in full force and effect for a term ending December 31, 1992; provided, however, in the event Seller has after the effective date hereof and prior to December 31, 1992, sold and delivered to Buyer hereunder a maximum total quantity of gas equal to Seller's Gas Reserve as defined in Section IIA(1) hereof, then this Contract

shall thereupon terminate unless there remain additional reserves which have been committed to Buyer by Seller. In such latter event, this Contract shall remain in effect until the expiration of such term, or delivery of such additional reserves, whichever occurs first. None of the covenants or agreements made in this Contract shall survive the expiration of the term hereof.

IX. ADDRESSES

Until Buyer is otherwise notified in writing by Union, the address of Union is and shall remain as follows:

Union Oil Company of California
909 West Ninth Street
Anchorage, Alaska ~~99503~~ 99501

and, unless Buyer is otherwise notified in writing by Marathon, the address of Marathon is and shall remain as follows:

Marathon Oil Company
P. O. Box 2380
Anchorage, Alaska 99501

and, unless Seller is otherwise notified in writing by Buyer, the address of Buyer is and shall remain as follows:

Alaska Pipeline Company
P. O. Box 6554
Houston, Texas 77005

All notices required to be given in writing hereunder shall be given to the respective parties at such addresses or such other addresses as the parties respectively shall designate by written notice, and all notices required herein to be given to Seller shall be given to both Union and Marathon.

AGO 57040T

X. MISCELLANEOUS

(1) No waiver by either party hereto of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or of a different character.

(2) This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the respective parties hereto, and shall constitute a covenant running with the lands and leasehold estates covered hereby. Seller and Buyer both agree that no sale or transfer of said properties of Seller or any part thereof or of all or substantially all of Buyer's said system shall be made unless the purchaser or transferee thereof shall assume and agree to be bound by this Agreement insofar as the same shall effect and relate to the property or interest sold or conveyed. It is agreed, however, that nothing contained in this paragraph shall in any way prevent either party hereto from pledging or mortgaging its rights hereunder for security of its indebtedness.

(3) Each of the parties hereto agrees to proceed with diligence in a good faith effort to obtain and maintain in good standing such governmental authorization, certificates and franchises as may be necessary to enable it to perform its other obligations under this Agreement.

(4) Seller grants to Buyer, so far as Seller has the right to do so, right-of-way on the leases and lands covered by this Agreement for Buyer's gathering pipe line and such other equipment as may be necessary, with full right of ingress and egress to and from said premises, and the further right to do thereon acts necessary or convenient for the carrying out of the terms of this Agreement.

XI. USE OF TERM "SELLER"

The term "Seller" is used collectively herein to refer to Union Oil Company of California and Marathon Oil Company solely for purposes of convenience, and it is the specific intent of the parties hereto that each has executed this Agreement and has contracted herein independently and to the extent of its separate interest only. It is understood that each seller company presently owns and holds an equal undivided interest in the gas to be sold under this contract and that, until further written notice from both of said companies, payment for gas delivered hereunder will be made by Buyer in equal amounts, one half of such payment to Union and one half to Marathon.

It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this Agreement contained, expressed or implied, nor any operations conducted hereunder, shall create or be deemed to have

created a partnership or association between the parties hereto or any of them.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment of Gas Purchase Contract to be executed this

15 day of June, 1971.

UNION OIL COMPANY OF CALIFORNIA

By *Herbert S. [unclear]*

WFS
Its Attorney-in-fact

MARATHON OIL COMPANY

ATTEST:

By *R. E. McMillan*

WFS
Vice President

J. M. [unclear]
ASSISTANT SECRETARY

SELLER

ALASKA PIPELINE COMPANY

ATTEST:

By *[unclear]*

Vice President

J. H. [unclear]
Assistant Secretary

RECEIVED

BUYER

JUN 24 1971

State of Alaska
Public Utilities Commission

EXHIBIT A

Attached to and incorporated in Gas Purchase Contract, dated January 1, 1972, between UNION OIL COMPANY OF CALIFORNIA, hereinafter referred to as "Union", and MARATHON OIL COMPANY (formerly The Ohio Oil Company), hereinafter referred to as "Marathon", both companies hereinafter referred to collectively as "Seller", and ALASKA PIPELINE COMPANY, hereinafter referred to as "Buyer".

GENERAL TERMS AND CONDITIONS

A. MEASURING STATION

1. Buyer shall install, maintain and operate, at Buyer's own expense, at or near the point of delivery, a measuring station properly equipped with orifice meters, flange connections, orifice plates and other necessary equipment by which the volume of gas delivered hereunder shall be measured, and Seller, to the extent that Seller has the right to do so, hereby, grants to Buyer the right to install, maintain and operate such equipment. Volumes shall be computed and orifice meters shall be installed, maintained and operated as prescribed by the American Gas Association in Gas Measurement Committee Report Number 3, including the appendix thereto, as published April, 1955, and any subsequent amendments, additions or changes thereto as may be made from time to time by the A.G.A. Gas Measurement Committee. Seller shall have access to such metering equipment at reasonable hours, but the reading, calibrating and adjusting thereof and the changing of charts shall be done only by Buyer.

AGO 570411

2. Seller shall install, maintain and operate, at its own expense such pressure regulators and check measuring equipment as it shall desire, so installed as not to interfere with the operation of Buyer's measuring equipment. Buyer shall have access to such check measuring equipment at reasonable hours, but the reading, calibrating and adjusting thereof and the

3. Each party shall have the right to be present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with the other's measuring equipment used in measuring deliveries hereunder. The records from such measuring equipment shall remain the property of their owner, but upon request each will submit to the other its record and charts, together with calculations therefrom, for inspection and verification, subject to return within ten (10) days after receipt thereof.

4. In the event a meter is out of service, or registering inaccurately, the volume of gas delivered hereunder shall be estimated;

(a) By using the registration of any check meter or meters if installed and accurately registering, or in the absence of (a):

(b) By correcting the error if the percentage of error is ascertainable by calibration, test, or mathematical calculation or, in the absence of both (a) and (b), then:

(c) By estimating the quantity of delivery by deliveries during periods under similar conditions when the meter was registering accurately. **AGO 570412**

5. At least once each month Buyer shall verify the accuracy of Buyer's measuring equipment and Seller shall verify the accuracy of its check measuring equipment. If either party shall notify the other that it desires a special test of any measuring equipment, the parties shall cooperate to secure a prompt verification of the accuracy of such equipment. If either party at any time observes a variation between the delivery meter and the check meter, it will promptly notify the other party thereof and both parties will then cooperate to secure an immediate verification of the accuracy of such equipment. Each party shall give to the other notice of the time of all tests of meters reasonably in advance of the holding of such tests in order that the other

6. If, upon test, any measuring equipment is found to be in error not more than two per cent (2%), previous records of such equipment shall be considered accurate in computing deliveries hereunder; but such equipment shall be adjusted at once to record correctly. If, upon test, any measuring equipment shall be found to be inaccurate by an amount exceeding two per cent (2%), at a recording corresponding to the average hourly rate of flow for the period since the last preceding test, then any previous recordings of such equipment shall be corrected to zero error for any period which is known definitely or agreed upon, but in case the period is not known definitely or agreed upon such correction shall be for a period extending over one-half of the time elapsed since the date of last test, not exceeding a correction period of sixteen (16) days.

7. Each party shall preserve for a period of at least two (2) years all test data, charts and other similar records.

B. MEASUREMENTS

1. The sales unit of the gas deliverable hereunder shall be one (1) MCF of gas.

2. The volume of the gas delivered hereunder shall be determined as follows:

(a) The unit of volume for the purpose of measurement shall be one cubic foot of gas at a base temperature of sixty (60) degrees Fahrenheit and at a pressure of fourteen and sixty-five hundredths (14.65) pounds per square inch absolute with correction for deviation from Boyle's Law. Computation of volumes shall be in accordance with applicable rules, regulations and orders promulgated by a recognized regulatory body.

(b) The average absolute atmospheric pressure shall be assumed to be fourteen and seven-tenths (14.7) pounds to the square inch, irrespective of actual elevation.

location of the point of delivery above sea level or variations in such atmospheric pressure from time to time.

(c) The deviation of the gas from Boyle's Law at the pressures, temperatures, and specific gravities under which the gas is delivered hereunder, shall be read from the A.G.A. convenient operating tables of "Supercompressibility Factors for Natural Gas", without adjustment of diluents, which have been developed from the basic tables contained in the A.G.A. Gas Measurement Committee Report No. 3.

(d) The temperature of the gas passing the meters shall be determined by the continuous use of a recording thermometer so installed by Buyer that it may properly record the temperature of the gas flowing through the meters. The arithmetical average of the hourly temperature readings recorded each twenty-four (24) hour day shall be used in computing gas volumes for that date.

(e) Unless the parties hereto agree to the use of a spot test method, the specific gravity of the gas delivered hereunder shall be determined by the continuous use of an Acme recording gravitometer, or other standard gravitometer agreed upon by the parties hereto, so installed that it may properly record the specific gravity of the gas flowing through the meters. The arithmetical average of the specific gravity recorded during each twenty-four (24) hour day shall be used in computing gas volume for that date. If the parties hereto agree to the use of a spot test method, such spot test shall be made with an Edwards type of gas balance, or by such other method as shall be agreed upon between the parties. If the spot test method is used, the specific gravity of the gas delivered hereunder shall be determined once monthly, or as much oftener as is found necessary in practice. The regular monthly test shall

natural gas delivered, until the end of such month or until changed by special test; the special test to be applicable from the day made through the remaining days in such month.

C. QUALITY OF GAS

1. Seller agrees that:

(a) The gas delivered hereunder shall have a total heating value of not less than nine hundred and fifty (950) British thermal units per cubic foot. If at any time Seller shall become unable to produce gas possessing at least such total heating value, Buyer shall have the option from time to time to refuse to accept the part of Seller's gas which is so deficient so long as said heating value remains below nine hundred and fifty (950) British thermal units per cubic foot. In the event Buyer accepts delivery of said gas when the heating value thereof is below nine hundred and fifty (950) British thermal units per cubic foot, Buyer may reduce the total amount payable as the purchase price for gas delivered under this contract for each month during which such deficiency obtains by an amount determined by multiplying such total amount by a fraction having as its numerator the average deficiency of British thermal units per cubic foot of gas below nine hundred and fifty (950) and its denominator nine hundred and fifty (950).

(b) Buyer shall have the right to determine, at such time or times as it may desire, the total heating value of the gas in British thermal units per cubic foot by means of some approved method of general use in the industry. Buyer shall give to Seller notice of the time of all tests for determining the British thermal unit content of the gas to be conducted by such party reasonably in advance of making

the test in order that the other party may conveniently have its representative present. Should there be any material variance between tests by Buyer and Seller, a joint test will be run and will be controlling, effective from the first day of the calendar month preceding such joint test. The British thermal unit content per cubic foot shall be determined for a cubic foot of gas at a temperature of sixty degrees (60°) Fahrenheit when saturated with water vapor and at an absolute pressure equivalent to thirty inches (30") of mercury at thirty-two degrees (32°) Fahrenheit when the products of combustion are cooled to the initial temperature of gas and air and when the water formed by combustion is condensed to the liquid state.

2. Seller agrees that the gas delivered hereunder:

(a) Shall not contain more than one (1) grain of hydrogen sulphide per one hundred (100) cubic feet of gas as determined by the Tutwiler test or some other quantitative test, mutually agreeable to the parties hereto, after the presence of hydrogen sulphide has been indicated by qualitative test.

(b) Shall not contain more than twenty (20) grains of total sulphur per one hundred (100) cubic feet of gas.

(c) Shall not contain in excess of:

(i) Three per cent (3%) by volume of carbon dioxide;

(ii) One per cent (1%) by volume of Oxygen.

(d) Shall have a temperature of not more than one hundred twenty degrees (120°) Fahrenheit.

(e) Shall not contain more than four (4) pounds of water per one million (1,000,000) cubic feet of gas.

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3. In addition to meeting the above specifications, the gas delivered hereunder shall be commercially free from dust, gums, gum forming constituents, or other liquid or solid

matter which might become separated from the gas in the course of transportation through pipelines.

4. In the event Buyer shall exercise its option to refuse to accept that part of Seller's gas not meeting any of the above quality specifications, Seller shall be free to sell such rejected gas to others.

D. STATEMENTS AND PAYMENTS

1. On or before the fifteenth (15th) day of each calendar month after deliveries of gas are commenced hereunder, Buyer shall render a statement to Seller showing the amount of gas delivered hereunder during the last preceding calendar month. Buyer agrees to make payment to Seller on or before the twenty-fifth (25th) day of each calendar month for all gas delivered or for which any payment is due hereunder for the preceding month.

2. Each party shall have the right at reasonable times to examine the books, records and charts of the other party to the extent necessary to verify the accuracy of any statement, charge or computation made pursuant to the provisions of any Article hereof. If any such examination reveals any inaccuracy in such billing theretofore made, the necessary adjustment in such billing and payments shall be promptly made; provided that no adjustment for any billing or payment shall be made after the lapse of one (1) year from the rendition thereof.

E. FORCE MAJEURE

AGO 570417

1. In the event of either party hereto being rendered unable, wholly or in part, by force majeure to carry out its obligations under this Agreement, other than to make payments theretofore accrued hereunder, it is agreed that on such party giving notice and full particulars such force majeure in writing or by telegraph to the other party as soon as possible after the

they are affected by such force majeure, shall be suspended during the continuance of any inability so caused but for no longer period, and such cause shall as far as possible be remedied with all reasonable dispatch. The term "force majeure" as employed herein means an occurrence not within the control of the party claiming force majeure and which by the exercise of due diligence such party is unable to prevent or overcome, and, subject to the exercise of due diligence to prevent or overcome, such occurrence shall include acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests, and restraints of governments and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, the necessity for making repairs to or alterations of machinery or lines of pipe, freezing of wells or lines of pipe, partial or entire failure of wells or sources of supply of gas, any act or omission by parties not controlled by the party having the difficulty, any act or omission (including failure to take gas) of a purchaser of gas from Buyer which is excused by any event or occurrence of the character herein defined as constituting force majeure, and any other causes, whether of the kind herein enumerated or otherwise, not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome; such term shall likewise include (a) in those instances where either party hereto is required to obtain servitudes, rights of way grants, permits or licenses to enable such party to fulfill its obligations hereunder, the inability of such party to acquire, or the delays on the part of such party in acquiring, at reasonable cost and after the exercise of reasonable diligence, such servitudes, rights of way grants, permits or licenses, and (b) in those instances where either party hereto is required to furnish materials and supplies for the purpose of constructing or maintaining facilities or is required to secure permits or permission from any governmental agency to enol

such party to fulfill its obligations hereunder, the inability of such party to acquire, or the delays on the part of such party in acquiring, at reasonable cost and after the exercise of reasonable diligence, such materials and supplies, permits and permissions. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the party having the difficulty, and that the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of opposing party when such course is inadvisable in the discretion of the party having the difficulty.

F. WARRANTY OF TITLE

Seller hereby warrants the title to all gas delivered by Seller to Buyer under this Agreement, the right to sell the same and that it is free from all liens and adverse claims, and agrees, if notified thereof by Buyer, to indemnify Buyer against all suits, actions, debts, accounts, damages, costs, losses, and expenses arising from or out of any adverse legal claims of any and all persons to or against said gas. Seller agrees to pay or cause to be paid all taxes and assessments levied on the gas prior to its delivery to Buyer (subject to reimbursement as provided in Article VII of this Gas Purchase Contract), and to pay or cause to be paid to the parties entitled thereto all royalties, overriding royalties or like charges against said gas or the value thereof. In the event any adverse claim of any character whatsoever is asserted in respect to any of said gas, Buyer may retain the purchase price thereof up to the amount of such claim without interest until such claim has been finally determined, as security for the performance of Seller's obligations with respect to such claim under this Section F, or until Seller shall have furnished bond to Buyer, in an amount and with sureties satisfactory to Buyer, conditioned for the protection of Buyer with respect to such claim.

G. REGULATORY BODIES

This Agreement is subject to all present and future valid orders, rules, and regulations of any regulatory body having jurisdiction. In the event any provision of this Agreement shall violate any applicable Federal or State law or valid applicable rule or regulation of Federal or State regulatory bodies having jurisdiction, then such provision shall be of no force and effect so long, and only so long, as it is in violation thereof, but the remainder of the agreement shall be valid and effective as though such provision or provisions had not been included herein..

H. OPERATION OF PROPERTIES

Seller shall have agents or employees available at all times to receive Buyer's dispatchers' requests for changes in rates of delivery of gas hereunder as required by Buyer from time to time.

EXHIBIT D

UNSURVEYED LANDS:

PARCEL 1: Beginning at the northeast corner of surveyed Section 1, Township 4 North, Range 12 West, S.M. Alaska; thence South 1.5 miles; thence East 1.0 mile; thence North 1.5 miles; thence West 1.0 mile to the point of beginning; which when surveyed will probably be:

TOWNSHIP 4 NORTH, RANGE 11 WEST, S.M.:

Section 6: All

Section 7: North 1/2 - (960 acres; more or less)

The above described parcel of land being covered by that certain United States Oil and Gas Lease issued effective 10/1/58 and bearing serial register number A-028142, and which is included in the Kenai Unit area, Third Judicial Division, State of Alaska, No. 14-08-001-6367, dated 5/1/59.

SURVEYED LANDS:

PARCEL 2: TOWNSHIP 4 NORTH, RANGE 12 WEST, S.M.:

Section 1: Lots 1, 2, 4, 5, and
E 1/2 E 1/2 - (249.20 acres)

Section 12: North 1/2 - (134.40 acres)

The above described parcel of land being covered by certain United States Oil and Gas Lease issued effective 11/1/58 and bearing serial register number A-028143, and which is included in the Kenai Unit area, Third Judicial Division, State of Alaska, No. 14-08-001-6367 dated 5/1/59.

PARCEL 3: (a) TOWNSHIP 5 NORTH, RANGE 11 WEST, S.M.:

Section 29: West 1/2 - (320.00 acres)

Section 30: Lots 5, 6, 7, 8, 9, 11, 12, 13, 14, 15 - and E 1/2 -
(372.23 acres)

The above described parcel of land being covered by that certain United States Oil and Gas Lease issued effective 10/1/55 and bearing serial register number A-028056, and which is included in the Kenai Unit area, Third Judicial Division, State of Alaska, No. 14-08-001-6367, dated 5/1/59.

(b) TOWNSHIP 5 NORTH, RANGE 11 WEST, S.M.:

Section 30: Lots 3 and 10 - (26.71 acres)

The above described parcel of land being covered in fee Oil and Gas Lease by and between Union Oil Company of California, as Lessee, and L. B. Edelman, et ux, as Lessor, dated 2/28/59, and which is included in the Kenai Unit area, Third Judicial Division, State of Alaska, No. 14-08-001-6367, dated 5/1/59.

(c) TOWNSHIP 5 NORTH, RANGE 11 WEST, S.M.:

Section 30: Lot 16 - (5.09 acres)

The above described parcel of land being covered by fee Oil and Gas Lease by and between Union Oil Company of California, as Lessee, and C. E. Johnson, as Lessor, dated 3/21/59, and which is included in the Kenai Unit area, Third Judicial Division, State of Alaska, No. 14-08-001-6367, dated 5/1/59.

PARCEL 4:(a) TOWNSHIP 5 NORTH, RANGE 11 WEST, S.M.:

Section 31: Lots 3, 4, 5, 7, 8, 10, and E 1/2 - (404.72 acres)

Section 32: West 1/2 - (320.00 acres)

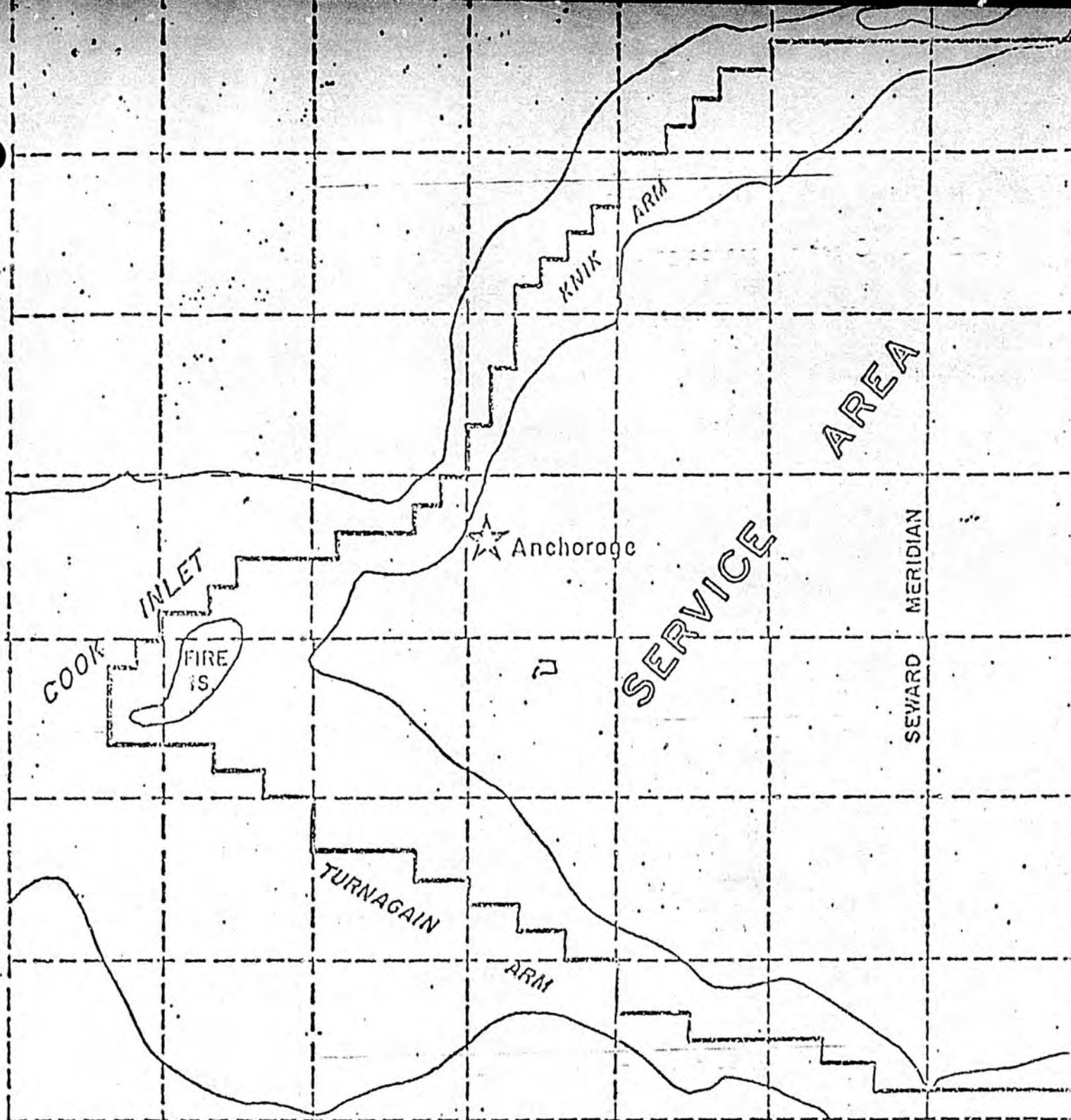
The above described parcel of land being covered by that certain United States Oil and Gas Lease issued effective 10/1/55 bearing serial register number A-028055, and which is included in the Kenai Unit area, Third Judicial Division, State of Alaska, No. 14-08-001-6367, dated 5/1/59.

(b) TOWNSHIP 5 NORTH, RANGE 11 WEST, S.M.:

Section 31: Lot 6 - All - (5.19 acres)

The above described parcel of land being covered by fee Oil and Gas Lease by and between Union Oil Company of California, as Lessee, and R. L. Schmidt, as Lessor, dated 3/20/59, and which is included in the Kenai Unit area, Third Judicial Division, State of Alaska, No. 14-08-001-6367, dated 5/1/59.

and containing in the aggregate, 2,797.54 acres, more or less.



SERVICE AREA

BOUNDARIES OF "SERVICE AREA"

Referred to in Amendment of Gas Purchase Contract dated January 1, 1972
to, and thereby added to and made a part of, Gas Purchase Contract dated
July 13, 1960 between

UNION OIL COMPANY OF CALIFORNIA, and
MARATHON OIL COMPANY (formerly THE OHIO OIL COMPANY)
"Seller"
and
ALASKA PIPELINE COMPANY
"Buyer"

AGO 570423

EXHIBIT

EXHIBIT C-1

Attached to Amendment to Gas Purchase Contract dated January 1, 1972, and thereby added to and made a part of Gas Purchase Contract dated May 13, 1960, between UNION OIL COMPANY OF CALIFORNIA and MARATHON OIL COMPANY (formerly THE OHIO OIL COMPANY), "Seller", and ALASKA PIPELINE COMPANY, "Buyer".

DESCRIPTION OF SERVICE AREA

The limits or boundaries of the "Service Area" are more particularly described from a point of beginning at the Southeast Corner of projected Section 25, T10N, R1E in the east Range Line of said Township, a point about in the middle of Turnagain Arm, and running along projected Section lines generally west-northwesterly through about the middle of Turnagain Arm to the Southwest Corner of projected Section 23, T12N, R6W, thence north to the Northwest Corner of projected Section 11, T12N, R6W, thence along projected Section lines generally northeasterly through about the middle of Knik Arm to the Northeast Corner of projected Section 13, T16N, R1E in the east Range Line of said Township, thence south along said Range Line to the point of beginning. The area encompassed within the above boundaries constitutes the "Service Area" and is comprised of surveyed and projected sections as follows:

T10N - R1E	Sections 1-30
T10N - R1W	Sections 1-18, 21-26
T10N - R2W	Sections 1-15
T11N - R1E	All Sections
T11N - R1W	All Sections
T11N - R2W	All Sections
T11N - R3W	Sections 1-28, 35-36
T11N - R4W	Sections 1-14

T12N - R1E	All Sections
T12N - R1W	All Sections
T12N - R2W	All Sections
T12N - R3W	All Sections
T12N - R4W	All Sections
T12N - R5W	Sections 1-28, 35-36
T12N - R6W	Sections 1, 11-14, 23-24
T13N - R1E	All Sections
T13N - R1W	All Sections
T13N - R2W	All Sections
T13N - R3W	All Sections
T13N - R4W	Sections 1, 11-17, 19-36
T13N - R5W	Sections 22-28, 31-36
T14N - R1E	All Sections
T14N - R1W	All Sections
T14N - R2W	All Sections
T14N - R3W	Sections 1-4, 9-17, 20-36
T15N - R1E	All Sections
T15N - R1W	All Sections
T15N - R2W	All Sections
T15N - R3W	Sections 13, 23-27, 33-36
T16N - R1E	Sections 13-36
T16N - R1W	Sections 13-36
T16N - R2W	Sections 23-27, 33-36

The Section Numbers given above are inclusive in denoting those Sections lying within the "Service Area" boundaries.

All Townships and Ranges noted in the above description and notation are those from the Seward Base Meridian, State of Alaska.

UNIT 75

Robert T. Anderson
District Land Manager

January 29, 1975

Alaska Public Utilities Commission
1100 McKay Building
338 Denali Street
Anchorage, Alaska 99501

Director
Division of Lands
323 East Fourth Avenue
Anchorage, Alaska 99501

Supervisor
U.S.G.S.
Oil and Gas Operations
P. O. Box 259
Anchorage, Alaska 99501

RE: AMENDMENTS TO GAS
PURCHASE AGREEMENTS

Gentlemen:

Enclosed for your records are copies of the following Amendments to Gas Purchase Agreements.

1. Amendment to Gas Purchase Agreement for Sterling Unit Area dated September 17, 1962.
2. Agreement to Amend and modify Gas Purchase Agreement Sterling Unit Area, dated November 1, 1973.
3. Amendment of Gas Purchase Contract Kenai Unit, Kenai Gas Field Contract effective date, January 1, 1975.

Very truly yours,


Robert T. Anderson

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enclosures



ALASKA PIPELINE COMPANY

P. O. BOX 6288
ANCHORAGE, ALASKA 99502

3000 SPENARD ROAD
PHONE (907) 277-5551

January 23, 1975

Alaska Public Utilities Commission
1100 MacKay Building
338 Denali Street
Anchorage, Alaska 99501

Gentlemen:

December 17, 1974 letter

The enclosed letter agreement with our suppliers at the Kenai gas field should be filed and become part of the contract amendment which we filed with you last week. It substantiates the final arrangements we made last month with the suppliers in connection with the amended contract.

Very truly yours,

Dale Teel
Dale Teel
President

DT:lv
Enclosure

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W. L. Bradford
Regional Gas Manager

December 17, 1974

Alaska Pipeline Company
P. O. Box 6288
Anchorage, AK 99501

ATTN: Mr. Dale Teel

Gentlemen:

Reference is made to that certain Amendment of Gas Purchase Contract (the "Amendment") to be effective the 1st day of January, 1975. We have mutually agreed to certain additional considerations described below. Now therefore Union Oil Company of California (Union) and Marathon Oil Company (Marathon), both companies hereinafter collectively called "Seller" and Alaska Pipeline Company hereinafter called "Buyer" agree as follows:

1. "Special Delivery Capacity" and "Special Deliverability Charge" as set forth in the Amendment are modified to provide (a) Seller shall provide and maintain Special Delivery Capacity during the period commencing July 1, 1975 and ending December 31, 1975, of not less than 140,000 MCF per day and during the period commencing January 1, 1976 and ending December 31, 1985, of not less than 160,000 MCF per day; and (b) the Special Deliverability Charge as set forth in Section 3.1 of the Amendment is suspended until July 1, 1975. On July 1, 1975, said Special Deliverability Charge as provided in said Amendment shall commence and continue for a period ending June 30, 1986.
2. If, during any one of the three (3) calendar years commencing January 1, 1975 and ending December 31, 1977, Alaska Pipeline Company loses significant volumes of gas sales used in

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December 17, 1974

2. (Continued)

the present contracts for generating wholesale electrical power then at Buyer's election and upon notification by Buyer setting forth full particulars, Union and Marathon shall at the end of any such calendar year release Alaska Pipeline Company from its Take or Pay obligation under the Amendment for a volume of gas equivalent to the wholesale electrical power volume loss sustained by Alaska Pipeline Company (less any gas purchased from other than Seller); but such release shall not exceed a total volume of 6.5 billion CF of gas (less any gas purchased from other than Seller) in any one such year. Concurrent with the release of Take or Pay obligation described above, "Seller's Gas Reserves" as set forth in the Amendment shall likewise be reduced by an equal volume.

If you agree to the foregoing, please so indicate by your signature in the space provided hereunder.

Very truly yours,

UNION OIL COMPANY OF CALIFORNIA *WDB*

By

John R. Jones
Its Attorney-in-fact

MARATHON OIL COMPANY

By

R. E. McMillon
Senior Vice PresidentSELLER *WDB*
WDB
*WDB*AGREED December 18, 1974

ALASKA PIPELINE COMPANY

By

Alaska Pipeline

BUYER

AGO 570429

Rule Book copy

AMENDMENT OF GAS PURCHASE CONTRACT

THIS AGREEMENT, made and entered into effective as of the 1st day of January, 1975, by and between UNION OIL COMPANY OF CALIFORNIA, hereinafter sometimes referred to as "Union," and MARATHON OIL COMPANY (formerly The Ohio Oil Company), hereinafter sometimes referred to as "Marathon," both companies hereinafter referred to collectively as "Seller" and sometimes herein individually as "seller" and ALASKA PIPELINE COMPANY, hereinafter referred to as "Buyer,"

W I T N E S S E T H :

WHEREAS, Buyer and Seller are parties to that certain Gas Purchase Contract dated May 13, 1960, as amended and modified, covering the purchase and sale of natural gas from certain properties of Union and Marathon located on the Kenai Peninsula, Alaska; and

WHEREAS, the parties desire to further amend said Gas Purchase Contract, as heretofore amended and modified, as of the effective date, stated above;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the parties hereby amend that certain Gas Purchase Contract between Buyer and Seller dated May 13, 1960, as heretofore amended and modified, and agree as follows:

1. Each and every prior amendment to, or modification of that certain Gas Purchase Contract dated May 13, 1960, including specifically but without limitation the Amendment of Gas Purchase Contract dated effective January 1, 1972, (the "January 1, 1972 Amendment") which has been

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entered into or agreed to by any party hereto, and Exhibits "A", "B", "C" and "C-1" of said January 1, 1972 Amendment, are hereby cancelled and shall be of no further force or effect as of the effective date of this Amendment.

2. Exhibits "A", "B" and "C", attached hereto, are hereby added to and made a part of said Gas Purchase Contract dated May 13, 1960.

3. Commencing with the word "WITNESSETH", on the first page of said Gas Purchase Contract dated May 13, 1960, and including Pages 1 through 15 thereof, said contract is hereby amended to read as follows:

WHEREAS, Alaska Gas and Service Company, a Division of Alaska Interstate Company (formerly named Anchorage Natural Gas Corporation), hereinafter sometimes referred to as "Anchorage," has held and now holds, along with other such Certificates, a Certificate from the Alaska Public Utilities Commission, to distribute gas for domestic, commercial and industrial purposes within the State of Alaska; and

WHEREAS, Buyer owns and operates a gas transmission pipe line system extending from the Kenai Unit Area, Third Judicial Division, State of Alaska, to the City of Anchorage; and

WHEREAS, Buyer and Anchorage have entered into an agreement under which Buyer has agreed to sell, deliver and furnish to Anchorage and Anchorage has agreed to purchase, take and receive from Buyer, Anchorage's requirements for gas pursuant to the terms thereof and of this Agreement; and

WHEREAS, Union and Marathon each own or control oil, gas and mineral leaseholds and/or lands within the Kenai Unit Area, which leaseholds and lands are more particularly described in Exhibit "B" attached

hereto and made a part hereof, and each has a supply of gas by virtue of its ownership or control of said leaseholds and lands which, together with certain other gas that Union and/or Marathon may from time to time purchase from co-owners of interests in said leaseholds and lands and volumes of gas from any other source or sources which Union and/or Marathon may elect from time to time to substitute for gas from said leaseholds and lands which it is willing to sell to Buyer within the total volume limitation hereinafter provided; and

WHEREAS, Buyer desires to purchase from Seller gas for its requirements;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the parties hereto do hereby covenant and agree as follows:

I DEFINITIONS

Except where the context otherwise indicates another or different meaning or intent, the following terms are intended and used herein and in Exhibit "A", attached hereto and made a part hereof, and shall be construed to have meanings as follows:

1.1 The term "day" shall mean a period of twenty-four (24) consecutive hours beginning and ending at eight o'clock a.m., Alaska Standard Time.

1.2 The term "month" shall mean a period beginning at eight o'clock a.m. on the first (1st) day of a calendar month and ending at eight o'clock a.m. on the first (1st) day of the next succeeding calendar month.

1.3 The term "year" shall mean a period of twelve (12) consecutive months.

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1.4 The term "calendar year" shall mean a period of twelve (12) consecutive months beginning on the first day of January of any calendar year.

1.5 The term "gas" shall mean natural gas meeting the standards set forth in Section C of Exhibit "A" hereof.

1.6 The term "Mcf" shall mean one thousand (1,000) cubic feet.

1.7 The term "British thermal unit" (Btu) is defined as the amount of heat required to raise the temperature of one (1) pound of water from fifty-nine degrees (59°) Fahrenheit to sixty degrees (60°) Fahrenheit at a pressure of fourteen and sixty-five one hundredths (14.65) pounds per square inch absolute.

1.8 The term "Seller's Delivery Capacity" shall mean the quantity of gas which can be withdrawn (subject to any applicable State or Federal statutes and any valid rules, orders and regulations of any State or Federal regulatory body) and which shall be available for delivery to Buyer daily under this agreement in the quantities set forth in Article II and Section 3.6 hereof at the point or points of delivery described in Article V at the pressure provided for in Article VI hereof.

1.9 The term "Special Delivery Capacity" shall mean the increased delivery capacity (subject to any applicable State or Federal statutes and any valid rules, orders and regulations of any State or Federal regulatory body) that Seller is obligated to deliver to Buyer pursuant to Section 3.1 hereof.

1.10 The term "Price" shall mean the price to be paid by Buyer for gas delivered to Buyer hereunder as provided for in Section 7.1 hereof.

1.11 The term "Special Deliverability Charge" shall mean the additional compensation Seller is to receive pursuant to Section 3.1 hereof for providing increased deliverability and in addition to the gas price as provided for in Section 7.1 hereof.

1.12 The "Kenai Unit Area" as used herein means that area described in Unit Agreement for the Development and Operation of the Kenai Unit Area, Third Judicial Division, State of Alaska, No. 14-08-001-6367, dated May 1, 1959, and revisions thereto.

1.13 The term "Annual Contract Quantity" shall mean the applicable Daily Contract Quantity as defined in Section 2.4 hereof multiplied by the number of days in the year.

1.14 The term "Seller's Gas Reserve" shall mean the same as defined in Section 2.1 hereof.

1.15 The "Natural Term" shall mean the duration of the period in which the Gas Purchase Contract shall remain in full force and effect as provided for in Section 8.1(a) hereof.

1.16 The "Extended Term" shall mean the same as set forth in Section 8.1(b).

II

SCOPE OF AGREEMENT AND QUANTITY OF GAS COVERED BY CONTRACT

2.1 Subject to and in accordance with all of the terms, conditions and limitations set forth hereinafter and in Exhibit "A" hereof, Buyer agrees to purchase and receive from Seller, and Seller agrees to sell and deliver or cause to be delivered to Buyer, the following quantities of gas:

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(a) For the period January 1, 1972 through December 31, 1974, the quantity of gas delivered by Seller to Buyer under that certain Amendment of Gas Purchase Contract dated January 1, 1972; and

(b) For the period commencing January 1, 1975 and ending at the time specified in Section 8.1 hereof, such quantity as Buyer may elect to purchase;

provided, however, that the sum of all such quantities shall not exceed a maximum total quantity of five hundred fifty billion (550,000,000,000) cubic feet of gas. Said maximum total quantity of gas is hereinafter referred to as "Seller's Gas Reserve" and, except as hereinafter provided, shall be produced solely from the leaseholds and/or lands described in Exhibit B. Seller shall have the right, but not the obligation, to deliver to Buyer, in substitution for a portion of the gas constituting Seller's Gas Reserve, volumes of gas (called Substitute Gas) produced from sources other than Exhibit B leaseholds and/or lands by Seller hereunder, but the delivery of such Substitute Gas shall not (a) enlarge the maximum quantity of gas referred to above, or (b) confer upon Buyer any right to require delivery of gas from any source except Exhibit B leaseholds and/or lands. Should Seller deliver to Buyer volumes of Substitute Gas, the volumes so tendered shall be deemed deliveries of gas hereunder for all purposes. Seller's Gas Reserve shall be reduced whenever and to the extent that any Lessor within the Kenai Unit Area shall exercise partially or wholly any right to take its share of royalty gas in kind for delivery either directly or indirectly to Buyer and/or its affiliates. In such event, the Special Delivery Capacity shall also be reduced as provided in Section 3.4, 3.5 and 3.6 hereof.

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Said Exhibit B leaseholds and/or lands shall constitute the leaseholds and/or lands covered by, or subject to, this Agreement for all purposes, including Article IV (Reservations of Seller).

2.2 Seller shall, with due diligence, operate the lands and leaseholds subject to this Agreement in a skillful and reasonably prudent manner to the end that Seller's Delivery Capacity, Special Delivery Capacity and Seller's Gas Reserve shall be maintained during the Natural Term hereof at the volume required hereunder from time to time. Seller shall, upon written request from Buyer to be made not more frequently than one time per year, certify to Buyer that the gas remaining to be delivered hereunder is available from the leaseholds and/or lands described in Exhibit "B", and that said quantity of gas is free of commitments to others. Seller shall furnish to Buyer with such certificate a report of an Independent Geologist substantiating such certification, which Independent Geologist (employed for the purpose of rendering such report) shall be one designated by Seller.

2.3 Buyer agrees that, commencing January 1, 1975 and continuing thereafter for so long as this Agreement is in effect, and subject to all the terms and provisions of this Agreement, but without limitation upon Buyer's right to purchase greater quantities of gas hereunder, to either purchase and pay for or to pay for, if available, whether taken or not, each calendar year during the remaining Natural Term of this Agreement the Annual Contract Quantity.

2.4 The "Daily Contract Quantity" shall be 72,000 Mcf per day for the period commencing January 1, 1975 and ending December 31, 1985.

Thereafter, but ending at the time specified in Section 8.1, hereof, the

Daily Contract Quantity shall be the lesser of 72,000 Mcf per day or 75% of Seller's Delivery Capacity established pursuant to Section 3.6 hereof.

2.5 If Buyer shall fail in any calendar year during the Natural Term hereof commencing with the year beginning January 1, 1975 to take the Annual Contract Quantity, then Seller shall, within sixty (60) days after the end of such year, render a bill to Buyer for the amount of the deficiency based upon the price in effect hereunder as of the last day of the calendar year in which such deficiency occurred. There shall be deducted from such deficiency those volumes of gas which Seller failed to deliver in accordance with the terms hereof on any day or days and those volumes of gas which Buyer was unable to take on any day or days by reason of "force majeure" during such deficiency year. Buyer agrees, notwithstanding that a part of such deficiency may be in good faith dispute, to make payment to Seller for the full amount of such bill within fifteen (15) days after receipt of such bill. If all or any part of the deficiency is in good faith dispute, then the amount of such deficiency in good faith dispute shall, when received by Seller from Buyer, be placed by Seller in an interest bearing account until such good faith dispute is settled. When any such settlement is made either in part or in whole in favor of Buyer, then, Seller shall within fifteen (15) days thereafter make payment to Buyer for the amount plus interest accrued to date thereon for that part of such deficiency so settled in favor of Buyer. The amount plus interest to date thereon for any settlement made in part or in whole in favor of Seller shall be for the account of Seller.

2.6 If Buyer makes payments to Seller pursuant to Section 2.5

hereof for gas not taken during any calendar year of the Natural Term hereof commencing with the year beginning January 1, 1975, Buyer shall have the right during any succeeding calendar year or years during the remaining Natural Term as provided for in Section 8.1(a) of this Agreement to deduct such sums from payments otherwise due Seller for quantities of gas purchased by Buyer pursuant to Section 2.3 hereunder in excess of the Annual Contract Quantity.

2.7 Notwithstanding the provisions of Sections 2.5 and 2.6 hereof to the contrary if during the last two calendar years of the Natural Term of this Agreement Buyer fails to take the Annual Contract Quantity then Seller shall have the option as follows:

(a) to render a bill to Buyer for such deficiency, as provided for in Section 2.5 of this Agreement, in which event Buyer shall have the right during the next succeeding two calendar years to take the gas so paid for and not taken without further payment, provided, that Seller may subsequently at any time after December 31, 1992 reimburse Buyer for any unrecovered deficiency amounts paid for pursuant to this Section 2.7(a) hereof and thereafter no further claim shall be made by either party hereto for such a deficiency and this Agreement shall terminate; or

(b) to notify Buyer that Seller has chosen to forego payment for such deficiency and thereafter no further claim shall be made by parties hereto for such deficiency and this Agreement shall terminate.

The Extended Term of this Agreement shall apply only for the recoupment

of gas if Seller exercises its option rights pursuant to Section 2.7 hereof for gas paid for but not taken by Buyer for the Calendar Years 1991 and 1992. If there are gas deficiencies for calendar years prior to 1991, then, Buyer is only allowed to recoup the gas during the Natural Term hereof.

2.8 Buyer reserves the right to contract with others for the purchase of sufficient gas to meet any quantities of gas needed or desired by Buyer anywhere on its system provided that Buyer meets its purchase obligations hereunder.

III
SPECIAL DELIVERY CAPACITY, SPECIAL DELIVERABILITY
CHARGE AND SELLER'S DELIVERY CAPACITY

3.1 Seller agrees to provide and maintain during the period commencing January 1, 1975 and ending December 31, 1975 a Special Delivery Capacity of not less than 140,000 Mcf per day. Seller further agrees to provide and maintain during the period commencing January 1, 1976 and ending December 31, 1985, a Special Delivery Capacity of not less than 160,000 Mcf per day. Said Special Delivery Capacity shall be subject to Section 3.4 hereof. As consideration for providing and maintaining said Special Delivery Capacity, during the period commencing January 1, 1975 and ending December 31, 1985, Buyer agrees to pay Seller monthly the sum of nineteen and one-half (19-1/2) cents per Mcf for all gas taken or to be paid for whether taken or not (hereinafter called Special Deliverability Charge) in accordance with the procedures set forth in Section D of Exhibit "A" hereto. Said Special Deliverability Charge shall be in addition to the price otherwise payable under Article VII hereof.

3.2 Such Special Deliverability Charge shall be subject to adjustment effective on January 1, 1976 and on January 1 of each year thereafter during the term provided for in Section 8.1 hereof at which times Seller shall receive the greater of:

- (a) The Special Deliverability Charge without adjustment as provided for in Section 3.1 herein (19-1/2¢ per Mcf) or
- (b) The adjusted Special Deliverability Charge determined as follows:

Special Deliverability Charge without adjustment	X	$\frac{\text{Chosen Index for the November immediately preceding the year for which charge is being adjusted}}{\text{Chosen Index for November 1974}}$
--	---	--

The term "Chosen Index" shall mean the Wholesale Price Index for all commodities, not seasonally adjusted, (Base: 1967 = 100) as published monthly by the U. S. Department of Labor, Bureau of Labor Statistics. If the "Base Year" of the "Chosen Index" is changed to a year other than 1967 = 100, the new index will be rebased to 1967 = 100 using the appropriate "rebasing factor" as published by the U. S. Department of Labor, Bureau of Labor Statistics, before the adjustment calculations are performed. The use of this rebasing factor will have no effect on year-to-year percent changes.

3.3 Notwithstanding any other provisions hereof, if during the period commencing January 1, 1975 and ending December 31, 1985, Seller fails for any reason, except a reason constituting "force majeure"

under Exhibit "A" hereof, to have available for delivery to Buyer the volume requested by Buyer, up to 100% of the applicable Special Delivery Capacity, then the Special Deliverability Charge shall not apply to the gas taken during the period or periods of such deliverability deficiency; provided, however, whenever, on any day Buyer shall request increased volumes over those that it is receiving at the time of such request, Seller shall have a reasonable period within which to diligently adjust well flow rates and mechanical operations as may be necessary to provide the additional volumes and during such period said Special Deliverability Charge shall continue to be applicable.

3.4 Seller's Special Delivery Capacity set forth in Section 3.1 shall be reduced whenever and to the extent any of the respective Lessors of the oil and gas leases subject to this Agreement elects to take its royalty in kind from the Kenai Unit Area for delivery either directly or indirectly to Buyer and/or its affiliates. Such reduction shall be equal to the volume of such gas being taken in kind as royalty and so delivered to Buyer.

3.5 For Buyer's use as a forecast only, on or before January 1, 1984 Seller shall provide Buyer with a single forecast which shall contain a schedule of Seller's estimate of Seller's Delivery Capacity for each year hereunder from and after December 31, 1985, for the remainder of the Natural Term hereof.

3.6 For the purpose of establishing the Daily Contract Quantity

applicable from time to time from and after December 31, 1985 pursuant to the provisions of Section 2.4, Seller shall on or before July 1, 1985 and each July 1 of the remainder of the Natural Term hereof notify Buyer of Seller's Delivery Capacity that Seller undertakes to maintain for the twelve (12) months commencing on the following January 1; provided, however, the Seller's Delivery Capacity shall never be less than 133% of that quantity obtained from dividing Seller's Gas Reserve less the cumulative volume of gas previously paid for by Buyer, whether taken or not, by the number of days remaining in the Natural Term hereof. Said Delivery Capacity shall be reduced whenever and to the extent any of the respective Lessors of the oil and gas leases subject to this Agreement elect to take its royalty in kind from the Kenai Unit Area for delivery either directly or indirectly to Buyer and/or its affiliates. Such reduction shall be equal to the volume of such gas being taken in kind as royalty and so delivered to Buyer and/or its affiliates.

IV
RESERVATIONS OF SELLER

Without impairment of Seller's Gas Reserve, except as provided in Section 2.1, Seller hereby expressly reserves the following rights with respect to gas in, or which may be produced from, the leaseholds and/or lands covered by this Agreement:

4.1 The right to use gas produced from said leaseholds and/or lands for the following purposes:

(a) For the development and operation of such leaseholds and/or lands owned by Seller and any other leaseholds and/or lands owned by Seller or in which Seller owns an interest located in the Kenai Unit Area.

(b) For delivery to the Lessors in Seller's leases of the gas which such Lessors are entitled to take in kind under the terms of such leases.

(c) For the operation of the facilities which Seller may install in order to deliver gas hereunder in accordance with the terms hereof.

(d) For domestic use by Seller's employees employed in conducting operations in said Unit Area.

(e) For all other uses of Seller, including existing or future commitments of gas by Seller to others for any purpose whatsoever.

4.2 Seller shall have the right at its option to extract, or cause to be extracted, liquefiable hydrocarbons from the gas delivered hereunder by means of processing in a plant to be located in the field or at any point along Buyer's transmission line; such right to process and

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extract, as herein reserved to Seller, being conditioned as follows:

(a) Not more than one such plant shall be constructed on Buyer's pipeline.

(b) The residue gas, after processing, shall have a total heating value of not less than 950 Btu's per cubic foot.

(c) Seller shall reimburse Buyer for the actual fuel consumed in the processing operation, and for a calculated amount sufficient to cover shrinkage.

(d) Seller shall provide such compression as may be necessary to make up any pressure drop resulting from such processing in excess of 50 psig.

(e) Seller shall furnish and pay the cost of installing block valves and by-pass valves required to effect delivery of gas to such plant and redelivery to the Buyer after processing.

(f) Seller agrees to indemnify and save Buyer harmless from all losses, damages and expenses to third parties which may occur or be asserted by reason of accident or occurrences resulting from Seller's operations in processing the gas delivered through the processing facilities.

V

POINT OF DELIVERY

5.1 The delivery point for the gas deliverable hereunder shall be at the upstream flange of Buyer's master meter located in Section 30, Township 5 North, Range 11 West, Kenai Peninsula Borough, Seward Base and Meridian, Alaska, or at other delivery points as hereinafter provided in Section 5.4 hereof.

5.2 Title to and ownership of such gas shall pass to and absolutely vest in Buyer at the point of delivery as aforesaid.

5.3 As between the parties hereto, Seller shall be in control and possession of the gas deliverable hereunder and shall indemnify and hold Buyer harmless for any damage or injury caused thereby until the same shall have been delivered to Buyer, after which delivery, Buyer shall be deemed to be in exclusive control and possession thereof and shall indemnify and hold Seller harmless for any injury or damage caused thereby.

5.4 Seller may at its option, and upon reasonable notice to Buyer, deliver gas to Buyer hereunder at any point on Buyer's pipeline system (which, if exercised, shall become an additional delivery point hereunder), provided:

(a) Notwithstanding any provision to the contrary contained in this Agreement, such gas delivered at any such additional delivery point shall be at a pressure sufficient to enter Buyer's pipeline at that additional delivery point.

(b) Such gas delivered at any such additional delivery point shall not reduce, nor shall it impair Buyer's ability to utilize, Seller's Delivery Capacity or Special Delivery Capacity hereunder;

(c) All costs and expenses for connections and measurement shall be paid by Seller;

(d) All gas so delivered to any such additional delivery point shall meet all the quality specifications hereof, and

(e) The quantities of gas so delivered at any such additional delivery point shall be considered for all purposes gas delivered pursuant to this Agreement.

VI
PRESSURE

6.1 From January 1, 1975 through December 31, 1985 the gas to be delivered hereunder shall be delivered by Seller into Buyer's facilities at said point or points of delivery at a pressure of seven hundred (700) pounds per square inch gauge or at the pressure existing from time to time in Buyer's facilities at said point or points of delivery whichever is lower. Thereafter, during the term hereof such gas shall be delivered by Seller into said facilities at a pressure of five hundred (500) pounds per square inch gauge or at the pressure existing from time to time in said facilities whichever is the lower. Higher pressures may be required to comply with the provisions of Section 5.4 (a) for any gas delivered at Seller's option pursuant thereto.

VII
PRICE

7.1 Subject to the provisions of 7.2 below, the price to be paid by Buyer for gas delivered to Buyer hereunder shall be as follows:

January 1, 1975 through December 31, 1975	22.0¢ per Mcf
January 1, 1976 through December 31, 1980	24.0¢ per Mcf
January 1, 1981 through December 31, 1985	27.0¢ per Mcf

After December 31, 1985, the price for all gas delivered hereunder in any year thereafter shall not be less than the greater of (1) 27 cents per Mcf, or (2) the average price from gas sales in the Cook Inlet Area as shown on Exhibit C, attached hereto, and received by Seller in aggregate

During the year commencing January 1, 1985 and ending December 31, 1985 from all new sales made to buyers other than Buyer after January 1, 1972, hereinafter called the "Average Third Party Price". For the purposes of clause (2) above the Average Third Party Price shall mean the aggregate proceeds on which royalty was calculated and paid from all such new sales to others during such year, divided by the total quantity of such gas so delivered; provided, however, the aggregate quantity of such deliveries and sales to others during the year commencing January 1, 1985 and ending December 31, 1985, shall be at least one-fourth (1/4) of the quantity of gas delivered to Buyer hereunder during such year.

7.2 In the event that any new, additional or increased taxes are imposed on and paid by Seller after May 13, 1960 with respect to the gas sold hereunder, Buyer shall reimburse Seller, as an integral part of the price of gas sold hereunder a sum sufficient to cover one hundred percent (100%) of any such new, additional or increased taxes so paid by Seller irrespective of the mode of imposition. As used herein, the term "new, additional or increased taxes" shall not include taxes in effect on May 13, 1960 up to the respective rates thereof on said date imposed on Seller with respect to the working and royalty interests in connection with the gas sold hereunder.

The term "tax as used herein shall mean (1) any tax (other than ad valorem, capital stock, general property, or income and excess profit taxes), or (2) similar charge now or hereafter levied, assessed or made by any governmental authority on the gas itself or on the act, right or privilege of production, severance, gathering, transportation, sale or delivery of gas which is measured by the volume, value or sales

price to Buyer of the gas in question but shall not include any value attributable to the liquid hydrocarbons in said gas, that are removed by processing; provided, however, that the term "tax" shall not be deemed to include (1) any processing tax imposed on Seller because of the fact that gas may be processed or handled through or in any plant, or (2) any general franchise tax imposed on corporations on account of their corporate existence or on their right to do business within the state as a foreign corporation, or (3) any delinquent interest, penalty, or audit payments that may be attributable to any tax.

Taxes or assessments applicable to any royalty, overriding royalty, production payment, or similar interest shall be considered to be covered by the provisions hereof to the extent reimbursement made by Buyer to Seller with respect thereto is passed on by Seller to the owner of such royalty, overriding royalty, production payment, or similar interest.

The above notwithstanding, should Seller at any time pay ad valorem mineral rights property taxes attributable to gas which Buyer has the right to receive hereunder, Seller will notify Buyer in writing, stating the amount thereof, along with adequate supporting information, and Buyer will, within thirty (30) days after the receipt of such notice from Seller, reimburse Seller in the amount of such taxes. The reimbursement shall be based upon the ratio which the volume of gas Buyer has the right to receive hereunder as of the date of assessment bears to the total volume of gas reserves underlying the properties subject to this Agreement as of the assessment date or in the event the lands subject to this Agreement are not assessed separately but rather as part of other

lands, the reimbursement shall be based upon the ratio which the volume of gas Buyer has the right to receive hereunder as of the date of assessment bears to the total volume of gas reserves underlying all the lands so assessed. Unless the total gas underlying the properties is valued separately for assessment purposes, the amount of the ad valorem mineral rights property taxes assigned to the gas each year shall be that portion of the total tax that the value of the gas bears to the total value of all the liquids and gas combined as determined by the assessor before applying any depreciation charges, operating costs, or present worth factors. The intent of this paragraph is that the Buyer shall pay all ad valorem mineral rights property taxes reasonably attributable to gas which Buyer has the right to receive hereunder, and the amount of such taxes shall be determined in an equitable manner to produce that result. Nothing contained herein shall imply that Buyer has any title to any volume of gas it has the right to receive hereunder.

Failure of Seller to notify Buyer within six (6) months after the due date, of the payment by Seller of any ad valorem mineral rights property taxes on gas which Buyer has the right to receive hereunder shall constitute a waiver by Seller of the reimbursement by Buyer for that particular item, but shall not constitute a waiver of any rights to reimbursement for the payment of such tax for subsequent periods.

7.3 Seller agrees to pay or cause to be paid to the parties entitled thereto all royalties, overriding royalties or like charges against said gas or the value thereof. Buyer agrees to reimburse Seller for all "excess royalty payments" which Seller shall be required to pay to the State of Alaska, United States of America or other royalty owners

with respect to gas sold and delivered to Buyer hereunder. Such payments shall be made by Buyer to Seller within ten (10) days following receipt of statements from Seller therefor. The term "excess royalty payments" as used herein is defined as the amount by which actual royalty payments by Seller to the State of Alaska, United States of America, or other royalty owners under the respective oil and gas leases subject to this Agreement exceeds the amount such payment would have been if the royalty value thereunder had been calculated upon the sums received by Seller pursuant to this Agreement.

VIII
TERM

8.1 This Gas Purchase Contract shall from the effective date hereof continue and remain in full force and effect for:

- (a) a Natural Term ending December 31, 1992; provided, however, in the event Seller has after January 1, 1972 and prior to December 31, 1992, sold and delivered to Buyer hereunder a maximum total quantity of gas equal to Seller's Gas Reserve as defined in Section 2.1 hereof, then this Agreement shall thereupon terminate or,
- (b) at Seller's sole option, as provided for in Section 2.7 hereof, an Extended Term of not more than two (2) calendar years beyond the Natural Term hereof.

None of the covenants or agreements made in this Agreement shall survive the expiration of the term as set forth in Sections 8.1 (a) and 8.1 (b).

AGO 570450

IX
ADDRESSES

9.1 Until Buyer is otherwise notified in writing by Union, the address of Union is and shall remain as follows:

Union Oil Company of California
909 West Ninth Street
Anchorage, Alaska 99501

and, unless Buyer is otherwise notified in writing by Marathon, the address of Marathon is and shall remain as follows:

Marathon Oil Company
P. O. Box 2380
Anchorage, Alaska 99510

and, unless Seller is otherwise notified in writing by Buyer, the address of Buyer is and shall remain as follows:

Alaska Pipeline Company
P. O. Box 6288
Anchorage, Alaska 99502

All notices required to be given in writing hereunder shall be given to the respective parties at such addresses or such other addresses as the parties respectively shall designate by written notice, and all notices required herein to be given to Seller shall be give to both Union and Marathon.

X
MISCELLANEOUS

10.1 No waiver by either party hereto of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or of a different character.

10.2 This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the respective parties hereto, and shall

constitute a covenant running with the lands and leasehold estates covered hereby. Seller and Buyer both agree that no sale or transfer of said properties of Seller or any part thereof or of all or substantially all of Buyer's said system shall be made unless the purchaser or transferee thereof shall assume and agree to be bound by this Agreement insofar as the same shall effect and relate to the property or interest sold or conveyed. It is agreed, however, that nothing contained in this paragraph shall in any way prevent either party hereto from pledging or mortgaging its rights hereunder for security of its indebtedness.

10.3 Each of the parties hereto agrees to proceed with diligence in a good faith effort to obtain and maintain in good standing such governmental authorization, certificates and franchises as may be necessary to enable it to perform its other obligations under this Agreement.

10.4 Seller grants to Buyer, so far as Seller has the right to do so, right-of-way on the leases and lands covered by this Agreement for Buyer's gathering pipe line and such other equipment as may be necessary, with full right of ingress and egress to and from said premises, and the further right to do thereon acts necessary or convenient for the carrying out of the terms of this Agreement.

XI
"SELLER"

11.1 "Seller" is used collectively herein to refer to Union Oil Company of California and Marathon Oil Company. It is the intent of the parties hereto that each has executed this Agreement and has contracted herein in its individual capacity and to the extent of its respective, separate and distinct undivided interest only. It is

understood that each seller company presently owns and holds an equal undivided interest in the gas to be sold under this Agreement and that, until further written notice from both of said companies, payment for gas delivered hereunder will be made by Buyer in equal amounts, one-half (1/2) of such payment to Union and one-half (1/2) to Marathon.

It is expressly agreed that the Seller has contracted individually hereunder and that nothing in this Agreement contained, expressed or implied, nor any operations conducted hereunder, shall create or be deemed to have created a partnership or association between the parties hereto or any of them.

IN WITNESS WHEREOF, the parties hereto have caused this
Amendment of Gas Purchase Contract to be executed this 18th day
of December, 1974.

UNION OIL COMPANY OF CALIFORNIA

By John R. Frank
Its Attorney-in-Fact

MARATHON OIL COMPANY

By B. E. McMillen
Senior Vice President

SELLER

ATTEST:

F. H. Jones
Assistant Secretary

ALASKA PIPELINE COMPANY

By Walter S. Lee

BUYER

ATTEST:

Richard F. Bauman
Assistant Secretary

AGO 570454

EXHIBIT A

Attached to and incorporated in Amendment of Gas Purchase Contract, dated January 1, 1975, between UNION OIL COMPANY OF CALIFORNIA, hereinafter referred to as "Union", and MARATHON OIL COMPANY (formerly The Ohio Oil Company), hereinafter referred to as "Marathon", both companies hereinafter referred to collectively as "Seller", and ALASKA PIPELINE COMPANY, hereinafter referred to as "Buyer".

GENERAL TERMS AND CONDITIONS

A. MEASURING STATION

1. Buyer shall install, maintain and operate, at Buyer's own expense, at or near the existing point of delivery, a measuring station properly equipped with orifice meters, flange connections, orifice plates and other necessary equipment by which the volume of gas delivered hereunder shall be measured, and Seller, to the extent that Seller has the right to do so, hereby, grants to Buyer the right to install, maintain and operate such equipment. Volumes shall be computed and orifice meters shall be installed, maintained and operated as prescribed by the American Gas Association in Gas Measurement Committee Report Number 3, including the appendix thereto, as published April, 1955, and any subsequent amendments, additions or changes thereto as may be made from time to time by the A.G.A. Gas Measurement Committee. Seller shall have access to such metering equipment at reasonable hours, but the reading, calibrating and adjusting thereof and the changing of charts shall be done only by Buyer.

2. Seller shall install, maintain and operate, at its own expense such pressure regulators and check measuring equipment as it

shall desire, so installed as not to interfere with the operation of Buyer's measuring equipment. Buyer shall have access to such check measuring equipment at reasonable hours, but the reading, calibrating and adjusting thereof and the changing of charts shall be done only by Seller.

3. Each party shall have the right to be present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with the other's measuring equipment used in measuring deliveries hereunder. The records from such measuring equipment shall remain the property of their owner, but upon request each will submit to the other its record and charts, together with calculations therefrom, for inspection and verification, subject to return within ten (10) days after receipt thereof.

4. In the event a meter is out of service, or registering inaccurately, the volume of gas delivered hereunder shall be estimated;

(a) By using the registration of any check meter or meters if installed and accurately registering, or in the absence of (a):

(b) By correcting the error if the percentage of error is ascertainable by calibration, test, or mathematical calculation or, in the absence of both (a) and (b), then:

(c) By estimating the quantity of delivery by deliveries during periods under similar conditions when the meter was registering accurately.

5. At least once each month Buyer shall verify the accuracy of Buyer's measuring equipment and Seller shall verify the accuracy of its check measuring equipment. If either party shall notify the other that it desires a special test of any measuring equipment, the parties shall cooperate to secure a prompt verification of the accuracy of such equipment. If either party at any time observes a variation between the delivery meter and the check meter, it will promptly notify the other party thereof and both parties will then cooperate to secure an immediate verification of the accuracy of such equipment. Each party shall give to the other notice of the time of all tests of meters reasonably in advance of the holding of such tests in order that the other party may conveniently have its representative present.

6. If, upon test, any measuring equipment is found to be in error not more than two per cent (2%), previous records of such equipment shall be considered accurate in computing deliveries hereunder; but such equipment shall be adjusted at once to record correctly. If, upon test, any measuring equipment shall be found to be inaccurate by an amount exceeding two per cent (2%), at a recording corresponding to the average hourly rate of flow for the period since the last preceding test, then any previous recordings of such equipment shall be corrected to zero error for any period which is known definitely or agreed upon, but in case the period is not known definitely or agreed upon such correction shall be for a period extending over one-half of the time elapsed since the date of last test, not exceeding a correction period of sixteen (16) days.

7. Each party shall preserve for a period of at least two (2)

years all test data, charts and other similar records.

B. MEASUREMENTS

1. The sales unit of the gas deliverable hereunder shall be one (1) Mcf of gas.

2. The volume of the gas delivered hereunder shall be determined as follows:

(a) The unit of volume for the purpose of measurement shall be one cubic foot of gas at a base temperature of sixty (60) degrees Fahrenheit and at a pressure of fourteen and sixty-five hundredths (14.65) pounds per square inch absolute with correction for deviation from Boyle's Law. Computation of volumes shall be in accordance with applicable rules, regulations and orders promulgated by a recognized regulatory body.

(b) The average absolute atmospheric pressure shall be assumed to be fourteen and seven-tenths (14.7) pounds to the square inch, irrespective of actual elevation or location of the point or points of delivery above sea level or variations in such atmospheric pressure from time to time.

(c) The deviation of gas from Boyle's Law at the pressures, temperatures, and specific gravities under which the gas is delivered hereunder, shall be read from the A.G.A. convenient operating tables of "Supercompressibility Factors for Natural Gas", without adjustment of diluents, which have been developed

from the basic tables contained in the A.G.A. Gas Measurement Committee Report No. 3.

(d) The temperature of the gas passing the meters shall be determined by the continuous use of a recording thermometer so installed by Buyer that it may properly record the temperature of the gas flowing through the meters. The arithmetical average of the hourly temperature readings recorded each twenty-four (24) hour day shall be used in computing gas volumes for that date.

(e) Unless the parties hereto agree to the use of a spot test method, the specific gravity of the gas delivered hereunder shall be determined by the continuous use of an Acme recording gravitometer, or other standard gravitometer agreed upon by the parties hereto, so installed that it may properly record the specific gravity of the gas flowing through the meters. The arithmetical average of the specific gravity recorded during each twenty-four (24) hour day shall be used in computing gas volumes for that date. If the parties hereto agree to the use of a spot test method, such spot test shall be made with an Edwards type of gas balance, or by such other method as shall be agreed upon between the parties. If the spot test method is used, the specific gravity of the gas de-

livered hereunder shall be determined once monthly, or as much oftener as is found necessary in practice. The regular monthly test shall determine the specific gravity to be used in computation for the measurement of natural gas delivered, until the end of such month or until changed by special test; the special test to be applicable from the day made through the remaining days in such month.

C. QUALITY OF GAS

1. Seller agrees that:

(a) The gas delivered hereunder shall have a total heating value of not less than nine hundred and fifty (950) British thermal units per cubic foot. If at any time Seller shall become unable to produce gas possessing at least such total heating value, Buyer shall have the option from time to time to refuse to accept that part of Seller's gas which is so deficient so long as said heating value remains below nine hundred and fifty (950) British thermal units per cubic foot. In the event Buyer accepts delivery of said gas when the heating value thereof is below nine hundred and fifty (950) British thermal units per cubic foot, Buyer may reduce the total amount payable as the purchase price for gas delivered under this contract for each month during which such deficiency obtains by an amount de-

terminated by multiplying such total amount by a fraction having as its numerator the average deficiency of British thermal units per cubic foot of gas below nine hundred and fifty (950) and its denominator nine hundred and fifty (950).

(b) Buyer shall have the right to determine, at such time or times as it may desire, the total heating value of the gas in British thermal units per cubic foot by means of some approved method of general use in the industry. Buyer shall give to Seller notice of the time of all tests for determining the British thermal unit content of the gas to be conducted by such party reasonably in advance of making the test in order that the other party may conveniently have its representative present. Should there be any material variance between tests by Buyer and Seller, a joint test will be run and will be controlling, effective from the first day of the calendar month preceding such joint test. The British thermal unit content per cubic foot shall be determined for a cubic foot of gas at a temperature of sixty degrees (60°) Fahrenheit when saturated with water vapor and at an absolute pressure equivalent to thirty inches (30") of mercury at thirty-two degrees (32°) Fahrenheit when the products of combustion are cooled to the initial temperature of gas and air and when the water formed by combustion is condensed to

the liquid state.

2. Seller agrees that the gas delivered hereunder:

- (a) Shall not contain more than one (1) grain of hydrogen sulphide per one hundred (100) cubic feet of gas as determined by the Tutwiler test or some other quantitative test, mutually agreeable to the parties hereto, after the presence of hydrogen sulphide has been indicated by qualitative test.
- (b) Shall not contain more than twenty (20) grains of total sulphur per one hundred (100) cubic feet of gas.
- (c) Shall not contain in excess of:
 - (i) Three percent (3%) by volume of carbon dioxide;
 - (ii) One percent (1%) by volume of Oxygen.
- (d) Shall have a temperature of not more than one hundred twenty degrees (120°) Fahrenheit.
- (e) Shall not contain more than four (4) pounds of water per one million (1,000,000) cubic feet of gas.

3. In addition to meeting the above specifications, the gas delivered hereunder shall be commercially free from dust, gums, gum forming constituents, or other liquid or solid matter which might become separated from the gas in the course of transportation through pipelines.

4. In the event Buyer shall exercise its option to refuse to accept that part of Seller's gas not meeting any of the above quality specifications, Seller shall be free to sell such rejected gas to others.

D. STATEMENTS AND PAYMENTS

1. On or before the fifteenth (15th) day of each calendar month after deliveries of gas are commenced hereunder, Buyer shall render a statement to Seller showing the amount of gas delivered hereunder during the last preceding calendar month. Buyer agrees to make payment to Seller on or before the twenty-fifth (25th) day of each calendar month for all gas delivered or for which any payment is due hereunder for the preceding month.

2. Each party shall have the right at reasonable times to examine the books, records and charts of the other party to the extent necessary to verify the accuracy of any statement, charge or computation made pursuant to the provisions of any Article hereof. If any such examination reveals any inaccuracy in such billing theretofore made, the necessary adjustment in such billing and payments shall be promptly made; provided that no adjustment for any billing or payment shall be made after the lapse of one (1) year from the rendition thereof.

E. FORCE MAJEURE

1. In the event of either party hereto being rendered unable, wholly or in part, by force majeure to carry out its obligations under this Agreement, other than to make payments theretofore accrued hereunder, it is agreed that on such party giving notice and full particulars of such force majeure in writing or by telegraph or Telex to the other party as soon as possible after the occurrence of the cause relied on, then the obligations of the party giving such notice, so far as they are affected by such force majeure, shall be suspended during the continuance

of any inability so caused but for no longer period, and such cause shall as far as possible be remedied with all reasonable dispatch. The term "force majeure" as employed herein means an occurrence not within the control of the party claiming force majeure and which by the exercise of due diligence such party is unable to prevent or overcome, and, subject to the exercise of due diligence to prevent or overcome, such occurrence shall include acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests, and restraints of governments and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, the necessity for making repairs to or alterations of machinery or lines of pipe, freezing of wells or lines of pipe, partial or entire failure of wells or sources of supply of gas, any act or omission by parties not controlled by the party having the difficulty, any act or omission (including failure to take gas) of a purchaser of gas from Buyer which is excused by any event or occurrence of the character herein defined as constituting force majeure, and any other causes, whether of the kind herein enumerated or otherwise; not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome; such term shall likewise include (a) in those instances where either party hereto is required to obtain servitudes, rights of way grants, permits or licenses to enable such party to fulfill its obligations hereunder, the inability of such party to acquire, or the delays on the part of such party in

acquiring, at reasonable cost and after the exercise of reasonable diligence, such servitudes, rights of way grants, permits or licenses, and (b) in those instances where either party hereto is required to furnish materials and supplies for the purpose of constructing or maintaining facilities or is required to secure permits or permission from any governmental agency to enable such party to fulfill its obligations hereunder, the inability of such party to acquire, or the delays on the part of such party in acquiring, at reasonable cost and after the exercise of reasonable diligence, such materials and supplies, permits and permissions. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the party having the difficulty, and that the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of opposing party when such course is inadvisable in the discretion of the party having the difficulty.

F. WARRANTY OF TITLE

Seller hereby warrants the title to all gas delivered by Seller to Buyer under this Agreement, the right to sell the same and that it is free from all liens and adverse claims, and agrees, if notified thereof by Buyer, to indemnify Buyer against all suits, actions, debts, accounts, damages, costs, losses, and expenses arising from or out of any adverse legal claims of any and all persons to or against title to said gas.

Seller agrees to pay or cause to be paid all taxes and assessments levied on the gas prior to its delivery to Buyer (subject to reimbursement as

provided in Article VII of this Gas Purchase Contract), and to pay or cause to be paid to the parties entitled thereto all royalties, overriding royalties or like charges against said gas or the value thereof. In the event any adverse claim of any character whatsoever is asserted in respect to title of any of said gas, Buyer may retain the purchase price thereof up to the amount of such claim without interest until such claim has been finally determined, as security for the performance of Seller's obligations with respect to such claim under this Section F, or until Seller shall have furnished bond to Buyer, in an amount and with sureties satisfactory to Buyer, conditioned for the protection of Buyer with respect to such claim.

G. OPERATION OF PROPERTIES

Seller shall have agents or employees available at all times to receive Buyer's dispatchers' requests for changes in rates of delivery of gas hereunder as required by Buyer from time to time.

*REM
Pul*

EXHIBIT B

Attached to and incorporated in the Amendment of Gas Purchase Contract, dated January 1, 1975, between UNION OIL COMPANY OF CALIFORNIA, hereinafter referred to as "UNION", and MARATHON OIL COMPANY (formerly The Ohio Oil Company), hereinafter referred to as "Marathon", both companies hereinafter referred to collectively as "Seller", and ALASKA PIPELINE COMPANY, hereinafter referred to as "Buyer".

UNSURVEYED LANDS:

PARCEL 1:

Beginning at the northeast corner of surveyed Section 1, Township 4 North, Range 12 West, S.M. Alaska; thence South 1.5 miles; thence East 1.0 mile; thence North 1.5 miles; thence West 1.0 mile to the point of beginning; which when surveyed will probably be:

TOWNSHIP 4 NORTH, RANGE 11 WEST, S.M.:

Section 6: All

Section 7: North 1/2 - (960 acres; more or less)

The above described parcel of land being covered by that certain United States Oil and Gas Lease issued effective 10/1/58 and bearing serial register number A-028142, and which is included in the Kenai Unit area, Third Judicial Division, State of Alaska, No. 14-08-001-6367, dated 5/1/59.

SURVEYED LANDS:

PARCEL 2:

TOWNSHIP 4 NORTH, RANGE 12 WEST, S.M.:

Section 1: Lots 1, 2, 4, 5, and
E 1/2 E 1/2 - (249.20 acres)

Section 12: North 1/2 - (134.40 acres)

The above described parcel of land being covered by that certain United States Oil and Gas Lease issued effective 11/1/58 and bearing serial register number A-028143, and which is included in the Kenai Unit area, Third Judicial Division, State of Alaska, No. 14-08-001-6367 dated 5/1/59.

(b) TOWNSHIP 5 NORTH, RANGE 11 WEST, S.M.:

Section 31: Lot 6 - All - (5.19 acres)

The above described parcel of land being covered by fee Oil and Gas Lease by and between Union Oil Company of California, as Lessee, and R. L. Schmidt, as Lessor, dated 3/20/59, and which is included in the Kenai Unit area, Third Judicial Division, State of Alaska, No. 14-08-001-6367, dated 5/1/59.

and containing in the aggregate, 2,797.54 acres, more or less.

*REM
Sue*

PARCEL 3:(a) TOWNSHIP 5 NORTH, RANGE 11 WEST, S.M.:

Section 29: West 1/2 - (320.00 acres)
Section 30: Lots 5, 6, 7, 8, 9, 11, 12, 13,
14, 15 - and E 1/2 - (372.23 acres)

The above described parcel of land being covered by that certain United States Oil and Gas Lease issued effective 10/1/55 and bearing serial register number A-028056, and which is included in the Kenai Unit area, Third Judicial Division, State of Alaska, No. 14-08-001-6367, dated 5/1/59.

(b) TOWNSHIP 5 NORTH, RANGE 11 WEST, S.M.:

Section 30: Lots 3 and 10 - (26.71 acres)

The above described parcel of land being covered in fee Oil and Gas Lease by and between Union Oil Company of California, as Lessee, and L. B. Edelman, et ux, as Lessor, dated 2/28/59, and which is included in the Kenai Unit area, Third Judicial Division, State of Alaska, No. 14-08-001-6367, dated 5/1/59.

(c) TOWNSHIP 5 NORTH, RANGE 11 WEST, S.M.:

Section 30: Lot 16 - (5.09 acres)

The above described parcel of land being covered by fee Oil and Gas Lease by and between Union Oil Company of California, as Lessee, and C. E. Johnson, as Lessor, dated 3/21/59, and which is included in the Kenai Unit area, Third Judicial Division, State of Alaska, No. 14-08-001-6367, dated 5/1/59.

PARCEL 4:(a) TOWNSHIP 5 NORTH, RANGE 11 WEST, S.M.:

Section 31: Lots 3, 4, 5, 7, 8, 10 and
E 1/2 - (404.72 acres)
Section 32: West 1/2 - (320.00 acres)

The above described parcel of land being covered by that certain United States Oil and Gas Lease issued effective 10/1/55 bearing serial register number A-028055, and which is included in the Kenai Unit area, Third Judicial Division, State of Alaska, No. 14-08-001-6367, dated 5/1/59.

T12N - R1E	All Sections
T12N - R1W	All Sections
T12N - R2W	All Sections
T12N - R3W	All Sections
T12N - R4W	All Sections
T12N - R5W	Sections 1-28, 35-36
T12N - R6W	Sections 1, 11-14, 23-24

T13N - R1E	All Sections
T13N - R1W	All Sections
T13N - R2W	All Sections
T13N - R3W	All Sections
T13N - R4W	Sections 1, 11-17, 19-36
T13N - R5W	Sections 22-28, 31-36

T14N - R1E	All Sections
T14N - R1W	All Sections
T14N - R2W	All Sections
T14N - R3W	Sections 1-4, 9-17, 20-36

T15N - R1E	All Sections
T15N - R1W	All Sections
T15N - R2W	All Sections
T15N - R3W	Sections 13, 23-27, 33-36

T16N - R1E	Sections 13-36
T16N - R1W	Sections 13-36
T16N - R2W	Sections 23-27, 33-36

The Section Numbers given above are inclusive in denoting those Sections lying within the "Service Area" boundaries.

All Townships and Ranges noted in the above description and notation are those from the Seward Base Meridian, State of Alaska.

*May 1, '67 Contract and
3/12/76 Amendment*



Alaska Gas and Service Company

GENERAL OFFICES LOCATED AT 3000 SPENARD ROAD
P. O. BOX 6288 ANCHORAGE, ALASKA 99502 / PHONE (907) 277-5551
TELEX 25-187

May 16, 1977

Ms. Elke Kallab
Research Analyst
Legislative Affairs Agency
Pouch Y
Juneau, Alaska 99811

Dear Ms. Kallab:

Enclosed are copies of the various gas supply contracts you requested. You will note the North Road contract expired on May 1, 1977. Since that date we have operated without a contract, but with a letter offer of a two month extension without change of terms from Marathon Oil Company. Upon receipt of a similar offer from Union Oil Corporation we will execute the acceptances. If the royalty contract is not approved we will be required to negotiate for a new longer term contract in the very near future.

I have discussed with the APUC the information you have requested and have been advised they are forwarding a copy of the order relating to the transportation by Union-Marathon from the Kenai Field to the North Road area.

Quite frankly, we believe gas delivered into our system at 75¢/Mcf is an outstanding bargain at present. We are becoming increasingly concerned that the Japanese will continue to enjoy it while our customers are forced to pay a much higher price based on current market conditions.

Should you require additional information please advise me.

Very truly yours,

Bill B. Hickman
Vice President and Treasurer

BBH/pm

AGO 570472

UNION

March 12, 1976

Alaska Pipeline Company
P. O. Box 6288
Anchorage, AK 99502
ATTN: Mr. Dale Teel

Gentlemen:

Please refer to that certain "Gas Sales Agreement" dated May 1, 1967, between Union Oil Company of California (Union) and Marathon Oil Company as Seller and Alaska Pipeline Company (Alaska) as Buyer involving certain taps and the delivery of gas off of Seller's Kenai-Nikiski Pipeline until an aggregate quantity of 10,000,000 MCF of gas has been delivered and purchased thereunder, or for a period of ten (10) contract years, whichever first occurs.

You now expect to complete the receipt and purchase of 10,000,000 MCF of gas in the first part of this year but wish to continue receiving gas from us to meet your current obligations through May 1, 1977. To accommodate you we are willing to amend the agreement to provide for this and certain other changes.

Now therefore the aforesaid "Gas Sales Agreement" dated May 1, 1967 as to Union's obligations only thereunder is hereby amended to delete in their entirety Section 5.1, Article VI and VIII in the body of the agreement and Article V in Exhibit "A" attached thereto, and to make substitutions and additions thereto as follows:

In the body of the agreement:

- 5.1 Subject to the provisions of 5.2 below the price to be paid by Buyer for gas delivered during any month hereunder shall be as follows:

AGO 570473

- a. Until Union's share of 10,000,000 MCF has been delivered the same price provided for deliveries of gas to Alaska Pipeline Company under that certain "Gas Purchase Contract" dated May 13, 1960, as amended, plus one and one-half (1-1/2) cents per MCF, and
- b. For all gas deliveries which exceed Union's share of 10,000,000 MCF the price shall be the same as provided for above in Section 5.1 (a) plus the "Special Deliverability Charge" as set forth in Sections 3.1 and 3.2 of that certain "Amendment of Gas Purchase Contract" dated January 1, 1975 to that certain "Gas Purchase Contract" dated May 13, 1960 by and between Buyer and Seller herein-after called "Said Contract".

5.3 For all of Union's share of "excess royalty payments" arising from gas sold hereunder Buyer agrees to reimburse Union the same as is provided for in Section 7.3 of Said Contract.

VI QUANTITY OF GAS

- 6.1 Notwithstanding any other provision of this agreement, Union shall not be obligated hereunder to deliver to Buyer nor shall Buyer be required to purchase, more than Union's share of 10,000 MCF during any day. When an aggregate of Union's share of 10,000,000 MCF of gas has been received and delivered hereunder, then Buyer may receive and Union shall deliver during the remaining term hereof Union's share of Buyer's requirements of gas from "Seller's Gas Reserves" as set forth in Section 2.1 of Said Contract. Gas delivered hereunder shall not be used to calculate Buyer's obligation under Section 2.5 of Said Contract. Union shall have the right to terminate this agreement by giving written notice to Buyer in the event either:
 - a. Buyer fails for thirty (30) days to accept and receive gas hereunder or
 - b. If at any time Buyer contracts with a third party for gas from a source other than the source of deliveries hereunder.

March 12, 1976

VIII TERM

8.1 This agreement effective May 1, 1967 shall continue and remain in effect until May 1, 1977.

Section 2.1(d) of Exhibit "A" is changed to read:

contain not more than four (4) pounds of water per million (1,000,000) cubic feet.

Except as hereinabove specifically set forth, all of the terms and conditions of said "Gas Sales Agreement" dated May 1, 1967 between Union and Alaska shall remain in full force and effect.

If you agree to the foregoing, please so indicate by signing and returning one copy of this letter to us.

Very truly yours,

UNION OIL COMPANY OF CALIFORNIA

By _____

Agreed March 18, 1976

ALASKA PIPELINE COMPANY

By _____

AGO 570475

Marathon
Oil Company

Findlay Ohio 45840
Telephone 419/422 2121

March 10, 1976

Alaska Pipeline Company
P. O. Box 6288
Anchorage, Alaska 99502

Attention: Mr. Dale Teel, President

Re: Gas Sales Letter Agreement

Dear Mr. Teel:

In the absence of Mr. Emery, I am sending on to you for execution by Alaska Pipeline Company a Gas Sales Letter Agreement which I believe meets the understanding of yourself and Mr. Emery in connection with gas for the "North Kenai Road Market."

If the enclosed meets with your approval, it would be appreciated if you would return a copy of same to me after your execution thereof.

I assume that you will be receiving a somewhat similar letter from Union Oil Company of California so that this matter will be handled in a manner satisfactory to all concerned.

Yours very truly,



WAS:blc
Enclosures



Marathon
Oil Company

Findlay Ohio 45840
Telephone 419/422 2121

March 8, 1976

Alaska Pipeline Company
P. O. Box 6288
Anchorage, Alaska 99502

Re: Gas Sales Letter Agreement

Gentlemen:

The following shall set forth Marathon Oil Company's (Marathon) and Alaska Pipeline Company's (Alaska Pipeline) agreement with respect to the sale of natural gas to Alaska Pipeline from and after the termination of that certain Gas Sales Agreement dated May 1, 1967, ("1967 Agreement") which shall occur when the aggregate quantity of ten million Mcf shall have been delivered thereunder:

A. Consideration

The price per Mcf to be paid to Marathon by Alaska Pipeline for gas delivered hereunder during any month of the term hereof shall be the price per Mcf provided to be paid by Alaska Pipeline for deliveries of gas to Alaska Pipeline Company during such month under that certain Gas Purchase Contract dated May 13, 1960, as amended by agreement of the parties effective the 1st day of January, 1975 ("Contract"), plus one and one-half (1 1/2) cents per Mcf. In addition, there shall be paid, the "Special Deliverability Charge" under 3.1 of said Contract. The aggregate sum payable, as adjusted, shall initially be 45.7¢ per Mcf. Said sum payable hereunder shall be subject to further adjustment during the term hereof pursuant to the provisions of Sections 3.2, 7.2 and 7.3 of said Contract.

B. Quantity of Gas

Notwithstanding any other provision of said Contract or this Letter Agreement, the maximum quantity Marathon shall be required to deliver hereunder in any one day shall be one-half of 10,000 Mcf. This quantity shall be in addition to the

Alaska Pipeline Company

Page 2

"Daily Contract Quantity" set forth in Section 2.4 of said Contract. Quantities delivered pursuant to this Gas Sales Letter Agreement shall not be used to calculate Alaska Pipeline's obligations under 2.5 of said Contract.

C. Term

This Letter Agreement shall be effective from the date hereof to May 1, 1977; provided however, deliveries hereunder shall not commence until total deliveries under said 1967 Agreement shall equal ten (10) million Mcf.

D. Other Terms and Conditions

All other terms and conditions of this Letter Agreement shall be governed by said Contract; provided, however, the Points of Delivery hereunder shall be those specified in Section 3.1 of said 1967 Agreement. It is specifically understood and agreed that any quantities delivered under this Gas Sales Letter Agreement shall be applied against the maximum total quantity of five hundred fifty billion (550,000,000,000) cubic feet of gas set forth in Article II of said Contract.

This Letter Agreement, when executed, will supersede all prior letters, documents and understandings between our respective companies relating to this sale.

To evidence your full agreement with the terms and conditions hereof, please return to us one executed copy of this letter.

Yours very truly,

MARATHON OIL COMPANY

By *msf*

R. E. McMillen

Senior Vice President

Accepted and agreed to

_____, 1976.

ALASKA PIPELINE COMPANY

AGO 570478

By *3/18/76*

GAS SALES AGREEMENT

*This is a copy of the original
HPL 3/1/76*

THIS AGREEMENT, made and entered into as of the first day of May, 1967, by and between UNION OIL COMPANY OF CALIFORNIA and MARATHON OIL COMPANY (both hereinafter referred to collectively as "Seller"); and ALASKA PIPELINE COMPANY (hereinafter referred to as "Buyer").

W I T N E S S E T H :

WHEREAS, Seller has natural gas producing properties located on the Kenai Peninsula of the State of Alaska, and has constructed and will operate a large diameter pipeline (hereinafter referred to as the Kenai-Nikiski Pipeline) to transport gas from said producing properties to the vicinity of Nikiski, Alaska, in furtherance of its own project (hereinafter referred to as the "Nikiski Project") or other projects as may be determined by Seller which are unrelated to sale of gas to Alaska Pipeline Company, and

WHEREAS, Buyer desires to purchase natural gas from Seller for use, including resale, at certain delivery points on Seller's Kenai-Nikiski pipeline, and

WHEREAS, Seller is willing to sell, upon the terms, conditions and volume limitations set forth in this Agreement, certain quantities of natural gas to Buyer; provided, however, that such sale to Buyer shall be subordinate to the principal purpose of Seller in transporting natural gas for its other projects, and shall not impede or interfere with the supply and transportation of Seller's gas for Seller's said projects.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, Seller and Buyer agree as follows:

I. DEFINITIONS

Except where the context otherwise indicates another or different meaning or intent, the following terms as used herein and in Exhibit A attached hereto and incorporated herein by this reference for all purposes shall be construed to have the following meanings:

1.1 The term "day" shall mean a period of twenty-four (24) consecutive hours beginning and ending at eight o'clock a.m., Alaska Standard Time.

1.2 The term "month" shall mean a period beginning at eight o'clock a.m. on the first (1st) day of a calendar month and ending at eight o'clock a.m. on the first (1st) day of the next succeeding calendar month.

1.3 The term "contract year" shall mean a period of twelve (12) months beginning with the effective date hereof and any anniversary of such date.

1.4 The term "calendar year" shall mean that period of time commencing January 1 and ending December 31 of any year.

1.5 The term "gas" shall mean natural gas meeting the standards set forth in Exhibit A annexed to this Agreement.

1.6 The term "Mcf" shall mean one thousand (1,000) cubic feet of gas.

1.7 The term "BTU" shall mean British Thermal Unit.

1.8 The term "Buyer's Requirements" shall mean the quantities of natural gas up to the maximum quantity hereinafter provided, which are required by Buyer for deliveries at one or more of the delivery points also hereinafter provided.

II. SCOPE OF AGREEMENT

2.1 It is expressly agreed that, notwithstanding the agreement of the parties hereto that the sales of gas contemplated herein are subordinate to Seller's operation of the Kenai-Nikiski pipeline for its other projects, this

Agreement shall be binding upon the parties hereto as of the effective date hereof. It is agreed to by and between the parties hereto that Seller shall sell and deliver or cause to be delivered, such portion of Buyer's Requirements as Buyer chooses to receive, subject to the terms, conditions and limitations set forth hereinafter and in Exhibit A hereto.

III. POINTS OF DELIVERY

3.1 A point of delivery shall be the downstream flange of a block valve installed by Buyer and located between Seller's Kenai-Nikiski pipeline and Buyer's gas receiving facilities. Gas sold by Seller to Buyer hereunder shall be delivered to Buyer at one or more points of delivery located as follows:

(i) Near the point of intersection between Seller's Kenai-Nikiski pipeline and the North line of Section 27, Township 7 North, Range 12 West, Seward Base and Meridian, Alaska.

(ii) Near the intersection of North Kenai Road with the south line of Section 23, Township 6 North, Range 12 West, Seward Base and Meridian, Alaska.

(iii) Near the center of the NW 1/4 of the NW 1/4 of Section 27, Township 7 North, Range 12 West, Seward Base and Meridian, being the point of delivery of gas to be delivered to Collier Carbon and Chemical Company's ammonia facilities at or near said point.

3.2 Title to and ownership of the gas shall pass to and absolutely vest in Buyer at said points of delivery.

3.3 Seller shall have exclusive custody and control of the gas to be delivered hereunder prior to delivery to Buyer. Upon delivery to Buyer, Buyer

shall be in exclusive custody, control and possession thereof and shall indemnify Seller and hold it harmless from any injury or damage occurring at or after point or points of delivery.

IV. PRESSURE

4.1 The gas delivered hereunder shall be delivered by Seller into Buyer's gas receiving facilities at the pressure existing in Seller's line from time to time at said point or points of delivery, provided that such pressure shall not be greater than 1300 psig nor less than 200 psig. Buyer shall, at the point or points of delivery, install and exclusively operate all necessary pressure reduction equipment and other facilities necessary to receive the gas delivered hereunder.

V. PRICE - TAXES

5.1 The price per Mcf to be paid to Seller for gas delivered hereunder during any month shall be the price per Mcf provided to be paid by Alaska Pipeline Company for deliveries of gas to Alaska Pipeline Company during such month under that certain contract dated May 13, 1960, as amended, plus one and one-half (1-1/2) cents per Mcf. If, during the term hereof, said contract dated May 13, 1960, as amended, terminates or deliveries thereunder are suspended for a period of at least 30 consecutive days, then, and in either of said events, the price to be paid by Buyer to Seller for gas delivered hereunder after such termination or during such suspension, as the case may be, shall be (a) 25-1/2 cents per Mcf during suspensions occurring prior to May 1, 1972, or during that portion of the term hereof which is subsequent to such termination and prior to May 1, 1972, and (b) 26-1/2 cents per Mcf during suspensions occurring after May 1, 1972, or during

that portion of the term hereof which is subsequent to the date of such termination or May 1, 1972, whichever is the later date.

5.2 Any sales, transactions, occupations, service, production, severance, gathering, export or excise tax, assessment or fee levied, assessed or fixed by the United States, State of Alaska or other governmental authority and taxes of similar nature or equivalent in effect (not including income, excess profits, capital stock, franchise, or general property taxes) in addition to or greater than those, if any, being levied, assessed or fixed on the date of execution hereof, in respect of or applicable to the natural gas to be delivered by Seller to Buyer hereunder and for which Seller may be liable during any month either directly or indirectly through any obligation to reimburse others, are hereinafter collectively referred to as "additional tax". It is expressly understood and agreed that so long as the additional tax shall be in effect:

(a) Buyer shall reimburse Seller for all additional tax. In the event all or any part of additional tax liability of Seller is not determined or not determinable by the end of the month, then such additional amount required in respect of such liability not determined or not determinable shall be set forth for all such months in any calendar year in a statement to be rendered by Seller to Buyer by April 1 of the following year and Buyer shall pay the amount due pursuant to such statement on or before May 1 of such following year.

(b) Seller shall have the right, at its expense, to pay under protest or contest the validity of any additional tax imposed upon or payable by it, but shall have no obligation so to do. If any additional tax is finally determined by a court of competent jurisdiction to be invalid as to gas delivered hereunder, and

Seller obtains a refund thereof from the taxing authority, Seller will pay to Buyer such refunded amounts (plus the interest, if any, received by Seller on amounts so refunded) less Seller's reasonable and necessary expenses incurred in connection with obtaining any such refund.

VI. QUANTITY OF GAS

6.1 It is agreed that since Buyer's ultimate requirements for natural gas are not now subject to reasonable estimation, the following procedure shall govern the determination of the quantities of gas available for purchase by Buyer from Seller:

Upon execution of this contract and thereafter at least six months prior to the beginning of each contract year Buyer shall notify Seller in writing of the Daily Maximum Quantity of gas to be purchased by Buyer from Seller during the ensuing contract year. Buyer may from time to time increase such Daily Maximum Quantity by giving Seller written notice of such increase at least thirty (30) days prior to such increase. The Annual Contract Quantity shall be fifty percent (50%) of each such Daily Maximum Quantity so designated by Buyer multiplied by the number of days in the contract year applicable to each such Daily Maximum Quantity.

6.2 Seller agrees to have available for delivery and sale to Buyer the applicable Daily Maximum Quantity on each day of the ensuing contract year. Buyer agrees to receive and pay for, or to pay for if available and not received, the Annual Contract Quantity.

6.3 Should Buyer, at the end of any contract year, fail to have taken during such year the applicable Annual Contract Quantity of gas Buyer is obligated to purchase hereunder, Buyer shall, nevertheless, pay Seller for the quantity of

gas Buyer failed to take during such contract year. Buyer shall make such payment within sixty (60) days after the end of such contract year. The price per one thousand (1,000) cubic feet shall be the same as the volume weighted average price per one thousand (1,000) cubic feet paid by Buyer for gas actually received from Seller hereunder during the same contract year.

6.4 If for any contract year Buyer pays for any quantity of gas not actually received by it, Buyer shall thereafter be entitled to receive such quantity of gas during the term of this contract without further payment; except, Buyer shall pay the differential in prices, if any, between that existing when such payments were made and that applicable at the time of taking. Such quantity of gas so taken shall be in addition to the Annual Contract Quantity which Buyer is otherwise obligated to purchase and receive during any such contract year.

6.5 Notwithstanding any other provision of this Agreement, Seller shall not be obligated hereunder to deliver to Buyer, nor shall Buyer be required to purchase, more than 10,000 Mcf during any day, nor an Aggregate Contract Quantity of gas in excess of 10,000,000 Mcf during the entire term of this contract. Provided that if at any time while the Annual Contract Quantity is less than 1,000,000 Mcf Buyer purchases gas from a third party and such gas is used to serve a market theretofore served by gas purchased hereunder, with the result that such use results in a reduction in the annual volumes of gas taken by Buyer under this Agreement, the gas so used shall be deemed "extraneous gas". From and after Buyer's utilization of extraneous gas, the quantities of gas deliverable under this contract during the contract year beginning after initiation of extraneous purchases by Buyer and during each contract year thereafter, for the remainder of the term of this contract, shall be:

"(a) Annual Contract Quantity shall be a quantity of gas

equal to the actual deliveries hereunder during the twelve months immediately preceding the month in which extraneous purchases by Buyer are initiated.

"(b) Daily Maximum Quantity shall be a quantity of gas equal to $2/365$ of the Annual Contract Quantity.

"(c) Aggregate Contract Quantity shall be a quantity of gas equal to the sum of (1) the volume of gas theretofore delivered to Buyer hereunder, (2) the volume thereafter to be delivered hereunder (Annual Contract Quantity multiplied by the number of years remaining in the term hereof), and (3) the volume of gas Buyer has theretofore paid for but not received."

VII. PAYMENT

7.1 On or before the fifteenth (15th) day of each calendar month after deliveries of gas are commenced hereunder, Buyer shall render statement to Seller showing the amount of gas delivered hereunder during the last preceding month. All payments due to be made hereunder shall be made on or before the twenty-fifth (25th) day of each month for amounts accruing during the preceding calendar month, and shall be paid to Seller at the address hereinafter set forth in Article IX.

7.2 Should Buyer fail to pay the full amount due Seller when same is due, as herein provided, interest thereon shall accrue at the rate of eight per cent (8%) per annum from the date when such payment is due until the same is paid. If such failure to pay continues for sixty (60) days, Seller may at any time thereafter while Buyer is in default cancel this Agreement or suspend deliveries of gas hereunder, but the exercise of such rights shall be in addition to any and all

other remedies available to Seller.

7.3 Each party shall have the right at reasonable times to examine the books, records and charts of the other party to the extent necessary to verify the accuracy of any statement, charge or computation made pursuant to the provisions of any Article hereof. If any such examination reveals any inaccuracy in such billing theretofore made, the necessary adjustment in such billing and payments shall be promptly made; provided that no adjustment for any billing or payment shall be made after the lapse of one (1) year from the rendition thereof.

VIII. TERM

8.1 This Agreement shall be effective from the date hereof and shall continue and remain in effect (1) until an aggregate quantity of 10,000,000 Mcf of gas has been delivered and purchased hereunder, or (2) for a period of ten (10) contract years, whichever occurs first.

IX. ADDRESSES

9.1 Until the other parties are otherwise notified in writing by Union, the address of Union is and shall remain as follows:

Union Oil Company of California
2805 Denali Street
Anchorage, Alaska 99503

and, unless the other parties are otherwise notified in writing by Marathon, the address of Marathon is and shall remain as follows:

Marathon Oil Company
550 South Flower Street
Los Angeles, California 90017

and, unless Seller is otherwise notified in writing by Alaska, the address of

Buyer is and shall remain as follows:

Alaska Pipeline Company
P. O. Box 6554
Houston, Texas 77005

All notices required to be given in writing hereunder shall be sent by air mail, postage prepaid, to the respective parties at such addresses or such other addresses as the parties respectively shall have previously designated by written notice, and all notices required herein to be given by Buyer shall be given to both Union and Marathon.

X. MISCELLANEOUS

10.1 No waiver by either party hereto of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any future default or defaults, whether of like or different character.

10.2 This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective and legal representatives, successors and assigns. Without limitation upon Seller's obligation to perform hereunder, it is expressly agreed that this Agreement does not constitute any charge or burden upon Seller's properties.

XI. USE OF TERM "SELLER"

11.1 The term "Seller" is used collectively herein to refer to Union Oil Company of California and Marathon Oil Company solely for the purposes of convenience, and it is the specific intent of the parties hereto that each has executed this Agreement and has contracted herein independently and to the extent of its separate interest only. It is understood that each Seller company presently

owns and holds an undivided interest in the gas to be sold under this contract and that, until further written notice from both of said companies, payment for gas delivered hereunder will be made by Buyer in equal amounts, one half of such amount to Union, and one half to Marathon.

11.2 It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this Agreement contained, expressed or implied, nor any operations conducted hereunder, shall create or be deemed to have created a partnership or association between the parties hereto, or any of them.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and date first above mentioned.

UNION OIL COMPANY OF CALIFORNIA

By _____
Attorney-in-Fact

ATTEST:

MARATHON OIL COMPANY

By _____
Vice President

"SELLER"

ATTEST:

ALASKA PIPELINE COMPANY

By _____

"BUYER"

EXHIBIT "A"

Attached to and incorporated in Gas Sales Agreement dated as of May 1, 1967, between UNION OIL COMPANY OF CALIFORNIA and MARATHON OIL COMPANY (both hereinafter referred to as "Seller"), and the ALASKA PIPELINE COMPANY (hereinafter referred to as "Buyer").

GENERAL TERMS AND CONDITIONS

I. MEASUREMENT

1.1 Except for the determination of heating value, the unit of volume for measurement of gas delivered hereunder shall be one (1) cubic foot of gas at a base temperature of sixty degrees (60°) Fahrenheit and at a pressure of fourteen and sixty-five hundredths (14.65) pounds per square inch absolute. All fundamental constants, observations, records, and procedures involved in the determination of the quantity of gas delivered hereunder shall, unless otherwise specified herein, be in accordance with the American Gas Association's Gas Measurement Committee Report No. 3 dated April 1, 1955, as now and from time to time amended and supplemented, except that the combined Reynolds number and expansion factor and manometer factor shall be assumed to be one (1). The deviation of the gas from Boyle's Law at the pressures, temperatures, and specific gravities under which the gas is measured hereunder, shall be read from the A.G.A. convenient operating tables of "Supercompressibility Factors for Natural Gas", without adjustment for diluents, which have been developed from the basic tables contained in the A.G.A. Gas Measurement Committee Report No. 3. All quantities given herein and in the contract to which this Exhibit is attached, unless otherwise expressly stated, are in terms of such unit.

1.2 Buyer shall install, operate and maintain at its sole cost and expense a measuring station or stations located at the point or points of delivery. Each

such measuring station shall be equipped with an orifice meter, or other type of standard make and design commonly acceptable in the industry, so as to accomplish the accurate measurement of gas delivered hereunder. Seller shall have access to such measuring equipment at reasonable hours, but the calibrating, adjustment thereof and the changing of charts shall be done by Buyer. Reading of charts shall be performed by an independent chart reading firm acceptable to both Buyer and Seller at Buyer's expense.

1.3 Seller may, at its option, install, maintain and operate, at its own cost and expense, such check measuring equipment as it shall desire, so installed as not to interfere with the operation of Buyer's measuring equipment. Buyer shall have access to such check measuring equipment at reasonable hours, but the reading, calibrating and adjusting thereof and the changing of charts shall be done by Seller. Buyer, so far as it has the right to do so, shall provide Seller, free of charge, with an adequate site or sites for Seller's check metering equipment and shall grant to Seller the rights of ingress and egress.

1.4 The temperature of the gas flowing through each meter shall be determined by the continuous use of a recording thermometer so installed by Buyer that it may properly record the temperature of the gas flowing through said meter. The arithmetical average of the hourly temperature readings recorded while gas is flowing during each day shall be used in computing gas volumes for that day.

1.5 Unless the parties hereto agree to the use of a spot test method, the specific gravity of the gas delivered hereunder shall be determined by the continuous use of an Acme recording gravitometer, or other standard gravitometer agreed upon by the parties hereto, furnished and installed by Buyer so that it may properly

record the specific gravity of the gas flowing through each meter. The arithmetical average of the specific gravity recorded while gas is flowing during each day shall be used in computing gas volumes for that day. If the parties hereto agree to the use of a spot test method, such spot test shall be made with an Edwards type of gas balance, or by such other method as shall be agreed upon between the parties. If the spot test method is used, the specific gravity of the gas delivered hereunder shall be determined once every three (3) months, or as often as is found necessary in practice. The regular periodic test shall determine the specific gravity to be used in computation for the measurement of natural gas delivered, until the end of such test period or until changed by special test; the special test to be applicable from the day made through the remaining days in such test period.

1.6 Buyer shall test and make any necessary adjustments to its gas measuring equipment at least once every month and additionally as the situation may require. Seller may, at its option, be present for such tests and adjustments. Buyer shall give Seller notice of the time of all such tests sufficiently in advance of holding same. For the purpose of measurement and meter calibration, the average absolute atmospheric pressure shall be assumed to be fourteen and seven-tenths (14.7) pounds to the square inch, irrespective of actual elevation or location of the point of delivery from sea level or variations in such atmospheric pressure from time to time.

1.7 If, upon any test, any measuring equipment is found to be inaccurate by no more than two per cent (2%), previous readings of such equipment shall be considered correct in computing the volumes of gas delivered hereunder, but such equipment shall be adjusted at once to read accurately. If, for any reason, any measuring

equipment shall be found to be inaccurate by an amount exceeding two per cent (2%) at a reading corresponding to the average rate of flow for the period since the last preceding test, then any previous readings of such equipment shall be corrected to zero error for any period which is known definitely or agreed upon; in case the period is not known definitely or agreed upon, such correction shall be for a period extending over one-half of the time elapsed since the date of the last test, not exceeding a correction period of sixteen (16) days.

1.8 If, for any reason, the measuring equipment is out of service or out of repair so that the quantity of gas cannot be ascertained or computed from the reading thereof, the quantity of gas delivered hereunder during the period such equipment is out of service or repair shall be estimated and agreed upon by the parties hereto upon the basis of the best available data, using the first of the following methods which is feasible:

(a) By using the registration of any check measuring equipment if installed and accurately registering.

(b) By correcting the error if the percentage of error is ascertainable by calibration, test or mathematical calculation.

(c) By estimating the quantity delivered by using deliveries during a period under similar conditions when the measuring equipment was registering accurately.

1.9 Buyer shall have the right to determine, at such time or times as it may desire, the total heating value of the gas in BTUs per cubic foot by means of some approved method of general use in the industry. Buyer shall give to Seller notice of the time of all tests for determining the BTU content of the gas reasonably in advance of making the test in order that Seller may conveniently have representatives present.

Should there be any material variance between tests by Buyer and Seller, a joint test will be run and shall be controlling, effective from the first day of the month preceding such joint test. BTU content per cubic foot shall be determined for a cubic foot of gas at a temperature of sixty degrees (60°) Fahrenheit when saturated with water vapor and at an absolute pressure equivalent to thirty inches (30") of mercury at thirty-two degrees (32°) Fahrenheit when the products of combustion are cooled to the initial temperature of gas and air and when the water formed by combustion is condensed to the liquid state.

1.10 Each party shall preserve all original test data, charts and similar records in such party's possession and same shall be kept on file for a period of three (3) years for the mutual use of the parties hereto. Upon request of Seller, Buyer shall submit to Seller records and charts from such equipment, subject to return by Seller within thirty (30) days after receipt thereof.

II. QUALITY OF GAS

2.1 Seller agrees that the gas delivered hereunder shall:

(a) Be commercially free from dust, gums, gum forming constituents, or other liquid or solid matter which might become separated from the gas in the course of transportation through Buyer's system;

(b) Contain not more than one (1) grain of hydrogen sulphide per one hundred (100) cubic feet of gas as determined by the Tutwiler test or some other quantitative test, mutually agreeable to the parties hereto after the presence of hydrogen sulphide has been indicated by qualitative test;

(c) Contain not more than twenty (20) grains of total sulphur per one hundred (100) cubic feet of gas;

(d) Contain not more than two (2) pounds of water per one million

1,000,000) cubic feet;

(e) Contain not more than three per cent (3%) by volume of carbon dioxide;

(f) Contain not more than one per cent (1%) by volume of oxygen; and

(g) Have a total heating value of not less than nine hundred fifty (950)

BTUs per cubic foot. If at any time Seller shall become unable to deliver gas possessing at least such total heating value, Buyer shall have the option from time to time to refuse to accept that part of Seller's gas which is so deficient. In the event Buyer accepts delivery of said gas when the heating value thereof is below nine hundred fifty (950) BTUs per cubic foot, Buyer may reduce the purchase price for gas delivered during any month such BTU deficiency occurs by an amount determined by multiplying the stated price by the fraction, $\frac{950 - A}{950}$ where A is the volume weighted average BTU content per cubic foot of gas actually delivered during such month.

III. FORCE MAJEURE

3.1 In addition to the rights otherwise reserved herein, it is agreed that if performance by either party of any of its obligations hereunder (other than obligations to make payments of money hereunder) is prevented or delayed by force majeure, such obligations shall be suspended during the continuance of the prevention or delay so caused, and the party affected shall not be liable to the other party in damages or otherwise by reason thereof. Upon the occurrence of an event constituting force majeure, the party having the difficulty shall give notice of force majeure by telegraph to the other party as soon as reasonably possible after the occurrence of the cause relied upon, and such cause of force majeure shall, so far as possible, be remedied with all reasonable dispatch. The term "force majeure" as employed herein

means an occurrence not within the reasonable control of the party claiming force majeure and which by the exercise of due diligence such party is unable to prevent or overcome, and, subject to the exercise of due diligence to prevent or overcome, such occurrence shall include, without limiting the foregoing, acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests, and restraints of governments and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, the necessity for making repairs to or alterations of machinery or lines of pipe, freezing of wells or lines of pipe, partial or entire failure of wells or sources of supply of gas, any act or omission by parties not controlled by the party having the difficulty. Such terms shall likewise include (a) in those instances where either party hereto is required to obtain servitudes, rights of way grants, permits or licenses to enable such party to fulfill its obligations hereunder, the inability of such party to acquire, or the delays on the part of such party in acquiring, at reasonable cost and after the exercise of reasonable diligence, such servitudes, rights of way grants, permits or licenses, and (b) in those instances where either party hereto is required to furnish materials and supplies for the purpose of constructing or maintaining facilities or is required to secure permits or permission from any governmental agency to enable such party to fulfill its obligations hereunder, the inability of such party to acquire, or the delays on the part of such party in acquiring, at reasonable cost and after the exercise of reasonable diligence, such materials and supplies, permits and permissions. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the party having the difficulty, and that the above requirement that any force majeure shall be remedied with all reasonable

dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of opposing party when such course is inadvisable in the discretion of the party having the difficulty.

IV. WARRANTY

4.1 Seller hereby warrants that it has the right to sell all gas delivered by Seller to Buyer under the Agreement to which this exhibit is attached, and that it is free from liens and adverse claims. Subject to Article V of said Agreement, Seller agrees to pay or cause to be paid all taxes and assessments levied on the gas prior to its delivery to Buyer, and to pay or cause to be paid to the parties entitled thereto all royalties, overriding royalties and like charges against said gas or the value thereof.

V. REGULATORY BODIES

5.1 This Agreement is subject to all valid orders, rules, and regulations of any regulatory body having jurisdiction. In the event any provision of this Agreement shall violate any applicable Federal or State law or valid applicable rule or regulation of Federal or State regulatory bodies having jurisdiction, then such provision shall be of no force and effect so long, and only so long, as it is in violation thereof, but the remainder of the Agreement shall be valid and effective as though such provision or provisions had not been included herein, provided, however, that if the deletion of the provision which is no longer to be of force and effect renders the remaining provisions meaningless or impossible of performance by either party, this agreement shall be of no force or effect for so long as the foregoing provision is in violation of such law, rule or regulation.

VI. RECEIPT OF GAS

6.1 Seller shall not be required to dispatch specific quantities of gas for delivery to Buyer, but Buyer shall receive gas it requires within the quantity limitations set forth in Article VI of the Agreement to which this Exhibit is annexed. Nonetheless, Buyer shall from time to time advise Seller of its anticipated requirements in order to permit Seller to properly regulate the flow of gas through its Kenai-Nikiski pipeline to meet the deliveries hereunder as well as Seller's other requirements for gas through said pipeline.

*Contract and all amendments
to APC and ANG/AGAS sales
agreements*



ALASKA PIPELINE COMPANY

P. O. BOX 6288
ANCHORAGE, ALASKA 99502

3000 SPENARD ROAD
PHONE (907) 277-5551

August 27, 1973

Alaska Gas and Service Company
Post Office Box 6288
Anchorage, Alaska 99502

Gentlemen:

Missing
This letter pertains to the Gas Sale Contract dated December 9, 1960, as heretofore amended October 16, 1962, October 15, 1963, April 1, 1970, and October 3, 1972 together with letters of understanding of interpretation dated September 30, 1968, November 4, 1968, and April 27, 1970, between Alaska Pipeline Company, as Seller, and Alaska Gas and Service Company (formerly Anchorage Natural Gas Corporation) as Buyer.

Both Buyer and Seller now agree to further amend said contract by specifying that to the price otherwise payable for gas delivered by Seller to Buyer, the amount of 2¢ per MCF shall be added on all deliveries commencing January 1, 1974, to reimburse "additional costs of gas" resulting from renegotiation of Seller's Gas Purchase Contract with Seller's suppliers (producers), such increase having been anticipated in the Gas Sale Contract of December 9, 1960, in paragraph 2 of Article V.

Please execute six copies of this amendment and return five copies, to indicate your agreement with this amendment.

Very truly yours,

Raymond J. Reeves
General, USAF (Ret.)
President

RECEIVED AS

Accepted this 31st day of August, 1973
For: Alaska Gas and Service Company

31 AUG 73

By:

Dale Tool, President

AGO 570499



ALASKA PIPELINE COMPANY

P. O. BOX 6288
ANCHORAGE, ALASKA 99502

October 3, 1972

3000 SPENARD ROAD
PHONE (907) 277-5551

Alaska Gas and Service Company
Post Office Box 6288
Anchorage, Alaska 99502

Gentlemen:

This letter pertains to the Gas Sale Contract dated December 9, 1960, as heretofore amended October 16, 1962, October 15, 1963 and April 1, 1970, together with letters of understanding of interpretation dated September 30, 1968, November 4, 1968 and April 27, 1970, between Alaska Pipeline Company, as Seller, and Alaska Gas and Service Company (formerly Anchorage Natural Gas Corporation) as Buyer.

Both Buyer and Seller now agree to further amend said contract and substitute in lieu thereof the following:

Article IV - Term of Agreement

To substitute the words "Buyers' Certificate of Convenience and Necessity as issued by the Alaska Public Utilities Commission" in place of the words "Buyers' franchise to distribute gas in the City of Anchorage".

Article V - Price

To delete entirely from this Article Paragraph 1, the Demand Charge: \$4.50 per MCF of monthly billing demand

Article VI - Determination of Billing Demand

This entire article, as previously amended, is to be deleted in its entirety.

Exhibit "A"

E. Statements and Payments

All reference to the "demand charge" shall be deleted, and substitute for the minimum billing following: "The minimum billing shall be the amount as calculated hereunder for all gas delivered hereunder for the preceding month".

ALASKA PIPELINE COMPANY

ANCHORAGE, ALASKA

Alaska Gas and Service Company

October 3, 1972

Page Two

All other terms and provisions of said contract shall continue in full force and effect. The effective date of such amendment shall be January 1, 1971.

If the foregoing is agreeable to you, please execute all six copies of this amendment and return five copies thereof to the undersigned.

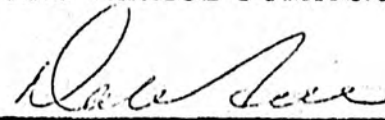
Very truly yours,



R. J. Reeves
General USAF (Ret.)
President

Accepted this 3rd day of October 1972

For: ALASKA GAS AND SERVICE COMPANY

By: 
Dale Tool, President



ALASKA PIPELINE COMPANY

P. O. BOX 6554 • HOUSTON, TEXAS 77005

April 1, 1970

Anchorage Natural Gas Corporation
P. O. Box 6288
Anchorage, Alaska 99502

Gentlemen:

This letter pertains to the Gas Sales Contract dated December 9, 1960, as amended, between Alaska Pipeline Company, as Seller, and Anchorage Natural Gas Corporation, as Buyer.

It is in the interest of Seller to encourage sales of natural gas by Buyer during summer off-peak months and to encourage Buyer to enter into contracts for resale of gas purchased from Seller providing for interruption of deliveries during periods of peak demand. It is understood that Buyer has filed with the Alaska Public Service Commission Rate Schedules PI and PPI providing reduced rates for sales of natural gas for power generation during summer months subject to the purchaser of such gas for power generation providing and maintaining available at all times alternate fuel which will permit interruption of deliveries of natural gas to the purchaser by Buyer during peak periods with concomitant reductions in Buyer's requirements from Seller.

In consideration of the foregoing, Seller agrees to further amend the Gas Sales Contract as it pertains only to gas delivered to Buyer for resale to power generation customers on an interruptible basis by adding the following proviso under Subparagraph (c) of Paragraph 1 of Article V:

"Provided that charges as otherwise computed under the above rate for power generation customers during the months of April through September shall be reduced by multiplying by 5 cents per Mcf the volume of gas delivered hereunder for resale by Buyer to public utilities which have agreed to purchase gas under Buyer's Rate Schedules PI or PPI and which have installed and maintained, ready for use, standby fuel and equipment to permit interruption of gas supply to such customer by Buyer on not less than 2 hours notice given by Seller to Buyer for not more than 10 days in any calendar month during October through March. Provided further that Buyer shall furnish Seller copies of Buyer's interruptible power plant service rate schedule as well as copies of any executed agreements for service between Buyer and its power customers who are purchasing gas from Buyer under its applicable interruptible power plant service rate schedule (s)."

AGO 570502

ALASKA PIPELINE COMPANY

P. O. BOX 6554 • HOUSTON, TEXAS 77006

Anchorage Natural Gas Corporation

April 1, 1970

Page 2

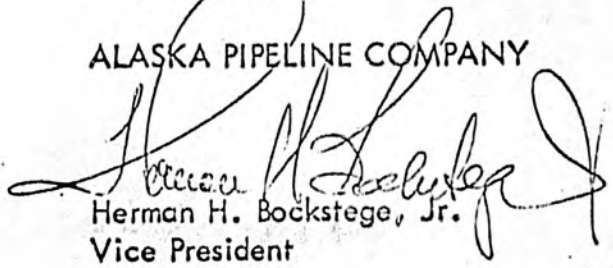
If after the above rate offered herein by Seller to Buyer is accepted by Buyer the regulatory body under whose authority and jurisdiction Buyer's rates are controlled subsequently determines that Buyer's interruptible power plant service should not have gone into effect, then this amendment to the Gas Sales Contract shall be null and void.

All other terms and provisions of said Gas Sale Contract shall continue in full force and effect.

If the foregoing is agreeable to you, please execute all six copies of this letter agreement and return five executed copies thereof to the undersigned.

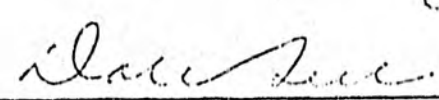
Very truly yours,

ALASKA PIPELINE COMPANY


Herman H. Bockstege, Jr.
Vice President

HHB:hf

ACCEPTED THIS 5 DAY OF June, 1970

BY 

ANCHORAGE NATURAL GAS CORPORATION

AGO 570503

File
ARGC
Gas Purchase Contract



ARGC

ALASKA PIPELINE COMPANY

P. O. BOX 1855 • ANCHORAGE, ALASKA

October 15, 1963

Anchorage Natural Gas Corporation
P. O. Box 6288
Anchorage, Alaska

Gentlemen:

This letter pertains to the Gas Sale Contract dated December 9, 1960, as amended October 16, 1962, between Alaska Pipeline Company, as Seller, and Anchorage Natural Gas Corporation, as Buyer.

In view of the anticipated substantial growth in your gas sales for power generation, Seller agrees to further amend the rate in the Gas Sale Contract as it pertains to the gas delivered to Buyer for power generation customers only (Paragraph 1 of Article V, item (c), as amended), effective upon the filing by Buyer with Seller of a copy of Buyer's approved and filed revised Power Plant Service Rate schedule, applicable to the anticipated increased power sales volumes, and upon the filing by Buyer with Seller of a copy of any executed Agreement for Service between Buyer and its power customers, upon which the substantial growth was predicated.

Subject to the above conditions, and as of the effective time thereof, the price to be paid by buyer to Seller for all gas delivered to Buyer for power generation sales only shall be changed by deleting from said Gas Sale Contract as amended Paragraph 1 of Article V and substituting in lieu thereof the following:

- "1. Subject to the provisions of Paragraph 2 below, the price to be paid by Buyer to Seller for gas delivered to Buyer hereunder from October 15, 1963, shall be as follows:

Demand Charge: \$4.50 per MCF of monthly billing demand

Commodity Charge: Gas delivered for:

(a) Firm customers - \$.55 per MCF

(b) Interruptible customers - \$.55 per MCF

(c) Power generation customers:

From 1 MCF to 100,000 MCF/year	- all MCF @ \$.52 per MCF
From 100,001 MCF to 295,000 MCF/year	- all MCF @ \$.48 per MCF
From 295,001 MCF to 650,000 MCF/year	- all MCF @ \$.44 per MCF
From 650,001 MCF to 950,000 MCF/year	- all MCF @ \$.40 per MCF
From 950,001 MCF to 1,550,000 MCF/year	- all MCF @ \$.35 per MCF
Excess of 1,550,000 MCF/year	- all MCF @ \$.34 per MCF

AGO 570504

ALASKA PIPELINE COMPANY

ANCHORAGE, ALASKA

Anchorage Natural Gas Corp.

- 2 -

October 15, 1963

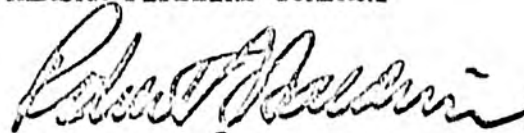
Buyer shall notify Seller in writing by December 1 of each year the estimated volume of gas to be delivered by Seller to Buyer for power generation customers for the following year. The volume so estimated will determine the appropriate rate as listed above at which Seller will charge Buyer for gas delivered to Buyer for power generation customers for the ensuing year. Buyer may not reduce the estimated volume during a year or reduce the volume by more than two (2) consecutive blocks of the rate below that estimated for the preceding year, except at the option of Seller."

All other terms and provisions of said Gas Sale Contract shall continue in full force and effect.

If the foregoing is agreeable to you, please execute all six copies of this letter agreement and return five executed copies thereof to the undersigned.

Very truly yours,

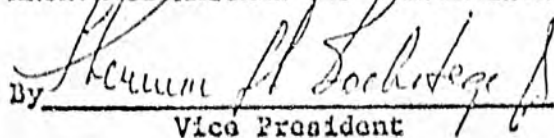
ALASKA PIPELINE COMPANY



Robert B. Baldwin
President

Accepted and agreed to this 13 day of October, 1963:

ANCHORAGE NATURAL GAS CORPORATION

By 
Vice President

AGO 570505

1400
Sale Contract



ALASKA PIPELINE COMPANY

P. O. BOX 6554 • HOUSTON 6, TEXAS

October 16, 1962

Anchorage Natural Gas Corporation
P. O. Box 6238
Anchorage, Alaska

Gentlemen:

This letter pertains to the Gas Sales Contract dated December 9, 1960 between Alaska Pipeline Company, as Seller, and Anchorage Natural Gas Corporation, as Buyer.

Both Buyer and Seller now agree to delete from said Contract Paragraph 1 of Article V and substitute in lieu thereof the following:

"1. Subject to the provisions of Paragraph 2 below, the price to be paid by Buyer to Seller for gas delivered to Buyer hereunder from September 1, 1962 shall be as follows:

Demand Charge: \$4.50 per Mcf of monthly billing
demand

Commodity Charge:

gas delivered for:

- (a) Firm customers \$.55 per Mcf
- (b) Interruptible customers \$.55 per Mcf
- (c) Power generation customers \$.44 per Mcf

Both Buyer and Seller now agree to delete from said Contract Paragraph 1 and 2 of Article VI and substitute in lieu thereof the following:

"1. Buyer shall from time to time by notice in writing to Seller furnish to Seller the names of all customers to whom Buyer is then selling interruptible gas, and the names of all customers to whom Buyer is selling gas for the purpose of electric utility power generation. Buyer shall meter daily the consumption of such gas by each such customer or estimate the daily consumption of such gas by each customer in determining the total thereof to be deducted from the total quantity of gas delivered by Seller to Buyer hereunder on such day. The remaining quantity (herein called "Demand Gas") shall be used for the purpose of determining the billing demand. The Seller may require the daily metering of all interruptible and electric utility power generation customers at any time by the giving of reasonable advance notice to Buyer in writing.

2. During the development period prior to August 1, 1962, the billing demand for any month, and for each day in such month,

ALASKA PIPELINE COMPANY

P. O. BOX 6884 - HOUSTON 8, TEXAS

Page 2.

shall be the greatest quantity of Demand Gas theretofore delivered by Seller to Buyer on any day during such development period; however in no event shall the average price paid for all gas delivered hereunder during this period fall below 65¢/Mcf per month. After such date, the billing demand for any month, and for each day in such month, shall be the greater of:

(a) The greatest quantity of Demand Gas delivered by Seller to Buyer hereunder on any day during the 12 months ending with such month

or

(b) Ninety per cent (90%) of the greatest previous billing demand."

Both Buyer and Seller now agree to delete from said Contract Article VII and substitute in lieu thereof the following:

"ARTICLE VII - Addresses

Until Buyer is otherwise notified in writing by Seller, the address of Seller is and shall remain as follows:

Alaska Pipeline Company
P. O. Box 1855
Anchorage, Alaska

and unless Seller is otherwise notified in writing by Buyer, the address of Buyer is and shall remain as follows:

Anchorage Natural Gas Corporation
P. O. Box 6288
Anchorage, Alaska

All notices required to be given in writing hereunder shall be given to the respective parties at such addresses or such other addresses as the parties shall designate by written notice to the other."

All other terms and provisions of said Contract shall continue in full force and effect.

If the foregoing is agreeable to you, please execute all six copies of this letter agreement and return five executed copies thereof to the undersigned.

Very truly yours,

ALASKA PIPELINE COMPANY

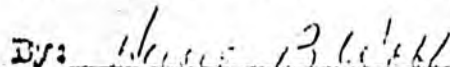
Accepted and agreed to
this 31st day of October, 1962

ANCHORAGE NATURAL GAS CORPORATION

By:


President

By:


Vice President



AGO 570507

signed

GAS SALE CONTRACT

THIS AGREEMENT, entered into this 24th day of November,
A.D., 1960, by and between ALASKA PIPELINE COMPANY, a corporation organized under
the laws of the State of Alaska (herein called "Seller"), and ANCHORAGE NATURAL GAS
CORPORATION, a corporation organized under the laws of the State of Alaska (herein called
"Buyer"),

WITNESSETH:

In consideration of the premises and of the mutual covenants and agreements
herein contained, Seller and Buyer do covenant and agree as follows:

ARTICLE I - Definitions

Except where the context otherwise indicates another or different meaning or in-
tent, the following terms are intended and used and shall be construed to have meanings as follows:

1. The term "day" shall mean a period of twenty-four (24) consecutive hours beginning
and ending at 8:00 o'clock A.M. Alaska Standard Time.
2. The term "month" shall mean the period beginning at 8:00 o'clock A.M. Alaska
Standard Time on the first day of a calendar month and ending at 8:00 o'clock A.M. Alaska
Standard Time on the first day of the succeeding calendar month.
3. The term "year" shall mean a period of 365 days commencing with the day of first de-
livery of gas hereunder and each 365 days thereafter, except that in a year having a date of
February 29th, such year shall consist of 366 days.
4. The term "cubic foot of gas" shall mean the amount of gas required to fill a cubic
foot of space when the gas is at an absolute pressure of fourteen and sixty-five hundredths (14.65)

pounds per square inch and at a temperature of sixty (60) degrees Fahrenheit.

5. The term "MCF" shall mean one thousand (1,000) cubic feet of gas.

6. The term "British thermal unit" (BTU) is defined as the amount of heat required to raise the temperature of one (1) pound of water from fifty-nine (59) degrees Fahrenheit to sixty (60) degrees Fahrenheit at a pressure of fourteen and sixty-five hundredths (14.65) pounds per square inch absolute.

7. The term "Buyer's Maximum Daily Firm Load Requirements" shall mean the maximum quantity of gas that Buyer is required to deliver during any day in a twelve (12) month period commencing the first day of August to all purchasers to whom Buyer is obligated to deliver gas without any right to interrupt such deliveries at any time, herein called "firm gas."

8. The term "Buyer's Demand Obligation" shall mean all of Buyer's Maximum Daily Firm Load Requirements other than the quantity of gas required to be delivered to a purchaser for use in the generation of electricity to be sold as a utility.

9. The term "Buyer's Maximum Daily Interruptible Load Requirements" shall mean the maximum quantity of gas that Buyer is required to deliver during any one day in a twelve (12) month period commencing the first day of August to all purchasers to whom Buyer is obligated to deliver gas, subject only to the right of Buyer to interrupt such deliveries during any period that Buyer does not have any gas for delivery due to its firm load requirements, herein called "interruptible gas."

ARTICLE II - Quantities

AGO 570509

1. Subject to the provisions of this Agreement, and the general terms and conditions set forth in Exhibit "A" attached hereto and made a part hereof, Buyer agrees to purchase and receive from Seller, and Seller agrees to sell and deliver to Buyer, Buyer's requirements during the term of this Agreement, as determined in the manner provided for herein, of natural

gas for resale and use in Buyer's gas distribution business in the City of Anchorage, Alaska, and other areas to be supplied by Buyer. Prior to November 1, 1960, Seller and Buyer will mutually agree upon Buyer's estimated gas requirements during the term of this Agreement; and periodically thereafter, at such times as deemed appropriate by the parties, a redetermination of Buyer's gas requirements shall be made by mutual agreement of the parties. In the event that any such redetermination increases Buyer's gas requirements over the then existing determination thereof, Seller agrees to commit to Buyer under this Agreement Buyer's additional gas requirements in excess of the quantity of gas previously committed to Buyer hereunder to the extent that Seller has available such additional quantities of gas uncommitted to other uses or contracts and has sufficient capacity in its pipeline facilities to make delivery thereof to Buyer. In the event that any such redetermination establishes that Buyer's gas requirements during the remainder of the term of this Agreement shall be less than the then existing determination thereof, Buyer agrees to release Seller from its previous commitment to deliver such quantity of gas in excess of Buyer's gas requirements as established by such redetermination. If Seller does not have sufficient uncommitted quantities of gas available to deliver Buyer's entire gas requirements established by any such redetermination of Buyer's gas requirements, Buyer shall have the right to contract with others for the purchase of such quantities of gas required to satisfy its requirements in excess of the quantities which Seller has then committed to this Agreement.

2. On or before August 1, 1960, with respect to the period prior to the first day of August, 1961, and thereafter, on or before the first day of July of each year during the term hereof, Buyer shall notify Seller of Buyer's Maximum Daily Firm Load Requirements, Buyer's Demand Obligation, and Buyer's Maximum Interruptible Load Requirements during the twelve (12) month period beginning the first day of August of the following year,

furnishing Seller with evidence satisfactory to Seller of such requirements. Seller shall then notify Buyer on or before the first day of November following receipt of such notice of one of the following

(i) Seller has a sufficient quantity of natural gas and capacity in its transmission system and obligates itself to deliver hereunder Buyer's Maximum Daily Firm Load Requirements; or

(ii) Seller does not have a sufficient supply of natural gas or does not have capacity in its transmission system to deliver the entire Buyer's Maximum Daily Firm Load Requirements, and specifying the maximum firm load requirements that Seller can deliver; or

(iii) Seller does not have sufficient quantity of natural gas or does not have capacity in its transmission system to deliver the entire Buyer's Maximum Daily Firm Load Requirements, specifying the maximum firm load requirements that Seller can provide and stating that Seller will attempt to provide such required quantity and capacity on or before the first day of October next succeeding the date of such notice.

In the event Seller gives Buyer the notice called for in subparagraph (ii) or subparagraph (iii), then Buyer shall be free from the date of receipt of such notice from Seller that subparagraph (ii) applies, or from the first day of April in the event subparagraph (iii) applies and Seller has not notified Buyer by such date that it will deliver the entire Buyer's Maximum Daily Firm Load Requirements, to contract with others for the purchase of gas in excess of the maximum firm load requirements which Seller specifies that it is able to furnish hereunder.

3. Seller shall, to the best of its ability, operate its pipeline system in such manner that it shall be capable of delivering to Buyer aggregate quantities of gas equal on each day to Buyer's requirements on such day. Seller shall not, however, be obligated to deliver to Buyer gas in excess of Buyer's Maximum Daily Firm Load Requirements then in effect except to the extent that Seller elects to make such gas available; provided, however, that insofar as it is able to do so, Seller shall furnish Buyer one (1) day's notice whenever

and to the extent that curtailment or interruption of delivery of interruptible gas is necessary. Seller shall not be obligated hereunder to deliver in any one (1) hour more than seven per cent (7%) of Buyer's Maximum Daily Firm Load Requirement then in effect; but to the extent that in Seller's sole judgment it can do so, Seller will make hourly deliveries to Buyer without regard to such limitation.

ARTICLE III - Point of Delivery

1. The point of delivery of all gas delivered hereunder shall be at a point to be mutually agreed upon by the parties hereto and which shall be called the city gate of the City of Anchorage, Alaska, and at such other points as may be mutually agreed upon.

2. Seller shall be in control and possession of the gas deliverable hereunder and shall indemnify and hold Buyer harmless from any damage or injury caused thereby until the same shall have been delivered to Buyer, after which delivery Buyer shall be deemed to be in exclusive control and possession thereof and shall indemnify and hold Seller harmless from any injury or damage caused thereby.

ARTICLE IV - Term of Agreement

This Agreement shall be effective as of the date hereof and shall continue in effect for twenty (20) years from the date of the first delivery of gas hereunder, or for the full term of Buyer's franchise to distribute gas in the City of Anchorage, whichever is the longer period, and thereafter from year to year unless and until terminated either by Buyer or by Seller upon twelve (12) months' prior written notice to the other specifying a termination date.

ARTICLE V - Price

1. Subject to the provisions of Paragraph 2 below, the price to be paid by Buyer to Seller for gas delivered to Buyer hereunder shall be as follows:

Commodity Charge for All Gas Delivered: - \$.55 per MCF

Demand Charge:

- \$4.50 per MCF of
monthly billing
demand

changed
10/18/62

2. Any increase in the cost of gas to Seller under its contracts with the producers thereof due to periodic price escalations, or otherwise, in addition to or greater than those in effect on the date of initial delivery of gas hereunder are hereinafter referred to as "additional costs of gas". Any sales, transactions, occupation, service, production, severance, gathering, transmission, export or excise tax, assessment or fee levied, assessed or fixed by the United States or any state or other governmental authority and taxes of a similar nature or equivalent in effect (not including income, excess profits, capital stock, franchise or general property taxes), in addition to or greater than those, if any, being levied, assessed or fixed on the date of execution hereof, in respect of or applicable to the natural gas to be delivered by Seller to Buyer hereunder and which Seller may be liable for, or is otherwise obligated to bear during any month, either directly or indirectly through any obligation to reimburse others, are hereinafter collectively referred to as "additional tax." It is expressly understood and agreed between the parties that so long as the additional cost of gas or additional tax shall be in effect, Buyer shall reimburse Seller for Buyer's proportionate share of such additional cost of gas and additional tax. In the event all or any part of such liability of seller is not determined or not determinable by the end of any month, then such additional amount required in respect of such liability not determined or determinable shall be set forth for all such months in any calendar year in a statement to be rendered by Seller to Buyer by April 1 of the following year, and Buyer shall pay the amount due pursuant to such statement on or before May 1 of such following year.

AGO 570513

ARTICLE VI - Determination of Billing Demand

1. Buyer shall from time to time by notice in writing to Seller furnish to Seller the names of all customers to whom Buyer is then selling interruptible gas, and the names of all customers to whom Buyer is selling gas for the purpose of electric utility power generation. Buyer shall meter daily the consumption of such gas by each such named customer, and the total thereof shall be deducted from the total quantity of gas delivered by Seller to Buyer hereunder on such day. The remaining quantity (herein called "Demand Gas") shall be used for the purpose of determining the billing demand.

*amended
10/16/62*

2. During the development period prior to August 1, 1962, the billing demand for any month, and for each day in such month, shall be the greatest quantity of Demand Gas theretofore delivered by Seller to Buyer on any day during such development period. After such date, the billing demand for any month, and for each day in such month, shall be the greater of:

*amended
10/16/62*

(a) The greatest quantity of Demand Gas delivered by Seller to Buyer hereunder on any day during the 12 months ending with such month, or Buyer's Demand Obligation established as provided in Paragraph 3 of Article II hereof, whichever is the greater,

OR

(b) Ninety per cent (90%) of the greatest previous billing demand.

3. If on any day Buyer takes interruptible gas from Seller in violation of any notice of curtailment or interruption of interruptible gas given by Seller to Buyer, the quantity of gas so taken shall be added to the firm gas delivered on such day for the purpose of deter-

mining the billing demand.

4. If on one or more days in a month Seller is unable to deliver to Buyer a quantity of natural gas equal to the then billing demand, then, in respect of each such day, the demand charge for such month shall be reduced by the number of MCF which Seller was so unable to deliver multiplied by one thirtieth (1/30th) of \$4.50; provided that nothing in this paragraph shall in any way diminish the obligation of Seller to deliver on such day or days natural gas up to Buyer's Maximum Daily Firm Load Requirements then in effect. If on one or more days in a billing month Buyer is unable, by reason of force majeure as hereinafter defined, to take delivery of any natural gas whatsoever from Seller, then, in respect of each such day, the demand charge for such month shall be reduced by the then billing demand in MCF multiplied by one thirtieth (1/30th) of \$4.50.

ARTICLE VII - Addresses

Until Buyer is otherwise notified in writing by Seller, the address of Seller is and shall remain as follows:

Alaska Pipeline Company
P. O. Box 7011
Anchorage, Alaska

and unless Seller is otherwise notified in writing by Buyer, the address of buyer is and shall remain as follows:

Anchorage Natural Gas Corporation
3000 Spenard Road
Spenard, Alaska

All notices required to be given in writing hereunder shall be given to the respective parties at such addresses or such other addresses as the parties shall designate by written notice to the other.

ARTICLE VIII - Miscellaneous

1. No waiver by either party hereto of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any future default or defaults, whether of like or different character.

2. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the respective parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their duly authorized officers on the date first above set forth.

ATTEST:

H. Eastland Jr.
Secretary

ALASKA PIPELINE COMPANY

By: Robert M. [Signature]
SELLER

ATTEST:

William C. Smith Jr.
Asst Secretary

ANCHORAGE NATURAL GAS CORPORATION

By: Harold B. Webb
BUYER

EXHIBIT "A"

(Attached to and incorporated in Gas Sale Contract between Alaska Pipeline Company, hereinafter referred to as "Seller", and Anchorage Natural Gas Corporation, hereinafter referred to as "Buyer.")

GENERAL TERMS AND CONDITIONS

A. - Measuring Station

1. Seller shall install, maintain and operate, at Seller's own expense, at or near the point of delivery, a measuring station properly equipped with orifice meters, flange connections, orifice plates and other necessary equipment by which the volume of gas delivered hereunder shall be measured. Volumes shall be computed and orifice meters shall be installed, maintained and operated as prescribed by the American Gas Association in Gas Measurement Committee Report Number 3, including the appendix thereto, as published April, 1955, and any subsequent amendments, additions or changes thereto as may be made from time to time by the A.G.A. Gas Measurement Committee. Buyer shall have access to such metering equipment at reasonable hours, but the reading, calibrating and adjusting thereof and the changing of charts shall be done only by Seller.

2. Buyer may install, maintain and operate, at its own expense such pressure regulators and check measuring equipment as it shall desire, so installed as not to interfere with the operation of Seller's measuring equipment. Seller shall have access to such check measuring equipment at reasonable hours, but the reading, calibrating and adjusting thereof and the changing of charts shall be done only by Buyer.

3. Each party shall have the right to be present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating or adjusting done in

connection with the other's measuring equipment used in measuring deliveries hereunder. The records from such measuring equipment shall remain the property of their owner, but upon request each will submit to the other its record and charts, together with calculations therefrom, for inspection and verification, subject to return within ten (10) days after receipt thereof.

4. In the event a meter is out of service, or registering inaccurately, the volume of gas delivered hereunder shall be estimated:

(a) By using the registration of any check meter or meters if installed and accurately registering, or in the absence of (a);

(b) By correcting the error if the percentage of error is ascertainable by calibration, test or mathematical calculation or, in the absence of both (a) and (b), then;

(c) By estimating the quantity of delivery by deliveries during periods under similar conditions when the meter was registering accurately.

5. At least once each month Seller shall verify the accuracy of Seller's measuring equipment and Buyer shall verify the accuracy of its check measuring equipment. If either party shall notify the other that it desires a special test of any measuring equipment, the parties shall cooperate to secure a prompt verification of the accuracy of such equipment. If either party at any time observes a variation between the delivery meter and the check meter, it will promptly notify the other party thereof and both parties will then cooperate to secure an immediate verification of the accuracy of such equipment. Each party shall give to the other notice of the time of all tests of meters reasonably in advance of the holding of such tests in order that the other party may conveniently have its representative present.

6. If, upon test, any measuring equipment is found to be in error not more than two per cent (2%), previous records of such equipment shall be considered accurate in computing deliveries hereunder; but such equipment shall be adjusted at once to record correctly. If, upon

test, any measuring equipment shall be found to be inaccurate by an amount exceeding two per cent (2%), at a recording corresponding to the average hourly rate of flow for the period since the last preceding test, then any previous recordings of such equipment shall be corrected for any period which is known definitely or agreed upon, but in case the period is not known definitely or agreed upon such correction shall be for a period extending over one half of the time elapsed since the date of last test, not exceeding a correction period of sixteen (16) days.

7. Each party shall preserve for a period of at least two (2) years all test data, charts and other similar records.

B. - Measurements

1. The sales unit of the gas deliverable hereunder shall be one (1) MCF of gas.

2. The volume of the gas delivered hereunder shall be determined as follows:

(a) The unit of volume for the purpose of measurement shall be one cubic foot of gas at a base temperature of sixty (60) degrees Fahrenheit and at a pressure of fourteen and sixty-five hundredths (14.65) pounds per square inch absolute with correction for deviation from Boyle's Law. Computation of volumes shall be in accordance with applicable rules, regulations and orders promulgated by a recognized regulatory body.

(b) The average absolute atmospheric pressure shall be assumed to be fourteen and seven-tenths (14.7) pounds to the square inch, irrespective of actual elevation or location of the point of delivery above sea level or variations in such atmospheric pressure from time to time.

(c) The deviation of the gas from Boyle's Law at the pressures, temperatures and specific gravities under which the gas is delivered hereunder, shall be read from the A.G.A. convenient operating tables of "Supercompressibility Factors for Natural Gas," without adjustment

of diluents, which have been developed from the basic tables contained in the A.G.A. Gas Measurement Committee Report Number 3.

(d) The temperature of the gas passing the meters shall be determined by the continuous use of a recording thermometer so installed by Seller that it may properly record the temperature of the gas flowing through the meters. The arithmetical average of the hourly temperature readings recorded each twenty-four (24) hour day shall be used in computing gas volumes for that date.

(e) Unless the parties hereto agree to the use of a spot test method, the specific gravity of the gas delivered hereunder shall be determined by the continuous use of an Acme recording gravitometer, or other standard gravitometer agreed upon by the parties hereto, so installed that it may properly record the specific gravity of the gas flowing through the meters. The arithmetical average of the specific gravity recorded during each twenty-four (24) hour day shall be used in computing gas volumes for that date. If the parties hereto agree to the use of a spot test method, such spot test shall be made with an Edwards type of gas balance, or by such other method as shall be agreed upon between the parties. If the spot test method is used, the specific gravity of the gas delivered hereunder shall be determined once monthly, or as much oftener as is found necessary in practice. The regular monthly test shall determine the specific gravity to be used in computation for the measurement of natural gas delivered, until the end of such month or until changed by special test, the special test to be applicable from the day made through the remaining days in such month.

C. - Delivery Pressure

The gas delivered to Buyer at the point of delivery shall be delivered within such range required for accurate metering as shall, from time to time, exist under operating conditions of the pipeline system of Seller, but in any event at a pressure not less than one

hundred twenty-five (125) pounds per square inch gauge. Buyer shall install, maintain and operate at its own expense such pressure regulating equipment as may be necessary to regulate the pressure of gas after it is delivered to Buyer.

D. - Quality of Gas

1. Seller agrees that:

(a) The gas delivered hereunder shall have a total heating value of not less than nine hundred and fifty (950) British thermal units per cubic foot. If at any time Seller shall become unable to deliver gas possessing at least such total heating value, Buyer shall have the option from time to time to refuse to accept that part of Seller's gas which is so deficient so long as said heating value remains below nine hundred and fifty (950) British thermal units per cubic foot. In the event Buyer accepts delivery of said gas when the heating value thereof is below nine hundred and fifty (950) British thermal units per cubic foot, Buyer may reduce the total amount payable as the purchase price for gas delivered under this contract for each month during which such deficiency obtains by an amount determined by multiplying such total amount by a fraction having as its numerator the average deficiency of British thermal units per cubic foot of gas below nine hundred and fifty (950) and its denominator nine hundred and fifty (950).

(b) Buyer shall have the right to determine, at such time or times as it may desire, the total heating value of the gas in British thermal units per cubic foot by means of some approved method of general use in the industry. Buyer shall give to Seller notice of the time of all tests for determining the British thermal unit content of the gas to be conducted by such party reasonably in advance of making the test in order that the other party may conveniently have its representative present. Should there be any material variance between tests by Buyer and Seller, a joint test will be run and will be controlling, effective from the first day of the calen-

dar month preceding such joint test. The British thermal unit content per cubic foot shall be determined for a cubic foot of gas at a temperature of sixty (60) degrees Fahrenheit when saturated with water vapor and at an absolute pressure equivalent to thirty inches (30") of mercury at thirty-two degrees (32°) Fahrenheit when the products of combustion are cooled to the initial temperature of gas and air and when the water formed by combustion is condensed to the liquid state.

2. Seller agrees that the gas delivered hereunder:

(a) Shall not contain more than one (1) grain of hydrogen sulphide per one hundred (100) cubic feet of gas as determined by the Tutwiler test or some other quantitative test, mutually agreeable to the parties hereto, after the presence of hydrogen sulphide has been indicated by qualitative test.

(b) Shall not contain more than twenty (20) grains of total sulphur per one hundred (100) cubic feet of gas.

(c) Shall not contain in excess of:

(i) Three per cent (3%) by volume of carbon dioxide;

(ii) One per cent (1%) by volume of oxygen;

(iii) Five (5) pounds of water vapor per one million (1,000,000) cubic foot of gas when measured at a pressure of fourteen and sixty-five hundredths (14.65) pounds per square inch absolute and a temperature of sixty (60) degrees Fahrenheit.

(d) Shall have a temperature of not more than one hundred twenty degrees (120°) Fahrenheit.

3. In addition to meeting the above specifications, the gas delivered hereunder shall be commercially free from dust, gums, gum forming constituents or other liquid or solid matter which might become separated from the gas in the course

of transportation through pipelines.

E. - Statements and Payments

1. On or before the tenth (10th) day of each calendar month after deliveries of gas are commenced hereunder, Seller shall render a statement to Buyer showing the amount of gas delivered hereunder during the last preceding calendar month and the demand charge applicable to such month. Buyer agrees to make payment to Seller on or before the twentieth (20th) day of each calendar month for all gas delivered, and for the demand charge, due hereunder for the preceding month. The minimum billing shall consist of the Demand Charge.

2. Each party shall have the right at reasonable times to examine the books, records and charts of the other party to the extent necessary to verify the accuracy of any statement, charge or computation made pursuant to the provisions of any Article hereof. If any such examination reveals any inaccuracy in such billing theretofore made, the necessary adjustment in such billing and payments shall be promptly made; provided that no adjustment for any billing or payment shall be made after the lapse of one (1) year from the rendition thereof.

F. - Force Majeure

1. In the event of either party hereto being rendered unable, wholly or in part, by force majeure to carry out its obligations under this Agreement, other than to make payments theretofore accrued hereunder, it is agreed that on such party giving notice and full particulars of such force majeure in writing or by telegraph to the other party as soon as possible after the occurrence of the cause relied on, then the obligations of the party giving such notice, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused but for no longer period, and such cause shall as far as possible be remedied with all reasonable dispatch. The term "force majeure"

as employed herein means an occurrence not within the control of the party claiming force majeure and which by the exercise of due diligence such party is unable to prevent or overcome, and, subject to the exercise of due diligence to prevent or overcome, such occurrence shall include acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, the necessity for making repairs to or alterations of machinery or lines of pipe, freezing of wells or lines of pipe, partial or entire failure of wells or sources of supply of gas, any act or omission by parties not controlled by the party having the difficulty, any act or omission (including failure to take gas) of a purchaser of gas from Buyer which is excused by any event or occurrence of the character herein defined as constituting force majeure, and any other causes, whether of the kind herein enumerated or otherwise, not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome; such term shall likewise include (a) in those instances where either party hereto is required to obtain servitudes, rights of way grants, permits, franchises or licenses to enable such party to fulfill its obligations hereunder, the inability of such party to acquire, or the delays on the part of such party in acquiring, at reasonable cost and after the exercise of reasonable diligence, such servitudes, rights of way grants, permits, franchises or licenses, and (b) in those instances where either party hereto is required to furnish materials and supplies for the purpose of constructing or maintaining facilities or is required to secure permits or permission from any governmental agency to enable such party to fulfill its obligations hereunder, the inability of such party to acquire, or the delays on the part of such party in acquiring, at reasonable cost and after the exercise of reasonable

diligence, such materials and supplies, permits and permissions. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the party having the difficulty, and that the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of opposing party when such course is inadvisable in the discretion of the party having the difficulty.

G. - Warranty of Title

Seller hereby warrants the title to all gas delivered by Seller to Buyer under this Agreement, the right to sell the same and that it is free from all liens and adverse claims, and agrees, if notified thereof by Buyer, to indemnify Buyer against all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of any adverse legal claims of any and all persons to or against said gas. In the event any adverse claim of any character whatsoever is asserted in respect to any of said gas, Buyer may retain the purchase price thereof up to the amount of such claim without interest until such claim has been finally determined, as security for the performance of Seller's obligations with respect to such claim under this Section G, or until Seller shall have furnished bond to Buyer, in an amount and with sureties satisfactory to Buyer, conditioned for the protection of Buyer with respect to such claim.

H. - Regulatory Bodies

AGO 570525

This Agreement is subject to all present and future valid and applicable orders, rules and regulations of any municipal, Federal or State regulatory body having jurisdiction. In the event any provision of this Agreement shall violate any applicable Federal or State law or valid applicable rule or regulation of municipal, Federal or State regulatory bodies having jurisdiction, then such provision shall be of no force and effect so long, and only so long, as it is in violation thereof, but the remainder of the Agreement

shall be valid and effective as though such provision or provisions had not been included herein.

I. - Operation of Properties

Seller shall have agents or employees available at all times to receive Buyer's dispatchers' requests for changes in rates of delivery of gas hereunder as required by Buyer from time to time.

J. - Termination

If either party shall fail to perform any of the covenants or obligations imposed upon it under and by virtue of this Agreement, the other party may at its option terminate this Agreement by proceeding as follows: The other party shall cause a written notice to be served on the party in default stating specifically the cause for terminating this Agreement and declaring it to be the intention of the party giving the notice to terminate the same; thereupon the party in default shall have thirty (30) days after the service of the said notice in which to remedy or remove the cause or causes stated in the said notice, and if within said period of thirty (30) days the party in default does so remedy and remove said cause or causes and fully indemnifies the other party for any and all consequences of such breach, then such notice shall be withdrawn and this Agreement shall continue in full force and effect. In case the party in default does not so remedy and remove the cause or causes or does not indemnify the party giving the notice for any and all consequences of such breach within said period of thirty (30) days, then this Agreement shall become null and void from and after the expiration of such period. Any cancellation of this Agreement pursuant to the provisions of this section shall not exclude the right of either party to collect any amount then due it by the other party or exclude any rights or remedies either party may have against the other by reason of any act or default occurring before such termination.

MEMORANDUM

TO: ☐ Elke Kallab
Legislative Affairs Agency
Pouch Y
Juneau, Alaska 99811

DATE: May 17, 1977

FILE NO:

TELEPHONE NO:

FROM: APUC *J. Lowell Jensen*
J. Lowell Jensen

SUBJECT:

Copies of Contract for the
Military concerning Alaska
Pipeline

Enclosed are copies of the contract for Ft. Richardson and
Elmendorf AFB with Alaska Pipeline Company.

These contracts do not directly reference Union/Marathon but
may be indicative of the gas costs to Alaska Pipeline Company.

Utility Service Contract 10/1/71

Utility Service Contract 4/14/77?

ALASKA PUBLIC UTILITIES COMMISSION

J. Lowell Jensen
Executive Director

quite useless
5/23/77

UTILITY SERVICE CONTRACT

Department of the Army
Various Delivery Points at
Fort Richardson

Contract Number DAFA03-72C0035

Premises to be served Anchorage County Alaska
City State

Alaska Pipeline Company P.O. Box 6288, Anchorage, Alaska 99502
Contractor Contractor's Address

Premises are: (X) Government owned
() Government leased

Name of lessor _____
Symbol number of lease _____

Estimated annual cost \$ 25,000.00

Bills will be rendered to Finance & Accounting Officer

at P. O. Box 499, Ft Richardson, Alaska 99505

Connection charge \$ None

Payments will be made by Finance & Accounting Officer

at P. O. Box 499, Ft Richardson, Alaska 99505

Appropriation Chargeable: 2122020 93-6600 P20-2330 S95-523 (20CJhl)

This contract is negotiated pursuant to 10 U.S.C. 2304(a)(10).

THIS CONTRACT is entered into as of 1971 October 1st by
Year Month Day

and between the UNITED STATES OF AMERICA, hereinafter called the
Government, represented by the Contracting Officer executing this
contract, and Alaska Pipeline Company

whose address is Post Office Box 6288, Anchorage, Alaska 99502

hereinafter called the Contractor.

I. SCOPE. Subject to the terms and conditions hereinafter set
forth, the Contractor shall furnish, and the Government shall purchase
and receive, natural gas service (hereinafter called
service) requested by the Government from the Contractor at the
premises to be served hereunder (hereinafter called the service
location), in accordance with the General and Technical Provisions and
the natural gas service specifications attached hereto
and made a part hereof.

(Basic contract continued on next page)

II. TERM. This contract shall continue in effect until terminated at the option of the Government by the giving of written notice not less than 90 days in advance of the effective date of termination.

IN WITNESS WHEREOF, the parties hereto have executed this contract as of the day and year first above written.

UNITED STATES OF AMERICA

ALASKA PIPELINE COMPANY

Name of Contractor

BY

Dale Teel
Signature

BY

Sven E. Eriksson
Signature of Contracting
Officer and Date

DALE TEEL

Typed Name

SVEN E. ERIKSSON

Typed Name of Contracting Officer

Title Vice President & General Manager

APPROVED:

APPROVED:
Edmund J. Ryan
EDMUND J. RYAN, DAC
POWER PROGRAMS OFFICE'S REPRESENTATIVE
HEADQUARTERS, US ARMY, ALASKA

RECEIVED

JUN 24 1974

State of Alaska
Public Utilities Commission

AGO 570529

TECHNICAL AND GENERAL PROVISIONS FOR UTILITY SERVICE

I. TECHNICAL PROVISIONS

1. MEASUREMENT OF SERVICE.

(a) All service furnished by the Contractor shall be measured by metering equipment of standard manufacture, furnished, installed, maintained, calibrated, and ready by the contractor at his expense. When more than a single meter is installed at the service location, the readings thereof shall be billed conjunctively. In the event that any meter fails to register or registers incorrectly, the quantity of service delivered through it during that period shall be determined and an equitable adjustment based thereon shall be made in the Government's bills (for this purpose any meter which registers not more than two (2) percent slow or fast shall be deemed correct). Failure to agree on any adjustment shall be a dispute concerning a question of fact within the meaning of the "Disputes" clause of this contract.

(b) The Contractor shall read all meters at periodic intervals of approximately thirty (30) days. All billings based on meter readings of less than twenty-seven (27) days or more than thirty-two (32) days shall be prorated accordingly.

2. METER TEST.

The Contractor, at his expense, shall periodically inspect and test the meters installed by him, at intervals of no longer than one (1) year. At the written request of the Contracting Officer, the Contractor, in the presence of Government representatives, shall make additional tests of any or all meters. The cost of such additional tests shall be borne by the Government if the percentage of error is found to be not more than two (2) percent slow or fast. No meter shall be placed in service which on test registers in excess of one hundred (100) percent under normal operating conditions.

II. GENERAL PROVISIONS

1. PAYMENT.

(a) The Contractor shall be paid by the designated disbursing officer for service furnished hereunder at the rates specified; provided, that the Government shall be liable for the minimum monthly charge specified in this contract commencing with the billing period in which service is initially furnished and continuing until this contract is terminated, except that the minimum monthly charge shall be equitably prorated for the billing period in which commencement and termination of this contract shall become effective.

(b) Payments hereunder shall be contingent upon the availability of appropriations therefor, and shall not be made in advance of the service rendered.

(Provisions continued on next page)

(c) All bills for service shall be paid without penalty or interest and the Government shall be entitled to any discounts customarily applicable to payment of bills by all customers of the Contractor.

(d) Invoices for service rendered hereunder shall contain statements of the meter readings at the beginning of the billing period, meter constants, consumption during the billing period, and such other pertinent data as shall be required by the Government.

(e) The Contractor hereby declares that rates are not in excess of the lowest rates now available to any existing or prospective customer under like conditions of service, and agrees that during the life of this contract the Government shall continue to be billed at the lowest available rate for similar conditions of service.

2. RATES AND CHARGES.

For service furnished under this contract the Government shall pay the Contractor on the following schedule: Until otherwise selected by the Government at its option, Schedule 1-1 (of Alaska Public Service Corporation, which is Contractor's wholly-owned gas distribution utility subsidiary) shall be applied to such service which can be interrupted by Contractor by giving of four hours' notice. For service which is not so interruptible, Schedule B or Schedule C shall be applied at the option of the Government to be exercised annually each year. If the Government at its option wishes to have deliveries at two or more delivery points combined for billing purposes (otherwise called "conjunctive billing"), said conjunctive billing shall be done by multiplying the minimum bill, for the Rate selected, by the number of such conjunctive billing delivery points. The designation of the Rate desired, or of conjunctive billing and the Rate therefor, may be made by the Government at any time provided that such designation shall continue in effect for one year without change and may thereupon be redesignated, each year.

3. PUBLIC REGULATION AND CHANGE OF RATES.

(a) Public Regulation. Service furnished under this contract shall be subject to regulation--in the manner and to the extent prescribed by law--by any Federal, state or local regulatory commission having jurisdiction. A copy of the Contractor's current existing rates (including changes) shall be furnished promptly to the Contracting Officer upon request.

(b) Change of Rates.

(1) If, during the term of this contract, the public regulatory commission having jurisdiction receives for filing in authorized manner any change in the rate schedule stipulated herein directly or by reference which result in higher or lower charges for service, the Contractor shall continue to furnish service as stipulated in this contract and the Government shall pay for service at the higher or lower charges from the effective date thereof, subject to judicial appeal.

(ii) In the event the Contractor, during the term of this contract, shall make effective any new or amended rate schedule, not incorporated herein directly or indirectly, applicable to any like condition of service furnished under this contract, which contains a lower rate or conditions

more favorable to the Government, the Contractor shall forward to the Contracting Officer a copy of the new or amended rate schedule within fifteen (15) days after the effective date thereof, and upon receipt of written request from the Government shall substitute the new or amended rate schedule for the rate schedule then in effect under this contract, commencing with the billing period in which the written request is received.

(iii) In the event of a permanent change in the class of service furnished the Government under this contract, service shall, effective sixty (60) days after written request is made by either party or at such other time as may be agreed upon, be furnished at the lowest available rate schedule of the contractor which is applicable to the class of service furnished following the permanent change.

(iv) The Contractor shall give the Contracting Officer written notice of the filing of an application for rate changes concurrently with the filing of an application. The notice shall fully describe the proposed rate change.

(v) In the event that the regulatory body promulgates any regulation not concerning rates which materially affects this contract, the Contractor shall immediately notify the Contracting Officer.

4. CHANGE IN VOLUME OR CHARACTER OF SERVICE.

The Contracting Officer shall give reasonable notice to the Contractor respecting any material changes anticipated in the volume or characteristics of the utility service required at each location.

5. CONTINUITY OF SERVICE AND CONSUMPTION.

(a) The Contractor shall use reasonable diligence to provide a regular and uninterrupted supply of service at the service location, but shall not be liable to the Government for damages, breach of contract, or otherwise, for failure, suspension, diminution, or other variations of service occasioned by any cause beyond the control and without the fault or negligence of the Contractor. Such causes may include, but are not restricted to, acts of God or of the public enemy, acts of the Government in either its sovereign or contractual capacity, fires, floods, epidemics, quarantine restrictions, strikes, or failure or breakdown of transmission or other facilities; provided, that when any failure, suspension, diminution, or variation of service shall aggregate more than one (1) hour during any billing period hereunder, an equitable adjustment shall be made in the monthly rates specified in this contract (including the minimum monthly charge).

(Provisions continued on next page)

(b) In the event the Government is unable to operate the service location in whole or in part for any cause beyond its control and without its fault or negligence, including but not limited to acts of God or of the public enemy, fires, floods, epidemics, quarantine restrictions, or strikes, an equitable adjustment shall be made in the monthly rates specified in this contract (including the minimum monthly charge) if the period during which the Government is unable to operate the service location in whole or in part shall exceed fifteen (15) days during any billing period hereunder.

6. CONTRACTOR'S FACILITIES.

(a) The Contractor, at his expense, shall furnish, install, operate, and maintain all facilities required to furnish service hereunder to, and to measure the service at, the point of delivery specified in the Utility Service Specifications. Title to all of these facilities shall remain in the Contractor and he shall be responsible for all loss of or damage to those facilities except that arising out of the fault or negligence of the Government, its agents or its employees. All taxes and other charges in connection therewith, together with all liability arising out of the negligence of the Contractor in the construction, operation, or maintenance of these facilities, shall be assumed by the Contractor.

(b) The Government hereby grants to the Contractor, free of any rental or similar charge, but subject to the limitations specified in this contract, a revocable permit to enter the service location for any proper purpose under this contract, including use of the site or sites agreed upon by the parties hereto for the installation, operation, and maintenance of the facilities of the Contractor required to be located upon Government premises. Authorized representatives of the Contractor will be allowed access to the facilities of the Contractor at suitable times to perform the obligations of the Contractor with respect to these facilities. It is expressly understood that the Government may limit or restrict the right of access herein granted in any manner considered to be necessary for the national security.

(c) The facilities shall be removed and Government premises restored to their original condition, ordinary wear and tear excepted, by the Contractor at his expense within a reasonable time after the Government shall revoke the permit herein granted and in any event within a reasonable time after termination of this contract, provided, that in the event of termination due to fault of the Contractor these facilities may be retained in place at the option of the Government until service comparable to that provided for hereunder is obtained elsewhere.

(Provisions continued on next page)

7. CONFLICTS.

To the extent of any inconsistency between the provisions of this contract, and the provisions of any schedule, rider, or exhibit incorporated in this contract by reference or otherwise, the provisions of this contract shall control.

8. DEFINITIONS.

As used throughout this contract, the following terms shall have the meaning set forth below:

(a) The term "head of the agency" or "Secretary" means the Secretary, the Under Secretary, any Assistant Secretary, or any other head or assistant head of the executive or military department or other Federal agency; and the term "his duly authorized representative" means any person or persons or board (other than the Contracting Officer) authorized to act for the head of the agency or the Secretary.

(b) The term "Contracting Officer" means the person executing this contract on behalf of the Government, and any other officer or civilian employee who is a properly designated Contracting Officer; and the term includes, except as otherwise provided in this contract, the authorized representative of a Contracting Officer acting within the limits of his authority.

(c) Except as otherwise provided in this contract, the term "subcontracts" includes purchase orders under this contract.

9. ASSIGNMENT OF CLAIMS.

(a) Pursuant to the provisions of the Assignment of Claims Act of 1940, as amended (31 U.S.C. 203, 41 U.S.C. 15), if this contract provides for payments aggregating \$1,000 or more, claims for moneys due or to become due the Contractor from the Government under this contract may be assigned to a bank, trust company, or other financing institution, including any Federal lending agency, and may thereafter be further assigned and reassigned to any such institution. Any such assignment or reassignment shall cover all amounts payable under this contract and not already paid, and shall not be made to more than one party, except that any such assignment or reassignment may be made to one party as agent or trustee for two or more parties participating in such financing. Unless otherwise provided in this contract, payments to an assignee of any moneys due or to become due under this contract shall not, to the extent provided in said Act, as amended, be subject to reduction or setoff. (The preceding sentence applies only if this contract is made in time of war or national emergency as defined in said Act and is with the Department of Defense, the General Services Administration, the

(Provisions continued on next page)

Atomic Energy Commission, the National Aeronautics and Space Administration, the Federal Aviation Agency, or any other department or agency of the United States designated by the President pursuant to Clause 4 of the proviso of section 1 of the Assignment of Claims Act of 1940, as amended by the Act of May 15, 1951, 65 Stat. 41.)

(b) In no event shall copies of this contract or of any plans, specifications, or other similar documents relating to work under this contract, if marked "Top Secret," "Secret," or "Confidential," be furnished to any assignee of any claim arising under this contract or to any other person not entitled to receive the same. However, a copy of any part or all of this contract so marked may be furnished, or any information contained therein may be disclosed, to such assignee upon the prior written authorization of the Contracting Officer.

10. DISPUTES.

(a) Except as otherwise provided in this contract, any dispute concerning a question of fact arising under this contract which is not disposed of by agreement shall be decided by the Contracting Officer, who shall reduce his decision to writing and mail or otherwise furnish a copy thereof to the Contractor. The decision of the Contracting Officer shall be final and conclusive unless, within 30 days from the date of receipt of such copy, the Contractor mails or otherwise furnishes to the Contracting Officer a written appeal addressed to the Secretary. The decision of the Secretary or his duly authorized representative for the determination of such appeals shall be final and conclusive unless determined by a court of competent jurisdiction to have been fraudulent, or capricious, or arbitrary, or so grossly erroneous as necessarily to imply bad faith, or not supported by substantial evidence. In connection with any appeal proceeding under this clause, the Contractor shall be afforded an opportunity to be heard and to offer evidence in support of its appeal. Pending final decision of a dispute hereunder, the Contractor shall proceed diligently with the performance of the contract and in accordance with the Contracting Officer's decision.

(b) This "Disputes" clause does not preclude consideration of law questions in connection with decisions provided for in paragraph (a) above; provided, that nothing in this contract shall be construed as making final the decision of any administrative official, representative, or board on a question of law.

(Provisions continued on next page)

Walter H. Hill
S. G. Emerson

11. OFFICIALS NOT TO BENEFIT.

No member of or delegate to Congress, or resident Commissioner, shall be admitted to any share or part of this contract, or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this contract if made with a corporation for its general benefit.

12. COVENANT AGAINST CONTINGENT FEES.

The Contractor warrants that no person or selling agency has been employed or retained to solicit or secure this contract upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies maintained by the Contractor for the purpose of securing business. For breach or violation of this warranty the Government shall have the right to annul this contract without liability or in its discretion to deduct from the contract price or consideration, or otherwise recover, the full amount of such commission, percentage, brokerage, or contingent fee.

13. EXAMINATION OF RECORDS.

(The following clause is applicable if the amount of this contract exceeds \$2,500 and was entered into by means of negotiation, but is not applicable if this contract was entered into by means of formal advertising.)

(a) The Contractor agrees that the Comptroller General of the United States or any of his duly authorized representatives shall, until the expiration of three years after final payment under this contract, have access to and the right to examine any directly pertinent books, documents, papers, and records of the Contractor involving transactions related to this contract.

(b) The Contractor further agrees to include in all his subcontracts hereunder a provision to the effect that the subcontractor agrees that the Comptroller General of the United States or any of his duly authorized representatives shall, until the expiration of three years after final payment under the subcontract, have access to and the right to examine any directly pertinent books, documents, papers, and records of such subcontractor, involving transactions related to the subcontract. The term "subcontract" as used in this clause excludes (i) purchase orders not exceeding \$2,500 and (ii) subcontracts or purchase orders for public utility services at rates established for uniform applicability to the general public.

(Provisions continued on next page)

14. GRATUITIES.

(a) The Government may, by written notice to the Contractor, terminate the right of the Contractor to proceed under this contract if it is found, after notice and hearing, by the Secretary or his duly authorized representative, that gratuities (in the form of entertainment, gifts, or otherwise) were offered or given by the Contractor, or any agent or representative of the Contractor, to any officer or employee of the Government with a view toward securing a contract or securing favorable treatment with respect to the awarding or amending, or the making of any determinations with respect to the performing of such contract; provided, that the existence of the facts upon which the Secretary or his duly authorized representative makes such findings shall be in issue and may be reviewed in any competent court.

(b) In the event this contract is terminated as provided in paragraph (a) hereof, the Government shall be entitled (i) to pursue the same remedies against the Contractor as it could pursue in the event of a breach of the contract by the Contractor, and (ii) as a penalty in addition to any other damages to which it may be entitled by law, to exemplary damages in an amount (as determined by the Secretary or his duly authorized representative) which shall be not less than three nor more than ten times the costs incurred by the Contractor in providing any such gratuities to any such officer or employee.

(c) The rights and remedies of the Government provided in this clause shall not be exclusive and are in addition to any other rights and remedies provided by law or under this contract.

15. BUY AMERICAN ACT.

(a) In acquiring end products, the Buy American Act (41 U.S. Code 10 a-d) provides that the Government give preference to domestic source end products. For the purpose of this clause:

(i) "components" means those articles, materials, and supplies, which are directly incorporated in the end products;

(ii) "end products" means those articles, materials, and supplies, which are to be acquired under this contract for public use; and

(iii) a "domestic source end product" means (A) an unmanufactured end product which has been mined or produced in the United States and (B) an end product manufactured in the United States if the cost of the components thereof which are mined, produced, or manufactured in the United States exceeds 50 percent of the cost of all its components. For the purposes of this (a) (iii) (B), components of foreign origin of the same type or kind as the products referred to in (b) (ii) or (iii) of

(Provisions continued on next page)

manufactured in the United States.

(b) The Contractor agrees that there will be delivered under this contract only domestic source end products, except end products:

(i) which are for use outside the United States;

(ii) which the Government determines are not mined, produced, or manufactured in the United States in sufficient and reasonably available commercial quantities and of a satisfactory quality;

(iii) as to which the Secretary determines the domestic preference to be inconsistent with the public interest; or

(iv) as to which the Secretary determines the cost to the Government to be unreasonable.

(The foregoing requirements are administered in accordance with Executive Order No. 10582, dated December 17, 1954.)

16. CONVICT LABOR.

In connection with the performance of work under this contract, the Contractor agrees not to employ any person undergoing sentence of imprisonment at hard labor.

17. CONTRACT WORK HOURS STANDARDS ACT--OVERTIME COMPENSATION.

This contract, to the extent that it is of a character specified in the Contract Work Hours Standards Act (40 U.S.C. 327-330), is subject to the following provisions and to all other applicable provisions and exceptions of such Act and the regulations of the Secretary of Labor thereunder.

(a) Overtime requirements. No Contractor or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics shall require or permit any laborer or mechanic in any workweek in which he is employed on such work to work in excess of eight hours in any calendar day or in excess of forty hours in such workweek on work subject to the provisions of the Contract Work Hours Standards Act unless such laborer or mechanic receives compensation at a rate not less than one and one-half times his basic rate of pay for all such hours worked in excess of eight hours in any calendar day or in excess of forty hours in such workweek, whichever is the greater number of overtime hours.

(Provisions continued on next page)

(b) Violation; Liability for unpaid wages; liquidated damages. In the event of any violation of the provisions of paragraph (a), the Contractor and any subcontractor responsible therefor shall be liable to any affected employee for his unpaid wages. In addition, such Contractor and subcontractor shall be liable to the United States for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic employed in violation of the provisions of paragraph (a) in the sum of \$10 for each calendar day on which such employee was required or permitted to be employed on such work in excess of eight hours or in excess of his standard workweek of forty hours without payment of the overtime wages required by paragraph (a).

(c) Withholding for unpaid wages and liquidated damages. The Contracting Officer may withhold from the Government Prime Contractor, from any moneys payable on account of work performed by the Contractor or subcontractor, such sums as may administratively be determined to be necessary to satisfy any liabilities of such Contractor or subcontractor for unpaid wages and liquidated damages as provided in the provisions of paragraph (b).

(d) Subcontracts. The Contractor shall insert paragraphs (a) through (d) of this clause in all subcontracts, and shall require their inclusion in all subcontracts of any tier.

(e) Records. The Contractor shall maintain payroll records containing the information specified in 29 CFR 516.2(a). Such records shall be preserved for three years from the completion of the contract.

18. EQUAL OPPORTUNITY (APR. 1964).

(The following clause is applicable unless this contract is exempt under the rules and regulations of the President's Committee on Equal Employment Opportunity (41 C.F.R. Chapter 60). Exemptions include contracts and subcontracts (i) not exceeding \$10,000, (ii) not exceeding \$100,000 for standard commercial supplies or raw materials, and (iii) under which work is performed outside the United States and no recruitment of workers within the United States is involved.

During the performance of this contract, the Contractor agrees as follows:

(a) The Contractor will not discriminate against any employee or applicant for employment because of race, creed, color, or national origin. The Contractor will take affirmative action to ensure that applicants are employed and that employees are treated during employment without regard to their race, creed, color, or national origin.

(Provisions continued on next page)

Such action shall include but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; lay-off or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Contracting Officer setting forth the provisions of this nondiscrimination clause.

(b) The Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without regard to race, creed, color, or national origin.

(c) The Contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the Agency Contracting Officer, advising the said labor union or workers' representative of the Contractor's commitments under this nondiscrimination clause, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(d) The Contractor will comply with all provisions of Executive Order No. 10925 of March 6, 1961, as amended, and of the rules, regulations, and relevant orders of the President's Committee on Equal Employment Opportunity created thereby.

(e) The Contractor will furnish all information and reports required by Executive Order No. 10925 of March 6, 1961, as amended, and by the rules, regulations and orders of the said Committee, or pursuant thereto, and will permit access to his books, records, and accounts by the contracting agency and the Committee for purposes of investigation to ascertain compliance with such rules, regulations and orders.

(f) In the event of the Contractor's noncompliance with the non-discrimination clause of this contract or with any of the said rules, regulations, or orders, this contract may be cancelled, terminated, or suspended in whole or in part and the Contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 10925 of March 6, 1961, as amended, and such other sanctions may be imposed and remedies invoked as provided in the said Executive Order or by rule, regulation, or order of the President's Committee on Equal Employment Opportunity, or as otherwise provided by law.

(g) The Contractor will include the provisions of paragraphs (a) through (g) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the President's Committee on Equal Employment Opportunity issued pursuant to section 303 of Executive Order No. 10925 of March 6, 1961, as amended, so that such provisions

(Provisions continued on next page)

will be binding upon each subcontractor or vendor.* The Contractor will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions, including sanctions for noncompliance; provided, however, that in the event the Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the Contractor may request the United States to enter into such litigation to protect the interest of the United States.

19. APPROVAL.

This contract shall be subject to the written approval of Army Power Procurement Officer or his duly authorized representative and shall not be binding until approved.

*Unless otherwise provided, the "Equal Opportunity" clause is not required to be inserted in subcontracts below the second tier, except for subcontracts involving the performance of "construction work" at the "site of construction" (as those terms are defined in the Committee's rules and regulations) in which case the clause must be inserted in all such subcontracts. Subcontracts may incorporate by reference the "Equal Opportunity" clause.

AGO 570541

GAS SERVICE SPECIFICATIONS Various Delivery Points

1. SPECIFIC PREMISES TO WHICH GAS DELIVERED on Fort Richardson

2. ESTIMATED SERVICE:

Estimated maximum demand: 10 MCF per hour, per Delivery Point
200 MCF per day.
 Estimated annual consumption 50,000 MCF.

(The Government is in no way obligated to use nor is it restricted to above estimate.)

3. POINT OF DELIVERY. The point of delivery of gas shall be Various

4. QUALITY:

(a) The gas delivered hereunder shall be natural gas. The gas so delivered shall contain no less than 950 Btu per cubic foot. The unit of volume to determine total heating value shall be one (1) cubic foot of gas saturated with water vapor at a temperature of sixty degrees (60°) Fahrenheit and an absolute pressure equivalent to thirty (30) inches of mercury at thirty-two degrees (32°) Fahrenheit.

(b) The gas delivered:

(i) shall be commercially free from dust or other solid or liquid matter which might interfere with its merchantability or cause injury to or interference with proper operation of the lines, regulators, meters, and other equipment of the Government.

(ii) shall not contain more than a trace of hydrogen sulphide per one hundred (100) cubic feet of gas, as determined by methods prescribed in Standards for Gas Service, Circular of the National Bureau of Standards, No. 405, page 134 (1934 edition), and shall be considered free from hydrogen sulphide if a strip of white filter paper, moistened with a solution containing five percent (5%) by weight of lead acetate, is not distinctly darker than a second paper freshly moistened with the same solution, after the first paper has been exposed to the gas for one (1) minute in an apparatus of approved form, through which the gas is flowing at the rate of approximately five (5) cubic feet per hour, the gas not impinging directly from a jet upon the test paper;

(iii) shall not contain more than twenty (20) grains of total sulphur per one hundred (100) cubic feet.

In the event the gas contains more than a trace of hydrogen sulphide per one hundred (100) cubic feet or more than twenty (20) grains of total sulphur per one hundred (100) cubic feet, by test prescribed by the Bureau of Standards or other recognized method, than upon the request of the Government, the Contractor shall reduce the hydrogen sulphide content to not more than a trace per one hundred (100) cubic feet and the total sulphur content to twenty (20) grains or less per one hundred (100) cubic feet.

(Continued on next page)

5. MEASUREMENT

(a) *Unit of measurement and metering base.* The volumetric measurement base shall be one (1) cubic foot of gas at a pressure base of thirty (30) inches of mercury (14.73 pounds per square inch absolute), and without adjustment for water vapor content. To determine the volume of gas delivered, factors for pressure, temperature, specific gravity, and deviation from Boyle's Law shall be applied.

(b) *Atmospheric pressure.* The average absolute atmospheric (barometric) pressure shall be assumed to be fourteen and four-tenths (14.4) pounds per square inch, irrespective of actual elevation or location of the delivery point above sea level or variations in actual barometric pressure from time to time.

(c) *Temperature.* The temperature of the natural gas flowing through the meter or meters shall be the arithmetic average of the hourly temperature record, or shall be read from established tables of monthly averages for the service location.

(d) *Specific gravity.* The specific gravity of the natural gas shall be determined by joint test using an Edwards type Balance, or other approved instrument, at the commencement of deliveries hereunder and as often thereafter as deemed necessary; or if mutually agreed upon, by the use of a recorder, periodically checked with an Edwards type Balance or by other accepted methods.

(e) *Deviation from Boyle's Law.* The deviation from Boyle's Law shall be determined by tests or computed by approved methods based on the composition of the gas and conditions at point of measurement, with such reasonable frequency as is found necessary.

(f) *Measuring equipment.*

- (i) The Contractor shall maintain and operate, at the delivery points, measuring stations properly equipped with displacement or orifice meters and other necessary measuring equipment by which the volumes of gas delivered hereunder shall be measured. Orifice meters shall be installed and operated, and gas volumes computed, in accordance with specifications recommended in Gas Measurement Committee Report No. 3, dated April 1955, of the Natural Gas Department of the American Gas Association, as the same may be amended from time to time applied in a practical manner; displacement meter dial readings to be adjusted for varying pressure and temperature conditions. The Government may install such check measuring equipment as it shall desire, provided that the equipment shall be so installed as not to interfere with the operations of the Contractor. The Contractor shall have access to check measuring equipment at all reasonable hours, but the reading, calibrating and adjusting thereof and the changing of charts shall be done only by the Government unless otherwise agreed.

(Continued on next page)

- (ii) Both the Contractor and the Government shall have the right to be present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with the other's measuring equipment used in measuring deliveries. The records from such measuring equipment shall remain the property of the owner but, upon request, each shall submit to the other its records and charts, or true copies thereof, together with calculations therefrom, for inspection and verification, subject to return within thirty (30) days after receipt thereof, after which return the Contractor's charts and records shall be kept on file by the Contractor for the mutual use of both parties for such period and to the extent required by law.
- (iii) Reasonable care shall be exercised in the installation, maintenance, and operation of any pressure regulating equipment to avoid any inaccuracy in the determination of the volume of gas delivered.

6. General

Natural gas shall be delivered at various points along Contractor's transmission line through Fort Richardson as may be requested by the government from time to time. Contractor shall maintain at the point of delivery a regulated pressure within ten percent of the pressure requested by the Contracting Officer, but shall not be required to deliver more than sixty (60) psig. Metering shall be done by instruments of standard manufacture.

7. Additions: Exhibits A & B attached hereto and made a part hereof.
Exhibit C, attached hereto and made a part hereof.

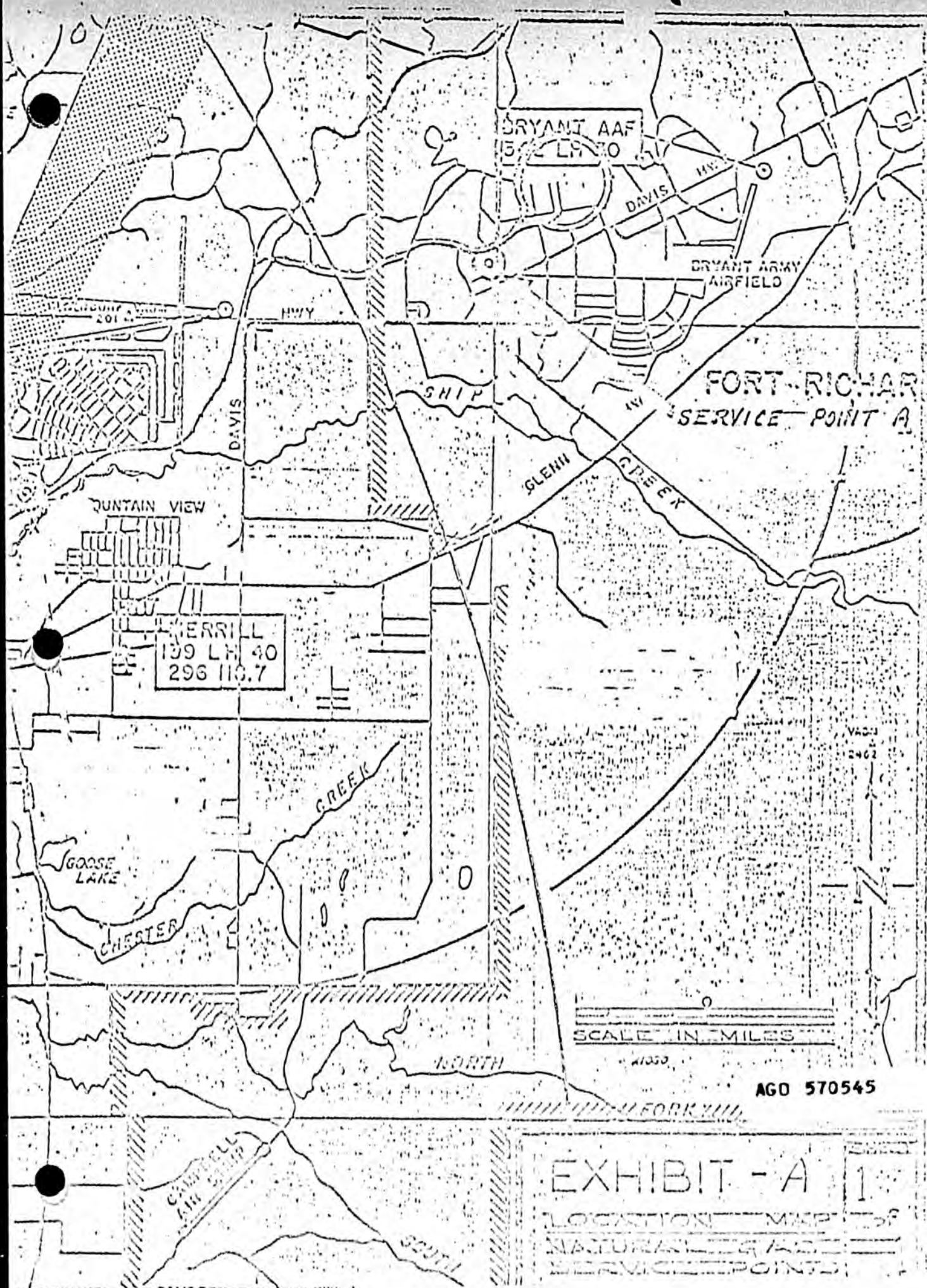


EXHIBIT - A

LOCATION MAP OF
NATURAL GAS
SERVICE POINTS

SUPPLEMENTAL SPECIFICATIONS FOR SERVICE POINT A.

1. METERING: Gas shall be measured by one positive displacement type meter.
2. PRESSURE: The Contractor shall maintain at the point of delivery a regulated pressure within ten percent of the pressure requested by the Contracting Officer but shall not be required to maintain more than 60 pounds or less than 10 pounds per square inch gauge.
3. SIZE OF PIPELINE TO POINT OF DELIVERY 6 INCHES DIAMETER; OPERATING PRESSURE 200 psig.
4. APPLICABLE RATE SCHEDULE: I

Contract Number DAFA 03-72C0035
EXHIBIT B.

"STABILIZATION OF PRICES, RENTS, WAGES, AND SALARIES (1971 August)

A. By Executive Order 11615, dated August 15, 1971, the President stabilized prices, rents, wages, and salaries. The Contractor represents that to the best of his knowledge and belief he is in complete compliance with Executive Order 11615. Further, the Contractor warrants that the amounts invoiced under this contract will not exceed the lower of (1) the contract price, or (2) the maximum levels established in accordance with the Order.

B. The Contractor agrees to insert the substance of this clause including this paragraph (B), in all subcontracts for supplies or services issued under this Contract.

Contract Number DAFA 03-72C0035
EXHIBIT C.

AGO 570547

DEPARTMENT OF THE ARMY
HEADQUARTERS, U. S. ARMY GARRISON, FORT RICHARDSON
Fort Richardson, Alaska 99505

DETERMINATION AND FINDINGS
DAFA03 72 C 0035

Authority to Negotiate an Individual Contract

Upon the basis of the following findings and determination, the proposed contract described below may be negotiated without formal advertising pursuant to the authority of 10 U.S.C. 2304 (a) (2), as implemented by paragraph 3-202.2 (vi) of the Armed Services Procurement Regulation.

FINDINGS

1. I hereby certify there is no GSA contract available to provide natural gas in the Anchorage Area.

DETERMINATION

1. Therefore I determine that it is necessary to contract for utility services with available commercial operators per ASPR 5-800 et

DATE

2/30/71

S. E. Eriksson
S. E. ERIKSSON
Contracting Officer

FINDINGS

2. Contractor is the sole source for natural gas utility service in the Anchorage Area.

DETERMINATION

2. I therefore determine that it is necessary to contract for utility service per 10 USC - 2304 A (10)

DATE

2/30/71

S. E. Eriksson
S. E. ERIKSSON
Contracting Officer

FINDINGS

3. Contractor will not agree for a termination period of less than 90 days.

DETERMINATION

3. I therefore determine that it is proper to provide for 90 days' termination per ASPR 55-106.2.

DATE

2/30/71

S. E. Eriksson
S. E. ERIKSSON
Contracting Officer

AGO 570548

Signed 3:00 pm July 14 1954

UTILITY SERVICE CONTRACT

Contract No. DAFA03 67 C 0084

DEPARTMENT OF THE ARMY

NEGOTIATED NATURAL GAS SERVICE CONTRACT

Elmendorf AFB and Fort Richardson, Alaska

Alaska Pipeline Company
(Contractor)

P.O. Box 1855, Anchorage, Alaska, 99501
(Contractor's Address)

Premises are Government Owned

Estimated annual cost hereunder \$1,839,000.00

Invoices will be rendered to Purchasing and Contracting Officer at Fort Richardson, Box 471, APO Seattle 98749

Payments will be made by Finance Officer
at Fort Richardson, Alaska

This negotiated contract is made pursuant to the provisions of 10 U. S. C. 2304 (a) (10), and delegation of authority dated 11 October 1954 from the Administrator, General Services Administration, to the Secretary of Defense, under the provisions of the Federal Property and Administrative Services Act of 1949 (63 Stat. 377), as amended.

Appropriation chargeable: Applicable funds will be cited on Delivery Orders issued against this contract.

Contract No. DAFA03 67 C 0084

DEPARTMENT OF THE ARMY

NEGOTIATED NATURAL GAS SERVICE CONTRACT

This CONTRACT, entered into as of _____, by and between the UNITED STATES OF AMERICA, hereinafter called the "Government", represented by the Contracting Officer executing this contract, and Alaska Pipeline Company whose address is P.O. Box 1855, Anchorage, Alaska, 99501 hereinafter called the "Contractor",

WITNESSETH That the parties hereto do mutually agree as follows:

1. SCOPE AND TERM OF CONTRACT. (a) Subject to the terms and conditions hereinafter set forth, the Contractor shall sell and deliver to the Government and the Government shall purchase and receive from the Contractor, Natural Gas Service (hereinafter called "Service") requested by the Government from the Contractor at the premises to be served hereunder (hereinafter called the "Service Location"), all in accordance with Natural Gas Service Specifications, Exhibits "A-1" and "A-2"; "Rate Schedule", Exhibit B; "Transmission and Service Data", Exhibit C; and "Location Map", Exhibit D; all attached hereto and made a part hereof.

(b) This contract shall continue in effect for ten (10) years from the date service is commenced hereunder; and thereafter until terminated at the option of either party by the giving of not less than ninety (90) days advance written notice, in which event no termination charge shall apply; except that in the event this contract is terminated by the Government by reason of the Government's decision to discontinue operation of the premises served by the central heat and power plants at the Service Locations or by reason of force majeure, and in consideration of the furnishing and installing at Contractor's expense of the Gas Delivery Facilities required hereunder as described in Exhibit "C" attached hereto and made a part of this contract, the Government shall pay to Contractor as a termination charge \$1,200,000 (one million two hundred thousand dollars) less \$10,000 (ten thousand dollars) multiplied by the number of months (not to exceed 120) service has been received and paid for prior to the date of such termination.

(i) Funds are presently not available to accomplish construction of facilities necessary for conversion of Plant fuel burning equipment. No obligation of any kind on the part of the Government would arise under this contract unless, and until, funds are appropriated for the conversion of the Plants to natural gas, and the Contracting Officer so advises the Contractor in writing. If the Contractor is not so notified by 1 April 1968, any obligations of both parties under the contract will cease, and the contract will automatically be cancelled.

(i.i) Funds are not presently available for this procurement. The Government's obligation hereunder is contingent upon the availability of appropriated funds from which payment for the contract purposes can be made. No legal liability on the part of the Government for payment of any money shall arise unless and until funds are made available to the Contracting Officer for this procurement and notice of such availability, to be confirmed in writing by the Contracting Officer, is given to the Contractor.

(c) (i) For and in consideration of the faithful performance of the stipulations of this contract, the Contractor shall be paid by the designated disbursing office or officer for service herein contracted for, at the rates

and under the terms and conditions herein set forth; provided, that the Government shall be liable for the minimum monthly charge specified in this contract commencing with the billing period in which service is initially furnished thereto and continuing until this contract is terminated, except that the minimum monthly charge specified in this contract shall be equitably prorated for the billing period in which commencement and termination of this contract shall become effective.

(ii) The Contractor hereby declares that said rates are not in excess of the lowest rates now available to any prospective customer under like conditions of service, and agrees that during the life of this contract the Government shall continue to be billed at the lowest available rate for similar conditions of service.

(iii) Recognition is given to the fact that the Government fiscal year ends on 30 June. Payments hereunder shall be contingent upon the availability of appropriations therefor, and shall not be made in advance of service rendered.

(iv) All bills for service shall be paid without penalty or interest and the Government shall be entitled to any discounts customarily applicable to payment of bills by all customers of the Contractor.

(v) Invoices for service rendered hereunder shall contain statements of the meter readings at the beginning of the billing period, meter constants, consumption during the billing period, and such other pertinent data as shall be required by the Government.

2. TECHNICAL PROVISIONS. (a) Measurement of service. (i) All service furnished by the Contractor shall be measured by suitable metering equipment of standard manufacture, to be furnished, installed, maintained, calibrated, and read by the Contractor at its expense. When more than a single meter is installed at the service location, the readings thereof shall be billed conjunctively. In the event any meter fails to register or registers incorrectly the service furnished therethrough, the parties shall agree upon the length of period during which such meter failed to register or registered incorrectly and the quantity of service delivered therethrough during such period and, upon agreement, an appropriate adjustment based thereon shall be made in the Government's bills. For the purpose of the preceding sentence, any meter which registers not more than two (2) per cent slow or fast shall be deemed correct.

(ii) The Contractor, so far as possible, shall read all meters at periodic intervals of approximately thirty (30) days. All billings based on meter readings of less than twenty-seven (27) days or more than thirty-two (32) days shall be prorated accordingly.

(b) Meter test. The Contractor, at its expense, shall periodically inspect and test the meters installed by it at intervals not exceeding one (1) year. At the written request of the Contracting Officer the Contractor shall make additional tests of any or all of such meters in the presence of Government representatives. The cost of such additional tests shall be borne by the Government if the percentage of error is found to be not more than two (2) per cent slow or fast. No meter shall be placed in service or allowed to remain in service which has an error in registration in excess of two (2) per cent under normal operating conditions.

(c) Change in volume or character. Reasonable notice shall, so far as possible, be given by the Contracting Officer to the Contractor respecting any material changes proposed in the volume or characteristics of the utility service required at each location.

(d) Continuity of service and consumption. (i) The Contractor shall use reasonable diligence to provide a regular and uninterrupted supply of service at the service location, but shall not be liable for damages, breach of contract or otherwise to the Government for failure, suspension, diminution or other variations of service occasioned by or in consequence of any cause beyond the control of the Contractor, including but not limited to acts of God or of the public enemy, fires, floods, earthquakes or other catastrophes, strikes or failure or breakdown of transmission or other facilities; provided, that when any such failure, suspension, diminution, or variation of service shall aggregate more than ten (10) hours during any billing period hereunder, an equitable adjustment shall be made in the monthly rates specified in this contract (including the minimum monthly charge).

(ii) In the event the Government is unable to operate the service location in whole or in part for any cause beyond its control, including but not limited to acts of God or of the public enemy, fires, floods, earthquakes, or other catastrophes, or strikes, an equitable adjustment shall be made in the monthly rates specified in this contract (including the minimum monthly charge) if the period during which the Government is unable to operate such service location in whole or in part shall exceed fifteen (15) days during any billing period hereunder.

3. RATES AND CHARGES. (a) For all service furnished under this contract to the service location the Government shall pay the Contractor at the rate set forth in the attached rate schedule.

(b) For purposes of charges under paragraph (a) of this clause, any demands due to faulty operation of, or excessive or fluctuating pressure on, the Contractor's system shall not be included as part of the Government's demand.

4. CONTRACTOR'S FACILITIES. (a) The Contractor, at its expense, shall furnish, install, operate, and maintain all facilities required to furnish service hereunder to and measure such service as of the point of delivery specified in the Service Specifications. Title to all such facilities shall be and remain in the Contractor and the Contractor shall be responsible for all loss of or damage to such facilities.

(b) The Government hereby grants to the Contractor, free of any rental or similar charge, but subject to the limitations specified in this contract, a revocable permit to enter the service location for any proper purpose under this contract, including use of the site or sites agreed upon by the parties hereto for the installation, operation, and maintenance of the facilities of the Contractor required to be located upon Government premises, all of which facilities shall be and remain the sole property of the Contractor and shall, at all times during the life of this contract, be operated and maintained by the Contractor at its expense; and all taxes and other charges in connection therewith, together with all liability arising out of the negligence of the Contractor in the construction, operation, or maintenance of such facilities shall be assumed by the Contractor. Authorized representatives of the Contractor will be allowed access to the facilities of the Contractor at suitable times to perform the obligations of the Contractor with respect to such facilities. Such facilities shall be removed and Government premises restored to their original condition by the Contractor at its expense within a reasonable time after the Government shall revoke the permit herein granted and in any event within a reasonable time after termination of this contract, provided that in event of termination due to the fault of the Contractor, such facilities may be retained in place at the option of the Government until service comparable to that provided for hereunder is obtained elsewhere. It is expressly understood, however, that proper military or Governmental authority may limit or restrict the right of access herein granted in any manner considered by such authority to be necessary for the national security.

5. CHANGE OF RATES. At the request of either party to this contract, said party having reasonable cause therefor, the rates set forth herein shall be renegotiated, and any adjustment so negotiated by mutual agreement shall become effective as of the date of such agreement, provided, however, that any rates so negotiated shall not be in excess of rates to any customer of the contractor having similar conditions of service.

6. OFFICIALS NOT TO BENEFIT. No member of or delegate to Congress, or resident commissioner, shall be admitted to any share or part of this contract, or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this contract if made with a corporation for its general benefit.

7. COVENANT AGAINST CONTINGENT FEES. The Contractor warrants that no person or selling agency has been employed or retained to solicit or secure this contract upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies maintained by the Contractor for the purpose of securing business. For breach or violation of this warranty the Government shall have the right to annul this contract without liability or in its discretion to deduct from the contract price or consideration, or otherwise recover, the full amount of such commission, percentage, brokerage, or contingent fee.

8. ASSIGNMENT OF CLAIMS. No claim under this contract shall be assigned.

9. CONVICT LABOR. In connection with the performance of work under this contract, the Contractor agrees not to employ any person undergoing sentence of imprisonment at hard labor.

10. EQUAL OPPORTUNITY. (The following clause is applicable unless this contract is exempt under the rules and regulations of the Secretary of Labor (41 C.F.R. Chapter 60). Exemptions include contracts and subcontracts (i) not exceeding \$10,000, (ii) not exceeding \$100,000 for standard commercial supplies or raw materials, and (iii) under which work is performed outside the United States and no recruitment of workers within the United States is involved.

During the performance of this contract, the Contractor agrees as follows:

(a) The Contractor will not discriminate against any employee or applicant for employment because of race, creed, color, or national origin. The Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, creed, color, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; lay-off or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notice to be provided by the Contracting Officer setting forth the provisions of this nondiscrimination clause.

(b) The Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without regard to race, creed, color, or national origin.

(c) The Contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the Agency Contracting Officer, advising said labor union or worker's representative of the Contractor's commitments under this nondiscrimination clause, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(d) The Contractor will comply with all provisions of Executive Order No. 11246 of Sept 24, 1965, as amended, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(e) The Contractor will furnish all information and reports required by Executive Order No. 11246 of Sept 24, 1965, as amended, and by the rules, regulations, and orders of the said Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(f) In the event of the Contractor's noncompliance with the non-discrimination clause of this contract or with any of the said rules, regulations, or orders, this contract may be cancelled, terminated, or suspended in whole or in part and the Contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of Sept 24, 1965, as amended, and such other sanctions may be imposed and remedies invoked as provided in the said Executive Order or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(g) The Contractor will include the provisions of paragraph (a) through (g) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to section 204 of Executive Order No. 11246 of Sept 24, 1965, as amended, so that such provisions will be binding upon each subcontractor or vendor*. The Contractor will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions, including sanctions for non-compliance: provided, however, that in the event the Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the Contractor may request the United States to enter into such litigation to protect the interest of the United States.

*Unless otherwise provided, the "Equal Opportunity" clause is not required to be inserted in subcontracts below the second tier, except for subcontracts involving the performance of "construction work" at the "site of construction" (as those terms are defined in the Secretary of Labor's rules and regulations) in which case the clause must be inserted in all such subcontracts. Subcontracts may incorporate by reference the "Equal Opportunity" clause.

11. DISPUTES. (a) Except as otherwise provided in this contract, any dispute concerning a question of fact arising under this contract which is not disposed of by agreement shall be decided by the Contracting Officer, who shall reduce his decision to writing and mail or otherwise furnish a copy thereof to the Contractor. The decision of the Contracting Officer shall be final and conclusive unless, within 30 days from the date of receipt of such copy, the Contractor mails or otherwise furnishes to the Contracting Officer a written appeal addressed to the Secretary. The decision of the Secretary or his duly authorized representative for the determination of such appeals shall be final and conclusive unless determined by a court of competent jurisdiction to have been fraudulent, or capricious, or arbitrary, or so grossly erroneous as necessarily to imply bad faith, or not supported by substantial evidence. In connection with any appeal proceeding under this clause, the Contractor shall be afforded an opportunity to be heard and to offer evidence in support of his appeal. Pending final decision of a dispute hereunder, the Contractor shall proceed diligently with the performance of the contract and in accordance with the Contracting Officer's decision.

(b) This "Disputes" clause does not preclude consideration of law questions in connection with decisions provided for in paragraph (a) above; provided, that nothing in this contract shall be construed as making final the decision of any administrative official, representative, or board on a question of law.

12. GRATUITIES. (a) The Government may, by written notice to the Contractor, terminate the right of the Contractor to proceed under this contract if it is found, after notice and hearing, by the Secretary or his duly authorized representative, that gratuities (in the form of entertainment, gifts, or otherwise) were offered or given by the Contractor, or any agent or representative of the Contractor, to any officer or employee of the Government with a view toward securing a contract or securing favorable treatment with respect to the awarding or amending, or the making of any determinations with respect to the performing of such contract; provided, that the existence of the facts upon which the Secretary or his duly authorized representative makes such findings shall be in issue and may be reviewed in any competent court.

(b) In the event this contract is terminated as provided in paragraph (a) hereof, the Government shall be entitled (i) to pursue the same remedies against the Contractor as it could pursue in the event of a breach of the contract by the Contractor, and (ii) as a penalty in addition to any other damages to which it may be entitled by law, to exemplary damages in an amount (as determined by the Secretary or his duly authorized representative) which shall be not less than three nor more than ten times the costs incurred by the Contractor in providing any such gratuities to any such officer or employee.

(vii) The term "British Thermal Unit" means the amount of heat required to raise the temperature of one pound of water from 59° Fahrenheit to 60° Fahrenheit at a pressure of 14.65 pounds per square inch absolute.

(viii) The term "Billing Period" means a month as defined herein.

(ix) The term "Total Heating Value" means the heating value of the gas as determined by a mutually acceptable recognized independent testing laboratory, all cost for which shall be borne by the Contractor. The Contractor shall furnish the Government a certified copy of all test results so obtained, and the Government may at any time request the Contractor to provide additional tests to supplement periodic testing which may from time to time be scheduled hereunder. Test results shall be reported in Btu per cubic foot of gas, as herein defined.

(x) The term "Therm" means the sale measuring unit consisting of one hundred thousand (100,000) British Thermal Units. The number of therms delivered shall be determined by multiplying the number of cubic feet of gas delivered (as defined herein) by the Total Heating Value of such gas in British Thermal Units per cubic foot and dividing the product by one hundred thousand (100,000).

14. CONFLICTS. To the extent of any inconsistency between the provisions of this contract, and any schedule, rider, or exhibit incorporated in this contract by reference or otherwise, or any of the Contractor's rules and regulations, the provisions of this contract shall control.

15. APPROVAL. This contract is subject to the manual approval of the Department of Army Power Procurement Officer or his duly authorized representative and shall not be binding until so approved.

IN WITNESS WHEREOF, The parties hereto have executed this contract as of the day and year first above written.

THE UNITED STATES OF AMERICA

By

WALTER C. WILLIAMS

Contracting Officer

Alaska Pipeline Company
(Contractor)

By

Title

Sheet 10 of 11

RECEIVED

JAN 24 1974

AGO 570557

State of Alaska
Public Utilities Commission

CERTIFICATE

I, ROBERT D HEATH, certify that I am the Asst
Secretary of the corporation named as

Contractor in the foregoing contract; that DALE TEEL

who signed said contract on behalf of the Contractor was then Vice President of said corporation; that said contract was duly signed for and on behalf of said corporation by authority of its governing body and is within the scope of its corporate powers.

(Corporate Seal) Robert D. Heath

EXHIBIT "A-1"

(Attached to and made a part of Contract No. DAFA03 67 C 0084)

GAS SERVICE SPECIFICATIONS

1. PREMISES TO BE SERVED.

✓ Fort Richardson, Anchorage, Alaska

2. ESTIMATED SERVICE REQUIREMENTS.

Estimated maximum demand:	600 MCF per hour
	15,000 MCF per day
Estimated annual consumption:	2,750,000 MCF

The Government is in no way obligated to use nor is it restricted to the above estimated requirements.

3. POINT OF DELIVERY.

The point of delivery of gas shall be at the outlet side of Contractor's gas meter and regulator station located at a mutually agreed upon point at the site of the power plant.

4. QUALITY.

(a) The gas delivered hereunder shall be Natural Gas. The gas so delivered shall contain not less than 950 Btu per cubic foot. The unit of volume for the purpose of determining total heating value shall be one (1) cubic foot of gas saturated with water vapor at a temperature of sixty degrees (60°) Fahrenheit and an absolute pressure equivalent to thirty (30) inches of Mercury at thirty-two degrees (32°) Fahrenheit.

(b) The gas delivered:

(1) Shall be commercially free from dust or other solid or liquid matter which might interfere with its merchantability or cause injury to or interference with proper operation of the lines, regulators, meters or any equipment of Government;

(2) Shall not contain more than a trace of Hydrogen Sulphide per one hundred (100) cubic feet of gas, as determined by methods prescribed in Standards for Gas Service, circular of the National Bureau of Standards, No. 405, page 134 (1934 Edition), and shall be considered free from hydrogen sulphide if a strip of white filter paper, moistened with a solution containing five per cent (5%) by weight of lead acetate, is not distinctly darker than a second paper freshly moistened with the same solution, after the first paper has been exposed to the gas for one (1) minute in an apparatus of approved form, through which the gas is flowing at the rate of approximately five (5) cubic feet per hour, the gas not impinging directly from a jet upon the test paper;

(3) Shall not contain more than twenty (20) grains of total sulphur per one hundred (100) cubic feet;

(4) In the event the gas contains more than a trace of hydrogen sulphide per one hundred (100) cubic feet or more than twenty (20) grains of total sulphur per one hundred (100) cubic feet, by test prescribed by the Bureau of Standards or other recognized method, then upon the request of Government, Contractor shall reduce the hydrogen sulphide content to not more than a trace per one hundred (100) cubic feet and the total sulphur content to twenty (20) grains or less per one hundred (100) cubic feet.

5. MEASUREMENT.

(a) Unit of measurement and metering base. The volumetric measurement base shall be one (1) cubic foot of gas at thirty (30) inches of Mercury (14.73 pounds per square inch absolute), and without adjustment for water vapor content. To determine the volume of gas delivered, factors for pressure, temperature, specific gravity, and deviation from Boyle's law shall be applied.

(b) Atmospheric pressure. The average absolute atmospheric (Barometric) pressure shall be assumed to be 14.4 pounds to the square inch, irrespective of actual elevation or location of the delivery point above sea level or variations in actual barometric pressure from time to time.

(c) Temperature. The temperature of the natural gas flowing through the meter or meters shall be the arithmetic average of the hourly temperature record; or read from established tables of monthly averages for the service location.

(d) Specific gravity. The specific gravity of the natural gas shall be determined by joint test using an Edwards type Balance, or other approved instrument, at the commencement of deliveries hereunder and as often thereafter as deemed necessary; or if mutually agreed upon, by the use of a recorder, periodically checked with an Edwards type Balance or by other accepted methods.

(e) The deviation from Boyle's Law shall be determined by tests or computed by approved methods based on the composition of the gas and conditions at point of measurement, with such reasonable frequency as found necessary.

(f) Measuring equipment. Contractor will maintain and operate, at the delivery point, measuring stations properly equipped with displacement or orifice meters and other necessary measuring equipment by which the volumes of gas delivered hereunder shall be measured. Orifice meters shall be installed and operated, and gas volumes computed, in accordance with specifications recommended in Gas Measurement Committee Report No. 3, (April, 1955) of the American Gas Association, as the same may be amended from time to time, applied in a practical manner; displacement meter dial readings to be adjusted for varying pressure and temperature conditions. Government may install such check measuring equipment as it shall desire, provided that such equipment shall be so installed as not to interfere with the operations of Contractor. Contractor shall have access to such check measuring equipment at all reasonable hours, but the reading, calibrating, and adjusting thereof and the changing of charts shall be done only by Government unless otherwise agreed upon.

Both Contractor and Government shall have the right to be present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with the other's measuring equipment used in measuring deliveries. The records from such measuring equipment shall remain the property of their own, but upon request, each will submit to the other its records and charts, or true copies thereof, together with calculations therefrom, for inspection and verification, subject to return within thirty (30) days after receipt thereof, after which return the Contractor's charts and records shall be kept on file by the Contractor for the mutual use of both parties for such period and to such extent as may be required by law.

Reasonable care shall be exercised in the installation, maintenance, and operation of any pressure regulating equipment to avoid any inaccuracy in the determination of the volume of gas delivered.

6. METERING AND BILLING.

Gas shall be measured by See Exhibit C meter(s).
Number installed

7. PRESSURE.

Contractor will maintain at the point of delivery a regulated pressure within ten per cent (10%) of the pressure requested by the Contracting Officer but shall not be required to maintain more than fifty (50) pounds per square inch gauge.

8. SIZE OF PIPELINE TO POINT OF DELIVERY.

See Exhibit C

EXHIBIT "A-2"

(Attached to and made a part of Contract No. DAFA03 67 C 0084)

GAS SERVICE SPECIFICATIONS

1. PREMISES TO BE SERVED.

✓ Elmendorf Air Force Base, Anchorage, Alaska

2. ESTIMATED SERVICE REQUIREMENTS.

Estimated maximum demand: 675,000 MCF per hour ✓
17,000 MCF per day ✓
Estimated annual consumption: 3,400,000 MCF ✓

The Government is in no way obligated to use nor is it restricted to the above estimated requirements.

3. POINT OF DELIVERY.

The point of delivery of gas shall be at the outlet side of Contractor's gas meter and regulator station located at a mutually agreed upon point at the site of the power plant.

4. QUALITY.

(a) The gas delivered hereunder shall be Natural Gas. The gas so delivered shall contain not less than 950 Btu per cubic foot. The unit of volume for the purpose of determining total heating value shall be one (1) cubic foot of gas saturated with water vapor at a temperature of sixty degrees (60°) Fahrenheit and an absolute pressure equivalent to thirty (30) inches of Mercury at thirty-two degrees (32°) Fahrenheit.

(b) The gas delivered:

(1) Shall be commercially free from dust or other solid or liquid matter which might interfere with its merchantability or cause injury to or interference with proper operation of the lines, regulators, meters or any equipment of Government;

(2) Shall not contain more than a trace of Hydrogen Sulphide per one hundred (100) cubic feet of gas, as determined by methods prescribed in Standards for Gas Service, circular of the National Bureau of Standards, No. 405, page 134 (1934 Edition), and shall be considered free from hydrogen sulphide if a strip of white filter paper, moistened with a solution containing five per cent (5%) by weight of lead acetate, is not distinctly darker than a second paper freshly moistened with the same solution, after the first paper has been exposed to the gas for one (1) minute in an apparatus of approved form, through which the gas is flowing at the rate of approximately five (5) cubic feet per hour, the gas not impinging directly from a jet upon the test paper;

(3) Shall not contain more than twenty (20) grains of total sulphur per one hundred (100) cubic feet;

(4) In the event the gas contains more than a trace of hydrogen sulphide per one hundred (100) cubic feet or more than twenty (20) grains of total sulphur per one hundred (100) cubic feet, by test prescribed by the Bureau of Standards or other recognized method, then upon the request of Government, Contractor shall reduce the hydrogen sulphide content to not more than a trace per one hundred (100) cubic feet and the total sulphur content to twenty (20) grains or less per one hundred (100) cubic feet.

5. MEASUREMENT.

(a) Unit of measurement and metering base. The volumetric measurement base shall be one (1) cubic foot of gas at thirty (30) inches of Mercury (14.73 pounds per square inch absolute), and without adjustment for water vapor content. To determine the volume of gas delivered, factors for pressure, temperature, specific gravity, and deviation from Boyle's law shall be applied.

(b) Atmospheric pressure. The average absolute atmospheric (Barometric) pressure shall be assumed to be 14.4 pounds to the square inch, irrespective of actual elevation or location of the delivery point above sea level or variations in actual barometric pressure from time to time.

(c) Temperature. The temperature of the natural gas flowing through the meter or meters shall be the arithmetic average of the hourly temperature record; or read from established tables of monthly averages for the service location.

(d) Specific gravity. The specific gravity of the natural gas shall be determined by joint test using an Edwards type Balance, or other approved instrument, at the commencement of deliveries hereunder and as often thereafter as deemed necessary; or if mutually agreed upon, by the use of a recorder, periodically checked with an Edwards type Balance or by other accepted methods.

(e) The deviation from Boyle's Law shall be determined by tests or computed by approved methods based on the composition of the gas and conditions at point of measurement, with such reasonable frequency as found necessary.

(f) Measuring equipment. Contractor will maintain and operate, at the delivery point, measuring stations properly equipped with displacement or orifice meters and other necessary measuring equipment by which the volumes of gas delivered hereunder shall be measured. Orifice meters shall be installed and operated, and gas volumes computed, in accordance with specifications recommended in Gas Measurement Committee Report No. 3, (April, 1955) of the American Gas Association, as the same may be amended from time to time, applied in a practical manner; displacement meter dial readings to be adjusted for varying pressure and temperature conditions. Government may install such check measuring equipment as it shall desire, provided that such equipment shall be so installed as not to interfere with the operations of Contractor. Contractor shall have access to such check measuring equipment at all reasonable hours, but the reading, calibrating, and adjusting thereof and the changing of charts shall be done only by Government unless otherwise agreed upon.

Both Contractor and Government shall have the right to be present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with the other's measuring equipment used in measuring deliveries. The records from such measuring equipment shall remain the property of their own, but upon request, each will submit to the other its records and charts, or true copies thereof, together with calculations therefrom, for inspection and verification, subject to return within thirty (30) days after receipt thereof, after which return the Contractor's charts and records shall be kept on file by the Contractor for the mutual use of both parties for such period and to such extent as may be required by law.

Reasonable care shall be exercised in the installation, maintenance, and operation of any pressure regulating equipment to avoid any inaccuracy in the determination of the volume of gas delivered.

6. METERING AND BILLING.

Gas shall be measured by See Exhibit C meter(s).
Number installed

7. PRESSURE.

Contractor will maintain at the point of delivery a regulated pressure within ten per cent (10%) of the pressure requested by the Contracting Officer but shall not be required to maintain more than fifty (50) pounds per square inch gauge.

8. SIZE OF PIPELINE TO POINT OF DELIVERY.

See Exhibit C

EXHIBIT "B"
RATE SCHEDULE

For and in consideration of the faithful performance of the stipulations of this contract, the Contractor shall be paid by the designated disbursing office or officer for Service herein contracted for, at the rate of \$0.034 (3.4¢) per therm; provided, that the Government shall be liable for portions of the minimum monthly charge of \$70,000 specified in this contract, commencing with the billing period in which Service is initially made available at either of the Service Locations, as follows:

<u>Billing Period Following</u> <u>Date Service is Initially Made Available</u>	<u>Amount of</u> <u>Minimum Monthly Charge</u>
First	Zero
Second	\$10,000 per month
Third	20,000 per month
Fourth	30,000 per month
Fifth	40,000 per month
Sixth	50,000 per month

The minimum monthly charge during the sixth billing period as shown above shall be \$50,000 per month; and thereafter the minimum monthly charge shall be \$70,000 per month except that the minimum monthly charge shall be equitably prorated for the billing period in which termination of this contract shall become effective; provided, however, that during the second 12 billing periods following the date service is initially made available, the Government shall be entitled to receive gas, paid for but not taken by the Government during the first 12 billing periods hereunder, without further charge in any such month in which the Government's requirements exceed the amount of the minimum monthly charge as herein provided.

→ The Contractor agrees that service will be initially made available on 1 July 1968 provided that written notice to proceed is received in accordance with Article 1(b) (i) of the contract not less than one hundred and twenty (120) "construction days" prior. It is agreed, for the purposes of this section, that "construction days" are defined as only those working days falling within the period of 1 May through 30 September.

To the price payable by the Government to the Contractor for natural gas, the Contractor shall have the right, in the absence of exemptions under state or local laws for service to the United States, to add and the Government will pay to the Contractor, with respect to gas delivered hereunder, the amount of any sales, transactions, service, occupation, production, severance, transportation, gathering, export or excise pipeline tax or charge of similar or equivalent nature or effect hereafter imposed by any governmental authority of the state or federal government, or any subdivision thereof, upon or in respect to the production, severance, transportation and/or sale of natural gas by the Contractor if the Contractor becomes liable therefor, whether under direct or indirect imposition or pursuant to contract obligations from consumers pursuant to regulations of a public utility commission, if any, or in the absence of such a commission, the taxes are made uniformly applicable to charges made the general public.

Handwritten signature

EXHIBIT "C"
TRANSMISSION AND SERVICE DATA

GENERAL

The Contractor shall construct natural gas transmission lines from its gas system to the Government's power plants at Fort Richardson and Elmendorf Air Force Base, and shall construct metering and regulating stations at mutually agreed upon points at the sites or vicinities of these power plants. A sketch of the routing of these transmission lines is attached hereto. The Contractor shall defer installation of these facilities until the Government's Contracting Officer gives written notification to proceed.

TRANSMISSION LINES

Nominal Diameter	Approx. Length	Location	Pipe Grade	Wall Thickness	Amount
		Start City	End "Y"		
12"	31,000 ft	Gate Station	at Base Hospital	5LX 46 0.250	\$725,000
10"	13,000 ft	"Y" at Base Hospital	"Y" Mt. View	5LX 42 0.219	200,000
10"	3,000 ft	"Y" Mt. View	Outer Bolt Line Mt. View	5LX 42 0.219	50,000
8"	10,500 ft	"Y" at Base Hospital	Fort Richardson Power Plant	5LX 42 0.188	125,000
8"	4,500 ft	"Y" Mt. View	Elmendorf Power Plant	5LX 42 0.188	50,000

METERING

Metering stations at the power plant sites or vicinities shall be installed for orifice measurement, each with two meter tube assemblies (one 6" and one 4") to provide full range accuracy required under this contract. These stations shall be enclosed in suitable structures to provide protection from tampering and weather.

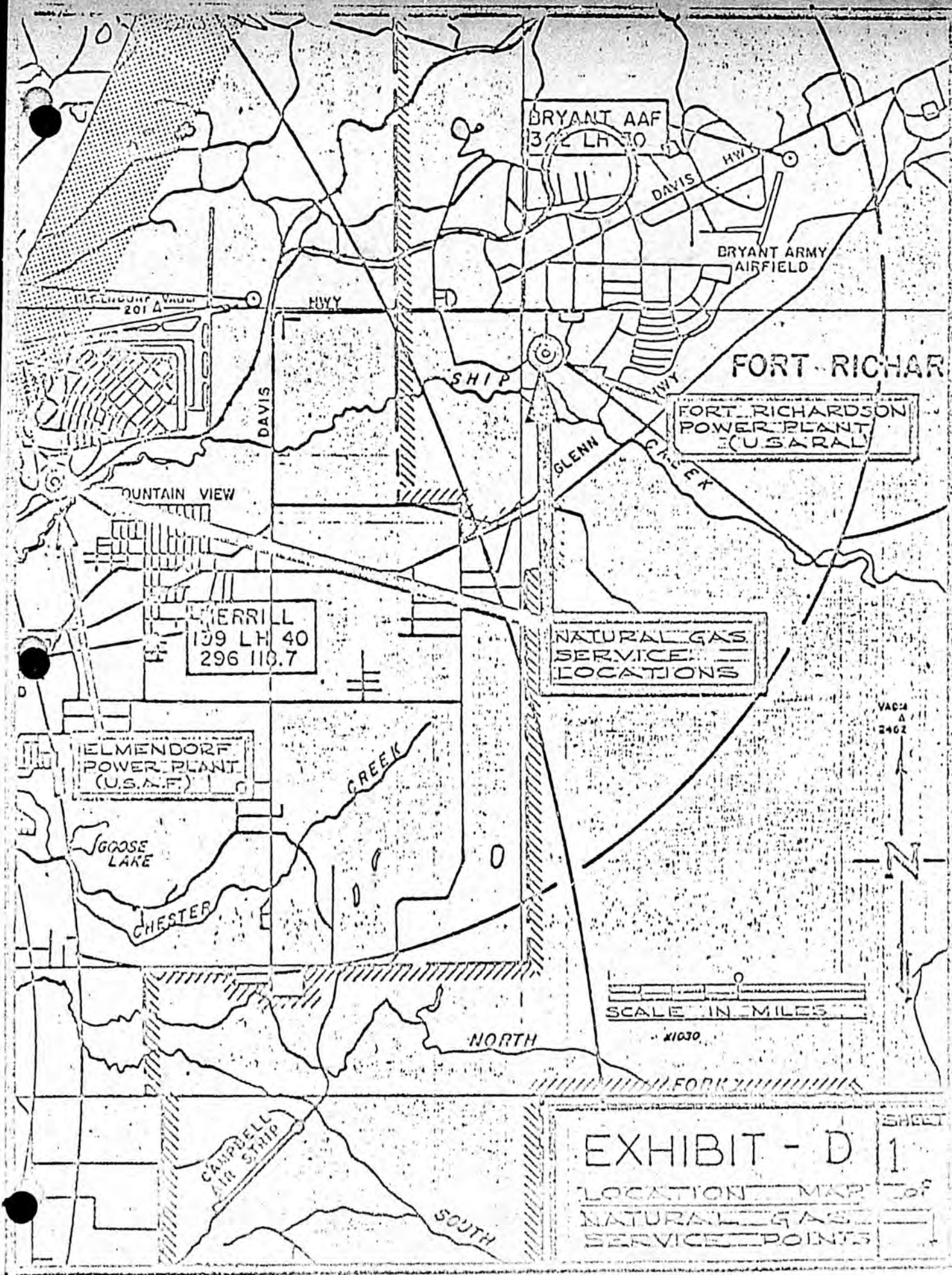
TOTAL AMOUNT 50,000
\$1,200,000

PRESSURE REGULATION

Inlet pressures of the metering stations shall be controlled by regulators and relief valves of standard manufacture, and installed to provide the range of flexibility required for satisfactory operation.

VALVES

Block valves shall be installed to allow independent operation of each of the Service Locations, Fort Richardson and Elmendorf Air Force Base. Block Valves shall also be installed to allow service to be supplied independently from an extension of Contractor's existing 12" transmission line along Mt. View Drive, inter-connecting with the transmission lines on Government premises at or near the power plant at Elmendorf Air Force Base.



AGO 570570

UNIT AGREEMENTS

UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION
OF THE

NORTH COOK INLET UNIT AREA
AND
KENAI UNIT AREA (with Revisions)

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
NORTH COOK INLET UNIT AREA
STATE OF ALASKA
THIRD JUDICIAL DISTRICT

DATED NOVEMBER 1, 1966

AGO 570573

2 0 1 Nov 27 1966

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
NORTH COOK INLET UNIT AREA
STATE OF ALASKA
THIRD JUDICIAL DISTRICT

THIS AGREEMENT, entered into as of the 1st day of November, 1966,
by and between the parties subscribing, ratifying, or consenting hereto, and
herein referred to as the "parties hereto",

WITNESSETH:

WHEREAS, the parties hereto are the owners of working, royalty or
other oil and gas interests in the unit area subject to this agreement; and,

WHEREAS, the Commissioner of the Department of Natural Resources,
State of Alaska, hereinafter referred to as the "Commissioner", is authorized
by Alaska Statute 38.05 and appropriate State Regulations to consent to or
approve this agreement on behalf of the State of Alaska, insofar as it covers
and includes lands and mineral interests of the State of Alaska; and,

WHEREAS, the parties hereto hold sufficient interests in the North
Cook Inlet Unit Area covering the land hereinafter described to give reason-
ably effective control of operations therein; and,

WHEREAS, it is the purpose of the parties hereto to conserve natural
resources, prevent waste, and secure other benefits obtainable through
development and operation of the area subject to this agreement under the
terms, conditions and limitations herein set forth; and,

WHEREAS, 'State Lands, as that term is used in this agreement, means
those lands title to which is vested or that become vested in the State of

Alaska and lands which have been tentatively approved after state selection and are not covered by an existing Federal oil and gas lease at such time as any right or authority is exercised;

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this agreement their respective interests in the below-defined unit area, and agree severally among themselves as follows:

1. ENABLING ACT AND REGULATIONS. The Alaska Land Act (A.S. 38.05.005-370) and all valid and pertinent oil and gas statutes and regulations including the oil and gas operating statutes and regulations in effect as of the effective date hereof or hereafter issued thereunder governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State of Alaska are hereby accepted and made a part of this agreement.

2. UNIT AREA. The area specified on the map attached hereto marked Exhibit "A" is hereby designated and recognized as constituting the unit area, containing 53,397 acres, more or less. Exhibit "A" shows, in addition to the boundary of the unit area, the boundaries and identity of of tracts and leases in said area to the extent known to the Unit Operator.

Exhibit "B" attached hereto is a schedule showing, to the extent known to the Unit Operator, the acreage, percentage, and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party.

Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary, or when requested by the Director, Division of Lands of the Department of Natural Resources,

hereinafter referred to as the "Director", and four (4) copies thereof shall be filed with the Director.

The above-described unit area shall, when practicable, be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement, or shall be contracted to exclude lands not within any participating area whenever such expansion or contraction is necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be effected in the following manner:

(a) Unit Operator, on its own motion, or on demand of the Director, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice.

(b) Said notice shall be delivered to the Director and copies thereof mailed to the last known address of each working interest owner, lessee, and lessor whose interests are affected, advising that 30 days will be allowed for submission to the Unit Operator of any objections.

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the Director, evidence of mailing of the notice of expansion or contraction, and a copy of any objections thereto which have been filed with the Unit Operator, together with an application in sufficient number, for approval of such expansion or contraction and with appropriate joinders.

(d) After due consideration of all pertinent information, the expansion or contraction shall, upon approval by the Director become effective as of the date prescribed in the notice thereof.

(e) All legal subdivisions of unitized lands (i.e., 40 acres by

Government survey or its nearest lot or tract equivalent in instances of
of irregular surveys, however, unusually large lots or tracts shall be
considered in multiples of 40 acres, or the nearest aliquot equivalent thereof,
for the purpose of elimination under this subsection), no parts of which are
entitled to be in a participating area within five years after the first day of
the month following the effective date of the first initial participating area
established under this unit agreement, shall be eliminated automatically
from this agreement, effective as of the first day thereafter, and such lands
shall no longer be a part of the unit area and shall no longer be subject to
this agreement except as provided in Paragraph 18 (g), unless at the expira-
tion of said five-year period diligent drilling operations are in progress on
unitized lands not entitled to participation, in which event all such lands
shall remain subject hereto for so long as such drilling operations are
continued diligently, with not more than ninety (90) days time elapsing
between the completion of one such well and the commencement of the next
such well, except that the time allowed between such wells shall not
expire earlier than 30 days after the expiration of any period of time during
which drilling operations are prevented by a matter beyond the reasonable
control of Unit Operator, as set forth in the section hereof entitled "Unavoid-
able Delay"; provided that all legal subdivisions of lands not in a participating
area and not entitled to become participating under the applicable provisions
of this agreement within 10 years after the first day of the month following
the effective date of said first initial participating area shall be eliminated
as above specified. Determination of creditable "unavoidable delay" time
shall be made by Unit Operator and subject to approval of the Director. The
Unit Operator shall, within 90 days after the effective date of any elimination
hereunder, describe the area so eliminated to the satisfaction of the Director
and promptly notify all parties in interest.

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If conditions warrant extension of the ten-year period specified in this subsection 2 (e), a single extension of not to exceed two years may be accomplished by consent of the owners of ninety percent of the current unitized working interests and sixty percent of the current unitized basic royalty interests (exclusive of the basic royalty interests of the State) on a total nonparticipating-acreage basis, respectively, with approval of the Commissioner provided such extension application is submitted to the Director not later than 60 days prior to the expiration of said ten-year period.

Any expansion of the unit area pursuant to this section which embraces lands theretofore eliminated pursuant to this subsection 2(e) shall not be considered automatic commitment or recommitment of such lands.

3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement". All oil and gas in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

Petroleum
4. UNIT OPERATOR. PAN AMERICAN PETROLEUM CORPORATION, with offices at Anchorage, Alaska, is hereby designated as Unit Operator and by signature hereto as Unit Operator and as working interest owner commits to this agreement all interests in unitized substances vested in it and agrees and consents to accept the duties and obligations of Unit Operator for discovery, development and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interest in unitized substances, and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator

shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six months after notice of intention to resign has been served by Unit Operator on all working interest owners and the Director, and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment, whichever is required by the Director as to State and privately owned lands, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

Unit Operator shall have the right to resign in like manner and subject to like limitations, as above provided, at any time a participating area established hereunder is in existence but, in all instances of resignation or removal, until a successor Unit Operator is selected and approved as hereinafter provided, the working interest owners shall be jointly responsible for performance of the duties of Unit Operator, and shall not later than 30 days before such resignation or removal becomes effective appoint a common agent to represent them in any action to be taken hereunder.

The resignation of Unit Operator shall not release Unit Operator from any liability for any default by it hereunder occurring prior to the effective date of its resignation.

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder be subject to removal by the same percentage vote of the owners of working interests determined in like manner as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the Director.

The resignation or removal of Unit Operator under this agreement

shall not terminate its right, title, or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, materials, and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator, or shall be removed as hereinabove provided, or a change of Unit Operator is negotiated by working interest owners, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator; provided that, if a majority but less than 75 percent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional working interest owners shall be required to select a new operator. Such selection shall not become effective until:

(a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and

(b) the selection shall have been filed with and approved by the Director. If no successor Unit Operator is selected and qualified as herein provided, the Commissioner at his election may declare this Unit Agreement

terminated.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT.

If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "Unit Operating Agreement". Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between the unit agreement and the unit operating agreement, this unit agreement shall prevail. Three (3) true copies of any unit operating agreement executed pursuant to this section should be filed with the Director prior to approval of this unit agreement by the Commissioner.

8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege, and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating, and

distributing the unitized substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said Unit Operator and, together with this agreement, shall constitute and define the rights, privileges and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

9. DISCOVERY. Inasmuch as wells capable of producing unitized substances in paying quantities (to-wit: quantities sufficient to repay the cost of drilling and producing operations, with a reasonable profit) from the Tertiary system have already been drilled and tested within the unit area, no initial test well shall be required under the terms of this agreement and it shall be considered that production is had in paying quantities under this agreement on the effective date hereof.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six months after the effective date of this unit agreement, the Unit Operator shall submit for the approval of the Director an acceptable plan of development and operation for the unitized land which, when approved by the Director, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Director a plan for an additional specified period for the development and operation of the unitized land.

Any plan submitted pursuant to this section shall provide for the

exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Director may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area, and shall:

(a) specify the number and location of any wells to be drilled and the proposed order and time for such drilling; and,

(b) to the extent practicable, specify the operating practices regarded as necessary and advisable for the proper conservation of natural resources.

Separate plans may be submitted for separate productive zones, subject to the approval of the Director.

Said plan or plans shall be modified or supplemented when necessary to meet changed conditions, or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. The Director is authorized to grant a reasonable extension of the six-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing unitized substances in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Director shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY. Within sixty (60) days after the effective date of this unit agreement, the Unit Operator shall submit for approval by the Director a schedule based on subdivisions of the public land

survey or aliquot parts thereof of all unitized land then regarded as reasonably proved to be productive of unitized substances in paying quantities; all lands in said schedule on approval of the Director are to constitute a participating area, effective as of the effective date of the unit agreement. The acreages of both State and non-State lands shall be based upon approved protraction diagrams or appropriate computations from the courses and distances shown on the last approved protraction diagram or public land survey as of the effective date of the initial participating area or computed with reference to the last approved protraction survey or grids. Said schedule also shall set forth the percentage of unitized substances to be allocated as herein provided to each unitized tract in the participating area so established and shall govern the allocation of production from and after the date the participating area becomes effective. A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances or for any group thereof produced as a single pool or zone, effective as of the date of completion of a well capable of producing unitized substances in paying quantities therefrom, and any two or more participating areas so established may be combined into one with the consent of the owners of all working interests in the lands within the participating areas so to be combined, on approval of the Director. The participating area or areas so established shall be revised from time to time, subject to like approval, whenever such action appears proper as a result of further drilling operations or otherwise, to include additional land then regarded as reasonably proved to be productive in paying quantities, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the percentage of allocation shall also be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective

date may be used if justified by the Unit Operator and approved by the Director. No land shall be excluded from a participating area on account of depletion of the unitized substances.

It is the intent of this section that a participating area shall represent the area known or reasonably estimated to be productive in paying quantities; but, regardless of any revision of the participating area, nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the revision of the participating area.

In the absence of agreement at any time between the Unit Operator and the Director as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby may be impounded in a manner mutually acceptable to the owners of working interests, except royalties due the State of Alaska, which shall be determined by the Director for State lands and the amount thereof deposited, as directed by the Director, to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as State royalty on the basis of such approved participating area.

Upon the request of the operator or working interest owners, the Director shall hold as confidential any engineering, geophysical, geological data including but not limited to drilling logs, daily drilling reports or any other data of like or similar nature which may be requested or required by the Director for any purpose of this agreement. This shall not apply to those items required to be submitted and to be held confidential for only a limited period of time under the oil and gas conservation regulations.

Whenever it is determined, subject to the approval of the Director, that a well drilled under this agreement is not capable of production in paying

and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall, for the purposes of settlement among all parties other than working interest owners, be allocated to the land on which the well is located so long as such land is not within a participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a well shall be made as provided in the unit operating agreement.

12. ALLOCATION OF PRODUCTION. All unitized substances produced from each participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, camp and other production or development purposes, for repressuring or recycling in accordance with a plan of development approved by the Director, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and, for the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area, except that allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, shall be on the basis prescribed in the unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from

such last-mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as constituted at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. Any party or parties hereto owning or controlling the working interests in any unitized land having thereon a regular well location may, with the approval of the Director, and subject to the non-conflicting provisions of the unit operating agreement, at such party's or parties' sole risk, costs, and expense, drill a well at such location on such land to test any formation for which a participating area has not been established or to test any formation for which a participating area has been established if such location is not within said participating area, unless within 90 days of receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such a well in like manner as other wells are drilled by the Unit Operator under this agreement.

If any well drilled as aforesaid by a working interest owner results in production such that the land upon which it is situated may properly be included in a participating area, such participating area shall be established or enlarged as provided in this agreement and the well shall thereafter be operated by the Unit Operator in accordance with the terms of this agreement and the unit operating agreement.

If any well drilled as aforesaid by a working interest owner obtains production in quantities insufficient to justify the inclusion in a participating area of the land upon which such well is situated, such well may be operated and produced by the party drilling the same subject to the conservation requirements of this agreement. The royalties in amount or value of production from

any such well shall be paid as specified in the underlying lease and agreements affected.

14. ROYALTY SETTLEMENT. The State of Alaska and all royalty owners who, under existing contract, are entitled to take in kind a share of the substances now unitized hereunder produced from any tract, shall hereafter be entitled to the right to take in kind their share of the unitized substances allocated to such tract, and Unit Operator, or in case of the operation of a well by a working interest owner as herein in special cases provided for, such working interest owner, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for royalty interest not taken in kind shall be made by working interest owners responsible therefor under existing contracts, laws and regulations on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases. No deduction for dehydration and cleaning charges shall be charged to the State's royalty except where royalty is taken in kind unless the State subsequently agrees to such deductions as reasonable and proper. *approved*

If gas obtained from lands not subject to this agreement is introduced into any participating area hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery, which shall be in conformity with a plan first approved by the Director, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area and with due allowance for loss or depletion from any cause, may be withdrawn from the formation into which the gas was introduced, royalty free as to dry gas, but not as to the products extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the plan of operations or as may otherwise be consented to by Director as conforming to good petroleum engineering practice; and provided further that such right of withdrawal shall terminate on the termination of this unit agreement.

Royalty due on account of the State of Alaska shall be computed and paid as to all unitized substances on the basis of the amounts allocated to such lands, and in accordance with appropriate statutes and regulations.

15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed hereto shall be paid by working interest owners responsible therefor under existing contracts, laws, and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty in lieu thereof due under their leases.

Rentals or minimum royalty on State of Alaska lands subject to this agreement shall be paid at the rates specified in the respective leases and in accordance with appropriate statutes and regulations.

With respect to any lease on non-State land containing provisions which would terminate such lease unless drilling operations were within the time therein specified commenced upon the land covered thereby or rentals paid for the privilege of deferring such drilling operations, the rentals required thereby shall, notwithstanding any other provision of this agreement, be deemed to accrue and become payable during the term thereof as extended by this agreement and thereafter until the required drilling operations are commenced upon the land covered thereby or some portion of such land is included within a participating area.

16. CONSERVATION. Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to State law or regulation.

17. DRAINAGE. The Unit Operator shall take appropriate and adequate

measures to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement, or, with prior consent of the Director, pursuant to applicable regulations, pay a fair and reasonable compensatory royalty as determined by and approved by the Director for State lands leases.

18. * LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions and provisions of all leases, subleases and other contracts relating to exploration, drilling, development or operation for oil and gas on lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Director as to State leases shall and, by his approval hereof or by the approval hereof by his duly authorized representative, does hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of State leases committed hereto and the regulations in respect thereto and conform said requirements to the provisions of this agreement and, without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

(a) The development and operation of lands subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every part or separately owned tract subject to this agreement, regardless of whether there is any development of any particular part or tract of the unit area, notwithstanding anything to the contrary in any lease, operating agreement or other contract by and between the parties hereto, or their respective predecessors in interest, or any of them.

(b) Drilling and producing operations performed hereunder upon any tract of unitized lands will be accepted and deemed to be performed

upon and for the benefit of each and every tract of unitized land, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Commissioner or his duly authorized representative, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land.

(d) Each lease, sublease or contract relating to the exploration, drilling, development or operation for oil or gas of lands, other than those of the State of Alaska, committed to this agreement, which, by its terms might expire prior to the termination of this agreement, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of this agreement.

(e) Any lease embracing lands of the State of Alaska which are made subject to this agreement, shall continue in force beyond the term provided therein as to the lands committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease or, in the event actual drilling operations are commenced on unitized land, in accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities.

(f) Any lease embracing land of the State of Alaska having only a portion of its lands committed hereto, shall be segregated as to the portion committed and the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the

effective date hereof; provided, however, notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of Alaska having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease if oil or gas is discovered and is capable of being produced in paying quantities from some part of the land embraced in such lease at the time of approval of the unit agreement by the State of Alaska or if at the time of approval of the unit agreement by the State the lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced in such lease, the same as to all lands embraced therein shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas in paying quantities, said lease shall continue in full force and effect as to all of the lands embraced therein so long thereafter as oil or gas in paying quantities is being produced from any portion of said leases; provided, however, that any such lease as to the non-unitized portion shall continue in force and effect for the term thereof, but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities.

Any State lease having production in paying quantities, as defined in this agreement, on said lease prior to commitment to this agreement shall not be segregated. The non-unitized portion shall not participate in the unit area but shall be extended by virtue of the production on the unitized portion and so long as it produces in paying quantities. Nothing herein shall operate to excuse further development on the portion lying outside the unit area where the circumstances would require a reasonably prudent lessee to further develop.

(g) Where some portion of a lease is included within the final participating area as provided in Paragraph 2(e) of this agreement, the following shall apply as to the area of the lease not so included: That area of lease lands not so included in the final participating area shall be elimi-

nated as in Paragraph 2(e) of this agreement and shall terminate after the expiration of 90 days unless annual rentals at the rate specified in the original lease shall have been paid within the said 90 days. The entire lease shall continue in force and effect so long thereafter as production is allocated to a portion of said lease and so long as annual rentals are paid on the portion not within the participating area. The first rental payment is due and payable on the first day after the expiration of the above mentioned 90 day period with allowance for proration of rentals. Thereafter, annual rentals are due and payable on the anniversary date of the lease.

19. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee or other successor in interest. No assignment or transfer of any working interest, royalty or other interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, photostatic or certified copy of the instrument of transfer.

20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Commissioner or his duly authorized representative as of the date of approval by the Commissioner and shall terminate five (5) years from said effective date unless:

- (a) such date of expiration is extended by the Commissioner, or
- (b) it is reasonably determined prior to the expiration of the fixed term or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities in the formations tested here-

under and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the Commissioner, or

(c) a valuable discovery of unitized substances has been made or accepted on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long thereafter as unitized substances can be produced in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid, or

(d) it is terminated as provided in this agreement.

This agreement may be terminated at any time by not less than 75 per centum, on an acreage basis, of the owners of working interests signatory hereto, with the approval of the Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION.

The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to State law or does not conform to any state-wide voluntary conservation or allocation program which is established, recognized and generally adhered to by the majority of operators in such State, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without

regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time at his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable State law.

Powers in this section vested in the Director shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than fifteen (15) days from notice.

22. APPEARANCES. Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Commissioner of the Department of Natural Resources of the State of Alaska and to appeal from orders issued under the regulations of said Department, or to apply for relief from any of said regulations or in any proceedings relative to operations before the Commissioner or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his own expense to be heard in any such proceeding.

23. NOTICES. All notices, demands or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if given in writing and personally delivered to the party or sent by post-paid registered mail or certified mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or the ratification or consent hereof or to such other address as any such party may have furnished in writing to the party sending the notice, demand or statement.

24. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained shall be construed as a waiver by any party hereto of the right to assert

any legal or constitutional right or defense as to the validity or invalidity of any law of the State or of the United States, or regulations issued thereunder in any way affecting such party, or as a walver by any such party of any right beyond his or its authority to waive.

25. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while, but only so long as, the Unit Operator despite the exercise of due care and diligence is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, action of the elements, weather or natural phenomena including but not limited to ice within the unit area rendering continued operations hazardous to life or property, Federal, State or Municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

26. NONDISCRIMINATION. In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246 (30 F.R. 12319), which are hereby incorporated by reference into this agreement.

27. LOSS OF TITLE. In the event title to any tract of unitized land shall fall and the true owner cannot be induced to join in this unit agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any royalty, working interest or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest.

until the dispute is finally settled; provided that, as to State land or leases, no payments of funds due the State of Alaska should be withheld, but such funds of the State of Alaska shall be deposited as directed by the Commissioner, to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

Unit Operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice to the Director and the Unit Operator prior to the approval of this agreement by the Commissioner. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof, joinder by a non-working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. Joinder by any owner of a non-working interest, at any time, must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as committed hereto. Joinder to the unit agreement by a working interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than

one committed working interest owner is involved, in order for the interest to be regarded as committed to this unit agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the first day of the month following filing with the Director of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within sixty (60) days by the Director.

29. COUNTERPARTS. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument in writing specifically referring hereto and shall be binding upon all those parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all such parties had signed the same document and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above-described unit area.

FIFTH REVISION OF EXHIBIT "B" EFFECTIVE DECEMBER 1, 1967

A SCHEDULE OF OWNERSHIP PERTAINING TO THE

KENAI UNIT, STATE OF ALASKA

NO. 14-08-001-6367

AGO 570599

Tract No.	Description of Lands	Acres	Application or Serial No. & Effective Date of Lease	Basic Royalty Percentage	Lessee or Offeror of Record	Overriding Royalty & Percentage	Working Interest and Percentage
1	T4N, R11W, S.M. Section 3: Lot 4, = NP SW $\frac{1}{4}$ NW $\frac{1}{4}$ = NP W $\frac{1}{2}$ SW $\frac{1}{4}$ PROTRACTED SURVEY T4N, R11W, S.M. Section 4: All (E $\frac{1}{2}$ E $\frac{1}{2}$ = NP) Section 9: NE $\frac{1}{4}$, SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$	1,359.52	A-028047 10-1-55	U.S.A. 12 $\frac{1}{2}$ %	Union Oil Company of California-50% Marathon Oil Company-50%	None	Union Oil Company of California-50% Marathon Oil Company-50%
4	T5N, R11W, S.M. Section 31: Lots 3, 4, 5, 7, 8, 10, E $\frac{1}{2}$ Section 32: All Section 33: All Section 34: NW $\frac{1}{4}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$	2,044.67	A-028055 10-1-55	U.S.A. All	Do	Do	Do
5	T5N, R11W, S.M. Section 28: NW $\frac{1}{4}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$ Section 29: All Section 30: Lots 5, 6, 7, 8, 9, 11, 12, 13, 14, 15, E $\frac{1}{2}$	1,412.23	A-028056 10-1-55	Do	Do	Do	Do
14	T4N, R11W, S.M. Section 17: All Section 18: Lots 1, 2, 3, 4, E $\frac{1}{2}$ W $\frac{1}{2}$, E $\frac{1}{2}$ Section 19: Lot 1, NE $\frac{1}{4}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$ Section 20: NE $\frac{1}{4}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$	1,598.90	ADL-22330 9-1-58 ✓	State of Alaska. 12 $\frac{1}{2}$ %	Do	M.B. Kirkparick 1%	Do

AGO 570600

Fract No.	Description of Lands	Acres	Application or Serial No. & Effective Date of Lease	Basic Royalty Percentage	Lessee or Offeror of Record	Overriding Royalty & Percentage	Working Interest and Percentage
16-	T5N, R11W, S.M. Section 18: SE $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	A-028103 11-1-58	U.S.A. 12 $\frac{1}{2}$ %	Union Oil Company of California-50% Marathon Oil Company-50%	M.B. Kirkpatrick 1%	Union Oil Company of California-50% Marathon Oil Company-50%
24	T5N, R11W, S.M. Section 19: Lots 7, 8, 9, 11, 15, SE $\frac{1}{4}$, E $\frac{1}{2}$ E $\frac{1}{2}$ SE $\frac{1}{4}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$ Section 20: SE $\frac{1}{4}$, NW $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$	749.63	A-028140 11-1-58	Do	Do	Doris L. Ervin 1%	Do
26	PROTRACTED SURVEY T4N, R11W, S.M. Section 5: All Section 6: All Section 7: All Section 8: All	2,560.00	A-028142 10-1-58	Do	Do	Do	Do
27	T4N, R12W, S.M. Section 1: Lots 1, 2, 4, 5, (E $\frac{1}{2}$ E $\frac{1}{2}$) = NP Section 12: Lots 5 thru 18, incl., 20, E $\frac{1}{2}$ W $\frac{1}{2}$ E $\frac{1}{2}$, E $\frac{1}{2}$ E $\frac{1}{2}$ (No SE $\frac{1}{4}$ = NP) Section 13: Lots 5 thru 12, incl., Easterly 2.50 acres of Lot 15, Easterly 2.50 acres of Lot 16, E $\frac{1}{2}$ NW $\frac{1}{2}$ NE $\frac{1}{4}$, E $\frac{1}{2}$ E $\frac{1}{2}$, E $\frac{1}{2}$ W $\frac{1}{2}$ SW $\frac{1}{4}$ NE $\frac{1}{4}$, E $\frac{1}{2}$ W $\frac{1}{2}$ NW $\frac{1}{2}$ SE $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$ NE $\frac{1}{4}$, E $\frac{1}{2}$ NW $\frac{1}{2}$ SE $\frac{1}{4}$	785.09	A-028143 11-1-58	Do	Do	Do	Do

AGD 570601

Tract No.	Description of Lands	Acres	Application or Serial No. & Effective Date of Lease	Basic Royalty Percentage	Lessee or Offeror of Record	Overriding Royalty & Percentage	Working Interest and Percentage
38.	T4N, R12W, S.M. Section 1: Lot 6	13.17	10-20-58	Pacific American Fisheries, Inc. - 12½%	Standard Oil Company of California-50% Atlantic Richfield Company -50%	None	Standard Oil Company of California-50% Atlantic Richfield Company -50%
39.	T4N, R12W, S.M. Section 12: Lot 19	2.49	3-4-59	Joseph R. Fribrock 12½%	Union Oil Company of California-50% Marathon Oil Company-50%	Do	Union Oil Company of California-50% Marathon Oil Company-50%
40	T4N, R12W, S.M. Section 13: Easterly 2.50 acres of Lot 13, Easterly 2.50 acres of Lot 14	5.00	2-25-59	Paul P. Shadura, Jr. 12½%	Do	Do	Do
145	T5N, R11W, S.M. Section 17: Lot 8, NW¼SW¼, SE¼SW¼	159.93	10-29-58	Leo Patrick McCanna and Daisy K. McCanna 12½%	Do	Do	Do
146	T5N, R11W, S.M. Section 17: Lot 9 Section 20: NW¼NE¼	78.97	8-9-57	Richard M. Johnston- 12½%	Standard Oil Company of California-50% Atlantic Richfield Company 50%	Do	Standard Oil Company of California-50% Atlantic Richfield Company 50%
147	T5N, R11W, S.M. Section 19: Lot 2, NE¼NE¼, SW¼NE¼	139.31	11-13-58,	Charles Steelman- 12½%	Union Oil Company of California-50% Marathon Oil Company-50%	Do	Union Oil Company of California-50% Marathon Oil Company-50%

AGO 570602

	Description of Lands	Acres	Application or Serial No. & Effective Date of Lease	Basic Royalty Percentage	Lessee or Offeror of Record	Overriding Royalty & Percentage	Working Interest and Percentage
142	T5N, R11W, S.M. Section 19: Lots 10 and 12	5.14	2-18-59	Robert E. Jacobs and Carol K. Jacobs-12½%	Union Oil Company of California-50% Marathon Oil Company- 50%	None	Union Oil Company of California-50% Marathon Oil Company- 50%
141	T5N, R11W, S.M. Section 19: Lot 6	5.20	8-11-59	Charles E. Miller and Marjorie L. Miller - 12½%	Do	Do	Do
152	T5N, R11W, S.M. Section 30: Lots 3 and 10	26.71	2-28-59	Lottie B. Edelman and Edwin Edelman -12½%	Do	Do	Do
153	T5N, R11W, S.M. Section 30: Lot 16	5.09	3-21-59	Carl E. Johnson and Karin W. Johnson-12½%	Do	Do	Do
154	T5N, R11W, S.M. Section 31: Lot 6	5.19	3-20-59	Robert Lee Schmidt-3-1/8% Ruth M. Schmidt 9-3/8%	Do	Do	Do
155	T5N, R11W, S.M. Section 31: Lot 9	11.10	10-20-58	Pacific American Fisheries, Inc. 12½%	Standard Oil Company of California-50% Atlantic Richfield Company 50%	Do	Standard Oil Company of California-50% Atlantic Richfield Company 50%

AGO 570603

Tract No.	Description of Lands	Acres	Application or Serial No. & Effective Date of Lease	Basic Royalty Percentage	Lessee or Offeror of Record	Overriding Royalty & Percentage	Working Interest and Percentage
161-	T4N, R11W, S.M. Section 16: NW $\frac{1}{4}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$	160.00	ADL-00460 10-1-55 ✓	State of Alaska- All	Union Oil Company of California-50% Marathon Oil Company-50%	M. B. Kirkpatrick 1%	Union Oil Company of California-50% Marathon Oil Company-50%
161	T5N, R11W, S.M. Section 17: That portion of Kenai River lying within SW $\frac{1}{4}$ and SW $\frac{1}{4}$ SE $\frac{1}{4}$	1.10	Preference Right Lease ADL-02397 11-1-58 IN CONFLICT WITH A-045097 Application 8-21-58 A-045334 Application 8-25-58	Ownership Undetermined Do Do	Do Charles Schraier 100% Samuel Gray 100%	Do None Do	Do Charles Schraier 100% Samuel Gray 100%
17	T5N, R11W, S.M. Section 30: All lying westerly of the coastline Section 31: All lying westerly of coastline T5N, R12W, S.M. Section 25: SE $\frac{1}{4}$ NE $\frac{1}{4}$, E $\frac{1}{2}$ SE $\frac{1}{4}$ ✓ Section 36: E $\frac{1}{2}$	895.01	ADL-00588 1-1-60 ✓	State of Alaska- All	Union Oil Company of California-50% Marathon Oil Company-50%	Do	Union Oil Company of California-50% Marathon Oil Company-50%

AGD 570604

Delivered 3-19-68

Tract No.	Description of Lands	Acres	Application or Serial No. & Effective Date of Lease	Basic Royalty Percentage	Lessee or Offeror of Record	Overriding Royalty & Percentage	Working Interest and Percentage
176	T4N, R12W, S.M. Section 1: All lying westerly of coastline Section 2: E ₂ E ₄ Section 11: E ₂ NE ₄ Section 12: All lying westerly of coastline	985.33	ADL-00593 1-1-60 ✓	State of Alaska- All	Union Oil Company of California-50% Marathon Oil Company-50%	None	Union Oil Company of California-50% Marathon Oil Company-50%
177	T4N, R12W, S.M. Section 13: All of W ₂ NE ₄ , E ₂ NW ₄ lying westerly of the coastline	88.92	ADL-00594 1-1-60 ✓	Do	Do	Do	Do
178	T5N, R11W, S.M. Section 19: All of the SE ₂ NW ₄ , NE ₂ SW ₄ , S ₂ SW ₄ lying westerly of coastline	100.72	ADL-02411 3-1-61 ✓	Do	Do	Do	Do

SUMMARY

7 Federal Tracts	8,951.14 acres	or 67.6140% of unit area
12 Patented or entered Tracts	457.30 acres	or 3.4543% of unit area
6 State Tracts	3,828.88 acres ✓	or 28.9225% of unit area
* 1 Undetermined Ownership	1.10 acres	or .0085% of unit area

TOTALS

26 Tracts

13,238.42 acres

or 100.0000%

*Due to the unresolved question of navigability, the rightful ownership of all inland water bodies, except surveyed Sections 16 and 36 (State School Lands) is undetermined. Due to preference right filings per PL 85-505, most such tracts in this unit have conflicting applications and Federal and/or State preference right applications on file. Prior to July 1, 1967 rental and/or royalty payments for such lands were made to appropriate Federal agencies. Subsequent to that date, by agreement, payments were made to the State.

AGO 570605

15, 1965
AGD

Unit Agreement

for the

DEVELOPMENT AND OPERATION

of the

KENAI UNIT AREA

THIRD JUDICIAL DIVISION

STATE OF ALASKA

I-Sec. No. 14-08-001-6367

Dated May 1, 1959

AGD 570606

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 <u>Exhibits</u>	
A.	Map showing the Unit Area and the boundaries and identity of tracts and leases within Unit Area.
B.	Schedule of ownership of interests in land within Unit Area.
C.	Certification-Determination Director, Division of Lands, State of Alaska
D.	Certification-Determination Director, United States Geological Survey

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
of the
KENAI UNIT AREA
THIRD JUDICIAL DIVISION
STATE OF ALASKA

THIS AGREEMENT, entered into as of the first day of May, 1959, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto,"

WITNESSETH:

WHEREAS the parties hereto are the owners of working, royalty, or other oil and gas interests in the unit area subject to this agreement; and

WHEREAS the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as amended, 30 U. S. C. Secs. 181 et seq., authorizes Federal lessees and their representatives to unite with each other, or jointly or separately with others, in collectively adopting and operating a cooperative or unit plan of development or operation of any oil or gas pool, field, or like area, or any part thereof for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and

WHEREAS the parties hereto hold sufficient interests in the Kenai Unit Area covering the land hereinafter described to give reasonably effective control of operations therein; and

WHEREAS, it is the purpose of the parties hereto to conserve natural resources, prevent waste, and secure other benefits obtainable through development and operation of the area subject to this agreement under the terms, conditions, and limitations herein set forth;

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this agreement their respective interests in the below-defined unit area, and agree severally among themselves as follows:

1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25, 1920, as amended, supra, and all valid pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder or valid, pertinent, and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this agreement; and as to non-Federal lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State in which the non-Federal land is located, are hereby accepted and made a part of this agreement.

2. UNIT AREA. Unit area is hereby designated and recognized as those lands included within the heavy black line on the map attached hereto marked Exhibit A and by this reference made a part hereof.

Exhibit A is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit B attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits A and B shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary, or when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor" and not less than six copies of the revised exhibits shall be filed with the Supervisor.

The above-described unit area shall when practicable be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement, or shall be contracted to exclude lands not within any participating area whenever such expansion or contraction is necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be effected in the following manner:

(a) Unit Operator, on its own motion or on demand of the Director of the Geological Survey, hereinafter referred to as "Director," after preliminary concurrence by the Director, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice.

(b) Said notice shall be delivered to the Supervisor, and copies thereof mailed to the last known address of each working interest owner, lessee, and lessor whose interests are affected, advising that 30 days will be allowed for submission to the Unit Operator of any objections.

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the Supervisor evidence of mailing of the notice of expansion or contraction and a copy of any objections thereto which have been filed with the Unit Operator, together with an application in sufficient number, for approval of such expansion or contraction and with appropriate joinders.

(d) After due consideration of all pertinent information, the expansion or contraction shall, upon approval by the Director, become effective as of the date prescribed in the notice thereof.

(e) All legal subdivisions of unitized lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent in instances of irregular surveys, however, unusually large lots or tracts shall be considered in multiples of 40 acres, or the nearest aliquot equivalent thereof, for the purpose of elimination under this subsection), no parts of which are entitled to be in a participating area within 5 years after the first day of the month following the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of the first day thereafter, and such lands shall no longer be a part of the unit area and shall no longer be subject to the agreement, unless at the expiration of said 5-year period diligent drilling operations are in progress on unitized lands not entitled to participation, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well, except that the time allowed between such wells shall not expire earlier than 30 days after the expiration of any period of time during which drilling operations are prevented by a matter beyond the reasonable control of unit operator as set forth in the section hereof entitled "Unavoidable Delay"; provided that all legal subdivisions of lands not in a participating area and not entitled to become participating under the applicable provisions of this agreement within 10 years after said first day of the month following the effective date of said first initial participating area shall be eliminated as above specified. Determination of creditable "Unavoidable Delay" time shall be made by unit operator and subject to approval of the Director. The unit operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Director and promptly notify all parties in interest.

If conditions warrant extension of the 10-year period specified in this subsection 2(c), a single extension of not to exceed 2 years may be accomplished by consent of the owners of 90% of the current unitized working interests and 60% of the current unitized basic royalty interests (exclusive of the basic royalty interests of the United States), on a total-nonparticipating-acreage basis, respectively, with approval of the Director, provided such extension application is submitted to the Director not later than 60 days prior to the expiration of said 10-year period.

Any expansion of the unit area pursuant to this section which embraces lands theretofore eliminated pursuant to this subsection 2(e) shall not be considered automatic commitment or recommitment of such lands.

3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agree-

ment." All oil and gas in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances."

4. UNIT OPERATOR. Union Oil Company of California, a California corporation, is hereby designated as Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development, and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interest in unitized substances, and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of 6 months after notice of intention to resign has been served by Unit Operator on all working interest owners and the Director, and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment whichever is required by the Supervisor, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

Unit Operator shall have the right to resign in like manner and subject to like limitations as above provided at any time a participating area established hereunder is in existence, but, in all instances of resignation or removal, until a successor unit operator is selected and approved as hereinafter provided, the working interest owners shall be jointly responsible for performance of the duties of Unit Operator, and shall not later than 30 days before such resignation or removal becomes effective appoint a common agent to represent them in any action to be taken hereunder.

The resignation of Unit Operator shall not release Unit Operator from any liability for any default by it hereunder occurring prior to the effective date of its resignation.

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests determined in like manner as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the Director.

The resignation or removal of Unit Operator under this agreement shall not terminate its

right, title, or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, materials, and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or, until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator: Provided, That, if a majority but less than 75 per cent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional working interest owners shall be required to select a new operator. Such selection shall not become effective until

(a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and

(b) the selection shall have been approved by the Director. If no successor Unit Operator is selected and qualified as herein provided, the Director at his election may declare this unit agreement terminated.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement." Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the

working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between the unit agreement and the unit operating agreement, this unit agreement shall prevail. Three true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor, prior to approval of this unit agreement.

8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege, and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating, and distributing the unitized substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said Unit Operator and, together with this agreement, shall constitute and define the rights, privileges, and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

9. WILDLIFE STIPULATION. Nothing in this unit agreement shall modify the special Federal lease stipulations applicable to the lands under the jurisdiction of the Fish and Wildlife Service, Bureau of Sport Fisheries and Wildlife.

10. DRILLING TO DISCOVERY. Within 6 months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently to a depth sufficient to test the Kenai oil zones encountered in the Richfield Oil Corporation Swanson River Unit No. 1 Well or unless at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the Supervisor that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 12,000 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than 6 months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor or until it is reasonably proved that

the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director may modify the drilling requirements of this section by granting reasonable extensions of time when, in his opinion, such action is warranted.

Upon failure to comply with the drilling provisions of this section, the Director may, after reasonable notice to the Unit Operator, and each working interest owner, lessee, and lessor at their last known addresses, declare this unit agreement terminated.

Notwithstanding anything else in this agreement to the contrary, the drilling obligations for the first three test wells or until discovery of unitized substances in paying quantities, whichever occurs earlier, shall be as specified in this paragraph. Unit Operator shall be required to commence three such test wells as follows: One within six months after approval of the unit agreement, with the understanding that any such well commenced after May 1, 1959, will be accepted, one within two years after approval hereof, and one within three years after approval hereof. Prior to discovery of unitized substances in paying quantities, failure to commence timely drilling will result in automatic termination of this unit agreement as of the first day of the thirteenth, twenty-fifth, or thirty-seventh month, respectively. As to said three wells, the Director may grant reasonable extensions of time in fulfilling the three-well drilling obligation only in event the Director determines conditions beyond the control of Unit Operator warrant. In event the first or second well discovers unitized substances in paying quantities, any remaining well of the three shall no longer be due as an exploratory test well, but all unit development after said discovery shall be under an approved plan of development. Upon completion of the three-well obligation or upon discovery of paying unit production, this paragraph shall have no further significance.

11. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor a plan for an additional specified period for the development and operation of the unitized land. Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each

and every productive formation and shall be as complete and adequate as the Supervisor may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall

(a) specify the number and locations of any wells to be drilled and the proposed order and time for such drilling; and

(b) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources. Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor. Said plan or plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. The Supervisor is authorized to grant a reasonable extension of the 6-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing any unitized substance in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Supervisor, shall be drilled except in accordance with a plan of development approved as herein provided.

12. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor, the Unit Operator shall submit for approval by the Director a schedule, based on subdivisions of the public-land survey or aliquot parts thereof, of all unitized land then regarded as reasonably proved to be productive of unitized substances in paying quantities; all lands in said schedule on approval of the Director to constitute a participating area, effective as of the date of completion of such well or the effective date of the unit agreement, whichever is later. Said schedule also shall set forth the percentage of unitized substances to be allocated as herein provided to each unitized tract in the participating area so established, and shall govern the allocation of production from and after the date the participating area becomes effective. A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances or for any group thereof produced as a single pool or zone, and any two or more participating areas so established may be combined into one with the consent of the owners of all working interests in the lands within the participating areas so to be combined, on approval of the Director. The participating area or areas so established shall be revised from time to time, subject to like approval, whenever such action appears proper as a result of further drilling operations or otherwise, to include additional land then regarded as reasonably proved to be productive in paying quantities, or to exclude land then regarded

as reasonably proved not to be productive in paying quantities and the percentage of allocation shall also be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Director. No land shall be excluded from a participating area on account of depletion of the unitized substances.

It is the intent of this section that a participating area shall represent the area known or reasonably estimated to be productive in paying quantities; but, regardless of any revision of the participating area, nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the revision of the participating area.

In the absence of agreement at any time between the Unit Operator and the Director as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby may be impounded in a manner mutually acceptable to the owners of working interests, except royalties due the United States, which shall be determined by the Supervisor and the amount thereof deposited, as directed by the Supervisor, to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal royalty on the basis of such approved participating area.

Whenever it is determined, subject to the approval of the Supervisor, that a well drilled under this agreement is not capable of production in paying quantities and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall, for the purposes of settlement among all parties other than working interest owners, be allocated to the land on which the well is located so long as such land is not within a participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a well shall be made as provided in the unit operating agreement.

13. ALLOCATION OF PRODUCTION. All unitized substances produced from each participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, camp and other production or development purposes, for repressuring or recycling in accordance with a plan of development approved by the Supervisor, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and, for the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of said production as the num-

ber of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area, except that allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, shall be on the basis prescribed in the unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last-mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as constituted at the time of such final production.

14. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. Any party hereto owning or controlling the working interest in any unitized land having thereon a regular well location may with the approval of the Supervisor, at such party's sole risk, costs, and expense, drill a well to test any formation for which a participating area has not been established or to test any formation for which a participating area has been established if such location is not within said participating area, unless within 90 days of receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such a well in like manner as other wells are drilled by the Unit Operator under this agreement.

If any well drilled as aforesaid by a working interest owner results in production such that the land upon which it is situated may properly be included in a participating area, such participating area shall be established or enlarged as provided in this agreement and the well shall thereafter be operated by the Unit Operator in accordance with the terms of this agreement and the unit operating agreement.

If any well drilled as aforesaid by a working interest owner obtains production in quantities insufficient to justify the inclusion in a participating area of the land upon which such well is situated, such well may be operated and produced by the party drilling the same subject to the conservation requirements of this agreement. The royalties in amount or value of production from any such well shall be paid as specified in the underlying lease and agreements affected.

15. ROYALTY SETTLEMENT. The United States and any State and all royalty owners who, under existing contract, are entitled to take in kind a share of the substances now unitized hereunder

produced from any tract, shall hereafter be entitled to the right to take in kind their share of the unitized substances allocated to such tract, and Unit Operator, or in case of the operation of a well by a working interest owner as herein in special cases provided for, such working interest owner, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interest not taken in kind shall be made by working interest owners responsible therefor under existing contracts, laws and regulations on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases

If gas obtained from lands not subject to this agreement is introduced into any participating area hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery, which shall be in conformity with a plan first approved by the Supervisor, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area and with due allowance for loss or depletion from any cause, may be withdrawn from the formation into which the gas was introduced, royalty free as to dry gas, but not as to the products extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the plan of operations or as may otherwise be consented to by the Supervisor as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

If liquefied petroleum gases obtained from lands or formations not subject to this agreement be injected into the unitized land for the purpose of increasing ultimate recovery, which shall be in conformance with a plan first approved by the Supervisor, part or all of such liquefied petroleum gases may be withdrawn royalty free pursuant to such conditions and formulas as may be prescribed or approved by the Supervisor.

Royalty due the United States shall be computed as provided in the operating regulations and paid in value or delivered in kind as to all unitized substances on the basis of the amounts thereof allocated to unitized Federal land as provided herein at the rates specified in the respective Federal leases, or at such lower rate or rates as may be authorized by law or regulation; provided, that for leases on which the royalty rate depends on the daily average production per well, said average production shall be determined in accordance with the operating regulations as though each participating area were a single consolidated lease.

16. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed hereto shall be paid by working interest owners responsible therefor under existing contracts, laws, and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land

from their respective lease obligations for the payment of any rental or minimum royalty in lieu thereof due under their leases. Rental or minimum royalty for lands of the United States subject to this agreement shall be paid at the rate specified in the respective leases from the United States unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

With respect to any lease on non-Federal land containing provisions which would terminate such lease unless drilling operations were within the time therein specified commenced upon the land covered thereby or rentals paid for the privilege of deferring such drilling operations, the rentals required thereby shall, notwithstanding any other provision of this agreement, be deemed to accrue and become payable during the term thereof as extended by this agreement and until the required drilling operations are commenced upon the land covered thereby or some portion of such land is included within a participating area.

17. CONSERVATION. Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to State or Federal law or regulation.

18. DRAINAGE. The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement, or pursuant to applicable regulations pay a fair and reasonable compensatory royalty as determined by the Supervisor.

19. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions, and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development, or operation for oil or gas of lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary shall and by his approval hereof, or by the approval hereof by his duly authorized representative, does hereby establish, alter, change, or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of Federal leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement, and, without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

(a) The development and operation of lands subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every part or separately owned tract subject to this agreement, regard-

less of whether there is any development of any particular part or tract of the unit area, notwithstanding anything to the contrary in any lease, operating agreement or other contract by and between the parties hereto, or their respective predecessors in interest, or any of them.

(b) Drilling and producing operations performed hereunder upon any tract of unitized lands will be accepted and deemed to be performed upon and for the benefit of each and every tract of unitized land, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.

(c) Suspension of drilling or producing operations on all unitized land pursuant to direction or consent of the Secretary or his duly authorized representative shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land.

(d) Each lease, sublease or contract relating to the exploration, drilling, development or operation for oil or gas of lands other than those of the United States committed to this agreement, which, by its terms might expire prior to the termination of this agreement, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of this agreement.

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease.

(f) Each sublease or contract relating to the operation and development of unitized substances from lands of the United States committed to this agreement, which by its terms would expire prior to the time at which the underlying lease, as extended by the immediately preceding paragraph, will expire, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of the underlying lease as such term is herein extended.

(g) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17(b) of the Act, as amended by the Act of July 29, 1954 (68 Stat. 583, 585): "Any (Federal) lease hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands com-

mitted and the lands not committed as of the effective date of unitization: Provided, however, That any such lease as to the nonunitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

(h) Any lease, other than a Federal lease, having only a portion of its lands committed hereto shall be segregated as to the portion committed and the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the effective date hereof. In the event any such lease provides for a lump-sum rental payment, such payment shall be prorated between the portions so segregated in proportion to the acreage of the respective tracts.

20. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance, of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee, or other successor in interest. No assignment or transfer of any working interest, royalty, or other interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, photostatic, or certified copy of the instrument of transfer.

21. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Secretary or his duly authorized representative and shall terminate five (5) years from said effective date unless

(a) such date of expiration is extended by the Director, or

(b) it is reasonably determined prior to the expiration of the fixed term or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities in the formations tested hereunder and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the Director, or

(c) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances can be produced in paying quantities, i.e., in this particular instance in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder and, should production cease, so long thereafter as diligent operations are in progress for the restoration of

production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid, or

(d) it is terminated as heretofore provided in this agreement.

This agreement may be terminated at any time by not less than 75 per centum, on an acreage basis, of the owners of working interest signatory hereto, with the approval of the Director; notice of any such approval to be given by the Unit Operator to all parties hereto.

22. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any state-wide voluntary conservation or allocation program, which is established, recognized, and generally adhered to by the majority of operators in such State, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law.

Powers in this section vested in the Director shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than 15 days from notice.

23. APPEARANCES. Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Department of the Interior and to appeal from orders issued under the regulations of said Department or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his own expense to be heard in any such proceeding.

24. NOTICES. All notices, demands or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if given in writing and personally delivered to the party or sent by postpaid registered mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof

or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

25. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State wherein said unitized lands are located, or of the United States, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive.

26. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while, but only so long as, the Unit Operator despite the exercise of due care and diligence is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

27. FAIR EMPLOYMENT. In connection with the performance of work under this agreement, the operator agrees not to discriminate against any employee or applicant for employment because of race, religion, color, or national origin. The aforesaid provision shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The operator agrees to post hereafter in conspicuous places, available for employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of the nondiscrimination clause.

The operator agrees to insert the foregoing provision in all subcontracts hereunder, except subcontracts for standard commercial supplies or raw materials.

28. LOSS OF TITLE. In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this unit agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any royalty, working interest, or other interest subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal land or leases, no payments of funds due the United States should

be withheld, but such funds shall be deposited as directed by the Supervisor to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

Unit Operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice to the Director and the Unit Operator prior to the approval of this agreement by the Director. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof joinder by a non-working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. Joinder by any owner of a non-working interest, at any time, must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as effectively committed hereto. Joinder to the unit agreement by a working interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working-interest owner is involved, in order for the interest to be regarded as effectively committed to this unit agreement. Except as may otherwise herein be provided subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within 60 days by the Director.

30. COUNTERPARTS. This agreement may be executed in any number of counterparts no one of which needs to be executed by all parties or may be ratified or consented to by separate instrument in writing specifically referring hereto and shall be binding upon all those parties who have executed such a counterpart, ratification, or consent hereto with the same force and effect as if all such parties had signed the same document and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the unit area.

31. SURRENDER. Nothing in this agreement shall prohibit the exercise by any working interest owner of the right to surrender vested in such party in any lease, sub-lease, or operating agreement as to all or any part of the lands covered thereby, provided that each party who will or might acquire such working interest by such surrender or by forfeiture as hereafter set forth, is bound by the terms of this agreement.

If as a result of any such surrender, the working interest rights as to such lands become vested in any party other than the fee owner of the unitized substances, said party shall forfeit such rights and no further benefits from operation hereunder as to said land shall accrue to such party, unless within ninety (90) days thereafter said party shall execute this agreement and the unit operating agreement as to the working interest acquired through such surrender, effective as though such land had remained continuously subject to this agreement and the unit operating agreement. And in the event such agreements are not so executed, the party next in the chain of title shall be and become the owner of such working interest at the end of such ninety (90) day period, with the same force and effect as though such working interest had been surrendered to such party.

If as the result of any such surrender or forfeiture the working interest rights as to such lands become vested in the fee owner of the unitized substances, such owner may:

(1) Execute this agreement and the unit operating agreement as a working interest owner, effective as though such land had remained continuously subject to this agreement and the unit operating agreement.

(2) Again lease such lands but only under the condition that the holder of such lease shall within thirty (30) days after such lands are so leased execute this agreement and the unit operating agreement as to each participating area theretofore established hereunder, effective as though such land had remained continuously subject to this agreement and the unit operating agreement.

(3) Operate or provide for the operation of such land independently of this agreement as to any part thereof or any oil or gas deposits therein not then included within a participating area.

If the fee owner of the unitized substances does not execute this agreement and the unit operating agreement as a working interest owner or again lease such lands as above provided with respect to each existing participating area, within six (6) months after any such surrender or forfeiture, such fee owner shall be deemed to have waived the right to execute the unit operating agreement or lease such lands as to each such participating area, and to have agreed, in consideration for the compensation hereinafter provided, that operations hereunder as to any such participating area or areas shall not be affected by such surrender.

For any period the working interest in any lands are not expressly committed to the unit operating agreement as the result of any such surrender or forfeiture, the benefits and obligations of operations accruing to such lands under this agreement and the unit operating agreement shall be shared by the remaining owners of unitized working interests in accordance with their respective participating working interest ownerships in any such participating area or areas, and such owners of working interests shall compensate the fee owner of unitized substances in such lands by paying sums equal to the rentals, minimum royalties, and royalties applicable to such lands under the lease in effect when the lands were unitized, as to such participating area or areas.

Upon commitment of a working interest to this agreement and the unit operating agreement as provided in this section, an appropriate accounting and settlement shall be made, to reflect the retroactive effect of the commitment, for all benefits accruing to or payments and expenditures made or incurred on behalf of such surrendered working interest during the period between the date of surrender and the date of recommitment, and payment of any moneys found to be owing by such an accounting shall be made as between the parties then signatory to the unit operating agreement and this agreement within thirty (30) days after the recommitment. The right to become a party to this agreement and the unit operating agreement as a working interest owner by reason of a surrender or forfeiture as provided in this section shall not be defeated by the nonexistence of a unit operating agreement and in the event no unit operating agreement is in existence and a mutually acceptable agreement between the proper parties thereto cannot be consummated, the Supervisor may prescribe such reasonable and equitable agreement as he deems warranted under the circumstances.

Nothing in this section shall be deemed to limit the right of joinder or subsequent joinder to this agreement as provided elsewhere in this agreement. The exercise of any right vested in a working interest owner to reassign such working interest to the party from whom obtained shall be subject to the same conditions as set forth in this section in regard to the exercise of a right to surrender.

32. TAXES. The working interest owners shall render and pay for their account and the account of the royalty owners all valid taxes on or measured by the unitized substances in and under or that may be produced, gathered and sold from the land subject to this contract after the effective date of this agreement, or upon the proceeds or net proceeds derived therefrom. The working interest owners on each tract shall and may charge the proper proportion of said taxes to the royalty owners having interests in said tract, and may currently retain and deduct sufficient of the unitized substances or derivative products, or net proceeds thereof from the allocated share of each royalty owner to secure reimbursement for the taxes so paid. No such taxes shall be charged

to the United States or the State of Alaska or to any lessor who has a contract with his lessee which requires the lessee to pay such taxes.

33. NO PARTNERSHIP. It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this agreement contained, expressed or implied, nor any operations conducted hereunder, shall create or be deemed to have created a partnership or association between the parties hereto or any of them.

34. STATE LANDS. Certain of the lands within the unit area are public lands of the State of Alaska. In the event the State Division of Lands commits its interest in said lands, or any part thereof, to this agreement pursuant to applicable laws of Alaska and Federal Regulations 30 CFR, Section 226.7, it is agreed that such commitment and the terms and conditions incident thereto may be made by means of an Approval-Certificate-Determination, executed by said Division in such form as may be acceptable to the Director and to the Unit Operator.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed and have set opposite their respective names the date of execution.

UNIT OPERATOR

June 16, 1959
P. O. Box 7600
Los Angeles 54, California

UNION OIL COMPANY OF CALIFORNIA

By Quidley Tower
Vice President

By [Signature]
Assistant Secretary

WORKING INTEREST OWNERS

June 16, 1959
P. O. Box 7600
Los Angeles 54, California

UNION OIL COMPANY OF CALIFORNIA

By Quidley Tower
Vice President

By [Signature]
Assistant Secretary.

550 South Flower Street
Los Angeles 17, California

JUN 19 1959

THE OHIO OIL COMPANY

By William H. Bily
Vice President

By [Signature]
Assistant Secretary

State OF California
County of LOS ANGELES } ss.

On this 16th day of June, 1959, before me, MARGARET I. YOUNG
a Notary Public, personally appeared DUDLEY TOWER

VICE President, and E. W. CAIRNS, known to me to be the ASSISTANT

Secretary, of UNION OIL COMPANY OF CALIFORNIA
the Corporation that executed the within Instrument, known to me to be the persons who executed the within
Instrument on behalf of the Corporation herein named, and acknowledged to me that such Corporation executed
the within Instrument pursuant to its bylaws or a resolution of its board of directors.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year in this
certificate first above written.

My Commission Expires July 20, 1962
Margaret I. Young
Notary Public

State OF Ohio
County of Hancock } ss.

On this 22 day of June, 1959, before me, M. E. Sorenson
a Notary Public, personally appeared Glenn F. Bish

Vice President, and L. G. Edelman, known to me to be the Assistant

Secretary, of THE OHIO OIL COMPANY
the Corporation that executed the within Instrument, known to me to be the persons who executed the within
Instrument on behalf of the Corporation herein named, and acknowledged to me that such Corporation executed
the within Instrument pursuant to its bylaws or a resolution of its board of directors.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year in this
certificate first above written.

My Commission Expires June 20, 1962
M. E. Sorenson
Notary Public

OF
of } ss.

On this day of 19, before me,
a Notary Public, personally appeared, known to me to be the

President, and, known to me to be the

Secretary, of
the Corporation that executed the within Instrument, known to me to be the persons who executed the within
Instrument on behalf of the Corporation herein named, and acknowledged to me that such Corporation executed
the within Instrument pursuant to its bylaws or a resolution of its board of directors.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year in this
certificate first above written.

My Commission Expires
Notary Public

CERTIFICATION-DETERMINATION

Pursuant to the authority vested in the Commissioner of the Department of Natural Resources under the Alaska Land act approved April, 1959, otherwise known as Senate Bill #77, and delegated to the Director of the Division of Lands pursuant to Article II Section 5 thereof, I do hereby:

A. Approve the attached agreement for the development and operation of the Kenai Unit Area, State of Alaska.

B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.

C. Certify and determine that the drilling, producing, rental, minimum royalty, and royalty requirements of all leases committed to said agreement covering State of Alaska Lands are hereby established, altered, changed, or revoked to conform with the terms and conditions of this agreement.

Dated July 2, 1959



Phil R. Holdsworth Commissioner.
Director, Division of Lands, State of Alaska.

DEPARTMENT OF
NATURAL RESOURCES

EXHIBIT "C"

CERTIFICATION-DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U. S. C. secs. 181, et seq., and delegated to the Director of the Geological Survey pursuant to Departmental Order No. 2365 of October 8, 1947, 43 C. F. R. sec. 4.611, 12 F. R. 6784, I do hereby:

A. Approve the attached agreement for the development and operation of the _____

Kenai Unit Area, State of Alaska

B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.

C. Certify and determine that the drilling, producing, rental, minimum royalty, and royalty requirements of all Federal leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of this agreement.

Dated JUL 30 1959

Arthur J. Baker
Acting Director, United States Geological Survey

EXHIBIT "D"

RECEIVED

OCT 5 1964

AMENDMENT TO UNIT AGREEMENT

Conservation Division
U.S. GEOLOGICAL SURVEY
Anchorage, Alaska

THIS AGREEMENT, made and entered into this 16th day of September, 1964, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto,"

W I T N E S S E T H :

WHEREAS, the parties hereto desire to amend that certain Unit Agreement For The Development And Operation of the Kenai Unit Area, No. 14-08-001-6367, Third Judicial Division, State of Alaska, approved effective July 30, 1959, being more particularly described therein, in order to extend the five year period which commenced on the first day of the month following the effective date of the first initial participating area established under said Unit Agreement and upon the expiration of which all legal subdivisions of unitized lands not entitled to be in a participating area are automatically eliminated from said Unit Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual benefits to be derived the parties hereto agree severally among themselves as follows:

Section 2(e) appearing on Page 3 of said Unit Agreement is hereby amended by striking therefrom the figure and word "5 years" where it appears therein and substituting therefor the figure and word "8 years".

As hereby amended said Unit Agreement shall be and remain in full force and effect as to all its terms and provisions.

This agreement shall be binding upon and shall inure to the benefit of the heirs, personal representatives, successors and assigns of the parties hereto.

*This because of
Tallman case*

AGO 570632

T & L RECORDS 12-18-64

LEASES

U-M

U-M LEASES IN KENAI GAS FIELD

AGO 570634

THE FOLLOWING DOCUMENT(S) MAY NOT FILM
LEGIBLY BECAUSE OF POOR QUALITY OF THE
ORIGINAL.

ORIGINAL
trans. FEB 22 1954
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ORIGINAL
trans. FEB 22 1954
22330

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Form approved.
Budget Bureau No. 42-R-980.1

Office ANCHORAGE

Serial No. 628100

Receipt No. 144363

OFFER TO LEASE AND LEASE FOR OIL AND GAS
(Sec. 17 Noncompetitive 5-Year Public Domain Lease)

THIS OFFER WILL BE REJECTED AND RETURNED TO THE OFFEROR AND WILL AFFORD THE OFFEROR NO PRIORITY IF IT IS NOT PROPERLY FILLED IN AND EXECUTED OR IF IT IS NOT ACCOMPANIED BY THE REQUIRED DOCUMENTS OR PAYMENTS. SEE ITEM 9 OF GENERAL INSTRUCTIONS

(Fill in on a typewriter or print plainly in ink and sign in ink)

Mr. M. B. Kirkpatrick
(Name)

525 3rd Avenue
(Number and Street)

Anchorage, Alaska
(City and State)

RECEIVED
BUREAU OF LAND MANAGEMENT
OCT 15 1954
PLEASE NOTIFY THE
SIGNING OFFICER OF
LAND OFFICE
ANCHORAGE, ALASKA

hereby offers to lease all or any of the lands described in item 2 that are available for lease, pursuant and subject to the terms and provisions of the act of February 25, 1920 (41 Stat. 437, 30 U.S.C. sec. 181), as amended, hereinafter referred to as the act, and to all reasonable regulations of the Secretary of the Interior now or hereafter in force, when not inconsistent with any express and specific provisions herein, which are made a part hereof.

2. Land requested

3. Land included in lease

(Not to be filled in by Offeror)

Territory of Alaska

(State)

(County)

T. 4 N., R. 11 W., Seward

Meridian

Section 17: All

18: All

19: All

20: All

Total Area 2,495 Acres

T. R.

Meridian

"Subject to Form 4-1383"

This lease embraces the area and the land described in Item 2.

The rental retained is the rental amount shown in Item 4.

"Issued in accordance with Public Law 85-505 dated July 3, 1958, section 10 of which provided that the rentals of leases which issue on applications or offers filed prior to and which were pending on May 3, 1958 shall be at the rate of 25c per acre for the first year. However, the royalty rates shall be identical with those on leases in the States. Royalty retained as prescribed by the regulation 43 CFR 192.92 applicable to leases in the States."

4. Amount remitted: Filing fee \$10, Rental \$ 623.75, Total \$ 633.75

5. Undersigned certifies as follows:

(a) Offeror is a citizen of the United States. Native born ☒ Naturalized ☐ Corporation or other legal entity (specify what kind):

(b) Offeror's interests direct and indirect in oil and gas leases and applications or offers therefor including this offer in the same State do not exceed 15,360 chargeable acres. (c) Offeror accepts as a part of this lease, to the extent applicable, the stipulations provided for in 43 CFR 191.6. (d) Offeror is 21 years of age or over (or if a corporation or other legal entity, is duly qualified as shown by statements made or referred to herein). (e) Offeror has described all surveyed lands by legal subdivisions and unsurveyed lands by meter and bounds, and further states that there are no settlers on unsurveyed lands described herein.

6. Offeror's signature to this offer shall also constitute offeror's signature to, and acceptance of, this lease and any amendment thereto that may cover any land described in this offer open to lease application at the time the offer was filed but omitted from this lease for any reason, or signature to, or acceptance of, any separate lease for such land. The offeror further agrees that (a) this offer cannot be withdrawn, either in whole or in part, unless the withdrawal is received by the land office before this lease, an amendment to this lease, or a separate lease, whichever covers the land described in the withdrawal, has been signed in behalf of the United States, and (b) this offer and lease shall apply only to lands not within a known geologic structure of a producing oil or gas field at the time the offer is filed.

7. It is hereby certified that the statements made herein are true, complete and correct to the best of offeror's knowledge and belief, and are made in good faith.

IN WITNESS WHEREOF, Offeror has duly executed this instrument this 11th day of October 19 54

WITNESSES

525 3rd Avenue, Anchorage, Alaska

525 3rd Avenue, Anchorage, Alaska

AGO 570635

This lease for the lands described in item 3 above is hereby issued, subject to the provisions of the offer and on the reverse side hereof.

THE UNITED STATES OF AMERICA

By (Signing officer)

MANAGER

AUG 21 1958

Effective date of lease SEP 1 1958

18 U.S.C. sec. 1001 makes it a crime for any person knowingly and willfully to make to any Department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

This form may be retained provided that the copies are exact reproductions on one sheet of both sides of this official form, in accordance with the provisions of 43 CFR 192.42 (a).

THE PRECEDING DOCUMENT(S) MAY NOT FILM
LEGIBLY BECAUSE OF POOR QUALITY OF THE
ORIGINAL

TERMS AND CONDITIONS

(1) As used herein:

(a) the term "lessee" includes the lessee, heirs and assigns of the lessee and persons operating on behalf of the lessee;

(b) the term "wildlife resources" include fish and wildlife resources and concentrations, fish and wildlife management operations and range improvements and facilities;

(c) the term "authorized officer" means the State Supervisor of the Bureau of Land Management in the State in which the land is located, and, in Alaska, the Refuge Manager of the Bureau of Sport Fisheries and Wildlife;

(2) The lessee shall:

(a) comply with all the rules and regulations of the Secretary of the Interior;

(b) prior to the beginning of operations, appoint and maintain at all times during the term of the lease a local agent upon whom may be served written orders or notices respecting matters contained in these stipulations and to inform the authorized officer in writing of the name and address of such agent. If a substitute agent is appointed, the lessee shall immediately inform the said representative;

(c) conduct all authorized activities in a manner satisfactory to the authorized officer with due regard for good land management and avoid damage to improvements, timber, crops, and wildlife cover, and fill all sump holes, ditches, and other excavations or cover all debris, and so far as reasonably possible, restore the surface of the leased lands to their former condition and when required to bury all pipelines below plow depth. The authorized officer shall have the right to enter all the premises at any time to inspect both the installation and operational activities of the lessee;

(d) take such steps as may be necessary to prevent damage to wildlife;

(e) do all in his power to prevent and suppress forest, brush, or grass fires and to require his employees, contractors, subcontractors and employees of contractors or subcontractors to do likewise;

(f) install adequate blow-out prevention equipment;

(g) construct ring dikes and sump pits to confine drilling mud and other pollutants and make safe disposition of salt water by use of injection wells or such other method as may be approved in the plan of operation;

(h) cover flare pits in areas of wildlife concentration;



Form 4-1383

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

IN REPLY REFER TO:

STIPULATIONS

For Inclusion in Oil and Gas Leases Entered Into Pursuant to 43 CFR 192.9
Relating to Oil and Gas Leases in Wildlife Refuge, Game Range, and Coordination
Lands

INSTRUCTIONS

(1) The following stipulations will be made a part of Interior Department Lease Form No. 4-1158 (6th Edition of April 1957) and Lease Form No. 4-1196 (Edition of December 1954), and all revisions thereof and substitutions therefor. These stipulations will be made applicable as terms and conditions of performance by lessees under all oil and gas leases entered into under authority vested in the Secretary of the Interior over game range, coordination or Alaska Wildlife lands pursuant to the order of the Secretary of the Interior published in 23 Federal Register 227, January 11, 1958, 43 CFR 192.9.

(2) Should compliance with one or more of these terms and conditions be considered unduly burdensome and unnecessary to the protection of wildlife resources, the lessee may request waiver thereof by letter addressed to the Secretary of the Interior setting forth, in full, the reasons why a waiver is considered necessary. The authority to grant such waivers shall be discretionary and may be exercised only by the Secretary or the Under Secretary of the Interior.

(3) The authorized officer shall (a) approve no plan of operation that contains provisions inconsistent with the stipulations hereinafter set forth; (b) waive no term or condition in a lease; or (c) exercise no discretion vested in him unless he is satisfied the exercise of that discretion will not damage any wildlife resource.

(4) Drilling and production operations under the lease shall be under the direction of the Geological Survey.

(c) agree to respect and comply with any new requirements imposed by the Secretary of the Interior, or the authorized officer, on the operating program as operating experience proves necessary in order to give complete protection to wildlife populations and wildlife habitat on the areas leased.

(3) The lessee shall not:

(a) construct roads, pipelines, utility lines, and attendant facilities that are either unnecessary or which might interfere with wildlife habitat or resources or with drainage;

(b) modify or change the character of streams, lakes, ponds, water holes, seeps, and marshes, except by advance approval in writing by the authorized officer nor shall he in any way pollute such streams, lakes, ponds, water holes, seeps, or marshes;

(c) conduct operations at such times as will interfere with wildlife concentrations;

(d) conduct geological or geophysical explorations that might damage any wildlife resource and such operations shall be conducted only in accordance with advance approval in writing by the authorized officer as to the time, manner of travel, and disturbances of surfaces and the facilities required for the protection of wildlife;

(e) use explosives in fish spawning or rearing areas, nesting areas, lambing grounds, or other areas of wildlife concentrations during periods of intense activity or at any other time or in any manner that might damage any wildlife resources; the pattern, size, and depth of seismographic shots shall be submitted to the authorized officer for advance approval in writing and immediately following the detonation of any seismographic charge, the hole shall be filled or plugged and any surface damage repaired to the satisfaction of the authorized officer;

(f) without advance approval in writing, use any water or water source controlled or developed by the United States;

(g) use mobile equipment under such conditions as to permanently damage surface resources, cause scarring and erosion, or interfere with wildlife concentrations;

(h) conduct geological, or geophysical, or core drilling operations or construct roads, bunkhouses or any facilities or drill or produce under a lease until the submittal and approval in writing of a plan of operation pursuant to Section (2)(m) supra or deviate therefrom until any revisions or amendments of said plan have been approved in writing by the authorized officer.

(i) burn rubbish, trash, or other inflammable materials or use explosives in a manner or at a time that would constitute a fire hazard.

April 17, 1958

(Sgd) Fred A. Seaton
Secretary of the Interior

34971

3

AGO 570639

(i) remove derricks, dikes, equipment, and structures not required in producing operations within 60 days after the completion of drilling;

(j) comply with and see to it that his agents and employees comply with all Federal, State, or territorial laws relating to hunting, fishing, and trapping;

(k) commit the lease to any unit plan required in the interest of conservation of oil or gas resources or for the protection of wildlife;

(l) prior to the conduct of geological, geophysical, or core drilling operations or construction of any facilities, or prior to operations to drill or produce, submit in triplicate for approval in writing by the authorized officer a plan of operation that will include detailed statements indicating the manner in which the lessee will comply with these stipulations together with a statement that the lessee agrees that compliance with these stipulations and with the approved plan of operations are conditions of performance under this lease and that failure to comply with these provisions (unless they are waived by the Secretary or the Under Secretary of the Interior) will be grounds for cancellation of the lease by the United States. Notwithstanding other provisions in these stipulations, the lessee shall include in any plan of operation specific provisions relating to: The time, place, depth and strength of seismographic shots, maps showing the location of his leases included in the plan, actual and proposed access roads, bunkhouses, proposed well locations, storage and utility facilities, water storage, pipelines and pumping stations; the type of safety equipment that will be employed; the methods to be used to assure the disposition of drilling mud, pollutants, and other debris; the location of facilities in relation to flood levels; and such other specific matters as the authorized officer may require. The plan of operation shall be kept current in all respects and all revisions and amendments submitted to the authorized officer for written approval;

(m) do all things reasonably necessary to prevent or reduce to the fullest extent scarring and erosion of the land, pollution of the water resources and any damage to the watershed. Where construction, operation, or maintenance of any of the facilities on or connected with this lease causes damage to the watershed or pollution of the water resource, the lessee agrees to repair such damage, including reseeding and to take such corrective measures to prevent further pollution or damage to the watershed as are deemed necessary by the authorized officer;

(n) file the bond required by Sec. 2a(4) of the lease before conducting any operations on the leasehold, and file any additional bond required by the authorized officer to pay for damages to wildlife habitat, including trees and shrubs, or wildlife improvements;

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Budget Bureau No. 44-R-0002

Office ANCHORAGESerial No. 028053-4Receipt No. 114316

ORIGINAL

OFFER TO LEASE AND LEASE FOR OIL AND GAS
(Sec. 17 Noncompetitive 5-Year Public Domain Lease)

THIS OFFER MAY BE REJECTED AND RETURNED TO THE OFFEROR AND WILL AFFORD THE OFFEROR NO PRIORITY IF IT IS NOT PROPERLY FILLED IN AND EXECUTED OR IF IT IS NOT ACCOMPANIED BY THE REQUIRED DOCUMENTS OR PAYMENTS. SEE ITEM 9 OF GENERAL INSTRUCTIONS

(Fill in on a typewriter or print plainly in ink and sign in ink)

RECEIVED
BUREAU OF LAND MANAGEMENT
OCT 3 1955
LAND OFFICETHE OHIO OIL COMPANY
(Name)
437 SOUTH HILL STREET
(Number and Street)
LOS ANGELES 13, CALIFORNIA
(City and State)Trans. Fed. Lse.
ADL 00460PLEASE NOTIFY THE
SIGNING OFFICER OF
ANY CHANGE OF ADDRESS.

Hereby offers to lease all or any of the lands described in item 2 that are available for lease, pursuant and subject to the terms and provisions of the act of February 25, 1920 (41 Stat. 437, 30 U. S. C. sec. 181), as amended, hereinafter referred to as the act, and to all reasonable regulations of the Secretary of the Interior now or hereafter in force, when not inconsistent with any express and specific provisions herein, which are made a part hereof.

2. Land requested

Territory of Alaska

(State)

(County)

T. 4 N. R. 11 W. Seward Meridian

Section 16: All

3. Land included in lease

(Not to be filled in by Offeror)

(State)

(County)

T. : R. : Meridian

This lease embraces the area and
the land described in Item 2.

The rental retained is the rental
amount shown in Item 4.

SUBJECT TO KENAI UNIT AGREEMENT
NO. 14-08-001-4387 APPROVED JULY 30, 1958Total Area 640 Acres

Total Area _____ Acres Rental retained \$ _____

4. Amount remitted: ~~None~~ Rental \$ 160.00, Total \$ 160.00

5. Undersigned certifies as follows:

(a) Offeror is a citizen of the United States. Native born _____ Naturalized _____ Corporation or other legal entity (specify what kind): an Ohio corporation

(b) Offeror's interests direct and indirect in oil and gas leases and applications or offers therefor including this offer do not exceed 46,080 chargeable acres in the same State, or 100,000 chargeable acres in Alaska. (c) Offeror accepts as a part of this lease, to the extent applicable, the stipulations provided for in 43 CFR 191.6. (d) Offeror is 21 years of age or over (or if a corporation or other legal entity, is duly qualified as shown by statements made or referred to herein). (e) Offeror has described all surveyed lands by legal subdivisions and unsurveyed lands by metes and bounds, and further states that there are no settlers on unsurveyed lands described herein.

6. Offeror's signature to this offer shall also constitute offeror's signature to, and acceptance of, this lease and any amendment thereto that may cover any land described in this offer open to lease application at the time the offer was filed but omitted from this lease for any reason, or signature to, or acceptance of, any separate lease for such land. The offeror further agrees that (a) this offer cannot be withdrawn, either in whole or in part, unless the withdrawal is received by the land office before this lease, an amendment to this lease, or a separate lease, whichever covers the land described in the withdrawal, has been signed in behalf of the United States, and (b) this offer and lease shall apply only to lands not within a known geologic structure of a producing oil or gas field at the time the offer is filed.

7. If this lease form does not contain all of the terms and conditions of the lease form in effect at the date of filing, the offeror further agrees to be bound by the terms and conditions contained in that form.

8. It is hereby certified that the statements made herein are complete and correct to the best of offeror's knowledge and belief and are made in good faith.

IN WITNESS WHEREOF, Offeror has duly executed this instrument this 30th day of September 1955WITNESSES
#828 Cheryl Ave.,
La Crescenta, Calif.

(Name and address)

3142 Altura Ave.,
La Crescenta, Calif.

(Name and address)

AGO 570641

THE OHIO OIL COMPANY

(Lessee signature)

By George Sawada
(Lessee signature) Division Manager

(Attorney-in-fact)

This lease for the lands described in item 3 above is hereby issued, subject to the provisions of the offer and on the reverse side hereof.

THE UNITED STATES OF AMERICA

By Virgil O. Jensen
(Signing officer)

MANAGER

(Title)

OCT 25 1955

(Date)

Effective date of lease

OCT 1 1955

18 U. S. C. sec. 1001 makes it a crime for any person knowingly and willfully to make to any Department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

This form may be reproduced provided that the copies are exact reproductions on one sheet of both sides of this official form, in accordance with the provisions of 43 CFR 102.42 (a).

16-53027-7

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES

Division of Lands

LEASE NO. ADL **00583**

Competitive Oil and Gas Lease

THIS LEASE, dated the 1st day of January, 1960, is made by and between the State of Alaska, acting by and through the Director of the Division of Lands of the Department of Natural Resources, hereinafter called "Lessor", and

THE OHIO OIL COMPANY, an Ohio corporation

UNION OIL COMPANY OF CALIFORNIA, a California corporation

hereinafter called "Lessee", whether one or more.

1. GRANT. For and in consideration of a cash bonus and the first year's rental, the receipt of which is hereby acknowledged, and of the rentals, royalties, covenants, and conditions herein contained on the part of the Lessee to be paid, kept and performed, and subject to the conditions and reservations herein contained, Lessor does hereby grant and lease unto Lessee, exclusively, without warranty, for the sole and only purposes of exploration, development, production, processing and marketing of oil, gas, and associated substances produced therewith, and of installing pipe lines and structures thereon to find, produce, save, store, treat, process, transport, take care of and market all such substances, and for drilling water wells and taking underground and surface water for use in its operations thereon, and for housing and boarding employees in its operation thereon, the following described tract of land in Alaska: All of projected sections 30 and 31, T. 5 N., R. 11 W., S. M., lying westerly of the coast line and all of projected sections 25 and 36, T. 5 N., R. 12 W., S. M., as per protraction sheet Grid No. S-13-11 approved Sept. 15, 1959, being designated also as parcel No. S-13-11-1

containing 1.731 acres, more or less, hereinafter called "said land".

For the purposes of this lease, said land contains 4 legal subdivisions, as shown on the plat of said land attached hereto, marked Exhibit A and by this reference made a part of this lease.

If said land is described above by protracted legal subdivisions, and Lessor hereafter causes said land to be surveyed under the public land rectangular system, the boundaries of said land shall be those established by such survey, when approved, subject, however, to the provisions of the regulations relating to such surveys.

2. "OIL AND GAS". "Oil" means crude petroleum oil and other hydrocarbons regardless of gravity which are produced and saved in liquid form at the well by ordinary production methods. "Gas" means all natural gas and all hydrocarbons produced at the well not defined herein as oil. "Associated substances" means all substances produced in association with oil or gas and not defined herein as oil or gas.

3. TERM. This lease is issued for an initial primary term of five years from the date hereof, subject to extension as provided in Paragraph 4 hereof, and shall continue so long thereafter as oil and gas or either or any of them are produced in paying quantities from said land; provided, that this lease may be extended beyond its primary term as provided in Paragraph 5 hereof and shall not expire under the conditions set forth in Paragraphs 6, 7, and 8 hereof.

4. EXTENSION BY SUSPENSION OF OPERATIONS. If, prior to the expiration of the primary term, Lessor, in the interest of conservation, directs or assents to the suspension of all operations and production, if any, hereunder, the primary term will be extended by adding the period of suspension thereto.

5. EXTENSION BY UNIT PRODUCTION. This lease shall without application be extended beyond its primary term if upon or prior to the expiration date of such term the lease is committed to a unit agreement approved or prescribed by Lessor as provided in the regulations, production of oil or gas is had in paying quantities under the agreement, and a portion of such production is allocated to said land under the agreement. In such event this lease shall continue in effect so long as it remains subject to such agreement and actual production under said agreement is allocated to said land.

6. EXTENSION BY DRILLING. If production shall have been obtained in paying quantities during the primary term, and if, at the end of the primary term, or at any time prior to the end of the primary term, such production shall have ceased from any cause, or in the event production shall at any time or times after the expiration of the primary term cease from any cause, then this lease shall not terminate if the Lessee commences drilling or reworking operations (either in a well from which such production has ceased or in a new well) within sixty days after their cessation of production, and the lease shall remain in full force and effect so long as operations are prosecuted with reasonable diligence or are suspended under Paragraph 27 hereof; and, if such drilling or reworking operations result in the production of oil or gas, the lease shall remain in full force and effect so long as oil or gas is produced therefrom in paying quantities.

7. EXTENSION BY SHUT-IN PRODUCTION. If, upon the expiration of the primary term or at any time or times thereafter, there is on said land a well capable of producing oil or gas in paying quantities, this lease shall not expire because Lessee fails to produce the same unless Lessor gives notice to Lessee allowing a reasonable time, which shall not be less than sixty days, after such notice to place the well on a producing status, and Lessee fails to do so; provided, that after such status is established such production shall continue on the said land unless and until suspension of production is allowed by Lessor.

8. EXTENSION BY SUSPENSION OF PRODUCTION. This lease shall not expire because of any suspension of operations in or upon or production from said land if such suspension is made under any order or with the consent of Lessor.

9. RENTAL. This lease shall termination on any anniversary date hereof prior to the completion on said land of a well capable of producing oil or gas in paying quantities, unless on or before said anniversary date Lessee shall pay or tender to Lessor as annual rental a sum equal to \$1.00 per acre, or fraction thereof, then included in this lease, or unless such annual rental has been waived or suspended as provided in Paragraph 13 of this lease. If Lessor's office is not open for business on the anniversary date, the time for payment is extended to include the next day on which said office is open for business. Any rental paid for any one lease year shall be credited on any royalty for that year.

10. MINIMUM ROYALTY. Commencing with the lease year beginning on or after completion on said land of a well capable of producing oil or gas in paying quantities, Lessee shall pay Lessor, at the expiration of each lease year, in lieu of rental a minimum royalty equal to \$1.00 per acre, or fraction thereof, then included in this lease, or the difference between the actual royalty paid on production during the year if less than \$1.00 per acre and the prescribed minimum royalty.

11. ROYALTY ON PRODUCTION. Except for oil and gas used on said land for development and production or unavoidably lost, Lessee shall pay Lessor as royalty the following:

- (a) On oil 12 3/4 per cent in amount or value of the oil produced and saved and removed or sold from said land.
- (b) On gas 12 3/4 per cent in amount or value of the gas produced and saved and sold or used off said land or used for the extraction of natural gasoline or other products therefrom.
- (c) On associated substances 12 3/4 percent in amount or value of such substances produced and saved and removed or sold from said lands.

12. **REDUCTION OF ROYALTY RATES FOR DISCOVERY.** If Lessee shall drill on said land and make the first discovery of oil or gas in commercial quantities in any geological structure, the royalty rate under this lease shall, instead of the rates prescribed in Paragraph 11, be five per cent for a period of ten years following the date of such discovery, and thereafter the royalty rates shall be those prescribed in Paragraph 11. If this lease is committed to a unit agreement approved or prescribed by Lessor as provided in the regulations, the five per cent royalty rate shall apply to all, but only, the production allocated to this lease under such agreement.

13. **REDUCTION OF RENTAL AND ROYALTY.** Rental or minimum royalty may be waived, suspended, or reduced, or royalty may be reduced on all of said land or any tract or portion thereof segregated for royalty purposes if Lessor finds that such relief is necessary for the purpose of encouraging the greatest ultimate recovery of oil or gas and is in the interest of conservation of natural resources and either that such relief is necessary in order to promote development or that the lease cannot be successfully operated under the terms provided herein.

14. **ROYALTY IN KIND.** Whenever, at the option of Lessor, which may be exercised from time to time upon not less than six months notice to Lessee, Lessor elects to take its royalty in kind, Lessee shall deliver free of charge (on said land or at such place as Lessor and Lessee mutually agree upon) to Lessor or to such individual, firm, or corporation as Lessor may designate all royalty oil and/or gas produced and saved from said land. Such oil and/or gas shall be in good and merchantable condition. Lessee shall, if necessary, furnish storage for royalty oil free of charge for thirty days after the end of the calendar month in which the oil is produced from said land; provided, that Lessee shall not be held liable for loss or destruction of royalty oil and/or gas from causes beyond Lessee's reasonable control. Should Lessee dehydrate or clean the oil or gas produced from said land, Lessee shall be entitled to an allowance of the actual cost of dehydrating or cleaning said royalty oil or gas.

15. **ROYALTY IN VALUE.** At the option of Lessor, which may be exercised from time to time upon not less than six months' notice to Lessee, and in lieu of royalty in kind, Lessee shall pay to Lessor the field market price or value at the well of all royalty oil and/or gas. All royalty that may become payable in money to Lessor shall be paid on or before the last day of the calendar month following the month in which the oil or gas is produced. The payments shall be accompanied by copies of run tickets or other satisfactory evidence of sales, shipments, and amounts of gross production.

16. **PRICE.** The field market price or value of royalty oil or gas shall not be less than the highest of: (1) The price actually paid or agreed to be paid to Lessee at the well by the purchaser thereof, if any; or (2) The posted price of Lessee in the field for such oil or gas at the well, if any; or, (3) The prevailing price received by other producers in the field at the well for oil of like grade and gravity or gas of like kind and quality at the time such oil or gas is removed from said land or run into storage, or such gas is delivered to an extraction plant.

17. **PAYMENTS.** All payments to Lessor under this lease shall be made payable to the Department of Revenue of the State of Alaska and shall be tendered to Lessor at the place designated under Paragraph 43 for giving notices to Lessor.

18. **OFFSET WELLS.** Lessee shall drill such wells as a reasonably prudent operator would drill to protect Lessor adequately from loss by reason of drainage resulting from production on other land. Without limiting the generality of the foregoing sentence, if oil or gas should be produced in a well on other land not owned by Lessor or on which Lessor receives a lower rate of royalty than the royalty under this lease, which well is within 500 feet in the case of an oil well or 1,500 feet in the case of a gas well of lands then subject to this lease, and such well shall produce oil or gas in paying quantities for a period of thirty consecutive days, and if, after notice to Lessee and an opportunity to be heard, Lessor finds that production from such well is draining lands then subject to this lease, Lessee shall within 120 days after written demand by Lessor begin in good faith and prosecute diligently drilling operations for an offset well on said land. In lieu of drilling any well required by this paragraph, Lessee may with Lessor's consent compensate Lessor in full each month for the estimated loss of royalty through drainage in the amount determined by Lessor.

19. **OTHER WELLS.** This lease contemplates the reasonable development of said land for oil and gas as the facts may justify. Upon discovery of oil or gas in paying quantities on said land, Lessee shall drill such wells as a reasonably prudent operator would drill having due regard for the interests of Lessor as well as the interests of Lessee.

20. **DILIGENCE; PREVENTION OF WASTE.** Lessee shall exercise reasonable diligence in drilling, producing, and operating wells on said land unless consent to suspend operations temporarily is granted by Lessor; shall carry on all operations hereunder in a good and workmanlike manner in accordance with approved methods and practices, having due regard for the prevention of waste of oil and gas and the entrance of water to the oil and gas bearing sands or strata to the destruction or injury of such deposits and the preservation and conservation of the property for future productive operations; shall use reasonable care and all proper safeguards to prevent the pollution of water; shall plug securely in an approved manner any well before abandoning it; shall allow Lessor to inspect all operations at any time; shall carry out at Lessee's expense all reasonable orders and requirements of Lessor relative to the prevention of waste and the preservation of said land, and on failure of Lessee so to do, Lessor shall have the right together with any other recourse available to it to enter on said land to repair damage or prevent waste at Lessor's expense; and shall abide by and conform to valid applicable rules and regulations of the Alaska Oil and Gas Conservation Commission and the regulations of Lessor relating to the matters covered by this paragraph in effect on the effective date hereof or hereafter in effect if not inconsistent with any specific provisions of this lease.

21. **WELL LOCATIONS.** Lessee shall within five days after spudding in a well advise Lessor in writing of the location and date of spudding of said well.

22. **APPROVAL OF PLANS.** Lessee shall not place into actual operation any plan or method for the purpose of stimulating or increasing production on said land other than plans and methods in common use without first having obtained the written approval of Lessor.

23. **LOGS AND RECORDS.** An electric log or radioactive log, if taken, and a descriptive geologic sample log, if taken, and a record of all tests run for each well drilled on said land, together with a plat showing the exact location of each such well, shall be filed with Lessor within sixty days after such well has been completed or abandoned; provided, that such logs and records of an exploratory well, whether completed as a producer or abandoned as a dry hole, may be filed at any time within eighteen months after the completion or abandonment of such well. Any and all information filed by Lessee with Lessor in connection with this lease shall be available at all times for the confidential use of Lessor for the purpose of enforcing compliance with the terms, covenants, and conditions of this lease and the regulations of Lessor but shall not be open for inspection by any person other than officers or employees of Lessor and persons performing any function or work assigned to them by Lessor except upon the written consent of Lessee. Notwithstanding any other provision hereof, said information may be disclosed to any person where such disclosure is reasonably necessary for the administration of the functions, responsibilities, and duties vested by law in the Commissioner of the Department of Natural Resources or in the Division of Lands or the Director thereof, including but not limited to functions, responsibilities, and duties arising in connection with any litigation or administrative adjudication relating to this lease or to the rights, duties, and obligations arising hereunder.

24. **RECORDS.** Lessee shall keep and have in its possession books and records showing the production and disposition of all oil and gas produced from said land and shall permit Lessor or its agents at all reasonable hours to examine the same. Such records and reports of production shall be based upon such methods and techniques as shall insure the most accurate figures reasonably available without requiring the Lessee to provide separate tankage for each well.

25. **DAMAGES.** Section 2 of Article VII of the Alaska Land Act, Chapter 169, S.L.A., 1959, provides in part that no rights under reservations contained in certain leases or grants of Alaska shall be exercised by Lessor or its Lessee until provision has been made to pay to the owner of the land upon which the reserved rights are sought to be exercised full payment for all damages sustained by said owner by reason of entering upon said land; provided, that if said owner for any cause whatever refuses or neglects to settle said damages, Lessor or its Lessee shall have the

necessary to determine the damage which the owner of such land may suffer. Lessee hereby agrees to pay any damage that may become payable under said statutory provisions and to indemnify Lessor and hold it harmless from and against any claims, demands, liabilities and expenses arising from or in connection with such damage. The furnishing of a bond in compliance with this Lessor will be regarded by Lessor as a sufficient provision for the payment of all damage that may become payable under said statutory provisions.

26. BONDS.

(a) Lessee shall maintain the bond furnished prior to the issuance of this lease in an amount equal to at least \$2.00 per acre or fraction thereof contained in said land but not less than \$1,000.00.

(b) Before beginning drilling operations on said land Lessee must have furnished and shall maintain a bond in an amount of at least \$5,000.00.

(c) Lessee may, in lieu of the foregoing, furnish and maintain a statewide bond in the amount of \$100,000.00.

(d) Lessor may, after notice to Lessee and an opportunity to be heard, require a bond in a reasonable amount greater than the amount specified above in this paragraph where such greater amount is justified by the nature of the surface and its uses and improvements in the vicinity of said land and the degree of the risks involved in the types of operations being or to be carried out under this lease. A statewide bond will not satisfy any requirement of a bond imposed under this subparagraph but will be considered by Lessor in determining the need for and the amount of any additional bond under this subparagraph.

(e) If said land is committed in whole or in part to a cooperative or unit agreement approved or prescribed by Lessor pursuant to law and the regulations and a unit bond is furnished in accordance with the regulations, Lessee need not thereafter maintain any bond with respect to the portion of said land so committed to such agreement.

27. ACTS OF GOD. Should Lessee be prevented from complying with any expressed or implied covenant of this lease, from conducting drilling operations thereon, or from producing or marketing oil or gas from said land after efforts made in good faith, by reason of war, riots, acts of God, severe weather in the area of said land, acts of governmental authorities, failure or lack of adequate transportation facilities, or any other cause beyond Lessee's reasonable control whether similar to those enumerated or not, then while so prevented and for a reasonable time thereafter within which to resume operations, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply therewith. If drilling or reworking operations are suspended by virtue of this paragraph and the prosecution of such operations would have had the effect of preventing the expiration or termination of this lease, then this lease shall not terminate during the period which the obligation to perform such operations is suspended under this paragraph; provided, however, that nothing in this paragraph shall be construed to suspend the payment of rentals or of minimum royalties.

28. SUSPENSION. Lessor may from time to time direct or assent to the suspension of production or other operations or both under this lease if such action is necessary or justified in the interest of conservation.

29. RESERVATIONS. Lessor reserves the right to dispose of the surface of said land to others subject to this lease, and the right to authorize others by grant, lease, or permit subject to this lease and under such conditions as will prevent unnecessary or unreasonable interference with the rights of Lessee and operations under this lease, to enter upon and use said land:

(a) To explore for oil or gas by geological or geophysical means including the drilling of shallow core holes or stratigraphic tests to a depth of not more than 1,000 feet.

(b) To explore for, develop and remove natural resources other than oil, gas, and associated substances on or from said land.

(c) For nonexclusive easements and rights of way for any lawful purpose including shafts and tunnels necessary or appropriate for the working of said land or other lands for natural resources other than oil, gas or associated substances.

(d) For well sites and well bores of wells drilled from or through said land to explore for or produce oil, gas, and associated substances in and from other lands.

(e) For any other purpose now or hereafter authorized by law and not inconsistent with the rights of Lessee under this lease.

30. UNDERGROUND STORAGE. This lease does not authorize the subsurface storage of oil or gas except as a necessary incident to recycling pressure maintenance, repressuring, or other similar operations designed to increase the ultimate recovery of oil or gas or prevent the waste of oil or gas produced from said land or from any unit area of which the said land is a part. Lessor reserves the right to authorize the subsurface storage of oil or gas in said land by Lessee or by others in order to avoid waste or to promote conservation of natural resources and upon such conditions as will prevent unnecessary or unreasonable interference with the rights and operations of Lessee under this lease, including conditions prohibiting the storage of oil or gas without the consent of Lessee in any reservoir covered by this lease capable of producing oil or gas in paying quantities.

31. ASSIGNMENTS. This lease or any undivided interest herein may with the approval of Lessor be assigned or subleased as to said land or any one or more legal subdivisions included therein, or any separate and distinct zone or geological horizon underlying said land or such one or more legal subdivisions, to any person or persons qualified to hold a lease. No transfer of any interest in this lease including assignments of working or royalty interests and operating agreements and subleases shall be binding upon Lessor unless approved by Lessor. Lessee shall remain liable for all obligations under this lease accruing prior to the approval of such transfer. Approval of transfer of this lease or an interest therein will not be denied except (1) for failure to comply with the regulations, (2) in the discretion of Lessor, where the transfer covers any distinct zone or geological horizon, or (3) where Lessor determines that the best interests of Lessor justify such action. Applications for approval of a transfer under this paragraph must comply with the regulations and must be filed within ninety days after the date of final execution of the instrument of transfer. Where a transfer is made of all or a part of Lessee's interest in and to a portion of the acreage in said land the assigned acreage shall, at the option of Lessor, or may upon request of the transferee and with the approval of Lessor be segregated into a separate and distinct lease having the same effective date as this lease.

32. UNITIZATION. Whenever determined and certified by Lessor to be necessary or advisable in the public interest for the purpose of properly conserving the natural resources of any oil or gas pool, field or like area or any part thereof, which includes or underlies said land or any part thereof, Lessee may unite with other Lessees of Lessor or with others owning or operating lands not belonging to Lessor including lands belonging to the United States and with others, jointly or separately, in collectively adopting and operating under a cooperative or unit agreement for the development or operation of the pool or field or like area or part thereof. Lessee shall within thirty days after demand by Lessor subscribe to such a cooperative or unit agreement, which agreement shall be reasonable and shall adequately protect all parties in interest including Lessor. Lessor may with the consent of Lessee establish, alter, change, or revoke drilling, producing, rental, minimum royalty, and royalty requirements of this lease if committed to any such cooperative or unit agreement and may make such regulations with reference to this lease with the like consent of Lessee in connection with the institution and operation of any such cooperative or unit agreement as Lessor may determine to be necessary or proper to secure the proper protection of the public interest. If a portion of said land is committed to an approved or prescribed unit agreement, the committed acreage shall at the option of Lessor and may upon the request of Lessee and with the approval of Lessor be segregated into a separate and distinct lease having the same effective date as this lease.

3. SURRENDER. Lessee may at any time make and file with Lessor a written surrender of all rights under this lease or any portion thereof comprising one or more legal subdivisions or, with the consent of Lessor, of any separate and distinct zone or geological horizon underlying said lands or such one or more legal subdivisions thereof. Such a surrender shall be effective as of the date of filing subject to the continued obligations of Lessee and his surety to make payment of all royalties theretofore accrued and to place all wells on the surrendered land or in the surrendered zones or horizons in condition satisfactory to Lessor for suspension or abandonment; thereupon, Lessee shall be released from all other obligations accrued or to accrue under this lease with respect to the surrendered lands, zones, or horizons.

MAP OF TRACT AS INDICATED ON PROTRACTION
GRID OF THE COOK INLET SHELIKOF STRAIT SERIES

23	24	19
		240 Ac. (79.57)
26	25	30
		233 Ac. (79.79)
35	36	31
		218 Ac. (80.00)

Cook Inlet

S. 13.11.1 AC.

S-13-11-1

Fractional Sec. 30
" Sec. 31
T. 5N R. 11W, S.M.
Sec. 25 (All)
Sec. 36 (All)
T. 5N R. 12W, S.M.

233
218
640
640
Total 1731

AGO 570646

DEFAULT; TERMINATION. Whenever Lessee fails to comply with any of the provisions of this lease other than the payment of rental and Lessee fails within sixty days after written notice of such default to commence to remedy the same, Lessor may cancel this lease if at that time no well on said land capable of producing oil or gas in paying quantities. If at such time there is on said land a well capable of producing oil or gas in paying quantities, this lease may be cancelled only by judicial proceedings. In the event of any cancellation under this paragraph, Lessee shall have the right to retain under this lease any and all rights of way through said land as may be reasonably necessary to enable Lessee to drill and operate any well or wells.

EXCESS AREA. If for any reason said land includes more acreage than the maximum permitted under applicable laws and/or regulations, this lease shall not be void but the acreage included in said land shall be reduced to the permitted maximum. Whenever Lessor determines that this lease so exceeds the permitted acreage and notifies Lessee of the amount of acreage that must be eliminated, Lessee may within sixty days after such notice surrender the excess acreage. If Lessee does not surrender the excess acreage within such sixty days Lessor may terminate this lease as to the acreage that must be eliminated by mailing notice of such termination to Lessee describing the parcel or parcels eliminated. Such a notice shall have the effect of terminating this lease as to the parcel or parcels described in such notice.

RIGHTS ON TERMINATION. Upon the expiration or earlier termination of this lease as to all or any portion of the lands, Lessee shall have the privilege at any time within a period of six months thereafter, or such extension as may be granted by Lessor, of removing from said land or portion thereof all machinery, equipment, tools, materials other than improvements needed for producing wells. Any materials, tools, appliances, machinery, structures and equipment subject to removal as above provided which are allowed to remain on said land or portion thereof shall become the property of Lessor upon expiration of such period; provided, that Lessee shall remove any and all of the improvements thereof in good order and condition.

INTEREST IN LAND. It is the intention of the parties that the rights vested in Lessee by this lease shall be an interest in real property in said land.

LESSOR INTEREST. If Lessor owns a lesser interest in the oil and gas deposits in said land than the entire fee simple estate, then the royalties and rentals herein provided shall be paid Lessor only in the proportion which its interest bears to the whole and undivided fee.

CONDITIONAL LEASE. If all or a part of said land is land that has been selected by the Lessor under laws of the United States granting lands to Lessor, but such land has not been patented to Lessor by the United States, then the lease is a conditional lease as provided by law until such patent become effective. If for any reason such a patent is not finally approved or such a patent does not become effective, and rental, royalty or minimum royalty payment made to Lessor under this lease will not be refunded.

DRILLING OPERATIONS. As used in this lease "drilling operations" mean any work or actual operations undertaken or commenced in good faith for the purpose of carrying out any of the rights, privileges or duties of Lessee under this lease, followed diligently and in due course by the construction of a road or derrick and/or other necessary structures for the drilling of an oil or gas well, and by the actual operation of drilling in the ground. Any such work or operations preliminary to drilling in the ground may be undertaken either on said land or in the vicinity of said land under Lessee shall see fit.

RULES AND REGULATIONS. As used in this lease "regulations" mean the applicable and valid oil and gas regulations of the Commissioner of the Department of Natural Resources in effect on the effective date of this lease unless otherwise specified.

INTERPRETATION. As used in this lease words which are defined in the regulations have the meaning as such definition except where the context clearly requires a different meaning. The paragraph headings are part of this lease and are inserted only for convenience.

NOTICES. Any notice required or permitted under this lease shall be in writing and shall be given by registered or certified mail, return receipt requested, addressed as follows:

To Lessor:
Director, Division of Lands
State of Alaska
333 "D" Street
Anchorage, Alaska

To Lessee:
THE OHIO OIL COMPANY
550 South Flower Street
Los Angeles 17, California

Any notice shall be deemed given when delivered to the foregoing address. Either party may change the address of such notices are to be sent, by a notice given in accordance with this paragraph.

HEIRS AND ASSIGNS. Subject to the other provisions of this lease, the covenants, conditions, and agreements contained in this lease shall extend to and be binding upon the heirs, executors, administrators, successors, or assigns of Lessor and Lessee.

WITNESS WHEREOF the parties have executed this lease.

By George S. Edwards
Division Manager
UNION OIL COMPANY OF CALIFORNIA
By [Signature]
Attorney-in-Fact LESSEE

STATE OF ALASKA
By [Signature]
Director, Division of Lands LESSOR

UNITED STATES OF AMERICA)
OF ALASKA) ss.
I, _____, do hereby certify that on the _____ day of _____, 19____, before me a Notary Public in and for the State of Alaska, duly commissioned and sworn, personally appeared ROSCOE E. BELL, known and known to me to be the person described in and who executed the foregoing lease on behalf of the State of Alaska as Director of the Division of Lands, Department of Natural Resources. The said ROSCOE E. BELL, said lease in my presence and, after being duly sworn according to law, stated to me under oath that he is Director of the Division of Lands, Department of Natural Resources and has authority pursuant to law to execute the foregoing lease as such Director on behalf of the State of Alaska, acting through the Division of Lands, Department of Natural Resources and that he executed the same freely and voluntarily as the free and voluntary act, and lease of the State of Alaska and for the Division of Lands, Department of Natural Resources.

I have signed my hand and official seal the day and year in this certificate first above written.

722 _____
Notary Public in and for Alaska

My Commission expires 10-23-63

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
Division of Lands

LEASE NO. ADL 00593

Competitive Oil and Gas Lease

THIS LEASE, dated the 1st day of January, 1960, is made by and between the State of Alaska, acting by and through the Director of the Division of Lands of the Department of Natural Resources, hereinafter called "Lessor", and

THE OHIO OIL COMPANY, an Ohio corporation

UNION OIL COMPANY OF CALIFORNIA, a California corporation

hereinafter called "Lessee", whether one or more.

1. GRANT. For and in consideration of a cash bonus and the first year's rental, the receipt of which is hereby acknowledged, and of the rentals, royalties, covenants, and conditions herein contained on the part of the Lessee to be paid, kept and performed, and subject to the conditions and reservations herein contained, Lessor does hereby grant and lease unto Lessee, exclusively, without warranty, for the sole and only purposes of exploration, development, production, processing and marketing of oil, gas, and associated substances produced therewith, and of installing pipe lines and structures thereon to find, produce, save, store, treat, process, transport, take care of and market all such substances, and for drilling water wells and taking underground and surface water for use in its operations thereon, and for all other purposes connected therewith.

All that portion of projected sections 1 and 12 lying westerly of the coast line and all of projected sections 2 and 11, T.4N., R.12W., S.M., as per protraction sheet grid S-13-14 approved September 14, 1959, being designated also as parcel No. S-13-14-1.

under the public land rectangular system, the boundaries of said land shall be those established by such survey, when approved, subject, however, to the provisions of the regulations relating to such surveys.

2. "OIL AND GAS". "Oil" means crude petroleum oil and other hydrocarbons regardless of gravity which are produced and saved in liquid form at the well by ordinary production methods. "Gas" means all natural gas and all hydrocarbons produced at the well not defined herein as oil. "Associated substances" means all substances produced in association with oil or gas and not defined herein as oil or gas.

3. TERM. This lease is issued for an initial primary term of five years from the date hereof, subject to extension as provided in Paragraph 4 hereof, and shall continue so long thereafter as oil and gas or either or any of them are produced in paying quantities from said land; provided, that this lease may be extended beyond its primary term as provided in Paragraph 5 hereof and shall not expire under the conditions set forth in Paragraphs 6, 7, and 8 hereof.

4. EXTENSION BY SUSPENSION OF OPERATIONS. If, prior to the expiration of the primary term, Lessor, in the interest of conservation, directs or assents to the suspension of all operations and production, if any, hereunder, the primary term will be extended by adding the period of suspension thereto.

5. EXTENSION BY UNIT PRODUCTION. This lease shall without application be extended beyond its primary term if upon or prior to the expiration date of such term the lease is committed to a unit agreement approved or prescribed by Lessor as provided in the regulations, production of oil or gas is had in paying quantities under the agreement, and a portion of such production is allocated to said land under the agreement. In such event this lease shall continue in effect so long as it remains subject to such agreement and actual production under said agreement is allocated to said land.

6. EXTENSION BY DRILLING. If production shall have been obtained in paying quantities during the primary term, and if, at the end of the primary term, or at any time prior to the end of the primary term, such production shall have ceased from any cause, or in the event production shall at any time or times after the expiration of the primary term cease from any cause, then this lease shall not terminate if the Lessee commences drilling or reworking operations (either in a well from which such production has ceased or in a new well) within sixty days after their cessation of production, and the lease shall remain in full force and effect so long as operations are prosecuted with reasonable diligence or are suspended under Paragraph 27 hereof; and, if such drilling or reworking operations result in the production of oil or gas, the lease shall remain in full force and effect so long as oil or gas is produced therefrom in paying quantities.

7. EXTENSION BY SHUT-IN PRODUCTION. If, upon the expiration of the primary term or at any time or times thereafter, there is on said land a well capable of producing oil or gas in paying quantities, this lease shall not expire because Lessee fails to produce the same unless Lessor gives notice to Lessee allowing a reasonable time, which shall not be less than sixty days, after such notice to place the well on a producing status, and Lessee fails to do so; provided, that after such status is established such production shall continue on the said land unless and until suspension of production is allowed by Lessor.

8. EXTENSION BY SUSPENSION OF PRODUCTION. This lease shall not expire because of any suspension of operations in or upon or production from said land if such suspension is made under any order or with the consent of Lessor.

9. RENTAL. This lease shall terminate on any anniversary date hereof prior to the completion on said land of a well capable of producing oil or gas in paying quantities, unless on or before said anniversary date Lessee shall pay or tender to Lessor as annual rental a sum equal to \$1.00 per acre, or fraction thereof, then included in this lease, or unless such annual rental has been waived or suspended as provided in Paragraph 13 of this lease. If Lessor's office is not open for business on the anniversary date, the time for payment is extended to include the next day on which said office is open for business. Any rental paid for any one lease year shall be credited on any royalty for that year.

10. MINIMUM ROYALTY. Commencing with the lease year beginning on or after completion on said land of a well capable of producing oil or gas in paying quantities, Lessee shall pay Lessor, at the expiration of each lease year, in lieu of rental a minimum royalty equal to \$1.00 per acre, or fraction thereof, then included in this lease, or the difference between the actual royalty paid on production during the year if less than \$1.00 per acre and the prescribed minimum royalty.

11. ROYALTY ON PRODUCTION. Except for oil and gas used on said land for development and production or unavoidably lost, Lessee shall pay Lessor as royalty the following:

- (a) On oil, 12 3/4 per cent in amount or value of the oil produced and saved and removed or sold from said land.
- (b) On gas, 12 3/4 per cent in amount or value of the gas produced and saved and sold or used off said land or used for the extraction of natural gas or other products therefrom.
- (c) On associated substances, 12 3/4 percent in amount or value of such substances produced and saved and removed or sold from said lands.

discovery of oil or gas in commercial quantities in any geological structure, the royalty rate under this lease shall, instead of the rates prescribed in Paragraph 11, be five per cent for a period of ten years following the date of such discovery, and thereafter the royalty rates shall be those prescribed in Paragraph 11. If this lease is committed to a unit agreement approved or prescribed by Lessor as provided in the regulations, the five per cent royalty rate shall apply to all, but only, the production allocated to this lease under such agreement.

13. **REDUCTION OF RENTAL AND ROYALTY.** Rental or minimum royalty may be waived, suspended, or reduced, or royalty may be reduced on all of said land or any tract or portion thereof segregated for royalty purposes if Lessor finds that such relief is necessary for the purpose of encouraging the greatest ultimate recovery of oil or gas and is in the interest of conservation of natural resources and either that such relief is necessary in order to promote development or that the lease cannot be successfully operated under the terms provided herein.

14. **ROYALTY IN KIND.** Whenever, at the option of Lessor, which may be exercised from time to time upon not less than six months notice to Lessee, Lessor elects to take its royalty in kind, Lessee shall deliver free of charge (on said land or at such place as Lessor and Lessee mutually agree upon) to Lessor or to such individual, firm, or corporation as Lessor may designate all royalty oil and/or gas produced and saved from said land. Such oil and/or gas shall be in good and merchantable condition. Lessee shall, if necessary, furnish storage for royalty oil free of charge for thirty days after the end of the calendar month in which the oil is produced from said land; provided, that Lessee shall not be held liable for loss or destruction of royalty oil and/or gas from causes beyond Lessee's reasonable control. Should Lessee dehydrate or clean the oil or gas produced from said land, Lessee shall be entitled to an allowance of the actual cost of dehydrating or cleaning said royalty oil or gas.

15. **ROYALTY IN VALUE.** At the option of Lessor, which may be exercised from time to time upon not less than six months' notice to Lessee, and in lieu of royalty in kind, Lessee shall pay to Lessor the field market price or value at the well of all royalty oil and/or gas. All royalty that may become payable in money to Lessor shall be paid on or before the last day of the calendar month following the month in which the oil or gas is produced. The payments shall be accompanied by copies of run tickets or other satisfactory evidence of sales, shipments, and amounts of gross production.

16. **PRICE.** The field market price or value of royalty oil or gas shall not be less than the highest of: (1) The price actually paid or agreed to be paid to Lessee at the well by the purchaser thereof, if any; or (2) The posted price of Lessee in the field for such oil or gas at the well, if any; or, (3) The prevailing price received by other producers in the field at the well for oil of like grade and gravity or gas of like kind and quality at the time such oil or gas is removed from said land or run into storage, or such gas is delivered to an extraction plant.

17. **PAYMENTS.** All payments to Lessor under this lease shall be made payable to the Department of Revenue of the State of Alaska and shall be tendered to Lessor at the place designated under Paragraph 43 for giving notices to Lessor.

18. **OFFSET WELLS.** Lessee shall drill such wells as a reasonably prudent operator would drill to protect Lessor adequately from loss by reason of drainage resulting from production on other land. Without limiting the generality of the foregoing sentence, if oil or gas should be produced in a well on other land not owned by Lessor or on which Lessor receives a lower rate of royalty than the royalty under this lease, which well is within 500 feet in the case of an oil well or 1,500 feet in the case of a gas well of lands then subject to this lease, and such well shall produce oil or gas in paying quantities for a period of thirty consecutive days, and if, after notice to Lessee and an opportunity to be heard, Lessor finds that production from such well is draining lands then subject of this lease, Lessee shall within 120 days after written demand by Lessor begin in good faith and prosecute diligently drilling operations for an offset well on said land. In lieu of drilling any well required by this paragraph, Lessee may with Lessor's consent compensate Lessor in full each month for the estimated loss of royalty through drainage in the amount determined by Lessor.

19. **OTHER WELLS.** This lease contemplates the reasonable development of said land for oil and gas as the facts may justify. Upon discovery of oil or gas in paying quantities on said land, Lessee shall drill such wells as a reasonably prudent operator would drill having due regard for the interests of Lessor as well as the interests of Lessee.

20. **DILIGENCE; PREVENTION OF WASTE.** Lessee shall exercise reasonable diligence in drilling, producing, and operating wells on said land unless consent to suspend operations temporarily is granted by Lessor; shall carry on all operations hereunder in a good and workmanlike manner in accordance with approved methods and practices, having due regard for the prevention of waste of oil and gas and the entrance of water to the oil and gas bearing sands or strata to the destruction or injury of such deposits and the preservation and conservation of the property for future productive operations; shall use reasonable care and all proper safeguards to prevent the pollution of water; shall plug securely in an approved manner any well before abandoning it; shall allow Lessor to inspect all operations at any time; shall carry out at Lessee's expense all reasonable orders and requirements of Lessor relative to the prevention of waste and the preservation of said land, and on failure of Lessee so to do, Lessor shall have the right together with any other recourse available to it to enter on said land to repair damage or prevent waste at Lessor's expense; and shall abide by and conform to valid applicable rules and regulations of the Alaska Oil and Gas Conservation Commission and the regulations of Lessor relating to the matters covered by this paragraph in effect on the effective date hereof or hereafter in effect if not inconsistent with any specific provisions of this lease.

21. **WELL LOCATIONS.** Lessee shall within five days after spudding in a well advise Lessor in writing of the location and date of spudding of said well.

22. **APPROVAL OF PLANS.** Lessee shall not place into actual operation any plan or method for the purpose of stimulating or increasing production on said land other than plans and methods in common use without first having obtained the written approval of Lessor.

23. **LOGS AND RECORDS.** An electric log or radioactive log, if taken, and a descriptive geologic sample log, if taken, and a record of all tests run for each well drilled on said land, together with a plat showing the exact location of each such well, shall be filed with Lessor within sixty days after such well has been completed or abandoned; provided, that such logs and records of an exploratory well, whether completed as a producer or abandoned as a dry hole, may be filed at any time within eighteen months after the completion or abandonment of such well. Any and all information filed by Lessee with Lessor in connection with this lease shall be available at all times for the confidential use of Lessor for the purpose of enforcing compliance with the terms, covenants, and conditions of this lease and the regulations of Lessor but shall not be open for inspection by any person other than officers or employees of Lessor and persons performing any function or work assigned to them by Lessor except upon the written consent of Lessee. Notwithstanding any other provision hereof, said information may be disclosed to any person where such disclosure is reasonably necessary for the administration of the functions, responsibilities, and duties vested by law in the Commissioner of the Department of Natural Resources or in the Division of Lands or the Director thereof, including but not limited to functions, responsibilities, and duties arising in connection with any litigation or administrative adjudication relating to this lease or to the rights, duties, and obligations arising hereunder.

24. **RECORDS.** Lessee shall keep and have in its possession books and records showing the production and disposition of all oil and gas produced from said land and shall permit Lessor or its agents at all reasonable hours to examine the same. Such records and reports of production shall be based upon such methods and techniques as shall insure the most accurate figures reasonably available without requiring the Lessee to provide separate tankage for each well.

25. **DAMAGES.** Section 2 of Article VII of the Alaska Land Act, Chapter 169, S.L.A., 1959, provides in part that no rights under reservations contained in certain leases or grants of Alaska land shall be exercised by Lessor or its Lessee until provision has been made to pay to the owner of the land upon which the reserved rights are sought to be exercised full payment for all damages sustained by said owner by reason of entering upon said land; provided, that if said owner for any cause whatever refuses or neglects to settle said damages, Lessor or its Lessee shall have the right to institute such legal proceedings in a court of competent jurisdiction wherein the land is situated as may be

age that may become payable under said statutory provisions and to indemnify Lessor and hold it harmless from and against any claims, demands, liabilities and expenses arising from or in connection with such damage. The furnishing of a bond in compliance with this Lease will be regarded by Lessor as a sufficient provision for the payment of all damage that may become payable under said statutory provisions.

26. BONDS.

- (a) Lessee shall maintain the bond furnished prior to the issuance of this lease in an amount equal to at least \$2.00 per acre or fraction thereof contained in said land but not less than \$1,000.00.
- (b) Before beginning drilling operations on said land Lessee must have furnished and shall maintain a bond in an amount of at least \$5,000.00.
- (c) Lessee may, in lieu of the foregoing, furnish and maintain a statewide bond in the amount of \$100,000.00.
- (d) Lessor may, after notice to Lessee and an opportunity to be heard, require a bond in a reasonable amount greater than the amount specified above in this paragraph where such greater amount is justified by the nature of the surface and its uses and improvements in the vicinity of said land and the degree of the risks involved in the types of operations being or to be carried out under this lease. A statewide bond will not satisfy any requirement of a bond imposed under this subparagraph but will be considered by Lessor in determining the need for and the amount of any additional bond under this subparagraph.
- (e) If said land is committed in whole or in part to a cooperative or unit agreement approved or prescribed by Lessor pursuant to law and the regulations and a unit bond is furnished in accordance with the regulations, Lessee need not thereafter maintain any bond with respect to the portion of said land so committed to such agreement.

27. ACTS OF GOD. Should Lessee be prevented from complying with any expressed or implied covenant of this lease, from conducting drilling operations thereon, or from producing or marketing oil or gas from said land after efforts made in good faith, by reason of war, riots, acts of God, severe weather in the area of said land, acts of governmental authorities, failure or lack of adequate transportation facilities, or any other cause beyond Lessee's reasonable control whether similar to those enumerated or not, then while so prevented and for a reasonable time thereafter within which to resume operations, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply therewith. If drilling or reworking operations are suspended by virtue of this paragraph and the prosecution of such operations would have had the effect of preventing the expiration or termination of this lease, then this lease shall not terminate during the period which the obligation to perform such operations is suspended under this paragraph; provided, however, that nothing in this paragraph shall be construed to suspend the payment of rentals or of minimum royalties.

28. SUSPENSION. Lessor may from time to time direct or assent to the suspension of production or other operations or both under this lease if such action is necessary or justified in the interest of conservation.

29. RESERVATIONS. Lessor reserves the right to dispose of the surface of said land to others subject to this lease, and the right to authorize others by grant, lease, or permit subject to this lease and under such conditions as will prevent unnecessary or unreasonable interference with the rights of Lessee and operations under this lease, to enter upon and use said land:

- (a) To explore for oil or gas by geological or geophysical means including the drilling of shallow core holes or stratigraphic tests to a depth of not more than 1,000 feet.
- (b) To explore for, develop and remove natural resources other than oil, gas, and associated substances on or from said land.
- (c) For nonexclusive easements and rights of way for any lawful purpose including shafts and tunnels necessary or appropriate for the working of said land or other lands for natural resources other than oil, gas or associated substances.
- (d) For well sites and well bores of wells drilled from or through said land to explore for or produce oil, gas, and associated substances in and from other lands.
- (e) For any other purpose now or hereafter authorized by law and not inconsistent with the rights of Lessee under this lease.

30. UNDERGROUND STORAGE. This lease does not authorize the subsurface storage of oil or gas except as a necessary incident to recycling pressure maintenance, repressuring, or other similar operations designed to increase the ultimate recovery of oil or gas or prevent the waste of oil or gas produced from said land or from any unit area of which the said land is a part. Lessor reserves the right to authorize the subsurface storage of oil or gas in said land by Lessee or by others in order to avoid waste or to promote conservation of natural resources and upon such conditions as will prevent unnecessary or unreasonable interference with the rights and operations of Lessee under this lease, including conditions prohibiting the storage of oil or gas without the consent of Lessee in any reservoir covered by this lease capable of producing oil or gas in paying quantities.

31. ASSIGNMENTS. This lease or any undivided interest herein may with the approval of Lessor be assigned or subleased as to said land or any one or more legal subdivisions included therein, or any separate and distinct zone or geological horizon underlying said land or such one or more legal subdivisions, to any person or persons qualified to hold a lease. No transfer of any interest in this lease including assignments of working or royalty interests and operating agreements and subleases shall be binding upon Lessor unless approved by Lessor. Lessee shall remain liable for all obligations under this lease accruing prior to the approval of such transfer. Approval of transfer of this lease or an interest therein will not be denied except (1) for failure to comply with the regulations, (2) in the discretion of Lessor, where the transfer covers any distinct zone or geological horizon, or (3) where Lessor determines that the best interests of Lessor justify such action. Applications for approval of a transfer under this paragraph must comply with the regulations and must be filed within ninety days after the date of final execution of the instrument of transfer. Where a transfer is made of all or a part of Lessee's interest in and to a portion of the acreage in said land the assigned acreage shall, at the option of Lessor, or may upon request of the transferee and with the approval of Lessor be segregated into a separate and distinct lease having the same effective date as this lease.

32. UNITIZATION. Whenever determined and certified by Lessor to be necessary or advisable in the public interest for the purpose of properly conserving the natural resources of any oil or gas pool, field or like area or any part thereof, which includes or underlies said land or any part thereof, Lessee may unite with other Lessees of Lessor or with others owning or operating lands not belonging to Lessor including lands belonging to the United States and with others, jointly or separately, in collectively adopting and operating under a cooperative or unit agreement for the development or operation of the pool or field or like area or part thereof. Lessee shall within thirty days after demand by Lessor subscribe to such a cooperative or unit agreement, which agreement shall be reasonable and shall adequately protect all parties in interest including Lessor. Lessor may with the consent of Lessee establish, alter, change, or revoke drilling, producing, rental, minimum royalty, and royalty requirements of this lease if committed to any such cooperative or unit agreement and may make such regulations with reference to this lease with the like consent of Lessee in connection with the institution and operation of any such cooperative or unit agreement as Lessor may determine to be necessary or proper to secure the proper protection of the public interest. If a portion of said land is committed to an approved or prescribed unit agreement, the committed acreage shall at the option of Lessor and may upon the request of Lessee and with the approval of Lessor be segregated into a separate and distinct lease having the same effective date as this lease.

3. SURRENDER. Lessee may at any time make and file with Lessor a written surrender of all rights under this lease or any portion thereof comprising one or more legal subdivisions or, with the consent of Lessor, of any separate and distinct zone or geological horizon underlying said lands or such one or more legal subdivisions thereof. Such a surrender shall be effective as of the date of filing subject to the continued obligations of Lessee and his surety to make payment of all royalties theretofore accrued and to place all wells on the surrendered land or in the surrendered zones or horizons in condition satisfactory to Lessor for suspension or abandonment; whereupon, Lessee shall be released from all other obligations accrued or to accrue under this lease with respect to the surrendered lands, zones, or horizons.

then the payment of rental and Lessee shall within sixty days after written notice of such default to commence to remedy and thereafter prosecute diligently operations to remedy such default, Lessor may cancel this lease if at that time there is no well on said land capable of producing oil or gas in paying quantities. If at such time there is on said land a well capable of producing oil or gas in paying quantities, this lease may be cancelled only by judicial proceedings. In the event of any cancellation under this paragraph, Lessee shall have the right to retain under this lease any and all drilling or producing wells as to which no default exists together with a parcel of land surrounding each such well or wells and such rights of way through said land as may be reasonably necessary to enable Lessee to drill and operate such retained well or wells.

35. EXCESS AREA. If for any reason said land includes more acreage than the maximum permitted under applicable laws and/or regulations, this lease shall not be void but the acreage included in said land shall be reduced to the permitted maximum. Whenever Lessor determines that this lease so exceeds the permitted acreage and notifies Lessee stating the amount of acreage that must be eliminated, Lessee may within sixty days after such notice surrender one or more legal subdivisions included in said lands comprising at least the amount of acreage that must be eliminated. If such a surrender is not filed within such sixty days Lessor may terminate this lease as to the acreage that must be eliminated by mailing notice of such termination to Lessee describing the parcel or parcels eliminated. Such a notice shall have the effect of terminating this lease as to the parcel or parcels described in such notice.

36. RIGHTS ON TERMINATION. Upon the expiration or earlier termination of this lease as to all or any portion of said lands, Lessee shall have the privilege at any time within a period of six months thereafter, or such extension thereof as may be granted by Lessor, of removing from said land or portion thereof all machinery, equipment, tools, and materials other than improvements needed for producing wells. Any materials, tools, appliances, machinery, structures, and equipment subject to removal as above provided which are allowed to remain on said land or portion thereof shall become the property of Lessor upon expiration of such period; provided, that Lessee shall remove any and all of such properties when so directed by Lessor. Subject to the foregoing, Lessee shall deliver up said lands or such portion or portions thereof in good order and condition.

37. INTEREST IN LAND. It is the intention of the parties that the rights vested in Lessee by this lease shall constitute an interest in real property in said land.

38. LESSOR INTEREST. If Lessor owns a lesser interest in the oil and gas deposits in said land than the entire and undivided fee simple estate, then the royalties and rentals herein provided shall be paid Lessor only in the proportion which its interest bears to the whole and undivided fee.

39. CONDITIONAL LEASE. If all or a part of said land is land that has been selected by the Lessor under laws of the United States granting lands to Lessor, but such land has not been patented to Lessor by the United States, then this lease is a conditional lease as provided by law until such patent become effective. If for any reason such a selection is not finally approved or such a patent does not become effective, and rental, royalty or minimum royalty payments made to Lessor under this lease will not be refunded.

40. DRILLING OPERATIONS. As used in this lease "drilling operations" mean any work or actual operations undertaken or commenced in good faith for the purpose of carrying out any of the rights, privileges or duties of Lessee under this lease, followed diligently and in due course by the construction of a road or derrick and/or other necessary structures for the drilling of an oil or gas well, and by the actual operation of drilling in the ground. Any such work or operations preliminary to drilling in the ground may be undertaken either on said land or in the vicinity of said land in any order Lessee shall see fit.

41. RULES AND REGULATIONS. As used in this lease "regulations" mean the applicable and valid oil and gas leasing regulations of the Commissioner of the Department of Natural Resources in effect on the effective date of this lease unless otherwise specified.

42. INTERPRETATION. As used in this lease words which are defined in the regulations have the meaning assigned by such definition except where the context clearly requires a different meaning. The paragraph headings are not a part of this lease and are inserted only for convenience.

43. NOTICES. Any notice required or permitted under this lease shall be in writing and shall be given by registered or certified mail, return receipt requested, addressed as follows:

To Lessor:

Director, Division of Lands
State of Alaska
333 "D" Street
Anchorage, Alaska

To Lessee:

THE OHIO OIL COMPANY
550 South Flower St.,
Los Angeles 17, Calif.

Any such notice shall be deemed given when delivered to the foregoing address. Either party may change the address to which such notices are to be sent, by a notice given in accordance with this paragraph.

42. HEIRS AND ASSIGNS. Subject to the other provisions of this lease, the covenants, conditions, and agreements contained in this lease shall extend to and be binding upon the heirs, executors, administrators, successors, or assigns of Lessor and Lessee.

IN WITNESS WHEREOF the parties have executed this lease.

THE OHIO OIL COMPANY
by George S. Edwards
Division Manager
UNION OIL COMPANY OF CALIFORNIA
by C. J. Smith
Attorney-in-Fact LESSEE

STATE OF ALASKA
By Roscoe E. Bell
Director, Division of Lands LESSOR

AGO 570651

THE UNITED STATES OF AMERICA)

STATE OF ALASKA)

ss.

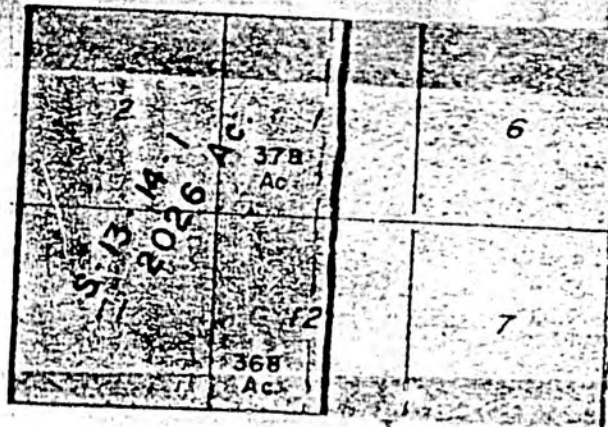
This certifies that on the 31st day of January, 1960 before me a notary public in and for the State of Alaska, duly commissioned and sworn, personally appeared ROSCOE E. BELL, to me known and known to me to be the person described in and who executed hte foregoing lease on behalf of the State of Alaska as Director of the Division of Lands, Department of Natural Resources. The said ROSCOE E. BELL, executed said lease in my presence and, after being duly sworn according to law, stated to me under oath that he is the Director of the Division of Lands, Department of Natural Resources and has authority pursuant to law to execute the foregoing lease as such Director on behalf of the State of Alaska, acting through the Division of Lands, Department of Natural Resources and that he executed the same freely and voluntarily as the free and voluntary act, and lease of the said State of Alaska and for the Division of Lands, Department of Natural Resources.

WITNESS my hand and official seal the day and year in this certificate first above written.

Thomas W. Allen
Notary Public in and for Alaska

My Commission expires 10-33-63

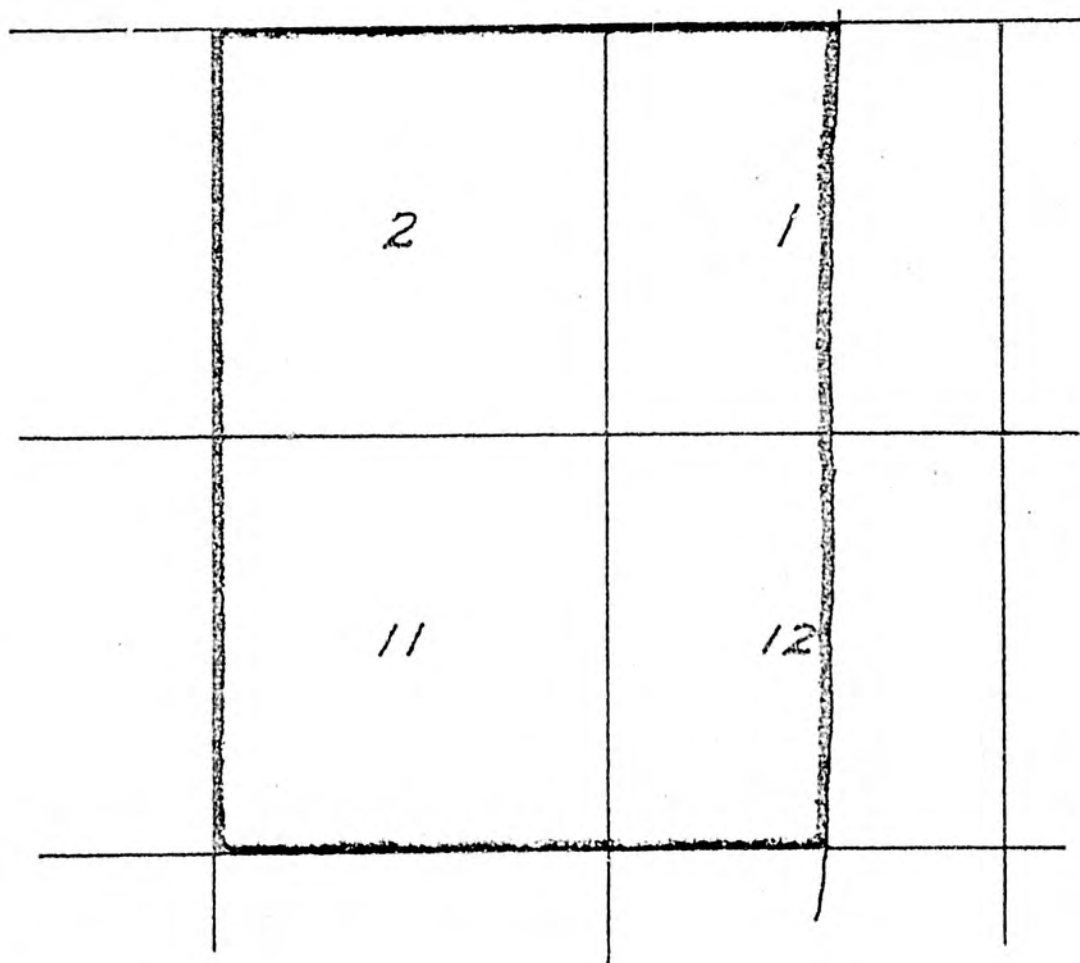
MAP OF TRACT AS INDICATED ON PROTRACTION
GRID OF THE COOK INLET SHELIKOF STRAIT SERIES



S-13-14-1

Fractional Sec. 1	378
Sec. 2 (All)	640
Sec. 11 (All)	640
Fractional Sec. 12	368
T. 4N R. 12W, S.M.	Total 2026

T. 4 N., R. 12 W., S. 44.



Parcel S-13-14-1

2,026 ac.

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
Division of Lands

LEASE NO. ADL **00594**

Competitive Oil and Gas Lease

THIS LEASE, dated the 1st day of January, 1960, is made by and between the State of Alaska, acting by and through the Director of the Division of Lands of the Department of Natural Resources, hereinafter called "Lessor", and

THE OHIO OIL COMPANY, an Ohio corporation

UNION OIL COMPANY OF CALIFORNIA, a California corporation

hereinafter called "Lessee", whether one or more.

1. GRANT. For and in consideration of a cash bonus and the first year's rental, the receipt of which is hereby acknowledged, and of the rentals, royalties, covenants, and conditions herein contained on the part of the Lessee to be paid, kept and performed, and subject to the conditions and reservations herein contained, Lessor does hereby grant and lease unto Lessee, exclusively, without warranty, for the sole and only purposes of exploration, development, production, processing and marketing of oil, gas, and associated substances produced therewith, and of installing pipe lines and structures thereon to find, produce, save, store, treat, process, transport, take care of and market all such substances,

All that portion of projected sections 13 and 24 lying westerly of the coastline and all of projected sections 14 and 23, T.4N., R.12W., S.4., as per protraction sheet grid No. S-13-14 approved September 14, 1959, being designated also as parcel No. S-13-14-2.

approved, subject, however, to the provisions of the regulations relating to such surveys.

2. "OIL AND GAS". "Oil" means crude petroleum oil and other hydrocarbons regardless of gravity which are produced and saved in liquid form at the well by ordinary production methods. "Gas" means all natural gas and all hydrocarbons produced at the well not defined herein as oil. "Associated substances" means all substances produced in association with oil or gas and not defined herein as oil or gas.

3. TERM. This lease is issued for an initial primary term of five years from the date hereof, subject to extension as provided in Paragraph 4 hereof, and shall continue so long thereafter as oil and gas or either or any of them are produced in paying quantities from said land; provided, that this lease may be extended beyond its primary term as provided in Paragraph 5 hereof and shall not expire under the conditions set forth in Paragraphs 6, 7, and 8 hereof.

4. EXTENSION BY SUSPENSION OF OPERATIONS. If, prior to the expiration of the primary term, Lessor, in the interest of conservation, directs or assents to the suspension of all operations and production, if any, hereunder, the primary term will be extended by adding the period of suspension thereto.

5. EXTENSION BY UNIT PRODUCTION. This lease shall without application be extended beyond its primary term if upon or prior to the expiration date of such term the lease is committed to a unit agreement approved or prescribed by Lessor as provided in the regulations, production of oil or gas is had in paying quantities under the agreement, and a portion of such production is allocated to said land under the agreement. In such event this lease shall continue in effect so long as it remains subject to such agreement and actual production under said agreement is allocated to said land.

6. EXTENSION BY DRILLING. If production shall have been obtained in paying quantities during the primary term, and if, at the end of the primary term, or at any time prior to the end of the primary term, such production shall have ceased from any cause, or in the event production shall at any time or times after the expiration of the primary term cease from any cause, then this lease shall not terminate if the Lessee commences drilling or reworking operations (either in a well from which such production has ceased or in a new well) within sixty days after their cessation of production, and the lease shall remain in full force and effect so long as operations are prosecuted with reasonable diligence or are suspended under Paragraph 27 hereof; and, if such drilling or reworking operations result in the production of oil or gas, the lease shall remain in full force and effect so long as oil or gas is produced therefrom in paying quantities.

7. EXTENSION BY SHUT-IN PRODUCTION. If, upon the expiration of the primary term or at any time or times thereafter, there is on said land a well capable of producing oil or gas in paying quantities, this lease shall not expire because Lessee fails to produce the same unless Lessor gives notice to Lessee allowing a reasonable time, which shall not be less than sixty days, after such notice to place the well on a producing status, and Lessee fails to do so; provided, that after such status is established such production shall continue on the said land unless and until suspension of production is allowed by Lessor.

8. EXTENSION BY SUSPENSION OF PRODUCTION. This lease shall not expire because of any suspension of operations in or upon or production from said land if such suspension is made under any order or with the consent of Lessor.

9. RENTAL. This lease shall terminate on any anniversary date hereof prior to the completion on said land of a well capable of producing oil or gas in paying quantities, unless on or before said anniversary date Lessee shall pay or tender to Lessor as annual rental a sum equal to \$1.00 per acre, or fraction thereof, then included in this lease, or unless such annual rental has been waived or suspended as provided in Paragraph 13 of this lease. If Lessor's office is not open for business on the anniversary date, the time for payment is extended to include the next day on which said office is open for business. Any rental paid for any one lease year shall be credited on any royalty for that year.

10. MINIMUM ROYALTY. Commencing with the lease year beginning on or after completion on said land of a well capable of producing oil or gas in paying quantities, Lessee shall pay Lessor, at the expiration of each lease year, in lieu of rental a minimum royalty equal to \$1.00 per acre, or fraction thereof, then included in this lease, or the difference between the actual royalty paid on production during the year if less than \$1.00 per acre and the prescribed minimum royalty.

11. ROYALTY ON PRODUCTION. Except for oil and gas used on said land for development and production or unavoidably lost, Lessee shall pay Lessor as royalty the following:

- (a) On oil 12 1/2 per cent in amount or value of the oil produced and saved and removed or sold from said land.
- (b) On gas 12 1/2 per cent in amount or value of the gas produced and saved and sold or used off said land or used for the extraction of natural gasoline or other products therefrom.
- (c) On associated substances 12 1/2 percent in amount or value of such substances produced and saved and removed or sold from said lands.

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12. **REDUCTION OF RENTAL AND ROYALTY.** If Lessor shall drill on said land and make the first discovery of oil or gas in commercial quantities in any geological structure, the royalty rate under this lease shall, instead of the rates prescribed in Paragraph 11, be five per cent for a period of ten years following the date of such discovery, and thereafter the royalty rates shall be those prescribed in Paragraph 11. If this lease is committed to a unit agreement approved or prescribed by Lessor as provided in the regulations, the five per cent royalty rate shall apply to all, but only, the production allocated to this lease under such agreement.

13. **REDUCTION OF RENTAL AND ROYALTY.** Rental or minimum royalty may be waived, suspended, or reduced, or royalty may be reduced on all of said land or any tract or portion thereof segregated for royalty purposes if Lessor finds that such relief is necessary for the purpose of encouraging the greatest ultimate recovery of oil or gas and is in the interest of conservation of natural resources and either that such relief is necessary in order to promote development or that the lease cannot be successfully operated under the terms provided herein.

14. **ROYALTY IN KIND.** Whenever, at the option of Lessor, which may be exercised from time to time upon not less than six months notice to Lessee, Lessor elects to take its royalty in kind, Lessee shall deliver free of charge (on said land or at such place as Lessor and Lessee mutually agree upon) to Lessor or to such individual, firm, or corporation as Lessor may designate all royalty oil and/or gas produced and saved from said land. Such oil and/or gas shall be in good and merchantable condition. Lessee shall, if necessary, furnish storage for royalty oil free of charge for thirty days after the end of the calendar month in which the oil is produced from said land; provided, that Lessee shall not be held liable for loss or destruction of royalty oil and/or gas from causes beyond Lessee's reasonable control. Should Lessee dehydrate or clean the oil or gas produced from said land, Lessee shall be entitled to an allowance of the actual cost of dehydrating or cleaning said royalty oil or gas.

15. **ROYALTY IN VALUE.** At the option of Lessor, which may be exercised from time to time upon not less than six months' notice to Lessee, and in lieu of royalty in kind, Lessee shall pay to Lessor the field market price or value at the well of all royalty oil and/or gas. All royalty that may become payable in money to Lessor shall be paid on or before the last day of the calendar month following the month in which the oil or gas is produced. The payments shall be accompanied by copies of run tickets or other satisfactory evidence of sales, shipments, and amounts of gross production.

16. **PRICE.** The field market price or value of royalty oil or gas shall not be less than the highest of: (1) The price actually paid or agreed to be paid to Lessee at the well by the purchaser thereof, if any; or (2) The posted price of Lessee in the field for such oil or gas at the well, if any; or, (3) The prevailing price received by other producers in the field at the well for oil of like grade and gravity or gas of like kind and quality at the time such oil or gas is removed from said land or run into storage, or such gas is delivered to an extraction plant.

17. **PAYMENTS.** All payments to Lessor under this lease shall be made payable to the Department of Revenue of the State of Alaska and shall be tendered to Lessor at the place designated under Paragraph 43 for giving notices to Lessor.

18. **OFFSET WELLS.** Lessee shall drill such wells as a reasonably prudent operator would drill to protect Lessor adequately from loss by reason of drainage resulting from production on other land. Without limiting the generality of the foregoing sentence, if oil or gas should be produced in a well on other land not owned by Lessor or on which Lessor receives a lower rate of royalty than the royalty under this lease, which well is within 500 feet in the case of an oil well or 1,500 feet in the case of a gas well of lands then subject to this lease, and such well shall produce oil or gas in paying quantities for a period of thirty consecutive days, and if, after notice to Lessee and an opportunity to be heard, Lessor finds that production from such well is draining lands then subject to this lease, Lessee shall within 120 days after written demand by Lessor begin in good faith and prosecute diligently drilling operations for an offset well on said land. In lieu of drilling any well required by this paragraph, Lessee may with Lessor's consent compensate Lessor in full each month for the estimated loss of royalty through drainage in the amount determined by Lessor.

19. **OTHER WELLS.** This lease contemplates the reasonable development of said land for oil and gas as the fact may justify. Upon discovery of oil or gas in paying quantities on said land, Lessee shall drill such wells as a reasonably prudent operator would drill having due regard for the interests of Lessor as well as the interests of Lessee.

20. **DILIGENCE; PREVENTION OF WASTE.** Lessee shall exercise reasonable diligence in drilling, producing, and operating wells on said land unless consent to suspend operations temporarily is granted by Lessor; shall carry on all operations hereunder in a good and workmanlike manner in accordance with approved methods and practices, having due regard for the prevention of waste of oil and gas and the entrance of water to the oil and gas bearing sands or strata to the destruction or injury of such deposits and the preservation and conservation of the property for future productive operations; shall use reasonable care and all proper safeguards to prevent the pollution of water; shall plug securely in an approved manner any well before abandoning it; shall allow Lessor to inspect all operations at any time; shall carry out at Lessee's expense all reasonable orders and requirements of Lessor relative to the prevention of waste and the preservation of said land, and on failure of Lessee so to do, Lessor shall have the right together with any other recourse available to it to enter on said land to repair damage or prevent waste at Lessor's expense; and shall abide by and conform to valid applicable rules and regulations of the Alaska Oil and Gas Conservation Commission and the regulations of Lessor relating to the matters covered by this paragraph in effect on the effective date hereof or hereafter in effect if not inconsistent with any specific provisions of this lease.

21. **WELL LOCATIONS.** Lessee shall within five days after spudding in a well advise Lessor in writing of the location and date of spudding of said well.

22. **APPROVAL OF PLANS.** Lessee shall not place into actual operation any plan or method for the purpose of stimulating or increasing production on said land other than plans and methods in common use without first having obtained the written approval of Lessor.

23. **LOGS AND RECORDS.** An electric log or radioactive log, if taken, and a descriptive geologic sample log, if taken, and a record of all tests run for each well drilled on said land, together with a plat showing the exact location of each such well, shall be filed with Lessor within sixty days after such well has been completed or abandoned; provided, that such logs and records of an exploratory well, whether completed as a producer or abandoned as a dry hole, may be filed at any time within eighteen months after the completion or abandonment of such well. Any and all information filed by Lessee with Lessor in connection with this lease shall be available at all times for the confidential use of Lessor for the purpose of enforcing compliance with the terms, covenants, and conditions of this lease and the regulations of Lessor but shall not be open for inspection by any person other than officers or employees of Lessor and persons performing any function or work assigned to them by Lessor except upon the written consent of Lessee. Notwithstanding any other provision hereof, said information may be disclosed to any person where such disclosure is reasonably necessary for the administration of the functions, responsibilities, and duties vested by law in the Commissioner of the Department of Natural Resources or in the Division of Lands or the Director thereof, including but not limited to functions, responsibilities, and duties arising in connection with any litigation or administrative adjudication relating to this lease or to the rights, duties, and obligations arising hereunder.

24. **RECORDS.** Lessee shall keep and have in its possession books and records showing the production and disposition of all oil and gas produced from said land and shall permit Lessor or its agents at all reasonable hours to examine the same. Such records and reports of production shall be based upon such methods and techniques as shall insure the most accurate figures reasonably available without requiring the Lessee to provide separate tankage for each well.

25. **DAMAGES.** Section 2 of Article VII of the Alaska Land Act, Chapter 160, S.L.A., 1959, provides in part that no rights under reservations contained in certain leases or grants of Alaska shall be exercised by Lessor or its Lessee until provision has been made to pay to the owner of the land upon which the reserved rights are sought to be exercised full payment for all damages sustained by said owner by reason of entering upon said land; provided, that if said owner for any cause whatever refuses or neglects to settle said damages, Lessor or its Lessee shall have the

age that may become payable under said statutory provisions and to indemnify Lessor and hold it harmless from and against any claims, demands, liabilities and expenses arising from or in connection with such damage. The furnishing of a bond in compliance with this provision will be regarded by Lessor as a sufficient provision for the payment of all damage that may become payable under said statutory provisions.

26. BONDS:

- (a) Lessee shall maintain the bond furnished prior to the issuance of this lease in an amount equal to at least \$2.00 per acre or fraction thereof contained in said land but not less than \$1,000.00.
- (b) Before beginning drilling operations on said land Lessee must have furnished and shall maintain a bond in an amount of at least \$5,000.00.
- (c) Lessee may, in lieu of the foregoing, furnish and maintain a statewide bond in the amount of \$100,000.00.
- (d) Lessor may, after notice to Lessee and an opportunity to be heard, require a bond in a reasonable amount greater than the amount specified above in this paragraph where such greater amount is justified by the nature of the surface and its uses and improvements in the vicinity of said land and the degree of the risks involved in the types of operations being or to be carried out under this lease. A statewide bond will not satisfy any requirement of a bond imposed under this subparagraph but will be considered by Lessor in determining the need for and the amount of any additional bond under this subparagraph.
- (e) If said land is committed in whole or in part to a cooperative or unit agreement approved or prescribed by Lessor pursuant to law and the regulations and a unit bond is furnished in accordance with the regulations, Lessee need not thereafter maintain any bond with respect to the portion of said land so committed to such agreement.

27. ACTS OF GOD. Should Lessee be prevented from complying with any expressed or implied covenant of this lease, from conducting drilling operations thereon, or from producing or marketing oil or gas from said land after efforts made in good faith, by reason of war, riots, acts of God, severe weather in the area of said land, acts of governmental authorities, failure or lack of adequate transportation facilities, or any other cause beyond Lessee's reasonable control whether similar to those enumerated or not, then while so prevented and for a reasonable time thereafter within which to resume operations, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply therewith. If drilling or reworking operations are suspended by virtue of this paragraph and the prosecution of such operations would have had the effect of preventing the expiration or termination of this lease, then this lease shall not terminate during the period which the obligation to perform such operations is suspended under this paragraph; provided, however, that nothing in this paragraph shall be construed to suspend the payment of rentals or of minimum royalties.

28. SUSPENSION. Lessor may from time to time direct or assent to the suspension of production or other operations or both under this lease if such action is necessary or justified in the interest of conservation.

29. RESERVATIONS. Lessor reserves the right to dispose of the surface of said land to others subject to this lease, and the right to authorize others by grant, lease, or permit subject to this lease and under such conditions as will prevent unnecessary or unreasonable interference with the rights of Lessee and operations under this lease, to enter upon and use said land:

- (a) To explore for oil or gas by geological or geophysical means including the drilling of shallow core holes or stratigraphic tests to a depth of not more than 1,000 feet.
- (b) To explore for, develop and remove natural resources other than oil, gas, and associated substances on or from said land.
- (c) For nonexclusive easements and rights of way for any lawful purpose including shafts and tunnels necessary or appropriate for the working of said land or other lands for natural resources other than oil, gas or associated substances.
- (d) For well sites and well bores of wells drilled from or through said land to explore for or produce oil, gas, and associated substances in and from other lands.
- (e) For any other purpose now or hereafter authorized by law and not inconsistent with the rights of Lessee under this lease.

30. UNDERGROUND STORAGE. This lease does not authorize the subsurface storage of oil or gas except as a necessary incident to recycling pressure maintenance, repressuring, or other similar operations designed to increase the ultimate recovery of oil or gas or prevent the waste of oil or gas produced from said land or from any unit area of which the said land is a part. Lessor reserves the right to authorize the subsurface storage of oil or gas in said land by Lessee or by others in order to avoid waste or to promote conservation of natural resources and upon such conditions as will prevent unnecessary or unreasonable interference with the rights and operations of Lessee under this lease, including conditions prohibiting the storage of oil or gas without the consent of Lessee in any reservoir covered by this lease capable of producing oil or gas in paying quantities.

31. ASSIGNMENTS. This lease or any undivided interest herein may with the approval of Lessor be assigned or subleased as to said land or any one or more legal subdivisions included therein, or any separate and distinct zone or geological horizon underlying said land or such one or more legal subdivisions, to any person or persons qualified to hold a lease. No transfer of any interest in this lease including assignments of working or royalty interests and operating agreements and subleases shall be binding upon Lessor unless approved by Lessor. Lessee shall remain liable for all obligations under this lease accruing prior to the approval of such transfer. Approval of transfer of this lease or an interest therein will not be denied except (1) for failure to comply with the regulations, (2) in the discretion of Lessor, where the transfer covers any distinct zone or geological horizon, or (3) where Lessor determines that the best interests of Lessor justify such action. Applications for approval of a transfer under this paragraph must comply with the regulations and must be filed within ninety days after the date of final execution of the instrument of transfer. Where a transfer is made of all or a part of Lessee's interest in and to a portion of the acreage in said land the assigned acreage shall, at the option of Lessor, or may upon request of the transferee and with the approval of Lessor be segregated into a separate and distinct lease having the same effective date as this lease.

32. UNITIZATION. Whenever determined and certified by Lessor to be necessary or advisable in the public interest for the purpose of properly conserving the natural resources of any oil or gas pool, field or like area or any part thereof, which includes or underlies said land or any part thereof, Lessee may unite with other Lessees of Lessor or with others owning or operating lands not belonging to Lessor including lands belonging to the United States and with others, jointly or separately, in collectively adopting and operating under a cooperative or unit agreement for the development or operation of the pool or field or like area or part thereof. Lessee shall within thirty days after demand by Lessor subscribe to such a cooperative or unit agreement, which agreement shall be reasonable and shall adequately protect all parties in interest including Lessor. Lessor may with the consent of Lessee establish, alter, change, or revoke drilling, producing, rental, minimum royalty, and royalty requirements of this lease if committed to any such cooperative or unit agreement and may make such regulations with reference to this lease with the like consent of Lessee in connection with the institution and operation of any such cooperative or unit agreement as Lessor may determine to be necessary or proper to secure the proper protection of the public interest. If a portion of said land is committed to an approved or prescribed unit agreement, the committed acreage shall at the option of Lessor and may upon the request of Lessee and with the approval of Lessor be segregated into a separate and distinct lease having the same effective date as this lease.

3. SURRENDER. Lessee may at any time make and file with Lessor a written surrender of all rights under this lease or any portion thereof comprising one or more legal subdivisions or, with the consent of Lessor, of any separate and distinct Zone or geological horizon underlying said lands or such one or more legal subdivisions thereof. Such a surrender shall be effective as of the date of filing subject to the continued obligations of Lessee and his surety to make payment of all royalties theretofore accrued and to place all wells on the surrendered land or in the surrendered zones or horizons in condition satisfactory to Lessor for suspension or abandonment; thereupon, Lessee shall be released from all other obligations accrued or to accrue under this lease with respect to the surrendered lands, zones, or horizons.

34. DEFAULT; TERMINATION. Whenever Lessee fails to comply with any of the provisions of this lease other than the payment of rental and Lessee fails within sixty days after written notice of such default to commence to remedy and thereafter prosecute diligently operations to remedy such default, Lessor may cancel this lease if at that time there is no well on said land capable of producing oil or gas in paying quantities. If at such time there is on said land a well capable of producing oil or gas in paying quantities, this lease may be cancelled only by judicial proceedings. In the event of any cancellation under this paragraph, Lessee shall have the right to retain under this lease any and all drilling or producing wells as to which no default exists together with a parcel of land surrounding each such well or wells and such rights of way through said land as may be reasonably necessary to enable Lessee to drill and operate such retained well or wells.

35. EXCESS AREA. If for any reason said land includes more acreage than the maximum permitted under applicable laws and/or regulations, this lease shall not be void but the acreage included in said land shall be reduced to the permitted maximum. Whenever Lessor determines that this lease so exceeds the permitted acreage and notifies Lessee stating the amount of acreage that must be eliminated, Lessee may within sixty days after such notice surrender one or more legal subdivisions included in said lands comprising at least the amount of acreage that must be eliminated. If such a surrender is not made within such sixty days Lessor may terminate this lease as to the acreage that must be eliminated by mailing notice of such termination to Lessee describing the parcel or parcels eliminated. Such a notice shall have the effect of terminating this lease as to the parcel or parcels described in such notice.

36. RIGHTS ON TERMINATION. Upon the expiration or earlier termination of this lease as to all or any portion of said lands, Lessee shall have the privilege at any time within a period of six months thereafter, or such extension thereof as may be granted by Lessor, of removing from said land or portion thereof all machinery, equipment, tools, and materials other than improvements needed for producing wells. Any materials, tools, appliances, machinery, structures, and equipment subject to removal as above provided which are allowed to remain on said land or portion thereof shall become the property of Lessor upon expiration of such period; provided, that Lessee shall remove any and all of such properties when so directed by Lessor. Subject to the foregoing, Lessee shall deliver up said lands or such portion or portions thereof in good order and condition.

37. INTEREST IN LAND. It is the intention of the parties that the rights vested in Lessee by this lease shall constitute an interest in real property in said land.

38. LESSOR INTEREST. If Lessor owns a lesser interest in the oil and gas deposits in said land than the entire and undivided fee simple estate, then the royalties and rentals herein provided shall be paid Lessor only in the proportion which its interest bears to the whole and undivided fee.

39. CONDITIONAL LEASE. If all or a part of said land is land that has been selected by the Lessor under laws of the United States granting lands to Lessor, but such land has not been patented to Lessor by the United States, then this lease is a conditional lease as provided by law until such patent become effective. If for any reason such a selection is not finally approved or such a patent does not become effective, and rental, royalty or minimum royalty payments made to Lessor under this lease will not be refunded.

40. DRILLING OPERATIONS. As used in this lease "drilling operations" mean any work or actual operations undertaken or commenced in good faith for the purpose of carrying out any of the rights, privileges or duties of Lessee under this lease, followed diligently and in due course by the construction of a road or derrick and/or other necessary structures for the drilling of an oil or gas well, and by the actual operation of drilling in the ground. Any such work or operations preliminary to drilling in the ground may be undertaken either on said land or in the vicinity of said land in any order Lessee shall see fit.

41. RULES AND REGULATIONS. As used in this lease "regulations" mean the applicable and valid oil and gas leasing regulations of the Commissioner of the Department of Natural Resources in effect on the effective date of this lease unless otherwise specified.

42. INTERPRETATION. As used in this lease words which are defined in the regulations have the meaning assigned by such definition except where the context clearly requires a different meaning. The paragraph headings are not a part of this lease and are inserted only for convenience.

43. NOTICES. Any notice required or permitted under this lease shall be in writing and shall be given by registered or certified mail, return receipt requested, addressed as follows:

To Lessor:

Director, Division of Lands
State of Alaska
333 "D" Street
Anchorage, Alaska

To Lessee:

THE OHIO OIL COMPANY
550 South Flower Street
Los Angeles 17, Calif.

Any such notice shall be deemed given when delivered to the foregoing address. Either party may change the address to which such notices are to be sent, by a notice given in accordance with this paragraph.

42. HEIRS AND ASSIGNS. Subject to the other provisions of this lease, the covenants, conditions, and agreements contained in this lease shall extend to and be binding upon the heirs, executors, administrators, successors, or assigns of Lessor and Lessee.

IN WITNESS WHEREOF the parties have executed this lease.

by George S. Sullivan
Division Manager
UNION OIL COMPANY OF CALIFORNIA
by E. J. Bell
LESSEE

STATE OF ALASKA

by Roscoe E. Bell
Director, Division of Lands
LESSOR

Attorney-in-Fact

THE UNITED STATES OF AMERICA)

STATE OF ALASKA)

SS.

This certifies that on the 5 day of January, 1960 before me a notary public in and for the State of Alaska, duly commissioned and sworn, personally appeared ROSCOE E. BELL, to me known and known to me to be the person described in and who executed the foregoing lease on behalf of the State of Alaska as Director of the Division of Lands, Department of Natural Resources. The said ROSCOE E. BELL, executed said lease in my presence and, after being duly sworn according to law, stated to me under oath that he is the Director of the Division of Lands, Department of Natural Resources and has authority pursuant to law to execute the foregoing lease as such Director on behalf of the State of Alaska, acting through the Division of Lands, Department of Natural Resources and that he executed the same freely and voluntarily as the free and voluntary act, and lease of the said State of Alaska and for the Division of Lands, Department of Natural Resources.

WITNESS my hand and official seal the day and year in this certificate first above written.

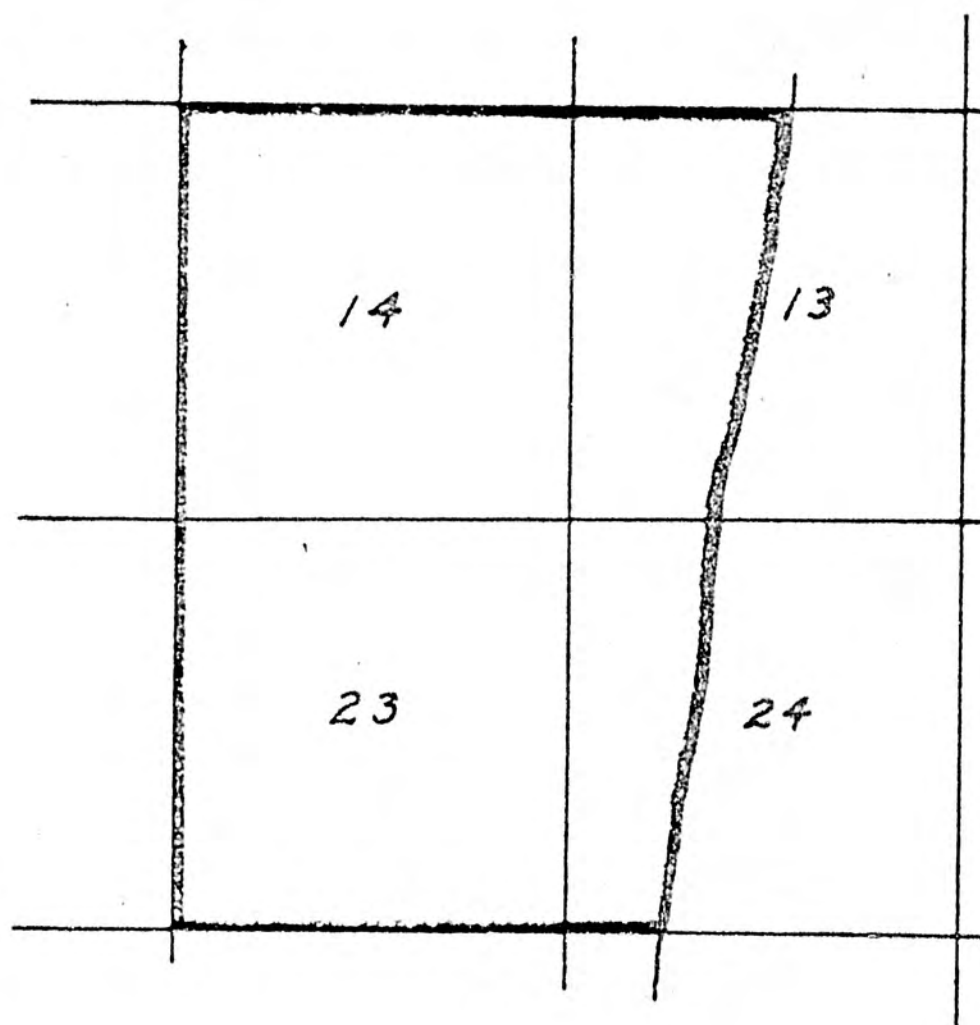
Notary Public in and for Alaska

My Commission expires

10-33-63

00591

T. 4 N., R. 12 W., S.M.



Parcel S-13-14-2

1,797 ac.

AGF 570658

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES

Division of Lands

LEASE NO. ADL

02411

Competitive Oil and Gas Lease

THIS LEASE, dated the 1st day of March, 1961, is made by and between the State of Alaska, acting by and through the Director of the Division of Lands of the Department of Natural Resources, hereinafter called "Lessor", and

UNION OIL COMPANY OF CALIFORNIA, a California corporation and

THE OHIO OIL COMPANY, an Ohio corporation

hereinafter called "Lessee", whether one or more.

1. **GRANT.** For and in consideration of a cash bonus and the first year's rental, the receipt of which is hereby acknowledged, and of the rentals, royalties, covenants, and conditions herein contained on the part of the Lessee to be paid, kept and performed, and subject to the conditions and reservations herein contained, Lessor does hereby grant and lease unto Lessee, exclusively, without warranty, for the sole and only purposes of exploration, development, production, processing and marketing of oil, gas, and associated substances produced therewith, and of installing pipe lines and structures thereon to find, produce, save, store, treat, process, transport, take care of and market all such substances, and for drilling water wells and taking underground and surface water for use in its operations thereon, and for housing and boarding employees in its operation thereon, the following described tract of land in Alaska:

All tide and submerged land in fractional Sections 18 and 19, T. 5N., R. 11W., S. M. and projected Secs. 13 and 24, T. 5N., R. 12W., S. M. being designated Parcel S-13-11-2 containing 1,851.7 acres, more or less, hereinafter called "said land".

For the purposes of this lease, said land contains four (4) legal subdivisions, as shown on the plat of said land attached hereto, marked Exhibit A and by this reference made a part of this lease.

If said land is described above by protracted legal subdivisions, and Lessor hereafter causes said land to be surveyed under the public land rectangular system, the boundaries of said land shall be those established by such survey, when approved, subject, however, to the provisions of the regulations relating to such surveys.

2. **"OIL AND GAS".** "Oil" means crude petroleum oil and other hydrocarbons regardless of gravity which are produced and saved in liquid form at the well by ordinary production methods. "Gas" means all natural gas and all hydrocarbons produced at the well not defined herein as oil. "Associated substances" means all substances produced in association with oil or gas and not defined herein as oil or gas.

3. **TERM.** This lease is issued for an initial primary term of five years from the date hereof, subject to extension as provided in Paragraph 4 hereof, and shall continue so long thereafter as oil and gas or either or any of them are produced in paying quantities from said land; provided, that this lease may be extended beyond its primary term as provided in Paragraph 5 hereof and shall not expire under the conditions set forth in Paragraphs 6, 7, and 8 hereof.

4. **EXTENSION BY SUSPENSION OF OPERATIONS.** If, prior to the expiration of the primary term, Lessor, in the interest of conservation, directs or assents to the suspension of all operations and production, if any, hereunder, the primary term will be extended by adding the period of suspension thereto.

5. **EXTENSION BY UNIT PRODUCTION.** This lease shall without application be extended beyond its primary term if upon or prior to the expiration date of such term the lease is committed to a unit agreement approved or prescribed by Lessor as provided in the regulations, production of oil or gas is had in paying quantities under the agreement, and a portion of such production is allocated to said land under the agreement. In such event this lease shall continue in effect so long as it remains subject to such agreement and actual production under said agreement is allocated to said land.

6. **EXTENSION BY DRILLING.** If production shall have been obtained in paying quantities during the primary term, and if, at the end of the primary term, or at any time prior to the end of the primary term, such production shall have ceased from any cause, or in the event production shall at any time or times after the expiration of the primary term cease from any cause, then this lease shall not terminate if the Lessee commences drilling or reworking operations (either in a well from which such production has ceased or in a new well) within sixty days after their cessation of production, and the lease shall remain in full force and effect so long as operations are prosecuted with reasonable diligence or are suspended under Paragraph 27 hereof; and, if such drilling or reworking operations result in the production of oil or gas, the lease shall remain in full force and effect so long as oil or gas is produced therefrom in paying quantities.

7. **EXTENSION BY SHUT-IN PRODUCTION.** If, upon the expiration of the primary term or at any time or times thereafter, there is on said land a well capable of producing oil or gas in paying quantities, this lease shall not expire because Lessee fails to produce the same unless Lessor gives notice to Lessee allowing a reasonable time, which shall not be less than sixty days, after such notice to place the well on a producing status, and Lessee fails to do so; provided, that after such status is established such production shall continue on the said land unless and until suspension of production is allowed by Lessor.

8. **EXTENSION BY SUSPENSION OF PRODUCTION.** This lease shall not expire because of any suspension of operations in or upon or production from said land if such suspension is made under any order or with the consent of Lessor.

9. **RENTAL.** This lease shall terminate on any anniversary date hereof prior to the completion on said land of a well capable of producing oil or gas in paying quantities, unless on or before said anniversary date Lessee shall pay or tender to Lessor as annual rental a sum equal to \$1.00 per acre, or fraction thereof, then included in this lease, or unless such annual rental has been waived or suspended as provided in Paragraph 13 of this lease. If Lessor's office is not open for business on the anniversary date, the time for payment is extended to include the next day on which said office is open for business. Any rental paid for any one lease year shall be credited on any royalty for that year.

10. **MINIMUM ROYALTY.** Commencing with the lease year beginning on or after completion on said land of a well capable of producing oil or gas in paying quantities, Lessee shall pay Lessor, at the expiration of each lease year, in lieu of rental a minimum royalty equal to \$1.00 per acre, or fraction thereof, then included in this lease, or the difference between the actual royalty paid on production during the year if less than \$1.00 per acre and the prescribed minimum royalty.

11. **ROYALTY ON PRODUCTION.** Except for oil and gas used on said land for development and production or unavoidably lost, Lessee shall pay Lessor as royalty the following:

- (a) On oil 12 1/2 per cent in amount or value of the oil produced and saved and removed or sold from said land.
- (b) On gas 12 1/2 per cent in amount or value of the gas produced and saved and sold or used off said land or used for the extraction of natural gasoline or other products therefrom.
- (c) On associated substances 12 1/2 percent in amount or value of such substances produced and saved and removed or sold from said lands.

AGO 570659

discovery of oil or gas in commercial quantities in any geological structure, the royalty rate under this lease shall, instead of the rates prescribed in Paragraph 11, be five per cent for a period of ten years following the date of such discovery, and thereafter the royalty rates shall be those prescribed in Paragraph 11. If this lease is committed to a unit agreement approved or prescribed by Lessor as provided in the regulations, the five per cent royalty rate shall apply to all, but only, the production allocated to this lease under such agreement.

13. **REDUCTION OF RENTAL AND ROYALTY.** Rental or minimum royalty may be waived, suspended, or reduced, or royalty may be reduced on all of said land or any tract or portion thereof segregated for royalty purposes if Lessor finds that such relief is necessary for the purpose of encouraging the greatest ultimate recovery of oil or gas and is in the interest of conservation of natural resources and either that such relief is necessary in order to promote development or that the lease cannot be successfully operated under the terms provided herein.

14. **ROYALTY IN KIND.** Whenever, at the option of Lessor, which may be exercised from time to time upon not less than six months notice to Lessee, Lessor elects to take its royalty in kind, Lessee shall deliver free of charge (on said land or at such place as Lessor and Lessee mutually agree upon) to Lessor or to such individual, firm, or corporation as Lessor may designate all royalty oil and/or gas produced and saved from said land. Such oil and/or gas shall be in good and merchantable condition. Lessee shall, if necessary, furnish storage for royalty oil free of charge for thirty days after the end of the calendar month in which the oil is produced from said land; provided, that Lessee shall not be held liable for loss or destruction of royalty oil and/or gas from causes beyond Lessee's reasonable control. Should Lessee dehydrate or clean the oil or gas produced from said land, Lessee shall be entitled to an allowance of the actual cost of dehydrating or cleaning said royalty oil or gas.

15. **ROYALTY IN VALUE.** At the option of Lessor, which may be exercised from time to time upon not less than six months' notice to Lessee, and in lieu of royalty in kind, Lessee shall pay to Lessor the field market price or value at the well of all royalty oil and/or gas. All royalty that may become payable in money to Lessor shall be paid on or before the last day of the calendar month following the month in which the oil or gas is produced. The payments shall be accompanied by copies of run tickets or other satisfactory evidence of sales, shipments, and amounts of gross production.

16. **PRICE.** The field market price or value of royalty oil or gas shall not be less than the highest of: (1) The price actually paid or agreed to be paid to Lessee at the well by the purchaser thereof, if any; or (2) The posted price of Lessee in the field for such oil or gas at the well, if any; or, (3) The prevailing price received by other producers in the field at the well for oil of like grade and gravity or gas of like kind and quality at the time such oil or gas is removed from said land or run into storage, or such gas is delivered to an extraction plant.

17. **PAYMENTS.** All payments to Lessor under this lease shall be made payable to the Department of Revenue of the State of Alaska and shall be tendered to Lessor at the place designated under Paragraph 43 for giving notices to Lessor.

18. **OFFSET WELLS.** Lessee shall drill such wells as a reasonably prudent operator would drill to protect Lessor adequately from loss by reason of drainage resulting from production on other land. Without limiting the generality of the foregoing sentence, if oil or gas should be produced in a well on other land not owned by Lessor or on which Lessor receives a lower rate of royalty than the royalty under this lease, which well is within 500 feet in the case of an oil well or 1,500 feet in the case of a gas well of lands then subject to this lease, and such well shall produce oil or gas in paying quantities for a period of thirty consecutive days, and if, after notice to Lessee and an opportunity to be heard, Lessor finds that production from such well is draining lands then subject to this lease, Lessee shall within 120 days after written demand by Lessor begin in good faith and prosecute diligently drilling operations for an offset well on said land. In lieu of drilling any well required by this paragraph, Lessee may with Lessor's consent compensate Lessor in full each month for the estimated loss of royalty through drainage in the amount determined by Lessor.

19. **OTHER WELLS.** This lease contemplates the reasonable development of said land for oil and gas as the facts may justify. Upon discovery of oil or gas in paying quantities on said land, Lessee shall drill such wells as a reasonably prudent operator would drill having due regard for the interests of Lessor as well as the interests of Lessee.

20. **DILIGENCE; PREVENTION OF WASTE.** Lessee shall exercise reasonable diligence in drilling, producing, and operating wells on said land unless consent to suspend operations temporarily is granted by Lessor; shall carry on all operations hereunder in a good and workmanlike manner in accordance with approved methods and practices, having due regard for the prevention of waste of oil and gas and the entrance of water to the oil and gas bearing sands or strata to the destruction or injury of such deposits and the preservation and conservation of the property for future productive operations; shall use reasonable care and all proper safeguards to prevent the pollution of water; shall plug securely in an approved manner any well before abandoning it; shall allow Lessor to inspect all operations at any time; shall carry out at Lessee's expense all reasonable orders and requirements of Lessor relative to the prevention of waste and the preservation of said land, and on failure of Lessee so to do, Lessor shall have the right together with any other recourse available to it to enter on said land to repair damage or prevent waste at Lessor's expense; and shall abide by and conform to valid applicable rules and regulations of the Alaska Oil and Gas Conservation Commission and the regulations of Lessor relating to the matters covered by this paragraph in effect on the effective date hereof or hereafter in effect if not inconsistent with any specific provisions of this lease.

21. **WELL LOCATIONS.** Lessee shall within five days after spudding in a well advise Lessor in writing of the location and date of spudding of said well.

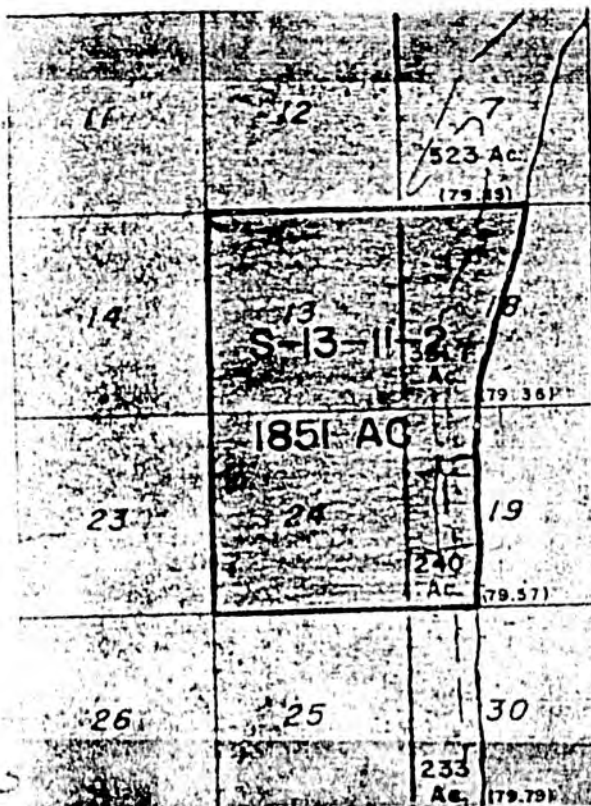
22. **APPROVAL OF PLANS.** Lessee shall not place into actual operation any plan or method for the purpose of stimulating or increasing production on said land other than plans and methods in common use without first having obtained the written approval of Lessor.

23. **LOGS AND RECORDS.** An electric log or radioactive log, if taken, and a descriptive geologic sample log, if taken, and a record of all tests run for each well drilled on said land, together with a plat showing the exact location of each such well, shall be filed with Lessor within sixty days after such well has been completed or abandoned; provided, that such logs and records of an exploratory well, whether completed as a producer or abandoned as a dry hole, may be filed at any time within eighteen months after the completion or abandonment of such well. Any and all information filed by Lessee with Lessor in connection with this lease shall be available at all times for the confidential use of Lessor for the purpose of enforcing compliance with the terms, covenants, and conditions of this lease and the regulations of Lessor but shall not be open for inspection by any person other than officers or employees of Lessor and persons performing any function or work assigned to them by Lessor except upon the written consent of Lessee. Notwithstanding any other provision hereof, said information may be disclosed to any person where such disclosure is reasonably necessary for the administration of the functions, responsibilities, and duties vested by law in the Commissioner of the Department of Natural Resources or in the Division of Lands or the Director thereof, including but not limited to functions, responsibilities, and duties arising in connection with any litigation or administrative adjudication relating to this lease or to the rights, duties, and obligations arising hereunder.

24. **RECORDS.** Lessee shall keep and have in its possession books and records showing the production and disposition of all oil and gas produced from said land and shall permit Lessor or its agents at all reasonable hours to examine the same. Such records and reports of production shall be based upon such methods and techniques as shall insure the most accurate figures reasonably available without requiring the Lessee to provide separate tankage for each well.

25. **DAMAGES.** Section 2 of Article VII of the Alaska Land Act, Chapter 169, S.L.A., 1959, provides in part that no rights under reservation contained in certain leases or grants of Alaska land shall be exercised by Lessor or its Lessee until provision has been made to pay to the owner of the land upon which the reserved rights are sought to be exercised full payment for all damages sustained by said owner by reason of entering upon said land; provided, that if said owner for any cause whatever refuses or neglects to settle said damages, Lessor or its Lessee shall have the right to institute such legal proceedings in a court of competent jurisdiction wherein the land is situated as may be

MAP OF TRACT AS INDICATED ON PROTRACTION
GRID OF THE COOK INLET SHELIKOF STRAIT SERIES



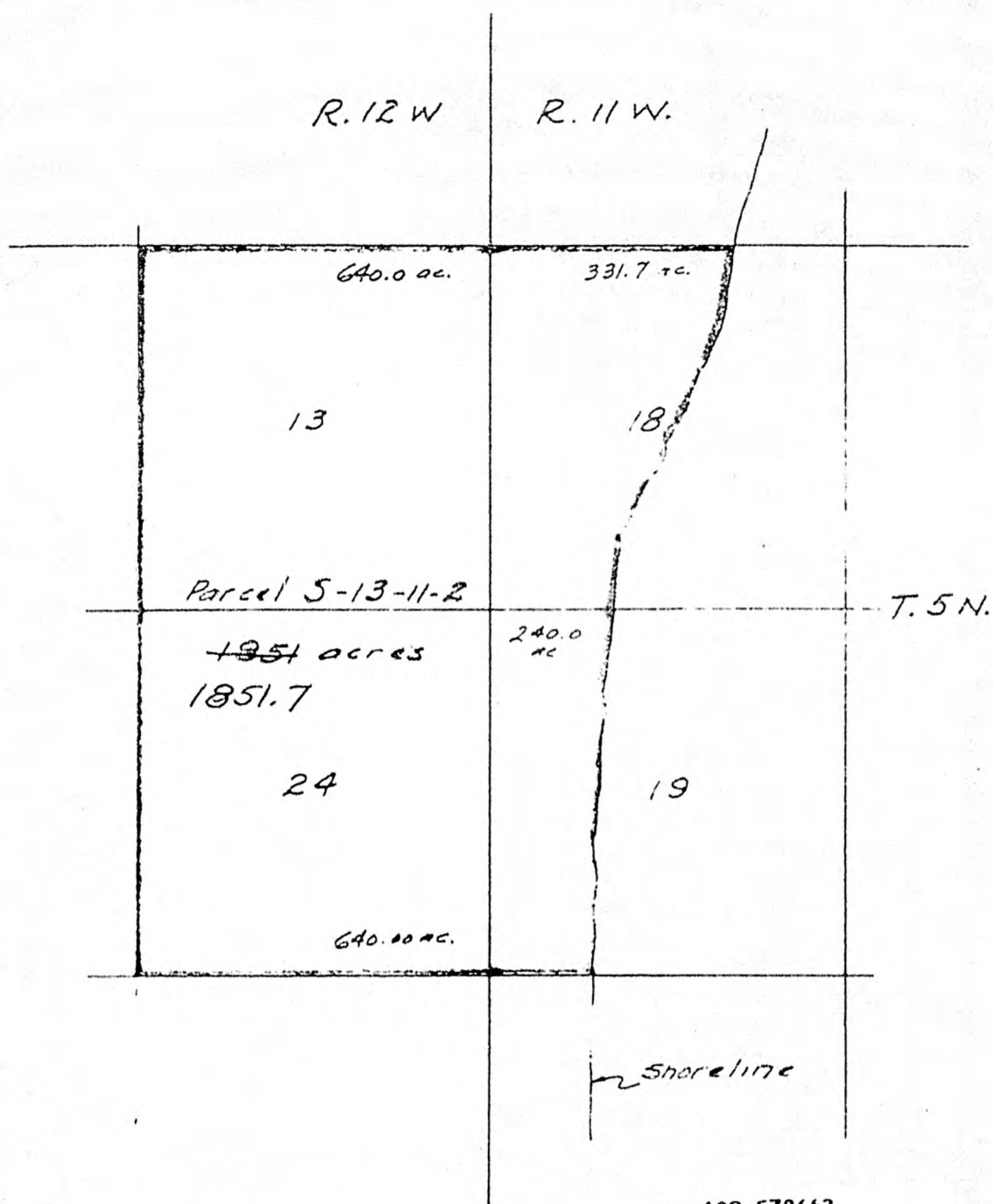
S-13-11-2 Frac. Section 18, T. 5N, R.11W., SM 331.7
 Frac. Section 19, T. 5N, R.11W., SM 240.
 All Section 13, T. 5N, R.12W., SM 640.
 All Section 24, T. 5N, R.12W., SM 640.

1851.7 acres

640.00 ac.

1851.75 Dec. of 10/16/62

P2



It may become payable under said statutory provisions and to indemnify Lessor and hold it harmless from and against any claims, demands, liabilities, and expenses arising from or in connection with such damage. The furnishing of a bond in compliance with this lease will be regarded by Lessor as a sufficient provision for the payment of all damage that may become payable under said statutory provisions.

26. BONDS.

(a) Lessee shall maintain the bond furnished prior to the issuance of this lease in an amount equal to at least \$2.00 per acre or fraction thereof contained in said land but not less than \$1,000.00.

(b) Before beginning drilling operations on said land Lessee must have furnished and shall maintain a bond in an amount of at least \$5,000.00.

(c) Lessee may, in lieu of the foregoing, furnish and maintain a statewide bond in the amount of \$100,000.00.

(d) Lessor may, after notice to Lessee and an opportunity to be heard, require a bond in a reasonable amount greater than the amount specified above in this paragraph where such greater amount is justified by the nature of the surface and its uses and improvements in the vicinity of said land and the degree of the risks involved in the types of operations being or to be carried out under this lease. A statewide bond will not satisfy any requirement of a bond imposed under this subparagraph but will be considered by Lessor in determining the need for and the amount of any additional bond under this subparagraph.

(e) If said land is committed in whole or in part to a cooperative or unit agreement approved or prescribed by Lessor pursuant to law and the regulations and a unit bond is furnished in accordance with the regulations, Lessee need not thereafter maintain any bond with respect to the portion of said land so committed to such agreement.

27. ACTS OF GOD. Should Lessee be prevented from complying with any expressed or implied covenant of this lease, from conducting drilling operations thereon, or from producing or marketing oil or gas from said land after efforts made in good faith, by reason of war, riots, acts of God, severe weather in the area of said land, acts of governmental authorities, failure or lack of adequate transportation facilities, or any other cause beyond Lessee's reasonable control whether similar to those enumerated or not, then while so prevented and for a reasonable time thereafter within which to resume operations, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply therewith. If drilling or reworking operations are suspended by virtue of this paragraph and the prosecution of such operations would have had the effect of preventing the expiration or termination of this lease, then this lease shall not terminate during the period which the obligation to perform such operations is suspended under this paragraph; provided, however, that nothing in this paragraph shall be construed to suspend the payment of rentals or of minimum royalties.

28. SUSPENSION. Lessor may from time to time direct or assent to the suspension of production or other operations or both under this lease if such action is necessary or justified in the interest of conservation.

29. RESERVATIONS. Lessor reserves the right to dispose of the surface of said land to others subject to this lease, and the right to authorize others by grant, lease, or permit subject to this lease and under such conditions as will prevent unnecessary or unreasonable interference with the rights of Lessee and operations under this lease, to enter upon and use said land:

(a) To explore for oil or gas by geological or geophysical means including the drilling of shallow core holes or stratigraphic tests to a depth of not more than 1,000 feet.

(b) To explore for, develop and remove natural resources other than oil, gas, and associated substances on or from said land.

(c) For nonexclusive easements and rights of way for any lawful purpose including shafts and tunnels necessary or appropriate for the working of said land or other lands for natural resources other than oil, gas or associated substances.

(d) For well sites and well bores of wells drilled from or through said land to explore for or produce oil, gas, and associated substances in and from other lands.

(e) For any other purpose now or hereafter authorized by law and not inconsistent with the rights of Lessee under this lease.

30. UNDERGROUND STORAGE. This lease does not authorize the subsurface storage of oil or gas except as a necessary incident to recycling pressure maintenance, repressuring, or other similar operations designed to increase the ultimate recovery of oil or gas or prevent the waste of oil or gas produced from said land or from any unit area of which the said land is a part. Lessor reserves the right to authorize the subsurface storage of oil or gas in said land by Lessee or by others in order to avoid waste or to promote conservation of natural resources and upon such conditions as will prevent unnecessary or unreasonable interference with the rights and operations of Lessee under this lease, including conditions prohibiting the storage of oil or gas without the consent of Lessee in any reservoir covered by this lease capable of producing oil or gas in paying quantities.

31. ASSIGNMENTS. This lease or any undivided interest herein may with the approval of Lessor be assigned or subleased as to said land or any one or more legal subdivisions included therein, or any separate and distinct zone or geological horizon underlying said land or such one or more legal subdivisions, to any person or persons qualified to hold a lease. No transfer of any interest in this lease including assignments of working or royalty interests and operating agreements and subleases shall be binding upon Lessor unless approved by Lessor. Lessee shall remain liable for all obligations under this lease accruing prior to the approval of such transfer. Approval of transfer of this lease or an interest therein will not be denied except (1) for failure to comply with the regulations, (2) in the discretion of Lessor, where the transfer covers any distinct zone or geological horizon, or (3) where Lessor determines that the best interests of Lessor justify such action. Applications for approval of a transfer under this paragraph must comply with the regulations and must be filed within ninety days after the date of final execution of the instrument of transfer. Where a transfer is made of all or a part of Lessee's interest in and to a portion of the acreage in said land the assigned acreage shall, at the option of Lessor, or may upon request of the transferee and with the approval of Lessor be segregated into a separate and distinct lease having the same effective date as this lease.

32. UNITIZATION. Whenever determined and certified by Lessor to be necessary or advisable in the public interest for the purpose of properly conserving the natural resources of any oil or gas pool, field or like area or any part thereof, which includes or underlies said land or any part thereof, Lessee may unite with other Lessees of Lessor or with others owning or operating lands not belonging to Lessor including lands belonging to the United States and with others, jointly or separately, in collectively adopting and operating under a cooperative or unit agreement for the development or operation of the pool or field or like area or part thereof. Lessee shall within thirty days after demand by Lessor subscribe to such a cooperative or unit agreement, which agreement shall be reasonable and shall adequately protect all parties in interest including Lessor. Lessor may with the consent of Lessee establish, alter, change, or revoke drilling, producing, rental, minimum royalty, and royalty requirements of this lease if committed to any such cooperative or unit agreement and may make such regulations with reference to this lease with the like consent of Lessee in connection with the institution and operation of any such cooperative or unit agreement as Lessor may determine to be necessary or proper to secure the proper protection of the public interest. If a portion of said land is committed to an approved or prescribed unit agreement, the committed acreage shall at the option of Lessor and may upon the request of Lessee and with the approval of Lessor be segregated into a separate and distinct lease having the same effective date as this lease.

33. SURRENDER. Lessee may at any time make and file with Lessor a written surrender of all rights under this lease or any portion thereof comprising one or more legal subdivisions or, with the consent of Lessor, of any separate and distinct Zone or geological horizon underlying said lands or such one or more legal subdivisions thereof. Such a surrender shall be effective as of the date of filing subject to the continued obligations of Lessee and his surety to make payment of all royalties theretofore accrued and to place all wells on the surrendered land or in the surrendered zones or horizons in condition satisfactory to Lessor for suspension or abandonment; thereupon, Lessee shall be released from all other obligations accrued or to accrue under this lease with respect to the surrendered lands, zones, or horizons.

34. **DEFAULT; TERMINATION.** Whenever Lessee fails to comply with any of the provisions of this lease other than the payment of rental and Lessee fails within sixty days after written notice of such default to commence to remedy and thereafter prosecute diligently operations to remedy such default, Lessor may cancel this lease if at that time there is no well on said land capable of producing oil or gas in paying quantities. If at such time there is on said land a well capable of producing oil or gas in paying quantities, this lease may be cancelled only by judicial proceedings. In the event of any cancellation under this paragraph, Lessee shall have the right to retain under this lease any and all drilling or producing wells as to which no default exists together with a parcel of land surrounding each such well or wells and such rights of way through said land as may be reasonably necessary to enable Lessee to drill and operate such retained well or wells.

35. **EXCESS AREA.** If for any reason said land includes more acreage than the maximum permitted under applicable laws and/or regulations, this lease shall not be void but the acreage included in said land shall be reduced to the permitted maximum. Whenever Lessor determines that this lease so exceeds the permitted acreage and notifies Lessee stating the amount of acreage that must be eliminated, Lessee may within sixty days after such notice surrender one or more legal subdivisions included in said lands comprising at least the amount of acreage that must be eliminated. If such a surrender is not filed within such sixty days Lessor may terminate this lease as to the acreage that must be eliminated by mailing notice of such termination to Lessee describing the parcel or parcels eliminated. Such a notice shall have the effect of terminating this lease as to the parcel or parcels described in such notice.

36. **RIGHTS ON TERMINATION.** Upon the expiration or earlier termination of this lease as to all or any portion of said lands, Lessee shall have the privilege at any time within a period of six months thereafter, or such extension thereof as may be granted by Lessor, of removing from said land or portion thereof all machinery, equipment, tools, and materials other than improvements needed for producing wells. Any materials, tools, appliances, machinery, structures, and equipment subject to removal as above provided which are allowed to remain on said land or portion thereof shall become the property of Lessor upon expiration of such period; provided, that Lessee shall remove any and all of such properties when so directed by Lessor. Subject to the foregoing, Lessee shall deliver up said lands or such portion or portions thereof in good order and condition.

37. **INTEREST IN LAND.** It is the intention of the parties that the rights vested in Lessee by this lease shall constitute an interest in real property in said land.

38. **LESSOR INTEREST.** If Lessor owns a lesser interest in the oil and gas deposits in said land than the entire and undivided fee simple estate, then the royalties and rentals herein provided shall be paid Lessor only in the proportion which its interest bears to the whole and undivided fee.

39. **CONDITIONAL LEASE.** If all or a part of said land is land that has been selected by the Lessor under laws of the United States granting lands to Lessor, but such land has not been patented to Lessor by the United States, then this lease is a conditional lease as provided by law until such patent become effective. If for any reason such a selection is not finally approved or such a patent does not become effective, and rental, royalty or minimum royalty payments made to Lessor under this lease will not be refunded.

40. **DRILLING OPERATIONS.** As used in this lease "drilling operations" mean any work or actual operations undertaken or commenced in good faith for the purpose of carrying out any of the rights, privileges or duties of Lessee under this lease, followed diligently and in due course by the construction of a road or derrick and/or other necessary structures for the drilling of an oil or gas well, and by the actual operation of drilling in the ground. Any such work or operations preliminary to drilling in the ground may be undertaken either on said land or in the vicinity of said land in any order Lessee shall see fit.

41. **RULES AND REGULATIONS.** As used in this lease "regulations" mean the applicable and valid oil and gas leasing regulations of the Commissioner of the Department of Natural Resources in effect on the effective date of this lease unless otherwise specified.

42. **INTERPRETATION.** As used in this lease words which are defined in the regulations have the meaning assigned by such definition except where the context clearly requires a different meaning. The paragraph headings are not a part of this lease and are inserted only for convenience.

43. **NOTICES.** Any notice required or permitted under this lease shall be in writing and shall be given by registered or certified mail, return receipt requested, addressed as follows:

To Lessor:

Director, Division of Lands
State of Alaska
333 "D" Street
Anchorage, Alaska

To Lessee:

Union Oil Co. of Calif.
2805 Denali Street
Anchorage, Alaska

Any such notice shall be deemed given when delivered to the foregoing address. Either party may change the address to which such notices are to be sent, by a notice given in accordance with this paragraph.

42. **HEIRS AND ASSIGNS.** Subject to the other provisions of this lease, the covenants, conditions, and agreements contained in this lease shall extend to and be binding upon the heirs, executors, administrators, successors, or assigns of Lessor and Lessee.

IN WITNESS WHEREOF the parties have executed this lease.

UNION OIL COMPANY OF CALIFORNIA

By [Signature] Attorney-in-Fact

THE OHIO OIL COMPANY

By George S. [Signature] Division Manager LESSEE

STATE OF ALASKA

By [Signature]

Director, Division of Lands LESSOR

THE UNITED STATES OF AMERICA }

STATE OF ALASKA }

ss.

AGO 570664

This certifies that on the 2nd day of February, 1961, before me a notary public in and for the State of Alaska, duly commissioned and sworn, personally appeared ROSCOE E. BELL, to me known and known to me to be the person described in and who executed the foregoing lease on behalf of the State of Alaska as Director of the Division of Lands, Department of Natural Resources. The said ROSCOE E. BELL, executed said lease in my presence and, after being duly sworn according to law, stated to me under oath that he is the Director of the Division of Lands, Department of Natural Resources and has authority pursuant to law to execute the foregoing lease as such Director on behalf of the State of Alaska, acting through the Division of Lands, Department of Natural Resources and that he executed the same freely and voluntarily as the free and voluntary act, and lease of the said State of Alaska and for the Division of Lands, Department of Natural Resources.

WITNESS my hand and official seal the day and year in this certificate first above written.

[Signature]
Notary Public for Alaska

My Commission expires 12/25/64

LEASES
(PHILLIPS)

ASSIGNMENT OF LEASES TO PHILLIPS PETROLEUM
FROM PAN AMERICAN PETROLEUM AND ATLANTIC RICHFIELD

NORTH COOK INLET GAS FIELD

AGO 570666



STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
Division of Lands

LEASE NO. ADL 17589

Assignment Affecting Record Title to Oil and Gas Lease

The undersigned assignor, as owner of the record title interest specified in item 3 below in the oil and gas lease designated above, for a good and valuable consideration, does hereby assign to.....

PHILLIPS PETROLEUM COMPANY

whose address is..... BARTLESVILLE, OKLAHOMA

the right, title and interest specified in item 4 below in and to the lands embraced in said lease described in item 1 below, or such portion thereof as the lessor may approve and described in item 2 below, giving and granting to assignee the rights and privileges of a lessee in said lands, to the extent indicated, subject to the reservations of overriding royalties noted in item 5 below:

1. LANDS REQUESTED

Tract S 13-6-8

2. LANDS APPROVED

S-13-6-8

All Sections	31, T.12N, R.2W., 3M	608.
All Section	32, " " " "	640.
All Section	3, T.11N, R.9W., 3M	640.
All Section	6, " " " "	610.
All Section	7, " " " "	611.
All Section	18, " " " "	613.
All Section	12, T.11N, R.10W., 3M	640.
All Section	13, " " " "	640.

5002 Acres

T11 & 12 NR 9 & 10 W SEWARD Meridian,
containing 5002 acres, more or less

containing 5002 acres, more or less.

3. Interest of assignor in said lands: 100%
4. Extent of such interest assigned to assignee: AN UNDIVIDED 25%
5. Overriding royalty reserved herein to assignor: NONE
6. Signed this date: JANUARY 6 1962

PAN AMERICAN PETROLEUM CORPORATION

BY: Willard B. Longshore
(Assignor's Signature)
Its Attorney in Fact

PROVINCE OF ALBERTA)
CANADA)

BEFORE ME, the undersigned, a Notary Public, within and for said Province of Alberta, on this 6 day of January, 1962, personally appeared Willard B. Longshore, to me personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me that he executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

AGO 570667

Robert M. Clark
A Notary Public in and for
the Province of Alberta

Application for Approval of Assignment

The undersigned assignee hereby requests approval of the above assignment as to all of the lands described in item 1 of the above assignment or such portion thereof as may be approved under applicable law and regulations.

Enclosed with this application are:

- (a) Check or money order payable to the Department of Revenue of the State of Alaska covering filing fee of \$20.00;
- (b) Information and documents, or references thereto, evidencing the qualifications of the undersigned to hold a lease, in compliance with Section 10.31 (c) of the Oil and Gas Leasing Regulations; and
- (c) Any bond or reference thereto required by said Regulations.

Any notice in connection with this application or the undersigned's interest in the lease designated in the foregoing assignment may be sent to the undersigned's address set forth in said assignment.

The undersigned agrees to be bound by the provisions of said lease, if the above assignment is approved in whole or in part.

This application discloses and is signed by or on behalf of all persons who will or may, if the above assignment is approved in whole or in part, receive any interest in the lease designated above by virtue of any agreement or understanding, oral or written.

Signed this date: January 19, 1962

ATTEST:

[Signature]
Assistant Secretary

PHILLIPS PETROLEUM COMPANY

By: [Signature]

(Assignee's Signature) Vice President

File No. ADL-GF-17
B1-1

Approval

The above assignment is approved as to the lands described in item 2 thereof, effective as of the date set forth below.

STATE OF ALASKA

Effective date
of assignment Jan 31, 1962

By [Signature]

~~Director, Division of Lands~~
Mineral Leasing Officer

(Submit in triplicate. Must be filed within 90 days after date shown in item 6 of the above assignment form. All copies must be signed in ink.)

AGO 570668

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
Division of Lands



Assignment Affecting Record Title to Oil and Gas Lease

The undersigned assignor, as owner of the record title interest specified in item 3 below in the oil and gas lease designated above, for a good and valuable consideration, does hereby assign to.....

PHILLIPS PETROLEUM COMPANY

whose address is.....

BARTLESVILLE, OKLAHOMA

the right, title and interest specified in item 4 below in and to the lands embraced in said lease described in item 1 below, or such portion thereof as the lessor may approve and described in item 2 below, giving and granting to assignee the rights and privileges of a lessee in said lands, to the extent indicated, subject to the reservations of overriding royalties noted in item 5 below:

1. LANDS REQUESTED

S-13-6-28

2. LANDS APPROVED
(Not to be filled in)

S-13-6-28

All	Section 2, T11N, R10W, 34	640
All	Section 9, " " " "	640
All	Section 10, " " " "	640
All	Section 11, " " " "	640
All	Section 14, " " " "	640
All	Section 15, " " " "	640
All	Section 16, " " " "	640
All	Section 35, T12N, R10W, 34	640

5120 Acres

T11&12 N., R. 10 W., SEWARD Meridian,
containing 5120 acres, more or less

T11&12N., R. 10W., Seward Meridian,
containing 5120 acres, more or less.

3. Interest of assignor in said lands: 100%
4. Extent of such interest assigned to assignee: An undivided 25%
5. Overriding royalty reserved herein to assignor: None
6. Signed this date: July 26th, 1962

PAN AMERICAN PETROLEUM CORPORATION

Willard B. Longshore

(Assignor's Signature)

Willard B. Longshore
Its Attorney-in-Fact

CERTIFICATE OF ACKNOWLEDGMENT

PROVINCE OF ALBERTA)
C A N A D A)

BEFORE ME, the undersigned, a Notary Public, within and for said Province of Alberta, on this 26th day of July A.D. 1962, personally appeared WILLARD B. LONGSHORE, to me personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me that he executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

[Signature]
A Notary Public in and for the
Province of Alberta.

My commission is held at the pleasure of the
Lieutenant-Governor of the Province of Alberta

AGO 570669

(CORPORATION ACKNOWLEDGMENT)

STATE OF OKLAHOMA
COUNTY OF WASHINGTON } SS.

On this 14th day of August, 19 62, before me MARY HENTON, a notary public, appeared R. B. STEWART to me personally known, who being by me duly sworn did say: that he is the Vice- president of PHILLIPS PETROLEUM COMPANY and that the seal affixed to the above and foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said R. B. STEWART acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and seal this 14th day of August, 1962.
My commission expires: 11-8-65 Mary Henton
Notary Public for the State of Oklahoma
Residing at Bartlesville

This application discloses and is signed by or on behalf of all persons who will or may, if the above assignment is approved in whole or in part, receive any interest in the lease designated above by virtue of any agreement or understanding, oral or written.

Signed this date: 8-14-62
ATTEST: Phillips Petroleum Company
Asst. Secretary By R. B. Stewart
(Assignee's Signature) Vice-President

(b) Delaware Corporation authorized to hold Oil & Gas Leases. Statement of Qualification filed in Q-17. There have been no amendments.
Bl-1

Approval

The above assignment is approved as to the lands described in item 2 thereof, effective as of the date set forth below.

STATE OF ALASKA

Effective date of assignment August 24, 1962

By John C. B. [Signature]
Minerals Officer

(Submit in triplicate. Must be filed within 90 days after date shown in item 6 of the above assignment form. All copies must be signed in ink.)

Application for Approval of Assignment

The undersigned assignee hereby requests approval of the above assignment as to all of the lands described in item 1 of the above assignment or such portion thereof as may be approved under applicable law and regulations.

Enclosed with this application are:

- (a) Check or money order payable to the Department of Revenue of the State of Alaska covering filing fee of \$20.00;
- (b) Information and documents, or references thereto, evidencing the qualifications of the undersigned to hold a lease, in compliance with Section 10.31 (c) of the Oil and Gas Leasing Regulations; and see below
- (c) Any bond or reference thereto required by said Regulations.

Any notice in connection with this application or the undersigned's interest in the lease designated in the foregoing assignment may be sent to the undersigned's address set forth in said assignment.

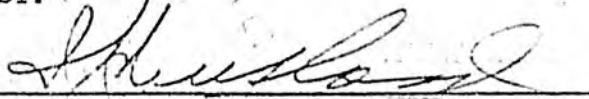
The undersigned agrees to be bound by the provisions of said lease, if the above assignment is approved in whole or in part.

This application discloses and is signed by or on behalf of all persons who will or may, if the above assignment is approved in whole or in part, receive any interest in the lease designated above by virtue of any agreement or understanding, oral or written.

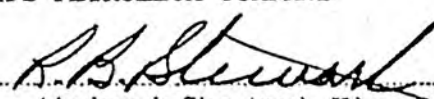
Signed this date: 8-14-62

ATTEST:

PHILLIPS PETROLEUM COMPANY


Asst. Secretary

By


(Assignee's Signature) Vice-President

(b) Delaware Corporation authorized to hold Oil & Gas Leases. Statement of Qualification filed in Q-17. There have been no amendments.
Bl-1

Approval

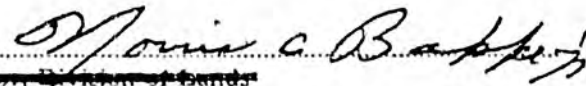
The above assignment is approved as to the lands described in item 2 thereof, effective as of the date set forth below.

STATE OF ALASKA

Effective date
of assignment

August 24, 1962

By


Minerals Officer

(Submit in triplicate. Must be filed within 90 days after date shown in item 6 of the above assignment form. All copies must be signed in ink.)

AGO 570671

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
Division of Lands



Assignment Affecting Record Title to Oil and Gas Lease

The undersigned assignor, as owner of the record title interest specified in item 3 below in the oil and gas lease designated above, for a good and valuable consideration, does hereby assign to.....

PHILLIPS PETROLEUM CORPORATION

whose address is.....
BARTLESVILLE, OKLAHOMA

the right, title and interest specified in item 4 below in and to the lands embraced in said lease described in item 1 below, or such portion thereof as the lessor may approve and described in item 2 below, giving and granting to assignee the rights and privileges of a lessee in said lands, to the extent indicated, subject to the reservations of overriding royalties noted in item 5 below:

1. LANDS REQUESTED.

S-13-6-27

2. LANDS APPROVED
(Not to be filled in)

S-13-6-27

All	Section 3, T11N, R 9W, 7M	640
All	Section 4, " " " "	640
All	Section 8, " " " "	640
All	Section 9, " " " "	640
All	Section 16, " " " "	640
All	Section 17, " " " "	640
All	Section 33, T12N, R 9W, 7M	640
All	Section 34, " " " "	640
		5120 Acres

T 11&12 N., R. 9 W., SEWARD Meridian,
containing 5120 acres, more or less

T 11&12N., R. 9W., SEWARD Meridian,
containing 5120 acres, more or less.

3. Interest of assignor in said lands: 100%
4. Extent of such interest assigned to assignee: An undivided 25%
5. Overriding royalty reserved herein to assignor: None
6. Signed this date: July 26th, 1962

PAN AMERICAN PETROLEUM CORPORATION

Willard B. Longshore
(Assignor's Signature)

Willard B. Longshore
Its Attorney-in-Fact

CERTIFICATE OF ACKNOWLEDGMENT

AGO 570672

PROVINCE OF ALBERTA)
C A N A D A)

BEFORE ME, the undersigned, a Notary Public, within and for said Province of Alberta, on this 26th day of July A.D. 1962, personally appeared WILLARD B. LONGSHORE, to me personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me that he executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

[Signature]
A Notary Public in and for the
Province of Alberta

My commission is held at the pleasure of the
Lieutenant-Governor of the Province of Alberta

STATE OF OKLAHOMA
COUNTY OF WASHINGTON

SS.

On this 14th day of August, 1962, before me MARY HENTON, a notary public, appeared R. B. STEWART to me personally known, who being by me duly sworn did say: that he is the Vice president of PHILLIPS PETROLEUM COMPANY and that the seal affixed to the above and foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said R. B. STEWART acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and seal this 14th day of August, 1962.

My commission expires: 11-8-65

Mary Henton
Notary Public for the State of Oklahoma

Residing at Bartlesville

This application discloses and is signed by or on behalf of all persons who will or may, if the above assignment is approved in whole or in part, receive any interest in the lease designated above by virtue of any agreement or understanding, oral or written.

Signed this date: 8-14-62

ATTEST:

[Signature]
Asst. Secretary

PHILLIPS PETROLEUM COMPANY

By

[Signature]
(Assignee's Signature) Vice-President

(b) Delaware Corporation authorized to hold Oil & Gas Leases. Statement of Qualification filed in Q-17. There have been no amendments.

Bl-1

Approval

The above assignment is approved as to the lands described in item 2 thereof, effective as of the date set forth below.

STATE OF ALASKA

Effective date
of assignment August 24, 1962

By

[Signature]
Minerals Officer

(Submit in triplicate. Must be filed within 90 days after date shown in item 6 of the above assignment form. All copies must be signed in ink.)

Application for Approval of Assignment

P-34-0111

The undersigned assignee hereby requests approval of the above assignment as to all of the lands described in item 1 of the above assignment or such portion thereof as may be approved under applicable law and regulations.

Enclosed with this application are:

- (a) Check or money order payable to the Department of Revenue of the State of Alaska covering filing fee of \$20.00;
- (b) Information and documents, or references thereto, evidencing the qualifications of the undersigned to hold a lease, in compliance with Section 10.31 (c) of the Oil and Gas Leasing Regulations; and see below
- (c) Any bond or reference thereto required by said Regulations.

Any notice in connection with this application or the undersigned's interest in the lease designated in the foregoing assignment may be sent to the undersigned's address set forth in said assignment.

The undersigned agrees to be bound by the provisions of said lease, if the above assignment is approved in whole or in part.

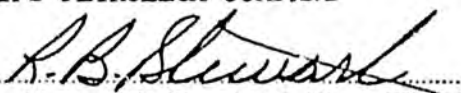
This application discloses and is signed by or on behalf of all persons who will or may, if the above assignment is approved in whole or in part, receive any interest in the lease designated above by virtue of any agreement or understanding, oral or written.

Signed this date: 8-14-62

ATTEST:


Asst. Secretary

PHILLIPS PETROLEUM COMPANY

By 
(Assignee's Signature) Vice-President

(b) Delaware Corporation authorized to hold Oil & Gas Leases. Statement of Qualification filed in Q-17. There have been no amendments.

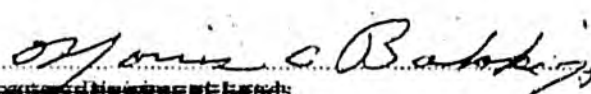
B1-1

Approval

The above assignment is approved as to the lands described in item 2 thereof, effective as of the date set forth below.

STATE OF ALASKA

Effective date
of assignment August 24, 1962

By 
Minerals Officer

(Submit in triplicate. Must be filed within 90 days after date shown in item 6 of the above assignment form. All copies must be signed in ink.)

AGO 570674

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
Division of Lands

North Cook Inlet Area
Shell et al. #3 Lease
Property No. 18442

LEASE NO. ADL 18755

Assignment Affecting Record Title to Oil and Gas Lease

The undersigned assignor, as owner of the record title interest specified in item 3 below in the oil and gas lease designated above, for a good and valuable consideration, does hereby assign to.....

PHILLIPS PETROLEUM COMPANY

whose address is.....1300 SECURITY LIFE BUILDING
DENVER, COLORADO 80202

the right, title and interest specified in item 4 below in and to the lands embraced in said lease described in item 1 below, or such portion thereof as the lessor may approve and described in item 2 below, giving and granting to assignee the rights and privileges of a lessee in said lands, to the extent indicated, subject to the reservations of overriding royalties noted in item 5 below:

1. LANDS REQUESTED

2. LANDS APPROVED
(Not to be filled in)

Township 12 North, Range 9 West, S.M.

Section 19: SE $\frac{1}{4}$
Section 20: S $\frac{1}{2}$ and NE $\frac{1}{4}$
Section 29: All
Section 30: All

SAME AS ITEM #1

Township 12 North, Range 10 West, S.M.

Section 25: SE $\frac{1}{4}$
Section 36: All

..... R. Meridian,
containing 3326.00 acres, more or less.
Section 7 9/1/67

1

None

Township 11 North, Range 10 West, S.M.

Section 1: All

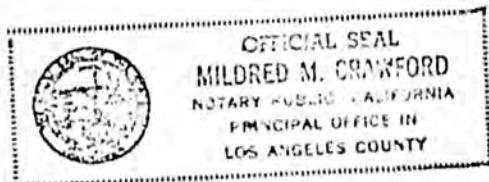
AGO 570675

COUNTY OF LOS ANGELES

On this 24th day of May, 19 67, before me

Mildred M. Crawford, a Notary Public in and for said County and State,
residing therein, duly commissioned and sworn, personally appeared D. E. CLARK, known to
me to be the person whose name is subscribed to the within instrument as the Attorney In Fact of Shell
Oil Company, and acknowledged to me that he subscribed the name of Shell Oil Company thereto as
principal, and his own name as Attorney In Fact.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, at my office,
in said County and State, the day and year in this certificate first above written.



Mildred M. Crawford
Mildred M. Crawford

Name (Typed or Printed)
Notary Public in and for said County and State
My Commission expires December 11, 1967

see 6-26-67 page

Application for Approval of Assignment

The undersigned assignee hereby requests approval of the above assignment as to all of the lands described in item 1 of the above assignment or such portion thereof as may be approved under applicable law and regulations.

Enclosed with this application are:

(a) Check or money order payable to the Department of Revenue of the State of Alaska covering filing fee of \$20.00;

(b) Information and documents, or references thereto, evidencing the qualifications of the undersigned to hold a lease, in compliance with Section 10.31 (c) of the Oil and Gas Leasing Regulations; and

(c) Any bond or reference thereto required by said Regulations.

Any notice in connection with this application or the undersigned's interest in the lease designated in the foregoing assignment may be sent to the undersigned's address set forth in said assignment.

The undersigned agrees to be bound by the provisions of said lease, if the above assignment is approved in whole or in part.

This application discloses and is signed by or on behalf of all persons who will or may, if the above assignment is approved in whole or in part, receive any interest in the lease designated above by virtue of any agreement or understanding, oral or written.

Signed this date: June 16, 1967



PHILLIPS PETROLEUM COMPANY

By

(Assignee's Signature)

Its Attorney-in-Fact

The above assignment is approved as to the
forth below.

bed in item 2 thereof, effective as of the date set

STATE OF ALASKA

Effective date
of assignment.

JUN 16 1967

By

Director, Division of Lands

PEDRO DENTON
Minerals Officer

(Submit in triplicate. Must be filed within 90 days after date shown in item 6 of the above assignment form. All copies must be signed in ink.)

7. Assignor warrants this assignment to be free and clear of all liens, clouds and encumbrances caused, suffered or created by, through or under Assignor, but not otherwise, except the North Cook Inlet Unit Agreement and the North Cook Inlet Unit Operating Agreement, both dated November 1, 1966.

W *rod*

State of Alaska
Department of Natural Resources
Division of Lands
ALK 1645

Assignment Affecting Record Title to Oil and Gas Lease

The undersigned assignor, as owner of the record title interest specified in item 3 below in the oil and gas lease designated above, for a good and valuable consideration, does hereby assign to Phillips Petroleum Company, a Delaware corporation whose address is Bartlesville, Oklahoma the right, title and interest specified in item 4 below in and to said lease insofar as it covers the lands described in item 1 or such portion thereof as the lessor may approve and describe in item 2 below, giving and granting to assignee the rights and privileges of a lessee in said lands, to the extent indicated, subject to the reservations of overriding royalties noted in items 5 and 6 below:

1. LANDS REQUESTED

Section 21: W 1/2

Section 28: W 1/2

2. LANDS APPROVED
(Not to be filled in)

SAME AS ITEM #1

T 12 N, R 9 W, S. M. Meridian, T _____, R _____, _____ Meridian,
containing 640 acres, more or less. containing _____ acres, more or less.

3. Interest of assignor in said lease: 1/3rd
4. Extent of such interest assigned to assignee: All
5. Overriding royalty reserved herein to assignor: None
6. Overriding royalty previously reserved: None
7. Signed this date: May 26, 1967
8. See Rider attached

ATTEST:

Ruth Patchnick
Assistant Secretary
THE UNITED STATES OF AMERICA)
STATE OF Texas) ss.

ATLANTIC RICHFIELD COMPANY

(Assignor's Signature)
By W. F. Kieschnick, Jr. ad
W. F. Kieschnick, Jr.
Vice President

This certifies that on the 26th day of May, 19 67, before me a notary public in and for the State of Texas, duly commissioned and sworn, personally appeared W. F. Kieschnick, Jr. to me known and known to me to be the person described in and who executed the foregoing assignment, who then after being duly sworn according to law, acknowledged to me under oath that he executed same freely and voluntarily for the uses and purposes therein mentioned, and for Atlantic Richfield Company, a Pennsylvania corporation, as its Vice President.
WITNESS my hand and official seal the day and year in this certificate first above written.

[Signature]
Notary Public for Dallas County, Texas
My Commission expires: June 1, 1967

Application for Approval of Assignment



The undersigned assignee hereby requests approval of the above assignment as to all of the lands described in item 1 of the above assignment or such portion thereof as may be approved under applicable law and regulations.

Enclosed with this application are:

- (a) Cash, check or money order payable to the Department of Revenue of the State of Alaska covering filing fee of \$20.00;
- (b) Any bond or reference thereto required by said regulations.

Any notice in connection with this application or the undersigned's interest in the lease designated in the foregoing assignment may be sent to the undersigned's address set forth in said assignment.

The undersigned agrees to be bound by the provisions of said lease, if the above assignment is approved in whole or in part.

This application discloses and is signed by or on behalf of all parties who will or may, if the above assignment is approved in whole or in part, receive any interest in the lease designated above by virtue of any agreement or understanding, oral or written and constitutes certification that each such party is qualified to hold Alaska State Oil and Gas Leases pursuant to Section 503.1 of the Oil and Gas Leasing Regulations.

Signed this date: : June 16, 1967

PHILLIPS PETROLEUM COMPANY

By: [Signature]
(Assignee's Signature)

It's Attorney-in-Fact

Approval

The foregoing assignment is approved as to the lands described in item 2 thereof, effective as of the date set forth below.

STATE OF ALASKA

Effective date of assignment : JUN 16 1967

By: [Signature]

PEDRO DENTON
Minerals Officer

(Submit in triplicate. Must be filed within 90 days after final execution by the assignee. All copies must be signed in ink.)

AGO 570679

APUC

ORDERS

U-M GAS

LINE

ORDER NO. 1

ORDER NO. 2

(including dissenting opinion by Gordon Zerbetz)

(PARTIAL) EXEMPTION OF U-M TRANSMISSION LINE FROM APUC JURISDICTION

December 31, 1970

STATE OF ALASKA

BEFORE THE ALASKA PUBLIC UTILITIES COMMISSION

In the Matter of the Certification
of UNION OIL COMPANY OF CALIFORNIA
and MARATHON OIL COMPANY }

U-70-73

ORDER NO. 1

ORDER GRANTING TEMPORARY EXEMPTION

On December 18, 1970, the Commission received a request on behalf of the above-named parties for exemption from the certification provisions of AS 42.05.221, which provides:

"Sec. 42.05.221. Certificates required. (a) No public utility may operate and receive compensation for providing a commodity or service after January 1, 1971 without first having obtained from the commission under this chapter a certificate declaring that public convenience and necessity require or will require the service"

In the opinion of the Commission, the request poses problems sufficiently similar to those presented in Commission Cause No. U-70-85 to warrant the same approach utilized in Order No. 1 in that docket (copy attached).

FINDINGS

THE COMMISSION FINDS, good cause exists for temporarily exempting Union Oil Company of California and Marathon Oil Company from complying with AS 42.05.221 pending final decision on the request for exemption pursuant to AS 42.05.711(d).

U-70-73
DEC 31 1970

93

AGO 570682

ORDER

THE COMMISSION ORDERS:

1. Upon the request of the parties named in the caption of this proceeding for exemption from complying with AS 42.05.221, said parties are temporarily exempted from complying with AS 42.05.221 pending final decision on the issues raised pursuant to AS 42.05.711(d), upon the following condition:

That the parties must submit a complete application for a certificate of public convenience and necessity (Commission Form PU 101) on or before February 1, 1971.

2. Failure to comply with the condition specified in Paragraph (1) shall result, without necessity of further order, in termination of the temporary exemption.

3. The applications shall be accompanied, either individually or collectively, by whatever additional argument or information may be necessary to complete the presentations of the parties in support of the request for exemption. Factual matters contained in the request for exemption, if not also provided in the applications, shall be verified by persons having personal knowledge of such factual matters.

4. Pending final disposition of the request for exemption, Union Oil Company and Marathon Oil Company shall not enter into any new contracts for the sale of natural gas without affording the Commission a prior opportunity of at least thirty (30) days in which to review each said contract. Any such contracts entered into without prior submission to the Commission shall be null and void.

5. The Commission shall schedule such further proceedings, including public notice and hearing (consolidated or separate) as it deems warranted.

By Direction of the Commission:

DATED at Anchorage, Alaska this 31st day of December, 1970.

ALASKA PUBLIC UTILITIES COMMISSION

Don Hall

Don Hall
Executive Director

September 28, 1971

BEFORE THE ALASKA PUBLIC UTILITIES COMMISSION

in the Matter of the Application)
of UNION OIL COMPANY OF CALIFORNIA)
and MARATHON OIL COMPANY for)
Exemption of its Kenai-Nikiski)
Natural Gas Pipeline from Regula-)
tion Pursuant to AS 42.05.711(d))

U-70-73

ORDER NO. 2

ORDER DISMISSING APPLICATION FOR CERTIFICATE
AND GRANTING PARTIAL EXEMPTION FROM THE
PROVISIONS OF AS 42.05

The UNION OIL COMPANY OF CALIFORNIA (UNION) and MARATHON OIL COMPANY (MARATHON) each own fifty percent of the Kenai-Nikiski Pipeline (Pipeline) located in Section 21, T7N, R12W of the Seward Meridian. On December 18, 1970 Union and Marathon (herein after referred to as "Applicants") jointly filed an application with the Commission under AS 42.05.711(d) for exemption of the pipeline from all provisions of the Alaska Public Utilities Commission Act, and rules and regulations promulgated thereunder, except those pertaining to safety standards.

The above application indicates that approximately 160,000 - 170,000 Mcf of gas were being transported daily through the pipeline. Of that total, it appears that about 900 Mcf per day are delivered through a portion of the pipeline to the City of Kenai for use in its municipal gas distribution system.

On December 31, 1970, the Commission entered its Order No. 1 in this proceeding which granted the Applicants

temporary exemption from compliance with AS 42.05.221 pending final decision of the issues in this matter on the condition that a complete application for a certificate of public convenience and necessity would be filed by the Applicants on or before February 1, 1971. The order further provided that no new agreements for the sale of natural gas would be entered into without first affording the Commission an opportunity of at least thirty (30) days in which to review each proposed contract.

Union and Marathon, on January 29, 1971, each filed a separate application for a certificate of public convenience and necessity to operate a natural gas transmission pipeline, but continued to urge consideration of their previous request for partial exemption in preference to their application for a certificate.

Subsequent to the Applicants' filing for an exemption, but prior to the application being noticed to the public, the Alaska Public Service Corporation (APSC) requested an opportunity to intervene and to oppose the granting of such exemption because of the disclosure in the application that it was proposing to sell gas from the Pipeline to Chugach Electric Association, Inc. On January 29, 1971, the request to intervene and to oppose the granting of an exemption was withdrawn by the APSC. However, in a letter to the Commission, dated August 30, 1971, the President of APSC informed the Commission that the reason it did not object to the exemption of Applicants was "... because we believed the Commission would not allow the invasion of our Service Area during the course of such exemption."

gas distribution utility
Subsidiary
of APC

via APC?

AGO 570686

The aforementioned applications were noticed to the public and all known interested parties on March 6, 1971. No opposition to, or support for, the application was received in response to the public notice.

It is the position of the Applicants that, except for safety considerations, the provisions of AS 42.05 are not applicable to the type of operations performed or contemplated by the Pipeline. Clearly in contrast, the Applicants do transmit and sell natural gas to the City of Kenai, which in turn sells it to Wildwood Air Force Station and to Kenai Utility Service Corporation for resale to its individual commercial and residential customers. A natural gas utility as defined in AS 42.05.701(2) (D) includes any corporation or company furnishing, by transmission or distribution, natural gas to the Alaska public for compensation. This definition, viewed by itself, might lead to the assumption that since the individual commercial and residential consumers are not being served directly by the Applicants, the Applicants are not a public utility. AS 42.05.701(5), however, provides that the "public" or "general public" includes any utility purchasing or paying for the transmission of natural gas which is resold to ten or more customers; thus the City of Kenai and the Kenai Utility Service Corporation are the "public" in addition to being utilities. Sale of natural gas to the City of Kenai (the public), by statutory definition, make the Applicants a public utility.

It is apparent to the Commission that the primary purpose and use of the Pipeline is to provide natural gas to the Applicants' affiliated industrial manufacturing interests

and to other related gas and oil production activities. The Commission understands the reluctance of the Applicants to submit all of their pipeline operations to regulation as a public utility, particularly in view of the extremely small percentage of the total pipeline capacity dedicated to public utility service. On the other hand, the Commission must recognize its obligation to protect the interests of all ultimate utility customers who depend on the Applicants for the gas they use regardless of the fact that their usage is only a minuscule part of the gas transmitted by the Pipeline. The Commission must be assured that once utility service has been offered to the public, it will continue to be offered for a reasonable period at rates which are just and fair. Further, the Commission must be in a position to ascertain periodically that rates being charged to the utilities are consistent with those being charged to other users of the Pipeline and that the rates of return for sales to utilities are not excessive. Finally, the Commission should have a current knowledge of the quantity of gas the Applicants are prepared to deliver for public utility usage and the time periods over which such deliveries can be made.

AS 42.05.711(d) provides that the Commission, on finding that no legitimate public interest would be served, may exempt a utility from all or any portion of the Act. It would appear that the majority of Applicants' pipeline activities can properly be exempted from regulation, provided sufficient safeguards are retained to guarantee that the rate payers using the natural gas supplied by the Pipeline

will receive adequate regulatory protection. Safety matters, for which no exemption has been requested, should continue to be regulated by the Commission in accordance with the authority delegated to it through the Federal Government's Natural Gas Pipeline Safety Act of 1968, as amended.

FINDINGS

THE COMMISSION FINDS:

1. Union Oil Company of California and Marathon Oil Company, to the extent of their ownership, control and operation of the Kenai-Nikiski Pipeline, are a public utility as defined by AS 42.05.701(2) (D) and AS 42.05.701(5) (B).

2. Union Oil Company of California and Marathon Oil Company, in their ownership, control and operation of the Kenai-Nikiski Pipeline, should be exempted from the provisions of AS 42.05 except as it relates to or affects:

- A. The terms, conditions or pricing of natural gas sales to public utilities;
- B. The quality of service rendered to public utilities as customers;
- C. The safety of operations of the pipeline and its related facilities and appurtenances.

3. No legitimate public interest will be served by regulating any of the operations of Union Oil Company of California and Marathon Oil Company except to the extent indicated in Finding No. 2 above.

ORDER

THE COMMISSION ORDERS:

1. Order No. 1 in this proceeding is hereby
rescinded:-

2. The application of Union Oil Company of California and Marathon Oil Company for a certificate of public convenience and necessity to furnish natural gas transmission service is dismissed without prejudice.

3. Subject to the conditions of this Order, the application of Union Oil Company of California and Marathon Oil Company, as owners and operators of the Kenai-Nikiski Pipeline, for an exemption from the provisions of AS 42.05 is granted in part. The Commission retains jurisdiction to the extent that Union Oil Company of California and Marathon Oil Company, as owners and operators of the Kenai-Nikiski Pipeline shall:

a) File with the Commission within thirty (30) days of the effective date of this Order, copies of all contracts, agreements, or arrangements for the sale or delivery of natural gas in effect on the effective date of this Order.

b) File with the Commission within thirty (30) days after execution, a copy of any new contract, agreement, or arrangement or any modification, alteration or extension of an existing contract, agreement, or arrangement for the sale or delivery of natural gas.

c) Obtain prior written approval of the Commission before placing in effect any new contract, agreement, or arrangement or any

Does this
not apply
to APC
contract?

modification, alteration or extension
of an existing contract, agreement, or
arrangement for the sale of natural
gas to an utility certificated by the
Commission.

applicability
to APC
"extension"?

- d) Make available to the Commission, its employees, agents, and consultants for inspection and examination, at all reasonable times, the accounts, books, records, maps, inventories, appraisals, valuations, and/or other reports and documents of the pipeline operation which may be required to evaluate the justice, fairness and reasonableness of its contracts, agreements, and arrangements for the sale of natural gas to certificated public utilities, and to determine the quality of service being rendered.

Applicable to
APC!

- e) Comply with all State, Federal and Commission rules, regulations, orders, or procedures relating to natural gas pipeline safety.

4. The Commission retains jurisdiction to investigate all complaints filed by any certificated public utility to which the sale or delivery of natural gas is being made and to exercise all provisions of AS 42.05 in the resolution of such complaints.

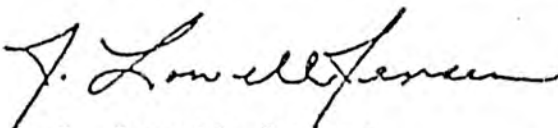
AGD 570691

5. The exemption granted herein is subject to modification or revocation after thirty (30) days notice to the Union Oil Company of California and the Marathon Oil Company, including an opportunity to be heard if requested by the parties in writing.

By Direction of the Commission (Commissioner Zerbetz, dissenting, filed a Dissenting Statement appended hereto):

DATED at Anchorage, Alaska this 28th day of September, 1971.

ALASKA PUBLIC UTILITIES COMMISSION



J. Lowell Jensen
Deputy Director

STATE OF ALASKA

BEFORE THE ALASKA PUBLIC UTILITIES COMMISSION

In the Matter of the Application)
of UNION OIL COMPANY OF CALIFORNIA)
and MARATHON OIL COMPANY for)
Exemption of its Kenai-Nikiski)
Natural Gas Pipeline from Regula-)
tion Pursuant to AS 42.05.711(d))

U-70-73

ORDER NO. 2

ORDER DISMISSING APPLICATION FOR CERTIFICATE
AND GRANTING PARTIAL EXEMPTION FROM THE
PROVISIONS OF AS 42.05
(DISSENT OF COMMISSIONER GOREN J. ZERBETZ)

I cannot agree with the decision of the majority which would allow Union Oil Company of California and Marathon Oil Company jointly to operate as a public utility without a certificate of public convenience and necessity in violation of AS 42.05.701(5). The majority opinion admits that applicant is a utility subject to certification but chooses to exempt it for various reasons including apparently the relatively small percentage of the operation which would be considered to be in public use. The size of the utility operation should not be used as a measure of determining the Commission's primary mission to protect the public. Furthermore, this particular operation represents the entire gas supply of the principal cities on the Kenai Peninsula and to the Wildwood Air Force Station.

Applicant contends that customers other than the City of Kenai are affiliated interests and that service to these affiliates would not place applicant in a public utility category. It is worthy of note that the other customers are not in the same ownership entity and though there

*APC not included!
Yet they had
a contract
as of 1967?*

are less than 10 of this type of customer their existence as separate entities strengthens my moral conviction that applicant should be treated as a public utility.

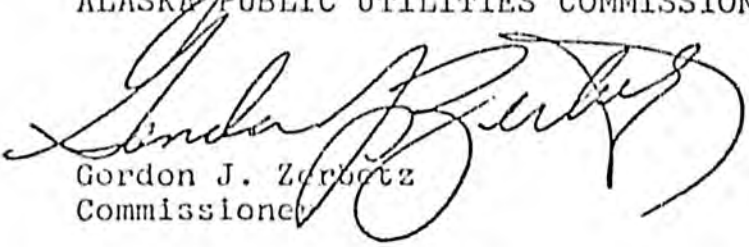
Also worthy of note is applicant's disclosure of an attempt to provide services in an area that has already been certificated to another gas utility. Granting of a certificate to one utility and granting an exemption to another for an operation in the same service area cannot but lead to regulatory difficulties in the future.

The majority decision would retain safety responsibility for this gas pipeline in spite of exemption. The creation of this special utility category could necessitate special handling of general safety orders which would add an unnecessary element of confusion to the Commission's regulatory procedures.

Final and timely consideration should also include the environmental aspect of this exemption. At a time when the Commission is involved in a vigorous program to balance essential utility services with ecological considerations, the jurisdiction of the Commission should be extended to the fullest extent allowed by the existing statutes.

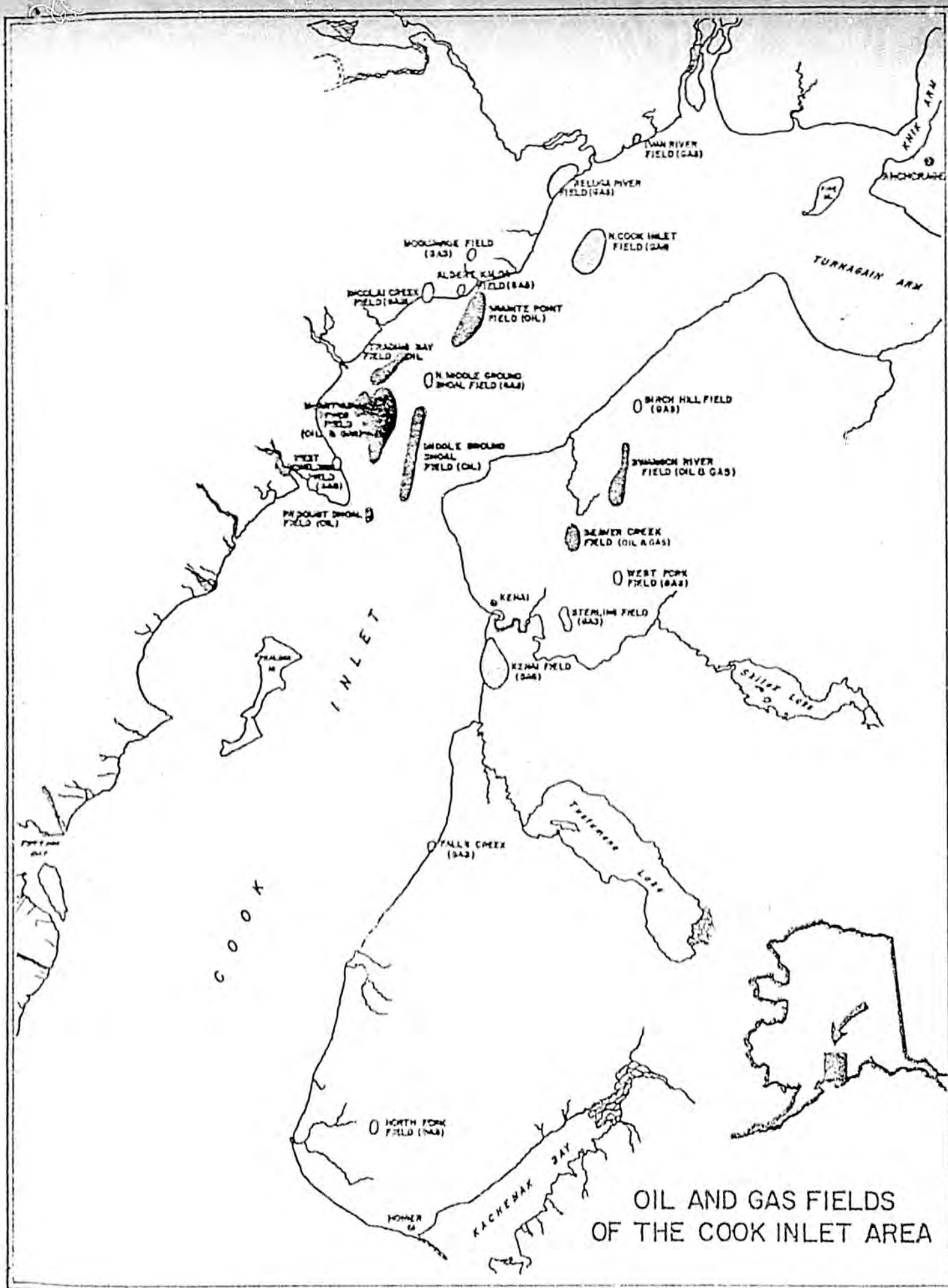
WITNESSED at Anchorage, Alaska this 28th day of September, 1971.

ALASKA PUBLIC UTILITIES COMMISSION

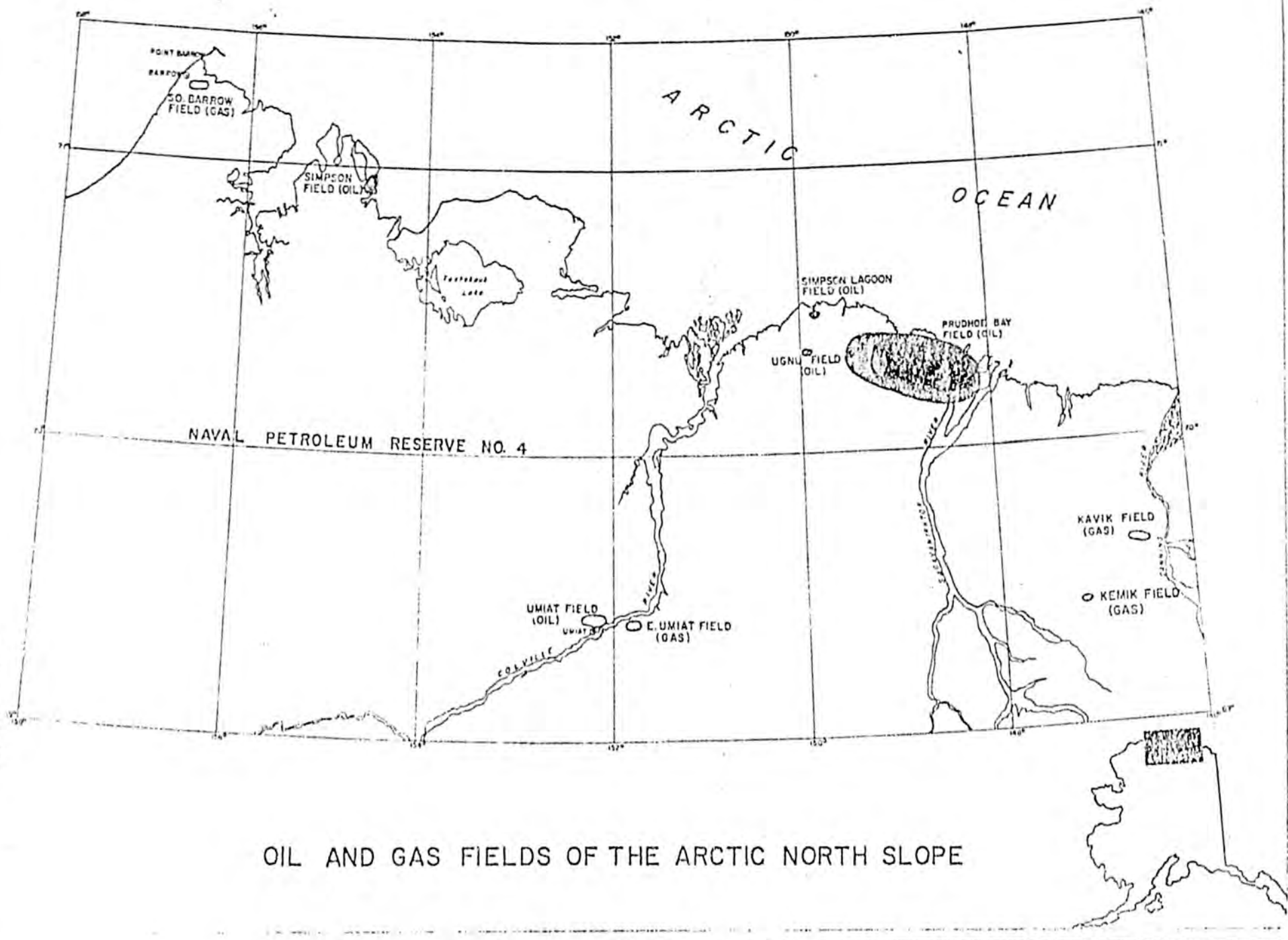

Gordon J. Zerbetz
Commissioner

What's who
that?

COOK INLET
OIL + GAS
FIELDS



AGO 570697



OIL AND GAS FIELDS OF THE ARCTIC NORTH SLOPE

BEAVER CREEK GAS FIELD

Operator: Marathon

Other Participants: Union Oil

Discovered: 1967

Production started: 1973

Number of wells (as of 2/75): 1 producer, 0 shut-in

Current producing rate (2/75): 7,249 MCF/month, 259 MCF/day

Estimated remaining reserves: 400,000 MMCF

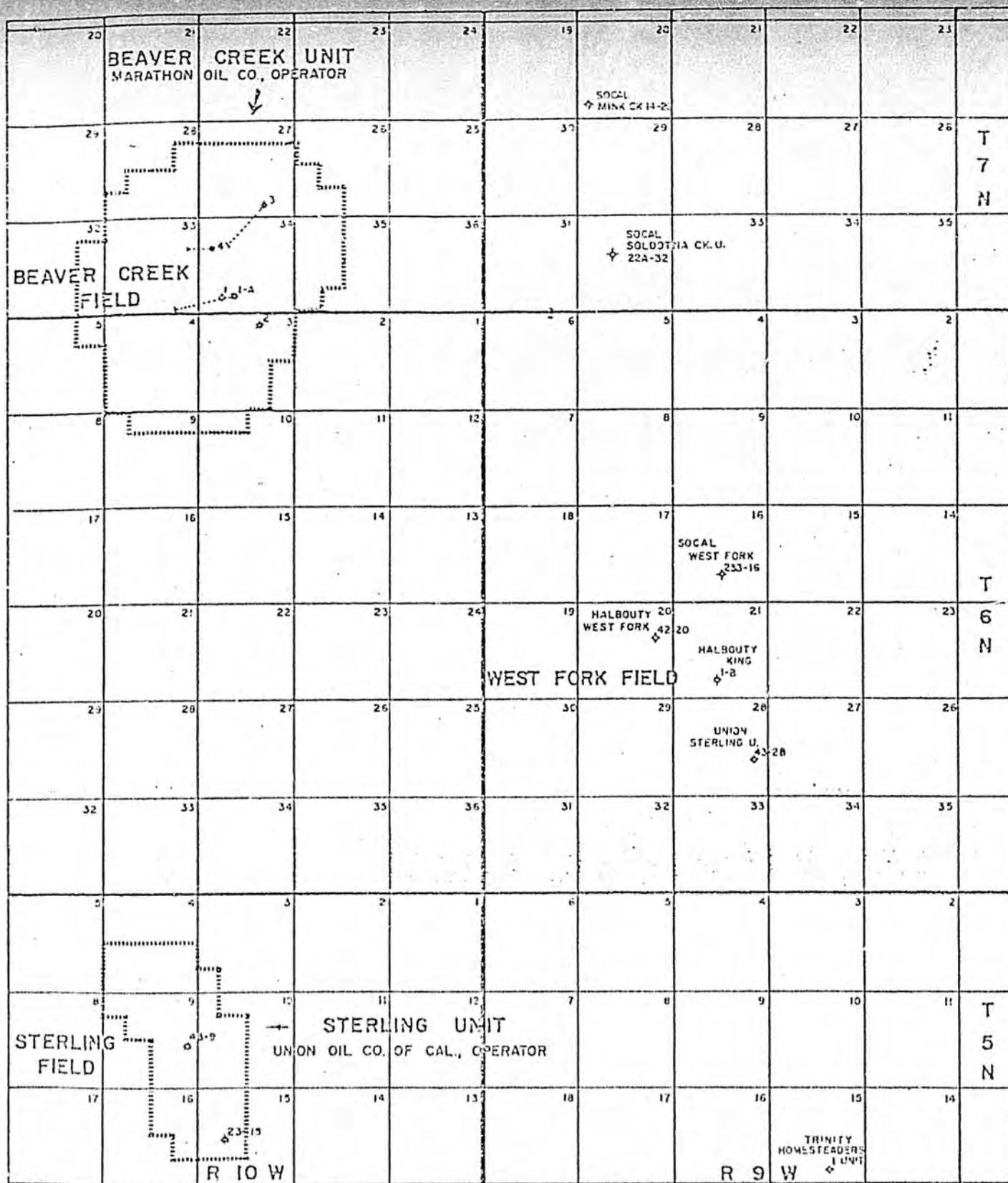
Gas utilization: Gas lift gas

State royalty interest: 0

General onshore location: Eastside Cook Inlet, see attached map.

Comments:

This field is a probable source of gas for the proposed Pacific Lighting LNG project near Kenai.



STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS
ANCHORAGE, ALASKA

BEAVER CREEK, STERLING AND
WEST FORK FIELDS

AGO 570699

SCALE: 0 4,000' 8,000' 12,000'

APRIL 1, 1974

BELUGA RIVER GAS FIELD

Operator: Socal

Other participants: Shell and Arco

Discovered: 1962

Production started: 1968

Number of wells (as of 2/75): 1 producing, 4 shut-in

Current producing rate (2/75): 507,126 MCF/month, 18,112 MCF/day

Estimated remaining reserves: 700,00 MMCF

Gas utilization: Chugach Electric Assoc.

X Current wellhead value: \$0.163/MCF, escalates 1¢/MCF every 5 years

State royalty interest: 7.9862%

Gas sales (1974): 15,182 MCF/D

Possible inkind royalty rate: 1318 MCF/D

General onshore location - Westside Cook Inlet, see attached map.

Comments:

A 6% annual increase in gas production is predicted for this field. Future gas sales are an extrapolation of the past trend which reflects a continuing population and industry growth in the area.

R 10 W

R 9 W

o 223-13

BELUGA
RIVER
UNITOPERATED BY
STANDARD OIL CO. OF CAL.

212-24

* 14-19

* 233-27

* 212-25

241-34 *

* 212-35

* 232-4

244-4

14-3

COOK INLET

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS
ANCHORAGE, ALASKA

BELUGA RIVER GAS FIELD

SCALE: 0 1,000' 2,000' 3,000' 4,000'

AGD 570701

NORTH COOK INLET GAS FIELD

Operator: Phillips Pet. Co.

Other participants: None

Discovered: 1962

Production started: 1969

Number of wells (as of 2/75): 7 producing, 1 shut-in

Current producing rate (2/75): 4,194,850 MCF/month, 149,816 MCF/day

Estimated remaining reserves: 1,500,00 MMCF

Gas utilization: LNG Plant

X Current wellhead value: \$0.3305/MCF

State royalty interest: 12.5%

Gas sales (1974): 120,797 MCF/D gross

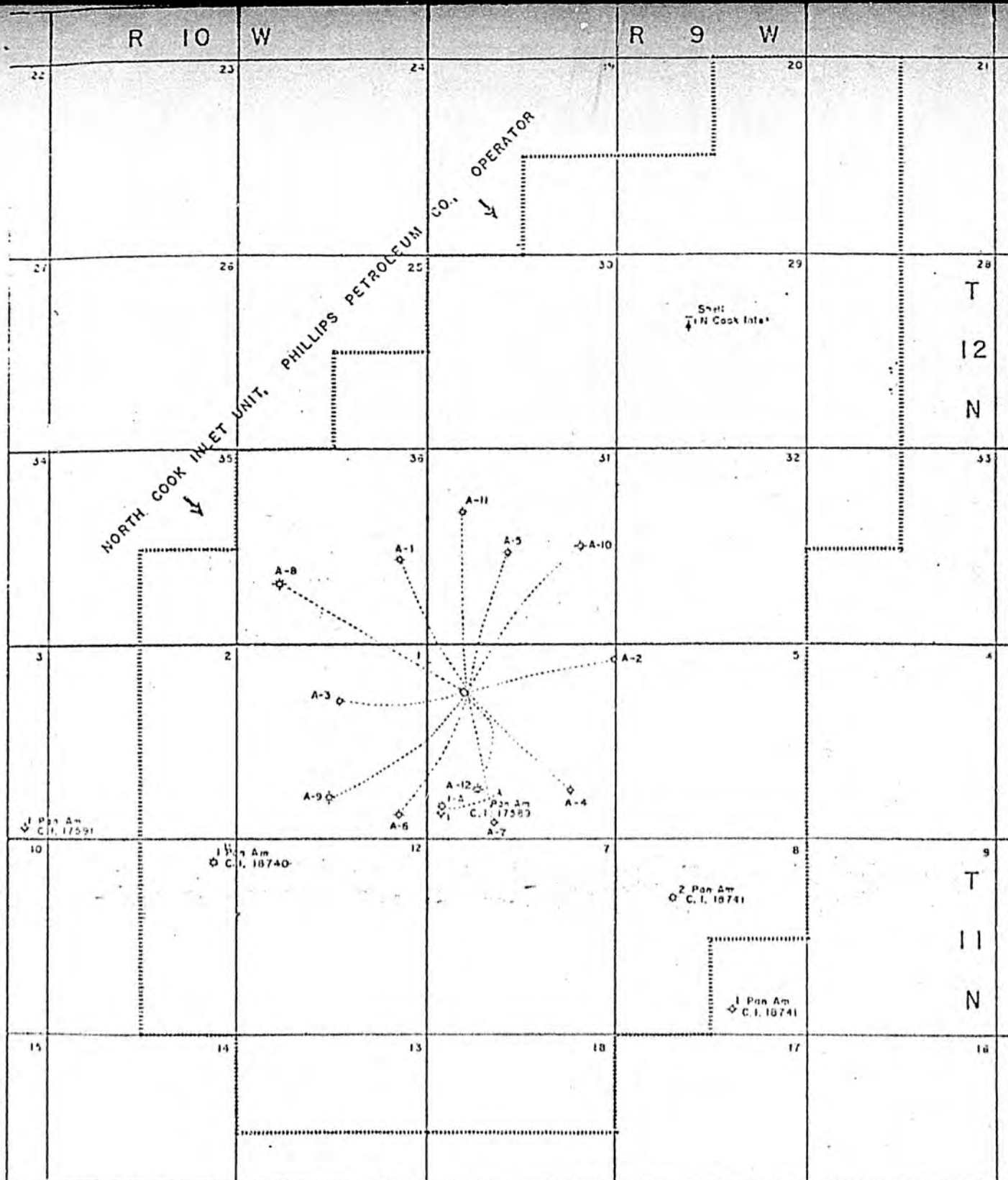
Possible inkind royalty: 17,257 MCF/D

General onshore location: Nikiski, eastside Cook Inlet

Comments:

This Phillips Petroleum Company operated unit delivers a fixed volume of gas for LNG manufacture and sale to Japan. The wellhead value has been increased by contract renegotiation with the Japanese from 10.45¢/MCF to 15.31¢/MCF on 3/12/74, to 28.78¢/MCF on 10/1/74, and to 33.05¢/MCF on 1/1/75. A contract with a new purchaser, NW Natural Gas Co. of Oregon, has been negotiated and is now in the courts. This new sale amounting to 28 MMCF/D should start in mid 1976 at a current Kenai dock price of 80¢/MCF with a 2¢/MCF/yr escalation. With escalation and plant costs it is estimated that the mid 1976 wellhead value for the new sale will be 43¢/MCF.

Kenai Field
7.17 million cf/day (average)
Cyclic supply
min 4.95 mil cf/day
max 9.25 " "
based on 1976 production



STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS
ANCHORAGE, ALASKA

NORTH COOK INLET FIELD

SCALE: 2,000' 0 2,000' 4,000' 6,000'

APRIL 1, 1974

KENAI GAS FIELD

Operator: Union Oil

Other participants: Arco, Marathon, Socal

Discovered: 1959

Production started: 1961

Number of wells (as of 2/75): 19 producing, 0 shut-in

Current producing rate (2/75): 6,324,540 MCF/month, 225,876 MCF/day

Estimated remaining reserves: 2,400,000 MMCF

Gas utilization (major): Collier Carbon and Chemical Plant (19%), LNG Plant (30%), Swanson River Oil Field Repressurization (19%), Anchorage and Kenai Residential and Commercial Consumers (32%).

X Current wellhead value: Collier Carbon = \$0.17/MCF, escalates 1¢/MCF every 5 years.
Phillips LNG Plant = \$0.38/MCF
Swanson River Rental = \$0.16/MCF
Anchorage Natural Gas PL. = \$0.22/MCF, escalates 2¢/MCF every 5 years. Special deliverability charge of 19.5¢/MCF minimum will be added to 22¢/MCF base charge starting 7/1/75.

State royalty interest: Shallow 3.6164% ----- Deep 1.1407%

Gas sales (1974): 187,474 MCF/D gross

Possible inkind royalty: 6,196 MCF/D

General onshore location - Eastside Cook Inlet, see attached map.

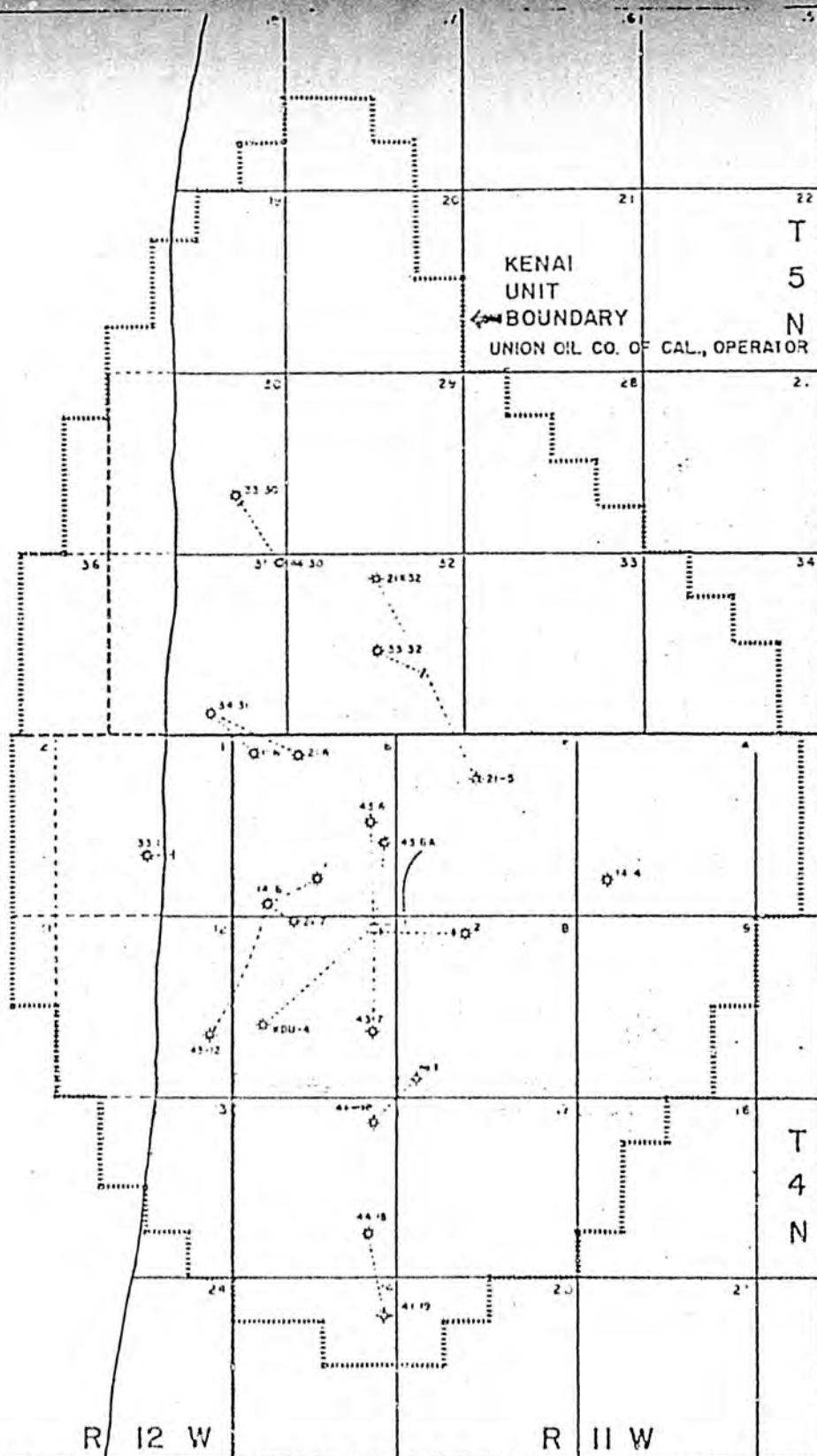
Comments:

Gas sales are predicted to steadily increase even though west side casinghead gas partially displaces Kenai dry gas. Previously flared wet gas from Cook Inlet oil fields became available to the market in October 1972 upon completion of pipeline and compression facilities, to displace dry gas purchased by Collier Chemical Plant and Phillips LNG Plant, and dry gas purchased for injection into the Swanson River Oil Field pressure maintenance project. Gas production is about 84% from Sterling (shallow) pools and 14% from the Tyonek (deep) pool. The federal government has the major royalty interest.

Kenai gas sales to Collier are predicted to increase 2% as the wet gas supply declines until mid 1977, when a planned plant expansion will add 65 MMCF/D.

capacity making a total from Kenai of about 100 MMCF/D. The LNG plant demand should be static until mid 1976 when a new contract, now in the courts, will add 12 MMCF/D in sales to NW Natural Gas Co. in Oregon making total Kenai gas purchases 62 MMCF/D. Alaska Pipeline is predicted to continue its 8% annual increase due to population growth and expansion of the domestic gas systems in Anchorage. Use of Kenai gas on a rental basis for injection in the Swanson River Oil Field reservoir pressurization project is estimated to decline at 15%. In summary, Kenai gas sales are predicted to increase at 5% annually to a mid 1977 average of 214 MMCF/D, when Collier plant expansion will increase sales to 276 MMCF/D; thereafter, total sales should increase at 4% annually.

C O O K
I N L E T



SCALE 0 1/2 1 1 1/2 miles

MCARTHUR RIVER GAS FIELD

Operator: Arco, Marathon and Union

Other participants: Amoco, Phillips, Skelly and Socal

Discovered: 1968

Production started: 1969

Number of wells (as of 2/75): 5 producing, 0 shut-in

Current producing rate (2/75): 624,846 MCF/month; 22,316 MCF/day

Estimated remaining reserves: 800,000 MMCF

Gas utilization: Used to run equipment on platforms. No sales

State royalty interest: 12.5%

General onshore location: Nikiski, eastside Cook Inlet, see attached map.

Comments:

This field is a probable source of gas for the proposed Pacific Lighting LNG project near Kenai. Gas pipelines from the McArthur River Field platforms to the westside shore facility and from there across Cook Inlet to Nikiski are installed and are being used to ship casinghead gas to market. These same pipelines are available for the dry gas.

NICOLAI CREEK GAS FIELD

Operator: Texaco

Other participants: Superior Oil

Discovered: 1966

Production started: 1968

Number of wells (as of 2/75): 1 producing, 2 shut-in

Current producing rate (2/75): 597 MCF/month, 21 MCF/day

Estimated remaining reserves: 50,000 MMCF

Gas utilization: Fuel for production and transmission equipment for
Granite Point Field

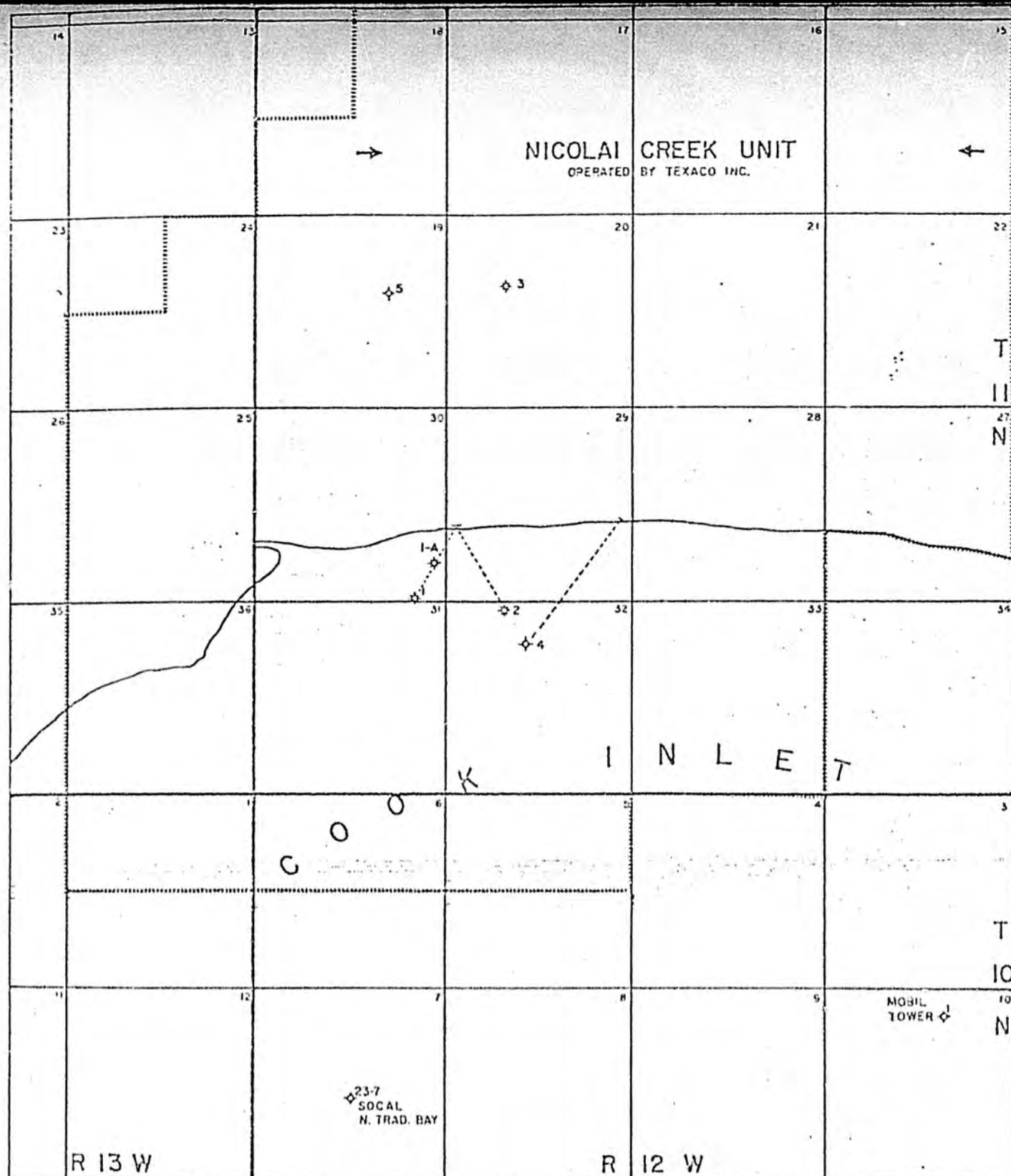
X Current wellhead value: \$0.151/MCF

State royalty interest: 12.5%, 5% on non-producing lease

Gas sales (1974): 26 MCF/D gross

Possible inkind royalty: 4 MCF/D

General location - Westside Cook Inlet, see attached map.



STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS
ANCHORAGE, ALASKA

AGO 570710

NICOLAI CREEK FIELD

SCALE: 2,000' 0' 2,000' 4,000' 8,000'

APRIL 1, 1974

STERLING GAS FIELD

Operator: Union Oil Co.

Other participants: Marathon

Discovered: 1961

Production started: 1962

Number of wells (as of 2/75): 1 producing, 0 shut-in

Current producing rate (2/75): 3,810 MCF/month, 136 MCF/day

Estimated remaining reserves: 200,000 MMCF

Gas utilization: Heat greenhouse

X Current wellhead value: \$0.25/MCF

State royalty interest: 2.7224%

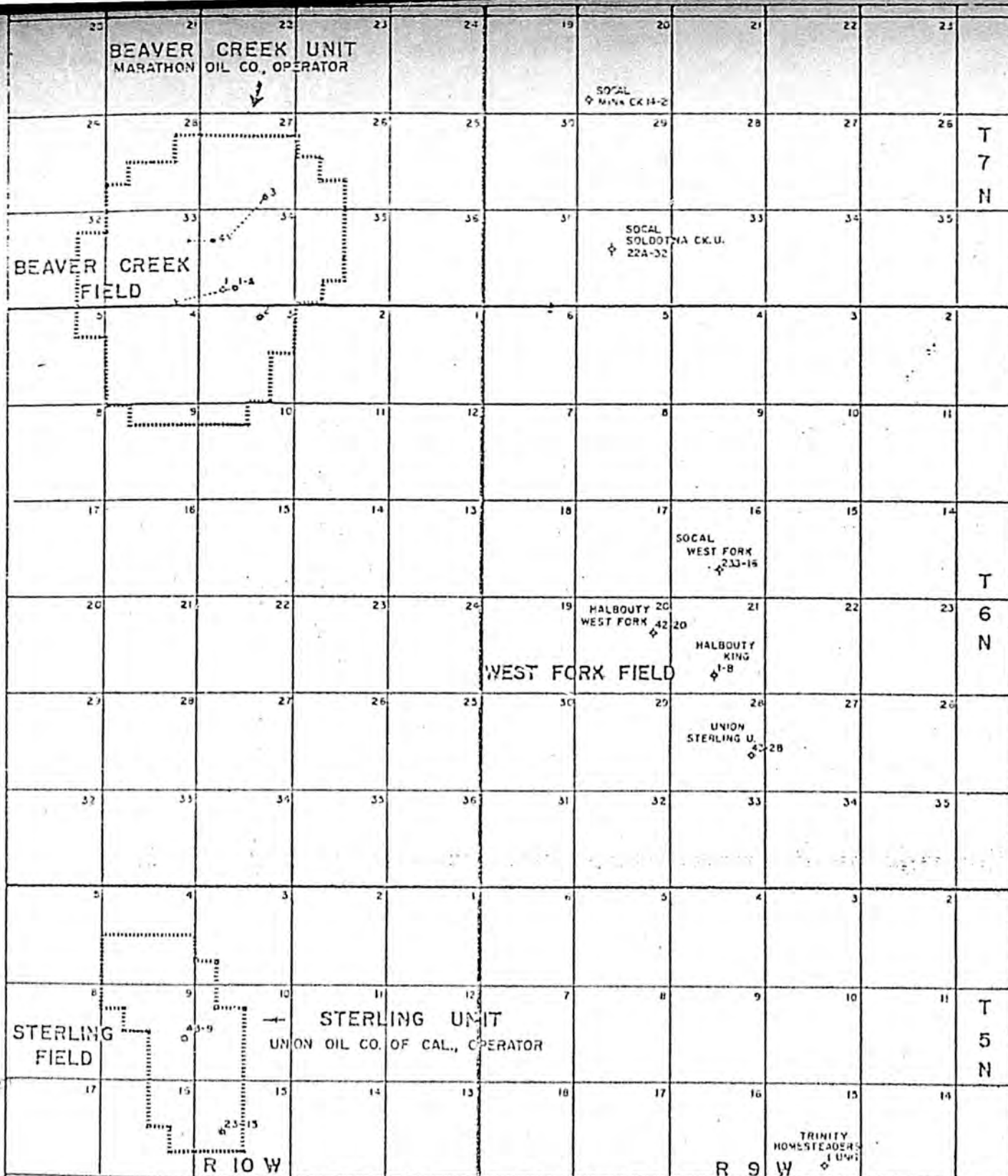
Gas sales (1974): 88 MCF/D

Possible inkind royalty: 2 MCF/D

General onshore location: Kenai, eastside Cook Inlet, see attached map.

Comments:

Available producing capacity is much greater than current sales, as shown in 1972 when gas was purchased by Consolidated Utilities to generate domestic electricity. All Sterling gas is now sold to heat a large greenhouse where vegetables are grown commercially.



STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS
ANCHORAGE, ALASKA

BEAVER CREEK, STERLING AND
WEST FORK FIELDS AGO 570712

SCALE 4,000' 0 4,000' 8,000' 12,000'

APRIL 1, 1974

ALBERT KALOA GAS FIELD

Operator: Amoco

Other participants: Arco, Phillips and Skelly

Discovered: 1968

Production started: Field shut-in since discovery

Number of wells (as of 2/75): 1 shut-in well

Current producing rate (2/75): No production

Estimated remaining reserves: Not known

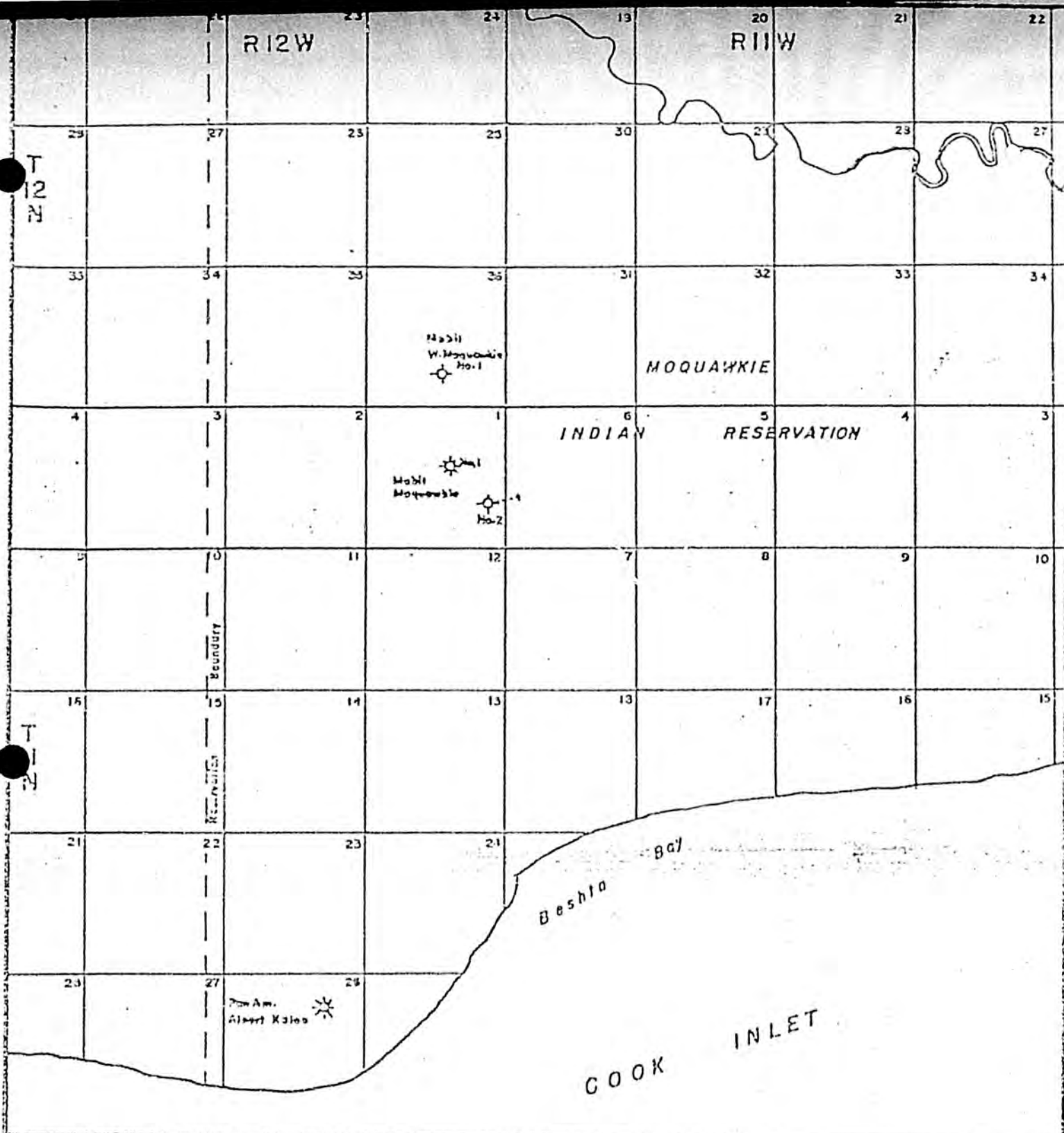
Gas utilization: No production

State royalty interest: 0

General onshore location: Westside Cook Inlet, see attached map.

Comments:

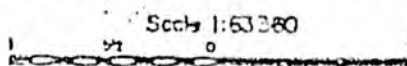
This field has no pipeline connection but is close to the submarine pipeline to eastside Cook Inlet.



STATE OF ALASKA
 DEPARTMENT OF NATURAL RESOURCES
 DIVISION OF OIL AND GAS
 ANCHORAGE, ALASKA

AGO 570714

ALBERT KOLOA and MOQUAWKIE FIELDS



APRIL 1, 1974

BIRCH HILL GAS FIELD

Operator: Socal

Other participants: Arco, Union and Marathon

Discovered: 1965

Production started: Field shut-in since discovery

Number of wells (as of 2/75): 1 well shut-in

Current producing rate (2/75): No production

Estimated remaining reserves: 20,000 MMCF

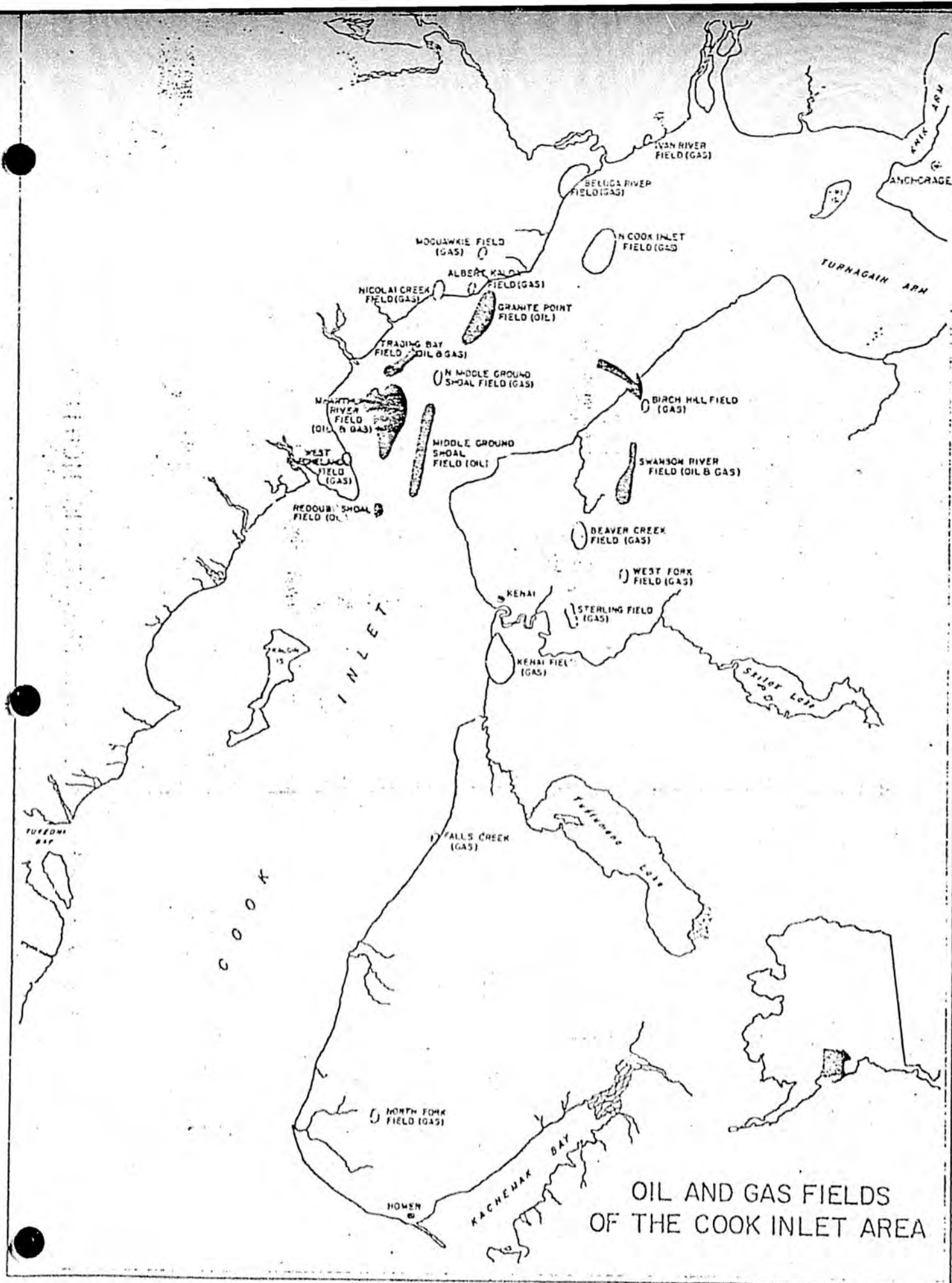
Gas utilization: No production

State royalty interest: 0

General onshore location: Eastside Cook Inlet, see attached map.

Comments:

This semi-remote field is four miles north of Swanson River Oil and Gas Fields. The closest possible pipeline would be the 16" line from Kenai Field which transports rental gas for Swanson River Field reservoir pressure maintenance.



IVAN RIVER GAS FIELD

Operator: Socal

Other participants: Arco

Discovered: 1966

Production started: Field shut-in since discovery

Number of wells (as of 2/75): 1 shut-in well

Current producing rate (2/75): No production

Estimated remaining reserves: 5,000 MMCF

Gas utilization: No production

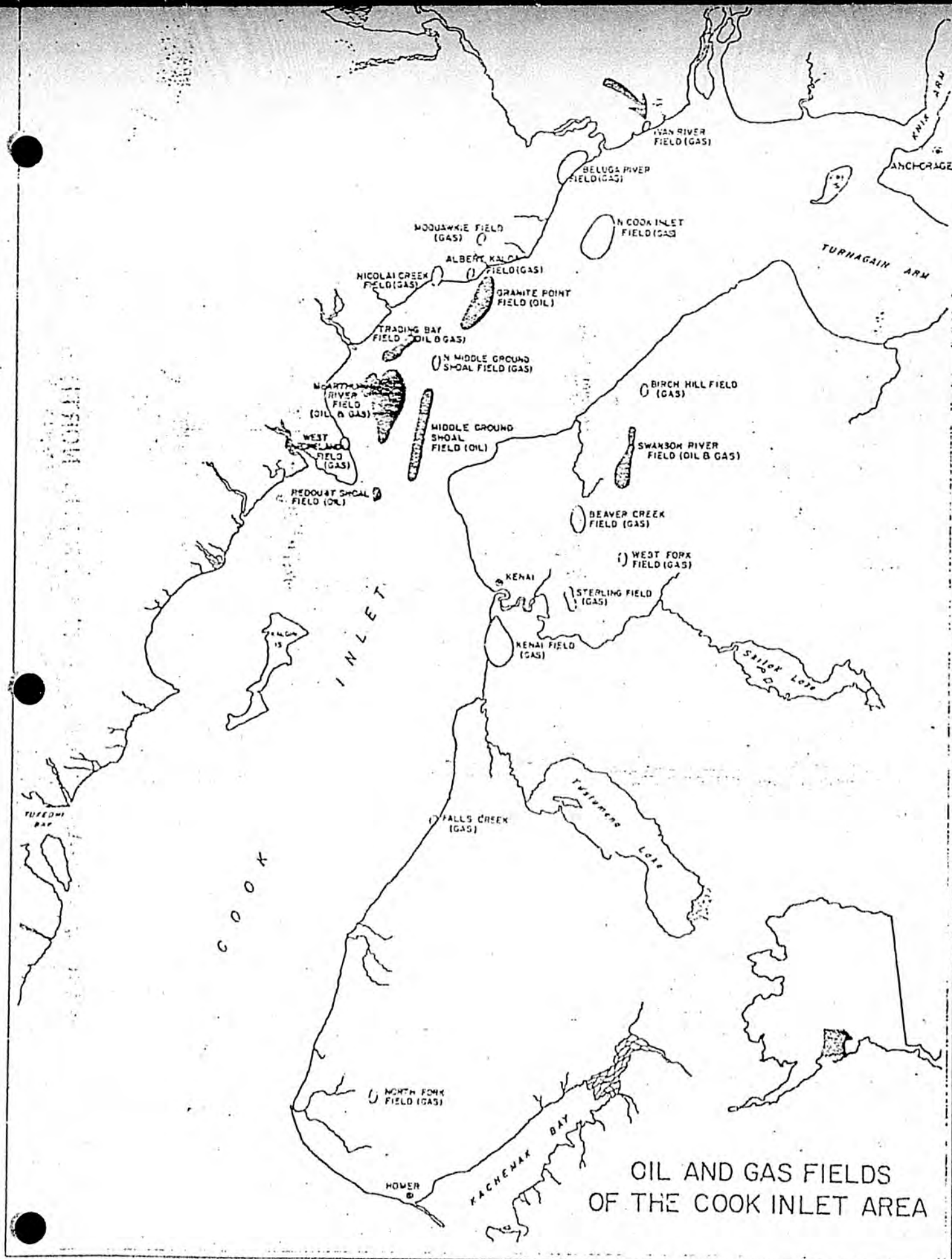
Misc.: One dry hole drilled within a mile

State royalty interest: 12.5%

General onshore location: Westside Cook Inlet, see attached map.

Comments:

This field is located approximately nine miles northeast of Beluga Gas Field which fuels electric generators supplying electricity to Anchorage through a 138 KV transmission line which runs three miles northwest of Ivan River Field. No pipelines are close to this field.



OIL AND GAS FIELDS
OF THE COOK INLET AREA

NORTH FORK GAS FIELD

Operator: Socal

Other participants: Arco, Sun Oil Co.

Discovered: 1965

Production started: Field shut-in since discovery

Number of wells (as of 2/75): 1 shut-in well

Current producing rate (2/75): No production

Estimated remaining reserves: 20,000 MMCF

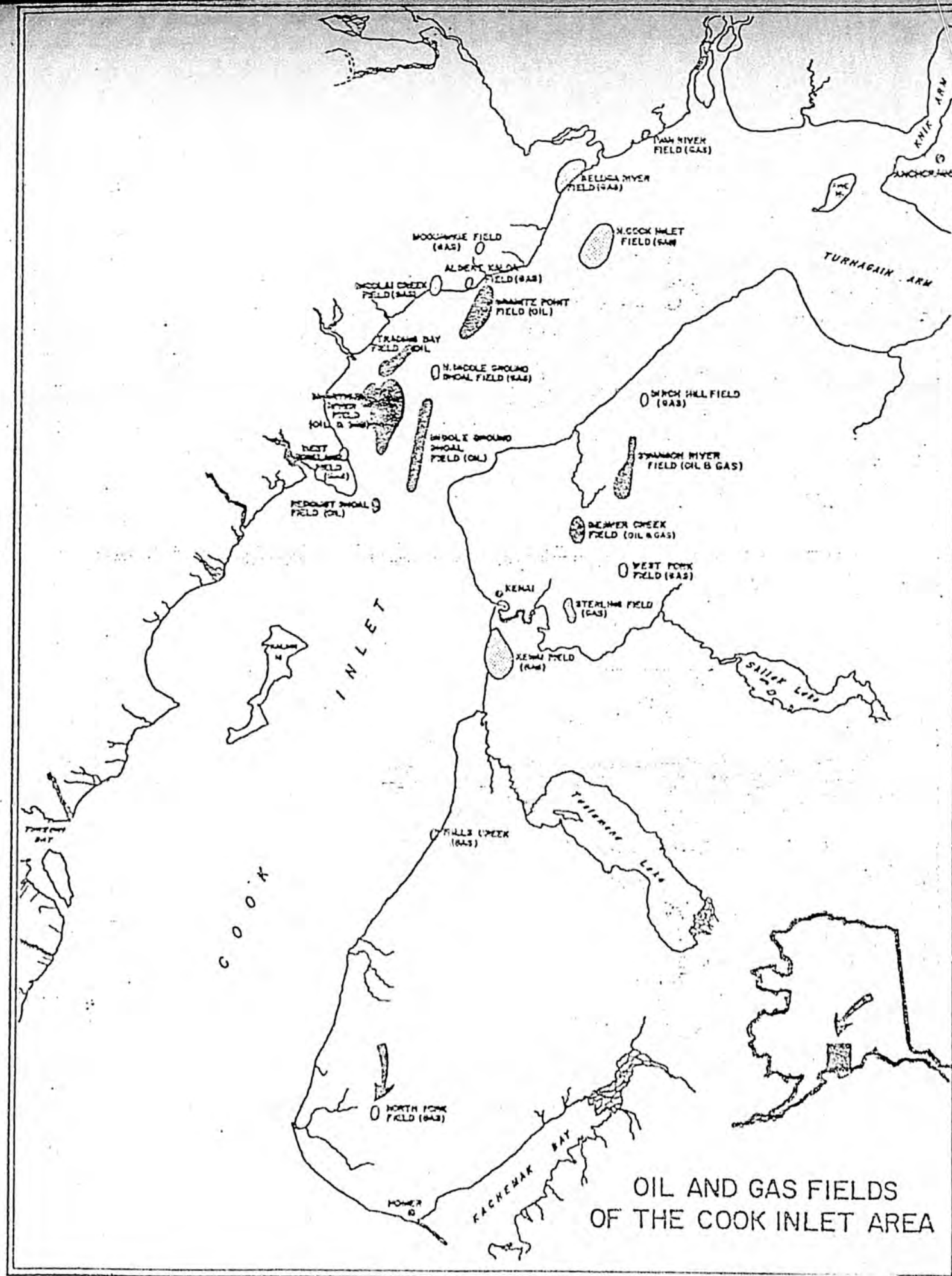
Gas utilization: No production

General onshore location: Eastside Cook Inlet, see attached map.

Comments:

This semi-remote field is not near any existing gas pipelines.

AGO 570719



SWANSON RIVER GAS FIELD

Operator: Socal

Other participants: Arco, Union and Marathon

Discovered: 1957

Production started: 1960

Number of wells (as of 2/75): 6 shut-in wells

Current producing rate (2/75): No production

Estimated remaining reserves: 300,000 MMCF

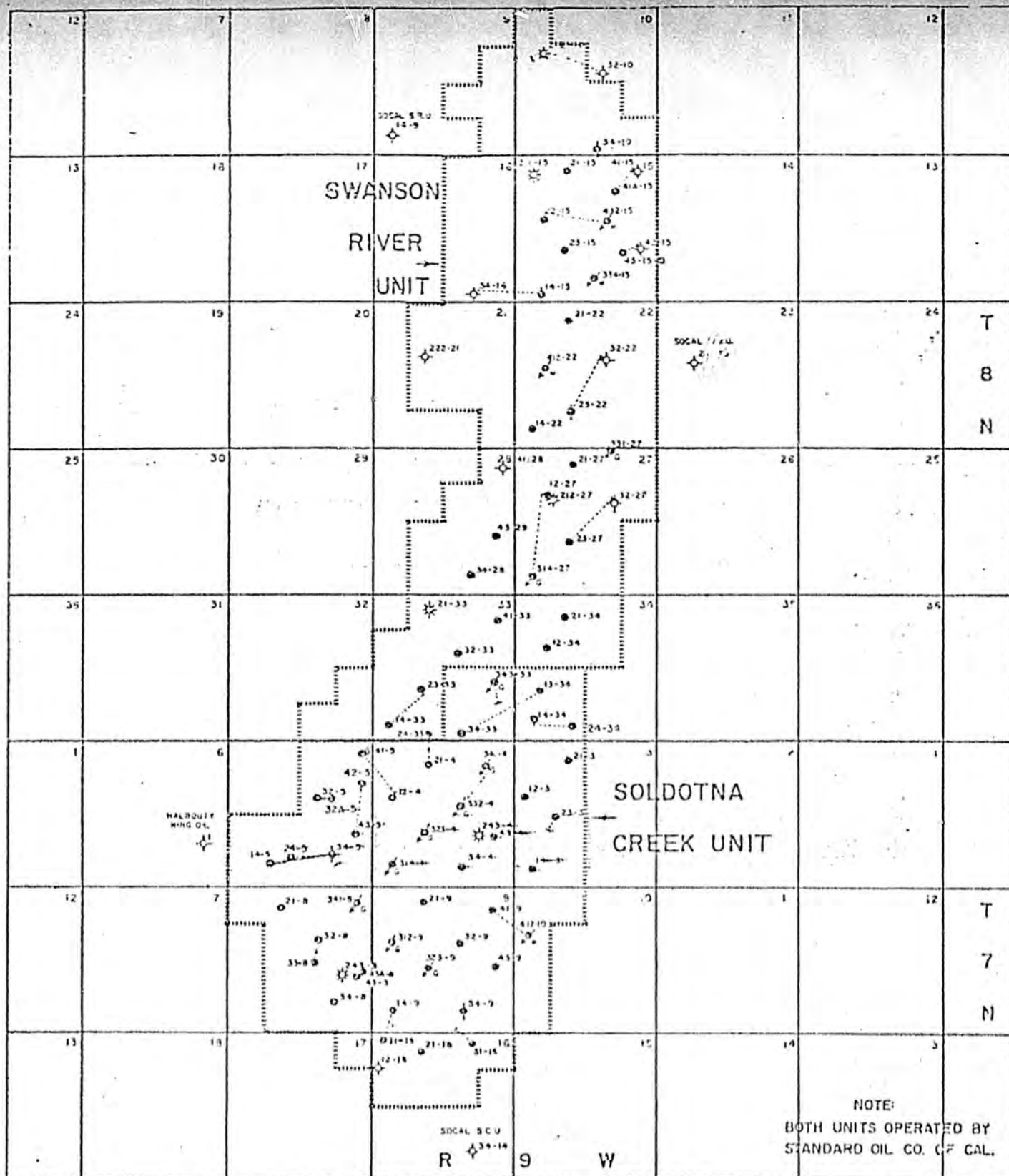
Gas utilization: Produced gas was injected into Swanson River Oil Field until 1967. The field has been shut-in since that time.

State royalty interest: 0

General onshore location: Eastside Cook Inlet, see attached map.

Comments:

This field has no gas pipeline connection but could feed the Kenai Field system through the rental gas pipeline if it became available.



STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS
ANCHORAGE, ALASKA

SWANSON RIVER FIELD

AGO 570722

SCALE: $\frac{1}{2}$ in. 0 $\frac{1}{2}$ in. 1 in. $\frac{1}{2}$ in.

APRIL 1, 1974

WEST FORELAND GAS FIELD

Operator: Amoco

Other participants: Arco, Phillips and Skelly

Discovered: 1962

Production started: Field shut-in since discovery

Number of wells (as of 2/75): 1 shut-in well

Current producing rate (2/75): No production

Estimated remaining reserves: 120,000 MMCF

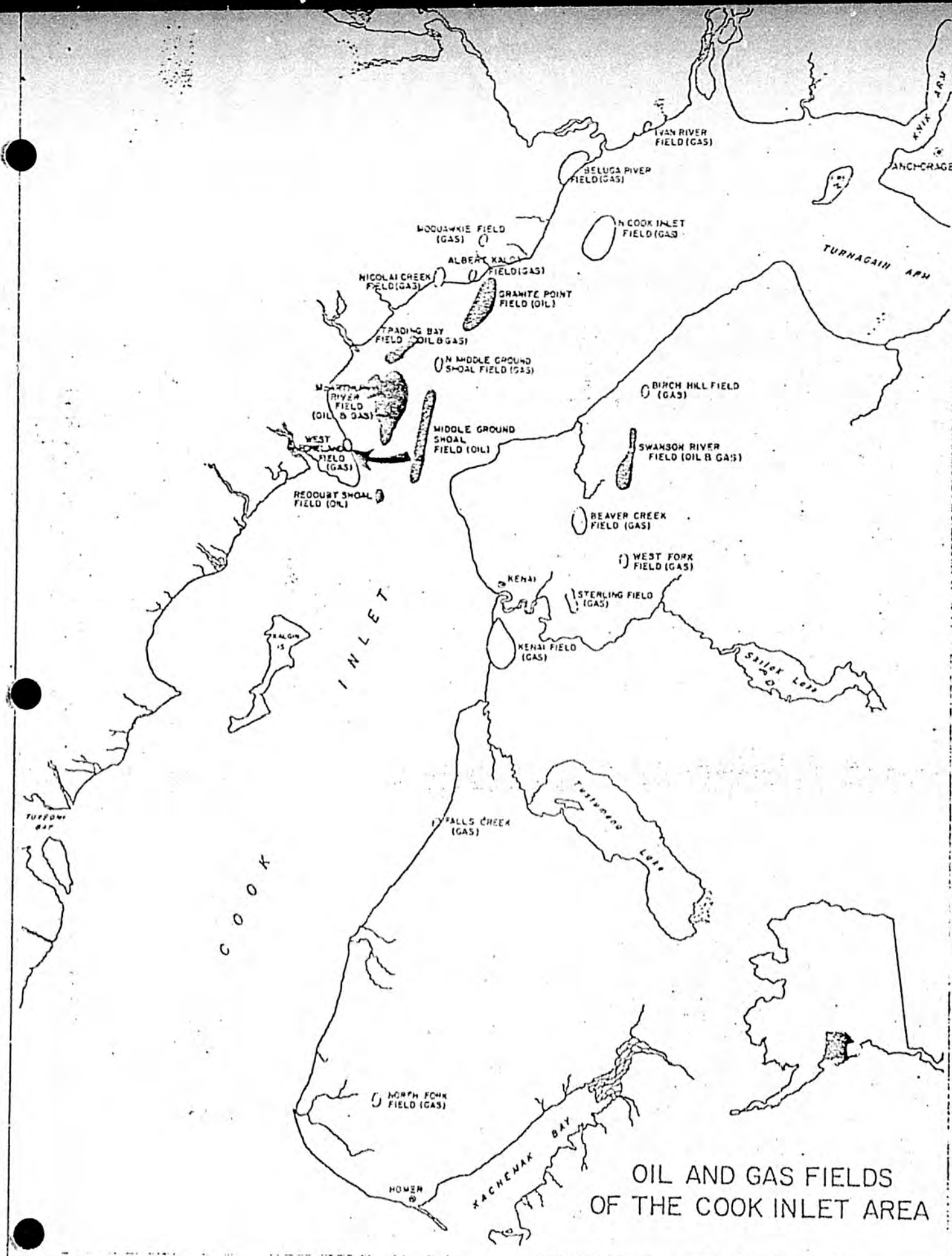
Gas Utilization: No production

State royalty interest: 0

General onshore location: Westside Cook Inlet, see attached map.

Comments:

Gas from this semi-remote field could possibly be connected by pipeline to the existing submarine gas pipeline and moved to Nikiski, eastside Cook Inlet.



WEST FORK GAS FIELD

Operator: Socal

Other participants: Arco, Belco Pet. Co., Pet Corp. of Texas, Halbouty Alaska

Discovered: 1960

Production started: Field shut-in since discovery

Number of wells (as of 2/75): 1 shut-in well

Current producing rate (2/75): No production

Estimated remaining reserves: 100,000 MMCF

Gas utilization: No production

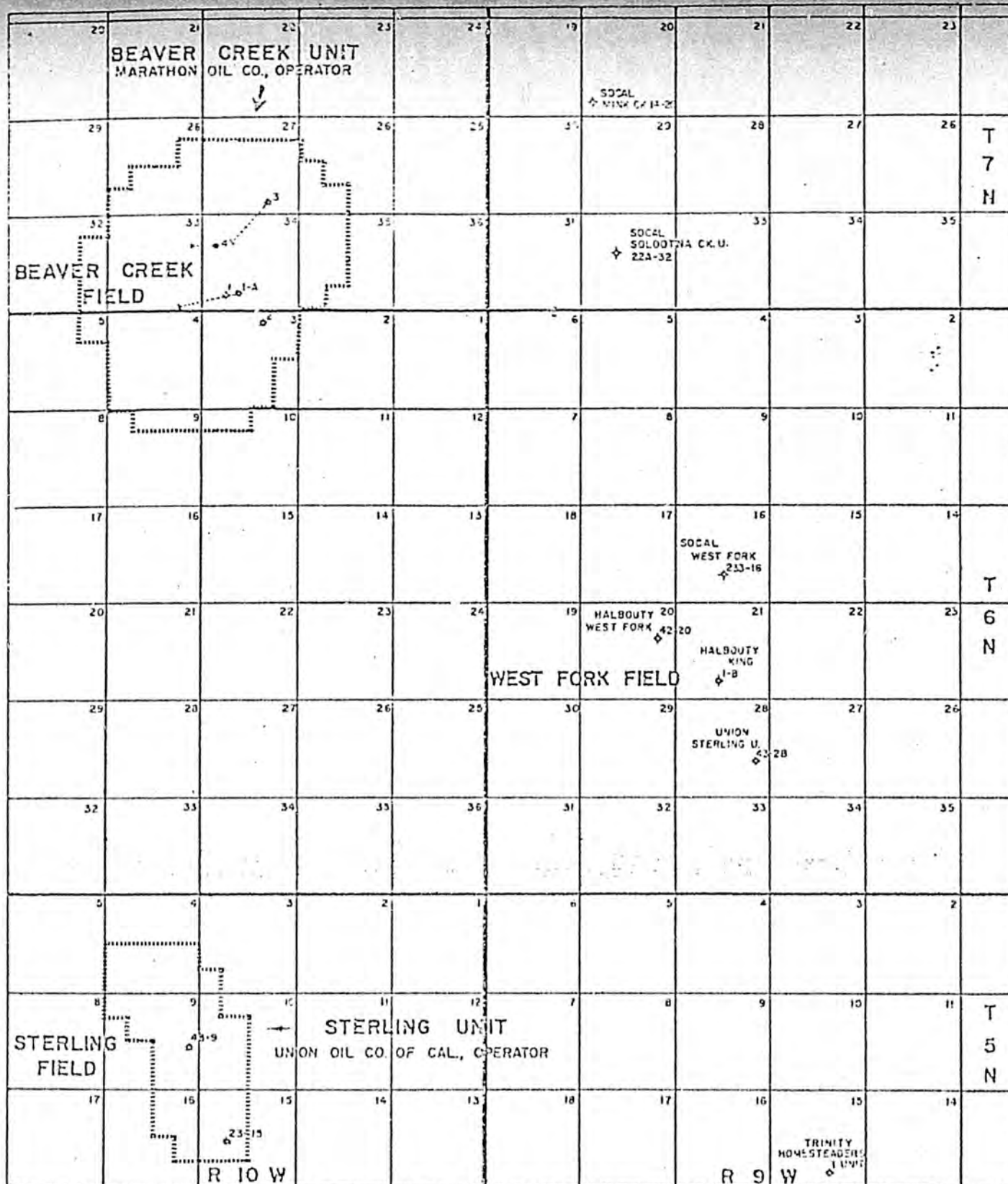
Misc.: This ultimately may be a one well field since three other wells drilled in this vicinity were dry holes.

State royalty interest: 0

General onshore location: Eastside Cook Inlet, see attached map.

Comments:

This semi-remote field is seven miles from the Sterling Gas Field pipeline.



STATE OF ALASKA
 DEPARTMENT OF NATURAL RESOURCES
 DIVISION OF OIL AND GAS
 ANCHORAGE, ALASKA
**BEAVER CREEK, STERLING AND
 WEST FORK FIELDS**

AGD 570726

SCALE: 4,000' 0 4,000' 8,000' 12,000'

APRIL 1, 1974

PRUDHOE BAY FIELD

Prudhoe Oil Pool

Proposed unit operators: Arco and BP

Other participants: ^{Exxon} Amerada, Getty, Hunt, Louisiana Land & Explor.,
Marathon, Mobil, Phillips, Placid, and Socal.

Discovered: 1967

Production started: 4/69, very small volumes for fuel requirements

Number of wells (as of 3/75): 2 producing, 97 shut-in

Current producing rate (2/75): Gas 225,165 MCF/month, 8042 MCF/day
oil (net) 46,209 bbl/month, 1650 B/D

Estimate of reserves by industry: Oil, approximately 9-1/2 billion bbls
Gas, approximately 26 trillion cu. ft.

Oil and gas utilization: Oil is run through topping plant to make arctic
diesel and naptha. Gas is used to generate
electrical power.

Current wellhead value: Gas, \$.30/MCF, oil \$2.07/BBL.

State royalty interest: 12-1/2%

Comments:

If the oil pipeline is completed on schedule, oil production could start from the Prudhoe Bay Oil Pool in July, 1977. The start of gas sales is more uncertain since the route for the gasline has not been selected yet. The earliest forecasted date for gas sales is 1980.

The following table shows the state royalty volumes of oil and gas from the Prudhoe Bay Oil Pool for a 5 year period on the following assumptions: (1) oil production begins in July, 1977 and will build up to a maximum rate of 1.7 million barrels per day at the end of the second year. (2) gas sales will begin in July, 1980 and will build up to a maximum rate of 2.6 billion cu. ft. per day in the second year.

Fiscal Year	<u>78</u>	<u>79</u>	<u>80</u>	<u>81</u>	<u>82</u>
Total oil production (million bbls.)	315	584	621	621	621
Total oil production (million barrels per day)	0.9	1.6	1.7	1.7	1.7
State royalty share (million bbls.)	39	73	78	78	78
State royalty share (million bbls. per day)	0.1	0.2	0.2	0.2	0.2
Total gas sales (billion cu.ft.)				708	967
Total gas sales (billion cu.ft. per day)				1.9	2.6
State's royalty share (billion cu.ft.)				88	121
State's royalty share (billion cu.ft. per day)				0.2	0.3

Lisburne Pool

The area and productivity of this pool have not been defined. Well information released to date has not been very encouraging. Arco recently tested their East Bay St. well in the Lisburne and reported a total rate from all intervals tested of only 1350 barrels of oil per day. Since this is a deep pool, approximately 11,000'; higher rates would probably be needed to be commercial. Further drilling will be required to determine if this pool has any significant reserves.

Kuparuk River Pool

Drilling on the west end of the Prudhoe Bay Field has indicated that the areal extent of the Kuparuk River Pool is larger than originally anticipated. Arco reported a test rate of 1030 barrels of oil per day from its West Sax #2 well. Since this is not a deep pool, approximately 6500', well rates as reported could be commercial. Additional drilling will be required to better define the area and productivity, indications are that this pool may have significant oil reserves.

OTHER NORTH SLOPE FIELDS

Oil

The Ugnu field and the Simpson Lagoon fields have 2 shut-in wells and one shut-in well respectively. These wells tested oil in the Kuparuk River sands. These fields could be just extensions of the Kuparuk River Pool of the Prudhoe Bay Field.

Gas

There are three small gas fields on the north slope, East Umiat with 2 shut-in wells, Kavik with 2 shut-in wells and Kemik with 1 shut-in well. The East Umiat and Kemik fields are on federal leases. The Kavik field is a unit on state leases. The unit size has been reduced and plans are to drill two additional wells for a total of four. This would complete the development of this small field.

Comments:

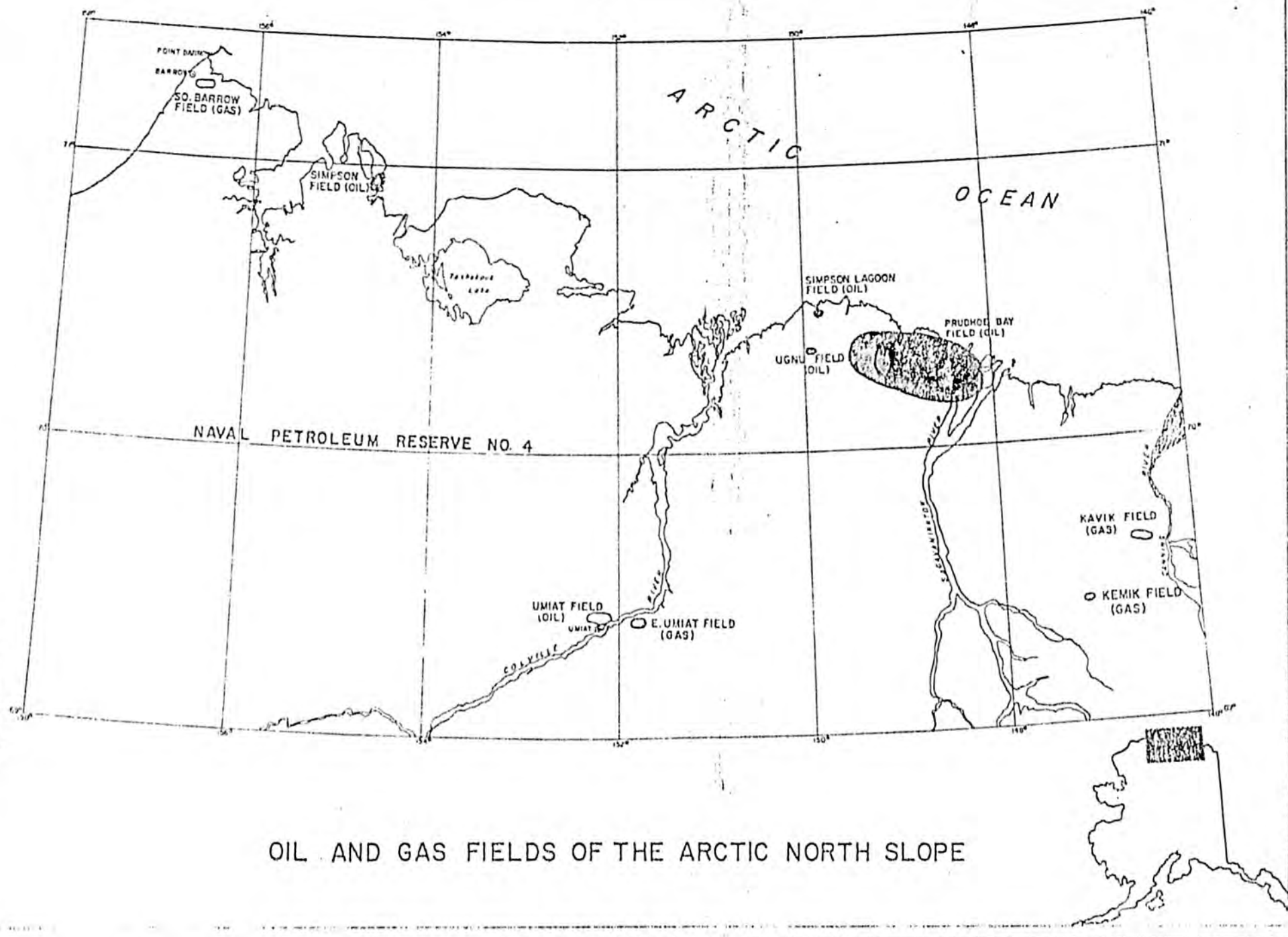
The oil and gas fields mentioned above as well as the Kuparuk River Pool and Lisburne Pool in the Prudhoe Bay field have not been adequately defined and tested to determine their potential. The following forecast is actually the additional production, besides that predicted for the Prudhoe Bay Oil Pool, that is needed to fill the oil and gas pipelines. It assumes that this production will come from the miscellaneous fields and pool described or from new discoveries.

Fiscal Year	<u>78</u>	<u>79</u>	<u>80</u>	<u>81</u>	<u>82</u>
Total oil production (million bbls.)			18	55	146
Total oil production (million bbls. per day)			.05	.15	.25
State royalty share (million bbls.)			2	7	18
State royalty share (million bbls. per day)			.006	.02	.03
Total gas sales (billion cu.ft.)				22	36
Total gas sales (billion cu.ft. per day)				.06	.10
State royalty share (billion cu.ft.)				3	5
State royalty share (billion cu.ft. per day)				.008	.012

TOTAL PRUDHOE BAY FIELD & OTHER NORTH SLOPE FIELDS

Fiscal Year	<u>78</u>	<u>79</u>	<u>80</u>	<u>81</u>	<u>82</u>
Total oil production (million bbls.)	315	584	639	675	712
Total oil production (million bbls. per day)	0.9	1.6	1.75	1.85	1.95
State royalty share (million bbls.)	39	73	80	84	89
State royalty share (million bbls. per day)	0.11	0.20	0.22	0.23	0.24
Total gas sales (billion cu.ft.)				730	1004
Total gas sales (billion cu.ft. per day)				2.0	2.75
State royalty share (billion cu.ft.)				91	126
State royalty share (billion cu.ft. per day)				0.25	0.34

AGD 570730



OIL AND GAS FIELDS OF THE ARCTIC NORTH SLOPE