

S

B

432



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

432

February 9, 1984

The Honorable Jalmar Kerttula
Alaska State Senate
Pouch V
Juneau, AK 99811

Dear Senator Kerttula:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill which amends the Alaska Securities Act (AS 45.55) by extending its scope to include offers to buy or sell interests in oil, gas, or mining rights on land in the state, regardless of where the offer or sale occurs.

The bill was jointly prepared by the division of banking, securities and corporations of the Department of Commerce and Economic Development and the consumer protection section of the Department of Law in response to numerous complaints of fraudulent oil and gas lease schemes. These schemes typically involve solicitations by firms located outside Alaska who acquire an interest in oil or gas leases through bid offerings of the Department of Natural Resources or the federal Bureau of Land Management.

The lease tracts these firms acquire are often the least likely to contain valuable oil, gas, or mineral resources. However, these firms conduct massive high pressure telephone sales and media advertising aimed at would-be investors in the lower 48 states, promising them high returns if they "invest" in a portion of one of these Alaskan oil or gas leases. The offering firms often falsely represent that they have expertise in oil, gas or mineral exploration or development. What is particularly offensive to our state is that these slick operators often use names such as "Alaska Oil and Gas Exploration" or "Alaska Petroleum Investments," and set up empty "shell" corporations with Alaska addresses.

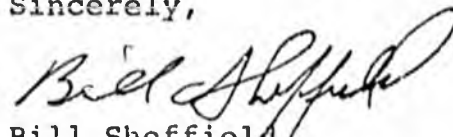
This bill would extend the provisions of the Alaska Securities Act to these business firms even if the "investment" sales are not made in our state or to our citizens.

Essentially, the bill would extend the jurisdiction of our state securities regulators and of our courts over these fraudulent schemes. The state would be able to take legal action against these out-of-state sellers of Alaska mineral rights. By amending the Securities Act, Alaska can require these firms to file securities registrations regarding their sales, and to give prospective purchasers truthful information about the likelihood of realizing a gain on such investments.

This legislation will not affect legitimate companies engaged in oil, gas, or mineral exploration or production as they are already exempted from the Alaska Securities Act by AS 45.55.140(b)(17).

This bill should be supported by consumer groups as well as by the legitimate members of the oil and gas industry. Therefore, I urge your prompt action on this bill to prevent further damage to the commercial image, nationwide, of Alaska.

Sincerely,



Bill Sheffield
Governor

FEDERAL TRADE COMMISSION
WASHINGTON, D. C. 20580

BUREAU OF
CONSUMER PROTECTION

March 14, 1984

The Honorable Richard I. Eliason
Chairman
Senate Labor and Commerce Committee
State Capitol
Pouch V
Juneau, Alaska 99811

Dear Chairman Eliason:

The Federal Trade Commission's Bureaus of Competition, Consumer Protection, and Economics,¹ at the request of Governor Sheffield, submit comments on Senate Bill No. 432. We wish to thank you and Governor Sheffield for the opportunity to share our views on S. 432. We think that expanding the jurisdiction of the Alaska Securities Act of 1959 to cover all oil and gas leases to land located in Alaska would complement our efforts and those of other federal and state agencies to control what appear to be serious abuses in the rapidly growing, nation-wide marketing of Alaska oil and gas leases. The Commission staff favors passage of S. 432.

The Commission, in fulfilling its Congressionally-mandated mission to protect consumers from unfair and deceptive practices in the nation's commerce, has been investigating suspected fraud by sellers of oil and gas leases and related services. In the course of these investigation the Commission staff has identified from the public records of the federal Bureau of Land Management ("BLM") and the Alaska Department of Natural Resources a number of companies that have acquired oil and gas leases to millions of acres of land in Alaska. These companies acquired most of their leases for \$1 per acre under the BLM noncompetitive oil and gas leasing program.² Most of these acquisition have occurred in the Minchumina, Denali, and Tiekell block areas of Alaska.³

¹ This statement reflects the views of the Bureaus of Competition, Consumer Protection and Economics of the Federal Trade Commission, but does not necessarily reflect the views of the Commission or of any individual Commissioner. The Federal Trade Commission has voted, however, to authorize the Bureaus to submit these comments.

² 43 C.F.R. § 3110 et seq.

³ Public Land Orders Nos. 6098, 46 Fed. Reg. 61472 (December 17, 1981), and 6329, 47 Fed. Reg. 39495 (September 8, 1982).

According to public records kept at the Alaska Oil and Gas Conservation Commission, no oil or gas wells have ever been drilled in any of these areas. Also, the Alaska Department of Geological and Geophysical Survey's 1983 map of potential oil and gas basins in Alaska⁴ indicates that virtually all of the approximately 3 million acres released in these land openings are not within such basins.

BLM records indicate that these companies are assigning these leases in small units, usually 40 acres, to thousands of consumers throughout the lower 48 states and Hawaii. Concerns have been raised that many small investors are being induced to pay far in excess of the fair market value for these leases, and have no idea of the extremely speculative nature of these leases. The action brought by the State of Alaska against several of these companies for misrepresenting the value of leases⁵ indicates that these concerns may well be justified.

These concerns have been heightened because the sale of Alaska oil and gas leases is expanding. In August 1982 we were aware of only one company selling Alaska leases. By December 1983, BLM records indicated that at least 40 companies, with holdings of millions of acres of Alaska oil and gas leases, were operating. With the possible release of an additional 21 million acres of federal lands for oil and gas leasing⁶ and plans by the State of Alaska for the release of its own acreage, this growth may continue. We believe that a concerted state and federal effort is necessary to insure that those interested in investing in the development of Alaska's resources have available reliable information on which to make reasoned decisions.

Senate Bill No. 432 should provide a relatively simple means to inhibit misrepresentations of fact made in connection with the sale of Alaska oil and gas leases. The Alaska Securities Act already covers oil and gas leases when either the buyer or seller resides or is located in Alaska. The proposal would expand coverage of the Act to include all sales of oil and gas leases

⁴ DGGs Special Report No. 32 (1983).

⁵ State v. Alaska Land Leasing, Inc., Case No. 3AN-83-8867 (3rd Dist. Oct. 26, 1983).

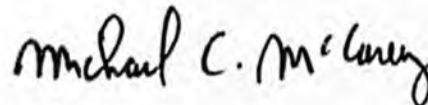
⁶ Secretary of the Interior, Oil and Gas Leasing Program for Non North Slope Federal Lands in Alaska, Annual Report to Congress, 7, Table 3 (1983).

for lands located in Alaska. This revision would empower the Alaska Division of Securities to require these companies to register their leases as securities and to provide prospective purchasers with meaningful disclosures of the speculative nature of these investments.

Senate Bill No. 432 should not materially hinder the development of Alaska's resources. The Alaska Securities Act already includes an exemption for sales of leases to bona fide oil and gas exploration companies. Thus, the expansion of the securities law's jurisdiction should not materially change the effect of the statute on those firms actually exploring and developing Alaska's resources.

The Commission staff strongly supports passage of S. 432. With the new authority granted by this bill, state officials could effectively join the Commission and other federal law enforcement agencies in our efforts to protect consumers and to stop the possible misuse of Alaska's name and its resources.

Very truly yours,



Michael C. McCarey
Associate Director

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: January 18, 1984

REQUEST

Bill/Resolution No.: SB 432
Title: An act amending the Alaska Securities Act.
Sponsor: Rules Committee
Requestor: Governor Sheffield
Date of Request: 1/18/84

FISCAL DETAIL

Agency Affected: Commerce and Economic Development
Program Category Affected: Consumer Protection
BRU, Program or Subprogram(s) Affected: Banking, Securities and Corporations

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES	54.1	56.8	59.6	62.6	65.7	69.0
200 TRAVEL	3.0	3.2	3.4	3.6	3.8	4.0
300 CONTRACTUAL	3.0	3.2	3.4	3.6	3.8	4.0
400 SUPPLIES	1.0	1.1	1.2	1.3	1.4	1.5
500 EQUIPMENT	5.0					
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	66.1	64.3	67.6	71.1	74.7	78.5
CAPITAL	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
REVENUE	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -

FUNDING: (Thousands of Dollars)

GENERAL FUND	66.1	64.3	67.6	71.1	74.7	78.5
FEDERAL FUNDS						
OTHER						
TOTAL	66.1	64.3	67.6	71.1	74.7	78.5

POSITIONS:

FULL-TIME	2.0	2.0	2.0	2.0	2.0	2.0
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Willis F. Kirkpatrick, Director
Division: Banking, Securities (Small Loans and Corporations)

Phone: 465-2521

Date: 1/18/84

Approved by Commissioner: Richard A. Lycin
Agency: Commerce and Economic Development

Date: 1/20/84

Distribution (by Agency preparing fiscal note):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

12/1/83

F.Y. Note #1

1.	POSITION TITLE Business Registration Examiner			RANGE/STEP 12A	BARG. UNIT GGU	FORM 12 PAGE/LINE	GOV.	APPROV.	DISAPP.
2.	TYPE OF POSITION	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION AWA	ELECTION DISTRICT	LEG.	
3.	CONTINUATION LEVEL	ADDITION			JUSTIFICATION				
4.	TYPE OF EXPENDITURE			AMOUNT	<p>Position will be necessary if legislation passes requiring the Securities Section to undertake securities registration of oil and gas lease sales programs. The current substantially increased workload has stretched the examining/enforcement staff to the limit with a considerable percentage of the securities examiners' time devoted to nonprofessional clerical functions. The additional clerical support will free up the professional staff time to cope with the expanded registration and enforcement duties imposed by the proposed legislation.</p> <p>The equipment expense of \$2.5 will be used for purchase of a desk, positions, typewriter, chair and desk calculator.</p>				
	1			3					
	PERSONAL SERVICES								
5.	Salary		23.7						
6.	Benefits		3.9						
7.	Supplemental Benefits		1.5						
8.	Fixed Benefits		0.3						
9.	TOTAL PERSONAL SERVICES	01		29.4					
10.	Travel	02		-0-					
11.	Contractual	02		-0-					
12.	Commodities	04		0.5					
13.	Equipment	05		2.5					
14.	Other			-0-					
15.	TOTAL COST			32.4					
	RECEIPT CODE	FUNDING SOURCE							
16.		Federal Receipts 1002							
17.		C.F. Match 1003							
18.		General Funds 1004							
19.		I-A Receipts 1005							
20.		Program Receipts 1028							
21.		Other							
FOR B&M USE ONLY KEY NUMBER _____									

13 REQUEST FOR
NEW POSITION

AGENCY Commerce & Economic Development
PROGRAM Consumer Protection
BRU Banking, Securities & Corporations
COMPONENT Financial Institutions

Page 1 of 1

Revised Date

FY 85

1.	POSITION TITLE Clerk IV			RANGE/STEP 9A	BARG. UNIT GGU	FORM 12	PAGE/LINE	GOV.	APPROV.	DISAPP.
2.	TYPE OF POSITION	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION AWA	ELECTION DISTRICT	LEG.		
3.	CONTINUATION LEVEL			ADDITION	JUSTIFICATION					
4.	TYPE OF EXPENDITURE			AMOUNT	<p>Position will be necessary if legislation passes requiring the Securities Section to undertake securities registration of oil and gas lease sales programs. These registrations will result in increased filings as well as substantial efforts in compliance and enforcement activities. The current substantially increased workload has stretched the examining/enforcement staff to the limit with a considerable percentage of the securities examiners' time devoted to nonprofessional clerical functions. The additional clerical support will free up the professional staff time to cope with the expanded registration and enforcement duties imposed by the proposed legislation.</p> <p>The equipment expense of \$2.5 will be used to purchase a desk, positions, typewriter, chair and desk calculator.</p>					
	1	2	3							
	PERSONAL SERVICES									
5.	Salary	19.8								
6.	Benefits	3.3								
7.	Supplemental Benefits	1.3								
8.	Fixed Benefits	0.3								
9.	TOTAL PERSONAL SERVICES	01	24.7							
10.	Travel	02	-0-							
11.	Contractual	03	-0-							
12.	Commodities	04	0.5							
13.	Equipment	05	2.5							
14.	Other									
15.	TOTAL COST		27.7							
	RECEIPT CODE	FUNDING SOURCE								
16.		Federal Receipts	1002							
17.		G.F. Match	1003							
18.		General Funds	1004	27.7						
19.		I-A Receipts	1005							
20.		Program Receipts	1028							
21.		Other								
FOR B&M USE ONLY										
4A KEY NUMBER										

13 REQUEST FOR NEW POSITION

AGENCY Commerce & Economic Development
PROGRAM Consumer Protection
BRU Banking, Securities & Corporations
COMPONENT Financial Institutions

Page 1 of 7
Revised Date

FY 85

FISCAL NOTE # 11

Revision Date: _____

REQUEST

Bill/Resolution No.: 432
 Title: "An Act amending the Alaska Securities Act."
 Sponsor: Sen. Rules/by req. of Gov.
 Requestor: Governor's Office - OMB
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Department of Law
 Program Category Affected: General Government
 BRU, Program or Subprogram(s) Affected: Legal Services Operations

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL		8.0	8.5	9.0	9.5	10.1
300 CONTRACTUAL		39.2	41.6	44.0	46.6	49.4
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	-0-	47.2	50.1	53.0	56.1	59.5
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	47.2	50.1	53.0	56.1	59.5
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Not specified by sponsor.

ANALYSIS: Attach a separate page for analysis

Prepared By: Richard I. Pegues Director Phone: 465-3672
 Division: Administrative Services Date: 1-24-84
 Approved by Commissioner: Richard I. Pegues/for Date: 1-24-84
 Agency: Department of Law

Distribution (by Agency preparing fiscal note):

Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

F.V. NOTE # 2 12/1/82

This bill amends the state's existing securities laws to strengthen the state's law enforcement jurisdiction over securities offerings made in other states, where the underlying "value" of the security is a (non-competitive) oil, gas or mineral lease on Alaska land. Sales of speculative investments in such leases are already regulated "security" transactions, but Alaska's current law does not allow the state to require registration, or to take enforcement action against sellers who set up offices outside Alaska but who market Alaskan leases as securities, usually only to non-Alaskans.

These sales are often fraught with misrepresentations about the value of the Alaskan oil or gas lease, or the true cost of exploring and developing production on the lease land. Investors in other states pay up to \$1,000 an acre for state and federal lease lands available over-the-counter in Alaska for \$1.00 an acre, in hopes of striking it rich, in line with the promoters' glowing promises.

These sales, and the subsequent losses of \$6,000, \$10,000, even \$20,000 to each of thousands of out-of-state investors, are very damaging to Alaska's commercial and investment image. Moreover, the subdividing into smaller parcels of these 640 acre leases may well defeat the underlying purpose of the state and federal exploratory (non-competitive) leasing program.

Enactment of this bill will require the attorney general to provide additional legal support for research, advice and enforcement action in the courts, as requested by the Division of Banking and Securities. As most of the offending companies are located outside Alaska, lawsuits to obtain injunctions against them will require substantial out-of-state travel funds to take depositions and interview witnesses, as well as funds to conduct those depositions and interviews.

It is expected that, at a minimum, five trips outside Alaska will be necessary to enforce registration of sales Alaskan oil, gas or mineral leases outside Alaska. It will also be necessary to hire court reporters in order to take depositions and to hire outside counsel to file actions in jurisdictions outside the state.

<u>Out-of-state Travel</u>		
5 trips X \$800 air fare =		\$4,000
5 X 10 days X \$80 per day =		<u>\$4,000</u>
Total travel & per diem =		\$8,000

Contractual

Court reporter services

6 hrs. X \$80 X 40 days = \$19,200

Outside counsel 4 occurrences
X \$5,000 \$20,000

Total \$39,200

TOTAL COSTS \$47,200

Costs beyond FY 84 include a 6% annual inflation factor.

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: 2/15/84

REQUEST

Bill/Resolution No.: SB 432
 Title: An act amending the Alaska Securities Act.
 Sponsor: Rules Committee
 Requestor: Governor Sheffield
 Date of Request: 1/18/84

FISCAL DETAIL

Agency Affected: Commerce and Economic Dev.
 Program Category Affected: Consumer Protection
 BRU, Program or Subprogram(s) Affected: Banking, Securities and Corporations

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES		54.1	56.8	59.6	62.6	65.7
200 TRAVEL		3.0	3.2	3.4	3.6	3.8
300 CONTRACTUAL		3.0	3.2	3.4	3.6	3.8
400 SUPPLIES		1.0	1.1	1.2	1.3	1.4
500 EQUIPMENT		5.0				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	- 0 -	66.1	64.3	67.6	71.1	74.7
CAPITAL	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
REVENUE	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -

FUNDING: (Thousands of Dollars)

GENERAL FUND	- 0 -	66.1	64.3	67.6	71.1	74.7
FEDERAL FUNDS						
OTHER						
TOTAL	- 0 -	66.1	64.3	67.6	71.1	74.7

POSITIONS:

FULL-TIME	- 0 -	2.0	2.0	2.0	2.0	2.0
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Please see attached fiscal note analysis.

ANALYSIS: Attach a separate page for analysis

Prepared By: Willis F. Kirkpatrick, Director Phone: 465-2521
 Division: Banking, Securities and Corporations Date: 2/15/84
 Approved by Commissioner: Richard A. Lyon Date: 2/15/84
 Agency: Commerce and Economic Development

Distribution (by Agency preparing fiscal note):

Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

12/1/83

FISCAL NOTE ANALYSIS

SB 432, if enacted, will require that the Securities Section of the Division undertake securities registration for the sale of oil and gas leases located in Alaska and will undoubtedly result in increased filings as well as substantial efforts in compliance and enforcement activities including hearings. A Clerk IV and a Business Registration Examiner position will be necessary to support these registrations. The current substantially increased workload has stretched the examining/enforcement staff to the limit with a considerable percentage of the securities examiners' time devoted to nonprofessional clerical functions. The additional clerical support will free up the professional staff time to cope with the expanded registration and enforcement duties imposed by the proposed legislation.

Travel of 3.0 will be required for investigation of wrongdoers in the field. Contractual funds of 3.0 are needed for hearing officer purposes in administrative proceedings. Additionally, a one time expense of 5.0 is included to cover costs of typewriters, desks and chairs for the new positions.

SENATE BILL 432

COMMITTEE SUBSTITUTE FOR SENATE BILL 432 (RULES) ADDRESSES TWO MAJOR CONCERNS OF THE CONSUMER PROTECTION SECTION OF THE DEPARTMENT OF LAW. THE FIRST INVOLVES NUMEROUS COMPLAINTS OF FRAUDULENT OIL AND GAS LEASE SCHEMES. THESE SCHEMES TYPICALLY INVOLVE SOLICITATIONS BY FIRMS LOCATED OUTSIDE ALASKA WHO ACQUIRE AN INTEREST IN OIL OR GAS LEASES THROUGH BID OFFERINGS OF THE DEPARTMENT OF NATURAL RESOURCES OR THE FEDERAL BUREAU OF LAND MANAGEMENT.

THE LEASE TRACTS THESE FIRMS ACQUIRE ARE OFTEN THE LEAST LIKELY TO CONTAIN VALUABLE OIL, GAS, OR MINERAL RESOURCES.

THIS LEGISLATION WOULD EXTEND THE PROVISIONS OF THE ALASKA SECURITIES ACT TO THESE BUSINESS FIRMS EVEN IF THE "INVESTMENT" SALES ARE NOT MADE IN OUR STATE OR TO OUR CITIZENS.

THE STATE WOULD BE ABLE TO TAKE LEGAL ACTION AGAINST THESE OUT-OF-STATE SELLERS OF ALASKA MINERAL RIGHTS. BY AMENDING THE SECURITIES ACT, ALASKA CAN REQUIRE THESE FIRMS TO FILE SECURITIES REGISTRATIONS REGARDING THEIR SALES, AND TO GIVE PROSPECTIVE PURCHASERS TRUTHFUL INFORMATION ABOUT THE LIKELIHOOD OF REALIZING A GAIN ON SUCH INVESTMENTS.

SECONDLY, THIS LEGISLATION CLARIFIES THE DEFINITION OF "TRADE OR COMMERCE" UNDER THE UNFAIR TRADE PRACTICES AND CONSUMER PROTECTION ACT. THIS LANGUAGE ADDRESSES A CURRENT GAP IN ALASKA STATE LAW. THE CONSUMER PROTECTION AGENCY HAD BEEN IN VIGOROUS PURSUIT OF CASES OF REAL ESTATE FRAUD UNTIL THE RECENT ALASKA SUPREME COURT DECISION OF BROWN V. STATE OF ALASKA, 12/3/82, WHICH HELD THAT THE CONSUMER PROTECTION ACT DID NOT COVER THE SALE OF REAL PROPERTY.

FAR TOO MANY FRAUDULENT "REAL PROPERTY" TRANSACTIONS COULD FALL BETWEEN THE CRACKS IF THE UNFAIR TRADE PRACTICE ACT CANNOT COVER THOSE TRANSACTIONS.

I recommend passage of CSSB 432 (Rules)

ADDITIONAL INFORMATION

1) REGARDING THE SECURITIES SECTION, THIS LEGISLATION WILL NOT AFFECT LEGITIMATE COMPANIES ENGAGED IN OIL, GAS, OR MINERAL EXPLORATION OR PRODUCTION AS THEY ARE ALREADY EXEMPTED FROM THE ALASKA SECURITIES ACT BY AS 45.55.140(B)(17).

2) THE NEED TO DEFINE REAL PROPERTY SPECIFICALLY CAME ABOUT WHEN THE SUPREME COURT DECIDED THAT CONSUMER PROTECTION COULD NOT PROSECUTE TRANSACTIONS INVOLVING THE SALE OF REAL PROPERTY.

AT THE TIME CONSUMER PROTECTION WAS INVESTIGATING A MAJOR LAND DEVELOPMENT IN THE MATANUSKA VALLEY WHICH WAS LOCATED IN A FLOOD PLAIN, A FACT WELL KNOWN TO THE DEVELOPERS BUT MISREPRESENTED TO PURCHASERS.

3) ALASKA UNIFORM LAND SALES PRACTICES ACT (AS 34.55.004) GOVERNS MISREPRESENTATIONS AND FRAUD IN LAND TRANSACTIONS. A.L.S.P.A ONLY COVERS FORMALLY SUBDIVIDED, UNDEVELOPED LAND. THEREFORE, UN-SUBDIVIDED OR DEVELOPED PARCELS ARE NOT COVERED.

ALSO, A.L.S.P.A DOES NOT COVER IF LESS THAN 50 LOTS ARE SOLD OVER 12 MONTHS. CONSUMER PROTECTION KNOWS OF AT LEAST ONE DEVELOPER IS DELIBERATELY SELLING UNDER 50 LOTS PER YEAR IN ORDER TO ESCAPE SCRUTINY.

THE ADDED LANGUAGE IN SB 432 WILL COVER THESE "GAPS".

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF LAW

POUCH K - STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 435-3600

OFFICE OF THE ATTORNEY GENERAL

March 23, 1984

The Honorable Fritz Pettyjohn
Alaska State Senate
Pouch V
Juneau, Alaska 99811

Re: SB 432, "an Act amending
the Alaska Security's Act"

Dear Senator Pettyjohn:

At the Senate Labor and Commerce Committee hearing on February 15, 1984, you requested our opinion with respect to the effect on the jurisdictional scope of SB 432. This legislation would clarify the existing Alaska Security's Act to better reach fraudulent or high pressure out-of-state sales of oil and gas lease hold interests on state or federal lands in Alaska.

The Administration believes that Alaska is well served by having an ability to regulate sales of land or lease hold interests located in Alaska, even where the transactions take place outside the state between non-residents of the state. The state may protect the legitimate concerns of its citizens by exercising the right to sue according to the doctrine of parens patriae. This doctrine is recognized in Alaska. State v. First National Bank of Anchorage, 660 P.2d 406, 420-21 (Alaska 1982); Public Defender Agency v. Superior Court, 534 P.2d 947 (Alaska 1975).

Because we believe there is a substantial state interest in preventing fraudulent sales of oil and gas leases located within the state's border, we believe a constitutional challenge against Alaska's assertion of jurisdiction provided by the proposed legislation would fail. A claim that the jurisdiction afforded by the proposed legislation violates an out-of-state citizen's rights under the Due Process Clause, Full Faith and Credit Clause or Commerce clause of the U.S. Constitution would, in all likelihood, be dismissed. See generally, Aldens, Inc., v. Packel, 524 F.2d 38 (3rd Cir. 1975). The Aldens case is instructive because it involved a challenge to Pennsylvania's right to enforce state credit sales laws as applied to an

Letter to
Pettyjohn re:
his concern that
the state didn't
have right to
"cross state lines"


Illinois corporation operating a mail order business in all fifty states and where all orders were accepted in Chicago. In that case, the court performed a thorough and comprehensive analysis of a variety of constitutional issues and concluded that none of the constitutional provisions were violated by enforcement of Pennsylvania's laws.

The currently accepted approach to Due Process Clause limitation challenges is one of interest analysis where the court focuses on whether a state has sufficient interest "to justify any exercise of its sovereignty in connection with the transaction and dispute." Id. at 42-43, (citing McGee v. International Company, 355 U.S. 220 (1957)) emphasis in original. The court further noted in Alden that a relatively low threshold of state interest is needed to justify jurisdiction. Id. at 43.

In conclusion, because Alaska has a substantial interest in transactions involving land or interest of land within its borders, we believe a court would find that the exercise of jurisdiction through the proposed legislation does not interfere with an out-of-state defendant's due process or other constitutional rights.

Please feel free to call if we can be of additional assistance.

Sincerely,


Norman C. Gorsuch
Attorney General

NCG:eer

cc: Senator Richard I. Elaison ✓
Chairman, Senate Labor and
Commerce Committee

Senator Bob Mulcahy
Vice-Chairman, Senate Labor
and Commerce Committee

Senator Patrick Rodey
Senate Labor and Commerce
Committee

Senator John C. Sackett
Senate Labor and Commerce
Committee

The Honorable Fritz Pettyjohn
Senate Bill 432

March 23, 1984
Page #3

Connie Sipe
Assistant Attorney General
Consumer Protection

Jeff Bush Ø
Assistant Attorney General
Commercial

MEMORANDUM

State of Alaska

TO: Senate Labor & Commerce Committee DATE: April 21, 1983
Pouch V
Juneau, AK FILE NO.
TELEPHONE NO: 279-0428

FROM: Connie J. Sipe SUBJECT: House Bill 236
Assistant Attorney General
Chief, Consumer Protection Section
AGO/Anchorage

1. HISTORY. The Unfair Trade Practices and Consumer Protection Act (UTP&CPA) prohibits unfair methods of competition and unfair or deceptive acts or practices in the conduct of trade or commerce. Twenty-five non-exclusive examples are listed as particular types of prohibited acts. Last December, the Supreme Court held that the UTP&CPA is "directed at regulating practices relating to transactions involving consumer goods and services" and does not encompass the sale of real property. That case involved a major land development in the Natanuska Valley which was located in a flood plain, a fact well known to the developers but misrepresented to purchasers.

Following the Supreme Court decision, Representative Lacher, at the urging of Mat-Su Borough Attorney Steve Morrisett, introduced House Bill 236 (copy attached) adding a definition to the UTP&CPA defining "trade or commerce" to include real property and any commerce directly or indirectly affecting commerce in the state. (Previously we relied on case law definitions of "trade or commerce," as there was no definition in the statute.)

2. IMPORTANCE. There is great ambiguity as to how far the supreme court's exclusion of "real property" operates. Does it include condominiums, builder/developer sales of homes and lots, mobile homes, time shares (resorts), and tenant leasehold interests, or is it limited to raw land sales?

This office receives numerous telephone inquiries from the public concerning real estate. So far in FY 83 thirty-four consumer complaints have been filed in Anchorage in the areas of land development sales (including in-state lots, out-of-state lots, and time shares); real property (including houses and condominiums); and home construction. We have formally opened investigative files in FY 83 for fifteen "real property" transactions in those same categories. [I have not included mobile homes in these statistics, an industry in which we have had a large volume of complaints.]

Many other states specifically include real property within the coverage of their Consumer Protection Acts. A

recent Colorado Supreme Court decision held that a builder/developer selling a home and a piece of property is subject to the jurisdiction of the Consumer Protection Act of that state, although a recent Massachusetts decision has ruled that landlord/tenant disputes are not within Consumer Protection jurisdiction.

It has always been this office's interpretation, prior to the supreme court opinion, that we do have jurisdiction over real property. Our act is a mini-Federal Trade Commission Act and real property has always been covered by the Federal Trade Commission. Hence, the recent decision alters our long standing practice and opens the door for the development of future case law further expanding the types of "real property" transactions which are not covered under the UTP&CPA or under any other Alaska statute.

3. PRIVATE CONSUMER RIGHTS. This bill affects not only public law enforcement against frauds involving real property, but also insures that individual consumers hurt in such transactions will continue to have the private cause of action set out in the Unfair Trade Practices Act, AS 45.50.531. This statutory private cause of action allows for up to triple damages and attorneys' fees for successful consumer plaintiffs bringing private suits against fraud.

4. ALASKA UNIFORM LAND SALES PRACTICES ACT. We understand that some developers may oppose this amendment because ALSPA (AS 34.55.004 et. seq.) governs misrepresentations and fraud in land transactions. It is true that ALSPA does cover some of these transactions; however, its coverage is severely limited. To begin with, ALSPA only covers formally subdivided, undeveloped land and would not cover un-subdivided or developed parcels, resulting in totally unregulated contractor/developer sales wherein a home is sold with land.

Also, ALSPA exempts land sellers from registration if less than 50 lots are sold in-state over 12 months, or less than 10 lots are sold out-of-state. We know of at least one State Trooper investigation wherein a developer is deliberately selling under 50 lots per year in order to escape scrutiny under ALSPA. This particular developer was previously registered under ALSPA and has chosen to let the registration lapse and sell only 48 lots per year.

5. DUPLICATION OF REGULATION. The Unfair Trade Practices Act coverage of real property does not duplicate other state regulation, such as the real estate licensing laws. Whenever a licensed real estate agent violates a real estate statute prohibiting fraud, that activity is exempt from the UTP&CP Act, by action of AS 45.50.485(1). The attorney general has usually interpreted this section (.385)

to exempt real estate brokers and agents from the direct jurisdiction of the UTP&CP Act. A licensed agent may become involved in an investigation under the UTP&CP Act when the realtor is part of, or witness to, land fraud by un-licensed, non-regulated individuals, such as a land developer.

6. SUMMARY. This amendment is very important because there are far too many "real property" transactions which could fall between the cracks if the UTP&CPA does not cover those transactions. The language on lines 15 and 16 of the bill focuses on the need to extend the Act to not only those activities which occur in-state but which "affect commerce in the state" even though they may happen elsewhere.

This language, combined with the real property coverage, is very important in the current time share resort sales programs sweeping the country. These programs (which are frequently sold through various deceptive advertising campaigns) offer a property interest in a piece of resort property for a number of weeks per year; for instance, two weeks a year in a Hawaii condominium.

The suggested definition of "trade or commerce" would not only get us over the hurdle of a challenge to the attorney general filing a real property case, but would also bolster our jurisdictional claim in a challenge of our long arm jurisdiction against an out-of-state business.

CJS/aw

SB 432 TITLE & SPONSOR SUMMARY 16:31 6/04/84 PAGE 1 OF 2

SHORTEST TITLE: CSSB 432(RLS)

AN ACT RELATING TO THE PROTECTION OF CONSUMERS OF GOODS,
SERVICES, AND SECURITIES

GENERAL DOLLARS: \$111,500 (F. NOTE)

PRIME SPONSOR: SENATE RULES COMMITTEE.

OTHER DOLLARS: \$0

CO-SPONSORS:

CURRENT STATUS: 5/01/84 PASSED (S) ON RECONS

SB 432 SENATE ACTION 16:31 6/04/84 PAGE 2 OF 2

DATE	SEQ	PAGE	LEGISLATIVE ACTION
02/09/84	01	2007	FIRST READING -- COMMITTEE REPORTS
02/09/84	02	2007	F/NOTE SEN SUPPL #51
02/09/84	03	2007	GOV TRANSMITTAL LETTER
02/23/84	04	2159	FIN COMM REFERRAL ADDED BY UNAN CONSENT
03/16/84	05	2373	L&C --- DP04, DNP01
04/02/84	06	2583	JUD --- DP02, DNP01, NR01
05/03/84	07	2905	FIN --- DP05
05/30/84	08	3370	RLS --- CS04, OTHER04 TAKEN UP IMMEDIATELY
05/30/84	09	3381	SECOND READING
05/30/84	10	3301	RLS CS ADOPTED BY UNAN CONSENT
05/30/84	11	3381	ADVANCED TO 3RD READING BY UNAN CONSENT
05/30/84	12	3301	THIRD READING
05/30/84	13	3381	PASSED BY DIV 17-02-01
05/30/84	14	3381	NOTICE OF RECONSIDERATION GIVEN
05/31/84	15	3430	POSTPONED UNTIL 06/01/84 BY UNAN CONSENT
06/01/84	16	3458	PASSED ON RECONSIDERATION BY DIV 18-02-00
****	**	**	*** ** *

COMMITTEE REPORT
SENATE

FURTHER: JUDICIARY
FINANCE

2/23/84

Date 3/15/84

Mr. President

The Committee on LABOR & COMMERCE considered SB 432

amending the Alaska Securities Act.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

[Signature]
[Signature]
[Signature]
[Signature]
[Signature]
[Signature]
[Signature]

do not pass
[Signature]
[Signature]
[Signature]
[Signature]
[Signature]
[Signature]

[Signature]
Chairman
[Signature]
Chairman recommendation

COMPANY

COMMENTS

Alaska Banks Petroleum
Corporation*
717 W. Hardwood St., Ste. 800
Diamond Shamrock Tower
Dallas, Texas 75201
214/969-9808

A Washington resident was contacted by this firm on 1/24/84. The firm telephonically promised the offeree that if he did not receive within two years an offer to resell his lease for \$30,000, Alaska Banks Petroleum would guarantee him that much in face value United States Savings Bonds. Cease and desist order issued by Washington (Martin Cordell).

Alaska Capital Corporation
22761 Pacific Coast Highway
Malibu, California 90265

Cease and Desist Order issued by the Maine Bureau of Banking 8/29/83. Same street address as Alcor Corporation and federal land information corporation. Alaska Cease and Desist Order issued 3/14/84.

Alaska Energy Trust*
Wilshire Blvd., Los Angeles

2/15/84 offer to Ohio resident;
3/2/84 offer to California resident.

Alaska Federal Petroleum
Corp.
3785 N.W. 82nd
Miami, Florida 33167

Incorporated in Alaska 12/30/82. We have received inquiries from Nelson H. Patnaude of the New Jersey Bureau of Securities and Larry Swink of the Wisconsin Division of Securities. Patnaude inquired on behalf of a 31 year old deaf individual who paid \$4,700.50 for a 320 acre lease.

Betty Guenther, 8901 Meade Avenue, Martin Grove, Illinois 60053 (312/965-3838) was offered Alaska land at \$14.84 an acre which would be \$9,500 for one square mile of land. The salesman represented that within 90 days a big oil company would buy the interest and she would have a \$33,000 profit.

Alaska Land Leasing, Inc.
688 Thousand Oaks Blvd.
Thousand Oaks, California 91360

28990 Pacific Coast Highway
P.O. Box 4010
Malibu, California 90265 (Former)

11726 San Vicente Blvd.
Los Angeles, California 90049

Associated with Tundra Oil, Inc. and Anchorage Research and Management Co., the State of Alaska is presently litigating with this firm. We have discussed this firm with Assistant Attorney General Herschel T. Elkins, California Department of Justice, 3580 Wilshire Blvd., Room 800 Los Angeles, California 90010 (213/736-23). Cease and desist order issued by the Iowa Superintendent of Securities 12/19/8 (contact person Brad Osmundson). Cease and desist order issued by the Minnesota Commissioner of Commerce, Securities Section, 9/3/83. Cease and Desist order issued by Missouri Secretary of State, Division of Securities, 3/14/83. We advised the Nebraska Department of Banking and Finance, Securities Section, (Thomas Sindelar) of one Nebraska resident who was advised by the salesman that his oil and gas royalties could range from \$60,000 to \$160,000 a month. Two cease and desist orders issued by Texas State Securities Board naming Alaska Land Leasing, Inc. along with related entities and individuals on 2/17/84. Contact person Isabelle Potts. Inquiry has been received about ALLI from Stephen K. Mueller, Staff Attorney, Enforcement Division, Wisconsin Securities Board. The Alaska Department of Natural Resources has numerous filings made by ALLI. On 11/25/83, Terry J. Risenhoover and Vic Gainer who are associated with ALLI became the initial directors of a new Alaska corporation, Alaskan Crude Corporation along with N.K. Goff.

Alaska Oil and Gas Company
Penthouse #2
1207 Rideway
Sausalito, California

ARCO has requested this company to ensure that references to Atlantic Richfield or its subsidiaries are not made in connection with the sales efforts of this company (see comment under Alaska Capital Corporation above). We received inquiry about this firm from Mark A. Loush, Attorney in Charge, Securities and Exchange Commission Office, Detroit, Michigan.

Alaska
3/14/84

Alaska Oil Development Corporation

See Federal Property Record, Inc.

Alaska Oil Leases
18500 N.E. 41st Court
North Miami Beach, Florida

Dr. Jack Gold, 583 Caledonia Road, Dix Hills, New York 11747 (516/271-7415) advised the Alaska Attorney General's Office that he made a \$10,000 investment with this company for 40 acres of lease hold rights. Lou Risko, 1666 Springtown Road, Alpha, New Jersey 08865, (201/454-9448) complained to this division that he invested \$10,000 with the firm. Risko had previously dealt with the Stratford Company of Miami, Florida. Inquiry was also received from Mr. Bill Gregg, 2117 N.W. Flanders, Portland, Oregon 97210. The firm has solicited at least one Alaska resident and an Alaska cease and desist order is contemplated. Ron Lawrence, 5956 Blackpool Lane, Virginia Beach, Virginia 23462, (804/497-6010(H), 460-3725 (W)) complained that he invested \$8,975. Alaska Cease and Desist issued 3/15/84.

Alaska Petroleum Leasing Corp.*
5781 W. Sunrise Blvd.
Plantation, Florida 33313

Cease and desist order by Iowa
Superintendent of Securities 12/19/83.

Alaskan Crude Corporation*

See Alaska Land Leasing, Inc.

Alaskan Oil & Gas*
San Francisco, California

Inquiry concerning this firm received 2/84 from Scott P. Brochert, Commerce Investigator, Enforcement Division, St. Paul, Minnesota.

Anchorage Research Management Co.*

See Alaska Land Leasing, Inc.

American Oil and Gas Leasing
Corp.*
Wells Fargo Bank Building
16055 Ventura Blvd., Ste. 924
Encino, California 91436

Dr. Robert S. Cunningham, 17400 N.E. 13th Place, Bellevue, Washington 98008 was solicited by this firm.

Arctic Oil & Gas Corp.*
3595 Sheridan St., Ste. 206
Hollywood, Florida 33021

Cease and desist order issued by the Iowa Superintendent of Securities 12/19/83. Paul Flath, 907 S. 10th Street, Watertown, Wisconsin 53094 was solicited by the firm and advised this office that he was told the firm was a sister company of Omni International. Flath in the past has also been solicited by Trans-World Leasing of Florida. Dr. Thomas L. Smith, P.O. Box 228, Crystal Springs, Mississippi 39059 was advised by the firm's salesman that Texaco and either ARCO or AMOCO had recently been buying leases from Arctic Oil & Gas Corporation or their clients. Smith asked about the high cost of

Alaska
3/14/84

Atlantic Oil & Gas Corp.
1065 N.E. 125th St., Ste. 221
North Miami, Florida 33161

Barrington Aims Whitney, Ltd.
Arlington Heights, Illinois

California Resources
Encinitas, California

Chapen & Associates, Inc.*
5230 Vesper Ave., Ste. 5
Sherman Oaks, California 91411
and
1642 Westwood Blvd.
Los Angeles, California 90024

Commonwealth Management Corporation
Texas

Domestic Resources Corporation
3272 Motor Ave., Ste. G
Los Angeles, California 90034

Dynasty Management Company, Inc.*
Las Vegas, Nevada

Eagle Oil & Gas Company
11601 Biscayne Blvd.
Coral Gables, Florida 33134

drilled in Alaska and was told that his prospective property was "in a valley" and not in the mountains and, therefore, the drilling would be less expensive. The Ohio Department of Commerce (Securities Section-Paul Tague) inquired into the solicitation of at least one Ohio resident.

The firm retained the services of an Anchorage, Alaska geologist Thomas W. Mortensen who by letter 9/14/83 objected to the way Atlantic Oil & Gas Corp. was using his name for sales purposes.

Associated with Federal Record, Inc., inquiry 3/7/84.

In 1980, this firm was apparently associated with Western Energy Resources, 801 South Rancho Road, Boulevard D, Suite 1-A, Las Vegas, Nevada 89106. In November 1982, the Alaska Division of Securities declined to register this program.

California Corporation formed 12/20/82 qualified to do business in Alaska 8/16/83. Cease and desist order issued by the Alaska Division of Securities 2/3/84.

Inquiry by Larry Gilley, 7333 Bramblewood, Fort Worth, Texas 76133 (817/294-9586) who had been offered an investment by the firm.

An Anchorage, Alaska resident was solicited to invest with this firm, 1/84.

An Anchorage, Alaska resident was solicited by this firm 11/83 and was told that Dynasty Management, Inc. was a Texas corporation.

ARCO by letter 9/14/83 requested that this firm assure ARCO that all appropriate steps were taken to ensure that references to Atlantic Richfield or its subsidiaries were not made in connection with sales efforts (see Alaska Capital Corporation above).

Federal Land Information
Corporation
22761 Pacific Coast Highway, Ste. 22
P.O. Box 1100
Malibu, California
(Same street address as Alaska Capitol
Corporation and Alcor Corporation.)

Federal Lease Filing
Corporation
28990 Pacific Coast Highway
P.O. Box 4010
Malibu, California 90265

Federal Land Management
Corporation
Newbury Park, California

Federal Property Record, Inc.*
715 W. Algonquin Road
Arlington Heights, Illinois 60005

Frontier Exploration Corporation

Government Oil & Gas
Lease Program, Inc.
409 W. Hallandale Beach Blvd., Ste. 202
Hallandale, Florida 33009

Leland Capitol Corporation
Dallas, Texas 75201

Magnum Exploration

Alaska
3/14/84

This firm contacted Betty Guenther
of Martin Grove, Illinois (see
Alaska Federal Petroleum Corporation)
and was offered oil and gas land for
\$200 an acre.

The State of Alaska is presently
in litigation with this firm - see
Alaska Land Leasing, Inc. above.
We had correspondence with the firm
in July 1982 concerning their BLM
lottery program and solicitations
which were made in Alaska. At that
time T.J. Risenhoover now with ALLI
was president of Federal Lease
Filing Corporation.

Search warrants were executed by
postal inspectors at its California
office in November 1983. Solicitations
of an Alaska resident were made also
in November 1983. The Alaska resident
did not invest.

Federal Property Record, Inc. and
Alaska Oil Development Corporation
are Illinois corporations authorized
to do business in the State of Alaska.
On 12/20/83, the Alaska Administrator
of Securities issued a permanent order
to cease and desist to these corporations
along with David Swain and Margie Welch.
The order found that the respondents
offered for sale to an Alaska resident
unregistered securities. There were no
known sales in Alaska. Associated with
Barrington Aims Whitney, Ltd., and
Trans-Alaska Energy Corporation.

Cease and desist order issued by the
Iowa Superintendent of Securities
12/19/83. No known solicitations in
Alaska.

Cease and desist order issued by the
the Alaska Division of Securities on
10/13/83. No known sales in Alaska.

Offers and sales made to Alaska
residents prior to FTC complaint
being filed.

This firm solicited a Homer, Alaska
resident in August 1983. No known
sales in Alaska.

National Land Services Corp.
11601 Biscayne Blvd., Ste. 200-D
North Miami, Florida 33181

North American Lease
Acquisition
1011 Ives Datney Road
North Miami Beach, Florida 33179

North American Resource Corp.

Northwest Assets Corporation

Omni International

Pacific Northwest, Inc.

Petro Alaska*
6500 Greenville Ave., Ste. 440
Dallas, Texas 75206-9990

Petrolaska Corporation*
8383 Wilshire Blvd., Ste. 224
Beverly Hills, California

Spearman Company, The
Los Angeles, California

Alaska
3/14/84

Inquiry received in December 1983
from John P. Wintermoyer, 2442 S.E.
Gowin Road, Port St. Lucie, Florida
33452 (305/335-3116). Wintermoyer
was told by the salesperson that
Pacific Northwest, Inc. was a subsidiary
of National Land Services Corp. Alaska
Cease and Desist Order issued 3/14/84.

Order to cease and desist issued by
the Maine Bureau of Banking 12/15/83.
Contact person Irene Keeley, Investigator.

Cease and desist order issued by the
Iowa Superintendent of Securities to
North American Resource Corp. and
Transworld Resources Corp. on 11/21/83.
Complaint filed against the same firms
10/31/83 by the Idaho Attorney General
in the District Court of the Fourth
Judicial District in and for the County
of Ada. Civil file 83-436. The FBI
executed simultaneous search warrants
at the "offices" of North American
Resource Corp. in Anchorage, Alaska
and in Florida. Appears to be related
to Westchase Petroleum Explortion, Inc.

Inquiry by Texas Securities Commission,
3/6/84. Associated with USA Resources, In

See Artic Oil & Gas Corporation.

See National Land Service Corporation
above.

Inquiry received 1/12/84 concerning
this firm from Mr. and Mrs. Steve
Larson, Box 22083, Harlan Star Route,
Blodgett, Oregon 97326.

Formed as an Alaska corporation 8/11/83
with its purpose "oil and gas extraction."
The incorporator was Stanley M. Clark
whose address is shown at the left. The
local mailing address is P.O. Box 2794,
Anchorage, Alaska 99510 and the registered
agent is William O. Vallee, 4430 W. 7th
Avenue, Suite 1, Anchorage, Alaska 99510.
It is not known if this firm is engaged
in the leasing of federal oil and gas
drilling rights.

Wasilla, Alaska doctor solicited
2/28/84. No additional information
presently available.

Stratford Company The
11601 Biscayne Blvd.
Miami, Florida 33181

Completed by Lou Riske of Alpha, New
Jersey. (See Alaska Oil Leases above.)

Trans Alaska Energy Corporation
Miami Beach, Florida
Van Nyes, California
Chicago, Illinois

On 12/19/83, Mylo Tague, 1937 Denslow
Drive, South Bend, Indiana advised that
he had been solicited by this firm.
David Swain was identified to Tague
as chairman (see Federal Property
Record Company, Inc. and Barrington
Aims Whitney, Ltd., above).

Trans-Alaska Investment, Inc.*
1001 Ives Dairy Road - 3204
North Miami Beach, Florida 33179

Inquiry 2/27/84 by Alabama Securities
Division.

Trans-Alaska Oil Development*

Associated with Federal Property
Record, Inc.

Trans World Resources
Corporation
Hollywood, Florida 33024

Preliminary order to deny or revoke
exemptions and to cease and desist
issued by Michigan Corporation and
Securities Bureau 11/22/83.

Tundra Oil, Inc.
28990 Pacific Coast Hwy., Ste. 214
Malibu, California 90265

The State of Alaska is presently in
litigation with this firm. (See
Alaska Land Leasing above.)

USA Resources, Ltd.
1331 - 17th St., Ste. 400
P.O. Box 5200
Denver, Colorado 80217

Inquiry concerning this firm received
1/31/84 from David Reintf, 1508 S.
Merlon, Aberdeen, South Dakota 57401.
Information concerning inquiry was
relayed to the South Dakota Division
of Securities. Inquiry by Texas
Securities Division, 3/6/84. Associated
with Northwest Assets Corporation.

United American Mineral Corp.*

On 12/21/83, Norah Malkian, Commercial
Lines Underwriter, Ultima Insurance
Services, Inc., 3280 E. Foothill Blvd.,
Ste. 440, Pasadena, California 91107,
made an inquiry to Lawyers Title
Insurance Agency, Inc., Anchorage, Alaska
concerning United American Mineral
Corporation. The description of its
planned activity would indicate that it
intended to sell secondary leases in
federal oil and gas properties in Alaska.
No further information is available.

United Arctic Oil, Inc.
1100 Glendon Ave., Ste. 2101
Los Angeles, California 90024

This firm has made solicitations in the
the State of Alaska. On 8/25/83, Richard
Hoffman, Attorney at Law, 903 Linda Flora
Drive, Los Angeles, California 90049
advised that his father in 1983 invested
\$10,000 with United Arctic, Inc. His
father was suppose to receive certain
documents evidencing ownership of the
lease. United Arctic Oil has failed to
produce these. Cease and desist order
issued by the Iowa Superintendent of
Securities 11/23/83.

Westchase Petroleum
Exploration, Inc.
401 W. Texas Street
Midland, Texas 79701

Order to cease and desist issued by
the Alaska Division of Securities
12/15/83. Solicitation made to
an Alaska resident who tape recorded
the conversation. The tape recordings
concerning this matter have been
furnished by this office to the Anchorage
office of the FBI. On 2/22/84, Mark
Wysocki, Wisconsin securities division
advised that his office is aware of
one Wisconsin investor who sent \$18,500
to Westchase Petroleum in Denver,
Colorado. The Denver FBI office is
aware of that individual. Appears to
be related to North American Resource
Corporation.

Alaska
3/14/84

Oil scheme uses photo of governor

By ANN CONY
Daily News business reporter

Companies of dubious repute are using a photograph of Gov. Bill Sheffield in brochures touting Alaska oil and gas lease investments state investigators describe as a rip-off.

The color portrait of the governor — replete with the stars and stripes in the background — gets prominent play on the first page inside the brochure, next to the salutation, "Welcome to Alaska ... Land of Opportunity."

"We want to inform the public that these implied endorsements are erroneous and unauthorized," said Larry Carroll, chief securities examiner in the Division of Banking and Securities. "There may be as many as 30 companies using it."

Carroll said his office is investigating the companies, their questionable investment offerings and their use of the governor's photo. He asked that any Alaskans who receive the brochure contact his division.

The governor is not pleased about the unauthorized use of his picture, according to his deputy press secretary, John Greevy.

"It certainly is misleading," Greevy said. "The governor does not lend his endorsement to any commercial enterprise, especially one of this nature."

Carroll said companies using the brochure offer to sell oil and gas leases they've bought in the federal Bureau of Land Management's (BLM) noncompetitive leasing of Alaska lands that have no known oil and gas potential. The companies purchase the leases for \$1 an acre, then sell them to unwitting investors for \$100 to \$300 an acre.

Typically, the sales pitch grossly overstates the potential value of the leases, Carroll said. Sales people neglect to say that the major oil companies — which are supposedly going to snap up the leases for development, providing a tidy profit for the investor — have equal opportunities to buy into the area for \$1 an acre when the lands are opened for leasing by the BLM.

The investment companies using the offending brochure appear to be avoiding Alaska in their telephone and mail solicitations, but state officials are concerned about investors in other states as well as the potential trashing of Alaska's image.

"We're getting calls from people all over the country who are uninformed but want to get in on the bottom level of the great Alaska oil boom," said Carroll. Some, he added, are borrowing money to do it.

State enforcement power under Alaska securities laws is limited, particularly if the offending company is not soliciting Alaska investors, Carroll said.

Nevertheless, the Division of Banking and Securities has issued "cease and desist" orders against several companies that have offered oil-related investments to Alaskans, usually on the grounds that the companies and their offerings are not registered under state securities laws.

The division issued cease and desist orders last Friday against Pacific Basin Exploration Inc. of Marina del Rey, Calif., and Universal Exploration Inc. of Newport Beach, Calif.

Pacific Basin was selling interests in oil leases in Utah, according to state officials. Universal Exploration advertised in the Juneau Empire, offering the sale of interests in unidentified oil wells that would give investors tax shelters and "very high return and fast payback" on a mini-

The state in October filed suit against Alaska Land Leasing Inc. of Malibu, charging that the firm used fraudulent sales practices in soliciting buyers for interests in oil and gas leases. The state is asking the court to prohibit the company from making its pitch in Alaska and from selling interests in Alaska leases to out-of-state investors.

The Division of Banking and Securities has filed cease and desist orders against Alaskan Oil Development Corp. of Arlington Heights, Ill., its parent company, Federal Property Record Inc., and Government Oil and Gas Lease Program Inc. of Hallandale, Fla. The latter company is one of many that has offered to file the investor's name in the BLM's lease-by-lottery program, for allegedly exorbitant fees.

The FBI has joined investigations of oil lease investment companies, including one called North American Resources Corp., which has made sales solicitations from Florida instructing investors to send checks to a rented office in Anchorage.

Carroll said the latest alleged oil scams here was reported recently by a woman in Wasilla who received a call from a Florida company called Alaska Leasing. A salesman told her she was a lucky winner in the BLM lease lottery program, which was recently suspended by the Department of Interior. The salesman said his company had been designated to handle the lottery program and that the Wasilla woman could be the fortunate lessee of 80 acres for a mere \$8,000, with a \$4,000 downpayment to be picked up by courier.

The state in March joined the Council of Better Business Bureaus and a national securities group in warning investors to be wary of oil lease investment companies that promise quick tickets to wealth. There are estimated to be more than 250 such companies nationwide.

Carroll's probe also disclosed that West Chase Petroleum is the successor to North American Resources, a firm once investigated by the FBI for misrepresenting the value of oil leases. North American Resources, a Florida firm, also had been run by Cerf. He used it as his selling agent, said Carroll.

All of this activity has got King feeling very grateful she wasn't duped like others have been in similar scams. To get the \$8,250, she and her retired husband really would have had to deplete their savings accounts and sell off the equipment on their place at Mile 86.5 on the Parks Highway.

"We sure as heck couldn't have afforded to let that happen to us," she said. King keeps hoping that someday she'll win a lease on federal lands through a BLM lottery.

"But I don't think I'd ever be lucky enough to get \$200,000 for it."

John Knowlton is business editor of The Times.



...s goes into today's game
...ool: Page 11



Two former
Rose Bowl
queens
maintain
distinction,
pride:
Page 16



INSIDE

- California News 12, 13
- National News 26-27
- International News 2, 3
- Business 14
- Classified 29-36
- Crossword 22
- Living 16-17
- Movies 15
- Opinion 19-21
- Puzzle Pages 23-25
- Sports 11-14
- Starscope 22
- Travel 25
- Weather 9

news chronicle

183 Thousand Oaks, California January 1, 1984 50 cents 90 pages



Auld lang syne

write this message in lights of the Conejo Valley. It was News Chronicle photographer Roger Hardy, using a bit of photographic magic to welcome 1984.

park worried EPA ruling ring toxic-truck deluge

amount of tons of material that may be dumped in a West Covina landfill. The decision undoubtedly will bring more truck traffic to Ventura County, and, in turn, to Moorpark. To muddy the issue further, the new trucks will be carrying hazardous waste materials on roads that already are in need of repair.

The trucks in question formerly would have dumped their toxic contents at the BKK landfill in West Covina. An EPA decision last week, however, limited the amount of liquids that may be dumped at BKK. So, instead, trucks will have to transport their contents clear to Casmalia

Resources near Santa Maria.

Since truckers admittedly are already using the Moorpark route to avoid the Conejo scales, it follows that they will continue to beat a path through the rural town of about 10,000.

Ventura County Supervisor Ed Jones of Thousand Oaks reacted immediately and angrily to the EPA's decision.

"I'm going to demand that measures be taken to protect the residents of Ventura County," said Jones. "First, the weigh station on the Conejo Grade must remain open 24 hours a day. Right now, it's closed at night and on

(See TRUCKS, Page 2)

Securities firm probed by FBI; fraud alleged

By PAUL FRINGLE
News Chronicle

A Westlake Village man and a company he controls have been cited for securities laws violations in several states and are the subject of an FBI investigation of possible fraud in the selling of purportedly worthless interests in oil leases. The News Chronicle has learned.

Terry J. Risenhoover and Alaska Land Leasing Inc., which recently began operating in Thousand Oaks, have been served since March with cease and desist orders alleging securities violations in Iowa, Minnesota and Missouri, according to legal officials in those states.

Alaska Land Leasing is also named as a defendant in a civil complaint filed Oct. 24 by the Alaska attorney general's office which alleged securities violations and an "intent to deceive and defraud purchasers" in the sale of the oil lease interests.

The FBI has been investigating Alaska Land Leasing since late last year for possible mail fraud, wire fraud and interstate transportation of stolen property, said FBI spokesman John Hoos in Los Angeles.

A Newbury Park firm that engaged in a business very similar to that of Alaska Land Leasing — Federal Land Management Corp. — is also the target of an FBI fraud investigation, according to Special Agent Fred Reagan. As part of that probe, agents are trying to determine whether the

two companies are connected, Reagan said.

Federal Land Management is accused in a U.S. postal inspector's affidavit of running a fraudulent "boiler room" operation in which telephone solicitors sold oil and gas leases on Wyoming land the company does not own.

Postal inspectors armed with a search warrant seized a large number of documents in a Nov. 22 raid on Federal Land Management's Lawrence Drive offices.

No criminal charges have been filed against Risenhoover, Alaska Land Leasing or Federal Land Management.

Risenhoover, 39-year-old chairman and principal stockholder in Alaska Land Leasing, denied any wrongdoing, and said that "all these circumstances will be satisfactorily resolved in a matter of months."

"No charges will be brought because there is no basis for such charges," he said. "... We have a thriving organization. We're proud of what we've done, and we're proud of where we're going.

Risenhoover said he has no connection with Federal Land Management, and accused that company of "misusing the name" of Alaska Land Leasing in sales pitches. Several attempts to contact Federal Land Management officers for comment were unsuccessful.

(See LEASING, Page 4)

Leasing

From Page 1

Alaska Land Leasing, which also engages in telephone solicitation, has generated as much as \$18 million in sales of the lease interests in the past year and a half, authorities estimate.

Risenhoover said his firm is the biggest of its kind in the country, but disputed as "extremely" high the \$18 million sales estimate.

He also said the company's "primary business is oil and gas exploration," although he conceded that the firm has yet to begin any drilling operations. Risenhoover claimed the company plans to spend \$123 million on petroleum exploration and drilling in 1984.

Today, the company employs 150 people, including 45 in a newly opened office at 888 Thousand Oaks Blvd., he said. Another office that will employ 60 people is scheduled to open soon in Westlake Village, Risenhoover added.

Some of the local employees are teen-agers hired to match names of potential investors with telephone numbers. The names are culled from lists of people who have tried to obtain oil leases through government lotteries or private companies.

Risenhoover defended his hiring of the teen-agers — many of whom are of junior high school age — by saying the practice is no different from that of a newspaper employing boys and girls to deliver papers. In this respect, he added, Alaska Land Leasing operates "just like McDonald's or any other free-enterprise business."

In newspaper advertisements for adult salespeople, Alaska Land Leasing offers a "heaven on earth" employment package of \$120,000 in commissions the first year, "(an) auto plan that can have you driving a new Mercedes in 60 days," and monthly bonuses of Kruggerand gold.

The company holds state and federal leases to 1.5 million acres of Alaska's North Slope, according to Risenhoover. He said the firm has made 7,000 "transactions" for 4,000 "clients" who bought interest in the leases.

Authorities contend that the interests are sold at grossly inflated prices and are worthless in terms of their potential for producing profits from oil and gas drilling.

Iowa, Minnesota and Missouri issued cease-and-desist orders prohibiting Risenhoover and his company from doing business in those states after authorities found that the lease interests

constituted unregistered securities.

The Iowa securities superintendent's office stated in its Dec. 19 order that the sale of the lease interests followed a "course of conduct that would operate as a fraud," according to the agency's Des Moines-based staff attorney, Brad Osmundson.

The orders filed in Missouri and Minnesota on March 14 and Sept. 7, respectively, were not challenged by Risenhoover and his company, and thus became a permanent prohibition without a hearing, according to officials in those states. Risenhoover has until Jan. 19 to challenge the Iowa order.

Also scheduled for a hearing are allegations of securities laws violations made by the Texas Securities Board against Risenhoover, Alaska Land Leasing and several other defendants.

One of the allegations in the Texas case is that the defendants purchased leases for as little as \$1.15 per acre, then sold interests in them to investors for as much as \$200 per acre.

The investors did not know the true value of the leases, and the manner in which the interests were sold by the defendants "would tend to work a fraud," the Texas board alleged.

The board also alleged that the profits generated by Risenhoover and his company are "so gross and exorbitant as to be unconscionable."

Named along with Risenhoover and Alaska Land Leasing in the Texas action are Wayne Terry, identified by Risenhoover as a longtime Thousand Oaks resident and partner in the company; Tundra Oil Co.; Pacific Matrix Group Ltd.; Prudhoe Upland 34-132 Associates; and several individuals who have interests in the enterprises.

One of the individuals is Charles Weller, who helped write regulations for the sale of federal oil leases while he was an administrator of the U.S. Bureau of Land Management. Weller, Risenhoover and a man identified as David Kane founded Alaska Land Leasing about two years ago, authorities said.

Risenhoover later bought out the ownership interests of Kane and Weller, according to authorities. Risenhoover said Alaska Land Leasing is now owned by himself, Terry and Vic Galner of Malibu.

A hearing in the Texas case is scheduled for Jan. 16.

Jeffrey Bush, assistant state attorney general in Alaska, said the leases owned by Risenhoover's company are to tracts of land considered by major oil corporations and government geologists to have no potential for yielding profitable quantities of oil or gas.

The complaint filed by Bush's office against Alaska Land Leasing and its officers states that the defendants were selling interests in the leases for as much as 200 times the original purchase price. The complaint also accuses the defendants of securities violations, and asks the court to issue a permanent injunction against the business.

Risenhoover is seeking to have the complaint dismissed on grounds that the state of Alaska has no jurisdiction on sales made outside its borders, according to his Anchorage-based attorney, Tim Petumenos.

Petumenos said that if the complaint is not dismissed, Risenhoover would contest all of its allegations in court. A trial date has not been set.

Also named in the Alaska complaint are Tundra Oil Inc., Anchorage Research & Management Co. and Federal Lease Filing Corp.

Risenhoover, who maintains homes in Oklahoma, Malibu and the North Ranch area of Westlake Village, said the charges of securities violations are without merit because the lease interests should not be legally defined as securities.

However, legal officials said the interests could be exempt from the securities definition only if they were sold privately to buyers who were adequately informed of their value. Instead, the officials said, Alaska Land Leasing

is making a public offering of the leases to misinformed buyers.

"We've had complaints from people who were contacted cold (by Alaska Land Leasing salespeople) in phone calls that come out of the blue," said Osmundson, of the Iowa securities superintendent's office.

Osmundson said the potential buyers were told that their names were selected from a list of investors, and that they should purchase the lease interests immediately to prevent the offer from being passed along to someone else.

"One person complained that he placed \$64,000 with the company," Osmundson said.

In 1980, Risenhoover was involved in a similar securities operation in Oklahoma, where he was president of Cromwell Petroleum Co., according to Oklahoma Securities Commission officials.

Risenhoover filed a claim to have the sale of interests in a Cromwell drilling venture exempted from Oklahoma's securities regulations on grounds that the interests would be offered privately to select investors, said commission general counsel Deanna Burger.

During a review of the exemption claim, however, it was learned that a cease-and-desist order had been issued against Cromwell by the Wisconsin Securities Commission in June 1980, Burger said. The Oklahoma claim was eventually abandoned, she added.

Steve Mueller, staff attorney for the Wisconsin commission, said the order cited violations of securities laws in the selling of interests in the Cromwell venture.

Asked about the Oklahoma and Wisconsin cases, Risenhoover said only that he was president of Cromwell for "a very brief period (and) never had any ownership in that."

All but 1 Beach Boy attends Dennis Wilson's funeral

ENGLWOOD (AP) — All the members of the Beach Boys except Brian Wilson attended a private memorial service Saturday for the band's drummer, Dennis Wilson, who drowned last Wednesday at age 38, a spokesman said.

Wilson's song, "Farewell, My Friend," from his 1977 solo album, "Pacific Ocean Blue," was played during the brief ceremony for 75 to 100 family members of Laguna and Coronado, said Beverly Friedman of San Rogers & Crown public relations firm.

checked himself out of an alcohol treatment unit, said Dr. Joe Tokumine, a physician at St. John's Hospital in Santa Monica.

Aside from the Beach Boys members, no other music celebrities attended the 2 p.m. ceremony Saturday, Friedman said. Also present were Wilson's mother, Audrey Wilson; his widow, 19-year-old Shawn Wilson (who is Love's daughter), and his 18-month-old son by Shawn Wilson.

KTTV to celebrate

By Associated Press

KTTV Channel 11 will celebrate its 35th anniversary in Los Angeles tonight in a nostalgic-filled program airing 9 p.m. and featuring Los Angeles television pioneers John "Sheriff John" Rovick, George Putnam and Bill Welsh. It will be hosted by Ted Knight.

LOWEST RATES
HOSPITAL MEDICAL PROTECTION
EXCELLENT COVERAGE
CALL
CALIF. MEDICAL INSURANCE
800-997-5352 / 212-842-7046
LOCAL SERVICE

Snooty For PRESENTING OUR 11TH ANNUAL SALE IN VENTURA
ANNIVERSARY SALE
Friday, December 30 — Sunday, January 1
Open New Year's Day and January 2

A Special Invitation

Dear Friends:

In the past year we have acquired several large estates with an infinite variety of fine items:

- * Estate Jewelry * Silver * Fine Furniture
- * Porcelains * Sèvres * Mirrors * Royal Vienna
- * Capes & Mantles * Cts
- * Paintings * Art Glass * Tiffany
- * Sarcophagi * Carols * Antique Collections * Clocks
- * Lamps * Lenses * Books * A. B. S.

"We have a new 1984 source list of items we have never had with the lowest prices and finest selection we have ever had."

Thursday, March 8, 1984, The Anchorage Times C-3

Oil lease firms accused of 'boiler room' tactics

Associated Press

Tallahassee, Fla. — Comptroller Gerald Lewis has accused seven South Florida companies and nine people connected with the firms of running "boiler room" operations to sell oil and natural gas leases.

The comptroller said Tuesday that he ordered the companies and individuals to halt the practice immediately because they had not registered with his office to deal securities.

Further, Lewis said federal government agents Tuesday visited the companies armed with court subpoenas and search warrants to look for evidence of fraudulent sales.

Lewis said the companies used "boiler room" sales operations to solicit business.

Boiler room is used to describe a place where companies engage in high-pressure telephone solicitations.

Potential investors were told to expect a guaranteed return on their investment by purchasing oil and natural-gas drilling rights, the comptroller said.

So far, hundreds of investors have paid up to \$200 an acre for oil or natural-gas rights to public land in

Alaska, Lewis said.

In most cases, the companies acquired the leases from the federal government for \$1 an acre.

Last year, the Florida comptroller accused 41 companies of state violations in offering filing-services in the federal government's oil and natural-gas lease lottery program.

The bi-monthly lottery, suspended Oct. 12, allowed the public an opportunity to win a lease of government land.

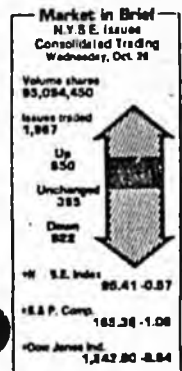
Lewis' complaint with the seven companies Tuesday is different from his objections with the way the 41 companies conducted business in 1983, the comptroller said in a news release.

Lewis issued immediate cease-and-desist orders against these companies:

- Alaska Energy Group Ltd., Miami
- Kimberly Land and Minerals Corporation, Coral Gables.
- North American Lease Acquisition Corporation, North Miami Beach.
- Pacific Northwest Inc., North Miami.
- Petroleum Leasing Corporation of America, Miami.
- Smith Webber Exploration Inc., Miami Lakes.
- Southeast Oil & Gas Inc., Fort Lauderdale.

the marketplace

Invasion takes toll on market



NEW YORK — Stock prices drifted lower Wednesday as traders kept a cautious eye on developments in the American invasion of Grenada. Precious metals and some technology stocks were the most notable losers, while many utility issues gained ground. The Dow Jones average of 30 industrials fell 8.64 to 1,243.80, bringing its loss since it reached a record closing high of 1,284.65 on Oct. 10 to

40.85 points. Analysts said the fighting in Grenada seemed to make investors wary. But they also said many market participants were operating on the belief that neither that situation, nor last weekend's terrorist attacks in Lebanon, will have any drastic implications for the domestic economy.

Advertising to be judged

Alaskan advertisers are preparing to learn which of their efforts have been judged the best for 1982-83 as the "Best of the North" awards program will be held Saturday at the Anchorage Sheraton Hotel. The "Bonnie" awards are presented annually by the Advertising Federation of Alaska to Alaskan advertisers for outstanding print or electronic work. The entries were judged by an impartial panel chosen from ad agencies in Seattle and San Francisco. Entertainment will also

Oil-lease firms charged with fraud

By ANN CONY
Daily News business reporter

The state has filed suit against a California company that solicits investments in oil and gas lease interests, charging the firm uses fraudulent sales practices.

Filed in state court in Anchorage on Tuesday, the suit names Alaska Land Leasing Inc. and its affiliates, Federal Lease Filing Corp., Tundra Oil Inc. and Anchorage Research and Management Co.

Alaska Land Leasing and its affiliates, all based in Malibu, have solicited investors nationwide, including Alaskans, to purchase limited partnership shares and other interests in oil and gas leases, many of which are in Alaska.

In offering to sell interests in the leases, the company has grossly misrepresented the value of the leases and omitted important facts "with (the) intent to deceive and defraud purchasers," the suit says.

Alaska Land Leasing and its affiliates have resold interests in oil and gas leases for as much as 200 times their fair market value, according to the state.

Sales misrepresentations and omissions, the suit says, include:

- Failure to disclose the original price or fair market value of the leases;
- Advertising that the leased lands "offer great promise for development as oil and gas lands, when, in fact, the chances of devel-

opment on any of these lands is almost nonexistent;"

- Representing that the leases could be developed into producing oil and gas fields "without disclosing the prohibitive costs;" and

- Falsely representing that the leased lands are near production facilities such as the Trans-Alaska Pipeline System.

The interests sold in oil and gas leases constitute securities, but the offerings are not registered as such, the state charged.

Alaska Land Leasing purchased oil and gas leases in two competitive state lease sales since September 1982 and has also bought oil leases in Alaska from the Interior Department's Bureau of Land Management.

The company subdivided the leases but failed to deliver to investors a so-called current public offering, as required by the Alaska Uniform Land Sales Practices Act, the suit says.

The company has also violated the Alaska Unfair Trade Practices and Consumer Protection Act, according to the state.

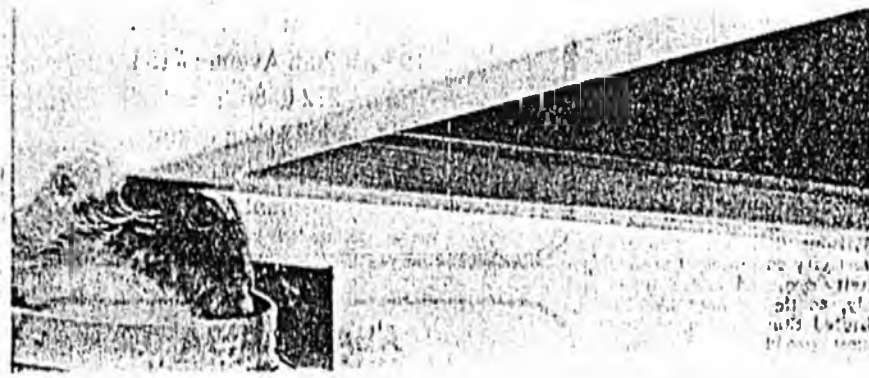
The state is asking the court to issue an injunction to prohibit the company from making its offerings in Alaska or selling interests in Alaska leases to out-of-state investors.

The suit also asks for legal fees, "appropriate penalties and fines," and that a receiver be appointed to take possession of the company's property in Alaska.

Canadians find little oil in Beaufort

By DOUGLAS MARTIN
BizDay

RESOLUTE, Northwest Territories — Even two years ago, the Canadian side of the Beaufort Sea was still a dream of vast oil riches being successfully



FBI probes questionable Alaska oil lease firms

by A.J. McClanahan
Times Writer

PAGE 1
ANCHORAGE

Phony promises made by companies created to "sell" federal oil leases in Alaska is fast turning into a multimillion-dollar headache for federal officials.

Deluged by phone calls from throughout the country, the Bureau of Land Management has to explain to each caller that the land offered by those companies are part of three non-competitive oil and gas leasing areas in Alaska.

No, the companies are not offering them a special deal. Yes, the individuals could save themselves hundreds or even thousands of dollars by not going through a third party, BLM spokesman George Gurr tells them.

If those individuals file on their own — and they do not have to come to Alaska to do it — it costs a \$75 filing fee and \$1 a year for each acre leased and a one-eighth royalty if oil or gas is developed.

People may lease any amount of acreage ranging from 640 to 10,240 acres for each application. Each lease holder is allowed up to 300,000 acres in northern Alaska and 300,000 acres in the southern part of the state. Leases can be continued for up to 10 years.

Any holder may legally "assign" his lease to someone else, and that's where the money starts changing hands. Many companies — several dozen of them have substantial holdings — assign their leases to others, for a fee. Some sell leases they don't own in the first place.

The FBI has been investigating companies that lie to prospective lease holders. But authorities have difficulty shutting down fly-by-night companies that merely "shade" the truth in telephone solicitations.

The problem is compounded by what Gurr calls the "mystique" of Alaska and the fact that lands up for lease are essen-

tially virgin country. Their resource potential is anybody's guess.

The sales pitches used by the companies are a study in how to mislead people by telling only part of the truth, Gurr said. One of the clinchers used to sell leases, he said, is that the land being offered is "close to the pipeline."

The salesmen don't mention that the trans-Alaska pipeline is nearly 800 miles long, and that because land is "close to the pipeline" it is not likely to have any more chance of producing oil than land hundreds of miles away.

Some entrepreneurs simply lie. They say:

- The "filling service" for which they work is a representative or broker for the federal government.

- The federal government has appraised the value of existing oil and gas reserve.

- There is major oil company interest

and that there are producing wells in the area or that exploration is under way.

- The person being solicited has won a government-sponsored lottery.

- Eligibility in the "Alaska lottery" was established by the person's participation in the simultaneous gas and oil lotteries held in the Lower 48.

After being contacted by an FBI office in Indianapolis, FBI agents in Anchorage obtained a warrant to search the records of North American Resources Corp., which had rented an office at 207 E. Northern Lights Blvd.

Telephone solicitors worked out of Florida, court records say, but had customers send checks to the office in Alaska.

One woman was told she could get a lease worth \$400,000 if she sent in a check for \$9,500 to an Anchorage bank where the company had opened an account, accord-

See High-pressure, page A-18

Michigan anti-tax group calls for governor's ouster

Associated Press

Mount Clemens, Mich. — Anti-tax campaigners taking credit for the ouster of two Democratic state senators who backed an income tax hike now are setting their sights on recalling a third lawmaker and Gov. James Blanchard.

"You can fight city hall and you can fight state hall and win," Dan Powers, a 25-year-old auto-worker and leader of the recall drive, said Wednesday after state Sen. David Serotkin became the second legislator in

Michigan history to be recalled by constituents.

"Our groups are tired of the tax-and-spend crowd in Lansing," Mick Steiner, a spokesman for the recall groups, said.

Blanchard, the state's first Democratic chief executive in 20 years, and at least 17 legislators were targeted by the anti-tax activists for supporting an income tax hike to wipe out what Blanchard said was a \$900 million deficit.

The increase raised the flat-
See Group, page A-18



Hunters' spoils retaken after trip to city dump

Associated Press

Wrangell — Two hunters who bagged five blacktail deer in the Sitka area had to track down their quarry again — this time after the venison was picked up by an overefficient sanitation crew.

Chester Jackson and Robert Soderlund returned home from their hunt last week with 500 pounds of sectioned, wrapped and frozen venison.

They left the meat on Soderlund's porch in several sealed freezer boxes while they went out for coffee, according to a re-

port in this week's Wrangell Sentinel.

When they returned, the venison was gone.

Neighbors told the pair they had seen a garbage truck in the area, so it didn't take them long to figure out what happened. The sanitation crew thought the boxes had been discarded.

As it was, they were able to reclaim the meat with little more damage than some mangled boxes, he said.

Jackson was unable to put a price tag on the meat but said it was worth "quite a bit of money."

Chance of snow
Friday



Weather, page A-13

Friday daylight — 5 hrs. 4 min.
Sunrise 7:47 a.m.
Sunset 3:31 p.m.

Friday tides
High 5:39 a.m. 29.5 ft. 12:11 p.m. 33.3 ft.
Low 12:48 p.m. 2.9 ft.

INDEX

Alaska Life	C-1
Bridge	F-7
Business	D-1
City/State	B-1
Classified	F-1
Comics	F-6, F-7
Crossword	F-7
Dear Abby	C-1
Editorials	A-14
Entertainment	F-1
Horoscope	F-6
Legals	H-7, H-8
Movies	F-1
News in Brief	A-1
Obituaries	B-5
Pattern	C-1
Sports	E-1
Stocks	D-6, D-7
Tell It to Bud	B-2
The Blotter	B-6
TY Listings	F-4

Anchorage Times 12/1/83

High-pressure sales

Continued from page A-1

ing court documents. She was told the land for which she was buying a lease was "very near the pipeline" and close to a producing well operated by Arco Alaska Inc. But the company does not own leases in the areas described to the victims, documents say.

FBI agents declined to comment in detail, but they said they are involved in an "active investigation" into the activities of companies offering leases in Alaska.

Leases can be filed for land in three areas:

- 2.9 million acres in the Denali-Tielke district near Denali National Park, of which about 80 percent has been leased and about 40 to 60 percent of that has been "assigned" to other people.

- 276,460 acres in the Minchumina district about 140 miles southwest of Fairbanks, of which about 90 percent has been leased and about 40 to 60 percent of that has been assigned to others.

- 4.4 million acres in scattered tracts throughout the Seward Peninsula and Western Alaska near the peninsula, which was opened for leasing Nov. 9.

FBI officials said their investigation focuses on whether companies are violating federal law in their telephone solicitations.

Victims generally have been elderly and were bilked out of \$10,000 to \$15,000 each, they said. High-pressure tactics are used on the phone.

The state last month issued cease and desist orders against two companies and filed suit against a third firm, charging that it uses fraudulent sales practices.

effective in other cities. Under their plan, officers would have pulled over all drivers on certain sections of roadway and questioned them in an attempt to determine whether they were drunk. The proposal was praised by some members of Mothers Against Drunk Drivers as well as some on the mayor's task force.

But the plan drew fire from those who said it would have violated the constitutional rights of those who were questioned.

The task force recommended the checkpoints as well as the patrols to Knowles. The mayor chose the latter.

"I hope they (the patrols) have the effect they're intended to have," said Allen Bailey, the city prosecutor and a member of Mothers Against Drunk Drivers. "Maybe special patrols will work. I hope they do."

Group aims at taxes

Continued from page A-1

rate tax to 6.35 percent from 4.6 percent. It will roll back to 6.1 percent in January.

The ouster of Serotkin, a former Republican who represented the Detroit suburb of Mount Clemens in the state House for five years and was in

his first term in the Senate, followed the Nov. 22 recall of Democratic state Sen. Phillip Mastin of nearby Pontiac.

Next on the hit list is Sen. Patrick McCollough, a Dearborn Democrat. About 17,000 of the 23,000 petition signatures needed for a recall election have been collected and the drive should be over by Christmas.

GIFT PACKS FROM INDIAN VALLEY



You Order We Mail

A unique generous assortment of smoked Alaska Meat Products from Indian Valley Meats. Smartly Holiday packaged. Available through Apollo Enterprises. We air-mail anywhere in USA. Visit our booth at the Market Place this week-end or see at all Floweramas or at Pioneer Christmas Shop in Wasilla. Order now for employee Christmas gifts, for more

DIAMONDS
GEMSTONES
REPAIRS
ON THE
PREMISES

McGrane
Jewelers

413 'D' Street
"Downtown"

APPRAISALS
CERTIFIED
GEMOLOGIST
ACCREDITED
GEM
LABORATORY

12.9% offer extended. Annual Percentages



Hi Tech
TURBO DIESELS

4 Wheel Drive & 2 Wheel Drive
W-50 D-50



Hi-Tech
CONVENTIONAL

4 Wheel Drive & 2 Wheel Drive
W-50 D-50

\$1,000

Dealer Discount

PLUS

\$500

Western Wilderness Canopy

(Limited to stock, only 16 left)

\$1500 Total Savings!

APPLIES TO 1983 MODELS ONLY
HURRY WHILE SELECTION IS GOOD!

Anchorage Dodge Import Truck Center
Your authorized direct dealer for
Dodge and Plymouth Imports
built by Mitsubishi
Motor Company

In stock units only

ANCHORAGE DODGE
TRUCK CENTER

"A GOOD PLACE TO DO BUSINESS"
2601 E. 5th Ave.
276-1331

MON-FRI 9:30-10:00
SATURDAY 9:00-9:00
SUNDAY 12:00-7:00