

SB

318

(File 4)

**THE FOLLOWING PAGES
WERE TREATED AS A UNIT
IN THE ORIGINAL FILE**

(Sale 30 Bidders Letter)

PHILLIPS PETROLEUM COMPANY

210 W. Park Avenue, Suite 2400, Phone: 405 270-8119
OKLAHOMA CITY, OKLAHOMA 73102

Corporate Relations and Services

BRUCE A. STALLSWORTH
Director
Government and Public Affairs

April 23, 1996

Annette

Honorable Loren Leman
716 W. 4th, Suite 520
Anchorage, AK 99501

Dear Senator Leman:

This is in response to your letter dated April 10, 1996 to E. R. Ramp requesting our thoughts on Senate Bill 318.

We appreciate the opportunity to comment on the renegotiations of the Northstar leases as contained in SB 318. However, please be advised that at this time we are neutral on the provisions of SB 318 as currently drafted.

Again, thank you for providing the opportunity to comment. Should you have any questions, please feel free to call.

Sincerely,



Bruce A. Stallsworth

BAS:seb
cc: E. R. Ramp
H. Sullivan

Names & Fax Numbers of Sale 30 Bidders

<u>name</u>	<u>title</u>	<u>company</u>	<u>fax</u>
Jerry Booth	Land Manager	Cook Inlet Region Inc.	907-263-5183
Charlie Howell	Land Manager	Mobile Oil Corp.	214-951-4327
Miké Koenig	Land Manager	Marathon Oil Co.	713-296-3106
E. H. Nelson	Land Manager	Texaco Inc. (Getty Oil Co)	907-345-3300
Dave A. Sutter	Land Manager	Atlantic Richfield Co.	907-263-4966
J. A. Ready	VP for Exploration	Amerada Hess Corp.	713-609-5608
John Merrick	Land Manager	Koniag Inc.	907-562-5258
John Rense	Chief Operating Officer	Nana Regional Corp, Inc	907-265-4123
Mark Boudreaux	Exploration	Exxon	907-463-2577
Kevin Tabler	Land Manager	Unocal	907-263-7698
JW Weatherly	Rig Superintendent	Rowan Petroleum Inc.	907-274-5831
Steve Nicandros	Development Manager	Conoco Inc.	713-293-2774
Mike Altavilla	Land Manager	Seneca	970-276-3014 <i>unrelated company 4/1/90</i>
Marshall Gile	VP, NW Production	Amoco Production Co.	303-830-4900
Rick Chamberlain	Alaska Exploration	Chevron USA, Inc. (Gulf Oil)	713-754-2880
Robert Sawyer	Exploration	Murphy Exp & Production Co	504-561-2836
E. R. Ramp	Western Exploration	Phillips Petroleum Co.	713-669-3630
Gregg Nady	Western Asset Land	Shell Western E & P Inc.	713-544-4745
Michael Gooding	VP for Exploration	Oxy USA, Inc. (Placid Oil &	c/o Cynthia Pierce 918-561-2892,

Names and Addresses of Sale 30 Bidders

Original Bidder Name	Current Name	Phone Number	Address	City	State
AMERADA HESS CORPORATION		713 609-6637	ATTN: J. V. CHRISTOPHER	600 DALLAS ST	HOUSTON TX
AMOCO PRODUCTION COMPANY		713 688-6535	ATTN: LAND MANAGER/USA	PO BOX 3092	HOUSTON TX
ATLANTIC RICHFIELD COMPANY		907 263-4824	ATTN: LAND MANAGER	P.O. BOX 100360	ANCHORAGE AK
CHEVRON U.S.A. INC		713 754-7655	PO BOX 1635	ATTN: P.G. WALKER	HOUSTON TX
CITIES SERVICE COMPANY	OXY USA INC.	918 661-3385	PO BOX 300		TULSA OK
CONOCO INC		713 293-2756	600 NORTH DAIRY ASHFORD	ATTN WILLIAM R DAUGHTREY	HOUSTON TX
COOK INLET REGION INC		907 263-5160	PO BOX 93330		ANCHORAGE AK
EXXON CORPORATION		713 656-7000	LAND/REGULATORY AFFAIRS	PO BOX 2305	HOUSTON TX
GETTY OIL COMPANY	TEXACO INC	803 793-4164	PO BOX 2100	ATTN: LAND DEPARTMENT	DENVER CO
GULF OIL CORPORATION	CHEVRON U.S.A. INC	713 754-7655	PO BOX 1635	ATTN: P.G. WALKER	HOUSTON TX
KONIG INC		907 661-2668	C/O JOHN MERRICK	4300 BST #407	ANCHORAGE AK
MARATHON OIL COMPANY		713 629-6601	ATTN CONTRACT & DIVISION ORDER	P.O. BOX 2059	HOUSTON TX
MOBIL OIL CORP		214 951-3936	ATTN: PROPERTY MANAGEMENT	PO BOX 60232	DALLAS TX
MURPHY OIL CORPORATION	MURPHY EXPLOR & PROD CO	604 661-2411	ATTN: LAND DEPARTMENT	P.O. BOX 61780	NEW ORLEANS LA
NATJA REGIONAL CORPORATION INC		907 263-4100	1001 E BERKON BLVD.	ATTN: VICE PRESIDENT MINERALS	ANCHORAGE AK
PHILLIPS PETROLEUM COMPANY		713 669-741	PO BOX 1967	ATTN: AK REGION LAND MANAGER	HOUSTON TX
PLACID OIL CO		918 561-3385	OXY USA INC.	P.O. BOX 300	TULSA OK
ROWAN PETROLEUM INC	ROWAN DRILLING	907 279-2448	1900 POST OAK TOWER	6061 WESTMEIER	HOUSTON TX
SEALASKA CORP		907 686-1512	ONE SEALASKA PLAZA SUITE 400	MR WILLIAM M HOWE, PRESIDENT	JUNEAU AK
SHELL OIL COMPANY		713 690-4314	TWO SHELL PLAZA	PO BOX 3099	HOUSTON TX
SOMO NATURAL RESOURCES	BP EXPLORATION (ALASKA) INC	907 661-5111	G. P. ZELECKY, JR.	PO BOX 12612/900 E. BENDON BL	ANCHORAGE AK
TEXACO INC		803 793-4164	PO BOX 2100	ATTN: LAND DEPARTMENT	DENVER CO
TEXAS EASTERN EXPLORATION COMPANY	ENTERPRISE OIL EX CO INC	713 693-8471	C/O ALAN R. BAIR REGION	420: FA 1960 WEST, STE. 310	HOUSTON TX
TEXAS GULF INC.		907 276-8100	6234 MCINTIRE STREET		BOZEMAN CO
UNION OIL COMPANY OF CALIFORNIA		907 276-7600	PO BOX 196247	ATTN: LAND MANAGER	ANCHORAGE AK

APR - TUE 18:30 ADMR/DIV OIL & GAS FAX NO. UUUUBUJ410 713 601 51626

NET PROFIT SHARE LEASE OWNERS

02-Apr-96

UNIT	HIGH BIDDER	BIDDING GROUP	BIDDER NAME	CURRENT NAME	PHONE #
DUCK ISLAND UNIT					
SALE 30					
	ADL	312828			
	.	18	COOK INLET REGION INC		907 2635160
	.	10	SOHIO NATURAL RESOURCES	BP EXPLORATION (ALASKA) INC	907 5615111
	.	18	SEALASKA CORP		907 5061512
	.	18	NANA REGIONAL CORPORATION INC		907 2654100
	.	18	KONIAG INC		907 5612668
		3	AMOCO PRODUCTION COMPANY		713 5885535
		7	CITIES SERVICE COMPANY	OXY USA INC.	918 5613385
		7	ROWAN PETROLEUM INC	ROWAN DRILLING	907 2792448
		7	GULF OIL CORPORATION	CHEVRON U.S.A. INC	713 7547655
		7	PLACID OIL CO		918 5613385
		7	GETTY OIL COMPANY	TEXACO INC	303 7034164
		7	TEXAS GULF INC.		907 2765100
		7	CONOCO INC		713 2002756
		14	MARATHON OIL COMPANY		713 6296500
		14	AMERADA HESS CORPORATION		713 6095537
		19	MURPHY OIL CORPORATION	MURPHY EXPLOR. & PROD.CO	504 5612811
		19	SHELL OIL COMPANY		713 8704314
		20	CHEVRON U.S.A. INC		713 7547655
		22	EXXON CORPORATION		713 6567000
		22	UNION OIL COMPANY OF CALIFORNIA		907 2767600
		22	ATLANTIC RICHFIELD COMPANY		907 2634824
	ADL	312834			
	.	21	EXXON CORPORATION		713 6567000
	.	21	UNION OIL COMPANY OF CALIFORNIA		907 2767600
	.	21	ATLANTIC RICHFIELD COMPANY		907 2634824
		20	CHEVRON U.S.A. INC		713 7547655

APR-96 12:30 HUNTER/STY OIL & GAS FMA INC. M150-0000713

UNIT	HIGH BIDDER	BIDDING GROUP	BIDDER NAME	CURRENT NAME	PHONE #
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NON UNITIZED PRODUCING

SALE 30

ADL 312827

.	14		MAHATHON OIL COMPANY		713 6296600
.	14		AMERADA HESS CORPORATION		713 6095637
	3		AMOCO PRODUCTION COMPANY		713 5885535
	7		GETTY OIL COMPANY	TEXACO INC	303 7934164
	7		TEXAS GULF INC.		907 2765100
	7		PLACID OIL CO		918 5613385
	7		ROWAN PETROLEUM INC	ROWAN DRILLING	907 2702448
	7		GULF OIL CORPORATION	CHEVRON U.S.A. INC	713 7547655
	7		CONOCO INC		713 2932756
	7		CITIES SERVICE COMPANY	OXY USA INC.	918 5613385
	17		EXXON CORPORATION		713 6567000
	18		COOK INLET REGION INC		907 2535160
	18		KONIAG INC		907 6512668
	18		SEALASKA CORP		907 5361512
	18		NANA REGIONAL CORPORATION INC		907 2554100
	18		SOHIO NATURAL RESOURCES	BP EXPLORATION (ALASKA) INC	907 5615111

NORTHSTAR UNIT

SALE 30

ADL 312798

.	1		AMERADA HESS CORPORATION		713 6095637
	2		TEXACO INC		303 7934164
	2		TEXAS EASTERN EXPLORATION COMPANY	ENTERPRISE OIL EX CO INC	713 8938471
	3		AMOCO PRODUCTION COMPANY		713 5885535
	4		PLACID OIL CO		918 5613385
	4		CONOCO INC.		
	4		TEXAS GULF INC.		907 2765100
	4		CITIES SERVICE COMPANY	OXY USA INC.	918 5613385
	5		SHELL OIL COMPANY		713 6704314
	6		CHEVRON U.S.A. INC		713 7547655
	6		PHILLIPS PETROLEUM COMPANY		713 6697741

11:07

PRM INC. UIC013000410

ADNR/DIV OIL & GAS

JE 18:31

APR-01

UNIT	HIGH BIDDER	BIDDING GROUP	BIDDER NAME	CURRENT NAME	PHONE #
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ADL 312799

1	AMERADA HESS CORPORATION			713	6995637
2	TEXACO INC			303	7934164
2	TEXAS EASTERN EXPLORATION COMPANY		ENTERPRISE OIL EX CO INC	713	8938471
3	AMOCO PRODUCTION COMPANY			713	5805535
7	ROWAN PETROLEUM INC		ROWAN DRILLING	907	2792448
7	TEXAS GULF INC.			907	2765100
7	GULF OIL CORPORATION		CHEVRON U.S.A INC	713	7547655
7	CITIES SERVICE COMPANY		OXY USA INC.	918	5613385
7	CONOCO INC			713	2932756
7	GETTY OIL COMPANY		TEXACO INC	303	7934164
7	PLACID OIL CO			918	5613385
8	MURPHY OIL CORPORATION		MURPHY EXPLOR & PROD.CO	504	5612811
8	SHELL OIL COMPANY			713	8704314
9	PHILLIPS PETROLEUM COMPANY			713	6693741
9	MOBIL OIL CORP			214	9513936
9	CHEVRON U.S.A INC			713	7547655
10	UNION OIL COMPANY OF CALIFORNIA			907	2767600

ADL 312803

11	TEXAS EASTERN EXPLORATION COMPANY		ENTERPRISE OIL EX CO INC	713	8938471
6	CHEVRON U.S.A INC			713	7547655
6	PHILLIPS PETROLEUM COMPANY			713	6693741
10	UNION OIL COMPANY OF CALIFORNIA			907	2767600
12	GULF OIL CORPORATION		CHEVRON U.S.A INC	713	7547655
12	CITIES SERVICE COMPANY		OXY USA INC.	918	5613385
12	ROWAN PETROLEUM INC		ROWAN DRILLING	907	2792448
12	TEXAS GULF INC.			907	2765100
12	CONOCO INC			713	2932756
12	PLACID OIL CO			918	5613385
13	SHELL OIL COMPANY			713	8704314
13	MURPHY OIL CORPORATION		MURPHY EXPLOR. & PROD CO	504	5612811
13	ATLANTIC RICHFIELD COMPANY			907	2634824

APR - 15 18:32 RUNK/DIV OIL & GAS PMA INC. 010013000413

UNIT

HIGH BIDDER BIDDING GROUP

BIDDER NAME

CURRENT NAME

PHONE #

ADL 312809

11	TEXAS EASTERN EXPLORATION COMPANY	ENTERPRISE OIL EX CO INC	713	8938471
3	AMOCO PRODUCTION COMPANY		713	5885535
9	CHEVRON U.S.A. INC		713	7547655
9	MOBIL OIL CORP		214	9513936
9	PHILLIPS PETROLEUM COMPANY		713	6693741
10	UNION OIL COMPANY OF CALIFORNIA		907	2767600
14	AMERADA HESS CORPORATION		713	6095637
14	MARATHON OIL COMPANY		713	6295600
15	TEXAS GULF INC.		907	2765100
15	GETTY OIL COMPANY	TEXACO INC	303	7034164
15	CITIES SERVICE COMPANY	OXY USA INC.	918	5613385
15	PLACID OIL CO		918	5613305
15	GULF OIL CORPORATION	CHEVRON U.S.A. INC	713	7547655
15	ROWAN PETROLEUM INC	ROWAN DRILLING	907	2792448
16	ATLANTIC RICHFIELD COMPANY		907	2634024
16	SHELL OIL COMPANY		713	8704314

POINT THOMSON UNIT

SALE 30

ADL 312856

17	EXXON CORPORATION		713	6567000
6	CHEVRON U.S.A. INC		713	7547655
6	PHILLIPS PETROLEUM COMPANY		713	6693741



Alaska State Legislature

Official Business

Senate Resources Committee

State Capitol
Juneau AK 99801

April 10, 1996

Mr. J. A. Ready
Amerada Hess Corporation
713-752-5853-6662

Dear Mr. Ready:

The Alaska Senate Resources Committee is conducting hearings on Senate Bill 318, a bill for an act entitled "An Act Authorizing, approving and ratifying the amendment of the Northstar Unit oil and gas leases between the State of Alaska and BP Exploration (Alaska) Inc., and providing for an effective date." Senate Bill 318 has been introduced at the request of Governor Knowles in order to seek legislative approval and ratification of negotiations between the Commissioner of the Department of Natural Resources (DNR) and BP Exploration (Alaska), Inc. (BPXA) to amend the competitively bid net profit share terms of certain oil and gas leases (Northstar leases) which were offered in the State of Alaska's Competitive Oil and Gas Lease Sale 30 in December, 1979. I am writing to you because according to DNR's leasing records, you or your company (or its predecessor) participated in the competitive bidding at Sale 30.

The Northstar leases were originally awarded to Amerada Hess Corp., Enterprise Oil, Murphy Oil USA, and Shell Oil. These lessees subsequently combined their lease interests to form the state's first joint state/federal unit, the Northstar unit, which is located offshore in the Beaufort Sea approximately six miles north of the Prudhoe Bay Unit. A number of exploration wells were drilled during the initial 10 year term of the unit, and Amerada Hess subsequently sought and received from the Department of Natural Resources a further five year extension of the unit during which it drilled one additional well and conducted engineering studies to determine the feasibility of developing the Northstar reserves which are estimated by DNR and BPXA to be about 130 million barrels of recoverable oil.

Under the provisions of their unit agreement and its extension, Amerada Hess and its partners were required to submit an acceptable updated Plan of Development (POD) to DNR by October 25, 1994 to avoid default of the Unit Agreement. Amerada Hess and its partners elected not to pursue development of the Northstar field, and by letter dated November 3, 1994, DNR notified the companies that the unit was in default. Subsequently, on December 12, 1994 DNR issued a letter amending its November 3, 1994 Notice of Default to provide Amerada Hess and its partners the alternatives of either providing an updated POD within 90 days or voluntarily terminating the Northstar Unit Agreement.

Had the unit terminated under DNR's Notice of Default, the state leases upon which no wells certified as capable of producing in paying quantities had been drilled would have reverted to the state, making them available for re-leasing under competitive terms selected by DNR. Under the provisions of the leases and the department's regulations, the DNR could then have issued notice to the lessees of those leases which contained certified wells to begin production, allowing the lessee a reasonable amount of time to do so.

Following receipt of the Notice of Default, both Amerada Hess and Shell sold their interests in the Northstar Unit (98.08 percent) to BPXA, and by letter dated January 13,

1995, BPXA requested that DNR provide an extension of no less than 90 days to "provide BP the opportunity to conclude its acquisition, succeed as Unit operator and formulate with the other working interest owners a new Plan of Development for the Northstar Unit." On June 2, 1995, the DNR approved BPXA's Second POD and granted a further three year extension of the Northstar Unit.

Shortly thereafter, BPXA informed the Commissioner of Natural Resources that it would not develop the field unless the state agreed to eliminate the net profit share provisions of the leases. In testimony last week before the Senate Resources Committee, BPXA's President, Mr. John Morgan, confirmed that although development of the field with the net profit sharing provisions would yield an acceptable rate of return for BPXA (21 percent by BPXA's estimate), the company refuses to do so unless the state agrees to amend the leases.

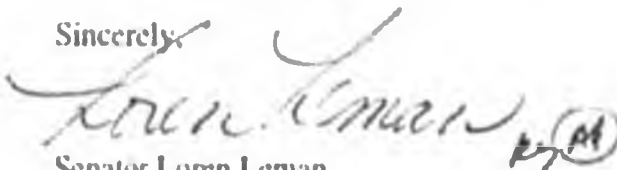
Based upon BPXA's representations, the commissioner entered into negotiations to amend the leases, and those negotiations produced the agreement which the legislature has been asked to ratify. The Attorney General has testified that the commissioner has no explicit authority to amend the net profit share provisions, as has been negotiated between the parties, and has recommended legislative ratification by passage of SB 318 as a prudent measure to "vaccinate" the arrangement against successful legal challenge.

The Resources Committee has conducted three hearing since SB 318 was introduced last week. These initial hearings were focused on an overview of the proposed amendments by both BPXA and the DNR, as well as presentations by the Department of Law on its interpretation of the commissioner's authority and the need for legislative ratification. Much of the testimony and committee questions have centered on the litigation risk associated with renegotiating the competitively bid terms of Northstar leases. For example, questions have arisen about who would have standing to litigate, whether the passage of time lessens the risk of successful litigation, whether other lessees with net profit leases are similarly situated to BPXA and whether the state would be sending the appropriate signals to other lessees by preferentially renegotiating amendments to the terms of these leases and not others.

In light of these questions, I want to provide an opportunity for all companies and individuals who competed for net profit leases in Sale 30 to address the committee to share their views on the policy implications and litigation risk involved with the passage of SB 318. To assist the committee staff in scheduling adequate time in future hearings to accommodate any party who wishes to provide comments for the record, I would appreciate your confirming whether or not it is your desire to be heard. Given the short time the committee has to conduct hearings, I would appreciate your confirming your intent by telephone call or fax to Ms. Annette Kreitzer, Resources Committee Staff. Ms. Kreitzer's telephone number is : (907) 465-4907; she may be reach by fax at (907) 465-3810.

Thank you for your past participation in Alaska's oil and gas leasing program. On behalf of the Senate Resources Committee, I look forward to hearing any comments you may care to share with the committee.

Sincerely,

A handwritten signature in cursive script that reads "Loren Lemman". To the right of the signature is a circular stamp containing the initials "R. A." and a checkmark.

Senator Loren Lemman
Resources Committee Chairman



Alaska State Legislature

Official Business

April 10, 1996

Senate Resources Committee

State Capitol
Juneau AK 99801

Mrs. E. H. Nelson
Texaco Inc.
907-345-3300

Dear Mrs. Nelson:

The Alaska Senate Resources Committee is conducting hearings on Senate Bill 318, a bill for an act entitled "An Act Authorizing, approving and ratifying the amendment of the Northstar Unit oil and gas leases between the State of Alaska and BP Exploration (Alaska) Inc., and providing for an effective date." Senate Bill 318 has been introduced at the request of Governor Knowles in order to seek legislative approval and ratification of negotiations between the Commissioner of the Department of Natural Resources (DNR) and BP Exploration (Alaska), Inc. (BPXA) to amend the competitively bid net profit share terms of certain oil and gas leases (Northstar leases) which were offered in the State of Alaska's Competitive Oil and Gas Lease Sale 30 in December, 1979. I am writing to you because according to DNR's leasing records, you or your company (or its predecessor) participated in the competitive bidding at Sale 30.

The Northstar leases were originally awarded to Amerada Hess Corp., Enterprise Oil, Murphy Oil USA, and Shell Oil. These lessees subsequently combined their lease interests to form the state's first joint state/federal unit, the Northstar unit, which is located offshore in the Beaufort Sea approximately six miles north of the Prudhoe Bay Unit. A number of exploration wells were drilled during the initial 10 year term of the unit, and Amerada Hess subsequently sought and received from the Department of Natural Resources a further five year extension of the unit during which it drilled one additional well and conducted engineering studies to determine the feasibility of developing the Northstar reserves which are estimated by DNR and BPXA to be about 130 million barrels of recoverable oil.

Under the provisions of their unit agreement and its extension, Amerada Hess and its partners were required to submit an acceptable updated Plan of Development (POD) to DNR by October 25, 1994 to avoid default of the Unit Agreement. Amerada Hess and its partners elected not to pursue development of the Northstar field, and by letter dated November 3, 1994, DNR notified the companies that the unit was in default. Subsequently, on December 12, 1994 DNR issued a letter amending its November 3, 1994 Notice of Default to provide Amerada Hess and its partners the alternatives of either providing an updated POD within 90 days or voluntarily terminating the Northstar Unit Agreement.

Had the unit terminated under DNR's Notice of Default, the state leases upon which no wells certified as capable of producing in paying quantities had been drilled would have reverted to the state, making them available for re-leasing under competitive terms selected by DNR. Under the provisions of the leases and the department's regulations, the DNR could then have issued notice to the lessees of those leases which contained certified wells to begin production, allowing the lessee a reasonable amount of time to do so.

Following receipt of the Notice of Default, both Amerada Hess and Shell sold their interests in the Northstar Unit (98.08 percent) to BPXA, and by letter dated January 13,



Alaska State Legislature

Official Business

Senate Resources Committee

State Capitol
Juneau AK 99801

April 10, 1996

Mr. John Merrick
Koniag Inc.
907-562-5258

Dear Mr. Merrick:

The Alaska Senate Resources Committee is conducting hearings on Senate Bill 318, a bill for an act entitled "An Act Authorizing, approving and ratifying the amendment of the Northstar Unit oil and gas leases between the State of Alaska and BP Exploration (Alaska) Inc., and providing for an effective date." Senate Bill 318 has been introduced at the request of Governor Knowles in order to seek legislative approval and ratification of negotiations between the Commissioner of the Department of Natural Resources (DNR) and BP Exploration (Alaska), Inc. (BPXA) to amend the competitively bid net profit share terms of certain oil and gas leases (Northstar leases) which were offered in the State of Alaska's Competitive Oil and Gas Lease Sale 30 in December, 1979. I am writing to you because according to DNR's leasing records, you or your company (or its predecessor) participated in the competitive bidding at Sale 30.

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Alaska State Legislature

Senate Resources Committee

Official Business

State Capitol
Juneau AK 99801

April 10, 1996

Mr. John Rense
Nana Regional Corporation Inc.
907-265-4123

Dear Mr. Rense:

The Alaska Senate Resources Committee is conducting hearings on Senate Bill 318, a bill for an act entitled "An Act Authorizing, approving and ratifying the amendment of the Northstar Unit oil and gas leases between the State of Alaska and BP Exploration (Alaska) Inc., and providing for an effective date." Senate Bill 318 has been introduced at the request of Governor Knowles in order to seek legislative approval and ratification of negotiations between the Commissioner of the Department of Natural Resources (DNR) and BP Exploration (Alaska), Inc. (BPXA) to amend the competitively bid net profit share terms of certain oil and gas leases (Northstar leases) which were offered in the State of Alaska's Competitive Oil and Gas Lease Sale 30 in December, 1979. I am writing to you because according to DNR's leasing records, you or your company (or its predecessor) participated in the competitive bidding at Sale 30.

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Alaska State Legislature

Official Business

Senate Resources Committee

State Capitol
Juneau AK 99801

April 10, 1996

Mr. Kevin Tabler
Unocal
907-263-7698

Dear Mr. Tabler:

The Alaska Senate Resources Committee is conducting hearings on Senate Bill 318, a bill for an act entitled "An Act Authorizing, approving and ratifying the amendment of the Northstar Unit oil and gas leases between the State of Alaska and BP Exploration (Alaska) Inc., and providing for an effective date." Senate Bill 318 has been introduced at the request of Governor Knowles in order to seek legislative approval and ratification of negotiations between the Commissioner of the Department of Natural Resources (DNR) and BP Exploration (Alaska), Inc. (BPXA) to amend the competitively bid net profit share terms of certain oil and gas leases (Northstar leases) which were offered in the State of Alaska's Competitive Oil and Gas Lease Sale 30 in December, 1979. I am writing to you because according to DNR's leasing records, you or your company (or its predecessor) participated in the competitive bidding at Sale 30.

The Northstar leases were originally awarded to Amerada Hess Corp., Enterprise Oil, Murphy Oil USA, and Shell Oil. These lessees subsequently combined their lease interests to form the state's first joint state/federal unit, the Northstar unit, which is located offshore in the Beaufort Sea approximately six miles north of the Prudhoe Bay Unit. A number of exploration wells were drilled during the initial 10 year term of the unit, and Amerada Hess subsequently sought and received from the Department of Natural Resources a further five year extension of the unit during which it drilled one additional well and conducted engineering studies to determine the feasibility of developing the Northstar reserves which are estimated by DNR and BPXA to be about 130 million barrels of recoverable oil.

Under the provisions of their unit agreement and its extension, Amerada Hess and its partners were required to submit an acceptable updated Plan of Development (POD) to DNR by October 25, 1994 to avoid default of the Unit Agreement. Amerada Hess and its partners elected not to pursue development of the Northstar field, and by letter dated November 3, 1994, DNR notified the companies that the unit was in default. Subsequently, on December 12, 1994 DNR issued a letter amending its November 3, 1994 Notice of Default to provide Amerada Hess and its partners the alternatives of either providing an updated POD within 90 days or voluntarily terminating the Northstar Unit Agreement.

Had the unit terminated under DNR's Notice of Default, the state leases upon which no wells certified as capable of producing in paying quantities had been drilled would have reverted to the state, making them available for re-leasing under competitive terms selected by DNR. Under the provisions of the leases and the department's regulations, the DNR could then have issued notice to the lessees of those leases which contained certified wells to begin production, allowing the lessee a reasonable amount of time to do so.

Following receipt of the Notice of Default, both Amerada Hess and Shell sold their interests in the Northstar Unit (98.08 percent) to BPXA, and by letter dated January 13,



Alaska State Legislature

Senate Resources Committee

State Capitol
Juneau AK 99801

Official Business

April 10, 1996

Mr. J. W. Weatherly
Rowan Petroleum Inc.
907-274-5831

Dear Mr. Weatherly:

The Alaska Senate Resources Committee is conducting hearings on Senate Bill 318, a bill for an act entitled "An Act Authorizing, approving and ratifying the amendment of the Northstar Unit oil and gas leases between the State of Alaska and BP Exploration (Alaska) Inc., and providing for an effective date." Senate Bill 318 has been introduced at the request of Governor Knowles in order to seek legislative approval and ratification of negotiations between the Commissioner of the Department of Natural Resources (DNR) and BP Exploration (Alaska), Inc. (BPXA) to amend the competitively bid net profit share terms of certain oil and gas leases (Northstar leases) which were offered in the State of Alaska's Competitive Oil and Gas Lease Sale 30 in December, 1979. I am writing to you because according to DNR's leasing records, you or your company (or its predecessor) participated in the competitive bidding at Sale 30.

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Alaska State Legislature

Official Business

Senate Resources Committee

State Capitol
Juneau AK 99801

April 10, 1996

Mr. Steve Nicandros
Conoco Inc.
713-293-2774

Dear Mr. Nicandros:

The Alaska Senate Resources Committee is conducting hearings on Senate Bill 318, a bill for an act entitled "An Act Authorizing, approving and ratifying the amendment of the Northstar Unit oil and gas leases between the State of Alaska and BP Exploration (Alaska) Inc., and providing for an effective date." Senate Bill 318 has been introduced at the request of Governor Knowles in order to seek legislative approval and ratification of negotiations between the Commissioner of the Department of Natural Resources (DNR) and BP Exploration (Alaska), Inc. (BPXA) to amend the competitively bid net profit share terms of certain oil and gas leases (Northstar leases) which were offered in the State of Alaska's Competitive Oil and Gas Lease Sale 30 in December, 1979. I am writing to you because according to DNR's leasing records, you or your company (or its predecessor) participated in the competitive bidding at Sale 30.

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Alaska State Legislature

Official Business

Senate Resources Committee

State Capitol
Juneau AK 99801

April 10, 1996

Mr. Mike Altavilla
Seneca
970-276-3014

Dear Mr. Altavilla:

The Alaska Senate Resources Committee is conducting hearings on Senate Bill 318, a bill for an act entitled "An Act Authorizing, approving and ratifying the amendment of the Northstar Unit oil and gas leases between the State of Alaska and BP Exploration (Alaska) Inc., and providing for an effective date." Senate Bill 318 has been introduced at the request of Governor Knowles in order to seek legislative approval and ratification of negotiations between the Commissioner of the Department of Natural Resources (DNR) and BP Exploration (Alaska), Inc. (BPXA) to amend the competitively bid net profit share terms of certain oil and gas leases (Northstar leases) which were offered in the State of Alaska's Competitive Oil and Gas Lease Sale 30 in December, 1979. I am writing to you because according to DNR's leasing records, you or your company (or its predecessor) participated in the competitive bidding at Sale 30.

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Alaska State Legislature

Official Business

Senate Resources Committee

State Capitol
Juneau AK 99801

April 10, 1996

Mr. Marshall Gile
Amoco
303-830-4900

Dear Mr. Gile:

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Alaska State Legislature

Official Business

Senate Resources Committee

State Capitol
Juneau AK 99801

April 10, 1996

Mr. Robert Sawyer
Murphy Oil Corporation
504-561-2836

Dear Mr. Sawyer:

The Alaska Senate Resources Committee is conducting hearings on Senate Bill 318, a bill for an act entitled "An Act Authorizing, approving and ratifying the amendment of the Northstar Unit oil and gas leases between the State of Alaska and BP Exploration (Alaska) Inc., and providing for an effective date." Senate Bill 318 has been introduced at the request of Governor Knowles in order to seek legislative approval and ratification of negotiations between the Commissioner of the Department of Natural Resources (DNR) and BP Exploration (Alaska), Inc. (BPXA) to amend the competitively bid net profit share terms of certain oil and gas leases (Northstar leases) which were offered in the State of Alaska's Competitive Oil and Gas Lease Sale 30 in December, 1979. I am writing to you because according to DNR's leasing records, you or your company (or its predecessor) participated in the competitive bidding at Sale 30.

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Alaska State Legislature

Senate Resources Committee

Official Business

State Capitol
Juneau AK 99801

April 10, 1996

Mr. E. R. Ramp
Phillips Petroleum Company
713-669-3630

Dear Mr. Ramp:

The Alaska Senate Resources Committee is conducting hearings on Senate Bill 318, a bill for an act entitled "An Act Authorizing, approving and ratifying the amendment of the Northstar Unit oil and gas leases between the State of Alaska and BP Exploration (Alaska) Inc., and providing for an effective date." Senate Bill 318 has been introduced at the request of Governor Knowles in order to seek legislative approval and ratification of negotiations between the Commissioner of the Department of Natural Resources (DNR) and BP Exploration (Alaska), Inc. (BPXA) to amend the competitively bid net profit share terms of certain oil and gas leases (Northstar leases) which were offered in the State of Alaska's Competitive Oil and Gas Lease Sale 30 in December, 1979. I am writing to you because according to DNR's leasing records, you or your company (or its predecessor) participated in the competitive bidding at Sale 30.

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Alaska State Legislature

Official Business

Senate Resources Committee

State Capitol
Juneau AK 99801

April 10, 1996

Mr. Gregg Nady
Shell Oil Company
713-544-4745

Dear Mr. Nady:

The Alaska Senate Resources Committee is conducting hearings on Senate Bill 318, a bill for an act entitled "An Act Authorizing, approving and ratifying the amendment of the Northstar Unit oil and gas leases between the State of Alaska and BP Exploration (Alaska) Inc., and providing for an effective date." Senate Bill 318 has been introduced at the request of Governor Knowles in order to seek legislative approval and ratification of negotiations between the Commissioner of the Department of Natural Resources (DNR) and BP Exploration (Alaska), Inc. (BPXA) to amend the competitively bid net profit share terms of certain oil and gas leases (Northstar leases) which were offered in the State of Alaska's Competitive Oil and Gas Lease Sale 30 in December, 1979. I am writing to you because according to DNR's leasing records, you or your company (or its predecessor) participated in the competitive bidding at Sale 30.

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Alaska State Legislature

Official Business

Senate Resources Committee

State Capitol
Juneau AK 99801

April 10, 1996

Mr. Rick Chamberlain
Chevron USA, Inc.
713-754-2800

Dear Mr. Chamberlain:

The Alaska Senate Resources Committee is conducting hearings on Senate Bill 318, a bill for an act entitled "An Act Authorizing, approving and ratifying the amendment of the Northstar Unit oil and gas leases between the State of Alaska and BP Exploration (Alaska) Inc., and providing for an effective date." Senate Bill 318 has been introduced at the request of Governor Knowles in order to seek legislative approval and ratification of negotiations between the Commissioner of the Department of Natural Resources (DNR) and BP Exploration (Alaska), Inc. (BPXA) to amend the competitively bid net profit share terms of certain oil and gas leases (Northstar leases) which were offered in the State of Alaska's Competitive Oil and Gas Lease Sale 30 in December, 1979. I am writing to you because according to DNR's leasing records, you or your company (or its predecessor) participated in the competitive bidding at Sale 30.

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Alaska State Legislature

Senate Resources Committee

Official Business

State Capitol
Juneau AK 99801

April 10, 1996

Mr. Michael Gooding, c/o Cynthia Pierce
Oxy USA, Inc.
918-561-2892

Dear Mr. Gooding:

The Alaska Senate Resources Committee is conducting hearings on Senate Bill 318, a bill for an act entitled "An Act Authorizing, approving and ratifying the amendment of the Northstar Unit oil and gas leases between the State of Alaska and BP Exploration (Alaska) Inc., and providing for an effective date." Senate Bill 318 has been introduced at the request of Governor Knowles in order to seek legislative approval and ratification of negotiations between the Commissioner of the Department of Natural Resources (DNR) and BP Exploration (Alaska), Inc. (BPXA) to amend the competitively bid net profit share terms of certain oil and gas leases (Northstar leases) which were offered in the State of Alaska's Competitive Oil and Gas Lease Sale 30 in December, 1979. I am writing to you because according to DNR's leasing records, you or your company (or its predecessor) participated in the competitive bidding at Sale 30.

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Alaska State Legislature

Official Business

Senate Resources Committee

State Capitol
Juneau AK 99801

April 10, 1996

Mr. Charlie Howell
Mobile Oil Corporation
214-951-2205 4327

Dear Mr. Howell:

The Alaska Senate Resources Committee is conducting hearings on Senate Bill 318, a bill for an act entitled "An Act Authorizing, approving and ratifying the amendment of the Northstar Unit oil and gas leases between the State of Alaska and BP Exploration (Alaska) Inc., and providing for an effective date." Senate Bill 318 has been introduced at the request of Governor Knowles in order to seek legislative approval and ratification of negotiations between the Commissioner of the Department of Natural Resources (DNR) and BP Exploration (Alaska), Inc. (BPXA) to amend the competitively bid net profit share terms of certain oil and gas leases (Northstar leases) which were offered in the State of Alaska's Competitive Oil and Gas Lease Sale 30 in December, 1979. I am writing to you because according to DNR's leasing records, you or your company (or its predecessor) participated in the competitive bidding at Sale 30.

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Alaska State Legislature

Official Business

Senate Resources Committee

State Capitol
Juneau AK 99801

April 10, 1996

Mr. Stuart Gustafson
Exxon
907-564-3716 3689

Mark Bourdeaux

Dear Mr. Gustafson:

The Alaska Senate Resources Committee is conducting hearings on Senate Bill 318, a bill for an act entitled "An Act Authorizing, approving and ratifying the amendment of the Northstar Unit oil and gas leases between the State of Alaska and BP Exploration (Alaska) Inc., and providing for an effective date." Senate Bill 318 has been introduced at the request of Governor Knowles in order to seek legislative approval and ratification of negotiations between the Commissioner of the Department of Natural Resources (DNR) and BP Exploration (Alaska), Inc. (BPXA) to amend the competitively bid net profit share terms of certain oil and gas leases (Northstar leases) which were offered in the State of Alaska's Competitive Oil and Gas Lease Sale 30 in December, 1979. I am writing to you because according to DNR's leasing records, you or your company (or its predecessor) participated in the competitive bidding at Sale 30.

The Northstar leases were originally awarded to Amerada Hess Corp., Enterprise Oil, Murphy Oil USA, and Shell Oil. These lessees subsequently combined their lease interests to form the state's first joint state/federal unit, the Northstar unit, which is located offshore in the Beaufort Sea approximately six miles north of the Prudhoe Bay Unit. A number of exploration wells were drilled during the initial 10 year term of the unit, and Amerada Hess subsequently sought and received from the Department of Natural Resources a further five year extension of the unit during which it drilled one additional well and conducted engineering studies to determine the feasibility of developing the Northstar reserves which are estimated by DNR and BPXA to be about 130 million barrels of recoverable oil.

Under the provisions of their unit agreement and its extension, Amerada Hess and its partners were required to submit an acceptable updated Plan of Development (POD) to DNR by October 25, 1994 to avoid default of the Unit Agreement. Amerada Hess and its partners elected not to pursue development of the Northstar field, and by letter dated November 3, 1994, DNR notified the companies that the unit was in default. Subsequently, on December 12, 1994 DNR issued a letter amending its November 3, 1994 Notice of Default to provide Amerada Hess and its partners the alternatives of either providing an updated POD within 90 days or voluntarily terminating the Northstar Unit Agreement.

Had the unit terminated under DNR's Notice of Default, the state leases upon which no wells certified as capable of producing in paying quantities had been drilled would have reverted to the state, making them available for re-leasing under competitive terms selected by DNR. Under the provisions of the leases and the department's regulations, the DNR could then have issued notice to the lessees of those leases which contained certified wells to begin production, allowing the lessee a reasonable amount of time to do so.

Following receipt of the Notice of Default, both Amerada Hess and Shell sold their interests in the Northstar Unit (98.08 percent) to BPXA, and by letter dated January 13,

**THE PRECEDING PAGES
WERE TREATED AS A UNIT
IN THE ORIGINAL FILE**

**THE FOLLOWING PAGES
WERE TREATED AS A UNIT
IN THE ORIGINAL FILE**

(S.B. 318 Confidentiality)

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-2867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

APR - 2 1996

MEMORANDUM

April 2, 1996

SUBJECT: Executive sessions of legislative committees (Uniform Rule 22)

TO: Senator Drue Pearce
President of the Senate
Attn: Laura Williams

FROM: Tamara Brandt Cook
Director *TBC*

You have asked whether a legislative committee may consider confidential information in executive session. A committee is authorized to go into executive session for the purposes of considering confidential information under Uniform Rule 22(b)(3). Note that the committee must first convene a public meeting and the motion to go into executive session must be approved by at least a majority of the members present. Note also that a legislator who is not a member of the committee may not be excluded from an executive session.

You have also asked to what extent a legislative committee could consider confidential information at an executive session under the open meetings guidelines as approved by the Senate. The Select Committee on Legislative Ethics adopted Revised Proposed Guidelines on February 13, 1995 under its authority to develop open meetings guidelines (AS 24.60.037). The Senate affirmed those Guidelines except the parts that address go between or serial meetings, meetings not otherwise described, political strategy sessions, and the definition of "nonlegislative organization." (CSSCR 8(RLS)) The portion of the definitions headed "Executive Session" appears to have been approved by the Senate. It does authorize executive sessions for "matters which by law are required to be confidential..." Under the heading "Committee Meetings" the Guidelines state: "EXCEPTION that would allow a meeting to be closed: Executive Session."

TBC:glc
96-198.glc



BP EXPLORATION

BP Exploration (Alaska) Inc.
900 East Benson Boulevard
P.O. Box 196612
Anchorage, Alaska 99519-6612
(907) 561-5111

April 8, 1996

The Honorable Loren Leman, Chair
Senate Resources Committee
Alaska State Legislature
State Capitol
Juneau, AK 99801

Dear Senator Leman:

In response to your letter of April 3, 1996, BP has provided and will provide certain non-confidential and confidential information to the Alaska State Legislature in support of the negotiated agreement between BP and the Department of Natural Resources (DNR). Although a privilege of confidentiality could be asserted for much of the information, BP has willingly provided most of the information in order to facilitate a full and candid discussion of the agreement.

In addition to the substantial amount of information provided to DNR on a non-confidential basis, BP provided certain additional information (see attached list) for which it requested confidentiality pursuant the statutory provisions you noted, namely AS 38.05.035(a)(9)(C) and (D). BP has consented to the disclosure of the following information to legislators on a confidential basis as outlined below :

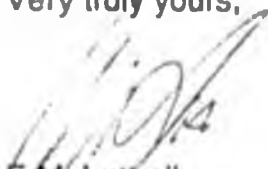
1. Purchase price paid by BP for it's acquisition of Northstar from Amerada Hess. The purchase agreement between BP and Amerada Hess requires confidentiality. However, we have requested permission from Amerada Hess to disclose the purchase to the Alaska State Legislature on a confidential basis in executive session. BP will disclose this information when we have written authorization from Amerada Hess.
2. BPXA's Economic Model. DNR and/or BP will demonstrate BP's confidential economic model, which involves cost data and financial information, in an executive session. Either DNR or BP can run and interrogate the model during the session with various scenarios requested by the legislators. However, we do not plan to leave a copy of the model with the legislature. BP is willing to work individually with any legislator to review the model and answer any questions.
3. BPXA's Approval and Sanction Process (GIAAPS) and BP's Economic Criteria (price forecasts). This is sensitive financial information which we are willing to disclose only to Alaska legislators on a confidential basis, without further disclosure to legislative advisors, consultants or staff members.

April 8, 1996
Page 2

4. BP's NPSL Development (Investment) Account Review. BP has made an internal assessment of the NPSL Development Account which was provided to the DNR on a confidential basis. While we are willing to share that review with the Legislature, it may be more appropriate for you to ask the DNR for their review of the Development Account.

We look forward to working with you and other members of the Senate on the Northstar legislation.

Very truly yours,



E.M. Luttrell
Vice President, Exploration and Development
BP Exploration (Alaska), Inc.

attachment
cc: Shively, Boyd

NORTHSTAR PROJECT
Negotiation of Modified Lease Terms
BPXA Data Transmitted to DNR

<u>Item</u>	<u>Date to DNR</u>	<u>Data for Public Release</u>
1) Northstar Project - Economic Evaluation Supplement to DNR	1/3/96	
A. Agreement for Purchase & Sale of Amerada Northstar Interest	1/11/96	NO
B. BP Preliminary Pre-acquisition Appraisal (GEM #59) See "F" below.	1/3/96	Not relevant
C. Development (Investment) Account Review	1/3/96	NO
D. BP Northstar AFEs	1/3/96	YES
E. BP Expenditures	1/3/96	YES
F. Draft Conceptual Eng. Report and Geology Final report issued in February, 1996	1/3/96	YES
G. Tract Allocation	1/3/96	YES
H. BP Approval and Sanction Process (GIAAPS)	1/9/96	NO
I. BP Economic Criteria (Price forecasts)	1/9/96	NO
J. BP/DNR Economic Model (Excel ss)	1/3/96	NO
K. Partner Economics	Not supplied	
L. Early Assessment of Risks and Reserves	1/3/96	Not relevant
M. Federal Royalty Relief Efforts	No data available	
N. Alaska Expenditures	No data available at the time	
2) Various BP and DNR Proposals on Modified Lease Terms and Draft Agreements	12/95-3/96	Not relevant



Alaska State Legislature

Senate Resources Committee

Official Business

State Capitol
Juneau AK 99801

April 3, 1996

Commissioner John Shively
Department of Natural Resources
via fax: 465-3886

Dear Commissioner Shively:

I anticipate BPXA may ask that part of our review of the economics supporting the negotiated agreement between BPXA and the administration be conducted in executive session. Rule 22(b)(1)-(3) of the Uniform Rules of the Alaska State Legislature provides that:

A legislative body may call an executive session at which members of the general public may be excluded for the following reasons:

- (1) discussion of matters, the immediate knowledge of which would adversely affect the finances of a government unit;
- (2) discussion of subjects that tend to prejudice the reputation and character of a person;
- (3) discussion of a matter that may, by law, be required to be confidential.

Similarly, the Open Meetings Guidelines adopted by the Senate provide parallel provisions and requirements for executive sessions.

Testimony before this committee has established that the Department of Natural Resources is not opposed to public discussion of any of the material supporting its negotiations to amend the net profit share provisions of the Northstar leases.

BPXA, however, may decide to claim the privilege of confidentiality for certain of the information, and may ask that the committee review the information in executive session. Presumably BPXA would base its entitlement to confidentiality on the provisions of AS 38.05.035(a)(9)(C) and (D) which provide:

(a) The director shall....

(9) maintain such records as the commissioner considers necessary, administer oaths and do all things incidental to the authority imposed; the following records and files shall be kept confidential upon request of the person supplying the information:

(C) all geological, geophysical and engineering data supplied, whether or not concerned with the extraction or development of natural resources;

(D) except as provided in AS 38.05.036, cost data and financial information submitted in support of applications, bonds, leases and similar items;

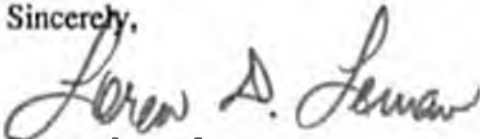
You, Governor Knowles, and BPXA President John Morgan have all said that you support full and candid discussion of the negotiations and the policy implications behind the legislature's decision of whether or not to ratify the agreement. To assure that the review is public, yet thorough, only that information which must be kept confidential by law will be treated as confidential.

Accordingly, before the committee votes to go into executive session, BPXA's representative should confirm that BPXA is indeed requesting confidentiality, and ~~re~~state the statutory basis for the request.

DNR's representative should be prepared to certify that the information to be discussed is entitled to confidentiality under the department's statutes and regulations.

Thank you for your participation in these hearings.

Sincerely,

A handwritten signature in cursive script that reads "Loren A. Leman". The signature is written in dark ink and is positioned above the printed name and title.

Senator Loren Leman
Chairman



Alaska State Legislature

Senate Resources Committee

Official Business

State Capitol
Juneau AK 99801

April 3, 1996

Mr. John Morgan
BP Exploration (ALASKA) Inc.
via fax: 564-5900

Dear Mr. Morgan:

Your testimony suggested that you may ask that part of our review of the economics supporting the negotiated agreement between BPXA and the administration be conducted in executive session. Rule 22(b)(1)-(3) of the Uniform Rules of the Alaska State Legislature provides that:

A legislative body may call an executive session at which members of the general public may be excluded for the following reasons:

- (1) discussion of matters, the immediate knowledge of which would adversely affect the finances of a government unit;
- (2) discussion of subjects that tend to prejudice the reputation and character of a person;
- (3) discussion of a matter that may, by law, be required to be confidential.

Similarly, the Open Meetings Guidelines adopted by the Senate provide parallel provisions and requirements for executive sessions.

Testimony before this committee has established that the Department of Natural Resources is not opposed to public discussion of any of the material supporting its negotiations to amend the net profit share provisions of the Northstar leases.

If you claim the privilege of confidentiality for certain information, I presume you will base your entitlement to confidentiality on the provisions of AS 38.05.035(a)(9)(C) and (D), which provide:

(a) The director shall...

(9) maintain such records as the commissioner considers necessary, administer oaths and do all things incidental to the authority imposed; the following records and files shall be kept confidential upon request of the person supplying the information:

(C) all geological, geophysical and engineering data supplied, whether or not concerned with the extraction or development of natural resources;

(D) except as provided in AS 38.05.036, cost data and financial information submitted in support of applications, bonds, leases and similar items;

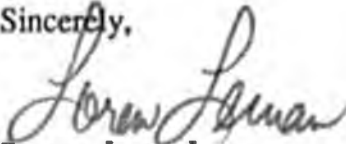
You, Governor Knowles, and Commissioner Shively have all said that you support full and candid discussion of the negotiations and the policy implications behind the legislature's decision of whether or not to ratify the agreement. To assure that the review is public, yet thorough, only that information which must be kept confidential by law will be treated as confidential.

Accordingly, before the committee votes to go into executive session, your representative should confirm that BPXA is indeed requesting confidentiality, and ~~to~~ state the statutory basis for the request.

I will ask DNR's representative to certify that the information to be discussed is entitled to confidentiality under the department's statutes and regulations.

Thank you for your participation in these hearings.

Sincerely,

A handwritten signature in cursive script, appearing to read "Loren Leman".

Senator Loren Leman
Chairman

CONFIDENTIALITY AGREEMENT

I, _____, being first duly sworn, agree and stipulate as follows:

1. I acknowledge that I have read and understand the following paragraphs and that I will be subject to any penalties by law for breach of this trust:

a) In accordance with AS 38.05.035(a)(9)(A)-(F) BP Exploration (Alaska) Inc. supplied certain information pertaining to Northstar Unit leases to the Department of Natural Resources which it designated as confidential. The Department of Natural Resources has properly agreed to keep the information confidential.

b) Unless disclosure is made by sworn testimony or other evidence in a legal proceeding in conformity with a court order, it would constitute a misuse of confidential information punishable as a class A misdemeanor under Alaska Statute AS 11.56.860 for a public servant having this information which is obtained during the performance of duties on behalf of the State of Alaska to discuss with anyone not having a need and legal right to know, or reveal in any manner, the text or terms of such information.

2. I understand that in the course of my duties I will or may be exposed to certain information entitled to confidential treatment. I will not discuss any such information, or in any manner transmit or cause to be transmitted either the text or terms of any such information other than to persons who have also signed copies of this confidentiality agreement, and

3. To the extent that I may be involved in the handling or storage of any such information, I will handle and sort such information in a manner calculated to prevent its exposure to any person who has not signed a copy of this confidentiality agreement.

DATED this ____ day of _____, 1996

Name

APPEARED before me this ____ day of _____, 1996

Witness

**THE PRECEDING PAGES
WERE TREATED AS A UNIT
IN THE ORIGINAL FILE**

**THE FOLLOWING PAGES
WERE TREATED AS A UNIT
IN THE ORIGINAL FILE**

(S.B. 318 NorthStar Written Testimony)

Title: **SB 318: Northstar**

Page: 1

Type: **Appointment**

Category: **Personal**

Priority:

When: **Thu, Apr 11, 1996 From 6:00 PM To 8:00 PM**

No Contact Information available.

- 1) Finish questions to Dept. of Law pending from 3/29 and 3/30 hearings: Bruce Botelho/Jim Baldwin
- 2) DNR & BP present economic model of agreement including discussion of historical performance of West Coast spot prices and producers' price index
- 3) Explanation by DNR of the net profit accounting system, allowable deductions and how the state's net profit revenues are calculated

Title: **SB 318: Northstar**

Page: 1

Type: **Appointment**

Category: **Personal**

Priority:

When: **Wed, Apr 3, 1996 From 7:00 PM To 9:00 PM**

No Contact Information available.

- 1) BP to present Northstar development plan and schedules
- 2) Questions on development plan and on materials BP was to have provided the committee with by 5:00 p.m. Monday April 1.
- 3) Follow-up questions from 3/29 and 3/30 hearings

Title: RESOURCES immediately following SESSION

Page: 1

Type: Appointment

Category: Appointments

Priority:

When: Sat, Apr 13 1996 From 2:00 PM To 5:00 PM

No Contact Information available.

- 1) Continue DNR/BP economic modeling from 4/11, if necessary
- 2) Review proposed agreement, including enforceability provisions
- 3) Begin Public Testimony

SB318

Attention-Northstar Public Opinion Message Senders

UPDATE TO: Vendors, Suppliers, and Other Alaskan businesses
SUBJECT: Public Opinion Messages to Legislators-Northstar Project

This grass roots effort is what Alaska and Alaskans are all about! BP recently sent a letter requesting legislative help, so lets do it, OUR WAY

All the people who sent public opinion messages to Juneau overwhelmed the legislators. The number of public opinion messages received by them broke every previous record. Our legislators are energized by YOU, the sleeping majority that has awakened, and **YOUR MESSAGES ARE CLEAR!**

The legislators were glad to hear the people supported their intuition that if BP is going to make promises on the Northstar project, they should be put down in writing. The question is "WHY NOT?" Hey, in today's day and age a deal is a deal, so lets get it in writing. **THE LEGISLATORS ARE SAYING AND DOING WHAT EVERYONE ELSE OUT THERE IN THE COMMUNITY IS THINKING!**

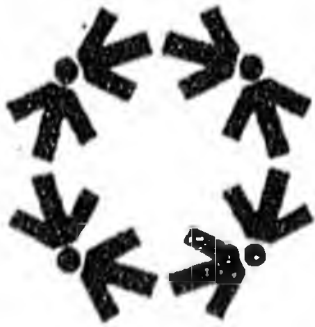
BP Exploration has an exceptional deal which yields a 21% return on investment. Good, we applaud them. Why wouldn't they do the deal if their promises are put in writing? There shouldn't be any reason at all, because there aren't many 21% ROI deals out there.

The legislators are under a lot of heat and need personal encouragement to continue their work to keep language in the Northstar bill which encourages purchasing goods, products, and supplies from local Alaskan vendors and businesses. That is fair request for Alaska, its citizens, and the state. Any Alaskan worth their beans would support that.

If you live in the districts of any of the following legislators, please call them.

- | | | |
|----------------------------|------------------------|-------------------------|
| 1. Al Adams-465-3707 | Dave Donnelly-465-3892 | Jim Duncan-465-4766 |
| 2. Johnny Ellis-465-3704 | Steve Frank-465-3709 | Lyda Green-465-6600 |
| 3. Rick Halford-465-4958 | Tim Kelly-465-3822 | Drue Pearce-465-4993 |
| 4. Randy Phillips-465-4949 | Steve Rieger-465-3879 | Judy Salo-465-4940 |
| 5. Bert Sharp-465-3004 | Robin Taylor-465-3873 | John Torgerson-465-2828 |

Lets hope management of BP Exploration, from the President to their head of procurement, will give their immediate unequivocal public support and commitment to buying their goods, products, and supplies from local Alaska businesses in principle and in practice. Doing this would create a WIN-WIN situation for BP Exploration, the state, and local businesses.



AKPIRG

ALASKA PUBLIC INTEREST RESEARCH GROUP

Post Office Box 101093 / Anchorage, Alaska 99510-1093

(907) 278-3661 FAX (907) 278-9300

SB318

State Senator Loren Leman
State Capitol
Juneau, Alaska 99801

April 26, 1996

Dear Senator Leman:

Thank you for your letter on the Northstar agreement. In my letter to the Anchorage Daily News, I urged readers to review the findings of fact within the committee substitute for SB318 made available to me on April 19th. Those findings of fact detail the outrageous behavior of BP Exploration. I urged Alaskans to review that summary and determine for themselves the appropriate response to an oil company that enters into agreements it does not intend to honor when Alaska's resources are concerned.

Although you dispute my interpretation of the committee response when it received BP's letter, you now tell me that the findings of fact were removed from the draft legislation and separately published as a stand-alone committee record.

I trust that requests for the legislation will be met with both the legislation and a copy of the findings of fact in its new form so that Alaskans can draw their own conclusions. Otherwise the investigative report will be effectively shredded.

As to whether or not the committee bill or the Governor's deal with BP is superior, my view is that BP is now testing Alaska's resolve and our government's stewardship of our natural resources. Capitulation to BP's threats and its elaborate attempt in the media to gloss over its outrageous behavior will break faith with those who fought for Alaska's statehood.

E.L. Bartlett warned the delegates at Alaska's Constitutional Convention about strategies Alaska would confront from resource extractors.

He said

"(O)utside interests, determined to stifle any development in Alaska which might compete with their activities elsewhere will attempt to acquire great areas of Alaska's public lands in order NOT to develop them until such time as, in their omnipotence and the pursuance of their own interests, they see fit. If large areas of Alaska's patrimony are turned over to such corporations, the people of Alaska may be even more losers than if the lands had been exploited." (Bartlett quoted in Fischer, Alaska's Constitutional Convention, p131).

Is this not the threat implicit in BP's blackmail of Alaska's government?

I am waiting to see whether our elected representatives will stand up to BP and fulfill their inherited duty to our state. So are many others.

Warmest regards,

Stephen Conn
Executive Director

A handwritten signature in dark ink, appearing to read 'Stephen Conn', is written over the typed name and title. The signature is fluid and cursive.



MUNICIPALITY OF ANCHORAGE

MEMORANDUM

DATE: April 26, 1996

TO: Anchorage Legislative Caucus

FROM: Tim Rogers, Legislative Program Coordinator *Tim Rogers*

SUBJECT: Northstar Project

Attached is a copy of Assembly Resolution 96-110 and Assembly Memorandum 424-96 in support of the Northstar Project.

The resolution was passed unanimously by the Anchorage Assembly on April 23.



MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

No. AM 424-96


Meeting Date: April 23, 1986

1 FROM: MAYOR
 2
 3 SUBJECT: Support of BP Exploration's Northstar Project
 4
 5

6 The subject of the Northstar project is currently being debated in Juneau. This project has
 7 potential for substantial benefits for Anchorage in terms of new jobs created and additional
 8 business opportunities.
 9

10 The Administration requests support for the enclosed resolution in urging the State Legislature to
 11 resolve any existing differences which may be present so that the project may be realized in a
 12 manner that will create economic benefits for Anchorage and Alaska.
 13

14 Respectfully submitted,

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 18 Rick Mystrom
 19 Mayor
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CLERK'S OFFICE

APPROVED

Date 4-23-96

Submitted by: Chairman of the Assembly
at the request of the Mayor

Prepared by: Office of the Mayor

For reading: April 23, 1996

ANCHORAGE, ALASKA

AR NO. 96-110

A RESOLUTION OF THE MUNICIPALITY OF ANCHORAGE IN SUPPORT OF BP EXPLORATION'S NORTHSTAR PROJECT

WHEREAS, development of the Northstar oil field would create substantial economic benefits for Anchorage; and

WHEREAS, BP Exploration has committed to maximize local hire and estimates that local spending will create a significant number of new jobs for Anchorage residents, and significant new business opportunities for Anchorage based businesses; and

WHEREAS, the fabrication of production modules in Anchorage would result in expansion of Anchorage's industrial capacity and its port facilities, thereby helping Anchorage compete more effectively for future projects, both in Alaska and throughout the Pacific Rim; and

WHEREAS, according to BP estimates the project would generate about \$1 billion in economic activity in Alaska over its projected 15-year lifetime, with about \$500 million going directly to the State of Alaska; and

WHEREAS, development of this project would help to extend the economic life of Alaska's North Slope oil production and transportation system; and

NOW, THEREFORE, the Anchorage Assembly resolves:

Section 1. The Anchorage Municipal Assembly endorses the Northstar Project in principle and encourages the Alaska State Legislature to work toward a speedy conclusion of current negotiations that will result in long-term benefits to Anchorage and the State of Alaska.

PASSED AND APPROVED by the Assembly this ____ day of _____ 1996.

Chairman

Attest:

Municipal Clerk



APR 26 1996

April 22, 1996

Honorable Loren Leman
Chairman,
Senate Resources Committee
State Capital
Juneau, Alaska 99801-1187

VIA Fax: 907-465-3810

Dear Senator Leman:

Arctic Slope Regional Corporation (ASRC) owns several subsidiaries directly involved in the development of Alaska's oil resources. ASRC subsidiaries now rank as some of the largest multi-disciplined construction companies on the West Coast. They serve a diverse array of clients, including the oil and gas industry, government, mining, petroleum refineries and other private industries.

The economic health of Alaska's oil industry is very important to ASRC's overall well-being. That's why I'm writing you today about SB 318 - and to encourage you to give it speedy approval.

The agreement negotiated between the state and BP Exploration is a good deal for the state. One that maximizes the state's return, nurtures an exciting new business in Alaska and comes as close as the courts will allow to guarantee new jobs for Alaskans. It is also an agreement that requires all of us - BP, the state, and contractors - to partner together for the mutual benefit of all.

BP is willing to pay a multi-million-dollar premium to help us develop the expertise and infrastructure we need to build the much larger production modules Northstar will require. But the window of opportunity to develop the capabilities we need to build these large production modules is limited. Either we move now, or a non-Alaskan company will likely take over the market. Our subsidiary, Alaska Petroleum Contractors, has already made the large capital investment we need to turn a part-time fabrication business into full-time jobs for Alaskans. And we have a commitment from BP on Northstar that goes far beyond what any other oil company has offered to date.

We are, therefore, fully committed to Northstar's development and we believe BP is equally committed to honoring the terms of the agreement negotiated with the state. On behalf of Arctic Slope Regional Corporation, I strongly urge you to support SB 318 as it was introduced and to pass it from your committee.

Thank you.

Sincerely,

ARCTIC SLOPE REGIONAL CORPORATION

Jacob Adams
Jacob Adams, President



April 24, 1996

An Open Letter to Mr. John C. Morgan, President BP Exploration (Alaska) Inc.

Thank you for sending me letters and brochures about BP's Northstar development. I agree with you Alaska is in a new era of oil development. This new era is causing the industry, the state and others to re-examine the business of oil development in Alaska's unique conditions. As one of the brochures points out Alaska is 39% of BP's world oil production. I believe BP is approximately 40% of Alaska's oil production. It is obvious we need each other.

I, like you, am glad the period of acrimonious attitudes between the state and the oil industry is becoming a thing of the past. As you know attitudes can shift every two or four years with elections. I have also come to notice attitudes shift with changes in the leaders of companies.

As part of the North Slope Alliancing programs and BP's efforts "to maintain an open dialogue with Alaskans" it would be good if all parties could get beyond the short term desire (like lowering the royalties on a specific oil field) and focus more on the long-term vision of our relationship. Like any relationship we each carry some history with us, or to use an American slang, we have to live with each others baggage, as well as our own.

The Dutch are using covenants between industry and government to create innovative partnerships. These agreements are being touted in some disciplines as a way to improve relationships and reduce costs. As part of our new era would the industry be willing to enter into a covenant with the people of Alaska for the development of the state's resources? These covenants could be put to a vote of the people to approve our long term relationship.

These covenants could include the new international standards on environmental management, ISO 14000. These standards are similar to the British Standard 7750 which I am sure BP staff are familiar with. The ISO 14000 standards are rapidly becoming the benchmark for leading corporate environmental programs.

In these days of partnering many streamlining steps are developed by employees. One approach used by a growing number of businesses is Open-Book Management. Open-book management is a way of running a company that gets everyone focused on helping the business make money. Simply put, employees who understand how the company makes money and how they contribute to the bottom line can then act to do so. I suggest you read the book *Open-Book Management: The Coming Business Revolution* by John Case. BP might explore using this approach to bring Alaskans and your company together so we both benefit from development of smaller fields.

One idea is to use one of the newly developing fields, such as Northstar, as a test case of open book management. As part of the "Alaska Energy Infobank" set up a Web page so all Alaskans, all the owners of the oil, can work with BP. Ideally, if BP makes money on Alaskan oil, so too will Alaskans make money on it being developed.

I know these ideas sound far fetched. As one of the brochures points out, "BP is going where no one has gone before." For BP's continued success in Alaska all of us need to go where no one has gone before. One of the ways to improve our dialogue is to get together and talk without a specific agenda, like lowering royalty shares. John Case's book provides several examples of how open-book management improves companies profit margin. This idea might help BP get the 2% more profit to make Alaska production as profitable as other parts of the world.

I agree with you that Alaskans need to get our fiscal house in order and close the "fiscal gap." Historically Alaskans have shown some financial wisdom, the Permanent Fund — our Prudhoe Bay — is one of the best run pools of wealth in the world. Though we can not rest on our laurels. This where I do not understand the wisdom of reducing Alaska's royalty shares so we decrease the money flowing into the treasury. Can't we work together so both your profit stays in the 40% range and Alaska still receives revenue?

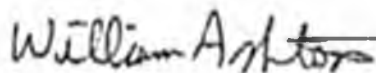
I suggest we work together though means other than advertising and direct mail to improve the relationship between the oil industry and the people of Alaska. In summary lets:

1. Develop a vision for oil development in Alaska,
2. Use innovative ideas such as covenants, ISO 14000, and open-book management, and
3. Work together to go where no oil producing province has gone before.

BP has shown time and time again it meets the challenges of oil development in Alaska. I also believe Alaskans continue to meet the challenges of oil development. This is another opportunity.

I appreciate receiving your letters and information from time to time. If you have any questions please give me a call at 345-6600.

Sincerely,



William Ashton
200 W 34th Ave., #1120
Anchorage, AK 99503

APR 29 1996

April 26, 1996

Senator Loren Leman
Alaska State Legislature
State Capitol (MS 3100)
Juneau, AK 99801-1182

SUBJECT: SB 318 - NORTHSTAR LEASE

Dear Senator Leaman:

Please support the Northstar bill. Alaskan jobs is a very important issue to me. The legislation would provide over 500 construction jobs and 50 permanent jobs for Alaskans. My brother works for Alaska Interstate Construction in the heavy construction business. With the development and production of the Northstar field, he could work throughout the winter, instead of being laid off and collecting unemployment.

With Alaska's budget deficit, the state needs more oil revenues such as Northstar to fill our budget gap. Without an alteration to the existing lease, the oil prospect would probably never be developed. With the passage of SB 318, the state and Alaskans will gain the immediate benefits of additional revenues.

Again please support the Northstar bill.

Sincerely,

Candace Beery
1018 P Street
Anchorage, AK
99501

APR 19 1996

April 16, 1996

Dear Senator Leman:

I'm very disappointed not to have heard from you regarding my concerns about BP's request for royalty and tax relief on their proposed Northstar development. I must remind you that the oil BP is proposing to develop belongs to the CITIZENS of the State of Alaska. Any deals or concessions must be for the long-term benefit of our State.

To show you where BP is putting some of its money, please read the enclosed news release. There is a service available through BP that provides current events affecting the oil production, chemical, and refining industries. As you can see, BP's CEOs both present and past, are receiving very handsome bonuses. The attached article is receiving wide circulation on the Slope at present.

We along with the present contract employees, are very concerned about BP's current and proposed job cuts in its Prudhoe Bay unit. These cuts will more than offset any gains by BP's proposed added jobs at Northstar. Their press release and other public statements contains too many "weasel clauses".

They haven't shown to my satisfaction their commitment to build, hire, or buy Alaskan goods and services. Fairmont has, since my last letter to you, even transferred their buyers to Utah. It's obvious to me, and should be to you, that you don't move your buyers to Utah if you intend to buy Alaskan good.

Again, I wish BP success, but Alaska still provides almost half their world oil production, and I see no need to "GIVE AWAY THE FARM."

BP has figuratively "spit" on OUR written contract, so I'm very apprehensive about any "gentlemen's agreements" between Alaska and BP.

I've been told by a few of your colleagues that the State has no business telling BP how to manage its affairs. However, they are the ones approaching US, wanting to re negotiate something they previously agreed to.

Also, they provide us with "Gap Rap" information regarding the State budget, and the need to cut it.

Please "jawbone" BP into dealing openly and honestly with its employees and partners, the State of Alaska, and its citizens.

Sincerely,
William F. Bocast

William F. Bocast

PO Box 520626
Big Lake, AK 99652

FROM: Daily Mirror 03/19

BP bosses strike gold

The top brass at oil giant BP have struck black gold.

The company yesterday revealed 109 senior managers will be given more than six million shares.

The hand-out - worth nearly £34 million last night - is for helping profits gush in over the past five years.

But they could be worth even more by the time they get them in five years.

Shares allocated to seven directors under the scheme were worth £8.5 million last night.

New chief executive John Browne is the biggest winner with a £1.75 million windfall. \$ 2,800,000

FROM: Financial Times 03/19

Former Chairman Gains from BP's £10.5m Shares Pay-Out

Nine present and former directors of British Petroleum are to share in an award of £10.5m of shares under the company's long-term performance plan.

They include Mr. Robert Horton, the former chairman ousted in a boardroom coup in 1992, a year after the plan was initiated. Mr. Horton, now chairman of Railtrack, will get shares worth £227,000 at yesterday's price. \$363,200

According to the company's annual report released yesterday, Mr. Horton "was able to initiate certain changes ... which have benefited the performance of the company." BP said these changes included reorganisation of the company's headquarters in 1990 which had boosted efficiency.

Other former executives who qualified for the award were Mr. Hugh Norton, managing director until last year, who gets £1.78m, and Sir David Simon, now chairman, who received £880,000 worth of shares. The largest recipients among current directors are Mr. John Browne, chief executive, who gets shares worth £1.73m, Mr. Steve Aheame, finance director (£1.66m), Mr. Bryan Sanderson, head of chemicals (£1.65m) and Mr. Russel Seal, head of human resources (£1.17m).

Other former executives who qualified were Mr. Hugh Norton, managing director until last year, who gets £1.75m, and Sir David Simon, now chairman, who receives shares worth £860,000.

The largest recipients among current directors are Mr. John Browne, chief executive, who gets shares worth £1.7m, Mr. Steve Aheame, the finance director (£1.6m), Mr. Bryan Sanderson, head of chemicals (£1.6m) and Mr. Russell Seal, head of human resources (£1.1m).

The long term performance plan was introduced in 1991 to replace share options.

Shares are awarded after five years based on BP's returns compared with other leading oil groups. Mr. Peter Sutherland, chairman of the remuneration committee, said BP had outperformed the stock market over the period, producing a return of 15 per cent a year. Earnings had increased by 87 per cent, and return on capital went up from 9 to 14 per cent. The awards were based on a 60 per cent achievement of the targets laid down in 1991.

Newsweek

February 26, 1996 \$2.95

CORPORATE



Robert B. Palmer, Digital
Cut 20,000 jobs



Albert J. Dunlap, Scott
Cut 11,000 jobs



Robert E. Allen, AT&T
Cut 40,000 jobs



Louis V. Gerstner Jr., IBM
Cut 60,000 jobs

KILLERS

Wall Street Loves Layoffs.
But the Public Is Scared
as Hell. Is There a Better
Way? BY ALLAN SLOAN

STANDARD DUAL AIR BAGS* FOLDS TO FORM A

RENGTH AFTE

can no longer count on staying with the likes of IBM forever. But nothing has taken the place of the benevolent Big Daddy employer, and that scares the pants off us. You can practically smell the fear and anger in white-collar America, because no one in CEO-land seems to care. Where will I find another job if I get downsized? Stop whining, unemployment statistics have barely budged despite huge white-collar firings. Will my boss ruin my life to make another cent of profit on her stock options? Cheer up, you're serving the greater good by being blown away by what economist Joseph Schumpeter christened "the gale of creative destruction." Except for oddballs like the chief economist at Morgan Stanley (who has warned for years that there would be a backlash) and the president of United Technologies (who recently unveiled a nifty program to help UT workers re-educate themselves for their next jobs), Wall Street and Big Business have been in perfect harmony about how in-your-face capitalism is making America great.

Wits at AT&T Corp. quip that chairman Robert Allen will soon fire everyone but himself, and AT&T will stand for Allen & Two Temps

WELL, NOW IT MAY BE BACKLASH TIME. SUDDENLY, white-collar woes are a hot issue in the 1996 presidential campaign. Al Dunlap of Scott Paper, the loudest spokesman for corporate hardball (page 48), duked it out with Labor Secretary Robert Reich on "Nightline." Bob Dole is making antibusiness noises. And Big Media from The New York Times to The Wall Street Journal attribute Pat Buchanan's strong showing in the Iowa caucuses to his attacks on business.

We're not going to argue about whether today's mass firings make economic sense. Companies like IBM and Sears and GM had to downsize or die. Other cuts—like some of those at Scott Paper—

are debatable, though Dunlap doesn't agree. Nor is it easy to get a handle on how many firings there actually are. Layoff numbers from the Chicago outplacement firm of Challenger, Gray & Christmas, an oft-cited source, are full of holes, as the firm readily admits. They include only publicly announced cuts. I'm not sure what federal job-cut numbers actually measure, and you can argue endlessly about how to interpret figures about workers' salaries and output. What really matters is that although unemployment is relatively low and the economy is still cranking out new jobs, millions of Americans believe they're being screwed by corporate America and Wall Street.

It's unfair to blame every job cut in America on Big Business and Wall Street. The world is changing, and no matter how big and rich a company is, it has to adapt or die. (Even NEWSWEEK hasn't been immune to job-cutting.) But Wall Street and Big Business have made a bad problem worse by being greedheads. Instead of keeping payrolls lean and helping employees to prepare for their next careers, lots of CEOs have messed up big time. They let their payrolls get bloated. Then to recoup, they offer up employees as human sacrifices to Mammon, god of Wall Street, hoping to get their stock price up. When the price rises, it's like Wall Street spitting on the victims' bodies. And the CEO gets a raise. How many CEOs of big, downsizing companies sacrificed some of their pay and perks to encourage a sense of community? Did they apologize publicly to the people they fired? Did they take any personal responsibility for mistakes that helped cause the problems they're solving with layoffs? No way, that's not macho.

Of course, no matter how sensitive or smart a CEO may be, there are tides that you just can't swim against. Take banking. Thanks to money-market mutual funds, national banking, teller machines and spiffy computers, many banks, bank branches and thousands of

Louis Gerstner
CEO
IBM
Salary: \$2,625,000
July 1993:
60,000 layoffs



Ronald Allen
CEO
Delta Air Lines
Salary: \$475,000
April 1994:
15,000 layoffs

John McDonnell II
Chairman, Former CEO
McDonnell Douglas
Salary: \$577,791
July 1990:
17,000 layoffs



Robert Stempel
Former CEO
General Motors
Salary: \$1,000,000
December 1991:
74,000 layoffs

Edward Brennan
Former CEO
Sears, Roebuck & Co.
Salary: \$3,075,000
January 1993:
53,000 layoffs



Robert Palmer
CEO
Digital Equipment
Salary: \$900,016
May 1994:
20,000 layoffs



bank jobs will vanish in the next few years. Electric utilities used to be great lifetime employers, too. They were regulated monopolies allowed to pass costs on to their customers. But regulators have started to let companies invade each other's turf. The result: utilities have started to combine, and will soon be zapping workers to get costs down. Ditto for local phone companies, thanks to the recent Telecommunications Act.

their survival was at stake. And the chairmen of GM and Sears were forced to walk the plank.

Today's layoffs are different. The symbol: AT&T. When AT&T, formerly the kindly Ma Bell, announced in January that it would fire 40,000 people as part of its breakup into three companies, the stock market went nuts. AT&T shares roared upward. Bob Allen, who I think wants to do the right thing, symbolized the clueless CEO when he talked to NEWSWEEK last month. He said he felt bad about firing people but saw no point in giving up some of his pay or perks as a shared sacrifice with the workers. And, he said, he saw no reason to apologize: "I wouldn't see any value of going on TV and crying." Allen, who had been ridiculed on Wall Street for AT&T's disastrous \$7.5 billion hostile takeover of computer maker NCR in 1991, made more than \$5 million when the value of his stock and options soared after the layoffs were announced. (He declined to talk last week.)

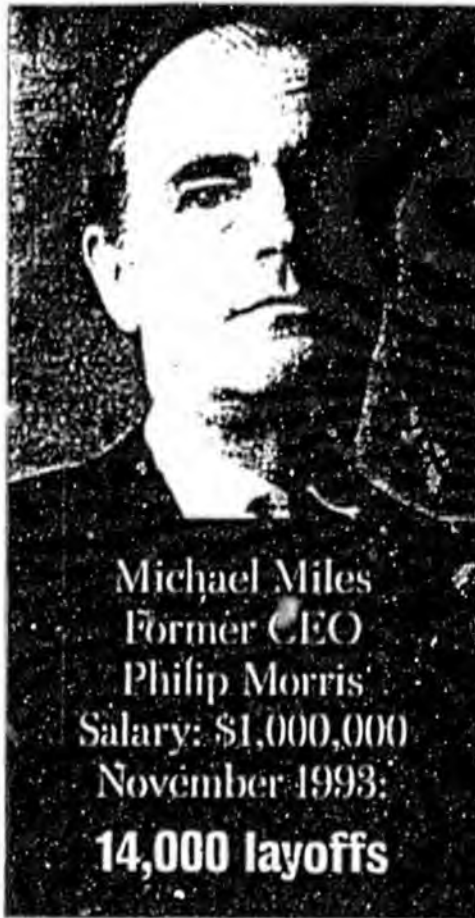
LOOK, YOU CAN'T STOP ADVANCES IN COMPUTERS AND communications and transportation. They're making national markets into global markets. Foreign companies whose names you can't even pronounce can take away your customers and kill you. Mistakes show up quickly. Product cycles are shorter than ever. Look at how IBM and Digital Equipment, once the world's two biggest computer makers, seemed to add the word troubled to their names almost overnight. (They both seem to be recovering.) A marvelous company like Motorola can have its stock smashed to smithereens, if its profits come in a hair or two below expectations. Indeed, one reason that chief executives are meaner and greedier than they used to be is the 1950s: no company was safe from raiders if its stock price was depressed. If you didn't unload your losers and fire "surplus" workers, a takeover troll would buy your company and fire everybody.

For another classic example of how CEOs seem to have forgotten how to deal with people, consider the recent combination of two giant New York City banks, Chase Manhattan and Chemical. Chase was pressured by Michael Price of the Mutual Series funds (whose stockholders include me) to get its stock price up and sold out to Chemical. The attraction to Chemical: the Chase name, which it's keeping, and its ability to cut 12,000 jobs from the combined banks. Those jobs would have probably vanished even without a takeover, but in a slower, more controlled way. Thousands of little people were fired to save money, while the new Chase kept all 36 outside directors, who get fat fees and dandy retirement packages.

Yet while layoffs have traditionally been part of blue-collar life, the '90s is the first time white-collar workers have been slaughtered en masse. That helps account for the uproar. After all, agenda setters like politicians and we media-elite types live in a white-collar universe. Anyway, you could see why GM was firing 74,000 workers in 1991 or Sears was firing 50,000 two years later. Both companies were in desperate trouble, and

The world is changing, and no matter how rich a company is, it has to adapt or die. But Wall St. and Big Business have made it worse by being greedheads.

And here's another company with no clue as to how things look to the outside world: troubled Apple Computer. Apple recently installed Gil-



Michael Miles
Former CEO
Philip Morris
Salary: \$1,000,000
November 1993:
14,000 layoffs



Frank Shrontz
CEO
Boeing
Salary: \$1,420,935
February 1993:
28,000 layoffs



William Ferguson
Former CEO
Nynex
Salary: \$800,000
January 1994:
16,800 layoffs

bert Amelio as CEO. A company firing workers and eliminating its dividend to conserve cash is paying Amelio \$2.5 million a year of salary and bonus. At a minimum. Hello? For heaven's sake, Amelio was already on Apple's board; that makes him at least partly responsible for Apple's problems. How can you lay megabucks on him while paring workers to conserve cash? Only if you don't care about what anybody thinks. Consider Amelio's answer last week when NEWSWEEK asked him to justify his pay package: "It's a market-determined figure." Contrast that to Lee Iacocca's taking the helm of Chrysler for a dollar a year in 1973. Iacocca, who got fat stock options in addition to his dollar, has been no prize in recent years, as greed and ego overwhelmed his good sense. But he was an inspiration when Chrysler was croaking, and it really mattered.

Rather than fire workers to save a few bucks, Scherer Brothers Lumber stopped buying sports tickets and fresh flowers for receptionists' desks.

conglomerate that has cut 33,000 jobs since 1980. Last December, UT unveiled a new, expensive plan to help workers get re-educated. President George David says the United States can't stop production jobs from migrating overseas, so companies should help people upgrade their education before it's too late. "We load education into our first 21 years of life, and then think that we can leave the classroom essentially forever," he said. UT now gives employees time off to attend classes, pays for tuition and books, and will give employees who complete their studies 50 shares of UT stock, currently worth about \$5,200. You can go to nursing school or get a degree in creative writing, none of which has anything to do with UT's businesses. David hopes that 20 per-

IACOCCA'S GREAT GESTURE WAS LONG AGO AND FAR AWAY. Now let's look at the behavior that convinced Stephen Roach, the chief economist at Morgan Stanley, that business is carving itself a disproportionate piece of a pie that's supposed to be shared with workers. Roach is hardly anti-business—he loved downsizing in the early 1990s. Yet a few years ago he realized something was wrong: workers' output was rising, but their incomes weren't keeping pace. "This isn't the way economics is supposed to work," he says. "It contradicted everything I was taught to believe." When he warned companies to do something before a political backlash struck, they giggled on Wall Street. I don't think they're giggling now.

There are no surefire solutions to these problems. But some companies are enlightened enough to know that helping their workers also helps them. Take United Technologies, a hard-boiled

percent of his employees will use the plan. That would gradually increase the company's outlay to about \$50 million a year from the current \$11 million. "We're not sothearted," said David, whose face turned red when I suggested he sympathized with downsized workers. "It's in our interest to have an educated work force."

Then there is John Grundhofer, chairman of First Bank System of Minneapolis, which recently collected a \$200 million fee for abandoning its proposed takeover of First Interstate Bank. With no fanfare, Grundhofer—who fired 2,000 employees when he joined the bank six years ago—recently gave each employee a \$750 bonus, about \$11 million in all. He wanted to show his appreciation to employees for having created a bank strong enough to bid for a company bigger than itself.

For decency, it's hard to top Malden Mills, which became famous last year when it kept 1,400 workers on the payroll after its plant in Lawrence, Mass., burned down. "What right do I have to destroy a major city just to get a few more dollars in the bank that I won't spend before I die?" said mill owner Aaron Feuerstein.

"The money would only go to my children and spoil them."

Or take a company almost no one's ever heard of: Scherer Brothers Lumber Co., a building-supply company in suburban Minneapolis. President Mike Scherer said that officers don't draw bonuses until the company has given a 15 percent profit-sharing contribution to every eligible employee. And rather than firing workers to save a few bucks, the company eliminated fresh flowers for receptionists' desks, cut the top officers' pay temporarily by 25 percent and stopped buying professional sports tickets. "When you buy professional tickets, you're subsidizing people making tons more than I am, and they're still not happy," he says. "I'm not going to lay off our employees to subsidize them."

There is no magic bullet that will make the problem go away. Even eliminating short-term thinking isn't the answer. Proof: German and Japanese companies specialize in long-term thinking, and

they're more messed up than we are. The federal government can't save us. Can you see the Feds drawing up rules to define a good-jobs company in order to give it tax breaks? And we can't go back to the days of the 1950s and '60s, when big companies offered lifetime employment. Any company that tries that these days will be like an elephant in a piranha pond.

You solve this problem one company at a time, with innovative programs like United Technologies', decent behavior like Feuerstein's and Scherer's, intelligent and relatively cheap gestures like Grundhofer's. Let business act as if it cares about employees. Who knows? Business may even rediscover what many executives once knew but seem to have forgotten: that doing the right thing for your people is often the best thing you can do for your business.

With ANNE UNDERWOOD in New York, JOHN MCCORMICK in Chicago and DEBORAH BRANSCOMBE in Emeryville, Calif.

Villains? Heck No. We're Like Doctors.

Job cuts hurt, says Al Dunlap, but it keeps firms alive

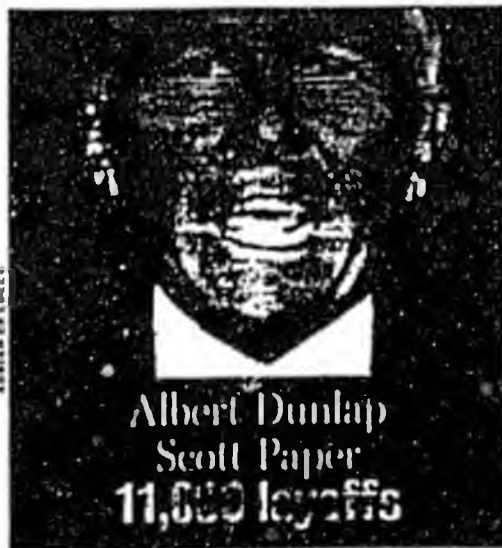
ALBERT DUNLAP HAS BECOME the poster boy for the folks who say that CEOs have gone too far. The 58-year-old former CEO of Scott Paper, known to detractors as "Chain Saw Al," cut 11,000 jobs in 1994. After merging the company with Kimberly-Clark, he walked away with about \$100 million in salary, stock profits and other perks. Dunlap previously downsized seven other companies, including Diamond International and Lily-Tulip. When NEWSWEEK asked more than 50 CEOs of large American companies to discuss corporate restructuring, only Dunlap was willing to talk. Here's what he had to say:

When journalists and politicians spout off about corporate downsizing, it's the Al Dunlaps of the world who tend to get the blame. We're painted as villains; but we're not. We're more like doctors. We know it's painful to operate, but it's the only way to keep the patient from dying. Take the restructuring at Scott. We had to fire 35 percent of the work force. It was a difficult task. Coming from a working-class family (my father was a union steward), I know what

it's like when someone in the family loses a job. But while we had to cut some jobs, we were able to give 65 percent of the work force a more secure future than they might have otherwise had. And Scott's stockholders came out \$8.5 billion to the better.

So why are shareholders so important to workers? By doing a good job for them, we're encouraging them to invest, to build new plants and create new products. At the end of the day, that will mean more and better jobs down the road. And that's the point people need to remember: the only way corporate America is going to do right by its workers is to compete. And in order to compete, companies need to become efficient. That means if you have workers for whom you don't have a real job, you can't keep them on the payroll.

Let me put this in some historical perspective. In the '70s America lost its position as a leader in global business. Look at the industries we once had



that barely exist: shoes, machine tools and consumer electronics. Don't blame today's executives who are having to face up to the tough decisions—blame the executives who created bloated corporations that are noncompetitive. People are always criticizing companies that bring in record profits and then announce layoffs. What they don't realize is that if an organization doesn't make record profits, it doesn't have the money to invest in new plants and new technologies.

That's not to say that I don't

believe in CEOs' being accountable to their workers. I think a CEO has an obligation to communicate with workers and prepare them for the inevitable. Before the restructuring at Scott, I personally went around the world and talked to people on the shop floors. One of the things we told them was that we weren't keeping the

elitist tools of corporate America at the expense of workers. Our biggest cutback was to sell the 750,000-square-foot corporate headquarters and downsize 71 percent of the corporate staff. At one plant, the workers actually applauded me. People are pretty intelligent if you tell them what's going on and explain why you're doing what you're doing.

On the other hand, the politicians don't seem to be getting the message. They pander

to the public and polarize people. And they try to tell American industry how to conduct its business. The job of industry is to become competitive—not to be a social experiment. God help us if we pass legislation to make American companies less productive and compromise our global competitiveness. Then it won't be a case of a relatively small number of people losing their jobs. It will be huge numbers losing their jobs—and the death of the American free-enterprise system as we know it.

2941 Capstan Drive
Anchorage, Alaska 99516
April 23, 1996

Senator Loren Leman
Chairman, Senate Resources Committee
State Capitol
Juneau, Alaska 99801-1182

Via Faxcom to 1 (907) 465-3810

Dear Senator Leman:

The Northstar project, as proposed by BP Exploration, is another excellent opportunity for the State of Alaska to show its flexibility in trying to responsibly develop its natural resources. Economics and opportunities change with time and you and I know, both have changed considerably since the Northstar leases were initially awarded.

Why wasn't Northstar developed before now? It seems that Northstar was not developed by Amerada Hess or others because of a combination of issues: extremely high royalty; the technological hurdles needed to be overcome for development; and the unwillingness of companies to take the risk necessary to develop Northstar.

The State of Alaska, including the legislature, should be encouraging companies like BPX to take the high risks necessary to consider and develop a Northstar. This was the reason for the passage of HB 207 last year. BPX is one of the few companies capable of overcoming the technological hurdles that stand in this project's way and that are willing to take the risks necessary to proceed.

The development of Northstar under the terms negotiated by the Executive Branch for Northstar is an excellent arrangement for the State and for all Alaskans. I encourage you to support Senate Bill 318 in a form approaching that approved by the House of Representatives.

Sincerely,



Gerald G. Booth

cc: Senate President Drue Pearce - via faxcom to 1 (907) 465-3872



BP EXPLORATION

BP Exploration (Alaska) Inc.
900 East Benson Boulevard
PO Box 198612
Anchorage, Alaska 99519-8612
(907) 561-5111

May 5, 1996

The Honorable Loren Leman, Chair
Senate Resources Committee
Alaska State Legislature
State Capital
Juneau, AK 99801

Dear Senator Leman:

BP objects to the incorporation of the findings of fact set out in the "Findings of Fact of the Senate Resources Committee Regarding SB 318" dated April 24, 1996. This biased summary is not need as a complete record of the hearing exists.

Although many portions of the findings are apparently quotations from testimony and evidence before the committee, the findings are not a complete or balanced reflection of this testimony. In some cases the findings draw conclusions which differ from those drawn by those providing the testimony.

The Findings of Fact contain a substantial amount of information not heard in oral testimony or filed in written testimony in any legislative committee. The source of this information is not identified and has never been subjected to scrutiny.

In some instance the Findings of Fact imply that BP withheld information from the Department of Natural Resources although there was no testimony BP withheld information form the Department. BP has been afforded no opportunity to question these implications or present its own testimony in this regard.

In summary the Findings of Fact are extensive and like those which would result from judicial rather than legislative proceedings. The Findings could be highly prejudicial to BP and the State in the future in either judicial proceedings or in other situations, and we request they be deleted.

Very truly yours


E.M. Luttrell
Vice President, Exploration and Development
BP-Exploration (Alaska), Inc.

I oppose the amendment because I believe that it is unnecessary, I do not agree with it and I believe that it will increase the likelihood of litigation. The amendment is unnecessary because the Senate Resources Committee's Findings of Fact are already part of the legislative record. My understanding is that they were adopted by that committee and made part of their record. They do not, however, reflect the findings of either the House Resources Committee, House Finance Committee, or World Trade or State/Federal Relations Committee. The records of the House's committees will speak for themselves.

I do not agree with all the findings made by the Senate Resources. The findings are unfair to BPXA in suggesting that BPXA attempted to manipulate the State by withholding information about their intent to develop Northstar only if the Net Profit Share terms were deleted from the leases. The evidence on the House side was that BPXA diligently attempted to develop the leases and was successful in reducing the development costs from \$1.4 billion to \$350 million. BPXA approached the State in good faith about altering the net profit share provisions in attempt to create a win-win situation for both the State and BPXA. BPXA did not think that it would be possible for it, or any other company, to develop the leases under the current terms. I do not agree with the innuendo of the findings that BPXA is not keeping its obligations under the lease to diligently develop.

The findings unfairly emphasize certain Northstar costs relative to other North Slope projects. The findings compare Northstar's per barrel development costs with other North Slope project per barrel development costs. They, however, ignore other salient economic factors in the development decision.

The findings overemphasize the upside of the net profit share potential while tending to minimize the downside. For example, they do acknowledge the risk that BP is taking by being the first to develop an Arctic subsea pipeline. They do not acknowledge that the reserves could be less than the 130 million barrels of oil presently estimated.

It also inaccurately suggests that the state may receive substantial bonus bids if the state were to release the leases. The Department of Natural Resources has stated that the bids could be very nominal. Commissioner Shively has testified that it could be a very long time before the State could get the leases back to re-lease. The State could go a very long time before it receives any value.

The findings do not adequately address the substantial economic benefits that will accrue to the state from the Northstar development. The state will receive about a \$1 billion of economic benefits in terms of state revenues, employment and construction. I heard much testimony about BP's efforts to establish a new industry in the state which may allow us compete world wide in the modular fabrication. I heard that labor unions and the Alliance support industry favor approval of the agreement.

Finally, these findings could actually help litigants attempting to sue the state and BP over the agreement. Because of their one-sidedness, they may help these people be successful. I think the complete record before the legislature is the record that should be considered. No part of the record or one committee's findings should be emphasized over other parts of the records or other committee's findings. I urge you to vote against the amendment.



John C. Morgan
President, Alaska

BP EXPLORATION

BP Exploration (Alaska) Inc.
500 East Benson Boulevard
P. O. Box 196612
Anchorage, Alaska 99519-6612
(907) 564-5422

April 29, 1996

The Honorable Ramona Barnes, Chair
House World Trade and State/Federal
Relations Committee
Alaska State Legislature
State Capitol
Juneau, Alaska 99801

Dear Representative Barnes:

The development of the Northstar field is an important project to the residents of Alaska and BP Exploration. Northstar development will provide jobs for Alaskans, new business opportunities for Alaskan businesses, and significant revenues to the state.

BP Exploration has voluntarily and publicly committed to recruit and hire qualified Alaska residents for the Northstar Development. We have also publicly committed to encourage Northstar contractors to recruit, hire, and train, when necessary, Alaska residents.

Furthermore, BP has voluntarily and publicly committed to use Alaska contractors to build in Alaska Northstar production and processing modules. BP has committed to spend \$30 - 40 million to build in Alaska the larger and more complex modules for assembly for sealift providing that suitable facilities to do this are available. We are working with our contractors to do everything possible to ensure the facilities will be available.

Our reputation depends on our honoring these commitments and reporting our results to the people of Alaska.

We appreciate the opportunity to provide comments to your committee.

Sincerely,

John C. Morgan



BP EXPLORATION

E. M. Luttrell
Vice President
Exploration, Alaska

BP Exploration (Alaska) Inc
900 East Benson Boulevard
PO Box 196612
Anchorage, Alaska 99519-6612
(907) 564-4892

April 20, 1996

The Honorable Loren Leman, Chair
Senate Resources Committee
Alaska State Legislature
State Capitol
Juneau, AK 99801

Dear Senator Leman:

I appreciate the opportunity to comment further on the Senate Resources Committee Substitute for Senate Bill 318. For the reasons explained in my letter and testimony of April 18, 1996, BP will not reopen the negotiations of the agreement and cannot agree to the changes.

With respect to the 21-page findings of fact, BP believes the inclusion of such findings in the act itself is unprecedented. Although many portions of the findings are apparently quotations from testimony and evidence before the committee, we do not believe the findings are a complete or balanced reflection of this testimony and evidence. In addition, the findings describing the history of the leases and unitization are incomplete and seem largely irrelevant to the committee's decision. If the committee desires to make findings of fact such as those in CS 318, it seems more appropriate to include them in the committee record or in a separate committee report rather than in the act itself.

BP also requests that the effective date of the act not be delayed. There has been public testimony from at least one witness regarding a possible legal challenge to the legislation, and we would not want a challenge to be delayed due to a delayed effective date of the act.

Very truly yours,


E.M. Luttrell
Vice President, Exploration and Development
BP Exploration (Alaska), Inc.



BP EXPLORATION

E. M. Luttrell
Vice President
Exploration, Alaska

BP Exploration (Alaska) Inc.
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Anchorage, Alaska 99519-8812
(907) 564-4692

April 18, 1996

Senator Loren Leman
Alaska State Legislature
State Capitol (MS 3100)
Juneau, Alaska 99801-1182

Subject: BP position on the CS for Senate Bill 318

Dear Senator Leman:

BP has reached a negotiated agreement with the State of Alaska to amend the Northstar unit leases. The Legislature has been asked to consider and ratify that agreement. Ratification will lead to the early development of Northstar to the mutual benefit of both Alaska and BP.

The CS (Committee Substitute) has altered the agreement, attempting to reopen the negotiation. All of the areas of the original agreement which have been amended in the CS version are areas which were carefully discussed and negotiated to arrive at a balanced agreement. Both we and the DNR have sought to explain to your committee the reason for these conclusions. BP will not reopen the negotiations and can not agree to the changes.

To be clear, BP and its contractors have heard the concern of the Legislature over local hire and we reaffirm our public commitment to maximize the job opportunities for Alaskans and Alaskan contractors represented by Northstar development.

Sincerely,



Eric M. Luttrell

EML/dd

cc: President Drua Pearce
Speaker Gail Phillips
Commissioner John Shively



BP EXPLORATION

John G. Morgan
President, Alaska

BP Exploration (Alaska) Inc.
970 First Denson Boulevard
P.O. Box 196612
Anchorage, Alaska 99519-6612
(907) 561-5111

Dear Alaskan,

I'm writing today to ask for your support in our efforts to develop an exciting new project that could have a \$1 billion impact on Alaska: the Northstar oil field about 6 miles offshore from the North Slope. Though relatively small by North Slope standards, Northstar promises significant benefits to Alaskans and the state's economy, with some half a billion dollars in new government revenues and another half a billion dollars in direct spending in Alaska over the life of the project.

If you and your elected officials decide Northstar development is in Alaska's best interests and allow BP to proceed with the project, we'll take an important step together toward generating new jobs for Alaskans, new business for Alaskan contractors and companies, new revenues for state and local government and toward launching a new era in oil development in Alaska.

BP will hire Alaskans and build Northstar oil field facilities in Alaska, including large sealift-size modules, as long as fabrication and assembly facilities are available in Alaska. Building modules of this magnitude in Alaska would be a first, and it could help to kickstart an entire new industry building these facilities in-state rather than in the Lower 48 or overseas. Northstar will directly create some 500 construction jobs and 50 permanent jobs and support hundreds of indirect jobs.

In order to be able to deliver the benefits of this development to Alaska and to BP, however, we first need a change in Northstar lease terms from the state. Present terms, which include a "net-profits tax" averaging 89% imposed in addition to royalties and other taxes, were established nearly two decades ago, at a time when oil prices were soaring and were expected to continue to increase. They pose an insurmountable obstacle to development in today's business environment.

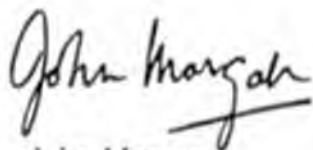
BP and the Alaska Department of Natural Resources recently concluded negotiations on an agreement to remove net-profits tax provisions from our state Northstar leases in exchange for other tangible benefits to Alaskans. The agreement has been sent to the Alaska Legislature for approval and to provide for public review and debate.

Under terms of our agreement, BP will pay the current 20% royalty to the state on Northstar production - the highest rate of any field on the North Slope. In addition, we'll pay a supplemental royalty of as much as 7.5%, based on oil prices. And the agreement contains Alaska-hire and Alaska-build commitments on the part of BP, as well as a "use-it-or-lose-it" provision stating that if BP hasn't funded Northstar development within a year after the agreement is ratified, our leases revert to the state.

BP and the Department of Natural Resources have negotiated an agreement that will facilitate Northstar development while offering the greatest benefits to Alaskans. It is not an "incentive," a "concession," a "tax break" or a "giveaway." The state "loses" nothing by dropping the net-profits tax from Northstar leases, because the field would never be developed with its current lease terms. On the contrary, it *gains* from earlier development, new jobs, new revenues and access to new economic development opportunities. Our agreement maximizes benefits to Alaskans and provides the only means to ensure Northstar is developed now rather than "someday"...if ever.

Northstar can serve as a model for how Alaskans and the oil industry can work together to overcome our common challenges and equitably share the benefits of oil development. It will create hundreds of direct and thousands of indirect jobs for Alaskans. It will generate hundreds of millions of dollars in new revenues for Alaskan companies and state government. It can help to launch a new Alaskan industry, building large oil field modules in state. And it's one of the best short-term prospects for bridging the gap between Prudhoe Bay and long-term opportunities like ANWR and a natural gas pipeline.

In the end, it's up to you as Alaskans and to the men and women you elect to represent you whether the jobs, revenues and economic development Northstar will deliver are in your best interest. It's not a political choice, but rather, an economic choice. It's a decision that will help to shape the future of the Alaskan economy. Thank you for taking the time to consider the facts as you make your decision and express your choice to the men and women who represent you.



John Morgan
President

brennan
communications

April 4, 1996

Senator Loren Leman
via fax

Dear Loren:

I hope you will support the legislation necessary to amend the lease terms allowing BP's North Star project to proceed. We in the contractor community consider North Star a vital step toward developing the potential of small fields on the North Slope. I am personally convinced that is where the future of Alaska's economy lies. Big fields are wonderful, but experience shows they are few and far between.

Net profits bidding may have been a worthwhile experiment, but the experiment failed and acknowledging that is essential to correcting its problems. Since little cash had to be advanced for net profits leases, the incentive for prospective bidders was to ratchet their estimates on potential production to the maximum and bid as though a dream field were involved. If the acreage proved not to be that rich, their investment was relatively small and they could walk away.

The problem for the state was that the lease was then prohibited from development by a contract written for a much larger field than actually exists there. The state entrapped itself. Net profits leases fail to take Murphy's Law into account. Fortunately the Legislature is in a position to correct the problem and put this vital small field into production. Thanks for the time and effort you have put into this issue.

I look forward to seeing you at the State Convention.

Sincerely,



Tom Brennan

MAY 01 1996
Mike Bruner
341 E. 23 rd Ave
Anch., Ak. 99503

4/28/96

Dear Legislator:

Does the Northstar legislation resemble the Teapot Dome oil scandal?

From: The Worldbook Encyclopedia 1996, "Teapot Dome was one of the most notorious government scandals in United States history. It occurred in the Administration of President Warren G. Harding and contributed to his low standing among U.S. Presidents.

Committees of the U.S. Senate and a special commission investigated the scandal from 1922 to 1928. The investigators found that Secretary of the Interior Albert B. Fall had persuaded Harding to transfer control of three naval oil reserves from the Navy Department to the Department of the Interior in 1921. Fall leased the reserves, at Elk Hills, Calif., and Teapot Dome, Wyo., mostly *without competitive bidding* to the private oil companies of Edward L. Doheny and Harry F. Sinclair in 1922. For helping to arrange the Elk Hills transfer, Fall received a "loan" of \$100,000 from Doheny. For the Teapot Dome transfer, Fall received more than \$300,000 in cash, bonds, and valuable livestock from Sinclair. Fall resigned in 1923 and joined Sinclair's oil business.

In 1927, the government successfully sued to cancel the leases. In 1929, Fall was convicted of accepting a bribe, fined \$100,000, and sentenced to a year in prison. He was the first Cabinet member ever to go to jail for crimes committed while in office." end of quotation.

Facts and history: the Northstar oil leases were competitively leased between 1979 and 1983. The leases were set up with fixed cash bonuses of \$875 per acre, \$3 million per lease or \$15 million was required for all the leases as a fixed bid bonus. The sole competitive bid variable was how much the winning bidder was willing to give the state. The winning bidders agreed to give this state an average of 90% of the net profits from the Northstar oil field. One year ago British Petroleum entered into the contract with the state when it acquired the leases from Amerada Hess.

Some direct quotes from the Senate Resources Committee Substitute for SB 318 (Northstar Lease Amendment) . BP Exploration (Alaska) inc's. president Mr. Morgan, has testified, "In making that acquisition [purchase of the Northstar leases] we did understand and it was clear to us that the issue of net profit leases presented a problem, and a problem would need to be overcome with the state if development was to proceed." (Page 5 draft). "Both BP Exploration (Alaska) Inc.'s President, Mr. Morgan, and Department of Natural Resources Commissioner Shively have testified that at sometime between January and April 1995, *before the Department of Natural Resources approval of BP Exploration (Alaska) Inc.'s revised Plan of Development and extension for the Northstar Unit, BP Exploration (Alaska) Inc. approached the administration, asking that it support the incorporation of provisions that would allow the commissioner of the Department of Natural Resources to modify net profit share terms of oil and gas leases in the royalty modification legislation that the administration had requested last session (HB 207).*" (Page 11 draft). However, under

the bill, this strategy only works if the oil company shows clear and convincing evidence that development would be uneconomically feasible. "According to BP Exploration (Alaska) Inc.'s President, Mr. Morgan, "We have never argued that development of Northstar could not be profitable under the terms including the net profit arrangements. In profitability in terms of return on capital, this would be possible. This is not a marginal oil field." (Page 8 draft). BP Exploration (Alaska) Inc.'s President, Mr. Morgan, has testified " ... that with the net profit arrangement in place, at the level that it exists, BP would not be prepared to go ahead with the development of a Northstar project, even though, if you run the economics, you can show that the return is a sound sort of return on investment." (Page 8 draft). Does this sound like bargaining in good faith and honoring their contract or a premeditated breach of contract to you?

Our Governor and BP entered into an agreement that must then be ratified by our legislature. The original contract is to be replaced. Alaska will give up all of the net profit share in return for replacing our current royalty share of 20% for a new royalty share of 20% escalating upto 27.5% based upon oil price increases. "As to whether the Department of Natural Resources, in the course of its negotiations with BP Exploration (Alaska) Inc. had considered whether to add some sort of corrective factor to the agreement to compensate if the reserves ultimately prove to be considerably larger than estimated, Commissioner Shively has testified "we did have a proposal at one time on the table that would have taken that into account. That's not where we ended up." (Page 17 draft). The Federal Government owns two of the leases in the Northstar Unit. These Federal Government oil leases require BP to give them a 16 2/3% royalty escalating upto a maximum of a 65% royalty as the price of oil increases. Northstar is estimated to contain 130 million barrels of oil, if the field yields 150 million barrels and were produced under the existing profit-sharing provisions the state would receive \$900 million dollars, or 50 % more than the \$600 million under the BP - Knowles proposed agreement. The BP - Knowles legislation represents a potential loss to the state of \$300 million.

What happens if the price of oil or production goes up? Kevin Banks, state petroleum economist, explained that the net-profit sharing arrangement would be a gusher for the state if Northstar does better than expected - if oil prices should head skyward or if the field produced a lot more oil than the 130 million barrels projected. "The net-profit share really pours in," Banks said. (Page 18 Draft). For example, 130 million barrels of oil multiplied by each \$10 price increase in oil yields \$1.3 billion dollars. Alaska would get 90% (after BP's expenses) of any increases in the price of oil if the original contract remains in place. This new Northstar legislation proposed by the administration and the commissioner of revenue clearly fails to protect the states upside and therefore best interests.

What happens if the state does nothing and waits for BP's new development agreement to expire in April of 1998? Alaska could require BP to develop the leases and either start producing oil or the leases would revert back to the state. How much money would Alaska make if we released Northstar? Alaska originally charged a fixed bonus of \$15 million for the leases. Without this fixed bonus amount, and with a competitively bid bonus. Alaska can make an analogy based upon the \$81 million dollars the Federal Government received as a competitively bid bonus in 1980 for its two Northstar leases. "Based upon its review of the bonus revenue received for the

federal leases within the Northstar Unit, which were leased with a 16 2/3 percent sliding scale royalty and the bonus bid as the variable, the Department of Natural Resources estimates the state's Northstar Unit leases could have brought \$268,406,052, as opposed to the \$15,469,000 actually received, had the leases been offered with a 12 1/2 percent royalty, no net-profit share and with the bonus bid as the bid variable." (Page 10 Draft). Ken Boyd, the director of the division of oil and gas, has testified that "BPXA currently estimates that 76.8 % of the recoverable reserves underlie the state leases in the Northstar Unit (NSU)." (Page 8 Draft). Then based upon the \$81 million the federal government received for 23.2 % of the oil, the state could receive three times the competitive bonus bid that the federal government's leases brought in 1980 or \$242 million under the same terms. The Northstar Legislative Bill, by request of the governor, states, "The legislature finds that because of the development account provisions of the net profit share leases, the later that these leases are developed, the less "net profits" the state receives." This statement is refuted in an April 3, 1996 memorandum from Kevin Banks, state petroleum economist, to Ken Boyd, director of division of oil and gas, "In response to Senator Halford's request about the effect on the economic benefits if a lawsuit delays development of the Northstar Unit, I analyzed the effect on economic benefits caused by a delay for any reason. *In short, any delay increases the economic benefits to the state while decreasing the economic benefits to BPXA.*" Besides the development account of \$262 million drawing interest at the prime rate of 8.25 % amounts to \$21 1/2 million. If BP jeopardizes oil production until their development plan expires in April of 1998, the future bonus bids will more than make up for the state's loss of \$43 million in interest accruing over these two years. Plus the state has the option of suing BP to recover this money, since BP obviously did not come into the contract they entered into with the state in good faith. BP is merely attempting extortion - by holding the state hostage unless we renegotiate these lease contracts for BP's further benefit. On page 122 of the 1995 report, "Review of International Competitiveness of Alaska's Fiscal System" (Little Report), the Arthur D. Little Co. concluded "[Oil] companies generally look for a rate of return of about 15 %..." (Page 8 Draft). Then Alaska could definitely rebid these oil leases for a 20 % royalty with 80 % - 85 % of the net profits going to the state. This would give any oil company over 15 % of the net profits. However, since it is a matter of record that two other oil companies besides BP entered into negotiations with Amerada Hess for the Northstar leases - oil companies are willing to develop and accept a profit of "10 % with the net profit share lease terms." (Page 10 Draft) Once again the administration and the commissioner of natural resources have failed to protect this state's best interests. The question is if the legislature is going to join them?

Are Alaska's oil fields competitive and profitable to the oil industry in a global environment? Alaska's oil fields are virtually the most profitable in the world because most of them were leased for only a 1/8 th share or a 12 1/2% state royalty with no net profits going to the state. Let's compare Alaska to Kuwait: Alaska produces almost 1.8 million barrels of oil per day and Kuwait produces 1.8 million barrels of oil per day. Alaska has a population of 600,000 people and Kuwait has a population of 2 million people, but only (39 %) 780,000 of them are Kuwaiti nationals. Kuwait offers its citizens free medical, college and government jobs etc.. Alaska now denies its impoverished senior citizens state funded eye glasses, hearing aids and dentures. Oil

companies can now make windfall profits by selling Alaska's oil in overseas markets like Japan where gasoline now retails for \$4.14 per gallon, since the export ban on Northstar crude oil was lifted. One third, but up to 1/2, of Alaska's oil is typically refined into gasoline. Over 50% of Alaskan crude is refined into gasoline, jet fuel and diesel fuel which all sell for over \$1.00 per gallon. BP, Arco and Exxon are all vertically integrated oil companies - meaning they make profits every step of the way in shipping, refining and marketing petroleum, up to and including when it reaches the consumer at the gasoline pumps. The amount of oil exported out of Alaska per day (1.8 million barrels) divided by its population (600,000 people) equals 3 barrels or 126 gallons of oil produced for each Alaskan every day. Furthermore, "Based upon BP Exploration (Alaska) Inc.'s estimates of recoverable reserves and project development costs, the Northstar Unit has a per barrel development cost of \$2.90. For comparison ... BP Exploration (Alaska) Inc.'s estimated per barrel costs of developing each are: Kuparuk (1982) - \$6.65 per barrel; Endicott (1985) - \$5.40 per barrel; Prudhoe Bay Unit: GHX (1992) \$4.45 per barrel ..." (Page 9 Draft). The fact that Northstar oil is lighter crude oil, being almost half of the density of Prudhoe Bay crude also must be taken into consideration - this greatly enhances oil production and recoverability. A study published in 1993 by Richard Fineberg states, "If these operations were controlled by one firm (in fact, three companies control more than 90 % of Alaska's production and pipeline facilities), that company would rank among the five most profitable industrial corporations in the nation."

Is the Northstar legislation even legal? If this legislation is enacted, the Northstar oil leases change from being competitively bid oil leases to uncompetitively bid sole source awards of special interest legislation by the legislature. It will discourage independent oil companies because Alaskan oil leases are given to politically connected oil companies - oil companies that were outbid. If these initial oil companies whose bids would have brought the state more money than BP's proposed renegotiation litigation - then Alaska is liable to pay stupendous damages. How will the legislature reconcile the Northstar legislation with the Alaska Statutes? Will they put a BP disclaimer (ie. except BP) in the following statutes? AS 38.05.180 (a) The legislature finds that (1) the people of Alaska have an interest in the development of the state's oil and gas resources to (B) maximize competition among parties seeking to explore and develop the resources. AS 38.05.920 Assignment. (b) ...the assignee or sublessee is subject to the provisions of laws and regulations applicable to the contract or lease. AS 38.05.180 (w) ... noncompetitive leasing is prohibited.

Is the Northstar legislation unconstitutional? Ak. Const.; Article 8; Sec. 2: "The legislature shall provide for the utilization, development, and conservation of all natural resources belonging to the State, including land and waters, for the maximum benefit of its people." In the aforementioned, shall does not mean may and conservation means wise use. The state leased the oil rights at the Northstar field pursuant to the constitutional mandate to obtain the maximum public benefit. There has to be some equal exchange - or mutuality of consideration - in order to make a material change in a competitively bid contract, the benefits cannot be one sided. *The test is that if the people of Alaska receive the maximum public benefit then it is constitutional and if BP receives the maximum benefit from renegotiating these*

leases then it is unconstitutional. There can be no loss of state revenues. The Alaska Legislature has sworn to uphold the Alaska Constitution. Ak. Const.; Article 2; Sec. 19: "The legislature shall pass no local or special act if a general act can be made applicable." "Alaska's Constitution: A Citizen's Guide," by Gordon S. Harrison states, "For the most part, special and local acts amounted to legislative dispensation of favors and preferences to powerful interests - private, corporate, or municipal." "Laws should apply uniformly throughout the state. Provisions to ensure that they do not selectively benefit or discriminate against a particular community, corporation, or individual, are found in many state constitutions." Ak. Const.; Article 8; Sec. 8: "The legislature may provide for the leasing of the public domain ... and for forfeiture in the event of breach of conditions."

Was our now deceased former U.S. Senator and statesman clairvoyant? From, "Alaska's Constitutional Convention", by Victor Fisher (also a delegate to Alaska's constitutional convention and former state senator) at page #130 and 131, "Bertlett, Alaska's delegate in Congress, urged the convention to protect Alaska from the robber baron philosophy ... that had worked against Alaska in the past. He pointed out that while Alaska had experienced exploitation on a grand scale, the potential for future exploitation of natural resources of was infinitely greater than anything the state had ever seen to date. ... Two very real dangers are present. The first, and most obvious, danger is that of exploitation under the thin guise of development. *The taking of Alaska's mineral resources without leaving some reasonable return for the support of Alaska's governmental services and the use of all the people in Alaska will mean a betrayal in the administration of the people's wealth. The second danger is that outside interests, determined to stifle any development in Alaska which might compete with their activities elsewhere, will attempt to acquire great areas of Alaska's public lands in order NOT to develop them until such time as, in the omnipotence and the pursuance of their own interests, they see fit.*"

Does the uncompetitive bidding in the Teapot Dome oil scandal compare to the uncompetitive bidding in the Northstar oil scandal? Does it take a Harvard MBA to see the corruption involved? Rep. Kay Brown amply described the correct sentiment in a similar piece of oil legislation in a floor debate when she said, *Madam speaker, this is not a partnership. This is what a bull does to a cow!*"

Mike Bruner
Mike Bruner

(Reply requested.)

BW/IP International, Inc. Pump Division

Alaskan Operations
2051 Foundry Way
Wasilla, Ak 99654

SB318

FAX TRANSMITTAL SHEET

DATE: April 26, 1996

COMPANY: Alaska State Legislature

FAX #: 907-465-3810

ATTN: Senator Loren Leman

FROM: Larry Fisher

NUMBER OF PAGES ATTACHED TO THIS LEAD SHEET: NONE

REFERENCE: Northstar

MESSAGE:

Dear Senator Leman,

Sometime ago, I wrote a letter to many individual Representatives and Senators expressing BW/IP's corporate support to the Northstar project. Recently, I have read in the news that the legislature has modified the original agreement somewhat in an attempt to strengthen BP's verbal commitment to hire Alaska and utilize Alaska businesses to support this project. We applaud the legislature's efforts to insure Alaska and Alaskan's get a fair shake on these issues with BP but we believe there is only so much a corporation can do and remain competitive in a global market.

We know of lost opportunities in our line of business that BP currently does not afford us. This of course is upsetting but we believe only through offering continued quality, responsiveness and competitiveness will everyone come out a winner. BW/IP as a corporation understands BP's present commitment regarding local hire and utilization of Alaska businesses for Northstar and agrees with it.

We urge the individual Representatives and Senators such as yourself to continue the process of making sure the Northstar development moves ahead to give the State of Alaska, Alaska workers and Alaska businesses at least the opportunity to expand with a potential new era of development on the North Slope.

Best regards,

Larry Fisher
Operations Manager

FAX NUMBER (907) 376-0556 TELEPHONE (907) 376-0550

If you do not receive all pages attached with this transmittal, please call us as soon as possible. Thank You.



BW/IP International, Inc.

APR 10 1996

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Pumps

Pump
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307 376 0556

April 8, 1996

Senator Loren Leman
Alaska State Legislature
State Capitol (MS 3100)
Juneau, Alaska 99801-1182

Subject: BP's Northstar agreement with the State of Alaska

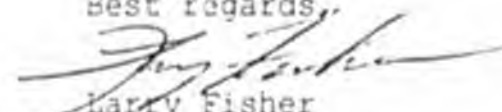
Dear Senator Leman,

I'm sure like other company's who heavily rely on the oil industry in Alaska, my letter will echo many others you may receive in regards to the subject matter. BW/IP International Inc. came to Alaska three years ago to establish our 10th aftermarket repair service center in the United States. BW/IP manufactures industrial pumps in several U.S. and international locations. This equipment is used throughout the world in all types of industry. The Wasilla Service Center currently employ's 18 full time Alaska based employee's with an annual payroll exceeding \$750K.

Our employee's applaud Governor Knowles and his efforts to keep Alaska open for business and moving forward. The Northstar agreement as we understand it represents change in previously established terms and conditions. Terms and conditions that may have been realistic in the past but if adhered to today would simply block needed new development on the North Slope with this project and possibly other marginal fields.

As I'm sure you are very much aware, the survivors of tomorrow will have to thrive on change to compete in a more global economy and our employee's urge the State Legislature to accept the challenge of change. Northstar without a doubt will be good for Alaska's future and assuming the legal issues surrounding this agreement are acceptable; we urge the State Legislature to quickly in a by-partisan effort review, report, and act positively in a timely manner on the Northstar agreement.

Best regards,


Larry Fisher
Operations Manager
BW/IP International Inc.

APR 18 1996

Kevin K. Bruce • 2215 Arlington Drive • Anchorage • Alaska • 99517

April 16, 1996

Honorable Loren Leman
Alaska State Senate
State Capitol
Juneau, Alaska 99801-1182

Dear Senator Leman:

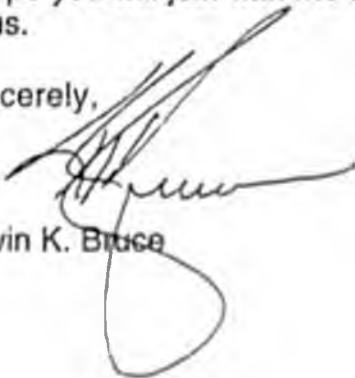
It seems that every year I end up writing you a letter during the closing days of the session. Today, I am writing to voice my support for SB 318, the legislation that would allow the Northstar oil field to be developed.

Since your committee has held extensive hearings on the bill, I won't belabor the benefits of Northstar. I will simply observe that if there was ever a time when we needed to develop new sources of revenue, jobs and business for the state, this is it. And Northstar holds the promise of all of these benefits.

From the papers I note that you have found the bill "acceptable." I think it is more than that. It is a good deal for the state, and a fair deal for BP. Come on Senator, try and be more enthusiastic about a project that will pump a billion dollars into our economy over the next 15 years. We just don't have that many opportunities on our horizon.

I hope you will join with me in urging the passage of SB318. It's important for all of us.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kevin K. Bruce', with a large, stylized flourish at the end.

Kevin K. Bruce

CLIFF BURGLIN

April 12, 1996

WEST SAK & UG3NU/HEAVY OIL & NORTH STAR

This column will address the secret dealings between BP, Arco, Exxon, politicians and bureaucrats of the State of Alaska. One might ask who is representing the citizens of Alaska? The answer would be undeniably: NO ONE!

The State politicians are re-elected with corporate contributions and if they have businesses, they get lucrative contracts from the oil companies. Both politicians and state employees share in the bulk of the money that goes into the 13 billion dollar permanent fund that will fund their retirement, perks, and wages. When the time comes, the permanent fund will be depleted, very legally, by state politicians and bureaucrats, past, present, and future. Many politicians and state employees will receive two or more retirement checks.

WEST SAK AND UG3NU NOT SO HEAVY SHALLOW OIL

BP senior personnel have been quoted by the news media as saying that the reason that heavy oil can be produced for \$1.80 per barrel is that the wells can be drilled from existing pads at the Milne Point Unit.

There are over 90 pads on the North Slope stretching from the Naval Pet Reserve #4 to ANWR. If half of these pads (20 wells per pad) produce 10,000 barrels of heavy oil per day, that would be 450,000 barrels per day from total production of 1,400,000 barrels per day from which the state would receive no revenue for five (5) years.

If Alaskans are led to believe that there is a budget crunch now, think about receiving no revenue for five (5) years for at least one third of the oil produced on the North Slope. Remember, according to BP officials, wherever there is a pad, there is infrastructure. Most of these pads are closer to the pipeline than are the pads to which BP is referring at Milne Point. I will credit Commissioner Shively and the Director of Oil and Gas, Ken Boyd, for opposing this blatant legalized robbery authorized in HB 325 that has already passed the State House.

In their published statements, BP, Arco-Exxon, et al, have stated that they are earning 25 - 40% return on their investments on the Prudhoe Bay, Kuparuk, and Point McIntyre Fields. I happen to know that they are earning more.

If they pay no royalty or tax on 450,000 - 700,000 barrels per day of heavy oil, they will be making over 100%. Think about that!

We are not just talking about heavy oil at the 30,000 acre

Milne Point Unit. The State will be giving up all royalty on heavy oil produced from millions of North Slope acres. All at the expense of every Alaskan.

No less an authority than Harold Heinze, past president of Arco and past Commissioner of Natural Resources, has stated that the West Sak accumulation on the North Slope encompasses an area eighty (80) miles wide by forty (40) miles deep.

In exchange for this benevolence, 600,000 Alaskans will be hit with every conceivable tax and fee by State politicians and bureaucrats. These taxes and fees will not reduce the so-called deficit but will put hundreds more on the State payroll. A word of warning to our State politicians. After HB 325 is passed, Arco, Exxon, BP, and Alyeska will not only have no respect for you, they will have no further use for you.

NORTH STAR

There is no precedent or authorization in any state law for Governor Knowles or the administration's secret, illegal negotiations on the North Star Oil field. BP knew exactly what it was buying at North Star. If BP is at all concerned with the net profit feature of the leases kicking in, BP must know that there are at least four times as many barrels of oil in the field which would be over 500 million barrels of proven recoverable reserves, not 120 million. Shell and Amerada Hess, the original owners and discoverers of North Star estimated the field to contain 200 million barrels of high grade oil.

Governor Knowles, our legislators, and state employees were elected and hired to represent and serve all of the people in Alaska.

I authorize any of you who will take the time or trouble to make a copy of this article and send it to Governor Knowles and your elected representatives.

CLIFF BURGLIN

March 8, 1996

Another Indication of Additional Billions of
Barrels of North Slope Oil Reserves

There are many large and small companies who own minor shares of the Prudhoe Bay oil, and the Ugnu, West Bak, Kuparuk, and other oil formations within the Prudhoe Bay Unit area.

Some of the larger companies with smaller interests are Mobil, Chevron, Texaco/Amoco, Shell, Union, Amerado Hess, Pennzoil and Phillips.

One of these companies whose production is two thousand barrels per day wants to sell its interest. It has assembled a package that it has sent out to interested potential buyers.

In the sales packet sent out by this selling company are a description of its interests as well as an accurate documented forecast as to how long its two thousand barrels per day production will last. Based on this inside information available to any company, including Arco-Exxon and BP, this company states in its selling information packet that its small portion of Prudhoe Bay will be capable of producing at its present rate of two thousand barrels per day for at least 76 years. Hmm! Arco-Exxon and BP are willing to estimate production at present rates for up to 42 years. This other owner with the same information says 76 YEARS! This is 76 years with no additional discoveries. 1.5 million barrels per day for 76 years indicates proven producible reserves as of now of over 35 billion barrels.

Each one of these owner companies has attended all or most of the Prudhoe Bay owners' meetings since the original discovery.

Look for many large oil company mergers. Remember, every merger will mean lower quality, higher prices, fewer jobs, and poorer service.

The six remaining sisters are Exxon (by far the largest, richest and most powerful), Shell, Mobil (Standard of NY), Texaco, Chevron (Standard of Cal), and BP.

BP is the smallest of the six and for many reasons the most apt to be merged with one of the larger companies. Mobil is the most likely, but Shell is a definite possibility.

If Mobil ends up with BP's Alaskan holdings, it will put over 95% of Alaska's North Slope reserves in the hands of three former Rockefeller companies, Exxon-Arco and Mobil. Mobil or any other company with whom BP might merge would also inherit BP's controlling interest in T.A.P.G. BP's holdings in ANWR would also be included in any merger.

Alaska's oil would be under even less control of Alaska or

Alaskans. As part of the Global Economy, Alaska's trillions of dollars worth of resources would be totally under the control of the United Nations' One World Government. So would every citizen of Alaska.

Think about it and take time to write your elected representatives to protest this massive transfer of Alaska's wealth (our wealth) before it's too late!

Calista Corporation

APR 26 1996

601 W. 5th Avenue, Suite 200 • Anchorage, AK 99501-2225 • (907) 279-5516 Facsimile (907) 272-5060

Sent Via Facsimile

Office of the President

April 24, 1996

The Honorable Loren Lehman
Chairman
Senate Resources Committee
State Capitol, Room 113
Juneau, AK 99801-1182

Dear Chairman Lehman,

Calista Corporation is in favor of Senate Bill 318, North Star Oil Field Lease Agreement, with provisions for local and in-state contracting ability. Our state must continue to work toward developing new projects to stabilize the future of our economic health and well being.

Over the lifetime of the lease of Northstar Oil Field, the state must continue to oversee exploration and production costs, and a fair taxation process should be equivalent to Prudhoe Bay exploration and production costs.

We hope this Bill will be an incentive for continued progress by our state to work with the oil companies in other fields on the North Slope.

Sincerely,

CALISTA CORPORATION



Matthew Nicolai
President

cc: Governor Knowles
Senator Lyman Hoffman
Senator Georgianna Lincoln



ENTERPRISES, INC.

1524 Ship Avenue • Anchorage, AK 99501 • (907) 276-7797

APR 10 1996

April 5, 1996

Senator Loren Leman
Alaska State Legislature
State Capital (MS 3100)
Juneau, Alaska 99801-1182

Dear Senator Leman:

I am writing to you in support of the lease change on the Northstar leases. If we do not encourage BP to act now, it is likely that the leases will expire with no activity and be re leased. This would delay the production for a number of years and probably not increase revenue to the State.

Carlile employs 270 people in Anchorage, Fairbanks and the Kenai Peninsula. We support the change now and would appreciate your support.

Thank You,

Harry McDonald
President

COOK INLET REGION, INC.

April 22, 1996

VIA FAX: (907) 465-3810

Honorable Loren Leman
Chairman
Senate Resources Committee
State Capitol
Juneau, Alaska 99801-3810

Dear Senator Leman:

I am writing to you today as a follow up to my earlier testimony to the Committee and my conversations with you about Senate Bill 318. As you are aware, CIRI is heavily involved in the oil industry in Alaska through our own developments on the Kenai, as a working interest owner in Endicott, and through our three subsidiary companies, PEAK Oilfield Services, Construction Machinery, Inc. and Alaska Interstate Construction. So we benefit from more than our alliances and partnerships as a contractor on Alaska's North Slope.

It is our belief that SB 318, which would allow the development of Northstar, is a most vital piece of legislation. It will do more than just put hundreds of Alaskans to work and inject millions of private sector dollars into our economy. It will maintain flow in the Trans Alaska Pipeline. Clearly, the State must continue to support these smaller field developments or we will reach a point where it is uneconomic to transport oil through the pipeline. If the pipeline shuts down we can forget any future developments such as ANWR.

We believe the Executive Branch is properly empowered under the Constitution to negotiate deals within a general statutory framework established by the Legislature. And while the Legislative Branch may read into the record what it believes should be or should have been included in a contract, it is bad constitutional precedent and poor practical policy for the Legislature to get into the business of rewriting or re-negotiating contracts carefully negotiated by the Executive Branch.

I fully understand the role of the Legislature in our system of checks and balances and your duty to review what the Administration is proposing in terms of lease amendments. You have made it clear that -- had you negotiated the deal -- it would have been somewhat different. But this is the agreement that was hammered out between the State of Alaska and BP Exploration and should be the only agreement on the table.

Senator Leman
April 22, 1996
Page 2

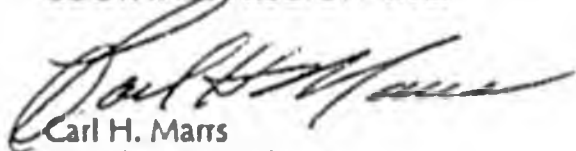
Cook Inlet Region, Inc. fully supports this negotiated agreement. For our part, we are satisfied that BP will do everything in its power to fulfill its commitments on local hire and local business participation in Northstar's development. We do not base this belief on misguided optimism, but on cold political reality. If, for any reason, BP does not live up to its commitments, they will find scarce support among Alaska businesses and public officials for any future development opportunities. Moreover, I am advised that there is a real danger, from a legal perspective, that this well-intentioned attempt to put more "teeth" into the Alaska hire and contracting provisions could amount to "throwing out the baby with the bath water." It also may substantially increase the chance that this entire piece of legislation will be ruled illegal or unconstitutional under state and federal law.

In summary, we believe BP means what they say and that the Northstar project is our best opportunity to forge a new standard for Alaskan's participation in oil development. It also sends the right message to other companies thinking about investing in Alaska. The legislature worked hard to pass HB 207 last year to send the message that Alaskans are willing to work with the industry on issues critical to the future development of Alaska's resources. This is one of those issues so let's -- as Alaskans live up to the intent of HB 207 and pass SB 318 as received from the Administration.

Accordingly, on behalf of Cook Inlet Region, Inc., I strongly urge you to support SB 318 as it was introduced and keep this vital legislation moving forward. Thank you.

Sincerely,

COOK INLET REGION INC.



Carl H. Marrs
President & CEO

CHM/dm
0028

April 15, 1996

To: Senator Loren Leman, Chair, Senate Resources Committee
From: Thomas Cook, 1848 Kalgin Street, Anchorage, Alaska 99504
(phone (907)333-1419; fax (907)338-9792)
Subject: SB318--Northstar Beaufort Sea Net Profit Share Leases

I respectfully offer the following comments to you and your committee in support of SB 318 that would amend the terms of certain leases overlying BP's Northstar Prospect by deleting the provisions for net profit shares to the state.

Let me begin by acknowledging that, as an oil and gas industry consultant, I sometimes work for various companies in the oil industry including BP Exploration. However, I assure you and your committee that my comments are those of a concerned citizen and are offered to you at my own initiative.

From June 1, 1978 until May 31, 1980, I served as Director of the Division of Minerals and Energy Management, Department of Natural Resources. It was during my period as Director that the State prepared for and conducted the 1979 Joint State/Federal Beaufort Sea Oil and Gas Lease Sale which resulted in the net profit share leases which are now at issue.

I became Director at the same time as the State's new oil and gas leasing statute took effect. With the passage of this new law, the Division faced a major task of developing regulations to implement the law and the various new bidding provisions provided for in the revised leasing statute. The Division also faced a major task implementing a leasing program under the new law. With these responsibilities before me, I realized that I should review the legislative history of the new leasing law. More importantly, I wanted to review the studies and analytical work that I assumed had been done by the Department of Natural Resources in support of the newly enacted law. When I requested copies of these studies which I presumed had been undertaken, I learned that none had been done, or at least none had been documented.

The only study I could lay my hands on was a consultant's report prepared for the Department by Mr. Mason Gaffney. The report recommended a variety of unorthodox bidding methods and leasing strategies without much analytical support and no citations as to where these policies had been used and with what

results. Based on my past experience and knowledge, I was very skeptical about the application of contingency bidding methods, "checker-board" leasing, and "two-stage" leasing and other unproven leasing techniques which Mr. Gaffney was recommending to the Department.

As Director, I was strongly opposed to contingency bidding and net profit share bidding in particular, for the following reasons:

1. Contingency bidding methods and net profit share bidding, as a type of contingency bidding, have the effect of shifting risk from the private sector to the public sector. Under contingency bidding and net profits bidding, the State accepts a promise (higher royalty, share of profits, or a work commitment) in lieu of cash up front (bonus bid) as a criterion for awarding a lease. Reward to the State then becomes largely a function of geologic risk (is oil present or not), and business risk (will future oil prices justify and support development). Industry is in a much better position to deal with these risks. It does so through joint bidding with partners, conducting exploration and development in many areas of the world, and counting on enough successful ventures to pay for the more numerous unsuccessful ventures. The State has no significant means of spreading or lessening risk other than to accept the highest competitive cash bid as a criterion for a lease award.

2. Net profit share bidding (and some other forms of contingency bidding) can lead to unrealistic or irresponsibly high bids. There are really no factors which practically constrain a contingency bid which is a promise costing nothing and bearing little in the way of obligations. Cash bonus bidding by its nature requires that a bidder carefully evaluate its bid in terms of available cash and its desire to aggressively proceed with exploration and development. History shows that tracts receiving high bonus bids receive timely exploration and expeditious development if exploration results in a commercial discovery.

3. Net profit share leases are likely to involve excessive administrative costs and disputes as to how the net profit due the State is to be calculated. Regardless of how tightly accounting and regulatory definitions are drawn, there will still be differences of opinion as to the allocation of costs and revenues, the treatment of depreciation, and questions of fair return on investment. It is quite possible or even likely that administrative costs and disputes leading to litigation would negate the worth of a net profit share to the State.

4. Net profit share leases necessarily cause the State to be involved in business and technical decisions which are best left the responsibility of the lessee. For example, if the State became concerned that the costs of development, however necessary and prudent for a safe operation, were too high, it might pressure the lessee to cut corners and undertake less than prudent development to cut costs and thus increase profits.

These were my primary concerns in opposing the use of net profit share leasing in the 1979 Beaufort Sea Lease Sale. With this background in mind, I urge the Legislature to delete the net profit share provisions from the Northstar leases.

In choosing net profit share as the bid variable in 1979, the State chose to forgo hundreds of millions of dollars in lease bonuses which would have been forthcoming under the proven system of cash bonus bidding. The opportunity for large cash bonuses has been lost because times have changed. The late 1970's were times of extremely high oil prices. State and industry experts alike shared a general view that oil prices would remain high and many believed oil prices would increase in the future. The outlook now is considerably more sober. The state cannot recapture the opportunity it lost in 1979 by canceling and offering the leases at another sale.

The best course of action for the State is to delete the net profit share provisions and allow BP Exploration to proceed with development. This will lead to real benefits in terms of royalty payments and taxes to the State, jobs and economic opportunities for contractors and businesses across the state.

The simple fact that the Northstar leases have remained undeveloped by the original lessees for over fifteen years --in spite of promising discoveries--is ample proof that the original lessees found development to be uneconomic under net profit share obligations averaging 90 percent.

The Northstar leases are now owned by BP Exploration, a company with a demonstrated commitment to responsible and diligent development of Alaska's oil and gas resources. The State Legislature now has the opportunity to undo a past mistake in choosing net profit share lease terms by deleting the onerous and uneconomic net profit requirements. To do otherwise would be a ratification of a costly mistake and another decision to forgo the development of Northstar with its many benefits to the State and its citizens.

Thank you for the opportunity to comment on this important legislation.

APR 25 1996

Thomas C. Crafford
3000 Princeton Way
Anchorage, Alaska 99508
April 23, 1996

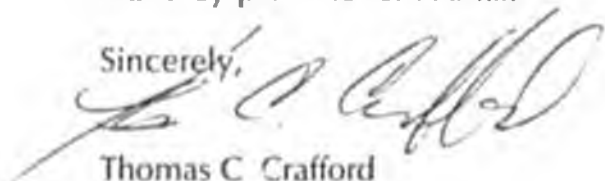
Senator Loren Leman
Alaska State Legislature
State Capitol (MS 3100)
Juneau, Alaska 99801-1182

Dear Senator Leman :

I am writing you to express my support for SB 318/HB 548. These bills, as you know, provide for the development of the Northstar oil field. They do not constitute a "giveaway" or "concession" but, rather, are pacts between the State of Alaska and the lease owner, BP Exploration, that establish reasonable royalties for the oil produced from the field. Additionally, the bills provide not only for direct operating jobs for Alaskans, but also for construction jobs in the in-state fabrication and assembly of oil field modules to produce the oil. Alaska has long sought "value-added" activities that would leverage our natural resources production and these bills would go a long ways towards accomplishing that laudable goal.

I don't see how Northstar could ever be developed under the existing royalty scheme. SB 318/HB548 recognize that economic reality and through their provisions foster a "win-win" situation for both private industry and state government. I encourage you to support these bills and the economic benefits that they promote for Alaska.

Sincerely,



Thomas C. Crafford

DEBENHAM

Electric Supply Co., Inc.

SB318

Senator Loren Leman
Alaska State Legislature
Resources
State Capital
Juneau, AK 99801-1182

APR 18 1996

Respond

Dear Senator Leman,

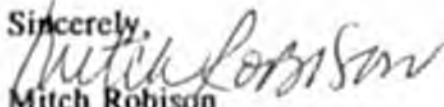
It was a pleasure meeting with you during the week of April 7, 1996 on behalf of The Alliance. I am now taking the opportunity to write you on behalf of Debenham Electric Supply Co., Inc. We wish to thank you for your efforts in developing a long term plan to balance the budget. We also wish to acknowledge your efforts toward the passing of legislation encouraging oil and gas exploration and production and your development of Tort reform legislation.

Debenham Electric Supply Co., Inc. would also like to let you know that we encourage the legislature to support BPXA in the development of the Northstar project. The Northstar project is good for the State of Alaska, Alaska hire and Alaska fabrication. We would also ask that you become involved in the Alaska buy issue, which is vital to the continued growth of the Alaska Supplier Community. The action taken, by BPXA, to out-source the supply of materials pertaining to the BPXA general goods bundle has been detrimental to many Alaska Suppliers. Fairmont Supply Co., a Price, Utah firm, has no Alaska connection, only that they supply the products that many Alaska Suppliers have been providing BPXA for years. Utah reaps the benefits in increased tax revenues. Because of a BPXA directive, the State of Alaska and its Supplier Community stand to lose if BPXA does not change its directive and purchase 100% of their supplies and services through Alaska Suppliers.

Debenham Electric Supply Co., Inc. is hopeful that the Northstar project goes forth. We would also ask that you be mindful of the supplier issue as it relates to the overall purchasing scheme that BPXA has implemented. BPXA can easily reverse their directive by eliminating Fairmont Supply, the supplier. BPXA can continue their efforts in utilizing Fairmont Supply, the purchasing agent, to help reduce BPXA costs incurred through the execution of purchasing associated functions. This is a compromise which would allow BPXA to accomplish their goals of reduced procurement costs and at the same time receive unlimited support from the Supplier Community.

Debenham Electric Supply Co., Inc. is committed to support events that strengthen the State of Alaska. We support the State Legislature in providing leadership in the passing of legislation that will insure the State of Alaska will have a healthy and flourishing economy for years to come.

Sincerely,



Mitch Robison

Branch Manager

Debenham Electric Supply Co., Inc.

Rick DeTavernier
Inside Sales Representative
Alaska Instrument Company, Inc.
907 E. Dowling Rd. Suite 5
Anchorage, AK 99518

April 29, 1996

Senator Loren Leman
Alaska State Legislature
State Capitol (MS 3100)
Juneau, AK 99801-1182

Dear Senator Leman,

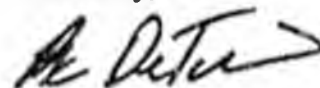
I would like it to be known that I'm very much in favor in the opening of the Northstar oil field. As a recent immigrant to Alaska from Michigan, I am very cognizant of the fact that oil makes the modern world move. I believe that we (Alaskans) should cash-in on the oil in the present and strive for a production base economy in the future.

The opening of the Northstar might bring in a new industry of manufacturing and fabricating of oil field modules. This industry, of manufacturing oil field modules, will most certainly have off shoot industries that will benefit the state as a production based state. Some of these off shoot industries just might survive, after the oil is depleted sometime in the future.

For myself, the issue really isn't Northstar but the issue is Alaska needs a larger manufacturing based economy. Northstar may be a stepping stone for a more productive and larger manufacturing based economy.

Alaska needs to start producing more finished goods, or when the oil runs out so does the future of Alaska. Opening Northstar oil field will certainly be a step in the right direction.

Sincerely,



Rick DeTavernier



Executive Office
McKean Center
Washington, PA 15301
412-223-2200

D. M. CHURCH
Director
Purchasing and Materials Management

April 10, 1996

Dear Supplier,

Effective May 1, 1996, Fairmont Supply Company will relocate and centralize its Price, Utah Western Purchasing functions into our Corporate Purchasing and Materials Management Department out of Washington, Pennsylvania.

All future correspondence should be forwarded to the following address:

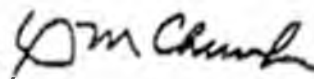
Fairmont Supply Company
P. O. Box 501
Washington, PA 15301
Attn: Purchasing and Materials Management

Phone No.: 412-223-2200
Hours: 8:00 a.m. - 5:00 p.m. E.S.T.
Monday - Friday

Invoicing will remain as before.

Please update your files accordingly and notify the appropriate personnel of these changes at your company. If you have any questions or have any concerns, please contact Mr. Carl Grebner, Manager - Commodity Purchases.

Thank you,


D. M. Church
Director
Purchasing and Materials Management

Question to Alaskan Legislators
Is this where you intended for BP
Exploration to do their business?
Do we now go to Pennsylvania
to sell to the north slope oilfields?



April 26, 1996

APR 29 1996

Senator Loren Leman
Alaska State Legislature
State Capital (MS 3100)
Juneau, Alaska 99801-1182

RE: Senate Bill 318/House Bill 548: DNR/BP Northstar Agreement

Dear Senator Leman:

I am writing to urge your support of the above legislative package that will enable BP Exploration (Alaska) Inc. (BPXA) to move ahead with the development of the Northstar oil field.

The terms of the deal struck between the Governor and BPXA which you are being asked to approve, is a fair deal for the state, and commits the operator to a performance standard that will translate into several hundred construction jobs for Alaskans.

At the time the Northstar leases were originally issued, crude oil prices were high and reserves were hard to come by in the marketplace. The State intended to capitalize on this opportunity, and as lessor, drafted lease terms which gave the State a bigger piece of the action. We all know what has occurred subsequently. If the original lease terms are left unmodified, I do not believe any prudent operator would develop the leases, given current petroleum economics. The lease modifications you are being asked to approve will carry the highest conventional royalty (20%) of any field on the North Slope plus an escalation factor based on oil prices.

Please use your influence to assure passage of this legislation prior to adjournment. It will provide income to the State through an acceptable royalty plus severance taxes; help stabilize the eroding job base on the North Slope; and provide some new jobs as well. At a time when Alaskans are looking to their legislators to reduce spending, increase revenues and provide an economic climate that will promote jobs for our residents, you have before you an opportunity to help accomplish two out of the three with this legislation.

Thank you.

A handwritten signature in cursive script, appearing to read "R. C. Gardner".

R. C. Gardner
President

DAN R. GILBERTSON
1240 GILMORE TRAIL
FAIRBANKS, ALASKA 99712
907-457-3989

POSTAGE PAID

March 26, 1996

MAR 29 1996

TO:

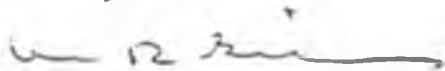
Petroleum News* Alaska
Anchorage Daily News, Fax: 907-258-2157
Fairbanks Daily News Miner, Fax: 907-452-7917
Legislative Information Office - All Legislators mailed to Juneau
Bert Sharp - Chair Interior Delegation Hand Delivered
Gene Therriault - State Representative
Mike Stepovich
Ken Boyd, Director, Division of Oil & Gas, Fax: 907-562-3852
Charlie Cole

Enclosed please find a copy of our letter to Commissioner Shively. We are copying this letter to you not only for informational purposes but for any assistance that you as representatives of the people of our State could provide. At a time when the Legislator and the Senate seem to be going in a pro-development stage, why is it that we as individuals cannot get the same considerations.

Once read, I am sure you will find the attached letter extremely self-explanatory. I am sure you can understand my frustration with this situation

Thank you.

Sincerely,



Dan R. Gilbertson

Dan R. Gilbertson

1240 GILMORE TRAIL
FAIRBANKS, ALASKA 99712

Telephone 907-467-3989

March 26, 1996

Commissioner John Shively
Department of Natural Resources
400 Willoughby Avenue
Juneau, Alaska 99801-1724

VIA FAX TO: 1-907-465-3886

Dear Commissioner Shively,

As a small independent investor on the North Slope, one of only a handful in comparison to the major oil companies up there, I have some serious concerns as to why the Major Oil Companies and the State seem to be so bound and determined to allow only big oil on the North Slope. Specifically, this is in reference to Lease #365537, Lease Date commencing on 11/30/85 for 10 years (this lease has a 16 2/3% Royalty to the State of Alaska).

Let me provide you with some of the specifics on the above mentioned lease.

At one time this lease was part of the Badami Unit, and at the State's request, put into a separate unit (the Rheingold Exploration Unit). Obviously the Badami Unit overshadowed the Rheingold Unit, and there was no reason to have two separate units. We are still unclear as to why we were removed from the Badami Unit in the first place. We were the only lease not owned by major companies excluded from the Badami Unit. Perhaps you can shed some light on this as well.

A year ago, we negotiated with British Petroleum in good faith and thought we had consummated a deal to sell them this lease. BP was not negotiating in good faith. They would discuss the agreement with us verbally and then when we received the written agreement from them, it was not as previously discussed. To put it concisely they negotiated in bad faith.

My reason for this statement is that I suspected that BP was at their State acreage limit while they were negotiating with us. We then offered our lease to ARCO. ARCO stated they were not interested in that area, but then, one month later, at the December 5, 1995 lease sale #80, purchased the adjoining lease to ours- more than likely on BP's behalf.

As our lease was about to expire, we realized that we would not have a deal, and would need to come up with another game plan.

Since that time we have been attempting to seek a lease extension from the Division of Oil and Gas. It became glaringly apparent that we were not going to be allowed to be part of any Unit Agreement.

During the last week of November 1995, we sent our annual lease payment check in the amount of \$14,400.00 with our request for an extension of our lease which was to expire on November 30, 1995. The State subsequently cashed this check, but has yet to notify us if in fact our lease has been extended.

Is it safe to assume that since your department cashed the check, the lease is in fact extended? If so, I would appreciate some verification of this extension.

At this time it would be in the best interest of the State to provide us with an extension on the lease so we can proceed with our plans.

Currently, the Division of Oil & Gas, the Governor's Office, and the Legislators are going the extra mile to promote development on these fields in the North Slope and working directly with the Major Oil Companies. I think it would be very beneficial for the State to provide the same considerations and courtesies to the small independents that have been provided to the major oil companies. Earlier Commissioners have extended leases indefinitely with a discovery well on-site, and being that this particular lease has a discover well, I think we should be given the same consideration. Eg., two leases previously extended were ADL #47466 for ARCO and ADL #455527 for ARCO/EXXON.

I am concerned that if you do not encourage independent investors on the North Slope the same negotiating ability on lease terms and conditions you are giving BP and ARCO, that you will never know the true quantities and value of oil.

The State has had a hand in creating a monopoly for the major oil companies on the North Slope and the people of Alaska should demand that there be some other types of mechanisms structured in so that individuals and independents have equal access to Alaska's resources, so vital for the long term economic development of Alaska and its people.

As a lifelong resident of Alaska, whose family has been involved with oil and gas leases for 3 generations, I expect equal consideration be given individuals and independents that has been granted to the major oil companies.

If the State is to grant us a lease extension - there is nothing to lose, and it is a win-win situation. I feel that we could afford to pay a much higher royalty rate than what the major's say is to high. Alaska has much lower royalty rates than any other country. Our lease has a 16 2/3% royalty to the State of Alaska.

Oil and gas leasing in Alaska is open to all comers; individual, independents, and major oil companies. The State should respond to all lease owners in a consistent and fair manner and not favor just big oil in their decisions.


We feel our lease, ADL #365537 should be extended as we have previously requested and by this letter are asking your assistance and action on this request.

We would appreciate your response on this within 5 days.

Please let me know if you need anything further.

I look forward to your immediate response in the above matter. Thank you for your consideration.

Sincerely,



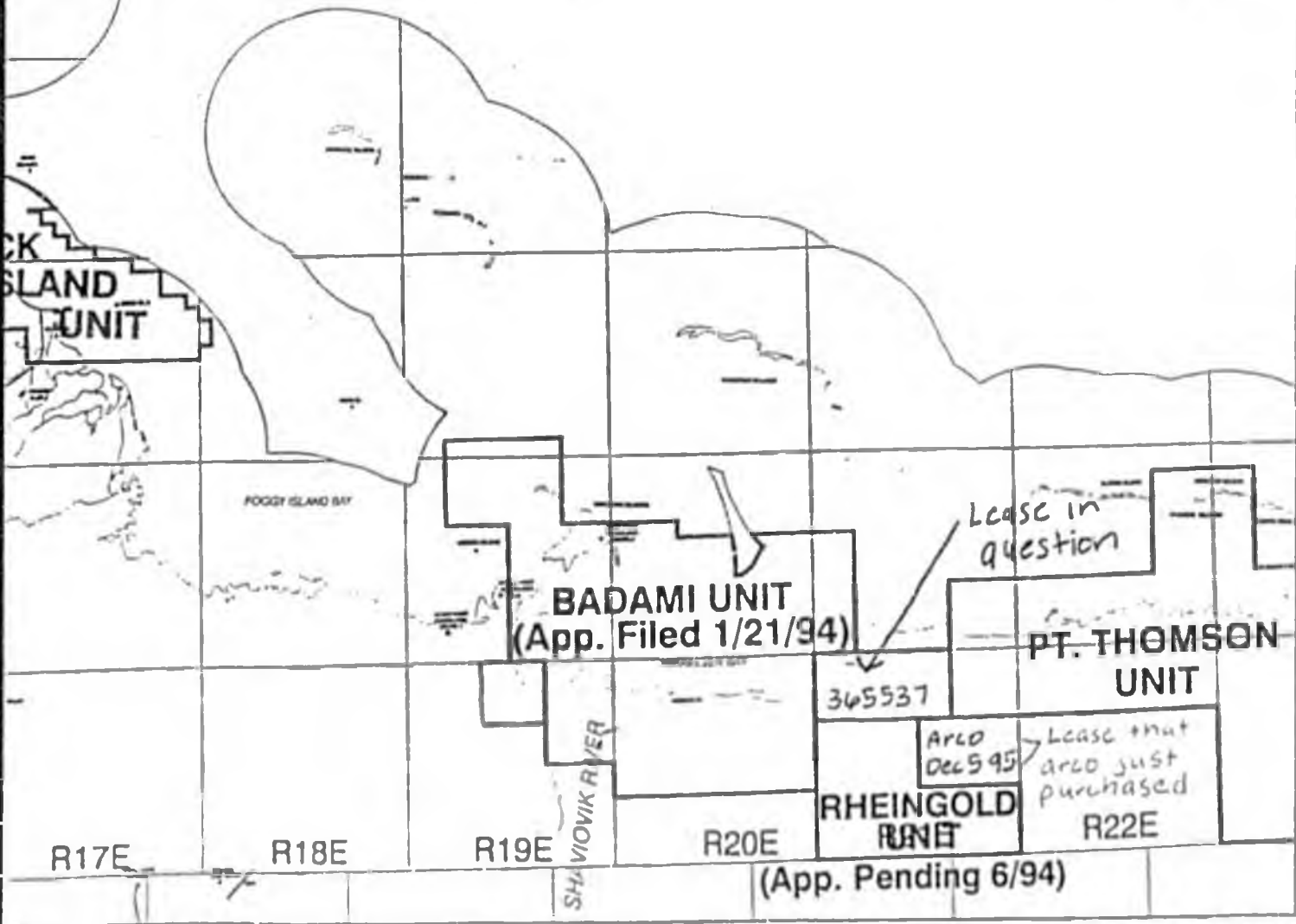
Dan R. Gilbertson

CC: Petroleum News*Alaska
Anchorage Daily News
Fairbanks Daily News Miner
Legislative Information Office - All Legislators
Bert Sharp - Chair of the Interior Delegation
Charlie Cole
Cliff Burglin
Jack Sexton
Jacquie Gilbertson
Ken Boyd, Director, Division of Oil & Gas

ALBERS EQUAL AREA/NAD27

BEAUFORT SEA

NORTH



135

PAY TO THE ORDER OF
FEDERAL BANK OF MICHIGAN
FOR DEPOSIT TO THE ACCOUNT OF
THE SUBMINERAL PAYEE
DEPT. OF NATURAL RESOURCES
MICHIGAN REVENUE
MICHIGAN STATE BANK OF MICHIGAN
(110) 847 6

RECEIVED
MICHIGAN REVENUE
12500024
MAY 25 1954

5901

C. BURGLIN - LAND CONSULTANT

P. O. BOX 17
LANSING, MICH.

MAY 25 1954

PAY TO THE ORDER OF Dept. of Natural Resources \$ 7,412.70

for submineral payee

FEDERAL STATE BANK

FOR A126365537

1954 MAY 25 10:52 AM

10001111000

PRICE

H.C. PRICE CO.

301 W. Northern Lights Blvd., Suite 300
Anchorage, Alaska 99503
(907) 278-4400 • Fax (907) 278-3255

April 26, 1996

APR 29 1996

Alaska State Legislature
State Capitol (MS 3100)
Juneau, Alaska 99801-1182

Attn: Senator Loren Leman
Reference: SB 318
Subject: Northstar Development and Alaska Jobs

Dear Senator Leman:

I enjoyed visiting with you while in Juneau two weeks ago. We are supporting the referenced bill as good business for the State and, based upon personal meetings with representatives of BP, good business for the Anchorage and Fairbanks areas.

You may not realize that H.C. Price Co. has been one of the largest employers of Alaskan construction workers over the past twenty-two years. We have performed over fifteen million man-hours of work since 1979 with Anchorage and Fairbanks dispatched craft employees. Most of those hours were on North Slope Projects (over 50%) and Alyeska Projects (40%). The balance were on jobs in and around Anchorage, Fairbanks, and the Kenai Peninsula, including BP's Hurl State Modules in 1989 and 1990, and other North Slope modules in 1991 and 1992.

We are currently providing BP with detailed costs and capabilities for Alaskan module construction to once again provide module fabrication for the Northstar Project. BP has been very positive regarding the use of Anchorage and Fairbanks resources to build the Northstar modules if the project goes ahead.

I urge you to support the administration-sponsored legislation without modification to ensure early development, early employment and business opportunities, and early State revenue flows.

Thank you for your consideration of this information.

Very truly yours,

H.C. PRICE CO.



Wesley P. Nason
Vice President and General Manager

WPN/n/352

FACSIMILE COVER PAGE

To: Sen Loren Laman
From: Brad Humelsine
Pages (including cover): 1

Time: 09:55:42
Date: 04/19/96

Please find the following letter to BP. It was written in response to the direct mailing they made regarding Northstar.

This is the kind of sweet deal Alaska can do without.

Thank you,

Brad

James B. Humelsine
2553 LaHonda Drive
Anchorage, Alaska 99517
Phone (907) 276-7826

April 19, 1996

John C. Morgan President, Alaska
BP Exploration (Alaska) Inc.
900 East Benson Blvd.
P.O. Box 196612
Anchorage, Alaska 99519

Dear Mr. Morgan:

I am responding to the direct mailing you sent me regarding the Northstar oil field.

As a strong supporter of the oil industry in Alaska, but I am very disappointed in BP and its handling of the Northstar affair. Your company purchased the field knowing full well, what the former owner had bid on the tracts. You also knew as the new owner would be bound by the same agreement. Since this tract was awarded by the competitive bid process, it should only be changed through the same bid process.

BP must feel they much to gain from this purchase and subsequent renegotiation, because in my 17 years in Alaska I have never seen such a concerted effort from an oil company to reopen a contract. In your letter you call this field "relatively small", however your PR effort is relatively large. You have spent a significant amount of money on advertising and other public relations efforts relating only to this field. Historically the themes of your advertising and PR campaigns have been the "good neighbor" or "look at we do for you Mr/ Mrs Alaskan", recently you have used increasingly more hard line themes such as "We are Alaska's biggest tax payer". But never before this have you said call you legislator and tell them "don't tinker with this deal we negotiated with the Governor". I closely follow the Ad campaigns of yours and other companies, I have witnessed your increasingly aggressive themes, and I do not approve of them, period. This another example of the bully attitude your company is pushing.

Sorry, Mr Morgan I am too smart to fall for such a ploy.

If this contract were to be successfully renegotiated, it would set a precedent that I am sure you would be happy to use many times in the future. I think this is wrong for Alaska, and should be stopped now.

Thank: you for taking the time to read my response.

Respectfully,

Brad Humelsine

CC:

Rep. Cynthia Toohy

Sen Loren Leman

Gov. Tony Knowles

Donald W. Ince
3121 Capstan Dr.
Anchorage, AK 99516

April 22, 1996

Senator Loren Leman
State Capitol, Room 113
Juneau, AK 99801-1182

RE: Northstar Lease Terms

Dear Honorable Loren Leman,

I am writing this letter to voice my opposition to changing the Northstar lease terms as proposed by British Petroleum and Governor Tony Knowles. I have been following closely the developments regarding the Knowles-BP deal and I am convinced this is a terrible deal for Alaskans. I read in complete disbelief the manner in which Commissioner of Natural Resources John Shively has analyzed this deal. He essentially says we should trust his analysis that this is a good deal for Alaska. Unfortunately, examination of this deal simply does not support his statement.

There are basically three scenarios put forth for analysis as summarized in the chart below.

Northstar Oil Production	State Earnings		BP Pays Alaska (\$/barrel)	
	w/net profit	w/o net profit	w/net profit	w/o net profit
Case 1=130 million	\$444 MM	\$435 MM	\$3.42	\$3.35
Case 2=105 million	\$312 MM	\$340 MM	\$2.97	\$3.24
Case 3=180 million	\$934 MM	\$639 MM	\$5.19	\$3.55

In Case 1, if BP believes Northstar will produce 130 million barrels it is not clear why they would lobby so vigorously to change the lease terms. The difference they must pay to Alaska is only \$9 million or 7¢/barrel. In case 2, where Northstar produces only 105 million barrels, BP should negotiate to keep the net profit sharing provision. They would actually pay \$28 million less (27¢/barrel less) than if no profits were removed. BP obviously does not believe Northstar will produce only 105 million barrels. So, Alaskans must ask why BP is

spending so much time, money and effort to change these lease terms? The answer is clear when Case 3 is examined. They believe Northstar will produce significantly more oil than 130 million barrels. It is not difficult to understand why BP believes Northstar will become an over-achiever considering the past forecasts for other Alaska oil fields. Prudhoe Bay reserves have increased 35% from 9.6 billion to 13 billion barrels, BP's Niakuk field has increased 85% from 54 million to 100 million barrels since production began. BP's Endicott field has increased 200% from 300 million barrels in 1987 to 600 million barrels today.

BP is fighting hard to negotiate this upside potential away from Alaskans. If they succeed, BP will earn a \$295 million profit as shown in Case 3. If their negotiations fail to remove the net profit sharing provision, they will pay \$1.64/barrel more revenues to Alaska. BP has even resorted to intimidating Alaskans by threatening not to develop Northstar unless we give up our net profit share. When our Senate Resource Committee tried to modify the agreement BP's vice-president Eric Luttrell said, "BP will not reopen the negotiations and cannot agree to the changes." I would respectfully suggest that Alaskans tell Mr. Luttrell and BP that, "Alaskans cannot agree to changing the Northstar lease terms because we believe a deal is a deal and Northstar lease terms will not be reopened for negotiations."

Some legislators and other officials may believe this upside potential at Northstar is speculative and has no value. Obviously, BP believes exactly the opposite. They are hopeful Alaska will change the lease terms in return for something like a few jobs. But look carefully at the proposal. BP makes no binding agreement to construct modules in Alaska or hire Alaskans. The fifty permanent jobs BP estimates will be created by Northstar development will be needed regardless of what the lease terms are or who develops the field. So, it is very difficult for me to understand exactly what BP is offering Alaska residents that is tangible in return for us giving away our net profit share of Northstar.

I urge you to do the right thing and vote against changing Northstar lease terms.

Very truly yours,

Donald W. Ince
via fax

SB 318

Donald W. Ince
3121 Capstan Dr.
Anchorage, AK 99516

April 6, 1996

Senator Loren Lemman
State Capitol, Room 113
Juneau, AK 99801-1182

RE: Northstar Lease Terms

Dear Honorable Loren Lemman,

I am writing this letter to voice my opposition to modifying the net profit sharing lease terms for Northstar oil field. As a citizen of Alaska and co-owner of Northstar oil along with all other Alaska residents, I believe this is a bad deal for several reasons.

First, this deal circumvents the competitive lease sale bid process and establishes a dangerous precedent. If British Petroleum can re-negotiate lease terms awarded in a competitive bid sale why can't any other oil, timber and mineral lease holder do the same? Modifying Northstar lease terms sends a message to corporations that when they formulate a lease bid it doesn't matter what they promise to pay Alaskans for our resources. Actual terms can be re-negotiated at a later date once they've been awarded leases based on commitments they might never plan to keep.

Next, oil fields on the North Slope and elsewhere in the world have a documented history of becoming much larger than original estimates once development begins¹. The remarkable growth of estimated reserves at Prudhoe Bay is highly publicized by the oil industry. Point McIntyre field was originally estimated to be about 100 million barrels when first discovered. It is now estimated to be nearly 400 million barrels in size. BP's Niakuk field was first estimated to be about 50 million barrels and is now estimated to contain approximately 100 million barrels. It is very likely BP's initial estimate of 130 million barrels at Northstar is similarly too low. It is also very likely Alaskans will lose hundreds of millions of dollars in revenues if we agree to change the terms as proposed by BP. It is clear BP is attempting to negotiate away the net profit sharing provision before development begins and the true size of Northstar is revealed. Any modification of lease terms to prolong field life should occur only after development begins and the amount of oil at Northstar is better known.

Also, BP knew precisely what the Northstar lease terms were when they bought them. It simply makes no sense that a company would spend money on leases they believe have no value and the oil is not economic to develop. Either BP is very dumb for buying these leases or they believe Alaskans will be even dumber.

We should not be swayed or concerned by BP's threats not to develop Northstar. If BP refuses to develop Northstar, Alaskans can cancel the leases and re-issue them for competitive bids. BP has already publicized the initial size, development plan and potential worth of the field. Chances are high the oil industry will show a keen interest in this field and Alaskans are certain to get better terms than the current deal proposed by BP. If Northstar leases are re-offered, all oil companies, including BP, will be free to offer Alaskans what they consider a bid-winning price for this oil. BP's attempt to hold our Northstar oil hostage while requesting Alaskans ransom our oil back from them in return for more profitable lease terms is unacceptable.

Finally, the recent revelation that BP might request secret hearings to convince a few legislators why Alaskans must give up our net profit share of Northstar is ludicrous. If BP is unable to convince Alaskans in an open, public manner why this is a good deal then legislators should be unwilling to go behind closed doors and negotiate. Alaskans will not accept the old "trust us ... it's good" phrase coming out of secret meetings. This issue must be decided based on the merits of public and not secret data. If BP decides not to reveal information to the public this is their own choice. We are under no obligation to grant them secret hearings. Again, consider the precedent. Companies could promise Alaskans anything during a competitive lease sale and then secretly go behind closed doors to negotiate final lease terms.

I strongly support plans to provide incentives for oil companies to develop smaller and marginally economic oil fields in Alaska. This makes good sense for both Alaska and oil companies who choose to conduct business here. However, I do not believe re-negotiating competitively bid lease terms is the proper route from which to provide these incentives. I urge you to oppose lease term changes for Alaska's Northstar oil field.

Very truly yours,

Donald W. Ince
via electronic communication

Reference:

- (1) Title: ADVANCES IN OIL AND GAS RESERVOIR APPRAISAL
Author: SPENCER J A
Source: ENERGY EXPLOR EXPLOIT V 8, NO 6, PP 393-402, 1990
Publication Year: 1990
ISSN: 0144-5987

Abstract: Significant variation in reserves during the life of a field, from initial discovery through production and decline to abandonment, has long been recognized as a fact of life in the oil industry. As a fundamental asset of an oil company, there is a global desire to limit inaccuracies and present not only a consistent, but also an accurate view of reserves. Discussed are the stages of a field's development and how these relate to reserves growth and decline. The impossibility of exact prediction from an inaccurate science in a changing world is acknowledged. Statistical information is analyzed to illustrate historical movement and trends in reserves. The application and effect of recent advances in the techniques used in reservoir appraisal and reserves estimation is reviewed.

SB318

Used for
std response

April 25, 1996

Kathleen M. Ladner
3420 Telstar Circle
Anchorage, Alaska 99517

Senator Loren Lemman
Alaska State Legislature
State Capitol (MS3100)
Juneau, Alaska 99801-1182


Dear Senator Lemman:

Considering the state of our economy, any reasonable option we have to improve it should be closely examined. Such an option is Senate Bill 318. Without this bill, Northstar will not be developed. This field means 500 direct jobs in Alaska during the peak of construction, 50 direct, permanent jobs in Alaska throughout the project's life and about \$250 million in new capital spending for the state. All are much needed to ensure an increase and maintain stability in Alaska's economy.

If we fail to pass Senate Bill 318, the message to the oil industry will be clear. Alaska is not interested in reasonable development. A statement I am sure you will disagree with. BP has committed to the development and is ready for action the day after the lease amendment is approved. They have a proven record of success in resource development in Alaska and, more importantly, have committed themselves to Alaska hire, both on their own and through contractors.

You must vote yes on Senate Bill 318. Alaska's people depend on you for their future and the future of the entire state. Thank you.

Sincerely,



Kathleen M. Ladner
Concerned Citizen

Lauesen and Company • Anchorage • Alaska

721 Breakwater Circle • 99515-3633 • (907) 345-4060 • (907) 345-4544 (fax) • email 73244.372@compuserve.com

Thursday, April 4, 1996
(Hon.) Senator Loren Lehman
Alaska State Senate
Juneau, Alaska 99811

Via Fax

RE: BP Proposal; Big Dipper Oil; gratitude to you and Senator Taylor

I note in today's paper (ADN: 4.4.96: B1: SENATE PANEL CONSIDERS BP PROPOSAL) that BP spokesman Luttrell emphasized that the fundamental difference between the net profit share arrangement in Venezuela and Alaska is the profitability of the field. This is *prima facie* baloney! There are a myriad of other differences built into the Venezuela deal including foreign exchange benefits and equity in the project which gives a reduction of the net to the venture by allowing profit-taking by a JV holding company...I am attempting to get more details via the internet and will pass them on to you.

You and Senator Taylor are absolutely right to question this deal. Think of Alaska as an Oil Company. Let's call it "Big Dipper Oil". Think of each Alaskan as a shareholder in that Company. Now think of yourself as a member of the Board or Directors of Big Dipper. Now consider the fiduciary responsibility of that Board AND the CEO (Governor) to ensure profit maximization. In this context, then I must ask the following: Why in the hell are we not requesting Statements of Interest from every potential development partner in the World? Why are we giving the Franchise for our State's Future to the Big Oil Triumvirate when there is a world virtual alliances and partnerships available out there. Why don't we buy back the *@#! lease if we prospect a better deal? Why don't we start acting with some *cajones* when these companies sit down at the table--this is OUR future at play!

Senator, I am a lifelong Alaskan, a lifelong Democrat, and a (former) supporter of the Governor, but as far as I can tell, you and Senator Taylor are the only ones in leadership who are asking the right questions. Thank you for exercising your fiduciary duties in this monumentally important issue.

Please pass this along to Senator Taylor with my gratitude...

Sen. Loren Leman,

4-20-96

First of all I want to compliment you on your handling of the Northstar issue.

I also want to pass on a couple thoughts/ideas to you.

In this deal with BP can we establish a review board that looks at this every year to see if both parties are living up to their end of the deal?

And in this review board could we have a couple BP north slope employees on it.

Also give this review board the power to cancel the agreement or at least halt it until agreements are met.

Keep up the good work

Mark A. River

p.s. We had a rally in front of the BP building on the 17th, news came out but didn't give us any air time. But we had a lot of support from cars driving by, honking their horns and giving the "thumbs up" sign!



Oilfield Service Co.

APR 29 1996

April 26, 1996

Senator Loren Leman
Alaska State Legislature
State Capitol (MS 3100)
Juneau, Alaska 99801-1182

Dear Senator Leman,

I want to ask you for your support of Senate Bill 318.

The continuing decline of oil production in Prudhoe Bay only means that we as a state must find smaller oilfields to develop to keep our economy strong. Northstar can and should be developed soon.

BP has made a commitment to the state with the Northstar package. BP has committed to use local hire and stimulate a new local job market with module construction occurring in the state. In addition, royalties to the state could be the highest of any Alaskan oilfield produced to date.

As a concerned Alaskan and as a professional in an industry that is the biggest financial contributor to state government, I urge you and your colleagues to support Northstar.

In addition, your efforts to reduce the operating budget should be commended, but your reluctance to tackle the taxes supported by most Alaskans (Cigarette & Alcohol) and raise fuel taxes to national levels leave me questioning your ability to make the hard decisions. Also, you have not proposed any long range financial plan that deals with the constitutional budget reserve, the ever-increasing budget deficit, nor the "Alaskan Give Away Program", the Permanent Fund, that continues to escalate and pay transient residents and future additions to our population from our accumulated state wealth. Having been appointed and spent numerous hours on the aforementioned budget problems, I find it inexcusable that our Legislature does not resolve to plan against Alaska's fiscal crisis.

Sincerely,

Michael R. O'Connor
President

711 Montagne
Anchorage, Alaska 99507
(907) 337-8538

PETRO MARINE SERVICES

Petroleum Marketing to the Marine Industry

5B318

APR 17 1996

April 15, 1996

Senator Loren Leman
Room 113
State Capitol
Juneau, Alaska 99801-1182

Dear Senator Leman,

The Alaska Legislature is currently in the process of making a decision on the Northstar offshore oil field, located six miles north of Prudhoe Bay. According to BP Exploration (Alaska) Inc. officials, Northstar will yield about \$500 million in new government revenues and another \$500 million in direct spending in Alaska over the life of the project.

As a lifelong Alaskan and businessman, I can clearly see the benefits of this project. I consistently embrace and support projects that offer the opportunity to be a "win" for all parties. Northstar represents a creative -- and mutually beneficial -- approach to developing a field with marginal economics because of the 89-percent net profits requirements.

On the other hand, I recognize that in your position as a legislator, this may be a challenging decision. Northstar will break new ground for our traditional oil and gas policies. In any event, as I understand it, we are exchanging long-term risk for the short-term certainty of a 20-percent base royalty and the potential of another 7.5-percent supplemental royalty. While some will view this strategy as a "trade-off," from my perspective it is a symbol of a true partnering relationship between industry and the state.

P.O. Box 389 • Seward, Alaska 99664



Phone (907) 224-3190 • Fax (907) 224-3937

A HARBOR ENTERPRISES COMPANY

In addition, BP says that Northstar will directly create 500 construction jobs and 50 permanent jobs, as well as generate hundreds of indirect jobs. In my opinion, this is a substantial and significant step forward in positioning Alaska as an attractive state in which to conduct business.

At the present, I view the Alaska economy as being reasonably stable. While we are not experiencing dynamic growth, I have no overriding anxieties that we are facing a down cycle. If we are to maintain economic stability, I encourage the Legislature to continue to support the private sector in Alaska, which ultimately benefits all Alaskans. Accordingly, this letter is to respectfully request your support of the Northstar agreement as negotiated between BP and the Alaska Department of Natural Resources. Again, and for the record, I am squarely behind Northstar!

I appreciate your taking the time to consider my views.

Sincerely,



Dale R. Lindsey
President/Chief Executive Officer

April 24, 1996

Senator Loren Leman, Chairman
Senate Resources Committee
Fax 907-465-3810

In exchange for Northstar, please consider requiring BP to renegotiate their unitization agreement for Prudhoe Bay gas. We can't sell our gas and build a gas pipeline until the major owners all agree to a gas sale. The sale of gas has a wildly different impact on their respective financial statements. They can't agree because the present unitization agreement was driven by oil economics. A new unitization agreement for the gas would establish some commonality among the owners. It is the most important condition precedent for building the gas line.

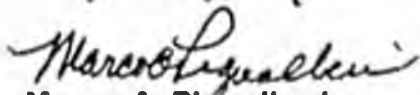
Our petroleum resources are constitutionally owned by all the people of Alaska. We deserve to have hearings in our communities. This is not an issue that should be confounded in the rush to a sine die adjournment. However, you can put in to place a mechanism to accomplish Northstar and the re-unitization of the gas in the next legislative session while giving the public time to absorb the issues.

Your proposed royalty rollback for heavy oil is good leverage to get ARCO (West Sak) to agree to reunite.

I would also urge you to consider dropping the litigation against EXXON in exchange for their agreement to renegotiate a unitization agreement for the gas. Circumstances are in alignment for us to accomplish a win-win for everybody. With BP, EXXON and ARCO in harmony with us, we will sell our gas and get the gas pipeline built.

This message is too lengthy to be sent as a POM. I'd appreciate it if you would distribute this to other Senate and House members.

Respectfully,



Marco A. Pignalberi
4222 Pinnacle Circle
Anchorage, Alaska 99504
907-338-2924



PUGET SOUND PIPE AND SUPPLY CO.

P.O. BOX 230349
(907) 344-1124

2300 AZURITE COURT
TLX: 881706

ANCHORAGE, AK 99507
FAX: (907) 344-6430

APR 10 1996

April 6, 1996

Senator Loren Lemman
Alaska State Legislature
State Capitol (MS3100)
Juneau, Alaska 99801-1182

Subject: Northstar NPSL Leases

Dear Senator,

I am writing this letter to you requesting your support for the request made by BP Exploration to remove the net profit terms from the Northstar Unit's five state leases. Removal of net profit terms from these leases is essential for Northstar to be a competitive investment. BP cannot develop Northstar if the current net profit terms remain in place.

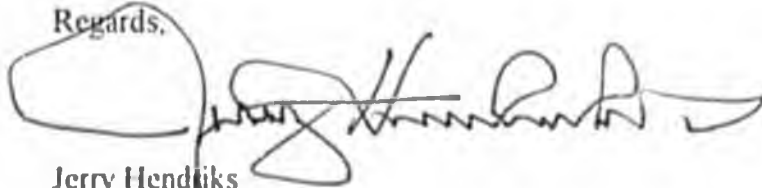
I have been an Alaska resident since 1966, when I moved to Kenai, Alaska to support the Cook Inlet oil boom. I started Puget Sound Pipe in Anchorage, Alaska in March of 1984 to support Alaska's needs for pipe, valves and fittings. The oil industry currently represents 90 percent of my Alaska sales dollars. I have 16 full time sales and warehouse people in my Anchorage operation, all of which are Alaska residents. Our Alaska sales in 1995 were 13 million dollars. This was an increase of 35 percent over 1994 sales. This increase was due largely to the purchases made by BP Exploration for the expansion of the Milne Point Production Facilities. My direct sales to BP Exploration were up 23 percent, plus my contractor sales of over \$4 million dollars for piping material for the Milne Project. In 1995 BP Exploration represented over 50 percent of my total sales. Myself and my 16 employees all need for BP to develop the Northstar Field. We depend on the continued development of small fields for our jobs here in Alaska.

There has been some question as to BP Exploration's plans regarding the purchase of material outside of the state of Alaska, for MRO needs as well as project requirements. Since this question was presented by several vendors, BP Alaska Exploration agreed to meet with all concerned Alaska Vendors. I have attended several of these meetings and was very pleased to hear from BP contract managers that they plan to keep their materials purchases here in Alaska. In fact they have committed to increase Alaska spending by purchasing goods in Alaska that have in the past been purchased in the lower 48 states. I have every reason to believe this will be the case based on purchasing history for the Milne Point Project.

The recent agreement between BP and the State on Northstar is an important milestone for Alaska and the oil industry. It not only offers jobs and long-term economic benefits, but also marks the beginning of a dynamic, State-Industry Partnership. Under this agreement, the State would collect at least \$430 million in royalties and taxes during Northstar's 15-year life, including \$37 million in supplemental royalties. About 500 construction and 50 permanent jobs would be created. Production modules would be fabricated in Alaska, significantly upgrading and expanding that industry, which has already produced about 100 modules for the North Slope.

The NPSL Leases were a product of the 1970's, when some believed oil prices would soar to \$100 per barrel. In the fiercely competitive 1990's these assumptions must be re-examined. I am a materials supplier to BP Exploration, but also a longtime Alaskan. For the benefit of all Alaskans, I urge the Legislature to pass legislation allowing Northstar to move forward.

Regards,

A handwritten signature in black ink, appearing to read "Jerry Hendriks". The signature is written in a cursive style with a large, looped initial "J".

Jerry Hendriks
Vice President
Alaska Operations

APR 20 1996

April 17, 1996

Honorable Loren Leman
Alaska State Senate
State Capitol
Juneau, Alaska 99801-1182

Dear Senator Leman:

I'm writing to express my concern that nothing much seems to be going on with respect to the development of the Northstar oil field.

I understand that any business arrangement that concerns hundreds of millions of dollars, as this one does, requires intelligent deliberation. What I do not understand is that this legislature — comprising as it does a majority of lawmakers who, purportedly, are aware of the priorities and needs of the state's major industry — should in effect sit on its hands while a major source of jobs and state revenues is frittered away.

Acquaintances have explained away the Republicans' lack of zeal as sour grapes that stem from the fact that, so the story goes, the governor got there first. It's an entertaining explanation, but I simply can't apply it to serious legislators such as yourself.

If in fact there is serious deliberation going on and the pluses and minuses are being added and subtracted, can you let us in on what's going on? Northstar sounds, in short, like a good deal for everybody concerned. Can we get it passed this session?

I look forward to your reply.

Sincerely,



Harold Pierce
2535 Discovery Court
Anchorage, Alaska 99517

★ 1975 Serving Alaska for 20 years 1995 ★



Resource Development Council for Alaska, Inc.

121 West Fireweed Lane, Suite 250, Anchorage, Alaska 99503-2035
Phone 907/276-0700 Fax 276-3887

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Bucky L. Gay

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April 12, 1996

Senator Loren Leman, Chair
Senate Resources Committee
Rm. 113, Capitol
Juneau, AK 99801-1182

Dear Senator Leman and Members of the Committee:

The Resource Development Council (RDC) supports the recently-negotiated agreement regarding the Northstar oil field in the Beaufort Sea. The economic incentives provided by the bill transmitted to the Legislature to authorize, approve and ratify the amendment of the Northstar Unit c.d and gas leases will enable BP Exploration (Alaska) to move ahead and invest in the technology to develop the field.

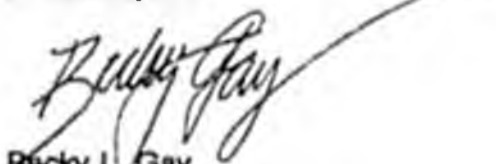
RDC finds the Northstar pact a refreshing and promising development in this era of budget cutting and declining state revenues. Development of Northstar will generate hundreds of millions of new dollars into the state treasury from royalties and taxes and create hundreds of good new jobs. Those jobs will go to Alaskans, as will the contracts to build oil field modules, similar to the large skid-sized modules that in the past were assembled in the Lower 48. All of this activity will generate new economic growth throughout the private sector.

With the expansion of infrastructure, other known oil fields and prospects in the area will become more attractive, so it is probable the success of Northstar will lead to additional development opportunities that might not otherwise occur.

With only weeks remaining in this legislative session, RDC appreciates your committee taking the time and the appropriate steps to consider and, hopefully, support the Northstar proposal. Thank you for your efforts to amend the Northstar leases to promote more immediate development, create jobs for Alaskans and revenue for the State.

Sincerely,

RESOURCE DEVELOPMENT COUNCIL
for Alaska, Inc.



Bucky L. Gay
Executive Director

cc: House Speaker Gail Phillips
RDC Board of Directors

To: Senator Loren Leman, Chairman, and members of the Resources
Committee.
April 9, 1996

From: Jack Roderick - 1620 Hidden Lane, Anchorage, 99501
(907) 272-8089

Re: SB 318 - Northstar net profits
Beaufort Sea leases.

As state deputy commissioner of natural resources in 1977, I drafted the oil and gas leasing amendment (which included net profit leasing) used in the December 1979 joint federal-state Beaufort Sea lease sale. I am now testifying as a private citizen.

Sixteen oil companies bid net profits in December 1979 on state Tracts 46 and 47, now at the center of the Northstar oil field. (All state tracts carried a fixed 20 percent royalty, plus a fixed bonus payment.)

Union Oil of California offered 32 percent net profits to the state on Tracts 46 and 47. Shell and Murphy Oil bid 56 percent. Conoco, Placid (Hunt), Cities Services, Getty, Gulf Oil, and Texas Gulf bid 61 and 71 percent. Texaco and Texas Eastern Exploration Co. bid about 80 percent on each tract. Amoco, bidding alone, offered 71 and 82 percent. Amerada Hess, the high bidder for Tracts 46 and 47, bid 93 and 91 percent, respectively.

Texas Eastern Exploration Co. bid on two other net profits Northstar tracts with winning net profits bids of about 85 percent. Prior to assigning these two Northstar leases to Amerada Hess in 1991, Texas Eastern and Shell drilled several wells. Their Seal Island No. 3 well ("capable of producing oil in paying quantities") extended the leases under a unit agreement.

In 1995, BP made the business decision to buy Amerada Hess' and Shell's interest in Northstar for an undisclosed price and against unnamed competitors. BP felt it could convince the Governor to abolish net profit provisions in Northstar leases and re-negotiate the lease terms. It was a business decision that BP now wishes to justify.

Under net profits leasing, government has access to financial data not usually available to it. Sometimes more difficult to administer than bonus and royalty bid leases, net profit operations greatly circumscribes the operator's immediate net income.

In exploration, a company prefers to take most of the risk so if a discovery is made immediate income (compared to net profits) is received by it. The risk inherent in exploring for commercial amounts of oil is very high, so large rewards should be given. This makes good business sense for both the operator and the state.

SB 318
Roderick - 2

However, Northstar is not an exploration prospect. It is a development project. Northstar is a discovered oil field. It is at least partially developed. Five wells at Northstar are capable of producing oil. BP estimates that at least 130 million barrels of oil can be produced from the field. (It is a known geologic structure (KGS) and, as such, any leasing of it must be by competitive bid.)

Being a development and not an exploration project, the ideal way for Northstar to be developed in the state's view is by net profits. Using net profit bidding on a partially discovered oil field was one of the situations the legislature contemplated when, in 1970-1979, it passed the leasing amendment that included net profits.

Under net profits leasing, the landowner (state) willingly postpones its income until the operator recovers his costs. The operator thus has the incentive to increase his development and operating costs, thereby lessening the landowner's (state's) net profit share. This so-called "gold-plating" - the operator's incentive to increase costs - when applied to a known oil field like Northstar works very much in the landowner's favor.

Northstar will have the first ever Beaufort Sea sub-sea pipeline. It will have the first ever production from a natural Arctic island. The state should welcome the idea of an operator having the incentive to spend more money developing and operating such a Beaufort Sea oil field. The project needs to be done right. Spending a few more dollars to do it right benefits everyone. Even contractors such as Veco and Arctic Slope - and even labor unions will do better under net profits than under straight royalty leases. BP has already sweetened the proposed deal with an offer of a "supplemental royalty" if and when oil prices rise, and it says it plans to already pay in-state contractors more to manufacture Northstar modules in Alaska. More such "in-sourcing" could be expected under a net profits operation.

An example of how net profits works for government can be seen at the Wilmington oil field offshore the City of Long Beach, California. When this giant oil field was discovered some three decades ago, five oil companies (THUMS) bid more than 90 percent net profits to develop and operate it. The City of Long Beach and the State of California (and some 6,000 uplands owners) have for more than thirty years been sharing net profit income from the field. No premature production shut-down has happened at Long Beach. Arco now owns the field, which is still producing more than 40,000 barrels of oil a day, and the field is expected to continue producing for another 10 to 15 years.

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Roderick - 3

BP claims it won't develop Northstar unless all net profits is dropped. I think that if the legislature turns this deal down, BP would either re-think its decision not to proceed or find a successor to develop the field. I don't believe that BP would totally abandon its already substantial investment in Northstar. It has already reduced Amerada Hess' and Shell's original estimate of the cost of developing Northstar by two-thirds. Any successor would be able to take advantage of these cost reductions. I believe another company or group of companies could develop 130 million barrels of North Slope oil and make a profit.

The proposed BP-state agreement is sometimes presented as an all-or-nothing deal. Either BP develops the field or no one will. A more win-win scenario might be for BP to produce the field under net profits for two years, and then go back to the commissioner and seek a reduction in its royalty. This scenario is already possible under existing law.

The argument is sometimes made that if the BP-state deal is approved by the legislature other companies, especially those with Beaufort Sea net profit leases, will also expect to re-negotiate their lease terms. As a practical matter, I don't think many operators will so seek to trouble themselves and the Governor and the legislature, but if more Northstars are developed - and there will undoubtedly be some in the Beaufort - more re-negotiated lease deals can be expected. Likewise, bidders in future competitive lease sales could feel that their opening bids were only the first round in future negotiations with state officials. And any substantial future change in oil markets might find leaseholders seeking to re-negotiate lease terms.

If the BP-state proposed deal is turned down by the legislature and BP fails to proceed at Northstar and its leases are returned to the state, competitive re-bidding of these tracts will reveal the leases' true worth. If Northstar is developed under net profits - either by BP or someone else - the state will then know what the oil is truly worth.

SB 318
Roderick - 4

BP says its main objection to net profits is that it would force BP to prematurely shut down the Northstar field once the state's net profit share kicked-in. Rather than produce oil still netting it 50 cents a barrel (after all its costs), BP says it would shut the field down. It says it doesn't want to be in a position to prematurely shut-down an oil field, because such an act would hurt BP's worldwide reputation.

I don't believe BP would shut-in a field still making a net profit. I think it would first find a successor (perhaps carrying less overhead than BP's) so that production would be allowed to continue. BP would rather own the North Slope oil than give it to a competitor. (Arco must be making some profit at Long Beach; at least it owns the oil being produced.)

In any event, Alaska's state government would take an interest in any proposed premature shut-down of Northstar. If the field were still capable of producing a profit for the state, it would see to it that its natural resources were not being "wasted".

PAGE 1-42

SB318

SENATOR LOREN LEMAN,

AS ALASKANS WE HAVE ALL WATCHED
BIG OIL AND HOW IT DOES BUSINESS IN
ALASKA. I HAVE SEEN THE BETTER PAYING
HIGHLY SKILLED JOBS START TO BE CRIMINATED
BY THE TERM "OUTSOURCE" SEVERAL YEARS AGO.
I HAVE LIVED IN ALASKA MORE THAN 30 YRS. AND
FEEL WE HAVE TO FIGHT HARDER EVERY DAY TO
MAKE SURE OUR CHILDREN HAVE THE OPPORTUNITY
WE HAD WORKING HARD AND GOING FORWARD TO WORKING
FOR GOOD EMPLOYERS THAT VALUED SKILLED WORKERS.

B.P. IS BACK TO "OUTSOURCING" AGAIN WITH MIKE
TO COME AS THEY SAID "WE ARE LOOKING AT ALL
JOBS AND OPPORTUNITIES TO CUT COST." THEY ALSO
HAVE AGREED TO PURCHASE ALL GOODS FROM OUR
MATERIALS GROUP TO "EXTRACT" A FIRM FROM
UTAH. BIP. SAYS THE ALASKA SUPPLIERS HAVE TO
BECOME COMPETITIVE - WE NEED TO ASK JOHN V. MORGAN
(B.P.X. PRESIDENT) IF HE FEELS HE GOT THE SAME
KIND OF HOME IN ANCHORAGE FOR THE SAME MONEY
AS HE WOULD IN MONT. WASH, MINN. ETC?

DICK OLIVER - DEPUTY CHIEF EXECUTIVE B.P.X. - AT
THE ANNUAL ALASKA SUPPORT INDUSTRY ALLIANCE MEET
ALASKA CONFERENCE JAN. 27TH SAID "THE OIL INDUSTRY
MUST REAFFIRM OUR COMMITMENT TO TRAIN AND HIRE
ALASKANS" LETS HOLD B.P. TO IT!! AT LEAST KEEP
THEIR SKILLED WORK FORCE AS THEY ARE ALREADY TRAINED

PAGE
20F

AND VERY SKILLED WITH MANY YEARS
OF PROUDER BAY SERVICE.

WE HAVE SEEN ARTICLES RECENTLY
ABOUT HOW THE LEGISLATURE AND EXECUTIVE
OFFICES HAVE BEEN HELPING THE OIL COMPANIES
GET TAX BREAKS FOR MARGINAL FIELDS ETC.
THEY HAVE FINALLY RECEIVED A BIG BREAK
THAT MEANS \$30,000+ EACH DAY THEY SHIP OIL
TO THE PACIFIC RIM, AS THE EXPORT BAN IS
NO LONGER IN THEIR WAY.

I'M ASKING THE STATE TO HOLD THEIR
FEET TO THE FIRE AND NOT TO BE INTIMIDATED
BY THEIR THREAT OF ALL THE JOB LOSSES ETC.

THEY WILL BRING ONLINE NEW FIELDS
IT WILL ONLY TAKE A BIT LONGER BUT ITS
WORTH IT TO BE TAKEN AND THEY WILL TAKE IT.

I VALUE YOUR JUDGMENT AND HAVE
VOTED FOR YOU MORE THAN ONCE. I WAS
OUT OF TOWN LAST WEEK BUT GET WORD YOU
WORE THE ONLY ONE ASKING QUESTIONS OF RIG
OIL IN JUNEAU. THANK YOU FOR YOUR TIME.

AND FIGHTING FOR ALASKA &

ALASKA'S ~~Oil~~ ~~Industry~~

RICHARD SIMMONS

3018 LEXINGTON AV.

ANCHORAGE AK 99522

907-243-2951

*Fax Transmittal*

3243 Commercial Drive ~ Anchorage, AK. 99501 ~ 907-278-5773 ~ Fax 907-274-2646
2132 Railroad Ave. ~ Anchorage, AK. ~ 907-276-4303 ~ Fax 907-276-3448

Please deliver the following pages to:

Name:	Loren Leman	No. of pages:	
Company:	Senator	From:	Richard Faulkner
City:		Date:	26 APR 96
Fax:	907-465-3810		

Reference: North Star Oil Field

Comments:

I'm writing in support of BP Exploration's agreement with Governor Knowles to open the North Star Oil Field and to express our full support here at STEELFAB.

STEELFAB is the largest steel supplier/fabricator in the state and employees approximately forty people, year round. All of our employees work, live and are raising their families here in Alaska.

STEELFAB believes that the opening of the North Star Oil Field would be very beneficial to our economy in Alaska and should be viewed as very positive opportunity for the private sector to continue business.

I'll reiterate, STEELFAB and our families support BP Exploration in opening the North Star Oil Field.

Sincerely,

Richard Faulkner
President



General Teamsters Local 959 State of Alaska

Alliated with the International Brotherhood of Teamsters

ANCHORAGE ALASKA 99504 4516 ROBINSON HWY. (907) 263-4122 FAX (907) 337-8888 GERALD L. HUCO Sec. / Treas.

FAIRBANKS ALASKA 99701 P.O. Box 10629 (907) 452-2959 FAX (907) 452-5651
JUNEAU ALASKA 99901 378 W. JUNEAU ST. (907) 456-1225 FAX (907) 456-1227

May 3, 1996

MAY 03 1996

Senator Rick Halford
Senator Steve Frank
Co-Chairs, Senate Finance Committee
Alaska State Senate
Juneau, AK 99801

Dear Co-Chairmen:

As you are aware, I have previously corresponded with both the House and Senate Resource Committees expressing my concern with regard to the Administration's proposal on the North Star Leases.

After extensive conversations with officials of British Petroleum, its proposed subcontractors and members of the Administration, I am convinced the concerns raised in my previous correspondence have been eliminated and I now can strongly support the North Star proposal as it is embodied in the World Trade and State/Federal Relations committee substitute for House Bill 548.

My union along with several others have reached accord with subcontractors on this project to utilize our Alaskan hiring halls thus assuring a higher degree of residential hire than otherwise could have been expected absent such an agreement.

Because of the record established by Chairman Barnes during the World Trade Committee hearing conducted on April 29, 1996, I believe the legislation before you will pass constitutional muster. The review process established in the committee's substitute for HB 548 will keep this project under such a fine microscope that no prudent company wishing to continue to do business in this state dare violate it's spirit and intent.

Most importantly, BP's public commitment to utilize on-site production and processing modules and its further commitment to

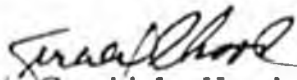
Senator Rick Halford
Senator Steve Frank
May 3, 1996
Page 2

fabricate those modules within Alaska is an exciting development as other opportunities for future oil and gas exploration and production present themselves such as the eventual opening of ANWR. Without BP's public commitment this work most likely would have been performed in Canada or Louisiana.

Thank you for your consideration of my position on this most important matter. I urge you to pass the House World Trade and State/Federal Relations Committee substitute without amendment.

Sincerely,

TEAMSTERS LOCAL 959



Gerald L. Hood
Secretary-Treasurer



General Teamsters Local 959 State of Alaska

Affiliated with the International Brotherhood of Teamsters

ANCHORAGE, ALASKA 99504 4300 BONIFACE PKWY 907 262 4122 FAX 907 337 6263 GERALD L. HOOD Secretary/Treasurer

FAIRBANKS, ALASKA 99707, P.O. Box 70002 907 452 2959 FAX 907 452 1051
JUNEAU, ALASKA 99801 706 Willoughby 907 586 3225 FAX 907 586 1227

April 11, 1996

APR 15 1996

Senator Loren Leman
Chairman, Resource Committee
Alaska State Senate
Juneau, AK 99801

Dear Mr. Chairman and Committee Members:

I am writing to the Committee to express my deep concern with regard to the Administration's proposal on the North Star leases.

While my concerns cover a broad range of subjects, I want to confine my comments here to the issues of Alaska hire.

As you know, in my position as Chief Executive Officer for the Teamsters Union in Alaska, I have often been an advocate for the oil industry. We strongly support the environmentally sound development of our natural resources. We have been in the forefront in the fight for lifting the oil export ban, royalty relief, and the opening of ANWR for hydro carbon exploration and production.

We did so in the belief this was good for all Alaskans and would enhance benefits to the Alaska workforce. To date, what we have seen is a continuing decline of employment opportunities for Alaskan workers in the oil patch. Statistics tell us Alaskans participating in North Slope construction projects has dropped to its lowest level since the pipeline was built.

The North Star agreement before you is extremely deficient when it comes to strengthening the potential for Alaskan workers. Therefore, neither I nor my organization can support it in its present form.

We need greater assurances that Alaskans will be put to work. We need greater assurances to affirm employment opportunities are made available to rural and native Alaskans. Utilizing the employment of Alaskans not only ensures that maximum benefits accrue to the state from economic development, it also reduces demands upon the state such as unemployment insurance and public assistance. Therefore, we urge stronger

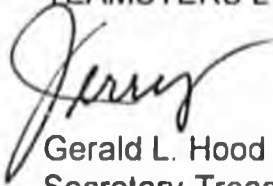


Senator Loren Leman
April 11, 1996
Page 2.

language to ensure Alaska hire is placed in SB318 and any other oil industry bills that grant economic relief or production incentives. To not grant such assurance is an economic downfall for all Alaskans.

Respectfully,

TEAMSTERS LOCAL 959

A handwritten signature in cursive script, appearing to read "Gerald L. Hood".

Gerald L. Hood
Secretary-Treasurer

/kk
JH\North.Sta

Jacob G. Tuckerman 1836 S. Salem Drive Anchorage, Alaska 99508

April 22, 1996

Mr. John C. Morgan
BP Exploration (Alaska) Inc.
P.O. Box 196612
Anchorage, Alaska 99519-5111

APR 25 1996

Dear Mr. Morgan:

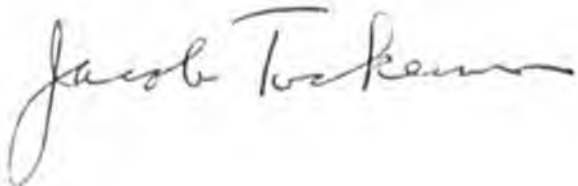
I received your letter asking for the support of Alaskans in changing the terms of the Northstar oil lease. I generally support prudent oil development in Alaska.

I cannot support BP's request to change the terms of the lease it purchased because BP is asking for better lease provisions without giving concrete benefits to Alaskans. BP purchased the Northstar lease knowing its terms. The proposed changes to the lease were undoubtedly negotiated in good faith. It is my understanding that BP has not made firm contractual commitments to start the project before the date required by the present lease, to hire Alaskans, or to build production modules in Alaska. We all make promises: some are kept, ... many are not. I would much rather see BP's promises secured by contract. The lack of binding promises, together with the sharp reduction in the State of Alaska's ability to share in the benefits if production exceeds estimates, argue strongly against changing the terms of the Northstar lease.

The oil companies in Alaska pointedly insist on having a stable business environment so that they know where they stand. Alaskans can ask no less of the oil companies, BP included.

A contracting officer I worked with used to say that bidders shouldn't get a "second bite at the apple". It sure looks like BP wants that second bite, but doesn't want to pay for it. The State and Alaskans deserve fair consideration for any change to the present Northstar lease.

Sincerely,



copies to:
Gov. Tony Knowles
Rep. Kay Brown
Rep. Brian Porter
Sen. Dave Donley
Sen. Loren Leman

Senator Loran Leman
Juneau, Alaska
FAX ⁽⁹⁰⁷⁾ 465-3810

Several years ago in an irreverent play called "Sister Mary Agnes Answers All Your Questions" a young man asks an elderly nun if God answers all prayers. Her answer is, "Yes, but sometimes the answer is no." Governor Knowles must not have seen the play, because his answer to BP's prayer is the wrong one.

Many people are watching your struggle to do the right thing in the face of heavy opposition. All we can ask is that you do your best to protect the interests and future of the State of Alaska. The stakes are high and the deck may be stacked. But you already know that.


Sheila M. Turner



UDELHOVEN

Oilfield System Services, Incorporated

11401 Olive Lane
Anchorage, Alaska 99515
Fax 907-522-2541
907-344-1577

MEMORANDUM

TO: Senator Loren Leman

FROM: James Udelhoven, President
Udelhoven Oilfield System Services, Inc.

SUBJECT: NORTHSTAR LEGISLATION

The Northstar offshore field development is the most important issue before us this year. The approving of Northstar by the Senate, House and the Governor will send the message to the public that there is a spirit of cooperation between these important governing bodies. It will be a positive first step in the development of marginal oil fields in Alaska. Our industry can, if we work together, carry Alaska into the next century and beyond. We have a plan that provides jobs, that provides a guaranteed return to the state of Alaska. The decision you make today is a very important one, I ask for your consideration and the passage of Northstar.

April 23, 1996

APR 23 1996

Gov. Tony Knowles
Rep. Joe Green
Rep. Sean Parnell
Rep. Con Bunde
Sen. Judy Salo
Sen. Loren Leeman

Re: BP lease negotiations at Northstar

Dear Governor, Senators, and Representatives;

I would like to express my strong opposition to the recent negotiations with BP concerning renegotiation of the net profits and royalty terms of the Northstar oil field. I believe renegotiating the terms for this field is a bad deal for the Alaskan resource owner and is unfair to the larger oil industry. I work as a petroleum geologist in Alaska and my objections to the Northstar deal are these two:

1. Probable reserve growth at Northstar

The proposed terms reported in the press show Alaska losing much income from Northstar if eventual reserves are much larger than estimated and receiving more income if the field is smaller than expected. However, a typical oil field increases reserves between 2 and 3 times from the time of first discovery to last eventual production. This reserve growth occurs because of initial conservative estimates mandated by the SEC, by conservative estimates by the company itself, by application of unexpected, new technology to existing fields, and sometimes by unexplained superior performance of the reservoir. Many companies count on reserve growth and work it into their future expectation and upside, even though these are not officially booked reserves. Reserve growth of 2 to 3 times the original estimate is typical for the worldwide industry and not unusual. On the North Slope of Alaska, every field of which I am aware has experienced dramatic reserve growth, with the possible exception of the Lisburne Field, discussed below.

Oil recovery from Prudhoe Bay, Kuparuk, and Endicott Fields are now far in excess of original expected recovery. Kuparuk is an example of a field that has nearly doubled the expected producible reserves and

yields more oil than reservoir parameters would predict. A "fudge factor" is used to increase expected output from wells because experience has shown that the reserves are systematically underestimated, even with very good reservoir data. These fields that perform so well are clastic (sandstone) reservoirs and Northstar is of this type. It is a reasonable, based on past experience, for the Northstar reserves to increase over its life and this increase will likely be in the range of 2 to 3 times today's estimate. This would be the expected case. It is exactly in this scenario that the State of Alaska is giving up the most value in the current renegotiation and I fear Alaska will lose much income in the long run.

The only exception to reserve growth for North Slope fields that I know of is the Lisburne field, which is a carbonate (limestone) reservoir, which is significantly different from the clastic reservoirs. So far the Lisburne Field has been a disappointment and limestone horizons have under performed. However, lower dolomite zones in the Lisburne were drilled in 1994 and the first well in these lower zones has produced far more oil from dolomites than previous wells in the limestone. This well (NK-26) has produced 1.2 million barrels of oil in about 2 years and more wells are planned for this interval. It remains to be seen if the Lisburne Field in the end will remain a disappointment.

2. Level Playing Field

Exploration in Alaska is based on all companies having an equal opportunity to bid and participate in the process. I find the process of renegotiating freely bid lease terms offensive to fair play and I fear it will in the long run tend to undermine the leasing process. Amerada and BP were both well aware of the implications of the lease terms at Northstar and willingly agreed to the lease stipulations. If these companies made a poor business decision, Alaska has no obligation to be a safety net for them.

I find it particularly offensive that BP is using a political process to circumvent agreed lease terms. This approach rewards companies that can muster the most political pressure and has the sharpest negotiators. It also opens the political process to immense pressure from the oil industry. If BP is successful, I would expect every other company to come with requests for relief and the State will be hard pressed to deny these requests. We have already seen Unocal at the

table with relief requests for Cook Inlet fields. The renegotiation with BP feels like special treatment and a cozy relationship.

I feel if BP cannot develop Northstar under the very onerous lease terms, the lease should return to the State and be reoffered under new terms to all parties, including BP. This insures that everyone has equal opportunity to participate and bid the value they feel is appropriate. This system of leasing at both State and Federal levels has historically been highly successful in generating high value for lease tracts.

I appreciate the opportunity to express my views and thank you for your consideration.

Sincerely yours

A handwritten signature in cursive script that reads "Gerry Van Kooten".

Gerry Van Kooten
4551 East 135th Ave.
Anchorage, Ak 99516
907-345-7900



BILL J. ALLEN
Chairman & CEO

APR 22 1996

21 April 1996

The Honorable Loren Leman
Alaska State Legislature
State Capitol (MS 3100)
Juneau, Alaska 99801-1182

Dear Senator Leman:

I sincerely appreciated the opportunity to discuss with you last Friday, your concerns with the Northstar project. Your desire to insure that Alaska residents will benefit from the project and long-term opportunities for Alaskan contractors will be realized is commendable, and a desire I share as well.

I am writing this letter to further clarify VECO'S position regarding the Northstar project. We see this project as a real advancement for Alaskan contractors and Alaskan workers within the oil industry. On past projects, fifty percent (50%) of the craft labor has been performed in the lower 48 on all of the oil field facility projects. On GHX2 alone, this amounted to over three million man hours. On the Northstar project it is possible that one hundred percent (100%) of the craft labor will be performed in Alaska by Alaskan contractors employing available and capable Alaskans.

For years we have had to convince the oil companies that sea lift modules could be built competitively within the State of Alaska. With your support, the Northstar project will give us the opportunity to prove our position.

I am confident that the oil companies are able to make some of these marginal projects feasible by innovative approaches to the drilling, design, construction and operating philosophy of these developments.

It is important that legislation does not unduly inhibit that freedom



The Honorable Loren Leman
Page 2
21 April 1996

and flexibility. With the Northstar project, BP Exploration has committed to making this new opportunity a reality.

I have had a long relationship with BP and have always found them to be a trustworthy client. When they give their word, a contract is not needed! BP is a major player in the oil business throughout the world, and they have significant opportunities for investment in very attractive projects. Alaska is lucky to have such a partner to be in business with, and to help us realize our Alaskan potential for building our own infrastructure for modules utilizing our skilled labor, which will be advantageous in world market competition.

Your full support of this negotiated agreement will help to make this happen.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bill J. Allen".

Bill J. Allen
Chairman & CEO

WETCO

Wetco Incorporated

Correspondence Address:

PO BOX 220569
Anchorage, Alaska
99522-0569
PH: (907) 276-4115
Fax: (907) 276-5859
e-mail: wilson@alaska.net

Facsimile Transmission

April 29, 1996

From: Mark Wilson
re: Alaska Vendor and Alaska Hire for the Northstar Project

Please support legislation that encourages BP Exploration to purchase goods and services from Alaska vendors. Support legislation that leads to employment of Alaska citizens.

Through legislation, craft incentives for BP's participation. Put these requirements in writing as conditions of the project development.

Remain committed ----- let us know how we can help you in this effort.

Thank you.

URGENT
FAX

RUSH TO: Honorable Loren Leman, State Senate

FAX: 907 465-3810

FROM: Mark Wilson, Wetco Incorporated

PAGES (INCLUDING THIS COVER): 2

Alaska Vendor of Goods and Services
and Alaska Hire

Northstar Project

Monday, April 29, 1996



SENATOR LOREN LEMAN'S OFFICE

TELECOPIER COVER SHEET

716 W 4th Avenue, Ste. 540, Anchorage, Alaska 99501-2133
907-258-8189 (office) 907-258-3768 (fax)

ATTN: RACHAEL FAX: _____

OFFICE: _____ PHONE: _____

FROM: MIKE DATE/TIME: 04-25-96

COMMENTS: Here's another constituent who called to
support the BP-Knowles Northstar agreement
Mark A. Suave, 629 O Street, Anchorage, 99501.

NUMBER OF PAGES (including cover sheet): 1

*** Please note address and telephone changes ***

Thanks for sending SB 199 list.

04/13/96

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM

LTN1150

14:29:19

PARTICIPANT LIST (ALL PARTICIPANTS)

BY:ANC

TCN:60691 SCHEDULED FOR:04/13/96 14:00 TO 17:00

FOR:ANC

PUBLIC HEARING

SENATE RESOURCES

LOCATION: ANCHORAGE
SB 318

Mike
~~NICK~~
~~MIKE~~

BRUNER

TESTIFY

~~SB 318~~

~~PATRICK~~

~~COUGHLIN~~

~~DNR~~

~~TESTIFY~~

~~ALL ITEMS~~

~~RICHARD~~

~~GRAHAM (HB59, 265, HB329)~~

~~TESTIFY~~

170 1:40 P. 2/2/96

Mr. Jack E. Brown 283-4099
PO Box 7073

file response

Date POM Sent	Constituency	Bill Number	Response	Subject	Distribution	Affiliation	Reg Voter
04/16/96	N	SB 318	Supports		05	self	Y

I SUPPORT THE NORTHSTAR PROJECT (HB 548 AND SB 318) AND ENCOURAGE YOU TO WORK WITH BP AND DNR TO MAKE IT HAPPEN. I ESPECIALLY ENDORSE THE CONCEPT OF JOBS FOR ALASKANS.

Ms. Verna M Lanting 333-7557
6438 Colgate Dr

file

Date POM Sent	Constituency	Bill Number	Response	Subject	Distribution	Affiliation	Reg Voter
04/16/96	N	HB-548 SB318	Opposes		60		Y

NORTH STAR ROYALTY CAN ALWAYS BE REDUCED. BP WOULD NEVER INCREASE ROYALTY. NO COUNTRY IN THE WORLD GIVES AWAY AN OIL FIELD. REMOVING EVERY JOB POSSIBLE FROM ALASKA IS BP. BP'S FULL PAGE NEWSPAPER ADVERTISING SHOULD TELL YOU NORTH STAR IS THE SWEETEST DEAL IN THE WORLD FOR THEM.

Mrs. Carol Jensen 272-4366
1800 E 112th Ave

file

Date POM Sent	Constituency	Bill Number	Response	Subject	Distribution	Affiliation	Reg Voter
04/12/96	N	SB318	None	OIL & GAS	26		Y

THE OIL COMPANIES HAVE HAD ENOUGH ROYALTY BREAKS. YOU ARE CONSIDERING DEMOLISHING FISH AND GAME HABITAT PROTECTION, ENFORCEMENT, AND EDUCATION WHILE SIMULTANEOUSLY GIVING AWAY OUR SHARE OF OUR OWN OIL IN ALASKA. OUR FUTURE STILL ISN'T GUARANTEED.

Mr. Edward P Slater 563-3211
PO Box 232532

response

Date POM Sent	Constituency	Bill Number	Response	Subject	Distribution	Affiliation	Reg Voter
04/15/96	N	HB-548 SB318	Supports		60		Y

I AM IN SUPPORT OF THE RATIFICATION OF THE NEGOTIATED SETTLEMENT BETWEEN THE DEPARTMENT OF NATURAL RESOURCES AND THE OIL INDUSTRY.

Mr. Tom
PO Box 100648

Lakosh

338-1606

Anchorage AK 99510

North Star
file
Distribution
07

Affiliation

Reg Voter
U

Date POM Sent Constituency Bill Number Response Subject
04/09/96 N SB 318 Opposes

PLEASE PROVIDE FOR A PUBLIC COMMENT HEARING WITH A TELECONFERENCE SITE IN ANCHORAGE. THIS BILL VIOLATES MY CONSTITUTIONAL RIGHTS, UNDER ARTICLE I SECTION 5, BY IMPAIRING A CONTRACT. PROPER PROCEDURE REQUIRES DISSOLUTION OF THE UNIT, REVERSION OF LEASES, AND RE-OFFERING OF THE LEASES PURSUANT TO COMPETITIVE BIDDING PROCEDURE THIS AUGUST.

Mr. Jerry
PO Box 241623

McCutcheon

000-0000

Anchorage AK 99524

file
Distribution
60

Affiliation

Reg Voter
U

Date POM Sent Constituency Bill Number Response Subject
04/15/96 N HB 548 SB 318 Opposes

LAST WEEK AT A EIS HEARING, BP REFUSED TO DISCLOSE THE AMOUNT OF OIL IN PLACE OR THE SIZE OF THE STRUCTURE. REFUSED TO DISCLOSE OF GAS THEY ARE GOING TO FLAIR OR THE SIZE OF THE GAS CAP. NORTH STAR HAS 5 TIMES AS MUCH GAS PER BARREL AS PRUDHOE BAY. THEY REFUSED TO DISCLOSE WHAT THEY WERE GOING TO DO WITH THE GAS.

Mr. Garvin
PO Box 870298

Bucaria

271-2516

Wasilla AK 99687

file
Distribution
60

Affiliation

Reg Voter
U

Date POM Sent Constituency Bill Number Response Subject
04/18/96 N SB 318 Opposes

I CANNOT CONCEIVE OF A SITUATION WHERE I HAVE RECEIVED A PERSONAL LETTER FROM BRITISH PETROLEUM THAT WOULD NOT BE IN THEIR BEST INTERESTS. I WOULD LIKE THE ORIGINAL LEASE ARRANGEMENT SET BY THE STATE TO REMAIN IN PLACE. THEY BOUGHT THE LEASE, LET THEM ACCEPT THE ORIGINAL CONDITIONS.

Mr. Samuel
2221 Muldoon Rd #561

S Haywood

277-5329

Anchorage AK 99504

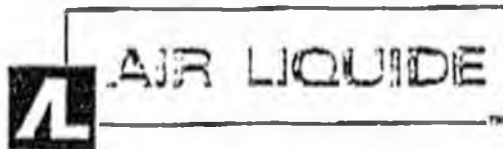
file
Distribution
60

Affiliation

Reg Voter
Y

Date POM Sent Constituency Bill Number Response Subject
04/18/96 N HB 548 SB 318 Supports

ALSO SB 318: ALLOW BP TO DEVELOP NORTH STAR. I THINK IT MAKES GOOD SENSE.



MAY 6, 1996

Senator

Loren Lemay

VIA FAX TRANSMITTAL

Alaska State Legislature

State Capital

Juneau, AK 99801

Re: Approval of Northstar Development Proposal

Dear Senator:

I am writing to you to request your support for the request made by BP Exploration (Alaska) to remove the net profit terms from the Northstar Units leases, in exchange for other considerations.

I am an Alaska resident working for Air Liquide America, Inc. in Anchorage. This company manufactures welding and medical gases, widely used by oil companies and most industrial companies.

Each year our company produces welding gases such as oxygen and acetylene to satisfied customer requirements which keeps our plant running 24 hours 7 days a week during our summer season. I have supported our local economy for the last 7 years while working for Air Liquide America.

Keep me working! Please support this agreement and pass the legislation required to allow northstar to move forward.

Thank you for your attention!

Sincerely,

405-5810
RM 113

April 25, 1996

DISTRICT #13

Senator LOREN LEHMAN

VIA FAX TRANSMITTAL

Alaska State Legislature
State Capitol
Juneau, AK 99801

Re: Approval of Northstar Development Proposal

Dear Senator:

I am writing to you to request your support for the request made by BP Exploration (Alaska) to remove the net profit terms from the Northstar Units leases, in exchange for other considerations.

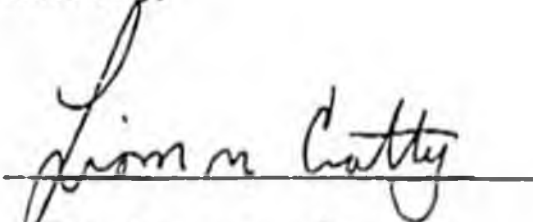
I am an Alaska resident working for Quality Fabrication, Inc. in Anchorage. This company fabricates structural steel, including the structures for truckable modules, for the oil companies, including BPX.

Last year our company worked over 100,000 hours on oil-field related projects. As an individual, I worked 4 months of 1995 on projects such as Mine Point. This work enabled me to pay for living expenses and other goods and services in our local economy.

Keep me working! Please support this agreement and pass the legislation required to allow Northstar to move forward.

Thank you for listening!

Sincerely,



3216 OREGON
ANCHORAGE ALASKA 99507

MAY 02 1996

Date: 4-26-76

Dear Senator: *Jensen Lehman*

As a resident of the State of Alaska, I am writing this letter to express my sincere concern with the ongoing stronghold that oil companies continue to have on our State. Hopefully, this same stronghold is not on our elected representatives.

I understand there are several bills that the oil companies have been pushing through the House and Senate this legislative session. The two most familiar ones to me are the North Star and Heavy oil issues, both giving significant tax breaks or concessions to the oil companies. I have lived in Alaska for many years and have watched many of our Alaskan jobs go to non-residents of this State. If the legislature is going to continue to give breaks to these multi-million dollar companies, it seems only fair that we Alaskans get something in return. The track record of these companies, with respect to local hire, speaks sadly to the number of jobs we have lost over the years.

I support economic development, but not at the cost of further demise of our job opportunities in Alaska. I urge you to represent the interests of working (or non-working) Alaskans and ensure that any tax breaks or incentives that may be given to the oil companies are done only with strong resident hire language. Nothing more, nothing less. Who is to say these companies will not proceed to reap the profits of our great State and then pull up stakes and move on. If jobs are not available to Alaskans, then maybe the oil companies should move sooner, not later.

Your effort in assuring jobs for Alaskans is greatly appreciated.

Sincerely,

Ray Frey
7601 Wisteria
Enchorage, AK
99502

465-3816
Rm 113

April 23, 1996

Senator Loren Leman
Alaska State Legislature
State Capitol
Juneau, AK 99801

VIA FAX TRANSMITTAL

Re: Approval of Northstar Development Proposal

Dear Senator:

I am writing to you to request your support for the request made by BP Exploration (Alaska) to remove the net profit terms from the Northstar Units leases, in exchange for other considerations.

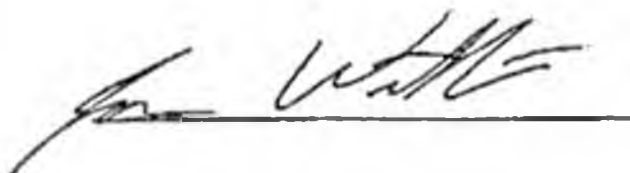
I am an Alaska resident working for Quality Fabrication, Inc. in Anchorage. This company fabricates structural steel, including the structures for truckable modules, for the oil companies, including BPX.

Last year our company worked over 100,000 hours on oil-field related projects. As an individual, I worked 12 months of 1995 on projects such as Milne Point. This work enabled me to pay for living expenses and other goods and services in our local economy.

Keep me working! Please support this agreement and pass the legislation required to allow Northstar to move forward.

Thank you for listening!

Sincerely,



Fax 465-3810

Rm 113

April 25, 1996

Senator Loren Leman
Alaska State Legislature
State Capitol
Juneau, AK 99801

VIA FAX TRANSMITTAL

Re: Approval of Northstar Development Proposal

Dear Senator:

I am writing to you to request your support for the request made by BP Exploration (Alaska) to remove the net profit terms from the Northstar Units leases, in exchange for other considerations.

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Keep me working! Please support this agreement and pass the legislation required to allow Northstar to move forward.

Thank you for listening!

Sincerely,

Robert F. Rost

465-3810

Rm 113

April 25, 1996

Senator Leman
Alaska State Legislature
State Capitol
Juneau, AK 99801

VIA FAX TRANSMITTAL

Re: Approval of Northstar Development Proposal

Dear Senator:

I am writing to you to request your support for the request made by BP Exploration (Alaska) to remove the net profit terms from the Northstar Units leases, in exchange for other considerations.

I am an Alaska resident working for Quality Fabrication, Inc. in Anchorage. This company fabricates structural steel, including the structures for truckable modules, for the oil companies, including BPX.

Last year our company worked over 100,000 hours on oil-field related projects. As an individual, I worked 10 months of 1995 on projects such as Milne Point. This work enabled me to pay for living expenses and other goods and services in our local economy.

Keep me working! Please support this agreement and pass the legislation required to allow Northstar to move forward.

Thank you for listening!

Sincerely,

Michael Hood

**THE PRECEDING PAGES
WERE TREATED AS A UNIT
IN THE ORIGINAL FILE**