SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 5/5/98

FURTHER: 5/6/98

DATE TURNED
IN TO OFFICE: 5/06/98

Finance Committee considered HOUSE BILL NO. 469

"An Act approving the sale of Prudhoe Bay Unit royalty oil by the State of Alaska to Mapco Alaska Petroleum, Inc.; and providing for an effective date."

and recommends:

[ ] be replaced with ______ CS ______________________(________)

[ ] adopt **previous** ______ CS ______________________(________)

[ ] attached amendment(s)

[ ] adopt Letter of Intent by ____________________ Committee

[ ] further referral to the ____________________ Committee

Senate Bill:
[ ] same title
[ ] new title

House Bill:
[ ] same title
[ ] technical title
[ ] new: SCR* ______

SIGNING DO PASS	*DP*	*OTHER RECOMMENDATIONS*	*NR*	*DNP*	*AM*
John Torgerson	✓	Randy E. Phillips	✓		
		Sean Parnell	X		
		Al Adams	X		
Co-Chair:		*Co-Chair:*			
Co-Chair: Bert Sharp	✓	*Co-Chair:*			

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal
DNR	3/30/98	Ø	

[ ] **APPROPRIATION -- no fiscal note**

***include fiscal notes accompanying Governor's bill**

REPORTED OUT OF SFC 5/6/98

No: 1

FISCAL NOTE

Bill Version: HB 469
(H) Publish Date: 3/13/98

STATE OF ALASKA
1998 LEGISLATIVE SESSION

Revision Date:
Title: MAPCO Royalty Oil Contract
Sponsor: Rules Committee
Requestor: Governor

Dept Affected: Natural Resources
BRU: Resource Development
Component: Oil & Gas Development
Component Serial No. 439

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY99	FY00	FY01	FY02	FY03	FY04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES (fund code)	760.2	1,533.0	1,533.0	1,533.0	772.8	0.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY98) cost: $

POSITIONS

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

ANALYSIS: *(Attach a separate page if necessary)*

Sale of royalty oil to Mapco from Jan 1, 1998, when first barrel is paid for, to Dec 31, 2003, at 28,000 bbl/day.

Prepared by: [signature]
Phone: 465-4730
Division: Support Services
Date: 3/10/98
Approved by Commissioner: [signature]
Date: 3/10/98
Agency: Natural Resources

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House/Senate Supplement #1L

Final Finding and Determination

to Sell Royalty Oil

to

MAPCO Alaska Petroleum Inc.

SENATE BILL NO. 342
HOUSE BILL NO. 469

Alaska Department of NATURAL RESOURCES

Division of Oil and Gas
3601 "C" Street, Suite 1380
Anchorage, Alaska 99503-5948

March 5, 1998

Final Finding and Determination To Sell Royalty Oil
To MAPCO Alaska Petroleum Inc.
March 5, 1998

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Final Finding and Determination to Sell Royalty Oil
to
MAPCO Alaska Petroleum Inc.

I. Summary

The commissioner of the Department of Natural Resources, on behalf of the state of Alaska, proposes a five-year sale of approximately 28,000 barrels per day of the state's royalty oil to MAPCO Alaska Petroleum Inc. (MAPCO). MAPCO operates a refinery in North Pole in the Fairbanks North Star Borough and is one of the state's largest retailers of petroleum products. This document provides the final finding and determination required under AS 38.05.183 for the proposed sale.

The department distributed the preliminary finding and draft contract on January 30, 1998. The public comment period ended one month later on March 3, 1998. The department notified the public about the preliminary finding and draft contract and written comments were solicited by sending a notice of the sale or copies of the preliminary finding and draft contract to 200 citizens, special interest groups, industry and government representatives, and the media. The department also advertised through display advertisements in newspapers throughout Alaska. At the close of the comment period, the department received three letters. The letters are included as Appendix C to this finding.

The mailing and advertisements also notified the public of a meeting of the Alaska Royalty Oil and Gas Development Advisory Board (Royalty Board) that was held on February 17, 1998 at which the proposed sale was discussed and public comment was solicited. Except for the representatives from MAPCO, there was no public testimony at the Royalty Board meeting. However, a letter from Hal Whitley, owner of Wet Willy's Carwash in Fairbanks was faxed to the Royalty Board in the morning before the Royalty Board met. The Royalty Board considered Mr. Whitley's comments. Subsequently, the Royalty Board unanimously supported the sale and adopted the Commissioner's findings as its report to the legislature, and passed a resolution recommending approval of the sale by the legislature.

This is a final finding and final conclusions have been reached. The commissioner has determined that the proposed sale to MAPCO is in the state's best interest. The final finding, a copy of the signed contract, and the recommendation from the Royalty Board will be forwarded to the Legislature under AS 38.06.055.

II. Background

The state of Alaska receives a royalty of approximately 12.5 percent of the oil and gas produced from the Prudhoe Bay Unit. The state may take its share of oil production "in-kind or "in-value." When the state takes its royalty share of the oil in-kind (RIK), it assumes ownership of the oil, and the commissioner disposes of the oil through either competitive or non-competitive sales. When oil is taken in-value (RIV), the state's lessees who produce the oil market the state's share along with their own share of production. The lessees are obligated to pay the state the value of the state's RIV share.

MAPCO has a long history as a purchaser of RIK from the state. MAPCO has the longest running contract for ANS RIK. Deliveries under its long-term contract began in November 1979 for 35,000 barrels per day. This contract will not expire until December 2003. Through the end of 1997, MAPCO received approximately 205.8 million barrels of RIK.[1]

On August 26, 1997, the state agreed to sell to MAPCO an additional volume of royalty oil equal to 11.6 percent of the daily royalty oil production of the Prudhoe Bay Unit (PBU) for one year. Deliveries under this contract began on December 1, 1997 and will continue through November 30, 1998. By statute this contract may not be renewed without a specific recommendation of the Royalty Board to the legislature and the legislature's subsequent approval. Last October, MAPCO initiated negotiations with the department for a new royalty oil supply contract to begin deliveries when this contract expires.

At the date of this final finding, Williams Companies Inc. is in the final stages of acquiring Mapco Inc. This acquisition will become final when Williams Companies Inc. receives approval from the Federal Trade Commission. On November 24, 1997, the companies announced that they had entered into a definitive merger agreement providing for Williams to acquire MAPCO. On February 26, 1998, MAPCO shareholders approved the acquisition. Standard and Poor's (S&P) revised its outlook for both companies to positive from stable. Primarily, the outlook change reflects the strengthening fundamentals of the Williams' pipelines and prospects for improving earnings at Williams Communications Group and Williams Energy Group. The proposed acquisition of Mapco Inc. is also a positive factor in S&P's outlook change.[2] The $3 billion acquisition price includes $2.2 billion of Williams common stock and the assumption of about $750 million of acquired company debt. The conservatively financed acquisition should diversify Williams' pipeline operations with a relatively successful downstream energy services company. The merger will have no affect on the proposed sale and contract terms.

This finding and determination and the attached copy of the sales contract represent the result of those negotiations. Much of what was written by way of background to the 1997 contract still applies today.

In the following section of this finding, the description of the contract focuses on how this proposed contract differs from the current one-year contract.

III. Discussion of Contract Provisions

Term

First delivery of RIK oil is set for December 1, 1998 and will continue for five years. The contract will terminate December 31, 2003. This coincides with the termination date of MAPCO's current long-term, 25-year contract.

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[1] Golden Valley Electric Association volumes are included in MAPCO's RIK deliveries.

[2] Standard & Poor's CreditWire dated November 24, 1997.

Quantity

The state agreed to increase the percentage of royalty oil that MAPCO may purchase to assure MAPCO a relatively constant supply of RIK oil as production declines. Over the life of the contract the volume of RIK taken by MAPCO will remain fairly constant. This proposed contract will increase the percentage of PBU royalty oil that MAPCO now receives under the current one-year contract. MAPCO will purchase 27.0 percent of the state's royalty share in 1999 (about 28,000 barrels per day from the PBU). In the second, third, fourth and fifth years, MAPCO's RIK purchase percentage will increase slightly to 28.5 percent, 30.0 percent, 32.0 percent and 33.5 percent, respectively.

Table 1: RIK Percentages and Maximum Quantities

Year	RIK %	RIK Volume (Bpd)
1998	27.0	28,350
1999	27.0	28,350
2000	28.5	28,500
2001	30.0	28,200
2002	32.0	28,480
2003	33.5	28,475

When MAPCO's current long-term RIK contract with the state is considered with the proposed contract, the actual volume taken by MAPCO will increase to approximately 56.7 percent of the state's royalty oil from the PBU.

The percentage of royalty oil designated in the contract for each year is called the "Maximum Quantity." If MAPCO takes less than the Maximum Quantity, it will be subject to a per-barrel reservation fee on each barrel less than the Maximum Quantity. The per-barrel reservation fee is 0.75 percent of the full purchase price.[3] MAPCO may elect to decrease or increase the quantity of RIK oil it will actually purchase month-to-month subject to certain notice requirements. MAPCO also has the right to terminate the contract with one hundred days notice to cease deliveries. With the same notice period, MAPCO may elect one time annually to permanently reduce the Maximum Quantity required under the contract. However, once MAPCO issues an annual notice of its option to permanently reduce the Maximum Quantity, MAPCO may not reinstate the Maximum Quantity to the initial level. In addition, MAPCO may not ever increase the Maximum Quantity.

Because of the terms of the PBU Agreement in force among the producers and the state, the state combines royalty production from both the Prudhoe Bay field and royalty oil processed currently through the Lisburne Production Center. The 112,000 barrels per day of royalty crude

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[3] The contract provides MAPCO with some operational flexibility. With the appropriate one hundred-day notice, MAPCO may take less than the Maximum Quantity, however, a reservation fee would apply to volumes less than the then applicable Maximum Quantity.

oil forecast for 1998 (Table 2) is the sum of the royalty offtake from PBU including both the Initial Participating Areas and the Greater Point McIntyre Area, i.e. Lisburne, Pt. McIntyre, West Beach, North Prudhoe Bay State, and the Niakuk/Alapah Participating Areas.[4]

Table 2 illustrates the present and future royalty crude oil supply from the PBU. The state is obligated to supply 35,000 barrels per day to MAPCO through 2003 and 30 percent of the PBU royalty oil to Tesoro through 1998. If the proposed MAPCO contract is awarded, the state will still keep approximately 13 percent of its royalty share of PBU production as RIV or about 40 percent of the total ANS royalty production in 1998. See Figure 1, titled "Total ANS Royalty and RIK Sale" for the percentage share of ANS RIK oil versus ANS RIV oil.

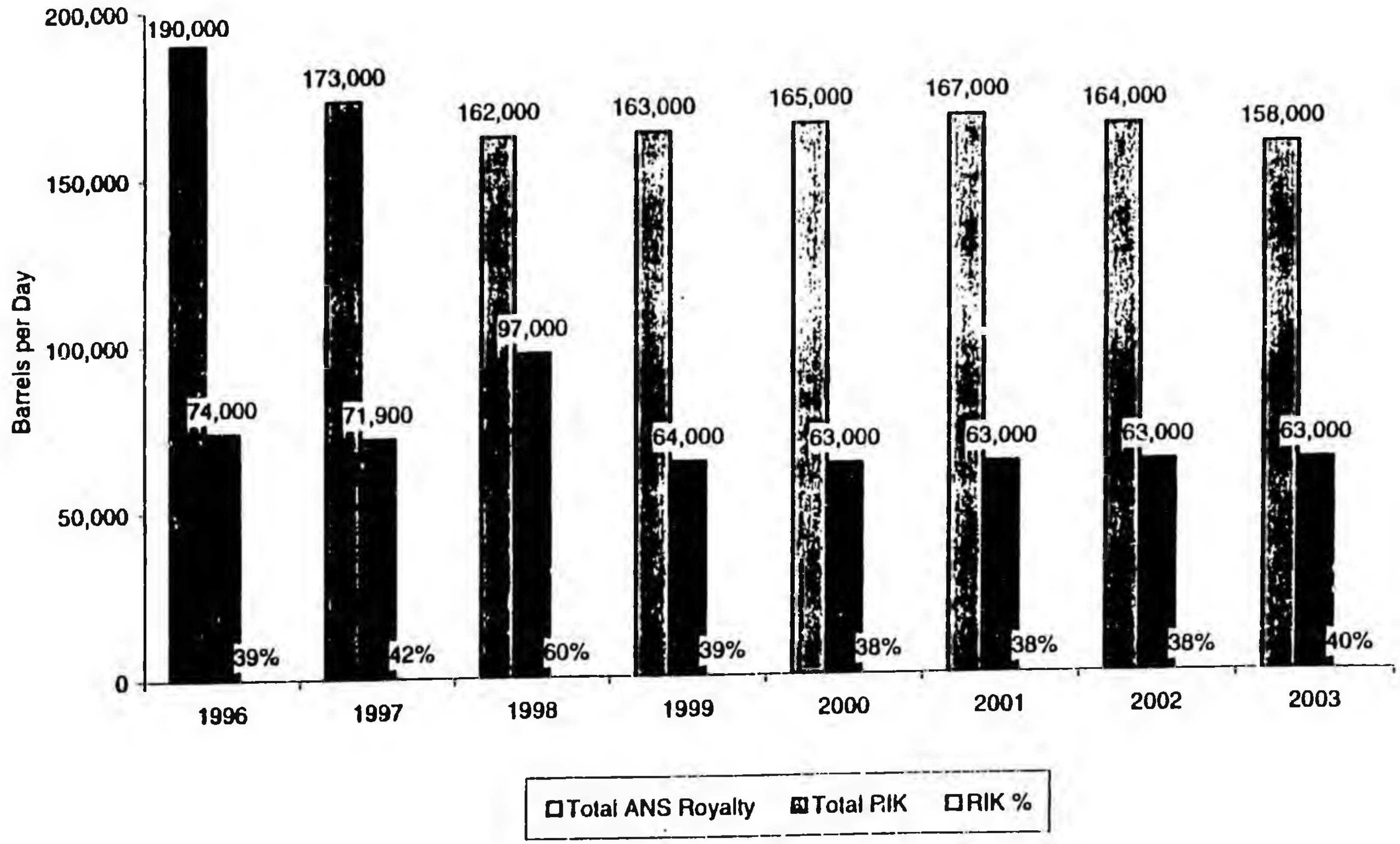
The state must reserve a sufficient percentage of its PBU royalty oil as RIV to insure that PBU lessees can deduct field costs as a credit from their RIV royalty for the royalty oil the state takes in-kind. The state's flexibility to nominate more RIK oil from the PBU will be limited after this RIK sale to MAPCO. However, there will be some flexibility for the state to offer additional royalty oil from other non-PBU fields on the North Slope as circumstances warrant.

Quality

MAPCO must accept the same quality of oil that the state receives from the producers at Pump Station No. 1. The existing contract with MAPCO does not distinguish between crude oil, condensate, or natural gas liquids (NGLs). MAPCO waives any claim that either condensate or NGLs blended with the crude oil by the lessees tendered to the state as royalty oil is not oil for the purposes of the contract. This waiver will protect the state against any future claim that MAPCO did not receive its full or correct volume of RIK by asserting that condensate or NGLs are not crude oil.

[4]Under the proposed contract, the state reserves the right to supply 100 percent of MAPCO's volume from just the PBU Initial Participating Areas (IPA) rather than include the production from the Greater Point McIntyre Area, i.e., production processed through the Lisburne Production Center. In this case MAPCO would receive initially 33.8 percent of the PBU IPA production. MAPCO will be notified 90 days in advance if the commissioner, in his sole discretion, chooses to exercise this right.

Figure 1: Total ANS Royalty and RIK Sale
(includes Proposed Mapco Contract)



MPBIFDTB.XLS:FIGURE 1

3/5/989:13 AM

Table 2: North Slope Royalty Crude Oil Production Forecast

(MBOD)

	1998	1999	2000	2001	2002	2003	2004	2005	2006
Greater Point McIntyre Area	23	19	16	13	11	10	9	8	8
Lisburne	1	1	1	1	1	1	1	1	1
Niakuk	4	3	3	3	2	2	2	2	2
Point McIntyre	17	14	11	9	8	7	6	6	5
West Beach -N. Prudhoe Bay State	0	0	0	0	0	0	0	0	0
Prudhoe Bay a/	89	84	81	77	74	71	68	64	60
Satellites b/	0	2	3	4	4	4	5	5	4
Prudhoe Bay Unit	112	105	100	94	89	85	82	[illegible]	72
Kuparuk River Unit	33	35	36	34	33	32	29	27	25
Milne Point	8	9	10	11	12	13	13	12	11
Northstar	0	0	0	8	8	7	6	5	5
Other Onshore	0	0	0	0	4	4	4	4	4
Endicott	9	8	8	7	7	6	6	5	5
Badami	0	6	6	5	5	4	4	3	3
Alpine	0	0	6	6	6	6	6	5	5
Total Royalty:	162	163	166	165	164	157	150	138	130
Minus RIV Req'd for Field Cost Allowance									
Prudhoe Bay Unit	11	11	10	9	9	9	3	3	3
Kuparuk River Unit	3	3	3	3	3	3	3	3	3
Milne Point	0	0	0	0	0	0	0	0	0
Endicott	1	1	1	1	1	1	1	1	1
	15	15	14	13	13	13	7	7	7
Minus Current RIK Contracts									
MAPCO #1	35	35	35	35	35	35	0	0	0
MAPCO #2 c/	13	--	--	--	--	--	--	--	
Tesoro	34	--	--	--	--	--	--	--	--
Total Current RIK Obligation	85	35	35	35	35	35	0	0	0
ANS Royalty Oil Available to Supply New RIK Contracts:	65	113	117	117	116	109	143	131	123
MAPCO's proposed 27.0% contract d/	28	28	28	28	28	28	--	--	
ANS Royalty Oil Remaining:	37	85	89	89	88	81	143	131	123

a/ If the commissioner elects to sell MAPCO RIK from the Prudhoe Bay Initial Participating Area (IPA), then the price per barrel will be calculated on the basis of the volume weighted average of the Royalty Value received from just the IPA, plus $.15. See Table 2.
b/ Satellites include wells penetrating several smaller, unnamed reservoirs.
c/ MAPCO's #2 contract expires November 30, 1998.
d/ MAPCO's proposed contract is expected to start December 1, 1998 and expires on December 31, 2003.

Price

The proposed contract requires MAPCO to pay a price per barrel equal to the state's royalty value per barrel plus $.15. The state's royalty value is defined as an amount equal to the per barrel value the state would have received from the Lessees for its royalty oil if the state had taken its royalty in-value instead of in-kind, plus any costs incurred by the state as a result of taking the royalty in-kind rather than in-value. This price meets the statutory requirement that the value of RIK is at least equal to or exceeds RIV. The proposed contract price is comparable to the one-year contract price and the value of RIV. Table 3 illustrates the calculation of MAPCO's price if it took deliveries under the proposed contract in January 1997.

Table 3: Volume Weighted Average Price –All Producers
Value of RIV

Producer	*Gross Volume*	*PS-1 Value*	*Product of Volume Times PS-1 Value*	*Average Price*
Lisburne Production Center a/ b/ c/				
ARCO	1,803,528.68	$19.50000	$35,168,809.45	
BP Exploration	2,565,203.54	$18.12000	$46,481,488.14	
Exxon	2,167,463.77	$18.73000	$40,596,596.40	
Prudhoe Bay IPA a/				
ARCO	6,812,971.60	$19.88000	$135,441,875.41	
BP Exploration	9,731,640.80	$18.64000	$181,397,784.51	
Chevron	159,860.30	$23.24800	$3,716,432.25	
Exxon	7,700,737.40	$19.58000	$148,008,172.83	
Force	9,111.30	$19.88000	$181,132.64	
Mobil	362,126.20	$19.82000	$7,075,583.82	
Phillips	364,589.50	$20.69000	$7,543,356.76	
Texaco	100,129.00	$18.95000	$1,897,444.55	
Totals	31,777,362.10		$607,508,676.78	
			Volume Weighted Average Value:	$19.11766
				+ $.15/bbl
			Price of Sale Oil:	$19.26766

a/ Under the proposed contract, the state reserves the right to supply 100 percent of MAPCO's volume from just the Prudhoe Bay Unit Initial Participating Areas rather than include the production from the Greater Point McIntyre Areas, i.e., production processed through the Lisburne Production Center. This would imply that MAPCO would receive approximately 33.8 percent of the Prudhoe Bay Initial Participating Areas production. MAPCO will be notified 90 days in advance if the commissioner, in his sole discretion, chooses to exercise this right.
b/ Includes Larch, North Prudhoe Bay State and West Beach.
c/ Includes wells penetrating several smaller, unnamed reservoirs.

Like the current MAPCO and Tesoro contracts, the proposed contract price replaces the need for an escrow account and retroactive ANS Royalty Litigation[5] adjustments that appear in MAPCO's 1978 contract. MAPCO's proposed contract will have a more certain purchase price, subject to only minor subsequent adjustments. The ANS Royalty Settlement Agreements concluded the ANS Royalty Litigation and provided an agreed-upon valuation method that did not exist when MAPCO's 25-year royalty oil contract was signed. MAPCO's new RIK contract will rely upon agreed-upon valuation methods in the ANS Royalty Settlement Agreements to establish a contract price. Except for certain related adjustments contemplated under the

[5] ANS Royalty Litigation refers to the dispute between the state and the ANS lessees that was resolved in several settlement agreements (Case No. 77-847 Civil, June 1977).

settlement agreements with ARCO, BP, Exxon and the other PBU producers the MAPCO contract will not require an interim pricing method.

Previous RIK findings have described the so-called "displacement effect" and "competitive effect" that may occur with a state sale of RIK. Because the changes in the markets for ANS oil, these effects will be very minor.

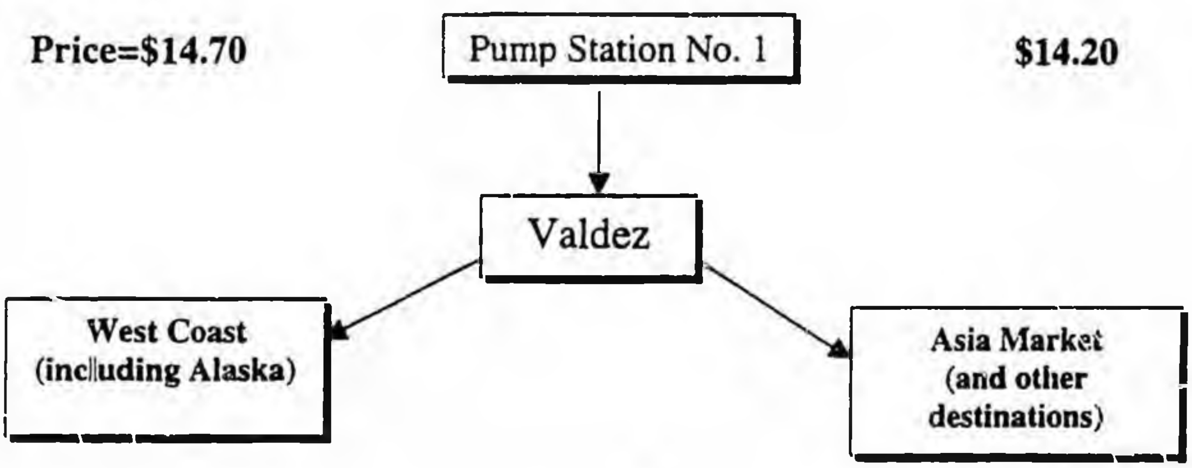
The "displacement effect" theorizes that any RIK sale by the state to in-state refiners will replace ANS sales by North Slope lessees to West Coast destinations including Alaska. Although the total volume of ANS sold on the West Coast is the same without a RIK sale, the producers must show in their royalty reports that a larger proportion of their oil is placed in destination markets where netback values are less than the West Coast. The West Coast destinations yield a higher royalty value than the other destinations. The average royalty value, weighted by oil volumes to each destination, is lower when the proportion of oil reported by the lessees going to the non-West Coast destination increases. This proportion of deliveries to the West Coast and other destinations is also reflected in the netback value reported for severance tax purposes. In this way, selling RIK decreases the state's revenues from both RIV royalties and severance taxes.

The potential for a "displacement effect" has diminished since the market of total ANS sold on the Gulf Coast has disappeared. The Gulf Coast's historically low royalty value contributed the biggest impact in calculating the displacement effect. There are now no more waterborne shipments of ANS to the Gulf Coast and the volumes shipped to the Mid-Continent or the Far East yield netbacks that are higher than the Gulf Coast netbacks.[6]

As shown in this example, (See Table 4) the displacement effect, is insignificant. The contract price is sufficient to compensate the state for any reduction in the royalty value of RIV oil.

[6]Alaska Department of Revenue, Fall 1997 Revenue Sources Book, Forecast and Historical Data. Anchorage, Alaska. p.19. ANS movements to destinations in the Far East, the Caribbean and the U.S. Mid-Continent represented just 5 percent of total ANS production in FY 1997.

TABLE 4: DISPLACEMENT EFFECT



If the North Slope producers take all of our royalty oil "in-value," their shipments will look like this:

28,000	+	*922,000*	+	*50,000*	=	*1,000,000*
(Mapco)		*(CA and WA)*		*(Asia Market)*		*(Total)*

In percentage terms:

3%	+	*92%*	+	*5%*	=	*100%*

The calculation of royalty value (and severance tax) is:

($14.70 x 3%)	+	*($14.70 x 92%)*	+	*($14.20 x 5%)*	=	*$14.67*

If the state sells oil to Mapco, the producer's placements on the West Coast are reduced by 28,000 barrels. Their shipments will now look like this:

0	+	*922,000*	+	*50,000*	=	*972,000*
(Mapco)		*(CA and WA)*		*(Asia market)*		

In percentage terms:

0%	+	*95%*	+	*5%*	=	*100%*

The calculation of royalty value (and severance tax) is:

($14.70 x 0%)	+	*($14.70 X 95%)*	+	*($14.20 x 5%)*	=	*$14.67*

In this example, the displacement effect has no effect on the state's royalty and severance tax revenue.

The "competitive effect" relies on the assumption that the price of ANS on the West Coast as reported in the producers' royalty value is higher than the price that would result from a purely competitive market. One North Slope producer dominates the ANS spot market and may be able to influence the price by its decision to transport oil to other destinations. When the state was selling nearly 210,000 barrels per day of RIK in 1986, (See Figure A-1) the state, as another seller in the market competing with the ANS producers, could conceivably contribute to a lower West Coast price. The "competitive effect" is probably immeasurable since ANS supply in the West Coast market is declining. Competitive market forces beyond the control of the ANS producers, including the state, now govern the price of ANS.

In-State Processing

In the proposed contract, MAPCO has agreed that 80 percent of the RIK it will purchase will be processed in the North Pole refinery. This clause is designed to prevent MAPCO from re-selling RIK to a third party and possibly profiting from a favorable price charged to MAPCO by the state. The in-state processing clause assures that the state will enjoy the benefits described in Section IV below.

Purchase Price Reopener

The contract provides no provision for either the state or MAPCO to renegotiate the price terms. Should the state pursue a price reopener as permitted by the ANS Royalty Settlement Agreements, the state is obligated only to inform MAPCO that negotiations have begun. MAPCO will pay based on whatever the Royalty Value the state and the producers may negotiate.

MAPCO also agrees that it will not intervene in any way in the negotiations or arbitration of a reopener between the state and the producers. If the new price terms that may result are disagreeable to MAPCO, it has the right to terminate the contract with one hundred days notice to cease deliveries.

Payments

The proposed contract has specified the timing and due dates associated with the Production Month Invoice, Initial Adjustments, and Subsequent Adjustments. The timing of these invoices and due dates have been shortened somewhat to reduce the state's exposure to default risk as described below.

The state has agreed that any subsequent adjustments rendered more than six years after the date of delivery will bear interest for only six years from the due date of the initial billing. However, this six-year interest limitation does not apply to adjustments that result from regulatory decisions, reopeners, court proceedings, or true-up audits that are commenced during the six-year period. This provision appears in both the current one-year MAPCO contract and Tesoro's current three-year contract.

Termination Notice

The state requires at least one-hundred days notice of early termination of the contract or any reduction in the maximum quantity taken by MAPCO. This timing is based on the ANS Royalty Settlement Agreements and the PBU Agreement. Under the original PBU Agreement, the state has a right to "denominate" RIK deliveries with a six-month notice. However, under each of the ANS Royalty Settlement Agreements, the timing requirement was reduced to 90 days. The ANS Royalty Settlement Agreements provide that the lessees may claim *force majeure* if marine transportation is unavailable to transport any additional RIV for the first 90 days that the RIK has reverted back to the producers. During this up-to-90-day period that lessees could claim *force majeure*, the state must take full possession of its RIK and find customers to buy it and tankers to transport it. For this reason MAPCO must provide sufficient notice to terminate the contract or reduce its maximum quantity, up to six-months and ten days if necessary.

Late Payment Penalty

If MAPCO fails to make full payment of its monthly obligation within three business days following the receipt of the invoice, a five percent penalty will be imposed. In MAPCO's one year contract, the same late payment penalty applies.

Interest

Underpayments and overpayments are an unavoidable problem in any RIK sales contract. The contract price is based on Royalty Values calculated under provisions in the ANS Royalty Settlement Agreements that are subject to re-adjustments for true-up audits, regulatory decisions, reopeners, or court proceedings. Both the state and MAPCO agree to pay each other the statutory interest rate on readjustments made for overpayments or underpayments, respectively. The applicable rate is five percent over the annual rate charged member banks for advances by the 12th Federal Reserve Bank or 11 percent compounded quarterly, whichever is greater (AS 38.05.135(d)).

Local Hire

Like MAPCO's one-year contract and virtually every RIK contract to in-state refineries, the proposed contract requires that MAPCO agree to employ Alaska residents and Alaska companies to the extent they are available, willing and qualified for the applicable work performed in Alaska in connection with the Agreement. An Alaska resident is defined as one who has resided in Alaska for one year at the time of employment and "Alaska companies" means companies incorporated in Alaska or whose principal place of business is in Alaska. If this provision is determined to be unconstitutional, then MAPCO agrees to hire Alaska residents to the extent that the constitution allows.

Security

The proposed contract requires an irrevocable stand-by letter of credit equivalent to the value of 75 days worth of RIK to secure the state in the event that MAPCO, for any reason, fails to pay its bills or to take delivery. The value of the letter of credit is calculated to protect the state from its exposure to "default risk" and "denomination risk." Default risk is the exposure the state faces if MAPCO fails to pay. Since MAPCO is billed on the first day of the month following the production month up to 39 days of RIK will be delivered to MAPCO before the state is in a position to declare the contract in default for failure to pay (See Table 5). In addition to the risk assumed by the state should MAPCO fail to pay, the state also runs a risk of losing full value of its RIK when it "denominates" the RIK volumes to RIV. As indicated above, the 90 day denomination notice period under the ANS Royalty Settlement Agreements plus 90 days should a lessee declare *force majeure* represents the amount of RIK oil subject to this risk. During this period, the state either has to organize a new RIK purchaser or negotiate with the lessees to take back the RIK. In either event, the state could be in a distress sale situation. The letter of credit instrument is intended to protect the state from losses for volumes delivered under the contracts or re-sold at a price less than the contract price.

The state's risk exposure is measured as follows:

Table 5: Calculation of MAPCO's Letter of Credit

Default Risk		**Days**
Days RIK tendered but not billed:		30
Days to Production Month Invoice:		2
Production Month Invoice Due:		3
Default Declared:		4
Total Default Exposure		**39**
Denomination Risk		
Volumes Subject to 90-day Denomination @ 100%	90 days	
Probability that 90-day notice rights invoked @ 100%	90 days	
Resale Value of denominated oil $.80 on the $1		
Number of days "at-risk" (20% X 90 days)		18
Volumes Subject to 90-day Force Majeure @ 100%	90 days	
Probability that 90-days notice rights invoked @ 100%	90 days	
Resale Value of denominated oil $.80 on the $1		
Number of days "at-risk" (20% X 90 days)		18
Total Denomination Exposure		**36**
Total Risk Exposure		**75**

The letter of credit is valued at the price of the RIK volume per day times the number of days of total risk exposure.

The proposed contract includes an alternative security provision if MAPCO so elects. This security provision requires that MAPCO provide the state with an irrevocable stand-by letter of credit for forty days of RIK oil, plus an irrevocable backup contract with a major oil company subject to approval by the Commissioner. The backup contract would assume MAPCO's full liability to the state to purchase RIK oil for a minimum of 90 days or a maximum of 180 days deliveries of RIK oil. Should MAPCO default, the state will draw from the 40 day letter of credit and the backup contract would immediately take effect for the RIK oil due MAPCO until the 90 day or 180 day (if producers invoke *force majeure* notice) denomination notice of the state's RIK oil became effective.

The concern for the state's exposure to default and denomination risk is driven by the state's previous experience. The security and other provisions of recent RIK contracts mitigate those risks. The Alpetco RIK sales contract, executed on February 22, 1978, a so-called in-state enhancement contract, was the worst performer recovering only 94.5% of the principal. Part of this difference were losses the state incurred on the royalty oil subject to "denomination risk." When Alpetco attempted to decrease its RIK purchases, the state realized only 78 percent of the contract price.

Over time, the Division has looked at some of the obvious problems with the Alpetco RIK contract and these problems have been mitigated or eliminated in the subsequent contracts. The proposed MAPCO contract avoids the following:

- Dispute clause that allowed Alpetco to unilaterally withhold any amounts Alpetco disputed without Alpetco's debt being called due and payable.

  See MAPCO contract, page 15, line 11 (6.10 Disputed Payments) requires MAPCO to pay the full amount pending final resolution of the dispute.

- Ability to intervene in ANS Royalty Litigation allowed Alpetco the potential to disrupt the settlement if the state pursued litigation against Alpetco's parent company for claims.

  See MAPCO contract, page 7, line 19 (2.5 Reopeners) stipulates that MAPCO shall not intervene or participate in any way regarding ANS Royalty Settlement Agreements or litigation with the lessees. This provision removes any leverage that MAPCO may have over the state.

- Failure to secure full value for its RIK oil resulted from the narrow marketing window imposed on the state when Alpetco could no longer take RIK volumes.

  The MAPCO contract establishes the timing required for termination notices, notices to reduce the Maximum Quantity, and month-to-month deliveries volumes within the limits allowed in the ANS Royalty Settlement Agreements. The security clause requires a letter of credit and/or a backup contract so that the state can recover any losses due to premature denomination of RIK.

IV. In-State Benefit Analysis

The commissioner considered the effects of the sale of RIK on the economy of the state and the projected benefits of refining or processing the RIK in the state (under AS 38.05.183). In short, the terms of the proposed RIK sale should: (1) assure that the state receives at least as much value for the RIK as it would have received for RIV; and (2) encourage in-state processing of RIK together with the attendant economic and social benefits. These benefits are measured in terms of jobs, taxes, and economic competition among the state's refineries for their products. The conclusions reached in the best interest finding that accompanied the current one-year contract are still applicable. Some of the information has been updated here.

In the following discussion of in-state benefits, there is one caveat: the degree to which these effects may be attributable to the sale depends on how important the sale is to the continued operation and expansion of MAPCO's North Pole refinery. The state can offer a somewhat unique crude oil supply contract whose terms might not be available from any other seller. Presumably, MAPCO would continue operations without this contract, but there are direct benefits MAPCO may derive in dealing with the state. To the extent that these benefits are translated into jobs, taxes, and more vigorous refined-products competition, the people of the state also benefit. By the same token, the degree to which the sale may contribute to the ongoing operation and expansion of the refinery must also be taken into account when describing the environmental effects of the refinery's operation.

Economic Impacts

A $70 million expansion and upgrade at the North Pole refinery is underway and will increase fuel production by 17,000 barrels per day. Recent upgrades at the North Pole refinery provide MAPCO the opportunity to expand its export markets in Western Canada and the Pacific Rim. In addition, the 1998 expansion will create 17 new jobs in North Pole and Anchorage.

MAPCO reports that it currently employs 120 people in the Fairbanks North Star Borough and 35 people in Anchorage who are directly associated with the North Pole refinery. In addition, MAPCO employs another 300 people statewide at their MAPCO express outlets.[7] This translates as one-fourth of the manufacturing jobs in the Fairbanks North Star Borough competing largely with mining and construction jobs. For the most part, these are also high-wage jobs with a payroll in the Fairbanks North Star Borough of over $9.4 million in 1994.[8] Wages in the petroleum refinery and transportation sector averaged $72,677 or more than twice the Fairbanks North Star Borough average. Income spent by workers in this sector contributes to an employment multiplier of over 2.5, i.e., for every job at MAPCO's North Pole refinery 2.5 jobs are created in the wider Faribanks North Star Borough economy.

[7] Communication with Keith Selby, MAPCO Alaska Petroleum, Inc. 1/23/98.
[8] Lee Huskey, ISER. November 1995. "Table 2: The Fairbanks Petroleum Sector Private Industry Wage and Employment Effects," of the "The Petroleum Industry and the Fairbanks Economy" report.

MAPCO's statewide marketing and distribution of petroleum products activities, together with the refinery, employs a total of 455 people statewide with a payroll (including benefits) of over $19.5 million in 1997.[9]

Consumption Effects

The market for crude oil and the market for retail petroleum products are different markets. While crude oil is a factor in the production of retail products (like electricity and labor), it is traded in a different market. Accordingly, lower prices of crude will not necessarily transfer immediately to a lower price for retail products. Wholesale product prices can move independently of ANS crude prices[10] because of the other factors. These other factors include such influences as refinery outages, changing gasoline specifications, gasoline inventory levels, the previous month's wholesale price, and other energy market effects.

As with other in-state refiners, the presence of MAPCO in the state provides competition to outside fuel sellers who import products to Alaska. California suppliers can capture the difference in state highway gasoline taxes of 22 cents per gallon between markets in Alaska and California. For Washington, the difference is 15 cents. All other things being equal, this difference in government take provides a business opportunity for outside suppliers to sell gas in Alaska. The presence of local suppliers of retail products in competition with imported petroleum products adds price competition to the retail market. In the same manner, imported products offer competition to local suppliers.

The presence of MAPCO's North Pole refinery as a local product supplier with lower transportation cost to markets and situated next to a crude oil pipeline provides price competition to imported petroleum products. MAPCO's healthy market share of the gasoline and jet fuel trade indicates that imported products sellers must consider MAPCO's price in setting their own.

Two investigations conducted in the mid-1980's by the Alaska Attorney General's office supports the important role of competition in the level of in-state gasoline prices.[11] Both studies report that higher profit margins stem from weak competition. In 1985, only one in-state refinery produced motor gasoline throughout the entire calendar year. That refiner enjoyed a decrease in its price for most of its crude feedstock while wholesale prices were increased by an average of 6.5 cents per gallon.[12] The Attorney General's report concluded, "... the refineries are charging more for refined gasoline, even though they are paying less for the crude oil they use to make the gasoline." With only one refiner producing gasoline for the entire calendar year, there was little competitive pressure to reduce wholesale prices at a time when their largest cost input, the price of crude feedstock, decreased. MAPCO began refining motor gasoline in the last quarter of 1985 and has provided competition in that market.

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[9] Communication with Keith Selby, MAPCO Alaska Petroleum Inc., Anchorage, Alaska 1/26/98.

[10] William W. Wade and Robert R. Trout. "Carb Gas Phase-In Price Spike: Collusion or Market Effects?" 1997

[11] Memo to M. Mike Miller, Chairman, House Judiciary Committee from Attorney General Norman C. Gorsuch. RE: Southeast Alaska Gasoline Price Investigation. May 13, 1985. Fairbanks Gasoline Report, February, 1986. An attachment to a memorandum to Governor Bill Sheffield from Attorney General Harold M. Brown, March 11, 1986.

[12] Fairbanks Gasoline Report, page 17.

This competition in the in-state gasoline sales market, along with other sellers, provides a dampening effect on prices. The effect of market competition on prices reported in the 1985 Attorney General's report explains that "The ...price difference [between wholesale prices in Anchorage and Southeast Alaska] appears to be due to a very low level of competition between wholesalers in Southeast Alaska, which permits higher profit margins."[13] Insofar as state refineries and product wholesalers can compete, the consumer can enjoy lower prices than would be the case if competition did not exist.

Social Impacts

MAPCO paid 60 percent of the property tax revenues collected in 1996 by the City of North Pole. Until 1997, when the Ft. Knox Gold Mine came on line, MAPCO's North Pole refinery had the highest property assessment in the Fairbanks North Star Borough at $94 million.[14] MAPCO's tax contribution will grow as a result of the refinery expansion. No incremental effects on land use, impacts on the local social infrastructure, i.e., schools, public safety, roads, and other government services, are anticipated as a result of this sale.

Effect of Refinery Expansion

MAPCO's North Pole refinery is the largest refinery by volume in the state. Almost half of MAPCO's business is jet-fuel sales, and the company has about half the market at Anchorage International Airport which equals approximately 861,000 gallons per day in 1997. MAPCO's growth is being driven by the rapid expansion (about a 43% growth rate from 1995 levels), of jet-fuel sales in Anchorage as the growth in international air-cargo traffic continues. All of the additional jet fuel production due to the refinery expansion is projected to supplant foreign imports of jet fuel. Including purchased volumes, MAPCO supplies approximately 39% of the jet fuel used in Alaska. MAPCO's 1996 jet fuel production was 22,000 barrels per day or 924,000 gallons per day.[15]

Jet-fuel demand in Alaska has been growing at 7 to 8 percent a year and at least 4 percent growth is expected over the next few years.[16] Total Alaska jet-fuel demand is about 55,000 barrels per day, with all but 14,000 to 15,000 barrels of that supplied by the four Alaska refineries, mostly by MAPCO. Over 80% of North Pole refinery's production is consumed in the state of Alaska. MAPCO markets more than 40,000 barrels per day of these refined products to Alaska, Western Canada and the Pacific Rim. MAPCO processes only Alaska North Slope crude oil. In addition, the refinery markets 64% of its gasoline production through MAPCO Express stores in Alaska.

MAPCO estimates that its retention (i.e. oil taken from TAPS at the North Pole refinery but not returned to the pipeline) will be approximately 45,000 barrels per day. In future years MAPCO will retain approximately 64,000 barrels per day to produce MAPCO's produce slate. See Table

[13] Memo to M. Mike Miller, page 2.
[14] Lee Huskey, ISER. November 1995. "Table 2: The Fairbanks Petroleum Sector Private Industry Wage and Employment Effects," of the "the Petroleum Industry and the Fairbanks Economy" report.
[15] Communication with Keith Selby, MAPCO Alaska Petroleum Inc., Anchorage, Alaska 1/23/98.
[16] 1996 MAPCO Petroleum Inc. Annual Report.

6 and Figure 2 titled "North Pole Refinery Total Retention and State Royalty Volumes" for the amounts by year. For every barrel of oil that MAPCO retains in its refinery, MAPCO returns two barrels of residual oil to the TAPS. (See Table 6 and Figure 3 titled "MAPCO's Projected Product Slate" for the types and percentages of refined products). After the 1998 expansion, the maximum crude distillation capacity or processing capacity of the North Pole refinery will rise to 210,000 barrels per day.

Quality Bank

MAPCO's expansion will increase its return flow by 63,000 barrels to a total of 159,000 barrels per day.[17] This increased return flow to the pipeline degrades the crude oil stream. MAPCO compensates for this degradation by making increased payments to the TAPS Quality Bank.

Any effect on ANS crude price due to increased degradation of the pipeline stream is compensated by the Quality Bank. The quality bank methodology, theoretically, equalizes value between crude streams by billing relatively lesser value streams and compensating relatively higher value ones.

Environmental Impacts

Air quality issues: MAPCO has made timely a application and complied with all permit requirements required under Title V of the federal Clean Air Act amendments of 1990 and 1993 state legislation under which Alaska was delegated authority. MAPCO is in compliance with the applicable air quality regulations and Alaska Department of Environmental Conservation (ADEC) officials expressed no problems with the refinery.[18]

Industrial wastewater issues: MAPCO runs its treated discharges through filters then into the North Pole Wastewater System. This is done under the authority of a pretreatment permit. MAPCO sends monitoring information to ADEC through quarterly reports. MAPCO is in compliance with the applicable wastewater regulations.[19]

Contaminated site issue: MAPCO has an ongoing groundwater remediation program and is still cleaning contaminants from the aquifer. ADEC reports that MAPCO is fulfilling its responsibility and operating properly under the appropriate permits. When asked, ADEC responded that if the refinery ceased operation and discontinued the remediation program, it would be a detriment to the environment as natural degradation of remaining contaminants would be very slow.[20] However, even if the refinery abruptly ceased operations, MAPCO would remain liable as an operator or owner for any contamination that has occurred as a result of refinery operations.[21]

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[17] Communication with Keith Selby at MAPCO, Anchorage, Alaska 12/3/97.
[18] Communication with Jack Coutts, Alaska Department of Environmental Conservation, 12/18/97.
[19] Communication with Tim Wingerter, Alaska Department of Environmental Conservation, 12/18/97.
[20] Communication with Doug Bauer, Alaska Department of Environmental Conservation, 12/19/97.
[21] Communication with Mary Lundquist, Alaska Attorney General's Office, 1/22/98.

TABLE 6

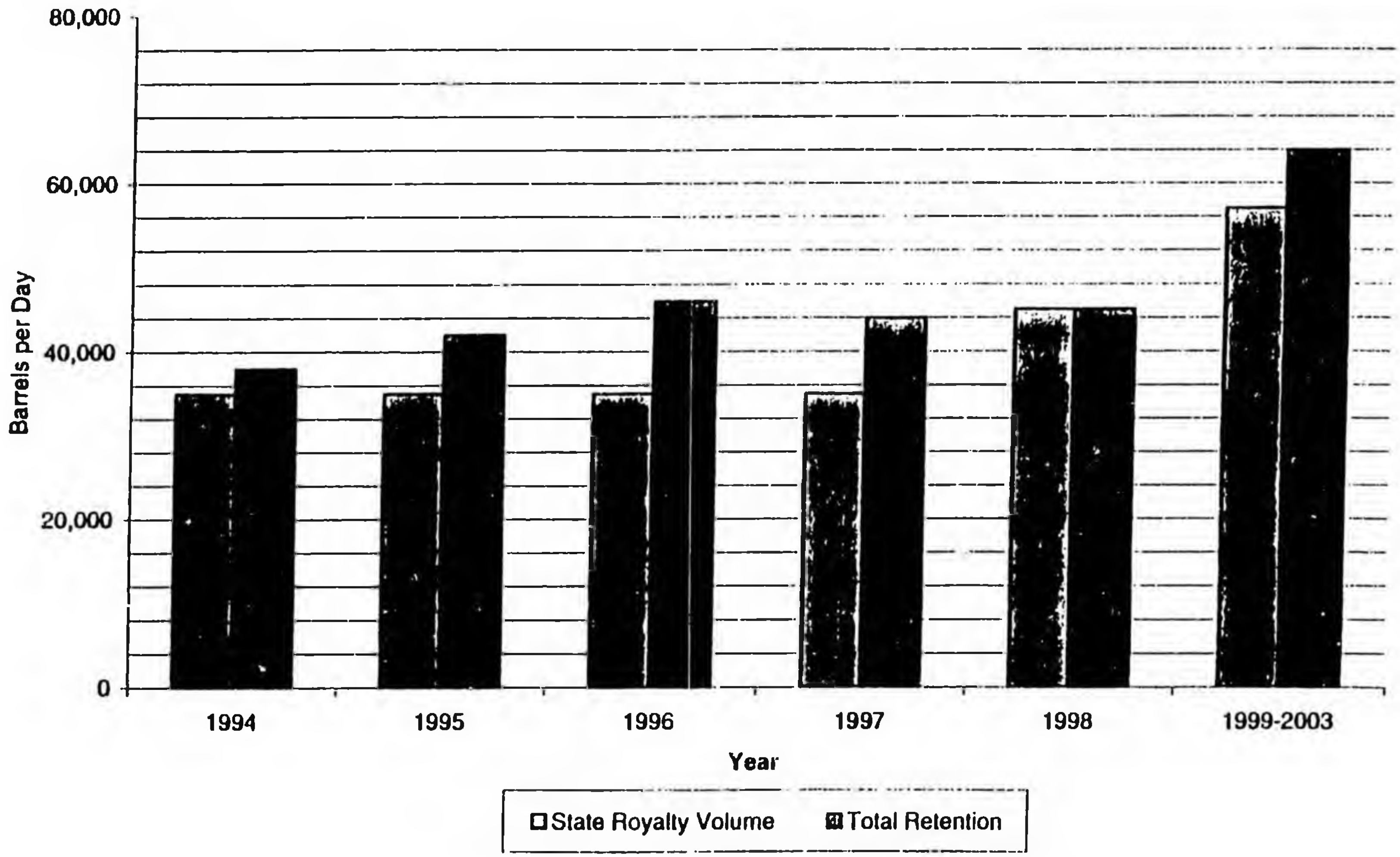
Table 6: Mapco's Projected Product Slate (Percent of Total Refinery Throughput)

	1994	1995	1996	1997	1998	1999-2003
Gasoline Blendstock	9	13	15	15	13	9
Gasoline	11	12	12	11	14	10
Jet Fuel	54	52	50	50	49	57
Diesel	19	19	17	18	18	19
Heavy Atm. Gas Oil	5	2	4	5	5	4
Asphalt	2	2	2	1	1	1
Total	100	100	100	100	100	100

MAPCO Refinery Retention (barrels per day)

Total Retention	38,000	42,000	46,000	44,000	45,000	64,000
State Royalty Volume	35,000	35,000	35,000	35,000	45,000	57,000

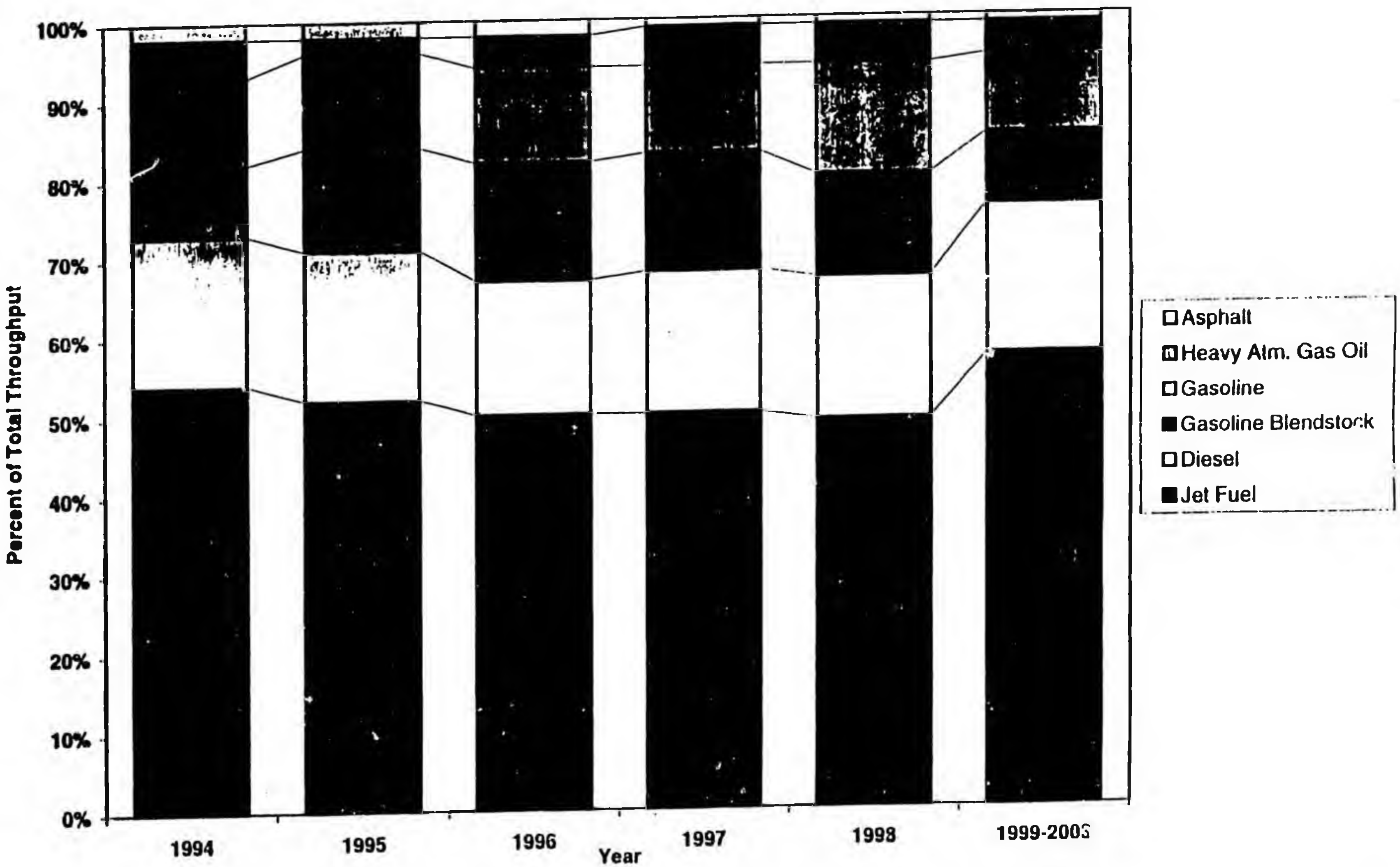
Figure 2: North Pole Refinery Total Retention and State Royalty Volumes



MPBIFDTB.XLS:FIGURE 2

3/4/983:54 PM

FIGURE 3: Mapco's Projected Product Slate



3/4/983:54 PM

MPBIFDTB.XLS:FIGURE 3

V. Findings and Determination

In any disposition of RIK, the commissioner must conclude that the best interest of the state will be served by a non-competitive sale (AS 38.05.183(a)), and that, the non-competitive sale of RIK will be awarded to the prospective buyer whose proposal offers maximum benefits to the citizens of the state (AS 38.05.183(e)). The commissioner considered the criteria listed in AS 38.05.183(e) and AS 38.06.070(a). The criteria listed in AS 38.05.183(e) are: (1) the cash value offered; (2) the projected effects of the sale, exchange or other disposal on the economy of the state; (3) the projected benefits of refining or processing the oil in the state; (4) the ability of the prospective buyer to provide refined products or by-products for distribution and sale in the state with price or supply benefits to the citizens of the state; and (5) the criteria listed in AS 38.06.070(a). These are the same criteria that are to be considered by the Royalty Board in its review of the sale. The criteria listed in AS 38.06.070(a) are: (1) the revenue needs and fiscal condition of the state; (2) the local and regional requirements for petroleum products; (3) the desirability of localized capital investment, increased payroll, and secondary development effects; (4) the social impacts of the sale; (5) the additional costs to the state and local governments caused by the development related to the transaction; (6) the local and regional labor market; (7) environmental effects; and (8) the impact on existing private commercial enterprises and investment patterns. The commissioner also considered comments from the public received during the 30-day public notice period.

The applicable statutes and regulations are included in Appendix B.

Competitive Bidding is Waived

As commissioner of the Department of Natural Resources, I have determined in accordance with AS 38.05.183(a) and 11 AAC 03.030 that the best interest of the state may be served by a sale without competitive bidding. The state is currently selling 71 percent of its PBU royalty oil under MAPCO's long term and one-year contracts and Tesoro's three-year contract. In 1999, Tesoro's three-year and MAPCO's one-year contracts expire.

By 1999, MAPCO will purchase approximately 60 percent of ANS royalty oil under its 25 year contract and the proposed contract. The state will retain 40 percent of its royalty, approximately 65,000 barrels per day for future RIK dispositions. Tesoro indicated verbally to the department an interest in a new one-year contract beginning in 1999.[22] The state will retain enough royalty oil to meet the needs of other RIK purchasers even with the proposed contract.

A copy of the Preliminary Finding and Determination was delivered to the Alaska Royalty Oil and Gas Development Board as notification under 11 AAC 03.040 that competitive bidding has been waived.

[22] Communication with Ipe Chako, Tesoro Alaska Petroleum Company, December 12, 1997.

The Sale is in the Best Interest of the State

In accordance with AS 38.05.182 and AS 38.05.183, I find that taking RIK oil and selling by non-competitive bid to MAPCO for use at the North Pole refinery is in the best interests of the state. The proposed RIK contract meets the following criteria as set out in AS 38.05.183(e).

1. The cash value offered: The RIK price offered under the proposed contract exceeds the royalty value of RIV by $.15 per barrel. Therefore, the requirements of AS 38.05.183(c) and 11 AAC 03.010(b) are satisfied. Furthermore, the sales price satisfies the definition of "market conditions" in 11 AAC 03.024(1) and (3).

2. The projected effects of the sale, exchange or other disposal on the economy of the state: The projected effects of the sale to MAPCO on the economy of the state are expected to be positive. The people of the state will benefit from the proposed sale to the extent that benefits of this sale can be translated into jobs, taxes, and more vigorous refined-products competition.

3. The projected benefits of refining or processing the oil in the state: The presence of MAPCO's North Pole refinery as a local product supplier with lower transportation cost to markets and situated next to a crude oil pipeline provides price competition to imported petroleum products. The consumer may enjoy lower gasoline prices than would be the case if competition did not exist because MAPCO, other refineries and product wholesalers compete for a share of the gasoline sales market.

4. The ability of the prospective buyer to provide refined products for distribution and sale in the state with price or supply benefits to the citizens of the state: MAPCO's North Pole refinery is the largest refinery by volume in the state. It has been in business in Alaska since the late 1970's, and provides a 50 percent share of the local market for diesel fuels, jet fuels and gasolines.

5. The criteria listed in AS 38.060.070(a): See discussion below.

In addition, I find that the sale offers maximum benefits to the citizens of Alaska. The proposed sale meets the following criteria:

1. The revenue needs and fiscal condition of the state: The state depends on oil revenue and will continue to depend on oil revenues in the future. The price term of the sale protects the state's interest by ensuring that revenues from this sale will exceed the in-value alternative. (AS 38.06.070(a)(1))

2. The local and regional requirements for petroleum products: There are local and regional economic benefits to be derived from the continued operation and expansion of the North Pole refinery. While the proposed contract may increase the financial viability of the refinery, the extent to which these benefits can be ascribed to the proposed contract cannot be predicted. As described above, MAPCO is an important

competitor in the market of refined petroleum products. Vigorous competition in fuel sales in the state may provide for lower consumer product prices. (AS 38.06.070(a)(2))

3. The desirability of localized capital investment, increased payroll, and secondary development effects: To the extent that the sale helps provide a consistent and economic supply of crude oil to the refinery, the sale will contribute to ongoing economic stability in the Fairbanks North Star region and maintain a healthy competitor in the in-state market for refined petroleum products. MAPCO is undertaking a $70 million expansion program at the refinery. During the construction period of the refinery expansion, there will be short-term economic benefits of jobs and salaries. In addition, MAPCO will add 17 permanent jobs to the local economy. (AS 38.06.070(a)(3))

4. The social impacts of the sale: Both the Fairbanks North Star Borough and the state receive revenues from MAPCO as property taxes and corporate income and excise taxes. MAPCO contributes $94 million to the local property tax base. With the planned expansion of the refinery, this contribution will grow. (AS 38.06.070(a)(4))

5. The additional costs to the state and local governments caused by the development related to the transaction: Additional costs incurred by the state and local governments as a result of this transaction will be minor. The refinery expansion will employ more people who will require social and education services and the Division of Oil and Gas will incur additional administrative expenses. (AS 38.06.070(a)(5))

6. The local and regional labor market: MAPCO provides direct jobs to 120 people in the city of North Pole and 35 people in Anchorage for their North Pole refinery operations and another 300 people statewide. It is number ten of the top-ten private sector employers in the Fairbanks North Star region. (AS 38.06.070(a)(6))

7. Environmental effects: Any environmental effects will result from the continued operation and expansion of the North Pole refinery, not from the proposed sale. The sale by itself will have no incremental effect. (AS 38.06.070(a)(7))

8. Impact on existing private commercial enterprises and investment patterns: Any impacts on existing private commercial enterprises and investment patterns could result from more competition in the product market and lower prices for products might result from this competition. (AS 38.06.070(a)(8))

Criteria Weights

According to 11 AAC 03.060(b), "In considering the criteria described in AS 38.05.183(e), the Commissioner stated which criteria applied to the proposed disposition and discussed the weight given to the applicable criteria in determining the maximum benefit to the state...."

In making this finding, the department first determined that the state would not lower the total oil revenue, including royalties and severance taxes, due the state by making a disposal to MAPCO. The department next examined the criteria to determine that the state would not create any unacceptable social or environmental impacts. Finally, the department looked at whether the disposal contributed to competition in the in-state refining industry and the extent to which that would lead to lower product prices.

Royalty Board

The preliminary finding and determination was submitted to the Royalty Board in compliance with AS 38.05.183(c) which provides that the commissioner may not waive competitive bidding of this sale of RIK unless prior written notice is given to the board. Under AS 38.06.070(c) the Royalty Board will make a full report to the legislature on each criterion set out in AS 38.06.070(a) and (b) for any disposition of royalty oil that requires legislative approval. The Royalty Board's report will be submitted for legislative review at the time a bill for legislative approval of this proposed royalty oil contract is introduced in the legislature

Legislative Approval

According to AS 38.06.055(c) the commissioner may not renew the current one-year contract with MAPCO without the prior approval of the legislature. By statute, the Royalty Board reviewed this sale and a written recommendation will be submitted to accompany a bill introduced in the legislature to approve the sale (AS 38.06.050).

Conclusion

Under the terms of the proposed contract, the state receives a fair value for the royalty oil, promote in-state processing, product competition and attendant benefits. The state will retain enough royalty oil to meet the needs of other RIK purchasers even with the proposed contract. The price terms are satisfactory, and the sale to MAPCO offers economic benefits to Alaska citizens.

The foregoing facts and analysis support the finding that this sale is in the best interest of the state and offers maximum benefits to Alaska citizens.

John T. Shively, Commissioner

3/5/98
Date

Appendix A: Summary of Previous North Slope Royalty Oil Sales

Volumes. Beginning in November 1979 and continuing to the present, the state has delivered North Slope RIK to fourteen companies in twenty negotiated contracts, two competitive sales, and one quasi-competitive sale. By December 1997, the state delivered over 529 million barrels or approximately 50 percent of its North Slope royalty crude oil through these contracts.

Negotiated royalty oil sales are defined as dispositions of royalty oil where a determination has been made that the best interest of the state does not require competitive bidding or that no competition exists. In every case the negotiated contracts were for sales of royalty oil to in-state refiners.

The state negotiates with a company the quantity, price and other terms of a short or long-term negotiated royalty oil sale. Short-term negotiated royalty oil sales are one year or less and do not require legislative approval. Long-term negotiated royalty oil sales are longer than one-year and legislative approval is required before the royalty oil contract becomes effective.

Figure A-1 shows the amount of royalty oil sold to these companies since the North Slope production began. The graph indicates that the amount of oil sold to each company has varied over the years. Tesoro and MAPCO have been the state's two most consistent customers.

Under various contracts through the 1980's Tesoro took approximately 218.8 million barrels of RIK.[23] The biggest of those contracts was a 10-year agreement that terminated in 1994. The crude oil purchased by Tesoro is refined at the Nikiski facility (capacity 72,000 barrels per day). Tesoro signed a one-year royalty oil supply contract for 27.2% or initially approximately 38,000 barrels per day of the state's royalty oil to begin deliveries after Tesoro's long-term RIK contract expired December 31, 1994. When Tesoro's one-year contract expired in December 1995, Tesoro signed a three-year RIK contract for 30% or an initial volume of approximately 39,000 barrels per day of the state's royalty oil. This contract expires at the end of December 1998.

The MAPCO and Golden Valley Electric Association (GVEA) purchases were refined at the MAPCO refinery in North Pole (capacity 159,000 barrels per day). MAPCO has the longest running contract for ANS RIK. Deliveries under its long-term contract began in November 1979 for 35,000 barrels per day. This contract will not expire until December 2003. In December 1997, MAPCO was issued a one-year RIK contract for 13,000 barrels per day. This contract expires at the end of November 1998. To date, MAPCO has received approximately 205.8 million barrels of RIK (including the GVEA volumes).

Chevron's RIK purchases were refined at its 18,000 barrels per day plant in Kenai, which ceased production in June 1991. The Petro Star's RIK was refined at its 14,000 barrels per day plant in North Pole. The new Petro Star Valdez Refinery Joint Venture (Petro Star JV), with a capacity of 40,000 barrels per day, was to be fully supplied with RIK purchased from the state from the

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[23]Includes Chevron exchange barrels

Kuparuk River Unit (76.18 percent of the royalty share). However, the contract lapsed automatically in December 1993 because Petro Star JV did not take any royalty oil.[24]

Competitive and quasi-competitive sales contracts were entered into with several companies. In-state refineries, including Tesoro, refined some of the crude purchased in these sales, and some was exported from Alaska. The Alpetco purchases were exported.

Competitive royalty oil sales are where the state sold royalty oil in predetermined barrel lots for one-year or less through competitive bid. In these sales the buyers bid a fixed per barrel price for the oil that equaled or exceeded the state's volume weighted average of the lessees' reported RIV prices. In-state priority preferences are usually included as a provision of competitive royalty oil sales.

In the quasi-competitive sale the state's royalty oil was sold in predetermined barrel lots for less than one year through competitive bid using negotiated sale procedures. The quasi-competitive royalty oil sale called for interested parties to submit price bids to a standard form contract. The minimum bid per barrel equaled or exceeded the state's volume weighted average of the lessees' reported RIV prices. The selection of purchasers was based entirely on the premium offered. No in-state priority preferences were included as a part of this sale.

Figure A-2 illustrates the total amount of ANS royalty oil produced and the amount of that oil taken in-kind and sold by the state. In the early 1980s, after the first and second competitive royalty oil sales, the state sold nearly all of its royalty oil in-kind. From 1986 to 1990 the volume of oil the state sold in-kind remained relatively constant. From 1990 through 1993 the volume taken in-kind declined to approximately 26 percent of the state's North Slope royalty oil. In 1995 the volume of oil taken in-kind increased by 27.2% or 38,000 barrels per day when Tesoro signed a one-year RIK oil supply contract from the North Slope that began January 1995. After Tesoro's one-year RIK contract expired in December 1995, Tesoro began a new three-year contract for 30.0% of the state's royalty oil from the North Slope. This contract expires at the end of December 1998. In 1997, the state's RIK oil increased by 11.6% or 13,000 barrels per day when MAPCO signed a one-year RIK oil supply contract from the North Slope that began in December 1997. As of December 1997, deliveries of ANS RIK are approximately 82,000 barrels per day or 50.6 percent of the state's total North Slope royalty share.

Recent Developments. The status of the most recent contracts is shown in Table A-1. During the years of 1990 through 1994, the state took less of its oil in-kind than at any time since the last half of 1985. Beginning in 1995 to the present the state's RIK oil share increased with Tesoro signing one-year and three-year RIK contracts. At the end of 1997, the state's RIK oil share increased again when MAPCO began taking an additional 13,000 bpd under a new one-year RIK contract with the state. This one-year contract expires November 1998. In the future, the state's RIK oil share is likely to continue to increase under the proposed five-year contract to MAPCO.

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[24]Capacity figures are taken from Alaska Department of Natural Resources. Historical and Projected Oil and Gas Consumption. April 1997.

Major North Slope RIK Contracts to In-State Purchasers Since 1979

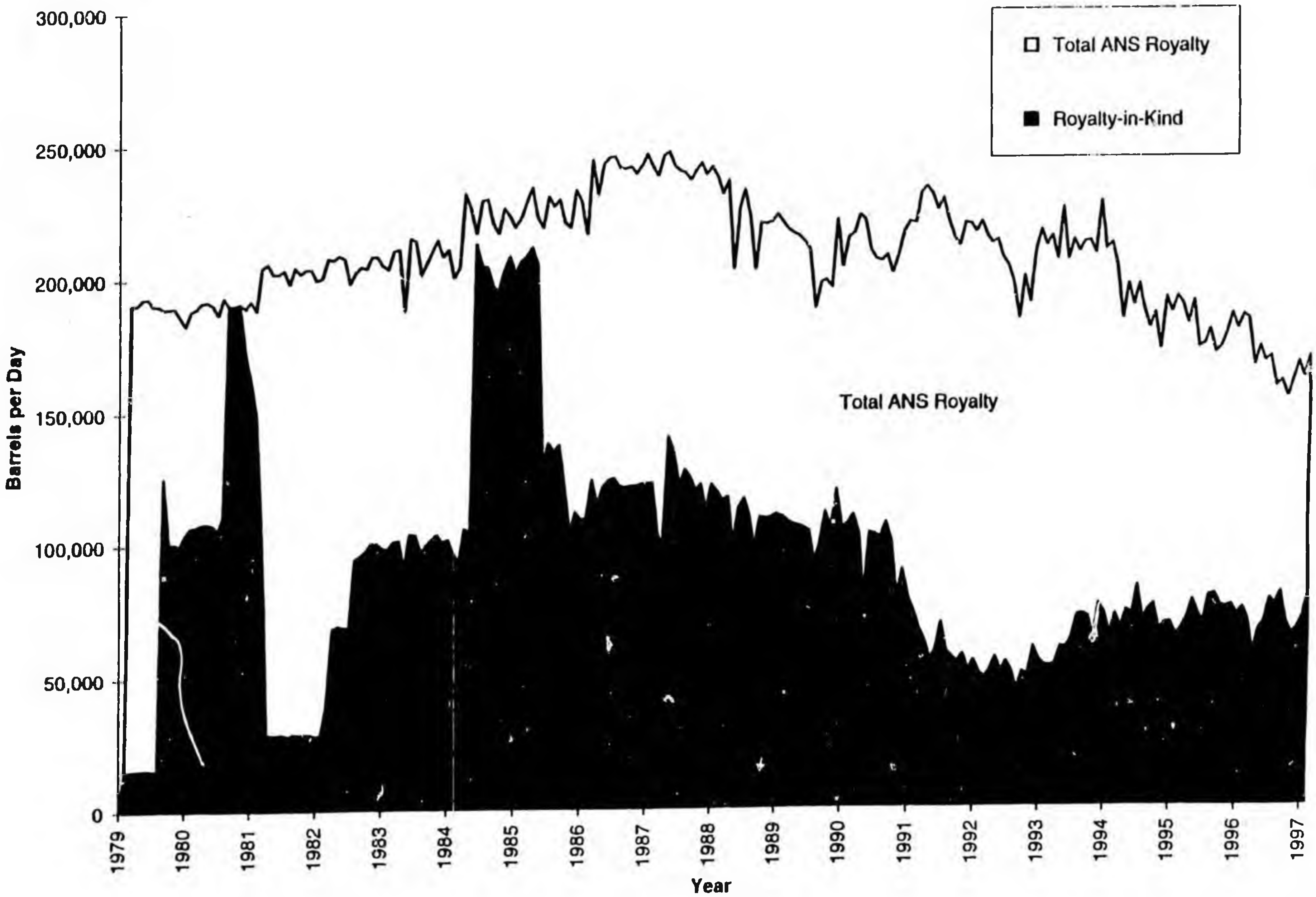
Purchaser / Contract		Period (1979–2003)	Chart annotations	Total RIK Volumes (barrels)	
Negotiated In-Kind Sales					
Chevron					
	Chevron 1	7/80 - 6/81		1,742,342	
	Chevron 2	5/83 - 5/84		6,721,236	
	Chevron 3	5/84 - 7/91		48,418,344	
	Kuparuk	12/86 - 12/91		8,611,247	
	Petrostar Purchases	12/86 - 12/91		2,348,070	
		Subtotal		67,841,239	
		Plus: Tesoro Exchange Barrels		16,015,527	
		Total Chevron			83,856,765
Golden Valley Electric Association					
	GVEA 1	6/81 - 5/84		3,148,152	
	GVEA 2	6/84 - 9/85		2,511,064	
	GVEA 3	10/85 - 12/91		11,618,844	
		Total GVEA			17,278,059
MAPCO					
	Mapco 1	11/79 - Present	205,041,644 bbls (79-97); 63,875,000 bbls (98-2003) est	268,916,644	
	Mapco 2	12/97 - 11/98		4,745,000 (estimated)	
	Mapco 3	12/98-12/2003	51,940,000 bbls (98-2003) est	51,940,000 (estimated)	
		Total Mapco			325,601,644
Petrostar					
	Petro Star	12/86 - 12/91		3,030,011	
	Petro Star JV	3/92 - 12/93		0	
		Total Petrostar			3,030,011
Tesoro					
	Tesoro 1	7/80 - 6/81		1,737,316	
	Tesoro 2	7/80		2,550,000	
	Tesoro 3	12/81 - 1/82		838,299	
	Tesoro 4	1/83 - 12/94		180,113,547	
	Tesoro 5	10/85 - 8/90		8,657,384	
	Tesoro 6	1/95 - 12/95		13,703,946	
	Tesoro 7	1/96 - 12/98	27,367,558 bbls (96-97); 12,410,000 bbls (98) est	39,777,558 (estimated)	
		Subtotal		247,378,050	
		Less: Chevron Exchange Barrels		-16,015,501	
		Total Tesoro			231,362,549
Competitive In-Kind Sales					
	First Competitive RIK Sale				
	Alaska Petroleum Co.	Jul-81		622,898	
	ARCO Products Co.	7/81 - 12/81		1,847,668	
	Oasis Petroleum Co.	7/81 - 1/82		838,604	
	Shell	7/81 - 1/82		4,191,436	
	Sohio	8/81 - 1/82		3,649,889	
	Union	7/81 - 1/82		4,328,966	
		Total			15,479,061

Major North Slope RIK Contracts to In-State Purchasers Since 1979

Purchaser		Period	Total RIK Volumes (barrels)	
	Contract			
	Second Competitive RIK Sale		5,703,996	
	Chevron 4	4/85 - 3/86	3,226,724	
	Chevron 5, 6, 7	4/85 - 9/85	955,688	
	Sohio	4/85 - 12/85	2,867,172	
	Texaco 1	4/85 - 12/85	9,506,588	
	Texaco 2	4/85 - 3/86	1,135,522	
	Union 2	4/85 - 9/85	3,802,521	
	US Oil & Refining - B	4/85 - 3/86		27,198,211
		Total		
	Quasi-Competitive RIK Sale		954,349	
	Chevron 8	10/85 - 3/86	715,760	
	Union 3	10/85 - 3/86	1,908,696	
	US Oil & Refining - 1,2, 3	10/85 - 3/86		3,578,805
		Total		707,385,105
	Estimate of Total RIK Oil			

Source: Alaska Department of Natural Resources, Division of Oil and Gas

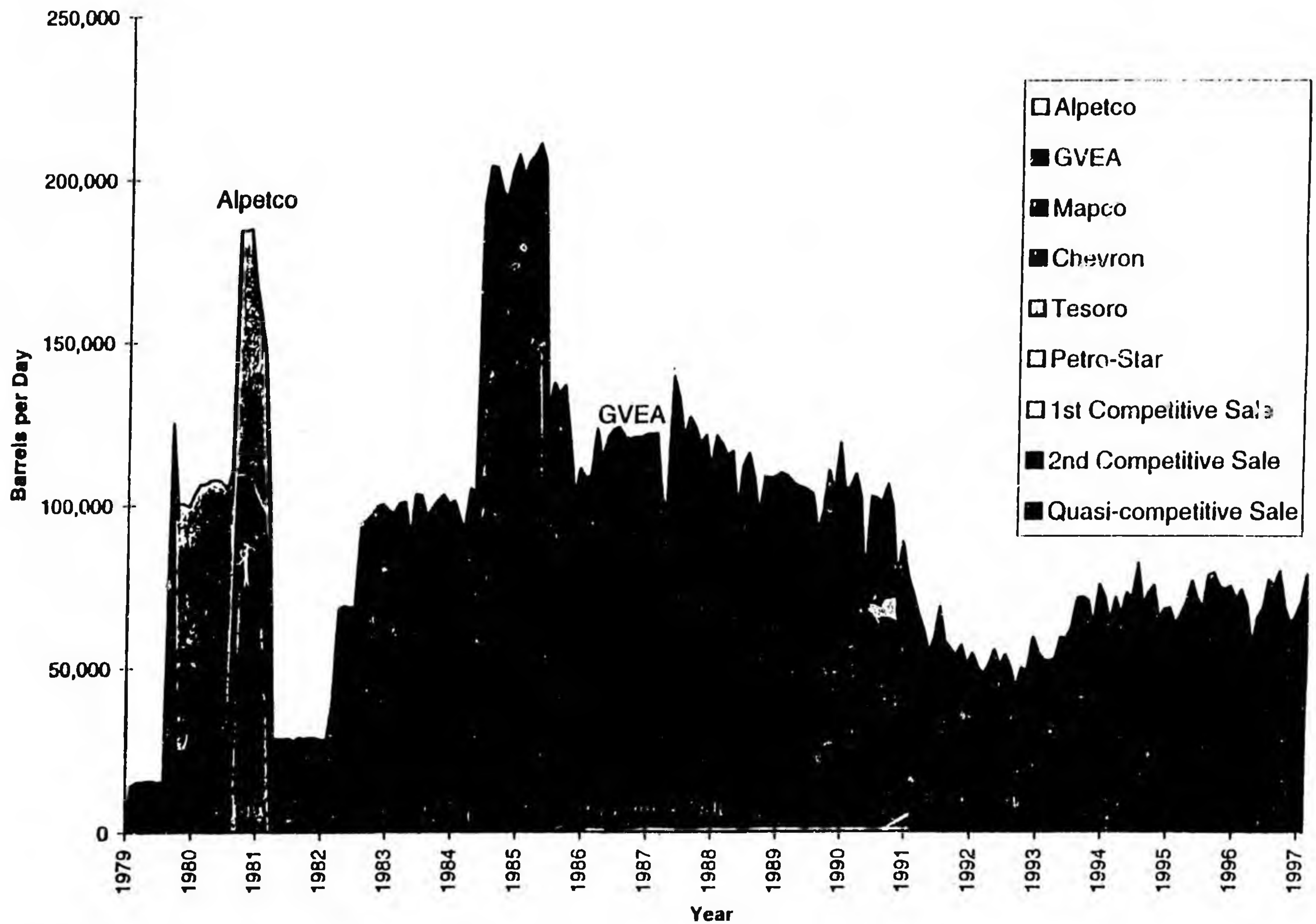
Figure A-2: Total ANS Royalty and RIK Sales (includes New Mapco Contract)



MPBIFDTB.xls, FIGURE A-2

3/5/98, 12:51 PM

Figure A-1: RIK Volumes by Purchaser



RIKHISTB xls, FIGURE A-1

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Appendix B: AS 38.05.183(c) & (e), AS 38.06.050(c), AS 38.06.055, and AS 38.06.070(a)

AS 38.05.183(c). If the commissioner determines that a sale, exchange or other disposal of a mineral obtained by the state as a royalty under AS 38.05.182 or of a right to receive future mineral production under a state lease under this chapter shall be made otherwise than by competitive bid, and the Alaska Royalty Oil and Gas Development Advisory Board has been notified in writing of that determination, the commissioner shall make public in writing the specific findings and conclusions upon which that determination is based.

AS 38.05.183(e). When a sale, exchange or other disposal of oil or gas taken in kind by the state as its royalty share, or a sale, exchange or other disposal in whole or in part of a right to receive future royalty oil or gas, under a state lease under this chapter is made other than by competitive bid, the sale, exchange or other disposal shall be awarded by the commissioner to the prospective buyer whose proposal offers the maximum benefits to citizens of the state. The commissioner shall consider:

(1) the cash value offered;
(2) the projected effects of the sale, exchange or other disposal on the economy of the state;
(3) the projected benefits of refining or processing the oil or gas in the state;
(4) the ability of the prospective buyer to provide refined products or by-products for distribution and sale in the state with price or supply benefits to the citizens of the state; and
(5) the criteria listed in AS 38.06.070(a).

AS 38.06.050(c). Competitive bidding in a sale, exchange or other disposition described in (a) of this section may not be waived by the commissioner of natural resources under AS 38.05.183 unless prior written notice of proposed waiver is given to the board.

AS 38.06.055. Legislative approval. (a) In addition to the recommendation by the board required under AS 38.06.050, the commissioner of natural resources may not enter into a sale, exchange, or other disposition of oil or gas or of the rights or waiver of the rights to receive future production of royalty oil or gas under AS 38.05.183 without the prior approval of the legislature. The legislature may approve a sale, exchange, or other disposition of oil or gas or of the rights or of a waiver of the rights to receive future production of royalty oil or gas only by enacting legislation. (b) The provisions of (a) of this section do not apply to

(1) the sale, exchange, or other disposition of oil or gas for one year or less if the sale, exchange, or other disposition is entered into to relieve storage or market conditions;
(2) contracts for the sale of state-owned royalty gas or oil that specify the sale and delivery of not more than
    (A) 400 barrels of crude oil per day;
    (B) 460 barrels of natural gas liquids per day; and
    (C) 2,400 Mcf of natural gas per day.

(c) a sale, exchange, or other disposition of oil or gas under (b)(1) of this section may not be continued after the end of one year or renewed with the same party without the prior approval of the legislature under (a) of this section. This subsection does not apply to a sequential competitively bid sale of oil or gas made with the same party under (b)(1) of this section.

AS 38.06.070. Criteria. (a) In the exercise of its powers under AS 38.06.040(a) and 38.06.050 the board shall consider

(1) the revenue needs and projected fiscal condition of the state;

(2) the existence and extent of present and projected local and regional needs for oil and gas products and by-products, the effect of state or federal commodity allocation requirements which might be applicable to those products and by-products, and the priorities among competing needs;

(3) the desirability of localized capital investment, increased payroll, secondary development and other possible effects of the sale, exchange or other disposition of oil and gas or both;

(4) the projected social impacts of the transaction;

(5) the projected additional costs and responsibilities which could be imposed on the state and affected political subdivisions by development related to the transaction;

(6) the existence of specific local or regional labor or consumption markets or both which should be met by the transaction;

(7) the projected positive and negative environmental effects related to the transaction; and

(8) the projected effects of the proposed transaction upon existing private commercial enterprise and patterns of investments.

Appendix C: Comments and Responses on the Preliminary Finding and Draft Contract

The department sent either a copy of the preliminary finding and draft contract, or a notice announcing its availability to 200-person mailing list. In addition, advertisements were published in the Anchorage Daily News, Juneau Empire, Fairbanks Daily News-Miner, Kenai Peninsula Clarion and the Valdez Vanguard.

The department received three letters about the proposed sale. One letter from the Fairbanks Chamber of Commerce expressed support for the sale, while another letter from Prince Singka requested a copy of the draft contract. The last letter from Hal Whitley, owner of Wet Willy's Carwash in Fairbanks was addressed and presented to the Alaska Royalty Oil and Gas Development Advisory Board at a meeting of the Royalty Board on February 17, 1998. Copies of these letters follow.

FAIRBANKS HUB OF THE INTERIOR

Greater Fairbanks **Chamber** of Commerce

250 Cushman Street, Suite 2D
Fairbanks, Alaska 99701-4665

(907) 452-1105
FAX (907) 456-6968

February 3, 1998

Ms. Nancy Jurgens
Division of Oil and Gas
ALASKA DEPT. OF NATURAL RESOURCES
3601 "C" Street, Suite 1380
Anchorage, AK 99503-5948

RE: Royalty Oil Sale to MAPCO

Dear Ms. Jurgens:

The Greater Fairbanks Chamber of Commerce is pleased to go on record in support of the proposed new royalty oil contract between the State of Alaska and MAPCO ALASKA PETROLEUM Inc. This 28,000 barrel per day contract for five years will supply the new $70 million expansion of MAPCO's North Pole Refinery that is now under construction.

MAPCO will primarily refine additional jet fuel and diesel fuel with the crude oil purchased. The expanded production will help fuel Alaska's growing international air cargo business and the growing Alaska economy in general.

MAPCO plays a significant role in the economy of interior Alaska. They employ about 130 employees at the refinery, with an additional 15 new permanent employees to be added with the refinery expansion. MAPCO is the largest customer of the Alaska Railroad. They are one of the major customers of Golden Valley Electric Association. In addition, MAPCO supports a broad range of educational, cultural and other activities throughout Alaska.

We respectfully request that the Alaska Royalty Oil and Gas Development Advisory Board approve this contract and recommend legislative approval following the public hearing on February 17, 1998.

Sincerely,

Pamela J. Held
President/CEO

Therese Sharp
Chairwoman of the Board

From the Desk of Hal C. Whitley

WET WILLY'S

Auto Wash, Inc. dba Wet Willy's Car Wash
1295 University Ave
P.O. Box 80047, Fairbanks, Alaska 99708
Phone: (907) 474-8585 • Fax: (907) 474-4343

To: Alaska Royalty Oil & Gas Dev. Advisory Board Fax: 907 562-5269

Attention: Nancy Jurgens

From: Hal Whitley

Contact #: 907 474-8686

Date: 2-17-98 Time: 12:30

No. of Pages: three (including cover sheet)

COMMENTS:

Pursuant to my call earlier today, I am sending you my comments to be presented and read at todays public hearing. In the event that this FAX is unclear, please call so we can re send it. Thanks for your help in this matter.

Respectfully,

H C Whitley

Pres. Auto Wash, Inc.

Auto Wash, Inc.
P.O. Box 80047
Fairbanks, AK 99708

To: Alaska Royalty Oil & Gas Development Advisory Board

The purpose of this fax today is to express my concern about the State of Alaska selling its crude oil to Mapco. Thank you for taking the time to read my comments today. I apologize for not being present as my business prevents me from leaving Fairbanks today.

I own and operate three small businesses here in Alaska, two of these offer retail gasoline for sale. All of the gasoline sold in Fairbanks originates from Mapco's refinery in North Pole (fifteen miles away) which is supplied by the crude oil from the Alaska Pipeline.

My concern is that for the past few months, Mapco's retail gasoline stations have been selling gasoline for approximately the same price our facility pays our supplier, Sourdough Fuel. Because our firm operates two differently branded stations and are supplied by two different "jobbers", we feel confident from our past twelve years of retail gasoline sales experience, that the "jobbers' price to us is fair.

Like all gasoline stations, we have the usual overhead, ie. labor, electricity, maintenance, pollution and liability insurance, not to mention the expense related to our capital investment.

In effect, Mapco's retail gasoline stations have taken away from its competition all of the price margin on gasoline sales in Fairbanks. In addition, because of Mapco's gas stations low gasoline prices, Mapco has effectively decreased substantially all of the gasoline volumes of the competing gasoline stations.

Between 1985 and 1990 I saw this same scenario play out in Wasilla, Alaska where our second facility is located. The overall effect there eliminated quite a few of the "Mom and Pop" gasoline stations. As a small businessman, I cannot stand idly by and watch this same "predatory pricing routine" happen again in Fairbanks.

I understand that Mapco has invested several million dollars in its North Pole refinery for the purpose of making a profit on fuel sales. I wholeheartedly agree with that undertaking. My plea to this board is to provide a "level playing field" for gasoline sales in Interior Alaska.

I feel that Mapco's total domination of gasoline sales in Fairbanks is blatantly unfair to competing retail gasoline facilities. I also feel that Mapco's monopoly of local gasoline sales is unfair to Alaska citizens.

I feel that it is unfair for the same company that refines state owned North Slope crude oil to be in direct competition with small retail gasoline stations. Small stations such as mine have no other source for gasoline other than Mapco.

I have tried to communicate my concerns about this "predatory pricing" situation to Mapco and to open up a dialogue with their firm to help remedy this problem, but I wasn't successful. I did finally receive a phone call from one of Mapco's attorneys who advised me that it was illegal for them or me to discuss fuel prices. He indicated he would send me a follow up letter, but I've never received it.

I have also tried to communicate my concerns to all of the state agencies, (State of Alaska Department of Commerce, Department of Revenue, Department of Law, Attorney General, Fair Business Practices Session, Oil & Gas Conservation Commission, Auditor Division Oil & Gas, and others) only to be told "the state doesn't have the financial resources to help you fight Mapco" The only suggestion I got from these state agencies was to hire my own attorney and fight Mapco on my own. As a small business with limited resources, this is not an option for us.

I feel that our state should create a "level playing field" for retail gasoline stations such as ours. Irregardless of which state agency is responsible for dealing with my concerns - the State of Alaska should be fair in how this North Slope crude oil is re-sold by Mapco around our state.

For the record, wholesale unleaded gasoline on the West Coast of the United States on February 6 of this year was $.54 per gallon. The retail price on the west coast varies from $.97 to $1.07 per gallon. The average retail price today in Fairbanks is $1.28 per gallon.

The "bottom line" is that there needs to be some kind of regulatory process in place that will stop the monopolistic practices that are ongoing with Mapco. Mapco should be held accountable for controlling the price of retail gasoline in Alaska.

I would appreciate hearing any suggestions that may help alleviate what we feel is an unfair business practice.

Hal C. Whitley

President Auto Wash, Inc.

"H. H. THE PRINCE SINGKA"

Family Crest And Coat Of Arms

BULK CRUDE OIL • TANKERS • ARMAMENTS • INTERNATIONAL FINANCIERS GOVERNMENTS ONLY

H.H. PRINCE K.B. CRUDEOIL
H.H. PRINCE K.B. ARMAMENTS
H.H. PRINCE K.B. TANKERS-FREIGHTERS
H.H. PRINCE K.B. AIRLINES AND TRAVEL.
H.H. PRINCE K.B. AIRPETRO
H.H. PRINCE K.B. INTERNATIONAL ONLY GOVERNMENT FINANCIERS
H.H. PRINCE K.B. INDUSTRIAL FACTORY PRAI CONDOM OPENING SOON

OFFICES AND [illegible]: LONDON - CAIRO - BEIRUT - LAGOS - CYPRUS - UNITED ARAB EMIRATES - MIAMI - NEW YORK - TOKYO - OSAKA - MEXICO - BRAZIL - ZURICH CARACAS - SAN FRANCISCO.

BUSINESS INTERNATIONAL

OWNERS, CHARTERERS, TANKERS, FREIGHTERS, BUYERS, SELLERS, PROSPECTORS, BULK CRUDE OIL, LATEST EQUIPMENTS, ARMAMENTS, AIR, LAND AND SEA, MINERAL ORES ANY TYPE ANY QUANTITY, CLINKER, GYPSUM, SUGAR, RICE, TIMBER, STEEL, RAILWAY SLEEPERS, EDIBLE AND MINERAL OILS, BUYERS AND SELLERS, NEW BUILDING, VESSELS, HOTEL PROPRIETORS AND OPERATORS, FINANCIERS INTERNATIONAL ONLY, ON BEHALF OF OUR OVERSEAS PRINCIPALS.

ANYTHING YOU REQUIRE NAME IT WE GET IT

Our Requirements:

[illegible]

FAX: 2627[illegible] PENANG MALAYSIA ATTN: "PRINCE KB"
TELEX: [illegible] - PG • MA 40[illegible] ATTN: "PRINCE KB"
CABLE: "PETROTANK" PENANG MALAYSIA
DATE: 12 Feb 98 TELEPHONE:
TO: The Commissioner, Division of Oil And Gas
Attn: Nancy Jurgens 3601 C. Street
Suite 1380 Anchorage Alaska 99503-5948
T/Fax: (907) 269 8918 Anchorage Alaska

Y/REF: O/REF:
FROM: MANAGING PROPRIETOR ATTN: "H.H. THE PRINCE"
POST BOX 75, PENANG, MALAYSIA.
ADDRESS:

GENTLEMEN:

We thank you for your information on communication, on the purchase of Mayes Oil and petroleum and Gas, and a Draft Contract is requested to be made available to us to proceed with the study and eventual purchase if final conclusions have been reached.

Kindly take note that our Post Box Address is Post Box 75 and not post box 76 as in your envelope to us and nearly went astray.

Thank you once again, Mr. John T. Shively Commissioner
State of Alaska, Dept. Of Natural Resources.

Yours truly,

"PRINCE SINGKA"

Managing Proprietor

Reply: Attention Prince Singka K.B.
Post Box 75 Penang Malaysia

Sent 2/13/98

Fax: As above.

Appendix D: Changes to the Preliminary Finding and Draft Contract

Article 7, Effective Date and Term of the draft contract, paragraph 7.1 Condition to Precedent to Effective Date was added. This paragraph was added to assure that after the contract is signed by the State and Mapco that the contract does not become effective and enforceable until the legislature approves it. This change necessitated a small change in the wording of the first paragraph of the contract.

No comments requested changes to individual provisions of the preliminary finding and none of the individual provisions were significantly changed. However, because of Williams Companies Inc. pending acquisition of MAPCO Inc. a paragraph was added to the background section of the preliminary finding.

HOUSE/Senate Supplement #11

AGREEMENT FOR THE SALE AND PURCHASE

OF

STATE ROYALTY OIL

to

MAPCO ALASKA PETROLEUM, INC.

THE STATE OF ALASKA
Department of Natural Resources

Dated as of March 6, 1998

SENATE BILL NO. 342
HOUSE BILL NO. 469

TABLE OF CONTENTS

AGREEMENT FOR THE SALE AND PURCHASE OF ROYALTY OIL

THIS AGREEMENT is entered into as of March 6, 1998, by and between the State of Alaska (State) and Mapco Alaska Petroleum Inc., an Alaska corporation with its principal offices located at 3201 C Street, Anchorage, Alaska 99503 and Mapco Petroleum Inc., a Delaware corporation with its principal offices located 1800 South Baltimore Avenue, Tulsa, Oklahoma 74119 (collectively Mapco).

ARTICLE I

DEFINITIONS

As used in this Agreement, the terms listed below shall have the following meanings:

1.1 "Commissioner" means the Commissioner of the Alaska Department of Natural Resources or the Commissioner's designee.

1.2 "Daily Royalty Oil" means the quantity of Royalty Oil produced by the Lessees from the Prudhoe Bay Unit, as described in the Unit Agreement, in a Day.

1.3 "Day" means a period of twenty-four (24) consecutive hours, beginning at 12:01 a.m., Alaska Standard Time.

1.4 "Field Cost Agreement" means the Prudhoe Bay Royalty Settlement Agreement effective April 1, 1980.

1.5 "Leases" means the Oil and Gas leases subject to the terms of the Unit Agreement.

1.6 "Lessee" means a person, as "person" is defined in Alaska Statutes 01.10.060, owning a working interest in any of the Leases.

1.7 "Maximum Quantity" means the applicable annual percentage of Sale Oil that the State will deliver to Mapco under Article II.

1.8 "Month" means a period beginning at 12:01 a.m., Alaska Standard Time, on the first Day of the calendar Month and ending at 12:01 a.m., Alaska Standard Time, on the first Day of the following calendar Month.

1.9 "Point of Delivery" means the location where the State receives Royalty Oil in-kind from the Lessees, which is currently, under Article 2.3 of the Field Cost Agreement, the TAPS Pump Station No. 1 Prudhoe Bay Custody Transfer Meter ("Transfer Meter").

1.10 "Royalty Oil" means the total volume of crude petroleum oil and other hydrocarbons, including such substances as crude oil, condensate, natural gas liquids, or return oil from the Prudhoe Bay Unit Crude Oil Topping Plant, that may be blended with crude oil before the Point of Delivery and tendered as a common stream by the Lessees to the State as Royalty Oil, the State may take in-kind at the Point of Delivery under the Leases as Royalty Oil regardless of whether the State is taking the Royalty Oil in-kind.

1.11 "Royalty Settlement Agreement" means any written royalty settlement agreement between the State and a Lessee that affects the Royalty Value of the State's Royalty Oil.

1.12 "Royalty Value" means an amount equal to the per barrel value the State would have received from the Lessees for its Royalty Oil if the State had taken its royalty in-value instead of in-kind, plus any costs incurred by the State as a result of taking the royalty in-kind rather than in-value.

1.13 "Sale Oil" means all Royalty Oil the State has agreed to sell to Mapco and Mapco has agreed to purchase under this Agreement, whether from the Prudhoe Bay Unit or solely from the Initial Participating Areas of the Prudhoe Bay Unit.

1.14 "TAPS" means the Trans Alaska Pipeline System.

1.15 "Unit Agreement" means the Prudhoe Bay Unit Agreement effective April 1, 1977, by and between the Lessees and the State.

ARTICLE II

SALE OF ROYALTY OIL

2.1 Quantity.

2.1.1 Sale Oil Quantity. The State agrees to sell to Mapco and Mapco agrees to purchase from the State annually a Maximum Quantity of Sale Oil, which shall be a percentage of the Royalty Oil produced in the Prudhoe Bay Unit. If the State delivers Sale Oil produced from the total Prudhoe Bay Unit, Mapco agrees to purchase as Maximum Quantity the following percentages of the Daily Royalty Oil:

December 1, 1998 through December 31, 1999 - 27.0 percent;
January 1, 2000 through December 31, 2000 - 28.5 percent;
January 1, 2001 through December 31, 2001 - 30.0 percent;
January 1, 2002 through December 31, 2002 - 32.0 percent; and
January 1, 2003 through December 31, 2003 - 33.5 percent.

If the State elects under Article 2.1.5 to deliver Sale Oil produced solely from the Prudhoe Bay Unit Initial Participating Areas, Mapco agrees to purchase as Maximum Quantity the following percentages of the Royalty Oil produced in a Day from the Prudhoe Bay Unit Initial Participating Areas:

December 1, 1998 through December 31, 1999 - 33.8 percent;
January 1, 2000 through December 31, 2000 - 35.2 percent;
January 1, 2001 through December 31, 2001 - 36.6 percent;
January 1, 2002 through December 31, 2002 - 38.5 percent; and
January 1, 2003 through December 31, 2003 - 40.1 percent.

2.1.2 Reduction in Maximum Quantity. Mapco may elect one time annually to permanently reduce the Maximum Quantity of Sale Oil in effect. Mapco shall provide the State with a separate written notice of each election to reduce the Maximum Quantity of Sale Oil. Except when the additional notice provisions of Article 2.1.4 are invoked, a reduction in Maximum Quantity shall be effective on the first Day of the Month following expiration of a minimum of one hundred Days after written notice of the election is delivered to the State. The Maximum Quantity in effect may not be increased or reinstated at any time.

2.1.3 Monthly Nomination. Mapco may nominate to decrease or increase the quantity of Sale Oil it will purchase in a specified Month. Mapco shall provide the State with a separate written notice of each monthly nomination. Except when the additional notice provisions of Article 2.1.4 are invoked, a monthly nomination shall be effective on the first Day of the Month following expiration of a minimum of one hundred Days after written notice of Mapco's nomination is delivered to the State. In no event shall the total quantity of Sale Oil delivered to Mapco in a Month exceed the Maximum Quantity of Sale Oil in effect at the time of delivery.

2.1.4 Additional Notice Provisions. Mapco acknowledges that if a Lessee invokes the force majeure provisions of its Royalty Settlement Agreement, the State may be required to give up to six Months notice to the Lessee prior to decreasing the State's nomination of Royalty Oil to be taken in-kind in any Month. If a Lessee invokes the force majeure terms of its Royalty Settlement Agreement because Mapco exercises its rights under Article 2.1.2 or Article

2.1.3. Mapco shall, for an additional ninety Days after the effective date of Mapco's one hundred Days written notice of the election or nomination, purchase the quantity of Sale Oil that Mapco was obligated to purchase in the Month immediately preceding the effective date of the election or nomination. If a Lessee invokes the force majeure terms of its Royalty Settlement Agreement, the State shall reduce the quantity of Sale Oil it delivers to Mapco only to the extent the Lessee honors the State's nomination, and the State shall not be obligated to further reduce the quantity of Sale Oil it delivers to Mapco until expiration of ninety days after the effective date of Mapco's one hundred Days written notice of the election or nomination.

2.1.5 Initial Participating Areas Quantity. The State may elect to deliver to Mapco and Mapco agrees to purchase from the State, Royalty Oil that is produced solely from the Prudhoe Bay Unit Initial Participating Areas, as defined in the Unit Agreement, rather than Royalty Oil from all participating areas and Leases within the Prudhoe Bay Unit. If the State elects to deliver to Mapco Royalty Oil produced solely from the Prudhoe Bay Unit Initial Participating Areas, Mapco agrees to purchase a Maximum Quantity of Sale Oil produced from the Prudhoe Bay Unit Initial Participating Areas.

2.1.6 Waiver of Specific Quantity. The volume of Royalty Oil available to the State may vary and may be interrupted from time to time depending on a variety of factors, including the rate of production from the Leases. The State disclaims and Mapco waives, any guarantee, representation, or warranty, either express or implied, that a specific quantity of the total, daily, monthly, average, or aggregate volume of Royalty Oil will be delivered as Sale Oil under this Agreement. Mapco disclaims any interest in, or right to, stored Royalty Oil that the State is or may become entitled.

2.1.7 Underlifted or Stored Royalty Oil. If the State underlifts or stores Royalty Oil at the Prudhoe Bay Unit, or if the State recovers underlifted or stored Royalty Oil, the quantity of Sale Oil delivered under this Agreement shall be calculated as if no Royalty Oil were underlifted, stored or recovered.

2.1.8 State's Warranty of Title. The State warrants that it has good and marketable title to the Royalty Oil delivered and sold as Sale Oil under this Agreement.

2.2 Quality.

2.2.1 Quality of Sale Oil. The Royalty Oil the State delivers to Mapco as Sale Oil shall be of the same quality as the Royalty Oil from the Prudhoe Bay Unit delivered by the Lessees to the State at the Point of Delivery. The quality of the Royalty Oil delivered to the State, and thus, the quality of the Sale Oil the State delivers to Mapco may vary from time to time. The State disclaims, and Mapco waives, any guarantee, representation, or warranty, either expressed or implied, of merchantability, fitness for use, or suitability for any particular use or purpose, or otherwise, and of any specific, average, or overall quality or characteristic of Sale Oil delivered under this Agreement. Mapco specifically waives any claim that any liquid hydrocarbons, including such substances as crude oil, condensate, natural gas liquids, or return oil from the Prudhoe Bay Unit Crude Oil Topping Plant, that may be blended with crude oil before the Point of Delivery and tendered as a common stream by the Lessees to the State as Royalty Oil, are not Sale Oil for purposes of this Agreement.

2.3 Price of the Sale Oil.

2.3.1 Price of Sale Oil. The price of Sale Oil the State delivers to Mapco each Month shall be the Royalty Value of all Royalty Oil from the Prudhoe Bay Unit that Month plus $.15 per barrel, or if the State delivers Sale Oil only from the Prudhoe Bay Unit Initial Participating Areas, the Royalty Value of all Royalty Oil from the Prudhoe Bay Unit Initial Participating Areas that Month plus $.15 per barrel. Appendix A illustrates calculation of the price if Mapco had purchased Sale Oil during the Month of January, 1997.

2.3.2 Price Modifications. If, during the term of this Agreement, the Royalty Value is modified as a result of modification of a Royalty Settlement Agreement, a corresponding retroactive modification to the price of Sale Oil shall take effect on the same Day as the effective date of the Royalty Value modification. Interest, as set forth in Article 6.7, shall accrue retroactively on the amount of any overpayment or underpayment for Sale Oil resulting from the price modification from the effective date of the Royalty Value modification until the amount of the overpayment or underpayment, plus interest, is paid in full.

2.4 Reservation Fee. If, in any Month, Mapco does not nominate the Maximum Quantity of Sale Oil then in effect, in addition to payment of the price of the Sale Oil Mapco nominated in that Month, Mapco shall pay as a reservation fee an amount equal to .75 percent of the price per barrel, as determined under Article 2.3, on the difference in quantity between the Maximum Quantity of Sale Oil then in effect and the quantity of Sale Oil Mapco nominated in that Month.

2.5 Reopeners.

2.5.1 Non-Intervention. Mapco shall not intervene or otherwise participate in any way in any reopeners, negotiations or other discussions under or pertaining to any Royalty Settlement Agreement, in any current or future royalty settlement negotiations, agreements.

reopeners. litigation or other proceedings between the State and a Lessee. nor shall Mapco have any independent right to invoke any provision of a Royalty Settlement Agreement.

2.5.2 Notice of Reopeners. Because of the potential for an increase in the price of Sale Oil as a result of any modifications of a Royalty Settlement Agreement. the State shall provide Mapco with written notice of any modification or reopener request initiated by BP. ARCO. Exxon or the State. The notice may include information on the nature of the requested modification. the requested effective date of the modification. and the position taken by BP. ARCO. or Exxon and the State.

2.5.3 Binding Effect. Mapco agrees to be conclusively bound by the terms of any modification. whether made under reopener provisions or otherwise. of a Royalty Settlement Agreement. and by the terms of any judgment or settlement resulting from any future royalty settlement agreement. regardless of whether Mapco agrees with or consents to the terms of the modification. reopener. judgment. or settlement.

2.6 Delivery of Sale Oil.

2.6.1 Date of First Delivery. The State will tender first delivery of the Sale Oil to Mapco at the Point of Delivery on December 1. 1998.

2.6.2 Subsequent Deliveries. After the first delivery, the State shall thereafter tender delivery of the Sale Oil to Mapco at the Point of Delivery immediately upon the State's receipt of the Royalty Oil from the Lessees.

2.7 Passage of Title and Risk of Loss. Title to, and risk of loss of, the Sale Oil shall pass from the State to Mapco for all purposes when the State tenders delivery of the Sale Oil to

Mapco at the Point of Delivery. Mapco shall bear all risk and responsibility for the Sale Oil after passage of title.

2.8 Indemnification After Passage of Title. Mapco shall indemnify and hold the State harmless from and against any and all claims, costs, damages (including reasonably foreseeable consequential damages), expenses, or causes of action arising from or related to any transaction or event in any way related to the Sale Oil after title has passed to Mapco.

2.9 Transportation Arrangements. Mapco shall make all arrangements for transportation of the Sale Oil from the Point of Delivery, through and away from the TAPS, and shall be responsible for any TAPS pipeline fill and storage tank bottom requirements related to transportation of the Sale Oil after passage of title. Upon the State's request, Mapco shall provide the State with evidence or other reasonable assurance of: 1) the arrangements for transportation of the Sale Oil from the Point of Delivery, through and away from the TAPS; 2) arrangements for resale, exchange, or other disposal of the Sale Oil; and 3) if requested, information on specific deliveries of Sale Oil by Mapco to the TAPS and identification of tankers that will transport the Sale Oil. Mapco's failure to provide information, evidence, or assurances requested by the State shall, at the State's election and after notice to Mapco, constitutes a material default under this Agreement.

2.10 Absolute Obligations. Mapco's obligations to provide security as required by Article XVI, pay reservation fees, and purchase, transport and dispose of Sale Oil are absolute. These obligations shall not be excused or discharged by the operation of any disability of Mapco, event of force majeure, impracticability of performance, change in conditions, or other reason or cause.

ARTICLE III

IN-STATE PROCESSING

3.1 In-State Processing. Mapco shall use its best efforts to insure that Sale Oil will be processed at its Alaska refinery or be exchanged for other crude oil that will be processed at its Alaska refinery. Except as provided in Article 3.3, Mapco shall process not less than 80 percent of the of Sale Oil its Alaska refinery. "Process" means the manufacture of refined petroleum products.

3.2 Exchanges of Crude Oil. Mapco may enter into agreements to exchange Sale Oil for other crude oil only as provided in this Article. An exchange of Sale Oil for other crude oil may not reduce the price Mapco has agreed to pay the State for the Sale Oil or result in any cost or expense to the State. "Exchange" means: 1) a direct trade of Sale Oil for an equal volume of other crude oil; 2) a direct trade of Sale Oil for other crude oil that involves either cash or volume adjustments, or both, based solely on differences in the quality or location of the crude oils exchanged; 3) sequential transactions in which Mapco trades Sale Oil to one party and, in exchange, receives crude oil from a party other than the party to whom Mapco traded the Sale Oil; and 4) matching purchases and sales of Sale Oil for other crude oil.

3.3 Waiver of In-State Processing Requirement. The Commissioner may, in the Commissioner's sole discretion, waive the in-state processing requirement, in whole or in part, if the Commissioner is satisfied that Mapco is using its best efforts to fulfill its Article 3.1 obligations.

ARTICLE IV

MAPCO'S REPRESENTATIONS AND OBLIGATIONS

4.1 Good Standing and Due Authorization. Mapco warrants that it is. and shall remain at all times during the term of this Agreement: 1) a corporation organized and existing under the laws of the United States or of a state. territory or the District of Columbia: 2) qualified to do business in Alaska: and 3) in good standing with the State. Mapco warrants that it has all corporate power and authority necessary. and has performed all corporate action required. to enter into and fulfill its obligations under this Agreement.

4.2 Financial Condition. Mapco warrants that all financial information submitted to the State: 1) is complete. accurate. and fairly represents Mapco's financial condition at the time of submission: and 2) there has been no material change in Mapco's financial condition. business operations. or properties since it submitted the financial information to the State. Mapco warrants that the financial information was prepared in accordance with generally accepted accounting principles. Mapco shall immediately inform the State of any material change in it's financial condition. business operations. agreements. or property that may affect its ability to perform its obligations under this Agreement. Mapco shall immediately inform the State of any significant change in ownership of Mapco. or of Mapco's parent company or affiliates.

4.3 Financial Statements. Within one hundred and twenty Days after the end of its fiscal year. Mapco shall. at its own cost and expense. submit to the State a complete financial report in a form or forms prescribed by the State. The report shall include Mapco's balance sheet as of the close of the fiscal year and the income statement for that year prepared in accordance with generally accepted accounting principles. Mapco may comply with this requirement by submitting a copy of Mapco Petroleum Corporation's annual report filed with the United States Securities and Exchange Commission pursuant to Sec. 13 or 15(d) of the Security Exchange Act of 1934.

ARTICLE V

MEASUREMENTS

5.1 Measurements. The quantity and quality of Sale Oil the State delivers under this Agreement shall be determined by measurement at the Transfer Meter at the Point of Delivery. Procedures used for metering and measuring the Sale Oil shall be in accordance with the procedures in effect in the Prudhoe Bay Unit.

ARTICLE VI

INVOICING AND PAYMENT

6.1 Production Month Invoices. On or before the tenth business day of each Month after the first Month of delivery of Sale Oil, the State shall send to Mapco, a statement of account with an invoice for the total amount due for the estimated quantity of Sale Oil delivered to Mapco during the immediately preceding Month and the estimated price applicable to those deliveries. The State will base its estimates on the best information reasonably available to the State. The State shall adjust production month invoices as provided in Article 6.3 and Article 6.5.

6.2 Payment of Production Month Invoices. Mapco shall pay the total amount of each production month invoice, in full, on or before the third business Day after the date of the statement of account that includes the invoice. Any amount not paid in full on or before the third business Day after the date of the statement of account, shall accrue interest as provided in Article

6.7. and become subject to the late payment provisions of Article 6.9. and any other remedies available to the State under this Agreement and at law.

6.3 Initial Adjustments. Mapco acknowledges that any time after a production month invoice is sent. the State may receive more accurate information concerning the actual quantity and price for Sale Oil delivered to Mapco in that Month. Mapco agrees that any time such information becomes available to the State. in the next statement of account the State may make initial adjustments to the immediately preceding invoice. and invoice Mapco for the initial adjustments. plus interest as provided in Article 6.7 on the amount of any adjustment.

6.4 Payment of Initial Adjustments. Mapco shall pay the total amount of each initial adjustment invoice. plus interest as provided in Article 6.7. in full. on or before the third business Day after the date of the statement of account that includes the initial adjustment invoice. If an adjustment is due to Mapco for an overpayment. the State shall credit or refund to Mapco the amount of the overpayment. plus interest as provided in Article 6.7. on or before the third business Day after the date of the statement of account that includes the initial adjustment invoice. Any amount Mapco does not pay in full when due shall become subject to the late payment provisions of Article 6.9. and any other remedies available to the State under this Agreement and at law.

6.5 Subsequent Adjustments. Mapco acknowledges that any time after production month and initial adjustment invoices are sent. the State may receive more accurate information concerning the actual quantity and price for Sale Oil delivered to Mapco in any Month. Mapco agrees that any time more accurate information becomes available to the State. the State shall make subsequent adjustments to amounts previously invoiced in production month or initial adjustment invoices. and send Mapco a statement of account with a subsequent adjustment invoice for the amount of any adjustments to the previous invoices, plus interest on any adjusted amount as provided in Article 6.7.

6.6 Payment of Subsequent Adjustments. Mapco shall pay in full the total amount of each subsequent adjustment invoice, plus interest as provided in Article 6.7, on or before the thirtieth Day after the date of the statement of account that includes the subsequent adjustment invoice. If an adjustment is due to Mapco for an overpayment, the State shall credit or refund to Mapco the amount of the overpayment, plus interest as provided in Article 6.7, on or before the thirtieth Day after the date of the statement of account that includes the adjustment invoice. Any amount Mapco does not pay in full when due shall become subject to the late payment provisions of Article 6.9, and any other remedies available to the State under this Agreement and at law.

6.7 Interest. All amounts Mapco does not pay in full when due under this Agreement, and all amounts invoiced as adjustments for underpayments and overpayments for Sale Oil delivered to Mapco, shall bear interest from the date accrued until paid in full at the rate provided by Alaska Statute 38.05.135(d), or as that statutory provision may later be amended. In this Agreement "date accrued" means the third business day after the date of the statement of account that contains the production month invoice to which the initial or subsequent adjustment applies. Appendices A and B illustrate accrual of interest.

6.8 Non-termination and limitations. Mapco acknowledges that the State may continue to make subsequent adjustments after termination of this Agreement, and agrees that the provisions of Article VI shall survive termination of this Agreement for any reason. The amount of a subsequent adjustment rendered more than six years after the date of delivery of the Sale Oil upon which it is based, shall bear interest for no more than six years from the date accrued, as defined in

Article 6.7. The six year limitation on interest shall not apply to payments Mapco fails to make when due or to subsequent adjustments resulting from: 1) regulatory, reopener, or court (including appeals) proceedings commenced during the six year period, regardless of whether Mapco or the State is a party; or 2) bona fide audits of a Lessee commenced by the State within the six year period.

6.9 Late Payment Penalty. In addition to all other remedies available to the State, if Mapco fails to make timely payment in full of any amount due, in addition to the amount not paid when due, plus interest as provided in Article 6.7 from the date accrued until paid in full, Mapco shall pay the State an amount equal to five percent of the amount not paid as a late payment penalty. Appendix B contains an illustrative example of interest and late payment penalties.

6.10 Disputed Payments. If a dispute arises concerning the amount of an invoice, Mapco agrees to pay the full amount of the invoice when due pending final resolution of the dispute.

6.11 Confidential Information. The State and Mapco agree that the State may invoice Mapco for, and Mapco agrees to pay, amounts that are based upon confidential information held or received by the State. If confidential information is used as the basis for an invoice, upon receipt of a written request from Mapco, the State shall furnish to Mapco a certified statement of the Commissioner to the effect that, based upon the best information available to the State, the invoiced amounts are correct.

6.12 Manner of Payment. Mapco shall pay all invoices in full within the times specified and without any deduction, set off, or withholding. Mapco shall pay all invoices by wire transfer of immediately available funds to the State's account at the following address :

State Street Bank & Trust Company
Boston, Massachusetts
ABA #011000028
For credit to the State of Alaska
General Investment Fund, AY01
Account #00657189
Attn: Kim Chan, Public Funds

Mapco may pay an invoice in such other manner or to such other address the State has specified in an invoice or by other written notice. All other payments due shall be paid in the same manner and according to the same time schedule provided in this Article. If payment falls due on a Saturday, Sunday, or legal federal holiday, payment shall be made on the next business Day.

6.12.1 <u>Direct Payment to Lessees</u>. If the State directs Mapco in an invoice or other writing to remit all or a portion of a payment required under this Agreement directly to one or more of the Lessees, Mapco shall remit the payment to the Lessee or Lessees in the manner designated by the State, and within the time limits specified in Article VI. The State may, in writing, authorize a Lessee to request direct remittance of all or a portion of a payment due under this Agreement, and to designate the manner for payment. Unless otherwise specified by the State in writing, the balance of a direct partial payment to a Lessee, and all subsequent payments, shall be made to the State in accordance with Article VI.

6.12.2 <u>Direct Payment to Other Third Parties</u>. Upon a determination by the State that remittance to a third party of an amount due under this Agreement will assist the State in monitoring or enforcing the Agreement, the State may direct Mapco in an invoice or other writing to remit all or a portion of a payment due under this Agreement directly to a designated third party other than a Lessee, and Mapco shall remit the payment to the designated third party in the manner designated by the State, and within the time limits specified in Article VI. Unless otherwise specified by the State in writing, the balance of a direct partial payment to a third party, and all subsequent payments, shall be made to the State in accordance with Article VI.

ARTICLE VII

EFFECTIVE DATE AND TERM

7.1 Condition Precedent to Effective Date. This Agreement is subject to approval under Alaska Statute 38.06.055 as a condition precedent to becoming effective. After the State and Mapco have entered into this Agreement, it shall become effective and enforceable on the date upon which it is approved pursuant to Alaska Statute 38.06.055.

7.2 Term. The State shall begin deliveries of Sale Oil under this Agreement on December 1, 1998. This Agreement shall terminate at the end of the Day on December 31, 2003. Termination of this Agreement shall not relieve either party from any expense, liability, or other obligation or any remedy that has accrued or attached prior to the date of termination. The provisions of Article VI shall survive termination of this Agreement.

ARTICLE VIII

DEFAULT OR TERMINATION

8.1 Default.

8.1.1 Events of Default. The Commissioner may, in the Commissioner's sole discretion, suspend or terminate the State's obligations to tender, deliver and sell Sale Oil to Mapco, and may exercise any one or more of the rights and remedies provided in this Agreement, or at law, if any one or more of the following events of default occur:

(i) Except as otherwise provided in Article VIII. Mapco fails to perform any of its obligations under this Agreement, and cannot cure the non-performance or the non-performance continues for more than thirty Days after the State has notified Mapco of its non-performance:

(ii) Within five Days after written request from the State. Mapco fails to provide written assurances satisfactory to the State of its intention to perform its obligations under this Agreement and evidence or assurances of transportation arrangements under Article 2.9;

(iii) Mapco fails to pay in full any sum of money owed under this Agreement within one business day after the State gives Mapco notice that payment is due and has not been paid:

(iv) There is a substantial change in Mapco's financial condition, business operations, agreements, or property, or ownership that may affect Mapco's ability to perform its obligations under this Agreement, and within five Days after a request by the State, Mapco is unable or unwilling to provide the State with adequate assurance of continued performance:

(v) Any representation or warranty made by Mapco in this Agreement is found to have been materially false or incorrect when made; or

(vi) Mapco fails, or is unable for any reason (including reasons beyond Mapco's control), to maintain the security letter of credit required under Article XVI. regardless of Mapco's willingness or ability to perform any other obligations under this Agreement.

8.1.2 Default by Failure to Pay. Mapco shall immediately provide the State with written notice if Mapco is unable to pay any of its debts when due or is otherwise insolvent. Upon such notice from Mapco. or if the State independently determines that Mapco is unable to pay any of its debts when due or is otherwise insolvent. the State's obligations to deliver and sell Sale Oil to Mapco shall automatically and immediately terminate without any requirement of notice to Mapco or other action by the State. Upon termination of the State's obligations under this Article. Mapco shall be liable for payment and performance of all its obligations for Sale Oil the State delivered to Mapco before termination and for a minimum of one hundred Days after termination. plus an additional ninety days if a Lessee invokes the force majeure term of its Royalty Settlement Agreement. Within thirty days after termination under Article 8.1.2. the State shall have the right. upon written notice to Mapco. to reinstate all of the State's and Mapco's obligations under this Agreement retroactive to the date of termination.

8.2 State's Remedies. If Mapco defaults under this Agreement. in addition to all other remedies available to the State under this Agreement and or at law. the following remedies shall be available to the State in the Commissioner's sole discretion.

8.2.1 Mapco's Obligations Become Due. All monetary obligations Mapco has accrued under this Agreement, even if not yet due and payable. shall immediately be due and payable in full.

8.2.2 State May Dispose of Sale Oil. Until Mapco's default is cured or this Agreement terminates. the State may dispose of the Sale Oil to third parties and may suspend the in-state processing obligations. If the State exercises either of these remedies, regardless whether this Agreement is terminated, Mapco shall be and remain liable to the State for the amount of difference between the price for the Sale Oil under Article II and the actual price the State received from disposition of the Sale Oil to third parties.

8.2.3 <u>Indemnification for Loss</u>. Mapco shall hold the State harmless and indemnify it against all liability, damages, expenses, attorney's fees and costs, and losses arising out of Mapco's default, termination of the State's obligations, disposal of the Sale Oil to third parties, and suspension of the in-state processing requirements.

8.2.4 <u>Other Rights and remedies</u>. The State shall have the right cumulatively to exercise all rights and remedies provided in this Agreement and by law, and obtain all other relief available under law or at equity, including mandatory injunction and specific performance.

8.3 <u>Limitation of Mapco's Remedies</u>. If the State breaches or defaults any of its obligations under this Agreement, Mapco shall not obtain a temporary restraining order or preliminary injunction preventing the State from disposing of the Sale Oil subject to this Agreement.

8.4 <u>Termination</u>. Termination shall become effective upon the first Day of the Month following expiration of a minimum of one hundred Days after Mapco's written notice of termination is delivered to the State. If, however, the additional notice provisions of Article 2.1.4 are invoked, termination shall become effective upon the first Day of the Month following expiration of six Months and ten Days after Mapco's written notice of termination is delivered to the State. Termination shall not relieve either party from any expense, liability, other obligation, or remedy that has accrued or attached prior to termination. The provisions of Article VI shall survive termination of this Agreement.

ARTICLE IX

DISPOSITION OF OIL

9.1 Disposition of Oil Upon Default or Termination. Mapco acknowledges that the State may be required to provide six Months notice to the Lessees before the State may decrease its in-kind nomination of Royalty Oil in any Month. It is within the Commissioner's sole discretion to request a waiver of any notice provision. condition. or requirement of a Lease or Royalty Settlement Agreement. If this Agreement terminates for default or any other reason. Mapco shall continue to accept and pay for Sale Oil through the first Day of the Month following expiration of a minimum of one hundred Days after the date of termination. if the Commissioner. in the Commissioner's sole discretion so requires. If. however. the additional notice provisions of Article 2.1.4 are invoked. Mapco shall continue to accept and pay for Sale Oil until the expiration of six Months and ten Days after the Date of default or notice of termination.

9.2 Inability to Receive Sale Oil. If Mapco is unable or refuses to accept or receive Sale Oil. Mapco shall nevertheless remain liable for disposal and payment for Sale Oil as though it had been accepted by Mapco. The Commissioner may, in the Commissioner's sole discretion. waive this requirement.

9.3 Security for Disposal of Sale Oil. To secure Mapco's obligations to purchase and dispose of Sale Oil. upon the Commissioner's request. Mapco shall assign or otherwise transfer to the State, or its designee. all or part of Mapco's right. title and interest in any arrangements for transportation of the Sale Oil through and away from the TAPS, whether such interests are under nominations, leases, contracts, charter parties, or other agreements. The State will incur liability or obligations under such assignment or transfer only to the extent the State actually exercises its rights to succeed to Mapco's interests under and obtain the benefits of the assignments.

ARTICLE X

NONWAIVER

10.1 Nonwaiver. The failure of either party to insist upon strict or a certain performance, or acceptance by either party of a certain performance or course of performance under this Agreement shall not: 1) constitute a waiver or estoppel of the right to require certain performance or claim breach by similar performance in the future; 2) affect the right of either party to enforce any provision; or 3) affect the validity of any part of this Agreement.

ARTICLE XI

SEVERABILITY

11.1 Severability. If a court decrees any provision of this Agreement to be invalid, all other provisions of this Agreement shall remain valid. If, however, invalidation of a provision impairs a material right or remedy under this Agreement, either party may terminate this Agreement by notice to the other party as provided under Article 8.4.

ARTICLE XII

FORCE MAJEURE

12.1 Effect of Force Majeure. Except for Mapco's absolute obligations to provide security, pay reservation fees, and purchase, transport and dispose of Sale Oil, neither party shall be liable for failure to perform if performance is substantially prevented by force majeure after good faith efforts to perform. Except, however, if Mapco is prevented by force majeure from performing any material obligation for sixty successive days or more, the State, in the Commissioner's sole discretion, shall have the right to terminate this Agreement. Before the State exercises this right, the Commissioner may require Mapco to negotiate in good faith to restore performance. In this Agreement the term "force majeure" means an event or condition not within the reasonable control of the party claiming the benefit of the excuse.

12.2 Notice of Force Majeure. If a party believes that force majeure has occurred, the party shall immediately notify the other party of its claim of force majeure. The party claiming force majeure shall use reasonable diligence to remedy the force majeure. Except for Mapco's absolute obligations to provide security, pay reservation fees, and purchase, transport and dispose of Sale Oil, the disabled party's obligations to perform that are affected by the force majeure shall be suspended from the time of notification to the other party until the disability caused by the force majeure should have been remedied with reasonable diligence.

ARTICLE XIII

NOTICES

13.1 Method. Unless otherwise specifically provided in this Agreement, all notices, requests, demands or statements shall be in writing and delivered to the address specified in this Article in person, by telecopier or other form of facsimile, by United States mail, postage prepaid, registered or certified with a return receipt requested, to the party to be notified. A statement of account the State delivers to Mapco by telecopy shall be deemed delivered to Mapco when the State's telecopier confirms that it was received at Mapco's telecopy number during normal business hours. A notice, request, demand or statement delivered by United States mail shall be deemed delivered on the earlier of expiration of seven Days after it is deposited in the mail, or upon the date of receipt by the party to whom it is directed. A notice, request, demand or statement delivered in any other manner shall be effective only if and when received by the party to whom it is directed. The address of the parties shall be as follows.

State:

State of Alaska
Commissioner of Natural Resources
400 Willoughby Avenue
Juneau, Alaska 99801

and

Director, Division of Oil and Gas
3601 C Street, Suite 1380
Anchorage, Alaska 99503-5948
Telecopy Number: (907)562-3852

Mapco:

President
Mapco Alaska Petroleum Inc.
3201 C Street, Suite 700
Anchorage, Alaska 99503-3960
Telecopy Number: (907)273-3333

13.2 Change of Address. Each party may notify the other of changes to its address by delivering written notice of the change.

ARTICLE XIV

RULES AND REGULATIONS

14.1 Rules and Regulations. This Agreement is subject to all applicable laws of the State of Alaska, and orders, rules and regulations of the United States, the State of Alaska, and any duly constituted agency of the State of Alaska.

ARTICLE XV

SOVEREIGN POWER OF THE STATE

15.1 Sovereign Power of the State. This Agreement shall not be interpreted to limit in any way the State's ability to exercise any sovereign or regulatory powers, whether conferred by constitution, statute or regulation. The State's exercise of any sovereign or regulatory power shall not be deemed to enlarge any of Mapco's rights, or limit any of Mapco's obligations or liabilities under this Agreement.

ARTICLE XVI

SECURITY

16.1 Letter of Credit. Seventy five Days before the Date of First Delivery, Mapco shall deliver to the State an irrevocable stand-by letter of credit (hereafter the "Letter"). The Letter shall be in a form satisfactory to the Commissioner and shall be in effect by the Date of First

Delivery. It shall be issued for the benefit of the State by a state or national banking institution of the United States that is insured by the Federal Deposit Insurance Corporation and has an aggregate capital and surplus amount of not less than One Hundred Million Dollars ($100.000.000) (hereafter the "Issuer"). or other banking institution acceptable to the Commissioner. The principal face amount of the Letter shall be an amount estimated by the Commissioner to be equal to the value of all Sale Oil to be delivered by the State to Mapco during the seventy five Days immediately following the Date of First Delivery. The Letter shall not require the State to submit any documentation in support of drafts drawn against it other than a certified statement by the Commissioner and the State's Attorney General that Mapco is liable to the State for an amount of money equal to the amount of the draft. that the amount of money is due and payable in full. and it has not been timely paid.

The Letter shall provide that the State has the right to draw and present drafts to the Issuer through the seventy-fifth Day after the State's last delivery of Sale Oil to Mapco under this Agreement. The Letter shall be renewed under the terms of this Article no later than seventy five Days before its expiration date so that a Letter is in effect continuously from the Date of First Delivery through the seventy-fifth Day after the date of the State's last delivery of Sale Oil to Mapco. If the State does not receive a renewed Letter seventy five Days before the expiration of the existing letter of credit: 1) Mapco shall be deemed to have materially breached this Agreement: 2) a default under Article VIII will have occurred: and 3) all Mapco's obligations, expenses and liabilities accrued as of that date, whether yet due and payable. shall become immediately due and payable in full.

If the State asserts a claim or claims that equal a total amount of money greater than the principal face amount of the Letter in effect. Mapco shall. upon the State's request. cause the principal face amount of the Letter to be increased by an amount sufficient to secure the total amount of the State's claims. Mapco is subject to this obligation even if Mapco denies. rejects. or otherwise contests the State's claims.

If the principal face amount of the effective letter of credit is ever less than the estimated price of seventy five Days of Sale Oil deliveries. Mapco shall automatically and immediately cause the principal face amount of the effective Letter to be increased to an amount equal to the estimated price of seventy five Days delivery of Sale Oil. If the principal face amount of the effective Letter is greater than the estimated price of seventy five Days delivery of Sale Oil. upon written approval of the Commissioner. in the Commissioner's sole discretion. Mapco may decrease the principal face amount of the Letter to an amount equal to the estimated price of seventy five Days delivery of Sale Oil.

16.2 Security Contract. Upon approval by the Commissioner. in the Commissioner's sole discretion. as alternative security to the Letter required in Article 16.1. Mapco may deliver to the State: 1) an irrevocable stand-by letter of credit in the principal face amount estimated by the Commissioner to be equal to the value of Sale Oil to be delivered by the State to Mapco during the forty Days immediately following the Date of First Delivery; and 2) an irrevocable contract between a major oil company (hereafter the "Promisor") and Mapco. for the direct benefit of the State, in which the Promisor agrees to assume full liability for Sale Oil upon notice that Mapco is in default of this Agreement (hereafter "Security Contract"). The f[illegible] Day letter of credit shall be subject to all the terms and conditions of Article 16.1. The Security Contract shall designate the State as intended third party beneficiary and shall be in effect by the Date of First Delivery. It shall provide that upon written notice by the Commissioner to Mapco and the Promisor that Mapco is in default of this Agreement. the Promisor shall immediately assume full liability for purchase. transportation and disposal of a minimum of ninety Days deliveries of Sale Oil from the Point of Delivery. If. however. a Lessee invokes the force majeure terms of its Royalty Settlement Agreement the Promisor shall be liable for a total of one hundred and eighty days deliveries of Sale Oil. It shall provide the State a direct right of action against Mapco and the Promisor. jointly and severally, to enforce the Security Contract. regardless of whether the State takes action to enforce this Agreement against Mapco. It shall also provide that the Promisor has no right of action against the State and may not assert against the State any defense it may have against Mapco under the Security Contract.

16.3 Other Security. The Commissioner may, in the Commissioner's sole discretion. require such other or additional security from Mapco as the Commissioner considers adequate to protect the State's interest.

ARTICLE XVII

EMPLOYMENT OF ALASKA RESIDENTS

17.1 Employment of Alaska Residents. Mapco shall comply with all valid federal, state and local laws in hiring Alaska residents and companies, and shall not discriminate against Alaska residents and companies. Within the constraints of law. Mapco voluntarily agrees to employ Alaska residents and Alaska companies to the extent they are available, willing and qualified for work performed in Alaska in connection with this Agreement. "Alaska resident" means an individual who is physically present in Alaska with the intent to remain in the state indefinitely. An individual may demonstrate an intent to remain in the state by maintaining a residence in the state, possessing a resident fishing, trapping, or hunting license or receiving a permanent fund dividend. "Alaska companies" means companies incorporated in Alaska or whose principal place of business is in Alaska. If a court invalidates any portion of this provision, Mapco agrees to employ Alaska residents and Alaska companies to the extent permitted by law.

ARTICLE XVIII

APPLICABLE LAW

18.1 Governing Law. This Agreement, and all matters arising from or related to this Agreement, shall be governed, construed and determined by the laws of the State of Alaska.

18.2 Jurisdiction. Any legal action or proceeding arising out of or related to this Agreement shall be brought in a state court of general jurisdiction sitting in the State of Alaska, and Mapco hereby irrevocably submits to the jurisdiction of that court in any such action or proceeding.

18.3 Venue. The parties agree that the venue for any legal action or proceeding arising out of or related to this Agreement shall be in the Alaska Superior Court sitting in Anchorage, Alaska.

ARTICLE XIX

WARRANTIES

19.1 Warranties. The purchase and sale of Royalty Oil under this Agreement are subject only to the warranties the State has expressly set forth in this Agreement. The State disclaims and Mapco waives all other warranties. express or implied in law.

ARTICLE XX

AMENDMENT

20.1 Amendment. This Agreement may be supplemented. amended. or modified only by written instrument duly executed by the parties.

ARTICLE XXI

SUCCESSORS AND ASSIGNS

21.1 Successors and Assigns. No assignment. pledge, or encumbrance of this Agreement shall be made by either party without first obtaining the written consent of the other party. which shall not be unreasonably withheld. The Commissioner may consent on behalf of the State. Subject to the requirement of written consent. this Agreement shall be binding upon and inure to the benefit of each of the parties and their successors and permitted assignees.

ARTICLE XXII

RECORDS

22.1 Preservation of Records. Mapco shall maintain and preserve all books, accounts, and records that relate to or arise from performance of this Agreement for six years from the date of the transaction or date of the latest adjustment relating to the transaction, including transactions for purchase or sale of Sale Oil and its refined products. Mapco shall also maintain and preserve all books, accounts, and records, in its possession or control, that belong to any third party with whom Mapco contracts for the performance of any part of this Agreement. Mapco and the State shall not be required to retain any records for more than six years from the time of a transaction unless retention of such records is specifically required by applicable law or regulation, or this Agreement. Mapco shall maintain its records within the State or make the records available to the State at Mapco's principal office in the State within thirty Days after written request by the State.

22.2 Inspection of Records. Mapco and the State shall each accord to the other and the other's authorized agents, attorneys, and auditors access during reasonable business hours to any and all property, records, books, documents, or indices related to Mapco's or the State's performance under this Agreement and which are under possession or control of the party from which access is sought, so the other party may inspect, photograph and make copies of the property, records, books, documents or indices. The State shall not be required to disclose any information, data, or records that are required by State or federal law or regulation, or by agreement with the person supplying the record, to be held confidential. If information the State obtains from Mapco may be held confidential under State or federal law or regulation, Mapco must request in writing that the State hold the information confidential. and the State shall keep the information confidential to the extent and for the term provided by the applicable law or regulation.

ARTICLE XXIII

INTERPRETATION OF TERMS AND CONDITIONS

23.1 Interpretation of Terms and Conditions. Any disagreement or dispute about the meaning or application of a word. term. or condition in this Agreement shall be decided according to the dispute resolution procedure set forth in this Article. The procedure set forth in this Article shall be initiated by either party providing written notice of the disagreement or dispute to the other party. No later than 60 Days after either party provides written notice. Mapco and the State shall each present any arguments and evidence supporting its view of the disputed term or condition in writing to the Commissioner for consideration. Mapco shall not have the right to civil litigation-type discovery or a civil litigation-type trial with the right to call or cross-examine witnesses unless granted by the Commissioner. after request. Within thirty Days after both parties submit their arguments and evidence. the Commissioner shall issue a finding interpreting the meaning or application of the disputed word. term. or condition. and shall set forth the basis for the conclusions. Mapco agrees to accept findings of the Commissioner under this Article that are reasonable and not arbitrary.

ARTICLE XXIV

COUNTERPARTS

24.1 Counterparts. This Agreement may be executed in multiple counterparts. It is not necessary for the parties to sign the same counterpart. Each duly executed counterpart shall be deemed to be an original and all executed counterparts taken together shall be considered to be one and the same instrument.

SIGNATURES

the State:	THE STATE OF ALASKA
	________________________
	Commissioner Department of Natural Resources
	Date: 3/5/95
Mapco Alaska Petroleum Inc.	MAPCO ALASKA PETROLEUM Inc.
	By: ________________________
	Its: ________________________
	Date: ________________________
Mapco Petroleum Inc.	MAPCO PETROLEUM Inc.
	By: ________________________
	Its: ________________________
	Date: ________________________

SIGNATURES

the State:

THE STATE OF ALASKA

____
Commissioner
Department of Natural Resources

Date: ______________________

Mapco Alaska Petroleum Inc.

MAPCO ALASKA PETROLEUM Inc.

By: Ralph Newcomer

Its: President

Date: 3/5/98

Mapco Petroleum Inc.

MAPCO PETROLEUM Inc.

By: Ralph Newcomer

Its: Vice-President

Date: 3/5/98

ACKNOWLEDGMENT

State of Alaska)
) ss.
Third Judicial District)

THIS IS TO CERTIFY that on the 5th day of March, 1998, before me, appeared John T. Shively, the commissioner, Department of Natural Resources, State of Alaska: that John T. Shively executed that document under legal authority and with knowledge of its contents: and that this act was performed freely and voluntarily upon the premises and for the purposes stated in the document.

Witness my hand and official seal the day and year in this agreement first above written.

[illegible signature]
Notary Public in and for Alaska
My commission expires: [illegible]

ACKNOWLEDGMENT

THIS IS TO CERTIFY that on the 5th day of March, 1998, before me, appeared Randy M. Newcomer of Mapco Alaska Petroleum Inc., Anchorage, Alaska; that Randy M. Newcomer executed that document under legal authority and with knowledge of its contents; and that this act was performed freely and voluntarily upon the premises and for the purposes stated in the document.

Witness my hand and official seal the day and year in this agreement first above written.

Shaun R. Lawrence
Notary Public in and for Oklahoma
My commission expires: 9-18-2001

ACKNOWLEDGMENT

THIS IS TO CERTIFY that on the 5th day of March, 1998, before me, appeared Randy M. Newcomer of Mapco Petroleum Inc., Tulsa, Oklahoma; that Randy M. Newcomer executed that document under legal authority and with knowledge of its contents; and that this act was performed freely and voluntarily upon the premises and for the purposes stated in the document.

Witness my hand and official seal the day and year in this agreement first above written.

Sharon L. Lawrence
Notary Public in and for Oklahoma
My commission expires: 9-18-2001

APPENDIX A

SAMPLE CALCULATIONS OF MAPCO'S INVOICE PRICE

Numbers in these sample calculations of price are illustrative. They do not represent actual values that may have existed in the past or are forecasted for the future.

This appendix illustrates the mechanics of the price calculations and the data sources. Royalty Values, before field cost deductions, for the Prudhoe Bay Unit Lessees are taken from either columns H or I on each Lessee's Monthly Oil Royalty Report Summary. Sample Oil Royalty Report Summaries for the Lisburne Participating Area and the Prudhoe Bay Unit Initial Participating Areas appear in Appendix A, Attachment 1. Volumes are taken from the Production Allocation/Offtake Schedule for the participating areas serviced by the Lisburne Production Center and the Royalty and Taxes Due State of Alaska report for the Prudhoe Bay Unit Initial Participating Areas. See Appendix A, Attachment 2. A sample calculation using the volume and Royalty Value information as originally filed for January 1997 and a hypothetical RIK volume sold to Mapco in February 1997 is shown below. It is recognized that both royalty reporting and operator reporting forms may undergo format changes in the future. Such changes will not effect the mechanics of these calculations

January's Calculated Average Royalty Value:

= $607,508,676.79 / 31,777,362.10 barrels
= $19.11766 per barrel (See Appendix A, Attachment 3)

February's production month invoice price for Sale Oil to Mapco (Mapco's Invoice Price)

= January's Royalty Value + [January's Royalty Value x Average Fractional Change in the West Coast DestinationValue Between January and February (See Appendix A, Attachment 4)] + $.15

= $19.11766 + [$19.11766 x (-0.1367] + $.15
= $19.11766 - $2.61338 + $.15
= $16.65428

Under Article 2.1.5, if invoked, the Royalty Value would be calculated using the royalty values and production volumes for only the Prudhoe Bay Unit Initial Participating Areas.

Example 1: Production Month Invoice

Assumptions:

1. Month is March.
2. Sale Oil delivered to Mapco in February = 403,000 barrels.
3. February's production month invoice price as calculated above = $16.65428.
4. Statement of account, with February's production month invoice, sent to Mapco on March 3.

5. Date February production month invoice payment due to State = March 7 (statement of account date plus three business days).

Method for calculating Mapco's production month invoice payment for February deliveries:

Volume x Mapco's Invoice Price			= Production Month Invoice Amount	
403,000 barrels	x	$16.65428	=	$6,711,674.84

If payment in full is not received by the State on or before March 7, interest will accrue on the unpaid balance from March 7 through the date payment is received, and a late payment penalty will be assessed.

Note:

The Lessees are required to submit their royalty reports to the State for February's production by the last day in March. For this reason, the State's production month invoice to Mapco for February deliveries will be based on January's Royalty Values as adjusted by the average fractional change in the West Coast destination values of ARCO, BP, and Exxon. This is an interim invoice price and will be adjusted when the State receives more accurate information about the actual quantity and price for Sale Oil delivered to Mapco in that month. The State may adjust the invoice price and/or the actual quantity of Sale Oil and invoice Mapco in the initial adjustment invoice submitted with the following month's (April) statement of account. Subsequent adjustments are likely to follow.

Example 2: Initial Adjustment Invoice

Assumptions:

1. Month is April
2. Sale Oil delivered to Mapco in February = 403,000 barrels
3. February's Royalty Value for the Prudhoe Bay Unit = $16.09963
4. Adjusted Mapco's invoice price for February = $16.09963 + $.15 = $16.24963
5. Annual interest rate charged member banks for advances by the 12th Federal Reserve District as of January 1 is three percent; and seven percent as of April 1. Annual rate for contract = 11 percent for the first quarter and 12 percent for the second quarter.
6. Date of the statement of account that contains the initial adjustment invoice is April 1.
7. Date initial adjustment invoice payment is due to the State = April 7.

Method for calculating Mapco's initial adjustment invoice amount for February deliveries:

Volume x	Mapco's Invoice Price =	Initial Adjustment Invoice Amount
403,000 barrels x	$16.24963 per barrel	= $6,548,600.89

Amount previously paid by Mapco for February deliveries (calculated in Example 1) = $6,711,674.84

Overpayment for February deliveries = ($163,073.95)

Number of days between the date the initial adjustment invoice was due on April 7, and the date accrued, March 7 = 31 days. The statutory interest rate is converted to a daily rate for these calculations.

Days of interest first quarter = 24 days
Days of interest second quarter = 7 days

Interest due first quarter = ($163,073.95) x (11%/365) x 24 days = ($1,179.49)
Interest due second quarter = (-$163,073.95 – 1,179.49) x (12%/365) x 7 days = ($378.01)
Total interest due Mapco ($1,557.50)
Credit due Mapco against statement of account amount dated April 1 = ($164,631.45)

Example 3: Subsequent Adjustment Invoice

This adjustment is assumed to occur on October 1, after BP's six month true up of transportation costs, a reopener for one of the Royalty Settlement Agreements, or for some other reason.

Assumptions:

1. Month is October.
2. Sale Oil delivered to Mapco in February = 403,000 barrels
3. February's Royalty Value for the Prudhoe Bay Unit = $16.36706
4. Adjusted Mapco price for February = $16.36706 + $.15 = $16.51706
5. Annual interest rate charged member banks for advances by the 12th Federal Reserve District as of January 1 is three percent; as of April 1, July 1, and October 1 is seven percent. Annual rate for contract = 11 percent for the first quarter and 12 percent for the second, third, and fourth quarters.
6. Date of statement of account that contains the subsequent adjustment invoice is October 1.
7. Date subsequent adjustment invoice payment is due to the State = November 6.

Method for calculating Mapco's subsequent adjustment invoice amount for February deliveries:

<u>Volume x Mapco's Invoice Price = Subsequent Adjustment Invoice Amount</u>

403,000 barrels x	$16.51706 per barrel	=	$6,656,375.18
Amount previously paid by Mapco for February deliveries (calculated in Example 2)		=	<u>$6,548,600.89</u>
Underpayment for February deliveries			$107,774.29

Number of days between the date the subsequent adjustment invoice payment was due on November 6 and the date accrued. March 7 = 244 days. The statutory interest rate is converted to a daily rate for these calculations.

Days of interest in the first quarter (March 7 through Mar 31) = 24
Days of interest in the second quarter (April 1 through June 30) = 91
Days of interest in third quarter (July 1 through September 30) = 92
Days of interest in fourth quarter (October 1 through November 6) = 37
Interest due for first quarter = $107,774.29 x (11%/365) x 24 days = $779.52
Interest due for second quarter = ($107,774.29 + 779.52) x 12%/365 x 91 days = $3,247.69
Interest due for third quarter = ($107,774.29 + $779.52 + $3,247.69) x 12%/365 x 92 days = $3,381.61
Interest due for fourth quarter = (107,774.29 + $779.52 + $3,247.69 + $3,381.61) x 12%/365 x 7 days = <u>$1,401.13</u>
Total interest due to the State on November 6 =$8,809.95

Subsequent adjustment invoice amount due the State on November 6 =$116,584.24

If payment in full is not received by the State on or before November 6, additional interest will accrue from November 6 through the date payment is received, and a late payment penalty will be assessed.

OIL ROY RPT SUM
REVISED 1/88
DO&G # 3-88
DNR 18-4036

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
OIL OR GAS ROYALTY REPORT SUMMARY

UNIT LISBURNE PARTICIPATING AREA
FIELD
ZONE
LEASE

COMPANY NAME ARCO Alaska, Inc.
ADDRESS P.O. Box 100360
CITY, STATE, ZIP Anchorage, AK 99510

REPORT FOR MONTH OF Jan 1997
REVISION NUMBER
DATE OF REVISION

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Product Description	Gross unit of Lease Production (Bbls) or (MCF)	Working Interest Ownership %	(a) x (b) (Bbls) or (MCF)	Royalty Rate (%)	(c) x (d) (Bbls) or (MCF)	Royalty In-Kind (Bbls) or (MCF)	Royalty in Value (e) - (f) (Bbls) or (MCF)	Royalty Value $ per Bbl or MCF	Field Costs per Bbl or MCF	(h) - (i) Reported Royalty per Bbl or MCF	(g) x (j) Royalty in Value Dollars
CRUDE	381,282.00	40.00000%	152,512.80	12.50000%	19,064.10	10,415.07	8,649.03	$19.50000	$0.870	$18.63000	$161,131.43
PBU CRUDE TK	930.00	40.00000%	372.00	12.50000%	46.50	25.40	21.10	$19.88000	$0.870	$19.01000	$401.11
(1) TOTALS	382,212		152,884.80		19,110.60	10,440.47	8,670.13				$161,532.54

* WEIGHTED AVERAGE VALUE

I declare that I have examined this report, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete.

SIGNED M. Watson for

TITLE Authorized Representative TYPED NAME BeGare J Watson

PHONE NO (907) 263-4965

DATE 2/25/97

(03)	COIP	$0.00
(04)	Less field costs for RIK	($9,083.21)
	Lease/Spld Costs for RIK	$0.00
(05)	Revisions (attach reconciliations or amended returns)	$0.00
(06)	Amount Due	$152,449.33

GAS ROYALTY: ATTACH FORM 10-422
OIL ROYALTY: ATTACH FORM 10-405
OIL AND/OR GAS ROYALTY: VERIFICATION OF WIRE TRANSFER AMOUNTS OR A COPY OF THE CHECK MADE IN PAYMENT OF ITEM (5) MUST BE ATTACHED

Mail With Applicable Attachments To: State of Alaska
Department of Natural Resources
Division of Oil and Gas
Royalty Accounting Section
P. O. Box 7034
Anchorage, Alaska 99510-7034

EXHIBIT A - Attachment 1, page 1

STATE OF ALASKA
DEPT. OF NATURAL RESOURCES
DIVISION OF OIL AND GAS
ROYALTY [illegible] SECTION
[illegible] "C" STREET, SUITE [illegible]
ANCHORAGE, AK [illegible]

[illegible]: [illegible]
ROYALTY PAYER: BP EXPLORATION (ALASKA)
P.O. BOX [illegible]
ANCHORAGE, AK [illegible]

FIELD, POOL OR LEASE: [illegible] FIELD
PRODUCTION MONTH: JANUARY [illegible]
FILING DATE: [illegible]
PAGE: 1

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
PROD TYPE	GROSS UNIT OR LEASE PRODUCTION (BBLS)	[illegible] (%)	(A) X (B) (BBLS)	ROYALTY RATE	(C) X (D) (BBLS)	ROYALTY IN-KIND (BBLS)	(E) - (F) ROYALTY IN-VALUE (BBLS)	ROYALTY VALUE $/BBL	FIELD COSTS $/BBL	(H-I) [illegible] ROYALTY $/BBL	(G) X (J) [illegible] IN-VALUE DOLLARS
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(1) TOTALS	[illegible]		[illegible]		[illegible]	[illegible]	[illegible]			(2)	[illegible]

(3) TOPPING PLANT	[illegible]
(4) LESS FIELDS COSTS PER OIL PROCESSING [illegible]	[illegible]
(5) REVISIONS (ATTACH AMENDED REPORTS OR RECONCILIATION)	[illegible] 3.59
(6) AMOUNT DUE (3)	[illegible]

20,736.04

I DECLARE THAT I HAVE EXAMINED THIS REPORT, INCLUDING ACCOMPANYING SCHEDULES AND STATEMENTS, AND TO THE BEST OF MY KNOWLEDGE AND BELIEF IT IS TRUE, CORRECT, AND COMPLETE.

SIGNED: [signature]

TITLE: Royalty Officer

DATE: FEB 28 1997

OIL ROYALTY: ATTACH FORM [illegible]

VERIFICATION OF WIRE TRANSFER AMOUNTS OR A COPY OF THE CHECK MADE IN PAYMENT OF ITEM (6) MUST BE ATTACHED. MAIL APPLICABLE ATTACHMENTS TO DEPARTMENT OF NATURAL RESOURCES AT ABOVE ADDRESS.

EXHIBIT A - Attachment [illegible], page 2

9

OIL ROY RPT [illegible]
[illegible]
[illegible]
[illegible]

STATE OF ALASKA
OIL ROYALTY REPORT SUMMARY
STATE OF ALASKA DEPARTMENT OF NATURAL RESOURCES

[illegible]

ROYALTY ADDRESS [illegible]	EXXON COMPANY USA P.O. BOX [illegible] HOUSTON TEXAS 77[illegible]	REPORT FOR	Jan 97
		REVISION NUMBER	0.00
		REVISION DATE	

	(A) GROSS UNIT PRODUCTION	(B) WORKING INTEREST	(C) WORKING INTEREST	(D) ROYALTY RATE	(E) TOTAL ROYALTY	(F) ROYALTY IN-KIND	(G) ROYALTY IN VALUE	(H) ROYALTY VALUE	(I) DEDUCTIONS	(J) [illegible] ROYALTY	(K) ROYALTY IN VALUE (DOLLARS)
CRUDE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TOTALS	[illegible]		[illegible]		[illegible]	[illegible]	[illegible]				[illegible]

*WEIGHTED AVERAGE

I declare that I have examined this report, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete.

SIGNED BY	[signature]
PRINTED NAME	JOEL A. DU BOIS
TITLE	STATE ROYALTY UNIT SUPERVISOR
PHONE NUMBER	[illegible]
DATE	[illegible]-Feb-97
PREPARED BY	[illegible] (713) [illegible]

	PRINCIPAL	INTEREST	TOTAL
[illegible] GRAVITY ADJUSTMENT	0.00	N/A	0.00
LESS FIELD COSTS FOR RIK	[illegible]	N/A	[illegible]
[illegible] INCENTIVE CREDIT	0.00	N/A	0.00
SUBTOTAL [illegible]	[illegible]	0.00	[illegible]
REVISIONS	[illegible]	[illegible]	[illegible]
TOTAL AMOUNT DUE [illegible]	[illegible]	[illegible]	[illegible]

EXHIBIT A - Attachment 1, page 3

a [illegible]

OIL ROY RPT SUM
REVISED 1/88
DO&G # 3-88
DNR 10-4030

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
OIL OR GAS ROYALTY REPORT SUMMARY

PAGE 1
UNIT PRUDHOE BAY UNIT
FIELD
ZONE
LEASE

COMPANY NAME ARCO Alaska, Inc.
ADDRESS P.O. Box 100360
CITY, STATE, ZIP Anchorage, AK 99510

REPORT FOR MONTH OF Jan 1997
REVISION NUMBER
DATE OF REVISION

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Product Description	Gross unit or Lease Production (Bbls) or (MCF)	Working Interest Ownership %	(a) x (b) (Bbls) or (MCF)	Royalty Rate (%)	(c) x (d) (Bbls) or (MCF)	Royalty In-Kind (Bbls) or (MCF)	Royalty In-Value (e) - (f) (Bbls) or (MCF)	Royalty Value $ per Bbl or MCF	Field Costs per Bbl or MCF	(h) - (i) Reported Royalty per Bbl or MCF	(g) x (j) Royalty in Value Dollars
CRUDE	23,202,600.00	26.40221%	6,125,872.80	12.50000%	765,746.60	415,604.28	349,942.32	$19.88000	$0.870	$19.01000	$6,652,403.50
(1) TOTALS	23,202,600		6,125,872.80		765,746.60	415,604.28	349,942.32				$6,652,403.50

* WEIGHTED AVERAGE VALUE

(03)	COTP	$3,196.51
(04)	Less field costs for RIK	($361,749.72)
	Lease/Spill Costs for RIK	$0.00
(05)	Revisions (attach reconciliations or amended returns)	$0.00
(06)	Amount Due	$8,293,850.29

I declare that I have examined this report, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete.

SIGNED [signature]

TITLE Authorized Representative TYPED NAME Barbara J Watson

PHONE NO (907) 26_-4965

DATE 2/2_/97

GAS ROYALTY: ATTACH FORM 10-422
OIL ROYALTY: ATTACH FORM 10-408
OIL AND/OR
GAS ROYALTY: VERIFICATION OF WIRE TRANSFER AMOUNTS OR A COPY OF THE CHECK MADE IN PAYMENT OF ITEM (5) MUST BE ATTACHED.

Mail With Applicable Attachments To: State of Alaska
Department of Natural Resources
Division of Oil and Gas
Royalty Accounting Section
P. O. Box 7034
Anchorage, Alaska 99510 7034

8

EX_31T A - Attachment 1, page 4

ARC3350H 03

STATE OF ALASKA
ROYALTY REPORT SUMMARY

[illegible]
[illegible]

STATE OF ALASKA
DEPT. OF NATURAL RESOURCES
DIVISION OF OIL AND GAS
ROYALTY ACCOUNTING SECTION
3601 "C" STREET, SUITE 1380
ANCHORAGE, AK 99503-5948

AMENDMENT: 00
ROYALTY PAYER: BP EXPLORATION (ALASKA)
P.O. BOX 196612
ANCHORAGE, AK 99519-6612

FIELD, POOL OR LEASE: PRUDHOE BAY UNIT
PRODUCTION MONTH: JANUARY 1997
FILING DATE: 02/28/97
PAGE: 1

PROD TYPE	(A) GROSS UNIT OR LEASE PRODUCTION (BBLS)	(B) WORKING INTEREST OWNERSHIP (%)	(C) (A) X (B) (BBLS)	(D) ROYALTY RATE	(E) (C) X (D) (BBLS)	(F) ROYALTY IN-KIND (BBLS)	(G) (E) - (F) ROYALTY IN-VALUE (BBLS)	(H) ROYALTY VALUE $/BBL	(I) FIELD COSTS $/BBL	(J) (H-I) RPTD ROYALTY $/BBL	(K) (G) X (J) ROYALTY IN-VALUE DOLLARS
RKLCH	2,030,666.00	7.4820333	152,660.70	12.500	19,082.59	10,317.00	8,667.20	18.0600	1.0000	17.0600	152,538.30
RKLNL	49,280.12	100.0000000	49,280.12	12.500	6,160.77		6,160.77	18.0700	1.0000	17.0700	107,338.60
RKLTS	655,080.00	50.3307356	330,960.00	12.500	41,310.22		41,310.12	17.3600	1.0000	16.3600	673,603.60
RKLCH	33,350,013.00	51.3690102	9,370,686.30	12.500	1,197,480.03	652,410.10	544,730.93	18.0600	0.8700	17.7700	9,680,363.60
RKLTP	40,668.00										

(1) TOTALS 36,186,137.00	10,103,730.00	1,305,716.03	662,867.10	600,669.03	(2) 10,613,945.90

(3) TOPPING PLANT	6,501.33
(4) LESS: FIELDS COSTS RIK-OIL	-347,040.39
PROCESSING FEES RIK-NGLS	-10,357.00
(5) REVISIONS (ATTACH AMENDED RETURNS OR RECONCILIATIONS)	0.00
(6) AMOUNT	10,019,339.31

I DECLARE THAT I HAVE EXAMINED THIS REPORT, INCLUDING ACCOMPANYING SCHEDULES AND STATEMENTS, AND TO THE BEST OF MY KNOWLEDGE AND BELIEF IT IS TRUE, CORRECT, AND COMPLETE.

SIGNED: [signature]

Royalty Officer

TITLE:

DATE: FEB 28 1997

Interest

1994 3,018.33
1995 <3,502.16>
<453.83>

I = <453.83>

10,038,885.40

OIL ROYALTY: ATTACH FORM 10-403

VERIFICATION OF WIRE TRANSFER AMOUNTS OR A COPY OF THE CHECK MADE IN PAYMENT OF ITEM (6) MUST BE ATTACHED. MAIL APPLICABLE ATTACHMENTS TO DEPARTMENT OF NATURAL RESOURCES AT ABOVE ADDRESS.

NOTES:
RKLNL: NGLS SOLD TO UNOCAL
RKLCH: NGLS TAKEN IN KIND TO SUPPLIER (INCLUDES OLIKTOK PIPELINE TARIFF $1.03)

EXHIBIT A - Attachment page

[illegible]

GL ROY RPT SUM
REVISED (/86)

ESTIMATED PAYMENT
State of Alaska
Department of Natural Resources
Oil and Gas Royalty Report Summary

Unit	Prudhoe Bay Unit
Field	Prudhoe Bay
Zone	Prudhoe Bay
Lease	

Company Chevron U.S.A.
Address P.O. Box J Section 975
City-State Concord CA 91524

Estimated Payment Pursuant
to ANS Royalty Settlement
Agreement Effective 01/01/92

Report for month of January 1997
Revision Number ____
Date of Revision ____

Revisions Included

	(a) Gross Unit or Lease Prod (Bbls) or (MCF)	(b) Working Interest Ownership (%)	(c) (a) x (b) (Bbls) or (MCF)	(d) Royalty Rate (%)	(e) (c) x (d) (Bbls) or (MCF)	(f) Royalty In-Kind (Bbls) or (MCF)	(g) Royalty In Value (e) - (f) (Bbls) or (MCF)	(h) Royalty Value $ per Bbl or MCF (See Page 2)	(i) Field Costs per Bbl or MCF (5)	(j) (h) - (i) Reported Royalty per Bbl or MCF (5)	(k) (g) x (j) Royalty In Value Dollars
GL	2,038,666	0 6516610%	13,285 2	12 5%	1,660 7	905 1	755 6	$23 248	($1 00)	$22 248	$16,810 59
PU Exch	864,971	0 1628960%	1,409 00	12 5%	176 1	0	176 1	$23 248	($1 00)	$22 248	$3,917 87
Totals	2,903,637		14 694 2	12 5%	1,836 8	905 1	931 7	$23 248	(1 00)	$22 248	(2) $20,728 46

I declare that I have examined this report, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete.

	Principal	(l) Int	(m) Total
(3) COTP Gravity Adjustment	$0 00		$0 00
(4) Less Field Cost for RIK	($905 10)		($905 10)
(5) Other (Explain)	$0 00		$0 00
(6) Subtotal (2 thru 5)	$19,823 36	$0 00	$19,823 36
(7) Revisions submitted with original report (list above)	$0 00	$0 00	$0 00
(8) Total Previous Interest Rpld		$0 00	$0 00
(9) Total Due	$19 823 36	$0 00	$19,823 36

SIGNED BY A. T. Guthrie
TITLE Supervisor TYPED NAME A. T. Guthrie
PHONE N 510-827-7730
DATE 24-Feb-97 (1:02:47 PM)

E
BTS Archive Submission Page 6

OIL ROY RPT SUM
REVISED [illegible]
[illegible]
[illegible]

STATE OF ALASKA
OIL ROYALTY REPORT SUMMARY
STATE OF ALASKA DEPARTMENT OF NATURAL RESOURCES

Page 1 of 2

UNIT	PRUDHOE BAY
FIELD	PRUDHOE BAY
ZONE	PRUDHOE BAY

ROYALTY ACCOUNT	[illegible]	EXXON CORPORATION P.O. BOX [illegible] HOUSTON, TEXAS [illegible]	REPORT FOR: Jan 97
			REVISION NUMBER: [illegible]
			REVISION DATE:

	(A) GROSS UNIT PRODUCTION (BBL)	(B) WORKING INTEREST OWNERSHIP %	(C) WORKING INTEREST (BBL)	(D) ROYALTY RATE	(E) TOTAL ROYALTY (BBL)	(F) ROYALTY IN KIND (BBL)	(G) ROYALTY IN VALUE (BBL)	(H) ROYALTY VALUE $ PER BBL	(I) FIELD COSTS $ PER BBL	(J) REPORTED ROYALTY $ PER BBL	(K) ROYALTY IN VALUE DOLLARS
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(1) TOTALS								*		*	(2) [illegible]

*WEIGHTED AVERAGE

[illegible]

SIGNED BY	
PRINTED NAME	[illegible]
TITLE	STATE ROYALTY UNIT SUPERVISOR
PHONE NUMBER	[illegible]
DATE	[illegible]
PREPARED BY	[illegible] [illegible]

	PRINCIPAL	INTEREST	TOTAL
QUALITY GRAVITY ADJUSTMENT	[illegible]	N/A	[illegible]
LESS FIELD COSTS FOR RIK	(386,213.79)	N/A	(386,213.79)
[illegible] INCENTIVE CREDIT	0.00	N/A	0.00
ASSESSMENT [illegible]	6,469,415.2[illegible]	0.00	6,469,415.2[illegible]
REVISIONS	(76,006.71)	(318.20)	(76,324.91)
TOTAL AMOUNT DUE	6,393,408.[illegible]	(318.20)	6,393,090.[illegible]

[illegible]

EXHIBIT A - Attachment 1, page 7

PC 8/B

ROY RPT SUM
AS&D 203
5/0 03 00
R 10-4000

State Of Alaska
Department of Natural Resources
Oil or Gas Royalty Report Summary

Unit: Prudhoe Bay Unit
Field: N/A
Zone: N/A
Lease: TR 103

Company: Forcenergy Inc
Address: 2730 SW 3rd Ave, Suite 800
City, State, Zip: Miami, FL 33129

Report For Month of: Jan 97
Revision Number:
Date Of Revision:

	(A) Gross Unit or Lease Production (Bbls) or (MCF)	(B) Working Interest Ownership %	(C) (a) x (b) (Bbls) (or) (MCF)	(D) Royalty Rate (%)	(E) (c) x (d) (Bbls) or (MCF)	(F) Royalty In-Kind (Bbls) (or) (MCF)	(G) Royalty In-Value (e) - (f) (Bbls) (or) (MCF)	(H) Royalty Value $ per Bbl or MCF (See Page 2)	(I) Field Costs per Bbl or MCF ($)	(J) (h) - (i) Reported Royalty Per Bbl or MCF ($)	(K) (g) X (j) Royalty In Value Dollars
	35760 00	25 0000%	8940 20	12 5000%	1117 53	609 10	508 43	$19 680000	$3 8700	$15 0100	$9 665 25
Totals	35760		8940 20	0 12500	1117 53	609 10	508 43		0 8700		(2) $9 665 25

Weighted Average Value

I declare that I have examined this report, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete

Signed By: Paula Marwat

Printed Name: Paula Marwat

Title: Production Tax Accountant

Phone No.: (305) 856-8500, ext. 330

Date: 3/27/97

	(L) PRINCIPAL	(M) INTEREST	(N) TOTAL
(3) COIP	$4 29		$4 29
(4) Less Field Cost For RIK	($529 92)		($529 92)
(5) Other (Explain)	0		0
(6) Revision submitted with original report	0	0	[illegible]
(7) Total Amount Due (2) through (6)	$9 139 62	$0 00	$9 139 6_
(8) Previous Amount Due			
(9) Balance (principal only 7 - 8)			
(10) Interest Due On 9			
(11) Revision Amount (9 + 10)			

OIL ROYALTY: ATTACH FORM 10-422
GAS ROYALTY: ATTACH FORM 10-406
VENDOR
ALL ROYALTY: VERIFICATION OF WIRE TRANSFER AMOUNTS OR A COPY OF THE CHECK MADE IN PAYMENT OF ITEM (8) MUST BE ATTACHED

EX. JJT-A - Attachment 1, page 8

PC 11/5 EP

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
OIL ROYALTY REPORT SUMMARY

LEASE PRUDHOE BAY

COMPANY NAME: MOBIL OIL CORPORATION
ADDRESS: P.O. BOX 650595
CITY, STATE, ZIP: DALLAS TX 75265-0595

REPORT FOR MONTH January 1997
REVISION NUMBER:
DATE OF REVISION

(A) GROSS UNIT OR LEASE PRODUCTION (BBLS)	(B) WORKING INTEREST OWNERSHIP	(C) (A) * (B) (BBLS)	(D) ROYALTY RATE %	(E) (C) * (D) (BBLS)	(F) ROYALTY IN-KIND (BBLS)	(G) ROYALTY IN-VALUE (BBLS)	(H) ROYALTY VALUE $ PER BBL SEE PAGE 2	(I) FIELD COSTS PER BBL	(J) (H) - (I) REPORTED ROYALTY $ PER BBL	(K) (G) * (J) ROYALTY IN-VALUE DOLLARS
28,110,106 00	0 01388820									
OIL		353,081 20	0 125	44,136 40	24,057 30	20,079 10	$19 539	$0 870	$18 669	$374,856 72
NGL'S		9,035 00	0 125	1,129 38	615 50	513 88	$19 539	$1 000	$18 539	$9,526 73
NGL'S to KRU		4416 3	0 125	552 04	0 00	552 04	$19 539	$1 000	$18 539	$10,234 22
(1) Totals		368,542 50	0 125	45,817 81	24,672 80	21,145 01	* 19 539	0 870	* 18 669	(2) $394,617 67

*WEIGHTED AVERAGE VALUE

I declare that I have examined this report, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete

SIGNED: Murray C Russo
TITLE: AUTHORIZED AGENT Typed Name: G. C. Russo
PHONE NO: (214) 951-3829
DATE: February 28, 1997

3) COTP Gravity Adjustment

Interest
1992 2,595.96
1-6/96 40.53
8/96 8.82
2,645.31

9) Previous Amount Due
10) Balance Subtract Line 9 from Line 8 Columns (k) & (m) only
11) Interest Due on 10
12) Revision Amount (10 + 11)

REVISED REPORT ONLY

Principal	(L) Interest	(M) Total
170 48		170 48
21,545 35		21,545 35
0 00		0 00
373,242 80	0 00	373,242 80
12/96 → 45,552 17	2,645.31 ~~314 50~~	48,511.98 ~~45,866 67~~
$418,794 97	314 50	$418,109 47
		421,254.78

EXHIBIT A - Attachment 1, page 9

VISED 1/96
10/3 03-08 DNR 10-4030

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
OIL OR GAS ROYALTY REPORT SUMMARY

UNIT: Prudhoe Bay
FIELD: Sadlerochit
ZONE:
LEASE: 960701 and 960801
REPORT FOR MONTH OF: JANUARY 1997
REVISION NUMBER:
DATE OF REVISION:

MPANY NAME: Phillips Petroleum Company
DRESS: 1220 Plaza Office Building
Y,STATE,ZIP: Bartlesville, OK 74004

(a) Gross, Unit or Lease Production (Bbls) or (MCF)	(b) Working Interest Ownership %	(c) (a) x (b) (Bbls) or (MCF)	(d) Royalty Rate (%)	(e) (c) x (d) (Bbls) or (MCF)	(f) Royalty In-Kind (Bbls) or (MCF)	(g) Royalty In-Value (e) (f) (Bbls) or (MCF)	(h) Royalty Value $ per Bbl or MCF (See Page 2)	(i) Field Costs per Bbl or MCF ($)	(j) (h)-(i) Reported Royalty per Bbl or MCF ($)	(k) (g) x (j) Royalty In-Value Dollars
23,159,051	0 0151737	351,408 00	0 125	43,926 00	23,942 70	19,983 30	20 69	0 87	19 82	396,069 01
1,721,816	0 0076556	13,181 50	0 125	1,647 69	898 00	749 69	20 69	1 00	19 69	14 761 40
(1) TOTALS 24,880,867		364,589 50	0 125	45,573 69	24 840 70	20,732 99				(2) $410,830 41

EIGHTED AVERAGE VALUE

clare that I have examined this report, including accompanying
edules and statements, and to the best of my knowledge and
ef it is true, correct, and complete.

PREPARED BY JOE PROVENZANO (918)661 3678

NED BY: Donald T. Phillips
Sr. Laws & Regulations Specialist   TYPED NAME Donald T. Phillips
ONE NO. (918) 661-3878
TE 25-Feb 97
S ROYALTY: ATTACH FORM 10-422
ROYALTY: ATTACH FORM 10-405
AND/OR GAS ROYALTY: VERIFICATION OF WIRE TRANSFER AMOUNTS OR A COPY OF THE CHECK MADE IN PAYMENT OF ITEM(S) MUST BE ATTACHE

		(k) PRINCIPAL	(l) INTEREST	(m) TOTAL
(3) COIP	1,373 15 @ 125	171 64		$171 64
(4) Less Field Costs for RIK		(21,728 15)		($21,728 15)
(5) Other (Explain)				
(6) Subtotal (2 thru 5)		389,273 90		$389,273 90
(7) Revisions submitted with original report (List)		0 00	0 00	$0 00
(8) Total Amount Due		389 273 90	0 00	$389 273 90
(9) Previous Amount Due				
(10) Balance Subtract Line 9 from Line 8 Columns (k) & (m) only				
(11) Interest Due on 10				
(12) Revision Amount (10+11)				

EXHIBIT A - Attachment 1, page 10

RC
10-5-98 EjP

DEPARTMENT OF NATURAL RESOURCES
OIL ROYALTY REPORT SUMMARY

LEASE NAME	PRUDHOE BAY UNIT
PLBP NO	05035782 0001
REPORT FOR MONTH/YR	JANUARY 1997
ORIGINAL RETURN	
AMENDED RETURN NO	
DATE PREPARED	FEBRUARY 1997

COMPANY NAME: TEXACO EXPLORATION AND PRODUCTION INC
ATTN: CRUDE OIL ACCOUNTING [illegible]
P O BOX 4[illegible]
HOUSTON, TX 77[illegible]

	A	B	C	D	E	F	G	H	I	J	K
	[illegible] (BBLS OR MCF)	[illegible] DECIMAL	[illegible] SHARE (BBLS OR MCF)	ROYALTY RATE DECIMAL	TOTAL ROYALTY (BBLS OR MCF)	ROYALTY IN KIND (BBLS OR MCF)	ROYALTY IN VALUE (BBLS OR MCF)	ROYALTY IN VALUE (BBLS OR MCF)	FIELD COST PER (BBLS OR MCF)	REPORTED ROYALTY PER (BBLS OR MCF)	ROYALTY DUE DOLLARS
NGL	2,039,666.00	0.000923	1,880.70	0.1250	235.09	128.10	106.99	$18.9500	$1.00	$17.9500	$1,920.47
OIL	23,202,000.00	0.004234	98,248.30	0.1250	12,281.04	6,694.00	5,587.04	$18.9500	$0.87	$18.0800	$101,013.68
	25,241,166.00		100,129.00		12,516.13	6,822.10	5,694.03				(2) $102,934.15

I declare that I have examined this report, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete.

SIGNED: S. F. Carney (Lwm)
TITLE: MANAGER, COMPTROLLER'S DEPT
DATE: 2/11/97

		(L) Principal	(L) Interest	(M) Total
3)	COST/GRAVITY ADJUSTMENT	47.14		47.14
4)	LESS FIELD COSTS FOR [illegible]	(5,951.88)		(5,951.88)
5)	OTHER (EXPLAIN)	0.00		0.00
6)	SUBTOTAL (2 thru 5)	97,029.41		97,029.41
7)	REVISIONS SUBMITTED WITH ORIGINAL REPORT (DS?)	0.00		0.00
8)	TOTAL AMOUNT DUE (6 + 7)	97,029.41		97,029.41
9)	PREVIOUS AMOUNT DUE			
10)	BALANCE (SUBTRACT LINE 9 FROM LINE 8; [illegible])			
11)	INTEREST DUE ON 10			
12)	REVISION AMOUNT (10 + 11)			0.00

Revised Report Only (lines 9–12)

EXHIBIT A - Attachment 1, page 11

PC 115 [illegible]

JOB: [illegible] PROG: LR184210-01
AS OF: 01/31/1997

ARCO ALASKA INC.
LISBURNE PARTICIPATING AREA
PRODUCTION ALLOCATION / OFFTAKE SCHEDULE
PRODUCTION MONTH JANUARY-1997

PAGE: 1
RUN TIME: 12:42
RUN DATE: 02/10/1997

WORKING INTEREST OWNER	NOM. DECIMAL	ALLOCATED LIQUIDS	PBU CRUDE TIK	PIPELINE OFFTAKE	NGLS	LOAD DIESEL FROM OFF UNIT	ROYALTY BASE
EXXON	0.400000	175,766.00	372.00	176,138.00	23,253.20	0.00	152,884.80
BPX	0.200000	87,883.00	186.00	88,069.00	11,626.60	0.00	76,442.40
AAI	0.400000	175,766.00	372.00	176,138.00	23,253.20	0.00	152,884.80
TOTALS:	1.000000	439,415.00	930.00	440,345.00	58,133.00	0.00	382,212.00

EXHIBIT A - Attachment 2, page 1

JOB: RIZ06P1# PROG: LRIB4210-01
AS OF: 01/31/1997

ARCO ALASKA INC.
POINT MCINTYRE PA
PRODUCTION ALLOCATION / OFFTAKE SCHEDULE
PRODUCTION MONTH JANUARY-1997

PAGE: 1
RUN TIME: 15:15
RUN DATE: 02/10/1997

WORKING INTEREST OWNER	NOM. DECIMAL	ALLOCATED LIQUIDS	35 PBU CRUDE TIE	PIPELINE OFFTAKE	33 NGLS	LOAD DIESEL FROM OFF UNIT	ROYALTY BASE
EXXON	0.362504	1,899,334.27	0.00	1,899,334.27	30,787.71	0.00	1,868,546.56
BPX	0.348379	1,825,326.54	0.00	1,825,326.54	26,296.11	0.00	1,799,030.41
AAI	0.289117	1,514,824.19	0.00	1,514,824.19	24,581.16	0.00	1,490,243.01
TOTALS:	1.000000	5,239,485.00	0.00	5,239,485.00	81,665.00	0.00	5,157,820.00

EXHIBIT A - Attachment 2, page 2

[illegible] PROG. [illegible]
AS OF: 01/31/1997

ARCO ALASKA INC.
WEST BEACH PARTICIPATING AREA
PRODUCTION ALLOCATION / OFFTAKE SCHEDULE
PRODUCTION MONTH JANUARY-1997

WORKING INTEREST OWNER	NOM. DECIMAL	ALLOCATED LIQUIDS	PBU CRUDE TIK	PIPELINE OFFTAKE	NGLS	LOAD DIESEL FROM OFF UNIT	ROYALTY BASE
EXXON	0.500000	29,463.50	0.00	29,463.50	1,984.50	0.00	27,479.00
AAI	0.500000	29,463.50	0.00	29,463.50	1,984.50	0.00	27,479.00
TOTALS:	1.000000	58,927.00	0.00	58,927.00	3,969.00	0.00	54,958.00

AS OF: 01/31/1997

ARCO ALASKA INC.
NIAKUK PARTICIPATING AREA
PRODUCTION ALLOCATION / OFFTAKE SCHEDULE
PRODUCTION MONTH JANUARY-1997

PAGE: 1
RUN TIME: 12:43
RUN DATE: 02/10/1997

WORKING INTEREST OWNER	NOM. DECIMAL	ALLOCATED LIQUIDS	PBU CRUDE TIK	PIPELINE OFFTAKE	NGLS	LOAD DIESEL FROM OFF UNIT	ROYALTY BASE
BPX	1.000000	651,808.00	0.00	651,808.00	7,891.00	0.00	643,917.00
TOTALS:	1.000000	651,808.00	0.00	651,808.00	7,891.00	0.00	643,917.00

[illegible] 2 4

EX. B, A - Attachment 2, page 4

JOB: NIZ08NN# PROG: LRIB4210-01
AS OF: 01/31/1997

ARCO ALASKA INC.
NIAKUK 27 TRACT OPERATION
PRODUCTION ALLOCATION / OFFTAKE SCHEDULE
PRODUCTION MONTH JANUARY-1997

PAGE: 1
RUN TIME: 12:44
RUN DATE: 02/10/1997

WORKING INTEREST OWNER	NOM. DECIMAL	ALLOCATED LIQUIDS	PBU CRUDE TIK	PIPELINE OFFTAKE	NGLS	LOAD DIESEL FROM OFF UNIT	ROYALTY BASE
EXXON	0.500000	62,528.00	0.00	62,528.00	651.50	0.00	61,876.50
AAI	0.500000	62,528.00	0.00	62,528.00	651.50	0.00	61,876.50
TOTALS:	1.000000	125,056.00	0.00	125,056.00	1,303.00	0.00	123,753.00

EXHIBIT A - Attachment 2, page 5

ARCO ALASKA, INC.
P1-09 TAIL TRACT OPERATION
PRODUCTION ALLOCATION / OFFTAKE SCHEDULE
January 97

	ARCO	BP	EXXON	TOTAL
CALCULATION OF REVENUE BASE				
NOMINATION DECIMALS	1.000000	0.000000	0.000000	
ALLOCATED LIQUIDS	20,575.00	0.00	0.00	20,575.00
PBU CRUDE TK	0.00	0.00	0.00	0.00
PIPELINE OFFTAKE	20,575.00	0.00	0.00	20,575.00
NGLS	354.00	0.00	0.00	354.00
LOAD DIESEL/LOAD OIL	0.00	0.00	0.00	0.00
OIL REVENUE BASE	20,221.00	0.00	0.00	20,221.00
CALCULATION OF ROYALTY BASE AT LEASE OWNERSHIP				
LEASE OWNER DECIMALS	1.000000	0.000000	0.000000	
ALLOCATED LIQUIDS	20,575.00	0.00	0.00	20,575.00
PBU CRUDE TK	0.00	0.00	0.00	0.00
PIPELINE OFFTAKE	20,575.00	0.00	0.00	20,575.00
NGLS	354.00	0.00	0.00	354.00
LOAD DIESEL/LOAD OIL	0.00	0.00	0.00	0.00
ROYALTY BASE	20,221.00	0.00	0.00	20,221.00
ROYALTY: OIL				
ROYALTY-IN-KIND	552.36	0.00	0.00	552.36
ROYALTY-IN-VALUE	458.69	0.00	0.00	458.69
TOTAL ROYALTY	1,011.05	0.00	0.00	1,011.05
ROYALTY: PBU CRUDE TK				
ROYALTY-IN-KIND	0.00	0.00	0.00	0.00
ROYALTY-IN-VALUE	0.00	0.00	0.00	0.00
TOTAL ROYALTY	0.00	0.00	0.00	0.00
ROYALTY: NGLS				
ROYALTY-IN-KIND	8.87	0.00	0.00	8.87
ROYALTY-IN-VALUE	8.83	0.00	0.00	8.83
TOTAL ROYALTY	17.70	0.00	0.00	17.70

B P Exploration (Alaska) Inc.
Prudhoe Bay Unit
Royalty and Taxes Due State of Alaska
January 1997

State of Alaska Royalty Information

	Total	BP	ARCO	EXXON	MOBIL	PHIL	CHEV	TEX	FORCE
Royalty Base (Total Offtake-LD-TIK)	26,106,137.0	10,109,735.9	7,290,686.0	7,703,556.7	366,859.3	364,589.4	161,269.4	100,128.9	9,111.3
Oil									
Royalty Base (subtract ngls)	23,202,800.0	9,578,600.1	6,125,972.8	6,538,664.3	353,091.2	351,408.0	146,575.1	98,248.3	8,940.2
RIK	1,577,710.3	652,690.1	415,804.3	443,926.2	24,057.3	23,942.7	9,986.7	6,694.0	609.1
RIV	1,322,602.2	544,759.8	349,942.3	373,406.8	20,079.1	19,983.3	8,335.1	5,587.0	508.4
Total Royalty	2,900,312.5	1,197,450.0	765,746.6	817,333.0	44,136.4	43,926.0	18,321.9	12,281.0	1,117.5
NGL & ABL									
Royalty Base	2,038,666.0	152,040.7	685,998.8	1,162,073.1	9,035.0	13,181.5	13,285.2	1,880.7	171.1
RIK	138,884.1	10,357.8	46,801.8	79,166.2	615.5	898.0	905.1	128.1	11.7
RIV	115,949.1	8,647.3	39,073.1	66,092.9	513.9	749.7	755.6	107.0	9.7
Total Royalty	254,833.3	19,005.1	85,874.8	145,259.1	1,129.4	1,647.7	1,660.7	235.1	21.4
NGL (KRU)									
Royalty Base	864,971.0	378,095.1	477,914.4	2,8?3.4	4,733.1	0.0	1,409.0	0.0	0.0
RIV	108,121.4	47,261.9	59,739.3	352.4	591.6	0.0	176.1	0.0	0.0
Total Royalty Due	3,263,267.1	1,263,717.0	911,360.7	962,944.6	45,857.4	45,573.7	20,158.7	12,516.1	1,138.9

Taxes

	Total	BP	ARCO	EXXON	MOBIL	PHIL	CHEV	TEX	FORCE
Tax Base (base-LD-NGL-Royalty)	20,303,001.2	8,382,312.9	5,360,551.7	5,721,656.7	308,954.8	307,482.0	128,253.2	85,967.2	7,822.7
Oil Tax due (15.00% * ELF)	2,960,765.4	1,222,383.9	781,723.8	834,383.2	45,054.6	44,839.8	18,703.0	12,536.5	1,140.8
NGL Barrels	2,038,666.0	152,040.7	686,998.8	1,162,073.1	9,035.0	13,181.5	13,285.2	1,880.7	171.1
NGL - Royalty	1,783,832.8	133,035.6	601,123.9	1,016,813.9	7,905.6	11,533.8	11,624.6	1,645.6	149.7
NGL MCF equiv.	2,122,778	158,240	715,274	1,210,168	9,412	13,732	13,814	1,960	178

Current Royalty Rate	12.5%
Current Tax Rate	15.0%
Economic Limit Factor	0.972193
Economic Limit Factor (for Gas)	0.764779

2/7/97 @ 9:18 AM

EXHIBIT A - Attachment 2, page 7

Calculation of Royalty Value – Prudhoe Bay Unit

January 1997

Lessee	Oil (barrels)	Royalty Value	Product of Volume Times Royalty Value
Lisburne Production Center			
Lisburne Participating Area			
ARCO	176,138.00	$19.500	$3,434,691.00
BP Exploration	88,069.00	$18.120	$1,595,810.28
Exxon	176,138.00	$18.730	$3,299,064.74
Point McIntyre Participating Area			
ARCO	1,514,824.19	$19.500	$29,539,071.71
BP Exploration	1,825,326.54	$18.120	$33,074,916.90
Exxon	1,899,334.27	$18.730	$35,574,530.88
West Beach Participating Area			
ARCO	29,463.50	$19.500	$574,538.25
BP Exploration	29,463.50	$18.730	$551,851.36
Niakuk Participating			
BP Exploration	651,808.00	$18.120	$11,810,760.96
West Niakuk Participating Area			
ARCO	62,528.00	$19.500	$1,219,296.00
Exxon	62,528.00	$18.730	$1,171,149.44
P109			
ARCO	20,575.00	$19.500	$401,212.50
Prudhoe Bay Initial Participating Area			
ARCO	6,812,971.60	$19.880	$135,441,875.41
BP Exploration	9,731,640.80	$18.640	$181,397,784.51
Chevron	159,860.30	$23.248	$3,716,432.25
Exxon	7,700,737.40	$19.220	$148,008,172.83
Forcengery	9,111.30	$19.880	$181,132.64
Mobil	362,126.20	$19.539	$7,075,583.82
Phillips	364,589.50	$20.690	$7,543,356.76
Texaco	100,129.00	$18.950	$1,897,444.55
Totals	31,777,362.10		607,508,676.79
Average Royalty Value			$19.11766

Monthly Average Change in ANS West Coast Destination Values

Production Month	ARCO Value	% Change Previous Month	BP Exploration Value	% Change Previous Month	Exxon Value	% Change Previous Month	Average Percentage Change
Jan-97	$23.45	-0.21%	$23.44	-0.26%	$22.86	-0.26%	-0.24%
Feb-97	$20.27	-13.56%	$20.26	-13.57%	$19.69	-13.87%	-13.67%

APPENDIX B

EXAMPLES OF INTEREST AND LATE PAYMENT PENALTY

The following illustrates the date from which interest will accrue and the date that a late payment penalty will be assessed.

January 1 – 31, 1998 – State delivers January 1998 Sale Oil.

February 6, 1998 – State sends Mapco a statement of account that contains the production month invoice for January.

February 11, 1998 – (The date of the statement of account that contains January's production month invoice plus three business days) – Mapco must pay the January production month invoice amount in full on or before this date. If Mapco does not pay on this date, interest and a late payment penalty will accrue from this date on the unpaid balance until paid in full.

March 9, 1998 – State sends Mapco the statement of account that contains the initial adjustment invoice for January 1998 Sale Oil. Mapco owes the State an additional sum.

March 12, 1998 – Mapco must pay the initial adjustment invoice amount in full plus interest from February 11, 1998 through the March 12. If Mapco does not pay on or before March 12, 1998, interest and a late payment penalty will accrue from this date on the unpaid balance until paid in full.

January 11, 1999 – State sends Mapco a subsequent adjustment invoice for January 1998 Sale Oil. Mapco is entitled to a credit. State pays interest from February 11, 1998 through January 14, 1999, the date the statement of account that contains the subsequent adjustment invoice amount is due.

April 10, 2008 – Exxon notifies the State that, due to a clerical error, it has revised its royalty value for January 1998. The revision causes the Royalty Value for January 1998 to change.

April 17, 2008 – the State sends Mapco a statement of account that contains a subsequent adjustment invoice for January 1998. Mapco owes the State an additional sum.

May 17, 2008 – Mapco must pay the subsequent adjustment invoice amount for January 1998 Sale Oil in full plus interest calculated from February 11, 1998 through February 11, 2004. If Mapco does not pay the subsequent adjustment invoice amount in full on or before May 17, 2008, interest and a late payment penalty will accrue on the unpaid balance from February 11, 1998 until paid in full.

November 10, 2008 – The court settles a dispute between the TAPS carriers and shippers: carriers are awarded a higher tariff for January 1998.

November 28, 2008 – The State sends Mapco a statement of account that contains a subsequent adjustment invoice and a State Warrant for the subsequent adjustment invoice amount plus interest. Mapco is entitled to a refund that includes interest calculated from February 11, 1998 through November 28, 2008.

House/Senate Supplement #16

THE ALASKA ROYALTY OIL AND GAS DEVELOPMENT ADVISORY BOARD

Resolution 98-1

On January 30, 1998, the Commissioner of Natural Resources provided the Alaska Royalty Oil and Gas Development Advisory Board ("Board") with the Preliminary Finding and Determination to Sell Royalty Oil to Mapco Alaska Petroleum Inc. dated January 30, 1998 ("Finding") and a copy of the proposed Agreement for the Sale and Purchase of State Royalty Oil to Mapco Alaska Petroleum Inc ("Contract"). Under the Contract, the Department of Natural Resources will sell approximately 28,000 barrels per day of Prudhoe Bay Unit royalty oil to Mapco for five years. Mapco will process the oil in its refinery in North Pole, Alaska.

The Contract was negotiated between representatives of the Division of Oil and Gas and Mapco over the past four months. On January 30, 1998, the division published the Finding, the Contract and gave public notice that the Board would review the Contract at a public hearing on February 17, 1998.

On February 17, the Board met to discuss the Contract and take public comments. Representatives from the division, representatives of Mapco, and members of the public attended the meeting. A presentation from division staff about the proposed sale and contract was given to the Board. After review and consideration of the information presented, public comment, and the criteria of AS 38.06.070, the Board approved the proposed sale and recommended the proposed contract be approved by the legislature.

Based on the Board's review of the Contract, the Commissioner's Finding, and the information presented at its public hearing, the Board is of the opinion that the proposed disposition of Prudhoe Bay Unit royalty oil to Mapco is consistent with AS 38.06.070 and AS 38.05.183. In report to the legislature, the Board adopts the Commissioner's Finding by reference, and recommends that the Twentieth Alaska State Legislature approve the Agreement for the Sale and Purchase of State Royalty Oil to Mapco Alaska Petroleum Inc.

2/17/98		2-17-98	
Lynn Aleshire	Date	Thomas Cook	Date
2/17/98		2-17-98	
Wilson Condon	Date	Becky Gay	Date
2/17/98		2/17/98	
Becky Beck for Deborah B. Sedwick	Date	John Shively	Date

SENATE BILL NO. 342
HOUSE BILL NO. 469