

LEG. FINANCE - BILLS 1977 - 1978 8/8

ICR 112am cont., thru HCR 115

copies thereof) in its possession, including engineering and site selection information as may be reasonably requested by Seller.

ARTICLE XI

APPROVAL OF CONTRACT BY STATE OF ALASKA AND EFFECTIVE DATE

This Agreement shall take effect on the date on which this Agreement has been approved by concurrent resolution of a majority of each house of the Tenth Alaska State Legislature ("Effective Date").

ARTICLE XII

SECURITY

12.1 Creation of Security Interest. To secure payment of all amounts due Seller for oil sold hereunder, Seller retains and Buyer hereby grants a purchase money security interest in all of the oil delivered and to be delivered to Buyer hereunder and in all oil obtained by Buyer in exchange for oil purchased hereunder; the products made or processed from any such oil, including all substances, if any, commingled therewith, or added thereto; and in the proceeds of the sale of any such oil or products, including the accounts receivable of Buyer arising from its sales of oil or products manufactured therefrom. The security interest shall attach to the oil at the time and Point of Delivery but shall terminate as to oil or products therefrom sold to a bona fide purchaser of Buyer in the ordinary course of Buyer's business ^{provided however that} ~~but~~ the said security interest shall attach to the accounts receivable arising therefrom. Notwithstanding the provisions of this Article 12.1, Seller agrees that (i) the security interest in the oil shall not attach at the time and Point of Delivery but instead at the time the oil arrives and is delivered to Buyer at the outlet flange measuring device of the Valdez, Alaska terminal facility of the Trans-Alaska Pipeline System ("TAPS") as to any oil shipped under any tariff pertaining to the TAPS which contains a prohibition against carriage of oil on which a lien of a party other than the carrier thereof exists or which grants to any carrier the right to reject carriage of oil on which such a lien

exists if Buyer has provided Seller a bond, letter of credit, marketable securities or other security, as described in Article 12.2, in an amount or of a value equivalent to the value of oil of Buyer in the TAPS on which no lien of Seller exists, unless Seller or Buyer has obtained and furnished for Buyer evidence that such prohibition or right of rejection has been effectively terminated or waived and is unenforceable; and (ii) no lien shall attach to any oil or products produced therefrom or accounts receivable created from the resale thereof as to which payments to Seller have been made for the account of Buyer if (a) such payments are not derived from the sale of property otherwise subject to the security interest of the Seller and (b) such payments are secured or are to be secured by such oil, the products produced therefrom or the accounts receivable created from the resale thereof. Seller agrees that any document filed to perfect Seller's purchase money security interest described in this Article 12.1 shall contain an exclusion to the effect set forth in the next preceding sentence. Buyer agrees that it shall not agree, or consent to, or permit the filing of, any lien or security interest in the oil other than the lien of a TAPS carrier nor shall it transfer title thereto prior to its arrival and delivery to Buyer at the outlet flange measuring device of the Valdez, Alaska terminal facility of the TAPS or prior to the attachment of Seller's security interest thereto upon such delivery. Buyer further agrees that it will not grant or consent to any security interest in the oil or other security in favor of any third party unless such third party agrees in writing prior thereto that such security interest is subordinate to the security interest of the Seller, ^{for the lien of the TAPS carrier} except as provided otherwise in Article 12.1(ii). Buyer agrees to execute and file all documents necessary to perfect Seller's said security interest in the oil, proceeds from the oil and accounts receivable referred to above. "Proceeds of the sale" shall include proceeds derived from insurance or other payments resulting

from damage to or destruction of the oil or other property covered by the security interest. To secure such payment Buyer shall cause all policies of insurance on the oil or other property to which the security interest attaches to name the Seller as coinsured as its interests may appear.

12.2 Alternative Security. In lieu of the security interest provided in Article 12.1, Buyer may provide alternative security in the form of a bond attached hereto and made a part hereof as Exhibit "C", executed by the Buyer, as principal, and a corporate surety agreed to by the Commissioner and authorized to write such bonds in the State of Alaska, as surety for a sum which shall substantially reflect the amounts owed by Buyer to Seller plus an amount equal to the value of any oil delivered by Seller to Buyer and not yet billed pursuant to Article IX; provided that whenever Seller has reasonable grounds for asserting and does assert any claims against Buyer in excess of the penal sum of the bond of Buyer then in effect hereunder, Buyer after being so requested by Seller shall either increase the penal sum of such bond to an amount reasonably sufficient to cover the claim of Seller and all expenses which may be incurred by it in connection therewith or shall furnish other security satisfactory to Seller, such as a renewed security interest in the oil or a portion thereof sold hereunder, regardless of whether the Buyer does or does not recognize the validity of the Seller's claim (so long as reasonable grounds for asserting such claim exist) ~~provided further that the~~ Buyer may at any time and from time to time deposit and maintain with the Commissioner at Buyer's expense in lieu of any such bond, either (1) an irrevocable letter or letters of credit addressed to the Commissioner issued by a state or national banking institution of the United States which is a member of the Federal Deposit Insurance

Corporation and has an aggregate capital and surplus of not less than \$50,000,000, or (ii) marketable securities which are approved by the Commissioner, and which shall be transferable by the Commissioner or by delivery by stock power attached or other means, such letter or letters of credit to be in an aggregate amount, or such marketable securities to be of an aggregate then fair market value, of not less than the amount then required for Buyer's bond hereunder any such letter or letters of credit and marketable

securities, together with any proceeds thereof, to be held by the Commissioner for the security and benefit of the Seller; and ^{Such letter or letters of} ~~either~~ *credit or marketable securities along with the instrument of transfer* of ~~(i) or (ii)~~ to be in form and substance approved by the Seller.

The amount of said letter or letters of credit or marketable securities shall be subject to increase in the same manner that the face amount of the bond is subject to increase. If marketable securities are so furnished, other marketable securities which meet the requirements of this Subparagraph (a) may be substituted at any time and from time to time for any previously furnished marketable securities, and the marketable securities so furnished shall be increased if at any time the fair market value of the securities then held by the Commissioner is less than, or may be reduced if the

fair market value thereof exceeds, the amount of the bond then required of Buyer hereunder ^(Buyer may, in lieu of any other security provide other security) ~~or (i) security~~ which in the opinion of the Commissioner is of equal value to the security above described.

ARTICLE XIII

TRADE OR EXCHANGE OF CRUDE

13.1 Subject to the provisions of Article 4.3 hereof and the further provisions of this Article 13.1, Buyer may trade or exchange any or all of the royalty crude oil for other crude oil or products. No trade or exchange by Buyer shall reduce the price to be paid to Seller under Article VIII hereof, and any such trade or exchange shall be without cost or expense to Seller. Buyer agrees not to trade or exchange royalty oil with another party unless that party agrees to give Buyer written permission to terminate the trade or exchange relationship upon the termination of this Agreement. Buyer shall require of any trade or exchange partner specific acknowledgment of Buyer's obligations under Article 26.6 and written permission from Buyer's trade or exchange partner to terminate the trade exchange arrangement upon termination of this Agreement. Buyer shall also require of its trade or exchange partner that it agrees to include provisions similar to this section in contracts for the sale, trade or exchange of the royalty oil and that all subsequent purchasers and trade or exchange partners will do likewise.

ARTICLE XIV

DEFAULT

14.1 Default. If

(i) either party shall fail to perform any of the covenants or obligations imposed upon it by this Agreement, except when such failure shall be excused under the force majeure provisions of Article XV, or

(ii) for any period of six (6) consecutive months, beginning one (1) year after the Petrochemical Facility has initiated processing of crude oil into petrochemicals, and subject to the provisions of Article XV, Buyer fails to purchase in the aggregate at least one-third (1/3) of the crude oil which could be purchased by Buyer out of the Leases and the leases referred to in Article 2.4 during any calendar month, or

(iii) Buyer becomes insolvent or commits any act constituting an act of bankruptcy, or

(iv) Buyer voluntarily files an action under the United States Bankruptcy Act, or

(v) Buyer fails to obtain the dismissal of any involuntary bankruptcy proceeding filed against it under the provisions of the United States Bankruptcy Act within thirty (30) days of the filing thereof,

then and in any such event, the other party may, at its option and without waiving any other remedy for breach hereof, indicate such party's election to cancel this Agreement by notice in writing specifying in detail wherein the default has occurred. Except for the instances stipulated in Articles 14.1(iii) through (v) above, and except for payment by Buyer to Seller, which shall be governed by Article 9.6, the party in default shall have thirty (30) days from the receipt of such notice to remedy such default and to pay the other party for all loss or damage incurred as a result of such default and indemnify such party against future claims or loss arising out of such default. Upon failure of the defaulting party to remedy its breach within the time stipulated above, this Agreement may be cancelled by the non-defaulting party by service of written notice thereof upon the defaulting party. Any cancellation under Article ^{9.6}~~9.7~~ or this Article 14.1 [except Article 14.1(ii)] shall not

prejudice the right of the party not in default to collect any amounts due it hereunder for any damage or loss suffered by it and shall not waive any other remedy to which the party not in default may be entitled for breach of this Agreement.

14.2 Disposition of Oil Upon Default, Cancellation or Termination. It is agreed that if Buyer shall for any reason fail to take the royalty oil hereunder as and when made available to the Buyer pursuant to Buyer's previous nominations, Buyer shall nevertheless pay Seller as though it had taken delivery of said royalty oil, unless Seller through an understanding with Lessees or the lessees referred to in Articles 2.3 and 2.4 is able to cancel delivery of the quantities called for in said nominations of Buyer. In the event of any cancellation or termination of this Agreement, whether under Articles 10.2 or 10.3, or because of default under this Article XIV or Article 9.6, Buyer shall have an obligation to continue to purchase Seller's royalty oil for up to seven (7) months following termination or cancellation of this Agreement in such quantities as Buyer has elected pursuant to the nomination procedure set forth in Article 2.5 in the six (6) months preceding termination of this Agreement, if Seller is required by the lessees or the lessees under Articles 2.3 and 2.4 to accept delivery in kind for such period.

14.3 Materiality of Breach. No default or breach of, or failure of performance under, this Agreement shall be deemed to have occurred under this Agreement unless such default, breach or failure of performance is material or substantial under all the cir-

cumstances or involves the non-payment of any sum due under this Agreement which is not the subject of a bona fide dispute.

ARTICLE XV

FORCE MAJEURE

15.1 Relief from Obligations. Except for Buyer's and Seller's obligations to make payment under this Agreement and except for Buyer's obligation to take oil nominated by it, neither party hereto shall be liable for any failure to perform the terms of this Agreement when such failure is due in whole or substantial part to a "force majeure" as hereinafter defined; provided, however, that if an event constituting a force majeure shall prevent substantial performance of a party's obligations hereunder in light of all the circumstances, so as to prevent the party not claiming force majeure from obtaining the benefit of its bargain for a period in excess of four (4) years, said party not claiming force majeure shall have the option to terminate this Agreement. Said option must be exercised before the force majeure ceases to exist. The aforesaid proviso shall not permit the Seller to terminate in the event the force majeure in question is based upon Buyer's inability to obtain requisite state permits, authorizations, or licenses if Buyer has exercised the due diligence required by Article 15.2(ix). Other remedies otherwise available for default or breach in the event of termination after such four year period shall not thereby be affected.

15.2 Definition of "Force Majeure". The term "force majeure" as employed in this Agreement shall mean (i) acts of God;

(ii) strikes, lockouts or industrial disputes or disturbances; .
(iii) civil disturbances, arrests and restraint from rules^r or people;
(iv) interruptions by laws, orders, rules, regulations, acts or
restraints of any government or governmental body having proper
jurisdiction; (v) acts of the public enemy, wars, riots, blockades,
insurrections, mobilization; (vi) acts of vandalism or sabotage;
(vii) shortages, scarcity or inability to secure labor, fuel, power,
equipment or materials (including inability to secure materials by
reason of allocation promulgated by authorized governmental agencies),
(viii) inability or failure of contractors or subcontractors to per-
form, (ix) inability to obtain requisite federal, state or other
governmental permits, authorizations, or licenses provided the party
claiming force majeure has exercised due diligence in attempting to
obtain such permits, authorizations or licenses; (x) inability to
ship materials because of unavailability of shipping, docking or
wharfage not within the reasonable control of the party claiming the
existence of a force majeure; (xi) epidemics, landslides, lightning,
earthquakes, fire, explosion, floods, washouts, storms, other
unusual adverse weather conditions; (xii) breakdowns of machinery,
equipment or lines of pipe; (xiii) freezing of wells, pipe lines or
other equipment; (xiv) shutdowns necessary for making repairs or
alterations to pipe lines or plants, mechanical failure, or the
necessity of testing wells, machinery or lines of pipe as may be
required by governmental authority or as may be deemed necessary
by the testing party for the safe operation thereof whether or not

of the kind herein enumerated; or (xv) any other event or condition otherwise not reasonably within the control of the party claiming force majeure, whether or not similar to the enumerations of (i) through (xiv).

15.3 Effect of Force Majeure. Upon the occurrence and discovery of an event constituting force majeure, the party claiming that the event is a force majeure shall notify the other party hereto of its claim of force majeure. The party claiming the existence of a force majeure shall, so far as reasonably possible, attempt to remedy such event with due diligence, and the obligations of the disabled party to perform under this Agreement, insofar as they are affected by such force majeure, shall be suspended from the time such force majeure occurs and for so long as the disability so caused should have continued had the party claiming the existence of the force majeure met its remedial obligations under this Article 15.3, and for no longer. The settlement of strikes or lockouts or industrial disputes or disturbances shall be entirely within the discretion of the party having the difficulty, and the above requirement that any force majeure shall be remedied with due diligence shall not require the settlement of strikes, lockouts or industrial disputes or disturbances by acceding to the demands of any opposing party therein when such course is inadvisable in the sole discretion of the disabled party.

ARTICLE XVI

NOTICES

16.1 Notices. Any notice, request, demand or statement provided for in this Agreement must be in writing, and may be given by depositing same in the mail, addressed to the party to be notified, postage prepaid, and registered or certified, with a return receipt requested, or by delivery of same in person to such other party. Notice deposited in the mail in the manner hereinabove described shall be effective upon the expiration of seven (7) days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the addressee. For purposes of notice the addresses of the parties hereto shall be as follows:

If to Seller:

State of Alaska
Commissioner of Natural Resources
Pouch "M"
Juneau, Alaska 99811

and
Commissioner of Revenue
Pouch "S"
Juneau, Alaska 99811

and
Director, Division of Minerals
and Energy Management
323 Fourth Street
Anchorage, Alaska 99501

If to Buyer:

Alaska Petrochemical Company
601 W. 5th Avenue, #320
Anchorage, Alaska 99501

and
Alaska Petrochemical Company
P. O. Box 6554
Houston, Texas 77005

16.2 Change of Address. Each party may change its address for notice by giving ~~of~~² notice thereof in the manner hereinabove provided.

ARTICLE XVII

WAIVER

The failure of Seller or Buyer to insist upon strict performance of any provision hereof shall not constitute a waiver of, or estoppel against asserting, the right to require such performance in the future; a waiver or estoppel in any one instance shall not constitute a waiver or estoppel with respect to a later breach of a similar nature or otherwise; ^{and} a course of performance established by a party shall likewise not estop the other party from complaining of a later breach similar in nature.

ARTICLE XVIII

RECORDS

18.1 Preservation of Records. Buyer and Seller will preserve and maintain all books, accounts and records relating to or arising out of the performance of this Agreement, including but not limited to, the planning, construction and operation of the Petrochemical Facility and the purchase or resale of the royalty oil and its refined products for a period of four (4) years. Buyer will also maintain and preserve all similar books, accounts and records of which it has possession belonging to those third parties with whom it contracts for the performance of various parts of this Agreement. Neither Buyer nor Seller shall be required to retain

any records for more than six (6) years unless retention of such records is specifically required by applicable law or regulation. Buyer shall either maintain its records within the State of Alaska or make such records available to Seller at Buyer's principal office in the State of Alaska within thirty (30) days after written request therefor by Seller.

18.2 Inspection of Records of Parties. Buyer and Seller will accord to each other and to their authorized agents, attorneys and auditors during reasonable business hours access to any and all property, records, books, documents and indexes thereto directly relating to the Buyer's or Seller's performance of this Agreement and which are under the control of the party from which access is desired so that the other party may inspect, photograph and make copies of such property, records, books, documents and indexes thereto. Notwithstanding the foregoing, (i) Seller shall not be required to disclose any information, data or records which are required to be held confidential by applicable state law or regulation, and (ii) Buyer shall not be required to disclose any information, data or records containing trade secrets which Buyer or its Affiliates, contractors or subcontractors by contract with unaffiliated third parties have agreed to hold confidential. Seller shall notify Buyer of all information obtained, recorded or copied from Buyer's records in order that Buyer may evaluate the advisability of seeking that such information be held confidential by Seller under applicable law or regulation or under the provisions of this Article.

18.3 Financial Statements. So that Seller may be fully informed with regard to Buyer's financial capabilities on an on-going basis, Buyer will provide Seller with a financial statement at quarterly intervals during any periods which Buyer is receiving delivery of oil under this Agreement from Seller. In addition, Buyer will provide Seller with year-end financial statements audited by an independent certified public accounting firm. Preparation of the financial statements shall be at Buyer's cost. Said statements shall be communicated to Seller in the manner provided in Article 16.1.

ARTICLE XIX

RULES AND REGULATIONS; SOVEREIGN POWERS; ENVIRONMENTAL REGULATION AND STANDARDS

19.1 Applicable Laws, Rules and Regulations. This Agreement and the covenants contained herein shall not be interpreted as a limit on the exercise by the State of Alaska of any of its sovereign or regulatory powers, whether inherent or as may be set forth by constitution, statute or regulation, to protect the environment, fish and wildlife, or the health, safety, general welfare, lives or property of the people, of the State of Alaska. This Agreement is subject to all present and future valid laws, orders, rules and regulations of the United States, the State of Alaska, or any duly constituted agency thereof; provided, however, that this paragraph shall not be deemed a consent to any attempted alteration, amendment, termination or revocation of the contractual rights, obligations or duties of the parties hereto by the State of Alaska.

19.2 Compliance with State Rules and Regulation. Buyer

shall comply with all valid and applicable laws and regulations with regard to maintaining the quality of the environment of the State of Alaska, the well-being of fish and wildlife of the State, and the health, safety and welfare of the citizens of the State of Alaska, in the construction of the Petrochemical Facility, the operation and maintenance of the Petrochemical Facility during the term hereof, and with respect to Buyer's purchase, refining and resale of the oil sold hereunder.

19.3 Compliance with Supplemental Environmental Standards.

Buyer agrees to comply with the environmental protection standards set forth in Exhibit "D", whether or not such standards are required presently or in the future by applicable governmental law or regulation; provided, however, that the Commissioner of the Department of Environmental Conservation shall possess the power and authority to waive or eliminate any such standards upon a showing of reasonable cause, and provided further that the standards set forth in Exhibit "D" are supplemental to, and not substitutive of, any present or future laws or regulations applicable to regulation of the environment of the State of Alaska.

ARTICLE XX

GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of Alaska, excluding any conflicts-of-law rule or principle which might refer such construction to the laws of another state or country.

ARTICLE XXI

SEVERABILITY

If any of the terms and conditions of this Agreement are held by any court or governmental authority of competent jurisdiction to contravene or to be invalid under the laws of any political body having jurisdiction over the subject matter hereof, such contravention or invalidity shall not invalidate the entire Agreement. Instead, this Agreement shall be construed as if it did not contain the particular provision or provisions held to be invalid, the rights and obligations of the parties hereto shall be construed and enforced accordingly if feasible, and this Agreement shall thereupon remain in full force and effect.

ARTICLE XXII

AMENDMENT

This Agreement may be supplemented, amended or modified only by a written instrument duly executed by both the parties hereto after proper prior authorization, including approval by the Alaska Royalty Oil & Gas Development Advisory Board and the Alaska State Legislature. Buyer agrees that in the event Article VIII of this Agreement is subsequently amended so as to materially reduce the consideration paid to the Seller, directly or indirectly, for the royalty oil, said amendment will only be effective after it has been approved by a direct vote of the people of the State of Alaska.

ARTICLE XXIII

SUCCESSORS AND ASSIGNS

23.1 General Prohibition of Assignment. Except as otherwise permitted under Article 23.2 no assignment of this Agreement shall be made by either party without first obtaining the written consent of the other party. The Commissioner may grant such consent on behalf of Seller.

23.2 Limited Right of Assignment. This Agreement shall bind and benefit the parties hereto and their respective successors and valid assigns, but no permitted conveyance or transfer of any interest of either party shall be valid until such other party has been furnished with written notice and a true copy of such conveyance or transfer and an assumption, if any, of this Agreement by such assignee. Either Buyer or Seller, or both, may assign its right, title and interest in, to and by virtue of this Agreement, including any and all extensions, renewals, amendments and supplements thereto to a trustee or trustees, individual or corporate, or to any lender or lenders, as security for bonds or other indebtedness, obligations or securities, without such trustee or trustees or lender or lenders assuming or becoming in any respect obligated to perform any of the obligations of the assignor, and if any such trustee or lender be a corporation, without its being required by the parties hereto to qualify to do business in the State of Alaska (but such trustee or lender shall be required to submit to the jurisdiction of the courts of the State of Alaska for matters relating to this Agreement), and no such assignment shall serve to relieve the assigning party of its obligations hereunder. Any assignment by Buyer pursuant to the next preceding sentence shall be subject to the prior written approval of the Commissioner of any such trustee or trustees or lender or lenders; provided, however, that on or after the date that all the conditions stated in Article 10.2(3) have been fulfilled, no such prior written approval shall be

required and such assignment to such trustee or trustees or lender or lenders may be freely made. In the event any such trustee or trustees, lender or lenders, or their assignee shall foreclose upon or otherwise assume ownership rights in and to this Agreement, thereupon such trustee or trustees or lender or lenders and their valid successor and assigns (i) shall assume such rights and benefits as well as obligations and liabilities only upon written notice given by it or them to Seller, (ii) shall have the right to receive from Seller, without assuming any obligations or liabilities under this Agreement, except as expressed below in the last sentence of this paragraph, any money or property owed by Seller to Buyer under this Agreement as of the date of such foreclosure, (iii) shall have the right to sell or assign their ownership rights to this Agreement to any person, without the consent of the Seller if such person assumes the obligations of Buyer under this Agreement, and (iv) following such further sale or assignment, shall be relieved of any obligations or liabilities provided for under this Agreement. Nothing contained within this Article 23.2 shall operate so as (1) to terminate or subordinate Seller's security interest in oil, products, proceeds of the sale, ^{or} (2) to cancel any obligation to provide security as set forth in Article 12.2, until money owed to Seller under this Agreement is paid.

ARTICLE XXIV

EQUAL EMPLOYMENT OPPORTUNITY

24.1 Discrimination. Buyer will not discriminate against

any employee or applicant for employment because of race, color, religion, national origin, ancestry, age or sex. The Buyer will take affirmative action to insure that applicants are considered for employment, and that employees are treated during employment, without regard to their race, color, religion, national origin, ancestry, age or sex. Such action shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination, rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Buyer agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this nondiscrimination clause.

24.2 Advertisement of Equal Employment Opportunity.

The Buyer shall state, in all solicitations or advertisements for employees to work, that all qualified applicants will receive consideration for employment without regard to race, color, religion, national origin, ancestry, age or sex.

24.3 Notices to Unions. The Buyer will send to each labor union or representative of workers with which the Buyer has a collective bargaining agreement or other contract or understanding a notice advising the labor union or workers' representative of the Buyer's commitments under this Article and shall post copies of the notice in conspicuous places available to all employees and applicants for employment.

24.4 Inclusion of Equal Employment Opportunity Provisions

in Contracts and Subcontracts. The Buyer will include the provisions of Article 24.1 through 24.3 in its contracts pertaining to the construction and operation of the Petrochemical Facility and will require the inclusion of these provisions in every subcontract entered into by any of its contractors, so that such provisions will be binding upon each subcontractor of Buyer.

24.5 Cooperation with Agencies of Seller. The Buyer agrees that it will fully cooperate with the office or agency of the State of Alaska which seeks to deal with the problem of unlawful or invidious discrimination, and with all other State efforts to guarantee fair employment practices under this Agreement, and Buyer will comply promptly with all reasonable requests and directions from the State Commission for Human Rights or any of its officers or agents relating to prevention of discriminatory employment practice. Full cooperation as expressed above shall include, but not be limited to, being a witness in any proceeding involving questions of unlawful or invidious discrimination if such is deemed necessary by any official or agency of the State of Alaska; permitting employees of Buyer to be witnesses or complainants in any proceeding involving questions of unlawful or invidious discrimination, if such is deemed necessary by any official or agency of the State of Alaska; participating in meetings; submitting periodic reports on the equal employment aspects of present and future employment; assisting in inspection of the Petrochemical Facility site during and after the construction; and promptly complying with all

directives deemed essential by any office or agency of the State of Alaska to insure compliance with all federal and state laws, regulations and policies pertaining to the prevention of discriminatory employment practices.

ARTICLE XXI

LOCAL HIRE AND TRAINING

25.1 Local Hire.

(1) Buyer will comply with all applicable Alaska statutes and regulations in effect at the time this Agreement becomes effective as well as all amendments thereto and subsequent enactments, providing for local or resident hire.

(2) In addition, and subject to compliance with other requirements of state or federal law or regulation, Buyer will give preference to hiring qualified and available residents over nonresidents for all work to be performed in the construction, operation and maintenance of the Petrochemical Facility. Buyer shall not discriminate against Alaska residents by differentiating between residents and nonresidents in payment of wages, salaries, fringe benefits and working conditions. Nothing shall prohibit the Buyer from hiring Alaska residents through private sources. However, if private sources are unable to supply qualified Alaska residents, Buyer shall then attempt to seek qualified Alaska residents through the Alaska Department of Labor prior to the employment of nonresidents. The Buyer shall allow said Department of Labor two days, excluding Saturday, Sunday and state holidays, to produce

qualified resident workers prior to the employment of nonresidents. If suitable resident workers are not provided within the specified time period, the Buyer may employ nonresidents possessing the qualifications necessary to perform the work. Notwithstanding the foregoing, the Buyer may hire nonresidents (i) on an emergency basis for the duration of any emergency, (ii) as casual or intermittent employees if their employment will not exceed thirty (30) working days, or (iii) as specially skilled employees when the Department of Labor agrees in advance that such specially skilled persons are unavailable within the State of Alaska.

(3) Buyer will use its best efforts to incorporate in any and all collective bargaining agreements ^{into} which it enters with labor unions covering work to be performed in the construction, operation and maintenance of the Petrochemical Facility and associated facilities and operations, a provision or provisions requiring the unions' dispatch procedures be established and operated in a manner which will assure that qualified Alaska residents will be employed to perform said work.

^{into which}
A (4) Buyer will incorporate in any and all agreements it enters with contractors and subcontractors provisions requiring the employment of qualified Alaska residents, as set forth in Article 25.1(2), and utilization of the contractors' or subcontractors' best efforts to obtain agreements with labor unions, as specified in Article 25.1(3).

(5) Noncompliance with the preceding covenants of

this Article 25.1 or of Article XXIV shall be grounds for a complaint which an aggrieved resident or the State of Alaska, on its own motion, may file with the Department of Labor against the Buyer, but shall not be considered a default under Article XIV. Buyer hereby agrees to submit to the jurisdiction of the Department of Labor for purposes of determining whether noncompliance in fact occurred. Said Department shall hold a hearing at which the parties may present relevant evidence and cross-examine witnesses prior to such a determination. Adequate notice thereof shall be given to all parties concerned. Upon a determination that noncompliance occurred, the Buyer shall pay the aggrieved party a sum equal to the amount the resident would have received had he been employed by the Buyer, up to a maximum of one (1) year's salary. If such compliance is determined to have been willful, the Department may award an additional sum up to the amount of the original sum awarded.

(6) For purposes of this Article

(a) "resident" means a person who

(i) except for brief intervals, military service, attendance at an educational or training institution, or for absences for good cause, is physically present in the state for a period of one year immediately before the time his status is determined;

(ii) maintains a place of residence in the state;

(iii) has established residency in the state;

(iv) has not, within the period of required residency, claimed residency in another state; and

(v) shows by all attending circumstances that his intent is to make Alaska his permanent residence;

provided, however, that in the event a final judgment is rendered by a court of competent jurisdiction in the State of Alaska that the one year period stated in Alaska Statutes Section 38.40.090 is unconditional because of the length of time, the one year period stated in this subparagraph shall be reduced to such period as is constitutionally acceptable;

(b) "qualified" means capable, through education, training or experience, of performing the duties and satisfying the usual terms and conditions of the employment, if those duties, terms and conditions meet the reasonable standards of the industry as required of other employees performing the same type of work in the industry;

(c) "willful noncompliance" means intentionally, knowingly, or purposely, without justifiable excuse, not giving preference to qualified Alaska residents in employment covered by this section; and

(d) "noncompliance" means not giving preference to qualified Alaska residents in employment covered by this Article 25.1.

(7) The performance of this Article 25.1 shall not be interpreted to require any action which constitutes the violation of any federal or state law or regulation, particularly those relating to discrimination in hiring.

25.2 Local Training. Buyer, in order to effectuate the purposes of Article XXIV and Article 25.1, and in order to insure the maximum practicable employment of Alaska residents in the operation and maintenance of the Petrochemical Facility, shall initiate training programs to provide skilled local personnel and adequately trained residents to apply for permanent employment in the operation and maintenance of the Petrochemical Facility. Buyer shall establish and furnish to Seller its employment requirements for the operation and maintenance of the Petrochemical Facility, including the approximate numbers of employees and identification of the types of skills needed, in sufficient time (but not more than one year) for Seller and Buyer to design and conduct its training programs in the skills required. In pursuing such programs, Buyer intends to and shall seek the support and financial aid of other groups and agencies, to wit: the federal government, Seller, municipal and local authorities, unions, and certain native Alaskan corporations. Seller will provide Buyer with reasonable assistance in the design and administration of the training program. Due to the difficulty of establishing objective criteria to insure that adequate effort has been expended by Buyer and because Buyer expects Seller to join with it in establishing such training programs and obtaining funds therefor from a variety of governmental sources, including Seller itself, Buyer's obligations under this program shall be deemed fulfilled in the event that Buyer has expended \$500,000 on such training programs or, in the alternative, that an aggregate of \$1,000,000 has

been expended from all sources (including all federal, private and state funds) on such training programs on or prior to ten (10) years from the Effective Date.

25.3 Infrastructure Development. Buyer agrees to use its best efforts to coordinate construction of the Petrochemical Facility with local municipal and borough authorities in order that development of supporting residential, service and other aspects of infrastructure may be coordinated. To that end, Buyer shall seek to arrive at mutually satisfactory solutions with municipal and borough governments to the perceived heavy demand on the physical plant and services of neighboring communities as a result of the construction and operation of the Petrochemical Facility.

ARTICLE XXVI

MISCELLANEOUS

26.1 Exhibits. Exhibits "A" through "D", which are attached to this Agreement, are by this reference incorporated into and made a part of this Agreement.

26.2 Headings. The headings of this Agreement are inserted for convenience and identification only and are not intended to describe, interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof.

26.3 Gender. Whenever the context requires, the gender of all words used in this Agreement shall include the masculine, feminine and neuter, and the number of all words shall include the singular and the plural.

26.4 Counterparts. This Agreement may be executed in any number of counterparts with the same effect as if Seller and Buyer had signed one document. All counterparts shall be construed together and shall constitute one and the same instrument.

26.5 Additional Documents. In connection with this Agreement, as well as all transactions contemplated by this Agreement, Seller and Buyer agree to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform all the terms, provisions and conditions of this Agreement and all such transactions.

26.6 Supplier-Purchaser Relationship. Buyer and Seller each agree to take all action reasonably necessary or appropriate to effect the transactions contemplated by this Agreement and each party's performance of its obligations hereunder. In the event that this Agreement is canceled or terminated by any party pursuant to the terms hereof, Seller and Buyer hereby agree to waive any rights which either party may have to a continuation of any supplier-purchaser relationship that may have been established with respect to the State of Alaska royalty crude oil for purposes of any federal mandatory crude oil allocation program. Specifically, the Buyer expressly states and the Seller agrees that the consent given in the immediately preceding sentence is such a consent to the termination of any supplier-purchaser relationship between the Seller and the Buyer which may be deemed to exist

under the Federal Mandatory Petroleum Allocation Regulations (10 C.F.R., Part 211) as is provided in 10 C.F.R. 211.63(d)(1)(i) of such Regulations. Seller and Buyer also agree that any subsequent contracts for the sale, exchange or other disposition of the State of Alaska royalty crude oil that may be entered into by the Buyer or Seller herein will include the advance written consent of the purchaser, exchange partner or other recipient of the crude oil to the termination of any supplier-purchaser relationship which may be deemed to exist with respect to the State of Alaska royalty crude oil for purposes of any mandatory crude oil allocation program upon the expiration, cancellation or termination of the underlying contractual agreement for the sale, exchange or other disposition of the crude oil or in the event that the agreement between the Seller and the Buyer for the sale and purchase of the crude oil is terminated for any reason, including termination for default as stated in Articles IX and XIV or because Buyer fails to meet its obligations under Article 10.2. Buyer also agrees to include in any contracts for the sale, exchange or other disposition of the State of Alaska royalty crude oil an agreement by the purchaser, exchange partner or other recipient of the crude oil to include identical waiver provisions in all subsequent sales, exchanges or other disposition of the crude oil by that purchaser, exchange partner or other recipient and by any subsequent purchasers, exchange partners or other recipients.

26.7 Reasonableness of Approvals. Buyer and Seller agree

that as to any approvals or consents required of either of them under this Agreement, except for extensions of time periods under Article 10.2, such approvals or consents shall not be unreasonably withheld.

IN WITNESS WHEREOF, the Seller has caused this Agreement to be executed by its Commissioner of Natural Resources and the Buyer has caused this Agreement to be executed by its President, thereunto duly authorized by its Board of Directors in accordance with the certified seal, duly attested, to be affixed hereto, as of the day and year first above written.

THE STATE OF ALASKA

ATTEST:

Frederick H. Boness

By:

Robert Eldredge
Commissioner, Department
of Natural Resources

"SELLER"

APPROVED AS TO FORM:

Robert M. Jones

ALASKA PETROCHEMICAL COMPANY

ATTEST:

Willard M. Hanzlik

By:

O. Charles Hennig
President

"BUYER"

I, WILLARD M. HANZLIK, certify that I am the Secretary of the corporation named as Buyer in the above contract, that

THE STATE OF ALASKA)
1st)
JUDICIAL DISTRICT) ss.

THIS IS TO CERTIFY that on the 22nd day of February, 1978, before me, the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn as such, personally appeared the President of ALASKA PETROCHEMICAL COMPANY, an Alaska corporation, and known to me to be the person who executed the within instrument on behalf of the corporation herein named, and acknowledged to me that the same was signed as a free act and deed of said corporation for the uses and purposes therein stated and pursuant to its Bylaws or a resolution of its Board of Directors.

WITNESS my hand and notarial seal the day and year last above written.

Lennie Boston
NOTARY PUBLIC in and for Alaska.
My commission expires: 2/12, 1980

CERTIFICATE

I, O. Charles Hoag, President and a member of the Board of Directors of ALASKA PETROCHEMICAL COMPANY, an Alaska corporation, do hereby certify that the following is a true and correct copy of a resolution adopted by the Board of Directors of said ALASKA PETROCHEMICAL COMPANY at a special meeting duly called and held at Juneau, Alaska, on February 22 1978:

BE IT RESOLVED by the Board of Directors of Alaska Petrochemical Company that the Agreement for the Sale and Purchase of State Royalty Oil between Alaska Petrochemical Company and the Commissioner of Natural Resources of the State of Alaska presented to the Board at a special meeting duly called and held in Juneau, Alaska, on February 22, 1978, be and is hereby approved;

BE IT FURTHER RESOLVED that the officers of the corporation be and hereby are authorized and directed to execute said Agreement for the Sale and Purchase of State Royalty Oil in the name of Alaska Petrochemical Company, and all further agreements and instruments that may be necessary or desirable to implement the purposes of that agreement.

O. Charles Hoag
President

SUBSCRIBED and SWORN to before me this 22nd day of February, 1978.

Jinnie Boston
NOTARY PUBLIC in and for Alaska.
My commission expires: Nov 2, 1980

EXHIBIT "A"

Attached to and Made a Part of the Agreement for the Sale and Purchase of State Royalty Oil dated February 22, 1978, ~~1979~~ between ALASKA PETROCHEMICAL COMPANY, an Alaska corporation "Buyer", and the COMMISSIONER OF NATURAL RESOURCES OF THE STATE OF ALASKA, acting pursuant to Alaska Statute 38.05.183, "Seller", With Respect to Certain Royalty Oil Owned and Taken In-Kind by Seller Under the Leases Described Herein Covering Lands in the State of Alaska.

Tract No.	Description	No. of Acres	Adl. Serial No.	Basic Royalty	Lessee of Record	O.R.R. Interest	Working Interest Ownership
(Unit Meridian, Alaska)							
1	T12N-R11E, Secs. 9, 10	1,250	47445	1/8	Mobil and Chevron		Mobil—50% Chevron—50%
2	T12N-R11E, Secs. 11, 12	1,250	25235	1/8	A.R.Co. and Exxon		A.R.Co.—50% Exxon—50%
3	T12N-R12E, Sec. 7	550	25254	1/8	A.R.Co. and Exxon		A.R.Co.—50% Exxon—50%
4	T12N-R15E, Secs. 23, 24	1,250	34525	1/8	Sohio Petroleum Co.		Sohio—100%
5	T12N-R15E, Secs. 21, 22	1,250	34625	1/8	A.R.Co. and Exxon		A.R.Co.—50% Exxon—50%
6	T12N-R15E, Secs. 19, 20	1,225	34627	1/8	A.R.Co. and Exxon		A.R.Co.—50% Exxon—50%
7	T12N-R14E, Secs. 23, 24	1,250	34624	1/8	A.R.Co. and Exxon		A.R.Co.—50% Exxon—50%
8	T12N-R14E, Sec. 22	640	25297	1/8	A.R.Co. and Exxon		A.R.Co.—50% Exxon—50%
9	T12N-R13E, Sec. 19	555	47409	1/8	Mobil and Phillips		Mobil—50% Phillips—50%
10	T12N-R12E, Secs. 21, 22	1,250	47445	1/8	Mobil and Phillips		Mobil—50% Phillips—50%
11	T12N-R12E, Secs. 21, 22	1,250	25256	1/8	A.R.Co. and Exxon		A.R.Co.—50% Exxon—50%
12	T12N-R12E, Secs. 17, 18, 19, 20	2,445	25255	1/8	A.R.Co. and Exxon		A.R.Co.—50% Exxon—50%
13	T12N-R12E, Secs. 13, 14, 23, 24	2,560	25237	1/8	A.R.Co. and Exxon		A.R.Co.—50% Exxon—50%
14	T12N-R11E, Secs. 15, 16, 21, 22	2,560	47447	1/8	Mobil and Chevron		Mobil—50% Chevron—50%
15	T12N-R11E, Secs. 17, 18, 19, 20	2,445	47446	1/8	Mobil and Chevron		Mobil—50% Chevron—50%
16	T12N-R10E, Secs. 13, 24	1,250	25057	1/8	A.R.Co., BP Alaska, Sohio Petroleum Co.		A.R.Co.—50% BP Alaska— 34.5% Sohio—12.5%
17	T12N-R11E, Secs. 29, 30, 31	1,565	47449	1/8	Mobil and Chevron		Mobil—50% Chevron—50%
18	T12N-R11E, Secs. 27, 28, 33, 34	2,560	25259	1/8	A.R.Co. and Exxon		A.R.Co.—50% Exxon—50%
19	T12N-R11E, Secs. 25, 26, 33, 36	2,560	25235	1/8	A.R.Co. and Exxon		A.R.Co.—50% Exxon—50%
20	T12N-R11E, Secs. 29, 30, 31, 32	2,450	25259	1/8	A.R.Co. and Exxon		A.R.Co.—50% Exxon—50%
21	T12N-R12E, Secs. 27, 28, 33, 34	2,560	25255	1/8	A.R.Co. and Exxon		A.R.Co.—50% Exxon—50%
22	T12N-R12E, Secs. 25, 26, 33, 36 N/2nd 1/4 Sec. 24	2,560	25257	1/8	Mobil and Phillips		Mobil—50% Phillips—50%

*See comment on page A-5

Tract No.	Description	No. of Acres	ADL Serial No.	Basic Royalty	Lease of Record	O.R.R. Interest	Working Interest Ownership
(Unit Meridian, Alaska)							
22A	T12N-R13E, SW/4 Sec. 25	100	25257	1/8	Mobil, Phillips, Chevron		Mobil—33 1/3% Phillips—33 1/3% Chevron—33 1/3%
23	T12N-R13E, Secs. 29, 30, 31, 32	2,459	25279	1/8	Sohio Petroleum Co.	•	Sohio—100%
24	T12N-R13E, Secs. 27, 28, 33, 34	2,560	25278	1/8	Sohio Petroleum Co.	•	Sohio—100%
25	T12N-R13E, Secs. 26, 35, 36	1,920	25277	1/8	Sohio Petroleum Co.	•	Sohio—100%
26	T12N-R14E, Secs. 29, 31, 32	1,571	25297	1/8	A.R. Co. and Exxon		A.R. Co.—50% Exxon—50%
27	T12N-R14E, Secs. 27, 28, 33, 34	2,560	25300	1/8	A.R. Co. and Exxon		A.R. Co.—50% Exxon—50%
28	T12N-R14E, Secs. 25, 26, 35, 36	2,560	25301	1/8	A.R. Co. and Exxon		A.R. Co.—50% Exxon—50%
29	T12N-R15E, Secs. 29, 30, 31, 32	2,459	34628	1/8	A.R. Co. and Exxon		A.R. Co.—50% Exxon—50%
30	T12N-R15E, Secs. 27, 28, 33, 34	2,560	34629	1/8	A.R. Co. and Exxon		A.R. Co.—50% Exxon—50%
31	T12N-R15E, Secs. 25, 26, 35, 36	2,560	34630	1/8	Sohio Petroleum Co.	•	Sohio—100%
32	T12N-R16E, Secs. 29, 30, 31, 32	2,459	34635	1/8	Sohio Petroleum Co.	•	Sohio—100%
33	T12N-R16E, Secs. 27, 28, 33, 34	2,560	34634	1/8	Sohio Petroleum Co.	•	Sohio—100%
34	T12N-R16E, Secs. 25, 26, 35, 36	2,560	34633	1/8	Sohio Petroleum Co.	•	Sohio—100%
35	T11N-R16E, Secs. 1, 2, 11, 12	2,560	34636	1/8	Sohio Petroleum Co.	•	Sohio—100%
36	T11N-R16E, Secs. 3, 4, 9, 10	2,560	25337	1/8	Sohio Petroleum Co.	•	Sohio—100%
37	T11N-R16E, Secs. 5, 6, 7, 8	2,469	25338	1/8	Sohio Petroleum Co.	•	Sohio—100%
38	T11N-R15E, Secs. 1, 2, 11, 12	2,560	25330	1/8	Sohio Petroleum Co.	•	Sohio—100%
39	T11N-R15E, Secs. 3, 4, 9, 10	2,560	34631	1/8	A.R. Co. and Exxon		A.R. Co.—50% Exxon—50%
40	T11N-R15E, Secs. 5, 6, 7, 8	2,469	34632	1/8	A.R. Co. and Exxon		A.R. Co.—50% Exxon—50%
41	T11N-R16E, Secs. 1, 2, 11, 12	2,560	25302	1/8	A.R. Co. and Exxon		A.R. Co.—50% Exxon—50%
* 42	T11N-R14E, Secs. 3, 4, 9, 10	2,560	25303	1/8	A.R. Co. and Exxon		A.R. Co.—50% Exxon—50%
43	T11N-R14E, Secs. 5, 6, 7, 8	2,469	25304	1/8	A.R. Co. and Exxon		A.R. Co.—50% Exxon—50%
44	T11N-R17E, Secs. 1, 2, 11, 12	2,560	25250	1/8	Sohio Petroleum Co.	•	Sohio—100%
45	T11N-R17E, Secs. 3, 4, 9, 10	2,560	25251	1/8	Sohio Petroleum Co.	•	Sohio—100%
46	T11N-R17E, Secs. 5, 6, 7, 8	2,469	25252	1/8	Sohio Petroleum Co.	•	Sohio—100%
47	T11N-R17E, Secs. 1, 2, 11, 12	2,560	25269	1/8	Sohio Petroleum Co.	•	Sohio—100%
48	T11N-R17E, Secs. 3, 4, 9, 10	2,560	25261	1/8	Mobil and Phillips		Mobil—50% Phillips—50%
49	T11N-R17E, Secs. 5, 6, 7, 8	2,469	47450	1/8	Mobil, Phillips, Chevron		Mobil—33 1/3% Phillips—33 1/3% Chevron—33 1/3%
50	T11N-R17E, Secs. 1, 2, 11, 12	2,560	25240	1/8	A.R. Co. and Exxon		A.R. Co.—50% Exxon—50%
51	T11N-R17E, Secs. 3, 4, 9, 10, N/2 and SW/4 Sec. 3	2,469	25241	1/8	Mobil and Phillips		Mobil—50% Phillips—50%
51A	T11N-R17E, SE/4 Sec. 3	100	25242	1/8	Mobil, Phillips, Chevron		Mobil—33 1/3% Phillips—33 1/3% Chevron—33 1/3%

*See comment on page A-5.

* ADL 28303 has been certified as a discovery royalty lease. Basic royalty is 12 1/2% of production but may be reduced to 5% for a period not to exceed 10 years.

<u>Tort No.</u>	<u>Description</u>	<u>No of Acres</u>	<u>ADL Serial No.</u>	<u>Evic Ratio</u>	<u>Lessee of Record</u>	<u>OR R Interest</u>	<u>Working Interest Ownership</u>
(Under Merced Co. Ass'n)							
32	TINN-RICE, Sec. 15	650	25224	1/8	A R Co and Exxon	A R Co—50% Exxon—50%	
33	TINN-RICE, Sec. 13, 14, 21	1520	25225	1/8	A R Co and Exxon	A R Co—50% Exxon—50%	
34	TINN-RICE, Sec. 17, 18, 19	1540	25262	1/8	Chevron	Chevron—100%	
34A	TINN-RICE, Sec. 20	650	25263	1/8	Chevron, Mobil, Phillips	Mobil—33 1/3% Phillips—33 1/3% Mobil—33 1/3%	
35	TINN-RICE, Sec. 15, 16	1250	25353	1/8	Meridian Phillips	Mobil—50% Phillips—50%	
35A	TINN-RICE, Sec. 21, 22	1250	25363	1/8	Mobil, Phillips, Chevron	Mobil—33 1/3% Phillips—33 1/3% Chevron—33 1/3%	
36	TINN-RICE, Sec. 13, 14, 21, 21	2350	47531	1/8	Meridian, Phillips, Chevron	Mobil—33 1/3% Phillips—33 1/3% Chevron—33 1/3%	
37	TINN-RICE, Sec. 15, 15, 15, 15, 21	2350	25153	1/8	Solo Petroleum Co	Solo—100%	
38	TINN-RICE, Sec. 15, 15, 15, 21, 21	2350	25154	1/8	Solo Petroleum Co	Solo—100%	
39	TINN-RICE, Sec. 13, 13, 21, 21	2350	25155	1/8	Solo Petroleum Co	Solo—100%	
60	TINN-RICE, Sec. 15, 15, 15, 15, 20	2350	25105	1/8	Solo Petroleum Co	Solo—100%	
61	TINN-RICE, Sec. 15, 14, 21, 21	2350	25109	1/8	A R Co and Exxon	A R Co—50% Exxon—50%	
62	TINN-RICE, Sec. 15, 14, 21, 21	2350	25207	1/8	A R Co and Exxon	A R Co—50% Exxon—50%	
63	TINN-RICE, Sec. 17, 18, 19, 20	2450	25321	1/8	A R Co and Exxon	A R Co—50% Exxon—50%	
64	TINN-RICE, Sec. 15, 15, 21, 21	2350	25102	1/8	A R Co and Exxon	A R Co—50% Exxon—50%	
65	TINN-RICE, Sec. 15, 14, 21, 21	2350	25323	1/8	A R Co and Exxon	A R Co—50% Exxon—50%	
66	TINN-RICE, Sec. 17, 15, 19	1510	25337	1/8	Solo Petroleum Co	Solo—100%	
67	TINN-RICE, Sec. 17, 15	1550	25340	1/8	Solo Petroleum Co	Solo—100%	
68	TINN-RICE, Sec. 13, 14	1850	25341	1/8	Solo Petroleum Co	Solo—100%	
69	TINN-RICE, Sec. 20, 21, 21	1531	25313	1/8	Solo Petroleum Co	Solo—100%	
70	TINN-RICE, Sec. 23, 25, 35, 36	2350	25321	1/8	A R Co and Exxon	A R Co—50% Exxon—50%	
71	TINN-RICE, Sec. 27, 25, 35, 34	2350	25327	1/8	A R Co and Exxon	A R Co—50% Exxon—50%	
72	TINN-RICE, Sec. 27, 27, 31, 32	2350	25329	1/8	A R Co and Exxon	A R Co—50% Exxon—50%	
73	TINN-RICE, Sec. 25, 25, 25, 26	2350	25205	1/8	A R Co and Exxon	A R Co—50% Exxon—50%	
74	TINN-RICE, Sec. 27, 28, 31, 31	2350	25201	1/8	Solo Petroleum Co	Solo—100%	
75	TINN-RICE, Sec. 27, 28, 31, 32	2350	24710	1/8	Solo Petroleum Co	Solo—100%	
76	TINN-RICE, Sec. 28, 29, 31, 31	2350	25224	1/8	Solo Petroleum Co	Solo—100%	
77	TINN-RICE, Sec. 27, 28, 31, 31	2350	25137	1/8	Solo Petroleum Co	Solo—100%	
78	TINN-RICE, Sec. 29, 31, 31, 31	2350	25259	1/8	Mobil and Phillips	Mobil—50% Phillips—50%	
79	TINN-RICE, Sec. 29, 29, 31, 31, 31	2350	25101	1/8	A R Co and Exxon	A R Co—50% Exxon—50%	

See computer page A-5

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Tract No.	Description	No. of Acres	ADL Serial No.	Basic Royalty	Lease of Record	O.R.R. Interest	Working Interest Ownership
(Unit: Meridian, Alaska)							
80	T11N-R12E, Secs. 27, 28, 33, 34	2,300	47452	1/8	Mobil, Phillips, Chevron		Mobil—33 1/3% Phillips—33 1/3% Chevron—33 1/3%
81	T11N-R12E, Secs. 29, 30, 31, 32	2,491	47453	1/8	Mobil, Phillips, Chevron		Mobil—33 1/3% Phillips—33 1/3% Chevron—33 1/3%
82	T11N-R11E, Sec. 25	640	25246	1/8	A.R.Co. and Exxon		A.R.Co.—50% Exxon—50%
83	T10N-R12E, Secs. 3, 4, 10	1,920	47454	1/8	Mobil, Phillips, Chevron		Mobil—33 1/3% Phillips—33 1/3% Chevron—33 1/3%
84	T10N-R12E, Secs. 1, 2, 11, 12	2,500	25265	1/8	A.R.Co. and Exxon		A.R.Co.—50% Exxon—50%
85	T10N-R12E, Secs. 6, 7, 8, 5/2 and NE/4 Sec. 5	2,341	25259	1/8	Mobil and Phillips		Mobil—50% Phillips—50%
85A	T10N-R12E, NW/4 Sec. 5	160	25259	1/8	Mobil, Phillips, Chevron		Mobil—33 1/3% Phillips—33 1/3% Chevron—33 1/3%
86	T10N-R12E, Secs. 3, 4, 9, 10	2,360	47471	1/8	Amerada Hess, et. al.		Amerada Hess—27% Getty—30.5% LL&E—13.25% Placid—9.125% N. B. Hunt— 6.3625% Hunt Ind.— 3.6625% Caroline Hunt Tr.—3.3% Wm Herbert Hunt Tr.— 3.3% Lamar Hunt Tr. Est.—3.3%
87	T10N-R12E, Secs. 1, 2, 11, 12	2,500	47472	1/8	Amerada Hess and Getty		Amerada Hess—50% Getty—50%
88	T10N-R11E, Secs. 5, 6, 7, 8	2,501	25313	1/8	A.R.Co. and Exxon		A.R.Co.—50% Exxon—50%
89	T10N-R11E, Secs. 3, 4, 9, 10	2,500	25312	1/8	Sohio Petroleum Co.		Sohio—100%
90	T10N-R11E, Secs. 1, 2, 11, 12	2,500	25311	1/8	Sohio Petroleum Co.		Sohio—100%
91	T10N-R11E, Secs. 5, 6, 7, 8	2,501	25319	1/8	A.R.Co. and Exxon		A.R.Co.—50% Exxon—50%
92	T10N-R10E, Secs. 3, 4, 9, 10	2,500	25328	1/8	A.R.Co. and Exxon		A.R.Co.—50% Exxon—50%
93	T10N-R10E, Secs. 1, 2, 11, 12	2,500	25327	1/8	A.R.Co. and Exxon		A.R.Co.—50% Exxon—50%
94	T10N-R10E, Secs. 5, 6, 7, 8	2,501	25315	1/8	A.R.Co. and Exxon		A.R.Co.—50% Exxon—50%
97	T10N-R10E, Secs. 4, 9	1,250	25341	1/8	A.R.Co. and Exxon		A.R.Co.—50% Exxon—50%
98	T10N-R10E, Sec. 10	640	25317	1/8	A.R.Co. and Exxon		A.R.Co.—50% Exxon—50%

*See comment on page A-3.

Tract No.	Description	No. of Acres	ADI. Serial No.	Basic Royalty	Lease of Record	O.R.R. Interest	Working Interest: Ownership	
(Unist Meridian, Alaska)								
97	T10N-R15E, Secs. 17, 18, 19, 20	2,512	25346	1/8	A.R.Co. and Exxon		A.R.Co.—50% Exxon—50%	
93	T10N-R15E, Secs. 13, 14, 23, 24	2,560	25332	1/5	A.R.Co. and Exxon		A.R.Co.—50% Exxon—50%	
99	T10N-R15E, Secs. 15, 16, 21, 22	2,560	25331	1/8	Sohio Petroleum Co.	•	Sohio—100%	
100	T10N-R15E, Secs. 17, 18, 19, 20	2,512	25330	1/8	Sohio Petroleum Co.	•	Sohio—100%	
101	T10N-R14E, Secs. 13, 14, 23, 24	2,560	25315	1/8	Sohio Petroleum Co.	•	Sohio—100%	
102	T10N-R14E, Secs. 15, 16, 21, 22	2,560	25314	1/5	Mobil and Phillips		Mobil—50% Phillips—50%	
103	T10N-R14E, Secs. 17, 18, 19, 20	2,512	47175	1/8	Amerada Hess, et al.		Amerada Hess—25% Getty—25% Marathon—25% Placid—7.5% N. B. Hunt—5% Hunt Ind. — 3.125% Caroline Hunt Tr.—3.125% Wm. Herbert Hunt Tr.— 3.125% Lamar Hunt Tr. Est.—3.125%	
104	T10N-R13E, Secs. 13, 14, 24	1,520	47478	1/8	A.R.Co. and Exxon		A.R.Co.—50% Exxon—50%	
105	T10N-R13E, Secs. 15, 16	1,260	25150	1/5	Mobil and Phillips		Mobil—50% Phillips—50%	
106	T10N-R14E, Secs. 27, 28	1,260	47452**	1/8	A.R.Co. and Exxon		A.R.Co.—50% Exxon—50%	
107	T10N-R14E, Secs. 29, 30	1,260	25316	1/5	Chevron		Chevron—100%	
107A	T10N-R14E, Sec. 29	640	25316	1/5	Chevron, Mobil, Phillips		Chevron—33 1/3% Mobil—33 1/3% Phillips—33 1/3%	
108	T10N-R15E, Secs. 29, 30, 31, 32	2,520	25335	1/8	Sohio Petroleum Co.	•	Sohio—100%	
109	T10N-R15E, Secs. 31, 32	1,260	25334	1/8	Mobil and Phillips		Mobil—50% Phillips—50%	
109A	T10N-R15E, Secs. 27, 28	1,260	25334	1/8	Mobil, Phillips, Chevron		Mobil—33 1/3% Phillips—33 1/3% Chevron—33 1/3%	
110	T10N-R15E, Secs. 29, 26, 30, 30	2,560	25333	1/5	Sohio Petroleum Co.	•	Sohio—100%	
111	T10N-R16E, Secs. 29, 30, 31	1,584	25337	1/8	Sohio Petroleum Co.	•	Sohio—100%	
		245,767						

*BP Alaska, Inc. owns an overriding royalty interest equal to 75% of all net profits from production between certain levels of oil production.

**This Tract Number 106 was assigned to A.R.Co. and Exxon. Upon approval of the assignment by the Director a new ADI. Serial No. will be given to this Tract.

EXHIBIT "B"

Calculation of monthly in value royalty under the Leases and leases (all calculations shall be rounded to the nearest \$0.001)

STEP 1: Calculate each producer's weighted average value per barrel at Point of Delivery for all oil sold by each producer during the month, as follows:

Example, Producer Y

(1) <u>Destination</u>	(2) <u>Volume Sold</u>	(3) <u>Sales Price at Destination</u>	(4) <u>Shipping Costs</u>	(5) <u>Pipeline Tariff</u>	(6) <u>Point of Delivery Value</u>	(7) <u>Weighted Average Value</u>
1	2,000,000	\$12.500	\$ -0-	\$4.770	\$7.730	-
2	4,000,000	13.370	1.110	4.750	7.510	-
3	5,000,000	13.440	3.830	4.750	4.860	-
						<u>\$6.345</u>

Columns 2, 3, 4 and 5 shall be computed from actual data as reported by each producer and filed with the State of Alaska for royalty ~~purposes and severance tax purposes~~ purposes, as *cross-checked against severance tax filings.*

STEP 2: The "weighted average value" per barrel of each producer (column 7 above) at the Point of Delivery shall then be used in column (9) below in calculating the applicable in value price for each producer (column 11 below), the weighted average of which shall be the In Value Price to Buyer (column 12), as follows:

-continued-

Example, all producers:

(8) Producer and Quantity	(9) Wtd. Avg. Value at Point of Delivery (Col. 7)	(10) Wtd. Avg. Price Received by all other Producers	(11) Applicable Price for In Value Calculation	(12) In Value Price to Buyer
X: 4,200,000	\$6.920	\$6.404	\$6.920	-
Y: 11,000,000	6.345	7.003	7.003	-
Z: 500,000	7.700	6.504	7.700	-
Weighted Avg.	<u>\$6.542</u>			<u>\$7.003</u>

Notes:

- 1) Values in column 10 are the weighted average of all producers other than the producer for which the calculation is being made.
- 2) Column 11 is the highest of the values in columns 9 or 10 for each producer.
- 3) Column 12 is the weighted average of values in column 11.
- 4) Buyer shall not pay any reimbursable costs under Article 8.2 until such costs are judicially determined as owing.
- 5) There is no posted price. "Market" or "field" value shall not be used in calculating the "In Value price to Buyer" unless and until the methodology of determining same is judicially decided.
- 6) Subject to later adjustment under Article 9.5.

EXHIBIT "C"

FORM OF BOND

The bond shall be in a form submitted by Buyer and shall contain such terms and conditions as are approved by the Commissioner.

EXHIBIT "D"

SUPPLEMENTAL ENVIRONMENTAL STANDARDS

VESSEL SAFETY AND MANEUVERABILITY FEATURES

1. Buyer agrees that all tank vessels of 1,600 gross tons or more which it owns and operates directly or through an Affiliate in marine transportation of petroleum, while navigating the coastal waters of the state, shall be equipped with the following:

(a) LORAN-C navigational equipment, or better;

(b) two marine radar systems, meeting either U. S. Marine Administration Standards for Merchant Ship Construction (COM-72-11469, Dec. 1972), or Radio Technical Commission for Marine Services performance specifications for a general purpose navigational set for ocean going ships of 1,600 tons gross tonnage and upwards (RTCM-Paper 106-75/EC-167/SC65-191 BRWG-45, or, RTCM-Paper 104-74/ED-140 BRWG 42), one of which must always be in operation, or better;

(c) those tank vessels of 20,000 DWT and over shall have at least one of the radars fitted with a collision avoidance system meeting either U. S. Maritime Administration Standards for Merchant Ship Construction (COM-72-11469, Dec. 1972), or the Radio Technical Commission for Marine Services performance specifications for a computer aided collision avoidance system for merchant ships (RTCM-Paper 171-76/EC-205/SC65-226), or better.

2. Except for vessels equipped with lateral thrust equipment and astern horsepower equal to forty percent (40%) of rated horsepower, tank vessels of 20,000 DWT or more owned and operated by Buyer directly or through an Affiliate shall be escorted by tugs having an aggregate shaft horsepower equivalent to five percent of the deadweight tonnage of the escorted vessel when navigating between the Alyeska Terminal at Port Valdez and Bligh Reef, when docking at the Alyeska Terminal, and, after the Petrochemical Facility is operational, at the port facility serving the Petrochemical Facility.

BALLAST WATER TREATMENT

3. With respect to tank vessels owned and operated by Buyer directly or through an Affiliate which carry petroleum, Buyer agrees that no ballast which has been placed in cargo tanks or tank cleaning waste-water will be discharged into the waters of the state. All oily water (including, but not limited to, discharges from fuel tanks, cargo tanks, ballast tanks, slop tanks and bilges, which contain oil, grease, refined petroleum products or their by-products, including petrochemicals) discharged from any tank vessel owned and operated by Buyer directly or through an Affiliate in the State of Alaska shall be received and treated by a waste-water treatment facility meeting the effluent limitations specified in the next paragraph.

4. Buyer will maintain and operate a waste-water treatment facility for the reception and treatment of ballast carried in cargo tanks and tank cleaning waste-water at or near the place where the petroleum will be transferred from the Petrochemical Facility to vessels for marine transport. Water discharged from said treatment facility shall not contain more than 10 parts of oil, grease, refined petroleum products or their by-products, including petrochemicals, per million parts of water, on a weekly (7 day) average. Buyer will consult with the Department of Fish and Game and Environmental Conservation in connection with designing and constructing said waste-water treatment facility in order that the effect of the effluent discharged from the facility on the receiving environment and the fisheries in that environment will be minimized.

PROOF OF FINANCIAL RESPONSIBILITY

5. Buyer will obtain and maintain or cause to be obtained and maintained insurance in the face amount of \$20,000,000 or a corporate indemnity or guarantee of performance in an equivalent amount by a corporation or entity acceptable to the Commissioner, for each and every tank vessel owned and operated by it directly or through an Affiliate that calls at Alaskan ports and carries petroleum to compensate third parties for damages resulting from the unlawful discharge of petroleum within or affecting land or

water within the territorial jurisdiction of the State of Alaska. Buyer will also obtain and maintain insurance for each and every oil terminal facility it owns, operates or controls in Alaska, in the face amount of \$100,000 for each facility with a tank capacity of less than 200,000 barrels of petroleum, and in the face amount of \$1,000,000 for each facility with a tank capacity of 200,000 barrels or more of petroleum, to compensate third parties for damages resulting from the unlawful discharge of petroleum within or affecting land or water within the jurisdiction of the State of Alaska while said petroleum is being transferred. In the event any other insurance is required by applicable federal or state law to cover the same risks described in this paragraph, the face amount of any such other insurance shall be considered as a part and in reduction of the face amount of insurance required by this paragraph. The insurance shall be issued by an insurer which is either authorized to sell ^{insurance} in the State of Alaska by the Department of Commerce and Economic Development, Division of Insurance, or is an authorized insurer listed by the Division as not disapproved for use in the State of Alaska. The deductible provision in any policy of insurance, binder or certificate shall be unacceptable if it exceeds five percent (5%) of the face amount unless the Buyer demonstrates acceptable supplemental coverage or credit worthiness. The terms of the insurance shall provide that termination or cancellation of the insurance, including expiration by its terms, insofar as it relates to the insured's liability arising from a discharge of

oil within or affecting the land and water within the territorial jurisdiction of the State of Alaska, will not be effective until thirty days after notice in writing has been posted (prepaid and certified) by the insurer to the insured and to the Alaska Department of Environmental Conservation at its office in Juneau, Alaska. Buyer will annually provide the Department of Environmental Conservation (or its successor in responsibility) evidence of said insurance for the respective vessels and facilities and its coverage of said damages during the month of January.

PETROLEUM SPILL CLEANUP AND CONTINGENCY PLANS

6. Buyer shall be responsible for the detection, location, confinement and cleanup of petroleum discharges at the Petrochemical Facility. At least 180 days prior to scheduled start-up of the Petrochemical Facility, Buyer shall submit its contingency plans to the Department of Environmental Conservation for review as being in compliance with applicable law and regulation. The plans shall provide for immediate corrective action in the event of petroleum discharges, including confinement and cleanup. The plans shall include separate and specific techniques and schedules for cleanup of petroleum discharges on land and sea and in lakes, rivers, streams and estuaries, to the extent such water resources are in proximity to the Petrochemical Facility.

DEFINITIONS

7. In this exhibit,

(a) "discharge" means any spilling, leaking, pumping, pouring, emitting, emptying or dumping;

(b) "DWT" or "deadweight tons" means the difference in metric tons between the lightweight displacement and the total displacement of a vessel measured in water of specific gravity 1.025 at the load waterline corresponding to the assigned summer freeboard;

(c) "oil terminal facility" means an onshore or off-shore facility of any kind and related appurtenances, including but not limited to a deepwater port, located in, on, or under the surface of any land or water of the state, including title and submerged land, which is used or capable of being used for the purpose of transferring, processing or refining, or storing petroleum as it is defined in this section;

(d) "petroleum" means all crude oil purchased under this Agreement, and all refined petroleum products and petroleum by-products, including petrochemicals, produced at the Petrochemical Facility from such petroleum;

(e) "tank vessel" means a self-propelled vessel that is specially constructed or converted to carry bulk cargo in tanks and includes tankers, tankships and combination carriers;

(f) "transferred" includes both onloading and off-loading between terminal and vessel; and

(g) "waters of the state" means the navigable waters within the territorial limits of the State of Alaska, and the marginal sea adjacent to the State of Alaska, as defined in AS 44.03 and AS 46.03.900(22) or any successor provisions.

EXHIBIT "D"

SUPPLEMENTAL ENVIRONMENTAL STANDARDS

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water within the territorial jurisdiction of the State of Alaska. Buyer will also obtain and maintain insurance for each and every oil terminal facility it owns, operates or controls in Alaska, in the face amount of \$100,000 for each facility with a tank capacity of less than 200,000 barrels of petroleum, and in the face amount of \$1,000,000 for each facility with a tank capacity of 200,000 barrels or more of petroleum, to compensate third parties for damages resulting from the unlawful discharge of petroleum within or affecting land or water within the jurisdiction of the State of Alaska while said petroleum is being transferred. In the event any other insurance is required by applicable federal or state law to cover the same risks described in this paragraph, the face amount of any such other insurance shall be considered as a part and in reduction of the face amount of insurance required by this paragraph. The insurance shall be issued by an insurer which is either authorized to sell ^{insurance} in the State of Alaska by the Department of Commerce and Economic Development, Division of Insurance, or is an authorized insurer listed by the Division as not disapproved for use in the State of Alaska. The deductible provision in any policy of insurance, binder or certificate shall be unacceptable if it exceeds five percent (5%) of the face amount unless the Buyer demonstrates acceptable supplemental coverage or credit worthiness. The terms of the insurance shall provide that termination or cancellation of the insurance, including expiration by its terms, insofar as it relates to the insured's liability arising from a discharge of

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RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.



Signature of Camera Operator



Date

**COMMITTEE REPORT
SENATE**

FURTHER: _____

5/13/73

Date: June 12, 1973

Mr. President:

The Committee on FINANCE has had CS/CR 113
approving the sale of royalty oil to Tesoro-Alaskan Petroleum

under consideration and (a majority of the committee) (the committee reports it back as follows)

- recommends it do pass recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for _____

- and _____ new title same title
- AND attaches a Letter of Intent New Fiscal Note
- reports it back without recommendation
- and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

[Handwritten signature]

[Handwritten signature]

[Handwritten signature]

[Handwritten signature]

[Handwritten signature]

[Handwritten signature]

Chairman

740R113

March 6, 1978

The Honorable Hugh Malone
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18, Alaska Constitution, I am transmitting a concurrent resolution providing for legislative approval of the proposed contract between the State of Alaska and Tesoro-Alaskan Petroleum Company.

This resolution is being concurrently submitted to both the Senate and House in order to expedite consideration.

The contract submitted with this resolution renews the state's agreement with Tesoro-Alaskan Petroleum Company for the sale of the Cook Inlet area. The contract expires in 1983, and provides the state with the highest price possible under federal regulations.

In the past, there have been questions raised over the constitutionality of the legislature's approval of an executive act by the means of a concurrent resolution. In an effort to avoid raising that issue by submitting this contract for approval, I insisted that a clause requiring legislative approval be placed in the contract itself. I did so to insure that legislative approval in this instance could be sustained on the basis of a contractual provision rather than raise a constitutional debate over legislative power to require such approval.

I hope that you agree that this sale is in the best interest of all Alaskans, and I urge your prompt approval.

Sincerely,

SJS/11
Jay S. Hammond
Governor

AGREEMENT FOR THE SALE
AND PURCHASE OF STATE ROYALTY OIL

THIS EXTENSION, entered into by and between the STATE OF ALASKA ("STATE"), acting by and through its Commissioner of Natural Resources with the consent of the Alaska Royalty Oil and Gas Development Advisory Board pursuant to AS 38.05.182, AS 38.05.183 and AS 38.06 and TESORO-ALASKAN PETROLEUM COMPANY ("PURCHASER").

W I T N E S S E T H :

WHEREAS, the STATE entered into that certain agreement entitled "AGREEMENT FOR THE SALE AND PURCHASE OF STATE OF ALASKA ROYALTY OIL" ("Agreement") with Alaskan Oil and Refining Company as of January 31, 1969; and

WHEREAS, PURCHASER is the legal successor in due course to Alaskan Oil and Refining Company and the Alaskan Oil and Refining Company's rights, duties and obligations under the Agreement; and

WHEREAS, the STATE entered into that certain agreement entitled "EXTENSION OF AGREEMENT FOR THE SALE AND PURCHASE OF STATE ROYALTY OIL" ("Extension") with PURCHASER on March 8, 1977; and

WHEREAS, Article I of the Extension provides in pertinent part that the Agreement "shall extend to and include December 31, 1978"; and

WHEREAS, the STATE believes an additional five (5) year extension of the sale of royalty oil to PURCHASER for use in PURCHASER'S Kenai Refinery is in the best interest of the STATE;

NOW THEREFORE, in consideration of the foregoing and in consideration of the mutual covenants and agreements herein contained, the STATE and PURCHASER covenant and agree as follows:

ARTICLE I. TERM

Article XII of the Agreement, as amended, shall be further amended by the deletion thereof in its entirety and substitution of the following:

Term:

The term of this contract shall extend to and include December 31, 1983, PROVIDED HOWEVER, Purchaser may cancel this contract by giving the State seven (7) months written notice of its intention so to do.

ARTICLE II. PRICE

Article V of the Agreement, as amended, shall be further amended by the deletion thereof in its entirety and the substitution of the following:

Price:

1. Purchaser agrees to pay the State a price for royalty oil sold hereunder which shall be the amount the State would have received for that royalty oil had the State been taking that royalty in value instead of in kind.

2. If during a calendar month the State sells royalty oil taken in kind by it and produced from any Field in the Cook Inlet Basin to some other purchaser or purchasers at a price (adjusted for any difference in API gravity) greater than the price agreed to be paid by Purchaser under Paragraph 1 of this Article, then Purchaser agrees to pay the State for its purchases hereunder during that month on the basis of the highest price (adjusted for any difference in API gravity) paid to the State during that month by such a purchaser.

3. If during a calendar month Purchaser buys, from a seller other than the State, oil produced from any Field in the Cook Inlet Basin at a price (adjusted for any difference in API gravity) greater than the price agreed to be paid by Purchaser under Paragraph 1 of this Article, then Purchaser agrees to pay the State for its purchases hereunder during that month on the basis of the highest price (adjusted for any difference in API gravity) paid by Purchaser to another seller during that month for oil produced from a Field in the Cook Inlet Basin.

4. For purposes of Paragraphs 2 and 3 of this Article, prices shall be adjusted for differences in API gravity in accordance with the following: (A) The API gravity of the oil shall be rounded downward to the nearest whole degree, without regard to fractional degrees; (B) The adjustment shall be three (3) cents per degree for each degree above thirty-four (34) degrees API gravity and two (2) cents for each degree below thirty-four (34) degrees API gravity; (C) Oil above forty (40) degrees API gravity will be regarded for these purposes as being forty (40) degrees API gravity.

5. In the event the provisions of Paragraphs 2 and 3 of this Article both apply to sales and purchases of the State and Purchaser, respectively, during a calendar month, Purchaser agrees to pay the State on the basis of the higher of the prices agreed to be paid under the provisions of those Paragraphs.

6. In addition to the price agreed above to be paid by Purchaser to the State, Purchaser agrees to pay the State two (2) cents per barrel for all royalty oil delivered hereunder to Purchaser in excess of fifteen thousand (15,000) barrels per day.

7. Notwithstanding any provisions in this Article to the contrary, if any law of the United States or any order, rule and/or regulation of the

United States Department of Energy or its successor or of any other federal governmental entity or entities having or asserting jurisdiction over the subject matter hereof should limit the price which Purchaser would otherwise legally pay the State hereunder, then in that event Purchaser shall pay the State the highest applicable price specified, authorized or permitted under such laws, orders, rules and/or regulations.

ARTICLE III. IN-STATE USE

Article II, Paragraph 4 of the Agreement, shall be amended by the deletion thereof in its entirety and the substitution of the following:

4. Purchaser agrees that all oil purchased under the terms hereof shall (a) be refined only in Purchaser's Kenai Refinery or (b) be traded for an equal quantity of Alaskan crude oil which shall be refined in Purchaser's Kenai Refinery.

ARTICLE IV. SEPARATE COSTS

Article XVI of the Agreement shall be amended by the addition of a new Paragraph thereto (to be numbered 3), as follows:

3. Separate Costs: In settlement of litigation over various claims between and among the State, Purchaser and the eleven companies holding lessee interests in twenty-three specific oil and gas leases (listed below) issued by the State in the Cook Inlet Basin, the State, Purchaser and each of those lessees agreed to various cash payments between and among themselves and to the establishment of certain "Platform-to-Shore Charges" and "C & D Allowances" under the terms of the settlement agreements, which were approved by the Court and made final in the Court's orders dismissing the litigation. These "Platform-to-Shore Charges" and "C & D Allowances" arose solely under the explicit terms of the settlement agreements; and the full consideration for them was the settlement and compromise of the various claims being then litigated, upon the terms set forth in the settlement agreements. The State and Purchaser reaffirm the separate nature of these costs from this Agreement and from any other lease, contract or agreement of any kind

(other than the settlement agreements); and the "Platform-to-Shore Charges" and "C & D Allowances" established by those settlement agreements shall, subject to the limitations of Article V, Paragraph 7, if applicable, be paid, without regard to any provision hereof and without effect on any price to be paid hereunder to the State by Purchaser. The leases to which the settlement agreements apply are: ADL-17579, ADL-17586, ADL-17587, ADL-17594, ADL-17595, ADL-17597, ADL-17602, ADL-18716, ADL-18729, ADL-18730, ADL-18731, ADL-18742, ADL-18744, ADL-18746, ADL-18754, ADL-18756, ADL-18758, ADL-18761, ADL-18772, ADL-18776, ADL-18777, ADL-21068, and ADL-35431.

ARTICLE V. EQUAL EMPLOYMENT OPPORTUNITY

The Agreement shall be amended by the addition of a new Article XVII thereto, as follows:

1. Discrimination: In the operation of its refinery at which it processes royalty oil, Purchaser will not discriminate against any employee or applicant for employment because of race, color, religion, national origin, ancestry, age or sex. The Purchaser will take affirmative action to insure that applicants are considered for employment, and that employees are treated during employment, without regard to their race, color, religion, national origin, ancestry, age or sex. Such action shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination, rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Purchaser agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this nondiscrimination clause.

2. Advertisement of Equal Employment Opportunity: The Purchaser shall state, in all solicitations or advertisements for employees to work at said refinery that all qualified applicants will receive consideration for employment without regard to race, color, religion, national origin, ancestry, age or sex.

3. Notices to Unions: The Purchaser will send to each labor union or representative of workers with which the Purchaser has a collective bargaining agreement or other contract or understanding a notice advising the labor union or workers' representative of the Purchaser's commitments under this Article and shall post copies of the notice in conspicuous places available to all employees and applicants for employment.

4. Inclusion of Equal Employment Opportunity Provisions in Sub-Contracts: The Purchaser will include the provisions of Paragraphs 1 through 3 in its contracts pertaining to the construction and operation of said refinery and will require the inclusion of these provisions in every sub-contract entered into by any of its contractors, so that such provisions will be binding upon each sub-contractor of Purchaser.

5. Cooperation with Agencies of State: The Purchaser agrees that it will fully cooperate with the office or agency of the State of Alaska which seeks to deal with the problem of unlawful or invidious discrimination, and with all other reasonable State efforts to guarantee fair employment practices under this Agreement, and Purchaser will comply with all reasonable requests and directions from the State Commission for Human Rights or any of its officers or agents relating to prevention of discriminatory employment practice. Full cooperation as expressed above shall include but not be limited to, upon reasonable notice, being a witness in any proceeding involving questions of unlawful or invidious discrimination if such is deemed reasonably necessary by any official or agency of the State of Alaska having jurisdiction; upon reasonable notice, permitting employees of Purchaser to be witnesses or complainants in any proceeding involving questions of unlawful or invidious discrimination, if such is deemed reasonably necessary by any official or agency of the State of Alaska having jurisdiction; participating in meetings; submitting periodic reports on the equal employment aspects of present and future employment; assisting in inspection of the said refinery site; and promptly complying with all valid directives deemed essential by any office or agency of the State of Alaska having jurisdiction to insure compliance with all federal and state laws, regulations and policies pertaining to the prevention of discriminatory employment practices.

ARTICLE VI. LOCAL HIRE AND TRAINING

The Agreement shall be amended by the addition of a new Article XVIII thereto, as follows:

Local Hire:

1. Purchaser will comply with all applicable Alaska Statutes and regulations now in effect as well as all amendments thereto and subsequent enactments, providing for local or resident hire.

2. In addition, and subject to compliance with other requirements of state or federal law or regulation, Purchaser will give preference to hiring qualified and available residents over non-residents for all work to be performed in the operation and maintenance of said refinery. Purchaser shall not discriminate against Alaska residents by differentiating between residents and non-residents in payment of wages, salaries, fringe benefits and working conditions. Nothing shall prohibit the Purchaser from hiring Alaska residents through private sources. However, if private sources are unable to supply qualified Alaska residents, Purchaser shall then attempt to seek qualified Alaska residents through the Alaska Department of Labor prior to the employment of non-residents. The Purchaser shall allow said Department of Labor two days, excluding Saturday, Sunday and state holidays, to produce qualified resident workers prior to the employment of non-residents. If suitable resident workers are not provided within the specified time period, the Purchaser may employ non-residents possessing the qualifications necessary to perform the work. Notwithstanding the foregoing, the Purchaser may hire non-residents on an emergency basis for the duration of the emergency, as casual or intermittent employees if their employment will not exceed thirty (30) working days, or as specially skilled employees when the Department of Labor agrees in advance that such specially skilled persons are unavailable within the State of Alaska. Further, notwithstanding the foregoing, the Purchaser may transfer non-resident employees of itself, its parent company or any other subsidiary of its parent company for work to be performed in the operation and maintenance of said refinery provided any such non-resident employee so transferred has been employed by Purchaser, its parent company or any other subsidiary of its parent company for not less than six (6) consecutive months prior to such transfer.

3. Purchaser will use its best efforts to incorporate in any and all collective bargaining agreements which it enters with Labor unions covering work to be performed in the operation and maintenance of said refinery and associated facilities and operations, a provision requiring the union's dispatch procedures to be established and operated in a manner which will assure that qualified Alaska residents will be employed to perform said work.

4. Purchaser will use its best efforts to incorporate in any and all agreements it enters with contractors and sub-contractors provisions requiring the employment of qualified Alaska residents, as set forth in this Article and utilization of the contractors' or sub-contractors' best efforts to obtain agreements with labor unions, as specified in Paragraph (3) hereof.

5. Noncompliance with the preceding covenants of this Article shall be grounds for a complaint which an aggrieved resident or the State of Alaska, on its own motion, may file with the Department of Labor, Wage and Hour Division, against the Purchaser, but shall not be considered a default under any other terms of this contract. Purchaser hereby agrees to submit to the jurisdiction of the Department of Labor, if the Department of Labor has jurisdiction of the subject matter for purposes of determining whether noncompliance in fact occurred. Said Department, if it has jurisdiction, shall hold a hearing at which the parties may present relevant evidence and cross-examine witnesses prior to such a determination. Adequate notice thereof shall be given to all parties concerned. Upon a determination that noncompliance occurred, the Purchaser shall pay the aggrieved resident a sum equal to the amount the resident would have received had he been employed by the Purchaser, up to a maximum of one (1) year's salary. If such noncompliance is determined to have been willful, the Department, if it is otherwise authorized to do so, may award an additional sum up to the amount of the original sum awarded.

6. For purposes of this Article, "qualified" means capable, through education, training or experience, of performing the duties and satisfying the usual terms and conditions of the employment, if those duties, terms and conditions meet the reasonable standards of the industry as required of other employees performing the same type of work in the industry.

7. For purposes of this Article, "resident" shall have the meaning determined by the Commissioner of the Department of Labor and adopted by appropriate regulation.

ARTICLE VII. OIL SPILL CLEANUP AND CONTINGENCY PLANS

The Agreement shall be amended by the addition of a new Article XIX thereto, as follows:

Oil Spill Cleanup and Contingency Plans:

Purchaser shall be responsible for the detection, location, confinement and cleanup of oil discharges. Purchaser shall have on file its contingency plans with the Department of Environmental Conservation for periodic review and approval. The plans shall provide for immediate corrective action in the event of oil discharges, including confinement and cleanup, and restoration of the affected resource. The plans shall include separate and specific techniques and schedules for cleanup of petroleum discharges on land, lakes, rivers and streams, sea and estuaries.

ARTICLE VIII. RATIFICATION

Except as hereinabove expressly modified, the Agreement shall remain in full force and effect.

ARTICLE IX. APPROVAL OF ALASKA

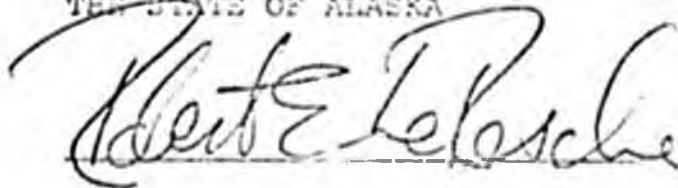
STATE LEGISLATURE REQUIRED

If the Tenth Alaska State Legislature, Second Session, shall not have approved this Extension of the Agreement by a concurrent resolution concurred in by a majority of the members of each House, and this Extension of the Agreement shall not have been executed by the State of Alaska, then this document shall be null and void and of no force or effect, the same as if it had never been made.

IN WITNESS WHEREOF, the State has caused this Extension to be executed by its Commissioner of Natural Resources with the consent of the Alaska Royalty Oil and Gas Development Advisory Board (a copy of the resolution of the said Board consenting to this Extension is attached hereto as Exhibit A) and PURCHASER has caused this Extension to be executed by its duly authorized officer, all in duplicate originals as of this 24 day of February, 1978.

THE STATE OF ALASKA

TESORO-ALASKAN PETROLEUM COMPANY



Commissioner of Natural
Resources

Dennis F. Juren, President

Original sponsor: Rules Committee by
request of the Governor

Offered: 5/1/76
Referred: Rules

1 IN THE HOUSE

BY THE SPECIAL COMMITTEE ON THE
SALE OF ROYALTY OIL AND GAS

2 CS FOR HOUSE CONCURRENT RESOLUTION NO. 113

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 Approving the sale of royalty oil
6 to Tesoro-Alaskan Petroleum

7 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 WHEREAS, the State of Alaska has the right under AS 38.05.180 and its
9 oil and gas leases to take its royalty of crude oil production removed or
10 sold from said leases either in value (money) or in kind (oil); and

11 WHEREAS, the legislature has by enactment of AS 38.06 and AS 38.05.182,
12 established a policy favoring the taking of that royalty in kind (referred to
13 as "royalty oil"); and

14 WHEREAS, the State of Alaska entered into a certain agreement entitled
15 "AGREEMENT FOR THE SALE AND PURCHASE OF STATE OF ALASKA ROYALTY OIL" ("Agree-
16 ment") for the sale of royalty oil with Alaskan Oil and Refining Company or
17 or about January 31, 1969; and

18 WHEREAS, Tesoro-Alaskan Petroleum Company is the legal successor in due
19 course to Alaskan Oil and Refining Company and the Alaskan Oil and Refining
20 Company's rights, duties, and obligations under the Agreement; and

21 WHEREAS, the State of Alaska entered into an agreement entitled "EXTEN-
22 SION OF AGREEMENT FOR THE SALE AND PURCHASE OF STATE ROYALTY OIL" ("Exten-
23 sion") with Tesoro-Alaskan Petroleum Company on or about March 8, 1977; and

24 WHEREAS, Article I of the Extension provides in pertinent part that the
25 Agreement "shall extend to and include December 31, 1978"; and

26 WHEREAS, under his statutory authority as set out in AS 38.05 and 38.06,
27 the commissioner of natural resources has negotiated a second agreement
28 entitled "EXTENSION OF AGREEMENT FOR THE SALE AND PURCHASE OF STATE ROYALTY
29 OIL" ("Agreement II") for the sale and purchase of royalty oil with Tesoro-

1 Alaskan Petroleum Company, extending the term of the Agreement, modifying
2 various provisions of it, and adding various provisions to it; and

3 WHEREAS, under its duties and powers as set out in AS 38.06, the Alaska
4 Royalty Oil and Gas Development Advisory Board has considered and, on Febru-
5 ary 22, 1978, approved Agreement II; and

6 WHEREAS, the commissioner of natural resources has fulfilled the statu-
7 tory prerequisites necessary to selling the royalty oil which is the subject
8 of Agreement II and has obtained approvals from the Alaska Royalty Oil and
9 Gas Development Advisory Board, to the extent required under AS 38.05 and
10 38.06; and

11 WHEREAS, Agreement II contains a provision stating that if the Tenth
12 Alaska State Legislature does not approve Agreement II by a concurrent resol-
13 ution concurred in by a majority of the members of each house, then it shall
14 be of no force or effect; and

15 WHEREAS, under AS 38.06.055(a), no sale of royalty oil may be made by
16 the commissioner of natural resources without the prior approval of the
17 legislature by a concurrent resolution concurred in by a majority of the
18 members of each house; and

19 WHEREAS, the commissioner of natural resources submitted Agreement II to
20 the legislature for consideration and approval; and

21 WHEREAS, the legislature has reviewed and evaluated Agreement II, and
22 has conducted public hearings or otherwise received background information,
23 expert advice, and expressions of public opinion sufficient to make a rea-
24 soned determination with respect to Agreement II; and

25 WHEREAS, the legislature finds that under current federal regulatory
26 procedures Agreement II to be in the best interests of the State of Alaska
27 and its citizens, and further finds that Agreement II is in compliance with
28 all applicable constitutional directives and requirements of law;

29 BE IT RESOLVED by the Alaska State Legislature that the agreement en-

1 titled "EXTENSION OF AGREEMENT FOR THE SALE AND PURCHASE OF STATE ROYALTY
2 OIL," between the State of Alaska, acting through its commissioner of natural
3 resources, and Tesoro-Alaskan Petroleum Company, is hereby approved.
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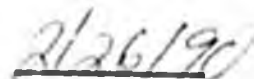
RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.



Signature of Camera Operator



Date

Introduced: 3/17/78
Referred: State Affairs and
Finance

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 HOUSE CONCURRENT RESOLUTION NO. 115

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 Relating to a feasibility study for up-
6 grading substandard state-maintained air-
7 ports.

8 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 WHEREAS air transportation is of fundamental consequence to the Alaskan
10 way of life, with air travel providing Alaska an arterial network of lifelines
11 between its diverse and dispersed communities as well as an essential link to
12 the outside world; and

13 WHEREAS many of the state's airports fall short of the minimal standards
14 established by the Federal Aviation Administration for surface integrity,
15 design, navigational aids and lighting; and

16 WHEREAS it is incumbent upon the government of the State of Alaska to
17 maximize the safety and utility of all transportation systems vital to the
18 livelihood and well-being of the citizens of this state;

19 BE IT RESOLVED by the Alaska State Legislature that the Governor is
20 respectfully requested to direct the aviation division of the Department of
21 Transportation and Public Facilities to undertake a survey of the state's
22 airports in order to identify those airports deficient in navigational support
23 devices and quality of landing surface with respect to the standards adopted
24 by the Federal Aviation Administration, and to estimate the costs of upgrading
25 all substandard state-maintained airports so that minimal FAA functional and
26 safety standards are achieved; and be it

27 FURTHER RESOLVED that the administration submit its evaluation and
28 recommendations to the First Session of the Eleventh Legislature.

COMMITTEE REPORT

HOUSE

4/4/78

FURTHER: _____

Date: _____

Mr. Speaker:

The Committee on FINANCE has had HCR 115
Relating to a feasibility study for upgrading substandard state-maintained
airports.

under consideration and (a majority of the committee) (the committee
reports it back as follows)

- recommends it do pass recommends it do not pass
 recommends it do pass with attached amendment(s)
 recommends it be replaced with CS for _____
and _____ new title same title
 AND attaches a Letter of Intent New Fiscal Note
 reports it back without recommendation
 and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Chairman

COMMITTEE REPORT

HOUSE

FURTHER: FINANCE

3/17/78

Date: April 3, 1978

Mr. Speaker:

The Committee on STATE AFFAIRS has had HCR 115
Relating to a feasibility study for upgrading substandard state-maintained
airports.

under consideration and (a majority of the committee) ~~(the committee reports it back as follows)~~

- recommends it do pass () recommends it do not pass
- () recommends it do pass with attached amendment(s)
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- and _____ () new title () same title
- () AND attaches a Letter of Intent () New Fiscal Note
- () reports it back without recommendation
- () and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

L.S. Gadley
Tom Kelly Do Pass
Frank W. Nelson - No Pass
Joe McKinnon
B. Hule

L.S. Gadley
 Chairman

5128
Walker

Introduced: 3/17/78
Referred: State Affairs and
Finance

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 HOUSE CONCURRENT RESOLUTION NO. 115

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

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25 all substandard state-maintained airports so that minimal FAA functional and
26 safety standards are achieved; and be it

27 FURTHER RESOLVED that the administration submit its evaluation and
28 recommendations to the First Session of the Eleventh Legislature.

29 HCR 115

COMMITTEE COPY

5128
Walker

Introduced: 3/17/78
Referred: State Affairs and
Finance

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 HOUSE CONCURRENT RESOLUTION NO. 115

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

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29 HCR 115

30 COMMITTEE COPY

ALASKA STATE LEGISLATURE

TENTH Legislature SECOND Session

HOUSE CONCURRENT RES. NO. 115

By THE STATE AFFAIRS COMMITTEE

Relating to a feasibility study for upgrading substandard state-maintained airports.

feasibility study. airports

Introduced in the House 3-17-1978

HISTORY IN THE HOUSE

19 78	Read first time and referred to Committee on State Affairs and Finance										
Mar. 17	Reported back with recommendation that										
	Read second time and										
	Read third time and										
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	Reported correctly engrossed										
	Signed by Speaker										
	Sent to Senate										

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19	Read first time and referred to Committee on										
	Reported back with recommendation that										
	Read second time and										
	Read third time and										
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	Reported correctly engrossed										
	Signed by President										
	Returned to House										

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19	Received from Senate
	Concurred in Senate amendment thus adopting:
	Failed to concur in Senate amendment; asked Sen. to recede
	Senate receded from amendment
	Senate failed to recede from amendment
	FCC appointed by House
	FCC appointed by Senate
	FCC adopted
	To enrolling
	Reported correctly enrolled
	Sent to Governor
 by Governor
	Filed with Lt. Governor
	Chapter No.