

**ALASKA LEGISLATURE**

**1720**

**HOUSE and SENATE FINANCE COMMITTEE FILES, 1997-1998**

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

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

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

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

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

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

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

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

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

- (1) the revenue needs and projected fiscal condition of the state;
- (2) the existence and extent of present and projected local and regional needs for oil and gas products and by-products, the effect of state or federal commodity allocation requirements which might be applicable to those products and by-products, and the priorities among competing needs;
- (3) the desirability of localized capital investment, increased payroll, secondary development and other possible effects of the sale, exchange or other disposition of oil and gas or both;
- (4) the projected social impacts of the transaction;
- (5) the projected additional costs and responsibilities which could be imposed on the state and affected political subdivisions by development related to the transaction;
- (6) the existence of specific local or regional labor or consumption markets or both which should be met by the transaction;
- (7) the projected positive and negative environmental effects related to the transaction; and
- (8) the projected effects of the proposed transaction upon existing private commercial enterprise and patterns of investments.

## Appendix C: Comments and Responses on the Preliminary Finding and Draft Contract <sup>1</sup>

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

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



Greater Fairbanks

**Chamber** of Commerce

250 Cushman Street, Suite 2D

907/452-1105

Fairbanks, Alaska 99701-4665

Fax 907/455-8988

February 3, 1998

Ms. Nancy Jurgens  
Division of Oil and Gas  
ALASKA DEPT. OF NATURAL RESOURCES  
3601 "C" Street, Suite 1330  
Anchorage, AK 99503-5948

RE: Royalty Oil Sale to MAPCO

Dear Ms. Jurgens:

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

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

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

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

Sincerely,

Pamela J. Held  
President/CEO

Therese Sharp  
Chairwoman of the Board

**CHAMBER BENEFACTORS**

*Dedicated to Fairbanks' Economic Future*



Alaska pipeline

MAPCO





From the Desk of Hal C. Whitley  
**WET WILLY'S**



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

To: Alaska Royalty Oil & Gas Dev. Advisory Board Fax: 907 562-5269  
Attention: Nancy Jurgens  
From: Hal Whitley  
Contact #: 907 474-8686  
Date: 2-17-98 Time: 12:30  
No. of Pages: three (including cover sheet)

COMMENTS:

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

Respectfully,

Pres. Auto Wash, Inc.

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

To: Alaska Royalty Oil & Gas Development Advisory Board

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

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

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

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

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

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

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

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

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

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

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

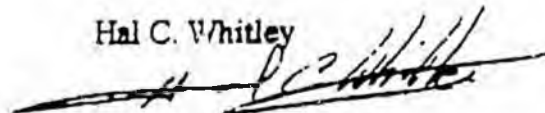
I feel that our state should create a "level playing field" for retail gasoline stations such as ours. Irregardless of which state agency is responsible for dealing with my concerns - the State of Alaska should be fair in how this North Slope crude oil is re-sold by Mapco around our state.

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

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

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

Hal C. Whitley



President Auto Wash, Inc.



# "H. H. THE PRINCE SINGKA"

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 MINERAL OILS, BUYERS AND SELLERS, NEW BUILDINGS, VESSELS, HOTEL  
 PROPERTIES AND OPERATORS, FINANCING INTERNATIONAL ONLY, ON  
 BEHALF OF OUR OVERSEA PRINCIPALS.

FAX: 2527 500 PENANG MALAYSIA ATTN: "PRINCE KB"  
 TELE: PUEB - PG - MA 40243 ATTN: "PRINCE KB"  
 CABLE: "PETROBANK" PENANG MALAYSIA  
 DATE: 12 Feb. 98 TELEPHONE:  
 TO: The Commissioner, Division of Oil And Gas  
 ATTN: Kasey Jurgens 4501 C. Street  
 Suite: 1380 Anchorage Alaska 99503-5948  
 T/Fax: (907) 269 8918 Anchorage Alaska

**ANYTHING YOU REQUIRE NAME IT WE GET IT**  
 Our Requirements:

Crude oil any quantity, armaments, new vessels, freighters, sea-going  
 ships, cement, steel, sugar, gypsum, clinker, rubber, rice, whole new  
 factories, shipyards yards etc etc: USD 500 for business.

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

GENTLEMEN:

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

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

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

Yours truly,

"PRINCE SINGKA"

Managing Proprietor

Reply: Attention Prince Singka K.B. Sent 2/13/98  
 Post Box 75 Penang Malaysia

Print as above.

## **Appendix D: Changes to the Preliminary Finding and Draft Contract**

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

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

AGREEMENT FOR THE SALE AND PURCHASE

OF

STATE ROYALTY OIL

to

MAPCO ALASKA PETROLEUM, INC.

THE STATE OF ALASKA  
Department of Natural Resources

Dated as of March 6, 1998

SENATE BILL NO. 342  
HOUSE BILL NO. 459

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1                   1.7    "Maximum Quantity" means the applicable annual percentage of Sale Oil  
2 that the State will deliver to Mapco under Article II.

3                   1.8    "Month" means a period beginning at 12:01 a.m., Alaska Standard Time, on  
4 the first Day of the calendar Month and ending at 12:01 a.m., Alaska Standard Time, on the first  
5 Day of the following calendar Month.

6                   1.9    "Point of Delivery" means the location where the State receives Royalty Oil  
7 in-kind from the Lessees, which is currently, under Article 2.3 of the Field Cost Agreement, the  
8 TAPS Pump Station No. 1 Prudhoe Bay Custody Transfer Meter ("Transfer Meter").

9                   1.10   "Royalty Oil" means the total volume of crude petroleum oil and other  
10 hydrocarbons, including such substances as crude oil, condensate, natural gas liquids, or return oil  
11 from the Prudhoe Bay Unit Crude Oil Topping Plant, that may be blended with crude oil before the  
12 Point of Delivery and tendered as a common stream by the Lessees to the State as Royalty Oil, the  
13 State may take in-kind at the Point of Delivery under the Leases as Royalty Oil regardless of  
14 whether the State is taking the Royalty Oil in-kind.

15                  1.11   "Royalty Settlement Agreement" means any written royalty settlement  
16 agreement between the State and a Lessee that affects the Royalty Value of the State's Royalty Oil.

17                  1.12   "Royalty Value" means an amount equal to the per barrel value the State  
18 would have received from the Lessees for its Royalty Oil if the State had taken its royalty in-value  
19 instead of in-kind, plus any costs incurred by the State as a result of taking the royalty in-kind rather  
20 than in-value.



1 December 1, 1998 through December 31, 1999 - 33.8 percent:  
2 January 1, 2000 through December 31, 2000 - 35.2 percent:  
3 January 1, 2001 through December 31, 2001 - 36.6 percent:  
4 January 1, 2002 through December 31, 2002 - 38.5 percent: and  
5 January 1, 2003 through December 31, 2003 - 40.1 percent.  
6

7 2.1.2 Reduction in Maximum Quantity. Mapco may elect one time  
8 annually to permanently reduce the Maximum Quantity of Sale Oil in effect. Mapco shall provide  
9 the State with a separate written notice of each election to reduce the Maximum Quantity of Sale  
10 Oil. Except when the additional notice provisions of Article 2.1.4 are invoked, a reduction in  
11 Maximum Quantity shall be effective on the first Day of the Month following expiration of a  
12 minimum of one hundred Days after written notice of the election is delivered to the State. The  
13 Maximum Quantity in effect may not be increased or reinstated at any time.

14 2.1.3 Monthly Nomination. Mapco may nominate to decrease or increase  
15 the quantity of Sale Oil it will purchase in a specified Month. Mapco shall provide the State with a  
16 separate written notice of each monthly nomination. Except when the additional notice provisions  
17 of Article 2.1.4 are invoked, a monthly nomination shall be effective on the first Day of the Month  
18 following expiration of a minimum of one hundred Days after written notice of Mapco's nomination  
19 is delivered to the State. In no event shall the total quantity of Sale Oil delivered to Mapco in a  
20 Month exceed the Maximum Quantity of Sale Oil in effect at the time of delivery.

21 2.1.4 Additional Notice Provisions. Mapco acknowledges that if a Lessee  
22 invokes the force majeure provisions of its Royalty Settlement Agreement, the State may be  
23 required to give up to six Months notice to the Lessee prior to decreasing the State's nomination of  
24 Royalty Oil to be taken in-kind in any Month. If a Lessee invokes the force majeure terms of its  
25 Royalty Settlement Agreement because Mapco exercises its rights under Article 2.1.2 or Article

1 2.1.3. Mapco shall, for an additional ninety Days after the effective date of Mapco's one hundred  
2 Days written notice of the election or nomination, purchase the quantity of Sale Oil that Mapco was  
3 obligated to purchase in the Month immediately preceding the effective date of the election or  
4 nomination. If a Lessee invokes the force majeure terms of its Royalty Settlement Agreement, the  
5 State shall reduce the quantity of Sale Oil it delivers to Mapco only to the extent the Lessee honors  
6 the State's nomination, and the State shall not be obligated to further reduce the quantity of Sale Oil  
7 it delivers to Mapco until expiration of ninety days after the effective date of Mapco's one hundred  
8 Days written notice of the election or nomination.

9 2.1.5 Initial Participating Areas Quantity. The State may elect to deliver to  
10 Mapco and Mapco agrees to purchase from the State, Royalty Oil that is produced solely from the  
11 Prudhoe Bay Unit Initial Participating Areas, as defined in the Unit Agreement, rather than Royalty  
12 Oil from all participating areas and Leases within the Prudhoe Bay Unit. If the State elects to  
13 deliver to Mapco Royalty Oil produced solely from the Prudhoe Bay Unit Initial Participating Areas,  
14 Mapco agrees to purchase a Maximum Quantity of Sale Oil produced from the Prudhoe Bay Unit  
15 Initial Participating Areas.

16 2.1.6 Waiver of Specific Quantity. The volume of Royalty Oil available  
17 to the State may vary and may be interrupted from time to time depending on a variety of factors,  
18 including the rate of production from the Leases. The State disclaims and Mapco waives, any  
19 guarantee, representation, or warranty, either express or implied, that a specific quantity of the total,  
20 daily, monthly, average, or aggregate volume of Royalty Oil will be delivered as Sale Oil under this  
21 Agreement. Mapco disclaims any interest in, or right to, stored Royalty Oil that the State is or may  
22 become entitled.

1                   2.1.7 Underlifted or Stored Royalty Oil. If the State underlifts or stores  
2 Royalty Oil at the Prudhoe Bay Unit, or if the State recovers underlifted or stored Royalty Oil, the  
3 quantity of Sale Oil delivered under this Agreement shall be calculated as if no Royalty Oil were  
4 underlifted, stored or recovered.

5                   2.1.8 State's Warranty of Title. The State warrants that it has good and  
6 marketable title to the Royalty Oil delivered and sold as Sale Oil under this Agreement.

7                   2.2 Quality.

8                   2.2.1 Quality of Sale Oil. The Royalty Oil the State delivers to Mapco as  
9 Sale Oil shall be of the same quality as the Royalty Oil from the Prudhoe Bay Unit delivered by the  
10 Lessees to the State at the Point of Delivery. The quality of the Royalty Oil delivered to the State,  
11 and thus, the quality of the Sale Oil the State delivers to Mapco may vary from time to time. The  
12 State disclaims, and Mapco waives, any guarantee, representation, or warranty, either expressed or  
13 implied, of merchantability, fitness for use, or suitability for any particular use or purpose, or  
14 otherwise, and of any specific, average, or overall quality or characteristic of Sale Oil delivered  
15 under this Agreement. Mapco specifically waives any claim that any liquid hydrocarbons, including  
16 such substances as crude oil, condensate, natural gas liquids, or return oil from the Prudhoe Bay  
17 Unit Crude Oil Topping Plant, that may be blended with crude oil before the Point of Delivery and  
18 tendered as a common stream by the Lessees to the State as Royalty Oil, are not Sale Oil for  
19 purposes of this Agreement.

20                   2.3 Price of the Sale Oil.

21                   2.3.1 Price of Sale Oil. The price of Sale Oil the State delivers to Mapco  
22 each Month shall be the Royalty Value of all Royalty Oil from the Prudhoe Bay Unit that Month

1 plus \$.15 per barrel, or if the State delivers Sale Oil only from the Prudhoe Bay Unit Initial  
2 Participating Areas, the Royalty Value of all Royalty Oil from the Prudhoe Bay Unit Initial  
3 Participating Areas that Month plus \$.15 per barrel. Appendix A illustrates calculation of the price  
4 if Mapco had purchased Sale Oil during the Month of January, 1997.

5                   2.3.2 Price Modifications. If, during the term of this Agreement, the  
6 Royalty Value is modified as a result of modification of a Royalty Settlement Agreement, a  
7 corresponding retroactive modification to the price of Sale Oil shall take effect on the same Day as  
8 the effective date of the Royalty Value modification. Interest, as set forth in Article 6.7, shall accrue  
9 retroactively on the amount of any overpayment or underpayment for Sale Oil resulting from the  
10 price modification from the effective date of the Royalty Value modification until the amount of the  
11 overpayment or underpayment, plus interest, is paid in full.

12                   2.4 Reservation Fee. If, in any Month, Mapco does not nominate the Maximum  
13 Quantity of Sale Oil then in effect, in addition to payment of the price of the Sale Oil Mapco  
14 nominated in that Month, Mapco shall pay as a reservation fee an amount equal to .75 percent of the  
15 price per barrel, as determined under Article 2.3, on the difference in quantity between the  
16 Maximum Quantity of Sale Oil then in effect and the quantity of Sale Oil Mapco nominated in that  
17 Month.

18                   2.5 Reopeners.

19                   2.5.1 Non-Intervention. Mapco shall not intervene or otherwise participate  
20 in any way in any reopeners, negotiations or other discussions under or pertaining to any Royalty  
21 Settlement Agreement, in any current or future royalty settlement negotiations, agreements.

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

3           2.5.2 Notice of Reopeners. Because of the potential for an increase in the  
4 price of Sale Oil as a result of any modifications of a Royalty Settlement Agreement, the State shall  
5 provide Mapco with written notice of any modification or reopener request initiated by BP, ARCO,  
6 Exxon or the State. The notice may include information on the nature of the requested modification,  
7 the requested effective date of the modification, and the position taken by BP, ARCO, or Exxon and  
8 the State.

9           2.5.3 Binding Effect. Mapco agrees to be conclusively bound by the terms  
10 of any modification, whether made under reopener provisions or otherwise, of a Royalty Settlement  
11 Agreement, and by the terms of any judgment or settlement resulting from any future royalty  
12 settlement agreement, regardless of whether Mapco agrees with or consents to the terms of the  
13 modification, reopener, judgment, or settlement.

14           2.6 Delivery of Sale Oil.

15           2.6.1 Date of First Delivery. The State will tender first delivery of the Sale  
16 Oil to Mapco at the Point of Delivery on December 1, 1998.

17           2.6.2 Subsequent Deliveries. After the first delivery, the State shall  
18 thereafter tender delivery of the Sale Oil to Mapco at the Point of Delivery immediately upon the  
19 State's receipt of the Royalty Oil from the Lessees.

20           2.7 Passage of Title and Risk of Loss. Title to, and risk of loss of, the Sale Oil  
21 shall pass from the State to Mapco for all purposes when the State tenders delivery of the Sale Oil to

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

3 2.8 Indemnification After Passage of Title. Mapco shall indemnify and hold the  
4 State harmless from and against any and all claims, costs, damages (including reasonably  
5 foreseeable consequential damages), expenses, or causes of action arising from or related to any  
6 transaction or event in any way related to the Sale Oil after title has passed to Mapco.

7 2.9 Transportation Arrangements. Mapco shall make all arrangements for  
8 transportation of the Sale Oil from the Point of Delivery, through and away from the TAPS, and  
9 shall be responsible for any TAPS pipeline fill and storage tank bottom requirements related to  
10 transportation of the Sale Oil after passage of title. Upon the State's request, Mapco shall provide  
11 the State with evidence or other reasonable assurance of: 1) the arrangements for transportation of  
12 the Sale Oil from the Point of Delivery, through and away from the TAPS; 2) arrangements for  
13 resale, exchange, or other disposal of the Sale Oil; and 3) if requested, information on specific  
14 deliveries of Sale Oil by Mapco to the TAPS and identification of tankers that will transport the Sale  
15 Oil. Mapco's failure to provide information, evidence, or assurances requested by the State shall, at  
16 the State's election and after notice to Mapco, constitute a material default under this Agreement.

17 2.10 Absolute Obligations. Mapco's obligations to provide security as required by  
18 Article XVI, pay reservation fees, and purchase, transport and dispose of Sale Oil are absolute.  
19 These obligations shall not be excused or discharged by the operation of any disability of Mapco,  
20 event of force majeure, impracticability of performance, change in conditions, or other reason or  
21 cause.

1 ARTICLE III

2 IN-STATE PROCESSING

3 3.1 In-State Processing. Mapco shall use its best efforts to insure that Sale Oil will  
4 be processed at its Alaska refinery or be exchanged for other crude oil that will be processed at its  
5 Alaska refinery. Except as provided in Article 3.3. Mapco shall process not less than 80 percent of  
6 the of Sale Oil its Alaska refinery. "Process" means the manufacture of refined petroleum products.

7 3.2 Exchanges of Crude Oil. Mapco may enter into agreements to exchange Sale  
8 Oil for other crude oil only as provided in this Article. An exchange of Sale Oil for other crude oil  
9 may not reduce the price Mapco has agreed to pay the State for the Sale Oil or result in any cost or  
10 expense to the State. "Exchange" means: 1) a direct trade of Sale Oil for an equal volume of other  
11 crude oil; 2) a direct trade of Sale Oil for other crude oil that involves either cash or volume  
12 adjustments, or both, based solely on differences in the quality or location of the crude oils  
13 exchanged; 3) sequential transactions in which Mapco trades Sale Oil to one party and, in exchange,  
14 receives crude oil from a party other than the party to whom Mapco traded the Sale Oil; and 4)  
15 matching purchases and sales of Sale Oil for other crude oil.

16 3.3 Waiver of In-State Processing Requirement. The Commissioner may,  
17 in the Commissioner's sole discretion, waive the in-state processing requirement, in whole or in  
18 part, if the Commissioner is satisfied that Mapco is using its best efforts to fulfill its Article 3.1  
19 obligations.

1 ARTICLE IV

2 MAPCO'S REPRESENTATIONS AND OBLIGATIONS

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

9 4.2 Financial Condition. Mapco warrants that all financial information submitted  
10 to the State: 1) is complete, accurate, and fairly represents Mapco's financial condition at the time of  
11 submission: and 2) there has been no material change in Mapco's financial condition, business  
12 operations, or properties since it submitted the financial information to the State. Mapco warrants  
13 that the financial information was prepared in accordance with generally accepted accounting  
14 principles. Mapco shall immediately inform the State of any material change in it's financial  
15 condition, business operations, agreements, or property that may affect its ability to perform its  
16 obligations under this Agreement. Mapco shall immediately inform the State of any significant  
17 change in ownership of Mapco, or of Mapco's parent company or affiliates.

18 4.3 Financial Statements. Within one hundred and twenty Days after the end of  
19 its fiscal year, Mapco shall, at its own cost and expense, submit to the State a complete financial  
20 report in a form or forms prescribed by the State. The report shall include Mapco's balance sheet as  
21 of the close of the fiscal year and the income statement for that year prepared in accordance with  
22 generally accepted accounting principles. Mapco may comply with this requirement by submitting a

1 copy of Mapco Petroleum Corporation's annual report filed with the United States Securities and  
2 Exchange Commission pursuant to Sec. 13 or 15(d) of the Security Exchange Act of 1934.

3  
4 ARTICLE V

5 MEASUREMENTS

6 5.1 Measurements. The quantity and quality of Sale Oil the State delivers under  
7 this Agreement shall be determined by measurement at the Transfer Meter at the Point of Delivery.  
8 Procedures used for metering and measuring the Sale Oil shall be in accordance with the procedures  
9 in effect in the Prudhoe Bay Unit.

10  
11 ARTICLE VI

12 INVOICING AND PAYMENT

13 6.1 Production Month Invoices. On or before the tenth business day of each  
14 Month after the first Month of delivery of Sale Oil, the State shall send to Mapco, a statement of  
15 account with an invoice for the total amount due for the estimated quantity of Sale Oil delivered to  
16 Mapco during the immediately preceding Month and the estimated price applicable to those  
17 deliveries. The State will base its estimates on the best information reasonably available to the  
18 State. The State shall adjust production month invoices as provided in Article 6.3 and Article 6.5.

19 6.2 Payment of Production Month Invoices. Mapco shall pay the total amount of  
20 each production month invoice, in full, on or before the third business Day after the date of the  
21 statement of account that includes the invoice. Any amount not paid in full on or before the third  
22 business Day after the date of the statement of account, shall accrue interest as provided in Article

1 6.7. and become subject to the late payment provisions of Article 6.9. and any other remedies  
2 available to the State under this Agreement and at law.

3 6.3 Initial Adjustments. Mapco acknowledges that any time after a production  
4 month invoice is sent, the State may receive more accurate information concerning the actual  
5 quantity and price for Sale Oil delivered to Mapco in that Month. Mapco agrees that any time such  
6 information becomes available to the State, in the next statement of account the State may make  
7 initial adjustments to the immediately preceding invoice, and invoice Mapco for the initial  
8 adjustments, plus interest as provided in Article 6.7 on the amount of any adjustment.

9 6.4 Payment of Initial Adjustments. Mapco shall pay the total amount of each  
10 initial adjustment invoice, plus interest as provided in Article 6.7, in full, on or before the third  
11 business Day after the date of the statement of account that includes the initial adjustment invoice.  
12 If an adjustment is due to Mapco for an overpayment, the State shall credit or refund to Mapco the  
13 amount of the overpayment, plus interest as provided in Article 6.7, on or before the third business  
14 Day after the date of the statement of account that includes the initial adjustment invoice. Any  
15 amount Mapco does not pay in full when due shall become subject to the late payment provisions of  
16 Article 6.9, and any other remedies available to the State under this Agreement and at law.

17 6.5 Subsequent Adjustments. Mapco acknowledges that any time after  
18 production month and initial adjustment invoices are sent, the State may receive more accurate  
19 information concerning the actual quantity and price for Sale Oil delivered to Mapco in any Month.  
20 Mapco agrees that any time more accurate information becomes available to the State, the State shall  
21 make subsequent adjustments to amounts previously invoiced in production month or initial  
22 adjustment invoices, and send Mapco a statement of account with a subsequent adjustment invoice

1 for the amount of any adjustments to the previous invoices, plus interest on any adjusted amount as  
2 provided in Article 6.7.

3           6.6    Payment of Subsequent Adjustments. Mapco shall pay in full the total  
4 amount of each subsequent adjustment invoice, plus interest as provided in Article 6.7, on or before  
5 the thirtieth Day after the date of the statement of account that includes the subsequent adjustment  
6 invoice. If an adjustment is due to Mapco for an overpayment, the State shall credit or refund to  
7 Mapco the amount of the overpayment, plus interest as provided in Article 6.7, on or before the  
8 thirtieth Day after the date of the statement of account that includes the adjustment invoice. Any  
9 amount Mapco does not pay in full when due shall become subject to the late payment provisions of  
10 Article 6.9, and any other remedies available to the State under this Agreement and at law.

11           6.7    Interest. All amounts Mapco does not pay in full when due under this  
12 Agreement, and all amounts invoiced as adjustments for underpayments and overpayments for Sale  
13 Oil delivered to Mapco, shall bear interest from the date accrued until paid in full at the rate  
14 provided by Alaska Statute 38.05.135(d), or as that statutory provision may later be amended. In  
15 this Agreement "date accrued" means the third business day after the date of the statement of  
16 account that contains the production month invoice to which the initial or subsequent adjustment  
17 applies. Appendices A and B illustrate accrual of interest.

18           6.8    Non-termination and limitations. Mapco acknowledges that the State may  
19 continue to make subsequent adjustments after termination of this Agreement, and agrees that the  
20 provisions of Article VI shall survive termination of this Agreement for any reason. The amount of  
21 a subsequent adjustment rendered more than six years after the date of delivery of the Sale Oil upon  
22 which it is based, shall bear interest for no more than six years from the date accrued, as defined in

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

6 6.9 Late Payment Penalty. In addition to all other remedies available to the  
7 State, if Mapco fails to make timely payment in full of any amount due, in addition to the amount  
8 not paid when due, plus interest as provided in Article 6.7 from the date accrued until paid in full,  
9 Mapco shall pay the State an amount equal to five percent of the amount not paid as a late payment  
10 penalty. Appendix B contains an illustrative example of interest and late payment penalties.

11 6.10 Disputed Payments. If a dispute arises concerning the amount of an invoice,  
12 Mapco agrees to pay the full amount of the invoice when due pending final resolution of the dispute.

13 6.11 Confidential Information. The State and Mapco agree that the State may  
14 invoice Mapco for, and Mapco agrees to pay, amounts that are based upon confidential information  
15 held or received by the State. If confidential information is used as the basis for an invoice, upon  
16 receipt of a written request from Mapco, the State shall furnish to Mapco a certified statement of the  
17 Commissioner to the effect that, based upon the best information available to the State, the invoiced  
18 amounts are correct.

19 6.12 Manner of Payment. Mapco shall pay all invoices in full within the times  
20 specified and without any deduction, set off, or withholding. Mapco shall pay all invoices by wire  
21 transfer of immediately available funds to the State's account at the following address :

1 State Street Bank & Trust Company  
2 Boston, Massachusetts  
3 ABA #011000028  
4 For credit to the State of Alaska  
5 General Investment Fund, AYO1  
6 Account #00657189  
7 Attn: Kim Chan, Public Funds  
8

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

13 6.12.1 Direct Payment to Lessees. If the State directs Mapco in an invoice  
14 or other writing to remit all or a portion of a payment required under this Agreement directly to one  
15 or more of the Lessees, Mapco shall remit the payment to the Lessee or Lessees in the manner  
16 designated by the State, and within the time limits specified in Article VI. The State may, in  
17 writing, authorize a Lessee to request direct remittance of all or a portion of a payment due under  
18 this Agreement, and to designate the manner for payment. Unless otherwise specified by the State  
19 in writing, the balance of a direct partial payment to a Lessee, and all subsequent payments, shall be  
20 made to the State in accordance with Article VI.

21 6.12.2 Direct Payment to Other Third Parties. Upon a determination by  
22 the State that remittance to a third party of an amount due under this Agreement will assist the State  
23 in monitoring or enforcing the Agreement, the State may direct Mapco in an invoice or other writing  
24 to remit all or a portion of a payment due under this Agreement directly to a designated third party  
25 other than a Lessee, and Mapco shall remit the payment to the designated third party in the manner  
26 designated by the State, and within the time limits specified in Article VI. Unless otherwise

1 specified by the State in writing, the balance of a direct partial payment to a third party, and all  
2 subsequent payments, shall be made to the State in accordance with Article VI.

## 4 ARTICLE VII

### 5 EFFECTIVE DATE AND TERM

6 7.1 Condition Precedent to Effective Date. This Agreement is subject to approval  
7 under Alaska Statute 38.06.055 as a condition precedent to becoming effective. After the State and  
8 Mapco have entered into this Agreement, it shall become effective and enforceable on the date upon  
9 which it is approved pursuant to Alaska Statute 38.06.055.

10 7.2 Term. The State shall begin deliveries of Sale Oil under this Agreement on  
11 December 1, 1998. This Agreement shall terminate at the end of the Day on December 31, 2003.  
12 Termination of this Agreement shall not relieve either party from any expense, liability, or other  
13 obligation or any remedy that has accrued or attached prior to the date of termination. The  
14 provisions of Article VI shall survive termination of this Agreement.

## 16 ARTICLE VIII

### 17 DEFAULT OR TERMINATION

#### 18 8.1 Default.

19 8.1.1 Events of Default. The Commissioner may, in the Commissioner's  
20 sole discretion, suspend or terminate the State's obligations to tender, deliver and sell Sale Oil to  
21 Mapco, and may exercise any one or more of the rights and remedies provided in this Agreement, or  
22 at law, if any one or more of the following events of default occur:

- 1 (i) Except as otherwise provided in Article VIII, Mapco fails to perform  
2 any of its obligations under this Agreement, and cannot cure the non-  
3 performance or the non-performance continues for more than thirty  
4 Days after the State has notified Mapco of its non-performance:
- 5 (ii) Within five Days after written request from the State, Mapco fails to  
6 provide written assurances satisfactory to the State of its intention to  
7 perform its obligations under this Agreement and evidence or  
8 assurances of transportation arrangements under Article 2.9:
- 9 (iii) Mapco fails to pay in full any sum of money owed under this  
10 Agreement within one business day after the State gives Mapco  
11 notice that payment is due and has not been paid:
- 12 (iv) There is a substantial change in Mapco's financial condition, business  
13 operations, agreements, or property, or ownership that may affect  
14 Mapco's ability to perform its obligations under this Agreement, and  
15 within five Days after a request by the State, Mapco is unable or  
16 unwilling to provide the State with adequate assurance of continued  
17 performance:
- 18 (v) Any representation or warranty made by Mapco in this Agreement is  
19 found to have been materially false or incorrect when made; or
- 20 (vi) Mapco fails, or is unable for any reason (including reasons beyond  
21 Mapco's control), to maintain the security letter of credit required

1 under Article XVI, regardless of Mapco's willingness or ability to  
2 perform any other obligations under this Agreement.

3 8.1.2 Default by Failure to Pay. Mapco shall immediately provide the State  
4 with written notice if Mapco is unable to pay any of its debts when due or is otherwise insolvent.  
5 Upon such notice from Mapco, or if the State independently determines that Mapco is unable to pay  
6 any of its debts when due or is otherwise insolvent, the State's obligations to deliver and sell Sale  
7 Oil to Mapco shall automatically and immediately terminate without any requirement of notice to  
8 Mapco or other action by the State. Upon termination of the State's obligations under this Article,  
9 Mapco shall be liable for payment and performance of all its obligations for Sale Oil the State  
10 delivered to Mapco before termination and for a minimum of one hundred Days after termination,  
11 plus an additional ninety days if a Lessee invokes the force majeure term of its Royalty Settlement  
12 Agreement. Within thirty days after termination under Article 8.1.2, the State shall have the right  
13 upon written notice to Mapco, to reinstate all of the State's and Mapco's obligations under this  
14 Agreement retroactive to the date of termination.

15 8.2 State's Remedies. If Mapco defaults under this Agreement, in addition to all  
16 other remedies available to the State under this Agreement and or at law, the following remedies  
17 shall be available to the State in the Commissioner's sole discretion.

18 8.2.1 Mapco's Obligations Become Due. All monetary obligations Mapco  
19 has accrued under this Agreement, even if not yet due and payable, shall immediately be due and  
20 payable in full.

21 8.2.2 State May Dispose of Sale Oil. Until Mapco's default is cured or  
22 this Agreement terminates, the State may dispose of the Sale Oil to third parties and may suspend

1 the in-state processing obligations. If the State exercises either of these remedies, regardless  
2 whether this Agreement is terminated, Mapco shall be and remain liable to the State for the amount  
3 of difference between the price for the Sale Oil under Article II and the actual price the State  
4 received from disposition of the Sale Oil to third parties.

5 8.2.3 Indemnification for Loss. Mapco shall hold the State harmless and  
6 indemnify it against all liability, damages, expenses, attorney's fees and costs, and losses arising out  
7 of Mapco's default, termination of the State's obligations, disposal of the Sale Oil to third parties,  
8 and suspension of the in-state processing requirements.

9 8.2.4 Other Rights and remedies. The State shall have the right  
10 cumulatively to exercise all rights and remedies provided in this Agreement and by law, and obtain  
11 all other relief available under law or at equity, including mandatory injunction and specific  
12 performance.

13 8.3 Limitation of Mapco's Remedies. If the State breaches or defaults any of its  
14 obligations under this Agreement, Mapco shall not obtain a temporary restraining order or  
15 preliminary injunction preventing the State from disposing of the Sale Oil subject to this Agreement.

16 8.4 Termination. Termination shall become effective upon the first Day of the  
17 Month following expiration of a minimum of one hundred Days after Mapco's written notice of  
18 termination is delivered to the State. If, however, the additional notice provisions of Article 2.1.4  
19 are invoked, termination shall become effective upon the first Day of the Month following  
20 expiration of six Months and ten Days after Mapco's written notice of termination is delivered to the  
21 State. Termination shall not relieve either party from any expense, liability, other obligation, or

1 remedy that has accrued or attached prior to termination. The provisions of Article VI shall survive  
2 termination of this Agreement.

3  
4 ARTICLE IX

5 DISPOSITION OF OIL

6 9.1 Disposition of Oil Upon Default or Termination. Mapco acknowledges that  
7 the State may be required to provide six Months notice to the Lessees before the State may decrease  
8 its in-kind nomination of Royalty Oil in any Month. It is within the Commissioner's sole discretion  
9 to request a waiver of any notice provision, condition, or requirement of a Lease or Royalty  
10 Settlement Agreement. If this Agreement terminates for default or any other reason, Mapco shall  
11 continue to accept and pay for Sale Oil through the first Day of the Month following expiration of a  
12 minimum of one hundred Days after the date of termination, if the Commissioner, in the  
13 Commissioner's sole discretion so requires. If, however, the additional notice provisions of Article  
14 2.1.4 are invoked, Mapco shall continue to accept and pay for Sale Oil until the expiration of six  
15 Months and ten Days after the Date of default or notice of termination.

16 9.2 Inability to Receive Sale Oil. If Mapco is unable or refuses to accept or  
17 receive Sale Oil, Mapco shall nevertheless remain liable for disposal and payment for Sale Oil as  
18 though it had been accepted by Mapco. The Commissioner may, in the Commissioner's sole  
19 discretion, waive this requirement.

20 9.3 Security for Disposal of Sale Oil. To secure Mapco's obligations to purchase  
21 and dispose of Sale Oil, upon the Commissioner's request, Mapco shall assign or otherwise transfer  
22 to the State, or its designee, all or part of Mapco's right, title and interest in any arrangements for

1 transportation of the Sale Oil through and away from the TAPS, whether such interests are under  
2 nominations, leases, contracts, charter parties, or other agreements. The State will incur liability or  
3 obligations under such assignment or transfer only to the extent the State actually exercises its rights  
4 to succeed to Mapco's interests under and obtain the benefits of the assignments.

5  
6 ARTICLE X

7 NONWAIVER

8 10.1 Nonwaiver. The failure of either party to insist upon strict or a certain  
9 performance, or acceptance by either party of a certain performance or course of performance under  
10 this Agreement shall not: 1) constitute a waiver or estoppel of the right to require certain  
11 performance or claim breach by similar performance in the future; 2) affect the right of either party  
12 to enforce any provision; or 3) affect the validity of any part of this Agreement.

13  
14 ARTICLE XI

15 SEVERABILITY

16 11.1 Severability. If a court decrees any provision of this Agreement to be invalid,  
17 all other provisions of this Agreement shall remain valid. If, however, invalidation of a provision  
18 impairs a material right or remedy under this Agreement, either party may terminate this Agreement  
19 by notice to the other party as provided under Article 8.4.

1 ARTICLE XII

2 FORCE MAJEURE

3 12.1 Effect of Force Majeure. Except for Mapco's absolute obligations to provide  
4 security, pay reservation fees, and purchase, transport and dispose of Sale Oil, neither party shall be  
5 liable for failure to perform if performance is substantially prevented by force majeure after good  
6 faith efforts to perform. Except, however, if Mapco is prevented by force majeure from performing  
7 any material obligation for sixty successive days or more, the State, in the Commissioner's sole  
8 discretion, shall have the right to terminate this Agreement. Before the State exercises this right, the  
9 Commissioner may require Mapco to negotiate in good faith to restore performance. In this  
10 Agreement the term "force majeure" means an event or condition not within the reasonable control  
11 of the party claiming the benefit of the excuse.

12 12.2 Notice of Force Majeure. If a party believes that force majeure has occurred,  
13 the party shall immediately notify the other party of its claim of force majeure. The party claiming  
14 force majeure shall use reasonable diligence to remedy the force majeure. Except for Mapco's  
15 absolute obligations to provide security, pay reservation fees, and purchase, transport and dispose of  
16 Sale Oil, the disabled party's obligations to perform that are affected by the force majeure shall be  
17 suspended from the time of notification to the other party until the disability caused by the force  
18 majeure should have been remedied with reasonable diligence.

1 ARTICLE XIII

2 NOTICES

3 13.1 Method. Unless otherwise specifically provided in this Agreement, all  
4 notices, requests, demands or statements shall be in writing and delivered to the address specified in  
5 this Article in person, by telecopier or other form of facsimile, by United States mail, postage  
6 prepaid, registered or certified with a return receipt requested, to the party to be notified. A  
7 statement of account the State delivers to Mapco by telecopy shall be deemed delivered to Mapco  
8 when the State's telecopier confirms that it was received at Mapco's telecopy number during normal  
9 business hours. A notice, request, demand or statement delivered by United States mail shall be  
10 deemed delivered on the earlier of expiration of seven Days after it is deposited in the mail, or upon  
11 the date of receipt by the party to whom it is directed. A notice, request, demand or statement  
12 delivered in any other manner shall be effective only if and when received by the party to whom it is  
13 directed. The address of the parties shall be as follows.

14 State:

15 State of Alaska  
16 Commissioner of Natural Resources  
17 400 Willoughby Avenue  
18 Juneau, Alaska 99801

19  
20 and

21 Director, Division of Oil and Gas  
22 3601 C Street, Suite 1380  
23 Anchorage, Alaska 99503-5948  
24 Telecopy Number: (907)562-3852

25  
26 Mapco:

27 President  
28 Mapco Alaska Petroleum Inc.  
29 3201 C Street, Suite 700  
30 Anchorage, Alaska 99503-3960  
31 Telecopy Number: (907)273-3333



1 Delivery. It shall be issued for the benefit of the State by a state or national banking institution of  
2 the United States that is insured by the Federal Deposit Insurance Corporation and has an aggregate  
3 capital and surplus amount of not less than One Hundred Million Dollars (\$100,000,000) (hereafter  
4 the "Issuer"), or other banking institution acceptable to the Commissioner. The principal face  
5 amount of the Letter shall be an amount estimated by the Commissioner to be equal to the value of  
6 all Sale Oil to be delivered by the State to Mapco during the seventy five Days immediately  
7 following the Date of First Delivery. The Letter shall not require the State to submit any  
8 documentation in support of drafts drawn against it other than a certified statement by the  
9 Commissioner and the State's Attorney General that Mapco is liable to the State for an amount of  
10 money equal to the amount of the draft, that the amount of money is due and payable in full, and it  
11 has not been timely paid.

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

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

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

14           **16.2 Security Contract.** Upon approval by the Commissioner, in the  
15 Commissioner's sole discretion, as alternative security to the Letter required in Article 16.1, Mapco  
16 may deliver to the State: 1) an irrevocable stand-by letter of credit in the principal face amount  
17 estimated by the Commissioner to be equal to the value of Sale Oil to be delivered by the State to  
18 Mapco during the forty Days immediately following the Date of First Delivery; and 2) an  
19 irrevocable contract between a major oil company (hereafter the "Promisor") and Mapco, for the  
20 direct benefit of the State, in which the Promisor agrees to assume full liability for Sale Oil upon  
21 notice that Mapco is in default of this Agreement (hereafter "Security Contract"). The forty Day  
22 letter of credit shall be subject to all the terms and conditions of Article 16.1. The Security Contract

1 shall designate the State as intended third party beneficiary and shall be in effect by the Date of First  
2 Delivery. It shall provide that upon written notice by the Commissioner to Mapco and the Promisor  
3 that Mapco is in default of this Agreement, the Promisor shall immediately assume full liability for  
4 purchase, transportation and disposal of a minimum of ninety Days deliveries of Sale Oil from the  
5 Point of Delivery. If, however, a Lessee invokes the force majeure terms of its Royalty Settlement  
6 Agreement, the Promisor shall be liable for a total of one hundred and eighty days deliveries of Sale  
7 Oil. It shall provide the State a direct right of action against Mapco and the Promisor, jointly and  
8 severally, to enforce the Security Contract, regardless of whether the State takes action to enforce  
9 this Agreement against Mapco. It shall also provide that the Promisor has no right of action against  
10 the State and may not assert against the State any defense it may have against Mapco under the  
11 Security Contract.

12           16.3 Other Security. The Commissioner may, in the Commissioner's sole  
13 discretion, require such other or additional security from Mapco as the Commissioner considers  
14 adequate to protect the State's interest.

15

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## ARTICLE XVII

17

### EMPLOYMENT OF ALASKA RESIDENTS

18           17.1 Employment of Alaska Residents. Mapco shall comply with all valid  
19 federal, state and local laws in hiring Alaska residents and companies, and shall not discriminate  
20 against Alaska residents and companies. Within the constraints of law, Mapco voluntarily agrees to  
21 employ Alaska residents and Alaska companies to the extent they are available, willing and  
22 qualified for work performed in Alaska in connection with this Agreement. "Alaska resident"

1 means an individual who is physically present in Alaska with the intent to remain in the state  
2 indefinitely. An individual may demonstrate an intent to remain in the state by maintaining a  
3 residence in the state, possessing a resident fishing, trapping, or hunting license or receiving a  
4 permanent fund dividend. "Alaska companies" means companies incorporated in Alaska or whose  
5 principal place of business is in Alaska. If a court invalidates any portion of this provision, Mapco  
6 agrees to employ Alaska residents and Alaska companies to the extent permitted by law.

7  
8 ARTICLE XVIII

9 APPLICABLE LAW

10 18.1 Governing Law. This Agreement, and all matters arising from or related to  
11 this Agreement, shall be governed, construed and determined by the laws of the State of Alaska.

12 18.2 Jurisdiction. Any legal action or proceeding arising out of or related to this  
13 Agreement shall be brought in a state court of general jurisdiction sitting in the State of Alaska, and  
14 Mapco hereby irrevocably submits to the jurisdiction of that court in any such action or proceeding.

15 18.3 Venue. The parties agree that the venue for any legal action or proceeding  
16 arising out of or related to this Agreement shall be in the Alaska Superior Court sitting in  
17 Anchorage, Alaska.

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ARTICLE XIX

WARRANTIES

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

ARTICLE XX

AMENDMENT

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

ARTICLE XXI

SUCCESSORS AND ASSIGNS

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

1 ARTICLE XXII

2 RECORDS

3 22.1 Preservation of Records. Mapco shall maintain and preserve all books,  
4 accounts, and records that relate to or arise from performance of this Agreement for six years from  
5 the date of the transaction or date of the latest adjustment relating to the transaction, including  
6 transactions for purchase or sale of Sale Oil and its refined products. Mapco shall also maintain and  
7 preserve all books, accounts, and records, in its possession or control, that belong to any third party  
8 with whom Mapco contracts for the performance of any part of this Agreement. Mapco and the  
9 State shall not be required to retain any records for more than six years from the time of a  
10 transaction unless retention of such records is specifically required by applicable law or regulation,  
11 or this Agreement. Mapco shall maintain its records within the State or make the records available  
12 to the State at Mapco's principal office in the State within thirty Days after written request by the  
13 State.

14 22.2 Inspection of Records. Mapco and the State shall each accord to the other  
15 and the other's authorized agents, attorneys, and auditors access during reasonable business hours to  
16 any and all property, records, books, documents, or indices related to Mapco's or the State's  
17 performance under this Agreement and which are under possession or control of the party from  
18 which access is sought, so the other party may inspect, photograph and make copies of the property,  
19 records, books, documents or indices. The State shall not be required to disclose any information,  
20 data, or records that are required by State or federal law or regulation, or by agreement with the  
21 person supplying the record, to be held confidential. If information the State obtains from Mapco  
22 may be held confidential under State or federal law or regulation, Mapco must request in writing

1 that the State hold the information confidential, and the State shall keep the information confidential  
2 to the extent and for the term provided by the applicable law or regulation.

3  
4 ARTICLE XXIII

5 INTERPRETATION OF TERMS AND CONDITIONS

6 23.1 Interpretation of Terms and Conditions. Any disagreement or dispute about  
7 the meaning or application of a word, term, or condition in this Agreement shall be decided  
8 according to the dispute resolution procedure set forth in this Article. The procedure set forth in this  
9 Article shall be initiated by either party providing written notice of the disagreement or dispute to  
10 the other party. No later than 60 Days after either party provides written notice, Mapco and the  
11 State shall each present any arguments and evidence supporting its view of the dispute and term or  
12 condition in writing to the Commissioner for consideration. Mapco shall not have the right to civil  
13 litigation-type discovery or a civil litigation-type trial with the right to call or cross-examine  
14 witnesses unless granted by the Commissioner, after request. Within thirty Days after both parties  
15 submit their arguments and evidence, the Commissioner shall issue a finding interpreting the  
16 meaning or application of the disputed word, term, or condition, and shall set forth the basis for the  
17 conclusions. Mapco agrees to accept findings of the Commissioner under this Article that are  
18 reasonable and not arbitrary.

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ARTICLE XXIV  
COUNTERPARTS

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

SIGNATURES

1


2 the State:

THE STATE OF ALASKA

3

4

5

  
Commissioner  
Department of Natural Resources

6

Date: 3/5/98

7

8 Mapco Alaska Petroleum Inc.

MAPCO ALASKA PETROLEUM Inc.

9

By: \_\_\_\_\_

10

Its: \_\_\_\_\_

11

Date: \_\_\_\_\_

12

13 Mapco Petroleum Inc.

MAPCO PETROLEUM Inc.

14

By: \_\_\_\_\_

15

Its: \_\_\_\_\_

16

Date: \_\_\_\_\_

1

SIGNATURES

2 the State:

THE STATE OF ALASKA

3

4

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Commissioner  
Department of Natural Resources

6

Date: \_\_\_\_\_

7

8 Mapco Alaska Petroleum Inc.

MAPCO ALASKA PETROLEUM Inc.

9

By: *Raoul H. Newcomer* JS

10

Its: President

11

Date: 3/5/98

12

13 Mapco Petroleum Inc.

MAPCO PETROLEUM Inc.

14

By: *Raoul H. Newcomer* JS

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Its: Vice-President

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Date: 3/5/98

ACKNOWLEDGMENT

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State of Alaska            )  
                                  )    ss.  
Third Judicial District    )

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

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



Mayeta V. Jeffery  
Notary Public in and for Alaska  
My commission expires: 6-22-01

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ACKNOWLEDGMENT

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

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

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

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ACKNOWLEDGMENT

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

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

*Sharon R. Lawrence*  
Notary Public in and for Oklahoma  
My commission expires: 7-18-2001

## APPENDIX A

### SAMPLE CALCULATIONS OF MAPCO'S INVOICE PRICE

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

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

January's Calculated Average Royalty Value:

$$\begin{aligned} &= \$607,508,676.79 / 31,777,362.10 \text{ barrels} \\ &= \$19.11766 \text{ per barrel (See Appendix A, Attachment 3)} \end{aligned}$$

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

$$\begin{aligned} &= \text{January's Royalty Value} + [\text{January's Royalty Value} \times \\ &\quad \text{Average Fractional Change in the West Coast} \\ &\quad \text{Destination Value Between January and February} \\ &\quad \text{(See Appendix A, Attachment 4)}] + \$0.15 \\ &= \$19.11766 + [\$19.11766 \times (-0.1367)] + \$0.15 \\ &= \$19.11766 - \$2.61338 + \$0.15 \\ &= \$16.65428 \end{aligned}$$

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

#### **Example 1: Production Month Invoice**

**Assumptions:**

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

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

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

Volume x Mapco's Invoice Price = Production Month Invoice Amount

403,000 barrels x \$16.65428 = \$6,711,674.84

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

Note:

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

#### **Example 2: Initial Adjustment Invoice**

Assumptions:

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

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

$$\underline{\text{Volume}} \times \underline{\text{Mapco's Invoice Price}} = \underline{\text{Initial Adjustment Invoice Amount}}$$

$$403,000 \text{ barrels} \times \$16.24963 \text{ per barrel} = \$6,548,600.89$$

Amount previously paid by Mapco for February deliveries (calculated in Example 1)

$$= \underline{\$6,711,674.84}$$

Overpayment for February deliveries

$$= (\$163,073.95)$$

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

Days of interest first quarter = 24 days

Days of interest second quarter = 7 days

$$\text{Interest due first quarter} = (\$163,073.95) \times (11\%/365) \times 24 \text{ days} = (\$1,179.49)$$

$$\text{Interest due second quarter} = (-\$163,073.95 - 1,179.49) \times (12\%/365) \times 7 \text{ days} = (\$378.01)$$

$$\text{Total interest due Mapco} = (\$1,557.50)$$

$$\text{Credit due Mapco against statement of account amount dated April 1} = (\$164,631.45)$$

### Example 3: Subsequent Adjustment Invoice

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

Assumptions:

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

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

Volume x Mapco's Invoice Price = Subsequent Adjustment Invoice Amount

403,000 barrels x \$16.51706 per barrel = \$6,656,375.18

Amount previously paid by Mapco for February deliveries  
(calculated in Example 2) = \$6,548,600.89

Underpayment for February deliveries \$107,774.29

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

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

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

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

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

PAGE 1  
UNIT USMWE PARTICIPATING AREA  
FIELD  
ZONE  
LEASE

COMPANY NAME ARCO Alaska, Inc.  
ADDRESS P.O. Box 100300  
CITY, STATE, ZIP Anchorage, AK 99510

REPORT FOR MONTH OF Jan 1997  
REVISION NUMBER  
DATE OF REVISION

Product Description	(a) Gross Well or Lease Production (Bbls) or (MCF)	(b) Working Interest Ownership %	(c) (a) x (b) (Bbls) or (MCF)	(d) Royalty Rate (%)	(e) (c) x (d) (Bbls) or (MCF)	(f) Royalty In Kind (Bbls) or (MCF)	(g) Royalty In Value (Bbls) or (MCF)	(h) Royalty Value \$ per Bbl or MCF	(i) Field Costs per Bbl or MCF	(j) Reported Royalty per Bbl or MCF	(k) (j) - (i) Royalty in Value Dollars
CRUDE	381,282.86	40.00000%	152,512.80	12.50000%	19,064.10	10,415.07	8,649.03	\$19.50000	\$0.870	\$18.63000	\$181,431.43
RECONDITE TK	939.86	49.00000%	372.80	12.50000%	46.50	23.40	21.10	\$19.88000	\$0.870	\$19.01000	\$401.11
<b>TOTAL</b>	<b>382,222.72</b>		<b>152,885.60</b>		<b>19,110.60</b>	<b>10,440.47</b>	<b>8,670.13</b>				<b>2161,577.54</b>

\* UNWEIGHTED AVERAGE VALUE

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

SIGNED M. J. Watson

TITLE Authorized Representative TYPED NAME Barbara J. Watson

PHONE NO. (907) 303-4965

DATE 2/2/97

GAS ROYALTY: ATTACH FORM 10-422  
OIL ROYALTY: ATTACH FORM 10-408  
OR AND/OR

GAS ROYALTY: VERIFICATION OF WIRE TRANSFER AMOUNTS OR A COPY OF THE CHECK MADE IN PAYMENT OF ITEM (c) MUST BE ATTACHED.

(03) COIP 10.00  
(04) Less well costs for lift 159,000.212  
Lease/Split Costs for RUX 30.00  
(05) Revisions (attach reconciliations or amended returns) 90.00  
(06) Amount Due 2162,448.22

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

STATE OF ALASKA  
 DEPT. OF NATURAL RESOURCES  
 DIVISION OF OIL AND GAS  
 ROYALTY ACCOUNTING SECTION  
 3401 "C" AVENUE, SUITE 1300  
 ANCHORAGE, AK 99503-2910

AMENDMENT: 00  
 ROYALTY STATE, 00 EXPLORATION (ALASKA)  
 S.O. BOX 190453  
 ANCHORAGE, AK 99510-4513

FIELD, POOL OR LEASE: LISIYUK FIELD  
 PRODUCTION MONTH: JANUARY 1997  
 FILING DATE: 02/20/97  
 PAGE: 1

PROD TYPE	(A) GROSS OIL OR LEASE PRODUCTION (BOBLS)	(B) MISSING INTEREST CREDITS (B)	(C) (A) x (B) (BOBLS)	(D) ROYALTY RATE	(E) (C) x (D) (DOLLARS)	(F) ROYALTY IN-VALUE (DOLLARS)	(G) (E) - (F) (DOLLARS)	(H) ROYALTY IN-VALUE (DOLLARS)	(I) ROYALTY \$/BOBLS	(J) FIELD COSTS \$/BOBLS	(K) (I) - (J) ROYALTY \$/BOBLS	(L) (K) x (C) IN-VALUE (DOLLARS)
WELCH	50,211.00	20,000000	11,010.00	10.000	1,101.00	1,101.00	0.00	1,101.00	0.0219	0.0000	0.0219	23,280.07
DELTA	100,000.00	20,000000	20,000.00	10.000	2,000.00	2,000.00	0.00	2,000.00	0.0200	0.0100	0.0100	20,000.00
DELTA	950.00	20,000000	190.00	10.000	1,900.00	1,900.00	0.00	1,900.00	0.0200	0.0100	0.0100	190.00
(2) TOTALS	151,161.00		31,000.00		3,001.00	3,001.00	0.00	3,001.00				43,280.07

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

*[Signature]*  
 NAME: \_\_\_\_\_

Royalty Officer

TITLE: \_\_\_\_\_  
 DATE: FEB 28 1997

OIL INFLATE: ATTACH FROM 10-000

VERIFICATION OF WIRE TRANSFER NUMBERS OR A COPY OF THE CHECK MADE IN PAYMENT OF THIS (S) MUST BE ATTACHED. MAIL SUCH VERIFICATION TO DEPARTMENT OF NATURAL RESOURCES AT THIS ADDRESS.

(3) STOPPING SLAM/T	00	0.00
(4) LESS FIELD COSTS PER OIL PROCEEDING FROM RIG-CELLS	10	-4,541.00
(5) DEVIATIONS (ATTACH AMENDED RETURNS OR RECONCILIATION)	10	0.00
(6) AMOUNT FOR (5)	10	00,736.04

3.59  
 20,736.04



OIL ROYALTY REPORT  
 REVISION LINE  
 DOBQ # 3-88  
 DNR 18-4038

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

PAGE 1  
 UNIT PINEKIDE BAY UNIT  
 FIELD  
 ZONE  
 LEASE

COMPANY NAME ANCO Alaska, Inc.  
 ADDRESS P.O. Box 188388  
 CITY, STATE, ZIP Anchorage, AK 99518

REPORT FOR MONTH OF Jan 1997  
 REVISION NUMBER  
 DATE OF REVISION

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Product Description	Gross unit or Lease Production (Bbls) or (MCF)	Working Interest Ownership %	(a) x (b) (Bbls) or (MCF)	Royalty Rate (%)	(c) x (d) (Bbls) or (MCF)	Royalty In-Kind (Bbls) or (MCF)	Royalty In-Value (a) - (f) (Bbls) or (MCF)	Royalty Value \$ per Bbl or MCF	Field Costs per Bbl or MCF	(h) - (i) Reported Royalty per Bbl or MCF	(g) - (j) Royalty In-Value Dollars
CRUDE	23,292,560.00	28.48221%	6,125,872.80	12.50000%	765,746.80	415,804.28	349,942.32	\$19.88000	\$0.870	\$19.01000	\$6,652,403.50
<b>(iii) TOTAL</b>	<b>23,292,560</b>		<b>6,125,872.80</b>		<b>765,746.80</b>	<b>415,804.28</b>	<b>349,942.32</b>				<b>\$6,652,403.50</b>

\* WEIGHTED AVERAGE VALUE

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

SIGNED

*Mustajir*

TITLE Authorized Representative

TYPE/D NAME Barbara J. Wilson

PHONE NO (907) 283-4845

DATE 2/28/97

GAS ROYALTY: ATTACH FORM 18-422  
 OIL ROYALTY: ATTACH FORM 18-408

OIL AND/OR GAS ROYALTY: VERIFICATION OF WIRE TRANSFER AMOUNTS OR A COPY OF THE CHECK MADE IN PAYMENT OF ITEM (g) MUST BE ATTACHED.

(03) COIP	\$3,196.51
(04) Less field costs for RIK	(\$361,749.72)
Lease/Split Costs for RIK	\$0.00
(05) Revisions (attach reconciliations or amended returns)	\$0.00
(06) Amount Due	<u>\$6,293,850.28</u>

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

EX-DIT-A - Attachment 1, page 4

02/25/97  
15,553.00

STATE OF ALABAMA  
ROYALTY SHARE STATEMENT

AMOUNT: \$1

AMOUNT: \$1  
ROYALTY STATE, BY EXPLORATION (ALABAMA)  
P.O. BOX 19481  
MONTGOMERY, AL 36119-1611

STATE OF ALABAMA  
DEPT. OF NATURAL RESOURCES  
DIVISION OF OIL AND GAS  
ROYALTY ACCOUNTING SECTION  
4001 "C" STREET, SUITE 1100  
MONTGOMERY, AL 36103-3910

FIELDS, POOL OR LEASES, PAYOR'S PAY UNIT  
PRODUCTION MONTHS, JANUARY 1997  
FILED DATE: 02/25/97  
PAGE: 1

PROD TYPE	(A) GROSS OILY OR LEASE PRODUCTION (BOBBL)	(B) UNITARY INTEREST COMMUNITY (%)	(C) GROSS OILY OR LEASE PRODUCTION (BOBBL)	(D) ROYALTY SHARE (%)	(E) GROSS OILY OR LEASE PRODUCTION (BOBBL)	(F) ROYALTY SHARE (%)	(G) ROYALTY SHARE (BOBBL)	(H) ROYALTY SHARE (BOBBL)	(I) ROYALTY SHARE (BOBBL)	(J) ROYALTY SHARE (BOBBL)	(K) ROYALTY SHARE (BOBBL)	(L) ROYALTY SHARE (BOBBL)	(M) ROYALTY SHARE (BOBBL)
WELL	3,320,410.00	7.037023	233,640.90	12.390	233,640.90	12.390	10,337.00	10,337.00	10,337.00	10,337.00	10,337.00	10,337.00	10,337.00
WELL	48,150.10	8.000000	48,150.10	12.390	48,150.10	12.390	4,125.10	4,125.10	4,125.10	4,125.10	4,125.10	4,125.10	4,125.10
WELL	618,830.00	8.000000	320,910.00	12.390	320,910.00	12.390	432,430.10	432,430.10	432,430.10	432,430.10	432,430.10	432,430.10	432,430.10
WELL	21,150,810.00	81.349010	9,379,000.00	12.390	9,379,000.00	12.390	1,187,450.01	1,187,450.01	1,187,450.01	1,187,450.01	1,187,450.01	1,187,450.01	1,187,450.01
WELL	80,000.00												
TOTAL	24,109,190.10		10,109,710.90		10,109,710.90		1,503,716.99	1,503,716.99	1,503,716.99	1,503,716.99	1,503,716.99	1,503,716.99	1,503,716.99
(1) TOTAL													
(2) TOTAL													
(3) TOTAL													
(4) TOTAL													
(5) TOTAL													
(6) TOTAL													
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(45) TOTAL													
(46) TOTAL													
(47) TOTAL													
(48) TOTAL													
(49) TOTAL													
(50) TOTAL													

I DECLARE THAT I HAVE EXAMINED THIS REPORT, INCLUDING ACCOUNTING  
STATEMENTS AND STATEMENTS, AND TO THE BEST OF MY KNOWLEDGE AND  
BELIEF TO BE TRUE, CORRECT, AND COMPLETE.

*[Signature]*  
Royalty Officer

TITLE: \_\_\_\_\_  
DATE: FEB 28 1997

SEE ROYALTY ATTACH FORM 10-105  
VERIFICATION OF THIS STATEMENT SUBJECT TO A COPY OF THE CHECK N/A IN  
REPLY OF ITEM (1) MAY BE REQUESTED. ALL APPLICABLE ATTACHMENTS  
BE SUBMITTED OR ORIGINAL DOCUMENTS AT ABOVE ADDRESS.

NOTES:  
CHECKS, SHOULD BE MADE TO SOCIAL  
SECURITY, SHOULD BE MADE TO STATES (INCLUDES OIL/GAS DISTRICT TAXES)  
TOTALS: (\$1.00)

T = 453.83  
10,038,835.40

1994 3,018.33  
1995 3,502.16  
1996 1,513.83

IGL ROY RPT SUM  
REVISED 1/86)

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

Unit Prudhoe Bay Unit  
Field Prudhoe Bay  
Zone Prudhoe Bay  
Lease

Company Chevron U.S.A.  
Address P.O. Box J Section 975  
City-State Concord CA 94524

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

Report for month of January 1991  
Revision Number  
Date of Revision

Revisions Included

	(a) Gross Unit or Lease Prod. (Bbls) or (MCF)	(b) Working Interest Ownership (%)	(c) (a) x (b) (Bbls) or (MCF)	(d) Royalty Rate (%)	(e) (c) x (d) (Bbls) or (MCF)	(f) Royalty In Kind (Bbls) or (MCF)	(g) Royalty In Value (e) - (f) (Dollars) or (MCF)	(h) Royalty Value \$ per Bbl or MCF (See Page 2)	(i) Field Costs per Bbl or MCF (\$)	(j) (h) - (i) Reported Royalty per Bbl or MCF (\$)	(k) (g) x (j) Royalty In Value Dollars
GL	2,038,666	0.6516610%	13,285.2	12.5%	1,660.7	905.1	755.6	\$23.248	(\$1.00)	\$22.248	\$16,810.59
PU Each	864,971	0.1628960%	1,409.00	12.5%	176.1	0	176.1	\$23.248	(\$1.00)	\$22.248	\$3,917.87
Total	2,903,637		14,694.2	12.5%	1,836.8	905.1	931.7	\$23.248	(1.00)	\$22.248	\$20,728.46

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

SIGNED BY

*A. T. Guthrie*

FILE Supervisor

TYPED NAME A. T. Guthrie

PHONE N 518-827-7738

DATE 24-Feb-91 (1.02.47 PM)

- (3) COIP Gravity Adjustment  
(4) Less Field Cost for RIK  
(5) Other (Explain)  
(6) Subtotal (2 thru 5)  
(7) Revisions submitted with original report (list above)  
(8) Total Previous Interest Rptd  
(9) Total Due

Principal	Int	Total
\$0.00		\$0.00
(\$905.10)		(\$905.10)
\$0.00		\$0.00
\$19,823.36	\$0.00	\$19,823.36
\$0.00	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00
\$19,823.36	\$0.00	\$19,823.36



Company: Fossil Energy Inc  
 Name: 3720 2nd Ave, Suite 200  
 Location: Alaska, AK 99519

Report For Month of: Jan 87  
 Report Number:  
 Date Of Revision:

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
Amount Paid or Lessor Production Share (dollars or ACF)	Working Interest Ownership %	(A) x (B) (dollars or ACF)	Royalty Share (%)	(A) x (B) (dollars or ACF)	Royalty to Land (dollars or ACF)	Royalty to Vendor (dollars or ACF)	Royalty Value as ACF (See Page 2)	Fixed Costs per Well or ACF (%)	(A) - (I) Reported Royalty Per Well or ACF (%)	(A) x (B) Royalty in Value Dollars
35368.88	25.0000%	8842.22	13.5000%	1117.53	609.10	508.43	319.88000	3.870%	515.010	89665.35
20790.00		0000.00	0.1750%	1117.53	609.10	508.43	319.88000	0.870%		89665.35

See that I have reviewed this report, including accompanying data and statements, and to the best of my knowledge and on the true amount, and complete.

By: *T. J. Smith*  
 Title: President

Name: Fossil Energy Inc  
 Production Tax Agreement  
 e file: (LNU) 824 0000, and 328  
 2/27/81

ROYALTY ATTACHMENT 10-42)  
 IDENTITY ATTACHMENT 10-46)  
 UNION  
 ROYALTY: VENDOR CATION OF WARE TRAMMER AMOUNTS ON A COPY OF  
 THE CHECK MADE IN PAYMENT OF THIS PAYMENT BE ATTACHED

- (1) COLP
- (4) Less Fee Cost in Min
- (5) Other (Explains)
- (6) Reserves Submitted as original report
- (7) Total Amount Due
- (2) Interest
- (3) Interest (Late On 9)
- (11) Interest Amount (5 \* 10)

(1)	(4)	(5)
PRINCIPAL	INTEREST	TOTAL
84.29	0.00	84.29
1529.82	0.00	1529.82
58138.62	30.00	58168.62

STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
OIL ROYALTY REPORT SUMMARY

PAGE 1 OF 2

LEASE PRUDHOE BAY

COMPANY NAME: MOBIL OIL CORPORATION  
ADDRESS: P.O. BOX 60585  
CITY, STATE, ZIP: DALLAS TX 75265-0585

REPORT FOR MONTH January 1997  
REVISION NUMBER: \_\_\_\_\_  
DATE OF REVISION: \_\_\_\_\_

(A) GROSS UNIT OR LEASE PRODUCTION (BBL'S)	(B) WORKING INTEREST OWNER(S)	(C) (A) * (B) (BBL'S)	(D) ROYALTY RATE %	(E) (C) * (D) (BBL'S)	(F) ROYALTY IN KIND (BBL'S)	(G) ROYALTY IN-VALUE (BBL'S)	(H) ROYALTY VALUE \$ PER BBL SEE PAGE 2	(I) FIELD COSTS PER BBL	(J) (H) - (I) ROYALTY \$ PER BBL	(K) (G) * (J) ROYALTY IN-VALUE DOLLARS
26,110,106 00	0 01300020									
OIL		353,001.20	0.125	44,136.40	24,057.30	20,079.10	\$19.539	\$0.870	\$18.669	\$374,856.72
WGL'S		0,035.00	0.125	1,129.38	815.50	513.88	\$19.539	\$1.000	\$18.539	\$9,528.73
WGL'S to KRU		4118.3	0.125	552.04	0.00	552.04	\$19.539	\$1.000	\$18.539	\$10,234.22
(J) Totals		368,542.50	0.125	45,817.81	24,872.80	21,145.01	19.539	0.870	18.669	(2) \$394,617.67

\*WEIGHTED AVERAGE VALUE

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

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

3) COTP Gravity Adjustment

Interest  
1992 2,595.96  
1-6/96 40.53  
8/86 8.82  
2,645.31

REVISED  
REPORT  
ONLY

9) FEDERAL MINIMUM LAW  
10) Balance Subtract  
Line 9 from Line 8  
Columns (h) & (i) only

11) Interest Due on 10

12) Revision Amount (10 + 11)

Principal	(A) Interest	(M) Total
170.48		170.48
21,545.35		21,545.35
0.00		0.00
373,242.80	0.00	373,242.80
45,552.17	2,645.31	48,197.48
1418,794.97	314.50	1419,109.47
		1421,254.78

EXHIBIT A - Attachment 1, page 9 of 10

WEEK 198  
188 03-05 OMR 10-4830

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

UNIT Prudhoe Bay  
FIELD Sadlerochuk  
ZONE  
LEASE 060701 and 060801  
REPORT FOR MONTH OF JANUARY 1997

COMPANY NAME Phillips Petroleum Company  
ADDRESS 1120 Plaza Office Building  
CITY, STATE, ZIP Bartlesville, OK 74004

REVISION NUMBER  
DATE OF REVISION

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
Gross Unit or see Production Bbls) or (MCF)	Working Interest Ownership %	(a) x (b) (Bbls) or (MCF)	Royalty Rate (%)	(c) x (d) (Bbls) or (MCF)	Royalty In-Kind (Bbls) or (MCF)	Royalty In-Value (e) (f) (Bbls) or (MCF)	Royalty Value \$ per Bbl or MCF (See Page 2)	Field Costs per Bbl or MCF (\$)	(h)-(i) Reported Royalty per Bbl or MCF (\$)	(g) x (j) Royalty In-Value Dollars	
23,159,051	0.0151737	351,408.00	0.125	43,926.00	21,942.70	19,983.30	20.69	0.87	19.82	396,069.01	
1,721,818	0.0076558	13,181.50	0.125	1,647.69	898.00	749.69	20.69	1.00	19.69	14,761.40	
(1) TOTALS		364,589.50	0.125	45,573.69	24,840.70	20,732.99				(2) \$410,830.41	

RIGHTED AVERAGE VALUE

I declare that I have examined this report, including accompanying  
subles and statements, and to the best of my knowledge and  
of it is true, correct, and complete  
PREPARED BY: JOE F. MENZANO (918) 661 3678  
WED BY: Donald I. P...  
Sr. Laws & Regulations Specialist PED NAME Donald I. Phillips

ONE NO. (918) 661-3678  
DATE 25-Feb-97  
ROYALTY: ATTACH FORM 10-422  
ROYALTY: ATTACH FORM 10-485

AND/OR GAS ROYALTY: VERIFICATION OF WIRE TRANSFER AMOUNTS OR A COPY OF  
THE CHECK MADE IN PAYMENT OF ITEM(S) MUST BE ATTACHE

- (3) COTP 1,373.15 @ 125
- (4) Less Field Costs for RIK
- (5) Other (Explain)
- (6) Subtotal (2 thru 5) 389,273.90
- (7) Revisions submitted with original report (list)
- (8) Total Amount Due 389,273.90
- (9) Previous Amount Due 0.00
- (10) Balance Subtract Line 9 from Line 8 Columns (h) & (m) only
- (11) Interest Due on 10 0.00
- (12) Revision Amount (10-11)

(k)	(l)	(m)
PRINCIPAL	INTEREST	TOTAL
171.64		\$171.64
(21,728.15)		(\$21,728.15)
389,273.90		\$389,273.90
0.00	0.00	\$0.00
389,273.90	0.00	\$389,273.90

10-11-97  
R  
P

DEPARTMENT OF NATURAL RESOURCES  
OIL ROYALTY REPORT SUMMARY

PAGE 1 OF 3

COMPANY NAME

TELACO EXPLORATION AND PRODUCTION INC  
ATTN: CONNIE GIL, ACCOUNTING DEPT. PL 112  
P O BOX 4828  
DALLAS, TX 75216-4128

LEASE NAME: PRICHARD BAY LEASE  
PLP# NO: 85055783 0001  
REPORT FOR PERIOD: JANUARY 1997  
ORIGINAL REPORT: ASH MODEL: RETURN PER: 100%  
DATE PREPARED: FEBRUARY 1997

	A	B	C	D	E	F	G	H	I	J	K	
	GRAND TOTAL OF AMOUNTS REPORTED (GROSS LESS NETS)	LESS OPERATION EXPENSES	TOTAL GROSS (GROSS LESS NETS)	ROYALTY BASE (GROSS LESS NETS)	ROYALTY TOTAL (GROSS LESS NETS)	ROYALTY IN-LEASE (GROSS LESS NETS)	ROYALTY OUT-LEASE (GROSS LESS NETS)	ROYALTY IN-LEASE (GROSS LESS NETS)	ROYALTY OUT-LEASE (GROSS LESS NETS)	FIELD COST PER (GROSS LESS NETS)	REPORTED ROYALTY PER (GROSS LESS NETS)	ROYALTY DUE (DOLLARS)
MIN	2,038,666.00	0.000923	1,860.70	0.1250	235.09	178.10	106.99	818.9500	818.9500	81.00	817.9500	81,920.47
MAX	23,283,666.00	0.000923	98,248.30	0.1250	12,281.04	5,694.00	5,587.04	818.9500	818.9500	80.87	818.0000	8101,013.68
	25,241,166.00		100,129.00		12,516.13	6,022.10	5,694.03					8102,934.15

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

MINI 11

*S. F. Rainey (LAW)*

TITLE

MANAGER, COMPTROLLER'S DEPT

DATE

*2/11/97*

Revised

Report

Only

- 3) CORPORATION ASSIGNMENT
- 4) LESS FEE/COSTS FOR B/L
- 5) OTHER DEDUCTIONS
- 6) AMOUNTS (GROSS)
- 7) REVISIONS SUBMITTED WITH ORIGINAL REPORT (LESS)
- 8) TOTAL ADJUSTMENT DUE (GROSS)
- 9) REVISIONS AMOUNT DUE
- 10) BALANCE SUBJECT TO DEFERRED PAYMENTS (GROSS)
- 11) INTEREST DUE (GROSS)
- 12) REVISION AMOUNT (GROSS)

	Principal	(M) Interest	(M) Total
3)	47.14	<del>          </del>	47.14
4)	(5,951.88)	<del>          </del>	(5,951.88)
5)	0.00	<del>          </del>	0.00
6)	97,029.41		97,029.41
7)	0.00		0.00
8)	97,029.41		97,029.41
9)		<del>          </del>	
10)	<del>          </del>	<del>          </del>	
11)	<del>          </del>	<del>          </del>	
12)			0.00

PC 115784B

AS ON: 01/31/1997

ARC0 ALASKA INC.  
 LISOURNE PARTICIPATING AREA  
 PRODUCTION ALLOCATION / OFFTAKE SCHEDULE  
 PRODUCTION MONTH JANUARY-1997

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

WORKING INTEREST OWNER	NOV. DECIMAL	ALLOCATED LIQUIDS	PBU CRUDE LTK	PIPELINE OFFTAKE	NGLS	LOAD DIESEL FROM OIL UNIT	ROYALTY BASE
EXXON	0.400000	175,766.00	372.00	176,138.00	21,251.20	0.00	152,004.00
SFK	0.200000	87,883.00	186.00	88,069.00	11,626.60	0.00	76,442.00
AAI	0.400000	175,766.00	372.00	176,138.00	21,251.20	0.00	152,004.00
TOTALS:	1.000000	439,415.00	930.00	440,345.00	50,131.00	0.00	382,212.00

JOB. RECORDING FROM: L1184210-01  
 AS OF: 01/31/1997

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

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

WORKING INTEREST OWNER	NON-DECIMAL	ALLOCATED LIQUIDS	35 PBU CRUDE TIK	PIPELINE OFFTAKE	33 NGLS	LOAD DIESEL FROM OFF UNIT	ROYALTY BASE
EXXON	0.362504	1,899,334.27	0.00	1,899,334.27	10,787.71	0.00	1,868,546.56
BPX	0.348379	1,825,326.54	0.00	1,825,326.54	26,296.13	0.00	1,799,030.41
AAI	0.289117	1,514,824.19	0.00	1,514,824.19	24,581.16	0.00	1,490,243.01
TOTALS:	1.000000	5,239,485.00 X	0.00	5,239,485.00	61,665.00 X	0.00	5,157,820.00

AS OF: 01/31/1997

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

PAGE: 1  
RUN TIME: 15:16  
RUN DATE: 02/10/1997

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

01/31/1997

PRUDHOKE BASIN, III  
NIAGARA PARTICIPATING AREA  
PRODUCTION ALLOCATION / OFFTAKE SCHEME  
PRODUCTION MONTH JANUARY-1997

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

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

11:24 AM

JOB: N1200000 PR00: L1184210-01  
 AS OF: 01/31/1997

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

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

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

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

	<u>ARCO</u>	<u>GS</u>	<u>EXXON</u>	<u>TOTAL</u>
<u>CALCULATION OF REVENUE BASE</u>				
NOMINATION DECIMALS	1.000000	0.000000	0.000000	
ALLOCATED LIQUIDS	20,575.00	0.00	0.00	20,575.00
FBU CRUDE TK	0.00	0.00	0.00	0.00
PIPELINE OFFTAKE	20,575.00	0.00	0.00	20,575.00
NGLS	354.00	0.00	0.00	354.00
LOAD DIESEL/LOAD OIL	0.00	0.00	0.00	0.00
OIL REVENUE BASE	20,221.00	0.00	0.00	20,221.00
<u>CALCULATION OF ROYALTY BASE AT LEASE OWNERSHIP</u>				
LEASE OWNER DECIMALS	1.000000	0.000000	0.000000	
ALLOCATED LIQUIDS	20,575.00	0.00	0.00	20,575.00
FBU CRUDE TK	0.00	0.00	0.00	0.00
PIPELINE OFFTAKE	20,575.00	0.00	0.00	20,575.00
NGLS	354.00	0.00	0.00	354.00
LOAD DIESEL/LOAD OIL	0.00	0.00	0.00	0.00
ROYALTY BASE	20,221.00	0.00	0.00	20,221.00
<u>ROYALTY - OIL</u>				
ROYALTY-IN-KIND	552.38	0.00	0.00	552.38
ROYALTY-IN-VALUE	488.88	0.00	0.00	488.88
TOTAL ROYALTY	1,041.26	0.00	0.00	1,041.26
<u>ROYALTY - FBU CRUDE TK</u>				
ROYALTY-IN-KIND	0.00	0.00	0.00	0.00
ROYALTY-IN-VALUE	0.00	0.00	0.00	0.00
TOTAL ROYALTY	0.00	0.00	0.00	0.00
<u>ROYALTY - NGLS</u>				
ROYALTY-IN-KIND	9.87	0.00	0.00	9.87
ROYALTY-IN-VALUE	8.83	0.00	0.00	8.83
TOTAL ROYALTY	17.70	0.00	0.00	17.70

B P Exploration (Alaska) Inc.  
 Prudhoe Bay Unit  
 Royalty and Taxes Due State of Alaska  
 January 1987  
 Total

State of Alaska Royalty Information	BP	AHCO	EXXON	MOBIL	PIHL	CHEV	TEX	EDGEC
Royalty Base (Total Oil & LD - TNG)	26,106,137.0	7,290,886.0	7,703,556.7	366,859.3	364,589.4	161,269.4	100,128.9	9,111.3
Oil	23,202,600.0	6,125,972.6	6,538,664.3	353,091.2	351,408.0	146,575.1	96,248.3	8,940.2
Gas	1,577,710.3	415,804.3	443,926.2	24,057.3	23,942.7	9,986.7	6,694.0	609.1
LD	1,322,022.2	318,942.3	322,966.8	20,073.1	19,913.3	8,335.1	5,582.0	508.4
Total Royalty	2,000,392.5	785,748.6	817,333.0	44,130.4	43,928.0	18,321.9	12,281.0	1,117.5
MGL & ABL	2,038,666.0	886,994.8	1,162,073.1	9,035.0	13,181.5	13,285.2	1,880.7	171.1
Royalty Base	138,044.1	10,357.8	75,165.2	615.5	398.0	905.1	128.1	117
Gas	1,515,148.1	8,847.3	88,092.8	513.8	742.7	753.8	102.0	9.7
Total Royalty	254,033.3	18,005.1	145,258.1	1,129.4	1,647.7	1,660.7	235.1	214
MGL IKRLD	864,971.0	378,095.1	2,819.4	4,733.1	0.0	1,409.0	0.0	0.0
Royalty Base	100,121.4	47,281.5	352.4	591.6	0.0	178.1	0.0	0.0
Total Royalty Due	3,263,267.1	1,263,717.0	962,944.6	45,857.4	45,573.7	20,158.7	12,516.1	1,138.9

Taxes

Tax Base (Gas-LD - MGL Royalty)	20,303,001.2	8,382,312.9	5,360,551.7	5,721,655.7	307,482.0	128,253.2	85,967.2	7,822.7
Oil Tax due (15.00% * ELF)	2,960,765.4	1,222,383.9	781,723.8	834,383.2	46,839.8	18,703.0	12,536.5	1,140.8
MGL Barrels	2,038,666.0	152,040.7	686,998.8	1,162,073.1	9,035.0	13,181.5	1,880.7	171.1
MGL - Royalty	1,783,832.8	133,035.6	601,123.9	1,016,813.9	7,905.6	11,624.6	1,645.6	149.7
MGL MCF equiv.	2,122,778	158,240	715,274	1,210,168	9,412	13,732	1,960	178

Current Royalty Rate 12.5%  
 Current Tax Rate 15.0%  
 Economic Limit Factor 0.972193  
 Economic Limit Factor (for Gas) 0.784778

**Calculation of Royalty Value – Prudhoe Bay Unit  
January 1997**

<b>Lessee</b>	<b>Oil (barrels)</b>	<b>Royalty Value</b>	<b>Product of Volume Times Royalty Value</b>
<b>Lisburne Production Center</b>			
<b>Lisburne Participating Area</b>			
ARCO	176,138.00	\$19.500	\$3,434,691.00
BP Exploration	88,069.00	\$18.120	\$1,595,810.28
Exxon	176,138.00	\$18.730	\$3,299,064.74
<b>Point McIntyre Participating Area</b>			
ARCO	1,514,824.19	\$19.500	\$29,539,071.71
BP Exploration	1,825,326.54	\$18.120	\$33,074,916.90
Exxon	1,899,334.27	\$18.730	\$35,574,530.88
<b>West Beach Participating Area</b>			
ARCO	29,463.50	\$19.500	\$574,538.25
BP Exploration	29,463.50	\$18.730	\$551,851.36
<b>Niakuk Participating</b>			
BP Exploration	651,808.00	\$18.120	\$11,810,760.96
<b>West Niakuk Participating Area</b>			
ARCO	62,528.00	\$19.500	\$1,219,296.00
Exxon	62,528.00	\$18.730	\$1,171,149.44
<b>P109</b>			
ARCO	20,575.00	\$19.500	\$401,212.50
<b>Prudhoe Bay Initial Participating Area</b>			
ARCO	6,812,971.60	\$19.880	\$135,441,875.41
BP Exploration	9,731,640.80	\$18.640	\$181,397,784.51
Chevron	159,860.30	\$23.248	\$3,716,432.25
Exxon	7,700,737.40	\$19.220	\$148,008,172.83
Forcengery	9,111.30	\$19.880	\$181,132.64
Mobil	382,126.20	\$19.539	\$7,075,583.82
Phillips	384,589.50	\$20.690	\$7,543,356.76
Texaco	100,129.00	\$18.950	\$1,897,444.55
<b>Totals</b>	<b>31,777,362.10</b>		<b>\$37,508,678.79</b>
<b>Average Royalty Value</b>			<b>\$19.11768</b>

### Monthly Average Change in ANS West Coast Destination Values

Production Month	ARCO Value	% Change Previous Month	BP Exploration Value	% Change Previous Month	Exxon Value	% Change Previous Month	Average Percentage Change
Jan-97	\$23.45	-0.21%	\$23.44	-0.26%	\$22.86	-0.26%	-0.24%
Feb-97	\$20.27	-13.56%	\$20.28	-13.57%	\$19.69	-13.87%	-13.67%

## APPENDIX B

### EXAMPLES OF INTEREST AND LATE PAYMENT PENALTY

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

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

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

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

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

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

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

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

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

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

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

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