

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672
544 SCOM116: JOINT SPEC. COMM. ROYALTY OIL & GAS 1977-78

64.65
60.36
4.29

- The new contract of February 22,

1977 the price mentioned is 64.65¢/Mcf which is 429¢/Mcf higher than previously agreed upon. (76-1 contract dated 6/4/76). Why? To bear the transportation cost?

No, since the contract provides that APC shall pay 1¢ of (without added compression) and 20¢ (with added compression of 3500 hp) in consideration of Puilepo's costs *

for gathering gas to the point of delivery, which is near Puilepo's pipeline tap which delivers gas to the Teano refinery, located in the general vicinity of the Kawai LN4 plant on the North Kawai Road. Added charges are to be passed on to APC by Puilepo as they require further compression units. These charges would be proportionate to the gas APC receives from total production.

* (Since these "costs" would be "charged" the State, it would seem that the State does have the right to determine how these charges are amortized.) (and not APC)

* Cont'd

Even if APC took delivery at the wellhead, as originally proposed, the "costs" assessed APC for delivering the royalty gas to shore would still be the State's business, since APC would undoubtedly ask the APUC to allow them to pass on the cost to the consumer(s).

-- The proposed notice by the State of Alaska to take its royalty gas from the North Cook Inlet gas Field in kind as prepared by APC and attached to their

February 2, 1977 letter states "You (Phillips) may deduct, from the amount of royalty payment~~s~~ otherwise due the State, the

Charge(s) described on page (s) 7-9 of the State's contract with APC

as consideration for dehydration

and gathering including compression of the royalty gas which you (Phillips) will provide to the State. These charges were negotiated by you (Phillips) and are acceptable to the State and to

APC, as described in the contract...

The State was not a party to "negotiations" mentioned. If it was then the royalty board can give us satisfactory breakdowns of the 10¢ (20¢) / Mcf figure when it previously cost 5.5¢ / Mcf to do the same thing.

(See Phillips' letter to APC re differing costs for mining 1/26)

If it was not, it should be because since it (under the terms of the "new" contract) ^{the State} takes delivery onshore, the State gets assessed the costs for dehydration and gathering, including compression of the royalty gas from the North Cook Inlet gas field.

The proposed notice ^{proposed} ~~(and supposedly)~~ the new contract ~~(check this)~~ also stipulates that Phillips shall not be subject to the jurisdiction of the APUC or (Alaska Pipeline Commission), and that the notice or contract would not affect the price payable to the State for royalty gas received by Phillips for processing.

AGO 801916

This indicates two standards, i.e., the State ^{continues to} be charged 5.5¢ / Mcf and not 10¢ or 20¢.

* could

Try and get a reasonable explanation!
This is very inconsistent.

"New" contract would provide

Quantity: APC would take up to all of the royalty gas available. This means APC would not be required to purchase all royalty gas.

How does this jive with
their previous argument that
they need new reserves
and supplies to service
their existing customers?
That the royalty gas
amount (15M-17M cfd/day) available
was just the right
amount needed to
supplant their loss of
Kenai gas field supplies?

APC и Propose
p 415

2)
- Commission to
Propose in
(one part)

Delivery Point: On Shore - at or near Phillips' pipeline tap which delivers gas to the Tesoro refinery.

Price: A) (1) To July 1, 1978 64.65¢/Mcf

(2) July 1, 1978 - July 1, 1979 ^{the higher of} (a) 66.65¢/Mcf, or

(b) price State would have received had it continued to take its royalty gas in value, or

(c) the highest price paid per Mcf purchaser in the Upper Cook Inlet area ^(within a 100 km radius of Phillips' platform) for gas of similar quality gas & similar conditions of delivery.

(3) July 1, 1979 and each succeeding 12 month period the higher of

(a) the previous year's price plus 2¢/Mcf, or

(b + c) above

B.1) An additional 10¢ (20¢ after added compression facilities have been installed) for ^{gas} gathering costs, ^{to point of delivery} including dehydration and compression. These charges would increase 6% annually.

② additional charges for future compression facilities which may be required and installed in proportion to the ~~total~~ gas received. (Interestingly, the proposed contract calls for such additional costs under B)③ to be verified by the State, which would ^{seem to} indicate that in this instance Phillips would agree to "jurisdiction" by the State). (To be consistent with 7.2, should this be removed?)

Term: Same as 76-1 Contract

Termination

(Cause)

Same as 76-1 Contract, which seems absurd since APC would now take delivery on-shore! What do they mean by "... unable to make satisfactory arrangements to take delivery of the gas."?

Conditions

Precedent:

Provision providing that Phillips would not come under the jurisdiction of the FPC or ^{or APC} APUC. A (7.24 article II).

Miscellaneous:

assignments of interest by APC may be made "... to conform with its (APC) various financing documents or as may be desirable to Buyer (APC) as to its (APC) commonly owned affiliate or subsidiary." (Who are they?)

APC in a memo to date dated 3/10/77
made a very interesting point & think
by stating that the 10¢ transportation/
gathering charge Phillips would charge
is still much cheaper than any
alternative which exists to them or to
the state for that matter, after than possibly
had publicity within the state.

The APC in its Order No. 3, Docket
U-7568A (14/17/75) states that they believe
the commission of cheaper gas
with the ^{more dependent} gas and
averaging the cost will generally
amount to 2-5¢/11¢/mo. for
the customers of APC.

The same order also states that
if the provisions allowing
flow through of costs was
not used by August 1, 1976
the APC would commence an
investigation to determine
the non-use & whether the

provision should be deleted from the
article of APC. (See Sept 29, 1976 letter to APC)

Still need
to check if
it was
was appo-
by

a letter of APC to APUC dated
Sept. 29, 1976 states that
the contract with the State
(76-1) could not be carried
out because

① APC would have to pay State
the highest price within
a 100 km radius (they had
hoped no more than the
price of gas liquefied
for export)

- ② - APC would have to take 100%
of royalty gas;
- They do not have sufficient
sales on the North Kenai
Rd for the ^{full} amount;
- On the other hand, they do
not have facilities to
interconnect ~~to~~ with their
Anchorage line; and
- They have been unable to
work out an ~~exchange~~ agreement
~~agreement~~ ~~with~~ for an
exchange ~~of~~ with Kenai
gas.

- ③ The contract term is limited to 6/30/84 (instead of the life of production as APC would desire) which APC claims is too short to invest in the facilities which are required.

letter

The Sept 29, 1976, also indicates that Phillips wanted to have APC fund the first phase ~~the cost~~ of a compressor station on the platform (appx \$5MM) in return for their delivering the royalty gas to shore. APC countered with an offer that they would

- pay a pro-rata share for compression (volume) with a right to discontinue after a year's notice; and
- resell any "excess" royalty gas back to Phillips for the same price they would have paid to the state; and
- forego taking royalty gas if and when the pipeline capacity throughput was limited (a standby gas supply to make the

AGQ 801923

above possible had not been found,
and it was mentioned that
APC might have to build a
pipeline from their Anchorage
line to the delivery point
on shore to guarantee such
stand by volumes as were
necessary).

The AG (Will Gordon) in a memo to
Guy Martin, dated 3/7/77, determined
that the APUC would not have
jurisdiction over Phillips pipeline
because Phillips does not fall into
the category of "a 'utility' nor
'public utility' within the meaning
of the Public Utilities statute, because
it will not be furnishing transmission
service to the 'public' or the 'Alaska
public.' Phillips would be furnishing
transmission service to the State."

(To language necessary to change
this ??)

The lease with the State provides that the royalty gas has to be taken in the field.

The application for a r-o-w permit (2/15/68) to build 2 10" gas pipelines and appurtenances from platform to shore could be "used" to demonstrate that the pipeline is for public use, since "public" was not crossed out in the application (although it could have been).

Phillips has a contract with Tokyo Gas and Tokyo Electric which expires 6/1/84 which is supplied from the North Cook Inlet gas field (and the State's 18 royalty).

Fackler suggests in his Nov. 19th draft memo that the contract from for the State should not exceed the Phillips contract ^{terms} above (which, I guess, means that the commitment of our royalty gas should not run beyond 6/1/84), and that contract terms for the State should also include a provision to protect the State if Phillips' production is terminated for any reason.

AGO 801926 -A

Fackler's memo of Nov 19 indicates that APC (ANG) expected to pay its proportionate share of additional transportation or compression costs either ^{in the form} of contributing capital or paying higher transportation charges ^{per Mcf or month} of terminating ^{the} royalty gas within

Nov. 19th memo mentions that Phillips had raised the issue of the APUC classifying their pipeline (from platform to LNG plant) as a utility (if it transports gas for a third party (APC), and that Phillips would not transport the gas if they came under APUC jurisdiction.

The draft for a proposed ^{North Cook Inlet royalty gas sales} agreement, dated 12/7/75, ~~stipulates~~ stipulates that neither Phillips (nor Union) shall come under APUC or any other regulatory ~~authority~~ authority as a result of the sale of royalty gas to APC. If such regulatory jurisdiction were ever asserted or implemented the agreement would be terminated.

AGO 801927

The ~~draft~~ ^{Memorandum of Understanding} draft ^(12/7/75) states that "APC will receive the State royalty gas

only to the extent it may be
available without additional
investment for transmissions
(or compression) by Phillips..."

This is subsequently qualified
by providing that if any
investments were necessary to allow
for continued delivery of the
State's royalty gas APC would
have the option

- ① to participate equitably
in such an investment, or
- ② to pay a mutually acceptable
price per Mcf or per month, or
- ③ to terminate the agreement
to take the State's royalty
gas.

(See Fackler's Nov. 19th memo which
also covers this).

(John Horn)

"complicating matters"

— Phillips stated the following in their Jan. 21, 1976 letter to APC

— That while a 5.55¢/Mcf figure has been used to establish the wellhead value for purposes of paying royalty and taxes, it did not represent the appropriate differential (transportation + compression). They did not say what the appropriate figure was or should be.

— neither
That Phillips nor any of its facilities could be subjected to the possibility of being classified as a public utility by the APUC, and that without an assurance to that effect no agreement would be entered into

AGO 801929

— The "exchange" of gas from North Lough Supt field ^{from the} to the Kenda gas field, suggested by APC, would have to be worked out between APC + Marathon, and Phillips would

not be a party to such an arrangement

- APC advised Union, Marathon and Phillips on December 12, 1975^(December 10 meeting) that the royalty board had authorized the Commissioner of NR to negotiate the sale of North Cook Tule^{gas field} royalty gas to APC

- The December 10 Royalty Bd vote on the above was unanimous, although Arlon Tussing raised the question whether APC had tried hard^{enough} to get gas elsewhere. They APC then asked Union and Marathon^(December 12, 1975 letter) if they were willing to offer APC like "deals" as the royalty gas they were negotiating, i.e.,

50 Bcf

15 MMcf/day

55.8¢/Mcf (50.25¢/Mcf + 5.55¢/Mcf (transportation))

AGO 801930

- Marathon declined (December 19, 1975), but came up with a proposal for a short-term contract similar to their existing contract for an additional

What happened?

supply of gas (up to 5 Bcf) for one year to May 1, 1978 (whichever occurred first) at a price of \$5.8¢/Mcf

— APC letter of 2/3/76 indicates that they now felt that they would have to build their own pipeline from the LNG plant to their pipeline rather than to rely on "paper exchanges" as suggested earlier

— This they argued would require a longer term though (the Royalty Co had proposed a 7 yr period to June 1, 1984) since ^{it} they would ~~to be~~ impractical for APC to amortize a pipeline over such a short time. They asked to receive a contract for royalty gas for the life of production from the North Cook Inlet Gas Field

AGO 801931

— Homer Electric Association also applied for the North Cook Inlet Gas field royalty gas (Feb 23

Royalty Bd meeting, and APC
of 2/25/76
letter to Homer Electric Ass'n, letters
from APC to Guy Markins of 2/27/76
and 3/9/76). Phillips Petroleum
and Pacific Alaska LNG also
approved for the NC Inlet ^{field} royalty
gas.

- Homer Electric Association was subsequently
made an offer by K.U.S. Co for
needed gas at a considerably
lower price than the royalty
gas; \$5.84/Mcf vs.
48.24¢/Mcf

- An undated memo sub. titled "Commissioner's
Proposal in Concept" states that ~~proposed~~
[APC] would ^{be} responsible for measurement costs,
and any compression or dehydration
costs if or when nec.

AGO 801932

APC's
as of ~~their~~ letter dated 4/9/76
they intended to build a pipeline
from the ^{P-M} LNG plant to their existing Anchorage
line.

— A contract (76-1) was executed between the Royalty Bd and APC 6/4/76 with the following provisions:

Quantity: all royalty gas available, when and as available.

Delivery Point ~~at~~

Delivery Pressure: — ^{DB shall be the} Same for APC as it

*in the North Cook Inlet Field...

(over) *

has been for State. ~~(This appears to be the same as gas gathering agreement between APC & Phillips states that APC will accept said royalty gas at or near wellhead)~~

Price: ① To July 1, 1977 — 55.5¢/Mcf
② July 1, 1977 — July 1, 1978 — 60.36¢/Mcf
or price State would have

received had it continued to take its royalty gas in value,

or the highest price paid by any purchaser in the (within a 100 km radius of Phillips' Upper Cook Inlet area for similar quality gas + similar conditions of delivery.

③ July 1, 1978 and each succeeding 12 months period the higher of
② the previous year's price plus 2¢/Mcf, or
b+c above.

60.36
55.5
4.86
60.36 x 2

120.72
60.36

60.36
2
62.36

64.36

(This appears to be the platform since a proposed gas gathering agreement between APC and Phillips states that the contract between the State and APC provides that... APC

Gregg's memo of May 8, 1976 to Fred Brown (p 2) confirms this.

However, a memo from Don Wold to Guy Martin dated 2/14/77 states that APC ~~has the right to take~~ ~~the gas~~ "must take delivery from Phillips near the terminus of the Phillips terminus of the Phillips pipeline located near the North Kenai Road..." according to the 76-1 contract. (I don't think he is correct, but double check)

Term: effective upon approval by the
Legislature

Expires: July 1, 1984

Termination

Clause: Allow APC to terminate the
contract within 30 days of
written notice to State if
APC is unable to make
satisfactory arrangements
to take delivery of the
royalty gas.

A suggested gas gathering agreement
between APC and Phillips provides
that unless the contract with
between the State and APC is
amended to accommodate Phillips*
~~and APC it would be terminated.~~
the "agreement" between APC and
Phillips could be terminated.

- Gas Partnering Agreement between APC + Phillips provides for ^{and states} among other things that

- APC will accept delivery of the royalty gas at or near the wellhead

- Phillips is willing to reduce the royalty gas for APC and deliver it at a mutually agreeable point near the Kona LNG plant

- Phillips will need to provide additional compression capacity to handle the royalty gas through its gathering system (they have to increase production to meet their own needs), and that APC can't justify participation in the installation of additional compression capacity, and there would have to

Point of delivery shall be at
 or near the existing pipeline
 taps now used to deliver
~~gas~~ gas from the Phillips
 pipeline to the refinery
 in the general vicinity of
 the Kenai LNG Plant ^{Gas} ~~Plant~~
 the North Kenai Road. (This
 is quite different from
 contract with State, where
 the delivery point is
 the wellhead (platform))

- Added supply of negotiable gas would
 be used to deliver existing
 customers only and potential
 new customers in the vicinity
 of the Kenai ^{State} LNG Plant only
 for the above reason (cannot
 of gas not sufficient to allow
 for participation in adding
 additional compression capacity).

Note delivery of negotiable gas as
 it would become available from
 time to time

* In a different portion of the agreement,
the point of delivery is to be
"at the juncture of APC's facilities
and Phillips' facilities located
near the pipeline tap serving the
Tesoro refinery."

- Odometer of 900 shall be APC's responsibility, (and Phillips shall be held harmless).

- APC shall pay Phillips 10¢/hr for delivery from platform to delivery point and for dehydration (wear is increased in dehydration). This 10¢ charge is to increase by 6% annually.

- APC shall pay ^{Phillips} in addition to the above pressing charge a compression charge of 10¢/hr. This, too, would increase by 6% annually.

- APC shall pay Phillips ^(in addition to the above) a mutually agreeable charge for added compression when and if it is necessary, based on APC's share of added volume.

- ^{In addition} APC shall reimburse Phillips ~~in the~~ ^{for the above} proportion of delivery made to APC by Phillips.

• Any new or increased fees, charges,

taxes, etc. applicable to gathering
of the gas (including compression)
which would be imposed on Phillips
prior to delivery of royalty gas
to APC.

- Phillips by delivering gas to APC does not
"render any service to or for
the public;" i.e., will not become a
utility subject to regulation.

• APC makes the normal representation
from its Phillips that Phillips
will not be subject to
regulation by the FPC or
APC.

In a letter to Don Wold dated 2/2/77 APC first mentions the "desirability" to have ^{the} State take deliverability of its royalty gas onshore so as to avoid the necessity for APC to negotiate a separate agreement with Phillips.

- The letter also indicates that they would not be committed to install a pipeline connecting to their onshore line; that they would accept only such gas as they can readily re-sell up to 100% of royalty gas which is available (The reason for this is cited as the shortness of the contract; i.e., June 1, 1984 w. life of production).

- The same letter also indicates that they would pay the proportionate share of ^{additional} compression facilities Phillips' were to install at a future time.

from, which is what APC wants

The rest to be royalty gas in balance to Phillips

SCOMM

16:5

APC'S
VARIOUS
GAS
CONTRACTS

CONTRACTS/AGREEMENTS BETWEEN U-M AND APC

Anchorage Contract
North Kenai Road Contract

CONTRACTS/AGREEMENTS BETWEEN ALASKA PIPELINE COMPANY AND ANCHORAGE NATURAL
GAS/ALASKA GAS AND SERVICE COMPANY

UTILITY SERVICE CONTRACTS BETWEEN APC

AND

FORT RICHARDSON AND
FORT RICHARDSON AND EAFB

AGO 570377

May 21, 1977

Contracts/Agreements between U-M and APC

1. ✓ May 13, 1960 Gas Purchase Contract (Anchorage)
✓ January 1, 1972 Amendment of Gas Purchase Contract
✓ January 1, 1975 Amendment of Gas Purchase Contract (CURRENT CONTRACT)
2. ✓ May 1, 1967 Gas Sales Agreement (North Kenai Road)
✓ March 12, 1976 Amendment to Gas Sales Agreement

The May 13, 1960 contract as amended is the "main" contract. Everything refers back to it, including the North Kenai Gas Sales Agreement dated May 1, 1967, as amended March 12, 1976.

The price for the North Kenai Road gas is the same as the May 13, 1960 contract as amended, PLUS 1-1/2 cents per Mcf. Anything over the 10,000,000 Mcf amount also has the "Special Deliverability Charge" of 19-1/2 cents per Mcf.

Therefore, APC should be paying U-M 45 cents per Mcf at the moment for gas from the Kenai Gas field being delivered to the North Kenai Road area. (Marathon refers to a cost of 45.7¢ per Mcf. I have no idea what the .7¢ is for or how they arrived at it unless the "Special Deliverability Charge" has been raised, which is quite possible).

Current Price according to January 1, 1975
amended contract to May 13, 1960 "Gas
Purchase Contract"

24¢

Special Deliverability Charge

19.5¢

Over and Above "Anchorage" contract
price being charged for North
Kenai Road deliveries

*1.5¢

45.0¢

*This is the figure which now and then is referred to as a "transportation" charge, which in fact it might be. However, nothing in the contract or amendment indicates or even implies that it is a transportation cost. It simply reflects a cost over and above that cost for gas contracted for by APC for Anchorage.

Contracts/Agreements between Alaska Pipeline Company and Anchorage Natural Gas/Alaska Gas and Service Company

3. ✓ December 9, 1960 Gas Sale Contract
✓ October 16, 1962 Amendment to Gas Sale Contract
✓ October 15, 1963 Amendment to Gas Sale Contract
✓ April 1, 1970 Amendment to Gas Sale Contract
✓ October 3, 1972 Amendment to Gas Sale Contract
✓ August 27, 1973 Amendment to Gas Sale Contract

4. ✓ Utility Service Contracts between APC and Fort Richardson and Fort Richardson and EAFB

✓ *have*

AGO 570378

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THE FOLLOWING DOCUMENT(S) MAY NOT FILM
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ORIGINAL.

1/1/72

Amendment

K9/K9/K9

CHANGES IN GAS PURCHASE CONTRACT

1. Effective date 1-1-72.
2. Change contract year (Oct. to Oct.) to Calendar Year Jan. thru Dec.
3. Change reserves from 240,000,000,000 to 550,000,000,000 unless in 1981 if remaining reserves are more than 12-years' supply based on 1980 usage, then reserves reduced to remaining 12 years.
4. Change in delivery points from mouths of wells to a central Buyer's master meter.
5. Change in delivery pressure from 700 psi prior to August 14, 1971 to 900 psi prior to December 31, 1972; and from 500 psi after 1971 to 700 psi from 1-1-73 to 12-31-75 and 500 psi thereafter.
6. Change in price

Old Contract

Flat 6 billion cu. ft. per year 24¢
All additional volumes 16¢
Escalation 1¢ starting October 1972
and 1¢ every 5 years thereafter

New Contract

25¢
17¢ but not less than 21¢ average
1¢ starting 1-1-74
2¢ starting 1-1-76
3¢ starting 1-1-81
After 1985 not less than 27¢ or
average delivered gas f.o.b.
Kensai Gas Field received by
Seller during 1985 from all new
sales made to other than APC
after 1972 but sales to others
on which average calculated
shall be at least 1/4 of quantity
of gas delivered to APC

7. Term - From September 30, 1967 changed to December 31, 1992.
8. Change in Quality of gas in water content to not more than 4⁰ water per million cu. ft. of gas (dehydrated gas). Prior contract APC provided own dehydration.

File



ALASKA PIPELINE COMPANY

P. O. BOX 6554 • HOUSTON, TEXAS 77005

June 15, 1971

Union Oil Company of California
Union Oil Center
Los Angeles, California 90017

and

Marathon Oil Company
539 South Main Street
Findlay, Ohio 45840

Gentlemen:

Reference is made to that certain letter agreement between us dated October 1, 1967, concerning special handling of unused gas reserves under our "Kenai-Nikiski Agreement" as defined below.

Reference is also made to that certain "Amendment of Gas Purchase Contract" (amending the Gas Purchase Contract dated May 13, 1960) between Union Oil Company of California ("Union"), and Marathon Oil Company ("Marathon"), as "Seller", and Alaska Pipeline Company ("Alaska"), as "Buyer", which said Amendment is dated effective January 1, 1972, and is herein referred to as "Anchorage Service Area Agreement". Executed copies of the Anchorage Service Area Agreement are transmitted to you herewith.

Reference is also made to that certain "Gas Sales Agreement" dated and effective as of May 1, 1967, between Union and Marathon, as Seller, and Alaska, as Buyer, involving certain taps and deliveries of gas off of Seller's Kenai-Nikiski Pipeline until an aggregate quantity of 10,000,000 Mcf of gas has been delivered and purchased thereunder, or for a period of ten (10) contract years, whichever first occurs (herein referred to as "Kenai-Nikiski Agreement").

This letter confirms our further agreement as follows:

- (1) Effective January 1, 1972, the above-mentioned letter agreement dated October 1, 1967, is terminated and the further agreements set out below become effective.

AGO 570381

ALASKA PIPELINE COMPANY

P. O. BOX 8554 • HOUSTON, TEXAS 77005

Union Oil Company of California
Marathon Oil Company
June 15, 1971
Page 2

- (2) Upon the termination of the Kenai-Nikiski Agreement, in whatever way it is terminated, the quantity of gas reserves specified in Section 11A(1) of the Anchorage Service Area Agreement, shall be increased by the amount of gas, if any, which was not taken by Alaska under the Kenai-Nikiski Agreement.
- (3) Any gas paid for but not taken by Alaska under the provisions of the Kenai-Nikiski Agreement may, but only upon the termination of said Agreement, be taken by Alaska during the remaining term of the Anchorage Service Area Agreement without further payment, except that Alaska shall pay the differential in applicable taxes described in Section 5.2 of the Kenai-Nikiski Agreement, if any, between that existing when such payments were originally made and that applicable at the time of such taking.
- (4) Any gas taken by Alaska under Paragraph (3) above, shall be at the delivery points and under the technical specifications applicable to gas deliverable under the Anchorage Service Area Agreement.

Your execution of the enclosed copy of this letter and returning the same to us evidences your agreement to the above.

Very truly yours,

ALASKA PIPELINE COMPANY

By

Sherman H. DeLoach
Vice President

Accepted and Agreed to
as of the date of this letter:
UNION OIL COMPANY OF CALIFORNIA

4/8/71
By *William S. Murray*
Attorney-in-Fact
MARATHON OIL COMPANY

4/8/71
W. E. McMurtry, SENIOR VICE PRESIDENT

AGO 570382

THE PRECEDING DOCUMENT(S) MAY NOT FILM
LEGIBLY BECAUSE OF POOR QUALITY OF THE
ORIGINAL

ATTACHMENT 1

AMENDMENT OF GAS PURCHASE CONTRACT

THIS AGREEMENT, made and entered into effective as of the 1st day of January, 1972, by and between UNION OIL COMPANY OF CALIFORNIA, hereinafter sometimes referred to as "Union," and MARATHON OIL COMPANY (formerly The Ohio Oil Company), hereinafter sometimes referred to as "Marathon," both companies hereinafter referred to collectively as "Seller" and sometimes herein individually as "seller" and ALASKA PIPELINE COMPANY, hereinafter referred to as "Buyer,"

W I T N E S S E T H:

WHEREAS, Buyer and Seller are parties to that certain Gas Purchase Contract dated May 13, 1960, as amended and modified, covering the purchase and sale of natural gas from certain properties of Union and Marathon located on the Kenai Peninsula, Alaska; and

WHEREAS, the parties desire to further amend said Gas Purchase Contract, as heretofore amended and modified, as of the effective date, stated above;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the parties hereby amend that certain Gas Purchase Contract between Buyer and Seller dated May 13, 1960, as heretofore amended and modified, and agree as follows:

1. Each and every prior amendment to, or modification of that certain Gas Purchase Contract dated May 13, 1960, which has been entered into or agreed to by any party hereto, and Exhibits "A" and "B" of said agreement, are hereby cancelled and shall be of no further force or effect as of the effective date of this Amendment.

2. Exhibits A, B, C and C-1, attached hereto, are hereby added to and made a part of said Gas Purchase Contract dated May 13, 1960.

3. Commencing with the word "WITNESSETH:", on the first page of said Gas Purchase Contract and including Pages 2 through 15 thereof, said contract is hereby amended to read as follows:

WHEREAS, Alaska Public Service Corporation (formerly named Anchorage Natural Gas Corporation), hereinafter sometimes referred to as "Anchorage", has held and now holds a franchise from the City of Anchorage, Alaska, and a Certificate from the Alaska Public Utilities Commission, to distribute gas for domestic, commercial and industrial purposes within the City of Anchorage; which is more particularly defined in City of Anchorage Ordinance No. 1347, and holds or may from time to time acquire other such franchises and certificates for rendering said services within the area outlined and described, respectively, in Exhibit C and Exhibit C-1, and said area is hereinafter referred to as "Service Area"; and

WHEREAS, Buyer owns and operates a gas transmission pipe line system extending from the Kenai Unit Area, Third Judicial Division, State of Alaska, to said Service Area; and

WHEREAS, Buyer and Anchorage have entered into an agreement under which Buyer has agreed to sell, deliver and furnish to Anchorage and Anchorage has agreed to purchase, take and receive from Buyer, all of Anchorage's requirements for gas pursuant to the terms thereof and of this Agreement; and

WHEREAS, Union and Marathon each own or control oil, gas and mineral leaseholds and/or lands within the Kenai Unit Area, which leaseholds and lands are more particularly described in Exhibit B attached hereto and made a part hereof, and each has a supply of gas by virtue of its ownership or control of said leaseholds and lands which, together with certain other gas that Union and/or Marathon may from time to time purchase from co-owners of interests in said leaseholds and lands, it is willing to commit by this contract to sell to Buyer within the total volume limitation hereinafter provided; and

WHEREAS, Buyer desires to purchase from Seller all of its gas requirements for the Service Area, as said "Service Area" is hereinafter defined.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the parties hereto do hereby covenant and agree as follows:

I. DEFINITIONS

Except where the context otherwise indicates another or different meaning or intent, the following terms are intended and used herein and in Exhibit A, attached hereto and made a part hereof, and shall be construed to have meanings as follows:

(1) The term "day" shall mean a period of twenty-four (24) consecutive hours beginning and ending at eight o'clock a.m., Alaska Standard Time.

(2) The term "month" shall mean a period beginning at eight o'clock a.m. on the first (1st) day of a calendar month and ending at eight o'clock a.m. on the first (1st) day of the next succeeding calendar month.

(3) The term "year" shall mean a period of twelve (12) consecutive months beginning on the first day of January of any calendar year.

(4) The term "Gas" shall mean natural gas meeting the standards set forth in Section C of Exhibit A hereof.

(5) The term "Mcf" shall mean one thousand (1,000) cubic feet.

(6) The term "British thermal unit" (Btu) is defined as the amount of heat required to raise the temperature of one (1) pound of water from fifty-nine degrees (59°) Fahrenheit to sixty degrees (60°) Fahrenheit at a pressure of fourteen and sixty-five one hundredths (14.65) pounds per square inch absolute.

(7) The term "Seller's Delivery Capacity" shall mean the maximum quantity of gas which can be withdrawn (subject to any applicable State or Federal laws and statutes and any valid rules, orders and regulations of any State or Federal regulatory body) daily from the leaseholds and/or lands of Seller covered by this Agreement and which is available for delivery to Buyer for use in the Service Area at the point or points of delivery hereunder at the pressure provided for in Article VI hereof.

(8) The term "Service Area" shall mean the geographical area outlined on Exhibit C and described in Exhibit C-1 attached hereto and made a part hereof.

(9) The term "Buyer's Requirements" shall mean Buyer's total requirements for gas sold and delivered by Buyer from its system in the Service Area for resale, use or consumption in said Service Area.

(10) "Kenai Unit Area" as used herein means that area described in Unit Agreement for the Development and Operation of the Kenai Unit Area, Third Judicial Division, State of Alaska, No. 14-08-001-6367, dated May 1, 1959, and revisions thereto.

II. SCOPE OF AGREEMENT

A. Service Area

(1) Subject to and in accordance with all of the terms, conditions and limitations set forth hereinafter and in Exhibit

A hereof, Seller agrees to sell and deliver or cause to be delivered to Buyer, and Buyer agrees to purchase and receive from Seller, all of Buyer's Requirements of gas for the Service Area during the term hereof up to a maximum total quantity of Five Hundred Fifty Billion (550,000,000,000) cubic feet of gas. Said maximum total quantity of gas is hereinafter referred to as "Seller's Gas Reserve", and shall be produced from the leaseholds and/or lands described in Exhibit B.

Provided, however, that if the total deliveries of gas delivered hereunder during the year commencing January 1, 1980 and ending December 31, 1980 divided into Seller's remaining recoverable reserves committed to this contract (550,000,000,000 cubic feet of gas less the quantity of gas theretofore delivered hereunder), as of January 1, 1981, is more than twelve (12), then upon written notice by Seller to Buyer given by January 1, 1982 and not thereafter, Seller's Gas Reserve shall be reduced to a quantity of gas which is twelve (12) times the total quantity of gas so delivered hereunder during such year beginning January 1, 1980 and ending December 31, 1980.

(2) Seller shall, with due diligence, operate the lands and leaseholds subject to this Agreement in a skillful and reasonably prudent manner to the end that Seller's Delivery Capacity and Seller's Gas Reserve shall be maintained from time to time during the term hereof at a volume necessary to satisfy Buyer's Requirements. On or before the first day of August

of each year during the term hereof, Buyer shall notify Seller of Buyer's maximum daily firm load requirements and Buyer's maximum daily interruptible load requirements during the twelve-month period beginning the first day of August of the following year, furnishing Seller with evidence satisfactory to Seller of such requirements. "Buyer's maximum daily firm load requirements" shall mean the maximum quantity of gas the Buyer is required to deliver during any one day of the aforesaid twelve-month period to all purchasers to whom Buyer is obligated to deliver gas without any right to interrupt such deliveries at any time. "Buyer's maximum daily interruptible load requirements" shall mean the maximum quantity of gas that Buyer is required to deliver during any one day of the aforesaid twelve-month period to all purchasers to whom Buyer is obligated to deliver gas, subject only to the right of Buyer to interrupt such deliveries during any period when Buyer does not have the gas available for delivery due to its firm load requirements. Seller shall then notify Buyer on or before the first day of October following receipt of such notice of one of the following:

(i) Seller's Delivery Capacity is equal to 110% of such requirements, furnishing Buyer with evidence satisfactory to Buyer of such delivery capacity, or

(ii) Seller does not have such delivery capacity and will not attempt to provide such capacity, or

(iii) Seller does not have such delivery capacity, but will attempt to provide such delivery capacity of 110% of such maximum daily load requirements on or before the first of April next succeeding the date of such notice.

In the event Seller gives Buyer the notice called for in (ii) or (iii) above, then Buyer shall be free, from the date of receipt of such notice from Seller that (ii) applies, or from the first of April in the event (iii) applies and Seller has not then provided such delivery capacity, to contract with others for the purchase of gas up to 2500 Mcf per day, or the amount by which the current Seller's Delivery Capacity (as stated by Seller to Buyer) is less than Buyer's maximum daily load requirements, whichever is the greater; provided, however, that to the extent of Seller's ability to perform, the annual daily average quantity which Buyer is obligated to take hereunder (i.e., Buyer's Requirements expressed as a daily volume), shall not in any event be reduced by more than 2500 Mcf. Nothing herein shall be construed to require Seller to drill additional wells in order to increase Seller's Delivery Capacity nor shall Seller be required to produce any well or wells in a manner which, in Seller's sole judgment, would not be in accordance with prudent gas field operating practice.

(3) Buyer agrees to purchase solely from Seller all of Buyer's Requirements for gas in its operations in and for resale in the Service Area up to the total quantity of Seller's Gas Reserve, as hereinabove defined, and subject to the conditions hereinafter contained. To the extent that Buyer's Requirements exceed Seller's Gas Reserve, and to the extent that Seller has reserves available and uncommitted to others in addition thereto by virtue of its ownership or control of the leaseholds and lands described in Exhibit B, Seller is hereby given the right and option to commit such additional reserves to this contract sufficient to meet all or a portion of Buyer's excess requirements. Seller shall, upon written request from Buyer to be made not more frequently than one time per year, certify to Buyer that the gas remaining to be delivered hereunder from Seller's Gas Reserve is available from the leaseholds and/or lands described in Exhibit B, and that said quantity of gas is free of commitments to others. Seller shall furnish to Buyer with such certificate a report of an Independent Geologist substantiating such certification, which Independent Geologist (employed for the purpose of rendering such report) shall be one designated by Seller.

In the event that Seller should elect not to commit additional gas reserves to satisfy all of Buyer's Requirements, Buyer shall have the right to contract with others for the

purchase of sufficient gas to meet such requirements. In the further event that Buyer's Requirements subsequently exceed the gas reserves then committed to this Agreement by Seller, plus any gas committed by others, Buyer agrees to again give the Seller the right and option to supply such requirements by committing additional gas reserves within the Kenai Unit Area, subject to the terms hereof.

Buyer agrees that during such years as it is purchasing gas from others for use in its operations in and for resale in the Service Area it will continue purchasing from Seller during such years a quantity of gas equal to Seller's remaining recoverable reserves committed to this contract (Seller's Gas Reserve, less gas delivered hereunder) divided by the number of years remaining on the term of this agreement; provided, however, in the event Buyer's Requirements shall decrease in any remaining year of the contract term, then Buyer agrees to purchase from Seller the same proportion of Buyer's Requirements of gas for such year as was purchased from Seller during the preceding year.

B. Special Supply of Gas for Use Outside of Service Area

(1) The parties agree that, apart from the gas currently sold by Seller to Buyer for use in the Service Area, Seller shall sell to Buyer and Buyer shall purchase and receive from Seller a special supply of gas for use outside of the Service Area upon the following terms and conditions:

(a) The special supply shall not exceed an aggregate of five (5) billion cubic feet of gas.

(b) Buyer shall notify Seller on or before the first day of August of each year during the term hereof of Buyer's Maximum Daily Need during the twelve-month period beginning the first day of August of the following year. "Maximum Daily Need" as used herein shall mean the maximum quantity of gas, if any, as set forth in such notice, which Buyer desires to purchase from Seller on any day or days of said period for sale or use outside of the Service Area, but shall not exceed 1000 Mcf per day. Seller agrees to have available for delivery and sale to Buyer on each day during such twelve-month period, a quantity of gas equal to such Maximum Daily Need. Buyer agrees to purchase from Seller during such twelve-month period an annual quantity of gas equal to the lesser of (a) the total requirements of Buyer for gas sold or used by Buyer outside of the Service Area or (b) the applicable Maximum Daily Need multiplied by 182.5.

(c) The aggregate quantity of gas delivered to Buyer by Seller under this Section IIB shall be deducted from the maximum total quantity of Five Hundred Fifty Billion (550,000,000,000) cubic feet, designated "Seller's Gas Reserve" in Section IIA(1) hereof.

(2) The parties agree that, with the exceptions of Sections 7 and 9 of Article I and Article IIA hereof, all other terms and provisions of this Gas Purchase Contract shall apply to the sale and delivery of gas chargeable to the special supply. Volumes of gas delivered under this Section IIB shall be added to volumes of gas delivered to Buyer for Buyer's Requirements in the Service Area in determining the charges to Buyer for all gas delivered hereunder.

(3) Except for and subject to the provision contained in Paragraph (1)(c) of this Section IIB, said Section IIB may be terminated as follows:

(a) Buyer may, by written notice to Seller, terminate this Section IIB whenever, in Buyer's sole judgment, Buyer has no further need for such special supply of gas. Such termination shall be effective at 8:00 a.m., Alaska Standard Time, on the first day of the month next occurring after ninety (90) days notice to Seller.

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(b) This Section IIB shall automatically terminate as of the end of any twelve-month period beginning on any first day of August if, during such period, Buyer fails to purchase at least 135,000 Mcf pursuant to this Section IIB, unless during such period gas purchased pursuant to this Section IIB is the sole source of gas utilized by Buyer for sale or use outside the Service Area.

C. Use of Seller's Delivery Capacity Outside of Service Area.

The parties agree that, upon any day when the current Seller's Delivery Capacity (as stated by Seller to Buyer) exceeds Buyer's Requirements for such day, such excess may be used by Buyer at Buyer's option outside the Service Area, and the quantity so used shall be deducted from Seller's Gas Reserve designated in Section IIA(1) hereof, and shall be added to volumes of gas delivered to Buyer for Buyer's Requirements in determining the charges to Buyer for all gas delivered hereunder. Gas may be taken under this Section IIC whether or not gas is then being taken by Buyer under Section IIB hereof.

III. RESERVATIONS OF SELLER

Without impairment of Seller's Gas Reserve, Seller hereby expressly reserves the following rights with respect to gas in, or which may be produced from, the leaseholds and/or lands covered by this Agreement:

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(1) The right to use gas produced from said leaseholds and/or lands for the following purposes:

(a) For the development and operation of such leaseholds and/or lands owned by Seller and any other leaseholds and/or lands owned by Seller or in which Seller owns an interest located in the Kenai Unit Area.

(b) For delivery to the lessors in Seller's leases of the gas which such lessors are entitled to take under the terms of such leases.

(c) For the operation of the facilities which Seller may install in order to deliver gas hereunder in accordance with the terms hereof.

(d) For domestic use by Seller's employees employed in conducting operations in said Unit Area.

(e) For all other uses of Seller, including existing or future commitments of gas by Seller to others for any purpose whatsoever.

(2) Seller shall have the right at its option to extract, or cause to be extracted, liquefiable hydrocarbons from the gas delivered hereunder by means of processing in a plant to be located in the field or at any point along Buyer's transmission line; such right to process and extract, as herein reserved to Seller, being conditioned as follows:

(a) Not more than one such plant shall be constructed on Buyer's pipeline.

(b) The residue gas, after processing, shall have a total heating value of not less than 950 Btu's per cubic foot.

(c) Seller shall reimburse Buyer for the actual fuel consumed in the processing operation, and for a calculated amount sufficient to cover shrinkage.

(d) Seller shall provide such compression as may be necessary to make up any pressure drop resulting from such processing in excess of 50 psig.

(e) Seller shall furnish and pay the cost of installing block valves and by-pass valves required to effect delivery of gas to such plant and redelivery to the Buyer after processing.

(f) Seller agrees to indemnify and save Buyer harmless from all losses, damages and expenses which may occur or be asserted by reason of accident or occurrences resulting from Seller's operations in processing the gas delivered through the processing facilities.

IV. THIRD PARTY SALES

It is understood that with respect to natural gas in the State of Alaska, Marathon and Union are primarily engaged in exploration and production operations, the export of liquefied natural gas, the manufacture of products from and the processing

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of natural gas and sales of gas at or near the point of production or processing. Neither Marathon nor Union intends to transport gas to the Service Area, sell gas to others for resale within the Service Area or to distribute gas within the Service Area either directly through its own facilities or indirectly through facilities of any subsidiary or affiliate. It is further understood that Buyer, and its affiliated companies, are primarily engaged in the business of purchasing, transporting, distributing and reselling natural gas. The parties desire that there be continuing increases in the quantities of gas produced from Seller's Gas Reserve and resold by Buyer within the Service Area and accordingly the parties have agreed to the following:

(1) Subject to the terms and conditions hereinafter set forth in Paragraphs (4), (5) and (6) hereof, each seller agrees to sell gas for resale within the Service Area exclusively to Buyer during the term hereof.

(2) If during the term hereof, either seller hereunder considers selling gas produced in the State of Alaska to a third party for its use or consumption in the Service Area, but not for resale therein (and if such sale is not excluded from this Article IV by the provisions of Paragraph (5) below or excepted from this Article IV by the provisions of Paragraph (6) below), then, before a gas sales contract is signed with such third party, such seller shall notify Buyer in writing of all the terms and conditions of such proposed sale. Buyer shall thereupon have

the option for a period of ninety (90) days from receipt of such notice, to purchase such gas upon the same terms and conditions. The exercise of such option by Buyer shall be evidenced by written notice delivered to the seller, within the time specified. If the option is so exercised, Buyer shall then attempt in good faith to negotiate a resale of such gas to such third party. If a binding contract of sale of such gas from Buyer to such third party is not signed within ninety (90) days after such exercise of the option by Buyer, and if other gas is not available in sufficient quantity for purchase by such third party upon substantially the terms and conditions contained in the original notice, such seller may sell to such third party the quantity of gas specified in the original notice upon the terms and conditions contained in such notice. Any gas purchased pursuant to the exercise of such option may be resold, used or consumed by Buyer in the Service Area and in such event the quantity of gas thus resold, used or consumed shall be considered to be a part of Buyer's Requirements for the contract year in which such gas is delivered to Buyer and such quantity shall be considered to be produced from Seller's Gas Reserve.

(3) In the event the option is not exercised as above provided, the seller may complete such sale to such third party purchaser upon the terms and conditions set forth in the notice;

provided, however, from and after the commencement of deliveries of such gas to such third party purchaser, Buyer's obligations to such seller under the provisions of Paragraphs (1), (2) and (3) of Section A of Article II hereof shall be partially discharged as hereinafter provided by the purchase of gas by Buyer from any party other than such seller. The partial discharge of Buyer's obligations shall be effected only under the following procedure:

(a) within ten (10) days following the first full month during which deliveries of gas have been made to such third party purchaser, such seller shall notify Buyer in writing of the aggregate amount of gas so delivered to such purchaser. Such notice shall also set forth a "Maximum Annual Exempt Quantity of Gas" which shall be equal to the greater of (i) 15 times the first month's deliveries to such purchaser or (ii) the estimated deliveries for the first twelve (12) months of such contract. Provided, however, whenever the annual deliveries of gas to a third party purchaser are increased, said "Maximum Annual Exempt Quantity of Gas" shall be revised by such seller to conform to the actual deliveries of gas to such purchaser during

the current annual period with the effect that each revised "Maximum Annual Exempt Quantity of Gas" shall thereafter govern the rights of Buyer under the following Subparagraph 3(b).

(b) Buyer may thereafter purchase from any other seller, for delivery in any one or more of the twelve-month periods remaining under this Agreement, a quantity of gas equal to, or less than the "Maximum Annual Exempt Quantity of Gas" and the annual quantity of gas so purchased for delivery in any such twelve-month period shall be credited in such year as a part of Buyer's Requirements hereunder.

(c) Any quantity of gas to be credited as a part of Buyer's Requirements in compliance with the provisions of Subparagraph (b) of this Paragraph (3) shall be considered to be produced from Seller's Gas Reserve.

(4) Any partial relief from Buyer's obligations to purchase Buyer's Requirements as provided for in Paragraphs (2) and (3) above shall not affect the commitment of Buyer to purchase gas from the party seller who does not sell gas to such third party. This agreed result implements the acknowledged "separate

interest" of Union and Marathon referred to in Article XI of this Agreement.

(5) Paragraphs (1), (2) and (3) of this Article IV shall not be applicable with respect to any sale of gas by either seller to a third party unless prior to the signing of the contract for the sale of such gas such seller knows or has reasonable grounds to believe that the gas included in such sale will be resold, used or consumed within the Service Area.

(6) It is expressly agreed that Paragraphs (1), (2) and (3) of this Article IV shall never apply to (a) any sale, use or consumption of gas for or in connection with any operation for the production of oil or gas such as, but not limited to cycling, reservoir pressure maintenance or repressuring, gas lift operations or fuel for any pump, or other field facility, (b) any use or consumption of gas for or in connection with the liquefaction of gas, any manufacturing operation in which gas or any component thereof is a raw or finished product, or gas processing of any nature whether similar or not, by either or both sellers or any affiliate of either or both sellers and (c) sales of gas by either seller which do not exceed in the aggregate per year, as to each seller separately, the greater of: (i) 250,000 Mcf, or (ii) two percent (2%) of the highest aggregate quantity of gas sold by Buyer, its subsidiaries and affiliates, in the Service Area during 1967 or any year thereafter.

V. POINT OF DELIVERY

(1) The delivery point for the gas deliverable hereunder shall be at the upstream flange of Buyer's master meter located in Section 30, Township 5 North, Range 11 West, Kenai Peninsula Borough, Seward Base and Meridian, Alaska.

(2) Title to and ownership of such gas shall pass to and absolutely vest in Buyer at the point of delivery as aforesaid.

(3) As between the parties hereto, Seller shall be in control and possession of the gas deliverable hereunder and shall indemnify and hold Buyer harmless for any damage or injury caused thereby until the same shall have been delivered to Buyer, after which delivery Buyer shall be deemed to be in exclusive control and possession thereof and shall indemnify and hold Seller harmless for any injury or damage caused thereby.

VI. PRESSURE

(1) The gas to be delivered hereunder shall be delivered by Seller into Buyer's facilities against the pressure existing therein from time to time at said point of delivery; provided, however, that Seller shall not be required to deliver such gas at a pressure (a) in excess of nine hundred (900) pounds per square inch gauge prior to December 31, 1972; (b) in excess of seven hundred (700) pounds per square inch gauge from January 1, 1973 to December 31, 1975; nor (c) in excess of five

hundred (500) pounds per square inch gauge thereafter during the term hereof. Neither Seller nor Buyer shall be obligated to install or operate compression facilities in order to deliver or receive gas hereunder, but either Seller or Buyer may do so at its option.

(2) In the event, however, that the gas cannot be delivered at the aforesaid pressures, and if neither Seller nor Buyer installs or operates compression facilities; then either party, at its option, may terminate this contract after 30 days' written notice to the other party, unless such other party advises the party giving such termination notice within said 30-day period that it elects to take steps to meet such delivery pressures.

VII. PRICE

(1) Subject to the provisions of Paragraph (2) below, the prices to be paid by Buyer to Seller for gas delivered to Buyer hereunder shall be as follows:

First 8 billion cubic feet per year	25.0¢ per Mcf
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All additional volumes per year	17.0¢ per Mcf,
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provided, however, that the average price for all gas delivered in any year shall not be less than 21.0¢ per Mcf. Each of the above prices, including the average price, shall be increased 1.0¢ per Mcf effective January 1, 1974, an additional 2.0¢ per Mcf effective January 1, 1976, and an additional 3.0¢ per Mcf

effective January 1, 1981. From and after January 1, 1986, the average price for all gas delivered hereunder in any year thereafter shall be not less than the greater of (1) 27.0¢/Mcf, or (2) the "average delivered price f.o.b. the Kenai gas field, received by Seller, or each of the sellers in the aggregate, during the year commencing January 1, 1985 and ending December 31, 1985; From all new sales made to buyers other than the Buyer after January 1, 1972, in significant or substantial quantities", hereinafter called the "Average Third Party Price". For the purposes of clause (2) above the Average Third Party Price shall mean the aggregate proceeds on which royalty was calculated and paid from all such new sales to others during such year, divided by the total quantity of such gas so delivered; provided, however, the aggregate quantity of such deliveries and sales to others during the year commencing January 1, 1985 and ending December 31, 1985 shall be at least one-fourth (1/4) of the quantity of gas delivered to Buyer hereunder during such year.

(2) Any sales, transactions, occupation, service, production, severance, gathering, transmission, export or exercise tax, assessment or fee levied, assessed or fixed by the United States or any State or other governmental authority and taxes of a similar nature or equivalent in effect (not including income, excess profits, capital stock, franchise or general

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property taxes) in addition to or greater than those, if any, being levied, assessed or fixed on May 13, 1960, in respect of or applicable to the natural gas to be delivered by Seller to Buyer hereunder and which Seller may be liable for during any month either directly or indirectly through any obligation to reimburse others, are hereinafter collectively referred to as "additional tax". It is expressly understood and agreed between the parties that so long as the additional tax shall be in effect Buyer shall reimburse Seller for all such additional tax. In the event all or any part of such liability of Seller is not determined or not determinable by the end of any month, then such additional amount required in respect of such liability not determined or determinable shall be set forth for all such months in any calendar year in a statement to be rendered by Seller to Buyer by April 1 of the following calendar year and Buyer shall pay the amount due pursuant to such statement on or before May 1 of such following calendar year.

VIII. TERM

This Gas Purchase Contract shall continue and remain in full force and effect for a term ending December 31, 1992; provided, however, in the event Seller has after the effective date hereof and prior to December 31, 1992, sold and delivered to Buyer hereunder a maximum total quantity of gas equal to Seller's Gas Reserve as defined in Section IIA(1) hereof, then this Contract

shall thereupon terminate unless there remain additional reserves which have been committed to Buyer by Seller. In such latter event, this Contract shall remain in effect until the expiration of such term, or delivery of such additional reserves, whichever occurs first. None of the covenants or agreements made in this Contract shall survive the expiration of the term hereof.

IX. ADDRESSES

Until Buyer is otherwise notified in writing by Union, the address of Union is and shall remain as follows:

Union Oil Company of California
909 West Ninth Street
Anchorage, Alaska ~~99503~~ 99501

and, unless Buyer is otherwise notified in writing by Marathon, the address of Marathon is and shall remain as follows:

Marathon Oil Company
P. O. Box 2380
Anchorage, Alaska 99501

and, unless Seller is otherwise notified in writing by Buyer, the address of Buyer is and shall remain as follows:

Alaska Pipeline Company
P. O. Box 6554
Houston, Texas 77005

All notices required to be given in writing hereunder shall be given to the respective parties at such addresses or such other addresses as the parties respectively shall designate by written notice, and all notices required herein to be given to Seller shall be given to both Union and Marathon.

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X. MISCELLANEOUS

(1) No waiver by either party hereto of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or of a different character.

(2) This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the respective parties hereto, and shall constitute a covenant running with the lands and leasehold estates covered hereby. Seller and Buyer both agree that no sale or transfer of said properties of Seller or any part thereof or of all or substantially all of Buyer's said system shall be made unless the purchaser or transferee thereof shall assume and agree to be bound by this Agreement insofar as the same shall effect and relate to the property or interest sold or conveyed. It is agreed, however, that nothing contained in this paragraph shall in any way prevent either party hereto from pledging or mortgaging its rights hereunder for security of its indebtedness.

(3) Each of the parties hereto agrees to proceed with diligence in a good faith effort to obtain and maintain in good standing such governmental authorization, certificates and franchises as may be necessary to enable it to perform its other obligations under this Agreement.

(4) Seller grants to Buyer, so far as Seller has the right to do so, right-of-way on the leases and lands covered by this Agreement for Buyer's gathering pipe line and such other equipment as may be necessary, with full right of ingress and egress to and from said premises, and the further right to do thereon acts necessary or convenient for the carrying out of the terms of this Agreement.

XI. USE OF TERM "SELLER"

The term "Seller" is used collectively herein to refer to Union Oil Company of California and Marathon Oil Company solely for purposes of convenience, and it is the specific intent of the parties hereto that each has executed this Agreement and has contracted herein independently and to the extent of its separate interest only. It is understood that each seller company presently owns and holds an equal undivided interest in the gas to be sold under this contract and that, until further written notice from both of said companies, payment for gas delivered hereunder will be made by Buyer in equal amounts, one half of such payment to Union and one half to Marathon.

It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this Agreement contained, expressed or implied, nor any operations conducted hereunder, shall create or be deemed to have

created a partnership or association between the parties hereto or any of them.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment of Gas Purchase Contract to be executed this

15 day of June, 1971.

UNION OIL COMPANY OF CALIFORNIA

By *Herbert S. [unclear]*

WFS
Its Attorney-in-fact

MARATHON OIL COMPANY

ATTEST:

By *R. E. McMillan*

WFS
Vice President

J. M. [unclear]
ASSISTANT SECRETARY

SELLER

ALASKA PIPELINE COMPANY

ATTEST:

By *[unclear]*

Vice President

J. H. [unclear]
Assistant Secretary

RECEIVED

BUYER

JUN 24 1971

State of Alaska
Public Utilities Commission

EXHIBIT A

Attached to and incorporated in Gas Purchase Contract, dated January 1, 1972, between UNION OIL COMPANY OF CALIFORNIA, hereinafter referred to as "Union", and MARATHON OIL COMPANY (formerly The Ohio Oil Company), hereinafter referred to as "Marathon", both companies hereinafter referred to collectively as "Seller", and ALASKA PIPELINE COMPANY, hereinafter referred to as "Buyer".

GENERAL TERMS AND CONDITIONS

A. MEASURING STATION

1. Buyer shall install, maintain and operate, at Buyer's own expense, at or near the point of delivery, a measuring station properly equipped with orifice meters, flange connections, orifice plates and other necessary equipment by which the volume of gas delivered hereunder shall be measured, and Seller, to the extent that Seller has the right to do so, hereby, grants to Buyer the right to install, maintain and operate such equipment. Volumes shall be computed and orifice meters shall be installed, maintained and operated as prescribed by the American Gas Association in Gas Measurement Committee Report Number 3, including the appendix thereto, as published April, 1955, and any subsequent amendments, additions or changes thereto as may be made from time to time by the A.G.A. Gas Measurement Committee. Seller shall have access to such metering equipment at reasonable hours, but the reading, calibrating and adjusting thereof and the changing of charts shall be done only by Buyer.

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2. Seller shall install, maintain and operate, at its own expense such pressure regulators and check measuring equipment as it shall desire, so installed as not to interfere with the operation of Buyer's measuring equipment. Buyer shall have access to such check measuring equipment at reasonable hours, but the reading, calibrating and adjusting thereof and the

3. Each party shall have the right to be present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with the other's measuring equipment used in measuring deliveries hereunder. The records from such measuring equipment shall remain the property of their owner, but upon request each will submit to the other its record and charts, together with calculations therefrom, for inspection and verification, subject to return within ten (10) days after receipt thereof.

4. In the event a meter is out of service, or registering inaccurately, the volume of gas delivered hereunder shall be estimated;

(a) By using the registration of any check meter or meters if installed and accurately registering, or in the absence of (a):

(b) By correcting the error if the percentage of error is ascertainable by calibration, test, or mathematical calculation or, in the absence of both (a) and (b), then:

(c) By estimating the quantity of delivery by deliveries during periods under similar conditions when the meter was registering accurately. **AGO 570412**

5. At least once each month Buyer shall verify the accuracy of Buyer's measuring equipment and Seller shall verify the accuracy of its check measuring equipment. If either party shall notify the other that it desires a special test of any measuring equipment, the parties shall cooperate to secure a prompt verification of the accuracy of such equipment. If either party at any time observes a variation between the delivery meter and the check meter, it will promptly notify the other party thereof and both parties will then cooperate to secure an immediate verification of the accuracy of such equipment. Each party shall give to the other notice of the time of all tests of meters reasonably in advance of the holding of such tests in order that the other

6. If, upon test, any measuring equipment is found to be in error not more than two per cent (2%), previous records of such equipment shall be considered accurate in computing deliveries hereunder; but such equipment shall be adjusted at once to record correctly. If, upon test, any measuring equipment shall be found to be inaccurate by an amount exceeding two per cent (2%), at a recording corresponding to the average hourly rate of flow for the period since the last preceding test, then any previous recordings of such equipment shall be corrected to zero error for any period which is known definitely or agreed upon, but in case the period is not known definitely or agreed upon such correction shall be for a period extending over one-half of the time elapsed since the date of last test, not exceeding a correction period of sixteen (16) days.

7. Each party shall preserve for a period of at least two (2) years all test data, charts and other similar records.

B. MEASUREMENTS

1. The sales unit of the gas deliverable hereunder shall be one (1) MCF of gas.

2. The volume of the gas delivered hereunder shall be determined as follows:

(a) The unit of volume for the purpose of measurement shall be one cubic foot of gas at a base temperature of sixty (60) degrees Fahrenheit and at a pressure of fourteen and sixty-five hundredths (14.65) pounds per square inch absolute with correction for deviation from Boyle's Law. Computation of volumes shall be in accordance with applicable rules, regulations and orders promulgated by a recognized regulatory body.

(b) The average absolute atmospheric pressure shall be assumed to be fourteen and seven-tenths (14.7) pounds to the square inch, irrespective of actual elevation

location of the point of delivery above sea level or variations in such atmospheric pressure from time to time.

(c) The deviation of the gas from Boyle's Law at the pressures, temperatures, and specific gravities under which the gas is delivered hereunder, shall be read from the A.G.A. convenient operating tables of "Supercompressibility Factors for Natural Gas", without adjustment of diluents, which have been developed from the basic tables contained in the A.G.A. Gas Measurement Committee Report No. 3.

(d) The temperature of the gas passing the meters shall be determined by the continuous use of a recording thermometer so installed by Buyer that it may properly record the temperature of the gas flowing through the meters. The arithmetical average of the hourly temperature readings recorded each twenty-four (24) hour day shall be used in computing gas volumes for that date.

(e) Unless the parties hereto agree to the use of a spot test method, the specific gravity of the gas delivered hereunder shall be determined by the continuous use of an Acme recording gravitometer, or other standard gravitometer agreed upon by the parties hereto, so installed that it may properly record the specific gravity of the gas flowing through the meters. The arithmetical average of the specific gravity recorded during each twenty-four (24) hour day shall be used in computing gas volume for that date. If the parties hereto agree to the use of a spot test method, such spot test shall be made with an Edwards type of gas balance, or by such other method as shall be agreed upon between the parties. If the spot test method is used, the specific gravity of the gas delivered hereunder shall be determined once monthly, or as much oftener as is found necessary in practice. The regular monthly test shall

natural gas delivered, until the end of such month or until changed by special test; the special test to be applicable from the day made through the remaining days in such month.

C. QUALITY OF GAS

1. Seller agrees that:

(a) The gas delivered hereunder shall have a total heating value of not less than nine hundred and fifty (950) British thermal units per cubic foot. If at any time Seller shall become unable to produce gas possessing at least such total heating value, Buyer shall have the option from time to time to refuse to accept the part of Seller's gas which is so deficient so long as said heating value remains below nine hundred and fifty (950) British thermal units per cubic foot. In the event Buyer accepts delivery of said gas when the heating value thereof is below nine hundred and fifty (950) British thermal units per cubic foot, Buyer may reduce the total amount payable as the purchase price for gas delivered under this contract for each month during which such deficiency obtains by an amount determined by multiplying such total amount by a fraction having as its numerator the average deficiency of British thermal units per cubic foot of gas below nine hundred and fifty (950) and its denominator nine hundred and fifty (950).

(b) Buyer shall have the right to determine, at such time or times as it may desire, the total heating value of the gas in British thermal units per cubic foot by means of some approved method of general use in the industry. Buyer shall give to Seller notice of the time of all tests for determining the British thermal unit content of the gas to be conducted by such party reasonably in advance of making

the test in order that the other party may conveniently have its representative present. Should there be any material variance between tests by Buyer and Seller, a joint test will be run and will be controlling, effective from the first day of the calendar month preceding such joint test. The British thermal unit content per cubic foot shall be determined for a cubic foot of gas at a temperature of sixty degrees (60°) Fahrenheit when saturated with water vapor and at an absolute pressure equivalent to thirty inches (30") of mercury at thirty-two degrees (32°) Fahrenheit when the products of combustion are cooled to the initial temperature of gas and air and when the water formed by combustion is condensed to the liquid state.

2. Seller agrees that the gas delivered hereunder:

(a) Shall not contain more than one (1) grain of hydrogen sulphide per one hundred (100) cubic feet of gas as determined by the Tutwiler test or some other quantitative test, mutually agreeable to the parties hereto, after the presence of hydrogen sulphide has been indicated by qualitative test.

(b) Shall not contain more than twenty (20) grains of total sulphur per one hundred (100) cubic feet of gas.

(c) Shall not contain in excess of:

(i) Three per cent (3%) by volume of carbon dioxide;

(ii) One per cent (1%) by volume of Oxygen.

(d) Shall have a temperature of not more than one hundred twenty degrees (120°) Fahrenheit.

(e) Shall not contain more than four (4) pounds of water per one million (1,000,000) cubic feet of gas.

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3. In addition to meeting the above specifications, the gas delivered hereunder shall be commercially free from dust, gums, gum forming constituents, or other liquid or solid

matter which might become separated from the gas in the course of transportation through pipelines.

4. In the event Buyer shall exercise its option to refuse to accept that part of Seller's gas not meeting any of the above quality specifications, Seller shall be free to sell such rejected gas to others.

D. STATEMENTS AND PAYMENTS

1. On or before the fifteenth (15th) day of each calendar month after deliveries of gas are commenced hereunder, Buyer shall render a statement to Seller showing the amount of gas delivered hereunder during the last preceding calendar month. Buyer agrees to make payment to Seller on or before the twenty-fifth (25th) day of each calendar month for all gas delivered or for which any payment is due hereunder for the preceding month.

2. Each party shall have the right at reasonable times to examine the books, records and charts of the other party to the extent necessary to verify the accuracy of any statement, charge or computation made pursuant to the provisions of any Article hereof. If any such examination reveals any inaccuracy in such billing theretofore made, the necessary adjustment in such billing and payments shall be promptly made; provided that no adjustment for any billing or payment shall be made after the lapse of one (1) year from the rendition thereof.

E. FORCE MAJEURE

AGO 570417

1. In the event of either party hereto being rendered unable, wholly or in part, by force majeure to carry out its obligations under this Agreement, other than to make payments theretofore accrued hereunder, it is agreed that on such party giving notice and full particulars such force majeure in writing or by telegraph to the other party as soon as possible after the

they are affected by such force majeure, shall be suspended during the continuance of any inability so caused but for no longer period, and such cause shall as far as possible be remedied with all reasonable dispatch. The term "force majeure" as employed herein means an occurrence not within the control of the party claiming force majeure and which by the exercise of due diligence such party is unable to prevent or overcome, and, subject to the exercise of due diligence to prevent or overcome, such occurrence shall include acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests, and restraints of governments and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, the necessity for making repairs to or alterations of machinery or lines of pipe, freezing of wells or lines of pipe, partial or entire failure of wells or sources of supply of gas, any act or omission by parties not controlled by the party having the difficulty, any act or omission (including failure to take gas) of a purchaser of gas from Buyer which is excused by any event or occurrence of the character herein defined as constituting force majeure, and any other causes, whether of the kind herein enumerated or otherwise, not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome; such term shall likewise include (a) in those instances where either party hereto is required to obtain servitudes, rights of way grants, permits or licenses to enable such party to fulfill its obligations hereunder, the inability of such party to acquire, or the delays on the part of such party in acquiring, at reasonable cost and after the exercise of reasonable diligence, such servitudes, rights of way grants, permits or licenses, and (b) in those instances where either party hereto is required to furnish materials and supplies for the purpose of constructing or maintaining facilities or is required to secure permits or permission from any governmental agency to enol

such party to fulfill its obligations hereunder, the inability of such party to acquire, or the delays on the part of such party in acquiring, at reasonable cost and after the exercise of reasonable diligence, such materials and supplies, permits and permissions. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the party having the difficulty, and that the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of opposing party when such course is inadvisable in the discretion of the party having the difficulty.

F. WARRANTY OF TITLE

Seller hereby warrants the title to all gas delivered by Seller to Buyer under this Agreement, the right to sell the same and that it is free from all liens and adverse claims, and agrees, if notified thereof by Buyer, to indemnify Buyer against all suits, actions, debts, accounts, damages, costs, losses, and expenses arising from or out of any adverse legal claims of any and all persons to or against said gas. Seller agrees to pay or cause to be paid all taxes and assessments levied on the gas prior to its delivery to Buyer (subject to reimbursement as provided in Article VII of this Gas Purchase Contract), and to pay or cause to be paid to the parties entitled thereto all royalties, overriding royalties or like charges against said gas or the value thereof. In the event any adverse claim of any character whatsoever is asserted in respect to any of said gas, Buyer may retain the purchase price thereof up to the amount of such claim without interest until such claim has been finally determined, as security for the performance of Seller's obligations with respect to such claim under this Section F, or until Seller shall have furnished bond to Buyer, in an amount and with sureties satisfactory to Buyer, conditioned for the protection of Buyer with respect to such claim.

G. REGULATORY BODIES

This Agreement is subject to all present and future valid orders, rules, and regulations of any regulatory body having jurisdiction. In the event any provision of this Agreement shall violate any applicable Federal or State law or valid applicable rule or regulation of Federal or State regulatory bodies having jurisdiction, then such provision shall be of no force and effect so long, and only so long, as it is in violation thereof, but the remainder of the agreement shall be valid and effective as though such provision or provisions had not been included herein..

H. OPERATION OF PROPERTIES

Seller shall have agents or employees available at all times to receive Buyer's dispatchers' requests for changes in rates of delivery of gas hereunder as required by Buyer from time to time.

EXHIBIT D

UNSURVEYED LANDS:

PARCEL 1: Beginning at the northeast corner of surveyed Section 1, Township 4 North, Range 12 West, S.M. Alaska; thence South 1.5 miles; thence East 1.0 mile; thence North 1.5 miles; thence West 1.0 mile to the point of beginning; which when surveyed will probably be:

TOWNSHIP 4 NORTH, RANGE 11 WEST, S.M.:

Section 6: All

Section 7: North 1/2 - (960 acres; more or less)

The above described parcel of land being covered by that certain United States Oil and Gas Lease issued effective 10/1/58 and bearing serial register number A-028142, and which is included in the Kenai Unit area, Third Judicial Division, State of Alaska, No. 14-08-001-6367, dated 5/1/59.

SURVEYED LANDS:

PARCEL 2: TOWNSHIP 4 NORTH, RANGE 12 WEST, S.M.:

Section 1: Lots 1, 2, 4, 5, and
E 1/2 E 1/2 - (249.20 acres)

Section 12: North 1/2 - (134.40 acres)

The above described parcel of land being covered by certain United States Oil and Gas Lease issued effective 11/1/58 and bearing serial register number A-028143, and which is included in the Kenai Unit area, Third Judicial Division, State of Alaska, No. 14-08-001-6367 dated 5/1/59.

PARCEL 3: (a) TOWNSHIP 5 NORTH, RANGE 11 WEST, S.M.:

Section 29: West 1/2 - (320.00 acres)

Section 30: Lots 5, 6, 7, 8, 9, 11, 12, 13, 14, 15 - and E 1/2 -
(372.23 acres)

The above described parcel of land being covered by that certain United States Oil and Gas Lease issued effective 10/1/55 and bearing serial register number A-028056, and which is included in the Kenai Unit area, Third Judicial Division, State of Alaska, No. 14-08-001-6367, dated 5/1/59.

(b) TOWNSHIP 5 NORTH, RANGE 11 WEST, S.M.:

Section 30: Lots 3 and 10 - (26.71 acres)

The above described parcel of land being covered in fee Oil and Gas Lease by and between Union Oil Company of California, as Lessee, and L. B. Edelman, et ux, as Lessor, dated 2/28/59, and which is included in the Kenai Unit area, Third Judicial Division, State of Alaska, No. 14-08-001-6367, dated 5/1/59.

(c) TOWNSHIP 5 NORTH, RANGE 11 WEST, S.M.:

Section 30: Lot 16 - (5.09 acres)

The above described parcel of land being covered by fee Oil and Gas Lease by and between Union Oil Company of California, as Lessee, and C. E. Johnson, as Lessor, dated 3/21/59, and which is included in the Kenai Unit area, Third Judicial Division, State of Alaska, No. 14-08-001-6367, dated 5/1/59.

PARCEL 4:(a) TOWNSHIP 5 NORTH, RANGE 11 WEST, S.M.:

Section 31: Lots 3, 4, 5, 7, 8, 10, and E 1/2 - (404.72 acres)

Section 32: West 1/2 - (320.00 acres)

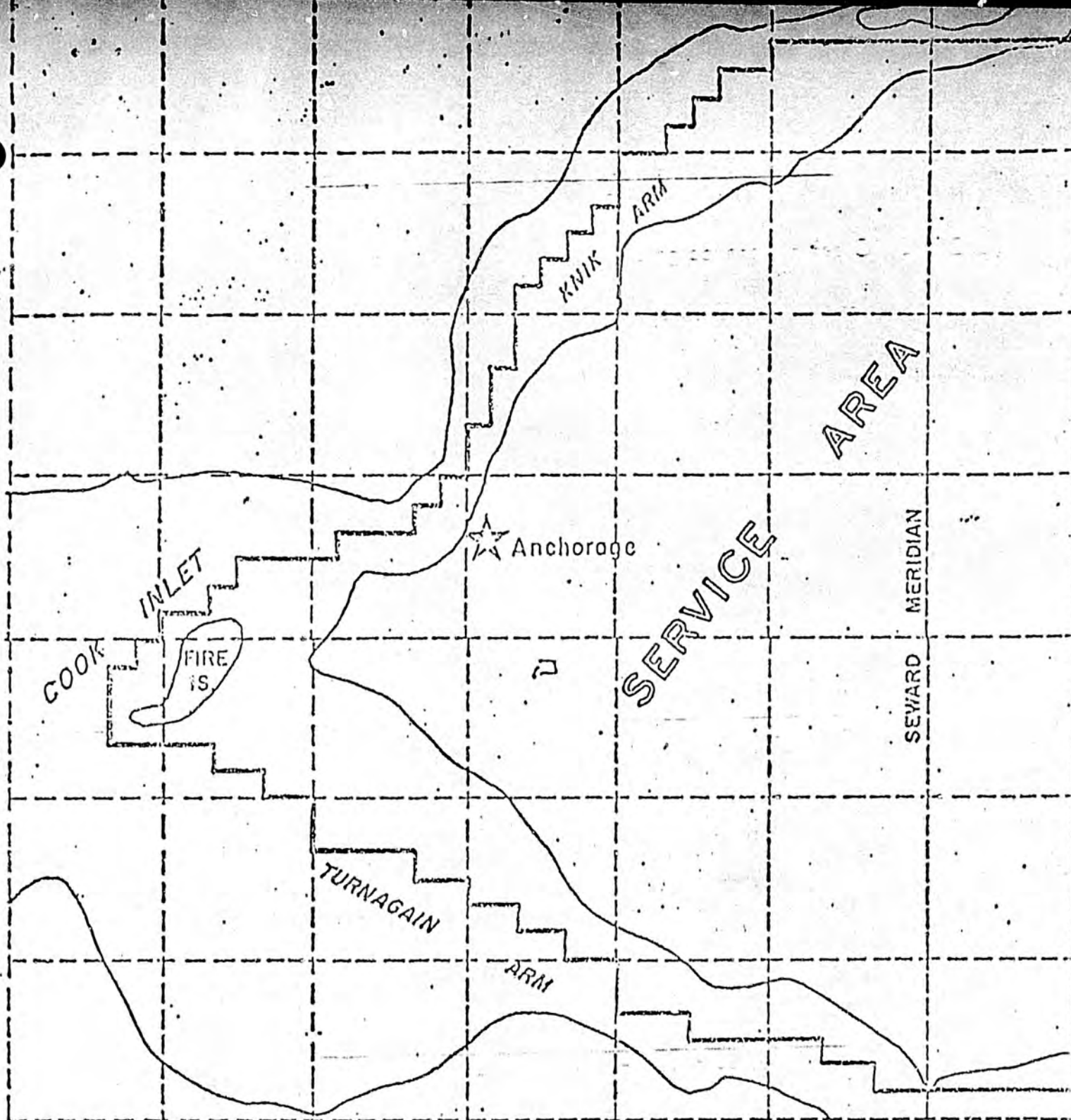
The above described parcel of land being covered by that certain United States Oil and Gas Lease issued effective 10/1/55 bearing serial register number A-028055, and which is included in the Kenai Unit area, Third Judicial Division, State of Alaska, No. 14-08-001-6367, dated 5/1/59.

(b) TOWNSHIP 5 NORTH, RANGE 11 WEST, S.M.:

Section 31: Lot 6 - All - (5.19 acres)

The above described parcel of land being covered by fee Oil and Gas Lease by and between Union Oil Company of California, as Lessee, and R. L. Schmidt, as Lessor, dated 3/20/59, and which is included in the Kenai Unit area, Third Judicial Division, State of Alaska, No. 14-08-001-6367, dated 5/1/59.

and containing in the aggregate, 2,797.54 acres, more or less.



SERVICE AREA

BOUNDARIES OF "SERVICE AREA"

Referred to in Amendment of Gas Purchase Contract dated January 1, 1972
to, and thereby added to and made a part of, Gas Purchase Contract dated
by 13, 1960 between

UNION OIL COMPANY OF CALIFORNIA, and
MARATHON OIL COMPANY (formerly THE OHIO OIL COMPANY)
"Seller"
and
ALASKA PIPELINE COMPANY
"Buyer"

AGO 570423

EXHIBIT

EXHIBIT C-1

Attached to Amendment to Gas Purchase Contract dated January 1, 1972, and thereby added to and made a part of Gas Purchase Contract dated May 13, 1960, between UNION OIL COMPANY OF CALIFORNIA and MARATHON OIL COMPANY (formerly THE OHIO OIL COMPANY), "Seller", and ALASKA PIPELINE COMPANY, "Buyer".

DESCRIPTION OF SERVICE AREA

The limits or boundaries of the "Service Area" are more particularly described from a point of beginning at the Southeast Corner of projected Section 25, T10N, R1E in the east Range Line of said Township, a point about in the middle of Turnagain Arm, and running along projected Section lines generally west-northwesterly through about the middle of Turnagain Arm to the Southwest Corner of projected Section 23, T12N, R6W, thence north to the Northwest Corner of projected Section 11, T12N, R6W, thence along projected Section lines generally northeasterly through about the middle of Knik Arm to the Northeast Corner of projected Section 13, T16N, R1E in the east Range Line of said Township, thence south along said Range Line to the point of beginning. The area encompassed within the above boundaries constitutes the "Service Area" and is comprised of surveyed and projected sections as follows:

T10N - R1E	Sections 1-30
T10N - R1W	Sections 1-18, 21-26
T10N - R2W	Sections 1-15
T11N - R1E	All Sections
T11N - R1W	All Sections
T11N - R2W	All Sections
T11N - R3W	Sections 1-28, 35-36
T11N - R4W	Sections 1-14

T12N - R1E	All Sections
T12N - R1W	All Sections
T12N - R2W	All Sections
T12N - R3W	All Sections
T12N - R4W	All Sections
T12N - R5W	Sections 1-28, 35-36
T12N - R6W	Sections 1, 11-14, 23-24
T13N - R1E	All Sections
T13N - R1W	All Sections
T13N - R2W	All Sections
T13N - R3W	All Sections
T13N - R4W	Sections 1, 11-17, 19-36
T13N - R5W	Sections 22-28, 31-36
T14N - R1E	All Sections
T14N - R1W	All Sections
T14N - R2W	All Sections
T14N - R3W	Sections 1-4, 9-17, 20-36
T15N - R1E	All Sections
T15N - R1W	All Sections
T15N - R2W	All Sections
T15N - R3W	Sections 13, 23-27, 33-36
T16N - R1E	Sections 13-36
T16N - R1W	Sections 13-36
T16N - R2W	Sections 23-27, 33-36

The Section Numbers given above are inclusive in denoting those Sections lying within the "Service Area" boundaries.

All Townships and Ranges noted in the above description and notation are those from the Seward Base Meridian, State of Alaska.

1/1/75 Amend-
ment

UNIT 75

Robert T. Anderson
District Land Manager

January 29, 1975

Alaska Public Utilities Commission
1100 McKay Building
338 Denali Street
Anchorage, Alaska 99501

Director
Division of Lands
323 East Fourth Avenue
Anchorage, Alaska 99501

Supervisor
U.S.G.S.
Oil and Gas Operations
P. O. Box 259
Anchorage, Alaska 99501

RE: AMENDMENTS TO GAS
PURCHASE AGREEMENTS

Gentlemen:

Enclosed for your records are copies of the following Amendments to Gas Purchase Agreements.

1. Amendment to Gas Purchase Agreement for Sterling Unit Area dated September 17, 1962.
2. Agreement to Amend and modify Gas Purchase Agreement Sterling Unit Area, dated November 1, 1973.
3. Amendment of Gas Purchase Contract Kenai Unit, Kenai Gas Field Contract effective date, January 1, 1975.

Very truly yours,


Robert T. Anderson

RECEIVED
A.P.U.C.

JUN 31 9 24 AM '75

enclosures

AGO 570426



ALASKA PIPELINE COMPANY

P. O. BOX 6288
ANCHORAGE, ALASKA 99502

3000 SPENARD ROAD
PHONE (907) 277-5551

January 23, 1975

Alaska Public Utilities Commission
1100 MacKay Building
338 Denali Street
Anchorage, Alaska 99501

Gentlemen:

December 17, 1974 letter

The enclosed letter agreement with our suppliers at the Kenai gas field should be filed and become part of the contract amendment which we filed with you last week. It substantiates the final arrangements we made last month with the suppliers in connection with the amended contract.

Very truly yours,

Dale Teel
Dale Teel
President

DT:lv
Enclosure

RECEIVED
A.P.U.C.

JAN 27 10 03 AM '75

AGD 570427



W. L. Bradford
Regional Gas Manager

December 17, 1974

Alaska Pipeline Company
P. O. Box 6288
Anchorage, AK 99501

ATTN: Mr. Dale Teel

Gentlemen:

Reference is made to that certain Amendment of Gas Purchase Contract (the "Amendment") to be effective the 1st day of January, 1975. We have mutually agreed to certain additional considerations described below. Now therefore Union Oil Company of California (Union) and Marathon Oil Company (Marathon), both companies hereinafter collectively called "Seller" and Alaska Pipeline Company hereinafter called "Buyer" agree as follows:

1. "Special Delivery Capacity" and "Special Deliverability Charge" as set forth in the Amendment are modified to provide (a) Seller shall provide and maintain Special Delivery Capacity during the period commencing July 1, 1975 and ending December 31, 1975, of not less than 140,000 MCF per day and during the period commencing January 1, 1976 and ending December 31, 1985, of not less than 160,000 MCF per day; and (b) the Special Deliverability Charge as set forth in Section 3.1 of the Amendment is suspended until July 1, 1975. On July 1, 1975, said Special Deliverability Charge as provided in said Amendment shall commence and continue for a period ending June 30, 1986.
2. If, during any one of the three (3) calendar years commencing January 1, 1975 and ending December 31, 1977, Alaska Pipeline Company loses significant volumes of gas sales used in

AGO 570428

December 17, 1974

2. (Continued)

the present contracts for generating wholesale electrical power then at Buyer's election and upon notification by Buyer setting forth full particulars, Union and Marathon shall at the end of any such calendar year release Alaska Pipeline Company from its Take or Pay obligation under the Amendment for a volume of gas equivalent to the wholesale electrical power volume loss sustained by Alaska Pipeline Company (less any gas purchased from other than Seller); but such release shall not exceed a total volume of 6.5 billion CF of gas (less any gas purchased from other than Seller) in any one such year. Concurrent with the release of Take or Pay obligation described above, "Seller's Gas Reserves" as set forth in the Amendment shall likewise be reduced by an equal volume.

If you agree to the foregoing, please so indicate by your signature in the space provided hereunder.

Very truly yours,

UNION OIL COMPANY OF CALIFORNIA *WDB*

By

John R. Jones
Its Attorney-in-fact

MARATHON OIL COMPANY

By

R. E. McMillon
Senior Vice PresidentSELLER *WDB*
WDB
*WDB*AGREED December 18, 1974

ALASKA PIPELINE COMPANY

By

Alaska Pipeline

BUYER

AGO 570429