

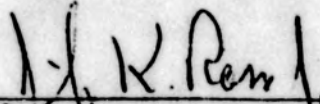
ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672

1013 SCOMM 28: JOINT GAS PIPELINE COMMITTEE, 1981-82 1013

IN WITNESS WHEREOF, the parties have executed this agreement on the dates noted.

MERRILL LYNCH WHITE WELD
CAPITAL MARKETS GROUP

LEGISLATIVE AFFAIRS AGENCY
(By direction of the
Executive Director)


JEREMIAH K. ROSS, JR. 12/28/1978
Managing Director Date


GREGG K. ERICKSON 1/5/79
Date

Approved as to form:


AGENCY LEGAL COUNSEL 1/5/79
Date

FY 79

CONTRACT BETWEEN
STATE OF ALASKA
LEGISLATIVE AFFAIRS AGENCY
AND
THE DOSCHERS GROUP, INC.

The parties to this agreement are the LEGISLATIVE AFFAIRS AGENCY, Pouch Y, Juneau, Alaska 99811, hereinafter referred to as the "Agency", and THE DOSCHERS GROUP, INC., 8948 Wonderland Park Avenue, Los Angeles, California 90046, hereinafter referred to as the "Contractor".

THE PURPOSE OF THIS AGREEMENT is to provide, through the Agency, professional consulting services in oil and gas reservoir analysis to the Alaska State Legislature.

IT IS THEREFORE MUTUALLY AGREED THAT:

CLAUSE I. - STATEMENT OF WORK

The Contractor shall act as an independent technical advisor to the legislature on matters related to oil and gas reservoir management policy, and shall assist in maintaining technical liaison between the Agency and other state agencies or consultants involved with reservoir management issues.

CLAUSE II. - SUBCONTRACTS

The Contractor may, with prior approval of the Project Director, subcontract for services necessary to carry out the work described in Clause I of this agreement.

CLAUSE III. - PERIOD AND DATES OF PERFORMANCE

- A. This contract shall have retroactive effect to 1 July 1978, and work under this contract shall be accomplished between that date and 30 June 1979.
- B. This contract terminates on 30 June 1979 unless terminated earlier in accordance with (C) of this clause.
- C. This contract may be terminated on written notice of the terminating party to the terminated party at the address stated in this agreement.

CLAUSE IV. - PROJECT DIRECTOR

The Project Director shall be Gregg K. Erickson, Director of Research, Legislative Affairs Agency.

CLAUSE V. - COMPENSATION AND METHOD OF PAYMENT

- A. Contractor shall be compensated for the services of Contractor's principal, Dr. Todd Doscher, at the rate of \$360 per day.
- B. In the event Contractor wishes to make use of other professional staff for work under this contract, the written approval of the Project Director shall first be obtained, and an amendment to this contract covering compensation for the other professional staff shall be agreed to and executed by the Agency and the Contractor.
- C. The Contractor shall submit time statements with each billing on which there shall be certified the time worked under this contract, the subject of the work, and the starting and ending time of the work.
- D. The costs of travel approved in advance by the Project Director shall be reimbursable to the Contractor on the basis of state per diem rates and coach class air fare.
- E. The Contractor shall obtain specific authorization from the Project Director before providing services or incurring travel expenses under this contract, the aggregate obligation of which would exceed \$1000 in any calendar month.
- F. Total compensation for work performed under this contract, inclusive of travel costs, shall not exceed \$20,000.

CLAUSE VI. - REPORTS

The Contractor shall keep the Project Director informed as to the progress of the work performed under this agreement and shall provide progress reports as specified by the Project Director.

CLAUSE VII. - OFFICE SPACE, EQUIPMENT, CLERICAL SUPPORT

Office space, equipment and clerical support to the Contractor that will be necessary to carry out the Contractor's obligations under this contract shall be supplied by the Contractor at no cost to the Agency.

CLAUSE VIII. - RECORDS, DOCUMENTS, AUDIT

The Contractor shall maintain accurate records, including detailed time records, as may be required by the Agency. The records are subject to inspection by the Agency at all reasonable times. All documents, reports and writings produced in the course of the work performed under this contract are, upon delivery to the Agency or at termination of this agreement, the property of the Agency.

CLAUSE IX - CONFLICT OF INTEREST

The Contractor affirms that it and its principal, Dr. Todd Doscher, are not now engaged in any professional business relationship with any firm holding an interest in the Prudhoe Bay Field or with any firm associated with the proposed Alaska Natural Gas Transportation System, and undertakes not to enter into any such relationship prior to the termination of this contract.

CLAUSE X. - ALL WRITINGS CONTAINED HEREIN

This agreement contains all the terms and conditions agreed upon by the parties. No other understandings, oral or otherwise, regarding the subject matter of this agreement shall be deemed to exist or to bind either of the parties of this agreement.

IN WITNESS WHEREOF, the parties have executed this agreement on the dates indicated.

THE DOSCHERS GROUP, INC.


TODD M. DOSCHER

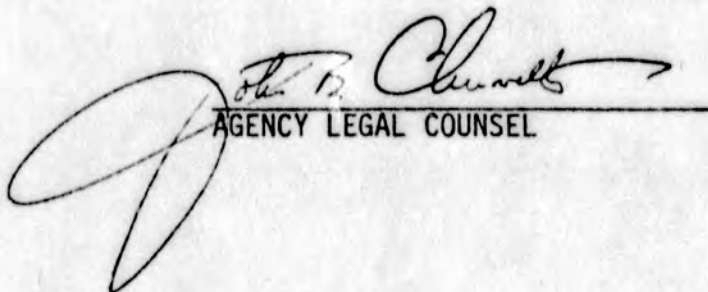
Date

LEGISLATIVE AFFAIRS AGENCY
(By direction of the Executive Director)


GREGG K. ERICKSON

8/15/78
Date

Approved as to form:


AGENCY LEGAL COUNSEL

8/15/78
Date

**PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT**

FY 79
Acct. #203
\$20,000

CONTRACT BETWEEN

STATE OF ALASKA
LEGISLATIVE AFFAIRS AGENCY
Pouch Y
Juneau, Alaska 99811

AND

ARCTIC ENVIRONMENTAL INFORMATION AND DATA CENTER
UNIVERSITY OF ALASKA
707 A Street
Anchorage, Alaska 99501

The parties to this agreement are the LEGISLATIVE AFFAIRS AGENCY, hereinafter referred to as the "AGENCY", and the ARCTIC ENVIRONMENTAL INFORMATION AND DATA CENTER, hereinafter referred to as the "Contractor".

THE PURPOSE OF THIS AGREEMENT is to assist the Alaska State Legislature and its Joint Gas Pipeline Financing Committee in evaluating the current status of unresolved technical concerns in relation to construction of the proposed Alaska Highway gas pipeline.

IT IS THEREFORE MUTUALLY AGREED THAT:

CLAUSE I - STATEMENT OF WORK

The Contractor shall provide the services described in the attached proposal (Attachment A) which is incorporated herein by this reference as though set out in full. If any conflict should exist between the provisions of this contract and the provisions of the proposal, the contract shall govern.

CLAUSE II - PERIOD OF PERFORMANCE

- (A) The Contractor's written report to the Agency shall be submitted to the Agency in duplicate on or before October 15, 1979, in a form suitable for offset printing.
- (B) Unless extended by written agreement, this contract expires at the end of the second regular session of the Eleventh Alaska Legislature, or on June 30, 1980, whichever comes first.

CLAUSE III - PROJECT DIRECTOR

The Project Director shall be the Agency's Director of Research or his designee.

CLAUSE IV - COMPENSATION AND METHOD OF PAYMENT

- (A) For the written report described in the Proposal, the Contractor shall receive \$15,000, payable on delivery of the report. All expenses related to preparation of this report shall be the responsibility of the Contractor.
- (B) The Contractor shall be reimbursed for travel and other expenses authorized in advance by the Project Director and related to work carried out after submission of the report described in the Proposal. Per diem shall be paid at prevailing State employee rates, and air travel shall be paid on the basis of coach class fares. Total payments under this subsection shall not exceed \$5,000.
- (C) Total payments for all work performed under this contract, including expenses, shall not exceed \$20,000.

CLAUSE V - RECORDS, DOCUMENTS, AUDIT

The Contractor shall maintain accurate records, including detailed time records, as may be required by the Project Director. The records are subject to inspection by the Agency or the Project Director at all reasonable times. The Contractor shall keep the Project Director informed as to the progress of the work performed under this agreement and shall provide progress reports as specified by the Project Director. All documents, reports and writings generated as a consequence of work done under this contract shall become the property of the State of Alaska, and on completion of the work or at the termination of this contract shall be delivered to the Agency.

CLAUSE VI - ALL WRITINGS CONTAINED HEREIN

This agreement contains all the terms and conditions agreed upon by the parties. No other understandings, oral or otherwise, regarding the subject matter of this agreement shall be deemed to exist or to bind either of the parties of this agreement.

IN WITNESS WHEREOF, the parties have executed this agreement
on the dates indicated.

CONTRACTOR

LEGISLATIVE AFFAIRS AGENCY
(By direction of Executive Director)

David M. Hickok

6/10/79
Date

Gregg L. Erickson

6/7/79
Date

BY:

Approved as to form:

Howard A. Cutler

6/10/79
Date

Howard A. Cutler
Chancellor
University of Alaska, Fairbanks

David M. Walker

6/7/79
Date

AGENCY LEGAL COUNSEL

Proposal To:

State of Alaska
Legislative Affairs Agency

Title:

The Gas Pipeline Construction Issues

by

Arctic Environmental Information and Data Center
University of Alaska
707 A Street
Anchorage, Alaska 99501

1. General:

Construction of a gas pipeline from the Prudhoe Bay area to the contiguous 48 states has been under consideration for quite some time. The choice of a route to parallel the existing trans-Alaska pipeline system (TAPS) and the Northwest Alaska Pipeline Company (Northwest) to build the Alaska portion of the pipeline was made in 1976. Since then actions have been taken on several fronts to accomplish construction of the gas pipeline. However there are many serious unresolved technical problems connected with this proposed construction. These technical questions have a direct bearing upon routing, proximity, and compatibility with TAPS and the safety of TAPS itself. Thereby, they not only directly influence proposed project costs, but also state revenues from the TAPS through-put and use of the entire right-of-way and the haul road.

The state of Alaska has been asked by Northwest to assist in financing the gas pipeline both by equity investment of \$500,000,000 and by sponsoring the sale of ^{lands} ~~land~~ in the amount of ^{one} ~~two~~ billion dollars. Before a decision is made on the financial involvement of such magnitude, the status of unresolved technical questions should be made known to legislators so a decision could be made based on the most up-to-date information available when the question comes up again in future legislative sessions.

The Arctic Environmental Information and Data Center is in a unique position to provide this information, having been involved with the

original preparation of materials on this issue for the Federal Power Commission and through monitoring of this question for the past three years in both Washington D.C. and Alaska.

II. Proposal:

We propose to investigate the current status of unresolved technical concerns in relation to construction of the Alaska Highway Gas Pipeline and prepare a report to the legislature on this status. This report will be submitted October 15, 1979. Additionally, AEIDC personnel would be available for legislative hearings or briefings on this subject as required.

III. Scope of Work:

1. To research and synthesize documents from the public and private sectors giving references to unresolved technical concerns connected with gas pipeline construction. Subject areas would include:
 - a. Thermal regime effects--frost heaving, frost bulb creation, and underground icing, etc.
 - b. Hydrology and ground water concerns.
 - c. Proximity to TAPS--criteria, and risk analysis problems.

- d. Work pad criteria--upgrading TAPS work pad, use of snow and ice pads, construction of new pads, etc.
 - e. Construction--techniques, scheduling, sequencing.
 - f. Design pressure determinations and effects.
2. To identify studies and actions directed toward resolving the technical concerns identified in task 1 with commentary on their objectives, schedules, and expected project impact. A synthesis report of activities current as of September 15, 1979 will be made.

V. Costs:

Conduct of investigations and preparation of report by October 15, 1979	\$15,000.00 fixed fee
Appearances for meetings, briefings, hearings, etc. on cost-reimbursible basis.	estimated <u>5,000.00</u>
Total	\$20,000.00

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AS A UNIT IN THE ORIGINAL DOCUMENT.**

**PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT**

AMENDMENT NO. 2
TO THE CONTRACT BETWEEN

STATE OF ALASKA
LEGISLATIVE AFFAIRS AGENCY

AND

ARLON R. TUSSING & ASSOCIATES

IT IS MUTUALLY AGREED THAT THE CONTRACT BETWEEN THE ABOVE PARTIES, DATED AUGUST 8, 1978, INCLUDING A FIRST AMENDMENT, DATED FEBRUARY 21, 1979, IS HEREBY AMENDED IN PART AS FOLLOWS:

CLAUSE II. - PERIOD AND DATES OF PERFORMANCE

- A. This contract shall have retroactive effect to 1 June 1978, and work under this contract shall be accomplished between that date and 31 August 1979.
- B. This contract terminates on 31 August 1979, unless terminated earlier in accordance with (C) of this clause.

CLAUSE III. - PROJECT DIRECTOR

- A. The Project Director shall be the Honorable Bill Miles, Alaska State Representative, or his designee.

CLAUSE VI. - RECORDS, DOCUMENTS, AUDIT

The Contractor shall maintain accurate records as may be required by the Project Director. The records are subject to inspection by the Agency or the Project Director at all reasonable times. All documents, reports, and writings generated as a consequence of work done under this contract shall become the property of the State of Alaska, and on completion of the work or at the termination of this contract, shall be delivered to the Project Director. The Contractor shall keep the Project Director informed as to the progress of the work performed under

AMENDMENT NO. 2
CONTRACT BETWEEN
LEGISLATIVE AFFAIRS AGENCY
AND
ARLON R. TUSSING & ASSOCIATES

this agreement and shall provide progress reports as specified by the Project Director. The Contractor shall further provide a final written report to the Project Director on or before August 31, 1979.

IT IS UNDERSTOOD AND AGREED BY THE PARTIES THAT ALL OTHER PROVISIONS OF THE CONTRACT DATED AUGUST 8, 1978, INCLUDING A FIRST AMENDMENT DATED FEBRUARY 21, 1979, SHALL REMAIN IN FULL FORCE AND EFFECT.

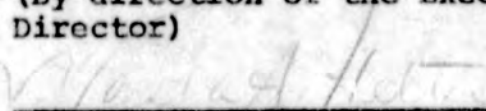
IN WITNESS WHEREOF, the parties have executed this amendment to the contract on the dates indicated below.

ARLON R. TUSSING & ASSOCIATES:

LEGISLATIVE AFFAIRS AGENCY:
(By direction of the Executive Director)


ARLON R. TUSSING

Date


MARSHA A. HELTON

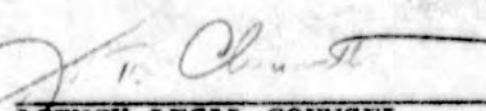
8/1/79
Date

PROJECT DIRECTOR:

APPROVED AS TO FORM:


REP. BILL MILES

Date


AGENCY LEGAL COUNSEL

7/21/79
Date

STATE OF ALASKA THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

August 13, 1979

Mary Halloran, A. A.
Office of the Honorable Bill Miles
727 "N" Street, Suite 2
Anchorage, Alaska 99501

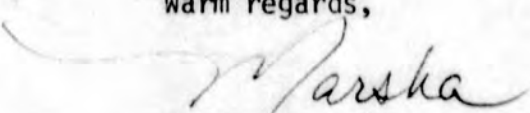
Dear Mary:

Enclosed for the committee's records is a copy of the executed Amendment No. 2 to Tussing's Contract.

Also, we have contacted Jan Shafer of Birch, Horton, et al., regarding the question of funds for the contract and have received copies of correspondence from Birch, Horton which delineate their understanding of the additional work to be performed, the increased maximum on hourly billings under the existing contract, and the \$8,000 allowed for their latest study. Jan did not, however, include any written confirmation from either Rep. Miles or Sen. Colletta, and we have no written or oral confirmation from the legislators to release funds. Therefore, I think the best way to resolve the problem is to simply have the legislators approve or reject the understanding reflected in Joe Chomski's letter to Rep. Miles of July 20, 1979, a copy of which I have enclosed for that purpose. Please return the original of this amendment with their approvals or rejections so that we can attach it to the contract. It should suffice until such time as a new contract is necessary for future projects.

If you have any problem with the above suggestion, please drop me a line or call 465-3802. It was nice to see you last week. I am sorry we did not have time to chat.

Warm regards,


Marsha A. Helton
Special Assistant to the
Executive Director

MAH:tim

Enclosures

Tussing

AMENDMENT TO CONTRACT BETWEEN

STATE OF ALASKA
LEGISLATIVE AFFAIRS AGENCY

AND

ARLON R. TUSSING AND ASSOCIATES

IT IS MUTUALLY AGREED THAT THE CONTRACT BETWEEN THE ABOVE PARTIES DATED AUGUST 8, 1978, IS HEREBY AMENDED AS FOLLOWS:

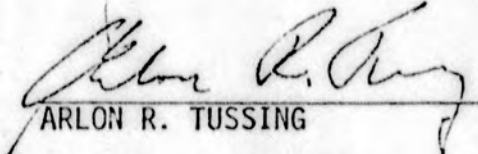
CLAUSE IV, Subsection (D) is amended to read:

- (D) Total compensation for work performed under Clause I of this contract, inclusive of travel costs, shall not exceed \$70,000.

IN WITNESS WHEREOF, the parties have executed this amendment to this agreement on the dates indicated below.

ARLON R. TUSSING AND ASSOCIATES

LEGISLATIVE AFFAIRS AGENCY
(By direction of the Executive Director)


ARLON R. TUSSING

21 Feb 79
Date


GREGG K. ERICKSON

2/21/79
Date

*Copies to: Tussing
(long) Pat C
Helen G.*

CONTRACT BETWEEN
STATE OF ALASKA
LEGISLATIVE AFFAIRS AGENCY
AND
ARLON R. TUSSING AND ASSOCIATES

The parties to this agreement are the LEGISLATIVE AFFAIRS AGENCY, Pouch Y, Juneau, Alaska 99811, on behalf of the Alaska State Legislature, hereinafter referred to as the "Agency", and ARLON R. TUSSING AND ASSOCIATES, ~~2720 Rainier Bank Tower, Seattle, Washington 98101~~, hereinafter referred to as the "Contractor" *880 H Street, Anchorage, Alaska 99501* *Suite 210* *CEJ* *KEB*

THE PURPOSE OF THIS AGREEMENT is to provide specialized consulting services to the Agency and the Legislative Council's Interim Subcommittee on the West Coast Oil Surplus.

IT IS THEREFORE MUTUALLY AGREED THAT:

CLAUSE I. - STATEMENT OF WORK

The Contractor shall provide such specialized consulting services related to the problem of oil surpluses on the West Coast as the Project Director may request.

CLAUSE II. - PERIOD AND DATES OF PERFORMANCE

- A. This contract shall have retroactive effect to 1 June 1978, and work under this contract shall be accomplished between that date and 30 June 1979.
- B. This contract terminates on 30 June 1979 unless terminated earlier in accordance with (C) of this clause.
- C. This contract may be terminated on written notice of the terminating party to the terminated party at the address stated in this agreement.

CLAUSE III. - PROJECT DIRECTOR

- A. The Project Director shall be Gregg K. Erickson, Director of Research, Legislative Affairs Agency, or his designee.
- B. It is contemplated that the chairman of the Subcommittee on the West Coast Oil Surplus will be designated as project director for the period of the subcommittee's organized existence. The Contractor will be notified in writing of this designation.

CLAUSE IV. - COMPENSATION AND METHOD OF PAYMENT

- A. The Contractor shall be compensated at a rate of \$75/hour, but not more than \$600 shall be payable for any 24 hour period, regardless of the number of hours worked under this contract during that period.
- B. The Contractor shall submit time statements with each billing on which there shall be certified the time worked under this contract, the subject of the work, and the starting and ending time of the work to the nearest one-tenth of an hour. The Contractor shall certify that the time billed under this contract has not been billed to or paid for by any other party.
- C. The costs of travel approved in advance by the Project Director shall be reimbursable to the Contractor on the basis of state per diem rates and coach class air fare.
- D. Total compensation for work performed under Clause I of this contract, inclusive of travel costs, shall not exceed \$35,000.

CLAUSE V. - OFFICE SPACE, EQUIPMENT, CLERICAL SUPPORT

Office space, equipment and clerical support necessary to carry out the Contractor's obligations under this contract shall be supplied by the Contractor at no cost to the Agency.

CLAUSE VI. - RECORDS, DOCUMENTS, AUDIT

The Contractor shall maintain accurate records as may be required by the Project Director. The records are subject to inspection by the Agency or the Project Director at all reasonable times. All documents, reports and writings generated as a consequence of work done under this contract shall become the property of the State of Alaska, and on completion of the work or at the termination of this contract shall be delivered to the Agency. The Contractor shall keep the Project Director informed as to the progress of the work performed under this agreement and shall provide progress reports as specified by the Project Director.

CLAUSE VII. - CONFLICT OF INTEREST

The Contractor affirms that he is not now engaged in any professional business relationship with any firm holding an interest in the Prudhoe Bay Field, and undertakes not to enter into any such relationship prior to the termination of this contract.

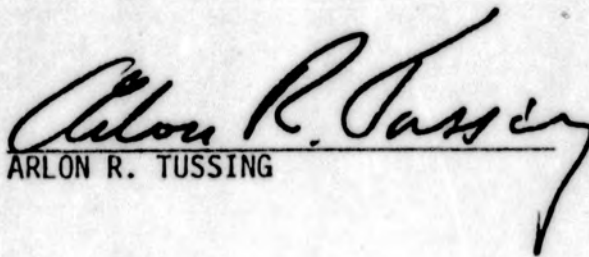
CLAUSE VIII. - ALL WRITINGS CONTAINED HEREIN

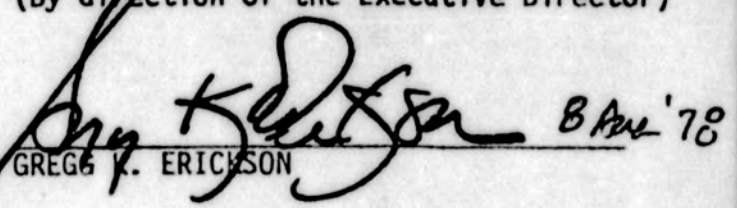
This agreement contains all the terms and conditions agreed upon by the parties. No other understandings, oral or otherwise, regarding the subject matter of this agreement shall be deemed to exist or to bind either of the parties of this agreement.

IN WITNESS WHEREOF, the parties have executed this agreement.

CONTRACTOR

LEGISLATIVE AFFAIRS AGENCY
(By direction of the Executive Director)


ARLON R. TUSSING

 B Apr '78
GREGG V. ERICKSON

Approved as to form.


AGENCY LEGAL COUNSEL

**PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.**

CONTRACT BETWEEN

STATE OF ALASKA
LEGISLATIVE AFFAIRS AGENCY
Pouch Y
Juneau, AK 99811

AND

DOUGLAS POPE
912 West Sixth Avenue
Anchorage, AK 99501

The parties to this agreement are the LEGISLATIVE AFFAIRS AGENCY, on behalf of the Alaska State Legislature's Joint Interim Committee on Gas Pipeline Financing, hereinafter referred to as the "Agency," and DOUGLAS POPE, hereinafter referred to as the "Contractor."

THE PURPOSE OF THIS AGREEMENT is to provide specialized legal and consulting services to the Alaska State Legislature through the Agency.

IT IS THEREFORE MUTUALLY AGREED THAT:

CLAUSE I - STATEMENT OF WORK

The Contractor shall, as directed by the project director, provide the Alaska State Legislature with specialized legal and consulting services relating to oil and gas, and gas pipeline development.

CLAUSE II - PERIOD OF PERFORMANCE

- (A) The Contractor shall be available to provide the services described in this agreement until 30 June 1979. This agreement shall have retroactive effect to 1 November 1978.
- (B) This agreement may be terminated by either party on written notice to the other party.
- (C) This agreement expires on 30 June 1979 unless terminated earlier as provided in (B) of this clause.

CLAUSE III - COMPENSATION AND METHOD OF PAYMENT

- (A) The Contractor shall be compensated at the rate of \$175 per day, on the basis of billings certified by the project director.
- (B) The Contractor shall be reimbursed for travel expenses authorized in advance by the project director. Per diem shall be paid at prevailing state rates, and air travel shall be reimbursed on the basis of coach class fares.

- (C) Total compensation under this agreement, inclusive of expenses, shall not exceed \$5,000.

CLAUSE VI - PROJECT DIRECTOR

The Project Director shall be the Agency's Director of Research or his designee.

CLAUSE V - RECORDS, DOCUMENTS, AUDIT

The Contractor shall maintain accurate records, including detailed time records, as may be required by the Agency and the project director. The records are subject to inspection by the Agency or the project director at all reasonable times. All documents, reports and writings are, upon delivery to the Agency or at the termination of this agreement, the property of the agency.

CLAUSE VI - ALL WRITINGS CONTAINED HEREIN

This agreement contains all the terms and conditions agreed upon by the parties. No other understandings, oral or otherwise, regarding the subject matter of this agreement shall be deemed to exist or to bind either of the parties to this agreement.

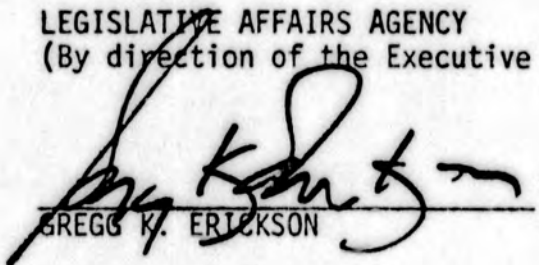
IN WITNESS WHEREOF, the parties have executed this agreement on the dates shown.

CONTRACTOR

LEGISLATIVE AFFAIRS AGENCY
(By direction of the Executive Director)

DOUGLAS POPE

Date

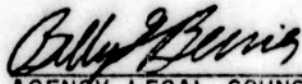


GREGG K. ERICKSON

Date

12/4/78

Approved as to form:



AGENCY LEGAL COUNSEL

Date

12/4/78

STATE OF ALASKA
Inter-Department Route Slip

TO:

MAIL STATION NUMBER 3100

DEPARTMENT Rep. Bill Miles

ATTENTION Mary Halloran

- | | |
|--|--|
| ☐ Approval | ☐ Note & Return |
| ☐ Signature | ☐ Initial & Return |
| ☐ Comment | ☐ Return As Requested |
| ☐ Contact Me | ☐ Return For Approval |
| ☐ Prepare Reply | ☐ Necessary Action |
| ☐ For Your File | ☒ Your Information |

Remarks:

FROM:

MAIL STATION NUMBER 3101

DEPARTMENT Legis. Affairs Agency

BY Marsha Helton DATE 8/7/99

02-002 (REV. 10/73)

FRANK ORTH & ASSOCIATES

Economic and Business Consultants • 225 108th Ave. N.E., Suite 311, Bellevue WA 98004 • (206) 455-3507

- I N V O I C E -

Alaska State Legislature
Legislative Affairs Agency
c/o Mr. Myron Charney
Executive Director
Pouch Y
Juneau, Alaska 99811
Attn: Marcia Helton

TO: Mr. Myron Charney
FROM: Frank Orth & Associates *Frank Orth*
SUBJECT: Invoice for Professional Services for the Month of August, 1979.
DATE: August 3, 1979

FOR PROFESSIONAL SERVICES & DIRECT EXPENSES (as per contract dated
6/20/79, - House Iterim Foreign Investment Committee)

INSTALLMENT AMOUNT PER CONTRACT

\$5,312.50

cc: The Honorable Bill Miles

*Approved for print.
M.R.B. 5/7/79
Frank Orth picked up
check for \$5312.50
8/7/79. M.A.*

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LAW OFFICES

BIRCH, HORTON, BITTNER AND MONROE, INC.

733 WEST FOURTH AVENUE-SUITE 208

ANCHORAGE, ALASKA 99501

(907) 279-9403

TELEX 25-356

1200 AIRPORT HEIGHTS DRIVE
ANCHORAGE, ALASKA 99504
(907) 279-9501

751 OLD RICHARDSON HWY., SUITE 346
FAIRBANKS, ALASKA 99701
(907) 427-1666

130 SEWARD STREET
JUNEAU, ALASKA 99801
(907) 586-2890

4400 JENIFER ST., N.W., SUITE 300
WASHINGTON, D. C. 20015
(202) 244-4250
TELEX 9-89-2591

RONALD G. BIRCH
MAL R. HORTON
WILLIAM M. BITTNER
SUZANNE CHEROT PESTINGER
LLOYD V. ANDERSON
BRUCE MONROE
GREGORY C. TAYLOR
ROD CARMAN
MICHAEL R. SPAAN
RITA T. ALLEE
GORDON F. SCHADT
HARVEY A. LEVIN
JOSEPH M. CHOMSKI
CAROL A. JOHNSON
MICHAEL J. O'BRIEN
GERALD D. STOLTZ
RONALD E. NOEL
JOSEPH W. EVANS
WINSTON S. BURBANK
DIANNE H. PIERSON
E. BUDD SIMPSON
JAN SAMUEL OSTROVSKY
CONSTANCE E. BROOKS
WALLER TAYLOR III
JACK D. CLARK

September 11, 1978

*NOT ADMITTED IN ALASKA

Chat Chatterton
Member of Joint Interim Committee
on Gas Pipeline Financing
2308 Boniface Parkway
Anchorage, Alaska 99504

Dear Chat:

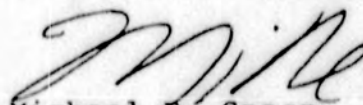
Thank you very much for allowing me to appear
before the Joint Interim Committee on Gas Pipeline Financing
Thursday, September 7, 1978. Please find enclosed, a copy
of the formal proposal made by my law firm.

If you have any questions, please don't hesitate
to contact me at your convenience.

With best wishes,

Cordially,

BIRCH, HORTON, BITTNER & MONROE


Michael R. Spaan

MRS/kpo
Enclosure (proposal)

RONALD G. BIRCH *
 HAL B. HORTON *
 WILLIAM H. BITTNER *
 BRUCE MONROE *
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 ROO CARMAN
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 GERALD D. STOLTZ *
 MICHAEL J. O'BRIEN
 JOSEPH W. EVANS
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SEP 8 1978

STEERING COUNCIL
 FOR ALASKA LANDS

STUDY PROPOSAL

To: Joint Interim Committee on Gas Pipeline Financing

Subject: "National Political Impacts"/
 "Political and Institutional Factors Which Would
 Affect The Safety And Viability of the State's
 Investment"

September 7, 1978

I. SUMMARY OF PROPOSAL

The study will consist of both a qualitative and quantitative examination of the extent to which failure by the State of Alaska to financially support the Northwest Alaskan Pipeline Project, or to withdraw previously promised financial support at some later date, could result in the Federal government taking punitive legislative or regulatory actions with respect to vital State interests. This analysis will be presented to the Interim Committee and the Legislative Affairs Agency in final report form on or about January 1, 1979. The total cost of the study, as described in the work plan below, will be \$30,000, plus expenses.

II. INTRODUCTION

This proposal is in response to a proposed research study described in Legislative Affairs Agency memoranda of May 18, 1978 and August 7, 1978, both prepared by Mr. Gregg K. Erickson, Director of Research. Specifically, the proposal responds to research topic 7 of the August 7 memorandum entitled "National Political Impacts", and item 4 of the May 18, 1978 memorandum.

III. DEFINITION OF VITAL STATE INTERESTS

We recognize the preliminary nature of the proposed research topic, and hence, its lack of precisely defined areas of State interest. Consequently, absent direction from the Committee or the Agency with respect to such areas, we propose to utilize the following definitions for determining "vital State interests" as that phrase is used in this proposal:

1. The items of State interest relating to North Slope natural gas as generally described in Chapter 90 SLA 1978 which establishes a gas pipeline financing authority.
2. Other items of major interest to the State to be identified by Contractor. Such items will include, but not be limited to, offshore leasing, decisions with respect to policy on the West Coast oil surplus, trans-Alaska pipeline tariffs and D(2) policy.

While the above working definition is proposed, additions or deletions by the Committee or the Agency would make no material difference with respect to the remainder of the proposal, given the proposed research methodology.

IV. METHODOLOGY OF RESEARCH

As noted in the Legislative Affairs Agency memorandum of August 7, 1978, analysis of the proposed subject will involve a number of qualitative judgments. To the greatest extent possible, however, the judgments contained in the final report will be those of relevant Congressional, Administration, and Federal regulatory officials with authority over Alaska interests. Wherever a subjective evaluation is made by the Contractor, it will be clearly specified as such.

In general, the following research methodology will be utilized:

1. Survey and collection of relevant public sector documents, print media sources and the like. This will be of primary significance in developing Section 1 of the proposal.
2. Review major Federal support programs, regulatory functions, legislative subject areas and budget projections with a view to identifying where negative Federal pressure could be asserted over the State within the next three to five years. Pursuant to these findings, the questions in Sections 2-5 will be supplemented or modified accordingly in order to elicit more specific responses.
3. Personal and telephone interviews with key members of Congress (the coincidence of this research with an early October adjournment and the November elections could limit access to members of Congress), Congressional staff, members of the Administration, officials of the Departments of Energy, Interior, and Transportation with policy responsibilities for the areas in question, and officials of the Federal Energy Regulatory Commission and other relevant regulatory authorities.
4. Survey Constitutional law, as well as statutory and regulatory sources for limitations on possible punitive actions by the Federal government with respect to State interests.

V. SCOPE OF WORK

Birch, Horton, Bittner and Monroe (hereinafter referred to as the "Contractor") proposes to prepare and deliver to the Legislative Affairs Agency a report covering the following areas:

1. A review of the factual bases upon which current demands for State financial participation are being made.

This would include the background to the President's decision selecting the Northwest proposal, in which Alaska's financial participation was assumed. In addition, a review will be made of previous State actions with respect to the El Paso project, which have been construed as committing the State in principle to financing North Slope natural gas development.

2. A survey of Congress and relevant Administration and Federal regulatory officials to determine general attitudes with respect to the Northwest Alaska pipeline project.

Specific areas that will be examined are:

- a) To what extent has Northwest handled its franchise to transport North Slope natural gas to U.S. markets in an effective and responsible manner?
- b) Based on events of the last year, can the Northwest project be financed and built in the manner proposed by Northwest? If the answer is "no" or "uncertain", what are the most important considerations militating against project success? What factors (if any), have changed since the President's decision was issued, either increasing or decreasing Northwest's chances for success?
- c) What are the chances that Northwest will receive legislative approval for an amendment to §103 of the Internal Revenue Code? To what extent is such an amendment a key consideration in terms of project success? When might such an amendment be enacted?

- d) In the event the project cannot be financed privately, what will be the response of the Federal government? Direct Federal participation? Removal of Northwest's franchise in favor of another company? Issuance of Federal guarantees? Let the project die?
3. A survey of current perceptions in Congress and among Administration and Federal regulatory officials regarding Alaska's responsibilities with respect to the Northwest pipeline project.

Emphasis in this section will be placed largely, but not solely, on the question of State financial support of the project, with specific reference to the following areas:

- a) To what extent is Alaska "expected" to participate in the project, given the project's current status and outlook? Is this expectation different today than it was one year ago?
- b) To what extent is Alaska's financial participation considered a vital element of project success?
- c) To what extent are the proposals for State financial participation put forward by Northwest considered "appropriate" avenues of State participation?
- d) Have State actions with respect to establishment of the bonding authority and formalized consideration of direct equity participation demonstrated that the State is acting "responsibly"?
- e) In the event Northwest experiences difficulties in obtaining financing under their proposed system, what alternatives do Federal officials have in mind? To what extent would additional State financial support be considered "appropriate"?
- f) What would be the effect on the project of Alaska's refusing to purchase an equity interest in the project as proposed by Northwest?

- g) What would be the effect of Alaska's refusing to issue revenue bonds as proposed by Northwest (given that the bond authority has been established), provided that Congress makes the necessary changes in the tax law?
 - h) To the degree that respondents reveal a belief that Alaska has an obligation to provide financial support to the project, what will be their (agency, committee, or individual) response to a refusal by the State to participate as specified?
 - i) In the event the State does not financially support the pipeline project, and Federal guarantees or loans become necessary if the project is to succeed, what Federal response could be anticipated with respect to:
 - 1) State authority over oil and gas conservation policy;
 - 2) State authority over North Slope natural gas wellhead and pipeline policy;
 - 3) Authority of the State to withdraw its royalty gas from interstate commerce as provided by 15 U.S.C.A. §719K(b);
 - 4) North Slope wellhead pricing policy;
 - 5) Treatment and conditioning costs;
 - 6) Gas pipeline tariffs;
 - 7) City gate pricing.
4. Based on the responses elicited in Sections 2 and 3, the Contractor will provide an assessment of the threat posed to vital State interests in the event the State chooses not to support the project financially, or chooses to withdraw its prior support. Such assessments will be made under the following separate assumptions:
- a) the State authorizes issuance of the proposed revenue bonds, but does not purchase an equity interest in the pipeline project.

- b) the State neither authorizes the proposed revenue bonds nor does it purchase an equity interest in the project.

Upon identifying the areas where punitive Federal response is likely, the Contractor will provide a legal assessment of the limits on possible punitive action found in the Constitution, case law, the pertinent statutes, and existing Federal regulations.

For purposes of this analysis, it will be assumed that non-participation by the State results in, or coincides with, failure of the project to gain private sector financing.

5. To the extent that the research conducted for this study reveals possible favorable Federal or Congressional actions stemming from State participation in the project, these positive responses will be enumerated and discussed.

VI. FIRM AND INDIVIDUAL QUALIFICATIONS

Birch, Horton, Bittner and Monroe is an Alaskan law firm comprised of 30 attorneys. The law firm's main office is in Anchorage, Alaska. The law firm has offices with resident partners and associate attorneys in Washington, D.C., in Fairbanks, and in Juneau, Alaska. It is the only Alaskan law firm with an office in Washington, D.C.

The firm was founded in 1971 by Ronald Birch, formerly staff attorney to Senator E. L. Bartlett, and administrative assistant to United States Senator Ted Stevens. In the succeeding years, the firm has grown from two members to its current size.

The firm's attorneys engage in the general practice of law, with an emphasis on civil litigation in State and Federal Courts. Additionally, the firm has specific expertise in public land law, energy and natural resource law, commercial development, and fishing and maritime matters.

Our Washington, D.C. office was established as an office devoted to the general practice of law and to aid several of our major clients in the Federal administrative field, and problems related to Congressional action. Among those clients are the State of Alaska's Steering Council for Alaska Lands; Westinghouse Electric Corporation; Hellmuth, Obata and Kassabaum, Inc., Architects; and various Alaska native regional corporations.

The firm has attorneys admitted to practice in 24 different States, various Federal District Courts and Courts of Appeal, the U.S. Patent Office, and the Supreme Court of the United States.

With regard to expertise in the subject matter of this study for the Joint Interim Committee on Gas Pipeline Financing, the firm possesses expertise specific to each of the areas covered by our proposal. The biographies of the four attorneys and one professional staff member who will have principal responsibility for this study are attached. These biographies indicate an aggregate of over 25 years exposure to political forces impacting on the State of Alaska within the United States Congress, the Federal regulatory agencies and the interest groups that have been involved with Alaska issues. The firm has also done extensive legal work in the fields of Federal regulation of oil and gas pricing and development, as well as the use of industrial revenue bonds for financing energy development projects. Sample memoranda prepared by the firm regarding pricing of Alaskan royalty oil and the use of industrial revenue bonds for Alaskan energy projects are attached. Both of these memoranda were provided to the Department of Natural Resources during its consideration of proposals for sale of the State's North Slope royalty oil.

VII. CONFLICT OF INTEREST

We have conducted an extensive examination of our client base and find that no conflict of interest would occur if we were to be chosen to conduct this proposed study. Specifically, we do not now, nor have we ever represented Northwest Pipeline Company, nor any of the entities who are participants in the Northwest Alaska Pipeline Project. Additionally, we have no known indirect relationship with the participants in that project, or any of their sale contractors.

The firm does provide closed panel legal services to members of Alaska Teamsters Local 959 under its prepaid legal service plan. The firm does not represent Local 959 nor does it represent any segment of the International Brotherhood of Teamsters. We perceive no conflict of interest between our personal representation of Local 959 members and the subject matter of this study. The firm also represents Columbia Gas Systems, a participant in the now defunct Arctic Gas Pipeline proposal. Columbia Gas has never been and is not now a participant in the Northwest Pipeline consortium.

APPENDIX "A"

BIOGRAPHIES

Birch, Horton, Bittner and Monroe
Principal Attorneys
and
Professional Staff

with

Prime Responsibility for this Study

RONALD G. BIRCH

Ronald G. Birch, born New York, New York, November 2, 1941; admitted to bar, 1966, Alaska; 1969, U.S. Supreme Court; 1972, District of Columbia; 1975, U.S. District Court, District of Alaska, U.S. Court of Appeals, Ninth Circuit and U.S. District Court for the District of Columbia; 1976, U.S. Court of Appeals for the District of Columbia. Lecturer in Business Law and Instructor in Constitutional Law, University of Alaska, 1966-1967. Law Clerk to Honorable Jay A. Rabinowitz, Supreme Court, State of Alaska, 1965-1966. Assistant Attorney General, State of Alaska, 1966-1967. District Attorney, First Judicial District, State of Alaska, 1967-1968. Administrative Aide to Senator Ted Stevens, 1968-1971. Member: The District of Columbia Bar; Alaska and American Bar Associations.

BRUCE MONROE

Bruce Monroe, born Hobbs, New Mexico, November 22, 1937; admitted to bar, 1966, Alaska; 1977, District of Columbia. Preparatory education, Texas Christian University; legal education, University of Texas (J.D., 1963). District Judge, State of Alaska, 1966-1974. Member: Alaska Bar Association. (Resident, Juneau Office)

MICHAEL R. SPAAN

Michael R. Spaan, born Berkeley, California, November 29, 1945; admitted to bar, 1973, California and Alaska; 1975, District of Columbia; 1976, U.S. Supreme Court. Preparatory education, Chico State College (B.S., 1968); legal education, University of California at Davis (J.D., 1972). Member, Order of the Coif. Member, University of California at Davis Law Review, 1971-1972. Author: "Number 8 and Still Trying Harder" and "An Analysis of Chapter, Vol. IV., XII of the Bankruptcy Act in Sacramento, California", University of California at Davis Law Review, 1971. Member: Alaska Bar Association; the District of Columbia Bar; State Bar of California.

JOSEPH M. CHOMSKI

Joseph M. Chomski, born New York, New York, December 2, 1946; admitted to bar, 1971, New York; 1973, District of Columbia; 1977, Alaska. Preparatory education, George Washington University (B.A. 1967); legal education, George Washington University (J.D. 1970). Senior policy analyst, environmental and energy affairs, Government Research Company, 1971-1972; Vice President, Washington Analysis Corporation, fields of specialization federal regulatory and legislative policy; investment analysis, 1972-1976. Co-author of President Carter's Transition Paper on Clean Air Act and Air Quality Control Policy, December 1976. Co-author of "Restrictions on Legal Service Plans in Alaska", New Directions, Vol. III, No. 4 (July-August, 1978); "A Potential Tax Problem for Many Group Legal Services Plans", New Directions, Vol. III, No. 5 (September-October, 1978). Member: The District of Columbia Bar; American Bar Association (Member, Natural Resources Law Section, Alaska Bar Association). (Resident at Washington, D.C. Office).

RICHARD G. HAGGART

Richard G. Haggart, born Anchorage, Alaska, December 8, 1947. Preparatory education: Columbia University, University of Maryland. Aide to Senator E. L. Bartlett and Senator Ted Stevens, 1968-1970. Senior Energy Analyst, G.A. Saxton and Company (Investment Banking), 1971-1975. American Petroleum Institute, 1975-1976. Senior Policy Analyst (Oil and Gas), Legislative Affairs Agency, State of Alaska, 1976-1978.

APPENDIX "B"

SAMPLE MEMORANDA

1. Federal Energy Administration Regulation of Alaska
Royalty Oil
2. Legal Analysis of Tax Problems Inherent in Alaska
Petrofining (Industrial Development Bond) Financial
Structure

George Shipley
President
Alaska Petroleum Company

January 7, 1977

Federal Energy Administration Regulation
of
Alaska Royalty Oil

I. INTRODUCTION

The following is an analysis of the status that Alaska's royalty oil maintains and will maintain under the auspices of federal and state energy legislation and regulations. This study focuses on the federal mandatory petroleum allocation program, since it is this program that will determine Alaska's ability to control the distribution and end use of its royalty oil.

Two possible scenarios for the distribution and sale of the State's North Slope oil are examined in depth. In the first scenario, Alaska would take its oil in kind from the beginning and at all times thereafter. It would then have the oil refined under a processing agreement under which title would not shift from the State and then the refined product would be sold under a consignment agreement or any of several other marketing approaches. Under the second scenario, the State would initially opt to take cash for its royalty oil, allowing the producers to determine the transportation, refining, distribution, and marketing of the oil or product. The crucial element of this scenario is Alaska's ability, or lack thereof, to withdraw the royalty oil from the distribution relationships that are established when the oil is taken in cash.

George Shipley

Page 2

January 6, 1977

Memorandum - Alaska Royalty Oil

As will be seen later, it is the conclusion of this study that the first scenario will enable the state to self-determine the future of its royalty oil. Under the second scenario, this analysis concludes that Alaska will not be able to withdraw its oil from the supplier/purchaser relationships established when the oil was taken in cash, despite the provisions of the State oil leases covering North Slope crude.

II. PETROLEUM ALLOCATION PROGRAM

a) General Description

In 1973, the Emergency Petroleum Allocation Act, PL 93-159, was passed by Congress in the throes of the "energy crisis". Since then, the Act has been amended by PL 93-511, PL 94-99, PL 94-133, and PL 94-163. The Act grants to the President of the United States the authority to establish a petroleum allocation program "to deal with shortages of crude oil, residual fuel oil, and refined petroleum products or dislocations in their national distribution system." 15 USC 751(b)

The regulatory guidelines promulgated by the Federal Energy Administration to carry out the dictates of this Act may be found at 10 CFR 211 and 212. The crux of the allocation program is 10 CFR 211.63, entitled "Domestic Crude Oil Supplier/Purchaser Relationships". This section provides for "the allocation of crude oil produced in the United States other than crude oil which is the subject of (4) the first sale of any domestic crude oil produced and sold from a property from which domestic crude oil was not produced and sold prior to January 1, 1976." 10 CFR 211.63(a)(4)

The general rule, as stated in subsection(b), is that "all supplier/purchaser relationships in effect under contracts for sales, purchases and exchanges of domestic crude oil on January 1, 1976 shall remain in effect for the duration of this program; Provided, however, that any such supplier/purchaser relationship to which this section is applicable may be terminated as provided in paragraph(d) of this section."

January 6, 1977

Memorandum - Alaska Royalty Oil

This subsection goes on to state that "once any first sale, purchase or exchange of domestic crude oil is made which is exempt from this rule pursuant to paragraph (a)(4) of this section . . . a supplier/purchaser relationship between the seller and purchaser shall be established thereafter under this section as though it had been in effect on January 1, 1976."

Therefore, once domestically produced crude oil that is exempt from the allocation program under 10 CFR 211.63(a)(4) has been subjected to a first sale, a supplier/purchaser relationship has been established, as if that sale had occurred prior to the January 1, 1976 effective date of the general rule, and the supply obligations and purchase rights as described in 10 CFR 211.63(c) attach. Generally described, subsection(c) requires that once a supplier/purchaser relationship has been established, the supplier responsibilities are frozen at a specified level of supply, purchaser rights are created, and termination of that relationship can only occur pursuant to the provisions of 10 CFR 211.63(d). The regulations are quite specific as to what constitutes a "first sale". At 10 CFR 212.72, a "first sale" is defined as "the first transfer for value by the producer or royalty owner."

Termination of an established supplier/purchaser relationship is fairly difficult to effect. At 211.63(d)(i), the regulations state that the relationship may be terminated at the option of the purchaser if he tenders written consent and "provided all subsequent purchasers of the crude oil involved have consented to such termination in writing." A producer or reseller may terminate a relationship only pursuant to a complicated process whereby consent must be garnered from subsequent resellers or refiners or, in the alternative, subsequent resellers and/or refiners must be assured of a substitute equivalent supply of crude. 10 CFR 211.63(d)(iv). Under either of these termination approaches, a recalcitrant subsequent crude oil purchaser or refiner can obstruct the termination of the supplier/purchaser relationship.

George Shipley

Page 4

January 6, 1977

Memorandum - Alaska Royalty Oil

Finally, it should be noted that the allocation program applies to the State of Alaska, local governments, and the federal government, just as it applies to private corporations, individuals, and many other entities. See definition of "firm" at 10 CFR 212.31.

- b) The State of Alaska takes its royalty oil in kind at all times.

In this alternative, the State of Alaska takes its royalty oil in kind beginning with the first production extracted from the North Slope. The oil is then transported to a refiner with whom the State has a processing agreement. It is refined and the product is sold via a marketing/consignment agreement or some other method. The purpose of this distribution system is to completely avert the mandatory petroleum allocation program by avoiding a "first sale". Without a first sale, no supplier obligations or purchaser rights are created, thereby giving the state maximum flexibility to determine the future use of its royalty oil. This also enables the State to sell refined product, which should add to the profitability of the royalty oil. Finally, by having control over the future use of the royalty oil, the State will be better able to determine what, if any, selected industrial growth it intends to promote within Alaska.

The Federal mandatory petroleum allocation program pertains to distribution of domestically produced crude oil, after the first sale has occurred, where no prior commitments have been made prior to January 1, 1976. Under the system described above, the State would not be distributing or selling or in any way transferring crude oil, rather it would be selling and distributing refined product, which is not covered by the mandatory petroleum allocation program. The avoidance of the allocation program's tentacles can be achieved because no "transfer for value" by the royalty owner of crude oil ever takes place, so that the allocation program never attaches to the Alaska royalty oil. The applicable sections of the Code of Federal Regulations have been cited before, namely 10 CFR 211.63(a)(4), 10 CFR 211.63(b)(1) and (2), and 10 CFR 212.72. In addition, the

January 6, 1977

Memorandum - Alaska Royalty Oil

energy regulations also define "processing agreements", at 10 CFR 211.62, as "any agreement pursuant to which an owner of crude oil agrees to have that crude oil processed or refined by another person and retains ownership in some or all of the petroleum products so processed or refined from the crude oil." The definition evidences FEA's acceptance of the industry practice of suppliers retaining title even after refining.

Although the marketing aspect of the refined product does not directly impact the above described avoidance of the petroleum allocation program, some attention should be paid to the structure of a consignment agreement. If the same company enters into a processing agreement for refining the product and an improperly structured consignment agreement, it could subject the royalty oil to a possible FEA interpretation that a "first sale" occurred prior to the refining process and therefore the royalty oil would be engulfed by the allocation program. Specifically, FEA ruling 1975-8, 40 FR 30037, qualifies certain consignment agreements as creating a supplier/wholesale purchaser-reseller relationship where the consignee receives product through consignment, and is engaged in marketing that product to the consignee's customers, acting generally like a jobber. The ruling states that a consignee acting as an independent jobber will generally have many of the following characteristics: appropriate facilities and equipment for conduct of selling the distributing product; responsibility for internal and financial management and administrative operation; independent control over the disposition of the allocated product, including the right to enter into and determine relationships with customers rather than solely being restricted to distributing product to customers designated by the supplier. A consignee would not qualify as a wholesale purchaser-reseller (and therefore in no way threaten the avoidance of the allocation program) if that consignee "has all the characteristics of an employee of a supplier, but is merely designated as a "consignee", or where the "consignee" operates as an independent contractor but only provides transportation of the supplier's products to the supplier's customers, without any control over the disposition of the product, even though he, as an independent businessman, may have a substantial investment in his trucks and terminal facilities."

George Shipley

Page 6

January 6, 1977

Memorandum - Alaska Royalty Oil

There should be no difficulty in designing a marketing agreement with the refiner that is under a processing agreement covering royalty oil so that said refiner can also market the royalty oil and not create any indicia of a first sale, as it is defined in the regulations.

It is difficult to avoid noticing the pronounced similarity that the distribution structure described above has to the effects of section 13(b) of the much-heralded Alaska Natural Gas Transportation Act. In both cases, the State of Alaska would be able to enter its energy resource (oil in the former case, gas in the latter) into the stream of interstate commerce at prevailing market prices yet retain the ability to withdraw that resource and recapture it for the State's own benefit at any time the State so desires, without interference or obstruction by the federal government.

- c) Alaska takes in cash at first, then attempts to take in kind.

In this scenario, the State initially is paid cash for its royalty oil which then becomes the property of the North Slope producers who can determine its distribution, refining, and marketing future. At some date subsequent to the cash payments for the royalty, the State then demands, pursuant to the North Slope oil leases and the proper notice period contained therein, to take its royalty in kind, thereby withdrawing it from the producers and its historically established distribution pattern.

The initial transaction, i.e., the receipt of a cash payment by the state in exchange for property (the royalty oil) appears to fit perfectly into the definition of "first sale" that is, and has always been, contained in the FEA regulations (now at 10 CFR 212.72). The State has received value and it no longer has title to its oil. This conforms to the definition: "first transfer for value by the royalty owner".

George Shipley

Page 7

January 6, 1977

Memorandum - Alaska Royalty Oil

If this transaction is not considered a first sale by the State, what then is it. If there has been no first sale or transfer, what consideration has the state supplied for the value (cash) that it received. Furthermore, the allocation program is based on the principle that a supplier (in this case also the producer) makes an initial transaction (the first sale) to a purchaser of crude oil. The State's interpretation i.e., that taking the royalty oil in cash is not a first sale, does not fit the allocation program's structure. In effect, the State is contending that it is supplying the supplier, receiving value from that supplier, yet the supplier who has paid the State is not a purchaser.

The Federal Energy Administration in 1974 ruled on a directly analogous situation, in FEO Ruling 1974-22, 39 FR 25228. The facts in that matter were that the Department of the Interior and Firm A, under the terms of a lease, undertook to extract crude oil from property under the control of the Department of the Interior. The lease provided Firm A with part of the crude oil produced and entered the Department of Interior to the remainder which was referred to as "royalty oil". The Department of Interior agreed under the lease to sell its royalty oil to Firm A subject to Interior's right under certain conditions to direct that the royalty oil be sold to other firms. Firm A received royalty oil during the base period and therefore the supplier/purchaser transaction was frozen under the petroleum allocation program. The Department of the Interior then directed Firm A to sell the royalty oil to Firm B and Firm A objected.

FEA ruled that the Department of the Interior was fully subject to the provisions of section 211.63 providing that supplier/purchaser relationships in effect under contracts for sales, purchases, and exchanges of domestic crude oil shall remain in effect for the duration of the program. The Agency further stated that if Interior were permitted to direct the sale of its royalty oil to Firm B, the supplier/purchaser relationship existing under the petroleum allocation program would be terminated. Accordingly, Interior's direction to transfer the royalty oil from Firm A to Firm B could not be given effect unless the termination provisions in section 211.63 were satisfied. Clearly, Firm A's objection

George Shipley

Page 8

January 6, 1977

Memorandum - Alaska Royalty Oil

to losing its frozen crude oil supply did not and does not conform to the termination provisions that are now contained in 10 CFR 211.63(d). This FEA Ruling has never been superseded by the agency nor has it been overturned by a court.

By determining that Interior's royalty oil was subject to the allocation program by virtue of its sale to Firm A, FEA (FEO at that time) established the precedent that this transfer was a first sale. Note that FEA also overrode the terms of the lease (the legislation will be discussed later).

Once title to the royalty oil resides in the North Slope producers via royalty payment in cash to the State, the producers have complete control over its distribution. The producers (suppliers) can then refine the crude themselves and then market it or can sell or transfer the oil to wholesalers and/or refiners. Because of the distribution problems that have already surfaced regarding Alaska crude as well as the limited refinery capacity that is now available for processing the quality of crude that will come from the North Slope, it is quite possible that the North Slope crude will be wholesaled and refined by a great many entities in the petroleum industry other than the North Slope producers. In addition to these natural forces that will tend to spread out the distribution of Alaska crude, the structure of the petroleum allocation program creates a pronounced incentive for producers receiving royalty oil to transfer it outside their own companies. Specifically, reference the supplier/purchaser termination provisions contained in 10 CFR 211.63(d). By transferring the royalty oil to independent resellers or refiners, producers can, at the very least, make State withdrawal of the royalty oil at a future date a very difficult proposition and can probably make State withdrawal impossible. The termination requirements once a supplier/purchaser relationship has been frozen require that not only must the purchaser consent to termination of the supply, but "all subsequent purchasers of the crude oil involved" must also consent to such termination in writing. 10 CFR 211.63(d)(i) Termination under 10 CFR 211.63(d)(iv) requires consent by resellers and refiners or the provision of an equivalent substitute supply. Such

George Shipley

Page 9

January 6, 1977

Memorandum - Alaska Royalty Oil

supply, which presumably must be of like quality so it can be handled or processed at the same facilities, will not be readily available, nor will producers have any incentive to provide it.

A producer can easily select a series of resellers and/or refiners who are dependent upon a steady supply and who have no alternative supply, thereby assuring that no consent would come from those subsequent purchasers. In addition, refiners in many cases will be making expensive adjustments to their refineries in order to process Alaska crude. These refiners will be particularly reluctant to give up the North Slope crude, even if some other source of crude can be found.

The impossibility of assuring consent from subsequent purchasers (resellers or refiners) may be even more pivotal if, by some strained interpretation, PEA contradicts its ruling in the Interior Department case and agrees with the State's contention that taking royalty oil in cash is not a first sale. The first sale would then occur between the North Slope producer who has paid for the royalty oil and the entity who purchases from him, namely a reseller or a refiner. Once again, these purchasers, and all crude oil purchasers subsequent to them, would have to consent to termination of the existing and historically based supplier/purchaser relationships for Alaska to withdraw its royalty oil from the stream of interstate commerce which it has already entered. Therefore, regardless of how the first sale issue is resolved, North Slope producers can defeat the State's efforts to recapture its royalty oil by spreading the royalty crude to as many resellers and refiners as possible.

Alaska's authority to regain its royalty oil resides in the oil leases it executed with the North Slope producers. In order to enforce these leases, Alaska will have to prevail over the federal government on the issues of whether or not the Petroleum Allocation Act has pre-empted state leases which interfere with the federal allocation scheme, as well as some basic questions of supremacy of laws between federal and state statutes and regulations.

George Shipley
Page 10
January 6, 1977
Memorandum - Alaska Royalty Oil

In FEO Ruling 1974-19, 39 CFR 22133, the Agency addressed a problem dealing with state and county laws requiring competitive bids by suppliers of allocated products when those state and county laws interfered with the allocation program. FEO ruled that "the competitive bid requirement of the laws and ordinances of State B, County A and County X are superseded to the extent they are inconsistent with the allocation program."

The Emergency Petroleum Allocation Act as amended, in 15 USC 755(b), expressly pre-empts certain state and local allocation orders and regulations. This section states that allocation orders and any order issued under 15 USC 753 "shall pre-empt any provision of any program for the allocation of crude oil, residual fuel oil, or any refined petroleum product established by any state or local government if such provision is in conflict with such regulation or any such order." Arguably, a decision by the State of Alaska to retract its royalty oil may be considered part of a state allocation program, violative of 15 USC 755(b), since it would reduce the existing flow of crude oil in interstate commerce, thereby interfering with the federal allocation scheme, and apportioning a greater amount of crude to in-state use. (There would, of course, be no such conflict if the royalty crude had not become subject to the petroleum allocation program.)

Further, the legislative history and judicial interpretations of the pre-emption language indicate that the federal allocation program is intended to abrogate provisions of contracts, even pre-existing and operative contracts, that run contrary to the federal allocation scheme. The House of Representatives Conference Report 628, 93rd Congress, 1st Session (1973) covering the Emergency Petroleum Allocation Act states specifically that "it is expressly recognized and intended that the allocation program would have the effect of abrogating contracts for the supply of fuels covered by regulation, such abrogation should occur only to the extent necessary to accomplish the objectives of the Act." The United States District Court for the District of Columbia, in Trans World Airlines v. FEO, 380 F.Supp 560, 565 (1974), stated specifically that "Congress

George Shipley
Page 11
January 6, 1977
Memorandum - Alaska Royalty Oil

intended contracts to be pre-empted only if FEO determines that such pre-emption is necessary to accomplish the objectives of the Act." The Court specifically cited Congressional intent to minimize economic distortions, inflexibility, and unnecessary interference with market mechanisms. See also Exxon v. FEA, 398 F.Supp 865 (1976).

The ability to abrogate the provisions of contracts when they interfere with the federal allocation scheme has also been the subject of an FEA Ruling, 1974-21, at 39 FR 24359. In it, the Agency found that its allocation rules and authority superseded contractual obligations in an instance in which it required a firm which had been supplying crude oil under a contract to continue to do so despite expiration of the contract.

The previously mentioned Department of Interior royalty oil ruling must also be added to any discussion concerning the supremacy of the allocation program to state laws and contractual obligations. In that instance, a lease agreement between a private firm and a federal agency was overridden when it counteracted the dictates of the allocation program.

The several examples of agency rulings and court decisions that have been enumerated in the previous paragraphs must cast grave doubt on the viability of the State oil leases when pitted against the allocation program. Whether the State's decision to retract its oil would be considered an allocation order, or an exercise of its right described in a lease (leases are, of course, contracts¹), precedent has already been established that would overturn the order or lease and sustain the rights and obligations created under the allocation program.

1 A lease is a "contract for possession and profits of lands . . . either for life, or for a certain period of time, or during the pleasure of the party." Femmer v. City of Juneau, C.C.A. Alaska, 97 F.2d 649, 657 (1938)

George Shipley

Page 12

January 6, 1977

Memorandum - Alaska Royalty Oil

Before leaving the question of Alaska's ability to withdraw its royalty oil from established supplier/purchaser relationships, two final notes should be made. First, the Federal Energy Administration has from its inception maintained unflinching adherence to the concept that historical supplier/purchaser relationships must be maintained in order to satisfy the purposes and intentions of Congress, established in sections 2 and 4 of the EPAA, 15 USC 751 and 753 respectively. Specifically, Congress mandated that competition in the petroleum industry must be maintained, that priority needs include restoring and fostering competition in the producing, refining, distribution, marketing, and petrochemical sectors of the industry, and that the competitive viability of independent refiners, small refiners and independent marketers must be preserved. To emphasize the Agency commitment to said purposes, the descriptive policy statement preceding the most recent revisions of 10 CFR 211.63, at 41 FR 24339, includes the following: "the principal objectives of the [supplier/purchaser termination] rule is to benefit historic purchasers by assuring continued availability of crude supplies."

The second note deals with a recent court decision which further magnifies the stature accorded to the purposes and intentions enumerated in 15 USC 751 and 753. The case in question is Basin, Inc. v. FEA, U.S. District Court for the Western District of Texas, San Antonio Division, Dkt. No. SA-75-CA-250, October 22, 1976. The facts are as follows: Basin was a relatively new middle-man marketer of crude oil, formed in October, 1973. By December, 1973 it had commitments from suppliers to market nearly 1 million barrels of crude per month to it but when the FEA freeze took hold, it deprived Basin of nearly 75% of its oil supply commitments. The freeze rule precluded Basin from purchasing sufficient quantities of oil to stay in business. The District Court found that the freeze therefore violates the Congressional mandate that competitiveness in petroleum marketing be encouraged and therefore is arbitrary and an abuse of agency discretion. The Court enjoined FEA from enforcing freeze regulations with respect to Basin.

George Shipley

Page 13

January 6, 1977

Memorandum - Alaska Royalty Oil

This policy and the recent court case are of significance to the royalty oil question when the practical ramifications of a royalty oil withdrawal are considered. In all likelihood, some independent refiners, small refiners, and independent marketers will be denied an existing supply of crude oil if Alaska withdraws its royalty oil. In addition to the economic hardship this would create, it might well threaten their viability and thereby reduce competition in the industry. This will be particularly true with Alaska crude, since it is high sulfur, heavy, and requires refinery adjustments to be properly processed. Any refiner, particularly a small one, who makes a substantial investment to refine such crude would have a particularly good argument for retaining its supply. Therefore, the fact that both FEA and the courts are strictly adhering to the tenet that the allocation program must be structured and operated so that the principles set out in sections 751 and 753 are complied with diminishes the possibility that Alaska could withdraw its oil to the detriment of these smaller elements in the industry. Once again, this demonstrates the ability of the North Slope producers to lock-in royalty oil by ensuring that some of it is distributed to the petroleum industry entities that are specifically protected by the EPAA.

III. EXPANSION AND EXTENTION OF THE ALLOCATION PROGRAM

The advantages of keeping Alaska's royalty oil out from under the allocation umbrella are even more dramatic when the history of the program is examined. The program's expansion has already been tremendous and can, like most federal regulatory structures, be expected to continue to grow. When initiated in 1973, the allocation program was conceived to be a temporary measure dealing with the Embargo and had a statutory expiration date of September 30, 1975. The Act has already been amended four times, with each amendment generally adding to or extending its powers. At present, the allocation program's expiration date has been advanced to September 30, 1981 (See PL 94-163, section 461 and 15 USC 760g). There is no end in sight.

George Shipley

Page 14

January 6, 1977

Memorandum - Alaska Royalty Oil

FEA has adjusted the base period for regulating supplier/purchaser transactions to include more and more relationships as "historically established" and therefore clearly under allocation program aegis. The most recent example of this Agency practice is the June 16, 1976 revision of 10 CFR 211.63(a), at 41 FR 24338. Prior to the revision, FEA required that "all supplier/purchaser relationships in effect under contracts for sales, purchases or exchanges of domestic crude oil on December 1, 1973 shall remain in effect for the duration of this program". (Emphasis added) The revision, now 10 CFR 211.63(b), changes only the date, moving it up to January 1, 1976.

The supplier/purchaser "freeze" on obligations now has engulfed two more years of new relationships and, coupled with the extension of the authority to 1981, vastly lengthened the duration of the control.

Extension of the allocation program has not been limited to Congress and the Agency. The courts have also played a role. One example is the decision in Consumer Power v. FEA, 413 F.Supp 1007, 1020 (1976). In this case, the public utility moved for issuance of a preliminary injunction against implementation of portions of FEA's order regarding Consumer Power's request for an allocation of natural gas liquids as a feedstock for the production of synthetic natural gas. The issue presented was whether FEA's assertion of regulatory control over natural gas liquids was in excess of its authority, when 15 USC 753 states that "this title or any order issued thereunder shall pre-empt any provision of any program for the allocation of crude oil, residual fuel oil or any refined petroleum product." (Emphasis added) The Court held that FEA could assert allocation authority over NGL's, "at least to the extent necessary to allocate propane and butane as synthetic natural gas feedstocks", even though "the exercise of this authority will cause a substantial impact upon supplies of natural gas in Michigan."

George Shipley

Page 15

January 6, 1977

Memorandum - Alaska Royalty Oil

The history of the petroleum allocation program indicates that once a source of oil flows into the jurisdiction of the program, it is almost impossible to regain control of that oil and, in all likelihood, more extensive controls for greater durations can be expected.

IV. MISCELLANEOUS

1. International Energy Program

As a result of the Oil Embargo, the International Energy Agreement was signed by the United States and several other oil-consuming countries in an effort to promote secure oil supplies on reasonable and equitable terms. The Agreement sets up a program to allocate available oil during periods of shortage and to restrain demand within and between the countries initialing the Agreement. Among the signatory countries are the United States, Great Britain, Canada, Japan, and Germany.

Alaska royalty oil will be included in this international oil-sharing arrangement regardless of the ownership and distribution structure that the State adopts. The reason is that the IEA applies to all domestic production within each signatory country, regardless of the ownership or property rights applicable to said production.

2. State Set-Aside (10 CFR 211.17)

This program was established under the allocation authority to provide certain refined products to states during emergency situations. The program has been scaled down in the last year and does not have any impact on the royalty oil disposition question.

George Shipley

George Shipley

Page 16

January 6, 1977

Memorandum - Alaska Royalty Oil

IV.C CONCLUSIONS

1. By taking its royalty oil in kind at all times and avoiding a first sale of crude, Alaska can preclude having said royalty oil governed by the federal mandatory petroleum allocation program. Eluding the grasp of the allocation program cannot be achieved if the State ever takes cash for its crude oil or surrenders title before the oil is converted to refined product. In short, the State has a unique opportunity to fall between the cracks of the allocation regulatory structure and retain control over the destiny of its resource.
2. By avoiding the allocation program, Alaska will have self-determination power over its oil that is analogous to the rights granted the State covering its royalty gas in the Alaska Natural Gas Transportation Act. In both instances, Alaska will be able to enter its resource into the flow of interstate commerce at prevailing market prices, yet withdraw it without needing federal government approval at any time the State sees fit.
3. Once the royalty oil comes under the jurisdiction of the allocation program, which will occur if the State takes any of its oil in cash, there is little chance that Alaska will be able to withdraw that oil from the existing supplier/purchaser relationships, despite the provisions of the North Slope oil leases. This conclusion is based principally on the following authority:
 - (a) FEA has already ruled that royalty oil that is the property of a government body may not be redirected once said oil has become subject to the allocation program, regardless of the provisions of a lease between the government agency and the producer.
 - (b) Furthermore, FEA has also ruled that state laws are superseded to the extent that they are inconsistent with the allocation requirements.

George Shipley

Page 17

January 6, 1977

Memorandum - Alaska Royalty Oil

- (c) The Emergency Petroleum Allocation Act in its language, coupled with its legislative history, contains a pre-emption against State crude oil allocation programs.
- (d) The legislative history of the Allocation Act and judicial interpretations of it expressly recognize that the program has the authority to abrogate contracts if said contracts interfere with the allocation program. The North Slope leases are, of course, contracts and would fall under this authority.
- (e) FEA and the courts have evidenced strict adherence to the Congressionally-established principles governing the allocation programs, particularly fostering competition in the petroleum industry and protecting smaller refiners and marketers. Withdrawal of royalty oil will almost certainly harm these elements of the industry, run counter to the direction of the program, and face substantial and powerful FEA and judicial opposition.
- (f) It will be nearly impossible to satisfy the FEA requirements for terminating the supplier/purchaser agreements created by sale of the royalty oil to producers. As a result of distribution and refinery capacity problems, as well as the incentive producers have to lock-in royalty oil supply by spreading its distribution to numerous entities in the petroleum industry, efforts to obtain consent to supply termination from all initial and subsequent purchasers of the royalty crude are certain to be futile.

Joseph M. Chomski

**PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.**

STATE OF ALASKA THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-45-3000

MEMORANDUM

December 20, 1978

SUBJECT: Council Contract
TO: Jay Hogan, Director, Legislative Finance
THROUGH: Myrt Charney, Executive Director
FROM: Gregg K. Erickson, Director of Research

At its meeting in late November, the Joint Interim Committee on Gas Pipeline Financing agreed to the allocation of \$25,000 to support further work by Louis Kelso and his associates for the study and design of a general stock ownership corporation. Since your Division already has a major contract with Kelso on the subject, all agreed that it would be easiest to simply amend your contract to take account of the additional funds and effort. We have, therefore, encumbered the \$25,000 out of the Gas Pipeline Financing appropriation to the Research Division. We will forward a check for that amount to Kelso on presentation of a billing from him approved by the Project Director under your current Kelso contract as appropriately amended.

GKE:lmk

cc: The Honorable Mike Colletta
Pat Costello, Accounting Office ←

STATE OF ALASKA THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

October 17, 1979

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
507-465-3800

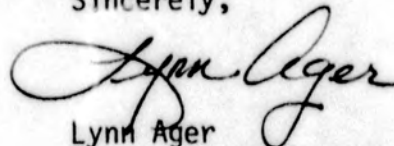
The Honorable Bill Miles, Chairman
House Resources Subcommittee on Land
727 N Street, Suite 2
Anchorage, Alaska 99501

Dear Representative Miles:

Enclosed for your records is a copy of the executed contract between the Legislative Affairs Agency and David Rogers, which Mr. Charney recently signed.

Please let me know if there is anything this agency can do to assist you further.

Sincerely,



Lynn Ager
Special Assistant to
the Executive Director

Enclosure

CONTRACT BETWEEN

STATE OF ALASKA
LEGISLATIVE AFFAIRS AGENCY
Pouch Y
Juneau, Alaska 99811

AND

DAVID ROGERS
P. O. Box 809
Juneau, Alaska 99801

The parties of this agreement are the LEGISLATIVE AFFAIRS AGENCY on behalf of the Alaska State Legislature and the House Resources Subcommittee on Lands, hereinafter referred to as the "Agency," and DAVID Rogers, hereinafter referred to as the "Consultant."

THE PURPOSE OF THIS AGREEMENT is to provide the House Resources Subcommittee on Lands and other interim committees of the Legislature with specialized legal and consulting services.

IT IS THEREFORE MUTUALLY AGREED THAT:

CLAUSE I - STATEMENT OF WORK

The Consultant shall provide specialized consulting services and counsel to the House Resources Subcommittee on Lands, and other interim committees of the Legislature as designated by the Project Director, in land, energy and related resource policy areas.

CLAUSE II - PERIOD OF PERFORMANCE

- (A) The period of this contract shall be from May 15, 1979 to January 14, 1980 unless extended by written agreement or terminated in accordance with (B) of this clause.
- (B) This contract may be terminated by ten (10) days' written notice of either party to the other party.

CLAUSE III - COMPENSATION AND METHOD OF PAYMENT

- (A) Payment for work performed under this agreement shall be at the rate of \$2,500 per month, to be paid before the last working day of each month for work carried out between the 15th day of the preceding month and the 15th day of the current month. On or before the 20th day of each month, the Consultant shall submit a statement of time worked to the Project Director for his approval. Total compensation for the work performed under Clause I of this agreement shall not exceed \$20,000. The Agency shall deduct from each monthly payment income tax and other deductions required by law.

- (B) The Consultant shall be reimbursed by the Agency for travel expenses authorized in advance by the Agency's Director of Research Services. Air transportation shall be reimbursed at coach class fares and per diem expenses at state permanent employee rates.
- (C) Office space and equipment necessary to carry out the work designated in Clause I of this agreement shall be provided by the Agency at no cost to the Consultant.
- (D) No other employee benefits are allowed the Consultant.

CLAUSE IV - PROJECT DIRECTOR

The Project Director shall be the Agency's Director of Research or his designee.

CLAUSE V - REPORTS

The Consultant shall keep the Project Director informed as to the progress of work performed under this agreement and shall provide progress reports as specified by him.

CLAUSE VI - RECORDS, DOCUMENTS, AUDIT

The Consultant shall maintain accurate records, including detailed time records, as may be required by the Agency. The records are subject to inspection by the Agency at all reasonable times. All documents, reports and writings produced in the course of the work performed under this contract are, upon delivery to the Agency or at termination of this agreement, the property of the Agency.

CLAUSE VII - ALL WRITINGS CONTAINED HEREIN

This agreement contains all terms and conditions agreed upon by the parties. No other understandings, oral or otherwise, regarding the subject matter of this agreement shall be deemed to exist or to bind either of the parties of this agreement.

IN WITNESS WHEREOF, the parties have executed this agreement on the dates indicated below.

CONSULTANT

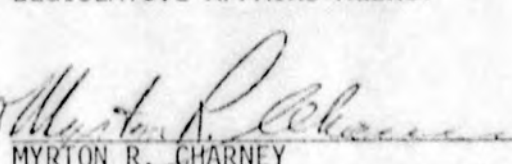
LEGISLATIVE AFFAIRS AGENCY



DAVID ROGERS

Social Security No. 220-48-9206

5/30/79
Date



MYRTON R. CHARNEY
Executive Director

10/12/79
Date

Accepted:

B Miles 5/7/79
BILL MILES, Co-chairman Date
House Resources Committee

Approved as to form:

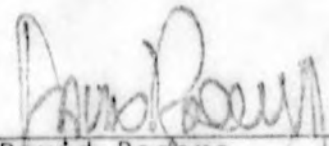
Betty J. Harris 5/30/79
AGENCY LEGAL COUNSEL Date

Memo to: Cathy Martinson
From: David Rogers
RE: Contract for Services
Date: October 11, 1979

Here is the information you requested this morning:

1. I have a B.A. and a J.D. ; for a total of 7 years of higher educational experience. I am currently a member of the Alaska Bar Association in good standing.
2. I worked for Bob Bradley and the House State Affairs Committee during the 1977 Regular Session; for Bradley and Rep. Bill Miles during the 1977 Interim; Bradley and State Affairs during the 1978 Regular Session; no 1978 Interim work for Rep. Bill Miles and the House Resources Committee during the 1979 Regular Session; for Miles and the Lands Subcommittee since June (better confirm that date), 1979. There may be gaps between Regular session and interim work; please verify.

I certify that the above information is accurate to the best of my knowledge.


David Rogers

**Joint Gas Pipeline Committee
Alaska State Legislature**

SEN. MIKE COLLETTA
CO-CHAIRMAN

REP. BILL MILES
CO-CHAIRMAN

SEN. FRANK FERGUSON

REP. C.V. CHATTERTON

SEN. BILL SUMNER

REP. TERRY GARDINER

REP. JOE HAYES

REP. CHARLES PARR

EX-OFFICIO MEMBERS

MR. ROBERT LERESCHE MR. JACK BACHMAN



727 N ST., SUITE 2
ANCHORAGE, ALASKA 99501
(907) 276-4340

Pouch V
Juneau, Ak. 99811
465-3779

January 14, 1980

Sharon Sturrock
Legislative Affairs Agency
Pouch Y
Juneau, Ak. 99811

Dear Ms. Sturrock:

Enclosed is a billing from the firm of Birch, Horton, Bittner and Monroe for October 1 - 31, 1979. It is okay to pay the flat fee of \$2,500.

Thank you for your help and welcome to work with the Legislature. I am sure we will be in contact with you frequently.

Sincerely,

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

Bill Miles

130 SEWARD STREET
JUNEAU, ALASKA 99801
(907) 586-2890
4400 JENIFER ST., N.W., SUITE 300
WASHINGTON, D.C. 20015
(202) 244-4250
TELEX 9-89-2591

LAW OFFICES
BIRCH, HORTON, BITTNER AND MONROE
1127 WEST SEVENTH AVENUE
ANCHORAGE, ALASKA 99501
(907) 276-1550
TELEX 25-356
STATEMENT

1200 AIRPORT HEIGHTS DRIVE, SUITE 520
ANCHORAGE, ALASKA 99504
(907) 279-9501
711 GAFFNEY
FAIRBANKS, ALASKA 99701
(907) 452-1666

Joint Interim Gas Pipeline
c/o Honorable Bill Miles
727 "N" Street, #2
Anchorage, AK 99501

November 10, 1979

FOR PROFESSIONAL SERVICES RENDERED: October 1 - 31, 1979
BIRCH 001547.00

FEES

rg	10/01	NGPA research for Alaska testimony; committee work monitoring
jmc	10/02	Examine federal law re: oil company participation in gas line
rg	10/02	NGPA/NGA curtailment/allocation/abandon- ment authority; monitoring
jmc	10/03	Conf. w/energy specialist Silmiantin re: pipeline financing developments; research NGPA policy re: supplies
rg	10/03	Conf. w/Odum Siemiski re: project status; trip to Canada on pipeline matters
jmc	10/04	Conf. w/Miles and Watkins, FERC at- torney, re: royalty gas and gas line; research re: financing
rg	10/04	Conf. w/Watkins re: gas act
jmc	10/05	Calls and examination re: State rights to royalty under NGPA
jmc	10/06	Research re: historical pipeline finan- cing problems
jmc	10/09	Conf. w/Halloran and Costello; general research; meeting w/Stofer
jmc	10/11	Research President's decision re: finan- cial parameters; update reading; conf. w/Halloran re: research assignment
rg	10/11	Monitor FERC/DOE on conditioning plant
jmc	10/12	Conf. w/Attorney General Gross re: gas pipeline financing
jmc	10/17	Conf. w/Jack Rhett, Federal inspector for Alaska pipeline
jmc	10/18	Review report; research re: Canada for Halloran

PLEASE REMIT PAYMENT TO

1127 WEST SEVENTH AVENUE
ANCHORAGE, ALASKA 99501

rg	10/19	Conf. re: gas line status update
jmc	10/22	Update pipeline reading; preparation re: current report
jmc	10/23	Dictate letter to Cotten, Miles, Colletta, Chatterton and Sumner re: Kennedy energy stance; review notes from Commissioner Sharp for report on Canada
rg	10/23	Research FERC/DOE/Canada status on gas line
rg	10/24	Preparation re: memorandum
jmc	10/26	Work on report; conf. w/Pepperson
rg	10/30	Dictate memorandum

COSTS

07/10	Phone	4.01
08/20	Phone	10.74
10/05	Travel	65.00
10/09	Delivery service	6.50
10/25	Xerox copies	5.40

Total Flat Fee	<u>\$2,500.00</u>
Total Amount Due	\$2,500.00

SCOMM

28:2

STATE OF ALASKA THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

CONTRACT BETWEEN

STATE OF ALASKA
ALASKA STATE LEGISLATURE
Pouch Y
Juneau, Alaska 99811

AND

LAZARD FRERES & CO.
One Rockefeller Plaza
New York, New York 10020

The parties to this agreement are the Alaska State Legislature, on behalf of the Alaska State Legislature's Joint Gas Pipeline Committee, hereinafter referred to as the "AGENCY", and LAZARD FRERES & CO., hereinafter referred to as the "CONTRACTOR".

WHEREAS, the Joint Gas Pipeline Committee and the Alaska State Legislature desire to consult with appropriate financial and legal experts, and obtain expert opinions on the economic feasibility of the proposed natural gas pipeline and alternative methods by which the Legislature may wish to assist timely and prudent use of Alaska's natural resources, including gas and gas liquids,

THE PURPOSE OF THIS AGREEMENT is to provide specialized financial research and consulting services to the Alaska State Legislature through the Joint Gas Pipeline Committee.

IT IS THEREFORE MUTUALLY AGREED THAT:

CLAUSE I - STATEMENT OF WORK

(A) The Contractor shall provide to the Joint Gas Pipeline Committee and to the Department of Natural Resources expert financial opinion on the desirability of various methods for providing financial assistance to the gas pipeline project, including but not limited to direct State participation. The Contractor shall provide three quarterly reports on the status of financing arrangements for the gas pipeline project, the perceived marketability of Prudhoe Bay natural gas, and other factors which could affect the timely construction and operation of the gas pipeline. Such opinion shall be made after discussions with appropriate federal

government agencies, lenders, Northwest Energy Company and other interested parties as may be deemed necessary. The three quarterly reports may be delivered as oral presentations to the Joint Gas Pipeline Committee or as written progress reports. The first shall be delivered by October 15, 1980; the second by January 21, 1981; and the third by April 15, 1981.

(B) The Contractor shall further provide a final written report on or before June 30, 1981. Copies of the quarterly reports, if written, and the final report shall be sent to the Co-Chairmen of the Joint Committee, the Committee members, the Project Director, the Commissioner of Natural Resources, and the Legislative Library.

(C) All reports, correspondence, graphs and other documents prepared under this Contract are the property of the Alaska State Legislature, and it shall have the full right to use these documents for its purposes, or otherwise, when and where the Alaska State Legislature may designate without any claim on the part of the Contractor for additional compensation.

(D) The work shall be done in accordance with generally recognized standards of professional consulting services. In the event that any work does not meet these standards, the Agency may serve written notice and satisfactory correction shall be made within ten (10) days. Failure to complete work on time shall result in liquidated damages of One Hundred Dollars (\$100) per day, except for delays due to causes beyond the control without fault or negligence of the Contractor. Liquidated damages shall not exceed the total payments allowed under the Contract and may be deducted from payments that are owing.

(D) The Agency may terminate this Contract upon written notice of the necessity for doing so and payment shall be made for any satisfactory work. Any dispute concerning a question of fact that relates to the Contractor's performance, if not disposed of by agreement between the parties, shall be decided by the Co-Chairmen of the Committee. This decision, unless appealed to a court of competent jurisdiction within ninety (90) days of the completion or termination of the Contractor, shall be final and conclusive.

CLAUSE II - WRITTEN REPORTS

As provided for in Clause I (A) and (B), the Contractor's opinions and advice will be in written form, including findings and recommendations, to the Committee.

CLAUSE III - PROJECT DIRECTOR

The Project Director shall be Duncan Read, Director, House Research Agency, or his designee, acting on behalf of the Joint Gas Pipeline Committee.

CLAUSE IV - PERIOD AND DATES OF PERFORMANCE

The work under this Contract shall commence on July 1, 1980, and expire on June 30, 1981. Performance may be extended for additional periods by mutual written agreement of the parties.

CLAUSE V - COMPENSATION AND METHOD OF PAYMENT

In full consideration of the Contractor's performance hereunder, the Joint Committee shall pay the Contractor the customary fees not to exceed a total of \$100,000 (One Hundred Thousand Dollars). Billings may be submitted to the Agency on a quarterly basis and shall include appropriate time records of the Contractor. No more than 50% of the maximum charge under the Contract shall be paid out in advance of the acceptance of the final work product by the Committee Co-Chairmen.

CLAUSE VI - OTHER CONTRACT PROVISIONS

It is understood that the Contractor is an investment bank with numerous, historic relationships with oil producing companies, oil and gas transmission compsnies, and refiners. It is understood that the Contractor is not obligated to terminate ongoing relationships with such companies and may without restriction enter into new relationships with such companies in the future. The Contractor shall be obligated, however, to inform the Agency of any arrangements which may present a conflict of interest, and upon receipt of such information the Agency may, if it so desires, terminate this Contract without penalty. Contractor knows of no current or prospective circumstance which would present a conflict of interest in providing objective expert financial advice.

Nothing in this Contract shall prevent Contractor after completion of its report from participating in the ultimate financing agreements of the Alaska Gas Pipeline Project.

CLAUSE VII - ALL WRITINGS CONTAINED HEREIN

This agreement contains all the terms and conditions agreed upon by the parties. No other understandings, oral or otherwise, regarding the subject matter of this agreement shall be deemed to exist or to bind either of the parties of this agreement.

IN WITNESS WHEREOF, the parties have executed this agreement on the dates indicated below.

CONTRACTOR

LEGISLATIVE AFFAIRS AGENCY

LAZARD FRERES & CO. Date
I. R. S. ID #

M. R. CHARNEY Date

HOUSE RESEARCH AGENCY

Approved as to form:

DUNCAN READ Date
PROJECT DIRECTOR

Billy G. Berrier Date
AGENCY LEGAL COUNSEL

Accepted:

Mike Colletta 30 Sept 80
Senator Mike Colletta Date
Co-Chairman, Joint Gas
Pipeline Committee

Bill Miles 10/1/80
Representative Bill Miles Date
Co-Chairman, Joint Gas
Pipeline Committee

LAZARD FRÈRES & Co.

ONE ROCKEFELLER PLAZA
NEW YORK, N.Y. 10020

CABLE ADDRESS 'LAZARD NEW YORK'
TELEPHONE (212) 489-6600

NEW YORK

July 28, 1980

Dr. Robert E. LeResche
Commissioner
Department of Natural Resources
State of Alaska
Pouch "M"
Juneau, Alaska

Dear Bob:

I will outline my thoughts regarding the services that our firm can provide to you and the Pipeline Committee in the following months.

Let me start with the description of the overall problem as I see it:

As I mentioned earlier to you, I believe the broad description of the State's objective is the maximization of values of the State's resources. At the present time, there are three separate but interrelated "projects" which are involved in the sale of gas, all of which come under the broad heading of maximization of values.

1. The gas pipeline itself,
2. The gas-conditioning plant, and
3. the stimulation of a petrochemical industry.

While the economics and financing of a pipeline, a gas-conditioning plant and a petrochemical works can each be viewed separately, from a strategic point of view, they should be looked at together. For example, in each of these three "projects" the State may or may not wish to play a role. Or, perhaps, if the State plays a large role in one aspect, it may wish not to play a role in another. Each has an impact on the States revenues and each could receive some form of State encouragement, financial or otherwise.

During this past year we have focused on various alternatives for State participation in the overall pipeline project and submitted our report last November. As we all know, much has happened since November and most recently with the signing of Phase I Agreement between the producers and sponsors.

Dr. Robert E. LeResche
Commissioner
Department of Natural Resources

July 28, 1980
Page 2

Over the next twelve months we would expect that a number of financial plans will be put forth by various players with respect to the overall project. The State will be called upon to express its opinion and may well be called upon to play a financial role.

In addition, inasmuch as the State has committed itself to study its possible role in financing of a gas-conditioning plant, specific proposals must be studied and developed. Finally, as the State has solicited invitations for proposals for a petrochemical industry based upon the gas liquids generated by the pipeline, such proposals must be reviewed.

✓ All three aspects outlined above should be reviewed together, if at all possible, not only from the technical engineering point of view but from the financial point of view.

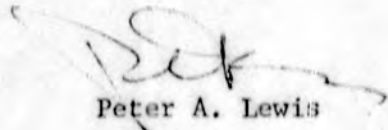
What I would propose to you, Bob, is that we be assigned the task for a twelve-month period of advising the Pipeline Committee and yourself on the financial implications of the various proposals that are put forth on all three aspects. This will entail our attending meetings in Washington and in Alaska, as necessary.

✓ As part of this program of effort we would specifically be prepared to develop a financial plan for the gas-conditioning plant and to comment on the financial feasibility of the proposals you receive for a petrochemical industry.

I will be coming to Alaska the first week in August and would like to discuss with you and others how we might proceed along these lines or along other lines which you might deem more appropriate.

With best regards,

Sincerely,


Peter A. Lewis

PAL:g

AMENDMENT NO. 2

CONTRACT BETWEEN
STATE OF ALASKA
LEGISLATIVE AFFAIRS AGENCY

and

BIRCH, HORTON, BITTNER & MONROE
1127 West Seventh Ave.
Anchorage, Alaska 99501

IT IS MUTUALLY AGREED THAT THE CONTRACT BETWEEN THE ABOVE PARTIES
DATED October 1, 1979 IS HEREBY AMENDED AS FOLLOWS:

CLAUSE III, Paragraphs (A)(1) and (A)(2) is amended to read:

CLAUSE III -- COMPENSATION AND METHOD OF PAYMENT

(A)(1) Total payment for the work referenced in Clause I
shall not exceed \$55,000, inclusive of all expenses, which,
for the work under Clause I, shall be the sole responsibility
of the Contractor.

(A)(2) Payment for the work referenced in Clause I and described
in the Contract shall be due and payable to the Contractor in
accordance with the following schedule:

22 monthly payments of 2500.00 each, the first payment
due and payable on September 30, 1979 and successive
payments due on the last day of the succeeding months
thereafter.

IN WITNESS Thereof, the parties have executed this amendment to this
agreement on dates indicated below.

BIRCH, HORTON, BITTNER & MONROE

LEGISLATIVE AFFAIRS AGENCY

Ronald G. Birch 10/3/80
Ronald G. Birch Date

M.R. Charney Date
Executive Director

Approved:

Approved as to form:

Mike Colletta
Senator Mike Colletta Date

Billy G. Berrier Date
Agency Legal Counsel

Bill Miles 10/3/80
Representative Bill Miles Date

AMENDMENT NO. 1

CONTRACT BETWEEN
STATE OF ALASKA
LEGISLATIVE AFFAIRS AGENCY

and

BIRCH, HORTON, BITTNER & MONROE
1127 West Seventh Avenue
Anchorage, Alaska 99501

IT IS MUTUALLY AGREED THAT THE CONTRACT BETWEEN THE ABOVE
PARTIES DATED October 1, 1979, IS HEREBY AMENDED AS FOLLOWS:

CLAUSE II, Paragraph (A), page 1 is amended to read:

- (A) This Agreement shall commence on September 1,
1979 and continue through June 30, 1981. This
Agreement may be terminated by either party
on written notice to the other.

IN WITNESS WHEREOF, the parties have executed this amendment
to this agreement on dates indicated below.

BIRCH, HORTON, BITTNER & MONROE

LEGISLATIVE AFFAIRS AGENCY

Ronald G. Birch
Ronald G. Birch (5/27/80)

Ronald G. Birch Date

M. R. Charney
M. R. Charney

M. R. Charney Date
Executive Director

Approved:

Approved as to form:

Billy G. Miles 4/1/81
Billy G. Miles

Representative Billy Miles Date
Project Director

Billy G. Berrier
Billy G. Berrier

Billy G. Berrier Date
Agency Legal Counsel

Mike Colletta 28 Aug 80
Mike Colletta

Senator Mike Colletta Date
Project Director

STATE OF ALASKA THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y - STATE CAPITOL

JUNEAU, ALASKA 99811

907-465-3800

CONTRACT BETWEEN

STATE OF ALASKA
LEGISLATIVE AFFAIRS AGENCY

Pouch Y
Juneau, Alaska 99811

AND

MARK WITTOW
630 W. 8th Avenue, #208
Anchorage, Alaska 99501

The parties to this agreement are the LEGISLATIVE AFFAIRS AGENCY, on behalf of the Alaska State Legislature's Joint Gas Pipeline Committee, hereinafter referred to as the "AGENCY" and MARK WITTOW, hereinafter referred to as the "CONSULTANT".

THE PURPOSE OF THIS AGREEMENT is to provide specialized research and consulting services to the Alaska State Legislature through the Agency.

IT IS THEREFORE MUTUALLY AGREED THAT:

CLAUSE I - STATEMENT OF WORK

The Consultant shall provide the Alaska State Legislature with specialized research and consulting services relating to oil and gas, gas pipeline development, petrochemical development, and related policy areas, particularly with reference to preparation of studies authorized by the Agency.

CLAUSE II - PERIOD OF PERFORMANCE

(A) The period of this contract shall be from September 1, 1980, through January 15, 1981, unless extended by written agreement or terminated in accordance with (B) of this clause.

(B) This contract may be terminated by three (3) days written notice of either party to the other party.

CLAUSE III - COMPENSATION AND METHOD OF PAYMENT

(A) Payment for work performed under this agreement shall be at the rate of \$2,556.00 (Two Thousand Five Hundred Fifty-six Dollars) per month, exclusive of expenses.

(B) Billings for all work and requests for reimbursement of expenses shall be submitted monthly to the Project Director for approval.

(C) The Consultant shall be reimbursed by the Agency for travel expenses authorized in advance by the Project Director. Air transportation shall be reimbursed at coach class fares and per diem expenses at prevailing State rates.

(D) Total payments under this contract, including expenses shall not exceed \$12,000.00 (Twelve Thousand Dollars).

(E) Office space and equipment necessary to carry out the work designed in Clause I of this agreement shall be provided by the Agency at no cost to the Consultant.

CLAUSE IV - PROJECT DIRECTOR

The Project Director shall be Senator Mike Colletta, and Representative Bill Miles, Co-Chairmen of the Joint Gas Pipeline Committee, or their designee.

CLAUSE V - REPORTS

The Consultant shall keep the Project Director informed as to the progress of work performed under this agreement and shall provide written reports as specified by them.

CLAUSE VI - RECORDS, DOCUMENTS, AUDIT

The Consultant shall maintain accurate records, including detailed time records, as may be required by the Agency. The records are subject to inspection by the Agency at all reasonable times. All documents, reports and writings produced in the course of the work performed under this contract are, upon delivery to the Agency or at the termination of this agreement, the property of the Agency.

CLAUSE VII - ALL WRITINGS CONTAINED HEREIN

This agreement contains all the terms and conditions agreed upon by the parties. No other understandings, oral or otherwise, regarding the subject matter of this agreement shall be deemed to exist or to bind either of the parties of this agreement.

IN WITNESS WHEREOF, the parties have executed this agreement on the dates indicated below.

CONSULTANT

LEGISLATIVE AFFAIRS AGENCY

Mark Wittow 9/5/80
MARK WITTOW Date
AK BUSINESS LIC. 98004

M. R. CHARNEY Date
EXECUTIVE DIRECTOR

Accepted:

Approved as to form:

Mike Colletta 28 Aug 80
SENATOR MIKE COLLETTA Date
Co-Chairman Joint Gas
Pipeline Committee

BILLY G. BERRIER Date
AGENCY LEGAL COUNSEL

Bill 9/9/81
REP. BILL MILES Date
Co-Chairman Joint Gas
Pipeline Committee