

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672

1077 SCOMM 28: JOINT GAS PIPELINE COMMITTEE, 1981-82

title to the Venture of all Venture Technology, and shall cooperate with the Venture in enforcing and maintaining the Venture Technology. The Venture shall utilize its best efforts to file applications for United States Letters Patent on those aspects of the Venture Technology which the Venture deems necessary. The Venture shall bear the expenses of filing and pursuing the prosecution of all patent applications which may be filed on aspects of the Venture Technology. Such applications and any patents which issue thereon (hereinafter referred to as "Venture Patents") shall be owned by the Venture. In the event it becomes necessary or desirable to protect, maintain and enforce the Venture Patents, the Venture shall, for its own account, protect, maintain and enforce such patents. Each Venturer shall cooperate and assist the Venture in protecting, maintaining and enforcing such patents.

7.02. Patents of Third Parties. The Venture shall defend itself and each of its Venturers against any and all charges, claims or suits made by a third party of infringement by the Venture of any United States Letters Patent by reason of the activities of the Venture in constructing, maintaining, owning and operating properties of the Venture and the marketing of products therefrom, and the Venture shall hold the individual Venturers harmless and shall pay

all costs, expenses, losses or damages (whether incidental, consequential or otherwise) incurred by reason of such charges, claims or suits.

7.03. Non-Use of Venture Technology. During the existence of the Venture each Venturer shall maintain all Venture Technology in the strictest confidence and shall not use, give, trade, sell, license or otherwise market the Venture Technology and shall not disclose or make available the Venture Technology to others; provided, however, any of the Venturers shall have the right to disclose the necessary portions of the Venture Technology in confidence (i) to a third party having a bona fide interest in acquiring all or a portion of the Venturer's Ownership Interest in the Venture; (ii) to a third party having a bona fide interest in acquiring substantially all of the Venture's assets to which this Agreement pertains; or (iii) to an agency of a state government or of the United States Government when the Venture is required to do so by applicable state or federal law; and provided further, the obligations of confidence and non-use imposed upon the individual Venturers by this Section 7.03 and by the Venture relationship shall not apply to such portion of the Venture Technology (i) which was previously known to the individual Venturer before it was disclosed to or learned by the individual Venturer hereunder; (ii) which

was or hereafter becomes a part of the public domain; or (iii) is hereafter acquired by the individual Venturer from a third party who in disclosing such information to such individual Venturer breached no duty owed to the Venture or the other Venturers.

7.04. Rights in Venture Technology Upon Termination of Venture. It is the intention of the Venturers that upon termination of the Venture each Venturer shall be free to make, use and sell as a co-owner the inventions described and claimed in the Venture Patents, and to use and disclose the Venture Technology so long as such use or disclosure does not result in the substantial impairment or destruction of the ownership rights in the Venture Technology. Therefore, upon termination of the Venture, the Venture shall assign to the individual Venturers as co-tenants all of the Venture's right, title and interest in and to the Venture Technology and any portions thereof covered by the Venture Patents.

ARTICLE VIII

CONTRIBUTION AND INDEMNITY

8.01. Indemnification. Each of the Venturers in proportion to their respective Ownership Interests, but not their respective Affiliates, agrees to, and does hereby, indemnify and save and hold harmless each of the other Venturers, and to the extent set forth below each Affiliate of each of the Venturers, from and against all claims, causes of action, liabilities, payments, obligations, expenses, including without limitation reasonable fees and disbursements of counsel, or losses (hereinafter referred to collectively as "Liability" or "Liabilities") arising out of a Venture activity or undertaking to the extent necessary to accomplish the result that no Venturer, together with its Affiliates, shall bear any portion of a Liability of the Venture in excess of the percentage thereof equal to such Venturer's Ownership Interest in the Venture as of the time of occurrence of such Liability, or the circumstances giving rise to the same. Without limiting the generality of the foregoing, a Liability shall be deemed to arise out of a Venture activity or undertaking if it arises out of or is based upon the conduct of the business of the Venture or the ownership or operation of the Complex or any other property

of the Venture (the Complex or any other property being hereinafter referred to as the "Venture Property"). The foregoing indemnification shall be available to an Affiliate of a Venturer with respect to a Liability arising out of a Venture activity or undertaking which is paid by or incurred by such Affiliate as a result of such Affiliate directly or indirectly owning or controlling a Venturer or as a result of the fact that an individual employed or engaged by the Venture is also a director, officer or employee of such Affiliate. The foregoing shall not inure to the benefit of any Venturer, or any Affiliate of any Venturer, in respect of any Liability which (i) arises out of or is based upon the willful misconduct of any such Venturer or its Affiliate or (ii) results from any action by such Venturer in violation of any provision of Section 12.01, or (iii) is a tax, levy or similar imposition or governmental charge not imposed upon the Venture or upon Venture Property. The foregoing indemnity shall apply only to a Liability to the extent that it is uninsured by the Venture or a party entitled to indemnification.

8.02. Contributions. Irrespective of Section 8.01, if any Venturer or any Affiliate pays any portion of a Venture Liability to a third party or an Affiliate thereof that it is indemnified against under Section 8.01, that Venturer or Affiliate shall be entitled to contribution from the other

Venturers, but not their respective Affiliates, in an amount such that after giving effect to the indemnity and contribution each Venturer and its Affiliates shall bear their portion of the Venture liability as provided in Section 8.01.

ARTICLE IX

RESTRICTIONS ON ASSIGNMENT; WITHDRAWAL

9.01. Restrictions on Withdrawal and Assignment. No Venturer may at any time withdraw from the Venture, or assign, convey, mortgage, pledge or otherwise dispose of all or any part of its Ownership Interest in the Venture or interest in this Agreement except in accordance with the provisions of this Article IX, and any attempt to do so shall be null and void. The foregoing shall not preclude (x) an assignment by a Venturer of distributions to be made to it under Section 3.06 hereof, or (y) the transfer of the stock or merger or consolidation of a Venturer. Further, this Article IX shall not preclude and Section 9.02 shall not apply to a transfer of the Ownership Interest of any Venturer to any Affiliate of such Venturer; provided, however, that each such transferee shall execute a written instrument of express assumption pursuant to which it shall become a Venturer and take such interest subject to and burdened with (i) all the terms, provisions and conditions of this Agreement which shall then become effective as between the transferee and the remaining Venturers and (ii) all other obligations the transferring Venturer has to the Venture, contractual or otherwise, insofar as they relate to the Ownership

Interest so transferred to such transferee. No such assignment or transfer shall relieve the assignor or transferor of any liability or obligation to the Venture, the other Venturers, or any third party, unless expressly done so in writing by the party granting such release.

9.02. Withdrawal Procedure. Except as provided in Section 9.01, a Venturer shall have the right to withdraw from the Venture only in accordance with the following procedure.

(a) Notice of Intention to Withdraw. A Venturer desiring to withdraw may do so at any time, provided that such Venturer must give to the other Venturers written notice of its intention to withdraw not less than six months prior to the effective date of withdrawal except that if such a notice is given by any Venturer a similar notice by any other Venturer given within thirty days of the date of the first such notice shall have effect as if given on the date of the first notice. The Venturer giving notice of intention to withdraw may be referred to herein as a "Withdrawing Venturer," and the other Venturers who desire to continue the Venture may be referred to herein as the "Nonwithdrawing Venturers." In such notice by the Withdrawing

Venturer, it shall offer in writing to sell its Ownership Interest to the Nonwithdrawing Venturers. Such offer shall state the dollar price and other terms. The Nonwithdrawing Venturers shall have thirty (30) days in which to elect to purchase the Withdrawing Venturer's Ownership Interest in accordance with the offer.

(b) Option to Meet Offer to Purchase. If the Nonwithdrawing Venturers do not elect to purchase the Withdrawing Venturer's Ownership Interest in accordance with the provisions of Section 9.02(a), or if an agreement to purchase has not been otherwise reached between the Venturers within the thirty day period specified therein, then the Withdrawing Venturer shall have the right to negotiate for a sale of all (but not less than all) of the Withdrawing Venturer's Ownership Interest in the Venture to a third party for a purchase price to be paid in cash at closing. If the Withdrawing Venturer receives one or more bona fide offers from third parties to purchase all of the Withdrawing Venturer's Ownership Interest in the Venture, and if any such offer is acceptable to the Withdrawing Venturer,

then the Withdrawing Venturer must notify the Non-withdrawing Venturers in writing, giving the name and address of the offeror and the price, terms and conditions of such offer; and the Nonwithdrawing Venturers shall have sixty (60) days from and after the receipt of such notice from the Withdrawing Venturer in which to elect to purchase the Withdrawing Venturer's Ownership Interest in the Venture for the same consideration and on the same terms and conditions contained in said bona fide offer. If the Nonwithdrawing Venturers do not elect to purchase or do not purchase such interest, then the Withdrawing Venturer may consummate the sale of its Ownership Interest to the third party making such offer in accordance with the terms set forth in its notice of such offer to the Nonwithdrawing Venturers; provided that the purchaser shall take such interest by written instrument of express assumption subject to and burdened with all of the terms, provisions and conditions of this Agreement which shall then become effective as between the purchasing party and the Nonwithdrawing Venturers. Such sale shall not relieve the Withdrawing Venturer of any of its obligations hereunder accrued prior

to the effective date of withdrawal. If such sale is not consummated within ninety (90) days from the expiration of the sixty (60) day period specified above, the Withdrawing Venturer's withdrawal rights based on the notice of withdrawal previously given shall lapse and future withdrawal rights will be governed by the provisions of this Article IX.

(c) Purchase by More Than One Nonwithdrawing Venturer. If more than one Nonwithdrawing Venturer elects to purchase the Ownership Interest of the Withdrawing Venturer, the Nonwithdrawing Venturers shall share the purchased interest in the proportions that the Ownership Interest of each purchasing Venturer in the Venture bears to the total Ownership Interest of all purchasing Venturers in the Venture; but if only one Nonwithdrawing Venturer elects to purchase, then it shall have the right to purchase the entire Ownership Interest of the Withdrawing Venturer in the Venture. If any Notwithstanding Venturer does not elect to purchase his pro rata share of the Ownership Interest of the Withdrawing Venturer, any other notwithstanding Venturer may purchase the remaining Ownership Interest of the Withdrawing Venturer.

(d) Withdrawal of All Venturers. If all Venturers elect to withdraw or to terminate the Venture, the assets of the Venture shall be sold to the extent necessary to pay its obligations, any remaining assets shall be distributed to the Venturers in the ratio of their respective Ownership Interests, all liabilities of the Venture in excess of the Venture's assets shall be discharged by the Venturers in the ratio of their respective Ownership Interests, and the net amounts owing by any Venturer to the other Venturers or to the Venture shall be promptly paid in cash.

(e) Withdrawal of Less Than All Venturers. If one or more but less than all Venturers elect to withdraw under this Section 9.02 or otherwise, then the Venture shall continue under the ownership of the Nonwithdrawing Venturers (unless they elect to withdraw or terminate the Venture as provided in this Agreement) and

(i) each Withdrawing Venturer shall

(x) before the effective date of withdrawal, pay in cash any net amounts owing by it to the other Venturers and the Venture;

(y) remain liable for its pro rata part of all liabilities and obligations, if any, to the Venture, the

other Venturers, and third parties, which accrue, and which are based solely on events which occur, before the effective date of such withdrawal;

(z) have no right, title, claim or interest hereunder in any asset or right of the Venture or any other Venturer after the withdrawal becomes effective; and

(ii) the remaining Venturer or Venturers shall

(x) continue the business of the Venture as a partnership in accordance with this Agreement, including the right of withdrawal herein set forth;

(y) in the percentage of their respective Ownership Interests after the aforementioned withdrawal is accomplished, indemnify the Venturer or Venturers who withdrew against all Liabilities and obligations of the Venture which accrue, and which are based solely on events which occur, subsequent to the effective date of such withdrawal; and

(iii) the Venture shall continue to be the owner of all assets and rights previously owned by it.

9.03 Additional Right to Withdraw Prior to December 18, 1980. In addition to the rights to withdraw provided in Section 9.02, any Venturer may withdraw from the Venture at any time prior to December 18, 1980, if such Venturer does not approve the terms of definitive documents relative to the long-term loan of funds for the Complex or in the event of termination of the Interim Crude Oil Agreement on or before July 1, 1980. Upon such a withdrawal, the Venture shall immediately terminate and be dissolved and the Venture shall give immediate notice of termination of the Royalty Oil Contract unless the Venturers who do not withdraw satisfy in full or eliminate entirely any unsatisfied obligation of the Venturer who elects to withdraw. The Venturer who elects to so withdraw shall promptly provide the Venturers who elect to continue a list of the unsatisfied obligations that must be satisfied or eliminated. In addition, the Venture shall promptly deliver its promissory note in a principal amount equal to the withdrawing Venturer's pro rata share of undepreciated cost of tangible personal property (but which shall not include an interest in the Royalty Oil Contract) owned by the Venture as of the effective date of withdrawal payable one year from such date and bearing interest, payable at maturity, at the Chemical Bank of New York prime rate prevailing from time to time but not in excess of the lawful rate.

ARTICLE X

DEFAULTS AND REMEDIES

10.01 Default of a Venturer.

(a) Definition of Default. If any of the following events occur:

- (i) Any Venturer is adjudicated a bankrupt or insolvent and, if such adjudication be involuntary, it is not vacated within ninety (90) days;
- (ii) Any proceeding is commenced by or against any Venturer seeking relief under any bankruptcy or insolvency law, including, without limitation, a reorganization, arrangement, readjustment of debt, receivership, trusteeship or liquidation, and, if such proceeding be involuntary, it remains undismissed for ninety (90) days; or any Venturer, by action or answer, approves of, consent to, or acquiesces in such proceeding or admits the material allegations of or defaults in answering a petition filed in such proceeding;
- (iii) A trustee, receiver or liquidator is appointed with or without a Venturer's consent for all or any substantial part of the property of such Venturer (whether or not including such Venturer's interest in the Venture), and if without such Venturer's consent, such appointment is not discharged within ninety (90) days;
- (iv) Any Venturer admits in writing its inability to pay its debts as they mature;
- (v) Any Venturer makes a general assignment for the benefit of creditors;
- (vi) Any part of the Ownership Interest of any Venturer in the Venture is seized by a creditor of such Venturer, and the same is not released from seizure or bonded out within ninety (90) days from the date of notice or seizure;
- (vii) Any Venturer attempts to transfer any of its Ownership Interest in the Venture except as permitted by this Agreement or attempts to

dissolve the Venture otherwise than as permitted by this Agreement;

- (viii) Any material breach by a Venturer of any provision of Section 12.01.

such Venturer (hereinafter referred to as a "Defaulting Party") shall be deemed to be in default hereunder.

(b) Expulsion Procedure at Option of Nondefaulting Parties.

If a Venturer becomes a Defaulting Party pursuant to the provisions of Section 10.01(a), then in such event the other Venturers (hereinafter referred to as the "Nondefaulting Parties") shall have the right, at their option, to proceed under the provisions of this Section 10.01(b). Should the Nondefaulting Parties so elect to proceed under this Section 10.01(b), they shall have the right (exercisable by the majority of Ownership Interest of the Nondefaulting Parties) to (i) expel the Defaulting Party from the Venture by giving written notice specifying the expulsion date and to (ii) purchase as of the expulsion date all of the Ownership Interest in the Venture of the Defaulting Party at a purchase price which shall be the amount by which (x) the Defaulting Party's Ownership Interest times the fair market value of the entire Ownership Interest of the Venture as determined in accordance with the appraisal procedure set forth below exceeds (y) any amounts payable (whether or not due) to the Venture by the Defaulting Party, any costs of remedying the default and any damages or costs resulting from the default,

and adjusting for any payments due either from or to the Defaulting Party pursuant to Sections 8.01 and 8.02. However, if the default committed by the Defaulting Party is one specified in Section 10.01(vii) or (viii), the majority in Ownership Interest of the Nondefaulting Parties shall have the election, exercisable in the written notice specifying the expulsion date, to substitute Net Book Value (determined in accordance with Section 3.03(c)) for fair market value in determining the purchase price to be paid to the Defaulting Party. When the fair market value or Net Book Value is used in making such determination, it shall be as of the end of the month immediately before the expulsion date. Payment to the Defaulting Party of the purchase price shall be in cash, but at the option of the majority in Ownership Interest of the Nondefaulting Parties, may take the form of an unsecured note(s) of the purchasing Nondefaulting Parties providing for interest at the rate specified in Section 3.03(c) hereof, with principal and interest being payable at the office of the payee designated under Section 12.04 below, and the right to prepay the note(s) in whole or in part at any time without penalty or premium; said note(s) shall be payable annually in equal principal amounts, plus accrued interest, over a period of (a) three years if the aggregate principal amount is less than Thirty Million Dollars (\$30,000,000), (b) five

years if the aggregate principal amount is between Thirty Million Dollars (\$30,000,000) and One Hundred Million Dollars (\$100,000,000), both inclusive, and (c) ten years if the aggregate principal amount is over One Hundred Million Dollars (\$100,000,000). The Venture shall continue under the ownership of the Nondefaulting Parties (unless they also elect to withdraw or terminate the Venture in accordance with the terms of this Agreement), in which event

(i) the Defaulting Party shall:

- (x) remain liable for its pro rata part of all Liabilities and obligations, if any, to the Venture, the other Venturers, and third parties, which accrue and which are based solely on events which occur, before the effective date of such expulsion; and
- (y) have no right, title, claim or interest hereunder in any asset or right of the Venture or any other Venturer after the effective date of the expulsion; and

(ii) the Nondefaulting Parties shall:

- (x) have the right to continue the business of the Venture; and
- (y) in the percentage of their respective Ownership Interests after the aforementioned expulsion is accomplished, indemnify the Defaulting Party against all Liabilities and obligations of the Venture which accrue, and which are based solely on events which occur, subsequent to the effective date of such withdrawal;

- (iii) The Venture shall continue to be the owner of all assets and rights previously owned by it.
- (iv) The rights of the Nondefaulting Parties to proceed under this Section 10.01(b) shall be in addition to all other rights and remedies of the Nondefaulting Parties, either at law or in equity.

(c) Purchase by More Than One Nondefaulting Party. If more than one Nondefaulting Party votes to expel the Defaulting Party, the Nondefaulting Parties voting in favor of the expulsion shall purchase the interest of the Defaulting Party in the proportions that the Ownership Interest of each of such Nondefaulting Parties bears to the total Ownership Interest of all such Nondefaulting Parties; but if only one Nondefaulting Party votes in favor of such expulsion, then it shall purchase the entire Ownership Interest in the Venture of the Defaulting Party.

(d) Appraisal Procedure.

- (i) If the Nondefaulting Parties elect to proceed under subparagraph 10.01(b) to purchase the Ownership Interest of the Defaulting Party in the Venture at the price described in Section 10.01(b), and further elect to have fair market value determined by appraisal, it shall give the Defaulting Party written notice thereof and in such notice shall designate the first appraiser ("First Appraiser").
- (ii) Within 15 days after the service of the notice referred to in Section 10.01(d)(i) hereof, the

Defaulting Party shall give written notice to the Nondefaulting Parties designating the second appraiser ("Second Appraiser"). If the Second Appraiser is not so designated within or by the time above specified, then the appointment of the Second Appraiser shall be made in the same manner as is hereinafter provided for the appointment of a third appraiser ("Third Appraiser") in a case where the First and Second Appraisers are unable to agree upon the Third Appraiser. The First and Second Appraisers so designated or appointed shall meet within 10 days after the Second Appraiser is appointed and if, within 30 days after the Second Appraiser is appointed, the First and Second Appraisers do not agree upon the fair market value of the full Ownership Interest in the Venture, as more fully set forth below, they shall themselves appoint a Third Appraiser; and in the event of their being unable to agree upon such appointment within 10 days after the time aforesaid, the Third Appraiser shall be selected by the parties themselves if they can agree thereon within a further period of 15 days. If the parties do not so agree, then either party, on behalf of both, may request such appointment by the Chief Judge of the United States District Court for Middle District of Florida, in his individual capacity. In the event of the failure, refusal or inability of any appraiser to act, a new appraiser shall be appointed in his stead, which appointment shall be made in the same manner as hereinabove provided for the appointment of such appraiser so failing, refusing or unable to act. The Defaulting Party and the Nondefaulting Parties shall each pay the fees and expenses of the appraiser appointed by such Party (or Parties), or in whose stead, as above provided, such appraiser was appointed, and the fees and expenses of the Third Appraiser, and all other expenses, if any, shall be borne in proportion to their respective Ownership Interests by the Defaulting Party and the Nondefaulting Parties. Any appraiser designated to serve in accordance with the provisions of this Agreement shall

have been actively engaged in appraising refinery and petrochemical businesses for a period of not less than five years immediately preceding his appointment and shall not have been an employee, officer or director of any Venturer or any of its Affiliates.

- (iii) The appraisers shall determine fair market value, as of the end of the calendar month immediately before the expulsion date, of the entire Ownership Interest of the Venture, taking into account the assets and liabilities of the Venture, future business prospects of the Venture, and all other relevant factors known on the date of appointment of the First Appraiser but not taking into account anything that occurs after such date. A decision joined in by two of the three appraisers shall be the decision of the appraisers. After reaching a decision, the appraisers shall give written notice thereof to all the Venturers.
- (iv) The decision of the appraisers hereunder shall be binding on the parties to the appraisal, and shall be final and nonappealable.

ARTICLE XI

DEFINITIONS

As used herein, the following terms shall have the meanings set forth in the Sections hereof specified below:

"Affiliate", Section 2.04

"APC", introductory paragraph

"Capital Account", Section 3.01(a)

"Capital Calls", Section 3.02(c)

"Charter", introductory paragraph

"Code", Section 5.01

"Complex", Section 1.03

"Defaulting Party", Section 10.01(a)

"Defaulting Venturer", Section 3.03(b)

"Liability" and "Liabilities", Section 8.01

"Minimum Complex", Section 2.01(iii)

"Missed Capital Call", Section 3.03(b)

"Net Book Value", Section 3.03(c)

"Nondefaulting Parties", Section 10.01(b)

"Nonwithdrawing Venturer", Section 9.02(a)

"Ownership Interest" and "Ownership Interests", Section 3.01(a)

"Project", Section 1.03

"Repeating Defaulting Venturer", Section 3.03(c)

"Royalty Oil Contract", Section 1.03

"Venture", Section 1.01

"Venture Patents", Section 7.01(b)

"Venture Property", Section 8.02

"Venture Technology", Section 7.01(a)

"Venturer" and "Venturers", introductory paragraph

"Withdrawing Venturer", Section 9.02(a)

ARTICLE XII

GENERAL PROVISIONS

12.01. Nondelegation.

(a) No Venturer may, without the prior authorization of the Policy Committee in accordance with the terms of Sections 2.01 and 2.02 above:

- (i) Borrow money in the Venture name or utilize Venture property as security for any loans, obligate the Venture as guarantor, endorser, surety or accommodation party, or otherwise pledge the credit of the Venture in any way;
- (ii) Mortgage or lease or agree to mortgage or lease any Venture property or any interest therein; or sell, transfer, convey, exchange or agree to sell, transfer, convey or exchange any Venture property;
- (iii) Assign, transfer, pledge, compromise or release any of the claims of or debts due the Venture except on payment in full;
- (iv) Arbitrate or consent to the arbitration or litigate or settle litigation of any of the disputes or controversies of the Venture;
- (v) Change or agree to any change in the terms of any mortgage of any Venture property or any Venture contract;
- (vi) Engage the services of any person, firm or corporation on behalf of the Venture; or
- (vii) Engage in any other transaction or make any other commitment on behalf of the Venture.

(b) Any attempted action in contravention of this Section 12.01 shall be null, void and not binding upon the

Venture, unless ratified or authorized by the Policy Committee.

12.02. No Restrictions. Nothing contained in this Agreement shall be construed so as to prohibit any Venturer or any firm or corporation controlled by, under common control with or controlling or otherwise affiliated with any such Venturer from owning, operating or investing in any business of any nature and description, independently or with others, regardless of whether such business is competitive with the Venture.

12.03. Additional Documents and Acts; Insurance.

(i) In connection with this Agreement, as well as all transactions contemplated by this Agreement, each Venturer agrees to execute and deliver all such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate and perform all of the terms, provisions and conditions of this Agreement and all such transactions.

(ii) The Venture through the Policy Committee will develop to the extent commercially feasible a program of insurance against liability for damage to property and injury to, or death of persons, including employees, which will be adequate to protect the interests of the Venturers and at the same time be economical and nonduplicative.

12.04. Notices. All notices, agreements, consents, and requests must be in writing, may be given by first-class mail, by prepaid telegram or telex, or by delivery in person to the party to whom addressed, and shall be deemed to have been given only when received by the party to whom directed. However, if such notice is of a meeting of the Policy Committee, or action by consent in lieu thereof, such notice may be given by telephone to any officer of a Venturer, or in lieu thereof to any officer of a parent of a Venturer; a notice by telephone shall be effective when received, but shall be confirmed in writing sent within two days of the telephone notice. All notices mailed or telegraphed shall be addressed in each case to the address set forth below, or to such other address as any of the Venturers shall theretofore have designated in writing to the others in the manner provided herein for giving notice:

If to APC:

c/o Alaska Interstate Company
5051 Westheimer, 22nd Floor
Houston, Texas 77056
Attention: President

If to Charter:

Charter Oil (Alaska) Inc.
208 Laura Street
Jacksonville, Florida 32202

Attention: President

If to EFH:

c/o E. F. Hutton & Co.
One Battery Park Plaza
New York, New York

Attention: President

12.05. Waiver. No consent or waiver, express or implied, by any Venturer to or of any breach or default by any other Venturer in the performance by that other Venturer of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such Venturer of the same or any other obligations of such Venturer hereunder.

12.06. Severability. If any provision of this Agreement or the application thereof to any party or circumstances shall be invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provision to other parties or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

12.07. Applicable Laws. The validity, interpretation and performance of this Agreement shall be governed by the laws of the State of Florida.

12.08. Binding Agreement. This Agreement shall inure to the benefit of and be binding upon the undersigned Venturers and, subject to the provisions hereof, their respective successors and assigns.

12.09 Counterparts. This Agreement may be executed in any number of counterparts, each of which when fully executed shall be deemed an original but all of which shall constitute but one Agreement.

12.10 Entireties. This Agreement contains the entire agreement between the specific parties hereto pertaining to the formation and operation of the Venture, and supersedes all prior and contemporaneous written agreements between them in connection with the Venture except (i) the Agreement executed October 19, 1979 among Alaska Petrochemical Company, Alaska Interstate Company, Charter Oil (Alaska), Inc. and The Charter Company, (ii) Interim Crude Oil Agreement between the parties hereto, and others, executed the date of execution hereof, and (iii) Products Sales Agreement, dated as of December 1, 1979, between the Venture and each Venturer. This Agreement supersedes all prior and contemporaneous verbal agreements in connection with the Venture. No amendment of, addition to, or modification of all or any part of this Agreement shall be of any force or effect unless in writing and signed by all parties hereto.

12.11 Captions. The captions in this Agreement are for convenience of reference only and shall not limit in any way or otherwise affect any of the terms or provisions hereof.

12.12 Number. Whenever the context requires, the number of all words shall include the singular and the plural.

Executed December 13, 1979, but effective as above-mentioned.

ALASKA PETROCHEMICAL COMPANY

By Gordon A. Cairn
President

CHARTER OIL (ALASKA), INC.

By [Signature]
President

E. F. HUTTON (ALASKA) INC.

By W. J. Hutton
President

EXHIBIT A

Agreements and obligations of Alaska Petrochemical Company as of October 1, 1979 to be assumed by The Alpetco Company.

1. Consultants Agreements
 - a. Agreements with Dr. John Stanko, Henry S. Pratt, Catherine Chandler, Chem Systems, Inc., Leonard D. Boyd, Joseph K. Kosiba, John W. Towner, Herman A. Schleck, and Karl A. Fish
2. Employment Agreements
 - a. Agreements with Gordon A. Cain, M. B. Carmichael.
3. Financial Advisor Agreements
 - a. Kuhn Loeb Lehman Brothers Asia
 - b. E. F. Hutton & Company, Inc.
4. Engineering Agreements
 - a. The Lummus Company
 - b. Brown & Root, Inc.
5. Environmental Consultants Agreement
 - a. CCC/HOK-DOWL
6. Other Obligations
 - A. Office Leases
 - (i) Houston
 - (ii) Anchorage
 - (iii) Valdez
 - b. Insurance broker
 - (i) Johnson & Higgins (Washington) was named broker of record for Alaskan insurance matters in March, 1979.

c. Legal matters

(i) DOE & Legislative Matters

1. Akin, Gump, Hauer & Feld (Washington, D.C)
2. Van Ness, Feldman & Sutcliffe (Washington, D.C.)

(ii) Royalty Oil Contract & other corporate matters

1. Vinson & Elkins (Houston)

(iii) Environmental & Permitting Matters

1. Burr, Pease & Kurtz (Anchorage)

d. Banking relationships

- (i) Chemical Bank (New York) has assisted in support of the project since July, 1977.

e. Shipping Agreement

- (i) Article IV of the Agreement among the shareholders of Alaska Petrochemical Company regarding shipping. See Exhibit A-1 attached.

f. Royalty Oil Contract

- (i) Obligations under the February 22, 1978 Agreement for the Sale and Purchase of State Royalty Oil, as amended May 17, 1978.

g. Accrued Obligations

- (i) Accrued obligations of Alaska Petrochemical Company as of September 30, 1979 as set forth in Exhibit A-2 attached.

h. Other

- (i) Other obligations incurred prior to October 1, 1979 which in the aggregate do not exceed \$100,000.00

EXHIBIT A-1

Article IV

Miscellaneous

4.1. So long as a majority of the capital stock of ACS is owned by Alaskan regional native corporations and so long as ACS shall have contractual access to appropriate shipping capabilities, then ACS shall be the shipping arm of the Company. Shipping shall be conducted in vessels owned, chartered, or otherwise controlled by ACS and rates charged for shipping would be at the then current market rate resulting from good faith negotiations by the parties. ACS shall have the right to decline to perform any such transportation for the Company by giving written notice to the Company within ten days after being requested to perform any such shipment. If ACS shall decline with respect to any such shipment the Company shall be free to contract with others with respect to such shipments. In any event, ACS agrees to manage transportation requirements of the Company and to exercise its best effort to meet the Company's transportation needs as they evolve.

EXHIBIT A-2

Schedule of Accrued Obligations of Alaska Petrochemical Company as of September 30, 1979

Akin, Gump, Hauer & Feld	\$ 13,365
Burr, Pease & Kurtz	10,325
Vinson & Elkins	10,430
Van Ness, Feldman & Sutcliffe	68,838
Dames & Moore	18,950
CCC/HOK-DOWL (Statement)	350,797
CCC/HOK-DOWL (Retainage)	125,126
DOWL Engineering	10,005
Seatrains Lines (Salary reimbursement)	6,000
James Anderson Co.	3,500
Santa Fe Technical	11,800
UOP Process Division	156,489
Exxon Research & Technology	4,645
ENEX, Inc.	2,750
John Towner	3,000
Anton-May, Inc.	3,500
Karl Fisher	1,750
Alaska Interstate (Salary reimbursement)	11,020
Southwestern Bell	1,810
Corporate Travel	5,000
	\$819,100

ALASKA PETROCHEMICAL COMPANY

3700 BUFFALO STREET
HOUSTON, TEXAS 77098

TELEPHONE 713 840-1243 TELEX 791461

December 13, 1979

Dr. Robert E. LeResche
Commissioner
Department of Natural Resources
State of Alaska
Pouch "M"
Juneau, Alaska 99801

Dear Commissioner LeResche:

As you know, Alaska Petrochemical Company, Charter Oil (Alaska), Inc. and E. F. Hutton (Alaska) Inc. have entered into a joint venture partnership, The Alpetco Company established as of October 1, 1979 to receive an assignment of the rights and to assume the obligations of Alaska Petrochemical Company under the Agreement for the Sale and Purchase of State Royalty Oil dated February 22, 1978, and amended May 17, 1978 (the "Royalty Oil Contract") between Alaska Petrochemical Company and the State of Alaska.

In order for The Alpetco Company to proceed with the Alpetco project, it is necessary that the Royalty Oil Contract be assigned to The Alpetco Company. Accordingly, attached is the assignment of the Royalty Oil Contract which has been executed by Alaska Petrochemical Company and the partners of The Alpetco Company.

We respectfully request that you execute and return to us the attached consent to the assignment.

Very truly yours,


Gordon A. Cain
President

GAC/my

ASSIGNMENT

Alaska Petrochemical Company, an Alaska corporation (herein, "Assignor") acting herein by and through its duly constituted and authorized officers, in consideration of the assumption of obligations provided below by The Alpetco Company, a general partnership whose partners are Assignor, Charter Oil (Alaska), Inc., a Florida corporation, and E. F. Hutton (Alaska) Inc., a Delaware corporation (The Alpetco Company being herein called "Assignee"), and in compliance with the terms and provisions of the Alpetco Joint Venture Agreement between the above-mentioned partners (the "Joint Venture Agreement"), has ASSIGNED, TRANSFERRED and CONVEYED and does hereby ASSIGN, TRANSFER and CONVEY unto Assignee that certain Agreement for the Sale and Purchase of State Royalty Oil, entered into under date of February 22, 1978, between the State of Alaska, as Seller, and Assignor, as Buyer, as amended under date of May 17, 1978 (as amended, the "Royalty Oil Contract"), and all rights and obligations of the Assignor as Buyer thereunder, upon the execution and delivery of a written consent to this Assignment by the State of Alaska, acting by and through its Commissioner, Department of Natural Resources, pursuant to Article 23.1 of the Royalty Oil Contract, as evidenced by Consent to Assignment substantially in the form set forth below.

This Assignment shall not relieve Assignor of any of its obligations to the State of Alaska under the Royalty Oil

Contract; additionally, Assignee hereby expressly agrees to assume and perform all of such obligations that arise or become payable or performable on or after October 1, 1979.

This Assignment shall be effective as of October 1, 1979, but shall be null, void and of no effect unless the previously mentioned Consent to Assignment is executed on behalf of the State of Alaska.

Executed this 13th day of December, 1979, in multiple counterparts each to constitute an original, effective as provided above.

ALASKA PETROCHEMICAL COMPANY,
"ASSIGNOR"

By William M. Hargis
President

THE ALPETCO COMPANY, "ASSIGNEE"

By Gordon A. Chini
President

CONSENT TO ASSIGNMENT
OF ROYALTY OIL CONTRACT

The State of Alaska, acting herein by and through the Commissioner, Department of Natural Resources of the State of Alaska, hereby consents to the above and foregoing Assignment from Alaska Petrochemical Company to The Alpetco Company, of the Royalty Oil Contract as therein identified, in accordance with the terms of Article 23.1 of said Royalty Oil Contract.

Executed this _____ day of December, 1979.

THE STATE OF ALASKA

By _____
Commissioner, Department of
Natural Resources

SCOMM

28:30

Sam Rubinstein, Nefco's bankruptcy trustee, said Sealaska is the only group so far to make an acceptable offer to run the six processing plants.

Another company, Alaska Pacific Corporation, offered to purchase the plants but has not been able to provide "evidence of its ability to finance" the operations, Rubinstein said.

"They were asked for financial statements and bank referrals and they failed to provide anything," he said.

Alaska Pacific Corporation officials

Alaska Pacific has offered \$12.5 million for the plants and Sealaska reportedly has bid \$17 million.

"If the consortium can provide evidence of funding, it would obviously get it," he said.

Rubinstein said another firm, identified only as an Outside corporation, also is interested in buying the Nefco plants.

D. Gordon Willhite, a Seattle attorney representing Rubinstein, said the interim lease probably will be awarded by U.S. Federal Bankruptcy Judge Sidney Volinn

Meanwhil- Alaska mond is planning to Nefco bankruptcy hear Bob Clarke, the go communications, said Judge Volinn to dispo properties as quickly as

"The governor's pu certain the judge kno importance of the dol creditors) is (the nee protect the salmon res

Alpetco talks under way

Anch. Daily News

The Associated Press

JUNEAU — Natural Resources Commissioner Robert LeResche and Alpetco officials were reported Tuesday to be holding talks aimed at a renegotiated contract on the sale of the state's royalty crude oil.

Sen. Mike Colletta, co-chairman of the Joint Gas Pipeline Committee, which recently issued a report critical of the administration's enforcement of the long-term contract, said members of the committee met with Alpetco officials Tuesday morning and were assured that the consortium had the approval of its major partner, Charter Oil Company, to "sign off on a re-negotiated contract."

LeResche and Attorney General Avrum Gross, who also met with Alpetco general manager Dudley Parker, the consortium's lawyers, and other officials, could not be reached for comment. But a legislative staffer said Alpetco and LeResche were actually negotiating alterations to the contract.

Colletta said he got a "good feeling" in the private meeting with Alpetco. "There's a sincerity of principle," he said.

The gas pipeline committee recently accused LeResche of "negligently" administering the contract, claiming that Alpetco had not fulfilled the terms required to allow it to start taking 150,000 barrels a day of state-owned crude oil.

The committee also said that Alpetco does not appear to plan



the world-scale petrochemical plant at Valdez that it understood was to be built when it approved the contract in 1978. Instead, committee members said the \$1.5 billion plant to be

on line in the mid-1980s appears to be more a refinery.

Some committee members had said they might file a lawsuit against LeResche to stop delivery of the crude oil, unless Alpetco met the contract terms to their satisfaction by July 18, or the contract is re-negotiated.

Colletta has suggested that the state consider buying out the contract by reimbursing Alpetco for the estimated \$20 million it has spent toward the Valdez plant.

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THE RED DOG SALOON WAS STILL EMPTY ... President Clem Tillion was in a Real Nasty during relative hours. He banged and banged his gavel as if hitting flopping halibut! And at one rushed point, Senator called for a vote, then asked if anyone switch — but, oops, a slip. He blurted: "Does sh to change his or her name?" And yes, up n. George Hohman.

ATER, WHEN THE RED DOG WAS FULL ... The dance legislators and groupies were going ever so p the Capitol. At 3 a.m.! Champagne popped and of cheers rolled through the Juneau night. So did beer bottles. Enough ruckus to trigger a hasty ve patrolmen. They even made Terry Gardiner go and pick up broken glass. Meanies!

ER BAY CAN BE HOT, TOO ... That WAS Senator Washington Post M.E. (and Homer News published Simons verbally duking it out on the docks at ay National Monument. And not over d-2, but about r's News blackout. Simons told Mike his policy of g to The Daily News was all wet. The senator said about the Post's stories on The Feud With Ted and use. So Howard invited the senator to lunch to Ear's question: who pays when the munching is

PEAKING OF BEING ALL WET ... Candidate evening went to a fund-raiser in Juneau last night and raised a cool thousand, much of which ers who would pay to throw Clark in the pool. But of course: Clark CAN swim.

AkPIRG sues over Alpetco

By JULIE ANNE GOLD
Daily News reporter

Two Alaska legislators and a public interest group filed suit Tuesday to halt delivery of the state's royalty oil to the Alpetco oil refinery project.

Named in the suit were the state of Alaska, Commissioner of Natural Resources Robert LaResche, and the Alaska Royalty Oil and Gas Development Advisory Board as well as Alpetco.

The complaint, filed by state representatives Joe McKinnon and Bill Parker, both Anchorage democrats, and the Alaska Public Interest Research Group (AkPIRG) charged that LaResche improperly supported a

renegotiated Alpetco contract — approved by the Alaska legislature via resolution hours before it ended its 11th session — despite the company's failure to live up to its original contract terms.

The complex, 13-page suit lists four counts of contract irregularities between Alpetco and the state:

- LaResche approved the original February 1978 contract — calling for Alpetco to build a multibillion dollar refinery and petrochemical facility in Valdez in return for 150,000 barrels of royalty oil per day — without obtaining prior approval from the Royalty Board and legislature, and without making public his reasons for waiving com-

petitive bidding on the contract;

- Last December, LaResche improperly found Alpetco in compliance with certain contract "benchmarks" despite the company's failure to invest \$1.5 billion in a petrochemical facility and the company had "no intention or expectation of constructing a petrochemical facility in the state of Alaska;"

- LaResche's approval of the December benchmarks "constituted an amendment of the contract" which usurped the responsibilities of the Royalty Board and legislature, and

- LaResche, the board and state illegally approved a renegotiated contract with Alpetco last week — eliminating all

benchmarks and financial commitments for 18 months — as an amended contract, when this action constituted a new sale and should have been put out to competitive bid.

"LaResche can't keep this fiction up forever," McKinnon said Tuesday. "At some point Alpetco will have to be in breach of contract."

McKinnon and the others are seeking a court order to stop the state from delivering the oil to Alpetco on July 18, as stipulated in the amended contract.

McKinnon said the state's willingness to renegotiate the contract "rewards" Alpetco for failing to deliver on its promises.

State officials will object to new Energy Department regulations

From Daily News staff
and wire reports

State officials will huddle in Juneau today to draft objections to new Department of Energy regulations that could end up reducing Alaska's royalty revenues from North Slope

advantage now enjoyed by North Slope producers. The one favored by department officials would simply eliminate the subsidy that was granted to Alaska producers in 1977.

That entitlement subsidy was approved in an effort to

deregulated anyway in mid-1981.

He said the state has not been able to determine exactly what impact the DOE action will have on wellhead prices and on the state's royalty share.

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Alpetco contract compliance challenged

By JOHN GREELY
Daily News reporter

5/17/80

JUNEAU — A contract awarding most of Alaska's state-owned crude oil to a proposed refinery in Valdez should be renegotiated, if not cancelled, leading legislators said Friday.

The recommendation sets the stage for a possible fight over the issue in the legislature or the courts, with groundbreaking by the Alpetco refinery group scheduled for July 4.

A report by the legislature's Joint Gas Pipeline Committee said "substantial doubt exists that Alpetco has complied adequately

with its ... obligations" under a 1978 contract approved narrowly by the legislature.

That 27-year contract allows Alpetco to process 150,000 barrels a day of royalty oil into fuels and petrochemicals in its proposed \$1.5 billion plant, scheduled for completion in 1983. Until then, the consortium, headed by the Charter Co. of Florida, plans to begin marketing the oil in July, after proving that it has spent \$100 million on the project and paying the state full market prices.

The committee, co-chaired by Rep. Bill Miles, D-Anchorage, and Sen. Mike Colletta, R-Anchorage, said Alpetco had failed to

See Back Page, ALPETCO

Continued from page A-1

Alpetco contract criticized

meet various "benchmarks" in the contract for arranging financing. And, allowing Alpetco to market the oil in July threatens the state with losing money and "associated benefits," the report said.

Alpetco General Manager Dudley Parker made a quick review of the report Friday evening in Anchorage. "The company has a contract," he said. "The company is fully in compliance with the contract, has met all of the benchmarks, and intends to meet all of the benchmarks in the future."

He added the report did not "reflect the full testimony" of Alpetco officials last month in Juneau.

The report accused Commissioner of Natural Resources Robert LeResche of administering the contract in a "negligent and imprudent manner."

LeResche, repeating statements he has made in recent weeks to legislators, said Alpetco has met all contract terms and "there's no grounds for cancelling it right now."

LeResche also told The Daily News that Alpetco "clearly has no intention of renegotiating the contract."

To the committee's criticism of his handling of the contract, the commissioner replied, "That's bull..."

LeResche has the authority to cancel the contract on July 18, if he is not satisfied with Alpetco's proof that \$100 million has been spent on the project. After meeting with consortium officials here Thursday, he said Alpetco is arranging "legitimate purchase contracts" for that amount.

"It doesn't appear to me to be a hum-flam at all," he said.

"My problem," he added, "is that I'm trying to administer a legal contract, which isn't unilaterally changeable like a statute ... It takes two to renegotiate a contract."

Thus, without Alpetco's consent, it appeared unlikely the state could change the contract, short of cancelling it. And, legislators said, it was unclear whether the legislature, which approved the contract after much controversy, could cancel it.

Colletta, the Senate's majority leader, said he favored altering the contract to give Alpetco only about 30,000 barrels of oil a day, the amount the consortium has estimated would be converted to petrochemicals.

That statement underscored concerns expressed in the legislature over Alpetco's repeated changes in estimates about what kind of plant it will build and how much employment and tax revenues it will generate.

Colletta and Miles, joined by House Speaker Terry Gardiner and others at a news conference, said the project had "changed markedly ... with Alaskans receiving substantially reduced material benefits."

Citing legislative criticism as one of its reasons, Alaska Interstate Co. pulled out of the Alpetco consortium last week turning over its 17 percent interest to Charter and E.F. Hutton Co. of New York. Alaska Interstate officials said new federal regulations also had changed their outlook on the feasibility of the project.

That move left only 7 percent of the consortium in the hands of the same firms which had proposed it originally in 1978, winning rights to the royalty oil over competition by a half dozen groups.

Since then, other refiners in the state have asked for a share of the oil to fill their existing capacity or plans for expansion. Alpetco officials have said they were willing to sell some oil to those refiners but got no response.

The legislative committee said some of the oil might be better used in existing refineries, as well as in a small, new refinery planned in Fairbanks.

The report came as LeResche was studying proposals from various groups, including one headed by Dow Chemical Co., to establish a petrochemical industry fueled by royalty natural gas liquids.

The committee's report was intended to "focus attention" on the Alpetco project, Miles said. "The ball's in their court now."

FERC judge orders oil line tariffs lowered

7.1.80
State could be big winner in refunds

in making his decision. Administrative Law Judge Max L. Kane ruled that the method used by the oil companies to set rates for transporting about 1.2 million barrels of oil a day from Prudhoe Bay to Valdez during 1978 and 1979 was "an artifact of a bygone era."

He found that the oil companies who built the pipeline should have charged \$5.67 per barrel in 1978 and \$4.93 per barrel in 1979 for transporting the oil.

Instead, they charged an average price of \$6.20 per barrel during that two-year period.

Kane also found that the rate of return requested by the oil companies was too high.

The oil company consortium—whose members include Standard Oil of Ohio, BP, Atlantic Richfield, Exxon, Mobil, Phillips Petroleum, Amerada Hess and Union Oil—asked for a rate of return on their investment ranging from 12.4 to 20 per cent.

Kane ruled that 11.5 per cent was a fair rate of return. Investment in the trans-Alaska pipeline, he said, was only "slightly riskier, if at all, than the investment in typical oil pipelines operating elsewhere in the United States."

As part of its rate investigation, FERC also is scrutinizing the cost of building the 800-mile-long pipeline.

The oil consortium spent \$9 billion to construct the line. But it originally estimated that the pipeline would cost \$1 billion.

A massive audit of pipeline construction companies' books is now under way to determine how much of the \$8 billion was due to waste and mismanagement. The state and federal governments have charged that hundreds of millions of dollars was wasted on the pipeline and it should not be included in the rate base.

WASHINGTON—An administrative law judge with the Federal Energy Regulatory Commission today ordered a consortium of pipeline companies to lower rates for transporting Alaskan crude oil through the trans Alaska oil pipeline.

He also ordered the pipeline companies to refund \$752 million to owners of the oil.

The judge's decision, which is subject to review by the commission, could have the effect of funneling roughly \$800 million to the state in increased severance tax payments and royalty oil income, according to Alaska Natural Resources Commissioner Robert LeRasche.

LeRasche said if the decision is upheld by the commission and the courts it also could mean the North Pole Refinery and Alpetco would pay the pipeline companies less for the state royalty oil they are buying.

He described it as a "smashing victory" for the state, which has maintained all along that the amount charged for shipping oil through the pipeline should be lower.

But Chuck McConnell, general manager of the refinery, said there will not be any immediate effect on the refinery's prices. In any case, he said, the refinery has assumed that the tariffs would be lowered.

The refinery buys its oil on the North Slope and pays the transportation charge for getting it to Fairbanks. That cost is about 60 per cent of the amount being charged for shipping oil through the entire pipeline, he said, and it is set by the Alaska Pipeline Commission.

Dow petro project would bypass Fairbanks

By News-Miner Staff
And Associated Press

Dow Chemical Co. is ready to lead a consortium to build a \$2 billion petrochemical project in Alaska, according to company officials.

The project would include a gas conditioning plant at Prudhoe Bay, a separate gas liquids pipeline and an ethylene plant at a southcentral Alaskan port. The specific site of the plant has not been determined.

Dow plans to make a proposal to the Natural Resources Department by May 15, the deadline set by the state for

offers to buy its share of Prudhoe Bay gas liquids. Gas liquids are the heavier components of natural gas and can be used as feedstock for petrochemical production.

Dow's proposal came as a setback to borough and business officials in Fairbanks who have been lobbying for construction of a petrochemical industry here.

"From our standpoint, of all the in-state use scenarios that have been considered, it's the least desirable," said Ben Harding, an aide to borough Mayor John Carlson.

Harding said the borough supports other alternatives that involve Fairbanks in some manner, such as building the multi-billion-dollar gas conditioning plant here, or constructing a separate gas liquids line from Fairbanks to tidewater.

But even though the Dow plan would appear to bypass Fairbanks, Harding said it is a positive development.

Dow is one of the two or three largest chemical companies in the United States. Its interest could reduce the industry's skepticism about Alaska and could lead to other proposals with

development plans more favorable to Fairbanks, Harding said.

Commenting on reports of Dow's proposal, Harding said it appears the project could theoretically be independent from the proposed gas line project and could proceed even if the gas line remains stalled.

Meanwhile, several Alaskan Native corporations, including Doyon Ltd. of Fairbanks, have decided to look into a joint venture with Dow and Tesoro Alaskan for construction of the gas liquids project.

Representatives of Cook Inlet

Region, Inc., Doyon and the Arctic Slope Regional Corp. met with Dow and Tesoro officials Wednesday.

Jim Hembree, vice president of Dow Chemical USA in Midland, Mich., said he is enthusiastic about the project. He said mutual interest has been expressed but no agreement has been made as yet.

Hembree said Dow became interested in the project in October after the company was contacted by Gov. Jay Hammond.

"We have offered to make a contribution, with an umbrella approach to the project," he said. "At the same

time, other people have approached us with an interest in certain parts of the project. I wouldn't want to comment on anyone's role right now."

Hembree said the project would require more than the state's one-eighth share of the gas liquids. An 18-inch pipeline could accommodate the entire production of gas liquids from the field, he said.

"This is the hope Alaskans are looking for," said Sen. Mike Colletta, co-chairman of the Legislature's gas pipeline committee. "This is not speculation. This is Dow, not Alpetco."

Dow representatives met with state

officials and legislators in Juneau Monday.

Dan Wold, director of the state's Royalty Oil and Gas Development Advisory Board, visited Dow headquarters, and a group of Dow representatives traveled to Alaska in November to assess feasibility of the project.

Hembree said he believes the proposal has a "30 to 60 per cent chance of success," and a positive attitude by the state would help.

Dow recently abandoned plans for petrochemical plant in Solano, Calif. because of regulatory obstacles.

Making a point

Sen. Arliss Sturgis, R-Anchorage, right, makes a point during a recent conversation with Fairbanks Republican

Sen. Glenn Hackney in the Alaska Senate chambers.



Major New Issues to Keep Alpetco Controversy Alive Indefinitely

By Joe La Rocca

Juneau — Major developments on several broad fronts during the past two weeks have thrust the controversy-shrouded Alpetco contract into the limelight during the final days of the legislative session this week raising major new issues which are certain to keep the controversy alive indefinitely.

Under the contract negotiated by the Hammond administration and ratified by the legislature in 1978, Alpetco was given rights to purchase up to 150,000 barrels per day of the state's royalty oil.

In exchange Alpetco, now 84 per cent owned by the Charter Company of Jacksonville, Florida, promised to build a \$1.5 billion petrochemical plant in the state, and agreed to meet a series of benchmarks at regular intervals designed to demonstrate measurable progress towards financing and construction of the facility.

Under the contract, Alpetco would be eligible to begin receiving 150,000 barrels per day of the state's royalty oil, starting July 18, as it fulfills its contract obligations and sell the oil in markets outside Alaska until its in-state processing facility was completed by 1985.

However, there has been growing criticism among legislators this session that Alpetco has failed to comply with its contract obligations. They say that the company failed to meet major contract commitments under the benchmark which fell due last Dec. 18 requiring proof that \$1.5 billion in project financing has been arranged. They also contend that Alpetco has downgraded the project from the petrochemical plant it initially promised to build to a fuels refinery.

For example, during overnight hearings held recently by a legislative committee it was learned that the nearly 3,000 permanent jobs that Alpetco said in 1978 that the petrochemical plant would provide has dwindled to about 600 as the result of the switch to a refinery project.

Following the overnight hearings, the committee concluded that Alpetco has failed to comply with the contract and told Natural Resources Commissioner Bob LeResche, who negotiated the contract for the state in 1978, that "to allow Alpetco to take early delivery of the royalty crude is unacceptable."

The committee asked LeResche about two weeks ago to contact Alpetco officials immediately and open renegotiations aimed at re-defining the project and removing certain provisions for the early taking of the royalty oil.

The committee hinted that it might take Alpetco into court for non-compliance with the contract unless its recommendations were adopted.

As a direct result of the committee's findings and new instructions, selected legislators spearheaded by Rep. Bill Miles, co-chairman of the committee, met secretly with LeResche and Alpetco officials here in Juneau last week to renegotiate the contract.

After a few days of closed door discussions, they agreed on sweeping changes to the contract which, among other things, would reduce Alpetco's royalty entitlement from 150,000 barrels per day to 75,000 barrels per day until its proposed 100,000 barrels per day refinery is completed in 1986.

Under the proposed amend-

ment, Alpetco must submit final design plans, execute financing documents, plant configuration and its product sale, by Dec. 31, 1981. At that time, the commissioner has 60 days in which to decide whether to terminate the contract or continue it and allow Alpetco to continue taking the royalty oil.

Under a "due diligence" provision, the Commissioner can terminate the contract at any time if he determines that Al-

petco is not diligently performing.

Should he decide, on Dec. 31, 1981, to continue the contract, Alpetco can continue to take the royalty oil until March 1, 1986, when the refinery must be completed.

Again, at that time, the Commissioner can decide whether the refinery satisfied the state's expectations.

If he decides it does not, the contract can be terminated. But

if he decides that the refinery is satisfactory, Alpetco's royalty oil entitlement would rise to 100,000 barrels per day for the remainder of the 25-year period.

The proposed contract amendment was made publicly available just last Saturday and a public hearing on it was held before the House Resources Committee, chaired by Rep. Miles, the following day.

Three witnesses testified at the hearing including LeResche,

Alpetco general manager Dudley Parker, and Jamie Love, representing the Alaska Public Interest Research Group.

LeResche told the committee that the Hammond administration strongly supports the contract amendment. He said, among other things, that legislative criticism of Alpetco's performance under the original contract has made it impossible for Alpetco to obtain the necessary

—Continued on page 10

Perspective

All Alaska Weekly 6/6/80

Legislature Rams Through Spoils For Loser, Alpetco

By Joe La Rocca

Juneau — In the real world, when the terms of a contract are breached, the contract is cancelled. But in the Never-Never Land of the Hammond regime and the Eleventh Alaska Legislature, the offending party is rewarded instead.

That's the moral of the Alpetco story: to the loser go the spoils. Alpetco is the Florida-based consortium with which the Hammond administration, two years ago, negotiated a contract to sell most of the state's royalty share of oil from Prudhoe Bay, and future discoveries, for 25 years.

In exchange, Alpetco agreed to build a \$1½ billion facility in the state designed to produce, from the royalty oil, mostly petrochemicals.

Never mind that more honest bidders candidly admitted in their proposals seeking to buy the state's precious royalty oil that neither they, nor anyone, could promise to build a petrochemical plant in Alaska, simply because the economics militated against it.

And never mind that Alpetco promised that it would, and could, build such a facility but — now that it has a spurious claim on the state's royalty oil — predictably admits that it cannot.

And never mind that Alpetco now wants to build a refinery instead, which is why the Hammond administration and the 10th Alaska Legislature — naively holding out for the impossible dream of a petrochemical facility — in 1978 rejected the other more honest bidders' proposals, in favor of Alpetco's spurious bid.

Despite this irrefutable evidence of bad faith and broken promises, the Hammond administration and certain misguided members of the legislature now propose pretense of public hearings — a complex and far-reaching contract agreement which demands weeks of the most rigorous kind of scrutiny.

Because this is an election year, and because legislators are unwilling to stay, or reconvene, in session long enough to examine this incredible handout, they will supinely commit, to an alien pretender, most of the state's royalty oil beyond the year 2,000, conservatively valued at more than \$100 billion dollars.

Because that's the way things are done in the Never-Never Land of the Hammond administration and the Eleventh Alaska Legislature.

to absolve Alpetco of its transgressions.

Instead of exacting the conventional penalty for breach of contract, which is to cancel it, they have secretly negotiated a brand new one in the guise of a contract amendment which dissolves the obligations Alpetco failed to meet under the original contract.

And instead of throwing the competition open to all comers, they have rewarded the defaulting party with the exclusive privilege of bartering for a non-competitive contract which gives Alpetco more than half of the full loaf it has already forfeited.

The architect of this monumental fraud is the commissioner of natural resources, the obscure ex-wildlife biologist whom the political winds blew into an office for which he is singularly unqualified.

With the help of a handful of witless hacks in the legislature, the commissioner has covertly fashioned another wholesale giveaway of a public resource worth tens of billions of dollars. And they now propose to railroad through the legislature in three days — with the merest

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Not Just Exploratory

Legislative Probe of Alpetco Slated to Begin April 28

Expert Consultants To Be Employed by Legislature

Non-Compliance
Could Cause Pact
To Be Cancelled

By Joe La Rocca

Juneau — One of the state legislature's most widely respected members has been picked to spearhead the upcoming overnight hearings on the controversial Alpetco contract scheduled to begin here on April 28.

Rep. Hugh Malone (D-Kenai) will direct the hearing which were assigned by the House and Senate leadership to a joint committee specializing in oil and gas matters.

Co-chairmen of the committee are Senator Mike Colletta (R-Anchorage) and Rep. Bill Miles (D-Anchorage). House Speaker Terry Gardiner (D-Ketchikan) called for the hearings recently in a letter to Governor Jay Hammond.

Gardiner questioned whether Alpetco, the consortium headed by the Charter Co. of Jacksonville, Florida, has complied with the contract.

Under the contract, Alpetco was granted the right to purchase upwards of 150,000 barrels per day of the state's royalty share of oil produced at Prudhoe Bay or other fields not yet discovered for the next 25 years.

In exchange, Alpetco agreed to build a \$1.5 billion petrochemical plant at Valdez by 1985.

Under the contract, Alpetco is required to meet certain "bench mark" conditions at regular intervals designed to demonstrate measurable progress on the project. If the bench marks are not satisfied on the dates specified in the contract, it's subject to cancellation unless the governor or the legislature agree to extend the deadlines.

Rep. Malone said in an interview this week that the overnight hearings will not be "just exploratory" but will "review the whole sequence of events leading up to approval of the contract by the legislature, and what has happened since to determine whether the contract is in the best interests of the state."

Malone said the contract which was negotiated by the Hammond administration "is vague enough to be arguable on performance." He said expert consultants will be retained "who can place a credible interpretation of the contract to determine whether it is being complied with." If not, Malone said, "We will recommend that it be set aside."

He said that the committee's staff is currently negotiating for expert consulting services with a Seattle or New York firm, either or both of which may be retained.

While it may not be possible to set the contract aside, he said, the terms of the contract may be vague enough to compel Alpetco to agree to clarifying amendments which will make it possible to determine "what really constitutes performance," under the contract.

For example, Malone said, Alpetco does not appear to have met the contract's requirements for obtaining project financing agreements on schedule.

The hearings will also try to determine whether Alpetco plans to build the world scale petrochemical facility which the legislature had in mind when it approved the contract in 1978.

Said Malone: "We bargained for what a lot of people thought were all sorts of ancillary benefits to the state. If that is not what they are going to do," the Kenai legislator said, "at a minimum the people of the state and the legislature ought to know that."

If nothing else, he said, the knowledge could prevent similar deals in the future.

One of the questions oil experts will be asked to determine during the oversight hearings, Malone said, is "what is the most

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Impasse Broken on FOI Bill; Tillion Appoints Conferees

By Joe La Rocca

Juneau — An impasse of nearly a year was broken Wednesday when Senate President Clem Tillion, R-Halibut Cove, appointed three senate members to a free conference committee on a bill dealing with privacy and access to public information, sometimes referred to as the "Freedom of Information" bill.

Markedly different versions of the same measure, HB 75, passed both the house and senate last year, setting the stage for negotiations by a free conference committee consisting of three house and three senate members to try to resolve the differences between the two versions.

However, Tillion, a long-standing opponent of freedom of information legislation, didn't get around to appointing the three senate conferees until

Wednesday, when he named Senators Bob Mulcahey, R-Kodiak, Ed Dankworth, R-Anchorage, and Pat Rodey, D-Anchorage, to the committee.

Mulcahey is also chairman of the Senate State Affairs Committee which reviewed and substantially amended the House-passed version of the bill before sending it to the floor of the senate for a vote last year.

The house conferees, appointed last year by House Speaker Terry Gardiner, D-Ketchikan, are himself, Rep. Charlie Parr, D-Fairbanks, prime sponsor of the bill, and Rep. Randy Phillips, R-Eagle River.

Senator Mulcahey, chairman of the senate conferees, said in an interview recently that he plans to use a version of the bill suggested by the Freedom of Information Task Force, a loosely-organized group of Alaskan jour-

nalists, as a working model in the free conference committee. It is closely allied to the Parr bill passed by the House last year.

The bill has six main sections: a preamble, exceptions, request procedures, court recourse penalties and definition.

The preamble states that the citizens of Alaska "do not give their public servants the right to decide what is best for the people to know and what is best for them not to know." It also says that the "people's right to privacy . . . shall not be infringed."

The second section provides that all records in the hands of state agencies are open to inspection "except as otherwise provided by law," and sets up general procedures for making

-Continued on page 5

Major Battle Shaping Up Over Royalty Board Revamping

By Joe LaRocca

Juneau — A major battle is shaping up over an obscure house bill which its sponsors say is intended to take the fox out of the henhouse. The fox in this case is Natural Resources Commissioner Bob LeRocche and the henhouse is the State Royalty Oil and Gas Board.

The board is charged with reviewing, and approving or rejecting, contracts for the disposal of the state's valuable royalty oil and gas.

The measure, House Bill 624, was introduced by Representatives Bill Miles, Democrat, and Chet Chatterton, a Republican, both of Anchorage.

Miles is also co-chairman of the House Resources Committee.

Under existing law, the Royalty Board is composed of five members appointed by the Governor. Three are required to be members of the general public while the other two are Commissioners of Natural Resources. Bob LeRocche who, by law, also serves as the royalty board's chairman; and Commissioner of Revenue Tom Williams.

The three public members are Dick Lyon, of Anchorage, Don Tripplehorn, of Fairbanks, and George Burns, of Juneau.

In its original form, the bill introduced by Chatterton and Miles would move the board from the Department of Natural Resources to the Department of Commerce, replace the Commissioner of Natural Resources with

the Commissioner of Commerce, and authorize the five board members to elect the chairman.

The bill was drafted by former Fairbanks legislator and ex-commissioner of Administration Andy Warwick. Warwick who also served on the royalty board for three years until his term expired and he was replaced by the governor because of persistent policy differences with LeRocche. The measure reflects Warwick's long-standing frustrations in attempting to work with LeRocche as chairman of the royalty board during the three years Warwick served on the board.

When the bill was brought up for hearings before Miles' House Resources Committee on which Chatterton also sits, LeRocche offered a series of amendments. They effectively gutted the board's power to review and approve contracts disposing of the state's royalty oil and gas, and gave all the contract negotiation authority to LeRocche. The House committee adopted LeRocche's amendments and the full house later approved the bill.

It was brought up for its first hearing Wednesday in the Senate Resources Committee, chaired by Senator Bill Sumner (R-Anchorage).

The committee rejected the House passed version, instead adopted the original House version drafted by Warwick with the royalty board's contract review and approval powers essentially intact and unanimously

reported the bill out of committee with a favorable recommendation.

Since the House is expected to reject the Senate version, it's likely to go to a joint free conference committee consisting of three House and three Senate members.

Administration proponents of the House passed version have already privately appealed to Senate President Clem Tillion who appoints the members of the free conference committee. Because Tillion is a staunch supporter of the governor, they sought his help in getting the senate to accept the House passed version which they favor. That is because it gives the Commissioner of Natural Resources unilateral authority over the negotiation of contracts for the sale of the state's royalty oil and gas.

According to reports, Tillion has already privately decided to appoint Senator Mike Colletta (R-Anchorage) to the free conference committee, based on the condition that Colletta will vote in favor of the House passed version sought by the administration.

It has also been reported that a member of the Senate resources committee, who is opposed to the House passed version has asked Tillion to be appointed to the free conference committee. But Tillion said he would make the appointment only on the condition that the senator votes

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Snow Tiger . . .

—Continued from page 11

certainly represented steps in the right direction, were put forth with great vigor. But all this healthy activity seems to have been swallowed up by this sickly miasma of the foggy anachronism on the shores of Gastineau Channel, where geographical isolation, the chasm of time zones and antiquated communications both insulate and shield our elected representatives from their constituents. In the headlong rush to appropriate pork barrel goodies, to log roll pet projects and to groom legislative leaders for state-wide political candidacies, the drive for desperately needed election reform seems to have become stalled. It has become a hostage to the whim of committee chairmen and election officials anxious to maintain the *status quo*.

Certainly, a governor who managed to be returned to power by 34 per cent of the votes cast, by virtue of the loopholes and distortions of Alaska's election machinery, is not terribly anxious to reform the system. And although Lieutenant Governor TERRY MILLER and Anchorage Republican State Senator TIM KELLY seemed indeed sincere and dedicated when they launched their campaign for election reform, they have been disappointingly silent of late. Instead, the voice of election director PATTY POLLEY, the "heroine" of the 1978 recount fiasco, is suddenly heard in the land, advocating delay, procrastination and obstructionism, in the best Juneau tradition.

Here again, only an outpouring of popular indignation can reverse the trend toward legislative slothfulness and cynicism. If this does not happen, the voters of Alaska will have the election system — and, hence, the kind of government — they deserve.

CHUCKLE OF THE WEEK. Conversation overheard in the Anchorage Airport:

A returning Alaskan (to friend meeting him at the gate): "Is JAY HAMMOND still in office or is he out of it?" Friend: "The answer is 'yes' to both."

(In case you wondered, the people who are circulating petitions for the recall of Governor JAY HAMMOND have collected more than 3000 signatures. However, the sponsors of the recall drive are aiming for 35,000 or more signatures — enough to match the total number of votes received by JAY HAMMOND to allow him to sneak back into office, despite his rejection by an overwhelming majority of the electorate. Recall petitions may be obtained from the following: JOHN MALONEY, Box 145, Anchor Point, Alaska 99556; AL METCALF, 4511 MacAllister Drive, Anchorage, Alaska 99502 (Phone 243-7949); DEAN FARRIS, 1456 Turner Street, Fairbanks, Alaska 99701 (456-3811); DICK WOLF, 3182 Prescott Cr., Anchorage, Alaska 99504 (337-3736); BEV ALECK (phone 344-7109) or BERTHA L. MIDYETT, 1011 West Twelfth Street, No. 1, Anchorage, Alaska 99501 (Phone 272-3707). Get yours today and become a sponsor for a better Alaska.)

QUOTATION OF THE WEEK: "Man defends himself as much as he can against truth, as a child does against medicine, as the man of the Platonic cave does against the light. He does not willingly follow his path, he has to be dragged along backward. This natural liking for the false has several causes: the inheritance of prejudices, which produces an unconscious habit, a slavery; the predominance of the imaginative over the reason, which affects the understanding; the predominance of the passions over the conscience, which depraves the heart; the predominance of the will over the intelligence, which vitiates the character. A lively, disinterested, persistent liking for truth is extraordinarily rare. Action and faith enslave thought, both of them in order not to be troubled or inconvenienced by reflection, criticism and doubt." (From the private journal of HENRI FREDERIC AMIEL (1821-1881), Swiss philosopher.)

Legislative Probe . . .

—Continued from page 1

likely profit margin Alpetco can be expected to run up on each barrel of oil that they buy from the state and sell to someone else."

Conservative calculations show over the life of the contract the first wholesale price of the royalty oil could exceed \$10 billion.

Malone pointed out that other instate refiners such as Tesoro, Chevron, Earth Resources and Tanana Valley Refining are desperately seeking long-term supplies of crude. "If Alpetco is not going to process the crude," Malone said, "Then the legislature should request the administration to pursue ways of limiting the amount of oil Alpetco takes to what they would actually refine instate."

The companies which unsuccessfully bid against Alpetco for the contract to purchase the royalty oil in 1978 will be in-

vited to testify at the overnight hearings along with others. "We're hoping to get some indication of what companies would like to buy the royalty oil should Alpetco lose the rights to it due to failure to comply with the contract requirements, Malone said.

If nothing else, Malone said, "the overnight hearings may get people to realize that putting all of our eggs into one basket and giving up control of most or all of our current and future royalty oil may not be the wisest thing to do."

Malone said he hopes to cast the hearings in an adversarial mold, and "make both Alpetco and the Hammond administration prove that the company is in compliance with the contract."

If there is sufficient doubt, he said, it may be possible to "break loose" some of the royal-

ty oil committed to Alpetco for other instate uses.

Malone was one of the House members who voted against the Alpetco contract when it came before the 1978 legislature for approval. Asked what he personally thinks of the contract, Malone said, "It's probably one of the worst deals the state has ever gotten into."

In his letter to the governor last month, House Speaker Gardiner said that legislative approval of the contract was "premised on the belief that the state's 150,000 bpd of royalty oil would be used as feedstocks for a petrochemical facility promising jobs, tax revenues, added values, and many other Alaskan benefits."

However, Gardiner told the governor, "It has now been announced that Alpetco only intends to put 28,000 bpd into petrochemical production."

"A wise man will make more opportunity than he finds,"
Francis Bacon

PUBLIC HEARING

The City Council of the City of Fairbanks will hold a public hearing during the regular meeting beginning at 7:30 p.m. on April 21, 1980 to gather public input on the proposed transfer of funds between projects funded under its Community Development Block Grant projects. The hearing will be held in the council chambers in the City Hall Annex, 620 Fifth Avenue. This proposed amendment action would remove \$75,000 in excess funding from the South Cushman Paving Project. The Barnette Street Widening Project would be increased by \$75,000. This amendment would bring the project total funding to \$455,000 for Barnette Street Widening. The project will widen Barnette Street between Sixth and Ninth Avenues. This public hearing is being held in compliance with the City's Citizen Participation Plan. These funds are made available to the City of Fairbanks through the U.S. Department of Housing and Urban Development.

Pub.: April 18, 1980, AN-ALASKA WEEKLY

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In Juneau, In Fairbanks . . .

Research Agency, Court Suit Challenge Alpetco Contract

Report Contradicts Hammond Administration's Dec. Announcement

Commitments Questioned Of Banks, German Firm

By Joe La Rocca

Juneau — The Research Agency for the State House of Representatives issued a critical report Thursday which concludes that the Alpetco Co. did not comply with a number of key requirements under its controversial contract to purchase most of the state's royalty share of oil for the next 25 years.

The report sharply contradicts the Hammond administration's announcement late in December that Alpetco had satisfied certain contract requirements in time to meet a Dec. 18 deadline.

Under the contract's provisions,

the contract gives Alpetco the right to purchase at least 150,000 barrels per day of the state's royalty oil for the next 25 years, in exchange for a pledge to complete construction of a \$1.5 billion oil refinery at Valdez by 1984.

Under the contract, Alpetco was required to meet a number of major conditions by last Dec. 18. These included requirements to obtain written commitments from third parties to lend or invest at least \$1.5 billion to finance the project; negotiate sale terms with prospective purchasers of products from the proposed Valdez refinery; negotiate draft contracts for the sale of products; enter into contracts for the sale of at least 70 per cent of the product output; and obtain commitments for interim financing.

Meeting the 18-month bench mark provisions last Dec. 18 was a crucial step for Alpetco. Not only was that necessary to keep the contract alive, but it would also enable the firm to begin taking the state's royalty oil by next July 18, and market it for phenomenal profits until completion of the Valdez refinery.

In purporting to meet the requirement to enter into contracts for the sale of 70 per cent of the refinery's products, Alpetco simply drafted a contract selling 146,000 barrels per day of product to a newly formed subsidiary of one of its partners, the Charter Co. of Alaska, which owns 70 per cent interest in Alpetco.

The House Research Agency's report said that while the product sales contract "appears to satisfy the letter" of its contract

—Continued on page 5

Suit Challenges Royalty Oil From Future Leases

By Tom Snapp
Editor

A suit was filed in Superior Court in Fairbanks Thursday seeking to void certain portions of the contract of Alaska Petrochemical Company for the purchase of state royalty oil. The suit was filed by Fairbanks attorney Barry Donnellan "on his own behalf and on behalf of the people of the State of Alaska."

Alpetco has contracted with the State for the purchase of royalty oil from Prudhoe Bay. The contract was signed by

Commissioner of Natural Resources Robert LeRoesche on behalf of the state on Feb. 22, 1978. It was approved as to form by Attorney General Avrum Gross. It was ratified by the legislature the following May.

The contract gives Alpetco certain rights to 90 per cent of "any royalty oil." It would appear that this right extends, not only to Prudhoe Bay, but also to future discoveries. It is not clear to the layman whether Alpetco's right is subject to a

—Continued on page 7



YOU DUMMY, I THOUGHT YOU SAID THEY WOULD
BLAME THE MOOSE DECLINE ON THE PIPELINE!!!

Two Fairbanks, Two Kenai Refineries Request Uncommitted Royalty Oil

JUNEAU — The state is considering four "serious requests" to purchase the remainder of its royalty share of Prudhoe Bay oil production from existing or proposed refineries — two on the Kenai Peninsula and two near Fairbanks.

Last Friday was the deadline for proposal to purchase about 10,600 barrels per day of royalty oil not yet committed, as well as some 150,000 barrels per day which will be available for only 17 days next summer, before it's scheduled to be turned over to Alpetco. That's the consortium headquartered in Jacksonville, Florida which has contracted to buy most of the state's royalty oil for the next 25 years in exchange for a promise to build a \$1.5 billion refinery at Valdez by 1984.

As of last Friday's deadline, the State Department of Natural Resources had received what it considers serious proposals from four bidders. They are the Tanana Valley Refining Co. of Fair-

banks; Earth Resources Co. of Alaska, also of Fairbanks; Tesoro Alaska Petroleum Co. of San Antonio, Texas; and Chevron, U.S.A. of San Francisco.

Chevron said that unless it can obtain additional crude supplies for its Nikiski Refinery at Kenai, it will have to shut down operations there.

All but Tanana Valley Refining have existing refineries in Alaska whose refining capacity currently ranges from 25,000 barrels per day (Chevron) to 35,000 barrels per day (Tesoro) and ERCA's North Pole facility.

Tanana Valley Refining plans to build a 15,000 barrel per day refinery if it can obtain a long-range commitment for upward of 10,000 barrels per day of the state's royalty oil from Prudhoe Bay.

ERCA's and Tesoro's proposals are all-encompassing. Both have asked to purchase all of the state's uncommitted royalty oil from Prudhoe Bay which depending upon circumstances

can range from 10,000 barrels per day for an indefinite period to as much as 150,000 barrels per day for 25 years.

Except for 5,000 barrels per day and 35,000 barrels per day committed respectively to Golden Valley Electric Association and ERCA's North Pole refinery most of the state's royalty share of oil produced at Prudhoe Bay for the next 25 years has been committed to Alpetco provided it meets certain contract requirements by next July 18.

Under a six-month notice requirement, the North Slope oil producers are required to make up to 150,000 barrels per day of the state's royalty oil available to the state for resale to Alpetco by July 1.

As a result, 150,000 barrels per day remain uncommitted between July 1 and July 18 assuming Alpetco satisfied its contract requirements. If it does not, the contract can be dis-

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ROAR OF THE SNOW TIGER

EDGAR PAUL BOYKO

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THE FBI "STING" STINKS. The "nine old men" of the pre-New Deal U.S. Supreme Court may have been aging fogies, as F.D.R. decried — but they did understand the meaning of honor and they did not believe, like some of their more liberal successors, that the end justifies the means. Thus, in a case decided in the 20's, the Court, speaking through arch-conservative Mr. Justice SUTHERLAND, declared that the government of the United States must not engage in "ignoble acts" — and if some of its more zealous agents did, justice demanded that it be deprived of the fruits of such ignominy. Without a doubt, the Sutherland Court would have condemned and rejected the most recent antics of the, presumably morally refurbished, post-J. Edgar Hoover, Federal Bureau of Investigation.

The recent series of so-called "stings" (itself an underworld slang-term for a confidence job or "scam") aided and abetted and perhaps conceived by one of the malodorous organized crime "strike forces" (a holdover from the Nixon days), reveal a dimension of perverted law enforcement with which few Americans are familiar. There is a handful of Alaskans, who had their eyes opened during the combined "strike force" — F.B.I. caper, which surfaced in the trial of former U.S. Attorney RICHARD McVEIGH and others, where it was shown that F.B.I. agents actively promoted illegal activities, such as prostitution and gambling, in the Valdez area, with taxpayers' monies, for the purpose of entrapping a handful of Alaskan politicians.

Like former President Richard Nixon, the secret agents posing as B-movie maffiosi, made the mistake of recording their activities on a large number of tapes, which — then played to the Court, jury and courtroom audience, in the U.S. District Court at Anchorage, revealed that the F.B.I., rather than seeking to combat crime and apprehend criminals, was actively engaged in thinking up, sponsoring, financing, promoting and encouraging numerous criminal acts, in the hopes of enticing otherwise law-abiding citizens into participating therein.

While it appeared to many, at the time, that these comic opera posturings on the part of imitation *così nostra* mobsters, was a pitiful waste of law-enforcement personnel and taxpayers' money (considering, for instance, that the F.B.I. routinely declines, for reasons of economy, to become involved in numerous interstate child stealing cases, across the country, including Alaska), it would now appear that these silly goings-on were just a warmup for a vast array of similar but larger operations, in which F.B.I. agents posed as Arabian sheiks, and as bagmen and influence peddlers, renting phoney mansions and disbursing large amounts of cash to politicians, labor leaders and other sitting ducks, in order to generate compromising conduct, to be recorded on both video and audio tape. This, incidentally, was solemnly performed by the same national administration which winked at the financial machinations of a BURT LANCE and nods approvingly, as Secretary of the Treasury, WILLIAM MILLER, adlibs away his alleged involvement in massive overseas bribes.

This is not to suggest that there are not now (as always) crooked politicians and venal officials. But it seems hardly appropriate for what once was the most respected law-enforcement agency in the land, to suggest ideas for new and different crimes to these sorry types. It smacks of the tactics of the secret police of authoritarian countries and, indeed, anticipates the imaginings of GEORGE ORWELL by a full four years. We believe that this country would be far better off, for letting a handful of grafters continue their operations, than to enthrone Big Brother, in the name of the administration

of justice. There are those, moreover, who ask how many stalwart F.B.I. agents would be able to resist proffered cash bribes of between \$25,000 and \$50,000, when nothing more is asked in the return, than a vague commitment towards future favors?

TOO MUCH OF A GOOD THING. One of the least admirable qualities of American life is our unvarying tendency to make too much of a good thing. In the aftermath of the Viet Nam fiasco, we managed to distort thoughtful dissent and conscientious resistance to a dishonorable war, into the Yippie caricature of political action, the vulgarity of student riots and the still-prevalent idiocies of appeasement and unilateral disarmament. When the country was swept by a wave of righteous indignation over the disclosures of governmental corruption and perfidy arising out of the Watergate scandal, we seemed to be compelled to pervert careful reforms and a thoughtful advocacy of higher moral standards, into a bureaucratic nightmare of pious posturings and red tape, masquerading as election reforms, accompanied by a mania for everybody investigating everybody else, amidst great beatings of the breast and pointings of the finger.

One recent case in point involves the big flap over Senator BILL SUMNER (R-Anchorage) and his purported attempt to intimidate a "quasi-judicial" administrative tribunal. Perhaps it was indiscreet of the good senator to accept (if he did), as is alleged, a campaign contribution from his aggrieved constituent, almost simultaneously with the act of interceding on his behalf — although it is not clear how the *quid pro quo* would have been any less reprehensible, if the customary lag period had been observed. But it is ridiculous to suggest that there is something wrong for a legislator to go to bat for a constituent being stretched on the rack by a bureaucratic posse.

Certainly, if anyone in this State or in this Union needs a bit of intimidation, it is the motley assemblage of kangaroo courts euphemistically referred to as "quasi-judicial administrative tribunals." In one of the more flagrant judicial cop-outs of our time, the real courts have held that there are presumptions of regularity and benefits of finality which adhere to administrative adjudications — presumptions which fly into the face of reality, common knowledge and common sense. If there is anything more subversive of the Anglo-Saxon concept of the administration of justice, it is the spectacle — repeated hundreds of time each day — of pompous, self-righteous and self-dealing bureaucrats acting as judge, jury, prosecutor and executioner, while hapless citizens are entangled in an endless web of governmental regulations, rules of procedure, obscure institutional jargon, secret laws (presumptively communicated to them by "publication" in a monstrosity known as the Federal Register, which no one reads (except other bureaucrats) and which no English-speaking person would understand, in any event). The same applies, *mutatis mutandis*, to state and local governments.

Whatever the outcome of the heavily touted probe of Senator Sumner, the mere fact that it occurred, and the wolf-pack assault on an influential legislator by numerous bureaucrats, (led as usual by the ubiquitous Attorney General's office), will inevitably have a chilling effect on other legislators, whose aid and assistance is often the only recourse of John Q. Public, hounded to death by the dogs of bureaucracy.

Another example of hypocritical self-righteousness, is involved in the recent hue and cry, unleashed with even more than customary shrillness, by the oh-so-precious editorialists and investigative reporters of the Anchorage Daily News, against Senator MIKE GRAVEL (D-Alaska). It seems that all of a sudden — just coincidentally, of course, with the fact that a young liberal of the stripe most similar to that sported by the News' editorial board, has decided to challenge the incumbent — the Daily News has discovered that years ago Senator Gravel and some of his friends in Washington and elsewhere (including, horrors, a lobbyist) pooled their resources to acquire a reputedly plush vacation home in the Aspen, Colorado, ski resort. There is, of course, nothing illegal or immoral about this,

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Alpetco . . .

—Continued from page 1

requirement "It does little to demonstrate the marketability of the products. The Charter Company," the report says, "will still need to identify viable markets for the products it has agreed to purchase from Alpetco."

Said the report: "It's questionable" whether the product sales contract fully satisfies the letter of the agreement and it falls far short of satisfying the spirit of the agreement.

As proof that it had obtained \$1.5 billion in project financing commitments, Alpetco submitted evidence of three financing arrangements. These included the \$350 million from the Alpetco partners, \$600 million from the City of Valdez, and \$750 million from a German engineering firm named Thyssen.

The Research Agency report says that while the project financing commitments have been partially met by the city of Valdez and the Alpetco partners, "Thyssen's commitment for the other \$750 million in financing is not a true commitment to lend or invest . . . and we, therefore, question whether the (requirement) has been fully satisfied."

Likewise, the Research Agency report says commitments for interim financing do not appear to have been made. Letters from the Chemical Bank of New York and Manufacturers Hanover Trust Co. submitted as proof that interim financing has been secured, the report notes, "are subject to so many conditions that, in effect, they do not appear to provide a substantial guarantee of interim financing."

The House Research Agency was asked to analyze Alpetco's Dec. 18 submission under its contract with the state by key House members including Rep. Bill Miles (D-Anchorage), co-chairman of the House Resources Committee.

They wanted to determine independently whether Alpetco had complied with the contract requirements, as claimed by the Hammond administration.

The Alpetco contract was negotiated by the administration and ratified by the legislature in 1978.

CHARLES R. GAY

Navy Ensign Charles R. Gay, son of Robert E. and Marilyn J. Gay of 1710 S. Salem Drive, Anchorage, was commissioned in his present rank upon completion of Aviation Officer Candidate School.

The 13-week course at the Naval Air Station, Pensacola, Fla., was designed to prepare candidates for their future duties and responsibilities as commissioned officers and to prepare them to enter primary flight training.

A 1973 graduate of East Anchorage High School, and a 1979 graduate of the University of Alaska, Anchorage, with a Bachelor of Science degree, he joined the Navy in March 1976.



The word paper comes from papyrus, the giant water reed from which Egyptians manufactured a writing material.

NORTHWARD TIME SHOP

Heinz Berchard, Jeweler
Northward Building
MIDO & ACCUTRON
QUARTZ WATCHES
Sunburst Diamond Rings
Jade — Gold Jewelry

Roar of the Snow Tiger...

-Continued from page 5

but then the Daily News staff writers are masters of the innuendo, the raised eyebrow, the meaningful and pregnant emphasis, the dig and the jab.

Holding aloft the banner of St. McClatchy, Fanning's fearless fuelers are "fanning out," to fan the flames of what they hope to be a political *auto da fe*. Not surprisingly, leading the tom-toms is that graduate of Chairman Jay's cultural revolution, the sometime champion of CHANCY CROFT's forlorn gubernatorial quest, one JOHN GREELY, Mrs. Fanning's own captive pet "angry young man."

Of course, the DAILY NEWS braintrust could care less about Mike's mountain retreat. Mr. GREELY, who took his namesake's advice and became one of the farthest west journalists (but not too far west, he seems to like it better in Juneau than in the real Alaska), may pretend to find invidious comparisons, and parallels in Mike Gravel's most recent swing through Alaska with the pious non-campaigning of President Jimmy Carter (incidentally, another Daily News hero he, although like JAY HAMMOND, he probably is Mr. GREELY's second choice (since "angry young men" would seem to be constitutionally predisposed to go for the likes of CROFT and TEDDY KENNEDY. But GREELY really couldn't care less about the campaign tactics of the Junior Senator. What really bothers the good folk at the NEWS, we think, is Senator Gravel's unremitting opposition to the power and land grabs of the Federal bureaucracy; his outspoken exposing of the phoney stances taken by the Interior Department's colonialists and by the lace-panty preservationists of the Sierra Club, Friends of the Earth, and other big-bucks organizations, created to preserve the *status quo* of Eastern establishment hegemony, in the name of protecting the ecology.

Being for developing Alaska's energy resources: oil, gas and hydroelectric power; being in favor of better transportation and communications, labor-intensive industries and an even break for Alaskan free enterprise; these are Mike Gravel's unpardonable sins in the eyes of the DAILY NEWS doctrinaires — not the Aspen chalet or his official swing through Alaska, which incidentally may generate some votes (the only reason his challengers won't do that, is because there is no way they can arrange it — not because they think it is morally wrong). Of course, all of this propaganda is aimed at the rank newcomers to Alaska, in the hopes that they can be duped into dumping Alaska's strongest spokesman and most effective champion in the fight against D-2 duplicity, Interior Department intrigue and preservationist pressure tactics.

WE, TOO, GIVE AWARDS. And speaking of the Daily News, one of its most talented and astute writers, Miss SUZAN NIGHTINGALE, (sorry, no "Ms." spoken here), has been in the habit of making imaginary, tongue-in-cheek awards at the beginning of the year (this writer

was a recent recipient of one of her witty and good-humored little journalistic baubles). Well, this column, too, has been known to give out an award once in a while. And the winner is — (the envelope please) — none other than SUZAN NIGHTINGALE herself, who is hereby given the "Sycophant Award of the Year" (No, Virginia, a sycophant is not a diseased pachyderm, go look it up in the dictionary).

Although the year has hardly begun, she has hopelessly outdistanced all other possible candidates for this coveted honor, by emerging from a month's seclusion (with pay), during which she produced her recent gushing, fawning and bowdlerized series on the past and present history and biography of the Alaska Supreme Court. This exercise in ingratiation, complete with pictures of the five Justices collectively saying "cheese," based on sanitized little interviews is made up to look like a copy of Woodward and company, but is as far remote from the irreverent penmanship contained in "The Brethren", as an official photograph of the Shah of Iran (golden sash, peacock throne and all) is from a portrait of a real person.

As this column has readily testified to in the past, the Alaska Supreme Court indeed can boast of many fine accomplishments. Its members are individually talented, articulate and dedicated to their task. But like all human beings, they do have warts and flaws; they have made mistakes; have been careless, callous, and sometimes downright intellectually dishonest. That does not detract from their many important and sometimes even monumental achievements, any more than the human foibles disclosed in "The Brethren" do permanent damage to the vital constitutional role played in the life of our nation by the United States Supreme Court.

Shameless flattery, uncritical praise, fawning adulation and gushing journalistic groupies seem to follow the wielders of power, as surely as hyenas and jackals flock around the lion after the kill. One difference is: I have never seen a pride of lions play "look at the birdie," with the laughing hyena holding a camera!

The purpose of Miss. Nightingale's mini-history *de-uso delphini*, had for some time escaped this occasionally astute political observer and we are indebted to a perceptive Anchorage Times staffer, for the revealing disclosure that this cloying *tour-de-force* was published just in time to coincide with the pendency in the Alaska Supreme Court of the appeal from the Anchorage Daily News *versus* Anchorage Times bruhaha. No sooner had we made this discovery and dictated the foregoing para-

-Continued on page 14

Suit...

-Continued from page 1

cutting of 150,000 barrels of oil per day. Even if such cutting exists, the suit contends the state has no authority to grant any right in Alpetco to oil not yet discovered.

Donnellan alleges that the disposition of state royalty oil is governed by Alaska Statute 38.05.183 and that the statute contains no authority for "the disposition or encumbrance of state royalty oil from any lease other than one already issued."

Alaska Statute 38.05.183 provides that state royalty oil be disposed of by competitive bid except that such bids are not required if, in the opinion of the Commissioner of Natural Resources, they are not in the best interest of the state or that no competition exists. Before making such determination, the commissioner must obtain the prior written approval of the Alaska Royalty Oil and Gas Development Advisory Board.

Donnellan also alleges that another provision of the contract is without authority inasmuch as it purports to lease not yet issued. That provision obligates the State to provide Alpetco with "the most recent information... in its possession or obtainable from third parties of anticipated crude oil discovery and production in Alaska during the term of this Agreement." The contract is for a period of 25 years.

The suit alleges that those paragraphs of the contract pertaining to future discoveries are "indefinite." A layman's reading of paragraphs 2.3 and 2.4 of the contract would seem to support this allegation.

The suit further alleges that "irreparable injury" would result to the people of the State of Alaska should those portions of the contract pertaining to future discoveries on leases not yet issued be enforced. The suit asks the court to declare such provisions of the contract "null and void."

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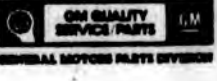
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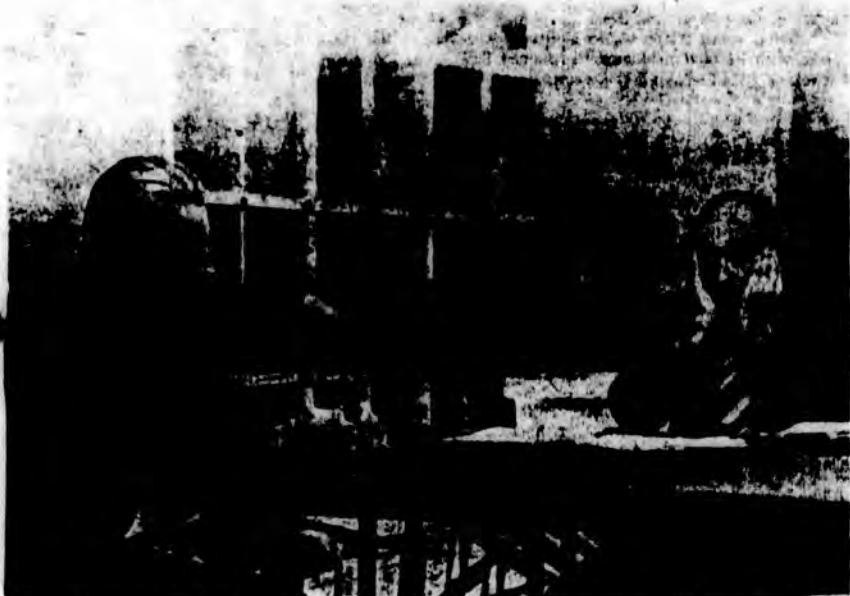


News Analysis . . .

Alpetco Sidesteps State Royalty Oil Contract

Alpetco Sells Fuel Products to Itself

Fails to Get Firm Pledges to Finance Valdez Refinery



Joe Vogler testifies at State Dept. of Natural Resources hearing, while a state official listens. Officials listened to complaints for several hours straight. (See story inside.) —Linda Rodman Photo

Miners Turn Out to Protest Proposed New Permit System

Fairbanks area miners, foresters and other concerned Alaskans, turned out in mass at a hearing Tuesday night to protest the state's proposed new land use regulations, in particular a proposed permit system. Objectors said the new regulations were extremely restrictive and could result in endless problems.

But state spokesman Chuck Albrecht said he felt sure changes would be made in the final version of the regulations and that another hearing might be held if these were substantial.

Below is the text of a letter regarding these regulations from Don May, Vice President of Alaska Miner's Association.

Jan. 15, 1980

State of Alaska
Dept. of Natural Resources
Public Hearing
c/o Mr. Ted Smith, Director
Fairbanks, Alaska

Dear Mr. Smith:

As vice chairman of the Alaska Miner's Association, I have

been asked to be a spokesman pertaining to the new proposed regulations which confront us tonight.

First: It's strange indeed that you choose to push regulations upon us with such short notice, in the middle of the winter, with less than a month's notice to defend our life's work and investments which can and could be wiped out with such broad and sweeping powers, that you now as our civil servants possess. Are you fearful to appear directly to the Miner's Association to reason why such changes are necessary? Not one of us on the executive board was informed of such changes pertaining to the mining industry which confront us tonight. These hearings were listed and broadcast this past week locally, for this one night here in Fairbanks under "Forest Resources and Practices" when actually by accident we found out that they were covering proposed mining and mineral resource recovery and development regulations. They deal directly with land use permits

which are so restrictive that they even monitor the placement of mechanical equipment, as well as the use of explosives which are under your jurisdiction and authority. Are we not free to choose what we should and need to use as we see fit without stopping the operation and coming to town?

In many cases this would involve traveling many hundreds of miles to obtain a restrictive permit. This is neither prudent nor progressive, but rather it could be labeled authoritarianism, socialism, or the opposite of free enterprise.

Without getting too involved in all these proposed draft regulations, I would like to consider page 2, Section 13 AAC 65.030. I ask you in all honesty, how can a miner not "cause disturbance or harm to the land or related natural resources?" Who is to say? What one director says can be ignored by a successor, or made more harsh by another. Mining must disturb the land to be effective. This is only common

—Continued on page 14

By Joe La Rocca

The out-of-state consortium which in 1978 won the coveted right to buy virtually all of the state's valuable royalty oil for the rest of the century, waltzed around one major condition of its contract with the state by arranging to sell the products it processes from the crude to itself.

Under its contract with the state, which gives Alpetco the right to purchase upwards of 150,000 barrels per day of state royalty oil for the next 25 years, the consortium is required to build a \$1½ billion refinery at Valdez.

It was also required to meet a number of other major conditions by last Dec. 18. These included a requirement to negotiate sales contracts for at least 70% of the products — mostly fuels, with small volumes of petrochemical by-products — which the refinery will produce after it's completed and goes into operation in about four years.

To meet the requirement, Alpetco — which is 70% owned by the Charter Co. of Florida, simply negotiated a contract selling about 146,000 bpd of liquid products to Charter's newly-formed and wholly-owned subsidiary, the Charter Co. of Alaska, a paper corporation.

Charter reportedly plans to sell some, if not all, of the products to Japan. While there are federal restrictions against exporting domestic crude oil, there is none prohibiting the export of refined products.

In Alpetco's submission to the state, President Gordon Cain said: "We are not enclosing copies of draft contracts for the sale of products or material relating to negotiations of sale terms with prospective purchasers because we believe the executive contract (with Charter) evidences full compliance." Neither Natural Resources Commissioner Bob LeResche, who secretly negotiated the contract with Alpetco, nor Gov. Jay Hammond challenged the consortium's failure to comply with

the spirit or the letter of the contract.

Despite the fact that this and other major requirements of Alpetco's contract with the state were similarly circumvented or ignored, Gov. Jay Hammond has announced that Alpetco has complied with the contract.

His announcement set in motion a series of events which will enable Alpetco to begin taking the state's royalty oil next July and sell it outside the state until Alpetco's proposed refinery is scheduled to go into operation in 1984.

However, an analysis of Alpetco's submission claiming to satisfy the contract requirements by the Dec. 18 deadline reveals that several other major conditions remain unfulfilled.

One of them was a requirement that Alpetco obtain written commitments from contractually-bound third parties to lend or invest \$1½ billion to finance construction of the refinery.

In its submission, Alpetco said it obtained a \$750 million financial commitment from a German firm, the Thyssen Co. It said that the balance has been committed by the consortium's three partners — the Alaska Petrochemical Co., the Charter Co., and E.F. Hutton, Inc., a New York investment firm.

But their so-called commitments are nothing more than qualified statements saying that they will commit the funds to the project, subject to the condition that "definitive agreements for all financing shall be entered into by Dec. 18 of 1980." Thyssen also submitted a letter from a prestigious German bank, the Deutsche Bank, which is nothing more than a letter of reference and does not extend a line of credit.

In short, the contract requirements for financial commitments to cover project costs was not satisfied by the Dec. 18 deadline; rather, the deadline was merely extended for another year.

—Continued on page 11

Alpetco Sidesteps State . . .

Continued from page 1

Another major contract condition which Alpetco claims to have met, but did not, is one which required the company to complete the plant design necessary to obtain a definitive

project cost estimate by last Dec. 18.

The documents submitted to the state by Alpetco include a copy of a contract between itself and two other firms known as the "Fixed Price Contract."

its purpose is to obtain engineering design necessary to calculate the cost of completing the refinery's construction.

Under the terms of that contract, the two engineering firms have agreed to submit the engineering data upon which the fixed cost will be based, by September of 1980. Yet, under its contract with the state, Alpetco was required to obtain a definitive project cost estimate by last Dec. 18. In short, that deadline was not met; it was simply extended for 9 1/2 months, until next fall.

Another major contract requirement which Alpetco claims to have satisfied, but did not, is one which requires commitments for interim financing of the refinery. Interim financing would provide the funds needed to meet day-to-day expenses during the construction phase. Alpetco says it may not need to obtain interim financing from other sources because its three partners may be able to pay those costs out of their own pockets.

But in the event interim financing is needed, Alpetco said in its submission to the state, its financial projections indicate that the maximum that will be required is \$92 1/4 million. According to Alpetco, the consortium has arranged for more interim financing than would actually be needed — a total of \$150 million — from two banks. They are the Chemical Bank and Manufacturers Hanover Trust, both of New York. Each would provide \$75 million.

But a closer examination of the so-called commitments reveals that their pledges are conditioned, subject to a later determination that the project is economically viable; that Alpetco has enough equity to complete the project; that it would have sufficient collateral to repay the construction loans, if tendered; and that Alpetco will enter into a definitive credit agreement with the two banks by next December.

In other words, the requirement for a commitment for interim financing also was not met by the Dec. 18 deadline, but has been deferred for another year. Alpetco has attempted to minimize the need for interim financing by asserting that the three partners may be able to contribute the total equity needed for construction financing. But

whether or not they can, Alpetco clearly has not satisfied the contractual commitment for interim financing.

Alpetco says in its submission that there is yet another avenue for interim financing, if needed. That stems from a resolution passed by the Valdez City Council last year authorizing the issuance of \$600 million worth of tax exempt industrial development bonds, the proceeds from which will be used to help finance the project. The bonds would be purchased by one of the Alpetco partners, E.F. Hutton, Inc., and would be in the bond markets.

Alpetco has submitted two legal opinions by "independent" bond counsel asserting that it would be legally permissible for tax exempt revenue bonds issued by Valdez to be used to finance the project. That's true, but irrelevant.

What Alpetco's submission, and the legal opinions, ignore is the fact that the federal IRS Code does not presently provide a tax exemption for revenue bonds issued on behalf of the Alpetco project, and a change in federal law permitting the exemption is needed. Alpetco is seeking, but has not yet obtained such an exemption.

Ironically, a member of a law firm presently retained by the Charter Co. once wrote an exhaustive legal memorandum opposing a bid for the state's royalty oil by one of Alpetco's competitors which proposed the use of tax exempt industrial development bonds. The lawyer, Joe Chomski of Birch, Horton, Bittner and Monroe, concluded that federal income tax law does not permit such an exemption, and that Congress and the U.S. Treasury Dept. would vigorously oppose any attempt to obtain one.

In other words, Alpetco's

claim that the Valdez bond issue could be used to provide project financing, if needed, also appears to be inoperative.

Alpetco's documents purporting to satisfy the Dec. 18 contract requirements consist of several volumes of printed material about five inches thick. Curiously, there is only one copy of the documents in existence, and that has been in LeRoche's possession almost exclusively ever since it was officially submitted to him by Alpetco about three weeks ago.

Apparently no one outside the administration, its advisors, and this reporter has seen it or scrutinized it thoroughly. Yet, it is the instrument which authorizes the disposal of more than 150,000 barrels per day of the state's royalty oil for the next 25 years.

Notwithstanding both Alpetco's and the governor's claim that the consortium has met its obligations under the contract, several key requirements remain unfulfilled, and the contract terms have been substantially breached by Alpetco.

Since the governor and his aides appear to be incapable of objectively evaluating Alpetco's performance, or lack of it, under the terms of the contract, one hopes that the legislature will fill the leadership vacuum, and call for an accurate accounting.

At stake is an enormous chunk of the state's future wealth. It's worth more than \$1 billion per year, for the next 25 years.



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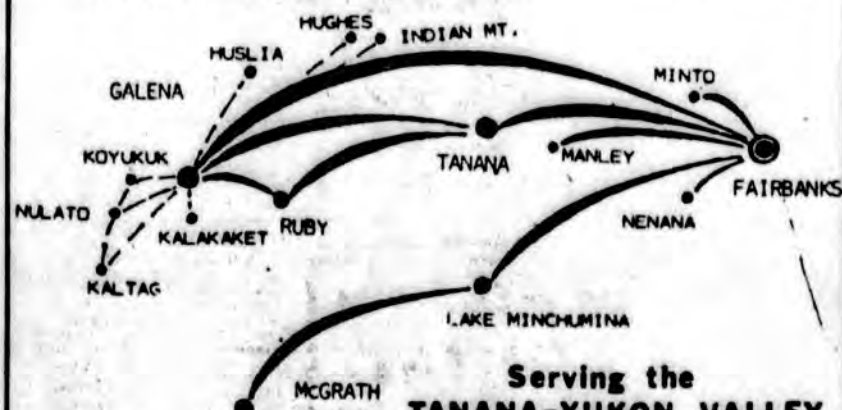
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Eccentric Millionaire Visits. . .

Charter Co. Chief Mason Wheels and Deals for Oil

He Entertains Royalty But Wall Street Remains Skeptical



Charter Co. owners Edward Caray, left, and Raymond Mason, discuss company affairs. They were among a group of Alpetco and Charter Co. officials who visited Fairbanks, Anchorage and Valdez this week to acquaint Alaskans with Charter Co.'s widely diversified operations.

Reprinted from the Grand Bahama

A New Plateau Financing, Conditioning Plant Run Together in Gasline Talks

By Jane Pender
Alaskan insistence on making use of its royalty gas within the state versus Alaska Northwest's insistence on running the entire show seems to have moved into a new arena with news this week that the administration is finally thinking about cooperating with the state on the construction of a natural gas pipeline.

Word came via a statement by Vice President Mondale, who told an Alaskan delegation headed by Governor Hammond in D.C. last week, that there is "a good strong basis for cooperation."

What seems to be operating here is that the administration is fully committed to getting the gas pipeline built, as a key element in presidential strategy to beat the energy crisis. But it is unwilling to finance the project and other financing for the line has been collapsing at a great rate. Now, with Alaska ending up one of the few possible financiers, according to Hammond, Mondale now recognizes that state participation in the financing is crucial if the line is to be constructed in timely fashion.

Thus for the first time in the loudly-debated, long drawn-out struggle, the state has a hand

it can play, although ways and means are still far from being worked out.

Hammond reported after the meeting that the federal government is now willing to aid the state in its effort to secure gas liquids for processing via a petrochemical industry within the state.

There were some indications that the state administration itself is only just concluding that there is a real and vital interest within the state in obtaining these gas liquids, and that there is a connection between financing of the line and the petrochemical industry. Attorney General Avrum Gross said earlier this week that after a tour of gas transmission companies, petrochemical plants and consulting firms, he had decided there was statewide interest, a connection between line financing and a petrochemical industry in the interior to justify expenditures of \$400,000 to \$3 million for a feasibility study.

Energy Secretary Charles Duncan told Hammond and Gross that the federal government is willing to take several steps to sweeten the financial deal. They include assisting the state in its desire to participate in the gas line; an offer to act

as go-between between the state and Northwest Alaskan Gas Pipeline Co. and making an attempt to reverse the regulatory decision which prevents owners of the conditioning plant for the Alaskan segment from recovering conditioning cost.

Gross also said that Alaska Northwest was a little more positive this week, a change which follows an earlier statement by Northwest President John G. McMillan that his company would be glad to help establish a petrochemical industry in the Fairbanks area.

At that time, he was still opposed to an increase in the pipeline pressure which would permit the line to carry the gas liquids required for such a plant, and he also told a House Interior Subcommittee that Alaskans were dragging their feet on helping him to put together a gas line finance package.

"It was Alaska's Don Young, at that hearing, who pointed out that 'I can tell you where to get financing real quickly. Just put a conditioning plant at Fairbanks,' he said. 'If you put one at Prudhoe Bay, you're going to have a lot of problems.'"

By this week, the message seems to have gotten through.

—Continued on page 5

Turned Defunct Refinery Into Million-Dollar-a-Day Bahama Money Machine

By Joe La Rocca

Who founded a company which grew from a few million to more than two billion dollars in annual earnings within a few years; lavishly entertains kings, shahs and presidents at his palatial riverside mansion in Florida;

—manipulates a myriad of national and international corporate interests from a renovated boathouse anchored in the St. John river; —once tried to peddle \$8 million worth of goodwill for Saudi Arabian King Fahd in million-dollar transactions;

—and will probably control most of the state of Alaska's enormously valuable royalty oil for the rest of his life?

The answer to this multi-billion dollar question is Raymond Mason, the 52-year-old wheeler and dealer, but highly personable, president of the Charter Co., the Jacksonville-based conglomerate which recently acquired a 70 per cent interest in the Alpetco Co.

That's the consortium which in 1978 bought the rights to upwards of 150,000 barrels per day of the state's royalty oil for 27 years, in exchange for a commitment to build a \$1 1/2 billion refinery in Valdez.

Mason was in Fairbanks, Anchorage and Valdez this week with other officials of Alpetco and his own firm to acquaint Alaskans with the Charter Co.'s multi-faceted operations, and to boast of its meteoric rise on the New York Stock Exchange since it acquired the world's fifth-largest — but bankrupt — refinery in the Bahamas just a year ago, turning it almost overnight into a money machine which now generates more than \$1 million in earnings every single day of the year.

The Charter Co. was born in 1919 under the family name when Mason's father founded a lumberyard in Jacksonville. By the 1960s it had branched into a nearly-bankrupt land speculation, insurance and mortgage banking firm under the younger Mason's guidance.

Its first major expansion came in 1970, when Charter, almost by accident, acquired most of the assets of the floundering Signal Oil Co., a small California-based independent with exploration and production holdings in the Middle East and Venezuela, two small chains of retail gasoline stations, a 70,000 barrel per day refinery ideally located on the Houston, Texas Ship Channel, and another small refinery in California.

The 1973 Arab oil embargo, which quadrupled oil prices on the world market in less than a year, dramatically increased the value of Charter's oil operations. Sold one observer: "Charter was awash in money for the first time in its history."

One result was its diversification into publishing and communications. Charter bought Redbook magazine; Downe Communications, which owned a controlling interest in The Ladies Home Journal; Norton-Simon's Dayton, Ohio printing operations, now claimed to be the largest printing establishment under one roof in the world and one of the largest printers of periodicals in the nation; and six radio stations.

But after 12 years of "spectacular growth," Charter encountered in 1975 a year of "severe problems." Its newly-acquired Signal properties were riddled with financial and organizational difficulties, its Venezuelan operations were nationalized, a shipping division piled up huge debts, and its Houston refinery needed \$100 million in improvements to meet environmental requirements.

Continued on page 3

In This Issue

A 19-year-old Fairbanks woman, Pandora Dricksen Scott, tells of ordeal trapped 30 minutes in flaming DC-10, page 9.

Charter

—Continued from page 1

Plagued with cash shortages, Mason ordered a major consolidation program and restructured the company's debts by unloading unproductive assets ranging from real estate to the company's Gulfstream Jet airplane. Though still debt-ridden, Charter's profits began to improve by 1978.

That's when Charter announced that it planned to buy the New York-based Carey Energy Corp., the largest independent marketer of the fuel oil on the East Coast, which owned a defunct 500,000 barrel per day refinery at Freeport on Grand Bahama Island.

The Carey Corp. was 65 per cent owned by Edward Carey, older brother of New York Gov. Hugh Carey, and 35 per cent owned by the Standard Oil Co. of California (Socal). After amassing nearly half a billion dollars in debts, it was forced into liquidation proceedings by its principal creditors, which included the National Iranian Oil Co. and the National Oil Corp. of Libya, its two major sources of crude oil.

After months of intense, globe-girdling negotiations, Mason and his talented stable of mostly under-40 operatives, put together what Fortune magazine calls "one of the year's most intricate business deals" and "wound up with a money machine." As part of the deal, Socal converted its credits into a 50 per cent share in the resuscitated refinery.

Charter continues to draw about 200,000 bpd of crude from the Middle East for processing in its refineries, which are currently bringing the company an estimated \$1 million per day.

One key to Mason's success in the world of petroleum has been his rapport with oil-rich royalty. Says Jacksonville reporter Skip Livingston of the Florida Times-Union: "Mason has assiduously cultivated Middle-Eastern politicians."

At his palatial \$3 million home on the St. John River, once part of the fabled DuPont estate, Mason has entertained, in the finest tradition of southern hospitality, such global notables as the Shah of Iran, King Faisal of Saudi Arabia, and Egyptian monarchs King Hussein and Anwar Sadat. Even President Jerry Ford slept there.

Mason was involved in a couple of eccentric, but undeniably imaginative schemes with his old friend King Faisal.

At the height of the 1973 Arab oil embargo, he dreamed up a plan which he believed would guarantee an unlimited supply of oil to the U.S. He flew to Saudi Arabia and proposed to Faisal that he buy the Gulf Oil Co., hoping to earn a huge commission on the deal. Mason reasoned that the Saudis would hesitate to cut off a crude supply to their own U.S. outlet. King Faisal liked the deal, but Gulf didn't, and it fell through.

Charter's entry into the publishing world spawned another ill-fated brainstorm involving the Saudi monarch which was dubbed "Project Faisal." Mason proposed an \$8 million public relations campaign designed to endear the Faisal monarchy to millions of reading Americans. The campaign reportedly involved planting scores of favorable articles about the royal family in magazines printed by Charter. The scheme was exposed by Washington, D.C. muckraker Jack Anderson, and also fizzled out.

—Continued on page 16

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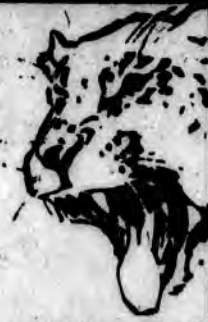
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EDGAR PAUL BOYKO

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FAIR ENOUGH? Recent columns, highly critical of the economic policies of both the federal and state governments seem to have touched a few sensitive nerves. While there has been expressed a great deal of accord, a few have suggested that it is easy to be a critic; and that he who would decry bureaucratic stupidity and planless government planning, had better come up with a program of his own. Fair enough.

Here is our program for a new national and Alaskan economic policy. And if you're wondering why an obscure columnist in an obscure Alaskan weekly has any standing talking on such lofty subjects, well, some of you asked for it.

Those who will not learn the lessons of history are condemned to repeat the mistakes of their forebears. There is a Kafkaesque quality to the self-important pronouncements of bureaucratic officials on this, the 50th anniversary of the great crash of the New York Stock Exchange which ushered in the Great Depression.

Government bigwigs and academic pundits alike, addressing subjects such as inflation, recession, unemployment, the debasement of our currency and the decline of our productivity are sounding like replays of their predecessors during the 20's and 30's. What is needed is less theorizing, less bureaucratic tinkering and more common sense and wisdom for the future, based on knowledge of the past.

Here is a basic blueprint of a program for national recovery:

1. Drastically reduce federal spending and balance the budget by the abolition of all those federal agencies and bureaus which do not perform essential, indispensable governmental services, such as defense, foreign service, coinage of money, maintenance of internal peace, the judiciary, and enforcement of federal criminal laws (to be greatly reduced in scope and number).

2. Drastically cut the burden of federal taxation by totally exempting all persons and families with incomes of less than \$25,000 per annum from all federal income taxes; setting a ceiling on federal income taxes of 5%; abolishing taxes on capital gains, as well as any and all taxes upon income derived from creative activities, such as the sciences, the arts, inventions or discoveries.

3. Return all social and public welfare programs, legislation and regulation to the several states, subject only to basic minimum standards of uniformity.

4. Turn over transportation, the postal system and all communications to private enterprise and deregulate the same.

5. By means of tax and other incentives encourage free enterprise to address the problems of energy self-sufficiency for the United States, development of alternate energy sources, protection of the environment, controlled development and urban growth and planning, the latter being subject to regulation only at the local level and, where absolutely necessary, at the state level.

6. Discontinue all direct foreign aid, military or economic, except where it is required by the needs of American security and defense or by existing treaties.

7. Take immediate energetic steps to collect all outstanding loans and debts owed to the United States by foreign countries, including if necessary, the attachment of the assets of such countries within our borders, by means of judicial process.

8. Drastically reduce all non-essential imports, until the balance of payments is once again in our favor. If necessary, impose duties of 100% and more on such imports as foreign-made automobiles, textiles, electronic products and other major items in competition with U.S. industry, as well as certain foreign raw materials, such as petroleum and petroleum products. After recovery, the

nation could return to free trade, provided there are safeguards against overreaching by foreign cartel (such as OPEC) and against dumping or unfair competition through cheap labor.

9. Provide tax and other economic incentives to private employers and labor unions to establish various social benefits such as health care, education, recreation, legal services, retirement, etc.

10. Restrict the government's power to print worthless paper money and to manipulate the currency.

11. With the exception of a few selected national parks and national forests, turn all federally owned public lands over to the states within which they are contained.

12. Cut drastically all contributions to the United Nations and to the world monetary fund, until our domestic budget is in balance, and the nation is well on the way to economic recovery.

13. Replace our sprawling, out-moded military establishment by highly mobile, high technology, highly trained, professional strike forces, backed up by a citizens army patterned on the experience of Switzerland, Norway and Israel.

14. Revise the social security program so as to make it actuarially sound and eliminate the prohibition against gainful employment on the part of social security recipients.

15. Call a constitutional convention to deal with such things as: Constitutionally mandating a balanced federal budget, except in times of war; limiting the total number of years any person may hold an office which exercises power over life, liberty or property; providing for a carefully delineated element of parliamentary responsibility on the part of the executive, in place of the present fixed term arrangement; providing for regional presidential primaries; to do away with the present circus atmosphere of nominating presidents; strengthening the Bill of Rights and particularly revitalizing the tenth amendment by restoring the original concept of limited federal power.

Now that we have solved all the problems of the nation, let us turn to the issues confronting the 49th State:

1. Place a constitutional ceiling of 1% on state or local income taxes.

2. Immediately enact a liberal homestead and land acquisition program which will allow people to acquire land without having to pay enormous prices for it to the state.

3. Drastically reduce the state bureaucracy and get the state out of any and all programs which can be handled better by the private sector.

4. Move the capital, NOW.

5. Provide for greater popular input into the selection of the attorney general and of all judges.

6. Use the state's surplus to provide available capital to private lending institutions for making low cost loans for housing and small businesses.

7. Abolish most boards, commissions and other state regulatory agencies; and free business and labor from state over-regulation and restrictions.

8. Restore incentives to outside capital to invest business and industry in the state.

9. Aid tourism by giving incentives to private development of resorts and desirable facilities and scenically attractive areas, on the model of Switzerland.

10. Repeal the criminal laws which govern the morals and mores of people; and devote the freed resources of law enforcement to more vigorous enforcement of laws designed to protect citizens from acts of violence against their person and crimes against their property.

11. Create incentives to local communities to raise the standards of pay and qualification of teachers, police officers, firemen, paramedics, nurses and other essential services.

12. Eliminate all state activities in the areas of communications, public relations, propaganda and press agency.

13. Require a run-off election whenever a candidate to elective office receives less than a majority of the total votes cast.

14. Encourage crash development of energy sources

-Continued on page 8

Nuggeteer...

-Continued from page 2

to not only be able to hear the sale proceedings in Houston, but to be able to communicate with representatives in Fairbanks.

Most of those making reservations now, Comstock said, appeared to be oil company representatives, but he said he expected that state and federal government officials would be following suit. And he said that for such a big event he would presume that news media representatives, perhaps even from the big TV News Networks, would be on hand.

Cook and Hagen are slated to come to Fairbanks on the 14th to make further arrangements for the sale.

Comstock said most of those making reservations now were doing so from one to three days.

Gasline...

-Continued from page 1

and now, according to Grom, "They (Alaskan Northwest) realized that if we want a gas line in the reasonable future, state participation is a necessity. With the potential for a petrochemical plant anchored, the state would have a multitude of options for financial participation."

He said these included issuance of tax-free bonds; an equity investment in the pipeline as one part of the line, such as a gas conditioning plant.

Review of these options will occur Nov. 21 when a joint legislative committee will determine what kind of commitment the state can make.

Meantime, back in Alaska, the state's gearing up for the gas pipeline. Plans are afoot to hire additional people by the first of the year to get studies and planning underway. Reason for the hurry is that the federal government is pushing hard for a right of way lease. Charles Behlke, state pipeline coordinator, says he expects the federal government to go ahead with a FERC application as soon as they get a right of way lease. That would come roughly the end of May or early June.

And as if all this were not enough, the borough is considering applying to FERC to build the conditioning plant here in Fairbanks. A proposal was submitted to the Assembly in late October, and was moved to committees headed by Dave Brennan and Phil Younker for further study of the feasibility. The financial plan, originated by Foster and Marshall, contains the following features:

The borough would ask Congress for permission to issue tax-exempt revenue bonds for the plant.

Then the borough would sell the bonds and give the proceeds to a consortium that would build the facility in return for a long term lease on it. Then, the borough would sub-lease the plant to the operators and pay off the bonds by charges assessed for conditioning the gas.

It is likely, according to Borough Mayor John Carlson, that voter approval would be required before the bonding plan could be put into operation.

Charter Co. Chief Wheels and Deals in Oil. . .

—Continued from page 3

The cliché that "behind every successful man there's a woman," didn't quite hold up in Mason's case. "Sitting behind Raymond at every step of the way," says Livingston, "is Ed Ball."

Edward Ball is the 92-year-old senior trustee of the \$2 billion duPont estate in Florida and, according to the Wall Street Journal, "the most powerful man in the state." The Jacksonville reporter says that Ball is a "tough and powerful old man, a folk legend," who used to control the National Bank of Florida, once the largest in the state until the U.S. Congress passed special legislation forcing him to divest himself of certain interests.

According to Livingston, who has covered the Charter Co.'s activities for a number of years, Ball was the very first to recognize the Bahama refinery's po-

tential for massive profits, hailing it as "a million-dollar-a-day money machine."

As trustee for the duPont empire, which he shaped "almost singlehandedly," Ball controls the St. Joe Paper Co., two railroads, a sugar company and more than a million acres of timberland in Florida and Georgia.

Ball, through duPont, also owns the largest single chunk—four million shares, or 23 percent—of Charter Co.'s stock, while Mason owns three million shares. Charter Co., in turn, owns eight per cent of the St. Joe Paper Co.

Edward Casey, who accompanied the Alpetco group on its Alaska tour this week, retained three-fourths of the \$20 million Charter paid him for the Bahama refinery in Charter stock. Today it's worth \$95 million. Casey also serves as a \$200,000 per

year consultant to the Charter Co.

Together, Mason and Ball own the 11th Century Ballynahinch Castle in Ireland, where Mason has built a home and spends part of each summer. He also maintains apartments in New York and London, and a mansion in Pebble Beach, Calif.

Mason considers Ball—a controversial figure who has been "pulling strings" in Florida politics for more than half a century—as his mentor. The pair can frequently be found lunching together at Jacksonville's posh River Club, located on the top floor of a 37-story building overlooking the St. John River. Says Livingston: Ball has been "a great influence on Mason personally," as well as on the Charter Co.'s activities.

Livingston says Charter's recent plunge into Alaska oil "has

been viewed very positively here. People who watch the petroleum industry," he says, "were very favorably impressed." The move, he adds, came as "a tremendous surprise here." It was the most closely kept—indeed the only—secret that the highly-visible firm has been able to sustain in recent years.

Despite its spectacular successes of late, Charter still inspires considerable skepticism on Wall Street and in other financial circles. "One reservation everyone has," said one Florida source, "is that there is a lot of very strange paper (securities) floating around."

Mason bought the Bahama refinery, valued at \$500 million, for only \$4 million in cash, some stock and paper transfers, and special stock issues.

Another Eastern seaboard source says the Wall Street establishment still doesn't have much

confidence in Mason or the Charter Co., in part because its sensational current earnings rely heavily upon continued supplies of crude from Iran and Libya, "two of the most volatile nations in the Middle East."

And a Wall Street observer says that the "chairman is viewed by some people here as slightly crazy" because of past eccentricities, such as the Gulf Oil sale scheme, Project Falak, and an abortive attempt to buy the assets of I.O.S., the Geneva-based financial empire which self-exiled financier Robert Vesco was accused of piloting.

Except for routine introductions at a series of get-acquainted appearances in Anchorage, Fairbanks and Valdez, the presence of Mason and Edward Casey went largely unnoticed, while the press and public showered their attentions upon more familiar Alpetco officials Gordon Cain and Charles Honig of Alaska Interstate Co., a prime organizer of the Alpetco consortium.

Alpetco. . .

—Continued from page 9

to the Fairbanks Chamber of Commerce, Alpetco official Charles Honig denied the assertion.

And in an article published Wednesday in the Fairbanks Daily News-Miner, a reporter said Alpetco's president Gordon Cain told him that "nowhere in the contract is the figure 90 per cent mentioned."

The All-Alaska Weekly stands by its story, which is based on the following excerpt from the "Agreement for the Sale and Purchase of State Royalty Oil" between Alpetco and the State of Alaska. It appears at Page Eight, Under Article 1, Section Three:

"2.3 Certain Future Sales of Oil Taken in Kind by Seller (State). From and after the Effective Date, as to any royalty oil of Seller (other than royalty oil out of the Leases) taken in kind and proposed to be offered for sale, other use or disposition to third parties by Seller at a price or value which, when the reasonable costs of transportation of such royalty oil to the site of the Petrochemical Facility are added thereto, is less, on the date so offered, than the price stipulated in Article 8.1 plus the reasonable costs of transportation from the Point of Delivery to the site of the Petrochemical Facility, equitably adjusted to reflect quality and gravity differences between the crude oil offered to be sold and the crude oil from the Leases, Seller shall first offer to Buyer (Alpetco) the opportunity to purchase ninety percent (90%) of the royalty oil proposed to be offered. Said oil shall be offered to Buyer at the same price, and on the same terms and conditions, as offered to third parties. The offer to Buyer shall remain open for sixty (60) days, after which time, if Buyer has not accepted the offer, Seller shall be free to sell the oil under the same terms and conditions to a third party. Seller may freely dispose of the ten percent (10%) portion of the royalty oil not sold to Buyer hereunder at such price and on such terms as Seller may desire."

The copy of the contract agreement from which this excerpt was taken was obtained from the office of Donald Weld, the executive director of the Alaska Royalty Oil and Gas Advisory Development Board, in Anchorage.

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State, Alpetco agree on new contract

By SUSAN FISHER
News-Miner Bureau

5/30/88

JUNEAU—Dudley Parker is ready to get on with building a petrochemical plant in Valdez, after reaching an apparent settlement on revisions to the Alpetco contract.

Parker, Charter Oil's general manager for the Alpetco project, has been in Juneau this week with other company officials and two attorneys, attempting to straighten out differences with state officials.

The agreement on the revamped contract between the state and the Alpetco consortium was near completion today, according to legislators who had pushed re-negotiations.

"We have a contract, we have met the benchmarks, we will perform under that contract," Parker said.

"We have tendered the crude starting last Friday," he said. That means pipeline owners have been given the required notice that Alpetco will begin taking it July 18.

The Valdez facility will be built, and the oil will be taken, he said.

The Associated Press reported today that legislative sources said the contract changes, subject to approval by the Royalty Oil and Gas Development Advisory Board, involve the following:

- Alpetco gets a one-year extension, to Dec. 31, 1981, to put together its financing package for the Valdez plant. Legislators had questioned whether the package as presented recently represented firm financial commitments. LeResche would then approve or reject the package.

- Alpetco would start to take 75,000 barrels a day of the state's royalty oil, instead of 150,000 barrels as currently provided for, starting July 31.

- The firm would be entitled to no more than 75,000 barrels a day until January 1986, at which time the Valdez facility is to be in operation.

- Once the plant is operating, and until 1990, Alpetco would be entitled to a maximum of 100,000 barrels a day, with the amount based on the refinery needs.

This year, some legislators began to

question whether terms of the contract, which is to be met in stages, had been fulfilled and doubted that future terms could be met. They also claimed that Alpetco has scaled down what was originally to be a "world class" petrochemical facility with several thousand employees.

After a series of legislative "oversight" hearings, they asked the administration to re-negotiate the contract.

Last week, co-chairmen of the joint legislative Gas Pipeline Financing Committee wrote LeResche that if the contract was not renegotiated, stronger action would be taken, implying a lawsuit would be filed.

Parker said that the dispute and the differences were hindering Charter's ability to firm up financing, shipping and other arrangements.

Knowledge of the problems was not confined within Alaskan borders, and oil and financial circles were following the events closely.

Some \$20 million is already tied up in the Valdez project, most of it for en-

vironmental impact studies and various federal and state permits.

Parker is not particularly eager to talk with reporters. He needs coaxing, especially on the Alpetco project. But on other topics, such as Charter Oil, a company he's worked with for more than 20 years, or the oil industry, he's a willing subject.

Not widely known in Alaska is the fact that Parker and other Charter personnel have only been getting into the Alpetco project since February. "We've made a lot of progress," he says.

Better known is that Charter is not the original Alaska Petroleum Company that won and negotiated the contract.

But Charter is prepared to go ahead with the Valdez facility, even if it won't be a world-scale petrochemical plant the original Alpetco promised.

Valdez city officials have been extremely supportive of the project.

In the world of oil, Charter is not a big company.

(See ALPETCO, page 7)

Hammond's

Gross blasts Legislature on royalty pact move

5/30 F6 N-M P.1
Attorney General Avrum Gross said today the Legislature's decision to force the state to renegotiate the Alpetco royalty oil contract sets a "terrible, terrible precedent" that will decrease accountability in handling the state's oil and gas wealth.

Speaking at a meeting in the Polaris Hotel of the Interior Economic Development Conference, Gross said claims by some legislators that Alpetco did not meet its contract requirements are a "smokescreen" for their belief that the 1978 contract is a bad deal.

"I think it sets a terrible precedent to have the Legislature inject itself into a fairly negotiated contract," he said.

He said legislative objections to the contract made it impossible for Alpetco to arrange financing for the 150,000-barrel-a-day refinery the company plans to build in Valdez.

No responsible financial in-

A new report has called for tourist information centers in Fairbanks as one way to aid the economy. Page 3.

stitution is going to loan you a lot of money when they're told that the Legislature where they're about to do business is going to sue you," Gross said.

As a result the state was forced into renegotiating the long-term contract with a legislative committee, a setup Gross said will shift responsibility from the governor to anonymous lawmakers.

"Right now you can fix responsibility for what goes on," Gross said.

But he said that if legislators get involved the public won't be able to identify who is responsible if there's a "sellout" or a poorly negotiated contract.

National energy pol.

ALPETCO . . .

(Continued from page 1)

"We're a small company. We always have been," Parker said. The Valdez facility would be the biggest project Charter has undertaken.

The company operates refineries in Houston and the Bahamas, and made a \$300 million profit on a \$4 million investment in Carey Energy Corp.

It also has an option to buy stock in Commonwealth Oil Refinery Co., which recently submitted a reorganization plan under a Chapter 11 bankruptcy filing. Approval is pending.

The Valdez facility will not be constructed quickly, another point that the public does not understand, Parker said.

Charter will spend probably \$15 million for project cost estimates being prepared by Foster-Wheeler-Thyssen, a German firm. The figures won't be ready until September.

Parker claims the stacks of specifications for constructing the facility "will fill a 12 by 12 room." Some of the equipment, to be ordered and purchased next month, will take up to two years to obtain.

In the meantime, Charter plans to go ahead and take the state's royalty crude, turn a profit on it, and pump the profit right back into the Valdez project.

Fe points out that while legislators were demanding exact answers on Charter's plans for disposing of the oil until the plant is on line, other companies taking state crude don't have to submit the same information.

Contracts to firms such as Chevron, Tesoro and North Pole Refining may be public information, "but you can't find out what they're doing with their crude," he said.

Parker had little comment about the recent withdrawal of Alaska Interstate, one of the original Alpetco partners. He did say that the partnership agreement entitled Alaska Interstate to recover only tangible asset costs of the project.

Alpetco in 1978 got a longterm contract for the purchase of the state's royalty oil for a \$1.5 billion refinery and petrochemical plant to be constructed at Valdez.

Sen. Mike Colletta, R. Anchorage,

said he was pleased with the revised agreement.

"It's great," he said. Colletta is one of the legislators who pushed for the talks.

"What this means is the state will have 75,000 barrels (per day) more of oil to increase our operating tax base. And, now everyone will know where we stand. We won't be expecting a facility that will provide 2,500 jobs."

Several other changes, such as a reduction from 90 percent to 50 percent of the entitlement Alpetco has to any lower-priced crude oil delivered at Valdez, and a reduction of its option on newly discovered oil, are also part of the contract changes, legislative sources said.

Legislators said they expected to review the revisions and stamp some kind of approval on them. Colletta said an emergency meeting of the royalty board would be sought to consider the changes, and that the Legislature could probably address them before adjournment.

Natives get BLM land

ANCHORAGE (AP)—The Bureau of Land Management has conveyed 9,470 acres on the Kenai Peninsula to Cook Inlet Regional Corp. as part of its entitlement under the Alaska Native Claims Settlement Act.

The lands are in scattered tracts, with most of the acreage lying north of Kachemak Bay. The region's boundaries extend from McKinley Park to Kamishak Bay, including the Anchorage bowl and most of the Kenai Peninsula.

Gravel offers bill to aid hydro projects

WASHINGTON (AP)—Sen. Mike Gravel, D-Alaska, has introduced a bill which would allow the state to sell tax-exempt bonds to finance hydroelectric projects.

Gravel said Thursday financing has been a problem for many hydroelectric projects because the 1968 Tax Act limited tax-exempt bonding for such projects.

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Lawyers: Alpetco hasn't complied

Take issue to court legislators are told

by Dave Carpenter
Times Juneau Bureau

Juneau — A New York law firm has told legislators that The Alpetco Co. has not lived up to terms of its royalty oil contract with the state and recommended that lawmakers challenge the issue in court.

In a memorandum released Friday by the Joint Gas Pipeline Committee, the attorneys recommended a court test of Natural Resources Commissioner Robert LeResche's determination that Alpetco is in compliance.

Alpetco, which is to build a \$1.5 billion petrochemical refinery at Valdez, has purchase rights to 150,000 barrels of Prudhoe Bay crude oil a day beginning in eight weeks. But legislators, and now their attorneys, say the Florida-based consortium isn't holding up its end of the bargain.

The lawmakers have asked the commissioner to renegotiate the contract immediately. And committee co-chairman Bill Miles, D-Anchorage, said Friday the committee still is considering filing a lawsuit if all else fails in its efforts to force

mittee's staff turned up a Dec. 1979 memo to LeResche from counsel, Fred Boness, saying Alpetco had not met the 18-month benchmark. The attorney told the commissioner that finding was "percent legally defensible."

The 18-month checkpoint is judged to be the crucial one in that Alpetco lived up to the contract terms. In a March 1978 public contract, three months before the contract was signed — Alpetco said it was "unable to put together the project" by the 18-month benchmark — the state may terminate the contract.

Tax resistance released by court





Bill Kossen of The Times

ND FORGOTTEN SOLDIERS

Propeller Club and included representatives of the Marine Corps, the Coast Guard and the Navy. A wreath "in memory of souls lost at sea" was placed on the statue of Captain Cook.

es sidetracked

ably would mark the last hurrah move efforts in the Senate until

he latest skirmish over the e dealt with the definition of the n "germane." Legislative rules state that a bill stitute must be germane, or rele- t, to the original subject. And y Berrier, director of the Division Legal Services, told senators rdsday that such a question must decided by the legislative body raised it.

House members, with Colletta's port, gutted two Senate bills last k and wrote in the capital move guage, leaving only the titles of original legislation intact. Then

proposal in gold

rs, even as inflation continued to

the House last Tuesday passed the bills which would appropriate \$250,000 to the Capital Site Planning Commission and direct the commission to draft new plans and cost estimates for a smaller city than was outlined by the panel and rejected by Alaska voters two years ago.

A popular end-of-session ploy (See CAPITAL, Page A-3)



Take issue to court, legislators are told

by Dave Carpenter
Times Juneau Bureau

Juneau — A New York law firm has told legislators that The Alpecto Co. has not lived up to terms of its royalty oil contract with the state and recommended that lawmakers challenge the issue in court.

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The lawmakers have asked the commissioner to renegotiate the contract immediately. And committee co-chairman Bill Miles, D-Anchorage, said Friday the committee still is considering filing a lawsuit if all else fails in its efforts to keep Alpecto from getting the first delivery of crude July 18.

"I don't know what else we have to do," to persuade LeResche to re-open the contract, Miles said.

LeResche was unavailable for comment, but he has told lawmakers that he opposes renegotiating the contract. He was not taking phone calls Friday afternoon, according to his secretary, and flew to Fairbanks today to view the fire-ravaged Delta agricultural project.

Attempts to contact Alpecto officials also were unsuccessful.

The 45-page memo — by the legal firm of Wolf, Popper, Ross, Wolf and Jones — was requested by the pipeline committee.

It states that Alpecto did not meet all of the 18-month "benchmark" requirements by the Dec. 18, 1979, deadline, and has still not complied with them.

Attorney Eric Keisman said a strong court case could be built on the lack of compliance with two requirements in particular.

One required Alpecto to have obtained interim financing commitments for construction of the petrochemical facility.

The other benchmark required the consortium to get commitments for the lending or investment of \$1.5 billion in total project costs.

Earlier this week, the com-

mittee's staff turned up a December 1979 memo to LeResche from his counsel, Fred Boness, saying Alpecto had not met the 18-month benchmark. The attorney told the commissioner that finding was "100 percent legally defensible."

The 18-month checkpoint was judged to be the crucial one in seeing that Alpecto lived up to the contract terms. In a March 1978 publication — three months before the contract was signed — Alpecto said if it were "unable to put together the project by the 18-month benchmark, the state may terminate the contract."

Tax resister released by court

A federal appeals court ordered Wasilla tax resister Charles Bumpus set free Friday just hours after he was jailed by U.S. District Judge James von der Heydt.

Bumpus was released by the Ninth Circuit Court of Appeals of San Francisco.

His stint at the Sixth Avenue jail began when von der Heydt held him in contempt for refusing to supply books and records for the 14 businesses and the tax-resister club he represents.

He was freed after his lawyer, Jean Schanen, made two telephone calls to the appellate court.

An attorney for the higher court suggested that she ask von der Heydt for a five-day stay to set Bumpus free until the circuit court could rule on von der Heydt's decision.

Schanen made the request and von der Heydt denied it.

Back she went to the telephone booth. She emerged with an order from Judge Otto Skopil staying until next Friday von der Heydt's order jailing Bumpus.

Bumpus, who testified before a congressional committee in Washington, D.C., earlier this week about alleged Internal Revenue Service abuses, must file his papers in San Francisco Tuesday. The U.S. attorney has until Thursday to answer them. An order on the case will be issued Friday, Schanen said.

Man hurt in steel plant fire

An explosion and two-alarm fire at the Stack Steel factory in Anchorage Friday sent one man to the hospital with second-degree burns and caused an estimated \$50,000 damage to the \$1.5 million operation.

Bill Morriveau, 41, a company employee, was listed in satisfactory condition this morning at Providence

STATE OF ALASKA

NEWS RELEASE

OFFICE OF THE GOVERNOR
JUNEAU

JAY S. HAMMOND
GOVERNOR



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Gladys Reckley
Press Secretary

HAMMOND GIVES APPROVAL FOR ALPETCO PROJECT
DECEMBER 27, 1979
#276

FOR IMMEDIATE RELEASE

JUNEAU--Gov. Jay Hammond today said he is advised that the Alpetco Company has satisfied all terms of the initial part of its contract for state royalty oil.

Hammond's approval of Alpetco's critical 18-month benchmark clears the way for the company to proceed with construction of its \$1.5 billion dollar petrochemical refinery complex in Valdez.

The governor said, "this 18-month benchmark was an important key to the contract. " During that period Alpetco secured commitments for its financing from the City of Valdez and from large corporations; it contracted to sell 70 percent of the facility's products; secured commitments for interim financing; filed a complete Environmental Impact Statement; filed all material state, local and federal permit applications; completed plant design and optimization necessary to obtain a definitive project cost estimate; delineated a product slate; and spent \$10 million as required by the contract.

-more-

Page Two
#276

Hammond said, "the status of Alpetco's progress to date has reinforced my view that Alaska need not subsidize new industry, but can require that it be self-sustaining and environmentally sound.

"These policies will insure that healthy growth occurs in our state, and Alpetco has come a long way toward this objective," Hammond added. The governor noted also that the state contract was written to insure that the construction phase of the Alpetco project is carried out with diligence.

FAIRBANKS Daily News - Miner

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Studies give petro industry

By DERMOT COLE
Staff Writer

Alaska probably will never be known as the land of plastic bottles, garbage bags and vinyl floor tiles, but the raw materials to make those and other products could be among the state's exports to the West Coast and Asia, according to state consultants.

In two reports presented to the state's Royalty Oil and Gas Development Advisory Board this week, consultants said recent increases in prices are making the economics "quite favorable" for a world-scale petrochemical industry in Alaska. And they said there is an export market for

Alaskan petrochemicals in Asia and on the West Coast.

Representing Bonner and Moore, the Texas-based consulting firm that has done much of the state's natural gas research, Joe Moore said the economic outlook for petrochemical development in Alaska is improving.

He said the natural gas liquids at Prudhoe Bay are starting to become a bargain for use as a petrochemical feedstock in Alaska because of rising prices.

Moore was asked to judge the economic feasibility of building a separate pipeline from the North Slope to carry gas liquids such as propane and ethane to the Interior or to

E.F. Hutton invests in Alpetco's proposed petrochemical facility in Valdez. Story page 2.

tidewater. The balance of the Prudhoe Bay gas would flow to Lower 48 markets in the Alaska Highway gas pipeline.

His preliminary cost estimates put a \$2 billion cost on the facilities involved, including \$275 million to extract the liquids, \$600 million to build the pipeline to ship them south and \$1.2 billion to build a plant that could process 1.5 billion pounds of petrochemical products a year.

In the U.S. more than 700 petrochemical plants produce an estimated 80 billion pounds of products a year, according to the American Petroleum Institute.

"We conclude now that there is quite a good likelihood that a project of this sort could be economically attractive over a fairly wide range of uncertainties," Moore said.

While he looked at the economic issues under a \$55,000 contract, Chem-Systems of New York analyzed 13 products to see whether any hold potential as exports.

Glenn Mortimer, manager of commercial development for the company, said Tuesday it appears there is a

market for products such as low-density and high-density polyethylene, vinyl chloride and ethylene glycol.

The polyethylene would leave the state in the form of pellets, while the vinyl chloride and ethylene glycol would be shipped out as a liquid in tank cars. Economic analysts agree it would be more economic to make the finished products at a factory in the Lower 48 or Japan than in Alaska.

Low-density polyethylene would end up going into products such as garbage bags, while high-density polyethylene could be made into plastic bottles. The vinyl chloride could be used to make the vinyl resin used in seat covers, floor tiles and other items. Ethylene glycol goes into anti-freeze.

Meanwhile, Joe Chomski, a Washington, D.C., lawyer, repeated warnings that facilities to process the gas in the state should be in place as soon as the Northwest gas pipeline starts up or the federal government might be able to order that the gas liquids should go to the Midwest or the East Coast instead of being removed in Alaska.

A separate liquids pipeline would be one way to circumvent that possibility, some officials argue, a proposal that will be looked at with more interest in light of Moore's report.

Royalty board member Andy Warwick of Fairbanks said he believes Dow Chemical, Du Pont and the other petrochemical companies being asked by the state to look over the situation should be enticed to get into the discussions.

"Now I think the next step is to try to generate some interest in the industry and if we can do it, put it out to bid," he said.

The Fairbanks Chamber of Commerce is trying to generate interest on a different aspect of the natural gas issue, before the Federal Energy Regulatory Commission.

With a \$25,000 grant from the Fairbanks City Council, Bob Dempsey, chairman of the chamber's economic development committee, is preparing a

report for delivery to FERC staff members Friday.

The chamber is lobbying against the draft environmental impact statement, which recommends that the \$2 billion conditioning plant for the gas line be built at Prudhoe Bay.

Armed with information he says shows it is better to build the plant in the Interior than on the North Slope, Dempsey said he hopes to get the recommendation reversed.

The document concluded that a North Pole site wasn't sufficiently superior to Prudhoe Bay to warrant that the plant be built here.

LeResche Entrusts Both Analysis, Compliance Evaluation of Alpetco Contract to Attorney

By Joe La Rocca

JUNEAU — In a classic exercise of bureaucratic incest, Natural Resources Commissioner Bob LeResche has entrusted both the analysis of a controversial contract to sell most of the state's royalty oil to Alpetco and the evaluation of the firm's contract compliance efforts, to the same lawyer who played a major role in negotiating the contract with Alpetco in the first place.

These inherently conflicting roles were given by LeResche to his former Deput Commissioner, Fred Boness, now in private law practice in Anchorage.

Boness was the commissioner's closest aide during '78 and '79 when LeResche and Alpetco officials secretly negotiated the contract agreement. Boness handled most of the legal aspects.

Then, shortly after Boness left the department last spring, LeResche quietly granted him a \$40,000 non-competitive contract to handle many of the same matters with which Boness dealt while he was with the department.

These included two specific assignments. The first was to analyze certain key provisions of the Alpetco contract within the context of a provision requiring the company to comply with several major requirements by last Dec. 18.

Boness' second assignment was to evaluate Alpetco's Dec. 18 submission to ascertain whether the firm had satisfied those requirements. If Alpetco did not, the highly coveted contract to purchase most of the state's royalty oil for the next 25 years would be automatically canceled.

About 10 days after Alpetco submitted documents purporting to show that it had met the Dec.

of Alpetco's voluminous Dec. 18 submission. Asked recently for a copy of Boness' evaluation report, LeResche said there was none because the lawyer's report had been presented to him orally.

Because there is not written report, it is impossible to determine what rationale Boness employed to arrive at his conclusion that Alpetco's submission had satisfied the contract requirements.

About two months before Boness was asked to evaluate Alpetco's Dec. 18 submission, LeResche also hired him to analyze in advance the terms of several key provisions spelling out the requirements which had to be satisfied by Dec. 18.

In his pre-submission analysis, Boness identified several key elements which he said were essential for Alpetco to achieve contract compliance. However, an independent analysis of the documents Alpetco submitted shows that in several key instances, the elements which Boness said were necessary to achieve contract compliance were absent from Alpetco's documentation.

Despite their omission, Boness submitted an affirmative oral report upon which the Governor based his formal finding that Alpetco had complied with the Dec. 18 deadline.

Hammond's announcement triggered a series of events which will enable Alpetco to begin taking 150,000 barrels per day of the state's royalty oil from Prudhoe Bay starting in July.

Unlike his post-submission evaluation, Boness' lengthy pre-submission analysis was presented in writing. One curious aspect of it is that while the state is paying for his services, it is difficult to determine whom Boness is advising —

ments.

More pertinent, however, are those portions of his analysis in which Boness described key elements which he felt were essential to achieve compliance. Some of them are conspicuously missing from Alpetco's Dec. 18 submission.

For example, Boness says that one indicator the state can look to in determining whether Alpetco had complied with its requirement to obtain interim financing for the \$1.5 billion refinery which it is contractually bound to build at Valdez, is "the size of the interim financing commitment."

He notes that the amount of interim financing arranged by Alpetco "must be sufficient for this purpose."

A useful guideline, Boness adds, is a letter included in Alpetco's Dec. 18 submission from the Chemical Bank of New York, one of two prospective interim financiers for the project. A high bank official estimated that the project would require \$400 million in interim financing.

Yet, Alpetco's submission shows it has arranged only \$150 million worth of interim financing, or less than one-half the amount which Chemical Bank said would be needed.

Other essentials delineated previously by Boness in connection with the interim financing commitment are also omitted from Alpetco's Dec. 18 submission.

Boness says that the contract document from the bank "likely will contain a draw-down schedule for the loan . . . which should match (Alpetco's) contract time table and also the benchmark obligations for expenditures contained in the agreement."

But Alpetco's submission contains no such schedule. Similarly, Boness says that Alpetco would "most likely be required to pay a loan commitment fee," some portion of which "should be payable . . . at the time the commitment is entered into."

Yet, while Alpetco claims to have obtained a commitment from Chemical Bank for interim financing, there is no indication

Fellow Alaskans:

As a result of an Alaska Public Utilities Commission decision, your intrastate (inside Alaska) long distance telephone rates will be reduced by approximately 15%, effective January 1, 1980.

The 15% reduction represents a \$1,617,000.00 refund to intrastate customers. We estimate it will take about 18 months for the money to be returned to you in the form of lower telephone rates.

Upon the conclusion of the refund process, the permanent intrastate rate will become effective. It will be approximately 2% less than 1979 costs.

Both Analysis, Compliance Alpetco Contract to Attorney Boness

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Yet, while Alpetco claims to have obtained a commitment from Chemical Bank for interim financing, there is no indication

that a commitment fee has been paid.

Boness also said that "the commitment document should contain a detailed description of the facility and most likely will be supported by engineering design and cost estimates, economic analyses, an estimate of the project's economic viability, and an estimate of the product markets . . . in a financing of the size required." Boness added, "It's likely that each of these basic elements will be specified in detail." However, none of them is contained in Alpetco's Dec. 18 submission.

Overall, Boness' analysis hardly qualifies as an objective assessment of the Alpetco contract's technical legal requirements. It reads more like an advocacy statement prepared by a partisan on behalf of the project sponsors.

That is precisely the role that Boness has consistently played, first as Deputy Commissioner of the Department under LeResche and now as his hired gun.

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As a result of an Alaska Public Utilities Commission order, your intrastate (inside Alaska) long distance toll charges will be reduced by approximately 15%, effective January 1, 1980.

The 15% reduction represents a \$1,617,000.00 service refund to intrastate customers. We estimate it will take about 90 days for the money to be returned to you in the form of reduced telephone rates.

Upon the conclusion of the refund process, the new, permanent intrastate rate will become effective. This new rate will be approximately 2% less than 1979 costs for services.

The table below gives examples of intrastate telephone rates. For further information about this matter, write:

Alascom, Inc.
Public Affairs Department
Pouch 6607

By Joe La Rocca

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Boness' second assignment was to evaluate Alpetco's Dec. 18 submission to ascertain whether the firm had satisfied those requirements. If Alpetco did not, the highly coveted contract to purchase most of the state's royalty oil for the next 25 years would be automatically canceled.

About 10 days after Alpetco submitted documents purporting to show that it had met the Dec. 18 deadline, Governor Jay Hammond announced in late December that his administration's review of Alpetco's submission confirmed that the contract requirements had been satisfied.

His conclusion was based largely on Boness' evaluation

of Alpetco's voluminous Dec. 18 submission. Asked recently for a copy of Boness' evaluation report, LeResche said there was none because the lawyer's report had been presented to him orally.

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Unlike his post-submission evaluation, Boness' lengthy pre-submission analysis was presented in writing. One curious aspect of it is that while the state is paying for his services, it is difficult to determine whom Boness is advising — Alpetco or the state.

His legal analysis could be, and, one official said, was useful in alerting Alpetco as to what legal strategies and rationale the company could employ to meet — if not circumvent — the contract require-

ments. Most portions of his analysis in which Boness described key elements which he felt were essential to achieve compliance. Some of them are conspicuously missing from Alpetco's Dec. 18 submission.

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Alascom, Inc.
Public Affairs Department
Pouch 6607
Anchorage, Alaska 99501

or call your long distance operator, ask for Z (a 1-800 free number) and request the Alascom Public Affairs Department.

Requirements Ignored In Boness Contract

By Joe La Rocca
JUNEAU — Shortly after he

contract for professional services valued at \$20,000 or more was awarded without

alpetco - news analysis

la rocca - one

1/80

by JOE La ROCCA

The out-of-state consortium which in 1978 won the coveted right to buy virtually all of the state's valuable royalty oil for the rest of the century, waltzed around one major condition of its contract with the state by ~~arr~~ arranging to sell the products it processes from the crude to itself.

Under its contract with the state, which gives Alpetco the right to purchase upwards of 150,000 barrels per day of state royalty oil for the next 25 years, the consortium is required to build a \$1½ billion refinery at Valdez.

It was also required to meet a number of other major conditions by last Dec. 18. These included a ~~xxx~~ requirement to negotiate sales contracts for at least 70 percent of the products - mostly fuels, ~~and~~ ^{and} small volumes of petrochemical by-products - which the refinery will produce after it's completed and goes into operation in about four ~~xxxxx~~ years.

~~xxxxxx~~ To meet that requirement, Alpetco - which is ⁷⁰/~~70~~ percent owned by the Charter Co. of Florida, simply negotiated a contract selling about 146,000 bpd of liquid products to Charter's newly-formed and wholly-owned subsidiary, the Charter Co. of Alaska, a paper corporation.

Charter reportedly plans to sell some, if not all, of the products to Japan. While there are federal restrictions against exporting domestic crude oil, there is none prohibiting the export of refined products.

In Alpetco's submission to the state, President Gordon Cain said: "We are not enclosing copies of draft ~~contracts~~ contracts for the sale of products or material relating to negotiations of sale terms with prospective purchasers because we believe the executive contract (with Charter) evidences full compliance." Neither Natural Resources Commissioner Rob LeRescho, who ^{secretly} negotiated the contract with Alpetco, nor ~~Gov. Jay Hammond~~ ^{Gov. Jay Hammond}, challenged the consortium's failure to comply with the spirit or

the letter of the contract.

Despite the fact that this and other major requirements of Alpetco's contract with the state were similarly circumvented or ignored, Gov. Jay Hammond has announced that ~~the~~ Alpetco has complied with the contract.

His announcement set in motion a series of events which will enable Alpetco to begin taking the state's royalty oil next July and sell it outside the state ~~until~~ until ~~Alpetco's~~ Alpetco's proposed refinery is scheduled to go into operation in 1984.

However, an analysis of Alpetco's submission claiming to satisfy the contract requirements by the ~~the~~ Dec. 18 deadline reveals that several other major conditions remain unfulfilled.

One of them was a ~~the~~ requirement that Alpetco obtain written commitments from contractually-bound third parties to lend or invest \$1½ billion to finance construction of the refinery.

In its submission, Alpetco said it obtained a \$750 million financial commitment from a German firm, the Thyssen Co. It said that the balance has been committed by the consortium's three partners - the Alaska ~~the~~ Petrochemical Co., the Charter Co., and E.F. Hutton, Inc., a New York investment ~~a~~ firm.

But their so-called commitments are nothing more than qualified ~~ex~~ statements saying that they will commit the funds to the project, subject to the condition that "definitive agreements for all financing shall be entered into by Dec. 18 of 1980." Thyssen also submitted a letter from a prestigious German bank, the Deutsche Bank, which is nothing more than a letter of reference and does not extend a line of credit.

In short, the contract requirement for financial commitments to cover ~~the~~ project costs was not ~~satisfied by the Dec. 18 deadline; rather,~~ satisfied by the Dec. 18 deadline; rather, the deadline was ~~extended~~ extended for another year.

Another major contract condition which Alpetco claims to have met, but did not, is one which requires ^d the company to complete the plant design necessary to obtain a definitive project cost estimate, by last Dec. 18.

The documents submitted ~~by Alpetco~~ to the state by Alpetco include a copy of a contract between itself and two other firms known as the "Fixed Price Contract." Its purpose is to obtain engineering design necessary to calculate the cost of completing the refinery's construction.

Under the terms of that contract, the two engineering firms have agreed to submit the engineering data upon which the ~~fixed~~ fixed cost will be based, by September of 1980. Yet, under its contract with the state, Alpetco was required to obtain a definitive ~~fixed~~ project cost estimate by ~~Sept~~ last Dec. 18. In short, that deadline was not met; it was simply extended for 9½ months, until next fall.

Another major contract requirement which Alpetco claims to have satisfied, but did not, is one which requires commitments for interim financing of the refinery. Interim financing would provide the funds needed to meet day-to-day expenses during the construction ~~of the refinery~~ phase. Alpetco says it may not need to obtain interim ~~financing~~ financing from other sources because its three partners may be able to pay those costs ~~out~~ out of their own pockets.

But in the event interim financing is needed, Alpetco said in its submission to the state, its financial projections indicate that the maximum that will be required is \$92½ million. According to Alpetco, the consortium ~~has~~ arranged for more interim financing than would ~~be~~ actually be needed ~~in~~ a total of \$150 million ~~from~~ from two banks. They are the Chemical Bank, and Manufacturers Hanover Trust, both of New ~~York~~ York. Each would provide \$75 million.

But a closer examination of their so-called ~~commitments~~ commitments reveals that their pledges are conditional, subject to a later determination that the project is economically ~~feasible~~ viable; that Alpetco has enough equity to complete the ~~project~~ project; that it would have sufficient collateral to repay the construction loans, if tendered; and that Alpetco will enter into a definitive credit agreement with the two banks by next December.

[In other words, the requirement for a commitment for interim financing] also was not met by the Dec. 18 deadline, but has been deferred for another year. Alpetco has attempted to minimize the need for interim financing by asserting that the three partners may be able to contribute the total equity needed for construction financing. But whether or not they can, Alpetco clearly has not satisfied the contractual commitment for interim financing.

[Alpetco says in its submission that there is yet another avenue for ~~the~~ interim financing, if needed. That stems from a resolution passed by the Valdez city council last year authorizing the issuance of \$600 million worth of tax exempt ~~the~~ industrial development bonds, the proceeds from which would be used to help finance the project. The bonds would be purchased by one of the Alpetco partners, E.F. Hutton, Inc., and resold in the bond markets.

[Alpetco has submit^{ed}~~ted~~ two legal opinions by "independent" bond counsel asserting that it would be legally permissible for tax exempt revenue bonds issued by ~~the~~ Valdez to be used to finance the project. That's true, but irrelevant.

[What Alpetco's submission, and the legal opinions, ignore^{is} is the fact that the federal IRS Code does not presently provide a tax exemption for revenue bonds issued on behalf of the Alpetco project, and a change in federal law permitting the exemption is needed. Alpetco is seeking, but has not yet obtained such an exemption.

[Ironically, a member of a law firm presently retained by the Charter Co. once wrote an exhaustive legal ~~a~~ memorandum opposi^{ng}~~ng~~ a bid for the state's royalty ~~oil~~ oil by one of Alpetco's competitors which proposed ~~the~~ the use of tax exempt industrial development bonds. The lawyer, ~~Edward~~ Joe Chomski of Birch, Horton, Bittner and Monroe, concluded that federal income tax law does not permit such an exemption, and that Congress and the U.S. Treasury Dept. would vigorously oppose any attempt to obtain one.

[In other words, Alpetco's claim that the Valdez bond issue could be used to provide project financing, if needed, also appears to be insupportable.

[Alpetco's documents purporting to satisfy the Dec. 18 contract requirements consist of several volumes of material about five inches thick. Curiously, there is only one copy of the documents in existence, and that has been in LeResche's possession almost exclusively ever since it was officially submitted to him by Alpetco about three weeks ago.

[Apparently no one outside the administration, its advisors, and this reporter has seen it or scrutinized it thoroughly. Yet, it is the instrument which authorizes the disposal of ^(more than) 150,000 barrels per day of the state's royalty oil for the next 25 years.

[Notwithstanding both Alpetco's and the governor's claim that the consortium has met its obligations under the contract, several key requirements remain unfulfilled, and the contract terms have been substantially breached by Alpetco.

[Since the governor and his aides appear to be incapable of objectively evaluating Alpetco's performance, or lack of it, under the terms of the contract, one hopes that the legislature will fill the leadership vacuum, and ^{call} call for an accurate accounting.

[At stake is an enormous chunk of the state's future wealth. It's worth more than ^{\$1 billion} ~~the state's~~ per year, for the next 25 years.

NEWS

ALASKA INTERSTATE COMPANY

P. O. Box 6554

HOUSTON, TEXAS 77005

(713) 621-8710

FOR RELEASE: May 8, 1980

CONTACT: Willard M. Hanzlik or W. A. Anderson, Jr.

HOUSTON. Alaska Interstate Company announced today that Alaska Petrochemical Company, a 75% owned subsidiary, has withdrawn from The Alpetco Company, a joint venture partnership between subsidiaries of The Charter Company, The E F Hutton Group Inc. and Alaska Petrochemical Company which proposes to build a \$1.5 billion refinery and petrochemical facility in Valdez, Alaska.

In making this announcement, O. Charles Honig, Chairman, said that recent criticism of the project by members of the Alaska Legislature and the uncertainty of proposed federal regulations affecting refiners' margins, coupled with high interest rates and a high rate of inflation, have changed Alaska Interstate's outlook toward the project.

Alaska Interstate also said that it has been advised that Seatrain Lines and six Alaska Regional Native Corporations which are shareholders in Alaska Petrochemical Company have agreed in principle with Charter Oil (Alaska) and E F Hutton (Alaska) on a plan whereby Seatrain and the six Alaska Regional Native Corporations continue to participate in the Alpetco project, along with Charter and E F Hutton.

* * *

May
Hanzlik

property in the rezoning would pre-
documents by Chugach State Park and
a military reservation.

Lawmakers' report said critical of Alpetco project

A legislative committee is expected to issue a report early next week which will be critical of The Alpetco Co.'s performance under its contract to buy the state's Prudhoe Bay royalty oil and dubious about awarding the oil to Alpetco on July 18.

A comparison of what Alpetco promised to do in 1978, before it won the contract to buy up to 150,000 barrels a day of state royalty oil, and what Alpetco now says it's going to do shows substantial changes, according to a legislative staff report.

A second hearing on the Alpetco contract, and how well Alpetco is living up to the legislative intent as well as the actual contract terms, is set for Thursday at 2 p.m. in Juneau, said Rep. Bill Miles, D-Anchorage.

Miles is co-chairman of the Legislature's Gas Pipeline Committee which is studying the Alpetco contract.

Natural Resources Commissioner Robert LeResche has been asked to testify Thursday and Milt Barker, chief of legislative finance, will report on his study of the economic feasibility of the Alpetco project. Alpetco officials testified at an earlier hearing last week.

At the time the Alpetco contract was ratified in 1978, Alpetco was promising a petrochemical plant, not an oil refinery, with 2,500 jobs and \$43 million in annual tax revenues.

Now, Alpetco's proposal is for a fuels refinery offering 579 jobs, Miles said, and only half the tax revenue. Instead of a \$2.5 billion petrochemical facility, it will be a \$1.5 billion fuel refinery.

"The key element is jobs," Miles said Tuesday. "That's what we need now and that's what we contracted for."

The staff report also questions whether Alpetco has secure markets or financing.

Documents from Thyssen, a German steel conglomerate, give commitments to arrange \$750 million in project financing, not to commit that money itself.

LeResche, who negotiated the contract with Alpetco, said he is satisfied with Alpetco's financial commitments. Definitive cost estimates aren't in, he pointed out, and Alpetco has until Dec. 18 to execute financing

documents.

Alpetco's proposed plant initially will produce less than 10 percent aromatics, according to the legislative staff report.

LeResche said the Legislature "doesn't seem to agree or understand that a petrochemical refinery is a continuing thing that evolves over many years."



DON CHANDLER
Fairbanksan named to post

Bank of North picks Chandler as president

Don Chandler was elected president of Alaska National Bank of the North at Tuesday's annual shareholders meeting.

Chandler is owner of Chandler Plumbing Supply in Fairbanks.

Chandler, who will also continue as chairman of the board, replaces Frank Murkowski. Murkowski resigned last month in order to campaign for the Republican nomination for the U.S. Senate.

Murkowski said the Fairbanks meeting was a routine annual shareholders meeting except for the election of Chandler.

Trading Co.—realized a gross profit of over \$500,000, or 16 cents, according to the report.

Since diesel is unregulated, no DOE regulations apparently were violated, IG said. MPTC bought the diesel at a long-term contract price and resold it at spot price levels, according to the report.

Barton House, ERA deputy administrator for operations, told IG investigators Amerada Hess received no assurances from DOE in return for the contract pricing arrangement and that Hess specifically told ERA it didn't want the product to go into inventory or be sold on the spot market.

But according to the report, House also told IG that ERA would look favorably on any future Hess request for an exception from future supply obligations in Montana, should allocation controls be reimposed.

CHEMICAL SUPERFUND BILL SET TO MOVE TO SENATE COMMITTEE

Washington 4/16—Senate Environment subcommittees are expected tomorrow to push to the full committee a staff draft of a chemicals superfund and liability bill that even key sponsoring Senators can't support.

Environmental Protection subcommittee chairman Muskie (D-ME) and other majority members have expressed reservations about the draft's broad definition of hazardous materials, vehemently opposed by industry (ON 7/5/79). Inadvertently, staff also wrote a large loophole into the strict liability of hazardous materials manufacturers for property damage and other third-party damages from spills and waste. The draft confers strict liability only when negligence is proven (ON 4/16).

However, the draft is expected to move to full committee, primarily for discussion purposes. Identical to the staff draft first proposed last July, it reflects little of the subsequent months of hearings and discussions at the subcommittee level and could undergo substantial modification, staff members say.

Modifications could include imposing fees on petroleum feedstocks for the superfund, but making the entire fee system adjustable according to experience, and conferring strict liability on manufacturers and handlers of hazardous materials, but outlining possible court defenses.

ALASKANS GET \$405-MILLION WINDFALL

Anchorage 4/16—An estimated \$405-million in state income from oil royalties, and corporate income and severance taxes will be distributed to Alaska's 400,000 residents this year under laws signed by Gov. Hammond.

One of the laws could end the state income tax for Alaskans who have lived in the state at least three years. The second law provides for distribution of earnings from the state's permanent fund to state residents at \$50/yr of residency.

Hammond: Plan 'Isn't Socialistic'

Hammond, who has been working for some plan to share the state's oil wealth, denied charges that the plan is socialistic. He said that the scheme is "taking wealth that belongs to the people and making sure some of it goes directly into their pockets instead of to their elected representatives."

Oil companies are lobbying for a change in the state's corporate income tax that would allow them to deduct the amount they pay the U.S. government under

crude oil to the IRS. The effect would be to reduce the deduction to 50% of the amount paid. Owners of 10 tankers plan to request a dedicated trade exemption."

The cost to retrofit a tanker to comply with the new law runs between \$3-million and \$4-million depending on the amount of work to be performed.

Some 15 new tankers are expected to be built to replace the 25 scrapped, but the report says there will be some net loss in tonnage.

Government Title XI mortgage guarantees are expected to be available to most companies planning retrofits. The Berger group now has nine tankers being retrofitted by National Steel shipyard at a total cost of \$28.7-million on which Title XI guarantees have been granted. Some 21 tankers and barges are currently under construction in U.S. shipyards and Falcon World Shipping Corp. has applied for Title XI loan guarantees to build four diesel propelled 37,000 dwt tankers at a total cost of \$108-million.

PRODUCERS, SPONSORS OF ALASKA GASLINE AGREE TO FINANCE ENGINEERING STUDIES

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Notable Quote

"The 20% of our energy that comes from abroad as imports is larger than the total consumption of Britain, France, Italy and Germany put together. So you can easily see that when President Carter or his representatives say (to our allies): 'Well, maybe we'll try a little, if you'll try also,' it gets a rather sour reaction from the Europeans and the Japanese. It's because they know that we are the ones who are OPEC's best customers, and that whereas or them these oil imports are essential, we don't have to (import). We are the ones who are spoiling the game for everybody else."

—Dankwart Rustow, Professor of Political Science, Graduate Center, City University of New York, at an energy symposium in New York.

Platt J April 17

DOE UNCOVERS SIDE EFFECTS OF 1979 FUEL ALLOCATIONS

Washington 4/16—Efforts by the Dept. of Energy to assure diesel supplies for fuel-short regions last summer may have backfired by inadvertently allowing private firms to make higher than normal profits from product distribution, according to a report by the Energy Dept.'s inspector general.

IG investigators reviewed informal emergency arrangements made by the Economic Regulatory Administration with Amerada Hess to make 3.15-million gal of diesel fuel available to Montana consumers. Although ERA was under the impression that state officials would direct the distribution of the fuel, the purchasing agent—Montana International Petroleum Trading Co.—realized a gross profit of over \$500,000, or 16 cts/gal, according to the report.

Since diesel is unregulated, no DOE regulations apparently were violated, IG said. MIPTC bought the diesel at a long-term contract price and resold it at spot price, IG said, according to the report.

Barton House, ERA deputy administrator for operations, told IG investigators Amerada Hess received no assurances from DOE in return for the contract pricing arrangement and that Hess specifically told ERA it didn't want the product to go into inventory or be sold on the spot market.

But according to the report, House also told IG that ERA would look favorably on any future Hess request for an exception from future supply obligations in Montana, should allocation controls be reimposed.

CHEMICAL SUPERFUND BILL SET TO MOVE TO SENATE COMMITTEE

Washington 4/16—Senate Environment subcommittees are expected tomorrow to push to the full committee a staff draft of a chemicals superfund and liability bill that even key sponsoring Senators can't support.

Environmental Protection subcommittee chairman Munkie (D-MN) and other majority members have expressed reservations about the draft's broad definition of hazardous materials, vehemently opposed by industry (ON 7/5/79). Inadvertently, staff also wrote a large loophole into the strict liability of hazardous materials manufacturers for property damage and other third-party damages from spills and waste. The draft confers strict liability only when negligence is proven (ON 4/16).

However, the draft is expected to move to full committee, primarily for discussion purposes. Identical to the staff draft first proposed last July, it reflects little of the subsequent months of hearings and discussions at the subcommittee level and could undergo substantial modification, staff members say.

Modifications could include imposing fees on petroleum feedstocks for the superfund, but making the entire fee system adjustable according to experience, and conferring strict liability on manufacturers and handlers of hazardous materials, but outlining possible court defenses.

ALASKANS GET \$405-MILLION WINDFALL

Anchorage 4/16—An estimated \$405-million in state income from oil royalties, and corporate income and

the windfall profits tax. No action has been taken by the legislature. Combined royalties, income taxes and a 12.5% severance tax are expected to bring the state \$5 billion over the next year.

U.S. MAJORS RETROFITTING 91 TANKERS TO COMPLY WITH SAFETY ACT

Washington 4/16—An unpublished survey by U.S. Commerce Dept.'s Maritime Administration shows that U.S. major oil companies plan to retrofit 91 tankers to comply with new safety and pollution requirements of the Port & Tanker Safety Act of 1978.

Some 26 tankers, 20,000 dwt and larger, will be scrapped prior to the 1986 effective date of the law.

No decision has been made on another 77 tankers.

Owners of 10 tankers plan to request a "dedicated trade exemption."

The cost to retrofit a tanker to comply with the new law runs between \$3-million and \$4-million depending on the amount of work to be performed.

Some 15 new tankers are expected to be built to replace the 26 scrapped, but the report says there will be some net loss in tonnage.

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than in September-March 1978-79 season.

The degree-day data obtained from Atmospheric Environmental Service, Toronto, based on 65 deg. F, are as follows:

	Sept.- March 1979-1980	Sept.- March 1978-1979	March 1980	March 1979	Normal
Edmonton	8,501	9,306	1,428	1,118	1,327
Halifax	6,410	6,670	1,171	1,005	1,113
Montreal	8,039	7,517	1,152	986	1,156
Regina	8,866	10,013	1,536	1,433	1,482
St. John's, Nfld.	6,692	6,722	1,140	989	1,152
Toronto	6,440	6,657	1,133	933	988
Vancouver	4,373	4,728	706	618	698
Winnipeg	9,171	10,271	1,581	1,574	1,469
Total	57,492	61,884	9,845	8,666	9,385

International Items

INDONESIA: Pertamina has awarded UOP (Signal) contracts to design all of the process units and offsite facilities for the Dumai refinery expansion project in Sumatra (ON 3/4). Project facilities will include a 92,000 b/d vacuum distillation unit. Pertamina has also signed a letter of intent with Fluor for a \$500-million contract to engineer, procure and construct new facilities at the refinery near Cilacap (ON 3/19). The refinery's capacity will be doubled to 200,000 b/d.

Meanwhile, Asamera Oil of Calgary, Alta., said the U.S. District Court for the Southern District of New York confirmed an arbitration award reaffirming the firm's contractual rights to royalties from Mobil Oil (Indonesia) on all past and future output of gas, gas condensate and crude from Contract Area B in north Sumatra, Indonesia. The area includes the Arun field (ON 9/12/79) and the Lho Soekon discovery.

UK NORTH SEA: The 120,000 b/d Thistle oilfield in the UK sector of the North Sea has been shut down following discovery of a leak in the 7-mi. pipeline linking it to the Dunlin platform. Production from Thistle is piped via the Brent pipeline system to the Sullom Voe terminal in the Shetland Is.

A spokesman for operator British National Oil Corp. said the cause of the leak hasn't yet been determined, so it can't be ascertained how long it will take to repair. However, should it appear that repairs will take an appreciable time, production will be resumed using the tanker onloading facility installed on the field. BNOOC said the oil slick that appeared as a result of the pipeline leak has been broken up by high seas.

NORWAY: The near-capsize of the semi-submersible accommodation rig Henrik Ibsen near Stavanger on April 6 was caused by six manholes in one leg being left open when ballasting of the leg started (ON 4/8). A merchant navy captain, serving as consultant to the Norwegian national trade union, says grave mistakes were made when the vessel was modified as an accommodation unit, reducing its stability to an unacceptable degree.

UNITED STATES

REFINERS, MARKETERS DECRY NORTH SLOPE ENTITLEMENTS

Washington 4/8—Industry representatives continue to push for formal consideration by the Economic Regulatory Administration of changes in the entitlements system for Alaska North Slope crude (ON 3/24).

At a hearing before Office of Hearings & Appeals Director Mel Goldstein, several company officials, including representatives of Ashland Oil and Standard of Indiana, supported a petition by a group of Ohio marketers for changes in the program.

That group—Ohio Independents for Survival—said the present entitlements program allows Standard of Ohio to underprice competition by 23 cents/gal for gasoline and 15 cents/gal for fuel oil in Ohio. As a result, OIS members say their sales have dropped by as much as 52%.

According to OIS counsel William Bode, the present entitlements program amounts to a "massive, unintended, unplanned shift of revenues to a few major integrated oil companies," because North Slope crude is treated as uncontrolled for purposes of entitlements.

Claude Brinegar, senior vice president, Union Oil, also supported the OIS petition, saying the present system results in at least \$15-million per day being transferred to North Slope producer-refiners. Brinegar provided comparative data for the Los Angeles area showing that the Chevron price to dealers is at least 10 cents/gal below those of all other major refiner-marketers in the area for all gasoline grades.

GAS SUPPLIES COULD DISPLACE 550,000 B/D—ERA

Washington 4/8—Enough natural gas is available nationwide to displace 550,000 b/d of industrial and electric utility consumption of distillate and residual fuel oil during the first six months of 1980, according to a report prepared by the Economic Regulatory Administration's Office of Fuels Conversion.

Total surplus gas deliverable exceeds the current level of oil displacement by about 115,000 b/d.

ERA surveyed 120 intrastate pipelines and distributors to determine available supplies and whether residual fuel sulfur levels should be a determining factor in reviewing petitions for oil displacements under the Powerplant & Industrial Fuel Use Act. Specifically, ERA sought to determine whether enough gas was available to meet displacement demand by users of middle distillate and resid containing less than 0.5% sulfur.

The report found that if all exemptions were granted, without regard to sulfur content, an average of 301,372 b/d would be displaced in 1980.

The report also found that refinery operations in Dist. 2 could be "disrupted" if the amount of resid displaced in 1980 significantly exceeded the amount displaced in 1979.

EXCESS PRUDHOE BAY ROYALTY CRUDE GOES TO TESORO, CHEVRON

Anchorage 3/17—The Alaska Royalty Oil & Gas Development Advisory Board has approved contracts to sell more than 245-million bbl of the state's royalty oil to Tesoro Alaskan Petroleum next July (ON 3/6).

The board also approved two other contracts negotiated by Natural Resources Commissioner LeResche for 9,000 b/d of uncommitted royalty oil from the North Slope. The contracts, good for six months beginning July 1, went to Tesoro and Chevron U.S.A., both of which operate refineries on the Kenai Peninsula.

Tesoro's larger contract covers the state's 1/8 royalty share of Prudhoe Bay production between the time the state starts taking its royalty oil in kind on July 1 and the time Alpetco can legally take delivery of the oil on July 18. Alpetco has a long-term contract to purchase up to 150,000 b/d of royalty oil if it meets certain conditions (ON 12/20/79).

Board May Lose Power

The contracts may be the last to require approval by the board if a bill already passed by the state house is approved by the senate. The bill would take away the board's power to disapprove a contract.

LeResche said the contracts with Tesoro and Chevron, each for 4,300 b/d, were limited to six months at the request of state senators representing the native community, which is trying to put together a new refinery to ensure fuel for rural Alaska.

Kenai Production Affected

According to Tesoro vice president Richard Downey, the oil will enable the company's Kenai Peninsula refinery to continue its present output and possibly to increase it. Tesoro now purchases the state's royalty oil from Cook Inlet but is running under capacity because of declining production from those fields (ON 11/26/79). The refinery also has suffered from a cutoff in its supply of oil from Exxon.

Tesoro plans to exchange the North Slope crude for a long-term supply of Cook Inlet oil, but expects to have to trade 2 bbl of North Slope crude for every 1 bbl of Cook Inlet oil because of the higher sulphur content in Prudhoe Bay oil.

PEMEX OFFICIAL HINTS MEXICO MAY HELP COMPENSATE FOR SPILL DAMAGES

Monterrey, Mexico 3/17—Petróleos Mexicanos president Jorge Diaz Serrano said here at weekend that Mexico could be expected to "assume its (legal) responsibility" for oil spill damage to U.S. interests from the wild Ixtoc well in Campeche Bay. But any claims against Mexico for damages should be filed in Mexican courts, he emphasized (ON 3/13).

"We haven't received any claims of this nature in Mexico," he noted. Diaz Serrano met here with Texas Gov. Clements.

Diaz Serrano noted that the Ixtoc blowout is no longer spewing oil and the gas that is coming out isn't even enough to be flared. However, the wild well hasn't been capped or plugged yet. He invited the U.S. Coast Guard to fly over the well and inspect.

TEXAS CRUDE NOMINATIONS DROP

TEXACO REVAMPS WORLD OPERATIONS

White Plains, N.Y. 3/17—Texaco Inc. has reorganized its worldwide operations into five new geographic divisions, affecting integrated operations in the U.S., Europe, Latin America and West Africa.

"The formation of these new units will establish major integrated oil and gas business segments organized on a geographic basis, each headed by a single executive," Chairman Maurice Granville said. The reorganization takes effect April 1.

Based on a "program of decentralization . . . this new management structure provides for major profitability centers with coordinated energy strategy for both . . . upstream and downstream operations," Texaco said.

The reorganization won't affect worldwide marine transport, supply and distribution, crude and product trading, and aviation and marine sales.

Texaco's new divisions are:

—Texaco Europe, with interests in 12 countries. Robert C. McCay, vice president, petroleum products-Europe, will be president. The group includes Texaco Ltd. (UK), where William S. Barrack, Jr., vice president, personnel and corporate services, has been elected chairman. Texaco Ltd. has responsibility for the North Sea and other company operations in the United Kingdom.

—Texaco U.S.A., Annon M. Card, senior vice president, strategic planning and petroleum products-U.S.

—Texaco Latin America/West Africa, responsible for petroleum interests in 67 countries. Robert M. Bischoff will be president. He is currently vice president, producing department-Latin America.

—Texaco Chemical, responsible for worldwide chemical manufacturing and product sales. Ben C. Hayton, vice president, petrochemicals, will be president.

—Texaco International Exploration, responsible for exploration in areas not assigned to other divisions. Norman G. Kittrell will be president. He is presently general manager, producing-Eastern Hemisphere Operations.

USGS CLAIMS NEW FAULT NEAR PT. CONCEPTION LNG SITE

Los Angeles 3/17—U.S. Geological Survey scientists have identified a new fault system near the site of Western LNG Associates' proposed Pt. Conception, Calif., LNG terminal.

The 60-mi.-long offshore "seafloor feature" lies within five miles of the proposed site, and, "because of its length and young age, may produce future large earthquakes," according to USGS.

USGS scientists suggested that two major California earthquakes, including a 1927 tremor that measured 7.3 on the Richter scale, were centered along the newly identified system. In addition, USGS report notes that compressional forces from the offshore fault system are now uplifting the ground level at Pt. Conception at an average rate of 0.1 to 0.2 in./yr, one of the highest rates in the U.S.

A spokesman for Western LNG Associates said the new evidence "isn't anything that would require us to change the technical design or safety plans for the plant," which will be built to withstand a 7.5 earthquake within one mile of the

SERVICES/SUPPLIERS

Bethlehem names board chairman, other officials



Trautlein



Schubert

Bethlehem Steel Corp., Bethlehem, Pa., has elected Donald H. Trautlein chairman and chief executive officer, effective June 1.

Richard F. Schubert has been elected vice chairman. Walter F. Williams has been elected president and chief operating officer.



Williams

Lewis W. Foy, present chairman and chief executive officer, will act as a director of the corporation effective June 1.

Atlantic Pacific Marine Corp., Houston, has constructed and started its own training facility, the Atlantic Pacific Marine Corp. Petroleum Technology Training Center, in Houma, La.

The design of the facility incorporates a fully-operational drilling rig as well as divided classroom space and support facilities, such as a galley, dining and recreational room and crew living quarters.

Stone & Webster Management Consultants Inc., a wholly-owned subsidiary of Stone & Webster Inc., New York City, has elected Frank L. Bradley Jr. chairman of the board.

Richard L. Forrester has been named president, chief executive officer and director.

Bulkfleet Marine Corp., Houston, has elected G.J. Mount vice president.

Mount will be responsible for Bulkfleet's operations in the northeast.

Alaska Interstate Co., Houston, has made several personnel changes.

C. H. McCall senior vice president, has been given the additional responsibility for all non-oil and gas subsidiary operations.

W. A. Anderson Jr. has been elected senior vice president and will be responsible for all financial and administrative activities.

Willard M. Hanzlik has been elected president of Alaska Petrochemical Co., a subsidiary.

John E. Robertson has been elected vice president-administration.

John F. Platt has been elected operations controller for all subsidiary operations.

Gulver-Drilling Co., Oklahoma City, has been formed and will offer drilling services to the Mid-Continent area in the depth ranges of 10,000' to 30,000', with six rotary rigs.

Sam C. Berry has been named president.

Glenn H. Holcombe has been named vice president, contracts.

D. Kent Baker has been appointed vice president, drilling operations.

The Elliott Co., division of Carrier Corp., Jeannette, Pa., has appointed Donald C. Hallock director of project management.

The project management function has been reorganized to improve Elliott's ability to attain faster shipments of large engineered orders.

Also reporting to Hallock are the cost estimating and control department, and the associate plant services department.



Hallock

UOP Inc., Des Plaines, Ill., has appointed Fred L. Jaggi vice president and general manager of Des Plaines operations of Procon.

Hans K. Schoedl has been named vice president and general manager of the Los Angeles operations of Procon Inc.

Jaggi and Schoedl will be responsible for directing all activities associated with their respective operations centers, which include integrated engineering, procurement and construction services.

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million b/d production level beyond the second quarter. Duncan said both the U.S. and Saudi Arabia want to see "market stability and predictability" in both supply and price before making decisions. Both conservation by consuming nations and more supplies on the market will contribute to market stability and the unified price structure sought by both countries, he added.

SPR still An Open Question

A SPR purchase decision will be taken after further consultations with producing and consuming nations. On the agenda this week are discussions with West German Chancellor Schmidt and Venezuelan Energy Minister and OPEC president Calderon Bertl, both paying official visits to Washington.

Duncan stressed that the Saudis were "impressed" with U.S. conservation achievements, but that they felt the recent U.S. government sale of Elk Hills oil at \$41/bbl was "negative and sent wrong signals" to a marketplace both nations are seeking to cool.

U.S. officials have been unsuccessful to date in encouraging other International Energy Agency member nations to intensify conservation and make a concerted effort to hold down national reserve fills.

Duncan didn't acknowledge these difficulties and hinted twice that an SPR purchase decision faces other problems. The use of domestic oil for the SPR will add to market demand, and budget cuts might leave DOE short of funds for resumption of SPR purchases in FY 1981.

Duncan also said he "saw nothing to raise concern" about the stability of the Saudi royal family.

Saudi officials told Duncan King Khaled is doing "very well" and said they "hoped he will be out of the hospital soon."

ALASKA OFFICIAL: STATE'S UNCOMMITTED CRUDE SHOULD GO TO TESORO AND CHEVRON

Juneau 3/5—Alaska Natural Resources Commissioner Robert LeResche has told the Alaska Royalty Oil & Gas Development Advisory Board that 150,000 b/d of uncommitted North Slope royalty crude should be sold to Tesoro Alaskan Petroleum.

LeResche also proposed Tesoro and Chevron U.S.A. divide 9,300 b/d of the uncommitted crude (ON 2/4). The board has postponed until March 10 its decision on allocation of the oil.

FERC CALLS MEETING TO EXPLORE GAS MARKET OUTLOOK

Washington 3/5—The Federal Energy Regulatory Commission will hold an informal conference April 2 to investigate natural gas supply and price over the next several years.

FERC Chairman Curtis said he wants assessments from experts of the impact of the Natural Gas Policy Act on supply, demand and price and the likely conditions in various energy markets where gas competes with other fuels.

Following the conference, the commission will decide whether to extend a fuel oil displacement program slated to expire on June 1. A FERC decision turns largely on the current and anticipated condition of domestic gas markets.

Interested individuals should submit presentation summaries to FERC by March 31.

from the North Slope; yet the mechanics of the entitlements program permit the benefits—which Ashland estimates at more than \$180-million—so accrue to the "hands" of companies that control North Slope oil.

Ashland, for example, would have received additional entitlements totaling almost \$30-million for July-November 1979. "Our average crude costs would have been reduced by 50-60 cts/bbl, bringing our costs that much closer to the national average."

—DOE should quickly amend (no hearings would be required) the calculation for North Slope crude, making it retroactive to the time when the oil's prices reached ceilings. "North Slope producers have gotten an adequate break from added profit on their production. . . . They neither need nor deserve added compensation," which results in under-compensating others.

—"The unusual circumstances surrounding many very small refiners due to bias, heavy California crude, etc., tends to cloud data on all refiners. But the spread of (after-entitlement) costs among the top 22 going from \$2.80/bbl to \$9.60 in one year (October 1978 to October 1979) graphically demonstrates the depth of the problem.

"It's an intolerable situation which can't be allowed to continue unless the industry is to be changed drastically."

EXXON SETS CONDITIONS FOR TALKS ON ALASKA GASLINE

Washington 3/5—Exxon has told Energy Secretary Duncan that engineering and design studies must be performed on the proposed Alaskan natural gas pipeline "before anyone can put together a plan to finance the project."

In a letter to Duncan, Exxon:

—Called for assessment of the project's cost through completion of the line's design and engineering phase.

—Said it is ready to help finance design and engineering studies.

—Said project sponsors are responsible for developing the project's overall financing plan.

—Said it has already made two proposals for producer participation, but cannot consider a role placing it and other producers in the position of assuring the project's total financing needs.

PETROLEUM WORKERS SETTLE WITH UNION OIL; OCAW STILL CONSIDERS TERM 'UNACCEPTABLE'

Los Angeles 3/5—Union Oil of California has signed a two-year labor contract with the International Union of Petroleum & Industrial Workers (ON 2/24).

Terms of the agreement, which covers about 300 oil and gasfield workers in California, are essentially the same as those offered by Union and other major oil companies to striking OIL, Chemical & Atomic Workers: 5% wage increase, \$100/mo company contribution to medical plans, and \$14/mo to dental plans.

Meese Creighton, an official of OCAW Local 1-28 in Los Angeles, said the terms of the IUPIW settlement with Union are "totally unacceptable" to OCAW. Atlantic Richfield offered similar terms to OCAW March 4, Creighton said, and the offer was rejected.

ALPETCO CONTRACTS: Alpetco has awarded engineering contracts valued in excess of \$5-million have been awarded by Alpetco for its 150,000 b/d refinery and petrochemical complex at Valdez. Alpetco said five companies will complete the final design and detailed specifications for plant process units and support facilities by July 31, 1980.

C. F. Braun will provide the technical design for several units and design offsite systems and environmental protection systems. UOP will design five major process units and enter into licensing agreements for use of proprietary processes. Exxon, Union of California and Ralph M. Parsons Co. will each provide design technology and process licensing for specific units.

TEXAS AMERICAN ACQUIRES: Texas American Oil said it has acquired a 50% interest in about 210,000 acres of leasehold located in the Montana Overthrust Belt. The interest is in new leases applied for with the U.S. Bureau of Land Management. Upon issuance, the leases will have a primary term of 10 years.

Washington Roundup

ALLOCATION FREEZE SOUGHT: The Small Business Administration has petitioned the Dept. of Energy's Economic Regulatory Administration for a moratorium on granting gasoline allocations for new service stations. SBA said the viability of small independent retailers is threatened by DOE rules favoring refiner-owned operations.

PUBLICATIONS OF INTEREST

OPEC OIL: A historical account of OPEC member-nations' struggle with oil companies for control of their hydrocarbon resources and pricing strategy.

Written by Loring Allen, who teaches energy

INDEX

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Canadian Hunter has acquired 49 permits in the area.

CANADA: The Canadian Assn. of Oilwell Drilling Contractors elected Selby Porter, manager of Hi-Tower Drilling to be president. He succeeds H. Terlecki, vice president, marketing and general manager of Westburne Drilling. Terlecki and Don Park, senior vice president, contract drilling and oilfield services, Anglo Co., are elected vice presidents.

UNITED STATES

ALASKAN CRUDE SALES TO JAPAN WOULD BE CHEAPER THAN DOMESTIC USE, STUDY SAYS

San Francisco 2/22—A study by the Federal Reserve Bank of San Francisco on Alaskan North Slope surplus crude says exporting the oil to Japan would be cheaper than transporting it to Gulf Coast refineries or shipping it through a West-to-East pipeline.

However, the study admits that more than economic concerns are involved in the Administration's policy of not selling Alaskan oil to other nations. Any cost-to-benefit analysis would have to be balanced against energy security issues, since contracts with Japan or other nations would increase gross imports of foreign oil and increase the nation's susceptibility to supply interruption, the study says.

The present policy of sending surplus oil to Gulf Coast refineries through the Panama Canal—about 33% of the 1.5-million b/d of Alaskan oil can't be refined on the West Coast—is "one of the most inefficient possible ways of dealing with the surplus," said U.S. economist Yvonne Levy.

Japan Sales Would Provide Exploration Incentive

Levy points out that transportation cost savings from selling to Japan would translate into increased producer prices at the wellhead in Alaska, thereby providing greater incentive for more exploration and production.

Levy blames restrictive government regulations and price controls on refined products for the inability of West Coast refineries to handle more of the Alaskan crude. However, her study shows that selling the surplus would be more economical than trying to modify West Coast refineries to handle the high-sulfur crude.

The study, titled "Alaskan North Slope Oil In National Perspective," is available free from the public information section of the Federal Reserve Bank of San Francisco, P.O. Box 7702, San Francisco, CA, 94120.

10 MILLION ACRES DROPPED FROM WILDERNESS REVIEW

Washington 2/22—The Interior Dept. plans to drop 9.9-million acres of public land in the Rocky Mountain Overthrust Belt from further consideration as wilderness areas, Interior Secretary Andrus said today.

An additional 1.5-million acres in the belt with wilderness characteristics will undergo further review as wilderness study areas. The acreage, in Arizona, Montana and Nevada, might be open to some energy resource exploration under an interim management policy announced by the department last month.

Inventory results appear in the Feb. 22 Federal Register.

Employment, 1980-1981

Cal-OSHA officials refused to comment on two ongoing investigations at the Mobil refinery but said they issued 30 citations, including two "willful and serious" safety code violations at Texaco last week, and levied \$41,000 in civil penalties. "We think the charges are unfounded," said a Texaco refinery official, who added the company has appealed every Cal-OSHA finding to an administrative law judge.

Refineries Can't Handle Alaskan Crude

Schneider said many Los Angeles refineries aren't properly equipped to handle increased quantities of high-sulfur crude now arriving from Alaska's North Slope. "We're finding that the standards governing pipes and pressure vessels are inadequate and need to be updated," he said.

Mobil and Texaco officials both refuted Schneider's claim, saying their refineries are specially designed to handle high-sulfur crudes from both Alaska and California. "Sure the high-sulfur crudes are corrosive," one Texaco official said "but you design for that."

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EPA SUSPENDS RULE ON UNLEADED GAS OUTPUT

Washington 2/22—The Environmental Protection Agency has suspended the unleaded gasoline production requirement of its lead phasedown program for the first quarter of this year (ON 2/14).

The decision, to be published next week in the Federal Register, is only "fine tuning", one EPA staffer says. Some refiners are overstocked with unleaded gasoline, after increasing production by at least 6% to qualify for a 0.8 gram/gal lead standard in the last quarter.

EPA is seeking comment on future adjustments of its unleaded production requirement—"whether we should link ratio of sales to refinery output," for example, or require a lowering of unleaded/leaded price differentials—the agency staffer says. Public hearings won't be held unless requested.

OCCIDENTAL WILL SELL PERMIAN TO CHARTER

Los Angeles 2/22—Occidental Petroleum will sell its domestic marketing subsidiary, Permian, to Charter for \$500-million in cash and preferred stock, subject to board approvals. As part of the agreement, Occidental will provide Charter with a five-year, 100,000 b/d supply of crude.

"It fits the scenario," said one oil analyst who also said Occidental may use the cash to buy a U.S.-based specialty chemicals firm to aid to domestic earnings. Occidental has \$129-million in domestic tax credits that will begin to expire in 1982, and must increase U.S. earnings to take advantage of the credits. The company also reported a "substantial" decline in Permian's 1978 earnings compared with 1977 results, and 1979 earnings were "nominal," according to the analyst, Andrew Gray of Pershing & Co.

2-25-80 p3
D.H.H.

Canadian Hunter has acquired 43 permits in the area.

CANADA: The Canadian Assn. of Oilwell Drilling Contractors elected Selby Porter, manager of Hi-Tower Drilling to be president. He succeeds H. Terlecki, vice president, marketing and general manager of Westburne Drilling. Terlecki and Don Park, senior vice president, contract drilling and oilfield services, Anglo Co., are elected vice presidents.

UNITED STATES

ALASKAN CRUDE SALES TO JAPAN WOULD BE CHEAPER THAN DOMESTIC USE, STUDY SAYS

San Francisco 2/22—A study by the Federal Reserve Bank of San Francisco on Alaskan North Slope surplus crude says exporting the oil to Japan would be cheaper than transporting it to Gulf Coast refineries or shipping it through a West-to-East pipeline.

However, the study admits that more than economic concerns are involved in the Administration's policy of not selling Alaskan oil to other nations. Any cost-to-benefit analysis would have to be balanced against energy security issues, since contracts with Japan or other nations would increase gross imports of foreign oil and increase the nation's susceptibility to supply interruption, the study says.

The present policy of sending surplus oil to Gulf Coast refineries through the Panama Canal—about 33% of the 1.5-million b/d of Alaskan oil can't be refined on the West Coast—is "one of the most inefficient possible ways of dealing with the surplus," said U.S. economist Yvonne Levy.

Japan Sales Would Provide Exploration Incentive

Levy points out that transportation cost savings from selling to Japan would translate into increased producer prices at the wellhead in Alaska, thereby providing greater incentive for more exploration and production.

Levy blames restrictive government regulations and price controls on refined products for the inability of West Coast refineries to handle more of the Alaskan crude. However, her study shows that selling the surplus would be more economical than trying to modify West Coast refineries to handle the high-sulfur crude.

The study, titled "Alaskan North Slope Oil in National Perspective," is available free from the public information section of the Federal Reserve Bank of San Francisco, P.O. Box 7702, San Francisco, CA, 94120.

10-MILLION ACRES DROPPED FROM WILDERNESS REVIEW

Washington 2/22—The Interior Dept. plans to drop 9.9-million acres of public land in the Rocky Mountain Overthrust Belt from further consideration as wilderness areas, Interior Secretary Andrus said today.

An additional 1.5-million acres in the belt with wilderness characteristics will undergo further review as wilderness study areas. The acreage, in Arizona, Montana and Nevada, might be open to some energy resource exploration under an interim management policy announced by the department last month.

Inventory results appear in the Feb. 22 Federal Register.

Cal-OSHA officials refused to comment on two ongoing investigations at the Mobil refinery but said they issued 30 citations, including two "willful and serious" safety code violations at Texaco last week, and levied \$41,000 in civil penalties. "We think the charges are unfounded," said a Texaco refinery official, who added the company has appealed every Cal-OSHA finding to an administrative law judge.

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Platt's

\$1.75). The negotiated price for US utilities buying the gas is now \$3.43 at the point where it enters the pipeline system. Volumes amount to 1 billion cf/d. El Paso said the new price is subject to approval by the Algerian government.

A contract valued at \$1.7 billion was awarded to Thyssen AG and Foster Wheeler to design and build a 150,000 b/d refinery and associated petrochemical plant at Valdez, Alaska. Sponsor of the venture is Alpetco, 70% owned by Charter, 23.4% by Alaska Petrochemical and 6.6% by E F Hutton.

Amoco and Peoples Gas signed a contract whereby the oil company will provide the utility with 1.5 trillion cu ft of natural gas over 15 years. Supply will come from Wyoming's Overthrust Belt, piped eastward through the proposed 800-mile Trailblazer pipeline system.

LATIN AMERICA

Argentina

A group led by Occidental has been awarded a 25-year contract to develop oil fields at Malargue, in Neuquen Basin. The other members of the group include Union Texas (Allied Chemical), Bidas, and Cia Quimica. The group is to spend \$13m initially.

YPF said a total of 900 wells will be drilled in Argentina this year, up from over 700 in 1979. Of the 1980 total, 330 will be drilled in contract areas let out to the private sector. Encouragement to drill is being provided by Banco de la Nacion, which is extending credits under special terms.

YPF has opened eight risk contract

areas and six production areas for bidding by private companies. Calls for tenders started in November and will extend through next November, with closing dates for submission of bids running from March 1980 through next February.

Brazil

In its continuing effort to attract foreign investment to the oil search, the government is to significantly liberalise the terms under which private companies operate. Virtually all sedimentary areas are to be thrown open to exploration (except for areas already occupied by Petrobras). In a sharp policy reversal, companies will be able to participate in the development and production of oil discovered. The aim is to increase production to 500,000 b/d by 1985, about half of current domestic consumption.

Petrobras awarded 17 risk exploration areas in the Parana Basin to a group formed by the Sao Paulo Energy Authority and the Institute for Technological Research.

The state company reported a second natural gas discovery in the Jurua area of the Amazon jungle. The well, 1-SOJ-1-AM, flowed at a rate of 540,000 cu m/d in an interval between 2688 and 2719 metres. Last year the first wildcat, 1-JR-1-AM flowed at 570,000 cu m/d, but a second well yielded only 82,000 cu m/d.

Chile

The first well in the Spiteful offshore field in the Strait of Magellan was brought on stream at an initial production rate of some 5,000 b/d. It adjoins the Ostion field, which has produced similar volumes since startup a year ago. A second Spiteful well is due to begin production this spring.

Colombia

Oil production this year is officially forecast to average 126,000 b/d, up from 122,550 in 1979.

Mexico

Exports of natural gas to the USA began on 15th January at an initial rate of 50-100 million cf/d. The throughput will build up to the contractual level of 300 million cf/d at a first-quarter price of \$3.625 per million Btu. As the price is tied to a composite of world crudes, the gas price is certain to rise sharply on 1st April (see *Petroleum Economist* January 1980, page 19).

Jorge Diaz Serrano, director general of Pemex, said a new oil field, called Iris-Giraldis, had been discovered in the Reforma-Cactus area. Ultimate reserves were estimated at 1.5 billion barrels.

The export price for Isthmus crude was increased to \$32 per barrel fob, effective 1st January from \$24.60 in the fourth-quarter of 1979. Maya crude, the 22°-23° API crude from the Campeche fields, was increased to \$28 from \$21.50. Pemex reportedly is requiring buyers of crude to take 20% of their overall volumes in the heavier crude.

Venezuela

Petroven plans to spend about \$300m on exploration this year to drill 242 exploration wells, including 192 in the Orinoco heavy oil belt.

The state oil company estimated the Orinoco reserves at between 700 billion and 3,000 billion barrels, with 500 billion put as a "realistic" planning figure for recoverable reserves, up from 70 billion previously. The per-barrel cost of extracting the heavy oil is estimated at \$2-8 and upgrading at \$3-5, making an overall production cost of \$5-13.

Offshore and Overseas Funds

Alexander Fund

37, rue Notre-Dame, Luxembourg
Alexander Fund \$US10.75
Net asset value Jan 21

Allen Harvey & Ross Inv. Mgt. (C.I.)
1, Charing Cross, St. Helier, Jy. C.I. 0534 73741
AHR Gilt Edg. Fd. £11.97 12.04 13.36

Arbutnot Securities (C.I.) Limited
P.O. Box 284, St. Helier, Jersey 0534-76077
Govt Secs. Tel. £7.8 91.3 13.98
Bank & Intl. Tel. (C.I.) 107.2 114.2 3.28

Bank of America International S.A.
35 Boulevard Royal, Luxembourg G.D.
Worldinvest Inc Fd. \$US106.32 106.66 8.66
Prices at Jan 24. Next sub day Jan 30

Barclays Unicorn Int. (Ch. Is.) Ltd.
1, Charing Cross, St. Helier, Jy. 0534-73741
Overseas Income 41.6 43.8 13.50
Unidollar Trust \$US12.65 13.30 2.00
Unibond Trust \$US98.01 98.98 9.75

Bridge Management Ltd
G.P.O. Box 590, Hong Kong
Nihonbashi Fund ¥17,040
The Nippon Fund \$US15.37 16.05 1.55

Britannia Tel. Mgmt., (C.I.) Ltd.
30, Bath St., St. Helier, Jersey 0534-73114

	Net	Yield
U.S. Dollar Denominated Fds.		
Univ. & Tel. \$US6.70	9.25	—
Intl. High Int. Tel. \$US0.98	1.01	8.90
Sterling Denominated Fds.		
Growth Invest. 37.8	40.5	4.40
Intl. Fd. 89.4	107.8	1.00
Jersey Energy Tel. 217.9	235.6	1.50
Univ. & Tel. Edg. 3.18	3.40	1.00
High Int. Edg. Tel. 0.87	0.90	13.30
Capital Dep. Tel. £10.44	10.45	0.28

Brown Shipley Tst. Co. (Jersey) Ltd.

P.O. Box 583, St. Helier, Jersey 0534-74777
Sterling Bond Fd. £9.63 9.67 13.71

Butterfield Management Co. Ltd.
P.O. Box 185, Hamilton, Bermuda
Buttress Equity \$US3.40 3.51 1.85
Buttress Income \$US2.11 2.18 8.90
Prices at Jan 7. Next sub day Feb 4

Fidelity Mgmt. & Res. (Bda.) Ltd.
P.O. Box 670, Hamilton, Bermuda
Fidelity Am. Ass. \$US35.12
Fidelity Intl. Fund \$US34.20
Fidelity Pac. Fd. \$US65.56
Fidelity Wld. Fd. \$US20.33

Gartmore Invest. Ltd. Ldn. Agts.
2, St. Mary Axe, London EC3 01 283 3531
Tx 888606

Gartmore Fund Managers (C.I.) Ltd.
Gilt Fund (Jersey) 97.0 101.0 13.25
Gartmore Fund Managers (Far East) Ltd.
HK & Pac. U. Tel. HK\$4.14 4.45 2.60
Japan Fd. 14.410 18.405 1.0
N. American Tel. \$US15.645 16.775 1.8
Intl. Bond Fund \$US11.535 12.115 8.0

King & Sherson Mgrs.
1, Charing Cross, St. Helier, Jersey 0534-73741
Gilt Fund (Jersey) £8.47 8.53 13.00
F.I.R. S.T. £240.93 241.83

M & S Group
Three Quays, Tower Hill EC3R 6BQ.
Atlantic Ex. Fd. Jan 01-626 4686
29. \$US5.80 5.98
Ausl. & Gen. Ex. Jan 23. \$US5.56 5.66
Gold Ex. Acc. Jan 23. \$US42.74 46.46
M & S Island Fd. Jan 29. 139.1p 148.0 3.65
(Accum. Ints) 206.9p 220.2 3.65

Midland Bank Tst. Corp. (Jersey) Ltd.

28, 34 Hill St., St. Helier, Jersey 0534-36281
Midland Drayton Gilt 98.8 99.4 11.00

Murray Johnstone
163 Hope St., Glasgow, G2 041 221 5521
Hope St. Fd. (Japan) \$US93.40
Murray Fund (USA) \$US15.37
NAV Jan 15

Pacific Basin Fund
10a Boulevard Royal, Luxembourg
NAV Jan 28 \$US13.91

Phoenix International
P.O. Box 77, St. Peter Port, Guernsey
Inter-Dollar Fund \$US2.65 2.86
Far East Fund \$US1.88 2.03
Intl. Currency Fund \$US1.50 1.63
Dollar Fxd. Intl. Fund \$US1.76 1.91
Ster. Exempt Gilt Fd. £1.32 1.43

Rothschild Asset Management (C.I.)
P.O. Box 66, St. Julienne Ct., Guernsey 0481 26331
O.C. America Fd. \$US1.72 1.82 0.96
O.C. Co. (Ex Cap) 88.4 94.0 3.10
O.C. Commodity 187.3 209.8 5.41
O.C. Dir. Commodity \$US50.89 54.13 0.50
O.C. Sterling Fd. £11.226
Prices on Jan 14. Next dealing Jan 31.
Prices on Jan 21. Next dealing Feb 7.
Dealing days 15th and 29th Feb.
Daily Dealings

S.G. Warburg & Co Ltd.
30, Gresham Street, EC2 01 400 4555
Energy Intl. Jan 28. \$US35.15 0.57