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ALASKA PETROCHEMICAL COMPANY

3700 BUFFALO SPEEDWAY
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 99811

Re: Article 10.2(3) of the Agreement for the Sale and Purchase of State Royalty Oil between Alaska Petrochemical Company and the State of Alaska dated February 22, 1978 (the "Agreement")

Dear Commissioner LeResche:

At our meeting with you on December 5, 1979 in Juneau, we submitted documentation which we believe satisfied all of the December 18, 1979 "Benchmarks" of the above Agreement except those relating to financia' commitments. You and your attorney, Frederick H. Boness, Esq., made comments and suggestions regarding our submission.

Today we submit the following materials:

(i) A Product Sales Contract revised to reflect Mr. Boness' comments and which, taken together with the Joint Venture Agreement, will result in payment of at least the floor price at all times after start-up.

(ii) Materials which comply with Article 10.2(3)(d) and (e) relating to the financial commitments. These materials include equity commitments from the Joint Venturers and loan commitments from various partners and other important commitments.

(iii) A revised binder which includes the above materials as well as those submitted on December 5, 1979.

(iv) A letter of even date transmitting letters from major chemical and petrochemical companies expressing interest in Alpetco's petrochemical feedstocks and possible downstream petrochemical facilities.

601 WEST 5TH AVENUE, ANCHORAGE, ALASKA 99501, TELEPHONE 907 272-1517, TELEX 090-25157

(v) An executed copy of the Joint Venture Agreement between Alaska Petrochemical Company, Charter Oil (Alaska), Inc. and E. F. Hutton (Alaska) Inc.

Because of the Joint Venture Agreement, we request your approval to the Assignment of the Agreement from Alaska Petrochemical Company to the joint venture, The Alpetco Company.

We are also submitting, under separate cover as Volume II, notice that The Alpetco Company exercises its right to purchase the maximum quantity of State Royalty Oil available under the Agreement beginning July 18, 1980.

We believe we have successfully complied with all of the December 18, 1979 Benchmarks in the Agreement. The Alpetco Company, its partners, their attorneys and other advisors are ready to answer any questions and submit such additional information as you may require.

Very truly yours,

Gordon A. Cain

Gordon A. Cain
President

GAC:lu

Enclosures

ARTICLES 10.2(3)(a) - (h)

INDEX

Benchmark Requirement	Date Submitted to Commissioner
(3) Within eighteen (18) months after the Effective Date:	
(a) Expend or commit to expend or cause contractually bound third parties to expend or commit to expend at least Ten Million Dollars ($10,000,000.00) in Total Project Costs.	12/5/79
(b) Negotiate sale terms with prospective purchasers of products from the Petrochemical Facility; delineate product requirements, production ratios and quantities for the range of products to be produced from the Petrochemical Facility; and draft contracts for the sale of products from the Petrochemical Facility.	12/5/79
(c) Enter into contracts for the sale of at least seventy percent (70%) of the product output from the Petrochemical Facility.	12/5/79
Note: Revised contract to reflect Mr. Boness' comments	12/13/79
(d) Obtain or cause contractually bound third parties to obtain written commitments to lend or invest at least One Billion Five Hundred Million ($1,500,000,000.00) in the aggregate for payment of Total Project Costs.	12/13/79
(e) Obtain a commitment or commitments for interim financing for the construction of the Petrochemical Facility.	12/13/79
(f) Complete and file an Environmental Impact Assessment on the Petrochemical Facility.	11/19/79
(g) Complete and file all material state, local and federal permit applications.	11/19/79
(h) Complete plant design and optimization necessary to obtain a definitive project cost estimate ("definitive" meaning a cost estimate containing no more than fifteen percent (15%) variance in anticipated costs).	12/5/79

Article 10.2(3)(a)

"Expend or commit to expend or cause contractually bound third parties to expend or commit to expend at least ten million dollars ($10,000,000) in total project costs."

A summary schedule showing total project cost expenditures of $10,632,217.48 and contractual commitments totaling $745,012.50 for a total of $11,377,229.98 is enclosed.

Also enclosed is a copy of Peat, Marwick, Mitchell & Co.'s audit report prepared for the State of Alaska at the State's request confirming Alpetco's expenditures and contractual commitments totaling $11,377,229.98. We understand that Peat, Marwick, Mitchell & Co. has sent a copy of this audit directly to the Commissioner.

We believe that Alpetco has fully complied with this benchmark requirement.

PEAT. MARWICK. MITCHELL & Co.
CERTIFIED PUBLIC ACCOUNTANTS
4300 ONE SHELL PLAZA
HOUSTON, TEXAS 77002

State of Alaska
Department of Natural Resources
and
The Board of Directors
Alaska Petrochemical Company:

At your request, we have performed the procedures enumerated below with respect to total project costs (as defined in the Agreement for the Sale and Purchase of State Royalty Oil between Alaska Petrochemical Company and the State of Alaska dated February 22, 1978, as amended May 17, 1978) for the period January 1, 1975 through November 30, 1979. We understand that you have requested these procedures to assist you in verifying compliance with the terms of Article 10.2(3)(a) of the Agreement, and our report is not to be used for any other purpose. The procedures we performed are summarized as follows:

1. We read the Agreement and made inquiries of Alaska Petrochemical Company personnel concerning the development of total project costs information pursuant to the Agreement.

2. The Company reported to us that total project costs expended or committed to be expended as of November 30, 1979 were $11,377,229.98, as follows:

Expenditures by Alaska Petrochemical Company	$ 8,480,807.36
Expenditures by shareholders of Alaska Petrochemical Company	1,151,410.12
Expenditures by former project engineering firm	1,000,000.00
Commitments to expend of Alaska Petrochemical Company and/or The Alpetco Company, a joint venture formed October 1, 1979 by and among Alaska Petrochemical Company, E. F. Hutton (Alaska), Inc. and Charter Oil (Alaska), Inc.	745,012.50
	$ 11,377,229.98

3. For the expenditures of Alaska Petrochemical Company, we examined supporting documentation, including the cash disbursements journal, cancelled checks, invoices and/or other documents for 91% ($7,688,210.10) of such project costs. The remaining 9% consisted of a large number of small dollar items.

4. For the expenditures of the direct and indirect shareholders of Alaska Petrochemical Company and the expenditures of the former project engineer, we obtained written confirmations of such project costs directly from such shareholders and project engineer.

5. For the commitments to expend, we examined executed contracts and/or unpaid invoices dated on or before November 30, 1979.

Because the above procedures were not sufficient to constitute an examination in accordance with generally accepted auditing standards, we do not express an opinion on any of the individual amounts referred to above. However, in connection with the procedures referred to above, no matters came to our attention that caused us to believe that the total project costs reported by the Company, as described herein, should be adjusted.

Peat, Marwick, Mitchell & Co.

December 3, 1979

Summary Schedule of Expenditures and

Commitments to Expend for Alpetco's Total Project Costs

Through November 30, 1979

The following total project cost data is submitted in compliance with Article 10.2(3)(a) of the Agreement.

I. Expenditures through November 30, 1979

(A)	Total project costs expended by Alaska Petrochemical Company for the period July 14, 1977-November 30, 1979	$ 6,823,761.85
(B)	Total project costs expended by The Alpetco Company, a partnership of Charter Oil (Alaska),Inc., Alaska Petrochemical Company and The E.F. Hutton (Alaska), Inc. for the period October 1, 1979-November 30, 1979	$ 1,657,045.51
(C)	Total project costs expended by shareholders of Alaska Petrochemical Company for the period January 1, 1975-December 18, 1979	$ 1,151,410.12
(D)	Total project costs expended by Brown and Root, Inc. (former project engineers for Alaska Petrochemical Company)	$ 1,000,000.00
	Sub-total expenditures through November 30, 1979	$10,632,217.48

II. Commitments to Expend at December 1, 1979

(A)	Contractual Commitments	
	(1) E.F. Hutton & Company	$ 410,000.00
	(2) M.B. Carmichael - Employment Contract	90,000.00
	(3) CCC/HOK-Dowl - Accrued Retainage	190,715.46
	Sub-total, Contractual Commitments	$ 690,715.46

(B) Other commitments:

(1)	Accounts payable	$ 54,297.04
	Sub-total, Other Commitments	54,297.04
	Sub-total, Commitments at December 1, 1979	$ 745,012.50
Total Expenditures and Commitments at December 1, 1979		$11,377,229.98

Note: In order to provide information to The State of Alaska prior to December 18, 1979, this report was prepared as of November 30, 1979. Expenditures and/or commitments made by the Buyer or "contractually bound third parties" from December 1 to December 18, 1979 have not been included but qualify to be included, if such is later deemed advisable. In addition, Total Project Costs have been expended, incurred or committed to be expended by the Buyer and other parties which are not included in the above summary and are not presently reported, because this amount is substantially in excess of the $10,000,000.00 required by Article 10.2 (3)(a). Buyer reserves the right to determine these expenditures at a later date, if necessary to meet benchmark requirements.

Article 10.2(3)(b)

"Delineate product requirements, production ratios, and quantities for the range of products to be produced from the petrochemical facility; draft contracts for the sale of products from the petrochemical facility; and negotiate sale terms with prospective purchasers of products from the petrochemical facility."

A substantial amount of process optimization and market analysis by Company personnel and outside consultants has enabled Alpetco to delineate the products to be produced in the petrochemical facility. The attached schedule indicates the range of products that can be produced from the facility depending on current market requirements. As indicated, additional processing facilities are proposed in Stages II and III to further upgrade petrochemicals produced in Stage I.

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 that the executed contract submitted in compliance with Article 10.2(3)(c) evidences full compliance with these benchmark provisions.

"...delineate product requirements, production ratios and quantities for the range of products to be producted from the Petrochemical Facility;..."

STAGE I

Initial Product Slate	Range of Output B/D	%(Avg)	Projected 1985 Demand (B/D)*	% Demand Supplied By The ALPETCO Company
Unleaded Gasoline:				
Premium	48,100 - 63,300	38.1	847,000	9.4%
Regular	19,300 - 28,000	16.2		
Jet Fuel/ Arctic Diesel	13,600 - 34,100	16.3	599,000	3.4%
No. 4 Fuel	10,000 - 12,000	7.5	N/A	N/A
Clarified Oil	4,500 - 6,000	3.6	N/A	N/A
Subtotal Fuels	119,450	81.7		
Benzene	2,500	1.7	50,200	5.0%
Toluene	5,600	3.8	25,200	22.2%
Xylenes	6,200	4.2	21,900	28.3%
Paraffinic Naphtha	11,200 - 13,700	8.6	277,000	4.5%
Subtotal Chemicals	26,750	18.3		
TOTAL LIQUID PRODUCTS	146,200	100.0		

STAGE II

The second stage of project development will involve the upgrading of benzene and ethylene into ethylbenzene and styrene. This will require further investment in an ethylbenzene plant. In addition, propylene may be converted into oxoalcohols.

STAGE III

Depending on future market conditions, the third stage of the project will be development of an ethylene plant processing Alpetco's naphtha feedstock and/or North Slope gas liquids, if and when such liquids are available.

* Demand for fuel products was estimated by Sherman H. Clark Associates for PAD V. Demand for aromatics in Japan and on the West Coast and Japanese imports of naphtha estimated by Chem Systems, Inc.

The ALPETCO Company

"...draft contracts for the sale of products from the petrochemical facility, and negotiate sale terms with prospective purchasers of products from the petrochemical facility."

Please refer to the executed product sales contract submitted in compliance with Article 10.2(3)(c) as evidence of compliance with this Article 10.2(3)(b).

Article 10.2(3)(c)

"Enter into contracts for the sale of at least seventy percent (70%) of the product output from the petrochemical facility."

Enclosed is a fifteen year term product sales contract executed between The Alpetco Company and Charter Oil (Alaska), Inc. for seventy percent (70%) of the product output from the petrochemical facility. As a seventy percent partner in the project, Charter is an experienced and capable marketer of refined petroleum and petrochemical products. Charter presently markets approximately 400,000 B/D of products worldwide.

This contract has been revised since our meeting on December 5, 1979 to reflect comments made at that time by Mr. Boness.

We believe that we are in full compliance with this benchmark requirement.

- Non completion The risk is the
- Operational risk: JV. venture agreement 4.03[20.

TABLE OF CONTENTS

PRODUCT SALES AGREEMENT

Between

CHARTER OIL (ALASKA), INC.
a Florida corporation

and

THE ALPETCO COMPANY

Dated as of December 1, 1979

PRODUCT SALES AGREEMENT

THIS AGREEMENT is made as of December 1, 1979 by and between CHARTER OIL (ALASKA), INC., a Florida corporation, ("Buyer"), and THE ALPETCO COMPANY, a Florida general partnership composed of Charter Oil (Alaska), Inc., Alaska Petrochemical Company and E. F. Hutton (Alaska) Inc., ("Seller").

This agreement documents an arrangement by which Seller will sell and deliver and Buyer will purchase petroleum products as provided herein.

NOW, THEREFORE, the parties agree as follows:

ARTICLE I

DEFINITIONS

1.01 As used in this agreement, the following words or phrases have the following meanings:

(a) AFRA. "AFRA" is the Average Freight Rate Assessment.

(b) ASTM. "ASTM" is the American Society for Testing and Materials.

(c) Barrel. A "barrel" is a U.S. barrel of 42 gallons measured at 60° Fahrenheit.

ARTICLE II

PURCHASES AND PAYMENT

2.01 Purchases. During the term of this agreement, Seller will sell and deliver to Buyer and Buyer will purchase, receive and pay for seventy percent (70%) of the Refinery's total daily output presently estimated to be the following products and associated volumes.

Product	Approx. Volume
Unleaded Gasoline	67,400 B/D
Jet Fuel/Arctic Diesel	34,100 B/D
No. 4 Fuel Oil	12,000 B/D
Clarified Oil	6,000 B/D
Benzene	2,500 B/D
Toluene	5,600 B/D
Xylene	6,200 B/D
Naptha	13,200 B/D
Sulfur	260 T/D
All other Products	

2.02 Purchase Price. Buyer will pay to Seller a purchase price, FOB the Terminal, for all product delivered hereunder equal in amount to the higher of Market Price as defined in Section 2.02(a) below, or Floor Price as defined in Section 2.02(b) below.

(a) Market Price. The Market Price for all products delivered during a calendar month shall be equal to the sum of the Market Price for each product. The Market Price

(d) Laydays. "Laydays" are the five days upon which the parties agree pursuant to section 4.01 and set aside for a vessel's arrival at the Terminal.

(e) Refinery. The "Refinery" shall mean the refinery and petrochemical complex which Seller intends to construct at Valdez, Alaska, U.S.A.

(f) Terminal. The "Terminal" shall mean the marine loading terminal which Seller intends to construct at Valdez, Alaska, U.S.A.

(g) B/D. "B/D" means Barrels per day.

for each product delivered during a calendar month shall be equal to the posted price, herein defined for each product, less transportation cost from the posting site to Valdez, Alaska, multiplied by the volume of each product delivered.

For unleaded gasoline and diesel fuel, the posted price shall be equal to the simple average of Los Angeles, California rack prices reported for the prior month by the Lundberg Survey for the following companies: ARCO, Douglas, Gulf, Pacific, Powerine, Tosco, and USA PetroChem. The transportation cost for unleaded gasoline and diesel fuel shall be equal to the prior month's average AFRA postings for 32,000 ton clean tankers from Valdez to Los Angeles, California, plus $.50 per barrel escalated monthly using the Department of Commerce Wholesale Price Index.

For all other products, the posted price and transportation cost shall be based on independently determined public postings representative of existing market conditions and satisfactory to both parties.

(b) Floor Price. Notwithstanding anything else to the contrary herein, when the requirements of Section 5.01 have been satisfied, Buyer shall pay to Seller as and when due 70% of the sum of all of Seller's costs, expenses, obligations and liabilities including but not limited to costs, expenses, obligations and liabilities relating to the operation and maintenance of the Refinery or otherwise. Seller shall furnish to Buyer at least thirty days prior to the first delivery of product hereunder and at least ten days prior to the commencement of each calendar month thereafter an estimate

of the Floor Price for all products for the next calendar month and within twenty-five days after the end of each calendar month Seller's Floor Price on an actual basis during the preceding calendar month. If the Floor Price is higher than the aggregate amounts determined under Section 2.02(a), payments shall be made on the basis of Seller's estimate of Floor Price and shall be adjusted on the basis of the actual Floor Price when it has been determined.

If during any calendar month the Floor Price for all products exceeds the Market Price for all products and excess shall be credited to Buyer's account and shall bear interest accrued and added to principal monthly at the prime rate in effect from time to time at Chemical Bank New York from the last day of such month until utilized as a credit as hereinafter provided. During any calendar month in which the Market Price for all products exceeds the Floor Price for all products, any credit which Buyer may have in its account (including interest) will be used to pay the portion of the purchase price for all products equal to the amount by which the Market Price for all products exceeds the Floor Price.

2.03 Change in Pricing Formula. If either or both of the two postings in subsections 2.02(a) should be changed, so that the prices contemplated by those subsections no longer are available in the Lundberg Survey, the parties shall negotiate in good faith on an alternate publicly posted price to be used as the basis of pricing, and if no

such alternate is reasonably available, on a substitute pricing formula. Any cargo lacking a price as a result of a change in the postings requiring negotiations under this section shall be priced at the last price calculated pursuant to section 2.02 the day before the posting was (postings were) changed. However, if the change in the posting is descriptive only and does not affect the substance of the price reported, then the new posting shall be substituted for the old for purposes of subsections 2.02(a), and no negotiations under this section shall be necessary.

2.04 Payment. On the twentieth (20th) day of each calendar month after the first delivery of product hereunder, Seller shall furnish Buyer its estimate of the purchase price for all product to be delivered to Buyer hereunder during such calendar month. On the first day of each succeeding calendar month, Buyer shall pay to Seller the full amount of such estimated purchase price, in immediately available U.S. dollar funds, by transferring such funds to Seller's account at a bank selected by Seller. By the tenth (10th) day of each month, any adjustment necessary to reconcile the estimated purchase price and the Market Price for the prior month, pursuant to section 2.02(a), shall be made. By the twenty-fifth (25th) day of each month, any adjustment necessary to reconcile the estimated purchase price (as adjusted above) and the Floor Price for the prior month, pursuant to section 2.02(b), shall be made.

ARTICLE III

DELIVERY, MEASUREMENTS AND QUALITY

3.01 Delivery and Title. Deliveries of product shall be made at the Terminal into vessels provided by Buyer. Title to and risk of loss of product shall pass from Seller to Buyer as the product reaches the flange of the receiving vessel's permanent hose connection.

3.02 Quantity. The quantity of product delivered shall be determined from measurements taken of the still storage tanks before and after the delivery to Buyer's vessel. Measurements shall be adjusted to 60° Fahrenheit in accordance with ASTM Petroleum Measurements Tables (ASTM Designation S-1250, Abridged Table 7).

3.03 Quality. All products shall be of commercial quality, and shall be verified from samples taken from the still storage tanks prior to loading. All tests for quality shall be conducted in accordance with the then latest ASTM-approved methods.

3.04 Inspector. The tests for quantity and quality called for by sections 3.02 and 3.03 shall be performed by an independent petroleum inspector selected by Seller and acceptable to Buyer. The inspector shall perform

the tests in its own laboratories with its own personnel, and shall not merely certify the results of tests performed by others. The cost of the testing shall be shared equally by the parties. The determinations made by the inspector shall be final and binding on both parties.

3.05 Cargo Specifications. If Seller anticipates that a cargo of product will not meet the specifications of Exhibit 1, Seller will notify Buyer at least 72 hours prior to loading at which time Buyer shall have the right to accept or reject the cargo. In the event Buyer accepts the cargo, a new price will be negotiated at that time, but in no event shall the new price be less than the applicable Floor Price.

ARTICLE IV

VESSEL MOVEMENT

4.01 Forecasted Scheduling. The parties anticipate rateable cargoes of product during each month will be delivered hereunder. By the 15th day of the preceding month, Seller shall nominate separate Laydays for the cargoes to be delivered in the 1st half of the succeeding month. By the twentieth day of the preceding month, Seller shall nominate separate Laydays for the cargoes to be delivered in the last half of the month. In each case Buyer shall accept or reject the nomination, and if it rejects it, the parties shall select alternate Laydays. When the Laydays have been selected, Buyer shall notify Seller of the size of the cargo pursuant to section 2.01.

4.02 Naming of Vessels. Buyer shall, in conformity with the Laydays, identify each vessel by notice to Seller given in writing at least seven days in advance of the commencement of the Laydays, stating the name and size of the vessel to be loaded and giving full instructions regarding it. If a ship's schedule is disrupted, Buyer shall notify Seller immediately of any change in its expected arrival date; but such notice shall not modify the Laydays agreed upon pursuant to section 4.01 unless Seller agrees to a change.

4.03 Arrival Notice. Buyer shall give (or cause to be given) Seller written notices of the expected day and hour of arrival of each vessel at least 72, 48 and 24 hours before arrival.

4.04 Notice of Readiness. Upon arrival at customary anchorage in Valdez, the master or his agent shall give Seller notice that the vessel is ready to load cargo, berth or no berth, whenever that may be so. If such notice is given within the Laydays, laytime shall commence six hours after receipt by Seller of such notice, or when the vessel is all fast at the Terminal, whichever first occurs. If the notice of readiness is given prior to the beginning of the Laydays, Seller may accept the vessel if it wishes, but has no obligation to do so until the first of the Laydays; but if Seller does accept the vessel, laytime shall commence when the vessel is all fast at the Terminal. If the notice of readiness is given after the last of the Laydays, Seller shall use its best efforts to berth the vessel as soon as possible after notice of readiness is given, but Seller shall not be liable for any demurrage incurred while the vessel is waiting to berth. However, where delay is caused to the vessel getting into berth after giving notice of readiness for any reason over which Buyer or Seller have no control, such delay shall not count as used laytime.

4.05 Laytime. There shall be allowed as laytime for loading 36 hours. Any delay in loading due to the vessel's condition or breakdown or inability of the vessel's facilities to load cargo within the time allowed shall not count as used laytime. If regulations of Seller or of port authorities prohibit loading of the cargo at night, time so lost shall not count as used laytime. If Buyer prohibits loading of the cargo at night, time so lost shall count as used laytime.

4.06 When Laytime Ends. Laytime shall end when the delivery hoses are disconnected after completion of loading or when the vessel is released by Seller or its agent, whichever last occurs.

4.07 Demurrage. Seller shall pay Buyer demurrage per running hour, prorata for a part thereof, of laytime used in excess of allowed laytime as set forth herein at the rate set forth in AFRA in effect on the date of loading for the size vessel being loaded in the case of vessels on term charter to Buyer, and at the rate set forth in the charter party for vessels under spot charter. If, however, demurrage shall be incurred by reason of fire, explosion or

storm, or by a strike, lockout, stoppage or restraint of labor, or by breakdown of machinery or equipment in or about the Refinery or Terminal, the rate of demurrage shall be reduced one-half for demurrage so incurred. Seller shall not be liable for any demurrage for delay caused by strike, lockout, stoppage or restraint of labor of master, officers and crew of the vessel or tugboats or pilots.

4.08 Berth. Seller shall provide a safe berth for Buyer's vessels free of all wharfage, dockage and quay dues, and of sufficient depth to permit Buyer's vessels to always lie safely afloat at all times of tide, and which such vessel can at all times safely reach and leave.

ARTICLE V

TERM AND TERMINATION

5.01 Term. The term of this agreement shall commence on the date of the first cargo loading after completion of the Refinery and Terminal and continue for a period of fifteen years thereafter provided that this agreement is subject to Buyer's final approval of definitive documents relative to long-term loan of funds for the Refinery, the Terminal and related facilities and to the execution by December 18, 1980 of such documents by Alpetco and the lenders providing such funds.

5.02 Default. If Buyer defaults in the performance of any of its obligations hereunder, Seller may give Buyer written notice of such default, and if such default is for the payment of money and it is not cured within ten days thereafter, or if such default is other than for the payment of money, and such default is not cured within thirty days thereafter Seller may either (a) take such legal action against Buyer as Seller may deem appropriate to enforce Seller's rights and Buyer's obligations hereunder and to recover any damages which Seller may have suffered by reason of Buyer's default, or (b) terminate this agreement by written notice to Buyer. In the event Seller defaults in the performance of any of its obligations hereunder, Buyer may take such legal action it deems appropriate to enforce Buyer's rights and Seller's obligations hereunder, but in no event shall Buyer's remedies include the right to terminate this agreement.

5.03 Further Action. Upon expiration of this a ·ee-ment, the parties shall continue to be obligated to take such further action as is reasonable to account fully each to the other, and to be obligated to deliver such documents as reasonably may be required to effectuate the purposes of this agreement, in order to carry to conclusion the transactions contemplated hereunder and promptly to settle the accounts between them.

ARTICLE VI

FORCE MAJEURE

6.01 Excused by Law. No failure or omission to carry out or to observe any of the terms, provisions or conditions of this agreement except such failure or omission caused by or resulting from economic duress shall give rise to any claim by one party against the other, or be deemed to be a breach of this agreement, if such failure or omission is excused by law.

6.02 Matters or Things. No failure or omission by Seller to carry out or to observe any of the terms, provisions or conditions of this agreement shall give rise to any claim by Buyer or be deemed to be a breach of this agreement, if such failure or omission is caused by a matter or thing not within the control of Seller and Seller is not able to overcome such matter or thing by the exercise of due diligence. By way of illustration, but not by way of limitation, the following are matters or things embraced by the foregoing definition: war (whether declared or not, and whether or not involving the United States), hostilities, blockade, acts of the public enemy or of belligerents; sabotage, insurrection, riot or disorder; arrest or restraint of peoples; embargoes, export or import restrictions or rationing or allocation (whether imposed by law, decree or regulation, or by voluntary cooperation of industry at the instance or request of any government or person(s) purporting to act therefor); interference, restriction or onerous regulation imposed upon Seller by any governmental authority to whose jurisdiciton Seller is subject (whether civil or military, whether de jure or de facto, and whether purporting

to act under some constitution, decree, law or otherwise); failure or refusal of any government, governmental agency or organization owned or controlled by any government, to supply oil; act of God, fire, earthquake, storm, lightning, ice, tidal wave or perils of the sea; loss of tanker tonnage due to sinking by belligerents or to governmental taking (whether or not by formal requisition); barratry of the master and/or crew, collisions, strandings, accidents of navigation or breakdown or injury of vessels, and all dangers or accidents of the seas, canals or rivers and the navigation of vessels or whatever nature even when occasioned by negligence, default or error in judgment of the pilot, master, mariners, seamen or other servants of the vessel's owners; deviation of vessels to save life or property; accidents to or closing of harbors, docks, canals, channels or other assistance to or adjuncts of shipping or navigation; epidemic or quarantine; strikes or combinations of workmen, lockouts or other labor disturbances; explosions or breakdown of wells, pipes, storage facilities, refineries, installations, machinery or other facilities; unavailability of feedstock or necessary products; unavailability of materials or equipment; the failure of a manufacturing facility to operate for any reason beyond the reasonable control of the party which owns or operates such facility; shutdown of plant required for prudent maintenance.

6.03 Unreasonable Demands of Labor. Nothing in this Article VI shall be construed to require Seller to accede to demands of labor or labor organizations which it considers unreasonable in its absolute discretion.

6.04 Time Lost by Force Majeure. At the option of Seller the term of this agreement shall be extended for a period of time equal to any period that Seller's performance hereunder was excused by the provisions of Sections 6.01 and 6.02; provided Seller gives Buyer notice of such election within sixty days after the cessation of such excused performance.

ARTICLE VII

ASSIGNMENT

7.01 Assignment by Seller. Seller may at any time (and without the consent of Buyer) pledge, mortgage, collaterally assign, grant a security interest in or otherwise hypothecate all or any portion of its rights under this agreement, but only for the purpose of providing the security deemed necessary by Seller in order to finance the cost of constructing the Refinery and Terminal and related working capital. Except as provided above, Seller shall not pledge, mortgage, assign, grant a security interest in or otherwise transfer or hypothecate all or any portion of its rights or obligations hereunder without the prior written consent of Buyer.

7.02 Assignment by Buyer. Buyer may at any time (and without the consent of Seller) assign all or any portion of its rights under this agreement to any corporation, all the outstanding stock of which is owned by Buyer or a corporation which owns directly or indirectly all the outstanding stock of Buyer. Notwithstanding any such assignment, Buyer shall remain liable hereunder for all its obligations unless specifically released by Seller. Except as provided above, Buyer shall not pledge, mortgage, assign, grant a security interest in or otherwise transfer or hypothecate all or any portion of its rights or obligations hereunder without the prior written consent of Seller.

ARTICLE VIII

PROVISIONS OF GENERAL APPLICATION

8.01 Waiver. Failure of either party to insist upon strict observance of or compliance with all of the provisions of this agreement in one or more instances shall not be deemed to be a waiver of its rights to insist upon observance or compliance with the other provisions hereof, or of the same provision on a subsequent occasion.

8.02 Choice of Law. This agreement shall be governed by and construed in accordance with the laws of the State of Alaska.

8.03 Amendment. This agreement may be amended only in a writing signed by the party to be bound.

8.04 Headings and Sections. The headings contained in this agreement are for convenient reference only, and shall not in any way effect the meaning or interpretation of this agreement. All references to sections are to sections of this agreement, unless the context indicates otherwise.

8.05 Written Notices. All notices required or permitted hereunder shall be in writing and shall be deemed properly given only when received by the party to be served. Notices may be transmitted by TWX or Telex, or United States mail, and addressed as follows:

To Buyer:

Charter Oil (Alaska), Inc.
P. O. Box 4726
Jacksonville, Florida 32202
Telex 568415

To Seller:

The Alpetco Company
3700 Buffalo Speedway, Suite 806
Houston, Texas 77098
Telex 791461

Either party may change its address for purposes of this section by giving written notice to the other of such change in the manner herein provided.

IN WITNESS WHEREOF, the parties hereto have executed this agreement in multiple originals as of the day and year first above written.

CHARTER OIL (ALASKA), INC.

By _____
Title President

THE ALPETCO COMPANY

By Gordon A Cain
Title President

EXHIBIT I

PRODUCT SPECIFICATIONS

1. BENZENE; TOLUENE, XYLENE

Benzene	ASTM D835-77
Toluene	ASTM D841-77
Xylene	ASTM D845-71

2. PARAFFINIC NAPHTHA

Blended Raffinate from Sulfolane BTX extraction plus n-pentane/isohexane from naphtha prefractionation.

RVP, psia	9 Max.
Sulfur, wt. %	0.05 Max.
Distillation, °F	
Initial Boiling point	90 Min.
50%	205 Min.
End point	360 Max.
Olefins, Vol. %	1 Max.
Aromatics, Vol. %	6.5 Max.
Color, Saybolt	25 Min.

3. GASOLINE

(Must meet Los Angeles Basin gasoline specifications.)

		Premium	Regular
Octane	$\frac{R + M}{2}$	92	89
RVP	Max.	11.5	11.5
	Min.	7.0	7.0
Bromine Number		30 Max. (ASTM D-1159)	30 Max.

4. JET JEL (JET A-1)

Acidity, total max. mg KOH/g	0.1
Aromatics, vol., max., %	25
Sulfur, Mercaptan, wt., max. %	0.003
Sulfur, total wt., max., %	0.125
Distillation temperature, °F	
10% recovered, max. temp.	400
Final boiling point, max. °F	572
Flash point, min., °F	123
Gravity, max., °API (Min., sp gr) at 60° F	51 (0.7753)

Gravity, min. °API (max., sp gr) at 60°F	37 (0.8398)
Freezing point, max. (°C)	(-50)
Viscosity -30°F(-34.4°C) max., cSt.	15
Net heat of combustion, min., Btu/lb.	18400

5. DIESEL (ARCTIC SPECIFICATION)

Flash point, °F	140 Min.
Cloud point, °F	-60 Max.
Kin. Vis. at 100°F., CS	1.2-2.5
ASTM Distillation, °F	
90% Evaporated at	550 Max.
End point	572 Max.
Carbon residue on 10% Btms.	0.1 Max.
Sulfur, Wt. %	0.2 Max.
Water + Sediment, Wt. %	0.01 Max.
Insolubles, Mg/100 ML	1.5 Max.
Neutralization No., TAN	0.05 Max.
Particulate Mg/L	8 Max.
Cetane No.	45 Min.

6. NO. 4 FUEL

Flash point, °F	130 Min.
Pour point, °F	20 Max.
Water + Sediment, Vol. %	0.5 Max.
Kin. Vis. at 100° F., cST	5.8 to 26.4
Sulfur, Wt. %	0.3 Max.

7. CLARIFIED OIL

Following is the specification for Carbon Black Feedstock. If Clarified Oil is not suitable, it will be sold as Bunker C.

Bureau of Mines Correlation Index (1)	120 Min.
API Gravity at 60°F	3.0 Max.
Ash, %	0.06 Max.
Sediment, %	0.2 Max.
Sulfur, % by Wt.	2.25 Max.
Asphaltenes, % by Wt.	5 Max.
Sodium, ppm	10 Max.
Potassium, ppm	1 Max.
SSU Viscosity at 210°F	70 Max.
Initial Boiling Point, °F	400 Min.

(1) $BMCI = \frac{87,552}{°R} + 473.5 \left(\frac{1}{s.g.}\right) - 456.8$

Where °R = average volumetric boiling point in °F., corrected to 760 mmHg pressure, plus 460

s.g. = specific gravity

8. SULFUR

Purity, Wt. %	99.8 Min.
Color	Bright Yellow

9. COKE

Sulfur, Wt. %	1.8 Max.
Nickel, ppm	9,350
Vanadium, ppm	19,890

The Charter Company
206 Laura Street · Post Office Box 2017
Jacksonville, Florida 32231
Telephone 904-358-4111 · Telex 56-339

December 13, 1979

The Alpetco Company
c/o Alaska Petrochemical Company
3700 Buffalo Speedway
Houston, Texas 77098

Dear Sirs:

The undersigned, The Charter Company, is the 100% shareholder of Charter Oil (Alaska), Inc., which is a 70.0% partner in The Alpetco Company ("Alpetco"). Charter Oil (Alaska), Inc. has entered into a Product Sales Agreement dated as of December 1, 1979, (the "Sales Agreement").

In support of Charter Oil (Alaska), Inc.'s obligations under the Sales Agreement the undersigned, if required by the lenders providing funds as long-term loans for Alpetco's refinery and petrochemical project in Alaska, commits to take such actions as are necessary to cause Charter Oil (Alaska), Inc. to fulfill its obligations under the Sales Agreement subject to final approval by the undersigned of definitive documents relating to such long-term loans and to the execution by December 18, 1980, of such documents by Alpetco and the lenders providing such funds.

The above commitment of the undersigned is made solely for the purpose of supporting Charter Oil (Alaska), Inc.'s obligations under the Sales Contract and is not intended for the benefit of any person other than Charter Oil (Alaska), Inc.

Very truly yours,

THE CHARTER COMPANY

By _____

Article 10.2(3)(d)

"Obtain or cause contractually bound third parties to obtain written commitments to lend or invest at least One Billion Five Hundred Million ($1,500,000,000.00) in the aggregate for payment of Total Project Costs."

Alpetco has obtained written commitments for $1.7 billion for payment of Total Project Costs. The issuers of the commitments and the amounts of each are as follows:

Thyssen Rheinstahl Technik GmbH	$ 750,000,000.00
City of Valdez	600,000,000.00
Partners of The Alpetco Company	350,000,000.00
	$1,700,000,000.00

This amount represents the total anticipated long term financing requirements for the Project. Attached and separately tabbed are letters and related documents to substantiate these financing commitments.

We believe that Alpetco has fully complied with this benchmark.

Thyssen Rheinstahl Technik GmbH - $750,000,000.00

On December 7, 1979 Alpetco entered into an agreement with Thyssen Rheinstahl Technik GmbH (Thyssen) and Foster Wheeler Energy Corporation (Foster Wheeler) for engineering and construction of Alpetco's refinery and petrochemical facility. In consideration of this agreement, Thyssen has given Alpetco its commitment to arrange financing of up to $750,000,000.00.

Thyssen is a member of the Thyssen Group, one of the world's largest industrial corporations, with assets in excess of $8 billion. Headquartered in Dusseldorf, West Germany, Thyssen is experienced in financing and constructing major industrial facilities including refining and petrochemical facilities on a worldwide basis. Thyssen's capability to finance, construct and guarantee this project is underscored in a reference letter from Deutsche Bank, one of the world's largest commercial banks in which Deutsche Bank states:

> "THYSSEN RHEINSTAHL TECHNIK GMBH ranks with our most esteemed customers, we know this Company to be capable of accomplishing and financing the projects it undertakes and we further know it would not enter into liabilities it could not meet."

Included under this tab is Thyssen's commitment letter, Deutsche Bank's letter of reference and the Engineering and Construction Contract executed on December 7, 1979 between Thyssen, Foster Wheeler and Alpetco.

In addition to the above financial commitments of Thyssen, the Engineering and Construction Contract with Thyssen and Foster Wheeler also adds significant other strengths to the viability of the Project. The Thyssen/Foster Wheeler agreement:

1. Eliminates the risk of cost overrun by giving Alpetco a fixed price for construction.

2. Eliminates the risk that construction will not be completed by giving Alpetco a completion guarantee.

3. Eliminates the risk that the facility will not operate by giving Alpetco a performance guarantee.

THYSSEN

Thyssen Rheinstahl Technik GmbH · Postfach 80 23 · 4000 Düsseldorf 1

THYSSEN RHEINSTAHL TECHNIK GMBH

The Alpetco Company
3700 Buffalo Speedway
Houston, Texas 77098
U. S. A.

Thyssen Technik-Haus
Königsallee 106
Düsseldorf

Ihre Zeichen	Ihre Nachricht vom	Unsere Zeichen	Unser Hausruf (Direktwahl) (02 11) 38 03 -	Düsseldorf
		Recht/Dr.W./ho		December 7, 1979

Betreff

Gentlemen:

In consideration of Alpetco entering into the attached Engineering- and Construction-Contract with Thyssen Rheinstahl Technik GmbH (Thyssen), or a Joint Venture consisting of Thyssen and another party nominated by Thyssen, for the engineering, supplies and construction of the facilities of Alpetco's Valdez, Alaska Refinery and Petrochemical Facility (Project), such Project headed by The Alpetco Company (Alpetco) - a Joint Venture partnership owned by Charter Oil (Alaska), Inc., a subsidiary of The Charter Company, Alaska Petrochemical Company and E.F. Hutton (Alaska), Inc. - we hereby commit to arrange financing of up to US$ 750,000,000.-- (sevenhundredandfifty million US-Dollars) to cover cost for the engineering, equipment, materials, construction and other services required for the Project.

Our commitment hereunder is subject to Alpetco's acquiring and contributing to the Project financing of at least US$ 750,000,000.- (sevenhundredandfifty million US-Dollars) by the issuance of industrial revenue bonds, equity investment and other satisfactory forms of financing by Alpetco's partners as are required for the Project implementation.

"best efforts." ?

Definitive agreements for all the financing required shall be entered into by December 18, 1980, on such terms and conditions as are customarily required for similar financings by lenders at such time. If such definitive agreements are not entered into by such date, we reserve the right to terminate our commitment hereunder without any liability on our part.

The financing shall be subject to Alpetco obtaining all necessary approvals and permits required by the responsible authorities for the construction and operation of the Project, the Royalty Crude Oil Contract being in effect and Alpetco having the right to take crude oil not later than July 18, 1980.

Yours faithfully,

THYSSEN RHEINSTAHL TECHNIK
G.m.b.H.

Deutsche Bank
Aktiengesellschaft

To whom it may concern

Filiale Düsseldorf

Postanschrift/Postal Address/Adresse
Postfach/P. O. Box/Boîte Postale 11 17
D-4000 Dusseldorf 1
Telephon: (02 11) 88 31
Telex: 8 582 586
Telegramme/Cables/Télégrammes
deutschbank

Bitte in der Antwort angeben Please quote/Prière d'indiquer	Ihre Zeichen und Nachricht vom Your reference and date/Votre référence et date	Durchwahl/Direct line/Ligne directe	Datum Date
Garantien sey/bö		883 376	9th February, 1978

R e f e r e n c e

Since many years THYSSEN RHEINSTAHL TECHNIK GMBH, Düsseldorf, is experienced in the turn-key implementation of refineries, petro-chemical plants, gas-, oil- and water-pipelines and supplies also complete plants including know-how and engineering for iron-, steel-, raw materials-industry as well as other technical goods and machinery for various industries throughout the world.

THYSSEN RHEINSTAHL TECHNIK GMBH ranks with our most esteemed customers, we know this Company to be capable of accomplishing and financing the projects it undertakes and we further know it would not enter into liabilities it could not meet.

Deutsche Bank AG

ppa. Fussangel ppa. Janssen

ENGINEERING- and CONSTRUCTION-CONTRACT

"binding"

This Contract effective as of 7th day of December , 1979, between, on the one hand,

No acceptance on either side

THYSSEN RHEINSTAHL TECHNIK GMBH
having its registered office in Düsseldorf,
Federal Republic of Germany,
and hereinafter called "THYSSEN",

and

FOSTER WHEELER ENERGY CORPORATION
having an office in Houston, Texas/USA,
and hereinafter called "FOSTER WHEELER",

and on the other hand

THE ALPETCO COMPANY, - a Joint Venture partnership owned by Charter Oil (Alaska), Inc., a subsidiary of the Charter Company, Alaska Petrochemical Company and E.F. Hutton (Alaska), Inc.- , having an office in Houston, Texas/USA, and hereinafter called "ALPETCO"

W I T N E S S E T H

WHEREAS, ALPETCO desires to have constructed a grass roots 150,000 BPCD crude oil refinery and petrochemical facility on property provided by ALPETCO located at Valdez, Alaska, together with financing arrangements for implementation of said construction, hereinafter called the "PROJECT" and

WHEREAS, FOSTER WHEELER AND THYSSEN have entered into a Joint Venture Agreement to associate themselves under the name of FOSTER WHEELER-THYSSEN, Joint Venture, hereinafter called "JOINT VENTURE", for the purpose of implementing the PROJECT on the basis of this contract with ALPETCO, hereinafter referred to as "CONTRACT" and

WHEREAS, the JOINT VENTURE has responded to ALPETCO's request and has proposed to ALPETCO a procedure, as outlined in this Contract; and

WHEREAS, ALPETCO desires the JOINT VENTURE to undertake certain services hereinafter referred to as "WORK" to develop a fixed price for the turnkey construction of the PROJECT, and to implement the Project; and

WHEREAS, the JOINT VENTURE desires so to do,

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the parties agree as follows:

1.0 SERVICES BY JOINT VENTURE

The JOINT VENTURE shall in accordance with the provisions of this Contract:

1.1 Perform such engineering design and related activities as is necessary to prepare a fixed price for the implementation of the PROJECT.

1.2 Perform with the cooperation of ALPETCO, required activities for development of a Project Labor Agreement with appropriate labor unions to enable JOINT VENTURE to obtain firm quotes from sub-contractors.

1.3 Develop a time schedule for completion and start-up of the PROJECT.

1.4 Obtain all permits and licenses necessary for the performance of JOINT VENTURE's services which are

1.5 Provide engineering specifications acceptable to and not now available from ALPETCO.

2.0 SERVICES BY ALPETCO

ALPETCO shall perform the following services in connection with WORK to be performed under this CONTRACT without cost to JOINT VENTURE. Such services shall include but be not limited to the following:

2.1 Provide any necessary basic design data, engineering reviews and approvals and any other engineering services not to be provided by JOINT VENTURE under Article 1.0. This shall include necessary soil bearing data and foundation design criteria, topographic survey, and proper benchmarks for design and construction.

2.2 Procure all necessary permits, licenses, easements, rights of way, and real property for the construction and operation of the plant other than permits and licenses to be provided by the JOINT VENTURE under subsection 1.4.

2.3 ALPETCO will make available as required by the JOINT VENTURE, the information requested by the JOINT VENTURE resulting from the license agreements and ALPETCO will conclude any license agreements for process licenses by third parties.

2.4 ALPETCO will negotiate and finalize commitments on long term marketing of products from customers at terms and conditions which are acceptable to lending institutions as a collateral for the financing if necessary.

2.5 ALPETCO will arrange the interim construction financing and will cooperate with the JOINT VENTURE in arranging the long term financing. ALPETCO will arrange for the issuing of the City of Valdez Industrial Revenue Bonds.

2.6 Activities specified in 2.1 through 2.4 will be finalized on or before finalization of the JOINT VENTURE's activities as specified in 1.0.

3.0 FIXED PRICE CONTRACT

The parties shall promptly negotiate and finalize by March 31, 1980, the terms and conditions of the definitive Fixed Price Contract. On or before September 1, 1980, the JOINT VENTURE shall propose

a) a fixed price for the project implementation

b) a contractual guarantee for timely completion of the plant,

c) a contractual performance guarantee

and if accepted by ALPETCO within three months, the definitive Fixed Price Contract shall become effective.

4.0 COMPENSATION

ALPETCO shall pay the JOINT VENTURE in the manner and at the times designated in Article 5.0 below the costs and charges specified in attached Annex 1.

5.0 TERMS OF PAYMENT

The JOINT VENTURE shall invoice ALPETCO monthly for costs and charges incurred pursuant to Article 4.0 and ALPETCO shall pay the JOINT VENTURE ten days after presentation of respective invoices all costs and charges incurred by the JOINT VENTURE as per Annex 1 in US-Dollars.

6.0 TERMINATION

6.1 Either party may terminate this Contract under any of the following circumstances:

(i) The Royalty Crude Oil Contract is for any reason terminated or ALPETCO ceases for any reason to be able to receive crude oil in quantities commensurate with the Project,

(ii) The other party fails to perform its obligations under this Contract.

In the event of such termination ALPETCO shall pay to the JOINT VENTURE the amounts specified in Article 5. ALPETCO agrees to release, hold harmless and indemnify the JOINT VENTURE, FOSTER WHEELER, THYSSEN, or their affiliates from any loss, cost, damages or against any claims thereof resulting from ALPETCO's, its successors' and assigns' or any third party's use of such drawings, specifications or other data delivered to ALPETCO pursuant hereof. The provisions of this paragraph will survive the termination or expiration of this Contract.

6.2 If this Contract terminates, or if the Contract expires without having been replaced by the fixed Price Contract, then Thyssen's letter dated December 7, 1979, shall become null

7.0 PERIOD OF PERFORMANCE AND VALIDITY OF CONTRACT

7.1. It is presently estimated (but the JOINT VENTURE does not guarantee) that the WORK will be completed by the JOINT VENTURE by September 1, 1980, provided that ALPETCO timely furnishes the information required in Article 2.0 above.

7.2 The validity of this Contract expires three (3) months from the submission of the fixed price to ALPETCO by the JOINT VENTURE.

7.3 If the validity of the Contract expires neither the JOINT VENTURE nor ALPETCO shall have the right of claim against the other party as a consequence of the expiration of this Contract other than those rights expressly agreed upon in this Contract.

8.0 JAPANESE PARTICIPATION

It is contemplated that the JOINT VENTURE will subcontract with Japanese companies acceptable to ALPETCO for the supply of components and services for the PROJECT including transportation to the jobsite.

9.0 REPRESENTATIONS

ALPETCO represents that it undertakes this Contract on an exclusive basis, i.e., ALPETCO will not implement the PROJECT with third parties, unless the JOINT VENTURE will have given its consent or either party will have terminated this Contract pursuant to Article 6.0.

10.0 WARRANTEES

10.1 ALL WORK performed by the JOINT VENTURE under this Contract which requires correction and ALPETCO having so indicated to the JOINT VENTURE shall be corrected by the JOINT VENTURE provided ALPETCO requests such correction within thirty (30) days after submission of the fixed price to ALPETCO by the JOINT VENTURE. The JOINT VENTURE's responsibility shall be limited solely to redoing its own and subcontractor's own WORK.

10.2 The JOINT VENTURE's warrantees and guarantees stated herein are exclusive and in lieu of all other warranties and guarantees, whether written or oral or implied in the fact or in law, and whether based on statute, contract, tort (including negligence)strict liability or otherwise.

11.0 ACCOUNTING

11.1 The JOINT VENTURE shall keep full and detailed accounts and records in accordance with its established accounting procedure.

11.2 The JOINT VENTURE shall submit to ALPETCO by February 1, 1980 a forecast of monthly expenditures under this Contract.

11.3 The JOINT VENTURE shall permit ALPETCO to have access to and currently to review and audit at all reasonable times all records and accounts relating to costs reimbursable by ALPETCO under this Contract exclusive, however, of any fi xed overlays or fixed rates. If as a result of any review or audit the invoices and statements submitted in accordance with Article 4.0 are found to be in error, such errors shall be adjusted in the next subsequent invoices. Such audits may be made as work progresses and final audit shall be completed within 60 days after completion of the services as provided for herein.

12.0 INSURANCE

The partners of the JOINT VENTURE shall maintain during the performance of the WORK hereunder the insurance required by the applicable jurisdictions.

13.0 BROWN & ROOT, INC.

Prior to the date hereof, BROWN & ROOT, INC. has performed certain services ("B&R SERVICES"). On behalf of ALPETCO in connection with the initial B&R SERVICES, ALPETCO shall defend, indemnify and hold harmless JOINT VENTURE claims, demands, liabilities, damages and courses of action of any nature whatever arising out of or incidental to such B&R SERVICES.

14.0 CONSEQUENTIAL DAMAGES

Notwithstanding anything in this Contract to the contrary, it is agreed that neither party to this Contract, their affiliates and subcontractors shall have no liability, whether in contract, tort, strict liability or otherwise, for loss of product, loss of profit, loss of use or any other indirect or consequential damages.

15.0 GOVERNING LAWS

This Contract will be governed and interpreted under the laws of the State of Florida.

16.0 ENTIRE AGREEMENT/AMENDMENTS

16.1 This Contract and THYSSEN's letter dated December 7, 1979 constitute the entire agreement between the parties hereto relating to the services and supersedes any previous agreement or understanding relating to the services, and shall not be altered or amended except by the written agreement of the parties.

16.2 The validity of this Contract shall not be affected should one or more of its stipulations be or become legally invalid. In such case the invalid clause shall be replaced by a stipulation which is in accordance with the law and which shall be as close as possible to the parties' original intent

17.0 NOTICES

17.1 All notices required under this Contract shall be in writing and shll be sufficient in all respects if delivered in person or sent by registered mail addressed to :

Foster Wheeler /Thyssen Joint Venture

c/o Thyssen Rheinstahl Technik GmbH
Attention: Mr. Wolfgang Schwarze

Königsallee 106
Postfach 80 23

D 4000 Düsseldorf

and if ALPETCO shall be sufficient in all respect if delivered in person or sent by registered mail addressed to

The Alpetco Company

Attention: Mr. Gordon Cane

3700 Buffalo Speedway, Suite 806

Houston, Texas 77098

17.2 Either party may change the person/or address to which notice shall be given by giving the other party written notice of such change.

IN WITNESS WHEREOF the parties have executed this Contract on the date first written above.

The Alpetco Company

Gordon A. Cane

Joint Venture

Thyssen Rheinstahl Technik GmbH

.....

Foster Wheeler Energy Corporation

.....

ANNEX I

COMPUTATION OF JOINT VENTURE'S COSTS

The JOINT VENTURE will charge their costs to ALPETCO on a cost reimbursable basis including but not limited to:

1. Wages and Salaries

   The wages and salaries, for such time as is devoted to the PROJECT by home office personnel, whether such services are performed in the office abroad, or in the field for personnel such as, but not limited to, managers, engineers, designers, draftsmen, purchasers, expeditors, project accountants, secretaries.

2. Payroll Burdens

   An amount equal to seventy percent (70%) for THYSSEN and an amount equal to forty-five percent (45%) for FOSTER WHEELER's total wages and salaries for payroll burdens to cover the costs of payroll taxes and insurance, group medical and life insurance, as well as pro rata share of the cost to employer of vacation, sick benefits, holiday pay and other employee benefits.

3. Indirect Costs

   An amount equal to one hundred percent (100%) for THYSSEN and an amount equal to one hundred percent (100%) for FOSTER WHEELER's total wages, salaries and payroll burden costs reimbursable in accordance with the sum of section 1. and 2. to cover for the related overhead and indirect office costs.

4. Transportation, Relocation and Travel Expenses

   The cost of transportation, relocation, and travel expenses for personnel engaged in the project in accordance with established policies.

5. Communication Expenses

   Long distance telephone, telegraph, postage, and teletype expenses incurred in the direct prosecution of the project at cost.

6. Prints and Reproduction

   Prints and reproductions in accordance with established rates.

7. Computer Services

Computer services for the prosecution of technical and commercial programs in accordance with established rates.

8. Third Party Services

Services performed by a third party, such as financial and legal advisers, soil investigation, etc., at cost.

9. Miscellaneous Expenses

Miscellaneous expenses, including, but not limited to, custom printed forms, special book bindings, special drafting room and office materials and supplies, model shop material, freight, express, duties, fees, permits, and any other cost incurred in connection with the project.

City of Valdez, Alaska - $600,000,000.00

On November 19, 1979 the City of Valdez unanimously passed Ordinance 7917 authorizing the City to issue tax exempt industrial revenue bonds to finance the Alpetco project. Also, on November 19, 1979 the City Council unanimously passed Resolution 7953 authorizing the Mayor of Valdez to execute a commitment to lend Alpetco $600,000,000.00 from the proceeds of the sale of tax exempt industrial revenue bonds.

To support this commitment, the City of Valdez has obtained an underwriting commitment, dated November 19, 1979, from E. F. Hutton & Company to purchase $600,000,000.00 of the tax exempt bonds.

Copies of the City Ordinance 7917, Resolution 7953, the City's commitment letter and E. F. Hutton's underwriting commitment follow.

AS 37.10.085

Emergency / 60 days

CITY OF VALDEZ, ALASKA

ORDINANCE NO. 7917

AN ORDINANCE OF THE CITY OF VALDEZ, ALASKA, CREATING ARTICLE II, CHAPTER 9, OF THE VALDEZ CITY CODE ESTABLISHING PROCEDURES FOR ISSUING ECONOMIC DEVELOPMENT BONDS AND MATTERS RELATED THERETO

WHEREAS, the City of Valdez, Alaska is a home rule city and under Section 11 of Article X of the Alaska Constitution may exercise all legislative powers not prohibited by law or by the Charter of the City, and it has been determined that the matters set forth in this Ordinance are not prohibited by law or the Charter; and

WHEREAS, it is necessary and for the best interests of the City to provide employment opportunities and to encourage the economic development of the City, thereby reducing the evils attendant upon unemployment and furthering the welfare and prosperity of the residents of the City; and

WHEREAS, the issuance of revenue bonds to finance in whole or in part the costs of the acquisition, purchase, construction, reconstruction, improvement, equipping, betterment, extension, addition, repair, alteration, rehabilitation, renovation or enlargement of economic development facilities as aforesaid is a public purpose and is a proper exercise of a governmental function of the City; and

WHEREAS, the establishment of procedures for the issuance of such revenue bonds is authorized by the Charter including, but not limited to, Section 14.8, and is necessary and desirable to provide clarity in law and direction for subsequent actions;

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF VALDEZ, ALASKA, THAT:

Section 1. Article II, Chapter 9 of the Valdez City Code is hereby created to read as follows:

ARTICLE II - ECONOMIC DEVELOPMENT BONDS

Sec. 9-40. Definitions. Whenever used in this Article unless a different meaning clearly appears from the context:

(1) "bonds" means revenue bonds issued as herein provided.

(2) "Charter" means the Charter of the City as from time to time amended and supplemented.

(3) "City" means the City of Valdez, Alaska.

(4) "construction" of or with respect to a project means and includes the acquisition, purchase, construction, reconstruction, improvement, equipping, betterment, extension, addition, repair, alteration, rehabilitation, renovation or enlargement of the project.

(5) "impact aid payment" or "administrative fee" means the impact aid payment or administrative fee pursuant to Section 9-54 of this Article.

(6) "person" means any individual, partnership, co-partnership, firm, company, corporation (including a public utility), association, joint stock company, trust estate, political subdivision, state agency, or any other legal entity, or its legal representative, agent or assigns.

(7) "project" means any land, building, structure, facility, system, fixture, improvement, addition, appurtenance, machinery and equipment, and any real and personal property deemed necessary in connection therewith, including but not limited to machinery and equipment whether or not now in existence or under construction, which shall be suitable for any of the following:

(a) Any enterprise for the manufacturing, processing or assembling of any agricultural, manufactured or natural resource product.

(b) Any commercial enterprise for the storage, warehousing, distributing, selling or providing of products or services and including research and development therefor.

(c) Any health care institution.

(d) Sport facilities.

(e) Convention or trade show facilities.

(f) Airports, docks, wharves, mass commuting facilities, parking facilities, or storage or training facilities directly related thereto.

(g) Sewage or solid waste disposal facilities or facilities for the furnishing of electric energy, gas or water.

(h) Industrial park facilities.

(i) Air or water pollution control facilities.

(j) Any educational institution.

(8) "project costs" means and includes the sum total of all reasonable or necessary costs incidental to the construction of a

project and the issuance of bonds to finance the project in whole or in part, including without limiting the generality of the foregoing the following, which may be payable by or to the City or any other person:

(i) obligations incurred or assumed by the City or any other person for labor, materials, and equipment in connection with the construction of the project;

(ii) the cost of performance, labor and material bonds and insurance of all kinds that may be required or necessary during the course of construction of the project;

(iii) all costs of architectural and engineering services, including the costs incurred or assumed by the City or any other person for preliminary design and development work, test borings, surveys, estimates and plans and specifications, and for supervising construction, as well as for the performance of all other duties required by or consequent upon the proper construction of the project;

(iv) all costs required to be paid by the City or any other person under the terms of any contract or contracts for the construction or financing of the project;

(v) payment of the initial or acceptance fees of any trustees; the costs of any title search, insurance or opinions; any fees and expenses for recording and filing all documents and instruments in connection with the project and the construction and the financing thereof; and overhead and

administrative expenses properly chargeable to capital or similar accounts in connection with the project;

(vi) payment of the legal, underwriting, financial advisory, rating service and accounting fees and expenses and printing and engraving costs incurred in connection with the authorization, sale and issuance of bonds issued to finance the project in whole or in part and the preparation of all documents in connection with the project and the construction thereof and the issuance of the bonds;

(vii) an initial bond and interest reserve;

(viii) interest to accrue on all bonds issued to finance the project in whole or in part to a date six (6) months subsequent to the estimated date of completion of the project; and

(ix) the impact aid payment or administrative fee.

(9) "revenues and receipts" of a project or derived from a project includes payments under a lease, sublease, agreement of sale or loan agreement and under notes, debentures, bonds and other secured or unsecured debt obligations of any person executed and delivered to the City or its designee or assignee (including a trustee) pursuant to such lease, sublease, agreement of sale or loan agreement but excluding the impact aid payment or administrative fee.

Sec. 9-41. Legislative Declaration of Purpose. It is hereby determined and declared that the purpose of this Article is to provide a

method for financing the cost of economic development facilities in the City in order to provide employment opportunities and relieve conditions of unemployment and encourage the economic development of the City, thereby reducing the evils attendant upon unemployment and furthering the welfare and prosperity of the residents of the City, and any and all of the same are hereby declared and determined to be public purposes and a proper exercise of a governmental function of the City. It is hereby further determined and declared that each and every matter and thing as to which provision is made in this Ordinance is desirable in order to carry out and effectuate the purposes of the City in accordance with the constitution and statutes of the State of Alaska and the Charter of the City and to issue bonds in accordance with the terms of this Article.

Sec. 9-42. Additional Powers. In addition to other powers which it may have, the City shall have the power under this Article:

(1) To acquire by gift, purchase, lease or sublease, to construct and to finance one or more projects, whether or not now or hereafter in existence, within the City.

(2) To issue its revenue bonds to defray in whole or in part the project costs of any project and to designate an appropriate name for, and all other details of, such bonds.

(3) To rent, lease, sublease, sell or finance any project to any person in such manner that payments to be received with respect to the project shall produce revenues and receipts sufficient to provide for the prompt payment at maturity of principal,

interest and redemption premiums, if any, upon all bonds issued to finance in whole or in part project costs of such project, and without limiting the generality of the foregoing to enter into a lease-leaseback, leveraged leasing, purchase-saleback, loan or other arrangement whereby project costs may be financed.

(4) To pledge the revenues and receipts to be received from a project and its rights to bring actions and proceedings under any lease, sublease, agreement of sale, loan or other instrument for the enforcement of remedies thereunder to the punctual payment of bonds issued to finance in whole or in part project costs of such project, and the interest and redemption premiums, if any, thereon.

(5) To sell and convey any project for such price and at such time (whether prior or subsequent to or concurrently with the payment in full of bonds authorized under this Article) as the Council may determine.

(6) To issue its bonds to refund in whole or in part bonds theretofore issued under this Article, and to extend the term of the refunding bonds beyond the term of the refunded bonds.

Sec. 9-43. Exercise of Powers. The exercise of all powers pursuant to this Article may be authorized by resolution of the Council which may in each instance be adopted at the same meeting, either regular or special or an adjournment of either, at which it is introduced and shall take effect immediately upon adoption.

Sec. 9-44. Bonds. Bonds issued pursuant to this Article may (i) bear interest at such rate or rates payable at such time or times; (ii) be in one or more series; (iii) bear such date or dates; (iv) mature at such time or times not exceeding 40 years from their respective dates; (v) be payable in such medium of payment at such place or places; (vi) carry such registration privileges; (vii) be subject to such terms of redemption at such premiums or otherwise; (viii) be executed in such manner; (ix) contain such terms, covenants and conditions; and (x) be in such form, either coupon or registered, or both, with conversion and reconversion privileges, all as may be prescribed by the resolution of the Council authorizing their issuance; provided that such resolution (a) need not prescribe a definitive interest rate or rates for the bonds but may instead prescribe a maximum interest rate or rates within which the bonds may be sold, (b) need not prescribe the definitive terms upon which the bonds may be redeemed by the City but may instead prescribe minimum and maximum terms of years within which the bonds may be redeemed by the City and the minimum and maximum premiums, if any, payable in the case of such redemptions, (c) need not prescribe the principal amount of the bonds but may instead prescribe a maximum principal amount of bonds to be issued, (d) need not prescribe the definitive principal maturities of or sinking fund payments with respect to the bonds but may instead prescribe minimum and maximum terms of years within which the bonds shall mature or be subject to sinking fund payments and minimum and maximum amounts of such principal securities or sinking fund payments, and (e) need not

designate a trustee and additional paying agents but may instead indicate whether or not a trustee and additional paying agents are to be designated and prescribe qualifications for such trustee and paying agents; provided further that such resolution may appoint the Mayor, City Manager, or such other official as the Council deems advisable, to sell the bonds upon terms and conditions which comply with the provisions of such resolution, and all definitive terms and conditions with respect to the bonds, including the designation of a trustee and additional paying agents, if any, which are not prescribed by the resolution authorizing their issuance shall be established by the terms and conditions upon which the bonds are sold.

Sec. 9-45. Sale of Bonds. Bonds may be sold at public or private sale at such price (which may be at par, at a premium above par or at a discount below par), in such manner and upon such terms and conditions as comply with the provisions of the resolution authorizing the issuance of the bonds, all as may be approved by the official appointed to sell the bonds or by the Council if no such official be appointed.

Sec. 9-46. Interim Receipts or Certificates. Pending the preparation of the definitive bonds, interim receipts and certificates in such form and with such provisions as the Council may determine may be issued to the purchaser or purchasers of bonds sold pursuant to this Article.

Sec. 9-47. Bonds, etc., to be Negotiable Instruments. The bonds and interim receipts or certificates shall be deemed to be securi-

ties and negotiable instruments within the meaning and for all purposes of the "Uniform Commercial Code".

Sec. 9-48. Covenants in Bonds. Any resolution authorizing the issuance of bonds under this Article may provide that the principal of and the interest and premium, if any, on the bonds shall be secured by an indenture of trust covering the revenues and receipts derived from the leasing, subleasing, sale or financing of the project for which the bonds are issued and such other funds and rights, if any, as are assigned and pledged under such indenture of trust. Any such resolution or indenture of trust, or any such lease, sublease, agreement of sale or loan agreement may contain such covenants and provisions as the Council may determine to be advisable, including, but not limited to, covenants and provisions with respect to the project and the bonds, and the security therefor, such as to (a) the application, use and disposition of the proceeds of the bonds and of the revenues and receipts from the project for which the bonds are to be issued, including the creation and maintenance of reserves, if any; (b) the issuance of other or additional bonds relating to the project or any construction of the project; (c) the maintenance and repair of such project; (d) the insurance to be carried thereon and the use and disposition of insurance moneys; (e) the appointment of, or the prescription of qualifications for, any bank or trust company within or outside the State of Alaska, having the necessary trust powers, as trustee for the benefit of the bondholders, paying agent, and bond registrar and the vesting in the trustee of rights, powers, duties, funds and properties for the

benefit of bondholders; (f) the appointment of, or the prescription of qualifications for, any bank or banks or trust company or companies within or outside the State of Alaska, having the necessary trust powers, as additional paying agent or agents for the bonds and the interest thereon; (g) the investment of any funds held under such resolution or indenture of trust; (h) the terms and conditions upon which the holders of the bonds or any portion thereof, or any trustees therefor, are entitled to the appointment of a receiver; and (i) any other matters of like or different character which in any way affect the security or protection of the bonds. Any such resolution and indenture of trust shall be enforceable by any bondholder by appropriate suit, action or proceeding in any court of competent jurisdiction, provided the resolution or indenture of trust under which the bonds are issued may provide that all such remedies and rights to enforcement may be vested in a trustee for the benefit of all the bondholders.

Sec. 9-49. Signatures of Officers on Bonds - Validity of Bonds. The bonds shall bear the manual or facsimile signatures of such officers of the City as may be designated in the resolution authorizing such bonds and such manual or facsimile signatures shall be the valid and binding signatures of the officers of the City, notwithstanding that before the delivery thereof and payment therefor any or all of the persons whose signatures appear thereon have ceased to be officers of the City. The validity of the bonds is neither dependent on nor affected by the validity or regularity of any proceedings relating to the construction of the project for which the bonds are issued. The reso-

lution authorizing the bonds may provide that the bonds shall contain a recital that they are issued pursuant to this Article, which recital shall be conclusive evidence of their validity and of the regularity of their issuance.

Sec. 9-50. Pledge and Lien of Bonds. All bonds issued under this Article shall have a lien upon the revenues and receipts derived from the leasing, subleasing, sale or financing of the project for which the bonds have been issued to the extent such revenues and receipts are pledged pursuant to this Article, and the Council may provide in the resolution authorizing such bonds for the issuance of additional bonds to be equally and ratably secured by a lien upon such revenues and receipts or by a subordinate lien upon such revenues and receipts.

Sec. 9-51. Limited Liability for Bonds. All bonds issued under and pursuant to this Article shall be limited obligations of the City payable solely out of the revenues and receipts derived from the leasing, subleasing, sale or financing of the project with respect to which such Bonds are issued. Bonds issued under this Article are not payable from taxes levied upon the taxable real and personal property in the City and are not a charge against the general credit or taxing power of the City. No holder of any bonds issued under this Article shall have the right to compel any exercise of the taxing power of the City to pay the bonds or the interest or premiums, if any, thereon, and the bonds do not constitute an indebtedness of the City or a loan of credit thereof within the meaning of any constitutional or statutory

provision. It shall be plainly stated on the face of each bond that it has been issued under the provisions of this Article and that it is not payable from taxes levied upon the taxable real and personal property in the City and is not a charge against the general credit or taxing power of the City and does not constitute an indebtedness of the City or a loan of credit thereof within the meaning of any constitutional or statutory provision.

Sec. 9-52. Exemption from Construction and Other Requirements for Public Buildings. The construction of a project shall not be subject to any requirements relating to public buildings, structures, grounds, works or improvements imposed by any ordinance or resolution of the City, or to any other similar requirements, and any requirement of competitive bidding or other restriction imposed on the procedure for award of contracts for such purpose or the lease, sublease, sale or other disposition of property of the City is not applicable to any action taken pursuant to this Article.

Sec. 9-53. Procedures Established as Additional and Supplemental - Limitations Imposed - Effect. The procedures established by this Article are in addition and supplemental to, and the limitations imposed by this Article shall not affect, the exercise of powers conferred by the Charter, any law or any other ordinance. Construction of any projects may be accomplished and financed, and bonds may be issued under this Article for such purposes, notwithstanding that any law or any other ordinance may provide for the construction and financing of a like project, or the issuance of bonds for like purposes, and

without regard to the requirements, restrictions, limitations or other provisions contained in any law or any other ordinance.

Sec. 9-54. Impact Aid Payment or Administrative Fee. The City shall require an impact aid payment or administrative fee each time that bonds are issued under the provisions of this Article in order to enable the City to defray, in whole or in part, costs associated with the development, administration and expansion occasioned by the project. The impact aid payment or administrative fee shall be one percent (1%) of the principal amount of the bonds then being issued. The impact aid payment or administrative fee shall not constitute a part of the revenues and receipts of a project or derived from a project.

Sec. 9-55. Contract with Bondholders. The provisions of (i) this Article; (ii) the resolution of the Council authorizing the issuance of the bonds; (iii) the contract of sale of the bonds; (iv) any indenture of trust executed in connection therewith; and (v) the bonds shall collectively constitute a contract with the holder or holders of the bonds, and no subsequent change in this Article or in any law may in any way limit the rights of the holder or holders of the bonds or alter the obligations of the City under the terms of such contract until the entire principal of and interest and redemption premiums, if any, on such bonds have been fully paid or provision for the payment thereof made in accordance with the terms of such contract.

Sec. 9-56. Severability Clause. The provisions of this Article, except Section 9-51 hereof, are severable and if any such provisions or any sentence, clause or paragraph thereof shall be held

unconstitutional or ineffective by any court of competent jurisdiction, the decision of such court shall not affect or impair any of such remaining provisions.

Section 2. Sections 9-1 through 9-39, inclusive, of Chapter 9 of the Valdez City Code shall be designated: Article I. In General.

Section 3. Effective Date. The provisions of this Ordinance shall take effect immediately.

PASSED AND APPROVED by the Council of the City of Valdez, Alaska, on the 19th day of November, 1979.

Bill Walker
Mayor

ATTEST:

City Clerk /City Manager

First Reading: November 12, 1979
Second Reading: November 19, 1979
Adoption: November 19, 1979
Ayes: 6
Noes: 0
Absent: 1

APPROVED AS TO FORM:

HUGHES, THORSNESS, GANTZ, POWELL AND BRUNDIN
Attorneys for the City of Valdez

By
Kenneth P. Jacobus

CITY OF VALDEZ

ALASKA

RESOLUTION NO. 7953

A RESOLUTION RELATING TO THE FINANCING OF CERTAIN ECONOMIC DEVELOPMENT FACILITIES AND OTHER FACILITIES FOR GENERAL PUBLIC USE.

WHEREAS, the City of Valdez, Alaska (the "City") is authorized to issue economic development bonds pursuant to Article II of Chapter 9 of the City Code; and

WHEREAS, The Alpetco Company (the "Company"), a joint venture partnership organized or to be organized among Alaska Petrochemical Company, Charter Oil (Alaska) Inc. and The E. F. Hutton Group, Inc., desires to borrow funds made available through the issuance of such bonds in order to acquire, construct and develop certain economic development facilities and other facilities for general public use (the "Project") more fully described in Exhibit A attached hereto; and

WHEREAS, Federal Income Tax Regulations require that the City adopt a bond resolution with respect to such bonds or take some other similar official action toward the issuance of such bonds prior to the commencement of construction or acquisition of the Project; and

WHEREAS, the City considers the acquisition, construction and development of the Project to be in furtherance of its needs and public purposes and that the financing of the Project will have the effect of increasing employment, increasing the tax base in the City and promoting the general health and welfare of the inhabitants of the City

and that it is in the best interests of the City to issue such bonds in order to loan the proceeds to the Company; and

WHEREAS, the construction of the dock facility is consistent with and promotes the development of the Port of Valdez within the jurisdiction of the City as a major public port in Southcentral Alaska and as a gateway to Fairbanks and Interior Alaska; and

WHEREAS, the Project (except for the dock facility) will be located in an industrial park to be developed by the City for building sites for enterprises engaged in industrial, distribution or wholesale business and it is the intention of the City to proceed with the planning, development and construction of said industrial park;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF VALDEZ, ALASKA, AS FOLLOWS:

1. The City will issue and sell its economic development bonds in one or more issues (the "Bonds") in a principal amount sufficient to provide funds to the Company in order to pay the cost as defined in Section 9-40 of the City Code of financing the Project, together with costs incident to the authorization, sale and issuance of the Bonds, the total of all such Project and incidental costs to be financed through the issuance of the Bonds being presently estimated to be $600,000,000.

2. The City will also issue and sell additional bonds in a principal amount sufficient to provide funds to the Company in order to pay any cost overruns or additional costs of the Project in excess of

the presently estimated costs, or the costs of any modifications or additions to the Project.

3. The proceeds of the Bonds will be loaned or otherwise provided to the Company in order to acquire, construct and develop the Project or any modifications or additions thereto.

4. The Mayor is hereby authorized and directed to execute and deliver a commitment letter to the Company substantially in the form provided in Exhibit B attached hereto.

5. The City will enter into a loan agreement or other financing agreement with the Company or other owners, lessees, users or beneficiaries of the Project to provide revenues to the City sufficient for the payment of the Bonds.

6. The City will adopt such proceedings and authorize the execution and delivery of such documents as may be necessary or advisable for the authorization, issuance and sale of the Bonds, the acquisition, construction and development of the Project, and the execution of a loan agreement or other financing agreement with respect to the Project with the Company or other owners, lessees, users or beneficiaries of the Project. The terms of the Bonds, including the rates of interest thereon shall be determined by the Council as set forth in Section 9-44 of the City Code.

7. The City will take or cause to be taken such other acts and adopt such further proceedings as may be required to implement the aforesaid undertakings or as it may deem appropriate in pursuance thereof.

8. The Bonds shall specify on their face that they shall be payable solely out of the revenues derived from the loan agreement or other financing agreement with respect to the Project and that they shall not constitute a debt or indebtedness of the City within the meaning of any provision or limitation of the Constitution or statutes of the State of Alaska.

9. The City shall develop a plan for an industrial park which shall be created upon submission and approval of the plan by the Council. Such industrial park shall be open for use as building sites by enterprises engaged in industrial, distribution or wholesale business including the Project.

10. It is intended that this Resolution shall constitute "some other similar official action" toward the issuance of the Bonds within the meaning of Section 1.103-8(a)(5) of the Federal Income Tax Regulations.

PASSED AND ADOPTED by the City Council of the City of Valdez, Alaska, this 19th day of November, 1979.

Bill Walker
Mayor

ATTEST:

City Clerk/City Manager

EXHIBIT A

TO RESOLUTION NO. 7953, ADOPTED NOVEMBER 19, 1979 BY THE COUNCIL OF THE CITY OF VALDEZ, ALASKA

DESCRIPTION OF PROJECT

The facilities comprising the Project to be acquired, constructed and developed within the city limits of Valdez, Alaska, include:

A dock facility for the loading and unloading of petroleum products and the associated piping and incidental facilities, storage facilities associated with the dock, general site development incidental to the preparation of the site as an industrial park (said industrial park to be used for building sites for industrial, distribution and wholesale businesses including the Project), air and water pollution control facilities, sewage and solid waste disposal facilities, facilities for the generation of electric energy for general use within the industrial park and by the general public; all to be used in connection with a petroleum refinery facility to be acquired, constructed and developed in conformity with the specifications of the Alaska Royalty Crude Oil Contract dated February 22, 1978 between Alaska Petrochemical Company and the State of Alaska, as heretofore and hereafter amended, and such other portions of the refinery facility as may be financed with economic development bonds, the interest on which is exempt from federal income taxation.

City of Valdez
Inc. 1901

Gateway to the Interior
Terminus of the Trans-Alaska Pipeline

OFFICE OF ADMINISTRATION
November , 1979

The Alpetco Company
c/o Alaska Petrochemical
Company
3700 Buffalo Speedway
Houston, Texas 77098

Gentlemen:

On behalf of the City of Valdez, Alaska (the "City"), I am pleased to confirm the City's commitment to loan or otherwise provide up to $600,000,000 or such additional amount as shall be deemed necessary to The Alpetco Company (the "Company") from the proceeds of the sale of the City's economic development bonds (the "Bond") in accordance with the provisions of Ordinance No. 7917 of the City (the "Ordinance") adopted on November 19, 1979, on the terms and subject to the conditions set forth below.

This commitment is subject to (i) entering into a loan agreement or other financing agreement with the Company in accordance with Resolution No. 7953 of the City adopted on November 19, 1979, and (ii) receipt of an opinion of bond counsel to the effect that the Bonds will be in conformity with the Ordinance and that interest thereon will be exempt under the existing statutes, regulations, court decisions and rulings from Federal income taxes.

All funds provided shall be expended in the acquisition, construction and development of the project facilities described in Exhibit A of the Resolution and for no other purpose. All funds provided shall be expended at such times and for such purposes as shall comply with the provisions of the Ordinance and shall preserve the tax-exempt nature of interest payable on the Bonds.

All expenses incurred by the City in connection with the preparation of the loan agreement or other financing agreement and the issuance of the Bonds, including fees of the City's counsel, bond counsel, financial advisory fees, administrative fees, printing and other expenses, will be paid out of the proceeds from the sale of the Bonds or by the Company.

This commitment shall remain in effect for a period of 60 months from the date hereof. The Company shall not be obligated to pay a commitment fee in connection with this transaction, nor shall it be obligated to take down the full amount of the amount committed or any part thereof.

Sincerely,

CITY OF VALDEZ, ALASKA

By Bill Walker
Mayor

E F Hutton

...Battery Park Plaza
...New York, New York 10004
Telephone (212) 742-5000

November 19, 1979

The Honorable Bill Walker
Mayor
City Hall
Valdez, Alaska 99686

Dear Mayor Walker:

E. F. Hutton & Company Inc. ("E. F. Hutton") is pleased to confirm its commitment to purchase from the City of Valdez, Alaska (the "Issuer"), on the terms and conditions set forth in this letter, certain issues of economic development bonds (the "Bonds") aggregating up to $600,000,000, the proceeds of which are to be loaned or otherwise provided to The Alpetco Company (the "Company") in connection with the acquisition, construction and development of that portion of a petroleum refinery to be located in Valdez, Alaska, which may be financed with tax-exempt bonds.

E. F. Hutton will undertake to form an underwriting syndicate for the purpose of reoffering the Bonds to the general public or institutional investors. The price at which each issue of the Bonds will be purchased from you, the price at which they will be reoffered, the respective maturities and the other material terms of the Bonds will be fixed and agreed upon between E. F. Hutton and the Company at such time as the Bonds are available for re-offering. All material terms of the indenture of trust, the loan agreement or other financing agreement and any other security arrangements relating to the Bonds will be subject to the approval of the City.

Prior to the purchase of any issue of the Bonds, the Company in cooperation with the City must provide E. F. Hutton with an official statement for the reoffering of

the Bonds, and all other necessary information and materials as may be necessary for use therein in order that the official statement will fairly state the material facts relating to the offer and sale of the Bonds and relating to the description of the Company, including financial statements and other matters as may be required.

The obligations of E. F. Hutton shall be subject to the due performance of the following conditions:

(1) Receipt of an unqualified and approving legal opinion of bond counsel;

(2) Receipt of a legal opinion in a form satisfactory to E. F. Hutton from counsel to the Company as to the Company's participation in the transactions relating to the issuance of the Bonds;

(3) Receipt of a legal opinion of counsel for the underwriters approving the underlying documents and offering materials and compliance with applicable rules and regulations of the Securities and Exchange Commission;

(4) Receipt of all documents as may be reasonably required by E. F. Hutton or its counsel to evidence that the obligations undertaken by the Company are legal, valid and binding obligations;

(5) Receipt from Standard & Poor's Corporation of an investment grade rating on the Bonds;

(6) Receipt of such other certificates and documents as are customarily delivered in connection with an offering of industrial development bonds in the State of Alaska; and

(7) Agreement by the Company to maturity schedules, interest rates and other terms which are commercially reasonable given all of the facts and circumstances prevailing at the time the Bonds are available for reoffering.

E. F. Hutton shall have the right to cancel its obligation to purchase the Bonds prior to the closing of any of such issues if (1) any event shall have occurred which

would adversely affect the business or earnings of the Company or the feasibility of the Project; (2) any event shall have occurred which in the opinion of counsel to E. F. Hutton makes untrue or misleading in any material respect the statements in the official statement; (3) there shall have occurred any national calamity or any conflict involving the armed forces of the United States of America of such a magnitude as to markedly adversely affect the ability of the Underwriter to reoffer the Bonds; (4) there shall have been entered a stop order, ruling or regulation by the Securities and Exchange Commission or other Federal or state governmental agency making the sale of the Bonds or any similar class of securities a violation of law; or (5) the Congress of the United States or the Internal Revenue Service or the Treasury Department shall have proposed or enacted any legislation or proposed or adopted any regulation which would adversely affect the tax-exempt status of the interest on the Bonds.

It is understood that all expenses in connection with the proposed transactions, including fees and expenses of the Company's counsel, bond counsel, your counsel; the cost and expenses of preparing and printing official statements and all necessary documents; blue sky fees and expenses, including the fees of blue sky counsel; and the fees of the investment rating agency will be paid by the Company whether or not the proposed sales of the Bonds are completed.

Sincerely,

E. F. HUTTON & COMPANY INC.

W. James Lopp II
Executive Vice President

Partners of The Alpetco Company - $350,000,000.00

Charter Oil (Alaska), Inc., Alaska Petrochemical Company, and E. F. Hutton (Alaska) Inc. have given The Alpetco Company letters commiting to provide $350,000,000.00 in equity funds for payment of Total Project Costs, as follows:

Charter Oil (Alaska), Inc.	$245,000,000.00
Alaska Petrochemical Company	81,900,000.00
E. F. Hutton (Alaska) Inc.	23,100,000.00
	$350,000,000.00

In order to confirm the above companies' commitment to invest $350,000,000.00 in equity funds, the shareholders of each company have given letters to The Alpetco Company commiting to contribute such equity funds to The Alpetco Company.

The letters from Alpetco's partners and letters from the partners' shareholders follow.

Newmarks

AK 111 m

26 m

Charter 509 m

EFH 163 m

CHARTER OIL (ALASKA), INC.
208 Laura Street
Jacksonville, Florida 32201
904/358-4395

December 13, 1979

The Alpetco Company
c/o Alaska Petrochemical Company
)700 Buffalo Speedway
Houston, Texas 77098

Dear Sirs:

The undersigned, Charter Oil (Alaska), Inc., is a 70.0% partner in The Alpetco Company ("Alpetco"). Alpetco, a joint venture partnership, was established as of October 1, 1979, by the undersigned, Alaska Petrochemical Company and E. F. Hutton (Alaska) Inc. (collectively, the "Partners") 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.

The Partners have determined that in order to proceed with the petrochemical and refining project in Alaska ("The Alpetco Project") contemplated by the Royalty Oil Contract, and to assist Alpetco's compliance with Article 10.2(3)(d) of the Royalty Oil Contract, it would be desirable for the Partners to commit to each other to contribute a substantial minimum amount of equity to Alpetco.

Accordingly, in consideration of similar commitments being made on the date hereof by the other Partners to contribute, with the undersigned, as equity up to $350 million in the aggregate to Alpetco, the undersigned commits to make partnership contributions to Alpetco of up to $245 million in the aggregate solely for use in connection with The Alpetco Project as its pro rata share of funds requested by Alpetco by thirty days' prior written notice to all its Partners, provided each of the other Partners makes its similar contribution pro rata in accordance with its partnership interest. The commitment of the undersigned hereunder is subject to final approval by the undersigned of the definitive documents relative to the long-term loan of funds for The Alpetco Project and to the execution by December 18, 1980, of such documents by Alpetco and the lenders providing such funds.

The above commitment of the undersigned is made solely for the purpose of assisting Alpetco in satisfying the Commissioner of Natural Resources of the State of Alaska as to Alpetco's compliance with Article 10.2c(3)(d) of the Royalty Oil Contract.

Attached hereto are commitments by the sole shareholder of the undersigned in support of the above commitment.

Very truly yours,

CHARTER OIL (ALASKA), INC.

By _____

The Charter Company
208 Laura Street · Post Office Box 2017
Jacksonville, Florida 32231
Telephone 904-358-4111 · Telex 56-239

December 13, 1979

The Alpetco Company
c/o Alaska Petrochemical Company
3700 Buffalo Speedway
Houston, Texas 77098

Dear Sirs:

The undersigned, The Charter Company, is the 100% shareholder of Charter Oil (Alaska), Inc. which is a 70.0% partner in The Alpetco Company ("Alpetco"). Charter Oil (Alaska), Inc. has made certain commitments today to Alpetco to contribute to Alpetco as equity up to $245 million ("Charter Oil (Alaska), Inc.'s Equity Commitment") in furtherance of Alpetco's refinery and petrochemical project in Alaska ("The Alpetco Project").

In support of Charter Oil (Alaska), Inc.'s Equity Commitment, the undersigned commits to make investments in Charter Oil (Alaska), Inc., in the form of equity or loans, of up to $245 million in the aggregate solely as required in respect of Charter Oil (Alaska), Inc.'s Equity Commitment, as and when requested by Charter Oil (Alaska), Inc. by twenty days' prior written notice and subject to final approval by Charter Oil (Alaska), Inc. of definitive documents relating to the long-term loan of funds for The Alpetco Project and to the execution by December 18, 1980, of such documents by Alpetco and the lenders providing such funds.

The above commitment of the undersigned is made solely for the purpose of supporting Charter Oil (Alaska), Inc.'s Equity Commitment, and is not intended for the benefit of any person other than Charter Oil (Alaska), Inc. in respect of Charter Oil (Alaska), Inc.'s Equity Commitment.

Yours very truly,

THE CHARTER COMPANY

By

ALASKA PETROCHEMICAL COMPANY

3700 BUFFALO SPEEDWAY
HOUSTON, TEXAS 77098
TELEPHONE 713 840-1243 TELEX 791461

December 13, 1979

The Alpetco Company
3700 Buffalo Speedway
Houston, Texas 77098

Dear Sirs:

The undersigned, Alaska Petrochemical Company, is a 23.4% partner in The Alpetco Company ("Alpetco"). Alpetco, a joint venture partnership, was established as of October 1, 1979, by the undersigned, Charter Oil (Alaska), Inc. and E. F. Hutton (Alaska) Inc. (collectively, the "Partners") 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.

The Partners have determined that in order to proceed with the petrochemical and refining project in Alaska ("The Alpetco Project") contemplated by the Royalty Oil Contract, and to assist Alpetco's compliance with Article 10.2(3)(d) of the Royalty Oil Contract, it would be desirable for the Partners to commit to each other to contribute a substantial minimum amount of equity to Alpetco.

Accordingly, in consideration of similar commitments being made on the date hereof by the other Partners to contribute, with the undersigned, as equity up to $350 million in the aggregate to Alpetco, the undersigned commits to make partnership contributions to Alpetco of up to $81.9 million in the aggregate solely for use in connection with The Alpetco Project as its pro rata share of funds requested by Alpetco by thirty days' prior written notice to all its Partners, provided each of the other Partners makes its similar contribution pro rata in accordance with its partnership interest. The commitment of the undersigned hereunder is subject to final approval by the undersigned of the definitive documents relative to the long-term loan of funds for The Alpetco Project and to the execution by December 18, 1980, of such documents by Alpetco and the lenders providing such funds.

601 WEST 5TH AVENUE, ANCHORAGE, ALASKA 99501, TELEPHONE 907 272-1517, TELEX 090-25157

The above commitment of the undersigned is made solely for the purpose of assisting Alpetco in satisfying the Commissioner of Natural Resources of the State of Alaska as to Alpetco's compliance with Article 10.2c(3)(d) of the Royalty Oil Contract.

Attached hereto are commitments by the principal shareholders of the undersigned in support of the above commitment.

Very truly yours,

ALASKA PETROCHEMICAL COMPANY

By Gordon A Cain

ALASKA INTERSTATE COMPANY
P. O. Box 6554
HOUSTON, TEXAS 77005

December 13, 1979

The Alpetco Company
c/o Alaska Petrochemical Company
3700 Buffalo Speedway
Houston, Texas 77098

Dear Sirs:

The undersigned, Alaska Interstate Company, is a 75.45% shareholder of Alaska Petrochemical Company which is a 23.4% partner in The Alpetco Company ("Alpetco"). Alaska Petrochemical Company has made certain commitments today to Alpetco to contribute to Alpetco as equity up to $81.9 million ("Alaska Petrochemical Company's Equity Commitment") in furtherance of Alpetco's refinery and petrochemical project in Alaska ("The Alpetco Project").

In support of Alaska Petrochemical Company's Equity Commitment, the undersigned commits to make investments in Alaska Petrochemical Company, in the form of equity or loans, of up to $62,500,000 in the aggregate solely as required in respect of Alaska Petrochemical Company's Equity Commitment, as and when requested by Alaska Petrochemical Company by twenty days' prior written notice and subject to final approval by Alaska Petrochemical Company of definitive documents relating to the long-term loan of funds for The Alpetco Project and to the execution by December 18, 1980, of such documents by Alpetco and the lenders providing such funds.

The above commitment of the undersigned is made solely for the purpose of supporting Alaska Petrochemical Company's Equity Commitment, and is not intended for the benefit of any person other than Alaska Petrochemical Company in respect of Alaska Petrochemical Company's Equity Commitment.

Yours very truly,

ALASKA INTERSTATE COMPANY

By O. Charles Hering

Seatrain Lines, Inc.

Howard M. Pack
Vice Chairman of the Board

1 Chase Manhattan Plaza
New York, New York 10005

Phone: (212) 964-3400
Telex:
International: 232740 (RCA)
421225 (ITT)
Domestic: 710-581-2334 (TWX)
127-396 (WU)
Cables: SHIPTRAMP or OSTCORPO

December 13, 1979

The Alpetco Company
c/o Alaska Petrochemical Company
3700 Buffalo Speedway
Houston, Texas 77098

Dear Sirs:

The undersigned, Seatrain Lines, Inc. is the 100% shareholder of Barbour Oil Company, which is a 22.12% shareholder of Alaska Petrochemical Company which is a 23.4% partner in the Alpetco Company ("Alpetco"). Alaska Petrochemical Company has made certain commitments today to Alpetco to contribute to Alpetco as equity up to $81.9 million ("Alaska Petrochemical Company's Equity Commitment") in furtherance of Alpetco's refinery and petrochemical project in Alaska ("The Alpetco Project").

In support of Alaska Petrochemical Company's Equity Commitment, the undersigned commits to make investments in Alaska Petrochemical Company, in the form of equity or loans, of up to $19,500,000 in the aggregate solely as required in respect of Alaska Petrochemical Company's Equity Commitment, as and when requested by Alaska Petrochemical Company by twenty days' prior written notice and subject to final approval by Alaska Petrochemical Company of definitive documents relating to the long-term loan of funds for the Alpetco Project and to the execution by December 18,1980, of such documents by Alpetco and the lenders providing such funds.

The above commitment of the undersigned is made solely for the purpose of supporting Alaska Petrochemical Company's Equity Commitment, and is not intended for the benefit of any person other than Alaska Petrochemical Company in respect of Alaska Petrochemical Company's Equity Commitment.

Yours very truly,

SEATRAIN LINES, INC.

By _____

E. F. Hutton (Alaska) Inc.
One Battery Park Plaza
New York, NY 10004
212/742-5005

December 13, 1979

The Alpetco Company
c/o Alaska Petrochemical Company
3700 Buffalo Speedway
Houston, Texas 77098

Dear Sirs:

The undersigned, E. F. Hutton (Alaska)Inc., is a 6.6% partner in The Alpetco Company ("Alpetco"). Alpetco, a joint venture partnership, was established as of October 1, 1979, by the undersigned, Alaska Petrochemical Company and Charter Oil (Alaska), Inc. (collectively, the "Partners") 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.

The Partners have determined that in order to proceed with the petrochemical and refining project in Alaska ("The Alpetco Project") contemplated by the Royalty Oil Contract, and to assist Alpetco's compliance with Article 10.2(3) (d) of the Royalty Oil Contract, it would be desirable for the Partners to commit to each other to contribute a substantial minimum amount of equity to Alpetco.

Accordingly, in consideration of similar commitments being made on the date hereof by the other Partners to contribute, with the undersigned, as equity up to $350 million in the aggregate to Alpetco, the undersigned commits to make partnership contributions to Alpetco of up to $23.1 million in the aggregate solely for use in connection with The Alpetco Project as its pro rata share of funds requested by Alpetco by thirty days' prior written notice

EF Hutton

One Battery Park Plaza
New York, N.Y. 10004
Telephone (212) 742-5000

December 13, 1979

The Alpetco Company
c/o Alaska Petrochemical Company
3700 Buffalo Speedway
Houston, Texas 77098

Dear Sirs:

The undersigned, The E.F. Hutton Group Inc., is the 100% shareholder of E.F. Hutton (Alaska) Inc. which is a 6.6% partner in The Alpetco Company ("Alpetco"). E.F. Hutton (Alaska) Inc. has made certain commitments today to Alpetco to contribute to Alpetco as equity up to $23.1 million ("E.F. Hutton (Alaska) Inc.'s Equity Commitment") in furtherance of Alpetco's refinery and petrochemical project in Alaska ("The Alpetco Project").

In support of E.F. Hutton (Alaska) Inc.'s Equity Commitment, the undersigned commits to make investments in E.F. Hutton (Alaska) Inc., in the form of equity or loans, of up to $23.1 million in the aggregate solely as required in respect of E.F. Hutton (Alaska) Inc.'s Equity Commitment, as and when requested by E.F. Hutton (Alaska) Inc. by twenty days' prior written notice and subject to final approval by the undersigned of definitive documents relating to the long-term loan of funds for The Alpetco Project and to the execution by December 18, 1980, of such documents by Alpetco and the lenders providing such funds.

The above commitment of the undersigned is made solely for the purpose of supporting E.F. Hutton (Alaska) Inc.'s Equity Commitment and is not intended for the benefit of any person other than E.F. Hutton (Alaska) Inc. in respect of E.F. Hutton (Alaska) Inc.'s Equity Commitment.

Yours very truly,

THE E.F. HUTTON GROUP INC.

By _____

to all its Partners, provided each of the other Partners makes its similar contribution pro rata in accordance with its partnership interest. The commitment of the undersigned hereunder is subject to final approval by the undersigned of the definitive documents relative to the long-term loan of funds for The Alpetco Project and to the execution by December 18, 1980, of such documents by Alpetco and the lenders providing such funds.

The above commitment of the undersigned is made solely for the purpose of assisting Alpetco in satisfying the Commissioner of Natural Resources of the State of Alaska as to Alpetco's compliance with Article 10.2c(3)(d) of the Royalty Oil Contract.

Attached hereto are commitments by the sole shareholder of the undersigned in support of the above commitment.

Very truly yours,

E. F. HUTTON (ALASKA) INC.

By _____

Article 10.2(3)(e)

"Obtain a commitment or commitments for interim financing for the construction of the petrochemical facility."

Chemical Bank (New York) and Manufacturers Hanover Trust Company have been named co-agent banks to provide a line of credit for payment of interim construction costs of non-tax exempt financed costs of the project. Alpetco's financial projections and funding schedule (attached Exhibit e-1) indicates that the maximum line of construction financing needed is $ 92,500,000.00. The banks' commitment letters, totaling $150,000,000.00, are attached.

In addition to the above $150,000,000.00, up to $600,000,000.00 in interim funds for construction costs for items qualifying for tax exempt financing will be provided by serialized take-down of the tax exempt bonds. A letter from Kutak, Rock & Huie, underwriter's counsel, explaining this procedure, is enclosed.

While we have provided for interim financing if needed, it is possible that the partners will determine to contribute the total equity required during the early months of construction, thus eliminating the need for interim construction financing. A funding schedule indicating this possibility is attached as Exhibit e-2.

We believe we have fully complied with this benchmark requirement.

Much less than anticipated

CHEMICALBANK

Energy & Minerals Division
277 Park Avenue, New York, NY 10017 Tel (212) 922-6936

Everett M. Schenk
Vice President

December 11, 1979

The ALPETCO Company
3700 Buffalo Speedway
Suite 806
Houston, TX 77096

Dear Sirs:

During recent discussions with representatives of the owners of The ALPETCO Company ("ALPETCO"), ALPETCO requested that Chemical Bank and Manufacturers Hanover Trust Company ("the Banks") submit a letter or letters to ALPETCO outlining each Bank's commitment to lend up to $75 million in interim construction funds to ALPETCO in connection with ALPETCO's proposed plans to build a petrochemical and oil refining complex in Valdez, Alaska.

With reference to these discussions, we are pleased to confirm that we will participate in the amount of $75 million in such a $150 million facility, subject to our satisfaction with the following items:

1. Our review of the economic projections and the underlying assumptions which demonstrate the viability of the project.

2. The availability of guarantees and undertakings from various parties covering completion of the project, construction of the project, and cost overruns which may occur during the life of the project.

3. The continuance in effect of the Alaska Royalty Crude Oil Contract; the continued fulfillment in accordance with their terms of all agreements and obligations of the parties contained therein; and assurance that the Alaska petroleum reserves available to ALPETCO under the Contract are adequate to support all project financing.

4. The final written form of the ALPETCO joint venture agreement among E. F. Hutton (Alaska) Inc., Alaska Petrochemical Company and Charter Oil (Alaska) Inc.

5. The availability to ALPETCO of sufficient equity to complete the project as presently contemplated, whether through the sale of royalty crude oil or otherwise.

6. Sufficient collateral and undertakings as may be necessary to assure repayment of the construction loans.

7. The availability from responsible lenders or permanent financing sufficient to provide a complete "take-out" for the interim bank construction financing.

8. The commitment of Manufacturers Hanover Trust Company to become a party to the bank credit facility pursuant to which it will make available an amount equal to the amount to be provided by this bank.

The foregoing financing is, of course, subject to our satisfaction with the above requirements and with any other matters that may become relevant from a banking point of view and, by December 18, 1980, our entering into with you a definitive credit agreement containing such terms (including a satisfactory interest rate) and such representations and warranties, conditions, covenants, and events of default and other provisions as may be relevant in the circumstances.

If we may be of further assistance to you in this matter, please do not hesitate to call me.

Sincerely,

Everett M. Schenk

Everett M. Schenk
Vice President

MANUFACTURERS HANOVER TRUST COMPANY

350 PARK AVENUE, NEW YORK, N. Y. 10022

December 10, 1979

The ALPETCO Company
3700 Buffalo Speedway
Suite 806
Houston, TX 77096

Dear Sirs:

During recent discussions with representatives of the owners of The ALPETCO Company ("ALPETCO"), ALPETCO requested that Chemical Bank and Manufacturers Hanover Trust Company ("the Banks") submit a letter or letters to ALPETCO outlining each Bank's commitment to lend up to $75 million in interim construction funds to ALPETCO in connection with ALPETCO's proposed plans to build a petrochemical and oil refining complex in Valdez, Alaska.

With reference to these discussions, we are pleased to confirm that we will participate in the amount of $75 million in such a $150 million facility, subject to our satisfaction with the following items:

1. Our review of the economic projections and the underlying assumptions which demonstrate the viability of the project.

2. The availability of guarantees and undertakings from various parties covering completion of the project, construction of the project, and cost overruns which may occur during the life of the project.

3. The continuance in effect of the Alaska Royalty Crude Oil Contract; the continued fulfillment in accordance with their terms of all agreements and obligations of the parties contained therein; and assurance that the Alaska petroleum reserves available to ALPETCO under the Contract are adequate to support all project financing.

4. The final written form of the ALPETCO joint venture agreement among E.F. Hutton (Alaska) Inc., Alaska Petrochemical Company and Charter Oil (Alaska) Inc.

5. The availability to ALPETCO of sufficient equity to complete the project as presently contemplated, whether through the sale of royalty crude oil or otherwise.

6. Sufficient collateral and undertakings as may be necessary to assure repayment of the construction loans.

7. The availability from responsible lenders of permanent financing sufficient to provide a complete "take-out" for the interim bank construction financing.

8. The commitment of Chemical Bank to become a party to the bank credit facility pursuant to which it will make available an amount equal to the amount to be provided by this bank.

The foregoing financing is, of course, subject to our satisfaction with the above requirements and with any other matters that may become relevant from a banking point of view and, by December 18, 1980, our entering into with you a definitive credit agreement containing such terms (including a satisfactory interest rate) and such representations and warranties, conditions, covenants and events of default and other provisions as may be relevant in the circumstances.

Sincerely,

William H. Hastings Jr.
Assistant Vice President

KUTAK ROCK & HUIE

THE OMAHA BUILDING

1650 FARNAM STREET

OMAHA, NEBRASKA 68102

(402) 346-6000

December 11, 1979

Mr. Gordon A. Cain
President
The Alpetco Company
c/o Alaska Petrochemical
Company
Suite 806
3700 Buffalo Speedway
Houston, Texas 77098

Re: The Proposed Tax-Exempt Financing
for the Alpetco Refinery

Dear Mr. Cain:

We have been asked to comment on the use of tax-exempt bond proceeds to finance a portion of the construction costs of Alpetco's proposed refinery and related facilities at Valdez, Alaska.

In a tax-exempt financing such as the one under consideration, bond proceeds are available to pay construction costs, which eliminates the need for interim bank financing during the construction period. The indenture pursuant to which the bonds are issued will permit the periodic takedown of bond proceeds to pay construction costs as they are incurred.

In the current economic climate, the use of bond proceeds to pay construction costs as they are incurred is preferable to an interim financing of such costs with a bank loan followed by a long-term tax-exempt bond financing. The prime rate for conventional corporate borrowings is now 15 1/4% while the interest rate on long-term tax-exempt bond issues similar to the one proposed by Alpetco is in the range of 8 1/2%.

Moreover, federal tax law permits unexpended moneys in the construction fund established with tax-exempt bond proceeds to be invested in taxable obligations at whatever yield is obtainable in the market.

Federal tax law does impose limitations on the earnings which may be legally derived from investment of tax-exempt bond proceeds. Those limitations are, however, subject to a number of exceptions. One exception relates to temporary periods during which bond proceeds are held pending their use in a construction project. If certain tests relating to the availability of a temporary period are met, bond proceeds can be invested during the period without limitation as to permissible earnings.

The maximum temporary period is generally three years, but may be as long as five years if an independent engineer certifies that a period longer than three years is necessary for construction and explains the reasons for it.

The requirements for the availability of a temporary period are that there be a binding obligation incurred within six months after the issuance of the bonds to expend at least $100,000 on the project, that at least 85% of the proceeds of the bond issue be reasonably expected to be expended during the temporary period, and that the project proceed with due diligence to completion.

Not only is there no limitation on the amount by which the yield on a temporary period investment may exceed the yield on the bonds, there is also no limitation on the duration of an investment maturing during the temporary period

other than the availability of funds to pay for construction as it progresses under the due diligence requirement. Assume, for example, a $600 million bond issue for a four year construction period, with $100 million to be expended in the first year, $125 million in the second year, $150 million in the third year and $225 million in the fourth year. If the investment of the $225 million to be expended in the fourth year will produce a higher yield through investment in securities with a term of three years rather than through investment in shorter term securities, such an investment may be made.

The use of bond proceeds to pay construction costs, which avoids the need for interim construction financing, is a conventional technique in tax-exempt financings. From the foregoing discussion, it is apparent that the present yield curve and the permissibility of unrestricted investment earnings during the construction temporary period make such use desirable for the Alpetco project.

Sincerely,

Robert J. Kutak

ljm

Exhibit 1

THE ALPETCO COMPANY

December 12, 1979

Pro Forma Funds Flow Statement
($Millions)

Sources	1977 to 3rd Qtr.1979	1979 4th Qtr.	1980 1st	1980 2nd	1980 3rd	1980 4th	1981 1st	1981 2nd	1981 3rd	1981 4th	1982 1st	1982 2nd	1982 3rd	1982 4th	Total
Equity:															
Charter Oil (Alaska), Inc.	-0-	5.0	6.0	60.2	13.5	-0-	12.1	13.4	14.6	13.0	14.5	13.2	6.4	73.4	244.2
Alaska Petrochemical Company	7.0	-0-	-0-	17.0	4.5	-0-	4.0	4.5	4.9	4.4	4.8	14.4	2.2	24.5	81.5
E.F. Hutton (Alaska), Inc.	-0-	-0-	-0-	4.8	1.3	-0-	1.2	1.2	1.4	1.2	1.4	1.2	.6	6.9	23.0
Total Equity	7.0	5.0	6.0	82.0	19.3	-0-	17.3	19.1	20.9	18.6	20.7	18.8	9.2	104.8	348.7
Debt:															
Supplier Credits-Takedown[1]	-0-	-0-	-0-	-0-	-0-	-0-	41.5	78.1	86.1	87.6	88.8	92.5	88.6	170.5	735.7
Tax Exempt Bonds-Use[2]	-0-	-0-	-0-	-0-	-0-	-0-	68.2	75.4	76.9	78.6	92.0	89.0	92.8	-0-	572.9
Interim Financing-Takedown[3]	-0-	-0-	-0-	-0-	-0-	43.5	78.1	86.1	87.6	88.8	92.5	88.6	84.0	-0-	--
Interim Financing-Payback	-0-	-0-	-0-	-0-	-0-	-0-	(43.5)	(78.1)	(86.1)	(87.6)	(88.8)	(92.5)	(88.6)	(84.0)	--
Total Debt	-0-	-0-	-0-	-0-	-0-	43.5	146.3	161.5	164.5	167.4	184.6	177.5	176.8	86.5	1308.6
Total Sources	7.0	5.0	6.0	82.0	19.3	43.5	163.6	180.6	185.4	186.0	205.3	196.3	186.0	191.3	1657.3
Uses															
Development Cost	7.0	5.0	6.0	7.0	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	25.0
Construction Cost	-0-	-0-	-0-	75.0	18.3	39.1	154.4	168.2	171.1	166.1	177.8	163.8	149.1	149.1	1432.0
Interest Expense	-0-	-0-	-0-	-0-	-0-	2.6	3.5	6.0	7.5	12.1	13.5	18.0	21.9	26.3	111.4
Taxes & Insurance	-0-	-0-	-0-	-0-	1.0	1.0	2.0	2.7	3.1	4.0	4.5	5.0	5.5	6.5	35.4
Training & Misc.	-0-	-0-	-0-	-0-	-0-	.8	3.7	3.7	3.7	3.8	9.5	9.5	9.5	9.4	53.6
Total Uses	7.0	5.0	6.0	82.0	19.3	43.5	163.6	180.6	185.4	186.0	205.3	196.3	186.0	191.3	1657.3
Cumulative Totals	7.0	12.0	18.0	100.0	119.3	162.3	326.4	507.0	692.4	878.4	1083.7	1280.0	1466.0	1657.3	

[1] Takedown of supplier credits occurs on the first day of each quarter according to the amounts expended during the preceding quarter.

[2] Tax-exempt bonds are syndicated prior to December 18, 1980 and sold and drawn down in three equal amounts of $191.0 million each beginning January 1, 1981.

[3] Interim construction financing is used to bridge the takedown of supplier credits.

Exhibit 2

December 12, 1979

THE ALPETCO COMPANY

Pro Forma Funds Flow Statement
($Millions)

Sources	1977 to 3rd Qtr,1979	1979 4th Qtr.	1980 1st	1980 2nd	1980 3rd	1980 4th	1981 1st	1981 2nd	1981 3rd	1981 4th	1982 1st	1982 2nd	1982 3rd	1982 4th	Total
Equity:															
Charter Oil (Alaska), Inc.	-0-	5.0	6.0	60.2	13.5	30.5	47.7	30.3	27.0	25.2	-0-	-0-	-0-	-0-	244.2
Alaska Petrochemical Company	7.0	-0-	-0-	17.0	4.5	10.2	15.9	10.1	9.0	8.4	-0-	-0-	-0-	-0-	81.5
E.F. Hutton (Alaska), Inc.	-0-	-0-	-0-	4.8	1.3	2.8	4.5	2.9	2.6	2.4	-0-	-0-	-0-	-0-	23.0
Total Equity	7.0	5.0	6.0	82.0	19.3	43.5	68.1	43.3	38.6	36.0	-0-	-0-	-0-	-0-	348.7
Debt:															
Supplier Credit-Takedown[1]	-0-	-0-	-0-	-0-	-0-	-0-	43.5	78.1	86.1	87.6	88.8	92.5	88.6	170.5	735.7
Tax Exempt Bonds-Use[2]	-0-	-0-	-0-	-0-	-0-	-0-	68.2	75.4	76.9	78.6	92.0	89.0	92.8	-0-	572.9
Interim Financing-Takedown[3]	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Interim Financing-Payback	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total Debt	-0-	-0-	-0-	-0-	-0-	-0-	111.7	153.5	163.0	166.2	180.8	181.5	181.4	170.5	1308.6
Total Sources	7.0	5.0	6.0	82.0	19.3	43.5	179.8	196.8	201.6	202.2	180.1	181.5	181.4	170.5	1657.3
Uses															
Development Cost	7.0	5.0	6.0	7.0	-0-	41.7	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	25.0
Construction Cost	-0-	-0-	-0-	75.0	18.3	-0-	154.4	168.2	171.1	166.1	177.8	163.8	149.1	149.1	1432.0
Interest Expense	-0-	-0-	-0-	-0-	0-	-0-	3.5	6.0	7.5	12.1	13.5	18.0	21.9	26.3	111.4
Taxes & Insurance	-0-	-0-	-0-	-0-	1.0	1.0	2.0	2.7	3.1	4.0	4.5	5.0	5.5	6.5	35.4
Training & Misc.	-0-	-0-	-0-	-0-	-0-	.8	1.7	3.7	3.7	3.8	9.5	9.5	9.5	9.4	53.6
Investment Account	-0-	-0-	-0-	0-	-0-	-0-	16.2	16.2	16.2	16.2	(24.5)	(14.8)	(4.6)	(20.9)	-0-
Total Uses	7.0	5.0	6.0	82.0	19.3	43.5	179.8	196.8	201.6	202.2	180.8	181.5	181.4	170.5	1657.3
Cumulative Totals	7.0	12.0	18.0	100.0	119.3	162.3	342.1	538.9	740.5	942.7	1123.5	1305.0	1486.4	1657.3	

(1) Takedown of supplier credits occurs on the first day of each quarter according to the amounts expended during the preceding quarter.

(2) Tax-exempt bonds are syndicated prior to December 18, 1980 and sold and drawn down in three equal amounts of $191.0 million each beginning January 1, 1980.

(3) Interim construction financing is provided by early equity contributions as needed.

Article 10.2(3)(f)

"Complete and file an Environmental Impact Assessment on the petrochemical facility."

As stated in Commissioner LeResche's letter to Gordon Cain dated September 27, 1979 (enclosed herein under tab 10.2(3)(g):

> "Based upon the Notice of Intent, we conclude that Alpetco has complied with Section 10.2(3)(f) of the 'Agreement for the Sale and Purchase of State Royalty Oil' approved by Legislative Resolve No. 42 (CONTRACT)."

We submitted a letter to the Commissioner and Mr. Tom Cook, Director of Division of Minerals and Energy Management on November 19, 1979 stating that we believed the Commissioner's September 27 letter verified compliance with this benchmark requirement.

Although not required by any benchmarks, we are pleased to note that the Alpetco Environment Impact Statement has been completed and a copy was submitted to the Commissioner on December 5, 1979 and further that notice of the EIS was published in the Federal Register on December 7, 1979.

Article 10.2(3)(g)

"Complete and file all material state, local and Federal permit applications."

As stated in Commissioner LeResche's letter to Gordon Cain dated September 27, 1979 (enclosed under this tab):

> "Further we find that if Alpetco files all of the applications for permits as indicated in Attachment #1 by December 18, 1979, Alpetco will have complied with Section 10.2(3)(g) of the CONTRACT."

We submitted a letter to the Commissioner and Mr. Tom Cook, Director of Division of Minerals and Energy Management on November 19, 1979 which contained copies of all the permits filed by Alpetco pursuant to the list of permits included in Attachment #1 to the Commissioner's September 27, 1979 letter. In addition, we submitted the name of a contact at each governmental agency which could verify that the permits have been timely filed.

Having filed all permits as indicated by the Commissioner, we believe we have complied with this benchmark requirement.

ALASKA PETROCHEMICAL COMPANY
601 WEST 5TH AVENUE
ANCHORAGE, ALASKA 99501
TELEPHONE 907 272-1517 TELEX 090-25157

November 19, 1979

Mr. Robert E. LeResche, Commissioner
State of Alaska
Department of Natural Resources
Pouch M
Juneau, Alaska 99811

Mr. Tom Cook, Director
Division of Minerals and Energy Management
Department of Natural Resources
State of Alaska
703 W. Northern Lights Blvd.
Anchorage, Alaska 99503

Gentlemen:

This letter is submitted in response to Tom Cook's letter to me of October 21, 1979 and pursuant to Section 10.2 (3) (f) and (g) of the " Agreement for the Sale and Purchase of State Royalty Oil between Alaska Petrochemical Company and the State of Alaska, dated February 22, 1978" (The Agreement).

Section 10.2 (3)(f)

Enclosed (#1) is a copy of Commissioner LeResche's letter of September 27, 1979 to Gordon Cain concerning Section 10.2 (3)(f) of the Agreement. As stated in the September 27 letter, Alpetco's previous submittals and a review by the Commissioner of the Department of Environmental Conservation, an attorney designated by the Attorney General, and the permit coodinator have established that Alpetco has complied with Section 10.2 (3)(f) of The Agreement.

In addition, the United States Environmental Protection Agency's (EPA) "Notice of Availability" for a Draft Environmental Impact Statement will be announced in the Federal Register on Friday, December 7, 1979.

Section 10.2 (3)(g)

Attached to Commissioner LeResche's letter of September 27, 1979 to Gordon Cain was a list of all material state, federal, and local permit applications required to be filed by December 18,

1979 under Section 10.2 (3)(g). Enclosed (#2) with this letter are the cover or transmittal letters for each of the required permit applications or the appropriate state or federal agency's waiver or determination of inapplicability.

Verification of the filing for each of the applications required by Commissioner LeResche may be obtained from the appropriate agency. For your convenience, a list providing the name, mailing address and telephone number of a contact person for each agency is enclosed (#3).

A separate transmittal is being made this date to Mr. Ed Park of the Division of Minerals and Energy Management. This transmittal includes a copy of this letter with enclosures and copies of all the permit applications required under Section 10.2 (3)(g). Copies of each of these permit application have been previously provided to Commissioner LeResche's office in Juneau.

If you have any further questions regarding Alpetco's performance under Section 10.2 (3)(f) and (g) of the Agreement, please direct them to:

Ronald R. Dagon, Manager
Environmental Programs and Permitting
ALASKA PETROCHEMICAL COMPANY
601 West 5th, Suite 320
Anchorage, Alaska 99501
(907) 272-1517

Sincerely yours,

ALASKA PETROCHEMICAL COMPANY

Willard M. Hanzlik

Willard M. Hanzlik
Vice-President

Enclosures: 3

cc: Mr. Ed Park (DMEM)
Ronald R. Dagon (Alpetco-Anchorage)

ENCLOSURE #1

Commissioner Robert E. LeResche letter to
Gordon A. Cain dated September 27, 1979
with Attachment #1

ATTACHMENT #1

PERMIT APPLICATIONS REQUIRED BY SECTION 10.2(3)(g) OF THE AGREEMENT FOR THE SALE AND PURCHASE OF STATE ROYALTY OIL APPROVED BY LEGISLATIVE RESOLVE NO. 42

STATE PERMITS

Department of Environmental Conservation Air Quality Control Permit to Operate.

Department of Environmental Conservation Discharge Into Navigable Waters Certificate of Reasonable Assurance.

Department of Environmental Conservation Solid Waste Disposal Permit.

Department of Environmental Conservation Waste Water Disposal Permit [required only if this permit is not waived pursuant to A.S. 46.03.110(e)].

Department of Natural Resources Pipeline Right-of-Way Permit.

Department of Natural Resources Tidelands Permit [required only if Alpetco will secure tidelands for the construction dock from the State].

Department of Natural Resources Water Use Permit.

FEDERAL PERMITS

U.S. Army Corps of Engineers' Structures Permit.

U.S. Department of Transportation Coast Guard Bridge Permit [required only if the Coast Guard determines that waters to be bridged are navigable; Alpetco is required to obtain the Coast Guard's determination].

U.S. Environmental Protection Agency National Pollutant Discharge Elimination System Permit.

STATE OF ALASKA

OCT 15 1979

JAY S. HAMMOND, GOVERNOR

ALPETCO

DEPARTMENT OF NATURAL RESOURCES

OCT 22 1979

OFFICE OF THE COMMISSIONER / POUCH M – JUNEAU 99811

September 27, 1979

Mr. Gordon A. Cain
President
Alaska Petrochemical Company
3700 Buffalo Speedway
Suite 806
Houston, Texas 77098

Dear Mr. Cain:

On December 7, 1978, Region X of the U.S. Environmental Protection Agency (EPA) issued a Notice of Intent concerning the petrochemical facility to be constructed near Valdez, Alaska by Alaska Petrochemical Company (ALPETCO). The Notice of Intent sets forth EPA's conclusions based upon an initial assessment of the project. EPA has concluded that the proposed facility is a new source and that the issuance of a NPDES permit for the facility would be a major federal action requiring the preparation of an Environmental Impact Statement (EIS). ALPETCO has entered a Memorandum of Understanding with EPA which provides for the preparation of the EIS. It is my understanding that ALPETCO is currently intending to file for the federal, state, and local permits indicated in Attachment #1 to this letter by December 18, 1979.

The Notice of Intent and Attachment #1 have been reviewed by the Commissioner of the Department of Environmental Conservation, an attorney designated by the Attorney General, and the permit coordinator. Based upon the Notice of Intent, we conclude that ALPETCO has complied with Section 10.2(3)(f) of the "Agreement for the Sale and Purchase of State Royalty Oil" approved by Legislative Resolve No. 42 (CONTRACT).

10-JBLH

Further, we find that if ALPETCO files all of the applications for permits as indicated in Attachment #1 by December 18, 1979, ALPETCO will have complied with Section 10.2(3)(g) of the CONTRACT. For convenient reference the pertinent sections of the CONTRACT are quoted below:

(f) Complete and file an Environmental Impact Assessment on the Petrochemical Facility.

(g) Complete and file all material state, local and federal permit applications.

Sincerely,

Robert E. LeResche
Commissioner

Attachment

List No. 1 - Federal Permits (Continued)

U.S. Environmental Protection Agency Permit for Treatment, Storage or Disposal of Hazardous Wastes [not required until such time as an application may be made pursuant to regulations promulgated by EPA pursuant to 42 U.S.C., §6925 and which are effective pursuant to 42 U.S.C., §6930(b)].

U.S. Environmental Protection Agency Prevention of Significant Deterioration Permit.

LOCAL PERMITS

Ground Lease from City of Valdez.

Tidelands Lease from the City [required only if Alpetco will secure tidelands for the construction dock from the City].

Enclosure #2

Cover or transmittal letters for each
required permit application or the
waiver or determination of inapplicability.

ATTACHMENT #1 LeResche to Cain (modified)

PERMIT APPLICATIONS REQUIRED BY SECTION 10.2(3)(g) OF THE AGREEMENT FOR THE SALE AND PURCHASE OF STATE ROYALTY OIL APPROVED BY LEGISLATIVE RESOLVE NO. 42	Date permit filed and/or waiver or determination received
STATE PERMITS	
Department of Environmental Conservation Air Quality Control Permit to Operate.	10/30/79
Department of Environmental Conservation Discharge Into Navigable Waters Certificate of Reasonable Assurance.	10/30/79
Department of Environmental Conservation Solid Waste Disposal Permit.	10/16/79
Department of Environmental Conservation Waste Wator Disposal Permit [required only if this permit is not waived pursuant to A.S. 46.03.110(e)].	11/1/79
Department of Natural Resources Pipeline Right-of-Way Permit.	9/26/79
Department of Natural Resources Tidelands Permit [required only if Alpetco will secure tidelands for the construction dock from the State].	NA
Department of Natural Resources Water Use Permit.	9/26/79
FEDERAL PERMITS	
U.S. Army Corps of Engineers' Structures Permit.	9/20/79 and 9/21/79
U.S. Department of Transportation Coast Guard Bridge Permit [required only if the Coast Guard determines that waters to be bridged are navigable; Alpetco is required to obtain the Coast Guard's determination].	10/31/79
U.S. Environmental Protection Agency National Pollutant Discharge Elimination System Permit.	9/19/79 (update)

List No. 1 - Federal Permits (Continued)

U.S. Environmental Protection Agency Permit for Treatment, Storage or Disposal of Hazardous Wastes [not required until such time as an application may be made pursuant to regulations promulgated by EPA pursuant to 42 U.S.C., §6925 and which are effective pursuant to 42 U,S.C., §6930(b)].	11/1/79
U.S. Environmental Protection Agency Prevention of Significant Deterioration Permit.	10/8/79

LOCAL PERMITS

Ground Lease from City of Valdez.	10/11/79 and 10/30/79
Tidelands Lease from the City [required only if Alpetco will secure tidelands for the construction dock from the City].	10/11/79

Article 10.2(3)(h)

"Complete plant design and optimization necessary to obtain a definitive project cost estimate ('definitive' meaning a cost estimate containing no more than fifteen percent (15%) variance in anticipated costs)."

In support of compliance with this benchmark, attached is a letter from Gordon Cain describing in general the work completed for plant design and optimization and reports discussing in more detail Plant Design and Optimization Studies. We are also submitting separately today eleven (11) bound volumes of engineering design, optimization studies and reports prepared for Alpetco by its engineers and process licensors and consultants. An index of these volumes follows Mr. Cain's letter. Two of the volumes, "Exxon Technology" and "Sulfur Recovery Facilities" are subject to secrecy agreements between Alpetco and the respective engineering companies and therefore are submitted with a request for confidential treatment.

This work has been underway for over eighteen months and represents design and optimization necessary to obtain a definitive project cost estimate.

Five of the volumes referred to above were prepared by The Lummus Company, former Managing Contractor for Alaska Petrochemical Company. In November, 1979, the partners of The Alpetco Company named C. F. Braun Company as Managing Engineers and Contractors for the petrochemical facility. C. F. Braun will assume the responsibilities previously assigned to Lummus.

We understand that The Pace Company, Houston, Texas has been retained by the Department of Natural Resources to review Alpetco's plant design and optimization and that the State's consultants will submit a report to the Commissioner by December 14, 1979 regarding Alpetco's compliance with this benchmark.

We believe that Alpetco is in full compliance with this benchmark requirement.

ALASKA PETROCHEMICAL COMPANY
3700 BUFFALO SPEEDWAY
HOUSTON, TEXAS 77098
TELEPHONE 713 840-1243 TELEX 791461

December 3, 1979

Dr. Robert E. LeResche, Commissioner
Department of Natural Resources
State of Alaska
Pouch "M"
Juneau, Alaska 99811

Dear Commissioner LeResche:

Following is a summary of information which has been prepared as required by Article 10.2(3)(h) of The Agreement for the Sale and Purchase of State Royalty Oil between Alaska Petrochemical Company and the State of Alaska dated February 22, 1978. A brief memorandum covering the work which has been done on plant design and process optimization is attached. More detailed information is available in each of these areas and can be made available for your review at your request. We are submitting to you today under separate cover copies of detailed engineering studies prepared for us by UOP Process Division, C-E Lummus Company, R. M. Parsons Company, Heat Research Corporation and Exxon Research and Engineering Company. An index of these materials is attached to this letter.

1. Plant Design

Preliminary studies of required facilities were prepared by Chem Systems, Inc. and Brown & Root. After approval of The Agreement on June 18, 1978, Chem Systems began more definitive studies with the assistance of Brown & Root personnel. Late in 1978, UOP Process Division was retained to carry out additional plant design studies based on their basic technology supplemented by special technology from Exxon Research and Engineering Co., R. M. Parsons Company, and Heat Research Corp. (a subsidiary of M. W. Kellogg, Inc.) These studies resulted in a processing plan to produce fuel products such as unleaded gasoline and jet fuel and chemical products such as benzene, toluene, and xylene. Using projected product demands and prices, the optimum plant design for the first phase of construction would produce fuel products, petrochemicals and petrochemical feedstocks that could be used in subsequent construction phases.

601 WEST 5TH AVENUE, ANCHORAGE, ALASKA 99501, TELEPHONE 907 272-1517, TELEX 090-25157

The products to be produced in the first phase are outlined in the report which has been submitted covering Article 10.2(3)(b) on product requirements, production ratios and quantities.

2. Optimization Studies

After completion of the preliminary plant design, studies were undertaken to further optimize the design. These studies were carried out by UOP and Alpetco personnel, using marketing data developed specifically for the West Coast and Pacific basin market area. Various computer studies were carried out to determine the economics of each unit which had been included in the plant design and the economics of various production levels of products. After extensive analysis, it was concluded that the original plant design should be retained with only minor revisions.

The optimized plant design includes four major units to produce such fuels as unleaded gasoline and jet fuel and petrochemicals such as benzene, toluene and xylene. In addition, olefins such as propylene and ethylene and such petrochemical feedstocks as paraffinic naphtha are available which could be converted into additional petrochemicals in subsequent phases of plant construction.

In addition to the plant design and optimization work which has been outlined above, additional process engineering has been carried forward. This work has covered the onsite and offsite facilities and has been done by the following organizations:

Exxon Research & Engineering Co.	-	Flexicoking
R. M. Parsons Company	-	Sulfur Recovery
Heat Research Corporation	-	Hydrogen Plant
UOP Process Division	-	All other plants including catalytic reforming, catalytic cracking and mild hydrocracking
C-E Lummus Company	-	All offsite facilities such as tankage, waste treatment, power plant, etc.
Santa Fe Engineering Co.	-	Product Dock

This engineering work has recently been completed and will serve as the basis for a project cost estimate.

We believe that the work which has been summarized above satisfies Article 10.2(3)(h) of The Agreement. We will be glad to discuss any aspect of this work if you so desire.

Very truly yours,

ALASKA PETROCHEMICAL COMPANY

Gordon A. Cain
President

GAC:br

w/attachment

Attachment December 3, 1979

List of Detailed Engineering Studies

INDEX

1. Alaska Petrochemical Company, Valdez Refinery and Petrochemical Project, UOP Process Division

   Volume 1 - Process Selection
   Volume 2 - Process Optimization

2. Engineering for Cost Estimating, Alaska Petrochemical Refinery at Valdez, Alaska; UOP Process Division.

3. The Alpetco Company Oil Refining and Petrochemical Facility at Valdez, Alaska; Project Definition, C-E Lummus Company

   Section I
   Volumes 1 and 2 - Project Definition, General

   Section II
   Volume 1 - Project Definition, Onsite (ISBL) Facilities

   Section III
   Volumes 1 and 2 - Project Definition, Offsite (OSBL) Facilities

4. Sulfur Recovery Facilities, Proposal; The Ralph M. Parsons Company.

5. Process Specification - 40 MMSCF/D Hydrogen Plant; Heat Research Corporation.

6. Exxon Technology (Flexicoking Unit); Exxon Research and Engineering Company.

THE ALPETCO COMPANY

Refinery & Petrochemical Plant

Valdez, Alaska

PLANT DESIGN

Preliminary Studies:

Some of the preliminary studies for definition of the plant facilities for the project were carried out by Chem Systems, Inc. and Brown & Root. These studies visualized a major refining facility producing fuels with extensive petrochemical plants for processing available petrochemical raw materials into finished petrochemicals. These studies were developed to the point where a proposal could be prepared for submission to the State of Alaska. Preliminary cost estimates and preliminary economic analyses were made. These indicated that a very major facility would be required to provide refining capability and production facilities for large quantities of petrochemicals to be produced from the ethylene and benzene which were available raw materials.

More Definitive Planning Studies:

After the approval of the Royalty Oil Contract in June, 1978, additional studies were undertaken by Chem Systems and Brown & Root. For these studies the Chem Systems personnel carried out extensive computer simulations using data on individual process units which they obtained from process licensors. Brown & Root personnel developed cost estimates for each of these processing studies so that economic analyses

could be completed. Many of these studies were devoted to the definition of the optimum combination of refining capacity and petrochemical production capacity.

The general decline in the petrochemical market during 1978 and early 1979 and the significant upswing in the fuel products marketing picture prompted concentration on the facilities to produce fuel products and some petrochemicals with the production of additional petrochemicals deferred to a later phase. Because of their strong market position, primary petrochemical emphasis was placed on the production of benzene, toluene and xylene which are important building blocks for further petrochemical operations.

Late in 1978 the studies were carried into a second phase when the Process Division of UOP was retained to carry forward more extensive computer studies using their technology and technology which had been developed by other companies. Other technology selected for further study included the Flexicoking process by Exxon Research & Engineering for the conversion of the heavy fraction of the crude. The combination of this process technology with the capability to produce hydrogen and recover sulfur resulted in a complete plant which can produce a large quantity of high quality fuel products and substantial amounts of aromatic chemicals. Various alternative process combinations were studied, all directed toward the production of a product slate with the highest possible economic return which could be built in the severe Alaskan environment.

This processing scheme consisted of the basic refining processes provided by UOP including catalytic cracking, catalytic reforming and very mild hydrocracking. In addition, the Flexicoking technology from Exxon Research & Engineering was included in order to deal with the heavy fraction from crude. The combination of these produced an attractive return and was presented in the product slate and process flow plan descriptions which were prepared for presentation to possible participants in the project.

The process plan which was ultimately developed included the following key processing steps designed primarily to provide the most economical plant configuration.

Catalytic Reforming:

This process produces benzene, toluene and xylene, which can be extracted for sale as petrochemicals. It also produces high octane material for the production of gasoline. After the extraction of the aromatics, the remaining material is a very high quality paraffinic naphtha which can be used as a steam cracking feedstock to produce ethylene.

Mild Hydrocracking:

This process converts gas oil into high quality jet fuel. In the process, a large quantity of isobutane is produced which is required for olefin processing.

Catalytic Cracking:

This process converts gas oil into gasoline components with a large production of olefins. At the present time these olefins are to be converted into high octane blend stocks for gasoline, but could ultimately be recovered for the production of additional petrochemicals.

Flexicoking:

This process breaks up the heavy fraction of crude, normally sold as heavy fuel oil, and converts it into light products which can be fed to the other processing steps to produce additional fuel products and petrochemicals. By the use of this technology, a low BTU gas stream is produced which can be used to provide a substantial amount of the energy required for plant operation. The combination of this process

with the other conversion processes makes it possible to produce a large volume of high quality fuel products and petrochemicals from North Slope crude.

Offsite Design:

After the designs for the onsite part of the plant had been put together, the C-E Lummus Company prepared preliminary designs for the offsite facilities. These consist of tanks, docks, pipelines, blending facilities, power facilities, utility systems, and other support facilities required to provide an operable plant. During the design of these facilities, a plant layout was developed showing the location of each piece of equipment.

THE ALPETCO COMPANY

Refinery & Petrochemical Plant

Valdez, Alaska

OPTIMIZATION STUDIES

Upon completion of the work to preliminarily define the process plan, a major study was undertaken by the Process Division of UOP to optimize the design in preparation for more definitive process design. In order to carry out these studies the marketing situation was reassessed along with the pricing basis for products in 1984 and thereafter. In addition to this, the technology which had been considered for processing the heavy fraction of the crude was also reassessed. A detailed program was then developed for a series of computer runs to define the optimum process plan for the plant at Valdez.

The various computer runs, which have been summarized by UOP indicate that the original process configuration was very close to the optimum. Various size units have been considered in the main processing sequence in order to assure that the optimum design is carried forward into the next phase of the project. The specific areas which have been considered and the general conclusions which have been reached regarding them are as follows:

a. <u>Mild Hydrocracking</u>

The mild hydrocracking operation is a desirable process for upgrading light gas oil into jet fuel. Because of the large demands of the jet fuel market and the economic attractiveness of this fuel, a large hydrocracking unit is being included in the process

plan. The size of the unit has been determined by the volume of light gas oil which is available and the pressure level of the unit has been limited by the severity required to produce high quality jet fuel. Any further modifications to include heavier feed result in a larger unit, operating at a higher pressure level and requiring additional hydrogen production. After consideration of the various operating factors involved, it has been concluded that the low pressure unit feeding light gas oil should be included in the process design in the first phase of plant construction.

Additional aromatics production could be obtained by construction of a high pressure hydrocracking unit to produce naphtha from heavy gas oil as a second phase of plant construction.

b. Catalytic Cracking

The catalytic cracking unit has been revised to remove any recycle material from the feed. For satisfactory cracking of this recycle material, which is highly aromatic, a major investment would have to be made in hydrotreating and hydrogen production facilities to improve the quality of this stream. After a thorough economic evaluation it has been concluded that the catalytic cracking unit should be designed for once through conversion and that no treating of the cycle stock should be included in the design at this time. This is the only significant change from the original process plan.

c. Flexicoking

After a thorough evaluation of all bottoms processing schemes the Flexicoking technology provide the best combination of high liquid yields and minimum coke disposal. Other processing techniques make it necessary to produce a low value fuel oil. Further

steps have been taken to improve the design of the sulfur handling facilities for cleaning up the low BTU gas. It has been concluded that these facilities are sound and can be satisfactorily included in the design.

d. Catalytic Reforming

The catalytic reformer, which is a continuous reforming process of the latest design from UOP, will be increased in size so that in the event large quantities of virgin naphtha are available for production of gasoline, adequate reforming capacity will also be available. This naphtha can be produced by high severity hydrocracking of light gas oil.

Marginal Processing Steps:

In addition to an overall optimization of the plant, studies have been conducted on each of the peripheral processing plants in order to determine whether or not they should be included in the processing scheme. These peripheral plants are the Sulfolane extraction facilities for production of aromatics and the facilities for processing light olefins by polymerization or alkylation.

In the case of Sulfolane extraction of aromatics, it has been concluded that aromatics recovery is highly attractive provided that the raffinate can be disposed of at an attractive price based primarily on its value in gasoline. These facilities will produce a large quantity of aromatic petrochemicals which are very much in demand. The low octane byproduct raffinate is a very desirable steam cracking feedstock, or it can be used as a component for gasoline blending.

The alkylation facilities for handling mixed butylenes and propylenes to make alkylate for gasoline blending and the polymerization facilities for handling propylene will be sized

to optimize the processing of these olefins. These olefin streams could be used as petrochemical feedstocks for the next phase of plant construction. For the first phase these olefinic hydrocarbons will be converted to gasoline blending components.

ALPETCO JOINT VENTURE AGREEMENT

between

ALASKA PETROCHEMICAL COMPANY,

CHARTER OIL (ALASKA), INC.,

and

E. F. HUTTON (ALASKA) INC.

PARENT'S ASSETS ?

TABLE OF CONTENTS

TABLE OF CONTENTS
(Cont'd)

TABLE OF CONTENTS
(Cont'd)

ALPETCO JOINT VENTURE AGREEMENT

THIS AGREEMENT is made effective as of the 1st day of October, 1979, by and among Alaska Petrochemical Company (herein, "APC"), an Alaska corporation, Charter Oil (Alaska), Inc. (herein, "Charter"), a Florida corporation, and E. F. Hutton (Alaska) Inc. (herein, "EFH"), a Delaware corporation. APC, Charter and EFH are each herein also sometimes referred to individually as a "Venturer" and collectively as "Venturers."

NOW, THEREFORE, in consideration of the mutual covenants contained herein the Venturers agree as follows:

ARTICLE I

ORGANIZATION, PURPOSE AND TERM

1.01. Formation of Venture. APC, Charter and EFH hereby enter into and form The Alpetco Company, a general partnership under the Florida Uniform Partnership Act (the "Venture") for the purposes set forth herein. Except as expressly provided herein to the contrary, the rights and obligations of the Venturers shall be governed by the Florida Uniform Partnership Act. All real and personal property owned by the Venture shall be held in the Venture's name and not in the names of the individual Venturers, and no Venturer shall have any individual ownership in such property except for its property rights as a Venturer.

1.02. Name and Places of Business. The business of the Venture shall be conducted under the name of "The Alpetco Company". It may establish such places of business as may be desirable. Each Venturer shall execute all assumed or fictitious name certificates required by law in connection with the use of such name.

1.03. Purpose. The purpose of the Venture is to be a profit-making enterprise to construct, acquire, own, operate and maintain a refinery and petrochemical manufacturing facility and related facilities in Alaska with the capacity to process approximately 150,000 barrels of crude oil per day (herein, the "Complex"); to make appropriate arrangements for the acquisition and subsequent processing, sale or other disposition of crude oil, and products derived therefrom, during the time before startup of the Complex; to acquire all necessary feedstock for and to sell and otherwise dispose of products from the Complex; to obtain financing necessary to carry out such purposes; to secure any such financing by mortgaging, pledging or granting security interests in some or all of the Venture's assets; to perform APC's obligations under that certain Agreement for the Sale and Purchase of State Royalty Oil dated February 22, 1978, as amended under date of May 17, 1978, between the State of Alaska, as Seller, and APC, as Buyer (herein, "Royalty Oil Contract"); and to

do all other things which are necessary or proper in the conduct of the business of the Venture. The undertakings to accomplish the above purposes of the Venture are hereinafter referred to as the "Project". The Venture may conduct any of its authorized activities either by itself or through a joint venture, partnership or corporation jointly owned by the Venture and third parties.

1.04. Term. The Venture shall commence effective as of October 1, 1979, shall continue for the longer of (i) fifty (50) years from October 1, 1979, or (ii) the full term of the Royalty Oil Contract and any renewals or extensions thereof and shall continue thereafter for subsequent terms of one (1) year each but subject to earlier termination as provided in Subsection 2.01(ii) or Section 9.02(d) below, and provided that the Venture shall terminate upon the Royalty Oil Contract being surrendered or terminated at any time prior to December 18, 1980.

ARTICLE II

MANAGEMENT

2.01. Overall Management. Except as herein specifically provided, the business of the Venture shall be managed by the Policy Committee referred to in Section 2.02. Any action authorized by the Policy Committee by the vote of a member or members representing Venturers holding a majority of the Ownership Interest shall authorize action by the Venture, except as provided in Section 3.03(c) and except as to the following matters which shall require agreement of either eighty-five percent (85%) or one hundred percent (100%) of the Ownership Interests, as indicated:

(i) The sale, lease or other disposition of all or substantially all of the Venture's assets (100%).

(ii) Termination of the Venture prior to its term stated in Section 1.04 notwithstanding Section 9.02(d) below (85%).

(iii) Approving the initial design, plans and specifications for initial construction of the minimum Complex (herein, the "Minimum Complex") that will satisfy the requirements of the Royalty Oil Contract, and changes thereto which would result in a material increase (anything less than $20,000,000 in the aggregate in any calendar year not being considered material) in the cost of the Minimum Complex (85%).

(iv) Approval and execution of definitive documents for financing the Minimum Complex (100%).

(v) Approving any budgets (85%).

(vi) Surrendering, amending, or assigning the Royalty Oil Contract (85%).

(vii) Selecting the operator of the Complex and approving the contract pursuant to which such operator shall act (85%).

(viii) Making any commitment for the sale, exchange, other disposition, or processing or refining, of any of the Venture's crude oil or resulting products for a period of more than three months, including any renewal provisions to which the Venture is bound but excluding those not binding on the Venture (with respect to which 100% approval shall again be required to bind the Venture) (100%).

(ix) Approving or entering into any contract between the Venture and any Venturer, any Affiliate (as defined in Section 2.04 below) of any Venturer, or any principal owner of an entity owned in conjunction with a Venturer or an Affiliate thereof (85%).

(x) Making of any capital contributions to the Venture other than in cash, except for the capital contribution referred to in Section 3.02(a) below (100%).

(xi) Payment of any Venture funds or distribution of any Venture assets to any Venturer other than in proportion to the Venturer's respective Ownership Interest at the time, except as expressly provided herein or pursuant to agreement between the Venture and a Venturer approved as provided herein (100%).

(xii) Investment of any Venture funds other than as provided in Section 6.05 hereof (85%).

(xiii) Making of any filing by the Venture with the United States Department of Energy or any successor agency affecting the Venture or any Venturer or Affiliate relating to the sale or disposition of crude oil or products by the Venture (85%).

Should any Venturer propose a capital investment or expenditure program or project which is rejected by the Venture, notwithstanding a favorable vote by the proposing Venturer, such Venturer shall have the right to proceed with such program or project itself, at its own cost, liability and expense, separately from the Venture except that approval of any transaction with the Venture in respect thereto shall be subject to the terms and conditions of this Agreement including without limitation this Section 2.01, provided that any approvals required under this Section 2.01 shall not be unreasonably withheld.

2.02. Policy Committee.

(a) Subject to Section 2.01 hereof, the business of the Venture shall be managed and controlled by a Policy Committee. Each Venturer shall be entitled to appoint one member to the Policy Committee. All appointments of members on the Policy Committee shall be in writing and directed to each of the Venturers, and the same shall designate the person or persons authorized to vote the Ownership Interest of the appointing Venturer. Each Venturer at any time shall have the right to appoint alternates for its Policy Committee member by written notice to the General Manager, and shall have the right to change its member on the Policy Committee.

(b) Subject to Sections 2.01 and 3.03 hereof, each Venturer shall have a vote in Policy Committee decisions equal to its then current actual Ownership Interest in the Venture, and the vote of a majority of the Ownership Interest in the Venture shall constitute a majority vote of the Policy Committee.

(c) Except as herein otherwise provided, the Policy Committee will conduct its proceedings in accordance with such rules as it may, from time to time, establish by majority vote, and shall keep minutes of its meetings and the actions taken by it.

(d) Members of the Policy Committee, or their designated alternates, may attend meetings and vote either in person or through duly authorized powers of attorney. The presence in person or by power of attorney of a representative or representatives of a majority of the Ownership Interest shall constitute a quorum of the Policy Committee for the transaction of business. Members of the Policy Committee may participate in meetings of the Policy Committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear and speak to each other, and participation in a meeting in such manner shall constitute presence in person at such meeting.

(e) Meetings of the Policy Committee may be called by any member or by the General Manager, on at least three days' advance notice to all members, given as provided in Section 12.04 hereof, and directed to the address of each Venturer, or by telephone to the President, any Vice President, or the designated Policy Committee member of a Venturer having a

member on the Policy Committee, which notice shall be effective when received but shall be confirmed in writing sent within two days of the telephone notice.

(f) The Policy Committee may act without a meeting if, following notice of the proposed action to all Venturers, members representing the required percentage of Ownership Interest consent in writing to the action taken, or, without prior notice upon unanimous written consent of all Venturers.

(g) Actions taken by representatives of the required percentage of Ownership Interest at a Policy Committee meeting at which a quorum is present, and for which notice either is given or is waived before or after such meeting by such representatives, or pursuant to Subsection (f) immediately above, shall authorize action by the Venture.

2.03. General Manager.

(a) Promptly upon selection of the Policy Committee, it shall hold a meeting and by majority vote appoint a General Manager for the Venture. The General Manager may be removed at any time by majority vote of the Policy Committee and a new General Manager appointed by like vote. Subject to the direction and control of the Policy Committee, the General Manager will have the responsibilities and authorities for the operations of the Venture and will be provided

a staff of financial, technical, commercial and administrative personnel sufficient to enable the General Manager to perform the responsibilities assigned to him. The General Manager will operate within and give effect to the programs, budgets, plans and policies appropriately approved by the Policy Committee, and his specific duties and responsibilities will include the following:

(i) Take all steps necessary for the Venture to satisfy or cause others to satisfy the obligations of APC and the Venture under the Royalty Oil Contract;

(ii) Direct the preparation of the work required to complete plans for construction, financing, and operation of the Complex, as the Policy Committee may assign to him from time to time;

(iii) Direct the preparation of quarterly, annual, 5 year and other long-term operating plans, operating budgets (including a forecast of cash requirements for each of the next twelve months) and capital programs for approval and/or modification by the Policy Committee;

(iv) On behalf of the Venture to enter into such contracts, leases, agreements and undertakings as may be appropriately approved by the Policy Committee;

(v) Within budgetary authorizations, to engage employees for the Venture as may be required, from time to time, to conduct the Venture's business;

(vi) Report to the Policy Committee on the performance and affairs of the Venture as requested by the Polic_ Committee and

when any situation develops which requires modification of a previously authorized plan, budget or program.

(b) In addition, the Policy Committee may appoint one or more other Venture officials, including Assistant General Managers, any of which officials may be removed at any time by majority vote of the Policy Committee. In addition to responsibilities and authorities above provided for the General Manager, all Venture officials shall have such titles, responsibilities and authorities as the Policy Committee may delegate to them.

2.04. Loaned Employees. The General Manager may select employees of the Venturers, or their Affiliates, to perform services for the Venture, subject to the approval of the employer Venturer or Affiliate. As used in this Agreement, the term "Affiliate" with respect to a Venturer shall mean any entity (i) more than 30% of the equity capital of which is owned, directly or indirectly, by any Venturer or by an Affiliate of any Venturer, or (ii) that owns, directly or indirectly, more than 30% of the equity capital of any Venturer or any Affiliate, but the Venture shall not be considered an Affiliate. Any employee of a Venturer, or its Affiliate, who performs services at the Venture's request shall be paid by the Venturer, or its Affiliate, by whom he is employed. The Venture shall reimburse such Venturer, or its Affiliate,

as the case may be, for direct salary plus 30% of such direct salary as reimbursement for other payroll costs for any employee of a Venturer or Affiliate who performs services for the Venture at its request on a full-time basis for 20 or more consecutive business days.

2.05. Contractor Parties. The General Manager may request from any Venturer, or its Affiliate, accounting, data processing or similar services as may be reasonably required, from time to time, for the Venture's business. In the event any Venturer, or its Affiliate, provides such services to the Venture, the Venture shall reimburse the Venturer, or its Affiliate, as the case may be, for its actual costs, to the extent reasonable, of providing such services, including direct and indirect costs and properly allocable overheads. All air travel shall be reimbursed at first class commercial rates.

2.06. Corporate Officers. Notwithstanding the foregoing, the reimbursements provided for in Sections 2.04 and 2.05 hereof shall not be applicable to any Chairman, Vice-Chairman or President or other officers having similar responsibilities, of any Venturer or Affiliate thereof, but shall be applicable to any other employees, including persons who are a Vice President, Secretary, Treasurer, Assistant Vice President, Assistant Secretary or Assistant Treasurer.

ARTICLE III

OWNERSHIP AND ADJUSTMENTS THEREIN

3.01. Ownership Interests.

(a) The Ownership Interest of each Venturer from time to time shall be a fraction, the numerator of which is the total Capital Account of that Venturer and the denominator of which is the total Capital Accounts of all Venturers, both as of the date on which the Ownership Interest is determined. The term "Capital Account" shall mean, as to each Venturer, an account or accounts that reflect the net effect of (i) all capital contributions made by such Venturer to the Venture, (ii) all items of Venture income, gain, credit, cost, expense, loss and deduction allocated to such Venturer, and (iii) all distributions made to such Venturers, all determined in accordance with Article VI hereof. The term "Ownership Interest" or "Ownership Interests" as used herein shall mean all the rights and interests of all the Venturers in the Venture unless qualified to mean that of a particular Venturer or Venturers, and shall be as of the time that is relevant in the context.

(b) Upon completion of Charter's capital contributions under Section 3.02(b), the Ownership Interest in the Venture of each present Venturer will be: APC, twenty-three and four-tenths percent (23.4%); Charter, seventy percent (70%); and EFH, six and six-tenths percent (6.6%).

3.02. Capital Contributions. The Venturers have made and shall make the following contributions of property and capital to the Venture:

(a) APC, on behalf of APC and EFH, hereby contributes to the Venture the product of all work done by or on behalf of APC in connection with the Project (including the securing of the Royalty Oil Contract), from the inception of such work to and including September 30, 1979. This contribution shall be (i) valued at the amount of all Project expenditures from the inception of Project work in July, 1977 through September 30, 1979, which value is $6,795,795, and shall be deemed to have been made on October 1, 1979, and shall be credited 78% to the capital account of APC and 22% to the capital account of EFH. The assignment by APC to the Venture of the Royalty Oil Contract, in accordance with and subject to the terms and provisions of Article IV below, shall constitute a part of the capital contribution made by APC under this Paragraph (a).

(b) All additional capital required for the Project, commencing October 1, 1979, shall be provided by cash contributions to be made by Charter,

in the amount of $2.0 million for October, 1979, $1.0 million the first day of each of the next five succeeding months and in such additional amounts as are required each month by the Venture to carry out the Project until the total contributions of Charter equal $15,856,855. Charter shall have the right to prepay any of such capital contributions following (i) receipt by the Venture of letters from the Commissioner of Natural Resources of the State of Alaska indicating compliance by the Venture with Section 10.2(3) of the Royalty Oil Contract, and (ii) his notice to the "Lessees" under the Royalty Oil Contract of the State's election to take its royalty oil in kind.

(c) After Charter's capital contributions under Paragraph (b) are completed, each Venturer shall, in the proportion to its respective Ownership Interest, and as calls for the contribution of capital ("Capital Calls") are made under Section 3.04 hereof, contribute all further cash required to be contributed to the Venture from time to time to carry out the Project and perform the obligations of the Venture.

(d) A failure of any Venturer to make any capital contribution shall not give the Venture or

any Venturer a cause of action for recovery of such contribution or for damages, but shall have the consequences specified in Section 3.03 hereof.

3.03. Failure to Make Capital Contributions.

(a) If Charter fails to pay timely the first $7.0 million of the capital contribution required of it under Section 3.02(b) above, Charter shall automatically be expelled from the Venture, shall have no further interest in the Venture or any of its assets, and shall not be entitled to a return of any capital it may have contributed to the Venture.

(b) If any Venturer fails to timely make the full amount of any required capital contribution other than Charter's $7.0 million referred to in above Paragraph (a), and the Venturer failing to make such capital contribution (herein, the "Defaulting Venturer") does not do so within three days of notice by the General Manager or any non-Defaulting Venturer to the Defaulting Venturer of such failure, then the General Manager shall within twenty-four hours give notice of such failure (such failure being called a "Missed Capital Call") to all Venturers, and any one or more of the other Venturers may pay all or a portion of the capital contribution not paid by the Defaulting Venturer at any time within ten (10) days after the date of such notice. If more than one

Venturer desires to pay all or a portion of the capital contribution in lieu of such Defaulting Venturer, the Venturers desiring to pay such capital contribution shall be entitled to pay it up to the amount that the ratio of the Ownership Interest of each contributing Venturer bears to the aggregate Ownership Interest of all contributing Venturers who so pay; if any contributing Venturer does not elect to pay the entirety of such amount, the deficiency may be paid by the other contributing Venturer. Immediately upon such Venturers paying such capital contribution in lieu of the Defaulting Venturer, or upon an election by the non-Defaulting Venturers not to pay all or a portion of such capital contribution, the Ownership Interests in the Venture of the Venturers shall be adjusted by application of the fraction set forth in Section 3.01(a) hereof.

(c) At any time within ninety (90) days following a second Missed Capital Call by any Venturer (herein, a "Repeating Defaulting Venturer") the non-Repeating Defaulting Venturers may elect by majority vote of their Ownership Interest (irrespective of any contrary provision of Section 2.01 above), to have the Venture acquire the entire Ownership Interest of the Repeating Defaulting Venturer at a purchase price equal to the Ownership Interest of the Repeating Defaulting Venturer times the Net Book Value of the Venture, with such Ownership

Interest and Net Book Value both to be determined as of the opening of business on the first day of the calendar month next following three days' notice of such election by the non-Repeating Defaulting Venturers, or any one or more of them, to the Repeating Defaulting Venturer. Such Net Book Value of the Venture shall be the sum of the Capital Accounts of the Venturers, which shall be determined by the independent accounting firm that last conducted an audit of the Venture's records, unless some other firm is selected by the majority in Ownership Interest of non-Repeating Defaulting Venturers. The purchase price due to the Repeating Defaulting Venturer shall be represented by a promissory note made by the Venture, in the amount of the purchase price, dated as of the effective date of the acquisition, bearing interest at the rate of 7% per annum, with accrued interest only to be payable on such note on the first through the ninth anniversary of the date thereof, and with accrued interest and the entire amount of principal to be paid on or before the tenth anniversary of the date thereof, and to be payable at the office of the payee designated under Section 12.04 below. The acquisition by the Venture of the Ownership Interest of the Repeating Defaulting Venturer shall be effective as of the date of determination of Ownership Interest and Net Book Value, and shall occur automatically upon tender to the Repeating Defaulting Venturer of the aforementioned promissory note.

(d) If there are two missed Capital Calls by any Venturer under this Section 3.03, such Venturer shall thereafter have no right to meet any subsequent Capital Call and that notwithstanding the provisions of Section 2.02(b) such Venturer shall forfeit its right to representation and voting on the Policy Committee.

3.04. Procedure for Capital Calls. Capital Calls shall be made, from time to time, only as required to fund items set forth in the schedule of cash requirements contained in budgets previously approved by the Policy Committee. The General Manager, or any person designated by him, shall give each Venturer written notice of each Capital Call at least thirty (30) days before it is due, specifying the amount of such Capital Call and each Venturer's share thereof under Sections 3.02(b) and (c) above.

3.05. Allocations. All items of income, gain, loss, deduction or credit of the Venture shall be allocated among the Venturers in the ratio of their Ownership Interests.

3.06. Distributions. The cash flow generated by the Venture shall be allocated and distributed regularly but at least quarterly to the Venturers in accordance with their Ownership Interests after the Venture has made due allowance for cash necessary for the operation of the Venture's business as budgeted, the making of scheduled and routine capital improvements, the requirements of any loan agreements to which the Venture is a party, and any payments to become due

within ninety days on any of the Venture's notes or other obligations.

ARTICLE IV

FURTHER OBLIGATIONS

4.01. Venture's Assumption of APC's Obligations. The Venture hereby assumes and agrees to perform APC's obligations to third parties in connection with the Project that are not paid or performed on October 1, 1979, or that arise or become payable or performable on or after October 1, 1979, as specified in Section 4.02 hereof and as set forth in Exhibit A hereto.

4.02. Royalty Oil Contract. APC hereby contributes and assigns the Royalty Oil Contract to the Venture, subject to obtaining the consent of the State of Alaska as required under Article 23.1 of the Royalty Oil Contract in form and substance satisfactory to at least 85% of the Ownership Interest. In connection therewith, the Venture hereby assumes all of APC's obligations under the Royalty Oil Contract and agrees to reimburse APC for the cost of performing any of such obligations performed by APC with the consent of the Venture that can only be performed by APC.

4.03. Product Purchase Contracts to Support Financing. The Venturers have executed product sales agreements providing for purchase by the Venturers of products on a take-or-pay basis to support the long-term financing of the Complex. The Venturers, notwithstanding anything else to the contrary herein contained, agree to cause the Venture to purchase

refined products for resale as necessary to continue deliveries under such product sales agreements, if such purchase commitment by the Venture is required as part of the definitive documents relative to the long-term loan of funds for the Complex.

4.04 Processing of Crude Oil Prior to Start-Up. By separate agreement the Venture, the Venturers and The Charter Company or one or more of its subsidiaries or affiliates have agreed to designate The Charter Company and one or more of its subsidiaries or affiliates as agent for handling the processing and sale of refined products produced from crude oil purchased by the Venture under the Royalty Oil Contract prior to start-up of the Complex (the "Interim Crude Oil Agreement") subject to the terms and conditions thereof. Notwithstanding the provisions of Article 2.01(viii) hereof, upon the termination of the Interim Crude Oil Agreement, prior to start-up of the Complex, the Venture hereby agrees to resell crude oil it purchases under the Royalty Oil Contract at cost, F.O.B. Valdez, to each of the Venturers in proportion to their Ownership Interest in Venture at the time of each delivery of crude oil.

ARTICLE V

TAX STATUS

5.01. Election With Respect to Taxation as Partnership. No election shall be made by the Venture or any Venturer to be excluded from the application of any provisions of Subchapter K, Chapter 1 of Subtitle A of the Internal Revenue Code of 1954, as amended (the "Code"), or from any similar provisions of any present or future federal or state tax laws.

5.02. Other Partnership Elections.

(a) The Venture shall elect to deduct expenses incurred in organizing the Venture ratably over a sixty-month period as provided in Section 709 of the Code.

(b) The Venture shall elect to deduct taxes and carrying charges that would otherwise not be deductible under Section 266 of the Code if charged to capital accounts.

(c) The Venture shall elect to use the Class Life Asset Depreciation Range, using the shortest period of years for each class of assets and the depreciation allowance shall be computed using a double declining balance method.

5.03. Tax Ruling. At the direction of the Policy Committee, the General Manager shall cause a request to be filed with the United States Internal Revenue Service requesting a

ruling to the effect that the entity created hereby constitutes a partnership for federal income tax purposes and does not constitute an association taxable as a corporation.

ARTICLE VI

FISCAL YEAR, ACCOUNTING AND BANK ACCOUNTS

6.01. Fiscal Year. The fiscal year of the Venture shall be the calendar year.

6.02. Records. The General Manager shall cause the Venture to maintain complete and accurate records and accounts of all Venture income and expenditures and of the acquisition, ownership and disposition of all Venture properties. Such records shall be available for inspection and audit by any Venturer or its duly authorized representative, at the expense of such Venturer, during business hours at the principal office of the Venture. The Venture shall not be required to maintain any such records for a period in excess of six years from the date of the making or receipt thereof unless a Venturer requests that they be maintained for a longer period, except for those records required to be kept for a longer period under the Royalty Oil Contract or applicable laws.

6.03. Audit. The books of the Venture shall be audited annually at Venture expense by a nationally recognized independent accounting firm selected by the Policy Committee, and a copy of each such annual audit shall be furnished promptly to each Venturer.

6.04. Reports. The General Manager shall report in writing and in reasonable detail to each Venturer on the affairs of the Venture, as often as is reasonably required to keep each Venturer informed as to the affairs of the Venture but not less frequently than once each month, and shall also cause the Venture to furnish to each Venturer (i) a copy of the audited annual financial statements within 45 days after the close of each fiscal year, (ii) a copy of unaudited monthly financial reports within 15 days after the close of each month, and (iii) within 60 days after the close of each fiscal year, any additional information relating to the Venture that is required for preparation of the Venturer's income tax returns, and such other information as is required by the Venturers or Affiliates thereof for reporting under the Securities Act of 1933 and the Securities Exchange Act of 1934 or other applicable law.

6.05. Bank Accounts. The Venture funds may be deposited in bank accounts maintained in the Venture's name as authorized from time to time by the Policy Committee. Any funds of the Venture that are temporarily not required to be disbursed may be invested in United States Treasury Bills or other money market instruments approved by the Policy Committee but not any security issued by a Venturer or any Affiliate thereof. No Venture funds shall be commingled with the funds of any Venturer or Affiliate thereof.

6.06 Method of Accounting. The Venture shall keep its books of account and records on an accrual basis, using federal income tax accounting, which will clearly reflect each respective Venturer's Capital Accounts on an income tax accounting basis. All books of account, records, reports and financial statements prepared for the Venturers, for credit purposes or for any other purpose shall be prepared in a manner which accounts for advance payments, as defined by Treas. Reg. §1.451-5(a), so that such advance payments are included in gross receipts in the taxable year in which they are properly accruable under the Venture's method of accounting for tax purposes.

ARTICLE VII

TECHNOLOGY AND PATENTS

7.01. Ownership of Technology and Patents.

(a) All technology, whether it be in the form of ideas, concepts, know-how, trade secrets, improvements, design information, design drawings, plans, formulations, technical data or engineering information, whether or not such technology arises to the level of a patentable invention, developed, conceived or acquired by the Venture during the existence of the Venture shall be the personal property of the Venture. All technology developed or conceived in connection with the Venture by individuals loaned or provided to the Venture by the individual Venturers or their Affiliates, or employed by or representing the individual Venturers or their Affiliates, but working for the benefit of the Venture to carry out the purposes of the Venture, shall also be the personal property of the Venture if the compensation for such individuals was reimbursed to their employer by the Venture during the time that such technology was developed or conceived. The technology described in the two preceding sentences of this Section 7.01 is hereinafter referred to as the "Venture Technology."

(b) Each of the individual Venturers shall execute or cause to be executed all necessary documents to transfer

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 Affliate 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 Notwithdrawing Venturer does not elect to purchase his pro rata share of the Ownership Interest of the Withdrawing Venturer, any other notwithdrawing 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 Defauting 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 telegrammed 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 _____
President

CHARTER OIL (ALASKA), INC.

By _____
President

E. F. HUTTON (ALASKA) INC.

By _____
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 efforst to meet the Company's transportation needs as they evolve.

EXHIBIT A-2

Schedule of Accrued Obligations of Alaska Petrochemical Companay 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
Seatrain 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 SPEEDWAY
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

Gordon A. Cain
President

GAC/my

601 WEST 5TH AVENUE, ANCHORAGE, ALASKA 99501, TELEPHONE 907 272-1517, TELEX 090-25157

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 _____
Vice President

THE ALPETCO COMPANY, "ASSIGNEE"

By _____
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