SCOMM

#9:84

Out Of Foresight . . . Opportunity

With much of the nation shivering and many workers idle, Victor Alhadeff is busy pursuing opportunity.

Alhadeff Of ENI: He expects blue-chip companies to put "hundreds of millions" into energy ventures.

LATE LAST MONTH Damson Oil & Gas Drilling Program 74-2 sold out its producing wells to Libbey-Owens-Ford for $4 million. No, Libbey-Owens was not diversifying; it was looking for sources of fuel to avoid future shutdowns like those that paralyzed its plants during the recent cold crunch.

Libbey-Owens was the third company in the last few months to go this route, and many more will be doing so shortly, according to Victor D. Alhadeff, 30, chairman of ENI Corp. in Seattle, Wash., leading oil and gas tax shelter specialists. In less than six years Alhadeff has become the largest single factor in financing independent oil and gas enterprises in the U.S.; many of the Damson investors were his clients. Says Alhadeff: "We are negotiating with three New York Stock Exchange companies to sell them producing wells, as in the Damson deal.

"That potential," says he, "was set in motion in early January at an energy conference on acquiring natural gas in the field in Houston, Tex., which was attended by 120 blue-chip companies. The consensus reached then by a majority of the companies was that they should invest in new drilling ventures directly as well as buy existing production of natural gas. As a result, you're going to see several hundreds of millions coming from this source this year and next."

All that won't solve the natural gas shortage by a long shot, but it will provide a bonanza for drilling investors and for people like Alhadeff.

Since he began in 1971 he has steered some 1,600 clients into $130 million worth of oil and gas funds. Moreover, Alhadeff has also brought out his own diversified drilling fund. It will put investors into a group of oil and gas drilling ventures with numerous different operators, thus giving them a play in many areas.

While moving fast to take advantage of the gas shortage, Alhadeff has rather harsh words for the policies that produced the shortage. He says: "It is ironic that the two states hardest hit by gas shortages, Pennsylvania and Ohio, are states that are sitting on top of lots of old partially depleted wells. But the price for intrastate oil in those states was set so low by politicians that no one wanted to drill and wind up losing money. If the politicians had set the price at $2 per thousand cubic feet as they do in Texas, those states wouldn't be in as desperate a situation as they are in now."

Having delivered himself of this blast, Alhadeff picked up the telephone to talk with a prospective investor. Like smart businessmen everywhere, he is, in the end, less interested in past problems than he is in pursuing present opportunities. ■

"Way Up There . . ."

. . . The question is: How will 400,000 people in Alaska spend over $7 billion?

BETWEEN NOW and 1985, the state of Alaska's share of North Slope, Prudhoe Bay and Cook Inlet oil and gas production is expected to exceed $7 billion. Revenues from the state's substantial coal, iron ore and molybdenum reserves could boost Alaska's income by billions more. The question now facing the state's 400,000-odd residents is: What will we *do* with all that money?

Late last month, FORBES obtained a copy of draft legislation detailing part of Governor Jay S. (for Sterner) Hammond's answer: Nine neatly typed pages outlining the creation of the "Alaska Permanent Fund," a concept approved overwhelmingly by Alaskan voters last November. While the language is loose, two things are clear: The Permanent Fund will hold the keys to a good deal of Alaska's future development. And, the Fund will be no free-lunch wagon.

In general, the Permanent Fund will be part savings bank, part development bank. Specifically, the draft bill provides that:

- One-half the revenues derived by Alaska from its mineral resources—expected petroleum revenues alone should bring the Fund's balance to nearly $4 billion by 1985—must be put into the Permanent Fund.
- At least 40% of the Fund's balances must be put into "investment-grade securities"—presumably corporate and government debt.
- As much as 30% of the remainder may be used for low-interest loans and other incentives to supplement private capital within the state.
- No more than 30% of the Fund may be used for public works.
- If the Permanent Fund is directed to invest in projects earning less than market rates of return, then the state's general fund must make up the difference and pay it into the Fund.

If the Alaska Permanent Fund sounds fiscally conservative, it is—and by no accident. Last August, Alaska's State Investment Advisory Committee, which drafted the legislation, hired Wall Street investment bankers White, Weld & Co. to aid in the Fund's design. Explains Charles J. Fuhrmann II, the dapper, 32-year-old White, Weld first vice president working behind the scenes on the proposed legislation: "We tried not to be

Harvard Business School-ey and tell the Alaskans what to do. But we have told them the risks in terms of their credit standing if the Fund doesn't get the market rate and becomes, instead, a little welfare station subsidizing everything in sight."

But Fuhrmann is the first to stress that the Fund's political hassles are only about to begin: "Everyone is trying to keep things friendly and make this bill look like a consensus. But the real wars are still to come. No one has had a chance to present an alternative. But when this bill goes to the legislators, everyone will."

The problem is that Alaskans are as diverse as the state is rich. It took voters years to decide whether to keep their state capital in Juneau or move it to Anchorage. (Last November's decision: Build a new capital somewhere in between Anchorage and Fairbanks—a "North Brasilia" as some wags already dub it.) So you can imagine the coming struggle over who will control the Permanent Fund, and how its income should be used. Some groups want to reinvest it all. Others want to spend it all—on "North Brasilia" perhaps. Still others want to divvy the Fund's income among the state's citizens. By 1985 each year's dividend could well exceed $1,000 for each Alaskan resident.

"The amazing thing in all this," says Furhmann, "is that it's happening just 4,000 miles away, yet no one on Wall Street is aware of it. There's this feeling that, 'Well, it's Way Up There . . .' But suddenly the Fund will be there with lots of money in it, and Wall Street will be beating down the Alaskans' doors with lots of investment opportunities and recommendations and so forth. And we hope still to be up there helping the Alaskans evaluate all those proposals."

Moral: However cold it may be, get your foot in the door. It seems White, Weld has already done so. ■