

ALASKA LEGISLATURE COMMITTEE FILES 1983-1984 8672

2524 SJ • SB 418 - SB 464

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**COMMITTEE REPORT**  
**SENATE**

FURTHER:

Date \_\_\_\_\_

Mr. President

The Committee on \_\_\_\_\_ considered \_\_\_\_\_

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for \_\_\_\_\_
- new title
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

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MEMBERS HAVING  
OTHER RECOMMENDATIONS

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\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Chairman recommendation

# COMMITTEE REPORT

## SENATE

FURTHER:

Date \_\_\_\_\_

Mr. President

The Committee on \_\_\_\_\_ considered \_\_\_\_\_

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for \_\_\_\_\_
- new title \_\_\_\_\_
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

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MEMBERS HAVING  
OTHER RECOMMENDATIONS

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Chairman

\_\_\_\_\_  
Chairman recommendation

- CALONGAR -



ALASKA STATE LEGISLATURE - SENATE  
COMMITTEE ON LABOR AND COMMERCE

SENATOR RICHARD I. ELIASON  
CHAIRMAN

POUCH V • JUNEAU, ALASKA 99811  
(907) 465-3844

OFFICIAL BUSINESS

MEMORANDUM

TO: Sen. Bill Ray, Chair  
Senate Judiciary Committee

FROM: Sen. Dick Eliason *Dick Eliason*

DATE: March 9, 1984

RE: SB 427 - "An Act repealing the pooled music copyright law"

As requested I reviewed the above-referenced legislation and I am now reporting my findings to you.

This legislation will repeal AS 45.50.330-45.50.460, which requires persons holding certain pooled copyrights on musical works to file lists of these copyrights with the State. The purpose of these filings is to allow the public to "avoid using the copyrighted compositions and to avoid conflict with them". In fact, however, no one ever examines these filings any more. In 1983 only one person examined the files in the Department of Revenue or the duplicate files at the Department of Administration.

Repeal of the state law would not make the information unavailable to the Alaskan public. Federal copyright laws require the same information to be filed with the Copyright Office, and copies of the lists of copyrighted materials may be purchased from the Federal Superintendent of Documents. A new list is published every six months.

Additional back-up information is attached.

Position Paper

SB 427

February 28, 1984

This bill will repeal AS 45.50.330-45.50.460, which requires persons holding certain pooled copyrights on musical works to file lists of these copyrights with the State.

The Department of Administration believes that AS 45.50.330-45.50.460 should be repealed and, therefore, favors passage of this legislation.

We feel that the statute is unnecessary and of no significant benefit. In the past eight months only one person has inquired about filing information. We anticipate no staff reduction due to passage since it is one of the minor miscellaneous duties of a secretary.

Frances H. Rose  
Frances H. Rose  
Special Assistant to the Commissioner  
Department of Administration

2/29/84  
Date

A. Blum for  
Commissioner Lisa Rudd  
Department of Administration

3-1-84  
Date

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: February 28, 1984

Page 1 of 2

REQUEST

Bill/Resolution No.: SB 427  
 Title: An Act repealing the pooled music copyright law  
 Sponsor: Fahrenkamp  
 Requestor: \_\_\_\_\_  
 Date of Request: \_\_\_\_\_

FISCAL DETAIL

Agency Affected: Administration  
 Program Category Affected: \_\_\_\_\_  
 BRU, Program of Subprogram(s) Affected: \_\_\_\_\_  
 Commissioner's Office

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0	0	0	0	0	0
<b>CAPITAL</b>	0	0	0	0	0	0
<b>REVENUE</b>	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

POSITIONS: None

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for any Analysis.

Prepared By: Frances H. Rose *Frances H. Rose*  
 Division: Commissioner's Office

Phone: (907) 465-2200  
 Date: 2-29-84

Approved by Commissioner: Lisa Rudd *L. Rudd*  
 Agency: DEPARTMENT OF ADMINISTRATION

Date: 3-1-84

Distribution (by Agency preparing fiscal note):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

HELENE N. ANTEL  
MICHAEL W. DUNDY  
BRIAN V. DURRELL  
DAVID B. MILLEN  
DOUGLAS S. PARKER  
JAMES N. REEVES  
THOMAS K. WILLIAMS

LAW OFFICES  
**BOGLE & GATES**  
A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS  
SUITE 525

900 WEST FIFTH AVENUE  
ANCHORAGE, ALASKA 99501  
(907) 276-4337 TELEX: 090-26-695  
TELECOPIER: 907-276-4152

PLEASE REPLY TO ANCHORAGE OFFICE

SEATTLE OFFICE  
THE BANK OF CALIFORNIA CENTER  
SEATTLE, WASHINGTON 98104  
CABLE "BOGLE SEATTLE"  
(206) 992-5161 TELEX: 32-1087

WASHINGTON, D. C. OFFICE  
SUITE 900  
ONE THOMAS CIRCLE, N. W.  
WASHINGTON, D. C. 20005  
(202) 293-3600 TELEX: 89-7410

February 15, 1984

The Hon. Bill Ray, Chairman  
Senate Judiciary Committee  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

Re: Senate Bill No. 427 (Our File No. 1221/01249)

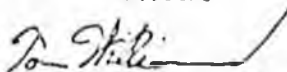
Dear Senator Ray:

The enclosed letter explains in somewhat more detail why SB 427 (repealing Alaska's 1939-vintage law on pools for licensing the public performance of copyrighted music) should be passed.

My initial reaction if I were in your position would probably be to do nothing with this legislation unless I was sure in my own mind that there was no further need for these laws and that the interests of the Alaskan public would not be compromised by such a repeal, so I can understand it if your feelings are similar. However, there really are sound reasons for repealing these laws, and the public will not be harmed by doing so. With all respect, I urge you to schedule a hearing of the Judiciary Committee on this bill in the near future, so that you can satisfy yourself whether such is the case or not. Additional reasons for repeal, besides those in my letter, could also be presented and explained at such a hearing.

Very truly yours,

BOGLE & GATES



Thomas K. Williams

cc (w/ encl.): Senate Judiciary Committee Members

Edward W. Chapin, Broadcast Music, Inc.

HELENE M. ANTEL  
MICHAEL W. DUNDY  
BRIAN W. DURHELL  
DAVID R. MILLEN  
DOUGLAS S. PARKER  
JAMES N. REEVES  
THOMAS K. WILLIAMS

LAW OFFICES  
**BOGLE & GATES**  
A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

SUITE 525  
900 WEST FIFTH AVENUE  
ANCHORAGE, ALASKA 99501  
(907) 276-4557 TELEX: 090-26-695  
TELECOPIER: 907-276-4152

PLEASE REPLY TO ANCHORAGE OFFICE

SEATTLE OFFICE  
THE BANK OF CALIFORNIA CENTER  
SEATTLE, WASHINGTON 98104  
CABLE "BOGLE SEATTLE"  
(206) 442-5151 TELEX: 32-1087  
WASHINGTON, D. C. OFFICE  
SUITE 000  
ONE THOMAS CIRCLE, N.W.  
WASHINGTON, D. C. 20005  
(202) 243-3600 TELEX: 89-7410

February 15, 1984

The Hon. Bill Ray, Chairman  
Senate Judiciary Committee  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

Re: Senate Bill No. 427  
(Our File No. 1221/01249)

Dear Mr. Chairman:

I am writing for myself and on behalf of our client, Broadcast Music, Inc. ("BMI"), to advise that we support the passage of SB 427, which would repeal Alaska's pooled-music copyright law (AS 45.50.330 - 45.50.460). This law, which was passed in 1939, has become badly outdated as circumstances have changed and the federal copyright statutes have been comprehensively rewritten in the 45 years since then.

The Alaska law applies to societies or organizations like BMI and ASCAP, which are formed by owners of the copyrights to copyrighted musical works to license the public performance of those works on behalf of the copyright owners. Such organizations then collect royalties from the public performances and distribute them back to the copyright owners.

Essentially, the Alaska law requires each such organization to file each year a list of all the copyrighted musical compositions that it licenses. The purpose of these filings is to allow the public to "avoid using the copyrighted compositions, if they so desire, and [to] avoid conflict with them, and avoid committing innocent infringements of the works." AS 45.50.330. In fact, however, no one ever examines these filings any more. In 1983 not one person examined the files at

Senator Bill Ray  
February 15, 1984  
Page 2

the Department of Revenue or the duplicate files at the Department of Administration.

Repeal of the state law would not make the information unavailable to the Alaskan public. Federal copyright laws require the same information to be filed with the Copyright Office, and copies of the lists of copyrighted materials may be purchased from the federal Superintendent of Documents. A new list is published every six months.

A further reason for repealing the Alaska law is the great change in conditions from those in 1939. At that time there was only one organization licensing the performance of copyrighted music, and its dominant position allowed abuses that prompted Florida, Montana, Nebraska, Tennessee, Wyoming and Washing, as well as Alaska, to enact remedial legislation in the late 1930s. Since that time other licensing organizations have been formed, so that there is more competition and less opportunity for monopolistic abuse. Moreover, the two largest organizations, ASCAP and BMI, operate under direct supervision of the federal courts, pursuant to their respective consent decrees that were entered in federal antitrust litigation against them.

In 1976 Congress passed a comprehensive revision of the federal copyright statute, effective January 1, 1978. This legislation replaced the dual system of copyright laws, one federal and the other by the states, and created a unified federal system instead. This complete federal system eliminates the need for state laws to "fill in the gaps" that had been left in prior federal copyright law. Congress not only eliminated the need for state copyright laws with the enactment of its comprehensive federal system, but it also eliminated the state laws themselves by exercising its preemption power (see 17 U.S.C. § 301) under the Supremacy Clause of the United States Constitution.

As the result of these changes, the states that enacted legislation in the late 1930s to remedy the then-prevailing abuses with music copyrights have repealed their statutes, except for Alaska. It is time for us to recognize these changes as our sister states have done.

Senator Bill Ray  
February 15, 1984  
Page 3

Finally, it is not easy or cheap to prepare these filings with the State. Each report by ASCAP, for example, takes up about half of a full-sized drawer in a filing cabinet. By the same token, it is not cheap for the State to keep these voluminous files. Yet the continued presence of these laws on the books requires both the filers and the Departments of Revenue and Administration to suffer these needless expenses.

Had I been personally aware of this situation when I was still Commissioner of Revenue, I would have advocated repealing these statutes as a prime example of wasteful, pointless paperwork imposed by state government on the public. It is our understanding from the officials in the State of Washington that they have been pleased by the repeal of that state's pooled-music law in 1982 and by being relieved from keeping the massive files required under that law. I believe the Departments of Revenue and Administration would likewise wish to be spared the time, expense and space that are needed for their files under Alaska's law.

The biggest problem with a bill like SB 427 is that there is no large constituency to support it. Clearly, the public is indifferent to whether these filings continue or not, since no one ever looks at them. There is only a small handful of organizations that are subjected to the burden of filing. Without a constituency to support such a bill, the easiest course is simply not to advance it out of committee.

I respectfully urge you not to let the bill die, but to hold a hearing on it before your committee. If possible, please schedule such a hearing in the near future so that, if you are satisfied that these statutes are no longer necessary to protect and promote the interests of the public, there will still be time for the bill to have a realistic chance of passage during this Session.

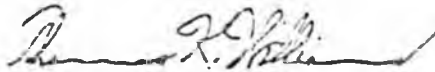
Please do not hesitate to call me at 276-4557 or to write me at the address above, if you have any questions on this subject or if you decide to hold a hearing on the bill. I can arrange for testimony before the committee on behalf of BMI if there is to be a hearing.

BOGLE & GATES

Senator Bill Ray  
February 15, 1984  
Page 4

Very truly yours,

BOGLE & GATES

A handwritten signature in dark ink, appearing to read "Thomas K. Williams", written in a cursive style.

Thomas K. Williams

cc: Members of the Senate Judiciary Committee

Edward W. Chapin, Counsel  
Broadcast Music, Inc.

LAW OFFICE OF  
ELY, GUESS & RUDD

A PROFESSIONAL CORPORATION  
318 4TH STREET  
JUNEAU ALASKA 99801  
TELEPHONE 19071586-3210

510 L STREET  
ANCHORAGE, ALASKA 99501  
TELEPHONE (907) 76 5121  
TELEX (090) 25-292

WILLIAM GUESS 1932-1976  
JOSEPH RUDD 1933-1978  
ROBERT C. ELY  
THEODORE E. FLEISCHER  
FRANCIS C. SMITH, JR.  
WERNER BERKOWITZ  
MICHAEL S. BRISGS  
DAVID H. BUNDY  
HARRIS SAXON  
PHILLIP J. EIDE  
GARY A. ZIPKIN  
DONN T. WONNELL  
JOSEPH M. WILSON  
GORDON E. EVANS  
JOSEPH A. MELEAN, OF COUNSEL  
LOUIS R. VEERMAN  
CLIFFORD W. HOLST  
RICHARD M. ROSSON  
JAMES O. LINAWILER  
LOUIS AGI  
JOSEPH J. PERKINS, JR.  
PEGGY MENTELE  
SUSAN R. SHARROCK  
DANIEL WEBER  
GLENN E. CRAVEZ  
LYNN M. ALLINGHAM  
TRICIA COLLINS  
JOHN A. McDONAGH  
PAUL S. STAHL

\* ADMITTED IN D. C. AND ALASKA  
OTHERS ADMITTED IN ALASKA

May 18, 1983

Ms. Gladys Williamson  
Department of Administration  
Pouch "C"  
Juneau, Alaska 99811

Re: American Society of Composers, Authors  
and Publishers  
Our File No. 3300.10

Dear Ms. Williamson:

This letter is written with reference to our recent telephone conversations regarding the documents and other materials filed each year on behalf of the American Society of Composers, Authors and Publishers (ASCAP). Under requirements of AS 45.50.330-.460, the original of the filing is delivered to the Department of Revenue and a duplicate copy is filed with the Commissioner of Administration for public review.

It is my understanding that apparently there has been little, if any, public review of these documents since the law was enacted. The Alaska statute had been based on the Washington state law, which was repealed this year apparently because nobody had made use of the public review provision. Accordingly, it may be appropriate to consider possibly seeking repeal of the Alaska statute for the same reason, thus cutting down on the paperwork and archival requirements of the State. Any such repeal effort, however, would not be undertaken until the 1984 legislative session.

In the meantime, and in order to help ascertain whether in fact any use is being made of the documents on file for public review, it would be appreciated if you would attach to the documents in your office a sign-up/tally sheet similar to the enclosed sample. It would merely have any person reviewing the documents note this fact and the date of his or her review so that early in 1984 a compilation of that

Ms. Gladys Williamson  
Page -2-  
May 18, 1983

information could be provided to the Legislature to support  
the repeal effort.

Thank you in advance for your assistance in this matter.  
If you have any questions, please let me know.

Very truly yours,

ELY, GUESS & RUDD

*Gordon E. Evans*  
Gordon E. Evans

Enclosure:

cc: Francis E. Smith, Jr., Esq.

GEE/pm

AMERICAN SOCIETY OF COMPOSERS, AUTHORS AND PUBLISHERS

LIST OF PERSONS REVIEWING ANNUAL FILING  
OF COPYRIGHTED WORKS OF ASCAP MEMBERS

Name (Printed)	Signature	Date

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date \_\_\_\_\_

REQUEST

Bill/Resolution No: SB 427  
 Title: Act repealing the pooled music copyright law.  
 Sponsor: Fahrenkamp  
 Requestor: Senate Judiciary  
 Date of Request: \_\_\_\_\_

FISCAL DETAIL

Agency Affected: Revenue  
 Program Category Affected: Commissioner's Office  
 BRU, Program of Subprogram(s) Affected: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES	-	-0-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-0-	-	-	-	-
CAPITAL	-	-0-	-	-	-	-
REVENUE	-	-0-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-0-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis.

Prepared By: Bruce M. Botelho  
 Division: Revenue

Phone: 465-2300  
 Date: 03/07/84

Approved by Commissioner: *Ralph O. ...*  
 Agency: Revenue

Date: 3/8/84

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Analysis for SB 427

The Department of Revenue is in favor of repeal of sections AS 45.50.330-45.50.460. In the last five years the department has had only one request for information pertaining to these statutes. It is important to note that Alaska is the only state in the Union that continues to have such a law on its books.

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TO: Senator Bill Ray  
FROM: Paula d. Scavera  
RE: Analysis of SB 430

This bill includes ten amendments to AS 4.11 and AS 4.16, which are mostly "housekeeping" amendments with two exceptions.

Section 1 of the bill increases from 30 to 90 days the minimum number of days for which businesses with liquor licenses must operate. If the premises is under construction or cannot be operated for another reason that is not the fault of the owner the license may be renewed.

Section 9 of the bill amends AS 4.11.506(b) (1) to remove the requirement that the board use registered mail to notify all package stores in the state of the results of every local option election.

The other amendments either add cross references to sections or eliminate inconsistencies between sections.

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

025

Revision Date: \_\_\_\_\_

REQUEST

Bill/Resolution No.: 430  
Title: Regulation of sale & distribution of alcoholic beverages  
Sponsor: Governor  
Requestor: \_\_\_\_\_  
Date of Request: \_\_\_\_\_

FISCAL DETAIL

Agency Affected: Department of Revenue  
Program Category Affected: Public Protection  
BRU, Program or Subprogram(s) Affected: \_\_\_\_\_  
Alcoholic Beverage Control Board

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL	[1.4]	[1.4]	[.7]	[.7]	-0-	-0-
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	[1.4]	[1.4]	[.7]	[.7]	-0-	-0-
CAPITAL						
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND	[1.4]	[1.4]	[.7]	[.7]	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Note: Potential decrease in expenditures results from elimination of "registered" mail requirement in Section 10 of the legislation.

ANALYSIS: Attach a separate page for analysis.

Prepared By: Patrick L. Sharrock  
Division: Alcoholic Beverage Control Board

Phone: 277-8638  
Date: 1/4/84

Approved by Commissioner: [Signature]  
Agency: Department of Revenue

Date: 1/9/84

Distribution (by Agency preparing fiscal note):

Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)

12/1/83



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

20430

February 9, 1984

The Honorable Jalmar Kerttula  
Alaska State Senate  
Pouch V  
Juneau, AK 99811

Dear Senator Kerttula:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the licensing and regulation of the sale and distribution of alcoholic beverages.

This bill, which was requested by the Alcoholic Beverage Control Board, includes nine mostly technical housekeeping amendments to AS 04.11, "Licensing," and one technical amendment to AS 04.16, "Regulation of Sales and Distribution." The most substantive of the amendments made by this bill is at sec. 1 of the bill.

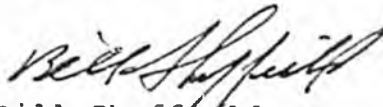
Section 1 of the bill increases from 30 days to 90 days the minimum number of days for which all businesses with liquor licenses must operate each year. Businesses that do not operate for the minimum period are denied license renewal unless the premises are under construction or cannot be operated for another reason that is not the fault of the owner.

Section 9 of the bill amends AS 04.11.506(b)(1) to remove the requirement that the board use registered mail to notify all package stores in the state of the results of every local option election. The present requirement is too costly and unnecessary.

The other amendments in the bill are more technical in nature and either add cross references to other sections of AS 04.11 and 04.16 or eliminate inconsistencies between sections (such as between AS 04.11.330(a) [denial of license renewal] and AS 04.11.320(a) [denial of initial license]).

I join with the board in urging passage of this bill.

Sincerely,

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

Bill Sheffield  
Governor

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**COMMITTEE REPORT**  
**SENATE**

FURTHER: \_\_\_\_\_

Date \_\_\_\_\_

Mr. President

The Committee on \_\_\_\_\_ considered \_\_\_\_\_

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for \_\_\_\_\_
- new title
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS

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Chairman

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Chairman recommendation

# STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

## DEPARTMENT OF LAW

POUCH K - STATE CAPITOL  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-3600

OFFICE OF THE ATTORNEY GENERAL

March 23, 1984

The Honorable Fritz Pettyjohn  
Alaska State Senate  
Pouch V  
Juneau, Alaska 99811

Re: SB 432, "An Act amending  
the Alaska Security's Act"

Dear Senator Pettyjohn:

At the Senate Labor and Commerce Committee hearing on February 15, 1984, you requested our opinion with respect to the effect on the jurisdictional scope of SB 432. This legislation would clarify the existing Alaska Security's Act to better reach fraudulent or high pressure out-of-state sales of oil and gas lease hold interests on state or federal lands in Alaska.

The Administration believes that Alaska is well served by having an ability to regulate sales of land or lease hold interests located in Alaska, even where the transactions take place outside the state between non-residents of the state. The state may protect the legitimate concerns of its citizens by exercising the right to sue according to the doctrine of parens patriae. This doctrine is recognized in Alaska. State v. First National Bank of Anchorage, 660 P.2d 406, 420-21 (Alaska 1982); Public Defender Agency v. Superior Court, 534 P.2d 947 (Alaska 1975).

Because we believe there is a substantial state interest in preventing fraudulent sales of oil and gas leases located within the state's border, we believe a constitutional challenge against Alaska's assertion of jurisdiction provided by the proposed legislation would fail. A claim that the jurisdiction afforded by the proposed legislation violates an out-of-state citizen's rights under the Due Process Clause, Full Faith and Credit Clause or Commerce clause of the U.S. Constitution would, in all likelihood, be dismissed. See generally, Aldens, Inc. v. Packel, 524 F.2d 38 (3rd Cir. 1975). The Aldens case is instructive because it involved a challenge to Pennsylvania's right to enforce state credit sales laws as applied to an


Illinois corporation operating a mail order business in all fifty states and where all orders were accepted in Chicago. In that case, the court performed a thorough and comprehensive analysis of a variety of constitutional issues and concluded that none of the constitutional provisions were violated by enforcement of Pennsylvania's laws.

The currently accepted approach to Due Process Clause limitation challenges is one of interest analysis where the court focuses on whether a state has sufficient interest "to justify any exercise of its sovereignty in connection with the transaction and dispute." Id. at 42-43, (citing McGee v. International Company, 355 U.S. 220 (1957)) emphasis in original. The court further noted in Alden that a relatively low threshold of state interest is needed to justify jurisdiction. Id. at 43.

In conclusion, because Alaska has a substantial interest in transactions involving land or interest of land within its borders, we believe a court would find that the exercise of jurisdiction through the proposed legislation does not interfere with an out-of-state defendant's due process or other constitutional rights.

Please feel free to call if we can be of additional assistance.

Sincerely,

  
Norman C. Gorsuch  
Attorney General

NCG:eer

cc: Senator Richard I. Elaison  
Chairman, Senate Labor and  
Commerce Committee

Senator Bob Mulcahy  
Vice-Chairman, Senate Labor  
and Commerce Committee

Senator Patrick Rodey  
Senate Labor and Commerce  
Committee

Senator John C. Sackett  
Senate Labor and Commerce  
Committee

The Honorable Fritz Pettyjohn  
Senate Bill 432

March 23, 1984  
Page #3

Connie Sipe  
Assistant Attorney General  
Consumer Protection

Jeff Bush Ø  
Assistant Attorney General  
Commercial



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

432

February 9, 1984

The Honorable Jalmar Kerttula  
Alaska State Senate  
Pouch V  
Juneau, AK 99811

Dear Senator Kerttula:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill which amends the Alaska Securities Act (AS 45.55) by extending its scope to include offers to buy or sell interests in oil, gas, or mining rights on land in the state, regardless of where the offer or sale occurs.

The bill was jointly prepared by the division of banking, securities and corporations of the Department of Commerce and Economic Development and the consumer protection section of the Department of Law in response to numerous complaints of fraudulent oil and gas lease schemes. These schemes typically involve solicitations by firms located outside Alaska who acquire an interest in oil or gas leases through bid offerings of the Department of Natural Resources or the federal Bureau of Land Management.

The lease tracts these firms acquire are often the least likely to contain valuable oil, gas, or mineral resources. However, these firms conduct massive high pressure telephone sales and media advertising aimed at would-be investors in the lower 48 states, promising them high returns if they "invest" in a portion of one of these Alaskan oil or gas leases. The offering firms often falsely represent that they have expertise in oil, gas or mineral exploration or development. What is particularly offensive to our state is that these slick operators often use names such as "Alaska Oil and Gas Exploration" or "Alaska Petroleum Investments," and set up empty "shell" corporations with Alaska addresses.

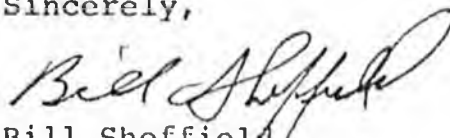
This bill would extend the provisions of the Alaska Securities Act to these business firms even if the "investment" sales are not made in our state or to our citizens.

Essentially, the bill would extend the jurisdiction of our state securities regulators and of our courts over these fraudulent schemes. The state would be able to take legal action against these out-of-state sellers of Alaska mineral rights. By amending the Securities Act, Alaska can require these firms to file securities registrations regarding their sales, and to give prospective purchasers truthful information about the likelihood of realizing a gain on such investments.

This legislation will not affect legitimate companies engaged in oil, gas, or mineral exploration or production as they are already exempted from the Alaska Securities Act by AS 45.55.140(b)(17).

This bill should be supported by consumer groups as well as by the legitimate members of the oil and gas industry. Therefore, I urge your prompt action on this bill to prevent further damage to the commercial image, nationwide, of Alaska.

Sincerely,



Bill Sheffield  
Governor

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: January 18, 1984

REQUEST

Bill/Resolution No.: SB 432  
Title: An act amending the Alaska Securities Act.  
Sponsor: Rules Committee  
Requestor: Governor Sheffield  
Date of Request: 1/18/84

FISCAL DETAIL

Agency Affected: Commerce and Economic Development  
Program Category Affected: Consumer Protection  
BRU, Program or Subprogram(s) Affected: Banking, Securities and Corporations

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
100 PERSONAL SERVICES	54.1	56.8	59.6	62.6	65.7	69.0
200 TRAVEL	3.0	3.2	3.4	3.6	3.8	4.0
300 CONTRACTUAL	3.0	3.2	3.4	3.6	3.8	4.0
400 SUPPLIES	1.0	1.1	1.2	1.3	1.4	1.5
500 EQUIPMENT	5.0					
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	66.1	64.3	67.6	71.1	74.7	78.5
CAPITAL	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
REVENUE	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -

FUNDING: (Thousands of Dollars)

GENERAL FUND	66.1	64.3	67.6	71.1	74.7	78.5
FEDERAL FUNDS						
OTHER						
TOTAL	66.1	64.3	67.6	71.1	74.7	78.5

POSITIONS:

FULL-TIME	2.0	2.0	2.0	2.0	2.0	2.0
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Willis F. Kirkpatrick, Director Phone: 465-2521  
Division: Banking, Securities (Small Loans and Corporations) Date: 1/18/84  
Approved by Commissioner: Richard A. Lyon Date: 1/20/84  
Agency: Commerce and Economic Development

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

F.Y. Note #1

1.	POSITION TITLE Business Registration Examiner			RANGE/STEP 12A	BARG. UNIT GGU	FORM 12 PAGE/LINE	GOV.	PEROV.	DISAPP.
2.	TYPE OF POSITION	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION AWA	ELECTION DISTRICT	LEG.	
3.	CONTINUATION LEVEL	ADDITION		JUSTIFICATION					
4.	TYPE OF EXPENDITURE			AMOUNT					
	1	2		3					
	PERSONAL SERVICES								
5.	Salary	23.7							
6.	Benefits	3.9							
7.	Supplemental Benefits	1.5							
8.	Fixed Benefits	0.3							
9.	TOTAL PERSONAL SERVICES	01		29.4					
10.	Travel	02		-0-					
11.	Contractual	03		-0-					
12.	Commodities	04		0.5					
13.	Equipment	05		2.5					
14.	Other			-0-					
15.	TOTAL COST			32.4					
16.	RECEIPT CODE	FUNDING SOURCE							
17.		Federal Receipts 1002							
18.		G.F. Hatch 1003							
19.		General Funds 1004							
20.		I-A Receipts 1005							
21.		Program Receipts 1028							
		Other							
FOR IISH USE ONLY									
4A KEY NUMBER									

Position will be necessary if legislation passes requiring the Securities Section to undertake securities registration of oil and gas lease sales programs. The current substantially increased workload has stretched the examining/enforcement staff to the limit with a considerable percentage of the securities examiners' time devoted to nonprofessional clerical functions. The additional clerical support will free up the professional staff time to cope with the expanded registration and enforcement duties imposed by the proposed legislation.

The equipment expense of \$2.5 will be used for purchase of a desk, positions, typewriter, chair and desk calculator.

**13** REQUEST FOR  
NEW POSITION

AGENCY Commerce & Economic Development  
PROGRAM Consumer Protection  
BRU Banking, Securities & Corporations  
COMPONENT Financial Institutions

**FY 85**

Page 1 of 1  
Revised Date

1.	POSITION TITLE Clerk IV				RANGE/STEP 9A	BARC. UNIT GGU	FORM 12 PAGE/LINE	COV.	APPROV.	DISAPP.
2.	TYPE OF POSITION	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION AWA	ELECTION DISTRICT	LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION					
4.	TYPE OF EXPENDITURE			AMOUNT	<p>Position will be necessary if legislation passes requiring the Securities Section to undertake securities registration of oil and gas lease sales programs. These registrations will result in increased filings as well as substantial efforts in compliance and enforcement activities. The current substantially increased workload has stretched the examining/enforcement staff to the limit with a considerable percentage of the securities examiners' time devoted to nonprofessional clerical functions. The additional clerical support will free up the professional staff time to cope with the expanded registration and enforcement duties imposed by the proposed legislation.</p> <p>The equipment expense of \$2.5 will be used to purchase a desk, positions, typewriter, chair and desk calculator.</p>					
	1	2	3							
	PERSONAL SERVICES									
5.	Salary	19.8								
6.	Benefits	3.3								
7.	Supplemental Benefits	1.3								
8.	Fixed Benefits	0.3								
9.	TOTAL PERSONAL SERVICES	01	24.7							
10.	Travel	02	-0-							
11.	Contractual	03	-0-							
12.	Commodities	04	0.5							
13.	Equipment	05	2.5							
14.	Other									
15.	TOTAL COST		27.7							
	RECEIPT CODE	FUNDING SOURCE								
16.		Federal Receipts 1002								
17.		G.F. Match 1003								
18.		General Funds 1004		27.7						
19.		I-A Receipts 1005								
20.		Program Receipts 1028								
21.		Other								
FOR B&M USE ONLY										
4A KEY NUMBER										

13 REQUEST FOR  
NEW POSITION

AGENCY Commerce & Economic Development  
PROGRAM Consumer Protection  
BRU Banking, Securities & Corporations  
COMPONENT Financial Institutions

FY 85

Page 1 of 7

Revised Date

FISCAL NOTE # II

Revision Date: \_\_\_\_\_

REQUEST

Bill/Resolution No.: 432  
 Title: "An Act amending the Alaska Securities Act."  
 Sponsor: Sen. Rules/by req. of Gov.  
 Requestor: Governor's Office - OMB  
 Date of Request: \_\_\_\_\_

FISCAL DETAIL

Agency Affected: Department of Law  
 Program Category Affected: \_\_\_\_\_  
General Government  
 BRU, Program or Subprogram(s) Affected: \_\_\_\_\_  
Legal Services Operations

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 85	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL		8.0	8.5	9.0	9.5	10.1
300 CONTRACTUAL		39.2	41.6	44.0	46.6	49.4
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	-0-	47.2	50.1	53.0	56.1	59.5
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	47.2	50.1	53.0	56.1	59.5
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Not specified by sponsor.

ANALYSIS: Attach a separate page for analysis

Prepared By: Richard I. Pegues Director Phone: 465-3672  
 Division: Administrative Services Date: 1-24-84  
 Approved by Richard I. Pegues/for Commissioner: Norman C. Gorsuch Date: 1-24-84  
 Agency: Department of Law

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

FISCAL NOTE #2

This bill amends the state's existing securities laws to strengthen the state's law enforcement jurisdiction over securities offerings made in other states, where the underlying "value" of the security is a (non-competitive) oil, gas or mineral lease on Alaska land. Sales of speculative investments in such leases are already regulated "security" transactions, but Alaska's current law does not allow the state to require registration, or to take enforcement action against sellers who set up offices outside Alaska but who market Alaskan leases as securities, usually only to non-Alaskans.

These sales are often fraught with misrepresentations about the value of the Alaskan oil or gas lease, or the true cost of exploring and developing production on the lease land. Investors in other states pay up to \$1,000 an acre for state and federal lease lands available over-the-counter in Alaska for \$1.00 an acre, in hopes of striking it rich, in line with the promoters' glowing promises.

These sales, and the subsequent losses of \$6,000, \$10,000, even \$20,000 to each of thousands of out-of-state investors, are very damaging to Alaska's commercial and investment image. Moreover, the subdividing into smaller parcels of these 640 acre leases may well defeat the underlying purpose of the state and federal exploratory (non-competitive) leasing program.

Enactment of this bill will require the attorney general to provide additional legal support for research, advice and enforcement action in the courts, as requested by the Division; of Banking and Securities. As most of the offending companies are located outside Alaska, lawsuits to obtain injunctions against them will require substantial out-of-state travel funds to take depositions and interview witnesses, as well as funds to conduct those depositions and interviews.

It is expected that, at a minimum, five trips outside Alaska will be necessary to enforce registration of sales Alaskan oil, gas or mineral leases outside Alaska. It will also be necessary to hire court reporters in order to take depositions and to hire outside counsel to file actions in jurisdictions outside the state.

<u>Out-of-state Travel</u>		
5 trips X \$800 air fare =		\$4,000
5 X 10 days X \$80 per day =		<u>\$4,000</u>
Total travel & per diem =		\$8,000

Contractual

Court reporter services

6 hrs. X \$30 X 40 days = \$19,200

Outside counsel 4 occurrences  
X \$5,000 \$20,000

Total \$39,200

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TOTAL COSTS \$47,200

Costs beyond FY 84 include a 6% annual inflation factor.



GOVERNMENT OIL & GAS LEASES

JANUARY 1984

*The information contained herein has been compiled from sources deemed to be reliable and, while not guaranteed, is believed to be factual and accurate. It is not intended to recommend or deprecate, and is furnished solely to assist you in exercising your own judgment.*

**THIS REPORT IS NOT TO BE USED FOR SALES OR PROMOTIONAL PURPOSES.**

FEDERAL LAND-GENERAL

The United States Government leases the oil and gas rights on some lands it owns or controls. The leasing is administered by the Department of the Interior through the Bureau of Land Management (BLM). There are two basic types of leasing programs, competitive and noncompetitive.

Competitive leases are issued for federal lands within the known geologic structure of a producing oil and gas field. These leases are issued to the qualified applicant who offers the highest bid. Many bids are in the millions of dollars.

Most federal oil and gas leases are offered through noncompetitive leasing either by "lottery" or an "over-the-counter" procedure. These leases are for lands which contain no known deposits of oil or gas.

The lottery system was suspended indefinitely on October 12, 1983 because some land was mistakenly offered for lease by "lottery", even though it was located within known petroleum reserves. Due to personnel shortages and improper procedures, the U.S. Interior Department temporarily suspended the lottery program until the discrepancies and administrative problems could be corrected.

Noncompetitive over-the-counter lease offerings, however, are still available for land in some states, and may be obtained by any United States citizen, 21 years of age or older, or may be issued to a legal guardian or trustee in behalf of a minor. Associations of citizens and corporations organized under United States law may also qualify, and private citizens may file jointly with other private citizens.

Applicants may file an application available from any Bureau of Land Management filing office along with a nonrefundable filing fee of \$75 and \$1 per acre for the first year's advance rental. If the application is unsuccessful, the rental, not the filing fee, is refunded.

Lands offered for noncompetitive over-the-counter leasing are not preparcelized; that is, the applicant is responsible for defining the legal boundaries of the land desired.

In Alaska, no person, group, partnership or corporation may hold under lease or option more than 600,000 acres: 300,000 in the Northern Leasing District and 300,000 in the Southern Leasing District (excluding leases held in the National Petroleum Reserve-Alaska). In other states, no person or entity can hold more than 246,000 acres of federal oil and gas leases in any one state at any one time.

/more

With over-the-counter leases, after the initial leasing period, any unleased lands remain open to the filing of applications. Leases are granted on a first come, first served basis, and are issued for a 10-year period or for as long as oil and gas is produced in paying quantities. Interest in the leases may be assigned to another party upon approval of the Bureau of Land Management.

Most lands available over the counter have never been leased before. Before suspension of the lottery, over-the-counter leases given up by the lessee were usually made available for re-leasing under the lottery system.

#### FEDERAL LAND IN ALASKA

Under the direction of the former Secretary of the Interior, James G. Watt, the Bureau of Land Management opened certain federal lands in Alaska to settlement and various types of mineral activity such as oil and gas leasing. The program began in February 1982 with the opening of lands in the Minchumina block. Additional blocks of federal land have been made in Denali, and other areas. At this writing, approximately 7 1/2 million acres are available for leasing and less than 2 million acres have already been leased. In coming years approximately 2 million more acres per year will be available for leasing.

Minimum acreage allowed for filing an individual noncompetitive lease application is 640 acres, and the maximum allowable in any one application is 10,240 acres. Only one application per 640 acre section may be filed by any one citizen, group of citizens, partnership or corporation.

The vast majority of leases are not marketable and are of little or no interest to oil and gas developers. These lands became available only after Alaskan natives were given 44 millions acres of land which they had legal claims to, and the State of Alaska was given 104 million acres of land of its own choosing. And of course for land to be available under the noncompetitive federal leasing system, it may not contain any known oil or gas reserves.

#### STATE LAND IN ALASKA

Since Alaska gained statehood in 1959, it has offered state lands for lease. The leases are only offered on a competitive, sealed bid basis through the Alaska Department of Natural Resources, Division of Minerals and Energy Management (DMEM) in Anchorage.

Leases are offered at least twice a year, and companies or individuals must qualify with DMEM in order to participate. (Corporations must also be certified by the Alaska Department of Commerce and Economic Development, Corporation Section, Pouch D, Juneau, Alaska 99811.) Further information on leasing is available from DMEM.

Participants pay 20% of their bid, up front. This amount, plus any interest accrued, is refunded if no lease is obtained. Land is not preparcelized. In the past five years, most leases have contained approximately 5,000 acres. Annual rental fees range from \$1.00 to \$3.00 per acre, and leases are issued for 7 to 10 years. Leaseholders may be required to drill on their lease within a specified period of time or forfeit it. The expense of drilling in Alaska is enormous, generally costing hundreds of millions of dollars.

/more

FILING AND ADVISORY SERVICES

Before the federal lottery system was suspended, numerous companies offering filing and advisory services to those interested in applying for parcels under the federal noncompetitive oil and gas lottery system sprang up. The salespersons of many of these companies sold by high pressure telephone pitches using false, misleading and exaggerated claims. They charged clients exorbitant fees, above the \$75 per application BLM fee, to file for their clients on what they claimed were the more promising parcels. Three filings for \$900.00 or 30 filings for \$9,000.00, or more, were charged. The premium was for the supposed expertise of a geologist picking the lease to file on. Some firms falsified the background and extent of work done for the company by geologists on their staff. In some cases a geologist didn't even exist.

In many instances, the chances of actually "winning" a lease were also misrepresented. Many filing services claimed or implied their customers commonly acquired leases. The more money the filing services collected from clients, the smaller each client's chances were of actually getting a lease. In one case investigated by the Federal Trade Commission out of 42,000 filings for customers only 70 leases were obtained.

The value of the leases was also misrepresented. The vast majority of noncompetitive leases have little or no market value and are of no interest to oil or gas developers. In order to be even offered in the lottery the land could not contain any known oil or gas resources. Customers were given worthless guarantees they would be paid \$20,000 or more for any lease acquired through the filing/advisory service.

Federal and state authorities have brought numerous actions against these advisory services. At least eleven state securities commissions ruled that such filing programs offered by some companies were securities and as such, had to comply with state registration and anti-fraud statutes. This means that filing services had to register with these state securities commissions and had to disclose to clients the risks involved and the use of customer funds or they could not legally do business in these states. Cease and desist orders issued by the State of Florida closed down 41 Florida filing services based on findings that the companies were making misrepresentations to customers and offering unregistered securities, more particularly unregistered investment contracts.

COMPANIES SELLING ALASKAN LEASES

A number of companies that have obtained, or claimed to have obtained leases on state or federal lands, particularly those in the Denali or Minchumina areas of Alaska, are contacting consumers and making exaggerated claims and promises and guarantees of dubious value regarding the value of leases. The companies offer to assign a leased area (usually 40 acres in size) to the consumer for thousands of dollars.

As happened with the filing services, companies may claim their geologist has selected some of the more promising areas. Don't be impressed by the stated credentials of such geologists. Some firms continue to falsify the backgrounds and extent of work done for the company by geologists on their staff. And in some cases, a geologist may not even exist.

/more

Misleading statements are not uncommon. For example, salespersons may compare land located in the Denali block to land in the oil and gas producing Prudhoe Bay Field suggesting that it is just as promising. But Prudhoe Bay is located some 500-600 miles north of Denali and is separated by three major mountain ranges. It is of an entirely different geologic structure from the Denali area. Sometimes favorable statements are made about land in the Copper River Basin, south of Denali. However, there is currently no oil or gas production in the Copper River Basin.

Salespeople may also claim the available leased land is located near the Alaskan pipeline. In some cases this may be true. However, there are no tie-ins to allow introduction of any resources into the pipeline. Even if a major oil and gas find occurred, tie-ins could be made only after environmental impact studies and other procedures that would take years.

Consumers may be told that they have an "equal chance to compete with the major oil companies." Although this land is equally available to the oil companies for leasing, no major oil companies hold any producing leases in the Denali and Minchumina areas.

Many companies are including in their promotional literature a map of Alaska reprinted from National Geographic Magazine without its permission. Others have used a picture of Alaska's governor, again without permission to do so.

The federal or state government does not guarantee access across private lands to leased tracts. Persons should realize that production costs for extracting resources range into the hundreds of millions of dollars. At this time there is no production, no permits for seismic testing, or no exploration currently going on in the Denali block. The terrain of the Denali block is generally mountainous and glacial with elevations generally in excess of 3,500 feet to 6,000 feet. Some of the leased land is literally located on mountain tops.

The Minchumina block also contains no known oil and gas basins. There are few permanent residents, and the western portion of the tract is steep bald-topped mountains stretching into sparsely covered foothills. The remainder of the area is marshy tundra. Soils are underlain by permafrost.

OTHER SCAMS

Federal and state land in several other states is also available for leasing. Similar misrepresentations and misleading statements are being made for these leases too.

A typical scheme usually involves a "front" telephone call made to a prospective customer. The salesperson makes misleading projections of enormous profits to be made by investing in the seller's lease. Those called may even be falsely told that the sellers are approved by or agents for the Bureau of Land Management or the state leasing agency; the seller has eliminated the risk for the client and can guarantee a valuable lease because of the company's expertise, etc.

Sales literature is mailed to the prospective investor. It usually contains worthless guarantees and misleading information. Its receipt is followed by a "drive" call made for the purpose of closing the sale. Further false, exaggerated and misleading statements are made and the prospective investor is pressured into making a quick decision. If a person is not interested, it's not unusual for the salesperson to belittle his/her intelligence or otherwise insult the victim. Sellers are persistent and refuse to take "no" for an answer.

A "singer" may be used to provide false testimonials for the sellers, and to advise prospective clients that he or she has used the services of the company and made lots of money. The "singer" is actually an agent of the salesperson and is paid a percentage of the salesperson's commission for false testimonials if a sale results from the use of the "singer's" services.

Sometimes several customers are sold the same parcel of land. In some cases the company doesn't even hold the lease it is supposedly assigning to the customer. If an initial contract is sold, the company may contact the victim again, trying to get him or her to purchase additional contracts.

In one variation of the scam, the company obtains the names and telephone numbers of persons who have dealt with a filing/advisory service and have not "won" a lease in the lottery system. The company calls these persons and tells them that their names were submitted to a "losers' lottery", and they have "won" a lease. In order to hold their lease, they must send several thousand dollars to the company, its bank, or perhaps to an affiliated company.

#### TAX CLAIMS FOR LEASES ON FEDERAL LANDS

According to the U.S. Internal Revenue Service, if a lease is obtained, the fees are not deductible expenses, but must be capitalized by the applicant as part of the cost of acquisition of the leases acquired and may be recoverable through depletion.

If no lease is acquired, expenses spent in connection with the attempted acquisition of an oil and gas lease are deductible if the taxpayer itemizes deductions. While a filing fee may be 100% deductible if no lease is obtained, consumers should realize that this does not mean they will get back from the IRS 100% of the fees paid. It does mean that in computing one's taxes, itemized deductions totaling more than the standard deduction allowed are subtracted from one's adjusted gross income before the federal tax is computed.

Fees may include charges for sales commissions, geological advice, filing service fees, etc., as well as actual filing fees. For further information on the deductibility of these fees, and for other tax advice, persons should contact an accountant, a tax attorney, or the Internal Revenue Service.

#### SUMMARY

Individuals should realize that obtaining a lease is no guarantee that any profit will be forthcoming. Anyone approached by a company implying that one can profit from investing in a lease should ask the company why it is not interested in holding on to the lease if it is so valuable. Ask for written information and don't be rushed into investing.

If the leased land is state land in Alaska, consumers should determine from the soliciting company the Alaska Division Land (ADL) number for the lease and then contact the Alaska Department of Natural Resources, Division of Mineral and Energy Management, Lease Enforcement, Pouch 7-034, Anchorage, AK 99510, (907)265-4186 to determine where the lease is located, if it is a valid lease, who owns it, if it can be assigned, etc. Contact the state agency having jurisdiction if the land is located in another state.

For more information on federal land leases contact an office of the Bureau of Land Management, a list of which follows on page 7.

/more

Check credentials and references of the company, and make sure it holds out to be experts. Ask for the names and addresses of several satisfied customers. Get the name, address, and telephone numbers of the company's geologist. Find out if the geologist is a qualified petroleum geologist; ask if seismic testing has been done on the land, and if the geologist provides the same recommendation to any other companies. Ask the geologist if investing in the lease is a sound investment, in the geologist's opinion.

Ask the local Better Business Bureau for a report on the company. Before making an investment, consult your state securities commission to see if any legal actions have been taken against the soliciting company or its principal officers. Also determine from your securities commission whether or not the company is required to register its offering, and if it is, find out if it has done so. It's also wise to check with the securities commission of the state where the leases are located, and the consumer protection division of your state attorney general's office. It's worth spending a few extra dollars investigating the background of the company before sending several thousand dollars to an unknown firm.

If you have a complaint against a company that has offered you an oil and gas lease, you may wish to write to your Better Business Bureau, your state securities commission, and the Federal Trade Commission, Room 272H, Washington, D.C. 20580, Attn: Ruth Fitzpatrick.

This report is based on information available to the Council.

January 5, 1984

Joyce C. Hedgepath  
Industry Standards Division

(7)  
STATE OFFICES  
U.S. DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

<u>STATE OR AREA OF JURISDICTION</u>	<u>OFFICE</u>
Alaska	Alaska State Office P.O. Box 13 Anchorage, AK 99513
Arizona	Arizona State Office 2400 Valley Bank Center Phoenix, AZ 85073
California	California State Office Federal Building 2800 Cottage Way Sacramento, CA 95825
Arkansas, Iowa, Louisiana, Minnesota and Missouri plus States east of the Mississippi River	Eastern States Office 350 South Pickett Street Alexandria, VA 22304
Idaho	Idaho State Office 3380 American Terrace Boise, ID 83706
Montana, South Dakota, and North Dakota	Montana State Office 222 North 32nd Street P.O. Box 30157 Billings, MT 59107
Nevada	Nevada State Office Federal Building 300 Booth Street Reno, NV 89509
New Mexico, Oklahoma and Texas	New Mexico State Office U.S. Post Off. & Federal Bldg. P.O. Box 1449 Santa Fe, NM 87501
Oregon and Washington	Oregon State Office 825 N.E. Multnomah Street P.O. Box 2965 Portland, OR 97208
Utah	Utah State Office University Club Building 136 East South Temple Salt Lake City, UT 84111
Wyoming, Kansas, and Nebraska	Wyoming State Office 2515 Warren Avenue P.O. Box 1828 Cheyenne, WY 82001

OIL AND GAS LEASE SOLICITATIONS

In order to assist us in developing data about oil and gas lease offerings, we ask that you complete and return this questionnaire. (For your information, a general report entitled "Government Oil & Gas Leases" is attached.) Thank you for your help.

FEEL FREE TO USE THE BACK OF THIS QUESTIONNAIRE FOR ADDITIONAL COMMENTS YOU MAY HAVE.

Better Business Bureau

CONSUMER: Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State/Zip \_\_\_\_\_

Telephone No.: Business \_\_\_\_\_ Home \_\_\_\_\_

SOLICITING COMPANY: Name \_\_\_\_\_

Address: \_\_\_\_\_

City \_\_\_\_\_ State/Zip \_\_\_\_\_

Telephone \_\_\_\_\_ Salesperson's name \_\_\_\_\_

Were you solicited at home or business? (circle)

When (dates) \_\_\_\_\_

From what source did the solicitor get your name? \_\_\_\_\_

SALES PRESENTATION:

Exactly where is the lease being offered located? \_\_\_\_\_

What is the \$ cash outlay requested? \_\_\_\_\_ How many acres does this include? \_\_\_\_\_

Was a promissory note involved in financing? Yes/No. (circle one) If so, give details.

Where are you to send your money? \_\_\_\_\_

PROFITABILITY: ACCORDING TO THE SALESPERSON:

How much money would you be likely to make from this lease? \_\_\_\_\_

What is the likelihood of making this amount? \_\_\_\_\_

How soon will you hear from an interested oil and gas company or other investor wanting to purchase your mineral leasing rights? \_\_\_\_\_

Is the company registered with any regulatory agencies (e.g., state securities commission)? \_\_\_\_\_

Have any legal actions been taken by any government agencies against the company? If so, where? \_\_\_\_\_

What kind of expertise in oil or geology does the company have? \_\_\_\_\_

What are the geologist's credentials? \_\_\_\_\_

\_\_\_\_\_ Have you checked them out? \_\_\_\_\_

What banking or other references were given? \_\_\_\_\_

\_\_\_\_\_ Have you checked them out? \_\_\_\_\_

What are the tax advantages of this deal? \_\_\_\_\_

What were you told about the salesperson's commission? \_\_\_\_\_

What percentage of this firm's customers have actually made money from their leases? \_\_\_\_\_

Did the promotional literature include prints of news articles? Yes/No (circle one). If yes, please attach.

TRANSACTION: Have you purchased from this company? \_\_\_\_\_ If so, what date? \_\_\_\_\_ How many acres? \_\_\_\_\_ What was the total cash outlay in dollars? \_\_\_\_\_ Have you received written confirmation that the lease has been assigned to you? \_\_\_\_\_ Explain \_\_\_\_\_

What other representations have been made by the company? \_\_\_\_\_

CUSTOMER:

Have you contacted your state securities commission to determine if this company is required to be registered with the state? \_\_\_\_\_ If so, was the company registered to do business in your state? \_\_\_\_\_

Have you contacted the securities commission located in the state where the lease is located? \_\_\_\_\_ Was the company registered? \_\_\_\_\_



December 9, 1983

ANCHORAGE, AK.

Page One

## Oil scheme uses photo of governor

By ANN CONY  
Daily News business reporter

Companies of dubious repute are using a photograph of Gov. Bill Sheffield in brochures touting Alaska oil and gas lease investments state investigators describe as a rip-off.

The color portrait of the governor — replete with the stars and stripes in the background — gets prominent play on the first page inside the brochure, next to the salutation, "Welcome to Alaska . . . Land of Opportunity."

"We want to inform the public that these implied endorsements are erroneous and unauthorized," said Larry Carroll, chief securities examiner in the Division of Banking and Securities. "There may be as many as 30 companies using it."

Carroll said his office is investigating the companies, their questionable investment offerings and their use of the governor's photo. He asked that any Alaskans who receive the brochure contact his division.

The governor is not pleased about the unauthorized use of his picture, according to his deputy press secretary, John Greey.

"It certainly is misleading," Greey said. "The governor does not lend his endorsement to any commercial enterprise, especially one of this nature."

Carroll said companies using the brochure offer to sell oil and gas leases they've bought in the federal Bureau of Land Management's (BLM) noncompetitive leasing of Alaska lands that have no known oil and gas potential. The companies purchase the leases for \$1 an acre, then sell them to unwitting investors for \$100 to \$300 an acre.

Typically, the sales pitch grossly overstates the potential value of the leases, Carroll said. Sales people neglect to say that the major oil companies — which are supposedly going to snap up the leases for development, providing a tidy profit for the investor — have equal opportunities to buy into the area for \$1 an acre when the lands are opened for leasing by the BLM.

The investment companies using the offending brochure appear to be avoiding Alaska in their telephone and mail solicitations, but state officials are concerned about investors in other states as well as the potential trashing of Alaska's image.

"We're getting calls from people all over the country who are uninformed but want to get in on the bottom level of the great Alaska oil boom," said Carroll. Some, he added, are borrowing money to do it.

State enforcement power under Alaska securities laws is limited, particularly if the offending company is not soliciting Alaska investors, Carroll said.

Nevertheless, the Division of Banking and Securities has issued "cease and desist" orders against several companies that have offered oil-related investments to Alaskans, usually on the grounds that the companies and their offerings are not registered under state securities laws.

The division issued cease and desist orders last Friday against Pacific Basin Exploration Inc. of Marina del Rey, Calif., and Universal Exploration Inc. of Newport Beach, Calif.

Pacific Basin was selling interests in oil leases in Utah, according to state officials. Universal Exploration advertised in the Juneau Empire, offering the sale of interests in unidentified oil wells that would give investors tax shelters and "very high return and fast payback" on a mini-

The state in October filed suit against Alaska Land Leasing Inc. of Malibu, charging that the firm used fraudulent sales practices in soliciting buyers for interests in oil and gas leases. The state is asking the court to prohibit the company from making its pitch in Alaska and from selling interests in Alaska leases to out-of-state investors.

The Division of Banking and Securities has filed cease and desist orders against Alaskan Oil Development Corp. of Arlington Heights, Ill., its parent company, Federal Property Record Inc., and Government Oil and Gas Lease Program Inc. of Hallandale, Fla. The latter company is one of many that has offered to file the investor's name in the BLM's lease-by-lottery program, for allegedly exorbitant fees.

The FBI has joined investigations of oil lease investment companies, including one called North American Resources Corp., which has made sales solicitations from Florida instructing investors to send checks to a rented office in Anchorage.

Carroll said the latest in alleged oil scams here was reported recently by a woman in Wasilla who received a call from a Florida company called Alaska Leasing. A salesman told her she was a lucky winner in the BLM lease lottery program, which was recently suspended by the Department of Interior. The salesman said his company had been designated to handle the lottery program and that the Wasilla woman could be the fortunate lessee of 80 acres for a mere \$8,000, with a \$4,000 downpayment to be picked up by courier.

The state in March joined the Council of Better Business Bureaus and a national securities group in warning investors to be wary of oil lease investment companies that promise quick tickets to wealth. There are estimated to be more than 250 such companies nationwide.

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# Suit Alleges Fraudulent Oil, Gas Leases

By DORIS BYRON FULLER  
Los Angeles Times News Service

LOS ANGELES — Alaska officials filed suit against four California-based companies this week in a crackdown on what was called a scheme in which possibly hundreds of companies have sold millions of dollars of worthless oil-and-gas leases to thousands of small investors across the United States.

In Los Angeles, an FBI official said the agency was investigating the companies cited in the Alaska lawsuit. State officials in Alaska said that the Federal Trade Commission also was looking into the sales, but FTC officials could not be reached for comment.

Jeffrey Bush, assistant attorney general in Alaska's department of law, said the suit was filed Tuesday in Anchorage against Brentwood-based Alaska Land Leasing Inc. and Federal Lease Filing Corp., Tundra Oil Inc. and Anchorage Research & Management Co., all of Malibu.

THE CIVIL suit accuses the companies of buying leases on land owned by the state and federal governments for prices ranging from \$1 to \$4 an acre, then reselling the leases for as much as 200 times those prices. Because the land is sold in 40-acre blocks, the investments ranged from \$4,000 per block.

The suit also accuses the companies of violating Alaska securities and subdivision laws.

The state is asking the courts to bar the companies from continuing the allegedly illegal practices. It also asks the court to appoint a receiver to take possession of any corporate assets in Alaska "for the protection of Alaskan investors, who we believe are in a high-risk situation," Bush said.

In nearby Brentwood, Terry Risenhoover — chairman and principal shareholder of Alaska Land Leasing — said that his company was pushing for immediate dismissal of the charges against it because they are "unwarranted and untrue" and because there is "substantial apparent confusion (by Alaskan officials) about the facts."

RISENHOOVER said that there were "no commonalities" between his company and the three others — listed as affiliates in the Alaska lawsuit — even though the California Secretary of State lists Risenhoover as a director of Federal Lease Filing.

"At no time have I been a director," he said. Early business connections with Federal Lease after his company was founded in August 1982 have been terminated, Risenhoover said. He said that he was cooperating with the FBI and FTC.

At Federal Lease Filing in Malibu, President Perry Lavon said the Alaskan suit "came as a complete surprise to us."

"I can really make no comment," Lavon said. "We deny any wrongdoing." Lavon refused to clarify the relationship among the four companies.

There was no telephone listing for Tundra Oil, which the secretary of state's records show at the same address as Federal Lease Filing. The state had no incorporation record for the fourth company, Anchorage Research, and there was no telephone listing for it in Malibu, where Alaska officials said it was based.

LAWRENCE Carroll, senior securities examiner in the Alaska division of banking and securities, said the alleged activities first came to the state's attention about a year ago when consumers from Alaska and throughout the

"lower 48" began calling to make inquiries about companies that had been offering to sell them leases on Alaskan land.

Carroll said scores, "possibly hundreds," of companies located in California, Florida, Illinois and New York use telephone banks to make such calls to potential investors, appealing to their general knowledge about the vast oil and gas discoveries in Alaska in recent years and telling them, "Here's your chance."

Article taken from Huntsville Times, 10-30-83, p. C-13

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# N.P. firm accused of running 'boiler room' operation

By PAUL PRINGLE  
News Chronicle

A Newbury Park company is accused in a federal affidavit of running a fraudulent "boiler room" operation in which telephone solicitors sell oil and gas leases for Wyoming land the firm does not own.

Federal Land Management Corp., which also operates as Federal Land Registry Corp., is selling the leases for property owned by the U.S. government, according to the affidavit unsealed Wednesday.

The 14-page affidavit was filed by a U.S. postal inspector in Los Angeles as part of a mail fraud investigation, said Assistant U.S. Attorney Bruce Merritt.

Tuesday morning, a team of 10 postal inspectors and eight Ventura County sheriff's deputies executed a search warrant at the company's offices at 1200 Lawrence Drive and seized a large number of documents, Merritt said.

No arrests have been made. Merritt said the seized documents will be

analyzed by the postal inspector's office to determine whether criminal charges will be filed.

Several phone calls by The News Chronicle to Federal Land Management officials were not returned Tuesday or Wednesday. A woman answering the company's phone said "corporate officials are not available" for comment.

No company officials are named in the affidavit, which was filed Monday by Postal Inspector Lou Kinzler before U.S. Magistrate Venetta Tassopulos in Los Angeles.

The affidavit alleges that Federal Land Management — which bills itself in newspaper advertisements as the "nation's No. 1 petroleum investment firm" — sold the leases to people who had made bids through other companies for oil and gas rights to federal land.

Federal Land Management was selling leases for \$4,000 to \$16,000 each, Kinzler said. The parcels described in the leases ranged from 40 acres to 120 acres, he added.

The company employs two shifts of 18 to 20 telephone salespersons, Merritt said.

The U.S. Bureau of Land Management issues federal gas and oil leases at nominal prices to private individuals and corporations through a lottery system. Private individuals who secure leases often make a profit by selling the land rights to an oil company.

Last month, the government suspended the lottery system so that proposals for increasing the amount of competitive bidding on leases can be reviewed, a land bureau spokeswoman said.

The investigation of Federal Land Management began Nov. 14 after the postal inspector's office received a complaint from a prospective buyer contacted by the company, Kinzler said.

It was later learned that the land bureau's Wyoming office was receiving as many as 20 phone calls a day from people inquiring about the company, the inspector added.

Federal Land Management salespeople told prospective buyers that the latter became eligible to purchase leases through a computerized selection system, according to the affidavit.

They were also told that they must purchase the leases immediately or their eligibility would be forfeited to another party, the affidavit states.

Kinzler tells in the affidavit of an Oregon man who recently purchased a lease for \$4,175 and a San Francisco investor who bought one for \$8,113.

In exchanged for their money, both buyers "received a document which purports to be an oil and gas lease," but whose legitimacy is disputed by the government, Merritt said.

Merritt and Kinzler said they did not know how many leases have been sold by the company. "Our information is that it hasn't been operating very long," Kinzler said.

Among the documents seized in Tuesday's search were lists of sales

leads, customer files, sales order forms, stationery, internal memorandums, customer checks, phone bills and lease assignments, Merritt said.

In addition to its Newbury Park location, Federal Land Management has offices at 31220 La Baya Drive in Westlake Village. Only the Newbury Park office was searched, Merritt said.

The firm recently bought newspaper advertisements to solicit applicants for "lease administrator" positions in its sales department, and a "lease transfer clerk" for its "fast-paced Southern California service company."

It was not known how long the firm has been operating in the Thousand Oaks area. Because its offices are outside the city and it does not sell tangible products, the company is not required to obtain a business license from either Thousand Oaks or Ventura County.

The company began placing newspaper advertisements locally last month.

D.S.  
E.V.

.....D11	Foreign Stocks .....	D29
.....D12	Highland Lows .....	D10
.....D17	Market Places .....	D19
.....D14	Money Rates .....	D3
.....D13	Natural Funds .....	D13
.....D23	New York Stock Exchange .....	D11
.....D9	Options Trading .....	D16
.....D11	Over-the-Counter Market .....	D15
.....D20	Supplemental OTC .....	D19
.....D14	Treasury Issues .....	D3

# World Approves Plan for T.W.A.

airlines, in a... in San... of plans... Airlines... of the... available... native... holders... airline... stock... any... require... ing in... Trans... useful... last... ay... five... orth... pro... ly... res... e,"... inc... its... ns

airlines for Lehman Brothers Munn Lieb, said, "That depends on what Mr. Meyer is able to achieve with the unions."

C. E. Meyer Jr., 54, has been president and chief executive of the airline since 1973 and presumably would continue in that post once the airline is set up as an independent company.

Mr. Jeddite noted that while the airline has been losing money, Trans World's four other subsidiaries are profitable, so that they have been "a source of money that could be used to subsidize the airline."

T.W.A., the nation's fifth-largest domestic airline, has shown pretax losses in 1979, 1980, 1981 and 1982. It has also shown operating losses in each of those years except 1981. Last year it showed an operating loss of \$14.3 million and a pretax loss of \$11.5 million.

In addition to T.W.A., Trans World owns the Canteen Corporation, an institutional food and vending service; Hilton International, a chain of 50 hotels that it owns or operates; Spartan Foods, a fast food chain, and Century 21, a franchised chain of more than 6,000 real estate offices. L. Edwin Smart, 59, has been chairman,

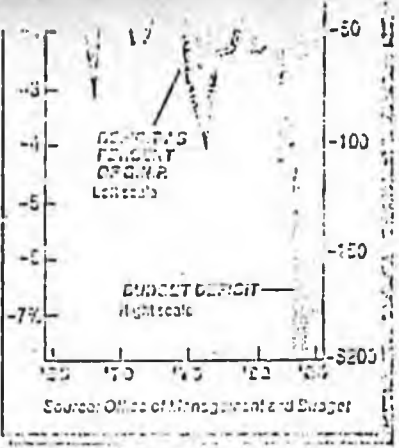
Continued on Page D3

Special to The New York Times  
WASHINGTON, Oct. 26 — The Congressional Budget Office, in a new estimate, projected today that the Federal budget deficit in each of the next three years would be about \$150 billion, even with the small tax increases and spending reductions that Congress is considering.

Deficits of that size would be far above the goals set earlier this year by Congress and the Reagan Administration. The projection was reported to the House Budget Committee by the director of the nonpartisan Congressional Budget Office, Rudolph G. Penner.

In testimony today to the House Committee, Martin S. Feldstein, the chairman of the President's Council of Economic Advisors, said deficits near \$200 billion could slow the economy in 1981 by putting upward pressure on interest rates as the Treasury borrows to finance the deficit. Despite the opposition of the President and Treasury Secretary Donald T. Regan to passage of a major tax increase this year or next, Mr. Feldstein called for spending cuts and tax increases as soon as possible.

Separately, the Reagan Administration reported that the deficit for



fiscal year 1983, which ended Sept. 30, hit a record \$196.4 billion, or \$14.4 billion below the Administration's July estimate. The difference was a result of lower spending and was not, officials said, a result of increased tax receipts from the stronger economic recovery.

Mr. Penner reported deficit projections of \$182 billion for the fiscal year 1981, which began on Oct. 1, \$150 billion in fiscal 1982 and \$137 billion in fiscal 1983. These compared with earlier projections by the budget of-

Continued on Page D17

By PHILLIP H. WIGGINS  
The Mobil Oil Corporation, the nation's second-largest oil producer, reported yesterday that its net income climbed 42.3 percent in the third quarter, to \$401 million, primarily from sharply higher earnings from foreign operations.

Other major oil companies also reported yesterday that third quarter net income had risen, in many cases from foreign earnings.

Teneco Inc.'s net income advanced 9.2 percent, the Gulf Oil Corporation announced a 73.6 percent rise, the Shell Oil Company reported a 1.6 percent gain, the Occidental Petroleum Corporation had a sixfold increase and the Phillips Petroleum Company's net rose 15 percent.

Mobil and Texaco, along with the Exxon Corporation and the Standard Oil Company of California, are partners in the Arabian American Oil Company, which produces almost all of Saudi Arabia's crude oil.

Last year, when Saudi Arabia was charging more for its crude than many other major producers, the Aramco partners were forced to buy the crude at prices higher than competing companies were paying else-

Continued on Page D4

10-27-83 PG D-1  
**Florida Bare Oil Lottery Solicitors**

By REGINALD STUART

Special to The New York Times  
TALLAHASSEE, Fla., Oct. 26 — State Comptroller Gerald A. Lewis today ordered 32 telephone solicitation companies based in Florida to stop inviting investors to participate in a Federal lottery for oil and gas leases. He said they had "defrauded thousands of investors across the country of millions of dollars."

Mr. Lewis described his action as the start of a "major initiative" against so-called boiler room operations in Florida.

He thus joined officials of other states who have urged President Reagan to reform the oil and gas lottery program. The state officials contend

that the Government would receive more money if all oil and gas leases were offered solely on a competitive bid basis, and not through a lottery.

The Bureau of Land Management of the Interior Department runs the Simultaneous Oil and Gas Leasing System, as the lottery program is formally known. In the program, any individual may pay the Government a \$75 filing fee to have his name entered in a lottery. A winner is awarded a tract of Federal land with unproven mineral reserves for a lease charge of \$1 a year per acre, increasing to \$3 after five years.

If the tract does not produce any oil or gas in 10 years, the lease expires. Such tracts are considered highly speculative, particularly since many of them have been previously held

and either were not drilled or were found to have little or no value. The lotteries, which are held every two months, attracted more than two million applicants last year.

On Oct. 12 the Government suspended the lottery program for six weeks after an internal investigation focusing on Wyoming found that 18 tracts had been resold in the past two years. Despite the moratorium, the companies that solicit investors to compete in the lotteries have continued to operate.

Typically solicitors gather at telephones in small offices and call prospectors across the nation. Usually reading from a prepared text, they promise that an immediate response will

Continued on Page D5

...est value of \$1.15 billion, but... have no real... have decided... get rid of the... ing the value of... could result in...

Continued  
**Bethlehem And I Cut**

By STEVEN GRUBB

The Bethlehem Steel and the LTV Corporation's second and third-quarter losses yesterday reported third-quarter losses a year earlier. Analysts cited a steel pickup in steel... the improvement.

Bethlehem reported million for the third quarter, one-third of its \$335 million year before. Analysts said had been held back by demand and prices for heavy... used in capital... Bethlehem's output...

LTV, the Dallas... and steel conglomerate... Jones & Laughlin Steel... announced a loss of... one of \$55.3 million... fore. Analysts cited low... oil-drilling pipe, of which... major producer.

**Bethlehem Steel**

Bethlehem's third-quarter rose 1.7 percent, to \$1.22 billion, \$1.20 billion a year ago. For nine months of 1980, the company \$227.6 million, slightly more \$322.7 million in the same year. Its nine-month sales dropped 15.4 percent, to \$3.6 billion from \$4.25 billion a year ago.

Bethlehem's performance

# U.S. Raids 2 Oil Lease Sales Firms

By DAN MORAIN,  
Times Staff Writer

L.A. TIMES  
11/6/83

Federal agents, probing possible fraud in the sale of oil and gas leases on federal land, on Wednesday seized documents from a Ventura County operation, where a sales force was offering leases to customers nationwide.

In an affidavit filed with a search warrant request Wednesday, Postal Inspector Lou F. Kinzler said he suspects two Newbury Park companies are involved in a "boiler room" scheme to "defraud" their customers.

The companies, Federal Land Management and Federal Land Registry, both located at the same Newbury Park address and apparently part of the same operation, are selling what they say are oil and gas leases in Wyoming for between \$4,000 and \$8,000, the affidavit says.

However, in at least three instances, the companies did not own the oil and gas rights, and the Bureau of Land Management doubts that there is oil or gas in the ground, the affidavit says.

The affidavit includes statements from a Ventura County sheriff's detective who applied for a job at the company and reported seeing 20 phone operators working two shifts a day soliciting business nationwide.

#### Injunction Obtained

The companies declined comment.

This is the second case in recent months involving operations peddling oil and gas leases on federal land. In June, the Federal Trade Commission sued a Westwood company and later obtained an injunction barring it from defrauding customers in the sale of oil and gas leases.

The Bureau of Land Management normally issues oil and gas rights through lotteries, although some BLM land with no apparent oil or gas reserves can be leased over the counter.

Although Federal Land Management applied for an over-the-counter lease on some of the property that it was peddling, it was not the first in line to win rights to the land, the affidavit says.

The particular property on which the companies were selling oil and gas rights is not among the land that the government would include in its normal lease lotteries, the affidavit said.

(Such lands are not leased by competitive bidding, because there

Please see OIL, Page 3

## OIL: U.S. Raids Two Firms

Continued from Page 1

is no known geologic structure which would indicate the presence of oil or gas reserves," the affidavit says.

According to the affidavit, one customer cited was Thomas Gee of San Francisco, who had tried several times to win a lease in a federal lottery. On Nov. 9, a Federal Land Registry salesman called to offer Gee a 40-acre lease in Wyoming for \$4,175.

Gee, who apparently assumed that the Federal Land Registry was a federal agency, agreed. That night, a courier arrived at Gee's home to pick up the check. Later, Gee learned that the company was not a federal agency and called authorities, the affidavit says.

Another customer mentioned in the affidavit was Virginia Harrison of Clatskanie, Ore., who also had tried several times to obtain oil and gas leases in federal lotteries.

According to the affidavit, on Nov. 10, she received a call from a Federal Land Management salesman, who said if she did not agree to buy the lease on the 80-acre parcel, the salesman would call another person on his list. She also said she was warned that the "last time somebody changed their mind and did not buy their lease, the person lost \$200,000," the affidavit says.

The woman later received a letter from Federal Land Management describing the Wyoming land that she had leased, though it was later learned that the company did not own the rights to the land. The affidavit does not say why she contacted authorities.

# Reach Out and Bilk Someone

Prosecutors say telephone oil-lease pitchmen swindled 66,000

The earnest voice on the telephone described the offer as a sure thing. By sending \$8,784 to the U.S. Oil and Gas Corp. in Coral Gables, Fla., the customer would be guaranteed—in writing—to win a lease worth \$25,000 for the oil and gas rights on a parcel of U.S. Government land. Between September 1982 and June 1983, some 66,000 people drew down savings and took out loans to send the company money.

According to the U.S. Attorney's office in Miami, the customers were caught in an elaborate telephone trap designed to lure the greedy and the gullible. Of the 66,000, only 60 people got leases, making the "sure thing" a one-in-a-thousand shot. John Aboudara, a San Francisco engineer, and his wife Susan were victims. Says Susan: "We have two young kids, and that money could have been spent much better than giving it to someone we didn't know. It hurts to be dumb."

A grand jury has indicted 24 people connected with U.S. Oil and Gas, including Gurdon Wolfson, the company's owner and president, and Larry Waxman, its executive director, for fraud and conspiracy. All pleaded not guilty; if convicted, they face possible fines of \$10,000 and three years in prison. In addition, Federal District Judge William Hoevener, acting on a civil suit filed by the Federal Trade Commission, last week issued an injunction to prevent U.S. Oil and Gas from continuing its fraudulent sales. He froze the company's assets and in effect put it out of business. Said the judge: "The profit to the company was enormous, and the chance for reward to customers was almost nonexistent."

Testimony by former employees of U.S. Oil and Gas provided a fascinating, behind-the-scenes glimpse of what law enforcement officials call a "boiler room" operation. Such telephone-sales scams are springing up in South Florida faster than authorities can shut them down. Testified James Bennett, a U.S. Oil and Gas salesman who quit because his conscience bothered him: "These were crass people. They'd sell their own mother. And if their mother was already sold, they'd go out and buy another mother and sell her at a profit."

The scheme revolved around the lotteries that the U.S. Bureau of Land Management holds every two months for oil and gas leases on about 1,200 tracts of Western land. This terrain is not the Government's most valuable property. Says Kathy Cooney, a Bureau of Land Management official in Wyoming, where most of the federal land is located: "About 98% of this land has been leased before, and no oil or gas was found."

U.S. Oil and Gas told customers that for \$8,784 they could buy chances to get leases on 48 different parcels of land, competing against only six to eight people



Witness Bennett quit after three sales

per tract. None of those other six or eight, the telephone salesman promised, would be clients of U.S. Oil and Gas. In reality, 1,000 people or more were pitted against one another in the lotteries for most tracts, and in at least one case, two-thirds of the competitors were clients of U.S. Oil and Gas. Of each \$8,784 investment that the company took in, \$3,600 was used for Government filing fees, \$1,600 was the salesman's commission, and the remaining \$3,584 went to U.S. Oil and Gas.

The Bureau of Land Management announced last week that it would suspend the lotteries for six weeks to correct abuses. Said Democratic Senator Dale Bumpers of Arkansas, who is sponsoring a bill to abolish the lottery system: "The moratorium is a move in the right direction, but it is not enough. The lottery system lends itself to fraud."

Ironically, U.S. Oil and Gas was backed by the Better Business Bureau of



Better Business Bureau's Harris was fired. Fast talk from the "boiler-room capital."

South Florida. But the U.S. Attorney's office alleges that the endorsement was part of the scheme. Henry Harris, president of the South Florida B.B.B., was indicted for taking bribes from U.S. Oil and Gas to "eliminate or alter" telltale information about the company in his files. Said the indictment: "Harris suppressed a listing of complaints and a history of numerous federal and state judicial 'cease and desist orders.'" Harris, who pleaded not guilty, was fired last week by the directors of the South Florida B.B.B.

U.S. Oil and Gas operated out of a large dingy room on the second floor of a Coral Gables office building. Seated in two dozen Plexiglas cubicles, salesmen called people all over the U.S. and made their pitches from prepared scripts. If they were not persuasive enough, supervisors listening in on the calls would interrupt and try to nail down the sale. Salesmen told customers that the company's pool of trained geologists—"considered the Rolls-Royce of our industry"—would select the land most likely to have oil and gas. In fact, the company spent only \$1,052 a month for geological services. Mark Douglas, a former U.S. Oil and Gas employee, testified that he earned \$500,000 in commissions by using several different sales ploys, one of which he called the "Reagan pitch." He told potential customers that his company had contributed \$1 million in cash to the Reagan Administration in return for the Government's rigging 10% of its lotteries for oil and gas leases.

Former Salesman Bennett described his colleagues as a "collection of sleaze bags—cigar chomping, foul smelling. They were physically so unattractive they had to work by telephone. No one would have even opened the door to them face to face." Bennett recalled the first sale he made: "It was a Kentucky family that was going to cash in its insurance to make the payment. We tried to stay away from the sophisticated Northeast. We were targeting people who could never afford to recover the loss, and this family was just the type we wanted." After he had made three sales, Bennett said, "something just clicked. I thought there must be a better way to make money than just to take it from people. So I called all three families back and told them not to send their money." He resigned the following day.

Hundreds of similar operations still flourish in the Miami area, known for being the "boiler-room capital of the world." Says Norris Penland, a U.S. postal inspector: "Besides the oil-lease scam, we have insurance, precious metals, banking and even ballpoint pen rip-offs." Yet the police are understandably more concerned about Miami's high rate of murder, robbery and drug smuggling. Complains Robert Kalin of the Miami consumer protection office: "There is so much felonious crime here that the authorities have no time to deal with many white-collar crimes." —By Charles P. Alexander. Reported by Joseph McQuay/Miami

# Local man helps build FTC suit against oil lease firm

By ANN CONY  
Daily News business reporter

An Anchorage doctor suspicious of high-pressure sales tactics helped the FBI get evidence for a Federal Trade Commission (FTC) suit filed Thursday against an oil-lease investment company.

Dr. John "Nels" Anderson, a major at Elemendorf Air Force Base, said he recorded several telephone conversations with two Leland Capital Corp. salesmen, one of whom first contacted Anderson's wife in February.

"I thought it was kind of a bad (sales) pitch — a high-pressure, unethical and dishonest pitch," Anderson said.

Thursday the FTC filed a federal court suit in Los Angeles against Leland Capital of Los Angeles and its parent company, Leland Industries Inc. of Dallas. The suit alleges that Leland misled hundreds of customers nationwide in claiming it would obtain "highly

valuable" oil and gas rights through federal land lease lotteries.

Anderson said he discussed the company sales pitch with Brent Rasmussen, a friend and Anchorage FBI agent who helped arrange the recordings.

"In some regards I was talking to them in bad faith because I didn't have any interest in investing (in the company program)," Anderson said. But, "I was curious about their system and how it worked, so I asked them a lot of questions."

Anderson said he contacted some local investors represented by Leland as customers who had obtained leases through the filing service. The customers he spoke to seemed satisfied with the company, Anderson said, but he remained disturbed by the Leland sales pitch.

Anderson said he decided to tape his phone conversations with company salesmen because

"it was something I thought was in the public interest."

He turned the tape recordings over to the FBI, which passed them on to the FTC.

The taped conversations Anderson considered most damaging to the company were largely inaudible because the telephone recording device the FBI first set him up with didn't work properly, he said.

But the FTC is using later recordings and sworn affidavits from Anderson as part of its prosecution of Leland.

In a partial transcript of one of the sales conversations recorded by Anderson, Leland salesman Peter LaBarrie assured Anderson that he had a 1-in-10 chance of winning at least one lease in an upcoming lottery.

"We're so confident that we can put you in that position, Dr. Anderson, that should we fail to do so, I'll be more than willing to put this very profit-oriented organization of mine

... in a negative cost-factor position and file you an additional 60 times free, until we've got you that first lease."

According to the FTC complaint, Leland made 42,000 lease lottery filings in 1982 on behalf of 1,000 customers, but obtained only 70 leases.

Anderson was not the only Alaskan suspicious of Leland.

The state Division of Banking, Securities, Small Loans and Corporations issued a warning to investors in late March after receiving hundreds of calls from Alaskans who had been solicited by lease filing investment companies. Leland's name cropped up frequently, and the state consumer protection division reportedly was investigating the company when the securities division issued its warning.

See Page B-3, DOCTOR

Anchorage Daily News

Sunday, June 5, 1983

B-1

*Leland Capital Corp.*  
*APR*

*OVER*

COMPANY

COMMENTS

Alaska Banks Petroleum  
Corporation  
717 W. Hardwood St., Ste. 800  
Diamond Shamrock Tower  
Dallas, Texas 75201  
214/969-9808

A Washington resident was contacted by this firm on 1/24/84. The firm telephonically promised the offeree that if he did not receive within two years an offer to recall his lease for \$30,000, Alaska Banks Petroleum would guarantee him that much in face value United States Savings Bonds. Cease and desist order issued by Washington (Martin Cordell).

Alaska Capital Corporation  
22761 Pacific Coast Highway  
Malibu, California 90265

Cease and Desist Order issued by the Maine Bureau of Banking 8/29/83. Same street address as Alcor Corporation and Federal Land Information Corporation. Alaska Cease and Desist Order issued 3/14/84.

Alaska Energy Trust  
Wilshire Blvd., Los Angeles

2/15/84 offer to Ohio resident;  
3/2/84 offer to California resident.

Alaska Federal Petroleum  
Corp.  
3785 N.W. 82nd  
Miami, Florida 33167

Incorporated in Alaska 12/30/82. We have received inquiries from Nelson H. Patnaude of the New Jersey Bureau of Securities and Larry Swink of the Wisconsin Division of Securities. Patnaude inquired on behalf of a 31 year old deaf individual who paid \$4,700.50 for a 320 acre lease.

Betty Guenther, 8901 Meade Avenue, Martin Grove, Illinois 60053 (312/965-3838) was offered Alaska land at \$14.84 an acre which would be \$9,500 for one square mile of land. The salesman represented that within 90 days a big oil company would buy the interest and she would have a \$33,000 profit.

Alaska Land Leasing, Inc.  
688 Thousand Oaks Blvd.  
Thousand Oaks, California 91360

28990 Pacific Coast Highway  
P.O. Box 4010  
Malibu, California 90265 (Former)

11726 San Vicente Blvd.  
Los Angeles, California 90049

Associated with Tundra Oil, Inc. and Anchorage Research and Management Co., the State of Alaska is presently litigating with this firm. We have discussed this firm with Assistant Attorney General Herschel T. Elkins, California Department of Justice, 3580 Wilshire Blvd., Room 800 Los Angeles, California 90010 (213/736-2311). Cease and desist order issued by the Iowa Superintendent of Securities 12/19/81 (contact person Brad Osmundson). Cease and desist order issued by the Minnesota Commissioner of Commerce, Securities Section, 9/3/83. Cease and Desist order issued by Missouri Secretary of State, Division of Securities, 3/14/83. We advised the Nebraska Department of Banking and Finance, Securities Section, (Thomas Sindelar) of one Nebraska resident who was advised by the salesman that his oil and gas royalties could range from \$60,000 to \$160,000 a month. Two cease and desist orders issued by Texas State Securities Board naming Alaska Land Leasing, Inc. along with related entities and individuals on 2/17/84. Contact person Isabelle Potts. Inquiry has been received about ALLI from Stephen K. Mueller, Staff Attorney, Enforcement Division, Wisconsin Securities Board. The Alaska Department of Natural Resources has numerous filings made by ALLI. On 11/25/83, Terry J. Risenhoover and Vic Gainer who are associated with ALLI became the initial directors of a new Alaska corporation, Alaskan Crude Corporation along with N.K. Goff.

Alaska Oil and Gas Company  
Penthouse #2  
1207 Rideway  
Sausalito, California

ARCO has requested this company to ensure that references to Atlantic Richfield or its subsidiaries are not made in connection with the sales efforts of this company (see comment under Alaska Capital Corporation above). We received inquiry about this firm from Mark A. Loush, Attorney in Charge, Securities and Exchange Commission Office, Detroit, Michigan.

X  
Alaska Mineral Equities  
1065 N.E. 125th St., #221  
Miami, Florida 33161

Post card solicitation of Alaska resident 3/84.

The Alaska Oil Lottery  
Milton, Conn.

Maryland resident solicited 3/84.

Alaska  
3/15/84

Alaska Oil Development Corporation

Alaska Oil Leases  
18500 N.E. 41st Court  
North Miami Beach, Florida

Alaska Petroleum Leasing Corp.  
5781 W. Sunrise Blvd.  
Plantation, Florida 33313

Alaskan Crude Corporation

Alaskan Oil & Gas  
San Francisco, California

Alcor Corporation  
22761 Pacific Coast Highway, Suite 22  
Malibu, California 90265

(Same street address as  
Alaska Capitol Corporation  
and Federal Land Information  
Corporation)

Anchorage Research Management Co.

American Oil and Gas Leasing  
Corp.  
Wells Fargo Bank Building  
16055 Ventura Blvd., Ste. 924  
Encino, California 91436

See Federal Property Record, Inc.

Dr. Jack Gold, 583 Caledonia Road,  
Dix Hills, New York 11747 (516/271-7415)  
advised the Alaska Attorney General's  
Office that he made a \$10,000 investment  
with this company for 40 acres of  
lease hold rights. Lou Risko, 1666  
Springtown Road, Alpha, New Jersey  
08865, (201/454-9448) complained to  
this division that he invested \$10,000  
with the firm. Risko had previously  
dealt with the Stratford Company of  
Miami, Florida. Inquiry was also  
received from Mr. Bill Gregg, 2117  
N.W. Flanders, Portland, Oregon 97210.  
The firm has solicited at least one  
Alaska resident and an Alaska cease  
and desist order is contemplated.  
Ron Lawrence, 5956 Blackpool Lane,  
Virginia Beach, Virginia 23462,  
(804/497-6010(H), 460-3725 (W))  
complained that he invested \$8,975.  
Alaska Cease and Desist issued 3/15/84.

Cease and desist order by Iowa  
Superintendent of Securities 12/19/83.

See Alaska Land Leasing, Inc.

Inquiry concerning this firm received  
2/84 from Scott P. Brochert, Commerce  
Investigator, Enforcement Division,  
St. Paul, Minnesota.

Formed as a California corporation  
12/29/82 and qualified to do business  
in Alaska 7/11/83. Corporate purpose  
"gas/oil/mineral leases." Officers/  
Directors - Frederick Von Musser (37%  
stockholder), Aldo Vidali (37% stock-  
holder), Ron O'Haver, Charles Able,  
Roger Rushworth, Roger Chaffin, Edward  
Cargile, Viktoria Longmire, Jairo Cuellar  
(10% stockholder). To date, there are no  
reported solicitations by Alcor Corporat

See Alaska Land Leasing, Inc.

Dr. Robert S. Cunningham, 17400 N.E.  
13th Place, Bellevue, Washington 98008  
was solicited by this firm.

Alaska  
3/15/84

Arctic Oil & Gas Corp.  
3595 Sheridan St., Ste. 206  
Hollywood, Florida 33021

Cease and desist order issued by the Iowa Superintendent of Securities 12/19/83. Paul Flath, 907 S. 10th Street Watertown, Wisconsin 53094 was solicited by the firm and advised this office that he was told the firm was a sister company of Omni International. Flath in the past has also been solicited by Trans-World Leasing of Florida. Dr. Thomas L. Smith, P.O. Box 228, Crystal Springs, Mississippi 39059 was advised by the firm's salesman that Texico and either ARCO or AMOCO had recently been buying leases from Arctic Oil & Gas Corporation or their clients. Smith asked about the high cost of drilling in Alaska and was told that his prospective property was "in a valley" and not in the mountains and, therefore, the drilling would be less expensive. The Ohio Department of Commerce (Securities Section-Paul Tague) inquired into the solicitation of at least one Ohio resident.

Atlantic Oil & Gas Corp.  
1065 N.E. 125th St., Ste. 221  
North Miami, Florida 33161

The firm retained the services of an Anchorage, Alaska geologist Thomas W. Mortensen who by letter 9/14/83 objected to the way Atlantic Oil & Gas Corp. was using his name for sales purposes.

Barrington Aims Whitney, Ltd.  
Arlington Heights, Illinois

Associated with Federal Record, Inc., inquiry 3/7/84.

California Resources  
Encinitas, California

In 1980, this firm was apparently associated with Western Energy Resources, 801 South Rancho Road, Boulevard D, Suite 1-A, Las Vegas, Nevada 89106. In November 1982, the Alaska Division of Securities declined to register this program.

Chapen & Associates, Inc.  
5230 Vesper Ave., Ste. 5  
Sherman Oaks, California 91411  
and  
1642 Westwood Blvd.  
Los Angeles, California 90024

California Corporation formed 12/20/82 qualified to do business in Alaska 8/16/83. Cease and desist order issued by the Alaska Division of Securities 2/3/84.

Commonwealth Management Corporation  
Texas

Inquiry by Larry Gilley, 7333 Bramblewood Fort Worth, Texas 76133 (817/294-9586) who had been offered an investment by the firm.

Domestic Resources Corporation  
3272 Motor Ave., Ste. G  
Los Angeles, California 90034

An Anchorage, Alaska resident was solicited to invest with this firm, 1/84.

Alaska  
3/15/84

Dynasty Management Company, Inc.  
Las Vegas, Nevada

An Anchorage, Alaska resident was solicited by this firm 11/83 and was told that Dynasty Management, Inc. was a Texas corporation.

Eagle Oil & Gas Company  
11601 Biscayne Blvd.  
Coral Gables, Florida 33134

ARCO by letter 9/14/83 requested that this firm assure ARCO that all appropriate steps were taken to ensure that reference to Atlantic Richfield or its subsidiaries were not made in connection with sales efforts (see Alaska Capital Corporation above).

Federal Land Information  
Corporation  
22761 Pacific Coast Highway, Ste. 22  
P.O. Box 1100  
Malibu, California  
(Same street address as Alaska Capitol Corporation and Alcor Corporation.)

This firm contacted Betty Guenther of Martin Grove, Illinois (see Alaska Federal Petroleum Corporation) and was offered oil and gas land for \$200 an acre. Ak. C&D 3/14/84.

Federal Lease Filing  
Corporation  
28990 Pacific Coast Highway  
P.O. Box 4010  
Malibu, California 90265

The State of Alaska is presently in litigation with this firm - see Alaska Land Leasing, Inc. above. We had correspondence with the firm in July 1982 concerning their BLM lottery program and solicitations which were made in Alaska. At that time T.J. Risenhoover now with ALLI was president of Federal Lease Filing Corporation.

Federal Land Management  
Corporation  
Newbury Park, California

Search warrants were executed by postal inspectors at its California office in November 1983. Solicitations of an Alaska resident were made also in November 1983. The Alaska resident did not invest.

Federal Property Record, Inc.  
715 W. Algonquin Road  
Arlington Heights, Illinois 60005

Federal Property Record, Inc. and Alaska Oil Development Corporation are Illinois corporations authorized to do business in the State of Alaska. On 12/20/83, the Alaska Administrator of Securities issued a permanent order to cease and desist to these corporations along with David Swain and Margie Welch. The order found that the respondents offered for sale to an Alaska resident unregistered securities. There were no known sales in Alaska. Associated with Barrington Aims Whitney, Ltd., and Trans-Alaska Energy Corporation.

Frontier Exploration Corporation

Cease and desist order issued by the Iowa Superintendent of Securities 12/19/83. No known solicitations in Alaska.

Alaska  
3/15/84

Government Oil & Gas  
Lease Program, Inc.  
409 W. Hallandale Beach Blvd., Ste. 202  
Hallandale, Florida 33009

Cease and desist order issued by the  
the Alaska Division of Securities on  
10/13/83. No known sales in Alaska.

Leland Capitol Corporation  
Dallas, Texas 75201

Offers and sales made to Alaska  
residents prior to FTC complaint  
being filed.

Magnum Exploration

This firm solicited a Homer, Alaska  
resident in August 1983. No known  
sales in Alaska.

National Land Services Corp.  
11601 Biscayne Blvd., Ste. 200-D  
North Miami, Florida 33181

Inquiry received in December 1983  
from John P. Wintermoyer, 2442 S.E.  
Gowin Road, Port St. Lucie, Florida  
33452 (305/335-3116). Wintermoyer  
was told by the salesperson that  
Pacific Northwest, Inc. was a subsidiary  
of National Land Services Corp. Alaska  
Cease and Desist Order issued 3/14/84.

North American Lease  
Acquisition  
1011 Ives Datney Road  
North Miami Beach, Florida 33179

Order to cease and desist issued by  
the Maine Bureau of Banking 12/15/83.  
Contact person Irene Keeley, Investigator.

North American Mineral Exchange  
Los Angeles, California  
818/883-5656

Tucson, Arizona resident solicited,  
2/6/84.

North American Resource Corp.

Cease and desist order issued by the  
Iowa Superintendent of Securities to  
North American Resource Corp. and  
Transworld Resources Corp. on 11/21/83.  
Complaint filed against the same firms  
10/31/83 by the Idaho Attorney General  
in the District Court of the Fourth  
Judicial District in and for the County  
of Ada. Civil file 83-436. The FBI  
executed simultaneous search warrants  
at the "offices" of North American  
Resource Corp. in Anchorage, Alaska  
and in Florida. Appears to be related  
to Westchase Petroleum Exploration, Inc.

Northwest Assets Corporation

Inquiry by Texas Securities Commission,  
3/6/84. Associated with USA Resources, In

Omni International

See Artic Oil & Gas Corporation.

Pacific Northwest, Inc.

See National Land Service Corporation  
above.

Petro Alaska  
6500 Greenville Ave., Ste. 440  
Dallas, Texas 75206-9990

Inquiry received 1/12/84 concerning  
this firm from Mr. and Mrs. Steve  
Larson, Box 2208B, Harlan Star Route,  
Blodgett, Oregon 97326.

Alaska  
3/15/84

Petrolaska Corporation  
8363 Wilshire Blvd., Ste. 224  
Beverly Hills, California

Formed as an Alaska corporation 8/11/83 with its purpose "oil and gas extraction. The incorporator was Stanley M. Clark whose address is shown at the left. The local mailing address is P.O. Box 2794, Anchorage, Alaska 99510 and the registered agent is William O. Vallee, 4430 W. 7th Avenue, Suite 1, Anchorage, Alaska 99510. It is not known if this firm is engaged in the leasing of federal oil and gas drilling rights.

Spearman Company, The  
Los Angeles, California

Wasilla, Alaska doctor solicited 2/28/84. No additional information presently available.

Stratford Company, The  
11601 Biscayne Blvd.  
Miami, Florida 33181

Complaint by Lou Riske of Alpha, New Jersey. (See Alaska Oil Leases above.)

Trans Alaska Energy Corporation  
Miami Beach, Florida  
Van Nyes, California  
Chicago, Illinois

On 12/19/83, Mylo Tague, 1937 Denslow Drive, South Bend, Indiana advised that he had been solicited by this firm. David Swain was identified to Tague as chairman (see Federal Property Record Company, Inc. and Barrington Aims Whitney, Ltd., above).

Trans-Alaska Investment, Inc.  
1001 Ives Dairy Road - 3204  
North Miami Beach, Florida 33179

Inquiry 2/27/84 by Alabama Securities Division.

Trans-Alaska Oil Development

Associated with Federal Property Record, Inc.

Trans World Resources  
Corporation  
Hollywood, Florida 33024

Preliminary order to deny or revoke exemptions and to cease and desist issued by Michigan Corporation and Securities Bureau 11/22/83.

Tundra Oil, Inc.  
28990 Pacific Coast Hwy., Ste. 214  
Malibu, California 90265

The State of Alaska is presently in litigation with this firm. (See Alaska Land Leasing above.)

USA Resources, Ltd.  
1331 - 17th St., Ste. 400  
P.O. Box 5200  
Denver, Colorado 80217

Inquiry concerning this firm received 1/31/84 from David Reintf, 1508 S. Merlon, Aberdeen, South Dakota 57401. Information concerning inquiry was relayed to the South Dakota Division of Securities. Inquiry by Texas Securities Division, 3/6/84. Associated with Northwest Assets Corporation.

United American Mineral Corp.

On 12/21/83, Norah Malkian, Commercial Lines Underwriter, Ultima Insurance Services, Inc., 3280 E. Foothill Blvd., Ste. 440, Pasadena, California 91107,

Alaska  
3/15/84

United American Mineral Corp. (Cont.)

made an inquiry to Lawyers Title Insurance Agency, Inc., Anchorage, Alaska concerning United American Mineral Corporation. The description of its planned activity would indicate that it intended to sell secondary leases in federal oil and gas properties in Alaska. No further information is available.

United Arctic Oil, Inc.  
1100 Glendon Ave., Ste. 2101  
Los Angeles, California 90024

This firm has made solicitations in the the State of Alaska. On 8/25/83, Richard Hoffman, Attorney at Law, 903 Linda Flora Drive, Los Angeles, California 90049 advised that his father in 1983 invested \$10,000 with United Arctic, Inc. His father was suppose to receive certain documents evidencing ownership of the lease. United Arctic Oil has failed to produce these. Cease and desist order issued by the Iowa Superintendent of Securities 11/23/83.

Westchase Petroleum  
Exploration, Inc.  
401 W. Texas Street  
Midland, Texas 79701

Order to cease and desist issued by the Alaska Division of Securities 12/15/83. Solicitation made to an Alaska resident who tape recorded the conversation. The tape recordings concerning this matter have been furnished by this office to the Anchorage office of the FBI. On 2/22/84, Mark Wysocki, Wisconsin securities division advised that his office is aware of one Wisconsin investor who sent \$18,500 to Westchase Petroleum in Denver, Colorado. The Denver FBI office is aware of that individual. Appears to be related to North American Resource Corporation.

Alaska  
3/15/84

# Business

# N

## Valuable oil lease win just too good to be true



### Alaska's Business

John Knowlton

**S**he knew it was too good to be true. People just don't call and tell you that you've won an oil and gas lease that's worth \$200,000. Those kinds of things just don't happen.

But it happened to Jean King, a 53-year-old Willow housewife.

King and her husband, Joseph, were sitting at home the afternoon of Nov. 27 when the phone rang. The caller said King's name had just been drawn from among 92,000 others as the winner in the last oil and gas lease lottery ever to be held in Beaverhead County, Mont.

She had won the rights to lease between 92 and 120 acres (depending on where the easements were located) which had great potential for oil discoveries.

The property was surrounded by other oil-rich lands held by Sohio, Gulf Oil, Exxon and Chevron, she was told. Two well-known Amoco producing wells — Hershey No. 1 and Hershey No. 2 — were nearby. Some 27 petroleum companies in all had land right around the property King had just won, the man on the other end of the line told her.

All she had to do was wire \$8,250 to his company, West Chase Petroleum Ltd. of Midland, Texas, for closing costs. The Bureau of Land Management then would send her the lease and one of the oil companies would probably offer her money for it in a matter of days.

"It seemed like too good of a deal," King related later. "I asked him what the property was worth and he said, 'I would say it would be worth at least \$120,000.'"

The lease was so valuable, the man said, that an alternate who was selected in the lottery already had paid \$8,250 for it. The alternate was going to be given the lease if King didn't send in her money soon.

King is no dummy. She's been trying unsuccessfully to win an oil and gas lease through BLM lotteries for four years now. She knows that oil companies aren't just knocking on the door waiting to pay you \$120,000 for a lease that cost you \$8,250.

and the Matanuska Valley Federal Credit Union, and borrowed the rest, she lied. Austin encouraged her to do that.

King subsequently checked with a Colorado filing service and found out that the scheme was a scam. The filing service had never heard of any Amoco producing wells in that part of Montana.

And then a different caller from West Chase Petroleum told her the next day that there were 70 companies with oil property around her parcel (the first man had said 27), and he upped its worth to between \$150,000 and \$200,000.

**Had she wired that \$8,250 yet?**

No, she was still waiting for the bank loan to go through and for the papers about the property to arrive. They had been sent days ago, the second caller, West Chase Petroleum executive vice president John Hamilton, assured her. Must be a problem with the mailroom. No reason to wait for the bank loan, he told her, just wire half of the

During that two-hour first phone call, she told the man she first wanted to see the paperwork on the property. And she asked some pretty detailed questions, like what the meridian was in Montana. The man, identified as Peter Austin, a West Chase Petroleum sales representative, didn't know and falsely said there were no meridians in Montana.

Then she said she and her husband didn't have \$8,250. But they could raise the money if they closed out their savings accounts in a Willow bank

money now, the rest later.

When King questioned the credibility of West Chase Petroleum president Charles Cerf, Hamilton told her: "He has more credentials than the Lord has children."

West Chase Petroleum was trying to separate King from her money and she knew it. One day after that first phone call, so did Larry Carroll, a securities examiner for the state division of banking and securities.

Carroll began an investigation that subsequently led to inquiries in Texas and Florida. It also led to the issuance of a cease and desist order here Thursday against West Chase Petroleum, Charles Cerf, Peter Austin, John Hamilton and two others.

They are accused of several acts of misrepresentation and of not being licensed by the state to sell securities. It's the twelfth such cease and desist order issued by the state in the last six weeks.

Carroll's probe also disclosed that West Chase Petroleum is the successor to North American Resources, a firm once investigated by the FBI for misrepresenting the value of oil leases. North American Resources, a Florida firm, also had been run by Cerf. He used it as his selling agent, said Carroll.

All of this activity has got King feeling very grateful she wasn't duped like others have been in similar scams. To get the \$8,250, she and her retired husband really would have had to deplete their savings accounts and sell off the equipment on their place at Mile 86.5 on the Parks Highway.

"We sure as heck couldn't have afforded to let that happen to us," she said. King keeps hoping that someday she'll win a lease on federal lands through a BLM lottery.

"But I don't think I'd ever be lucky enough to get \$200,000 for it."

*John Knowlton is business editor of The Times.*

3-6-84



P. O. Box 30456  
Los Angeles, CA 90030

(213) 688-4452 / FTS 798-4452

The Attorney General announced today the simultaneous execution of (15-17) search warrants on (22) companies by the Postal Inspection Service, the Federal Bureau of Investigation and the Office of Inspector General, U.S. Department of Interior directed at fraudulent boiler room type sale operations in (Florida, New Jersey, New York, California, Michigan). (List attached).

According to affidavits of federal investigators filed with the applications for the search warrants, the investigations have identified serious abuses by companies engaged in high pressured telephone sales solicitation, known as boiler rooms, that purport to be legitimate filing services promoting participation in the Federal Simultaneous Oil and Gas Lottery held by the Bureau of Land Management, U.S. Department of Interior and other leasing programs of the Bureau of Land Management. Investigations have identified a general pattern of fraudulent operation by these boiler room sales type firms.

#### LOTTERY PROGRAM

The Bureau of Land Management has held bi-monthly lotteries which allowed the public the opportunity to win a lease of government land. If a person won in the lottery, he could lease his parcel from the government for \$1.00 per acre per year for the first five years and \$3.00 per acre per year for the remaining five years. Then the person could attempt to sell his rights to an oil company who might be interested in oil exploration. The Bureau of Land Management issues two types of leases for oil and

filing. These boiler rooms were charging an average of \$300.00 per filing for their purported services. The Postal Inspection Service estimated the annual loss to the public due to these fraudulent filing services exceeded \$100 million dollars.

OTHER SCHEMES

When the lottery was suspended on October 12, 1983, further investigation showed that many of these same operators became involved in selling leases to the public which the company had bought from the Bureau of Land Management on an "over the counter" basis. Again these leases are on parcels of land not in a known geological structure containing oil or gas. The minimum size of a parcel offered by the Bureau of Land Management per application is 640 acres and the maximum size is 10,240 acres. There is a \$75.00 filing fee per application and a charge of \$1.00 per acre per year for the first five years and \$3.00 per acre per year for the remaining five years. Once the lease is assigned, it may be sub-divided and reassigned in 40 acre parcels or multiples thereof.

Based on the misrepresentations that these parcels of land contain oil and gas and that major oil companies are interested in drilling on the land, these boiler room operators attempt to sell these leases from \$10.00-50.00 to as high as \$300.00 per acre. The truth is that the land is not in a known geological structure containing oil or gas and oil companies are not interested in the land. For instance, many of these boiler rooms are selling leases on land in the Denali and Tielke Blocks in

# news /



GERALD A. LEWIS  
Comptroller of Florida  
The Capitol  
Tallahassee, Florida 32304

FOR FURTHER INFORMATION CONTACT:  
KATHY LEFFEW McCORD 904-488-0286

MARCH 6, 1984

TALLAHASSEE -- Florida Comptroller Gerald Lewis has ordered seven South Florida companies and nine associated individuals to stop selling oil and gas leases in violation of the state securities laws. The companies are allegedly selling mineral interests, primarily on federally-owned land in Alaska, without first registering with the Comptroller's Office. The Immediate Final Order to Cease and Desist against these sales practices is among the strongest possible action Lewis can take under Florida law and is effective immediately.

According to Lewis, the companies use boiler room sales operations and high-pressure telephone sales techniques to solicit investors. Potential investors are told that there is no risk involved and that they will receive a guaranteed return on their investment by purchasing oil and gas drilling rights. The sales pitch has so far netted hundreds of investors who often paid up to \$200 an acre for oil or gas rights to public land in Alaska. In most cases the companies acquired the leases from the federal government for \$1 an acre.

Lewis' action is part of a continuing effort to stop widespread fraud by boiler rooms operating out of South Florida which have been accused of defrauding investors across the country. However, Lewis stressed that this Order addresses a different abuse than orders issued in late 1983 by his office against 41 companies offering filing services contracts in connection with the federal oil and gas lease lottery. The present Order deals with direct offers to the public of oil and gas leases.

According to Lewis, the same federal laws allowing the noncompetitive award of mineral rights to public lands permit boiler room operators to abuse the lottery or to sell investors oil and gas leases. He said he is again calling upon the federal government to reform present laws to require that mineral rights to public lands be granted only after competitive bidding.

The action taken by the Comptroller was coordinated with the FBI and the U.S. Postal Inspector's Office in Miami. The Order was served on the companies simultaneously with federal search warrants and subpoenas served on the same firms for evidence of mail fraud by the FBI and U. S. Postal Inspector.

(more)

RECEIVED  
MAR 10 1984

DEPARTMENT OF COMMERCE  
DIVISION OF BANKING  
SECURITIES AND SMALL LOANS

1. ALASKA ENERGY GROUP, LTD., INC.  
c/o Registered Agent: David Sargo  
11600 NE 2nd Avenue  
Miami, Florida 33181
2. ELI PARIS  
7917 West Drive  
North Bay Village, Florida
3. DAVID SARGO  
1701 NE 115th Street  
North Miami, Florida
4. KIMBERLY LAND AND MINERALS CORPORATION  
c/o Registered Agent: William F. Hogan  
61 Merrick Way  
Coral Gables, Florida 33134
5. WILLIAM HOGAN  
61 Merrick Way  
Coral Gables, Florida 33134
6. NORTH AMERICAN LEASE ACQUISITION CORPORATION  
c/o Registered Agent: Marilyn Corujo  
1011 Ives Dairy Road, Suite 210  
North Miami Beach, Florida 33179
7. ARTHUR S. LEVY  
1011 Ives Dairy Road, Suite 210  
North Miami Beach, Florida 33179
8. PACIFIC NORTHWEST, INC.  
c/o Registered Agent: Kenneth Gold  
12955 Biscayne Boulevard, #412  
North Miami, Florida 33181
9. KENNETH GOLD  
12955 Biscayne Boulevard, #412  
North Miami, Florida 33181
10. PETROLEUM LEASING CORPORATION OF AMERICA  
c/o Registered Agent: Gary C. Matzner  
9400 South Dadeland Boulevard #310  
Miami, Florida 33156
11. RICHARD GILLASPY  
7370 NW 36th Street  
Miami, Florida 33156
12. SMITH WEBBER EXPLORATION, INC.  
c/o Registered Agent: Joseph Horne  
6520 Lake Blue Drive  
Miami Lakes, Florida 33014
13. JOSEPH HORNE  
6520 Lake Blue Drive  
Miami Lakes, Florida
14. CAROL HUDANISH  
166 Harbor Drive  
Key Biscayne, Florida
15. SOUTHEAST OIL & GAS, INC.  
c/o Registered Agent: Albert Weston  
2455 East Sunrise Boulevard, #513  
Ft. Lauderdale, Florida 33304
16. ALBERT WESTON  
2455 East Sunrise Boulevard, #513  
Ft. Lauderdale, Florida 33304

# NEWS RELEASE

STATE OF ALASKA

DEPARTMENT OF COMMERCE &  
ECONOMIC DEVELOPMENT

RICHARD A. LYON  
COMMISSIONER



For Information Contact:

Information Officer  
Department of Commerce  
& Economic Development  
Pouch D  
Juneau, Alaska 99811

Phone: 907-465-2504

---

FOR IMMEDIATE RELEASE

February 3, 1984

Richard Lyon, Commissioner of the Department of Commerce and Economic Development advised that the department on February 3, 1984 issued a Temporary Order to Cease and Desist from the sale of unregistered securities to Chapin and Associates, Inc. of Sherman Oaks, California, its President, Scott Chapin, and Sales Manager, Karl Criddle.

Lyon said that the firm is offering Federal and State oil and gas leases for resale in the State of Alaska.

Lyon said that this is one of the many firms, primarily from California and Florida, who are marketing leases, although most of them do not make offers to Alaska residents.

Chapin and Associates, Inc. is using as part of its investment package a four-page folder used to advertise the annual International Conference on Coal, Minerals and Petroleum which will be held in Anchorage on February 16 and 17, 1984. The conference is sponsored by Resource Development Council for Alaska, Inc. and the Alaska Department of Commerce and Economic Development. Lyon said that the State and the conference have no connection with investment programs offered by such companies as Chapin and Associates, Inc.





## Service Agreement

---

I hereby authorize and direct Chapin & Associates Inc., to obtain on my behalf or otherwise transfer into my ownership an Alaska oil and gas lease involving \_\_\_\_\_ acres described as follows:

MERIDIAN: \_\_\_\_\_

TOWNSHIP: \_\_\_\_\_

RANGE: \_\_\_\_\_

SECTION: \_\_\_\_\_

I acknowledge that the purchase of Alaskan leases involves risk and that no guaranty has been given to me as to the value of the lease, or that the lease will appreciate in value.

I understand that if the above described lease is for any reason unavailable that CAI will substitute a lease in the like amount of acreage of equal or greater worth. I also understand that CAI will provide similar services to other clients and agree to hold CAI harmless for any conflict of interest which may result in this regard. I agree to pay CAI the sum of \$\_\_\_\_\_ in exchange for the above described services.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

CLIENT'S FULL NAME \_\_\_\_\_ DATE \_\_\_\_\_ Scott Chapin \_\_\_\_\_ DATE \_\_\_\_\_  
Director

SIGNATURE \_\_\_\_\_

---

EXHIBIT "A"

# MEMORANDUM

State of Alaska

TO: File

DATE: March 21, 1984

FILE NO:

TELEPHONE NO:

FROM: Edward C. Watkins  
Securities Examiner

SUBJECT: Federal Petroleum  
Corporation  
221 W. Oakland Park Blvd. #33  
Fort Lauderdale, Florida  
Lawrence Gollin-President

Sue Sprague, 1630 George Bell Circle, Anchorage, Alaska 99515, phone 354-7768, contacted the Alaska Department of Law by phone on 3/19/84.

Sprague's mother has a cousin, Mr. Olin Smith of Box 366, Sheffield, Texas 79781. Smith owns a small ranch, he is about ready to retire and is approximately 70 years old.

In December 1983, he was contacted on the phone by Federal Petroleum Corporation of Fort Lauderdale, Florida. The salesman told him that he was very fortunate that he had just won an oil and gas lease and needed to put money down to preserve it. Smith paid \$25,000 for what is allegedly 320 acres of lease land in the Fairbanks, Alaska area and 640 acres of lease land in the Seward, Alaska area.

The last transaction date was 12/28/83 and papers are signed by Lawrence Gollin as President of Federal Petroleum Corporation.

The Federal Government land leasing programs were discussed with Sprague and she was advised to have her mother's cousin contact the Texas State Securities Board and an attorney.

ECW/wfs3/5  
32184a

cc: Texas Securities Commission

*FILED - CIVIL*

*E.W.*

# Fast-talking 'boiler room' salesmen bilk oil investors of millions

By Gordon Dillow  
and Stephanie Burchfield  
Herald staff writers

**G**overnment agents yesterday searched the Malibu offices of two related firms specializing in telephone sales of Alaskan oil leases as part of a nationwide crackdown on alleged "boiler room" operations that reportedly fleece investors out of more than \$100 million a year.

No charges have been filed against officers or employees of the Alaska Capital Corp. or the Federal Land Information Corp., both of which operate out of the same offices on Pacific Coast Highway in Malibu. However, court documents filed by a U.S. Postal Service inspector accuse the firms of operating a "boiler room" operation to defraud investors "by means of false and fraudulent pretenses."

"Boiler room" operations were described by a Justice Department official as companies using "high pressure" telephone sales techniques, including making unsubstantiated claims about the geological conditions of the oil leases, to convince reluctant investors.

Court documents in the case described an undercover operation by a postal inspector who applied to one of the Malibu companies as a salesman and was told that the company had 50 telephones in operation. According to the affidavit filed in federal court, "In the larger of the two phone rooms was a huge, hand-printed sign reading 'Get the money.'"

Federal officials in Los Angeles declined to comment on the extent of Alaska Capital Corp.'s and Federal Land Information Corp.'s sales, but court documents on file indicate that the firms sold hundreds of thousands of dollars in Alaskan oil leases.

U.S. postal inspectors spent

'Boiler rooms' / A-6, Col. 3

## 'Boiler rooms'

Continued from page A-1

about six hours in the Malibu offices yesterday and removed various files and other materials.

Meanwhile, similar searches were conducted at 20 other alleged boiler room operations in New York, Michigan, Florida and New Jersey, the Justice Department announced.

Stephen Trott, former U.S. attorney in Los Angeles and now head of the Justice Department's criminal division, estimated the schemes take in more than \$100 million a year from gullible investors across the nation.

Los Angeles Assistant U.S. Attorney Bruce G. Merritt said his office "will be analyzing those documents (seized in the search) to see if any criminal charges will be filed."

"That's amazing," Roger A. Chaffin, of Huntington Beach, a director of Alaska Capital Corp., said when informed by a Herald reporter of the search. Chaffin said he had no knowledge of the government investigation.

The Herald was unable to contact other company officers last night.

Chaffin, who said he is not affiliated with Federal Land Information Corp., said Alaska Capital Corp. is a legitimate business that markets Alaskan oil leases it has purchased and sells the leases to people who want to invest. He said potential investors are told the investments are "highly speculative" and there are "no assurances whatsoever."

However, Postal Inspector N.W. Helmer, who began investigating Alaska Capital Corp. (known as ALCOR) and the Federal Land Information Corp. (called FLIC

*According to the affidavit, the investors were told that "they know there is oil out there," that "there is drilling all over the place" and that "there was no way (the investor) could miss."*

in the court documents) in May, said in an affidavit filed in federal court in Los Angeles that he spoke with investors across the country who had received unsolicited calls from ALCOR representatives, telling them that they were selling "guaranteed" oil and gas leases in Alaska.

According to Helmer's affidavit, the investors also were told that "they know there is oil out there," that "there is drilling all over the place" and that "there was no way (the investor) could miss."

The affidavit noted that as of Feb. 15, ALCOR held 23 oil and gas leases in Alaska, totaling about 111,000 acres, in an area in which no oil and gas drilling activity has taken place, no exploration is in progress and no major oil company holds any leases.

According to the affidavit, ALCOR representatives offered the leases for sale at \$75 to \$100 per acre. But the affidavit also stated that ALCOR had acquired the leases from the federal government through the "over-the-counter" procedure, which, according to the affidavit, costs the buyer a \$75 fee and \$1 per acre per year for a 10-year lease.

In the affidavit, Helmer states: "I believe that FLIC and ALCOR are operating a 'boiler room' at the premises to execute a scheme and artifice to defraud and to obtain money improperly from victims by means of false and fraudulent pretenses."

# Fast-talking 'boiler room' salesmen bilk oil investors of millions

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and Stephanie Burchfield  
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BY THOMAS M. HERLIH  
Staff Reporter of THE WALL STREET JOURNAL

Although it hasn't any direct stake in the wave of oil-business acquisitions by major U.S. corporations, the Organization of Petroleum Exporting Countries stands to benefit from these mergers, energy experts say.

Among other things, these experts say, the enormous amounts of money being gobbled up by the mergers diminishes capital available for finding new oil in the U.S. and increases reliance on imports in the long run.

Experts also say the ballooning size of oil companies doesn't strengthen the companies' hands in negotiations with OPEC because many independent buyers remain in the world oil markets to be played against one another by OPEC producers.

And the Federal Trade Commission's insistence that merging companies spin off refineries and gasoline stations opens the door for OPEC buyers to pick up these pieces.

Joseph Story, a Middle East expert with Washington-based Wharton Econometric Forecasting Associates, notes that U.S. oil company mergers and acquisitions in the

past five years have cost a total of \$63 billion. "That's money that is largely taken out of exploration and production of oil," he says.

Critics of the mergers contend the spending of huge sums to purchase oil companies may increase a particular company's oil reserves but doesn't add anything to total U.S. reserves.

#### Weak Against OPEC

Former Energy Secretary James R. Schlesinger, senior adviser to the investment firm of Lehman Brothers Kuhn Loeb Inc. argues that the growing size of companies by virtue of these acquisitions doesn't give them muscle to stand up to OPEC, mostly because they remain dependent on supplies of overseas oil.

"The four large oil firms that make up the Aramco partnership in Saudi Arabia (Exxon Corp., Texaco Inc., Standard Oil Co. of California and Mobil Corp.) have never been able to take on the Saudis because of their vulnerability and their equities there," Mr. Schlesinger says.

Despite their size, which puts them among the world's biggest companies, these

four giants remain overwhelmingly dependent on Saudi oil to feed their marketing and refining networks. In 1982 they continued to buy Saudi oil even though it was overpriced. They incurred enormous losses to avoid losing their access to Saudi crude.

Moreover, the number of players in the oil business has grown so large in the past decade that no single company can exert much influence. Nordine Ait-Laoussine, managing director of the oil-exploration company, International Energy Development Corp. of Geneva, who for years was a senior Algerian OPEC delegate, says that oil-exporting countries can have their pick of buyers. "A few mergers in America don't make that much of a difference," he says.

What does matter to OPEC is the acquisition of so-called downstream facilities. These include refineries and gas stations through which oil producers can process and sell their oil at greater value than crude in the big markets of Western Europe and the U.S.

#### Kuwaiti Purchases

In the past few years several OPEC producers have exercised this option. Kuwait,

for instance, purchased the Santa Fe International Corp., an oil-drilling exploration concern, in 1981 and last year it purchased almost the entire gasoline-station and refining network of Gulf Corp. in Western Europe.

Saudi Arabia served notice a few months ago that it was looking for downstream facilities in the U.S. and Venezuela bought a stake in West German refineries.

The current wave of acquisitions offers further opportunities. Bits and pieces of oil companies are becoming available because the Federal Trade Commission sometimes insists that segments of companies involved in the mergers be sold.

Dillard Spriggs, President of Petroleum Analysis Ltd. of New York says that, as a result of Texaco's purchase of Getty Oil Co., the combined company must get rid of two refineries and some service stations in the Northeast and on the West Coast. "No oil companies would buy these now because everyone is trying to downsize," he says. "Maybe the only buyers would be somebody like Kuwait or some other OPEC country," Mr. Spriggs says.

## U.S. Seizes Evidence at 22 'Boiler Rooms' Suspected in Illegal Sale of Gas, Oil Leases

3-7-84 Pg. 26

By ROBERT E. TAYLOR  
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—Federal agents in five states seized evidence from 22 companies suspected of fraudulent sales of oil and gas leases or chances to win them in a federal lottery.

The seizure was the first multistate, coordinated attempt to crack down on deceptive operators of "boiler-room" sales efforts, where leases are pushed by telephone solicitors.

Stephen Trott, head of the Justice Department's criminal division, said the investigations are expected to lead to some arrests and indictments, though none were announced yesterday. He said the investigations are being coordinated by his department, the U.S. Postal Inspection Service, the Federal Bureau of Investigation, and the In-

terior Department's Inspector General.

According to the Postal Inspection Service, Americans lose more than \$100 million a year to fraudulent oil and gas lottery scams.

Federal agencies regularly investigate and prosecute many kinds of boiler-room operations that they believe to be fraudulent. Often, Mr. Trott noted, the companies set up new operations as quickly as their old ones are closed. He said he hopes a coordinated operation will alert the public to the hazards of such solicitations, and "might scare a few people out of this."

The agents used search warrants on companies in Florida, New Jersey, New York, California and Michigan.

Government officials said each of the companies has claimed to help persons to enter the Interior Department's lottery of oil and gas leases on government land. But

while the department charges \$75 to enter, boiler-room services charge an average of \$300, Mr. Trott said.

According to Mr. Trott, many of these operations fraudulently misrepresent the service they provide. Some suggest they can improve the chances that their clients will win a lease, or that the leases obtained are known to contain oil and gas, the Justice Department said.

Mr. Trott noted that the federal lottery is designed to award leases on tracts that aren't known to contain oil or gas. Florida's comptroller, Gerald Lewis, says the vast majority of the tracts sold in the boiler-room operations haven't any mineral value, and that most "have previously been leased, some as many as eight or nine times."

The Interior Department suspended the bi-monthly oil and gas lease lotteries on Oct. 12 and has proposed changes intended to discourage speculation and fraudulent sales. But since then, officials say, many of the deceptive sales operators have switched into selling actual leases that they have purchased from the Interior Department.

Oliver Revell, head of the FBI's criminal investigations, said many of these leases are

sold on assurances that "you will at least make a profit, and probably get rich," selling the lease to an oil company.

## Enstar Corp. Says It Boosted Proved Reserves of Oil, Gas

HOUSTON — Enstar Corp. said it increased its proved oil and condensate reserves 36% to 23.6 million barrels in 1983 from 17.3 million a year earlier. Natural gas reserves increased 53% to 672.8 billion cubic feet from 440.2 billion.

Enstar said domestic oil reserves rose 11% to 10.4 million barrels from 9.4 million a year earlier. Domestic natural gas reserves increased 20% to 81.9 billion cubic feet from 68.5 billion.

Much of Enstar's reserve growth comes from its \$180 million acquisition of Superior Oil Co.'s interest in an Indonesian joint venture that explores for and develops oil and natural gas. That boosted Enstar's stake in the venture to 23.1% from 15.6%.

In addition, Enstar said, it budgeted \$118 million for 1984 capital expenditures, compared with \$97.7 million spent in 1983.

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Announcing The Fastest Scheduled

# MEMORANDUM

State of Alaska

TO: File

DATE: March 21, 1984

FILE NO:

TELEPHONE NO:

FROM: Edward C. Watkins  
Securities Examiner

SUBJECT: Federal Petroleum  
Corporation  
221 W. Oakland Park Blvd. #33  
Fort Lauderdale, Florida  
Lawrence Gollin-President

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The last transaction date was 12/28/83 and papers are signed by Lawrence Gollin as President of Federal Petroleum Corporation.

The Federal Government land leasing programs were discussed with Sprague and she was advised to have her mother's cousin contact the Texas State Securities Board and an attorney.

ECW/wfs3/5  
32184a

cc: Texas Securities Commission

*FLORIDA - C. J. P. L. L. C.*

*E. W.*



... goes into today's game  
ool: Page 11



Two former  
Rose Bowl  
queens  
maintain  
distinction,  
pride  
Page 16



**INSIDE**

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# NEWS CHRONICLE

183 Thousand Oaks, California January 1, 1984 50 cents 90 pages



## Auld lang syne

write this message in lights News Chronicle photographer Roger Hardy, using a bit of the Conejo Valley. It was of photographic magic to welcome 1984.

## ark worried EPA ruling ring toxic-truck deluge

amount of tons of material that may be dumped in a West Covina landfill. The decision undoubtedly will bring more truck traffic to Ventura County, and, in turn, to Moorpark. To muddy the issue further, the new trucks will be carrying hazardous waste materials on roads that already are in need of repair.

The trucks in question formerly would have dumped their toxic contents at the BKK landfill in West Covina. An EPA decision last week, however, limited the amount of liquids that may be dumped at BKK. So, instead, trucks will have to transport their contents clear to Casamalia

Resources near Santa Maria. Since truckers admittedly are already using the Moorpark route to avoid the Conejo scales, it follows that they will continue to beat a path through the rural town of about 10,000.

Ventura County Supervisor Ed Jones of Thousand Oaks reacted immediately and angrily to the EPA's decision. "I'm going to demand that measures be taken to protect the residents of Ventura County," said Jones. "First, the weigh station on the Conejo Grade must remain open 24 hours a day. Right now, it's closed at night and on

(See TRUCKS, Page 2)

## Securities firm probed by FBI; fraud alleged

By PAUL PRINGLE  
News Chronicle

A Westlake Village man and a company he controls have been cited for securities laws violations in several states and are the subject of an FBI investigation of possible fraud in the selling of purportedly worthless interests in oil leases. The News Chronicle has learned.

Terry J. Risenhoover and Alaska Land Leasing Inc., which recently began operating in Thousand Oaks, have been served since March with cease and desist orders alleging securities violations in Iowa, Minnesota and Missouri, according to legal officials in those states.

Alaska Land Leasing is also named as a defendant in a civil complaint filed Oct. 24 by the Alaska attorney general's office which alleged securities violations and an "intent to deceive and defraud purchasers" in the sale of the oil lease interests.

The FBI has been investigating Alaska Land Leasing since late last year for possible mail fraud, wire fraud and interstate transportation of stolen property, said FBI spokesman John Hoos in Los Angeles.

A Newbury Park firm that engages in a business very similar to that of Alaska Land Leasing — Federal Land Management Corp. — is also the target of an FBI fraud investigation, according to Special Agent Fred Reagan. As part of that probe, agents are trying to determine whether the

two companies are connected, Reagan said.

Federal Land Management is accused in a U.S. postal inspector's affidavit of running a fraudulent "boiler room" operation in which telephone solicitors sold oil and gas leases on Wyoming land the company does not own.

Postal inspectors armed with a search warrant seized a large number of documents in a Nov. 22 raid on Federal Land Management's Lawrence Drive offices.

No criminal charges have been filed against Risenhoover, Alaska Land Leasing or Federal Land Management.

Risenhoover, 39-year-old chairman and principal stockholder in Alaska Land Leasing, denied any wrongdoing, and said that "all these circumstances will be satisfactorily resolved in a matter of months."

"No charges will be brought because there is no basis for such charges," he said. "We have a thriving organization. We're proud of what we've done, and we're proud of where we're going."

Risenhoover said he has no connection with Federal Land Management, and accused that company of "misusing the name" of Alaska Land Leasing in sales pitches. Several attempts to contact Federal Land Management officers for comment were unsuccessful.

(See LEASING, Page 4)

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**COMMITTEE REPORT**  
**SENATE**

FURTHER:

Date October 22, 1917

Mr. President

The Committee on JUDICIARY considered CS 330

Commission on Judicial Conduct, et al.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for \_\_\_\_\_
- new title
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS

\_\_\_\_\_  
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Chairman

\_\_\_\_\_  
Chairman recommendation

AN ACT RELATING TO THE COMMISSION ON JUDICIAL CONDUCT  
AND PROVIDING FOR AN EFFECTIVE DATE.

- Section 1. Changes the name and make-up of the Commission on Judicial Qualifications  
Name will be the Commission on Judicial Conduct  
3 Judges or Justices  
3 members who have practiced law for 10 yrs.  
3 public members
- Section 2. Provide: that the Commission shall inquire into an allegation that a judge, within a period of not more than 6 yrs. before the start of the current term, committed an act that constituted conduct in violation of the Code of Judicial Conduct.
- Section 3. Substitutes AS 44.62.310 (d), relating to Agency meetings public, for AS 44.62.310 (c) (2) \*\*\*\*\* (SEE ACCOMPANYING STATUTES)
- Section 4. Provides that the commission may informally and privately admonish the judge or recommend counseling.
- Section 5. Provides that acts of the commission are not valid unless concurred in by a majority of the members serving on the commission at the time the act is taken.
- Section 6. New Section.....  
(b) Makes all records, files and reports of the commission confidential unless:  
(1) Judge, in writing, waives confidentiality;  
(2) the subject matter of the hearing has become public; then provides what the commission shall do.  
(3) formal charges have been filed;  
(4) there is an inquiry by the Alaska Judicial Council, then provides that the Judicial Council shall maintain the confidentiality of the information it receives.
- Section 7. New section which provides that the commission may request the judge to submit to a physical or mental examination. If the judge refuses, the fact that he refused may affect the decision on the hearing, adversely.
- Section 8. Changes the name from Commission on Judicial Qualifications, to Commission on Judicial Conduct.
- Section 9. July 1, 1984 effective date.

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COMMITTEE REPORT

SENATE

*4/2*  
*Waived*  
*rec. to Sen*  
*w/amnd*  
*Lorane*

FURTHER:

Date \_\_\_\_\_

Mr. President

The Committee on \_\_\_\_\_ considered \_\_\_\_\_

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for \_\_\_\_\_
- new title
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS

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Chairman

\_\_\_\_\_  
Chairman recommendation

TO: Senator Bill Ray

FROM: Paula d. Scavera

DATE: March 28, 1984

RE: CSSB 464 (L&C)-An Act relating to horizontal property regimes and permitting the establishment of condominiums for mobile homes

The purpose of this bill is to amend existing law to permit the establishment of the condominium regime in mobile home parks.

Throughout Title 34 (Property) of the Alaska Statutes "apartment" has been changed to "unit" to permit this result. Also amendments were made to "clean up" existing language within Title 34.

Attached is a memo from Dick Bradley, Legal Services giving an brief explanation of this bill.

STATE OF ALASKA  
THE LEGISLATURE

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


LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 15, 1984

SUBJECT: Condominia (CSSB 464(L&C))

TO: Senator Dick Eliason  
Chairman, Senate Labor  
and Commerce Committee

FROM: Richard A. Bradley   
Legislative Counsel

I have been asked to provide the Committee with a brief explanation of what CSSB 464 (L&C) accomplishes.

The goal of Senator Halford was an amendment to existing law to permit the establishment of the condominium regime in mobile home parks.

It was felt that the existing provisions of AS 34.07 were inadequate to permit this result primarily because of the use of the term "apartment" throughout AS 34.07 to describe the aspect of property owned in the condominium. The more recent versions of the condominium law as enacted in other states as well as the recommended "uniform law" used the more abstract term "unit" to describe what is owned. With this change, it is thought possible to establish a condominium regime for, for example, mobile homes, automobile parking garages, as well as the more typical residential units. I gather that the development of condominium office buildings has not been hampered by the existing law, notwithstanding the limitations in the word "apartment."

While these substantive goals were achieved by the use of the term "unit" and by a substantial change in the definitions section (AS 34.07.450 in bill sec. 46)-- see particularly the definition of "real estate", I also sought to revise the law minimally. That is, I have not sought to bring the law up to what may be recommended by the Uniform Law but when the law had what seemed to be inadequate internal consistency, I sought to deal with that problem without changing the substantive law.

Senator Richard Eliason  
Page 2  
March 15, 1984

Aspects of this revision appear in Sec. 21, Sec. 28, Sec. 29, Sec. 40, and Sec. 43 (in sec. 420(a)).

And, as suggested, the definitions section is almost completely new, though in its case, the changes are more substantive.

If I may be of further assistance, please advise.

RAB:ojb  
J4/088