

ALASKA LEGISLATURE COMMITTEE FILES 1995-1996 8672

8971 SENATE RESOURCES

contending that the facility is outside the scope of what is currently allowed on the land according to the patent limitations and division of Ag regulations in effect.

I will let you know if there is anyone else of specific importance that I learn about before Wednesday. Thanks for your help.

SB 162: Ag Land
Notes from 10/24/95

August 15, 1976 when Ag Revolving Loan Fund program started (20 year retroactive provision in the bill).

Halford:

Any consideration of change of value? Some parcels competitively bid. In changing conditions, granting substantive increase in values?

Brett Huber/staff Sen. Green: Reduction in values, this bill would not change utilization.

Halford: Concerned about smaller parcels. Marketplace would establish value of land. Supreme Court says you can't take away value; represents a taking. What are fiscal implications? Need for research on this issue. What is value of parcel under different sets of conditions?

Ron Swanson: Administration not taking position on this legislation.

Recommendation from AG's office? Need enforceable contracts?
See additional notes on bill.



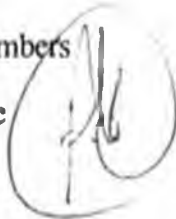
Alaska State Legislature

Session:
State Capitol
Juneau AK 99801-1182

Interim:
716 W 4th Avenue
Anchorage AK 99501-2133

MEMO

TO: Senate Resources Committee Members
FROM: Annette Kreitzer, Committee Aide
DATE: January 16, 1996
RE: Additions to packet for SB 162



SB 162, Land Used for Agricultural Purposes, was heard by the Senate Resources Committee October 24 in Wasilla. Packets were sent out to members, but may not have arrived to the committee member in a file folder. Please let me know if you do not have the information from the October 24 meeting.

I am attaching for the January 17 hearing on SB 162:

- a) Copy of SB 162
- b) Copy of proposed Senate Resources Committee Substitute (LS1021NF, Chenoweth, 1/15/96)
- c) Copy of committee minutes from October 24, 1995
- d) Additional letters (6)
- e) Alaska Farm Bureau 1996 Resolution Platform
- f) AFB Newsletter (2 pages - Farm Service Views and Legislative Report)



Alaska State Legislature

Session:
State Capitol
Juneau AK 99801-1182

MEMORANDUM

Interim:
716 W 4th Avenue
Anchorage AK 99501-2133

TO: Jack Chenoweth
Legal Services
VIA FAX: x2029 Two pages

FROM: Annette E. Kreitzer, Aide to
Senate Resources Committee

DATE: January 12, 1996

RE: Resources CS for SB 162

Please prepare a Resources Committee Substitute for SB 162 with the change noted on line 14 (4) the attached amendment (9-LS1021/C.2, Chenoweth 1/9/96). I will be in the office Saturday after 10 a.m.. Please have the CS delivered to Capital 115, office of Senator Leman. Thank you.

RECEIVED

JAN 09 1996

Ans'd.....

BY SENATOR GREEN

AMENDMENT

OFFERED IN THE SENATE

TO: SB 162

1 Page 5, line 31, through page 6, line 8:

2 Delete all material and insert:

3 "(a) The department shall include in a document that conveys state land
4 classified as agricultural land

5 (1) a covenant running with the land that restricts or limits the use of
6 the land exclusively for agricultural purposes;

7 (2) a covenant running with the land permitting the owner of state land
8 classified as agricultural land to subdivide and sell the land in not more than four
9 parcels of not less than 40 acres each; and

10 (3) a covenant running with the land permitting the owner of land
11 subdivided, whether subdivided under (2) of this subsection or under this paragraph,
12 to further subdivide and sell the subdivided land in not more than four parcels of not
13 less than 40 acres each, provided that a subdivision and sale under this paragraph may
14 not occur sooner than ⁴two years after the last previous subdivision and sale of the
15 land under (2) of this subsection or this paragraph."

16 Page 7, line 13, after "(e)":

17 Insert "A covenant described in (a) of this section may be enforced only by a civil
18 action.

19 (f)"

CS FOR SENATE BILL NO. 162(RES)
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered:

Referred:

Sponsor(s): SENATOR GREEN

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to land used for agricultural purposes and to state land
2 classified for agricultural purposes or subject to the restriction of use for
3 agricultural purposes only; and annulling certain program regulations of the
4 Department of Natural Resources that are inconsistent with the amendments made
5 by this Act."

6 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

7 * **Section 1. LEGISLATIVE INTENT.** It is the intent of the legislature in amending
8 AS 38.05.321(a) in sec. 9 of this Act that, for state land classified as agricultural land, the
9 state convey fee title subject to a covenant running with the land that limits use of the land
10 to agricultural purposes.

11 * **Sec. 2.** AS 38.04.045(b) is amended to read:

12 (b) Before the issuance of a long-term lease under AS 38.05.070 or of a patent
13 for state land, an official cadastral survey shall be accomplished, unless a comparable,

1 approved survey exists that has been conducted by the federal Bureau of Land
2 Management. Before land may be offered under [AS 38.05.055, 38.05.057,] AS 38.08
3 [.] or AS 38.09, or before land may be offered under AS 38.05.055 or 38.05.057,
4 except land that is classified for agricultural uses, an official rectangular survey grid
5 shall be established. The rectangular survey section corner positions shall be
6 monumented and shown on a cadastral survey plat approved by the state. For those
7 areas where the state may wish to convey surface estate outside of an official
8 rectangular survey grid, the commissioner may waive monumentation of individual
9 section corner positions and substitute an official control survey with control points
10 being monumented and shown on control survey plats approved by the state. The
11 commissioner may not issue more than one conveyance for each section within a
12 township outside of an official rectangular survey grid. Land [NO PORTION OF
13 LAND] to be conveyed may not be located more than two miles from an official
14 survey control monument except that the commissioner may waive this requirement
15 on a determination that a single purpose use does not justify the requirement if the
16 existing status of the land is known with reasonable certainty. The lots and tracts in
17 state subdivisions shall be monumented and the cadastral survey and plats for the
18 subdivision shall be approved by the state. Where land is located within a
19 municipality with planning, platting, and zoning powers, plats for state subdivisions
20 shall comply with local ordinances and regulations in the same manner and to the same
21 extent as plats for subdivisions by other landowners. State subdivisions shall be filed
22 and recorded in the district recorder's office. The requirements of this section do not
23 apply to land made available through a cabin permit system, for material sales, for
24 short-term leases, for parcels adjoining a surveyed right-of-way, or for land that has
25 been open to random staking under the remote parcel program or homestead program
26 in the past; however, for short-term leases, the lessee shall [MUST] comply with local
27 subdivision ordinances unless waived by the municipality under procedures specified
28 by ordinance. In this subsection, "a single purpose use" includes a communication site,
29 an aid to navigation, and a park site.

30 • Sec. 3. AS 38.04.065(h) is amended to read:

31 (h) Before the commissioner adopts a regional land use plan, a land

1 classification may be made on the basis of a site-specific land use plan, except a
2 classification for a land disposal under AS 38.05.057, AS 38.08, or AS 38.09 [, OR
3 A NEW COMMERCIAL AGRICULTURE PROJECT UNDER AS 38.05.020(b)(6)].
4 After adoption of a regional land use plan, land classifications shall be made under the
5 plan.

6 * Sec. 4. AS 38.05.020(b) is amended to read:

7 (b) The commissioner may

8 (1) establish reasonable procedures and adopt reasonable regulations
9 necessary to carry out this chapter and, whenever necessary, issue directives or orders
10 to the director to carry out specific functions and duties; regulations adopted by the
11 commissioner shall be adopted under AS 44.62 (Administrative Procedure Act); orders
12 by the commissioner classifying land, issued after January 3, 1959, are not required
13 to be adopted under AS 44.62 (Administrative Procedure Act);

14 (2) enter into agreements considered necessary to carry out the purposes
15 of this chapter, including agreements with federal and state agencies;

16 (3) review any order or action of the director;

17 (4) exercise the powers and do the acts necessary to carry out the
18 provisions and objectives of this chapter;

19 (5) notwithstanding the provisions of any other section of this chapter,
20 grant an extension of the time within which payments due on any exploration license,
21 lease, or sale of state land, minerals, or materials may be made, including payment of
22 rental and royalties, on a finding that compliance with the requirements is or was
23 prevented by reason of war, riots, or acts of God;

24 (6) classify tracts for agricultural uses [AND REQUIRE THE
25 PREQUALIFICATION, INCLUDING THE SUBMISSION OF CONSERVATION
26 PLANS, DEVELOPMENT PLANS, OR OTHER PLANS, SCHEDULES, OR
27 PROGRAMS, OF PERSONS WHO APPLY TO PARTICIPATE IN AN
28 AGRICULTURAL DEVELOPMENT PROJECT UNDER AS 44.33.475];

29 (7) waive, postpone, or otherwise modify the development requirements
30 of a contract for the sale of agricultural land if

31 (A) the land is inaccessible by road; or [AND]

1 (B) transportation, marketing, and development costs render the
2 required development uneconomic;

3 (8) reconvey or relinquish land or an interest in land to the federal
4 government if

5 (A) the land is described in an amended application for an
6 allotment under 43 U.S.C. 1617; and

7 (B) the reconveyance or relinquishment is

8 (i) for the purposes provided in 43 U.S.C. 1617; and

9 (ii) in the best interests of the state.

10 * Sec. 5. AS 38.05.057(j) is amended to read:

11 (j) The commissioner may require a participant in a lottery under this section
12 for the sale of land that is part of an agricultural development project under former
13 AS 44.33.475 to submit a single application for that land. Immediately following the
14 drawing of an applicant's name in the lottery, the applicant shall be given an
15 opportunity to select for purchase one parcel of the land that is offered in the lottery.
16 The names of alternate applicants shall be drawn after all parcels have been selected.
17 If the applicant who originally selected a parcel unequivocally rejects the offer to
18 purchase the parcel or fails to sign the contract of sale within the period of time
19 specified by the commissioner, the parcel shall be offered for sale to alternate
20 applicants in the order in which their names were drawn.

21 * Sec. 6. AS 38.05.059 is repealed and reenacted to read:

22 Sec. 38.05.059. SALE OF AGRICULTURAL LAND. The commissioner shall
23 provide for the sale of land classified under AS 38.05.020(b)(6) for agricultural uses
24 in parcels or tracts described by aliquot parts. The parcels or tracts are subject to state
25 subdivision requirements and municipal ordinances.

26 * Sec. 7. AS 38.05.065(c) is amended to read:

27 (c) The director shall, for contracts under (a), [OR] (b), or (h) of this section,
28 set out in the contract for each sale the period for the payment of installments and the
29 total purchase price plus interest. The director, with the consent of the commissioner,
30 may also include in contracts under this section conditions, limitations, and terms
31 considered necessary and proper to protect the interest of the state. Violations of any

1 provision of this chapter or the terms of the contract of sale subject the purchaser to
2 appropriate administrative and legal action, including but not limited to specific
3 performance, foreclosure, ejectment, or other legal remedies in accordance with
4 applicable state law.

5 * Sec. 8. AS 38.05.065(h) is amended to read:

6 (h) The commissioner

7 (1) shall provide that, notwithstanding (a) and (b) of this section,
8 in a contract for the sale of land classified under AS 38.05.020(b)(6) for
9 agricultural uses, the interest rate to be charged on installment payments is eight
10 percent; and

11 (2) may declare a moratorium of up to five years on payments on land
12 sold under this section for [A SALE OF AGRICULTURAL] land classified under
13 AS 38.05.020(b)(6) for agricultural uses [UNDER THIS SECTION] if

14 (A) [(1)] the commissioner determines that the moratorium is
15 in the best interest of the state;

16 (B) [(2)] the commissioner certifies and the contract purchaser
17 agrees to perform farm development, crop production, and harvesting, not
18 including land clearing or related activity, requiring the expenditure of amounts
19 equivalent to the payments that would otherwise be made during the
20 moratorium;

21 (C) [(3)] the sale of the agricultural land takes place after
22 July 1, 1979; and

23 (D) [(4)] the contract purchaser is in compliance with the
24 development plan specified in the purchase contract at the time the purchaser
25 applies for a moratorium under this subsection and remains in compliance with
26 the development plan during the moratorium; for the payments subject to the
27 moratorium declared under this paragraph, interest [. INTEREST]
28 payments are subject to the moratorium but interest continues to accrue during
29 the moratorium.

30 * Sec. 9. AS 38.05.321(a) is repealed and reenacted to read:

31 (a) The department shall include in a document that conveys state land

1 classified as agricultural land

2 (1) a covenant running with the land that restricts or limits the use of
3 the land exclusively for agricultural purposes;

4 (2) a covenant running with the land permitting the owner of state land
5 classified as agricultural land to subdivide and sell the land in not more than four
6 parcels of not less than 40 acres each; and

7 (3) a covenant running with the land permitting the owner of land
8 subdivided, whether subdivided under (2) of this subsection or under this paragraph,
9 to further subdivide and sell the subdivided land in not more than four parcels of not
10 less than 40 acres each, provided that a subdivision and sale under this paragraph may
11 not occur sooner than four years after the last previous subdivision and sale of the land
12 under (2) of this subsection or this paragraph.

13 * Sec. 10. AS 38.05.321(b) is amended to read:

14 (b) Subject to (a) of this section, state [STATE] land classified as agricultural
15 land that has been selected by a municipality under former AS 29.18.190 - 29.18.200
16 or former AS 29.18.205(e) may be approved by the director for patent under
17 AS 29.65.050(c) [**;** HOWEVER, ONLY RIGHTS IN THE LAND FOR
18 AGRICULTURAL PURPOSES MAY BE TRANSFERRED AND ALL OTHER
19 INTERESTS IN THE LAND WILL REMAIN WITH THE STATE]. Agricultural land
20 approved for patent to a municipality shall be credited, acre for acre, toward fulfillment
21 of that municipality's entitlement under AS 29.65.010 - 29.65.030 or former
22 AS 29.18.201 - 29.18.203. [IF THE DIRECTOR LATER DETERMINES IT TO BE
23 IN THE BEST INTERESTS OF THE STATE TO TRANSFER SOME OR ALL OF
24 THE ADDITIONAL RIGHTS IN THAT APPROVED OR PATENTED
25 AGRICULTURAL LAND, THOSE RIGHTS SHALL PASS WITHOUT
26 CONSIDERATION TO THE MUNICIPALITY IN WHICH THE LAND IS
27 LOCATED. THE NOTICE AND REVIEW PROVISIONS OF AS 38.05.945 ARE
28 APPLICABLE TO CONVEYANCE OF RIGHTS UNDER THIS SECTION.]

29 * Sec. 11. AS 38.05.321 is amended by adding new subsections to read:

30 (d) For state land classified as agricultural land that is conveyed under (a) of
31 this section,

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(1) the commissioner may require the landowner to cooperate with the appropriate soil and water conservation district under AS 41.10 in the development and implementation of soil conservation plans as authorized by AS 41.10.110(6);

(2) as a condition of the conveyance, the commissioner may not require preparation and implementation of a farm development plan unless the commissioner permits modification of a plan in cases of economic hardship or other extenuating circumstances;

(3) the commissioner may not limit

(A) the landowner's right to construct improvements related to agricultural use;

(B) the landowner's right to use the land and improvements for purposes that are incidental to and not inconsistent with the primary use of the land for agricultural purposes; and

(C) the landowner's right to subdivide and sell the land if the resulting parcels are not in violation of the minimum parcel size set out in (a)(2) of this section.

(e) A covenant described in (a) of this section may be enforced only by a civil action.

(f) In this section, "agricultural purposes" means

(1) the production of plants and animals useful to man, including forage and sod crops, grains and feed crops, fruits, trees, and vegetables, dairy animals and products, and livestock;

(2) the construction of fixed, permanent, or immovable structures reasonably required for or related to agricultural production, including that farmstead normally required for yards, driveways, parking, barns, and other outbuildings, and similar uses;

(3) the use of gravel reasonably required for agricultural production on the parcel conveyed; and

(4) removal and disposition of timber in order to bring agricultural land into production.

* Sec. 12. CONVERSION OF DISPOSALS MADE UNDER AS 38.05.069(c) OR UNDER

1 FORMER AS 38.05.321(a). The provisions of AS 38.05.321(a), as amended by sec. 9 of this
2 Act, apply to state land classified as agricultural land that, under AS 38.05.069(c) or under
3 AS 38.05.321(a) before its amendment by sec. 9 of this Act, was subject to the limitation of
4 the conveyance of only the interest in the land that related to agricultural purposes and that
5 was sold, leased, or disposed of after August 15, 1976, and before the effective date of this
6 Act. The commissioner of natural resources shall issue a new instrument of conveyance for
7 the land that conforms to AS 38.05.321(a) and (d), as amended and enacted by secs. 9 and 11
8 of this Act.

9 * Sec. 13. CONVERSION OF DISPOSALS MADE UNDER FORMER AS 38.05.321(b).
10 The provisions of AS 38.05.321(a), as amended by sec. 9 of this Act, apply to state land
11 classified as agricultural land that, under AS 38.05.321(b) before its amendment by sec. 10
12 of this Act, was subject to the limitation of the conveyance of only the interest in the land that
13 related to agricultural purposes and that was conveyed to a municipality after June 30, 1978,
14 and before the effective date of this Act. The commissioner of natural resources shall issue
15 a new instrument of conveyance for the land that conforms to AS 38.05.321, as amended by
16 secs. 9 - 11 of this Act.

17 * Sec. 14. The following regulations are annulled: 11 AAC 67.162, 11 AAC 67.165, 11
18 AAC 67.167(d), 11 AAC 67.170, 11 AAC 67.172, 11 AAC 67.175(1), 11 AAC 67.185, 11
19 AAC 67.187, 11 AAC 67.188(a)(3), 11 AAC 67.188(a)(4), 11 AAC 67.188(a)(5), 11 AAC
20 67.188(a)(6), 11 AAC 67.188(b), 11 AAC 67.188(c), 11 AAC 67.190(a), 11 AAC 67.192.




Alaska State Legislature

Official Business

State Capitol
Juneau AK 99801

MEMO

TO: Myrna Maynard, Senator Pearce's aide
Mary Hoyt, Senator Taylor's aide
Alli Gordon, Senator Frank's aide
Paula Terrel, Senator Lincoln's aide
Roger McKowan, Senator Hoffman's aide

FROM: Annette Kreitzer, Aide to Senate Resources Committee 

DATE: November 1, 1995

RE: Additions to SB 162 folder

The attached documents were handed out during the October 24, 1995, Resources hearing on SB 162 - Agricultural Land. Please update you. Senator's SB 162 committee folder with them so that the file will be complete for the next hearing on this bill. Thanks.

State of Alaska

SAMPLE



Agricultural Land

Patent

No. 14771

This is to certify that this is a true and correct copy of the original as executed by the director of the Division of Land, Department of Natural Resources.

Celeste L. Kinsey
Title Administration

Date 10-13-95

Know Ye By These Presents that the Grantor, the STATE OF ALASKA, DEPARTMENT OF NATURAL RESOURCES, 3601 C Street, Suite 950, Anchorage, Alaska 99503-5936, pursuant to AS 38.05.055, AS 38.05.321 and the regulations promulgated thereunder, in consideration of the sum of ONE HUNDRED TWENTY-THREE THOUSAND AND NO/100 DOLLARS lawful money of the United States, and other good and valuable consideration, now paid, the receipt whereof is hereby acknowledged, grants and conveys to the Grantee, SCOTT W. SCHULTZ, a married person, whose mailing address of record is HC 62, Box 5440, Delta Junction, Alaska 99737, Grantee's heirs and assigns, the said estate in fee simple subject to the condition subsequent and covenants set forth herein, in all that real property situated in the Fairbanks Recording District, State of Alaska, and described as follows:

TRACTS U-2 AND U-3 OF ALASKA STATE LAND SURVEY NO. 91-2, CONTAINING 1,888.064 ACRES, MORE OR LESS, ACCORDING TO THE SURVEY PLAT RECORDED IN THE FAIRBANKS RECORDING DISTRICT ON APRIL 9, 1991 AS PLAT 91-28.

Subject to platted and valid existing easements and reservations.

Provided that the Grantee, by acceptance hereof and by agreement with the Grantor, hereby expressly ~~covenants to use the property for agricultural purposes only~~, which may include personal residential use incidental to farm operations on the property, and to operate in accordance with a Farm Conservation Plan approved by the Grantor and further agrees that these covenants shall run with the land and shall be binding upon the Grantee and all other persons and parties claiming through the Grantee.

Provided Further, as a condition subsequent to this patent, that if the property is used for purposes other than agricultural purposes, then the Grantor may enter the property and terminate the estate conveyed herein.

Save and Except, those restrictions appearing in the Federal Patent or other conveyance by which the Grantor acquired title;

And Further, the Grantor, hereby expressly saves, excepts and reserves out of the grant hereby made, unto itself, its lessees, successors, and assigns forever, all oils, gases, coal, ores, minerals, lissionable

materials, geothermal resources, and fossils of every name, kind or description, and which may be in or upon said lands above described, or any part thereof, and the right to explore the same for such oils, gases, coal, ores, minerals, fissionable materials, geothermal resources, and fossils, and it also hereby expressly saves and reserves out of the grant hereby made, unto itself, its lessees, successors, and assigns forever, the right to enter by itself, its or their agents, attorneys, and servants upon said lands, or any part or parts thereof, at any and all times for the purpose of opening, developing, drilling, and working mines or wells on these or other lands and taking out and removing therefrom all such oils, gases, coal, ores, minerals, fissionable materials, geothermal resources, and fossils, and to that end it further expressly reserves out of the grant hereby made, unto itself, its lessees, successors, and assigns forever, the right by its or their agents, servants and attorneys at any and all times to erect, construct, maintain, and use all such buildings, machinery, roads, pipelines, powerlines, and railroads, sink such shafts, drill such wells, remove such soil, and to remain on said lands or any part thereof for the foregoing purposes and to occupy as much of said lands as may be necessary or convenient for such purposes hereby expressly reserving to itself, its lessees, successors, and assigns, as aforesaid, generally all rights and power in, to, and over said land, whether herein expressed or not, reasonably necessary or convenient to render beneficial and efficient the complete enjoyment of the property and rights hereby expressly reserved.

To Have And To Hold the said land, together with the tenements, hereditaments, and appurtenances thereunto appertaining, unto the said Grantee and Grantees's heirs and assigns forever.

In Testimony Whereof the State of Alaska has caused these presents to be executed by the Director of the Division of Land, Department of Natural Resources, State of Alaska, pursuant to delegated authority, this 10th day of October, 1995.

By: Carol L. Shobe
 Carol L. Shobe
 For Ronald W. Swanson, Director
 Division of Land

State of Alaska)
) ss.
 Third Judicial District)

S A M P L E

This Is To Certify that on the 10th day of October, 1995, appeared before me CAROL L. SHOBE, who is known to me to be the person who has been lawfully delegated the authority of Ronald W. Swanson, Director of the Division of Land, Department of Natural Resources, State of Alaska, to execute the foregoing document; that Carol L. Shobe executed said document under such legal authority and with knowledge of its contents; and that such act was performed freely and voluntarily upon the premises and for the purposes stated therein.

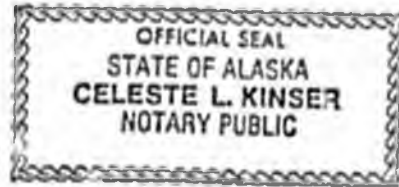
Witness my hand and official seal the day and year in this certificate first above written.

This is to certify that this is a true and correct copy of the original as executed by the director of the Division of Land, Department of Natural Resources.

Celeste L. Kinser
 Notary Public in and for the State of Alaska

My Commission Expires: April 4, 1997

Celeste L. Kinser
 Title Administration
 Date 10-13-95



Patent No. 14771
 ADL No. 414519
 Location Index:
 T. 10 S., R. 14 E., F.M.
 Section 32
 T. 11 S., R. 13 E., F.M.
 Section 12
 T. 11 S., R. 14 E., F.M.
 Sections 4, 5, 6, 7 and 8

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

400 WILLOUGHBY AVENUE
JUNEAU, ALASKA 99801-1798
PHONE: (907) 465-2400
FAX: (907) 465-3688

ADL 221135
223648
223784

February 28, 1995

The Honorable Lyda Green
Alaska State Senate
State Capitol
Juneau, Alaska 99801-1182

Re: Dana and Nansen Olson

Dear Senator Green:

Thank you for your letter concerning Dana and Nansen Olson, who still hope to obtain Chase III homestead parcels. The following is some of the pertinent background information on Chase III.

That controversial 1984 homestead disposal was challenged by Alaska Survival, a group of about 50 local residents. In 1986 it was overturned by the Supreme Court because it had been based on a site-specific plan instead of a regional plan as required by AS 38.04.065. The Department of Natural Resources (DNR) could have reopened its newly adopted Susitna Area Plan to take a fresh look at Chase III, but with budgets already declining, the department hoped to avoid that expense. Instead, it asked the 1987 legislature to rescue the disposal by amending AS 38.04.065. The legislature responded by agreeing that site-specific plans were acceptable for some purposes. But it prohibited their use for major land offerings, specifically including homesteads and commercial agriculture sales. See Secs. 1-7, Ch. 75, SLA 1987.

DNR was worried that the 1987 amendments might invalidate numerous past disposals. To eliminate this concern, the legislature included three "savings clauses" (Sec. 16-18) for disposals other than Chase III (Sec. 17). Sec. 19 made it clear that if DNR still wanted to offer agricultural homesteads at Chase, it would have to go back to square one.

Despite what the Olsons may have told you, that was not the end of the story. The Olsons did not wait to see whether DNR would attempt another Chase homestead disposal. Instead, they immediately applied for preference rights to two Chase III parcels, triggering the reconsideration envisioned by the Supreme Court and the legislature. After an especially thorough review at the request of several legislators (Senators Joe Josephson, Mike Szymanski, Jan Faiks and Representatives Ron Larson, Sam Cotten, Curt Menard), DNR decided that it could not proceed with


The Honorable Lyda Green
February 28, 1995
Page 2

the disposal, and that the Olsons' applications and subsequent administrative appeals must be denied. The Olsons sued the state to overturn that decision, but lost before both the Superior Court (1989) and the Supreme Court (1990).

I understand how much the Olsons would like to reopen the case, but they have exhausted their administrative and judicial remedies. Nor could DNR support the idea of repealing Sec. 19, Ch. 75, SLA 1987. Eliminating Sec. 19 would make it look as though the 1987 legislation was intended to ratify Chase III, which was not what happened. Alaska Survival would probably oppose it as a serious breach of faith. Local residents won their lawsuit fair and square, the 1987 legislature substantially agreed with their view of the land use planning law, and DNR has long since accepted that as reality.

I hope that the Olsons can also make that adjustment. Chase III soils are marginal (predominantly Class IV) and lacks highway access, a necessity to get farm products to market. There is abundant private and Matanuska-Susitna Borough land for sale, including cleared agricultural land with good soils and road access. DNR itself will be back in the land disposal business soon, now that the mental health trust land dilemma is solved. Considering the land inventory available, I am confident the Olsons can find a farmsite much better suited for their proposed apple orchard than Chase III would have been.

Sincerely,



John Shively
Commissioner

cc: Ron Swanson, Director, Division of Land
John Cramer, Director, Division of Agriculture
Alaska Survival



From the Desk of:
Brett W. Huber
Senator Lyda Green's Office

10/10/95

ANNETTE,

HECE'S TIME

BACK-UP FOR

SB 162

AG LINDA:

- ① SPONSOR STATEMENT
- ② SECTIONAL
- ③ FISCAL NOTE
- ④ OUR POSITION PAPER

LET ME KNOW WHAT ELSE

YOU NEED.

THANKS
BW

Alaska State Legislature

ALASKA STATE LEGISLATURE

Interim:
600 East Railroad Avenue
Wasilla, Alaska 99654
(907) 376-3370



Session:
Juneau, Alaska 99801-1182
(907) 465-6600
Fax 465-3805

SENATOR LYDA GREEN
SENATE DISTRICT N

Sponsor Statement

Senate Bill 162

Senate Bill 162 amends Alaska Statute Title 38 with regard to agricultural land disposal and utilization. The proposed changes are designed to help facilitate the growth, stability and economic viability of agriculture as a renewable resource industry for Alaska.

This legislation expands the state's ability to convey interests in land classified for agricultural purposes that the state has conveyed or may convey. Currently, the state conveys agricultural interest only and the state retains all other interests. With the passage of SB 162, the state shall convey fee simple title, subject to certain restrictive covenants that would underpin the use of the land for agricultural purposes. This change would allow owners of agricultural parcels the opportunity to obtain financing from other than the state.

Agricultural land disposal represents a cost effective means of transferring public land into private ownership. Increased private ownership expands the local tax base and reduces revenue sharing needs while promoting community development and supporting infrastructure development for a variety of other resource uses, i.e., public recreation, mining and transportation. Other provisions of SB 162 aid future land disposals in two ways: by allowing the use of a site-specific plan to support a land classification for new commercial agricultural projects, and by authorizing the sale of Ag land in parcels or tracts by aliquot parts.

The remaining provisions of the bill emphasize a greater level of autonomy for the individual agribusiness owner, while ensuring the states interests are protected. The bill also reduces the state's direct control over individual farm development and utilization and allows Ag land owners the ability to make business decisions responsive to the economic factors of the marketplace and their individual circumstances.

SB 162 redefines the state's role in agricultural land disposal and development to better enhance economic development opportunities. Its passage will allow the state of Alaska to reap the benefits of agriculture as an economically viable and expanding resource industry. I respectfully request your support of SB 162.



Official Business

Alaska State Legislature

State Capitol
Juneau, AK 99801-1182

SENATE RESOURCES COMMITTEE

*expected to be present/online

*Chairman: Senator Loren Lemmon
Vice Chairman: Senator Drue Pearce
Senator Steve Frank
Senator Rick Halford
*Senator Robin Taylor
*Senator Georgianna Lincoln
Senator Lyman Hoffman

Teleconference Sites: Jnu, Soldotna, FBX, Homer, Mat-Su

AGENDA

2:00 to 4:00 p.m.

Tuesday, October 24, 1995

Mat-Su Legislative Information Office
600 E. Railroad Ave., Wasilla

SB 162: Agricultural Land
SENATOR GREEN, Sponsor

Expected Witnesses:

Senator Green to present bill (may be assisted by Brett Huber, Legislative Aide)
Bill Ward, Agriculture Revolving Loan Fund Board member (Soldotna tele.)
Robert Franklin, President of Alaska Farm Bureau (FBX)
Mike Swan, Soil and Water Conservation Board member (Soldotna)
Ron Sexton, Ag Producer (Soldotna)
Don Dinkle, Ag Producer (Mat-Su)
Herb Simon, Owner/Little Nelchina Farms
Jerry Marlow, Ag Producer (North Pole/FBX)
Bruce Willard (Homer)
Bill Lemon, Ag Producer
John Cramer, Former Director Div. of Agriculture/DNR
Ron Swanson, Director, Division of Lands/DNR

ADJOURN

10/24/95

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM

LTN1150

14:15:26

PARTICIPANT LIST (TESTIFIERS ONLY)

BY THAT

TCN:50882 SCHEDULED FOR:10/24/95 14:00 TO 16:00

FOR FDY

PUBLIC HEARING

SENATE RESOURCES

LOCATION:FAIRBANKS

/SB 162

MR.

HENRY

COLE

INT.ECON.DEV.COUTESTIFY

/SB 162

MR.

BOB

FRANKLIN

AK.FARM BUREAU TESTIFY

10/24/95

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM

L:TN1150

14:31:40

PARTICIPANT LIST (ALL PARTICIPANTS)

BY:ANC

TCN:50882 SCHEDULED FOR:10/24/95 14:00 TO 16:00

FOR:ANC

PUBLIC HEARING

SENATE RESOURCES

LOCATION: ANCHORAGE

✓ SB 162

HARVEY

BASKIN

TESTIFY

SB 162

KYM

SWIFT

TESTIFY

10/24/95 14:20:10 LEGISLATIVE TELECONFERENCE NETWORK SYSTEM LTN1120
MESSAGE FROM: LIOCDJG IN ANCHORAGE MAT

RE TCN: 50882 SCHEDULED FOR:10/24/95 14:00 TO 16:00
SPONSOR: SENATE RESOURCES PURPOSE: PUBLIC HEARING

MESSAGE TEXT: DON QUARBERG,DJT ON LINE WITH YOU

10/24/95 13:55:59
MESSAGE FROM: LIOCSU

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM
IN JUNEAU

LTN1120
MAT

RE TCN: 50882 SCHEDULED FOR:10/24/95 14:00 TO 16:00
SPONSOR: SENATE RESOURCES PURPOSE: PUBLIC HEARING

MESSAGE TEXT: I AM EXPECTING AIDES FROM LEMAN&LINCOLN



LEGISLATIVE TELECONFERENCE NETWORK SIGN-IN SHEET

SPONSOR: _____
 SUBJECT: _____
 START/END TIME: _____ DATE: _____

#	SIGNATURE	PRINTED NAME - REP.	MAIL ADDRESS	ZIP 99687	PHONE	BILL	Testify
1	<i>[Signature]</i>	BRUNO WILTH	Po 872296		373-2081		
2	<i>[Signature]</i>	Billy C. Lawson, Jr	Hc 89 Box 8107, Talkeetna	99676	355-1441		X
3	<i>[Signature]</i>	Charles W Thompson	P.O. Box 2365 Palmer, AK	99645	745-7928 work 745-2362 home	maybe	
4	<i>[Signature]</i>	Ren Swanson	H036 3601 C St Anch AK	99503	762-2612	162	X
5	<i>[Signature]</i>	Ed KERN	Box 949 Palmer		745 7200	162	
6	<i>[Signature]</i>	Jimmy Pilsnik	Box 2645 Palmer		745 3360	162	
7	<i>[Signature]</i>	Dancer OLSON	HC-30 Box 5438 WASILLA		373-4161	162	X
8	<i>[Signature]</i>	Herbert P. Simon	HC-1 Box 292, GLENWALLEN	99688 AK	822-3059	162	X
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							



Teleconference

DATE: 10-24-95

SPONSOR: *Sen Rep*

TIME: START *2:00pm* END _____

SB 162
TCN# *50885*

Kenai/Seldovia

NAME (PLEASE PRINT)	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP CODE	(H) PHONE	(W) PHONE	TESTIFYING		WHAT SUBJECT OR BILL?
						Y	N	
<i>✓ Michael A. Swan</i>	<i>Alaska Soil & Water Conservation Districts</i>	<i>P.O. Box 987 Seldovia, AK 99669</i>	<i>99669</i>	<i>907-262 7343</i>	<i>907-262 1011</i>	<input checked="" type="radio"/>	<input type="radio"/>	<i>SB 162</i>
<i>✓ Bill B. Ward</i>	<i>Ward Farms</i>	<i>PO Box 350 Seldovia AK</i>	<i>99669</i>	<i>262 5135</i>		<input checked="" type="radio"/>	<input type="radio"/>	<i>"</i>
						<input type="radio"/>	<input type="radio"/>	<i>"</i>
						<input type="radio"/>	<input type="radio"/>	<i>"</i>
						<input type="radio"/>	<input type="radio"/>	<i>"</i>
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						<input type="radio"/>	<input type="radio"/>	<i>"</i>

OCT-24-95 TUE 14:04

KENAI L10

FAX NO. 2833075

P. 01

AG LAND USE/AG RIGHTS

10/24/95

NAME

ADDRESS

IN ORDER OF TESTIMONY

SCOTT SCHULTZ HC102 Box 5440 D.J. AK 99737

FRANK BURRIS HC102 Box 5780 D.J. AK 99737

MIKE CROUCH HC102 Box 5780 D.J. AK 99737

CHARLES FORCK PO BOX 929 D.J. AK 99737

MIKE CARLSON PO BOX 953 P.J. AK 99737

IN ATTENDANCE / NOT TESTIFYING

DAVE DURHAM PO BOX 632 D.J. AK 99737

JANE HAMILTON PO BOX 585 D.J. AK 99737

DON QUARKER PO BOX 349 D.J. AK 99737

PHIL KNOPP PO BOX 794 D.J. AK 99737

Post-It [®] Fax Note	7671	Date	10/24/95	Pages	1
To	ANNETTE	From	DON Q		
Co./Dept.		Co.	ACE		
Phone #		Phone #	895-4215		
Fax #	465-3810	Fax #	895-4217		

01/17/96 LEGISLATIVE TELECONFERENCE NETWORK SYSTEM LTN1150
15:46:32 PARTICIPANT LIST (ALL PARTICIPANTS) BY:ANC
TCN:60143 SCHEDULED FOR:01/17/96 15:30 TO 17:00 FOR:ANC
PUBLIC HEARING SENATE RESOURCES

LOCATION: ANCHORAGE

~~SB 162 MR. RON SWANSON DNR TESTIFY~~
SB 162 MR. CLIFF EAMES AK CNTR/ENVIR TESTIFY
SB 162 MR. MIKE BRONSON TESTIFY

New Name

01/17/96 LEGISLATIVE TELECONFERENCE NETWORK SYSTEM LTN1150
15:44:07 PARTICIPANT LIST (TESTIFIERS ONLY) BY:MAT
TCN:60143 SCHEDULED FOR:01/17/96 15:30 TO 17:00 FOR:MAT
PUBLIC HEARING SENATE RESOURCES

LOCATION: MATSU

~~SB 162 MR. BILL WARD TESTIFY~~
~~SB 162 MR. HARVEY BASKIN TESTIFY~~
~~SB 162 MR. LARRY DEVTLBISS TESTIFY~~
~~SB 162 MR. JOHN CRAMER TESTIFY~~
SB 162 MR. MIKE CROUCH TESTIFY
SB 162 MR. ED KERN TESTIFY

01/17/96 LEGISLATIVE TELECONFERENCE NETWORK SYSTEM LTN1150
15:36:56 PARTICIPANT LIST (ALL PARTICIPANTS) BY:FRX
TCN:60143 SCHEDULED FOR:01/17/96 15:30 TO 17:00 FOR:FRX
PUBLIC HEARING SENATE RESOURCES

LOCATION: FAIRDANKS

~~SB 162 MR. ED BOSTROM SELF TESTIFY~~
SB 162 MR. HILLO KOPONEN SELF TESTIFY

01/17/96 LEGISLATIVE TELECONFERENCE NETWORK SYSTEM LTN1150
15:42:20 PARTICIPANT LIST (TESTIFIERS ONLY) BY:INT
TCN:60143 SCHEDULED FOR:01/17/96 15:30 TO 17:00 FOR:INT
PUBLIC HEARING SENATE RESOURCES

LOCATION: DELTA JCT.

~~SB 162 MR. MIKE SCHULTE TESTIFY~~
~~SB 162 MR. CHARLES FORK TESTIFY~~
~~SB 162 MR. SCOTT MILLER TESTIFY~~

01/17/96 LEGISLATIVE TELECONFERENCE NETWORK SYSTEM LTN1150
15:35:44 PARTICIPANT LIST (TESTIFIERS ONLY) BY:INT
TCN:60143 SCHEDULED FOR:01/17/96 15:30 TO 17:00 FOR:INT
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LOCATION: DELTA JCT.

~~SB 162 MR. MIKE SCHULTE TESTIFY~~

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Juneau, Alaska 99801-2105*

Copies of minutes listed below were originally included in this file. The minutes are available on the legislative computer database. In order to save space copies of minutes have not been left in the files.

*Senate Resources
10-24-95 2:00pm
SB162*

Mary Pagenkopf

SB

164

FISCAL NOTE

No. 1
 Bill Version: SB 164
 (S) Publish Date: 4/22/95

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL

Revision Date: _____ Dept Affected: Natural Resources
 Title: An act approving the sale of Prudhoe Bay Unit BRU: Resource Development
royalty oil by the State to Tesoro Alaska Petroleum Co. Component: Oil & Gas Development
 Sponsor: Rules Committee
 Requestor: Governor Component Serial No. 439

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY95) cost: \$ 0.0

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary)

The State will sell royalty oil to Tesoro Alaska Petroleum Co. at a price based on the royalty value of Prudhoe Bay Unit (PBU) royalty oil sold by Exxon. In 1994, this value averaged \$ 15 per barrel more than the volume-weighted average royalty value of royalty oil lifted by all of the PBU producers. This difference will decline over the life of the contract as the surplus of Alaska North Slope oil shipped to the Gulf Coast declines. It is expected that this difference will just offset potential revenue losses of royalties and severance taxes which may result from the sale. These losses are caused when, in selling royalty oil, the State reduces the volume of oil sold by the producers in Alaska. The proportion of oil sold by the producers in the higher value West Coast (including Alaska) is reduced and the average royalty value and value of severance tax oil is also reduced.

Prepared by: Kevin Bank Phone: 762-2589
 Division: Oil & Gas Date: 19-Apr-95
 Approved by Commissioner: _____ Date: 4/20/95
 Agency: Natural Resources

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

FISCAL NOTE

No. 2

Bill Version: SB 164

(S) Publish Date: 4/22/95

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. LA

Revision Date: _____ Dept. Affected: Revenue
 Title: Royalty Oil Sale to Tesoro by the State BRU: Revenue Operations
 Component: Oil and Gas Audit
 Sponsor: Governor
 Requester: _____ COMPONENT SERIAL NO. 115

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
-----------------------------	------------	------------	------------	------------	------------	------------

CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
-------------------------------	------------	------------	------------	------------	------------	------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY95) cost: \$ 0.0

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Passage of the Bill reflecting LAWLOG: 95-0052 will not impact the Department Of Revenue. Any change in royalty receipts should be reflected by the Department of Natural Resources.

Prepared by: Bob Baraiko Phone: 465-2312
 Division: Administrative Services Date: 4/19/95
 Approved by Commissioner: Deborah Vogt Date: 4/19/95
 Agency: Department of Revenue

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ENATE COMMITTEE REF RT
First Committee of Referral

DATE: 4/21/95

FURTHER: Finance

Date of 5-Day Notice: 4-20-95
 (in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 4-26-95

Resources Committee considered SB 164

Approving the sale of Prudhoe Bay Unit royalty oil by the State of Alaska to Tesoro Alaska Petroleum Company, efd.

and recommends:

- be replaced with _____ CS _____ ()
- adopt previous _____ CS _____ ()
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

Senate Bill:

- same title
- new title

House Bill:

- same title
- technical title
- new: SCR _____

SIGNING DP PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Richard Halpern</i>	✓				
<i>Shirley</i>	✓				
<i>Tom Hoff</i>					
<i>William I. Taylor</i>	✓				
<i>in accordance</i>	✓				
CHAIR: <i>Tom A. Linn</i>	✓				

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

Department	Date	Zero	Fiscal
<i>Revenue</i>	<i>4/22</i>	✓	
<i>DNR</i>	<i>4/22</i>	✓	

APPROPRIATION -- no fiscal note

*Include fiscal notes accompanying Governor's bill

**AGREEMENT FOR THE SALE AND PURCHASE
OF
STATE ROYALTY OIL**

to

TESORO ALASKA PETROLEUM COMPANY

**THE STATE OF ALASKA
Department of Natural Resources**

Dated as of April 21, 1995

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1 1.7 "Lessee" means any person owning a working interest in any of the Leases.

2 1.8 "Month" means the period beginning at 12:01 a.m., Alaska Standard Time,
3 on the first Day of the calendar Month and ending at the same time on the first Day of the next
4 succeeding calendar Month.

5 1.9 "Oil" means the same as the word "oil" under the Leases and the Unit
6 Agreement, except where inconsistent with Articles 2.1(b) and 2.2 of this Agreement, in which case
7 Articles 2.1(b) and 2.2 shall control. For purposes of this Agreement, "Oil" shall also include natural
8 gas liquids ("NGLs").

9 1.10 "Point of Delivery" shall have the meaning set out in Article 2.6.

10 1.11 "Royalty Oil" means the Oil which the State may take in-kind (in amount) as
11 its royalty under the Leases whether or not the State has elected to take or is taking that royalty in-
12 kind except as provided in Article 2.1(b).

13 1.12 "Royalty Settlement Agreement" means the written royalty settlement
14 agreements between the State and Exxon Corporation ("Exxon") dated December 31, 1991.

15 1.13 "Royalty Value" means the royalty value of all liquid hydrocarbons from the
16 Prudhoe Bay Unit or the Prudhoe Bay Unit initial Participating Areas as provided in Article 2.1(b)
17 calculated in accordance with the Royalty Settlement Agreement for West Coast placements as
18 explained in Article 2.3.

19 1.14 "TAPS" means the Trans Alaska Pipeline System.

20 1.15 "Unit Agreement" means the Prudhoe Bay Unit Agreement effective April 1,
21 1977, by and between the Lessees and the State, as amended from time to time.

1 ARTICLE II

2 SALE OF ROYALTY OIL

3 2.1 Quantity.

4 2.1(a) Prudhoe Bay Unit Quantity. The State agrees to sell to Tesoro and
5 Tesoro agrees to buy from the State that amount of Oil equal to 30.0 percent of the Daily Royalty Oil
6 (Maximum Quantity). At any time upon six months and ten days written notice, Tesoro may: (1)
7 decrease the Maximum Quantity; or (2) terminate this Agreement, in which case Tesoro shall not
8 make any payments as described in Article 2.11.

9 Subject to the limitations in this article, Tesoro may temporarily decrease or increase
10 the amount of Oil to be tendered, but not the Maximum Quantity provided in this article. To increase
11 or decrease the amount of Oil to be tendered, Tesoro must give the State at least six Months and ten
12 Days written notice. If, however, the increase or decrease is less than ten percent of Tesoro's then
13 current in-kind nomination, Tesoro must give at least one hundred Days written notice. In addition,
14 the new tendering will take effect on the first Day of the Month after the applicable notice period
15 expires.

16 The volume of Daily Royalty Oil available to the State will vary and may be
17 interrupted from time to time, and depends upon a variety of factors, including the rate of production
18 from the Leases. The State disclaims and Tesoro waives any representation, covenant or warranty,
19 expressed or implied, that a specific quantity or the total or daily, monthly, average, or aggregate
20 volume of Royalty Oil will be sold or tendered under this Agreement. The State warrants that it has
21 good title to the Oil tendered under this Agreement.

1 If the State underlifts or stores Royalty Oil at the Prudhoe Bay Unit, or if the State
2 recovers underlifted or stored Royalty Oil, the quantity of Oil tendered under this Agreement shall be
3 calculated as if no Royalty Oil were underlifted or stored or recovered.

4 2.1(b) Initial Participating Areas Quantity. The State may choose, in its sole
5 discretion, to sell to Tesoro, and Tesoro agrees to buy from the state, oil that is produced solely from
6 the initial Participating Areas of the Prudhoe Bay Unit, as defined in the Unit Agreement, rather than
7 from all participating areas and Leases within the Prudhoe Bay Unit. If the State so elects, the
8 Maximum Quantity of Oil shall equal 35.2 percent of the Royalty Oil produced from the initial
9 Participating Areas in a Day. If the State so elects, the terms Daily Royalty Oil, Oil, and Royalty Oil
10 shall have the same meaning set forth in Article I as limited in this article.

11 2.2 Quality. The Oil sold shall be the same quality as the Royalty Oil delivered
12 by the Lessees to the State at the Point of Delivery from the Prudhoe Bay Unit Area. The quality of
13 the Oil sold may vary from time to time. The State disclaims, and Tesoro waives, any guarantee,
14 representation, or warranty, either expressed or implied, of merchantability, fitness for use, or
15 suitability for any particular use or purpose, or otherwise, of any of the Oil delivered under this
16 Agreement or as to any specific, average, or overall quality or characteristic of Oil to be sold or
17 tendered under this Agreement. Tesoro expressly waives any claim that any liquid hydrocarbons
18 made available to the State by the Lessees, including such substances as crude oil, condensate, natural
19 gas liquids, or return oil from the Prudhoe Bay Unit Crude Oil Topping Plant, that may be blended
20 with crude by the Lessees before the Point of Delivery and tendered as a common stream by the
21 Lessees to the State as Royalty Oil are not Oil, for purposes of this Agreement.

1 2.3 Price of the Royalty Oil. The price each Month for Oil purchased under this
2 Agreement shall be the Royalty Value for that Month of Oil delivered to the West Coast by Exxon
3 from the Prudhoe Bay Unit production. The Royalty Value shall be determined according to the
4 Royalty Value calculation stated in Article 3.2 c) of its Royalty Settlement Agreement, except that the
5 Average Valdez Netback shall be the West Coast Valdez Netback. Exhibit A is an illustrative
6 calculation of the price if Tesoro had purchased Oil during the Month of January, 1995.

7 If any applicable law of the United States of America or any rule or regulation
8 promulgated by a federal agency will, in the sole judgment of the State, operate to prohibit or prevent
9 the State from receiving the full amount due under the above provision, Tesoro's obligation to pay the
10 amount of the purchase price in excess of the amount permitted will be suspended or adjusted to the
11 minimum extent required for the State to comply with that law, rule or regulation.

12 2.4 Reopeners.

13 2.4(a) Export Ban Reopener. Neither Tesoro nor the State shall have the
14 right to reopen this Agreement, unless the export ban on Alaska North Slope crude now in effect is
15 lifted. Anytime after the export ban is lifted, either Tesoro or the State may reopen this Agreement
16 for purchase price only, by giving the other party one month's prior written notice. Upon issuance
17 and receipt of a notice to reopen, Tesoro and the State will promptly commence good faith
18 negotiations in an attempt to establish a new purchase price. If Tesoro and the State cannot agree on a
19 price within three months after the written notice to reopen, either Tesoro or the State may terminate
20 this Agreement upon nine months written notice to the other. The purchase price for Oil tendered
21 during any period pending termination shall be the price in effect immediately before giving the

1 notice of intent to reopen. If a new purchase price is agreed to by Tesoro and the State, the new price
2 shall be effective for Oil delivered in the month following the Agreement.

3 2.4(b) Royalty Settlement Agreement Reopener. Tesoro shall not intervene
4 or otherwise participate in any way regarding litigation, styled ANS Royalty Litigation, Case No. I-
5 JU-77-847, any future royalty settlement agreements with the Lessees, or reopeners or other
6 discussions under or pertaining to royalty settlement agreements. Any judgment resulting from the
7 ANS Royalty Litigation, any future royalty settlement agreements, or any reopener under the Royalty
8 Settlement Agreement shall be conclusively binding upon Tesoro whether or not Tesoro agrees with
9 or consents to the terms of any such judgment, settlement, or reopener. Furthermore, Tesoro has no
10 independent right to invoke any of the provisions of the Royalty Settlement Agreement. If the
11 Royalty Value is modified in the future as a result of a modification of the Royalty Settlement
12 Agreement, a corresponding retroactive modification will be made to the price term of this
13 Agreement and interest will apply to the modification, whether resulting in an overpayment or
14 underpayment, as set forth in Article 5.6. Tesoro agrees to be conclusively bound by any such
15 modification agreed to by the State and Exxon.

16 Nevertheless, due to potential unpredictable increased costs to Tesoro posed by any
17 changes to Article III of the Royalty Settlement Agreement and/or any changes made under the
18 reopener procedures of Article IV of the Royalty Settlement Agreement, the State shall give Tesoro
19 notice of such changes or a Notice of Reopener initiated by Exxon or the State. Such notice shall
20 include information on the nature of such changes and/or the reopener, the requested effective date of
21 any such changes or proposed changes, and the position taken by Exxon and the State. Any changes

1 and/or Reopener action under the Royalty Settlement Agreement will give Tesoro the right to
2 terminate this contract upon six Months and ten Days written notice to the State.

3 2.5 Point and Time of Delivery. Simultaneously with receipt of its Royalty Oil
4 from its Lessees, the State shall tender the Oil to Tesoro where the State receives the Royalty Oil
5 from its Lessees. That point presently agreed to by the State and its Lessees in Article 2.3 of the Field
6 Cost Agreement is the TAPS Pump Station No. 1 Prudhoc Bay Custody Transfer meter ("Transfer
7 Meter").

8 2.6 Passage of Title and Risk of Loss. Title and risk of loss to the Oil sold under
9 this Agreement shall pass from the State to Tesoro for all purposes when the State tenders the Oil at
10 the Point of Delivery.

11 2.7 Tesoro's Responsibility. Tesoro shall be responsible for the Oil after passage
12 of title. Tesoro will indemnify and hold the State harmless from and against any and all claims, costs,
13 damages (including reasonably foreseeable consequential damages), expenses, or causes of action
14 arising from or in connection with any transaction or event which relates to the Oil after title has
15 passed to Tesoro.

16 2.8 Transportation Arrangements. Tesoro shall make all necessary arrangements
17 for transporting the Oil sold under this Agreement from the Point of Delivery, including satisfaction
18 of line fill obligations and storage tank bottom requirements of the TAPS, if any. If requested by the
19 State, Tesoro shall submit specific information concerning its arrangement for transportation of the
20 Oil sold under this Agreement through and away from the TAPS and for the resale or other disposal
21 of the Oil. Such information may include the specific tenders of Oil made to the TAPS and
22 identification of tankers, if any, which will transport the Oil. In addition, Tesoro will provide the

1 State, if requested by the State, with satisfactory evidence or reasonable assurance of the existence
2 and continuing validity of adequate arrangements for the transportation or disposal of the Oil subject
3 to this Agreement. Failure to provide information, evidence, or assurances requested will, at the
4 State's election by notice to Tesoro, be a material default under this Agreement.

5 2.9 Absolute Obligations. The obligations of Tesoro to accept, pay for, and
6 arrange for the transportation of the Oil tendered or sold under this Agreement are absolute and will
7 not be excused or discharged by the operation of any disability of Tesoro, event of force majeure,
8 impracticability or performance, change in conditions, or any other reason or cause.

9 2.10 Date of First Delivery. The date of First Delivery will be the first Day of
10 January 1, 1996.

11 2.11 Performance Guaranty and Reservation Fee. If Tesoro does not take the
12 Maximum Quantity, Tesoro shall pay to the State, in addition to the purchase price on the actual
13 quantity taken, an amount equal to .75 percent of the purchase price per barrel per Day on the
14 difference between the Maximum Quantity and the actual quantity tendered to and accepted by
15 Tesoro for each Day Tesoro does not take the Maximum Quantity.

16 2.12 In-State Processing. Tesoro agrees to use best efforts to insure that any and all
17 of the Royalty Oil tendered under this Agreement will be processed through Tesoro's refinery near
18 Nikiski, Alaska, or will be exchanged for other crude oil which shall be processed at that refinery.
19 "Process" means the manufacture of refined petroleum products. In no event, however, shall the
20 quantity of Royalty Oil, which must be processed, be less than 80 percent of the volume of Royalty
21 Oil tendered under this Agreement. "Exchange" means: (1) direct trades of equal volumes of crude
22 oil; (2) trades of crude oil involving either cash or volume adjustments, or both, provided that those

1 adjustments relate solely to quality or location differences; (3) sequential transactions in which Tesoro
2 receives back crude oil from a party other than the party which receives the Royalty Oil in a trade
3 from Tesoro; or (4) matching purchases and sales of crude oil. The terms under which Tesoro
4 receives crude oil in any exchange shall not differ in any significant term from the terms under which
5 Tesoro delivered Royalty Oil except for terms which adjust for differences in quality and location.
6 Tesoro agrees that any trade or exchange shall not reduce the price to be paid to the State and that
7 trades or exchanges shall be at no cost or expense to the State.

8 Tesoro's obligation to process Royalty Oil or exchanged oil in-State may only be
9 suspended or excused under the provisions of Articles VIII and XI.

10 The State may, in its sole discretion, waive the in-State processing requirement in
11 whole or in part, if State is satisfied that Tesoro is using its best efforts to process the Royalty Oil
12 tendered or the oil exchanged for Royalty Oil tendered under this Agreement at Tesoro's Alaska
13 refinery and that the waiver would not be contrary to the underlying intent of the other provisions of
14 this Agreement.

16 ARTICLE III

17 REPRESENTATION AND OBLIGATIONS OF TESORO

18 Tesoro warrants, represents, and agrees:

19 3.1 Good Standing and Due Authorization. Tesoro is, and at all times during the
20 operation of this Agreement shall remain, a corporation organized and existing under and by virtue of
21 the laws of the United States or of any State, territory or the District of Columbia, and qualified to do
22 business in, and in good standing with, the State of Alaska. Tesoro has all necessary corporate power

1 to enter into this Agreement and to perform the covenants and obligation under this Agreement. All
2 necessary corporate action has been taken to authorize Tesoro to enter into this Agreement and
3 perform its covenants and obligations under this Agreement.

4 3.2 Financial Condition. The financial information submitted to the State is
5 complete and correct and fairly presents Tesoro's financial condition when the information was
6 submitted to the State. The financial information was prepared in accordance with generally accepted
7 accounting principles consistently applied. Since the date the information was submitted, the
8 condition, business, and properties of Tesoro have not been materially adversely affected in any way.
9 Tesoro agrees to inform the State immediately if there is any material adverse change in its condition,
10 business, or properties which may have an appreciable adverse effect on its ability to perform under
11 this Agreement. Tesoro, in addition, will immediately inform the State of any significant change in
12 ownership of Tesoro, affiliates, parent company, and of any change in Tesoro's operations or
13 Agreements, which may appreciably affect Tesoro's performance under this Agreement.

14 3.3 Financial Statements. As soon as possible after the end of the fiscal year of
15 Tesoro, and in any event within one hundred twenty Days thereafter, Tesoro will furnish to the State,
16 at Tesoro's sole cost and expense, a report or a complete copy of a report in a form to be prescribed
17 from time to time by the State which will include Tesoro's balance sheet as of the close of the fiscal
18 year and the income statement for that year, prepared in each case in accordance with generally
19 accepted accounting principles consistently applied by certified public accountants of recognized
20 standing. For purposes of complying with this article, Tesoro may submit, and the State will accept,
21 the annual report of Tesoro Petroleum Corporation filed with the United States Securities and
22 Exchange Commission pursuant to Sec. 13 or 15 (d) of the Security Exchange Act of 1934.

1 ARTICLE IV

2 MEASUREMENTS AND TESTS

3 The quantity and quality of Oil sold under this Agreement shall be determined at the
4 Point of Delivery. Procedures and methods for measuring and metering the Oil sold under this
5 Agreement shall be in accordance with the practices then in effect in the Prudhoe Bay Unit.
6

7 ARTICLE V

8 PAYMENTS AND ACCOUNTING

9 5.1 Initial Billing. The State will send to Tesoro, on or before the tenth business
10 Day of each Month after delivery of Oil, an invoice statement of account of all Oil estimated to have
11 been measured at the Transfer Meter and tendered to Tesoro under this Agreement during the
12 immediately preceding Month according to the best information available to the State, the estimated
13 purchase price applicable to those deliveries, and the total amount due (Initial Billing Invoice). The
14 estimates will be made by the State according to the best information reasonably available to the
15 State. The State may render its Initial Billing Invoice to Tesoro based in part upon information
16 reported by the Lessees to the State, information published by the U.S. Government, and information
17 published in Platt's Oilgram Price Report or any other publicly available report. The State shall
18 thereafter adjust its Initial Billing Invoice under this article as soon as more accurate information
19 concerning the quantity and purchase price of Oil delivered each Month is available. The State,
20 however, shall not be required to adjust the Initial Billing Invoice before the sending of the next
21 Month's invoice statement of account.

1 5.2 Initial Adjustment. After the Initial Billing Invoice under Article 5.1, the next
2 Monthly invoice will also state the State's initial adjustments, plus interest, to be made, if any, to the
3 Initial Billing Invoice rendered in the immediately preceding Month, in accordance with any
4 additional or more accurate information which may have become available to the State ("Initial
5 Adjustment Invoice"). Whether or not initial adjustments are made, however, subsequent adjustments
6 may be made under Article 5.5.

7 5.3 Subsequent Adjustments. Tesoro acknowledges that after the Initial Billing
8 and Initial Adjustment Invoices, more accurate information concerning the quantity of or purchase
9 price for Royalty Oil tendered may become available to the State. If any such information should
10 later become available to the State, it shall furnish a corrected invoice statement of account to Tesoro
11 ("Subsequent Adjustment Invoice") and the State will adjust the amount previously billed; and Tesoro
12 will pay, or the State will credit or refund, the amount of any Subsequent Adjustment Invoice plus
13 interest. If the State should render a Subsequent Adjustment Invoice to Tesoro, any amount to be
14 credited or refunded from the State to Tesoro or paid by Tesoro to the State will be refunded or paid
15 within thirty Days after the date of the Subsequent Adjustment Invoice.

16 The parties recognize that subsequent adjustments may be necessary after December
17 31, 1998, and, accordingly, the provisions of Article V will survive any termination of this
18 Agreement. Any Subsequent Adjustment Invoice rendered more than six years after the date of
19 delivery will bear interest for only six years from the date accrued as defined in Article 5.5. This
20 limitation on interest does not apply to Subsequent Adjustment Invoices resulting from: (1)
21 regulatory, reopener or court proceeding (including appeals) commenced during the six year period

1 whether or not the Tesoro or the State is a party and (2) bona fide audits by the State of Exxon
2 commenced during the six year period.

3 5.4 Payment. Tesoro will pay the Initial Billing Invoice on the third business Day
4 of the month following delivery or within three business Days after the date of the invoice whichever
5 is later; and the Initial Adjustment Invoice within three business Days of the date of the invoice and
6 on any Subsequent Adjustment Invoice within 30 Days of the date of the invoice. Payment shall be
7 made without any deduction, set off, or withholding, by wire transfer of immediately available funds
8 to the State's account at the following address:

9 State Street Bank & Trust Company
10 Boston, Massachusetts
11 ABA #011000028
12 For credit to the State of Alaska
13 General Investment Fund, AY01
14 Account #00657189
15 Attn: Kim Chan, Public Funds
16

17 Payment may be made in such other manner or to such other address as the State may
18 specify in the invoice statement of account or by other written notice. All other payments to be made
19 under this Agreement shall be paid in the same manner. If payment is due on a Saturday, Sunday, or
20 legal holiday of the place where payment is to be received, payment shall be made on the next
21 following business Day. It is recognized that the State may bill, and that Tesoro will pay, amounts
22 that are based upon confidential information held or received by the State. If confidential information
23 is used as the basis for a billing, then the State will furnish Tesoro, upon its request, with the certified
24 statement of the Commissioner that the amounts billed are correct based upon the best information
25 available to the State. If a dispute concerning a bill arises, Tesoro agrees to pay the full amount billed
26 by the State, except for obvious clerical mistakes, pending final resolution of the dispute.

1 5.5 Interest. The Amount of all sums, which are not paid when due under this
2 Agreement or which are later determined to be due as an adjustment, shall bear interest from the date
3 accrued until paid in full at the rate as provided in AS 38.05.135(d) or as that statutory provision may
4 later be amended. Currently, that interest rate in a calendar quarter is at the rate of five percentage
5 points above the annual rate charged member banks for advances by the 12th Federal Reserve District
6 as of the first Day of that calendar quarter, or at the annual rate of 11 percent, whichever is greater,
7 compounded quarterly as of the last Day of that quarter. The term "date accrued" means the date of
8 the "Initial Billing plus three business Days." Interest shall apply to both adjustments for
9 overpayments and underpayments.

10 The following illustrates from what date interest will run:

11 January 1 - 31, 1996 -- Tesoro takes 1996 January production:

12 February 9, 1996 -- State sends Tesoro the Initial Billing Invoice for 1996 January
13 production:

14 February 14, 1996 (Initial Billing plus three business Days) -- Tesoro must pay the
15 Initial Billing Invoice for January 1996 production. If Tesoro does not pay on
16 this day, the Initial Billing Invoice bears interest from this date plus a late
17 payment penalty.

18 March 8, 1996 -- State sends Tesoro the Initial Adjustment Invoice for January 1996
19 production. Tesoro owes the State an additional sum.

20 March 13, 1996 -- Tesoro must pay the Initial Adjustment Invoice plus interest from
21 February 14, 1996 through the payment date.

1 January 10, 1997 -- State sends Tesoro a Subsequent Adjustment Invoice for January
2 1996 production. Tesoro is entitled to a credit. State pays interest from
3 February 14, 1996 through January 10, 1997.

4 April 10, 2006 -- The State is notified by Exxon that, due to a clerical error, it has
5 revised the Royalty Value for January 1996.

6 April 17, 2006 -- State sends Tesoro another Subsequent Adjustment Invoice for
7 January 1996 production after Exxon reports a clerical error in its
8 calculation of the Royalty Value. Tesoro owes the State an additional sum.

9 May 17, 2006 -- Tesoro must pay the Subsequent Adjustment Invoice for January
10 1996 production plus interest from calculated February 14, 1996 through
11 February 14, 2002. If Tesoro does not pay the Subsequent Adjustment
12 Invoice on this date, interest will accrue from February 14, 1996 through the
13 date the payment is made and Tesoro must also pay a late payment penalty.

14 November 10, 2006 -- Court settles dispute between the TAPS carriers and shippers:
15 Carriers are awarded a higher tariff for January 1996.

16 November 30, 2006 -- State sends Tesoro a Subsequent Adjustment Invoice. Tesoro
17 is entitled to a refund which includes interest calculated from February 14,
18 1996 through November 30, 2006.

19 5.6 Late Payment Penalty. If Tesoro fails to make a full payment within three
20 business days of the date of either an Initial Billing Invoice or Initial Adjustment Invoice, or within
21 thirty Days of the date of any Subsequent Adjustment Invoice, then in addition to the amount due

1 plus interest from the date accrued until the date of actual payment, Tesoro will pay an amount equal
2 to five percent of the principal payment due as a late payment penalty.

3 5.7 Payment to Lessee. At the request of the State in the invoice statement of
4 account or otherwise in writing, Tesoro shall pay all or any portion designated by the State of that
5 payment required to be made to one or more of the Lessees at an address or addresses and in the
6 manner designated by the State. The payment will be made within the time limit specified in
7 Article V. The State may authorize and designate a third party to make the request and designate the
8 amount, manner and place of payment under this provision. Unless otherwise specified, the balance
9 of the payment due, if any, and payment for subsequent Months, shall be made in accordance with
10 Article V.

11 5.8 Payment to Third Parties. The State may direct that Tesoro pay any amount
12 due or which may become due directly to a third party in a manner and time as may be directed by
13 the State in written notice to Tesoro if, in the State's sole discretion, the payment to the third party
14 will assist the State in monitoring or enforcing this Agreement.

15
16 **ARTICLE VI**

17 **TERM**

18 This Agreement shall become effective upon execution by the parties. The State's
19 obligation to sell and Tesoro's obligation to buy Royalty Oil becomes effective immediately.
20 Deliveries under this Agreement shall begin on January 1, 1996, and shall end December 31, 1998.
21 The provisions of Article V shall survive the termination of this Agreement.

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ARTICLE VII

DEFAULT OR TERMINATION

7.1 Default. If any one or more of the following events ("Events of Default") occur, then the State, at the its sole option, may terminate or suspend its obligation to tender and sell Oil and exercise any one or more of the rights and remedies provided in this Agreement:

- (i) At any time, Tesoro (a) repudiates any of its covenants or obligations under this Agreement, or (b) fails, within five Days, after written request from the State to provide the State with written affirmation of this Agreement and of Tesoro's intention to perform under this Agreement (together with evidence or assurances of transportation arrangement pursuant to Article 2.8 reasonably satisfactory to the State);
- (ii) Tesoro does not pay in full any sum owed under this Agreement at the time when payment is due;
- (iii) Tesoro fails to observe or perform any of its other covenants and obligations under Article II;
- (iv) Tesoro does not perform any act required or contemplated under this Agreement and: (a) the non-performance cannot be cured; (b) the nonperformance continues for more than thirty Days after the State has notified Tesoro of its nonperformance; or (c) Tesoro has failed to perform the same or any other act required or contemplated under this Agreement;

1 (v) There is a material adverse change in Tesoro's condition, business, or
2 property which may appreciably affect its ability to perform any of its
3 obligations under this Agreement and Tesoro is unable or unwilling to
4 give the State adequate assurance of continued performance either
5 within five Days of a request for such an assurance or within such
6 other shorter time period as the State may request under the
7 circumstances;

8 (vi) Any representation or warranty made by Tesoro in this Agreement
9 was materially false or incorrect when made; or

10 (vii) Tesoro's failure or inability for any reason (including reasons beyond
11 Tesoro's control) to maintain the Security described in Article XV,
12 notwithstanding Tesoro's continuing willingness and ability to
13 perform its other obligations and covenants under the Agreement.

14 7.2 Failure to Pay Debts. If Tesoro becomes unable to pay any of its debts when
15 due, or should otherwise become insolvent (regardless how that insolvency may be evidenced),
16 Tesoro will immediately give written notice of that fact to the State. Whether that notice is given, if
17 Tesoro becomes unable to pay any of its debts when due or should otherwise become insolvent, the
18 State's obligation to tender and sell Oil will automatically and immediately terminate without any
19 requirement of notice or other action by the State; however, Tesoro will nevertheless be and remain
20 liable for payment and performance of all of its obligations and covenants under this Agreement
21 regarding Oil actually tendered by the State to and after any such termination. Within thirty Days
22 after receipt of Tesoro's notice or, if no notice is given, after the State otherwise becomes aware (as

1 determined in the State's sole discretion) of Tesoro's insolvency, the State will have the right, upon
2 written notice to Tesoro, to reinstate all of the State's and Tesoro's obligations under this Agreement
3 retroactively to the date of termination.

4 7.3 State's Remedies. If any Event of Default occurs or if the State's obligation to
5 tender and sell Oil under this Agreement is terminated or suspended, all of Tesoro's obligations
6 accrued but not otherwise due and payable under this Agreement will immediately be due and
7 payable in full. In addition, Tesoro will indemnify and hold the State harmless from and against all
8 other liability, damages (including reasonably foreseeable consequential damages), costs, losses and
9 expenses (including reasonable attorney's fees and disbursements) incurred by the State and arising
10 out of the Event of Default, termination, or suspension. The State shall have the right cumulatively to
11 exercise any and all other rights and remedies and to obtain all other relief available under applicable
12 law or at equity, including mandatory injunction and specific performance.

13 Additionally, in its sole discretion, the State, upon occurrence of any Event of
14 Default: (1) may dispose to third parties any or all Royalty Oil to be tendered and sold under this
15 Agreement and (2) may release Tesoro from the in-state processing obligations set forth in Article
16 2.12 until the Event of Default no longer exists or the obligation of Tesoro to take Oil under this
17 Agreement expires. If the State disposes of Oil to third parties, or if Tesoro is released from Article
18 2.12, whether or not this Agreement is terminated, Tesoro will nevertheless remain liable for the
19 difference between the purchase price for that Oil under this Agreement and the price received by the
20 State by disposition, including all of the expenses (including reasonable attorneys' fees and costs), and
21 losses incurred by the State arising out of the Event of Default or disposition.

1 of Tesoro under any nominations, Leases, agreements, contracts, charter parties and other
2 arrangements for the transportation of the Oil sold under this Agreement through and away from the
3 TAPS; provided, that the State shall not have any liability or obligations under any such nominations,
4 Leases, agreements, contracts, charter parties or other arrangement unless, and to the extent that, the
5 State shall actually exercise its rights to succeed to Tesoro's interest under them and shall obtain the
6 benefits of them.

7 8.3 No Right to Storage or Underlift. Tesoro waives and disclaims any interest or
8 right that it may assert to storage of Royalty Oil, including by underlift or other means, to which the
9 State is or may become to be entitled under the Leases or any other agreement.

10
11 **ARTICLE IX**

12 **WAIVER**

13 The failure of either party to insist upon strict performance of any provision of this
14 Agreement shall not constitute a waiver of, or estoppel against, asserting the right to require that
15 performance in the future. A waiver or estoppel in any one instance shall not constitute a waiver or
16 estoppel with respect to a later breach of a similar nature or otherwise. A course of performance
17 established by a party shall also not estop the other party from complaining of a later breach similar in
18 nature.

1 obligations to pay for Oil tendered and to accept and dispose of Oil, the disabled party's obligations to
2 perform that are affected by the force majeure shall be suspended from the time that notification
3 occurs until the disability should have been remedied with reasonable diligence, and for no longer.

4
5 **ARTICLE XII**

6 **NOTICES**

7 12.1 Method. All notices, requests, demands or statements shall be in writing, and
8 may be delivered personally, telecopied, or sent by registered or certified United States mail, postage
9 prepaid, with a return receipt requested, to the party to be notified. Notice deposited in the mail in
10 this manner shall be effective upon the expiration of seven Days after it is so deposited or upon the
11 date of receipt, whichever is earlier. Notice given in any other manner shall be effective only if and
12 when received by the addressee. For the purposes of notice, the address of the parties shall be as
13 follows:

14 If to the State: State of Alaska
15 Commissioner of Natural Resources
16 400 Willoughby Avenue
17 Juneau, Alaska 99801

18
19 and

20 Director, Division of Oil and Gas
21 P. O. Box 107034
22 Anchorage, Alaska 99510-0734
23 Telecopy Number: (907)562-3852
24

25 If to Tesoro:

26 Gaylon H. Simmons
27 Tesoro Alaska Petroleum Company
28 8700 Tesoro Drive
29 San Antonio, Texas 78217
30 Telecopy Number: (210) 283-2031
31

1 national banking institution of the United States ("Issuer"), which is insured by the Federal Deposit
2 Insurance Corporation and has an aggregate capital and surplus of not less than One Hundred Million
3 Dollars (\$100,000,000), or other banking institution acceptable to the State in its sole discretion. The
4 principal face amount of such letter of credit shall be a sum estimated by the Commissioner, in his
5 sole discretion, to be equal to the aggregate purchase price for the approximate total amount of Oil to
6 be tendered by the State to Tesoro during the first seventy five Days following the Date of First
7 Delivery. The letter of credit shall be in a form satisfactory to the Commissioner, but in any event
8 shall not require any documents to be submitted in support of drafts drawn against this letter of credit
9 other than the certified statement of the Commissioner or his designee and the Attorney General of
10 the State of Alaska or his designee that Tesoro is liable to the State for a sum equal to the amount of
11 such draft, and that sum is due and payable in full and has not been timely paid. The letter of credit
12 must be renewed seventy five Days before its expiration so that a letter of credit is continuously valid
13 for seventy five Days after the date of the last delivery of Royalty Oil. If a replacement letter of
14 credit, in a form satisfactory to the Commissioner in his sole discretion, is not received seventy five
15 Days before the expiration of the existing letter of credit, then Tesoro shall be deemed to have
16 materially breached this Agreement, there shall have occurred an event of default under Article 7.1,
17 and all obligations of Tesoro accrued, but not otherwise due and payable under this Agreement, will
18 immediately become due and payable in full.

19 If the State has reasonable grounds for asserting any claims against Tesoro and does
20 assert those claims in an aggregate amount in excess of the aggregate principal face amount of the
21 letter of credit then in effect, Tesoro shall, upon the State's request (whether or not Tesoro may deny,
22 reject or otherwise resist such claims), cause the principal face amount to be increased by an amount

1 equal to the excess. Tesoro shall also automatically increase the principal face amount, without
2 request from the State, whenever the face amount is less than the expected purchase price of seventy
3 five Days of Oil tenders, to an amount equal to the expected purchase price of seventy five Days of
4 Oil tenders. Upon approval of the State in its sole discretion, Tesoro may decrease the principal face
5 amount if the face amount is more than the expected purchase price of seventy five Days of Oil
6 tenders to an amount equal to the expected purchase price of seventy five Days of Oil tenders.

7 The letter of credit must allow drafts to be drawn and presented to the Issuer up to and
8 including the 75th Day after the last delivery of Royalty Oil to Tesoro under this Agreement. The
9 Commissioner may accept such other or additional security as he, in his sole discretion, considers
10 adequate to protect the State.

11 15.2 Reduction of Term. The term of the letter of credit required under Article XV
12 shall be reduced from seventy five Days to sixty Days, if Tesoro and the State can reach an agreement
13 regarding the transportation of Oil if Tesoro defaults under this Agreement. If the parties cannot
14 reach an agreement, then the letter of credit shall remain at seventy five Days or Tesoro shall have the
15 right, in its sole discretion, to terminate this Agreement as provided in Article 2.1.

16
17 **ARTICLE XVI**

18 **PREFERENTIAL HIRING AND NON-DISCRIMINATION**

19 Tesoro agrees to employ Alaska residents and Alaska companies to the extent they are
20 available, willing and qualified for all work performed in Alaska in connection with the Agreement.
21 "Alaska resident" means an individual who has resided in Alaska for one year at the time of

1 employment and "Alaska companies" means companies incorporated in Alaska or whose principal
2 place of business is in Alaska.

3 If this provision is determined to be unconstitutional, then Tesoro agrees to employ
4 Alaska residents and Alaska companies to the extent such preferential hiring is determined to be
5 constitutional.

6
7 **ARTICLE XVII**

8 **APPLICABLE LAW**

9 17.1 Alaska Law. This Agreement shall be governed by and construed in
10 accordance with the laws of the State of Alaska.

11 17.2 Submission to Jurisdiction. Any legal action or proceeding arising out of or
12 relating to this Agreement or for the enforcement of the covenants or obligations of either party must
13 be instituted in a State court of general jurisdiction sitting in the State of Alaska, and Tesoro hereby
14 irrevocably submits to the jurisdiction of that court in any such action or proceeding.

15
16 **ARTICLE XVIII**

17 **WARRANTIES**

18 The purchase and sale of Royalty Oil are subject only to the warranties of the State
19 expressly set forth in this Agreement and the State disclaims and Tesoro waives all other warranties,
20 express or implied in law, whatsoever.

1 not limited to, the purchase or sale of Royalty Oil and its refined products, for a period of no less than
2 six years from the date of transaction or last adjustment relating to the transaction. Tesoro will also
3 maintain and preserve all similar books, accounts, and records of which it has possession belonging to
4 those third parties with whom it contracts for the performance of various parts of this Agreement.
5 Neither Tesoro nor the State shall be required to retain any records for more than six years unless
6 retention of such records is specifically required by applicable law or regulation, or this Agreement.
7 Tesoro shall either maintain its records within the State of Alaska or make such records available to
8 the State at Tesoro's principal office in the State of Alaska within thirty Days after written request by
9 the State.

10 22.2 Inspection of Records of Parties. Tesoro and the State will accord to each
11 other and to their authorized agents, attorneys, and auditors during reasonable business hours access
12 to any and all property, records, books, documents, and indices directly related to Tesoro's or the
13 State's performance of this Agreement and which are under the control of the party from which access
14 is desired so that the other party may inspect, photograph and make copies of that property, records,
15 books, documents and indices. The State shall not be required to disclose any information, data, or
16 records which are required to be held confidential by State or federal law or regulation, or by
17 agreement. If the information obtained by the State may be held confidential under State or federal
18 law or regulation, Tesoro may request that information be held confidential by the State and the State
19 will keep this information confidential.

SIGNATURES

1
2 the State.

THE STATE OF ALASKA

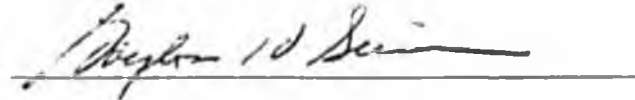
3 

4 Commissioner
5 Department of Natural Resources

6 Date: 4/21/95

7
8 Tesoro Alaska Petroleum Company

TESORO ALASKA PETROLEUM COMPANY

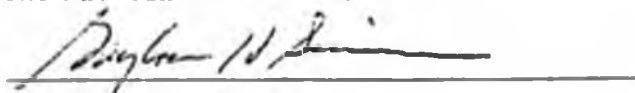
9 By: 

10 Its: Executive Vice President

11 Date: April 20, 1995

12
13 Tesoro Petroleum Corporation

TESORO PETROLEUM CORPORATION

14 By: 

15 Its: Executive Vice President

16 Date: April 20, 1995

ACKNOWLEDGEMENT

State of Texas

County of Bexar

§§

THIS IS TO CERTIFY that on the 20th day of April 1995, before me appeared Gaylon H. Simmons of Tesoro Alaska Petroleum Company, San Antonio Texas that Gaylon H. Simmons executed that document under legal authority and with knowledge of its contents and that this act was performed freely and voluntarily upon the premises and for the purposes stated in the document

Witness my hand and official seal the day and year in this agreement first above written.

Linda Iden

My commission expires _____



ACKNOWLEDGEMENT

1
2
3
4 State of Texas)
5)
6 County of Bexar)

SS

7
8
9 THIS IS TO CERTIFY that on the 20th day of April, 1995, before me,
10 appeared Gaylon H. Simmons of Tesoro Petroleum Corporation, San Antonio, Texas,
11 that Gaylon H. Simmons executed that document under legal authority and with knowledge
12 of its contents, and that this act was performed freely and voluntarily upon the premises and
13 for the purposes stated in the document

14
15 Witness my hand and official seal the day and year in this agreement first above
16 written

17
18 Linda Iden
19
20

21 My commission expires _____
22

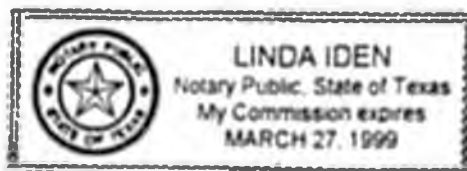


EXHIBIT A

CALCULATION OF ROYALTY VALUE

This exhibit shows the mechanics of the price calculation and data sources. Exxon's Royalty Value for the Prudhoe Bay Unit lessees are taken from its Royalty Report. Royalty Value currently is taken from Column H of these reports. An example calculation using the information for January 1995 and a hypothetical RIK volume sold to Tesoro is shown below. Attached are the Royalty Report Summaries for the Prudhoe Bay Unit.

	Exxon's Production from the Prudhoe Bay Unit		Royalty Value from Column H of the Oil Royalty Report Summary		Product of Volume Times Royalty Value
Lisburne Production Center	1,762,900.13	x	\$11.050	=	\$19,480,406.44
Prudhoe Bay IPA	8,807,215.20	x	\$11.110	=	\$97,848,160.87
Total	<u>10,570,115.33</u>				<u>\$117,328,207.31</u>

$$\text{Exxon's Royalty Value} = \$117,328,207.31 - 10,570,115.33 = \$111,099,999$$

Should Article 2.1(b) apply, the Royalty Value will be calculated using the Royalty Value and production volumes for only the initial Participating Areas.

CALCULATION OF INTEREST

Numbers in these examples are illustrative. They do not represent accurate values that may have existed in the past or are forecasted for any time in the future.

Mechanics of the calculations include:

1. The annual interest rate specified in legislation is converted to a daily rate for calculations.
2. Credits are applied to the next monthly payment. Payment for an underpayment is due (a) within 3 business days of the date the bill is sent for Initial Billings and initial adjustment or (b) within 30 days of the time the bill is sent for subsequent adjustments. Interest on overpayments stops accruing on the date of the invoice.

Example 1: Initial Billing

Assumptions:

1. Month is February.
2. Royalty Oil delivered to Tesoro in January = 1,240,000 barrels
3. Royalty Value for January, from Column H of Exxon's Oil Royalty Report Summaries (attached) = \$11.09999.
4. Bill sent to Tesoro on February 1st; Payment due to State by February 6th (Initial Billing date plus three business days).

Method for calculating Tesoro's initial invoice for January deliveries:

Volume	x	Price	=	Initial Billing
1,240,000	x	\$11.09999	=	\$13,763,987.60

Note:

The lessees are required to submit their royalty reports to the State for January's production by the last day in February. For this reason the State will bill Tesoro for January production based on the December Royalty Value. This is an interim value and is subject to revision, since the Agreement requires that Tesoro pay the Monthly Price for the same production month. The revised price is incorporated in the invoice submitted the following month (March).

Example 2: Initial Adjustment

assumptions:

1. Month is March.
2. Royalty Oil delivered to Tesoro in January = 1,240,000 barrels.
3. Revised Monthly Price for January = \$11.00000.
4. Annual interest rate charged member banks for advances by 12th Federal Reserve District as of January 1st is three percent. Annual rate for contract = 11 percent.
5. Date of Initial Adjustment is March 1st.

Method for calculating Tesoro's revised invoice for January deliveries:

Volume	x	Price	=	Revised Billing
1,240,000	x	\$11.00000	=	\$13,640,000.00

Amount Paid by Tesoro for January deliveries (calculated in Example 1):

\$13,763,987.60

Overpayment for January:

(\$123,987.60)

Difference between Initial Adjustment date (March 1st) and original accrual date (February 6th) = 23 days.

Interest due = \$123,987.60 x (11%/365) x 23 =

(\$859.42)

Credit due Tesoro for next month's billing =

(\$124,847.02)

THE CITY OF SIKU
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STATE OF ALASKA
 CANYONAL TV REPORT SUMMARY
 STATE OF ALASKA DEPARTMENT OF NATURAL RESOURCES

THIS PROGRAM DAY
 0000 PROGRAM DAY
 0000 PROGRAM DAY
 0000 PROGRAM DAY

Agency Address: P.O. BOX 4196
 DENVER, TEXAS 77104-4196

REPORT	REPORT DATE
0000	0000

LINE	DESCRIPTION	UNIT	QTY	UNIT PRICE	TOTAL
(A)	WORKING INTEREST				
(B)	WORKING INTEREST				
(C)	ROYALTY				
(D)	ROYALTY				
(E)	ROYALTY				
(F)	ROYALTY				
(G)	ROYALTY				
(H)	ROYALTY				
(I)	ROYALTY				
(J)	ROYALTY				
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(O)	ROYALTY				
(P)	ROYALTY				
(Q)	ROYALTY				
(R)	ROYALTY				
(S)	ROYALTY				
(T)	ROYALTY				
(U)	ROYALTY				
(V)	ROYALTY				
(W)	ROYALTY				
(X)	ROYALTY				
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(AR)	ROYALTY				
(AS)	ROYALTY				
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(BG)	ROYALTY				
(BH)	ROYALTY				
(BI)	ROYALTY				
(BJ)	ROYALTY				
(BK)	ROYALTY				
(BL)	ROYALTY				
(BL) TOTAL					315,540.01

GRAND TOTAL

LINE	DESCRIPTION	UNIT	QTY	UNIT PRICE	TOTAL
(A)	WORKING INTEREST				
(B)	WORKING INTEREST				
(C)	ROYALTY				
(D)	ROYALTY				
(E)	ROYALTY				
(F)	ROYALTY				
(G)	ROYALTY				
(H)	ROYALTY				
(I)	ROYALTY				
(J)	ROYALTY				
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(BE)	ROYALTY				
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(BH)	ROYALTY				
(BI)	ROYALTY				
(BJ)	ROYALTY				
(BK)	ROYALTY				
(BL)	ROYALTY				
(BL) TOTAL					110,000.00

I declare that I have reviewed this report, including accompanying exhibits and attachments, and to the best of my knowledge and belief it is true, correct, and complete.

SIGNATURE: *[Signature]*
 PRINTED NAME: STEPHEN JONES
 TITLE: STATE ROYALTY UNIT SUPERVISOR
 PHONE NUMBER: 713-344-4444
 DATE: 04/01/86
 AGENCY: STATE OF TEXAS (713) 666-6666

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 Revised 1/94
 1/8/94
 1/8/94

STATE OF ALASKA
 OIL ROYALTY REPORT SUMMARY
 STATE OF ALASKA DEPARTMENT OF NATURAL RESOURCES

Page 1 of 2

0001 PRUDHOE HAY
 0100 PRUDHOE HAY
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Payee Address	EXXON CORPORATION P. O. BOX 4196 HOUSTON, TEXAS 77210-4196	REPORT FOR	1-91
		REVISION NUMBER	000
		REVISION DATE	

(A) GROSS OIL REVENUE (100%)	(B) WORKING INTEREST OWNERSHIP %	(C) WORKING INTEREST (100%)	(D) ROYALTY RATE	(E) TOTAL ROYALTY (100%)	(F) ROYALTY (100%)	(G) ROYALTY (100%)	(H) ROYALTY VALUE (100%)	(I) DEBIT (100%)	(J) DEBIT (100%)	(K) ROYALTY (100%)
119,819.00	0.40000000	219,927.60	0.125000	76,990.95	12,902.41	10,648.52	11,050.00	0.00	10,220.00	103,989.67
0.00	0.00000000	0.00	0.125000	0.00	0.00	0.00	0.00	0.00	0.00	0.00
500,000.00		16,171.60		27,015.45	12,914.14	10,101.11				114,116.16

*WEIGHTED AVERAGE VALUE

	PRINCIPAL	INTEREST	TOTAL
(1) CORP GRAVITY ADJUSTMENT	0.00	0.00	0.00
(2) LESS REVENUE FOR OTHER	(10,718.74)	0.00	(10,718.74)
(3) OTHER (LAPSE TIME EXPIRE OTHER)	0.00	0.00	0.00
(4) SUBTOTAL ((2) + (3))	10,718.74	0.00	10,718.74
(5) REVISIONS	16,407.30	1,912.99	18,320.29
(6) TOTAL AMOUNT DUE ((4) + (5))	27,126.04	1,912.99	29,039.03

I declare that I have examined this report, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete.

SIGNED BY	<i>[Signature]</i>
PRINTED NAME	LELAND RUMBLE
TITLE	STATE ROYALTY REPORT SUPERVISOR
PHONE NUMBER	713 636 8441
DATE	20 Feb 91
PREPARED BY	DONALD CHISHOLM (713) 636 4441

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STATE OF ALASKA
OH ROYALTY REPORT SUMMARY
STATE OF ALASKA DEPARTMENT OF NATURAL RESOURCES

Page 1 of 2

ZONE PRUDHOE DAY
FIELD NORTHPRUDHOE DAY
ZONE PRUDHOE DAY

Payee Address:	EXXON CORPORATION P O BOX 4196 HOUSTON TEXAS 77210-4196	REPORT YEAR	Jan 93
		REVISION NUMBER	000
		REVISION DATE	

(A) PROGRAM DESCRIPTION (MM)	(B) WORKING INTEREST OWNERSHIP %	(C) WORKING INTEREST (B)(4)	(D) ROYALTY RATE	(E) TOTAL ROYALTY (\$)	(F) ROYALTY IN KIND (\$)	(G) ROYALTY IN VALUE (\$)	(H) ROYALTY VALUE SPRINTS	(I) INTERESTS SPENDING	(J) NET INTEREST ROYALTY SPRINTS	(K) ROYALTY IN VALUE (NET)
12865400	0 SHORROW	64.32700	0.050000	1,216.35	1,517.51	1,678.01	11.050	0.000	10.270	17,157.74
0100	0 SHORROW	0.000	0.125000	0.00	0.00	0.00	11.110	0.010	10.280	0.00
TOTALS		64.32700		1,216.35	1,517.51	1,678.01				(K) 17,157.74

*NET, FIELD AVERAGE VALUE

	PRUDHOE	(I) INTEREST	(K) TOTAL
(1) CORPORATELY ACQUIRED	0.00	N/A	0.00
(2) LESS INTERESTS TO OTHERS	(1,276.13)	N/A	(1,276.13)
(3) OTHER (STATE, PRIVATE, OTHER)	0.00	N/A	0.00
(4) SUBTOTAL ((2)+(3)+(1))	15,081.61	0.00	15,081.61
(5) REVISIONS	189.00	50.00	249.00
(6) TOTAL ANCHORIT (4)+(5)	16,070.61	50.00	16,125.00

I declare that I have examined this report, including accompanying schedules and worksheets, and to the best of my knowledge and belief it is true, correct, and complete.

SIGNED BY	<i>Th. M. O'Neil for State</i>
PRINTED NAME	LESA M. O'NEIL
TITLE	STATE R. CATALYTIC SUPERVISOR
PHONE NUMBER	(913) 656-6619
DATE	24 Feb 93
PREPARED BY	DAVID E. SCHW (913) 656-6691

STATE OF ALASKA DEPARTMENT OF NATURAL RESOURCES

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STATE OF ALASKA
 GAS ROYALTY REPORT SUMMARY
 STATE OF ALASKA DEPARTMENT OF NATURAL RESOURCES

Page 5 of 1

UNIT: PRITHOR DAY
 FIELD: NORTH PRITHOR DAY
 ZONE: PRITHOR DAY
 LEASE: NORTH PRITHOR DAY

Report Address:	EXXON CORPORATION P O BOX 4196 IRVING, TEXAS 77110-4496	REPORT FOR	1-8-95
		REVISION NUMBER	000
		REVISION DATE	

(A) GROSS UNIT PRODUCTION (MMBtu)	(B) WORKING INTEREST OWNERSHIP %	(C) WORKING INTEREST DAYS	(D) ROYALTY RATE	(E) TOTAL ROYALTY (MM)	(F) ROYALTY IN KIND (MMBtu)	(G) ROYALTY IN VALUE (MM)	(H) ROYALTY VALUE SPR (MM)	(I) FIELD COSTS SPR (MM)	(J) NET UNIT ROYALTY SPR (MM)	(K) ROYALTY IN VALUE (MM)
500100	0.500000	250150	0.050000	12508	5929	6529	11050	5045	5405	33289
(J) TOTALS										33289

* WER (H) AVERAGE VALUE

	PRINCIPAL	(I) INTEREST	(K) TOTAL
(1) COT. GRAVITY ADJUSTMENT	0.00	N/A	0.00
(2) FIELD COSTS (MM)	(117.51)	N/A	(117.51)
(3) OTHER (RPT. PRODUCTION UNIT)	0.00	N/A	0.00
(4) STORAGE AT (1) (MM)	15.18	0.00	15.18
(5) REVISIONS	19.02	5.11	44.11
(6) TOTAL ADJUSTED (MM) [(1)-(5)]	34.18	5.11	59.49

I declare that I have examined this report, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete.

SIGNED BY	<i>Lee Ann King</i>
PRINTED NAME	LEE ANN KING
TITLE	STATE ROYALTY UNIT SUPERVISOR
PHONE NUMBER	(713) 656-6649
DATE	24 Feb 95
PREPARED BY	INR 10-4010 (713) 656-6691

PC
 1/23
 1/6/95

CRS 1177 PPT 5/11/88
 REVISED 1/84
 5/12/84 01 04
 1/1/84 10 40 10

STATE OF ALASKA
 OIL ROYALTY REPORT SUMMARY
 STATE OF ALASKA DEPARTMENT OF NATURAL RESOURCES

Page 1 of 2

THRU PERIOD MONTHLY
 FROM PERIOD MONTHLY
 ZONE PERIOD MONTHLY

Reporting Address	EXXON CORPORATION P O BOX 4496 IRKENSIDE, TEXAS 77110 4496	REPORT YEAR	1985
		REVISIONS PERMITTED	000
		REVISIONS MADE	

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 PRODUCTION

TOTALS

(A) GROSS UNIT PRODUCTION (MM)	(B) WORKING INTEREST OWNERSHIP %	(C) WORKING INTEREST (MM)	(D) ROYALTY RATE	(E) TOTAL ROYALTY (MM)	(F) ROYALTY (PERCENTAGE)	(G) ROYALTY IN VALUE (MM)	(H) ROYALTY VALUE (PERCENTAGE)	(I) DISCOUNTS (MM)	(J) REPORTED ROYALTY (MM)	(K) ROYALTY IN VALUE (MM)
1 930 156 00 0 00	0 359 717 66 0 134 00	1 421 098 00 0 00	0 120 000 0 125 000	1 46 680 06 0 00	87 372 84 0 00	64 307 22 0 00	11 030 11 110	0 000 0 000	18 050 14 200	310 590 78 0 00
1 930 156 00		1 421 098 00		1 46 680 06	87 372 84	64 307 22				310 590 78

*WEIGHTED AVERAGE VALUE

	(1) PERCENTAGE	(2) INTEREST	(3) TOTAL
1) OIL PROPERTY ADJUSTMENTS	0 00	N/A	0 00
2) LESS DISCOUNTS FOR RISK	(4 01) 04	N/A	(4 01) 04
3) OTHER (LUMP SUM) (4)	0 00	N/A	0 00
4) SURRENDER (2) (1) (2)	706 581 74	0 00	706 581 74
(5) DISCOUNTS	(104 576 13)	(3 750 90)	(112 327 03)
(6) TOTAL ADJUSTED (MM) (4) (7)	602 005 61	7 344 00	609 349 61

I declare that I have examined this report, including accompanying exhibits and statements, and to the best of my knowledge and belief it is true, correct, and complete.

SIGNED BY	<i>M. H. [Signature]</i>
PRINTED NAME	LEE ANDERSON
TITLE	STATE ROYALTY TRUST SUPERVISOR
PHONE NUMBER	(713) 636-6649
DATE	24 Feb 85
PREPARED BY	ROBERT G. SIMON (713) 636-6691

NOTE: By filing this report, Exxon does not waive any rights to take field and other cost deductions from the P-T-M Participating Area, including, but not limited to, those rights reserved by Exxon in the December 11, 1981, Amended Application for Expansion of the Prudhoe Bay Lease and Formation of the P-T-M Participating Area.

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STATE OF ALASKA
 GAS ROYALTY REPORT SUMMARY
 STATE OF ALASKA DEPARTMENT OF NATURAL RESOURCES

Page 6 of 7

DATE PRINTED MAY
 0300 WEST HEATH
 JOHN PHILIP DAY
 LEAS WEST HEATH

Payable Address	EXXON CORPORATION P O BOX 4116 HOUSTON TEXAS 77210-4116	REPORT CODE	1000
		DEVTSE NUMBER	000
		REVISION DATE	

(A) GROSS OIL PRODUCTION (MMBBL)	(B) WORKING INTEREST OWNERSHIP %	(C) WORKING INTEREST (MMBBL)	(D) ROYALTY RATE	(E) TOTAL ROYALTY (\$)	(F) ROYALTY (PERCENTAGE)	(G) ROYALTY ON WATER (MMBBL)	(H) ROYALTY VALUE (\$)	(I) DEBITMENTS (\$)	(J) DEBITMENTS (PERCENTAGE)	(K) ROYALTY DEBITMENTS (\$)
287.00	0.000000	143.50	0.120000	17.22	0.14	9.16	11.06	5.01	5.01	30.19
(L) 11141										30.19

* (L) 11141 IS AVAILABLE VALUE

	(1) INITIAL	(2) DEBITMENTS	(3) TOTAL
1) GROSS OIL PRODUCTION (MMBBL)	0.00	0.00	0.00
2) ROYALTY DEBITMENTS (MMBBL)	(18.01)	0.00	18.01
3) OTHER DEBITMENTS (MMBBL)	0.00	0.00	0.00
4) DEBITMENTS (PERCENTAGE)	2.16	0.00	2.16
5) DEBITMENTS (\$)	10.07	1.27	11.34
6) TOTAL AMOUNT DUE (\$)	10.17	1.27	11.44

I declare that I have examined this report, including accompanying schedules and statements, and to the best of my knowledge and belief the same are correct and complete.

SIGNED BY	<i>John Philip Day</i>
PRINT NAME	JOHN PHILIP DAY
TITLE	STATE ROYALTY SUPERVISOR
PHONE NUMBER	(713) 616 0670
DATE	11/14/91
PREPARED BY	JOHN S. CHAMBERLAIN (713) 616 0691

John Philip Day
 11/14/91

TONY KNOWLES
GOVERNOR



P O Box 11000:
Juneau, Alaska 99811-0001
(907) 465-3500
Fax (907) 465-3532

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

April 22, 1995

The Honorable Drue Pearce
President of the Senate
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear President Pearce:

Under the authority of art. III, sec. 18. of the Alaska Constitution, I am transmitting a bill that provides for legislative approval of a royalty oil contract between the state and Tesoro Alaska Petroleum Company for the sale of Prudhoe Bay Unit royalty oil. Also transmitted with this bill are copies of the resolution of the Alaska Royalty Oil and Gas Development Advisory Board recommending approval of that contract in accordance with AS 38.06.040(a)(3) and 38.06.050(a), and the report required by AS 38.06.070(c).

The contract is described in a final finding issued by the commissioner of the Department of Natural Resources on April 21, 1995. A copy of the commissioner's final finding and the signed contract are attached. Copies of the commissioner's preliminary finding and the draft contract previously were sent to the legislature and made available to the public for review.

A bill approving the contract is being introduced for legislative approval for two reasons. First, as a matter of comity, I respect the legislature's desire to have a direct voice in major disposals of royalty oil. Therefore, although this and previous Administrations have consistently taken the position that the statutory requirement of legislative approval of royalty oil contracts (AS 38.06.055) is unconstitutional, the contract itself contains provisions requiring approval by the legislature before it can take effect.

Second, this legislation would ratify the royalty oil contract. This ratification would cure any procedural defect that might have occurred in the process of entering into this contract.

I urge your prompt consideration and passage of this bill.

Sincerely,

A handwritten signature in cursive script, appearing to read "Tony Knowles".

Tony Knowles
Governor