

# A Texan Explains His Oil Dealings in Alaska

By GERALD E. BOWKETT  
Our Juneau Bureau Chief

JUNEAU — The president of the Alaskan Oil and Refining Co. told the Senate State Affairs Committee Saturday he has \$550,000 of his own money in the company and construction of its planned \$18 million refinery near Kenai to process state royalty oil is well under way.

The refinery will be in operation next year, producing jet fuel and diesel and heating oil, Frank Kell Cahoon, president of the Midland, Tex., firm, told the senators. The company hopes to sell jet fuel to the military in Alaska initially and later to the commercial airlines, he said.

CAHOON, a former Texas legislator, voluntarily came to Juneau to give the Senate committee a status report on the refinery project and answer questions concerning the financial condition of the company and its merger with the Tesoro Oil Corp., of San Antonio, Tex. He met with the committee for two hours and apparently responded to all questions to the satisfaction of members. It was an amicable meeting.

But when it was over some members indicated they still believe the state should have offered its royalty oil — its 12½ percent share of all oil production — to the highest bidder in a competitive sale instead of disposing

of it in a negotiated sale to Alaskan Oil and Refining.

Cahoon told the committee he believes the state will benefit substantially from the agreement with his company. Because the firm will market 50 percent of its production in Alaska — production not involving the transportation costs that other firms must add to the price of their products — Alaskan Oil and Refining can afford to pay more for the royalty oil, he said. He estimated the state would realize from \$1.8 million to \$3 million more a year than it has been receiving in value from its royalty oil.

UNDER HIS contract with his company, the state is to receive an

average of \$2.81 per barrel for Cook Inlet crude, approximately 40 cents more than it now gets, Cahoon said.

The refinery will bring other benefits to the state — regular employment for 35 persons at the refinery, more tax revenue, and lower fuel costs, he said.

Some members of the committee had earlier contended Alaskan Oil and Refining was a "paper" corporation whose only asset was its contract with the state and whose stockholders became millionaires as a result of its merger with Tesoro.

CAHOON said Alaskan Oil and Refining has invested \$6.8 million in the refinery to date. This amount in-

cludes \$2.5 million invested by stockholders, including himself, and equity of \$130,000 in the 71-acre refinery site purchased for \$250,000. The balance he said, is a debt of the company.

To pick up Alaskan Oil and Refining's stock, Tesoro offered 150,000 shares of its stock which at present has a market value of \$36 a share, but they may not sell more than 50 percent of this stock in the first two years after the merger, Cahoon said. He owns 22 percent or 55,000 of Alaskan Oil and Refining's 250,000 shares of outstanding stock, which has a par value of \$10 a share, and would personally receive 33,000 shares of

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Tesoro stock under the merger, he said. Alaskan Oil and Refining stockholders will receive another 150,000 shares of Tesoro in the future when the refinery venture comes up to certain expectations, Cahoon added.

Tesoro is acquiring a going refinery project, the Texan said. In addition to the \$2.5 million investment, land, and the state purchase contract, which is essential to the operation, it is getting an agreement permitting it to use nearby dock facilities, he said. The value of the land is really greater than \$250,000 because if the refinery were built a mile further away, pipelines would have to be laid to the dock facilities which would cost approximately \$2 million, he said.

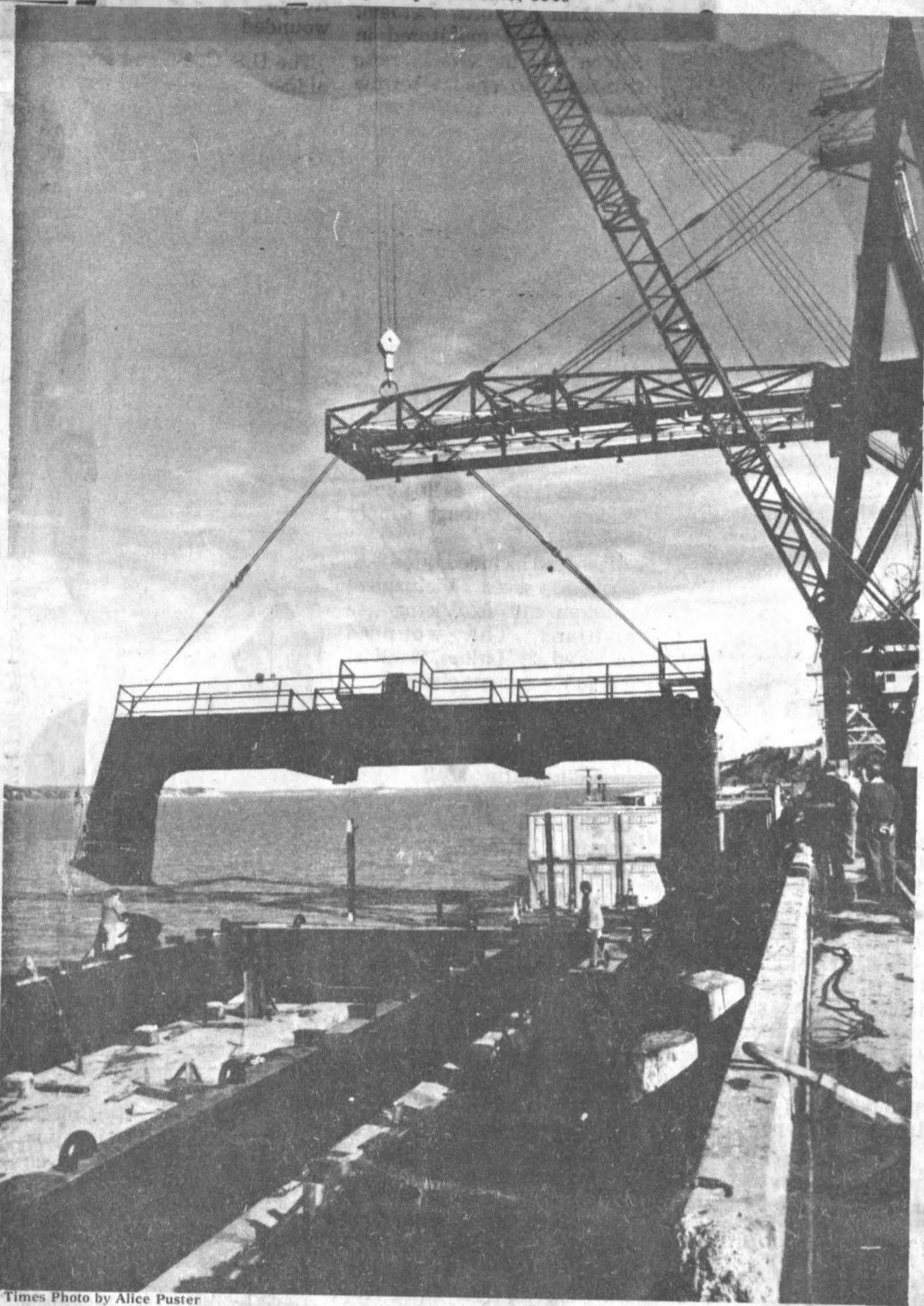
ASKED WHY the company was sold to Tesoro if it is a promising venture, Cahoon said it is felt the Kenai area will become the site for a major petrochemical complex and the company can do more in concert with Tesoro, "which has a broader base of financing." The company will become

a subsidiary of Tesoro and continue to direct the Kenai project, he said.

Tesoro had not approached him with a merger offer until the refinery project was well under way, Cahoon told the senators. He said he had originally attempted to purchase crude oil from the Cook Inlet operators and while conducting these negotiations learned former Gov. Walter J. Hickel might be interested in selling state royalty oil. He reached an agreement with the state last November and it was formally consummated on Jan. 31, 1969, he said.

Asked who assisted his company in purchasing land in Alaska and making other arrangements for getting the refinery project started, he named the Anchorage law firm of Stevens and Holland and Carl Brady Jr., affiliated with an Anchorage insurance firm. The law firm was then headed by Ted Stevens, now Alaska's senior U.S. senator. He said the Rowan Drilling Co., which now owns ERA Helicopters of Anchorage, had recommended that he contact these persons.

2 Anchorage Daily Times Saturday, September 6, 1969



Times Photo by Alice Puster

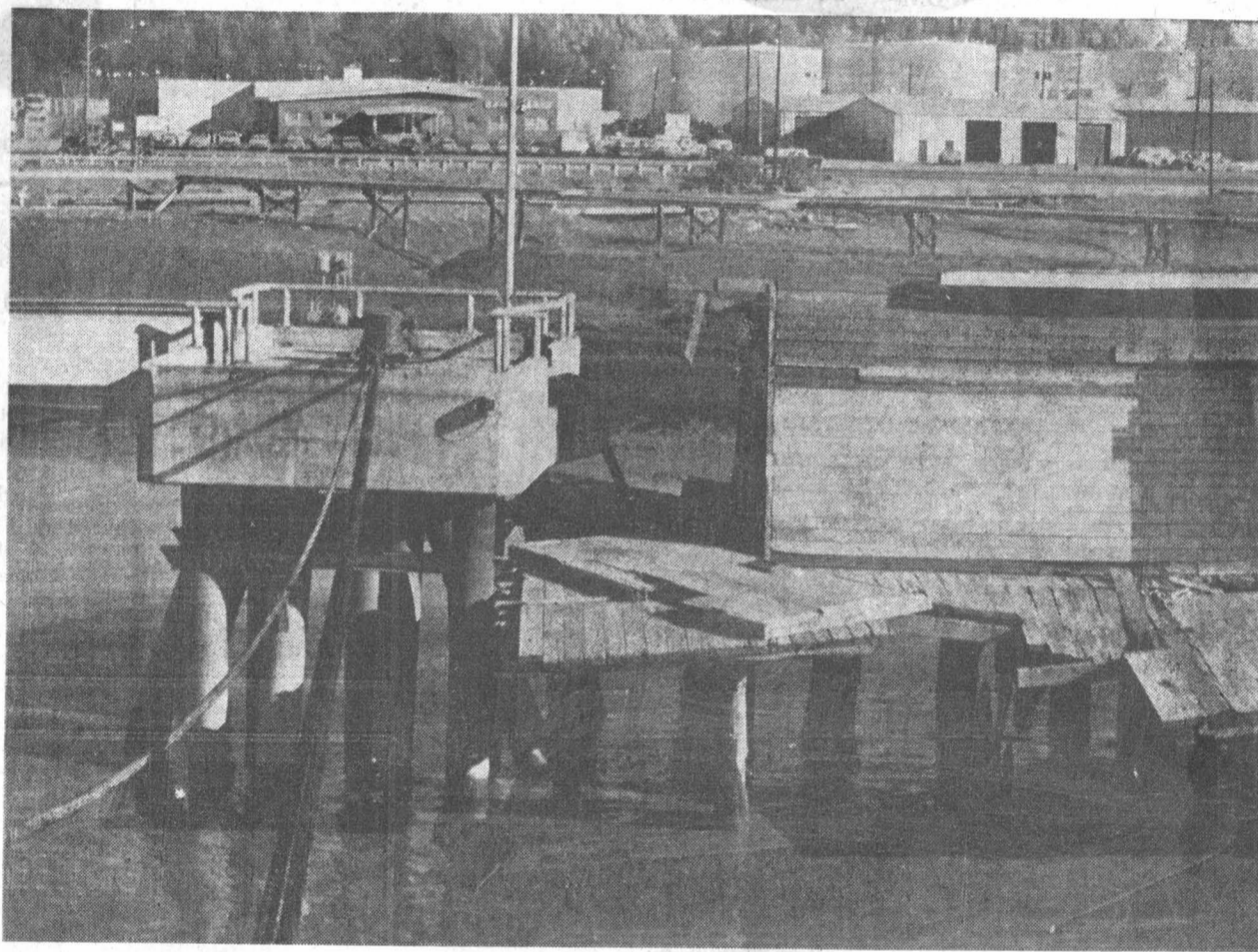
## MATE FOR SUPER SAM ARRIVES AT PORT

The second container crane for the Port of Anchorage arrived here by barge from Seattle Friday. Unloading operations proceeded most of the day, while the first Super Sam unloaded vans in the background. The crane, to be set up by Sea Land Sales Inc., is expected to be

ready for operation within two months. A \$900,000 bond issue to pay for the crane will come before the voters Oct. 7. Sea-Land is to repay the city for the entire cost of the crane, including debt service and insurance costs, over a 20-year period, leaving the crane the property of the city.

The Daily News, Anchorage, Alaska, Friday, September 26, 1969

## Who is Pushing Who?



SNUGGLING AGAINST the southern tip of the City of Anchorage's Petroleum Dock is a section of the ruined but still standing Alaska Railroad Dock. The old dock crept steadily up to the new one until — nobody knows exactly when — it was there. And city officials are sure the railroad structure isn't doing their dock any good. (Daily Newsphoto by Stephen Brent)

Thursday, August 21, 1969 Anchorage Daily Times

## Dock Hits Legal Snag

The removal of the old Army dock in the Port of Anchorage area has hit a legal snag.

At the request of Secretary of Transportation John A. Volpe, the federal railroad administrator, R. N. Whitman, and John Manley, general manager of the Alaska Railroad, conferred with City Manager Robert E. Sharp this morning on the subject of removing the old "railroad" dock.

Sharp said after the meeting that Whitman and Manley indicated that the Alaska Railroad felt it could not proceed with removal of the old dock without approval of the justice department in view of a recent federal district court decision in the tidelands case.

The court ruled in favor of the city last July, granting title of the tidelands to the city and not the Federal government. Sharp said the two railroad officials agreed to seek an answer from the justice department. If the department approved, they could proceed with removal as soon as funding could be worked out.

The city manager said he indicated to Whitman and Manley that the city would be willing to cooperate in removing any legal impediment to the dismantling of this hazardous and "attractive" nuisance along the city's waterfront.

Anchorage Daily Times Monday, August 25, 1969

## Tanker Puffs; Port Says It Shouldn't

By WILLARD LAWSON  
Times Staff Writer

The Port of Anchorage wasn't on fire this morning, although it looked like that at times.

That black smoke hanging over the port was from someone blowing the stacks on a tanker, "which he shouldn't have been doing," a port spokesman said.

The tanker from which the black smoke and soot billowed periodically was identified as the Standard Oil Co.'s "Produce" from Curacao, Netherland Antilles.

"We've notified the (shipping line) agents that they're violating port rules when they do this," Port Director Russell Painter said.

Painter said jurisdiction for pollution control lies with the Greater Anchorage Area Borough's health department. Dr. David Duncan, borough health director, was out of town. A spokesman in the

department's pollution division said the incident would be investigated.

The borough assembly now is considering an ordinance setting the limits for "emission of air contaminant" and has scheduled a public hearing on it for Sept. 8.

The proposed ordinance defines "air contaminant" as "dust, fumes, mist smoke, other particulate matter, vapor, gas odorous substance or any combination thereof."

Thursday, August 21, 1969 Anchorage Daily Times 15



## 'AZALEA CITY' MAKES SEA-LAND RUN

The Azalea City berthed in the Port of Anchorage this morning with a load of approximately 225 Sea-Land vans. Coming from Seattle and Kodiak, the Sea-Land ship made the special voyage to help accommodate the large

amount of freight being shipped to the North Slope. A Sea-Land official said the ship will not be added to the Anchorage-Seattle run which is now made by the New Orleans and the Philadelphia on a regular basis.

Wednesday, August 20, 1969 Anchorage Daily Times



## THE CALYPSO (SEE IT?) IS BACK

The French oceanographic research vessel of Jacques Cousteau, just visible under the stern of the Chevron tanker "Hilmyer Brown" and the bow of the Sea-Land vanship "New Orleans," has returned to Anchorage for repairs and supplies be-

fore sailing Thursday for Seattle and eventually to a new adventure off the Truk Islands in the South Pacific. The Calypso completed her research in the Aleutian Islands and arrived in town Tuesday.