

SENATE CS FOR CS FOR HOUSE BILL NO. 548(FIN) am S

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Amended: 5/6/96

Offered: 5/6/96

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act authorizing the amendment of Northstar Unit oil and gas leases
2 between the State of Alaska and BP Exploration (Alaska) Inc.; and providing
3 for an effective date."

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

5 * Section 1. LEGISLATIVE FINDINGS AND INTENT. (a) The legislature finds that
6 (1) the production of oil and gas from state land is a matter of statewide
7 interest and effect because it is an important source of revenue to the state and job
8 opportunities for the people of the state;

9 (2) BP Exploration (Alaska) Inc. holds state oil and gas leases in the Northstar
10 Unit that include net profit share provisions;

11 (3) unless the net profit share provisions of the Northstar Unit leases are
12 amended, production of oil and gas from the unit is highly unlikely to begin before the year
13 2002, if at all;

14 (4) because of the development account provisions of the net profit share

1 leases, the later that these leases are developed, the less "net profits" the state receives;

2 (5) if the net profit share provisions of the Northstar Unit leases are amended,
3 full production of oil and gas from the unit may begin as early as the year 1999;

4 (6) amending the net profit share provisions of the Northstar Unit leases to
5 provide for a supplemental royalty will maximize the economic benefits of oil and gas
6 production to the people of the state by encouraging timely production from the unit;

7 (7) the development of the Northstar Unit will provide additional revenue to
8 the state;

9 (8) the timely development of the unit may result in increased state revenue
10 in future lease sales; and

11 (9) the timely development of the unit may result in technological
12 breakthroughs and other cost savings that may make other development opportunities in
13 Alaska economically feasible.

14 (b) With respect to the effect of the effort to secure earlier development of the leases
15 on employment opportunities for state residents and on the state's economy, the legislature
16 finds that

17 (1) paragraph 41 of the 1980 lease and paragraph 31 of the 1983 lease are to
18 be amended; under each of the proposed amendments,

19 (A) the lessee, BP Exploration (Alaska) Inc., undertakes

20 (i) to use its best efforts to advertise for, recruit, and employ
21 qualified residents of the state;

22 (ii) to contract with existing licensed Alaska firms to fabricate
23 the modules to develop the Northstar Unit leases within the state and, in
24 contracting with those firms, to encourage its contractors to employ and, when
25 necessary, train existing state residents;

26 (iii) to enter into contracts with Alaska-licensed vendors,
27 contractors, and suppliers for the provision of supplies and services; and

28 (B) several state agencies with responsibility for improving the
29 employment opportunities of state residents, including training, commit to efforts to
30 supplement and support the lessee's undertakings;

31 (2) the lessee, BP Exploration (Alaska) Inc., has made significant investments

1 in the state, is ranked as one of the state's largest private sector employers, and regularly
2 enters into contracts to obtain support services; consequently, the lessee's fulfillment of the
3 undertakings described in (1) of this subsection should materially contribute to existing
4 resident workforce employment opportunities and to the state's economic stability;

5 (3) a good faith effort by the lessee, BP Exploration (Alaska) Inc., and the state
6 agencies to fulfill the undertakings described in (1) of this subsection should ensure that, under
7 the amended leases, benefits will accrue directly and immediately to the people of the state;
8 and

9 (4) the mutual commitments made by the parties to the lease in these
10 amendments to secure to state residents and businesses the advantages and benefits of both
11 expanded resident hire opportunities and additional work by in-state businesses are in the best
12 interests of the people of the state and are considerations of paramount importance to the
13 legislature in its decision to conditionally approve the proposed amendments of the Northstar
14 Unit leases.

15 * **Sec. 2. LEGISLATIVE INTENT REGARDING MEANING OF SPECIFIC RESIDENT**
16 **EMPLOYMENT REQUIREMENTS.** (a) The legislature wishes to set out its intent regarding
17 meaning of certain words and phrases used in the "First Amendment to the Northstar Unit
18 Leases between the State of Alaska and BP Exploration (Alaska) Inc. ('Northstar
19 Amendment')" that is approved by this Act. Specifically, the legislature wishes to set out its
20 intent regarding the interpretation of the reporting obligations set out in Paragraph 41 of the
21 1980 Leases titled "Employment of Alaskan Residents" and Paragraph 31 of the 1983 Lease
22 titled "Employment of Alaskan Residents" in the Northstar Amendment, collectively the
23 "Employment Paragraphs." The legislature intends that the Alaska residents and contractors
24 discussed in the Employment Paragraphs are truly Alaskan and that Alaska residents
25 throughout the state be given an opportunity to obtain employment on the Northstar project.

26 (b) The legislature believes that

27 (1) the findings made by the legislature in AS 36.10.005(a)(1) - (8) and (11) -
28 (18), (c), and (d), regarding an employment preference for Alaska residents on state
29 construction projects are equally applicable to the Northstar Amendment; and

30 (2) the state has a compelling interest in reducing the level of unemployment
31 among its residents.

1 (c) The legislature intends, for purposes of accounting and reporting under the
2 Employment Paragraphs, that

3 (1) the phrases "Alaska resident," "residents of Alaska," and "resident
4 personnel" mean an individual who is physically present in the state with the intent to remain
5 in the state indefinitely and has a home in the state;

6 (2) an individual demonstrates that intent by maintaining a residence in the
7 state;

8 (3) the individual possesses a resident fishing, trapping, or hunting license or
9 receives a permanent fund dividend; and

10 (4) the hiring entity may also require that the individual state under oath that
11 the individual is not claiming residency outside of the state or obtaining benefits under a claim
12 of residency outside of the state.

13 (d) The legislature intends that for purposes of accounting and reporting under the
14 Employment Paragraphs,

15 (1) the word "available" means Alaska residents who are located anywhere in
16 the state, not just in the area of the state where the work is to be performed; and

17 (2) the word "qualified" means an individual who either currently possesses
18 the requisite education, training, skills, or experience to perform the work necessary for a
19 particular position or is capable of performing such skills after completing one of the job
20 training programs contemplated in the Employment Paragraphs.

21 (e) The legislature understands that nonresidents will be hired only if there are no
22 available and qualified Alaska residents to perform the work. For purposes of accounting and
23 reporting under the Employment Paragraphs, the legislature intends that the requirement to
24 "advertise for available positions locally" includes advertising in newspapers and other
25 publications located throughout the state, including rural areas, not just in the location where
26 the work is to be performed.

27 (f) The legislature further intends that the requirement to "use Alaska job service
28 organizations" includes those offices maintained by the Department of Labor whose functions
29 are to aid the unemployed in finding employment and any job service organization located
30 throughout the state, not just the location where the work is to be performed.

31 (g) The legislature intends that, for purposes of accounting and reporting under the

1 Employment Paragraphs, the phrases "Alaska Contractors" and "Alaska firms" mean a firm
2 or contractor that

3 (1) has held an Alaska business license for one year before performing any
4 work in connection with the Northstar leases;

5 (2) has maintained for one year a place of business within the state that deals
6 in the supplies, services or construction of the nature required for the project before
7 performing any work in connection with the Northstar leases; and

8 (3) is

9 (A) a sole proprietorship and the proprietor is an Alaska resident;

10 (B) a partnership and more than 50 percent of the partners are Alaska
11 residents;

12 (C) a corporation that has been incorporated in the state or is authorized
13 to do business in the state; or

14 (D) is a joint venture composed entirely of ventures that qualify under
15 this paragraph.

16 (h) For purposes of Employment Paragraphs, the legislature intends that the lessee's
17 reporting obligations comply with the reporting requirements of 8 AAC 30.062 and shall
18 include information regarding the number of nonresidents hired within the past year, and the
19 number of Alaska contractors and non-Alaska contractors hired within the past year.

20 * **Sec. 3. AMENDMENT OF LEASES AUTHORIZED.** (a) The State of Alaska and BP
21 Exploration (Alaska) Inc. are parties to the following leases in the Northstar Unit:

22 (1) ADL 312798, effective February 1, 1980;

23 (2) ADL 312799, effective February 1, 1980;

24 (3) ADL 312808, effective February 1, 1980;

25 (4) ADL 312809, effective February 1, 1980; and

26 (5) ADL 355001, effective August 1, 1983.

27 (b) The commissioner of natural resources may amend the Northstar Unit leases
28 described in (a) of this section to the extent set out in the "First Amendment to the Northstar
29 Unit Leases Between the State of Alaska and BP Exploration (Alaska) Inc.", dated March 22,
30 1996, if the amendment includes a provision as follows:

31 (1) Paragraph 41 of each of the leases described in (a)(1) - (4) of this

1 section is replaced in its entirety as follows:

2 "41. EMPLOYMENT OF ALASKAN RESIDENTS. Lessee
3 shall comply with all valid federal, State and local laws in hiring
4 Alaska residents and contractors and shall not discriminate against
5 Alaska residents or contractors. Within the constraints of law, lessee
6 shall employ Alaska residents and contractors to the extent they are
7 available and qualified. Subject to the foregoing:

8 Lessee voluntarily agrees to adopt a program to hire residents of
9 Alaska. Lessee shall advertise for available positions locally and use
10 Alaska job service organizations to notify the Alaskan public. For work
11 in connection with this lease, lessee shall use best efforts to contract
12 with Alaska firms and fabricate modules in Alaska, whenever feasible.
13 Lessee shall encourage its contractors to employ and train, when
14 necessary, residents of Alaska. In determining feasibility, lessee shall
15 consider commercial, health, safety, and environmental conditions and
16 requirements to ensure maintenance of lessee's operational standards.
17 Lessee shall submit annually to the director, division of oil and gas, for
18 transmission to the Department of Labor, a report that details the
19 specific measures lessee and its contractors and subcontractors have
20 taken or are planning to take to recruit qualified Alaska residents for
21 available jobs, describes on-the-job training opportunities, and describes
22 lessee's efforts to hire Alaska firms for work in connection to this lease.
23 Lessee shall furnish the Department of Labor a quarterly report
24 regarding the employment of Alaska residents on the leased area in
25 compliance with regulations by the Commissioner of Labor. The report
26 must also include statistical data concerning the number of resident
27 personnel hired within the past year for this lease";

28 (2) Paragraph 31 of the lease described in (a)(5) of this section is replaced
29 in its entirety as follows:

30 "31. EMPLOYMENT OF ALASKAN RESIDENTS. Lessee
31 shall comply with all valid federal, State and local laws in hiring

1 Alaska residents and contractors and shall not discriminate against
2 Alaska residents or contractors. Within the constraints of law, lessee
3 shall employ Alaska residents and contractors to the extent they are
4 available and qualified. Subject to the foregoing:

5 Lessee voluntarily agrees to adopt a program to hire residents of
6 Alaska. Lessee shall advertise for available positions locally and use
7 Alaska job service organizations to notify the Alaskan public. For work
8 in connection with this lease, lessee shall use best efforts to contract
9 with Alaska firms and fabricate modules in Alaska, whenever feasible.
10 Lessee shall encourage its contractors to employ and train, when
11 necessary, residents of Alaska. In determining feasibility, lessee shall
12 consider commercial, health, safety, and environmental conditions and
13 requirements to ensure maintenance of lessee's operational standards.
14 Lessee shall submit annually to the director, division of oil and gas, for
15 transmission to the Department of Labor, a report that details the
16 specific measures lessee and its contractors and subcontractors have
17 taken or are planning to take to recruit qualified Alaska residents for
18 available jobs, describes on-the-job training opportunities, and describes
19 lessee's efforts to hire Alaska firms for work in connection to this lease.
20 Lessee shall furnish the Department of Labor a quarterly report
21 regarding the employment of Alaska residents on the leased area in
22 compliance with regulations by the Commissioner of Labor. The report
23 must also include statistical data concerning the number of resident
24 personnel hired within the past year for this lease"; and

- 25 (3) These amendments take effect when and if an Act(s) substantially
26 similar to the act, attached as Exhibit D and incorporated by reference,
27 takes effect. This amendment is dated for reference purposes as of
28 March 22, 1996.

29 * **Sec. 4. REPORTING PROVISIONS.** (a) The lessee, BP Exploration (Alaska) Inc., shall
30 file with the commissioner of labor at least every six months the reports that the commissioner
31 of labor determines are necessary to evaluate the lessee's efforts described under sec. 3(b) of

1 this Act. The commissioner shall submit copies of these reports to the legislature.

2 (b) The commissioner of labor shall also prepare and present to the legislature
3 annually a comprehensive report by company on resident hire in the oil fields of the North
4 Slope of Alaska, which shall indicate residency of employees by borough, unorganized
5 borough, or economic region, and which shall compare the lessee's effort on voluntary
6 resident hire to the comparable data for other North Slope oil field projects.

7 * **Sec. 5.** AUDITING AND REPORTING. Four years after the effective date of this Act,
8 the Legislative Budget and Audit Committee shall undertake an audit of the lessee's
9 compliance with its obligations under the "First Amendment to the Northstar Unit Leases
10 between the State of Alaska and BP Exploration (Alaska) Inc." and make a report of its
11 findings to the president of the senate and the speaker of the house of representatives.

12 * **Sec. 6.** SEVERABILITY. Under AS 01.10.030, the provisions of this Act are severable.

13 * **Sec. 7.** This Act takes effect immediately under AS 01.10.070(c).