

**SENATE CS FOR CS FOR HOUSE BILL NO. 548(FIN)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered: 5/6/96  
Referred: Rules

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) holds an Alaska business license;

4 (2) maintains its principal place of business in the state; and

5 (3) is

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

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

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

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

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

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

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

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

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

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

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

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

28 (1) Paragraph 41 of each of the leases described in (a)(1) - (4) of this  
29 section is replaced in its entirety as follows:

30 "41. 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";

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

27 "31. EMPLOYMENT OF ALASKAN RESIDENTS. Lessee  
28 shall comply with all valid federal, State and local laws in hiring  
29 Alaska residents and contractors and shall not discriminate against  
30 Alaska residents or contractors. Within the constraints of law, lessee  
31 shall employ Alaska residents and contractors to the extent they are

1 available and qualified. Subject to the foregoing:

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

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

26 \* **Sec. 4. REPORTING PROVISIONS.** (a) The lessee, BP Exploration (Alaska) Inc., shall  
27 file with the commissioner of labor at least every six months the reports that the commissioner  
28 of labor determines are necessary to evaluate the lessee's efforts described under sec. 3(b) of  
29 this Act. The commissioner shall submit copies of these reports to the legislature.

30 (b) The commissioner of labor shall also prepare and present to the legislature  
31 annually a comprehensive report by company on resident hire in the oil fields of the North

1 Slope of Alaska, which shall indicate residency of employees by borough, unorganized  
2 borough, or economic region, and which shall compare the lessee's effort on voluntary  
3 resident hire to the comparable data for other North Slope oil field projects.

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

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

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