

**CS FOR HOUSE BILL NO. 548(RES)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE RESOURCES COMMITTEE

Offered: 4/26/96

Referred: House Special Committee on World Trade and State/Federal Relations, Finance

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 (c) It is the intent of the legislature that the commissioner of natural resources not  
16 exercise authority under sec. 2(b)(1) of this Act to amend the Northstar Unit leases until all  
17 of the mutual representations made by the lessee and the state agencies that are set out in  
18 (b)(1) of this section are substantially complied with.

19 \* **Sec. 2. AMENDMENT OF LEASES AUTHORIZED.** (a) The State of Alaska and BP  
20 Exploration (Alaska) Inc. are parties to the following leases in the Northstar Unit:

- 21 (1) ADL 312798, effective February 1, 1980;  
22 (2) ADL 312799, effective February 1, 1980;  
23 (3) ADL 312808, effective February 1, 1980;  
24 (4) ADL 312809, effective February 1, 1980; and  
25 (5) ADL 355001, effective August 1, 1983.

26 (b) The commissioner of natural resources

27 (1) may amend the Northstar Unit leases described in (a) of this section to the  
28 extent set out in the "First Amendment to the Northstar Unit Leases Between the State of  
29 Alaska and BP Exploration (Alaska) Inc.", dated March 22, 1996;

30 (2) may not exercise the authority granted in (1) of this subsection unless the  
31 governor, after being advised by the commissioners of commerce and economic development

1 and labor, as appropriate, first determines and certifies that

2 (A) the lessee, BP Exploration (Alaska) Inc.,

3 (i) has adopted a program to advertise for, recruit, and employ  
4 qualified residents of the state in the development of these leases and that, by  
5 implementing that program, the lessee will employ qualified residents of the  
6 state in at least 85 percent of the jobs that are related to the development of the  
7 Northstar Unit leases;

8 (ii) has negotiated contracts to fabricate all modules necessary  
9 to develop the Northstar Unit leases within the state, the contracts were  
10 negotiated only with existing Alaska-licensed firms, and that in contracting  
11 with those firms, the lessee has used its best efforts to require its contractors  
12 to employ and, when necessary, train existing state residents; and

13 (iii) has entered into contracts with Alaska-licensed vendors,  
14 contractors, and suppliers for the provision of supplies and services in the  
15 development of these leases and the associated contracts; and

16 (B) the state agencies having specific responsibility for improving the  
17 employment opportunities of state residents, including job service offices for  
18 employment recruitment and state-sponsored or supported programs for training, are  
19 actively supplementing and supporting the lessee's undertakings.

20 \* **Sec. 3.** REPORTING PROVISIONS. The lessee, BP Exploration (Alaska) Inc., shall file  
21 with the commissioner of labor at least every six months the reports that the commissioner  
22 of labor determines are necessary to evaluate the lessee's efforts described under  
23 sec. 2(b)(2)(A) of this Act.

24 \* **Sec. 4.** This Act takes effect immediately under AS 01.10.070(c).