

CS FOR HOUSE BILL NO. 548(WTR)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE SPECIAL COMMITTEE ON WORLD TRADE AND STATE/FEDERAL RELATIONS

Offered: 4/30/96
Referred: 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 * **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 Paragraph 41 of the 1980 Leases titled "Employment of Alaskan Residents"
21 and Paragraph 31 of the 1983 Lease titled "Employment of Alaskan Residents" in the
22 Northstar Amendment, collectively the "Employment Paragraphs." The legislature intends that
23 the Alaska residents and contractors discussed in the Employment Paragraphs are truly
24 Alaskan and that Alaska residents throughout the state be given an opportunity to obtain
25 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 the Employment Paragraphs, that
2 (1) the phrases "Alaska resident," "residents of Alaska," and "resident
3 personnel" mean an individual who is physically present in the state with the intent to remain
4 in the state indefinitely and to make a home in the state;

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

7 (3) other acceptable proof of that intent includes evidence that the individual:
8 is registered to vote in the state, attends school in the state, possesses an Alaska driver's,
9 fishing, trapping, or hunting license, or 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 the Employment Paragraphs,

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

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

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

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

29 (g) The legislature intends that, for purposes of the Employment Paragraphs, the
30 phrases "Alaska Contractors" and "Alaska firms" mean a firm or contractor that

31 (1) holds an Alaska business license;

- 1 (2) maintains its principal place of business in the state; and
2 (3) is
3 (A) a sole proprietorship and the proprietor is an Alaska resident;
4 (B) a partnership and more than 50 percent of the partners are Alaska
5 residents;
6 (C) a corporation that has been incorporated in the state or is authorized
7 to do business in the state; or
8 (D) is a joint venture composed entirely of ventures that qualify under
9 this paragraph.

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

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

- 16 (1) ADL 312798, effective February 1, 1980;
17 (2) ADL 312799, effective February 1, 1980;
18 (3) ADL 312808, effective February 1, 1980;
19 (4) ADL 312809, effective February 1, 1980; and
20 (5) ADL 355001, effective August 1, 1983.

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

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

27 "41. 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";

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

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

30 Lessee voluntarily agrees to adopt a program to hire residents of
31 Alaska. Lessee shall advertise for available positions locally and use

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

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

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

27 * **Sec. 5. SEVERABILITY.** Under AS 01.10.030, the provisions of this Act are severable.

28 * **Sec. 6.** This Act takes effect immediately under AS 01.10.070(c).