

HB

5888

COMMITTEE REPORT

SENATE

FURTHER: Finance

3/14/78

Date: 3/27

Mr. President:

The Committee on RESOURCES has had HB 538
supplemental appropriation to Dept. of Natural Resources for repurchase of
certain oil & gas leases in Katchemak Bay

under consideration and (a majority of the committee) (the committee
reports it back as follows)

() recommends it do pass () recommends it do not pass

() recommends it do pass with attached amendment(s)

() recommends it be replaced with CS for _____

and _____ () new title () same title

() AND attaches a Letter of Intent () New Fiscal Note

() reports it back without ^{independent} recommendation

() and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

G. Tillion

Henry

DO NOT PASS

K. Poland

Chairman

HB 588
January 10, 1978

The Honorable Hugh Malone
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18 of the Alaska Constitution, and in accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill appropriating \$7,552,198.21 to the Department of Natural Resources, to implement ch. 113 SLA 1976 (Kachemak Bay). It is similar to the appropriation made in ch. 91 SLA 1977.

The purpose of the appropriation is to fulfill obligations of the State of Alaska under contracts with Shell Oil Company, Simasko Production Company, and Texas International Petroleum Corporation to repurchase all of their leases in Kachemak Bay. Pursuant to ch. 113 SLA 1976, the administration initiated negotiations with these companies and concluded agreements with them in June of 1977. Copies of the contracts are attached along with a breakdown of the purchase prices showing amounts for bonuses, rent, etc. It should be noted that the balance owed under the Shell contract is subject to adjustment upon tabulation of recent credits taken by Shell pursuant to the contract.

Ch. 113 SLA 1976 specifically authorized the commissioner of natural resources to use credits for future taxes and royalties of the lessees as part of the purchase price. The Shell contract takes advantage of roughly \$2.4 million in credits over the next two years. Additionally, the state was able to conclude an agreement with Union Oil Company in the principal amount of \$150,423, which will be entirely paid by future credits, foreclosing entirely the need for an appropriation.

This bill, along with the credit provisions of the contracts, concludes our monetary obligations for all but two of the leases. Two inexpensive leases along the shoreline of the Bay were required to be made subject to a condemnation action, since the state was unable to reach what we considered a fair agreement on these leases. We do not anticipate the judgment awarding compensation to be a significant sum of money.

Sincerely,

S/SSH

Jay S. Hammond
Governor

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. Law Log #1 HOUSE BILL NO. 588
 Title Appropriation for Kachemak Bay Repurchases
 Requested by Governor Date _____

II. FISCAL DETAIL
 Agency Affected Natural Resources
 Program Category Affected NRMEC
 Budget Request Unit(s) Affected Management & Administration (Commissioner's Office)

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL	7,522.2					
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	7,552.2					

FUNDING (Thousands of Dollars)

GENERAL FUND	7m552,2					
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Shell	\$7,500,000.00
Texas International	7,938.81
SIMASKO	44,259.40
TOTAL	<u>\$7,552,198.21</u>

IV. DATE Dec 9, 1977 PREPARED BY Fred Boness
 AGENCY Natural Resources
 PHONE 465-2400
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)