

COMMITTEE REPORT

HOUSE

(11)

2/2/84

FURTHER:

Date:

2-9-84

Taken from Calendar and
returned to:

The Committee on FINANCE has had HB 371

"An Act relating to the sale of Prudhoe Bay royalty oil by the State of Alaska to the Tesoro Alaska Petroleum Company; and providing for an effective date."

under consideration and recommends:

- do pass do not pass
- pass with attached amendments(s)
- replace with CS for HB 371 (Fin) same title
 new title
- and recommends PASS. if Amended
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation Zero Fiscal Note Attached
- referred to the Finance Committee

MEMBERS SIGNING DO PASS

[Signature]

[Signature]

[Signature]

MILO H. FITZ

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

MEMBERS HAVING OTHER RECOMMENDATIONS:

Albert P. Cook - Pass if amended

[Signature] - Pass if amended

[Signature] - " "

[Signature]

[Signature]

[Signature] - Pass if amended

Albert P. Cook
CHAIRMAN

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 371 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to royalty oil contracts and approv-
7 ing the sale of Prudhoe Bay royalty oil by the State
8 of Alaska to the Tesoro Alaska Petroleum Company; and
9 providing for an effective date."

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

11 * Section 1. The "Agreement for the Sale and Purchase of Royalty Oil
12 between the State of Alaska and Tesoro Alaska Petroleum Company," dated
13 December 9, 1983, for the sale of Prudhoe Bay royalty oil, is hereby approv-
14 ed and ratified.

15 * Sec. 2. AS 38.05.183 is amended by adding a new subsection to read:

16 (f) The commissioner may not enter into a contract for the sale
17 of royalty oil unless the contract provides that any material amend-
18 ment to the contract that appreciably reduces the consideration receiv-
19 ed by the state requires prior approval of the legislature.

20 * Sec. 3. This Act takes effect immediately in accordance with AS 01.-
21 10.070(c).

COMMITTEE REPORT

HOUSE

FURTHER:

(11)

1/20/84

Date:

1-25-84

The Committee on FINANCE has had HB 371

"An Act relating to the sale of Prudhoe Bay royalty oil by the State of Alaska to the Tesoro Alaska Petroleum Company; and providing for an effective date."

under consideration and recommends:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for HB 371 (FINANCE) same title new title
- and recommends Individual recommendations
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation Zero Fiscal Note Attached
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

[Signature]

Matt Furnoel

WILLO H. FRITZ

MEMBERS HAVING
OTHER RECOMMENDATIONS:

[Signature] - No Rec

[Signature] (Do Not Pass)

[Signature] - No Rec

Alinda V. Do NOT PASS

[Signature] - No Rec

Pass only if amended.

[Signature]
CHAIRMAN

3 copies
CL

STATE OF ALASKA 1984 LEGISLATIVE FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: CSHB 371(FIN)
 Title: sale of Prudhoe Bay
royalty oil to Tesoro
 Sponsor: Rules Committee
 Requestor: Governor
 Date of Request: 4-19-83

FISCAL DETAIL

Agency Affected: Natural Resources
 Program Category Affected: Management of Energy Resources
 BRU, Program or Subprogram(s) Affected: Oil and Gas Management

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Sharon L. Barton Phone: 465-2400
 Division: Commissioner's Office Date: 1-12-84

Approved by Commissioner: Mrs. D. Anna Dowling Date: 1/21/84
 Agency: Department of Natural Resources

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

3 Copies
[Handwritten initials]

STATE OF ALASKA 1984 LEGISLATIVE JOURNAL
 FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: CSHB 371(FIX)
 Title: sale of Prudhoe Bay
 royalty oil to Tesoro
 Sponsor: Rules Committee
 Requestor: Governor
 Date of Request: 4-19-83

FISCAL DETAIL

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CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Sharon L. Barton Phone: 465-2400
 Division: Commissioner's Office Date: 1-12-84

Approved by Commissioner: Mrs D Anna Dowdy Date: 1/21/84
 Agency: Department of Natural Resources

Distribution (by Agency preparing fiscal note):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

12/1/83

#1

DNR's SUGGESTED LANGUAGE CHANGE

Add a new subsection in the appropriate place, to read as follows:

Sec. 38.05.183. REQUIRED CONDITIONS. (f) The Commissioner may not enter into a contract for the sale of royalty oil unless the contract provides that any material amendment to the contract that appreciably reduces the consideration received by the state requires prior approval of the legislature.

Make appropriate technical changes.

The only change in this version from the Chair's version is use of the word "reduces" instead of "changes" in the next to last line of 38.05.183(f).

STATE OF ALASKA LEGISLATIVE LEGISLATIVE
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: CSHB 371(FIN)
 Title: sale of Prudhoe Bay
 royalty oil to Tesoro
 Sponsor: Rules Committee
 Requestor: Governor
 Date of Request: 4-19-83

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Agency Affected: Natural Resources
 Program Category Affected: Management of Energy Resources
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CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Sharon L. Barton
 Division: Commissioner's Office

Phone: 465-2400
 Date: 1-12-84

Approved by Commissioner: Mrs. D. Arnold, Deputy
 Agency: Department of Natural Resources

Date: 1/21/84

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

BC


LETTER OF INTENT
FOR CSHB 371
January 19, 1984


The House Resources Committee has considered CSHB 371, providing for approval of the Agreement between the State of Alaska and Tesoro Alaska Petroleum Company for the sale of a portion of Alaska's royalty oil. This Agreement must be approved by the legislature under the provisions of AS 38.06.055(a) which provides that "the commissioner of natural resources may not enter into a sale, exchange, or other disposition of oil or gas or of the rights or waiver of the rights to receive future production of royalty oil or gas under AS 38.05.183 without the prior approval of the legislature."

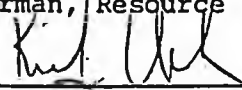
Section 19.1 of the Agreement provides that the Agreement may be "supplemented, amended or modified at any time, but only by written instrument duly executed by the parties to this Agreement." In making any such changes to the Agreement pursuant to this section, the Commissioner would be acting on behalf of the State of Alaska as one of the parties to the Agreement.

The Committee recognizes that a supplement, amendment, or modification of the Agreement could be a further "sale, exchange, or other disposition" within the meaning of AS 38.06.055(a). The Committee is also cognizant that pursuant to Section 20.1 of the Agreement, the Commissioner has the right to "grant" (consent to) an assignment of the Agreement.

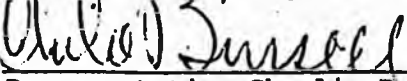
It is the intent of the Committee that it be understood that approval of CSHB 271 does not constitute prior approval of any supplement, amendment or modification or an assignment that would be a further "sale, disposition, exchange, or other disposition" within the meaning of AS 38.06.055(a) and that it is expected that any such action by the Commissioner must first be preceded by compliance with the procedures for obtaining the prior approval of the legislature.

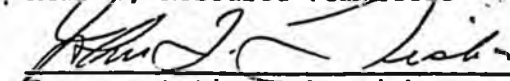

Representative John Ringstad
Co-Chairman, Resource Committee


Representative Dick Shultz
Co-Chairman, Resource Committee

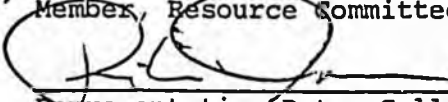
 (NO RECOMMEND)
Representative Rick Uehling
Vice-Chairman, Resource Committee

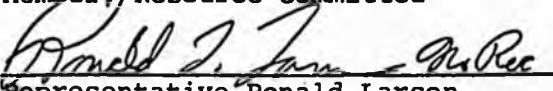
Representative John Cowdery
Member, Resource Committee


Representative Charlie Bussell
Member, Resource Committee


Representative John Liska
Member, Resource Committee

Representative Anthony Vaska
Member, Resource Committee


Representative Peter Goll
Member, Resource Committee


Representative Ronald Larson
Member, Resource Committee

BILL SHEFFIELD
GOVERNOR



HB 3 71

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

April 19, 1983

The Honorable Joe L. Hayes
Speaker of the House
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill which provides for legislative approval of a royalty oil contract between the state and Tesoro Alaska Petroleum Company for the sale of Prudhoe Bay royalty oil.

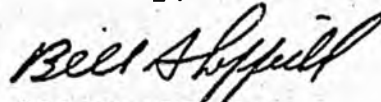
This contract is described in the findings entitled "Proposed Disposition of Royalty Oil, Tesoro Alaska Petroleum Company" issued by the Department of Natural Resources on March 16, 1983. Copies of these findings have been made available to the legislature and the public for review.

This contract is being submitted for legislative approval for two reasons. First, although this and the previous administration have consistently taken the position that the statutory requirement of legislative approval of royalty oil contracts is unconstitutional (AS 38.06.055), as a matter of comity I respect the legislature's desire to have a direct voice in major disposals of royalty oil. Therefore, this contract contains provisions requiring approval by the legislature before it becomes effective. Second, this bill would ratify the agreement for the sale of oil. This ratification would cure any procedural defect that may have occurred in the process of entering into this contract.

Although we believe that all necessary steps have been taken, the statutes and regulations governing the disposal of royalty oil represent often conflicting desires and goals, both procedural and substantive. For example, even if statutorily requiring legislative approval were constitutional, the present statutes provide, on the one hand, that the legislature is to approve the contract by enacting legislation (AS 38.06.055(a)), but, on the other

hand, they also provide that a report of the Royalty Board "shall be submitted for legislative review at the time of [sic] resolution for legislative approval of a proposed disposition of royalty oil and gas is introduced in the legislature" (AS 38.06.070(c)). Since legislative approval is required anyway as a matter of contract, I believe it only prudent to present this contract for legislative approval and ratification at this time.

Sincerely,

A handwritten signature in cursive script that reads "Bill Sheffield". The signature is written in dark ink and is positioned above the printed name.

Bill Sheffield
Governor

Offered: 1/20/84
Referred: Finance

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2

CS FOR HOUSE BILL NO. 371 (Resources)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to the sale of Prudhoe Bay royalty
7 oil by the State of Alaska to the Tesoro Alaska
8 Petroleum Company; and providing for an effective
9 date."

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

11 * Section 1. The "Agreement for the Sale and Purchase of Royalty Oil
12 between the State of Alaska and Tesoro Alaska Petroleum Company," dated
13 December 9, 1983, for the sale of Prudhoe Bay royalty oil, is hereby
14 approved and ratified.

15 * Sec. 2. This Act takes effect immediately in accordance with
16 AS 01.10.070(c).

Introduced: 4/19/83
Referred: Resources

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 371

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the sale of Prudhoe Bay royalty
7 oil by the State of Alaska to the Tesoro Alaska
8 Petroleum Company; and providing for an effective
9 date."

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

11 * Section 1. The "Agreement for the Sale and Purchase of Royalty Oil
12 between the State of Alaska and Tesoro Alaska Petroleum Company," dated
13 March 16, 1983, for the sale of Prudhoe Bay royalty oil, is hereby approved
14 and ratified.

15 * Sec. 2. This Act takes effect immediately in accordance with
16 AS 01.10.070(c).