

COMMITTEE REPORT
HOUSE

(11)

FURTHER:

3/1/84

Date: 5-30-84

The Committee on FINANCE has had HB 608

"An Act relating to operation of the legislature;
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 608 (FIN) same title
 new title
- and recommends do pass
- 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

Gov. D. C. Lee

Rep. B. Whitworth

111. Hunter

W. Furnace

Ben. [unclear]

[unclear]

Alfred C. [unclear]

[unclear]

MILO H. FITZ

Jay Ward

MEMBERS HAVING
OTHER RECOMMENDATIONS:

[unclear] - NO VC

Gov. D. C. Lee

CHAIRMAN

Original sponsor: Hayes

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 608 (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).

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: CSHB 608 (Fin)
Title: Re: Royalty oil contracts/
approving sale of P.B. r.oil to Tesoro

Sponsor: Hayes
Requestor: House Finance Committee
Date of Request: 5/30/84

FISCAL DETAIL

Agency Affected: DNR
Program Category Affected: _____

BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

GENERAL FUND		0				
FEDERAL FUNDS		0				
OTHER		0				
TOTAL		0				

POSITIONS:

FULL-TIME		0				
PART-TIME		0				
TEMPORARY		0				

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Al Adams, Chair
Division: House Finance Committee

Phone: 465-3706
Date: 5/30/84

Approved by Commissioner: _____
Agency: _____

Date: _____

Distribution (by Agency preparing fiscal note):

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

12/1/83

LETTER OF INTENT
FOR
COMMITTEE SUBSTITUTE FOR HOUSE BILL 608 (FINANCE)

It is the intent of the legislature that the "Agreement for the Sale and Purchase of Royalty Oil between the State of Alaska and Tesoro Alaska Petroleum Company", dated December 9, 1983, for the sale of Prudhoe Bay royalty oil, is approved only with the understanding that the attached amendment to the agreement relating to the relationship between Tesoro Alaska Petroleum Company and Charter Oil Company has been signed by Commissioner Wunnicke and the Tesoro Alaska Petroleum Company Attorney-in-Fact and is now incorporated into the agreement.



Al Adams, Chairman
House Finance Committee

Amendment to the Agreement for the Sale and Purchase of Royalty Oil between the State of Alaska and Tesoro Alaska Petroleum Company (for the sale of Prudhoe Bay Royalty Oil), dated December 9, 1983:

(a) In order to induce Seller to enter into this Agreement and to perform its respective obligations from time to time hereunder, Purchaser represents and warrants to Seller that, as of the expected dates of delivery of royalty oil under this Agreement, no person(s) or entity that controlled the Charter Company as of July 1, 1981 (including, but not limited to, Mr. Raymond K. Mason) (collectively, together with the Charter Company, "Charter"), nor any persons or entities that control, are controlled by, or are under common control with, Charter as of such expected dates of delivery will own or hold any beneficial equity or ownership interest in Purchaser that was acquired through a transaction that included Purchaser or Tesoro Petroleum Corporation as a party and did not involve any public offering as defined in Section 4(2) of the Securities Act of 1933 (a "Prohibited Interest"). As used in this paragraph, the word "control" and its correlatives "controlling" and "controlled" refer to the power, directly or indirectly (including through one or more controlled entities) to cause the direction of the operations or management of another entity, whether through common management, majority ownership, by contract or otherwise. It shall be a condition precedent to Seller's performance of its respective obligations under this Agreement generally and, specifically, to deliver any royalty oil hereunder that the foregoing representation and warranty shall be true, complete and accurate on the date of such performance. Such representation and warranty shall be deemed affirmed by Purchaser in each notice to Seller requesting delivery of royalty oil and by Purchaser's acceptance of each such delivery, as if made by Purchaser and effective as of the date of each such notice and acceptance. In addition, Purchaser shall from time to time, upon written request from Seller, certify to Seller in a written instrument signed by Purchaser's chief executive officer, that to the best of Purchaser's actual knowledge, no Prohibited Interest exists as of the date of such certificate.

(b) If from time to time (1) Seller should have notice or knowledge of the existence of a Prohibited Interest, or (2) Purchaser should fail to deliver to Seller the certificate described in the preceding paragraph within 15 days after Seller's written request therefor, Seller will in each instance suspend deliveries of royalty oil hereunder by written notice to Purchaser, effective as of a date set forth in such notice but not later than the date seven calendar months after the date of such notice. No such suspension shall terminate this Agreement, or extend the term hereof, or operate to excuse or discharge Purchaser's obligations to accept and pay for deliveries of

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royalty oil prior to the effective date of such suspension or after such suspension is terminated by Seller. Seller's failure to suspend, or delay in suspending delivery of royalty oil shall not be deemed, or operate as, a waiver to exercise such right subsequently in the same or any other instance.

(c) If, during the pendency of any notice period with respect to any such suspension or during the period of such suspension, Purchaser shall certify to Seller in a written instrument signed by Purchaser's chief executive officer that any Prohibited Interest no longer exists and provide any explanatory information confirming such fact that Seller may reasonably request, Seller shall terminate such notice and suspension by written notice to Purchaser, effective as of a date set forth in such notice but not later than the date seven calendar months after the date of such notice. On and as of such effective date, Seller shall deliver, and Purchaser shall accept and pay for, royalty oil pursuant to such terms and conditions as would otherwise pertain hereunder as if such notice of suspension and suspension had not occurred.

Ernest C. Winnicka
Commissioner
Department of Natural Resources

May 29, 1984
Date

Clifford G. Gorb
Attorney-In-Fact
Tesoro Alaska Petroleum Company

May 29, 1984
Date