

COMMITTEE REPORT  
HOUSE

(11)  
2/2/84

FURTHER:

Date: 2/9/84

Tables from Calendar and returned to:

The Committee on FINANCE has had 2013

"An Act relating to the sale of property of the State of Alaska to Canada, U.S.A. and providing for its collection."

under consideration and recommends:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with <sup>CS</sup> CS for SB 267 (3.0)  same title
- new title
- and recommends Pass if Attended
- 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

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

\_\_\_\_\_  
\_\_\_\_\_  
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ASST. CLERK - 12  
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Robert C. ...  
CHAIRMAN

Original sponsor: Pules/Covernor

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE GS FOR SENATE BILL NO. 269 (2d 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 the sale of royalty oil by the  
7 State of Alaska to Chevron, U.S.A., Inc.; and provid-  
8 ing for an effective date."

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

10 \* Section 1. The "Agreement for the Sale and Purchase of Royalty Oil  
11 between the State of Alaska and Chevron, U.S.A., Inc.," dated December 9,  
12 1983, for the sale of Prudhoe Bay royalty oil, is hereby approved and  
13 ratified.

14 \* Sec. 2. This Act takes effect immediately in accordance with AS 01.-  
15 10.070(c).  
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COMMITTEE REPORT  
HOUSE

FURTHER:

(11)

Date: 1-25-84

1/20/84

The Committee on FINANCE has had SB 269

"An Act relating to the sale of royalty oil by the State of Alaska to Chevron, U.S.A.; 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 SB 269  same title  new title

and recommends \_\_\_\_\_

AND attaches a "Letter of Intent"  New Fiscal Note  
 Zero Fiscal Note Attached

reports it back without recommendation

referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

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CHAIRMAN

Original sponsor: Rules/Governor

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR SENATE BILL NO. 269 (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 royalty oil by the State of Alaska to  
8 Chevron, U.S.A., Inc.; 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 Chevron, U.S.A., Inc.," dated December 9,  
13 1983, for the sale of Prudhoe Bay royalty oil, is hereby approved and  
14 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 re-  
19 ceived 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.: HCSSB 269 (Fin)  
 Title: sale of royalty oil to Chevron, U.S.A., Inc.  
 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 |
|------------------------|-------|-------|-------|-------|-------|-------|
| <b>OPERATING</b>       |       |       |       |       |       |       |
| 100 PERSONAL SERVICES  |       |       |       |       |       |       |
| 200 TRAVEL             |       |       |       |       |       |       |
| 300 CONTRACTUAL        |       |       |       |       |       |       |
| 400 SUPPLIES           |       |       |       |       |       |       |
| 500 EQUIPMENT          |       |       |       |       |       |       |
| 600 LAND & STRUCTURES  |       |       |       |       |       |       |
| 700 GRANTS, CLAIMS     |       |       |       |       |       |       |
| 800 MISCELLANEOUS      |       |       |       |       |       |       |
| <b>TOTAL OPERATING</b> | -0-   | -0-   | -0-   | -0-   | -0-   | -0-   |
| <b>CAPITAL</b>         | -0-   | -0-   | -0-   | -0-   | -0-   | -0-   |
| <b>REVENUE</b>         |       |       |       |       |       |       |

**FUNDING: (Thousands of Dollars)**

|               |     |     |     |     |     |     |
|---------------|-----|-----|-----|-----|-----|-----|
| GENERAL FUND  |     |     |     |     |     |     |
| FEDERAL FUNDS |     |     |     |     |     |     |
| OTHER         |     |     |     |     |     |     |
| <b>TOTAL</b>  | -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: William D. Arnold, Deputy Date: 1/12/84  
 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

STATE OF ALASKA  
THE LEGISLATURE

POUCH Y - STATE CAPITOL  
JUNEAU, ALASKA 99811  
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

January 26, 1984

SUBJECT: Title change in the second house  
(HCS SB 269 (Finance))

TO: Representative Albert P. Adams  
Chairman, House Finance Committee

FROM: Keith B. Levy *KB*  
Legislative Counsel

Enclosed is a copy of HCS SB 269 (Fin), relating to the approval of royalty oil contracts. You should be aware that the committee substitute is in violation of the Uniform Rules of the Alaska State Legislature since it requires a title change in the second house.

Article II, section 13 of the state constitution provides, in part,

The subject of each bill shall be expressed in the title.

The title of SB 269 when it passed the Senate was, "An Act relating to the sale of royalty oil by the State of Alaska to Chevron, U.S.A., Inc.; and providing for an effective date." The House Committee Substitute adds a provision relating to the sale of royalty oil generally. Therefore, a title change to reflect the new provision is necessary in order to comply with the constitution. However, Rule 41(b) of the Uniform Rules of the Alaska State Legislature provides:

An amendment to a bill introduced in the other house is not in order if the amendment requires a change of the bill title other than a clerical or technical change.

Since the title change in HCS SB 269 (Fin) is clearly substantive and not clerical or technical, the bill is in direct violation of the Uniform Rules of the Alaska State Legislature.

Representative Albert P. Adams

Page 2

January 26, 1984

In order to accomplish the change incorporated into HCS SB 269 (Fin) without violating the Uniform Rules, you could return the bill to the Senate. Once in the Senate, the bill could be returned to second reading for specific amendment. A title change would then be proper. In its present form, however, the bill violates the Uniform Rules.

It is also worth noting that the amendment included in HCS SB 269 (Fin) has also been included in Committee Substitutes for HB 371 and HB 320. If either of those bills passes, the amendment included in HCS SB 269 (Fin) would be unnecessary and you could proceed with the bill in the form that it passed out of the House Resources Committee, thereby avoiding the title problem altogether.

KBL:ojb  
J2/086

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

REQUEST

Bill/Resolution No.: HCSSB 269(FIN)  
 Title: sale of royalty oil  
to Chevron, U.S.A., Inc.  
 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: William D. Arnold, Deputy Date: 1/12/84  
 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.

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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).

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cc

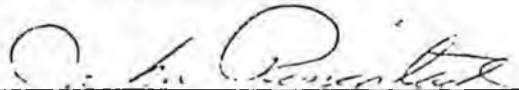
LETTER OF INTENT  
FOR CSSB 269  
January 19, 1984


The House Resources Committee has considered CSSB 269, providing for approval of the Agreement between the State of Alaska and Chevron U.S.A., Inc., 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.

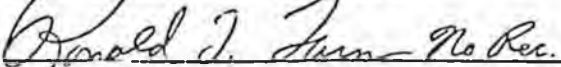
It is the intent of the Committee that it be understood that approval of CSSB 269 does not constitute prior approval of any supplement, amendment or modification or any assignment that would be a further "sale, disposition, exchange, or other disposition" within the meaning of AS 38.06.055(a) and that 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.

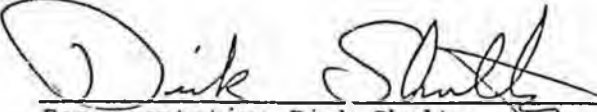
  
Representative John Ringstad  
Co-Chairman, Resource Committee

  
Representative Rick Uehling  
Vice-Chairman, Resource Committee


  
Representative Charlie Bussell  
Member, Resource Committee


Representative Anthony Vaska  
Member, Resource Committee

  
Representative Ronald Larson  
Member, Resource Committee

  
Representative Dick Shultz  
Co-Chairman, Resource Committee

Representative John Cowdery  
Member, Resource Committee

  
Representative John Liska  
Member, Resource Committee

  
Representative Peter Goll  
Member, Resource Committee

BILL SHEFFIELD  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

April 19, 1983

The Honorable Jalmar Kerttula  
President of the Senate  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

Dear Mr. President:

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 Chevron, U.S.A., Inc. for the sale of Prudhoe Bay royalty oil.

This contract is described in the findings entitled "Proposed Disposition of Royalty Oil, Chevron, U.S.A." 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.

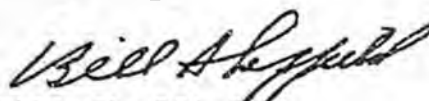
This contract is being submitted for legislative approval for two reasons. First, although this and the previous administration have consistently taken the position that the statutory requirement of legislative approval of royalty oil contracts is unconstitutional (AS 38.06.055), as a matter of comity 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

5B269

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".

Bill Sheffield  
Governor

Offered: 1/20/84  
Referred: Finance

Original sponsor: Rules/Governor

BY THE RESOURCES  
COMMITTEE

1 IN THE SENATE

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HOUSE CS FOR SENATE BILL NO. 269 (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 royalty oil by the

7

State of Alaska to Chevron, U.S.A., Inc.; and provid-

8

ing for an effective date."

9

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

10

\* Section 1. The "Agreement for the Sale and Purchase of Royalty Oil

11

between the State of Alaska and Chevron, U.S.A., Inc.," dated December 9,

12

1983, for the sale of Prudhoe Bay royalty oil, is hereby approved and

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ratified.

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\* Sec. 2. This Act takes effect immediately in accordance with AS 01.-

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10.070(c).

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Introduced: 4/19/83  
Referred: Resources and  
Finance

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

1 IN THE SENATE

2

SENATE BILL NO. 269

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 royalty oil by the  
State of Alaska to Chevron, U.S.A., Inc.; and  
providing for an effective date."

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

10

\* Section 1. The "Agreement for the Sale and Purchase of Royalty Oil  
between the State of Alaska and Chevron, U.S.A., Inc.," dated March 16,  
1983, for the sale of Prudhoe Bay royalty oil, is hereby approved and  
ratified.

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14

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

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STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

**REQUEST**

Bill/Resolution No.: SB 269  
 Title: sale of royalty oil  
to Chevron, U.S.A., Inc.  
 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 |
|------------------------|-------|-------|-------|-------|-------|-------|
| <b>OPERATING</b>       |       |       |       |       |       |       |
| 100 PERSONAL SERVICES  |       |       |       |       |       |       |
| 200 TRAVEL             |       |       |       |       |       |       |
| 300 CONTRACTUAL        |       |       |       |       |       |       |
| 400 SUPPLIES           |       |       |       |       |       |       |
| 500 EQUIPMENT          |       |       |       |       |       |       |
| 600 LAND & STRUCTURES  |       |       |       |       |       |       |
| 700 GRANTS, CLAIMS     |       |       |       |       |       |       |
| 800 MISCELLANEOUS      |       |       |       |       |       |       |
| <b>TOTAL OPERATING</b> | -0-   | -0-   | -0-   | -0-   | -0-   | -0-   |
| <b>CAPITAL</b>         | -0-   | -0-   | -0-   | -0-   | -0-   | -0-   |
| <b>REVENUE</b>         |       |       |       |       |       |       |

**FUNDING: (Thousands of Dollars)**

|               |     |     |     |     |     |     |
|---------------|-----|-----|-----|-----|-----|-----|
| GENERAL FUND  |     |     |     |     |     |     |
| FEDERAL FUNDS |     |     |     |     |     |     |
| OTHER         |     |     |     |     |     |     |
| <b>TOTAL</b>  | -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: Wm D Amundson, Deputy Date: 1/12/84  
 Agency: Department of Natural Resources

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

Introduced: 4/19/83  
Referred: Resources and  
Finance

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

1 IN THE SENATE

2

SENATE BILL NO. 269

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 royalty oil by the  
7 State of Alaska to Chevron, U.S.A., Inc.; and  
8 providing for an effective date."

9

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

10

\* Section 1. The "Agreement for the Sale and Purchase of Royalty Oil  
11 between the State of Alaska and Chevron, U.S.A., Inc.," dated March 16,  
12 1983, for the sale of Prudhoe Bay royalty oil, is hereby approved and  
13 ratified.

14

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