

COMMITTEE REPORT
SENATE

FURTHER:

5/10/83

Date: _____

Mr. President:

The Committee on FINANCE has had 82 809

Bill of Property of the State of Alaska to Chevron, U.S.A., Inc.

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for _____ same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation *② FN*
Relevant Resources 4/8/83
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

John Joseph

CHAIRMAN

STATE OF ALASKA
FISCAL NOTE

Revision Date , 1983

I. REQUEST

Bill/Resolution No.: 269
 Title: Chevron Prudhoe Bay Unit Royalty
 Sponsor: Governor Oil Agreement
 Requestor: Governor

II. FISCAL DETAIL

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

| | FY 83 | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 |
|-------------------------|-------|-------|-------|-------|-------|-------|
| OPERATING | | | | | | |
| 100 PERSONAL SERVICES | | | | | | |
| 200 TRAVEL | | | | | | |
| 300 CONTRACTUAL | | | | | | |
| 400 COMMODITIES | | | | | | |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC | | | | | | |
| TOTAL OPERATING | 0 | 0 | 0 | 0 | | |
| CAPITAL | | | | | | |
| REVENUE | | | | | | |

FUNDING: (Thousands of Dollars)

| | | | | | | |
|------------------------|---|---|---|---|--|--|
| GENERAL FUND | | | | | | |
| FEDERAL FUNDS | | | | | | |
| OTHER (Specify Source) | 0 | 0 | 0 | 0 | | |

POSITIONS:

| | | | | | | |
|-----------|---|---|---|---|--|--|
| FULL-TIME | | | | | | |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |
| | 0 | 0 | 0 | 0 | | |

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Mark Wittow
 Division: Commissioner's Office, DNR

Phone: 465-2400
 Date: 4/18/83

Approved by Commissioner: Mark Hallera
 Department: Natural Resources

Date: 4/18/83

Distribution:

- Original to Legislative Finance
- Copy to office of Management and Budget (for Legislature introduced bills)
- Copy to Department (for Governor introduced bills)
- Copy to Sponsor
- Copy to Requestor (if different from Sponsor)

ntroduced: 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).

I. REQUEST

Bill/Resolution No.: 269
 Title: Chevron Prudhoe Bay Unit Royalty
 Sponsor: Governor Oil Agreement
 Requestor: Governor

II. FISCAL DETAIL

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

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| OPERATING | | | | | | |
| 100 PERSONAL SERVICES | | | | | | |
| 200 TRAVEL | | | | | | |
| 300 CONTRACTUAL | | | | | | |
| 400 COMMODITIES | | | | | | |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC | | | | | | |
| TOTAL OPERATING | 0 | 0 | 0 | 0 | | |
| CAPITAL | | | | | | |
| REVENUE | | | | | | |

FUNDING: (Thousands of Dollars)

| | | | | | | |
|------------------------|---|---|---|---|--|--|
| GENERAL FUND | | | | | | |
| FEDERAL FUNDS | | | | | | |
| OTHER (Specify Source) | 0 | 0 | 0 | 0 | | |

POSITIONS:

| | | | | | | |
|-----------|---|---|---|---|--|--|
| FULL-TIME | | | | | | |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |
| | 0 | 0 | 0 | 0 | | |

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Mark Wittow *Mark Wittow* Phone: 465-2400
 Division: Commissioner's Office, DNR Date: 4/18/83
 Approved by Commissioner: Manu Hallera Date: 4/18/83
 Department: Natural Resources

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- Copy to Sponsor
- Copy to Requestor (if different from Sponsor)

COMMITTEE REPORT

SENATE

4/19/83

FURTHER: Finance

Date: 5-9-83

Mr. President:

The Committee on Resources has had SB 269

Relating to the sale of royalty oil by the State of Alaska to Chevron, U.C.A. Inc.; and eff. date.

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

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

MEMBERS SIGNING DO PASS

MEMBERS HAVING OTHER RECOMMENDATIONS:

2 initials
 Bob Mendenhall
 Paul Finken
 William
 Curtis Stupplewski
~~_____~~

Vic Finken

Dwight Labrentzen DePass
 CHAIRMAN



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

April 19, 1983

The Honorable Jalmar Kerttu
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.

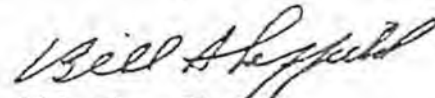
This contract is described in the findings entitled "Proposed Disposition of Royalty Oil, Chevron, U.S.A." issued by the Department of Natural Resources on March 16, 1983. Copies of these findings have been made available to the legislature and the public for review.

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

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

SL 269

ROYALTY OIL CONTRACTS

General:

1. Amount of Royalty Oil -- The state has approximately 197,000 barrels per day of North Slope royalty oil including the Kuparuk field.

2. In-state refiners -- There are three refineries of petroleum products in the State of Alaska.
 - a) Tesoro's Kenai refinery presently has a capacity of processing 46,000 barrels per day of crude.
 - b) Mapco's North Pole refinery presently has a capacity of processing 35,000 barrels per day of crude.
 - c) Chevron's Kenai refinery presently has a capacity of processing 18,000 barrels per day of crude.

3. Existing long-term royalty oil contracts --
 - a) Tesoro presently has a contract for 46,000 barrels per day of royalty oil; this contract was approved by the legislature in 1982 for a term of 12 years with the price equal to the North Slope Producer' Weighted Average Field Price (a "net back" price).
 - b) Mapco presently has a contract for 35,000 barrels per day of royalty oil; this contract was approved by the legislature in 1978 for a term of 25 years with the price equal to the North Slope Producers Weighted Average Field Price.

c) Chevron presently has no long-term royalty oil contract.

Proposed Chevron Contract (H.B. 370)

The proposed Chevron contract is for 18,000 barrels per day of North Slope crude; the contract has a term of 11-1/2 years and a price equal to the North Slope producers' Weighted Average Field Price plus a premium of \$.30 per barrel which amounts to in excess of \$21,000,000. over the life of the contract. Pursuant to the contract, the 18,000 barrels per day must be refined at Chevron's Kenai refinery. Chevron must market the products yielded from the Kenai refinery in Alaska, with the exception of residual for which there is no Alaska market. Chevron markets approximately 27,000 barrels per day of petroleum products in Alaska or approximately 36% of the state's daily consumption.

This approval of the Chevron contract will result in parity among the three in-state refineries: Tesoro and Mapco presently enjoy the competitive advantages of long-term royalty oil contracts in amounts equal to their capacity.

The term of the Chevron contract has been questioned. However, on balance the term appears appropriate:

- a) The term is equal to the shortest term contract enjoyed by either of Chevron's refinery competitors (Tesoro).
- b) The end of the term coincides with the projected substantial decline in North Slope production in approximately 1995.

The price under the Chevron contract has also been questioned. However, again on balance the price appears appropriate:

- a) The price is equal to the North Slope Producers' Weighted Average Field Price plus \$.30 per barrel and will thus yield more than if the oil is left with the producers for sale.
- b) The price is in excess of that paid by both Tesoro and Mapco under their existing contracts which equal their present refining capacity.

It has also been suggested that a portion of royalty oil be used to develop the Pacific Rim market. However, even if both the proposed Chevron and Tesoro (26,000 barrels per day) contracts are approved, in excess of 65,000 barrels per day of royalty oil will remain uncommitted and available for sale to the Pacific Rim. Additionally, it will probably take years to remove the legal impediments to the sale of North Slope crude to the Pacific Rim.

If the Chevron contract is not approved prior to September 1, 1983, it will become null and void. Thus, failure to act on the contract during the 1983 session will have the effect of rejecting the contract.

In summary, approval of the Chevron contract will bring parity to in-state refiners and help assure a dependable, stable, and continuing supply of petroleum products in Alaska.



Official Business

Alaska State Legislature

Senate

Committee on Finance

Pouch V
State Capitol
Juneau, Alaska 99811

May 24, 1984

Mr. President:

The Senate Finance Committee has considered the House amendments embodied in HCS for SB 269 (2d Finance) and the accompanying House Letter of Intent and recommends that the full Senate concur in the House amendments.

Handwritten signature of Sen. Don Bennett in cursive.

Sen. Don Bennett
Co-chairman

Handwritten signature of Sen. John Sackett in cursive.

Sen. John Sackett
Co-chairman

Handwritten signature of Sen. Jan Faiks in cursive.

Sen. Jan Faiks

Handwritten signature of Sen. Frank Ferguson in cursive.

Sen. Frank Ferguson

Handwritten signature of Sen. Vic Fischer in cursive.

Sen. Vic Fischer

Handwritten signature of Sen. Joe Josephson in cursive.

Sen. Joe Josephson

Handwritten signature of Sen. Bob Mulcahy in cursive.

Sen. Bob Mulcahy

A large, stylized handwritten flourish or signature mark at the bottom right of the page.



Official Business

Alaska State Legislature

Senate

Pouch V
State Capitol
Juneau, Alaska 99811

April 26, 1984

MEMO

TO: FINANCE COMMITTEE

FROM: Peggy Mulligan *PM*
Secretary of the Senate

President Kerttula referred HOUSE CS FOR SENATE
BILL NO. 269(2d Fin) (sale of royalty oil by the
State of Alaska to Chevron, U.S.A., Inc; efd)
with a House Message to your Committee.



JUNEAU, ALASKA

Alaska State Legislature
House

*2/20
leg
resources
finance*

MESSAGE TO THE SENATE

Date Feb. 16, 1984

MR. PRESIDENT:

The House has passed SB 269 (sale of royalty oil by the State of Alaska to Chevron, U.S.A., Inc.,; effective date) with the following amendment:

HCS SB 269(2dFin) (same title) "

with
~~and the~~ letter of intent (p. 2309 of the House Journal)

and it is ~~transmitted~~ *returned* for consideration.

refer to Resource - Finance.

James P. ...

Chief Clerk of the House

Alaska State Legislature

BETTYE FAHRENKAMP, Chairman
ROBERT H. ZIEGLER, SR., Vice Chairman
RICHARD ELIASON
PAUL FISCHER
VIC FISCHER
BOB MULCAHY
ARLISS STURGULEWSKI



POUCH V
STATE CAPITAL
JUNEAU, ALASKA 99811
(907) 465-3834
(907) 465-3835

Senate

Committee on Resources

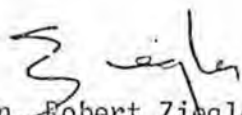
April 25, 1984

Mr. President:

The Senate Resources Committee has considered the House amendments to Senate Bill No. 269 and recommends that the full Senate concur in the House amendments.

Sincerely,

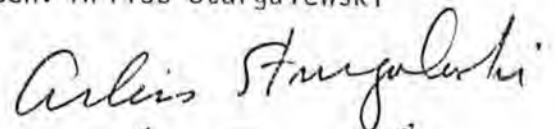

Sen. Bettye Fahrenkamp
Chairman


Sen. Robert Ziegler

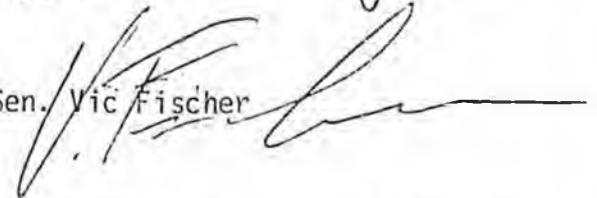
Sen. Richard Eliason


Sen. Paul Fischer

Sen. Arliss Sturgulewski



Sen. Vic Fischer




Sen. Bob Mulcahy

ce


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

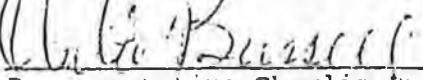


Representative Dick Shultz
Co-Chairman, Resource Committee

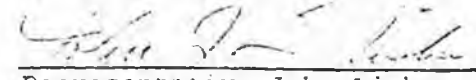


Representative Rick Uehling
Vice-Chairman, Resource Committee

Representative John Cowery
Member, Resource Committee

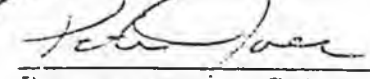


Representative Charlie Russell
Member, Resource Committee

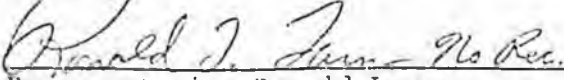


Representative John Liska
Member, Resource Committee

Representative Anthony Vaska
Member, Resource Committee



Representative Peter Goll
Member, Resource Committee



Representative Ronald Larson
Member, Resource Committee

adapted by Lane 2/16/84

Offered: 2/13/84
Referred: Rules

Original sponsor: Rules/Governor

1 IN THE SENATE BY THE FINANCE COMMITTEE
2 HOUSE CS 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).

STATE OF ALABAMA 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 |
|------------------------|-------|-------|-------|-------|-------|-------|
| 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- |
| 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: Harold 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

58267

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.

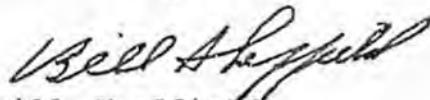
This contract is described in the findings entitled "Proposed Disposition of Royalty Oil, Chevron, U.S.A." issued by the Department of Natural Resources on March 16, 1983. Copies of these findings have been made available to the legislature and the public for review.

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

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 typed name.

Bill Sheffield
Governor

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).