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IDENTIFICATION:

BILL NUMBER: SB 269

BILL NAME: Sale of royalty oil by the State of Alaska to
Chevron U.S.A. Inc.

SPONSOR(S): Rules/Governor

RELATED BILLS PENDING: SB 268

DATE INTRODUCED: 4-19-83

REFERRALS: Resources
Finance

INITIAL RESEARCH:

BILL SUMMARY COMPLETED:

SUMMARY BY LEGAL DIVISION:

SPONSOR CONTACTED FOR
BACKUP MATERIALS:

DEPT. OF LAW SUMMARY:

FISCAL NOTE:

AGENCY RESPONSE:

OTHER INTERESTED SENATORS OR
REPS. NOTIFIED:

BACKGROUND RESEARCH:

SIMILAR BILLS INTRODUCED IN PREVIOUS LEGISLATURES:

RESPONSES FROM INTERESTED PERSONS/GROUPS:

OTHER STATE OR FEDERAL PRECEDENTS, REGULATIONS, LAWS:

HEARING PREPARATION:

CHAIRMAN BRIEFED:

DATE AND PLACE SET:

STAFF MEMO TO COMMITTEE:

TELECONFERENCE:

BACKGROUND MATERIAL DISTRIBUTED:

PSA/PRESS RELEASE:

LIST OF WITNESSES:

SUGGESTED AMENDMENTS/COMMITTEE
SUBSTITUTES DRAFTED:

SB 268/269



Alaska State Legislature

Official Business

Pouch V
State Capitol
Juneau, Alaska 99811

May 4, 1983

Sen. Bettye Fahrenkamp, Chairman
and Members
Senate Resources Committee

Dear Senator Fahrenkamp:

This letter is written in support of the Tesoro Alaska and Chevron USA Royalty Oil contracts which are pending before your committee.

AS 38.05.183(d) states in pertinent part, "Oil or gas taken in kind by the state as its royalty share may not be sold or otherwise disposed of for export from the state until the commissioner determines that the royalty-in-kind oil or gas is surplus to the present and projected intrastate domestic and industrial needs." Commissioner Wunnicke has found that there is a need for in-state refining. Based on those findings and based upon the benefits which can accrue to the state, we believe that the 13th Legislature should go forward in a positive manner with these contracts.

Both Chevron USA and Tesoro Alaska have been extremely good corporate citizens of our community. The Chevron refinery has been in operation 20 years and Tesoro 14 years. During this time they have provided a stable product supply for the state and a stable work force in our area. Both have been community leaders, especially in the establishment at the Kenai Peninsula Community College of the first oil technology program in the state of Alaska. Not only do they provide expertise, equipment, and direction, they hire many of the graduates.

Approximately three years ago, Tesoro expanded the present refinery. Over 90% of the labor force on that expansion came from the local community. All sub-contractors, except those used for some technical applications, were from local contracting firms. Since our unemployment this winter has been running in excess of 20%, the expansion of the Tesoro facility, which would employ 300 workers, is a real shot in the arm for our economy. The 25 or so ongoing jobs also add another

Sen. Bettye Fahrenkamp
and Members, Senate Resources
May 5, 1983
Page 2

dimension to the stabilization of the community. Needless to say, the 80-90 million dollar added tax base will more than pay its own way for any additional community services.

Last year Tesoro Alaska could probably have secured the 26,000 additional barrels of royalty oil had they been in the same position as they are now - that is to commit construction dollars. In fact much of the testimony in last year's hearing was based on the now proposed addition. There is no question that Tesoro Alaska was encouraged to proceed with plans for expansion.

This past October, Chevron was awarded 18,000 barrels for their Nikiski refinery. While that was for only one year, the findings by both Commissioner Katz and Commissioner Wunnicke were the same. The oil is needed to ensure a stable supply of products in the state.

In summary, execution of these contracts by the state would help diversify Alaska's economic base, creating jobs and providing a secure supply of petroleum products. This is consistent with current state policy established by law. We believe the contracts should be approved.

We wish to thank you for your time and consideration of this matter.


Sincerely,


Rep. Milo Fritz


Senator Don Gilman


Rep. Hugh Malone


Senator Paul Fischer


Rep. Bette Cato


LETTER OF INTENT
FOR CSSB 269
January 19, 1984

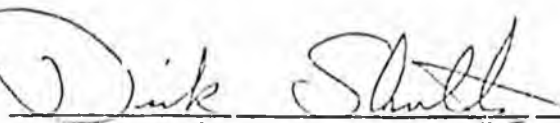
The House Resources Committee has considered CSSB 269, providing for approval of the Agreement between the State of Alaska and Chevron U.S.A., Inc., for the sale of a portion of Alaska's royalty oil. This Agreement must be approved by the legislature under the provisions of AS 38.06.055(a) which provides 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."

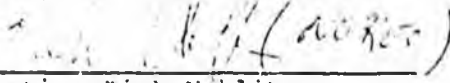
Section 19.1 of the Agreement provides that the Agreement may be "supplemented, amended or modified at any time, but only by written instrument duly executed by the parties to this Agreement." In making any such changes to the Agreement pursuant to this section, the Commissioner would be acting on behalf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

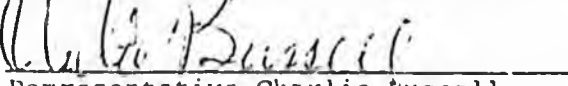
It is the intent of the Committee that it be understood that approval of CSSB 269 does not constitute prior approval of any supplement, amendment or modification or any assignment that would be a further "sale, disposition, exchange, or other disposition" within the meaning of AS 38.06.055(a) and that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

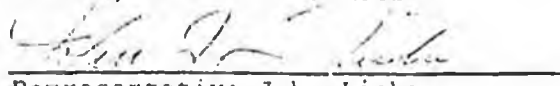

Representative John Ringstad
Co-Chairman, Resource Committee


Representative Dick Shultz
Co-Chairman, Resource Committee

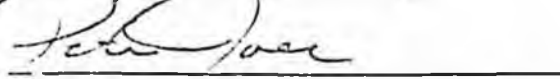

Representative Rick Uehling
Vice-Chairman, Resource Committee

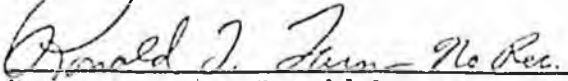
Representative John Cowdery
Member, Resource Committee


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

adopted by House 2/16/84

REQUEST

Bill/Resolution No.: SB 200
Title: sale of royalty oil to Chevron, U.S.A., Inc.
Sponsor: Rules Committee
Requestor: Governor
Date of Request: 4-19-83

FISCAL STATE

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: 1-12-83

Approved by Commissioner: Marvin D Arnold, Deputy Date: 1/12/83
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

AGO 787104

Revision Date: _____

REQUEST
Bill/Resolution No.: HCSSB 269 (Fin)^{2d}
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)

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CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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FUNDING: (Thousands of Dollars)

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FEDERAL FUND						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

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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

AGO 787105

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.

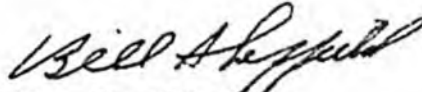
This contract is described in the findings entitled "Proposed Disposition of Royalty Oil, Chevron, U.S.A." issued by the Department of Natural Resources on March 16, 1983. Copies of these findings have been made available to the legislature and the public for review.

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".

Bill Sheffield
Governor

Alaska State Legislature

BETTYE FAHRENKAMP, Chairman
ROBERT H. ZIEGLER, SR., Vice Chairman
DICK 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. 259 and recommends that the full Senate concur in the House amendments.


Sincerely,


Sen. Bettye Fahrenkamp
Chairman

Sen. Robert Ziegler

Sen. Arliss Sturgulewski

Sen. Richard Eliason


Sen. Vic Fischer

Sen. Paul Fischer


Sen. Bob Mulcahy