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AN ACT APPROVING THE SALE OF KUPARUK RIVER UNIT ROYALTY OIL BY THE STATE OF ALASKA TO PETRO STAR, INC. AND CHEVRON S.S.A., INC.; AND PROVIDING FOR AN EFFECTIVE DATE.

PRIME SPONSOR: RULES COMMITTEE  
CO-SPONSORS:

BY REQ OF THE GOVERNOR

CURRENT STATUS: (S) RES

DATE		PAGE	ACTION
02/10/86	(S)	1780	READ THE FIRST TIME - REFERRAL(S)
02/10/86	(S)	1780	GOVERNOR'S TRANSMITTAL LETTER
02/10/86	(S)	1782	WITH RESOLUTION BY OIL AND GAS BOARD
02/10/86	(S)	1780	2 ZERO FISCAL NOTES
			RESOURCES
			FINANCE
			RULES

BILL SHEFFIELD  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

*dh 393*

February 10, 1986

The Honorable Don Bennett  
President of the Senate  
Alaska State Legislature  
P. O. Box V  
Juneau, AK 99811

Dear Senator Bennett:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that provides for legislative approval of a royalty oil contract between the state, Petro Star, Inc. and Chevron U.S.A., Inc. for the sale of Kuparuk River royalty oil. Also transmitted with this bill is a copy of the resolution of the Alaska Royalty Oil and Gas Development Advisory Board recommending approval of that contract, along with a letter from the Department of Law forwarding the resolution to you. This resolution is being transmitted in accordance with AS 38.06.040(a)(3) and AS 38.06.070(c).

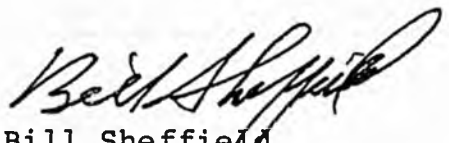
The contract is also described in the findings issued by the Department of Natural Resources on December 9, 1985. Copies of these findings have been made available to the legislature and the public for review.

A bill approving the contract is being introduced for legislative approval for two reasons. First, as a matter of comity, I respect the legislature's desire to have a direct voice in major disposals of royalty oil. Therefore, although this and the previous administration have consistently taken the position that the statutory requirement of legislative approval of royalty oil contracts (AS 38.06.055) is unconstitutional, the contract itself contains provisions requiring approval by the legislature before it takes effect.

Second, this legislation would ratify the royalty oil contract. 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, the statutes provide that the legislature is to approve a royalty oil contract only by "enacting legislation" (AS 38.06.055(a)), but also refer to a Royalty Board recommendation to be submitted to the legislature at the time a "resolution approving the proposed sale ... is introduced in the legislature" (AS 38.06.070(c)). Since legislative approval by enactment of legislation is required as a matter of contract, I believe that it is prudent to present this contract for legislative approval and ratification.

Sincerely,



Bill Sheffield  
Governor

# STATE OF ALASKA

## DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

January 14, 1986

ek 393  
BILL SHEFFIELD, GOVERNOR

REPLY TO:

- 1031 W 4th AVENUE  
SUITE 200  
ANCHORAGE, ALASKA 99501  
PHONE: (907) 276-3550
- 1st NATIONAL CENTER  
100 CUSHMAN ST.  
SUITE 400  
FAIRBANKS, ALASKA 99701  
PHONE: (907) 452-1568
- POUCH K - STATE CAPITOL  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-3600

The Honorable Don Bennett  
President of the Senate  
Alaska State Senate  
Pouch V  
Juneau, Alaska 99811

Reference: "An Act Relating to the Sale and Purchase of Royalty  
Oil from the Kuparuk Unit between the State of Alaska  
and Petro Star, Inc. and Chevron U.S.A. Inc.


Dear Mr. President:

In accordance with AS 38.06.040(a)(3), I am forwarding for your consideration the resolution of the Alaska Royalty Oil and Gas Development Advisory Board which recommends that the legislature approve the referenced sale of royalty oil to Petro Star and Chevron U.S.A.

If we can be of further service, please do not hesitate to call.

Sincerely,

HAROLD M. BROWN  
ATTORNEY GENERAL

By:   
Ann E. Prezyna  
Assistant Attorney General

AEP/ma

RECEIVED  
Department of Law

JAN - 3 1985

Office of the Attorney General  
Advisory Board  
Anchorage Branch  
Anchorage, Alaska

The Alaska Royalty Oil and Gas Development  
Resolution 85-2

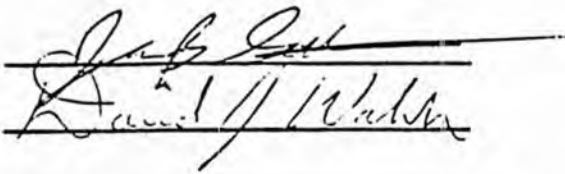
On or about October 23, 1985, the director of the division of oil and gas ("director") provided the Alaska Royalty Oil and Gas Development Advisory Board with the preliminary notice of sale, preliminary findings, and proposed contract for a long-term sale of up to about 6500 barrels per day of Kuparuk River Unit royalty oil to Petrostar, Inc. and Chevron U.S.A. Inc.

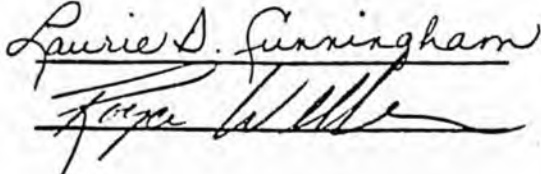
This proposed sale has been discussed at several public meetings held by the board during 1985. At the February 20 meeting, Petrostar representatives testified in support of a royalty oil sale. On March 26, staff of the Alaska Department of Natural Resources (DNR) reported to the board on the status of a solicitation for purchasers of state royalty oil. At the April 12 meeting, DNR presented a status report on the solicitation, which was released April 1. On July 25, DNR presented to the board a recapitulation of the responses to the solicitation. At the meetings of the board held September 26-27 and October 7, the board received public testimony on a proposed sale of Kuparuk royalty oil to Petrostar and Chevron. On October 30, the director made a presentation to the board on the Petrostar-Chevron contract proposed in DNR's October 23 preliminary findings; the board also received public testimony on the proposed contract. The last two meetings were held by teleconference in Anchorage, Fairbanks, Valdez, and Juneau.

DNR's final findings on the proposed sale and the contract were sent to the board on December 9, 1985. On December 19, the board met to develop and vote on its recommendations to the legislature on the proposed sale.

Based on the board's review of the agreement for the sale and purchase of royalty oil between the State of Alaska and Petrostar and Chevron, DNR's findings and determinations regarding the proposed sale, and the testimony received at public meetings of the board, the board is of the opinion that the proposed disposition of Kuparuk River Unit royalty oil to Petrostar and Chevron meets the requirements of AS 38.06 and 3 AAC 56. The board recommends that the Fifteenth Alaska Legislature approve the agreement for the sale and purchase of royalty oil from the Kuparuk River Unit to Petrostar and Chevron, dated December 9, 1985.

Dated: December 19, 1985

  
\_\_\_\_\_  
Daniel J. Walker

  
\_\_\_\_\_  
Laurie S. Cunningham

# STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : 1-31-86

**REQUEST**

Bill/Resolution No. : 377-094-86 SB393  
 Title : An act approving the sale of  
royalty oil to Petro Star

Sponsor : Governor  
 Requestor : Governor  
 Date of Request : 1/29/86

**FISCAL DETAIL**

Agency Affected : Natural Resources  
 BRU : Petroleum Management

Components : Petroleum Management

**EXPENDITURES/REVENUES : (Thousands of Dollars)**

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0	0	0	0	0	0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

**FUNDING : (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	0	0	0	0	0	0

**POSITIONS :**

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

**ANALYSIS :** Attach a separate page if necessary

The contract will result in routine billing and accounting functions which can be absorbed in the existing operation.

Prepared by : Rod Mourant *RAM* Phone : 465-2424  
 Division : Management Date : 1-31-86

Approved by Commissioner : Wm D Amst, Deputy Date : 1/31/86  
 Agency : Natural Resources

Distribution (by Agency preparing fiscal note):

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

# STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

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

**REQUEST**

Bill/Resolution No. : SB 393  
 Title : An Act approving the sale of  
royalty oil to Petro Star and Chevron  
U.S.A.  
 Sponsor : Rules Committee at the request  
 Requestor : of the Governor  
 Date of Request : 1/28/86

**FISCAL DETAIL**

Agency Affected : Revenue  
 BRU : \_\_\_\_\_  
 \_\_\_\_\_  
 Components : operating  
 \_\_\_\_\_  
 \_\_\_\_\_

**EXPENDITURES/REVENUES : (Thousands of Dollars)**

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>		-0-	-0-	-0-	-0-	-0-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

**FUNDING : (Thousands of Dollars)**

GENERAL FUND		-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>		-0-	-0-	-0-	-0-	-0-

**POSITIONS :**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS :** Attach a separate page if necessary

Prepared by : \_\_\_\_\_ Phone : \_\_\_\_\_  
 Division : \_\_\_\_\_ Date : \_\_\_\_\_  
 Approved by Commissioner : [Signature] Date : 1/28/86  
 Agency : Dept. of Revenue

Distribution (by Agency preparing fiscal note)

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

*Revenue*

THE FOLLOWING DOCUMENT HAS  
NOT BEEN FILMED BUT IS  
AVAILABLE IN THE ORIGINAL  
FILE

## CHRONOLOGY OF WRITTEN AND ORAL REPRESENTATIONS BY VALDEZ REFINING, INC. REPRESENTATIVE

FEEDSTOCK SOURCE	PRICE OFFERED	MARKETS	START UP DATE	ANCILLARY BENEFITS OFFERED	
Alaska Royalty Oil.	"Average wellhead price of royalty oil in any market or markets, plus a reasonable premium (in addition to the field cost allowance)."	"Various locations throughout the state - primarily southeast."	October, 1985.	Price competition. Foster petrochemical development. Develop maritime industry. Develop maritime support industry. Employment.	Dock and product free municipal b Refinery - "borr the Company." Vessels - "borne Transportation Co
"No discussion with N.S. producers or Alyeska regarding crude purchases."		Pacific Rim.			"Arranged for up Industrial Reve Investment ban package with the petroleum facil NOTE: Accordin Industrial Reve and would be de
				Additional user fees for the petroleum products terminal use.	"The deployment Transportation form of a long- needs of the Co Transportation, operating the v
					"Refinery will (either throug an assignmen as by Mr. O'He  "The company performance by a list of add requirements, bond covering and unnesesse to "...reservn aspect at a 1