

SB448

# HOUSE COMMITTEE REPORT

(11)

Date Referred: May 6, 1992

FURTHER REFERRALS:

Date of Committee Action: 5/9/92

The FINANCE Committee considered:

SB 448

SENATE BILL NO. 448

APPROVE KUPARUK RIVER UNIT ROYALTY SALE

"An Act approving the sale of Kuparuk River Unit royalty oil by the State of Alaska to Petro Star Valdez Refinery Joint Venture; and providing for an effective date."

RECOMMENDATIONS: [ ] the same title  
 be replaced with \_\_\_\_\_ [ ] a new title

[ ] have attached amendments(s)

[x] do pass

[ ] do not pass

[ ] no recommendations

[ ] individual recommendations

[ ] additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) \_\_\_\_\_

APPROVES PREVIOUS: (Dept/Date) \_\_\_\_\_

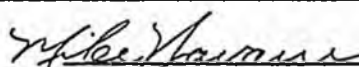
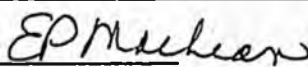
[ ] fiscal impact \_\_\_\_\_

[ ] fiscal note(s) \_\_\_\_\_

[ ] zero fiscal note \_\_\_\_\_

[x] zero fiscal note(s) DOR 3/11/92  
DOR 3/11/92

SIGNING <u>DO PASS</u>	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
Eileen P. Macheen <sup>Macheen</sup>		Mike Savary <sup>Savary</sup>			✓
Mark Boyer <sup>Boyer</sup>	X	Richard J. ...			x
Jan Brown <sup>Brown</sup>	✓				
<del>Koponen</del> <sup>Koponen</sup>	✓				
Kanena Barnes <sup>Barnes</sup>	x				
Scott Sharp <sup>Sharp</sup>	x				
Robert Phillips <sup>Phillips</sup>	✓				
J. Ulmer <sup>Ulmer</sup>	x				


  
 CHAIRMAN'S SIGNATURE

FISCAL NOTE

NO. 1  
 Bill Version: SR 448  
 (S) Publish Date: 3-11-92

STATE OF ALASKA  
 1992 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_ Department Affected: Natural Resources  
 Title: Petro Star Royalty Oil Contract BRU: Petroleum Management  
 Component: Petroleum Management  
 Sponsor: Rules Committee for Governor  
 Requestor: \_\_\_\_\_ COMPONENT SERIAL NO. 

4	3	9
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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
TRAVEL	-0-	-0-	0	0	0	-0-
CONTRACTUAL	-0-	-0-	-0-	-0-	-0-	-0-
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	0

CAPITAL						
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REVENUE						
FUND SOURCE:						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
FUND SOURCE:						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: \_\_\_\_\_

ANALYSIS: (Attach a separate page if necessary.)  
 Division of Oil and Gas staff handles a number of royalty-in-kind contracts. Existing staff will handle the proposed contract with Petro Star Valdez Refinery Joint Venture.

Prepared By: Bob Loeffler Phone: 762 2578  
 Division: Oil and Gas Date: 2-27-92  
 Approved by Commissioner: Harold C. Heinze Date: 2-27-92  
 Agency: Natural Resources

**FISCAL NOTE**

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

Bill Version: SB 448  
(S) Publish Date: 3-11-92

Revision Date: \_\_\_\_\_  
Title: Approving the Sale of Kuparuk River Unit Royalty  
Oil by the State of Alaska to Petro Star Valdez Refinery

Department Affected: Revenue  
BRU: Revenue Operations  
Component: Oil & Gas Audit

Sponsor: \_\_\_\_\_  
Requestor: \_\_\_\_\_

Component Serial No.

0	.	1	1	5
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0	0	0	0	0	0

CAPITAL						
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REVENUE FUND SOURCE						
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FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: \_\_\_\_\_

**ANALYSIS:**

Prepared by: Robert L. Doss, Director  
Division: Oil & Gas Audit Division  
Approved by Commissioner: *David Axelrod*  
Agency: Revenue

Phone: 276-1363 ext. 225  
Date: Feb. 27, 1992

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

SENATE BILL NO. 448

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 3/11/92  
Referred: O&G, RES, FIN

A BILL

FOR AN ACT ENTITLED

1 "An Act approving the sale of Kuparuk River Unit royalty oil by the State of Alaska  
2 to Petro Star Valdez Refinery Joint Venture; and providing for an effective date."

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

4 \* Section 1. The March 4, 1992 "Agreement for the Sale and Purchase of State Royalty Oil" between  
5 the State of Alaska and Petro Star Valdez Refinery Joint Venture, for the sale of Kuparuk River Unit  
6 royalty oil, is approved and ratified.

7 \* Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

The Alaska Royalty Oil and Gas Development Advisory Board

Resolution 92-1

On January 23, 1992, the director of the division of oil and gas ("director") provided the Alaska Royalty Oil and Gas Development Advisory Board ("board") with preliminary findings and proposed contract for a long-term sale of up to about 30,000 barrels per day of Kuparuk River Unit royalty oil to Petro Star Valdez Refinery Joint Venture, a joint venture comprised of Petro Star Valdez, Inc., (a subsidiary of Arctic Slope Regional Corporation), Harbor Enterprises, Inc., and Alaska Refining, Inc. (collectively "joint venture"). The joint venture will process the oil in a refinery proposed for Valdez.

The proposed contract was discussed between representatives of the division of oil and gas (DOG) and the joint venture over the past year culminating in a draft contract. On January 23, 1992, the director made public the proposed contract and the Preliminary Finding and determination of the Commissioner of the Department of Natural Resources. The director notified the public that the proposed sale would be discussed at the board's meeting on February 6, 1992 and invited them to attend.

On February 6, 1992, the board met to discuss the sale and to take public comment on it. The meeting was attended by representatives of the DOG, representatives of the joint venture, and members of the public. The board received a presentation from the DOG staff regarding the proposed sale and contract, questioned the staff about them, and made several suggestions. The staff will implement those suggestions. At the conclusion of the discussion, the voting members of the board, who attended the meeting, unanimously approved the proposed sale and recommended that the proposed contract be approved by the legislature.

Based on the board's review of the contract for the sale and purchase of royalty oil between the State of Alaska and the joint venture, the Commissioner's findings and determinations regarding the proposed sale, and the information presented at public meeting of the board, the board is of the opinion that the proposed disposition of Kuparuk River Unit royalty oil to the joint venture meets the requirements of AS 38.06 and 11 AAC 26. The board adopts the Commissioner's finding and determinations, and recommends that the Seventeenth Alaska Legislature approve the agreement for the sale and purchase of royalty oil from the Kuparuk River Unit to Petro Star Valdez Refinery Joint Venture.

L. Frank DeLong  
L. Frank DeLong

Charles Logsdon  
Charles Logsdon

Glenn A. Olds  
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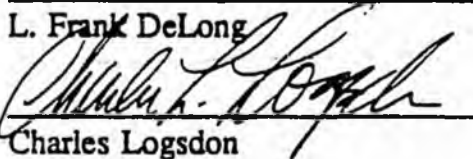
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L. Frank DeLong

  
Charles Logsdon

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Glenn A. Olds

WALTER J. HICKEL  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

March 11, 1992

The Honorable Richard I. Eliason  
President of the Senate  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

Dear President Eliason:

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 and Petro Star Valdez Refinery Joint Venture for the sale of Kuparuk River Unit 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 in accordance with AS 38.06.040(a)(3) and 38.06.050(a), and providing the report required by AS 38.06.070(c).

The contract is also described in the finding issued by the Commissioner of Department of Natural Resources on March 4, 1992. Copies of the Commissioner's preliminary finding and the draft contract have been sent to the Legislature and made available to the public for review. The Commissioner's final finding and the signed contract are attached.

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 previous Administrations 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 might have occurred in the process of entering into this contract.

I urge your prompt consideration and passage of this bill.

Sincerely,

A handwritten signature in cursive script that reads "Walter J. Hickel".

Walter J. Hickel  
Governor

PLEASE MICROFILM TOP PAGE ONLY

DOCUMENTS WHICH HAVE NOT BEEN  
FILMED BUT ARE AVAILABLE IN THE  
ORIGINAL FILE INCLUDE:

→ DEPT. OF NATURAL RESOURCES

DIV. OF OIL & GAS MARCH 4, 1992

" FINAL FINDING & DETERMINATION TO SELL  
ROYALTY OIL TO PETRO STAR VALDEZ REFINERY  
JOINT VENTURE "