

HB

320

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 4/29/95

FURTHER:

DATE TURNED INTO OFFICE: 5-2-95

Finance Committee considered HOUSE BILL NO. 320

Approving the sale of Prudhoe Bay Unit royalty oil by the State of Alaska to Tesoro Alaska Petroleum Company; efd.

and recommends:

- be replaced with _____ CS _____
- adopt previous _____ CS _____
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

Senate Bill:

- same title
- new title
- House Bill:**
- same title
- technical change
- new: SCR# _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Steve Zinn</i>	✓				
<i>Bill E. C. [unclear]</i>	✓				
<i>Paul F. Zimoff</i>	✓				
Co-Chair: <i>Rick Halford</i>	✓				
Co-Chair:					

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

#1	DNR	4/19/95	⊖	⊖
#2	DOR	4/19/95	⊖	

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

FISCAL NOTE

STATE OF ALASKA 1995 LEGISLATIVE SESSION

Revision Date: _____ Dept Affected: Natural Resources
 Title: An act approving the sale of Prudhoe Bay Unit BRU: Resource Development
royalty oil by the State to Tesoro Alaska Petroleum Co. Component: Oil & Gas Development
 Sponsor: Rules Committee
 Requestor: Governor Component Serial No. 439

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY95) cost: \$ 0.0

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary)
 The State will sell royalty oil to Tesoro Alaska Petroleum Co. at a price based on the royalty value of Prudhoe Bay Unit (PBU) royalty oil sold by Exxon. In 1994, this value averaged \$.15 per barrel more than the volume-weighted average royalty value of royalty oil lifted by all of the PBU producers. This difference will decline over the life of the contract as the surplus of Alaska North Slope oil shipped to the Gulf Coast declines. It is expected that this difference will just offset potential revenue losses of royalties and severance taxes which may result from the sale. These losses are caused when, in selling royalty oil, the State reduces the volume of oil sold by the producers in Alaska. The proportion of oil sold by the producers in the higher value West Coast (including Alaska) is reduced and the average royalty value and value of severance tax oil is also reduced.

Prepared by: Kevin Banks Phone: 762-2589
 Division: Oil & Gas Date: 19-Apr-95
 Approved by Commissioner: _____ Date: 4/20/95
 Agency: Natural Resources

FISCAL NOTE

STATE OF ALASKA
 1995 LEGISLATIVE SESSION

Revision Date: _____ Dept. Affected: Revenue
 Title: Royalty Oil Sale to Tesoro by the State BRU: Revenue Operations
 Component: Oil and Gas Audit
 Sponsor: Governor
 Requester: _____ COMPONENT SERIAL NO. 115

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
-------------------------------	------------	------------	------------	------------	------------	------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
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Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY95) cost: \$ 0.0

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Passage of the Bill reflecting LAWLOG: 95-0052 will not impact the Department Of Revenue. Any change in royalty receipts should be reflected by the Department of Natural Resources.

Prepared by: Bob Baratko Phone: 465-2312
 Division: Administrative Services Date: 4/19/95
 Approved by Commissioner: Deborah Voigt Date: 4/19/95
 Agency: Department of Revenue

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COMMITTEE COPY

The Alaska Royalty Oil and Gas Development Advisory Board

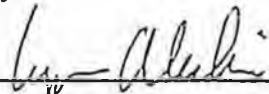
Resolution 95-1

On March 21, 1995, the acting 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 three-year sale of approximately 40,000 barrels per day of Prudhoe Bay Unit royalty oil to Tesoro Alaska Petroleum Company ("Tesoro"). Tesoro will process the oil in its refinery in Nikiski, Alaska.

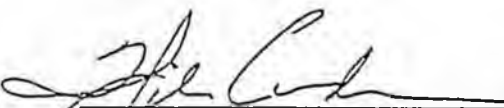
The propose contract was discussed between representatives of the division of oil and gas and Tesoro over the past four months culminating in a draft contract. On March 21, 1995, the director made public the proposed contract and the Preliminary Finding and Determination of the Commissioner of the Department of Natural Resources. The director notified the public that the proposed sale would be discussed at the Board's meeting on April 6, 1995 and invited them to attend.

On April 6, 1995, the Board met to discuss the sale and to take public comment on it. The meeting was attended by representatives of the division of oil and gas, representatives of Tesoro, and members of the public. The Board received a presentation from the division 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 Tesoro, the Commissioner's finding and determination regarding the proposed sale, and the information presented at a public meeting of the Board, the Board is of the opinion that the proposed disposition of Prudhoe Bay Unit royalty oil to Tesoro meets the requirements of AS 32.06 and 11 AAC 26. The Board adopts the Commissioner's finding and determination, and recommends that the Nineteenth Legislature approve the agreement for the sale and purchase of royalty oil from the Prudhoe Bay Unit to Tesoro Alaska Petroleum Company.



Lynn Aleshire

 04-06-95
Tom Cook


Wilson Condon


Becky Gay

Willie Hensley


John Shively

APR 10 1995

The Alaska Royalty Oil and Gas Development Advisory Board

Resolution 95-1

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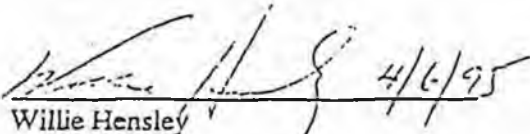
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Lynn Aleshire

Tom Cook

Wilson Condon

Becky Gay



Willie Hensley

John Shively

THE FULL TEXT OF THIS MATERIAL IS CONTAINED IN
MEMBERS' FILES FOR SB 164.

Final Finding and Determination

to Sell Royalty Oil

to

Tesoro Alaska Petroleum Company



Alaska Department of
**NATURAL
RESOURCES**

Division of Oil and Gas
3601 "C" Street, Suite 1380
Anchorage, Alaska 99503-5948

April 21, 1995

THE FULL TEXT OF THIS MATERIAL IS CONTAINED IN
MEMBERS' FILES FOR SB 164.

*An Analysis of the Department of Natural Resources'
Proposed Three-Year Contract for the Sale of
Prudhoe Bay Royalty Oil to Tesoro Alaska
Petroleum Company*

Tesoro Alaska Petroleum Company
March 29, 1995

THE FULL TEXT OF THIS MATERIAL IS CONTAINED IN
MEMBERS' FILES FOR SB 164.

AGREEMENT FOR THE SALE AND PURCHASE

OF

STATE ROYALTY OIL

to

TESORO ALASKA PETROLEUM COMPANY

THE STATE OF ALASKA
Department of Natural Resources

Dated as of April 21, 1995

Cross-Reference to - HB 320

BILL: SB 164

SHORT TITLE: APPROVE TESORO ROYALTY OIL

AGREEMENT

BILL VERSION:

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

CURRENT STATUS: (S) FIN
THEN RLS

STATUS DATE: 04/27/95

TITLE: "An Act approving the sale of Prudhoe Bay Unit royalty oil by the State of Alaska to Tesoro Alaska Petroleum Company; and providing for an effective date."

04/22/95	1190	(S)	READ THE FIRST TIME - REFERRAL(S)
04/22/95	1190	(S)	RESOURCES, FINANCE
04/22/95	1190	(S)	ZERO FISCAL NOTES (REV, DNR)
04/22/95	1190	(S)	GOVERNOR'S TRANSMITTAL LETTER
04/22/95	1191	(S)	HOUSE AND SENATE JOINT JOURNAL SUPP #12
04/22/95	1191	(S)	CONTAINS SALE & PURCHASE AGREEMENT OF
04/22/95	1191	(S)	STATE ROYALTY OIL TO TESORO AK PETROLEUM
04/27/95	1269	(S)	RES RPT 6DP
04/27/95	1269	(S)	PREVIOUS ZERO FNS (REV, DNR)
04/27/95	1269	(S)	REFERRED TO FINANCE

Fin 4/29

Cross-Reference to - HB 320

BILL: SB 164
AGREEMENT

SHORT TITLE: APPROVE TESORO ROYALTY OIL

BILL VERSION:

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

CURRENT STATUS: (S) FIN
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04/27/95	1269	(S)	PREVIOUS ZERO FNS (REV, DNR)
04/27/95	1269	(S)	REFERRED TO FINANCE

Fin 4/29

HB 320

TONY KNOWLES
GOVERNOR



P.O. Box 110001
Juneau, Alaska 99811-0001
(907) 465-3500
Fax (907) 465-3532

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

April 22, 1995

The Honorable Gail Phillips
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Speaker Phillips:

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 Tesoro Alaska Petroleum Company for the sale of Prudhoe Bay Unit royalty oil. Also transmitted with this bill are copies 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 the report required by AS 38.06.070(c).

The contract is described in a final finding issued by the commissioner of the Department of Natural Resources on April 21, 1995. A copy of the commissioner's final finding and the signed contract are attached. Copies of the commissioner's preliminary finding and the draft contract previously were sent to the legislature and made available to 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 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 can take 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 black ink, appearing to read "Tony Knowles".

Tony Knowles
Governor

SENATE FINANCE COMMITTEE REPORT

DATE: 4/29/95

FURTHER:

DATE TURNED INTO OFFICE: 5-2-95

Finance Committee considered HOUSE BILL NO. 320

Approving the sale of Prudhoe Bay Unit royalty oil by the State of Alaska to Tesoro Alaska Petroleum Company; efd.

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

Senate Bill:

- same title
- new title
- House Bill:**
- same title
- technical change
- new: SCR# _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Steve Fain</i>	✓				
<i>Bill E. ...</i>	✓				
<i>Paul T. Zhuravoff</i>	✓				
Co-Chair: <i>Rick Halford</i>	✓				
Co-Chair: _____					

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

#1	DNR	4/19/95	0	0
#2	DOR	4/19/95	0	

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill