

LEG. FINANCE - BILLS 1977-1978 1007

SCR 69 thru SCR 88 1008

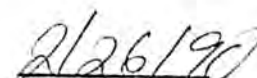


RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.


Signature of Camera Operator


Date

COMMITTEE REPORT

SENATE

FURTHER: _____

Date: _____

Mr. President:

The Committee on _____ has had _____

under consideration and (a majority of the committee) (the committee reports it back as follows)

- ☐ recommends it do pass ☐ recommends it do not pass
- ☐ recommends it do pass with attached amendment(s)
- ☐ recommends it be replaced with CS for _____

and _____ ☐ new title ☐ same title

- ☐ AND attaches a Letter of Intent ☐ New Fiscal Note
- ☐ reports it back without recommendation
- ☐ and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Chairman

Introduced: 1/13/78
Referred: State Affairs and
Finance

BY RODEY, KERTTULA, BRADLEY,
COLLETTA, CROFT, SUMNER, WILLIS
AND HUBER

1 IN THE SENATE

2 SENATE CONCURRENT RESOLUTION, NO. 69

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 Relating to construction of a lodge and
6 visitor center in Denali State Park.

7 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 WHEREAS it is proposed that a lodge and visitor center be built in
9 Denali State Park at a site overlooking the Tokositna River Valley, the
10 Tokositna Glacier, and the south face of Mt. McKinley; and

11 WHEREAS the site of the proposed lodge and visitor center is near the
12 location at which Sydney Laurence painted many scenes of Mt. McKinley; and

13 WHEREAS the site presents a panoramic view of the impressive and
14 beautiful Alaska Range; and

15 WHEREAS the U.S. National Park Service has expressed an interest in co-
16 locating a visitor center at the proposed site in order to serve the proposed
17 southern additions to McKinley National Park;

18 BE IT RESOLVED that the Alaska State Legislature endorses the proposal
19 for the construction of a lodge and visitor center in Denali State Park at
20 a site overlooking the Tokositna River and Mt. McKinley; and be it

21 FURTHER RESOLVED that the Alaska State Legislature respectfully requests
22 the Governor to initiate discussions with the U.S. National Park Service
23 regarding the co-location of state park and national park facilities at the
24 proposed site of the Tokositna lodge and visitor center.

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. S.B. 409

Title Feasibility Study: Tokositna Lodge/Visitor Center, Denali State Park

Requested by Sen. Pat Rodey Date January 21, 1978

II. FISCAL DETAIL

Agency Affected Division of Parks, Department of Natural Resources

Program Category Affected Natural Resources Management & Environmental Conservation

Budget Request Unit(s) Affected Park Management

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES			67,224			
200 TRAVEL			12,200			
300 CONTRACTUAL			161,200			
400 COMMODITIES			1,800			
500 EQUIPMENT			1,500			
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL			\$243,924	0	0	0

FUNDING (Thousands of Dollars)

GENERAL FUND			\$243,924	0	0	0
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME			2	0	0	0
PART TIME			1	0	0	0
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Expenditure: would produce a comprehensive development plan and feasibility analysis for the construction of a lodge, visitor center, youth hostel, campground, trails, transportation system, resident housing, ski area feasibility study, soils analysis for bearing and building strengths, and a preliminary utilities report. The development plan WOULD NOT result in architectural or utility design or engineering report. Complete planning, engineering, architectural, utilities and other documents suitable for actual construction would be a total expenditure of \$1,034,780. A published comprehensive plan would be produced, however.

IV. DATE January 21, 1978

PREPARED BY Terry McWilliams, Director

AGENCY Division of Parks

PHONE 274-4676

Original: Legislative Finance

SENATE BILL 409 - Feasability Study for Tokositna Lodge/Visitor Center
Development: Denali State Park Preliminary Budget
- 12 Month Study -

100 Personal Services

1. Park Planner III (Project Leader)	\$32,040
2. Park Planner II	27,636
3. Part-time Clerk Typist III	7,548
Total	\$67,224

200 Travel & Per diem

1. Heli opter charter @ \$350/hr. X 20 hrs.	\$ 7,000
2. Two RT tickets to Denver to meet with National Park Service Concession planners	2,000
3. Four RT tickets & per diem to Juneau	1,200
4. Vehicle Use	2,000
Total	\$12,200

300 Contractual

1. Rent for small project office, \$900/mo.	\$10,800
2. Aerial photography & aerial contour mapping @ 2'/or 5' contour interval	30,000
3. Printing of report, phones, duplication services	18,000
4. Office equipment rental	2,400
5. Soil building, bearing strength studies	25,000
6. Preliminary utilities studies	20,000
7. Snow engineering, ski potential studies	50,000
8. Architectural renderings	5,000
Total	\$161,200

400 Commodities

Miscellaneous: office, drawing supplies	\$1,800
---	---------

500 Equipment

Equipment, chairs & desks, bookcase, file drawer & map drawer	\$1,500
--	---------

Overall Total \$243,924

Prepared By: Neil C. Johannsen
Chief of Planning
Alaska State Parks
619 Warehouse Ave. S. 210
Anchorage, Alaska 99501
274-4676

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Senate Concurrent Resolution No. 69 (SEE SB 409)
Title Relating to construction of lodge, visitor center, Denali St. Park
Requested by Rodey Date 1-21-78

II. FISCAL DETAIL

Agency Affected Division of Parks, Department of Natural Resources
Program Category Affected Natural Resource Management & Environmental Conservation
Budget Request Unit(s) Affected Park Management

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL			e	e	e	e

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify)						
	e	e	e	e	e	e

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

The Governor, via the Departments of Natural Resources and Commerce and Economic Development, has already initiated the discussions with the National Park Service related to the possible construction of a lodge/visitor center in Denali State Park, as recommended in SCR 69. No additional funding is required to continue said discussions, though no specific on-site investigations, planning, engineering, or architectural can commence without funding.

IV. DATE January 21, 1978

PREPARED BY Terry McWilliams, Director
AGENCY Division of Parks
PHONE 274-4676

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

Alternate contact for information:
Neil C. Johannsen, Chief
Park Planning Unit

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. S.B. 409

Title Feasibility Study: Tokositna Lodge/Visitor Center, Denali State Park

Requested by Sen. Pat Rodey

Date January 21, 1978

II. FISCAL DETAIL

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FUNDING (Thousands of Dollars)

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OTHER (Specify)						

POSITIONS

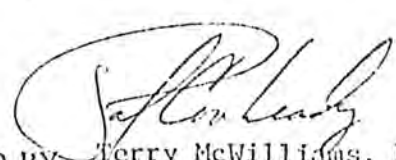
FULL TIME			2	0	0	0
PART TIME			1	0	0	0
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Expenditures would produce a comprehensive development plan and feasibility analysis for the construction of a lodge, visitor center, youth hostel, campground, trails, transportation system, resident housing, ski area feasibility study, soils analysis for bearing and building strengths, and a preliminary utilities report. The development plan WOULD NOT result in architectural or utility design or engineering report. Complete planning, engineering, architectural, utilities and other documents suitable for actual construction would be a total expenditure of \$1,034,780. A published comprehensive plan would be produced, however.

IV. DATE January 21, 1978

PREPARED BY


Terry McWilliams, Director

AGENCY

Division of Parks

PHONE

274-4676

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

Alternate contact:

Neil C. Johannsen, Chief

SENATE BILL 409 - Feasability Study for Tokositna Lodge/Visitor Center
Development: Denali State Park Preliminary Budget
- 12 Month Study -

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Miscellaneous: office, drawing supplies	\$1,800
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Equipment, chairs & desks, bookcase, file drawer & map drawer	\$1,500
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Overall Total \$243,924

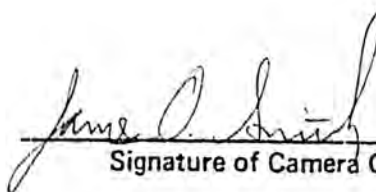
Prepared By: Neil C. Johannsen
Chief of Planning
Alaska State Parks
619 Warehouse Ave. S. 210
Anchorage, Alaska 99501
274-4676

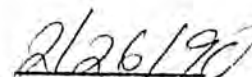


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Signature of Camera Operator


Date

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Senate Concurrent Resolution No. 69 (SEE SB 409)

Title Relating to construction of lodge, visitor center, Denali St. Park

Requested by Rodey Date 1-21-78

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Program Category Affected Natural Resource Management & Environmental Conservation

Budget Request Unit(s) Affected Park Management

EXPENDITURES (Thousands of Dollars)

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TOTAL			e	e	e	e

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify)						
	e	e	e	e	e	e

POSITIONS

FULL TIME						
PART TIME						
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IV. DATE January 21, 1978

PREPARED BY Terry McWilliams, Director

AGENCY Division of Parks

PHONE 274-4676

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

Alternate contact for information:

Neil C. Johannsen, Chief

Park Planning Unit

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. S.B. 4-9

Title Feasibility Study: Tokositna Lodge/Visitor Center, Denali State Park

Requested by Sen. Pat Rodey Date January 21, 1978

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Agency Affected Division of Parks, Department of Natural Resources

Program Category Affected Natural Resources Management & Environmental Conservation

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TOTAL			\$243,924	0	0	0

FUNDING (Thousands of Dollars)

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GENERAL FUND						
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IV. DATE January 21, 1978

PREPARED BY Terry McWilliams, Director

AGENCY Division of Parks

PHONE 274-4676

Original: Legislative Finance

cc: Budget and Management

Printed Name of (First Legislator Named)

Alternate contact:

Neil C. Johannsen, Chief

SENATE BILL 409 - Feasability Study for Tokositna Lodge/Visitor Center
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Equipment, chairs & desks, bookcase, file drawer & map drawer	\$1,500
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Overall Total \$243,924

Prepared By: Neil C. Johannsen
Chief of Planning
Alaska State Parks
619 Warehouse Ave. S. 210
Anchorage, Alaska 99501
274-4676

Introduced: 1/13/78
Referred: State Affairs and
Finance

BY RODEY, KEITTULA, BRADLEY,
COLLETTA, CROFT, SUMNER, WILLIS
AND HUBER

1 IN THE SENATE

2 SENATE CONCURRENT RESOLUTION NO. 69

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 Relating to construction of a lodge and

6 visitor center in Denali State Park.

7 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 WHEREAS it is proposed that a lodge and visitor center be built in
9 Denali State Park at a site overlooking the Tokositna River Valley, the
10 Tokositna Glacier, and the south face of Mt. McKinley; and

11 WHEREAS the site of the proposed lodge and visitor center is near the
12 location at which Sydney Laurence painted many scenes of Mt. McKinley; and

13 WHEREAS the site presents a panoramic view of the impressive and
14 beautiful Alaska Range; and

15 WHEREAS the U.S. National Park Service has expressed an interest in co-
16 locating a visitor center at the proposed site in order to serve the proposed
17 southern additions to McKinley National Park;

18 BE IT RESOLVED that the Alaska State Legislature endorses the proposal
19 for the construction of a lodge and visitor center in Denali State Park at
20 a site overlooking the Tokositna River and Mt. McKinley; and be it

21 FURTHER RESOLVED that the Alaska State Legislature respectfully requests
22 the Governor to initiate discussions with the U.S. National Park Service
23 regarding the co-location of state park and national park facilities at the
24 proposed site of the Tokositna lodge and visitor center.

Introduced: 1/13/78
Referred: State Affairs and
Finance

BY RODEY, KERTTULA, BRADLEY, COLLETTA,
CROFT, SUMNER, WILLIS AND HUBER

1 IN THE SENATE

2 SENATE BILL NO. 409

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Depart-
7 ment of Natural Resources for a feasibility study of
8 the proposed Tokositna Lodge and Visitor Center in
9 Denali State Park; and providing for an effective
10 date."

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

12 * Section 1. The sum of \$260,000 is appropriated from the general fund to
13 the Department of Natural Resources for a study of the feasibility of con-
14 structing a lodge and visitor center complex in Denali State Park at a site
15 overlooking the Tokositna River.

16 * Sec. 2. The unexpended and unobligated portion of this appropriation
17 lapses into the general fund June 30, 1979.

18 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
19 070(c).

COMMITTEE REPORT

5/17/78

HOUSE

FURTHER: _____

Date: _____

Mr. Speaker:

The Committee on FINANCE has had SCR 69
Relating to construction of a lodge and visitor center in Denali State Park.
under consideration and (a majority of the committee) (the committee
reports it back as follows)

☐ recommends it do pass ☐ recommends it do not pass

☐ recommends it do pass with attached amendment(s)

☐ recommends it be replaced with CS for _____

and _____ ☐ new title ☐ same title

☐ AND attaches a Letter of Intent ☐ New Fiscal Note

☐ reports it back without recommendation

☐ and recommends it be referred to the _____ Committ

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

COMMITTEE REPORT
HOUSE

FURTHER: FINANCE

3/22/78

Date: MAY 15, 1978

Mr. Speaker:

The Committee on STATE AFFAIRS has had SCR 69
Relating to construction of a lodge and visitor center in Denali State
Park.

under consideration and (a majority of the committee) (~~the committee~~
~~reports it back as follows~~)

(☒) recommends it do pass () recommends it do not pass

() recommends it do pass with attached amendment(s)

() recommends it be replaced with CS for _____

and _____ () new title () same title

() AND attaches a Letter of Intent () New Fiscal Note

() reports it back without recommendation

() and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

A. S. Bradley
Tim Kelly
Paul W. Helmer
Joe McKinnon
1000

OTHER RECOMMENDATIONS:

Do Pass
No Pass.

A. S. Bradley
Chairman

Introduced: 1/13/78
Referred: State Affairs and
Finance

1 IN THE SENATE

BY RODLY, KERTTULA, BRADLEY, COLLETTA,
CROFT, SUMNER, WILLIS AND HUBER

2 SENATE CONCURRENT RESOLUTION NO. 69

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 Relating to construction of a lodge and
6 visitor center in Denali State Park.

7 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

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9 Denali State Park at a site overlooking the Tokositna River Valley, the
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11 WHEREAS the site of the proposed lodge and visitor center is near the
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17 southern additions to McKinley National Park;

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19 for the construction of a lodge and visitor center in Denali State Park at
20 a site overlooking the Tokositna River and Mt. McKinley; and be it

21 FURTHER RESOLVED that the Alaska State Legislature respectfully requests
22 the Governor to initiate discussions with the U.S. National Park Service
23 regarding the co-location of state park and national park facilities at the
24 proposed site of the Tokositna lodge and visitor center.

ALASKA STATE LEGISLATURE

TENTH... Legislature SECOND... Session

SENATE CONC. RESOL. NO. 69

By RODEY, KERTTULA, BRADLEY,
COLLETTA, CROFT, SUMNER
WILLIS AND HUBERRelating to construction of a
lodge and visitor center in
Denali State Park.

Denali State Park

Introduced in the Senate 1/13/..., 19...78

HISTORY IN THE SENATE

19	78	
1	13	Read first time and referred to Committee on State Affairs and Finance
1	24	Reported back with recommendation that <i>do pass</i>
3	00	<i>to Finance - do pass - Resolved</i>
3	21	<i>Referred to Finance</i>
3	21	Read second time and <i>considered in final passage</i>
3	21	PASS <i>24</i> Effective Date
		Yeas 17 Yeas
		Nays - Nays
		Absent 1 Absent
		Excused 2 Excused
		Reconsideration
		PASS Effective Date
		Yeas Yeas
		Nays Nays
		Absent Absent
		Excused Excused
3	21	Reported correctly engrossed
3	21	Signed by President
3	21	Sent to House
		<i>Gregory M. Hallgren</i> SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19	78	
Mar 22		Read first time and referred to Committee on <i>State Affairs Finance</i>
		Reported back with recommendation that
		Read second time and
		Read third time and
		PASS Effective Date
		Yeas Yeas
		Nays Nays
		Absent Absent
		Excused Excused
		Reconsideration
		PASS Effective Date
		Yeas Yeas
		Nays Nays
		Absent Absent
		Excused Excused
		Reported correctly engrossed
		Signed by Speaker
		Returned to Senate
		CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

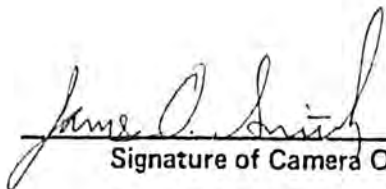
19		
		Received from House
		Reported correctly enrolled
		Sent to Governor
		 By Governor
		Filed with Lt. Governor
		Chapter No.

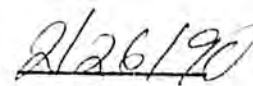


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Signature of Camera Operator


Date

COMMITTEE REPORT

SENATE

4/28/78

FURTHER: _____

Date: _____

Mr. President:

The Committee on FINANCE has had SCR 84
approving the sale of royalty oil to Tesoro-Alaskan Petroleum

under consideration and (a majority of the committee) (the committee reports it back as follows)

- ☐ recommends it do pass ☐ recommends it do not pass
☐ recommends it do pass with attached amendment(s)
☐ recommends it be replaced with CS for _____

- and _____ ☐ new title ☐ same title
☐ AND attaches a Letter of Intent ☐ New Fiscal Note
☐ reports it back without recommendation
☐ and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

COMMITTEE REPORT
SENATE

Finance
R. Paloud

3/6/78

FURTHER: _____

Date: 27 April 78

Mr. President:

SPECIAL COMMITTEE ON ROYALTY

The Committee on OIL SALES has had SCR 84
approving the sale of royalty oil to Tesoro-Alaskan Petroleum

under consideration and (a majority of the committee) (the committee reports it back as follows)

- (☒) recommends it do pass () recommends it do not pass
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- () AND attaches a Letter of Intent () New Fiscal Note
() reports it back without recommendation
() and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Collette
Sumner
R. Paloud

Mike Collette
Chairman

Introduced: 3/6/78
Referred: Special Committee On
Royalty Oil Sales

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE CONCURRENT RESOLUTION NO. 84

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 Approving the sale of royalty oil
6 to Tesoro-Alaskan Petroleum

7 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 WHEREAS, the State of Alaska has the right under AS 38.05.180 and its
9 oil and gas leases to take its royalty of crude oil production removed or
10 sold from said leases either in value (money) or in kind (oil); and

11 WHEREAS, the legislature has by enactment of AS 38.06 and AS 38.05.182,
12 established a policy favoring the taking of that royalty in kind (referred
13 to as "royalty oil"); and

14 WHEREAS, the State of Alaska entered into a certain agreement entitled
15 "AGREEMENT FOR THE SALE AND PURCHASE OF STATE OF ALASKA ROYALTY OIL" ("Agree-
16 ment") for the sale of royalty oil with Alaskan Oil and Refining Company on
17 or about January 31, 1969; and

18 WHEREAS, Tesoro-Alaskan Petroleum Company is the legal successor in
19 due course to Alaskan Oil and Refining Company and the Alaskan Oil and
20 Refining Company's rights, duties, and obligations under the Agreement; and

21 WHEREAS, the State of Alaska entered into an agreement entitled "EXTEN-
22 SION OF AGREEMENT FOR THE SALE AND PURCHASE OF STATE ROYALTY OIL" ("Exten-
23 sion") with Tesoro-Alaskan Petroleum Company on or about March 8, 1977; and

24 WHEREAS, Article I of the Extension provides in pertinent part that
25 the Agreement "shall extend to and include December 31, 1978"; and

26 WHEREAS, under his statutory authority as set out in AS 38.05 and
27 38.06, the commissioner of natural resources has negotiated a second agree-
28 ment entitled "EXTENSION OF AGREEMENT FOR THE SALE AND PURCHASE OF STATE
29 ROYALTY OIL" ("Agreement II") for the sale and purchase of royalty oil with

1 Tesoro-Alaskan Petroleum Company, extending the term of the Agreement,
2 modifying various provisions of it, and adding various provisions to it;
3 and

4 WHEREAS, under its duties and powers as set out in AS 38.06, the
5 Alaska Royalty Oil and Gas Development Advisory Board has considered and,
6 on February 22, 1978, approved Agreement II; and

7 WHEREAS, the commissioner of natural resources has fulfilled the
8 statutory prerequisites necessary to selling the royalty oil which is the
9 subject of Agreement II and has obtained approvals from the Alaska Royalty
10 Oil and Gas Development Advisory Board, to the extent required under AS
11 38.05 and 38.06; and

12 WHEREAS, Agreement II contains a provision stating that if the Tenth
13 Alaska State Legislature does not approve Agreement II by a concurrent
14 resolution concurred in by a majority of the members of each house, then it
15 shall be of no force or effect; and

16 WHEREAS, under AS 38.06.055(a), no sale of royalty oil may be made by
17 the commissioner of natural resources without the prior approval of the
18 legislature by a concurrent resolution concurred in by a majority of the
19 members of each house; and

20 WHEREAS, the commissioner of natural resources submitted Agreement II
21 to the legislature for consideration and approval; and

22 WHEREAS, the legislature has reviewed and evaluated Agreement II, and
23 has conducted public hearings or otherwise received background information,
24 expert advice, and expressions of public opinion sufficient to make a
25 reasoned determination with respect to Agreement II; and

26 WHEREAS, the legislature finds Agreement II to be in the best interests
27 of the State of Alaska and its citizens, and further finds that Agreement
28 II is in compliance with all applicable constitutional directives and
29 requirements of law;

1 BE IT RESOLVED by the Alaska State Legislature that the agreement
2 entitled "EXTENSION OF AGREEMENT FOR THE SALE AND PURCHASE OF STATE ROYALTY
3 OIL," between the State of Alaska, acting through its commissioner of
4 natural resources, and Tesoro-Alaskan Petroleum Company, is hereby approved.
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COMMITTEE COPY

March 6, 1978

The Honorable John L. Rader
President of the Senate
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. President:

Under the authority of art. III, sec. 18, Alaska Constitution, I am transmitting a concurrent resolution providing for legislative approval of the proposed contract between the State of Alaska and Tesoro-Alaskan Petroleum Company.

This resolution is being concurrently submitted to both the Senate and House in order to expedite consideration.

The contract submitted with this resolution renews the state's agreement with Tesoro-Alaskan Petroleum Company for the sale of the Cook Inlet area. The contract expires in 1983, and provides the state with the highest price possible under federal regulations.

In the past, there have been questions raised over the constitutionality of the legislature's approval of an executive act by the means of a concurrent resolution. In an effort to avoid raising that issue by submitting this contract for approval, I insisted that a clause requiring legislative approval be placed in the contract itself. I did so to insure that legislative approval in this instance could be sustained on the basis of a contractual provision rather than raise a constitutional debate over legislative power to require such approval.

I hope that you agree that this sale is in the best interest of all Alaskans, and I urge your prompt approval.

Sincerely,

S. J. Hammond

Jay S. Hammond
Governor

EXTENSION OF
AGREEMENT FOR THE SALE
AND PURCHASE OF STATE ROYALTY OIL

THIS EXTENSION, entered into by and between the STATE OF ALASKA ("STATE"), acting by and through its Commissioner of Natural Resources with the consent of the Alaska Royalty Oil and Gas Development Advisory Board pursuant to AS 38.05.182, AS 38.05.183 and AS 38.06 and TESORO-ALASKAN PETROLEUM COMPANY ("PURCHASER").

W I T N E S S E T H :

WHEREAS, the STATE entered into that certain agreement entitled "AGREEMENT FOR THE SALE AND PURCHASE OF STATE OF ALASKA ROYALTY OIL" ("Agreement") with Alaskan Oil and Refining Company as of January 31, 1969; and

WHEREAS, PURCHASER is the legal successor in due course to Alaskan Oil and Refining Company and the Alaskan Oil and Refining Company's rights, duties and obligations under the Agreement; and

WHEREAS, the STATE entered into that certain agreement entitled "EXTENSION OF AGREEMENT FOR THE SALE AND PURCHASE OF STATE ROYALTY OIL" ("Extension") with PURCHASER on March 8, 1977; and

WHEREAS, Article I of the Extension provides in pertinent part that the Agreement "shall extend to and include December 31, 1978"; and

WHEREAS, the STATE believes an additional five (5) year extension of the sale of royalty oil to PURCHASER for use in PURCHASER'S Kenai Refinery is in the best interest of the STATE;

NOW THEREFORE, in consideration of the foregoing and in consideration of the mutual covenants and agreements herein contained, the STATE and PURCHASER covenant and agree as follows:

ARTICLE I. TERM

Article XII of the Agreement, as amended, shall be further amended by the deletion thereof in its entirety and substitution of the following:

Term:

The term of this contract shall extend to and include December 31, 1983, PROVIDED HOWEVER, Purchaser may cancel this contract by giving the State seven (7) months written notice of its intention so to do.

ARTICLE II. PRICE

Article V of the Agreement, as amended, shall be further amended by the deletion thereof in its entirety and the substitution of the following:

Price:

1. Purchaser agrees to pay the State a price for royalty oil sold hereunder which shall be the amount the State would have received for that royalty oil had the State been taking that royalty in value instead of in kind.

2. If during a calendar month the State sells royalty oil taken in kind by it and produced from any Field in the Cook Inlet Basin to some other purchaser or purchasers at a price (adjusted for any difference in API gravity) greater than the price agreed to be paid by Purchaser under Paragraph 1 of this Article, then Purchaser agrees to pay the State for its purchases hereunder during that month on the basis of the highest price (adjusted for any difference in API gravity) paid to the State during that month by such a purchaser.

3. If during a calendar month Purchaser buys, from a seller other than the State, oil produced from any Field in the Cook Inlet Basin at a price (adjusted for any difference in API gravity) greater than the price agreed to be paid by Purchaser under Paragraph 1 of this Article, then Purchaser agrees to pay the State for its purchases hereunder during that month on the basis of the highest price (adjusted for any difference in API gravity) paid by Purchaser to another seller during that month for oil produced from a Field in the Cook Inlet Basin.

4. For purposes of Paragraphs 2 and 3 of this Article, prices shall be adjusted for differences in API gravity in accordance with the following: (A) The API gravity of the oil shall be rounded downward to the nearest whole degree, without regard to fractional degrees; (B) The adjustment shall be three (3) cents per degree for each degree above thirty-four (34) degrees API gravity and two (2) cents for each degree below thirty-four (34) degrees API gravity; (C) Oil above forty (40) degrees API gravity will be regarded for these purposes as being forty (40) degrees API gravity.

5. In the event the provisions of Paragraphs 2 and 3 of this Article both apply to sales and purchases of the State and Purchaser, respectively, during a calendar month, Purchaser agrees to pay the State on the basis of the higher of the prices agreed to be paid under the provisions of those Paragraphs.

6. In addition to the price agreed above to be paid by Purchaser to the State, Purchaser agrees to pay the State two (2) cents per barrel for all royalty oil delivered hereunder to Purchaser in excess of fifteen thousand (15,000) barrels per day.

7. Notwithstanding any provisions in this Article to the contrary, if any law of the United States or any order, rule and/or regulation of the

United States Department of Energy or its successor or of any other federal governmental entity or entities having or asserting jurisdiction over the subject matter hereof should limit the price which Purchaser would otherwise legally pay the State hereunder, then in that event Purchaser shall pay the State the highest applicable price specified, authorized or permitted under such laws, orders, rules and/or regulations.

ARTICLE III. IN-STATE USE

Article II, Paragraph 4 of the Agreement, shall be amended by the deletion thereof in its entirety and the substitution of the following:

4. Purchaser agrees that all oil purchased under the terms hereof shall (a) be refined only in Purchaser's Kenai Refinery or (b) be traded for an equal quantity of Alaskan crude oil which shall be refined in Purchaser's Kenai Refinery.

ARTICLE IV. SEPARATE COSTS

Article XVI of the Agreement shall be amended by the addition of a new Paragraph thereto (to be numbered 3), as follows:

3. Separate Costs: In settlement of litigation over various claims between and among the State, Purchaser and the eleven companies holding lessee interests in twenty-three specific oil and gas leases (listed below) issued by the State in the Cook Inlet Basin, the State, Purchaser and each of those lessees agreed to various cash payments between and among themselves and to the establishment of certain "Platform-to-Shore Charges" and "C & D Allowances" under the terms of the settlement agreements, which were approved by the Court and made final in the Court's orders dismissing the litigation. These "Platform-to-Shore Charges" and "C & D Allowances" arose solely under the explicit terms of the settlement agreements; and the full consideration for them was the settlement and compromise of the various claims being then litigated, upon the terms set forth in the settlement agreements. The State and Purchaser reaffirm the separate nature of these costs from this Agreement and from any other lease, contract or agreement of any kind

(other than the settlement agreements); and the "Platform-to-Shore Charges" and "C & D Allowances" established by those settlement agreements shall, subject to the limitations of Article V, Paragraph 7, if applicable, be paid, without regard to any provision hereof and without effect on any price to be paid hereunder to the State by Purchaser. The leases to which the settlement agreements apply are: ADL-17579, ADL-17586, ADL-17587, ADL-17594, ADL-17595, ADL-17597, ADL-17602, ADL-18716, ADL-18729, ADL-18730, ADL-18731, ADL-18742, ADL-18744, ADL-18746, ADL-18754, ADL-18756, ADL-18758, ADL-18761, ADL-18772, ADL-18776, ADL-18777, ADL-21068, and ADL-35431.

ARTICLE V. EQUAL EMPLOYMENT OPPORTUNITY

The Agreement shall be amended by the addition of a new Article XVII thereto, as follows:

1. Discrimination: In the operation of its refinery at which it processes royalty oil, Purchaser will not discriminate against any employee or applicant for employment because of race, color, religion, national origin, ancestry, age or sex. The Purchaser will take affirmative action to insure that applicants are considered for employment, and that employees are treated during employment, without regard to their race, color, religion, national origin, ancestry, age or sex. Such action shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination, rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Purchaser agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this nondiscrimination clause.

2. Advertisement of Equal Employment Opportunity: The Purchaser shall state, in all solicitations or advertisements for employees to work at said refinery that all qualified applicants will receive consideration for employment without regard to race, color, religion, national origin, ancestry, age or sex.

3. Notices to Unions: The Purchaser will send to each labor union or representative of workers with which the Purchaser has a collective bargaining agreement or other contract or understanding a notice advising the labor union or workers' representative of the Purchaser's commitments under this Article and shall post copies of the notice in conspicuous places available to all employees and applicants for employment.

4. Inclusion of Equal Employment Opportunity Provisions in Sub-Contracts: The Purchaser will include the provisions of Paragraphs 1 through 3 in its contracts pertaining to the construction and operation of said refinery and will require the inclusion of these provisions in every sub-contract entered into by any of its contractors, so that such provisions will be binding upon each sub-contractor of Purchaser.

5. Cooperation with Agencies of State: The Purchaser agrees that it will fully cooperate with the office or agency of the State of Alaska which seeks to deal with the problem of unlawful or invidious discrimination, and with all other reasonable State efforts to guarantee fair employment practices under this Agreement, and Purchaser will comply with all reasonable requests and directions from the State Commission for Human Rights or any of its officers or agents relating to prevention of discriminatory employment practice. Full cooperation as expressed above shall include but not be limited to, upon reasonable notice, being a witness in any proceeding involving questions of unlawful or invidious discrimination if such is deemed reasonably necessary by any official or agency of the State of Alaska having jurisdiction; upon reasonable notice, permitting employees of Purchaser to be witnesses or complainants in any proceeding involving questions of unlawful or invidious discrimination, if such is deemed reasonably necessary by any official or agency of the State of Alaska having jurisdiction; participating in meetings; submitting periodic reports on the equal employment aspects of present and future employment; assisting in inspection of the said refinery site; and promptly complying with all valid directives deemed essential by any office or agency of the State of Alaska having jurisdiction to insure compliance with all federal and state laws, regulations and policies pertaining to the prevention of discriminatory employment practices.

ARTICLE VI. LOCAL HIRE AND TRAINING

The Agreement shall be amended by the addition of a new

Article XVIII thereto, as follows:

Local Hire:

1. Purchaser will comply with all applicable Alaska Statutes and regulations now in effect as well as all amendments thereto and subsequent enactments, providing for local or resident hire.

2. In addition, and subject to compliance with other requirements of state or federal law or regulation, Purchaser will give preference to hiring qualified and available residents over non-residents for all work to be performed in the operation and maintenance of said refinery. Purchaser shall not discriminate against Alaska residents by differentiating between residents and non-residents in payment of wages, salaries, fringe benefits and working conditions. Nothing shall prohibit the Purchaser from hiring Alaska residents through private sources. However, if private sources are unable to supply qualified Alaska residents, Purchaser shall then attempt to seek qualified Alaska residents through the Alaska Department of Labor prior to the employment of non-residents. The Purchaser shall allow said Department of Labor two days, excluding Saturday, Sunday and state holidays, to produce qualified resident workers prior to the employment of non-residents. If suitable resident workers are not provided within the specified time period, the Purchaser may employ non-residents possessing the qualifications necessary to perform the work. Notwithstanding the foregoing, the Purchaser may hire non-residents on an emergency basis for the duration of the emergency, as casual or intermittent employees if their employment will not exceed thirty (30) working days, or as specially skilled employees when the Department of Labor agrees in advance that such specially skilled persons are unavailable within the State of Alaska. Further, notwithstanding the foregoing, the Purchaser may transfer non-resident employees of itself, its parent company or any other subsidiary of its parent company for work to be performed in the operation and maintenance of said refinery provided any such non-resident employee so transferred has been employed by Purchaser, its parent company or any other subsidiary of its parent company for not less than six (6) consecutive months prior to such transfer.

3. Purchaser will use its best efforts to incorporate in any and all collective bargaining agreements which it enters with Labor unions covering work to be performed in the operation and maintenance of said refinery and associated facilities and operations, a provision requiring the union's dispatch procedures to be established and operated in a manner which will assure that qualified Alaska residents will be employed to perform said work.

4. Purchaser will use its best efforts to incorporate in any and all agreements it enters with contractors and sub-contractors provisions requiring the employment of qualified Alaska residents, as set forth in this Article and utilization of the contractors' or sub-contractors' best efforts to obtain agreements with labor unions, as specified in Paragraph (3) hereof.

5. Noncompliance with the preceding covenants of this Article shall be grounds for a complaint which an aggrieved resident or the State of Alaska, on its own motion, may file with the Department of Labor, Wage and Hour Division, against the Purchaser, but shall not be considered a default under any other terms of this contract. Purchaser hereby agrees to submit to the jurisdiction of the Department of Labor, if the Department of Labor has jurisdiction of the subject matter for purposes of determining whether noncompliance in fact occurred. Said Department, if it has jurisdiction, shall hold a hearing at which the parties may present relevant evidence and cross-examine witnesses prior to such a determination. Adequate notice thereof shall be given to all parties concerned. Upon a determination that noncompliance occurred, the Purchaser shall pay the aggrieved resident a sum equal to the amount the resident would have received had he been employed by the Purchaser, up to a maximum of one (1) year's salary. If such noncompliance is determined to have been willful, the Department, if it is otherwise authorized to do so, may award an additional sum up to the amount of the original sum awarded.

6. For purposes of this Article, "qualified" means capable, through education, training or experience, of performing the duties and satisfying the usual terms and conditions of the employment, if those duties, terms and conditions meet the reasonable standards of the industry as required of other employees performing the same type of work in the industry.

7. For purposes of this Article, "resident" shall have the meaning determined by the Commissioner of the Department of Labor and adopted by appropriate regulation.

ARTICLE VII. OIL SPILL CLEANUP AND CONTINGENCY PLANS

The Agreement shall be amended by the addition of a new Article XIX thereto, as follows:

Oil Spill Cleanup and Contingency Plans:

Purchaser shall be responsible for the detection, location, confinement and cleanup of oil discharges. Purchaser shall have on file its contingency plans with the Department of Environmental Conservation for periodic review and approval. The plans shall provide for immediate corrective action in the event of oil discharges, including confinement and cleanup, and restoration of the affected resource. The plans shall include separate and specific techniques and schedules for cleanup of petroleum discharges on land, lakes, rivers and streams, sea and estuaries.

ARTICLE VIII. RATIFICATION

Except as hereinabove expressly modified, the Agreement shall remain in full force and effect.

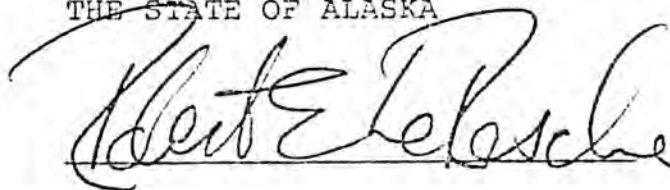
ARTICLE IX. APPROVAL OF ALASKA

STATE LEGISLATURE REQUIRED

If the Tenth Alaska State Legislature, Second Session, shall not have approved this Extension of the Agreement by a concurrent resolution concurred in by a majority of the members of each House, and this Extension of the Agreement shall not have been executed by the State of Alaska, then this document shall be null and void and of no force or effect, the same as if it had never been made.

IN WITNESS WHEREOF, the State has caused this Extension to be executed by its Commissioner of Natural Resources with the consent of the Alaska Royalty Oil and Gas Development Advisory Board (a copy of the resolution of the said Board consenting to this Extension is attached hereto as Exhibit A) and PURCHASER has caused this Extension to be executed by its duly authorized officer, all in duplicate originals as of this 24 day of February, 1978.

THE STATE OF ALASKA



Commissioner of Natural
Resources

TESORO-ALASKAN PETROLEUM COMPANY



Dennis F. Juren, President

C11:1

ALASKA STATE LEGISLATURE

TENTH... Legislature SECOND... Session

SENATE CONC. RESOL. NO. 84...

By THE RULES COMMITTEE BY...
REQUEST OF THE GOVERNORApproving the sale of royalty
oil to Tesoro-Alaskan Petroleum

Introduced in the Senate 3/5, 1974

HISTORY IN THE SENATE

19 74	Read first time and referred to Committee on												
3 6	Special Committee on Royalty Oil Sales												
4 28	Reported back with <i>by Lem.</i> recommendation that <i>royalty oil</i> <i>3 do pass to latter</i> <i>Referred to Finance</i>												
	Read second time and												
	Read third time and												
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	Signed by President												
	Sent to House												

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19	Read first time and referred to Committee on												
	Reported back with recommendation that												
	Read second time and												
	Read third time and												
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	Reported correctly engrossed												
	Signed by Speaker												
	Returned to Senate												

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19	Received from House
	Reported correctly enrolled
	Sent to Governor
	 By Governor
	Filed with Lt. Governor
	Chapter No.

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

11TH FLOOR, STATE OFFICE BLDG.
POUCH M - JUNEAU 99811

May 11, 1978

The Honorable Mike Colletta
Alaska State Senate
Pouch V
Juneau, Alaska 99811

Dear Senator Colletta:

Two weeks ago at a hearing of your Special Oil and Gas Committee a question was raised concerning Tesoro Alaska Company's employment of Alaskans. I promised to investigate that matter for your Committee. I first consulted with the State Department of Labor which indicated they did not have statistics on Tesoro's employment of residents versus non-residents. I therefore consulted directly with Tesoro personnel. I was advised by them that there are 48 people employed by Tesoro in the refinery. Two of these individuals were brought to Alaska from outside in 1969 when the refinery started up. In 1970 two more individuals were brought from outside, one of whom was already a Tesoro employee and was transferred from another facility to Tesoro's facility in Alaska. In 1976 a supervisor was transferred from a Tesoro facility from outside of Alaska to the facility in Alaska. All other individuals employed at the refinery were hired in Alaska as Alaskan residents and most had been in Alaska for several years although Tesoro did not have specific statistics on how long people had been in Alaska before they had been hired.

With respect to Tesoro's Anchorage office staff and pipeline company staff, I am informed that 51% of the employees there have been in Alaska more than four years, 30% from 1-3 years, and 20% less than one year. Only two employees were hired from outside while seven employees were transferred from other Tesoro operations. Tesoro emphasized to me that they make every effort to hire Alaskans because of their commitment to Alaska and also because they believe it unsound business practice to hire people who have been in Alaska only a short time without any real knowledge of Alaska. They believe such people are much more likely to leave Alaska than people who have lived in the State for some time.

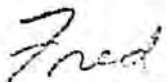
The Honorable
Mike Colletta

-2-

May 11, 1978

I trust this information answers the questions raised by you and others at the hearing, but would be happy to attempt to obtain additional information should you wish it.

Sincerely,

A handwritten signature in cursive script that reads "Fred".

Frederick H. Boness
Deputy Commissioner

cc: Senator Sumner
Senator Rodey

TESORO PETROLEUM CORPORATION

8700 TESORO DRIVE

512-828-8484

SAN ANTONIO, TEXAS 78286

John
SCR 89

May 2, 1978

The Honorable John Sackett
Chairman, Finance Committee
Alaska State Senate
Juneau, Alaska 99801

Re: Agreement for the Sale
and Purchase of State
Royalty Oil dated January 31,
1969

Dear Senator Sackett:

Tesoro-Alaskan Petroleum Company ("Tesoro-Alaskan"), a wholly owned subsidiary of Tesoro Petroleum Corporation, is the purchaser of State royalty oil produced from specified leases in the Lower Cook Inlet pursuant to the above referenced agreement ("Agreement"). Tesoro-Alaskan has been purchasing such royalty oil since January 1, 1970, and it has the contractual right to continue to do so through December 31, 1978.

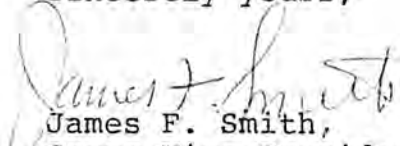
The State of Alaska, acting by and through its Commissioner of Natural Resources, and Tesoro-Alaskan have recently negotiated an extension of the Agreement which will extend the term thereof through December 31, 1983. In addition, the negotiated extension provides for a revised pricing structure, and it guarantees "in-state" use and also provides for protections of equal employment opportunities and local hiring and training and for oil spill cleanup. The extension has been approved by the Alaska Royalty Oil & Gas Development Advisory Board.

Tesoro-Alaskan operates a crude oil refinery at Kenai. That refinery was specifically designed to accommodate the type of crude oil produced from the Lower Cook Inlet. Currently, approximately one-third of the total quantity of crude oil refined by Tesoro-Alaskan at Kenai is purchased from the State of Alaska pursuant to the Agreement. The continued availability of the State's royalty oil from the Lower Cook Inlet is vitally important to Tesoro-Alaskan, and Tesoro-Alaskan hopes to insure that availability through the extension of the Agreement which it has negotiated. Accordingly, I, on behalf of Tesoro-Alaskan, am requesting your support for the adoption of the concurrent resolution of the Alaska State Legislature necessary to make the negotiated extension of the Agreement valid and binding upon the parties.

The Honorable John Sackett
May 2, 1978
Page 2

I am, or any other member of Tesoro's staff is, available to answer any questions which you may have, and if the testimony of any Tesoro employee is desired during committee hearings please let me know, and such testimony will be provided.

Sincerely yours,


James F. Smith,
Group Vice President

JFS:CMG:skd

cc: Mr. Donald Wold
Executive Director
Alaska Royalty Oil & Gas
Development Advisory Board
323 East Fourth Street
Anchorage, Alaska 99501

5CR84

John Sackett --

Questions you may wish to have answers to!!

1. Why was the primary term of the contract extended for a second time? Why aren't the two successive three year extensions (granted in the 1969 contract) being exercised first? This would make much more sense and I suspect to be more in the State's best interest.

By extending the primary contract repeatedly Tesoro would always continue to have a six year hedge under the two three year extension clause of the 1969 contract, and come what may they may still have six years to go on their contract.

It appears to me that if you have an extension provision in the contract, why not exercise it instead of extending the primary contract repeatedly.

2. Why is the extension ~~for~~^{for} five years? Why not a shorter or longer period? What is the reasoning?
3. Commissioner LeResche indicated to the Committee last Wednesday that the contract would be subject to renegotiation if the "price broke". I said that there was nothing in the contract to that effect, and he said he would have to check on it.

I do not believe that the above is too serious, inasmuch as the price Tesoro would now have to pay the State is that price which the State would have received had it continued to take its royalty oil in value. What I find puzzling is why the contract should be reopened for negotiations. I do not know if this has any significance, or even whether it should be brought up again.

4. In case the extension and amendments to the Tesoro contract have to be reworked, I would appreciate ~~it~~^{if} Article 15 would be amended so as not to duplicate the newly added Article 17.

COMMITTEE REPORT
SENATE

Finance
Roth

3/6/78

FURTHER: _____

Date: 27 April 78

Mr. President:

The Committee on SPECIAL COMMITTEE ON ROYALTY
OIL SALES has had SCR 84
approving the sale of royalty oil to Tesoro-Alaskan Petroleum

under consideration and (a majority of the committee) (the committee reports it back as follows)

(☒) recommends it do pass () recommends it do not pass

() recommends it do pass with attached amendment(s)

() recommends it be replaced with CS for _____

and _____ () new title () same title

() AND attaches a Letter of Intent () New Fiscal Note

() reports it back without recommendation

() and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Colletta
Sumner
K. Paland

Mike Colletta
Chairman

Introduced: 3/6/78
Referred: Special Committee on
Royalty Oil Sales

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE SENATE

2 SENATE CONCURRENT RESOLUTION NO. 84

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 Approving the sale of royalty oil
6 to Tesoro-Alaskan Petroleum

7 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 WHEREAS, the State of Alaska has the right under AS 38.05.180 and its
9 oil and gas leases to take its royalty of crude oil production removed or
10 sold from said leases either in value (money) or in kind (oil); and

11 WHEREAS, the legislature has by enactment of AS 38.06 and AS 38.05.182,
12 established a policy favoring the taking of that royalty in kind (referred
13 to as "royalty oil"); and

14 WHEREAS, the State of Alaska entered into a certain agreement entitled
15 "AGREEMENT FOR THE SALE AND PURCHASE OF STATE OF ALASKA ROYALTY OIL" ("Agree-
16 ment") for the sale of royalty oil with Alaskan Oil and Refining Company on
17 or about January 31, 1969; and

18 WHEREAS, Tesoro-Alaskan Petroleum Company is the legal successor in
19 due course to Alaskan Oil and Refining Company and the Alaskan Oil and
20 Refining Company's rights, duties, and obligations under the Agreement; and

21 WHEREAS, the State of Alaska entered into an agreement entitled "EXTEN-
22 SION OF AGREEMENT FOR THE SALE AND PURCHASE OF STATE ROYALTY OIL" ("Exten-
23 sion") with Tesoro-Alaskan Petroleum Company on or about March 8, 1977; and

24 WHEREAS, Article I of the Extension provides in pertinent part that
25 the Agreement "shall extend to and include December 31, 1978"; and

26 WHEREAS, under his statutory authority as set out in AS 38.05 and
27 38.06, the commissioner of natural resources has negotiated a second agree-
28 ment entitled "EXTENSION OF AGREEMENT FOR THE SALE AND PURCHASE OF STATE
29 ROYALTY OIL" ("Agreement II") for the sale and purchase of royalty oil with

1 Tesoro-Alaskan Petroleum Company, extending the term of the Agreement,
2 modifying various provisions of it, and adding various provisions to it;
3 and

4 WHEREAS, under its duties and powers as set out in AS 38.06, the
5 Alaska Royalty Oil and Gas Development Advisory Board has considered and,
6 on February 22, 1978, approved Agreement II; and

7 WHEREAS, the commissioner of natural resources has fulfilled the
8 statutory prerequisites necessary to selling the royalty oil which is the
9 subject of Agreement II and has obtained approvals from the Alaska Royalty
10 Oil and Gas Development Advisory Board, to the extent required under AS
11 38.05 and 38.06; and

12 WHEREAS, Agreement II contains a provision stating that if the Tenth
13 Alaska State Legislature does not approve Agreement II by a concurrent
14 resolution concurred in by a majority of the members of each house, then it
15 shall be of no force or effect; and

16 WHEREAS, under AS 38.06.055(a), no sale of royalty oil may be made by
17 the commissioner of natural resources without the prior approval of the
18 legislature by a concurrent resolution concurred in by a majority of the
19 members of each house; and

20 WHEREAS, the commissioner of natural resources submitted Agreement II
21 to the legislature for consideration and approval; and

22 WHEREAS, the legislature has reviewed and evaluated Agreement II, and
23 has conducted public hearings or otherwise received background information,
24 expert advice, and expressions of public opinion sufficient to make a
25 reasoned determination with respect to Agreement II; and

26 WHEREAS, the legislature finds Agreement II to be in the best interests
27 of the State of Alaska and its citizens, and further finds that Agreement
28 II is in compliance with all applicable constitutional directives and
29 requirements of law;

1 BE IT RESOLVED by the Alaska State Legislature that the agreement
2 entitled "EXTENSION OF AGREEMENT FOR THE SALE AND PURCHASE OF STATE ROYALTY
3 OIL," between the State of Alaska, acting through its commissioner of
4 natural resources, and Tesoro-Alaskan Petroleum Company, is hereby approved.
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March 6, 1978

The Honorable John L. Rader
President of the Senate
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. President:

Under the authority of art. III, sec. 18, Alaska Constitution, I am transmitting a concurrent resolution providing for legislative approval of the proposed contract between the State of Alaska and Tesoro-Alaskan Petroleum Company.

This resolution is being concurrently submitted to both the Senate and House in order to expedite consideration.

The contract submitted with this resolution renews the state's agreement with Tesoro-Alaskan Petroleum Company for the sale of the Cook Inlet area. The contract expires in 1983, and provides the state with the highest price possible under federal regulations.

In the past, there have been questions raised over the constitutionality of the legislature's approval of an executive act by the means of a concurrent resolution. In an effort to avoid raising that issue by submitting this contract for approval, I insisted that a clause requiring legislative approval be placed in the contract itself. I did so to insure that legislative approval in this instance could be sustained on the basis of a contractual provision rather than raise a constitutional debate over legislative power to require such approval.

I hope that you agree that this sale is in the best interest of all Alaskans, and I urge your prompt approval.

Sincerely,

S/JS/H

Jay S. Hammond
Governor

EXTENSION OF
AGREEMENT FOR THE SALE
AND PURCHASE OF STATE ROYALTY OIL

THIS EXTENSION, entered into by and between the STATE OF ALASKA ("STATE"), acting by and through its Commissioner of Natural Resources with the consent of the Alaska Royalty Oil and Gas Development Advisory Board pursuant to AS 38.05.182, AS 38.05.183 and AS 38.06 and TESORO-ALASKAN PETROLEUM COMPANY ("PURCHASER").

W I T N E S S E T H :

WHEREAS, the STATE entered into that certain agreement entitled "AGREEMENT FOR THE SALE AND PURCHASE OF STATE OF ALASKA ROYALTY OIL" ("Agreement") with Alaskan Oil and Refining Company as of January 31, 1969; and

WHEREAS, PURCHASER is the legal successor in due course to Alaskan Oil and Refining Company and the Alaskan Oil and Refining Company's rights, duties and obligations under the Agreement; and

WHEREAS, the STATE entered into that certain agreement entitled "EXTENSION OF AGREEMENT FOR THE SALE AND PURCHASE OF STATE ROYALTY OIL" ("Extension") with PURCHASER on March 8, 1977; and

WHEREAS, Article I of the Extension provides in pertinent part that the Agreement "shall extend to and include December 31, 1978"; and

WHEREAS, the STATE believes an additional five (5) year extension of the sale of royalty oil to PURCHASER for use in PURCHASER'S Kenai Refinery is in the best interest of the STATE;

NOW THEREFORE, in consideration of the foregoing and in consideration of the mutual covenants and agreements herein contained, the STATE and PURCHASER covenant and agree as follows:

ARTICLE I. TERM

Article XII of the Agreement, as amended, shall be further amended by the deletion thereof in its entirety and substitution of the following:

Term:

The term of this contract shall extend to and include December 31, 1983, PROVIDED HOWEVER, Purchaser may cancel this contract by giving the State seven (7) months written notice of its intention so to do.

ARTICLE II. PRICE

Article V of the Agreement, as amended, shall be further amended by the deletion thereof in its entirety and the substitution of the following:

Price:

1. Purchaser agrees to pay the State a price for royalty oil sold hereunder which shall be the amount the State would have received for that royalty oil had the State been taking that royalty in value instead of in kind.

2. If during a calendar month the State sells royalty oil taken in kind by it and produced from any Field in the Cook Inlet Basin to some other purchaser or purchasers at a price (adjusted for any difference in API gravity) greater than the price agreed to be paid by Purchaser under Paragraph 1 of this Article, then Purchaser agrees to pay the State for its purchases hereunder during that month on the basis of the highest price (adjusted for any difference in API gravity) paid to the State during that month by such a purchaser.

3. If during a calendar month Purchaser buys, from a seller other than the State, oil produced from any Field in the Cook Inlet Basin at a price (adjusted for any difference in API gravity) greater than the price agreed to be paid by Purchaser under Paragraph 1 of this Article, then Purchaser agrees to pay the State for its purchases hereunder during that month on the basis of the highest price (adjusted for any difference in API gravity) paid by Purchaser to another seller during that month for oil produced from a Field in the Cook Inlet Basin.

4. For purposes of Paragraphs 2 and 3 of this Article, prices shall be adjusted for differences in API gravity in accordance with the following: (A) The API gravity of the oil shall be rounded downward to the nearest whole degree, without regard to fractional degrees; (B) The adjustment shall be three (3) cents per degree for each degree above thirty-four (34) degrees API gravity and two (2) cents for each degree below thirty-four (34) degrees API gravity; (C) Oil above forty (40) degrees API gravity will be regarded for these purposes as being forty (40) degrees API gravity.

5. In the event the provisions of Paragraphs 2 and 3 of this Article both apply to sales and purchases of the State and Purchaser, respectively, during a calendar month, Purchaser agrees to pay the State on the basis of the higher of the prices agreed to be paid under the provisions of those Paragraphs.

6. In addition to the price agreed above to be paid by Purchaser to the State, Purchaser agrees to pay the State two (2) cents per barrel for all royalty oil delivered hereunder to Purchaser in excess of fifteen thousand (15,000) barrels per day.

7. Notwithstanding any provisions in this Article to the contrary, if any law of the United States or any order, rule and/or regulation of the

United States Department of Energy or its successor or of any other federal governmental entity or entities having or asserting jurisdiction over the subject matter hereof should limit the price which Purchaser would otherwise legally pay the State hereunder, then in that event Purchaser shall pay the State the highest applicable price specified, authorized or permitted under such laws, orders, rules and/or regulations.

ARTICLE III. IN-STATE USE

Article II, Paragraph 4 of the Agreement, shall be amended by the deletion thereof in its entirety and the substitution of the following:

4. Purchaser agrees that all oil purchased under the terms hereof shall (a) be refined only in Purchaser's Kenai Refinery or (b) be traded for an equal quantity of Alaskan crude oil which shall be refined in Purchaser's Kenai Refinery.

ARTICLE IV. SEPARATE COSTS

Article XVI of the Agreement shall be amended by the addition of a new Paragraph thereto (to be numbered 3), as follows:

3. Separate Costs: In settlement of litigation over various claims between and among the State, Purchaser and the eleven companies holding lessee interests in twenty-three specific oil and gas leases (listed below) issued by the State in the Cook Inlet Basin, the State, Purchaser and each of those lessees agreed to various cash payments between and among themselves and to the establishment of certain "Platform-to-Shore Charges" and "C & D Allowances" under the terms of the settlement agreements, which were approved by the Court and made final in the Court's orders dismissing the litigation. These "Platform-to-Shore Charges" and "C & D Allowances" arose solely under the explicit terms of the settlement agreements; and the full consideration for them was the settlement and compromise of the various claims being then litigated, upon the terms set forth in the settlement agreements. The State and Purchaser reaffirm the separate nature of these costs from this Agreement and from any other lease, contract or agreement of any kind

(other than the settlement agreements); and the "Platform-to-Shore Charges" and "C & D Allowances" established by those settlement agreements shall, subject to the limitations of Article V, Paragraph 7, if applicable, be paid, without regard to any provision hereof and without effect on any price to be paid hereunder to the State by Purchaser. The leases to which the settlement agreements apply are: ADL-17579, ADL-17586, ADL-17587, ADL-17594, ADL-17595, ADL-17597, ADL-17602, ADL-18716, ADL-18729, ADL-18730, ADL-18731, ADL-18742, ADL-18744, ADL-18746, ADL-18754, ADL-18756, ADL-18758, ADL-18761, ADL-18772, ADL-18776, ADL-18777, ADL-21068, and ADL-35431.

ARTICLE V. EQUAL EMPLOYMENT OPPORTUNITY

The Agreement shall be amended by the addition of a new Article XVII thereto, as follows:

1. Discrimination: In the operation of its refinery at which it processes royalty oil, Purchaser will not discriminate against any employee or applicant for employment because of race, color, religion, national origin, ancestry, age or sex. The Purchaser will take affirmative action to insure that applicants are considered for employment, and that employees are treated during employment, without regard to their race, color, religion, national origin, ancestry, age or sex. Such action shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination, rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Purchaser agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this nondiscrimination clause.

2. Advertisement of Equal Employment Opportunity: The Purchaser shall state, in all solicitations or advertisements for employees to work at said refinery that all qualified applicants will receive consideration for employment without regard to race, color, religion, national origin, ancestry, age or sex.

3. Notices to Unions: The Purchaser will send to each labor union or representative of workers with which the Purchaser has a collective bargaining agreement or other contract or understanding a notice advising the labor union or workers' representative of the Purchaser's commitments under this Article and shall post copies of the notice in conspicuous places available to all employees and applicants for employment.

4. Inclusion of Equal Employment Opportunity Provisions in Sub-Contracts: The Purchaser will include the provisions of Paragraphs 1 through 3 in its contracts pertaining to the construction and operation of said refinery and will require the inclusion of these provisions in every sub-contract entered into by any of its contractors, so that such provisions will be binding upon each sub-contractor of Purchaser.

5. Cooperation with Agencies of State: The Purchaser agrees that it will fully cooperate with the office or agency of the State of Alaska which seeks to deal with the problem of unlawful or invidious discrimination, and with all other reasonable State efforts to guarantee fair employment practices under this Agreement, and Purchaser will comply with all reasonable requests and directions from the State Commission for Human Rights or any of its officers or agents relating to prevention of discriminatory employment practice. Full cooperation as expressed above shall include but not be limited to, upon reasonable notice, being a witness in any proceeding involving questions of unlawful or invidious discrimination if such is deemed reasonably necessary by any official or agency of the State of Alaska having jurisdiction; upon reasonable notice, permitting employees of Purchaser to be witnesses or complainants in any proceeding involving questions of unlawful or invidious discrimination, if such is deemed reasonably necessary by any official or agency of the State of Alaska having jurisdiction; participating in meetings; submitting periodic reports on the equal employment aspects of present and future employment; assisting in inspection of the said refinery site; and promptly complying with all valid directives deemed essential by any office or agency of the State of Alaska having jurisdiction to insure compliance with all federal and state laws, regulations and policies pertaining to the prevention of discriminatory employment practices.

ARTICLE VI. LOCAL HIRE AND TRAINING

The Agreement shall be amended by the addition of a new Article XVIII thereto, as follows:

Local Hire:

1. Purchaser will comply with all applicable Alaska Statutes and regulations now in effect as well as all amendments thereto and subsequent enactments, providing for local or resident hire.

2. In addition, and subject to compliance with other requirements of state or federal law or regulation, Purchaser will give preference to hiring qualified and available residents over non-residents for all work to be performed in the operation and maintenance of said refinery. Purchaser shall not discriminate against Alaska residents by differentiating between residents and non-residents in payment of wages, salaries, fringe benefits and working conditions. Nothing shall prohibit the Purchaser from hiring Alaska residents through private sources. However, if private sources are unable to supply qualified Alaska residents, Purchaser shall then attempt to seek qualified Alaska residents through the Alaska Department of Labor prior to the employment of non-residents. The Purchaser shall allow said Department of Labor two days, excluding Saturday, Sunday and state holidays, to produce qualified resident workers prior to the employment of non-residents. If suitable resident workers are not provided within the specified time period, the Purchaser may employ non-residents possessing the qualifications necessary to perform the work. Notwithstanding the foregoing, the Purchaser may hire non-residents on an emergency basis for the duration of the emergency, as casual or intermittent employees if their employment will not exceed thirty (30) working days, or as specially skilled employees when the Department of Labor agrees in advance that such specially skilled persons are unavailable within the State of Alaska. Further, notwithstanding the foregoing, the Purchaser may transfer non-resident employees of itself, its parent company or any other subsidiary of its parent company for work to be performed in the operation and maintenance of said refinery provided any such non-resident employee so transferred has been employed by Purchaser, its parent company or any other subsidiary of its parent company for not less than six (6) consecutive months prior to such transfer.

3. Purchaser will use its best efforts to incorporate in any and all collective bargaining agreements which it enters with Labor unions covering work to be performed in the operation and maintenance of said refinery and associated facilities and operations, a provision requiring the union's dispatch procedures to be established and operated in a manner which will assure that qualified Alaska residents will be employed to perform said work.

4. Purchaser will use its best efforts to incorporate in any and all agreements it enters with contractors and sub-contractors provisions requiring the employment of qualified Alaska residents, as set forth in this Article and utilization of the contractors' or sub-contractors' best efforts to obtain agreements with labor unions, as specified in Paragraph (3) hereof.

5. Noncompliance with the preceding covenants of this Article shall be grounds for a complaint which an aggrieved resident or the State of Alaska, on its own motion, may file with the Department of Labor, Wage and Hour Division, against the Purchaser, but shall not be considered a default under any other terms of this contract. Purchaser hereby agrees to submit to the jurisdiction of the Department of Labor, if the Department of Labor has jurisdiction of the subject matter for purposes of determining whether noncompliance in fact occurred. Said Department, if it has jurisdiction, shall hold a hearing at which the parties may present relevant evidence and cross-examine witnesses prior to such a determination. Adequate notice thereof shall be given to all parties concerned. Upon a determination that noncompliance occurred, the Purchaser shall pay the aggrieved resident a sum equal to the amount the resident would have received had he been employed by the Purchaser, up to a maximum of one (1) year's salary. If such noncompliance is determined to have been willful, the Department, if it is otherwise authorized to do so, may award an additional sum up to the amount of the original sum awarded.

6. For purposes of this Article, "qualified" means capable, through education, training or experience, of performing the duties and satisfying the usual terms and conditions of the employment, if those duties, terms and conditions meet the reasonable standards of the industry as required of other employees performing the same type of work in the industry.

7. For purposes of this Article, "resident" shall have the meaning determined by the Commissioner of the Department of Labor and adopted by appropriate regulation.

ARTICLE VII. OIL SPILL CLEANUP AND CONTINGENCY PLANS

The Agreement shall be amended by the addition of a new Article XIX thereto, as follows:

Oil Spill Cleanup and Contingency Plans:

Purchaser shall be responsible for the detection, location, confinement and cleanup of oil discharges. Purchaser shall have on file its contingency plans with the Department of Environmental Conservation for periodic review and approval. The plans shall provide for immediate corrective action in the event of oil discharges, including confinement and cleanup, and restoration of the affected resource. The plans shall include separate and specific techniques and schedules for cleanup of petroleum discharges on land, lakes, rivers and streams, sea and estuaries.

ARTICLE VIII. RATIFICATION

Except as hereinabove expressly modified, the Agreement shall remain in full force and effect.

ARTICLE IX. APPROVAL OF ALASKA

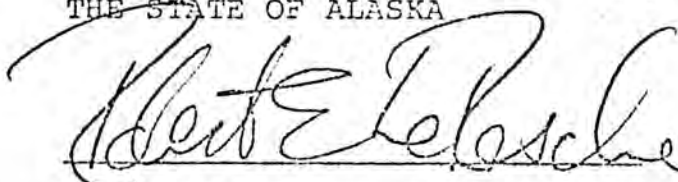
STATE LEGISLATURE REQUIRED

If the Tenth Alaska State Legislature, Second Session, shall not have approved this Extension of the Agreement by a concurrent resolution concurred in by a majority of the members of each House, and this Extension of the Agreement shall not have been executed by the State of Alaska, then this document shall be null and void and of no force or effect, the same as it it had never been made.

IN WITNESS WHEREOF, the State has caused this Extension to be executed by its Commissioner of Natural Resources with the consent of the Alaska Royalty Oil and Gas Development Advisory Board (a copy of the resolution of the said Board consenting to this Extension is attached hereto as Exhibit A) and PURCHASER has caused this Extension to be executed by its duly authorized officer, all in duplicate originals as of this 24 day of February, 1978.

THE STATE OF ALASKA

TESORO-ALASKAN PETROLEUM COMPANY


Commissioner of Natural
Resources


Dennis F. Juren, President

Contd

STATE OF ALASKA THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

May 2, 1978

MEMORANDUM

SUBJECT: Review of Amendments to GVEA and Tesoro Contracts

TO: The Honorable John Sackett

FROM: Elke Kallab *ek*
Research Analyst

You have asked us to prepare a review of the proposed amendments to the 1977 Golden Valley Electric Association contract, as well as the proposed amendments and extension to the Tesoro-Alaskan Petroleum Company contract. You also asked that we point out any potential problems these amendments or the extension might pose for the State of Alaska.

Golden Valley Electric Association

BACKGROUND

The contract was approved by HCR 59 am on April 12, 1977. Pertinent provisions in the 1977 contract include:

Article 2 (In State Use) - All oil purchased under the terms of the contract must be processed in Alaska, although the oil need not be royalty oil.

Article 4 (Quantity) - The annual amounts of Prudhoe Bay oil contracted for are -

<u>Year</u>	<u>Annual Quantity</u> Barrels	<u>Daily Quantity</u> Barrels
1978	500,000	2,000
1979-1981	750,000	3,000
1982-1983	1,200,000	5,000

Article 7 (Price) - The price was to be equal to the highest of--

- the prices paid according to a schedule to have been developed by the state for Prudhoe Bay royalty oil sold and purchased. (We do not have a copy of the referenced price schedule);

- the highest price paid to the State of Alaska by any other buyer of Prudhoe Bay royalty oil of comparable quantity, grade and quality delivered to that other buyer during the same month;
- the highest price the state would have obtained had the royalty oil been taken in value.

In addition, a downward price adjustment was provided for in the contract if the state offered Prudhoe Bay royalty oil to another buyer at a lower price than GVEA would otherwise be required to pay.

Article 9 (Term) - The contract is for an initial term of six years from date of first delivery, which is July 13, 1978.

Article 11 (Security) - The contract calls for GVEA to provide a bond in the amount equal to 25% of the value of the annual maximum quantity of royalty oil to be delivered as specified in Article 4 above. This amount may be increased at the request of the state if the state asserts any claim against GVEA in excess of the bonding requirement. In lieu of the above mentioned bond requirement GVEA may substitute the bond with--

- a letter of credit; or
- marketable securities (approved by the Commissioner of Administration); or
- security which is of equal value as the security described above.

1978 AMENDMENTS

Article 7 (Price) - The price to be paid by GVEA is now established to be a "weighted average price" (of the same sort contained in the ALPETCO contract, and as outlined in Exhibit C) rather than the highest price.

Further, the outcome of litigation between the state and Prudhoe Bay leaseholders concerning the method of computing the price of royalty to the State of Alaska shall be binding on GVEA, and if the state should become entitled to a higher price than GVEA has previously paid for the royalty oil GVEA agrees to pay the difference of the higher priced royalty oil, provided GVEA consents to the price settlement.

Additionally, GVEA agrees to pay certain other costs which may be incurred by the state as a result of taking its royalty oil in kind.

Article 8 (Billing and Payment) - Adds a new section which provides that any billing adjustments made 60 days after the initial billing was submitted will be paid or refunded over--

- the same period over which such adjustment accrued; or
- thirty-six months, whichever is longer.

Article 11 (Security) - Reduces the bond from an amount equal to 25% of the value of the annual maximum quantity to a bond for a sum which--

- substantially reflects the amounts owed by GVEA to the state, plus
- an amount equal to the value of any oil delivered by the state to GVEA and not yet billed pursuant to Article 8 above.

Article 13 (Delivery and Responsibility) - Adds a new section which requires the state to provide GVEA with line fill to fulfill tariff obligations. Golden Valley Electric Association is not required to pay for this line fill until termination of the contract. (The administration estimates this line fill to amount to approximately 25,000 barrels).

COMMENTS

The change in price reflects a policy decision made by the Royalty Board on May 5 and 6, 1977 after the GVEA contract was approved. State policy now requires a "weighted average price" rather than the highest price. (A copy of the policy statement is attached for your information). The existing Golden Valley Electric Association contract is an only agreement which requires the payment of the highest price paid had the state continued to take its royalty oil in value. All subsequent contractual commitments for royalty oil are drafted to require the payment of the "weighted average price".

The reduced bond requirement is an attempt to provide Golden Valley Electric Association with some relief, since they found the original provision a very onerous financial burden.

The provision which provides GVEA with line fill is a concession on the part of the state to "...make terms of the agreement between the state and Golden Valley Electric Association consistent with the terms of other agreements for the sale of the state's royalty oil..." (letter of transmittal to the legislature).

Tesoro-Alaskan Petroleum Company

BACKGROUND

The original contract was entered into January 31, 1969. Some of the more relevant provisions of this contract are briefly outlined below.

Article 2 (Quantity) - An average daily quantity of 15,000 barrels, with an option for an additional 5,000 barrels if and when available.

Article 5 (Price) - The contract provided for a price of \$3.06 per barrel, less 5¢ per barrel for each full degree of gravity under 40.9°. In addition the price increased or decreased depending on certain arithmetical averages of other oil prices in effect at four specified fields elsewhere in the United States.

If Tesoro were to purchase oil from a third party at a higher price than specified above, the state became entitled to receive the difference between the price specified in the contract and the price paid to a third party by Tesoro. Conversely, if the state sold royalty oil to a third party at a price less than the price Tesoro was required to pay under the contract then all oil purchased by Tesoro during a given month would be entitled to the lesser third party price.

Article 6 (Measurements and Tests) - Tesoro was required to pay for all dehydration and cleaning costs which were required in order to place the royalty oil in a condition acceptable to Tesoro.

Article 12 (Term) - The contract provided for an initial eight year term from date of first delivery, which was January 1, 1970. In addition, Tesoro was granted the right to negotiate for two successive three year extensions of the contract.

Article 13 (Security) - The state retained the vendors' lien and superior title and a security interest in all of the oil delivered to secure payment of amounts due the state.

In addition Tesoro was required to execute a mortgage upon the refinery site and all fixtures and improvements on the site to secure Tesoro's performance under the contract.

In lieu of the above provisions Tesoro was permitted to provide alternative security, such as--

- a bond, in the amount of \$2,500,000, which could be increased at the request of the state;
- a letter of credit, or marketable securities, or other security in lieu of a bond.

Article 15 - This article refers to an appendix to the contract, which covers such items as--

- Inspection and Reports Clause
- State Saved Harmless Clause
- Equal Employment Opportunity Clause
- Construction Clause

1969 ADDENDUM

An addendum to the contract was entered into on July 2, 1969. This addendum indicated that Tesoro had elected to deposit an irrevocable letter of credit with the Commissioner of Natural Resources in lieu of the other security term options provided for in the contract.

1977 EXTENSION

House Concurrent Resolution 43, granting a one year extension to Tesoro, was approved by the legislature May 13, 1977. The rationale given for the one year extension was that it would provide the Commissioner of Natural Resources with additional information needed to negotiate a good long term agreement.

Article 2 (Quantity) - The extension provides that all oil purchased under the terms of the extension must be refined at Tesoro refinery or traded for an equal quantity of Alaskan oil which would have to be refined in Tesoro's refinery.

Article 5 (Price) - The price was changed to reflect federal price controls. The new price provided that Tesoro would pay the state the highest price allowed under federal price controls, including a 2¢ per barrel premium for up to 5,000 barrels per day taken by Tesoro in addition to the average daily quantity of 15,000 barrels under the contract terms.

Article 12 (Term) - The primary term of the contract was extended from January 1, 1978 to December 31, 1978.

1978 EXTENSION

Article 2 (Quantity) - Would delete paragraph 4 of article 2 (which permitted Tesoro to trade or exchange any and all royalty oil for other Alaskan oil) and would replace it with the provision (already part of the 1977 Extension) that all oil purchased under the terms of the extension would have to be refined at the Tesoro refinery or traded for an equal quantity of Alaskan oil which would have to be refined in Tesoro's refinery.

Article 5 (Price) - The new pricing terms would provide for the following:

- The state would receive that price for its royalty oil which the state would have received had it continued to take its royalty oil in value rather than in kind. This is in line with the policy adopted by the Royalty Board on May 5 and 6, 1977, a copy of which is attached.
- If Tesoro were to purchase Cook Inlet oil from a third party at a price higher than the price required under the proposed extension (equal to the in value price) Tesoro would be required to pay the state that higher price. If the state were to sell Cook Inlet royalty oil to a third party at a price higher than Tesoro would be required to pay, Tesoro would also be required to pay the state that higher price.

The above prices would be adjusted for difference in gravity as follows:

3¢ per degree for each degree above 34°,

2¢ per degree for each degree below 34°.

Tesoro would also agree to pay the state an additional 2¢ per barrel for all royalty oil in excess of 15,000 barrels per day.

Article 12 (Term) - Senate Concurrent Resolution 84 would provide for an additional five year extension, to December 31, 1983.

Article 17 (Equal Employment Opportunity) - Adds this article to the contract, although this article already exists as Article 15. Article 15 was never revised.

Article 18 (Local Hire and Training) - This article is newly added to the contract and appears to cover the matter of local hire and training adequately.

Article 19 (Oil Spill Cleanup and Contingency Plans) - This article is newly added to the contract and appears to be adequate.

COMMENTS

Price - We are not sure whether article 2.2 of the proposed extension is intentional or whether it is an oversight (on Tesoro's part). As presently worded we can see no benefit accruing to Tesoro by accepting this provision, since they would have to pay the state the higher price if the state was able to obtain a higher price by selling royalty oil to a third party. The original contract provides that if the state sells royalty oil to a third party for less than Tesoro gets its royalty oil

May 2, 1978

for less, and if Tesoro pays a higher price for additional oil from a third party, then the state benefits by being entitled to the difference.

(1) *C. Cook*
The Department of Law who we queried about this believes that it was intentional, (since it is very much in the state's favor), although the lawyer who drafted the extension is no longer with the Department. We have not had an opportunity to ask Tesoro, but would be happy to do so if you want us to pursue this further.

We were told by the Department of Law that Cook Inlet oil is so superior in quality that it might be quite possible that Tesoro agreed to the pricing provision simply to obtain suitable oil for their refinery.

Term - It is not clear from the amendment whether this is an extension of the primary term of the contract or whether this five year extension is granted under the right for two successive three year extensions provided for in the original contract. If this extension is considered an extension of the primary term of the contract than Tesoro is still entitled to the two successive 3 year extensions.

In conclusion we would like to say that we do not see any significant problems with the two contracts as amended. Unfortunately, we did not have sufficient time to treat the matter in as great a detail as we would have liked to. However, we hope you find the above information useful. If you wish us to do additional work on this subject please let us know.

EK:dh
Attachment

1978-05-02
File: 100-1000-1000

*(2) Intent to extend the
primary term of the
contract
P. 100-1000-1000
(3) 100-1000-1000
2-100-1000-1000*

POLICY STATEMENT MADE BY

The Alaska Royalty Oil and Gas
Development Advisory Board

May 5 & 6, 1977

1. The Royalty Oil and Gas Board shall recommend disposition of royalty oil and gas (through in-value taking, in-kind taking, sales, and sales conditions) in such a manner to maximize net benefits to the State. These net benefits include not only price, but also the various economic, social, and environmental ramifications, including employment, local training, Alaskan ownership, secondary effects, tax base, and many other factors.
2. The baseline price for any royalty oil or gas sale shall not be less than the price that would be received for that oil or gas if taken "in-value".
3. Preference will be given first to existing in-state facilities with no alternate sources of oil or gas, and second to those who will construct new in-state facilities or expand existing in-state facilities.
4. A portion of royalty oil will be withheld from long-term commitment in order to anticipate future small local demands.
5. With the exception of small sales to public utilities, sales will be for specified volumes or proportions of production, constant throughout the year, rather than for flexible volume "options" to be called by the purchaser.
6. Sales of royalty oil and gas for in-state processing will attempt to insure that products for in-state use are priced at the lowest possible price, within the limits of the general net benefit policy and the pricing policy.
7. Products produced from royalty oil and exported from the State must be surplus to the State's domestic and industrial product needs.
8. In general royalty oil and gas will be disposed of in long-term contracts, rather than in "piece lots" as may be done by a private-sector trader or dealer.

SCR 84

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

11TH FLOOR, STATE OFFICE BLDG.
POUCH M - JUNEAU 99811

May 4, 1978

The Honorable John Sackett
Chairman, Senate Finance
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Senator Sackett:

The answers to the questions that arose in yesterday's hearing are as follows:

1. QUESTION: Will the five year term of the contract make it impossible for the price to the State to rise during that period?

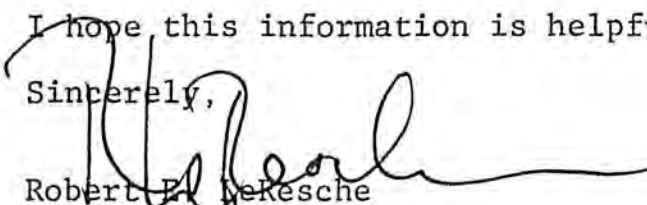
ANSWER: No. The price is keyed into the price the State would have received had it continued to take the oil "in-value". This price will reflect any price adjustments allowed under the federal pricing regulations. Therefore, the contract has a price that escalates precisely with the "in-value" price of that crude.

2. QUESTION: Is this contract a five year extension of the primary contract?

ANSWER: Yes.

I hope this information is helpful.

Sincerely,


Robert E. Fekesche
Commissioner

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

11TH FLOOR, STATE OFFICE BLDG.
POUCH M - JUNEAU 99811

May 16, 1978

The Honorable John Sackett
Chairman, Senate Finance Committee
Alaska State Senate
Pouch V
Juneau, Alaska 99811

Dear Senator Sackett:

Pursuant to your request I contacted Mr. Mike Gotfreed, an attorney for Tesoro, to discuss the clarification of the contract extension discussed Monday morning with your committee. Mr. Gotfreed immediately informed me that such clarification was unnecessary because the Extension Agreement already deletes the article in the 1969 Agreement which refers to two three-year options. Upon reviewing the proposed Extension I learned that Mr. Gotfreed is indeed correct. Article I (page 2 of the Extension) provides: "Article XII of the Agreement, as amended, shall be further amended by the deletion thereof in its entirety. . ."

There is no question in my mind that this language deletes the entire Article XII contained in the 1969 Agreement and hence there is no possibility that the contract could be further extended. I was unable to advise your committee of this matter on Monday morning because I had not checked the Extension Agreement. I apologize for the inconvenience this oversight has caused your Committee.

Finally, I discussed this with Ms. Elke Kallab and I wish to advise you that there was a misunderstanding on my part. It seems Ms. Kallab was aware of the language in Article I but interpreted the modifying "as amended" to limit the deletion to only the first paragraph in Article XII since that was the only paragraph modified by last year's extension. When I discussed this with her, I failed to grasp her interpretation. Had I done so, I would have been able to explain to her and your Committee that the "as amended" language does not limit the word

The Honorable
John Sackett

-2-

May 16, 1978

"Agreement" but rather is customary language in the legal profession to identify the latest version of a particular Agreement.

I hope this explanation answers the question raised by your committee. I would be happy to take whatever further action you wish to clarify this matter.

Sincerely,

A handwritten signature in cursive script, appearing to read "Fred Boness".

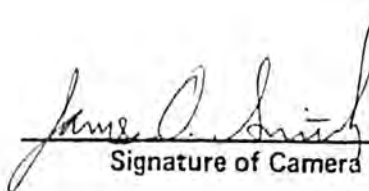
Frederick H. Boness
Deputy Commissioner

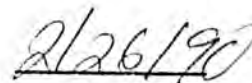


RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.


Signature of Camera Operator


Date

COMMITTEE REPORT

HOUSE

FURTHER: _____

Date: _____

Mr. Speaker:

The Committee on _____ has had _____

_____ under consideration and (a majority of the committee) (the committee

reports it back as follows)

☐ recommends it do pass ☐ recommends it do not pass

☐ recommends it do pass with attached amendment(s)

☐ recommends it be replaced with CS for _____

and _____ ☐ new title ☐ same title

☐ AND attaches a Letter of Intent ☐ New Fiscal Note

☐ reports it back without recommendation

☐ and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Introduced: 3/13/78
Referred: State Affairs

IN THE SENATE

BY THE RULES COMMITTEE
BY REQUEST

SENATE CONCURRENT RESOLUTION NO. 86

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - SECOND SESSION

Directing the Legislative Council to
accomplish a substantive revision of the
alcoholic beverage laws.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

The legislature has determined that the laws of the state found in Title 4, Alaska Statutes, and relating to the sale and dispensing of alcoholic beverages, are in serious disarray. This disarray is the result of patchwork amending over several decades and as a result the laws are very difficult to administer effectively and defy constructive amendment on a piecemeal basis. This small but important body of law is overdue for a substantive revision. A revision project would involve a thorough review of the policies involved and a comprehensive rearrangement and rewording of the laws to make effective administration possible and to facilitate legislative amendment in the future.

The Senate Special Committee on the Revision of Title 4 of the Alaska Statutes (Alcoholic Beverages) will expire with other special committees at the end of the regular session, but the legislature finds that the subject matter before it will require interim attention between adjournment and the convening of the next legislature.

BE IT RESOLVED by the Alaska State Legislature that under provisions of AS 24.20.090 and Uniform Rule 43(c) the Legislative Council is directed to establish a joint interim committee of the council to continue the special committee's work and accomplish a substantive revision of Title 4, Alaska Statutes (Alcoholic Beverages) during the 1978 interim.



Official Business

Alaska State Legislature

House of Representatives

Office of the Majority Leader

Pouch V
State Capitol
Juneau, Alaska 99811

May 26, 1978

To: Jay Hogan
From: Mike Miller

A handwritten signature in cursive script, appearing to read "Mike Miller".

Jay--

Inasmuch as the House incorporated HCR 85 (the Blue Ribbon Personnel-Investigation Resolution) onto SCR 88, it will be necessary to fund the added legislation. Attached is the fiscal note developed by the Finance Committee when the Personnel Resolution was before that committee. It should go in your fiscal note file for passed legislation.

cc: Steve Cowper
John Sackett

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE *REVISED*

I. REQUEST
Bill/Resolution No. HCR 25
Title _____
Requested by _____ Date _____

II. FISCAL DETAIL
Agency Affected Legislative Council
Program Category Affected _____
Budget Request Unit(s) Affected _____

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES			25.3			
200 TRAVEL			21.4			
300 CONTRACTUAL			6.1			
400 COMMODITIES			1.0			
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL			57.3			

FUNDING (Thousands of Dollars)

GENERAL FUND			57.3			
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME			1			
PART TIME			2			
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Assumptions: A commission of thirteen members
Staff counsel, equipment and space to be provided by
Legislative Affairs Agency during interim at no additional cost.
Personal Services: 1/4 time Director for 6 mo, equivalent of 1/2 time research/
administrative staff for 6 mo, full time secretary for 6 mo.
Travel: 4 meetings, 3 public hearings, and consultant travel
Contractual: Consultant fees, phone, postage, xerox, ads, printing stationery
and final report
Commodities: office supplies

IV. DATE 3/2/78 PREPARED BY FRANK FLAVIN
AGENCY OMBUDSMAN
Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

Director, range 28 (\$3708/mo) x 1/4 time x 6 mo	5.6
Admin/Research staff, range 22 (\$2661/mo) x 1/2 time x 6 mo	8.0
Secretary, range 12 (\$1293/mo) x full time x 6 mo	7.8
Staff counsel	--
Benefits	5.4
	<u>26.8</u>
4 meetings	
2.5 days per diem each	6.5
travel average \$150 per person	7.8
consultant travel	
2 at \$300	.6
3 public hearings	
(2 days Juneau, 1 day Anchorage, 1 day Fairbanks)	5.9
	<u>2.6</u>
	23.4
consultant fees 2 at \$500	1.0
typewriters, rent, space, local phone	--
long distance phone	1.2
postage	.1
xerox	.3
advertise hearings	.5
stationery	1.0
final report	<u>2.0</u>
	6.1
commodities	1.0
equipment	--
	<u>57.3</u>

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST SENATE CONCURRENT RESOLUTION NO. 88
Bill/Resolution No. _____
Title Directing the Legislative Council to accomplish a substantive
revision of the alcoholic beverage laws Date 5-12-78
Requested by: Legislative Finance

II. FISCAL DETAIL
Agency Affected Legislative Affairs
Program Category Affected General Government
Budget Request Unit(s) Affected Legislative Council

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, F.C.						
TOTAL						

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Funds were appropriated in Chapter 25, SLA 78, Sec. 5 (FCCSHB 611).

IV. DATE 5/12/78 PREPARED BY M. R. Charney, Director
AGENCY Legislative Affairs
PHONE 465-3850
Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

Introduced: 3/13/78
Referred: State Affairs

BY THE RULES COMMITTEE
BY REQUEST

1 IN THE SENATE

2 SENATE CONCURRENT RESOLUTION .J. 88

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 Directing the Legislative Council to
6 accomplish a substantive revision of the
7 alcoholic beverage laws.

8 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 The legislature has determined that the laws of the state found in
10 Title 4, Alaska Statutes, and relating to the sale and dispensing of alco-
11 holic beverages, are in serious disarray. This disarray is the result of
12 patchwork amending over several decades and as a result the laws are very
13 difficult to administer effectively and defy constructive amendment on a
14 piecemeal basis. This small but important body of law is overdue for a
15 substantive revision. A revision project would involve a thorough review of
16 the policies involved and a comprehensive rearrangement and rewording of the
17 laws to make effective administration possible and to facilitate legislative
18 amendment in the future.

19 The Senate Special Committee on the Revision of Title 4 of the Alaska
20 Statutes (Alcoholic Beverages) will expire with other special committees at
21 the end of the regular session, but the legislature finds that the subject
22 matter before it will require interim attention between adjournment and the
23 convening of the next legislature.

24 BE IT RESOLVED by the Alaska State Legislature that under provisions of
25 AS 24.20.090 and Uniform Rule 48(c) the Legislative Council is directed to
26 establish a joint interim committee of the council to continue the special
27 committee's work and accomplish a substantive revision of Title 4, Alaska
28 Statutes (Alcoholic Beverages) during the 1978 interim.

29

#