Alaska State Legislature

Senate Majority Web: http://www.akrepublicans.org

Sponsor: Senator Gene Therriault
Current Version: CSSB 348(FIN)
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Fact Sheet for: Senate Bill 348

Short Title: Royalty Oil Contract Sale Approval

Summary:

- Grants legislative approval to a 10-year contract for the sale of state royalty oil to Flint Hills Resources (FHR), a subsidiary of Koch Industries in Wichita Kansas.
- FHR may purchase between 24,000 to 77,000 barrels of oil per day.
- FHR must purchase at least 24,000 barrels of oil per day for the first five years.
- Koch Alaska Pipeline Co. would receive Williams Alaska Petroleum's interest in the Trans-Alaska Pipeline System.

Contract contains numerous beneficial provisions under which Flint Hills will:

- Invest $100 million in new processing equipment that will produce low-sulfur fuel mandated by the federal government beginning June 2006.
- Assume Williams' commitment to remove old fuel storage tanks near Government Hill in Anchorage and to conduct a bulk fuels hazard study.
- Assume Williams' contract to transport oil by rail.
- Work with the Fairbanks airport to increase air traffic.
- Maintain the same average annual wholesale truck rack posted prices for gasoline at their terminals in Anchorage and Fairbanks.
- Charge the same price for jet fuel to the same customer at Anchorage and Fairbanks airports.

Benefits:

- The Department of Natural Resources forecasts that royalty revenues under the contract will be approximately $0.30 per barrel higher than if the royalty were taken in value from the North Slope producers, resulting in increased state revenues from $2.6 million to $8.4 million. Royalty oil is the share of crude oil the state receives from companies holding leases to produce oil from state lands. The state can either let the producers, such as ConocoPhillips, BP and ExxonMobil ship the royalty oil along with their own supplies to the West Coast, or it can take and sell its oil in Alaska. The Williams Refinery gets its crude through a spur line in North Pole from the Trans-Alaska Pipeline System.
- DNR forecasts that the low-sulfur project could employ 100 to 200 direct construction jobs, plus twice that number for indirect and induced employment.
- The North Pole refinery currently employs 150 full time employees with an annual payroll estimated at $8 million to $12 million.

Background:

A long-term oil contract with the state is a condition of Flint Hills' purchase of the North Pole Refinery from Williams Alaska Petroleum. The oil would be converted for commercial use at the Refinery, which supplies 56 percent of the state's jet fuel consumption. The Alaska Royalty Oil and Gas Development Advisory Board unanimously approved the contract in February.