



Alaska State Legislature Senate Majority News

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Senate Approves Flint Hills Resources Contract

State will sell up to 77,000 barrels per day

(Juneau)—The Senate unanimously passed legislation today approving a contract for the sale of royalty oil to Flint Hills Resources Alaska, LLC.

“The North Pole Refinery is one of the great success stories in Alaska's quest to add value to our raw natural resources,” said [Senate Bill 348](#) sponsor, Senate President Gene Therriault (R-North Pole). “It adds tremendous value to our local and state economy through high-paying jobs, demand for local support services, and an increased property tax base.”

Flint Hills Vice President for Public Affairs Allen Wright said, “We have moved past one more benchmark in getting our contract approved so we can move quickly to closing. We appreciate the timely consideration by the Legislature. This acquisition fits the growth approach within our company. I believe the contract with Flint Hills is good for the state of Alaska and for our company.”

Under Senate Bill 348, Flint Hills Resources may purchase between 24,000 to 77,000 barrels of oil per day.

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 Department of Natural Resources, which negotiated the contract, forecasts that state 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 per year.

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 Conoco Phillips, 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.

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The contract contains numerous additional provisions of benefit to the state. Flint Hills has committed to add new processing equipment that will produce low-sulfur fuel mandated by the federal government beginning June 2000. It estimates it will invest \$100 million in this project. DNR forecasts that the project may 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.

The refinery and its employees generate between \$3 million and \$4 million in property taxes.

Under other contract provisions, Flint Hills has agreed to assume the commitments made by Williams to remove old fuel storage tanks near Government Hill in Anchorage and to conduct a bulk fuels hazard study. It will also continue a Williams contract to transport oil by rail, and will work with the Fairbanks airport authority to increase air traffic.

Flint Hills Resources has agreed to maintain the same average annual wholesale truck rack posted prices for gasoline at their terminals in Anchorage and Fairbanks, and has agreed to charge the same price for jet fuel to the same customer at Anchorage and Fairbanks airports.

The Alaska Royalty Oil and Gas Development Advisory Board unanimously approved the contract in February.

Flint Hills is a subsidiary of Koch Industries in Wichita Kansas. Koch Alaska Pipeline Co. would receive Williams' interest in the trans-Alaska oil pipeline if the Legislature approves the contract. Williams, based in Tulsa, Okla., is selling its Alaska properties to reduce debt.

SB 348 was transmitted to the House for consideration where it was read across the House floor and heard in the House Finance Committee where it had been scheduled pending referral. The measure passed out of the House Finance Committee later in the day.

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