

Introduced by: Mayor  
Date: Sept. 17, 1985  
Vote: 13 Yes, 1 No  
Action: Adopted

KENAI PENINSULA BOROUGH

RESOLUTION 85-171

OPPOSING THE ESTABLISHMENT OR ASSESSMENT OF HIGHER ROYALTY GAS PRICES BY THE STATE OF ALASKA, THE FEDERAL GOVERNMENT AND COOK INLET REGION, INC.

WHEREAS, UNOCAL is the lessee of gas field rights in the Kenai Gas Field; and

WHEREAS, the lessors on these leases are the State of Alaska, the Federal Government and Cook Inlet Region, Inc.; and

WHEREAS, these lessors have made demand for increased royalty payments from UNOCAL and the U.S. Department of Interior has initially ruled that increased royalty payments are due; and

WHEREAS, the demands are based in general upon market prices at the time of production and in some cases these demanded prices which royalties would be based exceed the price received by UNOCAL under its contract for supply of gas; and

WHEREAS, the imposition of these higher royalty payments would severely impact the economy of the Kenai Peninsula Borough and south central Alaska due to the increase of cost of affecting the fertilizer plant located in the Nikiski area of the Kenai Peninsula Borough and would affect natural gas prices for a vast majority of the population in southcentral Alaska including Kenai Peninsula, Anchorage and the Matanuska-Susitna Borough; and

WHEREAS, On September 30, 1985 UNOCAL will be required to pay on a \$100 million bond posted to secure the claimed back royalty payments; and

WHEREAS, Enstar, the chief supplier of residential consumer natural gas in southcentral Alaska, will likely bear a very significant portion of this payment on back royalties from the bond; and

WHEREAS, the Assembly feels that any increases in the royalty payments for gas production would be detrimental to the economy of the state and not in the public interest;

NOW THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

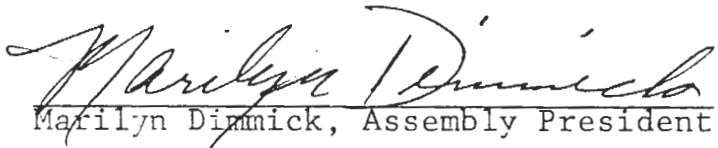
Section 1. That the Assembly of the Kenai Peninsula Borough hereby opposes any increases in royalty oil payments be assessed against UNOCAL leases with the State of Alaska, the U.S. Department of Interior or other federal agencies and Cook Inlet Region, Inc. due to the significant economic detriment to southcentral

Alaska that can result from such increases. The Assembly specifically urges the State of Alaska not to impose or request any increased royalty payments on its share of the royalty gas particularly for past production from the Kenai gas fields by UNOCAL.


Section 2. That the Assembly opposes action by the U.S. Department of Interior, the State of Alaska, or Cook Inlet Region, Inc. that would require payment of a \$100 million bond to cover any back royalty payments and urges the Department of Interior to hold such payment in abeyance pending final determination of this matter.

Section 3. That copies of this resolution shall be sent to the Honorable William Sheffield, Governor of the State of Alaska; Senators Frank Murkowski and Ted Stevens; Congressman Don Young; Donald Hodel, Secretary of the U.S. Department of the Interior; Senators Paul Fischer, Jalmar Kerttula, Edna DeVries and John Sackett; and Representatives Mike Navarre, Andre Marrou, Bette Cato, Mike Szymanski and Kay Wallis.

ADOPTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH ON  
THIS 17th DAY OF September, 1985.

  
Marilyn Dimmick, Assembly President

ATTEST:

  
Borough Clerk