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Governor Bill Walker
STATE OF ALASKA

February 2, 2018

The Honorable Pete Kelly
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Kelly:

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill that clarifies how confidential information obtained by the Commissioner of natural resources may be used and treated as part of the Department of Natural Resources (DNR) appeals, audits, and requests for reconsideration.

A long-standing dilemma faces DNR with respect to the handling of oil and gas sales price information considered "confidential" under Alaska law. Specifically, this dilemma impedes the department's ability to effectively audit and enforce royalty payments when multiple companies working the same lease negotiate different prices. Because sales contracts by one party cannot be provided to another due to confidentiality, producers object to the audit on the basis of a lack of due process. The department then faces administrative obstacles in finalizing the royalty audits.

While the department believes it has the statutory and contractual authority to share this information for audit purposes, providing the information in the face of objection from the affected parties could expose the department and its employees to a claim for improper disclosure of confidential information and criminal penalties. This bill would clarify that the department may disclose pricing information to affected parties under a protective order to finalize the audits without going to court. This will allow the State to more quickly and efficiently collect the royalties it is owed in the future.

I urge your favorable action on this measure so the State may timely finalize audits and recover the royalties it is owed moving forward.

Sincerely,

A handwritten signature in blue ink that reads "Bill Walker".
Bill Walker
Governor

Enclosure