

1 IN THE HOUSE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 5

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SPECIAL SESSION

5 A BILL

6 For an Act entitled: "An Act providing for the sale, exchange or other  
7 disposition of minerals obtained by the state as  
8 royalty under state leases or of rights to receive  
9 future mineral production under state leases; and  
10 providing for an effective date."

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

12 \* Section 1. AS 38 is amended by adding a new chapter to read:

13 CHAPTER 06. ALASKA ROYALTY OIL AND GAS

14 DEVELOPMENT ADVISORY BOARD.

15 Sec. 38.06.010. PURPOSE. It is the purpose of this chapter to  
16 facilitate the wise development of Alaska's oil and gas royalty  
17 interests by providing means and procedures for sales, exchanges or  
18 other disposition of those interests in ways calculated to promote  
19 private economic growth consistent with applicable environmental  
20 standards and public fiscal stability.

21 Sec. 38.06.020. ESTABLISHMENT. There is established in the De-  
22 partment of Natural Resources the Alaska Royalty Oil and Gas Develop-  
23 ment Advisory Board.

24 Sec. 38.06.030. MEMBERSHIP. The board consists of the commis-  
25 sioner of natural resources, who is chairman, the commissioner of  
26 economic development, the commissioner of environmental conservation,  
27 the attorney general, and three public members appointed by the  
28 governor to serve without compensation at the pleasure of the governor.  
29 The public members may not be state officers or employees. The

1 affirmative vote of the majority of the membership of the board is  
2 required to carry out the powers granted under this chapter.

3 Sec. 38.06.040. POWERS. The board has the power to

4 (1) direct the commissioner of natural resources to solicit  
5 inquiries, development plans or bids from persons for the sale,  
6 exchange or other disposal of oil or gas or both obtained by the  
7 state as a royalty under AS 38.05.182, or for the sale, exchange or  
8 other disposal in whole or part of rights to receive future oil or  
9 gas production or both under a state lease, subject to terms and  
10 conditions established by the board;

11 (2) examine proposed sales, exchanges or other disposals  
12 of oil or gas or both obtained by the state as a royalty under  
13 AS 38.05.182, or of rights to receive future oil or gas production  
14 or both under a state lease, for the purpose of approving or dis-  
15 approving the proposed sale, exchange or other disposal;

16 (3) hire an executive director, consultants expert in techni-  
17 cal, economic or other relevant professions and other persons as neces-  
18 sary to assist the board in the exercise of its powers;

19 (4) promulgate regulations under the Administrative Procedure  
20 Act (AS 44.62) that it considers necessary or appropriate in the  
21 exercise of its powers; and

22 (5) take whatever other actions are reasonably necessary in  
23 the furtherance of the purposes of this chapter.

24 Sec. 38.06.050. BOARD APPROVAL REQUIRED. (a) No sale, exchange  
25 or other disposition of oil or gas or of the rights to receive future  
26 production of oil or gas may be made by the commissioner of natural  
27 resources under AS 38.05.183 without the prior written approval of the  
28 board.

29 (b) Bids may not be rejected by the commissioner of natural

1 resources without the prior written approval of the board.

2 (c) Competitive bidding in a sale, exchange or other disposition  
3 described in subsection (a) of this section may not be waived by the  
4 commissioner of natural resources under AS 38.05.183 without the  
5 prior written approval of the board.

6 Sec. 38.06.060. CONFIDENTIALITY. Notwithstanding AS 09.25.110  
7 - 09.25.120, the board may provide by regulation for the confidential-  
8 ity of documents and other property in its possession or control if  
9 in the judgment of the board the best interest of the state requires  
10 confidentiality.

11 Sec. 38.06.070. CRITERIA. In the exercise of its powers under  
12 sec. 40(1) - (2) and sec. 50 of this chapter the board shall consider

13 (1) the revenue needs and projected fiscal condition of the  
14 state;

15 (2) the existence and extent of local and regional needs  
16 for oil and gas products and by-products, the effect of state or  
17 federal commodity allocation requirements which might be applicable  
18 to those products and by-products, and the priorities among competing  
19 needs;

20 (3) the desirability of localized capital investment,  
21 increased payroll, secondary development and other possible effects  
22 of the sale, exchange or other disposition of oil and gas or both;

23 (4) the projected social impacts of the transaction;

24 (5) the projected additional costs and responsibilities  
25 which could be imposed upon the state and affected political sub-  
26 divisions by development related to the transaction;

27 (6) the existence of specific local or regional labor or  
28 consumption markets or both which should be met by the transaction;

29 (7) the projected positive and negative environmental

1 effects related to the transaction; and

2 (8) the projected effects of the proposed transaction upon  
3 existing private commercial enterprise and patterns of investments.

4 Sec. 38.06.080. DEFINITIONS. In this chapter

5 (1) "board" means the Alaska Royalty Oil and Gas Development  
6 Advisory Board; and

7 (2) "state lease" means an oil and gas lease on state land.

8 \* Sec. 2. AS 38.05.183 is repealed and re-enacted to read:

9 Sec. 38.05.183. SALE OF ROYALTY. (a) The sale, exchange  
10 or other disposal of a mineral obtained by the state as a royalty under  
11 sec. 182 of this chapter, or the sale, exchange or other disposal in  
12 whole or in part of a right to receive future mineral production under  
13 a state lease under this chapter, shall be by competitive bid and the  
14 sale, exchange or other disposal made to the highest responsible  
15 bidder, except that competitive bidding is not required when the  
16 commissioner, with the prior written approval of the Alaska Royalty Oil  
17 and Gas Development Advisory Board where applicable, determines that the  
18 best interest of the state does not require it or that no competition  
19 exists.

20 (b) Where competitive bids are required, the commissioner, with  
21 the prior written approval of the Alaska Royalty Oil and Gas Develop-  
22 ment Advisory Board, may reject all bids if he determines that because  
23 of the amount of the bids, the lack of responsibility on the part of  
24 the bidders, or for reasons consistent with the criteria set forth in  
25 AS 38.06.070, the acceptance of the bids would not be in the best  
26 interest of the state.

27 (c) If the commissioner determines that a sale, exchange or other  
28 disposal of a mineral obtained by the state as a royalty under sec.  
29 182 of this chapter or of a right to receive future mineral production

1 under a state lease under this chapter shall be made otherwise than by  
2 competitive bid, and the Alaska Royalty Oil and Gas Development  
3 Advisory Board where applicable has approved that determination, the  
4 commissioner shall make public in writing the specific findings and  
5 conclusions upon which that determination is based.

6 \* Sec. 3. This Act takes effect on the day after its passage and  
7 approval or on the day it becomes law without approval.

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