

Original sponsor: Rules Committee by
request of the Governor

Offered: 6/18/74
On today's calendar on
Special Order

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR 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 38.05.182 is amended to read:

13 Sec. 38.05.182. ROYALTY ON NATURAL RESOURCES. Any royalty pro-
14 vided for in secs. 135 - 181 of this chapter may be taken in kind rather
15 than in money if [AT THE DISCRETION OF] the commissioner, with the
16 consent of the board, [IF HE] determines that the taking in kind would
17 be in the best interest of the state. The consent of the board is
18 required only with respect to oil and gas royalty-in-kind under sec. 183
19 of this chapter.

20 * Sec. 2. AS 38 is amended by adding a new chapter to read:

21 CHAPTER 06. ALASKA ROYALTY OIL AND GAS
22 DEVELOPMENT ADVISORY BOARD.

23 Sec. 38.06.010. PURPOSE. It is the purpose of this chapter to
24 facilitate the wise development of Alaska's oil and gas royalty inter-
25 ests by providing means and procedures for sales, exchanges or other
26 disposition of those interests in ways calculated to promote private
27 economic growth consistent with applicable environmental standards and
28 public fiscal stability, and in accordance with AS 38.05.183.

29 Sec. 38.06.020. ESTABLISHMENT. There is in the Department of

1 Natural Resources the Alaska Royalty Oil and Gas Development Advisory
2 Board.

3 Sec. 38.06.025. MEMBERSHIP. The board consists of the commis-
4 sioner of natural resources, who is chairman, the commissioner of
5 economic development, and three public members. Each of the public
6 members shall possess experience with petroleum-related industries,
7 in such fields as exploration, development, production and economics,
8 and shall be appointed by the governor to serve at his pleasure for
9 three-year staggered terms and confirmed by a vote of a majority of the
10 members of the legislature in joint session. The public members may
11 be removed by the governor only for cause. The public members may not
12 be state officers or employees. A public member, upon the expiration
13 of his term, shall continue to hold office until his successor is
14 appointed and qualifies. Vacancies in public membership shall be filled
15 in the same manner as original appointment. An appointee to fill a
16 vacancy shall hold office for the balance of the term for which his
17 predecessor on the board was appointed. A vacancy in board membership
18 does not impair the authority of a quorum of the board members to
19 exercise all the powers and duties of the board.

20 Sec. 38.06.030. COMPENSATION; PER DIEM, TRAVEL EXPENSES. Members
21 of the board are in the exempt service under AS 39.25.110 and shall
22 receive \$100 a day for each day or portion of a day spent in actual
23 meeting or on authorized official business incident to their duties,
24 and they are entitled to per diem and travel allowances as provided by
25 law for other boards and commissions. If a member of the board is a
26 full-time officer or employee of the state, he may not receive the
27 \$100 a day compensation.

28 Sec. 38.06.035. MEETINGS, RULES, QUORUM, VOTES REQUIRED; CONFLICT
29 OF INTEREST. (a) The board shall prescribe its own rules of procedure.

1 It shall meet at a time and place determined by the chairman, and at
2 other times and places as the chairman, or a majority of the board
3 members, consider necessary. A quorum is a majority of the members of
4 the board. The votes of the board members shall be recorded. Effective
5 action to carry out the powers granted under this chapter requires the
6 affirmative vote of a majority of the board members. No board member
7 may, with respect to a matter before the board, vote for or on behalf of
8 another member of the board.

9 (b) No member of the board may act upon a matter in which his
10 relationship with any person creates a conflict of interest. No board
11 member may have an official connection with or hold stock or securities
12 in, or have a pecuniary interest in, a corporation, company or associa-
13 tion engaged in the production or transportation of oil or gas.

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

15 (1) direct the commissioner of natural resources to solicit
16 inquiries, development plans or bids from persons for the sale, exchange
17 or other disposal of oil or gas or both obtained by the state as a
18 royalty under AS 38.05.182, or for the sale, exchange or other disposal
19 in whole or part of rights to receive future oil or gas production or
20 both under a state lease, subject to terms and conditions established
21 by the board;

22 (2) examine proposed sales, exchanges or other disposals
23 of oil or gas or both obtained by the state as a royalty under AS 38.-
24 05.182, or of rights to receive future oil or gas production or both
25 under a state lease, for the purpose of approving or disapproving the
26 proposed sale, exchange or other disposal;

27 (3) hire an executive director, consultants expert in techni-
28 cal, economic or other relevant professions and other persons as
29 necessary to assist the board in the exercise of its powers;

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

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

6 Sec. 38.06.050. BOARD APPROVAL REQUIRED. (a) No sale, exchange
7 or other disposition of oil or gas or of the rights or waiver of the
8 rights to receive future production of royalty oil or gas may be made
9 by the commissioner of natural resources under AS 38.05.183 without the
10 prior written approval of the board.

11 (b) Bids may not be rejected by the commissioner of natural
12 resources without the prior written approval of the board.

13 (c) Competitive bidding in a sale, exchange or other disposition
14 described in (a) of this section may not be waived by the commissioner
15 of natural resources under AS 38.05.183 without the prior written
16 approval of the board.

17 Sec. 38.06.055. ACTION BY LEGISLATURE. In addition to the
18 approval by the board required under sec. 50 of this chapter, no sale,
19 exchange or other disposition of oil or gas or of the rights or waiver
20 of the rights to receive future production of royalty oil or gas may be
21 made by the commissioner of natural resources under AS 38.05.183 without
22 the prior approval of the legislature by a concurrent resolution con-
23 curred in by a majority of the members of each house.

24 Sec. 38.06.060. CONFIDENTIALITY. Notwithstanding AS 09.25.110 -
25 09.25.120, the board may provide by regulation for the confidentiality
26 of documents and other property in its possession or control if in the
27 judgment of the board the best interest of the state requires confiden-
28 tiality.

29 Sec. 38.06.070. CRITERIA. In the exercise of its powers under

1 sec. 40(1) - (2) and sec. 50 of this chapter the board shall consider

2 (1) the revenue needs and projected fiscal condition of the
3 state;

4 (2) the existence and extent of present and projected local
5 and regional needs for oil and gas products and by-products, the effect
6 of state or federal commodity allocation requirements which might be
7 applicable to those products and by-products, and the priorities among
8 competing needs;

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

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

13 (5) the projected additional costs and responsibilities
14 which could be imposed upon the state and affected political subdivi-
15 sions by development related to the transaction;

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

18 (7) the projected positive and negative environmental
19 effects related to the transaction; and

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

22 Sec. 38.06.080. DEFINITIONS. In this chapter

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

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

26 * Sec. 3. AS 38.05.183 is repealed and re-enacted to read:

27 Sec. 38.05.183. SALE OF ROYALTY. (a) The sale, exchange or
28 other disposal of a mineral obtained by the state as a royalty under
29 sec. 182 of this chapter, or the sale, exchange or other disposal in

1 whole or in part of a right to receive future mineral production under
2 a state lease under this chapter, shall be by competitive bid and the
3 sale, exchange or other disposal made to the highest responsible bidder,
4 except that competitive bidding is not required when the commissioner,
5 with the prior written approval of the Alaska Royalty Oil and Gas
6 Development Advisory Board where applicable, determines that the best
7 interest of the state does not require it or that no competition exists.

8 (b) When competitive bids are required, the commissioner, with
9 the prior written approval of the Alaska Royalty Oil and Gas Development
10 Advisory Board, may reject all bids if he determines that because of
11 the amount of the bids, the lack of responsibility on the part of the
12 bidders, or for reasons consistent with the criteria set out in AS 38.-
13 06.070, the acceptance of the bids would not be in the best interest
14 of the state.

15 (c) If the commissioner determines that a sale, exchange or other
16 disposal of a mineral obtained by the state as a royalty under sec. 182
17 of this chapter or of a right to receive future mineral production under
18 a state lease under this chapter shall be made otherwise than by competi-
19 tive bid, and the Alaska Royalty Oil and Gas Development Advisory Board
20 where applicable has approved that determination, the commissioner shall
21 make public in writing the specific findings and conclusions upon which
22 that determination is based.

23 * Sec. 4. This Act takes effect on the day after its passage and approval
24 or on the day it becomes law without approval.
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