

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 established 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, in  
7 such fields as exploration, development, production and economics, and  
8 shall be appointed by the governor to serve at his pleasure for three-  
9 year staggered terms and confirmed by a vote of a majority of the members  
10 of the legislature in joint session. The public members may not be state  
11 officers or employees. A public member, upon the expiration of his term,  
12 shall continue to hold office until his successor is appointed and  
13 qualifies. Vacancies in public membership shall be filled in the same  
14 manner as original appointment. An appointee to fill a vacancy shall  
15 hold office for the balance of the term for which his predecessor on the  
16 board was appointed. A vacancy in board membership does not impair the  
17 authority of a quorum of the board members to exercise all the powers and  
18 duties of the board.

19 Sec. 38.06.030. COMPENSATION; PER DIEM, TRAVEL EXPENSES. Members  
20 of the board are in the exempt service under AS 39.25.110 and shall  
21 receive per diem and travel allowances as provided by law for other  
22 boards and commissions.

23 Sec. 38.06.035. MEETINGS, RULES, QUORUM, VOTES REQUIRED; CONFLICT  
24 OF INTEREST. (a) The board shall prescribe its own rules of procedure.  
25 It shall meet at a time and place determined by the chairman, and at  
26 other times and places as the chairman, or a majority of the board  
27 members, consider necessary. A quorum is a majority of the members of  
28 the board. The votes of the board members shall be recorded. Effective  
29 action to carry out the powers granted under this chapter requires the

1 affirmative vote of a majority of the board members. No board member  
2 may, with respect to a matter before the board, vote for or on behalf of  
3 another member of the board.

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

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

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

17 (2) examine proposed sales, exchanges or other disposals  
18 of oil or gas or both obtained by the state as a royalty under AS 38.-  
19 05.182, or of rights to receive future oil or gas production or both  
20 under a state lease, for the purpose of approving or disapproving the  
21 proposed sale, exchange or other disposal;

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

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

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

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

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

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

12           (d) The board may require conditions relating to the sale, delivery,  
13 transportation, or refining or processing within the state to be  
14 included by the commissioner of natural resources in the offer of and  
15 sale by competitive bidding of oil or gas obtained by the state as  
16 royalty under AS 38.05.182.

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 those documents and records in its possession or control which  
27 contain confidential business or marketing information the protection  
28 of which is essential to the person who has submitted them to the  
29 board or in the judgment of the board is essential to the best interest

1 of the state. Such confidentiality, however, shall not preclude the  
2 proper review by the legislature.

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

6 (1) the revenue needs and projected fiscal condition of the  
7 state;

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

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

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

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

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

22 (7) the projected positive and negative environmental  
23 effects related to the transaction; and

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

26 (b) When it is economically feasible, the board may require, as  
27 a condition of the sale of oil or gas obtained by the state as royalty,  
28 that the oil or gas be refined or processed in the state and may, when  
29 it is feasible and in the best interest of the state to do so, provide

1 for processing or refining of the oil or gas under a contract entered  
2 into by competitive bidding before the sale of the oil or gas.

3 Sec. 38.06.080. DEFINITIONS. In this chapter

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

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

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

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

18 (b) When competitive bids are required, the commissioner, with  
19 the prior written approval of the Alaska Royalty Oil and Gas Development  
20 Advisory Board, may reject all bids if he determines that because of  
21 the amount of the bids, the lack of responsibility on the part of the  
22 bidders, or for reasons consistent with the criteria set out in AS 38.-  
23 06.070, the acceptance of the bids would not be in the best interest  
24 of the state.

25 (c) If the commissioner determines that a sale, exchange or other  
26 disposal of a mineral obtained by the state as a royalty under sec. 182  
27 of this chapter or of a right to receive future mineral production under  
28 a state lease under this chapter shall be made otherwise than by competi-  
29 tive bid, and the Alaska Royalty Oil and Gas Development Advisory Board

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where applicable has approved that determination, the commissioner shall make public in writing the specific findings and conclusions upon which that determination is based.

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