

Original sponsor: Rules Committee by
request of the Governor

Offered: 6/20/74
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR 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 38.05.183 is amended by adding new subsections to read:

21 (e) Oil or gas taken in kind by the state as its royalty share
22 may not be sold or otherwise disposed for export from the state until
23 the commissioner with the approval of the Alaska Royalty Oil and Gas
24 Development Advisory Board determines that the royalty-in-kind oil or
25 gas is surplus to the present and projected intrastate domestic and
26 industrial needs. The commissioner shall make public, in writing, the
27 specific findings and reasons on which his determination is based and
28 shall, within 10 days of the convening of a regular session of the
29 legislature, submit a report showing the immediate and long-range

1 domestic and industrial needs of the state for oil and gas and an
2 analysis of how these needs are to be met.

3 (f) If more than one user requests use of the same royalty-in-
4 kind oil or gas, the board shall determine which user shall be of
5 greater benefit to the state.

6 * Sec. 3. AS 38 is amended by adding a new chapter to read:

7 CHAPTER 06. ALASKA ROYALTY OIL AND GAS

8 DEVELOPMENT ADVISORY BOARD.

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

15 Sec. 38.06.020. ESTABLISHMENT. There is established in the
16 Department of Natural Resources the Alaska Royalty Oil and Gas Develop-
17 ment Advisory Board.

18 Sec. 38.06.025. MEMBERSHIP. The board consists of the commis-
19 sioner of natural resources, who is chairman, the commissioner of
20 economic development, and three public members. Each of the public
21 members shall possess experience in such fields as exploration, develop-
22 ment, production and economics, and shall be appointed by the governor
23 to serve at his pleasure for three-year staggered terms and confirmed
24 by a vote of a majority of the members of the legislature in joint
25 session. Public members may be removed only for cause. The public
26 members may not be state officers or employees. A public member, upon
27 the expiration of his term, shall continue to hold office until his
28 successor is appointed and qualifies. Vacancies in public membership
29 shall be filled in the same manner as original appointment. An appointee

1 to fill a vacancy shall hold office for the balance of the term for
2 which his predecessor on the board was appointed. A vacancy in board
3 membership does not impair the authority of a quorum of the board
4 members to exercise all the powers and duties of the board.

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

9 Sec. 38.06.035. MEETINGS, RULES, QUORUM, VOTES REQUIRED; CONFLICT
10 OF INTEREST. (a) The board shall prescribe its own rules of procedure
11 It shall meet at a time and place determined by the chairman, and at
12 other times and places as the chairman, or a majority of the board
13 members, considers necessary. A quorum is a majority of the members of
14 the board. The votes of the board members shall be recorded. Effective
15 action to carry out the powers granted under this chapter requires the
16 affirmative vote of a majority of the board members. No board member
17 may, with respect to a matter before the board, vote for or on behalf of
18 another member of the board.

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

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

25 (1) direct the commissioner of natural resources to solicit
26 inquiries, development plans or bids from persons for the sale, exchange
27 or other disposal of oil or gas or both obtained by the state as a
28 royalty under AS 38.05.182, or for the sale, exchange or other disposal
29 in whole or part of rights to receive future oil or gas production or

1 both under a state lease, subject to terms and conditions established
2 by the board;

3 (2) examine proposed sales, exchanges or other disposals
4 of oil or gas or both obtained by the state as a royalty under AS 38.-
5 05.182, or of rights to receive future oil or gas production or both
6 under a state lease, for the purpose of approving or disapproving the
7 proposed sale, exchange or other disposal;

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

11 (4) promulgate regulations under the Administrative Procedure
12 Act (AS 44.62) that are necessary or appropriate in the exercise of its
13 powers; and

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

16 Sec. 38.06.050. BOARD APPROVAL REQUIRED. (a) No sale, exchange,
17 encumbrance, or other disposition of oil or gas or of the rights or
18 waiver of the rights to receive future production of royalty oil or gas
19 may be made by the commissioner of natural resources under AS 38.05.183
20 without the prior written approval of the board.

21 (b) Bids or applications for the purchase of royalty oil or gas
22 may not be rejected by the commissioner of natural resources without
23 the prior written approval of the board.

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

28 (d) The board may require conditions relating to the sale, delivery,
29 transportation, or refining or processing within the state to be

1 included by the commissioner of natural resources in the offer of and
2 sale by competitive bidding of oil or gas obtained by the state as
3 royalty under AS 38.05.182.

4 Sec. 38.06.055. ACTION BY LEGISLATURE. (a) In addition to the
5 approval by the board required under sec. 50 of this chapter, no sale,
6 exchange or other disposition of oil or gas or of the rights or waiver
7 of the rights to receive future production of royalty oil or gas may be
8 made by the commissioner of natural resources under AS 38.05.183 without
9 the prior approval of the legislature by a concurrent resolution con-
10 curred in by a majority of the members of each house.

11 (b) Contracts for the sale of state-owned royalty gas or oil that
12 specify the sale and delivery of not more than 400 barrels of crude oil
13 per day or not more than 460 barrels of natural gas liquids per day or
14 not more than 2,400 Mcf of natural gas per day may be executed without
15 ratification by the legislature.

16 Sec. 38.06.060. CONFIDENTIALITY. Notwithstanding AS 09.25.110 -
17 09.25.120, the board may provide by regulation for the confidentiality
18 of those documents and records in its possession or control which
19 contain confidential business or marketing information the protection
20 of which is essential to the person who has submitted them to the
21 board or in the judgment of the board is essential to the best interest
22 of the state. Such confidentiality, however, shall not preclude the
23 proper review by the legislature.

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

27 (1) the revenue needs and projected fiscal condition of the
28 state;

29 (2) the existence and extent of present and projected local

1 and regional needs for oil and gas products and by-products, the effect
2 of state or federal commodity allocation requirements which might be
3 applicable to those products and by-products, and the priorities among
4 competing needs;

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

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

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

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

14 (7) the projected positive and negative environmental
15 effects related to the transaction; and

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

18 (b) When it is economically feasible, the board may require, as
19 a condition of the sale of oil or gas obtained by the state as royalty,
20 that the oil or gas be refined or processed in the state and may, when
21 it is feasible and in the best interest of the state to do so, provide
22 for processing or refining of the oil or gas under a contract entered
23 into by competitive bidding before the sale of the oil or gas.

24 Sec. 38.06.080. DEFINITIONS. In this chapter

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

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

28 * Sec. 4. AS 38.05.183 is repealed and re-enacted to read:

29 Sec. 38.05.183. SALE OF ROYALTY. (a) The sale, exchange or