

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

4 CHAPTER 06. ALASKA ROYALTY OIL AND GAS

5 DEVELOPMENT ADVISORY BOARD.

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

13 Sec. 38.06.020. ESTABLISHMENT. There is established in the  
14 Department of Natural Resources the Alaska Royalty Oil and Gas  
15 Development Advisory Board.

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

1 appointed. A vacancy in board membership does not impair the  
2 authority of a quorum of the board members to exercise all the  
3 powers and duties of the board.

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

8 Sec. 38.06.035. MEETINGS, RULES, QUORUM, VOTES REQUIRED;  
9 CONFLICT OF INTEREST. (a) The board shall prescribe its own rules  
10 of procedure. It shall meet at a time and place determined by the  
11 chairman, and at other times and places as the chairman, or a  
12 majority of the board members, considers necessary. A quorum is  
13 a majority of the members of the board. The votes of the board  
14 members shall be recorded. Effective action to carry out the  
15 powers granted under this chapter requires the affirmative vote  
16 of a majority of the board members. No board member may, with  
17 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) Until July 1, 1975, contracts for the sale of state-owned  
12 royalty gas or oil that specify the sale and delivery of not more than  
13 400 barrels of crude oil per day or not more than 460 barrels of natural  
14 gas liquids per day or not more than 2,400 Mfc of natural gas per day  
15 may be executed without 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

1 other disposal of a mineral obtained by the state as a royalty under  
2 sec. 182 of this chapter, or the sale, exchange or other disposal in  
3 whole or in part of a right to receive future mineral production under  
4 a state lease under this chapter, shall be by competitive bid and the  
5 sale, exchange or other disposal made to the highest responsible bidder,  
6 except that competitive bidding is not required when the commissioner,  
7 with the prior written approval of the Alaska Royalty Oil and Gas  
8 Development Advisory Board where applicable, determines that the best  
9 interest of the state does not require it or that no competition exists.

10 (b) When competitive bids are required, the commissioner, with  
11 the prior written approval of the Alaska Royalty Oil and Gas Development  
12 Advisory Board, may reject all bids if he determines that because of the  
13 amount of the bids, the lack of responsibility on the part of the  
14 bidders, or for reasons consistent with the criteria set out in AS 38.-  
15 06.070, the acceptance of the bids would not be in the best interest  
16 of the state.

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

25 \* Sec. 5. This Act takes effect on the day after its passage and approval  
26 or on the day it becomes law without approval.  
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