

Original sponsor: Hartig, J. Miller,
Banfield, et al

Offered: 4/22/74
Referred: Rules

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 SENATE CS FOR HOUSE BILL NO. 461

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for the removal, sale, exchange or
7 other 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 38.05.183 is amended by adding new subsections to read:

13 (e) Oil or gas taken in kind by the state as its royalty share
14 may not be sold or otherwise disposed of until the commissioner with
15 the approval of the Alaska Royalty Oil and Gas Development Advisory
16 Board determines that the royalty-in-kind oil or gas is surplus to the
17 present and projected intrastate domestic and industrial needs. The
18 commissioner shall make public, in writing, the specific findings and
19 reasons on which his determination is based and shall, within 10 days
20 of the convening of a regular session of the legislature, submit a
21 report showing the immediate and long-range domestic and industrial
22 needs of the state for oil and gas and an analysis of how these needs
23 are to be met.

24 (f) If more than one user requests use of the same royalty-in-
25 kind oil or gas and the commissioner determines that the sale, exchange
26 or disposition of the oil or gas would, overall, bring equal benefits
27 to the state regardless of which user prevails, he shall enter into
28 negotiations with the competing users with the object of arriving at a
29 pro rata distribution which will be acceptable to all parties. If pro

1 rata distribution is not feasible, the commissioner shall make a complete
2 analysis of the positions of each user and of the benefits which will
3 accrue to the state under each position and submit this analysis and
4 his recommendations to the legislature within 10 days of the convening
5 of a regular session or upon completion of the analysis, if completed
6 before adjournment of a regular session of the legislature. If the
7 legislature fails to act on the commissioner's recommendations by
8 concurrent resolution during the session in which submitted, this
9 failure may be treated by the commissioner as acceptance of his recom-
10 mendations.

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

12 CHAPTER 06. ALASKA ROYALTY OIL AND GAS
13 DEVELOPMENT ADVISORY BOARD.

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

20 Sec. 38.06.020. ESTABLISHMENT. There is in the Department of
21 Natural Resources the Alaska Royalty Oil and Gas Development Advisory
22 Board.

23 Sec. 38.06.025. MEMBERSHIP. The board consists of the commis-
24 sioner of natural resources, who is chairman, the commissioner of
25 economic development, the commissioner of revenue, and three public
26 members appointed by the governor to serve at his pleasure for three-
27 year staggered terms and confirmed by a vote of a majority of the
28 members of the legislature in joint session. The public members may
29 be removed by the governor only for cause. The public members may not

1 be state officers or employees. A public member, upon the expiration of
2 his term, shall continue to hold office until his successor is appointed
3 and qualifies. Vacancies in public membership shall be filled in the
4 same manner as original appointment. An appointee to fill a vacancy
5 shall hold office for the balance of the term for which his predecessor
6 on the board was appointed. A vacancy in board membership does not
7 impair the authority of a quorum of the board members to exercise all
8 the powers and duties of the board.

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

17 Sec. 38.06.035. MEETINGS, RULES, QUORUM, VOTES REQUIRED. The
18 board shall prescribe its own rules of procedure. It shall meet at a
19 time and place determined by the chairman, and at other times and places
20 as the chairman, or a majority of the board members, consider necessary.
21 A quorum is a majority of the members of the board. The votes of the
22 board members shall be recorded. Effective action to carry out the
23 powers granted under this chapter requires the affirmative vote of a
24 majority of the board members. No board member may, with respect to a
25 matter before the board, vote for or on behalf of another member of
26 the board.

27 Sec. 38.06.040. POWERS. The board may

28 (1) direct the commissioner of natural resources to solicit
29 inquiries, development plans or bids from persons for the sale, exchange

1 or other disposition of oil or gas or both obtained by the state as a
2 royalty under AS 38.05.182, or for the sale, exchange or other disposi-
3 tion in whole or part of rights to receive future oil or gas production
4 or both under a state lease, subject to terms and conditions established
5 by the board;

6 (2) examine proposed sales, exchanges or other dispositions
7 of oil or gas or both obtained by the state as a royalty under AS 38.-
8 05.182, or of rights to receive future oil or gas production or both
9 under a state lease, for the purpose of approving or disapproving the
10 proposed sale, exchange or other disposition under AS 38.05.183;

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

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

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

19 Sec. 38.06.050. BOARD APPROVAL REQUIRED. No sale, exchange or
20 other disposition of oil or gas or of the rights to receive future
21 production of oil or gas may be made by the commissioner of natural
22 resources under AS 38.05.183 without the prior written approval of the
23 board.

24 Sec. 38.06.060. CRITERIA. In the exercise of its powers under
25 sec. 40(1) - (2) and sec. 50 of this chapter the board shall consider

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

28 (2) the existence and extent of local and regional needs for
29 oil and gas products and by-products, the effect of state or federal

1 commodity allocation requirements which might be applicable to those
2 products and by-products, and the priorities among competing needs;

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

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

7 (5) the projected additional costs and responsibilities which
8 would be imposed upon the state and affected political subdivisions by
9 development related to the transaction;

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

12 (7) the projected positive and negative environmental effects
13 related to the transaction; and

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

16 Sec. 38.06.080. DEFINITIONS. In this chapter

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

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

20 * Sec. 3. AS 39.25.110 is amended by adding a new paragraph to read:

21 (14) the members and executive director of the Alaska Royalty
22 Oil and Gas Development Advisory Board.

23 * Sec. 4. AS 42.06.340 is amended by adding a new subsection to read:

24 (b) During construction of a pipeline the commission after
25 investigation and opportunity for hearing and findings as required in
26 subparagraph (a) of this section may order the inclusion within the
27 pipeline at such points that it designates, special fittings including
28 but not limited to tees, wyes, spools, reducers, enlargers, flanges,
29 flange plates, valves and valve boxes, for the purpose of mitigating

1 the time and cost of future connections for the injection and removal
2 of gas and oil from the main pipeline, and for the maintenance and
3 facilitation of intrastate commerce. A request for special fittings
4 and valves may be made by the state, a local government, person,
5 company or corporation. The cost of furnishing and installing the
6 special fittings shall be borne by whoever requests the work. However,
7 the state may advance as a loan the necessary funds for that purpose
8 if the advancement of funds appears to be in the public interest,
9 subject to those terms and conditions prescribed by law.

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