

1 IN THE HOUSE BY THE FREE CONFERENCE COMMITTEE

2 FREE CONFERENCE CS FOR 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 38.05.182 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 until the commissioner with
23 the approval of the Alaska Royalty Oil and Gas Development Advisory
24 Board determines that the royalty-in-kind oil or gas is surplus to the
25 present and projected intrastate domestic and industrial needs. The
26 commissioner shall make public, in writing, the specific findings and
27 reasons on which his determination is based and shall, within 10 days
28 of the convening of a regular session of the legislature, submit a
29 report showing the immediate and long-range domestic and industrial

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

3 (f) If more than one user requests use of the same royalty-in-kind
4 oil or gas, the board shall determine which user shall be of greater
5 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 in the Department of
16 Natural Resources the Alaska Royalty Oil and Gas Development Advisory
17 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 four public members, each of whom shall possess
21 at least seven years experience in petroleum-related industries, appointed
22 by the governor to serve at his pleasure for three-year staggered
23 terms and confirmed by a vote of a majority of the members of the
24 legislature in joint session. The public members shall include a civil
25 engineer, a petroleum engineer, a petroleum geologist and an attorney.
26 The public members may be removed by the governor only for cause. The
27 public members may not be state officers or employees. A public member,
28 upon the expiration of his term, shall continue to hold office until
29 his successor is appointed and qualifies. Vacancies in public membership

1 shall be filled in the same manner as original appointment. An
2 appointee to fill a vacancy shall hold office for the balance of the
3 term for which his predecessor on the board was appointed. A vacancy
4 in board membership does not impair the authority of a quorum of the
5 board members to exercise all the powers and duties of the board.

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

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

24 Sec. 38.06.040. POWERS. The board may

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 disposition 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 disposi-
29 tion in whole or part of rights to receive future oil or gas production

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

3 (2) examine proposed sales, exchanges or other dispositions
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 disposition under AS 38.05.183;

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

11 (4) promulgate regulations under the Administrative Procedure
12 Act (AS 44.62) that it considers necessary or appropriate in the exercise
13 of its 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. No sale, exchange or
17 other disposition of oil or gas or of the rights to receive future
18 production of oil or gas may be made by the commissioner of natural
19 resources under AS 38.05.183 without the prior written approval of the
20 board.

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

23 (1) the revenue needs and projected fiscal condition of the
24 state;

25 (2) the existence and extent of local and regional needs for
26 oil and gas products and by-products, the effect of state or federal
27 commodity allocation requirements which might be applicable to those
28 products and by-products, and the priorities among competing needs;

29 (3) the desirability of localized capital investment, increased

1 payroll, secondary development and other possible effects of the sale,
2 exchange or other disposition of oil and gas or both;

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

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

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

9 (7) the projected positive and negative environmental effects
10 related to the transaction; and

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

13 Sec. 38.06.080. DEFINITIONS. In this chapter

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

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

17 * Sec. 4. AS 39.25.110 is amended by adding a new paragraph to read:

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

20 * Sec. 5. AS 42.06.340 is amended by adding a new subsection to read:

21 (b) During construction of a pipeline the commission after inves-
22 tigation and opportunity for hearing and findings as required in (a) of
23 this section may order the inclusion within the pipeline at such points
24 that it designates, special fittings including but not limited to tees,
25 wyes, spools, reducers, enlargers, flanges, flange plates, valves and
26 valve boxes, for the purpose of mitigating the time and cost of future
27 connections for the injection and removal of gas and oil from the main
28 pipeline, and for the maintenance and facilitation of intrastate
29 commerce. A request for special fittings and valves may be made by the

1 state. The cost of furnishing and installing the special fittings shall
2 be borne by the state.

3 * Sec. 6. This Act takes effect on the day after its passage and approval
4 or on the day it becomes law without approval.
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