

Original sponsors: Miles and Chatterton

Offered: 3/6/80
Referred: Rules

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE BILL NO. 624 am

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the royalty on natural resources of
7 the state and the Alaska Royalty Oil and Gas Develop-
8 ment Advisory Board; and providing for an effective
9 date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. AS 38.06.020 is amended to read:

12 Sec. 38.06.020. ESTABLISHMENT. There is established in the De-
13 partment of Commerce and Economic Development [NATURAL RESOURCES] the
14 Alaska Royalty Oil and Gas Development Advisory Board.

15 * Sec. 2. AS 38.06.025 is amended to read:

16 Sec. 38.06.025. MEMBERSHIP. (a) The board consists of the com-
17 missioner of commerce and economic development; [NATURAL RESOURCES, WHO
18 IS CHAIRMAN,] the commissioner of revenue; [,] the commissioner of
19 natural resources, who is a nonvoting member; and three public members.

20 (b) Each of the public members shall possess experience in
21 petroleum-related fields in such areas as exploration, development,
22 production and economics, and shall be appointed by the governor to
23 serve at his pleasure for three-year staggered terms and confirmed by a
24 vote of a majority of the members of the legislature in joint session.
25 The public members may not be state officers or employees.

26 (c) A chairman shall be elected by the board from among the
27 public members.

28 (d) A public member, upon the expiration of his term, shall
29 continue to hold office until [UNDER] his successor is appointed and

1 qualifies.

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

8 * Sec. 3. AS 38.06.035(a) is amended to read:

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

18 * Sec. 4. AS 38.06.040 is repealed and re-enacted to read:

19 Sec. 38.06.040. POWERS AND DUTIES OF THE BOARD. (a) The board
20 shall

21 (1) in accordance with the criteria set out in AS 38.06.070,
22 develop a plan for the wise development of the state's oil and gas
23 royalty interests; the plan of development shall be consistent with

- 24 (A) growth of the private sector of the economy;
25 (B) environmental standards required by law; and
26 (C) public fiscal stability;

27 (2) hold public hearings on proposed sales, exchanges, or
28 other disposals of royalty oil or gas to determine whether the proposals
29 comply with AS 38.06.070;

1 (3) examine proposed sales, exchanges or other disposal of,
2 and recommend to the legislature that it approve or disapprove a
3 proposed sale, exchange or other disposal of

4 (A) the oil or gas that is obtained by the state as
5 royalty under AS 38.05.182; or

6 (B) the rights to receive future oil or gas production
7 under state leases; and

8 (4) recommend to the commissioner of natural resources the
9 conditions relating to the sale, delivery, transportation, refining or
10 processing of oil or gas which he may include in the offer and sale of
11 oil or gas obtained by the state as royalty under AS 38.05.182.

12 (b) The board may

13 (1) direct the commissioner of natural resources to solicit
14 development plans or bids consistent with the criteria set out in
15 AS 38.06.070 for

16 (A) the sale, exchange or other disposal of oil or gas
17 obtained by the state as royalty under AS 38.05.182; or

18 (B) the sale, exchange or other disposal of all or a
19 portion of the rights to receive future oil or gas production under
20 a state lease;

21 (2) employ an executive director, and contract for the ser-
22 vices of professionals, persons with knowledge of economics and other
23 disciplines, and persons with technical skills who may be necessary to
24 assist the board in the exercise of its powers and duties; and

25 (3) adopt regulations under the Administrative Procedure Act
26 (AS 44.62) that are necessary for the exercise of its powers and duties.

27 * Sec. 5. AS 38.06.050 is amended to read:

28 Sec. 38.06.050. BOARD REVIEW AND RECOMMENDATION [APPROVAL] RE-
29 QUIRED. (a) If legislative approval is required by AS 38.06.055, a

1 [NO] sale, exchange, encumbrance, or other disposition of oil or gas or
2 of the rights or waiver of the rights to receive future production of
3 royalty oil or gas may not be made by the commissioner of natural re-
4 sources under AS 38.05.183 without [THE] prior review of the proposed
5 sale, exchange, encumbrance or other disposition by [WRITTEN APPROVAL
6 OF] the board. A written recommendation of the board on the proposed
7 sale, exchange, encumbrance or other disposition of oil or gas or of
8 the rights or waiver of the rights to receive future production of
9 royalty oil or gas shall be submitted to the legislature at the time a
10 resolution approving the proposed sale, exchange, encumbrance or other
11 disposition is introduced in the legislature.

12 (b) Bids or applications for the purchase of royalty oil or gas
13 may [NOT] be rejected by the commissioner of natural resources if
14 [WITHOUT THE] prior written notice of the proposed disapproval is given
15 to [APPROVAL OF] the board.

16 (c) Competitive bidding in a sale, exchange or other disposition
17 described in (a) of this section may not be waived by the commissioner
18 of natural resources under AS 38.05.183 unless [WITHOUT THE] prior
19 written notice of proposed waiver is given to [APPROVAL OF] the board.

20 [(d) THE BOARD MAY REQUIRE CONDITIONS RELATING TO THE SALE, DE-
21 LIVERY, TRANSPORTATION, OR REFINING OR PROCESSING WITHIN THE STATE TO BE
22 INCLUDED BY THE COMMISSIONER OF NATURAL RESOURCES IN THE OFFER OF AND
23 SALE BY COMPETITIVE BIDDING OF OIL OR GAS OBTAINED BY THE STATE AS
24 ROYALTY UNDER AS 38.05.182.]

25 * Sec. 6. AS 38.06.055(a) is amended to read:

26 (a) In addition to the recommendation [APPROVAL] by the board
27 required under AS 38.06.050, a [NO] sale, exchange or other disposition
28 of oil or gas or of the rights or waiver of the rights to receive future
29 production of royalty oil or gas may not be made by the commissioner of

1 natural resources under AS 38.05.183 without the prior approval of the
2 legislature by a concurrent resolution concurred in by a majority of the
3 members of each house except for sales, exchanges, or other dispositions
4 made for a term of no more than one year, which may be entered into to
5 relieve storage or market conditions. Any short-term sale, exchange or
6 other disposition entered into under the authority of this subsection
7 may not be renewed without the prior approval of the legislature by a
8 concurrent resolution concurred in by a majority of the members of each
9 house.

10 * Sec. 7. AS 38.06.070(b) is amended to read:

11 (b) When it is economically feasible, the board may recommend to
12 the commissioner [REQUIRE], as a condition of the sale of oil or gas
13 obtained by the state as royalty, that the oil or gas be refined or
14 processed in the state and [MAY], when it is feasible and in the best
15 interests of the state to do so, may recommend to the commissioner that
16 bidders enter into a contract to process or refine [PROVIDE FOR PRO-
17 CESSING OR REFINING OF] the oil or gas in the state [UNDER A CONTRACT
18 ENTERED INTO BY COMPETITIVE BIDDING] before the sale of the oil or gas.

19 * Sec. 8. AS 38.05.182 is amended to read:

20 Sec. 38.05.182. ROYALTY ON NATURAL RESOURCES. (a) Any royalty
21 provided for in AS 38.05.135 - 38.05.181 may be taken in kind rather
22 than in money if the commissioner determines that the taking in kind
23 would be in the best interest of the state. However, royalties on oil
24 and gas shall be taken in kind unless

25 [(1)] the commissioner determines that the taking in money
26 would be in the best interest of the state [; AND

27 (2) THE ALASKA ROYALTY OIL AND GAS DEVELOPMENT ADVISORY BOARD
28 APPROVES THE TAKING IN MONEY].

29 (b) The commissioner shall submit a determination to take royalty

1 in money [APPROVED UNDER (a) OF THIS SECTION] to the legislature at the
2 first opportunity during a current session or, if the legislature is not
3 in session, at the next regular session. The legislature, within 60
4 days or by the adjournment of the session, whichever comes sooner, may
5 revoke the determination by concurrent resolution.

6 * Sec. 9. AS 38.05.183 is amended to read:

7 Sec. 38.05.183. SALE OF ROYALTY. (a) The sale, exchange or other
8 disposal of a mineral obtained by the state as a royalty under AS 38.-
9 05.182, or the sale, exchange or other disposal in whole or in part of a
10 right to receive future mineral production under a state lease under
11 this chapter, shall be by competitive bid and the sale, exchange or
12 other disposal made to the highest responsible bidder, except that
13 competitive bidding is not required when the commissioner, after prior
14 written notice to [WITH THE PRIOR WRITTEN APPROVAL OF] the Alaska
15 Royalty Oil and Gas Development Advisory Board under AS 38.06.050 [WHERE
16 APPLICABLE], determines that the best interest of the state does not
17 require it or that no competition exists.

18 (b) When competitive bids are required, the commissioner, after
19 prior written notice to [WITH THE PRIOR WRITTEN APPROVAL OF] the Alaska
20 Royalty Oil and Gas Development Advisory Board, may reject all bids if
21 he determines that because of the amount of the bids, the lack of re-
22 sponsibility on the part of the bidders, or for reasons consistent with
23 the criteria set out in AS 38.06.070, the acceptance of the bids would
24 not be in the best interest 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 AS 38.-
27 05.182 or of a right to receive future mineral production under a state
28 lease under this chapter shall be made otherwise than by competitive
29 bid, and the Alaska Royalty Oil and Gas Development Advisory Board

1 has been notified in writing of [WHERE APPLICABLE HAS APPROVED] that
2 determination, the commissioner shall make public in writing the speci-
3 fic findings and conclusions upon which that determination is based.
4 (d) Oil or gas taken in kind by the state as its royalty share may
5 not be sold or otherwise disposed of for export from the state until the
6 commissioner [WITH THE APPROVAL OF THE ALASKA ROYALTY OIL AND GAS DE-
7 VELOPMENT ADVISORY BOARD] determines that the royalty-in-kind oil or gas
8 is surplus to the present and projected intrastate domestic and in-
9 dustrial needs. The commissioner shall make public, in writing, the
10 specific findings and reasons on which his determination is based and
11 shall, within 10 days of the convening of a regular session of the
12 legislature, submit a report showing the immediate and long-range domes-
13 tic and industrial needs of the state for oil and gas and an analysis of
14 how these needs are to be met.

15 * Sec. 10. This Act takes effect immediately in accordance with AS 01.10.-
16 070(c).
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