

Original sponsors: Miles and Chatterton

Offered: 5/24/80
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 624 (Finance)

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, and three public members.

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

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

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

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

7 * Sec. 3. AS 38.06.055 is repealed and re-enacted to read:

8 Sec. 38.06.055. LEGISLATIVE APPROVAL. (a) The commissioner of
9 natural resources may not enter into a sale, exchange, or other disposi-
10 tion of oil or gas or of the rights or waiver of the rights to receive
11 future production of royalty oil or gas under AS 38.05.183 without the
12 prior approval of the legislature. The legislature may approve a sale,
13 exchange, or other disposition of oil or gas or of the rights or of a
14 waiver of the rights to receive future production of royalty oil or gas
15 only by enacting legislation. The approval required by this section is
16 in addition to the approval of the board required under AS 38.06.050.

17 (b) The provisions of (a) of this section do not apply to

18 (1) the sale, exchange, or other disposition of oil or gas
19 for one year or less which sale, exchange, or other disposition is
20 entered into to relieve storage or market conditions;

21 (2) contracts for the sale of state-owned royalty gas or oil
22 that specify the sale and delivery of not more than

23 (A) 400 barrels of crude oil per day;

24 (B) 460 barrels of natural gas liquids per day; or

25 (C) 2,400 Mcf of natural gas per day.

26 (c) A sale, exchange, or other disposition of oil or gas made
27 under (b)(1) of this section may not be continued after the end of one
28 year or renewed with the same party to provide relief for market or
29 storage conditions without the prior approval of the legislature under

1 (a) of this section.

2 * Sec. 4. AS 38.05.183(a) is repealed and re-enacted to read:

3 (a) The sale, exchange or other disposal of a mineral obtained by
4 the state as a royalty under AS 38.05.182, or the sale, exchange or
5 other disposal of a right to receive future mineral production under a
6 state lease under this chapter, shall be by competitive bid. The sale,
7 exchange or other disposal shall be made by the commissioner to the
8 bidder whose bid offers the greatest return to the state, determined by
9 evaluating

10 (1) the cash value of the bid; and

11 (2) the projected effects of the bid upon the economy of the
12 state, including,

13 (A) if the royalty is for oil or gas,

14 (i) the ability of the bidder to refine or process
15 the oil or gas in the state; and

16 (ii) the ability of the bidder to provide refined
17 products or by-products for distribution and sale in the state
18 with the best competitive price benefits to purchasers or
19 consumers;

20 (B) if the royalty is for any natural resource other
21 than oil or gas, the estimated effect of the bid, if accepted, on
22 investment, on employment of residents, on new industrial and
23 commercial development in the state directly related to use of the
24 royalty by the bidder, and on the development of other natural
25 resources of the state.

26 * Sec. 5. AS 38.05.183 is amended by adding a new subsection to read:

27 (e) Oil or gas taken in kind by the state as its royalty share may
28 not be sold or otherwise disposed of for export from the state until the
29 commissioner determines that the royalty-in-kind oil or gas is surplus

1 to the present and projected intrastate domestic and industrial needs.
2 The commissioner shall make public, in writing, the specific findings
3 and reasons on which his determination is based and shall, within 10
4 days of the convening of a regular session of the legislature, submit a
5 report showing the immediate and long-range domestic and industrial
6 needs of the state for oil and gas and an analysis of how these needs
7 are to be met.

8 * Sec. 6. This Act takes effect immediately in accordance with AS 01.10.-
9 070(c).

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