

Introduced: 4/22/80
Referred: Resources and
Finance

1 IN THE HOUSE

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

2 HOUSE BILL NO. 1020

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 energy: establishing a Department
7 of Energy, describing its organization, powers and
8 duties, and transferring to it the Alaska Council on
9 Science and Technology and the programs relating to
10 energy presently under other executive departments,
11 boards and corporations; establishing an Executive
12 Energy Council; establishing an Alaska Energy Research
13 and Development Center in the Department of Energy;
14 amending the Alaska Land Act to withdraw from the
15 Department of Natural Resources responsibility for
16 management of energy resources; amending provisions for
17 representation of the state under the Western Inter-
18 state Nuclear Board; reconstituting the membership of
19 boards and commissions which deal with energy; and
20 providing for an effective date."

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

22 * Section 1. FINDINGS. The legislature finds that

23 (1) the natural resources of the state include an array of energy-
24 producing minerals and materials, including oil, natural gas, coal, and
25 geothermal sources, and wind, solar and hydroelectric sources, which can make
26 significant contributions to the energy requirements of the nation and pro-
27 vide a basis for the long-term economic development of the state;

28 (2) the presence of energy resources of this variety and magnitude
29 presents both problems and opportunities: the need to plan for the develop-

1 ment of energy reserves, to coordinate state energy policies with those of
2 the nation, and to use wisely and to conserve those energy supplies which are
3 nonrenewable;

4 (3) despite the presence of energy reserves in abundance, Alaska
5 faces increased energy costs, especially in rural areas;

6 (4) responsibility for development and implementation of a state
7 energy policy is currently scattered among several of the principal depart-
8 ments of state government;

9 (5) research and development of technology which will assist the
10 state in its efforts to use and conserve Alaska's energy reserves, and to
11 allocate and transport those reserves, require more attention from the state
12 government;

13 (6) a comprehensive state energy program is necessary to meet
14 actual and anticipated demands for reliable sources of energy at reasonable
15 prices; and

16 (7) preparation and administration of a comprehensive state energy
17 program requires the integration of the major functions of the state govern-
18 ment which are concerned with energy into a single department in the execu-
19 tive branch.

20 * Sec. 2. AS 44.15.010 is amended by adding a new paragraph to read:

21 (18) Department of Energy

22 * Sec. 3. AS 44 is amended by adding a new chapter to read:

23 CHAPTER 38. DEPARTMENT OF ENERGY.

24 Sec. 44.38.010. COMMISSIONER OF ENERGY. The principal executive
25 officer of the Department of Energy is the commissioner of energy.

26 Sec. 44.38.020. DUTIES OF THE DEPARTMENT. The Department of
27 Energy shall

28 (1) have primary responsibility for coordination and develop-
29 ment of policies, programs and planning relating to the use of the

1 energy resources of the state;

2 (2) carry out the planning, coordination, management and
3 support of a comprehensive energy research and development program;

4 (3) develop plans and programs for energy production and
5 transportation;

6 (4) recommend an effective strategy for distributing and
7 allocating fuels in periods of short supply;

8 (5) develop and recommend efforts to assure necessary fuel
9 supplies at reasonable costs in rural areas;

10 (6) establish and maintain

11 (A) an information office with the responsibility to
12 gather and maintain information about energy for use by government
13 officials and employees and the general public; the office shall
14 maintain current information concerning

15 (i) all activities in state government concerned
16 with energy;

17 (ii) the status of all research and development
18 projects concerned with energy;

19 (iii) sources of financial and technical assistance
20 for energy use, conservation, and research and development;

21 (B) direct communication with federal agencies and
22 committees of the United States Congress concerned with energy for
23 the purpose of obtaining information about federal government
24 activities; the department shall, as to information it obtains
25 about federal government activities,

26 (i) provide the information to state agencies, the
27 legislature, and the public; and

28 (ii) assist state agencies, the legislature, and the
29 general public to understand the effect of federal government

1 activities as those activities relate to programs for the
2 conservation and use of energy;

3 (C) a program of policy evaluation and analysis for

4 (i) state activities concerned with the conserva-
5 tion, use, and development of energy resources; and

6 (ii) national and international conditions which
7 relate to state activities and plans concerned with the con-
8 servation, use and development of energy resources;

9 (7) encourage and assist public participation in the develop-
10 ment and implementation of state energy programs;

11 (8) protect the interest of the public in reliable energy
12 resources; and

13 (9) complete a state master energy plan and revise the plan
14 at least once every two years in accordance with AS 41.52.

15 Sec. 44.38.030. POWERS OF THE DEPARTMENT. The department may

16 (1) enter into contracts necessary or convenient to carry out
17 the functions, powers and duties of the department;

18 (2) review and appraise programs and activities of state
19 agencies for the purpose of determining the extent to which these pro-
20 grams and activities contribute to a sound state energy policy;

21 (3) consult and cooperate with

22 (A) municipal officers and officials and representatives
23 of nonprofit organizations or corporations in the state;

24 (B) persons, organizations, and groups, whether public
25 or private, concerned with development and implementation of a
26 state energy policy;

27 (4) appear and participate in proceedings before a state or
28 federal agency concerned with any matter that involves the work of the
29 department;

1 (5) undertake studies, inquiries, surveys, or analyses which
2 it may consider necessary to accomplish the work of the department,
3 directly or by agreement with any other party;

4 (6) act as an official agency of the state in all matters
5 relating to the purpose of the department under federal laws; and

6 (7) adopt regulations necessary to carry out the purposes of
7 this chapter.

8 Sec. 44.38.040. DEPARTMENTAL ORGANIZATION. The commissioner shall
9 establish and maintain

10 (1) a division which has responsibility for the management of
11 the subsurface resources of the state, the duties of which involve

12 (A) preparation of lease schedules and sales for oil,
13 gas and other resources subject to the jurisdiction of the depart-
14 ment;

15 (B) administration of leases for resources under the
16 jurisdiction of the department;

17 (C) the issuance of permits and management of records
18 relating to minerals which are subject to the jurisdiction of the
19 department;

20 (D) the determination of the location, volume and value
21 of petroleum resources;

22 (2) a division which has responsibility for energy planning
23 and power development;

24 (3) a division which has responsibility for energy conserva-
25 tion activities in the state, and the development and maintenance of
26 supplies of energy for rural parts of the state;

27 (4) within the office of the commissioner,

28 (A) an information office, as required by AS 44.38.-
29 020(6)(A);

1 (B) a federal relations office, to fulfill the duties of
2 AS 44.38.020(6)(B);

3 (C) a policy analysis section to fulfill the duties of
4 AS 44.38.020(6)(C);

5 (D) a section to provide information concerning proposed
6 outer continental shelf lease sales and to coordinate with the
7 federal government with reference to these leases; and

8 (E) a section to review and comment on the plans, pro-
9 grams and policies of other state agencies which relate to the
10 conservation, use and development of energy resources.

11 Sec. 44.38.050. ANNUAL REPORT. The commissioner shall submit to
12 the governor and the legislature an annual report before February 1 of
13 each year. The annual report shall include

14 (1) a comprehensive analysis of the anticipated change in the
15 demand for and supply of energy resources, and anticipated changes in
16 the conservation, use and development of energy reserves, with special
17 attention to public health and safety concerns and environmental fac-
18 tors;

19 (2) an analysis of the effect of national energy policies and
20 international factors which may affect supplies of energy resources
21 available to the people of the state;

22 (3) a summary of the growth and development trends which may
23 significantly alter patterns of energy consumption or which may increase
24 demands for energy in the state;

25 (4) a description of the status of research and development
26 projects conducted or sponsored by the state, including the University
27 of Alaska;

28 (5) a summary of the programs and accomplishments of the
29 department; and

1 (6) the recommendations of the commissioner for legislation
2 necessary to develop and maintain a sound energy policy for the state.

3 Sec. 44.38.060. EXECUTIVE ENERGY COUNCIL. (a) The commissioners
4 of each of the following departments, or a person designated by a com-
5 missioner to serve in his place, shall constitute, with the governor,
6 the Executive Energy Council:

- 7 (1) Department of Energy;
8 (2) Department of Environmental Conservation;
9 (3) Department of Fish and Game;
10 (4) Department of Natural Resources; and
11 (5) Department of Transportation and Public Facilities.

12 (b) The Executive Energy Council shall meet frequently to provide
13 for coordination of activities of the state government which relate to
14 the development, use and conservation of the state's energy and natural
15 resources.

16 * Sec. 4. AS 41 is amended by adding a new chapter to read:

17 CHAPTER 50. MANAGEMENT OF STATE LANDS FOR ENERGY RESOURCES.

18 ARTICLE 1. ADMINISTRATION.

19 Sec. 41.50.010. LANDS MANAGEMENT. The commissioner of energy
20 shall manage state land which contains energy resources under the pro-
21 visions of this chapter.

22 Sec. 41.50.020. POWERS AND DUTIES OF THE COMMISSIONER. (a) The
23 commissioner shall

- 24 (1) under the conditions and limitations imposed by law,
25 (A) manage state land which contains energy resources;
26 (B) prescribe application procedures and practices for
27 the sale, lease or other disposal of land, energy resources in the
28 land, or interests in the land and energy resources;
29 (C) approve contracts for the sale, lease, or other

1 disposal of available land resources, property or interests in
2 them; and

3 (D) issue deeds, leases or other conveyances disposing
4 of available land which contains energy resources, the energy
5 resources in the land, or interests in the land and energy re-
6 sources;

7 (2) prescribe fees and service charges for any public service
8 rendered with respect to land and energy resources coming within the
9 jurisdiction of the department;

10 (3) perform all duties necessary to protect the state's
11 rights and interest in state land which contains energy resources,
12 including the taking of all necessary action to protect and enforce the
13 state's contract and property rights;

14 (4) maintain records, administer oaths, and do all things
15 incidental to the authority imposed by this chapter; and

16 (5) exercise all powers necessary to implement the provisions
17 of the Alaska Right-of-Way Leasing Act (AS 38.35).

18 (b) The commissioner may

19 (1) establish reasonable procedures and adopt reasonable
20 regulations necessary to carry out this chapter under the Administrative
21 Procedure Act (AS 44.62);

22 (2) enter into agreements which he considers necessary to
23 carry out the purposes of this chapter, including agreements with
24 federal and state agencies;

25 (3) notwithstanding any other provision of this chapter,

26 (A) grant an extension of the time within which payments
27 due on any lease or sale of state land, minerals, or materials may
28 be made, including payment of rental and royalties, if he finds
29 that compliance with the requirements is or was prevented by reason

1 of war, riots, or acts of God; and

2 (B) grant preference rights for the lease or purchase of
3 state land without competitive bid in order to correct the past or
4 future errors or omissions of a state or federal administrative
5 agency when inequitable detriment would otherwise result to a
6 diligent claimant or applicant due to situations over which the
7 claimant or applicant had no control; the exercise of this discre-
8 tionary power operates only to divest the state of its title to or
9 interests in land.

10 Sec. 41.50.030. COOPERATIVE AGREEMENTS. (a) If he determines
11 that the agreement is in the best interests of the state, the commis-
12 sioner may enter into a cooperative energy resource management agreement
13 or a cooperative energy development agreement. An agreement may be
14 entered into with

- 15 (1) another state agency;
16 (2) an agency of the federal government;
17 (3) a municipality or village; or
18 (4) a person, as the term is defined in AS 01.10.060(7).

19 (b) A summary of agreements entered into under this section shall
20 be submitted to the legislature within 30 days of the beginning of each
21 regular legislative session.

22 Sec. 41.50.040. LEASING OF ENERGY RESOURCE LAND. (a) Except as
23 otherwise provided in this chapter, valuable energy resources in land
24 belonging to the state shall be open to exploration, development, and
25 the extraction of energy resources. All land, together with tide, sub-
26 merged, or shoreland, to which the state holds title to or to which the
27 state may become entitled, may be obtained by permit or lease for the
28 purpose of exploration, development, and the extraction of minerals.
29 Land may be withheld from lease application on a first-come, first-

1 served basis, and offered only on a competitive bid basis when deter-
2 mined by the commissioner to be in the best interests of the state. In
3 unproven areas the commissioner may offer additional incentives, includ-
4 ing a reduction of royalty to a minimum of five percent in the case of
5 oil and gas, and other terms in granting a permit or lease for explora-
6 tion and development whenever it appears to be in the best interests of
7 the state to do so.

8 (b) When land containing energy resources is to be leased, in
9 addition to any other notice given, notice must also be given as pro-
10 vided in AS 38.05.305 and 38.05.345.

11 (c) The commissioner is authorized to enter into cooperative
12 leasing agreements with the United States regarding land which is the
13 subject of a title dispute between federal and state authorities. A
14 lease entered into under authority of this subsection does not need to
15 conform to the provisions of state law applicable to state leases issued
16 under the authority of this chapter.

17 (d) The commissioner, for the purpose of encouraging the greatest
18 ultimate recovery of energy resources, and in the interest of conserva-
19 tion of energy resources, after public hearing, or, when the state's
20 title to land beneath navigable waters has been legally challenged by
21 the United States and litigation initiated, may waive, suspend, refund,
22 or reduce the rental, or minimum royalty, or reduce the royalty on an
23 entire leasehold, or on a tract or portion of a leasehold segregated for
24 royalty purposes, when in his judgment it is necessary to do so in order
25 to promote development, or when in his judgment the lease cannot be
26 successfully operated under its terms. If the commissioner, in the
27 interest of conservation, directs or assents to the suspension of opera-
28 tions and production under a lease granted, the payment of acreage
29 rental or of minimum royalty prescribed by the lease may be suspended

1 during the period of suspension of operations and production. The term
2 of the lease shall be extended by adding the period of suspension to the
3 lease. The provisions of this subsection apply to rental or minimum
4 royalty paid before or after June 19, 1970, on any lease covering land
5 beneath navigable waters which, according to the records of the division
6 of lands, Department of Natural Resources, is in effect on June 19,
7 1970.

8 (e) Deposits of coal, oil shale, oil, gas, and geothermal re-
9 sources, and state land containing these resources, are subject to
10 disposition under regulations adopted by the commissioner and the pro-
11 visions of this chapter. In applying the acreage limitations the com-
12 missioner may apply the rule of approximation. The uses of the rule of
13 approximation made before the effective date of this Act by the commis-
14 sioner of natural resources which affect leases entered into under this
15 chapter are ratified.

16 (f) Except in the case of an oil or gas lease, land may not be
17 sold or leased, or a renewal lease issued unless it has been appraised
18 within 120 days before the date fixed for the sale or lease. When land
19 is offered at public sale but is not sold and is available at private
20 sale, a reappraisal is not required unless the commissioner considers
21 that a change in value of the land may have occurred. Land may not be
22 sold or leased for less than the approved, appraised market value.

23 (g) The commissioner may require an applicant seeking the sale,
24 lease or other disposal of land under this chapter, other than under an
25 oil or gas lease, to deposit an amount covering the estimated cost of an
26 appraisal, survey and necessary advertising. All deposited money not
27 expended shall be refunded to the applicant. If land is sold or leased
28 to other than the applicant making the deposit, the party awarded the
29 land shall pay the total actual cost of appraising and surveying the

1 land, together with the total actual cost of advertising, and the
2 deposit shall be returned to the original applicant.

3 Sec. 41.50.050. CONFIDENTIALITY. When required to keep records
4 and files under this chapter, if requested to do so by the person
5 supplying the information, the commissioner shall keep the following
6 records and files confidential:

7 (1) the name of a person nominating or applying for the sale,
8 lease, or other disposal of land by competitive bidding;

9 (2) before the announced time of opening, the names of the
10 bidders and the amounts of the bids;

11 (3) all geological, geophysical and engineering data
12 supplied, whether or not concerned with the extraction or development of
13 energy resources;

14 (4) cost data and financial information submitted in support
15 of applications, bonds, leases and similar items; and

16 (5) requests for information or applications by public
17 agencies for land which is being considered for use for a public
18 purpose.

19 Sec. 41.50.060. TAKING OF ROYALTIES. (a) A royalty provided for
20 in this chapter may be taken in kind rather than in money if the commis-
21 sioner determines that the taking in kind would be in the best interest
22 of the state.

23 (b) The sale, exchange or other disposal of a mineral obtained by
24 the state as a royalty under this chapter, or the sale, exchange or
25 other disposal in whole or in part of a right to receive future mineral
26 production under a state lease under this chapter, shall be by competi-
27 tive bid and the sale, exchange or other disposal made to the highest
28 responsible bidder.

29 (c) When competitive bids are required, the commissioner, with the

1 prior written approval of the Alaska Royalty Oil and Gas Development
2 Advisory Board, may reject all bids if he determines that because of the
3 amount of the bids, the lack of responsibility on the part of the bid-
4 ders, or for reasons consistent with the criteria set out in AS 38.06.-
5 070, the acceptance of the bids would not be in the best interest of the
6 state.

7 (d) If the commissioner determines that a sale, exchange or other
8 disposal of a mineral obtained by the state as a royalty under
9 or of a right to receive future mineral production under a state lease
10 under this chapter shall be made otherwise than by competitive bid, and
11 the Alaska Royalty Oil and Gas Development Advisory Board has approved
12 that determination, the commissioner shall make public in writing the
13 specific findings and conclusions upon which that determination is
14 based.

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

26 ARTICLE 2. LEASING OF LAND FOR OIL AND GAS.

27 Sec. 41.50.100. REPORTS. (a) The commissioner shall annually
28 prepare and submit to the legislature, between the first and the 15th
29 day of each regular legislative session, a proposed oil and gas leasing

1 program specifying as precisely as practicable the location of tracts
2 proposed to be offered for oil and gas leasing during the third and
3 fourth calendar years following the calendar year in which the proposed
4 program is submitted to the legislature.

5 (b) Except as provided in (c) of this section, an oil and gas
6 lease issued by the commissioner is not valid unless it was included in
7 a proposed leasing program submitted to the legislature during the third
8 and fourth calendar years preceding the year in which the lease is
9 issued, except that an area proposed for leasing in the fourth calendar
10 year after the year in which the program is submitted to the legislature
11 may be leased if the commissioner resubmits the area to the following
12 regular legislative session

13 (c) The commissioner may issue oil and gas leases in an area that
14 has not been included in a leasing program submitted, in accordance with
15 (a) of this section, to the legislature if the land to be leased

16 (1) was previously subject to a valid state or federal oil
17 and gas lease;

18 (2) is contiguous to land already under state, federal or
19 private lease and the commissioner makes a written finding, after hear-
20 ing, that leasing of the land would result in a substantial probability
21 of early evaluation and development of the land to be leased; or

22 (3) the land to be leased is adjacent to land owned or con-
23 trolled by another party on which a discovery of commercial quantities
24 of oil or gas has been made, and if the commissioner finds, after hear-
25 ing, that there is a reasonable probability that the land to be leased
26 contains oil or gas in communication with the oil or gas discovered on
27 the land of the other party.

28 (d) Simultaneously with submission of the leasing program required
29 under (a) of this section, the commissioner shall submit to the legisla-

1 ture a report containing the following:

2 (1) the schedule of all lease sales held during the preceding
3 calendar year, the bidding method or methods utilized, and an analysis
4 of the results of the bidding;

5 (2) a description of all lease sales to be held during the
6 current and next two succeeding calendar years and, if determined, the
7 bidding methods to be used; and

8 (3) the reasons a particular bidding method has been
9 selected.

10 Sec. 41.50.110. OIL AND GAS LEASE BIDS. (a) The commissioner may
11 issue oil and gas leases on state land to the highest responsible quali-
12 fied bidder determined by competitive bidding under regulations adopted
13 by him. Bidding may be by sealed bid or according to any other bidding
14 procedure the commissioner determines is in the best interests of the
15 state. Whenever, under any of the leasing methods listed in this sub-
16 section, a royalty share is reserved to the state, it shall be delivered
17 in pipeline quality and free of all lease or unit expenses, including
18 but not limited to separation, cleaning, dehydration, gathering, salt
19 water disposal, and preparation for transportation off the lease or unit
20 area. Following a pre-sale analysis, the commissioner may choose at
21 least one of the following leasing methods:

22 (1) a cash bonus bid with a fixed royalty share reserved to
23 the state of not less than 12-1/2 percent in amount or value of the
24 production removed or sold from the lease;

25 (2) a cash bonus bid with a fixed royalty share reserved to
26 the state of not less than 12-1/2 percent in amount or value of the
27 production removed or sold from the lease and a fixed share of the net
28 profit derived from the lease of not less than 30 percent reserved to
29 the state;

1 (3) a fixed cash bonus with a royalty share reserved to the
2 state as the bid variable but no less than 12-1/2 percent in amount or
3 value of the production removed or sold from the lease;

4 (4) a fixed cash bonus with the share of the net profit
5 derived from the lease reserved to the state as the bid variable;

6 (5) a fixed cash bonus with a fixed royalty share reserved to
7 the state of not less than 12-1/2 percent in amount or value of the
8 production removed or sold from the lease with the share of the net
9 profit derived from the lease reserved to the state as the bid variable;

10 (6) a cash bonus bid with a fixed royalty share reserved to
11 the state based on a sliding scale according to the volume of production
12 or other factor but in no event less than 12-1/2 percent in amount or
13 value of the production removed or sold from the lease;

14 (7) a fixed cash bonus with a royalty share reserved to the
15 state based on a sliding scale according to the volume of production or
16 other factor as the bid variable but not less than 12-1/2 percent in
17 amount or value of the production removed or sold from the lease.

18 (b) The share of the net profit derived from a lease reserved to
19 the state under (a) of this section is royalty sale proceeds for the
20 purposes of the Alaska permanent fund under AS 37.10.065 and the Alaska
21 renewable resources development fund under AS 37.11.020.

22 (c) The commissioner shall require each bidder for the competitive
23 leasing of oil and gas land to submit with his bid a deposit of money
24 equal to 20 percent of the amount bid.

25 (d) Royalties on oil and gas shall be taken in kind unless

26 (1) the commissioner determines that the taking in money
27 would be in the best interest of the state; and

28 (2) the Alaska royalty oil and gas development advisory board
29 approves the taking in money.

1 (e) The commissioner shall submit a determination to take royalty
2 in money approved under (d) of this section to the legislature at the
3 first opportunity during a current session or, if the legislature is not
4 in session, at the next regular session. The legislature, within 60
5 days or by the adjournment of the session, whichever comes sooner, may
6 revoke the determination by concurrent resolution.

7 Sec. 41.50.120. OIL AND GAS LEASE TERMS AND CONDITIONS. (a) The
8 commissioner may include terms in any oil and gas lease imposing a
9 minimum work commitment on a lessee. These terms shall be made public
10 before the sale, and may include appropriate penalty provisions to take
11 effect if the lessee does not fulfill the minimum work commitment. If
12 it is demonstrated that a lease has been proven unproductive by actions
13 of adjacent leaseholders, the commissioner may set aside a work commit-
14 ment.

15 (b) The commissioner may provide for the establishment of an
16 exploration incentive credit system under which a lessee of state land
17 drilling an exploratory well on that land may earn credits based upon
18 the footage drilled and the region in which the well is situated. The
19 commissioner may also provide for credits to be earned by persons per-
20 forming geophysical work on state land, if that work is performed during
21 the two seasons immediately preceding an announced lease sale and on
22 land included within the sale area and the geophysical information is
23 made public following the sale. Credits may not exceed 50 percent of
24 the cost of the drilling or geophysical work. Credits may be used
25 during a limited period established by the commissioner and may be
26 assigned during that period. Credits may be applied against (1) oil and
27 gas royalty and rental payments payable to the state or (2) taxes
28 payable under AS 43.55. A credit may not exceed 50 percent of the
29 payment toward which it is being applied. Amounts due the Alaska

1 permanent fund (AS 37.10.065) and the Alaska renewable resources develop-
2 ment fund (AS 37.11.020) shall be calculated before the application of
3 credits under this subsection.

4 (c) An oil and gas lease must cover a reasonably compact area not
5 exceeding 5,760 acres, and may be for a maximum period of 10 years,
6 except that the commissioner may issue a lease for a period not less
7 than five years if he finds it to be in the best interests of the state.
8 An oil and gas lease shall be automatically extended if and for so long
9 thereafter as oil or gas is produced in paying quantities from the lease
10 or if the lease is committed to a unit approved by the commissioner. A
11 lease issued under this section covering land on which there is a well
12 capable of producing oil or gas in paying quantities does not expire
13 because the lessee fails to produce oil or gas unless the lessee is
14 allowed reasonable time to place the well on a producing status. Upon
15 extension, the commissioner may increase lease rentals so long as the
16 increased rental rate does not exceed 150 percent of the rate for the
17 preceding year. If drilling has commenced on the expiration date of the
18 primary term of the lease and is continued with reasonable diligence,
19 including such operations as redrilling, sidetracking, or other means
20 necessary to reach the originally proposed bottom hole location, the
21 lease continues in effect until 90 days after drilling has ceased and
22 for so long thereafter as oil or gas is produced in paying quantities.
23 An oil and gas lease issued under AS 41.50.100 - 41.50.160 which is
24 subject to termination by reason of cessation of production does not
25 terminate if, within 60 days after production ceases, reworking or
26 drilling operations are commenced on the land under lease and are there-
27 after conducted with reasonable diligence during the period of non-
28 production.

29 Sec. 41.50.130. ROYALTY OIL AND GAS. (a) To prolong the economic

1 life of an oil and gas field, the commissioner shall adopt regulations
2 for all bidding methods to allow reduction of royalty on leases within
3 the field to compensate for increasing costs in the later stages of
4 production decline. The commissioner may not grant a reduction of
5 royalty until two years' initial production from the field has occurred
6 and each lessee requesting the reduction has made a clear showing that
7 the revenue from all hydrocarbons produced from the field is insufficient
8 to produce a reasonable rate of return with respect to that lessee's
9 total investment in the field.

10 (b) Subject to the provisions of AS 31.05, the commissioner may,
11 at his discretion, enter into an agreement by which, with the consent of
12 the lessee, the state's royalty share of oil and gas production may be
13 stored or retained in storage by the lessee, or the commissioner may
14 enter into an agreement with one or more of the affected field lease-
15 holders to trade current royalty production from a field for a like
16 amount, kind, and quality of future production, on the condition that
17 the state receives back its stored or traded royalty share during the
18 first half of the estimated field life or no later than 15 years after
19 start of production, whichever is sooner.

20 Sec. 41.50.140. ADMINISTRATION OF OIL AND GAS LEASES. (a) The
21 commissioner shall define all terms and adopt all regulations necessary
22 for a reasonable understanding and evaluation of a particular bidding
23 method before the public announcement of the terms of proposed sale
24 employing that method.

25 (b) To conserve the natural resources of all or a part of an oil
26 or gas pool, field, or like area, the lessees and their representatives
27 may unite with each other, or jointly or separately with others, in
28 collectively adopting or operating under a cooperative or a unit plan of
29 development or operation of the pool, field, or like area, or a part of

1 it, when determined and certified by the commissioner to be necessary or
2 advisable in the public interest. The commissioner may, with the
3 consent of the holders of leases involved, establish, change, or revoke
4 drilling, producing, and royalty requirements of the leases and adopt
5 regulations with reference to the leases, with like consent on the part
6 of the lessees, in connection with the institution and operation of a
7 cooperative or unit plan as he determines necessary or proper to secure
8 the proper protection of the public interest. The commissioner may
9 require oil and gas leases issued under AS 41.50.100 - 41.50.160 to
10 contain a provision requiring the lessee to operate under a reasonable
11 cooperative or unit plan, and he may prescribe a plan under which the
12 lessee must operate. The plan shall adequately protect all parties in
13 interest, including the state.

14 (c) A plan authorized by (b) of this section which includes land
15 owned by the state may contain a provision vesting the commissioner, or
16 a person, committee, or state agency, with authority to modify from time
17 to time the rate of prospecting and development and the quantity and
18 rate of production under the plan. All leases operated under a plan
19 approved or prescribed by the commissioner are excepted in determining
20 holdings or control under AS 41.50.150. The provisions of this subsec-
21 tion concerning cooperative or unit plans are in addition to and do not
22 affect AS 31.05.

23 (d) Producing acreage on a known geologic structure of a producing
24 oil or gas field is excluded from chargeability as against the acreage
25 limitation provisions of AS 41.50.150.

26 (e) When separate tracts cannot be individually developed and
27 operated in conformity with an established well-spacing or development
28 program, a lease, or a portion of a lease, may be pooled with other
29 land, whether or not owned by the state, under a communization or drill-

1 ing agreement providing for an apportionment of production or royalties
2 among the separate tracts of land comprising the drilling or spacing
3 unit when determined by the commissioner to be in the public interest.
4 Operations or production under the agreement are considered as opera-
5 tions or production as to each lease committed to the agreement.

6 (f) The commissioner may, on conditions which he prescribes,
7 approve drilling, or development contracts made by one or more lessees
8 of oil or gas leases, with one or more persons, when, in his discretion,
9 the conservation of natural resources or the public convenience or
10 necessity requires it or the interests of the state are best served.
11 All leases operated under approved drilling or development contracts and
12 interests under them, are excepted in determining holding or control
13 under AS 41.50.150.

14 (g) To avoid waste or to promote conservation of natural
15 resources, the commissioner may authorize the subsurface storage of oil
16 or gas, whether or not produced from state land, in land leased or
17 subject to lease under this section. This authorization may provide for
18 the payment of a storage fee or rental on the stored oil or gas, or,
19 instead of the fee or rental, for a royalty other than that prescribed
20 in the lease when the stored oil or gas is produced in conjunction with
21 oil or gas not previously produced. A lease on which storage is
22 authorized shall be extended at least for the period of storage and may
23 be further extended if oil or gas not previously produced is produced in
24 paying quantities.

25 (h) Notwithstanding any other provision of this section, land
26 which has been offered for lease within the previous five years and
27 which received no bids at competitive sale may be, at the discretion of
28 the commissioner, immediately offered for lease, under regulations
29 adopted by him, upon terms appearing most advantageous to the state;

1 however, noncompetitive leasing is prohibited. The commissioner shall
2 establish a royalty as he determines to be in the public interest but
3 not less than 12-1/2 percent. A lease must provide for payment to the
4 state or rental but need not adhere to the rental schedule in (k) of
5 this section nor to the 5,760-acres-per-lease limitation in AS 41.50.-
6 120(c). The lease term may not exceed five years except as provided in
7 (j) of this section and AS 41.50.120(c).

8 (i) A noncompetitive lease existing on October 10, 1978, shall be
9 extended for a period of two years and so long thereafter as oil and gas
10 is produced in paying quantities. A noncompetitive lease extended under
11 this subsection is subject to the regulations in force at the expiration
12 of the initial five-year term of the lease. An extension may not be
13 granted, however, unless within a period of 90 days before the
14 expiration date an application for extension is filed by the record
15 title holder or an assignee whose assignment has been filed for
16 approval, or an operator whose operating agreement has been filed for
17 approval.

18 (j) Upon timely application as provided by regulation, the state
19 may issue to the holder of a federal or private lease a state shoreland
20 lease covering land within the exterior boundaries of the federal or
21 private lease which has been excluded on the basis of navigability or
22 which is later administratively or judicially determined to be shore-
23 land. The term of the state shoreland lease shall be the same as the
24 term of the federal or private lease.

25 (k) The commissioner may establish by regulation that after a well
26 has been plugged and abandoned, the rental rate which was in effect
27 during the year of abandonment is maintained for the remainder of the
28 term. Rental is payable in advance and continues until income to the
29 state from royalty or net profit share exceeds rental income to the

1 state for that year. Oil and gas leases shall provide for payment to
2 the state of rental on the following basis:

- 3 (1) for the first year, \$1.00 per acre;
- 4 (2) for the second year, \$1.50 per acre;
- 5 (3) for the third year, \$2.00 per acre;
- 6 (4) for the fourth year, \$2.50 per acre;
- 7 (5) for the fifth and following years, \$3.00 per acre.

8 (1) A lessee conducting or permitting any exploration for, or
9 development or production of, oil or gas on state land shall provide the
10 commissioner access to all noninterpretive data obtained from that lease
11 and shall provide copies of that data, as the commissioner may request.
12 The confidentiality provisions of AS 41.50.050 apply to the information
13 obtained under this subsection.

14 (m) Each oil or gas lease issued by the state must contain a
15 provision requiring the lessee to furnish the Department of Labor a
16 quarterly report regarding the employment of state residents on the
17 leased property.

18 (n) A lease may not be issued under this section without the
19 inclusion of the following language: "The landowners' royalty share of
20 the unit production allocated to each separately owned tract shall be
21 regarded as royalty to be distributed to and among, or the proceeds of
22 it paid to, the landowners, free and clear of all unit expense and free
23 of any lien for it." A lease issued in violation of this subsection
24 shall, for all purposes, be construed as containing the language re-
25 quired by this subsection.

26 Sec. 41.50.150. LIMITATIONS ON OIL AND GAS LEASES. A person may
27 not take or hold at any one time oil or gas leases exceeding in the
28 aggregate 500,000 acres granted on tide and submerged land, and 500,000
29 acres on all land other than tide and submerged land, including leases

1 held both as lessee and under option or operating agreement from others.
2 If an interest in an oil or gas lease is held by more than one person,
3 each person shall be charged only with that percentage of the total
4 acreage which corresponds to its percentage share of the total
5 beneficial interest in the lease.

6 Sec. 41.50.160. PROHIBITED LEASING. (a) Oil or gas leases may
7 not be issued by the department or any other state agency for the ex-
8 ploration for or the development or production of oil and gas on
9 state-owned land and waters seaward of the mean higher high water line,
10 beginning at Anchor Point; then around the perimeter of Kachemak Bay, to
11 Point Pogibshi; then west to the three mile limit of state land and
12 waters; then north to a point three miles west of Anchor Point; then
13 east to the mean higher high water line of Anchor Point, the point of
14 beginning.

15 (b) The submerged and shoreland lying north of 57 degrees, 30
16 minutes north latitude and east of 159 degrees, 49 minutes west
17 longitude within the Bristol Bay drainage are designated as a fisheries
18 reserve within which a surface entry permit to develop an oil or gas
19 lease may not be issued for state-owned or controlled land until the
20 legislature by appropriate resolution, specifically finds that the entry
21 will not constitute danger to the fishery.

22 ARTICLE 3. LEASING OF LAND FOR OIL SHALE.

23 Sec. 41.50.200. LEASING FOR OIL SHALE. (a) The commissioner may
24 lease to a qualified person deposits of oil shale belonging to the state
25 and the surface of as much of the land containing these deposits, or
26 land adjacent to it, as may be required for the extraction and reduction
27 of the lease minerals. The lease may not exceed 5,120 acres of land,
28 and the terms of the lease shall be limited to the extraction of minerals
29 from the oil shale so leased.

1 (b) The lease may be for indeterminate periods upon the conditions
2 imposed by the commissioner.

3 (c) For the privilege of mining, extracting, and disposing of the
4 oil or other minerals covered by the lease, the lessee shall pay to the
5 state the royalties specified in the lease and an annual rental at the
6 rate of 50 cents an acre for the land included in the lease. The rental
7 paid for any one year shall be credited against the royalties accruing
8 for that year. For the purpose of encouraging the production of petroleum
9 products from shales, the commissioner may waive the payment of royalty
10 and rental during the first five years of the lease.

11 ARTICLE 4. LEASING OF LAND FOR COAL.

12 Sec. 41.50.300. COAL. Rights to coal in state land may be acquired
13 by

- 14 (1) prospecting permits under AS 41.50.310; or
15 (2) competitive leases under AS 41.50.320.

16 Sec. 41.50.310. COAL PROSPECTING PERMITS. (a) If prospecting or
17 exploration work is necessary to determine the existence or workability
18 of coal deposits in an unleased or undeveloped area of state land, the
19 commissioner may issue to an applicant a prospecting permit for a term
20 of two years covering a tract of land not exceeding 5,120 acres. If
21 within the term of the permit the permittee demonstrates to the commis-
22 sioner that the tract of land contains a coal deposit and submits a
23 satisfactory mining plan for recovery of the coal, the permittee is
24 entitled to a lease under AS 41.50.330 for all or part of the tract of
25 land covered by his permit.

26 (b) A prospecting permit may be extended by the commissioner for a
27 period of two years if he finds that the permittee has been unable, with
28 the exercise of reasonable diligence, to determine the existence or
29 workability of coal deposits in the tract of land covered by the permit

1 or for other reasons which, in the judgment of the commissioner, warrant
2 extension.

3 Sec. 41.50.320. LEASING OF COAL TRACTS. (a) State land which is
4 classified by the department for coal development shall be offered by
5 the commissioner for competitive coal leasing if

6 (1) the land is known to contain commercial deposits of coal;
7 the determination of commercial quantity shall be based on estimates of
8 the quantity and quality of coal derived from sample analysis and mea-
9 surements, and from geologic projections;

10 (2) geological or geophysical surveys indicate the probable
11 existence of commercial deposits of coal in the land;

12 (3) there is significant interest in competitive leasing of
13 the land for coal exploration or development;

14 (4) the land is available because an existing coal lease
15 expired, or was cancelled, surrendered, or otherwise terminated.

16 (b) State land may be offered for noncompetitive coal leasing if

17 (1) the land was offered for lease under (a) of this section
18 and no bids were received; or

19 (2) the commissioner, after a public hearing, determines that
20 noncompetitive bidding is in the best interests of the state.

21 (c) The commissioner may choose any appropriate coal leasing
22 method for tracts to be leased by competitive bidding. The commissioner
23 shall adopt regulations necessary for a reasonable understanding and
24 evaluation of a particular bidding method before the announcement of the
25 terms of the proposed lease sale employing a particular bidding method.

26 (d) Before the issuance of a coal lease, the commissioner shall
27 complete a pre-lease analysis of the anticipated effects which mining on
28 the proposed tract will have on nearby communities and the area sur-
29 rounding the tract. The pre-lease analysis required by this subsection

1 shall include an analysis of

2 (1) the geology of the tract to be leased;

3 (2) the social and environmental impacts of coal exploration,
4 development, and production on the tract to be leased;

5 (3) economic factors affecting coal exploration, development,
6 and exploration in the tract to be leased, including but not limited to,
7 the revenue potential of the lease and administrative cost of the lease
8 to the state.

9 (e) In conjunction with preparation of a pre-lease analysis under
10 (d) of this section, a public hearing shall be held in the vicinity of
11 the proposed lease.

12 Sec. 41.50.330. COAL LEASE TERMS AND CONDITIONS. (a) A coal
13 lease under AS 41.50.320 and this section shall give the lessee the
14 exclusive right to explore for, develop, mine, and process all coal
15 found within the boundaries of the leased tract. In addition, the lease
16 shall give the lessee the right to use as much of the surface of the
17 leased tract as is reasonably necessary for coal exploration, develop-
18 ment, mining, processing, and other uses incidental to the development
19 of the coal deposit.

20 (b) Except as provided in this section, each coal lease shall be
21 for a term of 20 years and may continue for so long thereafter as coal
22 continues to be produced from the lease in commercial quantities. A
23 coal lease which has not produced coal in commercial quantities by the
24 end of 15 years shall be terminated unless continued by the commissioner
25 under (d) of this section. Each coal lease shall provide for a prepaid
26 annual rental of \$3 per acre or fraction of an acre for the first year,
27 increasing by an amount per acre or fraction of an acre for each suc-
28 ceeding year which the commissioner determines is commensurate with the
29 percentage of change in the consumer price index between the year for

1 which the rental payment is due and the preceding year, as computed for
2 Anchorage and reported by the Bureau of Labor Statistics of the United
3 States Department of Labor. Each coal lease shall provide that the
4 annual rental payment is subject to adjustment at intervals of no more
5 than 10 years. Adjustment shall be based on current rates for similar
6 properties for which coal leases have been granted. The rental payment
7 for each year shall be credited against the royalty or net profit share
8 due the state as it accrues for that year.

9 (c) A lease may not be entered into by the commissioner unless the
10 royalty due to the state from the lease reserves to the state a royalty
11 of not less than five percent in amount or value of the production of
12 coal from the lease. Each coal lease shall provide that the royalty
13 payment is subject to adjustment at intervals of no more than 10 years
14 from the start of coal production under the lease, as determined by the
15 commissioner.

16 (d) Each coal lease is subject to the condition of diligent de-
17 velopment and continued operation of the coal mine except that the
18 condition is suspended when operation of the mine is interrupted by
19 strikes, climatic conditions, abnormal market conditions, or other
20 circumstances not within the lessee's control. The commissioner may
21 suspend the conditions of diligent development and continued operation
22 if the lessee makes payments in place of production in an amount deter-
23 mined by the commissioner and if the commissioner finds that the public
24 interest will be served by suspension of the condition. Payments in
25 place of production may be accepted for no longer than 10 years. After
26 10 years commercial production must begin or the lease will be ter-
27 minated.

28 (e) The commissioner

29 (1) may waive, suspend, or amend the operating requirements,

1 royalties, net profit shares, or rentals contained in a coal lease or in
2 regulations adopted under this section which affect the operation of the
3 coal lease if, in the interest of conservation and to encourage the
4 greatest ultimate recovery of coal, he determines that the action is
5 necessary to promote development and is in the best interests of the
6 state, or when in his judgment the coal lease cannot be successfully
7 developed under its terms; the payment of acreage rental or of minimum
8 royalty prescribed by the lease may be suspended during the period of
9 suspension of operations and production, and the term of the lease shall
10 be extended by adding the period of suspension to the lease; and

11 (2) may not grant a reduction of royalty under this subsec-
12 tion unless there have been two years of production from the coal lease
13 and the lessee requesting the reduction has made a clear showing that
14 the revenue from the coal produced from the lease is insufficient to
15 produce a reasonable rate of return on his total investment in the
16 lease.

17 (f) The commissioner may include in a coal lease terms imposing a
18 minimum work commitment on the lessee. These terms may include penalty
19 provisions to take effect if the lessee fails to comply with the work
20 commitment requirements.

21 (g) For the purpose of achieving more economic operations or more
22 efficient recovery of coal, lessees of adjoining coal leases may, with
23 the approval of the commissioner, unite and adopt a cooperative or unit
24 plan of development and operation of their coal leases.

25 (h) If required by the commissioner,

26 (1) a lessee shall submit a mining plan to the commissioner
27 for his approval before beginning mining operations;

28 (2) a person holding a prospecting permit under AS 41.50.310
29 shall submit a mining plan to the commissioner for his approval before

1 seeking a coal lease.

2 (i) The commissioner may require that a mining plan submitted to
3 him under (h) of this section be modified. A mining plan submitted
4 under (h) of this section shall include, to the greatest extent prac-
5 tical, the following information:

6 (1) the boundaries, quantity, and grade of the proven and
7 probable coal reserves located on the coal lease, including the data and
8 test results from which that information is derived;

9 (2) the planned location of excavations, surface facilities,
10 roads, and other proposed uses of the coal lease and the land needed for
11 access to the coal lease;

12 (3) a description of the equipment and facilities which the
13 lessee plans to use to mine and transport coal and waste material from
14 the coal lease;

15 (4) the anticipated schedule for each phase of mine develop-
16 ment, construction, and production;

17 (5) the legal description of any tracts of land which the
18 lessee may desire to lease for coal development purposes, and a de-
19 scription of the uses planned for each tract;

20 (6) the manner in which the lessee plans to comply with
21 federal, state, and local laws relating to reclamation of the tracts
22 mined and environmental protection.

23 (j) All geological, geophysical, geochemical data, and other
24 noninterpretive data relating to a tract under a coal prospecting permit
25 or coal lease shall be furnished to the commissioner by a lessee. Data
26 submitted under this subsection shall be kept confidential unless the
27 lessee or permittee authorizes its release.

28 **Sec. 41.50.340. ADMINISTRATIVE REQUIREMENTS WITH RESPECT TO COAL**
29 **LEASES. (a) State land shall be leased for coal by the commissioner by**

1 tracts. A tract shall be of a size the commissioner finds appropriate
2 and in the public interest, and that will permit mining of all coal
3 which can economically be extracted from the tract.

4 (b) The commissioner shall prepare and periodically update a
5 series of detailed geological and geophysical maps of land to be offered
6 for leasing under AS 41.50.320 - 41.50.330.

7 (c) A royalty from a coal lease may be taken in kind, rather than
8 in value, if the commissioner determines that taking in kind would be in
9 the best interest of the state.

10 (d) The share of the net profit reserved to the state under a coal
11 lease which provides for a royalty based on a net profit share is a
12 mineral lease royalty for the purposes of the Alaska renewable resources
13 development fund under AS 37.11.020.

14 ARTICLE 5. GEOTHERMAL RESOURCES.

15 Sec. 41.50.400. PERMITS AND LEASES; PREFERENCE. The commissioner
16 may, under regulations he adopts, grant prospecting permits and leases
17 to a qualified person to explore for, develop, or use geothermal re-
18 sources. When title to the surface parcel is held by a person other
19 than the state, that person shall have a preferential right to a geo-
20 thermal prospecting permit or lease for the area underlying the surface
21 parcel. The surface owner must exercise the preference right within 30
22 days after receiving notice of the application for a permit, or by
23 agreeing to meet the terms of a bid within 60 days after receiving
24 notice of the acceptance of the bid for a lease.

25 Sec. 41.50.410. COMPETITIVE GEOTHERMAL AREAS. The commissioner
26 may designate a geothermal area or portion of it a competitive geother-
27 mal area. A designation as a competitive geothermal area must be on the
28 basis of substantial geologic indications of geothermal resources or on
29 the basis of competitive interest in geothermal resources of the area.

1 Sec. 41.50.420. PROSPECTING PERMITS. On state land that has not
2 been declared a competitive geothermal area or withdrawn from geothermal
3 prospecting, the commissioner may issue a prospecting permit to the
4 first qualified applicant. The permit conveys an exclusive right, for a
5 period of two years, to prospect for geothermal resources on state land
6 included under the permit. The commissioner may, at his discretion,
7 renew the permit for an additional one-year term. A holder of a pros-
8 pecting permit has the right, upon the showing of a discovery of geo-
9 thermal resources in commercial quantities and the submission of a
10 development plan acceptable to the commissioner, to convert the permit
11 to a noncompetitive lease at a rent, under AS 41.50.440, and royalty
12 rate, under AS 41.50.460. The conversion privilege must be exercised
13 not later than 30 days after the expiration of the permit. If the land
14 included within the permit is designated a competitive geothermal area
15 during the permit term, the permittee must apply for a noncompetitive
16 lease within 30 days after notification of the designation or forfeit
17 his conversion privileges and his exclusive right to prospect.

18 Sec. 41.50.430. COMPETITIVE LEASING. On state land that is desig-
19 nated a competitive geothermal area and is not subject to an existing
20 prospecting permit, the commissioner may issue geothermal leases to the
21 highest bidder by competitive bidding procedures established by regula-
22 tions adopted by him. At the discretion of the commissioner, competi-
23 tive lease sales may be by oral or sealed bid, on the basis of a cash
24 bonus, profit share, or royalty share.

25 Sec. 41.50.440. ACREAGE LIMITATIONS AND RENTALS. Prospecting
26 permits and geothermal leases granted under this section must, except in
27 the case of parcels subject to a preference right under AS 41.50.410, be
28 issued for at least 40 acres but not more than 2,560 acres. A person
29 may not own, or hold an interest in, geothermal leases covering more

1 than 51,200 acres. However, geothermal leases in commercial production,
2 individually or under a unit operation, do not count against the acreage
3 limitation. All prospecting permits and geothermal leases are subject
4 to an annual rental, payable in advance, of \$3 per acre. The rental for
5 a year shall be credited against royalties accruing for that year.

6 Sec. 41.50.450. LEASE TERM AND RENEGOTIATION. A geothermal lease
7 shall be issued for a primary term of 10 years and may be renewed for an
8 additional term of five years if the lessee is actively engaged in
9 drilling operations. A geothermal lease is valid for the duration of
10 commercial production. Beginning 20 years after the initiation of
11 commercial production and at 10-year intervals thereafter, the commis-
12 sioner may renegotiate the rentals and royalties due on a geothermal
13 lease.

14 Sec. 41.50.460. ROYALTIES. Each geothermal lease shall be con-
15 ditioned upon payment by the lessee of a royalty of not less than 10
16 percent but not more than 15 percent of the gross revenues derived from
17 the production, sale, or use of geothermal resources under the lease.
18 Royalties may be taken in kind rather than in value if the commissioner
19 determines that taking in kind would be in the best interest of the
20 state. The commissioner may also, if the lessee shows that he cannot
21 otherwise economically operate, reduce, suspend, or waive the rentals
22 and royalties due on a geothermal lease.

23 Sec. 41.50.470. WASTE PROHIBITED. The waste of geothermal re-
24 sources in the state is prohibited.

25 Sec. 41.50.480. APPLICATION. The authority of the commissioner
26 applies to all private, municipal, state, and federal land in the state
27 lawfully subject to the police power of the state. When any of that
28 land is committed to a unit agreement involving land subject to federal
29 jurisdiction, the operation of AS 41.50.400 - 41.50.520 or a part of

1 AS 41.50.400 - 41.50.520 may be suspended, if the unit operations are
2 regulated by the United States and if the conservation of geothermal
3 resources is accomplished under the unit agreement.

4 Sec. 41.50.490. RESERVOIR MANAGEMENT. (a) The commissioner shall
5 require the filing and approval of a plan of development and operation
6 on each producing geothermal system and may issue well-spacing and
7 pooling orders, limits on production, and reinjection requirements, in
8 order to prevent waste, promote maximum economic recovery, and protect
9 correlative rights.

10 (b) Lessees of all or part of a geothermal system may enter into a
11 unit agreement for cooperative development, with the approval of the
12 commissioner. The commissioner may suspend or modify the approved
13 development plan in accordance with the unit agreement.

14 (c) If the owners of at least two-thirds of the leasehold in-
15 terests in a geothermal system ratify a unit agreement approved by the
16 commissioner, the commissioner may enforce the agreement as to lessees
17 not a party to the agreement by allocating production under the prin-
18 ciple of correlative rights and by apportioning costs and revenues.

19 (d) Lease operations under an approved development plan or unit
20 agreement are considered to be in compliance with individual lease
21 requirements.

22 Sec. 41.50.500. DRILLING REGULATIONS. (a) The commissioner shall
23 adopt regulations in accordance with the Administrative Procedure Act
24 (AS 44.62) relating to the siting, spacing, drilling, casing, cementing,
25 testing, logging, operating, producing, and abandonment of geothermal
26 wells so as to prevent

27 (1) geothermal resources, water or other fluids, and gases
28 from escaping into strata other than that in which they are found (un-
29 less in accordance with an approved reinjection program);

- 1 (2) contamination of surface and groundwater;
2 (3) premature cooling of a geothermal system by water en-
3 croachment or otherwise;
4 (4) blowouts, cavings and seepage; and
5 (5) unreasonable disturbance or injury to neighboring proper-
6 ties, prior water rights, human life, health and the natural environ-
7 ment.

8 (b) The commissioner shall cause the operator of a geothermal well
9 or wells to file adequate individual or blanket surety bonds to ensure
10 compliance with his regulations.

11 (c) The commissioner may enter upon any property, public or pri-
12 vate, to inspect a geothermal operation for compliance with his regu-
13 lations.

14 (d) Geothermal wells regulated by the commissioner under AS 41.50.-
15 400 - 41.50.520 are exempt from the jurisdiction of the Alaska Oil and
16 Gas Conservation Commission under AS 31.05.030(g).

17 Sec. 41.50.510. RELATIONSHIP OF GEOTHERMAL RESOURCES TO WATER.

18 (a) An operator shall, before drilling or constructing a geothermal
19 well or group of wells to be operated in concert, file an application
20 with the commissioner for approval to drill the well or wells. The date
21 of filing of the application establishes priority as to later appro-
22 priators of non-geothermal fluids. The application must contain suffi-
23 cient information to enable the commissioner to determine whether the
24 operation of the well or wells will interfere with or impair a prior
25 water right.

26 (b) An operator may not begin well drilling or construction with-
27 out the approval of the commissioner. The commissioner shall approve
28 the well construction upon the conditions he considers necessary to
29 protect the public interest, if

1 (1) the proposed geothermal operation will not significantly
2 interfere with or substantially impair a prior water right;

3 (2) the geothermal owner has acquired through purchase or
4 condemnation adequate water rights to offset the potential interference
5 or impairment; or

6 (3) the geothermal owner has obtained and dedicated to the
7 affected party or parties an equivalent amount of replacement water of
8 comparable quality.

9 (c) The withdrawal of geothermal fluid from a geothermal system
10 does not require a certificate of appropriation under AS 46.15 and no
11 priority may be established among geothermal owners in a geothermal
12 system.

13 Sec. 41.50.520. DEFINITIONS. In AS 41.50.400 - 41.50.520,

14 (1) "correlative rights" means the right of each geothermal
15 owner in a geothermal system to produce without waste his just and
16 equitable share of the geothermal resources in the geothermal system;

17 (2) "geothermal fluid" means brines, water and steam at
18 temperatures greater than 120 degrees Celsius naturally present in a
19 geothermal system;

20 (3) "geothermal resources" means the natural heat of the
21 earth at temperatures greater than 120 degrees Celsius, measured at the
22 point where the highest-temperature resources encountered enter or
23 contact a well shaft or other resource extraction device, and includes

24 (A) the energy, including pressure, in whatever form
25 present in, resulting from, created by, or that may be extracted
26 from that natural heat;

27 (B) the material medium, including the brines, water and
28 steam naturally present, as well as the fluids or substances arti-
29 ficially introduced to serve as a heat transfer medium; and

1 (C) all dissolved or entrained minerals and gases that
2 may be obtained from the material medium, but excluding hydrocarbon
3 substances and helium.

4 (4) "geothermal system" means a stratum, pool, reservoir, or
5 other geologic formation containing geothermal resources;

6 (5) "operator" means a person drilling, maintaining, operat-
7 ing, producing, or in control of a well;

8 (6) "owner" means a person who, by reason of an interest in
9 real property, has the right to drill into, produce, and make use of
10 geothermal resources;

11 (7) "waste" means an inefficient, excessive, or improper
12 production, use, or dissipation of geothermal resources, including, but
13 not limited to,

14 (A) drilling, transporting, or storage methods that
15 cause or tend to cause unnecessary surface loss of geothermal
16 resources;

17 (B) locating, spacing, drilling, equipping, operating,
18 producing, or venting of a well in a manner that results or tends
19 to result in reducing the ultimate economic recovery of geothermal
20 resources;

21 (8) "well" means a well drilled, converted, or reactivated
22 for the discovery, testing, production, or subsurface injection of
23 geothermal resources.

24 ARTICLE 6. GENERAL PROVISIONS.

25 Sec. 41.50.990. DEFINITIONS. In this chapter

26 (1) "commissioner" means the commissioner of energy;

27 (2) "department" means the Department of Energy.

28 * Sec. 5. AS 41 is amended by adding a new chapter to read:

29 CHAPTER 52. STATE ENERGY MASTER PLAN.

1 Sec. 41.52.010. STATE ENERGY MASTER PLAN. (a) The Department of
2 Energy shall prepare an energy master plan for the state. The plan
3 shall be submitted to the governor and the legislature. The plan pre-
4 pared under (a) of this section shall include

5 (1) an evaluation of statewide energy needs and energy needs
6 for major regions of the state, as determined by the commissioner of
7 energy, and, with reference to each major region, an estimate of the
8 supplies of energy to satisfy needs during the 5th, 10th and 20th year
9 following the year for which the report is presented;

10 (2) a summary of the plans of the major suppliers of energy
11 in the state to meet projected energy demand;

12 (3) a summary of anticipated energy sources not previously
13 used to provide energy for the people of the state;

14 (4) an evaluation of the accuracy and acceptability of the
15 methods being used to collect and analyze data relating to the state's
16 energy resources;

17 (5) a statement of the state's comprehensive energy policies;

18 (6) a state energy conservation plan, which shall

19 (A) establish objectives for reduction of the amount of
20 fossil energy fuels by residents of the state;

21 (B) estimate the effectiveness of energy use and con-
22 servation measures; and

23 (C) recommend a plan for meeting the objectives de-
24 scribed in (A) of this paragraph; and

25 (7) the plan for the development of the state's power re-
26 sources, prepared under AS 44.33.040(4).

27 (c) In the preparation of the energy master plan required by this
28 section, the commissioner of energy shall

29 (1) after reasonable notice, hold public hearings to secure

1 preliminary information and comments about the proposed energy master
2 plan from the public;

3 (2) allow interested persons who testified at a public hearing
4 under (1) of this subsection to submit written testimony or comments
5 concerning the proposed energy master plan, or concerning any testimony
6 received during public hearings held under (1) of this subsection; the
7 commissioner of energy shall accept written comments under this paragraph
8 until the 30th day after the last public hearing held under (1) of this
9 subsection, but the commissioner may extend the deadline for receipt of
10 comments;

11 (3) prepare a draft energy master plan;

12 (4) publish notice to the public once a week for three con-
13 secutive weeks in newspapers of general circulation that a draft energy
14 master plan has been prepared, and the location of places where in-
15 terested persons may review or obtain a copy of the draft energy master
16 plan;

17 (5) place copies of the draft energy master plan for public
18 inspection in offices of the Department of Energy and all legislative
19 information offices of the state;

20 (6) publish notice once a week for three consecutive weeks in
21 newspapers of general circulation and hold public hearings throughout
22 the state to obtain the comments of all interested persons on the draft
23 energy master plan; and

24 (7) transmit copies of the draft energy master plan to all
25 members of the Executive Energy Council.

26 (d) When the draft energy master plan has been adopted by the
27 commissioner of energy and transmitted to the Executive Energy Council
28 under (c)(7) of this section, the Executive Energy Council shall, on the
29 record of testimony and public comments received, approve or disapprove

1 the draft energy master plan, and state the reasons for its decision.

2 (e) If the Executive Energy Council approves the draft energy
3 master plan under (d) of this section, the commissioner of energy shall
4 adopt the draft energy master plan as the state energy master plan in
5 the form approved by the Executive Energy Council. If the Executive
6 Energy Council disapproves the draft energy master plan under (d) of
7 this section, the commissioner of energy shall modify the draft energy
8 master plan to conform to the reasons for disapproval given by the
9 Executive Energy Council and resubmit the modified draft energy master
10 plan to the Executive Energy Council.

11 * Sec. 6. AS 41 is amended by adding a new chapter to read:

12 CHAPTER 55. ALASKA ENERGY RESEARCH AND DEVELOPMENT CENTER.

13 Sec. 41.55.010. ALASKA ENERGY RESEARCH AND DEVELOPMENT CENTER.

14 There is established the Alaska Energy Research and Development Center.
15 The center is a public corporation of the state. It is an instrumental-
16 ity of the state in the Department of Energy, but has a legal existence
17 independent of and separate from the state. Exercise by the center of
18 the powers conferred by this chapter is an essential governmental func-
19 tion of the state.

20 Sec. 41.55.020. PURPOSE. The primary purpose of the center is to
21 promote the development of more efficient and advanced technologies
22 which are appropriate to the state's energy resources. In addition, the
23 center is to

- 24 (1) provide economic benefits to state citizens;
25 (2) promote the effective use of the state's resources;
26 (3) promote diversification of employment opportunities;
27 (4) reduce state energy imports;
28 (5) increase state energy and technology exports; and
29 (6) bring existing and new technologies to a stage of com-

1 mercial feasibility.

2 Sec. 41.55.030. BOARD OF DIRECTORS. A board of directors of the
3 center is established as its governing body.

4 Sec. 41.55.040. COMPOSITION OF BOARD OF DIRECTORS. (a) The board
5 of directors consists of nine members as follows:

6 (1) one state senator appointed by the president of the
7 senate;

8 (2) one state representative appointed by the speaker of the
9 house of representatives;

10 (3) the commissioner of energy or his designee;

11 (4) a person appointed by, and serving at the pleasure of,
12 the president of the University of Alaska;

13 (5) a member of the Board of Directors of the Alaska Council
14 on Science and Technology, appointed by and serving at the pleasure of
15 the members of that council;

16 (6) a member of the Board of Trustees of the Alaska Renewable
17 Resources Corporation, appointed by and serving at the pleasure of the
18 members of that board;

19 (7) a person appointed by and serving at the pleasure of the
20 commissioner of transportation and public facilities;

21 (8) a person appointed by and serving at the pleasure of the
22 governor to represent the people of rural Alaska; and

23 (9) a person from the state's scientific, engineering or
24 professional communities appointed by, and serving at the pleasure of,
25 the governor.

26 (b) The board shall elect a chairman and other necessary officers
27 from among its members.

28 Sec. 41.55.050. TERM OF OFFICE. Members of the board appointed
29 from the legislature serve terms which are equivalent to the legislative

1 session during which they are appointed.

2 Sec. 41.55.060. VACANCIES. (a) A vacancy on the board among the
3 members appointed under AS 41.55.040(a)(3) - (9) shall be filled by
4 appointment by the appointing authority. 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.

7 (b) A vacancy on the board among the members appointed under
8 AS 41.55.040(a)(1) or (2) shall be filled by appointment by the presid-
9 ing officer of the house of the legislature to which the vacating board
10 member belonged.

11 (c) A vacancy on the board does not impair the authority of a
12 quorum of the board to exercise all the powers and perform all the
13 duties of the board.

14 Sec. 41.55.070. QUORUM. Five members of the board constitute a
15 quorum for the transaction of business and the exercise of the powers
16 and duties of the board.

17 Sec. 41.55.080. COMPENSATION OF BOARD MEMBERS. (a) Board members
18 appointed under AS 41.55.040(a), except members of the legislature who
19 are board members, receive \$200 per day while in attendance at meetings
20 of the board.

21 (b) All board members may receive a per diem allowance and trans-
22 portation expenses in carrying out the duties under this chapter.

23 Sec. 41.55.090. CONFLICTS OF INTEREST. Members of the board are
24 subject to the provisions of AS 39.50.

25 Sec. 41.55.100. EMPLOYMENT OF PERSONNEL. The board shall employ
26 and determine the salary of an executive director. The executive direc-
27 tor may, with the approval of the board, select and employ additional
28 staff as necessary.

29 Sec. 41.55.110. PRINCIPAL OFFICE. The principal office of the

1 center shall be located in Fairbanks. The board may authorize the
2 establishment of other offices of the center in other areas of the state.

3 Sec. 41.55.120. POWERS. In carrying out the powers of the center,
4 the board may

5 (1) adopt, alter, and use a corporate seal;

6 (2) prescribe, adopt, amend, and repeal bylaws;

7 (3) sue and be sued in the name of the center;

8 (4) enter into any agreements necessary to the exercise of
9 its powers and functions;

10 (5) accept grants from and contract with the federal govern-
11 ment and the state or its political subdivisions and to that end comply
12 with the provisions of federal, state, or local programs when necessary,
13 except that it may not enter into any agreements whereby a permanent
14 state or local government position is funded or partially funded in
15 connection with a project;

16 (6) accept grants and loans from sources other than those in
17 (5) of this section to be held and used for the purposes of the center;

18 (7) appear in behalf of the center before boards, commissions,
19 departments, or other agencies of municipal, state, or federal govern-
20 ment;

21 (8) acquire, hold, use, lease, sell, or otherwise dispose of
22 property of any kind, real, personal, or mixed, or an interest in it;

23 (9) conduct research and prepare, publish, and distribute
24 technical studies, reports, bulletins and other materials it considers
25 appropriate;

26 (10) hold patents, copyrights, trademarks, royalties or other
27 evidences of protection or exclusivity issued under the laws of the
28 United States or any state or nation obtained by persons receiving
29 assistance from the center;

1 (11) adopt regulations governing the exercise of its powers;
2 (12) do everything necessary or desirable to carry out the
3 purposes of the center.

4 Sec. 41.55.130. DUTIES. The board shall

5 (1) promote the commercial development of efficient and
6 advanced energy technologies;

7 (2) subject to the availability of funds,

8 (A) sponsor energy research projects intended to accom-
9 plish the purposes of the center;

10 (B) conduct research, development, and demonstration
11 projects of energy technologies;

12 (C) provide financial and other support to inventors and
13 businesses engaged in the development, demonstration, and commer-
14 cialization of energy technologies;

15 (3) manage projects for which funding has been appropriated
16 by the legislature;

17 (4) consult with the Alaska Council on Science and Technology
18 (AS 44.38.200 - 44.38.210), Alaska Power Authority (AS 44.56), Alaska
19 Renewable Resources Corporation (AS 37.12), the University of Alaska,
20 the division of energy and power development and other divisions of the
21 Department of Energy in developing its programs;

22 (5) consult with other energy research and development or-
23 ganizations;

24 (6) establish a scientific and technical committee to advise
25 it on matters relating to energy research and development projects.

26 Sec. 41.55.140. BUDGET AND APPROPRIATIONS. (a) The center is
27 subject to the Executive Budget Act (AS 37.07) except as provided in (b)
28 of this section and in AS 37.25.030.

29 (b) The budget of the center shall include a description and

1 amount of proposed funding for projects to be conducted or supported by
2 the center. Requests for project funding shall include a statement of
3 the objectives and goals of the project, including, but not limited to,
4 the number of jobs to be created and the number of businesses to be
5 assisted by the project. The amount of the center's operating budget
6 shall be specified separately from proposed project funding and adminis-
7 tration.

8 Sec. 41.55.150. COOPERATION WITH OTHER STATE AGENCIES AND THE
9 UNIVERSITY OF ALASKA. (a) All departments, agencies, and public cor-
10 porations of the state, including the University of Alaska, shall pro-
11 vide information, services, and facilities to the center on its request.
12 The center shall reimburse the department, agency, or corporation for
13 expenses reasonably incurred on the center's behalf.

14 (b) When possible the center shall contract with the University of
15 Alaska or private organizations for research activities.

16 Sec. 41.55.160. DEFINITIONS. In this chapter

17 (1) "board" means the Board of Directors of the Alaska Energy
18 Research and Development Center;

19 (2) "center" means the Alaska Energy Research and Development
20 Center;

21 (3) "energy technology" means technological developments and
22 innovations for

23 (A) efficient recovery and use of fossil fuels;

24 (B) production of energy through the use of renewable
25 and alternative energy sources;

26 (C) energy conservation;

27 (D) development of facilities for the use of waste heat
28 and the simultaneous generation of electricity and heat;

29 (E) the reduction of dependence on fossil fuels and

1 which are appropriate for use in the state and other northern
2 environments.

3 * Sec. 7. AS 44.38 is amended by adding new sections to read:

4 ARTICLE 2. ALASKA COUNCIL ON SCIENCE AND TECHNOLOGY.

5 Sec. 44.38.200. COUNCIL ESTABLISHED. (a) There is established in
6 the Department of Energy the Alaska Council on Science and Technology.

7 (b) The council consists of seven members who are appointed by the
8 governor upon the recommendations of the state's scientific, engineering,
9 and related communities and organizations. Two members shall be selected
10 from different executive departments of state government having signifi-
11 cant research activities, two members shall be selected from the Alaska
12 academic community, two members shall have significant activities or
13 direct interests in research and shall be selected from the general pub-
14 lic, and one member shall be selected from the staff of the legislature.

15 (c) Council members receive no compensation but are entitled to
16 the travel and per diem provided by law for members of boards or commis-
17 sions.

18 (d) Members of the council have three year terms.

19 (e) The council shall elect one of its members as chairman. A
20 chairman may be elected for successive terms as chairman and serves
21 until his successor is designated.

22 (f) Four members of the council constitute a quorum.

23 Sec. 44.38.202. PURPOSE, POWERS, AND DUTIES. (a) The purpose of
24 the council is to review and recommend the scientific and technological
25 research needs of state government, to issue research grants and con-
26 tracts, to oversee the issued grants and contracts, to promote high
27 standards of research for the priorities proposed by the council, and to
28 address stated legislative or administrative requests for research.

29 (b) The council may

1 (1) apprise itself of local, state, federal, and private
2 research programs, activities, and needs;

3 (2) appoint committees and task forces, and convene con-
4 ferences, public hearings, and other meetings necessary to carry out the
5 council's purposes;

6 (3) award research grants and contracts on a fair and compe-
7 titive basis and administer those grants and contracts;

8 (4) enter into agreements creating one or more systems of
9 information exchange with appropriate research financing sources;

10 (5) at the request of any state agency, enter into and admin-
11 ister, but not perform, the research under research grants and contracts
12 financed by that state agency;

13 (6) investigate the need for and when necessary establish
14 advisory committees for reviewing its program;

15 (7) request and receive from any agency of the state govern-
16 ment the assistance and data needed to carry out the requirements of
17 this section;

18 (8) hire an executive director and staff that may be neces-
19 sary to implement AS 44.38.200 - 44.38.210.

20 (c) The council shall

21 (1) develop methods of surveying research needs of the state,
22 based on the present and future information needs of policy makers,
23 state agencies, and the public at large;

24 (2) annually review the research needs and propose priorities
25 for financing the needs;

26 (3) annually submit to the governor and the legislature the
27 findings of the council, including a listing, description, ranking, and
28 justification of research needs, and a commentary on significant re-
29 search activities of the preceding year financed by the state and in-

1 cluding the relationship of that research to the state's needs and
2 priorities;

3 (4) promote and enhance standards for research activities for
4 which the council has administrative oversight;

5 (5) establish review procedures for research proposals;

6 (6) at the request of either the governor or the legislature,
7 advise in a timely fashion on inquiries concerning scientific investiga-
8 tion or comment;

9 (7) evaluate and forward to appropriate agencies and persons
10 products of research activities financed by the council; the council
11 shall prepare comments to accompany research reports summarizing the
12 applications, importance, or further research needs demonstrated by the
13 findings of council-supported research;

14 (8) coordinate its data and information needs with other
15 research organizations in order to avoid unnecessary duplication;

16 (9) not conduct any research itself other than that necessary
17 to further the purpose of the council as provided in (a) of this section;

18 (10) supply to a person or agency requesting assistance the
19 available information on past or present research activities for which
20 the council has information, except that the council may not release
21 information which may endanger the acceptance of a research proposal
22 which is at the time competing with other proposals for financing.

23 Sec. 44.38.204. GRANTS. The council may, as funds are appro-
24 priated, make grants of financial assistance of up to \$5,000 to persons
25 engaged in the development or implementation of northern technology. An
26 application for a grant under this subsection shall be submitted to the
27 council which shall determine the manner in which applications are re-
28 viewed and approved. The council may make grants in coordination with
29 other sources of financing. An applicant for money for a demonstration

1 project shall include with his application a statement that the
2 completed project will be available for public inspection. A patent or
3 royalty accruing from projects financed through a grant made by the
4 council remains the property of the individual receiving the grant.

5 Sec. 44.38.206. RECORDS, REPORTS. (a) The council shall have its
6 financial records audited by an independent certified public accountant.
7 The internal auditor and legislative auditor shall jointly prescribe the
8 form and content of the financial records of the council and shall be
9 afforded access to these records at any time.

10 (b) Before January 15 of each year, the council shall submit to
11 the governor and the legislature a comprehensive report describing
12 operations and expenditures and the status of grants and contracts for
13 the last preceding fiscal year.

14 (c) The provisions of AS 09.25.110 - 09.25.125 apply to the coun-
15 cil.

16 Sec. 44.38.208. DEFINITIONS. In AS 44.38.200 - 44.38.210,

17 (1) "council" means the Alaska Council on Science and Tech-
18 nology established in AS 44.38.200;

19 (2) "northern technology" means the application in Alaska of
20 methods of energy generation, waste disposal, recycling, food produc-
21 tion, transportation, building design, and industrial enterprise which
22 may be more efficient, and less costly and less energy intensive than
23 those methods presently used and which are appropriate to the Alaska
24 environment.

25 Sec. 44.38.210. SHORT TITLE. AS 44.38.200 - 44.38.210 may be cited
26 as the Science and Technology Act.

27 * Sec. 8. AS 16.20.130 is amended to read:

28 Sec. 16.20.130. MULTIPLE USE. (a) Mineral [OIL AND MINERAL]
29 exploration and development is permitted on the Walrus Islands State

1 Game Sanctuary in accordance with state or federal laws and regulations,
2 subject to the limitations of AS 16.20.140 and to additional limitations
3 jointly determined by the commissioner of natural resources and the
4 commissioner of fish and game to assure compatible multiple land use
5 practices.

6 * Sec. 9. AS 16.20.130 is amended by adding a new subsection to read:

7 (b) Oil exploration and development is permitted on the Walrus
8 Islands State Game Sanctuary in accordance with state or federal laws
9 and regulations, subject to the limitations of AS 16.20.140 and to
10 additional limitations jointly determined by the commissioner of energy
11 and the commissioner of fish and game to assure compatible multiple land
12 use practices.

13 * Sec. 10. AS 18.45.030(8) is amended to read:

14 (8) the Department of Energy [NATURAL RESOURCES] particularly
15 as to the hazards involved in the mining of radioactive minerals;

16 * Sec. 11. AS 27.05.010 is amended to read:

17 Sec. 27.05.010. DEPARTMENT RESPONSIBLE FOR MINERAL RESOURCES.
18 Except where assignment of responsibility is given to the Department of
19 Energy, the [THE] department has charge of all matters affecting ex-
20 ploration, development and mining of the mineral resources of the state,
21 the collection and dissemination of all official information relative to
22 the mineral resources, and mines and mining projects of the state, and
23 the administration of the laws with respect to all kinds of mining.

24 * Sec. 12. AS 30.25.120(c) is amended to read:

25 (c) The department and the Departments of Energy [NATURAL RE-
26 SOURCES] and Fish and Game shall consult with one another periodically
27 relative to procedures for the prevention of oil discharges into the
28 coastal and inside coastal waters of the state from offshore drilling
29 production facilities. These departments shall jointly establish pre-

1 designated sites for the deposit of oil discharge refuse and waste.

2 * Sec. 13. AS 31.05.005(a) is amended to read:

3 (a) There is created as an independent [QUASI-JUDICIAL] agency of
4 the state the Alaska Oil and Gas Conservation Commission, composed of
5 three commissioners appointed by the governor and confirmed by the
6 legislature in joint session. The commission is in the Department of
7 Energy for administrative purposes only.

8 * Sec. 14. AS 31.05.007(a) is amended to read:

9 (a) The term of office of each member is six years. [THE GOVERNOR
10 SHALL DESIGNATE WHO AMONG HIS INITIAL APPOINTEES SHALL SERVE RESPECTIVELY
11 FOR TERMS OF TWO YEARS, FOUR YEARS AND SIX YEARS.] A commissioner, upon
12 the expiration of his term, shall continue to hold office until his suc-
13 cessor is appointed and qualified.

14 * Sec. 15. AS 31.05.026(a) is amended to read:

15 (a) The Department of Energy [NATURAL RESOURCES] shall have stand-
16 ing before the commission to raise all issues relating to state-owned
17 land without regard to the type of proprietary interest held by the
18 state in that land.

19 * Sec. 16. AS 31.05.026(b) is amended to read:

20 (b) With respect to federal land from which the state or any sub-
21 division of the state is entitled under federal law to receive a share
22 of the federal royalty interest, the Department of Energy [NATURAL RE-
23 SOURCES] shall have the same standing before the commission as if it
24 were the holder of the equivalent royalty interest.

25 * Sec. 17. AS 31.05.026(c) is amended to read:

26 (c) When [BOTH] the Department of Energy, the Department of Natural
27 Resources, and the commission have the authority to require, and do re-
28 quire, the submission of substantially the same information from persons
29 subject to this chapter, the commission, in order to alleviate the

1 administrative burdens placed on those persons, may by regulation enter
2 into an agreement with the departments [DEPARTMENT OF NATURAL RESOURCES]
3 whereby either the commission or one of the departments [THE DEPARTMENT
4 OF NATURAL RESOURCES] shall have the responsibility to collect the
5 information lawfully required [BY BOTH].

6 * Sec. 18. AS 31.05.026(e) is amended to read:

7 (e) The Department of Energy [NATURAL RESOURCES] shall have the
8 same standing (nor more or less) before the commission as granted by law
9 to any other proprietary interest.

10 * Sec. 19. AS 31.05.030(d)(7) is amended to read:

11 (7) every person who produces oil or gas in the state to keep
12 and maintain for a period of five years in the state complete and accu-
13 rate records of the quantities of oil and gas produced, which shall be
14 available for examination by the Department of Energy [NATURAL RE-
15 SOURCES] or its agents at all reasonable times;

16 * Sec. 20. AS 37.20.030(b) is amended to read:

17 (b) All lands accepted under the provisions of AS 37.20.010 -
18 37.20.020 are subject to the jurisdiction of the Department of Natural
19 Resources or the Department of Energy.

20 * Sec. 21. AS 37.25 is amended by adding a new section to read:

21 Sec. 37.25.030. APPROPRIATIONS FOR PROJECTS OF THE ALASKA ENERGY
22 RESEARCH AND DEVELOPMENT CENTER. An appropriation to the Alaska Energy
23 Research and Development Center for a research, development, or demon-
24 stration project under AS 41.55 is valid for the duration of the project
25 and the unexpended balance for the project shall be carried forward to
26 subsequent fiscal years.

27 * Sec. 22. AS 38.05.125 is amended to read:

28 Sec. 38.05.125. RESERVATION. Each contract for the sale, lease or
29 grant of state land, and each deed to state land, properties or interest

1 in state land, made under AS 38.05.315 - 38.05.325, 38.05.045 - 38.05.-
2 120, AS 38.08, or AS 38.50 except as provided in AS 38.50.050 is subject
3 to the following reservations: "The party of the first part, Alaska,
4 hereby expressly saves, excepts and reserves out of the grant hereby
5 made, unto itself, its lessees, successors, and assigns forever, all
6 oils, gases, coal, ores, minerals, fissionable materials, geothermal
7 resources, and fossils of every name, kind or description, and which may
8 be in or upon said lands above described, or any part thereof, and the
9 right to explore the same for such oils, gases, coal, ores, minerals,
10 fissionable materials, geothermal resources, and fossils, and it also
11 hereby expressly saves and reserves out of the grant hereby made, unto
12 itself, its lessees, successors, and assigns forever, the right to enter
13 by itself, its or their agents, attorneys, and servants upon said lands,
14 or any part or parts thereof, at any and all times for the purpose of
15 opening, developing, drilling, and working mines or wells on these or
16 other lands and taking out and removing therefrom all such oils, gases,
17 coal, ores, minerals, fissionable materials, geothermal resources, and
18 fossils, and to that end it further expressly reserves out of the grant
19 hereby made, unto itself, its lessees, successors, and assigns forever,
20 the right by its or their agents, servants and attorneys [ATTORNEY] at
21 any and all times to erect, construct, maintain, and use all such build-
22 ings, machinery, roads, pipelines, powerlines, and railroads, sink such
23 shafts, drill such wells, remove such soil, and to remain on said lands
24 or any part thereof for the foregoing purposes and to occupy as much of
25 said lands as may be necessary or convenient for such purposes hereby
26 expressly reserving to itself, its lessees, successors, and assigns, as
27 aforesaid, generally all rights and power in, to, and over said land,
28 whether herein expressed or not, reasonably necessary or convenient to
29 render beneficial and efficient the complete enjoyment of the property

1 and rights hereby expressly reserved."

2 * Sec. 23. AS 38.05.130 is amended to read:

3 Sec. 38.05.130. DAMAGES AND POSTING OF BOND. No rights shall be
4 exercised by the state, its lessees, successors or assigns under the
5 reservation as set out in AS 38.05.125 [OR] until the state, its lessees,
6 successors, or assigns make provision [PROVISIONS] to pay the owner of
7 the land full payment for all damages sustained by the owner, by reason
8 of entering upon the land. If the owner for any cause refuses or ne-
9 glects to settle the damages, the state, its lessees, successors,
10 assigns, or an applicant for a lease or contract from the state for the
11 purpose of prospecting for valuable minerals, or option, contract or
12 lease for mining coal or lease for extracting geothermal resources,
13 petroleum or natural gas, may enter upon the land in the exercise of the
14 reserved rights after posting a surety bond determined by the director,
15 after notice and an opportunity to be heard, to be sufficient as to
16 form, amount, and security to secure to the owner payment for damages,
17 and may institute legal proceedings in a court where the land is located,
18 as may be necessary to determine the damages which the owner may suffer.

19 * Sec. 24. AS 38.05.135(a) is amended to read:

20 (a) Except as otherwise provided, valuable minerals deposits in
21 lands belonging to the state shall be open to exploration, development,
22 and the extraction of minerals. All lands, together with tide, sub-
23 merged, or shorelands, to which the state holds title to or to which the
24 state may become entitled, may be obtained by permit or lease for the
25 purpose of exploration, development, and the extraction of minerals.
26 Except as specifically limited by AS 38.05.135 - 38.05.181, lands may be
27 withheld from lease application on a first-come, first-served basis, and
28 offered only on a competitive bid basis when determined by the commis-
29 sioner to be in the best interests of the state. In unproven areas the

1 commissioner may offer additional incentives [, INCLUDING A REDUCTION OF
2 ROYALTY TO A MINIMUM OF FIVE PERCENT IN THE CASE OF OIL AND GAS,] and
3 other terms in [AND] granting a permit or lease for exploration and
4 development whenever it appears to be in the best interests of the state
5 to do so.

6 * Sec. 25. AS 38.05.140(c) is amended to read:

7 (c) No person may take or hold at one time phosphate leases on
8 state land exceeding in the aggregate 10,240 acres. No person may take
9 or hold sodium leases or permits during the life of sodium leases on
10 state land, exceeding in the aggregate acreage 5,120 acres, except that
11 the commissioner may, where it is necessary in order to secure the
12 economic mining of sodium compounds, permit a person to take or hold
13 sodium leases or permits for up to 15,360 acres. [NO PERSON MAY TAKE OR
14 HOLD AT ANY ONE TIME OIL OR GAS LEASES EXCEEDING IN THE AGGREGATE 500,000
15 ACRES GRANTED ON TIDE AND SUBMERGED LAND, AND 500,000 ACRES ON ALL LAND
16 OTHER THAN TIDE AND SUBMERGED LAND, INCLUDING LEASES HELD BOTH AS LESSEE
17 AND UNDER OPTION OR OPERATING AGREEMENT FROM OTHERS. WHERE MORE THAN A
18 SINGLE PERSON HOLDS AN INTEREST IN AN OIL OR GAS LEASE, EACH PERSON SHALL
19 BE CHARGED ONLY WITH THAT PERCENTAGE OF THE TOTAL ACREAGE WHICH CORRES-
20 POND TO ITS PERCENTAGE SHARE OF THE TOTAL BENEFICIAL INTEREST IN THE
21 LEASE.]

22 * Sec. 26. AS 38.05.140(d) is amended to read:

23 (d) The commissioner, for the purpose of encouraging the greatest
24 ultimate recovery of [COAL, OIL SHALE,] phosphate, sodium, potassium, and
25 sulphur, [AND GEOTHERMAL RESOURCES] and in the interest of conservation
26 of natural resources, after public hearing, or, when the state's title to
27 land beneath navigable waters has been legally challenged by the United
28 States and litigation initiated, may waive, suspend, refund, or reduce
29 the rental, or minimum royalty, or reduce the royalty on an entire lease-

1 hold, or on any tract or portion of a leasehold segregated for royalty
2 purposes, whenever in his judgment it is necessary to do so in order to
3 promote development, or whenever in his judgment the lease cannot be
4 successfully operated under its terms. If the commissioner, in the in-
5 terest of conservation, directs or assents to the suspension of opera-
6 tions and production under a lease granted, the payment of acreage rental
7 or of minimum royalty prescribed by the lease may be suspended during the
8 period of suspension of operations and production. The term of the lease
9 shall be extended by adding the period of suspension to the lease.

10 * Sec. 27. AS 38.05.145(a) is amended to read:

11 [(a)] Deposits of [COAL,] phosphates, [OIL SHALE,] sodium, and
12 potassium, [OIL, GAS, GEOTHERMAL RESOURCES] and state lands containing
13 these deposits are subject to disposition under [RULES AND] regulations
14 [,] recommended by the director and adopted by the commissioner, and the
15 provision of AS 38.05.145 - 38.05.181. In applying the acreage limi-
16 tations the commissioner may apply the rule of approximation. The uses
17 of the rule of approximation made before March 31, 1960, by the commis-
18 sioner are ratified.

19 * Sec. 28. AS 38.05.182(a) is amended to read:

20 (a) Any royalty provided for in AS 38.05.135 - 38.05.181 may be
21 taken in kind rather than in money if the commissioner determines that
22 the taking in kind would be in the best interest of the state. [HOWEVER,
23 ROYALTIES ON OIL AND GAS SHALL BE TAKEN IN KIND UNLESS

24 (1) THE COMMISSIONER DETERMINES THAT THE TAKING IN MONEY
25 WOULD BE IN THE BEST INTEREST OF THE STATE; AND

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

28 * Sec. 29. AS 38.05.183(a) is amended to read:

29 (a) The sale, exchange or other disposal of a mineral obtained by

1 the state as a royalty under AS 38.05.182, or the sale, exchange or
2 other disposal in whole or in part of a right to receive future mineral
3 production under a state lease under this chapter, shall be by competi-
4 tive bid and the sale, exchange or other disposal made to the highest
5 responsible bidder [, EXCEPT THAT COMPETITIVE BIDDING IS NOT REQUIRED
6 WHEN THE COMMISSIONER, WITH THE PRIOR WRITTEN APPROVAL OF THE ALASKA
7 ROYALTY OIL AND GAS DEVELOPMENT ADVISORY BOARD WHERE APPLICABLE, DETER-
8 MINES THAT THE BEST INTEREST OF THE STATE DOES NOT REQUIRE IT OR THAT NO
9 COMPETITION EXISTS].

10 * Sec. 30. AS 38.05.183(c) is amended to read:

11 (c) If the commissioner determines that a sale, exchange or other
12 disposal of a mineral obtained by the state as a royalty under AS 38.-
13 05.182 or of a right to receive future mineral production under a state
14 lease under this chapter shall be made otherwise than by competitive bid,
15 [AND THE ALASKA ROYALTY OIL AND GAS DEVELOPMENT ADVISORY BOARD WHERE
16 APPLICABLE HAS APPROVED THAT DETERMINATION,] the commissioner shall make
17 public in writing the specific findings and conclusions upon which that
18 determination is based.

19 * Sec. 31. AS 38.05.310(a) is amended to read:

20 (a) Land [NO LAND] may not be sold or leased, or a renewal lease
21 issued [, EXCEPT IN THE CASE OF AN OIL OR GAS OR MINERAL LEASE,] unless
22 it has been appraised within 120 days before the date fixed for the sale
23 or lease. When land is offered at public sale but is not sold and is
24 available at private sale, a [NO] reappraisal is not required unless the
25 director considers that a change in value of the lands may have occurred.
26 A grazing lease may be granted to a lessee of federal grazing lands
27 without prior appraisal, if his federal lease was cancelled to allow the
28 state to select the lands under lease. Land [NO LAND] may not be sold or
29 leased for less than the approved, appraised market value, except as

1 provided in AS 38.05.315, 38.05.320, 38.05.057, 38.05.075 - 38.05.085
2 and 38.05.097.

3 * Sec. 32. AS 38.05.315(a) is amended to read:

4 (a) The lease, sale, or other disposal of state land or resources
5 may be made to a state or federal agency or political subdivision [, OR
6 THE LEASE, SALE, OR OTHER DISPOSAL OF COAL DEPOSITS SUITABLE FOR MINING
7 MAY BE MADE TO A UTILITY OWNED AND OPERATED BY A GOVERNMENT AGENCY OR
8 NONPROFIT COOPERATIVE ASSOCIATION ORGANIZED TO PARTICIPATE UNDER THE
9 FEDERAL RURAL ELECTRIFICATION ACT FOR THE PURPOSE OF GENERATING ELECTRIC
10 POWER AND ENERGY OR THE PRODUCTION OF PROCESS STEAM, OR BOTH,] for less
11 than the appraised value as determined by the director and approved by
12 the commissioner to be fair and proper and in the best interests of the
13 public, with due consideration given to the nature of the public services
14 or function rendered by the agency or [,] subdivision [, OR UTILITY]
15 making application, and of the terms of the grant under which the land
16 was acquired by the state.

17 * Sec. 33. AS 38.05.335(a) is amended to read:

18 (a) The director may require an applicant seeking the sale, lease
19 or other disposal of lands, other than under a [AN OIL AND GAS OR]
20 mineral lease, to deposit an amount covering the estimated cost of an
21 appraisal, survey and necessary advertising. All deposited funds not
22 expended shall be refunded to the applicant. If lands are sold or
23 leased to other than the applicant making the deposit, the party awarded
24 the lands shall pay the total actual cost of appraising and surveying
25 the lands, together with the total actual cost of advertising, and the
26 deposit shall be returned to the original applicant.

27 * Sec. 34. AS 38.05.365 is amended by adding a new paragraph to read:

28 (24) "geothermal resources" means the natural heat of the
29 earth at temperatures greater than 120 degrees Celsius, measured at the

1 point where the highest-temperature resources encountered enter or
2 contact a well shaft or other resource extraction device, and includes

3 (A) the energy, including pressure, in whatever form
4 present in, resulting from, created by, or that may be extracted
5 from that natural heat;

6 (B) the material medium, including the brines, water and
7 steam naturally present, as well as the fluids or substances arti-
8 ficially introduced to serve as a heat transfer medium; and

9 (C) all dissolved or entrained minerals and gases that
10 may be obtained from the material medium, but excluding hydrocarbon
11 substances and helium.

12 * Sec. 35. AS 38.06.020 is amended to read:

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

16 * Sec. 36. AS 38.06.025 is amended to read:

17 Sec. 38.06.025. MEMBERSHIP. The board consists of the commis-
18 sioner of commerce and economic development [NATURAL RESOURCES, WHO IS
19 CHAIRMAN], the commissioner of revenue, and three public members. Each
20 of the public members shall possess experience in petroleum-related
21 fields in such areas as exploration, development, production and econo-
22 mics, and shall be appointed by the governor to serve at his pleasure
23 for three-year staggered terms and confirmed by a vote of a majority of
24 the members of the legislature in joint session. The public members may
25 not be state officers or employees. A chairman shall be elected by the
26 board from among the public members. A public member, upon the expira-
27 tion of his term, shall continue to hold office until [UNDER] his suc-
28 cessor is appointed and qualifies. Vacancies in public membership shall
29 be filled in the same manner as original appointment. An appointee to

1 fill a vacancy shall hold office for the balance of the term for which
2 his predecessor on the board was appointed. A vacancy in board member-
3 ship does not impair the authority of a quorum of the board members to
4 exercise all the powers and duties of the board.

5 * Sec. 37. AS 38.06.055(a) is amended to read:

6 (a) In addition to the approval by the board required under AS 38.-
7 06.050, a [NO] sale, exchange 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 may not be made by the commissioner of energy [NATURAL
10 RESOURCES] under AS 38.05.183 without the prior approval of the legisla-
11 ture by a concurrent resolution concurred in by a majority of the members
12 of each house except for sales, exchanges, or other dispositions made
13 for a term of no more than one year, which may be entered into to relieve
14 storage or market conditions. Any short-term sale, exchange or other
15 disposition entered into under the authority of this subsection may not
16 be renewed without the prior approval of the legislature by a concurrent
17 resolution concurred in by a majority of the members of each house.

18 * Sec. 38. AS 38.35.020(a) is amended to read:

19 (a) Rights-of-way on state land including rights-of-way over,
20 under, along, across, or upon the right-of-way of a public road or
21 highway or the right-of-way of a railroad or other public utility, or
22 across, upon, over, or under a river or other body of water or land
23 belonging to or administered by the state may be granted by noncompeti-
24 tive lease by the commissioner, when requested to do so by the commis-
25 sioner of energy, for pipeline purposes for the transportation of oil,
26 products or natural gas under those conditions prescribed by law or by
27 administrative regulation. Except to the extent authorized by an oil
28 and gas lease or unit agreement approved by the state, no person may
29 engage in any construction or operation of any part of an oil, products,

1 or natural gas pipeline, which in whole or in part is or is proposed to
2 be on state land unless that person has obtained from the commissioner a
3 right-of-way lease of the land under this chapter.

4 * Sec. 39. AS 38.35.210 is amended to read:

5 Sec. 38.35.210. DELEGATION OF COMMISSIONER'S AUTHORITY. The
6 commissioner may delegate to an employee of the Department of Energy
7 [NATURAL RESOURCES] or the Department of Law the authority granted under
8 this chapter, except for the authority to execute leases.

9 * Sec. 40. AS 38.35.230(1) is amended to read:

10 (1) "commissioner" means the commissioner of energy [NATURAL
11 RESOURCES];

12 * Sec. 41. AS 38.35.230(2) is amended to read:

13 (2) "coordinate agencies" includes Department of Labor,
14 Department of Natural Resources, Department of Transportation and Public
15 Facilities [HIGHWAYS], Department of Environmental Conservation, and the
16 Alaska Pipeline Commission;

17 * Sec. 42. AS 38.40.030(a) is amended to read:

18 (a) In order to create, protect and preserve the right of Alaska
19 residents to employment, the commissioner of energy [NATURAL RESOURCES]
20 shall incorporate into all oil and gas leases, easements or right-of-way
21 permits for oil or gas pipeline purposes, unitization agreements, or any
22 renegotiation of any of the preceding to which the state is a party,
23 provisions requiring the lessee to comply with applicable laws and
24 regulations with regard to the employment of Alaska residents, a provi-
25 sion requiring the employment of qualified Alaska residents, a provision
26 prohibiting discrimination against Alaska residents and, when in the
27 determination of the commissioner of energy [NATURAL RESOURCES] it is
28 practicable, a provision requiring compliance with the Alaska Plan, all
29 in accordance with the provisions of this chapter.

1 * Sec. 43. AS 38.40.060(a) is amended to read:

2 (a) The Departments of Labor and Energy [NATURAL RESOURCES] shall
3 adopt [PROMULGATE] appropriate regulations to implement the provisions
4 of this chapter. It is the employer's responsibility to initially
5 determine and adjudge the work qualifications of the prospective em-
6 ployee. A qualified Alaska resident who has been rejected for or term-
7 inated from employment by an employer subject to this chapter may,
8 within 15 days from the rejection or termination, file a written request
9 for a hearing before the Department of Labor to determine if the employer
10 is in compliance with the provisions of this chapter. The department
11 shall investigate, set a date for and hold a hearing within 30 days
12 after receipt of the request, unless the person applying requests a
13 longer period of time.

14 * Sec. 44. AS 38.40.060(c) is amended to read:

15 (c) The commissioner of labor, acting on a complaint or his own
16 motion, upon finding wilful noncompliance by an employer with the provi-
17 sions of this chapter, may certify that finding to the Department of
18 Energy [NATURAL RESOURCES].

19 * Sec. 45. AS 38.40.070(b) is amended to read:

20 (b) The Department of Energy [NATURAL RESOURCES], upon receipt of
21 a certification of wilful noncompliance of an employer by the commis-
22 sioner of labor and after appropriate investigations and hearings, may
23 impose the following penalties:

24 (1) increase rent or other forms of compensation received by
25 the state by a factor of no more than 10 but in no event to exceed
26 \$100,000;

27 (2) require that all or any portion of project operations be
28 halted;

29 (3) stop payment on any or all existing contracts between

1 that person and the state; or

2 (4) remove, for an appropriate period of time, the eligi-
3 bility of the person to contract with the state or any of its political
4 subdivisions.

5 * Sec. 46. AS 38.40.080 is amended to read:

6 Sec. 38.40.080. INJUNCTIVE RELIEF. The Department of Labor or the
7 Department of Energy [NATURAL RESOURCES], in addition to the imposition
8 of any penalties under AS 38.40.070, may seek injunctive relief against
9 an employer not in compliance with the provisions of this chapter.
10 Either department may seek injunctive relief to enforce penalties which
11 it has imposed under AS 38.40.070.

12 * Sec. 47. AS 39.25.110(20) is amended to read:

13 (20) petroleum engineers and petroleum geologists employed in
14 a professional capacity by the Department of Energy; [NATURAL RESOURCES
15 EXCEPT FOR THOSE EMPLOYED IN THE DIVISION OF GEOLOGICAL AND GEOPHYSICAL
16 SURVEYS.]

17 * Sec. 48. AS 39.25.110 is amended by adding a new paragraph to read:

18 (22) employees of the Alaska Energy Research and Development
19 Center.

20 * Sec. 49. AS 39.25.120(12) is amended to read:

21 (12) the executive director, but not other staff, of the
22 Alaska Council on Science and Technology located in the Department of
23 Energy [ENVIRONMENTAL CONSERVATION].

24 * Sec. 50. AS 39.50.200(9) is amended by adding a new subparagraph to
25 read:

26 (SS) Alaska Energy Research and Development Center
27 (AS 41.55).

28 * Sec. 51. AS 41.08.020(a) is amended to read:

29 (a) The state geologist shall conduct geological and geophysical

1 surveys to determine the potential of Alaskan lands for production of
2 metals, minerals, [AND] fuels, and geothermal resources; the locations
3 and supplies of ground waters and construction materials; the potential
4 geologic hazards to buildings, roads, bridges and other installations
5 and structures; and shall conduct such other surveys and investigations
6 as will advance knowledge of the geology of Alaska. With the approval
7 of the commissioner, the state geologist may acquire, by gift or pur-
8 chase, geological and geophysical reports, surveys and similar informa-
9 tion.

10 * Sec. 52. AS 41.12.020 is amended to read:

11 Sec. 41.12.020. APPOINTMENT OF BOARD MEMBER. The member of the
12 Western Interstate Nuclear Board representing this state shall be the
13 commissioner of energy [APPOINTED BY THE GOVERNOR].

14 * Sec. 53. AS 41.12.030 is amended to read:

15 Sec. 41.12.030. APPOINTMENT OF DEPUTY OR ASSISTANT BOARD MEMBER.
16 The deputy or assistant board members who may be appointed under art.
17 II(a) of the compact shall be appointed by and shall serve at the plea-
18 sure of [THE PRINCIPAL BOARD MEMBER REPRESENTING THIS STATE, WITH THE
19 APPROVAL OF] the governor.

20 * Sec. 54. AS 42.06.020 is amended to read:

21 Sec. 42.06.020. ALASKA PIPELINE COMMISSION CREATED. There is
22 created within the Department of Energy [COMMERCE AND ECONOMIC DEVELOP-
23 MENT] the Alaska Pipeline Commission, to regulate pipeline facilities
24 and pipeline carriers, to regulate the access of information concerning
25 pipeline facilities and carriers to this state, and to represent the
26 interests of the state in any proceedings relating to them as provided
27 for in this chapter.

28 * Sec. 55. AS 43.58.190(2) is amended to read:

29 (2) "discovery well" means a well the discovery of which is the

1 basis, either of itself or in conjunction with other information, for a
2 determination by the department that a field or pool, as these terms are
3 defined in AS 31.05.170(4) and (9), exists and that at least a portion
4 of it has been defined or determined to be productive of oil or gas in
5 commercial quantities by actual drilling operation; the [. THE] depart-
6 ment, in determining whether a well is a discovery well, shall first
7 consult with the Department of Energy [NATURAL RESOURCES];

8 * Sec. 56. AS 43.65.010(b) is amended to read:

9 (b) The Department of Natural Resources or the Department of
10 Energy, as applicable, shall certify to the Department of Revenue the
11 date upon which production begins, and the Department of Revenue shall
12 issue a certificate of exemption to the producer accordingly.

13 * Sec. 57. AS 44.33.030 is amended to read:

14 Sec. 44.33.030. SECTION OF POWER DEVELOPMENT IN DEPARTMENT OF
15 ENERGY [COMMERCE AND ECONOMIC DEVELOPMENT]. There is a section of power
16 development in the Department of Energy [COMMERCE AND ECONOMIC DEVELOP-
17 MENT] to conserve, develop, and use the water and other electric power
18 resources of the state, to make an abundant supply of electric power and
19 energy available to the people of the state at the lowest possible rates
20 compatible with sound business principles, and to promote and extend the
21 use of electric power and energy in the state for industrial, agricul-
22 tural, commercial, residential, and other purposes.

23 * Sec. 58. AS 44.33.040(4) is amended to read:

24 (4) prepare, after public hearings and reasonable consulta-
25 tion with government and other agencies, private companies and associa-
26 tions having a primary interest in it, a plan for the orderly development
27 of the state's power resources; the plan shall

28 (A) be amended, revised and expanded as is necessary to
29 reflect changing conditions and requirements; and

1 (B) be prepared in conjunction with, and incorporated as
2 a component of the state long-term power development plan;

3 * Sec. 59. AS 44.33.060 is amended to read:

4 Sec. 44.33.060. REORGANIZATION OF SECTION OF POWER DEVELOPMENT.
5 AS 44.33.030 and 44.33.040 do not prevent the governor or the commis-
6 sioner of energy [COMMERCE AND ECONOMIC DEVELOPMENT] from integrating
7 the section of power development into a different organizational pattern,
8 or authorize duplicating engineering, research or similar activities
9 conducted by other departments of the state.

10 * Sec. 60. AS 44.37.020 is amended to read:

11 Sec. 44.37.020. DUTIES OF DEPARTMENT WITH RESPECT TO NATURAL
12 RESOURCES. The Department of Natural Resources shall administer the
13 state programs [PROGRAM] for the conservation and development of [NATURAL
14 RESOURCES, INCLUDING] forests, parks, and recreational areas, lands,
15 waters, agriculture, soil conservation and minerals [(INCLUDING PETROLEUM
16 AND NATURAL GAS)], but excluding

17 (1) commercial fisheries, sport fish, game, and fur-bearing
18 animals in their natural state; and

19 (2) oil, gas, oil shale, coal, and geothermal resources, and
20 other natural resources which are assigned to the Department of Energy.

21 * Sec. 61. AS 44.55.020 is amended to read:

22 Sec. 44.55.020. MEMBERSHIP. The membership of the authority
23 consists of the commissioner of revenue, the commissioner of commerce
24 and economic development, and the commissioner of energy [NATURAL RE-
25 SOURCES]. The commissioner of revenue is chairman of the authority. If
26 a member is unable for any reason to attend a meeting of the authority,
27 the member may, by a written instrument filed with the authority, desig-
28 nate a person within his department to act in the member's place at the
29 meeting. For all purposes of this chapter, the designee is a member of

1 the authority at the meeting.

2 * Sec. 62. AS 44.56.020 is amended to read:

3 Sec. 44.56.020. CREATION OF AUTHORITY. There is created the
4 Alaska Power Authority. The authority is a public corporation of the
5 state in the Department of Energy [COMMERCE AND ECONOMIC DEVELOPMENT]
6 but with separate and independent legal existence.

7 * Sec. 63. AS 44.56.030(a)(2) is amended to read:

8 (2) the commissioner of energy [COMMERCE AND ECONOMIC DEVELOP-
9 MENT].

10 * Sec. 64. AS 44.56.030(b) is amended to read:

11 (b) The commissioners of commerce and economic development, commun-
12 ity and regional affairs, natural resources, transportation and public
13 facilities, and revenue shall have the rights and privileges of direc-
14 tors except for the right to vote and may not be considered for purposes
15 of quorum or voting.

16 * Sec. 65. AS 44.56.224 is amended to read:

17 Sec. 44.56.224. LONG-TERM PLAN. The Department of Energy [COMMERCE
18 AND ECONOMIC DEVELOPMENT], assisted by the authority, shall prepare,
19 after public hearings, and, as appropriate, revise a long-term electrical
20 power development plan for meeting projected electrical energy demand in
21 Alaska at the lowest reasonable cost, including environmental and social
22 costs, consistent with acceptable standards of reliability. The plan
23 must include, but is not limited to, considerations specified in AS 44.-
24 56.180(e). The plan and any revision of it shall be submitted to the
25 governor for his approval and shall be reviewed by all appropriate state
26 agencies. After approval by the governor the plan shall be submitted to
27 the legislature.

28 * Sec. 66. AS 44.62.330(a) is amended by adding a new paragraph to read:

29 (47) Department of Energy

1 * Sec. 67. AS 45.88.010 is amended to read:

2 Sec. 45.88.010. FUND ESTABLISHED. There is established in the
3 Department of Energy [COMMERCE AND ECONOMIC DEVELOPMENT] the alternative
4 technology and power resource revolving loan fund to carry out the
5 purposes of this chapter. Loans made under this chapter may be used to
6 develop means of energy production utilizing energy sources other than
7 fossil or nuclear fuel, including, but not limited to, windmills, water
8 and solar power devices. In addition, loans made under this chapter may
9 be used to develop and implement methods of energy production, waste
10 disposal, recycling, food production, transportation, building design,
11 and industrial enterprise which may be more efficient, less costly, and
12 less energy intensive than those methods presently utilized and which
13 are appropriate to the Alaska environment. The fund may be used for no
14 other purposes.

15 * Sec. 68. AS 45.88 is amended by adding a new section to read:

16 Sec. 45.88.050. DEFINITIONS. In this chapter

17 (1) "commissioner" means the commissioner of energy;

18 (2) "department" means the Department of Energy.

19 * Sec. 69. AS 46.15.120 is amended to read:

20 Sec. 46.15.120. CERTIFICATES. Upon completion of construction of
21 the works and commencement of use of water, the permit holder shall
22 notify the commissioner that he has perfected his appropriation. If the
23 commissioner determines that the appropriation has been perfected in
24 substantial accordance with the permit, he shall issue the permit holder
25 a certificate of appropriation. The certificate shall set out any con-
26 dition which [SUCH INFORMATION AS] the commissioner may prescribe by
27 regulation, including conditions that are necessary to protect the cor-
28 relative rights of the owners of geothermal resources as defined in
29 AS 41.06.060(2).

1 * Sec. 70. AS 46.15.260(5) is amended to read:

2 (5) "water" means all water of the state, surface and subsur-
3 face [SUBSURFACES], occurring in a natural state, except mineral and
4 medicinal water;

5 * Sec. 71. TRANSITIONAL PROVISIONS FOR THE ALASKA COUNCIL ON SCIENCE AND
6 TECHNOLOGY. (a) Contracts and proceedings entered into by the Alaska Council
7 on Science and Technology are not affected by the relocation of the council
8 from the Department of Environmental Conservation to the Department of Energy
9 made by this Act.

10 (b) Members of the Alaska Council on Science and Technology serving on
11 the effective date of sec. 7 of this Act continue to serve as members of the
12 council for the duration of the term for which appointed under AS 44.19.-
13 181(a), repealed by Executive Order No. 46.

14 * Sec. 72. AS 44.38.204, enacted in sec. 7 of this Act, terminates
15 June 30, 1984.

16 * Sec. 73. The following are repealed: AS 38.05.020(c), 38.05.140(a),
17 (b) and (f), 38.05.150, 38.05.160, 38.05.180, 38.05.181, 38.05.183(b) and
18 (d), 38.05.184(b), 38.05.335(c); AS 44.62.330(a)(18).

19 * Sec. 74. AS 44.46.070 - 44.46.110, added by Executive Order No. 46, are
20 repealed.

21 * Sec. 75. TRANSITION. All litigation, hearings, investigations and
22 other proceedings pending under any law amended or functions which may be
23 transferred by this Act, continue in effect and may be continued and com-
24 pleted notwithstanding any such transfer or amendment provided for in this
25 Act. Certificates, orders, rules or regulations issued or filed under autho-
26 rity of a law amended by this Act or functions which may be transferred by
27 this Act, remain in effect for the term issued, unless or until revoked,
28 vacated, or otherwise modified under the provisions of this Act. All con-
29 tracts or other obligations created by any law amended by this Act or by

1 virtue of functions which may be transferred by this Act, and in effect on
2 the effective date of this Act, remain in effect unless or until revoked, or
3 modified under the provisions of this Act.

4 * Sec. 76. APPOINTMENT OF FIRST COMMISSIONER. The governor shall appoint
5 the first commissioner of the Department of Energy by August 1, 1980.

6 * Sec. 77. DEPARTMENTAL REORGANIZATION. The commissioner of energy may,
7 with the approval of the governor, propose to the legislature by February 1,
8 1981, recommendations concerning transfer to the Department of Energy of any
9 additional programs or functions administered by other state agencies which
10 relate to energy.

11 * Sec. 78. FIRST STATE ENERGY MASTER PLAN. The first state energy master
12 plan prepared by the commissioner of energy under AS 41.52 shall be presented
13 to the legislature by February 1, 1982.

14 * Sec. 79. The terms of office of the members of the Alaska Oil and Gas
15 Conservation Commission serving on the effective date of this section are not
16 affected by the amendment of AS 31.05.007(a) in sec. 14 of this Act.

17 * Sec. 80. Sections 1 - 6, 8 - 48, 50 - 70, 73, and 75 - 79 of this Act
18 take effect July 1, 1980.

19 * Sec. 81. Sections 7, 49, 71, 72, and 74 of this Act take effect July 2,
20 1980.

21 * Sec. 82. Sections 80 - 82 of this Act take effect immediately in accor-
22 dance with AS 01.10.070(c).

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