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Referred: Resources and
Finance

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1 IN THE HOUSE

2 HOUSE BILL NO. 600

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to royalty oil; and providing for an
7 effective date."

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

9 * Section 1. AS 38.05.183(d) is amended to read:

10 (d) Oil or gas taken in kind by the state as its royalty share
11 may not be sold or otherwise disposed of for export from the state
12 until the commissioner determines that the royalty-in-kind oil or gas
13 is surplus to the present and projected intrastate domestic and indus-
14 trial needs and the legislature approves of the export sale. The
15 commissioner shall make public, in writing, the specific findings and
16 reasons on which the commissioner's [HIS] determination is based and
17 shall, within 10 days of the convening of a regular session of the
18 legislature, submit a report showing the immediate and long-range
19 domestic and industrial needs of the state for oil and gas and an
20 analysis of how these needs are to be met.

21 * Sec. 2. AS 38.05.183 is amended by adding a new subsection to read:

22 (f) The commissioner may make a negotiated sale of royalty oil
23 under (a) of this section, if the Royalty Oil and Gas Development
24 [ADVISORY] Board approves of the sale and the commissioner finds that:

25 (1) the proposed purchaser is an in-state refiner or pro-
26 cessor with no other economic refusable source of crude oil available
27 to it other than a negotiated purchase of state royalty oil; and a
28 negotiated sale would be in the best interest of the state; or

29 (2) there is royalty oil in excess of that disposed by

1 negotiated sale and competitive bid and there are applications to
2 purchase such oil for a term limited to the next scheduled competitive
3 bid at a price that is greater than, or equal to, the medium price of
4 the most recent competitive bid disposition, so long as the medium
5 price is at least greater than the in-value price of the royalty oil
6 plus a premium to eliminate negative impact of the negotiated sale on
7 the general weighted average.

8 * Sec. 3. AS 38.06.020 is amended to read:

9 Sec. 38.06.020. ESTABLISHMENT. There is established in the
10 Department of Commerce and Economic Development the Alaska Royalty Oil
11 and Gas Development [ADVISORY] Board.

12 * Sec. 4. AS 38.06.025(a) is amended to read:

13 (a) The board consists of two members of the senate appointed by
14 the president of the senate, two members of the house of representa-
15 tives appointed by the speaker of the house, [THE COMMISSIONER OF
16 COMMERCE AND ECONOMIC DEVELOPMENT; THE COMMISSIONER OF REVENUE;] the
17 commissioner of natural resources, who is a nonvoting member; and two
18 [THREE] public members.

19 * Sec. 5. AS 38.06.040 is repealed and reenacted to read:

20 Sec. 38.06.040. POWERS AND DUTIES OF THE BOARD. (a) The board
21 shall examine proposed sales, exchanges or other disposal of, and
22 approve or disapprove a proposed sale, exchange or other disposal of

23 (1) the oil or gas that is obtained by the state as royalty
24 under AS 38.05.182; or

25 (2) the rights to receive future oil or gas production
26 under state leases; and

27 (3) recommend to the commissioner of natural resources the
28 conditions relating to the sale, delivery, transportation, refining or
29 processing of oil or gas which the commissioner may include in the

1 offer and sale of oil or gas obtained by the state as royalty under
2 AS 38.05.182.

3 (b) The board may not approve a contract for the sale, exchange,
4 or other deposition of royalty oil not by competitive bid unless the
5 contract provides that the only transportation costs that may be
6 deducted from the value of the royalty oil are the actual transporta-
7 tion costs of the purchaser.

8 (c) Notwithstanding (b) of this section, the board may approve a
9 contract for the sale, exchange, or other disposition of royalty oil
10 only if:

11 (1) the contract price is not less than the posted price at
12 Pump Station #1 for ANS crude, the weighted average netback value of
13 North Slope crude, or the weighted average netback value of North
14 Slope crude sold on the West Coast, whichever is higher;

15 (2) the contract contains a provision for the hiring of
16 residents of the state;

17 (3) the contract contains penalties for nonperformance;

18 (4) the contract includes a provision establishing a
19 preference for refiners and processors operating in the state; and

20 (5) the contract may be amended only with the approval of
21 the legislature.

22 (d) Approval by the board under this section may be rescinded by
23 the legislature within 60 days after the convening of a regular ses-
24 sion or within 10 days after the convening of a special session fol-
25 lowing the approval by the board.

26 * Sec. 6. AS 38.06.050 is amended to read:

27 Sec. 38.06.050. BOARD REVIEW [AND RECOMMENDATION] REQUIRED. (a)
28 If board [LEGISLATIVE] approval is required by AS 38.06.055, a sale,
29 exchange, encumbrance, or other disposition of oil or gas or of the

1 rights or waiver of the rights to receive future production of royalty
2 oil or gas may not be made by the commissioner of natural resources
3 under AS 38.05.183 without prior review of the proposed sale, ex-
4 change, encumbrance or other disposition by the board. [A WRITTEN
5 RECOMMENDATION OF THE BOARD ON THE PROPOSED SALE, EXCHANGE, ENCUM-
6 BRANCE OR OTHER DISPOSITION OF OIL OR GAS OR OF THE RIGHTS OR WAIVER
7 OF THE RIGHTS TO RECEIVE FUTURE PRODUCTION OF ROYALTY OIL OR GAS SHALL
8 BE SUBMITTED TO THE LEGISLATURE AT THE TIME A RESOLUTION APPROVING THE
9 PROPOSED SALE, EXCHANGE, ENCUMBRANCE OR OTHER DISPOSITION IS INTRO-
10 DUCED IN THE LEGISLATURE.]

11 (b) Bids or applications for the purchase of royalty oil or gas
12 may be rejected by the [COMMISSIONER OF NATURAL RESOURCES IF PRIOR
13 WRITTEN NOTICE OF THE PROPOSED DISAPPROVAL IS GIVEN TO THE] board.

14 (c) Competitive bidding in a sale, exchange or other disposition
15 described in (a) of this section may not be waived by the [COMMIS-
16 SIONER OF NATURAL RESOURCES UNDER AS 38.05.183 UNLESS PRIOR WRITTEN
17 NOTICE OF PROPOSED WAIVER IS GIVEN TO THE] board.

18 (d) (Repealed).

19 * Sec. 7. AS 38.06.055(a) is amended to read:

20 (a) The [IN ADDITION TO THE RECOMMENDATION BY THE BOARD REQUIRED
21 UNDER AS 38.06.050, THE] commissioner of natural resources may not
22 enter into a sale, exchange, or other disposition of oil or gas or of
23 the rights or waiver of the rights to receive future production of
24 royalty oil or gas under AS 38.05.183 without the prior approval of
25 the board [LEGISLATURE. THE LEGISLATURE MAY APPROVE A SALE, EXCHANGE,
26 OR OTHER DISPOSITION OF OIL OR GAS OR OF THE RIGHTS OR OF A WAIVER OF
27 THE RIGHTS TO RECEIVE FUTURE PRODUCTION OF ROYALTY OIL OR GAS ONLY BY
28 ENACTING LEGISLATION].

29 * Sec. 8. AS 38.06.055(c) is amended to read:

1 (c) A sale, exchange, or other disposition of oil or gas made
2 under (b)(1) of this section may not be continued after the end of one
3 year or renewed with the same party to provide relief for market or
4 storage conditions without the prior approval of the board [LEGISLA-
5 TURE] under (a) of this section.

6 * Sec. 9. AS 38.06.060 is amended to read:

7 Sec. 38.06.060. CONFIDENTIALITY. Notwithstanding AS 09.25.110 -
8 09.25.120, the board may provide by regulation for the confidentiality
9 of those documents and records in its possession or control which
10 contain confidential business or marketing information the protection
11 of which is essential to the person who has submitted them to the
12 board or in the judgment of the board is essential to the best inter-
13 est of the state. That [SUCH] confidentiality, however, shall not
14 preclude the proper review by the board [LEGISLATURE].

15 * Sec. 10. AS 38.06.080(1) is amended to read:

16 (1) "board" means the Alaska Royalty Oil and Gas Develop-
17 ment [ADVISORY] Board; and

18 * Sec. 11. AS 38.05.182(b) and 38.05.183(b) are repealed.

19 * Sec. 12. This Act takes effect immediately in accordance with AS 01.-
20 10.070(c).