

Offered: 3/21/84
Referred: Finance

Original sponsors: Cowdery, Lindauer,
Bussell and Bettisworth

1 IN THE HOUSE BY THE RESOURCES COMMITTEE
2 CS FOR HOUSE BILL NO. 600 (Resources)
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 is amended to read:
10 Sec. 38.05.183. SALE OF ROYALTY. (a) The sale, exchange or
11 other disposal of a mineral obtained by the state as a royalty under
12 AS 38.05.182, or the sale, exchange or other disposal in whole or in
13 part of a right to receive future mineral production under a state
14 lease under AS 38.05.005 - 38.05.370, shall be by competitive bid and
15 the sale, exchange or other disposal made to the highest responsible
16 bidder. Competitive [, EXCEPT THAT COMPETITIVE] bidding is not re-
17 quired when the commissioner, after prior written notice to the Alaska
18 Royalty Oil and Gas Development [ADVISORY] Board under AS 38.06.050,
19 determines that the best interest of the state does not require it and
20 the sale is:
21 (1) a negotiated sale of oil for export to a foreign
22 country;
23 (2) a sale of oil to an in-state refiner or processor under
24 (f) of this section;
25 (3) an emergency sale of oil under AS 38.06.050(b); or
26 (4) a sale of mineral royalties other than oil [OR THAT NO
27 COMPETITION EXISTS].
28 (b) When competitive bids are required, the commissioner, after
29 prior written notice to the Alaska Royalty Oil and Gas Development

1 [ADVISORY] Board, may reject all bids if the commissioner with the
2 approval of the board [HE] determines that because of the amount of
3 the bids, the lack of responsibility on the part of the bidders, or
4 for reasons consistent with the criteria set out in AS 38.06.070, the
5 acceptance of the bids would not be in the best interest of the state.

6 (c) If the commissioner determines that a sale, exchange or
7 other disposal of a mineral obtained by the state as a royalty under
8 AS 38.05.182 or of a right to receive future mineral production under
9 a state lease under AS 38.05.005 - 38.05.370 shall be made otherwise
10 than by competitive bid, and in the case of a sale of oil or gas the
11 Alaska Royalty Oil and Gas Development [ADVISORY] Board has been
12 notified in writing of that determination, the commissioner shall make
13 public in writing the specific findings and conclusions upon which
14 that determination is based.

15 (d) Oil or gas taken in kind by the state as its royalty share
16 may [NOT] be sold or otherwise disposed of for export from the state
17 unless [UNTIL] the commissioner determines that the royalty-in-kind
18 oil or gas is needed under (f) of this section [SURPLUS] to meet the
19 present [AND PROJECTED] intrastate domestic and industrial needs of an
20 in-state refiner or processor. The commissioner shall make public, in
21 writing, the specific findings and reasons on which the commissioner's
22 [HIS] determination is based [AND SHALL, WITHIN 10 DAYS OF THE CONVEN-
23 ING OF A REGULAR SESSION OF THE LEGISLATURE, SUBMIT A REPORT SHOWING
24 THE IMMEDIATE AND LONG-RANGE DOMESTIC AND INDUSTRIAL NEEDS OF THE
25 STATE FOR OIL AND GAS AND AN ANALYSIS OF HOW THESE NEEDS ARE TO BE
26 MET].

27 (e) When a sale, exchange or other disposal of oil or gas taken
28 in kind by the state as its royalty share, or a sale, exchange or
29 other disposal in whole or in part of a right to receive future

1 royalty oil or gas, under a state lease under AS 38.05.005 - 38.05.370
2 is made other than by competitive bid, the sale, exchange or other
3 disposal shall be awarded by the commissioner to the prospective buyer
4 whose proposal offers the maximum benefits to citizens of the state.
5 The commissioner shall consider

6 (1) the cash value offered;

7 (2) the projected effects of the sale, exchange or other
8 disposal on the economy of the state;

9 (3) the projected benefits of refining or processing the
10 oil or gas in the state;

11 (4) the ability of the prospective buyer to provide refined
12 products or by-products for distribution and sale in the state with
13 price or supply benefits to the citizens of the state; and

14 (5) the projected social and environmental impacts of the
15 transaction [CRITERIA LISTED IN AS 38.06.070(a)].

16 (f) The commissioner may make a negotiated sale of royalty oil
17 under (a) of this section if the Royalty Oil and Gas Development Board
18 approves of the sale and the commissioner finds that the proposed
19 purchaser is an in-state refiner or processor with no other source of
20 crude oil available to it at the prevailing market price of like crude
21 oil disposed of in Petroleum Allocation Defense District No. 5, other
22 than a negotiated purchase of state royalty oil, and a negotiated sale
23 would be in the best interest of the state based on the criteria
24 contained in (a) of this section. The commissioner shall submit to
25 the board the terms of a proposed sale under this subsection within 10
26 days after the signing of a contract for that sale. The legislature
27 may rescind a sale under this subsection as provided in AS 38.06.-
28 055(d).

29 (g) The commissioner may enter a contract for the sale,

1 exchange, or other disposition of royalty oil only if: (1) the con-
2 tract price is not less than the highest posted price at Pump Station
3 No. 1 for equivalent crude, the weighted average netback value of
4 North Slope crude, or the weighted average netback value of North
5 Slope crude sold in Petroleum Allocation Defense District No. 5,
6 whichever is higher; (2) the contract contains a provision for the
7 hiring of residents of the state; (3) the contract contains penalties
8 for nonperformance; (4) a material amendment to the contract may be
9 made only with the approval of the legislature. The commissioner
10 shall give a preference to refiners and processors operating in the
11 state.

12 (h) Within 10 days of the convening of a regular session of the
13 legislature the commissioner shall submit a report showing the immedi-
14 ate and long-range domestic and industrial needs of the state for oil
15 and gas and an analysis of how these needs are to be met.

16 (i) AS 38.05.035(a)(14) does not apply to a sale, exchange, or
17 other disposal of oil or gas under this section.

18 * Sec. 2. AS 38.06.020 is amended to read:

19 Sec. 38.06.020. ESTABLISHMENT. There is established in the
20 Department of Commerce and Economic Development the Alaska Royalty Oil
21 and Gas Development [ADVISORY] Board.

22 * Sec. 3. AS 38.06.025(a) is amended to read:

23 (a) The board consists of two members of the senate appointed by
24 the president of the senate, two members of the house of representa-
25 tives appointed by the speaker of the house, [THE COMMISSIONER OF
26 COMMERCE AND ECONOMIC DEVELOPMENT; THE COMMISSIONER OF REVENUE;] the
27 commissioner of natural resources, who is a nonvoting member, [;] and
28 two [THREE] public members.

29 * Sec. 4. AS 38.06.025(b) is amended to read:

1 (b) Each of the public members shall possess experience in
2 petroleum-related fields in such areas as marketing, exploration,
3 development, production and economics, and shall be appointed by the
4 governor to serve at the governor's [HIS] pleasure for three-year
5 staggered terms and confirmed by a vote of a majority of the members
6 of the legislature in joint session. The public members may not be
7 state officers or employees.

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

9 Sec. 38.06.040. POWERS AND DUTIES OF THE BOARD. The board
10 shall examine proposed sales, exchanges or other disposal of, and
11 approve or disapprove a proposed sale, exchange or other disposal of
12 (1) the oil or gas that is obtained by the state as royalty under
13 AS 38.05.182 or (2) the rights to receive future oil or gas production
14 under state leases. The board shall recommend to the commissioner of
15 natural resources the conditions relating to the sale, delivery,
16 transportation, refining or processing of oil or gas which the
17 commissioner may include in the offer and sale of oil or gas obtained
18 by the state as royalty under AS 38.05.182.

19 * Sec. 6. AS 38.06.050 is repealed and reenacted to read:

20 Sec. 38.06.050. BOARD APPROVAL. (a) A sale, exchange, encum-
21 brance, or other disposition of oil or gas or of the rights or waiver
22 of the rights to receive future production of royalty oil or gas may
23 not be made by the commissioner of natural resources under AS 38.05.-
24 183 without prior approval of the proposed sale, exchange, encumbrance
25 or other disposition by the board.

26 (b) Notwithstanding (a) of this section, the commissioner of
27 natural resources may dispose of royalty oil or gas for a period of 30
28 days without approval of the board or legislature in the case of a
29 marketing or storage emergency. The 30-day period may be extended

1 with the approval of the board.

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

3 (a) In addition to the approval [RECOMMENDATION] by the board
4 required under AS 38.06.050, the commissioner of natural resources
5 may not enter into a sale, exchange, or other disposition of oil or
6 gas or of the rights or waiver of the rights to receive future
7 production of royalty oil or gas for export to a foreign country under
8 AS 38.05.183 without the prior approval of the legislature. The
9 legislature may approve a sale, exchange, or other disposition of oil
10 or gas or of the rights or of a waiver of the rights to receive future
11 production of royalty oil or gas only by enacting legislation.

12 * Sec. 8. AS 38.06.055 is amended by adding a new subsection to read:

13 (d) Rescission by the legislature of a sale to an in-state
14 refiner under AS 38.05.183(f) shall occur within 60 days of when the
15 board makes its decision if the legislature is in session when the
16 board makes its decision, within 60 days after convening the next
17 regular session if the legislature is not in session when the board
18 makes its decision, or within 10 days after convening a special
19 session called for the purposes of considering the board's decision,
20 whichever is the earlier date.

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

22 Sec. 38.06.060. CONFIDENTIALITY. Notwithstanding AS 09.25.110 -
23 09.25.120, the board may provide by regulation for the confidentiality
24 of those documents and records in its possession or control that
25 [WHICH] contain confidential business or marketing information the
26 protection of which is essential to the person who has submitted them
27 to the board or in the judgment of the board is essential to the best
28 interest of the state. [SUCH CONFIDENTIALITY, HOWEVER, SHALL NOT
29 PRECLUDE THE PROPER REVIEW BY THE LEGISLATURE.]

1 * Sec. 10. AS 38.06.080(1) is amended to read:
2 (1) "board" means the Alaska Royalty Oil and Gas Develop-
3 ment [ADVISORY] Board; and
4 * Sec. 11. AS 38.06 is amended by adding a new section to read:
5 Sec. 38.06.090. APPLICABILITY OF OTHER LAW. AS 38.05.035(a)(14)
6 does not apply to a sale, exchange, or other disposal of oil or gas
7 under this chapter.
8 * Sec. 12. AS 38.05.182(b) and AS 38.06.055(b) and (c) are repealed.
9 * Sec. 13. This Act takes effect immediately in accordance with AS 01.-
10 10.070(c).