

Offered: 5/2/86  
Referred: Finance

Original sponsors: Faiks, Kelly,  
and V.Fischer

1 IN THE SENATE BY THE RESOURCES COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 309 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to royalty gas contracts; and pro-  
7 viding for an effective date."

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

9 \* Section 1. FINDINGS. The legislature finds that to provide for the  
10 utilization, development and conservation of gas resources for the maximum  
11 benefit of the people of the state, the value of production of gas for  
12 purposes of computing the royalty reserved to the state must be based  
13 primarily on the contract price of the gas. This will encourage stable  
14 markets, promote investment, assure reasonable energy prices and provide  
15 the maximum benefit to the people of the state. The legislature does not  
16 intend this Act to apply to the policies of the state regarding the sale of  
17 royalty oil.

18 \* Sec. 2. AS 38.05.180 is amended by adding new subsections to read:

19 (aa) Within 90 days after the written request of a lessee of a  
20 lease issued under this section, the commissioner shall enter into an  
21 agreement with the lessee to use the price for the gas established in  
22 the contract between the lessee and a purchaser as the value of the  
23 state's royalty share of gas production sold by the lessee under the  
24 contract unless

25 (1) the lessee and purchaser are related in management,  
26 ownership, or other aspect; or

27 (2) the commissioner makes a written finding based on clear  
28 and convincing evidence that

29 (A) the contract price is unreasonably low;

1 (B) the prospective reduction in royalty receipts  
2 would not be balanced by increased benefits to in-state  
3 consumers; and

4 (C) the contract price is not in the best interest of  
5 the state.

6 (bb) In (aa) of this section

7 (1) "price for the gas established in the contract" in-  
8 cludes tax reimbursement amounts, deliverability and other charges,  
9 and other forms of consideration paid by the purchaser under the  
10 contract;

11 (2) "state's royalty share of gas production" does not  
12 include the state's royalty share of gas production from land patented  
13 to the state under

14 (A) P.L. 84-830, 70 Stat. 709 (Alaska Mental Health  
15 Enabling Act);

16 (B) 38 Stat. 1214 (Act of March 4, 1915); or

17 (C) 43 U.S.C. 1635 in settlement of the claims of the  
18 state under 38 Stat. 1214.

19 \* Sec. 3. AS 38.05.180(aa), enacted by sec. 2 of this Act, applies to  
20 agreements to establish for a lease issued under AS 38.05.180 the in-value  
21 royalties on gas production that is sold by the state's lessee under a  
22 contract entered into on or after the effective date of this Act.

23 \* Sec. 4. This Act takes effect immediately in accordance with AS 01.-  
24 10.070(c).