SCOMM

#21:18

Not critical to read this.

Alaska State Legislature

Senate

JUNEAU, ALASKA

S. Rader — I'll do you a more in depth memo later. →

5/10/77

TO: Senator Rader
FR: Connie Barlow, Assistant
RE: Materials distributed at May 5 Royalty Board meeting

cc: Poland, Croft, Huber, Colletta
Malone, Osterback, Gruening

Don Wold, executive director of the Royalty Board supplied our office with materials relating to the Royalty Board meeting that took place on May 5, 6. I asked for a few extra copies to pass on to interested legislators. These are attached:

(1) Final Policies for Disposition of Royalty Oil & Gas

The Board adopted a set of 8 policies following testimony on 10 draft policies by Hammond, Rader, Osterback, and Silides.

(2) Statement of Governor Hammond on Royalty Oil Disposition

(Note: Osterback and Silides supplied written statements too.)

(3) "Criteria Document" (lead agency in preparation was DPDP)

Board hopes to use this document for determining the "net benefit" of the various refinery proposals; and in order to specify how the existing proposals need to be more detailed. (Phase I questions are to be incorporated in the final solicitation notice of May 15) Don Wold is looking for comments on this document by Board members, purchasers, and legislators.

SCHEDULE

The Board informally adopted a schedule for completing a large-volume refinery sale:

May 15 - final solicitation of proposals (specific questions pulled out of "Criteria Document")
Aug 1 - preliminary proposals due
Nov 1 - final proposals due
Dec 1 - final selection of proposal, negotiation begin
Feb 1 - contract submitted for legislative approval.

AGO 667753

Alaska State Legislature

Senate

JUNEAU, ALASKA

5/10/77

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AGO 667754

POLICY STATEMENT MADE BY

The Alaska Royalty Oil and Gas
Development Advisory Board

May 5 & 6, 1977

1. The Royalty Oil and Gas Board shall recommend disposition of royalty oil and gas (through in-value taking, in-kind taking, sales, and sales conditions) in such a manner to maximize net benefits to the State. These net benefits include not only price, but also the various economic, social, and environmental ramifications, including employment, local training, Alaskan ownership, secondary effects, tax base, and many other factors.

2. The baseline price for any royalty oil or gas sale shall not be less than the price that would be received for that oil or gas if taken "in-value".

3. Preference will be given first to existing in-state facilities with no alternate sources of oil or gas, and second to those who will construct new in-state facilities or expand existing in-state facilities.

4. A portion of royalty oil will be withheld, meet from long-term committment in order to ~~anticipated~~ future small local demands.

5. With the exception of small sales to public utilities, sales will be for specified volumes or proportions of production, constant throughout the year, rather than for flexible volume "options" to be called by the purchaser.

6. Sales of royalty oil and gas for in-state processing will attempt to insure that products for in-state use are priced at the lowest possible price, within the limits of the general net benefit policy and the pricing policy.

7. Products produced from royalty oil and exported from the State must be surplus to the State's domestic and industrial product needs.

8. In general royalty oil and gas will be disposed of in long-term contracts, rather than in "piece lots" as may be done by a private-sector trader or dealer.

Gov — ① same for as in value
② low product, hope doesn't have to get into electric
(i.e. process coal in-bed).

③ Special statutes. Not price only:
① prices ② volume flex.

↑ Silides bad · discourages coal.
Shouldn't encourage fuel diversion.

Trip — What state have to sell? ① avail ② long-term ③ flex.
why no produces?

— refinery vs. other small industries. —
— new industry vs expansion of existing (prob: subsidy/sales) —
— other energy - combination to coal. — Sales & Prop.
↑ yes.

① in-state prod — Tesoro
② coal by-
) more than \$ equal.

2 way street.

Silides — do policy. Statute purposely vague. ← Trip disagrees. Sil. not legal no time no capital "always" Coal - control of federal gov-dependent.
AK oil Co.
"cornerstone of public security"
Statute

Silides — take back in all contracts (except federal only as legal).
(Bid against)
Debt repair go to prod fund
"is time to reassess Statutes" (but Hodges pushes)

Trip - completely proves — Ogis / RB / admin sales ← purchasers freedom
Sil - don't get rid of Regs overkill. — Good is slow.

AGO 667756

Sd replevin – already up to capacity in state courts for appl.

SB 274 —

S – State should take in-hd.
Cases not so good – first impression.

Trsp – how dispd

S – exh Mobil.

LL – Stat. item sale more dangerous than ex-volume

Call – ex value – hi – $2210

Co

Co Reach/Sd – Together took thru statutes over intern

COMMENTS BY GOVERNOR JAY S. HAMMOND
ALASKA ROYALTY OIL AND GAS BOARD
MAY 5, 1977

MR. CHAIRMAN AND MEMBERS OF THE BOARD, I AM DELIGHTED TO TAKE THIS OPPORTUNITY TO DISCUSS PRESENT AND FUTURE POLICIES REGARDING DISPOSITION OF OUR ROYALTY SHARE OF ALASKA'S OIL AND NATURAL GAS. I FEEL AN OPEN PUBLIC DISCUSSION OF WHAT OUR POLICIES AS ALASKAN CITIZENS SHOULD BE IS ESPECIALLY GERMANE AT THIS TIME, AS THE BOARD ENTERS INTO CONSIDERATION OF HOW TO DERIVE MAXIMUM BENEFIT OF OUR ROYALTY SHARE OF PRUDHOE BAY OIL. ANY SALE OF THIS OIL WILL INDEED BE A MAJOR ACTION BY THE PEOPLE OF ALASKA, INVOLVING IN ALL LIKELIHOOD MORE THAN A BILLION BARRELS OF OIL AND POSSIBLY UPWARDS OF $10 BILLION. THE PEOPLE OF ALASKA ARE INDEED FORTUNATE THAT A GROUP SUCH AS YOURSELF HAS AGREED TO LEND SOME CASES WITHOUT COMPENSATION WHATSOEVER. I CERTAINLY COMMEND THE PUBLIC MEMBERS OF THIS BOARD FOR THEIR DEDICATION TO THE PEOPLE OF ALASKA IN THESE IMPORTANT TIMES.

I HOPE WE CAN HAVE A USEFUL DISCUSSION TODAY REGARDING THE PRINCIPLES WHEREBY WE CAN, IN THE NAME OF THE PEOPLE OF ALASKA, BEST USE THIS GREAT AMOUNT OF MINERAL WEALTH THAT IS OURS BY VIRTUE OF THE ROYALTY PROVISIONS OF THE PRUDHOE BAY LEASES. I FEEL THAT THE PRINCIPLES THE BOARD AND THE LEGISLATURE ESTABLISH NOW, WITH THE HELP OF THE PEOPLE OF THE STATE, SHOULD APPLY TO ALL FORESEEABLE FUTURE USE OF ROYALTY OIL AND GAS. THEREFORE, IT IS EXTREMELY CRITICAL THAT WE DEFINE REALLY WHAT WE WANT TO GAIN FROM ANY DISPOSITION OF THIS OIL AND GAS.

AB 067750

THE ALASKA PUBLIC FORUMS THAT I HAVE ATTENDED THROUGHOUT THE STATE HAVE, AS I AM SURE YOU ARE AWARE, ADDRESSED THIS VERY PROBLEM. MY PARTICIPATION IN THE FORUM HAS GIVEN ME SOME DEFINITE IMPRESSIONS REGARDING WHAT THE PEOPLE OF THE STATE WANT DONE WITH ROYALTY OIL AND GAS. THE PEOPLE'S UNDERLYING GOALS SEEM TO BE TO ENCOURAGE IN-STATE USE, AND WHATEVER POSITIVE DEVELOPMENTAL SPINOFFS MAY OCCUR FROM IT, SHORT OF SELLING AT CUT-RATE PRICES. THE PEOPLE, IT IS OBVIOUS TO ME, WANT TO ENCOURAGE HEALTHY INDUSTRY, AND DECIDEDLY DO NOT WISH TO ENCOURAGE INDUSTRY THAT MUST BE SUBSIDIZED FROM OUR NONRENEWABLE RESOURCE WEALTH (IN THE FORM OF REDUCED PRICE FOR ROYALTY OIL AND GAS). THEREFORE, I SUGGEST THAT THE BOARD NOT CONSIDER ANY SALES OF ROYALTY OIL AND GAS AT BELOW THE PRICE THE STATE WOULD GET WERE IT TO TAKE THE OIL OR GAS IN VALUE. THIS SHOULD BE THE BOTTOM LINE.

AGO 667759

[illegible] THEN SHOULD BE OUR "BOTTOM L[illegible]

WHAT SHOULD THAT "BOTTOM LINE" BE REGARDING IN-STATE USE OF THE ROYALTY OIL AND GAS? I THINK BOTH THE STATUTE AND THE PEOPLE ARE VERY CLEAR ON THIS POINT: IN-STATE USES THAT PROVIDE A HEALTHY NET BENEFIT TO THE STATE AS A WHOLE SHOULD BE UNABASHEDLY ENCOURAGED. THOSE THAT PROVIDE A NET LOSS SHOULD NOT BE AIDED WITH OUR ROYALTY OIL AND GAS. IT IS BECOMING CLEAR THAT OUR ROYALTY OIL AND GAS PROVIDE NOT ONLY A VERY VALUABLE LIQUID ASSET, BUT ALSO AN EXTREMELY VALUABLE LEVER WHICH, IF WE ACT INTELLIGENTLY, WE MAY USE TO ENCOURAGE THE TYPES OF INDUSTRY WE ALL WANT IN THE STATE. THESE ARE THE INDUSTRIES THAT EMPLOY RESIDENT ALASKANS, THAT ARE CLEAN AND NOT POLLUTING, THAT RETURN TO THE PEOPLE OF THE STATE MORE IN TAXES AND OTHER BENEFITS THAN THEY TAKE FROM US IN INCREASED PUBLIC SERVICES, STATE PAYROLLS, CRIME, SOCIAL PROBLEMS, ETC.

THERE CERTAINLY ARE INDUSTRIES THAT WILL PROVIDE A CLEAR NET BENEFIT TO ALASKANS, WHEN ALL ECONOMIC, SOCIAL, ENVIRONMENTAL, AND OTHER FACTORS ARE TAKEN INTO ACCOUNT, AND THESE ARE THE INDUSTRIES THAT WE SHOULD USE OUR ROYALTY OIL AND GAS TO ENCOURAGE.

I THINK THAT THE APPROACH BEFORE YOU IS A GOOD ONE. AS I UNDERSTAND IT, THIS APPROACH WOULD ASK ALL POTENTIAL PURCHASERS OF OUR PRUDHOE BAY OIL IN THIS CASE TO ANSWER A LONG SERIES OF TOUGH QUESTIONS. IN THEIR AGGREGATE, THESE ANSWERS WILL ALLOW US TO CALCULATE WHICH, IF ANY, OF THESE FIRMS IS OFFERING THE "DEAL" THAT IS IN THE BEST NET BENEFIT OF THE PEOPLE OF THE STATE, CONSIDERING ALL THESE FACTORS. I FEEL THAT THESE QUESTIONS SHOULD BE ASKED SPECIFICALLY, THAT THE ANSWERS CAN BE GIVEN WITHOUT PUTTING TOO MUCH EXTRA STRESS ON THE APPLICANTS, AND THAT THE DECISION CAN BE MADE PUBLICLY AND EXPEDITIOUSLY ONCE THE ANSWERS ARE IN. I HOPE THAT THE BOARD ADOPTS THIS APPROACH AND USES IT TO NEGOTIATE A SALE THAT IS CLEARLY IN THE NET BEST INTERESTS OF THE PEOPLE OF ALASKA.

I HAVE BEEN REPEATEDLY ASKED "DO YOU FAVOR A REFINERY IN ALASKA?" MY ANSWER HAS ALWAYS BEEN, YES I DO FAVOR A REFINERY IN ALASKA AS LONG AS IT PAYS ITS OWN WAY ON A NET BASIS, AND IS ENVIRONMENTALLY SOUND. I THINK THAT IF THE BOARD APPROACHES THESE POTENTIAL OIL PURCHASERS THROUGH THE METHOD OUTLINED ABOVE, WE WILL ALL KNOW VERY CLEARLY WHICH PROPOSALS WILL PAY THEIR OWN WAY AND ARE ENVIRONMENTALLY SOUND. I AM EQUALLY SURE THAT THE FACILITY WE ENCOURAGE THROUGH COMMITMENT OF OUR ROYALTY OIL WILL BE A VERY WELCOME CORPORATE CITIZEN OF THE STATE OF ALASKA.

ACO 667760

I HAVE ALWAYS FELT THAT A MAJOR PART OF ANY ROYALTY OIL OR GAS CONTRACT SHOULD BE THE BENEFITS THAT ALASKAN CITIZENS GAIN IN THE FORM OF LOWER PRICES FOR HEATING FUEL, GASOLINE, AIRCRAFT FUEL, WATERCRAFT FUEL, AND OTHER PETROLEUM PRODUCTS. IT HAS ALWAYS SEEMED TO ME A SINGULAR TRAVESTY THAT THE NATION'S MOST ENERGY-RICH STATE SHOULD PAY TWO-WAY TRANSPORTATION FOR OUR FUELS AND PETROLEUM PRODUCTS. I HAVE HEARD SEVERAL INTRIGUING SUGGESTIONS AS TO HOW IN-STATE PRODUCT PRICE MAY BE AFFECTED BY ROYALTY OIL AND GAS SALES, BUT DO NOT KNOW WHAT THE BEST ANSWER IS AT THIS POINT. I HAVE INSTRUCTED COMMISSIONER LERESCHE, AND WOULD HOPE THAT THE BOARD CONCURS, TO SEEK AN APPROPRIATE BENEFICIAL SOLUTION TO IN-STATE PRODUCT PRICES AS PART OF A LARGE SALE OF PRUDHOE OIL. I HOPE THAT THIS DOES NOT INVOLVE THE STATE ASSUMING ROLES, SUCH AS DISTRIBUTOR, WHICH MORE PROPERLY BELONG IN THE PRIVATE SECTOR, BUT WOULD HOPE THE BOARD CONSIDERS ALL SUGGESTIONS FOR SOLUTIONS TO THIS IN-STATE PRICE PROBLEM.

I MENTIONED BEFORE THAT OUR ROYALTY OIL IS A LEVER FOR ACHIEVING THE KIND OF GROWTH WE WANT IN ALASKA. AS A COROLLARY TO THIS, IT WOULD SEEM APPROPRIATE TO ME TO RESERVE THIS LEVER FOR USE WHERE IT DOES THE MOST GOOD. IN GENERAL, I WOULD EXPECT PERSPECTIVE PURCHASERS OF ROYALTY OIL AND GAS TO EXHAUST POSSIBILITIES OF PURCHASING OIL OR GAS FROM THE OTHER PRODUCERS, BEFORE THEY APPROACH THE STATE FOR OUR ONE-EIGHTH SHARE. IF WE DO NOT GRANT CUT-RATE PRICES, WHICH I THINK WE SHOULD NOT, THERE IS NO REASON FOR PERSPECTIVE PURCHASERS TO PREFER US TO OTHER PRODUCERS, AND I FEEL WE SHOULD RESERVE OUR ROYALTY PORTION FOR USE WHEN OTHER ALTERNATIVES ARE NOT AVAILABLE. I THINK IT ALSO FOLLOWS

FROM THIS THAT EXISTING FACILITIES IN-STATE, WITH EXISTING SUPPLY CONTRACTS, SHOULD NOT GENERALLY BE PURCHASERS OF OUR ROYALTY OIL AND GAS, UNLESS, OF COURSE, THEY EXPAND IN SUCH A WAY THAT MEETS THE NET BENEFIT CRITERIA WE HAVE ALREADY DISCUSSED. OF COURSE, PUBLIC UTILITIES ARE AN EXCEPTION TO THIS.

PUBLIC UTILITIES ARE NONPROFIT INSTRUMENTS OF THE CITIZENS OF ALASKA, AND THEREFORE SHOULD RECEIVE SOME MANNER OF SPECIAL TREATMENT FROM THE ROYALTY OIL AND GAS BOARD. I PERSONALLY FEEL, HOWEVER, THAT THIS SPECIAL TREATMENT SHOULD NOT INCLUDE SPECIAL CUT-RATE PRICING WHICH WOULD MERELY BE A SUBSIDIZATION OF CONSUMERS IN ONE AREA OF THE STATE AT THE EXPENSE OF THE POCKETBOOKS OF ALL ALASKANS. THERE ARE WAYS AROUND THIS WHICH THE LEGISLATURE MIGHT EXPLORE, INCLUDING ENERGY TAX CREDITS FOR ALL CITIZENS, DISCOUNTED BY THE AMOUNT OF LOCAL SUBSIDY TO PUBLIC UTILITIES THROUGH CUT-RATE ROYALTY OIL AND GAS PRICING, BUT UNTIL THESE ARE INSTITUTED, WE SHOULD GIVE NO SELECT GROUP OF ALASKANS SPECIAL TREATMENT OVER ALL OTHERS.

I DO FEEL, THOUGH, THAT PUBLIC UTILITIES SHOULD HAVE FIRST CALL ON ROYALTY OIL AND GAS AT THE GOING PRICE, AND THEREFORE THAT SOME REASONABLE PROPORTION SHOULD BE HELD FROM ANY LARGE-SCALE SALE OF PRUDHOE BAY ROYALTY OIL. IN ADDITION, I FEEL IT APPROPRIATE THAT MAXIMUM FLEXIBILITY IN VOLUME BE ALLOWED TO PUBLIC UTILITIES, WHEN SUCH FLEXIBLE VOLUME SALES ARE SMALL ENOUGH TO NOT DISRUPT THE ENTIRE ROYALTY OIL OR GAS PICTURE.

ADD 67762

IN SUMMARY, OUR ROYALTY OIL AND GAS IS NOT ONLY A HUGE FINANCIAL ASSET, BUT ALSO A VERY SIGNIFICANT SOCIAL LEVER, WHEREBY WE MAY ENCOURAGE THAT HEALTHY TYPE OF ALASKAN INDUSTRY THAT SERVES TO THE BENEFIT OF US ALL, AND THAT WHICH ALL ALASKANS WELCOME INTO OUR STATE.

I VERY MUCH APPRECIATE THE OPPORTUNITY TO SHARE MY THOUGHTS WITH YOU THIS MORNING, AND HOPE WE CAN USE THE REST OF MY TIME TO DISCUSS IN DETAIL THE POINTS I HAVE MENTIONED OR ANY OTHER MATTERS YOU WOULD LIKE TO BRING UP.

THANK YOU VERY MUCH.

ACO 667793

ALASKA ROYALTY OIL AND GAS
In-State Use - A Developers Guide

DRAFT

Prepared For:
Alaska Royalty Oil and Gas Development Advisory Board

AGO 667764

INTRODUCTION

This guide includes the following components:

A. State Information Needs - Phase I Preliminary Submittal

B. State Information Needs - Phase II Pre-Proposal Submittal

C. Preliminary Siting Criteria

D. State Evaluation Factors

E. State Permitting Requirements

The purpose of the guide is to provide a means for improving the flow of information between the State and a prospective developer, in order to generate a mutually acceptable proposal for in-state facilities making use of Alaska's non-renewable resources. This is not a formal Request for Proposal, nor does it in any way supercede applicable State and local leasing, permitting or regulatory requirements. It is intended solely to:

1. ensure that the State receives, on a timely basis, the necessary information to evaluate a potential development;

2. provide a prospective bidder with information on how the State will be evaluating a project as well as some of the requirements and criteria that a developer will be expected to meet.

A. State Information Needs - Phase I Preliminary Submittal

The preliminary list includes basic types of information that a developer should provide the State in order to initiate the evaluation process. The State will utilize this information to perform a preliminary analysis of the proposed project. The State will make this evaluation available to the developer along with any additional questions and/or concerns.

B. State Information Needs - Phase II Pre-Proposal Submittal

Following the Phase I evaluation, a more detailed analysis of the potential project will be undertaken by the State. A prospective developer will be expected to provide a more specific set of information to satisfy the Phase II evaluation. After satisfactory completion of this phase, efforts can be geared to finalizing a mutually acceptable proposal package and, subsequently, a formal contract.

C. Preliminary Siting Criteria

In order to assist a developer in preparing a description of the proposed facility and locating potential acceptable sites, a preliminary set of State siting criteria is included in the guide.

D. **State Evaluation Factors**

The State will perform a formal two phase evaluation process. The particular areas of State concern, examples of evaluation factors and agency evaluation responsibilities are described in this internal document. This information should assist developers in understanding how their inputs will be utilized by the State, and the key factors of concern to the State. A more formalized comprehensive interagency project evaluation procedure is now in the process of being developed.

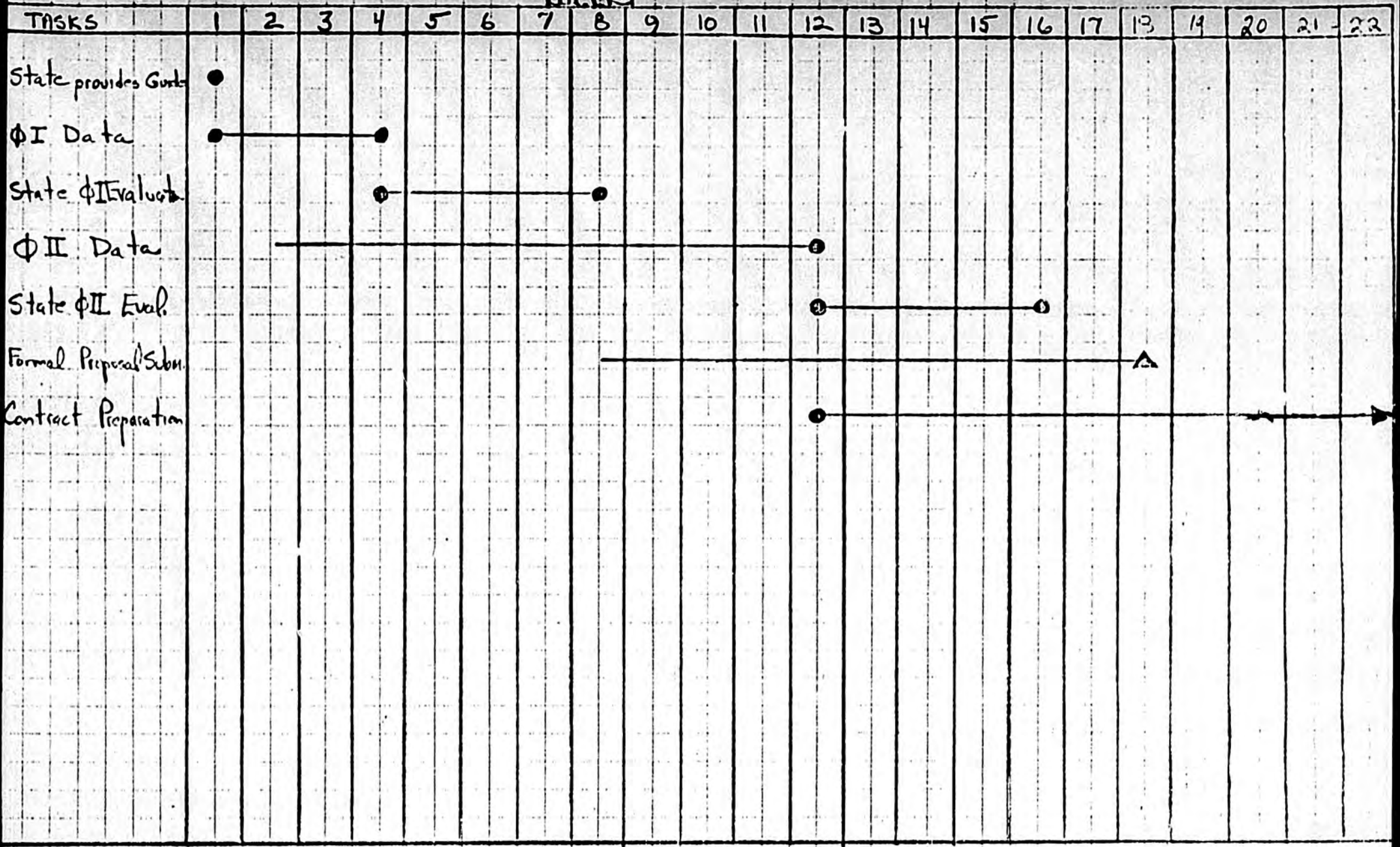
E. State Permitting Requirements

A draft inventory of State permits is included to assist the prospective developer in understanding the scope of required actions necessary prior to development activities. The applications for the appropriate State permits are not a part of the above information flow and evaluation process. If a proposal is accepted, formal applications must be submitted.

A working committee of key State personnel has been established to assist in the information exchange/evaluation process. This group will be available to respond to particular questions, clarify the procedures, provide available data (environmental standards and regulations, site-specific land uses, critical habitat areas, local socioeconomic characteristics, to name just a few), as well as to expedite State evaluation of a proposed project. Following is a tentative timing schedule of activities.

TIME TABLE

[illegible]



AGO 667767

INFORMATION NEEDS - DEVELOPER RESPONSIBILITIES

A. Phase I - Preliminary Submittal

B. Phase II - Pre-Proposal Submittal

A. INFORMATION NEEDS - DEVELOPER RESPONSIBILITY

PHASE I - PRELIMINARY SUBMITTAL

PHYSICAL CHARACTERISTICS

- General project description - site and logistical support requirements; type, pattern and timing of activities; project phasing; life of facility; product mix/volume;

- Site development concept; potential locations (general rationale) (see: Preliminary Siting Criteria)

- Power needs; raw material needs; access needs and transportation activities; construction material needs - General

- Water utilization requirements

- Technology scale-up requirements

ECONOMIC/FINANCIAL CHARACTERISTICS

- Estimated direct revenues to State and locality (source and timing)

- Financing and ownership schemes

- Labor demands - skills, full-time/part-time/seasonal, short-term/long-term

- Approaches to local and statewide hiring and training

- Preliminary estimates of availability and price of products and/or by-products for local and state-wide use

- Approaches/alternatives for sharing in the responsibility to: provide additional needed public facilities and services; provide in-state service industries; compensate or offset potential negative environmental, economic and fiscal impacts to State and locality

- General information on contribution to local and State economy

- Estimates of type and quantity of inputs demanded by industry

- Expected contributions of State and/or locality - land, infrastructure, tax incentives, below-market-price raw materials, etc.

ENVIRONMENTAL CHARACTERISTICS

- General environmental implications and conflicts expected

- Projected discharges and emissions

- Overview of mitigation strategies/alternatives - spills contingency, air pollution control, site protection, solid waste and waste water disposal, toxic and hazardous substance control, erosion control, etc.

MISC.

- Data collection and study plans and schedule

- Public participation schemes

- Plans for joint government (State and Local) and developer planning and study efforts

B. INFORMATION NEEDS - DEVELOPER RESPONSIBILITY

PHASE II - Proposal Submittal

PHYSICAL CHARACTERISTICS

- Alternative site locations and designs and recommended site and design (with rationale and statement of why recommended site and design are superior)
- Project description (from design to close-down) - specific site and logistical support requirements; operational (including expansion or contraction) plans; product mix/volume; site development plans; provisions for protective or buffer zones
- Readjusted (if necessary) power needs; raw material needs; access needs, transportation loads, density and frequency of transportation activities, types of vehicles and/or vessels; communications requirements; construction material utilization plan and potential sources
- Water consumption and utilization plans; potential sources/conflicts
- Specific technology scale-up requirements
- Convertibility of facilities for other uses (bulk storage, industrial park); potential concurrent uses of facilities (general cargo area, recreational facilities); conversion schemes
- Prior site and construction material negotiations with local landowners/government

ECONOMIC/FINANCIAL CHARACTERISTICS

- Direct revenues to State and locality (timing and sources)
- Updated financing and ownership plans; opportunities for local equity participation
- Updated labor demands - skills, job classifications, full-time/part-time/seasonal, short-term/long-term
- Local and state-wide hiring and training (management and high skills) plans (including phasing and construction/operation separation)
- Refined estimates of availability and price of products and by-products; marketing schemes and/or commitments
- Prior negotiations with suppliers, distributors, transport services, unions

- **Commitments for sharing in the responsibility to: (1) provide additional needed public services and facilities; (2) provide in-state service industries; (3) compensate or offset potential negative environmental, economic and fiscal impacts to the State and locality; (4) provide adequate monitoring, surveillance and quality control programs**

- Specific expected State and/or local contributions--land, tax incentives, below-market-price raw materials, low-cost power, etc.

ENVIRONMENTAL CHARACTERISTICS

- Volume and timing of all discharges and emissions

- **Degree of dredging required (if any) and proposed disposal plans and locations**

- Probable primary and secondary impacts; probable adverse effects which cannot be avoided; anticipated irretrievable commitment of resources

- Mitigation strategies - spills contingency; air pollution control; site protection; solid waste and waste water management; revegetation, reclamation and/or restoration schemes; erosion control; stream protection; etc.

- Visual impacts; potential noise and dust problems

- Adequacy (at recommended site) of soils and local geology for solid waste and sewage disposal

- Recycling and conversion schemes; energy conservation and alternative energy use strategies

MISC.

- Monitoring, surveillance and quality control strategies

- Estimates of energy efficiency of project

- Data collection and analysis plans and schedule - base line data; environmental and engineering studies; technology assessment; risk analysis; EIS preparation

- Perceived or expected external constraining factors - Federal permits, NEPA, political opposition, land claims, etc.

- Cost breakdown including: estimated capital/construction/ operating costs; training programs; public participation; studies; etc.

- Initial schedule for public inputs (on proposal and potential sites)

- Non-resident employee orientation program plans

C. PRELIMINARY SITING CRITERIA

C. PRELIMINARY SITING CRITERIA

The following preliminary siting criteria can be utilized to assist a prospective developer in: (1) locating potential sites; (2) responding to the information needs of the State:

1. Compatibility - Ensure that facility sites are compatible with existing and projected land and water uses;

2. Consolidation - Utilize existing sites and facilities that are capable of handling anticipated demand while meeting the other siting criteria;

3. Traffic - Avoid siting facilities where the most likely vehicular and/or vessel route(s) would interfere with: community activities; population centers; fishing and/or harbor operations;

4. Access - Facilities should be sited such that access to navigable waterways and recreational areas shall not be foreclosed;

5. Safety - Site fuel, crude oil and LNG storage and transfer areas: downwind from populated areas to reduce the hazard of fire and explosion to human population; at elevations sufficiently above mean sea level to escape the highest tsunami run-up;

6. Pipelines - Align pipeline routes away from active faults, areas of subsidence, glacial surge;

7. Resource Protection - Site facilities so that areas of particular historic, agricultural, scenic, recreational and unique environmental, wildlife habitat, and cultural values will be protected;

8. Site Preparation - Avoid sites where extensive site clearing, dredging and construction in productive wetlands, estuaries, deltas or other sensitive areas would be required;

9. Environmental Management - Site facilities in areas of least biological productivity, diversity and uniqueness and where effluents, emissions and spills can be controlled or contained easily;

10. Air Quality - Site facilities where the probability of chronic air quality problems would be low;

11. Water Quality/Supply - Site facilities where the probability of water quality degradation would be low and where the existing water supply would not be adversely affected;

12. Local Preference - Locate facilities where local preferences are supportive of such development.

D. Examples of State Evaluation Factors

ECONOMIC CONSIDERATIONS

AREA OF CONCERN

Impact on governmental resources and responsibilities

EVALUATION FACTORS (Examples)

- net governmental fiscal balance over time--local and state-wide (particularly revenue shortfalls)
- change in quality and quantity (per capita) of public services or goods
- long-term convertability of facilities for public or private use; potentials for concurrent use

AGENCY RESPONSIBILITY

Department of Revenue, Department of Community and Regional Affairs, Division of Budget and Management, Department of Public Works, Department of Highways

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AREA OF CONCERN

Direct contribution to local and state-wide private economy (includes changes resulting from the development itself and activities accompanying it due to expanded markets)

EVALUATION FACTORS (Examples)

- change in real per capita income and product (due to project and attendent service facility expansions)
- short- and long-run price impacts (e.g. short-run shortages of private goods or facilities; long-run private economies of scale, increased competition, changes in transportation costs)

AGENCY RESPONSIBILITY

Department of Commerce and Economic Development, Department of Revenue

ECONOMIC CONSIDERATIONS

AREA OF CONCERN

Employment

EVALUATION FACTORS (Examples)

- change in local and regional (% and #) employed, unemployed, under-employed Alaskans
- type, level and salaries of jobs
- time characteristics of jobs and their distribution (short- vs. long-term)
- level of training and Alaska hire commitment (amount of labor imported)
- degree to which manpower training dovetails with timing of employment requirements

AGENCY RESPONSIBILITY

Department of Labor, Department of Commerce and Economic Development, Department of Community and Regional Affairs

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AREA OF CONCERN

Distributional aspects and implications of the development

EVALUATION FACTORS (Examples)

- distribution of income and jobs associated with the project among groups (in-state vs. out-of-state; local vs. state-wide, current residents vs. in-migrants; Native/non-Native; income classes; sectors of the economy)
- opportunities for local (participation--investment)
- ownership of assets (in-state vs. out-of-state)
- changes in land value and ownership

AGENCY RESPONSIBILITY

Department of Community and Regional Affairs, Department of Revenue, Department of Labor, Department of Commerce and Economic Development

ECONOMIC CONSIDERATIONS

AREA OF CONCERN

Indirect or spinoff economic activities (the primary project's impact on future economic developments)

EVALUATION FACTORS (Examples)

- the possibility of related developments (either producing inputs for the production process of the primary industry or utilizing outputs of the primary industry)
- size and impact of such development (measured in ways similar to economic impact of primary industry)

AGENCY RESPONSIBILITY

Department of Commerce and Economic Development, Department of Community and Regional Affairs, Department of Revenue

SOCIAL

AREA OF CONCERN

Lifestyle changes and social conflicts

EVALUATION FACTORS (Examples)

- the potential for value conflicts between local residents and expected in-migrants
- potential for cross-cultural conflicts between local residents and expected in-migrants
- conflict with subsistence use of wildlife
- growth management capability
- degree of local control and self-determination
- impact on quality of rural lifestyle or village lifestyle amenities
- public sentiment (local and state-wide)

AGENCY RESPONSIBILITY

Department of Community and Regional Affairs, Department of Health and Social Services, Department of Education, Department of Fish and Game

COMPATIBILITY WITH PLANS, PROGRAMS AND POLICIES

AREA OF CONCERN

Natural resources and land use alternatives

EVALUATION FACTORS (Examples)

- impact on forest sustained yield
- impact on fishery resources/areas of high biologic-commercial productivity
- impact on mineral extraction (including oil and gas)
- impact on available water supply
- impact on agricultural potentials
- impact on fish and wildlife habitats/populations
- impact on recreational potentials
- impact on wilderness, historic, scenic and sensitive environmental areas
- construction material demands

AGENCY RESPONSIBILITY

Department of Natural Resources, Department of Fish & Game, Department of Environmental Conservation, Department of Commerce and Economic Development

AREA OF CONCERN

Safety and Health

EVALUATION FACTORS (Examples)

- air, water and noise pollution (degree of localization; impact on human settlements, environmentally sensitive areas, highly scenic areas)
- dust, spills, thermal discharges (same as above)
- safeguards for transport and storage of toxic and hazardous substances
- drainage pattern impacts
- adequacy of soils and local geology for solid waste and sewage disposal
- compliance with State, local, and Federal environmental standards and criteria

AGENCY RESPONSIBILITY

Department of Environmental Conservation, Department of Fish and Game, Department of Natural Resources, Department of Health and Social Services

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AREA OF CONCERN

Environmental Management

EVALUATION FACTORS (Examples)

- monitoring, surveillance and quality control strategies
- development time frame (to build up environmental protection capabilities)
- degree of commitment of irretrievable resources and/or irreversible consequences
- environmental data sufficiency
- degree of internalization of environmental costs

AGENCY RESPONSIBILITY

Department of Environmental Conservation, Department of Fish and Game

TECHNICAL CONSIDERATIONS

AREA OF CONCERN

Construction feasibility/probability of construction delays/cost overrun potentials

EVALUATION FACTORS (Examples)

- technology requirements
- data base/engineering studies sufficiency
- infringement on high hazard areas
- legal and/or regulatory constraints
- degree of consolidation/concentration of facilities
- external constraints (political, economic, logistic)
- expansion potentials
- energy efficiency of project/energy conservation measures
- use of alternative energy sources

AGENCY RESPONSIBILITY

All departments

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Permits Issued by
the Department of Environmental Conservation

1. Waste Water Disposal Permit

A person conducting any operation which results in the disposal of solid or liquid waste material into the waters or onto the lands of the State must procure a permit from the Department of Environmental Conservation before disposing of the waste material. The permit must be obtained for direct disposal and for disposal into publicly operated sewerage systems. The permit does not apply to persons discharging only domestic sewage into the sewerage system.

Procedure: Permit applicant should contact the Department of Environmental Conservation Regional Environmental Supervisor. See Department of Environmental Conservation "Contacts List" in appendix.

Requirements: The Department may require the submission of plans for sewage and industrial waste disposal or treatment or both for publicly or privately owned or operated industrial establishments, community, public or private property subdivision or development.

Authority for Permit:
* AS 46.03.100. Waste disposal permit.
* AS 46.03.090. Plans for pollution disposal.
* AS 46.03.110 and 720. Waste disposal permit procedure.
* 18. AAC. 72.030. Pretreatment.

Criteria for Issuance: AAC Title 18, Chapter 70 and 72.

2. Solid Waste Disposal Permit

No person may establish, modify or operate a solid waste disposal facility without a permit, except the following:

1) a single family or duplex residence on which solid waste is generated and disposed of, on-premises;

2) a farm on which solid waste generated from the operation of that farm is disposed; and

3) incinerator facilities having a total rated capacity of less than 200 pounds of solid waste per hour.

Procedure: Permit applicant should contact the Department of Environmental Conservation Regional Environmental Supervisor for appropriate forms. Application for permit shall contain:

1) completed permit application forms;

2) detailed plans and specifications for facility;

3) certification of compliance with local ordinances and zoning requirements;

4) a report detailing the proposed methods for operation, population of area to be served, characteristics, quantity and source of material to be processed; and

5) 60 days public notice and public hearing.

Requirements: Detailed plans and specifications for the facility are required, as outlined above.

Authority for Permit:
* AS 46.03.020. Powers of the department.
* AS 46.03.100. Waste disposal permit.

Criteria for Issuance: AAC Title 18, Chapter 60, Solid Waste Management.

3. Air Emissions Permit

A permit is required to operate a facility capable of emitting quantities of pollutants injurious to human health or welfare, animal or plant life or property.

Procudure: Applicant should contact the Department of Environmental Conservation Regional Supervisor.

Requirements: No person may construct or modify a facility requiring a permit to operate until detailed plans and specifications are submitted to the Department and approved.

Authority for Permit:

* AS 46.03.010. Declaration of policy.
* AS 46.03.140. Emission control requirements.
* AS 46.03.150. Classification and reporting.
* AS 46.03.160. Additional contaminant control measures.
* AS 46.03.170. Variances.
* 18 AAC 50.120. Permit to operate.

Citeria for Issuance:

* 18 AAC 50.020. Ambient Air Quality Standards.
* 18 AAC 50.030. Open Burning.
* 18 AAC 50.040. Incinerators.
* 18 AAC 50.050. Industrial Processes and Fuel Burning Equipment.
* 18 AAC 50.120. Permit to operate.

4. Pesticides Permit

No person may, without a permit issued by the Department, apply or cause to be applied any pesticide or broadcast chemical.

Procedure: The permit applicant should contact the Department of Environmental Conservation Regional Environmental Supervisor for the appropriate form.

Requirements: An application for a permit to use pesticides shall include information relating to the name of the pest to be controlled, the type of formulation to be used, and percentage of active ingredients, the quantity of active ingredients to be applied per unit area, and other information.

Authority for Permit:
* AS 46.03.320. Authority.
* AAC Title 18, Chaper 90. Pesticide and Broadcast Chemical Control.

Criteria for Issuance:
* AAC Title 18, Chapter 90. Pesticide and Broadcast Chemical Control.

5. Surface Oiling Permit

No person may discharge, cause to be discharged, or permit the discharge of oil, asphalt, bitumen or a residuary product of petroleum onto the lands of the State unless that person has been granted a surface oiling permit.

Procedure: Applicant should contact the Department of Environmental Conservation Regional Environmental Supervisor for the appropriate form.

Requirements: An application for a surface oiling permit shall be made on forms prescribed by the Department and shall contain information considered necessary to the Department.

Authority for Permit:
* 18 AAC 75.010. Surface Oiling Permit.
* AS 46.03.020. Powers of the Department.
* AS 46.03.740. Oil pollution.

Criteria for Issuance:
* AAC Title 18, Chapter 75.

6. Open Burning Permit

Open burning for disposal of oils, oily waters, asphalts and tars and similar wasted materials is prohibited unless conducted under a permit from the Department.

Procedure: Applicant should contact the Department of Environmental Conservation Regional Environmental Supervisor.

Requirements: Emission data may be required prior to grant of the permit.

Authority for Permit:
* AS 46.3.020. Powers of the Department.
* 18 AAC 50.030. Open Burning.
* 18 AAC 50.120. Permit to Operate.

Criteria for Issuance:
* 18 AAC 50.020. Ambient Air Quality Standards.

Permits Issued by
the Department of Fish and Game

7. Anadromous Fish Protection Permit

If a person or governmental agency desires to construct a hydraulic project, or use, divert, obstruct, pollute, or change the natural flow or bed of a specified river, lake or stream, or use wheeled, tracked, or excavating equipment or log-dragging equipment in the bed of the specified river, lake, or stream, the person or governmental agency shall notify the Department of Fish and Game before the beginning of the construction or use.

Procedure: Permit applicant should contact the Department of Fish and Game Regional Habitat Supervisor for his region. See Department of Fish and Game "Contacts List" in appendix.

Requirements: If the Commissioner of the Department of Fish and Game determines to do so, he shall require the person or government agency to submit to him full plans and specifications for the proper protection of fish and game in connection with the construction or work, or in connection with the use, and the approximate date the construction or work or use will begin, and shall require the person to obtain written approval from him as to the sufficiency of the plans and specifications before the proposed construction or use is begun.

Authority for Permit:
* AS 16.05.870. Protection of Fish and Game.
* 5 AAC 95.010. Waters important to Anadromous Fish.

Copies of the List of Waters Important to Anadromous Fish or of information contained therein may be obtained by writing the Lieutenant Governor or the Department of Fish and Game, Habitat Protection Section, Subport Building, Juneau, Alaska, 99801, or may be obtained from ADF&G Regional Habitat Supervisors.

8. Critical Habitat Areas Permit

Before the use, lease or other disposal of land under private ownership or State jurisdiction and control, within State Fish and Game critical habitat areas, the person or responsible State department or agency shall notify the Department of Fish and Game.

Procedure: The responsible person should contact the Department of Fish and Game Regional Habitat Supervisor for his region.

Requirements: If the Board of Fish and Game so determines, it shall instruct the Commissioner to require the person or governmental agency to submit full plans for the anticipated use, full plans and specifications of proposed construction work, complete plans and specifications for the proper protection of fish and game, and the approximate date when the construction work is to commence, and shall require the person or governmental agency to obtain the written approval of the Commissioner as to the sufficiency of the plans and specifications before construction is commenced.

Authority for Permit:
* AS 16.20.250. Multiple land use.
* AS 16.20.260. Submission of plans and specifications.

Criteria for Issuance:
Determination of Board of Fish and Game.

9. State Game Refuge Land Use Permit

Where the use, lease or disposal of real property in State game refuges is under the control or jurisdiction of the State, whether through Federal permit or State ownership, the responsible State department or agency shall notify the Department of Fish and Game before initiating any use, lease or disposal of real property.

Procedure: The responsible State department or agency should contact the Commissioner of the Department of Fish and Game.

Requirements: If the Commissioner so determines, he may require the person or governmental agency to submit full plans and specifications for the anticipated use, full plans and specifications of proposed construction work, complete plans and specifications for the proper protection of fish and game, and the approximate date when the construction work is to commence, and shall require the person or agency to obtain written approval of the Commissioner as to the sufficiency of the plans and specifications before construction is commenced.

Authority for Permit:
* AS 16.20.050. Multiple land use.
* AS 16.20.060. Submission of plans and specifications.

Criteria for Issuance:
Determination of the Commissioner.

Permits Issued by
the Department of Highways

10. Encroachment Permit

An encroachment may be constructed, placed, changed or maintained across or along a highway but only in accordance with regulations adopted by the Department. No encroachment may be constructed, placed, maintained or changed until it is duly authorized by a written permit issued by the Department of Highways.

Procudure: Applicant should contact the Department of Highways District Engineer for his region. See Department of Highways "Contact List" in appendix.

Requirements: During routine maintenance patrol, road and weather condition inspection, or at regular intervals as deemed necessary, maintenance personnel shall inspect right-of-way for encroachments. When an encroachment is found, District Right-of-Way will make a recommendation to the District Engineer as to whether the encroachment should be permitted or removed.

Authority for Permit:
* AS 19.25.200. Encroachment permits.

Criteria for Issuance: State of Alaska Department of Highways Standard Operating Procedure, S.O.P. #0000-14.

11. Utility Permit

An electric transmission, telephone, or telegraph line, pole line, railway, ditch, sewer, water, heat, or gas main, flume, or other structure which by law may be constructed, placed or maintained across or along a highway by a person or political subdivision may be maintained or constructed only in accordance with regulations prescribed by the Department. No utility project of this nature may be undertaken until it is authorized by a written permit issued by the Department.

Procedure: Applicant should contact the Department of Highways District Engineer in his region.

Requirements: Plans are required.

Authority for Permit:
* AS 19.25.010. Use of right-of-ways for utilities.
* 17 AAC 15.010. Application for utility permit.
* 17 AAC 15.020. Utility Permit.

Criteria for Issuance: See Alaska Administrative Code 17 AAC 15.010-020.

12. Driveway Permit

Before starting the construction of driveways or performing any work upon the right-of-way, the property owner shall first apply for and obtain a revocable permit from the Department of Highways.

Procedure: Applicant should contact the Department of Highways District Engineer for his region.

Requirements: Applicant must perform all work in accordance with permit.

Authority for Permit:
* 17 AAC 10.020. Driveways and Road Approaches.
* AS 19.05.020. Regulations.

Criteria for Issuance:
* 17 AAC 10.020. Driveways and Road Approaches.

Driveway Regulations can be obtained at Department of Highways District Offices.

13. Overweight - Oversize Permit

The Department of Highways, with respect to highways under its jurisdiction, may:

1) establish limitations on weight and load of vehicles;

2) issue special written permits authorizing the operation of overweight vehicles; and

3) prohibit the operation or impose restrictions on vehicular use of highways during certain seasons of the year.

Procedure: Applicant should contact the Department of Highways District Office for application form 14-156.

Requirements: Permits may be issued for operation of oversize-overweight vehicles when:

1) Application has been made in writing, good cause has been shown and all pertinent requirements are met;

2) The applicant has completely described his load and vehicle route and time of travel;

3) The applicant has certified that the load cannot "reasonably" be dismantled or disassembled to meet the legal load and size requirements. Disassembly may be required by the District Engineer to assure the safety of the traveling public or the highways and its appurtenances;

4) The applicant has affirmed that the vehicle or vehicles meet all requirements of the Alaska Department of Commerce and the Transportation Commission; and

5) The proposed move will not be detrimental to the public safety or damage the roadway structure or bridges as determined under State requirements.

Authority for Permit:

* AS 19.10.060. Regulation of weight and load of vehicles and use of highways during certain seasons.
* AS 28.05.020. Authority for Commissioner of Highways to adopt regulations.
* 17 AAC 25.010. Penalty and Exclusion.
* 17 AAC 25.020. Width of Vehicles.
* 17 AAC 25.030. Height and Length of Vehicles and Loads.

Criteria for Issuance: * 17 AAC 25.010-030.

Alaska Oversize and Overweight Permit Movements State of Alaska, Department of Highways, Maintenance Division, P. O. Box 1467, Juneau, Alaska, 99802.

Parks, Recreation and Public Use - Special Land Use Permits

14. Investigation and Collection Permits

A person qualified under 11 AAC 16.040 may apply to the director upon an application form provided by him for a permit to investigate or collect historic, prehistoric or archaeological resources of the State.

Procedure: Applicant should contact the Department of Natural Resources District Office. See "Contacts List" in appendix.

Requirements: Person must qualify as having some experience in anthropology or field archaeology.

Authority for Permit:
* AS 41.20.040. Division within Department of Natural Resources.
* AS 41.35.050. Regulations.
* AS 41.35.080. Permits.
* 11 AAC 16.030. Investigation and Collection Permits.

Criteria for Issuance:
* 11 AAC 16.040. Qualified Person.

15. State Park Incompatible Use Permit

Incompatible uses (e.g., mineral exploration, cutting of timber) of public lands within a State park are allowable only with a permit. Permits will be issued where it is determined that the ecology of the area will not be damaged and public use values will be protected.

Procedure: Applicant should contact the Department of Natural Resources District Office.

Requirements: Contact District Office.

Authority for Permit:
* AS 41.20.020. Duties of Department of Natural Resources.
* AS 41.20.040. Division within Department of Natural Resources.
* 11 AAC 18.010. State Park Incompatible Uses.

Criteria for Issuance:
* 11 AAC 18.010. State Park Incompatible Uses.

16. Access Routes Permit

A permit is required to gain an access route across State park land or water to privately owned property wholly or partially within a State park.

Procedure: Contact the Department of Natural Resources District Office.

Requirements: Permittee must construct access route according to specifications provided by the director.

Authority for Permit:

* AS 41.20.020. Duties of the Department of Natural Resources.
* AS 41.20.040. Division within the Department of Natural Resources.
* 11 AAC 18.020. Access Routes.

Criteria for Issuance: Determined by Director of Parks and Recreation.

17. Drilling Permits

A person wishing to drill or deepen any well for oil and gas must first submit an application accompanied with a fee of $100.00, and then obtain permit.

Procedure: Contact the Department of Natural Resources Minerals and Energy Division. See "Contacts List" in appendix.

Requirements: $100.00 fee. A survey plat must accompany the application showing the precise location of the drilling activity.

Authority for Permit:
* AC 31.05.090. Permits and fees to drill wells.
* 11 AAC 22.005. Permit to Drill or Deepen.

Criteria for Issuance:
* 11 AAC 22.005. Permit to Drill or Deepen.

18. Drilling Deviation Permit

A permit is required before a well operator may intentionally deviate from the vertical, except for the purposes of straightening the hole, side-tracking junk, or correcting mechanical difficulties.

Procedure: Contact the Department of Natural Resources Minerals and Energy Division.

Requirements: Application for permit shall include:

1) surface and proposed producing interval locations in terms of distances from lease and section boundaries;

2) reason for deviation;

3) list of affected operators and a showing that each has been furnished a copy of the application by certified mail, or a showing that the applicant is the only affected operator; and

4) neat and accurate plat of lease and all affected operators and the surface and proposed producing interval locations as well.

Authority for Permit:
* AS 31.05.030. Powers and duties of the Department.
* 11 AAC 22.050. Deviation.

Criteria for Issuance:
* 11 AAC 22.050. Deviation.

19. Well Spacing Permit

A person must apply for and receive an exception to the well spacing regulations before deviation from the regulations is allowed.

Procedure: Permit applicant should contact the Department of Natural Resources Minerals and Energy Division.

Requirements: An application must indicate the affected operators, and include a plat of the proposed action.

Authority for Permit:
* AS 31.05.030. Powers and duties of the Department.
* 11 AAC 22.055. Well Spacing.

Criteria for Issuance:
* 11 AAC 22.055. Well Spacing.

20. Notice of Abandonment

Before beginning work on any well, notice of intention to abandon must be filed, and approval must be given.

Procedure: Person should contact the Department of Natural Resources Minerals and Energy Division.

Requirements: Notice must show the reason for abandonment and must be accompanied by a detailed statement of proposed work including such information as kind, location, size of plugs, and plans for mudding, etc.

Authority for Permit:
* AS 31.05.030. Powers and duties of the Department.
* 11 AAC 22.100. Notice.

Criteria for Issuance:
* 11 AAC 22.100. Notice.

21. Plugging Procedure

To deviate from the plugging procedure set up in the regulations, approval upon application must be obtained.

Procedure: Contact the Department of Natural Resources Minerals and Energy Division.

Requirements: Follow procedures outlined in 11 AAC 22.110., Plugging Procedures.

Authority for Permit:
* AS 31.05.030. Powers and duties of the Department.
* 11 AAC 22.110. Plugging Procedure.

Criteria for Issuance:
* 11 AAC 22.110. Plugging Procedure.

22. Well Marker

In order to waive well marker requirements, the surface owner must request and receive approval.

Procedure: Contact the Department of Natural Resources Minerals and Energy Division.

Requirements: Contact Minerals and Energy Division.

Authority for Permit:
* AS 31.05.030. Powers and Duties of the Department.
* 11 AAC 22.120. Well Marker.

23. Water Wells

Written authority for a well to be used as a fresh water well must be applied for and approved.

Procedure: Contact the Department of Natural Resources Minerals and Energy Division.

Requirements: Contact Minerals and Energy Division.

Authority for Permit:
* AS 31.05.030. Powers and duties of the Department.
* 11 AAC 22.140. Water Wells.

24. Temporary Abandonment

Approval is required if a well is to be temporarily abandoned.

Procedure: Contact the Department of Natural Resources Minerals and Energy Division.

Requirements: If approved, a plug must be placed at the top and bottom of the well casing in such a manner as to prevent the intrusion of any foreign matter into the well. The well shall be left full of mud.

Authority for Permit:
* AS 31.05.030. Powers and duties of the Department.
* 11 AAC 22.150. Temporary Abandonment.

25. Location Cleanup

Time extension must be obtained for the well operator to deviate from the cleanup regulations.

Procedure: Contact the Department of Natural Resources Minerals and Energy Division.

Requirements: Contact the Minerals and Energy Division.

Authority for Permit:
* AS 31.05.030. Powers and duties of the Department.
* 11 AAC 22.170. Location Cleanup.

26. Multiple Completion of Wells

No well may be put into multiple production without approval.

Procedure: Contact the Department of Natural Resources Minerals and Energy Division.

Requirements: Approval will require evidence of adequate and complete separation as ascertained by pressure or circulation tests.

Authority for Permit:
* AS 31.05.030. Powers and duties of the Department.
* 11 AAC 22.210. Multiple Completion of Wells.

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27. Commingling of Production

An order approving commingling in the same well bore of production from two or more wells must be obtained before such practice is permitted.

Procedure: Contact the Department of Natural Resources Minerals and Energy Division.

Requirements: Proposing operator must certify that contact has been made with the affected parties and no opposition is furnished to committee within 15 days.

Authority for Permit:
* AS 31.05.030. Powers and duties of the Department.
* 11 AAC 22.215. Commingling of Production.

28. Earthen Reservoirs

Permission must be obtained to store oil in earthen pits.

Procedure: Contact the Department of Natural Resources Minerals and Energy Division.

Requirements: Contact Minerals and Energy Division.

Authority for Permit:
* AS 31.05.030. Powers and duties of the Department.
* 11 AAC 22.220. Earthen Reservoirs.

29. Disposal of Brine and Other Wastes

Permission is required for the disposal of salt water.

Procedure: Contact the Department of Natural Resources Minerals and Energy Division.

Requirements: It must be shown that the disposal of salt water will not contaminate fresh water or endanger other natural resources.

Authority for Permit:
* AS 31.05.030. Powers and duties of the Department.
* 11 AAC 22.250. Disposal of Brine and Other Wastes.

Note: The items listed under the above heading involve the need for administrative approvals and orders from the Oil and Gas Conservation Committee. These approvals on various well operations are, in effect, permits to do various types of work once a well is completed or to abandon a well. However, the forms and procedures do not bear the title permit.

30. Additional Recovery Methods

A permit is required for any method of pressure maintenance or methods of additional recovery used other than primary recovery techniques.

Procedure: Contact the Department of Natural Resources Minerals and Energy Division.

Requirements: Application must contain a plat showing the unit, lease or group of leases within the proposal project, along with other related information.

Authority for Permit:
* AS 31.05.020. Waste Prohibited.
* 11 AAC 22.400. Application.

31. Development Work

No development work shall be done on coal deposits on State lands without the advance approval of the State geologist.

Procedure: Contact the Department of Natural Resources - Minerals and Energy Division.

Requirements: Contact the Minerals and Energy Division.

Authority for Permit:
* AS 27.20.005. Purposes.
* AS 27.20.010. Rules and Regulations.
* 11 AAC 46.010. Advance Approval.

32. Right-of-Way or Easement Permit

The Division of Lands Director may issue permits for roads, trails, ditches, pipelines, drill sites, log storage, telephone and transmission lines or similar uses or improvements.

Procedure: Applicant should contact the nearest District Office of the Department of Natural Resources.

Requirements: Plats are required, as well as an application fee.

Authority for Permit:

* AS 38.05.020. Authority and duties of the Commissioner.
* AS 38.05.035. Powers and duties of the Director.
* AS 38.05.075. Leasing procedures.
* AS 38.05.330. Permits.
* 11 AAC 58.200. Right-of-Way or Easement Permit.

33. Special Land Use Permit

The Director of the Division of Lands may issue special land use permits on such terms and conditions as he deems to be in the interests of Alaska.

Procedure: Applicant should contact the nearest District Office of the Department of Natural Resources.

Requirements: Provide information as to the nature of the proposed activity.

Authority for Permit:
* AS 38.05.020. Authority and duties of the Commissioner.
* AS 38.05.035. Powers and duties of the Director.
* AS 38.05.075. Leasing procedures.
* 11 AAC 58.210. Special Land Use Permit.

34. Tidelands Permit

The Director of the Division of Lands may issue permits for the improvement or use of State-owned tidelands, or for personal use of materials. The first preference in the granting of such permits will be granted to the upland owner over other nonpreference applicants for the use of tideland and contiguous submerged land seaward of the upland property.

Procedure: Applicant should contact the nearest District Office of the Department of Natural Resources.

Requirements: A $20.00 filing fee is required. Upon receipt of the application, the Director shall, within 60 days, express his approval or disapproval, and shall state his reasons. Each upland owner may protest the issuance of the permit. No permits shall be issued that will deny the upland owner reasonable access to tide waters during the course of or completion of the work.

Authority for Permit:
* AS 38.05.020. Authority and duties of the Commissioner.
* AS 38.05.320. Occupied tidelands and submerged lands.
* 11 AAC 62.710. Tidelands Permits.

Criteria for Issuance:
* 11 AAC 62.720. Application for Tideland Permits.

35. Tideland Right-of-Way and/or Easement Permits

Permits may be issued by the Division of Lands Director for secondary roads, trails, ditches, pipelines, telephone transmission lines, log storage, oil well drilling sites, and production facilities for the purposes of recovering minerals from adjacent lands under valid lease and other similar uses or improvements. First preference shall be granted to the upland owner.

Procedure: Applicant should contact the nearest District Office of the Department of Natural Resources.

Requirements: An applicant must furnish the name and address of the upland owner.

Authority for Permit:
* AS 38.05.020. Authority and duties of the Commissioner.
* AS 38.05.320. Occupied Tidelands and submerged lands.
* 11 AAC 62.810. Tidelands Right-of-Way and/or Easement Permits.

Criteria for Issuance:
* 11 AAC 62.810. Tideland Right-of-Way and/or Easement Permits.

36. Limited Personal Use Permit

Permits may be granted for a limited quantity of materials for personal use, and such materials shall not be sold. The director shall, in each permit, specify the quantity of material allowed but in no event shall the quantity exceed 100 cubic yards. The permits are for temporary use only.

Procedure: Contact the nearest District Office of the Department of Natural Resources.

Requirements: Contact the District Office.

Authority for Permit:
* AS 38.05.020. Authorities and duties of the Commissioner.
* AS 38.05.320. Occupied Tidelands and submerged lands.
* 11 AAC 62.820. Limited Personal Use Permit.

37. Permit to Appropriate Water

Any person who desires to appropriate otherwise unappropriated waters of the State shall make application for a permit to appropriate water.

Procedure: Applicant should contact the nearest District Office of the Department of Natural Resources.

Requirements: An application for a permit to appropriate water shall include:

1) location of source from which water is to be appropriated;

2) place where the appropriated water will be of beneficial use;

3) quantity of water to be appropriated;

4) proposed use of water to be appropriated; and

5) description of the proposed means of diversion.

Authority for Permit:

* AS 46.15.040. Right to appropriate.
* AS 46.15.060. Existing rights.
* AS 46.15.070. Notices; objections.
* AS 46.15.135. Determination of existing rights.
* AS 46.15.180. Crimes.
* 11 AAC 72.050. Application for Permit to Appropriate.

38. Dam Construction

An application for a permit to appropriate water must include plans and specifications for any dam that may be built.

Procedure: Applicant must contact the nearest District Office of the Department of Natural Resources.

Requirements: Plans are required. If necessary, the Director may request that the applicant obtain an independent appraisal of the plans and specifications from a qualified engineer acceptable to the Director.

Authority for Permit:

* AS 46.15.040. Right to appropriate.
* AS 46.15.060. Existing rights.
* AS 46.15.070. Notices; objections.
* AS 46.15.135. Determination of existing rights.
* AS 46.15.180. Crimes.
* 11 AAC 72.060. Dam Construction.

39. Application for Preferred Use

The holder of a preferred use status may make an application for a permit to appropriate either unappropriated or previously unappropriated waters or both.

Procedure: Applicant should contact the nearest District Office of the Department of Natural Resources.

Requirements: A $20.00 filing fee is required. The applicant must provide the names and addresses of all holders of existing water rights, permits to appropriate or certificates of appropriation whose rights to water would be reduced, or in times of water scarcity, could be reduced by the diversion of water to the preferred use. Also required are certified copies of executed agreements between the holder of preferred use status and all other persons names as required to provide compensation for loss of previously appropriated water, or certified copies of any court orders which direct the amount and manner of compensation paid.

Authority for Permit:

* AS 46.15.040. Right to appropriate.
* AS 46.15.060. Existing rights.
* AS 46.15.070. Notices; objections.
* AS 46.15.135. Determination of existing rights.
* AS 46.15.180. Crimes.
* 11 AAC 72.160. Application for Preferred Use.

40. Use of Timber and Materials

Gravel, sand, and rock used by a purchaser in connection with a sale of timber may be acquired under a special permit issued in connection with the timber sale.

Procedure: Contact the nearest District Office of the Department of Natural Resources.

Requirements: Contact the District Office.

Authority for Permit:

* AS 38.05.020. Authorities and duties of the Commissioner.
* AS 38.05.110. Sale of timber and materials.
* AS 38.05.115. Limitations and conditions of sale.
* AS 38.05.120. Disposal procedure.
* 11 AAC 76.185. Use of Timber and Materials.

41. Authorization for Transportation Facilities

Timber purchasers must obtain a permit for use of tidelands under State jurisdiction which are necessary for dumping, sorting, storage and rafting of timber cut from State sales.

Procedure: Contact the nearest District Office of the Department of Natural Resources.

Requirements: Location and design of roads or access will be approved by the Director prior to construction.

Authority for Permit:

* AS 38.05.020. Authority and duties of the Commissioner.
* AS 38.05.110. Sale of timber and materials.
* As 38.05.115. Limitations and conditions of sale.
* AS 38.05.120. Disposal procedure.
* 11 AAC 76.205. Authorization for Transportation Facilities.

42. Special Material Use Permit

The Director may issue special material use permits for periods not to exceed one year upon such terms and conditions as he deems to be in the interest of the State.

Procedure: Applicant should contact the nearest District Office of the Department of Natural Resources.

Requirements: Contact the District Office.

Authority for Permit:
* AS 38.05.020. Authority and duties of the Commissioner.
* AS 38.05.115. Limitations and conditions of sale.
* AS 38.05.120. Disposal procedure.
* 11 AAC 76.540. Special Material Use Permit.

43. Noncompetitive Procedures

Applications for noncompetitive leases on permits for a mineral may be filed on any noncompetitive lands opened for leasing of that mineral.

Procedure: Contact the nearest District Office of the Department of Natural Resources.

Requirements: Contact the District Office.

Authority for Permit:
* AS 38.05.020. Authority and duties of the Commissioner.
* AS 38.05.135. Generally.
* AS 38.05.145. Leasing Procedure.

44. Coal Prospecting Permit:

A permit is required for prospecting or exploration work necessary to determine the existence of coal deposits in an unclaimed and undeveloped area. The permit is for a period of two years, and not to exceed 5,120 acres.

Procedure: Contact the nearest District Office of the Department of Natural Resources.

Requirements: Contact the District Office.

Authority for Permit:
* AS 38.05.035. Powers and duties of the Director.
* AS 38.05.145. Leasing procedure.
* AS 38.05.150. Coal.
* 11 AAC 84.115. Prospecting Permits Operations.

45. Sodium Leasing Method

Prospecting permits for lands not known to contain valuable deposits of sodium are issued noncompetitively.

Procedure: Contact the nearest District Office of the Department of Natural Resources.

Requirements: Contact the District Office.

Authority for Permit:
* AS 38.05.020. Authority and duties of the Commissioner.
* AS 30.05.145. Leasing procedure.
* 11 AAC 84.400. Sodium Leasing Method.

46. Potassium Leasing Method

Prospecting permits authorized for lands not known to contain valuable deposits of potassium compounds are issued noncompetitively.

Procedure: Contact the nearest District Office of the Department of Natural Resources.

Requirements: Contact the District Office.

Authority for Permit:
* AS 38.05.020. Authority and duties of the Commissioner.
* AS 38.05.145. Leasing procedure.
* 11 AAC 84.600. Potassium Leasing Method.

47. Geothermal Resources Leasing Method

Prospecting permits authorized for lands which have not been classified as geothermal resources areas are issued noncompetitively.

Procedure: Contact the nearest District Office of the Department of Natural Resources.

Requirements: Contact the District Office.

Authority for Permit:
* AS 38.05.020. Authority and duties of the Commissioner.
* AS 38.05.145. Leasing procedure.
* 11 AAC 84.700. Geothermal Resources Leasing Method.

48. Tide and Submerged Lands

The exclusive right to prospect for deposits of minerals in or on tide and submerged lands may be granted by the Director of the Division of Lands.

Prodecure: Contact the nearest District Office of the Department of Natural Resources.

Requirements: Applicant must meet qualifications outlined in AS 38.05.190.

Authority for Permit:

* AS 38.05.020. Authority and duties of the Commissioner.
* AS 38.05.250. Tide and submerged lands.
* 11 AAC 86.500; 510; 530; and 540. Permit Applications, Acceptable Permit Work, Conversion of an Offshore Prospecting Permit to a Mining Lease, and Lease Rental.

49. Surface Use Permits

A permit is required for millsite and tailings removal.

Procedure: Contact the nearest District Office of the Department of Natural Resources.

Requirements: A reasonable rate or fee schedule shall be charged for such use.

Authority for Permit:
* AS 38.05.020. Authority and duties of the Commissioner.
* AS 38.05.255. Surface use.
* 11 AAC 86.600. Millsites.

50. Burning Permit

A burning permit is required during the fire season for the burning of any materials in the area designated by the Department of Natural Resources.

Procedure: Applicant should contact the nearest District Office of the Department of Natural Resources.

Requirements: The applicant shall provide information as to the type, location, size and person in charge of the burning; the area and material to be burned; and the number of persons controlling the burn. Prior to the issuance of the permit, an inspection may be required of the area to be burned.

Authority for Permit:
* AS 41.15.050. Fire Season.
* 11 AAC 92.010. Permit.

51. Operations on State Land Requiring Permits

A permit is required for the following activities on State lands: 1) activity requiring; a) the use of explosives; b) the use of hydraulic prospecting or mining equipment and/or methods; c) drilling to a depth in excess of 300 feet; and (2) activity which the Director of the Division of Lands determines may result in harm to lands having special scenic, historic, archaeological, scientific, biological, recreational or special resource value.

Procedure: Contact the nearest District Office of the Department of Natural Resources.

Requirements: Contact the District Office.

Authority for Permit:

* AS 38.05.020. Authority and duties of the Commissioner.
* AS 38.05.035. Powers and duties of the Director.
* 11 AAC 96.010. Operations Requiring permits.

52. Subleases of State Land

A permit is required from the Director of the Division of Lands prior to the sublease or assignment of any portion of State-leased land.

Procedure: Contact the nearest District Office of the Department of Natural Resources.

Requirements: Contact the District Office.

Authority for Permit:
* AS 38.05.095. Subleases.

53. Right-of-Way Permits

The Director of the Division of Lands may issue permits, right-of-ways or easements on State land for secondary roads, trails, ditches, transmission lines and distribution pipelines, field-gathering lines, telephone and transmission lines, log storage, oil well drilling sites, and production facilities for the purposes of recovering minerals from adjacent lands under valid lease, and other similar uses or improvements for the limited use or timber or materials.

Procedure: Contact the nearest District Office of the Department of Natural Resources.

Requirements: Contact the District Office.

Authority for Permits
* AS 38.05.330. Permits.

54. Abandonment of or Reduction or Impairment of Service of Pipeline by Leasee Carrier.

No leasee may abandon or reduce or impair service of any portion of a pipeline that is on State land or subject to lease without first receiving a certificate from the Commissioner that the action is in accordance with the terms of the lease.

Procedure: Contact the Department of Natural Resources Minerals and Energy Division.

Requirements: Contact the Minerals and Energy Divison.

Authority for Permit:
* AS 38.35.030. Abandonment of, or reduction or impairment of, service of pipeline by leasee carrier.

55. Applications for Right-of-Way Leases and Certificates

Persons desiring to own a pipeline which is proposed to be located in whole or in part on State land shall apply for a noncompetitive right-of-way lease of this land and a certificate that the construction, operation, transportation, service, or sale is in accordance with the lease.

Procedure: Contact the nearest District Office of the Department of Natural Resources.

Requirements: Contact the District Office.

Authority for Permit

* AS 38.35.050. Applications for right-of-way leases and certificates.

56. Preservation of Archaeological Resources

If the State archaeologist determines that archaeological sites or remains will be adversely affected by public construction, the project cannot commence until the State archaeologist performs necessary investigations.

Procedure: Contact the Division of Parks and Recreation.

Requirements: Contact the Division of Parks and Recreation.

Authority for Permit:

* AS 41.35.070. Perservation of historic, prehistoric, and archaeological resources threatened by construction.

Developer's Guide - Appendix A

Department of Environmental Conservation Contacts List

Central Office
Department of Environmental
Conservation
Pouch O
Juneau, Alaska 99811

Northern Regional Office

Doug Lowery
Regional Environmental Supervisor
Department of Environmental
Conservation
P. O. Box 1601
675 Seventh Avenue
Fairbanks, Alaska 99707

Phone: 452-1714

Southcentral Regional Office

Kyle Cherry
Regional Environmental Supervisor
Department of Environmental
Conservation
Rm. 1206, MacKay Building
338 Denali Street
Anchorage, Alaska 99501

Phone: 274-5527

Prince William Sound Regional Office

Randy Bayliss
Regional Environmental Supervisor
Department of Environmental
Conservation
Pouch E
Valdez, Alaska 99686

Phone: 835-4698

Southeast Regional Office

Deena Henkins
Regional Environmental Supervisor
Department of Environmental
Conservation
Pouch OA (Mayflower Building, Dougla
Juneau, Alaska 99811

Phone: 364-2165

Developer's Guide - Appendix B

Department of Fish and Game Contacts List

Region I

Rick Reed
Regional Supervisor
Habitat Protection Section
Department of Fish and Game
210 Ferry Way
Juneau, Alaska 99801

Phone: 586-6630

Region II

Tom Trent
Habitat Protection Section
Department of Fish and Game
333 Raspberry Road
Anchorage, Alaska 99502

Phone: 344-0541

Region III

J. Scott Grundy
Regional Supervisor
Habitat Protection Section
Department of Fish and Game
1300 College Road
Fairbanks, Alaska 99701

Phone: 452-1531

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Department of Highways Contacts List

District Engineers

Southeastern - Region III

Wallace K. Williams
Southeastern District Engineer
Department of Highways
6860 Glacier Highway
P. O. Box 3-1000
Juneau, Alaska 99802

Phone: 789-0841

Central - Region I

Jack M. Spake
Central District Engineer
Department of Highways
5700 Tudor Road
P. O. Box 6750
Anchorage, Alaska 99502

Phone: 337-1511

Interior - Region II

H. Woodrow Johansen
Interior District Engineer
Department of Highways
2301 Peger Road
Fairbanks, Alaska 99701

Phone: 452-1911

Southcentral - Region V

Rowe D. Redick
Southcentral District Engineer
Department of Highways
P. O. Box 507
Valdez, Alaska 99686

Phone: 835-4322

Western - Region IV

Henry Springer
P. O. Box 1048
Nome, Alaska 99762

Phone: 443-5266

AGO 667845

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Department of Highways Contacts List

Overweight-Oversize Permit Contacts

Central - Region I

John Bates
Department of Highways
5700 Tudor Road
Anchorage, Alaska 99502

Phone: 337-1511

Interior - Region II

Ronald Doner
Department of Highways
2301 Peger Road
Fairbanks, Alaska 99701

Phone: 452-1911

Southeastern - Region III

Dick Hamilton
Department of Highways
P. O. Box 3-1000
Juneau, Alaska 99802

Phone: 789-0841

Western - Region IV

Ron Davena
Department of Highways
P. O. Box 220
Nome, Alaska 99762

Phone: 443-5266

Southcentral - Region V

R. A. Walker
Department of Highways
P. O. Box 506
Valdez, Alaska 99686

Phone: 835-4322

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Department of Natural Resources Contact List

Southeast Land District Office

Henry Lee Hall
Division of Lands
Department of Natural Resources
Pouch M
Juneau, Alaska 99811

Phone: 465-2415

Southcentral Land District Office

Lawrence A. Dutton
Division of Lands
Department of Natural Resources
323 East Fourth Avenue
Anchorage, Alaska 99501

Phone: 279-5577

Northcentral Land District Office

William Copeland
Department of Natural Resources
State Office Building
Room 116
Fairbanks, Alaska 99701

Phone: 479-2243

Department of Natural Resources
Minerals and Energy Division

Easy Gilbreth
Minerals and Energy Division
Department of Natural Resources
323 East Fourth Avenue
Anchorage, Alaska 99501

Phone: 274-8542

AGO 667847

POLICY STATEMENT MADE BY

The Alaska Royalty Oil and Gas
Development Advisory Board

May 5 & 6, 1977

1. The Royalty Oil and Gas Board shall recommend disposition of royalty oil and gas (through in-value taking, in-kind taking, sales, and sales conditions) in such a manner to maximize net benefits to the State. These net benefits include not only price, but also the various economic, social, and environmental ramifications, including employment, local training, Alaskan ownership, secondary effects, tax base, and many other factors.

2. The baseline price for any royalty oil or gas sale shall not be less than the price that would be received for that oil or gas if taken "in-value".

3. Preference will be given first to existing in-state facilities with no alternate sources of oil or gas, and second to those who will construct new in-state facilities or expand existing in-state facilities.

4. A portion of royalty oil will be withheld from long-term committment in order to meet anticipated future small local demands.

5. With the exception of small sales to public utilities, sales will be for specified volumes or proportions of production, constant throughout the year, rather than for flexible volume "options" to be called by the purchaser.

6. Sales of royalty oil and gas for in-state processing will attempt to insure that products for in-state use are priced at the lowest possible price, within the limits of the general net benefit policy and the pricing policy.

7. Products produced from royalty oil and exported from the State must be surplus to the State's domestic and industrial product needs.

8. In general royalty oil and gas will be disposed of in long-term contracts, rather than in "piece lots" as may be done by a private-sector trader or dealer.

Res: DP05, NR02

Rules:

Introduced: 3/22/77
Referred: Resources

IN THE SENATE BY HUBER

SENATE CONCURRENT RESOLUTION NO. 36

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - FIRST SESSION

Relating to the disposition of Alaska's royalty oil.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

WHEREAS the disposition of Alaska's royalty oil and the receipt of the best market value for that oil are matters of the greatest concern to the people of Alaska; and

WHEREAS the provisions of the Emergency Petroleum Allocation Act, as amended, may place serious constraints on the State of Alaska's ability to dispose of its royalty oil at a price and under conditions that are most favorable to its citizens; and

WHEREAS the effects of the Emergency Petroleum Allocation Act, as amended, may be mitigated if the state, with proper contractual safeguards, takes its oil in kind rather than in value;

BE IT RESOLVED that the Alaska State Legislature respectfully requests the Governor to direct the commissioner of the Department of Natural Resources to notify the North Slope producers of its intention to take the state's royalty oil in kind, and further respectfully requests that the Royalty Oil and Gas Advisory Board immediately enter into negotiations for the sale of Alaska's royalty oil share under terms and conditions that will secure the most advantageous results for the people of Alaska.

#

AGO 667849

Res: DP05, UR02
Fin:
Rules:

Offered: 4/7/77
Original sponsors: Colletta, Kerttula and Huber
Referred: Finance

IN THE SENATE BY THE RESOURCES COMMITTEE

CS FOR SENATE CONCURRENT RESOLUTION NO. 25

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - FIRST SESSION

Relating to the construction of oil refineries in Alaska.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

WHEREAS the construction of additional oil refineries in Alaska would benefit the economy of the state by increasing the business and industrial base in the state; and provide additional employment for persons in the state; and

WHEREAS, if additional refineries were located in Alaska and the state's royalty oil refined here, the likelihood that Alaskans would have to suffer severe petroleum products shortages would be greatly diminished; and

WHEREAS the state can best insure that new refineries will meet our needs by participating in the planning of those plants;

BE IT RESOLVED, that the Alaska State Legislature respectfully requests the Governor to direct the Commissioner of Natural Resources to begin negotiations immediately which will commit the state's share of royalty oil to in-state refining; and be it

FURTHER RESOLVED that it is the legislature's intention that any contract negotiated by the Commissioner of Natural Resources under this resolution require that the state have a meaningful input into the planning and design of the refinery.

AGO 667850

STATE of ALASKA

MEMORANDUM

DEPARTMENT OF NATURAL RESOURCES
OFFICE OF THE COMMISSIONER

TO: Alaska Royalty Oil and Gas
Development Advisory Board

DATE : April 4, 1977

FROM: Robert E. LeResche
Commissioner

SUBJECT: Proposed treatment of large quantity royalty oil proposals

I would like to treat these proposals at an early date, and have come to a tentative conculsion that the following would be the most equitable way to treat them: I propose to offer a sale of approximately 75 percent of Prudhoe Bay royalty oil, based upon the following two criteria. Offers for both criteria, price and in-state facility construction, will be weighed against one another, with the best balance of both criteria being the offer the Royalty Board should consider. The criteria are:

1. Price.

2. Plans for in-state processing facilities. These plans will include many factors, which will collectively determine the net value of the facility to the people of the State. These factors would include impact on govenment resources and responsibilities; employment, including training and employment of present Alaska residents; direct contribution to local and statewide economy; economic diversification factors; distributional aspects and implications of development including in-state versus out-of-state ownership of assets, opportunities for local participation, etc.; indirect or spin-off economic activities; social impacts, including impacts on local services, local labor dislocations, improvement in local community structure, etc.; compatibility with other plans and programs, including natural resources, community and regional land issues; and environmental, including safety and health, fish and wildlife, air and water quality, etc.; and finally technical considerations relating to construction feasibility and probability of meeting promised schedules.

In addition, I would like to explore with the companies a third criterion generally defined as availability and price of products made available for in-state use. It may not be possible to include contract terms specifically dealing with these things due to restraint of trade problems; however, I would like to ask each of the corporations to creatively suggest ways in which Alaskans can achieve a properly priced product mix.

AGO 667851

I would appreciate it if the Board could discuss this idea at our Wednesday, April 6 meeting. If the idea in concept is reasonable to the Board, I would like to proceed rapidly to establish details of the approach and notify prospective purchasers.

cc: Governor Hammond
Don Wold
Policy Development and Planning

BL:jl

STATUS OF PRUDHOE ROYALTY OIL

at production of 1.2 million barrels/day,
State share (12.5%) = (150,000 barrels/day)

On 4/12/77 Royalty Board approved
sale to Golden Valley Electric (Fbx non-profit utility)
Starts at (2,000 b/d) in Dec 77
escalates to (3,000 b/d) in Dec 1979
escalates to (5,000 b/d) in Dec 1982

Within a week Royalty Board will approve a (5,000 b/d) contract with Tesoro.
This contract's purpose is mostly to establish AK Pipeline Commission Jurisdiction over intra-state tariffs all the way to Valdez (because Golden Valley sale only establishes it to Fbx).
APC full-line jurisdiction means they have a better chance for influencing ICC tariff setting.

Assuming LeRoche's 4/4/77 memo suggesting 75% of royalty be held to entice a large-scale refinery, that leaves a total of 37,500 barrels/day to be used for small in-state sales. GVEA & TESORO total 10,000 b/day. So 27,500 b/day still available.

LeRoche memo of 4/4/77 supercedes Governor's letter of 3/30/77.

SB 274

passed Senate almost unanimously (Tillion against).

Roderick testified at H. Resources meeting I think H. Resources all do pass.

NOTE: LeResche plans to invite legislators to testify before Royalty Bd on basic policy decisions concerning royalty oil.
My suggestions to LeResche (pulled from a memo to Rader) are attached.

TO: All Commissioners

DATE: March 25, 1977

FROM: Robert LeResche, Director
Policy Development and Planning
Office of the Governor

SUBJECT: In-State Industrial Development

As part of its statutory responsibilities, the Royalty Oil and Gas Board is required to consider the potentials of in-State processing or refining of the State's royalty oil and gas. In order to develop guidelines to determine the feasibility of such in-State uses, an informal working group has been established (with representatives from DPDP, DNR, CED, C&RA, and Revenue) to:

1. Develop a consistent set of evaluation criteria for the State to determine the merits and limitations associated with such development (or for any major proposed development activity or alternative proposals within the State);

2. Define specific guidelines related to development;

3. Specify developer and State responsibilities associated with the siting, construction and operation of such industries; and

4. Evolve a formalized State process for project review, approval and development.

Attached is a preliminary draft of a State evaluation "cook book" for your review and comment. The intent is to develop, in so far as possible, a single State approach for evaluating major projects. The factors presented cover the range of "costs" and "benefits" associated with a major development, and should provide the Governor with the information necessary to determine whether a project will "pay its own way." It should be recognized that the factors presented will not necessarily require a quantitative response. Many, in fact, can only be answered qualitatively. The important point is that future evaluations consider all implications of a project. This "cook book" is an initial (and basic) step in that direction.

The next step will be to "package" these evaluation factors (and complete the Information Needs sections) into a more manageable working-type document. In order to accomplish this, we need your input. Under each major section heading

are listed certain "Areas of Concern" which will be addressed by the analysis of the listed "Evaluation Factors" which are, in turn, supported by the collected data shown as "Information Needs."

We would like your suggestions on:

1. Additions and/or modifications to the various categories relating to your agency's areas of responsibility;

2. Which Information Needs can or cannot be reasonably obtained by an applicant or by your agency;

3. Suggestions on better ways to package the criteria and implement the evaluation process; and

4. Evaluation factors which would require expertise beyond the capabilities of your staff.

Please submit your responses to this office no later than April 13, 1977. The working group will be glad to meet with you or a member of your staff to discuss the particulars. If you have any questions please contact Bill Luria (3547), Dona Lehr (3548), or Matt Conover (4754).

SUBSEQUENT STEPS

The development of a consistent set of evaluation factors represents the first phase of the effort. The next phase will delineate the particular responsibilities of the prospective developer, as well as those of the State, and provide an outline of how the State will determine whether or not a particular project will "pay its own way."

REL/BL/ljs

Attachment

cc: Dick Eakins
Ron Lind
Kevin Waring
Don Wold
Vince Wright

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER / POUCH M – JUNEAU 99811

April 14, 1977

The Honorable John Rader
President, Alaska
State Senate
Pouch V
Juneau, Alaska 99811

Dear Mr. President:

The Alaska Royalty Oil and Gas Development Advisory Board has scheduled a meeting for May 5 and 6, 1977, in Juneau. The purpose of this meeting will be to discuss basic Board policies regarding several aspects of future actions. The Board would be most grateful if you could find the time to attend and either address the Board or discuss informally with us your preferences for policies the Board should follow in the future.

Within the next few days I will forward to you a draft of the policies we would like to consider. Meanwhile, I would be most interested in having any suggestions from you regarding additional policies that the Board might wish to adopt at this time. The most important policies that I want the Board to consider include the following:

1. Pricing policy. Should the Board seek highest in-value pricing, average in-value pricing, or lowest in-value pricing for instate sales of royalty oil and gas?

2. Flexible volume policy. Under what conditions should a purchaser be allowed flexibility in volume of daily or seasonal purchase?

3. Treatment of public utilities. Should public utilities be treated differently than private firms in regard to pricing policy, flexible volume policy, or other policies?

AGO 667858

4. Should royalty oil and gas be sold to existing instate facilities, or reserved as maximum "leverage" for encouraging new facilities to be built instate.

5. Should the Board withhold a portion (say a quarter or a third) of royalty oil from any early large in-kind sale in order to anticipate small local utility demands in the future? Alternatively, should the Board assume that these latter needs will be taken care of with increased production and discoveries in the future?

6. Should the Board attempt to achieve contract clauses that provide for lower priced products for use instate?

7. Should royalty oil be sold to a prospective buyer only as a last resort? i.e., should prospective buyers be required to show that they have been refused by producers?

8. If total net benefit to the State (including employment, net secondary effects, etc.) of a sale for export exceed those of a sale for instate use, may the Royalty Board choose to take in-kind and sell for export?

I would appreciate hearing any other areas of principle/ policy you feel the Board should explicitly pin down at this time. The Board feels tht such policy guidance is essential especially preceding the next several months during which such far-reaching decisions will be made.

Thank you very much for your consideration.

Sincerely,

Robert E. LeResche
Commissioner

cc: The Hon. Jay S. Hammond
Members, Royalty Board

identical letters sent to Malone, Osterback, Poland

ALASKA ROYALTY OIL AND GAS DEVELOPMENT ADVISORY BOARD
AGENDA
Thursday, May 5, 1977, 9:00a.m.
Hilton Hotel, Juneau, Alaska

1. Call to Order

2. Roll Call

3. Commissioner's Remarks

4. Royalty Board Policy Recommendations

   (a) Address by the Governor
   The Honorable Jay S. Hammond

   (b) Address by the President of the Senate
   The Honorable John L. Rader

   (c) Address by the Speaker of the House
   The Honorable Hugh Malone

   (d) Address by the Chairman, Senate Resources Committee
   The Honorable Kay Poland

   (e) Address by the Chairman, House Resources Committee
   The Honorable Alvin Osterback

   (f) Addresses by Interested Members of the Legislature

   The Honorable Chancy Croft
   The Honorable Mike Colletta
   The Honorable Clark Gruening
   Others

   (g) Address by Consultant, Senate and House Resources Committees
   Mr. George C. Silides

   (h) Addresses by the Public

5. Royalty Board Policy Issues - Board Discussion

6. Adoption of Board Policies - Resolutions

7. Prudhoe Bay Royalty Oil
   (a) Procedures for Sale
   (b) Criteria for Buyers

8. Public Participation

9. Adjournment

AGO 667860

DRAFT POLICIES FOR DISCUSSION BY THE

ALASKA ROYALTY OIL AND GAS BOARD

1. 1. General. The Royalty Oil and Gas Board shall recommend disposition of royalty oil and gas (through in-value taking, in-kind taking, sales, and sales conditions) in such a manner to maximize net benefits to the State. These net benefits include not only price, but also the various economic, social, and environmental ramifications, including employment, local training, Alaskan ownership, secondary effect, tax base, and many other factors. These factors will be listed explicitly in a "criteria" document to be adopted by the Board in the near future. Intermediate state policy on royalty oil will be provided so as to further broad state goals: ① will depend to some of other energy sources in the State, such as coal, hydropower ② in light of federal future programs.

2. Relationship to other producers. Royalty oil should be sold to a prospective buyer only when that buyer demonstrates to the Board his inability to secure oil for his project from the seven-eighths producers of the field., under reasonable terms & pricing arrangements.

3. 3. Existing facilities. With the exception of public utilities, royalty oil and gas will not normally be sold to existing financially viable in-state facilities, but rather should be reserved for encouragement of new facilities to be built in-state. unless those facilities are currently dependent royalty oil or gas and have failed policy #2.

4. 4. Contingency reserve. ~~Approximately 25 percent~~ a portion of royalty oil ~~from~~ Prudhoe Bay will ~~should~~ be withheld from ~~a large in-kind sale~~ long-term commitment in order to anticipate small local utility demands in

[so recall up to 10%

the future. This policy may be reassessed if and when it becomes clear that this severely limits the range of options for in-state facilities to use Prudhoe Bay royalty oil.

5. Public utilities. Present and future needs of Alaskan public utilities should be given preference in purchase of royalty oil and gas. This preference may include more lenient flexible volume provisions and a preference to purchase uncommitted royalty oil and gas, but should not include any special pricing treatment.

6. Flexible volume. With the exception of small sales to public utilities, sales should be for specified volumes or proportions of production, constant throughout the year, rather than for flexible volume "options", to be called by the purchaser.

7. In-state product pricing. Sales of royalty oil and gas for in-state processing should attempt to insure that products for in-state use are priced at the lowest possible price, within the limits of the general net benefit policy and the pricing policy.

8. In-state product use. Products produced from royalty oil exported from the State must be surplus to the State's domestic and industrial needs.

8.

9. Term of contracts. In general royalty oil and gas will be disposed of in long-term contracts, rather than in "piece lots" as may be done by a private-sector trader or dealer.

AWC? They sell of broker owners.

2.

10. Price. The baseline price for any royalty oil ~~and~~ or gas sale should be the highest price received for "in-value" oil and gas.

Shall not be less than that price ~~or~~ taken in value that would be received for that oil or if

11. Processing agreements. The State may enter into processing agreements with purchasers in order to insure low-priced products in-state. These agreements should be considered part of the overall net costs or net beneifts calculated under the general policy.

12. A written consent for [illegible] at capital end.

a framework within which are mounted one or more sheaves on which the hoisting line is reeved in connection with the sheaves on the crown block. The traveling block travels between the derrick or mast floor and the crown block;

(55) "traveling block hook" means a hook or equivalent device suspended from the traveling block and from which the elevator links, swivel bail or other equipment is attached;

(56) "valve" means a device for regulating or controlling the flow of a liquid, gas or vapor by means of a movable part or parts which open or close a passage. A cock is considered a type of valve;

(57) "vessel" means an unfired and closed metal container used for holding or storing substances in their liquid or gaseous state at pressures above atmospheric;

(58) "walkway" means a passageway for pedestrians;

(59) "wall, diversion" means a wall of concrete, earthwork or other noncombustible material built to protect equipment and employees by diverting the flow of corrosive, flammable or poisonous liquids that may be released by tank failure, tank boilover or other causes;

(60) "wall, retaining" means a wall of concrete, earthwork or other noncombustible material, built to protect equipment and employees by confining corrosive, flammable or poisonous liquids that may be released by tank failure, tank boilover or other causes. (Eff. 7/1/63, Reg. 11)

Authority: AS 18.60.020
AS 27.05.010
AS 44.17.010–.030
AS 44.17.060
AS 44.37.010
AS 44.37.020

11. NATURAL RESOURCES

CHAPTER 26.
ALASKA ROYALTY OIL AND GAS DEVELOPMENT ADVISORY BOARD

Article
1. Meetings of the Board
2. Sale of Royalty Oil or Gas
3. General Provisions

ARTICLE 1.
MEETINGS OF THE BOARD

Section
05. Purpose of the board
10. Public meetings–Public notice
15. Executive sessions
20. Conference calls
25. Documents available to public
30. Confidentiality of documents

11 AAC 26.005. PURPOSE OF THE BOA
The board will act in ways calculated promote private economic growth consist with applicable environmental standards public fiscal stability to aid in the development of Alaska's oil and gas roy interests. The purpose of the board is to re determinations of the commissioner m regarding the sale or other disposition under 38.05.183 of state royalty oil or gas take kind, and where the board finds that t determinations by the commissioner are accordance with the purposes of AS 38.06 give its prior written approval of determination. (Eff. 8/13/75, Reg. 55)

Authority: AS 38.05.
AS 38.06.
AS 38.06.
AS 38.06.
AS 38.06.

11 AAC 26.010. PUBL MEETINGS–PUBLIC NOTICE. Subject to exceptions of this chapter and AS 44.62. the meetings of the board will be public; reasonable public notice will be given fo public meetings of the board. (Eff. 8/1 Reg. 55)

Authority: AS 38.06
AS 38.06
AS 44.62

11 AAC 26.015. EXECUTIVE SESSION
The board has authority to hold meetin

AGO 667864

...executive sessions and ... accordance with AS ... will be necessary for the ... otherwise reveal information ... in its possession and ... confidential business or ... the protection of which ... submitting them or in ... majority of the board ... the best interests of the

... will be conducted in ... AS 44.62.310(b), and a motion ... session must be made and ... by a majority of the members ... 5/13/75, Reg. 55)

Authority: AS 38.06.040
AS 38.06.060
AS 44.62.310

... CONFERENCE CALLS. The ... may meet and carry out the business of ... through the use of telephone ... calls for resolution of routine ... matters. (Eff. 8/13/75, Reg.

... AS 38.06.035 AS 38.06.060
... AS 38.06.040 AS 44.62.310

... DOCUMENTS AVAILABLE ... The votes of board members will ... and made available to the public. ... compiled by the board relating to open ... of meetings of the board and used by ... as an official record of what ... during those sessions are public ... open to inspection by the public ... rules and are available for ... upon request and payment of costs of a ... of the public record. (Eff. ...

... AS 09.25.110 AS 38.06.035
... AS 09.25.120 AS 38.06.040
... AS 38.06.010

... CONFIDENTIALITY OF ... (a) All documents or records ... held by the board are public ... a document or record in the ... control of the board will not be ... nor will a discussion of such a ... be open to, the public when ... of the board members determines that the document or record contains confidential business or marketing information the protection of which is essential to the person who has submitted them to the board or in the judgment of the board is essential to the best interests of the state.

(b) The confidential documents and records will be clearly marked "confidential" and will be filed separately from documents and reports held by the board which are open to the public.

(c) The confidential documents and records will be periodically reviewed by the board to insure that those documents continue to meet the standards of confidentiality established by the board, and a majority vote of the board will be adequate to declassify these documents for placement in the public file. (Eff. 8/13/75, Reg. 55)

Authority: AS 09.25.110 AS 38.06.060
AS 09.25.120 AS 44.62.310
AS 38.06.040

ARTICLE 2.
SALE OF ROYALTY OIL OR GAS

Section
100. Bid or application
105. Official communications with the board
110. Ex parte contact with prospective purchasers
115. Determination of surplus

11 AAC 26.100. BID OR APPLICATION. A bid or application for the purchase of royalty oil or gas is a written response to and complying with a specific solicitation by the commissioner under AS 38.05.183, AS 38.06 and this chapter. (Eff. 8/13/75, Reg. 55)

Authority: AS 38.05.183
AS 38.06.040
AS 38.06.050

11 AAC 26.105. OFFICIAL COMMUNICATIONS WITH THE BOARD. All proposals, bids, applications, or other official communications with the board regarding the sale or other disposal of the state's royalty oil or gas must be in writing and addressed to the commissioner as chairman of the board in order to be considered by the board, unless otherwise provided by the board. (Eff. 8/13/75, Reg. 55)

Authority: AS 38.06.040

AGO 667865

11 AAC 26.110. EX PARTE CONTACT WITH PROSPECTIVE PURCHASERS. (a) Except as authorized by a majority vote of the members of the board, an individual member of the board, other than the commissioner, may not enter into ex parte negotiations with a prospective purchaser for the sale of the state's royalty oil or gas.

(b) It is the policy of the board to discourage ex parte discussions relating to the sale of the state's royalty oil or gas between an individual member of the board, other than the commissioner, and a prospective purchaser of those royalties.

(c) Substantive ex parte communications with regard to the sale of state royalty oil or gas between an individual member of the board and a prospective purchaser of those royalties must be reported in writing to the board by the member and must become a part of the public record. (Eff. 8/13/75, Reg. 55)

Authority: AS 38.06.040

11 AAC 26.115. DETERMINATION OF SURPLUS. State royalty oil or gas taken in kind is surplus to the present and projected intrastate domestic and industrial needs if the commissioner finds and the board approves, pursuant to the requirements set out in sec. 900(d) of this chapter, that the supply of that oil or gas exceeds the demand for that oil or gas during a specific time period established by the board pursuant to the requirements set out in sec. 900(d) of this chapter. (Eff. 4/15/76, Reg. 58)

Authority: AS 38.05.183
AS 38.06.040

ARTICLE 3.
GENERAL PROVISIONS

Section
900. Definitions

11 AAC 26.900. DEFINITIONS. (a) In this chapter, unless the context otherwise requires

(1) "board" means the Alaska Royalty Oil and Gas Development Advisory Board;

(2) "commissioner" means the commissioner of the Department of Natural Resources;

(3) "demand" means that amount of gas required for Alaska residential and indu use with allowance for reasonable anticip growth during a specific time period appr by the board, pursuant to the requiremen out in (d) of this section;

(4) "supply" means that amount of oil that is reasonably anticipated to be produ and deliverable from currently known rese within a specific time period approved b board pursuant to the requirements set o (d) of this section.

(5) "industrial use" means all oil or gas for commercial or industrial fuel or feedstock for industrial processing manufacturing within Alaska whether it final consumption in Alaska or to fulfill ex commitments or contracts regardless of th point of final consumption.

(b) In AS 38.05.183(c), the term "appr and in AS 38.05.183(d), the term "appr both have the same meaning as the term written approval."

(c) In AS 38.05.182, "consent" mean same as "prior written approval."

(d) In this chapter and in AS 38.05.1 38.06.050, "prior written approval" mean the majority of the board membe attendance at a meeting of at least a quo the board members must have voted action proposed by the commissioner designee, and the final tally of votes of m of the board for and against the proposed shall be recorded at the end of a doc signed by the commissioner or his d setting out the action proposed b commissioner or his designee.

(e) In this chapter and in AS 38.06.0 38.06.035, a "quorum" of the board three members of the board of which tw be public members. (Eff. 8/13/75, Reg. 4/15/76, Reg. 58; am 8/25/76, Reg. 59)

Authority: AS 38.05.182 AS 38
AS 38.05.183 AS 38
AS 38.06.025 AS 38

AGO 667866

(s) *Short title.* This section may be cited as the Geothermal Resources Act.

(am §§ 40, 41 ch 127 SLA 1974)

Effect of amendment.

The 1974 amendment substituted "AS 41.08.020" for "AS 41.07.020" near the middle of subsection (b) (1) and "AS 41.08.040" for "AS 41.07.040" at the end of subsection (b) (2) and deleted "of 1971" from the end of subsection (s).

As the rest of the section was not affected by the amendment, it is not set out.

Legislative committee report.

For report on ch. 127, SLA 1974 (SCSHB 817 am S), see 1974 House Journal, p. 657.

Sec. 38.05.182. Royalty on natural resources. Any royalty provided for in §§ 135 — 181 of this chapter may be taken in kind rather than in money if the commissioner, with the consent of the Alaska Royalty Oil and Gas Development Advisory Board, determines that the taking in kind would be in the best interest of the state. The consent of the board is required only with respect to oil and gas royalty-in-kind under § 183 of this chapter. (§ 1 ch 56 SLA 1970; am § 7 ch 71 SLA 1971; am § 1 ch 9 SSSLA 1974; am § 5 ch 218 SLA 1976)

Effect of amendments. — The 1974 amendment substituted "if the commissioner, with the consent of the board, determines" for "at the discretion of the commissioner if he determines" near the middle of the first sentence and added the second sentence.

The 1976 amendment substituted "Alaska Royalty Oil and Gas Development Advisory Board" for "board" in the first sentence.

Sec. 38.05.183. Sale of royalty. (a) The sale, exchange or other disposal of a mineral obtained by the state as a royalty under § 182 of this chapter, or the sale, exchange or other disposal in whole or in part of a right to receive future mineral production under a state lease under this chapter, shall be by competitive bid and the sale, exchange or other disposal made to the highest responsible bidder, except that competitive bidding is not required when the commissioner, with the prior written approval of the Alaska Royalty Oil and Gas Development Advisory Board where applicable, determines that the best interest of the state does not require it or that no competition exists.

(b) When competitive bids are required, the commissioner, with the prior written approval of the Alaska Royalty Oil and Gas Development Advisory Board, may reject all bids if he determines that because of the amount of the bids, the lack of responsibility on the part of the bidders, or for reasons consistent with the criteria set out in AS 38.06.070, the acceptance of the bids would not be in the best interest of the state.

(c) If the commissioner determines that a sale, exchange or other disposal of a mineral obtained by the state as a royalty under § 182 of this chapter or of a right to receive future mineral production under a state lease under this chapter shall be made otherwise than by

AGO 66786

competitive bid, and the Alaska Royalty Oil and Gas Development Advisory Board where applicable has approved that determination, the commissioner shall make public in writing the specific findings and conclusions upon which that determination is based.

(d) Oil or gas taken in kind by the state as its royalty share may not be sold or otherwise disposed of for export from the state until the commissioner with the approval of the Alaska Royalty Oil and Gas Development Advisory Board determines that the royalty-in-kind oil or gas is surplus to the present and projected intrastate domestic and industrial needs. The commissioner shall make public, in writing, the specific findings and reasons on which his determination is based and shall, within 10 days of the convening of a regular session of the legislature, submit a report showing the immediate and long-range domestic and industrial needs of the state for oil and gas and an analysis of how these needs are to be met. (§ 1 ch 56 SLA 1970; am § 3 ch 9 SSSLA 1974)

Effect of amendment. — The 1974 amendment rewrote this section.

Sec. 38.05.184. Limitation on oil and gas leases in certain areas, and reacquisition of leases. (a) The legislature finds that Kachemak Bay is an area of extraordinary abundance and diversity of marine life that has provided, and will continue to provide in the future, a basis for one of the state's most important commercial fisheries; that recent information discloses that even minute quantities of oil released into the marine environment may be harmful to the larval forms of crabs and other marine life and that the existence of gyral currents within the bay may increase the likelihood of oil coming into contact with these valuable commercial fish and shellfish species; and that therefore oil and gas development in the bay, at this time, presents an undue hazard to this valuable state renewable resource.

(b) No additional oil or gas leases may be issued by the Department of Natural Resources or any other state agency for the exploration for or the development or production of oil and gas on state-owned land and waters seaward of the mean higher high water line, beginning at Anchor Point; then around the perimeter of Kachemak Bay, to Point Pogibshi; then west to the three mile limit of state land and waters; then north to a point three miles west of Anchor Point; then east to the mean higher high water line of Anchor Point, the point of beginning.

(c) The commissioner of natural resources may enter into negotiations to reacquire by purchase in the name of the state, title to or accountable interests in oil or gas leases within the boundaries described in (b) of this section which were issued before June 4, 1976.

(d) In lieu of cash payment for a negotiated purchase of a leasehold interest, the commissioner may authorize a credit of the purchase price plus interest at the rate prescribed by AS 09.30.070 to be granted the

seller to be applied again
permit fees, royalties, or c
new production from othe
and gas development. T
reimburse in like manner
lessee to the state plus a
for expenses and other co
(e) For a period of one ye
of the First Session of the
is longer, no drilling activi
oil and gas leases in the b
suspend drilling activities t
gas leases ir the bay. The p
development is to (1) per
reasonable time to develo
resources of the bay fro
activities; and (2) permit
reasonable period to negoti
of this section. The lease p
Kachemak Bay shall be
Department of Natural Re
(f) In the event the comm
negotiate a satisfactory pri
this section, he may at th
development expires acquir
leases through the exercise
(g) In the event the comm
eminent domain, such actio
days after the moratorium p
In the event that the com
eminent domain within th
immediate right under the
produce from the lease or lea
to and from the lease sites
the lease to a shore-based
until full reacquisition of th
(§ 1 ch 113 SLA 1976)

Effective date. — Section 2, ch. 11
1976, makes this section effective
1976, in accordance with AS 01.10.0

COMMENTS TO THE

ALASKA ROYALTY OIL AND GAS ADVISORY BOARD

By

George C. Silides, P. E.

May 5, 1977

AGO 667869

George C. Silides is a Professional Civil Engineer in private practice and consultant on resource matters to the Resources Committees of the Alaska State Legislature. He was a former State Senator instrumental in the writing of the statute creating the Oil and Gas Advisory Board and stating the policy guidelines for the Commissioner and the Board in the use and disposition of the State's royalty share of oil and gas produced in the State.

I am indeed pleased to be invited to briefly address the Royalty Oil and Gas Advisory Board as it attempts to more clearly define its operational policies under the broad policy mandate given it by the Legislature in 1974 when I was a member of the State Senate.

In addition to every Alaskan's concern for the success of this Board, I have a special parental concern. In 1974 I had introduced a Bill which read, "No oil or gas taken as royalty may be exported from the state or otherwise disposed of unless it is declared surplus to the present and projected internal needs of the state." Governor Egan had introduced a Bill calling for the creation of an Oil and Gas Advisory Board. The two measures were melded, and it became my task to see the law enacted. The birthing was not without complications. A lot of people tried their hand at mid-wifery, even abortion, and some of the limbs came out a little bent. But the Bill survived, and here the Board is, like any other kid just graduated and pondering the future.

I submit to you that the future actions of this Board are yours for the shaping. However dubious the tutelage over the past three years, you should now insist that your own voice be heard and your own initiated ideas be considered on their merit instead of just doing the homework assigned to you.

AGO 667871

You have asked for continued advice and more definitive rules for the operation of the major oil and gas producing company that Alaska now is and will continue to be. You will get that advice and support. Some from me in whatever future capacity I find myself in, a lot from others who will speak to you today and tomorrow, including the Administration, the Legislature, and vested interests. In all of this I ask you to remember that, whatever criticism that may have been leveled against the statute under which you exist, by some who wish a freer land administratively, that statute has become the corner-stone of legislative and public scrutiny of governmental action which must always be open to rational question under our American system.

There is little point to Alaska being the largest oil and gas province in the United States and amassing wealth unless the people of the state can benefit directly. Therein lies the big question. How?

The basic question has already been answered for you in the statute in the export prohibition. And that, to me, means in-state processing into basic fuels and the manufacture of a myriad of consumer products. Provided, however, that such processing creates useful employment, and a product price relieved of at least a measure of the cost of shipping raw materials out and finished products in.

Even if the total net benefit to the state, in absolute dollars, appear greater via the export route, in kind processing and use is preferable. I view it as detrimental to our way of life for the state to amass dollars only to pay them back out in the form of unemployment compensation.

One of the more vexing problems is that of pricing policy. Should you sell for instate use at the highest, average, or lowest price we can get? At least you recognize that the statute gives you that latitude. My answer is, "depends on who you sell to and why."

As I said earlier, this Board can be a vehicle for the passing on of benefits in ways other than have been suggested to date. The handing out of money directly to the public has been a bad show ever since the days of the Roman Circus. However well intentioned, it is subject to the charge of political expediency. Moreover, it is counter-productive since the market price always rises to meet the availability of money. Provided the net effect on the treasury is the same, might it not be better to offer crude oil at a lower price to a manufacturer of heating oil, or other products, again providing that the saving be passed on to the consumer? Actually, the savings in transportation costs may eliminate the need for either action.

The difficulty with giving public utilities a preferential price treatment is that, while the savings could be passed on to the consumer by regulation of the APUC, such preferential treatment encourages the construction of oil and gas fired plants. This burns up a resource having an otherwise greater value, and discourages the enlargement of a viable, job creating, income providing, coal mining industry. In summary, while special pricing should be considered for existing plants, in the interest of consumer savings, future public utilities ought not to be encouraged in this way.

Let me go quickly to some of the other policy questions before the Board. Except, for minor variations in quantity by local utilities, a purchaser should not be allowed flexibility in volume, because of uncertainties thus created in storage and shipping. As a practical matter, no large purchaser/refiner would consent to large volumetric changes. Neither would the pipeline carrier.

My interpretation of the law, and certainly the intent at the time of its passage, is that the state must sell to instate users willing to pay the asking price. To reserve a portion of the oil or gas for "leverage" would mean exporting, in contravention of the intent. In my opinion, anyone who has put his money on the line and built a plant has first call on the resources. All early large in-kind sales contracts should contain, in pertinent part, proviso

that a plant be constructed or the contract terminated after a given period of time, at the option of the state. A termination and take-back provision should also take effect if, in the meantime, another instate use presents itself.

We should not make the sale of our oil or gas contigent on the availability to the purchaser of the resource from another producer. We should gauge our sales on competitive pricing mitigated by any social benefits derived.

All of this addresses your problems only in a fundamental way, but, I think directly as well. The basic message has been that, while details of negotiations must be handled by the Commissioner of Natural Resources, you should consider the preliminaries are over and order those real negotiations begun. Further, you should begin enunciating your own policies to the Administration, rather than continue to only react to policies given you.

AGO 667875

Alaska State Legislature

Senate

JUNEAU, ALASKA

5/6/77

TO: Don Wold
FR: Connie Barlow
RE: picky suggestions on adopted Royalty Board policies

The following suggestions are made to the policies by number:

1. General

Suggestion: Add to the end, "To the extent that overal state policy has been articulated, royalty oil & gas will be managed (1) so as to further state goals, (2) with respect to the management of other state energy resources (such as coal, geothermal, and hydro power), and (3) in light of federal policies and programs."

Explanation: This is designed to take care of 2 concerns:

(1) both Triplehorn & Silides suggested that the royalty board make decisions, realizing how this effects the development of the coal industry in-state

(2) Silides and others mentioned that the highest use of gas is certainly not burning as electricity. This is also explicitly expressed in Carter's energy program. Especially since federal law may soon make it illegal to burn gas beyond a certain date, the royalty board should make sure they are not creating any new utility dependencies without this in mind. Thus, board actions must keep sight of federal policies.

2. Price & 3. Existing Facilities

The change the board adopted does an excellent job of clarifying the language and, hence, satisfying Rader's problem.

4. Contingency Reserve

Language changes are good. However, the discussion which set the "intent" on the record (ability to recall up to 10%, tends to argue against putting advance written consent into all contracts, which the board seems to want). I would instead, assume that the intent refers not to long-term contracts & take-back provisions, but rather to the specific need in Prudhoe not to commit all to a major refinery if no other small users have surfaced at the moment. Despite all that, the policy seems good, on balance.

AGO 667876

5. Flexible volume

Good. (Only picky suggestion is that the world "small" is unnecessary. All utility sales are "small" and inserting "small" only opens you up to being negligent in defining that qualifier.)

6. In-State product pricing

Good. However, Rader made a suggestion which you have chosen not to incorporate. He suggested that not only should contract provisions be used to ensure low- product price, but that the board should look at the overall sale decisions as a means to use the free market system to do the same -- by making sales with one goal being to promote in-state competition. (You might wish to tack that on to this policy at the next meeting.)

7. In-State product use

Picky suggestion: Tack on to the beginning, "Disposal contracts shall be designed so as to ensure that ...."

8. Term of contracts

As Rader mentioned, he heartily agrees with this. (Long-term contracts also is consistent with Policy # 3). As a personal bias, I believe the less the state tries to rely on a means to be able to terminate sales (thru advance written consent or otherwise),

Alaska State Legislature

Senate

JUNEAU, ALASKA

February 2, 1976

The Gas Pipeline Impact Committee is attempting to help define possible use of North Slope natural gas in Alaska.

The Committee will be holding hearings in Juneau on February 17,18,19, and solicits your testimony regarding natural gas consumption. The hearings will be held in Supreme Courtroom A, New Court Building, Juneau.

1) Does your corporation currently use, or have any plans for use of natural gas?
   a) How much is presently being used?
   b) For what purpose, industrial or home use?

2) Have you made any plans for use of North Slope gas if it becomes available?
   a) How much gas could you use?
   b) What form of natural gas?
   c) By what date could you utilize North Slope gas?

3) Industrial options:
   a) Have you considered industrial use of gas?
   b) Do you have any feasibility studies?

The Committee is attempting to assess possible and probable uses of Alaska's royalty gas. Any information you could provide to the Committee relative to natural gas use in Alaska would be appreciated.

For scheduling purposes, please inform the Committee if you plan to testify no later than February 9, and submit an outline of your testimony prior to the hearings.

Thank you for your efforts to assist the Committee. If you have any questions, please contact my staff assistant, Eric Eckholm, at my office -- 465/3770, Pouch V, Juneau.

Sincerely,

Senator John Rader, Chairman
Gas Pipeline Impact Committee

S 10 JLR/EE/kb

AGO 667877B

Royalty Board
does have power
to promulgate regulations.
Attached is what they've
done so far.

JS

AGO 667878

a framework within which are mounted one or more sheaves on which the hoisting line is reeved in connection with the sheaves on the crown block. The traveling block travels between the derrick or mast floor and the crown block;

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(56) "valve" means a device for regulating or controlling the flow of a liquid, gas or vapor by means of a movable part or parts which open or close a passage. A cock is considered a type of valve;

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(58) "walkway" means a passageway for pedestrians;

(59) "wall, diversion" means a wall of concrete, earthwork or other noncombustible material built to protect equipment and employees by diverting the flow of corrosive, flammable or poisonous liquids that may be released by tank failure, tank boilover or other causes;

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Authority: AS 18.60.020
AS 27.05.010
AS 44.17.010--.030
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AS 38.06.
AS 38.06.

11 AAC 26.010. PUBL MEETINGS—PUBLIC NOTICE. Subject to exceptions of this chapter and AS 44.62. the meetings of the board will be public; reasonable public notice will be given fo public meetings of the board. (Eff. 8/13 Reg. 55)

Authority: AS 38.06
AS 38.06
AS 44.62

11 AAC 26.015. EXECUTIVE SESSIONS The board has authority to hold meetin

AGO 667879

...of which are executive sessions and ...to the public in accordance with AS ...where it will be necessary for the ...to disclose or otherwise reveal information ...documents or records in its possession and ...which contain confidential business or ...information the protection of which ...by the person submitting them or in ...judgment of a majority of the board ...essential to the best interests of the ...

...sessions will be conducted in ...with AS 44.62.310(b), and a motion ...executive session must be made and ...approved by a majority of the members ...(Eff. 8/13/75, Reg. 55)

Authority: AS 38.06.040
AS 38.06.060
AS 44.62.310

11 AAC 26.020 CONFERENCE CALLS. The ...may hold and carry out the business of ...through the use of telephone ...calls for resolution of routine ...matters. (Eff. 8/13/75, Reg. 55)

Authority: AS 38.06.035 AS 38.06.060
AS 38.06.040 AS 44.62.310

11 AAC 26.025 DOCUMENTS AVAILABLE ...(a) The votes of board members will be recorded and made available to the public. ...maintained by the board relating to open ...meetings of the board and used by ...board as an official record of what ...occurred during those sessions are public ...documents and open to inspection by the public ...during reasonable rules and are available for ...upon request and payment of costs of a ...copy of the public record. (Eff. ...Reg. 55)

Authority: AS 09.25.110 AS 38.06.035
AS 09.25.120 AS 38.06.040
AS 38.06.010

11 AAC 26.030 CONFIDENTIALITY OF ...(a) All documents or records ...to be held by the board are public ...unless a document or record in the ...custody or control of the board will not be ...open, nor will a discussion of such a ...record be open to, the public when ...a majority of the board members determines that the document or record contains confidential business or marketing information the protection of which is essential to the person who has submitted them to the board or in the judgment of the board is essential to the best interests of the state.

(b) The confidential documents and records will be clearly marked "confidential" and will be filed separately from documents and reports held by the board which are open to the public.

(c) The confidential documents and records will be periodically reviewed by the board to insure that those documents continue to meet the standards of confidentiality established by the board, and a majority vote of the board will be adequate to declassify these documents for placement in the public file. (Eff. 8/13/75, Reg. 55)

Authority: AS 09.25.110 AS 38.06.060
AS 09.25.120 AS 44.62.310
AS 38.06.040

ARTICLE 2.
SALE OF ROYALTY OIL OR GAS

Section
100. Bid or application
105. Official communications with the board
110. Ex parte contact with prospective purchasers
115. Determination of surplus

11 AAC 26.100. BID OR APPLICATION. A bid or application for the purchase of royalty oil or gas is a written response to and complying with a specific solicitation by the commissioner under AS 38.05.183, AS 38.06 and this chapter. (Eff. 8/13/75, Reg. 55)

Authority: AS 38.05.183
AS 38.06.040
AS 38.06.050

11 AAC 26.105. OFFICIAL COMMUNICATIONS WITH THE BOARD. All proposals, bids, applications, or other official communications with the board regarding the sale or other disposal of the state's royalty oil or gas must be in writing and addressed to the commissioner as chairman of the board in order to be considered by the board, unless otherwise provided by the board. (Eff. 8/13/75, Reg. 55)

Authority: AS 38.06.040

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11 AAC 26.110. EX PARTE CONTACT WITH PROSPECTIVE PURCHASERS. (a) Except as authorized by a majority vote of the members of the board, an individual member of the board, other than the commissioner, may not enter into ex parte negotiations with a prospective purchaser for the sale of the state's royalty oil or gas.

(b) It is the policy of the board to discourage ex parte discussions relating to the sale of the state's royalty oil or gas between an individual member of the board, other than the commissioner, and a prospective purchaser of those royalties.

(c) Substantive ex parte communications with regard to the sale of state royalty oil or gas between an individual member of the board and a prospective purchaser of those royalties must be reported in writing to the board by the member and must become a part of the public record. (Eff. 8/13/75, Reg. 55)

Authority: AS 38.06.040

11 AAC 26.115. DETERMINATION OF SURPLUS. State royalty oil or gas taken in kind is surplus to the present and projected intrastate domestic and industrial needs if the commissioner finds and the board approves, pursuant to the requirements set out in sec. 900(d) of this chapter, that the supply of that oil or gas exceeds the demand for that oil or gas during a specific time period established by the board pursuant to the requirements set out in sec. 900(d) of this chapter. (Eff. 4/15/76, Reg. 58)

Authority: AS 38.05.183
AS 38.06.040

ARTICLE 3.
GENERAL PROVISIONS

Section
900. Definitions

11 AAC 26.900. DEFINITIONS. (a) In this chapter, unless the context otherwise requires

(1) "board" means the Alaska Royalty Oil and Gas Development Advisory Board;

(2) "commissioner" means the commissioner of the Department of Natural Resources;

(3) "demand" means that amount of gas required for Alaska residential and indu use with allowance for reasonable antici growth during a specific time period app by the board, pursuant to the requiremen out in (d) of this section;

(4) "supply" means that amount of oil that is reasonably anticipated to be prod and deliverable from currently known res within a specific time period approved b board pursuant to the requirements set (d) of this section.

(5) "industrial use" means all oil or ga for commercial or industrial fuel or feedstock for industrial processin manufacturing within Alaska whether it final consumption in Alaska or to fulfill e commitments or contracts regardless of t point of final consumption.

(b) In AS 38.05.183(c), the term "app and in AS 38.05.183(d), the term "app both have the same meaning as the term written approval."

(c) In AS 38.05.182, "consent" mea same as "prior written approval."

(d) In this chapter and in AS 38.05.1 38.06.050, "prior written approval" mea the majority of the board memb attendance at a meeting of at least a quo the board members must have voted action proposed by the commissioner designee, and the final tally of votes of m of the board for and against the propose shall be recorded at the end of a do signed by the commissioner or his setting out the action proposed commissioner or his designee.

(e) In this chapter and in AS 38.06.0 38.06.035, a "quorum" of the board three members of the board of which t be public members. (Eff. 8/13/75, Reg. 4/15/76, Reg. 58; am 8/25/76, Reg. 59)

Authority: AS 38.05.182 AS 38
AS 38.05.183 AS 38
AS 38.06.025 AS 38

AGO 667881

Effect of amendment. — The 1975 amendment, effective July 1, 1975, substituted "commissioner of revenue" for "commissioner of economic development" in the first sentence.

Sec. 38.06.030. Compensation; per diem, travel expenses. Members of the board are in the exempt service under AS 39.25.110 and shall receive per diem and travel allowances as provided by law for other boards and commissions. (§ 2 ch 9 SSSLA 1974)

Sec. 38.06.035. Meetings, rules, quorum, votes required; conflict of interest. (a) The board shall prescribe its own rules of procedure. It shall meet at a time and place determined by the chairman, and at other times and places as the chairman, or a majority of the board members, considers necessary. A quorum is a majority of the members of the board. The votes of the board members shall be recorded. Effective action to carry out the powers granted under this chapter requires the affirmative vote of a majority of the board members. No board member may, with respect to a matter before the board, vote for or on behalf of another member of the board.

(b) No member of the board may act upon a matter in which his relationship with any person creates a conflict of interest. No board member may have an official connection with or hold stock or securities in, or have a pecuniary interest in, a corporation, company or association engaged in the production or transportation of oil or gas. (§ 2 ch 9 SSSLA 1974)

Sec. 38.06.040. Powers. The board has the power to

(1) direct the commissioner of natural resources to solicit inquiries, development plans or bids from persons for the sale, exchange or other disposal of oil or gas or both obtained by the state as a royalty under AS 38.05.182, or for the sale, exchange or other disposal in whole or part of rights to receive future oil or gas production or both under a state lease, subject to terms and conditions established by the board;

(2) examine proposed sales, exchanges or other disposals of oil or gas or both obtained by the state as a royalty under AS 38.05.182, or of rights to receive future oil or gas production or both under a state lease for the purpose of approving or disapproving the proposed sale, exchange or other disposal;

(3) hire an executive director, consultants expert in technical, economic or other relevant professions and other persons as necessary to assist the board in the exercise of its powers;

(4) promulgate regulations under the Administrative Procedure Act (AS 44.62) that are necessary or appropriate in the exercise of its powers; and

(5) take whatever other actions are reasonably necessary in the furtherance of the purposes of this chapter. (§ 2 ch 9 SSSLA 1974)

AGO 667882

Introduced: 3/22/77
Referred: Resources

IN THE SENATE BY HUBER

SENATE CONCURRENT RESOLUTION NO. 36

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - FIRST SESSION

Relating to the disposition of Alaska's royalty oil.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

WHEREAS the disposition of Alaska's royalty oil and the receipt of the best market value for that oil are matters of the greatest concern to the people of Alaska; and

WHEREAS the provisions of the Emergency Petroleum Allocation Act, as amended, may place serious constraints on the State of Alaska's ability to dispose of its royalty oil at a price and under conditions that are most favorable to its citizens; and

WHEREAS the effects of the Emergency Petroleum Allocation Act, as amended, may be mitigated if the state, with proper contractual safeguards, takes its oil in kind rather than in value;

BE IT RESOLVED that the Alaska State Legislature respectfully requests the Governor to direct the commissioner of the Department of Natural Resources to notify the North Slope producers of its intention to take the state's royalty oil in kind, and further respectfully requests that the Royalty Oil and Gas Advisory Board immediately enter into negotiations for the sale of Alaska's royalty oil share under terms and conditions that will secure the most advantageous results for the people of Alaska.

AGO 667883

Original sponsors: Colletta, Kerttula and Huber

Offered: 4/7/77
Referred: Finance

IN THE SENATE BY THE RESOURCES COMMITTEE

CS FOR SENATE CONCURRENT RESOLUTION NO. 25

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - FIRST SESSION

Relating to the construction of oil refineries in Alaska.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

WHEREAS the construction of additional oil refineries in Alaska would benefit the economy of the state by increasing the business and industrial base in the state; and provide additional employment for persons in the state; and

WHEREAS, if additional refineries were located in Alaska and the state's royalty oil refined here, the likelihood that Alaskans would have to suffer severe petroleum products shortages would be greatly diminished; and

WHEREAS the state can best insure that new refineries will meet our needs by participating in the planning of those plants;

BE IT RESOLVED, that the Alaska State Legislature respectfully requests the Governor to direct the Commissioner of Natural Resources to begin negotiations immediately which will commit the state's share of royalty oil to in-state refining; and be it

FURTHER RESOLVED that it is the legislature's intention that any contract negotiated by the Commissioner of Natural Resources under this resolution require that the state have a meaningful input into the planning and design of the refinery.

AGO 667884

Sec. 38.06.070. Criteria. (a) In the exercise of its powers under § 40(1) — (2) and § 50 of this chapter the board shall consider

(1) the revenue needs and projected fiscal condition of the state;

(2) the existence and extent of present and projected local and regional needs for oil and gas products and by-products, the effect of state or federal commodity allocation requirements which might be applicable to those products and by-products, and the priorities among competing needs;

(3) the desirability of localized capital investment, increased payroll, secondary development and other possible effects of the sale, exchange or other disposition of oil and gas or both;

(4) the projected social impacts of the transaction;

(5) the projected additional costs and responsibilities which could be imposed upon the state and affected political subdivisions by development related to the transaction;

(6) the existence of specific local or regional labor or consumption markets or both which should be met by the transaction;

(7) the projected positive and negative environmental effects related to the transaction; and

(8) the projected effects of the proposed transaction upon existing private commercial enterprise and patterns of investments.

(b) When it is economically feasible, the board may require, as a condition of the sale of oil or gas obtained by the state as royalty, that the oil or gas be refined or processed in the state and may, when it is feasible and in the best interests of the state to do so, provide for processing or refining of the oil or gas under a contract entered into by competitive bidding before the sale of the oil or gas. (§ 2 ch 9 SSSLA 1974)

Applied in Arco Pipeline Co. v. Acres, More or Less, Sup. Ct. Op. No. (File No. 2419), 539 P.2d 64 (1975).

Sec. 38.35.010. Legislative resources of this state in crud transportation of these resourc markets both in and out of the contribution to the general wel policy of this state that the de transportation system be direct the development of the human standard of living for all of its and potential sectors of its competition in its private enter of its incomparable natural en

(b) The State of Alaska re privileges and immunities not p

THIS [ ] BILL [X] RESOLUTION

has been prepared by the staff of the Legislative Affairs Agency in response to the request and at the direction of the sponsoring member or committee. The staff has attempted to place the document in proper legal and clerical form, subject to any special limitations or instructions of the requestor.

Any staff questions or comments as to legality, constitutionality, and form have been included in the memorandum addressed to the requestor and kept in the work file. If we may be of further assistance in this matter, please contact the Director of Legal Services or the Director of Research Services, as appropriate.

Delivered to requestor 3-18-77

LA-L 40

AGO 667886

IN THE SENATE

SENATE RESOLUTION NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - FIRST SESSION

Relating to the disposition of Alaska's royalty oil.

BE IT RESOLVED BY THE SENATE:

WHEREAS the disposition of Alaska's royalty oil and the receipt of the best market value for that oil are matters of the greatest concern to the people of Alaska; and

WHEREAS the provisions of the Emergency Petroleum Allocation Act, as amended, may place serious constraints on the State of Alaska's ability to dispose of its royalty oil at a price and under conditions that are most favorable to its citizens; and

WHEREAS the effects of the Emergency Petroleum Allocation Act, as amended, may be mitigated if the state, with proper contractual safeguards, takes its oil in kind rather than in value;

BE IT RESOLVED that the Alaska State Senate respectfully requests the Governor to direct the commissioner of the Department of Natural Resources to notify the North Slope producers of its intention to take the state's royalty oil in kind, and further respectfully requests that the Royalty Oil and Gas Advisory Board immediately enter into negotiations for the sale of Alaska's royalty oil share under terms and conditions that will secure the most advantageous results for the people of Alaska.

AGO 667887

38.05.140
38.05.182

Royalty

38.05.140 (a)

Commissioner can waive & reduce royalty to promote development on Kodiak Island.

38.05.182 - Commissioner, with consent of Board can take in-kind if determines "is in best interest of State"

↑ defines -

38.05.183 - how sell in-kind royalty

(b) Competitive Bids

(d) Export sale only for surplus

38.06 Royalty Board

"to promote private economic growth consistent with applicable environmental standards & public fiscal stability.

(See rep)

AGO 667888

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER / POUCH M — JUNEAU 99811

April 14, 1977

The Honorable John Rader
President, Alaska
State Senate
Pouch V
Juneau, Alaska 99811

Dear Mr. President:

The Alaska Royalty Oil and Gas Development Advisory Board has scheduled a meeting for May 5 and 6, 1977, in Juneau. The purpose of this meeting will be to discuss basic Board policies regarding several aspects of future actions. The Board would be most grateful if you could find the time to attend and either address the Board or discuss informally with us your preferences for policies the Board should follow in the future.

Within the next few days I will forward to you a draft of the policies we would like to consider. Meanwhile, I would be most interested in having any suggestions from you regarding additional policies that the Board might wish to adopt at this time. The most important policies that I want the Board to consider include the following:

1. Pricing policy. Should the Board seek highest in-value pricing, average in-value pricing, or lowest in-value pricing for instate sales of royalty oil and gas?

2. Flexible volume policy. Under what conditions should a purchaser be allowed flexibility in volume of daily or seasonal purchase?

3. Treatment of public utilities. Should public utilities be treated differently than private firms in regard to pricing policy, flexible volume policy, or other policies?

AGO 667889

4. Should royalty oil and gas be sold to existing instate facilities, or reserved as maximum "leverage" for encouraging new facilities to be built instate.

5. Should the Board withhold a portion (say a quarter or a third) of royalty oil from any early large in-kind sale in order to anticipate small local utility demands in the future? Alternatively, should the Board assume that these latter needs will be taken care of with increased production and discoveries in the future?

6. Should the Board attempt to achieve contract clauses that provide for lower priced products for use instate?

7. Should royalty oil be sold to a prospective buyer only as a last resort? i.e., should prospective buyers be required to show that they have been refused by producers?

8. If total net benefit to the State (including employment, net secondary effects, etc.) of a sale for export exceed those of a sale for instate use, may the Royalty Board choose to take in-kind and sell for export?

I would appreciate hearing any other areas of principle/ policy you feel the Board should explicitly pin down at this time. The Board feels tht such policy guidance is essential especially preceding the next several months during which such far-reaching decisions will be made.

Thank you very much for your consideration.

Sincerely,

Robert E. LeResche
Commissioner

cc: The Hon. Jay S. Hammond
Members, Royalty Board

FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

MAR 31 1977

DEPUTY ADMINISTRATOR

Mr. Frank Wood, Jr.
President, Pride Refining, Inc.
P. O. Box 3237
Abilene, Texas 79604

Dear Mr. Wood:

This letter confirms our telephone conversation of March 28 in which I stated that if the Federal Energy Administration (FEA) determines at some future date that allowing the State of Alaska to change the treatment of its royalty oil from north slope production would be consistent with the objectives of the Emergency Petroleum Allocation Act (EPAA), the mere existence of the current rule with respect to supplier/purchaser relationships would not be permitted to preclude such a change.

You understand, of course, that FEA cannot at this time commit to any specific action with respect to any proposed project. Rather, this is to assure you that the mere existence of the currently effective supplier/purchaser rule for crude oil will not by itself be permitted to frustrate a project otherwise deemed consistent with the objectives of the EPAA.

Sincerely,

Gorman C. Smith
Actg Deputy Administrator

AGO 667891