

ALASKA LEGISLATURE COMMITTEE BILL FILES - 1987 - 1988 8879

HB 41 cont., HB 44 215 JS

May 3, 1983

Marathon Oil Company
P.O. Box 102380
Anchorage, Alaska 99510

Attention: Mr. Fritz G. Nagel
Manager, Anchorage District

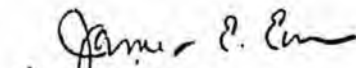
Reference: Request for Extension of Confidentiality
Sag Delta Well No. 8, Beaufort Sea, Alaska

Mr. Nagel:

On April 25, 1983, Marathon requested that the department extend the confidentiality period for the subject well. These data are currently scheduled to be released to the public on May 15, 1983 when the 24 month confidentiality period prescribed by 20 AAC 25.537(d) expires. Upon review of the surrounding land status, I am denying Marathon's request. Alaska Statute 31.05.035 provides that on approval by the Commissioner, well reports and other data which contain significant information relating to the evaluation of unleased lands in the same vicinity shall be kept confidential for a reasonable time after the disposition of all affected unleased land. Using these criteria, it is not possible to approve your request. The subject well is 12 miles from the nearest unleased lands, and data from nearby wells are already public. There are no indications that the data from the Sag Delta No. 8 well would materially affect the evaluation of unleased lands in the vicinity of the well.

By copy of this letter, I am notifying the Alaska Oil and Gas Conservation Commission of my decision to deny your request.

Sincerely,


Kay Brown
Director, DMEM

cc: Esther C. Wurnicke, Commissioner
Department of Natural Resources
C.V. Chatterton, Chairman
Alaska Oil and Gas Conservation Commission

KB/SW/skt/1285s

STRATIGRAPHIC TEST WELLS
 Drilled on Federal OCS Lands
 (Continental Offshore Stratigraphic Test wells)

<u>Area</u>	<u>Completion Date</u>	<u>Sale Date</u>
<u>Norton Basin</u>		
Norton Sound COST 1	1980	1984
Norton Sound COST 2	1982	
<u>Navarin Basin</u>		
Navarin Basin COST	1983	1984
<u>St. George Basin</u>		
St. George Basin COST 1	1976	1983
St. George Basin COST 2	1982	
<u>North Aleutian Basin</u>		
North Aleutian Basin COST 1	1982	Sched. for 1989
<u>Lower Cook Inlet</u>		
	1977	1977
<u>Gulf of Alaska</u>		
	1975	1976

Stratigraphic Test Well
 Drilled on State Lands

<u>Area</u>	<u>Completion Date</u>	<u>Sale Date</u>
<u>Beaufort Sea</u>		
Reindeer Island Stratigraphic Test No. 1	1979	1979

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tained from, but not limited to, shallow and deep subbottom profiles, bathymetry, sidescan sonar, gravity and magnetic surveys, and special studies such as refraction and velocity surveys.

[45 FR 8344, Jan. 25, 1980, as amended at 48 FR 46028, Oct. 11, 1983]

§ 251.13 Reimbursement to permittees.

(a) After the delivery to the Director of geological data, analyzed geological information, interpreted geological information, geophysical data, processed geophysical information, reprocessed geophysical information, and interpreted geophysical information selected by the Director in accordance with §§ 251.11 or 251.12, and upon receipt of a request for reimbursement and a determination by the Director that the requested reimbursement is proper, the permittee or third party shall be reimbursed for the reasonable costs of reproducing the selected information and data at the permittee's or third party's lowest rate or at the lowest commercial rate established in the area, whichever is less.

(b) After the delivery to the Director of processed or reprocessed geophysical information selected and retained by the Director in accordance with § 251.12(b), and upon receipt of a request for reimbursement and a determination by the Director that the requested reimbursement is proper, the permittee or third party shall be reimbursed for the reasonable costs attributable to processing and reprocessing such information (as distinguished from the cost of data acquisition) as follows: (1) If the processing or reprocessing was in the form and manner which is used by the permittee in the normal conduct of the business, the Director shall pay the reasonable costs at the lowest rate at which the processed or reprocessed information is made available to any party; or (2) if the processing or reprocessing was in the form and manner of processing other than that used in the normal conduct of the permittee's business at the Director's request, the Director shall pay the reasonable costs of processing and reprocessing such information.

(c) Requests for reimbursement shall identify processing and reprocessing costs separate from acquisition costs.

(d) The permittee or third party shall not be reimbursed for the costs of analyzing geological information or interpreting geological or geophysical information.

(47 FR 25331, June 11, 1982)

§ 251.14 Disclosure of information and data submitted under permits.

§ 251.14-1 Disclosure of information and data to the public.

(a) The Director shall make information and data available in accordance with the requirements and subject to the limitations of the Freedom of Information Act (5 U.S.C. 552) and the implementing regulations (43 CFR Part 2), the requirements of the Act, and the regulations contained in 30 CFR Part 250 (Oil and Gas and Sulphur Operations in the Outer Continental Shelf), this Part, and 30 CFR Part 252 (Outer Continental Shelf Oil and Gas Information Program).

(b) Except as specified in this section or in Parts 250 and 252 of this chapter, no information or data determined by the Director to be exempt from public disclosure under paragraph (a) of this section shall be provided to any affected State or be made available to the executive of any affected local government or to the public unless the permittee and all persons to whom such permittee has sold the information or data under promise of confidentiality agree to such an action.

(c) The Director shall disclose geological data, analyzed geological information, and interpreted geological information submitted under a permit as follows:

(1) The Director shall immediately issue a public announcement when any significant hydrocarbon occurrences are detected or environmental hazards are encountered on unleased lands during drilling operations. In the case of significant hydrocarbon occurrences, the Director will announce such occurrences in a form and manner that will further the national interest without unduly damaging the

competitive position of the drilling. Other information and data pertaining to the permit shall be released according to the provisions provided in paragraphs (c) of this section.

(2) The Director shall make available to the public all geological information, analyzed geological information, interpreted geological information, except geological data, analyzed geological information, and geological information obtained from the drilling of a deep stratigraphic test, 10 years after the date of issuance of the permit under which the information and data were obtained.

(3) The Director shall make available to the public all geological information and information obtained from the drilling of a deep stratigraphic test after the completion date or 60 calendar days after the date of the first OCS oil and gas lease within 50 geographic miles (meters) of the site of the test, whichever is sooner. The Director shall make available to the public geological information submitted in support of an application for a permit to drill a deep stratigraphic test well at the earlier of the following times: (i) 10 years after the completion of the test; or (ii) 60 calendar days after the issuance of the first gas lease within 50 geographic miles (92.6 kilometers) of the site of the completed test.

(d) The Director shall make available to the public geological information, processed geological information, reprocessed geological information, and interpreted geological information submitted under a permit, and retained by the permittee, as follows:

(1) The Director shall make available to the public geological information 10 years after the date of issuance of the permit under which the information was obtained.

(2) The Director shall make available to the public processed geological information, reprocessed geological information, and interpreted geological information 10 years after the date it is submitted to the Director.

(3) The Director shall make available to the public processed geological information

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and data pertaining to the permit will
be released according to the schedule
provided in paragraphs (c)(2) or (3) of
this section.

(2) The Director shall make avail-
able to the public all geological data,
analyzed geological information, and
interpreted geological information,
except geological data, analyzed geo-
logical information, and interpreted
geological information obtained from
the drilling of a deep stratigraphic
test, 10 years after the date of issu-
ance of the permit under which the in-
formation and data was obtained.

(3) The Director shall make avail-
able to the public all geological data
and information obtained from drill-
ing a deep stratigraphic test 10 years
after the completion date of the test
or 60 calendar days after the issuance
of the first OCS oil and gas lease
within 50 geographic miles (92.6 kilo-
meters) of the site of the completed
test, whichever is sooner. The Director
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geological information and data sub-
mitted in support of an application for
a permit to drill a deep stratigraphic
test well at the earlier of the following
times: (i) 10 years after completion of
the test; or (ii) 60 calendar days after
the issuance of the first OCS oil and
gas lease within 50 geographic miles
(92.6 kilometers) of the site of the
completed test.

(d) The Director shall disclose geo-
physical data, processed geophysical
information, reprocessed geophysical
information, and interpreted geophys-
ical information submitted under a
permit, and retained by the Director,
as follows:

(1) The Director shall make avail-
able to the public geophysical data 10
years after the date of issuance of the
permit under which the data is ob-
tained.

(2) The Director shall make avail-
able to the public processed geophys-
ical information, reprocessed geophys-
ical information, and interpreted geo-
physical information 10 years after
the date it is submitted to the Direc-
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(3) The Director shall make avail-
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ical information, and interpreted geo-
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drill a deep stratigraphic test, 10 years
after the date of issuance of the permit
under which the information and data
was obtained.

cal information, reprocessed geophys-
ical information, and interpreted geo-
physical information submitted in sup-
port of an application for a permit to
drill a deep stratigraphic test, or
which the permittee is required to
obtain in order to conduct the drilling
of a deep stratigraphic test, at the ear-
liest of the following times: (i) 10 years
after completion of the test; or (ii) 60
calendar days after the issuance of the
first OCS oil and gas lease within 50
geographic miles (92.6 kilometers) of
the site of the completed test.

§ 251.14-2 Disclosure to independent con-
tractors.

The Director reserves the right to
disclose any information or data ac-
quired from a permittee to an inde-
pendent contractor or agent for the
purpose of reproducing, processing, re-
processing, or interpreting such infor-
mation or data. When practicable, the
Director shall notify the permittee
who provided the information or data
of intent to disclose the information
or data to an independent contractor
or agent. The Director's notice of
intent will afford the permittee a
period of not less than 5 working days
within which to comment on the in-
tended action. When the Director so
notifies a permittee of the intent to
disclose information or data to an in-
dependent contractor or agent, all
other owners of such information or
data shall be deemed to have been no-
tified of the Director's intent. Prior
to any such disclosure, the contractor
or agent shall be required to execute a
written commitment not to transfer or
to otherwise disclose any information
or data to anyone without the express
consent of the Director. The contrac-
tor or agent shall be liable for any un-
authorized use by or disclosure of in-
formation or data to third parties.

§ 251.14-3 Sharing of information with af-
fected States.

(a) At the time of soliciting nomina-
tions for the leasing of lands within 3
geographic miles of the seaward
boundary of any coastal State, the Di-
rector, pursuant to the provisions of
§ 252.7(a)(4) and (b) of this chapter
and sections 8(g) and 28(e) of the Act,

shall provide the Governor of the State the following information that has been acquired by the Director on such lands proposed to be offered for leasing:

(1) All information on the geographical, geological, and ecological characteristics of the areas and regions proposed to be offered for leasing;

(2) An estimate of the oil and gas reserves in the areas proposed for leasing; and

(3) An identification of any field, geological structure, or trap located within 3 miles of the seaward boundary of the State.

(b) After the time of receipt of nominations for any area of the OCS within 3 geographic miles of the seaward boundary of any coastal State and tentative tract selection in accordance with the provisions of 43 CFR Parts 3313 and 3314, the Director, in consultation with the Governor of the State, shall determine whether any tracts being given further consideration for leasing may contain one or more oil or gas reservoirs underlying both the OCS and lands subject to the jurisdiction of the State.

(c) At any time prior to a sale, information acquired by the Director that pertains to the identification of oil or gas pools or fields underlying both the Outer Continental Shelf and lands subject to the jurisdiction of any coastal State on tracts selected for leasing within 3 geographic miles of the seaward boundary of any such State will be shared, upon request and pursuant to the provisions of § 252.7(a)(4) and (b) of this chapter and sections 8(g) and 26 of the Act, with the Governor of such State.

(d) Knowledge obtained by a State official who receives information under paragraphs (a) and (b) of this section shall be subject to the requirements and limitations of the Freedom of Information Act (5 U.S.C. 552) and the implementing regulations (43 CFR Part 2), the Act, the regulations contained in 30 CFR Part 250 (Oil and Gas and Sulphur Operations in the Outer Continental Shelf), the regulations in this Part 251 (Geological and Geophysical Explorations of the Outer Continental Shelf), and the reg-

ulations contained in 30 CFR Part 252 (Outer Continental Shelf Oil and Gas Information Program).

§ 251.14-4 Disclosure of information and data relating to specific contractual commitments.

All information and data already received by the Director and covered by a specific contractual commitment concerning its release shall be handled in a way consistent with the contractual commitment. In the event of any conflict between this provision and a provision of any other regulation in this Part 251, or of any regulation in Part 250 of this chapter, this provision shall govern.

PART 252—OUTER CONTINENTAL SHELF (OCS) OIL AND GAS INFORMATION PROGRAM

Sec.

252.1 Purpose.

252.2 Definitions.

252.3 Oil and gas data and information to be provided for use in the OCS Oil and Gas Information Program.

252.4 Summary Report to affected States.

252.5 Information to be made available to affected States.

252.6 Freedom of Information Act requirements.

252.7 Privileged and proprietary data and information to be made available to affected States.

AUTHORITY: Outer Continental Shelf Lands Act, 43 U.S.C. 1331 *et seq.*, as amended, Pub. L. 95-372; Freedom of Information Act (5 U.S.C. 552).

SOURCE: 44 FR 46408, Aug. 7, 1979, unless otherwise noted.

EDITORIAL NOTE: Nomenclature changes to this part appear at 47 FR 28369, June 30, 1982.

§ 252.1 Purpose.

The purpose of this part is to implement the provisions of section 26 of the Act (43 U.S.C. 1352). This part supplements the procedures and requirements contained in Parts 250 and 251 of this chapter and provides procedures and requirements for the submission of oil and gas data and information resulting from exploration, development, and production operations on the Outer Continental Shelf (OCS) to the Director, Minerals Management

Service. In addition, the procedures make available the information requested by the affected local States in accordance with the provisions of the Act.

§ 252.2 Definitions.

When used in this part, the following meanings govern:

(a) "Act" refers to the Outer Continental Shelf Lands Act (43 U.S.C. 1331).

(b) "Affected locality" means a locality which is identified in the Act as being significantly affected by activities on the OCS.

(c) "Affected activity" means any production or other activity on the OCS or approved production on the OCS.

(1) The laws and regulations of the State, to be the laws of the State for the purposes of such activity.

(2) Which is directly connected with the operations and other activities on the OCS.

(3) Which is conducted in accordance with the provisions of the Act, for the purpose of transshipment from the OCS to such State by a combination of vessels.

(4) Which is conducted by the Director as a State in which the impact on or the State in which the changes in the economic activity from the exploration and production operations where on the

EXTENDED CONFIDENTIALITY WELLS

Well Name	Other Well Owners/ Lease Owners	Status	Distance From Unleased Lands	Antic. Date Lease Nearby Lands	BTM Hole Location
<u>Icy Cape Area:</u>					
1 Chevron Akulik	Mobil, ASRC	P & A	Approx. 2 Miles	ASRC, unscheduled	T5S R49W 14 U.N.
2 Chevron Eagle Ck.	Mobil, ASRC	P & A	Approx. 2.9 Miles	ASRC, unscheduled	T8S R45W 26 U.N.
3 Union Tungak Ck.	Amoco, ASRC, Shell, Murphy	P & A	Approx. 1.9 Miles	State, unscheduled	T6N R42W 12 U.N.
<u>Gen. Brooks Range:</u>					
4 Chevron Killik	ASRC	P & A	Approx. 2.9 Miles	ASRC, unscheduled	T12S R10W 8 U.N.
5 Chevron Tiglukuk	Texaco, ASRC	P & A	Approx. 2.9 Miles	ASRC, unscheduled	T12S R2E 15 U.N.
6 Texaco Tulugak	Chevron, ASRC	P & A	Approx. 2 Miles	ASRC, unscheduled	T5S R3E 26 U.N.
7 Chevron Cobblestone	ASRC	P & A	Approx. 1.5 Miles	ASRC, unscheduled	T10S R6L 25 U.N.
<u>Cape Halkett/Harrison Bay:</u>					
8 Chevron Livehorse	ASRC	P & A	Approx. 1 Mile	NPRA, unscheduled (Teshekpuk Lake Area)	T17N R1W 18 U.N.
<u>Near ANWR:</u>					
9 Mobil Staines R. State	Phillips	Susp.	Approx. 2 Miles	ANWR, unscheduled	T9N R24L 20 U.N.
10 Phillips N. Staines R.1	Chevron, Mobil	Susp.	Approx. 2 Miles	ANWR, unscheduled	T9N R24E 25 U.N.
11 Exxon Alaska State G-2	Sohio, BPAE	P & A	Ap. 1 Mi. Sale 50 Ap. 2 Mi. ANWR Ap. 2.5 Mi. OCS	ANWR, unscheduled	T10N R24E 25 U.N.
12 Exxon Alaska State J-1		P & A	Ap. 2.7 Mi. ANWR	ANWR, unscheduled	T6N R22E 23 U.N.

EXTENDED CONFIDENTIALITY WELLS

Well Name	Other Well Owners/ Lease Owners	Status	Distance From Unleased Lands	Antic. Date Lease Nearby Lands	BTH Hole Location
					<u>Icy Cape Area:</u>
13 Union Leffingwell 1	ARCO	P & A	Ap. 0.5 Mile	State Sale 51, 1/87	TuN R22E 25 U.N.
					<u>Beaufort Sea:</u>
14 Shell BF 47	Amerada Hess	Discovery	Ap. 2.5 Mi. OCS	OCS Sale 97, 1/88	T13N R13E 2 U.N.
15 Shell BF 57	Texas Eastern	Susp.	Ap. 5.5 Miles	OCS Sale 97, 1/88	T13N R13E 24 U.N.
16 Standard Alaska Niakuk #4		Susp.	Ap. 2.5 Miles	OCS Sale 97, 1/88	T12N R15E 25 U.N.
17 Standard Alaska Niakuk #5		Susp.	Ap. 3 Miles	OCS Sale 97, 1/88	T12N R16E 30 U.N.
					<u>Tanana Basin:</u>
18 ARCO Totek Hills 1		P & A	Ap. 0.5 Mile	State, unscheduled	T7S R12W 36 F.

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3-16-87/0131c



STATE OF ALASKA
HOUSE OF REPRESENTATIVES

April 27, 1987

MEMORANDUM

TO: House Finance Committee Members

FROM: Representative Peter Goll, Chair
HFC Subcommittee on HB 41

SUBJ: Proposed CS HB 41 (FIN)

Attached is a proposed CS HB 41 (FIN). The CS is an attempt at a workable compromise between the bill sponsor, private landowners, and oil and gas companies. The CS does the following:

1. It retains the status quo with regard to the confidentiality of well data for all such data filed with the commission on or before July 1, 1987. This means that such data remains confidential for two years and that extended confidentiality can be granted by DNR.
2. Data on development wells drilled on or after July 1, 1987 becomes public after 30 days.
3. Data on exploratory or stratigraphic test wells filed between July 1, 1987 and July 1, 1991 is kept confidential for two years and then is eligible for extended confidentiality. However, DNR gets access to the information in order to carry out its statutory responsibilities. After July 1, 1991, data on exploratory and stratigraphic test wells will be made public after two years because such data will no longer be eligible for extended confidentiality.

The bill is a bit difficult to follow and does not lend itself to easy understanding by way of the normal sectional analysis approach, so I will be happy to answer any questions in the committee.

The bill has no fiscal impact on the operating budget of DNR.

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____

Bill Version : CSHB 41(Res)
Publish Date : HOUSE 3/6/87

Revision Date: 1/28/87
Title: An act relating to the confidentiality of certain oil & gas information

Agency Affected: Natural Resources
BRU: Petroleum Management

Sponsor: Brown and Koponen

Components : _____

Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

The bill would eliminate a requirement that the Commissioner of Natural Resources extend the period of well confidentiality in certain cases. Passage of the bill would result in a slight decrease in workload, but net savings would be very small and are difficult to project.

Prepared by: Robert C. Butts *Robert C. Butts* Phone: 465-2400
Division: Oil and Gas Date: 1/28/87

Approved by Commissioner: [Signature] Date: 1/28/87
Agency: Natural Resources

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

STATEMENT OF STANDARD ALASKA PRODUCTION COMPANY
CS FOR HOUSE BILL No. 41 (FINANCE)

THE MOST RECENT VERSION OF HB 41 ALLOWS THE DEPARTMENT OF NATURAL RESOURCES ACCESS TO DATA FROM WELLS HELD CONFIDENTIAL BY THE ALASKA OIL AND GAS CONSERVATION COMMISSION, WITHOUT DISTINGUISHING BETWEEN PRIVATE OR STATE LANDS. WHILE STANDARD DOES NOT OBJECT TO THIS PROVISION WITH RESPECT TO WELLS DRILLED ON LANDS BELONGING TO THE STATE, STANDARD BELIEVES THERE IS NO LEGITIMATE BASIS FOR ALLOWING THE DEPARTMENT OF NATURAL RESOURCES ACCESS TO DATA FROM PRIVATE LANDS.

THE STATE AND PRIVATE LANDOWNERS ARE COMPETITORS IN SELLING OIL AND GAS LEASES. THE STATE SHOULD NOT BE ALLOWED TO ACQUIRE VALUABLE COMMERCIAL DATA FROM PRIVATE LANDS UNDER THE GUISE OF DISCHARGING STATUTORY DUTIES TO DEVELOP LANDS BELONGING TO IT. STANDARD BELIEVES THAT SUCH ACTION WOULD BE TAKING OF PRIVATE PROPERTY AND NOT SUPPORTABLE UNDER THE DUTIES ASSIGNED TO THE DEPARTMENT OF NATURAL RESOURCES BY STATUTE.

STANDARD ALSO QUESTIONS THE LANGUAGE IN THE NEW DRAFT OF HB 41 WHICH ALLOWS INFORMATION FROM EXPLORATORY OR STRATEGGRAPHIC TEST WELLS TO BECOME PUBLIC AFTER 1991. WE HAVE TESTIFIED PREVIOUSLY THAT ALLOWING THIS TYPE OF INFORMATION TO BECOME AVAILABLE TO COMPETITORS WILL MOST ASSUREDLY DAMPEN INTEREST IN EXPLORATORY DRILLING. THERE WILL BE FEWER EXPLORATORY WELLS DRILLED AFTER 1991 IF THIS PROVISION IS ENACTED INTO LAW.

EXXON COMPANY U.S.A. Comments
CSHB 41 - Well Data Confidentiality
House Finance Committee
March 19, 1987

Exxon appreciates the opportunity to present comments in opposition to the release of competitive well data under CSHB-41. We believe that passage of this bill would slow oil and gas leasing and exploration activity in Alaska by significantly reducing the value of any well data obtained. Exploration budgets are already sharply reduced throughout the industry as companies work to cope with today's crude market. CSHB-41 would make it even more difficult for oil and gas operators to justify taking on the high cost and high risk of exploration in Alaska in the future.

In comparison to opportunities elsewhere, Alaska is characterized by harsh climate, remoteness and unexplored geologic prospects. Such high cost/high risk environments are significantly more attractive to explore with extended well confidentiality. For example, an operator may have a geologic concept for an area, but that concept, until tested by drilling, does not economically justify acquiring a large acreage position. Most often, several concepts must be studied and tested over a long period of time if any are to prove successful. If operators know they will have to give up all well data after only two years, often with limited drilling seasons, they will be less likely to pursue novel concepts in new areas.

For those leases that have already been acquired, operators will be encouraged to delay exploration drilling to plan around the confidentiality limitation. If a subsequent lease sale is not scheduled in the next two years, there would be a significant incentive for a lessee to defer drilling so that he does not lose a competitive advantage. If a lessee knew that a nearby leaseholder was about to drill, he would naturally be tempted to wait until that data became available before taking the risk himself. In other words, drilling decisions would be made based partly on the need to ensure confidentiality rather than on the most effective schedule.

This bill would be especially discouraging towards exploration of the least understood areas such as Interior geologic basins. The currently reduced rate of wildcat drilling in Alaska testifies to the cost/risk barriers being faced today. If well confidentiality could not be maintained, many such basins would likely continue to remain unexplored.

As these examples illustrate, we are convinced that lost well confidentiality would serve to slow oil and gas exploration in Alaska. Certainly, there are wells drilled by others with confidential data of great interest to Exxon. But the long-term downside impact on future exploration in Alaska strongly outweighs the short-term gain of such data access.

JDH/3295:dag
2/17/67

Standard Alaska
Production Company
900 East Benson Boulevard
P.O. Box 196612
Anchorage, Alaska 99519-6612
(907) 561-5111

STANDARD
ALASKA PRODUCTION

TESTIMONY OF STANDARD ALASKA PRODUCTION COMPANY ON H.B. 41,
CONFIDENTIALITY OF EXPLORATORY WELL INFORMATION.

Standard Alaska Production Company vigorously opposes the amendments to the existing section 31.05.035(c). The extended confidentiality provisions of this section are an important incentive to continued exploration in Alaska. Premature disclosure of exploratory drilling results, in the advance of any lease sale, would effectively deprive an aggressive exploring oil company of valuable proprietary information without any corresponding benefit to the State of Alaska. The amendment would allow companies who have not made any investment in exploration to unfairly reap the benefits of that exploration by premature disclosure of the information. The statute as proposed would deny any discretion in the Commissioner of Natural Resources to continue to hold information confidential and would explicitly require all information submitted to the Oil and Gas Conservation Commission be considered public information.

The proposed legislation would allow only a 25 month confidentiality period (thirty days between completion of the well and filing of the data and the 24 month confidentiality period). The revised time frame would be much too short to protect an exploratory company's proprietary information given the necessity to operate during winter drilling seasons. The present statute is permissive in that it allows the Commissioner of Natural Resources to extend the confidentiality period only when the information is significant to the valuation of unleased lands. The State of Alaska benefits from this confidentiality

to the extent that negative information does not prematurely depress lease prices in an area. The operator benefits from this provision in that this information which he has invested large amounts of money to acquire is protected from unfair disclosure while the State retains access to the data. The only possible beneficiary of the proposed legislation will be those companies who have not made an investment in the development of natural resources in Alaska.

As section 31.05.027 gives the Commission the authority to require reports from wells located on all land in the state lawfully subject to the Commission's police powers, there are wells which have already been drilled, in reliance upon the confidentiality provisions, whose reports would now be made public. Such an amendment to the law could constitute an "ex post facto" law and represent an unlawful conversion of a company's proprietary information. In addition, for wells drilling on private lands the disclosure of that information, we believe, would be a "taking" of private property by the government.

For the reasons stated, Standard Alaska Production Company opposes the adoption of HB 41.

Standard Alaska
Production Company
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STANDARD
ALASKA PRODUCTION

TESTIMONY OF STANDARD ALASKA PRODUCTION COMPANY
ON HB 41, CONFIDENTIALITY OF
EXPLORATORY WELL INFORMATION - FEBRUARY 18, 1987

My name is John A. Reeder and I am employed as Senior Counsel for Standard Alaska Production Company in Anchorage. I have been employed in this capacity by Standard or its affiliate, BP Alaska, Inc., since 1974 and served in the Department of Law as an Assistant Attorney General from 1971 to 1974. During this time, I have been almost exclusively involved in natural resource law in Alaska. My purpose in testifying today is to discuss the constitutional limitations in making public data from wells drilled on private or native land. Previously, Standard has indicated to this Committee that it does not favor HB 41 on policy grounds.

HB 41 seeks to repeal provisions of AS 31.05.035(c) which were adopted in 1978, and which now permit the Commissioner, Department of Natural Resources (DNR) to determine if information from oil and gas wells drilled in Alaska should be held by the Alaska Oil and Gas Conservation Commission (AOGCC) on a confidential basis, rather than released to the public after two years as would otherwise be provided under that section.

In the process of reviewing HB 41, I have come to the conclusion that the present structure of AS 31.05.035(c) may have significant constitutional flaws as it would be required to be applied to private (Native) lands regardless of the policy questions presented by HB 41. Removal of the

Commissioner's discretion would almost certainly cause the provision to be administered contrary to constitutional limitations.

While the AOGCC, in the exercise of its statutory oil and gas conservation responsibilities, clearly has authority to require the submission of data from wells drilled on private lands, the public release of economically valuable data from private lands (which some authorities have called the "speculative value" of land) is difficult to support as a valid exercise of the State's police power, and this is particularly true in the context of Alaska's difficult and time-consuming exploration environment. Premature release of such data destroys its commercial value to the landowner, and may subject the State to liability for an unpermitted "taking" of that value without compensation. Retroactive application of HB 41 also destroys the priority value of data from wells drilled on private lands.

Private ownership of the mineral estate in Alaska was virtually unknown prior to the implementation of the Alaska Native Claims Settlement Act and the acquisition by Regional Corporations of mineral rights in the subsurface of Native lands. The lack of private lands is one of the unique aspects of land management in Alaska.

As originally enacted in 1960, the confidentiality provision provided an automatic two-year period of confidentiality for data submitted from wells drilled in Alaska. This section was amended in 1970 to establish a separate section, AS 31.05.035, and provided that certain information be made immediately available to the public. In 1978, the section was again amended to its present form to provide a means of holding data confidential beyond the 24-month automatic period where the value of unleased lands might be affected by the information.

While this was a recognition of the commercial value of confidential data obtained by the State's oil and gas lessees, it is important to understand that, as applied to State lands, no real constitutional issue was or is presented by the prospective application of the submittal requirements. As applied to State lands, the issue of the duration of a confidentiality requirement, and the conditions under which it can be extended, is a policy matter to be decided by the legislature. As previously stated to this Committee, Standard feels a mechanism to extend the period of confidentiality on State lands is vital to the continued drilling of exploration wells in frontier areas, and should be retained as a matter of policy.

The issue is quite different with respect to private lands. As I will discuss later, the issue with respect to private lands concerns the exercise of the State's police power in the context of applicable constitutional limitations. The issue has rarely been raised in Alaska due to the manner in which the 1978 amendments to Section 35 have been implemented. Apparently the Commissioner, DNR, has made a determination with respect to private lands as well as State lands. In fact, of the 13 wells now assigned extended confidentiality status, eight are on Native lands.

Previously, this Committee has received a copy of a letter from former Commissioner Robert E. LeResche to Texaco, Inc. concerning a well drilled on Native lands in which he raised the issue of the applicability of the 1978 amendment to Section 35 to private lands. Commissioner LeResche decided to hold the data from the well confidential pending clarification of the law. No regulations were adopted concerning the applicability of Section 35(c) to private lands, and the DNR continued to deal with both private and State lands in the same manner.

Thus, to date the issue of a possible taking of the speculative value of private lands under these circumstances has been avoided.

The right of a landowner to keep information concerning his mineral estate confidential has been recognized in the United States for some time. Attached to my statement is a listing of material your staff may find useful which discusses this right. The property right has most often been examined in connection with a trespass committed by a third party in which geologic information affecting the value of the land was made public without the permission of the landowner. The trespass is said to have destroyed the speculative value of the land, the right of the landowner to hold such information confidential in the expectation of obtaining valuable consideration from others wishing to explore on his land.

Almost all oil-producing states recognize this right in requiring landowners to file information on oil and gas wells with conservation agencies, as almost all make some provisions for the landowner to automatically, or by application, protect the right of confidentiality.

At least one reported case involved the assertion by a lessee that the requirement to file such data was a taking of property without compensation, where, in the judgment of the lessee, an inadequate period was allowed in which the data was to be kept confidential. In this case, a copy of which is attached to my statement, the Kansas Corporation Commission (the equivalent of the AOGCC) had refused to grant an exemption to a two-year confidentiality provision on the grounds that the existing regulations adequately protected the speculative value of the lands held by the oil and gas lessee. The court upheld the Commission's decision. The importance of the case is the clear

recognition by both the Commission and the court of the existence of the speculative value of the lessee's lands. The Commission merely decided that in this instance a two-year period was adequate.

In Alaska, I believe the automatic two-year period of confidentiality which would remain in AS 31.05.035(c) if HB 41 is passed is not adequate to protect the speculative value of well data from private lands. The long development times, difficult environmental conditions and extreme distance from markets which impede oil and gas development in Alaska are well known to the Committee and need not be repeated here, but these obstructions to development usually result in geologic information retaining its commercial value for much longer times than in the rest of the United States. In practice, geologic data from wells drilled on private lands may remain valuable for commercial purposes for many years, and some mechanism needs to be included in AS 31.05.035(c) to extend the period of confidentiality to protect the speculative value of such lands. In this respect, Alaska has distinctly different requirements from other oil-producing states.

On the other hand, there seems to be little need to include development wells, wells drilled in producing reservoirs, (either on private or State land) in any system intended to protect the speculative value of private or State lands. Elimination of this requirement would ease a significant administrative burden on the AOGCC.

In conclusion, Standard, as previously stated to the Committee, feels the present provisions of AS 31.05.035(c) should be retained, both as a sound policy to encourage the drilling of exploration wells on State land and to protect the speculative value of private lands as required by Alaska's Constitution.

Authorities Discussing Description of Speculative Value

For general background see:

1. 1 H. Williams & C. Meyers, Oil and Gas Law §§ 229-230 (1986).
2. 1 W. Summers, The Law of Oil and Gas §§ 21-40 (2d ed. 1954 & Supp. 1986).

Concerning constitutional limitations see:

1. Retroactive application of HB 41. Norton v. Alcoholic Beverage Control Board, 695 P.2d 1090 (Alaska 1985).
2. Unconstitutional taking of private property. Ruckelhaus v. Monsanto Co., 104 S. Ct. 2862 (1984); State v. Hammer, 550 P.2d 820 (Alaska 1976).

Additional Comments on H.B. 41
Relating to
Extended Confidentiality of Oil and Gas Well Data

by

Dr. Philip E. Sorensen
April 22, 1987

At the time of my testimony before the House Finance Committee on March 19, 1987, several important issues were raised which required additional research. The sections which follow provide additional information concerning these questions.

1. In my testimony, I stated that "...all four of the top oil producing states in the U.S. (Texas, Alaska, Louisiana, and California) have provisions in law for extending the protection of confidentiality (of well data) beyond two years." A member of the Committee questioned the conclusion that Texas presently permits a period of confidentiality in excess of two years. In clarification of this question, I have attached copies of Texas Railroad Commission Rule 16 (Log and Completion Report) and Sections 91.551 - 91.556 of the Texas Natural Resources Code. These regulations indicate that Texas permits well logs to be kept confidential for periods of three years for onshore wells and five years for wells drilled on submerged state lands.

2. I previously testified that H.B. 41 would reduce the incentive of firms to drill exploratory wells in frontier areas because it would greatly reduce the information advantage these firms might have in subsequent bidding for unleased lands in nearby areas. I would like to explain this point further.

Records of the AOGCC indicate that at least 17 exploratory wells were drilled in Alaska on the North Slope just prior to the 1969 Prudhoe Bay sale. All of these wells were located near unleased acreage which was scheduled for sale within a year or so.

During the period from late 1974 until July 1979, no competitive oil and gas lease sales were held by the state because of various lawsuits and the uncertainty created by the Alaska Native Claims Settlement Act. Exploratory drilling adjacent to open lands in Alaska essentially stopped from 1974 through 1976, most likely because firms planning such drilling could not be sure they would be able to gain any advantage from the drilling information they might obtain within the two year period then provided for confidentiality of well data.

Five exploratory wells were drilled on the North Slope in 1977 in anticipation of the planned joint federal/state Beaufort Sea lease sale. When this sale was delayed, Alaska enacted legislation in 1978 to permit extended confidentiality for these and future wells. Subsequently, at least 21 exploratory wells were drilled on the North Slope adjacent to unleased acreage. Of these 21 wells, 13 were drilled near acreage where no sale was scheduled or where a sale was scheduled to take place at a time more than two years in the future. It is reasonable to assume that most, if not all, of these 13 wells would not have been drilled at that time in the absence of Alaska's extended confidentiality statute.

3. It has been suggested that firms which drill exploratory wells in frontier areas do not actually provide free information to other firms, even under a two-year disclosure rule, because the firm doing the drilling is able to recoup most of its costs from other firms through the process of cost equalization. But cost equalization will occur only if the lease owned by the exploratory firm is later included with other leases in a potential producing unit. In the period since 1978, 77 percent (or 111) of the 144 exploratory wells drilled in Alaska have not been included in a potential producing unit. Furthermore, of the eight potential producing areas where the other 33 wells are located, most have not yet been developed and, as a result, these wells may never have their costs shared. What is most important to note in this regard is that if an exploratory well is incapable of production — and this is true of most exploratory wells — there is generally no cost equalization.

4. A statute providing for a five-year or a ten-year time period for confidentiality of well data would do less damage to exploratory drilling in Alaska than a two-year time period, as proposed in H.B. 41. But it should be recognized that even a ten-year period of confidentiality would conflict with the extremely long lead times involved in leasing frontier areas in Alaska. Therefore, some exploratory wells that would be drilled under the present statute will not be drilled.

It is critically important to the future of Alaska that additional frontier areas in the state be explored and opened up for production. Exploratory drilling in Alaska requires large investments of capital and the assumption of tremendous risks. Those firms willing to make such investments and assume such risks should be accorded maximum protection of the information they obtain from drilling, as is true under the present Alaska statute providing for extended confidentiality of well data.

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with tubing or drill pipe. The plug must be respotted if it has not been properly placed. In addition, a cement plug must be set across the shoe of the surface casing. This plug must be a minimum of 100 feet in length and shall extend at least 50 feet above and below the shoe.

(2) When sufficient surface casing has been set to protect all usable-quality water strata, a cement plug shall be placed across the shoe of the surface casing. This plug shall be a minimum of 100 feet in length and shall extend at least 50 feet above the shoe and at least 60 feet below the shoe.

(3) If surface casing has been set deeper than 200 feet below the base of the deepest usable-quality water stratum, an additional cement plug shall be placed inside the surface casing across the base of the deepest usable-quality water stratum. This plug shall be a minimum of 100 feet in length and shall extend from 50 feet below the base of the deepest usable-quality water stratum to 50 feet above the top of the stratum.

(e) Plugging Requirements for Wells with Intermediate Casing.

(1) For wells in which the intermediate casing has been cemented through all usable-quality water strata and all productive horizons, a cement plug meeting the requirements of subsection (c)(10) of this rule shall be placed inside the casing and centered opposite the base of the deepest usable-quality water stratum, but extend no less than 50 feet above and below the stratum.

(2) For wells in which the intermediate casing is not cemented through all usable-quality water strata and all productive horizons, and if the casing will not be pulled, the intermediate casing shall be perforated at the required depths to place cement outside of casing by squeeze cementing through casing perforations.

(f) Plugging Requirements for Wells with Production Casing.

(1) For wells in which the production casing has been cemented through all usable-quality water strata and all productive horizons, a cement plug meeting the requirements of subsection (c)(10) of this rule shall be placed inside the casing and centered opposite the base of the deepest usable-quality water stratum and across any multi-stage cementing tool.

(2) For wells in which the production casing has not been cemented through all usable-quality water strata and all productive horizons if the casing will not be pulled, the production casing shall be perforated at the required depths to place cement outside of the casing by squeeze cementing through casing perforations.

(3) The district director may approve a cast iron bridge plug to be placed immediately above each perforated interval, provided at least 20 feet of cement is placed on top of each bridge plug. A bridge plug shall not be set in any well at a depth where the pressure or temperature exceeds the ratings recommended by the bridge plug manufacturer.

(g) Plugging Requirements for a Well with Screen or Liner.

(1) If practical, the screen or liner shall be removed from the well.

(2) If the screen or liner is not removed, a cement plug in accordance with subsection (c)(10) of this rule shall be placed at the top of liner.

(h) Plugging Requirements for Wells Without Production Casing and Open-Hole Completions.

(1) Any productive horizon or any formation in which a pressure or formation water problem is known to exist shall be isolated by cement plugs centered at the top and bottom of the formation. Each cement plug shall have sufficient slurry volume to fill a calculated height as specified in subsection (c)(10) above.

(2) If the gross thickness of any such formation is less than 100 feet, the tubing or drill pipe shall be suspended 50 feet below the base of the formation. Sufficient slurry volume shall be pumped to fill the calculated height from the bottom of the tubing or drill pipe up to a point at least 50 feet above the top of the formation, plus ten percent (10%) for each 1000 feet of depth from the ground surface to the bottom of the plug.

(i) The district director shall review and approve the "Notification of Intention to Plug" (Form W-3A) in a manner so as to accomplish the purposes of this rule. The district director may approve, modify, or reject the operator's "Notification of Intention to Plug". If the proposal is modified or rejected, the operator may request a review by the director of field operations. If the proposal is not administratively approved, the operator may request a hearing on the matter. After hearing, the examiner shall recommend final action by the commission.

§3.16 (051.02.02.015)

RULE 16. SURFACE CASING TO BE LEFT IN PLACE
(As Amended by Order Effective March 10, 1986.)

Unless alternative methods are approved pursuant to Statewide Rule 13 (16 T.A.C. §3.13), fresh water sands are to be protected with surface casing which has been cemented, and such casing shall not be removed from the well at abandonment. This applies to wells drilled by cable tool and rotary rigs alike.

§3.16 (051.02.02.016)

RULE 16. LOG AND COMPLETION REPORT (As Amended by Order No. 20-65,518, Dated November 3, 1975, and Orders Effective September 1, 1985, and February 26, 1986.)

(a) The owner or operator of an oil, gas or geothermal resource well, within thirty (30) days after the completion of such well or the plugging of such well, if the well is a dry hole, shall file with the Commission the appropriate completion or plugging report, and if a basic electric log is run on the well, a legible, unaltered final copy of such a log shall be attached. A "basic electric log" means a lithology, porosity, or resistivity log run over the entire wellbore or in the alternative, if no such log is run over the entire wellbore, the log which is the most complete of such logs run. Amended completion reports must be filed for any change in perforations, or openhole or casing records within thirty (30) days after recompleting the well. In addition, if the well is deepened, a copy of a basic electric log

R. W. Byram & Co., Feb., 1986

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run after September 1, 1986 should be submitted if such log is run over a deeper interval than the interval covered by a basic electric log already on file with the Commission for that wellbore.

(5) Each log filed with the Commission shall be considered public information and shall be available to the public during normal business hours. If the owner or operator of such well described in subsection (a) of this section desires log(s) to be confidential, the owner or operator must submit a written request for a delayed filing of the log(s). When filing such a request, the owner or operator must retain the log(s) and may delay filing such log(s) for one (1) year beginning from the date the completion or plugging report is required to be filed with the Commission. The owner or operator of such well may request an additional filing delay of two (2) years, provided the written request is filed prior to the expiration date of the initial confidentiality period. If a well is drilled on land submerged in fresh water, the owner or operator may request an additional filing delay of two (2) years so that a possible total filing delay of five (5) years may be obtained. A request for the additional two (2) year filing delay period must be in writing and be received prior to the expiration of the first two (2) year filing delay. Logs must be filed with the Commission within thirty (30) days after the expiration of the final confidentiality period.

(6) If the logs are not filed in accordance with the provisions of this section, the Commission may refuse to assign an allowable to a well or may set the allowable for such well at zero. If the well is a dry hole and the logs are not filed in accordance with the provisions of this section, the Commission may initiate penalty action pursuant to Title 3 of the Texas Natural Resources Code.

§3.17 (051.02.02.017)

RULE 17. PRESSURE ON BRADENHEAD (As Amended by Order No. 20-65,518, Dated November 3, 1975.)

(a) All wells shall be equipped with a Bradenhead. Whenever pressure develops between any two (2) strings of casing, the District Office shall be notified immediately. No cement may be pumped between any two strings of pipe at the top of the hole, except after permission has been granted by the District Office.

(b) Any well showing pressure on the Bradenhead, or leaking gas, oil, or geothermal resource between the surface and the production or oil string shall be tested in the following manner: the well shall be killed and pump pressure applied through the tubing head. Should the pressure gauge on the Bradenhead reflect the applied pressure, the casing shall be condemned and a new production or oil string shall be run and cemented. This method shall be used when the origin of the pressure cannot be determined otherwise. (From Old Rule 45)

§3.18 (051.02.02.018)

RULE 18. MUD CIRCULATION REQUIRED

When coming out of the hole with the drill pipe, drilling fluid shall be circulated until equalized, and a fill-up line shall be turned into the casing to insure a full load of fluid on the bottom of the hole at all times. (From Old Rule 51)

§3.19 (051.02.02.019)

RULE 19. DENSITY OF MUD-FLUID WHERE WELL CONTAINING WATER IS DRILLED INTO OIL, GAS, OR GEOTHERMAL RESOURCE PRODUCING STRATA (As Amended by Order No. 20-65,518, Dated November 3, 1975.)

In cable tool drilling, no operator shall drill into a known oil, gas, or geothermal resource producing formation with water from a higher formation in the hole, or with a sufficient head of water introduced into the hole to prevent gas blowing to the surface. The well shall either be allowed to blow until it has been drilled-in or it shall be drilled under a head of fluid whose weight shall average not less than nine and one-half (9-1/2) pounds per gallon; but in no case shall gas be allowed to blow for a longer period than three (3) days after completion of the well. Mud-laden fluid used for protecting oil, gas or geothermal resource bearing sands in upper formations while oil, gas or geothermal resource is being produced from deeper formations shall have an average weight of not less than nine and one-half (9-1/2) pounds per gallon. (From Old Rule 17)

§3.20 (051.02.02.020)

RULE 20. NOTIFICATION OF FIRE, BREAKS, LEAK OR BLOW-OUTS (As Amended by Order No. 20-60,399, Effective September 24, 1970, and Order No. 20-65,518, Dated November 3, 1975.)

(a) (1) (As Added by Order No. 20-60,399, Effective September 24, 1970.) Operators shall give immediate notice of fire, leak, spill or break to the appropriate Commission District Office by telephone or telegraph. Such notice shall be followed by a letter giving the full description of the event, and it shall include volume of crude oil, gas, geothermal resources, other liquids, or associated products lost. (Form H-8)

(Letter dated September 3, 1975 from Director of Fire Operations: "In response to your letter of July 22, 1975 it is the opinion of this office that oil spills and tank leaks which are wholly contained by and confined to the immediate area by a wall, do not need to be reported on form H-8 or to the Commission's district office.")

(2) All operators of any oil wells, gas wells, geothermal wells, pipe lines, receiving tanks, storage tanks, or receiving or storage receptacles into which crude oil, gas or geothermal resources is produced, received, stored, or through which oil, gas or geothermal resources is piped or transported, shall immediately notify the Commission by letter, giving full details concerning all fires which occur at oil wells, gas wells, geothermal wells, tanks, or receptacles owned, operated, controlled by them or on their property, and all such persons shall immediately report all tanks or receptacles struck by lightning and any other fire which destroys crude oil and natural gas, or geothermal resources or any of them, and shall immediately report by letter any breaks or leaks in or from tanks or other receptacles and pipe lines from which oil, gas or geothermal resources is escaping or has escaped. In all reports of fires, breaks, leaks, or escapes, or other accidents of this nature, the location of the well, tank, receptacle, or break shall be given by county, survey, and property, so that the exact location thereof can be readily located on the ground. Such report shall likewise specify what steps have been taken or are in progress to remedy the situation reported and shall detail quantity (estimated if no accurate measurement can be obtained, in which case the report shall show that the same is an estimate) of oil, gas, or geothermal resources, lost, destroyed or permitted to escape. In case any tank or receptacle permitted to run over, the escape thus occurring shall be reported as in the case of a leak. (From Old Rule 26)

(b) The report hereby required as to oil losses shall be necessary only in case such oil loss exceeds five (5) barrels in aggregate. (From Old Rule 26)

(c) Any operation with respect to the pick up of pipe line break oil shall be done subject to the following provision:

(1) The provisions hereafter set out shall not apply to the picking up and the returning of pipe line break oil to the pipe line from which it escaped either at the place of the pipe line break, or at the nearest pipe line station to the break where facilities are available to return such oil to the pipe line provided, that such operations are conducted by the pipe line operator at the time of the pipe line break and its repair; provided, further, that such authority as is herein granted for the picking up of pipe line break oil shall not relieve the operator of such pipe line of notifying the Commission of such pipe line break, and the furnishing to the Commission of the information required by the provisions set out in the first paragraph of this rule for reporting such pipe line breaks.

(2) (A) Any person desiring to pick up, reclaim, or salvage pipe line break oil, other than as provided above, shall obtain a permit before commencing operations. All applications for permits to pick up, reclaim, or salvage such oil shall be made in writing under oath to the District Office.

(B) Applications to pick, reclaim, or salvage pipe line break oil shall state the location of such oil, the location of the break in the pipe line causing the leakage of such oil, the name of the pipe line, the owner thereof, and the date of the break.

(C) Pipe line break oil that is not returned to the pipe line from which it escaped shall be offered to the applicant to reclaim by the operator of such pipe line but shall be charged to the pipe line stock account.

§ 91.505. Providing Information

If a royalty interest owner requests information or answers to questions concerning a payment made pursuant to this subchapter and the request is made by certified mail, the person making the payment must respond to the request by certified mail not later than 30 days after the request is received.

Added by Acts 1985, 69th Leg., ch. 199, § 1, eff. Sept. 1, 1985.

§ 91.506. Exemption

If the information required by Section 91.502 of this code is provided in some other manner on a monthly basis, the person making the payment is not required to include the information on the check stub or attachment to the payment form.

Added by Acts 1985, 69th Leg., ch. 199, § 1, eff. Sept. 1, 1985.

SUBCHAPTER M. ELECTRIC LOGS [NEW]

§ 91.551. Definitions

(a) In this subchapter:

(1) "Well" means a well being drilled for exploration for oil or gas or both oil and gas.

(2) "Electric log" means a wireline survey, except dipmeter surveys and seismic wireline surveys, run in an open hole or a cased hole of a well for purposes of obtaining geological information.

(b) In this subchapter, "person" includes a successor in interest.

Added by Acts 1985, 69th Leg., ch. 978, § 1, eff. Sept. 1, 1985.

Section 4 of the 1985 Act provides: "This Act applies only to completion reports and applications to plug wells filed with the Railroad Commission of Texas on or after the effective date of this Act and to electric logs and copies of electric logs made on or after the effective date of this Act. Completion reports and applications to plug wells filed before the effective date of this Act are governed by the law under which they were filed, and that law is continued in effect for that purpose."

§ 91.552. Electric Logs Required to be Filed; Criteria

(a) Except as otherwise provided by this subchapter, at the time a person files with the commission a completion report for a well or, in the case of a dry hole, an application to plug a well, the person shall also file with the commission a copy of a basic electric log made after September 1, 1985, in conjunction with the drilling of the well that meets basic criteria established by the commission.

(b) The commission by rule shall establish criteria for basic electric logs to be filed with the commission.

Added by Acts 1985, 69th Leg., ch. 978, § 1, eff. Sept. 1, 1985.

§ 91.553. Availability of Electric Logs

(a) Except as specifically provided by this section, each electric log filed with the commission under this subchapter is not confidential and is public information under Chapter 424, Acts of the 63rd Legislature, Regular Session, 1973 (Article 6252-17a, Vernon's Texas Civil Statutes).

(b) At the time an electric log is required to be filed with the commission under Section 91.552 of this code, the person required to file the electric log may file a written request with the commission asking that the electric log remain confidential and not be made available as public information. On filing this request, the electric log or copy of the electric log required to be filed with the commission may be retained by the person required to file the electric log, and the electric log may remain in the possession of the person for the period of confidentiality and any extensions of that period. On filing of the request for confidentiality, the electric log becomes confidential and remains confidential for a period of one year after the date that the electric log is required to be filed with the commission.

Answers to questions concerning a request is made by certified mail, the request by certified mail not later than

1985.

this code is provided in some other instrument is not required to include the payment form.

1985.

C LOGS [NEW]

Application for oil or gas or both oil and

except dipmeter surveys and seismic reflection of a well for purposes of obtaining

person in interest.

1985.

Effective date of this Act. Completion reports and applications to plug wells filed before the effective date of this Act are governed by the law under which they were filed, and that law is deemed in effect for that purpose."

Criteria

When, at the time a person files with the commission in the case of a dry hole, an application to file with the commission a copy of a basic electric log or a copy of the drilling of the well that meets basic

Criteria for basic electric logs to be filed with

1985.

When, each electric log filed with the commission shall be made public information under the Texas Public Information Act, Session, 1978 (Article 6252-17a,

When filed with the commission under Section 92.001, an electric log may file a written request that the log remain confidential and not be made public information. If the request is granted, the electric log or copy of the log may be retained by the person who filed the log. If the log remains confidential, the log may remain in the possession of the person who filed the log during the extensions of that period. On filing of the log, the log remains confidential and remains confidential. An electric log is required to be filed with

(c) If an electric log is made confidential under Subsection (b) of this section, the person who is required to file the electric log is entitled to have the period of confidentiality extended once for an additional period of two years. The commission shall grant the two-year extension on written request of the person who is required to file the electric log. The written request must be made to the commission before the one-year period of confidentiality under Subsection (b) of this section expires.

(d) If an electric log is made confidential under Subsection (b) of this section and the log was run in a well drilled on land submerged in state water, the person who is required to file the electric log is entitled to have the period of confidentiality extended for not more than two additional periods of two years each. The commission shall grant the extension or extensions on written request of the person who is required to file the electric log. The written request must be made to the commission before the expiration of the one-year period of confidentiality under Subsection (b) of this section or the expiration of the first extension granted under this subsection.

(e) A person required to file an electric log under this section who has held the log during a period of confidentiality or any extensions of that period shall file the log with the commission within 30 days after the conclusion of the period of confidentiality or the period of the last extension.

Added by Acts 1985, 68th Leg., ch. 978, § 1, eff. Sept. 1, 1985.

§ 91.554. Availability of Confidential Electric Logs

If the commission requires an electric log to be filed before the expiration of a period of confidentiality, the commission shall make that electric log available for inspection during the period of confidentiality only to:

- (1) a person authorized in writing by the person who filed the electric log with the commission; and
- (2) members of the commission and its employees in the exercise of their powers and duties under this code.

Added by Acts 1985, 69th Leg., ch. 976, § 1, eff. Sept. 1, 1985.

§ 91.555. Management and Storage of Electric Logs

The commission may contract with any person for the management and storage of the electric logs filed with the commission.

Added by Acts 1985, 69th Leg., ch. 978, § 1, eff. Sept. 1, 1985.

§ 91.556. Denial of Allowable

If a person fails to file an electric log as required by this subchapter, the commission may refuse to assign an allowable or a change in allowable for production from the well for which the electric log is required until that person files the electric log with the commission.

Added by Acts 1985, 69th Leg., ch. 978, § 1, eff. Sept. 1, 1985.

CHAPTER 92. MINERAL USE OF SUBDIVIDED LAND

Sec. 92.001. Purpose.	Sec. 92.005. Use of Operations Site.
92.002. Definitions.	92.006. Amendment, Replat, or Abandonment.
92.003. Creation of Subdivision.	92.007. Municipal Authority.
92.004. Hearing and Order by Railroad Commission.	

Law Review Commentaries

Predesignation of surface sites under chapter 92. Scott Lansdown, 48 Texas Bar J. 400 (1985).

Section 92.001. Purpose

It is the finding of the legislature that the rapidly expanding population and development of the cities and towns of this state and the concomitant need for adequate and

AN ECONOMIC ANALYSIS OF H.B. 41
Relating To
EXTENDED CONFIDENTIALITY OF OIL AND GAS WELL INFORMATION

Testimony Before the House Finance Committee
Alaska State Legislature
March 19, 1987

by

Dr. Philip E. Sorensen
Professor of Economics
Florida State University

Over the past decade I've had the pleasure of visiting Alaska many times. On each of these visits, I've come away with a deeper appreciation for the unique character of the people and environment of Alaska. I'm very happy to be here again, and I thank the members of this Committee for their courtesy in allowing me to present my views on this most important question.

The proponents of H.B. 41 assert that its passage will expedite oil and gas exploration and production and enhance competition for leases. But in my opinion the bill will have no beneficial effects. In fact, there is strong evidence, derived both from economic theory and from the results of several recent studies of oil and gas leasing and lease development which I have co-authored,¹ that erosion of the current protection given to well drilling data in Alaska, as proposed in H.B. 41, will:

1. Reduce the number and size of bonus bids for leases in frontier areas in Alaska on both state and private lands;
2. Reduce the number of wells drilled in frontier areas where nearby acreage remains unleased;
3. Reduce the number of firms participating in leasing and lease development in Alaska; and
4. Reduce the future level of oil production in Alaska together with all associated economic benefits including state revenues, employment, and development of critically needed infrastructure facilities.

¹These studies are summarized in Mead, et al., "Competitive Bidding Under Asymmetrical Information," The Review of Economics and Statistics, August 1984; and Offshore Lands: Oil and Gas Leasing and Conservation on the Outer Continental Shelf, Pacific Institute for Public Policy Research, 1985.

In the sections which follow, I will summarize the evidence which has led me to reach the conclusions stated above.

I. EXTERNAL ECONOMIES IN OIL AND GAS EXPLORATION

When an inventor develops a new idea or technique which reduces the cost or improves the quality of a good and service sold in a market, he profits from his effort or investment only to the degree that he is able to keep outsiders from freely copying (or "free-riding") on his investment. If the benefits of inventive efforts are allowed to spill over to individuals or firms who pay nothing for them, an "external economy" is created which has the effect of greatly reducing inventive efforts. In recognition of the cost to society of discouraging the creation of new and original ideas and information, laws creating property rights in information and ideas (such as patents, trademarks, and copywrite protection) have been an essential part of U.S. law from the beginning of our Republic.

The extended confidentiality provisions of AS 31.05.035(c) are founded on the same principles as the laws protecting patents and trade secrets. To encourage maximum levels of investment in exploratory drilling in frontier areas in Alaska, firms accepting the risks associated with these investments have been protected by state law from having the information they obtain spill over to "free riders"--other firms which have not invested in these drilling activities.

The proponents of H.B. 41 have argued that the people of Alaska would benefit by way of higher bonus bids on neighboring acreage if the information now maintained as confidential under AS 31.05.035(c) were suddenly to be released and made available to the public. But a deeper analysis will show that these benefits would occur (if at all) only once. In the long-run the erosion of these confidentiality provisions would seriously impair, if not destroy, the motive for any firm to engage in exploratory activity in frontier areas in Alaska.

To make this point more clear, consider the likely effects of a repeal of the patent laws which presently protect drug manufacturers in the U.S. Certainly this would lower some drug prices as competitors would be permitted to copy all existing drug formulas. But is there any question that society would be greatly harmed in the long-run by this action? Who would invest in research on new drugs if the benefits from such research could not be captured by inventing firms? And by similar reasoning, who would invest in exploratory drilling in frontier areas of Alaska if the benefits of such investments could not be captured by the firms doing the investing?

In fact, a considerable portion of the benefits produced by exploratory drilling already spill over to other firms as a result of an informal network of information provided by oil scouts, members of the drilling team, and others. One study has estimated the fraction of benefits which spill over as a result of this informal network to be about 25 percent.² This means that even under the protection of confidentiality statutes (such as the one in Alaska), a firm investing in exploratory drilling will always provide a large information subsidy to non-drilling firms. This discourages exploration in frontier areas since it rewards firms that wait for free information while it penalizes those who carry out pioneering exploratory ventures. And if the remaining portion of information benefits which can still be kept proprietary by exploratory drillers in Alaska were to be reduced (or eliminated) by repeal of AS 31.05.035(c), what incentive would remain for these firms to take the tremendous risks they do when they invest in frontier drilling?

II. COMPARISON OF RATES OF RETURN EARNED IN LEASING AND LEASE DEVELOPMENT

Our recently reported studies of rates of return earned by firms who were winning bidders for leases issued by the federal government in the Gulf of Mexico over the first 16 years of Outer Continental Shelf (OCS) lease sales, cited above, show that firms leasing wildcat tracts earned an average after-tax rate of return on investment of 10.04 percent, while firms who were winning bidders for leases located in areas near to proven wildcat tracts (referred to as "drainage tracts") earned higher rates of return on average: 14.59 percent.

The overall rate of return to firms on all OCS tracts leased was 10.74 percent. This was lower than the rate of return earned by all U.S. manufacturing corporations over this same period of years: 11.7 percent.³

The proponents of H.B. 41 suggest that the level of competition in drainage-type lease sales is reduced by the fact that some bidders have information advantages over other bidders. But our study shows that the number of bids cast for each lease sold in drainage lease sales (2.9) was only slightly lower than the average number of bids for wildcat leases (3.2).

²See F.M. Peterson, "Two Externalities in Petroleum Exploration," in G. Brannon (ed.), Studies in Energy Tax Policy, Cambridge: Ballinger, 1975, p. 102.

³

See Offshore Lands, Table 3.1, p. 53; and Table 3.2, p. 55.

Furthermore, those firms which had "no information" from prior wildcat drilling were able to win 43 percent of the leases sold in these sales, and these "no information" firms were able to earn a 25 percent higher rate of return on these drainage leases, or average, than was earned on wildcat leases in the same OCS areas over this same time period.

These facts lend support to the conclusion that a great deal of information is available to "no information" bidders in lease sales of acreage located near wildcat tracts which have previously been drilled on, and this information is used to the advantage of such bidders in these sales.

To summarize our findings regarding rates of return, it might appear that winners of drainage leases on the OCS earn higher than normal rates of return on these leases. But this appearance is deceptive. In fact, bidders in wildcat lease sales expect to earn lower-than-normal rates of return on these leases in the prospect of being able to recover part or all of their investment from the information they obtain through exploratory drilling. Overall, for wildcat and drainage leases combined, they earn a normal, competitive rate of return.

A major conclusion of our study is that bidders in wildcat lease sales determine the levels of their bonus bids on the basis of two variables: the expected net production value of the wildcat lease itself, and the expected value of the information they will be able to gain as a result of drilling on the wildcat lease. This means that if lessees of wildcat tracts are denied the opportunity to capture the information they obtain through exploratory drilling on these tracts, they will lower their bonus bids by an amount equal to the value of the information they can no longer capture.

Relating this conclusion to the situation in Alaska, if the confidentiality of well drilling information is eroded, as would happen through passage of H.B. 41, the value of wildcat (or frontier) acreage in Alaska will be greatly reduced. As a result, bidders will reduce the size of any bonus bids offered for such acreage. And in many cases, since the value of wildcat leases in frontier areas in Alaska is based almost entirely on the potential to obtain information of possible value in later lease sales, H.B. 41 will have the perverse result that no bids at all will be offered for many leases in frontier areas and no investments in well drilling will be made in these areas.

Since the impact of H.B. 41 will be felt not only in respect to state lands but also by the owners of private lands in Alaska (mainly Native Corporations or Villages), the proposed statute will seriously damage the prospects for leasing and developing such lands.

This point deserves emphasis: H.B. 41 will have the same negative impact on private landowners as it will have on state lands, reducing or eliminating bonus bids for leases in frontier areas and greatly lowering the chances that such lands will ever be developed.

III. ALTERNATIVE POLICIES FOR DEALING WITH EXTERNAL ECONOMIES IN EXPLORATORY DRILLING

Economists now recognize the fact that information spill-overs (or external economies) in exploratory drilling have the effect of reducing the level of exploratory drilling below that which is optimal for society. To deal with this problem, they have recommended a number of policies, any of which might be considered by the State of Alaska for its frontier lands:⁴

1. Tax breaks for exploratory drilling.
2. Government subsidies for exploratory drilling.
3. Leasing in frontier areas using huge lease blocks.
4. Drilling in frontier areas by the government.
5. Forcing buyers of leases in drainage-type lease sales to share in the costs of prior exploratory drilling done by other firms on nearby wildcat acreage.

As can be seen, all of these proposed policies would be far more costly to the state and involve a much greater bureaucratic involvement in leasing and lease development than the present system of protecting the investments made by exploratory drillers in Alaska through extended confidentiality of well drilling data.

IV. THE UNIQUENESS OF ALASKA

It has been argued that Alaska should reduce the time period permitted for maintaining the confidentiality of well drilling data for the reason that other states have shorter time periods during which such confidentiality is maintained. It should be noted, however, that all four of the top oil producing states in the U.S. (Texas, Alaska, Louisiana, and California) have provisions in law for extending the protection of confidentiality beyond two years.

More important, it is not really appropriate to compare the situation in Alaska with the situation in Alabama, Michigan, or North Dakota. The average cost per foot of onshore wells drilled in Alaska in 1985 was more than four times as great as for the U.S. as a whole. And for wells in the category between 15,000

⁴See Peterson, op. cit., p. 107; and J. Stiglitz, "The Efficiency of Market Prices in Long-Run Allocations in the Oil Industry," also in Brannon, op. cit., pp. 55-99.

and 17,500 feet, the cost in Alaska was over 13 times as great as the average for the U.S.⁵

Furthermore, Alaska's harsh climate, the remoteness of its location, the lack of developed systems for transporting drilling gear and materials into interior areas and production to markets, and the delays and uncertainty which have surrounded leasing schedules in the state--all these factors make Alaska a unique leasing and drilling environment. The average cost of obtaining exploratory well information in Alaska far exceeds that of any other producing state. And because of the long lead times involved, the value of that information remains high for many years following the drilling of an exploratory well. For these reasons, the impact of H.B. 41 would be devastating in Alaska even though similar statutes might have little impact in other states.

H.B. 41 is an exercise in wishful thinking. It assumes that information is a free good, and that future wildcat exploration and drilling will not be affected by changes in the time period during which the confidentiality of well drilling data from frontier areas is maintained. As a result, it proposes to release such data at an earlier time in the hope of increasing the bid values of leases sold in subsequent sales in the same area. But the essential issue for Alaska should be to enhance the prospects for wildcat leasing and lease development in the state. If frontier acreage in Alaska is not leased and not explored, there will be no subsequent lease sales, no subsequent bonus revenues, no subsequent production.

Given the current economic climate for the oil industry in the U.S. (and the even more grave problems facing future oil exploration in Alaska), it would be a dangerous error for the state to further impair the economic rationale for exploratory drilling in frontier areas. I am convinced that H.B. 41 would be a serious mistake for Alaska. I urge that it not be adopted.

⁵ American Petroleum Institute, 1985 Joint Association Survey on Drilling Costs, Tables 2, 4, 6, and 7.

Dr. Philip E. Sorensen is Professor of Economics at Florida State University, Tallahassee. He is currently on leave as Visiting Professor of Economics at the University of California, Santa Barbara. He received his Master's Degree in Economics at Utah State University and his Ph. D. in Economics at the University of California, Berkeley.

Dr. Sorensen is the author of numerous articles and books on the petroleum industry, published over the past 20 years. One major area of his research has focused on policy questions relating to exploration, leasing, and taxation of crude oil production. In 1985, he co-authored the widely-cited book entitled, Offshore Lands: Oil and Gas Leasing and Conservation on the Outer Continental Shelf. This book, among other topics, studied the question of optimal government policy toward information generated by firms drilling wells in frontier (or wildcat) areas. The policy conclusions reported in this book are based upon one of the largest empirical studies of the economics of oil and gas drilling and production ever completed.

Dr. Sorensen has served as a consultant on energy and environmental issues to the Department of Justice, the State Department, the Department of Interior, the Department of Commerce, and the states of California, Florida, and Washington.

STATEMENT OF STANDARD ALASKA PRODUCTION COMPANY
CS FOR HOUSE BILL No. 41 (FINANCE)

THE MOST RECENT VERSION OF HB 41 ALLOWS THE DEPARTMENT OF NATURAL RESOURCES ACCESS TO DATA FROM WELLS HELD CONFIDENTIAL BY THE ALASKA OIL AND GAS CONSERVATION COMMISSION, WITHOUT DISTINGUISHING BETWEEN PRIVATE OR STATE LANDS. WHILE STANDARD DOES NOT OBJECT TO THIS PROVISION WITH RESPECT TO WELLS DRILLED ON LANDS BELONGING TO THE STATE, STANDARD BELIEVES THERE IS NO LEGITIMATE BASIS FOR ALLOWING THE DEPARTMENT OF NATURAL RESOURCES ACCESS TO DATA FROM PRIVATE LANDS.

THE STATE AND PRIVATE LANDOWNERS ARE COMPETITORS IN SELLING OIL AND GAS LEASES. THE STATE SHOULD NOT BE ALLOWED TO ACQUIRE VALUABLE COMMERCIAL DATA FROM PRIVATE LANDS UNDER THE GUISE OF DISCHARGING STATUTORY DUTIES TO DEVELOP LANDS BELONGING TO IT. STANDARD BELIEVES THAT SUCH ACTION WOULD BE TAKING OF PRIVATE PROPERTY AND NOT SUPPORTABLE UNDER THE DUTIES ASSIGNED TO THE DEPARTMENT OF NATURAL RESOURCES BY STATUTE.

STANDARD ALSO QUESTIONS THE LANGUAGE IN THE NEW DRAFT OF HB 41 WHICH ALLOWS INFORMATION FROM EXPLORATORY OR STRATEGGRAPHIC TEST WELLS TO BECOME PUBLIC AFTER 1991. WE HAVE TESTIFIED PREVIOUSLY THAT ALLOWING THIS TYPE OF INFORMATION TO BECOME AVAILABLE TO COMPETITORS WILL MOST ASSUREDLY DAMPEN INTEREST IN EXPLORATORY DRILLING. THERE WILL BE FEWER EXPLORATORY WELLS DRILLED AFTER 1991 IF THIS PROVISION IS ENACTED INTO LAW.



P.O. BOX 129 BARROW, ALASKA 99723
 PHONE (907) 852-8633 OR 852-9633
 PANAFAX TELECOPIER (907) 852-5733

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March 19, 1987

Representative Al Adams
 Chairman
 House Finance Committee
 Alaska State Legislature
 Pouch V
 Juneau, Alaska 99811

Re: House Bill 41

Dear Representative Adams:

The Arctic Slope Regional Corporation (ASRC) is concerned with the State of Alaska's potential position on exploratory well data confidentiality and, in particular, proposed House Bill 41. Under the current confidentiality statute, AS 31.05.035(c), a landowner or lessee has the ability to keep well data confidential beyond the basic 24 or 25 month period. To remove this protection as proposed in HB 41 would be detrimental to and damage the property interests of private landowners.

ASRC, one of the 12 regional Native corporations created under ANCSA, is a large landowner on the North Slope with both leased and unleased acreage. Of approximately 4.5 million acres of land owned by ASRC, including subsurface only lands, about one-third is leased to major oil companies. Where wells have been drilled on our lands, information is developed that can have significant impacts on the future of that acreage as well as lands near thereto. Controlling and keeping that information confidential is a critical part of our private property interest.

ASRC's primary concern is that application of the amendment proposed by HB 41 will constitute an unconstitutional taking of ASRC's private property. The confidentiality statute may be enacted under two different basis of authority. One, is the State as landowner, which applies only to state leases. Second, is the state as regulator, acting as the sovereign pursuant to its general police powers on all leases in the state. In ASRC's situation, where it is the owner of the acreage involved, only the second rational can be used and is discussed here.

The exploratory well data of ASRC and its lessees is private property that has considerable value. The value is due to the exclusivity of information and knowledge about an area; this information is usually costly to obtain. To "regulate" the data's disclosure too soon after its development, so as to make it readily available to anyone, destroys the value of that information. This is a "taking" of that property by the state in violation of state and federal constitutional guarantees of due process. Certainly, the government could buy private well data information and pay value for it. However, to force its disclosure, by removal of the confidentiality protections upon which it was filed with the state, is an unconstitutional taking of private property.

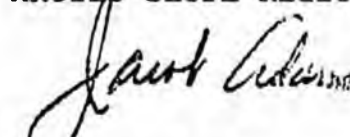
There is no justifiable state objective in removal of the confidentiality and release of the data that can overcome this private property right. There may be some acceptable objective in requiring the data's initial filing on a confidential basis in the purposes set forth for Chapter 31.05. However, these objectives do not justify the data's nonvoluntary release. An additional troublesome aspect of the change proposed by HB 41 is its application to past filings under the current statute. To change the law applicable to previously filed data exacerbates the taking problem and would be a further violation of state Constitutional protections.

To the extent this change is to be applied to or directed at private lands, it would be unconstitutional. In fact, any nonvoluntary forced disclosure of well data on private lands even under the existing statute, would be a violation of constitutionally protected rights. We request that the disclosure of exploratory well data under Chapter 31.05 in the current statute or as amended be clarified to state that it does not apply to exploratory wells on private property.

Thank you for your consideration of our concerns on this matter.

Sincerely,

ARCTIC SLOPE REGIONAL CORPORATION



Jacob Adams
President

Louisiana	Upon written request; (Act 4 of the Extraordinary Session of 1973) wells shallower than 15,000 feet-- one year with a one-year extension; Act 691 of the Regular Session of 1979--offshore logs, upon written request-- two years with a two-year extension.
Maine	S549-B (13) - Annual Report kept confidential indefinitely pursuant to Title 1, Section 408.
Maryland	No automatic time period. Reports required in 30 days. They can be held confidential at the specific request of the operator.
Massachusetts	N/A.
Michigan	S319.6 (d) and R299.1311 provide for 90 days after completion of drilling upon written request.
Minnesota	N/A.
Mississippi	S53-1-33 - Thirty days after completion of well. Other regulations - for six months if so requested. Eighteen months for stratigraphic tests.
Missouri	S259.070 (c) - six months. Other - one year if requested.
Montana	S82-11-123 (2) - Six months following completion for exploratory and wildcat wells; S82-11-125(2) - three years following completion for stratigraphic tests.
Nebraska	S57-905 (3)(i) - for 12 months upon written request.
Nevada	S38.28A, Ch. 522, 522.040(2) - six months for exploratory or "wildcat" wells; other - may be extended for a series of wells.
New Hampshire	N/A.
New Jersey	N/A.
New Mexico	Ninety days if requested.
New York	Logs kept confidential upon request and upon provision of substantiation for confidentiality acceptable to the Department.
North Carolina	For one year upon request of operator. Extensions of this confidentiality are allowed up to a maximum of 1 year at the discretion of the Department.
North Dakota	S38-08-04 (6) - six months if requested.
Ohio	S1509.10 - six months after completion; longer if granted by the Chief of the Division of Oil & Gas in writing.

Oklahoma	Held confidential for one year only if filed within 60 days after completion of log; optional six months' extension.
Oregon	S520.095 (2) - two years after completion. May be extended by State Geologist for time considered reasonable to protect economic interests of lessee.
Pennsylvania	One year for annual reports, which may be extended for four years.
Rhode Island	N/A.
South Carolina	S405. (c)(1)(ii) - twelve months after completion of well except for logs required under "Gas Operations Well - Drilling Petroleum and Coal Mining Act".
South Dakota	Six months, if requested in writing.
Tennessee	Six months from date of drilling to total depth upon written request of permittee (1040-2-10-.05).
Texas	No. On request, one 6-month extension of the time limit for the filing of a log with discovery application may be granted for good cause.
Utah	S40-60-4 (1)(b) - six months on request.
Vermont	S505 (b)(2) - two years on request with an additional year's extension with proof of special circumstances.
Virginia	Rule 15, Sec. 45.1-113. Test wells for one year - maximum of three years; other data for 90 days. S45.1-332 - two years for an exploratory well if certified as such in writing.
Washington	S78.52.260 - twelve months for exploratory well data if requested at time of filing.
West Virginia	One year, additionally to three total years for good cause.
Wisconsin	N/A.
Wyoming	S30-5-104 - for six months if requested.

SOURCES

Interstate Oil Compact Commission. Summary of State Statutes and Regulations for Oil and Gas Production. 1986

Myers, Raymond M. The Law of Pooling and Unitization, Voluntary - Compulsory. Volumes 2 & 3, Rev. December, 1986.

05371

Original sponsors: Brown, Koponen
and Goll

1 IN THE HOUSE BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE BILL NO. 41 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the confidentiality of certain
7 oil and gas information; and providing for an effective date."
8

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

10 * Section 1. LEGISLATIVE FINDINGS. (a) The legislature finds that

11 (1) the best interests of the state will be served if oil and
12 gas well data and information are not held confidential for periods longer
13 than two years;

14 (2) increasing the amount of oil and gas well data and informa-
15 tion available to citizens of the state and to the state's oil and gas
16 industry will improve competition and encourage more companies to become
17 involved in oil and gas exploration and production in the state;

18 (3) the predictable release of oil and gas well data and infor-
19 mation will expedite oil and gas exploration and production and enhance the
20 state's economic interests;

21 (4) drilling operations will be safer and more efficient if oil
22 and gas well data and information are available from nearby wells; and

23 (5) a better overall understanding of Alaska's subsurface
24 resources and geology will be promoted if oil and gas well data and infor-
25 mation are made available to the public.

26 * Sec. 2. AS 31.05.035(c) is amended to read:

27 (c) The reports and information required in (a) of this section
28 shall be kept confidential for 24 months following the 30-day filing
29 period unless the owner of the well gives written permission to

1 release the reports and information at an earlier date. If the com-
2 missioner of natural resources finds that the required reports and
3 information filed under (b) of this section before July 1, 1987,
4 contain significant information relating to the valuation of unleased
5 land in the same vicinity, the commissioner shall keep the reports and
6 information confidential for a reasonable time after the disposition
7 of all affected unleased land, unless the owner of the well gives
8 written permission to release the reports and information at an
9 earlier date. Well location, depth, status and production data and
10 production reports required by the commission to be filed subsequent
11 to the 30-day filing period is [SHALL BE CONSIDERED] public informa-
12 tion and may [SHALL] not be classified confidential. Production data,
13 as used in this subsection, means volume, gravity, and gas-oil ratio
14 of all production of oil or gas after the well begins regular produc-
15 tion.

16 * Sec. 3. This Act takes effect July 1, 1987.

Introduced: 1/19/87
Referred: Resources and
Finance

1 IN THE HOUSE

BY BROWN AND KOPONEN

2

HOUSE BILL NO. 41

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to the confidentiality of certain
7 oil and gas information."

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

9 * Section 1. AS 31.05.035(c) is amended to read:

10 (c) The reports and information required in (a) of this section
11 shall be kept confidential for 24 months following the 30-day filing
12 period unless the owner of the well gives written permission to re-
13 lease the reports and information at an earlier date. [IF THE COMMIS-
14 SIONER OF NATURAL RESOURCES FINDS THAT THE REQUIRED REPORTS AND INFOR-
15 MATION CONTAIN SIGNIFICANT INFORMATION RELATING TO THE VALUATION OF
16 UNLEASED LAND IN THE SAME VICINITY, THE COMMISSIONER SHALL KEEP THE
17 REPORTS AND INFORMATION CONFIDENTIAL FOR A REASONABLE TIME AFTER THE
18 DISPOSITION OF ALL AFFECTED UNLEASED LAND, UNLESS THE OWNER OF THE
19 WELL GIVES WRITTEN PERMISSION TO RELEASE THE REPORTS AND INFORMATION
20 AT AN EARLIER DATE.] Well location, depth, status and production data
21 and production reports required by the commission to be filed subse-
22 quent to the 30-day filing period is [SHALL BE CONSIDERED] public
23 information and may [SHALL] not be classified confidential.
24 Production data, as used in this subsection, means volume, gravity,
25 and gas-oil ratio of all production of oil or gas after the well
26 begins regular production.

HB

44

HOUSE COMMITTEE REPORT

(11)

Date referred: 4/8/87

FURTHER REFERRALS:

5/15
Rule

DATE: 5-15-87

HB 44

The Finance Committee has considered

"An Act relating to motor vehicle liability insurance and the insurance requirements for obtaining and maintaining motor vehicle registration; and providing for an effective date."

RECOMMENDS:

- replace with CS HB 44 (FIN) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

Al Adams

Pat Parnahot

Ronald J. Juro

Steve Kuy

Mark Boyer

Jay Brown

Mike Den

Al Adams no rec.

Key Wallis

Al Adams
Chairman's signature

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version: CSHB 44 (FIN)
Publish Date: _____

Revision Date: _____
Title: re: motor vehicle liability
insurance and vehicle...
Sponsor: Donley
Requestor: House Finance

Agency Affected: Public Safety
BRU: Motor Vehicles

Components: Field Services

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		14.9	30.7	31.6		
TRAVEL						
CONTRACTUAL		1.4	2.9	3.0		
SUPPLIES		.3	.4	.4		
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		16.6	34.0	35.0	0	0

CAPITAL						
----------------	--	--	--	--	--	--

REVENUE						
----------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND		16.6	34.0	35.0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL		16.6	34.0	35.0	0	0

POSITIONS:

FULL-TIME		1	1	1		
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Al Adams, Chair *APA*
Division: House Finance Committee

Phone: 465-3706
Date: 5-15-87

Approved by Commissioner: _____
Agency: _____

Date: _____

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. CSHB 44(Fin)

EXPENDITURES:

The committee substitute requires the person registering a vehicle to certify they have insurance, and will continue to carry the insurance when the vehicle is in operation.

As a result of experience gained from the Emission Inspection Program it is realized the renewal by mail form will not always be adequately completed in regard to certifying insurance is in existence, thus some will need to be returned to the applicant. Of the 412,000 registrations processed in 1986, 110,000 were renewals by mail. It is estimated 10% of the renewals by mail will be incomplete in regard to insurance. The one position requested is to assist the mail-out renewal program. After the program is in operation for a couple years there will be less rejected applications, and the position will no longer be required.

PERSONAL SERVICES:

1 Motor Vehicle Rep. II, Anchorage, 9B	14.9
--	------

CONTRACTUAL:

Postage - 6,250 x \$.22	1.4
-------------------------	-----

COMMODITIES: -

Envelopes	.2
Other normal office supplies	<u>.1</u>

TOTAL 16.6

The above funding is for one-half year because of effective date of January 1, 1988. A 3% inflation factor was used for FY89 and subsequent years.

REVENUES:

412,000 vehicles were registered in 1986. Revenue increase for FY88 is for one-half year because of effective date of January 1, 1988.
412,000 divided by one-half = 206,000 x \$1.00 fee increase = \$206,000.

A 1% growth factor was used for FY89 and subsequent years.

Position Title Motor Vehicle Representative II			No. of Positions One	Range/Step 9B	Barg. Unit GGU
Time Status PFT	Staff Months 12		Location Anchorage		Election District 7-15
Type of Expenditure			Amount		
1			2		3
Salary			10,710		
Benefits			4,191		
Premium Pay					
Other					
Total Personal Services					14.9
Travel					
Contractual					1.4
Commodities					.3
Equipment					
Other					
Total Cost					16.6
Funding Source for Total Cost					
Federal Receipts 1002					
G. F. Match 1003					
General Fund 1004					16.6
I-A Receipts 1006					
CIP Receipts 1061					
Other					

Justification

Process registration applications received under the mail-out renewal program. Inspect applications returned for completeness. Return applications which are incomplete with instructions on how to correct. Perform data entry for properly completed applications and send renewal registration and tabs to applicant.

Figures are for one-half year because of effective date of January 1, 1988.

**Request For
New Position**

Agency Public Safety
 BRU Motor Vehicles
 Component Field Services

Page 3 of 3
 Revised Date _____

FY 88

Original sponsors: Donley and Collins

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 44 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to motor vehicle liability insurance
7 and vehicle registration; and providing for an effec-
8 tive date."

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

10 * Section 1. AS 21.89.020 is amended by adding a new subsection to
11 read:

12 (f) An automobile liability insurance policy must provide that
13 all expenses and fees, not including counsel fees, incurred because of
14 arbitration or mediation shall be paid as a part of the arbitration
15 award.

16 * Sec. 2. AS 28.10.021(a) is amended to read:

17 (a) The owner of a vehicle subject to registration shall apply
18 for registration under this chapter by properly completing the form
19 prescribed by the commissioner under AS 28.05.041. Before the issu-
20 ance of a certificate of registration by the department, the owner
21 shall

22 (1) pay all registration fees and taxes required under this
23 chapter and federal heavy vehicle use taxes required under 26 U.S.C.
24 4481 (Internal Revenue Code of 1954);

25 (2) unless the owner qualifies as a self-insurer under
26 AS 28.20.400, or is exempted from obtaining liability insurance under
27 AS 28.22.200, certify to the department the existence of a motor
28 vehicle liability policy that complies with AS 28.22.200 for the
29 vehicle being registered and certify that the liability policy will

1 remain in effect for the term the vehicle is registered and being
2 driven on a highway, vehicular way or area, or until the vehicle is
3 sold; and

4 (3) [SHALL] comply with [ANY] other applicable statutes and
5 regulations.

6 * Sec. 3. AS 28.10.041(a) is amended to read:

7 (a) The department may refuse to register a vehicle if

8 (1) the application contains a false or fraudulent state-
9 ment;

10 (2) the applicant fails to furnish information required by
11 the department;

12 (3) the applicant is not entitled to the issuance of a
13 certificate of title or registration under this chapter;

14 (4) the vehicle is determined to be mechanically unsafe to
15 be driven or moved on a highway, vehicular way or area, or other
16 public property in the [THIS] state;

17 (5) the department has reasonable grounds to believe that
18 the vehicle was stolen or fraudulently acquired or that the granting
19 of registration would be a fraud against the rightful owner or other
20 person having a valid lien upon the vehicle;

21 (6) the registration of the vehicle has been suspended or
22 revoked for any reason under the laws of the [THIS] state;

23 (7) the required fees or taxes have not been paid;

24 (8) the vehicle or applicant fails to comply with this
25 chapter or regulations authorized by this section;

26 (9) the vehicle is without a certificate of inspection
27 required under AS 28.32.010;

28 (10) the vehicle is subject to a state-approved local
29 emission inspection program adopted by municipal ordinance under

1 AS 46.03.210, and the vehicle does not meet the standards of that
2 program, unless the vehicle uses a fuel source that does not primarily
3 emit carbon monoxide;

4 (11) the applicant fails to certify to the department the
5 existence of a motor vehicle liability policy that complies with
6 AS 28.22.010 for the vehicle being registered, unless the owner of the
7 vehicle qualifies as a self-insurer under AS 28.20.400, or is exempted
8 from obtaining liability insurance under AS 28.22.200.

9 * Sec. 4. AS 28.10.051 is amended by adding a new subsection to read:

10 (b) Unless the owner qualifies as a self-insurer under AS 28.-
11 20.400, or is exempted from obtaining liability insurance under
12 AS 28.22.200, the department may suspend or revoke the registration of
13 a vehicle that is not insured by a motor vehicle liability policy that
14 complies with AS 28.22.010.

15 * Sec. 5. AS 28.10.421(c) is amended to read:

16 (c) The annual registration fees under this subsection are
17 imposed and are based upon the actual unladen weight as established by
18 the manufacturer's advertised weight or upon the actual weight which
19 the owner shall furnish, subject to the approval of the commissioner
20 or the commissioner's representative, for a vehicle, including a motor
21 vehicle pulling a trailer or semi-trailer, used or maintained for the
22 transportation of passengers for hire, excepting taxicabs and buses
23 under (b) of this section, or for the transportation of property for
24 hire or for other commercial use, including a commercial vehicle such
25 as a trailer, semi-trailer, truck, wrecker, tow car, hearse, ambu-
26 lance, and tractor, as follows:

27 (1) up to and including 5,000 pounds \$51 [\$50];

28 (2) more than 5,000 pounds to and including 12,000 pounds .

29 \$86 [\$85];

- 1 (3) more than 12,000 pounds to and including 18,000 pounds
2 \$156 [\$155];
3 (4) more than 18,000 pounds \$221 [\$220].

4 * Sec. 6. AS 28.10.421 is amended by adding a new subsection to read:

5 (f) The fees collected by the department under this section
6 shall be deposited in the general fund. The Department of Adminis-
7 tration shall separately account for three percent of the fees
8 collected under this section and deposited in the general fund. The
9 annual estimated balance in the account may be used by the legislature
10 to make appropriations for administration of AS 28.10.021(a) and
11 AS 28.22 (Alaska Mandatory Automobile Insurance Act).

12 * Sec. 7. AS 28.15.255(c) is amended to read:

13 (c) In this section, the term "proof of financial responsibility
14 [FOR THE FUTURE]" has the meaning given in AS 28.20.630 [AS 28.20.-
15 230(b)] and may be established as provided in AS 28.20.

16 * Sec. 8 AS 28.20.630 is amended to read:

17 Sec. 28.20.630. DEFINITIONS [DEFINITION]. In this chapter,
18 unless the context otherwise requires,

19 (1) "judgment" ["JUDGMENT"] means a judgment that [WHICH]
20 is final by expiration without appeal of the time within which an
21 appeal may be taken, or final by affirmation on appeal, given by a
22 court of a [ANY] state or of the United States, upon a cause of action
23 arising out of the ownership, maintenance, or use of a vehicle of a
24 type subject to registration under the laws of this state, for dam-
25 ages, including damages for care and loss of services, because of
26 bodily injury to or death of a person, or for damages because of
27 injury to or destruction of property, including the loss of use of
28 property, or upon a cause of action on an agreement of settlement for
29 such damages;

1 (2) "proof of financial responsibility" means an owner's
2 motor vehicle liability policy that covers all vehicles owned by the
3 person that are subject to registration in this state, or if the
4 person does not own a vehicle, proof required under AS 28.20.390.

5 * Sec. 9. AS 28.22 is amended by adding a new section to read:

6 Sec. 28.22.610. SHORT TITLE. This chapter may be cited as the
7 Alaska Mandatory Automobile Insurance Act.

8 * Sec. 10. Section 1 of this Act applies to automobile liability insur-
9 ance policies entered into or renewed on or after the effective date of
10 this Act.

11 * Sec. 11. AS 28.20.230(b) and secs. 17, 18, 19, 20, and 23 of ch. 70,
12 SLA 1984 are repealed.

13 * Sec. 12. This Act takes effect January 1, 1988.
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**STATE OF ALASKA
1988 LEGISLATIVE SESSION**

BILL VERSION: CSHB 44 (FIN)
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: re: motor vehicle liability
insurance and vehicle...
Sponsor: Donlev
Requestor: House Finance

Agency Affected: Public Safety
BRU: Motor Vehicles

Components: Field Services

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	14.9	30.7	31.6			
TRAVEL						
CONTRACTUAL	1.4	2.9	3.0			
SUPPLIES	.3	.4	.4			
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	16.6	34.0	35.0	0	0	0
TOTAL OPERATING						

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	16.6	34.0	35.0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL	16.6	34.0	35.0	0	0	0

POSITIONS:

FULL-TIME	1	1	1			
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Al Adams, Chair *APA* Phone: 465-3706
Division: House Finance Committee Date: 1-8-88

Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. CSHB 44(Fin)

EXPENDITURES:

The committee substitute requires the person registering a vehicle to certify they have insurance, and will continue to carry the insurance when the vehicle is in operation.

As a result of experience gained from the Emission Inspection Program it is realized the renewal by mail form will not always be adequately completed in regard to certifying insurance is in existence, thus some will need to be returned to the applicant. Of the 412,000 registrations processed in 1986, 110,000 were renewals by mail. It is estimated 10% of the renewals by mail will be incomplete in regard to insurance. The one position requested is to assist the mail-out renewal program. After the program is in operation for a couple years there will be less rejected applications, and the position will no longer be required.

PERSONAL SERVICES:

1 Motor Vehicle Rep. II, Anchorage, 9B	14.9
--	------

CONTRACTUAL:

Postage - 6,250 x \$.22	1.4
-------------------------	-----

COMMODITIES: -

Envelopes	.2
Other normal office supplies	<u>.1</u>

TOTAL	16.6
-------	------

The above funding is for one-half year because of effective date of January 1, 1988. A 3% inflation factor was used for FY89 and subsequent years.

REVENUES:

412,000 vehicles were registered in 1986. Revenue increase for FY88 is for one-half year because of effective date of January 1, 1988.

412,000 divided by one-half = 206,000 x \$1.00 fee increase = \$206,000.

A 1% growth factor was used for FY89 and subsequent years.

Position Title Motor Vehicle Representative II		No. of Positions One	Range/Step 9B	Barg. Unit GGU
Time Status PFT	Staff Months 12	Location Anchorage		Election District 7-15
Type of Expenditure		Amount		
1	2	3		
Salary	10,710			
Benefits	4,191			
Premium Pay				
Other				
Total Personal Services		14.9		
Travel				
Contractual		1.4		
Commodities		.3		
Equipment				
Other				
Total Cost		16.6		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004	16.6		
I-A Receipts	1006			
CIP Receipts	1061			
Other				
Justification				
<p>Process registration applications received under the mail-out renewal program. Inspect applications returned for completeness. Return applications which are incomplete with instructions on how to correct. Perform data entry for properly completed applications and send renewal registration and tabs to applicant.</p> <p>Figures are for one-half year because of effective date of January 1, 1988.</p>				

**Request For
New Position**

Agency Public Safety
 DRU Motor Vehicles
 Component Field Services

Page 3 of 3
 Revised Date

FY 88

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

DRAFT dated 5-13-87
CSHB 44 (Fin).

REQUEST: _____

Bill Version : _____
Publish Date : _____

Revision Date: _____
Title: An Act relating to motor vehicle liability insurance and vehicle
Sponsor: Donley
Requestor: House Finance

Agency Affected: Public Safety
BRU: Motor Vehicles
Components: Field Services

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		14.9	30.7	31.6		
TRAVEL						
CONTRACTUAL		1.4	2.9	3.0		
SUPPLIES		.3	.4	.4		
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	16.6	34.0	35.0	-0-	-0-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE	-0-	206.0	416.1	420.3	424.5	428.7
---------	-----	-------	-------	-------	-------	-------

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	16.6	34.0	35.0	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	16.6	34.0	35.0	-0-	-0-

POSITIONS:

FULL-TIME		1	1	1		
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

See Page 2.

Prepared by: Charles R. Hosack *CRH* Phone: 269-5551
Division: Motor Vehicles Date: 5-15-87

Approved by Commissioner: [Signature] Date: 5/15/87
Agency: Public Safety

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
Senate Secretary

RECEIVED
MAY 15 1987

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. CSHB 44(Fin) DRAFT dated 5-13-87

EXPENDITURES:

The committee substitute requires the person registering a vehicle to certify they have insurance, and will continue to carry the insurance when the vehicle is in operation.

As a result of experience gained from the Emission Inspection Program it is realized the renewal by mail form will not always be adequately completed in regard to certifying insurance is in existence, thus some will need to be returned to the applicant. Of the 412,000 registrations processed in 1986, 110,000 were renewals by mail. It is estimated 10% of the renewals by mail will be incomplete in regard to insurance. The one position requested is to assist the mail-out renewal program. After the program is in operation for a couple years there will be less rejected applications, and the position will no longer be required.

PERSONAL SERVICES:

1 Motor Vehicle Rep. II, Anchorage, 9B	14.9
--	------

CONTRACTUAL:

Postage - 6,250 x \$.22	1.4
-------------------------	-----

COMMODITIES: -

Envelopes	.2
Other normal office supplies	<u>.1</u>

TOTAL	16.6
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Other				
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Contractual		1.4		
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Equipment				
Other				
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Funding Source for Total Cost				
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G. F. Match	1003			
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Request For
New Position

Agency Public Safety
 BRU Motor Vehicles
 Component Field Services

Page 3 of 3
 Revised Date

FY 88

APRIL 1, 1987

COMMENTS ON HB 44

PAGE 1, LINE 21, REQUIRES THE OWNER OF A VEHICLE TO "CERTIFY" TO THE DEPARTMENT THE EXISTENCE OF MOTOR VEHICLE LIABILITY INSURANCE. THE AIIAB SUGGESTS THAT THE TERM CERTIFY IS SOMEWHAT VAGUE. WE WOULD SUGGEST THAT THE WORDS "CERTIFY TO THE DEPARTMENT" BE DELETED AND REPLACED BY "SIGN A SWORN AFFADAVIT TO THE DEPARTMENT VERIFYING".

line 23 - delete certify to verify

WE ALSO UNDERSTAND THAT THERE MAY BE CONSIDERATION OF AN AMENDMENT TO REQUIRE PROOF OF INSURANCE UP FRONT IN THE FORM OF A BINDER OR POSSIBLY A COPY OF THE POLICY. WE FEEL VERY STRONGLY THAT SUCH AN AMENDMENT WOULD PLACE A TRULY MONUMENTAL PAPERWORK BURDEN ON OUR MEMBERS. THE DEPARTMENT OF PUBLIC SAFETY EARLIER TESTIFIED BEFORE THE HOUSE LABOR AND COMMERCE COMMITTEE STATING THAT THERE ARE APPROXIMATELY 450,000 VEHICLES REGISTERED IN THE STATE. IN ADDITION, THERE ARE ALSO AN UNKNOWN NUMBER OF RESALES EACH YEAR WHICH WOULD ALSO REQUIRE PROOF OF INSURANCE WHEN THE VEHICLE IS RE-REGISTERED. [PARTICULARLY] IN LIGHT OF THE CURRENT ECONOMIC SITUATION IN ALASKA, THE EXTRA EXPENSE INCURRED BY THE LOCAL AGENTS AND BROKERS WOULD INDEED BE DEVASTING.

April 12, 1987

Lova

Representative Al Adams
Chair, House Finance Committee
Box V
Juneau, Alaska 99811

Re: CSHB 44

Dear Mr. Chairman:

As you know, I represent the Association of Independent Insurance Agents and Brokers. I thought if I submitted my thoughts about the captioned bill in writing, I could save you and your committee members some valuable time instead of appearing before you in person.

One of the problems with the bill as written is the horrendous amount of money which will be required by the Division of Motor Vehicles to administer its provisions. I believe Bill Brown of that department will verify this allegation. Also, Don Koch of the Division of Insurance will authenticate the allegation, I believe.

We can cure the financial problems quite simply without doing injury to the bill. I refer to subsection (2), lines 25-28 on page 1. If, on line 27, we could delete this language, "certify to the department and provide proof" and substitute therefor, "sign a sworn statement to the department verifying" and if, on line 29, "certify" were changed to "verify", the matter would be solved.

These are simple changes; they would drastically reduce the financial impact to the state. I don't believe there will be much, if any, serious objection to these proposed changes.

If you feel there is merit to these suggestions, may I request you make copies of this informal letter and distribute them to your committee members?

Best regards,

Bob Ziegler

Robert H. Ziegler, Sr.



LAWS OF ALASKA

1984

Source

ASRS 7

Chapter No.

70

AN ACT

relating to motor vehicles; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1, LINE 9

UNDERLINED MATERIAL INDICATES TEXT THAT IS BEING ADDED TO THE LAW AND BRACKETED MATERIAL IN CAPITAL LETTERS INDICATES DELETIONS FROM THE LAW; COMPLETELY NEW TEXT OR MATERIAL REPEALED AND RE-ENACTED IS IDENTIFIED IN THE INTRODUCTORY LINE OF EACH BILL SECTION.

Approved by the Governor: May 31, 1984
Actual Effective Date: Sections 1 - 15 take effect
January 1, 1985; Section 16 takes effect October 1, 1984;
Sections 18, 19 and 20 take effect January 1, 1989.

AN ACT

Relating to motor vehicles; and providing for an effective date.

Section 1. DECLARATION OF PURPOSE. The legislature is concerned over the rising toll of motor vehicle accidents and the suffering and loss inflicted by them. The legislature determines that it is a matter of grave concern that motorists be financially responsible for their negligent acts so that innocent victims of motor vehicle accidents may be recompensed for the injury and financial loss inflicted upon them. The legislature finds and declares that the public interest can best be served by the requirement that both the owner and operator of a motor vehicle that is to be operated in any particular ways of the state where the potential for motor vehicle accidents is substantial be required to maintain coverage under a motor vehicle liability policy issued in conformity with AS 28.22.010 or through a certificate of self-insurance issued under AS 28.20.400. The legislature also finds and declares that the most economical and practical time to require compliance with insurance coverage is when an operator of a motor vehicle has been involved in an accident or charged with a traffic law violation.

Sec. 2. AS 21.89.020(a) is amended to read:

(a) An automobile liability policy that [WHICH] insures an owner or operator of a motor vehicle against loss resulting from [HIS] liability for bodily injury or death, or for property injury or destruction, or both, that [WHICH] is sold in the [THIS] state [AFTER

Chapter 70

JANUARY 1, 1969, BY AN INSURANCE CARRIER AUTHORIZED TO TRANSFER BUSINESS IN THIS STATE], shall contain limits in at least the amount prescribed for a motor vehicle liability policy in AS 28.20.440 AS 28.22.010 (AS 28.20.440(b)(2), AND MEET THE REQUIREMENTS OF AS 28.20.440(b)(3) UNLESS WAIVED AS PROVIDED IN THAT PARAGRAPH].

* Sec. 3. AS 21.89.020 is amended by adding new subsections

(c) An insurance company offering automobile liability coverage in this state for bodily injury or death shall offer coverage prescribed in AS 28.20.440 and 28.20.445, or AS 28.22.010, with limits equal to at least the limit purchased voluntarily by the insured person's liability for bodily injury or death for the protection of the persons insured under the policy who are entitled to recover damages for bodily injury or death from operators of uninsured or underinsured motor vehicles. Any written waiver may not be less than the limit in AS 28.20.440 or AS 28.22.010.

(d) An insurance company offering automobile liability coverage in this state for injury to or destruction of property shall offer coverage prescribed in AS 28.20.440 and 28.20.445, or AS 28.22.130, with limits not less than those prescribed in AS 28.20.440 or AS 28.22.010, to cover the insured person's liability for injury to or destruction of property, for the protection of the persons insured under the policy who are legally entitled to recover damages for injury to or destruction of the covered motor vehicle from operators of uninsured or underinsured motor vehicles.

(e) The coverage required under (c) and (d) of this section shall be waived in writing by the insured in whole or in part. After the exercise of the limits by the insured or the exercise of the coverage, the insurer is not required to

...E CARRIER AUTHORIZED TO TRANSACT ...
 ...ntain limits in at least the ...
 ...liability policy in AS 28.20.440 ...
 ...), AND MEET THE REQUIREMENTS OF AS 28.22.010 ...
 ...ROVIDED IN THAT PARAGRAPH]. ...
 ...d by adding new subsections to AS 28.20.440 ...
 ...offering automobile liability ...
 ...y or death shall offer coverage ...
 ...28.20.445, or AS 28.22.010 - AS 28.22.010 ...
 ...the limit purchased voluntarily ...
 ...for bodily injury or death, ...
 ...red under the policy who are ...
 ...bodily injury or death from ...
 ...erinsured motor vehicles. ...
 ...the limit in AS 28.20.440 or AS 28.22.010 ...
 ...offering automobile liability ...
 ...destruction of property shall ...
 ...28.20.440 and 28.20.445, or AS 28.22.010 ...
 ...than those prescribed in AS 28.22.010 ...
 ...insured person's liability for injury ...
 ...the protection of the persons ...
 ...ally entitled to recover damages ...
 ...covered motor vehicle from ...
 ...insured motor vehicles. ...
 ...under (c) and (d) of this section ...
 ...red in whole or in part. After ...
 ...red or the exercise of the option ...
 ...n part, the insurer is not required ...

...ify any policy holder in any renewal, supplemental or replacement
 ...cy, as to the availability of the coverage or optional limits, and
 ...the waived coverage may not be included in any renewal, supplemental
 ... replacement policy. The insured may, at any time, make a written
 ... request for additional coverage or coverage more extensive than that
 ... provided on a prior policy.

Sec. 4. AS 28.10.021 is amended by adding a new subsection to read:

(b) At the time of application for registration or renewal of
 ...istration, the department shall provide the applicant written
 ... information explaining the state's financial responsibility law, the
 ...andatory automobile insurance requirement, and potential penalties
 ... failure to comply with the law.

Sec. 5. AS 28.15.061 is amended by adding a new subsection to read:

(e) At the time of application for a driver's license or an
 ...struction permit, or renewal of a driver's license or an instruction
 ... permit, the department shall provide the applicant written information
 ... explaining the state's financial responsibility law, the mandatory
 ... automobile insurance requirement, and potential penalties for failure
 ... comply with the law.

Sec. 6. AS 28.15.081(a) is amended to read:

(a) The department shall examine every applicant for a driver's
 ...ense. The examination shall include a test of the applicant's (1)
 ...sight, (2) ability to read and understand official traffic control
 ...vices, (3) knowledge of safe driving practices, (4) knowledge of the
 ...ffects of alcohol and drugs on drivers and the dangers of driving
 ...der the influence of alcohol or drugs, [AND] (5) knowledge of the
 ... [RELATING TO] driving while intoxicated, (6) knowledge of the
 ... on financial responsibility and mandatory automobile liability
 ... insurance, and, (7) the traffic laws and regulations of this state.

Chapter 70

1 The examination may include a demonstration of ability to
2 ordinary and reasonable control in the driving of a motor
3 the type and general class of vehicles for which the applicant
4 license. However, an applicant who has not been previously
5 driver's license by this or another jurisdiction must demonstrate
6 ability, and must present medical information that the
7 reasonably requires to determine fitness to safely drive
8 vehicle of the type and general class of vehicles for which the
9 applicant seeks a license.

10 * Sec. 7. AS 28.15.211 is amended to read:

11 Sec. 28.15.211. PERIODS OF LIMITATION, SUSPENSION OR
12 TION; OPPORTUNITY FOR HEARING AND SURRENDER OF LICENSE. (a)
13 for a point system suspension or revocation under AS 28.
14 28.15.241 and unless provided otherwise by law, and unless the
15 sion or revocation was for a cause that [WHICH] has been removed
16 person whose driver's license or privilege to drive a motor vehicle
17 this state has been suspended or revoked may not apply for a
18 license nor may the person's [HIS] driving privilege be restored
19 the expiration of

20 (1) one month from the date on which the license was
21 suspended or revoked for a first conviction of the particular offense
22 from which the suspension or revocation resulted;

23 (2) three months from the date on which the license was
24 suspended or revoked for a second conviction within 12 consecutive
25 months of the same offense from which the suspension or revocation
26 resulted;

27 (3) one year from the date on which the license was
28 suspended or revoked for a third or subsequent conviction within 12
29 consecutive months of the same offense from which the suspension or

revocation resulted, [; OR]

(b) A limitation, suspension, or revocation of a driver's license imposed by a court takes effect on the date of final judgment, except that if another limitation, suspension, or revocation of license is in effect on the date of final judgment, the effective date of the last imposed limitation, suspension, or revocation is at the end of the last day of the previous limitation, suspension, or revocation unless the court specifies otherwise.

(c) At the end of a period of suspension or limitation, when that limitation follows a suspension, the person whose license has been suspended or limited may apply to the department and, upon payment of the proper fees, including a reinstatement fee of \$100 (FEE), be issued a duplicate driver's license if the person (HE) is otherwise entitled to the license under this title.

(d) At the end of a period of revocation or limitation following a revocation, a person whose driver's license has been revoked may apply to the department for the issuance of a new license, but shall submit to reexamination (RE-EXAMINATION) and pay all required fees including a reinstatement fee of \$100.

(e) At the end of a period of limitation, suspension, or revocation under this chapter, the department may not issue a driver's license or a duplicate driver's license to the licensee until the licensee (HE) has complied with AS 28.20 relating to proof of financial responsibility.

(f) Unless otherwise provided by law, periods of limitation shall be made at the discretion of the court.

Sec. 8. AS 28.20.070(a) is amended to read:

(a) A [NO] policy or bond is not effective under AS 28.20.060 unless it is issued by an insurance company or surety company

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1 authorized to do business in this state, except as provided in
2 this section, and if the accident resulted in bodily injury
3 unless the policy or bond is subject to a limit, exclusive of
4 and costs, of not less than \$50,000 [\$25,000] because of bodily
5 to or death of one person in any one accident and, subject to
6 limit for one person, to a limit of not less than \$100,000
7 because of bodily injury to or death of two or more persons
8 accident, and if the accident has resulted in injury to, or
9 tion of, property to a limit of not less than \$25,000 [\$10,000]
10 cause of injury to or destruction of property of others in
11 accident.

12 * Sec. 9. AS 28.20.230(b) is amended to read:

13 (b) The term "proof of financial responsibility for the
14 [AS USED] in this chapter means proof of ability to respond
15 for liability, on account of an accident occurring after the
16 date of proof, that [WHICH] arises out of the ownership,
17 or use of a vehicle subject to registration under the laws
18 state, in the amount of \$50,000 [\$25,000] because of bodily
19 or death of one person in any one accident, and, subject to
20 limit for one person, in the amount of \$100,000 [\$50,000] because
21 bodily injury to or death of two or more persons in any one
22 and in the amount of \$25,000 [\$10,000] because of injury to
23 struction of property of others in any one accident. In [AS
24 this chapter the terms "proof of financial responsibility" or
25 mean proof of financial responsibility for the future.

26 * Sec. 10. AS 28.20.360(a) is amended to read:

27 (a) In [FOR THE PURPOSE OF] this chapter, a judgment is
28 satisfied when

29 (1) \$50,000 [\$25,000] is credited upon a judgment given by



ness in this state, except as provided in 0
the accident resulted in bodily injury or
bond is subject to a limit, exclusive of intr
s than \$50,000 [\$25,000] because of bodily tr
erson in any one accident and, subject to the
, to a limit of not less than \$100,000 [\$50,
ury to or death of two or more persons in any
accident has resulted in injury to, or destr
a limit of not less than \$25,000 [\$10,000]
or destruction of property of others in any

(b) is amended to read:

proof of financial responsibility for the fut
pter means proof of ability to respond in
ount of an accident occurring after the effec
[WHICH] arises out of the ownership, mainte
subject to registration under the laws of
of \$50,000 [\$25,000] because of bodily injury
n in any one accident, and, subject to the
in the amount of \$100,000 [\$50,000] because
eath of two or more persons in any one accid
\$25,000 [\$10,000] because of injury to or
of others in any one accident. In [AS US]
"proof of financial responsibility" or
l responsibility for the future.

(a) is amended to read:

PURPOSE OF] this chapter, a judgment is

[\$25,000] is credited upon a judgment given

excess of that amount because of bodily injury to or death of one
person as the result of any one accident; or

(2) subject to the limit of \$50,000 [\$25,000] because of
bodily injury to or death of one person, the sum of \$100,000 [\$50,000]
is credited upon a judgment given in excess of that amount because of
bodily injury to or death of two or more persons as the result of any
the accident; or

(3) \$25,000 [\$10,000] is credited upon a judgment given in
excess of that amount because of injury to or destruction of property
of others as a result of any one accident.

Sec. 11. AS 28.20.440(b) is amended to read:

(b) The owner's policy of liability insurance shall

(1) designate by description or appropriate reference all
vehicles which it covers;

(2) insure the person named and every other person using
the vehicle with the express or implied permission of the named in-
sured, against loss from the liability imposed by law for damages
arising out of the ownership, maintenance, or use of the vehicle
within the United States [OF AMERICA] or [THE DOMINION OF] Canada,
subject to limits exclusive of interests and costs, with respect to
each vehicle, as follows: \$50,000 [\$25,000] because of bodily injury
to or death of one person in any one accident, and, subject to the
same limit for one person, \$100,000 [\$50,000] because of bodily injury
to or death of two or more persons in any one accident, and \$25,000
[\$10,000] because of injury to or destruction of property of others in
any one accident;

(3) contain coverage in not less than the amounts set out
in (2) of this subsection for the protection of the persons insured
under the policy who are legally entitled to recover damages from

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1 owners or operators of uninsured or underinsured motor vehicle
2 cause of bodily injury or death, or damage to or destruction of
3 property arising out of the ownership, maintenance or use of the
4 uninsured or underinsured motor vehicle; this coverage shall conform
5 the provisions of AS 28.20.445 [1, EXCEPT THAT THIS COVERAGE
6 WAIVED IN WRITING BY THE INSURED ON OR BEFORE THE EFFECTIVE DATE OF
7 THE POLICY].

8 * Sec. 12. AS 28.20 is amended by adding a new section to read:

9 Sec. 28.20.445. UNINSURED AND UNDERINSURED MOTORISTS COVERAGE

10 (a) The maximum liability of the insurance carrier under the uninsured
11 and underinsured motorists coverage required to be offered under
12 AS 28.20.440 shall be the difference between the coverage limit
13 liability and the amount paid to the insured by or on behalf of the
14 uninsured and underinsured motorist.

15 (b) Amounts payable under the uninsured motorists and underinsured
16 motorists coverage may be reduced by

17 (1) amounts paid or to be paid under any worker's compensation
18 sation law;

19 (2) amounts paid or payable under valid and collectible
20 automobile medical payments insurance or bodily injury or death
21 bility insurance; and

22 (3) amounts paid by or on behalf of the uninsured or underinsured
23 insured motorist.

24 (c) If an insured is entitled to uninsured or underinsured
25 motorists coverage under more than one policy of motor vehicle liability
26 ity insurance, or under more than one coverage if two or more vehicles
27 are insured under one policy, the maximum amount an insured may receive
28 cover may not exceed the highest limit of any one policy or coverage.
29 When multiple policies or coverages apply, payment may be made in the

...ing order of priority, subject to the limit of liability for applicable policy or coverage:

(1) a policy or coverage covering a motor vehicle occupied by the injured person at the time of the accident;

(2) a policy or coverage covering a motor vehicle that came in direct contact with the insured while a pedestrian; and

(3) a policy or coverage covering a motor vehicle not involved in the accident under which the injured person is an insured or named insured.

(4) Uninsured and underinsured motorists coverage does not apply to bodily injury or death or damage to or destruction of property of an insured

(1) while occupying a motor vehicle owned by, but not insured by, the named insured or the insured's spouse or relative residing in the same household; or

(2) through being struck by a vehicle owned by the named insured or the insured's spouse or relative residing in the same household.

(e) Uninsured and underinsured motorists coverage

(1) may not apply to bodily injury, sickness, disease or death of an insured or damage to or destruction of property of an insured until the limits of liability of all bodily injury and property damage liability bonds and policies that apply have been used up by payments, judgments or settlements;

(2) shall be a single combined coverage; and

(3) may be rejected by the insured in writing; if the insured has rejected the coverage, the coverage shall not be included in any supplemental, renewal, or replacement policy unless the insured subsequently requests the coverage in writing.

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1 (f) If both the owner and operator of the uninsured vehicle
2 unknown, payment under the uninsured and underinsured motorists
3 coverage shall be made only where direct physical contact between
4 insured and uninsured or underinsured motor vehicles has occurred
5 vehicle that has left the scene of the accident with an insured
6 vehicle is presumed to be uninsured if the person insured reports
7 accident to the appropriate authorities within 24 hours.

8 (g) The uninsured and underinsured motorists coverage for
9 damage to or destruction of property is subject to a deductible of
10 any one accident, but the insurer may offer a deductible other than
11 \$250. This coverage shall be limited to damage to or destruction of
12 the insured motor vehicle. It shall not include loss of use of
13 vehicle.

14 (h) "Underinsured motor vehicle" means a motor vehicle licensed
15 for highway use with respect to the ownership, operation, maintenance
16 or use of which motor vehicle there is a bodily injury or property
17 damage insurance policy or a bond applicable at the time of the accident
18 and the amount of insurance or bond

19 (1) is less than the limit for uninsured and underinsured
20 motorists coverage under the insured's policy; or

21 (2) has been reduced by payments to persons other than the
22 insured, injured in an accident, to less than the limit for uninsured
23 and underinsured motorists coverage under the insured's policy.

24 * Sec. 13. AS 28 is amended by adding a new chapter to read:

25 CHAPTER 22. MOTOR VEHICLE LIABILITY INSURANCE.

26 ARTICLE 1. DESCRIPTION OF GENERAL POLICY PROVISIONS.

27 Sec. 28.22.010. MOTOR VEHICLE LIABILITY POLICY. (a)

28 owner's policy of liability insurance shall

29 (1) designate by description or appropriate reference

... that it covers:

(2) insure the person named against loss from the liability imposed by law for damages arising out of the ownership, maintenance, use of the vehicle in the United States or Canada, subject to limits exclusive of interest and costs, with respect to each vehicle, as follows:

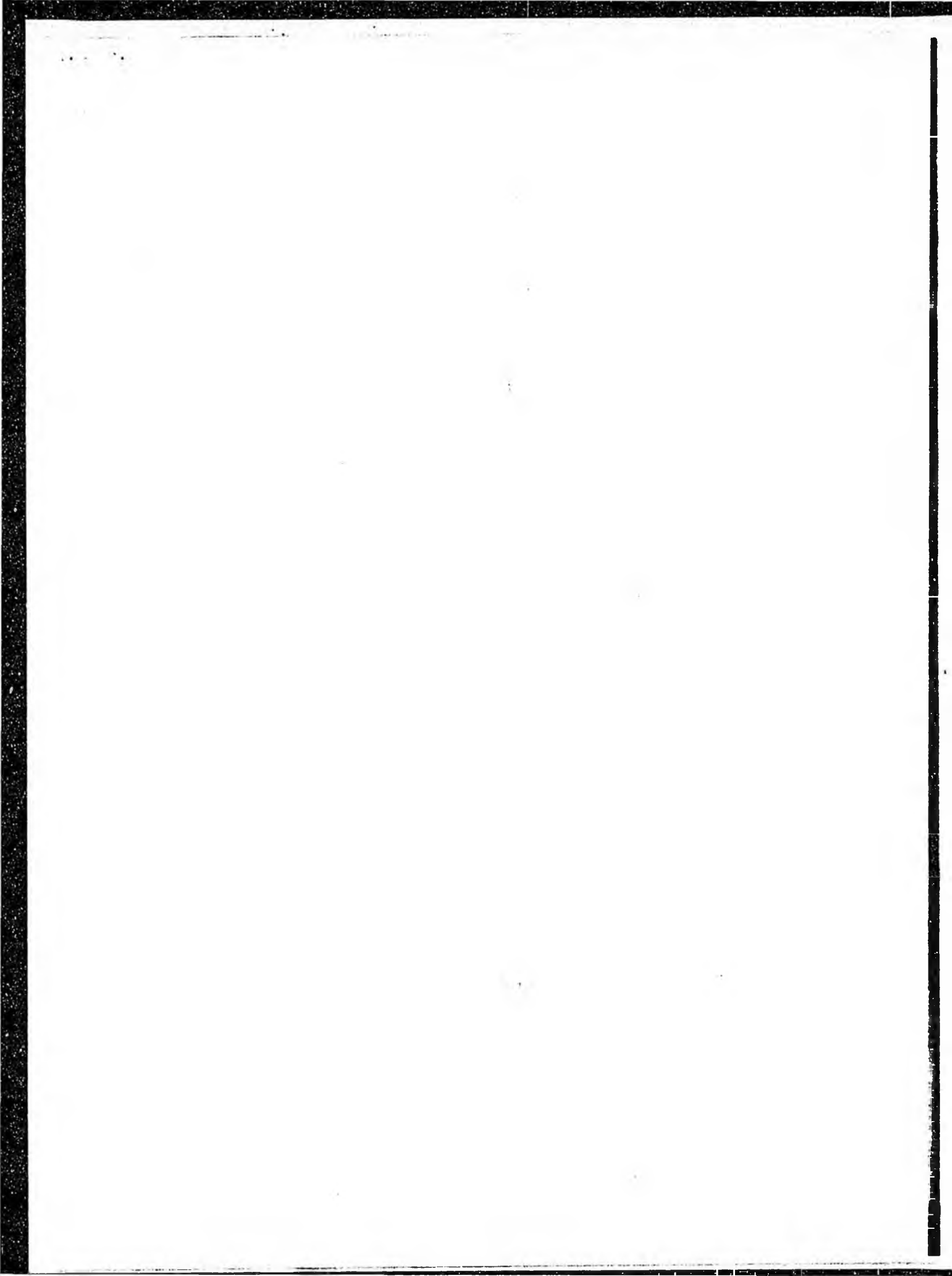
(A) \$50,000 because of bodily injury to or death of one person in any one accident, and, subject to the same limit for one person, \$100,000 because of bodily injury to or death of two or more persons in any one accident; and

(B) \$25,000 because of injury to or destruction of property of others in any one accident;

(3) contain coverage prescribed in AS 28.22.100 - 28.22.130 in the amounts set out in (2) of this subsection for the protection of the persons insured under the policy who are legally entitled to recover damages from the owner or operator of an uninsured or underinsured motor vehicle because of bodily injury or death, or damage to or destruction of property arising out of the ownership, maintenance, use of the uninsured or underinsured motor vehicle.

(b) The operator's policy of liability insurance shall insure the person named as insured against loss from the liability imposed on the operator by law for damages arising out of the use by the operator of a motor vehicle not owned by the operator, within the same territorial limits and subject to the same limits of liability as are required for an owner's policy of liability insurance.

(c) The motor vehicle liability policy shall state the name and address of the named insured, the coverage, the premium charges, the policy period, and the limits of liability, and shall contain an agreement or an endorsement that insurance is provided in accordance



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1 with the coverage defined in (a) of this section for bodily in-
2 death or property damage, or both.

3 Sec. 28.22.020. POLICY PROVISIONS THAT ARE IMPLIED. A
4 vehicle liability policy is subject to the following provis-
5 these provisions need not be contained in the policy:

6 (1) The satisfaction by the insured of a judg-
7 injury or damages is not a condition precedent to the right of
8 the insurance carrier to make payment on account of injury or

9 (2) The insurance carrier may settle a claim covered
10 policy, and if settlement is made in good faith, the amount of
11 ment is deductible from the limits of liability specified in
12 22.010.

13 (3) The policy, the written application for the poli-
14 any, and every rider or endorsement that does not conflict with
15 provisions of this chapter constitute the entire contract between
16 parties.

17 Sec. 28.22.030. EXCESS OR ADDITIONAL COVERAGE. (a) A
18 that grants the coverage required for a motor vehicle liability
19 may also grant lawful coverage in excess of or in addition to
20 coverage specified for a policy and the excess or additional
21 is not subject to the provisions of this chapter. With respect to
22 policy that grants excess or additional coverage, the term
23 "vehicle liability policy" applies only to that part of the
24 that is required by this chapter.

25 (b) A policy shall be excluded from the application of
26 chapter if the automobile or motor vehicle liability coverage
27 provided only on an excess or umbrella basis.

28 Sec. 28.22.040. PRORATION. A motor vehicle liability policy
29 provide for proration of the insurance with other valid

(a) of this section for bodily injury
such.

PROVISIONS THAT ARE IMPLIED. A
subject to the following provisions
contained in the policy:

on by the insured of a judgment
condition precedent to the right or duty
payment on account of injury or damage
carrier may settle a claim covered by
made in good faith, the amount of such
limits of liability specified in AS 23

written application for the policy.
statement that does not conflict with
constitute the entire contract between

FOR ADDITIONAL COVERAGE. (a) A policy
issued for a motor vehicle liability policy
in excess of or in addition to the
and the excess or additional coverage
provisions of this chapter. With respect to
additional coverage, the term "policy"
applies only to that part of the coverage

is excluded from the application of the
motor vehicle liability coverage
on an umbrella basis.

A motor vehicle liability policy
may be issued with other valid

effective insurance.

Sec. 28.22.050. REQUIREMENTS OF POLICY. (a) A policy is not
effective under AS 28.22.010 unless it is issued by an insurance
company or surety company authorized to do business in this state,
except as provided in (b) of this section, and unless it complies with
the permit requirements established in AS 28.22.010.

(b) A policy is not effective under AS 28.22.010 with respect to
a vehicle not registered in the state or a vehicle that was registered
in another jurisdiction on the effective date of the policy or the
renewal of it, unless the insurance or surety company
issuing the policy is authorized to do business in the state, or if
the company is not authorized to do business in the state, unless it
obtains a power of attorney authorizing the director of the division
of insurance to accept service on its behalf of notice or process in
connection upon the policy arising out of the accident.

(c) The requirements for a motor vehicle liability policy may be
fulfilled by the policies of one or more insurance carriers who to-
gether meet the requirements.

(d) A binder issued pending the issuance of a motor vehicle
liability policy fulfills the requirements for a policy.

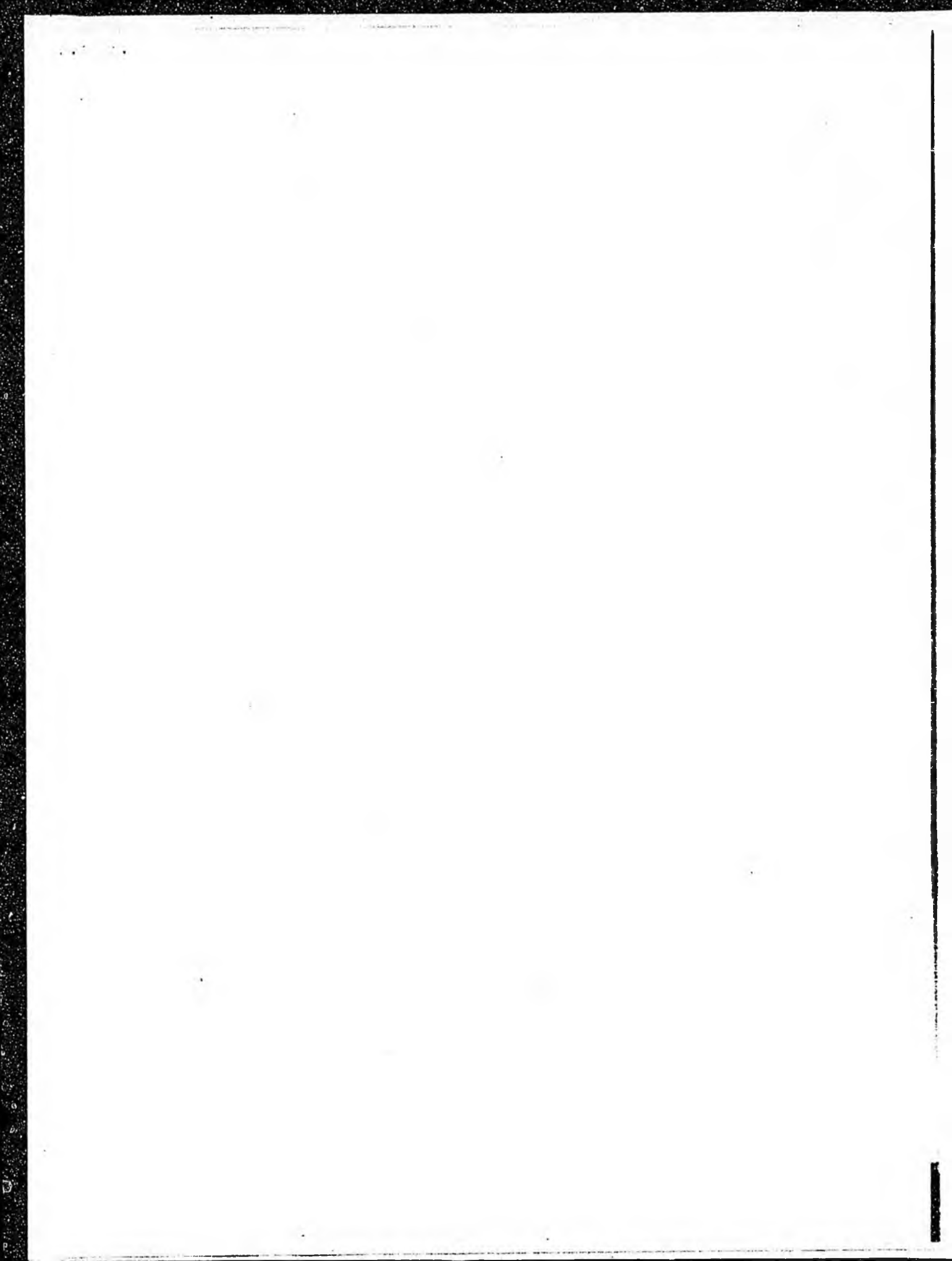
ARTICLE 2. UNINSURED AND UNDERINSURED MOTORISTS COVERAGE.

Sec. 23.22.100. GENERAL POLICY PROVISIONS. (a) The uninsured
and underinsured motorists coverage required in this chapter

(1) does not apply to bodily injury, sickness, disease, or
death of an insured or damage to or destruction of property of an
insured until the limits of liability bonds and policies that apply
have been used up by payments or judgments or settlements;

(2) shall be a single combined coverage; and

(3) may be rejected by the insured in writing; if the



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1 insured has rejected uninsured or underinsured coverage, the
2 shall not be included in a supplemental, renewal or replacement
3 unless the insured subsequently requests uninsured or underinsured
4 coverage in writing.

5 (b) If both the owner and operator of the uninsured vehicle
6 unknown, payment under the uninsured and underinsured motorists
7 coverage may be made only where direct contact between the insured
8 uninsured or underinsured motor vehicles has occurred. A vehicle
9 has left the scene of the accident with an insured vehicle is
10 to be uninsured if the insured person reports the accident to
11 appropriate authorities within 24 hours.

12 (c) The uninsured and underinsured motorists coverage for
13 to or destruction of property is subject to a deductible of
14 any one accident, but the insurer may offer a deductible of
15 \$250. This coverage shall be limited to damage to or destruction
16 of the insured motor vehicle. It may not include loss of use of
17 vehicle.

18 Sec. 28.22.110. MAXIMUM LIABILITY OF CARRIER. (a) The
19 liability of the insurance carrier under the uninsured and
20 underinsured motorists coverage required under this chapter shall be
21 the difference between the coverage limit of liability and the amount
22 paid to the insured by or on behalf of the uninsured and underinsured
23 motorist.

24 (b) Amounts payable under the uninsured motorists and
25 underinsured motorists coverage required to be offered under this
26 chapter shall be reduced by

27 (1) amounts paid or to be paid under any workers'
28 compensation law;

29 (2) amounts paid or payable under any valid and collectible

... automobile medical payments insurance or bodily injury or death liability insurance; and

(3) amounts paid by or on behalf of the uninsured or underinsured motorist.

Sec. 28.22.120. POLICY COVERAGE AND PRIORITIES. If an insured is entitled to uninsured or underinsured motorists coverage under more than one policy of motor vehicle liability insurance, or under more than one coverage if two or more vehicles are insured under one policy, the maximum amount an insured may recover shall not exceed the highest limit of any one policy or coverage. Where multiple policies or coverages apply, payment shall be made in the following order of priority, subject to the limit of liability for each applicable policy or coverage:

- (1) a policy or coverage covering a motor vehicle occupied by the injured person at the time of the accident;
- (2) a policy or coverage covering a motor vehicle that came into contact with the insured while a pedestrian; and
- (3) a policy or coverage covering a motor vehicle not involved in the accident with respect to which the injured person is not insured or a named insured.

Sec. 28.22.130. POLICY COVERAGE EXCLUSIONS. The uninsured and underinsured motorists coverage provided for in this chapter does not apply to bodily injury or death or damage to or destruction of property of an insured

- (1) while occupying a motor vehicle owned by, but not insured by, the named insured or the insured's spouse or relative residing in the same household; or
- (2) through being struck by a vehicle owned by the named insured or the insured's spouse or relative residing in the same

... red or underinsured coverage, the cost of supplemental, renewal or replacement coverage is not payable if the insured or insured's agent requests uninsured or underinsured coverage.

... and operator of the uninsured vehicle involved in the accident with an insured vehicle is reported to the insured person within 24 hours.

... underinsured motorists coverage for which the insured is subject to a deductible of \$500. The deductible may be limited to damage to or destruction of property. It may not include loss of use of property.

... LIABILITY OF CARRIER. (a) The liability of a carrier under the uninsured and underinsured motorists coverage limit of liability and the amount payable on behalf of the uninsured and underinsured motorist.

... under the uninsured motorists and underinsured motorists coverage required to be offered under this chapter.

... or to be paid under any workers' compensation law.

... or payable under any valid and collectible contract.

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household.

ARTICLE 3. PROOF OF INSURANCE REQUIRED.

Sec. 28.22.200. MOTOR VEHICLE LIABILITY INSURANCE

EXEMPTIONS. (a) The operator or owner of a motor vehicle subject to registration under AS 28.10.011 when driven on a highway, vehicular way or area, or on other public property in the state, shall be required to carry motor vehicle liability insurance that complies with this chapter or a certificate of self-insurance that complies with AS 28.20.400 in effect for the motor vehicle, unless

(1) the motor vehicle is being driven or moved on a highway, vehicular way, or a public parking place in the state that is connected by a land highway or vehicular way to

(A) the land-connected state highway system, or

(B) a highway or vehicular way with an average

traffic volume greater than 499; and

(2) the operator has not been cited within the preceding five years for a traffic law violation with a demerit point value of six or more on the point schedule determined under regulations adopted by the department under AS 28.15.221.

(b) The department shall publish annually a list of areas that do not meet the requirements of (a)(1) of this section. This list shall be made available for public inspection at all division of motor vehicle offices in the state.

Sec. 28.22.210. REQUIREMENT OF PROOF OF MOTOR VEHICLE LIABILITY

INSURANCE. The owner or operator of a motor vehicle required to carry motor vehicle liability insurance that complies with this chapter or a certificate of self-insurance that complies with AS 28.20.400 shall show proof of this insurance when that person

(1) is involved in an accident that results in

INSURANCE REQUIRED.

MOTOR VEHICLE LIABILITY INSURANCE REQUIRED. The owner of a motor vehicle subject to this chapter when driven on a highway, vehicle or other property in the state, shall have liability insurance that complies with this chapter or that complies with AS 28.20.400 unless

the vehicle is being driven or moved on a marked parking place in the state that is a nonvehicular way to

an unimproved state highway system, or a nonvehicular way with an average daily traffic of less than 499; and

the vehicle has not been cited within the preceding year in violation with a demerit point value of five or more as determined under regulations adopted under AS 28.22.221.

The department shall publish annually a list of areas subject to this section. This list shall be posted at all division of motor vehicle offices.

METHOD OF PROOF OF MOTOR VEHICLE LIABILITY. The owner of a motor vehicle required to have liability insurance that complies with this chapter or that complies with AS 28.20.400, shall have the person

involved in an accident that results in bodily injury to or death of a person, or damage to the property of a person exceeding \$500; or

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(2) is charged with a traffic law violation with a demerit point value of six or more on the point schedule determined under the regulations adopted by the department under AS 28.15.221.

Sec. 28.22.220. METHOD OF PROOF FOLLOWING AN ACCIDENT. (a) A person involved in an accident who is required to prove that a motor vehicle liability insurance or a certificate of self-insurance was in effect under AS 28.22.210 shall, within 15 days of the accident

(1) present a copy of the insurance policy, certificate, endorsement, or insurance binder that was in effect at the time of the accident to the department for inspection;

(2) provide the department with written certification from the insurance company, insurance agent, insurance broker or surplus lines broker confirming that a valid motor vehicle liability policy was issued in conformity with this chapter was in effect at the time of the accident; or

(3) advise the department in writing that a certificate of self-insurance was in effect at the time of the accident.

(b) The department shall develop and implement a program to check the veracity of the documents filed for proof under this section.

Sec. 28.22.230. METHOD OF PROOF FOLLOWING A CHARGE OF A MOVING VIOLATION. (a) A person charged with a traffic law violation shall be required to prove that a motor vehicle liability insurance policy or a certificate of self-insurance was in effect under AS 28.22.210 shall, at the time of that person's initial appearance in court or within 15 days of the date of the charge of a traffic law violation, file with the court, not later than 15 days after the date of the charge, a copy of the insurance policy, certificate, endorsement, or insurance binder that was in effect at the time of the violation.

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1 (1) present a copy of the insurance policy, certificate
2 bond, or insurance binder that was in effect at the time of the vi
3 lation to the court for inspection;

4 (2) provide the court with written certification from
5 insurance company, insurance agent, insurance broker, or surplus li
6 broker confirming that motor vehicle liability insurance issued
7 conformity with this chapter was in effect at the time of the v
8 lation; or

9 (3) advise the court in writing that a certificate of
10 self-insurance was in effect at the time the violation was charged.

11 (b) The court shall immediately report to the department
12 failure to present proof of insurance as provided in this section.

13 Sec. 28.22.240. ADMINISTRATIVE SUSPENSION OF DRIVERS' LICENSES

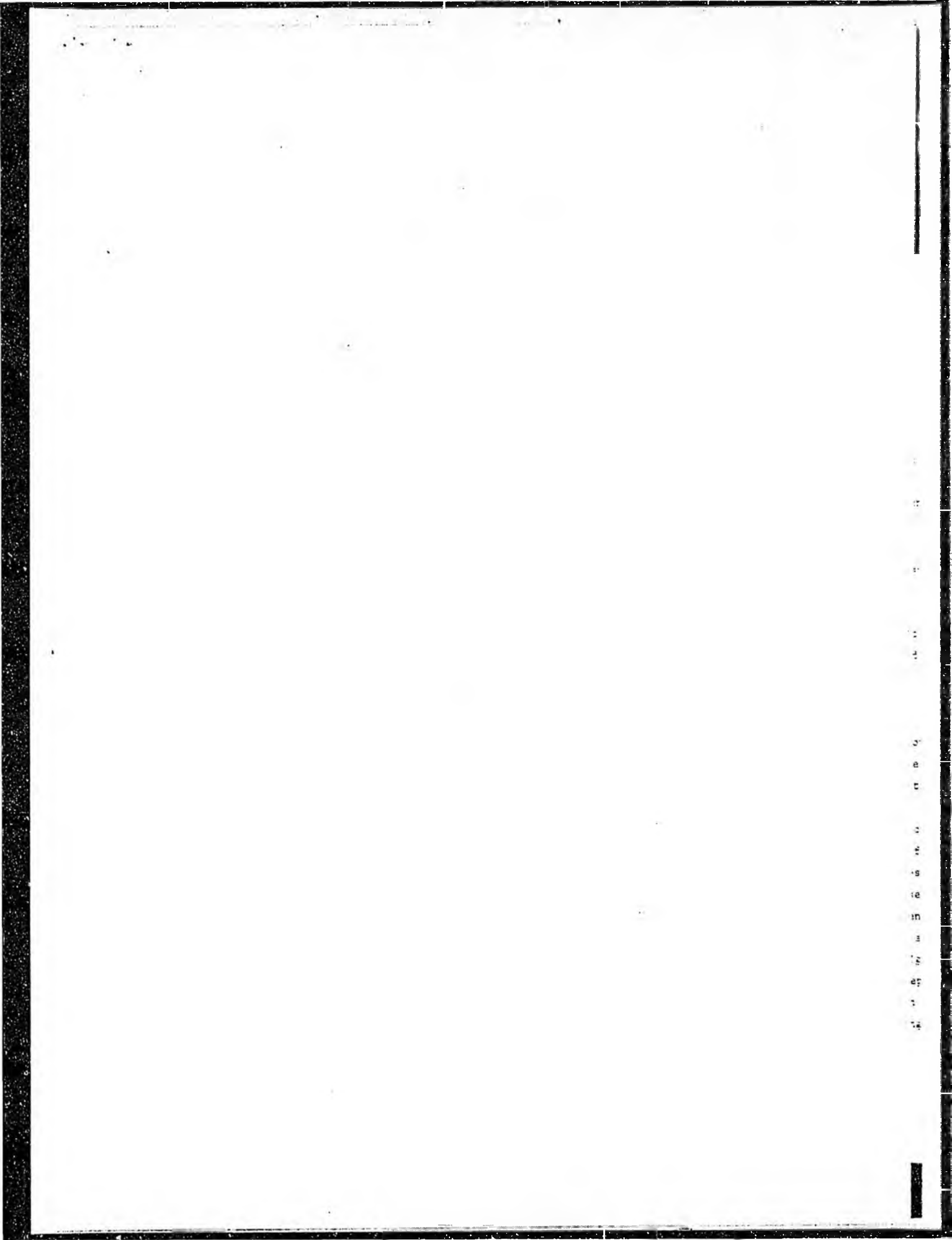
14 (a) If a person fails to provide proof that motor vehicle liability
15 insurance or a certificate of self-insurance was in effect at the time
16 of an accident or when the person was charged with a violation of a
17 traffic law described in AS 28.22.210, the department shall suspend
18 the driver's license of that person for the following periods:

19 (1) not less than 90 days if, within the preceding
20 years, the person has not previously had a driver's license suspended
21 for violation of AS 28.22.200;

22 (2) not less than one year if, within the preceding
23 years, the person has previously had a driver's license suspended
24 or more times for violation of AS 28.22.200.

25 (b) The suspension shall be consecutive to any other suspension
26 required by law or imposed by a court.

27 (c) The department may grant limited license privileges for
28 purposes only to a person whose license has been suspended under this
29 section, if



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(1) the person has filed proof of financial responsibility for the future as required by AS 28.22.260;

(2) the person's license has not been suspended two or more times under AS 28.22.240 in the preceding 10 years;

(3) the department determines that the person's ability to earn a livelihood would be severely impaired if a limited license privilege is not granted; and

(4) the department determines that a limitation can be placed on the license that will enable the person to earn a livelihood without excessive danger to the public.

(d) When imposing a limitation under this section the department shall

(1) require the surrender of the driver's license; and

(2) issue to the licensee a certificate valid for the duration of the limitation.

(e) After the termination of a limitation as shown on the certificate issued under (d) of this section, the license of a person on whom a limitation was imposed is suspended until the person receives a new license under AS 28.15.211(c).

(f) The department shall notify the licensee that the suspension becomes effective 30 days from the date of the notice and that the licensee has the right, within the 30-day period, to make an oral or written answer controverting any point or issue, or to present evidence and arguments for the consideration of the department.

(g) Upon receipt of an oral or written answer from the licensee the department shall make findings on the matter under consideration within 15 days and shall notify the person involved of its decision in writing by certified or registered mail. If the department's decision is to sustain an action against the licensee's driver's license, the