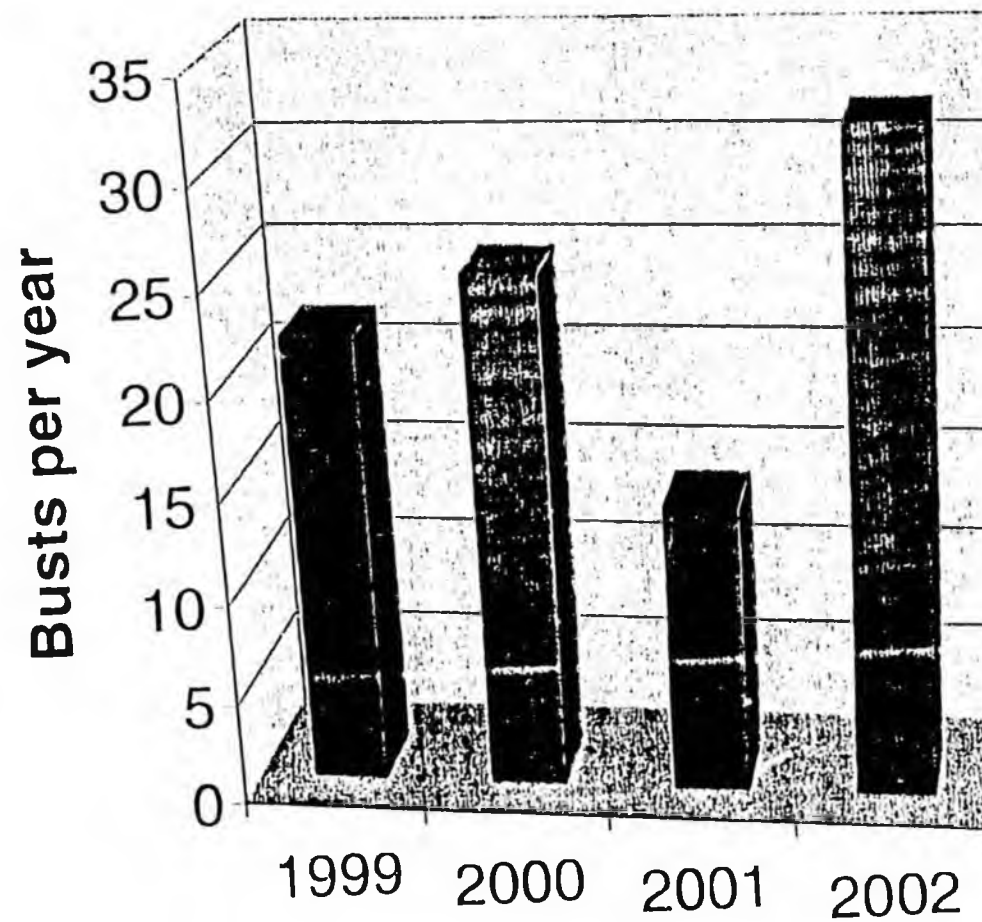


ALASKA LEGISLATURE

2493

HOUSE and SENATE FINANCE COMMITTEE FILES, 2003-2004

Alaska Methamphetamine Lab Seizures



Methamphetamine

Methamphetamine is an addictive stimulant drug that strongly activates certain systems in the brain. Methamphetamine is closely related chemically to amphetamine, but the central nervous system effects of methamphetamine are greater. Both drugs have some medical uses, primarily in the treatment of obesity, but their therapeutic use is limited.

Street methamphetamine is referred to by many names, such as "speed," "meth," and "chalk." Methamphetamine hydrochloride, clear chunky crystals resembling ice, which can be inhaled by smoking, is referred to as "ice," "crystal," and "glass."

Health Hazards

Neurological hazards. Methamphetamine releases high levels of the neurotransmitter dopamine, which stimulates brain cells, enhancing mood and body movement. It also appears to have a neurotoxic effect, damaging brain cells that contain dopamine and serotonin, another neurotransmitter. Over time, methamphetamine appears to cause reduced levels of dopamine, which can result in symptoms like those of Parkinson's disease, a severe movement disorder.

Addiction. Methamphetamine is taken orally or intranasally (snorting the powder), by intravenous injection, and by smoking. Immediately after smoking or intravenous injection, the methamphetamine user experiences an intense sensation, called a "rush" or "flash," that lasts only a few minutes and is described as extremely pleasurable. Oral or intranasal use produces euphoria - a high, but not a rush. Users may become addicted quickly, and use it with increasing frequency and in increasing doses.

Short-term effects. The central nervous system (CNS) actions that result from taking even small amounts of methamphetamine include increased wakefulness, increased physical activity, decreased appetite, increased respiration, hyperthermia, and euphoria. Other CNS effects include irritability, insomnia, confusion, tremors, convulsions, anxiety, paranoia, and aggressiveness. Hyperthermia and convulsions can result in death.

Long-term effects. Methamphetamine causes increased heart rate and blood pressure and can cause irreversible damage to blood vessels in the brain, producing strokes. Other effects of methamphetamine include respiratory problems, irregular heartbeat, and extreme anorexia. Its use can result in cardiovascular collapse and death.

Information provided by the National Institute on Drug Abuse.

Making Methamphetamine at home:

To make meth you need ephedrine. The cottons in todays vicks nase inhalers dont contain efed or pfed (ephedrin or pseudoephedrin) but there are still lots of easy ways to get good ephed or pfed, pure ephedrin can be extracted out of it's plant matter, and a plant that can be bought at most garden stores. or you can get pfed from decongestive pills like sudafed. Most people prefer to work with pfed from pills rather than ephed from the plant. The important thing is that you must have pure pfed/ephed as any contaminants will fuck up the molar ratio leaving you with over reduced shit or under reduced shit. or contaminants will jelly during baseifying and gunk up your product which will then be very hard to clean. so you want to find a pill that is relatively pure pfed hcl, or as close to pure as you can get. also check the label on your pills and see what inactive ingredients they contain. inactive ingredients are things like binders and flavors these you dont want and will remove when cleaning your pills. but certain inactive ingredients are harder to remove than others. you dont want pills with a red coating you dont want pills with a lot of cellulose in them and you dont want pills with much wax. you also dont want pills that contain povidone. as a rule if you have a two pills that contain the same amount of pfed hcl then take the smaller sized pill because it obviously has less binders and inactive ingredients, time released pills are usually harder to work with they have more binders and tend to gel up during the a/b stage also only buy pills that have pfed hcl as the only active ingredient. This information was brought to you by thehive You first have to make ephedrine (which is sometimes sold as meth by itself): If you are selling it... I would just make ephedrine and say it's meth.

List of chemicals and materials: Dilute HCl - also called Muriatic acid - can be obtained from hardware stores, in the pool section. NaOH - also called lye - can be obtained from supermarkets in the "drain cleaner" section. "Red Devil Lye" recommended. Ethyl Ether - aka Diethyl Ether - Et-O-Et - can be obtained from engine starting fluid, usually from a large supermarket. Look for one that says "high ethyl ether content", such as Prestone. Desoxyephedrine - can be obtained from "VICKS" nasal inhalers. These are found at any drug store or grocery, etc. They contain 50mg of l-desoxyephedrine per container. Six containers will give 300mg of l-desoxyephedrine. Distilled water - it's really cheap, so you have no reason to use the nasty stuff from the tap. Do things right.

List of equipment :

a glass eyedropper
three small glass bottles with lids (approx. 3 oz., but not important) one should be marked at 1.5oz, use tape on the outside to mark it (you might want to label it as ether) one should be clear (and it can't be the marked one)
a Pyrex dish (the meatloaf one is suggested)
a glass quart jar
sharp scissors
clean rubber gloves
coffee filters
a measuring cup
measuring spoons

Preparing your Lab:

Preparing Ethyl Ether:

WARNING: Ethyl Ether is very flammable and is heavier than air. Do not use ethyl ether near flame or non-sparkless motors. It is also an anaesthetic and can cause respiratory collapse if you inhale too much.

Take the unmarked small bottle and s...
full. Then fill the rest of the way with ...
arter fluid in it until it looks half-
tap the bottle and shake for 5

minutes. Let it sit for a minute or two, and tap the side to try and separate the clear upper layer. Then, draw off the top (ether) layer with the eyedropper, and throw away the lower (water) and cloudy layer. Place the ether in the marked container. Repeat this until you have about 1.5 oz. of ether. Put the cap on it, and put it in the freezer if you can. Rinse the other bottle and let it stand.

Ethyl ether is very pungent. Even a small evaporated amount is quite noticeable.

Extracting l-desoxyephedrine:

1. Break open the inhalers, a pair of real sharp scissors does this well. Place the cottons that were inside in a bottle (the unmarked one) and close the lid. Use 6 cottons.

2. In the Pyrex dish, combine 2/3 oz. water and 1/3 oz. muriatic acid. Shred cottons in this solution, and knead for 5 minutes with your gloves on. Squeeze all juice out of the cottons after you knead, and discard them. This step bonds the HCl to the l-desoxyephedrine, forming the HCl salt (what you want). The salt is soluble in water, and thus dissolves.

3. Filter the remaining liquid into the quart jar. It will be necessary to do this several times to get the awful smelling oils (check the packaging if you are interested in which ones). The chemicals in the inhalers have been bonded to the HCl, and the oils have been filtered off. Discard the filters and clean the Pyrex dish. Remember to wet the filters with distilled water before you pour, otherwise you'll lose some product.

4. Pour enough of the solution into the clear bottle to fill it 1/3 full. Save any leftover juice for the second batch.

5. Pour 1/8 teaspoon of the lye crystals into the bottle and agitate. Do this carefully, as the mixture will become hot, and give off hydrogen gas and/or steam. H₂ gas is explosive and lighter than air, avoid any flames as usual. Repeat this step until the mixture remains cloudy. This step neutralizes the HCl in the salt, leaving the insoluble free base (l-desoxyephedrine) again. Why do we do this? So that we can get rid of any water-soluble impurities. For 3 oz. bottles, this should take only 3 repetitions or so.

6. Fill the bottle from step 5 up the rest of the way with ethyl ether. Cap the bottle, and agitate for about 8 minutes. It is very important to expose every molecule of the free-base to the ether for as long as possible. This will cause the free base to dissolve into the ether (it -is- soluble in ether).

7. Let the mixture settle. There will be a middle layer that is very thick. Tap the side of the bottle to get this layer as thin as possible. This is why this bottle should be clear.

8. Remove the top (ether) layer with the eyedropper, being careful not to get any of the middle layer in it. Place the removed ether layer into a third bottle.

9. Add to the third bottle enough water to fill it half-way and about 5 drops of muriatic acid. Cap it. Shake the bottle for 2 minutes. When it settles, remove the top layer and throw it away. The free base has now been bonded to the HCl again, forming a water soluble salt. This time, we're getting rid of ether-soluble impurities. Make sure to get rid of all the ether before going to step 11!

10. If there is anything left from step 3, repeat the procedure with it.

11. Evaporate the solution in the Pyrex dish on low heat. You can do this on

the stove or nuke it in the microwave (be careful of splashing), but I have found that if you leave it on top of a hot-water heater (like the one that supplies hot water to your house) for about 2-3 days, the remaining crystals will be ephedrine HCl.

If you microwave it, I suggest no more than 5-10s at one time. If it starts "popping", that means you have too little liquid left to microwave. You can put it under a bright (100W) lamp instead. Microwaving can result in uneven heating, anyway.

First Batch: 120mg ephedrine HCl Estimated: 300mg (100% of theoretical, disregarding HCl)

Now, Making Methamphetamine out of ephedrine by reducing it with Hydroiodic Acid and Red Phosphorus.

Items needed:

1. A lot of matchbooks (the kind with the striking pad)
2. Coffee filters (or filter paper)
3. Something that measures ml and grams
4. A flask (a small pot with a lid can be used)
5. Iodine (found at any drug store)
6. Hydroiodic Acid (I will tell you how to make this)
7. Red Phosphorus (I will tell you how to make this)
8. Lye (can be obtained from supermarkets in the "drain cleaner" section. "Red Devil Lye" recommended)
- *9. Optional (toluene and HCl gas)

Making Red Phosphorus:

The striking pad on books of matches is about 50% red phosphorus. The determined experimenter could obtain a pile of red phosphorus by scraping off the striking pads of matchbooks with a sharp knife. A typical composition of the striking pad is about 50% red phosphorus, along with about 30% antimony sulfide, and lesser amounts of glue, iron oxide, MnO₂, and glass powder. I don't think these contaminants will seriously interfere with the reaction. Naturally, it is a tedious process to get large amounts of red phosphorus by scraping the striking pads off matchbooks, but who cares?

Making Hydroiodic Acid:

This is made by mixing iodine and red phosphorus. When making hydroiodic acid from iodine and red phosphorus, the acid is prepared first, and allowed to come to complete reaction for 20 minutes before adding the ephedrine to it. The way around the roadblock here is to just boil off some more of the water from the ephedrine extract, and make the acid mixture in fresh pure water. Since the production of HI from iodine and red phosphorus gives off a good deal of heat, it is wise to chill the mixture in ice, and slowly add the iodine crystals to the red phosphorus-water mixture.

Now, Making Methamphetamine:

To do the reaction, a 1000 ml round bottom flask is filled with 150 grams of ephedrine. Also added to the flask are 40 grams of red phosphorus and 340 ml of 47% hydroiodic acid. This same acid and red phosphorus mixture can be prepared from adding 150 grams of iodine crystals to 150 grams of red phosphorus in 300 ml of water. This should produce the strong hydroiodic acid solution needed. Exactly how strong the acid needs to be, I can't say. With the ingredients mixed together in the flask, a condenser is attached to the flask, and the mixture is boiled for one day. This length of time is needed for best yields and highest octane numbers on the product. While it is cooking, the mixture is quite red and messy looking from the red phosphorus floating around in it. When one day of boiling under reflux is up, the flask is allowed to cool, then it is diluted with an equal volume of water. Next, the red

phosphorus is filtered out. A series of doubled up coffee filters will work to get out all the red phosphorus, but real filter paper is better. The filtered solution should look a golden color. A red color may indicate that all the red phosphorus is not yet out. If so, it is filtered again. The filtered-out phosphorus can be saved for use in the next batch. If filtering does not remove the red color, there may be iodine floating around the solution. It can be removed by adding a few dashes of sodium bisulfate or sodium thiosulfate. The next step in processing the batch is to neutralize the acid. A strong lye solution is mixed up and added to the batch while shaking until the batch is strongly basic. This brings the meth out as liquid free base floating on top of the water. The strongly basic solution is shaken vigorously to ensure that all the meth has been converted to the free base. You now can sell or use the free base for injection use or with free base meth now obtained, the next step you can do is to form the crystalline hydrochloride salt of meth. To do this, a few hundred ml of toluene is added to the batch, and the meth free base extracted out as usual. If the chemist's cooking has been careful, the color of the toluene extract will be clear to pale yellow. If this is the case, the product is sufficiently pure to make nice white crystals just by bubbling dry HCl gas through the toluene extract. If the toluene extract is darker colored, a distillation is called for to get pure meth free base. The yield of pure methamphetamine hydrochloride should be from 100 to 110 grams.

HB

59

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT
APR 29 2003
SENATE FINANCE
COMMITTEE

DATE: 4/2/03

FURTHER:

DATE TURNED IN TO OFFICE: 29 April 2003

Finance Committee considered CS FOR HOUSE BILL NO. 59(FIN) am

HB 59 CLEANUP OF ILLEGAL DRUG SITES

"An Act relating to the evaluation and cleanup of sites where certain controlled substances may have been manufactured or stored; and providing for an effective date."

and recommends:

- be replaced with S CS HB 59 (FIN)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:

- same title
- new title

House Bill:

- same title
- technical title
- new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
DEC	3/11/03	300		#3
Public Safety	2/14/03		✓	#1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	Do PASS	Do Not PASS	NO REC	AMEND
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			

SENATE CS FOR CS FOR HOUSE BILL NO. 59(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES HOLM, Heinze, Gara

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the evaluation and cleanup of sites where certain controlled
2 substances may have been manufactured or stored; and providing for an effective date."

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

4 * Section 1. The uncodified law of the State of Alaska is amended by adding a new section
5 to read:

6 PURPOSE. The purpose of this Act is to provide a just, equitable, and practicable
7 method, to be cumulative with and in addition to any other remedy provided by law, whereby
8 property that endangers the life, safety, or welfare of the general public or occupants of the
9 property because of toxic chemical contamination that may result from illegal drug
10 manufacturing may be required to be decontaminated or vacated and secured against use.

11 * Sec. 2. AS 46.03 is amended by adding new sections to read:

12 Article 7A. Cleanup of Illegal Drug Sites.

13 Sec. 46.03.500. Notice of illegal drug manufacturing site. (a) When a law
14 enforcement officer or team of law enforcement officers, qualified under federal

1 regulations to investigate and dismantle illegal drug manufacturing sites. determines
2 that a site constitutes an illegal drug manufacturing site, the primary law enforcement
3 agency that conducted the investigation shall notify the owner of the property, the
4 occupants and users of the property, and the department that the determination has
5 been made. The owner of the property may appeal the determination to the superior
6 court for review of whether the determination was made in compliance with this
7 subsection. In the appeal, the burden of proving by a preponderance of the evidence
8 that the determination was made in compliance with this subsection is on the primary
9 law enforcement agency that conducted the investigation.

10 (b) The notice to the property owner required under (a) of this section shall be
11 given in a manner that is consistent with the Alaska Rules of Civil Procedure for the
12 service of process in a civil action in this state and must include the following
13 information:

14 (1) the parcel identification number and legal description of the
15 property where the site is located;

16 (2) a statement of the determination made by the primary law
17 enforcement agency that the site was an illegal drug manufacturing site and the
18 findings that formed the basis for the determination:

19 (3) a citation to, and short summary of, AS 46.03.510, which restricts
20 transfer and occupancy of the site until it is determined to be fit for use; and

21 (4) the following information, which shall be provided to the primary
22 law enforcement agency by the department:

23 (A) a copy of the standards contained in regulations adopted
24 under AS 46.03.530 that determine whether the property is fit for use;

25 (B) a copy of the sampling and testing procedures established
26 under AS 46.03.520(b) and a copy of the list of laboratories maintained under
27 AS 46.03.520(c) that must be used for determining whether the property is fit
28 for use; and

29 (C) a copy of the guidelines for decontamination established by
30 the department under AS 46.03.540(b).

31 (c) The notice to the department required under (a) of this section must

1 include

2 (1) the parcel identification number and legal description of the
3 property where the site is located;

4 (2) a statement of the determination made by the primary law
5 enforcement agency that the site was an illegal drug manufacturing site and the
6 findings that formed the basis for the determination; and

7 (3) the name and mailing address of the person who owns the property
8 where the site is located.

9 (d) The notice required under (a) of this section for the occupants and users of
10 the property shall be accomplished by immediate posting of the property with a notice
11 that includes the location of the property, the information described in (b)(2) and (3) of
12 this section, and a statement that the property may pose a substantial risk of physical
13 harm to persons who occupy or use the property. For purposes of posting of the notice
14 to the occupants and users of the property required by this subsection, the posting shall
15 be made, for property that is

16 (1) a single family dwelling, at the main entryway of the property; and

17 (2) other than a single family dwelling and for a hotel, motel, public
18 inn, or similar place of public accommodation that provides lodging, at the door of the
19 unit that is the site that constitutes the illegal drug manufacturing site.

20 (e) If a person other than the owner, such as a property manager or rental
21 agency, is authorized to let others use or occupy property for which an owner has
22 received a notice under (a) of this section or is authorized to transfer, sell, lease, or
23 rent the property to others, the owner of the property shall communicate the substance
24 of the notice to that person within four days after receiving the notice.

25 **Sec. 46.03.510. Restrictions on property.** (a) Until determined to be fit for
26 use under AS 46.03.550, the property for which a notice has been issued under
27 AS 46.03.500(a) may not be transferred, sold, leased, or rented to another person
28 except as provided in (b) of this section, and a person may not use or occupy the
29 property at any time after the fourth day following the day on which the property was
30 posted with the notice required under AS 46.03.500(d), except as necessary for
31 sampling, testing, or decontamination under AS 46.03.520 and 46.03.540. An oral or

1 written contract that would transfer, sell, lease, rent, or otherwise allow the use of the
2 property in violation of this subsection is voidable between the parties at the option of
3 the purchaser, transferee, user, lessee, or renter. However, this subsection does not

4 (1) make voidable a promissory note or other evidence of indebtedness
5 or a mortgage, trust deed, or other security interest securing the promissory note or
6 evidence of indebtedness, if the note or evidence of indebtedness, mortgage, trust
7 deed, or other security interest was given to a person other than the person
8 transferring, selling, using, leasing, or renting the property to induce the person to
9 finance the transfer, sale, use, leasing, or rental of the property;

10 (2) make voidable a lease or rental agreement between the property
11 owner and the person who caused the property to be contaminated and determined
12 unfit for use; or

13 (3) impair obligations or duties required to be performed on
14 termination of a contract, as required by the contract, such as payment of damages or
15 return of refundable deposits.

16 (b) Notwithstanding (a) of this section, property covered by (a) of this section
17 may be transferred or sold if full written disclosure is made to the prospective
18 transferee or purchaser that the property has been determined to be an illegal drug
19 manufacturing site and the property has not been determined to be fit for use. The
20 disclosure shall be attached to the earnest money receipt, if any, and shall accompany
21 the transfer or sale document. The disclosure is not considered to be part of the
22 transfer or sale document, however, and may not be recorded. The property shall
23 continue to be subject to the restrictions in (a) of this section after transfer or sale
24 under this subsection.

25 (c) A person who knowingly transfers, sells, leases, or rents property to
26 another, knowingly allows another to use or occupy property, or, being the owner of
27 property, knowingly occupies or uses the property, in violation of this section is guilty
28 of a class A misdemeanor. In this subsection, "knowingly" has the meaning given in
29 AS 11.81.900(a).

30 (d) It is an affirmative defense to a prosecution under (c) of this section for
31 allowing another to use or occupy the property that the defendant or an agent of the

1 defendant, within four days after receiving a notice under AS 46.03.500, filed an
2 appropriate civil action to remove the user or occupier from the property for which the
3 notice was received.

4 **Sec. 46.03.520. Sampling and testing procedures.** (a) If the owner of the
5 property for which notice was received under AS 46.03.500(b) desires to determine if
6 the property is fit for use, the owner shall cause the site to be sampled and tested for
7 the substances covered in regulations adopted under AS 46.03.530, using the
8 procedures and laboratory services specified under (b) and (c) of this section. The
9 property owner shall inform the laboratory used for sampling or testing under this
10 subsection that the sampling and testing are related to property that has been
11 determined to be an illegal drug manufacturing site.

12 (b) The department shall establish procedures for sampling and testing
13 property that may have been an illegal drug manufacturing site.

14 (c) The department shall establish and maintain a list of laboratories in the
15 state that have notified the department that they have the capacity to perform the
16 sampling and testing procedures and that they wish to be on the list maintained under
17 this subsection. A laboratory may not be included on the list unless the laboratory
18 agrees to send the department a copy of test results related to properties whose owners
19 have informed the laboratory that the test results are for property that has been
20 determined to be an illegal drug manufacturing site.

21 **Sec. 46.03.530. Standards for determining fitness.** (a) Property for which a
22 notice was received under AS 46.03.500(b) is not fit for use if sampling and testing of
23 the property under AS 46.03.520 shows the presence of substances for which the
24 department has set a limit under (b) of this section.

25 (b) The Department of Public Safety shall annually submit a list of substances
26 to the Department of Environmental Conservation. The department shall adopt
27 regulations that set the limit for each substance specified by the Department of Public
28 Safety for purposes of determining whether the property for which a notice was
29 received under AS 46.03.500 is fit for use. The department may also determine
30 whether there are other substances associated with illegal drug manufacturing sites
31 that may pose a substantial risk of harm to persons who occupy or use the site or to

1 public health and may adopt regulations that set limits for those substances for the
2 purposes of determining whether the property for which notice was received under
3 AS 46.03.500 is fit for use.

4 **Sec. 46.03.540. Decontamination requirements.** (a) If the owner desires to
5 decontaminate the property for which a notice has been issued under AS 46.03.500,
6 the owner shall follow the guidelines established by the department under (b) of this
section.

8 (b) The department shall establish guidelines for decontamination of sites that
9 are determined to be unfit for use under AS 46.03.530. The department shall provide
10 a copy of the guidelines to any person who requests a copy.

11 **Sec. 46.03.550. Fitness for use.** (a) Property for which a notice has been
12 issued under AS 46.03.500 shall be determined by the department to be fit for use if
13 the owner certifies to the department under penalty of unsworn falsification that

14 (1) based on sampling and testing procedures established by the
15 department under AS 46.03.520(b) and performed by laboratories that are on the list
16 maintained by the department under AS 46.03.520(c), the limits on substances
17 specified in regulations adopted under AS 46.03.530 are not exceeded on the property;

18 (2) if the property was ever sampled and tested under AS 46.03.520
19 and the test results showed the property to be unfit for use under AS 46.03.530,
20 decontamination procedures were performed in accordance with the guidelines
21 established under AS 46.03.540(b) and the requirements of (1) of this subsection have
22 been met; or

23 (3) a court has held that the determination that the property was an
24 illegal drug manufacturing site was not made in compliance with AS 46.03.500(a).

25 (b) The department shall maintain a list of properties for which the department
26 has received notice under AS 46.03.500(c). When the department determines under
27 (a) of this section that a property on the list is fit for use, the department shall remove
28 the property from the list and notify the owner of the property that the property is fit
29 for use. On request, the department shall give a copy of the list maintained under this
30 section to any person who requests the list.

31 **Sec. 46.03.560. Securing the property.** The owner of property for which a

1 notice was received under AS 46.03.500(b) shall ensure that the property is vacated
2 and secured against use

3 (1) within four days after receiving the notice if the owner does not test
4 the property under AS 46.03.520 within four days after receiving the notice; or

5 (2) within four days after receiving the test results if the owner tests
6 the property within four days after receiving the notice, the test shows the presence of
7 a substance that exceeds the limits set in regulations adopted under AS 46.03.530, and
8 the owner does not begin decontamination procedures under AS 46.03.540 within four
9 days after receiving the test results.

10 **Sec. 46.03.570. Duties of the department; regulations.** The department
11 shall adopt regulations implementing AS 46.03.500 - 46.03.599.

12 **Sec. 46.03.599. Definitions.** In AS 46.03.500 - 46.03.599,

13 (1) "illegal drug manufacturing site" means property on which there is
14 reasonable cause to suspect contamination with chemicals associated with the
15 manufacturing of a controlled substance and where

16 (A) activity involving the unauthorized manufacture of a
17 controlled substance listed on schedule I or II in AS 11.71 or a precursor
18 chemical or necessary chemical for the substances has occurred; or

19 (B) there are kept, stored, or located any of the devices,
20 equipment, things, or substances used for the unauthorized manufacture of a
21 controlled substance listed on schedule I or II in AS 11.71;

22 (2) "site" means an illegal drug manufacturing site.

23 * **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to
24 read:

25 **REGULATIONS.** The Department of Environmental Conservation may immediately
26 begin to develop and adopt regulations to implement this Act. The regulations take effect
27 under AS 44.62 (Administrative Procedure Act).

28 * **Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section to
29 read:

30 **CERTIFICATION OF EFFECTIVE DATE OF REGULATIONS.** The lieutenant
31 governor shall certify to the revisor of statutes the effective date of the initial regulations

1 adopted by the Department of Environmental Conservation under sec. 3 of this Act.

2 * **Sec. 5.** Sections 1 and 2 of this Act take effect on the effective date of the initial
3 regulations adopted by the Department of Environmental Conservation under sec. 3 of this
4 Act.

5 * **Sec. 6.** Sections 3 and 4 of this Act take effect immediately under AS 01.10.070(c).

APR 29 2003

SENATE FINANCE COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHB 59(JUD)
(H) Publish Date: 2/26/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Public Safety
Title An act relating to the evaluation and BRU AST Detachment
cleanup of sites where certain... Component AST Detachment
Sponsor Representative Holm
Requester House Judiciary Component No. 2325

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
No fiscal impact.

Prepared by: Lieutenant Matthew Leveque Phone 907 269-0390
Division: Alaska State Troopers Date/Time 2/19/03 10:20 AM
Approved by: William Tandeske, Commissioner Date 2/14/2003
Agency: Department of Public Safety

FISCAL NOTE

APR 29 2003

SENATE FINANCE COMMITTEE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 3
Bill Version: CSHB 59(JUD)
(S) Publish Date: 4/2/03

Revision Date/Time (Note if correction): 3/11/03 8:15am Dept. Affected: Environmental Conservation
Title: An Act Relating to Evaluation and BRU Spill Prevention and Response
Cleanup of Illegal Drug Sites Component: Prevention and Emergency Response
Sponsor: Rep. Holm
Requester: House Finance Component No. 2064

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	25.0	7.0	7.0	7.0	7.0	7.0
Supplies	5.0	5.0	5.0	5.0	5.0	5.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	30.0	12.0	12.0	12.0	12.0	12.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	30.0	12.0	12.0	12.0	12.0	12.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	30.0	12.0	12.0	12.0	12.0	12.0

Estimate of any current year (FY2003) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

POSITIONS	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Full-time	0	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

This revised fiscal notes changes the funding source from response funds to general funds. These activities are not considered to be response fund eligible.

The evaluation and cleanup process for illegal drug sites proposed in this bill will require the Department to develop health standards, sampling protocols, analytical methods, and decontamination guidelines for lead, mercury, volatile organic compounds, and methamphetamines. The Department may also determine whether additional substances pose a substantial risk and include such substances in the guidelines development. In the first year funds will be used for the initial guidelines development. In the out years funds will be used to review and update the standards and protocols, and provide for the development of additional standards for compounds that may be added to the list of substances covered under this legislation. An addition of one compound per year is assumed.

Prepared by: Larry Dietrick, Director
Division: Division of Spill Prevention and Response
Approved by: Kurt Fredriksson
Agency: Department of Environmental Conservation

Phone 465-5255
Date/Time 3/11/03 8:21 AM
Date 3/11/2003

SENATE FINANCE

COMMITTEE

Amendment Number: #1

Bill Number: HB 59

Sponsor: Taylor Date: 4/28/03

Logged In By: Robin

ADOPTED

23-LS0341\UA.4

Chenoweth/Lauterbach

4/28/03

AMENDMENT

OFFERED IN THE SENATE

TO: CSHB 59(FIN) am

1 Page 3, line 10, following "posting":

2 Delete "of the entryway"

3

4 Page 3, line 13, following "property.":

5 Insert "For purposes of posting of the notice to the occupants and users of the property
6 required by this subsection, the posting shall be made, for property that is

7 (1) a single family dwelling, at the main entryway of the property; and

8 (2) other than a single family dwelling and for a hotel, motel, public
9 inn, or similar place of public accommodation that provides lodging, at the door of the
10 unit that is the site that constitutes the illegal drug manufacturing site."

SENATE FINANCE
COMMITTEE

Amendment Number: #1
Bill Number: HB 59
Sponsor: Taylor Date: 4/28/03
Logged In By: Robin

23-LS0341\UA.4
Chenoweth/Lauterbach
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9 inn, or similar place of public accommodation that provides lodging, at the door of the
10 unit that is the site that constitutes the illegal drug manufacturing site."

SENATE CS FOR CS FOR HOUSE BILL NO. 59(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES HOLM, Heinze, Gara

A BILL
FOR AN ACT ENTITLED

1 "An Act relating to the evaluation and cleanup of sites where certain controlled
2 substances may have been manufactured or stored; and providing for an effective date."

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

4 * Section 1. The uncodified law of the State of Alaska is amended by adding a new section
5 to read:

6 PURPOSE. The purpose of this Act is to provide a just, equitable, and practicable
7 method, to be cumulative with and in addition to any other remedy provided by law, whereby
8 property that endangers the life, safety, or welfare of the general public or occupants of the
9 property because of toxic chemical contamination that may result from illegal drug
10 manufacturing may be required to be decontaminated or vacated and secured against use.

11 * Sec. 2. AS 46.03 is amended by adding new sections to read:

12 Article 7A. Cleanup of Illegal Drug Sites.

13 Sec. 46.03.500. Notice of illegal drug manufacturing site. (a) When a law
14 enforcement officer or team of law enforcement officers, qualified under federal

1 regulations to investigate and dismantle illegal drug manufacturing sites, determines
2 that a site constitutes an illegal drug manufacturing site, the primary law enforcement
3 agency that conducted the investigation shall notify the owner of the property, the
4 occupants and users of the property, and the department that the determination has
5 been made. The owner of the property may appeal the determination to the superior
6 court for review of whether the determination was made in compliance with this
7 subsection. In the appeal, the burden of proving by a preponderance of the evidence
8 that the determination was made in compliance with this subsection is on the primary
9 law enforcement agency that conducted the investigation.

10 (b) The notice to the property owner required under (a) of this section shall be
11 given in a manner that is consistent with the Alaska Rules of Civil Procedure for the
12 service of process in a civil action in this state and must include the following
13 information:

14 (1) the parcel identification number and legal description of the
15 property where the site is located;

16 (2) a statement of the determination made by the primary law
17 enforcement agency that the site was an illegal drug manufacturing site and the
18 findings that formed the basis for the determination;

19 (3) a citation to, and short summary of, AS 46.03.510, which restricts
20 transfer and occupancy of the site until it is determined to be fit for use; and

21 (4) the following information, which shall be provided to the primary
22 law enforcement agency by the department:

23 (A) a copy of the standards contained in regulations adopted
24 under AS 46.03.530 that determine whether the property is fit for use;

25 (B) a copy of the sampling and testing procedures established
26 under AS 46.03.520(b) and a copy of the list of laboratories maintained under
27 AS 46.03.520(c) that must be used for determining whether the property is fit
28 for use; and

29 (C) a copy of the guidelines for decontamination established by
30 the department under AS 46.03.540(b).

31 (c) The notice to the department required under (a) of this section must

1 include

2 (1) the parcel identification number and legal description of the
3 property where the site is located;

4 (2) a statement of the determination made by the primary law
5 enforcement agency that the site was an illegal drug manufacturing site and the
6 findings that formed the basis for the determination; and

7 (3) the name and mailing address of the person who owns the property
8 where the site is located.

9 (d) The notice required under (a) of this section for the occupants and users of
10 the property shall be accomplished by immediate posting of the property with a notice
11 that includes the location of the property, the information described in (b)(2) and (3) of
12 this section, and a statement that the property may pose a substantial risk of physical
13 harm to persons who occupy or use the property. For purposes of posting of the notice
14 to the occupants and users of the property required by this subsection, the posting shall
15 be made, for property that is

16 (1) a single family dwelling, at the main entryway of the property; and

17 (2) other than a single family dwelling and for a hotel, motel, public
18 inn, or similar place of public accommodation that provides lodging, at the door of the
19 unit that is the site that constitutes the illegal drug manufacturing site.

20 (e) If a person other than the owner, such as a property manager or rental
21 agency, is authorized to let others use or occupy property for which an owner has
22 received a notice under (a) of this section or is authorized to transfer, sell, lease, or
23 rent the property to others, the owner of the property shall communicate the substance
24 of the notice to that person within four days after receiving the notice.

25 **Sec. 46.03.510. Restrictions on property.** (a) Until determined to be fit for
26 use under AS 46.03.550, the property for which a notice has been issued under
27 AS 46.03.500(a) may not be transferred, sold, leased, or rented to another person
28 except as provided in (b) of this section, and a person may not use or occupy the
29 property at any time after the fourth day following the day on which the property was
30 posted with the notice required under AS 46.03.500(d), except as necessary for
31 sampling, testing, or decontamination under AS 46.03.520 and 46.03.540. An oral or

deleted "of the entryway"

Amend #1

1 written contract that would transfer, sell, lease, rent, or otherwise allow the use of the
2 property in violation of this subsection is voidable between the parties at the option of
3 the purchaser, transferee, user, lessee, or renter. However, this subsection does not

4 (1) make voidable a promissory note or other evidence of indebtedness
5 or a mortgage, trust deed, or other security interest securing the promissory note or
6 evidence of indebtedness, if the note or evidence of indebtedness, mortgage, trust
7 deed, or other security interest was given to a person other than the person
8 transferring, selling, using, leasing, or renting the property to induce the person to
9 finance the transfer, sale, use, leasing, or rental of the property;

10 (2) make voidable a lease or rental agreement between the property
11 owner and the person who caused the property to be contaminated and determined
12 unfit for use; or

13 (3) impair obligations or duties required to be performed on
14 termination of a contract, as required by the contract, such as payment of damages or
15 return of refundable deposits.

16 (b) Notwithstanding (a) of this section, property covered by (a) of this section
17 may be transferred or sold if full written disclosure is made to the prospective
18 transferee or purchaser that the property has been determined to be an illegal drug
19 manufacturing site and the property has not been determined to be fit for use. The
20 disclosure shall be attached to the earnest money receipt, if any, and shall accompany
21 the transfer or sale document. The disclosure is not considered to be part of the
22 transfer or sale document, however, and may not be recorded. The property shall
23 continue to be subject to the restrictions in (a) of this section after transfer or sale
24 under this subsection.

25 (c) A person who knowingly transfers, sells, leases, or rents property to
26 another, knowingly allows another to use or occupy property, or, being the owner of
27 property, knowingly occupies or uses the property, in violation of this section is guilty
28 of a class A misdemeanor. In this subsection, "knowingly" has the meaning given in
29 AS 11.81.900(a).

30 (d) It is an affirmative defense to a prosecution under (c) of this section for
31 allowing another to use or occupy the property that the defendant or an agent of the

1 defendant, within four days after receiving a notice under AS 46.03.500, filed an
2 appropriate civil action to remove the user or occupier from the property for which the
3 notice was received.

4 **Sec. 46.03.520. Sampling and testing procedures.** (a) If the owner of the
5 property for which notice was received under AS 46.03.500(b) desires to determine if
6 the property is fit for use, the owner shall cause the site to be sampled and tested for
7 the substances covered in regulations adopted under AS 46.03.530, using the
8 procedures and laboratory services specified under (b) and (c) of this section. The
9 property owner shall inform the laboratory used for sampling or testing under this
10 subsection that the sampling and testing are related to property that has been
11 determined to be an illegal drug manufacturing site.

12 (b) The department shall establish procedures for sampling and testing
13 property that may have been an illegal drug manufacturing site.

14 (c) The department shall establish and maintain a list of laboratories in the
15 state that have notified the department that they have the capacity to perform the
16 sampling and testing procedures and that they wish to be on the list maintained under
17 this subsection. A laboratory may not be included on the list unless the laboratory
18 agrees to send the department a copy of test results related to properties whose owners
19 have informed the laboratory that the test results are for property that has been
20 determined to be an illegal drug manufacturing site.

21 **Sec. 46.03.530. Standards for determining fitness.** (a) Property for which a
22 notice was received under AS 46.03.500(b) is not fit for use if sampling and testing of
23 the property under AS 46.03.520 shows the presence of substances for which the
24 department has set a limit under (b) of this section.

25 (b) The Department of Public Safety shall annually submit a list of substances
26 to the Department of Environmental Conservation. The department shall adopt
27 regulations that set the limit for each substance specified by the Department of Public
28 Safety for purposes of determining whether the property for which a notice was
29 received under AS 46.03.500 is fit for use. The department may also determine
30 whether there are other substances associated with illegal drug manufacturing sites
31 that may pose a substantial risk of harm to persons who occupy or use the site or to

1 public health and may adopt regulations that set limits for those substances for the
 2 purposes of determining whether the property for which notice was received under
 3 AS 46.03.500 is fit for use.

4 **Sec. 46.03.540. Decontamination requirements.** (a) If the owner desires to
 5 decontaminate the property for which a notice has been issued under AS 46.03.500,
 6 the owner shall follow the guidelines established by the department under (b) of this
 7 section.

8 (b) The department shall establish guidelines for decontamination of sites that
 9 are determined to be unfit for use under AS 46.03.530. The department shall provide
 10 a copy of the guidelines to any person who requests a copy.

11 **Sec. 46.03.550. Fitness for use.** (a) Property for which a notice has been
 12 issued under AS 46.03.500 shall be determined by the department to be fit for use if
 13 the owner certifies to the department under penalty of unsworn falsification that

14 (1) based on sampling and testing procedures established by the
 15 department under AS 46.03.520(b) and performed by laboratories that are on the list
 16 maintained by the department under AS 46.03.520(c), the limits on substances
 17 specified in regulations adopted under AS 46.03.530 are not exceeded on the property;

18 (2) if the property was ever sampled and tested under AS 46.03.520
 19 and the test results showed the property to be unfit for use under AS 46.03.530,
 20 decontamination procedures were performed in accordance with the guidelines
 21 established under AS 46.03.540(b) and the requirements of (1) of this subsection have
 22 been met; or

23 (3) a court has held that the determination that the property was an
 24 illegal drug manufacturing site was not made in compliance with AS 46.03.500(a).

25 (b) The department shall maintain a list of properties for which the department
 26 has received notice under AS 46.03.500(c). When the department determines under
 27 (a) of this section that a property on the list is fit for use, the department shall remove
 28 the property from the list and notify the owner of the property that the property is fit
 29 for use. On request, the department shall give a copy of the list maintained under this
 30 section to any person who requests the list.

31 **Sec. 46.03.560. Securing the property.** The owner of property for which a

1 notice was received under AS 46.03.500(b) shall ensure that the property is vacated
2 and secured against use

3 (1) within four days after receiving the notice if the owner does not test
4 the property under AS 46.03.520 within four days after receiving the notice; or

5 (2) within four days after receiving the test results if the owner tests
6 the property within four days after receiving the notice, the test shows the presence of
7 a substance that exceeds the limits set in regulations adopted under AS 46.03.530, and
8 the owner does not begin decontamination procedures under AS 46.03.540 within four
9 days after receiving the test results.

10 **Sec. 46.03.570. Duties of the department; regulations.** The department
11 shall adopt regulations implementing AS 46.03.500 - 46.03.599.

12 **Sec. 46.03.599. Definitions.** In AS 46.03.500 - 46.03.599.

13 (1) "illegal drug manufacturing site" means property on which there is
14 reasonable cause to suspect contamination with chemicals associated with the
15 manufacturing of a controlled substance and where

16 (A) activity involving the unauthorized manufacture of a
17 controlled substance listed on schedule I or II in AS 11.71 or a precursor
18 chemical or necessary chemical for the substances has occurred; or

19 (B) there are kept, stored, or located any of the devices,
20 equipment, things, or substances used for the unauthorized manufacture of a
21 controlled substance listed on schedule I or II in AS 11.71;

22 (2) "site" means an illegal drug manufacturing site.

23 * **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to
24 read:

25 **REGULATIONS.** The Department of Environmental Conservation may immediately
26 begin to develop and adopt regulations to implement this Act. The regulations take effect
27 under AS 44.62 (Administrative Procedure Act).

28 * **Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section to
29 read:

30 **CERTIFICATION OF EFFECTIVE DATE OF REGULATIONS.** The lieutenant
31 governor shall certify to the revisor of statutes the effective date of the initial regulations

1 adopted by the Department of Environmental Conservation under sec. 3 of this Act.

2 * **Sec. 5.** Sections 1 and 2 of this Act take effect on the effective date of the initial
3 regulations adopted by the Department of Environmental Conservation under sec. 3 of this
4 Act.

5 * **Sec. 6.** Sections 3 and 4 of this Act take effect immediately under AS 01.10.070(c).



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

FAX COVER SHEET

DATE: 29 April 2003 TIME: 9:10 am

TO: Legal Svcs.

NUMBER OF PAGES, INCLUDING COVER SHEET: 1

FROM: MINDY ROWLAND
SENATE FINANCE COMMITTEE SECRETARY
PHONE: 465-4935
FAX: 465-2187

NOTES: Final Please

SCS HB 59 (FIN) plus
23-LS0341 \ UA-4 ←

Thanks
Mindy

STATE OF ALASKA

Interim:

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Fairbanks, Alaska 99701
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Fax: (907) 451-9293

Session:

State Capitol Building
Juneau, Alaska 99801
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REPRESENTATIVE JIM HOLM DISTRICT 9

Sponsor Statement Finance Committee Substitute for House Bill 59

"An act relating to the evaluation and cleanup of sites where certain controlled substances may have been manufactured or stored, and providing for an effective date"

Alaska currently does not have basic standards for the cleanup of illegal drug labs. House Bill 59 will set basic standards and requirements for the cleanup of those sites to guarantee the safety of future residents.

Over the past four years, over ninety methamphetamine labs were discovered in Alaska. These labs were found in apartments, hotels, cabins, mobile homes, and even on boats. If left untreated, chemicals from "cooking meth" can be extremely hazardous and pose a serious threat for future residents, particularly children.

HB 59 will require that once law enforcement agencies discover an illegal lab, the property owner will be responsible to clean up the hazardous materials. A complete cleanup of the site will be needed before the structure can again be utilized. In order to demonstrate the property fit for habitation, the owner must provide test results showing the levels of contamination below Department of Environmental Conservation (DEC) limits.

HB 59 stipulates that the DEC or a law enforcement entity will provide information to the owner on required testing procedures and guidelines for cleanup. Additionally, a list of laboratories that may be used for determining whether the property is fit for use will be provided to the property owner.

HB 59 also stipulates full disclose to future buyers if the property was used as an illegal drug site and was not properly cleaned to DEC standards.

STATE OF ALASKA



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REPRESENTATIVE JIM HOLM DISTRICT 9

Sectional Analysis CSHB 59 (FIN)

Section 1. Declares the purpose of the Act.

Section 2. Requires sampling and testing of property before use if a law enforcement agency determines that the property was an illegal drug-manufacturing site. Declares that the property is unfit for use if it doesn't meet the limits set in statute by the DEC. Requires that decontamination, if done, be cleaned to guidelines set by DEC. There are also limitations on sale of the property without disclosure until sampling and testing show that the property is fit for use.

Section 3. Allows DEC to begin the regulatory process immediately.

Section 4. Requires the lieutenant governor to notify the reviser of statutes about the effective date of the regulations adopted by DEC to implement the bill.

Section 5. Provides that section 1 and 2 take effect on the effective date of the regulations adopted by DEC to implement the bill.

Section 6. Makes sections 3 and 4 effective immediately.

JH/jg

STATE OFFICE
ALASKA PEACE OFFICERS ASSOCIATION

P.O. Box 240106 Anchorage, Alaska 99524-0106 Phone (907) 277-0515 Fax (907) 272-5355



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Anchorage

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Pres. Aleutian Islands Chapter

Jeff Odom, Member
Wrangell
Pres. Wrangell Chapter

March 17, 2003

Representative James Holm
State Capitol
Juneau, Alaska 99801-1182

Dear Representative Holm;

On behalf of the Alaska Peace Officers Association (APOA), I would like to thank you for co-introducing House Bill No. 59, an act relating to the cleanup of illegal drug sites.

The APOA State Board's Legislative Committee recently reviewed this proposed legislation and by majority vote decided to support this bill.

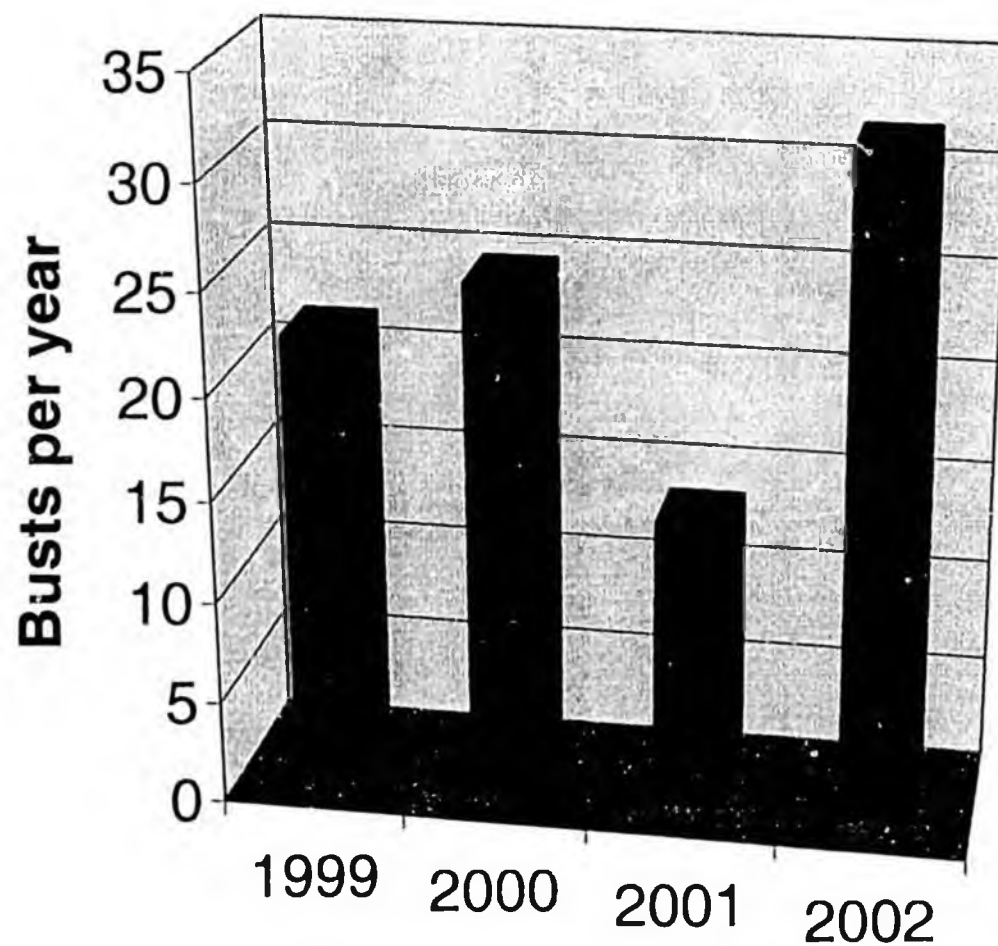
This proposed legislation requires the Department of Environmental Conservation to monitor and evaluate sites and hazards left behind by illegal clandestine drug laboratories. We believe this will help to protect the public from unknowingly living in what was once an illegal lab site and may still be hazardous. Notifications described in the bill are current policies of law enforcement involved in lab investigations. We believe that this proposed legislation will be of benefit to both the citizens and law enforcement of Alaska.

Please contact the APOA office in Anchorage at 277-0515 if there is anything our organization can do to assist in the passage of this bill.

Sincerely,

Leo J. Brandlen
State President

Alaska Methamphetamine Lab Seizures



Provided by Rep. Holm

http://www.kci.org/meth_info/meth_cleanup.htm

What are possible health effects from exposure to meth lab contaminants?

Many of the contaminants present during meth's cooking process can be harmful if someone is exposed to them. These contaminants can cause health problems including respiratory (breathing) problems, skin and eye irritation, headaches, nausea and dizziness. Acute (short-term) exposures to high concentrations of some of these chemicals, such as those law enforcement officers face when they first enter a lab, can cause severe health problems including lung damage and burns to different parts of the body.

There is little known about the health effects from chronic (long-term) exposure to contaminants left behind after a meth lab is dismantled. Until the contaminants have been identified, their quantities measured, and their health effects known, MDOH advises property owners to exercise caution and use the safest possible cleaning practices in dealing with a former meth lab property and any possible remaining contamination.

The potential health effects depend on

- the specific chemicals to which a person is exposed
- how much of each chemical to which a person is exposed,
- how long a person is exposed, and
- the health condition of the person being exposed.

Exposure to meth residues may cause symptoms similar to those experienced by meth users.

Exposure to volatile organic compounds (VOCs) may cause symptoms such as nose and throat irritation, headaches, dizziness, nausea, vomiting, confusion and breathing difficulties. Benzene is a VOC known to cause cancer.

Acids or bases will cause a burning sensation on the skin and in mucous membranes, and can cause severe eye damage. Exposure to metals and salts can cause a wide range of health effects including respiratory irritation, decreased mental function, anemia, kidney damage and birth defects



Provided by Rep. Holm

http://www.kci.org/meth_info/neighborhood_lab.htm

IS THERE A METH LAB COOKIN' IN YOUR NEIGHBORHOOD?



Many people may be unaware that they're living near a meth lab. Here are some things to look for:

- Unusual, strong odors (like cat urine, ether, ammonia, acetone or other chemicals).
- Residences with windows blacked out.
- Renters who pay their landlords in cash. (Most drug dealers trade exclusively in cash.)
- Lots of traffic - people coming and going at unusual times. There may be little traffic during the day, but at night the activity increases dramatically.
- Excessive trash including large amounts of items such as: antifreeze containers, lantern fuel cans, red chemically stained coffee filters, drain cleaner and duct tape.
- Unusual amounts of clear glass containers being brought into the home.

Presence of the following items could indicate the existence of a meth lab:

Alcohol
Ether
Benzene
Toluene/Paint Thinner
Freon
Acetone
Chloroform
Camp Stove Fuel/Coleman Fuel
Starting Fluid
Anhydrous Ammonia
"Heet"
White Gasoline
Phenyl-2-Propane
Phenylacetone
Phenylpropanolamine
Iodine Crystals
Red Phosphorous
Black Iodine
Lye (Red Devil Lye)
Drano
Muriatic/Hydrochloric Acid
Battery Acid/Sulfuric Acid
Epsom Salts
Batteries/Lithium
Sodium Metal
Wooden Matches
Propane Cylinders
Hot Plates
Ephedrine (over-the-counter)
Cold Tablets
Bronchodilators
Energy Boosters
Rock Salt
Diet Aids

If you suspect a meth lab in your neighborhood call
the police

Methamphetamine

Methamphetamine is an addictive stimulant drug that strongly activates certain systems in the brain. Methamphetamine is closely related chemically to amphetamine, but the central nervous system effects of methamphetamine are greater. Both drugs have some medical uses, primarily in the treatment of obesity, but their therapeutic use is limited.

Street methamphetamine is referred to by many names, such as "speed," "meth," and "chalk." Methamphetamine hydrochloride, clear chunky crystals resembling ice, which can be inhaled by smoking, is referred to as "ice," "crystal," and "glass."

Health Hazards

Neurological hazards. Methamphetamine releases high levels of the neurotransmitter dopamine, which stimulates brain cells, enhancing mood and body movement. It also appears to have a neurotoxic effect, damaging brain cells that contain dopamine and serotonin, another neurotransmitter. Over time, methamphetamine appears to cause reduced levels of dopamine, which can result in symptoms like those of Parkinson's disease, a severe movement disorder.

Addiction. Methamphetamine is taken orally or intranasally (snorting the powder), by intravenous injection, and by smoking. Immediately after smoking or intravenous injection, the methamphetamine user experiences an intense sensation, called a "rush" or "flash," that lasts only a few minutes and is described as extremely pleasurable. Oral or intranasal use produces euphoria - a high, but not a rush. Users may become addicted quickly, and use it with increasing frequency and in increasing doses.

Short-term effects. The central nervous system (CNS) actions that result from taking even small amounts of methamphetamine include increased wakefulness, increased physical activity, decreased appetite, increased respiration, hyperthermia, and euphoria. Other CNS effects include irritability, insomnia, confusion, tremors, convulsions, anxiety, paranoia, and aggressiveness. Hyperthermia and convulsions can result in death.

Long-term effects. Methamphetamine causes increased heart rate and blood pressure and can cause irreversible damage to blood vessels in the brain, producing strokes. Other effects of methamphetamine include respiratory problems, irregular heartbeat, and extreme anorexia. Its use can result in cardiovascular collapse and death.

Information provided by the National Institute on Drug Abuse.

From Missouri's Guidelines for Drug Lab Cleanup

How can the property be cleaned up?

Basic steps for cleaning a former meth property:

1. Determine if the property was used for meth production.
2. Air out the property before and during cleanup.
3. Remove all unnecessary items and dispose of them.
4. Remove visibly contaminated items or items that have an odor.
5. Clean all surfaces using household cleaning methods and proper personal protection.
6. Clean the ventilation system.
7. Leave plumbing cleaning up to the experts.
8. Air out the property for three to five days.

Some general guidelines include:

Owners who clean their own properties should be aware that household building materials and furniture can absorb contaminants and give off fumes. Use caution and wear clothing to protect your skin, such as gloves, long sleeves, and eye protection during cleaning.

• **Air out the property**

After a lab is seized by law enforcement officials, professionals trained to handle hazardous materials are generally called in to remove lab waste and any bulk chemicals. During this removal, every effort is made to air out the property for the safety of the removal crew. For security reasons, the property is usually closed upon their departure. However, this short-term airing-out may not be sufficient to clear out all the contaminants from the air inside the home. Be sure the property has been aired out for **several** days before cleaning. After the initial airing out, good ventilation should be continued throughout the property's cleanup.

To promote the volatilization (dissolving into the air) of some types of chemicals, windows and doors may be closed and the temperature inside the home increased to approximately 90 degrees Fahrenheit for a few days. After cleaning and heating is complete, the property should be aired out for three to five days to allow for any volatiles to disperse from the house. Open all the building's windows and set up exhaust fans to circulate air out of the house. During this time, the property should remain off limits unless it is necessary to make short visits to the property.

After the cleaning and final three to five days of airing-out, the property should be checked for re-staining and odors, which would indicate that the initial cleaning was not successful, and further, more extensive steps should be taken.

• Contamination removal and disposal

During the meth cooking process, vapors are given off that can spread and be absorbed by nearby materials. Spilled chemicals, supplies and equipment can further contaminate non-lab items. It is a good idea to remove unnecessary items from the property and dispose of them properly. Items that are visibly contaminated should be removed from the property and may be disposed of in a local landfill.

If you find suspicious containers or lab equipment at the property, do not handle them yourself. Leave the area and contact your local law enforcement agency or fire department. It is possible that some items may have been left behind after a seizure. If the property has been searched by a hazardous materials cleanup team, the items have most likely been identified and are not dangerous. However, some properties may not have been searched or some items may have been overlooked in the debris or confusion.

Absorbent materials, such as carpeting, drapes, clothing, etc. can accumulate vapors that are dispersed through the air during the cooking process. They also may collect dust and powder from the chemicals involved in the manufacturing process. It is recommended that these materials be disposed of, especially if an odor or discoloration is present.

• Surfaces

Surfaces, such as walls, counters, floors, ceilings, etc. are porous and can hold contamination from the meth cooking process, especially in those areas where the cooking and preparation were performed. Cleaning these areas is very important as people may come in frequent contact with these surfaces through skin contact, food preparation, etc.

If a surface has visible contamination or staining, complete removal and replacement of that surface section is recommended. This could include removal and replacement of wallboard, floor coverings and counters. If this is not feasible, intensive cleaning, followed by the application of a physical barrier such as paint or epoxy is recommended. These areas should be monitored and the barrier maintained to assure that the contamination is contained.

Normal household cleaning methods and products will remove any remaining contamination. Don't forget to wear gloves, protective clothing, such as long sleeves, and eye protection. Again, ventilation of the property should be continued throughout the cleaning process.

- **Ventilation system**

Ventilation systems (heating, air conditioning) tend to collect fumes and dust and redistribute them throughout a home. The vents, ductwork, filters, and even the walls and ceilings near ventilation ducts can become contaminated. Replace all of the air filters in the system, remove and clean vents, clean the surfaces near system inlets and outlets, and clean the system's ductwork.

- **Plumbing**

While some of the waste products generated during meth manufacture may be thrown along the sides of roads or in yards, most are dumped down sinks, drains, and toilets. These waste products can collect in drains, traps, and septic tanks and give off fumes. If a strong chemical odor is coming from household plumbing, do not attempt to address the problem yourself, contact a plumbing contractor for professional assistance. If you suspect the septic tank or yard may be contaminated, contact the local health department.

- **Repainting**

When a surface has been cleaned, painting that surface should be considered, especially in areas where contamination was found or suspected. If there is any remaining contamination that cleaning did not remove, painting the surface puts a barrier between the contamination and anyone who may come in contact with those surfaces. Even on those areas that people do not normally touch, painting will cover up and "lock" the contamination onto the surface, reducing the chances that it would be released into the air.

http://www.kci.org/meth_info/meth_cleanup.htm

Fairbanks Daily News-Miner

Two small suspected meth labs discovered

By BETH IPSEN
Staff Writer

Thursday, April 03, 2003 - Two suspected small box methamphetamine labs were found in two residences this week, drug investigators said Wednesday.

People cleaning an abandoned Goldstream Valley residence Sunday found ephedrine tablets and empty acetone and toluene containers in a bucket.

A 23-year-old Fairbanks man was arrested by Alaska State Troopers on a charge of hiding a small batch of methamphetamine in a tin Camel cigarette container he was carrying when drug investigators busted a suspected meth lab at a Ludecker Street residence Monday.

Trooper Karl Main said investigators were acting on an anonymous tip when they went to Ludecker Street looking for a meth lab.

Main said when investigators knocked on the door and talked to the registered renter, they noticed a faint odor commonly associated with meth labs.

At first the woman who lives there refused to let investigators enter the trailer, but her husband consented to a search of the home when he arrived at the residence, Main said.

Main said several empty Mason jars along with a large sealed jar full of liquid were found in the back bedroom of the residence. The jar was sent to the state crime lab to be tested for solutions found in a meth lab, Main said. Several empty cans of toluene also were found at the trailer. Main called it a very small lab.

When investigators searched Paul A. Grantham, who was visiting the residence, they found a cigarette container in his front pants pocket containing between a half and one gram of a powder that field-tested positive for methamphetamines, Main said. Grantham was arrested on a charge of fourth-degree misconduct involving a controlled substance.

No charges have been filed against the couple who live at the trailer.

On Sunday, Main was called out to a dilapidated Goldstream Valley residence after people cleaning the building found a bucket with what investigators suspect are materials that could be used to make meth.

Investigators found powder from broken down ephedrine tablets, 10 to 15 blister packs of the over-the-counter cold medicine, a can of toluene and acetone in a bucket and tubing for a gas generator elsewhere in the residence. However, Main said drugs were not actually cooked at the house.

"It could very well be they got going and the location wasn't adequate for the cook," Main said. "We could have interrupted them when they were in the process and took their stuff."

The building had been abandoned for about a month and the new owner was having someone clean the building when the bucket was discovered, Main said.

He said someone could have sneaked into the residence to cook the drugs after the previous tenants left.

Anyone with information regarding the items found can call the statewide drug enforcement unit in Fairbanks at 451-6712.

Reporter Beth Ipsen can be reached at bipsen@newsminer.com or 459-7545.

Fairbanks Daily News-Miner

Two arrested in Wasilla meth lab bust

By Associated Press

Tuesday, March 25, 2003 -

WASILLA

Two people were arrested in Wasilla after authorities seized a suspected methamphetamine lab over the weekend, Alaska State Troopers said.

Todd Chilson, 31, and Windy Wolf, 33, were arrested Saturday on various charges, including misconduct involving a controlled substance and reckless endangerment. Both were being held without bail at the Mat-Su Pre-Trial Facility in Palmer.

Chilson and Wolf were arrested after narcotics investigators served a search warrant at a four-plex apartment building. Investigators found chemicals and drug-manufacturing equipment at the site, troopers said.

Three children at the site were taken into state custody by workers with the Division of Family and Youth Services, according to troopers.

Fairbanks Daily News-Miner

Drug suspect could be connected to three hotel meth labs

By BETH IPSEN
Staff Writer

Tuesday, March 18, 2003 - Drug investigators arrested a Fairbanks man Sunday who they suspect is connected to three likely methamphetamine labs found in Fairbanks hotel rooms this year.

Investigators arrested Bruce A. Barcus, 42, outside the Klondike Inn and have charged him with third-degree misconduct involving a controlled substance, according to Alaska State Trooper Karl Main, a member of the statewide drug enforcement unit. Troopers were already looking for Barcus in connection with a pair of meth lab discoveries earlier this year.

"We were looking for him pretty hard," Main said. Troopers had received numerous tips regarding his location, but weren't able to catch up to him until an anonymous tip.

Main said troopers believe Barcus was involved in a suspected meth lab in the Aspen Hotel Feb. 3 that was discovered when the room caught on fire. No one was in the room at the time the lab caught fire, causing roughly 20 people to be evacuated and thousands of dollars in damages.

In another incident, Barcus and Jeffrey Franks were caught trying to dump chemicals down the drain when drug investigators knocked on their Ranch Hotel door Jan. 9, troopers said at the time. Barcus was charged with fourth-degree misconduct involving a controlled substance when a trooper found baggies with a powder in his pocket at the time. However, the charges were later dismissed.

Investigators contacted Barcus outside room 222 of the Klondike Inn at about 11 a.m. Sunday. When confronted, Barcus denied there was a working meth lab inside the room and consented to a search, Main said.

When investigators went inside the two-bedroom suite, they found three people, including a 16-year-old girl who was holding a crack pipe, inside the room, Main said. The room was registered to Kimberly Kelley, 28, who was inside the room along with Evelyn R. Qualle, 39, both of Fairbanks.

"We found some chemicals associated with a meth lab and there was an odor" consistent with meth labs inside the room, Main said.

Six grams of methamphetamines along with scales and baggies were found inside Barcus' jacket, Main said. Barcus was then arrested and charged with two counts of third-degree misconduct involving a controlled substance and is being held at Fairbanks Correctional Center on \$10,000 bail.

"It's good that we have him," Main said. "We coordinated very closely with the (district attorney's office) and made sure we dotted the i's and cross the t's to ensure that we have a solid case against him."

Investigators believe the lab at the Klondike could have been box sized.

"He was basically performing one step of the process at this particular location," Main said, but wouldn't elaborate which step.

Depending on what test results on the chemicals found in the back room of the hotel show, Barcus, Qualle and Kelley could face additional charges. So far, Qualle and Kelley have not been charged.

Main said the 16-year-old was referred to the Division of Family and Youth Services.

Reporter Beth Ipsen can be reached at bipsen@newsminer.com or 459-7545.

Fairbanks Daily News-Miner

Drug lab raided

By KYLE HOPKINS
Staff Writer

Friday, January 31, 2003 - Authorities arrested two men Thursday night at a Van Horn Road residence in a suspected methamphetamine operation linked to a pair of arrests earlier this week.

"Fairbanks has got a problem with meth labs," said Alaska State Trooper Teague Widmier, case supervisor for the two recent busts. Widmier is a member of the Fairbanks statewide drug unit, which with enough time could find multiple labs every week in the city and nearby communities, he said.

The unit served a warrant just before 5 p.m. at 3330 Van Horn Road, a trailer and addition that troopers have long suspected housed a meth lab. Jeff Lees, 39, was arrested outside the residence, said Sgt. Ron Wall, unit supervisor.

Lees is charged with a probation violation.

The team arrested Bruce H. Gillam, 40, inside the home and found an active, medium-sized lab, Wall said. Gillam, who lives at the residence according to borough records, is accused of possession of methamphetamine. Both men could face additional charges.

"Charges regarding the manufacture of methamphetamines will be referred to the D.A.'s office," Wall said.

On Tuesday, troopers found a small-scale lab in the Gold Rush Estates trailer park and charged Cinda J. Ingles, 44, and Harold T. Griffin, 79, on charges of possessing finished methamphetamines.

Statements by Griffin, a cab driver, led investigators to the Van Horn residence, where Ingles would travel by taxi and deliver methamphetamine ingredients, Widmier said.

"This is all manufactured for sale and there was a large quantity of processed meth that was on Mr. Gillam at the time the warrant was served," Widmier said.

Troopers suspected illegal activity was under way at the Gold Rush Estates residence for about a year, but in recent weeks enough evidence surfaced to serve a warrant.

The Fairbanks North Star Borough's hazardous materials team responded Tuesday night to handle the active chemicals. The drug unit team includes members of the Alaska State Troopers, Fairbanks Police Department, UAF Police Department and the Drug Enforcement Agency.

Inside the residence, authorities found an open safe containing assault rifles. Although dusty, the weapons appeared to have been handled recently, Widmier said.

In 2001, police reported finding Gillam with a small amount of methamphetamines after his vehicle caught fire on the Richardson Highway.

Contact Kyle Hopkins at 459-7593 or khopkins@newsminer.com

Fairbanks Daily News-Miner

Two face charges after suspected drug lab raided

Wednesday, January 29, 2003 - Staff report

Alaska State Troopers discovered a small-scale methamphetamine lab in a residence in the Gold Rush Estates trailer park Tuesday and arrested two occupants on a charge of possessing finished methamphetamine.

Cinda J. Ingles, 44, and Harold T. Griffin, 79, were both arrested on a charge of fourth-degree misconduct involving a controlled substance.

However, more charges could be filed after the materials found in the trailer are tested at the troopers crime lab, Sgt. Ron Wall said.

Troopers had been investigating the possibility of a meth lab at the trailer for about a year before entering with a search warrant on Tuesday, he said. Wall classified the operation as "relatively small."

Louise Chikigak, a neighbor who lives in the park behind the College Corner shopping center, said she was surprised to learn of the meth lab across the street.

"I never saw any strange people over there or anything," she said.

Troopers said Griffin had been living in the residence since about 1994 and that he and Ingles were boyfriend and girlfriend.

Fairbanks Daily News-Miner

Investigators surprise suspected meth chefs

By BETH IPSEN
Staff Writer

Friday, January 10, 2003 - Drug investigators kicked in the door and interrupted two men in the middle of cooking what is suspected to be methamphetamine at the Ranch Motel Thursday morning.

A relative of someone who had been partying at the room the night before tipped off authorities, saying a meth lab in the room was about to be torn down. Three drug investigators went to the hotel and knocked on room No. 218, said Alaska State Trooper Teague Widmier, an investigator for the statewide drug enforcement unit in Fairbanks.

They didn't get an answer, but "all of the a sudden we heard jars clinking," Widmier said. He kicked in the door and interrupted the two men inside as they were trying to flush chemicals down the toilet and bathtub drain, Widmier said.

A man who was staying in the room next door said he heard the loud knocking on the door followed by shouting from both inside and outside. He then heard foot steps of the two men running back and forth, and glass breaking.

"Finally, the toilet flushed," followed by a strong smell emitting from the plumbing in his own room, said the man, who asked to remain anonymous. The witness then heard troopers yelling at the suspects to get on the floor.

"The hot plates were still hot and the odor was very strong," said Widmier, indicating authorities likely caught the two men in the middle of cooking meth.

"The Mason jars were just empty, laying on the bathroom floor and bath tub and they had water running in the tub," he said. "There wasn't a lot of sampling to be done because prior to our arrival they were dumping it."

Jeffrey Franks, 41, was arrested on a warrant and a charge of probation violation for a prior meth bust. Bruce Barcus, 41, was charged with fourth-degree misconduct involving a controlled substance after investigators found traces of meth inside his pockets, Widmier said.

Investigators also found traces of methamphetamines scattered throughout the room, he said.

Widmier suspects the suspects had been using meth all night long because the pair wouldn't stop twitching, a trait associated with methamphetamine use. Widmier called the suspected lab a medium-sized operation.

"I'd say they were manufacturing for themselves and their friends, just because of the crowd that's been running around," he said.

Investigators also want to question Fortune Kurzenoerfer, 31, who has been placed at the room the night before.

Hotel employee Robert Garcia said he was walking outside the South Cushman Street hotel when three men with guns began banging on the doors.

"I saw some guns and I split," Garcia said. "They weren't dressed like cops."

Hotel owner Donna Gilbert said the room was registered under a North Pole woman's name three days ago and staff hadn't received any complaints from people in the neighboring the room. There weren't a large amount of calls going to the hotel room, which can be an indication that something is going on, Gilbert said.

"They didn't request any service so the girls never went in the room," she said. "But that happens here all the time. That isn't a sign that something's going on."

Meanwhile, the man staying next door said he thought the number of people going in and out of the room over the past few days seemed suspicious.

An agent from the Drug Enforcement Administration and investigators from the Fairbanks University of Alaska police departments helped collect samples from inside the hotel room. These samples will be sent to the state crime lab and, pending test results, Barcus and Franks could face more charges.

Widmier said they found toluene, acetone, matches for red phosphorus and iodine, all highly flammable and toxic ingredients used in cooking meth.

Because the toxic chemicals used in making meth can seep into the carpet, draperies and furniture, Gilbert said the apartment won't be livable until it's stripped clean of the lingering chemicals.

Reporter Beth Ipsen can be reached at bipsen@newsminer.com or 459-7545.



How to make Meth

<http://www.neonjoint.com/c3.html>

Making Methamphetamine at home:

To make meth you need ephedrine. The cottons in today's vicks nasal inhalers don't contain ephed or pseudoephedrine but there are still lots of easy ways to get good pseudoephedrine, pure pseudoephedrine can be extracted out of its plant matter, and a plant that can be bought at most garden stores. or you can get pseudoephedrine from decongestive pills like sudafed. Most people prefer to work with pseudoephedrine from pills rather than ephedrine from the plant. The important thing is that you must have pure pseudoephedrine as any contaminants will fuck up the molar ratio leaving you with over reduced shit or under reduced shit. or contaminants will jelly during baseifying and gunk up your product which will then be very hard to clean. so you want to find a pill that is relatively pure pseudoephedrine hcl, or as close to pure as you can get. also check the label on your pills and see what inactive ingredients they contain. inactive ingredients are things like binders and flavors these you don't want and will remove when cleaning your pills. but certain inactive ingredients are harder to remove than others. you don't want pills with a red coating you don't want pills with a lot of cellulose in them and you don't want pills with much wax. you also don't want pills that contain povidone. as a rule if you have two pills that contain the same amount of pseudoephedrine hcl then take the smaller sized pill because it obviously has less binders and inactive ingredients, time released pills are usually harder to work with they have more binders and tend to gel up during the a/b stage also only buy pills that have pseudoephedrine hcl as the only active ingredient. This information was brought to you by thehive. You first have to make pseudoephedrine (which is sometimes sold as meth by itself): If you are selling it... I would just make pseudoephedrine and say it's meth.

List of chemicals and materials: Dilute HCl - also called Muriatic acid - can be obtained from hardware stores, in the pool section. NaOH - also called lye - can be obtained from supermarkets in the "drain cleaner" section. "Red Devil Lye" recommended. Ethyl Ether - aka Diethyl Ether - Et-O-Et - can be obtained from engine starting fluid, usually from a large supermarket. Look for one that says "high ethyl ether content", such as Prestone. Desoxyephedrine - can be obtained from "VICKS" nasal inhalers. These are found at any drug store or grocery, etc. They contain 50mg of l-desoxyephedrine per container. Six containers will give 300mg of l-desoxyephedrine. Distilled water - it's really cheap, so you have no reason to use the nasty stuff from the tap. Do things right.

List of equipment :

a glass eyedropper
three small glass bottles with lids (approx. 3 oz., but not important) one should be marked at 1.5oz, use tape on the outside to mark it (you might want to label it as ether) one should be clear (and it can't be the marked one) a Pyrex dish (the meatloaf one is suggested) a glass quart jar sharp scissors clean rubber gloves coffee filters a measuring cup measuring spoons

Preparing your Lab:

Preparing Ethyl Ether:

WARNING: Ethyl Ether is very flammable and is heavier than air. Do not use ethyl ether near flame or non-sparkless motors. It is also an anaesthetic and can cause respiratory collapse if you inhale too much.

Take the unmarked small bottle and spray starter fluid in it until it looks half-full. Then fill the rest of the way with water, cap the bottle and shake for 5

Provided by Rep. Holm

minutes. Let it sit for a minute or two, and tap the side to try and separate the clear upper layer. Then, draw off the top (ether) layer with the eyedropper, and throw away the lower (water) and cloudy layer. Place the ether in the marked container. Repeat this until you have about 1.5 oz. of ether. Put the cap on it, and put it in the freezer if you can. Rinse the other bottle and let it stand.

Ethyl ether is very pungent. Even a small evaporated amount is quite noticeable.

Extracting l-desoxyephedrine:

1. Break open the inhalers, a pair of real sharp scissors does this well. Place the cottons that were inside in a bottle (the unmarked one) and close the lid. I use 6 cottons.

2. In the Pyrex dish, combine 2/3 oz. water and 1/3 oz. muriatic acid. Shred cottons in this solution, and knead for 5 minutes with your gloves on. Squeeze all juice out of the cottons after you knead, and discard them. This step bonds the HCl to the l-desoxyephedrine, forming the HCl salt (what you want). The salt is soluble in water, and thus dissolves.

3. Filter the remaining liquid into the quart jar. It will be necessary to do this several times to get the awful smelling oils (check the packaging if you are interested in which ones). The chemicals in the inhalers have been bonded to the HCl, and the oils have been filtered off. Discard the filters and clean the Pyrex dish. Remember to wet the filters with distilled water before you pour, otherwise you'll lose some product.

4. Pour enough of the solution into the clear bottle to fill it 1/3 full. Save any leftover juice for the second batch.

5. Pour 1/8 teaspoon of the lye crystals into the bottle and agitate. Do this carefully, as the mixture will become hot, and give off hydrogen gas and/or steam. H₂ gas is explosive and lighter than air, avoid any flames as usual. Repeat this step until the mixture remains cloudy. This step neutralizes the HCl in the salt, leaving the insoluble free base (l-desoxyephedrine) again. Why do we do this? So that we can get rid of any water-soluble impurities. For 3 oz. bottles, this should take only 3 repetitions or so.

6. Fill the bottle from step 5 up the rest of the way with ethyl ether. Cap the bottle, and agitate for about 8 minutes. It is very important to expose every molecule of the free-base to the ether for as long as possible. This will cause the free base to dissolve into the ether (it is- soluble in ether).

7. Let the mixture settle. There will be a middle layer that is very thick. Tap the side of the bottle to get this layer as thin as possible. This is why this bottle should be clear.

8. Remove the top (ether) layer with the eyedropper, being careful not to get any of the middle layer in it. Place the removed ether layer into a third bottle.

9. Add to the third bottle enough water to fill it half-way and about 5 drops of muriatic acid. Cap it. Shake the bottle for 2 minutes. When it settles, remove the top layer and throw it away. The free base has now been bonded to the HCl again, forming a water soluble salt. This time, we're getting rid of ether-soluble impurities. Make sure to get rid of all the ether before going to step 11.

10. If there is anything left from step 3, repeat the procedure with it.

11. Evaporate the solution in the Pyrex dish on low heat. You can do this on

the stove or nuke it in the microwave (be careful of splashing), but I have found that if you leave it on top of a hot-water heater (like the one that supplies hot water to your house) for about 2-3 days, the remaining crystals will be ephedrine HCl.

If you microwave it, I suggest no more than 5-10s at one time. If it starts "popping", that means you have too little liquid left to microwave. You can put it under a bright (100W) lamp instead. Microwaving can result in uneven heating, anyway.

First Batch: 120mg ephedrine HCl Estimated: 300mg (100% of theoretical, disregarding HCl)

Now, Making Methamphetamine out of ephedrine by reducing it with Hydroiodic Acid and Red Phosphorus.

Items needed:

1. A lot of matchbooks (the kind with the striking pad)
2. Coffee filters (or filter paper)
3. Something that measures ml and grams
4. A flask (a small pot with a lid can be used)
5. Iodine (found at any drug store)
6. Hydroiodic Acid (I will tell you how to make this)
7. Red Phosphorus (I will tell you how to make this)
8. Lye (can be obtained from supermarkets in the "drain cleaner" section. "Red Devil Lye" recommended)
- *9. Optional (toluene and HCl gas)

Making Red Phosphorus:

The striking pad on books of matches is about 50% red phosphorus. The determined experimenter could obtain a pile of red phosphorus by scraping off the striking pads of matchbooks with a sharp knife. A typical composition of the striking pad is about 50% red phosphorus, along with about 30% antimony sulfide, and lesser amounts of glue, iron oxide, MnO₂, and glass powder. I don't think these contaminants will seriously interfere with the reaction. Naturally, it is a tedious process to get large amounts of red phosphorus by scraping the striking pads off matchbooks. but who cares?

Making Hydroiodic Acid:

This is made by mixing iodine and red phosphorus. When making hydroiodic acid from iodine and red phosphorus, the acid is prepared first, and allowed to come to complete reaction for 20 minutes before adding the ephedrine to it. The way around the roadblock here is to just boil off some more of the water from the ephedrine extract, and make the acid mixture in fresh pure water. Since the production of HI from iodine and red phosphorus gives off a good deal of heat, it is wise to chill the mixture in ice, and slowly add the iodine crystals to the red phosphorus-water mixture.

Now, Making Methamphetamine:

To do the reaction, a 1000 ml round bottom flask is filled with 150 grams of ephedrine. Also added to the flask are 40 grams of red phosphorus and 340 ml of 47% hydroiodic acid. This same acid and red phosphorus mixture can be prepared from adding 150 grams of iodine crystals to 150 grams of red phosphorus in 300 ml of water. This should produce the strong hydroiodic acid solution needed. Exactly how strong the acid needs to be, I can't say. With the ingredients mixed together in the flask, a condenser is attached to the flask, and the mixture is boiled for one day. This length of time is needed for best yields and highest octane numbers on the product. While it is cooking, the mixture is quite red and messy looking from the red phosphorus floating around in it. When one day of boiling under reflux is up, the flask is allowed to cool, then it is diluted with an equal volume of water. Next, the red

phosphorus is filtered out. A series of doubled up coffee filters will work to get out all the red phosphorus, but real filter paper is better. The filtered solution should look a golden color. A red color may indicate that all the red phosphorus is not yet out. If so, it is filtered again. The filtered-out phosphorus can be saved for use in the next batch. If filtering does not remove the red color, there may be iodine floating around the solution. It can be removed by adding a few dashes of sodium bisulfate or sodium thiosulfate. The next step in processing the batch is to neutralize the acid. A strong lye solution is mixed up and added to the batch while shaking until the batch is strongly basic. This brings the meth out as liquid free base floating on top of the water. The strongly basic solution is shaken vigorously to ensure that all the meth has been converted to the free base. You now can sell or use the free base for injection use or with free base meth now obtained, the next step you can do is to form the crystalline hydrochloride salt of meth. To do this, a few hundred mls of toluene is added to the batch, and the meth free base extracted out as usual. If the chemist's cooking has been careful, the color of the toluene extract will be clear to pale yellow. If this is the case, the product is sufficiently pure to make nice white crystals just by bubbling dry HCl gas through the toluene extract. If the toluene extract is darker colored, a distillation is called for to get pure meth free base. The yield of pure methamphetamine hydrochloride should be from 100 to 110 grams.

SENATE COMMITTEE REPORT

DATE: 3/31/03

FURTHER: Finance

DATE TURNED
IN TO OFFICE: 3/31/03

Judiciary Committee considered CS FOR HOUSE BILL NO. 59(FIN) am

HB 59 CLEANUP OF ILLEGAL DRUG SITES

"An Act relating to the evaluation and cleanup of sites where certain controlled substances may have been manufactured or stored; and providing for an effective date."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:

- same title
- new title

House Bill:

- same title
- technical title
- new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
DEC	3/11/03	✓		3

PREVIOUS ^{House} FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
DPS	2/14/03		✓	1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:		DO PASS	DO NOT PASS	NO REC	AMEND
Ellis	<i>[Signature]</i>	X			
French	<i>[Signature]</i>	X			
Therriault	<i>[Signature]</i>			✓	
Ogan	<i>[Signature]</i>	X			
Seekins	CHAIR: <i>[Signature]</i>	✓			

SENATE FINANCE COMMITTEE

SIGN-IN

HB 59-CLEANUP OF ILLEGAL DRUG SITES

NAME: MARY SIROJAY Subject/Bill No: HB 59
Co./Dept./Title: DEC Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

HB

61

HFIN

FILE

Adopted 4/23/03

23-LS0270\Q
Chenoweth
4/15/03

CS FOR HOUSE BILL NO. 61(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVES CHENAULT, Kohring, Wolf

A BILL

FOR AN ACT ENTITLED

1 "An Act establishing an exploration and development incentive tax credit for persons
2 engaged in the exploration for and development of gas for sale and delivery without
3 reference to volume from a lease or property in the state; and providing for an effective
4 date."

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

6 * **Section 1.** AS 43.20 is amended by adding a new section to read:

7 **Sec. 43.20.043. Gas exploration and development tax credit.** (a) Subject to
8 the terms and conditions of this section, and in addition to any other credit authorized
9 to the taxpayer by this chapter, a taxpayer engaging in the exploration for and
10 development of gas may apply as a credit against the state tax liability that may be
11 imposed on the taxpayer under this chapter, for a tax year beginning after
12 December 31, 2002,

- 13 (1) 10 percent of the taxpayer's qualified capital investment; and
- 14 (2) 10 percent of the annual cost incurred by the taxpayer for qualified

1 services in the state during each tax year for which a credit is allowable for a qualified
2 capital investment under (1) of this subsection.

3 (b) Expenditures qualifying for the taxpayer's qualified investment credit
4 under (a)(1) of this section must be

5 (1) cash expenditures or binding payment agreements entered into after
6 June 30, 2003; and

7 (2) made for assets first placed in service in the state during the tax
8 year in which the credit is claimed; for purposes of this paragraph, "placed in service
9 in the state" means that the first use of the qualified investment is in this state; if the
10 property on which the claim of the credit is based has been used elsewhere in the tax
11 year of acquisition and is brought to this state during that year or a subsequent year,
12 the property does not qualify for the investment credit.

13 (c) The credit per tax year allowed by (a) of this section may not exceed 50
14 percent of the taxpayer's total tax liability, including all taxes, but shall be calculated
15 before the application of any other credits allowed under this chapter. An unused
16 portion of the credit for the tax year

17 (1) may be carried forward into one or more of the following tax years,
18 except that the unused credit from one tax year may not be carried forward for more
19 than five following tax years;

20 (2) shall be applied to the taxpayer's tax liability under this chapter
21 during the following tax year before allowance of a credit allowed by (a) of this
22 section for that following tax year.

23 (d) To obtain the credit allowed by this section, the taxpayer shall, with the
24 taxpayer's tax return, submit, on a form prescribed by the department, information that
25 demonstrates that the taxpayer is eligible for the credit and evidence of the expenses
26 that are the basis of the claim of the credit. The taxpayer has the burden of
27 demonstrating compliance with the requirements of this section to entitle the taxpayer
28 to the claim of and the amount of the credit.

29 (e) A taxpayer entitled to a credit under this section

30 (1) may not convey, assign, or transfer the credit to another taxpayer or
31 business entity unless the conveyance, assignment, or transfer of the credit is part of

1 the conveyance, assignment, or transfer of the taxpayer's business;

2 (2) forfeits the credit to which the taxpayer is entitled during the tax
3 year and any carryover of it under (c) of this section, but does not forfeit the portion of
4 the credit that accrued in a previous taxable year that may be carried over under (c) of
5 this section. if the taxpayer

6 (A) disposes of the qualified capital investment;

7 (B) takes the qualified investment out of service; or

8 (C) transfers the qualified investment out of this state.

9 (f) A taxpayer is not entitled to a credit under this section for expenditures that
10 are made or incurred for the qualified capital investment or for qualified services made
11 for exploration and development of gas that occur in the area of Alaska lying north of
12 68 degrees North latitude or that are made or incurred to transport gas from reserves
13 located in the area of Alaska lying north of 68 degrees North latitude.

14 (g) A taxpayer who obtains a credit under this section may not claim a tax
15 credit or royalty modification provided for under any other title. However, a taxpayer
16 may, at the taxpayer's election, forgo a credit under this section in order to continue to
17 qualify for a credit provided for in another title.

18 (h) For purposes of determining allowable credits under this section, the
19 department shall allow only expenditures and payments that are not inconsistent with
20 the expenditures authorized under 26 U.S.C. (Internal Revenue Code) for exploration
21 and development of natural resources.

22 (i) In this section,

23 (1) "qualified capital investment" means a cash expenditure or binding
24 payment agreement, as described in (b)(1) of this section, for real property or tangible
25 personal property used in this state in the exploration and development of gas reserves
26 in a gas reservoir for which there has not been commercial production if the reserves
27 produce gas for sale and delivery; in this paragraph, "property" includes

28 (A) property used in the operation or maintenance of facilities
29 for exploration or development of gas;

30 (B) property that is placed in use under a capitalized lease or an
31 operating lease; and

1 (C) the following property used for the exploration and
2 development of gas:

3 (i) machinery, appliances, supplies, and equipment;

4 (ii) drilling rigs, wells, gathering lines and transmission
5 lines, pumping stations, compressor stations, power plants, topping
6 plants, and processing units;

7 (iii) roads, docks and other port facilities, and helicopter
8 pads;

9 (iv) maintenance equipment and facilities, and
10 maintenance camps and other related facilities; and

11 (v) communications facilities owned by a person whose
12 principal business in the state is the exploration for or development of
13 gas and whose operation of the communications facilities directly
14 relates to the conduct of that business;

15 (2) "qualified services"

16 (A) means expenditures for labor, seismic, and other services
17 that are directly applicable to a qualified capital investment;

18 (B) does not include lease operating expenses.

19 * Sec. 2. AS 43.20.043 is repealed.

20 * Sec. 3. The uncodified law of the State of Alaska is amended by adding a new section to
21 read:

22 CLAIM OF GAS EXPLORATION AND DEVELOPMENT TAX CREDIT
23 CONTINUED. A taxpayer who, on the effective date of repeal of AS 43.20.043 by sec. 2 of
24 this Act, claims the balance of any unused portion of the gas exploration and development tax
25 credit as a carry-forward under AS 43.20.043(c), may, notwithstanding the repeal of that
26 subsection, continue to claim the balance of the credit until the claim of the credit is exhausted
27 or until the tax year ending December 31, 2017, whichever occurs earlier. The provisions of
28 AS 43.20.043 as they read on the day immediately preceding the effective date of the repeal
29 of that section apply to the claim of the credit if carried forward under this section.

30 * Sec. 4. Section 2 of this Act takes effect January 1, 2013.

31 * Sec. 5. Except as provided in sec. 4 of this Act, this Act takes effect immediately under

1 AS 01.10.070(c).

By Chenawit

passed N/O

23-LS0270\Q.4
Chenoweth
4/24/03

AMENDMENT 1

OFFERED IN THE HOUSE

TO: CSHB 61(FIN), Draft Version "Q"

- 1 Page 2, lines 7 and 8, following "in the state":
- 2 Delete "during the tax year in which the credit is claimed"
- 3 Insert "in or before the tax year in which the credit is claimed through the date the
- 4 reserves produce gas for sale and delivery"

by Chenault

adopted N/O

23-LS0270\Q.2
Chenoweth
4/24/03

AMENDMENT

2

OFFERED IN THE HOUSE

TO: CSHB 61(FIN), Draft Version "Q"

- 1 Page 1, line 1:
- 2 Delete "persons"
- 3 Insert "operators and working interest owners directly"
- 4
- 5 Page 1, line 9, following "a taxpayer":
- 6 Insert "that is an operator or working interest owner directly"

by Chenault

passed
NO OBJ

23-LS0270\Q.3
Chenoweth
4/24/03

AMENDMENT

3

OFFERED IN THE HOUSE

TO: CSHB 61(FIN), Draft Version "Q"

- 1 Page 2, line 14, following "liability":
- 2 Delete ", including all taxes,"
- 3 Insert "under this chapter,"

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: CSHB 61(O&G)
 (H) Publish Date: 3/14/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Natural Resources
 Title Oil and Gas Tax Credit for Exploration. BRU Oil and Gas Development
 Component Oil and Gas Development
 Sponsor Chenault, Kohring, Wolf
 Requestor House Oil and Gas Component No. 439

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*
 HB 61 would authorize the Dept. of Revenue to grant credits against a taxpayer's state corporate income tax liability for certain oil or gas exploration and development investments made in the state.

Prepared by: Mark D. Myers Phone 269-8800
 Division Oil and Gas Date/Time 2/4/03 7:46 AM
 Approved by: Tom Irwin, Commissioner Date 2/4/2003
 Agency Natural Resources

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: CSHB 61(O&G)
 (H) Publish Date: 3/14/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Oil and Gas Tax Credit BRU Revenue Operations
for Exploration / Development Component Tax Division
 Sponsor Representative Chenault
 Requester House Committee on Oil and Gas Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	<i>See Analysis</i>
-------------------------------	---------------------

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1002 Federal Receipts						
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1004 GF						
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TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill is intended to promote the exploration and development of natural gas south of the Brooks Range, particularly in Cook Inlet. This bill allows a tax credit equal to 10 percent of qualified capital investment -- as well as annual labor, seismic and associated costs -- related to gas exploration and development work to be applied against corporate income tax (AS 43.20) for up to 50% of a corporation's total tax liability. The credit applies only to gas exploration and development of reserves south of the Brooks Range. The credit can only be taken if the reserves produce gas for sale and delivery.

Corporations could use their tax credits under this legislation to reduce taxes paid to the state for North Slope production or production from elsewhere in the state.

Oil and gas corporate income tax collections in FY 2003 and FY 2004 are currently projected at \$160 million and \$200 million per year, respectively.

Prepared by: Chuck Logsdon, Chief Petroleum Economist Phone _____
 Division Tax Division Date/Time 3/11/03 9:46 AM
 Approved by: Larry Persily, Deputy Commissioner Date 3/11/2003
 Agency Department of Revenue

FISCAL NOTE #2

STATE OF ALASKA
2003 LEGISLATIVE SESSION

BILL NO. CSHB 61(O&G)

ANALYSIS CONTINUATION

It is not easy to evaluate the overall revenue effect of a tax credit. On the plus side, if exploration activity discovers developable reserves, the state could receive royalty and production taxes that more than offset the revenue loss due to the tax credit. And the availability of the credit could enhance the attractiveness of exploring for new oil and gas resources, which may or may not result in creditable expenditures depending on whether discovery and development occurs.

The credit is targeted to natural gas exploration and development activity south of the Brooks Range, while the bulk of current oil and gas corporate income tax against which this credit could potentially be taken is from production and transportation of high-value oil on the North Slope. As a result, an oil and gas corporation that has profitable operations on the North Slope could, by investing in development outside of the Slope, reduce its total oil and gas corporate income tax liability through this new credit provision.

The key state revenue issue with regard to this tax credit is the extent to which the additional incentive is needed to encourage exploration and development. Natural gas price levels are critical in determining the commercial incentive to explore and develop. Natural gas prices probably will be a bigger factor in a commercial venture than the tax credits in this legislation, but this tax credit provision could also play a factor in a corporate decision to invest in exploration and development. A risk to the state is if high gas prices spur development on their own, regardless of the tax credit, the state could be in the position of providing a tax credit that is no longer necessary to promote development.

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHB 61(O&G)
(H) Publish Date: 3/14/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Natural Resources
Title Oil and Gas Tax Credit for Exploration. BRU Oil and Gas Development
Component Oil and Gas Development
Sponsor Chenault, Kohring, Wolf
Requester House Oil and Gas Component No. 439

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Note: Amounts do not include inflation unless otherwise noted below.

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Equipment						
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Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

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Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
HB 61 would authorize the Dept. of Revenue to grant credits against a taxpayer's state corporate income tax liability for certain oil or gas exploration and development investments made in the state.

Prepared by: Mark D. Myers Phone 269-8800
Division Oil and Gas Date/Time 2/4/03 7:46 AM
Approved by: Tom Irwin, Commissioner Date 2/4/2003
Agency Natural Resources

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: CSHB 61(O&G)
(H) Publish Date: 3/14/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title: Oil and Gas Tax Credit BRU: Revenue Operations
for Exploration / Development Component: Tax Division
Sponsor: Representative Chenault
Requester: House Committee on Oil and Gas Component No.: 2476

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CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES () See Analysis-----

FUND SOURCE (Thousands of Dollars)

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1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
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Part-time						
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ANALYSIS: (Attach a separate page if necessary)

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Prepared by: Chuck Logsdon, Chief Petroleum Economist Phone: _____
Division: Tax Division Date/Time: 3/11/03 9:46 AM
Approved by: Larry Persily, Deputy Commissioner Date: 3/11/2003
Agency: Department of Revenue

FISCAL NOTE #2

STATE OF ALASKA
2003 LEGISLATIVE SESSION

BILL NO. CSHB 61(O&G)

ANALYSIS CONTINUATION

It is not easy to evaluate the overall revenue effect of a tax credit. On the plus side, if exploration activity discovers developable reserves, the state could receive royalty and production taxes that more than offset the revenue loss due to the tax credit. And the availability of the credit could enhance the attractiveness of exploring for new oil and gas resources, which may or may not result in creditable expenditures depending on whether discovery and development occurs.

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STATE OF ALASKA

REPRESENTATIVE
MIKE CHENAULT

Official Business

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Session:
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Juneau, Alaska 99801-1182
(907) 465-3779
Toll Free: (800) 469-3779
Fax: (907) 465-2833

HOUSE OF REPRESENTATIVES

Spousor Statement HB 61

HB 61 creates a new income tax credit to encourage increased exploration and development of natural gas reserves south of the Brook Range. While focused primarily on natural gas reserve development, the bill also provides an incentive for the development of marginal oil reserves should they be discovered. For the purpose of this bill, marginal oil production is defined as that which initially produces 150 barrels of oil per day or less. To qualify for the credit, operators must successfully drill and develop hydrocarbon reserves that produce natural gas for sale and delivery. The credit may offset no more than 50% of an operators annual income tax liability and remains in effect for a period of ten years.

The tax credit would amount to 10% of qualified investments (and 100% of services associated with said investment) for each year. For example, an operator who spends \$20 million in a given year successfully developing natural gas reserves would receive an income tax credit of \$2 million – applicable to up to one-half of it's income tax liability for that year. Credits in excess of 50% of the operator's income tax liability can be carried over to future years. This is a successful efforts bill which means that no credits will be given for dry holes.

The Cook Inlet continues to have great potential for additional natural gas development. Other Alaska basins outside of the North Slope have similar potential. However, the combination of exploration risk, high development costs and historic low natural gas prices has created a disincentive to drill for new reserves as compared to other areas of the world. By providing a credit for successful efforts, more exploration will occur in Southern Alaska leading to much needed new natural gas reserves. This will benefit all residents and businesses at no direct cost to the state.

In addition to the benefit of developing new gas reserves, increased Cook Inlet drilling will also aid the general economic status on the Kenai Peninsula and in Anchorage as well as other areas of Alaska. Moreover, increased tax revenue from additional hydrocarbon production will more than offset any fiscal impact from the proposed credit.

STATE OF ALASKA

Scan

**REPRESENTATIVE
MIKE CHENAULT**

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HOUSE OF REPRESENTATIVES

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Sponsor Statement HB 61

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In addition to the benefit of developing new gas reserves, increased Cook Inlet drilling will also aid the general economic status on the Kenai Peninsula and in Anchorage as well as other areas of Alaska. Moreover, increased tax revenue from additional gas production will more than offset any fiscal impact from the proposed credit.

Committee Substitute to HB 61

Changes from Original Introduced Version

Oil and Gas, Resources, and Finance Committees

- **Oil Incentive Eliminated. (CS-O&G)**
- **Reduction in Credit for Qualified Services. (CS-O&G)**
 - The credit for "Qualified Services" has been reduced from 100% to 10%.
- **Credit Applies to all Taxes Paid in a Single Year. (CS-O&G)**
 - The amount of tax credit in a single year must not be greater than 50% of a taxpayers "total" income tax liability for that year and calculated prior to application of any other credits.
- **Elimination of "Double-Up" with other Incentive Programs. (CS-O&G)**
 - If taxpayer elects to participate in this exploration and development program it is not entitled to any other incentive programs such as royalty reductions, etc. However, taxpayers may forego this incentive and still utilize other programs.
- **Definition of "New Gas" to Market more Clearly Specified. (CS-O&G)**
 - New gas now defined as gas reserves in a gas reservoir for which there has not yet been commercial production.
- **Definition of "Qualified Capital Investment" Tightened. (CS-O&G)**
 - Language added to make it clear only *exploration and development* expenses are covered and no ongoing production expenses apply.
 - Property relating to *oil* exploration and development eliminated.
 - Air strips are eliminated and replaced with helicopter pads.
 - Aircraft and motor vehicles eliminated.
- **Definition of "Qualified Services" Tightened. (CS-O&G)**
 - Language added to make it clear that "qualified services" expenditures must be directly attributable to "qualified capital investment".
 - Language added to make it clear that ongoing operating expenses will not be available for the credit.
- **Retroactivity Removed. (CS-RES)**
 - Effective date revised to make it clear no expenditures made by an operator prior to July 1, 2003 qualify. This makes the investment tax credit totally forward looking.
- **Language Added to be Consistent with Federal Rules. (CS-RES)**
 - New section clearly defines that only expenditures and payments consistent with those defined in the Internal Revenue Code for exploration and development of natural resources qualify.
- **Language Added to Eliminate North Slope Gas Pipeline Expenses. (CS-FIN)**
 - Clarifying wording inserted to make it clear no expenses related a future North Slope gas pipeline will qualify.

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Oilfield Services

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Anchorage, Alaska 99503-5711
(907) 273-1700
Fax: (907) 561 8317

Schlumberger

Representative Kelly Wolf
House of Representatives
Alaska State Capitol, Room 418
Juneau, AK 99801-1182

Re: House Bill 61 (O&G)

Dear Representative Wolf:

This letter is in support of the Act establishing an exploration and development tax credit for persons engaged in the exploration and development of gas south of the Brooks Range in the state of Alaska (HB 61).

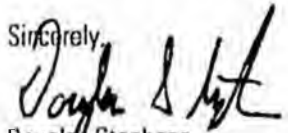
Schlumberger Technology Corporation is a Delaware company with substantial oilfield services operations in Alaska, where we presently employ approximately 500 people, the vast majority of whom are residents of the state, where we have operated for the past 35 years. The services we provide assist Operating Companies, during the exploration, development and production phases of oil and gas exploration.

Alaska's gas exploration and production activities are in need of economic stimulus in order for the state to realize its potential in energy development. The incentives provided by proposed HB 61 are designed to deliver to the State's economy this needed stimulus, with the expected result of increased employment and increased consumer and business spending. The stimulus provided by HB 61 would apply not only to new gas exploration, but also to other economic benefits realizable with respect to marginal reservoirs, which may be discovered while exploring for gas.

HB 61 creates an incentive tax credit to increase exploration and development of natural gas in the Cook Inlet and other prospective Alaskan basins south of the Brook Range. The Cook Inlet reserves have continued to decline over time, due in large part to high exploration and production costs. The Cook Inlet (and the Kenai peninsula) is a mature oil province, where the economics of developing cost effective energy sources have changed, hence the incentive for undertaking additional exploration activity which would result from the passage of HB 61 is critical to the long term viability of the State's gas market, a key component of the Cook Inlet, Kenai and Alaska economies.

Accordingly, we trust you will give your support to HB 61.

Sincerely,


Douglas Stephens
General Manager
Schlumberger Alaska

HB 61 – Investment Tax Credit For Natural Gas Development

Concern of Offsetting Corporate Income Tax Payments from North Slope Operations

Recently, some concern has been raised that oil and gas operators on the North Slope may be able to offset a portion of their corporate income taxes generated from the North Slope even though qualified investments in HB 61 must be south of the Brooks Range. Any investment stimulated by HB 61, regardless of the operator, or the makeup of its operations currently in the state will be good for Alaska.

The provisions of HB 61 require that before any operator receives credits to the corporate income tax, new gas must be discovered and brought to market. Also, no operator may offset more than 50% of tax in any given year. As an example, if a North Slope operator has a corporate income tax liability of \$10 million in a given year, the most it could offset would be \$5 million. *To do that, however, the operator would have to invest at least \$50 million in new exploration and development and be successful in bringing the gas to market.* That new investment would be great for the State of Alaska as it would generate more than ten times the value in royalties and severance tax than the value of the credits. Moreover, if a North Slope operator has a corporate tax liability of \$100 million, the most that could be offset would be \$50 million, requiring new successful investment of at least \$500 million -- which would be tremendous for Alaska.

In summary, the stimulative effects of HB 61 on new natural gas exploration and development and the resulting positive impact on Alaska are the same regardless of the operator's current business makeup in the state. Whether the investor is currently a producer only on the North Slope; only in other parts of the state; or just getting started in investing in Alaska, all new investment will have the same effect.



RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

Tadd Owens, Executive Director
Resource Development Council
HB61 Testimony
House Oil & Gas Committee
February 27, 2003

Thank you, Mr. Chairman. For the record my name is Tadd Owens, I am the executive director of the Resource Development Council. RDC is a private, non-profit, business association representing individuals and companies from Alaska's oil and gas, mining, timber, tourism and fisheries industries. Our mission is to help grow Alaska's economy through the responsible development of the state's natural resources.

RDC supports House Bill 61 and we ask the House Oil & Gas Committee to move the legislation forward. HB61 provides a tax credit for exploration and development of natural gas reserves and small oil deposits south of the Brooks Range. The legislation will have a major impact on natural gas exploration and development in Cook Inlet.

As the Committee has already heard, this legislation is needed to help offset the continuing decline in Cook Inlet's proven natural gas reserves. At this time,

reserves in Cook Inlet are not being replaced annually. In addition, as this committee has heard from Agrium Corp. in testimony regarding House Bill 57, there is not enough gas currently available to feed low-price consumers in the region. In fact, rising natural gas prices in Cook Inlet threaten to greatly increase both the cost of living and the cost of doing business in southcentral Alaska.

As with all of Alaska's resource industries, Cook Inlet oil and gas projects compete for capital investment with other projects around the globe. HB61 would stimulate additional exploration and development activity in Cook Inlet by leveling the playing field with other worldwide business opportunities.

Attracting additional private-sector investment capital to Alaska is exactly what the state needs to encourage a market sustainable economy — one that relies primarily on growing our exports and replacing our imports as opposed to one that depends on state and federal transfer payments and low-paying, low-skill jobs.

The tax credit defined by HB61 would apply to 10% of a company's qualified capital investment and 100% of qualified expenses. In any given year, the credit is