

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 86/2 47

647 SCOMM21: ROYALTY OIL & GAS FILES 1977-78

5. Surface Oiling Permit

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

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

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

Authority for Permit:

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

Criteria for Issuance:

- * AAC Title 18, Chapter 75.

6. Open Burning Permit

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

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

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

Authority for Permit:

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

Criteria for Issuance:

- * 18 AAC 50.020. Ambient Air Quality Standards.

Permits Issued by
the Department of Fish and Game

7. Anadromous Fish Protection Permit

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

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

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

Authority for Permit:

* AS 16.05.870. Protection of Fish and Game.

* 5 AAC 95.010. Waters important to Anadromous Fish.

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

8. Critical Habitat Areas Permit

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

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

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

Authority for Permit:

- * AS 16.20.250. Multiple land use.
- * AS 16.20.260. Submission of plans and specifications.

Criteria for Issuance:

Determination of Board of Fish and Game.

9. State Game Refuge Land Use Permit

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

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

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

Authority for Permit:

- * AS 16.20.050. Multiple land use.
- * AS 16.20.060. Submission of plans and specifications.

Criteria for Issuance:

Determination of the Commissioner.

Permits Issued by
the Department of Highways

10. Encroachment Permit

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

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

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

Authority for Permit:

* AS 19.25.200. Encroachment permits.

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

11. Utility Permit

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

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

Requirements: Plans are required.

Authority for Permit:

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

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

12. Driveway Permit

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

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

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

Authority for Permit:

- * 17 AAC 10.020. Driveways and Road Approaches.
- * AS 19.05.020. Regulations.

Criteria for Issuance:

- * 17 AAC 10.020. Driveways and Road Approaches.

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

13. Overweight - Oversize Permit

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

- 1) establish limitations on weight and load of vehicles;
- 2) issue special written permits authorizing the operation of overweight vehicles; and
- 3) prohibit the operation or impose restrictions on vehicular use of highways during certain seasons of the year.

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

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

- 1) Application has been made in writing, good cause has been shown and all pertinent requirements are met;
- 2) The applicant has completely described his load and vehicle route and time of travel;
- 3) The applicant has certified that the load cannot "reasonably" be dismantled or disassembled to meet the legal load and size requirements. Disassembly may be required by the District Engineer to assure the safety of the traveling public or the highways and its appurtenances;
- 4) The applicant has affirmed that the vehicle or vehicles meet all requirements of the Alaska Department of Commerce and the Transportation Commission; and
- 5) The proposed move will not be detrimental to the public safety or damage the roadway structure or bridges as determined under State requirements.

Authority for Permit:

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

Criteria for Issuance: * 17 AAC 25.010-030.

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

Permits Issued by
the Department of Natural Resources

Parks, Recreation and Public Use - Special Land Use Permits

14. Investigation and Collection Permits

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

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

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

Authority for Permit:

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

Criteria for Issuance:

- * 11 AAC 16.040. Qualified Person.

Parks, Recreation and Public Use - Incompatible Use Permits

15. State Park Incompatible Use Permit

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

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

Requirements: Contact District Office.

Authority for Permit:

- * AS 41.20.020. Duties of Department of Natural Resources.
- * AS 41.20.040. Division within Department of Natural Resources.
- * 11 AAC 18.010. State Park Incompatible Uses.

Criteria for Issuance:

- * 11 AAC 18.010. State Park Incompatible Uses.

16. Access Routes Permit

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

Procedure: Contact the Department of Natural Resources District Office.

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

Authority for Permit:

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

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

Oil and Gas Permits - Drilling Permits

17. Drilling Permits

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

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

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

Authority for Permit:

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

Criteria for Issuance:

- * 11 AAC 22.005. Permit to Drill or Deepen.

18. Drilling Deviation Permit

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

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

Requirements: Application for permit shall include:

- 1) surface and proposed producing interval locations in terms of distances from lease and section boundaries;
- 2) reason for deviation;
- 3) list of affected operators and a showing that each has been furnished a copy of the application by certified mail, or a showing that the applicant is the only affected operator; and
- 4) neat and accurate plat of lease and all affected operators and the surface and proposed producing interval locations as well.

Authority for Permit:

- * AS 31.05.030. Powers and duties of the Department.
- * 11 AAC 22.050. Deviation.

Criteria for Issuance:

- * 11 AAC 22.050. Deviation.

Oil and Gas - Regulatory Orders

19. Well Spacing Permit

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

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

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

Authority for Permit:

- * AS 31.05.030. Powers and duties of the Department.
- * 11 AAC 22.055. Well Spacing.

Criteria for Issuance:

- * 11 AAC 22.055. Well Spacing.

20. Notice of Abandonment

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

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

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

Authority for Permit:

- * AS 31.05.030. Powers and duties of the Department.
- * 11 AAC 22.100. Notice.

Criteria for Issuance:

- * 11 AAC 22.100. Notice.

21. Plugging Procedure

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

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

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

Authority for Permit:

- * AS 31.05.030. Powers and duties of the Department.
- * 11 AAC 22.110. Plugging Procedure.

Criteria for Issuance:

- * 11 AAC 22.110. Plugging Procedure.

22. Well Marker

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

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

Requirements: Contact Minerals and Energy Division.

Authority for Permit:

* AS 31.05.030. Powers and Duties of the Department.

* 11 AAC 22.120. Well Marker.

23. Water Wells

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

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

Requirements: Contact Minerals and Energy Division. -

Authority for Permit:

- * AS 31.05.030. Powers and duties of the Department.
- * 11 AAC 22.140. Water Wells.

24. Temporary Abandonment

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

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

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

Authority for Permit:

- * AS 31.05.030. Powers and duties of the Department.
- * 11 AAC 22.150. Temporary Abandonment.

25. Location Cleanup

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

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

Requirements: Contact the Minerals and Energy Division.

Authority for Permit:

- * AS 31.05.030. Powers and duties of the Department.
- * 11 AAC 22.170. Location Cleanup.

26. Multiple Completion of Wells

No well may be put into multiple production without approval.

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

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

Authority for Permit:

- * AS 31.05.030. Powers and duties of the Department.
- * 11 AAC 22.210. Multiple Completion of Wells.

27. Commingling of Production

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

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

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

Authority for Permit:

- * AS 31.05.030. Powers and duties of the Department.
- * 11 AAC 22.215. Commingling of Production.

28. Earthen Reservoirs

Permission must be obtained to store oil in earthen pits.

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

Requirements: Contact Minerals and Energy Division.

Authority for Permit:

- * AS 31.05.030. Powers and duties of the Department.
- * 11 AAC 22.220. Earthen Reservoirs.

29. Disposal of Brine and Other Wastes

Permission is required for the disposal of salt water.

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

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

Authority for Permit:

* AS 31.05.030. Powers and duties of the Department.

* 11 AAC 22.250. Disposal of Brine and Other Wastes.

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

Oil and Gas - Plan of Operations

30. Additional Recovery Methods

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

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

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

Authority for Permit:

- * AS 31.05.020. Waste Prohibited.
- * 11 AAC 22.400. Application.

Oil and Gas - Coal Conservation

31. Development Work

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

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

Requirements: Contact the Minerals and Energy Division.

Authority for Permit:

- * AS 27.20.005. Purposes.
- * AS 27.20.010. Rules and Regulations.
- * 11 AAC 46.010. Advance Approval.

Lands and Waters - Leasing of Lands

32. Right-of-Way or Easement Permit

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

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

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

Authority for Permit:

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

33. Special Land Use Permit

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

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

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

Authority for Permit:

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

Land and Waters - Tide and Submerged Lands

34. Tidelands Permit

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

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

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

Authority for Permit:

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

Criteria for Issuance:

- * 11 AAC 62.720. Application for Tideland Permits.

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

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

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

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

Authority for Permit:

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

Criteria for Issuance:

- * 11 AAC 62.810. Tideland Right-of-Way and/or Easement Permits.

36. Limited Personal Use Permit

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

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

Requirements: Contact the District Office.

Authority for Permit:

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

Land and Waters - Water Use

37. Permit to appropriate Water

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

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

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

- 1) location of source from which water is to be appropriated;
- 2) place where the appropriated water will be of beneficial use;
- 3) quantity of water to be appropriated;
- 4) proposed use of water to be appropriated; and
- 5) description of the proposed means of diversion.

Authority for Permit:

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

38. Dam Construction

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

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

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

Authority for Permit:

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

39. Application for Preferred Use

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

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

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

Authority for Permit:

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

Land and Waters - Timber

40. Use of Timber and Materials

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

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

Requirements: Contact the District Office.

Authority for Permit:

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

41. Authorization for Transportation Facilities

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

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

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

Authority for Permit:

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

Land and Waters - Materials Sales

42. Special Material Use Permit

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

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

Requirements: Contact the District Office.

Authority for Permit:

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

Land and Waters - Mineral Leasing

43. Noncompetitive Procedures

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

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

Requirements: Contact the District Office.

Authority for Permit:

- * AS 38.05.020. Authority and duties of the Commissioner.
- * AS 38.05.135. Generally.
- * AS 38.05.145. Leasing Procedure.

44. Coal Prospecting Permit:

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

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

Requirements: Contact the District Office.

Authority for Permit:

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

45. Sodium Leasing Method

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

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

Requirements: Contact the District Office.

Authority for Permit:

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

46. Potassium Leasing Method

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

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

Requirements: Contact the District Office.

Authority for Permit:

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

47. Geothermal Resources Leasing Method

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

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

Requirements: Contact the District Office.

Authority for Permit:

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

Land and Waters - Offshore Permits

48. Tide and Submerged Lands

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

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

Requirements: Applicant must meet qualifications outlined in AS 38.05.190.

Authority for Permit:

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

Land and Waters - Millsites

49. Surface Use Permits

A permit is required for millsite and tailings removal.

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

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

Authority for Permit:

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

Land and Waters - Forest Protection

50. Burning Permit

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

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

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

Authority for Permit:

- * AS 41.15.050. Fire Season.
- * 11 AAC 92.010. Permit.

Land and Waters - Miscellaneous Land Use

51. Operations on State Land Requiring Permits

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

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

Requirements: Contact the District Office.

Authority for Permit:

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

52. Subleases of State Land

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

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

Requirements: Contact the District Office.

Authority for Permit:

* AS 38.05.095. Subleases.

53. Right-of-Way Permits

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

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

Requirements: Contact the District Office.

Authority for Permits

* AS 38.05.330. Permits.

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

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

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

Requirements: Contact the Minerals and Energy Division.

Authority for Permit:

* AS 38.35.030. Abandonment of, or reduction or impairment of, service of pipeline by leasee carrier.

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

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

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

Requirements: Contact the District Office.

Authority for Permit

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

56. Preservation of Archaeological Resources

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

Procedure: Contact the Division of Parks and Recreation.

Requirements: Contact the Division of Parks and Recreation.

Authority for Permit:

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

Developer's Guide - Appendix A

Department of Environmental Conservation Contacts List

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

Northern Regional Office

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

Phone: 452-1714

Southcentral Regional Office

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

Phone: 274-5527

Prince William Sound Regional Office

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

Phone: 835-4698

Southeast Regional Office

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

Phone: 364-2165

Developer's Guide - Appendix B

Department of Fish and Game Contacts List

Region I

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

Phone: 586-6630

Region II

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

Phone: 344-0541

Region III

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

Phone: 452-1531

Developer's Guide - Appendix C

Department of Highways Contacts List

District Engineers

Southeastern - Region III

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

Phone: 789-0841

Central - Region I

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

Phone: 337-1511

Interior - Region II

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

Phone: 452-1911

Southcentral - Region V

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

Phone: 835-4322

Western - Region IV

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

Phone: 443-5266

Developer's Guide - Appendix D

Department of Highways Contacts List
Overweight-Oversize Permit Contacts

Central - Region I

John Bates
Department of Highways
5700 Tudor Road
Anchorage, Alaska 99502
Phone: 337-1511

Southcentral - Region V

R. A. Walker
Department of Highways
P. O. Box 506
Valdez, Alaska 99686
Phone: 835-4322

Interior - Region II

Ronald Doner
Department of Highways
2301 Peger Road
Fairbanks, Alaska 99701
Phone: 452-1911

Southeastern - Region III

Dick Hamilton
Department of Highways
P. O. Box 3-1000
Juneau, Alaska 99802
Phone: 789-0841

Western - Region IV

Ron Davena
Department of Highways
P. O. Box 220
Nome, Alaska 99762
Phone: 443-5266

Developer's Guide - Appendix E

Department of Natural Resources Contact List

Southeast Land District Office

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

Phone: 465-2415

Southcentral Land District Office

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

Phone: 279-5577

Northcentral Land District Office

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

Phone: 479-2243

Department of Natural Resources
Minerals and Energy Division

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

Phone: 274-8542

POLICY STATEMENT MADE BY

The Alaska Royalty Oil and Gas
Development Advisory Board

May 5 & 6, 1977

1. The Royalty Oil and Gas Board shall recommend disposition of royalty oil and gas (through in-value taking, in-kind taking, sales, and sales conditions) in such a manner to maximize net benefits to the State. These net benefits include not only price, but also the various economic, social, and environmental ramifications, including employment, local training, Alaskan ownership, secondary effects, tax base, and many other factors.
2. The baseline price for any royalty oil or gas sale shall not be less than the price that would be received for that oil or gas if taken "in-value".
3. Preference will be given first to existing in-state facilities with no alternate sources of oil or gas, and second to those who will construct new in-state facilities or expand existing in-state facilities.
4. A portion of royalty oil will be withheld ^{from} ~~from~~ long-term commitment in order to ^{meet} ~~anticipate~~ future small local demands.
5. With the exception of small sales to public utilities, sales will be for specified volumes or proportions of production, constant throughout the year, rather than for flexible volume "options" to be called by the purchaser.
6. Sales of royalty oil and gas for in-state processing will attempt to insure that products for in-state use are priced at the lowest possible price, within the limits of the general net benefit policy and the pricing policy.
7. Products produced from royalty oil and exported from the State must be surplus to the State's domestic and industrial product needs.
8. In general royalty oil and gas will be disposed of in long-term contracts, rather than in "piece lots" as may be done by a private-sector trader or dealer.

Res: DP05, NR 02

Rules:

Introduced: 3/22/77
Referred: Resources

1 IN THE SENATE

BY HUBER

2 SENATE CONCURRENT RESOLUTION NO. 36

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 Relating to the disposition of Alaska's
6 royalty oil.

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

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

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

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

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

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Re: DPOS, NE02

Fin:

Rules:

Original sponsors: Colletta, Kerttula
and Huber

Offered: 4/7/77
Referred: Finance

1 IN THE SENATE BY THE RESOURCES COMMITTEE
2 CS FOR SENATE CONCURRENT RESOLUTION NO. 25
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 TENTH LEGISLATURE - FIRST SESSION

5 Relating to the construction of oil
6 refineries in Alaska.

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

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

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

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

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

21 FURTHER RESOLVED that it is the legislature's intention that any con-
22 tract negotiated by the Commissioner of Natural Resources under this resolu-
23 tion require that the state have a meaningful input into the planning and
24 design of the refinery.

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STATE
of ALASKA**MEMORANDUM**
DEPARTMENT OF NATURAL RESOURCES
OFFICE OF THE COMMISSIONERTO: Alaska Royalty Oil and Gas
Development Advisory Board

DATE : April 4, 1977

FROM: Robert E. LeResche *RL*
CommissionerSUBJECT: Proposed treatment of
large quantity royalty
oil proposals

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

1. Price.

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

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

Page two
Alaska Royalty Oil & Gas
Development Advisory Board
April 5, 1977

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

cc: Governor Hammond
Don Wold
Policy Development and Planning

BL:jl

STATUS OF PRUDHOE ROYALTY OIL

at production of 1.2 million barrels/day,

State share (12.5%) = 150,000 barrels/day

On 4/12/77 Royalty Board approved
Sale to Golden Valley Electric (Fbx non-profit
utility)

Starts at 2,000 b/d in Dec 77

escalates to 3,000 b/d in Dec 1979

escalates to 5,000 b/d in Dec 1982

Within a week Royalty Board will approve
a 5,000 b/d contract with Tesoro.

This contract's purpose is mostly to establish
AK Pipeline Commission Jurisdiction over intra-
state tariffs all the way to Valdez (because
Golden Valley sale only establishes it to Fbx).
APC full-line jurisdiction means they have
a better chance for influencing ICC tariff
setting.

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

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

SB 274

passed Senate almost unanimously
(Tillion against).

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

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

10-1 All Commissioners

DATE : March 25, 1977

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

SUBJECT: In-State Industrial
Development

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

1. Develop a consistent set of evaluation criteria for the State to determine the merits and limitations associated with such development (or for any major proposed development activity or alternative proposals within the State);
2. Define specific guidelines related to development;
3. Specify developer and State responsibilities associated with the siting, construction and operation of such industries; and
4. Evolve a formalized State process for project review, approval and development.

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

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

AGO 667856

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

We would like your suggestions on:

1. Additions and/or modifications to the various categories relating to your agency's areas of responsibility;
2. Which Information Needs can or cannot be reasonably obtained by an applicant or by your agency;
3. Suggestions on better ways to package the criteria and implement the evaluation process; and
4. Evaluation factors which would require expertise beyond the capabilities of your staff.

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

SUBSEQUENT STEPS

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

REL/BL/ljs

Attachment

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

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

JAY S. HAMMOND, GOVERNOR

OFFICE OF THE COMMISSIONER

POUCH M - JUNEAU 99811

April 14, 1977

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

Dear Mr. President:

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

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

1. Pricing policy. Should the Board seek highest in-value pricing, average in-value pricing, or lowest in-value pricing for instate sales of royalty oil and gas?
2. Flexible volume policy. Under what conditions should a purchaser be allowed flexibility in volume of daily or seasonal purchase?
3. Treatment of public utilities. Should public utilities be treated differently than private firms in regard to pricing policy, flexible volume policy, or other policies?

AGC 667858

April 14, 1977

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

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

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

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

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

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

Thank you very much for your consideration.

Sincerely,



Robert E. LeResche
Commissioner

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

identical letters sent to Malone, Osterback, Poland

ALASKA ROYALTY OIL AND GAS DEVELOPMENT ADVISORY BOARD
AGENDA

Thursday, May 5, 1977, 9:00a.m.
Hilton Hotel, Juneau, Alaska

1. Call to Order
2. Roll Call
3. Commissioner's Remarks
4. Royalty Board Policy Recommendations
 - (a) Address by the Governor
The Honorable Jay S. Hammond
 - (b) Address by the President of the Senate
The Honorable John L. Rader
 - (c) Address by the Speaker of the House
The Honorable Hugh Malone
 - (d) Address by the Chairman, Senate Resources Committee
The Honorable Kay Poland
 - (e) Address by the Chairman, House Resources Committee
The Honorable Alvin Osterback
 - (f) Addresses by Interested Members of the Legislature

The Honorable Chancy Croft
The Honorable Mike Colletta
The Honorable Clark Gruening
Others
 - (g) Address by Consultant, Senate and House Resources Committees
Mr. George C. Silides
 - (h) Addresses by the Public
5. Royalty Board Policy Issues - Board Discussion
6. Adoption of Board Policies - Resolutions
7. Prudhoe Bay Royalty Oil
 - (a) Procedures for Sale
 - (b) Criteria for Buyers
8. Public Participation
9. Adjournment

DRAFT POLICIES FOR DISCUSSION BY THE
ALASKA ROYALTY OIL AND GAS BOARD

1. General. The Royalty Oil and Gas Board shall recommend disposition of royalty oil and gas (through in-value taking, in-kind taking, sales, and sales conditions) in such a manner to maximize net benefits to the State. These net benefits include not only price, but also the various economic, social, and environmental ramifications, including employment, local training, Alaskan ownership, secondary effect, tax base, and many other factors. These factors will be listed explicitly in a "criteria" document to be adopted by the Board in the near future. *Immediate state policy articulation, royalty oil will be managed as to further broad state goals, will expect to meet of other energy sources, the state, such as hydrocarbon, is legal of federal policies programs.*
2. Relationship to other producers. Royalty oil should be sold to a prospective buyer only when that buyer demonstrates to the Board his inability to secure oil for his project from the seven-eighths producers of the field, *under reasonable terms & pricing arrangements.*
3. Existing facilities. With the exception of public utilities, royalty oil and gas will not normally be sold to existing financially viable in-state facilities, but rather should be reserved for encouragement of new facilities to be built in-state, *unless those facilities are currently dependent on royalty oil & gas and have fulfilled policy #1 & 2.*
4. Contingency reserve. *a portion* ~~Approximately 25 percent~~ of royalty oil ~~from Prudhoe Bay~~ *will* should be withheld from ~~a large in-kind sale~~ *long term commitment* in order to anticipate small local utility demands in

[So recall up to 1020

-2-

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

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

So long as consistent with all policy, should not be delayed

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

*Memorandum
to
President
10/15/62*

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

How low competitive

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

8.

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

AWC? They are of broken business.

2.

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

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

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

12: A written consent for termination at optional end.

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

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

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

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

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

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

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

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

CHAPTER 26. ALASKA ROYALTY OIL AND GAS DEVELOPMENT ADVISORY BOARD

Article

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

ARTICLE 1. MEETINGS OF THE BOARD

Section

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

11 AAC 26.005. PURPOSE OF THE BOARD
The board will act in ways calculated to promote private economic growth consistent with applicable environmental standards and public fiscal stability to aid in the development of Alaska's oil and gas royalty interests. The purpose of the board is to review determinations of the commissioner regarding the sale or other disposition under AS 38.05.183 of state royalty oil or gas taken in kind, and where the board finds that the determinations by the commissioner are in accordance with the purposes of AS 38.06, give its prior written approval of the determination. (Eff. 8/13/75, Reg. 55)

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

11 AAC 26.010. PUBLIC MEETINGS—PUBLIC NOTICE. Subject to exceptions of this chapter and AS 44.62, the meetings of the board will be public; reasonable public notice will be given for public meetings of the board. (Eff. 8/13/75, Reg. 55)

Authority: AS 38.06.
AS 38.06.
AS 44.62.

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

that the document or record contains confidential business or marketing information the protection of which is essential to the person who has submitted them to the board or in the judgment of the board is essential to the best interests of the state.

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

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

Authority: AS 09.25.110

AS 38.06.060

AS 09.25.120

AS 44.62.310

AS 38.06.040

ARTICLE 2.

SALE OF ROYALTY OIL OR GAS

Section

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

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

Authority: AS 38.05.183

AS 38.06.040

AS 38.06.050

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

Authority: AS 38.06.040

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

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

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

Authority: AS 38.06.040

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

Authority: AS 38.05.183
AS 38.06.040

ARTICLE 3. GENERAL PROVISIONS

Section 900. Definitions

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

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

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

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

(4) "supply" means that amount of oil or gas that is reasonably anticipated to be produced and deliverable from currently known reserves within a specific time period approved by the board pursuant to the requirements set out in (d) of this section.

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

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

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

(d) In this chapter and in AS 38.05.183 and AS 38.06.050, "prior written approval" means the majority of the board members attending at a meeting of at least a quorum. The board members must have voted in favor of the action proposed by the commissioner or his designee, and the final tally of votes of members of the board for and against the proposed action shall be recorded at the end of a document signed by the commissioner or his designee setting out the action proposed by the commissioner or his designee.

(e) In this chapter and in AS 38.06.035, a "quorum" of the board means three members of the board of which two must be public members. (Eff. 8/13/75, Reg. 58; am 8/25/76, Reg. 59)
Authority: AS 38.05.182 AS 38.05.183 AS 38.06.025 AS 38.06.035

(s) *Short title.* This section may be cited as the Geothermal Resources Act.
(am §§ 40, 41 ch 127 SLA 1974)

Effect of amendment.

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

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

Legislative committee report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

seller to be applied against permit fees, royalties, or other new production from other oil and gas development. The state shall reimburse in like manner the lessee to the state plus a credit for expenses and other costs.

(e) For a period of one year after the First Session of the legislature is longer, no drilling activities on oil and gas leases in the bay shall suspend drilling activities on oil and gas leases in the bay. The purpose of development is to (1) permit a reasonable time to develop the resources of the bay from drilling activities; and (2) permit a reasonable period to negotiate this section. The lease period in Kachemak Bay shall be determined by the Department of Natural Resources.

(f) In the event the commissioner cannot negotiate a satisfactory price for this section, he may at the expiration of development acquire the leases through the exercise of eminent domain.

(g) In the event the commissioner exercises eminent domain, such action shall be taken within 60 days after the moratorium period. In the event that the commissioner exercises eminent domain within the moratorium period, the immediate right under the lease shall produce from the lease or leasehold to and from the lease sites within the lease to a shore-based facility until full reacquisition of the leasehold. (§ 1 ch 113 SLA 1976)

Effective date. — Section 2, ch. 113 SLA 1976, makes this section effective July 1, 1976, in accordance with AS 01.10.010.

COMMENTS TO THE
ALASKA ROYALTY OIL AND GAS ADVISORY BOARD
By
George C. Silides, P. E.
May 5, 1977

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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