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SPONSOR/SUBJECT: House Special Committee  
on Oil & Gas/  
Royalty Oil & Gas

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Bonnie Garner - MAPCO	Pouch 720. Fairbanks	456-3722		✓
Bill McIntyre - Arctic Energy Co.	Box 10708 - Fairbanks, AK 99710	456-5771	✓	
Billy Vehnekamp Shell Western	601 W. 5th Ave., Anchorage	263-9642		✓
Steven R Parker - Atlantic of	1031 W 4th Ave	276-3550		✓
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# STATE OF ALASKA



POUCH V  
JUNEAU, ALASKA 99811  
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## HOUSE SPECIAL COMMITTEE ON OIL AND GAS

### Packet Materials

Agenda.

Title 38 draft legislation.

Title 46 draft legislation.

North Slope lease sales - OGJ.

North Slope Unit Map.

§(g) article - OGJ.

Work commitments materials.

# STATE OF ALASKA



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## HOUSE SPECIAL COMMITTEE ON OIL AND GAS

### REVISED NOTICE OF MEETING

To: All Interested Persons  
From: Rep. Mike Davis, Chairman  
Date: September 11, 1985  
Re: Meeting of the House Special Committee on Oil and Gas

The House Special Committee on Oil and Gas will be meeting in Anchorage on Monday, September 16. The meeting will be held in the teleconference room of the Anchorage Legislative Information Office at 1024 W. 6th Ave., and will also be teleconferenced to Juneau, Fairbanks, Homer, Kenai, Ketchikan, Kotzebue and Valdez. The agenda for the meeting is as follows:

- 9:00 am - 11:00 am Discussion of proposed revisions to AS 38.05 and 38.06.  
Discussion of draft hazardous substance release and oil discharge response funds.
- 11:00 am - 12:00 pm Commissioner Wunnicke will speak on royalty oil contract proposals.
- 12:00 pm - 1:00 pm Lunch
- 1:00 pm - 2:00 pm Assistant Attorney General Mark Worcester will discuss royalty gas valuation and 8(g) litigation.
- 2:00 pm - 3:00 pm Division of Oil and Gas Petroleum Manager Bill Van Dyke will discuss North Slope oil development and production.
- 3:00 pm - 4:00 pm Division of Oil and Gas Deputy Director Jim Eason and Bill Van Dyke will speak on work commitments on oil and gas leases and unitization proposals, respectively.

# STATE OF ALASKA



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## HOUSE SPECIAL COMMITTEE ON OIL AND GAS

### Revision of AS 38.05 and 38.06.

The legislature, industry, and state agencies have for several years expressed an extreme dissatisfaction with statutory requirements relating to the production and disposition of state-owned royalty oil and gas. The accompanying draft legislation, which is being presented here for full comment and review, addresses the following points:

Clarity. Sections and subsections within AS 38.05 and 38.06 have been rearranged, where necessary, in order to segregate and clarify requirements relating to mineral leasing, oil and gas leasing, royalty mineral disposition, royalty oil and gas disposition, function of the Alaska Royalty Oil and Gas Development Advisory Board, and criteria to be followed by the board.

Policy. Clear direction is given to the commissioner of the Department of Natural Resources regarding the disposition of royalty oil and gas. Central to this policy is the maximization of state revenues, the sale of royalty oil and gas to in-state refineries and utilities at market rates, and the expansion of foreign markets.

Annual Report. The commissioner must present a report to the legislature at the beginning of each regular session that delineates the status of all state-owned royalty oil and gas production and disposition.

Underlifting. The department is given greater flexibility in its ability to underlift the state's oil and gas in order to take advantage, or prevent the disruption, of market conditions.

Charitable Uses. The disposition of state land and resources at less than market value is restricted to state and federal agencies and political subdivisions, and royalty oil and gas are excluded from such dispositions.

Consumer Benefits. Language is strengthened regarding the degree of benefit that must accrue to consumers from the proposed sale of royalty oil or gas to in-state refiners or utilities.

Negotiated and Competitive Bid Dispositions. Competitively bid dispositions of royalty oil or gas with terms of two years or less may take place without legislative approval, and negotiated dispositions of royalty oil or gas with terms of one year or less may take place without legislative approval.

Alaska Royalty Oil and Gas Development Advisory Board. The board's activities are restricted to reviewing proposed dispositions of royalty oil or gas requiring legislative approval, and presenting its recommendations to the commissioner. The board is transferred from the Department of Commerce and Economic Development to the Department of Natural Resources.

**DRAFT**

September 1985      DRAFT

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Chapter 00.  
Chapter 06.

**Article 6. Leasing of Mineral Lands.**

- Sec. 38.05.135. Generally.
- Sec. 38.05.137. Leasing agreements.
- Sec. 38.05.140. Limitations.
- Sec. 38.05.145. Leasing procedure.
- Sec. 38.05.150. Coal.
- Sec. 38.05.155. Phosphates.
- Sec. 38.05.160. Oil shale.
- Sec. 38.05.165. Sodium.
- Sec. 38.05.170. Sulphur.
- Sec. 38.05.175. Potassium.
- Sec. 38.05.177. Geothermal resources. (Formerly 38.05.181.)
- Sec. 38.05.180. Oil and gas leasing.
- Sec. 38.05.184. Limitation on oil and gas leases in certain areas, and reacquisition of leases.

**Chapter 00. Royalty on Natural Resources.**

- Sec. 38.00.010. Legislative findings relating to royalty oil and gas.
- Sec. 38.00.015. Taking of royalty. (Formerly 38.05.182.)
- Sec. 38.00.020. Sale of royalty. (Formerly 38.05.183.)
- Sec. 38.00.025. Sale of royalty oil and gas. (Formerly 38.05.183.)
- Sec. 38.00.030. Legislative approval. (Formerly 38.06.055.)
- Sec. 38.00.035. Confidentiality. (Formerly 38.06.060.)
- Sec. 38.00.040. Definitions.

**Chapter 06. Alaska Royalty Oil and Gas Development Advisory Board.**

- Sec. 38.06.010. Purpose.**
- Sec. 38.06.020. Establishment.**
- Sec. 38.06.025. Membership.**
- Sec. 38.06.030. Compensation; per diem, travel expenses.**
- Sec. 38.06.035. Meetings, rules, quorum, votes required; conflict of interest.**
- Sec. 38.06.040. Powers and duties of the board.**
- Sec. 38.06.050. Board review and recommendation required.**
- Sec. 38.06.070. Criteria.**
- Sec. 38.06.080. Definitions.**

**DRAFT**

September 1985      DRAFT

Chapter 05. Alaska Land Act.

Article 6. Leasing of mineral lands.

Sec. 38.05.135. Generally. (a) Except as otherwise provided, valuable mineral deposits in land belonging to the state shall be open to exploration, development, and the extraction of minerals. All land, together with tide, submerged, or shoreland, to which the state holds title or to which the state may become entitled, may be obtained by permit or lease for the purpose of exploration, development, and the extraction of minerals. Except as specifically limited by AS 38.05.135 - 38.05.18[1]0, land may be withheld from lease application on a first-come, first-served basis, and offered only on a competitive bid basis when determined by the commissioner to be in the best interests of the state. In unproven areas the commissioner may offer additional incentives [, including a reduction of royalty to a minimum of five percent in the case of oil and gas,] and other terms in granting a permit or lease for exploration and development whenever it appears to be in the best interests of the state to do so.

Sec. 38.05.137. Leasing agreements.

Sec. 38.05.140. Limitations.

Subsections (a) and (b) are transferred to the new subsections 38.05.150(f) and (g), respectively.

Subsection (c) is transferred to the new subsections 38.05.155(c), 38.05.165(d), and 38.05.180(aa).

Subsection (f) is transferred to the new subsection 38.05.180(h).

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Sec. 38.05.145. Leasing Procedure.

Sec. 38.05.150. Coal.

Sec. 38.05.155. Phosphates.

(c) A person may not take or hold at one time phosphate leases on state land exceeding in the aggregate 10,240 acres.

Sec. 38.05.160. Oil Shale.

Sec. 38.05.165. Sodium.

(d) A person may not take or hold sodium leases or permits during the life of sodium leases on state land exceeding in the aggregate acreage 5,120 acres, except that the commissioner may, where it is necessary in order to secure the economic mining of sodium compounds, permit a person to take or hold sodium leases or permits for up to 15,360 acres.

Sec. 38.05.170. Sulphur.

Sec. 38.05.175. Potassium.

Sec. 38.05.177. Geothermal resources.

Sec. 38.05.180. Oil and gas leasing.

(1) Subject to the provisions of AS 31.05, the commissioner has discretion to enter into an agreement whereby, with the consent of the lessee, all or part of the state's royalty share of oil and gas production may be stored or retained in storage by the lessee, or the commissioner may enter into an agreement with one or more of the affected field lease holders to trade all or part of current royalty production from a field for a like amount, kind, and quality of future production, [on the condition] if the commissioner makes a written finding that the state receive back its stored or traded royalty share [during the first half of the estimated field life or no later than 15 years after start of production, whichever is sooner.] before 80 percent of the estimated field life is depleted, considering engineering constraints, whether reserves from other producing fields are pledged to protect the stored or traded royalty share, and other relevant factors.

(aa) A person may not take or hold at any one time oil or gas leases exceeding in the aggregate 500,000 acres granted on tide and submerged land and 500,000 acres on all land other than tide and submerged land, including leases held both as lessee and under option or operating agreement from others. Where more than a single person holds an interest in an oil or gas lease, each person shall be charged only with that percentage of the total beneficial interest in the lease.

Sec. 38.05.184. Limitation on oil and gas leases in certain areas, and reacquisition of leases.

Sec. 38.05.810. (a) The [lease, sale, or other disposal] disposition of state land or resources may be made to a state or federal agency or political subdivision [,or the lease, sale, or disposal of coal deposits suitable for mining may be made to a utility owned and operated by a government agency or nonprofit cooperative association organized to participate under the Federal Rural Electrification Act for the purpose of generating electric power and energy or other production of process steam, or both,] for less than the appraised value as determined by the director [and approved by] if the commissioner determines the [lease, sale, or other disposal] disposition to be fair and proper and in the best interests of the public[,] and makes public, in writing, the specific findings and reasons on which the determination is based. [with d] Due consideration shall be given to the nature of the public services or function rendered by the agency [,] or political subdivision [, or utility] making application, and of the terms of the grant under which the land was acquired by the state.

Sec. 38.05.965.

(6) "disposition" means the sale, exchange, waiver of a right or of a future right to take royalty production, or any other alienation of the state's interest in royalty production;;

MARKET  
VALUE?  
DEFINITION

**DRAFT**

September 1985 DRAFT

Chapter 00. Royalty on natural resources.

Sec. 38.00.010. Legislative findings relating to royalty oil and gas. (a) The legislature finds that it is in the best interest of the state and its citizens that royalties on oil and gas be taken and sold in a manner which will maximize state revenues. To the extent they are consistent with this primary objective, secondary goals are to

(1) supply existing in-state refineries and oil or gas based utilities at market prices;

(2) promote new in-state refineries and oil or gas based utilities which are economically feasible at market prices in the absence of a royalty contract;

(3) promote expansion of foreign markets for Alaskan resources.

(b) The commissioner shall annually prepare and submit to the legislature, between the first and the fifteenth day of each regular legislative session, a royalty oil and gas report that shall include

(1) the royalty status of all producing oil and gas leases;

(2) proposed royalty contracts, and findings relating to the criteria set forth in 38.00.025(b);

(3) an evaluation of consumer benefits resulting from in-state refiners and processors currently receiving royalty oil or gas; and

(4) the volume, percentage and estimated value of royalty oil and gas

(A) being taken in kind and in value;

(B) purchased by in-state refiners and processors;

(C) actually refined or processed in the state;

(D) sold on a competitive and non-competitive bid basis; and

(E) purchased by foreign nations.

MARKET VALUE  
Sec. 38.00.015. [Royalty on natural resources.] Taking of royalty. (a) Any royalty provided for in AS 38.05.135 - 38.05.18[0]1 [may] shall be taken in kind [rather than in money if] unless the commissioner determines that the taking in [kind] value would be in the best interest of the state. [However, royalties on oil and gas shall be taken in kind unless the commissioner determines that the taking in money would be in the best interest of the state.]

(b) The commissioner shall reserve the right to take the state's royalty share of resources in kind in all Leases Issued under AS 38.05.135 - 38.05.180. \*

Subsection (c) is repealed.

Sec. 38.00.020. Sale of royalty. (a) The [sale, exchange or other disposal] disposition of a [mineral] resource obtained by the state as a royalty under AS 38.0[5.182]0.015[, 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] disposition made to the highest responsible bidder[, except that]. However, competitive bidding is not required when the commissioner [after prior written notice to the Alaska Royalty Oil and Gas Development Advisory Board under AS 38.06.050,] determines that competitive bidding is not in the best interest of the state [does not require it] or that no competition exists.

(b) When competitive bids are required, the commissioner [after prior written notice to the Alaska Royalty Oil and Gas Development Advisory Board,] may reject all bids on a determination 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] forth in AS 38.0[6.070]0.025(b), 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] disposition of a [mineral] resource obtained by the state as a royalty under AS 38.0[5.182]0.015, or of a right to receive future [mineral] resource 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 has been notified in writing of that determination,] the commissioner shall make public in writing the specific findings and conclusions upon which that determination is based.

Sec. 38.00.025. Sale of royalty oil and gas. The sale of royalty oil and gas shall take place in accordance with AS 38.00.020 and the provisions that

(a) royalty [O]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 determines that [the royalty-in-kind oil or gas is surplus to the present and projected intrastate domestic and industrial needs] the disposal is in the best interest of the state and makes public, in writing, the specific findings and reasons on which the 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].

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(b) [W]hen a [sale, exchange or other disposal] disposition of royalty oil or gas taken in kind by the state [as its royalty share, or a sale, exchange or other disposal in whole or in part of a right to receive future royalty oil or gas] under a state lease under this chapter is made other than by competitive bid, the [sale, exchange or other disposal] disposition shall be awarded by the commissioner to the prospective [buyer] purchaser whose proposal offers the maximum benefits to citizens of the state. The commissioner shall consider

(1) the cash value offered which, notwithstanding AS 38.05.810(a), shall not be less than the market value of the resource;

(2) the projected effects of the [sale, exchange or other disposal] disposition on the [economy] revenue needs and projected fiscal condition of the state;

(3) the projected benefits to local and regional economies of refining or processing the oil or gas in the state;

(4) the projected additional costs and responsibilities which may be imposed upon the state and affected political subdivisions by development related to the disposition;

(5) the projected social impacts related to the disposition;

(6) the projected environmental impacts related to the disposition;

(7) the ability, intent and degree of certainty of the prospective [buyer] purchaser to provide refined products or by-products for distribution and sale in the state with significant price or supply benefits to the citizens of the state; and

(-) [the criteria listed in AS 38.06.070(a).]

(8) the local or regional desirability of the disposition.

(c) the commissioner shall notify the Alaska Royalty Oil and Gas Development Advisory Board in writing of a determination to dispose of oil or gas on a basis requiring legislative approval, in accordance with AS 38.00.030. and 38.06.050.

(d) [T]he commissioner may not enter into a contract for the sale of royalty oil or gas unless the contract provides that

(1) any material amendment to the contract that appreciably reduces the consideration received by the state requires prior approval of the legislature;

(2) an assignment of unrefined royalty oil purchased from the state may not occur unless the assignor or assignee demonstrates to the satisfaction of the department and the board that

(A) the assignment will result in a significant increase of direct monetary benefit to energy consumers; and

(B) the total direct monetary benefit to energy consumers from the assignment will outweigh the monetary benefit to the assignor and assignee.



Sec. 38.00.030. Legislative approval. (a) In addition to the recommendation by the board required under AS 38.06.050, the commissioner [of natural resources] may not enter into a [sale, exchange, or other] disposition of royalty oil or gas [or of the rights or waiver of the rights to receive future production of royalty oil or gas] under [AS 38.05.183] this chapter without the prior approval of the legislature. The Legislature may approve a [sale, exchange, or other] disposition of oil or gas [or of the rights or of a waiver of the rights to receive future production of royalty oil or gas] only by enacting legislation.

(b) The provisions of (a) of this section do not apply to (1) the [sale, exchange, or other] disposition of oil or gas for one year or less if the [sale, exchange, or other] disposition is entered into to relieve storage or market conditions;

(2) the disposition of oil or gas for two years or less if the disposition is bid competitively; or

(3) contracts for the sale of state-owned royalty gas or oil that specify the sale and delivery of not more than

- (A) 400 barrels of crude oil per day;
- (B) 460 barrels of natural gas liquids per day; and
- (C) 2,400 Mcf of natural gas per day.

(c) A [sale, exchange, or other] disposition of oil or gas under (b)(1) or (b)(2) of this section may not be continued after the end of one year or renewed with the same party without the prior approval of the legislature under (a) of this section. This subsection does not apply to a sequential competitively bid sale of oil or gas made with the same party under (b)(1) of this section.

Sec. 38.00.035. Confidentiality. Notwithstanding AS 09.25.110 - 09.25.120, the department and the board may provide by regulation for the confidentiality of those documents and records in its possession or control which contain confidential business or marketing information the protection of which is essential to the person who has submitted them to the department or the board, or in the judgment of the department or the board is essential to the best interest of the state. Such confidentiality, however, shall not preclude the proper review by the legislature.

Sec. 38.00.040. Definitions. In this chapter

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

(2) "commissioner" means the commissioner of natural resources;

(3) "department" means the Department of Natural Resources;

(4) "disposition" means the sale, exchange, waiver of a right or of a future right to take royalty production, or any other alienation of the state's interest in royalty production; and

(5) "state lease" means an oil and gas lease on state land.

**DRAFT**

September 1985 DRAFT

## Chapter 06. Alaska Royalty Oil and Gas Development Advisory Board.

Sec. 38.06.010. Purpose. It is the purpose of this chapter to facilitate the wise development of Alaska's oil and gas royalty interests by providing means and procedures for [sales, exchanges or other] dispositions of those interests in ways calculated to promote economic growth consistent with applicable environmental standards, local or regional desirability, and public fiscal stability, and in accordance with AS 38.0[5.183]0.025.

Sec. 38.06.020. Establishment. There is established in the Department of (Commerce and Economic Development) Natural Resources the Alaska Royalty Oil and Gas Development Advisory Board.

Sec. 38.06.025. Membership.

Sec. 38.06.030. Compensation; per diem, travel expenses

Sec. 38.06.035. Meetings, rules, quorum, votes required; conflict of interest.

Sec. 38.06.040. Powers and duties of the board.

Subsections (a) and (b) are repealed and replaced with the following language:

(a) The board shall, in accordance with proposed dispositions of royalty oil or gas requiring legislative approval under AS 38.06.050

(1) hold public hearings to determine whether the proposals comply with AS 38.00.025(b);

(2) examine the proposals and recommend to the commissioner that the proposals be approved or disapproved by the department; and

(3) recommend to the commissioner the conditions relating to the sale, delivery, transportation, refining or processing of the royalty oil or gas.

(b) The board may adopt regulations under the Administrative Procedure Act (AS 44.62) that are necessary for the exercise of its powers and duties.

Sec. 38.06.050. Board review and recommendation required.

(a) If legislative approval is required by AS 38.0[6.055]0.030, a [sale, exchange, encumbrance, or other disposition] of oil or gas [or of the rights or waiver of the rights to receive future production of royalty oil or gas] may not be made by the commissioner [of natural resources] under AS 38.0[5.183]0.025 without prior review of the proposed [sale, exchange, encumbrance or other] disposition by the board. A written recommendation of the board on the proposed [sale, exchange, encumbrance or other] disposition of oil or gas [or of the rights or waiver of the rights to receive future production of royalty oil or gas] shall be submitted to the legislature at the time a resolution approving the proposed [sale, exchange, encumbrance or other] disposition is introduced in the legislature.

(b) Bids or applications for the purchase of royalty oil or gas requiring legislative approval may be rejected by the commissioner [of natural resources] if prior written notice of the proposed disapproval is given to the board.

(c) Competitive bidding in a [sale, exchange or other] disposition described in (a) of this section may not be waived by the commissioner of natural resources under AS 38.0[5.183]0.025 unless prior written notice of proposed waiver is given to the board.

Sec. 38.06.070. Criteria. (a) In the exercise of its powers under AS 38.06.040(a) and 38.06.050 [the board shall consider] the board

(b) [W]hen it is economically feasible and in the public interest, [the board] may recommend to the commissioner [of natural resources,] as a condition of the sale of state-owned royalty oil or gas [obtained by the state as royalty,] that

- (1) the oil or gas be refined or processed in the state;
- (2) the purchaser be a refiner who [supplies products to the Alaska market with price or supply benefits to state citizens] provides refined products or by-products for distribution and sale in the state with significant price or supply benefits to the citizens of the state; or
- (3) the purchaser construct a processing or refining facility in the state.

(c) [The board] shall make a full report to the [legislature] department on each criterion specified in [(a)] AS 38.00.025(b) or (b) of this section for any disposition of royalty oil or gas which requires legislative approval. The board's report shall be submitted for legislative review at the time a resolution for legislative approval of a proposed disposition of royalty oil or gas is introduced in the legislature.

Sec. 38.06.080. Definitions. In this chapter

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

(2) "commissioner" means the commissioner of natural resources;

(3) "department" means the Department of Natural Resources;

(4) "disposition" means the sale, exchange, waiver of a right or of a future right to take royalty production, or any other alienation of the state's interest in royalty production; and

(5) "state lease" means an oil and gas lease on state land.

# STATE OF ALASKA



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## HOUSE SPECIAL COMMITTEE ON OIL AND GAS

Title 46: Oil Discharge Response Fund.  
Hazardous Substance Control.  
Hazardous Substance Release Response Fund.

The State of Alaska entirely lacks a statutorily defined means of overseeing the containment and cleanup of hazardous substances, and the reclamation of affected areas. Further, no funding mechanisms other than direct legislative appropriations exist for providing the Department of Environmental Conservation with the funds necessary to act in response to unpermitted releases of either oil or hazardous substances. As a consequence, the department is unable to adequately respond to such events.

State and federal agencies and industry recognize the importance of removing materials from the environment which threaten public health and safety. The Alaska Oil and Gas Association sponsored a conference earlier this month regarding hazardous wastes, and will be holding a conference in October regarding drilling muds and cuttings. The Department of Defense is spending approximately \$35 million in Alaska to cleanup existing and abandoned military sites, and the Department of Environmental Conservation will soon be evaluating contracts for the identification of potential hazardous materials sites in the state.

Following are the salient points of the attached draft legislation:

Response Funds. Parallel response funds, one regarding the discharge of oil and the other regarding the release of hazardous substances, are established with the Department of Environmental Conservation. In addition to each fund being able to receive legislative appropriations, the governor is also given the authority to transfer to each fund up to \$10 million during a fiscal year from the reserve for emergency operating expenses account.

Two parallel funds are established, rather than a single fund, in order to provide an appropriate vehicle for the hazardous substance release response fund to provide matching funds for participation in the federal Comprehensive Environmental Response, Compensation and Liability Act.

The response funds, similarly to other funds which may receive a transfer of money from the reserve for emergency operating expenses account, follow the intent of this account in that monies are to be used to meet emergency situations.

Hazardous Substance Control. A new chapter is established in Title 46 which is similar in aspect to AS 46.04; Oil Discharge Control. The hazardous substance control chapter provides the department with the statutory authority to seek reimbursement for expenses incurred in the identification, containment, and cleanup of unpermitted releases of hazardous substances, and the restoration of affected areas. Authority is also provided for the oversight of these activities, and the department is directed to adopt those regulations necessary to carry out the purposes of the chapter.

Related Changes. Definitions within Title 26 and 44 are expanded to include the release of hazardous substances, and references in AS 46.03 to Oil Discharge Control are expanded to include Hazardous Substance Control.

**DRAFT**

4603

August 1985      DRAFT

**Chapter 0A. Oil Discharge Response Fund.**

**Sec. 46.0A.010. Statement of Purpose.** The legislature finds and declares that the unpermitted discharge of oil into the environment presents a real and substantial threat to the public health and welfare, the environment, and the enhancement of the state's economy. The legislature therefore concludes that it is in the best interest of the state and its citizens to provide a readily available fund for the payment of expenses incurred by the department for the cleanup of discharges, and threatened discharges, of oil.

**Sec. 46.0A.020. Oil Discharge Response Fund.** (a) There is hereby created in the state treasury the oil discharge response fund, which shall be administered by the department.

(b) The legislature may appropriate from the following sources to the oil discharge response fund:

(1) Any moneys received from federal, state, or other governmental unit or from a private donor.

(2) Any moneys recovered or otherwise received from responsible parties for remedial action, removal, and cleanup at a specific site, but excluding funds from performance bonds and other forms of financial responsibility held in escrow pending satisfactory performance of a privately financed response action.

(3) Any fines, penalties, or damages recovered pursuant to this chapter or to any law establishing liability or other relief for damages or costs incurred by the state as a result of the discharge, or threat of discharge, of oil.

(c) The attorney general, at the request of the department, is empowered to recover moneys expended by the department under authority of this section when these funds were utilized to respond to an unpermitted spill or discharge or to control the threatened spill or discharge of oil.

(d) Amounts remaining in the fund at the end of any fiscal year shall remain available for expenditure in successive fiscal years.



Sec. 46.0A.030. Strict liability for the discharge of oil. To the extent not otherwise preempted by federal law, a person owning or having control over oil which enters in or upon the waters, surface or subsurface lands or waters of the state is strictly liable, without regard to fault, for the damages to persons or property, public or private, caused by the entry. In an action to recover damages, the person is relieved from strict liability, without regard to fault, if the person can prove

(1) that the oil to which the damages relate entered in or upon the waters, surface or subsurface lands or waters of the state solely as a result of

(A) an act of war,

(B) an intentional act or a negligent act of a third party, other than a party (or its employees) in privity of contract with, or employed by, the person,

(C) negligence on the part of the United States government or the State of Alaska,

(D) an act of God, or

(E) any combination of the foregoing paragraphs; and

(F) in relation to (1)(B), (C) or (D) of this section, that the person discovered the entry of the oil in or upon the waters, surface or subsurface lands or waters of the state and began operations to properly contain and clean up the oil within a reasonable period of time.

Sec. 46.0A.040. Disbursement of Fund. (a) Under authorization of the governor, the department may disburse moneys from the oil discharge response fund to:

(1) Remove, remedy, and cleanup releases, or threatened releases, of oil;

(2) Undertake all training, planning, inspecting, sampling, testing, investigating, surveying, analyzing, engineering, constructing, operating, and maintaining necessary or appropriate to prepare for, obtain, and perform removal actions, remedial actions, cleanup actions, and enforcement actions involving discharges, or threatened discharges of oil, and recover the costs thereof;

(3) Administer and enforce the authorities granted under this chapter and AS 46.04 granting the department authority to enforce or respond to discharges, or threatened discharges, of oil; and

(4) Provide funds for matching purposes for participation in federal oil discharge cleanup activities.

**Sec. 46.0A.050. Records of Oil Discharge Response Fund**

(a) The department shall maintain accounting records showing the income and expenses of the oil discharge response fund.

(b) Before July 1st of each year, the department shall determine the projected cost during the following fiscal year of monitoring, operation, and maintenance at all sites where response has been completed or is expected to be continued during the fiscal year.

(c) The department shall promulgate regulations to implement this section and shall consult with the Department of Revenue and the Office of the Governor with respect to all regulations governing fund accounting. The department shall develop procedures and adopt rules governing the expenditure of and accounting for moneys expended from the fund.

(1) The requirement to develop procedures and adopt rules shall in no way delay implementation of this chapter prior to the effective date of such procedures and rules.

(d) Upon authorization of the governor, disbursements from the oil discharge response fund shall be paid by the proper state officer on presentation of vouchers signed by the governor or the governor's authorized representative.

Sec. 46.0A.060. Report to the Legislature. (a) The department shall submit a report to the governor and the legislature no later than the 10th day of each regular session of the legislature. The report shall contain the following information:

(1) The actual funds expended during the preceding fiscal year for all disbursements made for activities under AS 46.0A.040 by the department;

(2) The amount of federal funds obtained or committed to the state in the preceding fiscal year for implementing the purpose of this chapter; and

(3) The amount of money actually received by the fund from the governor during the preceding fiscal year.

Sec. 46.0A.070. Definitions. In this chapter, unless the context requires otherwise,

(1) "act of God" means an act of nature which is unforeseeable in kind or degree.

(2) "commissioner" means the commissioner of environmental conservation.

(3) "department" means the Department of Environmental Conservation.

(4) "discharge" means the release, deposit, injection, dumping, spilling, leaking, pumping, pouring, or placing of any oil in or on any land or water such that such oil or any constituent thereof may enter the environment or be emitted into the air or discharged into any waters, including ground waters.

(5) "fund" means the oil discharge response fund.

(6) "oil" means oil of any kind and in any form, whether crude, refined, or a petroleum by-product, including but not limited to petroleum, fuel oil, gasoline, lubricating oils, oily sludge, oil refuse, oil mixed with other wastes, crude oils, liquified natural gas, propane, butane, or other liquid hydrocarbons regardless of specific gravity.

(7) "person" means an individual, public or private corporation, political subdivision, government agency, municipality, industry, partnership, association, firm, trust, estate, or any other entity;

**Chapter 0B. Hazardous Substance Control.**

**Sec. 46.0B.010. Reimbursement for cleanup expenses.** The department shall promptly seek reimbursement, either under AS 46.03.760(e), AS 46.0C.020(c) or from an applicable federal fund, for the expenses it incurs in cleaning up or containing a discharge of hazardous substances. If the department obtains reimbursement for a portion of its expenses from a federal fund, the remainder of the expenses incurred may be recovered under AS 46.03.760(e) or AS 46.0C.020(c). Money received by the department under this section may be appropriated by the legislature to the hazardous substance release response fund.


**Sec. 46.0B.020. Cleanup of released hazardous substances.** A person causing or permitting the release of hazardous substances shall immediately contain and cleanup the hazardous substances. The department may waive this requirement if

- (1) It determines, in consultation with the United States Environmental Protection Agency, as appropriate, that containment or cleanup is technically not feasible; or
  - (2) The cleanup or containment activities would result in greater environmental damage than the release itself.
- (b) The containment and cleanup of hazardous substances must be carried out in a manner approved by the department. Wastes generated as a result of containment or cleanup activities shall be disposed of in a manner approved by the department.
- (c) If the department determines that containment or cleanup activities are not adequate, it may direct the person engaged in the activities to cease and may undertake the activities itself through contract or its own resources, or both.
- (d) The department shall provide for the immediate containment or cleanup of a hazardous substance release of unexplained origin unless:
- (1) The department determines, in consultation with the United States Environmental Protection Agency, that containment or cleanup of the hazardous substance release is technically not feasible; or
  - (2) The containment or cleanup activities would result in greater environmental damage than the release itself.
- (e) The department shall enter into negotiations for memoranda of understanding or cooperative agreements with the United States Environmental Protection Agency, and other persons in order to

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(1) Facilitate coordinated and effective hazardous substance release response in the state;

(2) Provide for cooperative hazardous substance release notification procedures.

 Sec. 46.0B.030. Scope of Regulations. The department shall adopt regulations which are necessary to carry out the purposes of this chapter and which do not conflict with and are not preempted by federal law or regulations.

Sec. 46.0B.040. Catastrophic hazardous substance releases. (a) The actual or imminent occurrence of a catastrophic releases of hazardous substances constitutes a disaster emergency under AS 26.23. The department shall consult and coordinate its duties under this section with the Alaska Division of Emergency Services.

(b) The department shall promptly, under AS 46.0B.010, seek reimbursement of cleanup or containment expenses incurred as a result of an actual or imminent catastrophic release of hazardous substances under AS 26.23.050.

Sec. 46.0B.050. Hazardous substance release cleanup personnel, equipment, expenses. (a) The department, when feasible, shall enter into contracts with persons or private organizations to provide the personnel, equipment, or other services or supplies which may be required to carry out this chapter. When private contracting is not feasible, the department may establish and maintain at ports, harbors, or other locations in the state, the cleanup personnel, equipment, and supplies which, in its judgment, are necessary to carry out this chapter.

(b) Enforcement employees of the department designated by the commissioner are peace officers in the performance of their duties under this chapter and AS 46.03.

Sec. 46.0B.060. Compacts authorized. The governor may execute supplementary agreements, reciprocal arrangements, or compacts with any other state or country, subject to approval, if required by the United States Constitution of the Congress of the United States, for the purpose of implementing this chapter.

Sec. 46.0B.070. Municipal powers limited. If a conflict occurs between a provision of this chapter, or a regulation, order, decision, or other determination of the department under this chapter, and a charter, ordinance, permit, regulation, franchise, decision, or other determination of a municipality, the provisions of this chapter or the regulation, order, decision, or other determination of the department prevail. However, nothing in this chapter precludes a municipality, by ordinance or regulation, from exercising its police powers in the areas regulated by this chapter.

Sec. 46.0B.080. Definitions. In this chapter, unless the context requires otherwise,

(1) "catastrophic release of hazardous substances" means any discharge which the governor determines presents a grave and substantial threat to the public health and safety, economy, or environment of the state;

(2) "commissioner" means the commissioner of environmental conservation;

(3) "containment and cleanup" includes all direct and indirect efforts associated with the prevention, abatement, containment or removal of a hazardous substance, the restoration of the environment to its former state, and all incidental administrative costs;

(4) "department" means the Department of Environmental Conservation;

(5) "hazardous substance" means all "hazardous wastes" as defined in AS 46.03, and shall include any other substance or waste, other than those identified therein, which is declared by the commissioner to present a threat to the public health and welfare or the environment if subject to uncontrolled release into the environment;

(6) "person" means an individual, public or private corporation, political subdivision, government agency, municipality, industry, partnership, association, firm, trust, estate, or any other entity;

(7) "release" means the discharge, deposit, injection, dumping, spilling, leaking, or placing of any hazardous substance in or on any land or water such that such hazardous substance or any constituent thereof may enter the environment or be emitted into the air or discharged into any waters, including ground waters.

**Chapter 0C. Hazardous Substance Release Response Fund.**

**Sec. 46.0C.00. Statement of Purpose.** The legislature finds and declares that the unpermitted release of hazardous substances into the environment presents a real and substantial threat to the public health and welfare, the environment and the enhancement of the state's economy. The legislature therefore concludes that it is in the best interest of the state and its citizens to provide a readily available fund for the payment of expenses incurred by the department for the cleanup of releases, and threatened releases, of hazardous substances.

**Sec. 46.0C.01. Hazardous Substance Release Response Fund.**

(a) There is hereby created in the state treasury the hazardous substance response fund, which shall be administered by the department.

(b) The legislature may appropriate from the following sources to the hazardous substance release response fund:

(1) Any moneys received from federal, state, or other governmental unit or from a private donor.

(2) Any moneys recovered or otherwise received from responsible parties for remedial action, removal, and cleanup at a specific site, but excluding funds from performance bonds and other forms of financial responsibility held in escrow pending satisfactory performance of a privately financed response action

(3) Any fines, penalties, or damages recovered pursuant to this chapter or to any law establishing liability or other relief for damages or costs incurred by the state as a result of the release, or threatened release, of a hazardous substance.

(c) The attorney general, at the request of the department, is empowered to recover moneys expended by the department under authority of this section when these funds were utilized to respond to an unpermitted spill or discharge or to control the release or threatened release of hazardous substances.

(d) Amounts remaining in the fund at the end of any fiscal year shall remain available for expenditure in successive fiscal years.

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**Sec. 46.0C.030. Strict liability for the discharge of hazardous substances.** To the extent not otherwise preempted by federal law, a person owning or having control over a hazardous substance which enters in or upon the waters, surface or subsurface lands or waters of the state is strictly liable, without regard to fault, for the damages to persons or property, public or private, caused by the entry. In an action to recover damage, the person is relieved from strict liability, without regard to fault, if the person can prove

(1) that the hazardous substance to which the damages relate entered in or upon the waters, surface or subsurface lands or waters of the state solely as a result of

(A) an act of war,

(B) an intentional act or a negligent act of a third party, other than a party (or its employees) in privity of contact with, or employed by, the person,

(C) negligence on the part of the United States government or the State of Alaska,

(D) an act of God, or

(E) any combination of the foregoing paragraphs; and

(F) in relation to (1)(B), (C) or (D) of this section, that the person discovered the entry of the hazardous substance in or upon the waters, surface or subsurface lands or waters of the state and began operations to properly contain and clean up the hazardous substance within a reasonable period of time.

**Sec. 46.0C.040. Disbursement of Fund.** (a) Under authorization of the governor, the department may disburse moneys from the hazardous substance release response fund to:

(1) Remove, remedy, and cleanup releases, or threatened releases, of hazardous substances;

(2) Undertake all training, planning, inspecting, sampling, testing, investigating, surveying, analyzing, engineering, constructing, operating, and maintaining necessary or appropriate to prepare for, obtain, and perform removal actions, remedial actions, cleanup actions, and enforcement actions involving releases, or threatened releases, of hazardous substances, and recover the costs thereof;

(3) Administer and enforce the authorities granted under this chapter and AS 46.03 granting the department authority to enforce or respond to releases, or threatened releases, of hazardous substances; and

(4) Provide funds for matching purposes for participation in the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980.

Sec. 46.0C.050. Records of Hazardous Substance Release Response Fund. (a) The department shall maintain accounting records showing the income and expenses of the hazardous substance response fund.

(b) Before July 1st of each year, the department shall determine the projected cost during the following fiscal year of monitoring, operation, and maintenance at all sites where response has been completed or is expected to be continued during the fiscal year.

(c) The department shall promulgate regulations to implement this section and shall consult with the Department of Revenue and the Office of the Governor with respect to all regulations governing fund accounting. The department shall develop procedures and adopt rules governing the expenditure of and accounting for moneys expended from the fund.

(1) The requirement to develop procedures and adopt rules shall in no way delay implementation of this chapter prior to the effective date of such procedures and rules.

(d) Upon authorization of the governor, disbursements from the hazardous substance release response fund shall be paid by the proper state officer on presentation of vouchers signed by the governor or the governor's authorized representative.

Sec. 46.0C.060. Report to the Legislature. (a) The department shall submit a report to the governor and the legislature no later than the 10th day of each regular session of the legislature. The report shall contain the following information:

(1) The actual funds expended during the preceding fiscal year for all disbursements made for activities under AS 46.0C.040 by the department;

(2) The amount of federal funds obtained or committed to the state in the preceding fiscal year for implementing the purpose of this chapter; and

(3) The amount of money actually received by the fund from the governor during the preceding fiscal year.

**Sec. 46.0C.070. Definitions.** In this chapter, unless the context requires otherwise,

(1) "act of God" means an act of nature which is unforeseeable in kind or degree.

(2) "commissioner" means the commissioner of environmental conservation.

(3) "containment and cleanup" includes all direct and indirect efforts associated with the prevention, abatement, containment or removal of a hazardous substance, the restoration of the environment to its former state, and all incidental administrative costs.

(4) "department" means the Department of Environmental Conservation.

(5) "fund" means the hazardous substance release response fund.

(6) "hazardous substance" means all "hazardous wastes" as defined in AS 46.03, and shall include any other substance or waste, other than those identified therein, which is declared by the commissioner to present a threat to the public health and welfare or the environment if subject to uncontrolled release into the environment.

(7) "person" means an individual, public or private corporation, political subdivision, government agency, municipality, industry, partnership, association, firm, trust, estate, or any other entity.

(8) "release" means the discharge, deposit, injection, dumping, spilling, leaking, or placing of any hazardous substance in or on any land or water such that such hazardous substance or any constituent thereof may enter the environment or be emitted into the air or discharged into any waters, including ground waters.

**DRAFT**

## Related Statutory Changes

Sec. 26.23.230 is amended to read:

Sec. 26.23.230. Definitions. As used in this chapter

(1) "disaster" means the occurrence or imminent threat of widespread or severe damage, injury, or loss of life or property resulting from any natural or nonmilitary man-made cause including, but not limited to, fire, flood, earthquake, landslide, mudslide, avalanche, wind-driven water, weather condition, tsunami, (oil spill or other water contamination requiring emergency action to avert danger or damage,) volcanic activity, epidemic, (air contamination,), blight, infestation, explosion, riot, equipment failure, shortage of food, water, fuel, or clothing(;) or the release of oil, hazardous substances, radioactive materials, or other contamination requiring emergency action to avert environmental danger or damage;

New sections to be added to Sec. 37.05.159 to read:

(g) Notwithstanding the provisions of (b) of this section and AS 37.07.080(e) the governor may transfer up to \$10,000,000 during a fiscal year from the reserve for emergency operating expenses account to the hazardous substance release response fund.

(h) Notwithstanding the provisions of (b) of this section and AS 37.07.080(e) the governor may transfer up to \$10,000,000 during a fiscal year from the reserve for emergency operating expenses account to the oil discharge response fund.

Sec. 44.19.050 is amended to read:

Sec. 44.19.050. Definition. In AS 44.19.048 and 44.19.049, "disaster" means the occurrence or imminent threat of widespread or severe damage, injury, or loss of life or property resulting from any natural or man-made cause including, but not limited to, fire, flood, earthquake, landslide, mudslide, avalanche, wind-driven water, weather condition, tsunami, (oil spill or other water contamination requiring emergency action to avert damage,) volcanic activity, epidemic, (air contamination,) blight, infestation, explosion, (or) riot, or the release of oil, hazardous substances, radioactive materials, or other contamination requiring emergency action to avert environmental danger or damage.

Chapter 46.03 is amended to read:

Sec. 46.03.290. Authority of department in cases of emergency. (a) When the department finds that an actual or imminent discharge of oil, hazardous substances, or low level radioactive materials to the air, water, land or subsurface land of the state poses an immediate threat to the public health or welfare, or the environment of the state, it may issue an order declaring an emergency and directing a person or persons to take action the department believes necessary to meet the emergency, and protect the public health, welfare, or environment.

Sec. 46.03.758(k) is repealed.

Sec. 46.03.760. Civil action for pollution; damages. (a) A person who violates or causes or permits to be violated a provision of this chapter other than AS 46.03.250 - 46.03.314, or a provision of AS 46.04 or AS 46.0B, or a regulation, a lawful order of the department, or a permit, approval, or acceptance, or term or condition of a permit, approval, or acceptance issued under this chapter or AS 46.04 or 46.0B is liable, in a civil action, to the state for a sum to be assessed by the court of not less than \$500 nor more than \$100,000 for the initial violation, nor more than \$5,000 for each day after that on which the violation continues, and that shall reflect, when applicable.

Sec. 46.03.765. Injunctions. The superior court has jurisdiction to enjoin a violation of this chapter or AS 46.04 or 46.0B, or of a regulation, a lawful order of the department, or permit, approval, or acceptance, or term or condition of a permit, approval, or acceptance issued under this chapter or AS 46.04 or AS 46.0B. In actions brought under this section, temporary or preliminary relief may be obtained upon a showing of an imminent threat of continued violation, and probable success on the merits, without the necessity of demonstrating physical irreparable harm. The balance of equities in actions under this section may affect the timing of compliance, but not the necessity of compliance within a reasonable period of time.

Sec. 46.03.780. Liability for restoration. (a) A person who violates a provision of this chapter or AS 46.04 or AS 46.0B, or who fails to perform a duty imposed by this chapter or AS 46.04 or 46.0B, or violates or disregards an order, permit, or other determination of the department made under the provisions of this chapter or AS 46.04 or AS 46.0B, respectively, and thereby causes the death of fish, animals, or vegetation or otherwise injures or degrades the environment of the state is liable to the state for damages.

Sec. 46.03.790. Criminal penalties. (a) Except as provided in (d) - (f) of this section, a person who negligently violates a provision of this chapter or AS 46.04 or AS 46.0B, or of a regulation, lawful order of the department, or permit, approval, or acceptance, or term or condition of a permit, approval, or acceptance issued under this chapter or AS 46.04 or AS 46.0B is guilty of a class B misdemeanor.

(b) Except as provided in (d) - (f) of this section, a person who knowingly violates a provision of this chapter or AS 46.04 or AS 46.0B, or of a regulation, lawful order of the department, or permit, approval, or acceptance, or term or condition of a permit, approval, or acceptance issued under this chapter or AS 46.04 or AS 46.0B is guilty of a class A misdemeanor.

(d) Notwithstanding (a) or (b) of this section, a person who fails to provide or falsely states information required under AS 46.03.755(or), AS 46.04, or AS 46.0B is guilty of a misdemeanor and, upon conviction, is punishable by a fine of not more than \$25,000, or by imprisonment for not more than one year, or by both. Each unlawful act constitutes a separate offense.

Sec. 46.04.010 is amended to read:

Sec. 46.04.010. Reimbursement for cleanup expenses. The department shall promptly seek reimbursement, either under AS 46.03.760(e), AS 46.0A.020(c), or from an applicable federal fund, for the expenses it incurs in cleaning up or containing a discharge of oil. If the department obtains reimbursement for a portion of its expenses from a federal fund, the remainder of the expenses incurred may be recovered under AS 46.03.760(e) or AS 46.0A.020(c). Money received by the department under this section (shall be deposited in the general fund) may be appropriated by the legislature to the oil discharge response fund.

# Alaska sets North Slope lease sales, eyes more

Alaska plans to offer more than 1.3 million acres of North Slope leases near North America's biggest oil fields in sales next month and early next year.

Alaska's Department of Natural Resources (DNR) issued notices of sale for its proposed Kuparuk Uplands Sale 47 and North Slope Sale 45A, both scheduled Sept. 24 in Anchorage. In addition, it gave notice of intent to make a final decision on Kuparuk Uplands Sale 48 and Mikkelsen area Sale 48A, both tentatively scheduled Feb. 25, 1986.

The state agency also called for comments on three 1987 sales covering highly prospective North Slope acreage.

**September sales.** Sale 47 will cover 113 tracts—about 611,840 acres—on the North Slope south of the Prudhoe Bay and Kuparuk River units.

Prudhoe Bay and Kuparuk River oil fields are North America's biggest and second biggest oil producers.

The sale area adjoins the Hemi Springs unit, where recent wildcat drilling turned up apparent oil shows. The trans-Alaska crude oil pipeline runs through the sale area.

Ten year leases, with a cash bonus floor of \$5/acre, will carry a fixed royalty of 12.5%.

In Sale 45A, DNR will offer 50 tracts covering about 192,368 acres onshore and offshore on the North Slope, near some significant current wildcatting. Not included in the current 5 year lease schedule, the parcels are mostly reoffered acreage or land contiguous to existing leases.

The offshore portions are north of Prudhoe Bay, east of the Colville River Delta, in Foggy Island Bay and in Mikkelsen Bay. The onshore tracts lie between the Canning and Colville rivers.

Texaco U.S.A. is delineating a significant oil and gas discovery on the Colville River Delta, northwest of the sale area (OG), Aug. 5, p. 80).

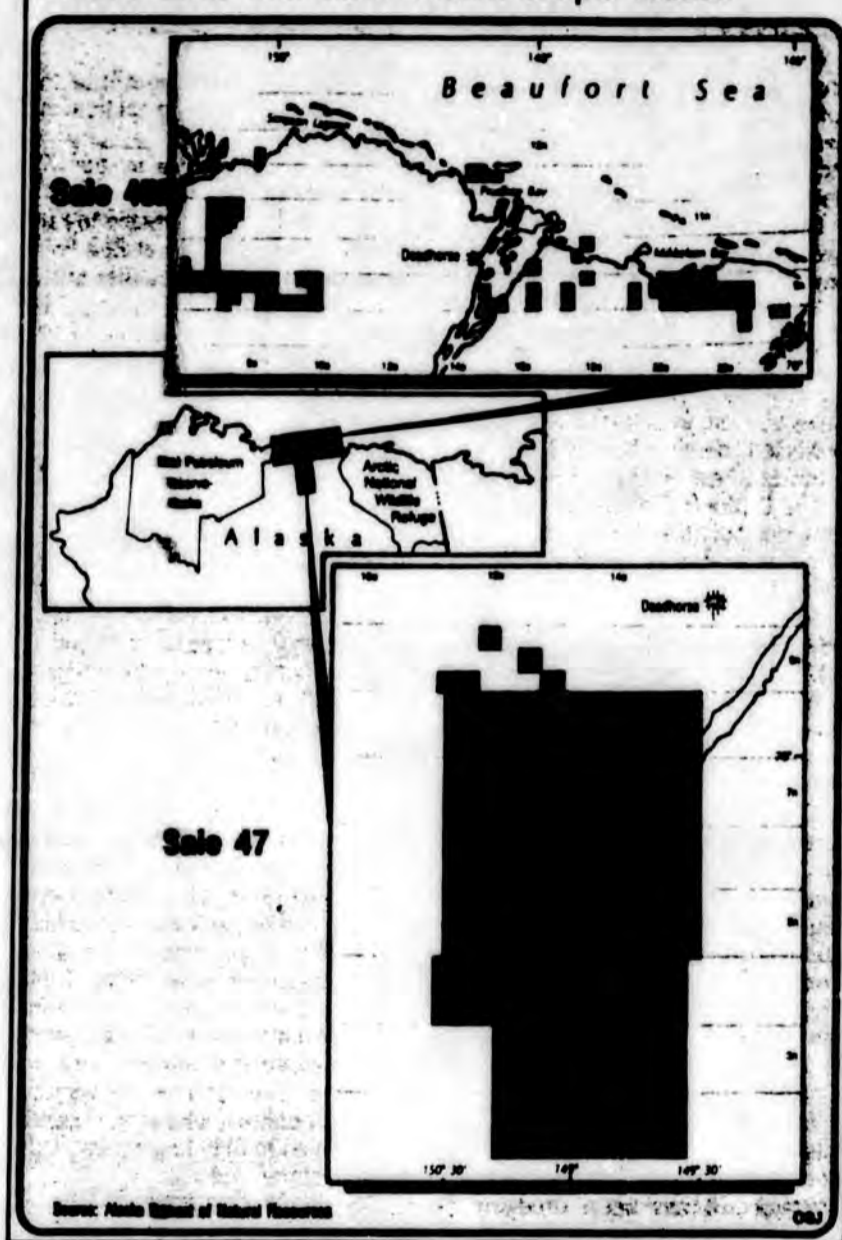
Texaco, Shell Western Exploration & Production Inc., and Amerada Hess Corp. plan to drill wildcats in the nearby Simpson Lagoon area. The Mikkelsen Bay area has yielded some noncommercial oil and gas shows.

Ten year leases, offered for a minimum \$5/acre, will carry a 16 $\frac{2}{3}$ % fixed royalty.

**February sales.** DNR expects to make a final decision on Sales 48 and 48A by January 1986.

Sale 48 will offer 104 tracts covering about 506,880 acres of Kuparuk Uplands south of the Kuparuk River

## Where Alaska will offer North Slope leases



unit and immediately west of the Sale 47 area.

Tracts 103 and 104 are contiguous to Sale 45A acreage.

Sale 48A entails 11 parcels covering about 42,000 acres onshore and offshore in Mikkelsen Bay, Foggy Island Bay, and the Beaufort Sea. The acreage previously had been leased in state Sales 14 and 23 and included in the West Mikkelsen unit.

The West Mikkelsen leases are due to expire Dec. 3, 1985.

**1987 proposals.** DNR's call for comments involves three 1987 sales of North Slope acreage covered in its 5 year schedule.

Tentatively planned for January 1987 is Prudhoe Bay Uplands Sale 51,

on the North Slope between the Canning and Sagavanirktok rivers. Sale 51 acreage was deleted from or passed over in Sale 34.

Nearby expiring leases may be added to the sale.

In May 1987 Alaska plans to offer submerged tidelands off the Arctic National Wildlife Refuge, west of a site at which Chevron U.S.A. Inc. has suspended a wildcat on North America's biggest untapped structure. Camden Bay Sale 50 will offer acreage extending 3 miles seaward between Flaxman Island and just west of the Hulahula River.

DNR proposes a third sale in 1987, an offering of state uplands between Icy Cape and Cape Beaufort west of the National Petroleum Reserve-Alaska.

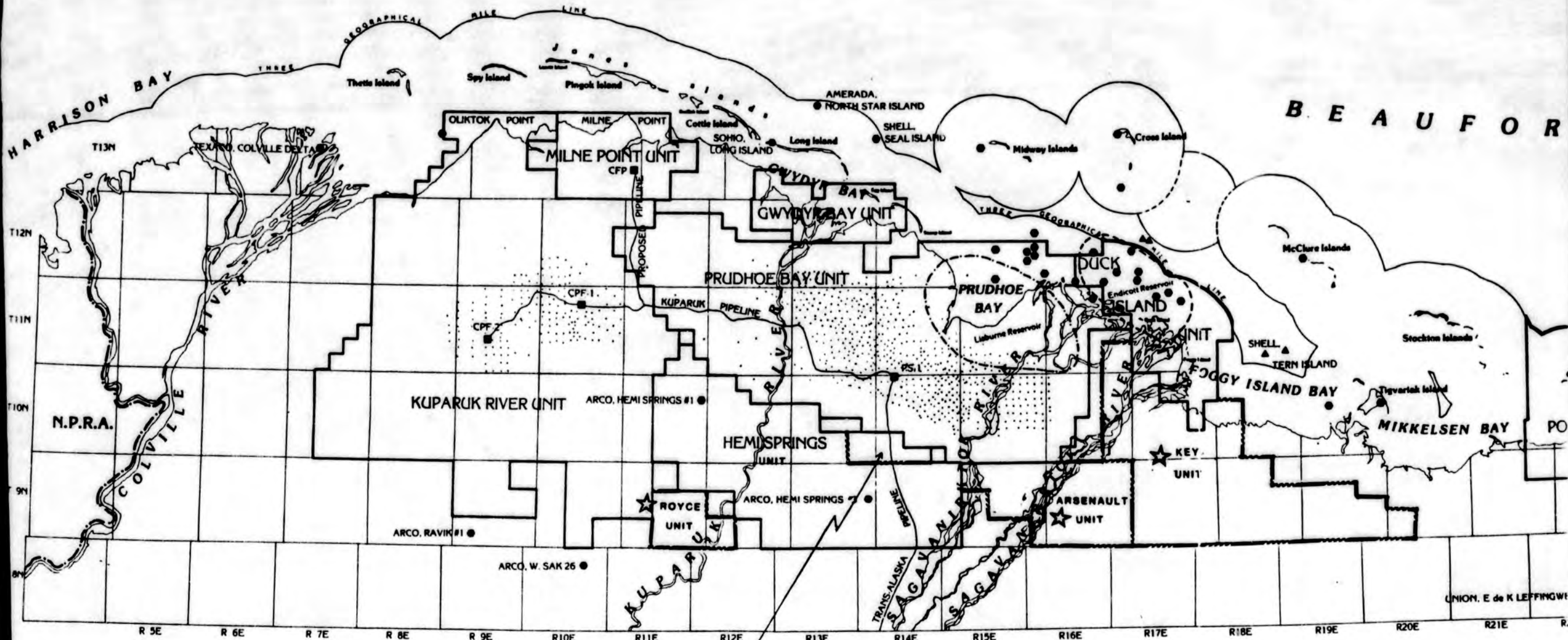
Sale 53 is scheduled for September 1987. Although NPR-A prospects have dimmed sharply in recent months, with the reserve's first private industry wildcat an apparent dry hole and the latest lease sale disregarded entirely, the Icy Cape area may offer a look at prospects possibly on trend with Chukchi Sea prospects to be offered in later federal sales.

Deadline for comments on the three sale proposals for 1987 is Sept. 26, 1985.

# NORTH SLOPE UNIT MAP

ALASKA DEPARTMENT OF NATURAL RESOURCES, DIVISION OF OIL AND GAS

KAY BROWN, DIRECTOR, DO&G    COMPILED BY O.D. SMITH, CARTOGRAPHER



★ FORAN UNIT

## EXPLANATION



★ PROPOSED UNIT

UNION. E. de K LEFFINGW

# Coastal states seek drainage tract royalty share

Coastal states are urging Congress to give them part of the royalties, in addition to rents and bonuses, from federal-state drainage tracts off the U.S.

House and Senate budget conferees have agreed on a formula allocating the states 27% of revenues, except many royalties, from oil and gas tracts along the federal-state boundary on the Outer Continental Shelf (OGJ), July 1, p. 29).

Section 8(g) of the 1978 OCS Lands Act Amendments required federal and state governments to negotiate an agreement on the boundary tracts, but they could not, and the House budget committee intervened in order to release \$4 billion of \$6 billion in escrow for federal spending.

The next step is for congressional committees to draft legislation enacting the 27% formula. But the House Interior committee, in a hearing last week, found the issue is far from settled.

Texas Gov. Mark White said that in two U.S. District Court cases judges have ruled that all revenues—including royalties, and not just those from actual drainage of state tracts—are subject to division.

"Interior has always dictated to the states a 'take it or leave it' attitude concerning identification of common structures, operation of the escrow accounts, the form of information sharing agreements, and all other aspects of the program," White said. "This violates the essential underlying theme of state-federal cooperation."

He said Texas is entitled to 37.5% of all royalties, as well as bonuses, rents, and interest.

**Other governors complain.** Louisiana Gov. Edwin Edwards sent the committee a statement complaining that Interior has not shared information with the states. He also pressed for inclusion of all royalties on the common tracts.

When the committee drafts a bill, Edwards said, "In order to assure that this matter doesn't drag on as it has in the past, the legislation should require that the secretary distribute these revenues within 60 days of the effective date of the amendments."

California Gov. George Deukmejian also wrote opposing the 27% formula.

"The House proposal notably lacks the inclusion of royalties," he said. "Royalties are potentially the largest source of OCS revenues and would provide funds over a number of years."

A letter from Alaska Gov. Bill Sheffield said 27% is "unacceptably low." "The fair and equitable share for Alaska should be at least 37.5%" of all income, including royalties.

Sheffield also complained Interior has failed to put the proper amount of money into escrow because it prorates bonus revenues for tracts on the federal-state line on a surface acreage basis, and because it includes only bonuses on tracts it determines are capable of containing crude oil and natural

gas, although oil companies have bid because they believe potential is there.

Bill Bettenberg, director of the Minerals Management Service, urged Congress to provide for specific dollar settlements with states rather than just indicating percent distribution, in order to avoid further disagreement.

He said Interior should not share royalties with states on tracts unless an oil field overlaps the federal-state boundary. ■

## AN ACT

Relating to minimum work commitments in oil and gas leases;  
and providing for an effective date.

\* Section 1. AS 38.05.180(h) is amended to read:

38.05.180(h)

(h) The commissioner may include terms in any oil and gas lease imposing a minimum work commitment on the lessee. These terms shall be made public before the sale, and may include appropriate penalty provisions to take effect in the event the lessee does not fulfill the minimum work commitment. If [SHOULD] it is [BE] demonstrated that a lease has been proven unproductive by actions of adjacent lease owners, the commissioner may set aside a work commitment. The commissioner may waive for a period not to exceed one two-year period term of a minimum work commitment if the commissioner makes a written finding either that conditions preventing drilling or exploration beyond the lessee's reasonable ability to foresee or control or that the lessee has demonstrated through good faith efforts an intended ability to drill or develop the lease during the term of the waiver.

\* Sec. 2. This Act takes effect immediately in accordance with AS 10.070(c).

Eff. 6/3/85

BILL SHEFFIELD, GOVERNOR

**DEPARTMENT OF NATURAL RESOURCES**

**DIVISION OF OIL AND GAS**

POUCH 7034  
ANCHORAGE, ALASKA 99510

July 31, 1985

Dear Lessee:

I want to take this opportunity to notify you of work commitment regulation amendments recently adopted by the Department of Natural Resources to implement legislation passed in the 1985 legislative session.

The enclosed regulations are now undergoing a final review at the Department of Law, and I expect they will be filed soon with the Lieutenant Governor. The regulations will become effective 30 days after they are filed. Requests for waivers of work commitments can be filed at any time and will be considered under the criteria of these regulations.

The Department made several changes in the draft regulations in response to the comments submitted. The proposed \$100,000 per lease performance bond has been made optional at the commissioner's discretion, and may be required in an amount less than \$100,000.

A provision has been added to subsection (h) that will allow the return of all or a portion of a performance bond to the lessee if a lease is relinquished or determined by the commissioner to be unproductive or uneconomic under the terms of the work commitment before the end of the two-year waiver period.

Several other changes were made for clarity.

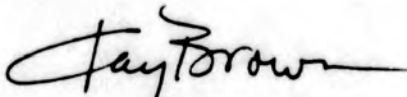
The final regulation reformulates the "force majeure" provision to bring it in accord with the statutory language as amended. Prior to these amendments, the regulations stated that events beyond the reasonable ability of a lessee to foresee or control were grounds for "alteration or abrogation" of a work commitment [11 AAC 83.700(b)(2)]. Senate Bill 232 provides instead that such force majeure events are grounds for the Commissioner to grant a "waiver" of the work commitment for a single period not exceeding two years. Accordingly, 11 AAC 83.700(b)(2) is being repealed, and a separate, new subsection, 11 AAC 83.700(d), is being promulgated in its stead. The net effect is that lessees will retain the opportunity to ask the Commissioner to use her discretion under the regulations to relax the work commitment on account of events beyond the lessees' reasonable ability to foresee or control. Lessees also retain the independent right to seek relief from performance directly under the force majeure provision of the leases.

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The final regulation repeals the former 11 AAC 83.700(b)(3), which allowed for "alteration or abrogation" of a work commitment when a lease become subject to a unit agreement. This is a non-substantive change intended to remove an unnecessary provision. All extant work commitments are satisfied by inclusion of the lease within an approved unit agreement. This is because individual lease work commitment obligations, like the other individual lease exploration and development obligations, are replaced with the obligations imposed upon the unit as a whole. Since the work commitments are satisfied by unitization, it is unnecessary to provide by regulation that unitization provides a basis for discretionary alternation or abrogation of a work commitment.

If you have any questions on these regulations as adopted, please contact me at (907) 561-2020.

Sincerely,



Kay Brown  
Director

Enclosure

03211

TITLE 11. NATURAL RESOURCES.

Chapter

- - -

83. Oil and Gas leasing (11 AAC 83.100 -- 11 AAC 83.910)

- - -

CHAPTER 83. OIL AND GAS LEASING.

Article

- - -

7. Work Commitment (11 AAC 83.700 -- 11 AAC 83.705)

- - -

ARTICLE 7. WORK COMMITMENT.

Section

700. Work commitment

705. Work commitment modification

11 AAC 83.700 is amended to read as follows:

11 AAC 83.700. WORK COMMITMENT. (a) If a work commitment is a condition of a lease, the terms of the work commitment will be specified in the notice of sale. The work commitment will state the minimum requirement for exploration and development on each lease. The lessee shall file reports with the commissioner substantiating adherence to the work commitment terms.

(b) The commissioner of the Department of Natural Resources will, in his or her discretion, alter or abrogate the terms of the work commitment if the lessee demonstrates to the satisfaction of the commissioner that the lease will be unproductive or uneconomic under the terms of the work commitment.

(c) The commissioner will abrogate a work commitment if the lessee relinquishes the lease.

(d) The commissioner will, in his or her discretion, grant a single waiver of any term of a work commitment imposed on a lease under (a) of this section for a period not to exceed two years if the commissioner makes a written finding that conditions preventing fulfillment of the work commitment were beyond the lessee's reasonable ability to foresee or control. The commissioner will consider the following factors when determining whether the conditions preventing fulfillment of the work commitment were beyond the lessee's reasonable ability to foresee or control:

- (1) the lessee's statement of the conditions that prevented fulfillment of the work commitment;
- (2) the lessee's explanation of how those conditions prevented fulfillment of the work commitment;
- (3) the lessee's explanation of how and why the lessee cannot foresee or failed to avoid the conditions that prevented fulfillment of the work commitment;
- (4) the lessee's explanation of why the conditions that prevented fulfillment of the work commitment were beyond the lessee's reasonable control;
- (5) the lessee's plans to remedy the conditions that prevented fulfillment of the work commitment during the initial term of the work commitment;
- (6) the lessee's plans to fulfill the terms of the work commitment during the term of the waiver; and
- (7) other relevant information.

(e) The commissioner will, in his or her discretion, grant a single waiver of any term of a work commitment imposed on a lease under (a) of this section for a period not to exceed two years if the commissioner makes a written finding that the lessee has demonstrated through good faith efforts the intent and ability to fulfill the terms of the work commitment during the term of the waiver. The commissioner will consider the following factors when determining whether a lessee has demonstrated the intent and ability to fulfill the terms of a work commitment during the term of any waiver that may be granted:

- (1) whether the lessee has undertaken appropriate actions to fulfill the work commitment, including but not limited to having acquired permits, materials, and financing necessary to fulfill the work commitment,
- (2) reasons why fulfillment of the work commitment during the term of any waiver that may be granted is more likely than it was during the initial term of the work commitment;
- (3) the lessee's specific plans and actions to be taken to fulfill the work commitment during the term of the waiver; and
- (4) other relevant information.

(f) The length of time for a waiver granted under (e) of this section will be based on the time determined by the commissioner to be needed for the lessee to take the specific actions planned by the lessee to fulfill the work commitment during the term of the waiver.

(g) If a lessee fails to meet any term of a work commitment by its due date, the lease will automatically terminate. In addition, any penalty provisions established by the commissioner in the work commitment stipulation or as a condition to any extension, alteration, or waiver will take effect immediately if the work commitment is not completed by its due date. For purposes of this section, the due date for a work commitment is its original due date under the work commitment stipulation to the lease, plus any additional time granted by extension, alteration, or waiver of the work commitment.

(h) As a condition of waiver of any term of a minimum work commitment under (e) of this section, the commissioner will, in his or her discretion, require the lessee to post a performance bond or other security acceptable to the commissioner. The amount of the performance bond or other security, if required, will be set by the commissioner in an amount not to exceed \$100,000 for each lease. The bond or other security will be released to the lessee upon fulfillment of the work commitment. If, before the end of the waiver period granted under (e) of this section, the commissioner agrees to alter or abrogate the terms of the work commitment under (b) or (c) of this section, part of the bond or other acceptable security will forfeit automatically to the state in proportion to the portion of the waiver period that has elapsed, unless forfeiture is waived by the commissioner. If the work commitment is not fulfilled by the end of the waiver period, the performance bond or other security will forfeit automatically to the state. The commissioner will, in his or her discretion, establish additional terms or penalties as a condition of waiver of a work commitment. (Eff. 11/9/79, Register 72; am / / Register )

Authority: AS 38.05.020  
AS 38.05.180

11 AAC 83.705 is amended to read as follows:

11 AAC.83.705. WORK COMMITMENT MODIFICATION. Application for modification of a work commitment under AS 38.05.180 (h) must comply with 11 AAC 88.105 and must

(1) state all the facts that may entitle the applicant to a modification of the work commitment;

(2) state the location and status of all past and present activities on the lease;

(3) contain a detailed report of all activity on the lease preceding the filing of the application and include an accounting for all expenses and costs of operating the lease;

(4) be filed not later than 30 days before the existing deadline for the fulfillment of the term of the work commitment the lessee wishes to be modified;

(5) address all pertinent factors listed in 11 AAC 83.700 (b), (c), (d) and (e), as appropriate; and

(6) in connection with applications for waivers under 11 AAC 83.700(e), affirm the lessee's readiness and ability to post a performance bond or to provide other security acceptable to the commissioner to assure fulfillment of the work commitment. (Eff. 11/9/79, Register 72; am / / Register )

Authority: AS 38.05.020  
AS 38.05.180

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CO-CHAIRMAN FAIKS DIRECTED THAT SB 232 (ACT APPROVING THE SALE OF FRUDHOE BAY ROYALTY OIL BY THE STATE OF ALASKA AND THE GOLDEN VALLEY ELECTRIC ASSOCIATION, EFD) BE BROUGHT ON FOR CONSIDERATION, AND SENATOR FERGUSON MOVED FOR ADOPTION OF CSSB 232 (FINANCE) (ACT RELATING TO MINIMUM WORK COMMITMENTS IN OIL AND GAS LEASES, EFD). NO OBJECTION TO THE MOTION HAVING BEEN RAISED, CSSB 232 (FINANCE) WAS ADOPTED.

SENATOR PAUL FISCHER ADVISED THAT THE COMMITTEE WAS AWAITING INFORMATION FROM THE DEPT. OF LAW CONCERNING THE POSSIBILITY THAT LANGUAGE IN THE COMMITTEE SUBSTITUTE MIGHT GIVE RISE TO LITIGATION BROUGHT BY COMPETITORS WHO MAY FEEL THEY HAVE NOT BEEN GIVEN FAIR OR EQUAL TREATMENT UNDER STATE LEASES.

BOB MAYNARD, ASSISTANT ATTORNEY GENERAL, DEPT. OF LAW, SPOKE TO THE ISSUE, ADVISING THAT DOCTRINE STATING THAT ONE CANNOT CHANGE THE TERMS OF A CONTRACT AFTER IT HAS BEEN AWARDED APPLIES TO NORMAL COMPETITIVE BID STATUTES. AS A DOCTRINE OF LAW SHOULD AN ACT OF GOD OR A SOVEREIGN OCCUR WHICH MAKES IT IMPOSSIBLE OR EXTREMELY DIFFICULT FOR A BIDDER TO FULFILL HIS CONTRACTUAL DUTIES, THE DUTIES ARE SUSPENDED FOR THE DURATION OF THE OCCURRENCE. TO THE EXTENT THAT LANGUAGE IN THE BILL IS CONSTRUED ALONG THE LINE OF THE AFOREMENTIONED DOCTRINE OF LAW, THERE IS NO PROBLEM SINCE THE STANDARD WOULD BE APPLICABLE "ACROSS THE BOARD."

QUESTIONS MIGHT BE RAISED, HOWEVER, IN SITUATIONS WHERE, DUE TO VAGUENESS, IT IS UNCLEAR WHAT CONDITIONS ALLOW OR EXTENSION OF AN OBLIGATION. THIS MIGHT RAISE CONSTITUTIONAL PROBLEMS. SINCE THE COMMISSIONER'S EXERCISE OF AUTHORITY UNDER THE PROPOSED BILL IS DISCRETIONARY, IN INSTANCES WHERE CONSTITUTIONAL PROBLEMS MIGHT BE CREATED, THE COMMISSIONER WOULD SIMPLY NOT APPLY THE STATUTE.

MR. MAYNARD REITERATED THAT SHOULD A PROBLEM ARISE UNDER THE BILL, IT WOULD BE A CONSTITUTIONAL PROBLEM, AND IN SITUATIONS WHERE CONSTITUTIONAL PROBLEMS MIGHT OCCUR, THE COMMISSIONER WOULD BE PREVENTED, BY CONSTITUTIONAL PROVISIONS, FROM FOLLOWING THE STATUTE. IN SITUATIONS WHERE NO CONSTITUTIONAL PROBLEM EXISTS, THE COMMISSIONER'S DISCRETION COULD BE EXERCISED. THE ISSUE RAISED BY THE LANGUAGE IS ONE OF FAIRNESS TO OTHER BIDDERS AND WHETHER PROBLEMS RELATE TO CONSTITUTIONAL OR STATUTORY QUESTIONS.

CO-CHAIRMAN SACKETT ASKED HOW PROBLEMS RAISED BY STATUTE WOULD BE RESOLVED. MR. MAYNARD RESPONDED THAT IF A PROBLEM ARISES INVOLVING ANOTHER STATUTE, THIS STATUTE WOULD SUPERSEDE--IT IS A STATUTE OF EQUAL DIGNITIES. THE ONLY REAL ISSUE IS WHETHER PROPOSED BILL LANGUAGE RAISES A CONSTITUTIONAL PROBLEM. IF IT DOES, NOTHING CAN BE DONE STATUTORILY TO SOLVE THE PROBLEM.

CO-CHAIRMAN SACKETT ASKED SENATOR FAHRENKAMP, THE AUTHOR OF THE PROPOSED LANGUAGE, TO ADVISE OF THE PURPOSE BEHIND IT. SENATOR FAHRENKAMP EXPLAINED THAT IT WAS INTENDED TO GIVE INDEPENDENT OPERATORS HOLDING STATE LEASES WHICH CONTAIN TIME AND WORK REQUIREMENTS NO LONGER INCLUDED IN LEASES TODAY AN OPPORTUNITY FOR A ONE-TIME, TWO-YEAR EXTENSION TO MEET UNFORESEEN PROBLEMS, I.E. LACK OF GRAVEL, LACK OF ABILITY TO UTILIZE ICE ROADS, ETC.

MR. MAYNARD EXPLAINED THAT IF DELAYS RESULT FROM WEATHER--AN ACT OF GOD--THERE MAY BE NO PROBLEM. POSSIBLE READING OF BILL LANGUAGE COULD RAISE PROBLEMS, GIVEN THE FACT THAT THE BILL ALLOWS THE COMMISSIONER DISCRETION AS TO WHETHER THE STATUTE SHOULD BE ENFORCED.

CONSTITUTIONAL APPLICATION OF THE LANGUAGE CAN BE AVOIDED AT THE COMMISSIONER'S DISCRETION. IN INSTANCES WHERE CONSTITUTIONAL PROBLEMS ARISE, THE COMMISSIONER WOULD BE PREVENTED FROM APPLYING THE STATUTE.

CO-CHAIRMAN FAIKS DIRECTED THAT FURTHER RESEARCH INTO THE ISSUE BE CONDUCTED BY THE DEPT. OF LAW.

SENATOR ELIASON ASKED IF INTENT LANGUAGE WHICH WOULD STRENGTHEN THE LEGISLATURE'S POSITION IN THE EVENT OF SUIT COULD BE DRAFTED TO ACCOMPANY THE BILL. MR. MAYNARD REITERATED THAT THERE MAY BE NO PROBLEM WITH THE LANGUAGE AS WRITTEN. HE ADVISED THAT HIS INITIAL REACTION IS THAT THERE IS NO PROBLEM. FURTHER, IF THERE IS A PROBLEM, MR. MAYNARD VOICED HIS OPINION THAT BECAUSE THE EXERCISE OF AUTHORITY IS DISCRETIONARY, THE COMMISSIONER WOULD BE PREVENTED FROM APPLYING THE STATUTE IN SITUATIONS WHERE CONSTITUTIONAL ISSUES MIGHT ARISE. THE LANGUAGE SOLVES THE PROBLEM ITSELF.

CO-CHAIRMAN SACKETT ASKED IF THE FOREGOING ANSWERED SENATOR FISCHER'S EARLIER QUESTION CONCERNING POSSIBLE SUIT BROUGHT BY COMPETITORS. MR. MAYNARD RESPONDED, "NO IT DID NOT," SINCE THE FOREGOING REPRESENTS A SITUATION IN WHICH A CONSTITUTIONAL PROBLEM MIGHT ARISE. AS AN EXAMPLE, MR. MAYNARD ADVISED OF A COMPETITOR WHO MIGHT CLAIM THAT OIL PRICES ARE FALLING AND, AS A RESULT, HE CANNOT FULFILL DRILLING REQUIREMENTS UNDER HIS LEASE. ANOTHER COMPETITOR MIGHT CLAIM THAT HE WOULD HAVE BID A LOWER PRICE AND GOTTEN THE LEASE HAD HE KNOWN THAT PRICES WERE FALLING. IF THE ABOVE RAISES

CONSTITUTIONAL QUESTIONS, THE DEPT. OF LAW WOULD TELL THE COMMISSIONER THAT STATUTORY DISCRETION COULD NOT BE EXERCISED. MR. MAYNARD ADVISED THAT HE DID NOT KNOW THE ANSWER TO POTENTIAL PROBLEMS, BUT THEY COULD BE SOLVED LATER.

SENATOR PAUL FISCHER ADVISED THAT HIS CONCERN RELATES TO INSTANCES IN WHICH DISCRETIONARY ACTION HAS BEEN TAKEN, AND SOMEONE (AN UNSUCCESSFUL BIDDER) QUESTIONS THE ACTION "AFTER THE DAMAGE HAS BEEN DONE." MR. MAYNARD RESPONDED THAT WHEN THE CONTRACT WAS BID, EVERYONE HAD "AN EQUAL SHOT." THE PROPOSED LAW WAS NOT EVEN "ON THE BOOKS." IT IS NOT A CLEAR CUT ISSUE ONE WAY OR THE OTHER.

CO-CHAIRMAN SACKETT RESTATED SENATOR FERGUSON'S EARLIER MOTION FOR ADOPTION OF CSSB 232 (FINANCE). AGAIN, NO OBJECTION WAS RAISED. SENATOR KERTTULA REQUESTED THAT IT BE MADE CLEAR THAT SHOULD THE COMMISSIONER BE ADVISED OF POSSIBLE CONSTITUTIONAL PROBLEMS RESULTING FROM EXERCISE OF AUTHORITY UNDER THE STATUTE, THAT HE OR SHE AVOID APPLICATION OF THE STATUTE IN THOSE INSTANCES. HE STRESSED THE IMPORTANCE OF RETAINING THE SPIRIT OF THE LAW, WHILE AVOIDING NUANCES WHICH COULD GIVE RISE TO CONSTITUTIONAL PROHIBITION. HE REQUESTED THAT LEGISLATIVE FINANCE STAFF REFLECT THE FOREGOING INTENT AS BACKUP INFORMATION TO THE COMMITTEE DECISION CONCERNING THE SUBJECT BILL. CO-CHAIRMAN SACKETT MOVED THAT CSSB 232 (FINANCE) PASS FROM COMMITTEE WITH INDIVIDUAL RECOMMENDATIONS, ACCOMPANIED BY A COPY OF SENATE FINANCE COMMITTEE MINUTES AS A LETTER OF INTENT REFLECTING THE ABOVE DISCUSSION IN ORDER TO CLARIFY LIMITATIONS PLACED ON DISCRETIONARY APPLICATION OF THE LAW BY THE COMMISSIONER. NO OBJECTION HAVING BEEN RAISED, CSSB 232 (FINANCE) WAS REPORTED OUT OF COMMITTEE, ACCOMPANIED BY THE COMMITTEE MINUTES OF THE AFTERNOON OF MAY 8, 1985, AS A LETTER OF INTENT. SENATORS ELIASON, FERGUSON, AND CO-CHAIRMAN SACKETT SIGNED THE COMMITTEE REPORT WITH A "DO PASS" RECOMMENDATION. SENATORS PAUL FISCHER, KERTTULA, AND CO-CHAIRMAN FAIKS SIGNED "NO RECOMMENDATION."

NUMBER 012 REP. CATO: I WOULD MOVE HJR 36 OUT OF COMMITTEE WITH INDIVIDUAL RECOMMENDATIONS.

NUMBER 015 REP. SHULTZ: ARE THERE ANY OBJECTIONS? HEARING NONE HJR 36 HAS PASSED RESOURCES COMMITTEE WITH INDIVIDUAL RECOMMENDATIONS. THE SECOND BILL WE ARE GOING TO BRING UP IS SB 232. AND HERE TO TESTIFY ON THAT IS SENATOR FAHRENKAMP.

NUMBER 019 SEN. FAHRENKAMP: THIS TAKES CARE OF A PROBLEM THAT WE HAD WITH SOME LEASES ON THE SLOPE AT THE TIME THE LEASE HAD WORK PERMITS ON THEM. IT GIVES THE AUTHORITY TO THE COMMISSIONER UNDER CERTAIN CIRCUMSTANCES TO EXTEND UP TO ONE 2 YEAR PERIOD. AND IT'S NEEDED UP THERE. I'LL ANSWER ANY QUESTIONS THAT YOU MIGHT HAVE.

NUMBER 025 ROBERT MAYNARD: I AM THE ASSISTANT ATTORNEY GENERAL TO THE DEPT. OF LAW. WHEN WE LOOK AT THAT BILL WE SEE NO CONSTITUTIONAL OR LEGAL PROBLEMS WITH IT.

NUMBER 030 REP. WALLIS: WOULD YOU EXPLAIN TO ME WHAT A WORK COMMITMENT IS?

NUMBER 031 SEN. FAHRENKAMP: DURING CERTAIN PERIODS OF TIME BACK AROUND SALE 31, THEY HAD CERTAIN WORK SCHEDULES THAT HAD TO BE DONE THAT WERE PUT IN THE CONTRACTS BY REGULATION. THEY DON'T DO THAT ANYMORE.

NUMBER 040 KAY BROWN: VIA TELECONFERENCE, FROM ANCHORAGE.

NUMBER 045 REP. HERRMANN: KAY I HAVE A QUESTION I JUST WANTED TO KNOW YOUR POSITION ON THE LEGISLATION ON SB 232.

NUMBER 046 KAY BROWN: YES, WE DON'T SEE A PROBLEM WITH THIS SINCE WE SPOKE ABOUT THIS BILL IN THE COMMITTEE IN THE SENATE I'VE HAD THE OPPORTUNITY TO LOOK AT THE SITUATION A LITTLE BIT MORE AND IT IS QUITE SIMILAR TO PROVISION THAT EXISTS NOW IN THE REGULATION. WE DON'T HAVE A PROBLEM, WE THINK IT IS A FINE APPROACH.

NUMBER 057 REP. CATO: MR. CHAIRMAN, I WOULD LIKE TO MOVE SB 232 OUT OF COMMITTEE WITH INDIVIDUAL RECOMMENDATIONS.

NUMBER 060 REP. SHULTZ: ARE THERE ANY OBJECTIONS TO THAT? HEARING NONE, SB 232 HAS MOVED FROM RESOURCES COMMITTEE WITH INDIVIDUAL RECOMMENDATIONS. THE NEXT BILL WE HAVE BEFORE US IS SB 35.