

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILE 8672

1217 SCOMM 46: HOUSE SPEC. COMMITTEE ON OIL AND GAS 1985-86

benefits from such deductions under section 167 minus the tax incurred on such taxable income from leasing, if any.

(C) Rehabilitation expenditures paid or incurred by the taxpayer in any taxable year with respect to any dwelling unit in any low-income rental housing shall be taken into account under paragraph (1) only if over a period of two consecutive years, including the taxable year, the aggregate amount of such expenditures exceeds \$3,000.

(3) **Definitions.**—For purposes of this subsection—

[See main volume for text of (A) to (C)]

(D) **Rehabilitation expenditures incurred.**—Rehabilitation expenditures incurred pursuant to a binding contract entered into before January 1, 1984, and rehabilitation expenditures incurred with respect to low-income rental housing the rehabilitation of which has begun before January 1, 1984, shall be deemed incurred before January 1, 1984.

(1) **Reasonable allowance in case of property of certain utilities.**—

[See main volume for text of (1) and (2)]

(3) **Definitions.**—For purposes of this subsection—

[See main volume for text of (A) and (B)]

(C) **Post-1969 public utility property.**—The term "post-1969 public utility property" means any public utility property which is not pre-1970 public utility property and which is placed in service before January 1, 1981.

[See main volume for text of (D) to (F)]

(G) **Normalization method of accounting.**—In order to use a normalization method of accounting with respect to any public utility property—

[See main volume for text of (i) and (ii)]

For purposes of this subparagraph, rules similar to the rules of section 168(e)(3)(C) shall apply.

[See main volume for text of (H) and (I)]

For purposes of this paragraph, different declining balance rates shall be treated as different methods of depreciation.

[See main volume for text of (4) and (5)]

(m) **Class lives.**—

[See main volume for text of (1) to (3)]

(4) **Termination.**—This subsection shall not apply with respect to recovery property (within the meaning of section 168) placed in service after December 31, 1980.

[(n), (o) Repealed. Pub.L. 97-34, Title II, § 212(d)(1), Aug. 13, 1981, 95 Stat. 239]

(p) **Straight line method for boilers fueled by oil or gas.**—In the case of any boiler which, by reason of section 8(a)(10), is not section 38 property—

(1) subsections (b), (j), and (l) shall not apply, and

(2) the term "reasonable allowance" as used in subsection (a) shall mean only an allowance computed under the straight line method using a useful life equal to the class life prescribed by the Secretary under subsection (m) which is applicable to such property (determined without regard to the last sentence of subsection (m)(1)).

(q) **Retirement or replacement of certain boilers, etc., fueled by oil or gas.**—

(1) **In general.**—If—

(A) a boiler or other combustor was in use on October 1, 1978, and as of such date the principal fuel for such combustor was petroleum or petroleum products (including natural gas), and

(B) the taxpayer establishes to the satisfaction of the Secretary that such combustor will be retired or replaced on or before the date specified by the taxpayer,

then for the period beginning with the taxable year in which subparagraph (B) is satisfied, the term "reasonable allowance" as used in subsection (a)

includes an allowance under the straight line method for the period equal to the period ending with the date of retirement or replacement (B).

(2) **Interest.**—If the retirement or replacement occurs on or before the date referred to in paragraph (1),

(A) this subsection shall cease to apply on or after the date of such date, and

(B) interest at the rate determined under section 168(e)(3)(C) shall be applied to such combustor shall be due and such tax benefit was available to the taxpayer for the period referred to in paragraph (1)(B).

(r) **Depreciation of improvements in the case of mines, oil and gas wells, etc.**

For additional rule applicable to the case of mines, oil and gas wells, etc., see section 611.

(As amended Nov. 6, 1978, Pub.L. 95-600, Title III, § 92 Stat. 2826, 2857, 2901, 2902; Nov. 8, 1978, Pub.L. 95-618, Title III, § 301(d)(3), (e)(1), 92 Stat. 3204, 3205; Dec. 28, 1980, Pub.L. 96-34, Title II, §§ 203(a)-(c)(1), (d), 208 Stat. 227, 239, 264; Jan. 6, 1983, Pub.L. 97-424, Title V, § 541(a)(2), added provision that, for the purposes of this paragraph, rules similar to the rules of section 168(e)(3)(C) of this title shall apply.

1983 Amendment. Subsec. (h)(3)(G). Pub.L. 97-424, § 541(a)(2), added provision that, for the purposes of this paragraph, rules similar to the rules of section 168(e)(3)(C) of this title shall apply.

1981 Amendment. Subsec. (a). Pub.L. 97-34, § 203(a), added provision that, in the case of recovery property (within the meaning of section 168), the deduction allowable under section 168 shall be deemed to constitute the reasonable allowance provided by this section, except with respect to that portion of the basis of such property to which subsection (k) applies.

Subsec. (d). Pub.L. 97-34, § 203(d), provided that subsec. (d) did not apply with respect to recovery property defined in section 168.

Subsec. (k)(2). Pub.L. 97-34, § 264(a), substituted "Except as provided in subparagraph (B), the aggregate amount" for "The aggregate amount" in subpar. (A), added subpar. (B), and redesignated former subpar. (B) as (C).

Subsec. (l)(3)(C). Pub.L. 97-34, § 209(d)(3), added "and which is placed in service before January 1, 1981" following "pre-1970 public utility property".

Subsec. (m)(4). Pub.L. 97-34, § 203(b), added par. (4).

Subsecs. (n), (o). Pub.L. 97-34, § 212(d)(1), struck out subsec. (n) which dealt with the use of the straight line method of depreciation in certain cases and subsec. (o) which dealt with the method of depreciation to be used in the case of substantially rehabilitated historic property.

Subsec. (r). Pub.L. 97-34, § 203(c)(1), redesignated subsec. (s) as (r). Former subsec. (r), relating to the retirement-replacement-betterment method of calculating depreciation, was stricken out.

1980 Amendments. Subsec. (k). Pub.L. 96-341, § 3, substituted in pars. (1) and (3)(D) "January 1, 1984" for "January 1, 1982" wherever appearing.

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includes an allowance under the straight line method using a useful life equal to the period ending with the date established under subparagraph (B).

(2) **Interest.**—If the retirement or replacement of any combustor does not occur on or before the date referred to in paragraph (1) (B)—

(A) this subsection shall cease to apply with respect to such combustor as of such date, and

(B) interest at the rate determined under section 6621 on the amount of the tax benefit arising from the application of this subsection with respect to such combustor shall be due and payable for the period during which such tax benefit was available to the taxpayer and ending on the date referred to in paragraph (1) (B).

(r) **Depreciation of improvements in the case of mines, etc.—**

For additional rule applicable to depreciation of improvements in the case of mines, oil and gas wells, other natural deposits, and timber, see section 611.

(As amended Nov. 6, 1978, Pub.L. 95-600, Title III, §§ 312(c) (4), 367, Title VII, § 701(f) (4), (6), 92 Stat. 2826, 2857, 2901, 2902; Nov. 8, 1978, Pub.L. 95-615, § 7(a), 92 Stat. 3098; Nov. 9, 1978, Pub.L. 95-618, Title III, § 301(d) (3), (e) (1), 92 Stat. 3200, 3201; Dec. 17, 1980, Pub.L. 96-541, §§ 2(c), (d), 3, 94 Stat. 3204, 3205; Dec. 28, 1980, Pub.L. 96-613, § 2(a), 94 Stat. 3579; Aug. 13, 1981, Pub.L. 97-34, Title II, §§ 203(a)-(c) (1), (d), 209(d) (3), 212(d) (1), 264(a), 95 Stat. 221, 222, 227, 239, 264; Jan. 6, 1983, Pub.L. 97-424, Title V, § 541(a) (2), 96 Stat. 2192.)

1983 Amendment. Subsec. (f) (3) (G). Pub.L. 97-424, § 541(a) (2), added provision that, for the purposes of this paragraph, rules similar to the rules of section 168(e) (3) (C) of this title shall apply.

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Subsec. (r). Pub.L. 97-34, § 203(c) (1), redesignated subsec. (s) as (r). Former subsec. (r), relating to the retirement-replacement-betterment method of calculating depreciation, was stricken out.

1980 Amendments. Subsec. (k). Pub.L. 96-541, § 3, substituted in pars. (1) and (3) (D) "January 1, 1984" for "January 1, 1982" wherever appearing.

Subsec. (n) (4). Pub.L. 95-541, § 2(c), added par. (4).

Subsec. (o) (3). Pub.L. 96-541, § 2(d), added par. (3).

Subsec. (r). Pub.L. 96-613 added subsec. (r) and redesignated former subsec. (r) as (s).

Subsec. (s). Pub.L. 96-613 redesignated former subsec. (r) as (s).

1978 Amendments. Subsec. (i). Pub.L. 95-600, § 312(c) (4), struck out subsec. (i), which related to a limitation in the case of property constructed or acquired during the suspension period.

Subsec. (k). Pub.L. 95-615 substituted "January 1, 1979" for "January 1, 1978" wherever appearing in pars. (1) and (3) (D).

Pub.L. 95-600, § 367, substituted "January 1, 1982" for "January 1, 1979".

Subsec. (n). Pub.L. 95-600, § 701(f) (4), in par. (1), substituted "occupied by a certified historic structure (or by any structure in a registered historic district) which is demolished or substantially altered after such date" for "occupied by a certified historic structure (as defined in section 191(d) (1)) which is demolished or substantially altered (other than by virtue of a certified rehabilitation as defined in section 191(d) (3) after such date", inserted the "and" preceding subpar. (B), substituted "means" for "shall mean" in subpar. (B), and added provision that "The preceding sentence shall not apply if the last substantial alteration of the structure is a certified rehabilitation."; in par. (2), substituted heading "Exceptions" for "Exception", designated existing text as subpar. (A), and added subpar. (B), and added par. (3).

Subsec. (o). Pub.L. 95-600, § 701(f) (6), inserted in par. (1) "(other than property with respect to which an amortization deduction has been allowed to the taxpayer under section 191)" following "substantially rehabilitated historic property" and substituted in par. (2) "section 191(d) (4)" for "section 191(d) (3)".

(File Nos. 5762, 5815), P.2d (1983).
When sale has taken place. — A sale has taken place when crab are delivered to the processor in Alaska under a previously negotiated contract. *Sjong v. State*, Dep't

of Revenue, Sup. Ct. Op. No. 2269 (File No. 4255), 622 P.2d 967 (1981), appeal dismissed, 454 U.S. 1131, 102 S. Ct. 986, 71 L. Ed. 2d 284 (1982), decided under former AS 43.20.130.

Sec. 43.20.072. Oil and gas producers and pipelines. (a) All business income of a taxpayer engaged in the production of oil or gas from a lease or property in this state or engaged in the transportation of oil or gas by pipeline in this state shall be apportioned to this state in accordance with the Multistate Tax Compact (AS 43.19) as modified by this section.

(b) A taxpayer's business income to be apportioned under this section to the state shall be the federal taxable income of the taxpayer's consolidated business for the tax period, except that

(1) taxes based on or measured by net income that are deducted in the determination of the federal taxable income shall be added back;

(2) intangible drilling and development costs that are deducted as expenses under 26 U.S.C. 263(c) (Internal Revenue Code) in the determination of the federal taxable income shall be capitalized and depreciated as if the option to treat them as expenses under 26 U.S.C. 263(c) (Internal Revenue Code) had not been exercised;

(3) depletion deducted on the percentage depletion basis under 26 U.S.C. 613 (Internal Revenue Code) in the determination of the federal taxable income shall be recomputed and deducted on the cost depletion basis under 26 U.S.C. 612 (Internal Revenue Code) and

(4) depreciation shall be computed on the basis of 26 U.S.C. 167 (Internal Revenue Code) as that section read on June 30, 1981.

(c) A taxpayer's business income shall be apportioned to this state by multiplying the taxpayer's income determined under (b) of this section by the apportionment factor applicable to the taxpayer among the following factors:

(1) the apportionment factor of a taxpayer subject to this section but not engaged in the production of oil and gas from a lease or property in this state during the tax period is a fraction, the numerator of which is the sum of the property factor under the Multistate Tax Compact (AS 43.19) and the sales factor under (d) of this section for the taxpayer for that tax period, and the denominator of which is two;

(2) the apportionment factor of a taxpayer subject to this section but not engaged in the pipeline transportation of oil or gas in this state during the tax period is a fraction, the numerator of which is the sum of the property factor under (e) of this section and the extraction factor under (f) of this section for the taxpayer for the tax period, and the denominator of which is two;

(3) the apportionment factor of a taxpayer engaged both in the production of oil or gas from a lease or property in this state and in the pipeline transportation of oil or gas in this state during the tax period

is a fraction, the numerator of which is the sum of the property factor under (e) of this section and the extraction factor under (f) of this section for the taxpayer for that tax period, and the denominator of which is two;

(d) The sales factor is a fraction, the numerator of which is the sum of the sales of the taxpayer for the tax period, and the denominator of which is the sum of the sales of the taxpayer for the tax period, and the denominator of which is two;

(1) the numerator of which is the sum of the sales of the taxpayer for the tax period, and the denominator of which is the sum of the sales of the taxpayer for the tax period, and the denominator of which is two;

(A) the numerator of which is the sum of the sales of the taxpayer for the tax period, and the denominator of which is the sum of the sales of the taxpayer for the tax period, and the denominator of which is two;

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(B) the numerator of which is the sum of the sales of the taxpayer for the tax period, and the denominator of which is the sum of the sales of the taxpayer for the tax period, and the denominator of which is two;

(e) Unless otherwise provided, the numerator of which is the sum of the sales of the taxpayer for the tax period, and the denominator of which is the sum of the sales of the taxpayer for the tax period, and the denominator of which is two;

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TAX ADMINISTRATORS NEWS

Issued monthly by
FEDERATION OF TAX ADMINISTRATORS
444 NORTH CAPITOL STREET, N.W., WASHINGTON, D.C. 20001

APR 15 1983

OFFICE OF THE COMMISSIONER

Vol. 47, No. 2

February 1983

STATES CONTINUE TO RESPOND TO ACRS IN DIVERSE WAYS

On August 13, 1981, the Economic Recovery Tax Act of 1981 became Public Law 97-34. Among the provisions of this Act was the establishment of a new and more rapid form of depreciation known as the Accelerated Cost Recovery System.

States have responded to ACRS in different ways. Among the states where changes in federal depreciation provisions are automatically accepted for state tax purposes, some states have passed legislation to reject ACRS and some have allowed only a portion of ACRS. Among the states where the adoption of ACRS is not automatic, some have acted to adopt ACRS and some have allowed a portion of ACRS depreciation. Twenty states have enacted legislation in 1981 or 1982 affecting the application of ACRS for state tax purposes.

As a result of these changes, 24 states and the District of Columbia were generally in conformity with federal depreciation provisions in 1982. (Two of these states have denied ACRS to certain industries.) Ten states allowed a flat percentage of depreciation determined under ACRS or made similar adjustments. Another ten states did not allow ACRS and required that depreciation for state tax purposes be determined under the same rules as before ACRS was enacted.

Legislation enacted by states to allow ACRS. Most of the states allowing ACRS tie their statutes or regulations to the current federal Internal Revenue Code. In anticipation of ACRS, Hawaii enacted legislation on June 17, 1981, providing that the state would conform to the new federal provisions.

Wisconsin enacted legislation on July 30, 1981, giving corporations and individuals the option of using depreciation under the current Internal Revenue Code, in effect incorporating ACRS when it was enacted.

Arizona, Idaho, Indiana, and Iowa tie their corporation income tax laws to the Internal Revenue Code of a specific date. In 1982, each of these states changed their reference dates so that ACRS would apply. In Arizona, Idaho, and Iowa, the changes were retroactive to 1981 tax years. In Indiana, ACRS was made effective with 1982 tax years. Indiana and Iowa raised their corporation income tax rates at the time they made ACRS applicable.

Alaska does not allow oil and gas producers and pipelines to use ACRS. By 1982 legislation, Wisconsin provided that telephone, telegraph, pipeline, gas, electric, and hot water utilities were not to use ACRS for state tax purposes.

Legislation enacted by states to disallow ACRS. Ten states do not allow ACRS. Four of these states have adopted legislation specifically rejecting ACRS. Oregon enacted legislation on August 17, 1981, disallowing ACRS for 1981 and 1982 tax years for personal and corporation income taxes. New Jersey, New York, and Oklahoma adopted legislation in 1982 rejecting ACRS. The legislation in New Jersey applies to tax years after 1981 but does not apply to personal income taxes. The legislation in New York applies to 1982 and 1983 tax years and to both personal and corporation taxes. The legislation in Oklahoma applies to property placed in service after 1981 but does not

STATUS OF ACCELERATED COST RECOVERY SYSTEM FOR STATE CORPORATION INCOME TAXES AT END OF 1982		
ACRS Allowed	Percentage of ACRS	ACRS Not Allowed
Alabama	Connecticut	Arkansas
Alaska(1)	Florida	California
Arizona	Kentucky(7)	Georgia
Colorado	Maine(5)(9)	New Jersey(6)(7)
Delaware	Minnesota	New York(6)
Hawaii	Ohio(7)	North Dakota(8)
Idaho	Pennsylvania(7)	Oklahoma(6)(9)
Illinois	Tennessee	Oregon
Indiana(2)	Virginia	South Carolina
Iowa	West Virginia	Utah(9)
Kansas		
Louisiana		
Maryland		
Massachusetts(3)		
(Michigan)(4)		
Mississippi		
Missouri		
Montana		
Nebraska		
New Hampshire		
New Mexico		
North Carolina		
Rhode Island		
Vermont		
Wisconsin(5)		
District of Columbia		

- (1) Depreciation for oil and gas producers and pipelines is computed on the basis of section 167 of the Internal Revenue Code as that section read on June 30, 1981.
- (2) ACRS not allowed in 1981.
- (3) ACRS not available to individuals because the personal income tax is based on the Internal Revenue Code existing on November 6, 1978.
- (4) No corporation income tax. ACRS allowed for personal income tax. Depreciation not relevant for single business tax.
- (5) ACRS not available to public utilities.
- (6) ACRS allowed in full in 1981.
- (7) ACRS allowed in full for individuals.
- (8) Individuals filing the short form may use ACRS because the short form is based on the current Internal Revenue Code.
- (9) ACRS allowed in full for individuals and Subchapter S corporations.

(Prepared by FTA)

apply to personal income taxes or Subchapter S corporations.

Percentage of ACRS. Ten states accept ACRS as a starting point for determining depreciation for state tax purposes but in effect allow a deduction for depreciation that is a percentage of the amount determined under ACRS.

In January 1982, Connecticut provided that corporations are to take a declining percentage of the federal depreciation deduction for tax years 1981 through 1984. The percentages are 96 percent for 1981, 91 percent for 1982, 84 percent for 1983, and 77 percent for 1984. The unused portion of the depreciation may be taken as a deduction over a five-year period, one-fifth each year, beginning three years after the year in which it would otherwise have been claimed.

In April 1982, Florida enacted an excise tax equal to 2 percent of the excess of ACRS depreciation over straight line depreciation. The tax applies to tax years 1981 through 1984. The excise tax may be taken as a credit in the fifth year following the year for which the tax was paid.

In March 1982, Kentucky provided that, for tax years beginning before July 1, 1984, deductions under ACRS are to be divided by 1.4 to determine the depreciation deduction for state purposes. After July 1, 1984, ACRS may be claimed in full and the unused depreciation from the earlier years may be deducted over the next six years.

In December 1981, Maine authorized the use of ACRS for 1981 tax years only. In May 1982, Maine provided that whether ACRS would be allowed for 1982 would depend on whether the state budget officer determined that available revenues were sufficient. In December, he ruled that revenues were not sufficient. Consequently, corporate taxpayers are to add back 18 percent of the ACRS deduction to taxable income. The amount added back may be taken as a deduction in equal amounts during the next three years. ACRS applies in full for individuals and Subchapter S corporations.

In January 1982, Minnesota provided that personal and corporate taxpayers could claim 85 percent of ACRS for 1981 tax years and 83 percent for 1982. In March, Minnesota reduced the allowable percentage to 60 percent for real property, beginning with 1982 tax years, and 80 percent for other property, beginning with 1983 tax years. The unused depreciation may be claimed over a one to seven year period (depending on the class of the property) after the full federal deduction has been claimed.

In November 1981, Ohio provided that corporate taxpayers could either determine depreciation under the prior rules or add to taxable income 10 (continued on page 23)

FRANK BANE

Frank Bane, distinguished public servant and long-time head of the Council of State Governments, died January 23 at the age of 89. A native of Virginia, he served as state director of public welfare in Tennessee and in Virginia and founded the American Public Welfare Association in 1930. From 1935, when it was organized, until 1938, he administered the Social Security System. From 1938 to 1958, he was executive director of the Council of State Governments. During World War II, he also served as director of field operations in the Office of Price Administration. He was the first person to serve as Chairman of the Advisory Commission on Intergovernmental Relations, established by Congress in 1959.

BRUCE WALKER RETIRES AFTER LONG CAREER IN CALIFORNIA

Bruce Walker has retired from state service after an extensive career with the California Franchise Tax Board. Positions that he has held include assistant executive officer, chief counsel, operations chief, income tax chief, and compliance chief. He has also served as director of the department of veterans affairs and as member of the veterans board. A retirement dinner was held for him in Sacramento on January 20, 1983.

NESTOA CHOOSES NEW OFFICERS

The Executive Committee of the North Eastern State Tax Officials Association met in Washington, D.C. at the headquarters of the Federation of Tax Administrators on January 27, 1983. Because of the resignation of L. Joyce Hampers as Massachusetts Commissioner of Revenue and as NESTOA President, new officers were elected. The new officers are J. Basil Wisner, Maryland, President; Thomas F. Hogan, New York, Vice President; Robert Chastant, Delaware, Treasurer; and Gary Clark, Rhode Island, Secretary.

CENSUS BUREAU REPORTS ON STATE TAX COLLECTIONS

The Governments Division of the Bureau of the Census reports that state government tax revenue totaled \$162.7 billion in fiscal years ending in 1982, 8.6 percent more than in the previous year. Of this amount, the largest portions were the general sales tax (31.0 percent) and the individual income tax (28.1 percent). Other taxes that accounted for more than 4 percent of the total were the corporation income tax (8.6 percent), motor fuel tax (6.4 percent), and severance taxes (4.8 percent). Motor vehicle licenses contributed 3.4 percent, public utility taxes yielded 3.0 percent, and cigarettes and tobacco products amounted to 2.4 percent.



PROPERTY TAXES

PENNSYLVANIA COURT CLARIFIES SCOPE OF PROPERTY TAX EXEMPTION

The Pennsylvania Supreme Court has ruled that a private, nonprofit hospital was entitled to a property tax exemption, despite the fact that most of its operating expenses were covered by the fees it charged its patients. A lower court had held that since the law required an institution to be a "purely public charity" in order to qualify for an exemption, the hospital had to be supported primarily by charitable donations. The supreme court said that this was a misinterpretation of the statute. "Purely," it said, was meant to modify "public" not "charity"; and the hospital was purely public in its admissions policy and did not use the fees it collected for any prohibited purpose. (WEST ALLEGHENY HOSPITAL v. BOARD OF PROPERTY ASSESSMENT, decided December 23, 1982)

FLORIDA COURT RULES RESIDENCY REQUIREMENT FOR HOMESTEAD EXEMPTION IS UNCONSTITUTIONAL

The Florida Supreme Court has held that that state's requirement for five years' residence before a taxpayer could claim an additional property tax exemption on his home violated equal protection. This decision overturns a ruling by the Florida District Court of Appeal (reviewed in TAN, August 1982, page 93).

The provision challenged allowed homeowners who had lived in Florida continuously for five years a \$25,000 exemption; other residents got only a \$5,000 exemption. The court did not decide whether the statute should be subjected to strict scrutiny, for it found that it failed the "rational basis"

test under the equal protection clause of the state constitution.

The court said it could find no valid reason for the establishment of two classes of bona fide permanent state residents for purposes of the exemptions. Under the recent U.S. Supreme Court case ZOBEL v. WILLIAMS (TAN, August 1982, page 94), it is not a legitimate state purpose to reward certain citizens, to the detriment of others, for their past contributions. Neither was it permissible for the state to seek to discourage immigration from other states, even if new residents do create extra expenses for services for the localities into which they move. Concluding, the court ruled that all homeowners would be entitled to the \$25,000 exemption beginning in 1983; the decision was retroactive only for those who had actually challenged the statute. (OSTERNDORF v. TURNER, decided December 16, 1982)

PROGRAM ON UTILITY AND RAILROAD APPRAISAL

The thirteenth annual program on the appraisal of utilities and railroad property for ad valorem taxation will be held July 25-28, 1983, in Wichita, Kansas. The program is cosponsored by the Public Utilities and Transportation Taxation Committee of the National Tax Association/Tax Institute of America and the College of Business Administration of Wichita State University. The program will include general sessions on significant current topics, a basic utility and railroad appraisal course, and concurrent sessions for advanced participants. Information can be obtained from the Center for Management Development, Campus Box 86, Wichita State University, Wichita, Kansas 67208, (316) 689-3118.

(continued from page 14) percent of the depreciation claimed for federal purposes. This provision applies to the first two tax years ending on or after November 15, 1981. The unused depreciation can be claimed as a deduction during a five year period, beginning two years after the tax year affected. ACRS applies in full for individuals.

In December 1981, Pennsylvania provided that for 1981 and 1982 corporate taxpayers are to determine depreciation under the former federal provisions. For 1983, taxpayers will also be allowed to take half of the additional depreciation allowed by ACRS. For 1984 and thereafter, ACRS will apply in full. The unused deductions can be claimed over a four-year period beginning in 1984. ACRS applies in full for individuals.

In May 1982, Tennessee provided that taxpayers could either determine depreciation under prior rules or add to taxable

income 10 percent of the depreciation claimed for federal purposes. This provision applies to tax years ending between July 15, 1982, and July 14, 1983.

In April 1982, Virginia provided that personal and corporate taxpayers could claim only 70 percent of ACRS depreciation for state purposes in the 1982 and 1983 tax years. The unused depreciation can be claimed over the following five years.

In March 1982, West Virginia required personal and corporate taxpayers to add to taxable income a percentage of the ACRS deduction, depending on the class of the asset. For five-year property, 10 percent of the deduction is added; for ten-year property, 15 percent; for fifteen-year public utility property, 25 percent; and for fifteen-year real property, 35 percent. For three-year property, no addition is required.

(File Nos. 5762, 5815), P.2d (1983).
When sale has taken place. — A sale has taken place when crab are delivered to the processor in Alaska under a previously negotiated contract. *Sjong v. State*, Dep't

of Revenue, Sup. Ct. Op. No. 2269 (File No. 4255), 622 P.2d 967 (1981), appeal dismissed, 454 U.S. 1131, 102 S. Ct. 986, 71 L. Ed. 2d 284 (1982), decided under former AS 43.20.130.

Sec. 43.20.072. Oil and gas producers and pipelines. (a) All business income of a taxpayer engaged in the production of oil or gas from a lease or property in this state or engaged in the transportation of oil or gas by pipeline in this state shall be apportioned to this state in accordance with the Multistate Tax Compact (AS 43.19) as modified by this section.

(b) A taxpayer's business income to be apportioned under this section to the state shall be the federal taxable income of the taxpayer's consolidated business for the tax period, except that

(1) taxes based on or measured by net income that are deducted in the determination of the federal taxable income shall be added back;

(2) intangible drilling and development costs that are deducted as expenses under 26 U.S.C. 263(c) (Internal Revenue Code) in the determination of the federal taxable income shall be capitalized and depreciated as if the option to treat them as expenses under 26 U.S.C. 263(c) (Internal Revenue Code) had not been exercised;

(3) depletion deducted on the percentage depletion basis under 26 U.S.C. 613 (Internal Revenue Code) in the determination of the federal taxable income shall be recomputed and deducted on the cost depletion basis under 26 U.S.C. 612 (Internal Revenue Code) and

(4) depreciation shall be computed on the basis of 26 U.S.C. 167 (Internal Revenue Code) as that section read on June 30, 1981.

(c) A taxpayer's business income shall be apportioned to this state by multiplying the taxpayer's income determined under (b) of this section by the apportionment factor applicable to the taxpayer among the following factors:

(1) the apportionment factor of a taxpayer subject to this section but not engaged in the production of oil and gas from a lease or property in this state during the tax period is a fraction, the numerator of which is the sum of the property factor under the Multistate Tax Compact (AS 43.19) and the sales factor under (d) of this section for the taxpayer for that tax period, and the denominator of which is two;

(2) the apportionment factor of a taxpayer subject to this section but not engaged in the pipeline transportation of oil or gas in this state during the tax period is a fraction, the numerator of which is the sum of the property factor under (e) of this section and the extraction factor under (f) of this section for the taxpayer for the tax period, and the denominator of which is two;

(3) the apportionment factor of a taxpayer engaged both in the production of oil or gas from a lease or property in this state and in the pipeline transportation of oil or gas in this state during the tax period

is a fraction, the numerator of which is the sum of the sales factor under (d) of this section and the extraction factor under (f) of this section for the taxpayer for the tax period, and the denominator of which is two;

(d) The sales factor is a fraction, the numerator of which is the sum of the sales of the taxpayer for the tax period, and the denominator of which is the sum of the sales of all taxpayers for the tax period;

(1) the numerator is the sum of the sales of the taxpayer for the tax period;

(A) the sales of the taxpayer for the tax period are the sales of the taxpayer for the tax period, and the denominator of which is the sum of the sales of all taxpayers for the tax period;

(B) the total sales of the taxpayer for the tax period are the sales of the taxpayer for the tax period, and the denominator of which is the sum of the sales of all taxpayers for the tax period;

(2) the denominator is the sum of the sales of all taxpayers for the tax period;

(A) the sales of the taxpayer for the tax period are the sales of the taxpayer for the tax period, and the denominator of which is the sum of the sales of all taxpayers for the tax period;

(B) the total sales of the taxpayer for the tax period are the sales of the taxpayer for the tax period, and the denominator of which is the sum of the sales of all taxpayers for the tax period;

(e) Unless otherwise provided, the sales of the taxpayer for the tax period are the sales of the taxpayer for the tax period, and the denominator of which is the sum of the sales of all taxpayers for the tax period;

(1) the numerator is the sum of the sales of the taxpayer for the tax period;

(A) the sales of the taxpayer for the tax period are the sales of the taxpayer for the tax period, and the denominator of which is the sum of the sales of all taxpayers for the tax period;

(B) the total sales of the taxpayer for the tax period are the sales of the taxpayer for the tax period, and the denominator of which is the sum of the sales of all taxpayers for the tax period;

(2) the denominator is the sum of the sales of all taxpayers for the tax period;

(A) the sales of the taxpayer for the tax period are the sales of the taxpayer for the tax period, and the denominator of which is the sum of the sales of all taxpayers for the tax period;

(B) the total sales of the taxpayer for the tax period are the sales of the taxpayer for the tax period, and the denominator of which is the sum of the sales of all taxpayers for the tax period;

Introduced: 1/23/85
Referred: House Special Committee on
Oil & Gas, Resources and Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2

HOUSE BILL NO. 101

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An act relating to allowable depreciation methods

7

for oil and gas producers and pipelines; and provid-

8

ing for an effective date."

9

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

10

* Section 1. AS 43.20.072(b)(4) is repealed.

11

* Sec. 2. Section 1 of this Act is retroactive to January 1, 1985, and

12

applies to tax returns for tax years beginning after December 31, 1984.

13

* Sec. 3. This Act takes effect immediately in accordance with AS 01.-

14

10.070(c).



RECORDS CERTIFICATION



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Signature of Camera Operator


Date

SCOMM

#46:14

103

(SAP) Ned Farguhar LOCATION 465-240d586-
 DELIVER TO: Betty Harrison LOCATION 265-4244
 FROM: Betty Harrison
 TELEPHONE/TELECOPIER # _____ TOTAL NUMBER OF PAGES 37
 TRANSMITTING ON/SPEED _____ DATE 9/7 TIME 12:05
 PHONE FOR PROBLEMS-NAME/NUMBER 265-4244 and see Kay's name
 COMMENTS Per Call, pls make necessary changes. Thanks.

1985 LEGISLATIVE PROPOSAL REQUEST FORM

DATE: August 30, 1984

DEPARTMENT: Department of Natural Resources (Oil and Gas)

SUBJECT OF PROPOSED BILL:

Royalty oil sales statewide change.

SUMMARY/EXPLANATION OF INTENT: (Why is legislation requested. Explain need. Attach additional sheet, if necessary.)

The proposed bill would 1) clarify and streamline procedural requirements for royalty oil sales by eliminating the best interest finding required by AS 38.05.035(e); and 2) enable the department to establish a regular program of short-term competitive royalty oil sales. The department proposes to conduct a competitive royalty oil (continued on attachment)

ESTIMATED FISCAL IMPACT: 0

Capital: 0

Operating: 0

Has this or a substantially similar bill been introduced (and not passed) in the Legislature in previous session? ^{No}
 Has it been drafted and but not introduced: (If so, please attach copy of approved draft and give Department of Law file no.: 377-_____-_____.)

Why wasn't it passed?

Rate the bill's importance to the department by priority number (in relationship to your department's other requests if any).

COMMISSIONER'S SIGNATURE: _____

DATE: _____

Governor's Office Recommendation:

Continuation of Summary/Explanation of Intent:

Red: this should read "similar"

sale in December, and it may wish to conduct similar competitive sales in the future. The statute requires legislative approval of royalty contracts except for small volume sales and sales of one year or less to relieve storage or market conditions. The statute further provides that a short-term sale to relieve storage or market conditions may not be continued after the end of one year or renewed with the same party without prior approval of the legislature.

The Department of Law has advised the department that if a second competitive sale were to be held in 1985 (assuming the 1984 proposed competitive sale proceeds as planned), successful bidders in the 1984 sale would not be able to participate in the 1985 sale due to the provision prohibiting continuation of a contract with the same party beyond one year without approval of the legislature. Thus, without the proposed statutory change, competition in any subsequent sales would be severely limited. The proposed legislation would allow companies that are successful bidders in the December competitive sale to participate in succeeding competitive sales for short-term contracts without requiring legislative approval of those contracts.

Regarding clarification of procedural requirements for royalty sales, AS 38.05.035(a)(17) arguably applies to royalty sales even though the finding and related notice requirements are duplicative of the extensive royalty oil sale procedures in AS 38.05.182, .183, and AS 38.06. (Draft legislation attached.)

(e) .1c

Red: AS 38.05.035(a)(17)
Should read:
AS 38.05.035(e)

Offered:

Referred:

Original sponsors:

1 IN THE HOUSE

2

HOUSE BILL NO.

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to royalty oil; and providing
7 for an effective date."

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

9 *Section 1. As 38.05.183 is amended by adding a new subsection to
10 read:

11 (f) AS 38.05.035^(e)~~(a)(1)~~ does not apply to a sale,
12 exchange or other disposal of oil or gas under this section.

13 *Section 2. AS 38.06.055(c) is amended to read:

14 (c) A sale, exchange, or other disposition of oil or gas made
15 other than by competitive bid under (b)(1) of this section may not
16 be continued after the end of one year or renewed with the same
17 party to provide relief for market or storage conditions without
18 the prior approval of the legislature under (a) of this section.

19 *Section 3. This act takes effect immediately in accordance with
20 AS 01.10.070(c).

telecopy → Kay
draft transmitted let
no fiscal impact?

DRAFT

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to royalty oil. The bill would (1) clarify and streamline procedural requirements for royalty oil and gas sales by expressly providing that the best-interest finding set out in AS 38.05.035(e) does not apply to those sales; and (2) enable the Department of Natural Resources to establish a regular program of short-term competitive royalty oil sales.

It is unclear whether AS 38.05.035(e) applies to royalty oil and gas sales. Royalty oil and gas sales have detailed finding and notice requirements set out in AS 38.05.182, 38.05.183, and AS 38.06, and are expressly committed to commissioner actions. AS 38.05.035(e), on the other hand, is essentially duplicative of those other processes and concerns actions taken by the director of the division of lands. Although we believe that the provisions of AS 38.05.035(e) are not presently applicable to oil and gas sales, such confusion does cast a cloud over royalty oil sales (particularly those that are entered into because of an emergency situation). The amendment in sec. 1 of the bill resolves the issue.

The second change, in sec. 2 of the bill, would allow competitive royalty oil sales for terms of less than

DELIVER TO: Kay Brown	LOCATION: 111-1111
FROM: Ned Freguere	LOCATION: 111-1111
TELEPHONE/TELETYPE: 111-1111	TOTAL NUMBER OF PAGES: 2
TRANSMITTING ON/SPEED: 111-1111	DATE: 1/15
PHONE FOR PROBLEMS/NUMBER: 111-1111	TIME: 9:50A
COMMENTS	

one year to be conducted without legislative approval of those sales. To await legislative approval under a competitive bid situation for contracts of one year or less would defeat the entire purpose of that type of short-term competitive sales. Under the present statutory scheme, however, there is a serious question as to whether a party who gained royalty oil under one competitive sale could re-bid in a subsequent royalty oil sale if the combination of the two sales would lead to that particular buyer receiving oil for more than a one year period. Although it has been the consistent position of this and previous administrations that the requirement of legislative approval is unconstitutional, administrations have always, as a matter of comity, respected the legislature's desire to be consulted in long-term or negotiated royalty oil contracts. Further, the presence of the statute, whether or not constitutional, would cast a cloud on any sale. Thus we believe that a clarification to allow short-term competitive royalty oil sales would be in the best interests of all.

Sincerely,

Bill Sheffield
Governor

DRAFT

November 19, 1984

DISCUSSION OUTLINE
PROPOSED ROYALTY OIL STATUTE REVISION

Summary

The royalty oil statute needs revision in order to establish a program of regular competitive sales, a policy option the Sheffield administration may wish to pursue in 1986 after analyzing results from the December sale. In addition, other revisions are needed to clarify overall policy goals and streamline procedures.

Statement of Problem

1. The statute does not clearly define the purpose and policy goals of royalty oil sales. The statute does not provide effective guidance for assessing in-kind versus in-value taking, or competitive versus negotiated sales.
2. The prescribed procedures are cumbersome.
3. The statute as written arguably would not allow continuing, short-term competitive sales without legislative approval.
4. There is uncertainty over the division of responsibilities between the legislative and executive branches.
5. The result of these problems is that the state does not project a business-like atmosphere in conducting royalty oil sales. In past years we have seen extended arguments between the executive and legislative branches, and within the legislature itself, over proposed royalty oil contracts. Lawsuits have been filed. A proposed refinery and petrochemical complex based on a royalty oil contract failed to materialize. These problems cause uncertainty and delay for royalty oil purchasers, as well as administrative difficulties for the agency. Most important, failure to clearly define the purpose of the program may jeopardize our ability to maximize the state's income from royalty oil sales.

Recommendations for Statute Revision

1. Clarify policy criteria for sales.
 - a. The primary policy goal for royalty oil sales should be to maximize the state's income.
 - b. To the extent they are consistent with the primary objective of maximizing income, secondary policy goals should be to:

DRAFT

- ° Supply existing in-state refiners and utilities at market prices.
- ° Promote new in-state projects based on royalty oil and gas to the extent they are economically feasible at market prices in the absence of a royalty oil contract.
- ° Promote expansion of foreign markets for Alaska resources.
- ° Promote competition in the in-state market by giving preferences to in-state suppliers of petroleum products in competitive sales.

2. Clarify and Streamline Procedural Requirements.

- a. Establish presumption for short-term (up to two years), competitive bid contracts which would not be approved by the legislature.
- b. All long-term, negotiated contracts would require legislative approval.

Negotiated contracts would be allowed to achieve the first three secondary policy goals described above.
- c. Short-term negotiated contracts (one year or less) could be allowed without legislative approval in specific, defined circumstances (such as emergency shortages and storage conditions).
- d. Add requirement for an annual royalty report to be submitted to the legislature. Establish a schedule for contract submission and, if possible, for review by the legislature.
- e. Clarify the role of the royalty oil and gas development advisory board.

Specific Proposed Revisions

- ° Consolidate and clarify procedural requirements of AS 38.05.182 - .183, AS 38.05.035(e), 38.05.345 and 38.06.
- ° Adopt general procedures to cover all royalties taken in-kind under AS 38.05.135-.181 (energy minerals including oil, gas, coal, geothermal, phosphates, oil shale, sodium, sulphur and potassium), and more specific procedures to cover only oil and gas.

DRAFT

- ° Add a provision requiring the Commissioner to reserve in-kind taking rights in all leases issued under 38.05.135-.181.
- ° Retain (or clarify) the present in-kind presumption in 38.05.182(a) (applies only to oil and gas). Eliminate the present opportunity for the Legislature to revoke a determination to take in-value in 38-.05.182(b).
- ° Add a requirement that the Commissioner submit an annual report on the royalty status of all producing leases to the Legislature within 10 days of the convening of a regular legislative session. The report would be similar in format and content to the Five-Year Oil and Gas Leasing Program document, and would include the percentages of royalties taken in-kind and in-value for each resource; the percentage of royalties purchased by in-state refiners/processors and the percentage of royalty oil or other resource actually processed in the state; proposed royalty contracts (if any) and .035 findings to support them.
- ° Generally, eliminate all requirements for separate procedures in 38.06 and 38.05.182-.183, and rely on the general disposition procedures in 38.05.035 and .345.

Incorporate all findings for specific items (such as determination of projected in-state hydrocarbon needs; determination to waive competitive bidding; etc.) into best interest findings under 38.05.035(e).

- ° Repeal most of AS 38.06 (Royalty Board).

Reestablish the board under .183 as an advisory group to the Commissioner of Natural Resources. Require the board to hold a hearing and make a written recommendation to the Commissioner on proposed sales which require legislative approval.

- ° Transfer 38.06.055 to .183 (legislative approval requirement and exemptions for short-term and small volume sales). Expand exemptions to include competitively bid contracts with terms of two years or less. (The requirements of .055 would continue to apply only to oil and gas.)
- ° Transfer the confidentiality provisions in 38.06.060 to .183.

MEMORANDUM

To: Senator Jay Kertulla

From: Jonathan Sperber, Committee Aide
House Special Committee on Oil and Gas

Date: May 9, 1985

Re: Underlift Amendment

Attached is a copy of the proposed amendment to CSHB 103, incorporating language changes suggested by Senator Halford and approved by Director Kay Brown and Commissioner Wunnicke.

I have also attached an opinion by Legislative Counsel Randall Moen stating that this amendment does not fall within the scope of the title of CSHB 103. It is the belief of both the Department of Law and the Department of Natural Resources, however, that underlifting is a form of disposal and that there is therefore no problem in attaching this amendment to the bill.

The purpose of this amendment is to allow the commissioner to defer disposing of royalty natural gas in the Southcentral marketplace until a later date. The state must dispose of its natural gas at the time of receipt, and the date of receipt and disposal is directly affected by underlifting of the gas.

As mentioned in 38.05.183(a), there may be a "disposal in whole or in part of a right to receive future mineral production under a state lease under this chapter." In this case, the state is giving up its right to receive royalty natural gas at this time, in order to exercise its right to receive royalty natural gas at a later date.

Please call me at 465-4930/4941 if I can be of assistance to you or your staff in this matter.

REMARKS

by

KAY BROWN, DIRECTOR, DIVISION OF OIL & GAS

on

CS HB 103 (Oil and Gas)

to

HOUSE RESOURCES COMMITTEE

February 25, 1985

Thank you Mr. Chairman. For the record, I'm Kay Brown, Director of the Division of Oil and Gas for the Alaska Department of Natural Resources. I appreciate the opportunity to address the committee on CS HB 103.

This bill makes two technical changes to the royalty oil and gas disposal statute.

SECTION 1 of the bill would remove royalty oil and gas disposals from the procedures that govern all disposals of interest in state land or resources under AS 38. It is unclear whether AS 38.05.035(e) applies to royalty oil and gas sales. Royalty oil and gas sales have detailed finding and notice requirements under AS 38.05.182, 183 and AS 38.06. Although we believe that .035 is not presently applicable to royalty oil and gas sales, the possibility that it does apply would cast a cloud over sales that had to be entered into because of an emergency situation. Further, elimination of the .035 requirement streamlines the procedural requirements by removing conflicting timelines for disposal.

SECTION 2 of the bill would allow continuing competitive royalty oil sales

for terms of less than one year to be conducted without legislative approval of those sales. AS 38.06.055(a) provides that the legislature will approve all royalty oil and gas sales. Subsection (b) of that section sets out several exceptions for short-term and small volume sales which do not require legislative approval. Subsection (b)(1) makes an exception for sales of one year or less to relieve storage or market conditions, and this is the section under which we held the competitive sale in December 1984. Subsection (c), which is the section being amended in CS HB 103, goes on to say that a sale made under (b)(1) 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 the statute.

The Department of Law has advised us that there is a serious question as to whether a party who gained royalty oil under one competitive sale could re-bid in a subsequent royalty oil sale if the combination of the two sales would lead to that particular buyer receiving oil for more than a one-year period.

We see no reason why a company which bids and wins in one competitive sale should not be able to bid again the next year and again win the right to receive oil if it bids the highest price.

To await legislative approval under a competitive bid situation for contracts of one year or less would defeat the entire purpose of that type of short-term competitive sale.

Although it has been the consistent position of this and previous

administrations that the requirement of legislative approval is unconstitutional, administrations have always, as a matter of comity, respected the legislature's desire to be consulted in long-term or negotiated royalty oil contracts. Further, the presence of the statute, whether constitutional or not, could cast a cloud on any subsequent competitive sale.

Mr. Chairman, while we have not yet made a firm decision on whether continuing competitive sales would be beneficial to the state, we would like to have that option available for consideration at the same time we are considering the new proposals for in-state use.

That concludes my remarks Mr. Chairman. Thank you very much for your time.

1585K

STATE OF ALASKA THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

MEMORANDUM

May 9, 1985

SUBJECT: Constitutionality of amendment to
 CSHB 103(Fin)

TO: Representative Mike Davis

FROM: Randall J. Moen *RJM*
 Legislative Counsel

You have requested an amendment to CSHB 103(Fin), "An Act relating to prerequisites for the disposal of royalty oil and gas;", that, among other things, authorizes the commissioner of natural resources to enter into an agreement with affected field lease holders to store all or part of the state's royalty share of oil and gas before the end of 80 percent of the estimated field life.

In my opinion the amendment to CSHB 103(Fin) violates Article II, sec. 13, Constitution of the State of Alaska, which requires that "the subject of each bill shall be expressed in the title". The subject of the amendment relates to the storage of royalty oil and gas, whereas, the title addresses the disposal of royalty oil and gas. Storage is not a disposal. Storage relates to the safekeeping of one's goods and not the consumption or sale. O'Niel v. Buffalo F. Ins. Co., 3 N.Y. 122. Disposal pertains to the sale, pledge, giving away, use, consumption or any other disposition of a thing. C.B. Norton Jewelry Co. v. Maddock, 115 Kan. 108, 222 P.113, 114.

Because storage of royalty oil and gas and the disposal of royalty oil and gas are two distinct subjects, I conclude that the subject of the amendment to CSHB 103(Fin) is not expressed in the title of CSHB 103(Fin), and therefore is in violation of Article II, sec. 13 of the Alaska Constitution.

RJM:ojb
J14/108

Possible Amendment to AS 38.05.183(d)

(d) Except for sales of one year or less to relieve storage or market conditions, 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 commissioner shall make public, in writing, the specific findings and reasons on which ^{THE} ~~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.



Official Business

Alaska State Legislature

House

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

DATE: February 28, 1985

TO: Representative Davis
Representative Cotten
Representative Shultz
Representative Adams

FROM: Representative Marco Pignalberi *MAP (mk)*

SUBJECT: CSHB 103

I didn't have time to do homework on HB103 while it was in Oil & Gas Committee. However, subsequent review indicates to me that it has a serious flaw. Namely, that there is no limit on the frequency or duration of the renewals and continuations that DNR may award to a "short-term royalty oil contract holder.

I'd appreciate it if you would address this in your committee.

CSHB 103
ANALYSIS
REPRESENTATIVE MARCO A. PIGNALBERI

SECTION 1

- AS 38.05.183 (a) Oil and gas royalties shall be by competitive bid.
- (c) If oil and gas royalty sale is by other than competitive bid, then Commissioner shall make public, written justification.
- (e) If oil and gas royalty sale is other than competitive bid, Commissioner shall award to buyer who proposes maximum benefits to state.

HB103 would add new section, (g), as follows:

- (g) AS 38.05.035(e) does not apply to a sale of oil and gas under this section.

AS 38.05.035(e) Director may approve contracts for sale of land and resources with consent of Commissioner.

Analysis: This is a housekeeping amendment. It is not clear that 38.05.035(e) applies to royalty oil and gas. Its thrust is definitely land sales. In order to eliminate confusion, this section specifically excludes oil & gas.

SECTION 2

- AS 38.06.055 (a) Requires legislative approval for royalty oil and gas contracts by enactment of legislation.
- (b) Exceptions to legislative approval
- (1) if sale is less than one year to relieve storage or market conditions
- (2) "small amounts"
- AS 38.06.055 (c) Present language says contracts that are exempt from legislative approval because they're for less than one year to relieve storage or market conditions, may not be continued or renewed beyond one year.

The proposed AS 38.06.055 (c) would allow a competitive bid sale that is less than one year to be continued or renewed without legislative approval. But it would not allow a negotiated sale to be renewed without legislative approval.

Analysis: Summarily, the protection of the public interest afforded by legislative review and approval is replaced by competitive bid procedures. However, the proposed change in AS 38.06.055 (c) does not limit the frequency or duration of renewals and continuances that may be made without the legislature's approval.

Conclusion: This amendment may have the effect of circumventing the legislature by transitioning all short-term, "market conditions" contracts to long-term contracts. I believe this flaw is serious, especially in light of DNR's position that legislative approval is an unconstitutional burden.

In addition, I suggest you delete the phrase beginning on line 17 and ending on line 18 that says [to provide relief for market or storage conditions].



Official Business

Alaska State Legislature

House

Pouch V
State Capitol
Juneau, Alaska 99811

February 28, 1985

Kay Brown, Director
Division of Oil and Gas
Department of Natural Resources
Pouch 7-034
Anchorage, Alaska 99510

Dear Kay:

During your testimony on HB 103, before the House Oil and Gas Committee, it was not made clear what time savings would accrue or deadline conflicts would be averted with enactment of the bill. Would you please explicate these matters in writing and copy the members shown below.

Thank you.

Yours truly,

Marco A. Pignalberi
State Representative

MAP:mk

cc: Representative Mike Davis
Representative Dick Shultz
Representative Al Adams
Representative Terry Martin

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

BILL SHEFFIELD, GOVERNOR

POUCH 7-034
ANCHORAGE, ALASKA 99510

DIVISION OF OIL AND GAS

March 5, 1985

The Honorable Al Adams, Chairman
House Finance Committee
Alaska State House of Representatives
Juneau, AK 99811

Dear Representative Adams:

CSHB 103 (Oil and Gas), which relates to prerequisites for disposal of royalty oil and gas, is scheduled for a hearing tomorrow in your committee.

At the House Resources Committee hearing on February 25, 1985, the question was raised as to whether the proposed amendment in Section 2 of the bill would allow a competitive bid sale of one year or less to be continued or renewed beyond one year without legislative approval and without going to competitive bid.

While the language could possibly be interpreted to allow that outcome, I am informed by the Attorney General's Office that the case law on competitive bidding would preclude it, since a competitively-bid contract cannot be materially amended after it is awarded.

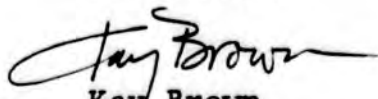
Nevertheless, we believe the bill could be improved and an unintended construction could be prevented by adoption of the following language for Section 2 of the bill (substitute beginning on line 14):

*Sec. 2. AS 38.06.055(c) is amended to read:

(c) A sale, exchange, or other disposition of oil or gas [MADE] under (b)(1) of this section may not be continued after the end of one year or renewed with the same party [TO PROVIDE RELIEF FOR MARKET OR STORAGE CONDITIONS] without the prior approval of the legislature under (a) of this section. This subsection does not apply to contracts awarded to the same party in sequential competitive sales of oil or gas under (b)(1) of this section.

Thank you for your consideration.

Sincerely,


Kay Brown
Director

cc: House Finance Committee Members
Commissioner Esther C. Wunnicke

Mike --

You asked for comments regarding Marco's analysis of HB 103:

As you know from conversations we had prior to the bill's introduction, there is no limit to the number of times that a company would be eligible to receive consecutive short-term competitive bid contracts under HB 103. You will recall that we discussed the possibility of proposing amendments that would either limit the number of times that such a contract could be renewed, or that would extend the maximum duration of a short-term contract while disallowing renewal.

Marco is also correct in noting that 'NR regards the need for legislative approval of long-term royalty oil contracts as unconstitutional, as this was directly stated in the Governor's letter of transmittal. We are also aware from repeated conversations with Kay Brown that 'NR is a proponent of competitive bid sales and, in large degree, an opponent of negotiated sales.

As was discussed in committee, language allowing for the sale of royalty oil to meet market or storage conditions does provide an effective means of circumventing statutory requirements for legislative approval of long-term sales. Although definitions of market and storage conditions are present in 11 AAC 03.080 and .090, these terms are not defined in the statutes themselves. 'NR has pointed out that this lack of definition presents problems from their perspective as well.

Please advise as to what you would like done at this point.

Jim

059

Introduced: 1/23/85
Referred: House Special Committee on
Oil & Gas, Resources and Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2

HOUSE BILL NO. 103

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to royalty oil; and providing for an
effective date."

7

8

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

9

* Section 1. AS 38.05.183 is amended by adding a new subsection to

10 read:

11

(g) AS 38.05.035(e) does not apply to a sale, exchange, or other

12

disposal of oil or gas under this section.

13

* Sec. 2. AS 38.06.055(c) is amended to read:

14

(c) A sale, exchange, or other disposition of oil or gas, ~~other~~

15

~~than by competitive bid~~, made under (b)(1) of this section may not be

16

continued after the end of one year or renewed with the same party ^① to

17

provide relief for market or storage conditions without the prior

18

approval of the legislature under (a) of this section. ^②

19

* Sec. 3. This Act takes effect immediately in accordance with AS 01.-

20

10.070(c).

① add ", other than by competitive bid,"

OR

② add a new sentence "This subsection does not apply to contracts awarded in sequential competitive sales of oil or gas under (b) (1) of this section."

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 103 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to prerequisites for the disposal of
7 royalty oil and gas; and providing for an effective
8 date."

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

10 * Section 1. AS 38.05.183 is amended by adding a new subsection to
11 read:

12 (g) AS 38.05.035(e) does not apply to a sale, exchange, or other
13 disposal of oil or gas under this section.

14 * Sec. 2. AS 38.06.055(c) is amended to read:

15 (c) A sale, exchange, or other disposition of oil or gas [MADE]
16 under (b)(1) of this section may not be continued after the end of one
17 year or renewed with the same party [TO PROVIDE RELIEF FOR MARKET OR
18 STORAGE CONDITIONS] without the prior approval of the legislature
19 under (a) of this section. This subsection does not apply to a se-
20 quential competitively bid sale of oil or gas made with the same party
21 under (b)(1) of this section.

22 * Sec. 3. This Act takes effect immediately in accordance with AS 01.-
23 10.070(c).

A M E N D M E N T

Offered in the SENATE

TO: CSHB 103 (Finance)

Page 1, after line 9 insert a new bill section to read:

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

(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, 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 current royalty production from a field for a like amount, kind, and quality of future production. An agreement for storage may be made only [,] on the condition that the state receives 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. An agreement to trade all or part of current royalty production for future production may be made only if the commissioner makes a written finding that the state will receive back its traded royalty share before 80 percent of the estimated field reserves are depleted, considering engineering constraints, whether reserves from other producing fields are pledged to protect the traded royalty share, and other relevant factors. An agreement to trade current production for future production entered into under this subsection must contain a provision holding the lessee harmless in the

event that, without the fault of the lessee, the state is unable to receive its traded royalty share because of unanticipated depletion of the field and any other pledged producing fields."

Page 1, line 10, delete "* Section 1." and insert "* Sec. 2."

Renumber remaining bill section accordingly.

J

A M E N D M E N T

Offered in the SENATE

TO: CSHB 103 (Finance)

Page 1, after line 9 insert a new bill section to read:

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

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Page 1, line 10, delete "* Section 1." and insert "* Sec. 2."

Renumber remaining bill section accordingly.

200901 Perdue

MEMORANDUM
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS
TO: Senator Jalmer Kerttula

State of Alaska

DATE: May 9, 1989

FILE NO:

TELEPHONE NO: 276-2653

FROM: Kay Brown, Director

SUBJECT: Underlift Amendment

Here is some additional background for your information.

	<u>Kenai gas field</u>	<u>Beluga gas field</u>
Date of first production	1962	1968
Years produced	23	17
Total recoverable gas	2410 BCF	985 BCF
Total production to date	1560 BCF	185 BCF
Percent of total recoverable gas produced to date	65	19
Average annual production	108 BCF	19 BCF
Years of production remaining (at current rates)	8	42
Year that 80% of recoverable gas will have been produced (at current rates)	1989	2016

1637K

Handle ASAP. per Comments

DELIVER TO: <i>Ned Farquhar</i>	LOCATION: <i>465-2400</i>
FROM: <i>Kay Brown</i>	LOCATION: <i>265-4241</i>
TELEPHONE/TELECOPIER #	TOTAL NUMBER OF PAGES: <i>6</i>
TRANSMITTING ON/SPEED	DATE: <i>5/9</i> TIME: <i>10 am</i>
NAME AND PHONE FOR NAME NUMBER: <i>265-4244-1347</i>	

STATE OF ALASKA



POUCH V
JUNEAU, ALASKA 99811
(907) 465-4941

HOUSE SPECIAL COMMITTEE ON OIL AND GAS

MEMORANDUM

To: Legislative Drafting
From: Rep. Mike Davis, Chairman
Date: Feb. 14, 1985
Re: CSHB 103

On Feb. 13 the House Special Committee on Oil and Gas passed out CSHB 103 with the following amendment:

The title has been changed to "An Act relating to prerequisites for the disposal of royalty oil and gas; and providing for an effective date."

Please send a final draft of CSHB 103 incorporating this amendment to my office.

Thank you for your assistance.

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

(J)
BILL SHEFFIELD, GOVERNOR

POUCH M
JUNEAU, ALASKA 99811
PHONE: 907-485-2400

May 8, 1985

The Honorable Mike Davis
Alaska State House
Pouch V
Juneau, AK 99811

Mike
Dear Representative Davis:

The Department of Natural Resources has proposed an amendment to AS 38.05.180(1) that I believe deserves your support. The proposed amendment is needed to give the State more flexibility to resolve a dispute over the value of Cook Inlet royalty gas.

The Department of Natural Resources recently informed Cook Inlet gas lessees that it would no longer accept long-term contract prices as the value for royalty gas taken in-value. Under the leases, the State is entitled to get current market value for the royalties. The department took the action to fulfill its responsibility under the law and the leases to obtain full value for the State's resources.

One consequence of the lease enforcement action is that consumer prices for electricity and gas in Southcentral will go up by a small amount (no more than 4 percent).

One lessee -- ARCO -- recently sued the State over the action, and the other lessees have indicated they also will fight the action in court.

A representative of one of the Beluga gas field lessees suggested a few days ago that the State consider an "underlift" of its royalty share as a possible way to resolve the dispute. Under this approach, the State's gas could be kept in the ground and recovered at a later date.

The current statute authorizes trades of current royalty production for future production, but provides that the traded royalty share must be recovered during the first half of the field life or within 15 years from the start of production, whichever is sooner.

Both the Kenai gas field and the Beluga gas field are more than 15 years into production. The Beluga field, which began production in 1968, has about 80 percent of its recoverable reserves remaining to be produced after 17 years of production. The Kenai field, which began production in 1962, has about 34 percent of its recoverable reserves remaining, but the State's effective royalty share is only about 2 percent in that field. To ensure that the State receives its share before the end of the field life, gas from other nearby fields could be pledged as a backup mechanism.

The possibility of arranging a trade of current production for future production holds promise as a way to resolve the current dispute without compromising the State's position in other royalty litigation or the lease enforcement process. However, we cannot pursue this possibility unless the statute is amended.

We think the underlift approach could be attractive to all parties because:

- Consumer electric and gas rate increases that would otherwise occur could be avoided (or at least postponed for perhaps 5-7 years);
- The State would be banking the resources until a local or foreign export market develops for the gas;
- Lengthy litigation could be avoided;
- All future options for disposition of the gas would remain open;
- The Legislature would have more time to consider the issue of using royalties to provide consumer energy subsidies;
- If the Legislature does desire to subsidize Southcentral utility rates through in-kind royalty sales in the future, more gas would be available to offset large price increases that will occur in the early 1990s when long-term contracts expire.

The expected fiscal impact of underlifting in the Beluga and Kenai fields, if agreement could be reached by the State, lessees, and utilities to allow that arrangement, would be a loss of about \$1.5 million in FY 86.

May 8, 1985

The State's options for disposition of the gas are limited at this time. Immediate local needs appear to be satisfied by existing contracts between the utilities and gas producers. Certain contractual provisions in those contracts may make in-kind royalty gas sales unattractive to the utilities at this time. For example, the Chugach Electric contract for Beluga Gas contains a "most favored nation" provision which would jeopardize the utility's favorable long-term contract price if it purchases gas from that field at a higher price. Enstar also would have no incentive to purchase royalty gas from the Kenai field because any such purchase would reduce the volume of gas Enstar is entitled to receive under its 61¢ long-term contract with Union and Marathon.

It is our expectation that the amendment will be proposed during Senate floor debate on CSHB 103(Finance). In addition to the underlift amendment, I urge your support of that bill. The bill would remove possible legal impediments to renewing with the same purchaser short-term, competitively bid royalty oil contracts.

If you have any questions, please call.

Sincerely,



Esther C. Wunnicke
Commissioner

Attachment

May 8, 1985

DEPARTMENT OF NATURAL RESOURCES

Proposed amendment to AS 38.05.180(1).

(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 will receive[S] back its stored or traded royalty share [DURING THE FIRST HALF OF THE ESTIMATED FIELD LIFE OR NO LATER THAN 15 YEARS AFTER THE START OF PRODUCTION, WHICHEVER IS SOONER.] before the end of the estimated field life, considering engineering constraints, whether reserves from other fields are pledged to protect the royalty amount, and other relevant factors.

BILL SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

HB103

January 23, 1985

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to royalty oil. The bill would (1) clarify and streamline procedural requirements for royalty oil and gas sales by expressly providing that the best-interest finding set out in AS 38.05.035(e) does not apply to those sales; and (2) enable the Department of Natural Resources to establish a regular program of short-term competitive royalty oil sales.

It is unclear whether AS 38.05.035(e) applies to royalty oil and gas sales. Royalty oil and gas sales have detailed finding and notice requirements set out in AS 38.05.182, 38.05.183, and AS 38.06, and are expressly committed to commissioner actions. AS 38.05.035(e), on the other hand, is essentially duplicative of those other processes and concerns actions taken by the director of the division of lands. Although we believe that the provisions of AS 38.05.035(e) are not presently applicable to oil and gas sales, such confusion does cast a cloud over royalty oil sales (particularly those that are entered into because of an emergency situation). The amendment in sec. 1 of the bill resolves the issue.

The second change, in sec. 2 of the bill, would allow competitive royalty oil sales for terms of less than one year to be conducted without legislative approval of those sales. To await legislative approval under a competitive bid situation for contracts of one year or less would defeat the entire purpose of that type of short-term competitive sales. Under the present statutory scheme, however, there is a serious question as to whether a party who gained royalty oil under one competitive sale could re-bid in a subsequent royalty oil sale if the combination of the two sales would lead to that particular buyer receiving oil for more than a one year period. Although it has been the

consistent position of this and previous administrations that the requirement of legislative approval is unconstitutional, administrations have always, as a matter of comity, respected the legislature's desire to be consulted in long-term or negotiated royalty oil contracts. Further, the presence of the statute, whether or not constitutional, would cast a cloud on any sale. Thus we believe that a clarification to allow short-term competitive royalty oil sales would be in the best interests of all.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bill Sheffield".

Bill Sheffield
Governor

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: HB 103

Title: An Act relating to royalty

FISCAL DETAIL

Agency Affected: Natural Resources

Program Category Affected: NRMEC

Sponsor: _____

Requestor: _____

Date of Request: _____

BRU, Program or Subprogram(s) Affected: _____

Minerals and Energy Management

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

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

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

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

No fiscal impact.

Prepared By: Kay Brown

Division: Oil and Gas

Phone: 265-4241

Date: December 7, 1984

Approved by Commissioner: Nataniel D. Amodeo, Deputy

Agency: Natural Resources

Date: December 10, 1984

Distribution (by Agency preparing fiscal note):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

7/1/84

best interests determination described in 11 AAC 03.010(d). (Eff. 12/12/80, Reg. 76)

Authority: AS 38.05.020
AS 38.05.183
AS 38.06.070

11 AAC 03.070. REJECTION OF PROPOSALS. (a) If the commissioner has either (1) solicited proposals for the noncompetitive sale of royalty oil, gas, or gas liquids, (2) issued a written determination to dispose of royalty oil, gas, or gas liquids by a method other than by competitive bid, or (3) issued written procedures for the noncompetitive disposal of royalty oil, gas, or gas liquids as described in 11 AAC 03.050, and the commissioner proposes to reject any proposal or application received as a result of the solicitation, determination, or written procedures, the commissioner will notify the Alaska Royalty Oil and Gas Development Advisory Board in writing before rejecting the proposal or application.

(b) The notification required by (a) of this section will consist of a list of the names of the prospective buyers whose proposals are rejected along with their proposals and any correspondence received from the prospective buyers.

(c) The commissioner will, in his or her discretion, reject unsolicited or uninvited proposals for the noncompetitive disposal of royalty oil, gas, or gas liquids without notifying the Alaska Royalty Oil and Gas Development Advisory Board. (Eff. 12/12/80, Reg. 76; am 8/8/84, Reg. 91)

Authority: AS 38.05.020
AS 38.06.050

11 AAC 03.080. STORAGE CONDITIONS. The commissioner disposes of royalty oil, gas, or gas liquids to relieve storage conditions when

(1) the royalty oil, gas, or gas liquids have either been noticed for a taking in-kind or are being taken in-kind or are being taken in-kind by the state; and

(2) the disposition planned for the oil, gas, or gas liquids at the time of the notice to take the oil, gas, or gas liquids in-kind can no longer be effectuated for any reason, or the disposition is

no longer in the best interests of the state. (Eff. 12/12/80, Reg. 76; am 8/8/84, Reg. 91)

Authority: AS 38.05.020
AS 38.05.183
AS 38.06.055

11 AAC 03.090. MARKET CONDITIONS. The commissioner disposes of royalty oil, gas, or gas liquids to relieve market conditions when

(1) in a noncompetitive disposition of royalty oil, gas, or gas liquids the price to be received under the noncompetitive disposition is higher than the amount being received by the state, either in-value or in-kind, at the time of the disposition and the commissioner estimates that the sale price will be higher than the in-value amount throughout the term of the contract for disposition;

(2) in a disposition by competitive bid the commissioner determines, at the time of issuance of the invitation to bid, that there is a substantial probability that the state will receive more than the in-value price as a result of the disposition by competitive bid;

(3) the royalty oil, gas, or gas liquids disposed of will be used to meet in-state needs for crude oil, gas, or gas liquids or petroleum products and the sale price of that royalty oil, gas, or gas liquids is at least equal to the in-value amount which would have been received by the state during the same period; or

(4) there is or will be an emergency in-state need for crude oil, gas, or gas liquids or petroleum products, which could be alleviated by the sale of the royalty oil, gas, or gas liquids. (Eff. 12/12/80, Reg. 76; am 8/8/84, Reg. 91)

Authority: AS 38.05.020
AS 38.05.183
AS 38.06.055

11 AAC 03.091. PROVISIONS APPLICABLE TO ROYALTY CONTRACTS. (a) Within 10 days after receiving written notice from a royalty purchaser of its intent to renegotiate price, as provided for by the terms of that purchaser's state royalty contract, or within 10 days after giving a royalty purchaser written notice of the state's intent to renegotiate price, as provided for by the terms of that purchaser's state royalty contract,

or before the adoption of any material amendment to a royalty contract which appreciably reduces the consideration received by the state, the commissioner will publish notice of the intent to renegotiate price or amend the contract in a newspaper of general statewide circulation. In addition, the commissioner will, in his or her discretion, publish notice by radio, television, or other electronic media. The notice will include

(1) a summary of information pertinent to the royalty contract, including quantity, current price, and termination date;

(2) a statement indicating where copies of the contract may be obtained; and

(3) a statement that any person may file written comments on the notice with the commissioner within 30 days after publication of the notice.

(b) In establishing or renegotiating the price of a royalty contract, the commissioner will obtain a price at least equal to the price that would have been received had the oil, gas, or gas liquids been taken in-value, plus field costs incurred by the royalty share, unless the commissioner determines that a lower price for the royalty gas would best serve the state's interests.

(c) The commissioner will submit to the legislature for approval any material amendment to a royalty contract which appreciably reduces the consideration received by the state. (Eff. 8/8/84, Reg. 91)

Authority: AS 38.05.020
AS 38.05.182
AS 38.05.183

11 AAC 03.100. DISPOSITION BY COMPETITIVE BID. (a) A disposition of royalty oil, gas, or gas liquids by competitive bid will, in the commissioner's discretion, be made without a written determination by the commissioner that the disposition of royalty oil, gas, or gas liquids by competitive bidding is in the best interests of the state.

(b) A disposition of royalty oil, gas or gas liquids by competitive bid will, in the commissioner's discretion, be made by the commissioner without notice to the Alaska Roy-

alty Oil and Gas Development Advisory Board; however, the commissioner will follow the procedures set out in 11 AAC 03.210 and 11 AAC 03.240. (Eff. 12/12/80, Reg. 76; am 8/8/84, Reg. 91)

Authority: AS 38.05.020
AS 38.05.183

11 AAC 03.110. SEALED BIDS. A disposition of royalty oil, gas, or gas liquids by competitive bid will be by sealed bid. The bids must be addressed to the commissioner and must be delivered in the manner, to the place, and by the date and time specified in the invitation to bid. Bids will be opened in public at the date, time, and place specified in the invitation to bid, unless the commissioner designates a later time for opening. (Eff. 12/12/80, Reg. 76; am 8/8/84, Reg. 91)

Authority: AS 38.05.020
AS 38.05.183

11 AAC 03.120. INVITATION TO BID. A disposition of royalty oil, gas, or gas liquids by competitive bid will be initiated by the commissioner by issuance of an invitation to bid. The invitation to bid will specify the quantity of oil, gas, or gas liquids to be sold, the term of disposition, the point of delivery, and any other terms and conditions of the disposition considered necessary by the commissioner. The commissioner will, in his or her discretion, include a form contract in the invitation rather than specifying terms and conditions. The invitation will specify qualifications of bidders and, if a determination of the qualification of a bidder by the commissioner is required, an explanation of the procedure for qualification. If priorities among bidders are to be assigned, the invitation will include an explanation of the procedure for obtaining a priority designation. The invitation will specify where, when, and how bids may be submitted to the commissioner and will specify the bond or other security which must accompany the bid. The invitation will specify the date, time, and place of bid opening, and the procedures under which the royalty oil will be awarded and contracts for disposition executed. (Eff. 12/12/80, Reg. 76; am 8/8/84, Reg. 91)

Authority: AS 38.05.020
AS 38.05.183

11 AAC 03.130. SECURITY. The commissioner may require that security, which in his

State of Alaska
Department of Natural Resources
Supplemental Findings
Competitive Royalty Oil Sale
(Prudhoe Bay and Kuparuk River Units)
November 28, 1984

Supplemental Findings
Competitive Royalty Oil Sale
(Prudhoe Bay and Kuparuk River Units)

AS 38.05.183(a) states that oil and gas taken in-kind as the state's royalty share of production may not be sold or otherwise disposed of for export from the state until the Commissioner of Natural Resources determines that the royalty in-kind oil or gas is surplus to the present and projected intrastate domestic and industrial needs for oil and gas. I find that the 90,000 bpd scheduled for competitive sale on December 11, 1984 is surplus to present and projected intrastate domestic and industrial needs for oil.

AS 38.05.183 also requires the Commissioner to submit an annual report to the state legislature "showing the immediate and long-term domestic and industrial needs of the state for oil and gas and an analysis of how these needs are to be met." The Department of Natural Resources, Division of Oil & Gas (the Department) complies with that requirement by preparing a document, published each January, entitled Historical and Projected Oil and Gas Consumption (also called the Supply/Demand study). The January 1984 Supply/Demand study concluded, as it has in previous years, that in-state supplies of both oil and gas far exceeded the immediate and long-term domestic and industrial needs of the state for oil and gas.

Due to the absence of any new information concerning the immediate and long-term domestic and industrial needs of the state for oil and gas, the Department again concluded, both in the Preliminary Findings and Determination to Negotiate Backup Royalty Oil Contract(s) and Conduct a Competitive Royalty Oil Sale (July 12, 1984) and the Final Findings and Determination to Conduct a Competitive Royalty Oil Sale for In-Kind Oil from the Prudhoe Bay and Kuparuk River Units (October 10, 1984), that the 90,000 bpd of state royalty oil to be sold competitively on December 11, 1984 is surplus to in-state needs. Consequently, upon the publication of the Preliminary Finding and execution of contracts with backup purchasers, the state gave a six-month notice to the North Slope producers of its intent to take 90,000 bpd of royalty oil in-kind (as provided by procedures in the Prudhoe Bay and Kuparuk River Unit Agreements).

The Department's conclusion was and is based in part on the interpretation of AS 38.05.183 stated in each Supply/Demand study since 1982. In that year, the study first gave specific definitions to certain phrases in that statute. Since 1982, the first chapter of every Supply/Demand study has contained a list of possible definitions for some of the imprecise clauses of AS 38.05.183, such as "how these needs are to be met". The Supply/Demand study definition of that phrase specifies the Department's long-standing position that the state's present and projected intrastate domestic and industrial needs for oil and gas may be met from a variety of sources, including state royalty oil. See 1984 Supply/Demand study page 1.7.

The intent of the statute should not be regarded as complete state self-sufficiency in refined products from state royalty oil. Rather, the Department believes the legislature was aiming at ensuring adequate overall oil and gas supplies for the state. The 1984 Supply/Demand study states that, "Under reasonable assumptions about recoverable reserves and Alaskan consumption, the current inventory of both oil and gas is more than sufficient to meet the presently identifiable needs of Alaskans for the next 15 years." Presently, the Department of Revenue's most recent crude oil price forecasts remain conservative due to the continued surplus in world supplies. While unfavorable from a revenue standpoint, that surplus will likely translate into dampened crude oil prices for Alaska consumers and industrial users. Only if the cost of imported products were significantly above the cost of products which could be refined in Alaska (e.g. when oil is not available to local refiners at the market price), or if Alaska users were suffering from an absolute shortfall in petroleum products, would the Department not consider the royalty oil to be sold at the competitive sale as "surplus" to present and projected in-state needs. Neither of these was found to be the case.

The Department's view of the purpose of AS 38.05.183 stems first from the atmosphere of absolute shortage, particularly in motor fuels, which prevailed at the time the statute was written. The statute was adopted in 1974, when the worldwide oil crisis and the imposition of federal oil contract controls raised the spectre of product shortages in Alaska despite North Slope crude oil production. The Department's view stems second from the apparent paradox of continued imports into regions such as Southeast Alaska, where the landed cost of such imports from Puget Sound undercuts the cost of delivered refined products to Southeast from Railbelt refiners. Under the most constrained interpretation of the statute, the Department would be obliged to promote in-state refining with royalty oil for the sake of absolute self-sufficiency, even when this resulted in higher prices for Alaskans. Clearly, this was not the intent of the statute. Intrastate needs for oil and gas are presently being met from a variety of sources, including state royalty oil. As charged, the 1984 Supply/Demand study identifies those sources and discusses how in-state needs are to be met, given the total supply of hydrocarbons within the state. In terms of total present and projected demand vs. total present and projected supply, intrastate refined product needs can be met with ease by the unprecedented production of crude oil from the North Slope, which is available to any purchaser willing to meet the market clearing price for that oil. For these reasons, the Department determined in the 1984 Supply/Demand study that the state enjoys a surplus of hydrocarbons relative to present and foreseeable demand.

Even if AS 38.05.183(d) were interpreted to require all intrastate needs to be satisfied by royalty oil before export could occur, I would find that the competitive sale amounts are surplus to present and projected intrastate domestic and on industrial needs for two reasons. First, persons who have a demand for oil as a result of current in-state processing or supply activities are granted priority rights to purchase royalty oil at the competitive sale. Second, during the term of the competitive sale contracts, royalty oil will remain in-value and will be available for disposition in-state.

The Department has provided for satisfaction of demand for royalty oil on the part of in-state refiners and in-state suppliers by giving them priority rights to purchase oil at the competitive sale. A priority will be offered to bidders which have sold an average of at least 5,000 bpd of refined petroleum products to distributors or consumers within the State of Alaska during the twelve-month period beginning June 1, 1983 and ending May 31, 1984, and which possess the ability to process crude oil into refined petroleum products at a processing facility owned by the bidder. Priority status will enable the in-state supplier to meet the highest winning bid in each of the three categories of royalty oil to be competitively sold. That right extends to the number of lots remaining in each category after the first round award of lot(s) to the highest winning bidder(s) in each category and priority bidders who have been posted as apparent high bidders. Consequently, in the first round of awards, priority bidders enjoy the possibility of receiving oil at the lowest price posted in each category. In addition, in-state suppliers are reasonably assured of receiving the desired volume of oil in the second round of awards, provided they are willing to meet the competitively established price. 11 AAC 03.250(5) states that:

"present or projected intrastate domestic and industrial needs" means in-state domestic and industrial demand at a competitive market price for the royalty oil, gas, or gas liquids. "Competitive market price" includes, but is not limited to, a price established by competitive bid.

Thus, in-state refiners and suppliers will have the first right to royalty crude at a competitive market price so that their supply is assured.

At the present time the state leaves approximately 104,735 bpd of royalty oil in-value with the North Slope lessees. The lessees export this oil from Alaska and tender the reported netback sale proceeds to the state. During the first six months of the term of the competitive sale contracts, April 1985 to September 1985, approximately 26,013 bpd of royalty oil will remain in-value. During the following six months of the term, October 1985 to March 1986, approximately 41,013 bpd of royalty oil will remain in-value. These amounts will remain available for disposition in-state if the Department finds the disposition(s) to be in the State's best interest. (If a contract currently being negotiated with Golden Valley Electric Association is approved, future amounts available for disposition would be reduced by 5,000 bpd.)

Several parties have recently expressed an interest in purchasing royalty oil from the State. Our conclusion that the competitive sale amounts are surplus to present and projected needs was drawn with the knowledge that all in-state refiners do not have 100% of their projected capacity supplied by state royalty oil. For example, as mentioned in the Preliminary Finding, the Department has conducted negotiations for the sale of royalty oil to MAPCO Inc. to fuel a proposed refinery expansion. The successful outcome of those negotiations is not, however, regarded by the Department as prerequisite to the possible export of the state's royalty oil in the planned competitive sale. First, MAPCO representatives indicated to the Department that the proposed refinery expansion may not be built, throwing the question of MAPCO's projected needs into doubt. Second, if MAPCO had a projected demand for royalty oil at a competitive price, it could have availed itself of its

opportunity to purchase oil at the competitive sale, as a priority bidder. Since it is a current in-state refiner, MAPCO would have been entitled to all the priority rights discussed above. Third, by virtue of its proximity to the Trans Alaska Pipeline (TAPS), MAPCO has unique opportunities to supply its refinery with North Slope oil. MAPCO currently receives 35,000 bpd of royalty oil directly from the State. MAPCO also receives 5,000 bpd of royalty oil through its agreement with another state royalty oil purchaser - the Golden Valley Electric Association. In addition, about 60% of the oil run through the MAPCO refinery is, with a minor quality penalty, reinjected into TAPS to re-emerge as whole oil at Valdez. That oil, which is the property of MAPCO, may be exchanged for more oil from the North Slope and again withdrawn from TAPS at Fairbanks. One of the several advantages that MAPCO enjoys with its state royalty oil contract, relative to other in-state refiners, is this absence of any state control over the return oil. MAPCO could also purchase oil directly from the North Slope lessees to satisfy any demand not met through the purchase and exchange of royalty oil. Finally, MAPCO's location on TAPS allows it to enter into "in-transit stop" arrangements in which MAPCO "borrows" oil from other TAPS shippers. The borrowed oil is processed in MAPCO's refinery with the full amount returned to the original shipper at Valdez through a combination of return oil and quality bank payments. This in-transit stop arrangement remains feasible so long as MAPCO's current contract which does not expire until 2003, remains in effect. The Department believes that any failure by MAPCO to secure oil through these possible sources of supply indicates that MAPCO's demand may exist only so long as it believes the State is willing to supply it with oil at a price below competitive prices. As explained above, 11 AAC 03.250(5) provides that projected needs means in-state demand at a competitive price.

Since the Department made its most recent finding of ample in-state hydrocarbon supplies, published in the Final Finding of October 10, 1984, several Alaskan parties in addition to MAPCO have expressed interest in purchasing royalty oil. Chevron has requested further volumes of royalty oil to meet a possible increase in "throughput" at its 18,000 bpd Nikiski Refinery. Chevron owns and exports 12,000 bpd of North Slope production in addition to the 18,000 bpd of royalty oil which it processes at Nikiski. New parties also propose to create additional new refineries in Alaska. Because these proposals were not known to the Department at the time of the most recent determination of an in-state hydrocarbon surplus, the state has decided to reduce the one-year term of those lots offered in the Kuparuk River oil category (category A) to six months. This will enable the state to have an additional 15,000 bpd of royalty oil available in the fall of 1985 for those who offer to purchase state royalty oil at terms which lead the Department to find that the disposition(s) would be in the state's best interest.

As stated, the impressive quantities of oil available within the state, which are the highest in the nation on a per-capita basis, diminish the likelihood of an actual "need" by these groups in the sense of supply availability. However, given the very recent nature of the new proposals received, the Department will further review their merits, as well as supply alternatives in addition to royalty oil. It has been the Division's experience that the term "need" is perceived differently by prospective in-state royalty oil

purchasers. Rather than the physical unavailability of oil due to world shortages or the unwillingness of North Slope producers to sell ANS crude at the market clearing price, prospective in-state royalty oil purchasers often view their feedstock needs in terms of the royalty oil price and terms they require for economic viability. While the Department recognizes that there are a host of oil-related economic activities which can be made viable should the state choose to undercut the market clearing price of Alaska North Slope oil for specific parties, this is not seen as the definition of "need" in AS 38.05.183, nor is it clearly in the State's best interest to do so.

Given the short-term nature of the proposed competitive sale, the consideration extended to in-state refiners and suppliers through the priority bidding system, the lack of demonstrated current need on the part of other potential in-state purchasers, and the amounts of oil remaining in-value available for disposition, I find pursuant to AS 38.05.183 that the royalty oil to be disposed of at the competitive sale is surplus to present and projected intrastate domestic and industrial needs.



Kay Brown, Director
Division of Oil & Gas
Department of Natural Resources

11-28-84
Date

HB 101

Section 2 of the bill makes the change in current law applicable to tax years beginning after December 31, 1984.

Sincerely,

/s/

Bill Sheffield
Governor"

HB 102

HOUSE BILL NO. 102 by the Rules Committee by request of the Governor, entitled:

"An Act relating to the Alaska Resources Corporation; and providing for an effective date."

was read the first time and referred to the House Special Committee on State Loans and the Finance Committee.

A zero fiscal note was attached. The Governor's transmittal letter, dated January 23, 1985, appears below:

"Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the divestiture of assets and equity investments of the Alaska Resources Corporation (ARC).

Section 1 of the bill permits the board to dispose of assets, including those acquired through default or foreclosure, in any manner that serves the best interests of the state, including extended payments over time.

Section 2 of the bill permits the board to convert its equity investments into debt, which will then be treated in the same manner as the corporation's current outstanding loan portfolio.

This bill is necessary to permit the ARC board the flexibility necessary to wind up the corporation's affairs by 1989, in accordance with ch. 161, SLA 1984.

Sincerely,

/s/

Bill Sheffield
Governor"

HB 103

HOUSE BILL NO. 103 by the Rules Committee by request of the Governor, entitled:

"An Act relating to royalty oil; and providing for an effective date."

was read the first time and referred to the House Special Committee on Oil & Gas, the Resources and Finance Committees.

A zero fiscal note was attached. The Governor's transmittal letter, dated January 23, 1985, appears below:

"Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to royalty oil. The bill would (1) clarify and streamline procedural requirements for royalty oil and gas sales by expressly providing that the best-interest finding set out in AS 38.05.035(e) does not apply to those sales; and (2) enable the Department of Natural Resources to establish a regular program of short-term competitive royalty oil sales.

It is unclear whether AS 38.05.035(e) applies to royalty oil and gas sales. Royalty oil and gas sales have detailed finding and notice requirements set out in AS 38.05.182, 38.05.183, and AS 38.06, and are expressly committed to commissioner actions. AS 38.05.035(e), on the other hand, is essentially duplicative of those other processes and concerns actions taken by the director of the division of lands. Although we believe that the provisions of AS 38.05.035(e) are not presently applicable to oil and gas sales, such confusion does cast a cloud over royalty oil sales (particularly those that are entered into because of an emergency situation). The amendment in sec. 1 of the bill resolves the issue.

The second change, in sec. 2 of the bill, would allow competitive royalty oil sales for terms of less than one year to be conducted without legislative approval of those sales. To await legislative approval under a competitive bid situation for contracts of one year or less would defeat the entire purpose of that type of short-term competitive sales. Under the present statutory scheme, however, there is a serious question as to whether a party who gained royalty oil under one competitive sale could re-bid in a subsequent royalty oil sale if the combination of the two sales would lead to that particular buyer receiving oil for more than a one year period. Although it has been the consistent position of this and previous administrations that the requirement of legislative approval is unconstitutional, administrations have always, as a matter of comity, respected the legislature's desire to be consulted in long-term or negotiated royalty oil contracts. Further, the presence of the statute, whether or not constitutional, would cast a cloud on any sale.

HB 103

Thus we believe that a clarification to allow short-term competitive royalty oil sales would be in the best interests of all.

Sincerely,

/s/

Bill Sheffield
Governor"

HB 104

HOUSE BILL NO. 104 by the Rules Committee by request of the Governor, entitled:

"An Act relating to computation, forfeiture and restoration of statutory good time."

was read the first time and referred to the Health, Education & Social Services and Judiciary Committees.

A zero fiscal note with analysis was attached and appears in House Journal Supplement No. 7. The Governor's transmittal letter, dated January 23, 1985, appears below:

"Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the computation, forfeiture, and restoration of statutory good time for state prisoners.

Good time accounting for state prisoners is currently being computed under three different systems dependent upon when a prisoner committed a criminal offense. Because of the complexities, an inordinate amount of staff time and frequent computational errors.

This bill will greatly simplify basic time accounting, and bring all Alaskan prisons under one time accounting system. For those prisoners already incarcerated on the date this bill becomes law, this bill will have the effect of changing the time accounting method from one of accruing good time at a set rate per month to one of a grant of good time in a block, the amount of which is dependent on the time remaining to be served on their sentences.

Additionally, although the primary purpose of the bill is to simplify the good time computation process, it will result in a minor reduction in the time prisoners will serve (one-twelfth of the sentence), if they observe all the rules of the institution while incarcerated.

HB 104

Finally, the bill will assist in the statewide uniform application of restoration of forfeited good time for prisoners who demonstrate good conduct during their incarceration.

Sincerely,

/s/

Bill Sheffield
Governor"

HB 105

HOUSE BILL NO. 105 by the Rules Committee by request of the Governor, entitled:

"An Act relating to the international airports revenue bonds authorization; and providing for an effective date."

was read the first time and referred to the Transportation and Finance Committees.

A fiscal note was attached and appears in House Journal Supplement No. 7. The Governor's transmittal letter, dated January 23, 1985, appears below:

"Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill to raise from \$62,825,000 to \$86,525,000 the amount of international airports revenue bonds that may be issued by the state bond committee. This additional \$23,700,000 is intended to be used for the Anchorage International Airport Terminal Renovation, Phase II.

Sincerely,

/s/

Bill Sheffield
Governor"

HB 106

HOUSE BILL NO. 106 by the Rules Committee by request of the Governor, entitled:

"An Act making technical amendments relating to state taxation; and providing for an effective date."

was read the first time and referred to the Finance Committee.

not - taking adv. of a situation
storage - as per purchaser for oil

best interests determination described in 11 AAC 03.010(d). (Eff. 12/12/80, Reg. 76)

Authority: AS 38.05.020
AS 38.05.183
AS 38.06.070

11 AAC 03.070. REJECTION OF PROPOSALS. (a) If the commissioner has either (1) solicited proposals for the noncompetitive sale of royalty oil, gas, or gas liquids, (2) issued a written determination to dispose of royalty oil, gas, or gas liquids by a method other than by competitive bid, or (3) issued written procedures for the noncompetitive disposal of royalty oil, gas, or gas liquids as described in 11 AAC 03.050, and the commissioner proposes to reject any proposal or application received as a result of the solicitation, determination, or written procedures, the commissioner will notify the Alaska Royalty Oil and Gas Development Advisory Board in writing before rejecting the proposal or application.

(b) The notification required by (a) of this section will consist of a list of the names of the prospective buyers whose proposals are rejected along with their proposals and any correspondence received from the prospective buyers.

(c) The commissioner will, in his or her discretion, reject unsolicited or uninvited proposals for the noncompetitive disposal of royalty oil, gas, or gas liquids without notifying the Alaska Royalty Oil and Gas Development Advisory Board. (Eff. 12/12/80, Reg. 76; am 8/8/84, Reg. 91)

Authority: AS 38.05.020
AS 38.06.050

11 AAC 03.080. STORAGE CONDITIONS. The commissioner disposes of royalty oil, gas, or gas liquids to relieve storage conditions when

(1) the royalty oil, gas, or gas liquids have either been noticed for a taking in-kind or are being taken in-kind or are being taken in-kind by the state; and

(2) the disposition planned for the oil, gas, or gas liquids at the time of the notice to take the oil, gas, or gas liquids in-kind can no longer be effectuated for any reason, or the disposition is

no longer in the best interests of the state. (Eff. 12/12/80, Reg. 76; am 8/8/84, Reg. 91)

Authority: AS 38.05.020
AS 38.05.183
AS 38.06.055

11 AAC 03.090. MARKET CONDITIONS. The commissioner disposes of royalty oil, gas, or gas liquids to relieve market conditions when

(1) in a noncompetitive disposition of royalty oil, gas, or gas liquids the price to be received under the noncompetitive disposition is higher than the amount being received by the state, either in-value or in-kind, at the time of the disposition and the commissioner estimates that the sale price will be higher than the in-value amount throughout the term of the contract for disposition;

(2) in a disposition by competitive bid the commissioner determines, at the time of issuance of the invitation to bid, that there is a substantial probability that the state will receive more than the in-value price as a result of the disposition by competitive bid;

(3) the royalty oil, gas, or gas liquids disposed of will be used to meet in-state needs for crude oil, gas, or gas liquids or petroleum products and the sale price of that royalty oil, gas, or gas liquids is at least equal to the in-value amount which would have been received by the state during the same period; or

(4) there is or will be an emergency in-state need for crude oil, gas, or gas liquids or petroleum products, which could be alleviated by the sale of the royalty oil, gas, or gas liquids. (Eff. 12/12/80, Reg. 76; am 8/8/84, Reg. 91)

Authority: AS 38.05.020
AS 38.05.183
AS 38.06.055

11 AAC 03.091. PROVISIONS APPLICABLE TO ROYALTY CONTRACTS. (a) Within 10 days after receiving written notice from a royalty purchaser of its intent to renegotiate price, as provided for by the terms of that purchaser's state royalty contract, or within 10 days after giving a royalty purchaser written notice of the state's intent to renegotiate price, as provided for by the terms of that purchaser's state royalty contract,

or before the adoption of any material amendment to a royalty contract which appreciably reduces the consideration received by the state, the commissioner will publish notice of the intent to renegotiate price or amend the contract in a newspaper of general statewide circulation. In addition, the commissioner will, in his or her discretion, publish notice by radio, television, or other electronic media. The notice will include

(1) a summary of information pertinent to the royalty contract, including quantity, current price, and termination date;

(2) a statement indicating where copies of the contract may be obtained; and

(3) a statement that any person may file written comments on the notice with the commissioner within 30 days after publication of the notice.

(b) In establishing or renegotiating the price of a royalty contract, the commissioner will obtain a price at least equal to the price that would have been received had the oil, gas, or gas liquids been taken in-value, plus field costs incurred by the royalty share, unless the commissioner determines that a lower price for the royalty gas would best serve the state's interests.

(c) The commissioner will submit to the legislature for approval any material amendment to a royalty contract which appreciably reduces the consideration received by the state. (Eff. 8/8/84, Reg. 91)

Authority: AS 38.05.020
AS 38.05.182
AS 38.05.183

11 AAC 03.100. DISPOSITION BY COMPETITIVE BID. (a) A disposition of royalty oil, gas, or gas liquids by competitive bid will, in the commissioner's discretion, be made without a written determination by the commissioner that the disposition of royalty oil, gas, or gas liquids by competitive bidding is in the best interests of the state.

(b) A disposition of royalty oil, gas or gas liquids by competitive bid will, in the commissioner's discretion, be made by the commissioner without notice to the Alaska Roy-

alty Oil and Gas Development Advisory Board; however, the commissioner will follow the procedures set out in 11 AAC 03.210 and 11 AAC 03.240. (Eff. 12/12/80, Reg. 76; am 8/8/84, Reg. 91)

Authority: AS 38.05.020
AS 38.05.183

11 AAC 03.110. SEALED BIDS. A disposition of royalty oil, gas, or gas liquids by competitive bid will be by sealed bid. The bids must be addressed to the commissioner and must be delivered in the manner, to the place, and by the date and time specified in the invitation to bid. Bids will be opened in public at the date, time, and place specified in the invitation to bid, unless the commissioner designates a later time for opening. (Eff. 12/12/80, Reg. 76; am 8/8/84, Reg. 91)

Authority: AS 38.05.020
AS 38.05.183

11 AAC 03.120. INVITATION TO BID. A disposition of royalty oil, gas, or gas liquids by competitive bid will be initiated by the commissioner by issuance of an invitation to bid. The invitation to bid will specify the quantity of oil, gas, or gas liquids to be sold, the term of disposition, the point of delivery, and any other terms and conditions of the disposition considered necessary by the commissioner. The commissioner will, in his or her discretion, include a form contract in the invitation rather than specifying terms and conditions. The invitation will specify qualifications of bidders and, if a determination of the qualification of a bidder by the commissioner is required, an explanation of the procedure for qualification. If priorities among bidders are to be assigned, the invitation will include an explanation of the procedure for obtaining a priority designation. The invitation will specify where, when, and how bids may be submitted to the commissioner and will specify the bond or other security which must accompany the bid. The invitation will specify the date, time, and place of bid opening, and the procedures under which the royalty oil will be awarded and contracts for disposition executed. (Eff. 12/12/80, Reg. 76; am 8/8/84, Reg. 91)

Authority: AS 38.05.020
AS 38.05.183

11 AAC 03.130. SECURITY. The commissioner may require that security, which in his



Official Business

Alaska State Legislature

Senate Finance Committee

Pouch V
State Capitol
Juneau, Alaska 99811

JAN FAIKS
CO-CHAIRMAN

January 29, 1985

MEMORANDUM

TO: Representative Mike Davis
FROM: Senator Jan Faiks
SUBJECT: Special Committee on Oil and Gas

Thank you for putting me on your notification list with regard to upcoming meetings of the House Special Committee on Oil and Gas. I appreciate being kept informed of your agendas.

In fact, House Bill 103, which is scheduled for this coming Thursday really caught my eye. Not so much the specifics of the bill but its title, "An Act relating to royalty oil".

You might want to consider being more specific because as you know, a broad title allows all sorts of amendments to be added as the bill winds its way through the legislative process. Again, this is not a specific request on my part, more of a suggestion. If you have any comments, please feel free to give me a call.

Senator Faiks put this on the agenda



RECORDS CERTIFICATION



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Signature of Camera Operator


Date

SCOMM

#46:15

Original sponsor: House Special Committee
on Oil and Gas

IN THE HOUSE

BY THE HOUSE SPECIAL
COMMITTEE ON OIL AND GAS

CS FOR HOUSE BILL NO. 143 (Oil and Gas)
IN THE LEGISLATURE OF THE STATE OF ALASKA
FOURTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to oil and gas activities along
highway rights-of-way;" and providing for an effective date."
BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. AS 19.40.200 is amended to read:

Sec. 19.40.200. PROHIBITION ON DISPOSAL OF LAND WITHIN FIVE
MILES OF THE HIGHWAY. The state may not dispose of state land under
AS 38 which is within five miles of the right-of-way of the highway,
except for purposes of reconstruction or maintenance of the highway.
This section does not apply to an oil and gas lease under
AS 38.05.180, or to a disposal necessary for exploration, development, production, or
transportation of oil and gas north of 69 degrees north latitude.

* Sec. 2. AS 19.40.210 is amended to read:

Sec. 19.40.210. PROHIBITION OF OFF-ROAD VEHICLES. Off-road
vehicles are prohibited on land within five miles of the right-of-way
of the highway. However, this prohibition does not apply to off-road
vehicles necessary for oil and gas exploration conducted under an oil
and gas lease issued under AS 38.05.180 or to a person who holds a
mining claim in the vicinity of the highway and who must use land
within five miles of the right-of-way of the highway to gain access to
the [HIS] mining claim.

* Sec. 3. This act takes effect immediately in accordance
with AS 01.10.070 (c).

Alaska State Legislature

ARLISS STURGULEWSKI, Chairman
BETTYE FAHRENKAMP, Vice Chairman
JACK COGHILL
DICK ELIASON
VIC FISCHER
RICK HALFORD
FRED ZHAROFF



POUCH V
JUNEAU, ALASKA 99811
(907) 465-4907

Senate Committee on Resources

MEMORANDUM

January 30, 1985

TO: All Members
Senate Resources Committee

FROM: Senator Arliss Sturgulewski *AS*
Chairman, Senate Resources Committee

RE: Proposed legislation regarding haul road right-of-way

In 1980 the legislature passed AS 19.40.200 and .210. These sections prohibit the disposal of state land within five miles of the Dalton Highway and also prohibit the use of off-road vehicles in this same area.

An oil and gas lease sale is currently scheduled to be announced in March and to take place in May of this year. This sale, number 47, would include area that is within this five mile border of the highway. If the existing statutes are not modified, the lease sale could not proceed.

The Department of Natural Resources, Division of Oil and Gas, has asked the Senate Resources Committee to introduce the attached legislation to remedy this problem. The House Special Committee on Oil and Gas introduced identical legislation yesterday.

A copy of the proposed legislation and a map of the area involved is attached.

Enclosures

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 SENATE BILL NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to oil and gas exploration along
7 highway rights-of-way."

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

9 * Section 1. AS 19.40.200 is amended to read:

10 Sec. 19.40.200. PROHIBITION ON DISPOSAL OF LAND WITHIN FIVE
11 MILES OF THE HIGHWAY. The state may not dispose of state land under
12 AS 38 which is within five miles of the right-of-way of the highway.
13 This section does not apply to an oil and gas lease under
14 AS 38.05.180; other state land disposals necessary for oil and gas
15 exploration, development, production, or transportation; or other
16 state land disposals necessary for highway maintenance and
17 construction.

18 * Sec. 2. AS 19.40.210 is amended to read:

19 Sec. 19.40.210. PROHIBITION OF OFF-ROAD VEHICLES. Off-road
20 vehicles are prohibited on land within five miles of the right-of-way
21 of the highway. However, this prohibition does not apply to off-road
22 vehicles supporting oil and gas exploration, development, production
23 or transportation, or to a person who holds a mining claim in the
24 vicinity of the highway and who must use land within five miles of the
25 right-of-way of the highway to gain access to the [HIS] mining claim.
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27
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29

DEPARTMENT OF NATURAL RESOURCES
PROPOSED AMENDMENT TO SECTION 1 OF H. B. 143

Delete Section 1 and insert:

*Section 1. AS 19.40.200 is amended to read:

Section 19.40.200. PROHIBITION ON DISPOSAL WITHIN FIVE MILES OF THE HIGHWAY. The state may not dispose of state land under AS 38 which is within five miles of the right-of-way of the highway. This section does not apply to an oil and gas lease under AS 38.05.180; material sales under AS 38.05.110-.120 necessary for exploration, development, production or transportation of oil and gas or for highway reconstruction and maintenance; oil and gas pipeline rights-of-way under AS 38.35; and leases under AS 38.05.070 necessary for oil field development.

Not used

DEPARTMENT OF NATURAL RESOURCES

ALTERNATE AMENDMENT TO HB 143

1. Delete Section 1 and insert:

*Section 1. AS 19.40.200 is amended to read:

Section 19.40.200. PROHIBITION ON DISPOSAL WITHIN FIVE MILES OF THE HIGHWAY. The state may not dispose of state land under AS 38 which is within five miles of the right-of-way of the highway. This section does not apply to an oil and gas lease under AS 38.05.180; a material sale under AS 38.05.110-.120 necessary for oil and gas development or for reconstruction and maintenance of existing highways; oil and gas pipeline rights-of-way under AS 38.35; and leases under AS 38.05.070 necessary for oil and gas development.

2. Add a new section to read:

*Sec. 3. This Act takes effect immediately in accordance with AS 01.10.070(c).

3. Change title to read: "An Act relating to oil and gas activities along highway rights-of-way; and providing for an effective date."



Official Business

Alaska State Legislature

HOUSE SPECIAL COMMITTEE ON OIL AND GAS

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

To: Ms. Lynn Barnes,
Division of Legal Services

From: Rep. Mike Davis
Chairman, House Special Committee on Oil and Gas

Date: January 24, 1985

Re: Draft legislation

Attached are amendments to AS 19.40.200-.210. Please draft a final bill for me as soon as possible that incorporates both of these amendments. This is to be a House bill, introduced by the House Special Committee on Oil and Gas.

DISCUSSION DRAFT
1/21/85

Proposed clarification amendments to AS 19.40.200-.210

Dalton Highway

Sec. 19.40.200. Prohibition on disposal of land within five miles of the highway. The state may not dispose of state land under AS 38 which is within five miles of the right-of-way of the highway. However, this prohibition does not apply to oil and gas leases under AS 38.05.180; to other disposals necessary for oil and gas exploration, development, production or transportation; or to disposals for highway maintenance and construction purposes.

Sec. 19.40.210. Prohibition of off-road vehicles. Off-road vehicles are prohibited on land within five miles of the right-of-way of the highway. However, this prohibition does not apply to off-road vehicles supporting oil and gas exploration, development, production, or transportation, or to a person who holds a mining claim in the vicinity of the highway and who must use land within five miles of the right-of-way of the highway to gain access to his mining claim.

1/21-cor
butts3

IN THE HOUSE

BY THE HOUSE SPECIAL
COMMITTEE ON OIL AND GAS

CS FOR HOUSE BILL NO. 143 (Oil and Gas)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to ^{oil and gas activities along} ~~land use and disposal near~~ a highway ^{rights} ~~right~~-of-way; and providing for an effective date."

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

* Section 1. AS 19.40.200 is amended by adding a new subsection to read:

(b) The prohibition on disposal of state land under (a) of this section does not apply to a disposal necessary for

(1) an oil and gas lease under AS 38.05.180;

(2) exploration, development, production, or transportation of oil and gas north of 68 degrees north latitude; or

(3) reconstruction or maintenance of the highway.

* Sec. 2. AS 19.40.210 is amended to read:

Sec. 19.40.210. PROHIBITION OF OFF-ROAD VEHICLES. Off-road vehicles are prohibited on land within five miles of the right-of-way of the highway. However, this prohibition does not apply to off-road vehicles necessary for oil and gas exploration conducted under an oil and gas lease issued under AS 38.05.180 or to a person who holds a mining claim in the vicinity of the highway and who must use land within five miles of the right-of-way of the highway to gain access to the [HIS] mining claim.

* Sec. 3. This Act takes effect immediately in accordance with AS 01.-10.070(c).

Introduced: 1/31/85
Referred: Resources and
Transportation

unanimous 20-pass
retr to 10/5/80

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2

SENATE BILL NO. 115

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to oil and gas exploration along

7

highway rights-of-way; and providing for an
effective date."

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

9

* Section 1. AS 19.40.200 is amended to read:

10

Sec. 19.40.200. PROHIBITION ON DISPOSAL OF LAND WITHIN FIVE

11

MILES OF THE HIGHWAY. The state may not dispose of state land under

12

AS 38 which is within five miles of the right-of-way of the highway.

13

This section does not apply to an oil and gas lease under

14

AS 38.05.180; ~~other state land disposals necessary for oil and gas~~

15

~~exploration, development, production, or transportation of oil and gas~~

16

~~a state land disposals necessary for highway maintenance and~~

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reconstruction and maintenance of the highway.

18

* Sec. 2. AS 19.40.210 is amended to read:

19

Sec. 19.40.210. PROHIBITION OF OFF-ROAD VEHICLES. Off-road

20

vehicles are prohibited on land within five miles of the right-of-way

21

of the highway. However, this prohibition does not apply to off-road

22

vehicles supporting oil and gas exploration, development, production

23

or transportation, or to a person who holds a mining claim in the

24

vicinity of the highway and who must use land within five miles of the

25

right-of-way of the highway to gain access to the [HIS] mining claim.

Sec. 3. This Act takes effect immediately in
accordance with AS 01.10.070(c).

[At the end of Sec. 1]:

Prior to selling materials under this section to a private entity or to a state agency for disposal to a private entity, the state shall consider reasonably available private sources of materials in the area.

DEPARTMENT OF NATURAL RESOURCES

PROPOSED AMENDMENT TO HB 143

1. Delete Section 1 and insert: *except for purposes of reconstruction or maintenance of the highway*

*Section 1. AS 19.40.200 is amended to read:

Section 19.40.200. PROHIBITION ON DISPOSAL WITHIN FIVE MILES OF THE HIGHWAY. The state may not dispose of state land under AS 38 which is within five miles of the right-of-way of the highway. This section does not apply to an oil and gas lease under AS 38.05.180, or to a disposal necessary for exploration, development, production, or transportation of oil and gas ~~or for reconstruction and maintenance of existing highways~~; *north of 68° North latitude.*

2. Add a new section to read:

*Sec. 3. This Act takes effect immediately in accordance with AS 01.10.070(c).

3. Change title to read: "An Act relating to oil and gas activities along highway rights-of-way; and providing for an effective date."

Moen
2/8/85

Original sponsor: Resources Committee

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 CS FOR SENATE BILL NO. 115 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to land use and disposal near a
7 highway right-of-way; and providing for an effective
8 date."

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

10 * Section 1. AS 19.40.200 is amended by adding new subsections to read:

11 (b) The prohibition on disposal of state land under (a) of this
12 section does not apply to a

13 (1) disposal necessary for an oil and gas lease under
14 AS 38.05.180;

15 (2) a state lease or materials sale necessary for explora-
16 tion, development, production, or transportation of oil and gas or
17 reconstruction or maintenance of the highway.

18 (c) Before the sale of materials under (b)(2) of this section to
19 a private entity or person or to a state agency the state shall give
20 due consideration to the availability of materials from private
21 sources in the area where the materials are needed.

22 * Sec. 2. AS 19.40.210 is amended to read:

23 Sec. 19.40.210. PROHIBITION OF OFF-ROAD VEHICLES. Off-road
24 vehicles are prohibited on land within five miles of the right-of-way
25 of the highway. However, this prohibition does not apply to off-road
26 vehicles necessary for oil and gas exploration, development, produc-
27 tion, or transportation [REDACTED]

28 [REDACTED] or to a person who holds a mining claim in the vicinity of the
29 highway and who must use land within five miles of the right-of-way of

1 the highway to gain access to the [HIS] mining claim.

2 * Sec. 3. This Act takes effect immediately in accordance with AS 01.-
3 10.070(c).
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STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH M
JUNEAU, ALASKA 99811
PHONE: 907-485-2400

January 31, 1985

The Honorable Mike Davis, Chairman
House Special Committee on Oil and Gas
Pouch V
Juneau, AK 99811

Dear Representative Davis:

The Department of Natural Resources is requesting amendment of AS 19.40.200 and AS 19.40.210 to allow oil and gas exploration and development within five miles of the right-of-way of the Dalton Highway (North Slope Haul Road).

The statute presently prohibits the disposal of state land under AS 38 and use of off-road vehicles within five miles of the highway. "State land" under AS 38 includes oil and gas leases for exploration and production rights.

Although the department does not believe it was the intent of the 1980 Legislature to prohibit oil and gas activities along the highway, the statute as presently written may be interpreted to have that effect. Oil and Gas Lease Sale 47 (Kuparuk Uplands) is tentatively scheduled for May 21, 1985 and contains approximately 611,840 acres. Of that total, some 230,000 acres (52 of the 113 tracts) are within the five-mile corridor and will have to be deleted from the sale without clarification of the statutes cited above. Final notice of Sale 47 is scheduled to be given March 22, 1985.

I appreciate the willingness of your Committee to introduce HB 143, which would rectify the apparent oversight. Thank you in advance for your consideration and timely action on the bills.

Sincerely,



Esther C. Wunnicke
Commissioner

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: HB 143
Title: Exploration and Development
in Highway Rights-of-Way
Sponsor: _____
Requestor: Rep. Davis
Date of Request: 1/31/85

FISCAL DETAIL

Agency Affected: Natural Resources
Program Category Affected: NRMEC
BRU, Program or Subprogram(s) Affected: Minerals and Energy Management

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

No fiscal impact.

Prepared By: Ned Farquhar
Division: Commissioner's Office

Phone: 465-2400
Date: January 31, 1985

Approved by Commissioner: Wm J. Davis
Agency: Natural Resources

Date: January 31, 1985

Distribution (by Agency preparing fiscal note):

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

7/1/84

STATE OF ALASKA 1985 LEGISLATIVE SESSION

FISCAL NOTE

Revision Date: _____

REQUESTBill/Resolution No.: SB 115Title: Exploration and Development
in Highway Rights-of-Way

Sponsor: _____

Requestor: Sen. SturgulewskiDate of Request: 1/31/85FISCAL DETAILAgency Affected: Natural ResourcesProgram Category Affected: NRMECERU, Program or Subprogram(s) Affected: Minerals and Energy ManagementEXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

No fiscal impact.

Prepared By: Ned Farquhar
Division: Commissioner's OfficePhone: 465-2400
Date: January 31, 1985Approved by Commissioner: Wm D. Smyth
Agency: Natural ResourcesDate: January 31, 1985

Distribution (by Agency preparing fiscal note):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

7/1/84

Moen
2/7/85

Original sponsor: Resources Committee

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 CS FOR SENATE BILL NO. 115 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to land use and disposal near a
7 highway right-of-way; and providing for an effective
8 date."

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

10 * Section 1. AS 19.40.200 is amended by adding new subsections to read:

11 (b) The prohibition on disposal of state land under (a) of this
12 section does not apply to a

13 (1) disposal necessary for an oil and gas lease under
14 AS 38.05.180;

15 (2) a state lease or materials sale necessary for explora-
16 tion, development, production, or transportation of oil and gas or
17 reconstruction or maintenance of the highway.

18 (c) Before the sale of materials under (b)(2) of this section to
19 a private entity or person or to a state agency the state shall give
20 due consideration to the availability of materials from private
21 sources in the area where the materials are needed.

22 * Sec. 2. AS 19.40.210 is amended to read:

23 Sec. 19.40.210. PROHIBITION OF OFF-ROAD VEHICLES. Off-road
24 vehicles are prohibited on land within five miles of the right-of-way
25 of the highway. However, this prohibition does not apply to off-road
26 vehicles necessary for oil and gas exploration [REDACTED]

27 [REDACTED] or to a person who holds a
28 mining claim in the vicinity of the highway and who must use land
29 within five miles of the right-of-way of the highway to gain access to

1 the [HIS] mining claim.

2 ~~Sec. 3~~

3 * ~~Sec. 4~~ This Act is retroactive to October 5, 1980.

4 This Act takes effect immediately in accordance with AS 01.-

5 10.070(c).

Original sponsor: House Special Committee on Oil and Gas

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE BILL NO. 143 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to oil and gas activities along a
7 highway right-of-way; and providing for an effective
8 date."

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

10 * Section 1. AS 19.40.200 is amended by adding new subsections to read:

11 (b) The prohibition on disposal of state land under (a) of this
12 section does not apply to a

13 (1) disposal necessary for an oil and gas lease under
14 AS 38.05.180;

15 (2) a state lease or materials sale necessary for explora-
16 tion, development, production, or transportation of oil and gas or
17 reconstruction or maintenance of the highway.

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19 a private entity or person or to a state agency the state shall give
20 due consideration to the availability of materials from private
21 sources in the area where the materials are needed.

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26 vehicles necessary for oil and gas exploration, development, produc-
27 tion, or transportation or to a person who holds a mining claim in the
28 vicinity of the highway and who must use land within five miles of the
29 right-of-way of the highway to gain access to the [HIS] mining claim.

1 * Sec. 3. This Act is retroactive to October 5, 1980.

2 * Sec. 4. This Act takes effect immediately in accordance with AS 01.-
3 10.070(c).
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STATE OF ALASKA THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907 465-3800

MEMORANDUM

February 11, 1985

SUBJECT: CS for House Bill 134 (oil & gas)
TO: House Special Committee on Oil and Gas
FROM: Randall J. Moen 
Legislative Counsel

Upon further review of CS for HB 143 it is my opinion the title, "An Act relating to oil and gas activities along a right-of-way; . . ." may not adequately describe the content of the bill. My reason is that Section 1. (b) (3) allows for disposal of state land along the James Dalton highway for purposes other than oil and gas activities, (i.e.) reconstruction or maintenance of the highway.

RJM:ojb
J11/076