

ALASKA LEGISLATURE COMMITTEE FILES 1995-1996 8672

9007 SENATE RESOURCES

FINDING: Authority for the issuance of Alaska Placer Mining Permits comes through the Miscellaneous Land Use Permit process. As the regulations are currently written, a permit under this section can be issued for only one year. Allowing longer permit periods would create a more stable environment for planning and financing mining projects while significantly reducing the work load of the Division of Mining.

THE COMMISSION RECOMMENDS THAT:

- 6. The Governor should direct the Commissioner of the Department of Natural Resources to take the necessary steps to allow Miscellaneous Land Use Permits to be issued for periods of up to 5 years.*

CITIZEN'S ADVISORY COMMISSION ON FEDERAL AREAS

FINDING: The Citizens Advisory Commission of Federal Areas was established by the Alaska Legislature in 1981 shortly after the enactment of the Alaska National Interest Lands Conservation Act. The Commission is composed of 16 members, half of whom are appointed by the Governor and half by the Legislature, including four sitting legislators. The Commission analyzes federal legislation, regulations, and land management plans, determines the impact of these actions on Alaska's citizens, and makes recommendations to both State and Federal agencies for corrective actions to problems discovered. As federal regulations are finally developed, the case load is expanding.

Development of Federal lands and regulations for access across them is important to the State's economy. The Commission provides a valuable and cost-effective mechanism through which State concerns regarding management of all federal lands can be expressed.

THE COMMISSION RECOMMENDS THAT:

- 7. The Governor and Legislature should provide expanded budgetary and programmatic support to the Citizens Advisory Commission on Federal Areas.*

COASTAL ZONE MANAGEMENT

FINDING: AS 46-40-040 and AS 46-40-060 refer to the Coastal Policy Council (CPC) duties as developed through public hearings of the 1970s and 80s. The CPC was to review coastal zone plans to ensure that they did not arbitrarily or unreasonably restrict or exclude uses of State concern. However, the State has not defined those State Uses in Statute (currently such uses are only referenced by CPC regulations). The Statutes do not clearly identify uses such as mining, fish and seafood processing, timber harvesting and processing, subsistence, habitat, grazing, historic and archeological resources, oil and gas development, commercial fishing or new settlements as Uses of State Concern.

THE COMMISSION RECOMMENDS THAT:

- 8. The Legislature should amend AS 46-40-040 and AS 46-40-060 to define "uses of state concern" to ensure that all uses or potential opportunities for future uses of rights are treated equally.*

COAL ISSUES

FINDING: In 1990 the Alaska State Legislature passed into law a new statute to ensure reclamation occurred during and after mining on state, federal, municipal, and private land and water. In 1982 the Legislature passed a similar law regarding surface coal mining operations in Alaska. These two programs offer various reclamation bonding mechanisms to companies and individuals engaged in mining activities. A primary difference exists, however, in that coal mining operations are currently not able to participate in the State's bonding pool. A change in statute is advocated to allow for participation, if desired, of all mining companies and individuals in the State's bonding pool.

THE COMMISSION RECOMMENDS THAT:

9. *The Governor should direct the Commissioner of Natural Resources to prepare necessary changes to AS 27.19.010(c) and AS 27.19.040(b) to allow for the inclusion of all mining companies and individuals in the State of Alaska's reclamation bonding pool.*

EDUCATION AND RESEARCH

FINDING: The "Alaska Resource Kit Minerals" which is being used in the statewide public school system, is an excellent program for educating Alaska's students in the issues and fundamentals of resource development. The program is a cooperative effort between the Department of Education, which developed the curriculum and is responsible for its implementation, and the Alaska Mineral and Energy Resource Education Fund (AMREF). AMREF is an industry supported organization which annually funds the production and replacement of the teaching materials and which partially funds the salary of a Mineral Specialist in the Department of Education who is responsible for providing teacher training and for implementing the program into the school systems. This program has proven to be a success and reflects the cooperation that has existed during the 10 years of the program's existence.

THE COMMISSION RECOMMENDS THAT:

10. *The Governor and the Legislature should continue to support the Department of Education for its partial funding of a Minerals Specialist at the present or an increased level. Such support should be commensurate with the increased contributions from the industry supported Alaska Mineral and Energy Resource Education Fund.*

FINDING: The University of Alaska offers programs for educating mining engineers, geological engineers and geologists, for providing mining public education and mining occupational training activities, and for conducting applied research in direct support of the mineral industry. These professional public service and research programs are vital to the continued development and utilization of the State's mineral resources, to the jobs and incomes of its residents, and to the public resources used to support education and other public services.

The ongoing maintenance of University of Alaska programs will already mean for reducing the University budget. Maintaining the integrity of degree programs and administrative leadership of students units which provide support for resource development and of occasional programs which provide unique direct job training should remain a priority for the University.

THE COMMISSION RECOMMENDS THAT:

11. *The Governor and Legislature should provide budgetary support to the mining, geological and mine training programs throughout the University of Alaska system.*

USER FEES

FINDING: Increased user fees have been suggested as a means of offsetting the cost of providing government service as the State faces declining revenues. However, allowing State agencies to unilaterally implement user fees could result in uncontrolled increases in the cost of basic services required by citizens and businesses, as well as allowing State agencies to operate outside the Legislature's budgetary process. Additionally, the implementation of user fees should carefully balance the need to generate revenues against the increased cost to citizens and business for necessary services and required permits.

In addition to these general concerns, the mineral industry is concerned about fee schedules and access restrictions for technical resource and land information from State databases. Onerous fees and restrictive use agreements for this information will discourage investment in mineral exploration and development.

THE COMMISSION RECOMMENDS THAT:

12. *The Governor and Legislature should establish policy guidelines for the implementation of user fees and should establish a procedure requiring legislative and public review of all proposed user fees.*

STATE LABOR ISSUES

FINDING: Legislation allowing a flexible work week and extending underground working hours is important for the stability of mines in remote locations. Properly drafted legislation would provide employers and employees with the flexibility to jointly determine work schedules that would enhance efficiency, and provide for more desirable work-off patterns for employees. A recent joint program in British Columbia between private industry, the BC Ministry of Mines, and the U.S. Bureau of Mines has demonstrated the safety, and desirability of extended underground work shifts.

THE COMMISSION RECOMMENDS THAT:

- 13a. *Legislation should be enacted to allow work schedules to be set on the basis of present specific considerations which will permit more efficient use of labor and provide more desirable work-off patterns for employees. AS 29.00.005, currently provides opportunities for flexible work plans in small mechanical mining operations and for surface mines. These same opportunities should be extended to all mining operations without regard to size, type and/or mechanical nature of the work.*
- b. *Legislation should be enacted to amend current statute limiting underground shifts from the current maximum of eight hours to a maximum of twelve hours similar to AS 29.01 in the 1st Alaska Legislature.*

DIVISIVE DISCHARGES

FINDING: The Alaska Department of Environmental Conservation (ADEC) has recently begun active enforcement on the mining industry of a regulation relating to disposal of acid mine drainage. This regulation applies to a broad spectrum of mining activities in Alaska which result in acid drainage of acid regulated mine such as drilling, blasting, comminution and earth excavations, and mining ridge piling. ADEC regulatory actions are being conducted under 10 AAC 20.900 which states in part "a person who disposes of acid mine drainage into or onto land surface in or on the State shall have a permit issued by the Department (ADEC) for this disposal." Regulations drafted through 20 AAC are presently under 10 AAC 20.900 which specifies that both liquid and solid mine are to be regulated.

Clearly, this regulatory language is so broad as to include most outdoor activities in the State. The Department of Law has maintained that no exemptions are allowed and that ADEC must require a permit for all discharges, regardless of the source, type, or insignificance of the discharge. To date, ADEC has chosen only to require a permit for selected mineral drilling activities. This selective enforcement of a bad regulation is an example of government at its worst.

THE COMMISSION RECOMMENDS THAT:

- 14. The Alaska Legislature should amend AS 46.03.100 to exempt diminutive activities, including mineral drilling, certain construction activities, and routine bilge-pumping from requiring a Waste Disposal Permit. Specifically, mineral drilling in which the only discharges are ground up rock, water, and biodegradable additives, (which are EPA approved for water well drilling), should be exempted.*

PART B: FEDERAL ISSUES OF STATE CONCERN

MINING LAW OF 1872

FINDING: Proposed changes to the 1872 Mining Law embodied in the Mineral Exploration and Development Act of 1993 (S257) and the companion HR322 would have a severe adverse effect on mineral exploration, development and production on federal lands in Alaska. Alternate bills, (S775 and HR 1708), modeled on workable state laws offer reasonable assurances for industry stability.

THE COMMISSION RECOMMENDS THAT:

15. *The Governor, in conjunction with the Congressional Delegation and the Western Governors Association, should continue opposition to changes in the Federal Mining Law that would adversely affect mineral development in Alaska.*

ANILCA PROVISIONS

FINDING: In order to assure passage of the Alaska National Interest Lands Conservation Act (ANILCA) in 1980, there were several sections included to protect pre-existing rights. Several provisions would allow mineral development on or near otherwise withdrawn land. Title XI addressed access across the Conservation System Units (CSU). Sections 101d and 102b assured that no more land in Alaska would be considered for new CSU or similar designations. Sections 101b and 102b provided a mechanism for the Secretary of the Interior to adjust the boundaries of CSU or to exchange lands within them to exclude mineralized areas.

THE COMMISSION RECOMMENDS THAT:

16. *The Governor and Legislature, through the Attorney General's office, the State's Washington, DC office, and the Congressional Delegation should insist that the federal administration,*
 - a. *provide access across Conservation System Units (CSU) as required by Title XI of the Alaska National Interest Lands Conservation Act (ANILCA).*
 - b. *prohibit the creation of additional CSU lands in Alaska as required by Sections 101d and 102b of ANILCA, and*
 - c. *exchange mineralized areas from existing CSU under the authority of Sections 101b and 102b of ANILCA.*

INTERNATIONAL PARKS IN ALASKA

FINDING: Recent federal actions have proposed Denzonia Heritage International Park on both sides of the Bering Straits, an international park which would encompass the Arctic National Wildlife Refuge, and a park which would encompass the Wards Craggy copper deposit in British Columbia and lands in the Wrangell-St. Elias National Park and Preserve. The Audubon Society further recommends the creation of a "Beringia International Marine Biosphere Reserve" and a "World Heritage Site". These actions would adversely impact Alaska through loss of future revenues promised under the Stacked Act, would result in negative impacts on

adjacent lands and landowners, would restrict or deny access and resource development, and would violate the "no-more" clause of ANILCA. Such international classifications are politically irreversible and effectively give up sovereignty over the affected lands.

THE COMMISSION RECOMMENDS THAT:

17. *The Governor and the Legislature, through the Congressional Delegation, the State's Washington, D.C. office, and by letter to the Secretary of Interior, should vigorously and resolutely oppose the creation of any International Park, World Heritage Site, or International Marine Biosphere Reserve in Alaska or in waters adjacent to Alaska.*

US GEOLOGICAL SURVEY AND BUREAU OF MINES

FINDING: Congressional proposals to abolish the U.S. Geological Survey (USGS) and the U.S. Bureau of Mines (USBM) fail to recognize the importance of these agencies, especially in States such as Alaska which contain considerable geologic hazards along with having natural resource dependent economies with an abundance of natural resources located on federal lands. The USGS is the nation's premier water and earth-science information and research agency, having an ever-increasing important role in land use and environmental issues. Similarly, the USBM is the premier agency responsible for providing information and analysis on mineral resources related issues, including worker safety and advanced technologies.

THE COMMISSION RECOMMENDS THAT:

18. *The Governor and the Legislature, should work with the State's Congressional Delegation to assure funding for field offices of the U.S. Geological Survey and the U.S. Bureau of Mines in Alaska.*

This publication was released by the Department of Commerce and Economic Development. Its purpose is to report the findings and recommendations of the Alaska Minerals Commission to the Governor and to the Legislature of Alaska. It was produced at a cost of \$1.38 per copy and printed in Juneau, Alaska. This publication is required by Chapter 98, Session Laws of Alaska, as amended by Chapter 4, Session Laws of Alaska, 1993.





Alaska's Place in the International Minerals Industry

By STEVE BORELL

At a time when investments in mineral exploration are leaving most areas of the western United States, Alaska mineral opportunities are again catching the attention of major mining companies.

The debate over changes to the federal mining law has resulted in extreme uncertainty for the U.S. mining industry. Finding and developing minerals projects requires many years of secure tenure (clearly established rights if an economic deposit is found). Without secure tenure, years of work and many thousands — if not millions — of dollars are at risk.

Because of the uncertain future of the federal mining law during the past four years, minerals companies have greatly decreased their exploration in the United States and have moved their exploration dollars to countries having a friendlier attitude toward mining and a more stable climate. While uncertainty has increased for mining on U.S. federal lands, other countries, including Mexico, Chile, Argentina and Papua

New Guinea, have changed their mining laws to encourage mining investments and to provide secure land tenure while eliminating or reducing royalties.

These countries have determined that their citizens, economies and government revenues receive the greatest benefits when mines are built, jobs are created and companies make profits. Once mines and jobs are in place, these governments obtain revenues by taxing those facilities and the personal income of miners and suppliers, as well as corporate income.

Exploration Holds On

While a mass exodus of investment from the Lower 48 has occurred, Alaska has held fairly even, and exploration investments in 1994 may actually show an

increase. There are two primary reasons for this situation.

First, the state of Alaska now holds title to about 85 million acres of land, and once all land transfers are complete, it will have 104 million acres, an area nearly the size of California, will be open to mineral exploration.

Second, Alaska Native corporations own about 44 million acres of land, and they are actively promoting their lands for mineral exploration and development. Most of these lands, both state and Native, were selected because they had high mineral potential.

The bad news is that Alaska continues to be dogged by its reputation of being a difficult, if not bad, place to do business. High costs and lack of infrastructure have been major deterrents, but past uncertain land tenure has been the greatest concern. In the past, issues like

the 200,000-acre lands debate, which led up to ANILCA (Alaska National Interest Lands Conservation Act), the Antiquities Act, inholdings, valid existing rights, etc., forced many companies to leave Alaska. These issues are generally behind us now, but as with all resource industries, mineral development is being smothered by constantly expanding, overbearing state and federal regulations.

Major Mining Projects

However, even with the negative legacy of the past and the current regulatory climate, the potential for future mineral development is excellent. In fact, there are now seven major mining projects that could be in construction in the next two years.

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These projects would create more than 3,000 jobs during construction and over 1,600 permanent, year-round, skilled, challenging, good-paying jobs once mining begins. Each of the seven projects still has significant design, permitting, marketing and/or financing challenges to overcome. Thus, there are no guarantees, but the future is certainly bright.

As for exploration, the lifeblood of future mines, the level of exploration in Alaska thus far in 1994 appears to be ahead of 1993. This year's exploration seems to be characterized by many small to medium-size projects rather than a few large-scale ones.

Mapping Gains Ground

One reason for excitement: the results from the state's 1993 airborne geophysical mapping program. The project mapped four areas of Alaska where private companies now are focusing detailed exploration. This program, which included private funding, developed geophysical data that can now be purchased from the state's Division of Geological and Geophysical Surveys. (The agency is located in Fairbanks at 794 University Avenue, Suite 200, 99709-3645, and can be reached by phone at (907) 474-7147 or fax at (907) 479-4779.

By conducting such a program, the state of Alaska has made an investment that will be available to all users for many decades. Many nations already have geophysically mapped their entire land areas. As Alaska

continues this mapping, it will develop a comprehensive base of data and will begin to even out the advantage often held by other countries.

War On The West

Because of laws that now protect private property rights and secure land tenure, the immediate future for mining should be positive. However, the biggest unknown facing all resource development in the western United States is what is known as "The War on the West." The attack on the federal mining law is one aspect of this war, but there are many more. Laws are being changed to make it easier for "no-use" groups to block projects; the federal government is settling environmental suits out of court in ways beneficial to those opposing development; and contracts and leases with the federal government are being canceled.

These are ominous signs, and we can only hope they will be reversed. If not, the current positive outlook for mining in Alaska and the jobs mining can generate will be snuffed out before mining can provide the diversification Alaska's economy needs.

Steve Borell is a registered professional engineer in Alaska, Colorado and North Dakota with more than 20 years experience in coal and metals mining throughout the United States and in Canada and South America. He is executive director of the Alaska Miners Association.



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ALASKA MINERS ASSOCIATION, INC.

ALASKA

America's Sleeping Giant for Minerals

Alaska now provides the greatest opportunity for minerals exploration and development in all of North America.

There is more land in Alaska open to mineral entry than in any other western state. As compared to other parts of North America, Alaska has had very little mineral exploration and very little mining. Major world class deposits are known to exist, some of which are being developed at this time. And just as important, as oil production from Prudhoe Bay decreases, Alaskans are encouraging mineral development and see it as having the greatest hope for significant future economic development.

Alaska Has a History of Being Elephant Country

Alaska is known for its mineral elephants. The copper deposit at Kennecott provided the base for the modern mining giant of the same name and contained ore grading as high as 70% copper with the average mill grade for the mine life at 12%. The Alaska-Juneau underground mine milled 12,500 tons per day in the early part of this century and will likely re-open at 22,500 tons per day. The Greens Creek Mine has produced 7.6 million oz. silver, 37,000 oz. gold, and 58,700 tons of lead-zinc concentrates per year. The Red Dog mine has produced more than 550,000 tons of zinc, lead, and combined concentrates per year and at that rate has a mine life of more than 50 years. The recently discovered (1989) Pebble Copper deposit is known to contain at least 500 million tons grading 0.25% copper and 0.012 oz per ton gold.

It is estimated that there is as much coal in Alaska as in the remainder of the U.S. combined. All of this coal is very low sulfur and it is well positioned to compete in the Pacific Rim with coals from Australia and Indonesia. In addition to federal and state owned coal, there is also privately owned coal in some areas and these private owners are actively working to develop these coal fields.

Many other elephants are known to exist. Some are being reevaluated for application of modern mining and extractive technologies. Others are being evaluated for infrastructure development.

Alaska Has Land Available

It is well known that the U.S. Congress has established many parks, preserves, refuges, etc. in Alaska but there is still a tremendous amount of federal, state, and private Native Corporation lands that are available for minerals development. The amount of federal land open to mineral entry (49.6 million acres) is larger than the entire area of the states of Washington, South Dakota or Nebraska.

The amount of state land open to mineral entry (95.9 million acres) is nearly the size of the entire state of California. Much of these state lands were specifically selected because of their high coal and hard-rock mineral potential. State law encourages and even mandates development of resources.

Native Corporations

Alaska is unique in that twelve Native Corporations own more than 44 million acres of private land. Much of these lands were selected specifically for their mineral potential before most State selections or the establishment of the parks and refuges.

These Native Corporations have been in existence for more than twenty years and have tried many avenues to develop jobs for their regions. Because of Red Dog and other smaller projects they have seen what mining can do for the economy, especially in remote areas, and they want economic development for their regions and jobs for their people. These Native Corporations are not "reservations", they are modern businesses and they are actively marketing their lands for mineral development.

Alaska is Essentially Un-Explored

Because of past federal and state policies, the climate, remoteness, and a short summer exploration season, Alaska has had relatively little exploration - far less than any other part of the United States and less than most other parts of the world. The surface is typically covered by forest, tundra, or snow and ice and is not readily visible. The new exploration techniques developed over the past 20 years have been applied to only a few small areas of the state, much less than 5%.

Alaska Has Stable and Progressive Tax and Regulatory Policies

Alaska has a 7% net profits mining license tax on all mineral production, a 3% net profits royalty on minerals from state lands, and a graduated claim rental beginning at \$0.50/acre. Alaska state corporate income tax is 9.4% if net profit is more than a set threshold amount. Alaska does not now have a statewide sales tax nor a personal income tax. In 1992 the Alaska Legislature passed a bill specifically exempting in situ mineral reserves from taxation until they are mined.

Alaska's mining reclamation statute is logical and reasonable while still ensuring that the area mined is left in a stable condition that will provide for public safety and not pollute the environment. The statute requires bonding in the fairest possible way. The miner is held responsible for the reclamation but a bonding pool is available that provides access to bonding and limits the miner's cost to payment into a refundable escrow account and a small annual service fee.

Alaska Wants Mining

Alaskans are beginning to recognize that mining has the greatest potential for economic development and new jobs for all areas of the state. Oil production is declining at a rate of 7% per year. Harvesting timber is coming under increased pressure and will not provide new jobs and economic development. Tourism is important and may expand but primarily with short term, seasonal, entry-level jobs. Commercial fishing is already over-allocated and the future of that industry will be with the courts deciding who will get the fish. That leaves mining. And mining can provide challenging, skilled, good-paying, year-around jobs for all areas of the state.

Alaska Now Has a Growing Mining Industry

During the next 18 months, six mining projects in Alaska will be at a stage where they could make decisions to begin construction of major mines. Now is the first time that such a statement could have been made since 1902! There are no guarantees. Each has significant design, permitting, market and/or financing challenges that must be overcome and the owners are working on these remaining challenges.

Shouldn't You Be Part of This Exciting Time in Alaska?

There are various ways to approach mineral exploration in Alaska.

- Contact the state Division of Mining, Bureau of Land Management or the U.S. Forest Service to learn about their respective lands.
- Contact the 12 Native Corporations for information on leasing their privately owned lands.
- Use the Alaska Miners Association annual Service Directory to contact mining companies now operating in the state or to contact independent prospectors, geologists, engineers and others that have properties or know of properties that have already been discovered.
- Attend the Alaska Miners Association annual convention and trade show that is held in Anchorage each year during the first week of November.
- Attend the spring Bi-annual Placer Conference held in Fairbanks (even years) or the spring Bi-annual Conference Juneau held in Juneau (odd years), both organized by the Alaska Miners Association. ♣

No matter what your level of interest at this time, you will want to join the Alaska Miners Association to stay abreast of events in the 49th state. Membership includes the annual Service Directory and the monthly journal *The Alaska Miner*. Call or write today to:

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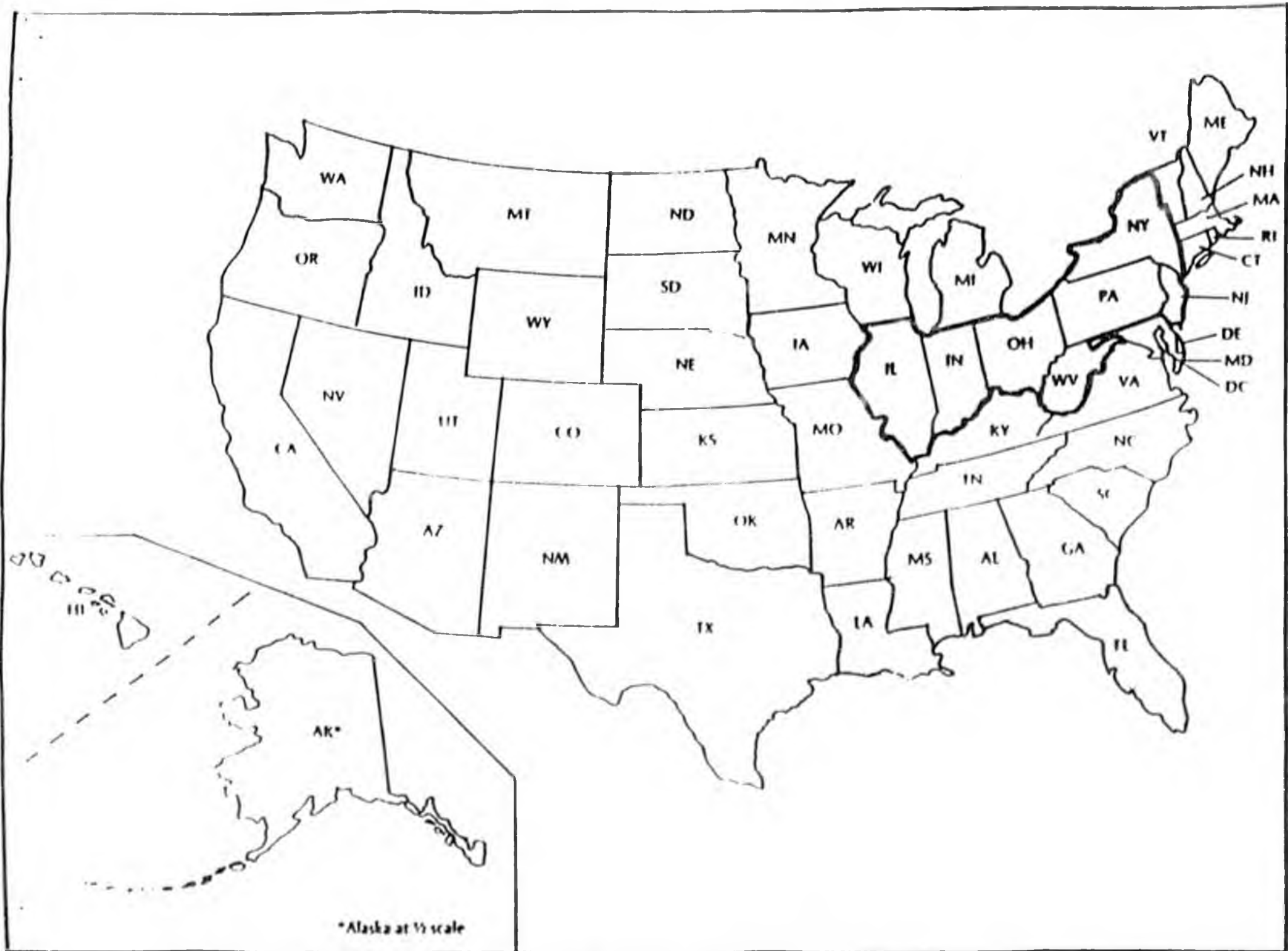
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LAND STATUS IN ALASKA
(Millions of Acres)

	<u>Total</u>	<u>Total "Wilderness"</u>	<u>Total Closed to Mining</u>	<u>Total Open to Mining</u>
<u>Federal Lands</u>				
National Park Service	54.7	12.8	54.7	0
U.S. Fish & Wildlife	77.1	18.5	77.1	0
U.S. Forest Service	22.8	5.7	5.7	17.1
Bureau of Land Mgmt.	57.9	2.4(2)	2.4	12.5
Department of Defense	2.5	23.0(3)	23.0	0
			2.5	0
Subtotal	<u>225.0(1)</u>	<u>32.4</u>	<u>165.4(5)</u>	<u>49.6</u>
<u>State Lands</u>				
State Parks	3.2		3.2	0
Administrative Mineral Closures	5.3		5.3	0
Other State Lands	77.9		0	77.9
Not Selected/TA'd	18.0		0	18.0
Subtotal	<u>104.4(1)</u>		<u>8.5</u>	<u>95.9</u>
<u>Private Lands</u>				
Native Corporations	45.6		0	45.6(4)
Other Private	0.5		0.5	0
Subtotal	<u>46.1</u>		<u>0.5</u>	<u>45.6</u>
Total	<u>365.5</u>	<u>82.4</u>	<u>174.4</u>	<u>191.1</u>

- (1) Final acres that will result after all State and Native Land Transfers
- (2) Wild and Scenic River Corridors total approximately 2.4 million acres and these are managed the same as Wilderness designated lands.
- (3) National Petroleum Reserve Alaska is effectively managed as Wilderness
- (4) Open to mining if leased from Native Corporations.
- (5) AS A COMPARISON: Texas has 168 million acres. OR This 165.4 million acres, is equal to the TOTAL combined acreage of New York, New Jersey, Pennsylvania, West Virginia, Ohio, Indiana, and Illinois!!!

• See Map on back for actual comparison of area by States!!!





Issues of Concern to the Alaska Mining Industry

Fall 1994

It is the position of the Alaska Miners Association that:

1. The State continue to pursue the \$29 billion lawsuit against the federal government for actions that have limited the economic viability of federal lands in Alaska.
2. The Governor establish a maximum spending limit on the state operating and capital budgets (including all supplementals) and use his line item veto to ensure that this limit is not exceeded.
3. The Governor oppose all new federal withdrawals and fight vigorously against addition of buffers or further restrictions to multiple use of federal lands in Alaska. ANILCA (Alaska National Interest Lands Conservation Act of 1980) provides that "no more" federal land will be withdrawn for parks, preserves, monuments, wilderness designations, wild & scenic river designations, etc.
4. The Governor oppose establishment of international heritage parks, marine biosphere reserves, and/or world heritage sites covering any part of the Seward Peninsula, Eastern Russia, and the Bering Sea, or ANWR, or any other area of Alaska. International designations would: 1) surrender sovereignty to the United Nations, 2) forever eliminate access across the existing federal conservation system units, and 3) preclude the possibility of pipelines through those lands or waters.
5. The Governor and the Legislature follow a policy whereby no additions would be made to state parks, refuges, critical habitat areas, or other special restricted use areas until an equal acreage is released from such designations.
6. The Governor begin to develop new roads in the state, even without federal assistance.
7. The Copper River Highway to Cordova be completed.
8. The Governor continue to aggressively pursue the rights of the State of Alaska regarding RS-2477 rights-of-way, both administratively and in the courts and that the Legislature provide funding to ensure this is done.
9. The State establish incentives so Alaska projects can effectively compete for investment dollars in the international minerals industry. A significant amount of exploration investment has now left the U.S. due to the fact that many nations have established incentives to encourage new exploration and investment.
10. Maintain support for an ongoing program of State investment in airborne geophysical mapping. Indications are that the State's 1993 investment of \$500,000 for airborne geophysical mapping has already resulted in increased exploration activity that would not have otherwise occurred.
11. The Governor, in conjunction with the Congressional Delegation and the Western Governors Association, continue opposition to changes in the Federal Mining Law that would adversely affect mineral development in Alaska.
12. The State incorporate cost-benefit analysis whenever new regulations are developed and when existing regulations are modified.
13. The State incorporate risk-level assessments when establishing and modifying state water quality standards in place of rigid numeric standards.
14. The State adopt legislation that will provide comprehensive liability (tort) reform.
15. The State adopt legislation to allow for minor discharge of solid or liquid waste. As now written, state statute is so broad that a permit is required for any discharge of solid or liquid waste "into the waters or onto the land," irrespective of the amount. If applied literally this would include: bilge water, water from home crawl spaces, washing down of a sidewalk or home driveway, water well drilling, exploration drilling, gardening, excavation associated with construction projects, etc.

For further information on the above issues or for information regarding exploration and mining in Alaska please contact:

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April 14, 1995

Honorable Loren Leman
Chairman
Senate Resources Committee
State Capitol
Juneau, AK 99811

APR 18 1995

RE: HB-197, Exploration Incentives

Dear Senator Leman,

The Alaska Miners Association wishes to go on record in support of the current Committee Substitute for House Bill 197 which provides financial incentives for companies and individuals to explore for and develop mineral deposits in the state. This is an important bill that will encourage both the small prospector as well as large international mining companies to invest here in Alaska.

The general view in the international mining industry has been that Alaska is a difficult and unfriendly place to do business. HB-197 will support the on-going effort to change this perception.

There are several important aspects of this bill that have been overlooked by some persons reviewing it and these include:

1. Only certain specific exploration expenditures will qualify for the incentive credit. Most of the costs to develop the mine, i.e., costs for environmental assessments or environmental impact statements, mine planning, feasibility studies, mine and facility design and construction, etc. would not qualify for the incentive credit.

2. The credits can be used only if the mine is actually constructed and goes into production. From the standpoint of the time value of money, the credits will be taken many years after the exploration occurs and the actual benefit to the miner will be diminished. It is only when there is production from the mine that the credits can be applied against the revenue stream.

3. The credits do not effect current revenue streams. If there is a credit, it will be because a new mine has gone into production and the credit will be against a new revenue stream that did not previously exist. As defined in the bill, only new projects, not projects now in operation, would qualify for the credit.

4. Most exploration projects will never result in an operating mine. This means that even if qualifying exploration expenditures are made and the costs are certified by the State, the credit will never be taken. As a reference, it has been estimated that for every one major mine that is developed, 1000 prospects are evaluated.

5. One measure of how few mines will actually utilize the credits is to note that since Statehood, only three mines that operate on a year around basis would have qualified to use the credits. Those three are Valdez Creek, Red Dog and Greens Creek. Furthermore, Greens Creek is now idle and would therefore be unable to utilize the credits if it had them.

It is important that a company can assign their exploration credit to another company that is a successor in interest for the site. A company may be encouraged to invest if they know they can assign the expenditures if they decide later to leave the project. If they can assign their credits to the next company to buy into the project, they can recover some of their expenditures.

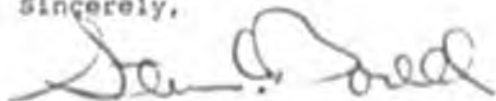
HB-197 also insures that the state and the rest of the industry will have access to the data generated. This bill requires that the company wishing to receive the incentive credit document the expenditures it has made and provide the State Division of Geologic & Geophysical Surveys with drill core, drill cuttings, sample analysis, etc. This can be a tremendous help for other companies as they search for minerals and without this provision in the bill the data would remain proprietary and would not be available to the industry as a whole.

HB-197 comes at an important time for encouraging minerals investments in Alaska. The exodus of exploration funds away from federal lands throughout the western U.S. is continuing. This is due primarily to uncertainty over changes to the federal mining law and the increasingly oppressive regulatory climate in the U.S. Alaska cannot correct all of these problems but Alaska can add this incentive to encourage investment.

This bill will send the message that Alaska is seeking to improve its investment climate and that Alaska wants to encourage mineral development. The bottom line for the State is that more exploration will occur and more mineral deposits will likely be discovered that can provide jobs, facilities that increase the local tax base, and ultimately company profits that can then be taxed by the state.

If we can be of any further help please contact me.

Sincerely,



Steven C. Borell, P.E.
Executive Director

cc: Representative Foster
Representative Vezev

APR 18 1995



BERING STRAITS NATIVE CORPORATION

MAR 30 1995

March 24, 1995

Honorable Richard Foster
Co-Chair, House Finance Committee
Alaska State Legislature
State Capitol Room 410
Juneau, AK 99811

Dear Richard,

Although I provided oral testimony on HB 197, I wanted to write to you to express Bering Straits Native Corporation's support of your bill. Anything that the State of Alaska can do to promote the development of producing mines will be beneficial to all residents. The tax savings will be more than off set by a healthier economy, particularly in rural areas such as the Bering Straits region. Sending a clear message to the mining industry that their exploration dollars are appreciated may provide needed incentives for companies to spend limited exploration budgets in Alaska where there are high costs due to a lack of sufficient infrastructure.

Again, BSNC supports HB 197. BSNC appreciates your endeavors to provide for a viable economy in our rural area through legislation such as HB 197.

Cordially,

Thomas S. Sparks
Resource manager BSNC



March 6, 1995

To: Representative Richard Foster

From: Chuck Achberger, Director
Juneau Chamber of Commerce

Dear Rep. Foster:

The Juneau Chamber of Commerce would like to go on the record in favor of HB 197.

Too much of the state government is directed at regulating, often with great zeal, our resource industries. It is a pleasure to see a measure before the House that would offer an incentive to those involved in the mineral exploration business.

While a lot of "speeches" have been made about partnering with our industries, this is a positive step in that direction. If the State of Alaska is to become financially stable, the state must work with all its industries, as true partners.

HB 197 offers some of the incentives necessary to make Alaska competitive with mineral exploration in the international marketplace.

Sincerely,

A handwritten signature in black ink, appearing to read 'Chuck Achberger', with a long horizontal flourish extending to the right.

Chuck Achberger
Director



ALASKA MINERS ASSOCIATION, INC.

1000 West 10th Avenue, Anchorage, Alaska 99503 (907) 276-1797 Telex: 2761797

MARCH 5, 1978

HONORABLE RICHARD FOSTER
ALASKA STATE LEGISLATURE
STATE CAPITOL (RM 2100)
JUNEAU, AK 99801-1183

Dear Representative Foster,

RE: HB-197, Exploration Incentives

The Alaska Miners Association wishes to go on record in support of House Bill 197 which provides financial incentives for computer and individuals to explore for and develop mineral deposits in the state. This is an important bill that will encourage both the small prospector as well as large international mining companies to invest here in Alaska.

The general view in the international mining industry has been that Alaska is a difficult and unfriendly place to do business. HB-197 will support the on-going effort to change this perception.

One important aspect of the bill is that a company can assign their exploration credits to another company that is a successor in interest for the state. This can become very important when developing financing. A company that may otherwise not invest can be encouraged if they know they can assign the expenditures. For example, if they are not able to continue in the project due to other unrelated financial reasons, and they can assign their credits to the next company to buy into the project, they can recover some of their expenditures.

In addition to being an encouragement to invest, HB-197 also ensures that the state and the rest of the industry will have access to the data generated. This bill requires that the company wishing to receive the incentive credit document the expenditures it has made, and provide the State Division of Geological and Mineral Survey with drill core, drill cuttings, sample analysis, etc. This can be a tremendous help for the other companies as they search for minerals and without this provision in the bill the data would remain proprietary and would not be available to the industry as a whole.

Another important time for encouraging mineral investments to Alaska. The episode of exploration funds away from federal lands throughout the western U.S. is continuing. This is due primarily to the increasingly oppressive regulatory climate in the U.S. and to the uncertainty over changes in the federal mining law. Alaska cannot correct all of these problems, but Alaska can do what is incentive to encourage investment.

My previous messages that Alaska is seeking to improve its investment climate and that Alaska wants to encourage mineral development. The bottom line for me goes to that more exploration will occur and more mineral deposits will likely be discovered which can provide jobs, facilities that increase the local tax base, and ultimately company profits that can then be taxed by the state.

If we can be of any further help, please contact me.

Sincerely,

CLAYTON G. BORELLI, P.E.
Executive Director

661 REPRESENTATIVE VALLEY

COOK INLET REGION, INC.

March 7, 1995

Honorable Richard Foster
Alaska State Legislature
State Capitol (AS 31001)
Juneau, Alaska 99801-1182

Dear Representative Foster:

I am writing on behalf of Cook Inlet Region Inc. (CIRI) to express support for House Bill 197 which would provide financial incentives for mineral and coal exploration activities. If passed, this bill would send a strong positive message to mineral companies contemplating work in Alaska.

Over the last 5 years or so we have seen a major exodus of mining companies from the lower 48. This has been a consequence of the regulatory burden assessed against the domestic mining industry as well as the "mature" nature of the industry in those areas (the easy discoveries have been made and developed). Most of these companies have headed overseas, primarily to Central and South America, only to find that the cultural, linguistic and political differences present an equally formidable set of challenges.

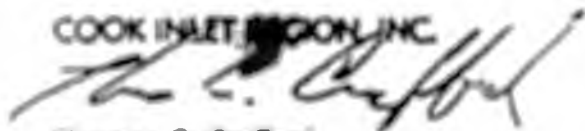
Some of those companies are now looking back at North America and this is a particularly opportune time to send out the message that Alaska is "open for business." HB-197 does a good job of this by providing reasonable economic incentives. Additionally, it provides a means for getting valuable exploration data into the hands of the public, while still protecting the confidential nature of the data for three years.

As you know, mining has the potential for providing good-paying, year-round, skilled jobs at a wide variety of localities throughout the state. I applaud your efforts in sponsoring HB-197 to better help Alaska realize that potential.

Please note that I have also included a letter of support for HB-197 from Dennis Lance, Exploration Vice President for USMX, Inc. of Denver, CO.

Sincerely,

COOK INLET REGION, INC.



Thomas C. Crawford
Manager, Minerals and Coal

cc: Representative Veazy
C. Mann
C. Booth

March 7, 1995

Honorable Richard Foster
Alaska State Legislature
State Capitol (MS3100)
Juneau, Ak 99801-1182

HL: HB-197 Exploration Incentives

Dear Representative Foster,

I would like to express my support for House Bill 197 which would provide financial incentives for companies and individuals to encourage mineral exploration and development in the state. Mining is one of the primary reasons Alaska was originally settled and it could once again become a primary economic base for Alaskans. HB-197 will support the ongoing effort to change the perception that Alaska is a difficult and unfriendly place to do business.

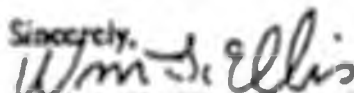
I have been an exploration geologist in Alaska for over 20 years with several medium to large US and international mining companies such as Sunshine Mining, Anaconda, Battle Mountain Gold and American Copper and Nickel Co. Corporate decisions on where they explore for minerals are made by careful consideration of a number of factors with one of which is the mineral potential. I know Alaska has tremendous mineral potential; however, for many reasons such as: restrictive land classifications, poor investment climate, unfriendly and over restrictive state and federal bureaucracies, lack of infrastructure, and more costly remote exploration, Alaska remains under-explored.

There is currently a mass exodus of North American mining companies to Latin America and other third world countries that are aggressively soliciting development of their minerals with through a number of incentives. Battle Mountain Gold closed their Alaska office in 1992 (Placer Dome in 1993) in emphasize Latin American exploration. The time is ripe for Alaska to attract some of that investment through bills such as HB-197 and other legislation to streamline the regulatory process.

This is a very important bill that will send a message to the international mining community that Alaska wants to encourage responsible mineral production as opposed to the prevalent anti-mining sentiment encountered in the "Lower 48".

I am currently with American Copper and Nickel Co. which is the American subsidiary of INCO, one of the largest mining companies in the world. We currently have a large exploration program in Alaska but are facing increasing competition for budget dollars from our other international exploration divisions. Passage of legislation such as HB-197 would help ensure that we will maintain an aggressive exploration effort in Alaska.

Sincerely,



William T. Ellis Alaska Mineral Evaluation Service, Eagle River, Alaska 99577
cc: Representative Al Verzey

USMIX

March 2, 1995

Via FAX 907-279-8836

Mr. Tom Crafford
Vice President
North Pacific Mining Corp.
2525 "C" Street, Suite 500
P O. Box 93330
Anchorage, AK 99509-3330

RE: Proposed Exploration Incentive Bill

Dear Tom:

I read the proposed Alaska legislation that you sent to Paul Valeri with interest. I think this would set off a rush to Alaska and may keep at least some exploration dollars from going off shore. I know I would look more seriously at some opportunities up there especially on State and native lands. I hope it has a chance.

Sincerely,

USMIX, INC.



Dennis L. Lance
Vice President Exploration

DLL655/caw

NANA REGIONAL CORPORATION, INC.

1001 E. BENSON BOULEVARD, ANCHORAGE, ALASKA 99508
TELEPHONE (907) 263-4100



March 7, 1995

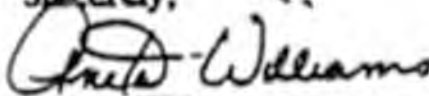
Honorable Richard Foster
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Representative Foster:

This letter is to support your efforts for the successful passage of HB-197 providing financial incentives for companies and individuals to explore and develop mineral deposits within the state. This is a very welcome "change in attitude" which can reflect favorably on the business climate within the state.

Our state has acquired over the years the dubious distinction of being very difficult to deal with in developing resources or businesses. Certainly some of the problems have to do with projects such as the AJ which get hamstrung by the non-regulation agendas of Federal agencies, our own attitudes within the state have often been more adversarial than cooperative in development projects.

We again applaud your efforts to encourage companies to do business within the state. Incentives such as this can help encourage responsible growth in the industrial community.

Sincerely,

Anita Williams
Senior Geologist

cc: Representative Al Vezey

Post-it® brand fax transmittal memo 7071 # of pages = 1

TO: Richard FOSTER	FROM: Anita Williams
TO: House of Rep	FROM: NANA
TO: State Capital	FROM: 562-0709
TO: 907-465-3242	FROM: 563-7557





PLACER DOME U.S. INC.

ONE UNIVERSITY STREET, SUITE 1000
SAN FRANCISCO, CALIFORNIA 94111-4472
415.774.1700
TELECOPIER 415.774.1701

March 14, 1995

The Honorable Richard Foster
Alaska State Legislature
State Capitol (MS 3100)
Juneau, AK 99801-1182

Dear Representative Foster:

I want to thank you for introducing and actively supporting legislation to provide for exploration incentive credits for mineral deposits in Alaska (HB 197). This legislation not only encourages mineral exploration in the State it also represents sound tax policy. Only a small percentage of exploration projects ever become mines. As you know, we are engaged in a high risk, high cost business. Therefore, most expenditures made for exploration will never be eligible for a credit. However, it is responsible policy to provide an incentive to those exploration efforts that do succeed and will be contributing to the economy and state coffers through mineral production.

There is worldwide competition for limited exploration dollars. With the passage of HB 197, Alaska improves its relative competitive position.

Sincerely,
Placer Dome U.S. Inc.

Richard G. Duncan
Vice President Exploration

JB

c: J. Danni - PDUS
T. Jensen - PDUS
S. Borell - Alaska Miners Assoc

DAVID E. ROGERS, ESQUIRE

411 FOURTH STREET SUITE 100

PO BOX 10012

JUNEAU ALASKA 99803

TELEPHONE (907) 546-1107

FAX (907) 546-1007

March 8, 1995

House Resources Committee
Capitol Building
Juneau, Alaska 99811

Dear Committee Members:

This letter is submitted on behalf of the Council of Alaska Producers (Producers Council) in support of HB 197. The Producers Council is a non-profit Alaska corporation whose members include: Alaska Gold Company; Cominco Alaska Incorporated; Cominco Alaska Exploration; Echo Bay Alaska, Inc.; Fairbanks Gold Mining, Inc.; CIRI Energy and Minerals; Greens Creek Mining Company; American Copper and Nickel Company, Inc.; Cambior Alaska; and the Alaska Miners Association, an ex-officio non-voting member.

HB 197 follows the lead already taken by the Knowles Administration and last year's legislature in other arenas to encourage the development of our natural resources and stimulate responsible economic growth in the Great Land. Tim Bradner in last Sunday's Daily News couldn't have said it better:

"It's politically fashionable sometimes to snort at public investment in economic development, calling it a subsidy. But if we're serious about diversifying our economy and creating jobs, every development idea should be taken seriously. A little seed corn sprinkled around in strategic locations can sometimes yield a pretty good harvest."

Mr. Chairman, think of HB 197 as seed corn. It is not intended as a reward or windfall for those currently doing business in Alaska. The primary purpose of this bill is to send a positive message to industry and encourage companies to do something they weren't going to do already by creating attractive economic incentives to explore for and develop coal and mineral deposits in Alaska.

This proposal, a version of which died in the House limbo file in the final minutes of last session, was

recommended in concept by the Alaska Minerals Commission in their January 1995 Report. According to the Commission:

"The Alaska minerals industry competes in a global market for mineral and exploration and development dollars. Although Alaska is blessed with an abundance of geologically favorable terrain, it has suffered because of its remoteness, the lack of transportation, infrastructure, and seasonal constraints. Equally important is the industry's perception that State and Federal agencies are not supportive of mineral development in Alaska.

Throughout the world there are countries actively seeking exploration and development investment by providing economic incentives for resource industries. Incentive programs have been successful in Chile and Mexico where privatization and tax incentives have revitalized their mining industries. Appropriate incentives could be especially effective in drawing industry attention to Alaska. This is because many companies currently view the lower 48 to be unattractive from the regulatory perspective and are looking elsewhere for new exploration opportunities.

The Governor and the Legislature should create economic incentives (including credits for exploration expenditures that can be deducted from claim rents, the mining license tax, production royalties and income taxes) that will provide financial encouragement and help offset some of the real and perceived problems facing exploration and development in Alaska."

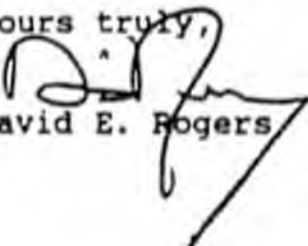
Passage of this bill should yield two very significant net benefits to Alaska. First, if this strategy is successful there will be a near term infusion into local economies. Second, new exploration activities that may be stimulated by this incentive may ultimately lead to new producing mines. This means new good jobs for Alaskans and new taxes and royalties the state would not otherwise receive. It is important to keep these benefits firmly in mind as you evaluate this legislation and similar economic diversification efforts.

HB 197 is our highest priority this session. It will not solve all the world's problems but it is one of several things the state can and should be doing to encourage responsible mineral development. Will it work? We think so. According to one of our members, who just returned from a meeting in Denver, things like incentives and mapping programs in conjunction with the geology get the attention

of upper level management when they plan their worldwide exploration strategies.

The Producers Council would like to thank bill sponsor Rep. Foster and co-sponsor Rep. Vezey for introducing HB 197 and the House Resources Committee for giving it an early hearing. We urge passage of this important "seed corn" legislation.

Yours truly,


David E. Rogers



A little seed corn can go a long way

It's politically fashionable sometimes to snort at public investment in economic development, calling it subsidy. But if we're serious about diversifying our economy and creating jobs, every development idea should be taken seriously.

A little seed corn sprinkled around in strategic locations can sometimes yield a pretty good harvest.

Take, for example, a modest \$1.2 million state investment in a pilot program to do regional aerial magnetic and gravity surveys in selected parts of Alaska with mineral potential, approved by the state legislature in 1992 and 1993. Just a few weeks after its completion, this is a

BRADNER: A little seed goes a long way

Continued from Page C-1

demonstrated, though admittedly modest, success.

Aerial magnetic and gravity surveys are to minerals geologists what those popular, large-scale topographic surface maps sold by the U.S. Geological Survey are to the rest of us. We see good places to hike, fish or boat. Geologists see good places to look for underground ore in the patterns of magnetic and gravity fields shown on those maps.

In the minerals business, this is pretty basic stuff. Regional gravity and magnetic mapping is done all over the world, just as surface maps are done, most often by governments that use the data to bring more minerals exploration into their countries.

It's ironic, but many Third World countries are far better mapped with these kind of surveys than Alaska. Even very poor African nations like Chad, Niger and Burkina Faso are well covered by magnetic and gravity surveys, thanks to U.N. aid. There's been very little work done in Alaska, where the state owns 103 million acres with much richer mineral potential than many countries.

The state Division of Geological and Geophysical Survey has just completed its survey of about 1,800 square miles in locations near Nome, Interior and south-west Alaska.

Maps for the Fairbanks area were released three weeks ago, sparking a surge of new exploration after several "targets" were identified that geologists thought could be ore deposits similar to the new Fort Knox gold mine being developed near Fairbanks.

In just a few weeks, the mapping program around Fairbanks has stimulated mining companies to spend as much, or more, than the surveys cost to do.

Why don't mining companies themselves do this? Sometimes they do, for their own proprietary use. Many Alaska Native corporations, which own large land areas and are working with miners' companies, have done these for their own lands. Bering Straits Native Corp. and Callista Corp., two Native corporations with substantial mineral lands, also contributed to the state's survey.

One reason why it's good policy for this

kind of "infrastructure" (in this case it's mapping, instead of road or bridges) to be done by the government is that the information then can be made available to the public.

The policy objective is to get as many people as possible looking at the data, because interpretations will vary. One company's geologists will see hints of a Fort Knox mine; others will see nothing. The more people look at it, the more interest, and competition, is stimulated, increasing the chances that a discovery will be made, and maybe, eventually, a mine.

These Native corporations were similarly motivated: They contributed to the state survey knowing the information would become public. It was good business, they felt, to show off the potential of their own land as well as the state's.

The stakes are pretty big in all this. Large mines can be big employers, and big taxpayers for local communities.

All of Alaska's larger mines under development in recent years, the Red Dog near Kotzebue (one of the world's largest lead zinc mines), Fort Knox near Fairbanks and Green Creek near Juneau, have ore bodies that are very near, or even at the surface. This made them easier to find.

Geologists now think there may be other Red Dog-type base metals deposits in the western Brooks Range, and other large, Fort Knox-type gold ore deposits near Fairbanks, but buried under enough soil so that they are hard to detect. Gravity and magnetic surveys help geologists find these hidden ores.

With 1,800 of Alaska's estimated 80,000 square miles of land with mineral potential surveyed, we've hardly scratched the surface.

The Alaska Minerals Commission, an advisory group to state government, has recommended that this mapping program be continued and even expanded.

This limited investment has already produced results. It's been shown to be pretty good seed corn.

C Tim Bradner writes for an Alaska statewide reporting service. His private clients include petroleum companies. His opinion column appears every fourth Sunday.



State industry partnership. Alaska governor Tony Knowles talked of a new era of cooperation in his State of the State address last month.

Governor calls for a new 'partnership'

ANCHORAGE — Alaska's Gov. Tony Knowles called for a new era of "partnership" with the oil and gas industry in his first State of the State message, delivered last month to the newly convened 19th Alaska legislature.

"Alaska still has plenty of oil and gas left to be developed, but the state must have a positive business environment," Knowles said. "We need laws and regulations that provide incentives and that are clear, predictable and consistent."

"In turn, the oil industry must commit to hire Alaskans, use Alaskan businesses, protect the environment and share the profits with Alaskans."

The governor called for a tax and regulatory conference on how Alaska can best position itself for future development. He urged the legislature to work with him in a new oil and gas policy council.

Noting Alaska's increased clout in a Republican-controlled Congress, the governor planned to meet with the state's entire delegation

By Tim Bradner

in late January to plot strategy on Alaskan issues.

"I like never before, we are positioned to exert influence with both the Democratic administration and Republican Congress, and we are determined to present a bipartisan, consensus voice for Alaska in the nation's capital," he said.

Knowles predicted progress on removing the oil export ban and other Alaskan issues in Congress, such as opening of the Arctic National Wildlife Refuge to exploration and reauthorization of the Magnuson Act, the federal law controlling fisheries off Alaska's coast.

"The (Clinton) administration now agrees that lifting the ban is in the national interest," he noted. "For the first time since it was imposed over more than 20 years ago, a national administration is actively supporting a change in the law."

In his Jan. 19 budget message to the legislature, the governor said he would devel-

op a long-range financial plan for the state that would address the growing fiscal "gap," the deficit between the state's annual spending and its recurring income.

"The state has been living off its cash reserves for several years now, but even with recent tax settlements with BP and other oil companies, those reserves are sufficient for about four years," he said.

"For better than a decade, Alaskans have enjoyed something shared by few others: a healthy mix of services and benefits provided largely by one source, our oil wealth. With that wealth, Alaskans have done something no other oil state has been able to do. We've created and protected a \$15 billion Permanent Fund."

But the fiscal gap now poses serious dangers. "As we enjoy our oil wealth, we must remember that our vision of a new partnership with industry, competitiveness in the global economy, safe streets and good schools, will remain only dreams unless we develop a sustainable, long-term budget plan," he said.

Alaska's delegation moves on issues

Gold mining companies race to stake new prospects near Fairbanks

By Diana Campbell
For the Journal of Commerce

FAIRBANKS — Three major mineral mining companies have staked claims to 60 acres of land that hold promise of gold just northeast of here.

Cyprus Amax Minerals Co. of Englewood, Colo., La Teka Resources of Salt Lake City, Newmont Gold of Denver and Placer Dome Inc. of San Francisco made the move in anticipation of a Feb. 7 release of new maps from the Alaska Division of Geological and Geophysical Surveys.

"They physically pounded posts into the ground," said Dick Swainbank, development specialist to mining and minerals in the state Department of Commerce and Economic Development's division of economic development.

The new maps have electromagnetic and aeromagnetic readings that indicate the locations of prospective mineral lodes, he said.

The companies have 90 days from the staking to file their claims with the state Recorder's Office, Swainbank said.

The companies will begin exploration as soon as the snow is off the ground, he said.

"This has been more activity in mining than I have ever seen in the 25 years I have been here," Swainbank said. "I'm overjoyed with the activity."

Cyprus Amax is the Colorado-based parent company of Fairbanks Gold Mining Inc., operator of Fort Knox gold mine, which is set to begin construction this spring on the 250-employee operation expected to produce 350,000 ounces of gold a year.

La Teka Resources and Newmont are developing Ryan Lode together, which has 822,000 ounces of gold in contained mineable re-

serves, its officials say. The company is doing environmental baseline work at Ryan Lode.

La Teka also is the operator of True North, a mine near Pedro Dome north of Fairbanks where it concentrated most of its exploration efforts last year.

Rich Hughes, general manager of Ryan Lode Mines Inc., said that work led to definition of 446,000 ounces of gold reserves in two discrete ore bodies that will be connected. "We're projecting over a million ounces of mineable gold at True North," he said.

The new maps indicate a rock type that hasn't been considered for gold until recent years, Swainbank said.

He said the magnetic readings have signatures that can be compared with known gold fields. The maps can be viewed on paper with overlays or on a computer.

At a Greater Fairbanks Chamber of Commerce luncheon March 7, Loretta Washburn, a

Fairbanks Realtor, said there may not be enough area housing available to accommodate the influx of people created by increased area mining activity. The Fairbanks housing market is expected to be tight this summer, she said, as the Fort Knox mine construction gets underway.

Morrison Knudson, general contractor for the Fort Knox mine project, has been looking for 50-60 rental units to use for 13-20 months, she said.

"Gold mining is here to stay," Washburn added.

Mining developments, drilling projects move ahead on CIRI property

By Kristeen Nelson
Alaska Journal of Commerce

Two mine developments and various Krenal Petroleum oil and gas projects are moving ahead on Cook Inlet Regional lands.

Ferry Booth, vice president of CIRI for oil and gas and mining, updated the Alaska Support Industry Alliance on recent cooperation activities in those areas March 10.

AMRI Alaska Inc. and CIRI will jointly explore the multi-tiered prospect just north of

Swanson River and south of the Birch Hill prospect, with an exploratory well planned for this summer, Booth said.

ARCO also has taken a lease on some 25,000 acres at Moqueenah at Tyonek on the west side of Cook Inlet, Booth said. Seismic was shot in the area in the spring of 1994, but ARCO has released no further plans for the area, he said.

Marathon Oil Co. has been doing seismic work on CIRI lands in the vicinity of the Krenal gas field, the Gateway Loop well and at Peters Creek. If results from the seismic are favorable, drilling may be conducted in 1995 or

more of these areas in 1995, Booth said. Union Texas Petroleum Corp. is in the second year of evaluating all of CIRI's unleased Krenal Petroleum lands for oil and gas potential, Booth said. On March 1, Union Texas leased some 14,500 acres and secured an option for an additional 75,000 acres on the south Krenal, he said.

Wise Alts Resources Ltd. of Vancouver, B.C. has a lease for CIRI's Johnson River gold and base metal property at the base of Mount Ilamna on the west side of Cook Inlet. "First Mine will continue the surface exploration and geo technical appraisal in 1995, but they have deferred the underground development program for yet another year," Booth said.

LIBI mining subsidiary North Pacific Mining Corp. has concluded a lease agreement with (S&B) of Denver, Colo., to develop the Illinois Creek gold and silver property located

south of Galena, Booth said. Feasibility and permitting efforts are underway, and if they are done within the year planned development should start in 1996. Production would be from a seasonally operated surface operation, with gold production estimated at 90,000 ounces a year.

CIRI also has partnered Berle. LIBI operates on corporation lands on the Krenal in cooperation with Circle Dr. Pacific Corp. Booth said. More than 6,200 acres have been harvested by select cutting methods and 95,000 tons of high quality wood chips shipped to Japan. CIRI's sale of Berle infrared graver was instrumental in Circle Dr. building a large building facility at Homer, he said, which is an opening up the market for additional processing of Berle industrial timbers on the Krenal. Production is on hold, other permits and value

6 • Alaska Journal of Commerce • March 20, 1995

Value of Alaska mining industry rebounds in 1994, state survey shows

By Kristeen Nelson
Alaska Journal of Commerce

The value of Alaska's mining industry rebounded 16.5 percent from 1993 to 1994 after falling in value 19 percent between 1992 and 1993.

Figures released in early March show a preliminary total of \$584.7 million for mining exploration, development and production in the state in 1994, compared to \$501.7 million for 1993 and \$620.6 million for 1992.

These figures are from Alaska Mineral Industry 1994: A Summary, compiled by the Alaska Department of Commerce and Eco-

nomics, Development, division of economic development, and the Department of Natural Resources, division of geophysical and geophysical surveys, and division of mining and water management.

The report cites a 25 percent increase in production from the Red Dog Mine to a record level of 699,000 tons of zinc, lead and silver concentrates. Shovelby, production accounted for \$508.8 million of

the value of mining activity, a 7 percent of the total, and up 14 percent from 1993. Zinc, all from the Red Dog mine, accounted for 58 percent of all Alaska mineral product value during the 1994 calendar year.

By dollar volume, gold, at \$172 million, ranked second, followed by sand and gravel, \$42 million, and coal, \$36.8 million. In the development category, final permit applications were received by the First昆斯 gold

Mineral Industry in Alaska: 1991-1994 Values

	1991	1992	1993	1994
Development	25.6	29.8	27.3	45.2
Total	412.0	620.6	501.7	584.7

Source: Alaska Department of Natural Resources

mine near Fairbanks and the Birch-Doran Coal Project. Reported development expenditures rose 66 percent from \$17.3 million in 1993 to \$45.2 million in 1994.

Exploration expenditures, dominated by projects in the western, southeastern and eastern interior regions, rose 9 percent from \$28.2 million in 1993 to \$30.8 million for 1994, and included an increasing number of grassroots exploration projects in western and eastern interior regions. Mine employment, after dropping from 3,425 to 3,136 (9 percent) between 1992 and 1993, held almost steady in 1994 at 3,152. Companies reported 667,878 feet of drilling in 1994, a 64 percent increase over the previous year.

The gold rush is on

Survey results set off staking frenzy near Fairbanks

By DIANA CAMPBELL
Special to the Daily News

FAIRBANKS — A new Alaskan gold rush north of Fairbanks just into view this week, led by some of the largest mining companies in North America vying to stake claims already stalling 60 square miles in the hills along the Chitanaik River. The John Hancock of Salt Lake City is the current contender in what is shaping up as the largest claim staking

rush in Fairbanks history with its 10,131 acres staked 26 miles northeast of the city.

Company geologists spent five days in late February tramping through the woods in snowshoes marking off sites.

"We wanted to tie it up before someone else did," said geologist Steve Masternak.

The claim is being called "Juniper" after a creek that runs through it.

"The Fairbanks district is

(now) one of the hottest areas in the United States," said Bob Trout, dean of the School of Mineral Engineering at University of Alaska Fairbanks.

Cypress Amax, North America's largest mining company; Pacer Dome Inc. of San Francisco, and Fairbanks Gold Mining Co. also are staking claims.

The rush began last month after the state Division of Geo-

Photo see Back Page GOLD



Photo made last year.

Photo made last year.

GOLD: Rush is on

Continued from Page 1

Geological & Geophysical Surveys revealed the results of an aerial survey done in August. Geologists say the new geophysical data maps should help pinpoint mineral deposits large enough to be worth going after.

"It's perfect stuff. We think it's very valuable data," said Robert Blakstad, exploration manager for Cypress Amax of Englewood, Colo.

Continued exploration of the Juniper staking is expected this summer to determine the amount of gold in the property.

Rich Hughes of Ryan Lode Mines Inc., a Fairbanks-based subsidiary of La Teco, said the area is thought to have a high potential for gold, but he said it was too soon to tell when a new mine might go into construction or production.

The state data maps were released Feb. 7. Two weeks later, seven Ryan/La Teco geologists were in the woods, staking Juniper.

A mineral sample collected by the stakers tested out at 0.241 ounces of gold per ton, according to a written statement from the company. That is 10 times richer than a reading from the Fort Knox mine's large, low-grade deposit northeast of Fairbanks owned by Amax. Gold that is already being developed and is scheduled to start producing in late 1961.

Dick, warned Dick Swank, a state mining development expert. "This is one rock within a very large area. It shouldn't be read as a promise that the property is that rich everywhere," he said.

Fairbanks was once the largest producer of gold in Alaska, but has been in decline since the 1950s, said Tom Bundtzen, a geologist with the state Department of Natural Resources. "With a push from the Fairbanks Industrial Development Corp., the state contracted to have a helicopter criterion about 600

square miles of promising interior mining country last August. Two stakings were suspended from cables recorded magnetic and electromagnetic readings from underground rock formations," said Laure Burns, a state geophysicist. A magnetometer measured "small changes in the magnetic compositions of the rock," Burns said. Certain minerals produce recognizable magnetic signatures that aid modern prospectors in the search for deposits worth developing. Gold doesn't produce a recognizable signature, Burns said, but rocks often associated with gold deposits do.

The second instrument, an electromagnetic transmitter and receiver, pinpointed so-called "altered rock." Gold tends to be associated with rock altered by natural geologic forces like water and faults, Burns said.

The data produced didn't exactly say "dig for gold here," but combined with other information it convinced experts from the staking companies to move quickly.

"It's kind of a detective story in its own right," Blakstad said.

Swank said the recent activity in the mines has been in 25 years.

Bundtzen called the staking rush promising but cautioned against over-optimism. "Owing to the high risk nature of mineral exploration, in the first analysis perhaps two or three of the new prospects will be found to be economically significant."

Alaska is currently ranked fifth among U.S. gold-producing states. Last year, Alaska produced about 200,000 ounces worth \$73 million, Bundtzen said. When the Fort Knox mine comes on line, it is expected to more than double Alaska production.

The state collects rents, royalties and taxes on minerals taken out of state land, Bundtzen said. Most of the land now being staked is owned by the state or the University of Alaska, he said.

HB

207

(File 1)

HYPOTHETICAL "NORTH SLOPE MARGINAL" FIELD

	\$10 Oil	\$16 Oil	\$22 Oil	\$28 Oil
Price of ANS Delivered on West Coast	\$10.00	\$16.00	\$22.00	\$28.00
Marine Tanker: Valdez to West Coast	1.20	1.20	1.20	1.20
Pipeline Tariffs	4.60	1.60	4.60	4.60
Netback Price at the Field	\$4.20	\$10.20	\$16.20	\$22.20
State Royalty Rate 15% (approximate**)	0.63	1.53	2.43	3.33
State Tax (includes Production Tax, Property Tax, Income Tax and Environmental Tax)	1.02	1.78	2.66	3.54
Federal Income Tax	0.19	1.71	3.19	4.67
Operating Costs (Illustrative)	2.00	2.00	2.00	2.00
Recovery of Capital Invested	2.92	2.92	2.92	2.92
Profit	(\$2.56)	\$0.26	\$3.00	\$5.74

assumptions

1. 20 million barrel investment

2. 1000 bbl/day

3. 50% ultimate recovery

Comparison of HB 207 Versions.

	Governor's Version	House Version	Senate Version
	Non-producing fields		
Types of Leases	Uneconomic fields	Same	Same
	Shut-in fields		
Royalty Floor	Before '78--75% red. (3.125%)	Non-producing 75% red. (3.125%)	Non-producing 5% (80% red.)
(assuming 12.5% royalty)	After '78--50% red. (6.25%)	Uneconomic 90% red. (1.25%)	Uneconomic 3% (76% red.)
Oversight	None	LB&A advisory	Governor's approval for 38.05.180(j)(i)(a) non-producing fields. LB&A advisory but confidential information goes to LB&A staff & agents
Sunset	None	None	Authority to grant ends July 1, 2000 for non-producing fields.
Commissioner's Findings	No Criteria	No Criteria	Establishes criteria to be addressed.
3rd Party Analyses	Selected by commissioner.	Selected by applicant from DNR	Selected by DNR.
	Costs paid by applicant.	short list. Costs paid by applicant.	Costs paid by applicant.
Assignability	Not addressed.	Not addressed.	With Commissioner's prior approval.
Appealability	Not appealable by anyone.	Not appealable by anyone.	Not appealable by applicant.

Comparison of HB 207 Versions.

	Governor's Version	House Version	Senate Version
	Non-producing fields		
Types of Leases	Uneconomic fields	Same	Same
	Shut-in fields		
Royalty Floor	Before '78--75% (3.125%)	Non-producing 75% (3.125%)	Non-producing 5% (60%)
(assuming 12.5% royalty)	After '78--50% (6.25%)	Uneconomic 90% (1.25%)	Uneconomic 3% (76%)
Legislative Oversight	None	Advisory	Cumpulsory when greater than \$10 million for non-producing fields.
Sunset	None	None	Authority to grant ends March 15, 1999 for non-producing fields.
Commisloner's Findings	No Criteria	No Criteria	Establishes criteria to be addressed.
	Selected by commissioner.	Selected by applicant from DNR	Selected by DNR.
3rd Party Analyses	Costs paid by applicant.	short list.	Costs paid by applicant.
		Costs paid by applicant.	
Assignability	Not addressed.	Not addressed.	With Commissioner's prior approval.

Comparison of HB 207 Versions.

	Governor's Version	House Version	Senate Version
	Non-producing fields		
Types of Leases	Uneconomic fields	Same	Same
	Shut-in fields		
Royalty Floor	Before '78--75% (3.125%)	Non-producing 75% (3.125%)	Non-producing 5% (60%)
(assuming 12.5% royalty)	After '78--50% (6.25%)	Uneconomic 90% (1.25%)	Uneconomic 3% (76%)
Legislative Oversight	None	Advisory	Cumpulsory when greater than \$10 million for non-producing fields.
Sunset	None	None	Authority to grant ends March 15, 1999 for non-producing fields.
Commisloner's Findings	No Criteria	No Criteria	Establishes criteria to be addressed.

FISCAL NOTE

Version: HB 207
 (H) Publish Date: 2/27/95

**STATE OF ALASKA
 1995 LEGISLATIVE SESSION**

Revision Date: _____ Dept. Affected: Revenue
 Title: Reduce Royalty Share/Hold Permanent Fund BRU: APFC
 Component: APFC
 Sponsor: GOV
 Requester: GOV COMPONENT SERIAL NO. 109

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

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

FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY95) cost: \$ _____

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

No additional costs or significant impact is anticipated with the implementation of this proposed legislation upon the Alaska Permanent Fund Corporation .

Prepared by: Martin Pihl, Acting Executive Director Phone: 465-2047
 Division: APFC Date: 2/23/95
 Approved by: _____
 Commissioner: Deborah Vogt Date: 2/23/95
 Agency: Revenue

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FISCAL NOTE

No. 3

Corrected

STATE OF ALASKA
1995 LEGISLATIVE SESSION

Bill Version: HB 207

(H) Publish Date: 3/8/95

Revision Date: Original Dept Affected: Natural Resources
 Title: An Act relating to adjustments to royalty reserved to BRU: Resource Development
the state to encourage otherwise uneconomic production of oil and ... Component: Oil & Gas Development
 Sponsor: House Rules Committee
 Requestor: Governor Knowles Component Serial No. 439

(Thousands of Dollars)

Expenditures/Revenues	FY96	FY97	FY98	FY99	FY00	FY01
OPERATING EXPENDITURES						
PERSONAL SERVICES	90.61	94.01	97.51	101.21	105.01	108.91
TRAVEL	5.01	5.01	5.01	5.01	5.01	5.01
CONTRACTUAL	5.01	5.01	5.01	5.01	5.01	5.01
SUPPLIES	5.01	5.01	5.01	5.01	5.01	5.01
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	105.61	109.01	112.51	116.21	120.01	123.91

CAPITAL EXPENDITURES	0.01	0.01	0.01	0.01	0.01	0.01
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CHANGE IN REVENUES	0.01	0.01	0.01	0.01	0.01	0.01
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(Thousands of Dollars)

FUND SOURCE	FY96	FY97	FY98	FY99	FY00	FY01
1002 Federal Receipts						
1003 GF Match						
1004 GF	105.61	109.01	112.51	116.21	120.01	123.91
1005 GF Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	105.61	109.01	112.51	116.21	120.01	123.91

Estimate of any current year (FY95) cost: \$ None

POSITIONS

	FY96	FY97	FY98	FY99	FY00	FY01
FULL-TIME	01	01	01	01	01	01
PART-TIME	01	01	01	01	01	01
TEMPORARY	01	01	01	01	01	01

ANALYSIS: (Attach a separate page if necessary)

SEE ATTACHED

Prepared by: Ken Boyd, Acting Director Phone: 762-2547
 Division: Oil & Gas Date: 3-Mar-95
 Approved by Commission: Ken Boyd for John Knowles Date: 3-7-95
 Agency: Natural Resources

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ATTACHMENT FOR FISCAL NOTE - HB207
REDUCE ROYALTY SHARE/HOLD PERMANENT FUND "HARMLESS"

Implementation of this legislation will create an increased workload for the Division of Oil & Gas. We anticipate that some of the applications will be analyzed within the Division and many will require analysis by third parties (the bill provides that third-party costs will be paid for by the companies). Because of the extremely sensitive and confidential nature of the data a considerable amount of interaction between the third-party contractor and the state will be needed.

Furthermore, the bill requires that applicants make a clear and convincing showing of the need for royalty reduction, so the Division will need to evaluate the economic, geological and engineering data submitted for compliance with the law prior to seeking the assistance of a third party.

Because this legislation contains provisions that may cause the terms of the application to vary over time, any approved application will need to be monitored on a continuing basis. We expect this program to have broad appeal, however, we cannot anticipate how many applications will be submitted or when they will be submitted.

An exempt Petroleum Engineer, Range 26A, will provide the broad background that will be needed to evaluate these proposals effectively. This position will need to be skilled not only in Petroleum Engineering, but will also need to have extensive knowledge of petroleum geology and petroleum economics. The salary cost of this position will be approximately \$90.6 the first year, including benefits. Additional, minor expenses such as travel, contractual and supplies will be required which we estimate will not exceed \$15.0. This position and the associated costs are our estimates of the funding needed to get the program started; if many applications are received, other positions may be required. We assume that each application will take between 4-6 employee-months to evaluate.

This legislation will effect state operating revenues in an unquantifiable manner (the Permanent Fund share is not affected by this legislation). This legislation gives the commissioner authority to grant royalty reduction which, on its face, would seem to indicate a decrease in revenue. However, since the purpose of this legislation is to promote development of fields that would not otherwise be produced, the net effect on state revenues should be positive. As a result of this legislation we are gaining new revenues based on this new production (albeit at a somewhat reduced rate from currently producing fields).

FISCAL NOTE

BII

STATE OF ALASKA
 1995 LEGISLATIVE SESSION

Revision Date: 3/14/95 Dept. Affected: Revenue
 Title: Adjustments to Oil and Gas Royalty BRU: Revenue Operations
 Component: Oil & Gas Audit
 Sponsor: (#) Rules
 Requester: Governor COMPONENT SERIAL NO. 115

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING

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

CHANGE IN REVENUES ()See Analysis.....

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF Program Receipts						
1006 GF MHTIA						
Other						
TOTAL

Estimate of any current year (FY95) cost: \$ _____

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This Bill would grant the Commissioner of Natural Resources broad authority to reduce the royalty terms of an oil and gas lease if such reduction would allow new commercial development, prolong field life, or reestablish commercial production from idle leases. The reduction could be no greater than the percentage required to deposit royalty income under the initial lease terms into the permanent fund. The net impact of this provision will be to insure that the permanent fund share under the original lease terms will be covered in the event of reduction in royalty rate. In theory, the ability to grant royalty relief should raise the cash bids on new leases.

New production from this royalty reduction would most likely pay little severance tax because the Economic Limit Factor is designed to provide almost total tax relief to the kind of marginal fields this legislation is aimed at benefiting. Each new barrel of production would be subject to the \$.05/bbl or \$.03/bbl hazardous release surcharge (depending on the balance in the 470 fund) and the \$.004/bbl conservation tax. The impact on the corporate income tax would be too small to measure because of the worldwide-conditioned tax base and the field definition these fields would have marginal viability.

Prepared by: Chuck Legsdon Phone: 277-5627
 Division: Oil and Gas Audit Division Date: 3/13/95
 Approved by Commissioner: Deborah Veal Date: 2/15/95
 Agency: Revenue

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SENATE COMMITTEE REPORT

DATE: 4/20/95

FURTHER: Finance

DATE TURNED INTO OFFICE: 5-5-95

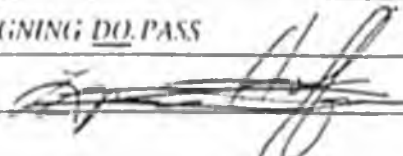
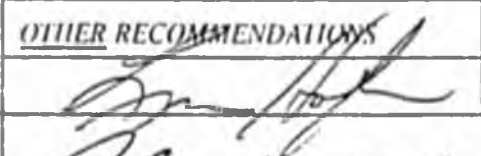
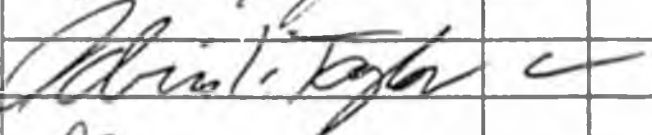
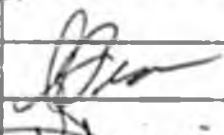
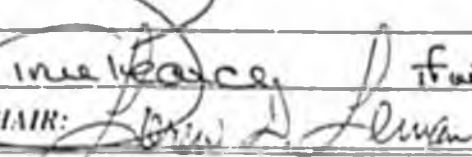
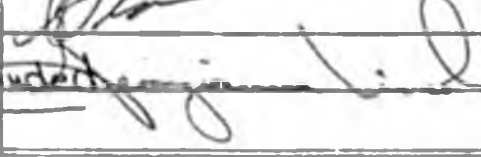
Resources Committee considered CSHB 207(FIN) AM

"An Act relating to adjustments to royalty reserved to the state to encourage otherwise uneconomic production of oil and gas; and providing for an effective date."

and recommends:

- be replaced with SEN CS CSHB 207 (RES)
- adopt previous CS _____
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

- Senate Bill: same title
- new title
- House Bill: same title
- technical change
- new: SCR° _____

SIGNING DO. PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
	✓		⊙		✓
					
					
in place CHAIR: 			✓		✓

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal
Revenue/APPC	2/27	✓	
DNE	3/8		105.6
Revenue/Distribution	3/15	✓	

APPROPRIATION -- no fiscal note

*Include fiscal notes accompanying Governor's bill

SECTIONAL ANALYSIS
OF
SENATE CS FOR CS FOR HOUSE BILL NO. 207(RES)
(VERSION 1)
MAY 8, 1995

The Senate CS for CS for House Bill No. 207(RES) defines the commissioner's authority to increase, decrease or otherwise adjust the existing royalty terms of oil and gas leases to encourage production under three different circumstances. Presuming that the relevant conditions set forth in the bill are met, the commissioner would be authorized: 1) under (j)(1)(A), to increase, decrease or adjust the royalty terms of leases overlying delineated fields from which oil or gas has not been produced for sale previously, 2) under (j)(1)(B), to increase, decrease or adjust the royalty terms of leases within producing fields where the field's operating costs exceed revenues, and are likely to continue to do so absent royalty increase, decrease or adjustment, and 3) under (j)(1)(C), to increase, decrease or adjust the royalty rates of leases within shut-in fields to re-establish production that would not otherwise be economically feasible. The authority to grant an increase, decrease or otherwise adjust royalty rates under (j)(1)(A) expires July 1, 2000. For (j)(1)(B) and (j)(1)(C) there is no sunset date.

Section 1

This section amends AS 36.30.850(b)(33) by adding a new paragraph which exempts the commissioner's selection of a qualified contractor to assist in the review of an application to increase, decrease or otherwise adjust royalty rates from the provisions of the State Procurement Code. Contractors' qualifications are described in Section 2, subsection (j)(7), below.

Section 2

This section amends AS 38.05.180(j) as provided below.

Subsection (j)(1)

This subsection clarifies that, before the commissioner may increase, decrease or otherwise adjust a royalty rate, the field must be delineated "sufficiently to allow the commissioner to conduct the analyses and make the findings required ..." instead of relying upon the more subjective standard of "sufficiently to the satisfaction of the commissioner..." which was specified in an earlier version of the bill. This change was made to reinforce the expectation that the commissioner's decisions to increase, decrease or adjust royalty rates will be well reasoned and supported by the record. This standard should encourage greater accountability, reducing the likelihood of disputes over whether the commissioner was "satisfied" with too little information before making a decision to increase, decrease or adjust royalty rates.

Subsections (j)(1)(A), (j)(1)(B) and (j)(1)(C) clarify that any royalty increase, decrease or adjustment will be based upon the economic feasibility of production from the entire oil or gas field or pool and not from a "portion of the field or pool." This will provide the state a safeguard against potential abuse of the royalty amendment provisions which might arise if the inquiry of what production is economically feasible is focused only on selected leases, portions of leases or vertically segregated zones underlying leases within a field.

The intent is to assure that, when royalties are increased, decreased or adjusted, the state will have the opportunity to share on the upside to the same extent it agrees to accept additional risk on the downside. By focusing this legislation on field-wide or pool-wide economics, the likelihood is reduced that the state will be asked to participate only in the sharing of costs for the most expensive wells within a field or pool while being denied the opportunity to share more equitably in the revenues from more economical wells.

Subsection (j)(2)

This subsection establishes the general standards for any royalty increase, decrease or adjustment to be a "clear and convincing showing that an increase, decrease or adjustment of royalty meets the requirements of this subsection and is in the best interests of the state." It also places the burden of proof for making that showing on the lessee.

Subsection (j)(3)

This subsection directs the commissioner to condition any royalty increase, decrease or adjustment "in any way necessary to protect the state's best interest." The Senate Resources Committee CS establishes the requirement that the commissioner describe in a written findings and determination the assumptions upon which an increase, decrease or adjustment is based, and set forth the terms and conditions, which may include the substitution of a sliding scale royalty or other mechanisms that will be applied to increase, decrease or adjust the state's royalty share if the assumptions upon which the commissioner relied are subsequently determined either to have underestimated or overestimated the economic feasibility of the field's development without the royalty increase, decrease or adjustment.

Subsection (j)(4)

This subsection sets forth explicit limitations on the commissioner's authority to grant a royalty increase, decrease or adjustment. With respect to delineated but previously non-producing fields (j)(1)(A), the Senate Resources Committee CS would forbid an increase, decrease or adjustment of royalty if the increase, decrease or adjustment would establish a royalty rate of less than five percent in amount or value of production removed or sold. With respect to non-economic producing (j)(1)(B) and shut-in fields (j)(1)(C), the commissioner may not decrease or otherwise adjust the royalty rate below a floor of three percent in amount or value of the production removed or sold.

Subsection (j)(5)

This subsection requires the commissioner to condition any royalty increase, decrease or adjustment with an explicit notice that the increase, decrease or adjustment may not be assigned without the prior written approval of the commissioner. It further specifies that the commissioner's approval shall be based upon a clear and convincing showing by the assignor that the assignment meets the requirements of subsection (j)(1), and is in the best interests of the state.

Subsection (j)(6)

This subsection establishes the requirement that the applicant submit supporting financial and technical data with an application for a royalty increase, decrease or adjustment. It defines the categories of information which may be required, and provides for the confidentiality of documents submitted in support of an application to increase, decrease or adjust the royalty rate.

The Senate Resources Committee CS makes explicit that the commissioner will require data necessary to make an informed decision on an application to increase, decrease or otherwise adjust royalty rates. In addition, the limitation of the commissioner's authority to require any information other than financial and technical data relating to "production", which appeared in an earlier version of the bill, has been deleted, clarifying that the scope of the commissioner's inquiry may include financial and technical data relating to development and transportation of oil and gas, as well as production, if the commissioner determines that those data are necessary to properly evaluate an application.

The subsection also defines the confidentiality principles which will apply to information submitted in support of an application to adjust royalties. At the direction of the majority of the members of the Legislative Budget and Audit Committee, the data may be disclosed to the director of the division of legislative finance and the permanent employees of their respective divisions, and to agents, or contractors of the legislative auditor or the legislative finance director who are engaged under contract to evaluate the royalty increase, decrease or other royalty adjustment. The data may not be disclosed to members of the legislature, and will remain confidential under the provisions of AS 38.05.035(a)(9) upon lessee's request.

Subsection (j)(7)

This subsection confirms the commissioner's authority to require the applicant to pay for the services of an independent contractor to assist the commissioner in reviewing an application to increase, decrease or otherwise adjust royalty rates. Relative to an earlier version of the bill, the contractor's qualifications have been expanded to include the ability to evaluate hydrocarbon production, development and transportation economics.

Subsection (j)(8)

This subsection establishes the requirement that the commissioner make and publish a preliminary findings and determination (preliminary findings) on applications to increase, decrease or otherwise adjust the royalty. Preliminary findings related to increases, decreases or adjustments under (1)(A), must first be submitted to the governor for the governor's approval or disapproval. If the governor approves the preliminary finding, the commissioner must: 1) give reasonable public notice, and 2) concurrently with the issuance of that notice, if directed by the Legislative Budget and Audit Committee, make copies of the findings and supporting financial and technical data available to those persons authorized under (6)(B) of this subsection to review the data and 3) invite public comment on the preliminary findings for a 30-day period.

For preliminary findings under (1)(B) or (C) of this subsection, the commissioner must give reasonable public notice and allow for a 30-day comment period on the proposal.

Subsection (j)(9)

This subsection defines a list of issues, (j)(9)(A)-(j)(9)(D), which the commissioner must address in any written finding and determination for a royalty increase, decrease or adjustment.

Subsection (j)(10)

This subsection sets forth the requirement that the commissioner offer to appear before the Legislative Budget and Audit Committee (L.B.&A) on a day no earlier than 10 days and not later than 20 days after giving public notice of a preliminary findings and determination on a royalty increase, decrease or other adjustment to provide the committee a review of the findings and the supporting financial and technical data.

If the L.B.&A Committee accepts the offer, it shall give notice of the meeting to all members of the legislature, and if the technical and financial data must be kept confidential, as provided in (6)(B), the commissioner may appear in executive session.

Subsection (1)(11)

This subsection provides that the commissioner shall make copies of the preliminary findings and determination for a proposed increase, decrease or adjustment of a royalty rate to the presiding officer of each house; the chairs of the legislature's standing committees on resources; and the chairs of the legislature's special committees on oil and gas, if any.

Subsection (1)(12)

This subsection defines the timelines and administrative procedures to be followed in summarizing the public comments, preparing and distributing the final findings and determination and amending the leases to reflect an increase, decrease or other adjustment of royalty rates, depending upon whether the findings apply to increases, decreases or adjustments under (1)(A) or those under (1)(B) or (1)(C). This subsection also contains language affirming that the commissioner's decisions, as regards the applicant, are final and not appealable to the court.

For final findings for adjustments under (1)(B) or (C) of this section, the commissioner is directed, within 30 days after the close of the public comment period, to prepare a summary of the public's response to the preliminary findings, and make a final findings and determination. For those adjustments under (1)(A) of this section, the commissioner is directed to summarize the public comments, make his final finding and submit it to the governor for the governor's approval or disapproval. The governor may not delegate a decision to approve or disapprove a final findings and determination for an increase, decrease or other adjustment under section (1)(A).

Under (12)(D) of this subsection, the commissioner is directed to provide copies of the final findings and determination (following the governor's approval, if under (1)(A)) to the lessee or lessees, and with their consent to amend the lease(s) or unit agreement(s) to reflect the increase, decrease or adjustment consistent with the terms of the findings and determination. Copies of the final findings and determination are to be provided to each person who submitted comments during the public comment period and who filed a request for copies.

Subsection (1)(13)

This subsection clarifies that the commissioner may, under the authorities vested by this bill, increase, decrease or adjust the royalty provisions of leases arising from conversion of Exploration Licenses.

Section 3

Section 3 amends the provisions of AS 38.05.180(p) to clarify that the commissioner may not increase, decrease or otherwise adjust royalty on leases in connection with a cooperative or unit plan except as provided in AS 38.05.180(p), as amended by this bill.

Section 4

Section 4 amends the provisions of AS 38.05.180(s) to clarify that the commissioner may not increase, decrease or otherwise adjust royalty on leases in connection with a communization or drilling agreement except as provided in AS 38.05.180(s), as amended by this bill.

Section 5

Section 5 amends the provisions of AS 38.05.180(t) to clarify that the commissioner may not increase, decrease or otherwise adjust royalty on a lease or leases that are subject to a drilling or development contract except as provided in (j) of this section, as amended by this bill.

Section 6

Section 6 provides for an immediate effective date under AS 01.10.070(c).




Alaska State Legislature

Session:
State Capitol
Juneau AK 99601-1182

Interim:
716 W 4th Avenue
Anchorage AK 99501-2133

MEMO

TO: Jack Chenoweth, Attorney
Legal Services
via fax: 2029 this page only

FROM: Annette E. Kreitzer, Aide to
Senate Resources Committee 

DATE: May 7, 1995

RE: SENATE AMENDMENT to HB 207 (version 1)

Please draft the following blank Senate amendment (no sponsor):

Page 3, Line 5:

~~DELETE: [assumptions]~~
Insert after 'the' relevant factors

Page 3, Lines 9-15:

~~DELETE~~ and insert new (C):

(C) shall set forth the terms and conditions which may include substitution of a sliding scale royalty or other mechanism to increase, decrease or otherwise adjust the royalty if relevant factors such as price, projected production rate or volume, predicted ultimate recovery and development, operating and transportation costs, upon which the increase, decrease or other adjustment is based, change

AMENDMENT

OFFERED IN THE SENATE
TO: SCS CSHB 207(RES)

SENATE FINANCE
COMMITTEE
Amendment Number: 2
Bill Number: HB 207
Sponsor: Shoop Date: 5/8/95
Logged In By: JJR

1 Page 3, line 5:

2 Delete "the assumptions"

3 Insert "the relevant factors"

4 Page 3, lines 9 - 15:

5 Delete all material and insert:

6 "(C) set out the terms and conditions, which may include
7 substitution of a sliding scale royalty or other mechanism to increase,
8 decrease, or otherwise adjust the royalty if there is a change in the
9 relevant factors, such as price, projected production rate or volume,
10 predicted ultimate recovery, and development, operating, and
11 transportation costs, upon which the increase, decrease, or other
12 adjustment is based;"

SENATE FINANCE
COMMITTEE

Amendment Number: 1

Bill Number: HB 207

Sponsor: Stump Date: 5/8/94

AMENDMENT Logged In By: H/R

May 8, 1994

OFFERED IN THE SENATE

TO: Senate CS for CS for HB 207(RES)

Page 4, Lines 14-15:

DELETE (at the direction of the majority of the members of the
Legislative Budget and Audit Committee.)

Page 5, Line 13:

DELETE (if directed) and insert unless directed, and after "Committee" insert
to do otherwise

SENATE CS FOR CS FOR HOUSE BILL NO. 207(RES)
 IN THE LEGISLATURE OF THE STATE OF ALASKA
 NINETEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered:
 Referred:

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR
 A BILL

FOR AN ACT ENTITLED

1 "An Act relating to adjustments to royalty reserved to the state to encourage
 2 otherwise uneconomic production of oil and gas; and providing for an effective
 3 date."

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

5 • Section 1. AS 36.30.850(b) is amended by adding a new paragraph to read:

6 (33) contracts between the Department of Natural Resources and
 7 contractors qualified to evaluate hydrocarbon development, production, transportation,
 8 and economics, to assist the commissioner of natural resources in evaluating applications
 9 for oil and gas royalty increases or decreases or other oil and gas royalty adjustments,
 10 and evaluating the related financial and technical data, entered into under
 11 AS 38.05.180(j).

12 • Sec. 2. AS 38.05.180(j) is amended to read:

13 (j) The [TO PROLONG THE ECONOMIC LIFE OF AN OIL AND GAS
 14 FIELD OR TO REESTABLISH COMMERCIAL PRODUCTION OF SHUT-IN OIL OR

1 GAS THAT WOULD NOT OTHERWISE BE ECONOMICALLY FEASIBLE, THE)
2 commissioner

3 (1) may provide for an increase or decrease or otherwise adjust
4 [SHALL ADOPT REGULATIONS TO ALLOW REDUCTION OF] royalty on
5 individual leases, leases unitized as described in (p) of this section, leases subject to
6 an agreement described in (s) or (t) of this section, or interests unitized under
7 AS 31.05; the commissioner may act under this subsection to increase, decrease, or
8 otherwise adjust the royalty

9 (A) after the effective date of this Act and not later than
10 July 1, 2000, to allow for production from an oil or gas field or pool if

11 (i) the oil or gas field or pool has been delineated
12 sufficiently to allow the commissioner to conduct the analyses and
13 make the findings required by this subsection;

14 (ii) the field or pool has not previously produced oil or
15 gas for sale; and

16 (iii) oil or gas production from the field or pool would
17 not otherwise be economically feasible;

18 (B) to prolong the economic life of an oil or gas field or pool
19 as costs per barrel or barrel equivalent increase such that future production
20 would not otherwise be economically feasible; or

21 (C) to reestablish production of shut-in oil or gas that would
22 not otherwise be economically feasible;

23 (2) [. THE COMMISSIONER] may not grant a [REDUCTION OF]
24 royalty increase, decrease, or other adjustment unless the lessee or lessees requesting
25 the increase, decrease, or other adjustment [REDUCTION] makes a clear and
26 convincing showing that an increase, decrease, or other adjustment of royalty meets
27 the requirements of this subsection and is in the best interests of the state;

28 (3) shall

29 (A) [THE REVENUE FROM THE LESSEE'S SHARE OF ALL
30 HYDROCARBONS PRODUCED FROM THE FIELD IS AND IS LIKELY TO
31 CONTINUE TO BE INSUFFICIENT TO PRODUCE A REASONABLE RATE
32 OF RETURN WITH RESPECT TO THE LESSEE'S TOTAL INVESTMENT IN

1 THE FIELD. THE COMMISSIONER MAY] condition any [A] royalty
2 increase, decrease, or other adjustment [REDUCTION] granted under this
3 subsection in any way necessary to protect the state's best interests;

4 (B) describe, in the findings and determinations required by
5 this subsection, the assumptions, including price, projected production rate
6 or volume, predicted ultimate recovery, and development, operating, and
7 transportation costs, upon which the increase, decrease, or other adjustment
8 is based; and

9 (C) set out the terms and conditions, which may include
10 substitution of a sliding scale royalty or other mechanisms, that will govern
11 subsequent increases, decreases, or other adjustments to restore, increase, or
12 decrease the state's royalty share if the assumptions upon which the
13 commissioner relied are subsequently determined to have underestimated or
14 overestimated the economic feasibility of the development of the field or pool
15 without a royalty increase, decrease, or other adjustment;

16 (4) may not grant a royalty increase, decrease, or other adjustment
17 for a field or pool

18 (A) under (1)(A) of this subsection if the royalty increase,
19 decrease, or adjustment for the field or pool would establish a royalty rate
20 of less than five percent in amount or value of the production removed or
21 sold from a lease or leases covering the field or pool;

22 (B) under (1)(B) or (1)(C) of this subsection if the royalty
23 decrease or other adjustment for the field or pool would establish a royalty
24 rate of less than three percent in amount or value of the production removed
25 or sold from a lease or leases covering the field or pool;

26 (5) may not grant a royalty increase, decrease, or other adjustment
27 under this subsection without including an explicit condition that the royalty
28 increase, decrease, or other adjustment is not assignable without the prior written
29 approval of the commissioner; the commissioner's approval of an assignment must
30 be based on a clear and convincing showing by the assignor that the assignment
31 meets the requirements of (1) of this subsection and is in the best interests of the
32 state;

1 (6) shall require the lessee or lessees to submit, with the application
2 for the royalty increase, decrease, or other adjustment, financial and technical data
3 that demonstrate that the requirements of this subsection are met; the commissioner
4 shall

5 (A) require disclosure of the financial and technical data
6 related to development, production, and transportation of oil and gas from
7 the field or pool that are necessary to make a determination as to whether
8 or not to grant the request for royalty increase, decrease, or other
9 adjustment; and

10 (B) keep the data described in (A) of this paragraph
11 confidential under AS 38.05.035(a)(9) at the request of the lessee or lessees
12 making application for the royalty increase or decrease or other royalty
13 adjustment; the confidential data

14 (i) at the direction of the majority of the members of
15 the Legislative Budget and Audit Committee, may be disclosed by
16 the commissioner only to the legislative auditor, the director of the
17 division of legislative finance, and the permanent employees of their
18 respective divisions, and to agents or contractors of the legislative
19 auditor or the legislative finance division director who are engaged
20 under contract to evaluate the royalty increase, decrease, or other
21 royalty adjustment;

22 (ii) may not be disclosed to legislators;

23 (7) may require the lessee or lessees making application for the
24 royalty increase, decrease, or other adjustment to pay for the services of an
25 independent contractor, qualified to evaluate hydrocarbon development, production,
26 transportation, and economics, who is selected by the commissioner to assist the
27 commissioner in evaluating the application and financial and technical data;
28 selection of an independent contractor under this paragraph is not subject to
29 AS 36.30;

30 (8) shall

31 (A) make and publish a preliminary findings and
32 determination on the royalty increase, decrease, or other adjustment

1 application; if the preliminary findings and determination concerns a
2 royalty increase, decrease, or other adjustment under (1)(A) of this
3 subsection, the preliminary findings and determination shall also be
4 presented to the governor for the governor's approval or disapproval; the
5 governor may not delegate a determination to approve or disapprove a
6 preliminary findings and determination under this subparagraph;

7 (B) for a royalty increase, decrease, or other adjustment
8 under (1)(A) of this subsection, if the governor approves the preliminary
9 findings and determination under (A) of this paragraph,

10 (i) give reasonable public notice of the preliminary
11 findings and determination;

12 (ii) concurrently with the issuance of the public
13 notice, if directed by the Legislative Budget and Audit Committee,
14 make available copies of the commissioner's preliminary findings
15 and determination on the royalty increase, decrease, or other
16 adjustment application and the supporting financial and technical
17 data, including the work papers, analyses, and recommendations of
18 any contractors retained under (7) of this subsection, to persons
19 authorized under (6)(B) of this subsection to review the data; and

20 (iii) invite public comment on the preliminary
21 findings and determination during a 30-day period for receipt of
22 public comment;

23 (C) for a royalty increase, decrease, or other adjustment
24 under (1)(B) or (C) of this subsection, if the preliminary findings and
25 determination approves a royalty increase, decrease, or other adjustment,

26 (i) give reasonable public notice of the preliminary
27 findings and determination; and

28 (ii) invite public comment on the preliminary findings
29 and determination during a 30-day period for receipt of public
30 comment;

31 (9) shall address in any findings and determinations required under

1 this subsection

2 (A) the projected effects of the proposed royalty increase,
3 decrease, or other adjustment on the state's revenue;

4 (B) the likelihood that the proposed royalty increase, decrease,
5 or other adjustment will result in incremental capital investment or other
6 beneficial spending within the state, and the steps taken by the commissioner
7 in conditioning the royalty increase, decrease, or other adjustment to assure
8 that anticipated investments or other beneficial spending within the state
9 occur;

10 (C) the projected effects of the proposed royalty increase,
11 decrease, or other adjustment on the employment of Alaskans and the use
12 of in-state contractors and suppliers; and

13 (D) the projected effects of the proposed royalty increase,
14 decrease, or adjustment upon existing and potential new oil and gas
15 exploration and development, and upon competition and patterns of
16 investments related to oil and gas exploration and development;

17 (10) shall offer to appear before the Legislative Budget and Audit
18 Committee on a day that is not earlier than 10 days and not later than 20 days
19 after giving public notice under (8) of this subsection, to provide the committee
20 a review of the commissioner's preliminary findings and determination on the
21 royalty increase, decrease, or other adjustment application and the supporting
22 financial and technical data; if the Legislative Budget and Audit Committee
23 accepts the commissioner's offer, the committee shall give notice of the
24 committee's meeting to all members of the legislature; if, under (6)(B) of this
25 subsection, the financial and technical data must be kept confidential at the
26 request of a lessee or lessees making application for the royalty increase or
27 decrease or other royalty adjustment, the commissioner may appear before the
28 committee in executive session;

29 (11) shall make copies of the preliminary findings and determination
30 available to

31 (A) the presiding officer of each house [INTEREST,
32 INCLUDING RESTORATION OF THE STATE'S ROYALTY SHARE IN THE

1 EVENT OF AN INCREASE IN THE PRICE OF OIL OR GAS. BEFORE
2 APPROVING A ROYALTY REDUCTION, THE COMMISSIONER SHALL
3 MAKE A WRITTEN FINDING THAT THE STATE HAS OBTAINED THE
4 MAXIMUM POSSIBLE ECONOMIC RETURN THAT IS COMPATIBLE
5 WITH ALLOWING A REASONABLE RATE OF ECONOMIC RETURN FOR
6 THE LESSEE, AND SEND COPIES OF THE FINDING TO ALL MEMBERS]
7 of the legislature;

8 (B) the chairs of the legislature's standing committees on
9 resources; and

10 (C) the chairs of the legislature's special committees on oil
11 and gas, if any;

12 (12) shall, within 30 days after the close of the public comment
13 period under (8) of this subsection,

14 (A) prepare a summary of the public response to the
15 commissioner's preliminary findings and determination;

16 (B) except as to a final findings and determination proposed
17 for a royalty increase, decrease, or other adjustment under (1)(A) of this
18 subsection, make a final findings and determination, which is final and not
19 appealable to the court by the lessee or lessees;

20 (C) as to a final findings and determination prepared for
21 a royalty increase, decrease, or other adjustment under (1)(A) of this
22 subsection, make a final findings and determination and present it to the
23 governor for the governor's approval or disapproval; the governor may not
24 delegate a decision to approve or disapprove a final findings and decision
25 presented under this subparagraph; the commissioner's final findings and
26 determination regarding a royalty increase, decrease, or other adjustment
27 prepared under this subparagraph, if approved by the governor, is, as to
28 the lessee or lessees applying for the royalty increase, decrease, or other
29 adjustment, final and not appealable to the court;

30 (D) transmit a copy of the final findings and determination
31 prepared under (B) or (C) of this paragraph to the lessee or lessees making
32 application for the royalty increase, decrease, or other adjustment;

1 (E) with the consent of the lessee or lessees applying for the
2 royalty increase, decrease, or other adjustment, amend the lease or
3 unitization agreement of the lessee or lessees applying for the royalty
4 increase, decrease, or other adjustment consistent with the commissioner's
5 final findings and determination; and

6 (F) make copies of the final findings and determination
7 available to each person who submitted comment under (8) of this subsection
8 and who has filed a request for the copies;

9 (13) is not limited by the provisions of AS 38.05.134(3) or (f) of this
10 section in the commissioner's determination under this subsection.

11 * Sec. 3. AS 38.05.180(p) is amended to read:

12 (p) To conserve the natural resources of all or a part of an oil or gas pool, field,
13 or like area, the lessees and their representatives may unite with each other, or jointly
14 or separately with others, in collectively adopting or operating under a cooperative or a
15 unit plan of development or operation of the pool, field, or like area, or a part of it, when
16 determined and certified by the commissioner to be necessary or advisable in the public
17 interest. The commissioner may, with the consent of the holders of leases involved,
18 establish, change, or revoke drilling, producing, and royalty requirements of the leases
19 and adopt regulations with reference to the leases, with like consent on the part of the
20 lessees, in connection with the institution and operation of a cooperative or unit plan as
21 the commissioner determines necessary or proper to secure the proper protection of the
22 public interest. The commissioner may not decrease royalty on leases in connection
23 with a cooperative or unit plan except as provided in (j) of this section. The
24 commissioner may require oil and gas leases issued under this section to contain a
25 provision requiring the lessee to operate under a reasonable cooperative or unit plan, and
26 may prescribe a plan under which the lessee must operate. The plan must adequately
27 protect all parties in interest, including the state.

28 * Sec. 4. AS 38.05.180(s) is amended to read:

29 (s) When separate tracts cannot be individually developed and operated in
30 conformity with an established well-spacing or development program, a lease, or a
31 portion of a lease, may be pooled with other land, whether or not owned by the state,
32 under a communication or drilling agreement providing for an apportionment of

1 production or royalties among the separate tracts of land comprising the drilling or
2 spacing unit when determined by the commissioner to be in the public interest.
3 Operations or production under the agreement are considered as operations or production
4 as to each lease committed to the agreement. The commissioner may not decrease
5 royalty on leases in connection with a communication or drilling agreement except
6 as provided in (j) of this section.

7 * Sec. 5. AS 38.05.180(t) is amended to read:

8 (t) The commissioner may prescribe conditions and approve, on conditions,
9 drilling, or development contracts made by one or more lessees of oil or gas leases, with
10 one or more persons, when, in the discretion of the commissioner, the conservation of
11 natural resources or the public convenience or necessity requires it or the interests of the
12 state are best served. All leases operated under approved drilling or development
13 contracts and interests under them, are excepted in determining holding or control under
14 AS 38.05.140. The commissioner may not decrease royalty on a lease or leases that
15 are subject to a drilling or development contract except as provided in (j) of this
16 section.

17 * Sec. 6. This Act takes effect immediately under AS 01.10.070(c).



Alaska State Legislature

Session:
State Capitol
Juneau AK 99801-1182

Interim:
716 W 4th Avenue
Anchorage AK 99501-2133

MEMO

TO: Jack Chenoweth, Attorney
Legal Services

FROM: Annette E. Kreitzer, Aide to
Senate Resources Committee

DATE: May 4, 1995

RE: Committee Substitute

Please prepare a Resources Committee Substitute for HB 207 incorporating the attached amendments numbered: 1, 2, 3, 4, 5, 8 and 11; and the following amendments which also were adopted:

- a) AM #6: Insert or pool after oil or gas field wherever oil or gas field appears in the Senate Resources Committee Version B Work Draft, beginning on page 2, line 10.
- b) AM #7: Page 2, line 10 DELETE: [MARCH 15, 1999]
insert: July 1, 2000
- c) AM#10: Page 5, line 6 following the word adjustment:
Insert: on the state's revenue;
- d) AM #11: Page 2, lines 18-20
DELETE: (B) [to prolong the economic life of an oil or gas field when the field's operating costs exceed its revenue and, without a royalty or other adjustment are likely to continue to do so; or]
Insert: (B) to prolong the economic life of an oil or gas field or pool as costs per barrel or barrel equivalent increase such that future production would not otherwise be economically feasible; or

AMENDMENT #1

OFFERED IN THE SENATE

TO: SCS CSHB 207(RES)

1 Page 4, line 14:

2 Delete "production, transportation, and marketing"

3 Insert "production, and transportation"

AMENDMENT #2

OFFERED IN THE SENATE
TO: SCS CSHB 207(RES)

- 1 Page 5, line 13:
- 2 Delete "social"

- 3 Page 5, line 14:
- 4 Delete ", including its effects"

Adams *5/2/95*

AMENDMENT

#3

OFFERED IN THE SENATE

TO: SCS CSHB 207(RES), 9-GH0039AB, 4/29/95

- 1 Page 8, line 29:
- 2 Delete "increase or"
- 3 Delete "or otherwise adjust"

- 4 Page 9, line 11:
- 5 Delete "increase or"

- 6 Page 9, line 12:
- 7 Delete "or otherwise adjust"

- 8 Page 9, line 21:
- 9 Delete "increase or"
- 10 Delete "or otherwise adjust"

Adopted by the Senate 5/2/95

Adopted *no objection*

AMENDMENT

4

OFFERED IN THE SENATE
TO: SCS CSHB 207(RES)

- 1 Page 1, line 8:
- 2 Delete "marketing"

- 3 Page 2, line 19:
- 4 Delete "increase," (no objection)

- 5 Page 2, line 20, after "decrease": (no objection)
- 6 Delete ","

- 7 Page 3, line 5, after "including":
- 8 Insert "price,"

- 9 Page 3, line 6:
- 10 After "recovery,"
- 11 Delete "or"
- 12 Insert "and"
- 13 After "development"
- 14 Delete "and"
- 15 Insert ","
- 16 After "operating"
- 17 Insert "and transportation"

- 18 Page 3, line 9:
- 19 Delete "a share of net profits,"

1 Page 4, line 26:

2 Delete "marketing"

SENATE AMENDMENT

#8

BY:

Leban

TO:

SENATE BILL NO.

SCS CS HB 207 (PE)

TO:

HOUSE BILL NO.

p 7 lines 6-11

*Attorney General
12/21/68*

delete "the commissioners ... or other

adjustment"

insert which is

line 11

add "by the applicant" at end of sentence.

TURN IN ORIGINAL AMENDMENT TO SENATE SECRETARY'S OFFICE.
(THE AMENDMENT WILL BE NUMBERED, COPIED AND DISTRIBUTED.)

11

~~P. 2 Line 18~~

(B) TO PROLONG THE ECONOMIC LIFE OF AN OIL OR GAS FIELD OR POOL AS COSTS PER BARREL OR BARREL EQUIVALENT INCREASE SUCH THAT FUTURE PRODUCTION WOULD NOT OTHERWISE BE ECONOMICALLY FEASIBLE; OR

Adapted from [unclear]

9-GH0039\B ✓
Chenoweth
4/29/95

SENATE CS FOR CS FOR HOUSE BILL NO. 207(RES)
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered:
Referred:

Sponsors): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to adjustments to royalty reserved to the state to encourage
2 otherwise uneconomic production of oil and gas; and providing for an effective
3 date."

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

5 ~~Section 1.~~ AS 36.30.850(b) is amended by adding a new paragraph to read:

6 (33) contracts between the Department of Natural Resources and
7 contractors qualified to evaluate hydrocarbon development, production, transportation,
8 and marketing economics, to assist the commissioner of natural resources in evaluating
9 applications for oil and gas royalty increases or decreases or other oil and gas royalty
10 adjustments, and evaluating the related financial and technical data, entered into under
11 AS 38.05.180(j).

12 ~~Sec. 2.~~ AS 38.05.180(j) is amended to read:

13 (j) The (TO PROLONG THE ECONOMIC LIFE OF AN OIL AND GAS
14 FIELD OR TO REESTABLISH COMMERCIAL PRODUCTION OF SHUT-IN OIL OR

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GAS THAT WOULD NOT OTHERWISE BE ECONOMICALLY FEASIBLE. THE] commissioner

(1) may provide for an increase or decrease or otherwise adjust [SHALL ADOPT REGULATIONS TO ALLOW REDUCTION OF] royalty on individual leases, leases unitized as described in (p) of this section, leases subject to an agreement described in (s) or (t) of this section, or interests unitized under AS 31.05; the commissioner may act under this subsection to increase, decrease, or otherwise adjust the royalty

Outstanding to Board 12/1/99

(A) after the effective date of this Act and not later than ~~March 15, 1999~~ to allow for production from an oil or gas field if

July 1, 2000

(i) the oil or gas field has been delineated sufficiently to allow the commissioner to conduct the analyses and make the findings required by this subsection;

(ii) the field has not previously produced oil or gas for sale; and

(iii) oil or gas production from the field would not otherwise be economically feasible;

(B) to prolong the economic life of an oil or gas field when the field's operating costs exceed its revenue and, without a royalty increase, decrease, or other adjustment, are likely to continue to do so; or

B47 (C) to reestablish production of shut-in oil or gas that would not otherwise be economically feasible;

(2) [THE COMMISSIONER] may not grant a [REDUCTION OF] royalty increase, decrease, or other adjustment unless the lessee or lessees requesting the increase, decrease, or other adjustment [REDUCTION] makes a clear and convincing showing that an increase, decrease, or other adjustment of royalty meets the requirements of this subsection and is in the best interests of the state;

(3) shall

(A) [THE REVENUE FROM THE LESSEE'S SHARE OF ALL HYDROCARBONS PRODUCED FROM THE FIELD IS AND IS LIKELY TO CONTINUE TO BE INSUFFICIENT TO PRODUCE A REASONABLE RATE OF RETURN WITH RESPECT TO THE LESSEE'S TOTAL INVESTMENT IN

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THE FIELD. THE COMMISSIONER MAY] condition any [A] royalty increase, decrease, or other adjustment [REDUCTION] granted under this subsection in any way necessary to protect the state's best interests;

(B) describe, in the findings and determinations required by this subsection, the assumptions, including projected production rate or volume, predicted ultimate recovery, or development and operating costs, upon which the increase, decrease, or other adjustment is based; and

(C) set out the terms and conditions, which may include substitution of a sliding scale royalty, a share of net profits, or other mechanisms, that will govern subsequent increases, decreases, or other adjustments to restore, increase, or decrease the state's royalty share if the assumptions upon which the commissioner relied are subsequently determined to have underestimated or overestimated the economic feasibility of the field's development without a royalty increase, decrease, or other adjustment;

(4) may not grant a royalty increase, decrease, or other adjustment for a field

(A) under (1)(A) of this subsection if the

(i) royalty increase, decrease, or adjustment for the field would establish a royalty rate of less than three percent in amount or value of the production removed or sold from a lease or leases covering the field; or

(ii) anticipated aggregate value of the proposed royalty decrease or other adjustment is a reduction that would exceed \$10,000,000 unless the commissioner and the lessee or lessees applying for the royalty decrease or other adjustment agree that the decrease or other adjustment may take effect only if not disapproved under (12)(B)(ii) of this subsection and the commissioner first submits the decrease or other adjustment under that provision;

(B) under (1)(B) or (1)(C) of this subsection if the royalty decrease or other adjustment for the field would establish a royalty rate of less than three percent in amount or value of the production removed or

Handwritten notes on the right margin:
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sold from a lease or leases covering the field;

(5) may not grant a royalty increase, decrease, or other adjustment under this subsection without including an explicit condition that the royalty increase, decrease, or other adjustment is not assignable without the prior written approval of the commissioner; the commissioner's approval of an assignment must be based on a clear and convincing showing by the assignor that the assignment meets the requirements of (1) of this subsection and is in the best interests of the state;

(6) shall require the lessee or lessees to submit with the application for the royalty increase, decrease, or other adjustment financial and technical data that demonstrate that the requirements of this subsection are met; the commissioner shall

(A) require disclosure of the financial and technical data related to development, production, ^{and} transportation, and marketing of oil and gas from the field that are necessary to make a determination as to whether or not to grant the request for royalty increase, decrease, or other adjustment; and

(B) ~~keep the data, except for the data disclosed under (10) of this subsection to a committee of the legislature or to the Legislative Budget and Audit Committee, confidential under AS 38.05.035(a)(9) upon the request of the lessee or lessees making application for the royalty increase or decrease or other royalty adjustment;~~

(7) may require the lessee or lessees making application for the royalty increase, decrease, or other adjustment to pay for the services of an independent contractor, qualified to evaluate hydrocarbon development, production, transportation, and marketing economics, who is selected by the commissioner to assist the commissioner in evaluating the application and financial and technical data; selection of an independent contractor under this paragraph is not subject to

AS 36.30; (state process + code)

(8) shall make and publish a preliminary findings and determination on the royalty increase, decrease, or other adjustment application, give reasonable public notice of the preliminary findings and determination, and invite public

See 2011 amendment

Am B6

B.3

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comment on the preliminary findings and determination during a 30-day period for receipt of public comment;

(9) ~~that shall be made in any final findings and determinations required under this subsection~~

(A) the projected effects of the proposed royalty increase, decrease, or other adjustment *on the state's revenue*

(B) the likelihood that the proposed royalty increase, decrease, or other adjustment will result in incremental capital investment or other beneficial spending within the state, and the steps taken by the commissioner in conditioning the royalty increase, decrease, or other adjustment to assure that anticipated investments or other beneficial spending within the state occur;

(C) the projected social effects of the proposed royalty increase, decrease, or other adjustment, including its effects on the employment of Alaskans and the use of in-state contractors and suppliers; and

(D) the projected effects of the proposed royalty increase, decrease, or adjustment upon existing and potential new oil and gas exploration and development, and upon competition and patterns of investments related to oil and gas exploration and development;

now (10) as to (Am B.3)
(A) a royalty decrease or other royalty adjustment that, under (4)(A)(ii) of this subsection, requires legislative approval and the legislature is in session, may appear before one or more standing or special committees of each house of the legislature to provide the committee a review of the commissioner's preliminary findings and determination on the royalty increase, decrease, or other adjustment application and the supporting financial and technical data; if, under (6)(B) of this subsection, the financial and technical data must be kept confidential at the request of a lessee or lessees making application for the royalty decrease or other adjustment, the commissioner may appear before a committee in executive session; and

(B) a royalty decrease or other adjustment that, under

*AM B.3
AM B.5*

*AM B.3
AM B.5
AM B.6
AM B.7
AM B.8
AM B.9
AM B.10
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AM B.27
AM B.28
AM B.29
AM B.30
AM B.31
AM B.32*

1 (4)(A)(ii) of this subsection, requires legislative approval and the legislature
 2 is not in session, or as to a royalty increase, decrease, or adjustment other
 3 than one described in (4)(A)(ii) of this subsection, shall offer to appear
 4 before the Legislative Budget and Audit Committee on a day that is not
 5 earlier than 10 days and not later than 20 days after giving public notice
 6 under (8) of this subsection, to provide the committee a review of the
 7 commissioner's preliminary findings and determination on the royalty
 8 increase, decrease, or other adjustment application and the supporting
 9 financial and technical data; if the Legislative Budget and Audit Committee
 10 accepts the commissioner's offer, the committee shall give notice of the
 11 committee's meeting to all members of the legislature; if, under (6)(B) of this
 12 subsection, the financial and technical data must be kept confidential at the
 13 request of a lessee or lessees making application for the royalty increase or
 14 decrease or other royalty adjustment, the commissioner may appear before
 15 the committee in executive session;

16 (11) shall make copies of the preliminary findings and determination
 17 available to

18 (A) the presiding officer of each house [INTEREST,
 19 INCLUDING RESTORATION OF THE STATE'S ROYALTY SHARE IN THE
 20 EVENT OF AN INCREASE IN THE PRICE OF OIL OR GAS. BEFORE
 21 APPROVING A ROYALTY REDUCTION, THE COMMISSIONER SHALL
 22 MAKE A WRITTEN FINDING THAT THE STATE HAS OBTAINED THE
 23 MAXIMUM POSSIBLE ECONOMIC RETURN THAT IS COMPATIBLE
 24 WITH ALLOWING A REASONABLE RATE OF ECONOMIC RETURN FOR
 25 THE LESSEE, AND SEND COPIES OF THE FINDING TO ALL MEMBERS]
 26 of the legislature;

27 (B) the chairs of the legislature's standing committees on
 28 resources; and

29 (C) the chairs of the legislature's special committees on oil
 30 and gas, if any;

31 (12) shall,

32 (A) for a royalty increase, decrease, or other adjustment that

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~~does not, under (4)(A)(ii) of this subsection, require legislative approval, within 30 days after the close of the public comment period under (8) of this subsection,~~

~~(i) prepare a summary of the public response to the commissioner's preliminary findings and determination;~~

~~(ii) make a final findings and determination; the commissioner's final findings and determination prepared under this subparagraph regarding a royalty increase, decrease, or other adjustment is, as to the lessee or lessees applying for the royalty increase, decrease, or other adjustment, final and not appealable to the court;~~

~~(B) for a royalty increase, decrease, or other adjustment that, under (4)(A)(ii) of this subsection, requires legislative approval, within 30 days after the close of the public comment period under (8) of this subsection,~~

~~(i) prepare a summary of the public response to the commissioner's preliminary findings and determination;~~

~~(ii) make a proposed final findings and determination and submit it to the presiding officer of each house of the legislature; if the legislature is in session at the time of submission and does not act within 50 days after the close of the public comment period under (8) of this subsection to disapprove the commissioner's proposed final findings and determination by enacting legislation, the commissioner shall issue a final findings and determination; if the legislature is not in session, the Legislative Budget and Audit Committee shall review and approve or disapprove proposed final findings and determinations; if the Legislative Budget and Audit Committee does not act within 50 days after the close of the public comment period under (8) of this subsection to disapprove, by majority vote of the committee's full membership, the commissioner's proposed final findings and determinations, the commissioner shall issue a final findings and determination; the commissioner's final findings and~~

Am D.2

Am 3.2
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determination prepared under this subparagraph regarding the royalty increase, decrease, or other adjustment ^{is deleted by the Gov.} K, as to the lessee or lessees applying for the royalty increase, decrease, or other adjustment, final and not appealable to the court;

Am 3.3

(C) transmit a copy of the final findings and determination prepared under (A) or (B) of this paragraph to the lessee or lessees making application for the royalty increase, decrease, or other adjustment;

(D) with the consent of the lessee or lessees applying for the royalty increase, decrease, or other adjustment, amend the lease or unitization agreement of the lessee or lessees applying for the royalty increase, decrease, or other adjustment consistent with the commissioner's final findings and determination; and

(E) make copies of the final findings and determination available to each person who submitted comment under (8) of this subsection and who has filed a request for the copies;

(13) is not limited by the provisions of AS 38.05.134(3) or (f) of this section in the commissioner's determination under this subsection.

• Sec. 3. AS 38.05.180(p) is amended to read:

(p) To conserve the natural resources of all or a part of an oil or gas pool, field, or like area, the lessees and their representatives may unite with each other, or jointly or separately with others, in collectively adopting or operating under a cooperative or a unit plan of development or operation of the pool, field, or like area, or a part of it, when determined and certified by the commissioner to be necessary or advisable in the public interest. The commissioner may, with the consent of the holders of leases involved, establish, change, or revoke drilling, producing, and royalty requirements of the leases and adopt regulations with reference to the leases, with like consent on the part of the lessees, in connection with the institution and operation of a cooperative or unit plan as the commissioner determines necessary or proper to secure the proper protection of the public interest. The commissioner may not increase or decrease or otherwise adjust royalty on leases in connection with a cooperative or unit plan except as provided in (j) of this section. The commissioner may require oil and gas leases issued under this section to contain a provision requiring the lessee to operate under a reasonable

Am 3.1

1 cooperative or unit plan, and may prescribe a plan under which the lessee must operate.

2 The plan must adequately protect all parties in interest, including the state.

3 • Sec. 4. AS 38.05.180(s) is amended to read:

4 (s) When separate tracts cannot be individually developed and operated in
5 conformity with an established well-spacing or development program, a lease, or a
6 portion of a lease, may be pooled with other land, whether or not owned by the state,
7 under a communication or drilling agreement providing for an apportionment of
8 production or royalties among the separate tracts of land comprising the drilling or
9 spacing unit when determined by the commissioner to be in the public interest.
10 Operations or production under the agreement are considered as operations or production
11 as to each lease committed to the agreement. The commissioner may not increase or
12 decrease or otherwise adjust royalty on leases in connection with a communication
13 or drilling agreement except as provided in (j) of this section. AM B.1

14 • Sec. 5. AS 38.05.180(t) is amended to read:

15 (t) The commissioner may prescribe conditions and approve, on conditions,
16 drilling, or development contracts made by one or more lessees of oil or gas leases, with
17 one or more persons, when, in the discretion of the commissioner, the conservation of
18 natural resources or the public convenience or necessity requires it or the interests of the
19 state are best served. All leases operated under approved drilling or development
20 contracts and interests under them, are excepted in determining holding or control under
21 AS 38.05.140. The commissioner may not increase or decrease or otherwise adjust
22 royalty on a lease or leases that are subject to a drilling or development contract
23 except as provided in (j) of this section. AM B.1

24 • Sec. 6. This Act takes effect immediately under AS 01.10.070(c),



Alaska State Legislature

Session:
State Capitol
Juneau AK 99801-1182

MEMO

Interim:
716 W 4th Avenue
Anchorage AK 99501-2133

TO: Jack Chenoweth, Attorney
Legal Services

FROM: Annette Kreitzer, Aide to
Senate Resources Committee

DATE: May 3, 1995

RE: Amend amendments GH0039B.2, B.3 and GH0039B.4

Thanks for your prompt assistance.

1) Amend amendment B.3 to delete at Page 3, beginning at line 23. As it reads, the commissioner cannot grant royalty increase, decrease or other adjustment under (a)(\) that would exceed \$10 million. The intent is that the GOVERNOR must approve any such royalty arrangement that would exceed \$10 million.

2) On Page 1, Line 13 of AM B.2, please amend it to read:

and determination and concurrently with the issuance of the public notice make available to the Legislative and Budget and Audit Committee professional staff and agents copies of the commissioner's preliminary findings and determination on the royalty increase, decrease or other adjustment application and the supporting financial and technical data including the work papers, analyses and recommendations of any contractors retained under subsection (7) of this section.

3) Combine Amendments B.2 and B.3 as a single amendment. (Looks to me that you only need add Lines 1-15 of B.2 to B.3 to get the combined amendment.)

4) With respect to Amendment B.3, lines 6-13: I did not understand that Senator Leman's intent is that there are two levels of confidentiality.

confidentiality from the public with respect to (6)(B) and (10); also confidentiality when the information is requested by the companies to be confidential in the LB&A Committee. He wants this to be clear in AMENDMENTS B.2 and B.3. Amend (B) to say that this data may be disclosed to the Professional staff and agents of the LB&A committee, but it is not to be disclosed to legislators.

In B.3, page 2, line 1 that reference to confidential information is to information to be kept confidential from the public, but available to legislators in executive session. Does that need to be stated?

For AM B.4:

On Page 1, Line 8 of WORK DRAFT B:

DELETE [marketing]

On Page 4, Line 26 of WORK DRAFT B:

DELETE [marketing]

On Page 3, Line 6 of WORK DRAFT B:

after recovery, DELETE [OR] and Insert and

AMENDMENT

OFFERED IN THE SENATE

TO: SCS CSHB 207(RES)

1 Page 2, line 19:

2 Delete "increase,"

3 Page 2, line 20, after "decrease":

4 Delete ","

5 Page 3, line 5, after "including":

6 Insert "price,"

7 Page 3, line 6:

8 After "development"

9 Delete "and"

10 Insert ","

11 After "operating"

12 Insert ", and transportation"

13 Page 3, line 9:

14 Delete ", a share of net profits,"

A M E N D M E N T

OFFERED IN THE SENATE

TO: SCS CSHB 207(RES)

1 Page 3, lines 25 - 29:

2 Delete "unless the commissioner and the lessee or lessees applying for the royalty
3 decrease or other adjustment agree that the decrease or other adjustment may take
4 effect only if not disapproved under (12)(B)(ii) of this subsection and the commissioner
5 first submits the decrease or other adjustment under that provision"

6 Page 4, lines 18 - 22:

7 Delete all material and insert:

8 "(B) keep the data described in (A) of this paragraph
9 confidential under AS 38.05.035(a)(9) at the request of the lessee or lessees
10 making application for the royalty increase or decrease or other royalty
11 adjustment; the data may be disclosed to the legislators in attendance at
12 the Legislative Budget and Audit Committee meeting described in (10) of
13 this subsection;"

14 Page 5, line 21, through page 6, line 15:

15 Delete all material and insert:

16 "(10) shall offer to appear before the Legislative Budget and Audit
17 Committee on a day that is not earlier than 10 days and not later than 20 days
18 after giving public notice under (8) of this subsection, to provide the committee
19 a review of the commissioner's preliminary findings and determination on the
20 royalty increase, decrease, or other adjustment application and the supporting
21 financial and technical data; if the Legislative Budget and Audit Committee
22 accepts the commissioner's offer, the committee shall give notice of the
23 committee's meeting to all members of the legislature; if, under (6)(B) of this

1 subsection, the financial and technical data must be kept confidential at the
 2 request of a lessee or lessees making application for the royalty increase or
 3 decrease or other royalty adjustment, the commissioner may appear before the
 4 committee in executive session;"

5 Page 6, line 31, through page 8, line 4:

6 Delete all material and insert:

7 "(12) shall, within 30 days after the close of the public comment
 8 period under (8) of this subsection,

9 (A) prepare a summary of the public response to the
 10 commissioner's preliminary findings and determination;

11 (B) except as to a final findings and determination proposed
 12 for a royalty increase, decrease, or other adjustment under (1)(A) of this
 13 subsection, make a final findings and determination; the commissioner's
 14 final findings and determination prepared under this subparagraph
 15 regarding a royalty increase, decrease, or other adjustment is, as to the
 16 lessee or lessees applying for the royalty increase, decrease, or other
 17 adjustment, final and not appealable to the court;

18 (C) as to a final findings and determination prepared for
 19 a royalty increase, decrease, or other adjustment under (1)(A) of this
 20 subsection, make a final findings and determination and present it to the
 21 governor for the governor's approval or disapproval; the governor may
 22 not delegate a decision to approve or disapprove a final findings and
 23 decision presented under this subparagraph; the commissioner's final
 24 findings and determination regarding a royalty increase, decrease, or
 25 other adjustment prepared under this subparagraph, if approved by the
 26 governor, is, as to the lessee or lessees applying for the royalty increase,
 27 decrease, or other adjustment, final and not appealable to the court;"

28 Reletter the following subparagraphs accordingly.

29 Page 8, line 6:

- 1 Delete "(A) or (B)"
- 2 Insert "(B) or (C)"