



# LAWS OF ALASKA

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**Chapter No.**

9

## AN ACT

Providing for the sale, exchange or other disposition of minerals obtained by the state as royalty under state leases or of rights to receive future mineral production under state leases; and providing for an effective date.

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

- \* Section 1. AS 38.05.182 is amended to read:

Sec. 38.05.182. ROYALTY ON NATURAL RESOURCES. Any royalty provided for in secs. 135 - 181 of this chapter may be taken in kind rather than in money if the commissioner, with the consent of the board, determines that the taking in kind would be in the best interest of the state. The consent of the board is required only with respect to oil and gas royalty-in-kind under sec. 183 of this chapter.

- \* Sec. 2. AS 38 is amended by adding a new chapter to read:

CHAPTER 06. ALASKA ROYALTY OIL AND GAS  
DEVELOPMENT ADVISORY BOARD.

Sec. 38.06.010. PURPOSE. It is the purpose of this chapter to facilitate the wise development of Alaska's oil and gas royalty interests by providing means and procedures for sales, exchanges or other disposition of those interests in ways calculated to promote private economic growth consistent with applicable environmental standards and public fiscal stability, and in accordance with AS 38.05.183.

Sec. 38.06.020. ESTABLISHMENT. There is established in the Department of Natural Resources the Alaska Royalty Oil and Gas Development Advisory Board.

Sec. 38.06.025. MEMBERSHIP. The board consists of the commissioner of natural resources, who is chairman, the commissioner of economic development, and three public members. Each of the public members shall possess experi-

Chapter 9

ence in petroleum-related fields in such areas as exploration, development, production and economics, and shall be appointed by the governor to serve at his pleasure for three-year staggered terms and confirmed by a vote of a majority of the members of the legislature in joint session. The public members may not be state officers or employees. A public member, upon the expiration of his term, shall continue to hold office until his successor is appointed and qualifies. Vacancies in public membership shall be filled in the same manner as original appointment. An appointee to fill a vacancy shall hold office for the balance of the term for which his predecessor on the board was appointed. A vacancy in board membership does not impair the authority of a quorum of the board members to exercise all the powers and duties of the board.

Sec. 38.06.030. COMPENSATION; PER DIEM, TRAVEL EXPENSES. Members of the board are in the exempt service under AS 39.25.110 and shall receive per diem and travel allowances as provided by law for other boards and commissions.

Sec. 38.06.035. MEETINGS, RULES, QUORUM, VOTES REQUIRED; CONFLICT OF INTEREST. (a) The board shall prescribe its own rules of procedure. It shall meet at a time and place determined by the chairman, and at other times and places as the chairman, or a majority of the board members, considers necessary. A quorum is a majority of the members of the board. The votes of the board members shall be recorded. Effective action to carry out the powers granted under this chapter requires the affirmative vote of a majority of the board members. No board member may, with respect to a matter before the board, vote for or on behalf of another member of the board.

(b) No member of the board may act upon a matter in which his relationship with any person creates a conflict of interest. No board member may have an official connection with or hold stock or securities in, or have a pecuniary interest in, a corporation, company or association engaged in the production or transportation of oil or gas.

Sec. 38.06.040. POWERS. The board has the power to

(1) direct the commissioner of natural resources to solicit inquiries, development plans or bids from persons for the sale, exchange or other disposal of oil or gas or both obtained by the state as a royalty under AS 38.05.182, or for the sale, exchange or other disposal in whole or part of rights to receive future oil or gas production or both under a state lease, subject to terms and conditions established by the board;

(2) examine proposed sales, exchanges or other disposals of oil or gas or both obtained by the state as a royalty under AS 38.05.182, or of rights to receive future oil or gas production or both under a state lease, for the purpose of approving or disapproving the proposed sale, exchange or other disposal;

(3) hire an executive director, consultants expert in technical, economic or other relevant professions and other persons as necessary to assist the board in the exercise of its powers;

(4) promulgate regulations under the Administrative Procedure Act (AS 44.62) that are necessary or appropriate in the exercise of its powers; and

(5) take whatever other actions are reasonably necessary in the furtherance of the purposes of this chapter.

Sec. 38.06.050. BOARD APPROVAL REQUIRED. (a) No sale, exchange, encumbrance, or other disposition of oil or gas or of the rights or waiver of the rights to receive future production of royalty oil or gas may be made by the commissioner of natural resources under AS 38.05.183 without the prior written approval of the board.

(b) Bids or applications for the purchase of royalty oil or gas may not be rejected by the commissioner of natural resources without the prior written approval of the board.

(c) Competitive bidding in a sale, exchange or other disposition described in (a) of this section may not be waived by the commissioner of natural resources under AS 38.05.183 without the prior written approval of the board.

(d) The board may require conditions relating to the sale, delivery, transportation, or refining or processing within the state to be included by the commissioner of natural resources in the offer of and sale by competitive bidding of oil or gas obtained by the state as royalty under AS 38.05.182.

Sec. 38.06.055. ACTION BY LEGISLATURE. (a) In addition to the approval by the board required under sec. 50 of this chapter, no sale, exchange or other disposition of oil or gas or of the rights or waiver of the rights to receive future production of royalty oil or gas may be made by the commissioner of natural resources under AS 38.05.183 without the prior approval of the legislature by a concurrent resolution concurred in by a majority of the members of each house.

(b) Until July 1, 1975, contracts for the sale of state-owned royalty gas or oil that specify the sale and delivery of not more than 400 barrels of crude oil per day or not more than 460 barrels of natural gas liquids per day or not more than 2,400 Mcf of natural gas per day may be executed without ratification by the legislature.

Sec. 38.06.060. CONFIDENTIALITY. Notwithstanding AS 09.25.110 - 09.25.120, the board may provide by regulation for the confidentiality of those documents and records in its possession or control which contain confidential business or marketing information the protection of which is essential to the person who has submitted them to the board or in the judgment of the board is essential to the best interest of the state. Such confidentiality, however, shall not preclude the proper review by the legislature.

Sec. 38.06.070. CRITERIA. (a) In the exercise of its powers under sec. 40(1) - (2) and sec. 50 of this chapter the board shall consider

Chapter 9

(1) the revenue needs and projected fiscal condition of the state;

(2) the existence and extent of present and projected local and regional needs for oil and gas products and by-products, the effect of state or federal commodity allocation requirements which might be applicable to those products and by-products, and the priorities among competing needs;

(3) the desirability of localized capital investment, increased payroll, secondary development and other possible effects of the sale, exchange or other disposition of oil and gas or both;

(4) the projected social impacts of the transaction;

(5) the projected additional costs and responsibilities which could be imposed upon the state and affected political subdivisions by development related to the transaction;

(6) the existence of specific local or regional labor or consumption markets or both which should be met by the transaction;

(7) the projected positive and negative environmental effects related to the transaction; and

(8) the projected effects of the proposed transaction upon existing private commercial enterprise and patterns of investments.

(b) When it is economically feasible, the board may require, as a condition of the sale of oil or gas obtained by the state as royalty, that the oil or gas be refined or processed in the state and may, when it is feasible and in the best interest of the state to do so, provide for processing or refining of the oil or gas under a contract entered into by competitive bidding before the sale of the oil or gas.

Sec. 38.06.080. DEFINITIONS. In this chapter

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

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

\* Sec. 3. AS 38.05.183 is repealed and re-enacted to read:

Sec. 38.05.183. SALE OF ROYALTY. (a) The sale, exchange or other disposal of a mineral obtained by the state as a royalty under sec. 182 of this chapter, or the sale, exchange or other disposal in whole or in part of a right to receive future mineral production under a state lease under this chapter, shall be by competitive bid and the sale, exchange or other disposal made to the highest responsible bidder, except that competitive bidding is not required when the commissioner, with the prior written

approval of the Alaska Royalty Oil and Gas Development Advisory Board where applicable, determines that the best interest of the state does not require it or that no competition exists.

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

(c) If the commissioner determines that a sale, exchange or other disposal of a mineral obtained by the state as a royalty under sec. 182 of this chapter or of a right to receive future mineral production under a state lease under this chapter shall be made otherwise than by competitive bid, and the Alaska Royalty Oil and Gas Development Advisory Board where applicable has approved that determination, the commissioner shall make public in writing the specific findings and conclusions upon which that determination is based.

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

\* Sec. 4. This Act takes effect on the day after its passage and approval or on the day it becomes law without approval.