

SB 209: Oil and Gas Leasing

Fact Sheet

- One way to address declining oil production is to ensure that oil and gas leases go to companies that will develop leases expeditiously and efficiently.
- Last year the Department of Natural Resources reported that of 1,320 leases, 578 were part of production units or were producing oil or gas, 404 had been sold in the preceding three years (so might still be in the planning stages), and 338 could be “idle,” as lessees had not applied for any permits to explore or develop them.
- This means more than 25% of existing leases could be sitting idle, effectively warehousing Alaska’s resources.
- Under existing statutes, the DNR commissioner has the option of including a minimum work commitment in a lease, along with a penalty provision in the event the lessee does not fulfill the work commitment.
- This bill requires that work commitments be part of a lease, consistent with the Alaska Constitution’s mandate to develop our natural resources for the maximum benefit of the people.
- The bill has the following provisions:
 - requires bidders for an oil and gas lease to submit a plan of development for exploring, developing, and/or producing from the lease;
 - requires the commissioner to review each bidder’s plan of development and determine if the plan is “reasonably expected to develop the lease in the best interest of the state”;
 - a bidder may not be a “qualified bidder” if the commissioner finds the bidder has not submitted a plan that is in the state’s best interest or the bidder is not “reasonably capable” of implementing the plan;
 - requires that these plans be included in leases and that DNR review leases annually to ensure that plans are being implemented;
 - allows the commissioner to waive a work commitment if conditions preventing drilling or exploration were beyond the lessee’s reasonable ability to foresee or control or the lessee demonstrates through good faith efforts an intent to drill or develop the lease in the following two years;

- requires DNR to analyze the economics of each Participating Area (a unitized reservoir where sustained production is occurring) every five years to determine whether the Area is capable of increased production; and
- requires DNR to annually submit a report to the legislature that lists each lease found to be out of compliance and the action taken by the commissioner to bring the lessee back into compliance.