ALASKA STATE LEGISLATURE

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SENATOR BILL WIELECHOWSKI

SJR 16:
Development of Offshore Oil and Gas Reserves

SJR 16 expresses support for environmentally sound and culturally sensitive development of the oil and gas resources in federal waters off Alaska coast. It also urges Congress to provide Alaska with a fair share of federal revenue from oil and gas leasing and development in federal waters.

Under current law, Alaska receives little revenue from oil and gas leasing and development that occurs more than six miles off our coast. This contrasts with how other states, including Louisiana, Mississippi, Alabama and Texas, are treated. Under the 2006 Gulf of Mexico Energy Security Act, these states receive 37.5 percent of revenues from newly leased federal waters off their coasts. This new law is expected to direct more than $13 billion to Louisiana alone over the next three decades.

Alaska deserves to be treated in the same way as other states that contribute to our nation's energy security. Like other energy-producing states, Alaska bears the costs of infrastructure in support of offshore development, and our coastal resources and residents bear the impacts of offshore development. Alaskans deserves to share in the benefits of production, just as we do its costs.

The federal Minerals Management Service estimates that there could be as much as 55 billion barrels of technically recoverable oil and 280 trillion cubic feet of technically recoverable gas off Alaska's coast. Last year companies bid $2.6 billion for access to tracts in the Chukchi Sea. More than 1.4 million acres off Alaska's coast have already been leased by the federal government. The Chukchi Sea sale could result in the leasing of an additional 2.7 million acres, providing ongoing support for a robust oil and gas industry in Alaska.

As more lands off Alaska's coast are leased for offshore oil production, we need to ensure that Alaska gets its fair share of the benefits of that leasing and production. It's time Congress treated all coastal states equally and fairly. Please join me in supporting SJR 16.

SENATE JOINT RESOLUTION NO. 16

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY SENATOR WIELECHOWSKI

Introduced: 3/20/09
Referred: Resources

A RESOLUTION

Expressing support for environmentally sound and culturally sensitive development of the oil and gas resources in federal waters offshore of Alaska's coast as a means to ensure energy independence, security for the nation, and jobs for Alaskans; and urging the United States Congress to provide a means for consistently sharing with all coastal energy-producing states, on an ongoing basis, revenue generated from oil and gas development on the outer continental shelf, to ensure that those states develop, support, and maintain necessary infrastructure and preserve environmental integrity.

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

WHEREAS there are presently 697 active oil and gas leases off Alaska's coast, covering more than 1,500,000 hectares; and

WHEREAS the United States Department of the Interior, Minerals Management Service, estimates there are nearly 27,000,000,000 barrels of oil and 132,000,000,000,000 cubic feet of natural gas that are technically recoverable offshore of Alaska; and

WHEREAS environmentally responsible and culturally sensitive oil and gas development in federal waters off Alaska's coast would significantly decrease reliance by the United States on foreign oil and gas, making the United States more energy independent and enhancing our national security; and

WHEREAS, under the Mineral Lands Leasing Act of 1920, the federal government shares with the states 50 percent of revenue from mineral production on federal land within each state's boundaries; and

WHEREAS the shared mineral production revenue is distributed to the states automatically, outside of the budget process, and is not subject to appropriation; and

WHEREAS, other than in water immediately adjacent to a state's coastline, there is not a similar authority for the federal government to share federal oil and gas revenue generated on the outer continental shelf with adjacent coastal states, despite the vital contribution made by those states to our nation's energy, economic, and national security needs in support of production from the outer continental shelf; and

WHEREAS the states that sustain this critical energy production and development deserve a share of the revenue generated because they provide infrastructure to support offshore operations and because of the environmental effects and other risks associated with oil and gas development on the outer continental shelf; and

WHEREAS, under the Gulf of Mexico Energy Security Act of 2006, the federal government recognized the contributions made by Alabama, Louisiana, Mississippi, and Texas to national security and agreed to give them 37.5 percent of revenue from oil and gas development in newly leased federal waters in the Gulf of Mexico; and

WHEREAS other coastal states, including Alaska and California, also support and should receive, on a regular and ongoing basis, a fair share of revenue generated through development on the outer continental shelf as compensation and reward for their contributions to the nation's energy supply, security, and economy; and

WHEREAS, since statehood, oil and gas production from the outer continental shelf off Alaska's coast has generated millions of dollars in revenue for the federal government; and

WHEREAS the February 2008 lease sale in the Chukchi Sea generated an additional $2,600,000,000 in revenue for the federal government;

BE IT RESOLVED that the Alaska State Legislature supports environmentally sound and culturally sensitive development of the oil and gas resources in federal waters offshore of

Alaska's coast as a means to ensure energy independence, security for the nation, and jobs for Alaskans; and be it

FURTHER RESOLVED that the Alaska State Legislature urges the United States Congress to provide a means for consistently sharing, on an ongoing basis, revenue generated from oil and gas development on the outer continental shelf with all coastal energy-producing states to ensure that those states develop, support, and maintain necessary infrastructure and preserve environmental integrity.

COPIES of this resolution shall be sent to the Honorable Barack Obama, President of the United States; the Honorable Joseph R. Biden, Jr., Vice-President of the United States and President of the U.S. Senate; the Honorable Ken Salazar, United States Secretary of the Interior; the Honorable Nancy Pelosi, Speaker of the U.S. House of Representatives; the Honorable Steny H. Hoyer, Majority Leader of the U.S. House of Representatives; the Honorable John Boehner, Minority Leader of the U.S. House of Representatives; the Honorable Harry Reid, Majority Leader of the U.S. Senate; the Honorable Mitch McConnell, Minority Leader of the U.S. Senate; the Honorable Jeff Bingaman, Chair of the U.S. Senate Committee on Energy and Natural Resources; the Honorable Lisa Murkowski and the Honorable Mark Begich, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress; and all other members of the 111th United States Congress.

Ted Stevens: Time to divvy up OCS

Alaska's senior U.S. senator, governor want state to get share of outer continental shelf oil and gas royalties

By KRISTEN NELSON
Petroleum News

The State of Alaska should share in royalties from outer continental shelf production on its borders, says U.S. Sen. Ted Stevens, R-Alaska, predicting that such sharing will take place as a condition of OCS production off Alaska.

The senator, in Juneau to give his annual update to the Legislature, told members of the press Feb. 19 that the bill passed in 2006 which allocated OCS monies to Gulf of Mexico states originally included Alaska.

"We had a provision in the bill as it went through and it was the people opposed to ANWR who took that out of there. They thought it was an incentive to drill in Alaska and would not let us enact it."

Stevens said North Slope residents oppose drilling "until they get a percentage of it — that's what we're facing right now."

Both the state and federal governments "have to wake up," Stevens said.

People on the North Slope are not going to put up with oil and gas drilling and the risk to their resources from a spill. "I don't think it's a great risk," Stevens said, but calling it a "potential risk to their resources."

Alaska is not included in OCS offshore royalty sharing, he said, "because of the opposition of the extreme environmental people."

Alaska has two-thirds of the outer continental shelf "and we don't get any money from any production that comes from the outer continental shelf."

"I predict there's not going to be any production until we get it. Both the state and the Native people oppose any real production until we get the same kind of share that others get from production off our shore," Stevens said.

Governor: time Alaska starts promoting OCS share

Alaska Gov. Sarah Palin agreed with Stevens on OCS royalty share.

"It's going to become much brighter on everyone's radar screen, I think, once Alaskans realize that these other coastal states do receive OCS revenue shares. Alaska doesn't; we're exempt from that," the governor told reporters Feb. 21.

She said she would like to see that changed and thinks it's time Alaska started pushing for that change, and anticipates that the state's congressional delegation would support that move.

Stevens helped the Gulf of Mexico states get a share of OCS royalties, Palin said, adding that she hopes delegations

SEN. TED STEVENS

GOV. SARAH PALIN

from those states would, in return, assist Alaska in getting royalties off its shores.

Alaska's share $21.7 million

Alaska does earn royalties from production from federal lands onshore and from offshore lands adjacent to state waters.

Alaska was one of 34 states which earned a share of almost $2 billion during fiscal year 2007 as part of federal revenues collected by the Department of the Interior's Minerals Management Service, MMS said late last year.

Alaska's share, $21.7 million, represents its share of revenues collected from oil, gas and coal production.

MMS said for the majority of onshore federal lands, states receive 50 percent of the revenues while the other 50 percent goes to various funds of the U.S.

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SHARE

Treasury, including the Reclamation Fund for water projects. Alaska receives a 90 percent share of revenues from onshore production as prescribed in the Alaska Statehood Act.

"In addition, Texas, Alabama, Louisiana and Mississippi with producing federal offshore tracts adjacent to state waters receive 27 percent of those mineral royalties," while remaining offshore revenues MMS collects go into various accounts of the U.S. Treasury, the majority into the general fund.

U.S. coastal waters are divided into three zones: from zero to three miles is state waters; in federal waters from three to six miles from shore, states get a 27 percent cut of royalties from production; there is no state cut beyond six miles, except for those Gulf Coast states receiving OCS royalties as a result of the 2006 federal legislation. ●

On the Web

See previous Petroleum News coverage:

See previous Petroleum News coverage: "GOM energy act passes" in Dec. 17, 2006, issue at www.petroleumnews.com/pnads/501450772.shtml

"OCS impact assistance program moves ahead" in March 11, 2007, issue at www.petroleumnews.com/pnads/829616050.shtml

Year 2006 National Assessment - Alaska Outer Continental Shelf

RISKED, UNDISCOVERED, TECHNICALLY RECOVERABLE OIL AND GAS

AREA	OIL AND COND (BBO)			GAS (TCFG)			BOE (BBOE)			MPhc
	F95	MEAN	F05	F95	MEAN	F05	F95	MEAN	F05	(Geol)
ALASKA OFFSHORE	8.66	26.61	55.14	48.28	132.06	279.62	17.25	50.11	104.89	1.00
ARCTIC SUBREGION	6.03	23.75	53.17	27.83	108.19	247.19	10.98	43.00	97.16	1.00
BERING SHELF SUBREGION	0.09	1.16	3.04	1.48	15.70	34.36	0.35	3.95	9.15	1.00
PACIFIC MARGIN SUBREGION	0.23	1.70	3.90	0.93	8.18	19.23	0.40	3.16	7.32	1.00
ARCTIC SUBREGION										
CHUKCHI SHELF	2.32	15.38	40.08	10.32	76.77	209.53	4.15	29.04	77.36	1.00
BEAUFORT SHELF	0.41	8.22	23.24	0.65	27.65	72.18	0.53	13.14	36.08	1.00
HOPE BASIN	0.00	0.15	0.60	0.00	3.77	14.98	0.00	0.82	3.27	0.40
BERING SHELF SUBREGION										
NAVARIN BASIN	0.00	0.13	0.62	0.00	1.22	5.80	0.00	0.35	1.65	0.40
N. ALEUTIAN BASIN	0.02	0.75	2.50	0.40	8.62	23.28	0.09	2.29	6.65	1.00
ST. GEORGE BASIN	0.00	0.21	0.79	0.00	2.80	11.15	0.00	0.71	2.77	0.60
NORTON BASIN	0.00	0.06	0.24	0.00	3.06	13.27	0.00	0.60	2.61	0.42
PACIFIC MARGIN SUBREGION										
COOK INLET	0.06	1.01	2.85	0.03	1.20	3.48	0.06	1.23	3.47	1.00
GULF OF ALASKA	0.00	0.63	2.04	0.00	4.65	16.00	0.00	1.45	4.89	0.80
SHUMAGIN	0.00	0.01	0.05	0.00	0.49	2.04	0.00	0.10	0.42	0.40
KODIAK	0.00	0.05	0.20	0.00	1.84	7.62	0.00	0.38	1.55	0.40

BBO, *billions of barrels of oil and condensate;* ***TCFG***, *trillions of cubic feet, gas;* ***BBOE***, *total oil and gas in billions of energy-equivalent barrels;* ***MEAN***, *resource quantities at the mean in cumulative probability distributions;* ***F95***, *the resource quantity having a 95-percent probability of being met or exceeded;* ***F05***, *the resource quantity having a 5-percent probability of being met or exceeded;* ***MPhc***, *marginal probability for hydrocarbons in the basin (i.e., chance for the existence of at least one pool of undiscovered, conventionally recoverable hydrocarbons somewhere in the basin). Resource quantities are risked (product of multiplying the conditional resources and MPhc). Mean values for provinces may not sum to values shown for the subregions or region because of rounding. All liquid resources in Norton, Shumagin, an Kodiak areas are natural gas liquids that would only be recovered by natural gas production.*

The NewsRoom
Date: March 23, 2009

Secretary Salazar: $25 Million for Gulf States and Counties from 2007-08 Bonus Bids and Rents on OCS Energy Leases

WASHINGTON, D.C. – More than $25 million will be paid to Gulf of Mexico coastal states and communities this week as their share of bonuses and rents on energy leases in federal waters off their coasts, Secretary of the Interior Ken Salazar announced today.

"These funds will provide an important boost to communities at a moment when they need it most," Secretary Salazar said. "I was pleased to participate in last week's lease sale, to visit New Orleans, and to examine how these investments will help communities embark on a wide range of projects, including the conservation and restoration of coastal areas."

The revenues include $6,179,076.25 to the state of Alabama; $6,347,321.13 to Louisiana; $5,506,235.80 to Mississippi; and $2,159,399.65 to Texas. Forty-two eligible political subdivisions will receive $5,048,008.21. Those include $1,544,769.06 to eligible Alabama counties; $1,586,830.28 to Louisiana parishes; $1,376,558.95 to political subdivisions in Mississippi; and $539,849.92 to counties in Texas. A complete list of the disbursements and eligible political subdivisions receiving funds **is available online**.

These are the first payments under the 2006 Gulf of Mexico Energy Security Act (GOMESA) which provides that these states and counties receive 37.5 percent of the oil and gas qualified leasing revenues from certain Outer Continental Shelf areas. Most of the $25.2 million to be disbursed was received from Lease Sales 224 and 206, held on March 19, 2008. Lease Sale 205, held on Oct. 3, 2007, contributed a small percentage of the revenues that were shared with this disbursement.

In total, those lease sales generated about $67.3 million in bonus bids and first-year rentals that qualify for revenue sharing. Under GOMESA, 12.5 percent of qualified revenues are disbursed to the Land and Water Conservation Fund, which provides funds and matching grants for various land and water projects. The remaining receipts are disbursed to the U.S. Treasury.

The 2006 legislation mandates that eligible U.S. jurisdictions on the Gulf Coast within 200 miles of certain Outer Continental Shelf parcels leased in Sales 224, 206 and 205 receive these 37.5 percent share payments. The law directs that the funds be used for coastal protection, including mitigating damage to fish, wildlife or natural resources; carrying out a federally-approved marine, coastal, or comprehensive conservation management plan; mitigating the impact of Outer Continental Shelf activities through the funding of onshore infrastructure projects; as well as planning assistance and administrative costs in complying with the law.