



One-time Lease Extension

HB 198

House Resources Committee

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Division of Oil and Gas



What is HB 198?



- Cannot allow lease extensions under current statutes
- HB 198 allows a maximum 10-year primary term, including extension
- Not automatic; may consider
 - Funds already spent on exploration and development
 - Type of work already completed
 - Other relevant information
- Granted extension may require
 - Increased rental up to \$250/acre for last three years
 - Performance bond
 - Work commitments: specific \$ amount to be expended; type and amount of work to be performed
- Tool to help drive exploration and development



Why do we need HB 198?



Background

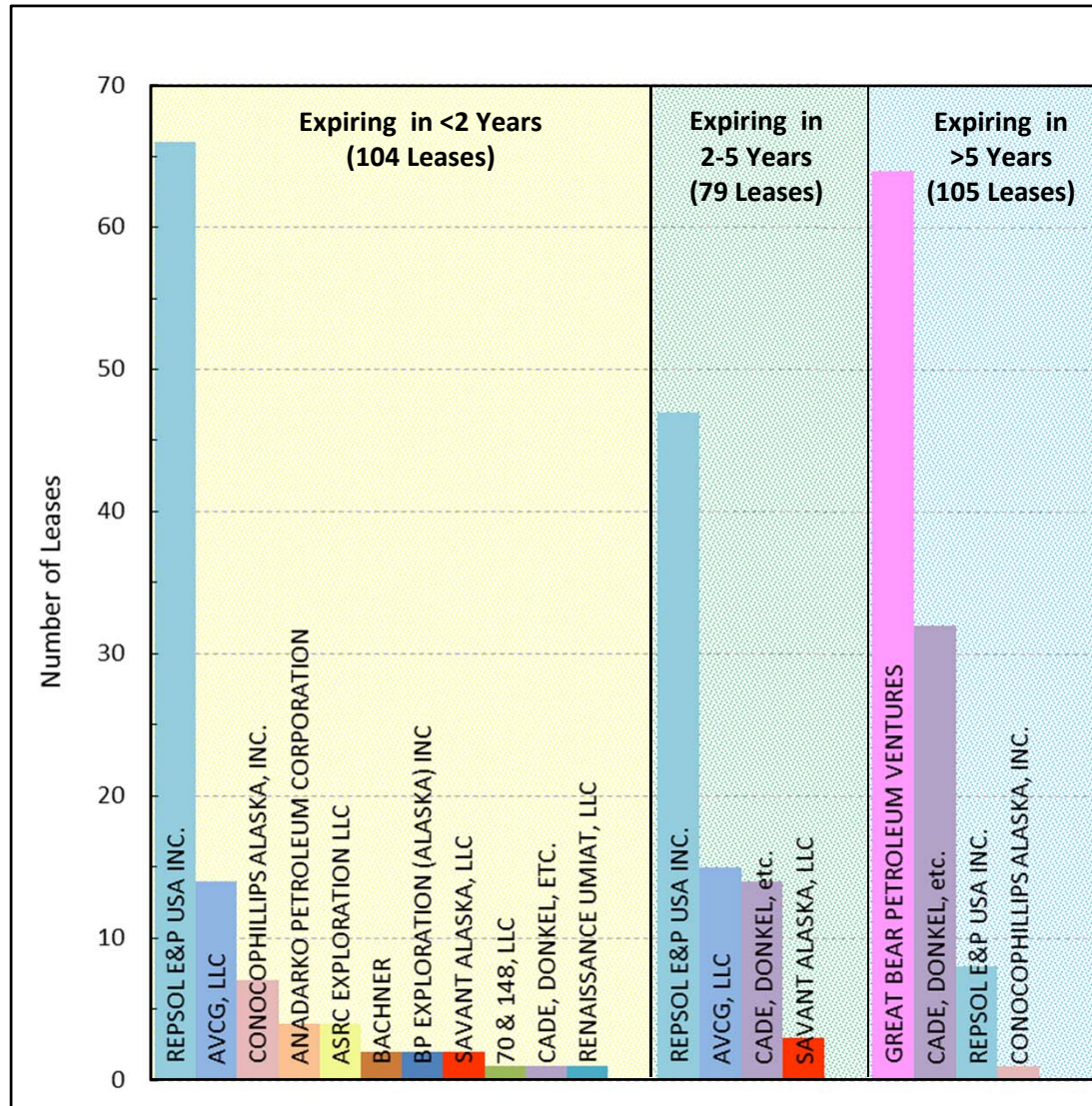
- Maximum lease term is 10 years; minimum is 5 years.
- In 2007, 2008, and 2009, some leases had 5- and 7-year terms.
- Difficult to perform exploration, delineation, and production drilling in those time frames

Unintended consequences of short lease terms

- Premature unit applications attempting to extend leases.
 - Preference is unit decisions based on hydrocarbon accumulations proven by drilling
- Despite best efforts, diligent lessees may lose leases after significant investment.

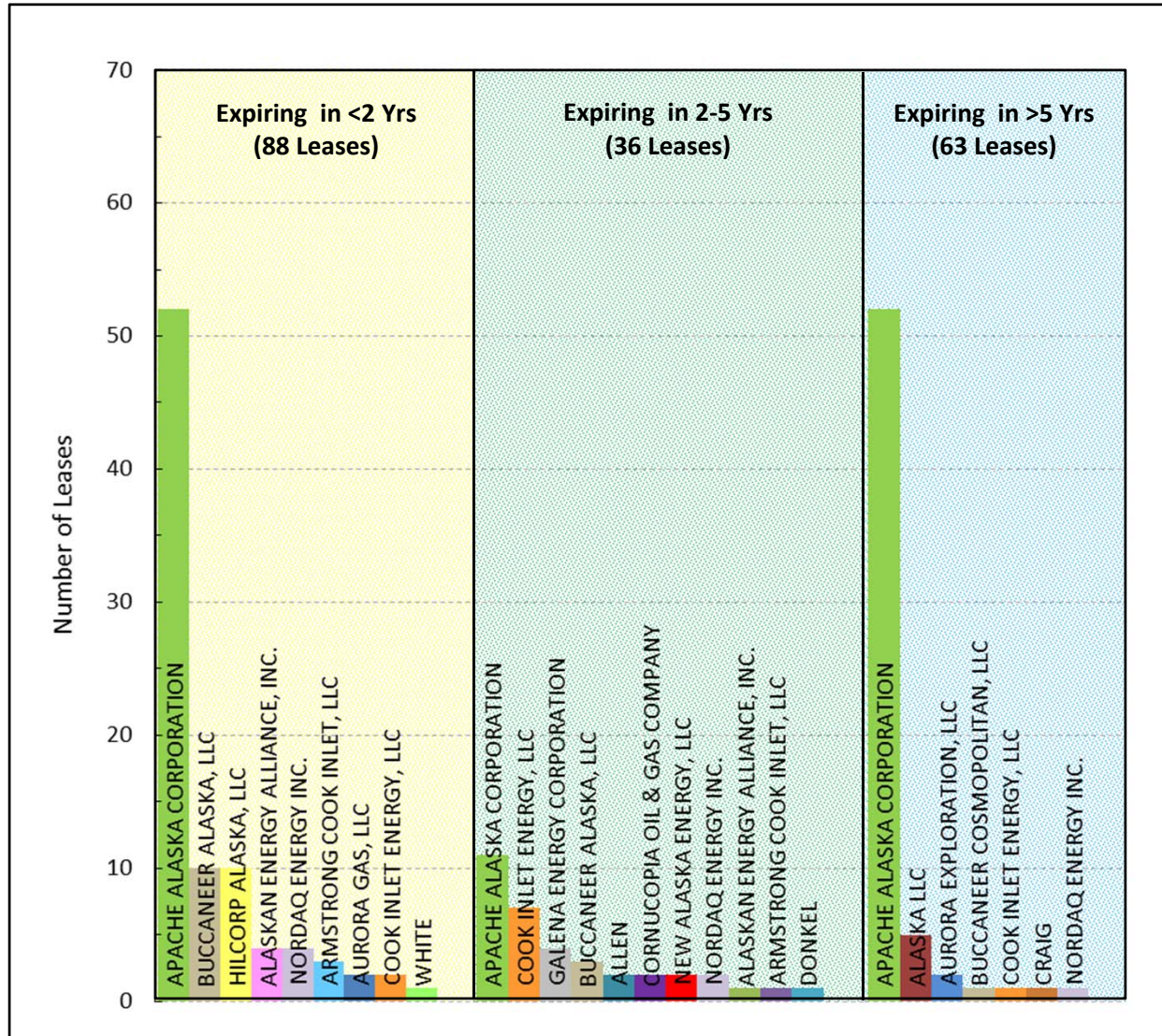


Northern Alaska Lease Distribution





Cook Inlet Lease Distribution





What are the benefits of HB 198?



Benefits to diligent lessees

- Accommodates short drilling windows
- Lessees who have significantly invested in shorter-term leases may have time to bring qualified leases into production

Benefits to the State

- Allows State to require work programs during primary term
- Encourages ongoing work to be completed
- Increases the probability of bringing leases to production