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Governor Mike Dunleavy
STATE OF ALASKA

January 28, 2021

Chief Clerk
Alaska House of Representatives
Alaska State Legislature
Thomas Stewart Building, Room 202
Juneau, AK 99801-1182

Dear Chief Clerk:

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill authorizing the renegotiation of North Slope net profit share leases.

The bill would authorize the Commissioner of the Department of Natural Resources to modify North Slope net profit share leases where net profit share has hindered development of known oil and gas pools within units because of the percentage of profits returned to the state in addition to royalties and taxes. Modifications to net profit shares would be consistent with the existing royalty modification process. The bill would allow the Commissioner to modify a net profit share lease to encourage production or prolong production or economic life of an oil or gas field or pool. A modification, however, could not result in a share reserved to the state of less than 10 percent of the net profit derived from the lease.

The benefits of the bill would include incentivizing development and production of known oil and gas resources within units in production or in non-unitized areas with net profit share leases. An increase in development and production on the North Slope would generate additional revenue for the state; that result requires modification of leases to reflect production realities. I urge your prompt and favorable action on this bill.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mike Dunleavy".

Mike Dunleavy
Governor

Enclosure