

**SENATE CS FOR CS FOR HOUSE BILL NO. 380(FIN) am S**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTIETH LEGISLATURE - SECOND SESSION**

**BY THE SENATE FINANCE COMMITTEE**

**Amended: 4/20/98**

**Offered: 4/17/98**

**Sponsor(s): REPRESENTATIVES HODGINS, Kohring, Rokeberg**

**SENATORS Pearce, Taylor, Kelly, Torgerson, Halford, Sharp, Donley**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to a temporary reduction of royalty on oil and gas produced  
2 for sale from certain fields described as being located within the Cook Inlet  
3 sedimentary basin, as having been discovered before January 1, 1988, and as  
4 having been undeveloped or shut in from at least January 1, 1988, through  
5 December 31, 1997."

6 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

7 \* **Section 1.** AS 31.05.030 is amended by adding a new subsection to read:

8 (i) The commission shall accept written plans submitted by lessees for  
9 purposes of AS 38.05.180(f)(5). If a lessee submits a plan, the commission shall hold  
10 a public hearing on the plan and, within 45 days after receipt of the plan, grant  
11 approval of the plan if the plan contains a voluntary agreement by the lessee to use its  
12 best efforts to employ residents of this state, consistent with law, and to contract with  
13 firms in this state for work in connection with the development of the field, including

the fabrication and installation of required facilities, whenever feasible. The decision of the commission to grant approval may not be appealed.

\* **Sec. 2.** AS 38.05.180(f) is amended by adding a new paragraph to read:

(5) notwithstanding and in lieu of a requirement in the leasing method chosen of a minimum fixed royalty share, or the royalty provision of a lease, for leases unitized as described in (p) of this section, leases subject to an agreement described in (s) or (t) of this section, or interests unitized under AS 31.05, the lessee of all or part of an oil or gas field identified in this section that has been granted approval of a written plan submitted to the Alaska Oil and Gas Conservation Commission under AS 31.05.030(i) shall, subject to (dd) of this section pay a royalty of five percent on the first 25,000,000 barrels of oil and the first 35,000,000,000 cubic feet of gas produced for sale from that field that occurs in the 10 years following the date on which the production for sale commences; the fields eligible for royalty reduction under this paragraph, all of which are located within the Cook Inlet sedimentary basin, were discovered before January 1, 1988, and have been undeveloped or shut in from at least January 1, 1988, through December 31, 1997, are

(A) Falls Creek;

(B) Nicolai Creek;

(C) North Fork;

(D) Point Starichkof;

(E) Redoubt Shoal; and

(F) West Foreland.

\* **Sec. 3.** AS 38.05.180 is amended by adding a new subsection to read:

(dd) A lessee is eligible for the royalty in (f)(5) of this section only if production of oil or gas for sale begins from the eligible field before January 1, 2004. However, if the state or an agency of the state is a party to a suit, other than a suit brought by the lessee or agent of the lessee, and if the suit challenges (f)(5) of this section or AS 31.05.030(i) or an act under (f)(5) of this section or AS 31.05.030(i), the January 1, 2004, deadline is extended by the number of days the state or agency of the state is a party to the suit, including any appeals.