



February 13, 2026

Chair Alyse Galvin  
House Commerce, Community & Economic Development (Finance Subcommittee)  
Alaska State Legislature  
State Capitol, Room 502  
Juneau, AK 99801  
Representative.Alyse.Galvin@akleg.gov

Re: Five (5) North Slope Net Profit Share Leases / Pt. Thomson Area

Chair Galvin and Members of the Subcommittee,

AIDEA appreciates the Subcommittee's work on matters affecting Alaska's economic development and long-term fiscal strength. This letter offers a focused, lease-specific solution intended to move a small set of legacy State leases from "stranded" to "developable," resulting in new production and the associated State revenues that only occur when oil is produced.

#### Issue

AIDEA understands that a net profit share lease requires payment to the State based on net profits, under a regulatory framework that governs accounting and reporting for those leases. In practice, however, when the net profit share burden is set too high, it can prevent projects from ever becoming financeable meaning the State receives no new production and no new revenue streams that depend on production.

This concern is not speculative. Public reporting on the Jade Energy Sourdough prospect on ADL 343112 describes the 40% net profit share lease burden as a major obstacle and notes it "can only be changed by legislation." Public reporting also describes prior State analysis indicating development would be uneconomic when that net profit share burden is layered alongside a 12.5% royalty and other obligations borne by a producing project.

Point Thomson is not a theoretical resource area without infrastructure. The Alaska Division of Oil and Gas describes the Point Thomson Export Pipeline and its connection to existing North Slope infrastructure. ExxonMobil's public materials likewise describe Point Thomson facilities and pipeline transport arrangements associated with bringing liquids to market. When existing infrastructure is underutilized, the State and Alaskans do not fully benefit from resources that have already required substantial investment and permitting effort.

AIDEA is therefore advocating for a solution that is narrowly tailored to a small number of identified leases and is designed to convert stranded potential into actual production.

## Suggested Solution

AIDEA recommends introducing a bill that:

1. Applies only to the five identified leases in the Point Thomson Unit area (the “Subject Leases”): ADL 312866, ADL 343109, ADL 343110, ADL 343111, and ADL 343112.
2. Eliminates the net profit share lease burden on the Subject Leases and replaces it with a standard, investment-grade structure that can attract capital and support development. (One straightforward approach is to apply a conventional gross royalty structure consistent with widely used North Slope State lease terms.)
3. Keeps all other applicable oversight and operational obligations intact; the focus is strictly on correcting an economic term that prevents development.

This approach is intentionally narrow by avoiding broader fiscal debates and focuses on a practical goal: getting actual barrels into production, which is the prerequisite for royalties and other production-linked State revenues. In addition, production from these leases will benefit the State by producing a larger return for the billions of dollars in tax credits paid by the State for the development of the Pt. Thomson field and the 32-inch liquids pipeline that runs from Pt. Thomson to Prudhoe.

Development of these five NPSL leases also benefits AIDEA to the extent that it holds leases on adjacent federal lands in the Coastal Plain of ANWR that hold an estimated billions of barrels of oil and trillions of cubic feet of natural gas. Revenue from ANWR development would be shared with the State through AIDEA’s statutory dividend structure and through royalty and production taxes and property taxes. When these revenue sources are combined, the return to the State Treasury can reach as high as 20-25%. Plus a percentage of the royalty share will go into the Permanent Fund. (Note: the recent federal reconciliation bill increased the royalty split to 70-30 in favor of the State of Alaska)

Alaska’s regulatory agencies have recognized in other contexts that excessive burdens can jeopardize sustained development, and the Alaska Supreme Court has discussed DNR’s consideration of total royalty burden levels in evaluating whether additional burdens threaten the State’s interest in continued development. The same underlying policy logic applies in this case as well, when a lease term makes a project non-financeable, the State’s expected share exists only on paper because production does not occur.

AIDEA also notes that in the 31<sup>st</sup> Legislature, SB 111 (“OIL/GAS LEASE: DNR MODIFY NET PROFIT SHARE”) proposed authorizing the DNR commissioner to modify net profit share in a manner aligned with royalty modification authorities in AS 38.05.180(j). The Governor’s transmittal letter for SB 111 stated that net profit share can “hinder[] development ... as a result of the percentage of profits returned to the state in addition to royalties and taxes,” and that modifications were intended to “encourage production” and “prolong” the economic life of fields or pools where production would otherwise be uneconomic.

AIDEA's request here is consistent with that publicly stated concern but is even more targeted and limited, it applies only to the five Subject Leases and seeks a direct statutory correction to enable development and realized State revenues.

Request

AIDEA respectfully requests that the Subcommittee support a lease-specific statutory change that removes the net profit share burden from the Subject Leases so that development can proceed and the State can realize the benefits of actual production.

AIDEA would be pleased to provide additional public-record materials or technical drafting support to ensure the bill is tightly constrained to the Subject Leases and clearly reflects the Legislature's intent to enable development and increase realized revenues.

Respectfully submitted,



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Executive Director  
Alaska Industrial Development and Export Authority

Cc:  
Representative Chuck Kopp

## Citations

1. Alaska Administrative Code - Net Profit Share Leasing (11 AAC 83, Article 2), (NPSL provisions including purpose, net profit share rate, accounting, reporting).  
<https://regulations.justia.com/states/alaska/title-11/part-6/chapter-83/article-2/>
2. Alaska DNR Division of Oil & Gas - Royalty Services (NPSL reporting reference; 11 AAC 83.245 reporting timeline and NPSL reporting requirements).  
<https://www.dog.dnr.alaska.gov/Services/Royalty>
3. Alaska DNR Division of Oil & Gas — “NPSL Reporting Requirements Overview” (public PDF describing NPSL reporting structure; references 11 AAC 83.245).  
[https://dog.dnr.alaska.gov/Documents/Royalty/NPSL\\_Overview\\_201310.pdf](https://dog.dnr.alaska.gov/Documents/Royalty/NPSL_Overview_201310.pdf)
4. Petroleum News (Nov. 20, 2022) — “Aiming to drill” (describes ADL 343112; identifies 40% NPSL burden; notes it can only be changed by legislation).  
<https://www.petroleumnews.com/pntruncate/613143283.shtml>
5. Petroleum News (Sept. 12, 2021) — “Last piece in place” (describes analysis indicating Sourdough development negative under 40% NPSL plus 12.5% royalty and other taxes).  
<https://www.petroleumnews.com/pntruncate/613143283.shtml>
6. Petroleum News (Mar. 28, 2021) — “Economics crucial” (describes Sourdough as uneconomic with 40% NPSL plus 12.5% royalty and other limitations).  
<https://www.petroleumnews.com/pntruncate/613143283.shtml>
7. AVCG, LLC v. Alaska Department of Natural Resources, Alaska Supreme Court (Apr. 7, 2023) (discusses DNR’s consideration of royalty burdens, including over 20% total royalty burden, as relevant to protecting sustained development).  
<https://law.justia.com/cases/alaska/supreme-court/2023/s-18170.html>
8. Alaska DNR Division of Oil & Gas - Point Thomson pipeline page (describes Point Thomson Export Pipeline and timeline).  
<https://dog.dnr.alaska.gov/Services/Pipeline/Point%20Thomson>
9. ExxonMobil Alaska -Point Thomson reservoir overview (describes Point Thomson production facilities and pipeline connection to TAPS network, and overall infrastructure context). <https://corporate.exxonmobil.com/Locations/United-States/Alaska/ExxonMobil-Point-Thomson-reservoir>
10. Offshore Technology / GlobalData - Point Thomson Unit field profile (public listing of Point Thomson Unit lease blocks by ADL numbers, supporting identification of leases within PTU context). <https://corporate.exxonmobil.com/Locations/United-States/Alaska/ExxonMobil-Point-Thomson-reservoir>
11. Alaska DNR — “LAS Casefiles” guidance (public tool/process for verifying State lease/ADL records). <https://corporate.exxonmobil.com/Locations/United-States/Alaska/ExxonMobil-Point-Thomson-reservoir>
12. SB 111 bill detail page (31st Legislature):  
<https://www.akleg.gov/basis/Bill/Detail/31?Root=SB111>
13. SB 111 bill text (BASIS “FullText txt” view):  
<https://www.akleg.gov/basis/Bill/Text/31?Hsid=SB0111A>
14. Senate Journal entry and Governor transmittal letter describing intent and the “hindered development... in addition to royalties and taxes” rationale:  
<https://www.akleg.gov/basis/Journal/Pages/31?Chamber=S&Bill=SB%20111&Page=00824>