



## CS SB138(RES): Commercial Production of North Slope Gas SUMMARY OF CHANGES

Senate Finance Committee – February 25, 2014

**This is a summary of changes between SB138\A and CS SB138(RES)\O. References to section and page numbers are to version O.**

The Senate Resources Committee added a new **Section 1**, adding intent language to broadly capture elements of the Heads of Agreement.

In **Section 11** (page 13, line 29), the word “may” was changed to “shall”, clarifying that confidential information shall be shared with the legislature only in committees held in executive session or under confidentiality agreements.

In **Sections 14** and **15** (page 16, line 28 and page 17, line 18), the committee deleted an errant “and” to clarify that the Department of Natural Resources (DNR) commissioner may propose any of the three modifications to existing oil and gas leases relating to: take royalty gas in kind or in value, the establishment of values for the state’s royalty gas and deductions for transportation costs, and the fixation of royalty rates and modifications to net profit share terms in oil and gas leases. The committee also clarified in these sections that the commissioner could not establish a royalty rate less than 12.5 percent (page 16, lines 30-31 and page 17, lines 20-21).

In order to keep consistent with language in the Heads of Agreement, which utilizes the term “tax as gas” or “TAG”, references to “in kind” were changed to “gas” in the **Title** of the bill and in **Section 30** (beginning on page 28, line 4). In **Section 30** (page 28, line 14), language was also clarified to specify that the producer would pay the tax by delivering the gas to the state at the “point of production” rather than “at the entrance of the transportation facility specified by the state.”

A new **Section 49** (page 50, beginning on line 26) was added amending uncodified law directing the commissioner of the Department of Revenue to present a plan and suggested legislation, when the DNR commissioner submits the first contract to the legislature for approval, to allow a resident of the state to participate as a co-owner in a North Slope natural gas pipeline, and sets out factors that must be in the plan.