



ALASKA STATE LEGISLATURE

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Sectional Summary

HB 198 – Oil and Gas and Gas Only Leases

The following is a sectional summary of HB 198 and is not an authoritative representation of the bill. For an authoritative interpretation, please refer to the bill itself.

Section 1: Provides for the exception of section (m) in AS 38.05.180(h).

Section 2: Amends AS 38.05.180(m) to provide the Commissioner of the Department of Natural Resources the discretion to grant a one-time lease extension to the primary term of an oil and gas or gas only lease. The total of the primary term of the lease and the extension may not exceed ten years.

The section requires that application for an extension be made at least 180 days before the expiration date of the primary term of the lease.

The commissioner shall consider funds expended to explore and develop the lease, the types of work completed and any other relevant information in making a decision to grant an extension.

The amended section then sets out the facts that may be considered in the decision to grant the extension. It then defines the requirements which may be imposed by the Commissioner as a condition of the extension. Minimum work commitments and performance bond are among the possible requirements imposed. It requires these commitments be defined in terms of money to be spent or the type and amount of work to be performed. The amended section clarifies that imposing a work commitment under a one-time lease extension does not require the terms of the work commitment to be made public before a lease sale as required under section (h).

Section 2 further amends AS 38.05.180(m) -to provide the authority to increase the rental rate, for the last three years of the lease, to \$250.00 per acre each year. At the Commissioner's discretion, this rate may be reduced based on specific criteria also spelled out.

Section 3: Amends AS 38.05.180(n) to provide for an exception in (m) to the statutory rental rates so that the rental rates under a one-time lease extension may be increased, and makes terminology changes.

Section 4: Provides transition language to allow for extension applications for leases which expire within 180 days of the effective date of section 2 of the bill.

Section 5: Provides for an immediate effective date.