



# One-time Lease Extension

## HB 198

Senate Finance Committee

April 10, 2013

William C. Barron, Director  
Division of Oil and Gas



# What is HB 198?



- Cannot allow lease extensions under current statutes
- HB 198 allows a maximum 10-year primary term, including extension
- Not automatic; may consider
  - Funds already spent on exploration and development
  - Type of work already completed
  - Other relevant information
- Granted extension may require
  - Increased rental up to \$250/acre for last three years
  - Performance bond
  - Work commitments: specific \$ amount to be expended; type and amount of work to be performed
- Tool to help drive exploration and development



# Why do we need HB 198?



## Background

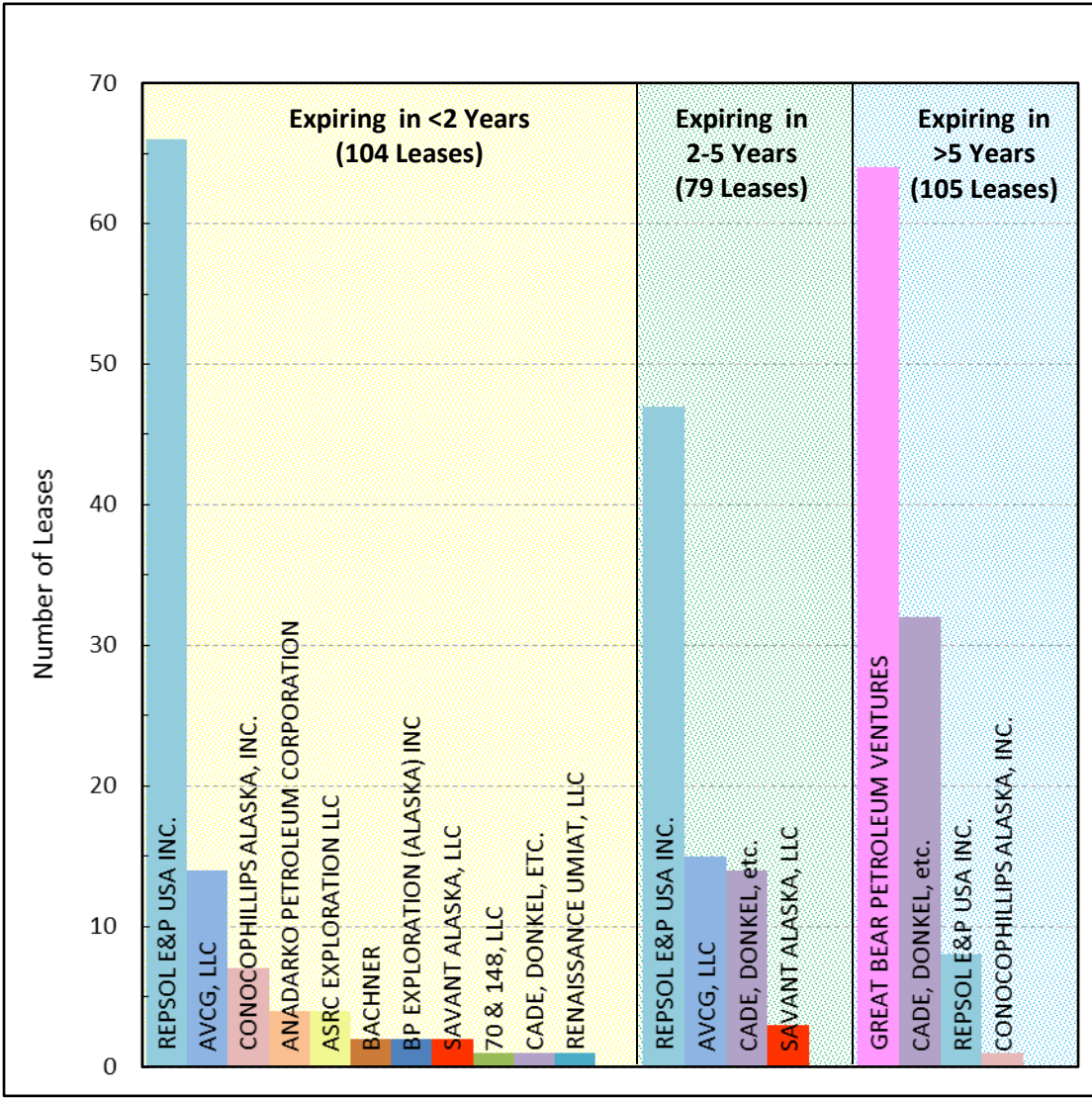
- Maximum lease term is 10 years; minimum is 5 years.
- In 2007, 2008, and 2009, some leases had 5- and 7-year terms.
- Difficult to perform exploration, delineation, and production drilling in those time frames

## Unintended consequences of short lease terms

- Premature unit applications attempting to extend leases.
  - Preference is unit decisions based on hydrocarbon accumulations proven by drilling
- Despite best efforts, diligent lessees may lose leases after significant investment.

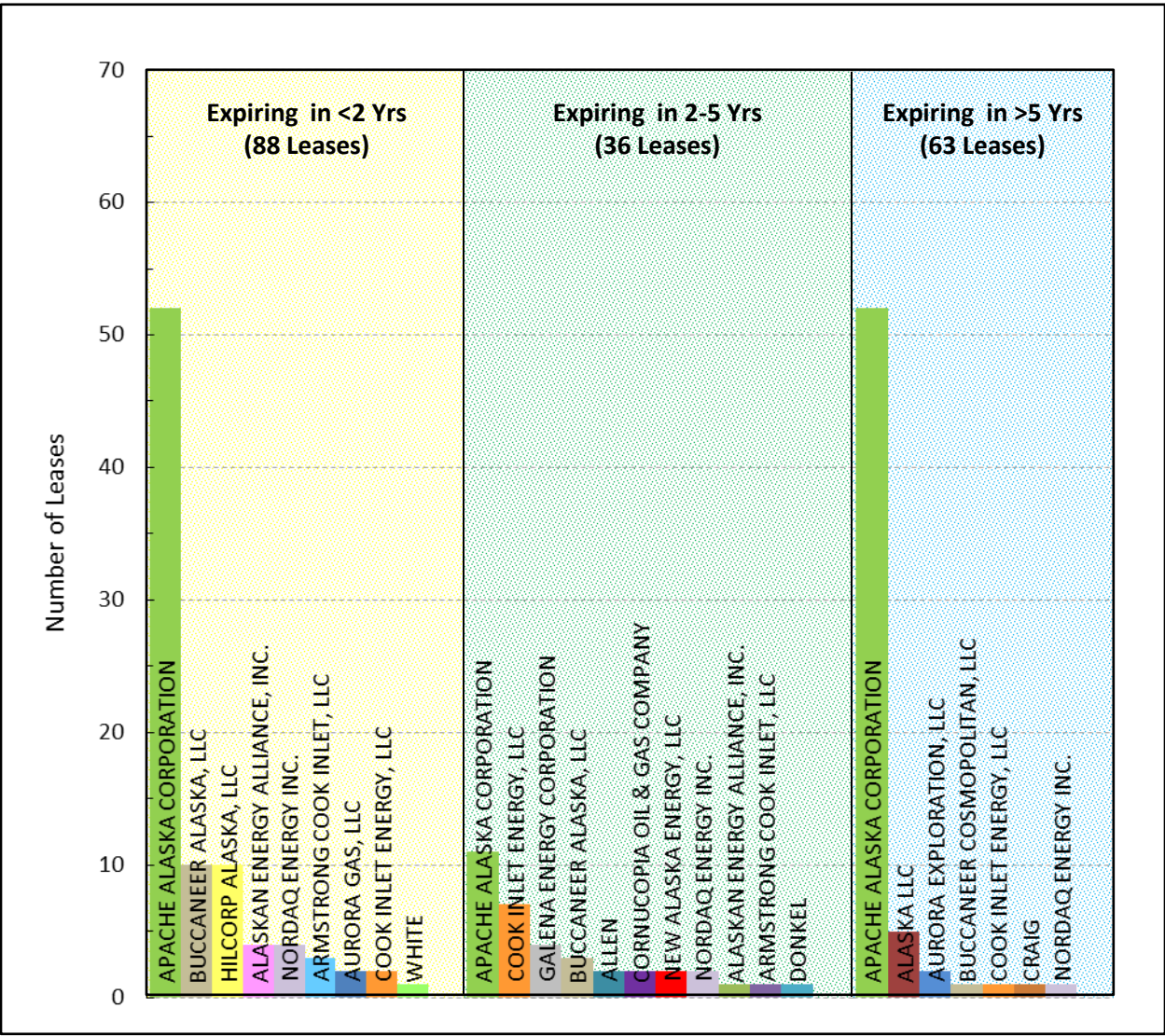


# Northern Alaska Lease Distribution





# Cook Inlet Lease Distribution





# What are the benefits of HB 198?



## Benefits to diligent lessees

- Accommodates short drilling windows
- Lessees who have significantly invested in shorter-term leases may have time to bring qualified leases into production

## Benefits to the State

- Allows State to require work programs during primary term
- Encourages ongoing work to be completed
- Increases the probability of bringing leases to production