



Governor Mike Dunleavy
STATE OF ALASKA

January 28, 2021

Chief Clerk
Alaska House of Representatives
Alaska State Legislature
Thomas Stewart Building, Room 202
Juneau, AK 99801-1182

Dear Chief Clerk:

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill relating to non-surface oil and gas leases in areas with surface use restrictions.

Protections set out in AS 38.05.184 preclude Alaska from leasing various tracts of state land for gas development. The gas reservoirs in Cook Inlet do not abide by lines demarcated by AS 38.05.184. Indeed, certain surface leases on both state and private onshore land in the Cook Inlet area have the potential to produce gas from adjacent deposits lying beneath the seabed. Without this legislation, the state may be left without a clear mechanism to collect royalties from gas being produced from such undersea areas by adjacent leaseholders.

The proposed bill would open a small portion of land in the southern Kenai Peninsula to non-surface leasing. Specifically, the bill would allow the Department of Natural Resources to offer non-surface, gas-only leases within Township 5 South, Range 15 West, Seward Meridian. The sale of the leases would follow the process provided by AS 38.05.180. Lessees would be prohibited from using the surface of the leased area to drill for or extract gas, allowing the State of Alaska to collect royalties on gas that might otherwise be produced by adjacent leaseholders. By prohibiting surface use, the bill adequately protects the habitat while ensuring the state obtains its fair share of gas produced from state land.

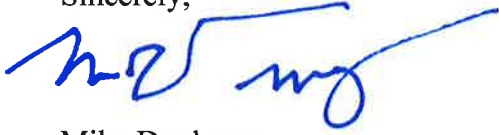
The bill would also add a new section to the Alaska Land Act to clarify that, when a statute restricts the surface use of an oil and gas lease area, it does not also restrict subsurface uses unless specifically provided. Adding this section would pave the way to allow subsurface oil and gas leasing in additional areas in the future.

The bill would also authorize appropriations from the proceeds of the gas-only lease sales to the renewable energy grant fund, after constitutional deposits are made to the Alaska Permanent Fund.

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I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mike Dunleavy", with a long horizontal flourish extending to the right.

Mike Dunleavy
Governor

Enclosure