

AMENDMENT #2

OFFERED IN THE SENATE

BY SENATOR BISHOP

TO: SCS CSHB 50(FIN), Draft Version "T"

1 Page 1, line 4, following "fund;":

2 Insert "relating to geothermal resources;"

3

4 Page 6, following line 17:

5 Insert new bill sections to read:

6 **** Sec. 15.** AS 38.05.181(a) is amended to read:

7 (a) The commissioner may, under regulations adopted by the commissioner,
8 grant prospecting licenses [PERMITS] and leases to a qualified person to explore for,
9 develop, or use geothermal resources. When title to the surface parcel is held by a
10 person other than the state, that person shall have a preferential right to a geothermal
11 prospecting license [PERMIT] or lease for the area underlying the surface parcel. The
12 surface owner must exercise the preference right within 30 days after receiving notice
13 of the application for a license [PERMIT], or by agreeing to meet the terms of a bid
14 within 60 days after receiving notice of the acceptance of the bid for a lease.

15 *** Sec. 16.** AS 38.05.181(c) is amended to read:

16 (c) On state land that has not been declared a competitive geothermal area or
17 withdrawn from geothermal prospecting, the commissioner may issue a prospecting
18 license [PERMIT] to the first qualified applicant. The license [PERMIT] conveys an
19 exclusive right, for a period of five [TWO] years, to prospect for geothermal resources
20 on state land included under the license [PERMIT]. The commissioner has discretion
21 to renew the license [PERMIT] for an additional one-year term. A holder of a
22 prospecting license [PERMIT] has the right, after completion of an agreed-on work
23 commitment [UPON THE SHOWING OF A DISCOVERY OF GEOTHERMAL

1 RESOURCES IN COMMERCIAL QUANTITIES] and the submission of **an**
2 **exploration** [A DEVELOPMENT] plan acceptable to the commissioner, to convert
3 the **license** [PERMIT] to a noncompetitive lease at a royalty rate under (g) of this
4 section. The conversion privilege must be exercised not later than 30 days after the
5 expiration of the **license** [PERMIT]. If the land included within the **license** [PERMIT]
6 is designated a competitive geothermal area during the **license** [PERMIT] term, the
7 **licensee** [PERMITTEE] must apply for a noncompetitive lease within 30 days after
8 notification of the designation or forfeit the conversion privileges and the exclusive
9 right to prospect.

10 * **Sec. 17.** AS 38.05.181(d) is amended to read:

11 (d) On state land that is designated a competitive geothermal area and is not
12 subject to an existing prospecting **license** [PERMIT], the commissioner may issue
13 geothermal leases to the highest bidder by competitive bidding procedures established
14 by regulations adopted by the commissioner. At the discretion of the commissioner,
15 competitive lease sales may be by oral or sealed bid, on the basis of a cash bonus,
16 profit share, or royalty share.

17 * **Sec. 18.** AS 38.05.181(e) is amended to read:

18 (e) Prospecting **licenses** [PERMITS] and geothermal leases granted under this
19 section must [, EXCEPT IN THE CASE OF PARCELS SUBJECT TO A
20 PREFERENCE RIGHT UNDER (b) OF THIS SECTION,] be issued for at least 40
21 acres but not more than 2,560 acres. A person may not own, or hold an interest in,
22 geothermal leases covering more than **100,000** [51,200] acres. However, geothermal
23 leases in commercial production, individually or under a unit operation or well spacing
24 or pooling arrangement, do not count against the acreage limitation. All prospecting
25 **licenses** [PERMITS] and geothermal leases are subject to an annual rental **fee**
26 **established by the department in regulation and** [,] payable in advance [, OF \$3
27 PER ACRE]. The rental for a year shall be credited against royalties accruing for that
28 year.

29 * **Sec. 19.** AS 38.05.181(f) is amended to read:

30 (f) A geothermal lease shall be issued for a primary term of 10 years and may
31 be renewed for an additional term of five years if the lessee is actively engaged in

1 drilling operations. A geothermal lease is valid for the duration of commercial
2 production. [BEGINNING 20 YEARS AFTER THE INITIATION OF
3 COMMERCIAL PRODUCTION AND AT 10-YEAR INTERVALS THEREAFTER,
4 THE COMMISSIONER MAY RENEGOTIATE THE RENTALS AND
5 ROYALTIES DUE ON A GEOTHERMAL LEASE.]"
6

7 Renumber the following bill sections accordingly.

8
9 Page 13, following line 20:

10 Insert a new bill section to read:

11 **** Sec. 22.** AS 38.05.965(6) is amended to read:

12 (6) "geothermal resources" means the natural heat of the earth at
13 temperatures greater than **80** [120] degrees Celsius, measured at the point where the
14 highest-temperature resources encountered enter or contact a well or other resource
15 extraction device, and includes

16 (A) the energy, including pressure, in whatever form present in,
17 resulting from, created by, or that may be extracted from that natural heat;

18 (B) the material medium, including the geothermal fluid
19 naturally present, as well as substances artificially introduced to serve as a heat
20 transfer medium; and

21 (C) all dissolved or entrained minerals and gases that may be
22 obtained from the material medium, but excluding hydrocarbon substances and
23 helium;"
24

25 Renumber the following bill sections accordingly.

26
27 Page 42, following line 12:

28 Insert a new bill section to read:

29 **** Sec. 56.** The uncodified law of the State of Alaska is amended by adding a new section to
30 read:

31 **TRANSITION: CONVERSION OF EXISTING PROSPECTING PERMIT**

1 APPLICATIONS AND PROSPECTING PERMITS. (a) The commissioner of natural
2 resources shall convert an application for a prospecting permit made under AS 38.05.181(c),
3 as that subsection read on the day before the effective date of sec. 16 of this Act, that is
4 pending with the Department of Natural Resources on the effective date of sec. 16 of this Act,
5 to an application for a prospecting license under AS 38.05.181(c), as amended by sec. 16 of
6 this Act.

7 (b) A person with a valid permit issued under AS 38.05.181(c), as that subsection
8 read on the day before the effective date of sec. 16 of this Act, may request in writing that the
9 commissioner of natural resources convert the prospecting permit into a prospecting license
10 under AS 38.05.181, as amended by secs. 15 - 19 of this Act. The Department of Natural
11 Resources shall provide public notice of a request for the conversion of a prospecting permit
12 into a prospecting license under this section.

13 (c) Upon request of a person qualified under (b) of this section, the commissioner of
14 natural resources shall convert a prospecting permit issued under AS 38.05.181(c), as that
15 section read on the day before the effective date of sec. 16 of this Act, into a prospecting
16 license under AS 38.05.181, as amended by secs. 15 - 19 of this Act. Notwithstanding
17 AS 38.05.035(e), the director of the division of lands is not required to make a written finding
18 and the commissioner of natural resources is not required to expressly approve the conversion
19 of a prospecting permit into a prospecting license under this section. Notwithstanding
20 AS 38.05.181(c), as amended by sec. 16 of this Act, a prospecting permit converted into a
21 prospecting license under this section may not expire later than five years from the date the
22 permit was issued under AS 38.05.181(c), as that subsection read on the day before the
23 effective date of sec. 16 of this Act."

24

25 Renumber the following bill sections accordingly.

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27 Page 42, line 25:

28 Delete "Section 50"

29 Insert "Section 57"