

HOUSE BILL NO. 209

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES GREEN, Rokeberg

Introduced: 2/27/95

Referred: House Special Committee on Oil and Gas, Resources, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the authority of the commissioner of natural resources to
2 allow reductions of royalty on oil and gas leases; and providing for an effective
3 date."

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

5 * Section 1. AS 38.05.180(j) is amended to read:

6 (j) To prolong **or enhance** the economic life of an oil **or** [AND] gas field or
7 to reestablish commercial production of shut-in oil or gas that would not otherwise be
8 economically feasible, the commissioner

9 (1) shall adopt regulations **that are applicable to all bidding methods**
10 to allow reduction of royalty on leases; **the regulations that are adopted under this**
11 **paragraph to prolong or enhance the economic life of an oil or gas field shall be**
12 **developed to compensate for increasing costs or decreasing value of production;**

13 (2) [. THE COMMISSIONER] may not grant a reduction of royalty
14 (A) unless the lessee requesting the reduction makes a clear

1 showing that the revenue from the lessee's share of all oil and gas
2 [HYDROCARBONS] produced from the field is and is likely to continue to be
3 insufficient to produce a reasonable rate of return with respect to the lessee's
4 total investment in the field; and

5 (B) if the royalty reduction is requested to prolong or
6 enhance the economic life of a field, unless at least two years' initial
7 production from the field has occurred;

8 (3) [. THE COMMISSIONER] may condition a royalty reduction
9 granted under this subsection in any way necessary to protect the state's interest,
10 including restoration of the state's royalty share in the event of an increase in the price
11 of oil or gas;

12 (4) [. BEFORE APPROVING A ROYALTY REDUCTION, THE
13 COMMISSIONER] shall, before approving a royalty reduction under this
14 subsection, make a written finding that the state has obtained the maximum possible
15 economic return that is compatible with allowing a reasonable rate of economic return
16 for the lessee, and send copies of the finding to all members of the legislature.

17 * **Sec. 2.** APPLICABILITY. The provisions of AS 38.05.180(j), amended by sec. 1 of this
18 Act, apply to leases in production on the effective date of this Act.

19 * **Sec. 3.** This Act takes effect immediately under AS 01.10.070(c).