

SENATE CS FOR CS FOR HOUSE BILL NO. 380(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered: 4/16/98
Referred: Finance

Sponsor(s): REPRESENTATIVES HODGINS, Kohring, Rokeberg

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to a temporary reduction of royalty on oil and gas produced
2 for sale from certain fields described as being located within the Cook Inlet
3 sedimentary basin, as having been discovered before January 1, 1988, and as
4 having been undeveloped or shut in from at least January 1, 1988, through
5 December 31, 1997."

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

7 * Section 1. AS 38.05.180(f) is amended by adding a new paragraph to read:

8 (5) notwithstanding and in lieu of a requirement in the leasing method
9 chosen of a minimum fixed royalty share, or the royalty provision of a lease, for leases
10 unitized as described in (p) of this section, leases subject to an agreement described
11 in (s) or (t) of this section, or interests unitized under AS 31.05, the lessee of all or
12 part of an oil or gas field identified in this section shall, provided production for sale
13 begins before January 1, 2004, pay a royalty of five percent on the first 25,000,000

1 barrels of oil and the first 35,000,000,000 cubic feet of gas produced for sale from that
 2 oil or gas field that occurs in the 10 years following the date on which the production
 3 for sale commences; a lessee that has not been granted approval of a production plan
 4 by the Alaska Royalty Oil and Gas Development Advisory Board under
 5 AS 38.06.040(a)(5) before the date production for sale commences from the field
 6 described by the plan is ineligible for the royalty reduction described in this paragraph
 7 on oil or gas produced from the field; subject to the approval of a plan by the board
 8 under AS 38.06.040(a)(5), the fields eligible for royalty reduction under this paragraph,
 9 all of which are located within the Cook Inlet sedimentary basin, were discovered
 10 before January 1, 1988, and have been undeveloped or shut in from at least January
 11 1, 1988, through December 31, 1997, are:

- 12 (A) Falls Creek;
- 13 (B) Nicolai Creek;
- 14 (C) North Fork;
- 15 (D) Point Starichkof;
- 16 (E) Redoubt Shoal; and
- 17 (F) West Foreland.

18 * **Sec. 2.** AS 38.06.040(a) is amended to read:

19 (a) The board shall

20 (1) in accordance with the criteria set out in AS 38.06.070, develop a
 21 plan for the wise development of the state's oil and gas royalty interests; the plan of
 22 development shall be consistent with

- 23 (A) growth of the private sector of the economy;
- 24 (B) environmental standards required by law; and
- 25 (C) public fiscal stability;

26 (2) hold public hearings on proposed sales, exchanges, or other
 27 disposals of royalty oil or gas to determine whether the proposals comply with
 28 AS 38.06.070;

29 (3) examine proposed sales, exchanges, or other disposal of, and
 30 recommend to the legislature that it approve or disapprove a proposed sale, exchange,
 31 or other disposal of

1 (A) the oil or gas that is obtained by the state as royalty under
2 AS 38.05.182; or

3 (B) the rights to receive future oil or gas production under state
4 leases; [AND]

5 (4) recommend to the commissioner of natural resources the conditions
6 relating to the sale, delivery, transportation, refining, or processing of oil or gas which
7 the commissioner may include in the offer and sale of oil or gas obtained by the state
8 as royalty under AS 38.05.182; **and**

9 **(5) grant approval within 45 days after receipt of a production plan**
10 **for production for sale of oil or gas from a field described in AS 38.05.180(f)(5)**
11 **if the plan includes provisions for the lessee to use all reasonable efforts to obtain**
12 **from a manufacturer in this state the reasonably necessary materials for the**
13 **construction of facilities used to produce oil or gas from that field; in determining**
14 **whether a lessee has used all reasonable efforts in this paragraph, the board shall**
15 **consider**

16 **(A) the relative cost of materials in proportion to the**
17 **benefits to manufacturers in this state; and**

18 **(B) the health, safety, and environmental conditions and**
19 **requirements to ensure maintenance of the lessee's operational standards.**