

**SENATE CS FOR CS FOR HOUSE BILL NO. 380(FIN)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTIETH LEGISLATURE - SECOND SESSION**

**BY THE SENATE FINANCE COMMITTEE**

**Offered: 4/17/98**

**Referred: Rules**

**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 that voluntarily agrees in a written**  
**13 plan submitted to the Alaska Royalty Oil and Gas Development Advisory Board to use**

1 its best efforts to employ residents of this state, consistent with law, and to contract  
 2 with firms in this state for work in connection with the development of the field,  
 3 including the fabrication and installation of required facilities, whenever feasible, as  
 4 determined by the lessee in consideration of commercial, health, safety, and  
 5 environmental conditions and requirements necessary to ensure maintenance of its  
 6 operational standards, shall, provided production for sale begins before January 1,  
 7 2004, pay a royalty of five percent on the first 25,000,000 barrels of oil and the first  
 8 35,000,000,000 cubic feet of gas produced for sale from that field that occurs in the  
 9 10 years following the date on which the production for sale commences; the fields  
 10 eligible for royalty reduction under this paragraph, all of which are located within the  
 11 Cook Inlet sedimentary basin, were discovered before January 1, 1988, and have been  
 12 undeveloped or shut in from at least January 1, 1988, through December 31, 1997, are

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

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

20 (a) The board shall

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

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

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

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

1 or other disposal of

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

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

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

10 **(5) certify receipt of a written plan described in AS 38.05.180(f)(5)**  
11 **and hold a public hearing on the plan within 45 days of receipt.**