

# FISCAL NOTE

**STATE OF ALASKA**  
**2004 LEGISLATIVE SESSION**

Fiscal Note Number: 2  
 Bill Version: CSHB 531(FIN)  
 (H) Publish Date: 4/30/04

Revision Date/Time (Note if correction): 4/29/2004 Dept. Affected: Natural Resources  
 Title: Conventional & Non-conventional Gas RDU: Resource Development  
Leasing Component: Oil and Gas Development  
 Sponsor: House Resources  
 Requester: House Rules Component No. 439

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

| OPERATING EXPENDITURES | FY 2005      | FY 2006    | FY 2007    | FY 2008    | FY 2009    | FY 2010    |
|------------------------|--------------|------------|------------|------------|------------|------------|
| Personal Services      | 80.0         |            |            |            |            |            |
| Travel                 | 4.0          |            |            |            |            |            |
| Contractual            | 165.5        |            |            |            |            |            |
| Supplies               | 3.1          |            |            |            |            |            |
| Equipment              |              |            |            |            |            |            |
| Land & Structures      |              |            |            |            |            |            |
| Grants & Claims        |              |            |            |            |            |            |
| Miscellaneous          |              |            |            |            |            |            |
| <b>TOTAL OPERATING</b> | <b>252.6</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |

|                             |  |  |  |  |  |  |
|-----------------------------|--|--|--|--|--|--|
| <b>CAPITAL EXPENDITURES</b> |  |  |  |  |  |  |
|-----------------------------|--|--|--|--|--|--|

|                               |                                  |  |  |  |  |  |
|-------------------------------|----------------------------------|--|--|--|--|--|
| <b>CHANGE IN REVENUES ( )</b> | <b>**Indeterminate Amount **</b> |  |  |  |  |  |
|-------------------------------|----------------------------------|--|--|--|--|--|

**FUND SOURCE** (Thousands of Dollars)

|   |              |            |            |            |            |            |
|---|--------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts                   |              |            |            |            |            |            |
| 1003 GF Match                           |              |            |            |            |            |            |
| 1004 GF                                 | 252.6        |            |            |            |            |            |
| 1005 GF/Program Receipts                |              |            |            |            |            |            |
| 1037 GF/Mental Health                   |              |            |            |            |            |            |
| Other (Specify Type--Do not abbreviate) |              |            |            |            |            |            |
| <b>TOTAL</b>                            | <b>252.6</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |

Estimate of any current year (FY2004) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

|           |   |  |  |  |  |  |
|-----------|---|--|--|--|--|--|
| Full-time |   |  |  |  |  |  |
| Part-time |   |  |  |  |  |  |
| Temporary | 1 |  |  |  |  |  |

**ANALYSIS:** (Attach a separate page if necessary)

This bill would eliminate the current over-the-counter shallow natural gas program. HB 531 would create a new gas only option under the competitive leasing and exploration licensing programs.

**\*\*Indeterminate positive revenue:** Moving from an over-the-counter program to a competitive program will result in increased revenue to the state. The commissioner will be able to set minimum rentals and bonus bid amounts based on technical analysis of the potential resources and economics of the lease or license area. While a best interest finding process will cost more up front, that cost will be more than offset by the gains in going to a competitive process. Also, having a best interest finding process at the leasing and licensing stage will facilitate a more efficient progression to exploration and development and provide the state with royalties and other revenues from development sooner.

Prepared by: Mark D. Myers Phone 269-8800  
 Division: Oil and Gas Date/Time 4/29/04  
 Approved by: Thomas Irwin, Commissioner Date 4/29/04  
 Agency: Natural Resources

## FISCAL NOTE #2

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

BILL NO. CSHB 531(FIN)

### ANALYSIS CONTINUATION

Section 60 would allow all pending shallow natural gas applicants a one-time opportunity to convert to a noncompetitive exploration license application upon payment of an application fee of \$1 per acre and with a 3-year work commitment equal to \$3 per acre. This section would also require DNR to conduct a best interest finding process prior to issuing the license.

In order to convert pending shallow natural gas applications to exploration licenses, DNR would need to simultaneously work on at least three additional best interest findings. In order to do so, it will be necessary to add one additional temporary best interest finding writer and contract out major portions of at least three findings. DNR anticipates after completing these findings that additional funding will not be needed.

DNR anticipates that there would be three separate best interest findings to cover conversion of the shallow natural gas applications to exploration licenses.

#### **Expenditures:**

Natural Resource Sp. III (\$80,000 Personal Services, \$4,300 Contractual, \$3,000 Supplies).

Travel for public hearings: \$4,000.

Outside Contracts for portions of three best interest findings: \$150,000

Expenses Associated with public notice and printing best interest findings:

Printing findings: \$1,400

Postage \$1,600

Envelopes: \$69

Public Notice (legal ads and display ads): \$8,231

(The Anchorage Daily News has general circulation in all areas of the state. The cost for a legal notice in the Anchorage Daily News is \$404 per day (weekday).  $9 \times \$404 = \$3,636$ . Publication cost in a local paper is estimated at \$225.  $9 \times \$225 = \$2,025$ . Display ad in the Anchorage Daily News =  $\$614.70 \times 3 = \$1,844.10$ . Display ad in a local paper =  $\$242.00 \times 3 = \$726$ )