

CS FOR SENATE CONCURRENT RESOLUTION NO. 3(JUD)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIFTH LEGISLATURE - FIRST SESSION

BY THE SENATE JUDICIARY COMMITTEE

Offered: 4/27/07

Referred: Rules

Sponsor(s): SENATORS THERRIAULT, Wagoner, Wilken, Dyson

A RESOLUTION

1 **Urging the governor and the attorney general to expedite the resolution of the appeal**
2 **from the decision by the commissioner of natural resources to deny the proposed plans**
3 **for development of the Point Thomson Unit and to terminate the Point Thomson Unit.**

4 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 **WHEREAS** the Department of Natural Resources estimates that the Thomson Sand
6 Reservoir contains at least 8 trillion cubic feet of gas and 200 million barrels of gas
7 condensate and oil and that the shallower Brookian reservoirs are estimated to contain
8 hundreds of millions of barrels of oil; and

9 **WHEREAS** the Point Thomson Unit consisted of 45 state oil and gas leases
10 encompassing approximately 106,200 acres, and the state owns the entire subsurface estate
11 within that unit area; and

12 **WHEREAS** 25 lessees held working interest ownership in the Point Thomson Unit on
13 October 27, 2005, when the director of the division of oil and gas in the Department of
14 Natural Resources denied the Twenty-second Plan of Development for the Point Thomson
15 Unit; and

1 **WHEREAS**, in 2000, the lessees asked the Department of Natural Resources to
2 approve an expansion of the Point Thomson Unit by 12 leases and about 40,000 acres; and

3 **WHEREAS** the Department of Natural Resources and the lessees entered into an
4 expansion agreement by which the department would approve the unit expansion on condition
5 that the lessees would perform certain items of work and put the unit into production with at
6 least seven development wells by 2008; and

7 **WHEREAS**, as of November 27, 2006, the lessees had failed to satisfy any of the
8 work commitments in the expansion agreement and had relinquished two expansion leases
9 back to the state along with a payment of \$940,000; and

10 **WHEREAS** the expansion agreement required the lessees to drill a well not later than
11 December 2006; and

12 **WHEREAS** the lessees failed to drill the well required by the expansion agreement
13 before the end of December 2006, and the expansion agreement requires the lessees to
14 relinquish all 29,000 acres of the remaining expansion leases and pay the state \$20,000,000;
15 and

16 **WHEREAS** the expansion agreement provided that the lessees could have voluntarily
17 contracted the expansion leases out of the Point Thomson Unit with a lesser financial
18 obligation to the state if the lessees determined that production was uneconomic, but the
19 lessees have not exercised this option; and

20 **WHEREAS** the lessees failed to drill exploratory wells to delineate the various
21 hydrocarbon accumulations in response to an offer by the Department of Natural Resources to
22 extend the expansion agreement if those exploratory wells were drilled; and

23 **WHEREAS** the director of the division of oil and gas in the Department of Natural
24 Resources disapproved the Twenty-second Plan of Development proposed by the lessees
25 because that plan of development did not set out a plan to bring the unit into commercial
26 production within a reasonable time; and

27 **WHEREAS** the lessees have failed to provide a new or revised acceptable plan of
28 development for the Point Thomson Unit since the director of the division of oil and gas
29 disapproved the Twenty-second Plan of Development; and

30 **WHEREAS** the commissioner of natural resources, on November 27, 2006, upheld
31 the denial of the proposed plans for development of the Point Thomson Unit, terminated the

1 Point Thomson Unit, and found that lessees had breached an expansion agreement, thereby
2 causing 29,000 acres of expansion leases to revert automatically to the state; and

3 **WHEREAS** the acting commissioner of natural resources, on December 27, 2006,
4 denied reconsideration of the commissioner's decision dated November 27, 2006; and

5 **WHEREAS** ExxonMobil Corporation, as the operator of the Point Thomson Unit and
6 as a lessee, along with BP Exploration, Chevron U.S.A., and ConocoPhillips Alaska, Inc.,
7 appealed the decision of the commissioner of natural resources to the superior court in 3AN-
8 06-13751CI and commenced a separate action in superior court in 3AN-06-13826CI; and

9 **WHEREAS** ExxonMobil Corporation, BP Exploration, Chevron U.S.A.,
10 ConocoPhillips Alaska, Inc., and Devon Energy Production Company, L.P., are pursuing
11 administrative appeals of the individual lease terminations in accordance with 11 AAC 02;
12 and

13 **WHEREAS**, under art. VIII, sec. 1, Constitution of the State of Alaska, the policy of
14 the state is to encourage the development of its resources by making them available for
15 maximum use consistent with the public interest; and

16 **WHEREAS** it is in the best interest of the state to develop the oil and gas resources
17 within the Point Thomson Unit for the benefit of the people of the state; and

18 **WHEREAS** an unnecessary delay in the resolution of the appeal of the
19 commissioner's decision will contribute to further delay in the development of the oil and gas
20 resources in the Point Thomson Unit to the detriment of the people of the state;

21 **BE IT RESOLVED** that the Alaska State Legislature respectfully asks the governor
22 and the attorney general to allocate adequate resources and take all steps necessary to expedite
23 the court's consideration of the appeal in 3AN-06-13751CI or facilitate a successful resolution
24 to the unit and lease dispute so that the oil and gas resources within the Point Thomson Unit
25 may be developed for the benefit of the people of the state without further delay.