

**SENATE BILL NO. 208**

IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-SIXTH LEGISLATURE - SECOND SESSION

**BY SENATOR WIELECHOWSKI**

**Introduced: 1/19/10**

**Referred: Resources, Finance**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act requiring the Department of Natural Resources to evaluate current incentives**  
2 **and recommend additional incentives that would increase gas exploration, development,**  
3 **and production in the Cook Inlet sedimentary basin; and requiring the Department of**  
4 **Natural Resources to evaluate the means by which the department may explore for,**  
5 **purchase, and sell natural gas from newly proved gas reserves in the Cook Inlet**  
6 **sedimentary basin."**

7 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

8 \* **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section  
9 to read:

10 **LEGISLATIVE FINDINGS.** The legislature finds that

11 (1) natural gas produced in the Cook Inlet sedimentary basin is used to  
12 generate nearly 90 percent of the electricity used in Southcentral Alaska and to heat  
13 approximately 130,000 homes and businesses; natural gas production in the Cook Inlet

1 sedimentary basin is vital to the economic well-being of Southcentral Alaska and has been the  
2 least expensive energy source available to more than half of the state's population for over  
3 three decades;

4 (2) for many years, there was far more gas in the Cook Inlet sedimentary basin  
5 than could be consumed by Alaskans, providing plentiful low-priced gas; however, in recent  
6 years, prices have risen dramatically as reserves in the Cook Inlet sedimentary basin are being  
7 depleted;

8 (3) as of December, 2009, 7,750,000,000,000 cubic feet of natural gas have  
9 been produced from the Cook Inlet sedimentary basin; original reserves of more than  
10 8,000,000,000,000 cubic feet have been reduced by production to just over 1,000,000,000,000  
11 cubic feet, with relatively few new proved reserves to replace the natural gas that has been  
12 produced in the past;

13 (4) the division of oil and gas in the Department of Natural Resources  
14 estimates that new field exploration will be required to augment remaining reserves and  
15 replace historic production; without successful discoveries of new natural gas reserves,  
16 natural gas reserves in the Cook Inlet sedimentary basin may be depleted within two decades,  
17 and yearly in-state demand may exceed supply within one decade;

18 (5) federal geologists estimate there might be between 7,000,000,000,000 and  
19 17,000,000,000,000 cubic feet of undiscovered and technically recoverable gas in the Cook  
20 Inlet sedimentary basin;

21 (6) additional investment in developing natural gas reserves in existing fields  
22 in combination with exploration for new natural gas reserves will be necessary to ensure an  
23 adequate future supply of natural gas for Southcentral Alaska;

24 (7) aggressive investment in exploration and development has been  
25 constrained by historic oversupply of natural gas and the small size of the in-state market; the  
26 oversupply and relatively small size of the market have prevented natural gas producers in the  
27 Cook Inlet sedimentary basin from selling the natural gas they have discovered within a  
28 reasonable period of time; and

29 (8) the purchase of gas from newly discovered proved reserves for later resale  
30 could provide producers with the incentive to invest additional dollars in exploring for and  
31 developing new natural gas reserves.

1     \* **Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to  
2 read:

3             STUDY AND REPORT RELATING TO INCENTIVES FOR INCREASING GAS  
4 PRODUCTION AND THE EXPLORATION FOR AND MARKETING OF GAS BY THE  
5 DEPARTMENT OF NATURAL RESOURCES IN THE COOK INLET SEDIMENTARY  
6 BASIN. (a) The Department of Natural Resources shall

7                     (1) identify and evaluate incentives the state may offer under current law to  
8 increase the exploration for, development of, and production of gas in the Cook Inlet  
9 sedimentary basin;

10                    (2) identify and evaluate additional incentives that may be enacted by the  
11 legislature to increase the exploration for, development of, and production of gas in the Cook  
12 Inlet sedimentary basin;

13                    (3) determine the cost, feasibility, and a proposed organizational structure for  
14 the Department of Natural Resources to

15                             (A) explore for gas in the Cook Inlet sedimentary basin and other areas  
16 in the state that the commissioner of natural resources finds to have the greatest  
17 priority for development; and

18                             (B) buy and sell gas produced from leases or properties in the Cook  
19 Inlet sedimentary basin that did not produce gas or have proved gas reserves before  
20 January 1, 2010.

21             (b) The Department of Natural Resources shall report its findings, conclusions, and  
22 recommendations on the subjects described in (a) of this section to the legislature before  
23 November 1, 2010.

24             (c) In this section,

25                     (1) "Cook Inlet sedimentary basin" has the meaning given in regulations  
26 adopted to implement AS 38.05.180(f)(4);

27                     (2) "proved gas reserves" means gas reserves within the definition of "proved  
28 oil and gas reserves" in 17 C.F.R. 210.4-10(a)(22) as that paragraph read on January 1, 2010.