

HOUSE BILL NO. 32

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES MILLETT, Chenault

Introduced: 1/18/11

Referred: Resources, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to oil and gas and gas only leasing."**

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

3 * **Section 1.** AS 31.05.030(k) is amended to read:

4 (k) The commission shall certify to the Department of Natural Resources the
5 volume of oil production from a field or platform for the purposes of
6 AS 38.05.180(f)(6)(A) **and (B)** [, (C), (E), AND (G)].

7 * **Sec. 2.** AS 38.05.180(f) is amended to read:

8 (f) Except as provided by AS 38.05.131 - 38.05.134, the commissioner **shall**
9 [MAY] issue oil and gas leases or leases for gas only on state land to the highest
10 responsible qualified bidder as follows:

11 (1) the commissioner shall issue an oil and gas lease or a gas only
12 lease, as appropriate, to the successful bidder determined by competitive bidding
13 under regulations adopted by the commissioner; bidding may be by sealed bid or
14 according to any other bidding procedure the commissioner determines is in the best
15 interests of the state; **the commissioner shall issue an oil and gas lease or a gas only**

1 **lease to the successful bidder on the first day of the calendar month that begins**
2 **more than 180 days after the close of bidding, or at an earlier date at the**
3 **discretion of the commissioner if requested by the successful bidder;**

4 (2) whenever, under any of the leasing methods listed in this
5 subsection, a royalty share is reserved to the state, it shall be delivered in pipeline
6 quality and free of all lease or unit expenses, including but not limited to separation,
7 cleaning, dehydration, gathering, salt water disposal, and preparation for transportation
8 off the lease or unit area;

9 (3) following a pre-sale analysis, the commissioner may choose at least
10 one of the following leasing methods:

11 (A) a cash bonus bid with a fixed royalty share reserved to the
12 state of not less than 12.5 percent in amount or value of the production
13 removed or sold from the lease;

14 (B) a cash bonus bid with a fixed royalty share reserved to the
15 state of not less than 12.5 percent in amount or value of the production
16 removed or sold from the lease and a fixed share of the net profit derived from
17 the lease of not less than 30 percent reserved to the state;

18 (C) a fixed cash bonus with a royalty share reserved to the state
19 as the bid variable but no less than 12.5 percent in amount or value of the
20 production removed or sold from the lease;

21 (D) a fixed cash bonus with the share of the net profit derived
22 from the lease reserved to the state as the bid variable;

23 (E) a fixed cash bonus with a fixed royalty share reserved to the
24 state of not less than 12.5 percent in amount or value of the production
25 removed or sold from the lease with the share of the net profit derived from the
26 lease reserved to the state as the bid variable;

27 (F) a cash bonus bid with a fixed royalty share reserved to the
28 state based on a sliding scale according to the volume of production or other
29 factor but in no event less than 12.5 percent in amount or value of the
30 production removed or sold from the lease;

31 (G) a fixed cash bonus with a royalty share reserved to the state

1 based on a sliding scale according to the volume of production or other factor
2 as the bid variable but not less than 12.5 percent in amount or value of the
3 production removed or sold from the lease;

4 (4) notwithstanding a requirement in the leasing method chosen of a
5 minimum fixed royalty share, on and after March 3, 1997, the lessee under a lease
6 issued in the Cook Inlet sedimentary basin who is the first to file with the
7 commissioner a nonconfidential sworn statement claiming to be the first to have
8 drilled a well discovering oil or gas in a previously undiscovered oil or gas pool and
9 who is certified by the commissioner within one year of completion of that discovery
10 well to have drilled a well in that pool that is capable of producing in paying quantities
11 shall pay a royalty of five percent on all production of oil or gas from that pool
12 attributable to that lease for a period of 10 years following the date of discovery of that
13 pool, and thereafter the royalty payable on all production of oil or gas from the pool
14 attributable to that lease shall be determined and payable as specified in the lease; for
15 purposes of this paragraph, the reduced royalty authorized by this paragraph is subject
16 to the following:

17 (A) only one reduction of royalty authorized by this paragraph
18 may be allowed on each lease that qualifies for reduction of royalty under this
19 paragraph;

20 (B) if, under this paragraph, application is made for a royalty
21 reduction for a lease that was entered into before March 3, 1997, the
22 commissioner may approve the application only if, on that date, the lease was a
23 nonproducing lease that was not committed to a unit approved by the
24 commissioner under (m) of this section, that is not part of a unit under (p) or
25 (q) of this section, and that has not been made part of a unit under AS 31.05;

26 (C) if application for a royalty reduction is made under this
27 paragraph for a lease on which a discovery royalty was claimed or may be
28 claimed under the discovery royalty provisions of former AS 38.05.180(a) in
29 effect before May 6, 1969, the commissioner shall disallow the application
30 under this paragraph unless the applicant waives the right to claim the right to
31 a reduced royalty under the discovery royalty provisions of former

1 AS 38.05.180(a) in effect before May 6, 1969; and

2 (D) the commissioner shall adopt regulations setting out the
3 standards, criteria, and definitions of terms that apply to implement the filing
4 of applications for, and the review and certification of, discovery certifications
5 under this paragraph;

6 (5) notwithstanding and in lieu of a requirement in the leasing method
7 chosen of a minimum fixed royalty share, or the royalty provision of a lease, for **leases**
8 **held by a well certified capable of production, fields with oil or gas wells drilled**
9 **but not produced before December 31, 1997,** leases unitized as described in (p) of
10 this section, leases subject to an agreement described in (s) or (t) of this section, or
11 interests unitized under AS 31.05, the lessee of all or part of an oil or gas field
12 identified in this section that has been granted approval of a written plan submitted to
13 the Alaska Oil and Gas Conservation Commission under AS 31.05.030(i) shall,
14 subject to (dd) of this section, pay a royalty of five percent on the first 25,000,000
15 barrels of oil and the first 35,000,000,000 cubic feet of gas produced for sale from that
16 field that occurs **after** [IN THE 10 YEARS FOLLOWING THE DATE ON WHICH
17 THE] production for sale commences; the fields eligible for royalty reduction under
18 this paragraph [, ALL OF WHICH] are located within the Cook Inlet sedimentary
19 basin [, WERE DISCOVERED BEFORE JANUARY 1, 1988,] and have been
20 **abandoned,** undeveloped, or shut in from at least January 1, 1988, through
21 December 31, 1997 [, ARE

22 (A) FALLS CREEK;

23 (B) NICOLAI CREEK;

24 (C) NORTH FORK;

25 (D) POINT STARICHKOF;

26 (E) REDOUBT SHOAL; AND

27 (F) WEST FORELAND];

28 (6) notwithstanding and in lieu of a requirement in the leasing method
29 chosen of a minimum fixed royalty share [,] or the royalty provision of a lease, for
30 leases unitized as described in (p) of this section, leases subject to an agreement
31 described in (s) or (t) of this section, or interests unitized under AS 31.05, the lessee of

1 all or part of an oil **or gas** field located offshore in Cook Inlet [ON WHICH AN OIL
2 PRODUCTION PLATFORM SPECIFIED IN (A), (C), OR (E) OF THIS
3 PARAGRAPH OPERATES, OR THE LESSEE OF ALL OR PART OF THE FIELD
4 LOCATED OFFSHORE IN COOK INLET AND DESCRIBED IN (G) OF THIS
5 PARAGRAPH],

6 (A) shall pay a royalty **based on the previous month's**
7 **production from a facility** [OF FIVE PERCENT ON OIL PRODUCED
8 FROM THE PLATFORM IF OIL PRODUCTION THAT EQUALED OR
9 EXCEEDED A VOLUME OF 1,200 BARRELS A DAY DECLINES TO
10 LESS THAN THAT AMOUNT FOR A PERIOD OF AT LEAST ONE
11 CALENDAR QUARTER], as certified by the Alaska Oil and Gas
12 Conservation Commission **as follows:**

13 **(i) for oil production less than or equal to 750**
14 **barrels a day, zero percent;**

15 **(ii) for oil production greater than 750 barrels a day**
16 **but not more than 1,500 barrels a day, five percent;**

17 **(iii) for oil production greater than 1,500 barrels a**
18 **day but not more than 1,750 barrels a day, six percent;**

19 **(iv) for oil production greater than 1,750 barrels a**
20 **day but not more than 2,000 barrels a day, 7.5 percent;**

21 **(v) for oil production greater than 2,000 barrels a**
22 **day but not more than 2,500 barrels a day, 10 percent;**

23 **(vi) for oil production greater than 2,500 barrels a**
24 **day, 12.5 percent;**

25 **(vii) for gas production less than or equal to**
26 **15,000,000 cubic feet a day, zero percent;**

27 **(viii) for gas production greater than 15,000,000**
28 **cubic feet a day but not more than 30,000,000 cubic feet a day, five**
29 **percent;**

30 **(ix) for gas production greater than 30,000,000 cubic**
31 **feet a day but not more than 35,000,000 cubic feet a day, six**

1 percent;

2 (x) for gas production greater than 35,000,000 cubic
 3 feet a day but not more than 40,000,000 cubic feet a day, 7.5

4 percent;

5 (xi) for gas production greater than 40,000,000 cubic
 6 feet a day but not more than 50,000,000 cubic feet a day, 10

7 percent;

8 (xii) for gas production greater than 50,000,000
 9 cubic feet a day, 12.5 percent [, FOR AS LONG AS THE VOLUME

10 OF OIL PRODUCED FROM THE PLATFORM REMAINS LESS
 11 THAN 1,200 BARRELS A DAY; THE PROVISIONS OF THIS
 12 SUBPARAGRAPH APPLY TO

13 (i) DOLLY;

14 (ii) GRAYLING;

15 (iii) KING SALMON;

16 (iv) STEELHEAD; AND

17 (v) MONOPOD];

18 (B) shall, [PAY A ROYALTY CALCULATED UNDER THIS
 19 SUBPARAGRAPH IF THE VOLUME OF OIL PRODUCED FROM THE
 20 PLATFORM THAT WAS CERTIFIED BY THE ALASKA OIL AND GAS
 21 CONSERVATION COMMISSION UNDER (A) OF THIS PARAGRAPH
 22 LATER INCREASES TO 1,200 OR MORE BARRELS A DAY AND
 23 REMAINS AT 1,200 OR MORE BARRELS A DAY FOR A PERIOD OF AT
 24 LEAST ONE CALENDAR QUARTER; UNTIL THE ROYALTY RATE
 25 DETERMINED UNDER THIS SUBPARAGRAPH APPLIES, THE
 26 ROYALTY CONTINUES TO BE CALCULATED UNDER (A) OF THIS
 27 PARAGRAPH; ON AND AFTER THE FIRST DAY OF THE MONTH
 28 FOLLOWING THE MONTH THE INCREASED PRODUCTION EXCEEDS
 29 THE PERIOD SPECIFIED IN THIS SUBPARAGRAPH, THE ROYALTY
 30 PAYABLE UNDER THIS SUBPARAGRAPH IS

31 (i) FOR PRODUCTION OF AT LEAST 1,200

1 BARRELS A DAY BUT NOT MORE THAN 1,300 BARRELS A
2 DAY - SEVEN PERCENT;

3 (ii) FOR PRODUCTION OF MORE THAN 1,300
4 BARRELS A DAY BUT NOT MORE THAN 1,400 BARRELS A
5 DAY - 8.5 PERCENT;

6 (iii) FOR PRODUCTION OF MORE THAN 1,400
7 BARRELS A DAY BUT NOT MORE THAN 1,500 BARRELS A
8 DAY - 10 PERCENT; AND

9 (iv) FOR PRODUCTION OF MORE THAN 1,500
10 BARRELS A DAY - 12.5 PERCENT;

11 (C) SHALL PAY A ROYALTY OF FIVE PERCENT ON OIL
12 PRODUCED FROM THE PLATFORM IF OIL PRODUCTION THAT
13 EQUALED OR EXCEEDED A VOLUME OF 975 BARRELS A DAY
14 DECLINES TO LESS THAN THAT AMOUNT FOR A PERIOD OF AT
15 LEAST ONE CALENDAR QUARTER, AS CERTIFIED BY THE ALASKA
16 OIL AND GAS CONSERVATION COMMISSION, FOR AS LONG AS THE
17 VOLUME OF OIL PRODUCED FROM THE PLATFORM REMAINS LESS
18 THAN 975 BARRELS A DAY; THE PROVISIONS OF THIS
19 SUBPARAGRAPH APPLY TO

20 (i) BAKER;

21 (ii) DILLON;

22 (iii) XTO.A; AND

23 (iv) XTO.C;

24 (D) SHALL PAY A ROYALTY CALCULATED UNDER
25 THIS SUBPARAGRAPH IF THE VOLUME OF OIL PRODUCED FROM
26 THE PLATFORM THAT WAS CERTIFIED BY THE ALASKA OIL AND
27 GAS CONSERVATION COMMISSION UNDER (C) OF THIS
28 PARAGRAPH LATER INCREASES TO 975 OR MORE BARRELS A DAY
29 AND REMAINS AT 975 OR MORE BARRELS A DAY FOR A PERIOD OF
30 AT LEAST ONE CALENDAR QUARTER; UNTIL THE ROYALTY RATE
31 DETERMINED UNDER THIS SUBPARAGRAPH APPLIES, THE

1 ROYALTY CONTINUES TO BE CALCULATED UNDER (C) OF THIS
2 PARAGRAPH; ON AND AFTER THE FIRST DAY OF THE MONTH
3 FOLLOWING THE MONTH THE INCREASED PRODUCTION EXCEEDS
4 THE PERIOD SPECIFIED IN THIS SUBPARAGRAPH, THE ROYALTY
5 PAYABLE UNDER THIS SUBPARAGRAPH IS

6 (i) FOR PRODUCTION OF AT LEAST 975
7 BARRELS A DAY BUT NOT MORE THAN 1,100 BARRELS A
8 DAY - SEVEN PERCENT;

9 (ii) FOR PRODUCTION OF MORE THAN 1,100
10 BARRELS A DAY BUT NOT MORE THAN 1,200 BARRELS A
11 DAY - 8.5 PERCENT;

12 (iii) FOR PRODUCTION OF MORE THAN 1,200
13 BARRELS A DAY BUT NOT MORE THAN 1,350 BARRELS A
14 DAY - 10 PERCENT; AND

15 (iv) FOR PRODUCTION OF MORE THAN 1,350
16 BARRELS A DAY - 12.5 PERCENT;

17 (E) SHALL PAY A ROYALTY OF FIVE PERCENT ON OIL
18 PRODUCED FROM THE PLATFORM IF OIL PRODUCTION THAT
19 EQUALED OR EXCEEDED A VOLUME OF 750 BARRELS A DAY
20 DECLINES TO LESS THAN THAT AMOUNT FOR A PERIOD OF AT
21 LEAST ONE CALENDAR QUARTER, AS CERTIFIED BY THE ALASKA
22 OIL AND GAS CONSERVATION COMMISSION, FOR AS LONG AS THE
23 VOLUME OF OIL PRODUCED FROM THE PLATFORM REMAINS LESS
24 THAN 750 BARRELS A DAY; THE PROVISIONS OF THIS
25 SUBPARAGRAPH APPLY TO

26 (i) GRANITE POINT;

27 (ii) ANNA; AND

28 (iii) BRUCE;

29 (F) SHALL PAY A ROYALTY CALCULATED UNDER
30 THIS SUBPARAGRAPH IF THE VOLUME OF OIL PRODUCED FROM
31 THE PLATFORM THAT WAS CERTIFIED BY THE ALASKA OIL AND

1 GAS CONSERVATION COMMISSION UNDER (E) OF THIS
2 PARAGRAPH LATER INCREASES TO 750 OR MORE BARRELS A DAY
3 AND REMAINS AT 750 OR MORE BARRELS A DAY FOR A PERIOD OF
4 AT LEAST ONE CALENDAR QUARTER; UNTIL THE ROYALTY RATE
5 DETERMINED UNDER THIS SUBPARAGRAPH APPLIES, THE
6 ROYALTY CONTINUES TO BE CALCULATED UNDER (E) OF THIS
7 PARAGRAPH; ON AND AFTER THE FIRST DAY OF THE MONTH
8 FOLLOWING THE MONTH THE INCREASED PRODUCTION EXCEEDS
9 THE PERIOD SPECIFIED IN THIS SUBPARAGRAPH, THE ROYALTY
10 PAYABLE UNDER THIS SUBPARAGRAPH IS

11 (i) FOR PRODUCTION OF AT LEAST 750
12 BARRELS A DAY BUT NOT MORE THAN 850 BARRELS A DAY
13 - SEVEN PERCENT;

14 (ii) FOR PRODUCTION OF MORE THAN 850
15 BARRELS A DAY BUT NOT MORE THAN 1,000 BARRELS A
16 DAY - 8.5 PERCENT;

17 (iii) FOR PRODUCTION OF MORE THAN 1,000
18 BARRELS A DAY BUT NOT MORE THAN 1,200 BARRELS A
19 DAY - 10 PERCENT; AND

20 (iv) FOR PRODUCTION OF MORE THAN 1,200
21 BARRELS A DAY - 12.5 PERCENT;

22 (G) SHALL PAY A ROYALTY OF FIVE PERCENT ON OIL
23 PRODUCED FROM THE FIELD IF OIL PRODUCTION THAT EQUALED
24 OR EXCEEDED A VOLUME OF 750 BARRELS A DAY DECLINES TO
25 LESS THAN THAT AMOUNT FOR A PERIOD OF AT LEAST ONE
26 CALENDAR QUARTER, AS CERTIFIED BY THE ALASKA OIL AND
27 GAS CONSERVATION COMMISSION, FOR AS LONG AS THE
28 VOLUME OF OIL PRODUCED FROM THE FIELD REMAINS LESS
29 THAN 750 BARRELS A DAY; THE PROVISIONS OF THIS
30 SUBPARAGRAPH APPLY TO THE WEST MCARTHUR RIVER FIELD;

31 (H) SHALL PAY A ROYALTY CALCULATED UNDER

1 THIS SUBPARAGRAPH IF THE VOLUME OF OIL PRODUCED FROM
 2 THE FIELD THAT WAS CERTIFIED BY THE ALASKA OIL AND GAS
 3 CONSERVATION COMMISSION UNDER (G) OF THIS PARAGRAPH
 4 LATER INCREASES TO 750 OR MORE BARRELS A DAY AND
 5 REMAINS AT 750 OR MORE BARRELS A DAY FOR A PERIOD OF AT
 6 LEAST ONE CALENDAR QUARTER; UNTIL THE ROYALTY RATE
 7 DETERMINED UNDER THIS SUBPARAGRAPH APPLIES, THE
 8 ROYALTY CONTINUES TO BE CALCULATED UNDER (G) OF THIS
 9 PARAGRAPH; ON AND AFTER THE FIRST DAY OF THE MONTH
 10 FOLLOWING THE MONTH THE INCREASED PRODUCTION EXCEEDS
 11 THE PERIOD SPECIFIED IN THIS SUBPARAGRAPH, THE ROYALTY
 12 PAYABLE UNDER THIS SUBPARAGRAPH IS

13 (i) FOR PRODUCTION OF AT LEAST 750
 14 BARRELS A DAY BUT NOT MORE THAN 850 BARRELS A DAY
 15 - SEVEN PERCENT;

16 (ii) FOR PRODUCTION OF MORE THAN 850
 17 BARRELS A DAY BUT NOT MORE THAN 1,000 BARRELS A
 18 DAY - 8.5 PERCENT;

19 (iii) FOR PRODUCTION OF MORE THAN 1,000
 20 BARRELS A DAY BUT NOT MORE THAN 1,200 BARRELS A
 21 DAY - 10 PERCENT; AND

22 (iv) FOR PRODUCTION OF MORE THAN 1,200
 23 BARRELS A DAY - 12.5 PERCENT; AND

24 (I) MAY OBTAIN THE BENEFITS OF THE ROYALTY
 25 ADJUSTMENTS SET OUT IN (A) - (H) OF THIS PARAGRAPH ONLY] if
 26 the commissioner determines that the reduction in production is [FROM THE
 27 PLATFORM OR THE FIELD IS

28 (i) BASED ON THE AVERAGE DAILY
 29 PRODUCTION DURING THE CALENDAR QUARTER BASED ON
 30 RESERVOIR CONDITIONS; AND

31 (ii) NOT] the result of short-term production declines

1 due to the voluntary application of mechanical or other choke-back
 2 factors, temporary shutdowns, [OR DECREASED PRODUCTION
 3 DUE TO] environmental [OR FACILITY] constraints, or market
 4 conditions, pay a royalty based on production certified by the
 5 Alaska Oil and Gas Conservation Commission for the most recent
 6 month in which none of the constraints listed in this subparagraph
 7 applied;

8 (C) may not be prohibited by a provision in this paragraph
 9 from applying for a royalty rate reduction or modification, nor shall the
 10 commissioner be prohibited under this paragraph from approving a
 11 royalty rate reduction or modification, under (j) of this section.

12 * **Sec. 3.** AS 38.05.180(m) is amended to read:

13 (m) An oil and gas lease or a gas only lease must cover a reasonably compact
 14 area not exceeding 5,760 acres, and may not be for a primary term of more than
 15 [BE FOR A MAXIMUM PERIOD OF] 10 years. The commissioner shall determine
 16 the primary term of the lease based on a finding that the term of the lease [,
 17 EXCEPT THAT THE COMMISSIONER MAY ISSUE A LEASE FOR A PERIOD
 18 NOT LESS THAN FIVE YEARS UPON A FINDING THAT IT] is in the best
 19 interests of the state. The primary term of an [AN] oil and gas lease shall be (1)
 20 extended at the request of the lessee for a period of not more than two years
 21 beyond the original primary term of the lease if the request is made in writing
 22 more than 180 days before the expiration of the original primary term and the
 23 lessee submits a payment equal to a prorated bonus payment based on the
 24 original bonus payment for the original lease; (2) extended at the request of the
 25 lessee to the latest expiration date of the primary term of a lease within an
 26 exploration block of contiguous leases if the request is made in writing more than
 27 180 days before the expiration date of the primary term or automatic extension of
 28 the primary term under this subsection for the first lease issued in the
 29 exploration block of contiguous leases; and (3) automatically extended if and for so
 30 long thereafter as oil or gas is produced in paying quantities from the lease or if the
 31 lease is committed to a unit approved by the commissioner. In addition to the

1 **extensions authorized by (1) - (3) of this subsection, a** [, AND A GAS ONLY
 2 LEASE SHALL BE AUTOMATICALLY EXTENDED IF AND FOR SO LONG
 3 THEREAFTER AS GAS IS PRODUCED IN PAYING QUANTITIES FROM THE
 4 LEASE OR IF THE LEASE IS COMMITTED TO A UNIT APPROVED BY THE
 5 COMMISSIONER. A] lease issued under this section covering land on which there is
 6 a well capable of producing oil or gas in paying quantities does not expire because the
 7 lessee fails to produce oil or gas unless the lessee is allowed reasonable time to place
 8 the well on a producing status. Upon extension, the commissioner may increase lease
 9 rentals so long as the increased rental rate does not exceed 150 percent of the rate for
 10 the preceding year. If drilling has commenced on the expiration date of the primary
 11 term of the lease and is continued with reasonable diligence, including such operations
 12 as redrilling, sidetracking, or other means necessary to reach the originally proposed
 13 bottom hole location, the lease continues in effect until **180** [90] days after drilling has
 14 ceased and for so long thereafter as oil or gas is produced in paying quantities. An oil
 15 and gas lease or a gas only lease issued under this section **that** [WHICH] is subject to
 16 termination by reason of cessation of production does not terminate if, within **180** [60]
 17 days after production ceases, reworking or drilling operations are commenced on the
 18 land under lease and are thereafter conducted with reasonable diligence during the
 19 period of nonproduction.

20 * **Sec. 4.** AS 38.05.180(w) is amended to read:

21 (w) Notwithstanding any other provisions of this section, land that was subject
 22 to a best interest finding issued within the previous 10 years may be, at the discretion
 23 of the commissioner, immediately offered for lease, under regulations adopted by the
 24 commissioner, upon terms appearing most advantageous to the state; however,
 25 noncompetitive leasing is prohibited. The commissioner shall establish a royalty
 26 determined to be in the public interest but not less than 12 1/2 percent. A lease must
 27 provide for payment to the state of rental but need not adhere to the rental schedule in
 28 (n) of this section nor to the 5,760-acres-per-lease limitation in (m) of this section. The
 29 **primary** lease term may not exceed 10 years, except as provided in **(m) and** (o) of
 30 this section.

31 * **Sec. 5.** AS 38.05.180(dd) is amended to read:

1 (dd) A lessee is **entitled to** [ELIGIBLE FOR] the royalty in (f)(5) of this
2 section only if production of oil or gas for sale begins from the eligible field before
3 **December 31, 2020** [JANUARY 1, 2004]. However, if the state or an agency of the
4 state is a party to a suit, other than a suit brought by the lessee or agent of the lessee,
5 and if the suit challenges (f)(5) of this section or AS 31.05.030(i) or an act under (f)(5)
6 of this section or AS 31.05.030(i), the **December 31, 2020** [JANUARY 1, 2004],
7 deadline is extended by the number of days the state or agency of the state is a party to
8 the suit, including any appeals.

9 * **Sec. 6.** The uncodified law of the State of Alaska is amended by adding a new section to
10 read:

11 **APPLICABILITY.** (a) The amendments to AS 38.05.180(f), made in sec. 2 of this Act
12 are applicable to a lease entered into, renewed, or amended on or after the effective date of
13 this Act.

14 (b) The extensions to a lease authorized by the amendments to AS 38.05.180(m),
15 made in by sec. 3 of this Act, are applicable to a lease entered into on or after the effective
16 date of this Act and to a lease the primary term of which has not expired before the effective
17 date of this Act.