

ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE

May 6, 2024

3:31 p.m.

MEMBERS PRESENT

Senator Click Bishop, Co-Chair
Senator Cathy Giessel, Co-Chair
Senator Bill Wielechowski, Vice Chair
Senator Scott Kawasaki
Senator James Kaufman
Senator Forrest Dunbar
Senator Matt Claman

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 194

"An Act relating to temporarily reduced royalty on oil and gas from pools without previous commercial sales in the Cook Inlet sedimentary basin; and providing for an effective date."

- HEARD AND HELD -

PREVIOUS COMMITTEE ACTION

BILL: SB 194

SHORT TITLE: REDUCE ROYALTY ON COOK INLET OIL & GAS

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/18/24	(S)	READ THE FIRST TIME - REFERRALS
01/18/24	(S)	RES, FIN
02/23/24	(S)	RES AT 3:30 PM BUTROVICH 205
02/23/24	(S)	Heard & Held
02/23/24	(S)	MINUTE(RES)
03/20/24	(S)	RES AT 3:30 PM BUTROVICH 205
03/20/24	(S)	Heard & Held
03/20/24	(S)	MINUTE(RES)
04/26/24	(S)	RES AT 3:30 PM BUTROVICH 205
04/26/24	(S)	Heard & Held
04/26/24	(S)	MINUTE(RES)
05/06/24	(S)	RES AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

JOHN CROWTHER, Deputy Commissioner
Department of Natural Resources (DNR)
POSITION STATEMENT: Answered questions during the discussion of SB 194.

DEREK NOTTINGHAM, Director
Division of Oil and Gas (DOG)
Department of Natural Resources (DNR)
POSITION STATEMENT: Answered questions during the discussion of Amendment 1 to SB 194.

JOHN BOYLE, Commissioner
Department of Natural Resources (DNR)
Anchorage, Alaska
POSITION STATEMENT: Answered questions during the discussion of Amendment 2 to SB 194.

JHONNY MEZA, Commercial Manager
Division of Oil and Gas (DOG)
Department of Natural Resources (DNR)
Anchorage, Alaska
POSITION STATEMENT: Answered questions during the discussion of SB 194.

BRETT HUBER, Chair
Alaska Oil and Gas Conservation Commission
Anchorage, Alaska
POSITION STATEMENT: Answered questions during the discussion of Amendment 3 to SB 194.

ACTION NARRATIVE

[3:31:45 PM](#)

CO-CHAIR CATHY GIESSEL called the Senate Resources Standing Committee meeting to order at 3:31 p.m. Present at the call to order were Senators Wielechowski, Kawasaki, Kaufman, Dunbar, Claman, Co-Chair Bishop, and Co-Chair Giessel.

SB 194-REDUCE ROYALTY ON COOK INLET OIL & GAS

[3:32:22 PM](#)

CO-CHAIR GIESSEL announced the consideration of SENATE BILL NO. 194 "An Act relating to temporarily reduced royalty on oil and

gas from pools without previous commercial sales in the Cook Inlet sedimentary basin; and providing for an effective date."

[3:32:59 PM](#)

CO-CHAIR GIESSEL solicited a motion.

[3:33:08 PM](#)

CO-CHAIR GIESSEL moved to adopt Amendment 1, work order 33-GS2381\A.1.

33-GS2381\A.1

Nauman

3/19/24

A M E N D M E N T 1

OFFERED IN THE SENATE

TO: SB 194

Page 1, line 2, following "**basin;**":

Insert "**relating to royalty deferral for certain gas lessees;**"

Page 8, following line 26:

Insert a new bill section to read:

"* **Sec. 2.** AS 38.05.180 is amended by adding new subsections to read:

(mm) For a lease issued to a small producing lessee, the department shall defer payment of the state's royalty share of gas production due to the state under a lease entered into under this section if the commissioner, after considering the benefits and detriments of the royalty deferment, makes a written finding that the royalty deferment is in the best interest of the state. The commissioner shall adopt regulations for the payment of royalties deferred under this subsection. A deferment under this section terminates on the earlier of

(1) the calendar year in which a lessee no longer qualifies as a small producing lessee; or

(2) 10 years after the later of

(A) the date of first commercial production of gas from the lease; or

(B) July 1, 2024.

(nn) In (mm) of this section, "small producing lessee" means a producer that, during the previous calendar year, produced less than an average of 15,000,000 cubic feet of gas per day."

Renumber the following bill sections accordingly.

Page 8, following line 27:

Insert a new bill section to read:

*** Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION. To comply with AS 38.05.180(mm), added by sec. 2 of this Act, the commissioner of natural resources shall enter into lease negotiations with a lessee holding a lease issued before the effective date of this Act to modify the lease to allow the royalty deferral required by AS 38.05.180(mm). No other terms in a lease may be changed in a negotiation described in this section."

Renumber the following bill section accordingly.

[3:33:15 PM](#)

CO-CHAIR BISHOP objected for purposes of discussion.

[3:33:22 PM](#)

CO-CHAIR GIESSEL said that Amendment 1 would defer the royalty for small producers. She explained that a "small producer" is defined as a producer that processes less than 15 million cubic feet of gas per day. She stated that approximately 6-7 Cook Inlet producers meet this criterion. She noted that both Cosmopolitan and Kitchen Lights Units would qualify, while Hilcorp would not. She added that Hilcorp has indicated that royalty reduction would not be beneficial.

[3:35:02 PM](#)

SENATOR CLAMAN asked if "small producer" is defined by the total volume produced or by the volume of individual leases.

[3:35:17 PM](#)

CO-CHAIR GIESSEL directed attention to page 1, line 20 of Amendment 1, which defines a "small producing lessee" as "a producer that, during the previous calendar year, produced less than an average of 15,000,000 cubic feet of gas per day."

[3:35:35 PM](#)

SENATOR KAUFMAN asked if deferring the royalties would result in a balloon payment at the end of the period.

[3:35:49 PM](#)

CO-CHAIR GIESSEL replied that the wording was chosen by the drafter in Legislative Legal Services. She indicated that her intention was to have no future payment and suggested that there may be a more appropriate word than "defer".

[3:36:04 PM](#)

SENATOR KAUFMAN shared his understanding that the wording must clearly indicate that this is not a deferral for which a future payment can be expected.

[3:36:22 PM](#)

CO-CHAIR GIESSEL noted that the term "royalty relief" was used in SB 194.

[3:36:38 PM](#)

SENATOR WIELECHOWSKI asked if the Department of Natural Resources (DNR) uses the term "royalty relief."

[3:36:55 PM](#)

JOHN CROWTHER, Deputy Commissioner, Department of Natural Resources (DNR), said that many of the statutes related to royalty set a numeric number to identify a minimum value for various actions. He agreed that "defer" could be interpreted to indicate a future payment. He suggested that "waiver" likely implies that there will be no payment. He added that words such as "waiver" or "released from" may effectuate the intent of the Amendment sponsor.

[3:37:56 PM](#)

SENATOR KAUFMAN indicated that he would support clarifying this language.

[3:38:18 PM](#)

SENATOR CLAMAN moved to adopt Conceptual Amendment 1 to Amendment 1:

CONCEPTUAL AMENDMENT 1 to AMENDMENT 1

Page 1, line 2:

Delete "deferral"

Insert "waiver"

Page 1, line 7:

Delete "defer"

Insert "waive"

Page 1, line 10, in two locations:

Delete "deferment"

Insert "waiver"

Page 1, line 12:

Delete "deferred"

Insert "waived"

Page 1, line 12:

Delete "deferment"

Insert "waiver"

Page 2, line 10:

Delete "deferment"

Insert "waiver"

Authorization was given for Legislative Legal Services to make technical and conforming changes.

[3:39:19 PM](#)

CO-CHAIR GIESSEL objected for purposes of discussion.

[3:39:24 PM](#)

SENATOR WIELECHOWSKI said that this seems to adequately change the language in Amendment 1 to conform with what DNR suggested would more accurately reflect the intent of the amendment's sponsor.

[3:39:38 PM](#)

CO-CHAIR GIESSEL removed her objection; she found no further objection and Conceptual Amendment 1 to Amendment 1 was adopted.

[3:39:46 PM](#)

CO-CHAIR BISHOP referred to the 15 million cubic feet of gas per day and inquired about the harvest output per day in Prudhoe Bay for the liquified natural gas (LNG) project.

[3:40:13 PM](#)

MR. CROWTHER replied that, as currently contracted, the Prudhoe Bay harvest project is producing approximately 2 billion cubic feet (Bcf) per year. He shared his understanding that the facility has some expansion capacity. He indicated that calculating the daily harvest amount would require additional time. He noted that a Prudhoe Bay lessee producing those gases does produce and sell some volume of gas in addition to the gas sales to harvest.

[3:40:58 PM](#)

CO-CHAIR GIESSEL pointed out that SB 194 is confined to Cook Inlet.

[3:41:06 PM](#)

SENATOR KAUFMAN asked if Amendment 1 would encourage a company to break itself into fractions in order to qualify as a small producer and whether any changes should be made to mitigate this.

[3:41:33 PM](#)

MR. CROWTHER replied that if a producer attempts to reassign assets, interests, and holdings that are currently held by existing units and leases, this is subject to review. DNR has the ability to review and approve those assignments based on the best interest of the state. He surmised that, while the language in Amendment 1 does not foreclose the scenario in question, the practical realities of the challenges and complexities of the process would limit the likelihood of this occurring.

[3:42:23 PM](#)

SENATOR KAUFMAN directed attention to Amendment 1, line 11 and asked if this best interest language is adequately bracketed within the current regulations.

[3:42:48 PM](#)

MR. CROWTHER replied that the best interest finding is something DNR does frequently and expressed confidence in this process. In answer to the earlier question related to potential restructuring, he noted that the best interest finding could take into consideration corporate structuring that might make a

producer eligible for royalty relief that was not otherwise intended to lawfully benefit from this exemption.

[3:43:22 PM](#)

SENATOR KAUFMAN asked for clarification that this would be part of the scope of the best interest determination.

[3:43:28 PM](#)

MR. CROWTHER replied that it could be, if it were relevant to the circumstances in the application.

[3:43:38 PM](#)

SENATOR DUNBAR asked if the intent is for Amendment 1 to apply to all gas produced by small producers - or if it would apply only to new gas.

[3:44:06 PM](#)

CO-CHAIR GIESSEL replied that the intent is for Amendment 1 to apply to all gas produced by small producers.

[3:44:15 PM](#)

CO-CHAIR GIESSEL stated that the intent was for Amendment 1 to apply only to the Cook Inlet Basin. She asked if the amendment was drafted to apply to Cook Inlet only - or if it could be interpreted more fully.

[3:44:47 PM](#)

DEREK NOTTINGHAM, Director, Division of Oil and Gas (DOG), Department of Natural Resources (DNR), answered that, as currently written, Amendment 1 applies statewide.

[3:45:01 PM](#)

CO-CHAIR GIESSEL said the title of SB 194 refers to "Cook Inlet sedimentary basin" and asked if Amendment 1 was drafted to the wrong part of the bill. She directed attention to SB 194, page 4, line 2, [Section 1, subsection (f)(5)] which refers to "Cook Inlet sedimentary basin."

[3:45:34 PM](#)

MR. CROWTHER replied that SB 194 as drafted amends AS 38.05.180(f). He explained that subsection 180 (f)(5) includes language delimiting the application to Cook Inlet. He stated that, if Amendment 1 adds a new subsection, and does not include language delimiting the application to Cook Inlet, it would be generally applicable. He noted that the limitation likely rules out current operators within the state; however, it does not

necessarily prospectively rule out future operators that qualify under the volumetric limitation.

[3:46:30 PM](#)

SENATOR WIELECHOWSKI moved Conceptual Amendment 2 to Amendment 1:

CONCEPTUAL AMENDMENT 2 TO AMENDMENT 1

Page 1, line 20 in front of "producer":

Insert "Cook Inlet"

Page 1, line 22 following "day":

Insert "Cook Inlet Basin"

[3:47:18 PM](#)

CO-CHAIR GIESSEL objected for purposes of discussion.

[3:47:25 PM](#)

CO-CHAIR GIESSEL removed her objection; she found no further objection and Conceptual Amendment 2 to Amendment 1 was adopted.

[3:47:32 PM](#)

SENATOR DUNBAR commented that SB 194 is intended to apply to prospective activities rather than to incentivize activities that are currently happening. He noted that Amendment 1 would apply to both prospective and current gas production activity and contains a best interest finding requirement. He asked whether DNR could potentially determine it to be in the state's best interest to approve a waiver for gas that would otherwise be produced.

[3:48:35 PM](#)

MR. CROWTHER replied that Amendment 1 applies to the potential royalty waiver for very small producers. He explained that current producers of this size are not producing significant revenue or a significant volume of gas. He surmised that a small amount of royalty deferment on an existing production of gas may enable those producers to take steps toward expansion, thereby bringing more gas to market. In this case, the best interest finding would weigh the cost of waiving royalties on an existing production against the benefits of how a waiver might translate into new gas availability in Cook Inlet. He deferred questions of intent to the sponsor of Amendment 1.

[3:49:43 PM](#)

SENATOR DUNBAR asked how the state would avoid a "pure wealth transfer" from Alaskans to the oil companies. He pointed out that while these companies may be small in terms of oil and gas companies, they are large companies by the standards of average Alaskans. He questioned how DNR might justify a best interest finding that would increase the profit margins of those companies without evidence that this would lead to additional gas production (i.e. production that would not otherwise occur).

[3:50:18 PM](#)

MR. CROWTHER replied that DNR would likely evaluate the volume and scope of waived royalties and associated representations and commitments (including commitments to lease plans of exploration and development and other relationships with the state) to pursue additional development. He explained that DNR must consider all aspects and weigh available information (including information submitted by the public or other interested parties). He noted that DNR is similarly tasked with weighing the benefits of royalty waivers for existing projects in other areas of statute - and whether this would extend the life of the project and bring the state additional revenue.

[3:51:58 PM](#)

SENATOR WIELECHOWSKI referred to page 4, lines 6-8 of SB 194 and asked whether, upon the adoption of Amendment 1, a company producing more than 15 million cubic feet of gas per day would still be eligible for royalty relief.

[3:52:24 PM](#)

MR. CROWTHER replied that, as DNR understands it, Amendment 1 would create a separate waiver that is unrelated - and in addition to - the core changes (including royalty reduction) that SB 194 makes to existing statute AS 38.05.180(f)(5).

[3:52:49 PM](#)

SENATOR WIELECHOWSKI asked whether Amendment 1, when combined with the royalty reduction already in SB 194, could result in additional royalty reduction for some small producers.

[3:53:08 PM](#)

MR. CROWTHER replied that he believes there is a small degree of overlap.

[3:53:22 PM](#)

SENATOR DUNBAR asked for confirmation of his understanding that SB 194 applies to both oil and gas production, while Amendment 1 applies only to gas production. He surmised that a producer could be producing less than 15 million cubic feet of gas while simultaneously producing a much larger volume of oil; however, the waiver would only apply to the gas production.

[3:53:51 PM](#)

CO-CHAIR GIESSEL agreed and added that this is the intention of Amendment 1.

[3:53:55 PM](#)

MR. CROWTHER concurred and added that DNR interprets Amendment 1 as applicable solely to gas production.

[3:54:04 PM](#)

SENATOR KAUFMAN directed attention to Amendment 1, page 1, line 6, which relates to the DNR Commissioner's best interest finding. He wondered if this should include a timeframe - and, if so, what DNR would consider an adequate timeframe for making this determination.

[3:54:55 PM](#)

MR. CROWTHER acknowledged that processes within DNR can sometimes move slowly; however, he agreed that these projects are time sensitive. He stated that any aspect of SB 194 that increases gas supply (he noted that Amendment 1 would fall into this category) would be prioritized. He briefly described the best interest finding process - which can take anywhere from 3-6 months for priority projects. He stated that DNR would aim for the 90-day range for the projects addressed by Amendment 1 and added that anything below this would make it difficult to meet public notice and constitutional protection requirements.

[3:56:04 PM](#)

SENATOR KAUFMAN asked if specifying a 90-day timeframe would be too strict.

[3:56:21 PM](#)

MR. CROWTHER replied that DNR would endeavor to meet this timeline. He added that, while it is ultimately the will of the committee, it would be challenging to definitively meet this deadline.

[3:56:48 PM](#)

CO-CHAIR BISHOP agreed that timing is important but pointed out that HB 50 (which was recently reported from committee) would

require many new regulations to be drafted by DNR. He cautioned against establishing an unrealistic timeline for DNR to both draft those new regulations and hold itself to a strict 90-day timeframe for best interest findings.

[3:57:51 PM](#)

CO-CHAIR BISHOP removed his objection.

[3:57:53 PM](#)

CO-CHAIR GIESSEL found no further objection and Amendment 1, as amended, was adopted.

[3:58:00 PM](#)

CO-CHAIR GIESSEL solicited a motion.

[3:58:03 PM](#)

SENATOR WIELECHOWSKI moved to adopt Amendment 2, work order 33-GS2381\A.2.

33-GS2381\A.2

Nauman

3/25/24

A M E N D M E N T 2

OFFERED IN THE SENATE
TO: SB 194

BY SENATOR WIELECHOWSKI

Page 1, line 1:
Delete "oil and"

Page 4, line 6:
Delete "an oil or"
Insert "a [AN OIL OR]"

Page 4, line 8:
Delete "oil or"

Page 4, line 12:
Delete "] oil or ["
Insert "OIL"

[3:58:21 PM](#)

CO-CHAIR GIESSEL objected for purposes of discussion.

[3:58:24 PM](#)

SENATOR WIELECHOWSKI said that Amendment 2 would eliminate oil from the royalty reduction proposed by SB 194. He noted that the

intention of SB 194 is to incentivize gas production and he has heard concerns about the reasoning behind also incentivizing oil production. He asked for DNR's perspective on this issue.

[3:59:02 PM](#)

JOHN BOYLE, Commissioner, Department of Natural Resources (DNR), Anchorage, Alaska, explained that in Cook Inlet, oil production drives gas production. He stated that most producers in Cook Inlet are looking for oil. He provided a hypothetical scenario to illustrate how the oil market could be positively impacted by increased gas production. He acknowledged that the economics of gas production are challenging; however, he reiterated that making gas production more economically attractive would likely lead to increased oil production. He offered Cosmopolitan field as an example of a location where increased gas production could lead to a significant amount of new oil production. He said that incentivizing gas production would help make gas production more economically attractive and including oil production would further incentivize these projects. He opined that, in order to see a policy benefit of incentivizing additional investment in the Cook Inlet, it is necessary to reduce royalties on both oil and gas.

[4:02:17 PM](#)

SENATOR WIELECHOWSKI asked whether a producer is obligated to sell gas that it finds when looking for oil.

[4:02:31 PM](#)

COMMISSIONER BOYLE shared his understanding that a producer would be obligated to sell the gas if there is a willing buyer and a market.

[4:02:40 PM](#)

SENATOR WIELECHOWSKI opined that there are many willing buyers and a market. He asked about the internal rates of return for oil versus gas in Cook Inlet (in hypothetical fields).

[4:03:17 PM](#)

MR. NOTTINGHAM said that modeling has shown that rates of return for oil and gas projects range from 15-20 percent. He noted that Blue Crest has shown very good rates of return for the Cosmopolitan oil project; however, DOG is unsure of the project's risk profile. He stated that DOG has not specifically modeled an oil project to understand potential rates of return.

[4:04:12 PM](#)

SENATOR WIELECHOWSKI opined that this is an important point and questioned whether the royalties for oil projects should be lowered if the rates of return are 30-50 percent.

[4:04:29 PM](#)

MR. NOTTINGHAM replied that the modeling could be done. He noted that there are currently no plans for drilling oil wells in the Cook Inlet and shared his understanding that no oil wells have been drilled in the Cook Inlet since 2018. He explained that this is due to challenging economics for oil drilling.

[4:05:09 PM](#)

SENATOR WIELECHOWSKI asked whether natural gas is used for enhanced oil recovery in Cook Inlet.

[4:05:20 PM](#)

MR. NOTTINGHAM replied that natural gas is used in the Swanson River field for pressure maintenance.

[4:05:30 PM](#)

SENATOR WIELECHOWSKI asked how many mcf of gas is used per day.

[4:05:36 PM](#)

MR. NOTTINGHAM replied that he does not know the specific amount, but shared his understanding that it is a small percentage of the overall demand in Cook Inlet.

[4:05:57 PM](#)

SENATOR WIELECHOWSKI shared his intention to withdraw Amendment 2 and requested modeling.

[4:06:09 PM](#)

MR. NOTTINGHAM said that the modeling is being done; however, the official numbers are not yet available.

[4:06:31 PM](#)

JHONNY MEZA, Commercial Manager, Division of Oil and Gas (DOG), Department of Natural Resources (DNR), Anchorage, Alaska, agreed that modeling is being done for oil and noted that previous modeling focused on gas only.

[4:07:05 PM](#)

COMMISSIONER BOYLE said that it is important to consider that, currently, all oil produced in the Cook Inlet is being refined at Marathon's refinery in Nikiski, Alaska and is later used by Alaskans. He stated that Cook Inlet oil production is declining. He emphasized the importance of manufacturing/value-added jobs -

and pointed out the current limits to in-state resource refinement/manufacturing. He opined that the royalty relief for both gas and oil production is important to ensure continued Cook Inlet oil production and in-state oil refinement. He added that this would also continue to provide jobs.

[4:08:36 PM](#)

CO-CHAIR BISHOP commented there was an oil refinery in Fairbanks; however, it could not secure a long-term royalty agreement with the state and closed as a result.

[4:09:06 PM](#)

SENATOR WIELECHOWSKI said he would withdraw Amendment 2, pending modeling from DOG.

[4:09:11 PM](#)

CO-CHAIR GIESSEL treated Amendment 2 as withdrawn.

[4:09:14 PM](#)

CO-CHAIR GIESSEL solicited a motion.

[4:09:17 PM](#)

SENATOR CLAMAN moved to adopt Amendment 3, work order 33-GS2381\A.7.

33-GS2381\A.7

Nauman

3/26/24

A M E N D M E N T 3

OFFERED IN THE SENATE BY SENATOR CLAMAN
TO: SB 194

Page 1, line 2, following "basin;":

Insert "requiring the Alaska Oil and Gas Conservation Commission to publish a report related to oil and gas waste;"

Page 1, following line 4:

Insert a new bill section to read:

"* Section 1. AS 31.05.030 is amended by adding a new subsection to read:

(o) Each year, the commission shall

(1) prepare a report documenting each case of oil and gas waste in the state during the preceding calendar year and the actions taken by the commission in response to the waste; and

(2) by the first day of each regular session of the legislature, deliver the report prepared under this subsection to the senate secretary and the chief clerk of the house of representatives and notify the legislature that the report is available."

Page 1, line 4:

Delete "**Section 1**"

Insert "**Sec. 2**"

Renumber the following bill sections accordingly.

[4:09:20 PM](#)

CO-CHAIR GIESSEL objected for purposes of discussion.

[4:09:23 PM](#)

SENATOR CLAMAN said Amendment 3 adds language requiring that the Alaska Oil and Gas Conservation Commission (AOGCC) publish an annual report on oil and gas waste. He acknowledged that he recently offered the same language as an amendment to [HB 50] and explained that this would increase the likelihood of this provision's passage.

[4:09:57 PM](#)

CO-CHAIR GIESSEL said that a letter was received from AOGCC and Brett Huber is available to comment on the proposed reports.

[4:10:20 PM](#)

BRETT HUBER, Chair, Alaska Oil and Gas Conservation Commission, Anchorage, Alaska, said that this is an intricate legal discussion, and the aforementioned letter was quite lengthy. He asked for guidance on where to focus his comments.

[4:11:00 PM](#)

CO-CHAIR GIESSEL asked Mr. Huber to briefly respond to Amendment 3.

[4:11:33 PM](#)

MR. HUBER said that AS 31.05.030(b) tasks AOGCC with investigating whether waste exists or is eminent. He briefly described the ways in which this is done, which includes monthly gas distribution reports from each producer for each facility. AOGCC uses this information to determine whether there has been any waste. The gas distribution reports are made available online for the legislature and the public. He explained the process that occurs when AOGCC makes a waste determination and

how the penalty amount is determined. He noted that monthly oil disposition reports are not required; however, when potential waste is discovered, an investigation follows. As with gas waste determinations, an oil waste determination is done via a public process. This information is made available in real time. He emphasized that all applications, permits, etc., are carefully reviewed to determine any potential for waste. Any potential for waste is addressed in the permit or order issued. He noted that this information is also available on AOGCC's website in real-time.

MR. HUBER stated that 20 AAC 25.540(b) requires AOGCC to conduct a hearing upon receiving written request to do so - on any matter that is under its jurisdiction. He added that this has been done several times when someone has reported potential waste - and a public order is issued to share the findings (i.e. whether waste has occurred) upon conclusion of this public process. He turned his attention to Amendment 3 and expressed concerns regarding the expectations of the waste report requirement. He stated that AOGCC would have no problem compiling its current reports into a single report to the legislature. However, he expressed concern that the report required by Amendment 3 would also include additional investigation of the improper use or waste of privately held hydrocarbons in the state. He asserted that AOGCC is well-equipped to do its work, which includes regulating the underground and ensuring that the state receives its portion of any oil and gas produced. He argued that AOGCC is not an "environmental watch dog" that looks for any potential leak of private hydrocarbon. He said that environmental concerns should be addressed by the Department of Environmental Conservation (DEC). He expressed concern with the broad language of Amendment 3, which could potentially apply to private vehicles and home heating and does not clearly define "waste".

[4:15:01 PM](#)

SENATOR KAWASAKI asked for confirmation that AOGCC currently records flaring and excessive flaring.

[4:15:19 PM](#)

MR. HUBER replied yes and added that this is part of the gas disposition report. He explained that AOGCC allows minimal flaring for emergency situations, production testing, or repairs in line. He clarified that, as a rule, flaring is disallowed. He noted that the gas disposition reports are done monthly per facility.

[4:15:52 PM](#)

SENATOR KAWASAKI asked for confirmation that this is on the AOGCC website.

[4:16:01 PM](#)

MR. HUBER confirmed that the monthly gas distribution reports are published on the AOGCC website. He added that this information is utilized by DOR and DNR.

[4:16:24 PM](#)

SENATOR KAUFMAN expressed opposition to Amendment 3.

[4:16:47 PM](#)

CO-CHAIR BISHOP said that he understands the concerns that Commissioner Huber expressed.

[4:17:30 PM](#)

CO-CHAIR GIESSEL commented that in its letter to the Senate Finance Committee, AOGCC stated that these responses to waste reports sometimes result in litigation, which complicates the issue of reporting. She expressed a reluctance to support Amendment 3.

[4:18:23 PM](#)

SENATOR CLAMAN acknowledged the comments and concerns expressed by Mr. Huber; however, he opined that concerns related to tracking individual vehicles to ensure efficiency is an overly broad interpretation of the language in Amendment 3. He argued that the language should be considered in the context of the waste that AOGCC typically regulates.

CO-CHIAR GIESSEL found the objection was maintained and asked for a roll call vote.

[4:19:13]

A roll call vote was taken. Senators Dunbar, Claman, Wielechowski, and Kawasaki, voted in favor of Amendment 3 and Senators Kaufman, Bishop, and Giessel voted against it. The vote was 4:3.

[4:19:37 PM](#)

CO-CHAIR GIESSEL announced that Amendment 3 was adopted on a vote of 4 yeas and 3 nays.

[4:19:47 PM](#)

SENATOR WIELECHOWSKI moved to adopt Amendment 4, work order 33-GS2381\A.10.

A M E N D M E N T 4

OFFERED IN THE SENATE BY SENATOR WIELECHOWSKI
TO: SB 194

Page 1, lines 1 - 2:

Delete "pools without previous commercial sales
in"

Page 1, line 5, through page 8, line 26:

Delete all material and insert:

"* **Section 1.** AS 38.05.180 is amended by adding new subsections to read:

(mm) Except as provided in (nn) of this section and notwithstanding and in lieu of a requirement in the leasing method chosen of a minimum fixed royalty share or the royalty provision of a lease, for leases issued in the Cook Inlet sedimentary basin, the lessee shall pay a royalty of 50 percent of the minimum fixed royalty share or another royalty provision for qualified new gas produced by the lessee. The royalty reduction in this subsection

(1) applies only to qualified new gas produced from a well drilled before July 1, 2031; and

(2) terminates on the earlier of either

(A) 10 years following the commencement of commercial production of qualified new gas that begins after July 1, 2024; or

(B) the date on which a commercial quantity of qualified new gas is shipped out of the state.

(nn) The royalty reduction in (mm) of this section does not apply if

(1) the royalty is already reduced under another subsection of this section to an amount less than the reduction under (mm) of this section; or

(2) the lessee declines to accept a royalty reduction under (mm) of this section in writing before the commencement of commercial production of qualified new gas that begins after July 1, 2024.

(oo) In (mm) and (nn) of this section,

(1) "firm gas sales contract" means a gas purchase contract requiring the delivery and purchase of fixed amounts of gas over a period of time;

(2) "qualified new gas" means gas supplied through a firm gas sales contract entered into between the lessee and a utility regulated under AS 42.05 and produced from

(A) a field or pool that the commissioner determines has not previously produced gas for commercial sale before January 1, 2024;

(B) a field or pool that has previously produced gas, but did not produce gas during calendar year 2024; or

(C) a well that did not exist on January 1, 2025, if the commissioner determines that production of that gas from the field or pool from an existing well was not economically feasible."

Page 8, line 27:

Delete "and AS 38.05.180(dd)"

Insert "; AS 38.05.180(f)(5), and 38.05.180(dd)"

Page 8, following line 27:

Insert a new bill section to read:

"* **Sec. 3.** AS 38.05.180(mm), 38.05.180(nn), and 38.05.180(oo) are repealed July 1, 2041."

Renumber the following bill section accordingly.

[4:19:50 PM](#)

CO-CHAIR GIESSEL objected for purposes of discussion.

[4:19:54 PM](#)

SENATOR WIELECHOWSKI said that Amendment 4 is offered for discussion, and he would like to hear from DNR. He stated that this amendment would cut the royalty by 50 percent and would require companies to have new gas in production within 7 years. Companies that meet this production goal could continue claiming the deduction for an additional 10 years - or until they sell gas out of state. He explained that the intention is to speed up the gas production timeline in order to address the current gas crisis. He indicated that the 7-year production requirement could be reduced further. He stated that Amendment 4 applies solely to gas produced under firm gas-sales contracts with Regulatory Commission of Alaska (RCA) regulated utilities. This would ensure that the gas goes to the utilities that are facing gas shortages. He directed attention to Amendment 4, page 2, lines 6-15 and said that this definition of qualifying gas was borrowed from HB 223.

[4:22:09 PM](#)

MR. CROWTHER noted that, as with Amendment 3, the exclusion of oil in Amendment 4 presents a risk. He pointed out that the eligibility time restraint, the firm sales contract requirement, and the administration of these decrease the certainty that producers would be eligible for the royalty relief. He stated that, from DNR's perspective, these types of requirements must be very focused, manageable, and optimal so that they do not disincentivize production. He acknowledged that there is immediate need for increased gas production; however, he argued that the 7-year requirement could challenge projects. He expressed opposition to Amendment 4.

[4:23:49 PM](#)

MR. NOTTINGHAM agreed and indicated that providing longer timeframes for projects to get off the ground offers a better incentive to begin production. He acknowledged the urgent need for increased production and noted that the proposed solutions are temporary; however, he said that a long-term solution is needed to mitigate future issues (e.g. in 2035-2040) with mature fields. He said that incentivizing projects that would fill those gaps is beneficial, and DOR would like to see new projects come online. He stated that the firm contract requirement is an obstacle to potential development, as contracts tend to have punitive clauses related to non-performance that could be a challenge for small producers. He said that utilities see risk with small producers bringing gas to market. He added that DOG would like to see more gas come to market and let the natural flow of the market work out the contracts.

[4:26:29 PM](#)

SENATOR DUNBAR commented that Amendment 4 highlights the challenges that result from a lack of modeling. He recalled DNR's recent presentation on SB 194, which indicated that the resulting gas production would be sufficient to fulfill the state's demand for gas. He commented that Amendment 4 could produce the same result with less fiscal impact. He highlighted the ways in which both SB 194 and Amendment 4 rely on assumptions - without a full understanding of the potential impact of the proposed changes. He emphasized the need for modeling to better understand the impact of both SB 194 and Amendment 4. He asked if this makes sense.

[4:27:44 PM](#)

MR. NOTTINGHAM replied that this does make sense. He recalled that the modeling in the presentation highlighted cases with a 5 percent royalty and zero royalty - and the effects this would

have on the inferred cost of supply to the railbelt utilities. He shared his understanding that this did not include data related to the resulting impact on the rate of return for a particular project. He stated that DOG has this modeling and would provide it to the committee.

[4:28:35 PM](#)

SENATOR DUNBAR opined that the primary question is how much gas production would increase for each change. He acknowledged that there are many factors involved, making it difficult to know the exact amount. He commented that, at this point, it is "feeling in the dark" with respect to how much each ratchet changes.

[4:29:14 PM](#)

SENATOR WIELECHOWSKI recalled that DNR previously expressed support of a 5-7-year production initiation requirement. He shared his belief that this is a reasonable way to encourage producers to move quickly. He emphasized the immediate need for gas. He asked whether DNR would support the 5-7-year requirement.

[4:30:07 PM](#)

MR. CROWTHER replied that DNR understands the desire and rationale behind setting a time by which projects must initiate. He said that a 7-year window captures known, near-term projects that DNR hopes to incentivize immediately - as well as a small window allowing for additional leasing and exploration to mature into a project. He stated that leaning closer to 5 years would primarily include existing projects in full development and offered examples. He reiterated that 7 years would potentially allow for more (i.e. incentivize materially) new exploration while 5 years is less likely to do so. He emphasized that less than 5 years would raise significant issues for full field developments that DNR hopes to see. He noted that SB 194 would hopefully result in immediate activity that would continue for several years.

[4:31:35 PM](#)

SENATOR WIELECHOWSKI clarified that Amendment 4 requires that gas production begin within 7 years - and if this requirement is met, the producer can continue to claim the deduction for ten more years. He noted that this is a total of 17 years and commented that this is a long time. He opined that this encourages companies to get projects running- and gas to market - quickly. He reiterated that companies would then have 10 additional years to recover and asked if Mr. Crowther was aware

of this aspect of Amendment 4 when he offered his analysis of the amendment.

[4:32:08 PM](#)

MR. CROWTHER replied yes. He stated that DNR's conceptual support for the 7-year window recognizes the reality that getting in and getting started within the required timeframe would result in certainty and surety of recouping the investment. He reiterated concerns regarding timeframes shorter than 7 years. He said that DNR understands the intent and the need. He shared his understanding that the goal is near-term relief and immediate action and expressed appreciation of this goal. He explained that DNR does not want to make the process too restrained and potentially disincentivize anything that would benefit the gas supply.

[4:33:05 PM](#)

SENATOR WIELECHOWSKI asked what percent of gas sold in Cook Inlet historically goes to firm gas sale contracts.

[4:33:15 PM](#)

MR. NOTTINGHAM replied that the majority of the firm gas contracts are through Hilcorp. He surmised that a change in the market share of all producers' gas input into the system would change that dynamic.

[4:34:02 PM](#)

MR. MEZA replied that is correct. He said that for 2023, the share of firm gas contracts sold from Cook Inlet was between 77-85 percent.

[4:34:22 PM](#)

SENATOR WIELECHOWSKI commented that this is a large percentage and is much higher than he expected. He shared that utilities have expressed that they want firm gas sale contracts. He opined that, with such a high percentage, this is something to incentivize. He asked if the firm gas sale price is typically lower than other gas sale prices (for utilities).

[4:35:04 PM](#)

MR. MEZA said that he cannot provide exact values and explained that that firm gas sale contracts are negotiated at the moment the contract is executed. Interruptible contracts are negotiated every time a sale occurs. He added that, theoretically, the gas sale price could be lower for either contract type.

[4:35:33 PM](#)

SENATOR WIELECHOWSKI directed attention to Amendment 4, page 2, lines 6-15, which defines what gas would qualify for royalty reduction. He asked for DNR's perspective on this provision.

[4:35:48 PM](#)

MR. CROWTHER replied that DNR has seen these constructions related to "not previously producing fields," "fields that have previously produced gas," and "wells that did not exist if they were not economically feasible" in HB 276. He surmised that these are functional categories for SB 194 and noted that in the companion legislation, these categories were recently amended for greater functionality and clarity. However, as written, these categories are generally applicable and achieve the intent of promoting new gas and not providing relief for existing and under development wells.

MR. CROWTHER stated that, regarding firm gas sales contracts, DNR understands the legislative policy intent as it relates to supply security and securing contracts. He explained that, from DNR's perspective, project sanction is a binary decision (e.g. to drill a well or not). Therefore, tying royalty relief completely to subsequent gas sales contracts (i.e. a company receives the relief - or it does not - based on the status of the subsequent contract) creates uncertainty regarding the project's sanction decision. He emphasized that he does not want to intrude on the committee's policymaking. He said that DNR would be happy to work with the committee to determine how to further incentivize firm sales in relation to other sales. He emphasized the importance of increasing producers' confidence during the decision-making process.

[4:37:50 PM](#)

SENATOR WIELECHOWSKI reiterated that utilities have communicated that they want firm gas sales contracts. He commented that royalty relief is essentially giving away millions of public dollars. He opined that public dollars should go towards reducing the energy costs for ratepayers. He argued that firm sale gas contract requirements achieve the state's intended goal. He commented that Amendment 4 would give producers the choice of receiving the relief (which would significantly impact their internal rate of return) in exchange for giving a firm gas sale contract. He said that he would be happy to work with DNR on this.

[4:38:35 PM](#)

SENATOR WIELECHOWSKI said he would withdraw Amendment 4.

[4:38:41 PM](#)

CO-CHAIR GIESSEL found no objection and Amendment 4 was withdrawn.

[4:38:50 PM](#)

CO-CHAIR GIESSEL solicited a motion.

[4:38:54 PM](#)

SENATOR WIELECHOWSKI moved to adopt Amendment 5, work order 33-GS2381\A.14.

33-GS2381\A.14

Nauman

5/2/24

A M E N D M E N T 5

OFFERED IN THE SENATE

TO: SB 194

Page 4, lines 7 - 8:

Delete "has not previously produced for commercial sale oil or gas"

Insert "first begins producing oil or gas for commercial sale on or after the effective date of this Act and before July 1, 2029,"

Page 4, lines 13 - 15:

Delete "for [FIELD THAT OCCURS IN THE] 10 years following the date on which the production for commercial sale commences"

Insert "[FIELD THAT OCCURS IN THE 10 YEARS FOLLOWING THE DATE ON WHICH THE PRODUCTION FOR SALE COMMENCES]"

Page 4, line 18, following "lease":

Insert "; the royalty reduction in this paragraph applies until the earlier of either

(1) 10 years following the commencement of production of oil or gas for commercial sale; or

(2) the date on which a commercial quantity of oil or gas produced for sale from the Cook Inlet sedimentary basin is shipped out of the state"

[4:38:55 PM](#)

CO-CHAIR GIESSEL objected for purposes of discussion.

[4:38:58 PM](#)

SENATOR WIELECHOWSKI said that Amendment 5 is more focused and contains a sunset provision similar to the one found in Amendment 4. However, Amendment 5 shortens the timeframe for initial production from 7 years to 5 years. In addition, the producer would receive the royalty reduction for an additional 10 years - or until the company sells commercial quantities of oil or gas out-of-state. He noted that this does apply to both oil and gas - but emphasized the 5-year limit in contrast to SB 194. He reiterated his understanding that DNR is amenable to the 5-7-year timeframe and asked DNR to comment.

[4:40:08 PM](#)

COMMISSIONER BOYLE said that DNR would be more comfortable with a window that is longer than 5 years. He expressed appreciation for the intent to incentivize and speed up new oil and gas production. He said that a 7-year window provides an extra margin, but it is a policy call for the committee.

[4:40:47 PM](#)

SENATOR DUNBAR moved to adopt Conceptual Amendment 1 to Amendment 5:

CONCEPTUAL AMENDMENT 1 TO AMENDMENT 5

Page 1, line4:

Delete 2029

Insert 2031

[4:41:04 PM](#)

CO-CHAIR GIESSEL objected for purposes of discussion.

[4:41:07 PM](#)

SENATOR DUNBAR said that this would change the timeframe from 5 years to 7 years. He added that he has heard this same concern from other sources.

[4:41:12 PM](#)

SENATOR WIELECHOWSKI said he believes the department would support Amendment 5 if Conceptual Amendment 1 was adopted.

[4:41:20 PM](#)

COMMISSIONER BOYLE said yes, DNR would support Amendment 5 with this change.

[4:41:27 PM](#)

CO-CHAIR GIESSEL removed her objection; she found no further objection and Conceptual Amendment 1 to Amendment 5 was adopted.

[4:41:43 PM](#)

SENATOR WIELECHOWSKI reiterated his understanding that DNR supports Amendment 5, as amended.

[4:41:51 PM](#)

MR. CROWTHER agreed that DNR supports Amendment 5, as amended. He expressed appreciation for the committee's consideration of the timing factor.

[4:42:00 PM](#)

CO-CHAIR GIESSEL removed her objection; she found no further objection and Amendment 5, as amended, was adopted.

[4:42:11 PM](#)

CO-CHAIR GIESSEL solicited a motion.

[4:42:13 PM](#)

SENATOR KAUFMAN moved to adopt Amendment 6, work order 33-GS2381\A.15.

33-GS2381\A.15
Nauman
5/2/24

A M E N D M E N T 6

OFFERED IN THE SENATE BY SENATOR KAUFMAN
TO: SB 194

Page 4, line 11:

Delete "a royalty of five percent"

Insert "**the** [A] royalty **percentage set out in this paragraph** [OF FIVE PERCENT]"

Page 4, line 13:

Delete "**for**"

Page 4, lines 14 - 15:

Delete "] 10 years following the date on which the production for **commercial** sale commences"

Insert "10 YEARS FOLLOWING THE DATE ON WHICH THE PRODUCTION FOR SALE COMMENCES]"

Page 4, line 16:

Delete "**of five percent may**"

Insert "percentage described in this paragraph does"

Page 4, line 17:

Delete "five percent in"

Insert "the applicable percentage of"

Page 4, line 18, following "lease":

Insert "; the royalty rate under this paragraph is

(A) 0.1 percent for oil or gas produced on and after January 1, 2025, and before January 1, 2028;

(B) 0.1 percent for gas produced and five percent for oil produced on and after January 1, 2028, and before January 1, 2031;

(C) five percent for gas produced and five percent for oil produced on and after January 1, 2031, and before January 1, 2036"

[4:42:15 PM](#)

CO-CHAIR GIESSEL objected for purposes of discussion.

[4:42:17 PM](#)

SENATOR KAUFMAN said Amendment 6 attempts to accomplish the goal of producing gas for the railbelt quickly, while incentivizing producers and managing risk. He pointed out that SB 194 does not currently reflect modeling. He directed attention to Amendment 6, page 1, line 23, which defines the royalty relief rate. He explained that this is designed to bias towards expeditious gas production by decreasing the royalty rate to 0.1 percent for oil and gas produced between 2025-2028. Tier B would maintain the 0.1 percent rate for gas production but would increase the rate for oil to 5 percent between 2028-2031, while tier C increases both oil and gas rates to 5 percent for 2031-2036. He reiterated that this would create a bias for early, focused gas production. He said that this would help ensure companies do not bias new production and let older production sit. He commented that a larger window may be needed.

[4:45:29 PM](#)

SENATOR WIELECHOWSKI said that he appreciates the tiered concept. He surmised that this incentivizes more immediacy in production - and companies could be incentivized even further by the zero percent royalty reduction adopted earlier. He added that it would be helpful to see modeling. He asked for DNR's perspective.

[4:46:15 PM](#)

MR. CROWTHER replied that DNR supports Amendment 6, as it increases the competitiveness of projects and biases toward immediate action. He expressed appreciation for the sliding scale design. He indicated that DNR would need to further consider Amendment 6 and how this would impact the timing of certain projects in light of the adoption of Amendment 5.

[4:47:28 PM](#)

SENATOR KAUFMAN expressed appreciation for the discussion of Amendment 6. He stated that he respects the need for modeling. He emphasized that any modeling must take into account the many parameters that need to be balanced and offered examples.

[4:48:19 PM](#)

SENATOR KAUFMAN said he would withdraw Amendment 6.

[4:48:28 PM](#)

SENATOR WIELECHOWSKI acknowledged that Amendment 6 may be a better approach than Amendment 5. He said that he would encourage the committee to reconsider that amendment and instead adopt Amendment 6, if it is shown to be a better option.

[4:49:01 PM](#)

CO-CHAIR BISHOP concurred with Senators Kaufman and Wielechowski. He said that he would like to have further discussions with DNR on Amendment 6 - and how it ties together with Amendment 5 - in order for the state to receive the best possible benefit.

CO-CHAIR GIESSEL stated that Amendment 6 was withdrawn.

[4:49:36 PM](#)

CO-CHAIR GIESSEL solicited motion.

[4:49:40 PM](#)

SENATOR WIELECHOWSKI moved to adopt Amendment 7, work order 33-GS2381\A.16.

33-GS2381\A.16

Nauman

5/3/24

A M E N D M E N T 7

OFFERED IN THE SENATE

TO: SB 194

Page 4, lines 6 - 8:

Delete "that, subject to determination by the commissioner, has not previously produced for commercial sale oil or gas"

Page 4, line 11, following "on":

Insert "qualified new"

Page 4, line 12, following "or":

Insert "qualified new"

Page 4, line 18, following "lease":

Insert "; in this paragraph,

(A) "firm gas sales contract" means a gas purchase contract requiring the delivery and purchase of fixed amounts of gas over a period of time;

(B) "qualified new gas" means gas supplied through a firm gas sales contract entered into between the lessee and a utility regulated under AS 42.05 and produced from

(i) a field or pool that the commissioner determines has not previously produced gas for commercial sale before January 1, 2024;

(ii) a field or pool that has previously produced gas, but did not produce gas during calendar year 2024; or

(iii) a well that did not exist on January 1, 2025, if the commissioner determines that production of that gas from the field or pool from an existing well was not economically feasible;

(C) "qualified new oil" means oil produced from

(i) a field or pool that the commissioner determines has not previously produced oil for commercial sale before January 1, 2024;

(ii) a field or pool that has previously produced oil, but did not produce gas during calendar year 2024; or

(iii) a well that did not exist on January 1, 2025, if the commissioner determines that production of that oil from the field or pool from an existing well was not economically feasible"

[4:49:42 PM](#)

CO-CHAIR GIESSEL objected for purposes of discussion.

[4:49:45 PM](#)

SENATOR WIELECHOWSKI withdrew Amendment 7.

[4:49:59 PM](#)

CO-CHAIR GIESSEL stated that Amendment 7 was withdrawn.

[4:50:03 PM](#)

SENATOR WIELECHOWSKI moved to adopt Amendment 8, work order 33-GS2381\A.17.

33-GS2381\A.17

Nauman

5/5/24

A M E N D M E N T 8

OFFERED IN THE SENATE BY SENATOR WIELECHOWSKI
TO: SB 194

Page 1, line 2, following "basin":

Insert "**and reports related to the royalty rates**"

Page 4, line 18, following "lease":

Insert "**; a lessee may decline to accept a royalty reduction under this paragraph by notifying the commissioner in writing before payment of a royalty to the state for oil or gas eligible for the royalty reduction under this paragraph**"

Page 8, following line 26:

Insert a new bill section to read:

"* **Sec. 2.** AS 38.05.180 is amended by adding new subsections to read:

(mm) Notwithstanding the requirement that information be kept confidential under AS 38.05.035(a), 38.05.133(e), or any other law, the commissioner shall prepare a report related to royalty reductions under (f)(5) of this section and shall, by February 1 of each year, deliver the report to the senate secretary and the chief clerk of the house of representatives, notify the legislature that the report is available, and publish the report on the department's Internet website. A lessee receiving a royalty reduction under (f)(5) of this section shall provide the department with the information necessary for the department to produce the report. At the request of a legislative committee, a representative of the department shall appear in that committee to

review the report. The commissioner may aggregate information in the report by project or by area if lease areas are in reasonably close proximity and the information reported is materially accurate. Upon request, the commissioner shall provide information aggregated in the report, broken down by lessee or lease, at the option of the requester. The report must include,

(1) for each lease area or project producing oil or gas receiving a royalty reduction under (f)(5) of this section,

(A) the name of each lessee receiving a royalty reduction;

(B) the starting date of the royalty reduction;

(C) the name of each lessee named on the lease;

(D) the name of each person with an ownership interest in the lease or in the lessee or, if more than 10 people have an ownership interest in the lease or lessee, the 10 persons with the highest percentage of ownership interest in the lease or lessee;

(E) the lease identification number;

(F) a description of the location of the lease;

(G) the total lease acreage;

(H) a summary of the project producing the oil or gas receiving the royalty reduction;

(I) the number of firm gas sales contracts the lessee currently holds with utilities regulated under AS 42.05;

(J) the volume of gas receiving the royalty reduction produced by the lessee

(i) in the preceding calendar year; and

(ii) cumulatively, beginning the calendar year the lessee first received the royalty reduction;

(K) the volume of oil receiving the royalty reduction produced by the lessee

(i) in the preceding calendar year; and

(ii) cumulatively, beginning the calendar year the lessee first received the royalty reduction;

(L) for each lessee that produced gas that received the royalty reduction, the royalty payments for that gas received by the state

(i) in the preceding calendar year;

(ii) cumulatively, beginning the calendar

year the lessee first received the royalty reduction;
(M) for each lessee that produced oil that received the royalty reduction, the royalty payments for that oil received by the state
(i) in the preceding calendar year;
(ii) cumulatively, beginning the calendar year the lessee first received the royalty reduction;
(N) a summary of the exploration work performed by the lessee during the period for which the lessee received the royalty rate under (f)(5) of this section, and the results of the exploration work;
(O) whether the royalty rate under (f)(5) of this section has expired or been terminated; and
(2) for each lessee declining to receive the royalty rate under (f)(5) of this section, the name of the lessee and the lease identification number of the lease for which the royalty rate has been declined.
(nn) The commissioner shall provide adequate notice, in writing, of the royalty reduction under (f)(5) of this section and the reporting requirements of (mm) of this section to a lessee that is or may become eligible for the royalty reduction under (f)(5) of this section."

Renumber the following bill sections accordingly.

Page 8, following line 27:

Insert a new bill section to read:

"* **Sec. 4.** AS 38.05.180(mm) and 38.05.180(nn) are repealed February 2, 2040."

Renumber the following bill section accordingly.

CO-CHAIR GIESSEL objected for purposes of discussion.

[4:50:07 PM](#)

SENATOR WIELECHOWSKI said that Amendment 8 is a reporting requirement and was drafted with input from DNR. He shared his understanding that DNR supports the amendment. He explained that it would require producers receiving royalty relief to provide certain information to the public. He commented that this would ensure transparency. He noted that it also includes a provision allowing lessees to decline the royalty relief if they do not want to provide this information.

[4:50:44 PM](#)

MR. CROWTHER said that DNR supports Amendment 8 and understands the need for public information about this program. He stated that DNR would be happy to administer this reporting requirement if it is the will of the committee.

[4:51:09 PM](#)

SENATOR CLAMAN pointed out that there may be conforming issues with Amendment 1 and Amendment 8. He clarified that this does not indicate opposition to Amendment 8.

[4:51:43 PM](#)

SENATOR KAUFMAN said that he supports Amendment 8.

[4:51:51 PM](#)

CO-CHAIR GIESSEL removed her objection; she found no further objection and Amendment 8 was adopted.

[4:52:16 PM](#)

CO-CHAIR GIESSEL held SB 194, as amended, in committee.

[4:52:30 PM](#)

There being no further business to come before the committee, Co-Chair Giessel adjourned the Senate Resources Standing Committee meeting at [4:52] p.m.