

Introduced: 5/4/79
Referred: Resources

1 IN THE HOUSE

BY MCKINNON AND ROGERS

2 HOUSE BILL NO. 495

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to oil and gas competitive contract
7 exploration permits."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 38.05.180 is amended by adding a new subsection to read:

10 (aa) The commissioner may issue competitive contract exploration
11 permits for oil and gas under the following conditions:

12 (1) Permits may be issued to the lowest responsible bidder
13 determined by competitive bidding under regulations adopted by the
14 commissioner. Bidding shall be on the basis of a fixed cash bonus with
15 the reward payable by the state to the permit holder per unit of recover-
16 able petroleum hydrocarbon discovered as the bid variable. Bids for
17 permits shall be submitted in terms of the reward per unit of oil dis-
18 covered; payment for gas discovered shall be on the basis of a ratio be-
19 tween the expected average values of oil and gas established by the
20 commissioner before offering the competitive contract exploration permit
21 for bid. All petroleum hydrocarbons or minerals discovered by virtue of
22 activities conducted under a competitive contract exploration permit
23 shall remain the property of the state and no interest in these minerals
24 may accrue to the permit holder except as provided under (6) of this
25 subsection.

26 (2) Competitive contract exploration permits may not encom-
27 pass more than 64,000 acres, the boundaries of which shall be estab-
28 lished by the commissioner in order to as nearly as possible encompass a
29 single potentially petroliferous subsurface geological structure, and be

1 for a term not to exceed five years.

2 (3) Payment of the discovery reward under a competitive
3 contract exploration permit shall be made on the basis of the quantity
4 of petroleum hydrocarbons determined to be economically recoverable from
5 the land recovered by the permit. Determination of the quantity of
6 economically recoverable reserves shall be made by an independent assess-
7 ment board consisting of three professional engineers, none of whom may
8 be an employee of or affiliated with either the state or the permit
9 holder. The state and the permit holder shall each appoint one member
10 of the assessment board, who shall then meet and jointly appoint the
11 third member.

12 (4) The permits shall provide that

13 (A) the initial assessment of reserves will be made when
14 requested by the permit holder and at the expense of the state;

15 (B) reassessments shall be made at the request and
16 expense of the permit holder;

17 (C) no reassessment of reserves may be allowed after 10
18 years have elapsed from the date the permit was initially issued
19 except as may be required by actual production.

20 (5) The commissioner may include in the permit contract
21 provisions limiting the maximum annual discovery reward payment to a
22 permit holder and providing for the payment of the reward in periodic
23 installments.

24 (6) The commissioner may include in the contract exploration
25 permit a provision granting the holder of a permit a preference right to
26 obtain an oil and gas lease or leases covering that part of the permit
27 area proven to be productive of oil or gas, if the area should be
28 offered for lease by the state. The preference right granted shall
29 allow the permit holder to obtain the lease on the terms offered by the

1 bidder that, in the absence of the preference right, would have been
2 awarded the lease. The granting of a preference right does not obligate
3 the state to lease the permit area or to develop reserves that may have
4 been discovered there.
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