

Introduced: 3/24/81  
Referred: Special Gas Pipeline  
Committee and Resources

1 IN THE HOUSE

BY GARDINER, MALONE, ROGERS  
AND CLOCKSIN

2 HOUSE BILL NO. 381

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH 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 31 is amended by adding a new chapter to read:

10 CHAPTER 35. EXPLORATION PERMITS.

11 Sec. 31.35.010. CONTRACT EXPLORATION PERMITS AUTHORIZED. (a)

12 The commissioner of natural resources may issue competitive contract  
13 exploration permits for oil and gas.

14 (b) The commissioner may issue a permit to the lowest responsible  
15 bidder determined by competitive bidding under regulations adopted by  
16 the commissioner. Bidding shall be on the basis of a fixed cash bonus  
17 with the reward payable by the state to the permit holder per unit of  
18 recoverable petroleum hydrocarbon discovered as the bid variable. Bids  
19 for permits shall be submitted in terms of the reward per unit of oil  
20 discovered. Payment for gas discovered shall be on the basis of a  
21 ratio between the expected average values of oil and gas established by  
22 the commissioner before offering the competitive contract exploration  
23 permit for bid. All petroleum hydrocarbons or minerals discovered by  
24 virtue of activities conducted under a competitive contract exploration  
25 permit shall remain the property of the state. An interest in petroleum  
26 hydrocarbons and minerals may not accrue to the permit holder except as  
27 provided under AS 31.35.050.

28 Sec. 31.35.020. LIMITATION ON PERMIT. A competitive contract  
29 exploration permit may not encompass more than 64,000 acres, the bound-

aries of which shall be established by the commissioner in order to as nearly as possible encompass a single potentially petroliferous subsurface geological structure. The term of a permit may not exceed five years.

Sec. 31.35.030. CONDITIONS OF PERMIT. A permit shall provide that

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

(2) reassessments shall be made at the request and expense of the permit holder;

(3) reassessment of reserves may not be allowed after 10 years have elapsed from the date the permit was initially issued, except as may be required by actual production.

Sec. 31.35.040. DISCOVERY REWARD UNDER PERMIT. (a) The commissioner shall compute and pay a discovery reward under a competitive contract exploration permit on the basis of the quantity of petroleum hydrocarbon reserves determined to be economically recoverable from the land within the permit area.

(b) An assessment board shall determine the quantity of economically recoverable petroleum hydrocarbon reserves. The assessment board consists of three professional engineers, none of whom may be an employee of or affiliated with either the state or the permit holder. The state and the permit holder shall each appoint one member of the assessment board; the two members shall meet and jointly appoint the third member of the assessment board.

(c) The commissioner may include in the permit

(1) a provision limiting the maximum annual discovery reward payment to a permit holder; and

(2) a provision directing the payment of the reward payment

1 in periodic installments.

2 Sec. 31.35.050. PREFERENCE RIGHT TO PERMIT HOLDER. (a) The  
3 commissioner may include in the permit a provision granting the holder  
4 of the permit a preference right to obtain an oil and gas lease or  
5 leases covering that part of the permit area proven to be productive of  
6 oil or gas, if the area should be offered for lease by the state. A  
7 preference right granted in the permit allows the permit holder to  
8 obtain a lease of the permit area on the terms offered by the bidder  
9 who, in the absence of the preference right, would have been awarded  
10 the lease.

11 (b) The granting of a preference right does not obligate the  
12 state to lease the permit area or to develop reserves that may be  
13 discovered there.

14 Sec. 31.35.060. DEFINITIONS. In this chapter,

15 (1) "commissioner" means the commissioner of natural re-  
16 sources;

17 (2) "permit" means a competitive contract exploration permit.  
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