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Referred: House Special Committee on
Oil & Gas, Resources and Finance

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1 IN THE HOUSE

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SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 425

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IN THE LEGISLATURE OF THE STATE OF ALASKA

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FOURTEENTH LEGISLATURE - SECOND SESSION

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A BILL

6 For an Act entitled: "An Act relating to the royalty value of a natural
7 gas lease on state land; and providing for an effective
8 date."

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

10 * Section 1. FINDING. The legislature finds that to provide for the
11 utilization, development and conservation of gas resources for the maximum
12 benefit of the people of the state, the value of production of gas for
13 purposes of computing the royalty reserved to the state must be based
14 primarily on the contract price of gas rather than the current market value
15 of the gas. This will encourage stable markets, promote investment, assure
16 reasonable energy prices and provide the maximum benefit to the people of
17 the state.

18 * Sec. 2. AS 38.05.180 is amended by adding a new subsection to read:

19 (aa) Notwithstanding other provisions of this section, if the
20 royalty share of natural gas reserved to the state under a lease
21 issued by the state under this section is taken in value, the value of
22 production sold under a long-term sales contract may not be greater
23 than the price received for the production under the long-term sales
24 contract unless it is shown by clear and convincing evidence that the
25 long-term contract price was unreasonably low at the time of contract.

26 * Sec. 3. This Act applies to leases issued before, on, or after the
27 effective date of this Act.

28 * Sec. 4. This Act takes effect immediately in accordance with AS 01.-
29 10.070(c).