

HB

388

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 388(O&G)

1 Page 1, line 5:

2 Delete ", or adjacent land,"

3 Page 5, lines 6 - 9:

4 Delete ", together with any tract for which a written best interest finding has not
5 been prepared if the tract is located within and is entirely surrounded by acreage
6 described in this subparagraph for which a best interest finding was issued"

7 Page 5, line 13:

8 Delete " ,"

9 Insert "and"

10 Page 5, line 14:

11 Delete ", and for the included tracts"

12 Page 6, lines 23 - 24:

13 Delete "or that is adjacent to and surrounded by state land that has been the
14 subject of a best interest finding"

AMENDMENT

OFFERED IN THE HOUSE
TO: CSHB 388(O&G)

1 Page 6, lines 27 - 30:

2 Delete

3 "(1) may annually offer to issue oil and gas leases of the acreage
4 described in AS 38.05.035(e)(6)(G) unless the commissioner determines that
5 substantial new information has become available that justifies preparation of a
6 supplement to the best interest finding for the area proposed to be leased;"

7 Insert

8 "(1) may annually offer to issue oil and gas leases of the acreage
9 described in AS 38.05.035(e)(6)(G) that is subject to a written best interest
10 finding issued within the previous 10 years unless, under that subparagraph, the
11 commissioner determines that preparation of a supplement to the best interest
12 finding for the acreage proposed to be leased is justified;"

EMPHASIZE INTENT TO FACILITATE AREAWIDE LEASE SALES P.1, P.6

DELETE UNNECESSARY REFERENCES TO ADJACENT/INHOLDING AGREEMENT P.1, P.5, P.6

9-LS1341\K

DELETE REFERENCES TO SUPPLEMENTAL BIF AT LOCATIONS THAT COULD REQUIRE REPEATED APPEARANCES ON 5-YEAR LEASING SCHEDULE P.1, P.6

ADDITION TO CLARIFY PROCEDURAL REQUIREMENTS P.3, P.6

CS FOR HOUSE BILL NO. 388(O&G)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE SPECIAL COMMITTEE ON OIL AND GAS

Offered: 3/13/96

Referred: Resources, Finance

Sponsor(s): REPRESENTATIVES ROKEBERG, B.Davis

A BILL

FOR AN ACT ENTITLED

1 "An Act revising laws relating to oil and gas leasing as related to land
 2 previously the subject of a written best interest finding; amending provisions
 3 setting out exceptions to sales, leases, or other disposals for which a revised
 4 written best interest finding is not required; ^{encouraging} ~~authorizing~~ annual offer of land for
 5 oil and gas leases if the land, ~~or adjacent land,~~ was the subject of a best
 6 interest finding ~~and if preparation of a supplement to the best interest finding~~
 7 ~~for that land is not justified;~~ and modifying the statement of purpose in the
 8 Alaska Land Act as it applies to oil and gas leasing ^{to provide for annual areawide} ~~to provide for annual areawide~~
 lease sales

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

10 * Section 1. AS 38.05.035(e) is amended to read:

11 (e) Upon a written finding that the interests of the state will be best served, the
 12 director may, with the consent of the commissioner, approve contracts for the sale, lease,
 13 or other disposal of available land, resources, property, or interests in them. In [, AND,

1 IN] addition to the conditions and limitations imposed by law, the director may impose
 2 additional conditions or limitations in the contracts as the director determines, with the
 3 consent of the commissioner, will best serve the interests of the state. The preparation
 4 and issuance of the written finding by the director is subject to the following:

5 (1) with the consent of the commissioner and subject to the director's
 6 discretion, for a specific proposed disposal of available land, resources, or property, or
 7 of an interest in them, the director, in the written finding,

8 (A) shall establish the scope of the administrative review on
 9 which the director's determination is based, and the scope of the written finding
 10 supporting that determination; the scope of the review and finding may address
 11 only reasonably foreseeable, significant effects of the uses proposed to be
 12 authorized by the disposal;

13 (B) may limit the scope of an administrative review and finding
 14 for a proposed disposal to

- 15 (i) applicable statutes and regulations;
- 16 (ii) the facts pertaining to the land, resources, or property,
 17 or interest in them, that the director finds are material to the
 18 determination and that are known to the director or knowledge of which
 19 is made available to the director during the administrative review; and

20 (iii) issues that, based on the statutes and regulations
 21 referred to in (i) of this subparagraph, on the facts as described in (ii) of
 22 this subparagraph, and on the nature of the uses sought to be authorized,
 23 the director finds are material to the determination of whether the
 24 proposed disposal will best serve the interests of the state; and

25 (C) may, if the project for which the proposed disposal is sought
 26 is a multiphased development, limit the scope of an administrative review and
 27 finding for the proposed disposal to the applicable statutes and regulations, facts,
 28 and issues identified in (B)(i) - (iii) of this paragraph that pertain solely to a
 29 discrete phase of the project when

30 (i) the only uses to be authorized by the proposed disposal
 31 are part of that discrete phase;

32 (ii) the department's approval is required before the next

1 phase of the project may proceed; and

2 (iii) the department describes its reasons for a decision to

3 phase and conditions its approval to ensure that any additional uses or

4 activities proposed for that or any later phase of the project will serve the

5 best interests of the state;

6 (2) the director shall discuss in the written finding prepared and issued

7 under this subsection the reasons that each of the following was not material to the

8 director's determination that the interests of the state will be best served:

9 (A) facts pertaining to the land, resources, or property, or an

10 interest in them other than those that the director finds material under (1)(B)(ii)

11 of this subsection; and

12 (B) issues based on the statutes and regulations referred to in

13 (1)(B)(i) of this subsection and on the facts described in (1)(B)(ii) of this

14 subsection;

15 (3) a written finding for an oil and gas lease sale under AS 38.05.180 is

16 subject to (g) of this section;

17 (4) a contract for the sale, lease, or other disposal of available land or an

18 interest in land is not legally binding on the state until the commissioner approves the

19 contract but if the appraised value is not greater than \$50,000 in the case of the sale of

20 land or an interest in land, or \$5,000 in the case of the annual rental of land or interest

21 in land, the director may execute the contract without the approval of the commissioner;

22 (5) public notice requirements relating to the sale, lease, or other disposal

23 of available land or an interest in land for oil and gas proposed to be scheduled in the

24 five-year oil and gas leasing program under AS 38.05.180(b) ^{except for a sale under (G)(6) of this subsection} are as follows:

25 (A) before a public hearing, if held, or in any case not less than

26 180 days before the sale, lease, or other disposal of available land or an interest

27 in land, the director shall make available to the public a preliminary written

28 finding that states the scope of the review established under (1)(A) of this

29 subsection and includes the applicable statutes and regulations, the material facts

30 and issues in accordance with (1)(B) of this subsection, and information required

31 by (g) of this section, upon which the determination that the sale, lease, or other

32 disposal will serve the best interests of the state will be based; the director shall

1 provide opportunity for public comment on the preliminary written finding for
2 a period of not less than 60 days;

3 (B) after the public comment period for the preliminary written
4 finding and not less than 90 days before the sale, lease, or other disposal of
5 available land or an interest in land for oil and gas, the director shall make
6 available to the public a final written finding that states the scope of the review
7 established under (1)(A) of this subsection and includes the applicable statutes
8 and regulations, the material facts and issues in accordance with (1) of this
9 subsection, and information required by (g) of this section, upon which the
10 determination that the sale, lease, or other disposal will serve the best interests
11 of the state is based;

12 (6) before a public hearing, if held, or in any case not less than 21 days
13 before the sale, lease, or other disposal of available land, property, resources, or interests
14 in them other than a sale, lease, or other disposal of available land or an interest in land
15 for oil and gas under (5) of this subsection, the director shall make available to the
16 public a written finding that, in accordance with (1) of this subsection, sets out the
17 material facts and applicable statutes and regulations and any other information required
18 by statute or regulation to be considered upon which the determination that the sale,
19 lease, or other disposal will best serve the interests of the state was based; however, a
20 written finding is not required before the approval of

21 (A) a contract for a negotiated sale authorized under
22 AS 38.05.115;

23 (B) a lease of land for a shore fishery site under AS 38.05.082;

24 (C) a permit or other authorization revocable by the
25 commissioner;

26 (D) a mineral claim located under AS 38.05.195;

27 (E) a mineral lease issued under AS 38.05.205;

28 (F) a production license issued under AS 38.05.207; or

29 (G) an exempt oil and gas lease sale under AS 38.05.180(d) of
30 acreage subject to a best interest finding issued [OFFERED IN A SALE
31 THAT WAS HELD] within the previous 10 [FIVE] years [IF THE SALE WAS
32 SUBJECT TO A WRITTEN BEST INTEREST FINDING, UNLESS THE

1 COMMISSIONER DETERMINES THAT NEW INFORMATION HAS
2 BECOME AVAILABLE THAT JUSTIFIES A REVISION OF THE BEST
3 INTEREST FINDING;] or

4 [(H)] a reoffer oil and gas lease sale under AS 38.05.180(w) of
5 acreage subject to a best interest finding issued [OFFERED IN A SALE
6 THAT WAS HELD] within the previous 10 [FIVE] years, ~~together with any~~

~~tract for which a written best interest finding has not been prepared if the~~
~~tract is located within and is entirely surrounded by acreage described in~~
~~this subparagraph for which a best interest finding was issued~~ [(I) THE

7
8
9
10 SALE WAS SUBJECT TO A BEST INTEREST FINDING], unless the
11 commissioner determines that substantial new information has become available
12 that justifies a supplement to [REVISION OF] the most recent best interest
13 finding for the exempt oil and gas lease sale acreage, for the reoffer oil and
14 gas lease sale acreage, and for the included tracts; however, for each oil and
15 gas lease sale described in this subparagraph, the director shall call for
16 comments from the public; the director's call for public comments must
17 provide opportunity for public comment for a period of not less than 30
18 days; if the director determines that a supplement to the most recent best
19 interest finding for the acreage is required under this subparagraph.

20 (i) the director shall issue the supplement to the best
21 interest finding not later than 90 days before the sale;

22 (ii) not later than 45 days before the sale, the director
23 shall issue a notice describing the interests to be offered, the location
24 and time of the sale, and the terms and conditions of the sale; and

25 (iii) the supplement has the status of a final written
26 best interest finding for purposes of AS 38.05.035(i) and (l);

27 (7) the director shall include in

28 (A) a preliminary written finding, if required, a summary of
29 agency and public comments, if any, obtained as a result of contacts with other
30 agencies concerning a proposed disposal or as a result of informal efforts
31 undertaken by the department to solicit public response to a proposed disposal,
32 and the department's preliminary responses to those comments; and

1 (B) the final written finding a summary of agency and public
2 comments received and the department's responses to those comments.

3 * Sec. 2. AS 38.05.180(a) is amended to read:

4 (a) The legislature finds that

5 (1) the people of Alaska have an interest in the development of the
6 state's oil and gas resources to

7 (A) maximize the economic and physical recovery of the
8 resources;

9 (B) maximize competition among parties seeking to explore and
10 develop the resources;

11 (C) maximize use of Alaska's human resources in the
12 development of the resources;

13 (2) it is in the best interests of the state

14 (A) to encourage an assessment of its oil and gas resources and
15 to allow the maximum flexibility in the methods of issuing leases to

16 (i) [(A)] recognize the many varied geographical regions
17 of the state and the different costs of exploring for oil and gas in these
18 regions;

19 (ii) [(B)] minimize the adverse impact of exploration,
20 development, production, and transportation activity; and

21 (B) to offer acreage for oil and gas leases on an annual basis,
22 specifically including annual areawide leases of state land that has been the
23 subject of a best interest finding or that is adjacent to and surrounded by
24 state land that has been the subject of a best interest finding and those lands which are eligible as exempt sales as authorized
by AS38.05.180(d).

25 * Sec. 3. AS 38.05.180(d) is amended to read:

26 (d) The commissioner

27 (1) may annually offer ^{at areawide lease sales} to issue oil and gas leases of the acreage

28 described in AS 38.05.035(e)(6)(G) unless the commissioner determines that
29 substantial new information has become available that justifies preparation of a
30 supplement to the best interest finding for the area proposed to be leased;

31 (2) may issue oil and gas leases in an area that has not been included
32 in a leasing program submitted, in accordance with (b) of this section, to the legislature

1 if the land to be leased

2 (A) [(1)] was previously subject to a valid state or federal oil
3 and gas lease;

4 (B) [(2)] is contiguous to land already under state, federal or
5 private lease and the commissioner makes a written finding, after hearing, that
6 leasing of the land would result in a substantial probability of early evaluation
7 and development of the land to be leased;

8 (C) [(3)] is adjacent to land owned or controlled by another
9 party on which a discovery of commercial quantities of oil or gas has been
10 made, and the commissioner finds, after hearing, that there is a reasonable
11 probability that the land to be leased contains oil or gas in communication with
12 the oil or gas discovered on the land of the other party;

13 (D) [(4)] is adjacent to land included in the federal five-year
14 Outer Continental Shelf leasing program under 43 U.S.C. 1344, and the
15 commissioner makes a written finding, after hearing, that coordinated or
16 simultaneous leasing with the federal government is in the public interest; or

17 (E) [(5)] is the subject of an oil and gas exploration license
18 issued under AS 38.05.131 - 38.05.134.

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

20 (w) Notwithstanding any other provisions of this section, land that was subject
21 to a best interest finding issued within the previous 10 years [WHICH HAS BEEN
22 OFFERED FOR LEASE WITHIN THE PREVIOUS FIVE YEARS AND WHICH
23 RECEIVED NO BIDS AT COMPETITIVE SALE OR FOR WHICH NO BID WAS
24 ACCEPTED] may be, at the discretion of the commissioner, immediately offered for
25 lease, under regulations adopted by the commissioner, upon terms appearing most
26 advantageous to the state; however, noncompetitive leasing is prohibited. The
27 commissioner shall establish a royalty determined to be in the public interest but not less
28 than 12 1/2 percent. A lease must provide for payment to the state of rental but need
29 not adhere to the rental schedule in (n) of this section nor to the 5,760-acres-per-lease
30 limitation in (m) of this section. The lease term may not exceed 10 years, except as
31 provided in (o) of this section.

32 * Sec. 5. AS 38.05.945(a) is amended to read:

- 1 (a) This section establishes the requirements for notice given by the department
- 2 for the following actions:
- 3 (1) classification or reclassification of state land under AS 38.05.300 and
- 4 the closing of land to mineral leasing or entry under AS 38.05.185;
- 5 (2) zoning of land under applicable law;
- 6 (3) issuance of a
- 7 (A) preliminary written finding under AS 38.05.035(e)(5)(A)
- 8 regarding the sale, lease, or disposal of an interest in state land or resources for
- 9 oil and gas subject to AS 38.05.180(b);
- 10 (B) final written finding under AS 38.05.035(e)(5)(B) regarding
- 11 the sale, lease, or disposal of an interest in state land or resources for oil and gas
- 12 subject to AS 38.05.180(b);
- 13 (C) written finding for the sale, lease, or disposal of an interest
- 14 in state land or resources under AS 38.05.035(c)(6), except an oil or gas lease
- 15 sale described in AS 38.05.035(e)(6)(G) for which the director must provide
- 16 opportunity for public comment under the provisions of that subparagraph;
- 17 (4) a competitive disposal of an interest in state land or resources after
- 18 final decision under AS 38.05.035(e);
- 19 (5) a public hearing under AS 38.05.856(b);
- 20 (6) a preliminary finding under AS 38.05.035(e) and 38.05.855(c)
- 21 concerning sites for aquatic farms and related hatcheries;
- 22 (7) a decision under AS 38.05.132 - 38.05.134 regarding the sale, lease,
- 23 or disposal of an interest in state land or resources.

9-LS1341\G
Chenoweth
3/12/96

CS FOR HOUSE BILL NO. 388()

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES ROKEBERG, B.Davis

A BILL

FOR AN ACT ENTITLED

1 "An Act revising laws relating to oil and gas leasing as related to land
2 previously the subject of a written best interest finding; amending provisions
3 setting out exceptions to sales, leases, or other disposals for which a revised
4 written best interest finding is not required; authorizing annual offer of land for
5 oil and gas leases if the land, or adjacent land, was the subject of a best
6 interest finding and if preparation of a supplement to the best interest finding
7 for that land is not justified; and modifying the statement of purpose in the
8 Alaska Land Act as it applies to oil and gas leasing."

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

10 * Section 1. AS 38.05.035(e) is amended to read:

11 (e) Upon a written finding that the interests of the state will be best served, the
12 director may, with the consent of the commissioner, approve contracts for the sale, lease,
13 or other disposal of available land, resources, property, or interests in them. In [, AND,

1 [IN] addition to the conditions and limitations imposed by law, the director may impose
2 additional conditions or limitations in the contracts as the director determines, with the
3 consent of the commissioner, will best serve the interests of the state. The preparation
4 and issuance of the written finding by the director is subject to the following:

5 (1) with the consent of the commissioner and subject to the director's
6 discretion, for a specific proposed disposal of available land, resources, or property, or
7 of an interest in them, the director, in the written finding,

8 (A) shall establish the scope of the administrative review on
9 which the director's determination is based, and the scope of the written finding
10 supporting that determination; the scope of the review and finding may address only
11 reasonably foreseeable, significant effects of the uses proposed to be authorized by the
12 disposal;

13 (B) may limit the scope of an administrative review and finding
14 for a proposed disposal to

15 (i) applicable statutes and regulations;

16 (ii) the facts pertaining to the land, resources, or property,
17 or interest in them, that the director finds are material to the
18 determination and that are known to the director or knowledge of which
19 is made available to the director during the administrative review; and

20 (iii) issues that, based on the statutes and regulations
21 referred to in (i) of this subparagraph, on the facts as described in (ii) of
22 this subparagraph, and on the nature of the uses sought to be authorized,
23 the director finds are material to the determination of whether the
24 proposed disposal will best serve the interests of the state; and

25 (C) may, if the project for which the proposed disposal is sought
26 is a multiphased development, limit the scope of an administrative review and
27 finding for the proposed disposal to the applicable statutes and regulations, facts,
28 and issues identified in (B)(i) - (iii) of this paragraph that pertain solely to a
29 discrete phase of the project when

30 (i) the only uses to be authorized by the proposed disposal
31 are part of that discrete phase;

32 (ii) the department's approval is required before the next

1 phase of the project may proceed; and

2 (iii) the department describes its reasons for a decision to
3 phase and conditions its approval to ensure that any additional uses or
4 activities proposed for that or any later phase of the project will serve the
5 best interests of the state;

6 (2) the director shall discuss in the written finding prepared and issued
7 under this subsection the reasons that each of the following was not material to the
8 director's determination that the interests of the state will be best served:

9 (A) facts pertaining to the land, resources, or property, or an
10 interest in them other than those that the director finds material under (1)(B)(ii)
11 of this subsection; and

12 (B) issues based on the statutes and regulations referred to in
13 (1)(B)(i) of this subsection and on the facts described in (1)(B)(ii) of this
14 subsection;

15 (3) a written finding for an oil and gas lease sale under AS 38.05.180 is
16 subject to (g) of this section;

17 (4) a contract for the sale, lease, or other disposal of available land or an
18 interest in land is not legally binding on the state until the commissioner approves the
19 contract but if the appraised value is not greater than \$50,000 in the case of the sale of
20 land or an interest in land, or \$5,000 in the case of the annual rental of land or interest
21 in land, the director may execute the contract without the approval of the commissioner;

22 (5) public notice requirements relating to the sale, lease, or other disposal
23 of available land or an interest in land for oil and gas proposed to be scheduled in the
24 five-year oil and gas leasing program under AS 38.05.180(b), are as follows:

25 (A) before a public hearing, if held, or in any case not less than
26 180 days before the sale, lease, or other disposal of available land or an interest
27 in land, the director shall make available to the public a preliminary written
28 finding that states the scope of the review established under (1)(A) of this
29 subsection and includes the applicable statutes and regulations, the material facts
30 and issues in accordance with (1)(B) of this subsection, and information required
31 by (g) of this section, upon which the determination that the sale, lease, or other
32 disposal will serve the best interests of the state will be based; the director shall

1 provide opportunity for public comment on the preliminary written finding for
2 a period of not less than 60 days;

3 (B) after the public comment period for the preliminary written
4 finding and not less than 90 days before the sale, lease, or other disposal of
5 available land or an interest in land for oil and gas, the director shall make
6 available to the public a final written finding that states the scope of the review
7 established under (1)(A) of this subsection and includes the applicable statutes
8 and regulations, the material facts and issues in accordance with (1) of this
9 subsection, and information required by (g) of this section, upon which the
10 determination that the sale, lease, or other disposal will serve the best interests
11 of the state is based;

12 (6) before a public hearing, if held, or in any case not less than 21 days
13 before the sale, lease, or other disposal of available land, property, resources, or interests
14 in them other than a sale, lease, or other disposal of available land or an interest in land
15 for oil and gas under (5) of this subsection, the director shall make available to the
16 public a written finding that, in accordance with (1) of this subsection, sets out the
17 material facts and applicable statutes and regulations and any other information required
18 by statute or regulation to be considered upon which the determination that the sale,
19 lease, or other disposal will best serve the interests of the state was based; however, a
20 written finding is not required before the approval of

21 (A) a contract for a negotiated sale authorized under
22 AS 38.05.115;

23 (B) a lease of land for a shore fishery site under AS 38.05.082;

24 (C) a permit or other authorization revocable by the
25 commissioner;

26 (D) a mineral claim located under AS 38.05.195;

27 (E) a mineral lease issued under AS 38.05.205;

28 (F) a production license issued under AS 38.05.207; or

29 (G) an exempt oil and gas lease sale under AS 38.05.180(d) of
30 acreage subject to a best interest finding issued [OFFERED IN A SALE
31 THAT WAS HELD] within the previous 10 [FIVE] years [IF THE SALE WAS
32 SUBJECT TO A WRITTEN BEST INTEREST FINDING, UNLESS THE

1 COMMISSIONER DETERMINES THAT NEW INFORMATION HAS
2 BECOME AVAILABLE THAT JUSTIFIES A REVISION OF THE BEST
3 INTEREST FINDING;] or

4 [(H)] a reoffer oil and gas lease sale under AS 38.05.180(w) of
5 acreage subject to a best interest finding issued [OFFERED IN A SALE
6 THAT WAS HELD] within the previous 10 [FIVE] years, together with any
7 tract for which a written best interest finding has not been prepared if the
8 tract is located within and is entirely surrounded by acreage described in
9 this subparagraph for which a best interest finding was issued [IF THE
10 SALE WAS SUBJECT TO A BEST INTEREST FINDING], unless the
11 commissioner determines that substantial new information has become available
12 that justifies a supplement to [REVISION OF] the most recent best interest
13 finding for the exempt oil and gas lease sale acreage, for the reoffer oil and
14 gas lease sale acreage, and for the included tracts; however, for each oil and
15 gas lease sale described in this subparagraph, the director shall call for
16 comments from the public; the director's call for public comments must
17 provide opportunity for public comment for a period of not less than 30
18 days; if the director determines that a supplement to the most recent best
19 interest finding for the acreage is required under this subparagraph,

20 (i) the director shall issue the supplement to the best
21 interest finding not later than 90 days before the sale;

22 (ii) not later than 45 days before the sale, the director
23 shall issue a notice describing the interests to be offered, the location
24 and time of the sale, and the terms and conditions of the sale; and

25 (iii) the supplement has the status of a final written
26 best interest finding for purposes of AS 38.05.035(i) and (l);

27 (7) the director shall include in

28 (A) a preliminary written finding, if required, a summary of
29 agency and public comments, if any, obtained as a result of contacts with other
30 agencies concerning a proposed disposal or as a result of informal efforts
31 undertaken by the department to solicit public response to a proposed disposal,
32 and the department's preliminary responses to those comments; and

1 (B) the final written finding a summary of agency and public
2 comments received and the department's responses to those comments.

3 * Sec. 2. AS 38.05.180(a) is amended to read:

4 (a) The legislature finds that

5 (1) the people of Alaska have an interest in the development of the
6 state's oil and gas resources to

7 (A) maximize the economic and physical recovery of the
8 resources;

9 (B) maximize competition among parties seeking to explore and
10 develop the resources;

11 (C) maximize use of Alaska's human resources in the
12 development of the resources;

13 (2) it is in the best interests of the state

14 (A) to encourage an assessment of its oil and gas resources and
15 to allow the maximum flexibility in the methods of issuing leases to

16 (i) [(A)] recognize the many varied geographical regions
17 of the state and the different costs of exploring for oil and gas in these
18 regions;

19 (ii) [(B)] minimize the adverse impact of exploration,
20 development, production, and transportation activity; and

21 (B) to offer acreage for oil and gas lease sales on an annual
22 basis, specifically including annual areawide lease sales of state land that has
23 been the subject of a best interest finding or that is adjacent to and
24 surrounded by state land that has been the subject of a best interest finding.

25 * Sec. 3. AS 38.05.180(d) is amended to read:

26 (d) The commissioner

27 (1) may annually offer to issue oil and gas leases of the acreage
28 described in AS 38.05.035(e)(6)(G) unless the commissioner determines that new
29 information has become available that justifies preparation of a supplement to the
30 best interest finding for the area proposed to be leased;

31 (2) may issue oil and gas leases in an area that has not been included
32 in a leasing program submitted, in accordance with (b) of this section, to the legislature

1 if the land to be leased

2 (A) [(1)] was previously subject to a valid state or federal oil
3 and gas lease;

4 (B) [(2)] is contiguous to land already under state, federal or
5 private lease and the commissioner makes a written finding, after hearing, that
6 leasing of the land would result in a substantial probability of early evaluation
7 and development of the land to be leased;

8 (C) [(3)] is adjacent to land owned or controlled by another
9 party on which a discovery of commercial quantities of oil or gas has been
10 made, and the commissioner finds, after hearing, that there is a reasonable
11 probability that the land to be leased contains oil or gas in communication with
12 the oil or gas discovered on the land of the other party;

13 (D) [(4)] is adjacent to land included in the federal five-year
14 Outer Continental Shelf leasing program under 43 U.S.C. 1344, and the
15 commissioner makes a written finding, after hearing, that coordinated or
16 simultaneous leasing with the federal government is in the public interest; or

17 (E) [(5)] is the subject of an oil and gas exploration license
18 issued under AS 38.05.131 - 38.05.134.

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

20 (w) Notwithstanding any other provisions of this section, land that was subject
21 to a best interest finding issued within the previous 10 years [WHICH HAS BEEN
22 OFFERED FOR LEASE WITHIN THE PREVIOUS FIVE YEARS AND WHICH
23 RECEIVED NO BIDS AT COMPETITIVE SALE OR FOR WHICH NO BID WAS
24 ACCEPTED] may be, at the discretion of the commissioner, immediately offered for
25 lease, under regulations adopted by the commissioner, upon terms appearing most
26 advantageous to the state; however, noncompetitive leasing is prohibited. The
27 commissioner shall establish a royalty determined to be in the public interest but not less
28 than 12 1/2 percent. A lease must provide for payment to the state of rental but need
29 not adhere to the rental schedule in (n) of this section nor to the 5,760-acres-per-lease
30 limitation in (m) of this section. The lease term may not exceed 10 years, except as
31 provided in (o) of this section.

32 * Sec. 5. AS 38.05.945(a) is amended to read:

1 (a) This section establishes the requirements for notice given by the department
2 for the following actions:

3 (1) classification or reclassification of state land under AS 38.05.300 and
4 the closing of land to mineral leasing or entry under AS 38.05.185;

5 (2) zoning of land under applicable law;

6 (3) issuance of a

7 (A) preliminary written finding under AS 38.05.035(e)(5)(A)
8 regarding the sale, lease, or disposal of an interest in state land or resources for
9 oil and gas subject to AS 38.05.180(b);

10 (B) final written finding under AS 38.05.035(e)(5)(B) regarding
11 the sale, lease, or disposal of an interest in state land or resources for oil and gas
12 subject to AS 38.05.180(b);

13 (C) written finding for the sale, lease, or disposal of an interest
14 in state land or resources under AS 38.05.035(e)(6), except an oil or gas lease
15 sale described in AS 38.05.035(e)(6)(G) for which the director must provide
16 opportunity for public comment under the provisions of that subparagraph;

17 (4) a competitive disposal of an interest in state land or resources after
18 final decision under AS 38.05.035(e);

19 (5) a public hearing under AS 38.05.856(b);

20 (6) a preliminary finding under AS 38.05.035(e) and 38.05.855(c)
21 concerning sites for aquatic farms and related hatcheries;

22 (7) a decision under AS 38.05.132 - 38.05.134 regarding the sale, lease,
23 or disposal of an interest in state land or resources.

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 401

Amendment 1: Clarification in the bond cap language.

Page 2, lines 14 - 15:

Following "revenue bonds"

Insert "under AS 37.15.560 - 37.15.605"

Page 2, line 15:

Following "total"

Insert "unpaid principal"

Page 2, line 16:

Following "bonds"

Delete "outstanding at any one time"

Insert ", including refunding bonds, but excluding
refunded bonds, issued under the provisions of AS
37.15.560 - 37.15.605,"

Page 2, lines 16-17

Following \$150,000,000

Delete "including principal and interest owed on the
bonds"

Amendment 2: grammatical clarification (limit scope of term 'money and revenue')

Page 4, lines 8-9:

Following "pledge of"

Insert "such"

Amendment 3: grammatical clarification (singular to plural).

Page 5, line 12

Following "default to"

Delete "the"

Insert "any"

Amendment 4: correct typographical omission.

Page 6, line 28

Following "refunding"

Insert "bonds"

Amendment 5: CSHB 401 allows municipalities and state agencies to access the Alaska Clean Water Fund for bond insurance and other collateral security for local obligations. "Other qualified entities" should also have access to the Fund for this purpose.

Page 9, line 26:

Following "municipal"

Delete "or"

Insert ", "

Following "state agency"

Insert ", or other qualified entity"

HB 388
3/20/96
Version M

AMENDMENT

OFFERED IN HOUSE RESOURCES

BY REPRESENTATIVE JOHN DAVIES

TO: CSHB 388 (RES):

Page 6, Line 27:

Following 'may'

Insert: ', for state land north of the Umiat baseline'

9-LS1341M
Chenoweth
3/19/96

Jeff's Copy

CS FOR HOUSE BILL NO. 388(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE RESOURCES COMMITTEE

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVES ROKEBERG, B.Davis

A BILL

FOR AN ACT ENTITLED

1 "An Act revising laws relating to oil and gas leasing as related to land
2 previously the subject of a written best interest finding; amending provisions
3 setting out exceptions to sales, leases, or other disposals for which a revised
4 written best interest finding is not required; encouraging annual offer of land for
5 oil and gas leases if the land was the subject of a best interest finding; and
6 modifying the statement of purpose in the Alaska Land Act as it applies to oil
7 and gas leasing to provide for annual areawide lease sales."

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

9 * Section 1. AS 38.05.035(e) is amended to read:

10 (e) Upon a written finding that the interests of the state will be best served, the
11 director may, with the consent of the commissioner, approve contracts for the sale, lease,
12 or other disposal of available land, resources, property, or interests in them. In [, AND,
13 IN] addition to the conditions and limitations imposed by law, the director may impose

1 additional conditions or limitations in the contracts as the director determines, with the
2 consent of the commissioner, will best serve the interests of the state. The preparation
3 and issuance of the written finding by the director is subject to the following:

4 (1) with the consent of the commissioner and subject to the director's
5 discretion, for a specific proposed disposal of available land, resources, or property, or
6 of an interest in them, the director, in the written finding,

7 (A) shall establish the scope of the administrative review on
8 which the director's determination is based, and the scope of the written finding
9 supporting that determination; the scope of the review and finding may address
10 only reasonably foreseeable, significant effects of the uses proposed to be
11 authorized by the disposal;

12 (B) may limit the scope of an administrative review and finding
13 for a proposed disposal to

14 (i) applicable statutes and regulations;

15 (ii) the facts pertaining to the land, resources, or property,
16 or interest in them, that the director finds are material to the
17 determination and that are known to the director or knowledge of which
18 is made available to the director during the administrative review; and

19 (iii) issues that, based on the statutes and regulations
20 referred to in (i) of this subparagraph, on the facts as described in (ii) of
21 this subparagraph, and on the nature of the uses sought to be authorized,
22 the director finds are material to the determination of whether the
23 proposed disposal will best serve the interests of the state; and

24 (C) may, if the project for which the proposed disposal is sought
25 is a multiphased development, limit the scope of an administrative review and
26 finding for the proposed disposal to the applicable statutes and regulations, facts,
27 and issues identified in (B)(i) - (iii) of this paragraph that pertain solely to a
28 discrete phase of the project when

29 (i) the only uses to be authorized by the proposed disposal
30 are part of that discrete phase;

31 (ii) the department's approval is required before the next
32 phase of the project may proceed; and

- 1 (iii) the department describes its reasons for a decision to
2 phase and conditions its approval to ensure that any additional uses or
3 activities proposed for that or any later phase of the project will serve the
4 best interests of the state;
- 5 (2) the director shall discuss in the written finding prepared and issued
6 under this subsection the reasons that each of the following was not material to the
7 director's determination that the interests of the state will be best served:
- 8 (A) facts pertaining to the land, resources, or property, or an
9 interest in them other than those that the director finds material under (1)(B)(ii)
10 of this subsection; and
- 11 (B) issues based on the statutes and regulations referred to in
12 (1)(B)(i) of this subsection and on the facts described in (1)(B)(ii) of this
13 subsection;
- 14 (3) a written finding for an oil and gas lease sale under AS 38.05.180 is
15 subject to (g) of this section;
- 16 (4) a contract for the sale, lease, or other disposal of available land or an
17 interest in land is not legally binding on the state until the commissioner approves the
18 contract but if the appraised value is not greater than \$50,000 in the case of the sale of
19 land or an interest in land, or \$5,000 in the case of the annual rental of land or interest
20 in land, the director may execute the contract without the approval of the commissioner;
- 21 (5) public notice requirements relating to the sale, lease, or other disposal
22 of available land or an interest in land for oil and gas proposed to be scheduled in the
23 five-year oil and gas leasing program under AS 38.05.180(b), except for a sale under
24 (6)(G) of this subsection, are as follows:
- 25 (A) before a public hearing, if held, or in any case not less than
26 180 days before the sale, lease, or other disposal of available land or an interest
27 in land, the director shall make available to the public a preliminary written
28 finding that states the scope of the review established under (1)(A) of this
29 subsection and includes the applicable statutes and regulations, the material facts
30 and issues in accordance with (1)(B) of this subsection, and information required
31 by (g) of this section, upon which the determination that the sale, lease, or other
32 disposal will serve the best interests of the state will be based; the director shall

1 provide opportunity for public comment on the preliminary written finding for
2 a period of not less than 60 days;

3 (B) after the public comment period for the preliminary written
4 finding and not less than 90 days before the sale, lease, or other disposal of
5 available land or an interest in land for oil and gas, the director shall make
6 available to the public a final written finding that states the scope of the review
7 established under (1)(A) of this subsection and includes the applicable statutes
8 and regulations, the material facts and issues in accordance with (1) of this
9 subsection, and information required by (g) of this section, upon which the
10 determination that the sale, lease, or other disposal will serve the best interests
11 of the state is based;

12 (6) before a public hearing, if held, or in any case not less than 21 days
13 before the sale, lease, or other disposal of available land, property, resources, or interests
14 in them other than a sale, lease, or other disposal of available land or an interest in land
15 for oil and gas under (5) of this subsection, the director shall make available to the
16 public a written finding that, in accordance with (1) of this subsection, sets out the
17 material facts and applicable statutes and regulations and any other information required
18 by statute or regulation to be considered upon which the determination that the sale,
19 lease, or other disposal will best serve the interests of the state was based; however, a
20 written finding is not required before the approval of

21 (A) a contract for a negotiated sale authorized under
22 AS 38.05.115;

23 (B) a lease of land for a shore fishery site under AS 38.05.082;

24 (C) a permit or other authorization revocable by the
25 commissioner;

26 (D) a mineral claim located under AS 38.05.195;

27 (E) a mineral lease issued under AS 38.05.205;

28 (F) a production license issued under AS 38.05.207; or

29 (G) an exempt oil and gas lease sale under AS 38.05.180(d) of
30 acreage subject to a best interest finding issued [OFFERED IN A SALE
31 THAT WAS HELD] within the previous 10 [FIVE] years [IF THE SALE WAS
32 SUBJECT TO A WRITTEN BEST INTEREST FINDING, UNLESS THE

1 COMMISSIONER DETERMINES THAT NEW INFORMATION HAS
2 BECOME AVAILABLE THAT JUSTIFIES A REVISION OF THE BEST
3 INTEREST FINDING;] or

4 [(H)] a reoffer oil and gas lease sale under AS 38.05.180(w) of
5 acreage subject to a best interest finding issued [OFFERED IN A SALE
6 THAT WAS HELD] within the previous 10 [FIVE] years [IF THE SALE WAS
7 SUBJECT TO A BEST INTEREST FINDING], unless the commissioner
8 determines that substantial new information has become available that justifies
9 a supplement to [REVISION OF] the most recent best interest finding for the
10 exempt oil and gas lease sale acreage and for the reoffer oil and gas lease
11 sale acreage; however, for each oil and gas lease sale described in this
12 subparagraph, the director shall call for comments from the public; the
13 director's call for public comments must provide opportunity for public
14 comment for a period of not less than 30 days; if the director determines
15 that a supplement to the most recent best interest finding for the acreage is
16 required under this subparagraph,

17 (i) the director shall issue the supplement to the best
18 interest finding not later than 90 days before the sale;

19 (ii) not later than 45 days before the sale, the director
20 shall issue a notice describing the interests to be offered, the location
21 and time of the sale, and the terms and conditions of the sale; and

22 (iii) the supplement has the status of a final written
23 best interest finding for purposes of AS 38.05.035(i) and (l);

24 (7) the director shall include in

25 (A) a preliminary written finding, if required, a summary of
26 agency and public comments, if any, obtained as a result of contacts with other
27 agencies concerning a proposed disposal or as a result of informal efforts
28 undertaken by the department to solicit public response to a proposed disposal,
29 and the department's preliminary responses to those comments; and

30 (B) the final written finding a summary of agency and public
31 comments received and the department's responses to those comments.

32 * Sec. 2. AS 38.05.180(a) is amended to read:

- 1 (a) The legislature finds that
- 2 (1) the people of Alaska have an interest in the development of the state's
- 3 oil and gas resources to
- 4 (A) maximize the economic and physical recovery of the
- 5 resources;
- 6 (B) maximize competition among parties seeking to explore and
- 7 develop the resources;
- 8 (C) maximize use of Alaska's human resources in the
- 9 development of the resources;
- 10 (2) it is in the best interests of the state
- 11 (A) to encourage an assessment of its oil and gas resources and
- 12 to allow the maximum flexibility in the methods of issuing leases to
- 13 (i) [(A)] recognize the many varied geographical regions
- 14 of the state and the different costs of exploring for oil and gas in these
- 15 regions;
- 16 (ii) [(B)] minimize the adverse impact of exploration,
- 17 development, production, and transportation activity; and
- 18 (B) to offer acreage for oil and gas leases on an annual basis,
- 19 specifically including
- 20 (i) [annual areawide leases of] state land that has been
- 21 the subject of a best interest finding; and
- 22 (ii) land in areas that, under (d) of this section, may
- 23 be leased without having been included in the leasing program
- 24 prepared and submitted under (b) of this section.
- 25 * Sec. 3. AS 38.05.180(d) is amended to read:
- 26 (d) The commissioner
- 27 (1) may annually offer at areawide lease sales to issue oil and gas
- 28 leases of the acreage described in AS 38.05.035(e)(6)(G);
- 29 (2) may issue oil and gas leases in an area that has not been included
- 30 in a leasing program submitted, in accordance with (b) of this section, to the legislature
- 31 if the land to be leased
- 32 (A) [(1)] was previously subject to a valid state or federal oil

1 and gas lease;

2 (B) [(2)] is contiguous to land already under state, federal or
3 private lease and the commissioner makes a written finding, after hearing, that
4 leasing of the land would result in a substantial probability of early evaluation
5 and development of the land to be leased;

6 (C) [(3)] is adjacent to land owned or controlled by another
7 party on which a discovery of commercial quantities of oil or gas has been
8 made, and the commissioner finds, after hearing, that there is a reasonable
9 probability that the land to be leased contains oil or gas in communication with
10 the oil or gas discovered on the land of the other party;

11 (D) [(4)] is adjacent to land included in the federal five-year
12 Outer Continental Shelf leasing program under 43 U.S.C. 1344, and the
13 commissioner makes a written finding, after hearing, that coordinated or
14 simultaneous leasing with the federal government is in the public interest; or

15 (E) [(5)] is the subject of an oil and gas exploration license
16 issued under AS 38.05.131 - 38.05.134.

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

18 (w) Notwithstanding any other provisions of this section, land that was subject
19 to a best interest finding issued within the previous 10 years [WHICH HAS BEEN
20 OFFERED FOR LEASE WITHIN THE PREVIOUS FIVE YEARS AND WHICH
21 RECEIVED NO BIDS AT COMPETITIVE SALE OR FOR WHICH NO BID WAS
22 ACCEPTED] may be, at the discretion of the commissioner, immediately offered for
23 lease, under regulations adopted by the commissioner, upon terms appearing most
24 advantageous to the state; however, noncompetitive leasing is prohibited. The
25 commissioner shall establish a royalty determined to be in the public interest but not less
26 than 12 1/2 percent. A lease must provide for payment to the state of rental but need
27 not adhere to the rental schedule in (n) of this section nor to the 5,760-acres-per-lease
28 limitation in (m) of this section. The lease term may not exceed 10 years, except as
29 provided in (o) of this section.

30 * Sec. 5. AS 38.05.945(a) is amended to read:

31 (a) This section establishes the requirements for notice given by the department
32 for the following actions:

- 1 (1) classification or reclassification of state land under AS 38.05.300 and
2 the closing of land to mineral leasing or entry under AS 38.05.185;
- 3 (2) zoning of land under applicable law;
- 4 (3) issuance of a
- 5 (A) preliminary written finding under AS 38.05.035(e)(5)(A)
6 regarding the sale, lease, or disposal of an interest in state land or resources for
7 oil and gas subject to AS 38.05.180(b);
- 8 (B) final written finding under AS 38.05.035(e)(5)(B) regarding
9 the sale, lease, or disposal of an interest in state land or resources for oil and gas
10 subject to AS 38.05.180(b);
- 11 (C) written finding for the sale, lease, or disposal of an interest
12 in state land or resources under AS 38.05.035(e)(6), except an oil or gas lease
13 sale described in AS 38.05.035(e)(6)(G) for which the director must provide
14 opportunity for public comment under the provisions of that subparagraph;
- 15 (4) a competitive disposal of an interest in state land or resources after
16 final decision under AS 38.05.035(e);
- 17 (5) a public hearing under AS 38.05.856(b);
- 18 (6) a preliminary finding under AS 38.05.035(e) and 38.05.855(c)
19 concerning sites for aquatic farms and related hatcheries;
- 20 (7) a decision under AS 38.05.132 - 38.05.134 regarding the sale, lease,
21 or disposal of an interest in state land or resources.

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. HB 388

Revision Date: Original Dept Affected Natural Resources
 Title: An Act revising laws relating to oil and BRU: Resource Development
gas leasing to authorize a program of... Component: Oil & Gas Development
 Sponsor: Representative Rokeberg, B. Davis
 Requestor: _____ Component Serial No. 439

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES	230.0	238.1	246.4	255.0	263.9	273.2
TRAVEL	8.0	8.3	8.6	8.9	9.2	9.5
CONTRACTUAL	5.5	5.7	5.9	6.1	6.3	6.5
SUPPLIES	9.0	9.3	9.6	10.0	10.3	10.7
EQUIPMENT	37.5	15.0	15.5	16.1	16.6	17.2
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	290.0	276.3	286.0	296.0	306.4	317.1

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	290.0	276.3	286.0	296.0	306.4	317.1
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	290.0	276.3	286.0	296.0	306.4	317.1

Estimate of any current year (FY96) cost: \$ none

POSITIONS

FULL-TIME	5	5	5	5	5	5
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Five additional positions within DO&G will be require to implement the areawide oil and gas leasing program:

One Natural resources Officer II , to determine land ownership, title conflicts, correct title faults, and prepare detailed land title reports, prepare and issue public notices under AS 38.05.945-.946, prepare and organize the annual oil and gas lease sale offerings, and to adjudicate bids and determine successful bidders for lease issuance.

One Natural resources Officer II to perform the land title and status reviews, assist in determining land and ownership boundaries, determine tract acreages, prepare lease sale tract maps and plats.

At least one Natural Resource Officer II will be required if one area is authorized for areawide leasing. If more than one area is authorized, additional Natural Resource Officer II positions would be required. This fiscal note assumes that two Natural resources Officer II positions are needed. These personnel would research, write, and regularly revise areawide best interest findings.

One Natural resources Officer I to assist with research and minor writing tasks in support of best interest findings and responding to public concerns.

THERE ARE UNCERTAINTIES IN THE BILL WHICH MAY CHANGE THE FISCAL IMPACT ONCE CLARIFIED WITH THE SPONSOR.

Prepared by: Ken Boyd, Director Phone: 269-8800
 Division: Oil & Gas Date: 1-Feb-96
 Approved by Commissioner: [Signature] Date: 1-Feb-96
 Agency: Natural Resources

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

FISCAL NOTE

STATE OF ALASKA

BILL NO. CSHB 388 (O&G)

1996 LEGISLATIVE SESSION

Revision Date: Original Dept Affected Natural Resources
 Title: An Act revising laws relating to oil and BRU: Resource Development
gas leasing to authorize a program of... Component: Oil & Gas Development
 Sponsor: Representative Rokeberg, B. Davis
 Requestor: House Resources Component Serial No. 439

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES						
TRAVEL	3.0	3.0	3.0	3.0	3.0	3.0
CONTRACTUAL	5.0	5.0	5.0	5.0	5.0	5.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	8.0	8.0	8.0	8.0	8.0	8.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	8.0	8.0	8.0	8.0	8.0	8.0
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	8.0	8.0	8.0	8.0	8.0	8.0

Estimate of any current year (FY96) cost: \$ none

POSITIONS

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

The fiscal impact will depend on the number of sales that will be held in any one year, these cost are mainly administrative. More sales will mean more advertising for public notices and travel for public hearings. There may be additional printing costs for any supplements to the Final Finding. The \$8.0 is an merely an estimate.

If there are substantial revisions necessary to supplement the finding there may be some additional personnel requirements, but this fiscal note assumes the use of existing staff the fulfill the requirements of the bill.

Prepared by: Ken Boyd, Director Phone: 269-8800
 Division: Oil & Gas Date: 15-Mar-96
 Approved by Commissioner: [Signature] Date: 15-Mar-96
 Agency: Natural Resources

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

ALASKA STATE LEGISLATURE

House of Representatives

COMMITTEE ASSIGNMENTS

OIL & GAS, CHAIRMAN
LABOR & COMMERCE, VICE CHAIRMAN
ADMINISTRATIVE REGULATION REVIEW, VICE CHAIRMAN
HEALTH, EDUCATION & SOCIAL SERVICES, MEMBER
ECONOMIC DEVELOPMENT, MEMBER



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PHONE: (907) 258-8191
FAX (907) 258-2916

SESSION:
STATE CAPITOL
JUNEAU, AK 99801-1182
PHONE: (907) 465-4968
FAX: (907) 465-2040

Representative Norman Rokeberg

MEMORANDUM

TO: Representative Joe Green, Co-Chair
Representative Bill Williams, Co. Chair
House Resources Committee

FROM: Representative Norman Rokeberg 

DATE: March 14, 1996

SUBJECT: CSHB 388 (O&G) - An Act relating to oil and gas leasing and best interest findings

I respectfully request that a committee hearing be scheduled for CSHB 388(O&G) for the week of March 18th.

We will prepare a committee packet for CSHB 388(O&G) as soon as we receive the additional information our office has requested. If you have any further questions regarding this bill, please contact myself or Shirley Armstrong at 465-4968.

Attachments

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 388(O&G)

1 Page 1, line 5:

2 Delete ", or adjacent land,"

3 Page 5, lines 6 - 9:

4 Delete "together with any tract for which a written best interest finding has not
5 been prepared if the tract is located within and is entirely surrounded by acreage
6 described in this subparagraph for which a best interest finding was issued"

7 Page 5, line 13:

8 Delete " ; "

9 Insert "and"

10 Page 5, line 14:

11 Delete "and for the included tracts"

12 Page 6, lines 23 - 24:

13 Delete "or that is adjacent to and surrounded by state land that has been the
14 subject of a best interest finding"

(7)

HOUSE COMMITTEE REPORT

Date Referred to Committee: January 8, 1996

FURTHER REFERRALS:

Resources
Finance

Date of Committee Action: 3/12/96

The HOUSE SPECIAL COMMITTEE ON OIL AND GAS Committee considered:

HB 388

HOUSE BILL NO. 388

AREAWIDE OIL & GAS LEASING

"An Act revising laws relating to oil and gas leasing to authorize a program of areawide leasing."

recommends it be replaced with the following committee substitute HSAB 388 (D+G) the same title a new title

additional referral to _____ Committee

attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____

APPROVES PREVIOUS: (Dept/Date) _____

fiscal note(s) DNR

fiscal note(s) _____

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>[Signature]</i>			<input checked="" type="checkbox"/>	
<i>[Signature]</i>			<input checked="" type="checkbox"/>	
<i>[Signature]</i>	<input checked="" type="checkbox"/>			
<i>[Signature]</i>	<input checked="" type="checkbox"/>			
<i>[Signature]</i>			<input checked="" type="checkbox"/>	
<i>[Signature]</i>		<input checked="" type="checkbox"/>		
<i>[Signature]</i>			<input checked="" type="checkbox"/>	
<i>[Signature]</i>				
<i>[Signature]</i>				

CHAIR'S SIGNATURE

[Signature]

3/12/96

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

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FAX (907) 465-2029
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130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

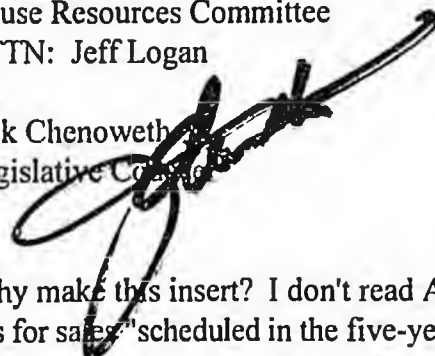
MEMORANDUM

March 19, 1996

SUBJECT: Draft CSHB 388 (Res) (Work Order No. 9-LS1341\M)

TO: Representative Joe Green, Co-Chair
House Resources Committee
ATTN: Jeff Logan

FROM: Jack Chenoweth
Legislative Counsel



On page 3, at line 24: Why make this insert? I don't read AS 38.05.035(e)(5), setting out public notice requirements for sales "scheduled in the five-year oil and gas leasing program under AS 38.05.180(b)" as covering these exempt oil and gas lease sales. If it does not, then this additional reference adding an exemption of something that is already not covered or exempt seems to me to be unnecessary.

On page 5, line 11, before "however," I deleted a reference to "included tracts" that your mark-up had not addressed. Is this change okay?

We revise, on page 6, AS 38.05.180(a)(2)(B) to say that the best interests of the state are served if land described in AS 38.05.180(d) is "offer[ed] . . . for oil and gas leases on an annual basis" but nowhere is the commissioner told, or authorized, to do that. It seems to me that, in bill section 3, AS 38.05.180(d)(2) should be amended to say that the commissioner "may annually issue . . ." or something to that effect. Without something substantive, the revised statement of policy of subsection (a) is little more than a legislative expression with nothing to carry it into effect.

In AS 38.05.180(a)(2)(B), the simple reference was to "exempt sales." You and I both know what "exempt" sales makes reference to, but to be clear about it, I revised (a)(2)(B)(ii) to be more specific. I hope this meets with the committee's approval.

JBC:klb
96-211.klb

ALASKA STATE LEGISLATURE

House of Representatives

COMMITTEE ASSIGNMENTS:

OIL & GAS, CHAIRMAN
LABOR & COMMERCE, VICE CHAIRMAN
ADMINISTRATIVE REGULATION REVIEW, VICE CHAIRMAN
HEALTH, EDUCATION & SOCIAL SERVICES, MEMBER
ECONOMIC DEVELOPMENT, MEMBER



INTERIM
718 WEST 4TH AVENUE, SUITE 640
ANCHORAGE, AK 99501
PHONE: (907) 258-8181
FAX (907) 258-2818

SESSION:
STATE CAPITOL
JUNEAU, AK 99801-1182
PHONE: (907) 465-4868
FAX: (907) 465-2040

Representative Norman Rokeberg

Sponsor Statement

HB 388 - An act relating to oil and gas leases and best interest findings

The current Oil and Gas Committee Substitute for HB 388 incorporates sections of HB 389 that extend the life of a best interest finding from 5 years to 10 years. This new version is a compromise between the Alaska Oil and Gas Association, the Department of Natural Resources and the sponsor. The oil industry requested that the original bill be modified to eliminate the creation of a new oil and gas leasing process as well as the language mandating annual lease sales.

CSHB 388(O&G) achieves the industry and state's objectives without creating a new program which would require creation of implementing regulations. By amending existing statutes there will be no delay in the current schedule of lease sales and also, eliminates the large fiscal note.

CSHB 388(O&G) contains language that changes the mandated annual leasing to annual leasing at the commissioner's discretion. The oil industry indicates that there are assurances by the department that annual lease sales will take place in cases where there are no significant problems preventing the sales, such as, poor market conditions. The new committee substitute includes language that would encourage the commissioner to follow through with annual sales.

In addition, I would like to emphasize that the goal of this legislation is to make more land available to the industry for leasing on a predictable schedule. This in turn benefits the State of Alaska by increasing the amount of oil produced. Thus, providing increased royalty revenues to fund programs critical to the people of the State of Alaska.

Simply stated the bill:

- (1) Is in the best interest of the State of Alaska to conduct annual areawide sales;
- (2) Provides the industry with some certainty about the timeline and location of lands being made available oil & gas leasing;
- (3) Accommodates the concerns expressed by the administration as well as the problems associated with setting up a new program of leasing for the State of Alaska;
- (4) Establishes a clear streamlined process for processing a "supplement" to an existing areawide Best Interest Finding (BIF) which includes a reasonable time period for public notice and comment;
- (5) The AOGA member companies have endorsed the current concepts.

ARCO Alaska, Inc.



George R. Findling
ATO-1920
Anchorage, Alaska
Phone (907) 263-4174

3 21 96

Representative Joe Green (by fax to Juneau)

Re: CS for House Bill No. 388 (Res) 9-LS1341\M

This note is to establish, for the record, that ARCO Alaska, Inc. supports the above referenced bill.

In particular, we believe that this bill in no way circumvents an appropriate public process to determine if area wide lease sales are in the best interests of the state. Each year, prior to the sale, a notification and analysis process is used to determine if any significant new information exists which bears on the BIF and hence requires that a supplement to the existing BIF be prepared. It is because this process protects public participation, that we concur (with the current version of the bill) that there should be no artificial geographic restrictions in where area wide lease sales can occur.

Mr. Chairman, my thanks to you and the sponsor for the opportunity to provide comments on this important and strong piece of legislation.

George

CC: Representative Norm Rokeberg

Alaska Oil and Gas Association



121 W. Fireweed Lane, Suite 207
Anchorage, Alaska 99503-2035
Phone: (907)272-1481 Direct: (907)272-7424 Fax: (907)279-8114
L. A. (Ardie) Gray, Public Affairs Manager

March 18, 1996

To: Jeff Logan
House Resources Committee

From: Ardie Gray

Subject: CSHB 388 (K)

Jeff:

Attached is a corrected AOGA letter of comment on CSHB 388 (K) for the file, and for future distribution as you deem appropriate.

(FYI: Some words were inadvertently excluded from the original letter of comment on page 3 under Section 3.)

Attached also is a corrected page 3 of the bill. (Line 24 should read "five-year oil and gas leasing program under AS 38.05.180(b), except for a sale under (6)(G) of this subsection, are as follows:"

I will call you if we want additional changes to page 6.

Thanks for all your efforts Jeff.

Ardie

Attachments (2)

Post-It™ brand fax transmittal memo 7671		# of pages ▶ 12
To <i>J. LOGAN</i>	From <i>A. GRAY</i>	
Co.	Co.	
Dept.	Phone #	
Fax #	Fax #	

Alaska Oil and Gas Association

121 West Fireweed Lane, Suite 207
Anchorage, Alaska 99503-2035
Phone: (907) 272-1481 Fax: (907) 279-8114

March 12, 1996

Representative Norm Rokeberg, Chair
House Special Committee on Oil and Gas
State Capitol
Juneau, Alaska

CSHB 388. Areawide Leasing

Dear Representative Rokeberg:

The Alaska Oil and Gas Association (AOGA) is a trade association whose 19 member companies account for the majority of oil and gas exploration, production, transportation, refining and marketing activities in Alaska. AOGA supports the new Committee Substitute to House Bill 388 (CSHB 388 9-LS1341NF), subject only to a few minor suggested changes which are described below.

Background

The AOGA members encourage a predictable and regular oil and gas leasing program. We view Areawide Leasing as a viable method to allow timely access to the most prospective areas of the State. Annual Areawide Leasing would provide efficiencies and reduce costs associated with the preparation of Best Interest Findings. We advocate a program of Annual Areawide Leasing in all areas of the State where competitive leases are regularly offered. We believe that this can be implemented with simple clarifications to existing authority.

Over the past months AOGA members have offered many ideas to your Oil and Gas Committee regarding Areawide Leasing. Legislative language has also been offered for your consideration. As the AOGA members considered the various alternative Areawide Leasing proposals, we became concerned that earlier concepts created a new and arguably different lease sale program that could ultimately require regulations. The necessity to promulgate regulations poses an unnecessary threat to the Industry's and State's desired time schedule. These earlier Areawide Leasing proposals also created a cumbersome review process that has been streamlined in the new Committee Substitute to House Bill 388.

Suggested Modifications to CSHB 388

AOGA does have a few specific recommendations regarding the new Committee Substitute to House Bill 388. First, we would suggest that language be added to the title which specifically uses the words, "annual Areawide Lease Sales. We would modify Page one at line 5 to read, "purpose of the Alaska Land Act as it applies to oil and gas leasing, to provide for annual Areawide Lease Sales."

Representative Norm Rokeberg

March 12, 1996

Page 2

Second, we would encourage you to consider AOGA's past recommendation to clarify that Exempt and Reoffer Sales are exempt from certain public notice requirements. This could be accomplished by modifying the language of Section 1 on page 3 such that line 20 reads, "five year oil and gas leasing program under AS 30.05.180(b), except for a sale under (6)(G) of this subsection, are as follows:".

And finally, the language of Section 2 on page 6 at line 11 is awkward, and we suggest the word "sale" be deleted. Acreage is offered for "lease", not for "lease sales".

CSHB 388 Brief Analysis

The most recent Committee Substitute for House Bill 388 after the incorporation of the above suggested changes:

- 1) Clarifies that Reoffer and Exempt Sales need not follow the full preliminary and final Best Interest Finding process [this is accomplished by amending AS 38.05.035(e)(5)];
- 2) Expands eligible Exempt and Reoffer Sale lands to include lands subject to a Best Interest Finding issued within the last 10 years, unless substantial new information necessitates a supplement to the most recent Best Interest Finding and establishes public notice and supplemental Best Interest Finding procedures for Exempt and Reoffer Sales [this is accomplished by amending AS 38.05.035(e) (6)(G) and eliminating AS 38.035(e)(6)(H)];
- 3) States that the Legislature finds that it is in the best interests of the State to make annual Areawide offerings of all State acreage subject to a Best Interest Finding [this is accomplished by adding NEW subsection (AS 38.05.180(a)(2)(B))];
- 4) Modifies Reoffer Sale criteria to allow leasing of areas which are subject to a Best Interest Finding issued within the last 10 years [this is accomplished by amending AS 38.05.180(w)]; and
- 5) Clarifies that Reoffer and Exempt Sales need not follow the full public notice requirements of other oil and gas Lease Sales [this is accomplished by amending AS 38.05.945(a)].

Leases issued at an Areawide Lease Sale would be subject to all existing statutes and regulations now applicable to oil and gas leasing, including; the Best Interest Finding process, appeal procedures, royalty share restrictions; lease size restrictions; annual rental payments; work commitments if they are appropriate; exploration incentive credits; royalty reduction; Unitization; and individual chargeable acreage ownership restrictions.

Future Lease Sales Accommodate Areawide Concept

The Director of the Division of Oil and Gas has advised that he intends to re-design scheduled Sales 85, 86, and 87 to include the lands of critical interest to the Industry. The accompanying Best Interest Findings will be drafted in a manner consistent with the Areawide Leasing concept. Sale 85 is proposed to include the majority of the Cook Inlet lands, Sale 86 includes the Beaufort Sea State waters between the Colville and the Canning Rivers, and Sale 87 includes the State uplands between the Colville and the Canning Rivers, lying north of the Umiat baseline. Copies of the proposed Sale Area maps are attached for your convenience.

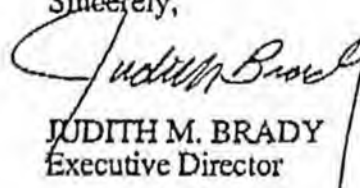
AOGA members have engaged in lengthy discussions on the topics of whether the legislation should mandate annual Areawide Lease Sales and whether the legislation should specify the lands to be offered in Areawide Lease Sales. The nineteen member companies unanimously voted to approve the Areawide Leasing concept embodied by the subject CSHB 388. The most recent Committee Substitute for House Bill 388 does not create a new Lease Sale program, nor does it mandate annual Areawide Lease Sales, it does; however, provide the necessary changes of law to allow Areawide Lease Sales and gives specific guidance and direction to the Division of Oil and Gas to expeditiously make lands of critical interest to the Industry available at annual Areawide Lease Sales. We are confident and hopeful that the Commissioner of Natural Resources and the Director of Oil and Gas

Representative Norm Rokøberg
March 12, 1996
Page 3

will, upon passage of this legislation, quickly move to adopt this concept and implement annual Areawide Lease Sales which offer all State acreage which is the subject of an effective Best Interest Finding.

Thank you for the opportunity to offer comments and suggestion on this vital legislation. We are hopeful that CSHB 388 will proceed with speed through both the House and the Senate and will be fully embraced by the Knowles' Administration.

Sincerely,



JUDITH M. BRADY
Executive Director

Alaska Oil and Gas Association



121 West Fireweed Lane, Suite 207
Anchorage, Alaska 99503-2035
Phone: (907) 272-1481 Fax: (907) 279-8114

March 15, 1996

The Honorable Joe Green, Co-Chairman
Resources Committee
Alaska State House of Representatives
State Capitol
Juneau, Alaska

CSHB 388 (K), Areawide Leasing

Dear Representative Green:

The Alaska Oil and Gas Association (AOGA) is a trade association whose 19 member companies account for the majority of oil and gas exploration, production, transportation, refining and marketing activities in Alaska. AOGA members unanimously support the Areawide Leasing concept and have actively participated in the continuing evolution of House bill 388. We have recently provided written comment to Representative Rokeberg by letter dated March 12, 1996, relative to CSHB 388 9-LS1341\F. A copy of the letter is attached for your reference.

We applaud the efforts of Representative Rokeberg and of the Oil and Gas Committee to forward a bill AOGA members unanimously support with some modifications. Following are modifications AOGA recommends to CSHB 388 K, along with a brief rationale for each suggested change.

Title

1. We advocate a program of Annual Areawide Leasing in all areas of the state where competitive leases are regularly offered. We believe that this can be implemented with simple clarifications to existing authority. Version K has introduced language which "authorizes" annual Areawide Lease Sales. We believe no such authorization is necessary. The suggestion that it is may bring into question the Division of Oil and Gas' past and future ability to hold such sales in the absence of HB 388. **We recommend that the word "authorizing" on Page 1, line 4 be replaced with "encouraging".**

Representative Green
March 15, 1996
Page 2

2. **We suggest that the language on page 1 at line 5, which reads "or adjacent land," be deleted.** A detailed description of our rationale for this change appears in item 2 under Section 1 below.
3. **We suggest language on page 1, beginning at line 6, which reads "and if preparation..." and ending on line 7 with the words, "...not justified," be deleted.** A detailed description of our rationale for this change appears in item 2, Section 1.
4. Nowhere in the title of the bill does the language "annual Areawide Lease Sales" appear. While we understand that the title of a bill has no continuing legal effect, it should accurately portray both the content and the spirit of the legislation. **We recommend that Page 1, line 8 be modified to read, "Alaska Land Act as it applies to oil and gas leasing, to provide for annual Areawide Lease Sales."**

Section 1

1. We encourage you to consider a recommendation AOGA made previously to add language clarifying that since specific procedures apply to Exempt and Reoffer Sales, those sales are exempt from certain generic public notice requirements. This could be accomplished by modifying the language of Section 1 on page 3, line 24 to read, "five year oil and gas leasing program under AS 30.05.180(b), except for a sale under (6)(G) of this subsection, are as follows:".
2. In Section 1, beginning on page 5, line 6, new language has been added which acts to exempt certain lands from the Best Interest Finding process, if such tract is entirely surrounded by acreage which is the subject of an existing Best Interest Finding. On the face, this would seem to benefit both the state and the industry, however, we are concerned that this language could have unintended results. Two examples come to mind.

First, a Best Interest Finding might, hypothetically, be prepared which covers all of the Cook Inlet Uplands and all Tide and Submerged Lands south of the Forelands. Under this scenario, the entire upper portion of the Cook Inlet offshore would be exempt from the Best Interest Finding process. It is unlikely that this was the intention of the drafter.

Second, a parcel of land might be specifically excluded from a Best Interest Finding because it has been determined that it is, for whatever reason, not in the best interest of the state to offer such tract at that time. Under this language, the tract could later be

offered and would be exempt from the Best Interest Finding process. This also was probably not the intention of the drafter.

We suggest that the language beginning on page 5, line 6, which reads, "together with any" and ending with the language appearing on page 5, line 9 which reads, "this subparagraph for which a best interest finding is issued", be deleted in its entirety.

Note: We recognize that the design of the area which is reviewed in the Best Interest Finding is critical to the smooth implementation of annual Areawide Leasing. We are confident the industry and the Division of Oil and Gas will work cooperatively during the scoping phase of the Best Interest Finding process to ensure appropriate coverage. The areas to be reviewed in association Sales 85, 86 and 87 are those areas of critical interest to the industry. Copies of the proposed Sale Area maps are attached for your reference.

Section 2

1. The concern raised in item 2, Section 1 above also is applicable to language in Section 2, page 6, beginning on line 23, which reads, "or that is adjacent to and surrounded by state land that has been the subject of a best interest finding." Perhaps the solution here would be to replace this language with **"and those lands which are eligible as exempt sales as authorized by AS 38.05.180(d)."**

Section 3

1. The concern raised in item 1 (under Title) also is applicable to language in Section 3 which begins on page 6, beginning on line 27 which reads, "(1) may annually offer to issue oil and gas leases" and ends on page 6, line 30 "best interest finding for the area proposed to be leased." **We suggest this be deleted.**

However, if there is a compelling reason to codify the authority being granted the commissioner to conduct annual sales, we suggest that the language in Section 3 on page 6, beginning on line 27 and ending on line 30 be replaced with **"may annually offer to issue oil and gas leases of the acreage described in AS 38.05.035(e)(6)(G)."**

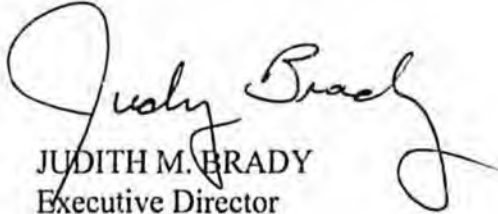
AS 38.05.180 (d) describes oil and gas lease sales that are exempt from the 5 year leasing schedule that is presented to the legislature by the commissioner on a biennial basis. AS 38.05.035 (e)(6)(G), as modified by this CSHB 388, sets forth procedures for the conduct of a best interest finding review. Under the language of CSHB 388, version K, a sale

Representative Green
March 15, 1996
Page 4

requiring a supplemental best interest finding could have to be delayed until satisfaction of the 5 year leasing schedule requirements.

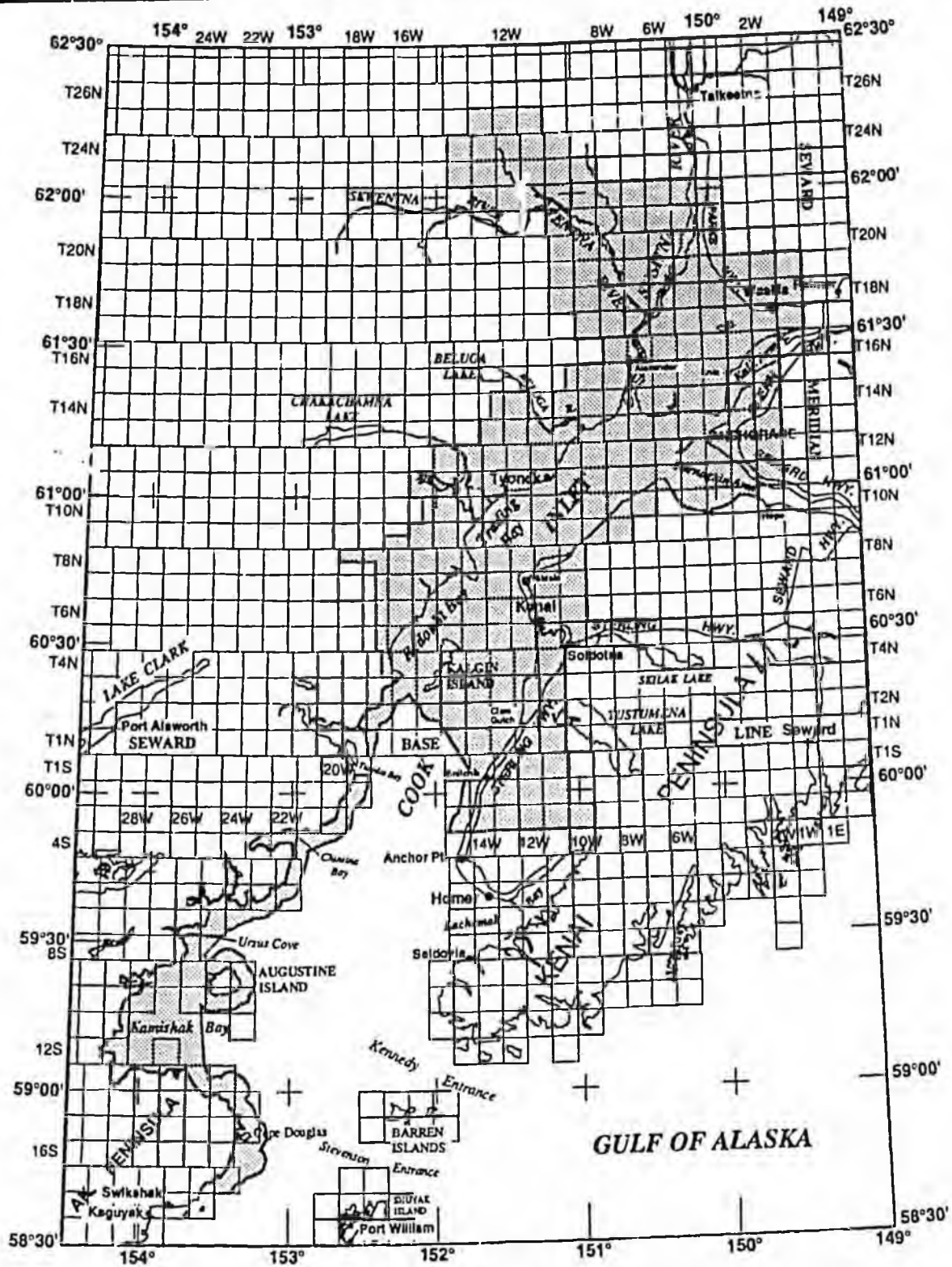
Thank you for the opportunity to offer comments and suggestions on CSHB 388. We are eager to provide assistance throughout your Committee's consideration of this legislation.

Sincerely,



JUDITH M. BRADY
Executive Director

cc: Representative Norm Rokeberg



STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS

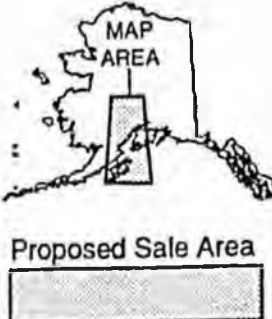
PROPOSED OIL AND GAS LEASE SALE 85 COOK INLET / KAMISHAK BAY

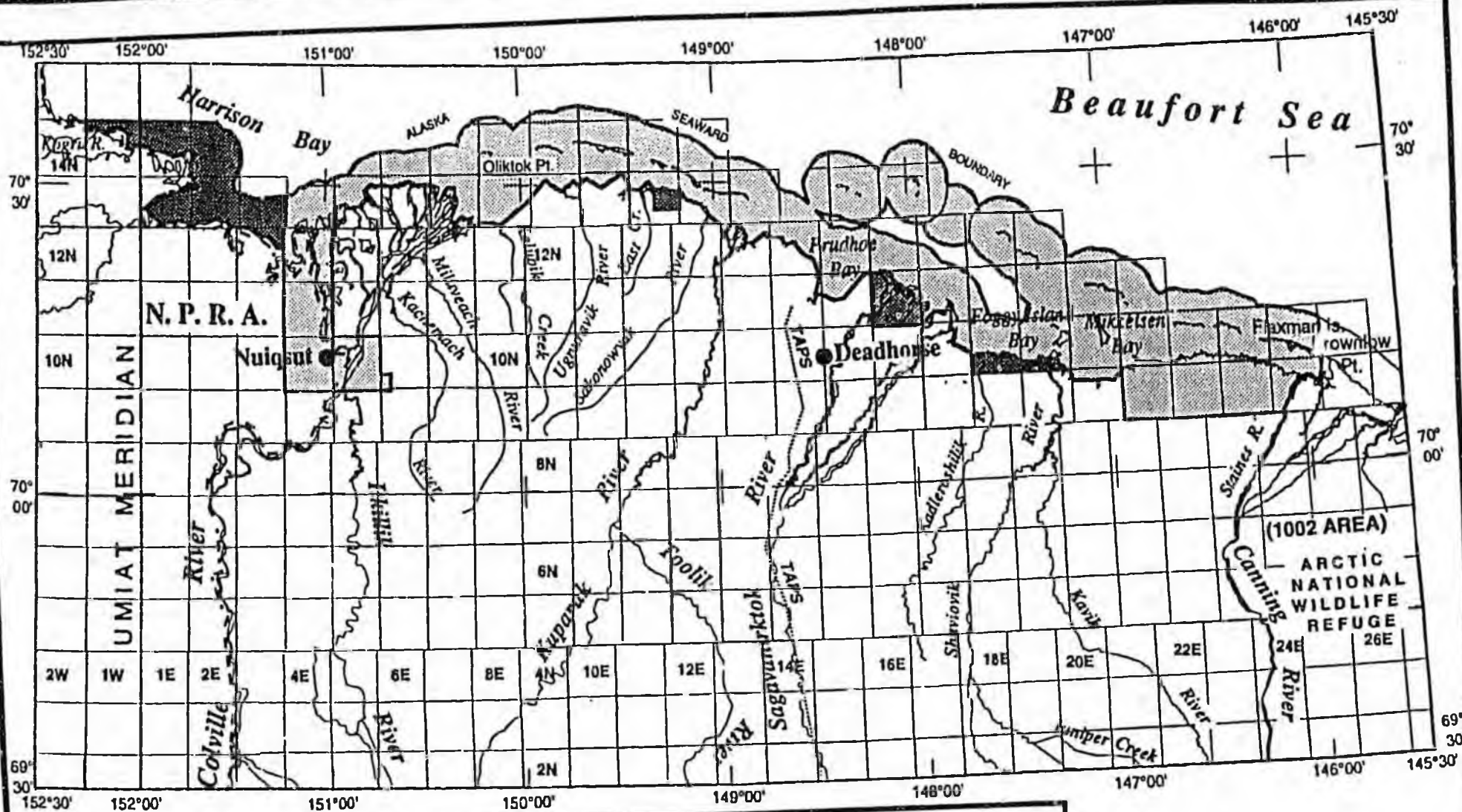
SCALE 1: 2,400,000 ONE INCH = 38 MILES approx.

0
50
100
200 Miles

DIRECTOR, DIVISION OF OIL AND GAS JAMES E. EASON	DRAWN BY: M.P. & O.D.S. DATE APPROVED: 01-09-95
PETRO. GEOPHYSICIST, JAMES HANSEN	BASE MAP: TRANSPOSED FROM U.T.M. PROJECTIONS BY U.S.G.S. REDRAWN IN AUTOCAD AND CLARIS CAD.

NOTE: NO DECISION HAS YET BEEN MADE ON WHETHER THE STATE WILL HOLD THIS LEASE SALE. THE STATE IS GATHERING SOCIAL ENVIRONMENTAL & ECONOMIC INFORMATION ON WHICH TO BASE A DECISION.





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STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS

PROPOSED OIL AND GAS LEASE SALE 86 CENTRAL BEAUFORT SEA

SCALE 1:1,100,000 ONE INCH = 18 MILES approx.

0 10 20 Miles 30 40 50

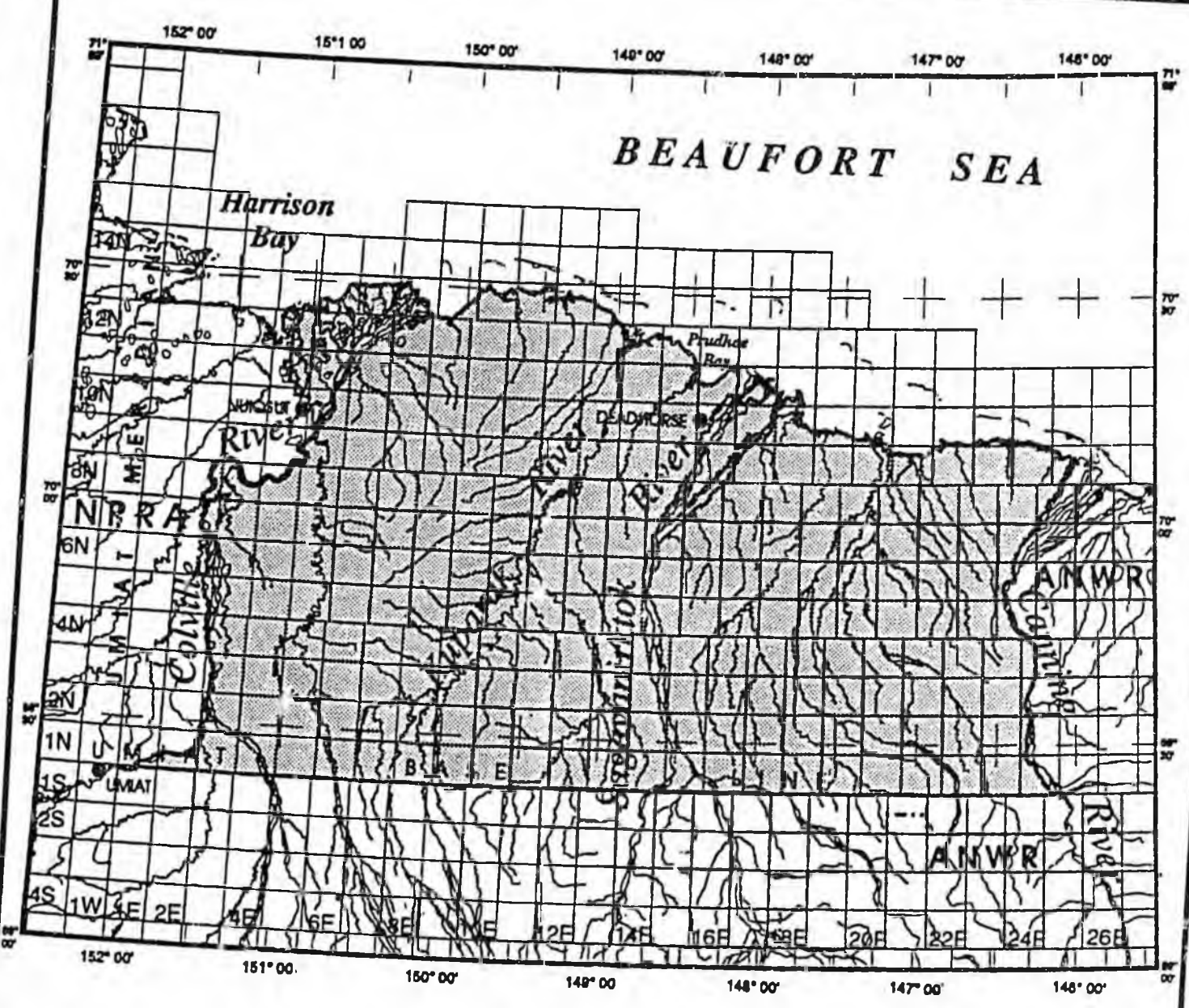
DIRECTOR, DIVISION OF OIL AND GAS KENNETH A. BOYD	DRAWN BY: <i>M.P.A. Dds.</i> DATE APPROVED: 2-13-96
PETRO. GEOPHYSICIST, JAMES HANSEN	CHECKED BY: <i>[Signature]</i> BASE MAP: TRANSPOSED FROM U.T.M. PROJECTIONS BY U.S.G.S. REDRAWN IN AUTOCAD AND CLARIS CAD.

ORIGINALLY PROPOSED SALE AREA



PROPOSED ADDITION





Proposed Sale 87 Area



STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS
PROPOSED OIL AND GAS LEASE SALE 87
NORTH SLOPE

SCALE 1:1,500,000 ONE INCH = 34 MILES APPROX

DIRECTOR, DIV. OF OIL & GAS KENNETH A. BOYD PETROLEUM GEOLOGIST	DRAWN BY: <i>[Signature]</i> O.D.S. & M.P. CHECKED BY: <i>[Signature]</i>	DATE APPROVED: 1/11/96 <small>Albers Equal-Area Conic Projection Based On The Clark 1856 Ellipsoid Central Meridian: -150.00 Origin Latitude: 50.00</small>
------------------------------------------------------------------------------	---------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------

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Alaska Oil and Gas Association

121 West Fireweed Lane, Suite 207
Anchorage, Alaska 99503-2035
Phone: (907) 272-1481 Fax: (907) 279-8114

March 12, 1996

Representative Norm Rokeberg, Chair
House Special Committee on Oil and Gas
State Capitol
Juneau, Alaska

CSHB 388. Areawide Leasing

Dear Representative Rokeberg:

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Over the past months AOGA members have offered many ideas to your Oil and Gas Committee regarding Areawide Leasing. Legislative language has also been offered for your consideration. As the AOGA members considered the various alternative Areawide Leasing proposals, we became concerned that earlier concepts created a new and arguably different lease sale program that could ultimately require regulations. The necessity to promulgate regulations poses an unnecessary threat to the Industry's and State's desired time schedule. These earlier Areawide Leasing proposals also created a cumbersome review process that has been streamlined in the new Committee Substitute to House Bill 388.

Suggested Modifications to CSHB 388

AOGA does have a few specific recommendations regarding the new Committee Substitute to House Bill 388. First, we would suggest that language be added to the title which specifically uses the words, "annual Areawide Lease Sales. We would modify Page one at line 5 to read, "purpose of the Alaska Land Act as it applies to oil and gas leasing, to provide for annual Areawide Lease Sales."

Second, we would encourage you to consider AOGA's past recommendation to clarify that Exempt and Reoffer Sales are exempt from certain public notice requirements. This could be accomplished by modifying the language of Section 1 on page 3 such that line 20 reads, "five year oil and gas leasing program under AS 30.05.180(b), except for a sale under (6)(G) of this subsection, are as follows:".

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CSHB 388 Brief Analysis

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- 4) Modifies Reoffer Sale criteria to allow leasing of areas which are subject to a Best Interest Finding issued within the last 10 years [this is accomplished by amending AS 38.05.180(w)]; and
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Leases issued at an Areawide Lease Sale would be subject to all existing statutes and regulations now applicable to oil and gas leasing, including; the Best Interest Finding process, appeal procedures, royalty share restrictions; lease size restrictions; annual rental payments; work commitments if they are appropriate; exploration incentive credits; royalty reduction; Unitization; and individual chargeable acreage ownership restrictions.

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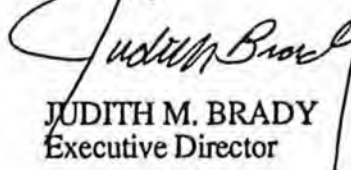
AOGA members have engaged in lengthy discussions on the topics of whether the legislation should mandate annual Areawide Lease Sales and whether the legislation should specify the lands to be offered in Areawide Lease Sales. The nineteen member companies unanimously voted to approve the Areawide Leasing concept embodied by the subject CSHB 388. The most recent Committee Substitute for House Bill 388 does not create a new Lease Sale program, nor does it mandate annual Areawide Lease Sales, it does; however, provide the necessary changes of law to allow Areawide Lease Sales and gives specific guidance and direction to the Division of Oil and Gas to expeditiously make lands of critical interest to the Industry available at annual Areawide Lease Sales. We are confident and hopeful that the Commissioner of Natural Resources and the Director of Oil and Gas

Representative Norm Rokeberg
March 12, 1996
Page 3

will, upon passage of this legislation, quickly move to adopt this concept and implement **annual** Areawide Lease Sales which offer **all** State acreage which is the subject of an effective Best Interest Finding.

Thank you for the opportunity to offer comments and suggestion on this vital legislation. We are hopeful that CSHB 388 will proceed with speed through both the House and the Senate and will be fully embraced by the Knowles' Administration.

Sincerely,



JUDITH M. BRADY
Executive Director

TRUSTEES FOR ALASKA v. STATE, DNR

Alaska 745

Cite as 863 P.2d 745 (Alaska 1993)

...ing ordinances to provide economic protection for existing businesses."); Sun-Brite Oil Wash, Inc. v. Board of Zoning & Appeals, 69 N.Y.2d 406, 615 N.Y.S.2d 418, 423, 808 N.E.2d 130, 135 (1997) ("Zoning laws do not exist to insure limited business competition.")

The second rationale courts use to support denying business competitors standing is a "vested rights" argument. Courts reason that "no person has a vested right to engage in business without competition.... Never having been possessed of a right to conduct a business free of competition, the landowner has lost nothing and cannot be said to have been aggrieved." 3 Arden H. Rathkopf & Daron A. Rathkopf, The Law of Zoning and Planning § 43.07, at 43-53 (1992). The Appellate Court of Illinois noted that "[a] person can have no vested or special property right in either the monopoly or competitive advantage accorded by zoning restrictions at a given time." Swain, 250 N.E.2d at 444.

We think both theories have merit. In the area of land use law, we thus adopt the majority rule and deny standing to a business competitor whose only alleged injury results from competition." Earth Movers argues that "[n]o one other than those with interests in lawfully operated gravel pits have greater interests in preserving the laws of gravel pits than those similarly situated to Earth Movers and Earth Movers itself." In terms of Earth Movers' interest in limiting competition in gravel sales, this may be correct. That interest is, however, irrelevant because it is not an interest meant to be protected by the zoning ordinance.

III. CONCLUSION

We interpret the applicable statutes and ordinance to require that a person be "aggrieved" in order to appeal a decision by a zoning board. We adopt the majority interpretation of "aggrieved" to deny standing in land use cases to a business competitor whose only alleged injury is potential increased competition. Therefore we AFFIRM the decision of the superior court which affirmed the decision of the Board of

5. Of course, a business competitor who can show other injury, such as a deleterious effect on traf-

Adjustment denying Earth Movers standing to challenge the Department's holding.



TRUSTEES FOR ALASKA, City of Kaktovik, American Wilderness Alliance, Northern Alaska Environmental Center, Alaska Wildlife Alliance, The Sierra Club, The Wilderness Society, Alaska Center for the Environment, Appellants,

v.

STATE of Alaska, DEPARTMENT OF NATURAL RESOURCES; Judy Brady, Commissioner, State of Alaska Department of Natural Resources, and James Eason, Director, Division of Oil and Gas, State of Alaska, Department of Natural Resources, Appellees.

Arco Alaska, Inc., Chevron U.S.A. Inc., Phillips Petroleum Co., and Standard Alaska Petroleum Co., Intervenor-Appellees.

No. S-5275.

Supreme Court of Alaska.

Dec. 23, 1993.

Environmental groups and city challenged state's sale of offshore oil and gas lease, contending that Department of Natural Resources (DNR) failed to give adequate consideration to several issues when it determined that sale was in "best interests" of state. The Superior Court, Third Judicial District, Anchorage, Rene J. Gonzalez, J., affirmed DNR's best-interest determination and its decision to proceed with sale. Environmental groups and city appealed. The Supreme Court, Compton, J., held that DNR gave inadequate consideration to methods

lic permits, parking, etc., should not be denied standing simply because he is also a competitor.

Peel-It brand tax transcript memo 7571 # of pages 3
Table with columns: No., Date, Amount, etc.
Row 1: ARDIE, SRP
Row 2: AX-A, AAI
Row 3: 265-6329
Row 4: 265-6948

"Supplemental finding"

SALE 55

750 Alaska

866 PACIFIC REPORTER, 2d SERIES

copied—without alteration—from the Sale 50 Finding. More importantly, the Sale 56 Finding deals with transportation issues in a similar cursory manner.

Given the similarity between the Sale 50 and Sale 56 locations,⁴ as well as the two Findings' treatment of the transportation issue, this court's decision in *Camden Bay* is controlling.⁵ The best-interest Finding for Sale 56 failed to adequately address the methods and risks of transporting oil from the sale area to market. Accordingly, we reverse the decision of the superior court, and remand the case to DNR for a supplemental finding addressing this issue.

B. THE PORCUPINE CARIBOU HERD

[5] Trustees further argue that the Porcupine Caribou Herd is susceptible to adverse impacts from oil and gas development off the shore of ANWR, and that DNR must consider this impact in making its best-interest determination.⁶ Trustees contend that the caribou use areas within, and immediately adjacent to, the Sale 55 area as calving grounds and for insect relief. Trustees raise concerns that oil development may cause the caribou to avoid this important area. Further, caribou may be subject to oil spills. Accordingly, Trustees argue that DNR's best-interest Finding was deficient because it failed to consider the impact of Sale 55 on the caribou herd.

In response, DNR argues that it adequately addressed any impact development would have on the herd. DNR notes that Sale 55 is an offshore lease sale, and that Trustees have presented no evidence that "offshore activities themselves can interfere with cari-

4. Remarkably, the Sale 55 area is considerably farther away from conventional land-based transportation facilities on the North Slope (80 miles) than the Camden Bay sale area (50 miles).

5. DNR attempts to limit the precedential value of *Camden Bay* by suggesting that this court's holding as to the transportation issue was "perhaps" a result of incomplete briefing.

6. Trustees argue that the herd is important to the State because (1) it has been recognized by the United States and Canada as "a unique and irreplaceable resource of great value," (2) many

Alaska Natives utilize the herd for subsistence purposes, and (3) the herd is used for recreation, aesthetic and sport hunting purposes by Alaskans.

Alaska Natives utilize the herd for subsistence purposes, and (3) the herd is used for recreation, aesthetic and sport hunting purposes by Alaskans.

Despite DNR's contentions that it "considered volumes of information on caribou," the Finding does not suggest this level of consideration. In contrast to DNR's extensive discussion detailing the effects of the sale on whales, seals, polar bears, fish and birds, the Finding simply does not discuss the effects on caribou. DNR is required to take a "hard look" at the salient problems involved with a lease sale, and must engage in reasoned decision making. *Camden Bay*, 795 P.2d at 809. DNR's Finding indicates that it did not give the same level of consideration to the caribou herd that it gave to other wildlife.

In fact, DNR's Finding consists of little more than an assumption that, since Sale 55 is an offshore oil lease, it will not affect ANWR or the caribou that use ANWR.⁷ DNR's Finding states:

Sale 55 thus should not have a direct effect on ANWR lands themselves, although exploration and production activity within the sale area may be visible from ANWR.

Although DNR asserts that development "should not" affect ANWR or the caribou that utilize ANWR, DNR has made no finding to this effect. Rather, it has simply made the unsupported assumption that off-

Alaska Natives utilize the herd for subsistence purposes, and (3) the herd is used for recreation, aesthetic and sport hunting purposes by Alaskans.

7. If DNR had given this issue the same level of attention in its Finding that it gave the issue in the briefing before this court and the superior court, the Finding may have been sufficient. Nevertheless, the best-interest determination required by statute must take place before the lease decision is made, not as an after-the-fact exercise.

TRUSTEES FOR ALASKA v. STATE, DNR

Alaska 751

Cite as 663 P.2d 745 (Alaska 1993)

shore development cannot affect caribou.⁴ This approach is evident in the following language of the Finding:

(W)hile the Department recognizes the intent behind the creation of ANWR, the department does not believe it is necessary to establish yet another undeveloped area, or buffer zone, around the refuge to achieve an acceptable level of protection for fish and wildlife within ANWR. Regulatory agencies have designed lease terms, permit requirements and field monitoring to control industry exploration and production activities. The protection of ANWR lands will be a consideration when granting approval of design, siting and construction of exploration and production facilities.... [T]he department does not expect significant or permanent degradation to refuge wildlife, the environment, or the wilderness character of the refuge to occur.

Although DNR attempts to argue that it "carefully considered caribou-related issues," the Finding language indicates otherwise. What DNR is really arguing is that offshore development cannot affect onshore caribou. I.e., that the sale's effect on the Porcupine Caribou Herd does not represent a "salient problem" for purposes of AS 38.05.035(e). See *Camden Bay*, 795 P.2d at 809 (DNR must take a hard look at any salient prob-

8. Although DNR did not find it necessary to study the impact of the sale on adjacent ANWR lands, it did think it appropriate to cite ANWR's petroleum potential as a factor supporting its decision to lease the Sale 55 area. The Finding states:

Petroleum industry interest in the [surrounding] region is significant.... Members of the oil industry as well as the U.S. Department of the Interior and State of Alaska have assessed the petroleum potential of the coastal plain of the Arctic National Wildlife Refuge (ANWR)

lems associated with sale). This argument is equally unpersuasive. The caribou herd is an important resource for the State of Alaska and the Natives that rely on the caribou for subsistence. Since the State has a substantial interest in the continued health and viability of the herd, the impact of the sale on the herd is an important factor which DNR must consider when making its best-interest determination.

DNR failed to take a hard look at the impact of Sale 55 on the Porcupine Caribou Herd, and on the subsistence users of this herd. Accordingly, we reverse the superior court, and remand the case to DNR for a supplemental finding addressing these issues.

WMM

867

III. CONCLUSION

Trustees did not abandon or waive the transportation issue before the superior court. Since DNR failed to adequately consider the issue in making its best-interest finding, we REVERSE the decision of the superior court and REMAND the case for a supplemental finding.

DNR failed to consider the effect of Sale 55 on the "important factor" of the Porcupine Caribou Herd. Accordingly, we also REVERSE and REMAND for a consideration of this issue.

adjacent to the sale areas and indicated that it may be the most prospective unexplored region in North America. These facts in conjunction with the imminent decline of production from other North Slope oil fields... support the decision to lease now state lands in Sale 55.

DNR cannot use the surrounding ANWR lands as a factor justifying development, and at the same time refuse to consider the impact of the sale on these lands.

809

WHY DOES THE STATE NEED AREAWIDE LEASING AND BIF EXEMPTIONS FOR THE ONSHORE AREAS OF COOK INLET AND THE NORTH SLOPE?

1. Under the current system, companies typically must wait five years before sale areas they nominate are offered for lease. The DNR can place new areas on the sale schedule sooner; however, the State must review these new areas under the best interest requirements of S.B. 308. This process can take two to three years before the DNR can conduct a lease sale over the new area. The areas selected often represent a hodgepodge of individual tracts specifically identified by companies and rarely represent the underlying regional geology for the area (see attached plat showing Sales 80 and 86). New participants in the State have two choices when it comes to lease sales: (1) accept what's been nominated by other companies at least two years before the lease sale, or (2) wait two to five years until their own prospects get nominated and offered for sale. Independent oil companies will generally not wait that long.

2. With the exception of the last three years, the State has conducted lease sales on the North Slope and in the Cook Inlet on almost an annual basis. The 1994 legislative amendments were intended to get the leasing program back on track. Unfortunately, while the amendments do not guarantee lease sales will be upheld by the courts, they do guarantee that DNR must follow a long, costly process in order to have a lease sale. The requirements of S.B. 308 do not distinguish between areas within the State where oil and gas activities are an ongoing, daily activity, and where there has been little or no oil and gas activity. The DNR must conduct the same thorough best interest finding for lease sales in the "core" areas of onshore Cook Inlet and the North Slope as they must do in areas such as offshore Cook Inlet or the Beaufort Sea. By exempting these core onshore areas from the BIF requirements and incorporating annual areawide leasing, the DNR would have more time to do their work in areas where a best interest finding is actually needed. Industry could also count on a predictable lease sale process for onshore areas on the North Slope and Cook Inlet

3. Before 1983, the MMS conducted lease sales in the Gulf of Mexico using a procedure similar to what the State of Alaska now uses. In 1983 the MMS changed their procedure and adopted an areawide lease sale program. They divided the gulf into three planning areas, Eastern, Western, and Central. They have annually conducted areawide sales in the Central and Western Planning Areas and have sales in the Eastern Planning Area once every two years. Because of wide fluctuations in the price of crude oil, it is hard to identify precisely the impact areawide leasing had on the Gulf in terms of increasing drilling activity and royalty payments. However, this program apparently had an impact on the leasing activity in the Gulf. Bonuses and the number of bids increased dramatically within the first two years of areawide leasing (see attached).

4. While areawide leasing will make it easier for DNR to conduct sales in the core areas onshore North Slope and Cook Inlet, and make the sale process more predictable, areawide leasing will not cause a land rush on these areas. Existing

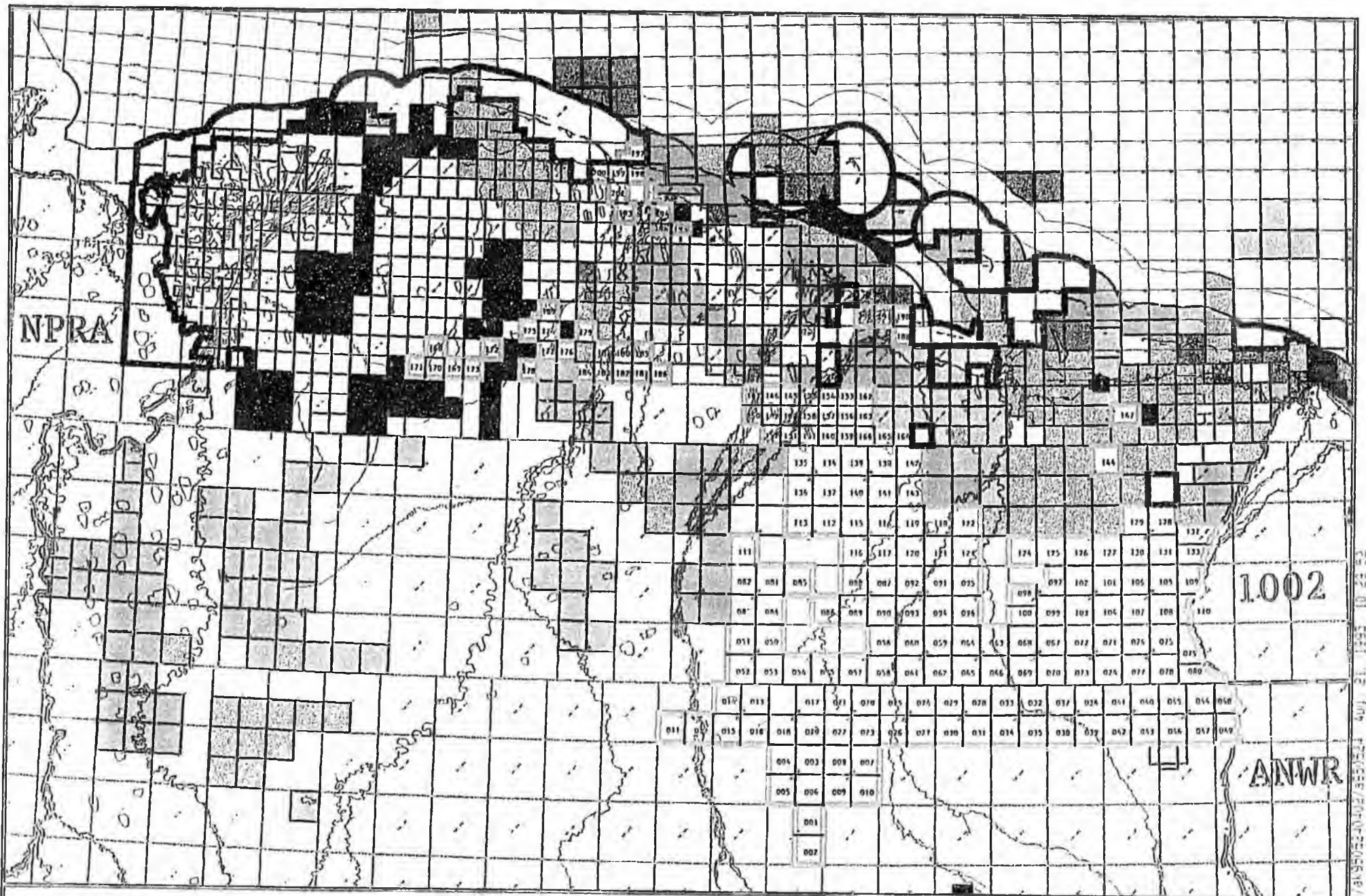
minimum bid requirements, escalating lease rentals, and statutory limits on chargeable acreage will prevent sale participants from tying up all the prospective acreage offered under areawide leasing.

5. In the last ten years, the DNR has offered for lease almost the entirety of the two core areas proposed for areawide leasing (onshore North Slope and onshore Cook Inlet). There has been little or no opposition to the State conducting sales in these two areas. It is only when offshore areas are included with these onshore sale areas that special interest groups have raised opposition to lease sales. Having only onshore areas included under areawide leasing should reduce the likelihood of third party intervention and greatly enhance the predictability of the lease sale process within these two core areas.

Area-Wide Leasing / Gulf of Mexico Sale Data

Sale Date	Sale Nos.	Total Bonus High Bid \$	No. of Bids Received	No. of Companies Participating
2/4/75	37	300,632,667	281	
5/28/75	38	250,681,156	191	
7/29/75	38A	171,511,620	179	
2/18/76	41	183,498,244	81	
11/16/76	44	381,911,757	117	
6/23/77	47	1,214,002,429	424	
4/25/78	45	767,407,369	283	
10/31/78	65	61,176,730	62	
12/19/78	51	884,589,799	288	
7/31/79	58	1,261,358,089	316	
11/27/79	58A	1,932,894,290	322	
9/30/80	A62	2,805,524,393	506	
11/18/80	62	1,436,448,959	268	
7/21/81	A66	2,666,828,352	419	
10/20/81	66	1,280,983,917	233	N/A
2/9/82	67	1,251,793,459	290	N/A
11/17/82	69 (1)	634,919,980	151	103
3/8/83	69 (2)	39,741,340	20	N/A
*Area-Wide Leasing				
1983	72, 74	5,018,477,269	1,788	124
1984	79, 81, 84	2,702,888,500	1,612	95
1985	98, 102, 94	1,662,594,081	1,023	87
1986	104, 105	203,185,747	181	54
1987	110, 112	533,350,815	904	71
1988	113, 115, 116 (1)	576,479,926	1,436	105
1989	118, 122	661,267,881	1,497	107
1990	123, 125	589,855,457	1,305	106
1991	131, 135	322,506,314	819	101
1992	139, 141	86,814,865	277	71
1993	142, 143	133,399,783	458	71
1994	147, 150	337,416,583	864	82
1995	152	307,328,550	880	N/A

*Lease sales conducted prior to 1983 covered the entire GOM. Under the area-wide leasing program, the GOM was divided into three parts, Eastern, Central and Western. Area-wide sales for all three areas were combined for statistical comparison.



NPRA

1002

ANWR



Sale 80



Sale 86



P.O. Box 198168
Anchorage, AK 99519-8168
Telephone 907/561-5311

March 11, 1996

Representative Norman Rokeberg
Alaska State Legislature
State Capital (MS3100)
Juneau, Alaska 99801-1182

Dear Representative Rokeberg:

CSHB 388 AREAWIDE BEST INTEREST FINDINGS

As part of a concerted industry effort we have been working on a mechanism to provide endorsement of the areawide sale concept and provide that the scope and usefulness of a best interest finding be expanded. The changes streamline the existing process and reduce the number of best interest findings the Division of Oil and Gas must prepare, yet does not limit public comments on the best interest findings. Therefore, Marathon Oil Company endorses CSHB 388 version G. This version, provides for a legislative finding that areawide lease sales are in the best interest of the state, clarifies public notice provisions, increases the usefulness of a best interest finding to 10 years, and streamlines the DNR's existing process for all areas to be leased in the state.

Thank you and your staff for the work on this bill during the session.

Sincerely,

A handwritten signature in cursive script that reads 'Bradley G. Penn'.

Bradley G. Penn, CPL
Alaska Region Landman

cc: N.L. Calvert
J.V. Miesse

AREAWIDE LEASING

Objective: To facilitate a process that results in annual lease sales covering those core areas that have had multiple sales over the past 25 years.

Base Assumptions:

- DNR has authority to conduct areawide leasing (AOGA agrees);
- It is helpful to have legislative endorsement of the areawide sale concept;
- Published maps for scheduled sales 85, 86 and 87 cover the areas of interest for areawide BIF's and subsequent annual sales.
- Current sales on 5-yr schedule proceed on schedule.

Current Concept - New AOGA Proposal/Chenoweth Redraft of CSHB 388 - Advantages:

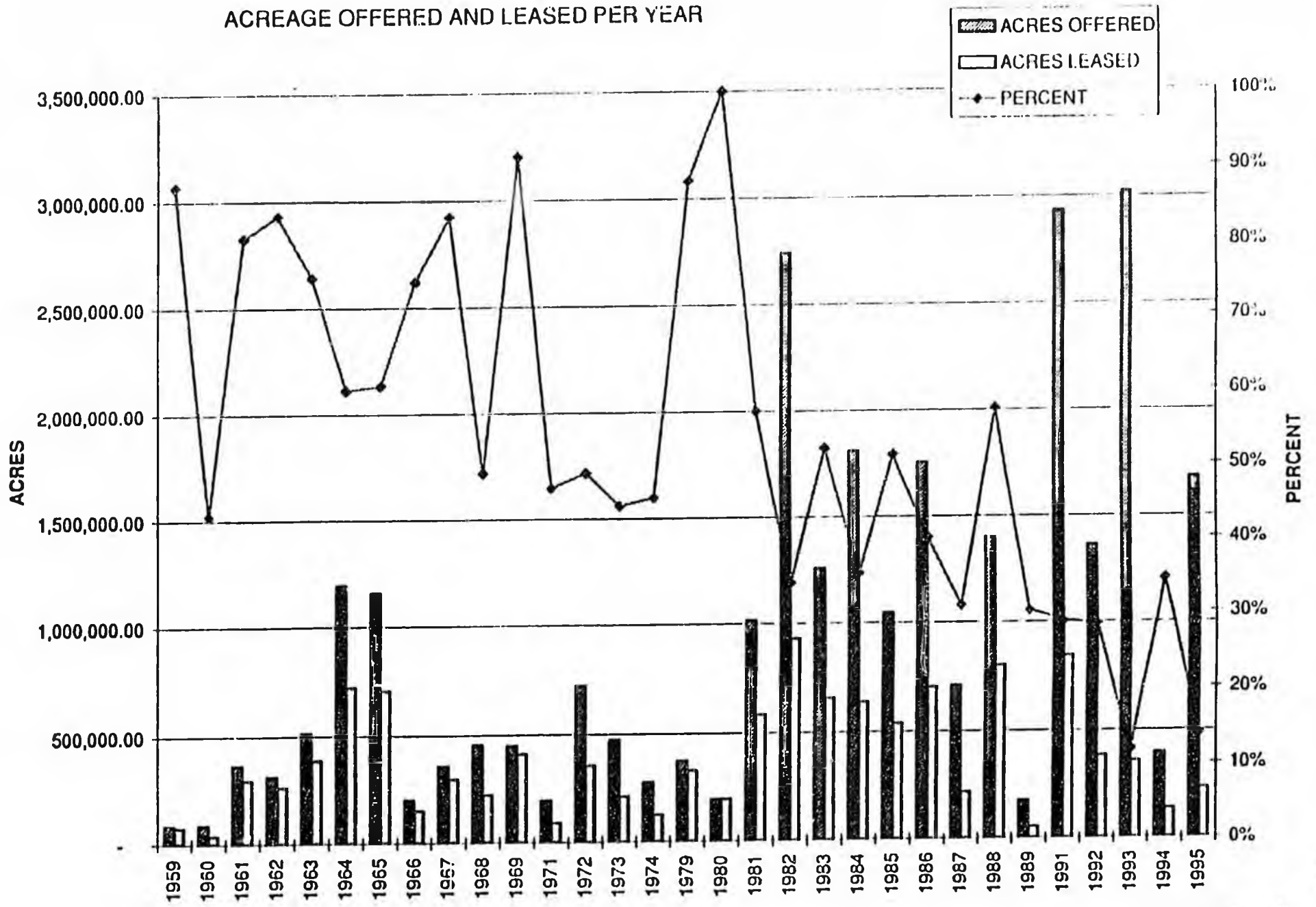
- Legislative finding of state's best interest to conduct annual areawide sales;
- BIF that lasts for 10yrs;
- Annual areawide sales of acreage subject to an effective BIF;
- Clear, streamlined process for abbreviated process to "supplement" an existing areawide BIF;
- Not area specific - all acreage covered by BIF can be offered annually for 10 yrs;
- AOGA unanimity - AOGA member companies unanimously endorsed the current concept;
- Achieves industry and the state's objectives without creating a new program, therefore no regulations - no delay of current sales nor of initiating areawide BIF's - no large fiscal note;
- Nothing in the current concept is expected to draw strong opposition from the Div. of Oil & Gas.

ACREAGE OFFERED AND LEASED PER YEAR

1 5/96

YEAR	ACRES OFFERED	ACRES LEASED	PERCENT
1959	88,055.00	77,191.00	88%
1960	90,615.21	39,372.27	43%
1961	367,241.44	296,755.44	81%
1962	316,730.63	265,498.63	84%
1963	514,365.46	388,579.51	76%
1964	1,194,373.00	721,224.00	60%
1965	1,157,075.06	704,751.28	61%
1966	203,639.75	152,576.99	75%
1967	358,978.89	300,104.31	84%
1968	457,822.48	225,233.15	49%
1969	450,858.47	412,548.47	92%
1971	196,635.07	92,617.97	47%
1972	725,322.38	356,217.27	49%
1973	475,048.85	211,695.40	45%
1974	278,269.43	127,119.65	46%
1979	375,818.22	330,985.69	88%
1980	196,268.00	196,268.00	100%
1981	1,017,836.74	582,406.38	57%
1982	2,744,028.59	930,730.70	34%
1983	1,256,733.10	655,342.96	52%
1984	1,812,083.46	636,801.96	35%
1985	1,047,538.45	537,486.35	51%
1986	1,757,253.61	703,669.74	40%
1987	710,289.31	218,779.31	31%
1988	1,399,070.95	803,809.06	57%
1989	176,658.63	53,140.49	30%
1991	2,933,001.11	845,768.48	29%
1992	1,361,737.00	385,382.00	28%
1993	3,020,993.69	359,438.07	12%
1994	396,760.00	136,307.00	34%
1995	1,682,840.00	233,085.00	14%
Grand Total:	28,763,941.98	11,980,886.53	42%

ACREAGE OFFERED AND LEASED PER YEAR



1/9/96

GRNDTII XLS

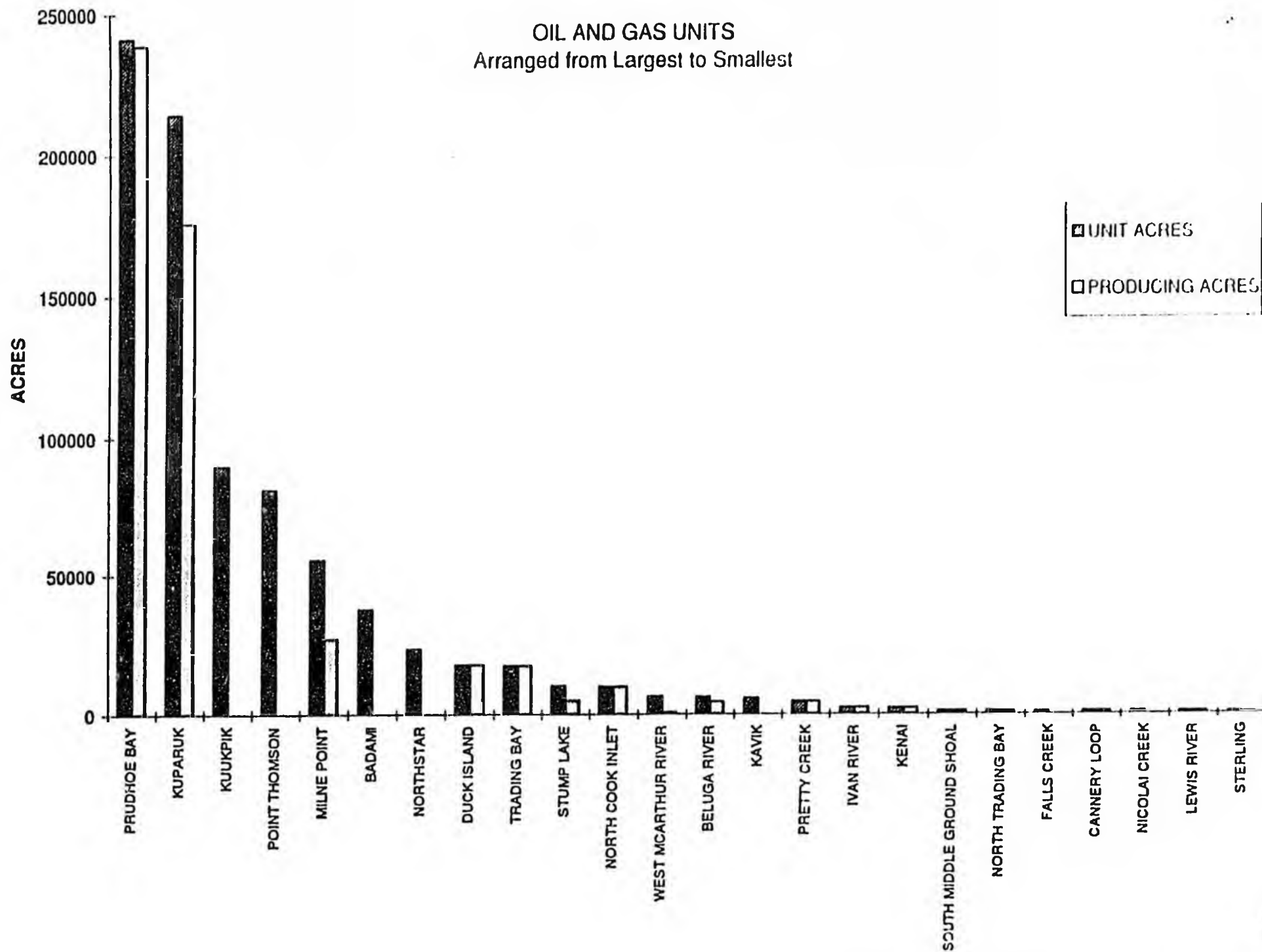
UNIT ACREAGE

08-Jan-96

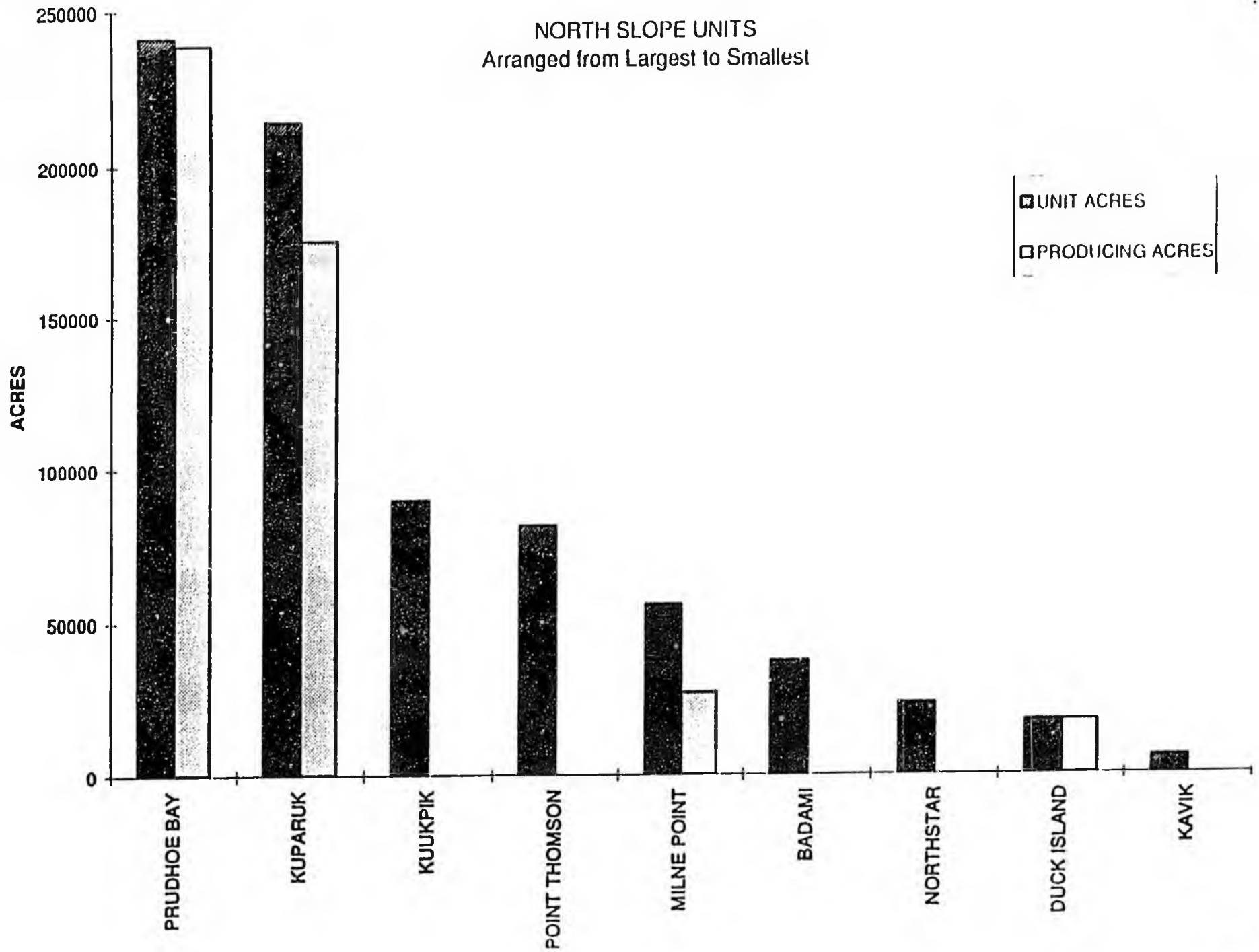
AREA	UNIT NAME	UNIT ACRES	PRODUCING ACRES
<u>COOK INLET</u>			
	BELUGA RIVER	6,099.15	4,464.60
	CANNERY LOOP	916.00	916.00
	FALLS CREEK	964.45	0.00
	IVAN RIVER	2,290.79	2,290.79
	KENAI	2,191.08	2,191.08
	LEWIS RIVER	720.00	720.00
	NICOLAI CREEK	879.78	0.00
	NORTH COOK INLET	9,781.50	9,781.50
	NORTH TRADING BAY	1,120.00	1,120.00
	PRETTY CREEK	4,579.33	4,579.33
	SOUTH MIDDLE GROUND SHCAL	1,160.00	1,160.00
	STERLING	496.37	133.28
	STUMP LAKE	10,062.50	4,880.00
	TRADING BAY	17,299.50	17,299.50
	WEST MCARTHUR RIVER	6,330.00	640.00
	COOK INLET	<u>64,890.45</u>	<u>50,176.08</u>
<u>NORTH SLOPE</u>			
	BADAMI	37,401.92	0.00
	DUCK ISLAND	17,547.62	17,547.62
	KAVIK	5,652.59	0.00
	KUPARUK	214,331.15	175,502.15
	KUUKPIK	89,799.11	0.00
	MILNE POINT	55,498.00	26,965.00
	NORTHSTAR	23,343.49	0.00
	POINT THOMSON	81,281.03	0.00
	PRUDHOE BAY	241,555.10	238,995.10
	NORTH SLOPE	<u>766,410.01</u>	<u>459,009.87</u>
	<u>GRAND TOTAL:</u>	<u>831,300.46</u>	<u>509,185.95</u>

OIL AND GAS UNITS

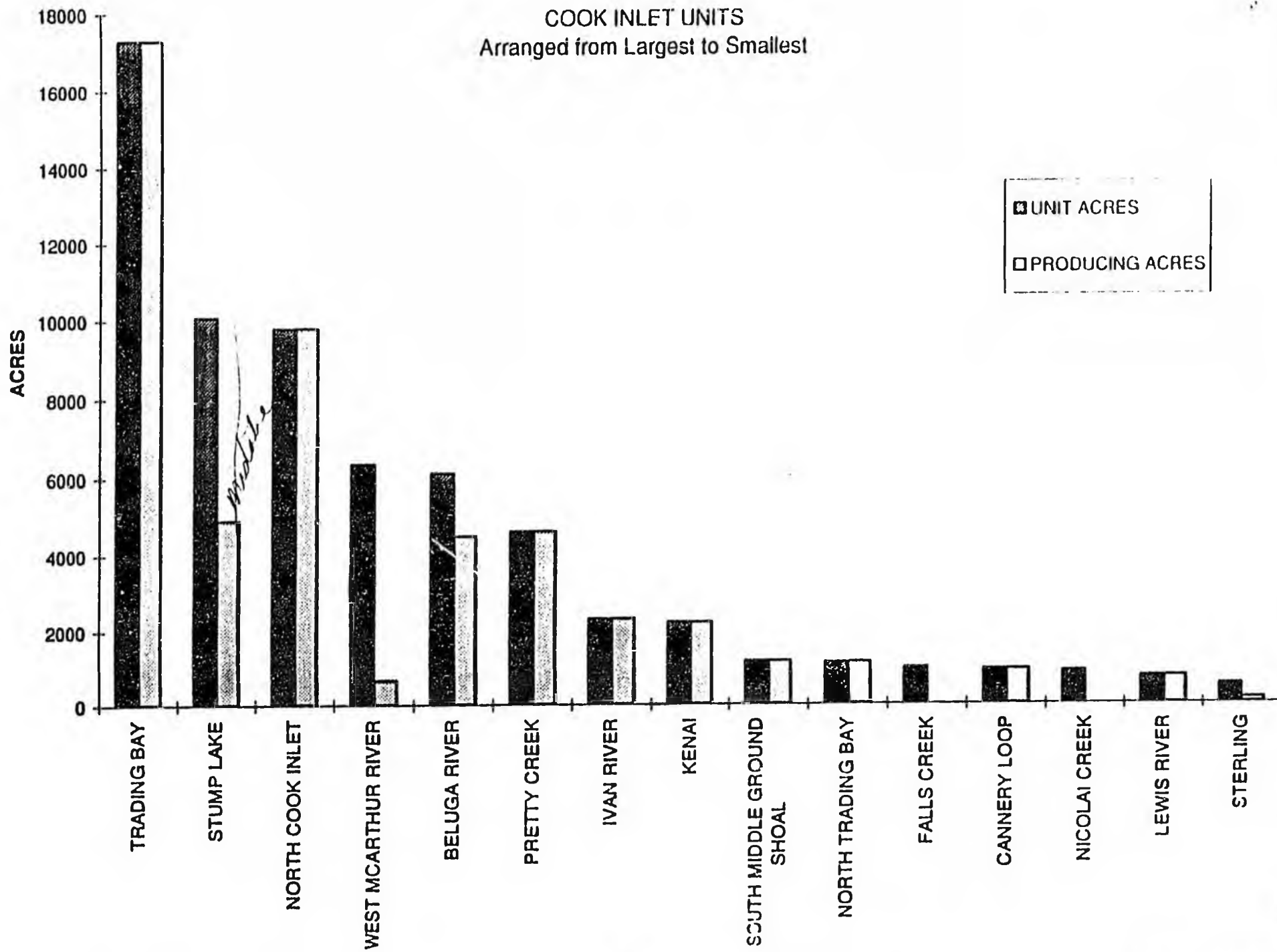
Arranged from Largest to Smallest



NORTH SLOPE UNITS
Arranged from Largest to Smallest



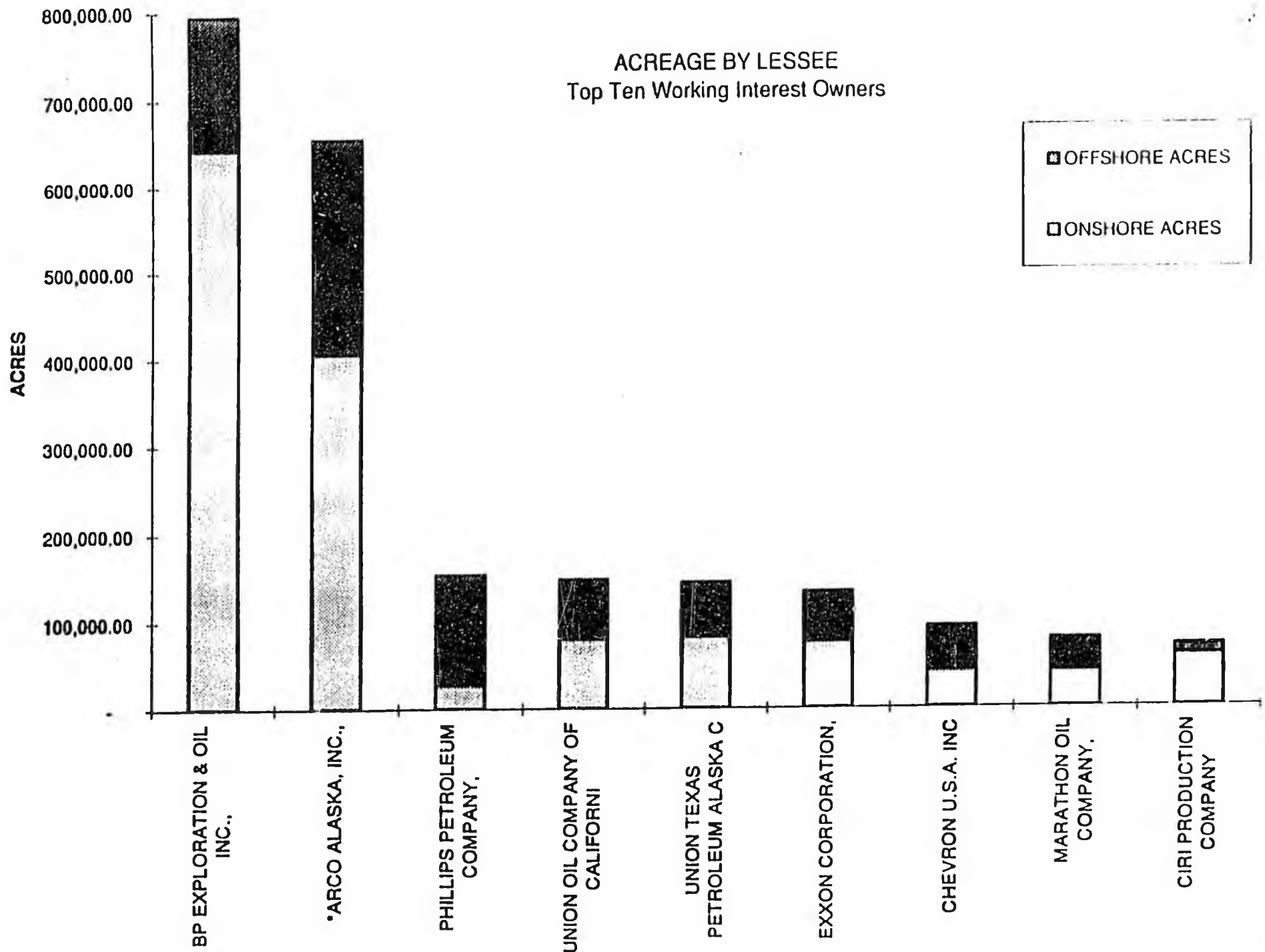
COOK INLET UNITS
 Arranged from Largest to Smallest



Top Ten Working Interest Owners

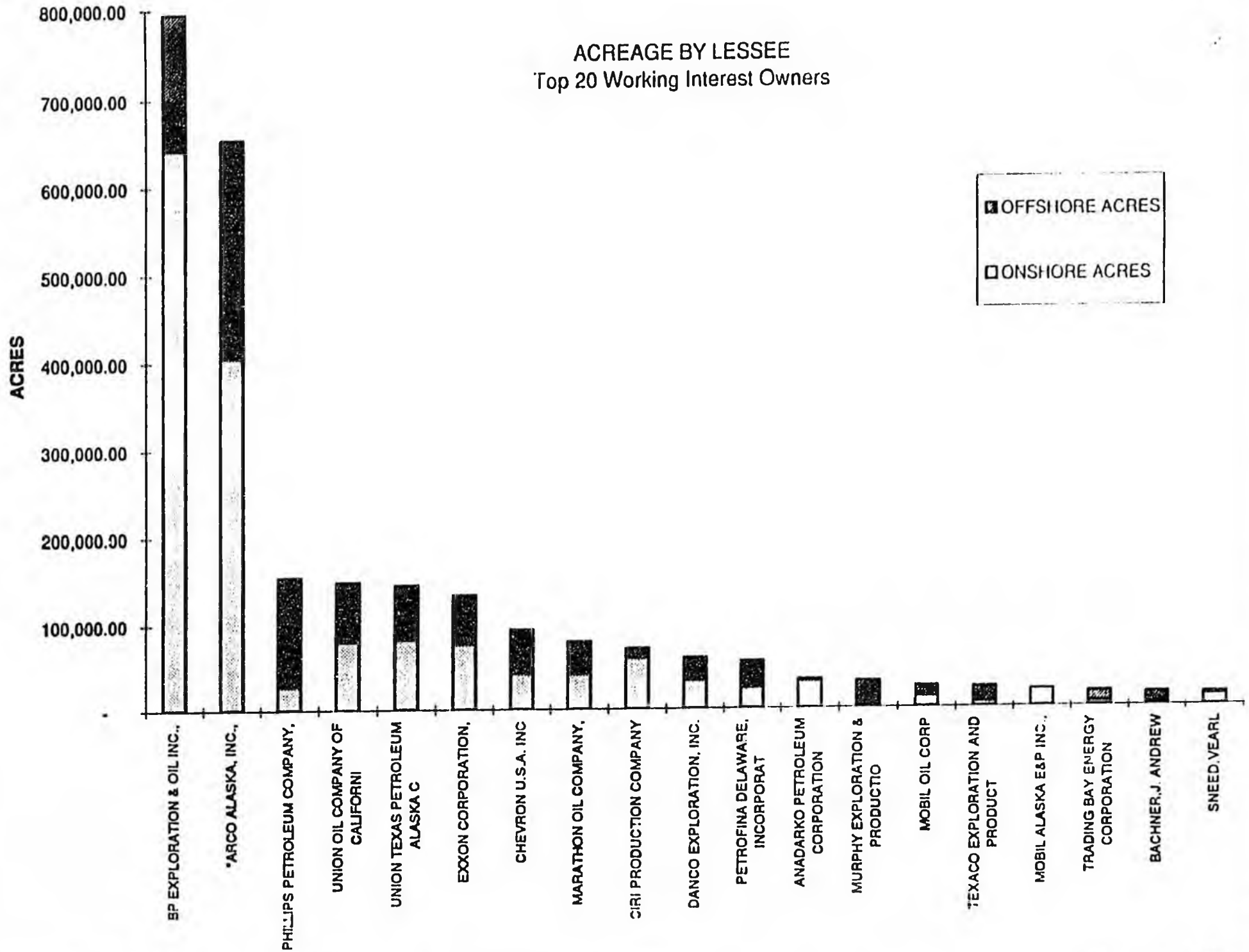
<u>NAME</u>	<u>ONSHORE ACRES</u>	<u>OFFSHORE ACRES</u>
BP EXPLORATION & OIL INC.,	642,481.63	152,483.17
*ARCO ALASKA, INC.,	484,772.30	249,911.48
PHILLIPS PETROLEUM COMPANY,	27,003.32	126,717.40
UNION OIL COMPANY OF CALIFORNI	79,552.93	68,566.13
UNION TEXAS PETROLEUM ALASKA C	81,274.35	62,793.05
EXXON CORPORATION,	75,674.05	56,680.87
CHEVRON U.S.A. INC	41,370.84	51,454.11
MARATHON OIL COMPANY,	40,314.40	38,009.15
CIRI PRODUCTION COMPANY	58,471.89	12,092.10
DANCO EXPLORATION, INC.	32,424.28	26,569.57
	1,670,634.79	971,405.54

ACREAGE BY LESSEE
Top Ten Working Interest Owners



* Arco and Atlantic Richfield Combined

ACREAGE BY LESSEE
Top 20 Working Interest Owners



* Arco and Atlantic Richfield Combined

Oil and Gas Lessees
Listed in Order of Total Acreage Held

NAME	TOTAL ACRES	ONSHORE ACRES	OFFSHORE ACRES
BP EXPLORATION & OIL INC.,	794,964.81	642,481.63	152,483.17
*ARCO ALASKA, INC.,	654,589.81	404,678.32	249,911.48
PHILLIPS PETROLEUM COMPANY,	153,720.72	27,003.32	126,717.40
UNION OIL COMPANY OF CALIFORNI	148,119.06	79,552.93	68,566.13
UNION TEXAS PETROLEUM ALASKA C	144,067.40	81,274.35	62,793.05
EXXON CORPORATION,	132,354.93	75,674.05	56,680.87
CHEVRON U.S.A. INC	92,824.96	41,370.84	51,454.11
MARATHON OIL COMPANY,	78,323.55	40,314.40	38,009.15
CIRI PRODUCTION COMPANY	70,563.99	58,471.89	12,092.10
DANCO EXPLORATION, INC.	58,993.85	32,424.28	26,569.57
PETROFINA DELAWARE, INCORPORAT	54,631.14	23,373.73	31,257.41
ANADARKO PETROLEUM CORPORATION	33,024.48	30,407.29	2,617.18
MURPHY EXPLORATION & PRODUCTIO	30,497.95	275.54	30,222.41
MOBIL OIL CORP	24,736.02	12,232.09	12,503.93
TEXACO EXPLORATION AND PRODUCT	23,323.57	5,161.65	18,161.92
MOBIL ALASKA E&P INC.,	19,719.83	19,719.83	-
TRADING BAY ENERGY CORPORATION	17,354.22	4,384.08	12,970.14
BACHNER, J. ANDREW	15,254.12	26.40	15,227.72
SNEED, VEARL	14,881.99	11,714.19	3,167.80
PLACID OIL CO	12,768.19	1,615.17	11,153.01
STEWART PETROLEUM COMPANY,	10,252.23	279.50	9,972.72
SHELL WESTERN E & P INC	10,250.27	2,700.49	7,549.77
BURGLIN, CLIFFORD	10,062.22	8,576.00	1,486.22
MIDGARD ENERGY COMPANY,	9,889.81	3,574.31	6,315.50
SHELL ONSHORE VENTURES INC.,	8,524.27	929.90	7,594.37
BOREALIS RESOURCES INC.,	8,306.50	5,813.50	2,493.00
MOBIL ROCKY MOUNTAIN INC.	7,656.75	-	7,656.75
OXY USA INC.,	7,395.02	4,517.49	2,877.53
SHELL FRONTIER OIL AND GAS INC	5,725.00	5,725.00	-
LAPP RESOURCES INC	5,674.97	5,674.97	-
BLOCKER JOHN R	5,365.38	279.50	5,085.88
AMOCO PRODUCTION COMPANY	5,323.75	3,329.00	1,994.75
BACHNER, KARL A.	4,677.88	4,677.88	-
DANCO INC	4,462.00	-	4,462.00
TEXACO INC,	4,282.31	2,777.31	1,505.00
BACHNER DANA K	3,958.98	3,958.98	-
ROSEWOOD RESOURCES INC,	3,706.78	939.22	2,767.56
HUNT PETROLEUM CORPORATION,	3,542.82	1,082.76	2,460.05
LEWIS RIVER UNIT PARTNERSHIP,	3,270.00	3,200.00	-
SHELL OFFSHORE INC.,	2,955.33	-	2,955.33
MOBIL EXPLORATION AND PRODUCIN	2,723.23	1,733.39	989.84
ESCOPETA OIL & GAS CORPORATION	2,486.46	139.75	2,346.71
ESCOPETA PRODUCTION - ALASKA	2,486.46	139.75	21,346.71
ARCTIC SLOPE REGIONAL CORPORAT	2,278.50	2,278.50	-
PENNZOIL EXPLORATION AND PRODU	2,158.39	371.50	1,786.89
FORSGREN, KEITH C	2,080.11	3.60	2,076.51
SHELL LAND & ENERGY COMPANY,	1,376.80	1,376.80	-
LOUISIANA LAND AND EXPLORATION	1,329.04	339.20	989.84
JAMES, ALFRED III	1,280.00	5.00	1,275.00
NOVOSEL, FRANK J	1,244.00	1,244.00	-
HUNT, WILLIAM HERBERT TRUST ES	1,119.94	1,119.94	-

Oil and Gas Lessees
Listed in Order of Total Acreage Held

NAME	TOTAL ACRES	ONSHORE ACRES	OFFSHORE ACRES
HUNT, LAMAR TRUST ESTATE	1,077.41	1,077.41	-
HUNT, NELSON BUNKER TRUST ESTATE	1,077.41	1,077.41	-
GAFFI ZELLA	1,024.00	1,024.00	-
LUNDGREN (ESTATE OF), JAMES	1,013.33	-	1,013.33
WHITE, JAMES W.	718.17	87.34	630.83
COASTAL OIL & GAS CORPORATION	588.80	427.23	161.58
SUN OPERATING LIMITED PARTNERS	554.52	554.52	-
EVERETTE, KELLEY	512.00	512.00	-
COOK INLET REGION INC.	485.67	339.49	146.19
PARKER NANCY BLACK	317.50	317.50	-
FOREST OIL CORPORATION	268.66	194.94	73.73
MARATHON PETROLEUM COMPANY,	253.34	253.34	-
GUSTAFSON, MARY	202.67	-	202.67
BLOCKER, JOHN R. TRUSTEE	189.90	-	189.90
KLEINER, WALTER H	179.54	21.83	157.71
SEXTON, MICHAEL R	168.89	-	168.89
TIPPERARY OIL & GAS CORPORATIO	129.25	70.68	58.57
GIINTHER DOROTHY	128.00	128.00	-
BURGLIN, BRIAN	101.33	-	101.33
BURGLIN, BRUCE	101.33	-	101.33
BURGLIN, DAVID	101.33	-	101.33
BURGLIN, JOSEPH	101.33	-	101.33
RIMA, BARBARA C	101.33	-	101.33
GREMILLION, ANNE L	79.38	79.38	-
LOVICK, ROBERT G. JR.	79.38	79.38	-
READ, NANCY L	79.38	79.38	-
SPINKS, MARGARET L.	79.38	79.38	-
TRANSWORLD OIL & GAS LTD	68.04	49.37	18.67
TWO FOUR SIX EXPLORATION INC,	68.04	49.37	18.67
LEEDE, EDWARD H	64.62	35.34	29.28
NANA REGIONAL CORPORATION INC	64.50	-	64.50
BATTLE KENNETH W.	49.45	-	49.45
RYLANDER, MARIAN IRIS	35.00	35.00	-
PACIFIC LIGHTING GAS DEV CO,	32.00	17.50	14.50
DONNELLY, RICHARD	29.08	15.90	13.18
GRACE PETROLEUM CORPORATION,	27.22	19.75	7.47
SUNLITE INTERNATIONAL INC,	27.22	19.75	7.47
ARTUS, WILLIAM D.	23.54	-	23.54
HUGHES, KINGDON R	23.04	12.60	10.44
DOYON LIMITED	21.50	-	21.50
CHAPARRAL ROYALTY COMPANY	14.54	7.95	6.59
LEEDE AND PINE,	12.92	7.07	5.86
CHRISTIANSON, CABOT	9.42	-	9.42
PERRY (ESTATE OF), JOHN W	7.27	3.98	3.29
SEARLS, ROBERT JR	7.27	3.98	3.29
POPE, JOHN C	3.06	-	3.06
ROBERTS, CATHRYN	3.06	-	3.06
WOODBINE PETROLEUM, INC..	0.53	0.53	-
	2,810,888.29	1,745,718.48	1,084,169.76

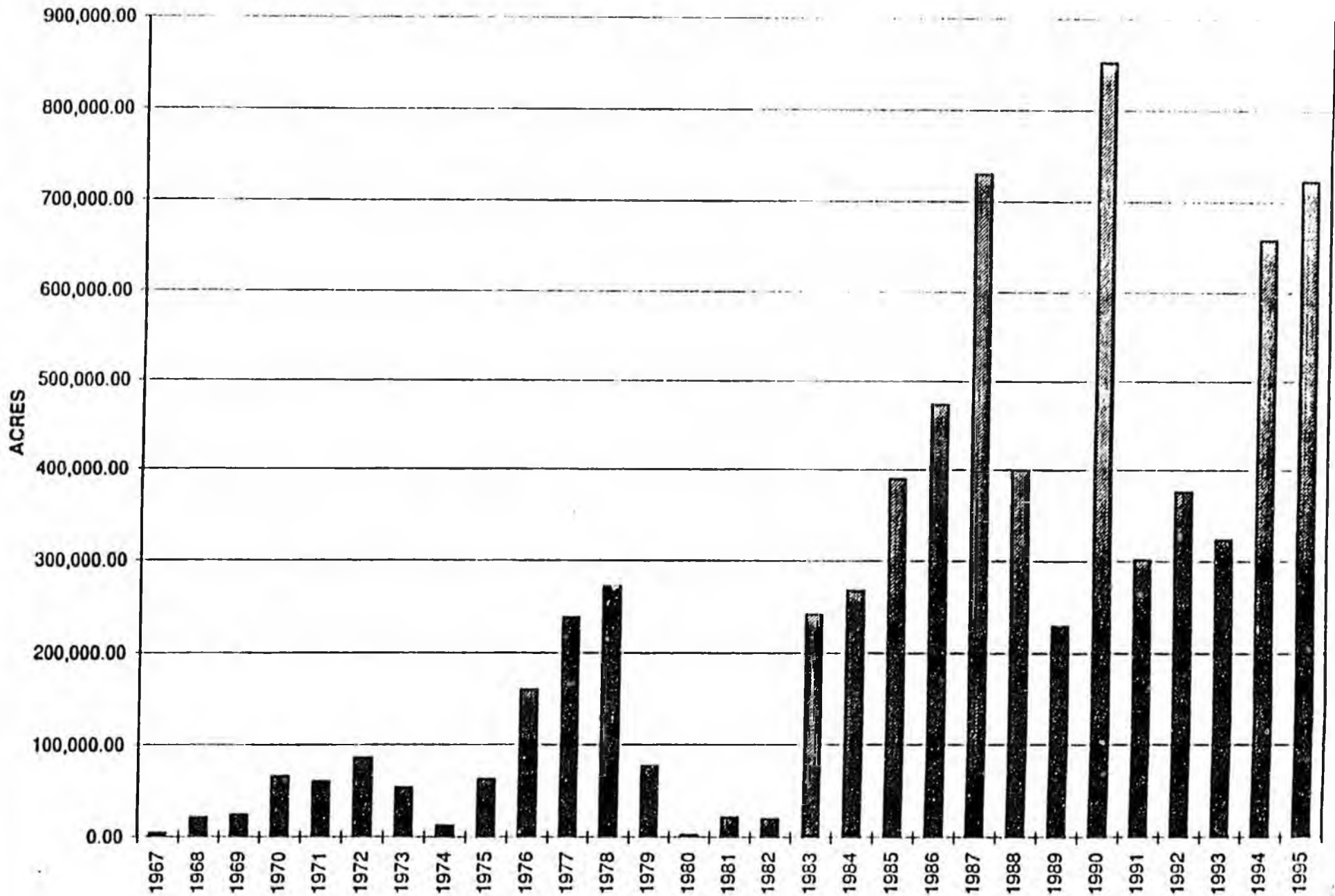
(1)

CLOSED LEASES

04-Jan-96

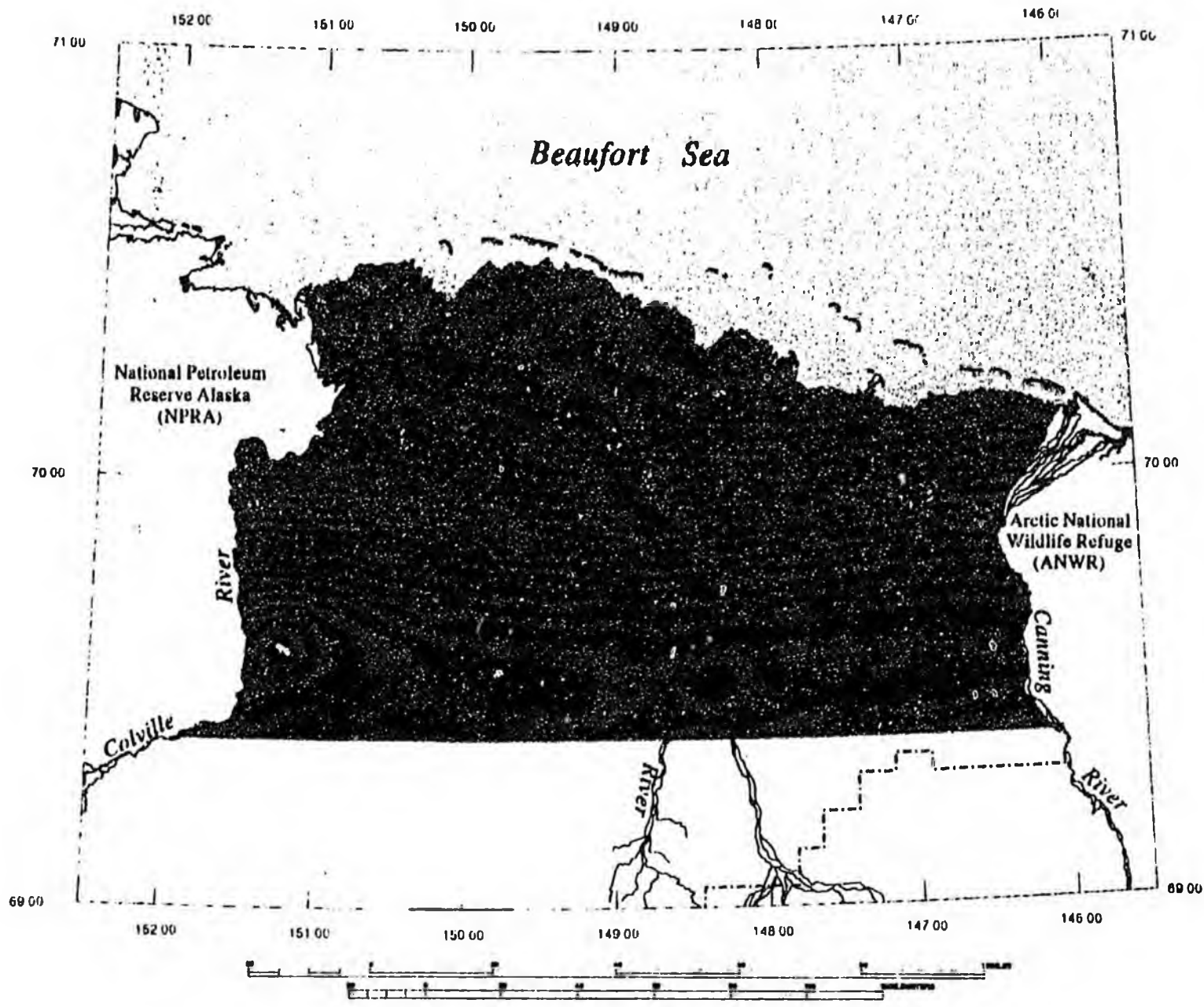
STATUS DATE	TOTAL ACRES
1967	4,329.99
1968	20,903.47
1969	23,897.48
1970	65,808.82
1971	60,223.79
1972	85,860.95
1973	53,372.48
1974	12,216.39
1975	62,976.88
1976	159,986.82
1977	238,493.74
1978	271,487.49
1979	76,702.83
1980	2,295.47
1981	21,614.33
1982	20,004.64
1983	241,923.74
1984	267,982.62
1985	390,081.28
1986	473,464.94
1987	730,063.63
1988	399,823.23
1989	229,143.08
1990	852,197.39
1991	301,659.43
1992	375,849.50
1993	323,774.58
1994	658,375.98
1995	722,643.15
Grand Total:	7,147,158.12

CLOSED ACREAGE PER YEAR



1/9/96

GRNDTTL.X15



AREAWIDE LEASING

Report of Investigations 95-11

**ANALYSIS OF HISTORICAL OIL AND GAS LEASE SALE
AND EXPLORATION DATA FOR ALASKA**

by

Richard W. Kornbrath



Published by

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES

DIVISION OF GEOLOGICAL & GEOPHYSICAL SURVEYS
IN COOPERATION WITH THE DIVISION OF OIL & GAS

1995

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF GEOLOGICAL & GEOPHYSICAL SURVEYS

Tony Knowles, *Governor*

John T. Shively, *Commissioner*

Milton A. Wiltse, *Acting Director and State Geologist*

1995

This DGGs Report of Investigations is a final report of scientific research. It has received technical review and may be cited as an agency publication.

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ANALYSIS OF HISTORICAL OIL AND GAS LEASE SALE AND EXPLORATION DATA FOR ALASKA

by
Richard W. Kornbrath¹

INTRODUCTION

This report examines the relationship between competitive oil and gas lease-sale offerings and the success rate of subsequent exploration. In some past state lease sales, all the tracts offered were leased. However, in most state lease sales and in all the federal lease sales in Alaska, substantially fewer tracts have been leased than were offered. Of the tracts leased by the oil industry, virtually all are "explored," but to very different degrees: some tracts have been commercially developed, some have been drilled without success, and many have reverted back to the state without drilling.

To understand the potential impacts from exploration and development, specific activities and techniques that are generally used (or that may be contemplated) to locate and extract subsurface hydrocarbons must be considered. These possible activities should be viewed in the proper perspective by examining their frequency of occurrence and the likelihood that a given lease offering or an individual lease will undergo exploration drilling with a subsequent commercial discovery over the lifetime of the lease.

Northern Alaska and Cook Inlet are the dominant oil regions of the state (figs. 1 and 2) and account for most lease sale offerings. Historical lease sale data from state and federal sales in Alaska have been compiled by sale number, date, and region (tables 1-3). A complete database of all producing fields, known but undeveloped accumulations, and discoveries has been assembled and categorized by region, hydrocarbon type (oil or gas), date of discovery, and status (tables 4-9). A commercial well-log database containing all the exploration and development wells in the state has also been used to compile lists of the numbers and types of wells drilled in each region of the state. The data are summarized in tables 10-12 and figures 3 and 4.

THE EXPLORATION PROCESS

Exploration for oil and gas is often misinterpreted solely as the drilling of exploration wells. In fact, most exploration activities are conducted without ever drilling a new exploration well. The actual drilling of a well, when it does occur, is the culmination of a comprehensive

evaluation process that may take many years to complete and is reserved for those prospects with sufficient revenue-generating potential to offset the high costs of lease acquisition, drilling, and development. This analysis shows that few leases offered in competitive sales are ever drilled, and fewer yet are found to hold commercial quantities of hydrocarbons. Understanding this is critical to rationally weigh the benefits versus the financial risk of oil and gas exploration and to make rational land-use decisions. In actual process, "exploration" primarily entails highly technical subsurface mapping efforts conducted in oil-company offices; moreover, potentially "intrusive" activities such as drilling, field development, facilities construction, and product transportation are unlikely to occur on the vast majority of tracts being offered for lease.

The term "exploration," as it pertains to the search for commercial quantities of oil and gas, encompasses a broad range of techniques and activities developed by geoscientists to help detect and find hydrocarbons trapped in rocks beneath the earth's surface. These techniques and activities attempt to take advantage of different aspects of the generally accepted model used to explain the formation of hydrocarbon deposits in the subsurface.

Briefly, this geologic model recognizes source rock, reservoir rock, a seal, a trap, timing, and migration as the most important elements responsible for most hydrocarbon deposits. Source rocks (normally shales) are organic-rich, generally fine-grained rocks that have the capacity to generate hydrocarbons under certain subsurface burial temperatures and pressures. Reservoir rock (normally porous sandstone or limestone) refers to a rock type that has interconnected pore space capable of storing and then yielding liquid or gaseous hydrocarbons. Seal refers to the generally fine-grained rock type that forms an impervious barrier over a trap, preventing the further migration or escape of hydrocarbons. Trap or trapping mechanism describes the combination of elements (structural and/or stratigraphic) that result in particular geometries in subsurface reservoir rocks conducive to collecting and storing hydrocarbons. Finally, timing and migration describe the processes related to the subsurface movement (generally up-structure or updip), over time, of hydrocarbons after the time of formation of a subsurface trap.

The State of Alaska's Five-Year Oil and Gas Leasing Program establishes biennial lists of proposed lease-sale areas projected five years into the future. This lead time,

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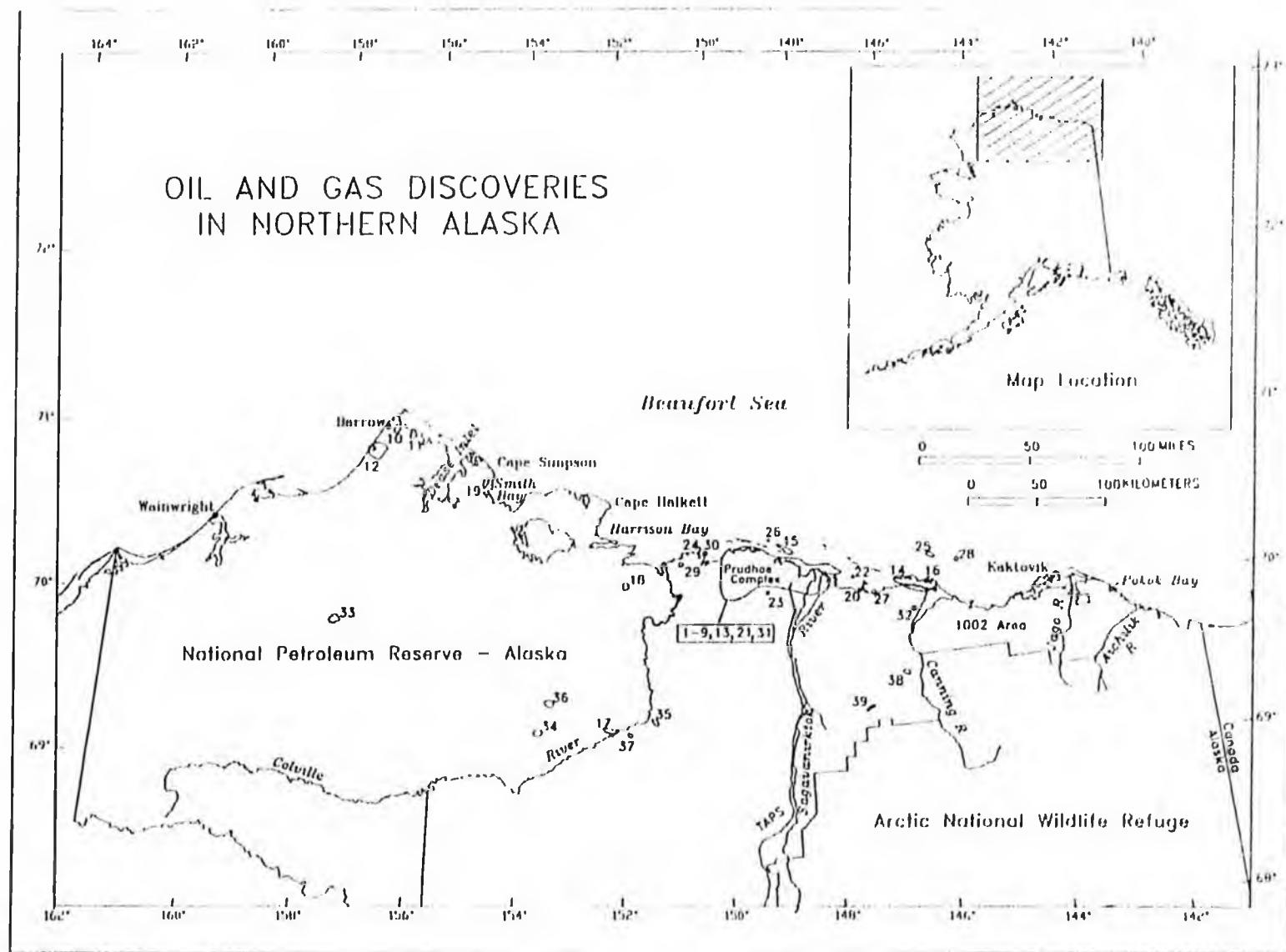


Figure 1. Oil and gas discoveries in northern Alaska. (The numbers by the discoveries are keyed to table 9.)

in addition to providing a stable and predictable schedule as a basis for comprehensive reviews of potential benefits and impacts, enables the oil industry to target specific areas for exploration *before* the actual lease sale. Exploration for oil and gas prior to a lease sale follows a very logical and predictable path that begins with the gathering and compilation of existing technical information in the oil-company offices, the construction of geologic and geophysical maps and other displays to illuminate prospective areas, and the acquisition of additional information that may be desirable.

The first stage of "exploration" can be considered to be those activities and techniques that examine different aspects of the geologic model for hydrocarbon formation *before* leasing. For example, one group of geoscientists will review existing seismic data and previously drilled wells in a particular area to create subsurface maps that will be the basis for evaluating the area for potential subsurface traps. Another group may be in the field conducting studies of rock outcroppings, which may reveal information on source-rock potential, type of hydrocarbons, or the likelihood for reservoir rock in the subsurface. Engineers and economists may be looking at flow rates, potential productivity, or the drilling costs associated with known accumulations that have similarities to the area under investigation. When these studies reveal gaps in the data or interesting leads, additional seismic data may be acquired by individual companies, groups, or consortiums of companies, or by seismic-acquisition companies to sell later on speculation. Prospect maps generated at this stage are used to make probabilistic estimates of the amount of trapped petroleum. The same maps are used to guide the companies' competitive bids at the time of the lease sale. The most potentially "intrusive" activity during this first phase of exploration is the acquisition of new seismic data if the companies deem it necessary.

The second stage of exploration occurs after lease acquisition, following a lease sale. At this point a company knows which lands it has rights to and can begin a thorough evaluation of that land. Again, the predominant activity in this phase is unobtrusive studies conducted primarily in the office. For example, if a block of leases has been acquired and there is a greater expectation of an eventual return on investment, expenditures toward the evaluation effort can be increased. At this point, advanced computer mapping techniques are used to analyze and refine geologic interpretations and produce upgraded, more detailed subsurface prospect maps. Much time and effort is put into these types of complex analyses. At the same time, company officers may contact other companies that also acquired a lease interest in the area and may be interested in joint exploration to trim costs, increase efficiency, and spread risk. If the mapped prospects look

good both geologically and economically when stacked up against dozens, or perhaps hundreds, of other prospects or investment opportunities, and if the companies' financial situations are favorable given the current timing and management philosophy, further exploration expenditures may be considered.

At times, the second stage of exploration will lead to another round of seismic-data acquisition and subsequent interpretation. Today, with advanced computer modeling and three-dimensional seismic surveys, it is often more cost effective to acquire new and better seismic data, re-interpret the prospect by integrating the new data, and conduct another round of even more rigorous prospect delineation than it is to go out at this point and drill an exploration well. Despite all the expensive technology, however, no amount of studies provide any certainty that hydrocarbons are present, and there are no methods to directly detect commercial hydrocarbons beneath the surface. Only drilling can determine the actual presence of producible hydrocarbons.

The third stage of exploration entails the actual drilling of an exploration well. At this point, the prospect beneath a lease has survived an exhaustive geologic and economic "culling" and review process, and all the other needed elements such as timing, rig availability and suitability, intercompany coordination, allocation of exploration budgets, and management commitment have finally come together. The results of the first exploration well, which may take months to fully analyze, will determine the next course of action. In most cases—as the statistics in this report show—an exploration well fails to find a hydrocarbon deposit. However, if the results are positive and hydrocarbon-bearing rocks are encountered, additional delineation drilling and seismic data acquisition may be needed. Further lease acquisition or intercompany agreements may also be desirable. The decision to pursue further delineation drilling is based primarily on the perceived (or potential) commerciality of the deposit. The estimated size and the complexity of a newly discovered deposit will generally govern the number of delineation wells needed (and the timing of the drilling of these tests) in this latter stage of exploration.

All the data from the exploration and delineation wells and from the geological and geophysical mapping efforts are used to rigorously refine the assessment of in-place and recoverable hydrocarbons trapped in the prospect. This complex interpretation of the quantity and producibility of the deposit is considered in light of engineering and economic models that assess the feasibility, costs, and timing of development. Within a time period of 5 to 10 years from lease acquisition through discovery and delineation, a go or no-go decision on development is finally made. At this stage—when a new discovery has been sufficiently delineated and the

companies make a commitment to commercial development by applying to form development units, participating areas, or pool rule areas—the exploration phase can be considered complete.

DATABASE AND SOURCES OF INFORMATION

The data used in this analysis and the various compilations and calculations are displayed in tables 1-12 and figures 3 and 4. Locations of the oil and gas discoveries are depicted on the maps of northern Alaska and Cook Inlet in figures 1 and 2. The historical information on competitive lease sales was compiled from data supplied by the Alaska Department of Natural Resources, Division of Oil and Gas. Much of the lease-sale data can be found in the division's 1993 Five-Year Oil and Gas Leasing Program document. Updates through the current year and further details of mixed sale areas were provided by division staff.

Federal lease sales data were obtained from the 1994 Alaska OCS Statistical Summary by the Alaska Regional Office of the Minerals Management Service and compiled from their master list of leases. The Bureau of Land Management provided data for the onshore competitive sales held in National Petroleum Reserve-Alaska (NPR).

Information on known oil and gas fields, discoveries, and undeveloped accumulations was compiled from the 1994 Division of Oil and Gas Historical and Projected Oil and Gas Consumption report. Updated material and more recent information on estimated volumes were provided by division staff.

Finally, the Petroleum Information Corporation well database on CD-ROM (PetroROM Well Data), subscribed to by the Division of Oil and Gas and current through April 1994, provided a means to conduct searches by well type to assess the numbers of exploration wells drilled by region of the state.

RESULTS OF ANALYSIS

LEASING DATA

From December 10, 1959, to the present, 89 state and federal sales have been conducted in Alaska. Twelve other sales (six state and six federal) have been canceled for various reasons. The areas offered for lease encompass onshore and offshore lands that overlie parts of sedimentary basins throughout the state, along the coastline, and into the federal Outer Continental Shelf (OCS). The two dominant areas of leasing, exploration, and development are Cook Inlet and northern Alaska (tables 1-3, figs. 1 and 2).

Table 10 provides details of the compiled lease sales data. The 89 state and federal lease sales, combined, have offered 34,096 tracts for competitive leasing, or a combined total of 171,069,120 acres. The state alone, in 68 sales, has offered 9,018 tracts (26,686,902 acres), and leased 4,654 tracts (11,611,495 acres). The federal government, in 21 sales, has offered 25,078 tracts (144,382,218 acres), and leased 1,618 tracts (9,894,273 acres). Of the state tracts leased, only 1,148 remain active (validly held and rentals being paid) as of May 1994. The federal government reports 334 active OCS leases and about 155 active onshore leases (an accurate account of the onshore leases was not available from the Bureau of Land Management) as of February 1994, and the number of leases being "relinquished" (returned) is increasing.

In this compilation, some of the tracts offered include some reoffered tracts or acreage that represent either multiple offerings of the same lands that were not leased initially or lands leased once and then reoffered. In addition, the tracts and acreage leased also include some lands that may have been leased more than once. With the current database it is difficult to separate first-time, original tract offerings from multiple offerings. However, inasmuch as each lease sale is a distinct event in time, at which tracts may (or may not) receive bids, distinguishing between these categories is not thought to be significant.

For comparison, a 1994 Land Status (Ownership) Map (oral commun., Mark Myers, Department of Natural Resources) with sedimentary basin outlines was used to estimate that the total state acreage available for leasing in Cook Inlet is about 8 million acres and in northern Alaska, about 14 million acres. This combined estimate (about 22 million acres) compares favorably to the total state Cook Inlet (10,412,283 acres) and northern Alaska (13,416,981 acres) acreage already offered for lease (23,829,264 acres). Because the state has offered virtually all its Cook Inlet and northern Alaska lands for lease, the inference is that perhaps as much as 2 million acres—mostly in Cook Inlet—would fall in one of the categories of reoffered lands.

The statistics in table 10 show that the total number of state tracts leased in all 68 state sales represents an average of about 51.6 percent of the tracts offered. This number is somewhat smaller (43.5 percent) when calculated based upon acreages offered and leased. The average number of federal tracts leased in the 21 federal offerings is only about 6.4 percent, or when calculated based on acreage, about 6.8 percent. The discrepancy in these percentages is undoubtedly a result of the large OCS areas the Minerals Management Service has historically offered for leasing. Federal lease sales in areas such as the Navarin Basin, Chukchi Sea, Beaufort Shelf, and even in NPR, encompass millions of acres in a single offering, compared to state sales which historically offer only hundreds

of thousands of acres. In addition, it is likely that the high costs associated with exploration programs in the arctic and western Alaska OCS have had a dampening effect on leasing in those areas. For these reasons, the combined average of all (federal and state) tracts leased of about 18.4 percent is viewed as probably not being a very meaningful historical estimate. Rather, more importance should be placed on the individual state and federal averages.

Another calculation was performed on just the state sales in the two dominant oil and gas regions of the state, Cook Inlet and northern Alaska. In 34 Cook Inlet offerings (comprised of 27 sales and the Cook Inlet portion of seven other sales), about 56.4 percent of the tracts were leased (48.1 percent based upon acreage). In 31 northern Alaska sales (comprised of 29 sales and portions of two other sales), about 49.7 percent of the tracts were leased (43.5 percent based upon acreage).

KNOWN DEPOSITS AND DRILLED WELLS

All known hydrocarbon deposits in the state are listed on tables 4-9, 11. There are currently 28 developed fields (12 in northern Alaska, 16 in Cook Inlet) producing oil or gas or both; as of May 1994, the total number of state leases contributing to this production is 282. No federal OCS leases currently produce, but 35 onshore leases in Cook Inlet do have production.

Table 11, provides a summary of Alaska hydrocarbon deposits. The total number of undeveloped accumulations or discoveries in northern Alaska is 27, which includes Point Thomson and Flaxman Island as two separate discoveries. In Cook Inlet, there are 11 additional known, but currently nonproducing, accumulations. These include three fields that have previously produced but are now shut in (Sterling, Nicolai Creek, and Moquawkie). Table 11 also includes the abandoned Katalla field onshore in the Gulf of Alaska. The total number of known, but nonproducing, accumulations for the state is 39.

The grand total of all Alaska discoveries—the combined number of producing fields and nonproducing accumulations—is 67.

The well database used to assess numbers of exploration wells is organized into onshore and offshore parts on CD-ROM for Alaska. These categories are not strictly adhered to in all cases, as the "onshore" listing contains many wells drilled offshore in state waters along the northern Alaska Beaufort Sea coast and in Cook Inlet. These and other minor problems with the data format do not materially impact the validity of the data sorts performed in this analysis. This database employs 11 categories to describe initial well status, ranging from new field wildcat to development wells, injection wells,

stratigraphic tests and others. For this analysis, exploration wells are considered to be those wells that fall into the following three status categories: new field wildcat, new pool wildcat, and outpost-extension.

The total number of wells (all types) drilled in Alaska through April 1994 is 4,057 according to the database (table 11). A convenient dividing line for separating the North Slope Basin (north of the Brooks Range) from the rest of the state is lat 68° N. The database reveals that north of this latitude, 2,911 wells have been drilled; south of this line, 1,146 wells have been drilled. A total of 751 exploration wells have been drilled in the state through April 1994. In northern Alaska, which includes all onshore areas north of lat 68° N., the Beaufort Sea, and the Chukchi Sea, 350 exploration wells have been drilled. In Cook Inlet, the area between lat 58.5°–62° and long 149°–153.5°, 266 exploration wells have been drilled.

CONCLUSIONS

Historical leasing data show that, on average, about half of the tracts offered in state sales are ultimately leased (51.6 percent of the tracts are leased or 43.5 percent of the acreage offered is leased). Average for state Cook Inlet leased tracts is slightly higher (56.4 percent) and the federal averages are considerably lower. The significance of this lease information is that although virtually all the offered tracts will have undergone an initial stage of exploration prior to the lease sale, only about half of the offered tracts have undergone the more rigorous second stage of exploration, which may involve a second phase of seismic-data acquisition.

In the third exploration stage (exploratory wells), the number of tracts initially offered for lease that might be drilled has already been reduced by about half. Information from the well database shows that 751 exploratory wells have been drilled in Alaska from 1900 through April 1994. This number includes 79 early wells (many in Katalla and NPRA) that were drilled prior to 1960. The state competitive leasing program began with the Cook Inlet Lease Sale 1 on December 10, 1959, and the federal program in Alaska began with Sale 39 in 1976. Thus, the total number of drilled exploratory wells resulting from competitive leasing is 672. It is reasonable to assume that most of these wells were located on separate tracts, that is, there were not two or more exploratory wells on a given lease. This information leads to the conclusion that of the total number of leased tracts in all state and federal competitive sales (6,272), only 672 were actually drilled (10.7 percent) (table 12). If this percentage is calculated just for state leases and exploratory wells (which is difficult because of the data format), the estimate is slightly higher.

Examining the data further reveals the success ratio (percent of discoveries versus the number of drilled exploration wells) of exploratory drilling in Alaska. For example, the total number of discoveries (producing fields plus all other known accumulations) for Alaska is 67. Eleven of these deposits (mostly in NPRA) were identified before competitive leasing began in December 1959 (table 9). The historical success ratio of exploratory drilling since 1960 is the 56 discoveries divided by the 672 exploratory wells, or about 8.3 percent (table 12). This calculation assumes that only one exploratory well was drilled on each discovery, an assumption that is not totally valid inasmuch as one or two delineation wells drilled after the initial discovery well may be counted in the "exploration well count." However, even if the well count is arbitrarily reduced to 600 exploratory wells, the success ratio only rises to about 9.3 percent, indicating that the originally calculated 8.3 percent success ratio is still within a reasonable and logical range.

Finally, it is important to examine the success ratios for *commercially successful* discoveries. In Alaska, there are currently 28 producing oil or gas accumulations, and three other fields (Sterling, Nicolai Creek, and Moquawkie) that have produced in the past. Three currently producing fields were found prior to 1960 (South Barrow, Swanson River, and Kenai gas fields). Therefore, 28 fields meet the criteria of current or past production since Sale 1. The 28 fields divided by the 672 exploratory wells drilled since 1960 have found commercially viable fields in Alaska (table 12). Again, this calculation assumes that only one exploratory well was drilled on each commercial field, an assumption that is not totally valid inasmuch as one or two delineation wells drilled after the initial discovery well may be counted in the "exploration well count." However, an arbitrary reduction in the exploratory well count does not significantly affect the range of the 4.2 percent estimated commercial success ratio.

As of May 1994, 282 state and 55 federal leases were producing hydrocarbons. Twelve additional leases (oral commun., Bill Van Dyke, Department of Natural Resources) have produced hydrocarbons at some point in the past (from fields or parts of fields that are now shut in), bringing the total number of state and federal leases that have produced or are currently producing to about 329. Therefore, of the total state and federal tracts leased (6,272), only about 5.2 percent ($329/6,272 \times 100$) are being (or have been) commercially produced (table 12). This

number is slightly higher (about 6.3 percent) when calculated with just the 4,654 state tracts leased and state producing leases (294). When calculated with the 9,018 total state tracts *offered* for lease (table 1), just 3.3 percent ($294/9,018 \times 100$) of the total state tracts offered for lease were or are being produced.

The state has realized enormous financial benefits from leasing its subsurface oil and gas rights. Revenues from bonuses, rentals, royalties, and taxes on petroleum exploration and development have contributed tremendously to the state's economy, infrastructure, standard of living, and fiscal health. Potential or perceived conflicts between the state's leasing program and other activities have historically been evaluated in the best-interest findings, which were compiled by the department prior to leasing.

Data compiled and analyzed in this study can help increase public understanding of the process and results of state and federal land leasing for oil exploration. The study points out that when land is made available for lease, only half will be leased; of the land leased, only a small percentage will be explored; and the exploration of a still smaller percentage of the leases will lead to discovery of oil and subsequent development.

KEY HISTORICAL PERCENTAGES

- About half of the state tracts offered for leasing have actually been leased.
- About 10.7 percent of the state and federal tracts leased have actually been drilled.
- Discoveries have been made by about 8.3 percent of all the state and federal exploratory wells drilled since competitive leasing began.
- Commercial deposits have been found by about 4.2 percent of all the state and federal exploratory wells drilled since competitive leasing began.
- About 5.2 percent of the total state and federal tracts leased have been commercially developed (were or are being produced). About 3.3 percent of the total state tracts offered for lease have been commercially developed (were or are being produced).

ACKNOWLEDGMENTS

I thank Gil Mull of the Alaska Division of Geological & Geophysical Surveys for his encouragement and thoughtful review of this paper.

Table 1. Summary of past state competitive lease sales as of May 1994

Sale	Sale date	Acres offered	Percent leased	Acres leased	Average \$/acre	Tracts offered	Tracts leased	Bonus received	Dominant area	Area
1	12/10/59	88,055.00	87.66%	77,191.00	52.08	37	31	\$ 4,020,342.43	Cook Inlet	Wide Bay, Kenai to Ninilchik, Kachemak Bay
2	7/13/60	17,567.51	93.96%	16,505.57	24.70	27	26	407,654.54	Cook Inlet	Kenai Pen., W. Forelands, Nushagak Bay
3 (1)	12/7/60	73,047.70	31.30%	22,866.70	1.54	26	9	35,325.31	Mixed	Katalla, Kalifonsky Beach, Herendeen Bay
4	1/25/61	400	100.00%	400	679.04	3	3	271,614.40	Cook Inlet	Ninilchik uplands
5 (2)	5/23/61	97,876.00	98.06%	95,980.00	74.71	102	99	7,170,464.88	Mixed	Tyonek, Controller Bay, Pavlov Bay
6	8/4/61	13,257.00	100.00%	13,257.00	8.35	6	6	110,671.55	Gulf Ak.	Controller Bay
7 (3)	12/19/61	255,708.44	73.18%	187,118.44	79.43	68	53	14,863,049.33	Mixed	Icy, Yakutat, Kachemak bays, S. Kenai, N. CI
8	4/24/62	1,061.70	100.00%	1,061.70	4.80	8	8	5,097.00	Cook Inlet	Big Lake, uplands
9 (4)	7/11/62	315,668.93	83.77%	264,436.93	59.42	89	76	15,714,112.60	Mixed	Tyonek, Knik, Kalgin Is., S. Kenai, Wide Bay
10	5/8/63	167,583.06	84.43%	141,490.51	29.24	200	158	4,136,224.92	Cook Inlet	Tyonek, Kenai, offshore/uplands
11	8/2/63		CANCELED							Yakutat Bay
12	12/11/63	346,782.40	71.25%	247,089.00	12.31	308	207	3,042,680.74	Cook Inlet	Forelands, Knik/Turnagam, U. CI, Kenai Pen.
13 (5)	12/9/64	1,194,373.00	60.39%	721,224.00	7.68	610	341	5,537,099.85	Mixed	Fire Is., W. Forelands, Prudhoe West
14	7/14/65	754,033.00	53.45%	403,000.00	15.25	297	159	6,145,472.59	North Slope	Prudhoe west to Canning R., offshore/uplands
15	9/28/65	403,042.06	74.87%	301,751.28	15.49	293	216	4,674,343.74	Cook Inlet	N. CI, Kalgin, Redoubt Bay, Knik, S. Kenai
16 (6)	7/19/66	184,410.05	72.66%	133,987.29	52.55	205	153	7,040,880.17	Mixed	Kenai Pen., N. CI, Middleton Is., Redoubt Bay
17	11/22/66	19,229.70	96.67%	18,589.70	7.33	36	35	136,279.67	Cook Inlet	Big Lake, Kenai, offshore/uplands
18 (7)	1/24/67	47,729.00	91.47%	43,657.00	33.90	23	20	1,479,906.19	Mixed	Katalla, Prudhoe, offshore/uplands
19	3/28/67	2,560.00	REJECTED 12/9/74							Lower Cook Inlet; offshore/uplands
20	7/25/67	311,249.89	82.39%	256,447.31	73.14	295	220	18,757,340.88	Cook Inlet	Big Lake, Knik, N. CI, Kalgin Is., Ninilchik
21	3/26/68	346,623.00	47.59%	164,961.00	18.24	308	147	3,009,224.00	Ak. Pen.	Port Heiden and Port Moller, offshore
22	10/29/68	111,199.48	54.20%	60,272.15	17.29	230	125	1,042,219.90	Cook Inlet	Big Lake, W. Forelands, Kachemak, to Kenai
23	9/10/69	450,858.47	91.50%	412,548.47	2,181.66	179	164	900,041,605.34	North Slope	Colville to Canning R., offshore/uplands
24	5/12/71	196,635.07	47.10%	92,617.97	4.92	244	106	455,640.57	Cook Inlet	Big Lake, Knik, Kenai, West Forelands
25	9/26/72	325,401.42	54.78%	178,244.71	7.43	259	152	1,324,673.40	Cook Inlet	Big Lake, Knik, Belukha, N. CI
26	12/11/72	399,920.96	44.50%	177,972.56	8.75	218	105	1,557,848.84	Cook Inlet	North Cook Inlet
27	5/9/73	308,400.81	36.93%	113,891.71	9.92	210	96	1,130,324.51	Cook Inlet	Tuxedni, Ninilchik, Kenai, Kalgin
28	12/13/73	166,648.04	58.69%	97,803.69	253.77	98	62	24,819,189.91	Cook Inlet	Ninilchik, Kachemak Bay, Belukha
29	10/23/74	278,269.43	45.68%	127,119.65	8.19	164	82	1,040,909.98	Cook Inlet	Kalgin, Ninilchik, N. CI, Turnagam, Big Lake
29A	10/17/78		CANCELED							Point Thomson
29B	7/24/79	34,678.04	100.00%	34,678.04	4.56	20	20	158,041.78	Copper R.	Copper River Basin
30	12/12/79	341,140.18	86.86%	296,307.65	1,914.87	71	62	567,391,497.48	North Slope	Beaufort Sea (Joint Federal & State)
31	9/16/80	196,268.00	100.00%	196,268.00	63.12	78	78	12,387,469.60	North Slope	Prudhoe uplands, Kuparuk R. to Mik Bay
33	5/13/81	815,000.00	52.76%	429,978.16	10.00	202	103	4,299,781.60	Cook Inlet	Upper CI, Kenai Pen., Susitna
32	8/25/81	202,836.74	75.15%	152,428.22	10.00	78	59	1,524,282.20	Cook Inlet	Lower Cook Inlet, Kenai Pen. and offshore
35	2/2/82	601,171.50	21.82%	131,190.69	10.00	149	31	1,311,906.90	Cook Inlet	Lower CI, Kenai Pen., Redoubt north to Drift R
36	5/26/82	56,862.41	100.00%	56,862.41	573.02	13	13	32,583,451.87	North Slope	Beaufort Sea, Pt. Thomson area
37	8/24/82	852,603.08	19.80%	168,849.00	3.33	217	33	562,943.90	Copper R.	Middle Tanana and Copper River basins
37A	8/24/82	1,874.60	100.00%	1,874.60	52.00	1	1	97,479.20	Cook Inlet	Chakok River Exempt (Kenai Pen.)
34	9/28/82	1,231,517.00	46.44%	571,954.00	46.70	261	119	26,713,018.17	North Slope	Prudhoe uplands, Sag R. to Canning R

Table 1. Summary of past state competitive lease sales as of May 1994 (cont.)

Sale	Sale date	Acres offered	Percent leased	Acres leased	Average \$/acre	Tracts offered	Tracts leased	Bonus received	Dominant area	Area
38	1/19/83		CANCELED							Norton Basin
39	5/17/83	211,988.08	100.00%	211,988.08	99.05	42	42	\$20,998,100.98	North Slope	Beaufort Sea, Gwydyr Bay to Harrison Bay
40	9/28/83	1,041,745.02	42.44%	443,354.88	7.17	284	140	3,177,178.26	Cook Inlet	Upper CI, Anchorage south to Homer
42	1/24/84		CANCELED							Minchumina Basin
43&43A	5/22/84	374,152.89	95.65%	357,863.02	94.53	84	81	33,827,377.15	North Slope	Beaufort, Pitt Pt. to Harrison Bay, Colville/PB
41	9/18/84	1,437,909.46	19.40%	278,938.96	3.03	308	63	843,964.92	Bristol Bay	Bristol Bay Uplands: Kvichak R. to Port Heiden
46A	2/26/85	248,501.64	76.45%	190,041.54	13.28	65	50	2,523,333.71	Cook Inlet	CI Exempt, Kenai Pen., Susitna, N. CI
45A	9/24/85	606,389.00	27.19%	164,885.00	28.25	113	32	4,657,478.08	North Slope	NS Exempt, Canning R. to Colville R.
47	9/24/85	192,568.81	94.80%	182,559.81	63.79	50	48	11,645,003.26	North Slope	Kuparuk Uplands, south of Prudhoe Bay
48	2/25/86	526,101.00	50.70%	266,736.00	9.16	104	54	2,444,311.85	North Slope	Kuparuk Uplands: south of Kuparuk oil field
48A	2/25/86	42,089.00	100.00%	42,053.00	12.13	11	11	510,255.16	North Slope	Mikkelsen Bay, Foggy Is. Bay
49	6/24/86	1,189,099.61	33.21%	394,880.74	2.40	260	98	947,171.27	Cook Inlet	Kalpin Is., Yentna/Skwentna, Alexander Cr.
51	1/27/87	592,142.00	16.99%	100,632.00	2.88	119	26	289,624.90	North Slope	Prud. Bay Uplands, Canning R. to Sag R.
50	6/30/87	118,147.31	100.00%	118,147.31	56.05	35	35	6,621,722.81	North Slope	Camden Bay, Flaxman Is. to Hulahula R.
54	1/26/88	421,809.16	80.29%	338,687.16	13.83	89	72	4,683,388.24	North Slope	Kuparuk Uplands, Colville R. delta
66A	6/28/88		CANCELED							North Slope Exempt
55	9/28/88	201,706.79	47.91%	96,631.90	152.13	56	25	14,700,602.00	North Slope	Demarcation Pt., Canning R. to Canada
69A	9/28/88	775,555.00	47.51%	368,490.00	16.61	155	75	6,119,135.00	North Slope	Kuparuk Uplands, Canning R. to Colville R.
52	1/24/89	175,981.48	29.81%	52,463.34	33.12	43	15	1,737,512.66	North Slope	Beaufort Sea, Pitt Point to Tangent Point
72A	1/24/89	677.15	100.00%	677.15	671.90	1	1	454,977.40	North Slope	Oliktok Point uplands
67A	1/29/91	549,364.06	34.87%	191,588.06	28.77	140	55	5,511,338.27	Cook Inlet	CI Exempt, Anch., Upper CI, Kenai Pen.
70A	1/29/91	532,152.82	79.03%	420,567.82	65.88	135	109	27,707,540.94	North Slope	Kuparuk Uplands, Canning R. to Colville R.
64	6/4/91	754,542.40	4.52%	34,143.00	7.10	141	6	242,389.00	North Slope	Kavik, Canning R. to Sagavanitkok R.
65	6/4/91	491,090.94	35.20%	172,864.61	40.46	108	36	6,993,949.12	North Slope	Beaufort Sea, Pitt Point to Canning R.
74	9/24/91	605,850.89	4.39%	26,604.99	12.06	134	5	320,852.72	Cook Inlet	Nikishka to Ninilchik, Drift R., N. CI
61	1/22/92	991,087.00	26.29%	260,550.00	9.32	181	46	2,429,551.00	North Slope	White Hills, Colville R. to White Hills
68	6/2/92	153,445.00	0.00%	0	0.00	36	0	0	North Slope	Beaufort Sea, Nulavik to Tangent Point
75	12/8/92	217,205.00	57.47%	124,832.00	78.11	90	55	9,750,111.21	North Slope	Kuparuk Uplands, Colville to Sag R.
76	1/26/93	393,024.70	36.00%	141,503.66	461.25	86	36	65,269,166.65	Cook Inlet	Upper Cook Inlet
67 A-W	1/26/93	282,577.26	45.94%	129,809.69	18.75	69	33	2,433,863.85	Cook Inlet	West Cook Inlet
77	5/25/93	1,260,146.00	3.63%	45,727.00	25.47	228	8	1,164,555.34	North Slope	Nanushuk onshore, Chandler to Ivishak R.
70 A-W	5/25/93	37,655.00	74.51%	28,055.00	48.41	11	8	1,358,027.12	North Slope	Kuparuk Uplands, Canning to Kavik R.
57	9/21/93	1,033,248.01	0.00%	0	0.00	196	0	0	North Slope	North Slope Foothills
75A	9/21/93	14,342.72	100.00%	14,342.72	31.36	11	11	449,846.80	North Slope	Colville River Exempt
TOTALS:		26,686,901.87	43.51%	11,611,494.55	164.91	9,018	4,654	\$1,914,812,429.61		

*1-7 refers to mixed areas described in table 2.

Table 2. Details of mixed state lease-sale areas

Mixed areas	Sale number	Sale date	Acres offered	Percent leased	Acres leased	Average Share	Tracts offered	Tracts leased	Bonus received	Dominant area	Area
(1)	3 CI	12/7/60	1,851.70	100.00	1,851.70	5.41	1	1	\$ 10,026.25	Cook Inlet	Kalifornsky Beach area
	3 GOA	12/7/60	12,275.00	42.83	5,257.00	1.10	6	3	5,777.81	Gulf Ak.	Katalla area
	3 Kodi	12/7/60	12,270.00	0.00	0.00	0.00	4	0	0.00	Kodiak	Offshore Kodiak
	3 Ak. Pen.	12/7/60	46,651.00	33.78	15,758.00	1.24	15	5	19,521.25	Ak. Pen.	Herendeen Bay
		Totals:	73,047.70	31.30	22,866.70	1.54	26	9	35,325.31		
(2)	5 CI	5/23/61	58,275.00	96.75	56,379.00	124.84	93	90	7,048,533.38	Cook Inlet	Tyonek area
	5 GOA	5/23/61	23,508.00	100.00	23,508.00	2.82	6	6	66,203.88	Gulf Ak.	Controller Bay
	5 Ak. Pen.	5/23/61	16,093.00	100.00	16,093.00	4.08	3	3	65,727.62	Ak. Pen.	Pavlov Bay
		Totals:	97,876.00	98.06	95,980.00	74.71	102	99	7,170,464.88		
(3)	7 CI	12/19/61	205,251.44	72.06	147,911.44	98.66	56	44	14,593,659.13	Cook Inlet	S. Kenai, N CI
	7 GOA	12/19/61	50,457.00	77.70	39,207.00	6.87	12	9	269,390.20	Gulf Ak.	Icy Bay, Yakutat
		Totals:	255,708.44	73.18	187,118.44	79.43	68	53	14,863,049.33		
(4)	9 CI	7/11/62	310,310.46	85.00	263,758.46	59.24	84	74	15,626,116.56	Cook Inlet	Tyonek, Kodiak, S. Kenai
	9 Ak. Pen.	7/11/62	5,358.47	12.66	678.47	129.70	5	2	87,996.04	Ak. Pen.	Wide Bay
		Totals:	315,668.93	83.77	264,436.93	59.42	89	76	15,714,112.60		
(5)	13 CI	12/9/64	569,916.00	44.97	256,299.00	4.53	361	157	1,160,576.56	Cook Inlet	Fire Is., W. Forelands areas
	13 N. Ak.	12/9/64	624,457.00	74.45	464,925.00	9.41	249	184	4,376,523.29	N. Alaska	Prudhoe West area
		Totals:	1,194,373.00	60.39	721,224.00	7.68	610	341	5,537,099.85		
(6)	16 CI	7/19/66	153,441.05	69.63	106,835.29	24.18	181	132	2,583,748.87	Cook Inlet	Kenai Pen., N CI
	16 GOA	7/19/66	30,969.00	87.67	27,152.00	164.15	24	21	4,457,131.30	Gulf Ak.	Middleton Island
		Totals:	184,410.05	72.66	133,987.29	52.55	205	153	7,040,880.17		
(7)	18 N. Ak.	1/24/67	37,662.00	100.00	37,662.00	39.02	15	15	1,469,645.39	N. Alaska	Prudhoe area
	18 GOA	1/24/67	10,067.00	59.55	5,995.00	1.71	8	5	10,260.80	Gulf Ak.	Katalla
		Totals:	47,729.00	91.47	43,657.00	33.90	23	20	1,479,906.19		

Table 3. Summary of past federal lease sales (updated February 1994)

Sale	Sale date	Acres offered	Percent leased	Acres leased	Average \$/acre	Blocks offered	Blocks leased	High bid total ^a	Bonus received	Area
39	4/13/76	1,008,499.00	40.56	409,058	1,368.60	189	76	\$571,871,587	\$559,836,587	Gulf of Alaska
CI	10/27/77	768,580.00	64.44	495,307	804.39	135	87	400,319,543	398,471,313	Cook Inlet
BF	12/11/79	173,423.00	49.46	85,776	5,697.29	46	24	491,728,138	488,691,138	Beaufort Sea
55	10/21/80	1,195,569.00	16.67	199,261	550.79	210	35	117,550,113	109,751,073	Gulf of Alaska
RS-1	6/30/81	996,300.00	0.57	5,693	29.95	175	1	3,091,738	170,496	Gulf of Alaska
60	9/29/81	858,247.00	8.52	73,157	60.23	153	13	4,405,899	4,405,899	Cook Inlet
821	1/27/82	1,516,257.00	44.57	675,816	86.34	59	26	na	58,351,262	NPRA
822	5/26/82	3,519,515.00	7.85	276,396	35.24	212	12	na	9,741,022	NPRA
RS-2	8/5/82	785,089.60	0.00	0	0.00	140	0	0	0	Cook Inlet
71	10/13/82	1,825,770.40	36.31	662,860	3,101.16	338	121	2,067,604,786	2,055,632,336	Beaufort Sea - Diapir Field
57	3/15/83	2,379,751.00	14.11	335,898	946.34	418	59	325,267,372	317,873,372	Norton Basin
70	4/12/83	2,688,787.00	20.12	540,917	788.40	479	96	427,343,830	426,458,830	St. George Basin
831	7/20/83	2,195,845.00	18.96	416,433	40.02	84	18	na	16,666,659	NPRA
85	3/9/84	CANCELLED								Barrow Arch/Chukchi
83	4/17/84	28,048,995.00	3.31	927,989	556.38	5,036	163	631,228,331 ^b	516,317,331	Navarin Basin
841	7/18/84	1,590,677.00	0.00	0	0.00	64	0	na	0	NPRA
87	8/22/84	7,773,446.82	15.54	1,207,714	722.00	1,419	227	877,131,327 ^b	871,964,327	Beaufort Sea - Diapir Field
99	2/20/85	CANCELLED								Shumagin
86	2/26/86	CANCELLED								Shumagin
100	4/11/86	CANCELLED								Norton Basin
89	5/2/86	CANCELLED								St. George Basin
88	5/2/86	CANCELLED	1							Gulf of Alaska
97	3/16/88	18,277,806.00	6.08	1,110,742	103.77	3,344	202	115,261,636 ^b	115,261,636	Beaufort Sea
109	5/25/88	25,631,122.00	7.47	1,914,285	249.72	4,694	350	478,177,948	478,032,631	Chukchi Sea
92	10/11/88	5,603,586.00	2.17	121,754	783.87	990	23	95,439,500	95,439,500	N. Aleutian Basin
124	6/26/91	18,556,976.24	1.49	276,004	60.89	3,417	57	16,807,025	16,807,025	Beaufort Sea
126	8/28/91	18,987,975.69	0.84	159,213	44.70	3,476	28	7,117,304	7,117,304	Chukchi Sea
TOTALS:		144,382,217.75	6.85	9,894,273	661.69	25,078	1,618	6,630,346,077	6,546,989,741	

^aIncludes only accepted and rejected high bid amounts.

^bDoes not include 17 blocks (39,168 hectares) in Sale 83 affected by a Soviet claim of jurisdiction. Bids on these blocks were rejected on December 14, 1988. Does not include 4 blocks (9,216 hectares) in Sale 87 and 16 blocks (35,353 hectares) in Sale 97 affected by a Canadian claim of jurisdiction. Bids on these blocks have been determined to be adequate but will not be accepted or rejected until the U.S. determines that it is in its best interest to do so. The 1/5-bonus amounts received for these bids have been placed in an interest-bearing account.

Table 4. Producing fields of northern Alaska as of January 1994

Status	Years in production	No.	Field name	Year of discovery	Projected avg. 1994 daily prod. (x1000 bbls/day)	Estimated original recov. reserves	Cumulative production thru 1993	Remaining reserves as of 1994	Est. ultimate recovery as of 1994	Est. percent depleted as of 1994
Oil production (Millions of barrels)										
P	1969-present	1	Prudhoe Bay	1967	1,078	9,590	8,307	3,618	11,925	69.7%
P	1981-present	2	Lisburne	1967	24	400	98	83	181	54.2%
P	1981-present	3	Kuparuk River	1969	315	1,200	1,070	1,142	2,212	48.4%
P	1985-present ^a	4	Milne Point ^b	1969	20	60	34	81	115	29.5%
P	1993-present	5	Prudhoe Bay other ^c	1970, 1976	6	25	1	25	26	3.2%
P	1986-present	6	Endicott ^d	1978	100	375	243	262	505	48.1%
P 4/94	1994	7	Niakuk ^e	1985	10	55	0	55	55	0.0%
P	1993-present	8	Point McIntyre	1988	90	300	2	356	358	0.5%
TOTALS:						12,005	9,755	5,622	15,377	
Gas production (Billions of cubic feet)										
P	1958-present	1	South Barrow	1949	not available	25	21	4	25	84.0%
P	1969-present	2	Prudhoe Bay	1967	not available	28,500	1,631	21,551	23,182	7.0%
P	1981-present	3	Lisburne	1967	not available	635	70	277	347	20.2%
P	1981-present	4	Kuparuk River	1969	not available	640	261	709	970	26.9%
P	1985-present ^a	5	Milne Point ^{b,f}	1969	not available	n/a	9	n/a	n/a	n/a
P	1981-present	6	East Barrow	1974	not available	12	7	6	13	53.8%
P	1993-present	7	Prudhoe Bay other ^c	1976	not available	n/a	1	n/a	n/a	n/a
P	1986-present	8	Endicott ^d	1978	not available	731	71	908	979	7.3%
P	1992-present	9	Walukpa	1980	not available	n/a	1	n/a	n/a	n/a
TOTALS:						30,543	2,072	23,455	25,516	

P = producing

^aMilne Point was shut in for 1988 and part of 1987^bMilne Point includes Schrader Bluff; Schrader Bluff production commenced in 1991^cIncludes West Beach and N. Prudhoe Bay State (discovered in 1970) together^dIncludes Sag Delta North; Sag Delta production commenced in 1989^eIncludes Alapah (Lisburne)^fMilne Pt. is assigned no gas reserves because most of its gas will be used for production fuel

Sources: "Historical and Projected Oil and Gas Consumption," DNR, Feb. 1994; "Estimates of Oil Reserves in Alaska" and "Estimates of Gas Reserves in Alaska," AOGCC, Jan. 1994

Table 5. Significant undeveloped northern Alaska hydrocarbon accumulations as of January 1994

Status	Years in production	No.	Field name	Year of discovery	Projected avg. 1994 daily prod. (x1000 bbls/day)	Estimated original recov. reserves	Cumulative production thru 1993	Remaining reserves as of 1/94	Est. ultimate recovery as of 1/94	Est. percent depleted as of 1/94
Oil accumulations (Millions of barrels)										
UD	1983-1986*	1	West Sak	1969	0	147	0.755	149	150	0.5%
U*	none	2	Point Thomson/Flaxman	1977 ^b	0	200	0	200	200	0.0%
UD	none	3	Northstar/Seal Island	1984	0	180	0	180	180	0.0%
Gas accumulations (Billions of cubic feet)										
UD	none	1	Point Thomson/Flaxman	1977	0	3,500	0	3,000	3,000	0.0%

UD = undeveloped

*West Sak Pilot Project

^bFlaxman Island accumulation discovered in 1975

Sources: "Historical and Projected Oil and Gas Consumption," DNR, Feb. 1994; "Estimates of Oil Reserves in Alaska" and "Estimates of Gas Reserves in Alaska," AOCGC, Jan. 1994

Table 6. Other undeveloped northern Alaska hydrocarbon discoveries as of January 1994

No.	Field name	Year of discovery	Estimated original recov. reserves
Oil discoveries (Millions of barrels)			
1	Umiat	1946	50
2	Fish Creek	1949	n/a
3	Simpson	1950	12
4	Mikkelson	1978	n/a
5	Gwydyt Bay	1981	n/a
6	Tern Island	1983	n/a
7	Hemi Springs	1984	n/a
8	Colville Delta	1985	n/a
9	Hammerhead	1986	n/a
10	Sandpiper Island	1986	n/a
11	Badami	1990	n/a
12	Kuvlum	1992	n/a
13	Fiord (Colville Delta)	1992	n/a
14	Kalubik (Colville Delta)	1992	n/a
15	Cascade	1993	n/a
16	Sourdough	1994	n/a

No.	Field name	Year of discovery	Estimated original recov. reserves
Gas discoveries (Billions of cubic feet)			
1	Meade	1950	20
2	Wolf Creek	1951	n/a
3	Gubik	1951	600
4	Square Lake	1952	58
5	East Umiat	1963	n/a
6	Kavik	1969	n/a
7	Kemik	1972	n/a

Table 7. Producing fields of Cook Inlet as of January 1994

Status	Years in production	No.	Field name	Year of discovery	Projected avg. 1994 daily prod. (x1000 bbls/day)	Estimated original recov. reserves	Cumulative production thru 1993	Remaining reserves as of 1/94	Est. ultimate recovery as of 1/94	Est. percent depleted as of 1/94
Oil production (Millions of barrels)										
P	1958-present	1	Swanson River (federal)	1957	n/a	217	219	11	230	95.2%
P	1968-present	2	Middle Ground Shoal	1962	6.1	162	169	16	185	91.3%
P	1967-present	3	Granite Point	1965	6.2	126	120	14	134	89.6%
P	1967-present	4	Trading Bay	1965	2.2	90	95	6	101	94.0%
P	1965-present	5	McArthur River	1965	17.9	574	561	42	603	93.0%
P	1972-present	6	Beaver Creek (federal)	1965	n/a	4	5	1	6	82.2%
P	1993-present	7	West McArthur River	1991	2	n/a	0	5	5	2.0%
TOTALS:						1,173	1,168	95	1,263	
Gas production (Billions of cubic feet)										
P	1958-present	1	Swanson River (federal)	1957	not available	259,000	0,000	165,000	165,000	6.0%
P	1960-present	2	Kenai	1959	not available	2,496,000	2,081,189	204,000	2,285,189	91.1%
P	1978-present*	3	West Fork	1960	not available	n/a	4,049	4,000	8,049	50.3%
P	1965-present	4	Middle Ground Shoal	1962	not available	86,000	91,983	11,000	102,983	89.3%
P	1969-present	5	North Cook Inlet	1962	not available	1,594,000	1,089,657	410,000	1,499,657	72.7%
P	1963-present ^b	6	Beluga River	1962	not available	1,003,000	455,358	375,000	830,358	54.8%
P	1967-present	7	Granite Point	1965	not available	105,000	104,804	33,000	137,804	76.1%
P	1965-present	8	Trading Bay	1965	not available	63,000	69,564	29,000	98,564	70.6%
P	1967-present	9	McArthur River	1965	not available	965,000	617,615	349,000	966,615	63.9%
P	1973-present	10	Beaver Creek (federal)	1965	not available	241,500	127,176	115,000	242,176	52.5%
P	1990-present	11	Ivan River	1966	not available	n/a	11,112	n/a	n/a	n/a
P	1984-present	12	Lewis River	1975	not available	n/a	8,157	n/a	n/a	n/a
P	1990-present	13	Stump Lake	1978	not available	n/a	4,464	185	194,302	2.1%
P	1986-present	14	Pretty Creek	1979	not available	n/a	4,838			
P	1988-present	15	Cannery Loop	1979	not available	300,000	65,726	226,000	291,726	22.5%
P	1993-present	16	West McArthur River	1991	not available	n/a	0,031	n/a	n/a	n/a
TOTALS:						7,112,500	4,735,723	1,921,000	6,628,121	

P = producing

*West Fork was shut in from 1986 through 1990

^bBeluga did not produce in 1965 and 1966

^cPretty Creek and Stump Lake remaining reserves and ultimate recovery are combined

Sources: "Historical and Projected Oil and Gas Consumption," DNR, Feb. 1994; "Estimates of Oil Reserves in Alaska" and "Estimates of Gas Reserves in Alaska," AOGCC, Jan. 1994

Table 8. Other known Cook Inlet^a hydrocarbon accumulations as of January 1994

Status	Years in production	No.	Field name	Year of Discovery	Projected avg. 1994 daily prod. (x1000 bbls/day)	Estimated original recov. reserves	Cumulative production thru 1993	Remaining reserves as of 1/94	Est. ultimate recovery as of 1/94	Est. percent depleted as of 1/94
Oil accumulations (Millions of barrels)										
ABND	1904-1933	1	Katalla (Gulf of Alaska)	1902	0	n/a	0.154	n/a	n/a	n/a
UD	none	2	Redoubt Shoal	1968	0	n/a	0.000	n/a	n/a	0.0%
UD	none	3	Sunfish	1991	0	n/a	0.000	77.000	77.000	0.0%
Gas accumulations (Billions of cubic feet)										
SI	1962-1986	1	Sterling ^b	1961	not available	25.100	2.088	23.000	25.088	8.3%
UD	none	2	Falls Creek	1961	not available	n/a	0.019	13.000	13.019	0.1%
UD	none	3	West Foreland	1962	not available	n/a	0.000	20.000	20.000	0.0%
UD	none	4	N. Middle Ground Shoal	1964	not available	n/a	n/a	n/a	n/a	n/a
SI	1967-1970	5	Moquawkie	1965	not available	n/a	0.985	n/a	n/a	n/a
UD	none	6	North Fork	1965	not available	n/a	0.105	12.000	12.105	0.9%
SI	1968-1977	7	Nicolai Creek	1966	not available	n/a	1.062	2.000	3.062	34.7%
UD	none	8	Birch Hill	1967	not available	11.000	0.065	11.000	11.065	0.6%
UD	none	9	Albert Kaloa	1968	not available	n/a	0.119	n/a	n/a	n/a

^aIncludes Katalla, onshore in the Gulf of Alaska

^bSterling field has been shut in since 1987

ABND = abandoned

UD = undeveloped

SI = shut-in

Sources: "Historical and Projected Oil and Gas Consumption," DNR, Feb. 1994; "Estimates of Oil Reserves in Alaska" and "Estimates of Gas Reserves in Alaska," AOGCC, Jan. 1994

Table 9. Complete listing of all Alaska discoveries

No.	Field/accumulation	Discovery date	Fluid type(s)	Status	No.	Field/accumulation	Discovery date	Fluid type(s)	Status
	Northern Alaska					Cook Inlet			
1	Prudhoe Bay	1967	Oil, Gas	P	40	Swanson River	1957	Oil, Gas	P
2	Lisburne	1967	Oil, Gas	P	41	Middle Ground Shoal	1962	Oil, Gas	P
3	Kuparuk River	1969	Oil, Gas	P	42	Granite Point	1965	Oil, Gas	P
4	Milne Point	1969	Oil, Gas	P	43	Trading Bay	1965	Oil, Gas	P
5	Prud. Bay - West Beach	1976	Oil, Gas	P	44	McArthur River	1965	Oil, Gas	P
6	Prud. Bay - N. PB St.	1970	Oil, Gas	P	45	Beaver Creek	1965	Oil, Gas	P
7	Endicott	1978	Oil, Gas	P	46	West McArthur River	1991	Oil, Gas	P
8	Niakuk	1985	Oil	P	47	Kenai	1959	Gas	P
9	Point McIntyre	1988	Oil, Gas	P	48	West Fork	1960	Gas	P
10	South Barrow	1949	Gas	P	49	North Cook Inlet	1962	Gas	P
11	East Barrow	1974	Gas	P	50	Beluga River	1962	Gas	P
12	Walakpa	1980	Gas	P	51	Ivan River	1966	Gas	P
13	West Sak	1969	Oil	UD	52	Lewis River	1975	Gas	P
14	Point Thomson	1977	Oil, Gas	UD	53	Stump Lake	1978	Gas	P
15	Northstar/Seal Island	1984	Oil	UD	54	Pretty Creek	1979	Gas	P
16	Flaxman Island	1975	Oil	UD	55	Cannery Loop	1979	Gas	P
17	Umiat	1946	Oil	UD	56	Katalla (Gulf of Alaska)	1902	Oil	ABND
18	Fish Creek	1949	Oil	UD	57	Redoubt Shoal	1968	Oil	UD
19	Simpson	1950	Oil	UD	58	Sunfish	1991	Oil	UD
20	Mikkelson	1978	Oil	UD	59	Sterling	1961	Gas	SI
21	Gwydyr Bay	1981	Oil	UD	60	Falls Creek	1961	Gas	UD
22	Tern Island	1983	Oil	UD	61	West Foreland	1962	Gas	UD
23	Hemi Springs	1984	Oil	UD	62	North Fork	1965	Gas	UD
24	Colville Delta	1985	Oil	UD	63	Nicolai Creek	1966	Gas	SI
25	Hammerhead	1986	Oil	UD	64	Birch Hill	1967	Gas	UD
26	Sandpiper Island	1986	Oil	UD	65	Moquawkie	1965	Gas	SI
27	Badami	1990	Oil	UD	66	Albert Kaloa	1968	Gas	UD
28	Kuvlum	1992	Oil	UD	67	N. Middle Ground Shoal	1964	Gas	UD
29	Fiord (Colville Delta)	1992	Oil	UD	<p style="text-align: center;">Abbreviations</p> <p style="text-align: center;">P = producing UD = undeveloped ABND = abandoned SI = shut in = discovered prior to competitive leasing, 12/59</p>				
30	Kalubik (Colville Delta)	1992	Oil	UD					
31	Cascade	1993	Oil	UD					
32	Sourdough	1994	n/a	UD					
33	Meade	1950	Gas	UD					
34	Wolf Creek	1951	Gas	UD					
35	Gubik	1951	Gas	UD					
36	Square Lake	1952	Gas	UD					
37	East Umiat	1963	Gas	UD					
38	Kavik	1969	Gas	UD					
39	Kemik	1972	Gas	UD					

Table 10. Compiled lease sale data through May 1994

STATE SALES ONLY				
	Tracts offered ¹	Tracts leased ²	Acres offered ³	Acres leased ⁴
Cook Inlet				
34 Sales ⁵	4,889	2,756	10,412,283.20	5,012,400.63
North Alaska⁶				
31 Sales ⁷	3,202	1,590	13,416,980.62	5,842,423.45
FEDERAL SALES ONLY				
Cook Inlet				
3 Sales ⁸	428	100	2,411,916.60	568,464.00
North Alaska⁹				
11 Sales	17,153	1,065	100,048,814.15	6,785,239.00
STATE AND FEDERAL SALES				
68 State Sales	9,013	4,654	26,686,901.87	11,611,494.55
21 Fed. Sales	25,078	1,618	144,382,217.75	9,894,273.00
Total:	34,096	6,272	171,069,119.62	21,505,767.55
PERCENTAGES OF TRACTS LEASED TO TRACTS OFFERED				
	Cook Inlet only	North Alaska only	All areas	
State	56.37%	49.66%	51.61%	
Federal	23.36%	6.21%	6.45%	
State & Federal	53.71%	13.04%	18.40%	
PERCENTAGES OF ACRES LEASED TO ACRES OFFERED				
	Cook Inlet only	North Alaska only	All areas	
State	48.14%	43.54%	43.51%	
Federal	23.57%	6.78%	6.85%	
State & Federal	43.52%	11.13%	12.57%	

¹Includes all tracts or acreage: new and reoffered

²Includes some released tracts or acreage

³27 CI sales plus the CI portions of 7 other sales

⁴North Alaska: entire North Slope onshore (including NPRA), Beaufort Sea, and Chukchi Sea

⁵29 North Alaska sales plus the North Alaska portions of 2 other sales

⁶Includes one reoffering sale, RS-2

Note: Number of active state leases (as of 5/94): 1,148

Number of producing state leases (as of 5/94): 282 (about 12 more have produced in past)

Number of active OCS federal leases (as of 2/94): 334 (no OCS leases produce)

Number of active onshore federal leases (as of 5/94): 155

Number of producing onshore federal leases (as of 5/94): 35

Table 11. Hydrocarbon deposit summaries and well counts through April 1994

CURRENTLY PRODUCING FIELDS				NONPRODUCING DEPOSITS				ALL DEPOSITS
Area	Oil	Gas only	Total	Area	Shut in	Undvlpd	Total	GRAND TOTALS
N. Alaska	9	3	12	N. Alaska	0	27	27	39
Cook Inlet	7	9	16	Cook Inlet	3*	8	11	27
Other	0	0	0	Other	1**	0	1	1
Total producing fields:			28	Total of other deposits:			39	67

*Sterling, Nicolai Creek, and Moquawick

**Katalla Field (Gulf of Alaska) produced briefly and is now considered abandoned

CURRENTLY AND PAST PRODUCING FIELDS DISCOVERED POST-1959*				ALL DEPOSITS DISCOVERED POST-1959*			
N. Alaska	11			N. Alaska	31		
Cook Inlet	17			Cook Inlet	25		

*Commercial fields that were discovered after 1959, and have produced or are producing

*All deposits (commercial and noncommercial) that were made after 1959

Note: Competitive leasing began with State Sale No. 1 in December 1959. All discoveries found after that date, including commercially produced fields and noncommercial accumulations, are a result of the competitive leasing programs.

NUMBERS OF DRILLED WELLS* IN ALASKA

Areas	All types of wells	Exploration wells	Exploration wells post-1959
N. of 68° latitude ²	2,911	350	335
S. of 68° latitude ²	1,146	401	337
Entire State Total:	4,057	751	672
Cook Inlet Only ³	972	266	248
Northern Alaska ⁴	2,911	350	335
N. Alaska & C.I. Total:	3,884	616	583

*State and Federal, onshore and offshore

¹Includes new field wildcats, new pool wildcats, and outpost-extension wells

Entire North Slope onshore (including N*PRA), Beaufort Sea, and Chukchi Sea

²Rest of state other than (1)

³Just Cook Inlet, defined by lat 58.5°-62° and long 149°-153.5°

⁴Same as (1)

Table 12. Historical percentages and success ratios through April 1994

PERCENTAGES OF TRACTS LEASED THAT WERE ACTUALLY DRILLED BY EXPLORATORY WELLS

	Exploratory wells drilled ^a	Total tracts leased ^b	Calculated percentage
Northern Alaska	335	2,655	12.6%
Cook Inlet	248	2,856	8.7%
Entire State	672	6,272	10.7%

^aWells drilled after December 1959, the beginning of competitive leasing^bState and federal tracts leased**PERCENTAGES OF TRACTS LEASED THAT ARE BEING COMMERCIALY PRODUCED**

	Producing leases ^c	Total tracts leased	Calculated percentage
State	294	4,654	6.3%
Federal	35	1,618	2.2%
State and federal	329	6,272	5.2%

^cCurrently producing or have produced in the past**PERCENTAGES OF TRACTS OFFERED THAT ARE BEING COMMERCIALY PRODUCED**

	Producing leases ^c	Total tracts offered	Calculated percentage
State	294	9,018	3.3%

REGIONAL EXPLORATION WELL SUCCESS RATIOS

Area	ALL DEPOSITS POST-1959 Success ratio	ALL COMMERCIAL FIELDS, POST-1959 Success ratio
Northern Alaska	$31/335 \times 100 = 9.2\%$	$11/335 \times 100 = 3.3\%$
Cook Inlet	$25/248 \times 100 = 10.1\%$	$17/248 \times 100 = 6.9\%$
Entire State	$56/672 \times 100 = 8.3\%$	$28/672 \times 100 = 4.2\%$

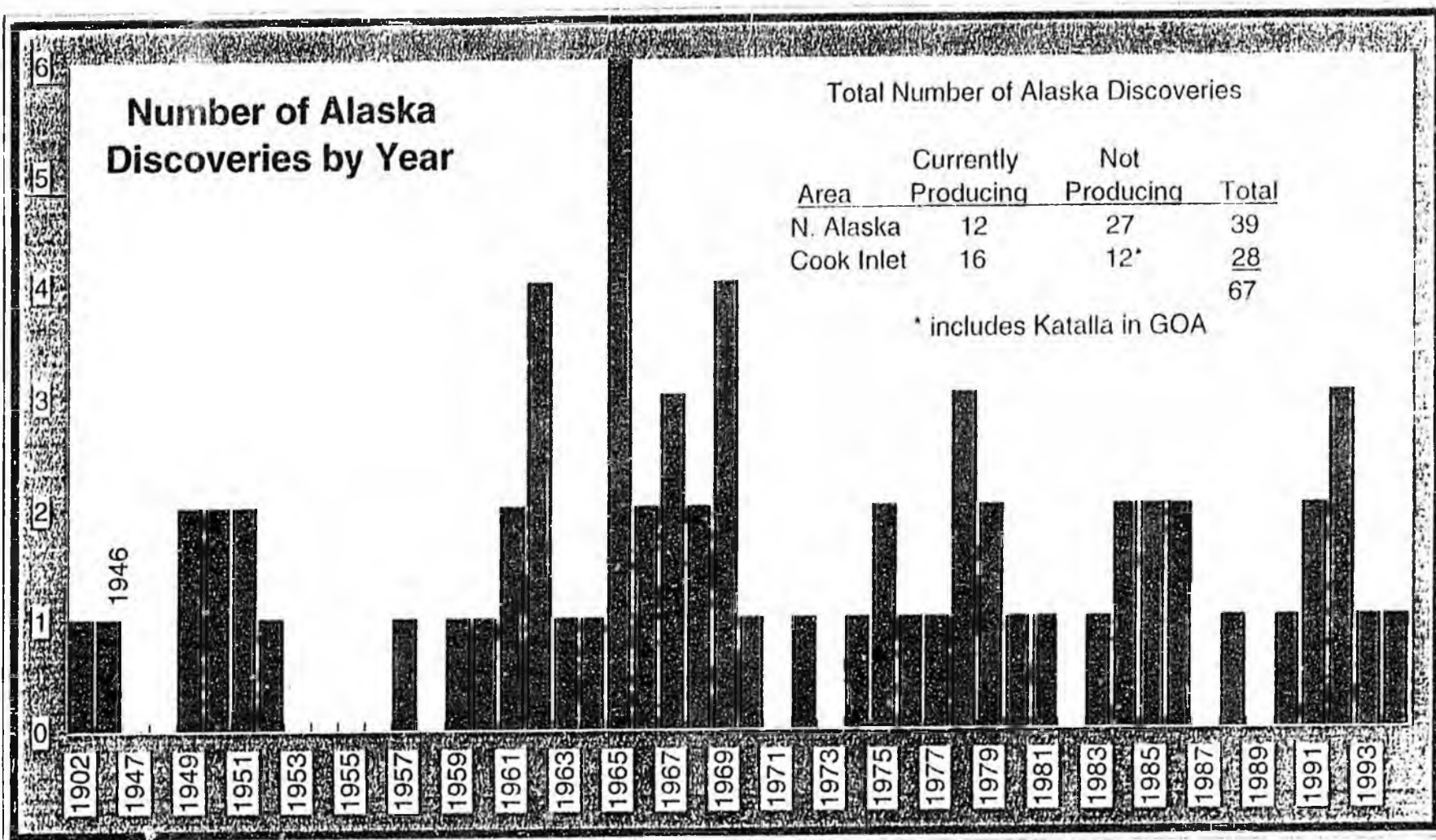


Figure 3. Number of Alaska discoveries by year through April 1994.

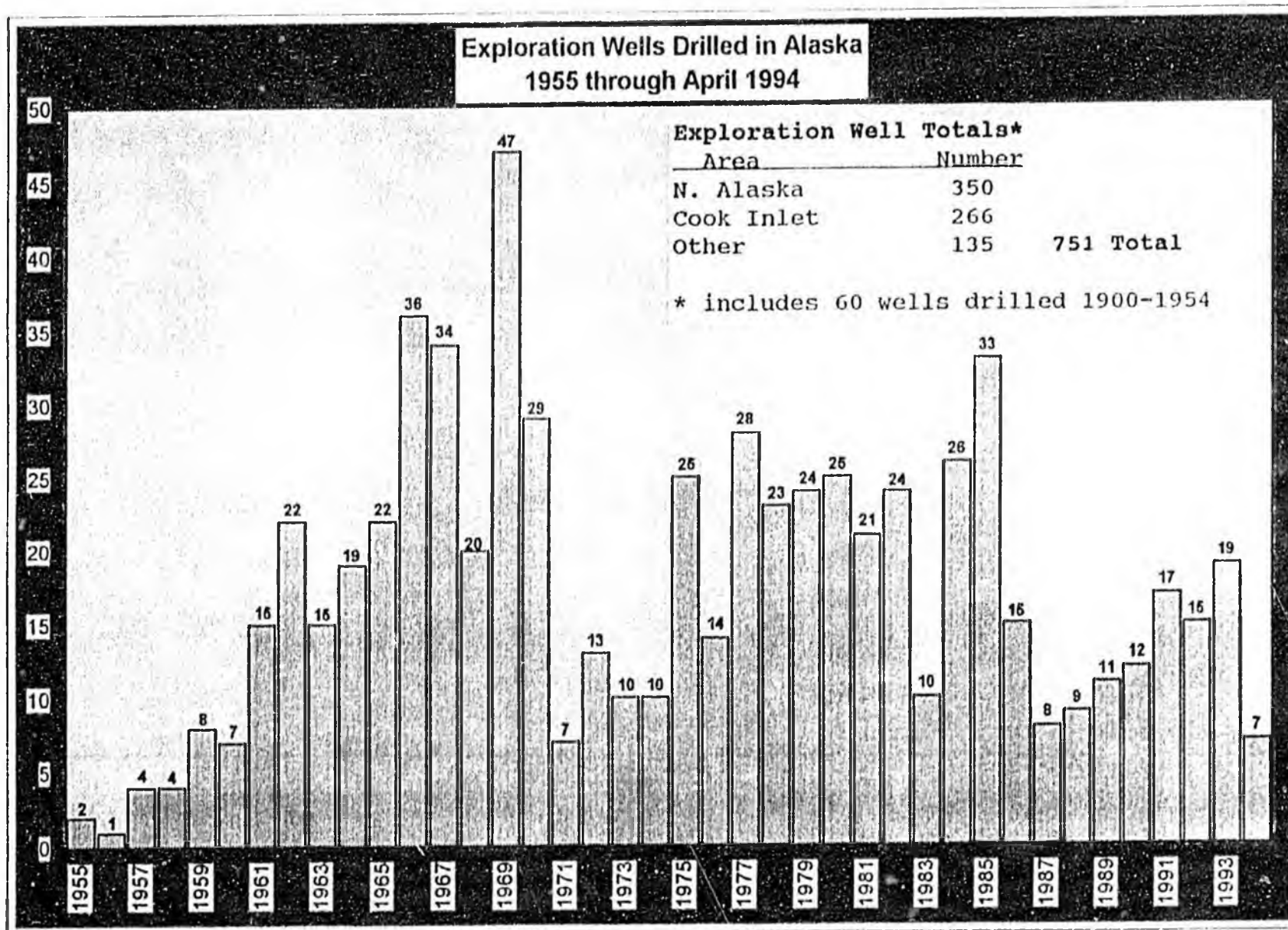


Figure 4. Exploration wells drilled in Alaska through April 1994.

Sec. 38.05.180. Oil and gas leasing. (a) The legislature finds that

(1) the people of Alaska have an interest in the development of the state's oil and gas resources to

(A) maximize the economic and physical recovery of the resources;

(B) maximize competition among parties seeking to explore and develop the resources;

(C) maximize use of Alaska's human resources in the development of the resources;

(2) it is in the best interests of the state to encourage an assessment of its oil and gas resources and to allow the maximum flexibility in the methods of issuing leases to

(A) recognize the many varied geographical regions of the state and the different costs of exploring for oil and gas in these regions;

(B) minimize the adverse impact of exploration, development, production, and transportation activity.

(b) The commissioner shall biennially prepare and, between the first and the 15th day of the first regular session of each legislature, notify the legislature of the availability of, a five-year proposed oil and gas leasing program consisting of a schedule of proposed lease sales and specifying as precisely as practicable the location of tracts proposed to be offered for oil and gas leasing during the calendar year in which the proposed program is made available to the legislature and the following four calendar years.

(c) Except as provided in (d) and (w) of this section, an oil and gas lease sale may not be held unless it was included in the proposed leasing programs submitted to the legislature during the two calendar years preceding the year in which the sale is held. A lease sale may not be held before the date it is scheduled in the proposed oil and gas leasing program.

(d) The commissioner may issue oil and gas leases in an area that has not been included in a leasing program submitted, in accordance with (b) of this section, to the legislature if the land to be leased

(1) was previously subject to a valid state or federal oil and gas lease;

(2) is contiguous to land already under state, federal or private lease and the commissioner makes a written finding, after hearing, that leasing of the land would result in a substantial probability of early evaluation and development of the land to be leased;

(3) is adjacent to land owned or controlled by another party on which a discovery of commercial quantities of oil or gas has been made, and the commissioner finds, after hearing, that there is a reasonable probability that the land to be leased contains oil or gas in communication with the oil or gas discovered on the land of the other party;

(4) is adjacent to land included in the federal five-year Outer Continental Shelf leasing program under 43 U.S.C. 1344, and the commis-

sioner makes a written finding, after hearing, that coordinated or simultaneous leasing with the federal government is in the public interest; or

(5) is the subject of an oil and gas exploration license issued under AS 38.05.131 — 38.05.134.

(e) Simultaneously with submission of the leasing program required under (b) of this section, the commissioner shall prepare and notify the legislature of the availability of a report containing the following:

(1) the schedule of all lease sales held during the preceding calendar year, the bidding method or methods utilized, and an analysis of the results of the bidding;

(2) if determined, a description of the bidding methods to be used for all lease sales to be held during the current and next two succeeding calendar years;

(3) the reasons a particular bidding method has been selected

(f) Except as provided by AS 38.05.131 — 38.05.134, the commissioner may issue oil and gas leases on state land to the highest responsible qualified bidder determined by competitive bidding under regulations adopted by the commissioner. Bidding may be by sealed bid or according to any other bidding procedure the commissioner determines is in the best interests of the state. Whenever, under any of the leasing methods listed in this subsection, a royalty share is reserved to the state, it shall be delivered in pipeline quality and free of all lease or unit expenses, including but not limited to separation, cleaning, dehydration, gathering, salt water disposal, and preparation for transportation off the lease or unit area. Following a pre-sale analysis, the commissioner may choose at least one of the following leasing methods:

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

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

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

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

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

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

(7) a fixed cash bonus with a royalty share reserved to the state based on a sliding scale according to the volume of production or other factor as the bid variable but not less than 12.5 percent in amount or value of the production removed or sold from the lease.

(g) The share of the net profit derived from a lease reserved to the state under (f) of this section is royalty sale proceeds for the purposes of the Alaska permanent fund under AS 37.13.010.

(h) The commissioner may include terms in any oil and gas lease imposing a minimum work commitment on the lessee. These terms shall be made public before the sale, and may include appropriate penalty provisions to take effect in the event the lessee does not fulfill the minimum work commitment. If it is demonstrated that a lease has been proven unproductive by actions of adjacent lease holders, the commissioner may set aside a work commitment. The commissioner may waive for a period not to exceed one two-year period any term of a minimum work commitment if the commissioner makes a written finding either that conditions preventing drilling or exploration were beyond the lessee's reasonable ability to foresee or control or that the lessee has demonstrated through good faith efforts an intent and ability to drill or develop the lease during the term of the waiver.

(i) The commissioner may provide for the establishment of an exploration incentive credit system under which a lessee of state land drilling an exploratory well on that land may earn credits based upon the footage drilled and the region in which the well is situated. The commissioner may also provide for credits to be earned by persons performing geophysical work on state land, if that work is performed during the two seasons immediately preceding an announced lease sale and on land included within the sale area and the geophysical information is made public following the sale. Credits may not exceed 50 percent of the cost of the drilling or geophysical work. Credits may be used during a limited period established by the commissioner and may be assigned during that period. Credits may be applied against (1) oil and gas royalty and rental payments payable to the state or (2) taxes payable under AS 43.55. A credit may not exceed 50 percent of the payment toward which it is being applied. Amounts due the Alaska permanent fund (AS 37.13.010) shall be calculated before the application of credits under this subsection.

(j) The commissioner

(1) may provide for an increase or decrease or otherwise modify royalty, to allow for production that would not otherwise be economically feasible, on individual leases, leases unitized as described in (p) of this section, leases subject to an agreement described in (a) or (t) of

this section, or interests unitized under AS 31.05; the commissioner may act under this subsection to modify the royalty

(A) after June 20, 1995 and not later than July 1, 2015, so long as the authority to modify royalty under this subparagraph has been authorized or reauthorized by law within the ten years preceding the commissioner's action to modify the royalty, to allow for production from an oil or gas field or pool if

(i) the oil or gas field or pool has been delineated sufficiently to allow the commissioner to conduct the analyses and make the findings required by this subsection; and

(ii) the field or pool has not previously produced oil or gas for sale;

(B) to prolong the economic life of an oil or gas field or pool as costs per barrel or barrel equivalent increase; or

(C) to reestablish production of shut-in oil or gas;

(2) may not grant a royalty modification unless the lessee or lessees requesting the modification make a clear and convincing showing that a modification of royalty meets the requirements of this subsection and is in the best interests of the state;

(3) shall

(A) condition any royalty modification granted under this subsection in any way necessary to protect the state's best interests;

(B) describe, in the findings and determinations required by this subsection, the relevant factors, including price, projected production rate or volume, predicted ultimate recovery, and development, operating, and transportation costs, upon which the modification is based;

(C) for a modification under (1)(A) of this subsection, set out the terms and conditions, which

(i) must include a mechanism for adjusting royalty percentage based on price; using forecasts of the range of future prices and their probabilities, the mechanism must provide that the value of the potential revenue increases resulting from royalty percentage increases must exceed the value of the potential revenue losses resulting from royalty percentage decreases; and

(ii) may include, in addition to the royalty percentage adjustment based on price, which must meet the conditions specified in (i) of this subparagraph, a further adjustment based on production rate or volume from the field or pool; and

(D) for a modification under (1)(B) or (1)(C) of this subsection, set out the terms and conditions, which may include substitution of a sliding scale royalty or other mechanism to modify the royalty if there is a change in the relevant factors, such as price, projected production rate or volume, predicted ultimate recovery, and development, operating, and transportation costs, upon which the modification is based;

(4) may not grant a royalty modification for a field or pool

(A) under (1)(A) of this subsection if the royalty modification for the field or pool would establish a royalty rate of less than five percent in

amount or value of the production removed or sold from a lease or leases covering the field or pool;

(B) under (1)(B) or (1)(C) of this subsection if the royalty modification for the field or pool would establish a royalty rate of less than three percent in amount or value of the production removed or sold from a lease or leases covering the field or pool;

(5) may not grant a royalty modification under this subsection without including an explicit condition that the royalty modification is not assignable without the prior written approval of the commissioner; the commissioner shall, in the preliminary and final findings and determinations, set out the conditions under which the royalty modification may be assigned;

(6) shall require the lessee or lessees to submit, with the application for the royalty modification, financial and technical data that demonstrate that the requirements of this subsection are met; the commissioner shall

(A) require disclosure of the financial and technical data related to development, production, and transportation of oil and gas from the field or pool that are necessary to make a determination as to whether or not to grant the request for royalty modification; and

(B) keep the data described in (A) of this paragraph confidential under AS 38.05.035(a)(9) at the request of the lessee or lessees making application for the royalty modification; the confidential data may be disclosed by the commissioner to legislators and to the legislative auditor and as directed by the chair or vice-chair of the LB&A Committee to the director of the division of legislative finance, the permanent employees of their respective divisions who are responsible for evaluating a royalty modification, and to agents or contractors of the legislative auditor or the legislative finance director who are engaged under contract to evaluate the royalty modification, provided they sign an appropriate confidentiality agreement;

(7) may require the lessee or lessees making application for the royalty modification to pay for the services of an independent contractor, qualified to evaluate hydrocarbon development, production, transportation, and economics, who is selected by the commissioner to assist the commissioner in evaluating the application and financial and technical data; selection of an independent contractor under this paragraph is not subject to AS 36.30;

(8) shall

(A) make and publish a preliminary findings and determination on the royalty modification application; if the preliminary findings and determination concerns a royalty modification under (1)(A) of this subsection, the preliminary findings and determination shall also be presented to the governor for the governor's approval or disapproval; the governor may not delegate a determination to approve or disap-

prove a preliminary findings and determination under this subparagraph;

(B) for a royalty modification under (1)(A) of this subsection, if the governor approves the preliminary findings and determination under (A) of this paragraph,

(i) give reasonable public notice of the preliminary findings and determination;

(ii) concurrently with the issuance of the public notice, unless directed by the Legislative Budget and Audit Committee to do otherwise, make available copies of the commissioner's preliminary findings and determination on the royalty modification application and the supporting financial and technical data, including the work papers, analyses, and recommendations of any contractors retained under (7) of this subsection, to persons authorized under (6)(B) of this subsection to review the data; and

(iii) invite public comment on the preliminary findings and determination during a 30-day period for receipt of public comment;

(C) for a royalty modification under (1)(B) or (C) of this subsection, if the preliminary findings and determination approves a royalty modification,

(i) give reasonable public notice of the preliminary findings and determination; and

(ii) invite public comment on the preliminary findings and determination during a 30-day period for receipt of public comment;

(9) shall address in any findings and determinations required under this subsection the reasonably foreseeable effects of the proposed royalty modification on the state's revenue;

(10) shall offer to appear before the Legislative Budget and Audit Committee to provide the committee a review of the commissioner's preliminary findings and determination on the royalty modification application and the supporting financial and technical data; if the Legislative Budget and Audit Committee accepts the commissioner's offer, the committee shall give notice of the committee's meeting to all members of the legislature; if, under (6)(B) of this subsection, the financial and technical data must be kept confidential at the request of a lessee or lessees making application for the royalty modification, the commissioner may appear before the committee in executive session;

(11) shall make copies of the preliminary findings and determination available to

(A) the presiding officer of each house of the legislature;

(B) the chairs of the legislature's standing committees on resources; and

(C) the chairs of the legislature's special committees on oil and gas, if any;

(12) shall, within 30 days after the close of the public comment period under (8) of this subsection,

(A) prepare a summary of the public response to the commissioner's preliminary findings and determination;

(B) make a final findings and determination and present it to the governor for the governor's approval or disapproval; the governor may not delegate a decision to approve or disapprove a final findings and determination presented under this subparagraph; the commissioner's final findings and determination regarding a royalty modification, if approved by the governor, is final and not appealable to the court;

(C) transmit a copy of the final findings and determination prepared under (B) of this paragraph to the lessee or lessees making application for the royalty modification;

(D) with the consent of the lessee or lessees applying for the royalty modification, amend the lease or unitization agreement of the lessee or lessees applying for the royalty modification consistent with the commissioner's approved final findings and determination; and

(E) make copies of the final findings and determination available to each person who submitted comment under (8) of this subsection and who has filed a request for the copies;

(13) is not limited by the provisions of AS 38.05.134(3) or (f) of this section in the commissioner's determination under this subsection.

(k) The commissioner shall define all terms and adopt all regulations necessary for a reasonable understanding and evaluation of a particular bidding method before the public announcement of the terms of proposed sale employing that method.

(l) Subject to the provisions of AS 31.05, the commissioner has discretion to enter into an agreement whereby, with the consent of the lessee, the state's royalty share of oil and gas production may be stored or retained in storage by the lessee, or the commissioner may enter into an agreement with one or more of the affected field lease holders to trade current royalty production from a field for a like amount, kind, and quality of future production, on the condition that the state receives back its stored or traded royalty share during the first half of the estimated field life or no later than 15 years after start of production, whichever is sooner.

(m) An oil and gas lease must cover a reasonably compact area not exceeding 5,760 acres, and may be for a maximum period of 10 years, except that the commissioner may issue a lease for a period not less than five years upon a finding that it is in the best interests of the state. An oil and gas lease shall be automatically extended if and for so long thereafter as oil or gas is produced in paying quantities from the lease or if the lease is committed to a unit approved by the commissioner. A lease issued under this section covering land on which there is a well capable of producing oil or gas in paying quantities does not expire because the lessee fails to produce oil or gas unless the

lessee is allowed reasonable time to place the well on a producing status. Upon extension, the commissioner may increase lease rentals so long as the increased rental rate does not exceed 150 percent of the rate for the preceding year. If drilling has commenced on the expiration date of the primary term of the lease and is continued with reasonable diligence, including such operations as redrilling, sidetracking, or other means necessary to reach the originally proposed bottom hole location, the lease continues in effect until 90 days after drilling has ceased and for so long thereafter as oil or gas is produced in paying quantities. An oil and gas lease issued under this section which is subject to termination by reason of cessation of production does not terminate if, within 60 days after production ceases, reworking or drilling operations are commenced on the land under lease and are thereafter conducted with reasonable diligence during the period of nonproduction.

(n) The commissioner may establish by regulation that after a well has been plugged and abandoned, the rental rate which was in effect during the year of abandonment is maintained for the remainder of the term. Rental is payable in advance and continues until income to the state from royalty or net profit share exceeds rental income to the state for that year. Oil and gas leases shall provide for payment to the state of rental on the following basis:

- (1) for the first year, \$1.00 per acre;
- (2) for the second year, \$1.50 per acre;
- (3) for the third year, \$2.00 per acre;
- (4) for the fourth year, \$2.50 per acre;
- (5) for the fifth and following years, \$3.00 per acre.

(o) Upon timely application as provided by regulation, the state may issue to the holder of a federal or private lease, a state shoreland lease covering land within the exterior boundaries of the federal or private lease which has been excluded on the basis of navigability or which is later administratively or judicially determined to be shoreland. The term of such a state shoreland lease shall be the same as the term of the federal or private lease.

(p) To conserve the natural resources of all or a part of an oil or gas pool, field, or like area, the lessees and their representatives may unite with each other, or jointly or separately with others, in collectively adopting or operating under a cooperative or a unit plan of development or operation of the pool, field, or like area, or a part of it, when determined and certified by the commissioner to be necessary or advisable in the public interest. The commissioner may, with the consent of the holders of leases involved, establish, change, or revoke drilling, producing, and royalty requirements of the leases and adopt regulations with reference to the leases, with like consent on the part of the lessees, in connection with the institution and operation of a cooperative or unit plan as the commissioner determines necessary or

proper to secure the proper protection of the public interest. The commissioner may not decrease royalty on leases in connection with a cooperative or unit plan except as provided in (j) of this section. The commissioner may require oil and gas leases issued under this section to contain a provision requiring the lessee to operate under a reasonable cooperative or unit plan, and may prescribe a plan under which the lessee must operate. The plan must adequately protect all parties in interest, including the state.

(q) A plan authorized by (p) of this section, which includes land owned by the state, may contain a provision vesting the commissioner, or a person, committee, or state agency, with authority to modify from time to time the rate of prospecting and development and the quantity and rate of production under the plan. All leases operated under a plan approved or prescribed by the commissioner are excepted in determining holdings or control under AS 38.05.140. The provisions of this section concerning cooperative or unit plans are in addition to and do not affect AS 31.05.

(r) Producing acreage on a known geologic structure of a producing oil or gas field is excluded from chargeability as against the acreage limitation provisions of AS 38.05.140.

(s) When separate tracts cannot be individually developed and operated in conformity with an established well-spacing or development program, a lease, or a portion of a lease, may be pooled with other land, whether or not owned by the state, under a communication or drilling agreement providing for an apportionment of production or royalties among the separate tracts of land comprising the drilling or spacing unit when determined by the commissioner to be in the public interest. Operations or production under the agreement are considered as operations or production as to each lease committed to the agreement. The commissioner may not decrease royalty on leases in connection with a communitization or drilling agreement except as provided in (j) of this section.

(t) The commissioner may prescribe conditions and approve, on conditions, drilling, or development contracts made by one or more lessees of oil or gas leases, with one or more persons, when, in the discretion of the commissioner, the conservation of natural resources or the public convenience or necessity requires it or the interests of the state are best served. All leases operated under approved drilling or development contracts and interests under them, are excepted in determining holding or control under AS 38.05.140. The commissioner may not decrease royalty on a lease or leases that are subject to a drilling or development contract except as provided in (j) of this section.

(u) To avoid waste or to promote conservation of natural resources, the commissioner may authorize the subsurface storage of oil or gas whether or not produced from state land, in land leased or subject to lease under this section. This authorization may provide for the pay-

ment of a storage fee or rental on the stored oil or gas, or, instead of the fee or rental, for a royalty other than that prescribed in the lease when the stored oil or gas is produced in conjunction with oil or gas not previously produced. A lease on which storage is so authorized shall be extended at least for the period of storage and so long thereafter as oil or gas not previously produced is produced in paying quantities.

(v) [Repealed, § 36 ch 94 SLA 1980.]

(w) Notwithstanding any other provisions of this section, land which has been offered for lease within the previous five years and which received no bids at competitive sale or for which no bid was accepted may be, at the discretion of the commissioner, immediately offered for lease, under regulations adopted by the commissioner, upon terms appearing most advantageous to the state; however, non-competitive leasing is prohibited. The commissioner shall establish a royalty determined to be in the public interest but not less than 12 1/2 percent. A lease must provide for payment to the state or rental but need not adhere to the rental schedule in (n) of this section nor to the 5,760-acres-per-lease limitation in (m) of this section. The lease term may not exceed 10 years, except as provided in (o) of this section.

(x) A lessee conducting or permitting any exploration for, or development or production of, oil or gas on state land shall provide the commissioner access to all noninterpretive data obtained from that lease and shall provide copies of that data, as the commissioner may request. The confidentiality provisions of AS 38.05.035 apply to the information obtained under this subsection.

(y) A noncompetitive lease existing at October 10, 1978 shall be extended for a period of two years and so long thereafter as oil and gas is produced in paying quantities. A noncompetitive lease extended under this subsection is subject to the regulations in force at the expiration of the initial five-year term of the lease. No extension may be granted, however, unless within a period of 90 days before the expiration date an application for extension is filed by the record title holder or an assignee whose assignment has been filed for approval, or an operator whose operating agreement has been filed for approval.

(z) No leases may be issued under this section without the inclusion of the following language: "The landowners' royalty share of the unit production allocated to each separately owned tract shall be regarded as royalty to be distributed to and among, or the proceeds of it paid to, the landowners, free and clear of all unit expense and free of any lien for it." Leases issued in violation of this subsection shall, for all purposes, be construed as containing the language required by this subsection.

(aa) Within 90 days after the written request of a lessee of a lease issued under this section or of a lessee of federal land from which the state is entitled under applicable federal law to receive a share of the

royalty on gas production, the commissioner shall enter into an agreement with the lessee to use or accept the price for the gas established in the contract between the lessee and a gas or electric utility as the value of the state's royalty share of gas production sold by the lessee under the contract

(1) but only if the primary function of the utility with which the lessee has entered into the contract is to provide, either directly or by selling at wholesale to another utility, gas or electricity to the general public, including residential consumers, within the utilities' service areas, and the utility with which the lessee has entered into the contract is not an affiliated interest, as that term is defined in AS 42.05.990, with the lessee or with a subsequent purchaser of more than 10 percent of the utility's gas or electricity; and

(2) unless the commissioner makes a written finding, based on clear and convincing evidence, that

(A) the contract price is unreasonably low;

(B) the prospective reduction in royalty receipts would not be balanced by increased benefits to in-state gas and electric consumers;

(C) the lessee and the utility are related in management, ownership, or other aspect; and

(D) the contract price is not in the best interest of the state.

(bb) In (aa) of this section,

(1) "gas or electric utility" includes an electric cooperative organized under AS 10.25, a municipal utility, and a gas or electric utility regulated under AS 42.05; provided that if the contract gas is transmitted to consumers through a pipeline and the gas utility either owns the pipeline or is related in ownership to the owner of the pipeline, then the gas utility qualifies as a "gas or electric utility" within the meaning of this paragraph only if it is bound or agrees to be bound by the covenants set out in AS 38.35.120;

(2) "price for the gas established in the contract" includes tax reimbursement amounts, deliverability and other charges, and other forms of consideration paid by the gas or electric utility under the contract;

(3) "state's royalty share of gas production"

(A) includes payments on federal leases made to the state under 30 U.S.C. 191;

(B) does not include the state's royalty share of gas production from land patented to the state under

(i) P.L. 84-830, 70 Stat. 709 (Alaska Mental Health Enabling Act);

(ii) 38 Stat. 1214 (Act of March 4, 1915); or

(iii) 43 U.S.C. 1635 in settlement of the claims of the state under 38 Stat. 1214.

(cc) The provisions of (aa) of this section do not prohibit the commissioner from accepting any payment on a federal lease tendered by the federal agency responsible for determination and transmittal of the payment to the state under 30 U.S.C. 191 or otherwise due the state as

the state's royalty share of gas production irrespective of the state's acceptance of the use of the contract price for purposes of determining royalty share on gas production under that subsection. (§ 3(7) art VIII ch 169 SLA 1959; am § 18 ch 61 SLA 1960; am § 1 ch 124 SLA 1962; am §§ 4 — 7 ch 30 SLA 1964; am § 20 ch 70 SLA 1964; am § 2 ch 91 SLA 1967; am § 1 ch 65 SLA 1969; am § 1 ch 86 SLA 1970; am § 1 ch 155 SLA 1978; am § 16 ch 160 SLA 1978; am §§ 3, 4 ch 65 SLA 1979; am § 6 ch 18 SLA 1980; am § 36 ch 94 SLA 1980; am §§ 1 — 5 ch 111 SLA 1980; am §§ 11, 12 ch 161 SLA 1984; am § 1 ch 89 SLA 1985; am § 2 ch 55 SLA 1986; am §§ 3, 4 ch 124 SLA 1990; am § 5 ch 134 SLA 1990; am §§ 1 — 3 ch 53 SLA 1993; am §§ 5, 6 ch 35 SLA 1994; am § 1 ch 36 SLA 1994; am §§ 67, 68 ch 21 SLA 1995; am §§ 2 — 5 ch 85 SLA 1995)

Revisor's notes. — In 1990, a reference to (m) of this section was deleted from the last sentence of (w) of this section to correct a manifest error in § 4, ch. 124, SLA 1990.

In 1995, in subsection (a), "communitization" was substituted for "communization" to correct a manifest error in § 4, ch. 85, SLA 1995.

Cross references. — For legislative findings in connection with the 1986 amendment to this section, see § 1, ch. 55, SLA 1986, in the Temporary and Special Acts.

For provisions superseding (aa) and (bb) of this section that are applicable to the state's share of royalty production of gas produced after January 2, 1959 and before June 12, 1993 from certain federal leases, see § 4, ch. 53, SLA 1993 in the Temporary and Special Acts.

Effect of amendments. — The first 1990 amendment rewrote subsection (j) and substituted "10 years" for "five years" in the last sentence of subsection (w).

The second 1990 amendment substituted "biennially" for "annually" and "15th day of the first regular session of each legislature" for "fifteenth day of each regular legislative session" in subsection (b).

The 1993 amendment, effective June 12, 1993, in subsection (aa), inserted "or of a lessee of federal land from which the state is entitled under applicable federal

law to receive a share of the royalty on gas production" and "or accept," added paragraph (1), added the paragraph (2) designation, and redesignated former paragraphs (1)-(4) as present subparagraphs (2)(A)-(2)(D) respectively; in subsection (bb), rewrote paragraph (3), and added subsection (cc).

The first 1994 amendment, effective August 7, 1994, in subsection (d), made minor stylistic changes and added paragraph (5); and, in subsection (f), substituted "Except as provided by AS 38.05.131 — 38.05.134, the" for "The" at the beginning and made minor stylistic changes.

The second 1994 amendment, effective May 10, 1994, in subsection (c), deleted the former second and third sentences, relating to lease sale delays and reschedulings, respectively.

The first 1995 amendment, effective August 8, 1995, in subsection (b), deleted "submit to the legislature" following "prepare and," inserted "notify the legislature of the availability of," and substituted "made available" for "submitted"; and, in the introductory language of subsection (a), substituted "prepare and notify" for "submit to" and inserted "of the availability of."

The second 1995 amendment, effective June 20, 1995, rewrote subsection (j), added the present third sentence in subsection (p), and added the last sentence in subsections (a) and (1).