

HB

388

FISCAL NOTE

No. 2

98 Version: CSHB 388(RES)

(H) Publish Date: 3/21/96

STATE OF ALASKA
1998 LEGISLATIVE SESSION

Title: An Act revising law relating to oil gas leasing to authorize a program
Sponsor: Representative Rokeberg, B. Davis
Requestor: House Resources

Dept. Affixed: Natural Resources
BRU: Resource Development
Component: Oil & Gas Development
Serial #: 439

EXPENDITURES/REVENUES (THOUSANDS OF DOLLARS)

OPERATING	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
Personal Services	00	00	00	00	00	00
Travel	00	00	00	00	00	00
Contractual	00	00	00	00	00	00
Supplies	00	00	00	00	00	00
Equipment	00	00	00	00	00	00
Land & Structures	00	00	00	00	00	00
Grants, Claims	00	00	00	00	00	00
Miscellaneous	00	00	00	00	00	00
TOTAL OPERATING	00	00	00	00	00	00
CAPITAL	00	00	00	00	00	00
REVENUE	00	00	00	00	00	00

FUNDING (THOUSANDS OF DOLLARS)

General Fund	00	00	00	00	00	00
Federal Fund	00	00	00	00	00	00
Other	00	00	00	00	00	00
TOTAL	00	00	00	00	00	00

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)

see attached analysis

Prepared by: Jeffrey Logan

House Resources Committee

Jeffrey Logan

Date: 20-March-96

Phone: 465-6541

Phone:

9:5106AM
Urmobile
4/2/76

SENATE CS FOR CS FOR HOUSE BILL NO. 357(RES)
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered:
Referred:

Sponsors: REPRESENTATIVE OGAN

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the issuance of hunting, trapping, and noncommercial
2 fishing licenses, tags, and permits and to residency for fish and game purposes;
3 and providing for an effective date."

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

5 * Section 1. AS 16.05.340(a)(24) is amended to read:

6 (24) Nonresident anadromous king salmon tag - valid for the period
7 inscribed on the tag

8 (A) for a one-day tag \$10

9 (B) for a three-day tag 15

10 (C) for a 14-day or annual tag 35

11 A nonresident may not engage in sport fishing for anadromous king salmon without
12 having a valid anadromous king salmon tag in the person's actual possession, unless
13 that person is under the age of 16. However, members of the military service on
14 active duty who are permanently stationed in the state, and their dependents, who do

1 not qualify as residents under AS 16.05.415 [AS 16.05.940], may obtain an annual
2 nonresident military anadromous king salmon tag for \$20.

3 • Sec. 2. AS 16.05.340(d) is amended to read:

4 (d) Members of the military service on active duty who are permanently
5 stationed in the state, and their dependents, who do not qualify as residents under
6 AS 16.05.415 [AS 16.05.940], may obtain special nonresident military small game and
7 sport fishing licenses at the rates for resident hunting and sport fishing licenses, but
8 may not take a big game animal without previously purchasing a regular nonresident
9 hunting license and a numbered, nontransferable appropriate tag, issued at one-half of
10 the nonresident rate, under (b)(15) of this section.

11 • Sec. 3. AS 16.05.340 is amended by adding a new subsection to read:

12 (g) A hunting, trapping, or fishing license, tag, or permit for which a fee is
13 authorized under this section or for which the fee is waived or modified under
14 AS 16.05.330 - 16.05.430 may be issued only to a natural person.

15 • Sec. 4. AS 16.05 is amended by adding a new section to read:

16 Sec. 16.05.415. DETERMINATION OF RESIDENCY. (a) In AS 16.05.330 -
17 16.05.430, a person, except as provided in (c) - (f) of this section, establishes residency
18 in the state by

19 (1) being physically present in the state with the intent to remain in the
20 state indefinitely and to make a home in the state;

21 (2) maintaining the person's domicile in the state for the preceding 12
22 consecutive months;

23 (3) not claiming residency in another state or country;

24 (4) not obtaining benefits under a claim of residency in another state
25 or country; and

26 (5) not receiving an employment benefit from the person's employer
27 that is provided as a condition of hire to a person who is hired from outside of the
28 state to work in the state but is not provided to employees of the employer who are
29 hired in the state; in this paragraph, "employment benefit" includes salary, employer
30 provided or subsidized housing, house resale price guarantee agreement, home leave,
31 or similar benefit.

1 (b) A person who establishes residency in the state under (a) of this section
2 remains a resident during an absence from the state unless during the absence the
3 person

4 (1) establishes or claims residency in another state or country; or

5 (2) performs an act, or is absent under circumstances, that are
6 inconsistent with the intent required under (a) of this section to remain a resident of
7 this state.

8 (c) A person who is a member of the military service or the United States
9 Coast Guard establishes residency in the state for the purposes of AS 16.05.330 -
10 16.05.430 by being stationed in the state for the preceding 12 consecutive months.
11 This subsection does not apply to a person who establishes and maintains residency
12 in the state under (a) and (b) of this section.

13 (d) A person who is the dependent of a resident member of the military service
14 or the United States Coast Guard establishes residency in the state for the purposes of
15 AS 16.05.330 - 16.05.430 by living in the state for the preceding 12 consecutive
16 months. This subsection does not apply to a person who establishes and maintains
17 residency in the state under (a) and (b) of this section.

18 (e) A person who is an alien establishes residency in the state for the purposes
19 of AS 16.05.330 - 16.05.430 by

20 (1) maintaining the person's domicile in the state for the preceding 12
21 consecutive months;

22 (2) not claiming residency in another state or country;

23 (3) not obtaining benefits under a claim of residency in another state
24 or country; and

25 (4) not receiving an employment benefit from the person's employer
26 that is provided as a condition of hire to a person who is hired from outside of the
27 state to work in the state but is not provided to employees of the employer who are
28 hired in the state. In this paragraph, "employment benefit" includes salary, employer
29 provided or subsidized housing, house resale price guarantee agreement, home leave,
30 or similar benefit.

31 (f) In AS 16.05.330 - 16.05.430, a person that is not a natural person, other

1 than a sole proprietorship, establishes residency by maintaining its main office or
2 headquarters in the state and providing proof, satisfactory to the commissioner, of that
3 fact to the department or an agent of the department upon demand. A sole
4 proprietorship has the same residency as the person, whether natural or otherwise, who
5 is the proprietor of the entity. The commissioner may adopt regulations as necessary
6 to implement this subsection.

7 (g) A natural person who does not qualify as a resident under (a) - (e) of this
8 section does not qualify as a resident by virtue of an interest in a resident business
9 entity under (f) of this section.

10 (h) In AS 16.05.330 - 16.05.430, a nonresident

11 (1) person is a person who does not qualify as a resident under (a) -
12 (f) of this section; and

13 (2) alien is an alien person who does not qualify as a resident under (e)
14 of this section.

15 • Sec. 5. AS 16.05.940(26) is amended to read:

16 (26) "resident" means

17 (A) a person who for the preceding 12 consecutive months has
18 maintained the person's domicile [A PERMANENT PLACE OF ABODE] in
19 the state and who has not claimed residency benefits in another state or
20 country;

21 (B) [CONTINUALLY MAINTAINED A VOTING
22 RESIDENCE IN THE STATE; AND IN THE CASE OF] a partnership,
23 association, joint stock company, trust, or corporation [, "RESIDENT" MEANS
24 ONE] that has its main office or headquarters in the state; a natural person
25 who does not otherwise qualify as a resident under this paragraph may not
26 qualify as a resident by virtue of an interest in a partnership, association,
27 joint stock company, trust, or corporation;

28 (C) [HOWEVER.] a member of the military service, or United
29 States Coast Guard, who has been stationed in the state for the preceding 12
30 consecutive months;

31 (D) a person who is [A RESIDENT FOR THE PURPOSES OF

1
2
3
4
5
6
7
8
9
10

THIS PARAGRAPH, AND] the dependent of a resident member of the military service, or the United States Coast Guard, and who has lived [BEEN LIVING] in the state for the preceding 12 consecutive months: or

(E) [YEAR IS A RESIDENT FOR THE PURPOSES OF THIS PARAGRAPH; AND A PERSON WHO IS] an alien [BUT] who for the preceding 12 consecutive months [ONE YEAR] has maintained the person's domicile [A PERMANENT PLACE OF ABODE] in the state and has not claimed residency benefits in another state or country [IS A RESIDENT FOR THE PURPOSES OF THIS PARAGRAPH];

- Sec. 6. This Act takes effect January 1, 1997.

AMENDMENT

OFFERED IN THE SENATE

BY

TO: SCS CSHB 357(RES)

1 Page 2, line 22:

2 Delete "and"

3 Page 2, lines 23 - 24:

4 Delete all material and insert:

5 "(3) not claiming residency in another state or country;

6 (4) not obtaining benefits under a claim of residency in another state
7 or country; and

8 (5) not receiving an employment benefit from the person's employer
9 that is provided as a condition of hire to a person who is hired from outside of the
10 state to work in the state but is not provided to employees of the employer who are
11 hired in the state; in this paragraph, "employment benefit" includes salary, ~~cost of~~
12 ~~living salary adjustment~~, employer provided or subsidized housing, house resale price
13 guarantee agreement, home leave, or similar benefit."

14 Page 3, line 14:

15 Delete "and"

16 Page 3, lines 15 - 16:

17 Delete all material and insert:

18 "(2) not claiming residency in another state or country;

19 (3) not obtaining benefits under a claim of residency in another state
20 or country; and

21 (4) not receiving an employment benefit from the person's employer
22 that is provided as a condition of hire to a person who is hired from outside of the

1 state to work in the state but is not provided to employees of the employer who are
2 hired in the state; in this paragraph, "employment benefit" includes salary, ~~cost-of-~~
3 ~~living-salary-adjustment~~, employer provided or subsidized housing, house resale price
4 guarantee agreement, home leave, or similar benefit."

9-LS1063AK
Utermohle
4/4/96

*advised
not
needed*

SENATE CS FOR CS FOR HOUSE BILL NO. 357(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVE OGAN

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the issuance of hunting, trapping, and noncommercial
2 fishing licenses, tags, and permits and to residency for fish and game purposes;
3 and providing for an effective date."

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

5 * Section 1. AS 16.05.340(a)(24) is amended to read:

6 (24) Nonresident anadromous king salmon tag - valid for the period
7 inscribed on the tag

8 (A) for a one-day tag \$10

9 (B) for a three-day tag 15

10 (C) for a 14-day or annual tag 35.

11 A nonresident may not engage in sport fishing for anadromous king salmon without
12 having a valid anadromous king salmon tag in the person's actual possession, unless
13 that person is under the age of 16. However, members of the military service on
14 active duty who are permanently stationed in the state, and their dependents, who do

1 not qualify as residents under AS 16.05.415 [AS 16.05.940], may obtain an annual
2 nonresident military anadromous king salmon tag for \$20.

3 * Sec. 2. AS 16.05.340(d) is amended to read:

4 (d) Members of the military service on active duty who are permanently
5 stationed in the state, and their dependents, who do not qualify as residents under
6 AS 16.05.415 [AS 16.05.940], may obtain special nonresident military small game and
7 sport fishing licenses at the rates for resident hunting and sport fishing licenses, but
8 may not take a big game animal without previously purchasing a regular nonresident
9 hunting license and a numbered, nontransferable appropriate tag, issued at one-half of
10 the nonresident rate, under (a)(15) of this section.

11 * Sec. 3. AS 16.05.340 is amended by adding a new subsection to read:

12 (g) A hunting, trapping, or fishing license, tag, or permit for which a fee is
13 authorized under this section or for which the fee is waived or modified under
14 AS 16.05.330 - 16.05.430 may be issued only to a natural person.

15 * Sec. 4. AS 16.05 is amended by adding a new section to read:

16 Sec. 16.05.415. DETERMINATION OF RESIDENCY. (a) In AS 16.05.330 -
17 16.05.430, a person, except as provided in (c) - (f) of this section, establishes residency
18 in the state by

19 (1) being physically present in the state with the intent to remain in the
20 state indefinitely and to make a home in the state;

21 (2) maintaining the person's domicile in the state for the preceding 12
22 consecutive months; and

23 (3) not claiming residency in another state or country and not obtaining
24 benefits under a claim of residency in another state or country.

25 (b) A person who establishes residency in the state under (a) of this section
26 remains a resident during an absence from the state unless during the absence the
27 person

28 (1) establishes or claims residency in another state or country; or

29 (2) performs an act, or is absent under circumstances, that are
30 inconsistent with the intent required under (a) of this section to remain a resident of
31 this state.

1 (c) A person who is a member of the military service or the United States
2 Coast Guard establishes residency in the state for the purposes of AS 16.05.330 -
3 16.05.430 by being stationed in the state for the preceding 12 consecutive months.
4 This subsection does not apply to a person who establishes and maintains residency
5 in the state under (a) and (b) of this section.

6 (d) A person who is the dependent of a resident member of the military service
7 or the United States Coast Guard establishes residency in the state for the purposes of
8 AS 16.05.330 - 16.05.430 by living in the state for the preceding 12 consecutive
9 months. This subsection does not apply to a person who establishes and maintains
10 residency in the state under (a) and (b) of this section.

11 (e) A person who is an alien establishes residency in the state for the purposes
12 of AS 16.05.330 - 16.05.430 by

13 (1) maintaining the person's domicile in the state for the preceding 12
14 consecutive months; and

15 (2) not claiming residency in another state or country and not obtaining
16 benefits under a claim of residency in another state or country.

17 (f) In AS 16.05.330 - 16.05.430, a person that is not a natural person, other
18 than a sole proprietorship, establishes residency by maintaining its main office or
19 headquarters in the state and providing proof, satisfactory to the commissioner, of that
20 fact to the department or an agent of the department upon demand. A sole
21 proprietorship has the same residency as the person, whether natural or otherwise, who
22 is the proprietor of the entity. The commissioner may adopt regulations as necessary
23 to implement this subsection.

24 (g) A natural person who does not qualify as a resident under (a) - (e) of this
25 section does not qualify as a resident by virtue of an interest in a resident business
26 entity under (f) of this section.

27 (h) In AS 16.05.330 - 16.05.430, a nonresident

28 (1) person is a person who does not qualify as a resident under (a) -
29 (f) of this section; and

30 (2) alien is an alien person who does not qualify as a resident under (e)
31 of this section.

1 * Sec. 5. AS 16.05.940(26) is amended to read:

2 (26) "resident" means

3 (A) a person who for the preceding 12 consecutive months has
4 maintained the person's domicile [A PERMANENT PLACE OF ABODE] in
5 the state and who has not claimed residency benefits in another state or
6 country;

7 (B) [CONTINUALLY MAINTAINED A VOTING
8 RESIDENCE IN THE STATE; AND IN THE CASE OF] a partnership,
9 association, joint stock company, trust, or corporation [, "RESIDE. " MEANS
10 ONE] that has its main office or headquarters in the state; a natural person
11 who does not otherwise qualify as a resident under this paragraph may not
12 qualify as a resident by virtue of an interest in a partnership, association,
13 joint stock company, trust, or corporation;

14 (C) [HOWEVER,] a member of the military service, or United
15 States Coast Guard, who has been stationed in the state for the preceding 12
16 consecutive months;

17 (D) a person who is [A RESIDENT FOR THE PURPOSES OF
18 THIS PARAGRAPH, AND] the dependent of a resident member of the military
19 service, or the United States Coast Guard, and who has lived [BEEN
20 LIVING] in the state for the preceding 12 consecutive months; or

21 (E) [YEAR IS A RESIDENT FOR THE PURPOSES OF THIS
22 PARAGRAPH; AND A PERSON WHO IS] an alien [BUT] who for the
23 preceding 12 consecutive months [ONE YEAR] has maintained the person's
24 domicile [A PERMANENT PLACE OF ABODE] in the state and has not
25 claimed residency benefits in another state or country [IS A RESIDENT
26 FOR THE PURPOSES OF THIS PARAGRAPH];

27 * Sec. 6. This Act takes effect January 1, 1997.

Alaska State Legislature

Resources, Vice Chair
State Affairs, Vice Chair
House Special Committee on Oil & Gas, Vice Chair
House Special Committee on Fisheries



State Capitol
Room 409
Juneau, Alaska 99801-1182
(907) 465-3878

Representative Scott Ogan
House District 27

Sectional Analysis HB 357 Amendments to Title 16

Section 1. This change has been proposed to clarify the intent of the law to allow a human being, not a proprietor that may be a part of a partnership, association, joint stock company, trust, or corporation registered in the state of Alaska, to qualify for resident status in obtaining a hunting, trapping, or fishing license.

Section 2. This new section establishes the basic rules for establishing residency under the bill (Sec. 16.05.415 (a) (1) - (3)). Also, this section addresses that once a person establishes residency, the person maintains residency until the person demonstrates that their intent is no longer to consider the state of Alaska as their home state.

Section 3. This section has been amended to accomplish several purposes. Overall, it has been separated into subsections for clarification purposes. Also, the rules for declaring residency have been clarified.

In the Sec. 16.05.940(26)(A), the phrase *a permanent place of abode* has been deleted and the replaced with the phrase *a person's domicile*. The two main reasons for this change that are being proposed to accomplish two items. The first being, the requirement to maintain a *permanent place of abode* is unduly restrictive and unnecessary to prevent nonresidents from obtaining resident privileges in the state. If a person is forced to move from one location to another around the state due to their work commitment they may not satisfy the residency requirement because they have not maintained a *permanent place of abode*. The second reason for this change is because the term *abode* is not defined in statute. The lack of strict legal definition creates enforcement problems. Black's Law Dictionary states: "As

"domicile" and "residence" are usually in the same place, they are frequently used as if they had the same meaning, but they are not identical terms, for a person may have two places of residence, as in the city and country, but only one domicile. Residence means living in a particular locality, but domicile means living in that locality with intent to make it a fixed permanent home..." We believe that replacing the current phrase *a permanent place of abode* to *domicile* will make it more clear that the legislature intended only those who are domiciled in the state are entitled to residency licensing privileges.

In the Sec. 16.05.940 (26)(B), the present requirement that a person maintain a voting residence in the state is also problematic. Though an Alaska voting address is easy to establish and provides an easy enforcement tool, it is not clear that the state can compel a person to register to vote as a condition of obtaining a resident hunting license. Also this requirement is not appropriate for persons under the voting age. Persons over 16 years of age are required to obtain hunting, trapping, and sport fishing licenses but they do not have a voting address until they are old enough to vote. One other area that this amendment clarifies is that a natural person may not qualify as a resident by virtue of an interest in a partnership, association, joint stock company, trust, or corporation.

In Sec. 16.05.940(26)(C) and in Sec. 16.05.940(26)(D) the branch of United States Coast Guard has been added because the federal definition of military does not include the United States Coast Guard. By adding the United States Coast Guard clarifies the intent of the law to have provisions for this branch that are consistent with military personnel and their dependents. Also, the amendment provides consistency between the language in both paragraphs in reference to the requirement of a resident member of the military service or the United States Coast Guard and their dependents have lived in the state for the preceding 12 consecutive months.

In Sec. 16.05.940(26)(E) the amendments provided are to make the language consistent with the proposed subsections 16.05.940(26)(C) and 16.05.940(26)(D).

Alaska State Legislature

Resources, Vice Chair
State Affairs, Vice Chair
House Special Committee on Oil & Gas, Vice Chair
House Special Committee on Fisheries



State Capitol
Room 407
Juneau, Alaska 99801-1162
(907) 465-3678

Representative Scott Ogan
House District 27

Sponsor Statement HB 357 Amendments to Title 16

HB 357 simplifies the enforcement of residency requirements for hunting, trapping, and noncommercial fishing licenses. This legislation will reduce the number of nonresidents who use loopholes in current state residency laws to hunt, trap, and fish Alaska's resources. After meeting and working diligently with the department of law, department of fish & game, department of public safety, and legislative legal this bill was drafted to accommodate all the participants concerns addressed during those discussions.

The definition of residency was separated into subsections for clarification purposes. In these subsections, you will note the different changes that were made to better define the rules of residency for Title 16 purposes.

Also, passage of HB 357 could increase revenue annually by thousands of dollars in relationship to current statistics of nonresidents in terms of licenses, game tags, and hunting fees for guides.

LEGAL SERVICES

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

(907) 465-3887 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105


MEMORANDUM

April 21, 1996

SUBJECT: SCS CSHB 388(RES) (Work Order No. 9-I.S1341(R))

TO: Senator Loren Leman, Chair
Senate Resources Committee

FROM: Jack Chenoweth
Legislative Council



The amendment raises a title problem.

The last clause of the bill's title is: "modifying the statement of purpose in the Alaska Land Act . . . to provide for annual lease sales." Your committee's amendment removes the language of the modification that would provide for annual lease sales, making the current title inaccurate and therefore potentially in violation of art. II, sec. 13 of the state constitution. The bill title is easily conformable to the substantive change. However, this is a bill whose title would need to be changed in the second house and, consistent with the applicable uniform rules of the legislature, that should be done in conjunction with an appropriate concurrent resolution.

JRC:glc
96-237.glc

Enclosure

SENATE COMMITTEE REPORT

First Committee of Referral

DATE: 4/3/96

FURTHER:

DATE TURNED INTO OFFICE: 4-22-96

The Resources Committee *reinstated* C.S. FOR HOUSE BILL NO. 388 (RES) am

Revising laws relating to oil and interest finding. *new FN 12980 in CS 4-20-96* and previously the subject of a written best

and recommends:

- be replaced with SEN CS NO 388 (RES)
- adopt previous CS ()
- attached amendment(s)
- adopt Letter of Interest by Committee
- further referral to the Committee

- Senate Bill:
- same title
 - new title
- House Bill:
- same title
 - technical title
 - new: SCR#

SIGNING TO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Denise</i>	✓				
<i>John</i>	✓				
<i>John</i>	✓				
<i>John</i>	✓				
<i>John</i>	✓				
CHAIR: <i>John</i>	✓	CHAIR:			

NEW FISCAL NOTE(S):

Department	Due	Zero	Fiscal

PREVIOUS FISCAL NOTE(S):*

Department	Due	Zero	Fiscal
<i>House RES</i>	<i>4/16</i>	✓	

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill



Alaska State Legislature

Official Business

State Capitol
Juneau AK 99801

MEMO

TO: Legal Services
via fax: X2029 this page only

FROM: Annette Kreitzer, Aide to
Senate Resources Committee

DATE: April 20, 1996

RE: CS HB 388(RES): Oil and Gas Leasing: Best Int. Findings

Please create a FINAL. Resources committee substitute for HB 388 using 9-LS1341M (HB0388d) and the following amendment adopted by unanimous consent:

Page 6: Lines 18-21:

DELETE ALL MATERIAL AND INSERT:

(B) to offer acreage for oil and gas leases, specifically including

(i) state acreage that has been the subject of a best interest finding at annual
acrawide lease sales; and

There were no other changes to the bill. Please deliver the FINAL to Senator Leman's office, Room 115 of the Capitol.

Please fax to
Committee

TESTIMONY FOR THE SENATE RESOURCE COMMITTEE
CS HB 388 - AREAWIDE LEASING
APRIL 19, 1996

Good afternoon Mr. Chairman and Members of the Committee. My name is Gerald Booth, Vice President of Resources at Cook Inlet Region, Inc., a Native Corporation and private subsurface estate landowner in the Cook Inlet area. One of our principal lines of business is natural resource development. I am here today to talk about resource development.

I would like to commend your committee for their willingness to pursue additional ways to make state lands available for oil and gas leasing on a regular annual basis. CIRI believes that CS HB 388 provides DNR with the opportunity to hold regularly scheduled, annual lease sales in areas with known oil and gas potential. Having state lands available on an annually-scheduled basis provides the opportunity to maximize the value of state lands and to optimize possible synergies between the state and private subsurface landholders such as CIRI.

CIRI is a member of AOGA and supports AOGA's position as stated by Mr. Pat Foley. The incorporation of the phrase "areawide" in CS HB 388 will allow the state to conduct regularly

scheduled areawide sales in exploration areas of the state thereby increasing the acreage under state lease. State acreage will be made available annually in areas where infrastructure is in-place which provides interested parties the opportunity to plan for activity based on a predictable schedule, and which allows industry to ~~maximize~~ ^{MINIMIZE} operational costs and to plan for further development.

Areawide best interest findings will help to streamline the leasing process by providing a comprehensive study for an entire area of opportunity, which will be in effect for a period of ten years. It is important to include the word "areawide" to distinguish the best interest finding from the type of finding currently in place. The concern for public comment in best interest finding process would not be compromised. Requests for comments would be held on an annual basis, and in the event that significant new information is identified, a supplemental best interest finding can be conducted by the state. When an areawide best interest finding is in effect in an area, the state is able to offer lands for lease more easily, more efficiently, and less expensively.

The key to increased oil and gas production is to first hold the oil and gas lease. No oil or gas revenues have been

generated from unleased lands in Alaska, and we encourage the state to offer its subsurface estate for lease as often as possible. The areawide plan will provide lands for lease when industry is ready and available to make the investments necessary to find new oil and gas fields.

On behalf of Cook Inlet Region, Inc. and its 6,200 shareholders, we encourage your support to put the phrase "areawide" in CS HB 388. Thank you very much for your time.

Am #1
(advised)

+ fiscal note

ALASKA OIL AND GAS ASSOCIATION
· COMMENTS ON
CSHB 388 (Res) am, OIL & GAS LEASING; BEST INTEREST FINDINGS
April 19, 1996

We would recommend that the language in Section 2 on page 6 lines 18 through 21 be replaced with the following:

“(B) to offer acreage for oil and gas lease, specifically including

(i) state acreage that has been the subject of a best interest finding at annual areawide lease sales; and”

This suggested change inserts the word “areawide” and removes the requirement to annually offer AS 38.05.180(d) exempt lands.

**ALASKA OIL AND GAS ASSOCIATION
CSHB 388 (Res) am
OIL & GAS LEASING; BEST INTEREST FINDINGS**

The following is a brief sectional analysis of CSHB 388.

Section 1 amends AS 38.05.035(e) which are the procedures established for best interest findings. Subsections (e)(6)(G) and (H) have been combined and it clarifies that Reoffer and Exempt Sales need not follow the full preliminary and final Best Interest Finding process. A best interest finding remains valid for ten years and provisions are made to supplement a best interest finding if new significant information is offered.

Section 2 amends AS 38.05.180(a) by stating that the Legislature finds that it is in the best interests of the State to annually offer unleased State acreage which is subject to a best interest finding.

Section 3 amends AS 38.05.180(d) to grant authority to the commissioner to annually offer acreage for lease which is subject to a best interest finding.

Section 4 amends AS 38.05.180(w) by modifying Reoffer Sale criteria to allow leasing of areas which are subject to a best interest finding issued within the last 10 years.

Section 5 amends 38.05.945(a) to exempt these lease sales from certain public notice requirements because the amended AS 38.05.035(e)(6)(G) establishes its own notice requirements.

AG
COPY

Alaska Oil and Gas Association



121 W. Firewood Lane, Suite 207
Anchorage, Alaska 99503-2035
Phone: (907)272-1481 Direct: (907)272-7424 Fax: (907)270-8114
L. A. (Ardie) Gray, Public Affairs Manager

March 12, 1996

To the Members of the
LANDS, EXPLORATION & OPERATIONS COMMITTEE
STATE LEGISLATIVE COMMITTEE

AOGA Comments on CSHB 388, Areawide Leasing

Dear Member:

Attached are AOGA comments supporting CSHB 388 (version F) with minor amendments. The comments reflect the AOGA position which was approved at the March 5 joint LEOC/SLC meeting.

The AOGA comments will be presented at a House Oil & Gas Committee hearing on the bill at 5:00 p.m. today. (The hearing will be teleconferenced to the Anchorage Legislative Information Office.)

Rep. Rokeberg (sponsor of HB 388 and Chair of House Oil & Gas) has asked for: 1) brief oral comments supporting the bill at the hearing today; and 2) written letters supporting the current version of CSHB 388 addressed to him for the bill file. **NOTE: A new Committee Substitute, incorporating AOGA's amendments to version F, is expected this afternoon. I will distribute it upon receipt. Letters may be sent after the hearing today if you want to reference the new version specifically in your letter of support. Letters may be faxed to Rep. Rokeberg at (907) 465-2040.**

Members are encouraged to provide written letters of support to Rep. Rokeberg.

The bill is expected to be reported out of the House Oil & Gas Committee today. Its next Committee of referral is House Resources, Co-Chaired by Reps. Joe Green and Bill Williams.

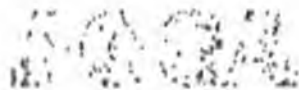
Sincerely,

A handwritten signature in black ink, appearing to read "L. A. Gray", is written over the typed name.

L. A. GRAY
Public Affairs Manager

Attachment

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-LS1341F), 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 Rokkeberg
 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)(F)];
- 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.

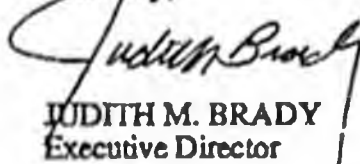
AOGA members have engaged in lengthy discussions on the topics of whether the legislation should mandate annual Areawide Lease Sales and whether the legislation should specify the lands to be offered in Areawide Lease Sales. The nineteen member companies unanimously voted to approve the Areawide Leasing 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 Rokberg
March 12, 1996
Page 3

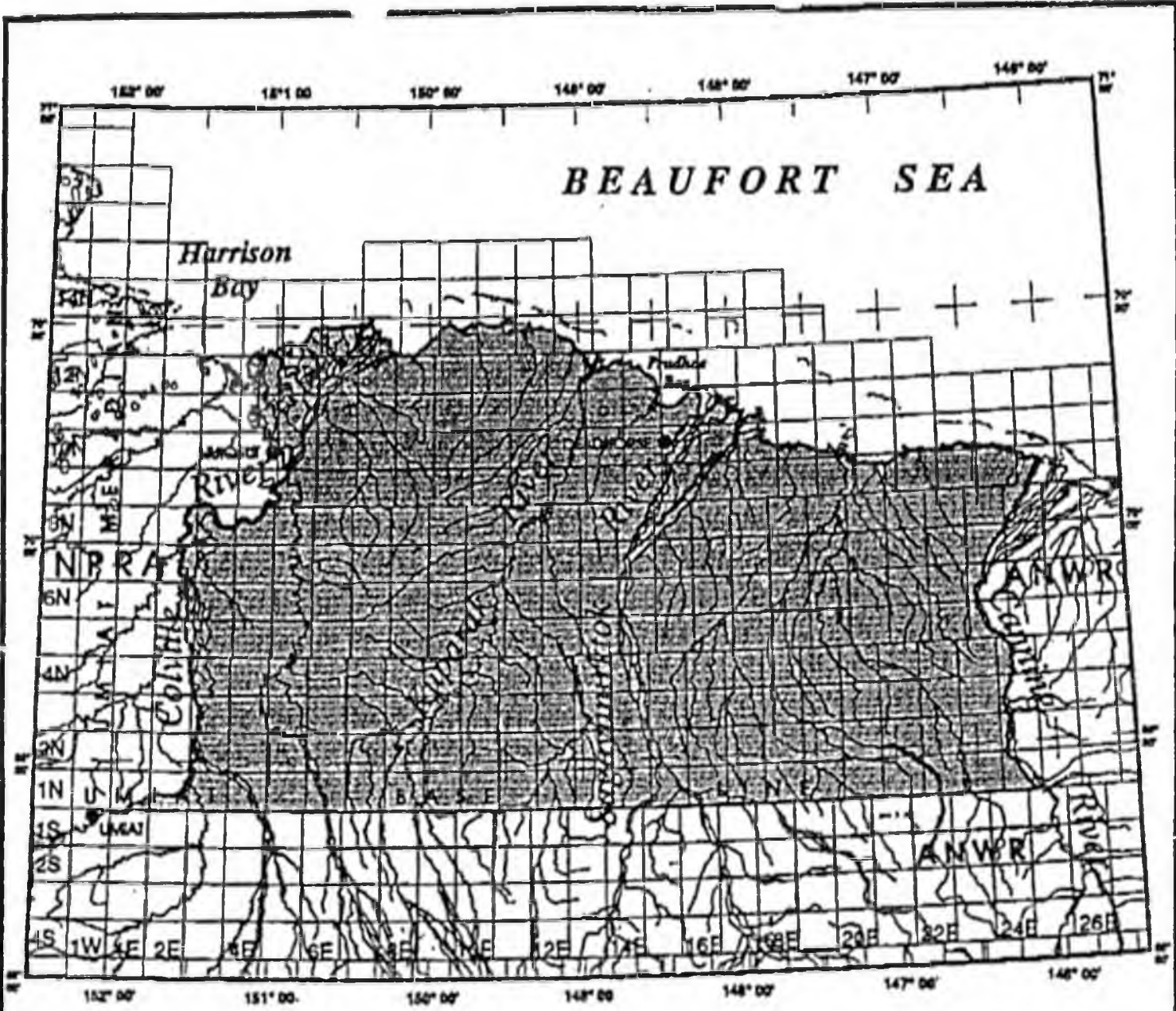
will, upon passage of this legislation, quickly move to adopt this concept and implement annual Areawide Lease Sales which offer all State acreage which is the subject of an effective Best Interest Finding.

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



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

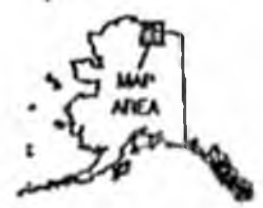
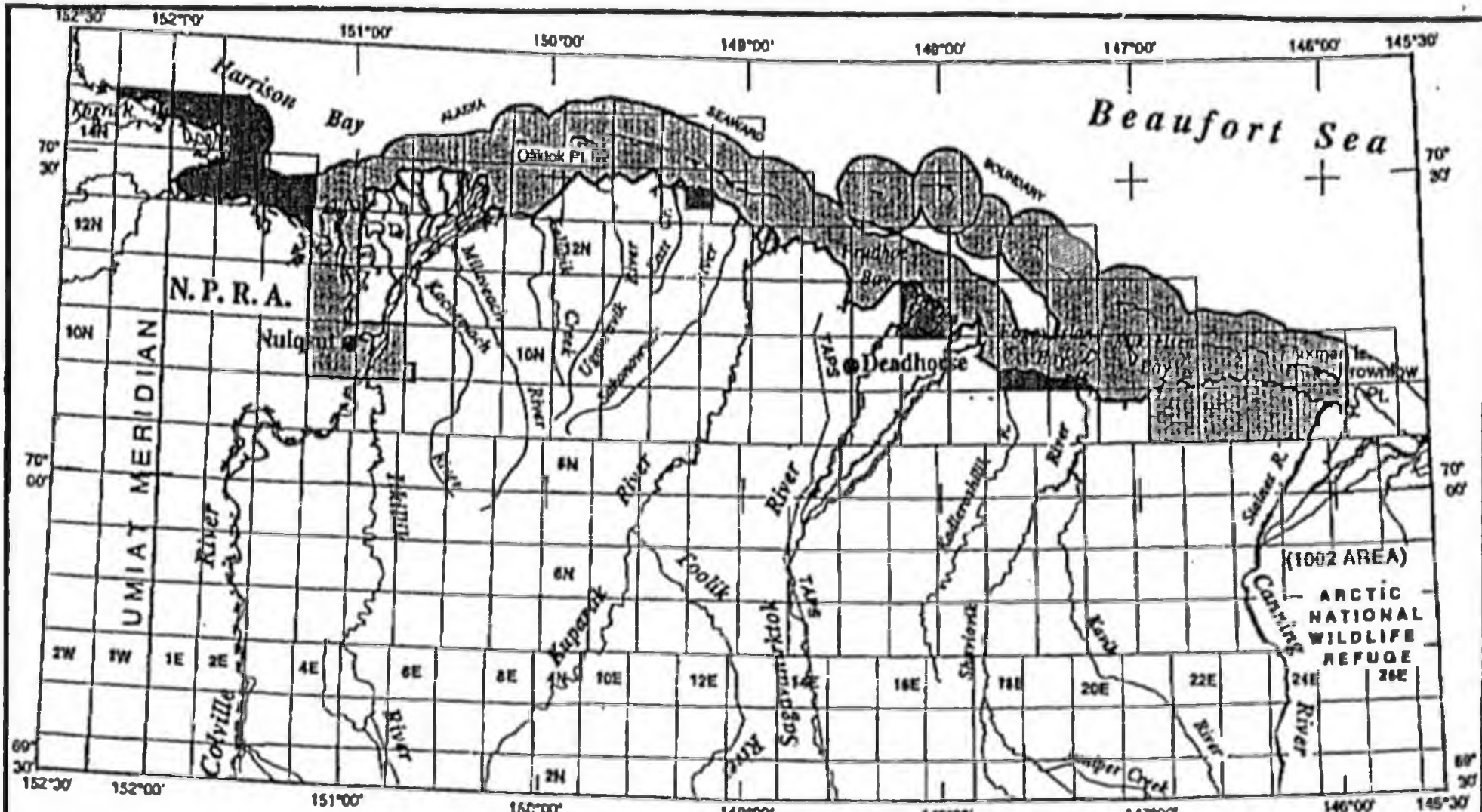
SCALE 1:125,000 ONE INCH = 24 MILES APPROX.

DIRECTOR, DIV. OF OIL & GAS KENNETH A. BOYD PETROLEUM GEOLOGIST JAMES HANSEN	DRAWN BY: [Signature] O.D.S. & M.R. CHECKED BY: [Signature]	DATE APPT. VERD: 1/11/96 Albers Equal-Area Conic Projection Based On The Clark 1866 Ellipsoid Central Meridian: -150.00 Origin Latitude: 80.00
---	---	--

Proposed Sale 87 Area



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.



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.

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

**PROPOSED OIL AND GAS LEASE SALE 86
CENTRAL BEAUFORT SEA**

SCALE 1:1,308,000 ONE INCH = 18 MILES approx.

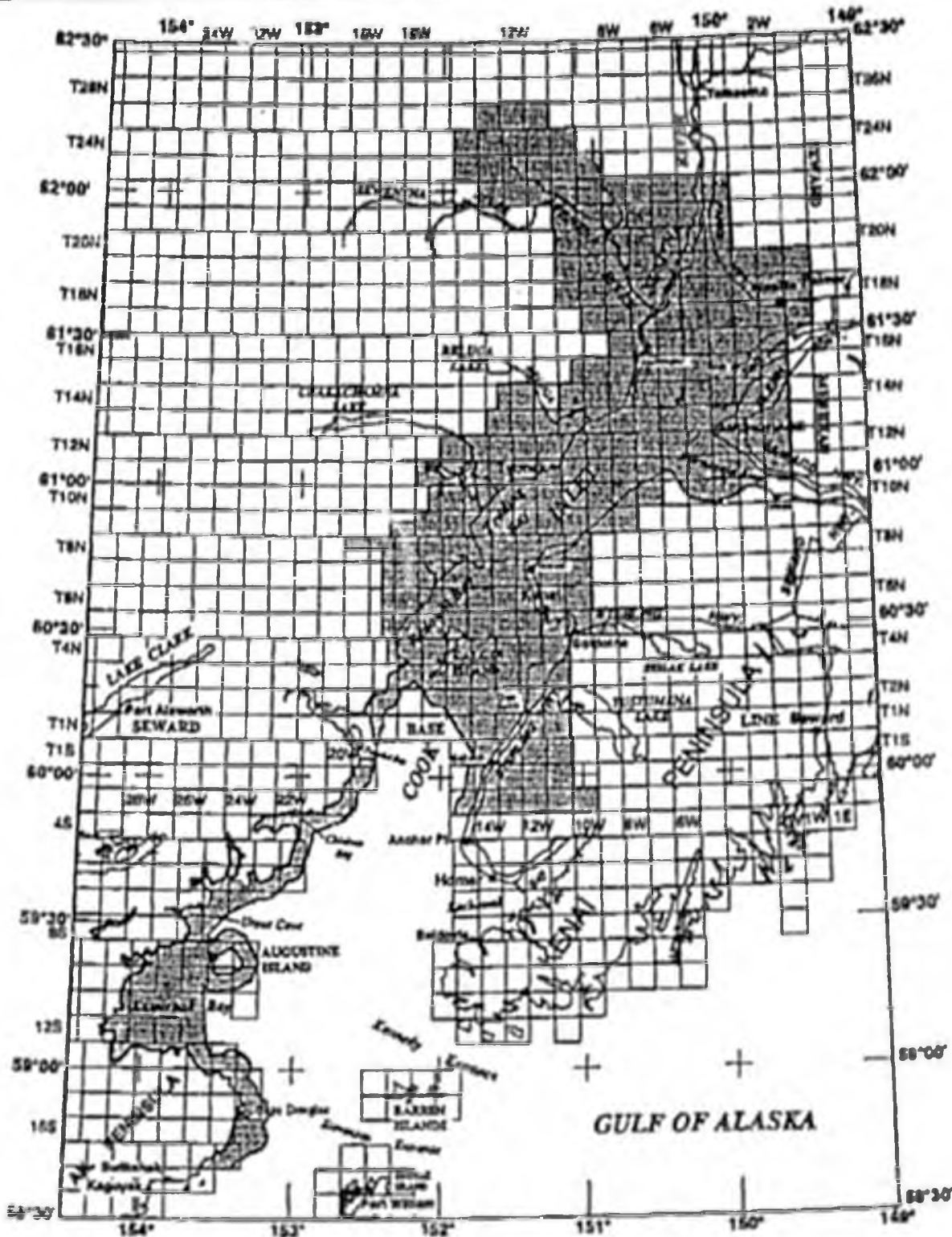
DIRECTOR, DIVISION OF OIL AND GAS KENNETH A. BOYD <i>[Signature]</i>	DRAWN BY: M.F. & D.R.E. CHECKED BY: <i>[Signature]</i>	DATE APPROVED 2-13-95 BASE MAP: TRANSMPOSED FROM U.T.M. PROJECTIONS BY U.S.G.S. PROGRAM BY ALTOOND AND CLARK CAD.
---	---	--

ORIGINALY PROPOSED SALE AREA



PROPOSED ADDITION





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

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

SCALE IS 1:600,000 ONE INCH = 34 MILES APPROX.

DIRECTOR, DIVISION OF OIL AND GAS JAMES E. EASON	DATE APPROVED 01-09-96
PETRO. GEOPHYSICIST, JAMES HANSEN	CHECKED BY [Signature]

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



WORK DRAFT

WORK DRAFT

WORK DRAFT

9-LS1341U.
Chenoweth
3/19/66

CS FOR HOUSE BILL NO. 388()
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES DOKIBERG, 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, and modifying the statement of
5 purpose in the Alaska Land Act as it applies to oil and gas leasing ^{AND}
PROVIDES FOR ANNUAL AREA-WIDE LEASE SALES.

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

7 • Section 1. AS 38.05.035(e) is amended to read:

8 (e) Upon a written finding that the interests of the state will be best served, the
9 director may, with the consent of the commissioner, approve contracts for the sale, lease,
10 or other disposal of available land, resources, property, or interests in them, and, in
11 addition to the conditions and limitations imposed by law, may impose additional
12 conditions or limitations in the contracts as the director determines, with the consent of
13 the commissioner, will best serve the interests of the state. The preparation and issuance
14 of the written finding by the director is subject to the following:

WORK DRAFT

WORK DRAFT

WORK DRAFT

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32

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

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

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

(i) applicable statutes and regulations;

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

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

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

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

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

(iii) the department describes its reasons for a decision in phase and conditions its approval to ensure that any additional uses or activities proposed for that or any later phase of the project will serve the

CHIEF 388()

WORK DRAFT

WORK DRAFT

WORK DRAFT

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32

best interests of the state;

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

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

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

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

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

(5) public notice requirements relating to the sale, lease, or other disposal of available land or an interest in land for oil and gas proposed to be scheduled in the five-year oil and gas leasing program under AS 38.05.180 are as follows: ^{EXEMPT FOR SALES UNDER (1)(X) OF SUBSECTION}

(A) before a public hearing, if held, or in any case not less than 180 days before the sale, lease, or other disposal of available land or an interest in land, the director shall make available to the public a preliminary written finding that states the scope of the review established under (1)(A) of this subsection and includes the applicable statutes and regulations, the material facts and issues in accordance with (1)(B) of this subsection, and information required by (g) of this section, upon which the determination that the sale, lease, or other disposal will serve the best interests of the state will be based; the director shall provide opportunity for public comment on the preliminary written finding for a period of not less than 60 days;

(B) after the public comment period for the preliminary written finding and not less than 90 days before the sale, lease, or other disposal of

WORK DRAFT

WORK DRAFT

WORK DRAFT

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32

available land or an interest in land for oil and gas, the director shall make available to the public a final written finding that states the scope of the review established under (1)(A) of this subsection and includes the applicable statutes and regulations, the material facts and issues in accordance with (1) of this subsection, and information required by (g) of this section, upon which the determination that the sale, lease, or other disposal will serve the best interests of the state is based;

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

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

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

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

(D) a mineral claim located under AS 38.05.195;

(E) a mineral lease issued under AS 38.05.205;

(F) a production license issued under AS 38.05.207;

(G) an exempt oil and gas lease sale under AS 38.05.180(d) of acreage ~~subject to a best interest finding issued~~ [OFFERED IN A SALE THAT WAS HELD] within the previous 10 [FIVE] years [IF THE SALE WAS SUBJECT TO A WRITTEN BEST INTEREST FINDING, UNLESS THE COMMISSIONER DETERMINES THAT NEW INFORMATION HAS BECOME AVAILABLE THAT JUSTIFIES A REVISION OF THE BEST INTEREST FINDING;] or

[(H)] a ~~royalty oil and gas~~ lease sale under AS 38.05.180(w) of

CSHB 388()

NEW TEXT DELETED (DELETED TEXT BRACKETED)

WORK DRAFT

WORK DRAFT

WORK DRAFT

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32

acreage subject to a best interest finding issued (OFFERED IN A SALE THAT WAS HELD) within the previous 10 (FIVE) years (IF THE SALE WAS SUBJECT TO A BEST INTEREST FINDING), unless the commissioner determines that ~~substantial~~ new information has become available that justifies a ~~supplement to~~ (REVISION OF) the ~~most recent~~ best interest finding for the ~~exempt oil and gas lease sale acreage or for the proffer oil and gas lease sale acreage; however, for each oil and gas lease sale described in this subparagraph, the director shall call for comments from the public; the director's call for public comments must provide opportunity for public comment for a period of not less than 30 days; if the director determines that a supplement to the most recent best interest finding for the acreage is required under this subparagraph, the director shall issue the supplement to the best interest finding not later than 90 days before the sale; not later than 45 days before the sale, the director shall issue a notice describing the interests to be offered, the location and time of the sale, and the terms and conditions of the sale;~~

(7) the director shall include in

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

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

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

(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;

WORK DRAFT

WORK DRAFT

WORK DRAFT

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

3 (2) It is in the best interests of the state

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

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

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

11 (B) to offer acreage for oil and gas lease sales on an annual
12 basis, specifically including annual acrewide lease sales of all state land that
13 has been the subject of a best interest finding.

14 • Sec. 3. AS 38.05.180(w) is amended to read:

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

27 • Sec. 4. AS 38.05.945(a) is amended to read:

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

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

32 (2) zoning of land under applicable law;

CSHB 388()

-6-
REV. TEXT UNDERLINED (DELETED TEXT BRACKETED)

WORK DRAFT

WORK DRAFT

WORK DRAFT

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18

(3) Issuance of a

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

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

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

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

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

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

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

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) 258-8191
FAX (907) 258-2018

SESSION
STATE CAPITOL
JUNEAU, AK 99801-1102
PHONE (907) 465-4000
FAX (907) 495-2040

Representative Norman Rokeberg

Sponsor Statement

SCS CSHB 388(RES) - An act relating to oil and gas leases and best interest findings

The current Resources 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 program as well as the language mandating annual lease sales.

SCS CSHB 388(RES) achieves the industry and state's objectives without creating a new program which requires creation of implementing regulations. By amending the existing statutes there will be no delay in the current schedule of lease sales and eliminates the fiscal note.

SCS CSHB 388(RES) 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 the location of lands being made available for 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 Best Interest Finding (BIF) while also including a reasonable time period for public notice and comment;
- (5) The 19 AOGA member companies have endorsed the current concepts.

ALASKA OIL AND GAS ASSOCIATION
CSHB 388 (Res) am
OIL & GAS LEASING: BEST INTEREST FINDINGS

The following is a brief sectional analysis of CSHB 388.

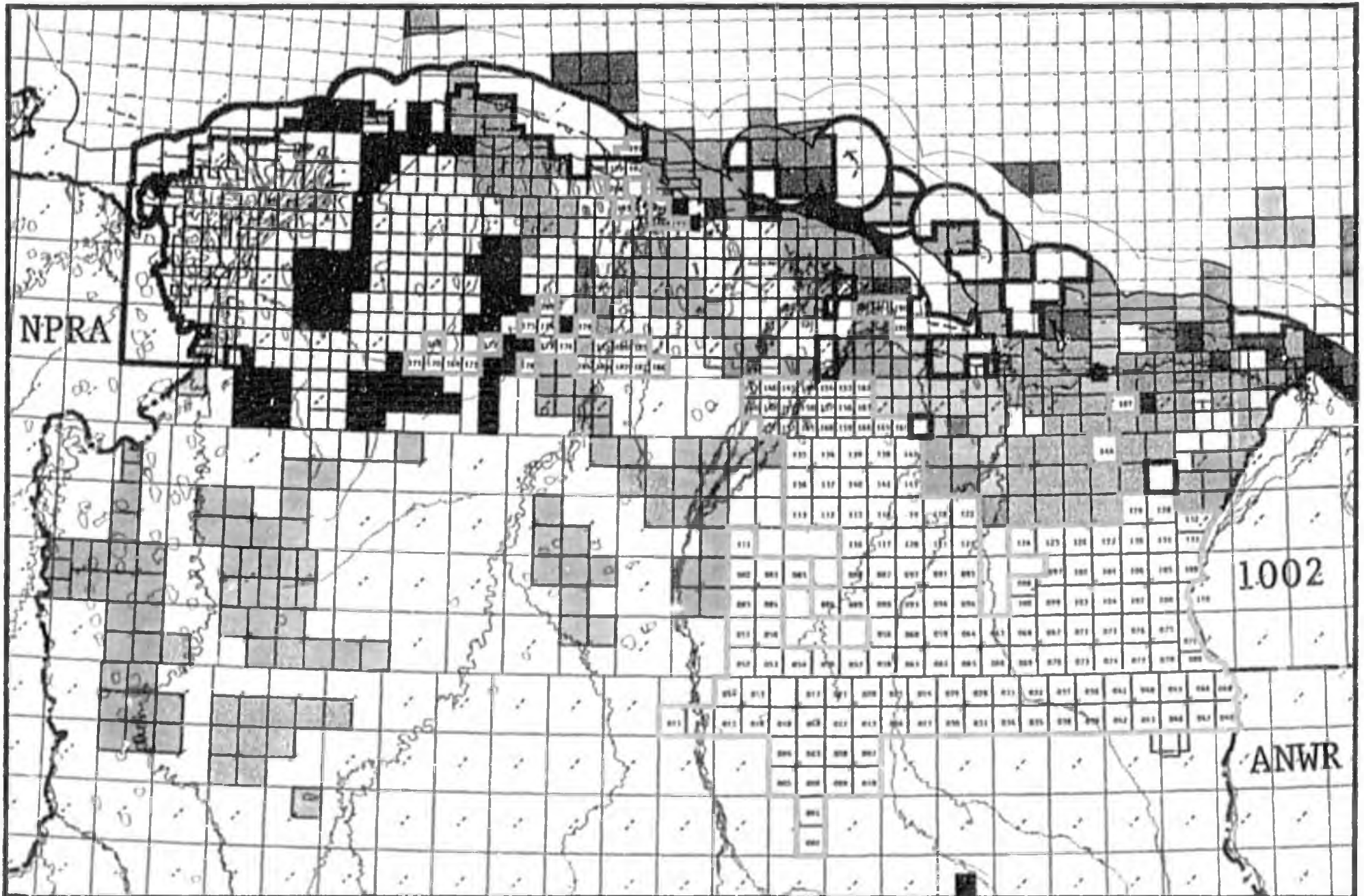
Section 1 amends AS 38.05.035(e) which are the procedures established for best interest findings. Subsections (e)(6)(G) and (H) have been combined and it clarifies that Reoffer and Exempt Sales need not follow the full preliminary and final Best Interest Finding process. A best interest finding remains valid for ten years and provisions are made to supplement a best interest finding if new significant information is offered.

Section 2 amends AS 38.05.180(a) by stating that the Legislature finds that it is in the best interests of the State to annually offer unleased State acreage which is subject to a best interest finding.

Section 3 amends AS 38.05.180(d) to grant authority to the commissioner to annually offer acreage for lease which is subject to a best interest finding.

Section 4 amends AS 38.05.180(w) by modifying Reoffer Sale criteria to allow leasing of areas which are subject to a best interest finding issued within the last 10 years.

Section 5 amends 38.05.945(a) to exempt these lease sales from certain public notice requirements because the amended AS 38.05.035(e)(6)(G) establishes its own notice requirements.



NPRA

1002

ANWR



Sale 80



Sale 86

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



OFFICE
710 WEST 4TH AVENUE, SUITE 640
ANCHORAGE, AK 99501
PHONE: (907) 258-8191
FAX: (907) 258-2010

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

Representative Norman Rokeberg

Sponsor Statement

HB 388(RES) am - An act relating to oil and gas leases and best interest finding

The current Resources 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 and the Department of Natural Resources requested that the original bill be modified to eliminate the creation of a new oil and gas leasing program as well as the language mandating annual lease sales.

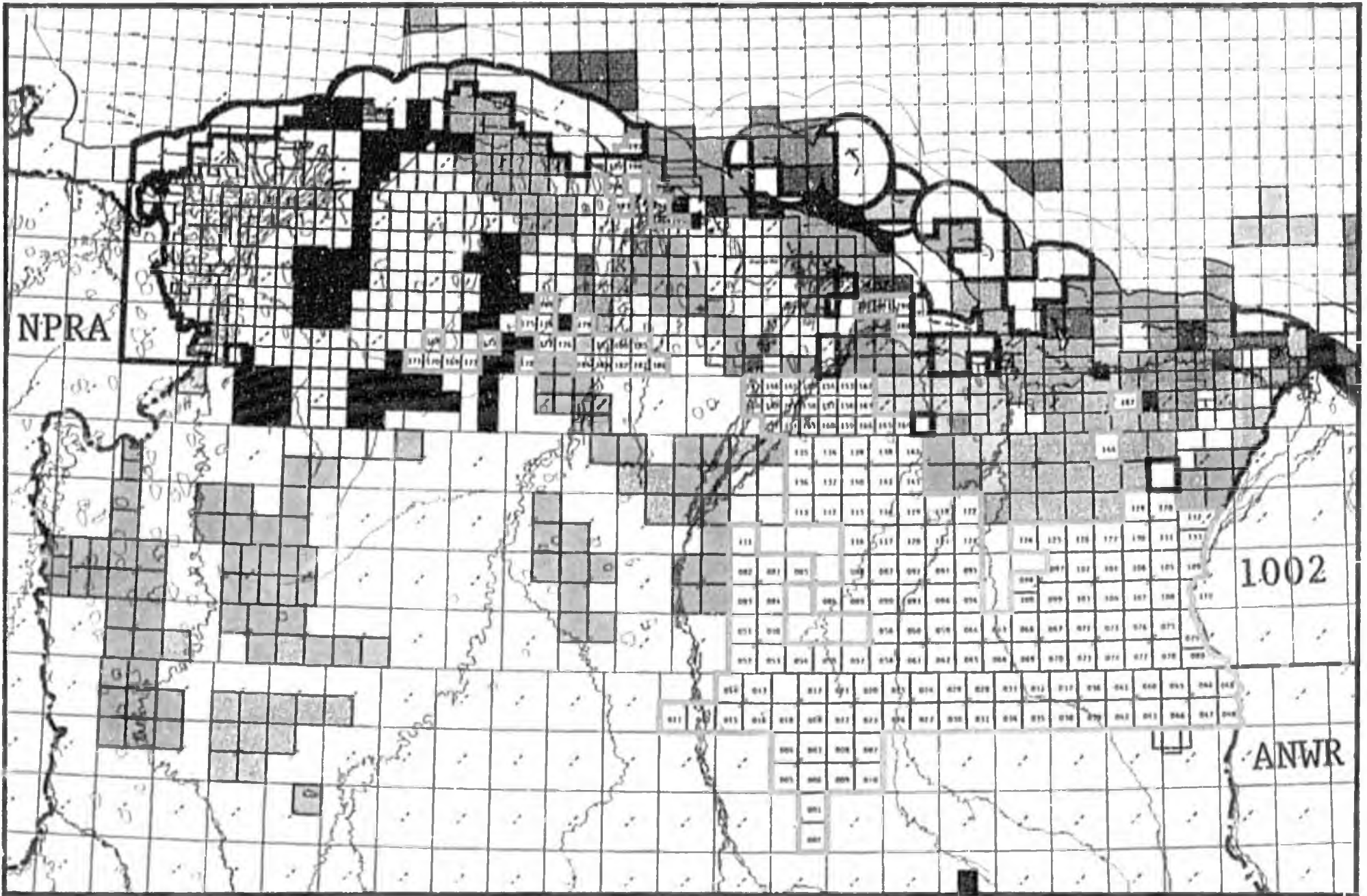
CSHB 388(RES) am achieves the industry and state's objectives without creating a new program which requires creation of implementing regulations. **By amending the existing statutes for exempt and reoffer sales there will be no delay in the current schedule of lease sales and no fiscal impact.**

CSHB 388(RES) am allows annual leasing at the commissioner's discretion. The oil industry indicates that there are assurances by the Department of Natural Resources that annual lease sales will take place in cases where there are no significant problems preventing the sales, such as, poor market conditions or **substantial new information**. 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 petroleum 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 does the following:

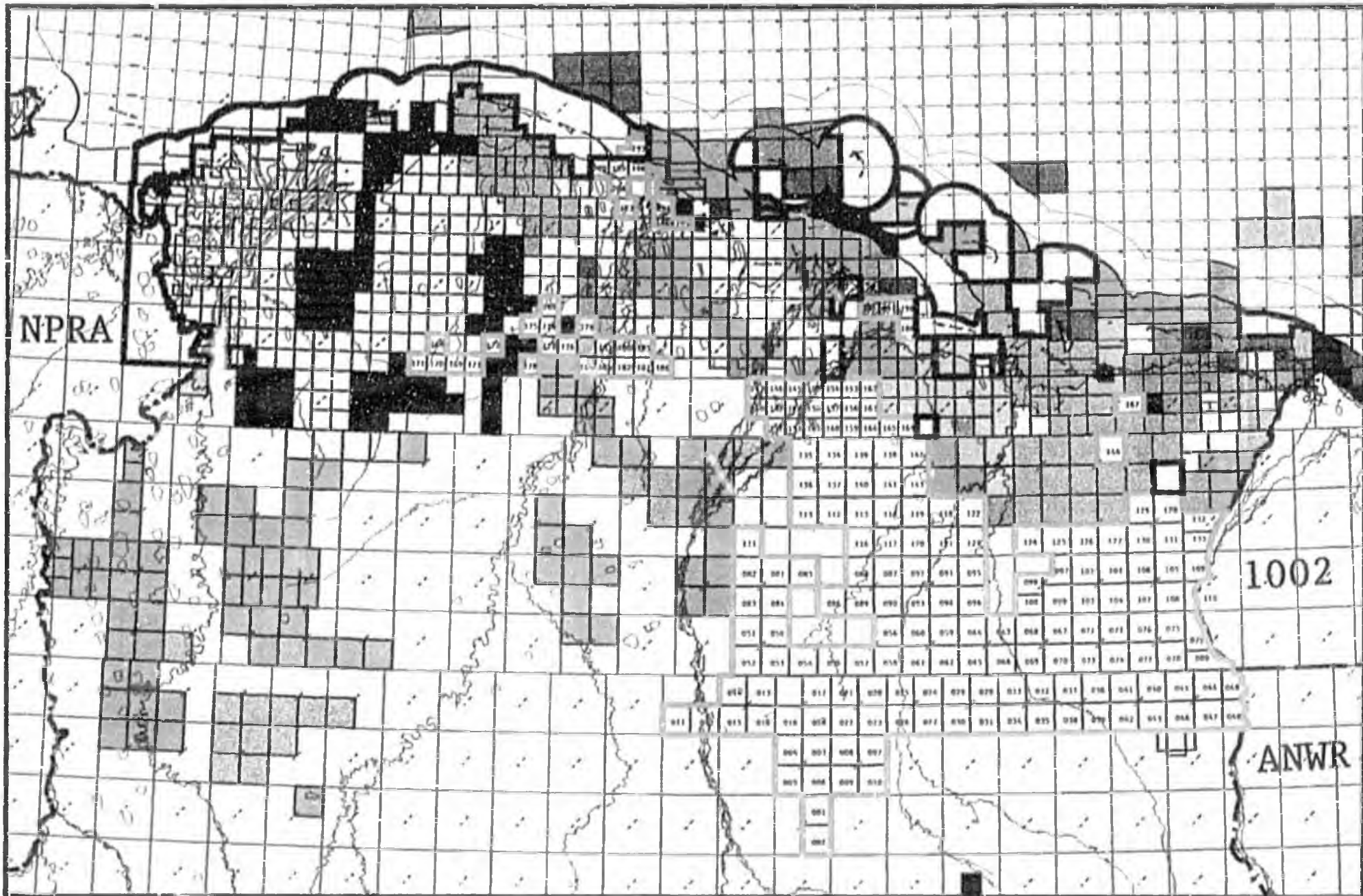
- (1) Is in the best interest of the State of Alaska to conduct annual areawide sales;
- (2) Provides the industry with some certainty about the timeline and the location of lands being made available for oil & gas leasing;
- (3) Accommodates the concerns expressed by the administration as well as the problems associated with setting up a new program of leasing for the State of Alaska;
- (4) Establishes a clear streamlined process for approving a "supplement" to an existing Best Interest Finding (BIF) while also **including a reasonable time period for public notice and comment**;
- (5) The 19 AOGA member companies have endorsed the current concepts.



Sale 80

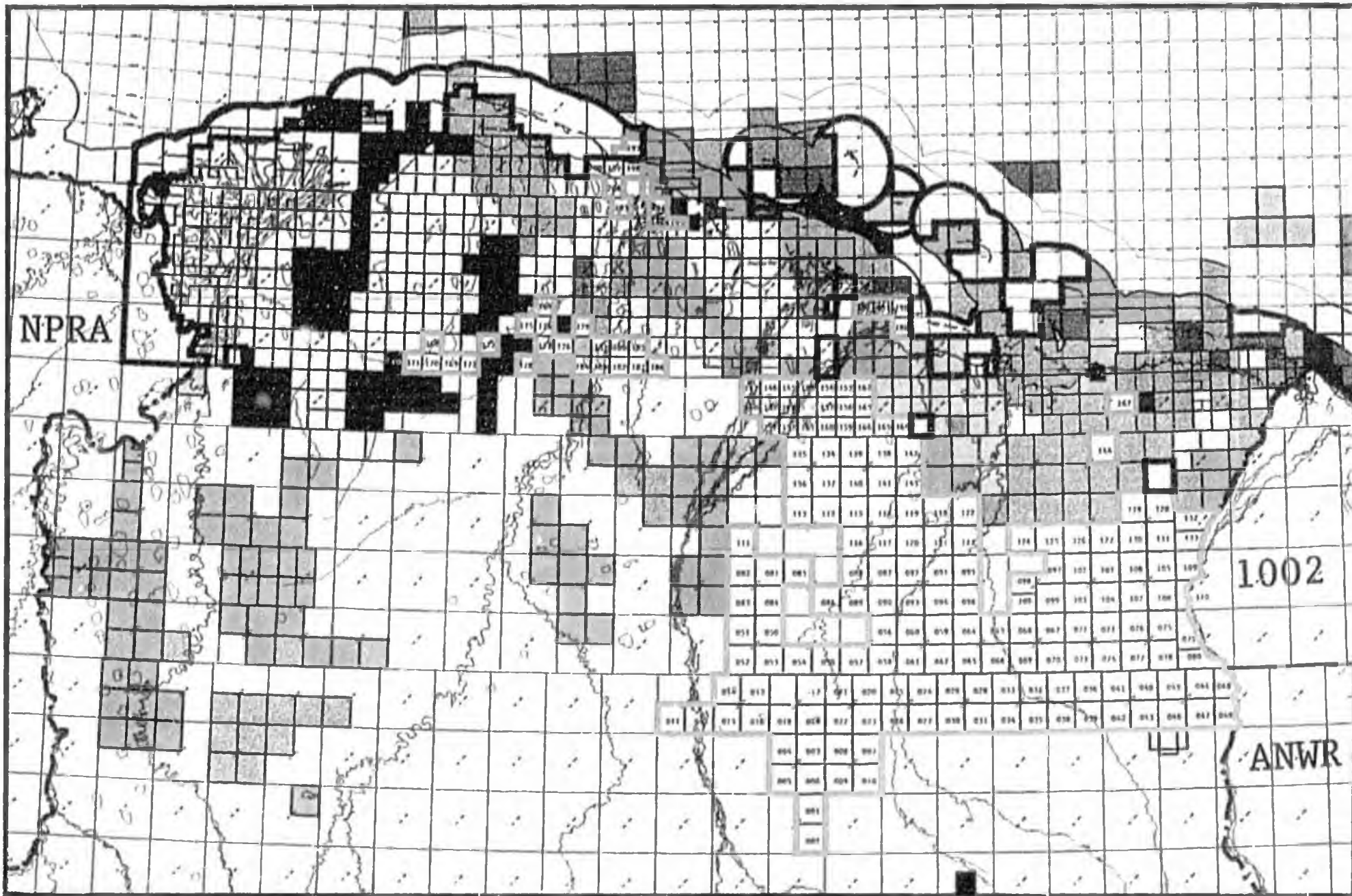


Sale 86



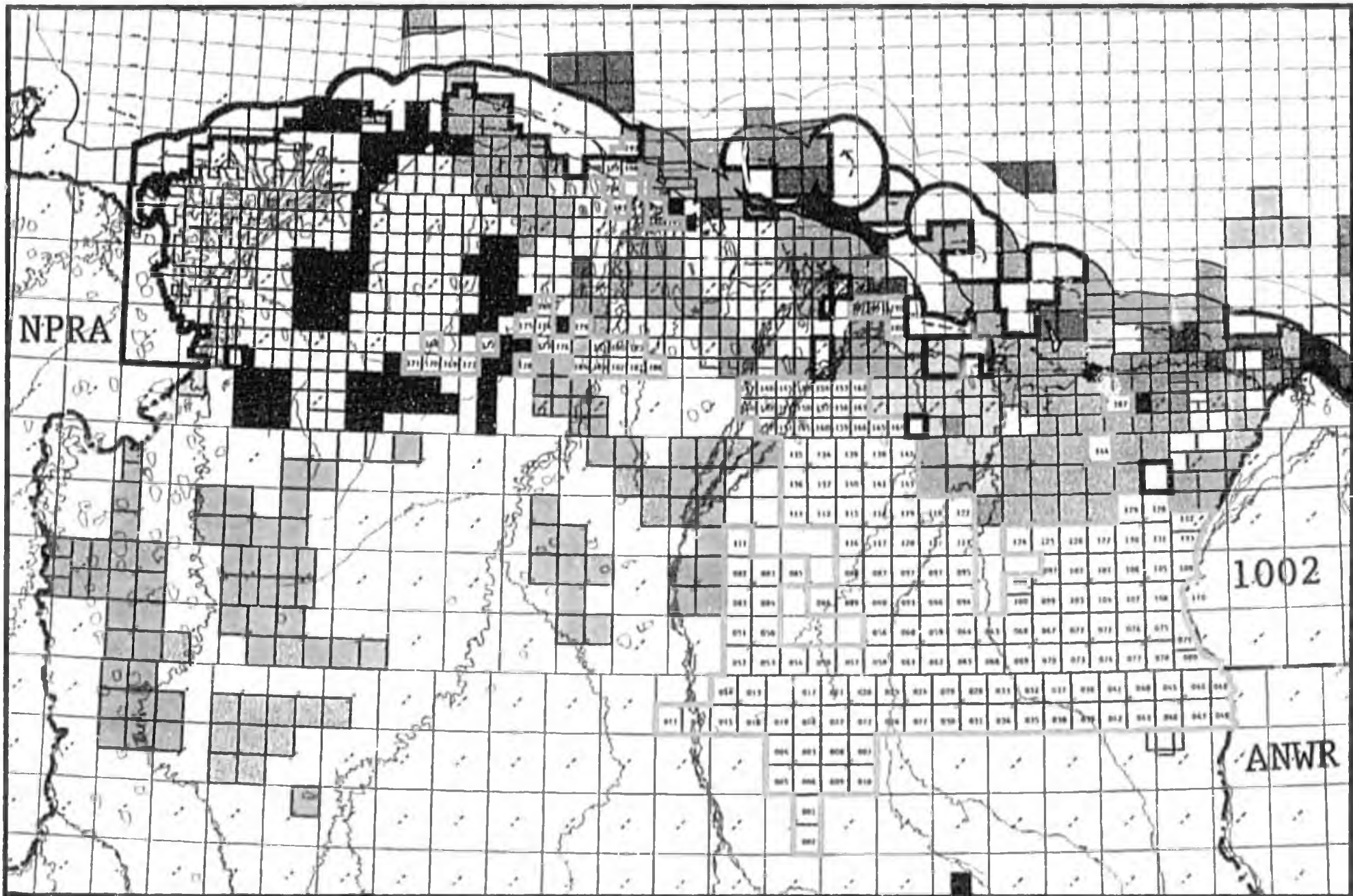
□ Sale 80

■ Sale 86



□ Sale 80

■ Sale 86



Sale 80



Sale 86

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) 258-6181
FAX (907) 258-2918

SESSION
STATE CAPITOL
JUNEAU, AK 99901-1182
PHONE (907) 485-4698
FAX (907) 485-2040

Representative Norman Rokeberg Sponsor Statement

HB 388(RES) am - An act relating to oil and gas leases and best interest finding

The current Resources 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 and the Department of Natural Resources requested that the original bill be modified to eliminate the creation of a new oil and gas leasing program as well as the language mandating annual lease sales.

CSHB 388(RES) am achieves the industry and state's objectives without creating a new program which requires creation of implementing regulations. ***By amending the existing statutes for exempt and reoffer sales there will be no delay in the current schedule of lease sales and no fiscal impact.***

CSHB 388(RES) am allows annual leasing at the commissioner's discretion. The oil industry indicates that there are assurances by the Department of Natural Resources that annual lease sales will take place in cases where there are no significant problems preventing the sales, such as, poor market conditions or ***substantial new information***. 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 petroleum 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 does the following:

- (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 the location of lands being made available for 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 approving a "supplement" to an existing Best Interest Finding (BIF) while also ***Including a reasonable time period for public notice and comment;***
- (5) The 19 AOGA member companies have endorsed the current concepts.

Alaska Oil and Gas Association



121 W. Fireweed Lane, Suite 207
Anchorage, Alaska 99603-2035
Phone: (907)272-1481 Fax: (907)279-8114
Judith M. Brady, Executive Director

April 17, 1996

The Honorable Norm Rokeberg, Chairman
Special Committee on Oil and Gas
Alaska State House of Representatives
Room 110
State Capitol
Juneau, Alaska 99801

CSHB 388 (Res) on Oil & Gas Leasing: Best Interest Findings

Dear Representative Rokeberg:

The Alaska Oil and Gas Association is a trade association whose 19 member companies represent the majority of oil and gas exploration, production, transportation, refining and marketing activities in Alaska.

AOGA encourages a program of annual areawide leasing in all areas of the State where competitive leases are regularly offered. CSHB 388 will provide the vehicle for the state to institute a program of annual areawide lease sales. AOGA supports CSHB 388 (Res) am.

AOGA members believe that a regular and predictable schedule of annual lease sales, which offer acreage of critical interest to the industry, will receive the continued support of current operators within Alaska and may serve to attract new explorers seeking a stable oil and gas operating environment. Annual areawide leasing is the best way to assure regular and predictable offering of exploration acreage of interest to industry.

The Director of the Division of Oil and Gas has advised that he intends to re-design Sales 85, 86 and 87 to include lands of critical interest to industry. The accompanying Best Interest Findings will be drafted in a manner consistent with the areawide leasing concept. Once the best interest findings covering these core areas are issued, the Division of Oil and Gas can conduct annual offerings of all unleased land subject to the finding.

The Honorable Norm Rokeberg
April 17, 1996
Page 2

Since its inception, HB 388 has included the term "areawide" to describe the intent of the legislation. As amended in the House, the term "areawide lease sales" was removed. AOGA believes it would be helpful to reinforce the state's intent to institute annual areawide leasing by amending Section 2 on page 6 as follows:

Replace lines 18 through 21 with the following:

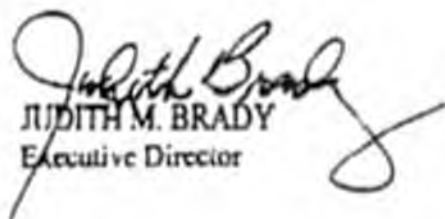
"(B) to offer acreage for oil and gas lease, specifically including
(i) state acreage that has been the subject of a best interest finding at annual
areawide lease sales; and"

This suggested change inserts the word "areawide" and removes the requirement to annually offer AS 38.05.180(d) exempt lands.

While we understand that the bill will have the same legal effect with, or without these specific words, we encourage that they be reinserted. The words "areawide lease sale" are a term of art used by the oil and gas industry to differentiate these lease sales from "nomination" based lease sales. The entire leasing program which is embodied by CS HB 388 has been borrowed from the MMS Gulf of Mexico lease sale process. Under the areawide lease sale process all unleased lands within a geographically identified area are offered. This simplifies the process by eliminating the request for nominations, and we believe lease tracts are acquired which might not have been nominated, thus increasing the lease bonus received at such sales.

We appreciate your efforts to sponsor and advance HB 388. Thank you for the opportunity to offer our support and comments.

Sincerely,


JUDITH M. BRADY
Executive Director

■ AREA-WIDE LEASING.

State proposes 1998 area-wide leasing for North Slope

Land would be available for leasing each year, allowing companies to acquire land, explore more quickly

By Kristin Nelson
News Editor PNA

It can take years to acquire oil and gas leases over an exploration prospect in Alaska because lease sales are held infrequently, and a given lease sale may not even include all of the tracts on which a company wants to bid. And that means years before companies can actually find out if a prospect contains oil or gas.

Those are some of the complaints the state has heard about its leasing program from oil and gas companies in recent years, and the Alaska Department of Natural Resources has now responded.

On Jan. 16 DNR's division of oil and gas announced a plan to make unleased acreage on the North Slope available for lease every year, giving companies who have identified a prospect an opportunity to acquire leases quickly and begin exploration programs.

Proposed oil and gas lease sale #7, scheduled for March 1998, would be broadened to include onshore areas of the North Slope between the Arctic National Wildlife Refuge in the east and the National Petroleum Reserve-Alaska in the west.

Proposed oil and gas lease sale #7 (North Slope), scheduled for March 1998, would be broadened to include onshore areas of the North Slope between the Arctic National Wildlife Refuge in the east and the National Petroleum Reserve-Alaska in the west. The southern boundary of the sale area would be the Umiat base line. Lands within the NFRA that are jointly owned by the state and the Arctic Slope Regional Corp. would also be included in the sale

area.

A call for comments would be issued in May, and state agencies would then gather information on which to determine whether or not the sale would best serve the interests of the state. If a determination were made that the sale would be in the best interests of the state, a written decision and notice of sale and terms would be issued in November 1997. The state considers hydrocarbon potential in the area moderate to high.

Up to 3 million acres of state land north of the Umiat base line, excluding existing units and leases, would be offered in 1998, and acreage that remained unleased would then be offered in successive annual area-wide sales.

Ken Boyd, director of the division of oil and gas, told the Senate Resources Committee Jan. 10 that the division didn't think new legislation was required for area-wide leasing, although he said that the division was still looking at all the angles.

Title work had been perceived as a problem, Boyd said, until the division began to consider clearing title after the sale - and only on acres sold. We don't warrant title, Boyd said, and couldn't issue the lease the day of the sale, so the money would be held in an escrow account until the title was cleared.

An area-wide best interest finding would be prepared for the 1998 sale, Boyd said, and in subsequent years you'd be having the same lease sale so you'd only have to ask for changes to the best interest finding.

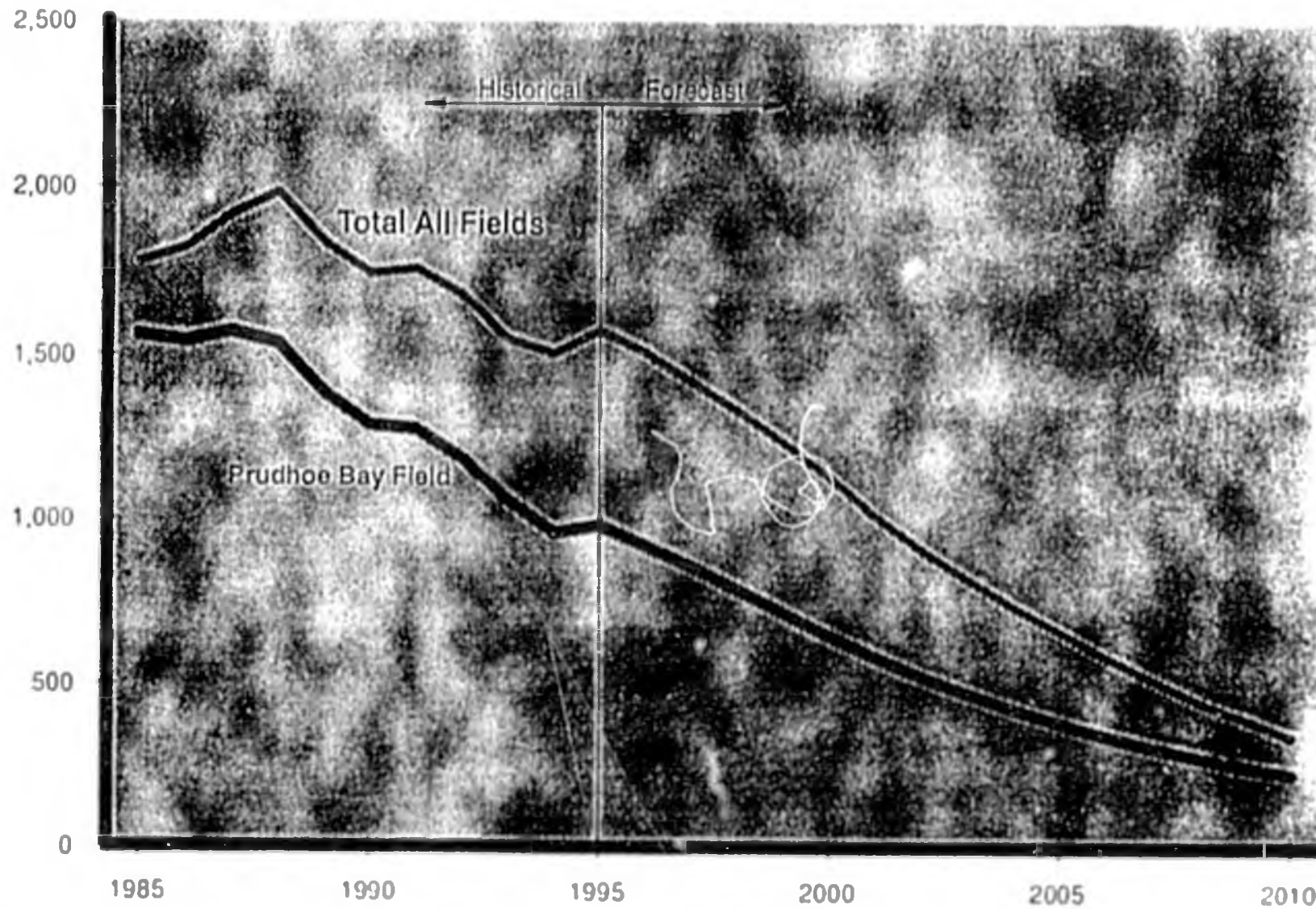
With a lease sale scheduled for the North Slope in March or April every year the companies would be able to budget for projects, and then would have the rest of the year to get permits for winter drilling, Boyd said.

(See legislative story on page page 23 regarding related bills that have been introduced this session.)

North Slope Alaska

1995 Historical and Forecast for Oil Production

(Thousand Barrels Per Day)

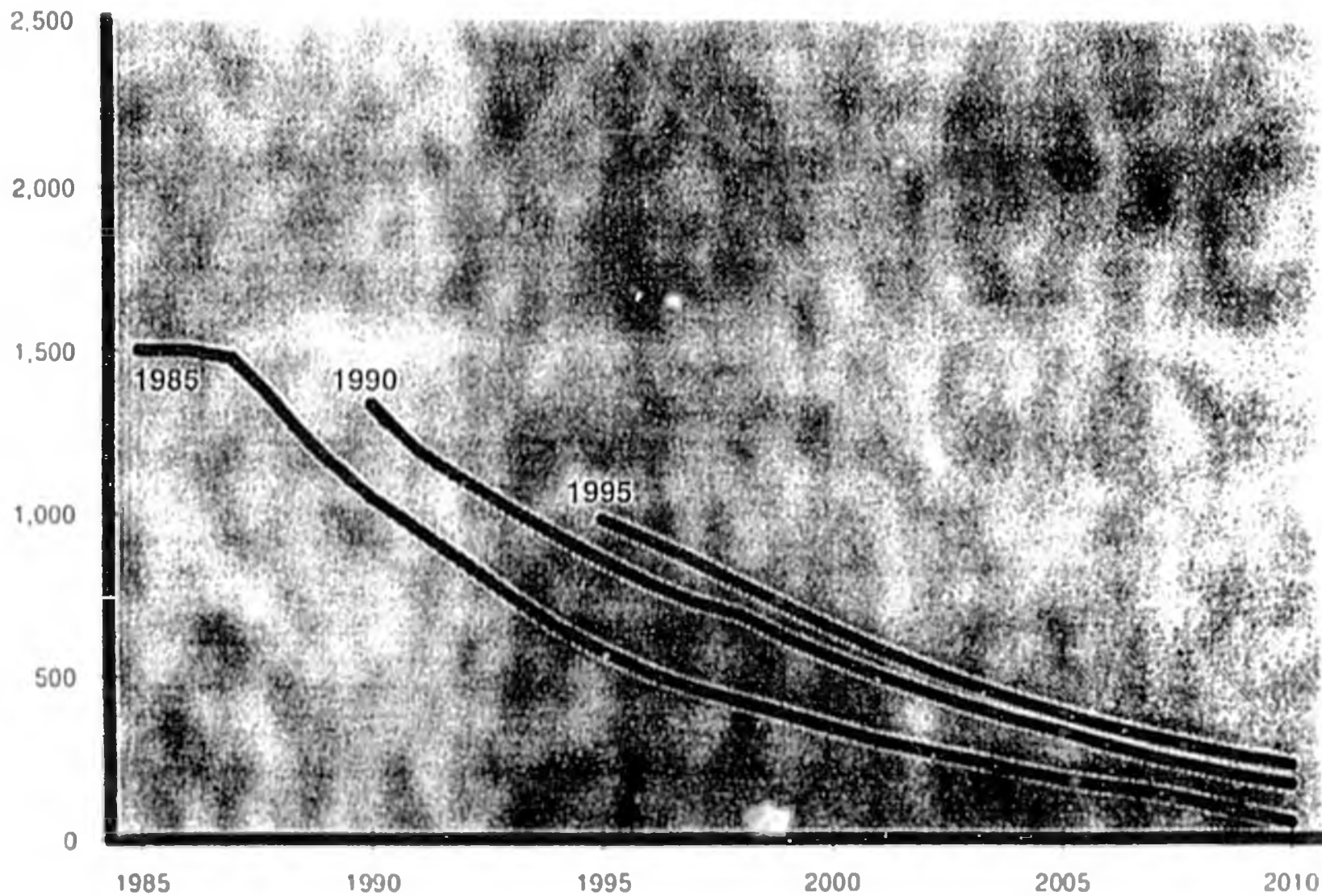


Source: DNR 1995 Historical and Projected Oil and Gas Consumption Study Report

Prudhoe Bay

1985, 1990 & 1995 Oil Production Forecasts

(Thousand Barrels Per Day)



Source: DNR 1985, 1990, and 1995 Historical and Projected Oil and Gas Consumption

TABLE 2A – PRODUCTION FORECAST

THOUSANDS OF BARRELS PER DAY

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
PRODUCTION FORECAST (1)											
NORTH SLOPE											
Prudhoe Bay	980	921	857	788	717	648	581	523	471	423	381
Kuparuk	310	305	300	300	295	285	258	231	208	187	168
Point McIntyre	115	115	109	98	88	79	71	64	61	54	46
Endicott (2)	94	83	72	63	55	47	40	34	29	24	21
Mine Point (3)	30	40	40	45	50	45	40	38	33	30	27
Kuparuk Other (4)	-	-	-	-	-	6	21	27	25	26	35
Lebume	20	20	20	18	15	13	10	10	10	10	10
Niakuk/Alapah	20	20	20	20	17	14	12	10	9	8	7
Prudhoe Bay Other (5)	3	3	-	2	2	2	2	1	1	1	-
TOTAL	1,572	1,507	1,422	1,334	1,239	1,137	1,033	936	847	763	695
COOK INLET (6)											
McArthur River	19	18	16	14	13	12	10	9	8	8	7
Middle Ground Shoal	8	7	7	7	6	5	5	4	4	3	3
Granite Point	7	7	6	5	5	4	4	3	3	3	2
West McArthur River	3	4	4	3	3	3	2	2	2	2	1
Trading Bay	2	2	2	1	1	1	1	1	1	1	1
TOTAL	38	38	34	30	27	24	22	20	18	16	14
STATE TOTAL	1,610	1,544	1,454	1,365	1,266	1,161	1,055	956	865	779	709

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	TOTAL (MBb)
PRODUCTION FORECAST (1)											
NORTH SLOPE											
Prudhoe Bay	343	309	278	250	225	191	63	138	117	100	3,431,730
Kuparuk	143	122	103	88	75	63	54	46	39	33	1,318,015
Point McIntyre	39	33	28	24	21	17	15	12	11	9	404,785
Endicott (2)	18	16	13	10	-	-	-	-	-	-	225,905
Mine Point (3)	24	20	17	15	12	10	-	-	-	-	187,610
Kuparuk Other (4)	59	58	49	41	35	28	22	18	14	12	173,010
Lebume	10	9	8	7	6	5	5	5	5	5	80,665
Niakuk/Alapah	6	5	-	-	-	-	-	-	-	-	61,320
Prudhoe Bay Other (5)	-	-	-	-	-	-	-	-	-	-	7,045
TOTAL	642	572	496	435	374	312	259	219	186	159	5,890,115
COOK INLET (6)											
McArthur River	8	-	-	-	-	-	-	-	-	-	50,808
Middle Ground Shoal	3	-	-	-	-	-	-	-	-	-	22,375
Granite Point	2	-	-	-	-	-	-	-	-	-	18,360
West McArthur River	1	-	-	-	-	-	-	-	-	-	10,257
Trading Bay	1	-	-	-	-	-	-	-	-	-	5,256
TOTAL	12	-	-	-	-	-	-	-	-	-	107,055
STATE TOTAL	654	572	496	435	374	312	259	219	186	159	5,997,169

Note: numbers may not sum to totals due to rounding

(1) Includes oil, condensate, and NGL

(2) Includes Sig Dena North

(3) Includes Schrader Bluff

(4) West Sak, K-10, et al.

(5) North Prudhoe Bay State and West Beach

(6) Projection is not extended beyond 2006 because production

is very sensitive to short term economics. Beaver Creek and Swenson River

fields are not included because the state has no leases in either field

(7) 35,000 BPD of Prudhoe royalty production

Contract expires December 2003

(8) Maximum 27.2% of Prudhoe Bay Unit royalty production

Contract expires December 1995

Revised 02/29/95

TABLE 1 - ESTIMATED REMAINING RESERVES AND ROYALTY SHARE, AS OF 1/1/95

OIL: MILLIONS OF BARRELS
GAS: BILLIONS OF CUBIC FEET

	OIL		GAS	
	Reserves	Royalty Share	Reserves	Royalty Share
NORTH SLOPE				
DEVELOPED				
East Barrow	-	-	6 [1]	0
Endicott	226 [2]	32	894 [1]	125
Kuparuk River	1,318 [2]	165	682 [1]	85
Kuparuk Other [3]	173 [2]	22	-	-
Lisburne	81 [2]	10	277 [1]	35
Milne Point	188 [2]	34	13	2
Niakuk/Alapah	61 [2]	8	33 [1]	4
Point McIntyre	405 [2]	49	300 [2]	37
Prudhoe Bay	3,432 [2]	429	26,000 [2]	3,250
Prudhoe Bay Other [4]	7 [2]	1	7 [1]	1
South Barrow	-	-	4 [1]	0
Walakpa	-	-	28 [1]	0
UNDEVELOPED				
North Star/Seal Island	180 [2]	36	-	-
Pt. Thomson/Flaxman Island	200 [2]	25	3,000 [2]	375
TOTAL	6,271	810	31,244	3,914
COOK INLET				
PROVEN AND DEVELOPED				
Beaver Creek	1 [1]	0	114 [1]	0
Beluga River	-	-	372 [1]	28
Cannery Loop	-	-	230 [1]	9
Granite Point	18 [2]	2	31 [1]	4
Ivan River, Lewis River, Pretty Creek, Stump Lake	-	-	120 [2]	15
Kenai	-	-	191 [1]	4
McArthur River	51 [2]	6	299 [1]	37
Middle Ground Shoal	22 [2]	3	15 [1]	2
North Cook Inlet	-	-	358 [1]	45
Sterling	-	-	23 [1]	3
Swanson River	13 [1]	0	43 [1]	0
Trading Bay	5 [2]	<1	29 [1]	4
West Fork	-	-	3 [1]	<1
West McArthur River	10 [2]	1	1 [1]	<1
PROVEN BUT UNDEVELOPED OR SHUT-IN				
Birch Hill	-	-	11 [1]	0
Falls Creek	-	-	13 [1]	2
Nicola Creek	-	-	2 [1]	<1
North Fork	-	-	12 [1]	<1
Sunfish	25 [2]	3	-	-
West Foreland	-	-	20 [1]	0
TOTAL	145	16	1,887	152
STATE				
TOTAL	6,416	826	33,131	4,066

[1] Alaska Oil and Gas Conservation Commission, calculated as of 1/1/95

[2] William Van Dyle, Division of Oil and Gas

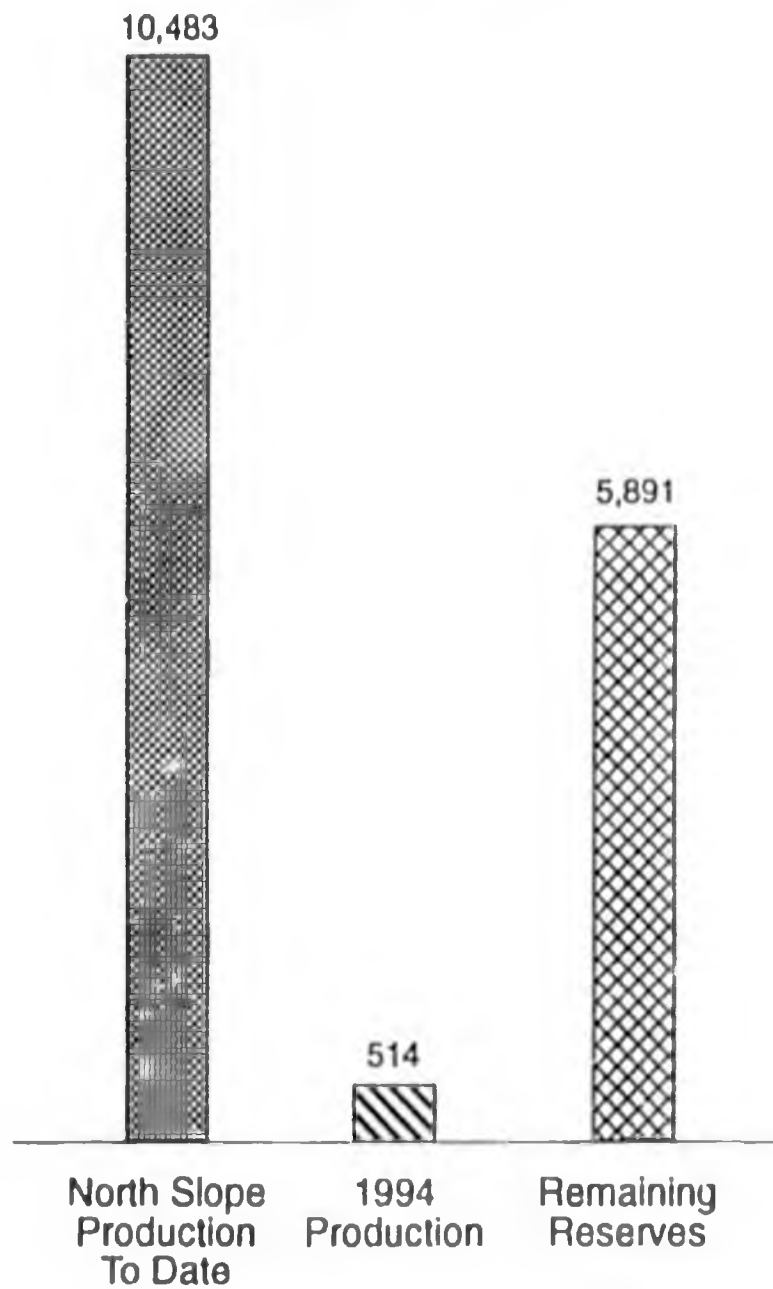
[3] West Sak, K-10, etc.

[4] North Prudhoe Bay State and West Beach

Revised 02/29/95

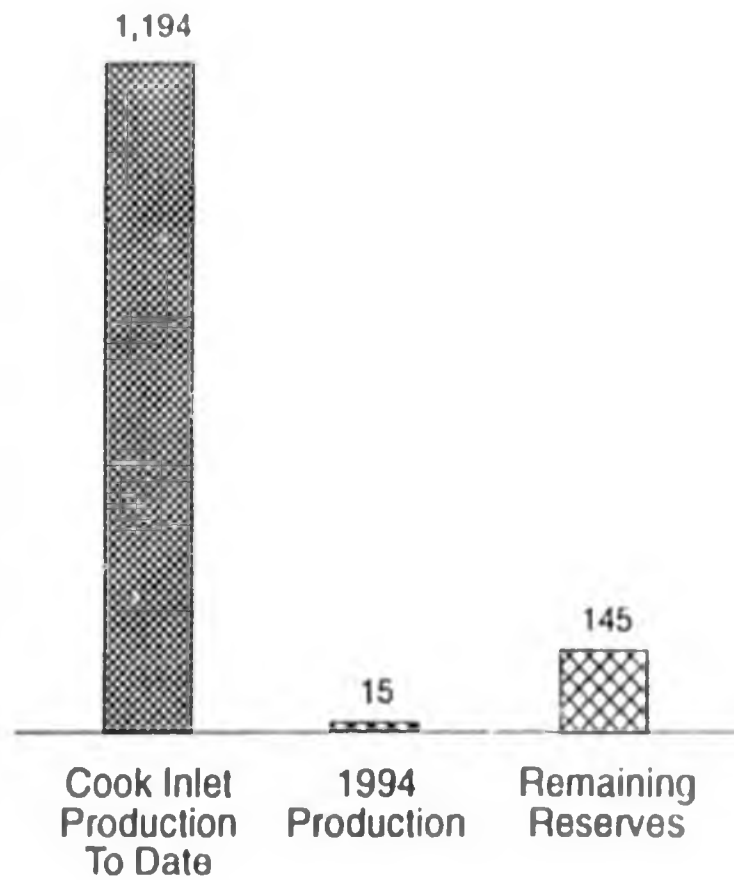
North Slope

(Millions of Barrels)



Cook Inlet

(Millions of Barrels)





P.O. Box 198168
Anchorage, AK 99519-8168
Telephone 907/561-6311

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. Colvert
J.V. Miesse

PHILLIPS PETROLEUM COMPANY

210 W Park Avenue Suite 2400 Phone 405 270-8119
OKLAHOMA CITY OKLAHOMA 73102

Corporate Relations and Services

BRUCE A. STALLSWORTH
Director
Government and Public Affairs

March 12, 1996

Honorable Norman Rokceberg
Alaska State Capitol, Room 110
Main and Forest Streets
Juneau, AK 99801-1182

Dear Representative Rokceberg:

This is to advise that Phillips Petroleum Company supports the new version of CSHB 388 (version F), the "areawide leasing and best interest finding" bill. Phillips also supports the Alaska Oil and Gas Association's proposed amendments dated March 12, 1996. We believe the proposed bill will result in greater efficiency and certainty in the state's leasing process as it pertains to core exploration areas.

We applaud and thank you for your willingness to work with all interested parties to streamline the state's current oil and gas leasing procedures.

Sincerely,



Bruce A. Stallsworth

BAS:seb

cc: John Landrum
Brent Butterfield
Harvey Sullivan

Unocal Corporation
Oil & Gas Operations
909 West 9th Avenue, P.O. Box 196247
Anchorage, Alaska 99519-6247



March 12, 1996

Kevin A. Tabler
Land Manager
Alaska Business Unit

The Honorable Norm Rokeberg
House Oil and Gas Committee

COMMENTS
CS FOR HOUSE BILL NO. 388

Dear Mr. Rokeberg:

Union Oil Company of California (Unocal) would like to submit the following comments, for the record, regarding the House Oil and Gas Committee's new Committee Substitute to House Bill 388 (CSHB 388 9-LS1341G). Unocal has worked with the other members of the Alaska Oil and Gas Association (AOGA), in conjunction with the Department of Natural Resources, to develop a consensus piece of legislation that would streamline the State's oil and gas lease sale program and best interest finding process. The committee's CSHB 388 is a very good start on that process. However, with a few modifications, this Bill will address the desires of the abovementioned working group.

In general, CSHB 388 accomplishes the objectives set out by Unocal. Expansion of the eligibility of Exempt and Reoffer Sale lands to include lands subject to a Best Interest Finding issued within the last 10 years, is a significant improvement in this legislation. We believe specific language should be added to the title of the Bill stating that it provides for annual Area-wide Lease Sales. Although annual sales are not mandated, the Director of the Division of Oil and Gas has advised that he intends to include lands of critical interest to the industry in the Five Year Schedule. As long as Cook Inlet Sale 85 includes all of the lands identified on the proposed Oil and Gas Lease Sale 85 Map, the corresponding Best Interest Finding, covering virtually all of Cook Inlet, will accomplish a major objective of Unocal. We have received assurance from the Director of Oil and Gas that this will be the case. Annual sales in Cook Inlet will be greatly facilitated with an area-wide Best Interest Finding and land can be made available through the Exempt and Reoffer Sale process.

In conclusion, we support the suggested modifications proposed by AOGA, as we believe the specific proposed changes add to the clarity of the Bill. We will work with the House Resources Committee to fine tune CSHB 388. Thank you for all your committee's work and patience in developing this very useful piece of legislation.

Very truly yours,

A handwritten signature in cursive script that reads "Kevin A. Tabler".

Kevin A. Tabler

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	263	
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	68	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	62
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.

AREAWIDE LEASING

Program Objectives

- Annual North Slope and Cook Inlet Areawide Lease Sales shall include those areas which are not subject to exploration licensing, provided the necessary Best Interest Finding for such areas supports such sales;
- The Five-Year Lease Sale Schedule presented to the Legislature shall include an annual North Slope areawide lease sale and an annual Cook Inlet areawide lease sale;
- North Slope Areawide Upland Lease Sale #1 shall occur in 1998 as DNR has currently scheduled for Sale 87 in March, 1998;
- Areawide Best Interest Finding's (BIF) for North Slope and Cook Inlet shall commence immediately;
- Areawide BIF's shall survive for 10 years;
- Areawide BIF's shall cover all lands within the geographic sale area, regardless of current lease status or ownership;
- Comments for new information shall be solicited annually for the Areawide BIF's;
- The commissioner of DNR shall be granted discretionary authority to determine if new information requires a new BIF, earlier than 10 years;
- All areawide lease sales, subsequent to the initial areawide lease sales, shall be subject to existing regulations affecting offer sales;
- Legislation should be self implementing under current regulations;
- Nothing in this program shall affect the current lease sale schedule approved under the current Five-Year Leasing Program.

The program can be shown as an example of Industry, Legislature, and the Administration working cooperatively to re-design a work process to make the Alaskan business environment more efficient and user friendly.