

SB

245

TONY KNOWLES
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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 26, 1996

The Honorable Drue Pearce
Senate President
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

245

Dear President Pearce:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that streamlines the process for annual oil and gas lease sales on the North Slope. This bill changes the method of making best interest findings for leasing onshore areas of the North Slope. These changes are part of the Administration's continuing effort to make the state's oil and gas leasing program competitive in the international market, while ensuring that development occurs in an environmentally responsible manner.

Area-wide oil and gas lease sale are permitted under current law with no statutory acreage limitation for the sales. This gives the commissioner of the Department of Natural Resources broad discretion in determining what acreage to place in the state's five-year oil and gas leasing program. But best interest findings are now done for each individual lease sale. Under this proposal, the department will not have to issue a new best interest finding before each North Slope sale; a single best interest finding would be made for all area tracts offered over the 5-year sale period. This increases the certainty that oil and gas leases will be offered each year.

This new process will not prevent the Department of Natural Resources from amending a best interest finding. The department will analyze any new information and revise a finding as necessary. Another aspect of this bill would allow the state to put land in the annual lease sale as the state receives title from the federal government by requiring only that the acreage has been subject to a best interest finding in the previous five years, instead of having actually been offered for sale.

This proposal for area-wide leasing ensures sound environmental development of the North Slope under a streamlined process -- providing industry the certainty of annual lease sales and regulatory efficiency, and providing the state the benefits of jobs and enhanced development opportunities. I urge your prompt consideration and passage of this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Tony Knowles".

Tony Knowles
Governor

FISCAL NOTE

No. 1
 Bill Version: SB 245

STATE OF ALASKA 1996 LEGISLATIVE SESSION

BILL (S) Publish Date: 1/26/96

Revision Date: _____ Dept Affected Natural Resources
 Title: An Act relating to best interest findings in BRU: Resource Development
oil and gas leasing for the area onshore and north of... Component: Oil & Gas Development
 Sponsor: Rules Committee
 Requestor: Governor Knowles Component Serial No. 439

| Expenditures/Revenues | | (Thousands of Dollars) | | | | | |
|-------------------------------|------|------------------------|------|------|------|------|--|
| | FY97 | FY98 | FY99 | FY00 | FY01 | FY02 | |
| OPERATING EXPENDITURES | | | | | | | |
| PERSONAL SERVICES | | | | | | | |
| TRAVEL | | | | | | | |
| CONTRACTUAL | | | | | | | |
| SUPPLIES | | | | | | | |
| EQUIPMENT | | | | | | | |
| LAND & STRUCTURES | | | | | | | |
| GRANTS, CLAIMS | | | | | | | |
| MISCELLANEOUS | | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| 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) | | | | | |
|--------------------------|------|------------------------|------|------|------|------|--|
| | FY97 | FY98 | FY99 | FY00 | FY01 | FY02 | |
| 1002 Federal Receipts | | | | | | | |
| 1003 GF Match | | | | | | | |
| 1004 GF | | | | | | | |
| 1005 GF/Program Receipts | | | | | | | |
| 1006 GF/MHTIA | | | | | | | |
| Other | | | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |

Estimate of any current year (FY98) cost: \$ none anticipated

| POSITIONS | | FY97 | FY98 | FY99 | FY00 | FY01 | FY02 |
|-----------|--|------|------|------|------|------|------|
| 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)

Areawide lease sales are permitted under current law. There is no statutory acreage limitation for oil and gas lease sales and the commissioner has broad discretion in determining what acreage to place in the state's five-year oil and gas leasing program. However, under the proposed AS 38.05.035(e)(6)(I), the Department of Natural Resources will not have to issue a new best interest finding before each yearly North Slope sale. Therefore there is no fiscal impact.

Prepared by: Ken Boyd, Director Phone: 269-8800
 Division: Oil & Gas Date: 24-Jan-98
 Approved by Commissioner: [Signature] Date: 24-Jan-98
 Agency: Natural Resources

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