

SB

319

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HCS CSSB 319 (RES)
 () Publish Date: _____

Revision Date/Time (Note if correction): 18-Apr-02 Dept. Affected: DNR
 Title Shallow Natural Gas: BRU Oil and Gas Development
Leasing & Discharges Component Oil and Gas Development
 Sponsor Sen. Torgerson
 Requester (H) FIN Component No. 439

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
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						
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CHANGE IN REVENUES ()	275.0*	250.0**	250.0**	250.0**	250.0**	250.0**
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
 *Positive revenue flow anticipated in FY 03 from the conversion of approximately 50 shallow gas leases. Lessees would have a one-time chance to convert the lease to the specifications allowed under the new amendments if they pay the difference in the application fee (estimated at \$4,500 if fees are set at \$5,000 in the regulation process), bonding requirement, and rental fees. Under this example the state could receive \$225,000 additional application fees, plus an additional \$0.50 per each acre converted under the proposed amendments. DNR also assumes that it will receive 10 new applications (\$50,000) during FY03.
 ** In the ensuing years, activity in shallow gas leasing is expected to increase leading to additional revenues to the state. These figures assume that DNR receives 50 new applications each year. This amount does not include additional rental income nor royalties from production.

Prepared by: Mark Myers Phone 269-8800
 Division: Oil and Gas Date/Time 4/18/2002
 Approved by: Pat Pourchot Date 4/18/2002
 Agency: Natural Resources



**LEGISLATIVE AFFAIRS AGENCY
INFORMATION & TELECONFERENCING**

PO Box 845

Tok, AK 99780

Phone: 883-5020 Fax: 883-5021

Date: 5.6.02

Please accept the enclosed original(s) of written testimony for the HF 1N SB 37
teleconferenced hearing that was scheduled on 5.6.02

A copy of this testimony was transmitted to your committee via fax on 5.6.02

Thank you.

Tok LJO

Shawn Roberts, FNP, MS,

I am not in favor of HB 37. As a family nurse practitioner, I practice independently of physicians. It has been difficult to receive certain privileges in which physicians have total control. One example is hospital privileges to order radiology tests and procedures without using a physician's name.

HB 37 gives collective bargaining to physician on an exclusive basis. By not having FNP's or mid-level practitioners included in this collective, we are affectively kept out of all care of individuals represented by the health benefit plan. (again at the auspices of physician's) Please reconsider the wording of "physician" to include all practitioners
Thank-you.

Shawn Roberts, FNP, MS,

17 years working in rural AK providing primary care medicine

ALASKA STATE MEDICAL ASSOCIATION

4107 Laurel Street · Anchorage, Alaska 99508 · (907)562-0304 · (907)561-2063 (fax)

FAX COVER SHEET

Pages (including cover sheet):

TO: Rep. Bill Welles

FROM: Jim Jordan

DATE: 5/6/02

SUBJECT: SB37

MESSAGE:

Dear Rep. Welles

The statement I read in the hearing today is from this letter which was addressed to Rep. Murbowski. pertaining to the FTC, 1/18/02, letter on this bill.

Thank you

Jim

Alaska State Medical Association

4107 Laurel Street • Anchorage, Alaska 99508 • (907) 562-0304 • (907) 561-2063 (fax)

February 11, 2002

Honorable Lisa Murkowski
Alaska State House of Representatives
State Capitol, Room 408
Chair, House Labor and Commerce Committee
Juneau, AK 99801-1182

Dear Representative Murkowski:

The Alaska State Medical Association (ASMA's) lobbyist has provided me with a copy of the response (dated 1/18/ 2002) from several staff members from the Federal Trade Commission (FTC). At the risk of stating the obvious, please note that these are the comments of staff members (Messrs. Simons and Cruz) and do not represent the position of the FTC. This is the same situation when another FTC staff person (Richard Feinstein) testified on SB 256 (SB 37 during the last session) on his own behalf and not representing the views of the FTC.

The response from Mr. Simons and Mr. Cruz again reflect similarly the comments made in regard to the "state action doctrine exception" bills in both Texas and the District of Columbia. ASMA has responded to the comments with both written and oral testimony on numerous occasions, including before House Labor and Commerce Committee as well as in your work session this past December. Therefore, I am not going to comment in detail again but will instead make several comments on a broader basis. (By the way, a private attorney representing an undisclosed client in D.C. brought very similar arguments to those of Mr. Simons and Mr. Cruz in opposition to the D.C. bill establishing a state action doctrine exception. Mr. Charles James was the D.C. medical society legal council and he responded to those arguments. I will share some of Mr. James' comments with you as well.)

I will begin by framing the issue that is illustrative of why ASMA has brought forth and supported the concept embodied in SB 37. Alaska is faced with a situation where the private insurers involved in the health insurance are an oligopoly; Alaska has an inadequate number of physicians plus a great number who will be leaving practice soon due to age; and a necessary symbiotic relationship exists between physicians and the third party payors. ASMA is very interested in the physician workforce issues due to concerns over access to care issues. The symbiotic relationship, embodied by the whole concept and practice of assignment of benefits, is necessary due to legitimate public health reasons. (This relationship is required to exist by AS 21.87.140 for a medical service corporation.) Additionally, the contractual arrangements between insurers and physicians have been such that no negotiation takes place, with physicians being offered contracts on a "take it or leave it" basis. This happens because of the monopsony power that is exercised by the few insurers in the marketplace. ASMA finds this to be patently unfair.

Mr. Cruz and Mr. Simons seem to be unaware of the health care environment in Alaska and make the presumption that the health insurers can not look out after their own best interests. ASMA feels that the State is in a better position to determine what is needed to meet the health care needs of the citizens and that the large health insurers can and do vigorously look out for their own interests. (Also, and again, the entire process embodied in SB 37 is voluntary.)

Mr. James was the outside legal council for the medical association in D.C. when it was pursuing its bill embodying the "state action doctrine exception". He now is the head of the U.S. Justice Department's anti-trust enforcement division. The following is a response from Mr. James pertaining to arguments made by a lawyer (Mr. Hartwell) against D.C.'s "state action doctrine exception bill"; which represent an excellent overview:

"...It is true, the proposed legislation does not rely on elaborate pricing mechanisms to fix the outcome of the negotiations. From his letter, it appears that Mr. Hartwell would have the District insinuate itself into every facet of the negotiation process, establishing, among other things, a "framework" for the actual negotiations and a "procedural mechanism for evaluating the fairness of the negotiated terms and conditions." (Ltr. From Ray V. Hartwell, III., Esq. to Linda Crop of 4/24/00 at 6.) But the active supervision requirement does not require the District actually to sit at the bargaining table. Such a narrow interpretation indeed would turn the state action doctrine on its head. The underlying rationale of the doctrine, again, is to free the exercise of District's police powers from federal interference. Mr. Hartwell's understanding of the active supervision requirement would effectively preclude the District from adopting more progressive regulatory policies, like those embodied in the Act, that take advantage of efficiencies inherent in a bargained-for exchange. Rather than trying to impose bureaucratic notions of fairness, the Act relies on the self-interest of the physicians and the health plans to drive the bargaining process toward the most efficient result. At the same time the Mayor retains the ability to fix certain parameters before negotiations commence, (see Bill 13-333 at § 7), and to review the end-result (see id. At §§ 7-8). This structure ensures that the District has the final say on the agreement, while securing the efficiency benefits of a private bargain."

Additionally, I would like to point out that the letter from Mr. Simons and Mr. Cruz point out the need for non-fee related items to be covered in SB 37. On page 7, the last two sentences are as follows:

"...The method a health plan uses to calculate its payments to providers for particular services, however, can have a direct and significant impact on the ultimate price that providers receive for their services, and thus such are also "price" terms. Moreover, even collective bargaining over other, more clearly "non-price" issues in a health plan contract can have a substantial effect on the ultimate costs paid by consumers."

Finally, some of the points made by Mr. Simons and Mr. Cruz in last several pages of this letter pertaining to information provided the AG in the course of the process and the time in which the AG needs to make its final decision have merit. We addressed those issues with Sen. Kelly and have suggested amendments to address those issues.

Please give me a call if you wish to discuss any of the issues involving SB 37.

Sincerely,



James J. Jordan

Cc: Sen. Pete Kelly
John Troxel, MD, ASMA President

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Prepared by: Mark Myers Phone 269-8800
 Division: Oil and Gas Date/Time 4/18/2002
 Approved by: Pat Pourchol Date 4/18/2002
 Agency: Natural Resources



ALASKA STATE LEGISLATURE

SENATOR JOHN TORGERSON

CHAIR, SENATE RESOURCES COMMITTEE

CHAIR, SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

CHAIR, JOINT COMMITTEE ON NATURAL GAS PIPELINES

Session:

State Capitol, Room 427, Juneau, AK 99801
Telephone 907/465-2828 Fax 907/465-4779

District:

45457 Kenai Spur Hwy. Suite 101B,
Soldotna, AK 99669
Telephone 907/260-3042 Fax 907/260-3044

Sponsor Statement

SB 319 - "An act relating to shallow natural gas leasing; and providing for an effective date."

Shallow gas leasing was originally proposed as a program that would enable exploration and production of shallow natural gas deposits. One of the features of the program was to encourage a new energy supply to villages, mines, and other rural users. The program is fully operational with over 100 leases processed and nearly 200 more pending. The program has become a vehicle for commercial gas development in Fairbanks, Big Delta, Matsu Valley, and the lower Kenai Peninsula. SB 319 is intended to advance the program into a more robust and viable commercial program that should benefit all parties.

Because the program has become more commercial in nature, increasing revenues from application fees and annual rental fees is appropriate. The program will still neither involve competitive bidding nor require bonus bids. However, application fees for shallow gas leases have been increased from \$500 to \$5,000 and annual rental fees have been increased from \$0.50 to \$1 per acre. The increased fees are designed to increase revenue and pay for the program costs, while not discouraging parties of genuine interest and ability from developing shallow natural gas resources.

The requirement that DNR annually notify a lessee by certified mail of rental due has been deleted. Rent would automatically be due on the date determined in the lease. Deadlines have proven to be unworkable and do not recognize the work required by DNR to prepare leases in areas that are populated and may have complex land ownership patterns.

REPRESENTING THE KENAI PENINSULA

*Anchor Point Bear Creek Clam Gulch Cooper Landing Crown Point Fritz Creek Humpy
Valley Halibut Cove Homer Hope Kachemak City Kachemak Selo Kusilof Lowell Point
Moose Pass Nanwalek Nikolaevs Ninilchik Port Graham Razdolna Seward Seldovia
Soldotna Stariski Sterling Voznesenka*

The limitation on depth to 3,000 feet has been replaced with the requirement that some portion of the field must be within 3,000 feet of the surface. The total amount of acreage that may be held by shallow natural gas lessees has been increased from 46,080 acres to an aggregate of 100,000 acres. The acreage increase reflects the fact that large acreage may be necessary to a shallow gas program.

The requirement that the applicant conduct a title search will be removed. DNR routinely conducts a title search for land before leases are issued. Additionally, there are no title companies who will conduct a thorough title search of the subsurface estate and warranty title. These changes will improve reservoir management and increase the value to the lessee and the state.

New bonding provisions would demonstrate lessees are fiscally responsible and would help protect surface owners. The lessee must secure the bond as a precondition to obtaining the lease. In the event that the surface estate is owned by a private party, an additional bond may be required if the lessee and the private party cannot reach an agreement.

Lessees will have from July 1, 2002 through September 30, 2002 (roughly 90 days) to convert leases from the existing program to the new program, if they so choose.



ALASKA STATE LEGISLATURE

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SECTIONAL ANALYSIS

SB 319

"An Act relating to shallow natural gas leasing"

Sec. 1 Page 1, lines 6-7.

- Amends the 3,000 foot depth to "a field, if a part of the field is within 3,000 feet of the surface."

Sec. 2 Page 2, Lines 14-22

- Amends the application fee to "up to \$5,000."
- Amends the total acreage from 46,080 acres to 100,000 acres.

Sec. 3 Page 2, Lines 23-7

- Removes the timing requirements for DO&G: Notice 20 days after receipt of application; Execute lease within 90 days after close of public comment period or 30 days after final consistency determination.

Sec. 4 Page 3, Lines 8-14

- Increases rental from .50 per acre to \$1 per acre.
- Removes requirement that DO&G send written notice by certified mail of rent due.

Sec. 5 Page 3, Lines 15-29

- Amends depth in AS 38.05.177(j) Lessee has the right to produce gas only if it is from a field if a part of the field is within 3000 feet of the surface.

Sec. 6 Page 3, Lines 30-16

- Adds new section requiring an additional bond (in addition to the bond required under AS 38.05.130). Establish by regulation form and amount for statewide, areawide, unit-wide, or per-lease bonds.

REPRESENTING THE KENAI PENINSULA

*Anchor Point Bear Creek Clam Gulch Cooper Landing Crown Point Fritz Creek Happy Valley Halibut Cove
Homer Hope Kachemak City Kachemak Selo Kasilof Lowell Point Moose Pass Nanwalek Nikolaevsk
Ninilchik Port Graham Razdolna Seward Seldovia Soldotna Stariski Sterling Voznesenka*

- The bond must be posted as a condition of issuing the lease.
- An additional bond is not required if the person already has a bond covering the person's statewide oil and gas leasing activities in an amount of at least \$500,000.

Sec. 7 Page 4, Lines 17-5

- Amends the depth with respect to Waste Disposal Permits under Title 46(DEC). The permit requirements do not apply for "water well drilling, geophysical drilling, or coalbed methane drilling or other natural gas from a field subject to lease under AS38.05.177.

Sec. 8 Page 5, Lines 6-29

- Changes depth for proof of financial responsibility to respond to damages in the case of pipelines or exploration/production facilities Title 46 (DEC).

Sec. 9 Page 5, Line 30

- Repeals the requirement for the applicant to conduct the title search.

Sec. 10 Page 5, Lines 31-5

- DNR may proceed with adopting regulations necessary to implement these amendments.

Sec. 11, Page 6, Lines 6-12

- Adds a new section to the uncodified that allows lessees to convert leases to consistency with the amendments between July 1, 2002 and October 1, 2002.

Sec. 12 Page 6, Line 13

- Section 10, above, takes effect immediately

Sec. 13 Page 6, Line 14

- The remainder of the amendments take effect July 1, 2002

Alaska Reserves and Production

- **36% of total U.S. oil reserves.**
- 8.0 billion barrels of oil
- **17% of total U.S. gas reserves**
- 35 trillion cubic feet of gas
- **20% of total U.S. oil production**
- 1.04 million barrels of oil per day

Sources: Alaska data are from Department of Natural Resources, Division of Oil and Gas, 2001 Annual Report
U.S. data are from U.S. Crude Oil, Natural Gas, and NGL Reserves, 2000 Annual Report, U.S.D.O.E.-E.I.A.

The State Revenue Pie

Petroleum Revenue Sources, (FY 2001)

**Total Royalties, Bonuses, Rents & Settlements:
\$1,145.9 Million**

General Fund Royalties, Bonuses & Rents^{1,2}:
\$798.8 Million

Royalties to Permanent Fund &
School Fund⁴:
\$337.1 Million

Settlements to CBRF⁴:
\$10.0 Million
(Includes Royalties & Taxes)

**Taxes:
\$1,125.4 Million²**

(Oil & Gas Property Tax + Tax Settlements +
Income Tax + Severance Tax)

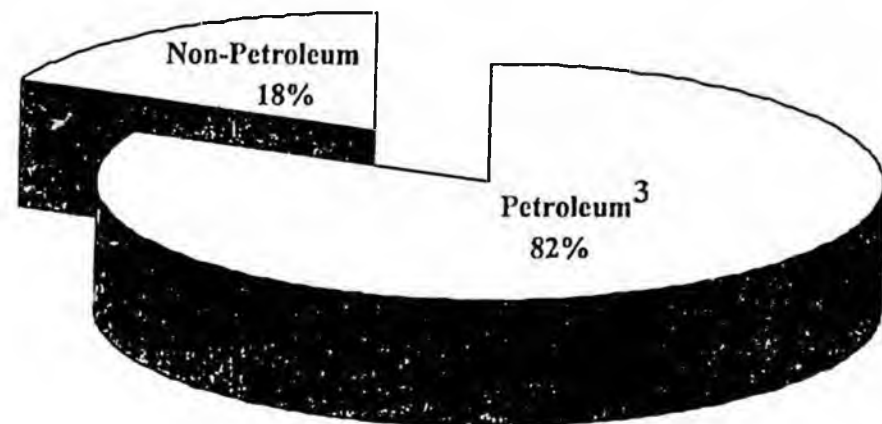
1 Includes Federally shared rentals

2 Source: pg. 23, DOR Fall 2001 Revenue Sources Book

3 Source: pg. 22, DOR Fall 2001 Revenue Sources Book

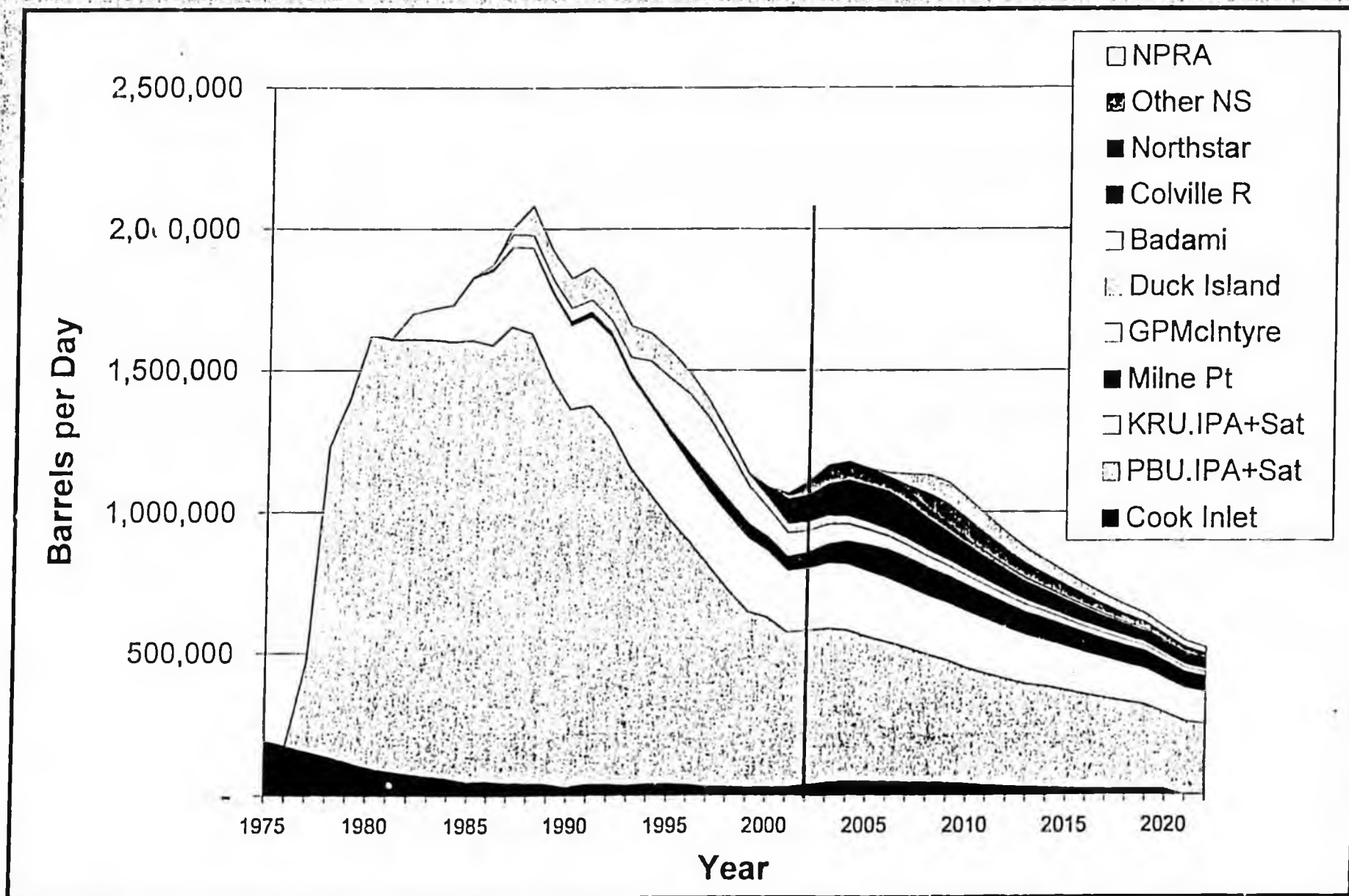
4 Source: pg. 19, DOR Fall 2001 Revenue Sources Book

FY 2001 Unrestricted Revenue

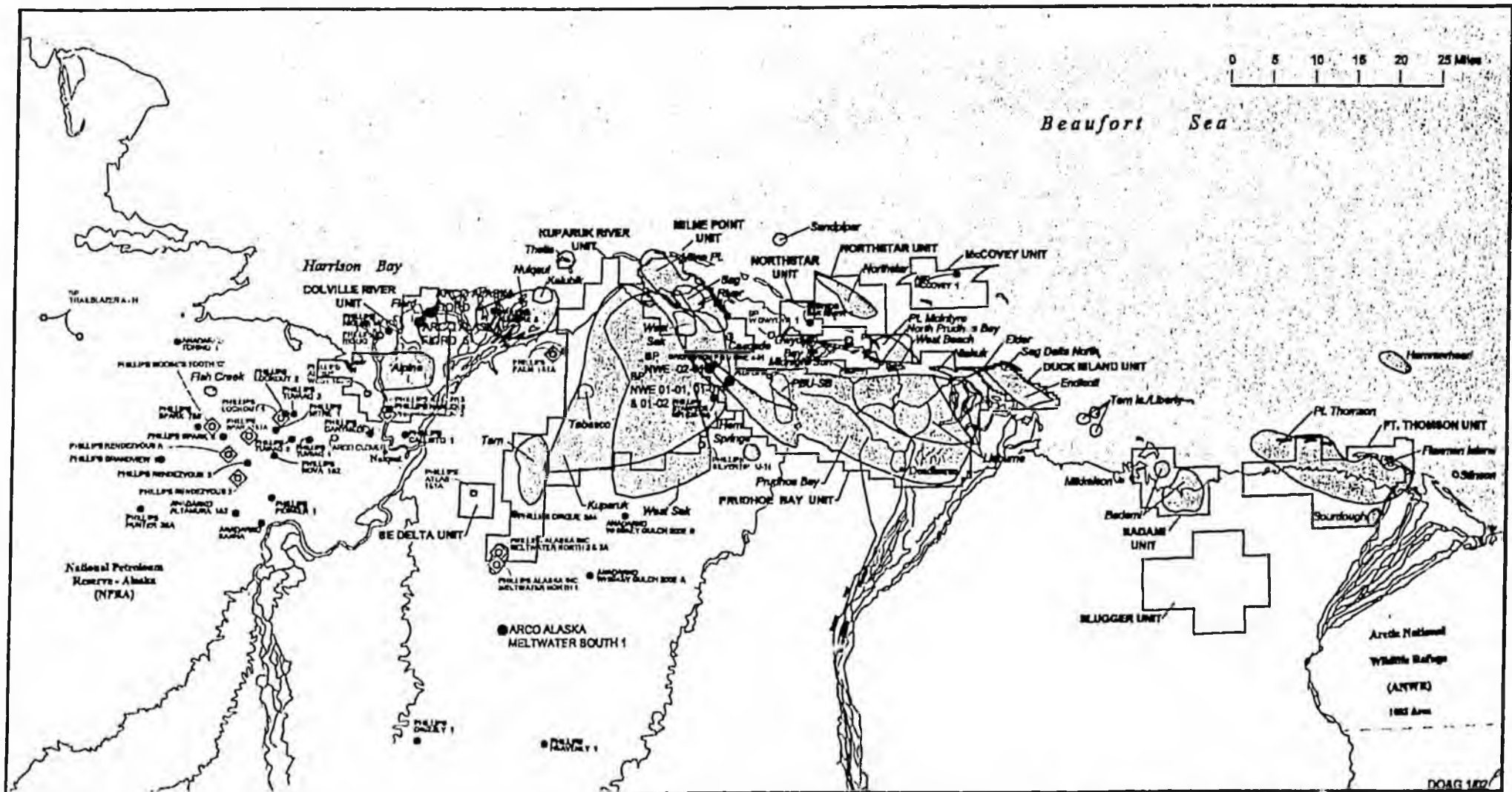


Historic and Projected Alaska Oil Production

1975 - 2022



North Slope Oil & Gas Activity and Discoveries 2002

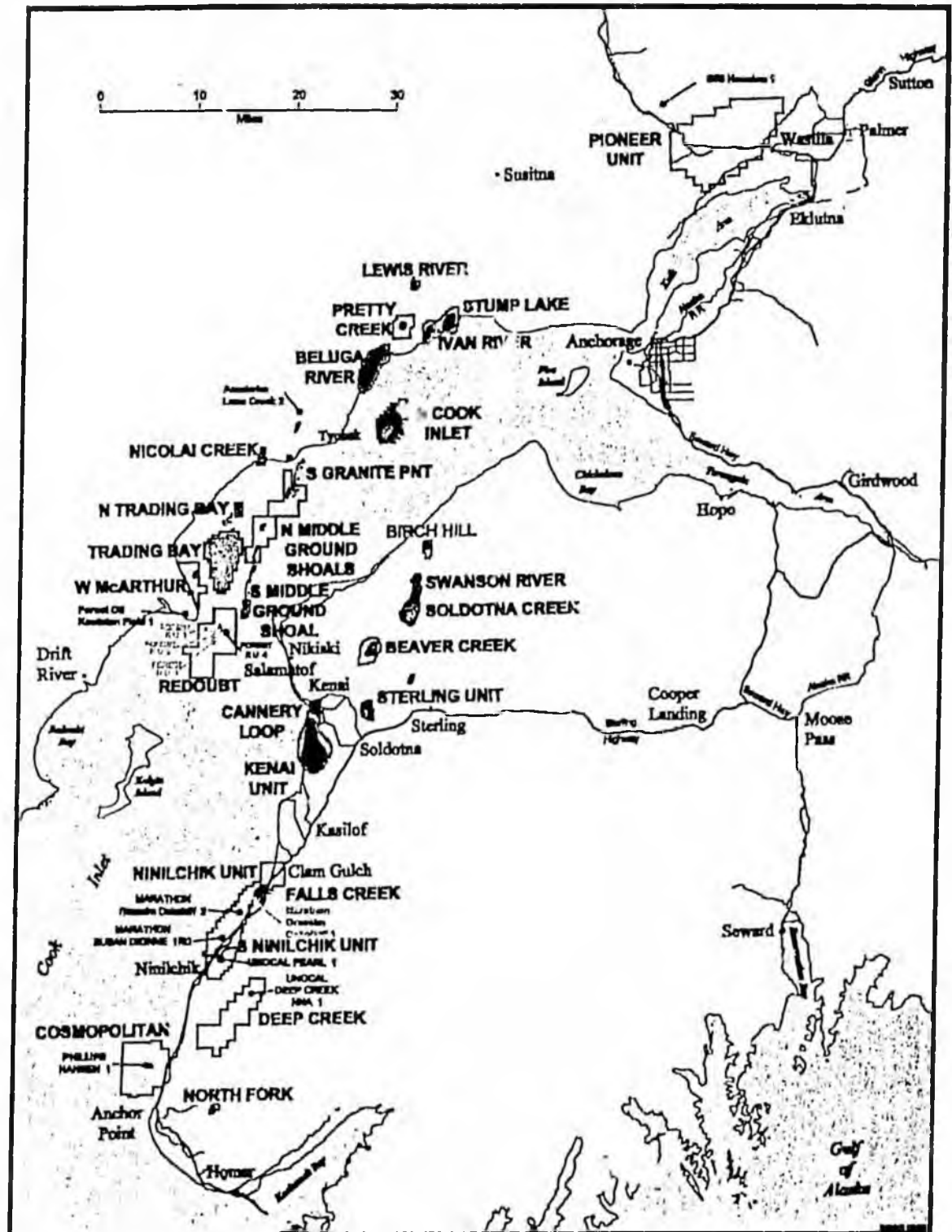
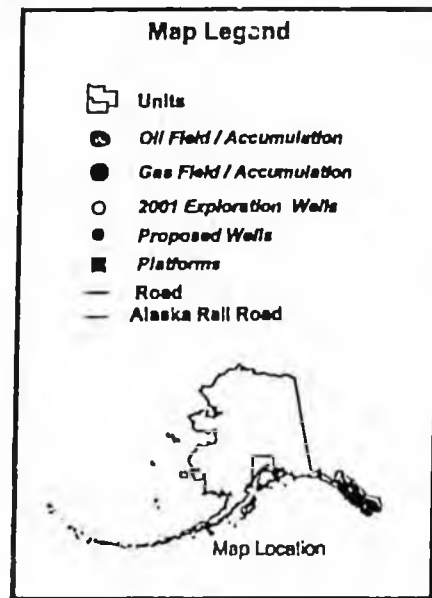


Map Legend

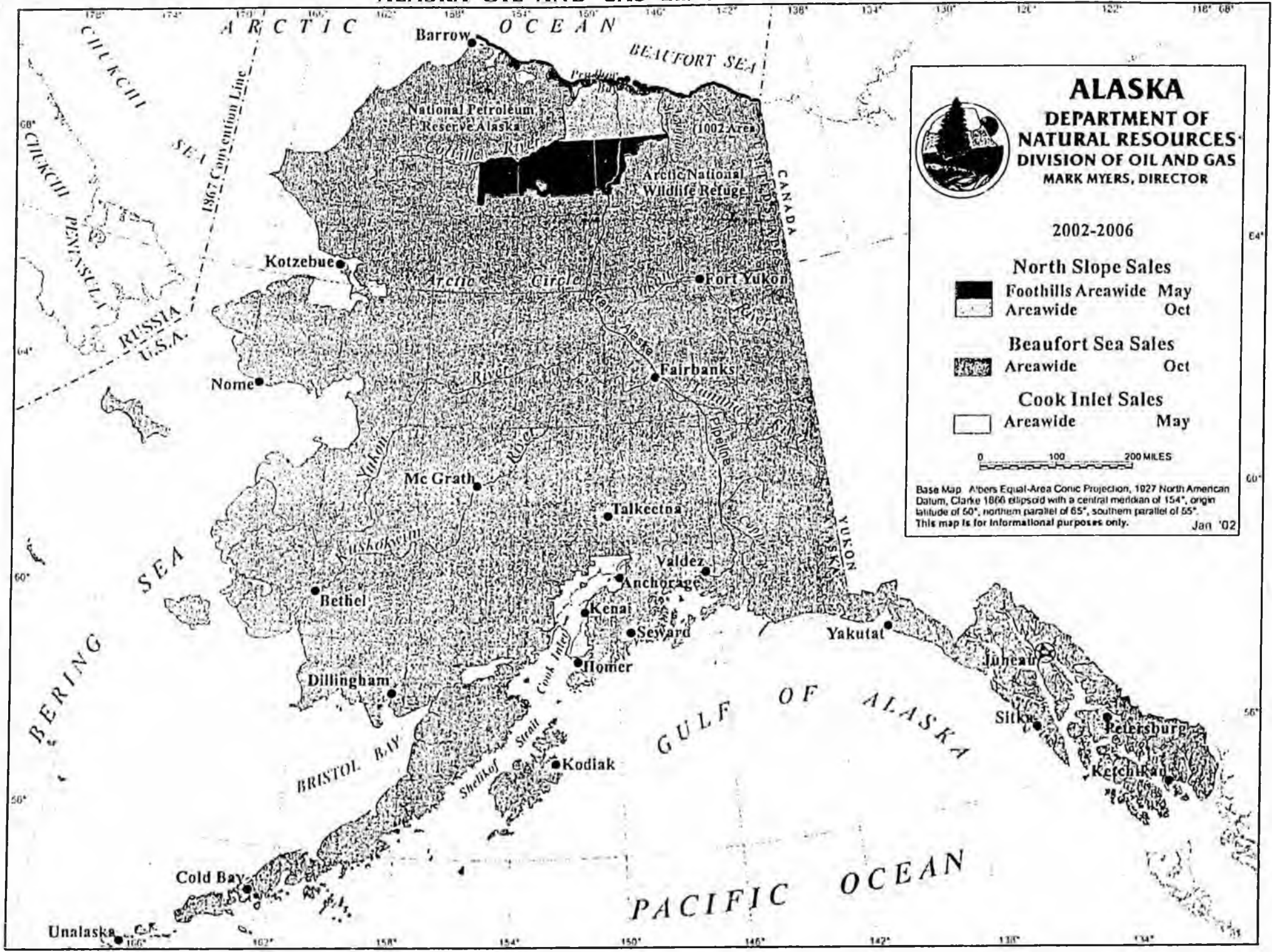

Units	Road
Oil Field / Accumulation	Trans-Alaska Pipeline
2000 Exploration Wells	
2001 Exploration Wells	
2002 Proposed Wells	
Active Wells	
Recent Discoveries	

Map 1.01.02

Cook Inlet Oil & Gas Activity January 2002



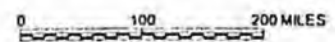
ALASKA OIL AND GAS LEASING PROGRAM

ALASKA
DEPARTMENT OF
NATURAL RESOURCES
DIVISION OF OIL AND GAS
 MARK MYERS, DIRECTOR

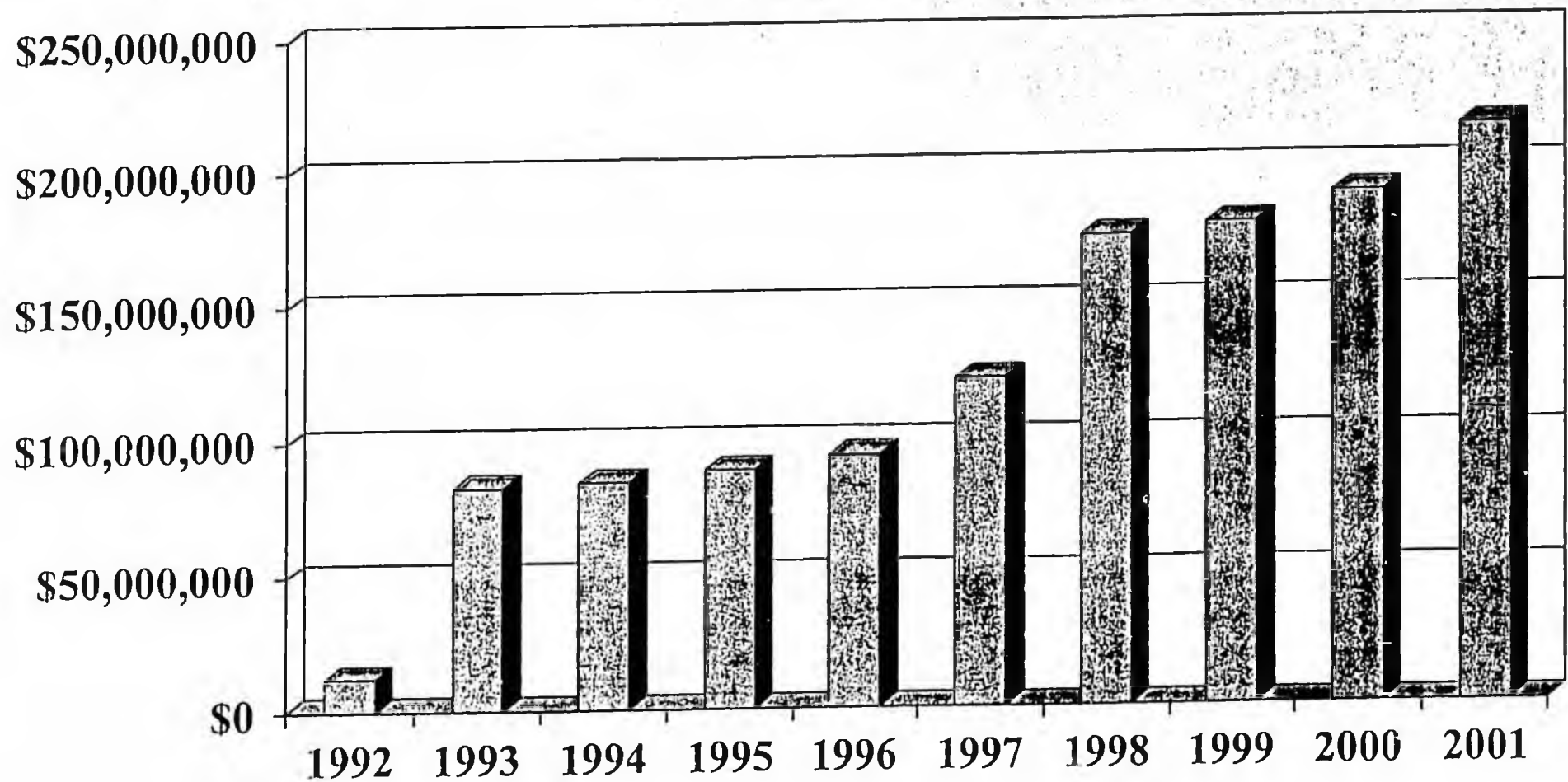
2002-2006

-  North Slope Sales
 -  Foothills Areawide
 -  Beaufort Sea Sales
 -  Cook Inlet Sales
- May Oct May Oct May



Base Map: Albers Equal-Area Conic Projection, 1927 North American Datum, Clarke 1866 ellipsoid with a central meridian of 154°, origin latitude of 60°, northern parallel of 65°, southern parallel of 55°. This map is for informational purposes only. Jan '02

Cumulative Bonus Bids



2001 Areawide Lease Sales

Total Acres Leased = 1.6 Million

Total Bonus Bids = \$24.5 Million

North Slope Foothills

- Area's First Lease Sale
- Largest State Sale Ever
- 8 Bidding Groups
- 978,560 Acres Leased
- \$10.7 Million in Bonus Bids

North Slope

- 16 Bidding Groups (Shell returns after 13 yrs)
- 469,760 Acres Leased
- \$7.4 Million in Bonus Bids

Cook Inlet*

- 6 Bidding Groups
 - 102,523 Acres Leased
 - \$928,085 in Bonus Bids
- (* Final Results)

Beaufort Sea

- 7 Bidding Groups
- 60,800 Acres Leased
- \$5.4 Million in Bonus Bids

Exploration Licensing

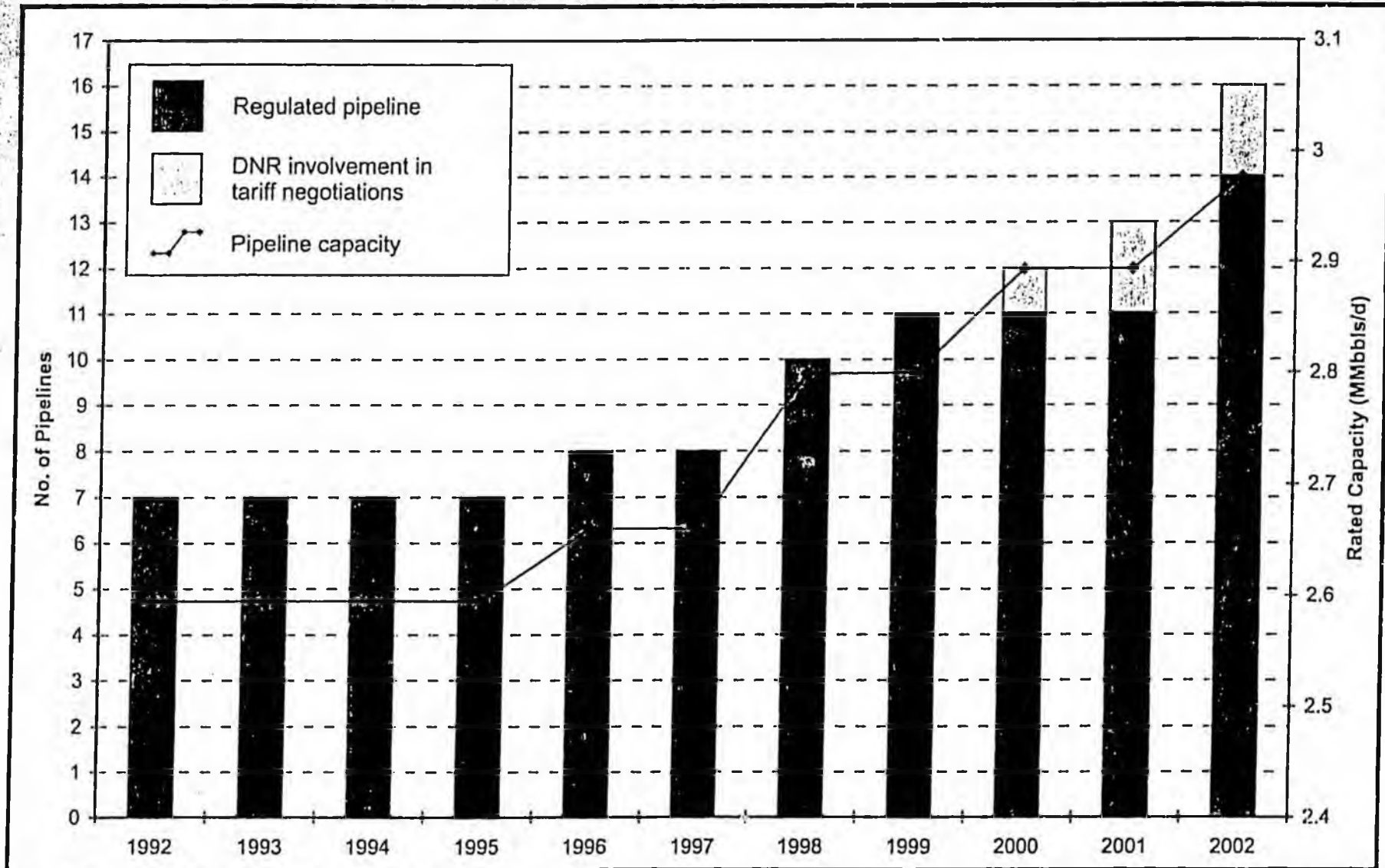
Proposed – Susitna Valley

- Forest Oil Corp. submitted two proposals
- 873,600 Total Acres, located west of Susitna R.
- Total Exploration Commitment over \$5 Million
- Final Finding and Decision – February 2002

Proposed – Nenana Basin

- Andex Resources submitted only proposal
- 499,800 Acres, located north and west of Nenana
- Exploration Commitment = \$2.5 Million
- Preliminary Finding – February 2002
- Final Finding and Decision – Late Summer 2002

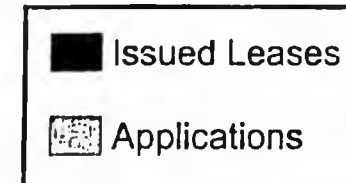
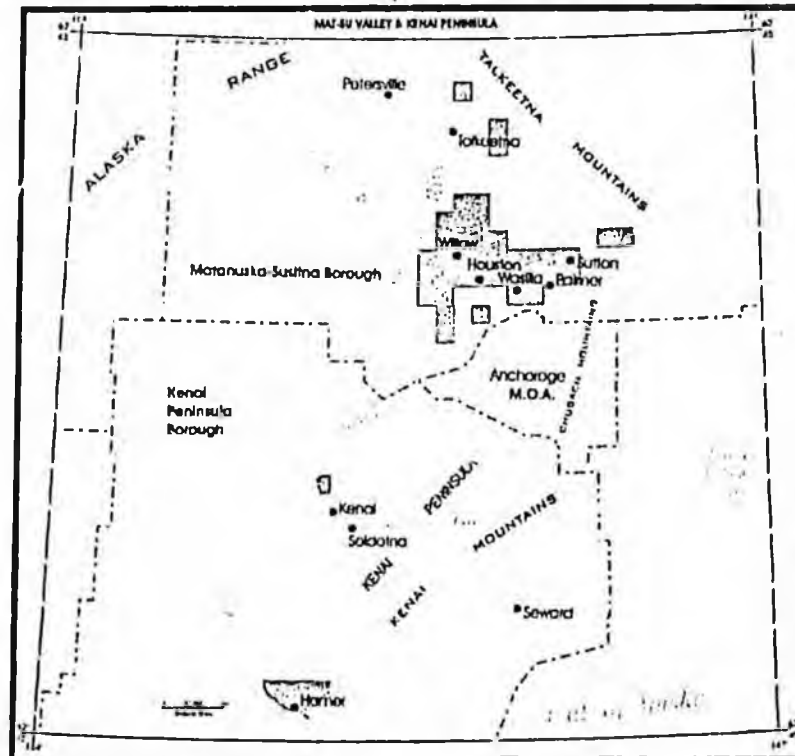
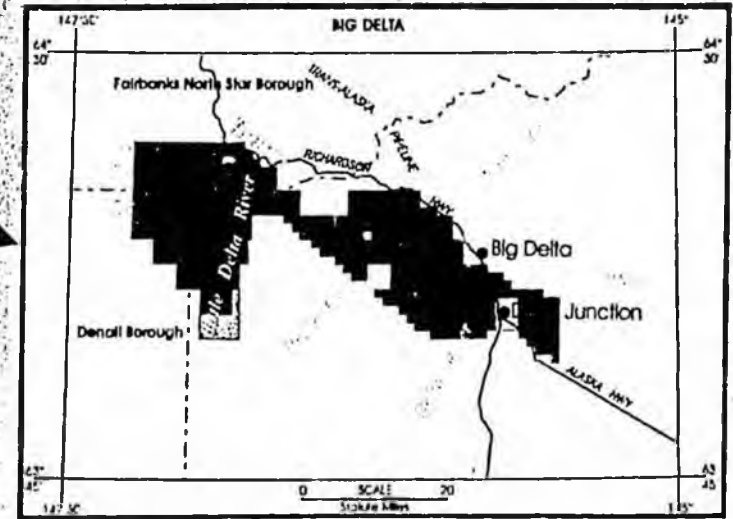
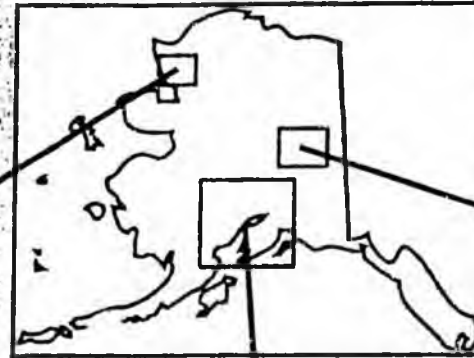
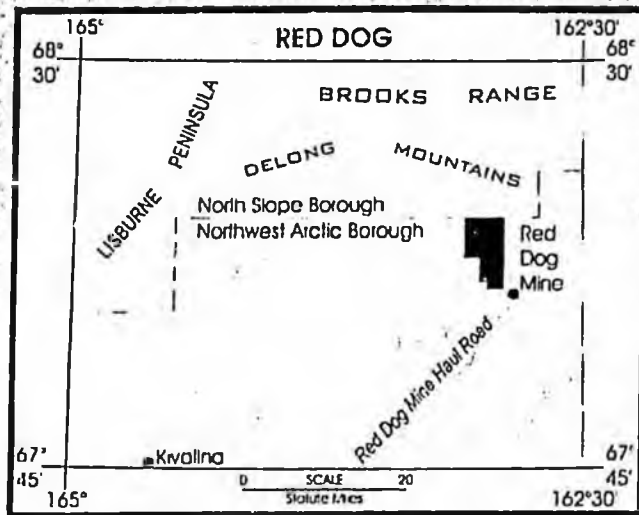
Alaska Regulated Pipelines



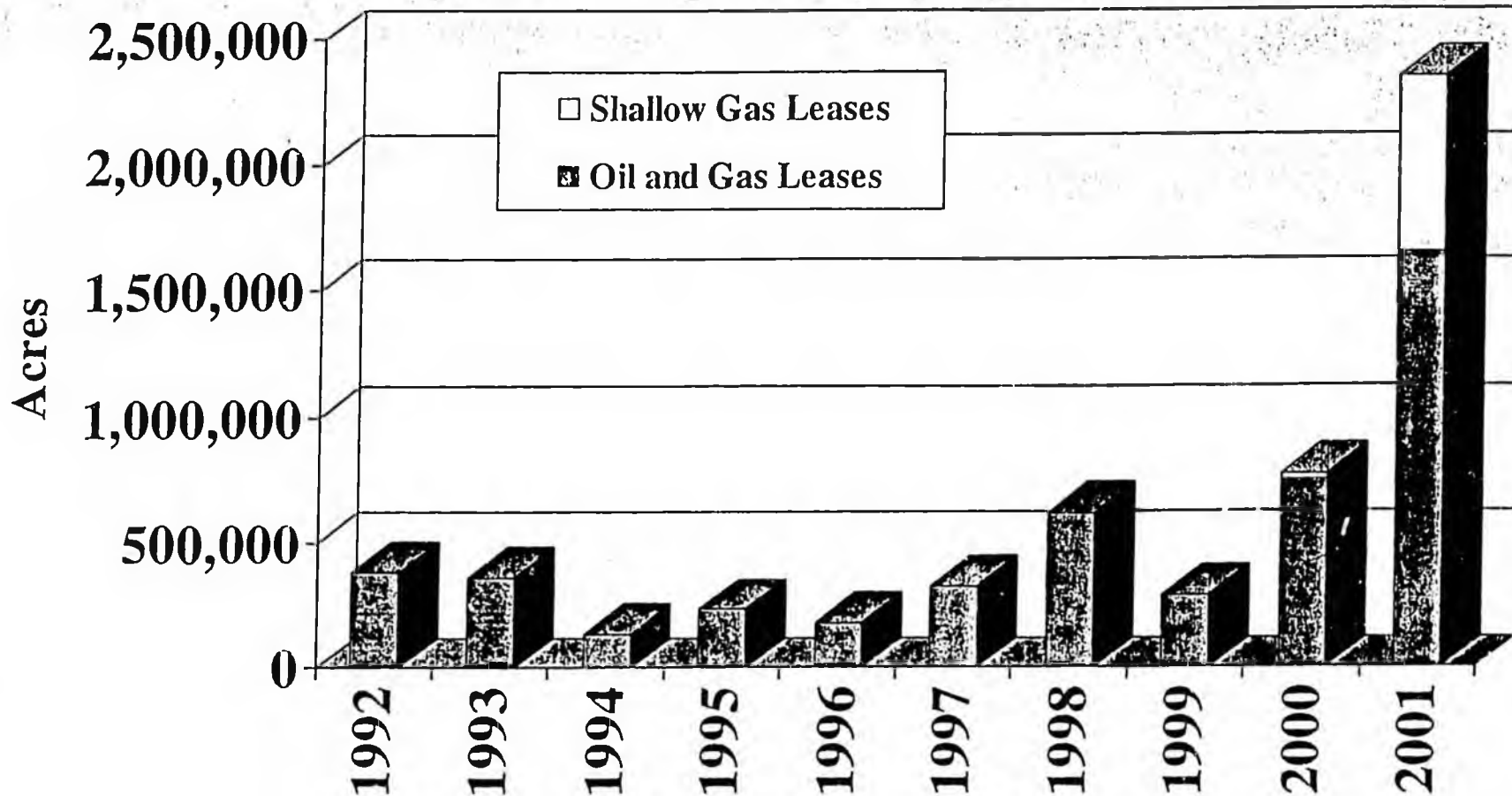
Source: Division of Oil and Gas, January 2002

krb 1/02

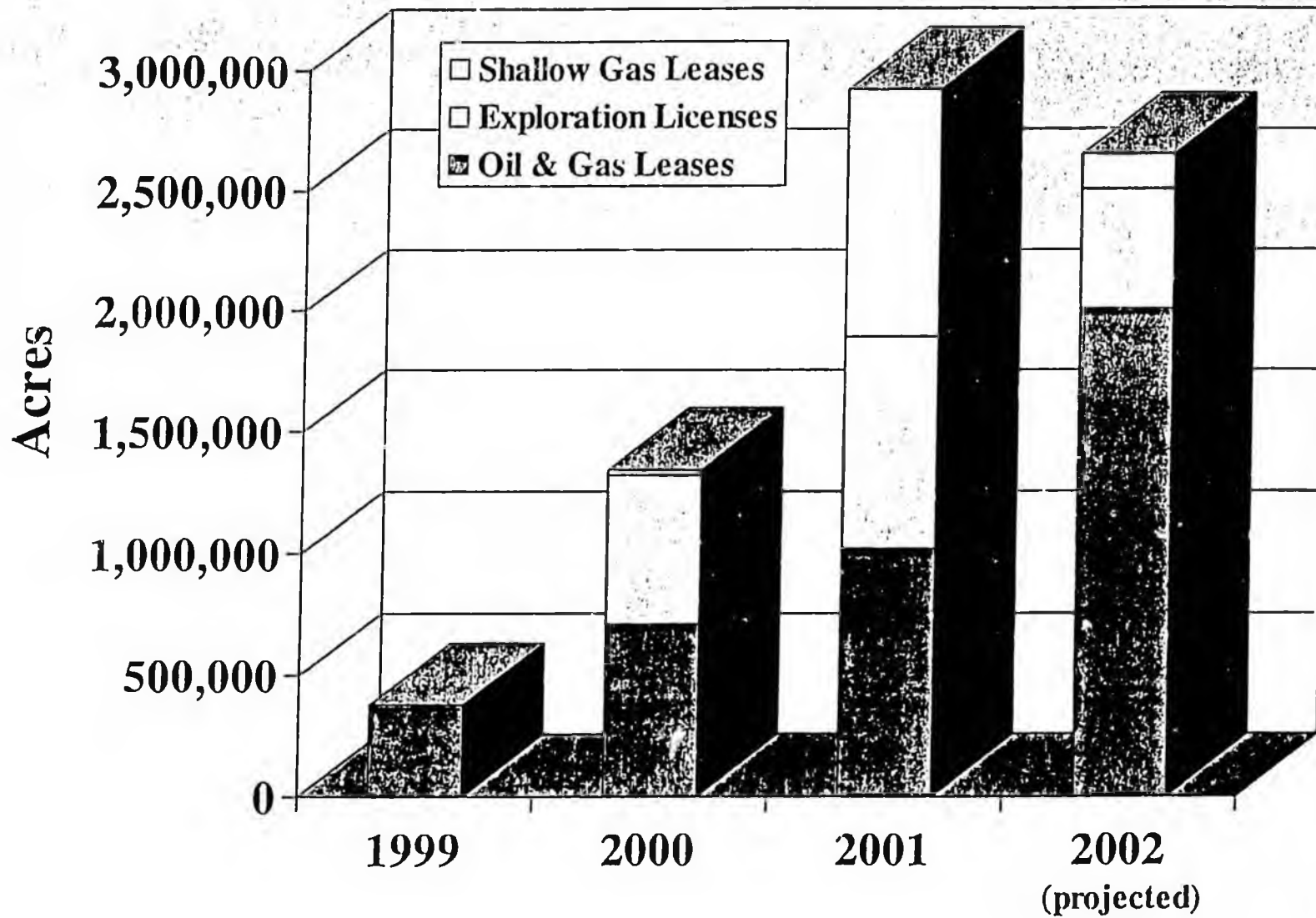
Shallow Natural Gas Leasing Program



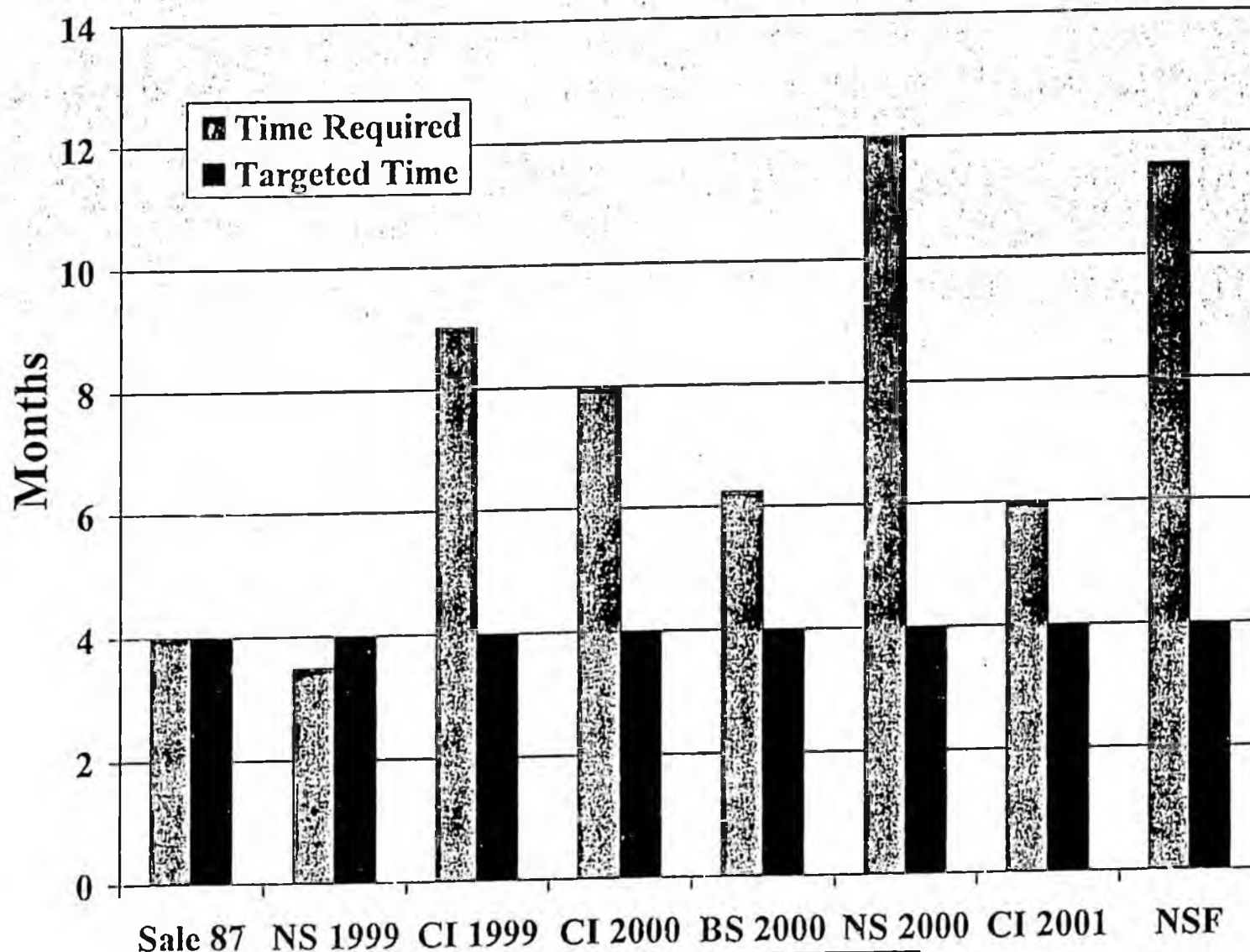
Acreage Leased



Title Work



Time Required to Issue a Lease



Sale Legend

BS - Beaufort Sea	CI - Cook Inlet
NS - North Slope	NSF - North Slope Foothills

(Projected)

Delays in Title = Delays in \$\$

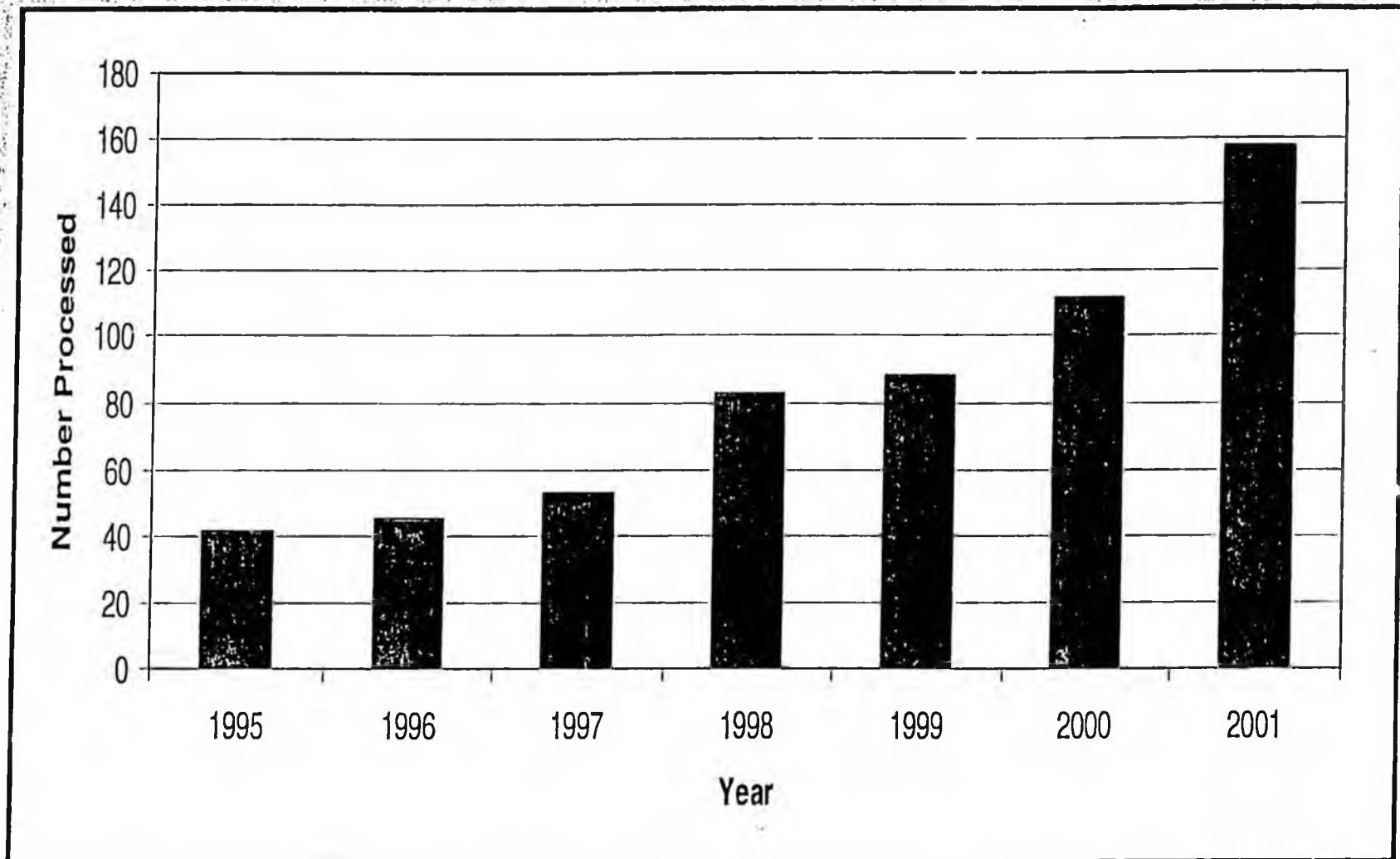
- It Takes up to 1 Year to Issue Leases

- FY 01 Revenue Delayed to FY 02

Balance on Bonus Bids = \$8.9 Million

1st Yr Lease Rentals = \$1.3 Million

Unit Actions



Actions include Units and Participating Areas formed, expanded, contracted, and terminated; Unit decisions appealed; Unit Plans of Exploration and Development reviewed and approved.

cdl 01/02

PBU Mechanisms

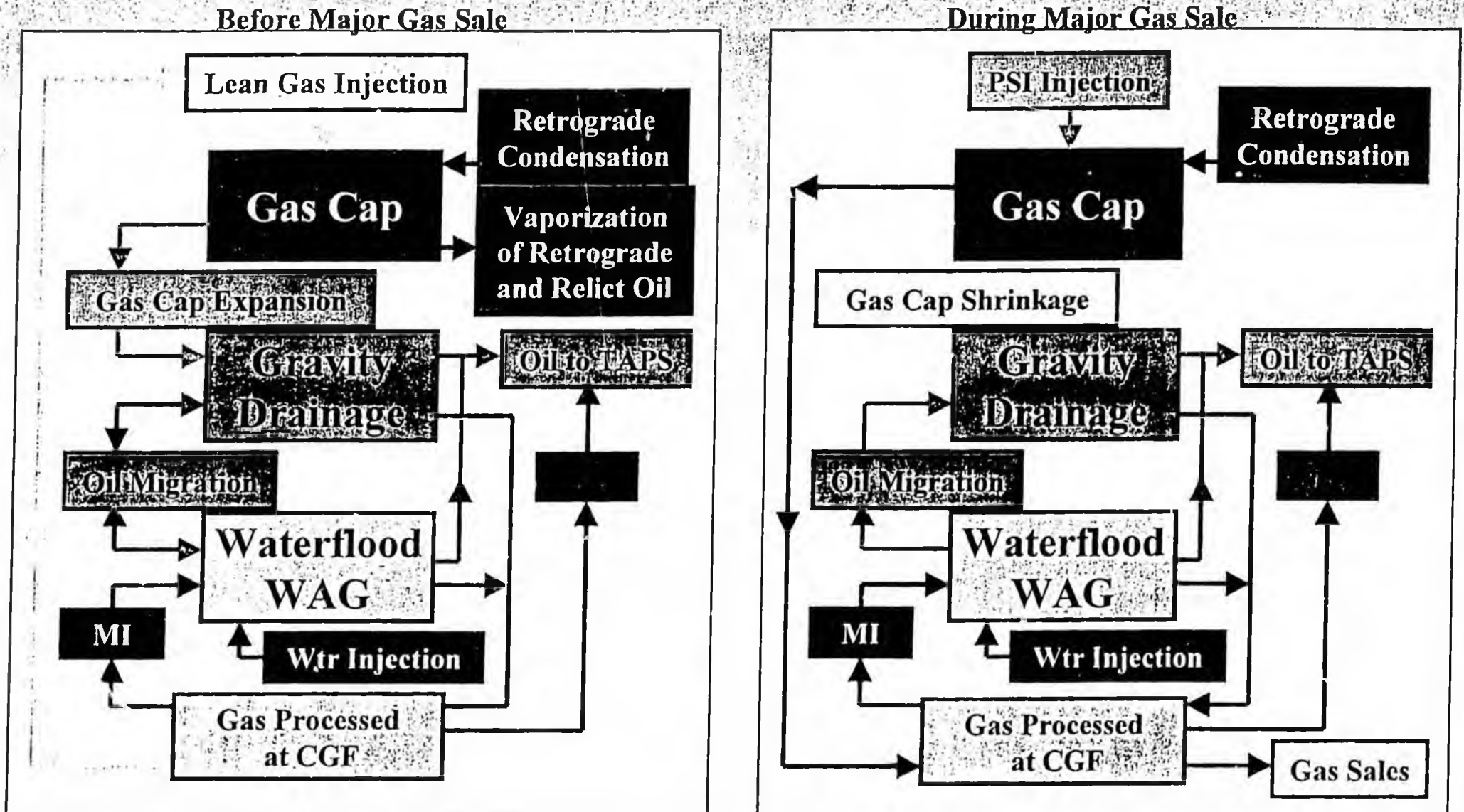
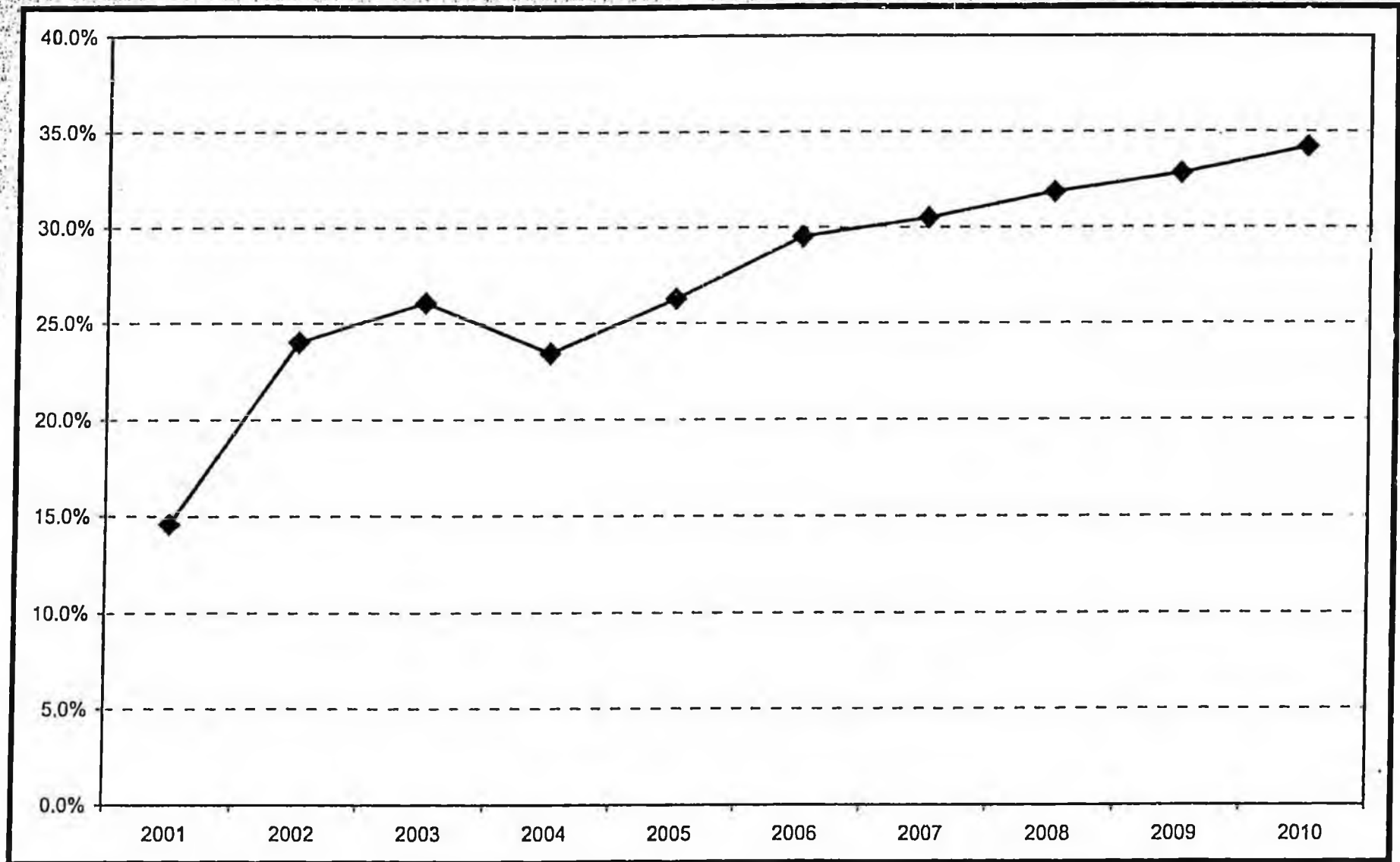


Figure 10

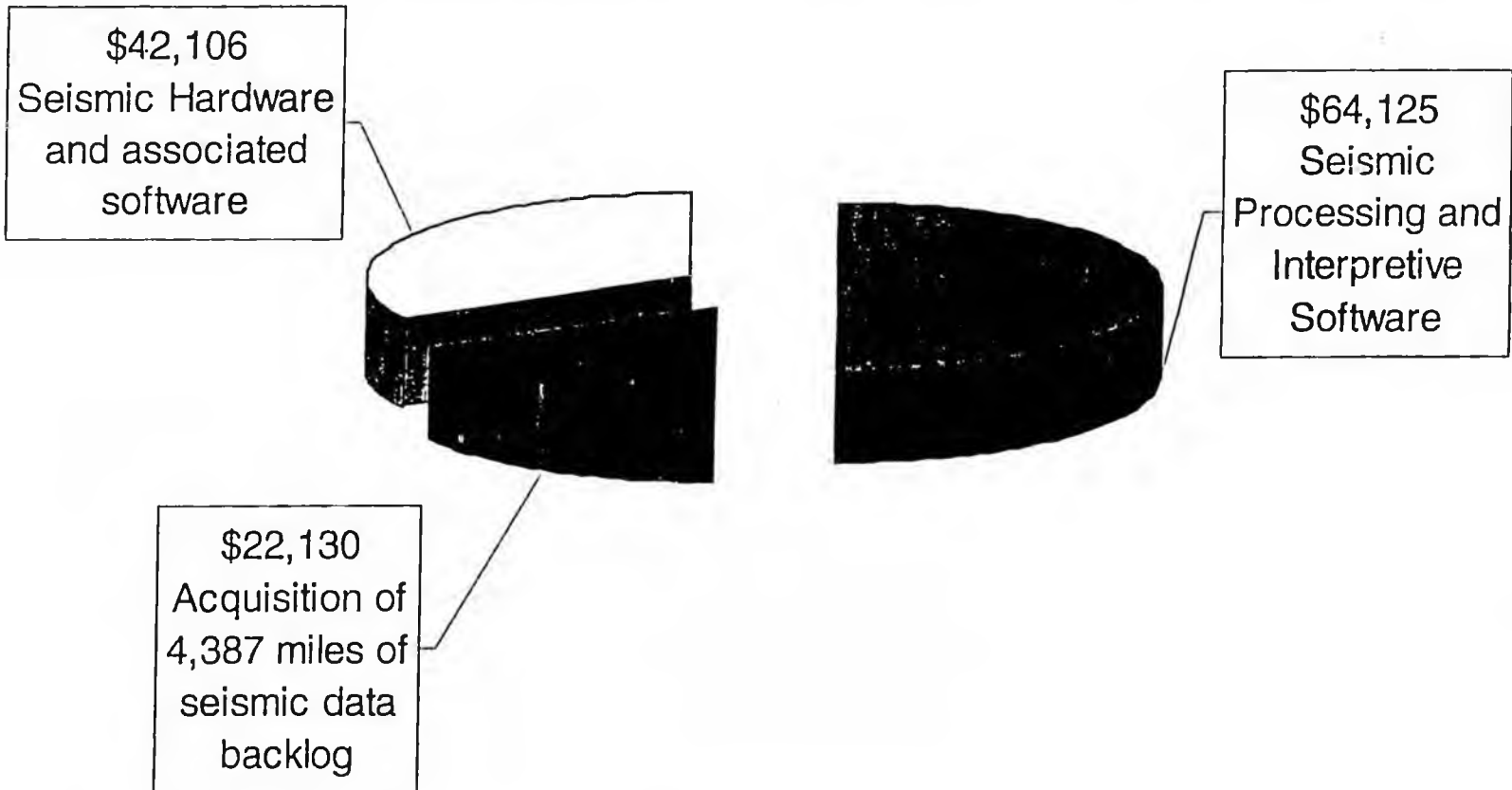
Projected Pipeline Tariffs as a Percent of ANS Wellhead Price



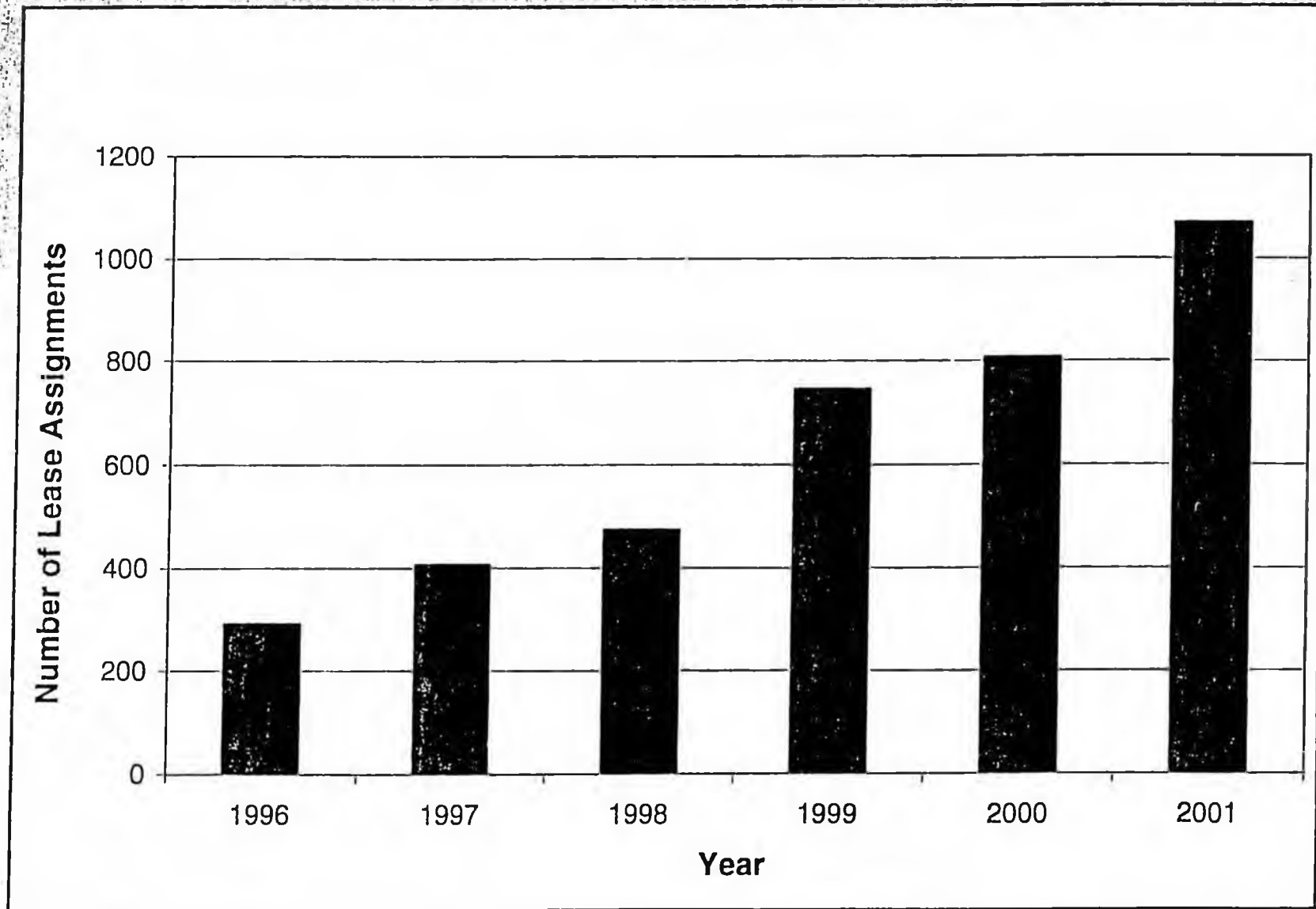
Source: DOR, Revenue Sources Book, Fall 2001

krb 1/02

FY02 Seismic Increment Expenditures

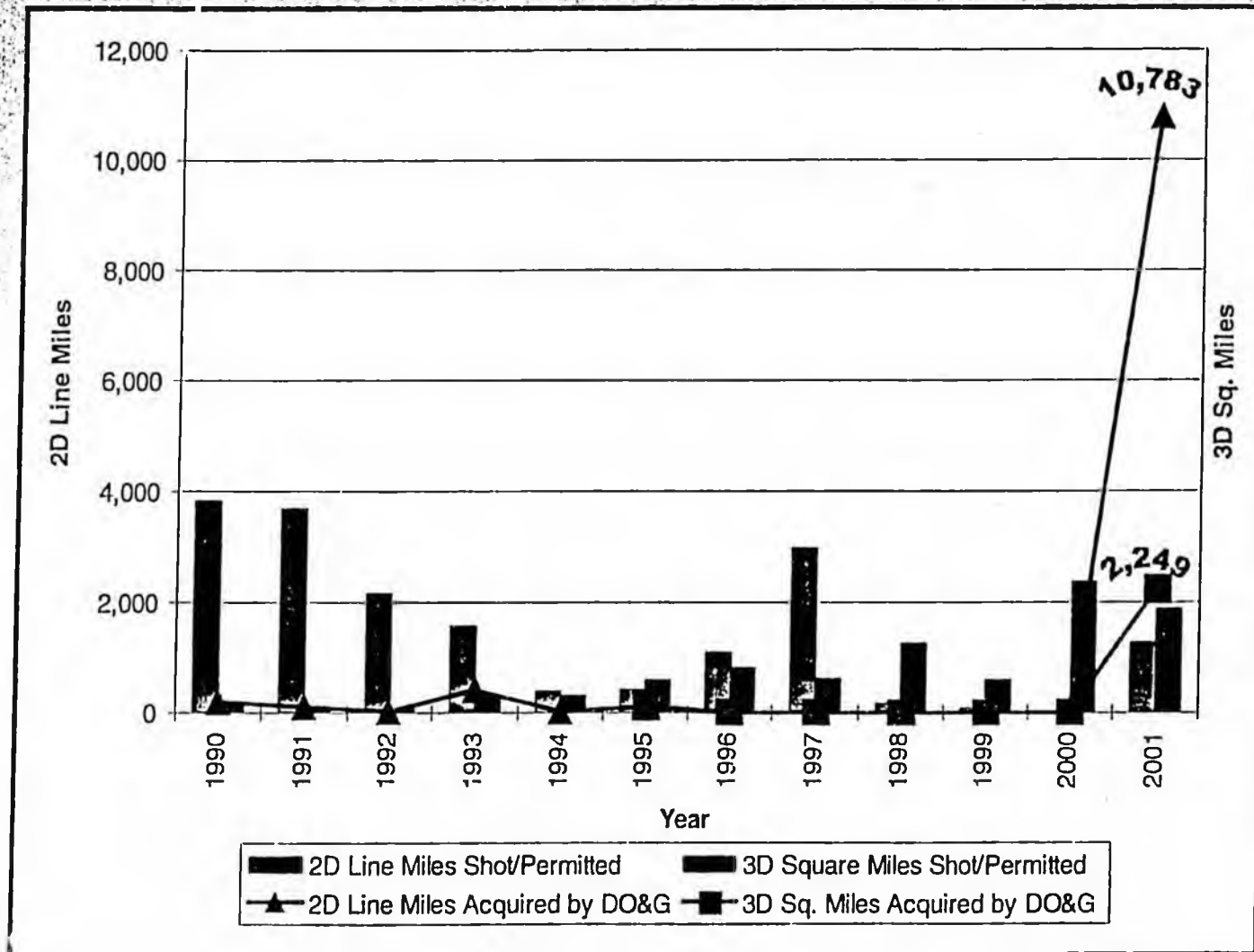


Lease Assignments in Alaska

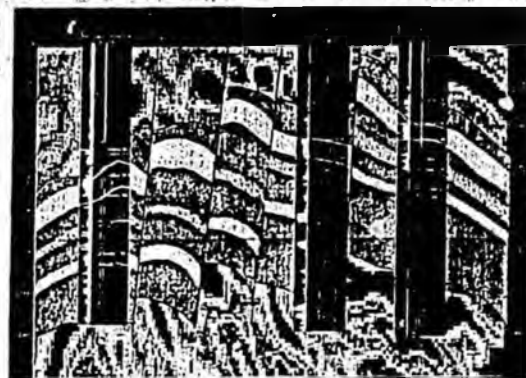


Seismic Data Status

1990 - 2001



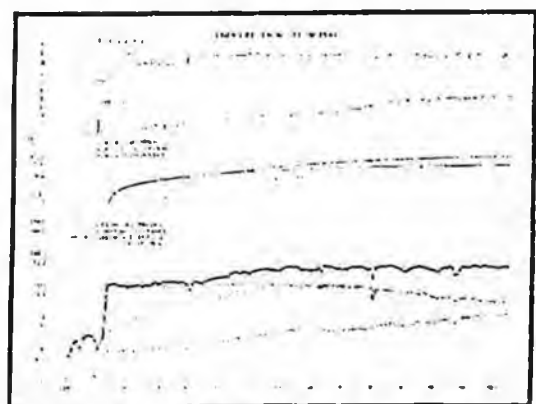
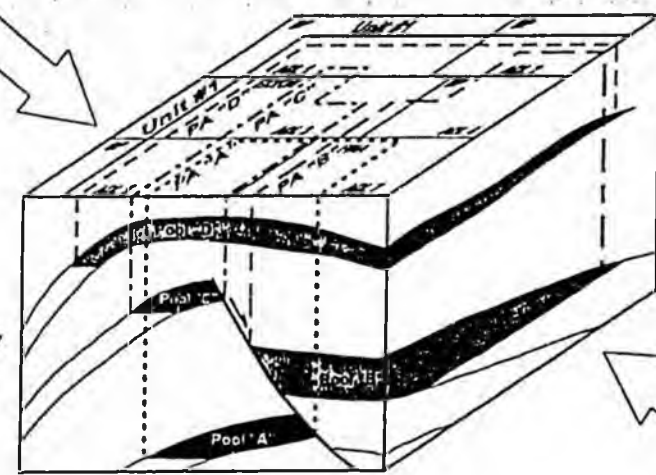
Different databases and data managed and merged to create 3-D pictures of oil fields and royalty share



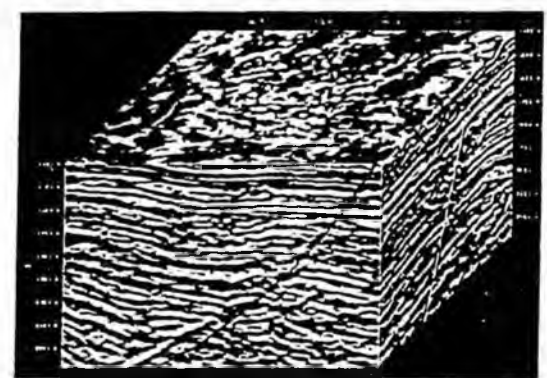
Geologic Data
(Well logs, Directional Surveys, Geochemistry, Paleontology, & Formation data)

Nizuk Western PA		Nizuk Eastern PA		
34826 ANCO, B&CDW 12.5% 12.5% 1987	34825 BPX 12.5% 12.5% 1987	312827 BPX, AMBAADA 100% 12.5% MPE 12.5% 1988		
34828 ANCO, ERKOH 12.5% 12.5% 1987	34830 BPX 12.5% 12.5% 1987	34835 BPX 17.5% (15.0%) 12.5% 1987	34834 12.5% 12.5% 1987	

Royalty, Lease, Unit/Participating Areas, Ownership & Economic Data

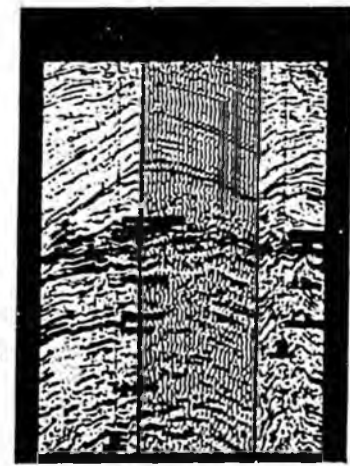


Engineering & Production Data

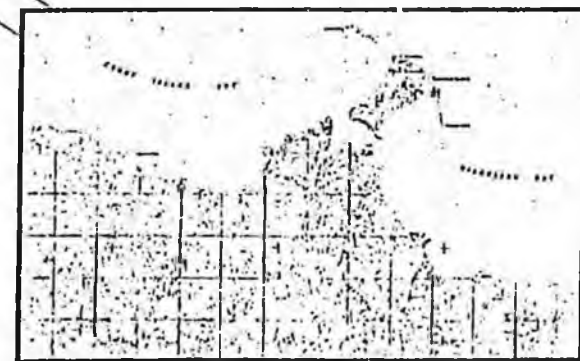


3-D Seismic

Geophysical Data
(Seismic, Gravity, Magnetic, Velocity, & Shothole data)



2-D Seismic



**Geographic Information;
Cultural & Physical Data
Aerial & Satellite Imagery**

**Testimony of John Tanigawa
Evergreen Resources (Alaska) Corporation
House Finance Committee
Monday, May 1, 2002, 1:30 PM**

EVERGREEN

RE: SUPPORT OF SENATE BILL 319

Thank you Mr. Chairman. My name is John Tanigawa. I am the Special Projects Manager for Evergreen Resources Alaska Corporation, a wholly owned subsidiary of Evergreen Resources, Inc. Last December, I moved to Wasilla to oversee our operations. Currently, we have 46,080 acres of Shallow Gas Lease Applications located near Willow. Today, I testify in support of Senate Bill 319.

SB 319 removes obstacles to our ability to explore for and to develop shallow natural gas. Evergreen Resources Alaska's specialties extend to Alaska the main focus of Evergreen Resources which is coal bed methane, unconventional gas and shallow natural gas development. These activities require at least 100,000 acres or roughly 4 townships to establish the necessary economies of scale for initial development. Due to the challenges of operating in an arctic environment however, increasing that acreage limitation to 138,240 acres or 6 townships, increases economic viability of shallow natural gas. We strongly support increasing the depth limitation to one that relies on science and geology for the specific play. We are certain that we can drill, complete and produce natural gas wells below 5,000 feet in a safe and environmentally responsible manner using already existing technologies that we employ.

Finally Mr. Chairman, the Shallow Natural Gas Program is the primary reason Evergreen is in Alaska. We are grateful that the legislature is making this program possible and for improving it. Changes proposed in this bill provide us the necessary latitude to operate in an economically sound and environmentally safe manner. We acknowledge the Division of Oil and Gas for collaborating with us and other stakeholders and is an excellent example of how state agencies and industry can work together to the benefit not just government and industry, but particularly the public.

Thank you for allowing me to testify.

I would be pleased to answer any questions that you may have.

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UNION OIL COMPANY OF CALIFORNIA

SB 319

Testimony by Pat Carter

Before The House Finance Committee

May 1, 2002.

Mr. Chairman and members of the House Finance Committee:

For the record my name is Pat Carter and I'm here today representing Unocal on behalf of Kevin A. Tabler, Manager of Land and Government Affairs for Unocal Alaska.

Mr. Tabler has provided ~~previous~~ testimony in all previous committee referrals but was ^{REGRETABLE} unable to be present today. ~~I appreciate this opportunity to testify today in support of~~
~~SB 319.~~

Unocal is actively involved in an aggressive gas exploration program in the Cook Inlet area and is very interested in legislation dealing with gas exploration.

The Shallow Gas Leasing Program augments the existing areawide leasing program and enhances the access to, and development of, the State's natural gas resources.

We are very supportive of this program and other leasing programs providing reasonable access to the State's mineral wealth.

In it's current form, SB 319 provides for better administration, flexibility and clarification of the Shallow Gas Leasing Program and we believe this is in the best interest of the State of Alaska.

Unocal fully supports the passage of this legislation. Thank you.