

SB

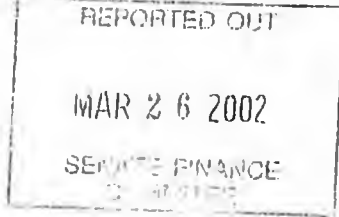
319

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 3/1/02



FURTHER:

DATE TURNED IN TO OFFICE: 03/26/02

Finance Committee considered **SENATE BILL NO. 319**
SB 319 SHALLOW NATURAL GAS LEASING

"An Act relating to shallow natural gas leasing; and providing for an effective date."

and recommends:

- be replaced with CS SB 319 (FIN)
- adopt previous CS FORTHCOMING
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

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

NEW FISCAL NOTE(S):

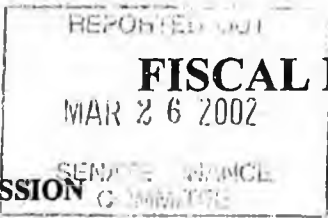
Department	Date	Fiscal	Zero	FN#
DNR	3/22/02		✓	

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Thomas R. Olson</i>	✓			
<i>Frank Miller</i>	✓			
<i>Alvin Curtis</i>	✓			
<i>Lloyd Green</i>	✓			
<i>James ...</i>	✓			
<i>Robert ...</i>	✓			
COCHAIR: <i>W. ...</i>			✓	
COCHAIR: <i>Peter Kelly</i>	✓			



**STATE OF ALASKA
2002 LEGISLATIVE SESSION**

Fiscal Note Number: _____
 Bill Version: CS SB 319 (RES)
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: DNR
 Title Shallow Natural Gas Leasing BRU Oil and Gas Development
 Component Oil and Gas Development
 Sponsor Sen. Torgerson
 Requester Senate Resources 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 3/22/2002
 Approved by: Pat Pourchot Date 3/22/2002
 Agency Natural Resources

LEGAL SERVICES

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

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329


MEMORANDUM

March 26, 2002

SUBJECT: CSSB 319(Finance) (Work Order No. 22-LS1548\J)

TO: Senator Dave Donley, Co-Chair
Senator Pete Kelly, Co-Chair
Senate Finance Committee

FROM: Jack Chenoweth
Assistant Revisor of Statutes



The Finance Committee-adopted amendment to bill sections 7 (page 4, lines 26 and 27) and 8 (page 5, line 26) implicates more than "shallow natural gas *leasing*," so that, in addition to the specific changes, I've amended the bill title to delete the word "leasing" following "shallow natural gas."

JBC:med
02-325.med

Enclosure

ADOPTED

SENATE FINANCE
COMMITTEE

Amendment Number: #1

Bill Number: SB 319

Sponsor: Wilken Date: 3/26/02

Logged In By: Mindy

AMENDMENT #1

OFFERED IN SENATE FINANCE

BY SENATOR

WILKEN

TO: CS SB 319(RES)

1 Page 4, lines 26-27

2 Delete "field subject to lease under AS 38.05.177"

3 Insert "field, if a part of the field is within 3,000 feet of the
4 surface"

5 Page 5, line 26

6 Delete "field subject to lease under AS 38.05.177"

7 Insert "field, if a part of the field is within 3,000 feet of the surface"

CS FOR SENATE BILL NO. 319(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATOR TORGERSON

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to shallow natural gas; and providing for an effective date."

* See
Legal's
note

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

3 * Section 1. AS 38.05.177(a) is amended to read:

4 (a) The provisions of this section

5 (1) apply to gas, whether methane associated with and derived from
6 coal deposits or otherwise, [DEVELOPED] from a field if a part of the field
7 [SOURCE THAT] is [ONSHORE AND] within 3,000 feet of the surface; and

8 (2) do not apply to authorize lease of

9 (A) land

10 (i) that is subject to an oil and gas exploration license or
11 lease issued under AS 38.05.131 - 38.05.134; or

12 (ii) that is leased under AS 38.05.180;

13 (B) the land (i) that is proposed to be subject to an oil and gas
14 exploration license or lease issued under AS 38.05.131 - 38.05.134; or (ii) that
15 is described in and part of a proposed oil and gas leasing program prepared

1 under AS 38.05.180(b); however, the commissioner may waive the limitations
2 of this subparagraph;

3 (C) the land that is held under a coal lease entered into under
4 AS 38.05.150, unless the applicant for a shallow natural gas lease is also the
5 lessee under AS 38.05.150 of that land; or

6 (D) the valid existing selections of the Alaska Mental Health
7 Trust Authority made for the purpose of reconstituting the mental health trust
8 established under the Alaska Mental Health Enabling Act, P.L. 84-830, 70
9 Stat. 709 (1956), that become subject to management under AS 38.05.801, or
10 of land that has been designated by law for or is subject to designation for
11 conveyance to the Alaska Mental Health Trust Authority; however, after
12 consultation with the Alaska Mental Health Trust Authority, the commissioner
13 may waive the limitations of this subparagraph.

14 * Sec. 2. AS 38.05.177(b) is amended to read:

15 (b) For the purpose of exploring for and developing shallow natural gas
16 reservoirs, upon application, the director may lease to a person land for which the state
17 owns the subsurface rights. A person applying for a lease under this subsection

18 (1) shall specify the area to be leased; the area to be leased may not
19 exceed 5,760 acres; a lessee may not hold more than an aggregate of 100,000
20 [46,080] acres of land under leases entered into under this section;

21 (2) may be required to pay a reasonable application fee of up to \$5,000
22 [\$500].

23 * Sec. 3. AS 38.05.177(c) is amended to read:

24 (c) The [WITHIN 20 DAYS OF RECEIPT OF A LEASE APPLICATION,
25 THE] director shall give notice under AS 38.05.945 of receipt of the lease application
26 and call for comments from the public. The director's call for public comments must
27 provide opportunity for public comment for a period of not less than 60 days. If, after
28 review of information received during the public comment period, the director
29 determines that the discovery of a local source of natural gas would benefit the
30 residents of an area, the director shall execute a lease for the area described in (b) of
31 this section. The director shall execute the lease [WITHIN 90 DAYS] after

1 completion of a title search, the close of the public comment period, and [OR], if
 2 review is required under AS 46.40, [WITHIN 30 DAYS] after the final consistency
 3 determination is made under AS 46.40 [, WHICHEVER IS LATER]. A lease entered
 4 into under this subsection gives the lessee the exclusive right to explore for, develop,
 5 and produce, for a term of three years, natural gas on the state land described in the
 6 lease; the right to explore for, develop, and produce is limited to gas [DERIVED] from
 7 a field if a part of the field is [NATURAL GAS] within 3,000 feet of the surface.

8 * Sec. 4. AS 38.05.177(f) is amended to read:

9 (f) A shallow gas lease must provide for payment to the state of annual rent in
 10 the amount of \$1 [50 CENTS] per acre. The rent is due and payable on the date
 11 [DATES] determined in the lease. [THE DIRECTOR SHALL MAIL THE LESSEE
 12 ONE WRITTEN NOTICE, CERTIFIED RETURN RECEIPT REQUESTED, THREE
 13 WEEKS BEFORE THE DUE DATE OF THE RENT. IF THE LESSEE FAILS TO
 14 PAY RENT, THE DIRECTOR SHALL TERMINATE THE LEASE.]

15 * Sec. 5. AS 38.05.177(j) is amended to read:

16 (j) A lease does not give the lessee the right to produce oil. A lease gives
 17 [DOES NOT GIVE] the lessee the right to produce gas only to the extent [FROM
 18 SOURCES] that it is from a field if a part of the field is [ARE NOT] within 3,000
 19 feet of the surface. If a well drilling for natural gas under a lease authorized by this
 20 section penetrates a field, no portion of which is within [FORMATION CAPABLE
 21 OF PRODUCING GAS BELOW] 3,000 feet of the surface, or penetrates a formation
 22 capable of producing oil, the owner or operator

23 (1) shall notify the department and the Alaska Oil and Gas
 24 Conservation Commission; and

25 (2) may not conduct further operations in the drilled well until the
 26 facility complies with all applicable laws and regulations relating to oil and gas
 27 exploration and production; however, this paragraph does not prevent the owner or
 28 operator from conducting activities that may be required by the Alaska Oil and Gas
 29 Conservation Commission to plug, plug-back, or abandon a well.

30 * Sec. 6. AS 38.05.177(k) is amended to read:

31 (k) The commissioner [OF NATURAL RESOURCES] may

1 (1) adopt only the regulations that are reasonable and that are
2 necessary to implement, interpret, or make specific the provisions of this section or to
3 establish procedures to govern application of the provisions of this section: and

4 (2) in addition to any requirement for a bond under AS 38.05.130,
5 establish by regulation a form and amount for statewide, areawide, unit-wide, or
6 per-lease bonds sufficient to secure damages that may be caused by the activities
7 of a lessee, or the lessee's successors or assigns, related to a shallow natural gas
8 lease entered into under this section; if the commissioner acts under this
9 paragraph, the commissioner

10 (A) shall require a person applying for a lease under this
11 section to post the bond as a condition for the director's executing the
12 lease;

13 (B) may not require a bond posted under this paragraph
14 from a person applying for a lease if the person has already posted a bond
15 covering the person's statewide oil and gas leasing activities in an amount
16 of at least \$500,000.

17 * Sec. 7. AS 46.03.100(f) is amended to read:

18 (f) This section does not apply to discharges of solid or liquid waste material
19 or water discharges from the following activities if the discharge is incidental to the
20 activity and the activity does not produce a discharge from a point source, as that term
21 is defined in regulations adopted under this chapter, directly into any surface water of
22 the state:

23 (1) mineral drilling, trenching, ditching, and similar activities;

24 (2) landscaping;

25 (3) water well drilling, geophysical drilling, or coal bed methane
26 drilling or other natural gas drilling to recover gas from a field if a part of the field is
27 within [RESERVOIR AT A DEPTH OF LESS THAN] 3,000 feet of the surface; or # 1

28 (4) drilling, ditching, trenching, and similar activities associated with
29 facility construction and maintenance or with road or other transportation facility
30 construction and maintenance; however, the exemption provided by this paragraph
31 does not relieve a person from obtaining a permit under (a) of this section if

1 (A) the drilling, ditching, trenching, or similar activity will
 2 involve the removal of the groundwater, stormwater, or wastewater runoff that
 3 has accumulated and is present at an excavation site for facility, road, or other
 4 transportation construction or maintenance; and

5 (B) a permit is otherwise required by (a) of this section.

6 * Sec. 8. AS 46.04.040(b) is amended to read:

7 (b) A person may not cause or permit the operation of a pipeline or an
 8 exploration or production facility in the state unless the person has furnished to the
 9 department, and the department has approved, proof of financial ability to respond in
 10 damages. Proof of financial responsibility required for

11 (1) a pipeline or an offshore exploration or production facility is
 12 \$50,000,000 per incident;

13 (2) an onshore production facility is

14 (A) \$20,000,000 per incident if the facility produces over
 15 10,000 barrels per day of oil;

16 (B) \$10,000,000 per incident if the facility produces over 5,000
 17 barrels per day but not more than 10,000 barrels per day of oil;

18 (C) \$5,000,000 per incident if the facility produces over 2,500
 19 barrels per day but not more than 5,000 barrels per day of oil;

20 (D) \$1,000,000 per incident if the facility produces 2,500
 21 barrels per day or less of oil;

22 (3) an onshore exploration facility is

23 (A) \$25,000 per incident for a facility used solely to explore for
 24 shallow natural gas by means of drilling a well to explore for gas, whether
 25 methane associated with and derived from coal deposits or otherwise, from a
 26 field if a part of the field [SOURCE THAT] is within 3,000 feet of the #)
 27 surface; and

28 (B) except as provided by (A) of this paragraph, \$1,000,000 per
 29 incident.

30 * Sec. 9. AS 38.05.177(i) is repealed.

31 * Sec. 10. The uncodified law of the State of Alaska is amended by adding a new section to

1 read:

2 TRANSITION: REGULATIONS. Notwithstanding sec. 13 of this Act, the
3 Department of Natural Resources may proceed to adopt regulations necessary to implement
4 the changes made by this Act. The regulations take effect under AS 44.62 (Administrative
5 Procedure Act), but not before the effective date of the statutory change.

6 * Sec. 11. The uncodified law of the State of Alaska is amended by adding a new section to
7 read:

8 TRANSITION: CONVERSION OF CERTAIN EXISTING LEASES UNDER
9 AS 38.05.177. On or after July 1, 2002, and before October 1, 2002, upon application of the
10 lessee, the Department of Natural Resources is authorized to convert leases entered into under
11 AS 38.05.177 and in existence on the effective date of secs. 1 - 9 of this Act to leases that are
12 consistent with the provisions of this Act.

13 * Sec. 12. Section 10 of this Act takes effect immediately under AS 01.10.070(c).

14 * Sec. 13. Except as provided in sec. 12 of this Act, this Act takes effect July 1, 2002.



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 Happy Valley Halibut Cove Homer Hope Kachemak City Kachemak Selo Kasilof 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 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

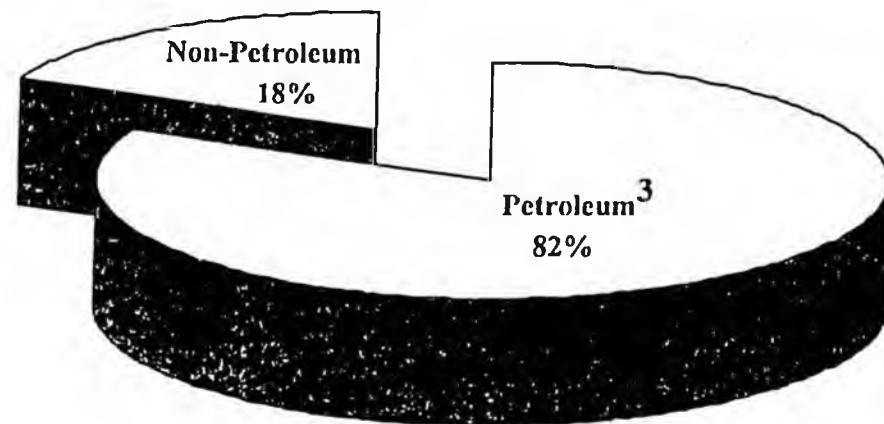
Settlements to CBRF⁴:
\$10.0 Million
(Includes Royalties & Taxes)

Taxes:

\$1,125.4 Million²

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

FY 2001 Unrestricted Revenue



1 Includes Federally shared rentals

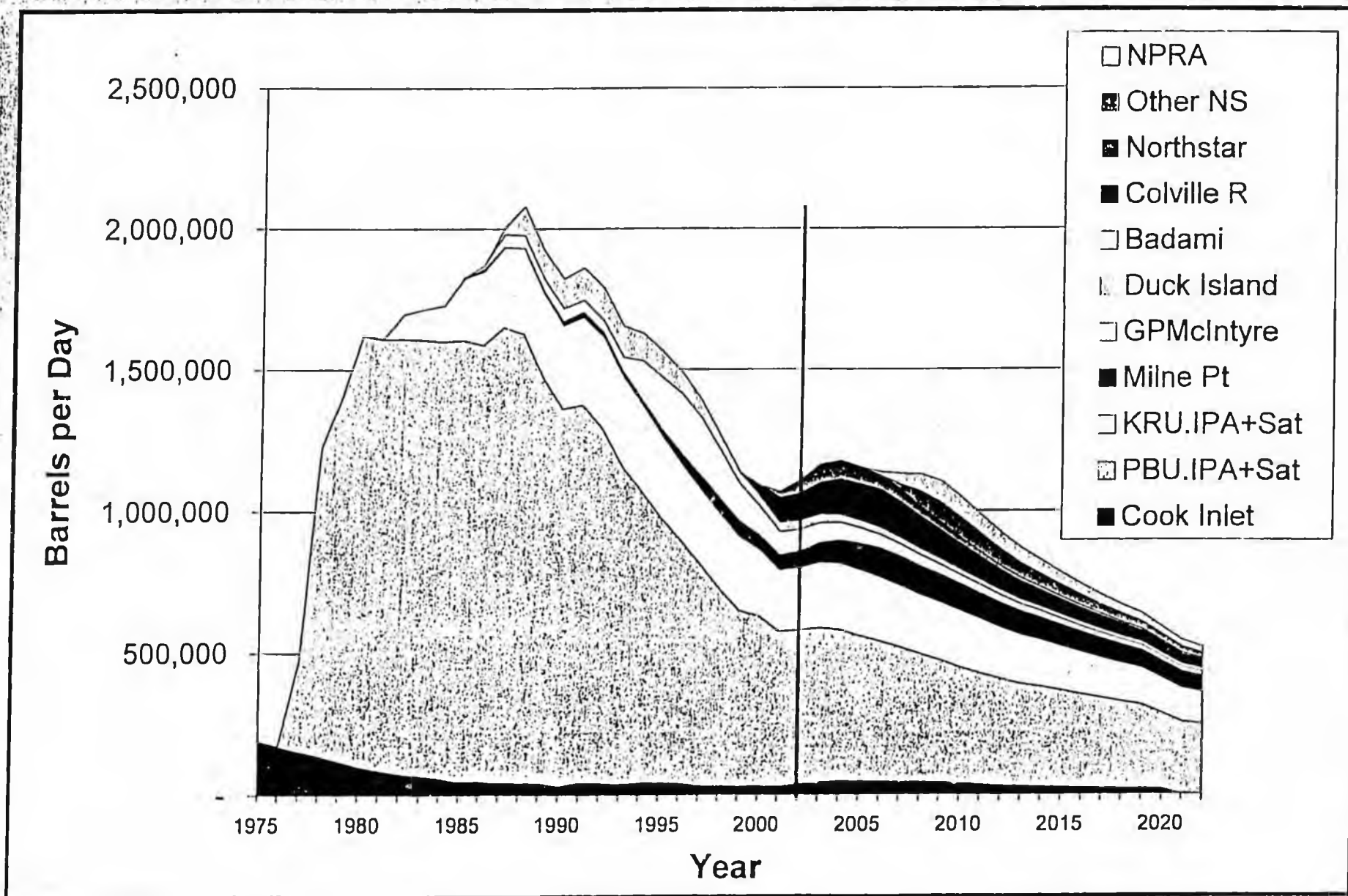
2 Source: pg. 23, DOR Fall 2001 Revenue Sources Book

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

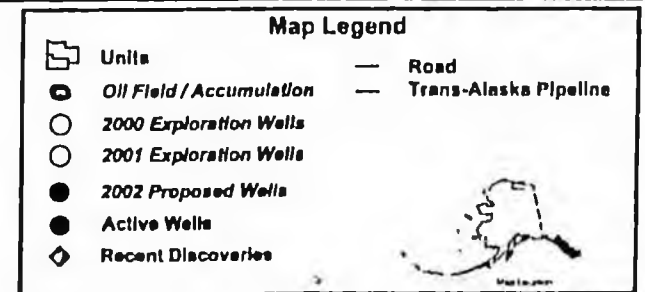
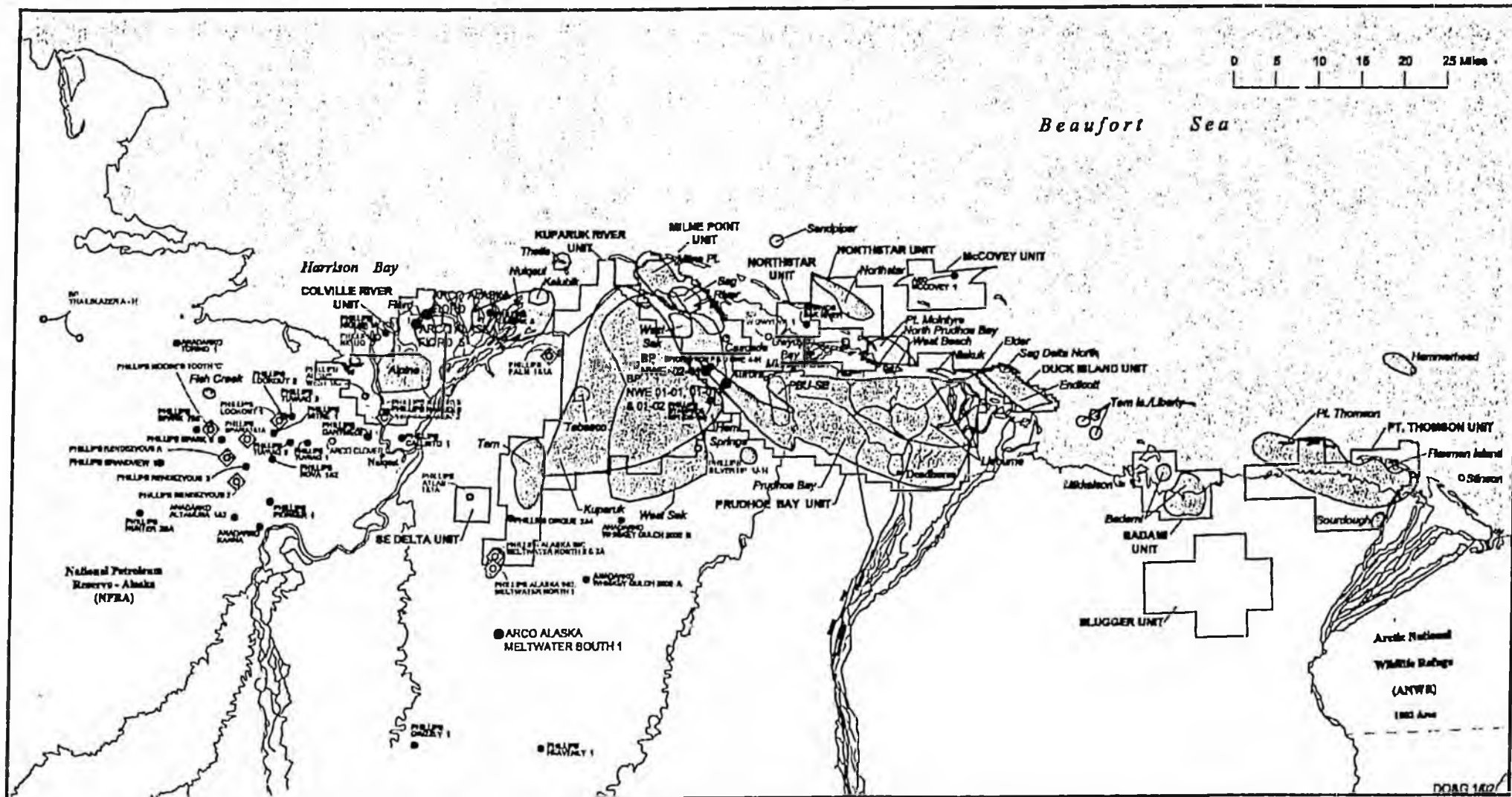
4 Source: pg. 19, DOR Fall 2001 Revenue Sources Book

Historic and Projected Alaska Oil Production

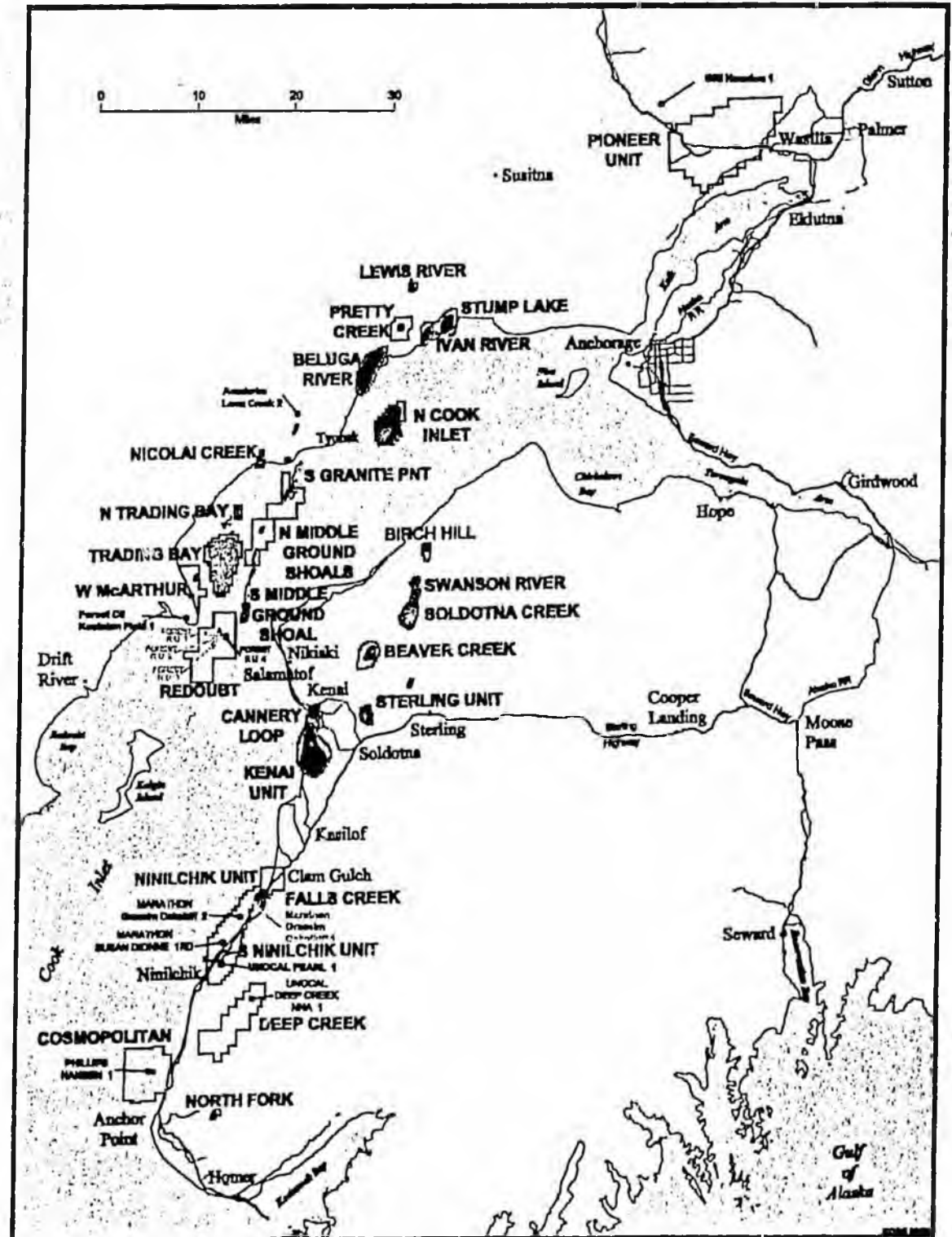
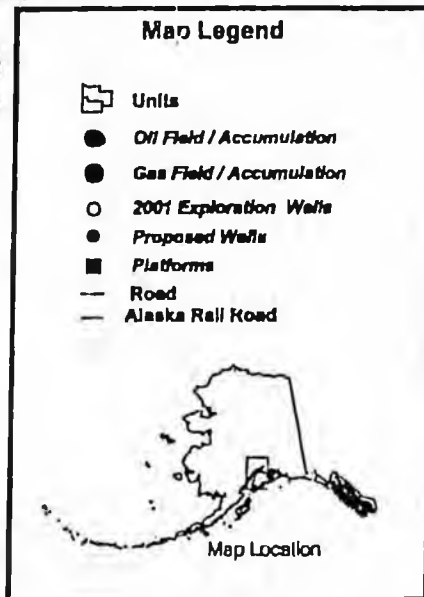
1975 - 2022



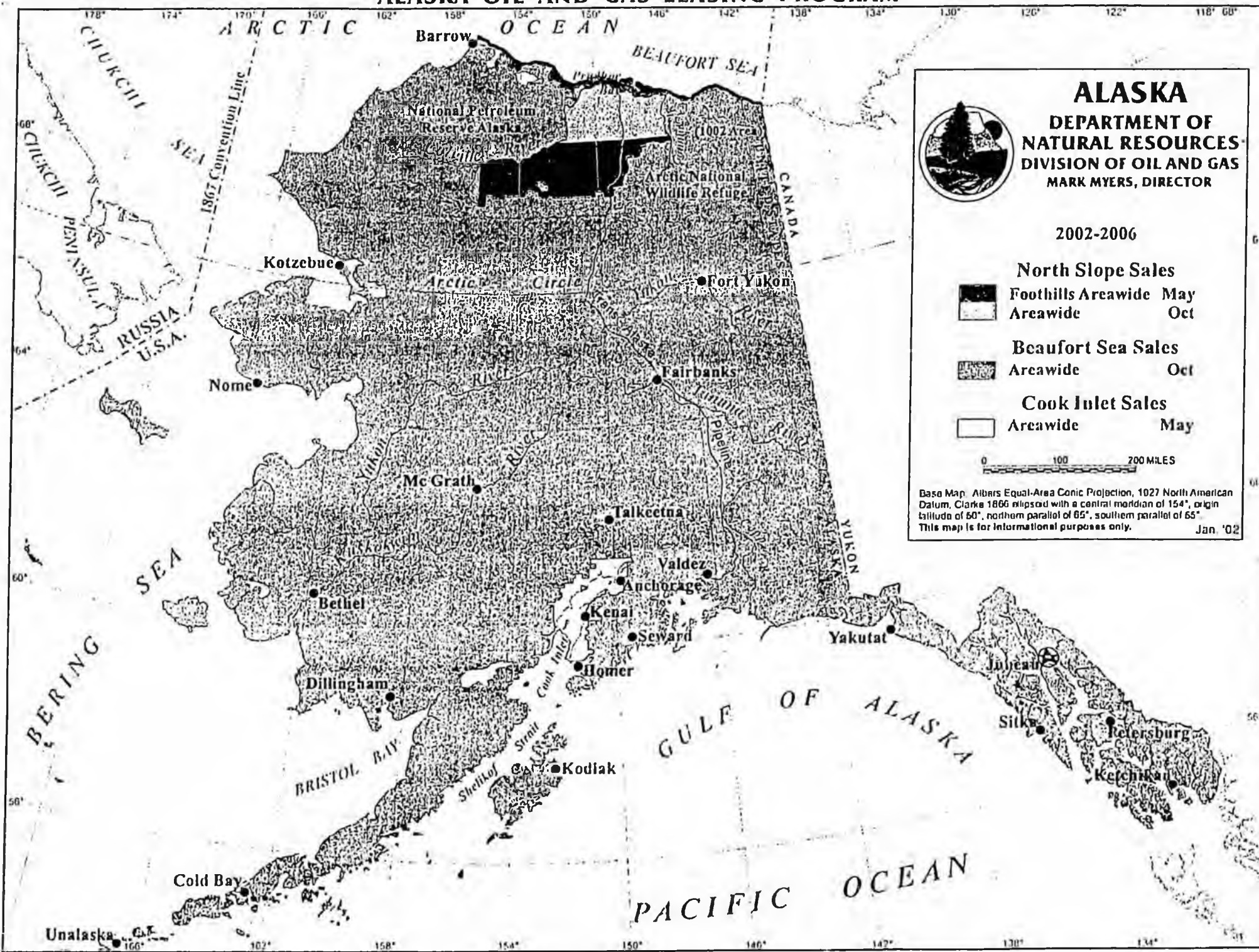
North Slope Oil & Gas Activity and Discoveries 2002



Cook Inlet Oil & Gas Activity January 2002











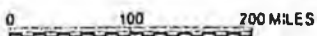
ALASKA OIL AND GAS LEASING PROGRAM



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

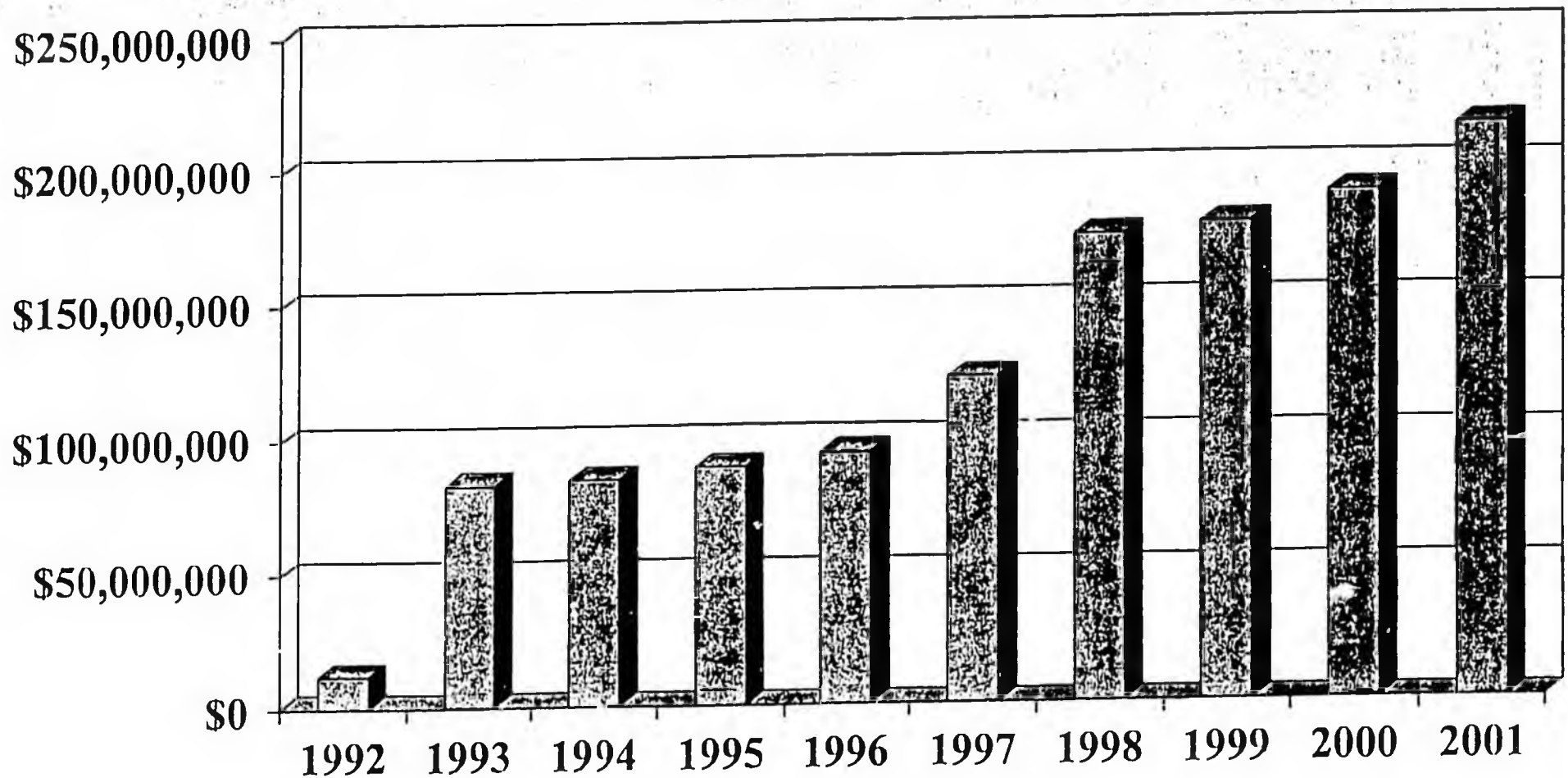
2002-2006

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



Base Map: Albers Equal-Area Conic Projection, 1027 North American Datum, Clarke 1866 spheroid with a central meridian of 154°, origin latitude of 60°, northern parallel of 65°, southern parallel of 65°. 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

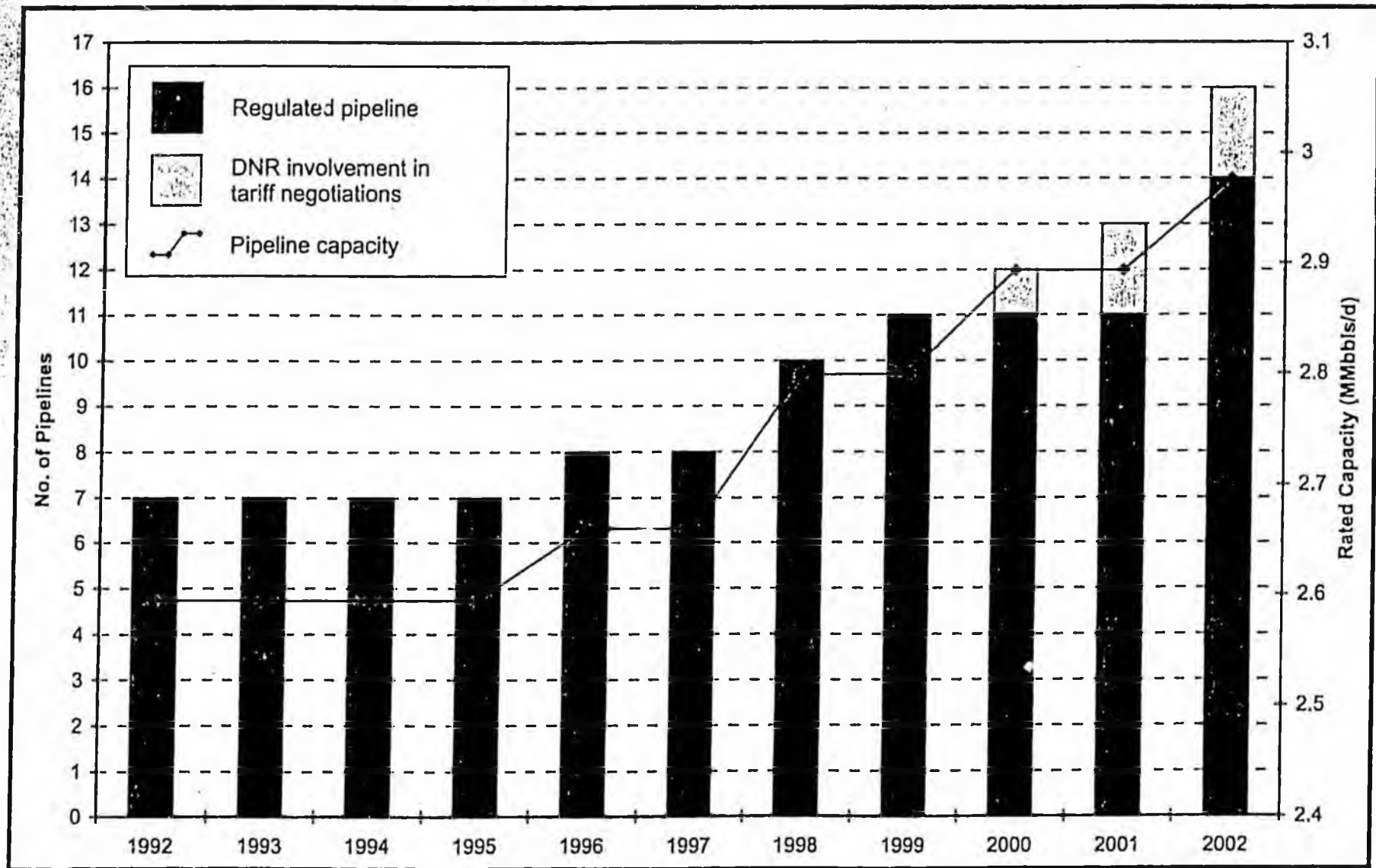
Proposed – Susitna Valley

- 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

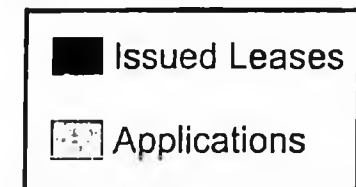
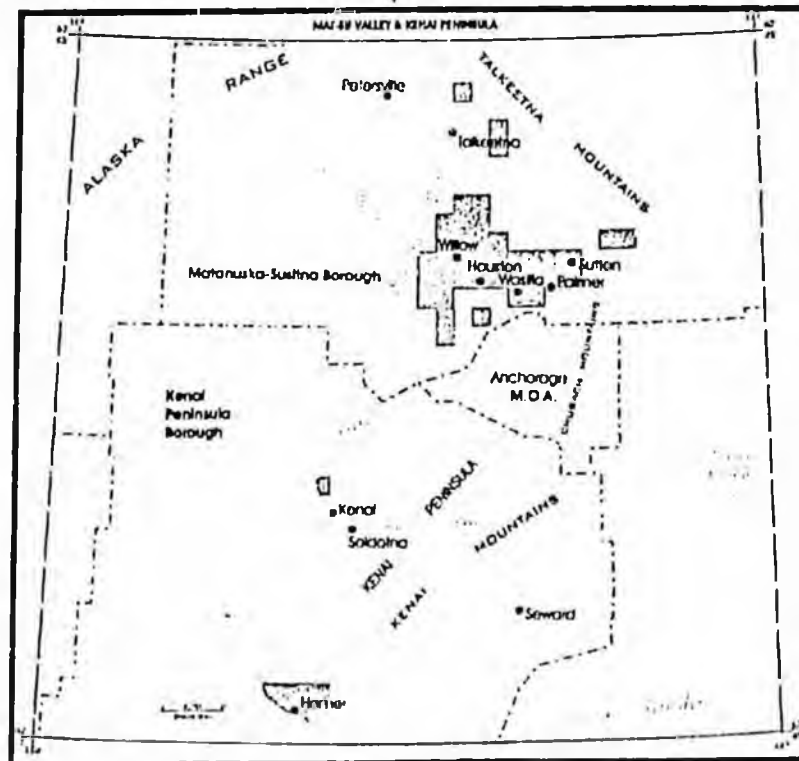
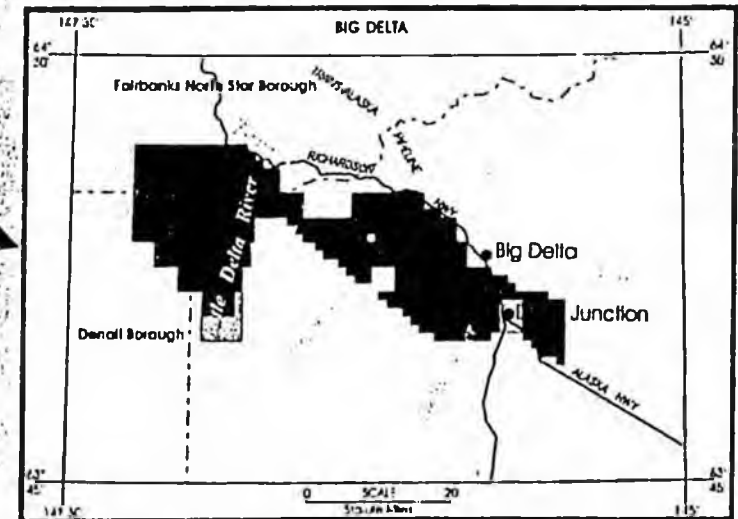
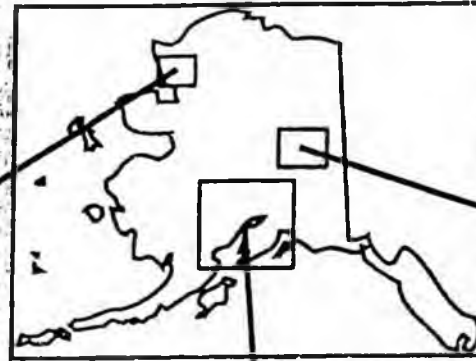
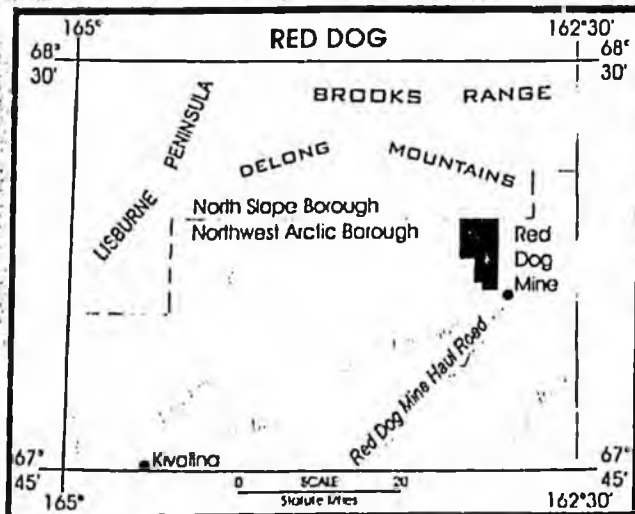
Alaska Regulated Pipelines



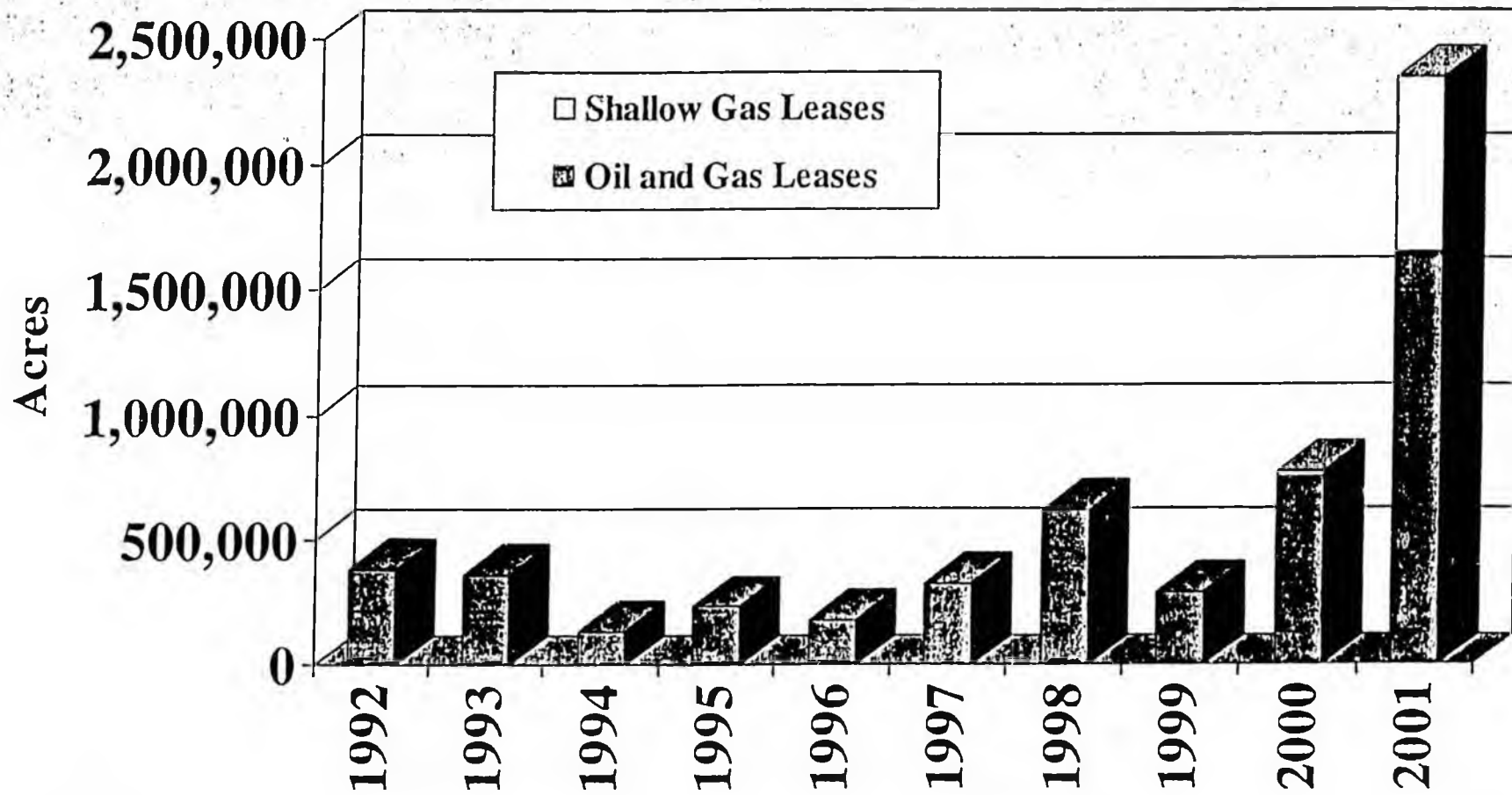
Source: Division of Oil and Gas, January 2002

krb 1/02

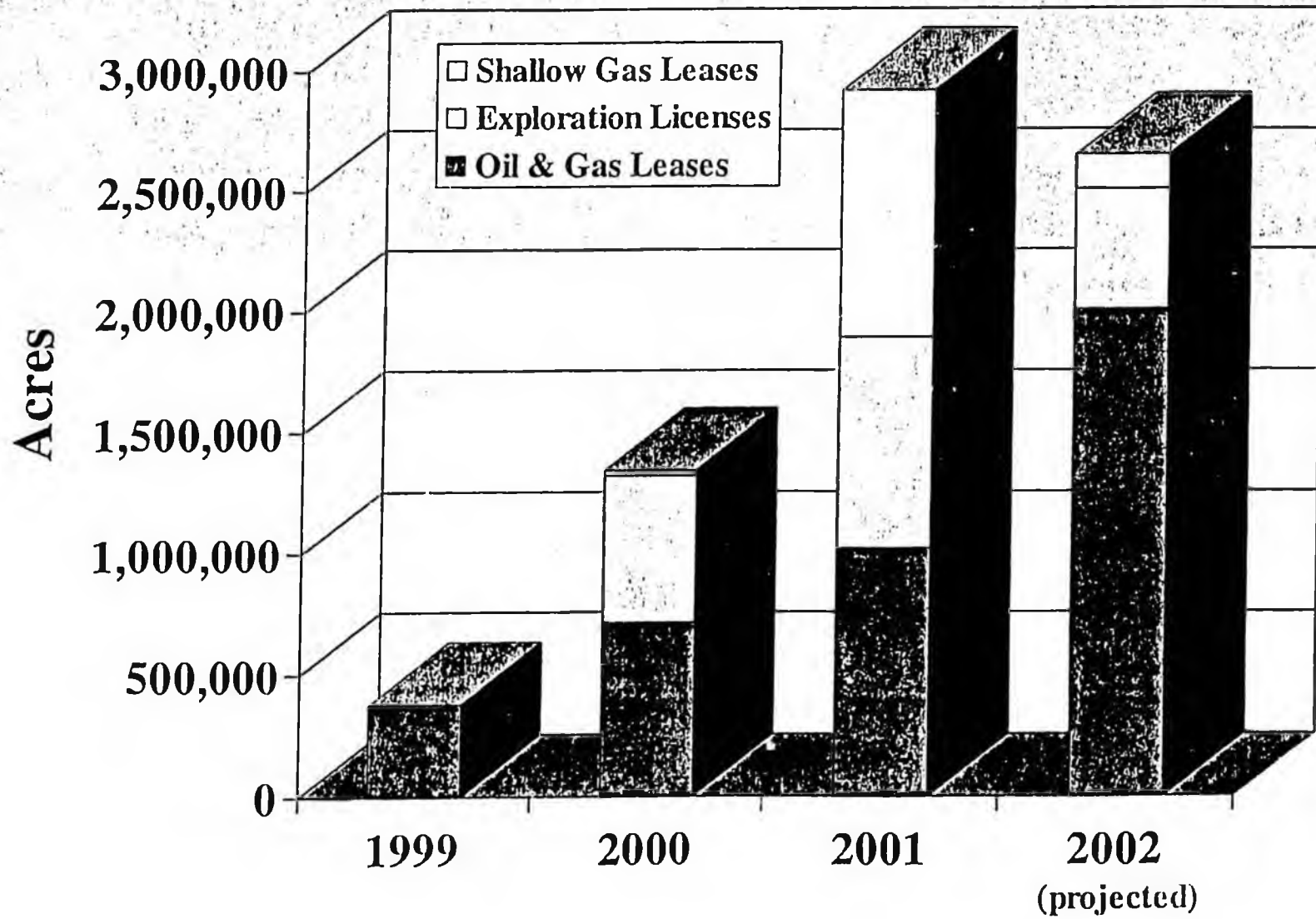
Shallow Natural Gas Leasing Program



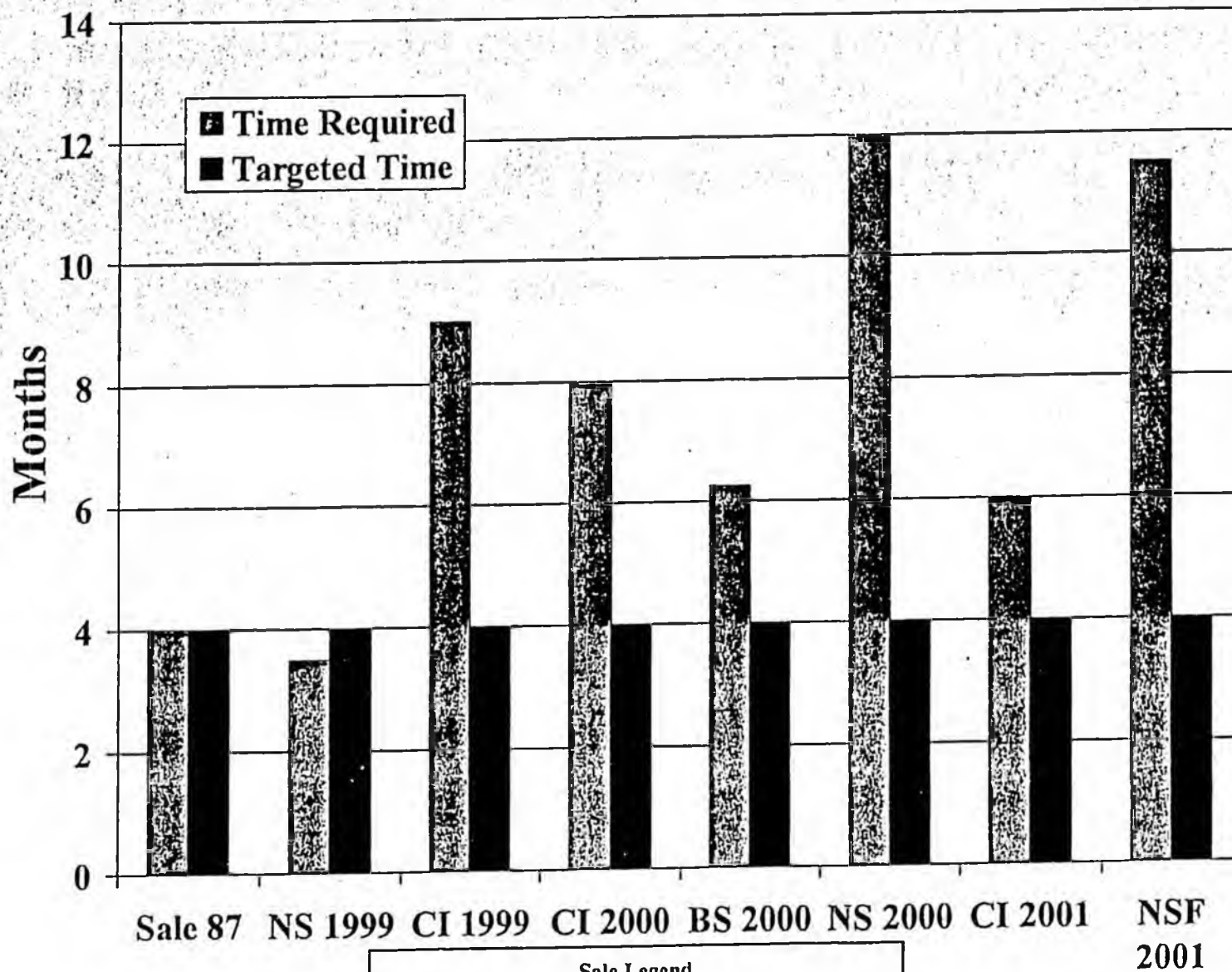
Acres Leased



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 \$\$

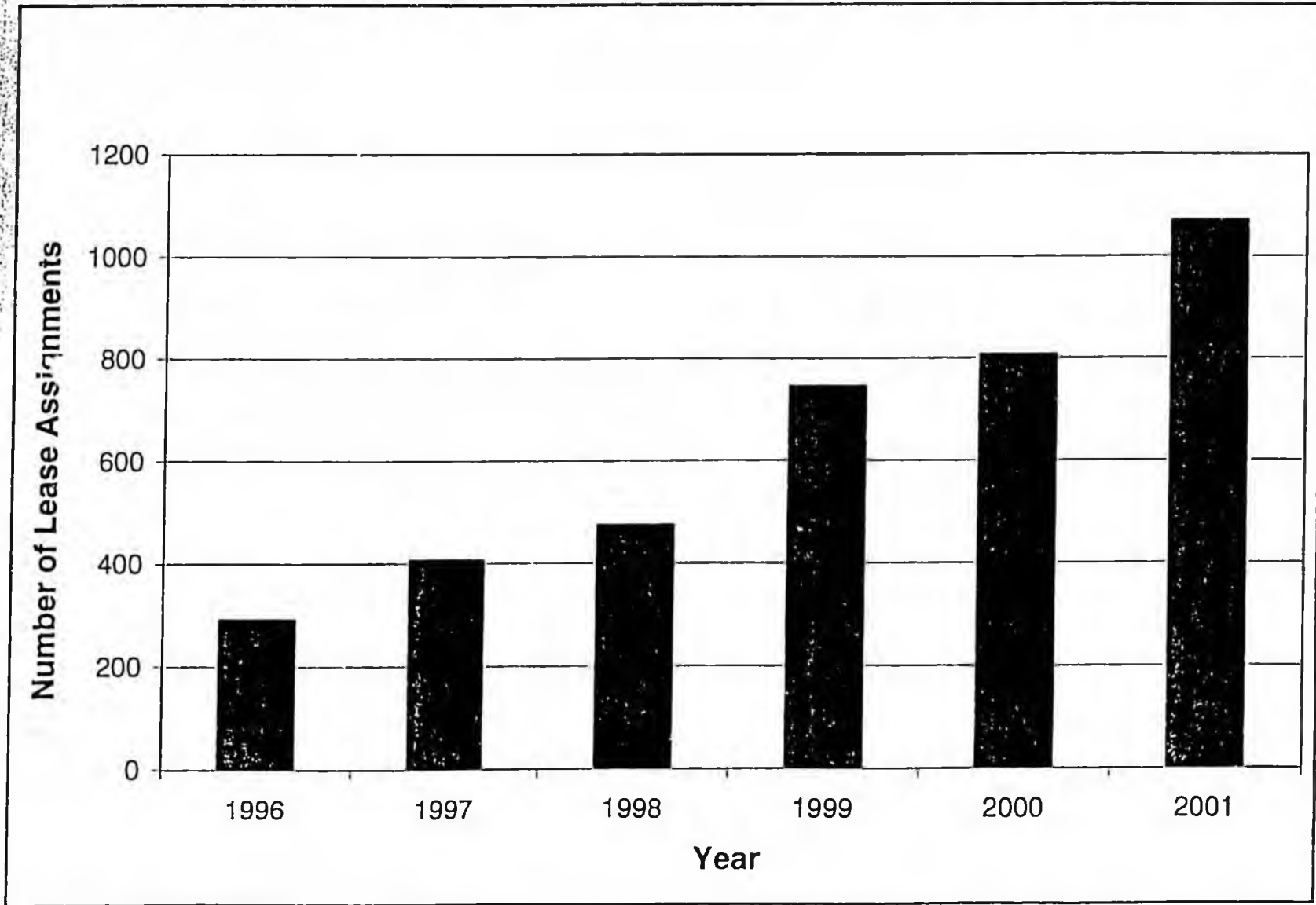
- It Takes up to 1 Year to Issue Leases

- FY 01 Revenue Delayed to FY 02

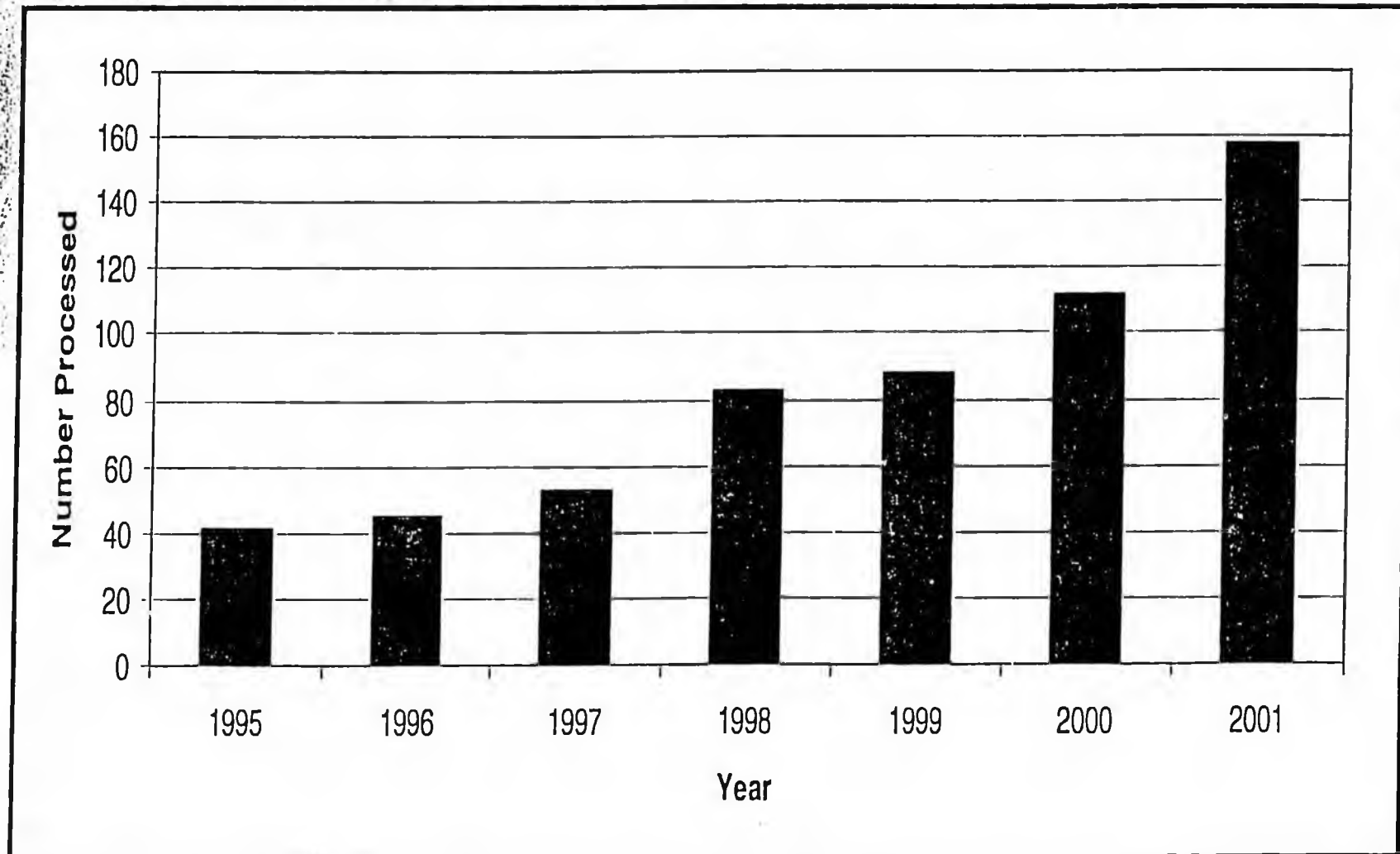
Balance on Bonus Bids = \$8.9 Million

1st Yr Lease Rentals = \$1.3 Million

Lease Assignments in Alaska



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

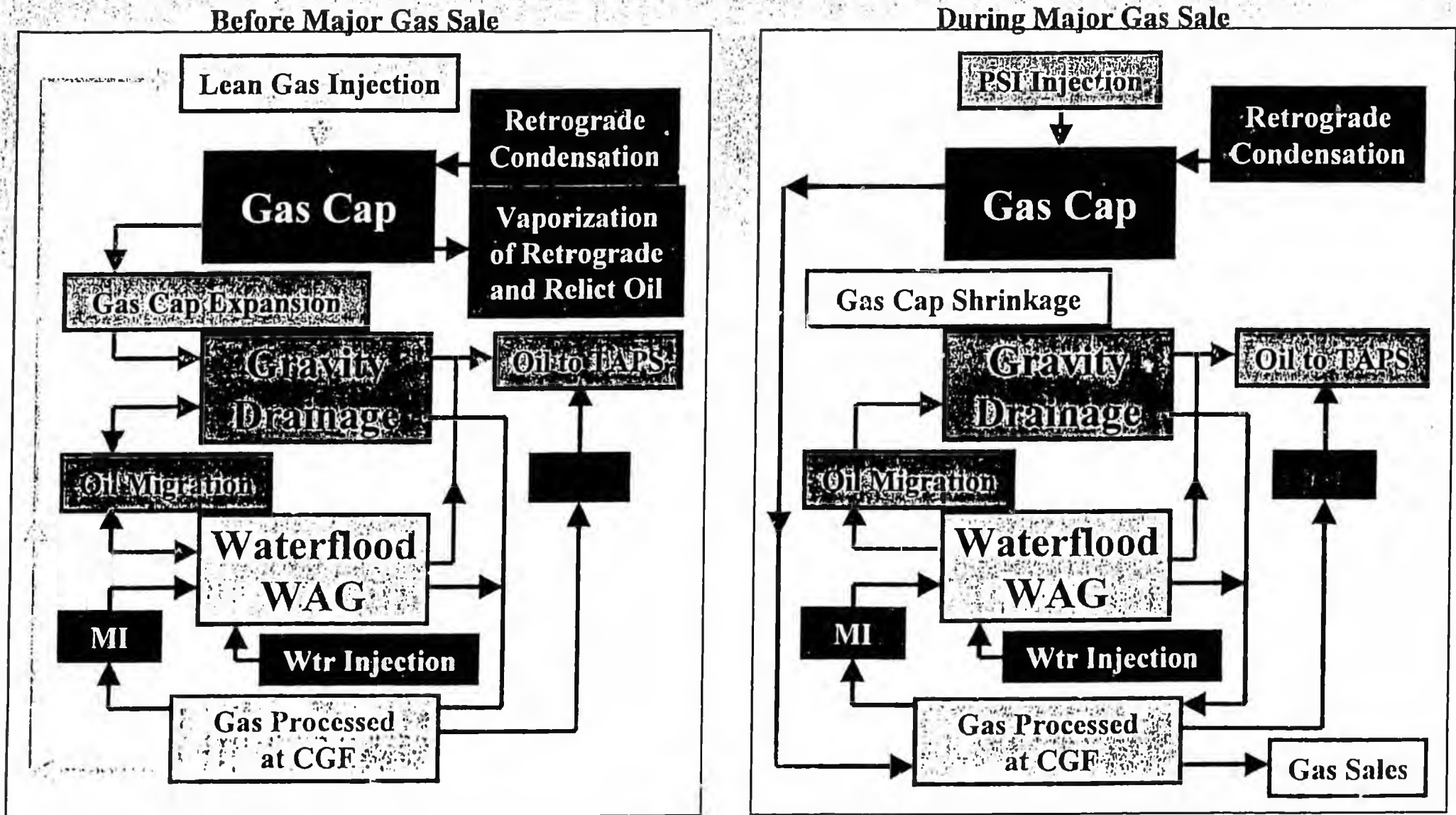
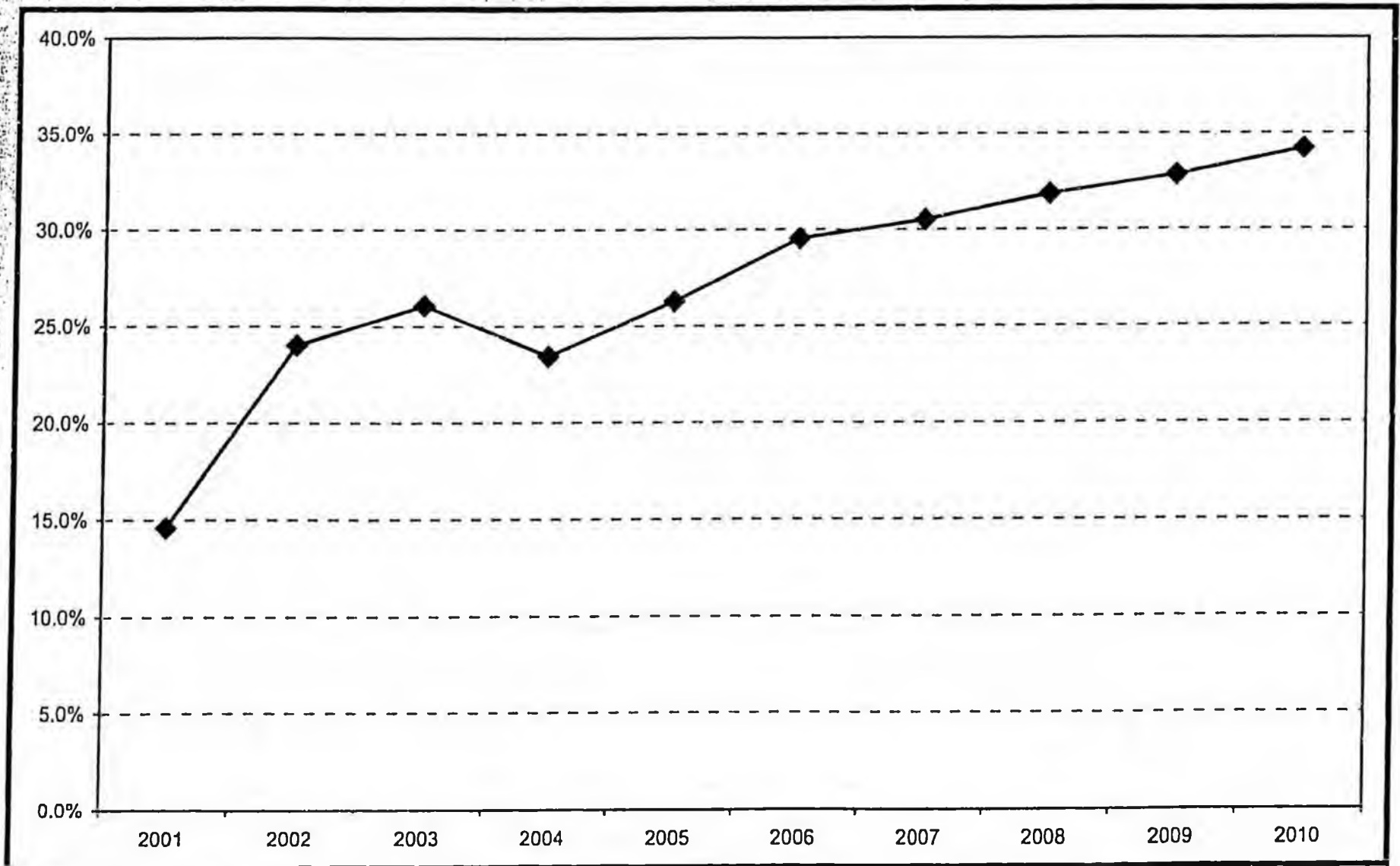


Figure 10

Projected Pipeline Tariffs as a Percent of ANS Wellhead Price



Source: DOR, Revenue Sources Book, Fall 2001

krb 1/02

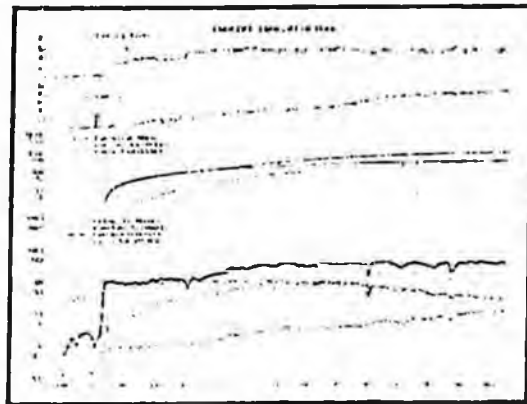
Different databases and data managed and merged to create 3-D pictures of oil fields and royalty share



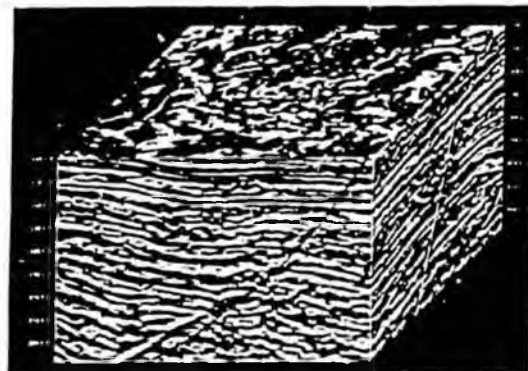
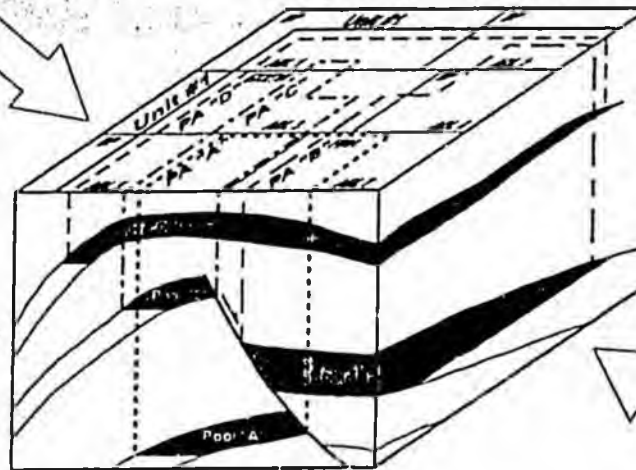
Geologic Data
(Well logs, Directional Surveys, Geochemistry, Palontology, & Formation data)

Niakuk Western PA		Niakuk Eastern PA		312827	
34828	34825				
4001, 4002	4001, 4002				
12.5%	12.5%				
12.5%	12.5%				
1987	1987				
34829		34830		34835	
4001, 4002	4001, 4002	4001, 4002	4001, 4002	4001, 4002	4001, 4002
12.5%	12.5%	12.5%	12.5%	12.5%	12.5%
12.5%	12.5%	12.5%	12.5%	12.5%	12.5%
1987	1987	1987	1987	1987	1987

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

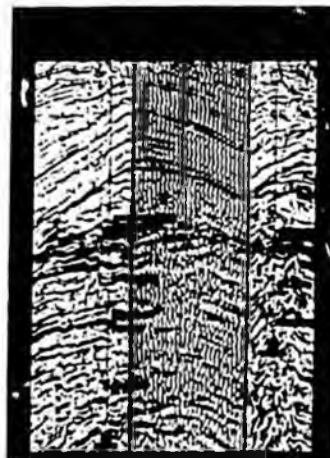


Engineering & Production Data

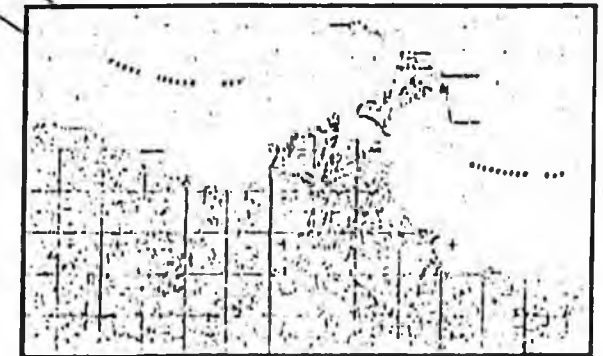


3-D Seismic

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



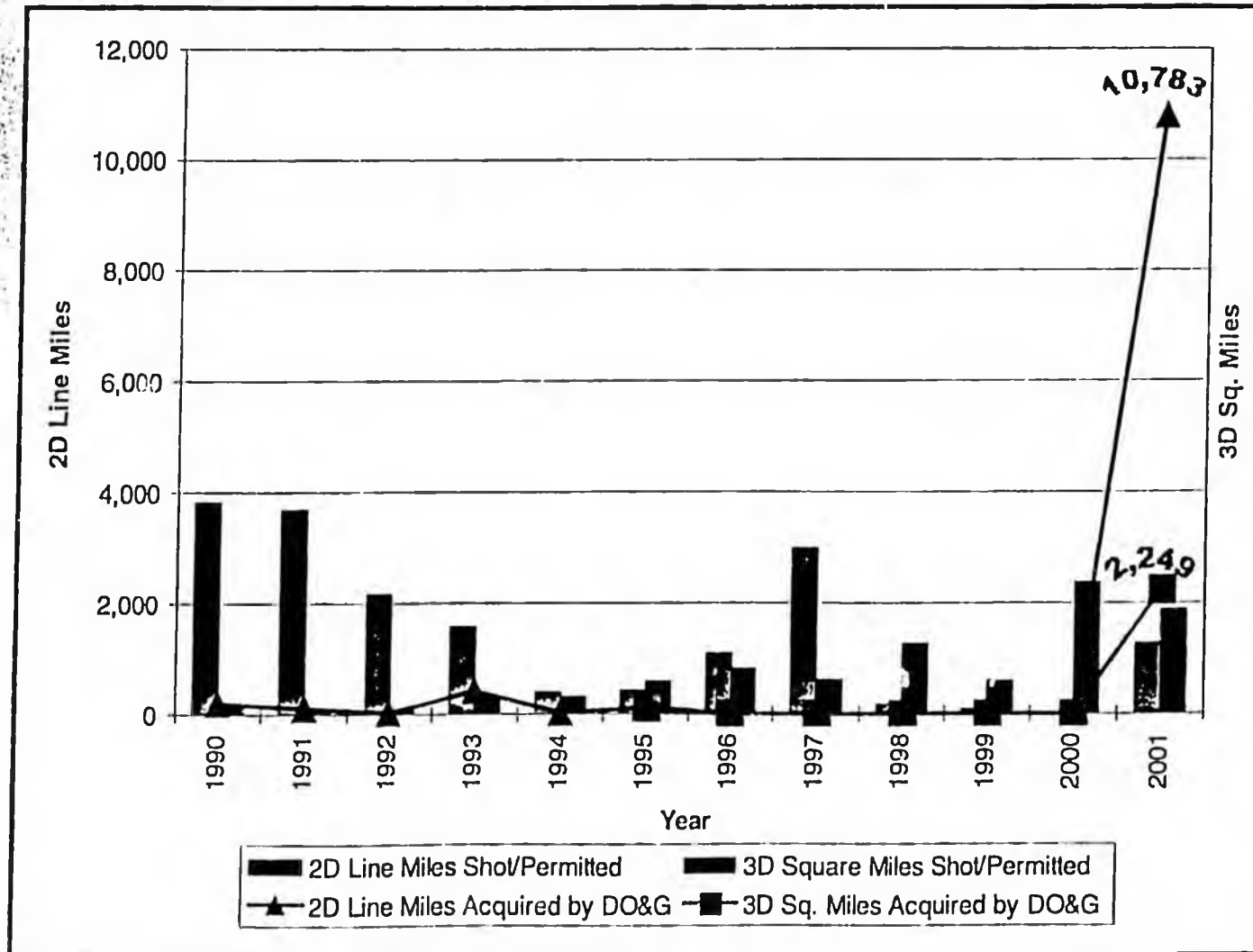
2-D Seismic



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

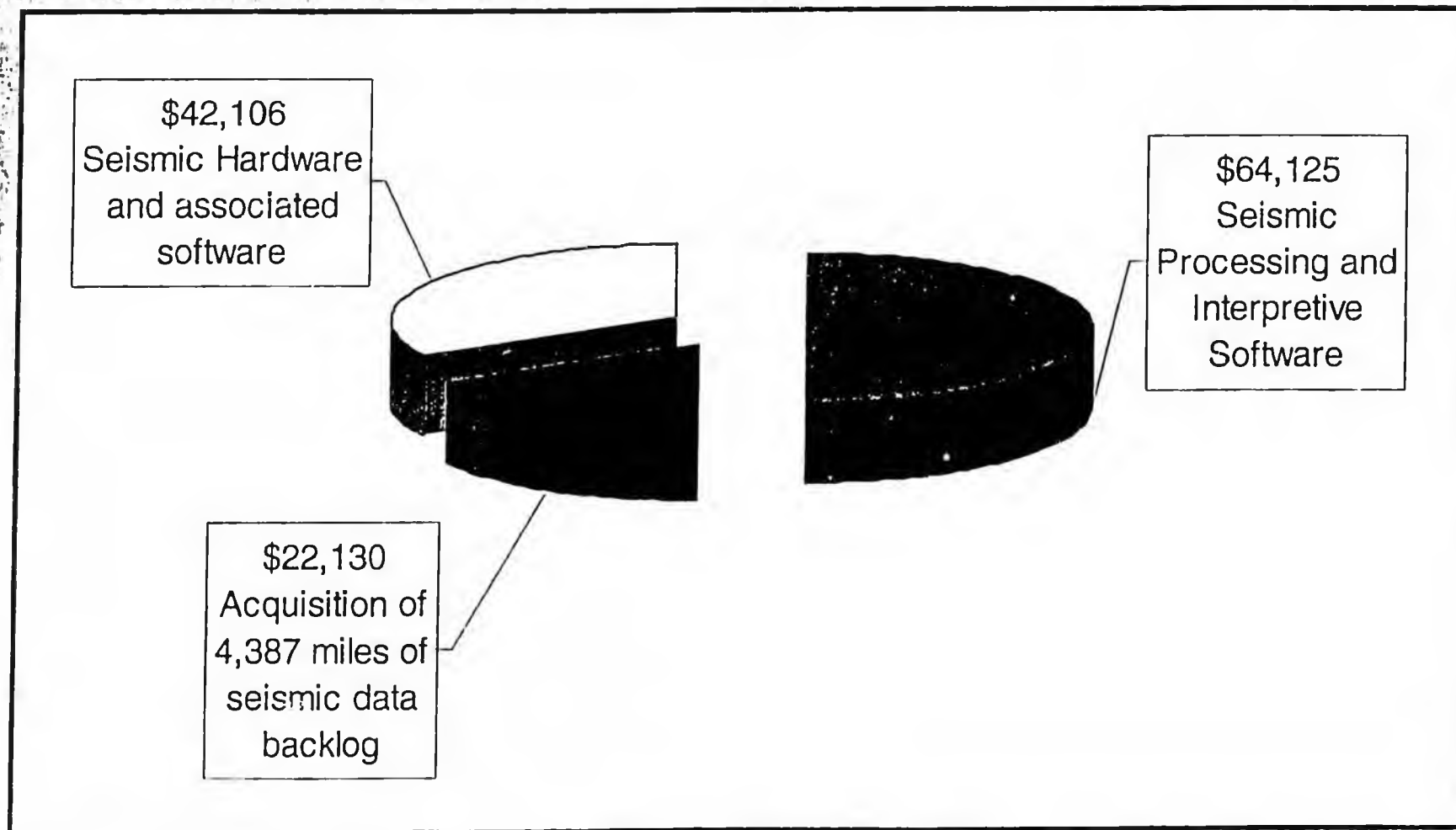
Seismic Data Status

1990 - 2001



jrc 01/02

FY02 Seismic Increment Expenditures





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

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, area-wide, 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 Kusilof 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

Testimony of John Tanigawa (from Mat-Su LIO)
Evergreen Resources (Alaska) Corporation
Senate Finance, Senators Donley and Kelly Chairman
Tuesday, March 26, 2002, 9:00 AM

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 from Colorado to Wasilla to oversee Evergreen's activities in Alaska. Evergreen Resources, Inc. is an independent energy company trading on the New York Stock Exchange under the symbol EVG. Currently, we have 46,080 acres of Shallow Gas Lease Applications located near Willow. These applications are pending with the Alaska Department of Natural Resources, Division of Oil and Gas. I testify today 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 to establish the necessary economies of scale for initial development. 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 3,000 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.

####

SITE: ANCHORAGE LIO

COMMITTEE: SFIN

DATE: 3-26-02

SUBJECT OF MEETING:

SB 319

UPDATE #: 1



PRINT YOUR NAME

ADDRESS (MAILING & ZIP)

REPRESENTING

DO YOU WANT TO TESTIFY?
Y or N

PRINT YOUR NAME	ADDRESS (MAILING & ZIP)	REPRESENTING	DO YOU WANT TO TESTIFY? Y or N
✓ Mark Myers		DNR/DOG	Y=SB319
Email address:			
✓ Kevin Tabler		Unocal	Y=Ans?
Email address:			
Charlotte MacCoy		Teck Cominco	Y=Anc?
Email address:			
Email address:			
Email address:			
Email address:			
Email address:			



SITE: MATSU LIO

SUBJECT OF MEETING:

COMMITTEE: SFIN

Sb345, (319), 280, 111

UPDATE #: Final

DATE: 03/26/02

PLEASE SIGN IN

PRINT YOUR NAME

ADDRESS (MAILING & ZIP)

REPRESENTING

DO YOU WANT
TO TESTIFY?
Y or N

PRINT YOUR NAME	ADDRESS (MAILING & ZIP)	REPRESENTING	DO YOU WANT TO TESTIFY? Y or N
John Tanigawa		Evergreen Resources	Y SB 319
Email address:			
Email address:			
Email address:			
Email address:			
Email address:			