

HB

246

FRANK H. MURKOWSKI
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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

HB 244
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April 3, 2003

The Honorable Pete Kott
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Kott:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that would amend AS 38.05.140(c) to increase the upland acreage limit for oil and gas leases from 500,000 acres to 750,000 acres, except for land north of the Umiat Meridian baseline.

Currently, under AS 38.05.140(c) oil and gas lessees may hold not more than a total of 500,000 acres on tide and submerged land and no more than 500,000 acres on uplands. While oil and gas leases with certified wells and those included within units are excluded from these acreage limitations, many operating oil and gas companies are already either at the existing 500,000 acre limitation or close to it. The bulk of this acreage is located on the North Slope and Beaufort Sea.

In the past few years, the Department of Natural Resources has been encouraging exploration of frontier areas such as the North Slope foothills. The bill would increase the maximum upland acreage to 750,000, of which no more than 500,000 acres could be located north of the Umiat Meridian baseline. Thus, companies would be able to lease and explore acreage in Alaska's frontier basins while still maintaining their interests on the North Slope.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in cursive script that reads "Frank H. Murkowski".

Frank H. Murkowski
Governor

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 246
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept: Affected: Natural Resources
 Title Limit on Oil & Gas Lease Acreage BRU Resource Development
 Component Oil and Gas Development
 Sponsor House Rules
 Requester House Oil and Gas Component No. 439

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
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 (1004)	**	**	**	**	**	**
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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 (FY2003) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

By increasing the maximum onshore acreage to 750,000 but limiting the 250,000 acreage increase to south of the Umiat Meridian Baseline, companies would be able to lease and explore acreage in some of Alaska's frontier basins while still maintaining their interests on the North Slope.

** There will be positive revenue impact to the state from additional bonus bids, rentals, and eventually, production royalties. It is impossible to accurately predict at this time what this increase in revenues might be.

Prepared by: Mark D. Myers Phone 269-8800
 Division Oil and Gas Date/Time 4/22/2003
 Approved by: Tom Irwin, Commissioner Date 4/22/2003
 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

May 13, 2003

SUBJECT: Draft CSHB 246 () (Work Order No. 23-GH1135\D)

TO: Representative Hugh Fate

FROM: Jack Chenoweth
Assistant Revisor of Statutes

The draft enclosed with this memo fairly closely follows the text provided by the Department of Law. For reasons that go to avoiding judicial interpretation and conforming to terms regularly used in the criminal code, AS 11, I've substituted "knowingly violates" for "wilful violation" in AS 38.05.036(h) [page 3, at line 4], and tied the word "knowingly" to the definition spelled out in AS 11.

On page 1, at lines 9 and 10, I retained in this draft the words "oil and gas contracts, agreements, or leases under this chapter." The draft you provided had bracketed them for purposes of repeal. However, without the limiting language, since audits under "this chapter" (AS 38.05, the "Alaska Land Act") may also include audits on resources apart from oil and gas -- coal, minerals, etc. -- and since the appropriate single subject for this draft as set out in the title involves "oil and gas," to avoid a question about complying with the bill's one subject, I took the easy course and opted to maintain the limitation.

JBC:lmb
03-205.lmb

Enclosure

23-GH1135D
Chenoweth
5/13/03

CS FOR HOUSE BILL NO. 246()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY

**Offered:
Referred:**

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to oil and gas, to certain audits regarding oil and gas royalty and net**
2 **profits, to audits regarding costs relating to exploration incentive credits and oil and gas**
3 **exploration licenses, and to the limitation on upland acreage that a person may take or**
4 **hold under oil and gas leases; and providing for an effective date."**

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

6 *** Section 1.** AS 38.05.036(a) is amended to read:

7 (a) The department may conduct audits regarding [DEPARTMENT OF
8 REVENUE SHALL AUDIT REPORTS, PAYMENTS, AND PAYMENTS DUE
9 RELATING TO] royalty and net profits under oil and gas contracts, agreements, or
10 leases under this chapter and regarding costs related to oil and gas exploration
11 licenses and exploration incentive credits under this chapter or under AS 41.09.

12 For purposes of audit under this section,

13 (1) the department may examine the books, papers, records, or
14 memoranda of a person regarding matters related to the audit; and

1 **(2) the records and premises where a business is conducted shall**
2 **be open at all reasonable times for inspection by the department.**

3 * Sec. 2. AS 38.05.036(b) is amended to read:

4 (b) The Department of Revenue may **obtain from the department** [INSPECT
5 ALL REPORTS AND OTHER] information [FILED IN SUPPORT OF OR] relating
6 to royalty and net profits payments **and to exploration incentive credits under this**
7 **chapter or under AS 41.09**, whether or not that information is confidential. **The**
8 **Department of Revenue may use the information in carrying out its functions and**
9 **responsibilities under AS 43**, and shall hold that information confidential to the
10 extent required **by an agreement with the department or by AS 38.05.035(a)(9),**
11 **AS 41.09.010(d)**, [UNDER OIL AND GAS AGREEMENTS, CONTRACTS, OR
12 LEASES, OR BY THIS CHAPTER] or AS 43.05.230.

13 * Sec. 3. AS 38.05.036(c) is amended to read:

14 (c) **The department may obtain from the Department of Revenue all**
15 [ALL] information obtained **under AS 43** [BY THE DEPARTMENT OF REVENUE]
16 relating to royalty and net profits **and to exploration incentive credits.** **The**
17 **department may use the information for purposes of carrying out its**
18 **responsibilities and functions under this chapter and AS 41.09** [PAYMENTS,
19 INCLUDING INFORMATION OBTAINED UNDER AS 43, MAY BE MADE
20 AVAILABLE TO THE DEPARTMENT, IN THE FORM OF SUMMARIES AND,
21 WHEN IN FURTHERANCE OF THE DEPARTMENT'S ROYALTY AND NET
22 PROFITS FUNCTIONS, RELEVANT PORTIONS OF THE AUDITS]. Information
23 made available to the department that was obtained under AS 43 is confidential and
24 subject to the provisions of AS 43.05.230.

25 * Sec. 4. AS 38.05.036 is amended by adding new subsections to read:

26 (f) Except as otherwise provided in this section or in connection with official
27 investigations or proceedings of the department, it is unlawful for a current or former
28 officer, employee, or agent of the state to divulge information obtained by the
29 department as a result of an audit under this section that is required by an agreement
30 with the department or by AS 38.05.035(a)(9) or AS 41.09.010(d) to be kept
31 confidential.

1 (g) Nothing in this section prohibits the publication of statistics in a manner
2 that maintains the confidentiality of information to the extent required by an
3 agreement with the department or by AS 38.05.035(a)(9) or AS 41.09.010(d).

4 (h) A person who knowingly violates (f) of this section is punishable by a fine
5 of not more than \$5,000, by imprisonment for not more than two years, or by both. In
6 this subsection, "knowingly" has the meaning given in AS 11.81.900.

7 (i) In the course of carrying out its responsibilities under this section, the
8 department may subpoena any person to appear and produce books, records, papers, or
9 memoranda bearing upon matters relating to an audit under this section and to give
10 testimony or answer interrogatories under oath regarding those matters. The
11 department may administer oaths to persons who are so subpoenaed. A subpoena
12 issued under this section may compel attendance of a witness or production of a
13 document or thing, located inside or outside the state, to the maximum extent
14 permitted by law.

15 (j) A subpoena may be served by the commissioner of public safety or a peace
16 officer designated by the commissioner of public safety, by a person designated by the
17 department, or as otherwise provided by law. A subpoena may also be served by
18 registered or certified mail for delivery restricted only to the person subpoenaed. The
19 return delivery receipt must be addressed so that the receipt is returned to the
20 department.

21 (k) If a person who is subpoenaed neglects or refuses to obey the subpoena
22 issued as provided in this section, the department may report the fact to the superior
23 court or the appropriate court of another jurisdiction, and may seek an order from the
24 court compelling obedience to the subpoena. The court, to the maximum extent
25 permitted by law, may compel obedience to the subpoena to the same extent as
26 witnesses may be compelled to obey the subpoenas of the court.

27 (l) The department may conduct audits under this section concurrently with
28 Department of Revenue audits or investigations under AS 43.

29 * **Sec. 5.** AS 38.05.140(c) is amended to read:

30 (c) A person may not take or hold at one time phosphate leases on state land
31 exceeding in the aggregate 10,240 acres. A person may not take or hold sodium leases

1 or permits during the life of sodium leases on state land exceeding in the aggregate
2 acreage 5,120 acres, except that the commissioner may, where it is necessary in order
3 to secure the economic mining of sodium compounds, permit a person to take or hold
4 sodium leases or permits for up to 15,360 acres. A person may not take or hold at any
5 one time oil or gas leases exceeding in the aggregate 500,000 acres granted on tide and
6 submerged land, including leases held both as lessee and under option or
7 operating agreement from others. A person may not take or hold at any one time
8 oil or gas leases exceeding in the aggregate 750,000 [AND 500,000] acres on all
9 land other than tide and submerged land, of which not more than 500,000 acres may
10 be located north of the Umiat Meridian baseline, including leases held both as
11 lessee and under option or operating agreement from others. Where more than a
12 single person holds an interest in an oil or gas lease, each person shall be charged only
13 with that percentage of the total acreage that [WHICH] corresponds to its percentage
14 share of the total beneficial interest in the lease.

15 * Sec. 6. AS 43.05.040(a) is amended to read:

16 (a) The department may examine the books, papers, records, or memoranda of
17 any person to ascertain the correctness of a return filed or to determine whether a tax
18 [OR A PAYMENT FOR OIL OR GAS ROYALTY OR NET PROFITS SHARES
19 UNDER A CONTRACT, AGREEMENT, OR LEASE UNDER AS 38.05] is due, or
20 in an investigation or inspection in connection with tax matters [OR MATTERS
21 RELATING TO OIL AND GAS ROYALTY OR NET PROFITS UNDER
22 CONTRACTS, AGREEMENTS, OR LEASES UNDER AS 38.05]. The records and
23 the premises where a business is conducted shall be open at all reasonable times for
24 official inspection, and the department may subpoena any person to appear and
25 produce books, records, papers, or memoranda bearing upon tax matters [OR
26 MATTERS RELATING TO OIL AND GAS ROYALTY OR NET PROFITS
27 UNDER CONTRACTS, AGREEMENTS, OR LEASES UNDER AS 38.05], and to
28 give testimony or answer interrogatories under oath respecting tax matters [OR
29 MATTERS RELATED TO OIL AND GAS ROYALTY OR NET PROFITS UNDER
30 CONTRACTS, AGREEMENTS, OR LEASES UNDER AS 38.05], and the
31 department may administer oaths to persons who are so subpoenaed. A subpoena

1 issued under this section may compel attendance of a witness or production of a
2 document or thing, located either inside or outside the state, to the maximum extent
3 permitted by law.

4 * Sec. 7. AS 43.05.230(a) is amended to read:

5 (a) It is unlawful for a current or former officer, employee, or agent of the
6 state to divulge the amount of income or the particulars set out or disclosed in a report
7 or return made under this title, except

8 (1) in connection with official investigations or proceedings of the
9 department, whether judicial or administrative, involving taxes due under this title;

10 (2) in connection with official investigations or proceedings of the
11 child support enforcement agency, whether judicial or administrative, involving child
12 support obligations imposed or imposable under AS 25 or AS 47;

13 (3) as provided in AS 38.05.036 pertaining to audit functions of the
14 Department of Natural Resources;

15 (4) as provided in AS 43.05.400 - 43.05.499; and

16 (5) as otherwise provided in this section.

17 * Sec. 8. AS 38.05.036(d), 38.05.036(e), and AS 43.05.010(15) are repealed.

18 * Sec. 9. The uncodified law of the State of Alaska is amended by adding a new section to
19 read:

20 TRANSITION. (a) Litigation, hearings, investigations, and other proceedings
21 pending under a law amended or repealed by secs. 1 - 4 and 6 - 8 of this Act, or in connection
22 with functions transferred by secs. 1 - 4 and 6 - 8 of this Act, continue in effect and may be
23 continued and completed notwithstanding a transfer or amendment or repeal provided for in
24 secs. 1 - 4 and 6 - 8 of this Act.

25 (b) Contracts, rights, liabilities, and obligations created by or under a law amended or
26 repealed by secs. 1 - 4 and 6 - 8 of this Act and in effect on June 30, 2003, remain in effect
27 notwithstanding this Act's taking effect. Records and appropriations of agencies of the state
28 whose functions are transferred under secs. 1 - 4 and 6 - 8 of this Act shall be transferred to
29 implement those provisions of this Act.

30 * Sec. 10. Section 5 of this Act takes effect immediately under AS 01.10.070(c).

31 * Sec. 11. Except as provided in sec. 10 of this Act, this Act takes effect July 1, 2003.



Richard P. Mott
Vice President
Exploration & Land
P.O. Box 100360
Anchorage, AK 99510-0360
Phone 907.263.4556

April 9, 2003

Representative Vic Kohring, Chairman
House Special Committee on Oil and Gas
Legislature of the State of Alaska
Alaska State Capitol, Room 24
Juneau, Alaska 99801-1182

Senator Scott Ogan, Chairman
Resources Committee
Legislature of the State of Alaska
Alaska State Capitol, Room 103
Juneau, Alaska 99801-1182

Re: **House Bill No. 246**
Senate Bill No. 172

ConocoPhillips Alaska, Inc. supports House Bill No. 246, and Senate Bill No. 172 both of which provide for an increase in the limitation on acreage that a person may take or hold under oil and gas lease in the State of Alaska. An increase in the acreage limitation will encourage additional investment by the oil and gas industry in the exploration and development of Alaskan resources.

A handwritten signature in black ink that reads "Richard P. Mott". The signature is written in a cursive, flowing style.

Richard P. Mott
Vice President
Exploration & Land

Cc: Mike Tibbles
Legislative Liaison
Office of the Governor
P.O. Box 110001
Juneau, Alaska 99811-0001

Mark Myers, Director
State of Alaska
Department of Natural Resources
Division of Oil & Gas
550 West 7th Avenue, Suite 800
Anchorage, Alaska 99501-3510

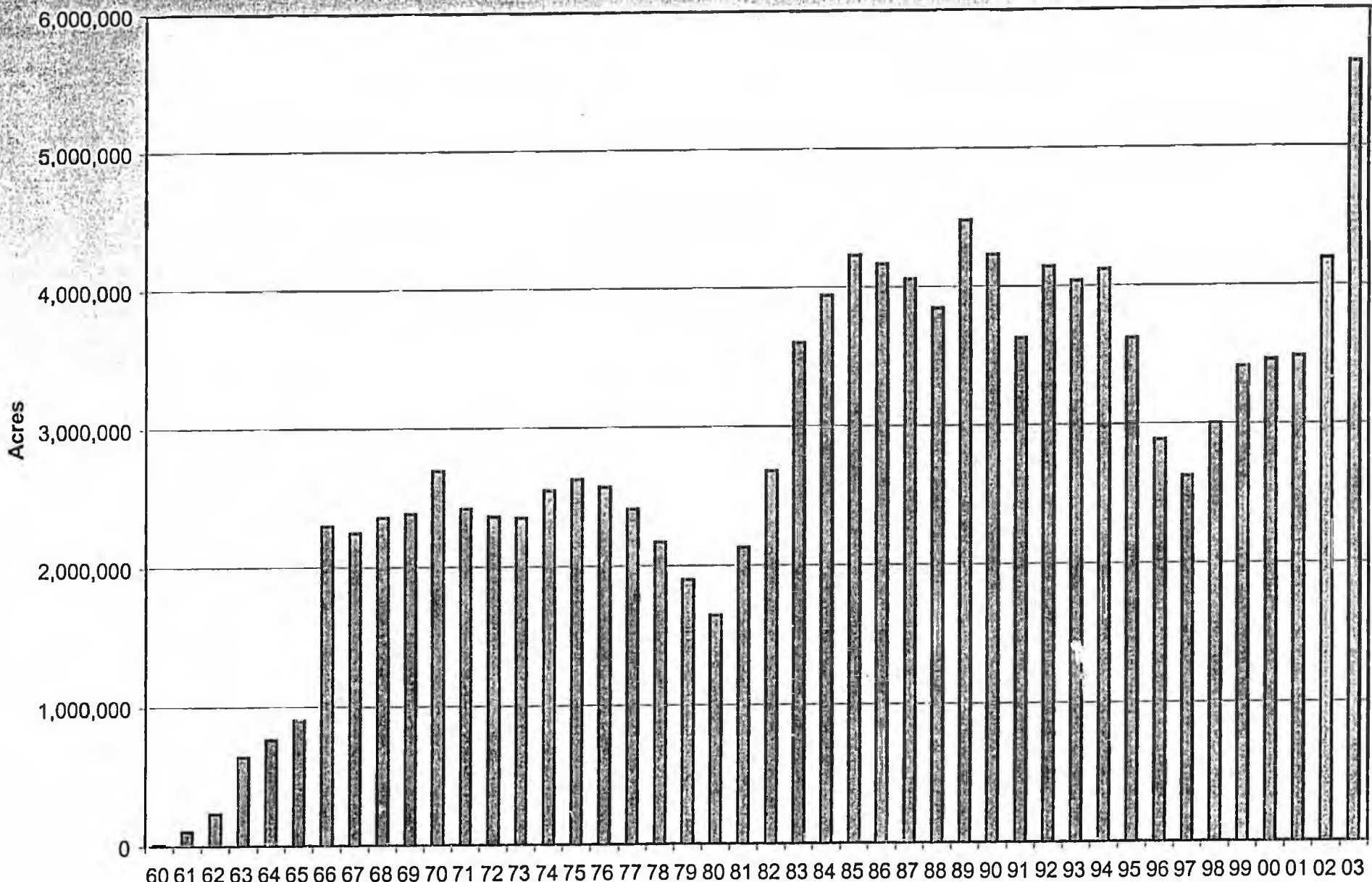
CONOCOPHILLIPS COMMENTS

THE
FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES

Acreage under Oil & Gas Lease 1960 – 2003

(Does not include acreage under Exploration License)

GRAPH OF O&G ACERAGE



60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 00 01 02 03

Acreage figures for 2003 current to April 1.
Includes conventional, shallow natural gas, lease expirations and relinquishments.

HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: April 4, 2003

FURTHER REFERRALS: Resources

Date of Committee Action: 04/29/03

The HOUSE SPECIAL COMMITTEE ON OIL AND GAS Committee considered:

HB 246

HOUSE BILL NO. 246

LIMIT ON OIL & GAS LEASE ACREAGE

"An Act relating to the limitation on upland acreage that a person may take or hold under oil and gas leases; and providing for an effective date."

Recommends it be replaced with HCS or CS for _____ (_____)
 For Senate Bills with new title: Technical Title New Title: HCR _____ Same Title New Title

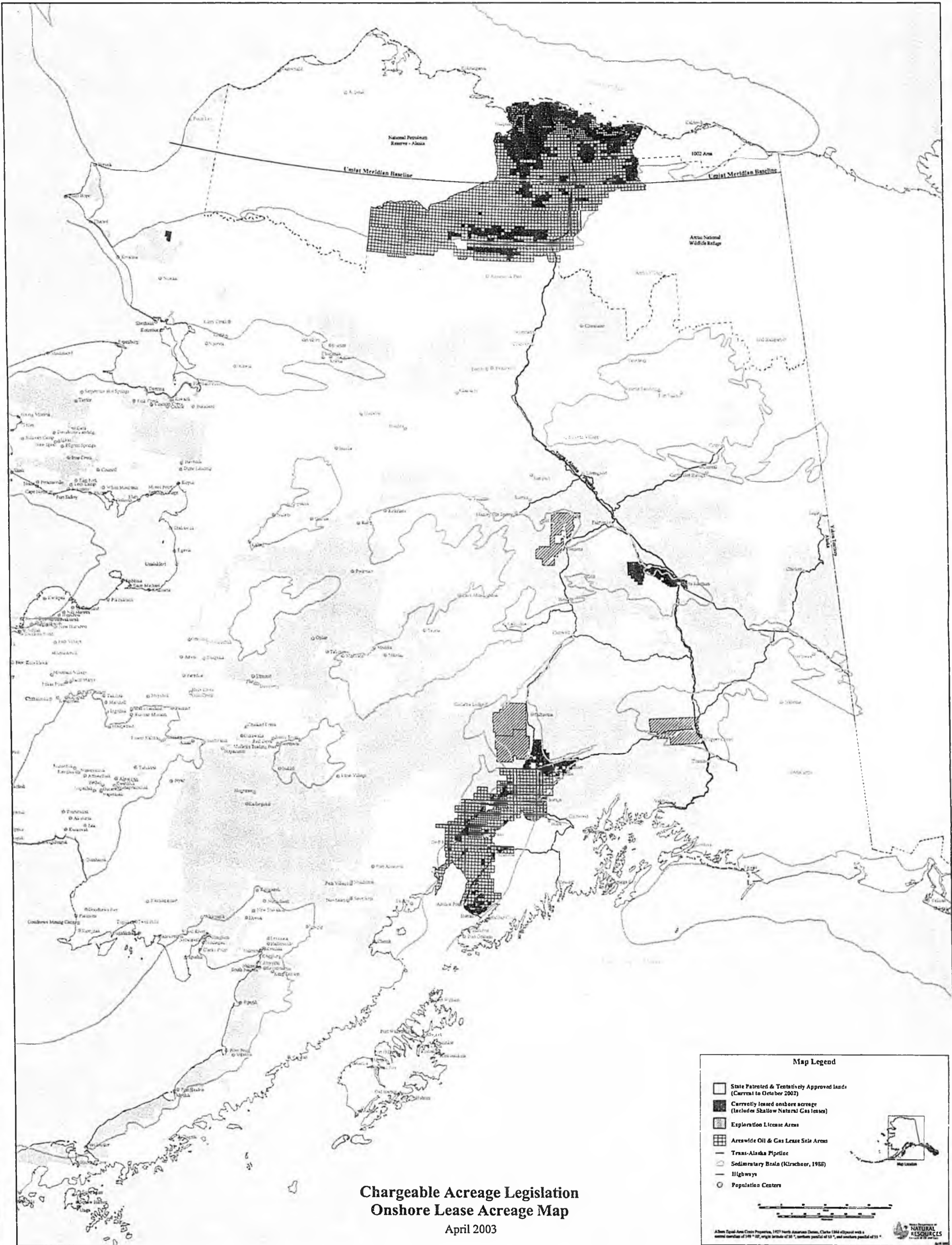
- attach amendments
- add new referral to _____ Committee
- Letter of Intent _____ Committee

List of Abbrev for Depts.:
 ADM
 CED
 COR
 CRT
 EED
 DEC
 DFG
 GOV
 HSS
 LEG
 LAW
 LWF
 MVA
 DNR
 DPS
 REV
 DOT
 UA

<u>NEW FISCAL NOTES</u>				
*Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero
DNR				✓

<u>PREVIOUS FISCAL NOTES</u>				
List by Dept(s):	FN#	Fiscal	Indet.	Zero

<u>Signing with recommendations</u>	Printed Last Name	DP	DNP	NR	AM
	Holm	✓			
	Kerntula	✓			
	CRAWFORD	✓			
	Fote	✓			
Chair:	Lohring	✓			
Chair:	Lohring	✓			



**Chargeable Acreage Legislation
Onshore Lease Acreage Map**
April 2003

Map Legend

- State Patented & Tentatively Approved lands (Current to October 2003)
- Currently leased onshore acreage (includes Shallow Natural Gas leases)
- Exploration License Areas
- Area-wide Oil & Gas Lease Sale Areas
- Trans-Alaska Pipeline
- Sedimentary Basins (Kirchoff, 1968)
- Highways
- Population Centers

Alaska Equal Area State Projections, 1977 North American Datum, Clarke 1866 ellipsoid with a spheroid flattening of 1/298.257, angle of strike of 90°, northern parallel of 63°, and southern parallel of 33°

NATURAL RESOURCES