

SB

265

SENATE COMMITTEE REPORT First Committee of Referral

DATE: 1/14/04

FURTHER:

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 2-5-04

Resources Committee considered SENATE BILL NO. 265

SB 265 OIL&GAS LEASE SALE SCHEDULE/NOTIFICATION

"An Act relating to the schedule of proposed oil and gas lease sales and to a related report to the legislature; and providing for an effective date."

and recommends:

- be replaced with S CS SB 265 (Res)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:	
<input checked="" type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
House Bill:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
DNR	1/27/03			✓	1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	Do PASS	DO NOT PASS	No REC	AMEND
<i>[Signature]</i>	✓			
<i>[Signature]</i>				✓
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
CHAIR: <i>[Signature]</i>	✓			

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 265
(S) Publish Date: 1/14/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Natural Resources
Title Five-Year Oil and Gas Program RDU Resource Development
Component Oil and Gas Development
Sponsor _____
Requester _____ Component No. 439

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
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 ()						
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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 (FY2004) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

By amending the Five-Year Oil and Gas Program requirements, DNR will be able to add competitive sales to the schedule at any time instead of only once every two years (current law requires that Five-Year Program be presented to the Legislature in January of the first regular session of each legislature). These amendments will ultimately allow DNR to hold sales in the frontier areas sooner, therefore bringing the state additional revenues (bonus bids, rentals, and eventually, production royalties) in a shorter amount of time. It is impossible to accurately predict at this time what this increase in revenues might be.

Prepared by: Bill Van Dyke Phone 269-8800
Division Oil and Gas Date/Time 10/27/03
Approved by: Thomas Irwin, Commissioner Date 10/27/03
Agency Natural Resources

*OK
Final
Requested*

23-GS2013VD
Chenoweth
2/5/04

CS FOR SENATE BILL NO. 265(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered:
Referred:

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

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the schedule of proposed oil and gas lease sales and to a related
2 report to the legislature; and providing for an effective date."

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

4 * **Section 1.** AS 38.05.180(b) is amended to read:

5 (b) The commissioner shall annually [BIENNIALY] prepare and, before
6 February 1 of each calendar year [, BETWEEN THE FIRST AND THE 15TH
7 DAY OF THE FIRST REGULAR SESSION OF EACH LEGISLATURE], notify the
8 legislature of [THE AVAILABILITY OF, A FIVE-YEAR PROPOSED OIL AND
9 GAS LEASING PROGRAM CONSISTING OF] a five-year program [SCHEDULE]
10 of proposed oil and gas lease sales, [AND] specifying as precisely as practicable the
11 location of tracts [PROPOSED] to be offered for [OIL AND GAS] leasing during the
12 calendar year of the notification [IN WHICH THE PROPOSED PROGRAM IS
13 MADE AVAILABLE TO THE LEGISLATURE] and the following four calendar
14 years. The commissioner may, at any time, notify the legislature of revisions,

1 including additions, to the program. Notification to each legislator, by electronic
2 message or other written means, constitutes notification to the legislature under
3 this subsection.

4 * Sec. 2. AS 38.05.180(c) is amended to read:

5 (c) Except as provided in (d) and (w) of this section, an oil and gas lease sale
6 may not be held unless the legislature was notified under (b) of this section [IT
7 WAS INCLUDED IN THE PROPOSED LEASING PROGRAMS SUBMITTED TO
8 THE LEGISLATURE DURING THE TWO CALENDAR YEARS PRECEDING
9 THE YEAR IN WHICH THE SALE IS HELD]. A lease sale may not be held before
10 the date listed [IT IS SCHEDULED] in the proposed, or a revised, oil and gas leasing
11 program.

12 * Sec. 3. AS 38.05.180(e) is amended to read:

13 (e) The [SIMULTANEOUSLY WITH SUBMISSION OF THE LEASING
14 PROGRAM REQUIRED UNDER (b) OF THIS SECTION, THE] commissioner shall
15 annually prepare and notify the legislature of the availability of a report containing
16 the following:

17 (1) the schedule of all lease sales held during the preceding calendar
18 year, the bidding method or methods utilized, and an analysis of the results of the
19 bidding;

20 (2) if determined, a description of the bidding methods to be used for
21 all lease sales to be held during the current and next two succeeding calendar years;

22 (3) the reasons a particular bidding method has been selected.

23 * Sec. 4. This Act takes effect immediately under AS 01.10.070(c).



SENATOR SCOTT OGAN 23RD Alaska State Legislature

Senate District H Lazy Mountain * Butte * Chugiak * Peters Creek * Fairview Loop
Knik-Goose Bay * Big Lake * Houston * Willow * Talkeetna * Trapper Creek

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Senator_Scott_Ogan@legis.state.ak.us Http://www.akrepublicans.org/ogon

FACSIMILE TRANSMITTAL SHEET

TO: <u>Leg Legal</u>	FROM: <u>Linda Hay</u>
COMPANY:	DATE: <u>2-5-04</u>
FAX NUMBER:	TOTAL NO. OF PAGES INCLUDING COVER: <u>2</u>
PHONE NUMBER:	RE: <u>Senate Res. CS</u>

- URGENT
 FOR REVIEW
 PLEASE COMMENT
 PLEASE REPLY
 PLEASE RECYCLE

NOTES/COMMENTS:

please prepare a CS for SB265
with the attached changes -

If there are any questions I
can be CONTACTED @ x 4907

Thank You -
Room # 103
Sen. Ogan

SB 265: Page 1, line 5: annually [BIENNIALY] prepare and
prior to February 1 of each calendar year, notify the
legislature of...

SB 265: Page 2, line 2: or other written means,

SB 265
Oil and Gas Lease Sale Schedule/Notification

Summary:

- SB 265 would amend current Five-Year Oil and Gas Lease Program requirements by allowing DNR to amend the Five-Year schedule on a more timely basis with legislative notification.
- This legislation would allow the state to schedule an areawide lease sale on the Alaska Peninsula for fall 2005. Without this bill, the soonest a sale could be held would be January 2007.
- SB 265 benefits would include:
 - Giving the State the flexibility to respond quickly to changing industry, market, and other conditions and more quickly bring new areas on-line for leasing, resulting in additional revenues for the State of Alaska.
 - Permitting frontier areas in particular, to be brought into production sooner than currently possible.
 - Retaining legislative review of the lease sale program.

Background:

- Under current oil and gas statutes (AS 38.05.180(b) and (c)):
 - The Commissioner of Natural Resources is required to biennially prepare and present to the first regular session of each legislature a five-year schedule of proposed oil and gas lease sales.
 - A proposed lease sale, in turn, must be included in the schedule submitted to the legislature for at least two calendar years before the sale may be held.
- Therefore, under current law, it may be as long as four years between when a sale is requested and when it may be held. For example, under current law, the soonest a sale may be held in the Bristol Bay area is January 2007.
- As a result of these restrictions, the commissioner is unable to quickly respond to changing industry, market and State fiscal conditions in designing and implementing a lease sale program.
- SB 265 would amend the Five-Year Program requirements by:
 - Allowing DNR the flexibility of amending the sale schedule at any time and notifying the Legislature of the change.
 - Removing the current requirement under AS 38.05.180(c) that a proposed sale be on the schedule for two years. Instead, a sale may not be held before the date in the Five-Year Program.
 - DNR annually, instead of biennially, prepares the Five Year Program and notifies the Legislature of its availability.

SB 245



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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 12, 2004

The Honorable Gene Therriault
President of the Senate
Alaska State Legislature
State Capitol, Room 107
Juneau, Alaska 99801-1182

Dear President Therriault:

Under the authority of article III, section 18, of the Alaska Constitution, I am transmitting a bill relating to the scheduling of proposed oil and gas lease sales. This bill would allow the commissioner of the Department of Natural Resources to produce additional revenues for the State of Alaska from oil and gas lease sales by quickly responding to changing industry, market, and other conditions. New areas, particularly frontier areas of the state, can be brought into production sooner than currently possible. The bill would still permit legislative review of the lease sale program.

Currently, the commissioner is required to prepare a "Five Year Schedule of Proposed Oil And Gas Lease Sales" and submit it to the Legislature in January of the first regular session of each Legislature. A proposed lease sale must be included in the schedule for at least two calendar years before the sale can actually be held. This is a ponderous process that makes it difficult to implement the most effective oil and gas lease sale program possible.

This bill is an important part of our mission to use natural resource wealth to produce long-term, stable revenue sources for the state, local and property tax revenue for municipalities, and high paying jobs for Alaskans.

I urge your prompt and favorable support of this legislation.

Sincerely yours,

Frank H. Murkowski
Governor

Enclosure