

SCR

3

SENATE COMMITTEE REPORT

First Committee of Referral

DATE: 2/19/07

FURTHER:

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

DATE TURNED
IN TO OFFICE: _____

Judiciary Committee considered SENATE CONCURRENT RESOLUTION NO. 3

SCR 3 POINT THOMSON UNIT APPEAL

Urging the governor and the attorney general to expedite the resolution in the courts of the appeal from the decision by the commissioner of natural resources to deny the proposed plans for development of the Point Thomson Unit and to terminate the Point Thomson Unit.

and recommends:

- be replaced with SCS or CS SCR 3 (JUD)
- adopt previous SCS or CS _____ (_____)
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

SENATE BILL:	
<input type="checkbox"/> Same Title	
<input checked="" type="checkbox"/> New Title	
<hr/>	
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#
(S) JUD	3/22/07			✓	

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS	PRINTED	Do Not	Do Not	No RPT	AMEND
	LAST NAME	PASS	PASS		
	Theriault	✓			
	elachowski	✓			
	McGine	✓			
CHAIR:	French	✓			

CS FOR SENATE CONCURRENT RESOLUTION NO. 3(JUD)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIFTH LEGISLATURE - FIRST SESSION

BY THE SENATE JUDICIARY COMMITTEE

Offered:

Referred:

Sponsor(s): SENATORS THERRIAULT, Wagoner, Wilken, Dyson

A RESOLUTION

1 **Urging the governor and the attorney general to expedite the resolution of the appeal**
2 **from the decision by the commissioner of natural resources to deny the proposed plans**
3 **for development of the Point Thomson Unit and to terminate the Point Thomson Unit.**

4 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 **WHEREAS** the Department of Natural Resources estimates that the Thomson Sand
6 Reservoir contains at least 8 trillion cubic feet of gas and 200 million barrels of gas
7 condensate and oil and that the shallower Brookian reservoirs are estimated to contain
8 hundreds of millions of barrels of oil; and

9 **WHEREAS** the Point Thomson Unit consisted of 45 state oil and gas leases
10 encompassing approximately 106,200 acres, and the state owns the entire subsurface estate
11 within that unit area; and

12 **WHEREAS** 25 lessees held working interest ownership in the Point Thomson Unit on
13 October 27, 2005, when the director of the division of oil and gas in the Department of
14 Natural Resources denied the Twenty-second Plan of Development for the Point Thomson
15 Unit; and

1 **WHEREAS**, in 2000, the lessees asked the Department of Natural Resources to
2 approve an expansion of the Point Thomson Unit by 12 leases and about 40,000 acres; and

3 **WHEREAS** the Department of Natural Resources and the lessees entered into an
4 expansion agreement by which the department would approve the unit expansion on condition
5 that the lessees would perform certain items of work and put the unit into production with at
6 least seven development wells by 2008; and

7 **WHEREAS**, as of November 27, 2006, the lessees had failed to satisfy any of the
8 work commitments in the expansion agreement and had relinquished two expansion leases
9 back to the state along with a payment of \$940,000; and

10 **WHEREAS** the expansion agreement required the lessees to drill a well not later than
11 December 2006; and

12 **WHEREAS** the lessees failed to drill the well required by the expansion agreement
13 before the end of December 2006, and the expansion agreement requires the lessees to
14 relinquish all 29,000 acres of the remaining expansion leases and pay the state \$20,000,000;
15 and

16 **WHEREAS** the expansion agreement provided that the lessees could have voluntarily
17 contracted the expansion leases out of the Point Thomson Unit with a lesser financial
18 obligation to the state if the lessees determined that production was uneconomic, but the
19 lessees have not exercised this option; and

20 **WHEREAS** the lessees failed to drill exploratory wells to delineate the various
21 hydrocarbon accumulations in response to an offer by the Department of Natural Resources to
22 extend the expansion agreement if those exploratory wells were drilled; and

23 **WHEREAS** the director of the division of oil and gas in the Department of Natural
24 Resources disapproved the Twenty-second Plan of Development proposed by the lessees
25 because that plan of development did not set out a plan to bring the unit into commercial
26 production within a reasonable time; and

27 **WHEREAS** the lessees have failed to provide a new or revised acceptable plan of
28 development for the Point Thomson Unit since the director of the division of oil and gas
29 disapproved the Twenty-second Plan of Development; and

30 **WHEREAS** the commissioner of natural resources, on November 27, 2006, upheld
31 the denial of the proposed plans for development of the Point Thomson Unit, terminated the

1 Point Thomson Unit, and found that lessees had breached an expansion agreement, thereby
2 causing 29,000 acres of expansion leases to revert automatically to the state; and

3 **WHEREAS** the acting commissioner of natural resources, on December 27, 2006,
4 denied reconsideration of the commissioner's decision dated November 27, 2006; and

5 **WHEREAS** ExxonMobil Corporation, as the operator of the Point Thomson Unit and
6 as a lessee, along with BP Exploration, Chevron U.S.A., and ConocoPhillips Alaska, Inc.,
7 appealed the decision of the commissioner of natural resources to the superior court in 3AN-
8 06-13751CI and commenced a separate action in superior court in 3AN-06-13826CI; and

9 **WHEREAS** ExxonMobil Corporation, BP Exploration, Chevron U.S.A.,
10 ConocoPhillips Alaska, Inc., and Devon Energy Production Company, L.P., are pursuing
11 administrative appeals of the individual lease terminations in accordance with 11 AAC 02;
12 and

13 **WHEREAS**, under art. VIII, sec. 1, Constitution of the State of Alaska, the policy of
14 the state is to encourage the development of its resources by making them available for
15 maximum use consistent with the public interest; and

16 **WHEREAS** it is in the best interest of the state to develop the oil and gas resources
17 within the Point Thomson Unit for the benefit of the people of the state; and

18 **WHEREAS** an unnecessary delay in the resolution of the appeal of the
19 commissioner's decision will contribute to further delay in the development of the oil and gas
20 resources in the Point Thomson Unit to the detriment of the people of the state;

21 **BE IT RESOLVED** that the Alaska State Legislature respectfully asks the governor
22 and the attorney general to allocate adequate resources and take all steps necessary to expedite
23 the court's consideration of the appeal in 3AN-06-13751CI or facilitate a successful resolution
24 to the unit and lease dispute so that the oil and gas resources within the Point Thomson Unit
25 may be developed for the benefit of the people of the state without further delay.

25-LS0446K
Bullock
3/24/07

CS FOR SENATE CONCURRENT RESOLUTION NO. 3()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIFTH LEGISLATURE - FIRST SESSION

BY

Offered:

Referred:

Sponsor(s): SENATORS THERRIAULT, Wagoner, Wilken, Dyson

A RESOLUTION

1 **Urging the governor and the attorney general to expedite the resolution ~~in the courts~~ of**
2 **the appeal from the decision by the commissioner of natural resources to deny the**
3 **proposed plans for development of the Point Thomson Unit and to terminate the Point**
4 **Thomson Unit.**

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

6 **WHEREAS** the Department of Natural Resources estimates that the Thomson Sand
7 Reservoir contains at least 8 trillion cubic feet of gas and 200 million barrels of gas
8 condensate and oil and that the shallower Brookian reservoirs are estimated to contain
9 hundreds of millions of barrels of oil; and

10 **WHEREAS** the Point Thomson Unit consisted of 45 state oil and gas leases
11 encompassing approximately 106,200 acres, and the state owns the entire subsurface estate
12 within that unit area; and

13 **WHEREAS** 25 lessees held working interest ownership in the Point Thomson Unit on
14 October 27, 2005, when the director of the division of oil and gas in the Department of
15 Natural Resources denied the Twenty-second Plan of Development for the Point Thomson

1 Unit; and

2 **WHEREAS**, in 2000, the lessees asked the Department of Natural Resources to
3 approve an expansion of the Point Thomson Unit by 12 leases and about 40,000 acres; and

4 **WHEREAS** the Department of Natural Resources and the lessees entered into an
5 expansion agreement by which the department would approve the unit expansion on condition
6 that the lessees would perform certain items of work and put the unit into production with at
7 least seven development wells by 2008; and

8 **WHEREAS**, as of November 27, 2006, the lessees had failed to satisfy any of the
9 work commitments in the expansion agreement and had relinquished two expansion leases
10 back to the state along with a payment of \$940,000; and

11 **WHEREAS** the expansion agreement required the lessees to drill a well not later than
12 December 2006; and

13 **WHEREAS** the lessees failed to drill the well required by the expansion agreement
14 before the end of December 2006, and the expansion agreement requires the lessees to
15 relinquish all 29,000 acres of the remaining expansion leases and pay the state \$20,000,000;
16 and

17 **WHEREAS** the expansion agreement provided that the lessees could have voluntarily
18 contracted the expansion leases out of the Point Thomson Unit with a lesser financial
19 obligation to the state if the lessees determined that production was uneconomic, but the
20 lessees have not exercised this option; and

21 **WHEREAS** the lessees failed to drill exploratory wells to delineate the various
22 hydrocarbon accumulations in response to an offer by the Department of Natural Resources to
23 extend the expansion agreement; if those exploratory wells were drilled; and

24 **WHEREAS** the director of the division of oil and gas in the Department of Natural
25 Resources disapproved the Twenty-second Plan of Development proposed by the lessees
26 because that plan of development did not set out a plan to bring the unit into commercial
27 production within a reasonable time; and

28 **WHEREAS** the lessees have failed to provide a new or revised acceptable plan of
29 development for the Point Thomson Unit since the director of the division of oil and gas
30 disapproved the Twenty-second Plan of Development; and

31 **WHEREAS** the commissioner of natural resources, on November 27, 2006, upheld

1 the denial of the proposed plans for development of the Point Thomson Unit, terminated the
2 Point Thomson Unit, and found that lessees had breached an expansion agreement, thereby
3 causing 29,000 acres of expansion leases to revert automatically to the state; and

4 **WHEREAS** the acting commissioner of natural resources, on December 27, 2006,
5 denied reconsideration of the commissioner's decision dated November 27, 2006; and

6 **WHEREAS** ExxonMobil Corporation, as the operator of the Point Thomson Unit and
7 as a lessee, along with BP Exploration, Chevron U.S.A., and ConocoPhillips Alaska, Inc.,
8 appealed the decision of the commissioner of natural resources to the superior court in 3AN-
9 06-13751CI and commenced a separate action in superior court in 3AN-06-13826CI; and

10 **WHEREAS** ExxonMobil Corporation, BP Exploration, Chevron U.S.A.,
11 ConocoPhillips Alaska, Inc., and Devon Energy Production Company, L.P., are pursuing
12 administrative appeals of the individual lease terminations in accordance with 11 AAC 02;
13 and

14 **WHEREAS**, under art. VIII, sec. 1, Constitution of the State of Alaska, the policy of
15 the state is to encourage the development of its resources by making them available for
16 maximum use consistent with the public interest; and

17 **WHEREAS** it is in the best interest of the state to develop the oil and gas resources
18 within the Point Thomson Unit for the benefit of the people of the state; and

19 **WHEREAS** an unnecessary delay in the resolution of the appeal of the
20 commissioner's decision will contribute to further delay in the development of the oil and gas
21 resources in the Point Thomson Unit to the detriment of the people of the state;

22 **BE IT RESOLVED** that the Alaska State Legislature respectfully asks the governor
23 and the attorney general to allocate adequate resources and take all steps necessary to expedite
24 the court's consideration of the appeal in 3AN-06-13751CI or facilitate a successful resolution
25 to the unit and lease dispute so that the oil and gas resources within the Point Thomson Unit
26 may be developed for the benefit of the people of the state without further delay.

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR THERRIAULT

TO: SCR 3

1 Page 3, lines 8 - 9, following "3AN-06-13751CI":

2 Insert "and commenced a separate action in superior court in 3AN-06-13826CI"

3

4 Page 3, following line 9:

5 Insert a new clause to read:

6 "WHEREAS ExxonMobil Corporation, BP Exploration, Chevron U.S.A.,
7 ConocoPhillips Alaska, Inc., and Devon Energy Production Company, L.P., are pursuing
8 administrative appeals of the individual lease terminations in accordance with 11 AAC 02;
9 and"

SENATE CONCURRENT RESOLUTION NO. 3
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIFTH LEGISLATURE - FIRST SESSION

BY SENATORS THERRIAULT, Wagoner, Wilken, Dyson

Introduced: 2/19/07

Referred: Judiciary

A RESOLUTION

1 **Urging the governor and the attorney general to expedite the resolution in the courts of**
2 **the appeal from the decision by the commissioner of natural resources to deny the**
3 **proposed plans for development of the Point Thomson Unit and to terminate the Point**
4 **Thomson Unit.**

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

6 **WHEREAS** the Department of Natural Resources estimates that the Thomson Sand
7 Reservoir contains at least 8 trillion cubic feet of gas and 200 million barrels of gas
8 condensate and oil and that the shallower Brookian reservoirs are estimated to contain
9 hundreds of millions of barrels of oil; and

10 **WHEREAS** the Point Thomson Unit consisted of 45 state oil and gas leases
11 encompassing approximately 106,200 acres, and the state owns the entire subsurface estate
12 within that unit area; and

13 **WHEREAS** 25 lessees held working interest ownership in the Point Thomson Unit on
14 October 27, 2005, when the director of the division of oil and gas in the Department of
15 Natural Resources denied the Twenty-second Plan of Development for the Point Thomson

1 Unit; and

2 **WHEREAS**, in 2000, the lessees asked the Department of Natural Resources to
3 approve an expansion of the Point Thomson Unit by 12 leases and about 40,000 acres; and

4 **WHEREAS** the Department of Natural Resources and the lessees entered into an
5 expansion agreement by which the department would approve the unit expansion on condition
6 that the lessees would perform certain items of work and put the unit into production with at
7 least seven development wells by 2008; and

8 **WHEREAS**, as of November 27, 2006, the lessees had failed to satisfy any of the
9 work commitments in the expansion agreement and had relinquished two expansion leases
10 back to the state along with a payment of \$940,000; and

11 **WHEREAS** the expansion agreement required the lessees to drill a well not later than
12 December 2006; and

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14 before the end of December 2006, and the expansion agreement requires the lessees to
15 relinquish all 29,000 acres of the remaining expansion leases and pay the state \$20,000,000;
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17 **WHEREAS** the expansion agreement provided that the lessees could have voluntarily
18 contracted the expansion leases out of the Point Thomson Unit with a lesser financial
19 obligation to the state if the lessees determined that production was uneconomic, but the
20 lessees have not exercised this option; and

21 **WHEREAS** the lessees failed to drill exploratory wells to delineate the various
22 hydrocarbon accumulations in response to an offer by the Department of Natural Resources to
23 extend the expansion agreement if those exploratory wells were drilled; and

24 **WHEREAS** the director of the division of oil and gas in the Department of Natural
25 Resources disapproved the Twenty-second Plan of Development proposed by the lessees
26 because that plan of development did not set out a plan to bring the unit into commercial
27 production within a reasonable time; and

28 **WHEREAS** the lessees have failed to provide a new or revised acceptable plan of
29 development for the Point Thomson Unit since the director of the division of oil and gas
30 disapproved the Twenty-second Plan of Development; and

31 **WHEREAS** the commissioner of natural resources, on November 27, 2006, upheld

1 the denial of the proposed plans for development of the Point Thomson Unit, terminated the
2 Point Thomson Unit, and found that lessees had breached an expansion agreement, thereby
3 causing 29,000 acres of expansion leases to revert automatically to the state; and

4 **WHEREAS** the acting commissioner of natural resources, on December 27, 2006,
5 denied reconsideration of the commissioner's decision dated November 27, 2006; and

6 **WHEREAS** ExxonMobil Corporation, as the operator of the Point Thomson Unit and
7 as a lessee, along with BP Exploration, Chevron U.S.A., and ConocoPhillips Alaska, Inc.,
8 appealed the decision of the commissioner of natural resources to the superior court in 3AN-
9 06-13751CI; and

*Amend
here*
→

WHEREAS, under art. VIII, sec. 1, Constitution of the State of Alaska, the policy of
11 the state is to encourage the development of its resources by making them available for
12 maximum use consistent with the public interest; and

13 **WHEREAS** it is in the best interest of the state to develop the oil and gas resources
14 within the Point Thomson Unit for the benefit of the people of the state; and

15 **WHEREAS** an unnecessary delay in the resolution of the appeal of the
16 commissioner's decision will contribute to further delay in the development of the oil and gas
17 resources in the Point Thomson Unit to the detriment of the people of the state;

18 **BE IT RESOLVED** that the Alaska State Legislature respectfully asks the governor
19 and the attorney general to allocate adequate resources and take all steps necessary to expedite
20 the court's consideration of the appeal in 3AN-06-13751CI, ^{or facilitate the ~~appeal~~ a successful} so that the oil and gas resources
21 within the Point Thomson Unit may be developed for the benefit of the people of the state
22 without further delay.

*or facilitate the ~~appeal~~ a successful
Pt. Thomson
Unit
& lease
dispute.*

Alaska State Legislature

SENATOR
GENE THERRIAULT

Mailing Address:
1292 Sadler Way, Suite 308
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(907) 488-0857
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Senate

While in session
State Capitol
Juneau, Alaska
99801-1182
(907) 465-4797
Fax: (907) 465-3884
SENATE DISTRICT F

To: Senator Hollis French, Chairman
Senate Judiciary Committee

From: Senator Gene Therriault
Minority Leader

Date: February 27, 2007

Re: Request for Hearing SCR 3

I respectfully request Senate Concurrent Resolution 3 be scheduled for hearing before the Senate Judiciary Committee.

SCR 3 urges the Administration to allocate adequate resources and take all steps necessary to expedite the court's consideration of the appeal filed in the Point Thomson Unit termination case.

Thank you for your consideration.



25th ALASKA STATE LEGISLATURE

SENATE REPUBLICAN CAUCUS

SENATOR GENE THERRIAULT, MINORITY LEADER
STATE CAPITOL, ROOM 427, 465-4797 (FAX 465-3884)

www.aksenateminority.com

SENATOR CON BUNDE
SENATOR FRED DYSON
SENATOR TOM WAGONER
SENATOR GARY WILKEN

Fact Sheet for: Senate Concurrent Resolution 3 Contact: Heather Brakes, 465-4797
Bill Version: SCR 3

Sponsor: Senator Gene Therriault

Short Title: POINT THOMSON UNIT APPEAL

Summary:

- Asks the governor and the attorney general to allocate adequate resources and take all steps necessary to expedite the court's consideration of ExxonMobil Corporation's appeal of the final decision by the Commissioner of the Department of Natural Resources to deny ExxonMobil's proposed plan to develop the Point Thomson Unit, and to terminate the Point Thomson unit.

Benefits:

- Expediting resolution of the appeal furthers the policy set out in art. VIII, sec. 1, of Alaska's Constitution to encourage the development of its resources by making them available for maximum use consistent with the public interest.
- Benefits the people of the state by advancing development of the oil and gas resources within the Point Thomson Unit.

Background:

- On October 27, 2005, the director of the State Division of Oil and Gas rejected the Twenty-second plan of development from operator ExxonMobil Production, and found the Point Thomson unit in default for lack of an approved plan of development. On November 27, 2006, the commissioner of the Department of Natural Resources terminated the unit.

ExxonMobil, as the operator of the unit and as a lessee, along with BP Exploration, Chevron U.S.A. and ConocoPhillips Alaska, Inc., are appealing the commissioner's November 27, 2006 decision and the December 27, 2006 denial of reconsideration to Superior Court.

The Point Thomson unit covers 45 state oil and gas leases on approximately 106,000 acres of state land just west of the Arctic National Wildlife Refuge. It holds an estimated 200 million to 300 million barrels of oil and natural gas condensates, and 8 trillion to 9 trillion cubic feet of natural gas.

SKILLED

RESPONSIBLE

CONSERVATIVE



25th ALASKA STATE LEGISLATURE SENATE REPUBLICAN CAUCUS

SENATOR GENE THERRIAULT, MINORITY LEADER
STATE CAPITOL, ROOM 427, 465-4797 (FAX 465-3884)

SENATOR CON BUNDE
SENATOR FRED DYSON
SENATOR TOM WAGONER
SENATOR GARY WILKEN

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Press Release www.aksenateminority.com

FOR IMMEDIATE RELEASE: February 15, 2007

No. 07-07

Lawmakers Urge Swift Resolution of Point Thomson Appeal *Resolution supports administration's efforts*

Juneau—Members of the Senate Republican Caucus plan to introduce a resolution tomorrow that would put the Legislature on record supporting the administration's efforts to resolve a court appeal holding up development of Point Thomson oil and gas resources.

The resolution, which has not yet been assigned a number, asks the governor and the attorney general to allocate adequate resources and take all steps necessary to expedite the court's consideration of ExxonMobil Corporation's appeal of the final decision by the Commissioner of the Department of Natural Resources to deny ExxonMobil's proposed plan to develop the Point Thomson Unit, and to terminate the Point Thomson unit.

Sen. Gene Therriault, R-North Pole, introduced the resolution after consulting with the administration on possible problems with Senate Bill 26, which he and Sen. Tom Wagoner, R-Kenai, filed earlier this session. SB 26 would have transferred judicial review of a final decision by the commissioner of the Department of Natural Resources approving termination of an oil or gas lease to the Alaska Supreme Court.

"After introduction of Senate Bill 26 and meeting with the Department of Law personnel, Senator Wagoner and I have a much better understanding now of some of the legal concerns there, and we are in agreement that perhaps moving forward on that legislation would be unwise," Therriault said. "It could be, in fact, counterproductive, for what we were trying to accomplish. Instead our plan is to introduce a resolution that supports the administration's efforts on moving forward with the state asserting its sovereign rights on the Point Thomson leases."

"While we have three separate branches of government, it's beneficial from time to time for our branch to make a clear statement of support to the executive branch for actions they have undertaken," Therriault said.

###

SKILLED

RESPONSIBLE

CONSERVATIVE