

# Alaska State Legislature

## Senate Resources Committee

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### SPONSOR STATEMENT

#### **SB 312 Conventional and Non-Conventional Gas Leases**

Nine years ago shallow gas leasing legislation was passed. The intent of the original legislation was to create growth in private sector jobs, increase the tax base for local schools/governments, provide clean, inexpensive energy for rural Alaskan communities and continue development of our state's resources as mandated in our Constitution. This bill was based on the need to treat less economic, non-conventional gas, differently than deep-hole, high-pressure conventional oil and gas.

The original legislation, HB 394, allowed for acquiring leases on a first come, first serve basis. This was, in part, to encourage development of alternative gas resources in areas of the state not on the power grid. Due to the known shortage of natural gas in south central Alaska, interest in leasing on shore in the Cook Inlet Basin has skyrocketed. The unintended consequences of this, allowed leasing of state owned subsurface mineral estate in sometimes un-economic areas and areas that conflicted with a high density of homes and businesses. Without this legislation, another operator or speculator could immediately lease land relinquished by the original lessee. Also, land that is not currently leased is still subject to current over the counter standards. SB 312 is a critical first step to a long-term solution.

#### **SB 312 Conventional and Non-Conventional Gas Leases:**

- Eliminates over the counter, first come first serve shallow gas leases and replaces it with area wide leasing or exploration licensing.
- Requires a best interest finding before any oil and gas leasing or exploration licensing. This will give the Department of Natural Resources (DNR) control of what land is leased, avoiding unnecessary surface owner conflicts.
- Creates a gas only section of area-wide leasing and exploration licensing identified in a best interest finding by DNR
- Differentiates conventional and non-conventional gas resources for the purposes of lease rentals.
- Defines conventional and non-conventional gas development and treats each appropriately. Recognizes that lease rights should not be determined by depth only. Creates a better environment for maximizing production.
- Encourages exploration licenses with a best interest finding as the method for non-conventional gas exploration outside of the area wide leasing (rural Alaska).
- Makes the leasing and regulations fit the activity
- Both processes are competitive, ensuring that the state receives maximum value.
- Best interest findings are a time tested public process.

The genesis of this bill was by request of citizens from the Mat-Su & Kenai Peninsula areas, input from public meetings held by DNR, and Senate Resources Committee members.