RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

BREAKFAST MEETING

Thursday, December 18, 2008

1)Call to order – Tom Maloney, Secretary
2)Self Introductions
3)Headtable Introductions
4)Staff Report –Jason Brune, Executive Director
5)Program and Keynote Speaker:

West Cook Inlet Development Projects: 2009 and Beyond
John McClellan, P.E., JDM Consultants

Next Meeting: January 15: Colleen Starring, President, ENSTAR Natural Gas Company

Please add my name to RDC's mailing list

NAME/TITLE: ________________________________

COMPANY: ________________________________

ADDRESS: ________________________________

CITY: ______________ STATE: _______ ZIP: _______

PHONE/FAX/EMAIL: ________________________________

RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

Ms. Vicki Otte, Executive Director
ANCSA Regional Association
PO Box 240766
Anchorage, AK 99524

Dear Ms. Otte:

The efforts and leadership of the ANCSA corporations were largely responsible for the defeat of Ballot Measure 4, the "clean water" initiative, this past August. Thank you.

Last week, Lt. Governor Sean Parnell certified a gas reserves tax initiative submitted by Representative Harry Crawford, Representative Beth Kertulla, and Representative David Guttenberg. In 2006, a similar gas reserves tax initiative was put before the voters. Similar to the clean water initiative, a lot of energy, time, and money was put into the effort to defeat what came to be known as Ballot Measure 2. Corporations, organizations, and even all three gubernatorial candidates came out in opposition. Voters soundly defeated that ballot measure by a 2-1 margin.

Sponsors of this new gas reserves tax initiative now have one year to collect a sufficient number of signatures in order to place this issue on the ballot again. ***I would like to respectfully request the ANCSA Regional Association pass a resolution opposing this proposed gas reserves tax initiative.*** I would also encourage each corporation to individually work to discourage its shareholders from signing the signature books.

I take great pride that each of the Alaska Native Regional Corporations are members of the Resource Development Council (RDC). Representatives of most serve on our Board of Directors and Executive Committee. Our mission is to grow Alaska through responsible resource development.

RDC took a very active role opposing the previous gas reserves tax initiative in 2006 as well as Ballot Measure 4 this past summer. Efforts today to discourage this new gas reserves tax initiative from making it onto the ballot will save significant amounts of time, money, and energy in the future. If, unfortunately, it makes it onto the ballots, we will once again have to pull together to defeat yet another dangerous initiative that will significantly, and negatively, affect all Alaskans.

Thank you for your consideration of this request. Please do not hesitate to contact me with questions.

Sincerely,

Jason W. Brune
Executive Director
Resource Development Council for Alaska, Inc.

121 West Fireweed Lane, Suite 250, Anchorage, Alaska 99503-2035
Phone: 907/276-0700 Fax: 907/276-3887 Email: Resources@akrdc.org Website: www.akrdc.org

RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

December 10, 2008

Lindsay Guzzo
Office of Water and Watersheds
USEPA Region 10
10200 Sixth Avenue, Suite 900
OWW-130
Seattle, WA 98101

Re: Proposed NPDES Permit Number AKG 524000

Dear Ms. Guzzo:

The Resource Development Council for Alaska, Inc. (RDC) writes to express its concerns regarding new permit requirements of the National Pollutant Discharge Elimination System (NPDES) General Permit AKG 524000 for Offshore Seafood Processors in Alaska.

RDC is a statewide, non-profit, membership-funded organization founded in 1975. The RDC membership is comprised of individuals and companies from Alaska's oil and gas, mining, timber, tourism, and fisheries industries, as well as Alaska Native corporations, local communities, organized labor, and industry support firms. RDC's purpose is to link these diverse interests together to encourage a strong, diversified private sector in Alaska and expand the state's economic base through the responsible development of our natural resources.

RDC opposes the need for multiple discharge permits governing the same areas of water, and proposes the new permit be specific to federal waters, three or more nautical miles from shore. Alaska's primacy over pollutant discharge elimination systems in Alaska's waters should encompass zero to three miles from shore. Overlapping water jurisdiction results in unnecessary complications and burden on Alaska's fishing industry.

Furthermore, the draft NPDES permit describes new and excessive reporting requirements for influent/effluent monitoring and testing for metals. The At-Sea Processors Association (APA) proposes revisions to these requirements via comment letter (December, 2008) with which RDC concurs.

RDC encourages the EPA to remove the revisions regarding scupper blockage and annual reporting of discharge tracking and mapping for safety and proprietary purposes. The purpose of a scupper is vessel safety, and blocking it would jeopardize the vessel stability in high seas. Mapping and recording of discharge tracks would be overly burdensome and would reveal fishing strategies of each vessel.

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Alaska, being the number one fishing state in the union, relies on fishing for over 50,000 direct and indirect jobs (2007) and as a renewable resource pumping dollars and opportunity into the economy. RDC members, specifically fishing members, have a large stake in maintaining water standards and protecting fish. With the revisions listed in this letter, and those proposed by APA, the permit will still require extensive guidelines and protections be met through continuous monitoring and reporting.

RDC appreciates the opportunity to comment on this important issue.

Sincerely,

Marleanna Soto

Marleanna Soto
Projects Coordinator

RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

December 8, 2008

Ms. Kaja Brix
Assistant Regional Administrator
Protected Resources Division, Alaska Region, NMFS
PO Box 21668
Juneau, AK 99802

Attn: Ellen Sebastian
Re: Initiation of Status Review for the Southeast Alaska population of Pacific Herring

Dear Ms. Brix:

Thank you for the opportunity to submit comments on the Status Review of the Southeast Population of Pacific herring under the Endangered Species Act (ESA).

The Resource Development Council (RDC) is a statewide private economic development organization with the mission to grow Alaska's economy through responsible resource development. RDC's membership encompasses all of Alaska's basic industries — oil and gas, tourism, fisheries, mining and timber. Our membership also includes construction companies, labor organizations, Native corporations, local communities and a wide variety of industry support firms.

In accordance with an ESA listing petition, the National Marine Fisheries Service (NMFS) previously conducted a status review of the Lynn Canal stock of Pacific herring, upon which NMFS concluded that population is not a distinct population segment (DPS) under the Act. The review did, however, find the Southeast Alaska herring population, under which the Lynn Canal stock belongs to, to be a DPS and is therefore conducting a status review for that population.

Upon conclusion of this status review, NMFS will determine whether to list the Southeast Alaska population of Pacific herring on the ESA. RDC opposes that listing, and strongly questions the notion of the Southeast Alaska stock being a Distinct Population Segment (DPS) separate from herring in the Gulf of Alaska and the northern Pacific Ocean. As indicated in the Lynn Canal Federal Register notice dated December 10, 2007, Pacific herring stocks in Southeast Alaska have not been examined in detail for population discreteness. However, studies conducted on herring stocks in the North Pacific, e.g. Puget Sound, have concluded the stocks do not constitute a DPS as defined under

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the ESA. Similar studies must be conducted in all of Southeast Alaska prior to a listing decision. When making DPS determinations, the discreteness of the population in question and the significance of the population to the remainder of the species should be considered.

The Commercial Fisheries Division of the Alaska Department of Fish and Game (ADF&G) manages the Southeast Pacific herring population exceedingly well. The populations are reviewed annually and harvesting decisions are based on these population assessments. In the past, the herring fishery has been closed when it is discovered populations are depressed and remain closed until it is proven the population can support commercial fisheries. In 2007 the ADF&G stated that overall herring stocks in Southeast Alaska are stable and healthy.

RDC is concerned about the impact an ESA listing and subsequent critical habitat designation could have on development projects in and around Southeast Alaska. The Kensington Mine, poised to provide millions of tax dollars to the City and Borough of Juneau, as well as the State of Alaska, would be directly impacted. Given its location, shipping and transportation to and from the mine would be hampered, and even the most basic mining operations would prove to be incredibly difficult. Also affected in the area would be the Kensington Mine dock facility owned by Goldbelt Inc., and the existing Greens Creek Mine on Admiralty Island. All of these projects have been planned and permitted while working with local, state, and federal government agencies to ensure the region is protected and preserved for the future. RDC surmises the petitioners may be attempting to list the Southeast Alaska Pacific herring stock under the ESA to control land use decisions, rather than because the stock is threatened. The ESA is not meant to control development activities, but rather to preserve species that are truly threatened or endangered.

Anytime a species is listed under the ESA, that decision must be based on sound science and recognize existing conservation efforts, management mechanisms, and actual population assessments. An ESA listing should be a last resort, and not a foregone conclusion. Given the Southeast herring population as a whole is healthy and able to support a commercial fishery, a listing under the ESA is not warranted at this time.

Thank you for the opportunity to comment on this important issue.

Sincerely,

Deantha Crockett
Resource Development Council for Alaska, Inc.

JUNEAU EMPIRE.COM

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Groups challenge state's wastewater permit authority

JUNEAU - Native villages in Bristol Bay and conservation groups on Thursday challenged the U.S. Environmental Protection Agency's decision to delegate Clean Water Act permitting and enforcement to Alaska.

EPA has run Clean Water Act wastewater permitting for decades. The act envisioned that EPA would eventually delegate the authority, and 45 states have taken it on now.

EPA is transferring the permitting program to Alaska in phases over the next several years.

The agency doesn't give up its own authority, and will review Alaska's permits in the first few years to make sure they can comply.

But Alaska is unique, says Trustees for Alaska, the legal nonprofit representing the challengers: Those who sue in the public interest can be forced, if they lose, to pay their opponents' legal costs.

The state says it won't seek such damages. But Vicki Clark, Trustees for Alaska legal director, said that doesn't stop industry intervenors from doing so.

Also, the state can't assess administrative civil penalties, which the Trustees group says is an important deterrent.

Trustees of Alaska filed the challenge in the 9th U.S. Circuit Court of Appeals on Dec. 1.

The legal group represents the Akiak Native Community, Nunamta Aulukestai (eight Bristol Bay Native village corporations), Nondalton Tribal Council, Curyung Tribal Council in Dillingham, Cook Inletkeeper, Alaska Center for the Environment, Alaska Community Action on Toxics, the Center for Biological Diversity, and the Center for Water Advocacy.

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Anchorage Daily News

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Panel recommends officials get pay raises

COMPETITIVE: Panel says Palin should get a $25,000 a year increase.

By KYLE HOPKINS

(12/17/08 00:08:08)

A new state commission says the Alaska governor ought to get a $25,000 a year raise.

Asked to figure out how much Alaska should pay its top officials, the group recommends pay hikes for the lieutenant governor, department heads and legislators too.

"We need the best people we can get to do some pretty tough jobs against some often incredibility well-financed, single-minded corporate and individual interests," said Rick Halford, a former legislator and chairman of the new State Officers Compensation Commission.

Deciding how much to pay themselves is always a thorny proposition for politicians who answer to an ever-skeptical public. Today's national recession and relatively low oil prices wouldn't make it any easier.

Enter the new five-member commission, created by the Legislature earlier this year to take the decision out of lawmakers' hands. The members are appointed by the governor -- with two selected from lists recommended by legislative leaders.

The panel came up with a list of recommendations over the weekend and is looking for the public to weigh in at a meeting Thursday at 9 a.m. at the Anchorage Legislative Information Office.

Among the commission's suggestions:

• Raise the governor's salary 20 percent, from $125,000 to $150,000.

• Raise the salary of the lieutenant governor and state commissioners to $135,000 a year. Lt. Gov. Sean Parnell currently makes $100,00 a year, while commissioners are paid between $122,640 to $127,240 a year, according to the commission's numbers.

• Give all state legislators a flat annual salary of $50,400 while doing away with a per-diem lawmakers get for working on state business when the Legislature isn't in session. That would amount to an overall pay hike as well, based on lawmakers' pay in 2007.

2006 PAY RAISE

"I thought we just gave a raise to the governor and the commissioners," Rep. Jay Ramras, R-Fairbanks, said Monday in reaction to the recommendations.

That raise was in 2006, when the Legislature increased the governor's pay by 46 percent. Gov. Sarah Palin was the first to get the new pay rate. Her predecessor, Frank Murkowski, made about $86,000 a year.

In 2006 the lieutenant governor got a pay hike too: 25 percent.

Currently, Palin ranks near the middle of the pack nationally when it comes to gubernatorial salaries as the 24th-lowest paid governor, according to the commission's numbers.

California Gov. Arnold Schwarzenegger makes the most, at more than $212,000 a year, but the former movie star doesn't take the money.

Palin is also making less than three of her department heads, according to the commission.

"We felt that the governor should be paid more than the commissioners," said Halford, a former Senate President who retired from the Legislature in 2002.

As for the extra $25,000 she would make?

"I would expect this governor to probably donate that to her favorite charity. Because I believe that she very much serves for the service, not the pay," said Halford, who supported Palin during her campaign for governor in 2006.

Asked if anyone told him Palin would actually do that, he said no.

Palin spokesman Bill McAllister said he didn't know what the governor would do if she got the raise, and that Palin didn't want to comment on the group's recommendations.

"She wouldn't want to be seen as influencing or attempting to influence the commission's work right out of the chute," he said.

The governor appointed Halford, former Senate President Mike Miller, Gordon Harrison of Juneau, Rick Koch of Kenai and Thomas McGrath of Anchorage to the panel in mid-November.

Halford registered as a lobbyist with the state in 2005, working for the Alaska Gasline Port Authority. He said Monday he has no plans to return to lobbying work in the future.

Miller is a former Senate president too, and former commissioner of Administration.

Miller told other members of the salary commission that current Administration Commissioner Annette Kreitzer had called him to say the Palin administration preferred the old system of variable pay for commissioners, according to meeting minutes.

That conversation came before the commission's first meeting, Miller said Monday. Kreitzer said the variable pay gives the governor more flexibility when it comes to hiring people with different experience levels, but that she's no longer weighing in on the process.

"We are stepping back at this point and not providing any more comment," she said.

The commission members didn't take Kreitzer's suggestion anyway. They recommend all the commissioners get paid the same amount.

LEGISLATURE'S PER DIEM

Legislators have had the same basic pay -- $24,000-- since the early 1990s, according to the Legislative Affairs Agency.

The commission suggests doubling that number, while getting rid of a $150-a-day per diem lawmakers earn for working on state business when the Legislature's not in session. Some lawmakers claim more of the offseason per diem pay than others.

Lawmakers would also still receive a daily per diem they collect while the Legislature is in session in Juneau, as well as money for office expenses and reimbursement for travel and moving costs.

Ramras, a restaurant and hotel owner, doesn't support increasing the base pay.

"People run for elected office because they have big egos and because they think they can help people. They don't run for the pay raise."

While the Legislature isn't very good at deciding it's own salary, changes are necessary, said Rep. Mike Doogan, D-Anchorage, who proposed creating the independent commission last year.

The people who run for office are often retirees who can afford it. The way to get a younger, more diverse group of lawmakers is to pay people enough to focus on the job, he said.

"The question isn't whether or not people's pay goes up, the question is -- are you paying them enough to have a reasonable expectation that they're going to do a decent job for you?"

People who can't get to Anchorage can take part in Thursday's public meeting through their local Legislative Information Office. Another meeting is planned for Jan. 10.

Whatever new pay scale the commission eventually settles on after hearing from the public takes root unless the Legislature acts to reject it.

Find Kyle Hopkins online at adn.com/contact/khopkins or call him at 257-4334.

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The Alaska Gasline Now Act

AN ACT ENTITLED

"An Act levying a tax on certain gas reserves; providing for a conditional repeal of the tax on certain gas reserves; relating to a credit against the oil and gas production tax attributable to the production of gas; relating to expenses that are not lease expenditures for the purpose of the oil and gas production tax; and providing for an effective date."

BE IT ENACTED BY THE PEOPLE OF THE STATE OF ALASKA:

***Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

SHORT TITLE. This Act shall be known as the Alaska Gasline Now! Act.

***Section 2.** AS 43.58 is amended by adding new sections to read:

Sec. 43.58.210. Levy of tax on certain gas reserves. An annual tax of three cents for each 1,000 cubic feet of natural gas is levied each year on taxable gas.

Sec. 43.58.220. Taxable gas. (a) Except as provided in (b) of this section, gas that is subject to the tax under this chapter is gas that, on January 1 of the tax year,

(1) is within a lease or property that is within a unit if the unit contains 1,000,000,000,000 cubic feet of gas or more; and

(2) is within a lease or property that has been in continual existence since January 1, 1990.

(b) Gas is not subject to the tax under this chapter if the gas

(1) is nonconventional gas;

(2) does not contain hydrocarbons;

(3) within seven years after January 1 of the tax year,

(A) will be consumed as fuel in the unit in which it is located; or

(B) is gas liquids to be blended with oil and transported by oil pipeline to market for sale;

(4) is the state's royalty share of gas;

(5) was first discovered after December 31, 2005; or

(6) is within a lease or property on the North Slope and the person holding the right to produce gas from the lease or property has demonstrated to the satisfaction of the commissioner that the person holding the right to produce gas or a person who has purchased gas to be produced from the lease or property has committed to acquiring firm transportation capacity for transporting the gas from the lease or property in a binding open season of

(A) the project authorized under a license issued under AS 43.90;

(B) a gas pipeline project for transporting gas from the North Slope to market other than the project in (A) of this paragraph that is developed by a person that has made the commitments to the state that are required by a licensee under AS 43.90.130(5) – (8), (10) – (15), and (17); or

(C) a gas pipeline project for transporting gas from the lease or property to market designed to accommodate throughput of no more than 500,000,000 cubic feet a day.

(c) The volume of gas exempted by the firm transportation commitments described in (b)(6) of this section shall be equal to the volume of the daily commitment, times 365, times the length of the commitment in years up to a maximum of 25 years.

(d) In this section,

(1) "nonconventional gas" has the meaning given in AS 38.05.965;

(2) "North Slope" has the meaning given in AS 43.90.900;

(3) "open season" has the meaning given in AS 43.90.900;

(4) "right to produce gas" means the right to a working interest in a mineral interest in gas.

Sec. 43.58.230. Determination of volume of taxable gas. (a) The department, after consultation with the Department of Natural Resources and the Alaska Oil and Gas Conservation Commission, shall determine the volume of taxable gas in each state-approved oil and gas unit on the date this Act becomes effective. The estimate of gas reserves in the 2006 Annual Report of the Department of Natural Resources, Division of Oil and Gas shall be relied upon for this determination absent clear and convincing evidence to the contrary.

(b) For a unit where each person having an interest in a lease or property in that unit has agreed to a formula or formulas for the allocation of hydrocarbons, the department shall use that formula or those formulas in allocating taxable gas among the persons holding an interest in the taxable gas for purposes of assessing and collecting the tax due under this chapter.

(c) For a unit in which all persons having an interest in a lease or property have not agreed to a formula for the allocation of hydrocarbons, the department may allocate taxable gas among the persons holding an interest in each lease or property in any manner it considers reasonable, including a means of allocation that takes into consideration one or more of the following:

(1) an agreement between the department and all persons holding an interest in leases or properties in the unit regarding the allocation of taxable gas;

(2) the amount of gas initially determined within a lease or property and the amount of gas remaining;

(3) the amount of recoverable gas reserves or resources within the lease or property; or

(4) the surface acreage of the lease or property.

(d) To facilitate the use of confidential information available to the Department of Natural Resources and the Alaska Oil and Gas Conservation Commission, the department may delegate the authority to determine the allocation of taxable gas under (c) of this section to the Department of Natural Resources or the Alaska Oil and Gas Conservation Commission. In a protest of an allocation determined under this subsection, the Department of Natural Resources or the Alaska Oil and Gas Conservation Commission, as appropriate, shall participate as necessary to assist the department in determining the proper allocation for tax purposes.

Sec. 43.58.240. Returns and payment of tax. (a) A person holding an interest in a lease or property that includes gas taxable under this chapter shall submit a return setting out the location and volume of taxable gas existing on January 1 of the tax year. The return must be filed before February 1 of the tax year on a form prescribed by the department.

(b) An operator of a unit having taxable gas may, with the written approval of the department, submit returns or pay the tax levied under this chapter on behalf of each person having an interest in a lease or property in the unit.

(c) The annual tax levied under this chapter is payable to the department on or before June 30 of each year or in installments at the times and under the conditions that the department may establish by regulation.

(d) If directed or approved by the department, a person submitting a return under this section or making a payment required under this chapter may file a single return for all of the person's leases or properties within a unit and may pay the tax due for all of the person's leases or properties within a unit in a single payment.

(e) The department may, by written notice, require a person filing a return under this section to submit to the department additional information relating to the assessment of the tax within 30 days after providing notice to the person.

Sec. 43.58.250. Regulations. The department shall adopt regulations relating to making and filing returns and paying the tax required by this chapter and that are otherwise necessary for the enforcement of this chapter. The regulations must address the

(1) annual preparation of the tax roll of property that includes each lease or property with taxable gas;

(2) means for providing notice to operators and persons having an interest in a lease or property having taxable gas of the volume of taxable gas for each lease or property;

(3) procedure by which a person aggrieved by an action of the department may appeal that action and obtain a hearing; and

(4) preparation of the final taxation roll and a supplemental tax roll to be certified using the procedures applicable to the preparation of the original tax roll.

Sec. 43.58.900 Definitions. In this chapter,

(1) "gas" has the meaning given in AS 43.55.900;

(2) "lease or property" has the meaning given in AS 43.55.900;

(3) "tax year" means a calendar year;

(4) "unit" has the meaning given in AS 43.55.900.

***Section 3.** AS 43.55 is amended by adding a new section to read:

Sec. 43.55.027. Credit against tax attributable to gas production. (a) In addition to other credits authorized by this chapter, a person may take a credit equal to the total amount of tax paid under AS 43.58.210 - 43.58.900 as provided in this section.

(b) A person producing gas taxable under AS 43.58.210 – 43.58.900 may apply for and receive a credit calculated under this section after the date the first flow of gas in a pipeline transporting North Slope gas to market with a minimum delivery capacity of 2,000,000,000 cubic feet a day generates revenue to its owners.

(c) The credit may be claimed and allowed under this section

(1) only against 20 percent of the net amount of tax due under this chapter; in this paragraph, the net amount of tax due under this chapter is determined after the application of all credits applicable under this chapter other than the credit authorized by this section; and

(2) in an amount that does not exceed the unused portion of the credit based on the taxpayer's total liability for taxes levied and collected under AS 43.58-210 – 43.58.900.

(d) A person taking the credit under this section shall file with the department an annual statement disclosing

(1) the total amount of taxes paid under AS 43.58.210 – 43.58.900;

(2) the amount of credits taken under this section as of the date of the report; and

(3) other information required by the department.

(e) The department shall adopt regulations necessary for the calculation and application of the credit authorized under this section.

(f) Any unused credit or portion of a credit not used under this subsection may be applied in a later calendar year.

***Section 4.** AS 43.55.165(e)(14) is amended to read:

(14) a tax levied under AS 43.55.011 <u>**or AS 43.58.210**</u>;

***Section 5.** AS 43.58.210, 43.58.220, 43.58.230, 43.58.240, 43.58.250, and 43.58.900 are repealed on the date on which the first flow of gas in a pipeline transporting North Slope gas to market with a minimum delivery capacity of 2,000,000,000 cubic feet a day generates revenue to its owners.

***Section 6.** The changes made in sec. 4 of this Act are repealed on the date the contingency described in sec. 5 of this Act occurs.

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

ESCROW PROVISION. In an action or appeal brought on by one or more taxpayers subject to AS 43.58 to challenge the constitutionality of this Act, to challenge the amount of taxes owed, to challenge the applicability of the tax to that taxpayer, or any other challenge to this Act or regulations adopted under this Act, an administrative or regulatory agency or a court shall direct that the amount of taxes levied under AS 43.58 that are the subject of the dispute be placed immediately in escrow in a financial institution approved by the Department of Revenue, with accurate records kept of all amounts paid to the account. Upon final resolution of the dispute, the amount in escrow, if any, owing to department, together with culminated interest, shall be paid to the department and may be appropriated for any legal purpose.

***Section 8.** The uncodified law of the State of Alaska is amended by adding a new section to read:

LESSEE AUTHORIZED TO SURRENDER LEASE. To avoid liability under AS 43.58.210 – 43.58.900, enacted in sec. 2 of this Act, a person subject to AS 43.58.210 – 43.58.900 may surrender the person's rights under the lease to the Department of Natural Resources if the person

(1) surrenders the rights not later than December 31 of the year preceding the tax year; and

(2) complies with all applicable requirements of

(A) the regulations of the Department of Natural Resources adopted under the authority of AS 38.05.020 relating to surrenders of rights in land held under lease; and

(B) the lease that relate to surrender of rights held under the lease.

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

SEVERABILITY. Under AS 01.10.030, if any provision of this Act, or the application of it to any person or circumstance, is held invalid, the remainder of this Act and the application to other persons are not affected.

***Section 10.** The uncodified law of the State of Alaska is amended by adding a new section to read:

NOTICE OF DATE OF FIRST FLOW OF GAS. The commissioner of natural resources shall, as soon as practicable after the first flow of gas described in sec. 5 of this Act, certify to the commissioner of revenue and the revisor of statutes the date on which that first flow of gas occurred.

Petroleum news

NEWS BULLETIN

September 29, 2008 --- Vol. 14, No. 94 September 2008

Lawmakers revive gas reserves tax initiative

A group of state lawmakers have revived a measure to tax Alaska natural gas reserves.

Rep. Harry Crawford, D-Anchorage; Rep. David Guttenberg, D-Fairbanks; and Rep. Beth Kertulla, D-Juneau recently filed paperwork for a proposed ballot initiative to levy a 3-cent tax for every thousand cubic feet of known gas reserves in large fields in Alaska.

The measure is nearly identical to one filed several years ago by Crawford, Guttenberg and then-Rep. Eric Croft, D-Anchorage. Following a lengthy and expensive public relations effort by oil companies and vigorous debate on both sides of the issue, voters opposed the measure by a ratio of nearly 2-to-1 during the 2006 elections.

Both measures serve the same purpose: to prompt lessees to develop North Slope natural gas resources. Those resources currently remain stranded because the infrastructure to carry Alaska gas to markets in the Lower 48, Canada or overseas does not exist.

Since the previous ballot measure failed, though, two proposals for building that multi-billion dollar pipeline have made significant strides. A state-sponsored effort by the Canadian pipeline company TransCanada, and a BP and ConocoPhillips joint venture called Denali both plan to hold open seasons on separate pipelines in 2010.

Crawford told Petroleum News on Sept. 29 that he would cancel the new reserves tax if the North Slope lessees committed gas to a pipeline that met the set of 20 requirements, or "must haves," set out by the state under the Alaska Gasline Inducement Act.

As the licensee under that act, only TransCanada is required to meet those 20 must haves.

The measure filed last week would apply to all units created since 1990 and known to contain at least 1 trillion cubic feet of natural gas of proven, but unproduced reserves.

Under that definition, the measure would certainly cover the gas contained in the Prudhoe Bay and Kuparuk River units, but the sponsors believe the measure would not cover the Point Thomson unit because of a recent state decision to terminate the unit.

ExxonMobil, the unit operator at Point Thomson, is challenging that decision in court.

The new measure would allow leaseholders to reclaim the entire tax through annual credits. The previous measure included a similar provision, but stopped reimbursing companies after 2030. The newly proposed measure contains no such deadline.

See full story in Oct. 5 issue of Petroleum News, available to subscribers online at noon, Friday, Oct. 3 at www.PetroleumNews.com

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