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Marginal Fields Get Second Chance at Life

House Bill 28 Encourages More Oil and Gas Production

(WASILLA)- To provide an oil royalty reduction as an incentive to encourage further development of unprofitable oil fields in Alaska, House Bill 28 became law today when Governor Frank Murkowski signed the legislation during a ceremony held in Wasilla.

House Bill 28, sponsored by House Special Committee on Oil and Gas Chairman, Vic Kohring (R-Wasilla/Mat-Su), and House Rules Committee Chairman, Norman Rokeberg (R-Anchorage), grants the Commissioner of the Department of Natural Resources broader authority to decide at what level the royalty reduction should be set for those fields that are marginal or unprofitable. The royalty break will fall between three percent and 12.5 percent depending upon the economics of a field.

"The old law was too burdensome and costly for the industry thereby discouraging companies from filing drilling applications," said Kohring. "Now, a simpler and more flexible way of calculating royalty reduction is in place and that should encourage further development of our oil and gas resources."

"The goal of HB 28 is to spur development of unprofitable or marginal oil fields so that that oil doesn't just lie in the ground," Kohring said. "Getting that oil produced will in turn preserve jobs and contribute to Alaska's economy."

Kohring thanked his colleague, Rep. Rokeberg, for his significant contribution to this legislation first introduced during the 1995 session. "It was through his initial effort and diligence over the past two years that this bill is now law," Kohring said.

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