

CS FOR SENATE BILL NO. 69(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-THIRD LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered: 5/3/24

Referred: Finance

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

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to geothermal resources; and providing for an effective date."**

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

3 * **Section 1.** AS 38.05.181(a) is amended to read:

4 (a) The commissioner may, under regulations adopted by the commissioner,
5 grant prospecting licenses [PERMITS] and leases to a qualified person to explore for,
6 develop, or use geothermal resources. When title to the surface parcel is held by a
7 person other than the state, that person shall have a preferential right to a geothermal
8 prospecting license [PERMIT] or lease for the area underlying the surface parcel. The
9 surface owner must exercise the preference right within 30 days after receiving notice
10 of the application for a license [PERMIT], or by agreeing to meet the terms of a bid
11 within 60 days after receiving notice of the acceptance of the bid for a lease.

12 * **Sec. 2.** AS 38.05.181(c) is amended to read:

13 (c) On state land that has not been declared a competitive geothermal area or
14 withdrawn from geothermal prospecting, the commissioner may issue a prospecting

1 **license** [PERMIT] to the first qualified applicant. The **license** [PERMIT] conveys an
 2 exclusive right, for a period of **five** [TWO] years, to prospect for geothermal resources
 3 on state land included under the **license** [PERMIT]. The commissioner has discretion
 4 to renew the **license** [PERMIT] for an additional one-year term. A holder of a
 5 prospecting **license** [PERMIT] has the right, **after completion of an agreed-on work**
 6 **commitment** [UPON THE SHOWING OF A DISCOVERY OF GEOTHERMAL
 7 RESOURCES IN COMMERCIAL QUANTITIES] and the submission of **an**
 8 **exploration** [A DEVELOPMENT] plan acceptable to the commissioner, to convert
 9 the **license** [PERMIT] to a noncompetitive lease at a royalty rate under (g) of this
 10 section. The conversion privilege must be exercised not later than 30 days after the
 11 expiration of the **license** [PERMIT]. If the land included within the **license** [PERMIT]
 12 is designated a competitive geothermal area during the **license** [PERMIT] term, the
 13 **licensee** [PERMITTEE] must apply for a noncompetitive lease within 30 days after
 14 notification of the designation or forfeit the conversion privileges and the exclusive
 15 right to prospect.

16 * **Sec. 3.** AS 38.05.181(d) is amended to read:

17 (d) On state land that is designated a competitive geothermal area and is not
 18 subject to an existing prospecting **license** [PERMIT], the commissioner may issue
 19 geothermal leases to the highest bidder by competitive bidding procedures established
 20 by regulations adopted by the commissioner. At the discretion of the commissioner,
 21 competitive lease sales may be by oral or sealed bid, on the basis of a cash bonus,
 22 profit share, or royalty share.

23 * **Sec. 4.** AS 38.05.181(e) is amended to read:

24 (e) Prospecting **licenses** [PERMITS] and geothermal leases granted under this
 25 section must [, EXCEPT IN THE CASE OF PARCELS SUBJECT TO A
 26 PREFERENCE RIGHT UNDER (b) OF THIS SECTION,] be issued for at least 40
 27 acres but not more than 2,560 acres. A person may not own, or hold an interest in,
 28 geothermal leases covering more than **100,000** [51,200] acres. However, geothermal
 29 leases in commercial production, individually or under a unit operation or well spacing
 30 or pooling arrangement, do not count against the acreage limitation. All prospecting
 31 **licenses** [PERMITS] and geothermal leases are subject to an annual rental **fee**

1 **established by the department in regulation and** [,] payable in advance [, OF \$3
 2 PER ACRE]. The rental for a year shall be credited against royalties accruing for that
 3 year.

4 * **Sec. 5.** AS 38.05.181(f) is amended to read:

5 (f) A geothermal lease shall be issued for a primary term of 10 years and may
 6 be renewed for an additional term of five years if the lessee is actively engaged in
 7 drilling operations. A geothermal lease is valid for the duration of commercial
 8 production. [BEGINNING 20 YEARS AFTER THE INITIATION OF
 9 COMMERCIAL PRODUCTION AND AT 10-YEAR INTERVALS THEREAFTER,
 10 THE COMMISSIONER MAY RENEGOTIATE THE RENTALS AND
 11 ROYALTIES DUE ON A GEOTHERMAL LEASE.]

12 * **Sec. 6.** AS 38.05.965(6) is amended to read:

13 (6) "geothermal resources" means the natural heat of the earth at
 14 temperatures greater than **80** [120] degrees Celsius, measured at the point where the
 15 highest-temperature resources encountered enter or contact a well or other resource
 16 extraction device, and includes

17 (A) the energy, including pressure, in whatever form present in,
 18 resulting from, created by, or that may be extracted from that natural heat;

19 (B) the material medium, including the geothermal fluid
 20 naturally present, as well as substances artificially introduced to serve as a heat
 21 transfer medium; and

22 (C) all dissolved or entrained minerals and gases that may be
 23 obtained from the material medium, but excluding hydrocarbon substances and
 24 helium;

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

27 TRANSITION: CONVERSION OF EXISTING PROSPECTING PERMIT
 28 APPLICATIONS AND PROSPECTING PERMITS. (a) The commissioner of natural
 29 resources shall convert an application for a prospecting permit made under AS 38.05.181(c),
 30 as that subsection read on the day before the effective date of sec. 2 of this Act, that is
 31 pending with the Department of Natural Resources on the effective date of sec. 2 of this Act,

1 to an application for a prospecting license under AS 38.05.181(c), as amended by sec. 2 of
2 this Act.

3 (b) A person with a valid permit issued under AS 38.05.181(c), as that subsection
4 read on the day before the effective date of sec. 2 of this Act, may request in writing that the
5 commissioner of natural resources convert the prospecting permit into a prospecting license
6 under AS 38.05.181, as amended by secs. 1 - 5 of this Act. The Department of Natural
7 Resources shall provide public notice of a request for the conversion of a prospecting permit
8 into a prospecting license under this section.

9 (c) Upon request of a person qualified under (b) of this section, the commissioner of
10 natural resources shall convert a prospecting permit issued under AS 38.05.181(c), as that
11 section read on the day before the effective date of sec. 2 of this Act, into a prospecting
12 license under AS 38.05.181, as amended by secs. 1 - 5 of this Act. Notwithstanding
13 AS 38.05.035(e), the director of the division of lands is not required to make a written finding
14 and the commissioner of natural resources is not required to expressly approve the conversion
15 of a prospecting permit into a prospecting license under this section. Notwithstanding
16 AS 38.05.181(c), as amended by sec. 2 of this Act, a prospecting permit converted into a
17 prospecting license under this section may not expire later than five years from the date the
18 permit was issued under AS 38.05.181(c), as that subsection read on the day before the
19 effective date of sec. 2 of this Act.

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

22 **TRANSITION: REGULATIONS.** The Department of Natural Resources may adopt
23 regulations to implement the changes made by this Act. The regulations take effect under
24 AS 44.62 (Administrative Procedure Act) but not before the effective date of the law
25 implemented by the regulation.

26 * **Sec. 9.** Section 8 of this Act takes effect immediately under AS 01.10.070(c).

27 * **Sec. 10.** Except as provided in sec. 9 of this Act, this Act takes effect July 1, 2024.