

A M E N D M E N T

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "B"

Page 1, line 1, following "Act":

Insert **"relating to oil and gas or gas only leasing; requiring that a minimum work commitment be included in each oil and gas and gas only lease and that a proposed plan of development be included in an application for an oil and gas or gas only lease;"**

Page 1, following line 2:

Insert new bill sections to read:

"* Section 1. AS 38.05.180(h) is amended to read:

(h) The commissioner **shall** [MAY] include terms in **a** [ANY] lease **that impose** [IMPOSING] a minimum work commitment on the lessee **to implement the plan of development submitted by the lessee with a bid for an oil and gas or gas only lease. The terms of the minimum work commitment must** [. THESE TERMS SHALL BE MADE PUBLIC BEFORE THE SALE, AND MAY] include appropriate penalty provisions to take effect in the event the lessee does not fulfill the minimum work commitment. If it is demonstrated that a lease has been proven unproductive by actions of adjacent lease holders, the commissioner may set aside a work commitment. The commissioner may waive for a period not to exceed one two-year period any term of a minimum work commitment if the commissioner makes a written finding either that conditions preventing drilling or exploration were beyond the lessee's reasonable ability to foresee or control or that the lessee has demonstrated through good faith efforts an intent and ability to drill or develop the lease during the term of the waiver.

*** Sec. 2.** AS 38.05.180(x) is amended to read:

(x) A lessee conducting or permitting any exploration for, or development or

production of, oil or gas on state land shall provide the commissioner access to all noninterpretive data obtained from that lease; **shall provide the commissioner access to all information necessary to perform an economic analysis under (ii)(2) of this section, including the capital, operating, production, and development costs and an estimate of total reserves;** and shall provide copies of that data **and information,** as the commissioner may request. The confidentiality provisions of AS 38.05.035 apply to the information obtained under this subsection.

* **Sec. 3.** AS 38.05.180 is amended by adding new subsections to read:

(hh) The commissioner shall require each bidder for an oil and gas lease or gas only lease and each lessee applying for an extension or renewal of an oil and gas lease or gas only lease to submit a plan of development for exploring, developing, and producing from the lease within the period of the lease or the extension or renewal of the lease. The commissioner shall review each plan of development and determine if the proposed plan of development is reasonably expected to develop the lease in the best interest of the state. The plan of development shall be included in a lease along with penalties for failing to comply with the plan of development and other terms of the lease. A bidder may not be a "qualified bidder" for the purposes of (f)(1) of this section if the commissioner finds that the bidder has not submitted a proposed plan of development that is in the best interest of the state or that the person that submitted the plan of development is not reasonably capable of implementing the plan.

(ii) The commissioner shall

(1) review each oil and gas lease or gas only lease each year for the purpose of determining whether a lease is being developed in the best interest of the state, whether the lessee is complying with the plan of development applicable to the lease, and whether revision of a development plan, including the planned rate of development, would provide the maximum benefit to the people of the state;

(2) every five years, perform an economic analysis on each participating area and determine whether the participating area is capable of increased production in paying quantities over the current rate of production or plan of development;

(3) enforce the terms of each oil and gas lease or gas only lease,

1 including imposing any applicable penalty or other remedy for noncompliance, within
 2 a reasonable time after finding that a lessee is out of compliance with the terms of the
 3 lease;

4 (4) submit a report to the legislature before the first day of each regular
 5 session that lists each oil and gas or gas only lessee that is found to be out of
 6 compliance and the action by the commissioner to bring the lessee back into
 7 compliance or to terminate the lease.

8 (jj) For the purposes of (hh) and (ii) of this section, a plan of development for
 9 a cooperative or unit under (p) of this section is the plan of development for a lease
 10 within the cooperative or unit, except where a different plan of development is
 11 established for a lease within the cooperative or unit.

12 (kk) For purposes of (ii) of this section,

13 (1) "participating area" means that part of an oil and gas lease unit area
 14 to which production is allocated in the manner described in a unit agreement;

15 (2) "production in paying quantities" means production in quantities
 16 sufficient to yield a return in excess of drilling, development, and operating costs."
 17

18 Page 1, line 3:

19 Delete "**Section 1**"

20 Insert "**Sec. 4**"

22 Page 2, line 6:

23 Delete all material and insert:

24 "*** Sec. 5.** The uncoded law of the State of Alaska is amended by adding a new section to
 25 read:

26 APPLICABILITY. Section 1 of this Act and AS 38.085.180(hh), enacted by sec. 3 of
 27 this Act, apply to a proposed lease sale and the renewal or extension of a lease on or after the
 28 effective date of secs. 1 and 3 of this Act.

29 * **Sec. 6.** Section 4 of this Act takes effect January 1, 2013.

30 * **Sec. 7.** Except as provided in sec. 6 of this Act, this Act takes effect July 1, 2013."