

AMENDMENT # 11

OFFERED IN THE SENATE

TO: CSSB 21(FIN)

BY: Wielechowski
Ellis
French
Gardner

1 Page 1, line 2, following "Revenue;":

2 Insert "relating to oil and gas leasing;"

3

4 Page 2, following line 16:

5 Insert new bill sections to read:

6 **** Sec. 4.** AS 38.05.180(h) is amended to read:

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

20 *** Sec. 5.** AS 38.05.180(x) is amended to read:

21 (x) A lessee conducting or permitting any exploration for, or development or
22 production of, oil or gas on state land shall provide the commissioner; access to all
23 noninterpretive data obtained from that lease; **access to all information necessary to**

1 **perform an economic analysis of the production capability of each participating**
 2 **area, including capital, operating, production, and development costs and an**
 3 **estimate of total reserves;** and [SHALL PROVIDE] copies of **the noninterpretive**
 4 [THAT] data **and economic and reserve information**, as the commissioner may
 5 request. The confidentiality provisions of AS 38.05.035 apply to the information
 6 obtained under this subsection.

7 * **Sec. 6.** AS 38.05.180 is amended by adding new subsections to read:

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

20 (ii) The commissioner shall

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

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

30 (3) enforce the terms of each oil and gas lease or gas only lease,
 31 including imposing any applicable penalty or other remedy for noncompliance, within

1 a reasonable time after finding that a lessee is out of compliance with the terms of the
2 lease;

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

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

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

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

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

17 Renumber the following bill sections accordingly.

18
19 Page 8, line 21:

20 Delete "sec. 11"

21 Insert "sec. 14"

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23 Page 13, line 23:

24 Delete "sec. 16"

25 Insert "sec. 19"

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27 Page 14, line 29:

28 Delete "sec. 18"

29 Insert "sec. 21"

30
31 Page 26, line 4:

1 Delete "Sections 9, 12, 13, and 28 - 30"

2 Insert "Sections 12, 15, 16, and 31 - 33"

3

4 Page 26, line 6:

5 Delete "Sections 10 and 27"

6 Insert "Sections 13 and 30"

7

8 Page 26, line 8:

9 Delete "Sections 15 and 18 - 21"

10 Insert "Sections 18 and 21 - 24"

11 Delete "sec. 15"

12 Insert "sec. 18"

13

14 Page 26, line 10:

15 Delete "Sections 16, 19, and 24"

16 Insert "Sections 19, 22, and 27"

17

18 Page 26, line 12:

19 Delete "Section 17"

20 Insert "Section 20"

21

22 Page 26, following line 12:

23 Insert a new subsection to read:

24 "(f) Sections 4 and 5 of this Act, and AS 38.05.180(hh) enacted by sec. 6 of this Act,
25 apply to a proposed lease sale and the renewal or extension of a lease on or after the effective
26 date of secs. 4 - 6 of this Act."

27

28 Page 26, line 22:

29 Delete "sec. 34"

30 Insert "sec. 37"

31

1 Page 26, line 30:

2 Delete "Sections 10, 18, 20, 21, 24, 27, and 35"

3 Insert "Sections 13, 21, 23, 24, 27, 30, and 38"

4

5 Page 26, line 31:

6 Delete "sec. 15"

7 Insert "sec. 18"

8

9 Page 27, line 1:

10 Delete "Sections 1 - 6, 8, 9, 12 - 14, 16, 19, 22, 23, 28 - 33, and 36"

11 Insert "Sections 1 - 3, 7 - 9, 11, 12, 15 - 17, 19, 22, 25, 26, 31 - 36 and 39"

12

13 Page 27, line 3:

14 Delete "Section 17"

15 Insert "Section 20"

16

17 Page 27, line 4:

18 Delete "secs. 42 and 43"

19 Insert "secs. 45 and 46"