

AMENDMENT #3

By: Wiclechowski, Ellis,  
French, Gardner

OFFERED IN THE SENATE  
TO: CSSB 138(FIN)

1 Page 2, line 7, following "project;":

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

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6 Page 15, following line 30:

7 Insert a new bill section to read:

8 **\*\* Sec. 16.** AS 38.05.180(h) is amended to read:

9 (h) The commissioner **shall** [MAY] include terms in any lease **that impose**  
10 [IMPOSING] a minimum work commitment on the lessee **to implement the plan of**  
11 **development submitted by the lessee under (j) of this section.** Except as provided  
12 in (m) of this section, these terms must be made public before the sale, and may  
13 include appropriate penalty provisions to take effect in the event the lessee does not  
14 fulfill the minimum work commitment. If it is demonstrated that a lease has been  
15 proven unproductive by actions of adjacent lease holders, the commissioner may set  
16 aside a work commitment. The commissioner may waive for a period not to exceed  
17 one two-year period any term of a minimum work commitment if the commissioner  
18 makes a written finding either that conditions preventing drilling or exploration were  
19 beyond the lessee's reasonable ability to foresee or control or that the lessee has  
20 demonstrated through good faith efforts an intent and ability to drill or develop the  
21 lease during the term of the waiver."

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23 Renumber the following bill sections accordingly.

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Page 16, following line 15:

Insert a new bill section to read:

**\*\* Sec. 18.** 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 (kk)(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."

Renumber the following bill sections accordingly.

Page 17, following line 23:

Insert new subsections to read:

"(jj) 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 whether 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.

(kk) The commissioner shall

(1) review each oil and gas lease or gas only lease each year for the

1 purpose of determining whether a lease is being developed in the best interest of the  
 2 state, whether the lessee is complying with the plan of development applicable to the  
 3 lease, and whether revision of a development plan, including the planned rate of  
 4 development, would provide the maximum benefit to the people of the state;

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

9 (3) enforce the terms of each oil and gas lease or gas only lease,  
 10 including imposing any applicable penalty or other remedy for noncompliance, within  
 11 a reasonable time after finding that a lessee is out of compliance with the terms of the  
 12 lease;

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

17 (ll) For the purposes of (jj) and (kk) of this section, a plan of development for  
 18 a cooperative or unit under (p) of this section is the plan of development for a lease  
 19 within the cooperative or unit, except where a different plan of development is  
 20 established for a lease within the cooperative or unit.

21 (mm) For purposes of (kk) of this section,

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

24 (2) "production in paying quantities" means production in quantities  
 25 sufficient to yield a return in excess of drilling, development, and operating costs."  
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27 Page 17, line 24:

28 Delete "sec. 17"

29 Insert "sec. 19"

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 31 Page 21, line 16:

1 Delete "sec, 27"

2 Insert "sec. 29"

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4 Page 25, line 9:

5 Delete "sec, 30"

6 Insert "sec. 32"

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8 Page 31, line 18:

9 Delete "sec. 37"

10 Insert "sec. 39"

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12 Page 53, following line 14:

13 Insert a new bill section to read:

14 **"\* Sec. 60.** The uncodified law of the State of Alaska is amended by adding a new section to  
15 read:

16 APPLICABILITY. AS 38.05.180(h), as amended by sec. 16 of this Act, and  
17 AS 38.085.180(jj), enacted by sec. 19 of this Act, apply to a proposed lease sale and the  
18 renewal or extension of a lease on or after the effective date of secs. 16 and 19 of this Act."

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20 Renumber the following bill sections accordingly.

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22 Page 53, lines 24 - 25:

23 Delete "sec. 23"

24 Insert "sec. 25"

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26 Page 56, line 4:

27 Delete "16, 17, 23 - 27, 29, 30, 37, 39, and 55 - 61"

28 Insert "17, 19, 25 - 29, 31, 32, 39, 41, and 57 - 64"

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30 Page 56, line 6:

31 Delete "Section 38"

- 1           Insert "Section 40"
- 2
- 3   Page 56, line 7:
- 4           Delete "secs. 62 and 63"
- 5           Insert "secs. 65 and 66"