

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

IN THE HOUSE

BY THE RESOURCES COMMITTEE

HOUSE BILL NO.

75 BY REQUEST

IN THE LEGISLATURE OF THE TERRITORY OF ALASKA

TWENTY-SECOND SESSION

A BILL

For an Act entitled: "An Act defining and prohibiting the waste of oil and gas in the Territory of Alaska; creating the Alaska Oil and Gas Conservation Commission; placing the administration and enforcement of this act as a responsibility of the Alaska Oil and Gas Conservation Commission; defining powers and duties of the Alaska Oil and Gas Conservation Commission with respect to the conservation of oil and gas; providing for the enforcement of this act and the rules, regulations and orders of the Alaska Oil and Gas Conservation Commission; providing for the filing and hearing of complaints concerning the waste of oil and gas, and for oaths, subpoenas, suits and appeals; providing for a tax on oil and gas produced in this Territory for the purpose of administering this act; providing penalties for violations thereof, and other matters properly relating thereto."

BE IT ENACTED BY THE LEGISLATURE OF THE TERRITORY OF ALASKA:

Section 1. Waste of Oil and Gas Prohibited. The waste of oil and gas is prohibited in the Territory of Alaska.

1 Section 2. Definitions of Words and Terms. As used in the  
2 act, unless the context otherwise requires:

3 1. "Commission" shall mean the Alaska Oil and Gas Conserva-  
4 tion Commission.

5 2. "Oil" shall mean and include crude petroleum oil and  
6 other hydrocarbons regardless of gravity which are produced at  
7 the wellhead in liquid form and the liquid hydrocarbons known as  
8 distillate or condensate recovered or extracted from gas, other  
9 than gas produced in association with oil and commonly known as  
10 casinghead gas.

11 3. "Gas" shall mean and include all natural gas and all  
12 hydrocarbons produced at the wellhead not defined herein as oil.

13 4. "Person" means and includes any natural person, corpora-  
14 tion, association, partnership, receiver, trustee, executor,  
15 administrator, guardian, fiduciary or other representative of any  
16 kind, and includes any department, agency or instrumentality of  
17 the Territory or any governmental subdivision thereof. The mas-  
18 culine gender, in referring to a person, includes the feminine  
19 and the neuter genders.

20 5. "Owner" shall mean and include the person who has the  
21 right to drill into and produce from a pool and to appropriate  
22 the oil and gas he produces therefrom for himself and others.

23 6. "Producer" shall mean and include the owner of a well or  
24 wells capable of producing oil or gas or both.

25 7. "Pool" shall mean an underground reservoir containing, or  
26 appearing to contain, a common accumulation of oil or gas. Each  
27 zone of a general structure which is completely separated from any  
28 other zone in the structure is covered by the term "pool" as here-  
29 in used.

1           8. "Field" shall mean the general area which is underlain  
2 or appears to be underlain by at least one pool; and "field" shall  
3 include the underground reservoir or reservoirs containing oil or  
4 gas. The words "pool" and "field" mean the same thing when only  
5 one underground reservoir is involved; however, "field" unlike  
6 "pool" may relate to two or more pools.

7           9. The word "and" includes the word "or" and the use of the  
8 word "or" includes the word "and."

9           10. The use of the plural includes the singular and the use  
10 of the singular includes the plural.

11           11. "Waste" shall mean, in addition to its ordinary meaning,  
12 "physical waste" and shall include:

13           (a) The inefficient, excessive, or improper use of, or  
14 unnecessary dissipation of, reservoir energy; and the locating,  
15 spacing, drilling, equipping, operating or producing of any oil  
16 or gas well in a manner which results or tends to result in re-  
17 ducing the quantity of oil or gas to be recovered from any pool  
18 in this Territory under operations conducted in accordance with  
19 good oil field engineering practices.

20           (b) The inefficient above-ground storage of oil; and the  
21 locating, spacing, drilling, equipping, operating or producing of  
22 any oil or gas well in a manner causing, or tending to cause,  
23 unnecessary or excessive surface loss or destruction of oil or gas.

24           (c) Producing oil or gas in such manner as to cause un-  
25 necessary water channeling or coning.

26           (d) The operation of an oil well with an inefficient gas-  
27 oil ratio.

28           (e) The drowning with water of any pool or part thereof  
29 capable of producing oil or gas, except in so far as, and to the

1 extent, authorized by the commission hereunder.

2 (f) Underground waste.

3 (g) The creation of unnecessary fire hazards.

4 (h) The escape into the open air, from a well producing oil  
5 or gas, of gas in excess of the amount which is reasonably ne-  
6 cessary in the efficient production of the well.

7 (i) The use of gas for the manufacture of carbon black,  
8 except as provided for in this act.

9 12. "Correlative Rights" shall mean the opportunity afforded,  
10 so far as it is practicable to do so, to the owner of each property  
11 in a pool to produce without waste his just and equitable share  
12 of the oil or gas, or both, in the pool; being an amount, so far  
13 as can be practically determined, and so far as can practicably  
14 be obtained without waste, substantially in the proportion that  
15 the quantity of recoverable oil or gas, or both, under such pro-  
16 perty bears to the total recoverable oil or gas, or both, in the  
17 pool, and for such purposes to use his just and equitable share  
18 of the reservoir energy.

19 Section 3. Creation of Commission; Members; Compensation;  
20 Terms of Office; Election of Chairman; Appointment of Secretary;  
21 Quorum; Seal; Employees and Legal Counsel.

22 1. There is hereby created the Alaska Oil and Gas Conser-  
23 vation Commission to be composed of the governor, the Territorial <sup>Highway</sup>  
24 engineer and the commissioner of the Alaska Department of Mines.  
25 No salary or compensation shall be paid any member of the commis-  
26 sion for his services as a member thereof, but the actual and  
27 necessary expenses of the members of the commission incurred or  
28 expended in the performance of the duties imposed on the commis-  
29 sion, shall be paid out of the oil conservation fund hereinafter

On page 4, add to line 23 the word "highway"

*His occupancy of the office by virtue of which he had a membership on said commission.*

1 created. The term of office of each member of the commission  
2 shall be concurrent with the office held by him. The commission  
3 shall organize by electing a chairman from its membership, and  
4 shall appoint a secretary. Two members of the commission shall  
5 constitute a quorum for all purposes. Two affirmative votes shall  
6 be necessary for the adoption or promulgation of any rule, regula-  
7 tion or order of the commission. The commission shall adopt a  
8 seal and such seal affixed to any paper signed by the secretary  
9 of the commission shall be prima facie evidence of the due exe-  
10 cution thereof. Any member or employee of the commission shall  
11 have power to administer oaths to witnesses in any hearing, in-  
12 vestigation or proceeding contemplated by this act, or by any  
13 other law of this Territory relating to oil and gas.

14 2. The commission may at any time, when it finds that the  
15 public interest will be served thereby, hire such other employees  
16 as are found to be necessary to assist the commission in discharge  
17 of its respective duties. All employees or assistants authorized  
18 by this act shall be paid their necessary traveling and living  
19 expenses when traveling on official business at such rates and  
20 within such limits as may be fixed by the commission subject to  
21 existing law.

22 3. The attorney general shall be the attorney for the com-  
23 mission; provided, however, that the commission may, in cases of  
24 emergency or in special cases, from any funds available to it,  
25 retain additional counsel to assist the attorney general.

26 4. Until such time as oil or gas is produced and marketed in  
27 commercial quantities in this Territory, the commissioner of the  
28 Alaska Department of Mines shall serve without pay as the director  
29 of the Alaska Oil and Gas Conservation Commission.

On page 5, line 2 strike "with the office held by him" and insert in lieu thereof the following: "his occupancy of the office by virtue of which he has membership on said commission."

1           Section 4. Powers of the Commission.

2           1. The commission has jurisdiction and authority over all  
3 persons and property, public and private, necessary to effectuate  
4 the purposes and intent of this act.

5           2. The commission has authority and it is its duty to make  
6 investigation to determine whether waste exists or is imminent,  
7 or whether other facts exist which justify or require action by  
8 it hereunder.

9           3. The commission shall make rules, regulations and orders  
10 and shall take other appropriate action to effectuate the purposes  
11 of this act.

12          4. The commission has authority:

13          (a) To require:

14           (1) Identification of ownership of wells, producing leases,  
15 tanks, plants and drilling structures.

16           (2) The making and filing of reports, well logs and direct-  
17 tional surveys; provided, however, that logs of exploratory or  
18 "wildcat" wells marked "confidential" shall be kept confidential  
19 for 6 months after the filing thereof, unless the owner gives  
20 written permission to release such logs at an earlier date.

21           (3) The drilling, casing and plugging of wells in such a  
22 manner as to prevent the escape of oil or gas out of one stratum  
23 into another, the intrusion of water into an oil or gas stratum,  
24 the pollution of fresh water supplies by oil, gas or salt water,  
25 and to prevent blowouts, cavings, seepages and fires.

26           (4) The furnishings of a reasonable bond with good and  
27 sufficient surety conditions for the performance of the duty to  
28 plug each dry or abandoned well or the repair of wells causing  
29 waste.

On page 6, line 26, substitute "furnishing" for "furnishings".

1 (5) The operation of wells with efficient gas-oil and water-  
2 oil ratios, and to fix these ratios.

3 (6) The gauging or other measuring of oil and gas to deter-  
4 mine the quality and quantity thereof.

5 (7) That every person who produces oil or gas in this Terri-  
6 tory shall keep and maintain for a period of 5 years within this  
7 Territory complete and accurate record of the quantities thereof,  
8 which shall be available for examination by the commission or its  
9 agents at all reasonable times.

10 (b) To regulate, for conservation purposes:

11 (1) The drilling, producing and plugging of wells.

12 (2) The shooting and chemical treatment of wells.

13 (3) The spacing of wells.

14 (4) The disposal of salt water, nonpotable water and oil  
15 field wastes.

16 (5) The contamination or waste of underground water.

17 (c) To classify wells as oil or gas wells for purposes  
18 material to the interpretation or enforcement of this act.

19 Section 5. Permits to Drill Wells Required; Fees. A person  
20 desiring to drill a well in search of oil or gas shall notify  
21 the commission of such intent on a form prescribed by the commis-  
22 sion and shall pay a fee of \$50 for a permit for each well <sup>sought to be drilled.</sup> Upon  
23 receipt of notification and fee, the commission shall promptly  
24 issue such a person a permit to drill, unless the drilling of the  
25 well is contrary to law or a rule, regulation or order of the  
26 commission. The drilling of a well is prohibited until a permit  
27 to drill is obtained in accordance with the provisions of this act.

28 Section 6. Establishment of Drilling Units for Pools.

29 1. For the prevention of waste, to protect and enforce the

On page 7, line 22 strike period and add to that sentence "sought to be drilled."

1 correlative rights of lessees in a pool, and to avoid the augment-  
2 ing and accumulation of risks arising from the drilling of an  
3 excessive number of wells, or the reduced recovery which might  
4 result from too small a number of wells, the commission shall,  
5 after a hearing, establish a drilling unit or units for each pool.  
6 The establishment of a unit for gas shall be limited to the pro-  
7 duction of gas.

8       2. Each well permitted to be drilled on a drilling unit  
9 shall be drilled under such rules and regulations and in accord-  
10 ance with such spacing pattern as the commission shall prescribe  
11 for the pool in which the well is located. Exceptions to the  
12 rules and spacing pattern may be granted where it is shown, after  
13 notice and hearing, that the unit is partly outside the pool, or  
14 for some other reason, a well so located on the unit would be  
15 nonproductive, or topographical conditions are such as to make  
16 the drilling at such a location unduly burdensome. In the event  
17 an exception is granted, the commission shall take such action  
18 as will offset any advantage which the person securing the ex-  
19 ception may have over other producers by reason of the drilling  
20 of the well as an exception, and so that drainage from developed  
21 units to the tract with respect to which the exception is granted  
22 will be prevented or minimized, and the producer of the well  
23 drilled as an exception will be allowed to produce no more than  
24 a just and equitable share of the oil and gas in the pool.

25       3. When two or more separately owned tracts of land are  
26 embraced within an established drilling unit, persons owning the  
27 drilling rights therein and the right to share in the production  
28 therefrom may agree to pool their interests and develop their  
29 lands as a drilling unit. In the event such persons do not agree

1 to pool their interests, the commission may, for the prevention  
2 of waste, for the protection of correlative rights, or to avoid  
3 the drilling of unnecessary wells, enter an order pooling and  
4 integrating their interests for the development of their lands  
5 as a drilling unit. Orders effectuating such pooling shall be  
6 made after notice and hearing, and shall be upon terms and con-  
7 ditions which will afford to the owner of each tract the oppor-  
8 tunity to recover or receive his just and equitable share of the  
9 oil and gas in the pool without unnecessary expense. Operations  
10 incident to the drilling of a well upon any portion of a unit  
11 covered by a pooling order shall be deemed for all purposes to be  
12 the conduct of such operation upon each separately owned tract in  
13 the unit by the several lessees thereof. The portion of the pro-  
14 duction allocated to the lessee of each tract included in a drill-  
15 ing unit formed by a pooling order shall, when produced, be con-  
16 sidered as if it had been produced from such tract by a well  
17 drilled thereon. In the event such pooling is effectuated, the  
18 cost of development and operation of the pooled unit chargeable  
19 by the operator to the other interested lessee shall be limited  
20 to the actual and reasonable expenditures required for such pur-  
21 pose, including a reasonable charge for supervision. As to lessees  
22 who refuse to agree upon pooling, the order shall provide for  
23 reimbursement for costs chargeable to each lessee out of, and only  
24 out of, production from the unit belonging to such lessee. In  
25 the event of a dispute relative to such costs, the commission  
26 shall, upon notice to all interested parties and hearing thereon,  
27 determine the proper costs. Appeals may be taken from such de-  
28 termination as from any other order of the commission. If one  
29 or more of the lessees shall drill and operate, or pay the expense

1 of drilling and operating, the well for the benefit of others,  
2 then in addition to any other right conferred by the pooling  
3 order, the lessee or lessees so drilling or operating shall have  
4 a lien on the share of production from the unit accruing to the  
5 interest of each of the other lessees for the payment of his pro-  
6 portionate share of such expenses. All the oil and gas subject  
7 to the lien, or so much thereof as shall be necessary, shall be  
8 marketed and sold by the creditor, and the proceeds applied in  
9 payment of the expenses secured by such lien, with the balance, if  
10 any, payable to the debtor.

11 4. The commission shall, in all instances where a unit has  
12 been formed out of lands or areas of more than one ownership,  
13 require the operator, upon request of a lessee, but subject to the  
14 right of the operator to market production and collect the pro-  
15 ceeds with respect to a lessee in default, as provided in sub-  
16 section 3 of this section, to deliver to the lessee or his assigns  
17 his proportionate share of the production from the well common to  
18 the drilling unit. The lessee receiving his share shall provide  
19 at his own expense proper receptacles for the receipt and storage  
20 thereof.

21 5. In the event the persons owning the drilling or other  
22 rights in separate tracts embraced within a drilling unit fail to  
23 agree upon the pooling of the tracts and the drilling of a well  
24 on the unit, and if the commission is without authority to require  
25 pooling as provided by this section, then subject to all other  
26 applicable provisions of this act, the lessee of each tract em-  
27 braced within the drilling unit may drill on his tract, but the  
28 allowable production from the tract shall be such proportion of  
29 the allowable production for the full drilling unit as the area

1 of such separately owned tract bears to the full drilling unit.

2 Section 7. Unitization and Unitized Operation of Pools;  
3 Integration of Interests by Agreement; Creation by Commission.

4 1. To prevent, or to assist in preventing waste, as pro-  
5 hibited by this act, to insure a greater ultimate recovery of oil  
6 and gas, and to protect the correlative rights of persons owning  
7 interests in the tracts of land affected, such persons may validly  
8 integrate their interests to provide for the unitized management,  
9 development, and operation of such tracts of land as a unit. Where  
10 however, such persons have not agreed to so integrate their in-  
11 terests, the commission, upon proper petition, after notice and  
12 hearing, as hereinafter provided, shall be vested with jurisdic-  
13 tion, power and authority, and it shall be its duty to make and  
14 enforce such orders and do such things as may be necessary or  
15 proper to carry out and effectuate the purposes of this section.

16 2. If upon the filing of a petition therefor and after  
17 notice and hearing, all in the form and manner and in accordance  
18 with the procedure and requirements hereinafter provided, the  
19 commission shall find:

20 (a) That the unitized management, operation and further  
21 development of a pool or portion thereof is reasonably necessary  
22 in order to effectively carry on pressure control, pressure-  
23 maintenance or repressuring operations, cycling operations, water  
24 flooding operations, or any combination thereof, or any other form  
25 of joint effort calculated to substantially increase the ultimate  
26 recovery of oil and gas from the pool; and

27 (b) That one or more of the unitized methods of operation  
28 as applied to such pool or portion thereof are feasible, will  
29 prevent waste and will with reasonable probability result in the

1 increased recovery of substantially more oil and gas from the pool  
2 than would otherwise be recovered; and

3 (c) That the estimated additional cost, if any, of conduct-  
4 ing such operations will not exceed the value of the additional  
5 oil and gas so recovered; and

6 (d) That such unitization and adoption of one or more of  
7 such unitized methods of operation is for the common good and will  
8 result in the general advantage of the owners of the oil and gas  
9 rights within the pool or the portion thereof directly affected,  
10 it shall make a finding to that effect and make an order creating  
11 the unit and providing for the unitization and unitized operation  
12 of the pool or portion thereof described in the order, all upon  
13 such terms and conditions, as may be shown by the evidence to be  
14 fair, reasonable, equitable, and which are necessary or proper to  
15 protect, safeguard and adjust the respective rights and obligations  
16 of the several persons affected, including royalty owner, owners  
17 of overriding royalties, oil and gas payments, carried interests,  
18 mortgages, lien claimants and others, as well as the lessees.

19 The petition shall set forth a description of the proposed unit  
20 area with a map or plat thereof attached, must allege the existence  
21 of the facts required to be found by the commission as hereinabove  
22 provided and shall have attached thereto a recommended plan of  
23 unitization applicable to such proposed unit area and which the  
24 petitioner considers to be fair, reasonable and equitable.

25 3. The order of the commission shall define the area of the  
26 pool or portion thereof to be included within the unit area and  
27 prescribe with reasonable detail the plan of unitization applicable  
28 thereto. Each unit and unit area shall be limited to all or a  
29 portion of a single pool. Only so much of a pool as has been

1 defined and determined to be productive of oil and gas by actual  
2 drilling operations may be so included within the unit area. A  
3 unit may be created to embrace less than the whole of a pool only  
4 where it is shown by the evidence that the area to be so included  
5 within the unit area is of such size and shape as may be reasonably  
6 required for the successful and efficient conduct of the unitized  
7 method of operation for which the unit is created, and that the  
8 conduct thereof will have no material adverse effect upon the  
9 remainder of such pool. The plan of unitization for each such  
10 unit and unit area shall be one suited to the needs and require-  
11 ments of the particular unit dependent upon the facts and con-  
12 ditions found to exist with respect thereto. In addition to such  
13 other terms, provisions, conditions and requirements found by the  
14 commission to be reasonably necessary or proper to effectuate or  
15 accomplish the purpose of this act, and subject to the further  
16 requirements hereof, each such plan of unitization shall contain  
17 fair, reasonable and equitable provisions for:

18 (a) The efficient unitized management or control of the  
19 further development and operation of the unit area for the re-  
20 covery of oil and gas from the pool affected. Under such a plan  
21 the actual operations within the unit area may be carried on in  
22 whole or in part by the unit itself, or by one or more of the  
23 lessees within the unit area as the unit operator subject to the  
24 supervision and direction of the unit, dependent upon what is most  
25 beneficial or expedient. The designation of the unit operator  
26 shall be by vote of the lessees in the unit in a manner provided  
27 in the plan of unitization and not by the commission.

28 (b) The division of interest or formula for the apportion-  
29 ment and allocation of the unit production, among and to the

1 several separately-owned tracts within the unit area such as will  
2 reasonably permit persons otherwise entitled to share in or benefit  
3 by the production from such separately-owned tracts to produce and  
4 receive, in lieu thereof, their fair, equitable and reasonable  
5 share of the unit production or other benefits thereof. A separ-  
6 ately-owned tract's fair, equitable and reasonable share of the  
7 unit production shall be measured by the value of each such tract  
8 for oil and gas purposes and its contributing value to the unit  
9 in relation to like values of other tracts in the unit, taking  
10 into account acreage, the quantity of oil and gas recoverable  
11 therefrom, location on the structure, its probable productivity  
12 of oil and gas in the absence of unit operations, the burden of  
13 operations to which the tract will or is likely to be subjected,  
14 or so many of said factors, or such other pertinent engineering,  
15 geological or operating factors, as may be reasonably susceptible  
16 of determination. Unit production as that term is used in this  
17 act shall mean and include all oil and gas produced from a unit  
18 area from and after the effective date of the order of the commis-  
19 sion creating the unit regardless of the well or tract within the  
20 unit area from which the same is produced.

21 (c) The manner in which the unit and the further development  
22 and operation of the unit area shall or may be financed and the  
23 basis, terms and conditions on which the cost and expense thereof  
24 shall be apportioned among and assessed against the tracts and  
25 interests made chargeable therewith, including a detailed account-  
26 ing procedure governing all charges and credits incident to such  
27 operations. Upon and subject to such terms and conditions as to  
28 time and rate of interest as may be fair to all concerned, reason-  
29 able provision shall be made in the plan of unitization for carrying

1 or otherwise financing lessees who are unable to promptly meet  
2 their financial obligations in connection with the unit.

3 (d) The procedure and basis upon which wells, equipment and  
4 other properties of the several lessees within the unit area are  
5 to be taken over and used for unit operations, including the method  
6 of arriving at the compensation therefor, or of otherwise pro-  
7 portionately equalizing or adjusting the investment of the several  
8 lessees in the project as of the effective date of unit operation.

9 (e) The creation of an operating committee to have general  
10 over-all management and control of the unit and the conduct of its  
11 business and affairs and the operations carried on by it, together  
12 with the creation or designation of such other subcommittees,  
13 boards or officers to function under the authority of the operating  
14 committee as may be necessary, proper or convenient in the efficient  
15 management of the unit, defining the powers and duties of all such  
16 committees, boards and officers, and prescribing their tenure and  
17 time and method for their selection.

18 (f) The time when the plan of unitization shall become  
19 effective.

20 (g) The time when and the conditions under which and the  
21 method by which the unit shall or may be dissolved and its affairs  
22 wound up.

23 4. No order of the commission creating a unit and prescrib-  
24 ing the plan of unitization applicable thereto shall become effect-  
25 ive unless and until the plan of unitization has been signed or in  
26 writing ratified, or approved by the lessees of record of not less  
27 than 62.5 percent of the unit area affected thereby and by the  
28 owners of record of not less than 62.5 percent (exclusive of  
29 royalty interests owned by lessees or by subsidiaries of any lessee)

1 of the normal one-eighth landowners' royalty interest in and to  
2 the unit area, and the commission has made a finding either in  
3 the order creating the unit or in a supplemental order that the  
4 plan of unitization has been so signed, ratified or approved by  
5 lessees and royalty owners owning the required percentage interest  
6 in and to the unit area. Where the plan of unitization has not  
7 been so signed, ratified or approved by the lessees and royalty  
8 owners owning the required percentage interest in and to the unit  
9 area at the time the order creating the unit is made, the commis-  
10 sion shall, upon petition and notice, hold such additional and  
11 supplemental hearings as may be requested or required to deter-  
12 mine if and when the plan of unitization has been so signed,  
13 ratified or approved by lessees and royalty owners owning the  
14 required percentage interest in and to the unit area and shall,  
15 in respect to such hearing, make and enter a finding of its de-  
16 termination in such regard. In the event lessees and royalty  
17 owners, or either, owning the required percentage interest in and  
18 to the unit area have not so signed, ratified or approved the  
19 plan of unitization within a period of 6 months from and after  
20 the date on which the order creating the unit is made, the order  
21 creating the unit shall cease to be of further force and effect  
22 and shall be revoked by the commission.

23 5. Except as otherwise herein expressly provided, all pro-  
24 ceedings held under this act, including the filing of petitions,  
25 the giving of notices, the conduct of hearings and other action  
26 taken by the commission shall be in the form and manner and in  
27 accordance with the procedure and procedural requirements pro-  
28 vided in section 9, or any amendment thereof with reference to  
29 proceedings thereunder. Such additional notice shall be given

1 as may be required by the commission.

2 6. From and after the effective date of an order of the  
3 commission creating a unit and prescribing the plan of unitization  
4 applicable thereto, the operation of any well producing from the  
5 pool or portion thereof within the unit area defined in the order  
6 by persons other than the unit or persons acting under its auth-  
7 ority or except in the manner and to the extent provided in such  
8 plan of unitization shall be unlawful and is hereby prohibited.

9 7. The obligation or liability of the lessees or other  
10 owners of the oil and gas rights in the several separately-owned  
11 tracts for the payment of unit expense shall at all times be  
12 several and not joint or collective and in no event shall a lessee  
13 or other owner of the oil and gas rights in the separately-owned  
14 tract be chargeable with, obligated or liable, directly or in-  
15 directly, for more than the amount apportioned, assessed or  
16 otherwise charged to his interest in such separately-owned tract  
17 pursuant to the plan of unitization and then only to the extent  
18 of the lien provided for in this act.

19 8. Subject to such reasonable limitations as may be set out  
20 in the plan of unitization, the unit shall have a first and prior  
21 lien upon the leasehold estate and all other oil and gas rights  
22 (exclusive of a one-eighth landowners' royalty interest) in and  
23 to each separately-owned tract, the interest of the owners thereof  
24 in and to the unit production and all equipment in the possession  
25 of the unit, to secure the payment of the amount of the unit  
26 expense charged to and assessed against such separately-owned  
27 tract. The interest of the lessee or other persons who by lease,  
28 contract or otherwise are obligated or responsible for the cost  
29 and expense of developing and operating a separately-owned tract

1 for oil and gas in the absence of unitization, shall however, be  
 2 primarily responsible for and, charged with any assessment for unit  
 3 expense made against such tract and resort may be had to over-  
 4 riding royalties, oil and gas payments, royalty interests in excess  
 5 of one-eighth of the production, or other interests which otherwise  
 6 are not chargeable with such cost, only in the event the owner of  
 7 interest primarily responsible fails to pay such assessment of the  
 8 production to the credit thereof, or production is insufficient  
 9 for that purpose. In the event the owner of any royalty interest,  
 10 overriding royalty, oil or gas payment, or any other interest which  
 11 under the plan of unitization is not primarily responsible therefor  
 12 pays in whole or in part the amount of an assessment for unit ex-  
 13 pense for the purpose of protecting such interest, or the amount  
 14 of the assessment in whole or in part is deducted from the unit  
 15 production to the credit of such interest, the owner thereof shall  
 16 to the extent of such payment or deduction be subrogated to all  
 17 the rights of the unit with respect to the interest or interests  
 18 primarily responsible for such assessment. A one-eighth part of  
 19 the unit production allocated to each separately-owned tract shall  
 20 in all events be regarded as royalty to be distributed to and  
 21 among, or the proceeds thereof paid to, the royalty owners free  
 22 and clear of all unit expense and free of any lien therefor.

23 9. Property rights, leases, contracts and all other rights  
 24 and obligations shall be regarded as amended and modified to the  
 25 extent necessary to conform to the provisions and requirements of  
 26 this act and to any valid and applicable plan of unitization or  
 27 order of the commission made and adopted pursuant hereto, but  
 28 otherwise to remain in full force and effect.

29 10. Nothing contained in this act shall be construed to

1 require a transfer to or vesting in the unit of title to the  
2 separately-owned tracts or leases thereon within the unit area,  
3 other than the right to use and operate the same to the extent  
4 set out in the plan of unitization; nor shall the unit be regarded  
5 as owning the unit production. The unit production and the pro-  
6 ceeds from the sale thereof shall be owned by the several persons  
7 to whom the same is allocated under the plan of unitization. All  
8 property, whether real or personal, which the unit may in any way  
9 acquire, hold or possess, shall not be acquired, held or possessed  
10 by the unit for its own account but shall be so acquired, held  
11 and possessed by the unit for the account and as agent of the  
12 several lessees and shall be the property of such lessees as their  
13 interests may appear under the plan of unitization, subject, how-  
14 ever, to the right of the unit to the possession, management, use  
15 or disposal of the same in the proper conduct of its affairs, and  
16 subject to any lien the unit may have thereon to secure the pay-  
17 ment of unit expense. Neither the unit production or proceeds  
18 from the sale thereof, nor the other receipts shall be treated,  
19 be regarded, or taxed as income or profits of the unit; but in-  
20 stead, all such receipts shall be the income of the several per-  
21 sons to whom or to whose credit the same are payable under the  
22 plan of unitization. To the extent the unit may receive or dis-  
23 burse said receipts it shall only do so as a common administrative  
24 agent of the persons to whom the same are payable.

25 11. The amount of the unit production allocated to each  
26 separately-owned tract within the unit, and only that amount,  
27 regardless of the well or wells in the unit area from which it may  
28 be produced and regardless of whether it be more or less than the  
29 amount of the production from the well or wells, if any, on any

1 such separately-owned tract, shall for all intents, uses and  
2 purposes be regarded and considered as production from such  
3 separately-owned tract, and, except as may be otherwise authorized  
4 in this act, or in the plan of unitization approved by the com-  
5 mission, shall be distributed among or the proceeds thereof paid  
6 to the several persons entitled to share in the production from  
7 such separately-owned tract in the same manner, in the same pro-  
8 portions, and upon the same condition that they would have partici-  
9 pated and shared in the production or proceeds thereof from such  
10 separately-owned tract had not said unit been organized, and with  
11 the same legal force and effect. If adequate provisions are made  
12 for the receipt thereof, the share of the unit production allo-  
13 cated to each separately-owned tract shall be delivered in kind  
14 to the persons entitled thereto by virtue of ownership of oil and  
15 gas rights therein or by purchase from such owners subject to the  
16 rights of the unit to withhold and sell the same in payment of  
17 unit expense pursuant to the plan of unitization, and subject  
18 further to the call of the unit on such portions of the gas for  
19 operating purposes as may be provided in the plan of unitization.

20 12. No agreement or plan for the development and operation  
21 of a field or pool of oil or gas as a unit, if approved by the  
22 commission for the purpose of conserving oil or gas, shall be held  
23 to violate any of the statutes of this Territory prohibiting  
24 monopolies or acts arrangements, agreements, contracts combinations  
25 or conspiracies in restraint of trade or commerce.

26 13. Operations carried on under and in accordance with the  
27 plan of unitization shall be regarded and considered as a ful-  
28 fillment of a compliance with all of the provisions, covenants and  
29 conditions, express or implied, of the several oil and gas leases

1 open lands included with the unit area, or other contracts per-  
2 taining to the development thereof insofar as said leases or  
3 other contracts may relate to the pool or portion thereof in-  
4 cluded in the unit area. Wells drilled or operated on any part  
5 of the unit area no matter where located shall for all purposes  
6 be regarded as wells drilled on each separately-owned tract with-  
7 in such unit area.

8 14. Nothing herein or in any plan of unitization shall be  
9 construed as increasing or decreasing the implied covenants of a  
10 lease in respect to a common source of supply or lands not in-  
11 cluded within the unit area of a unit.

12 15. The unit area of a unit may be enlarged to include  
13 adjoining portions of the same pool, including the unit area of  
14 another unit, and a new unit created for the unitized management,  
15 operation and further development of such enlarged unit area, or  
16 the plan of unitization may be otherwise amended, all in the same  
17 manner, upon the same conditions and subject to the same limita-  
18 tions as herein provided with respect to the creation of a unit  
19 in the first instance; except that where the amendment to the  
20 plan of unitization relates only to the rights and obligations  
21 as between leasees the requirement that the same be signed,  
22 ratified and approved by royalty owners of record of not less  
23 than 62.5 percent of the unit area shall have no application.

24 Section 8. Use of Gas From Well to Manufacture Carbon  
25 Products Without Permit in Prima Facie Waste. The use of gas  
26 from a well producing gas only, or from a well which is primarily  
27 a gas well, for the manufacture of carbon black or similar pro-  
28 ducts predominantly carbon, is declared to constitute waste prima  
29 facie, and such gas well shall not be used for any such purpose

1 unless it is clearly shown at a public hearing to be held by the  
2 commission, on application of the person desiring to use such gas,  
3 that waste would not take place by the use of such gas for the  
4 purpose or purposes applied for, and that gas which would other-  
5 wise be lost is now available for such purpose or purposes, and  
6 that the gas to be used can not be used for a more beneficial  
7 purpose, such as for light or fuel purposes, except at prohibitive  
8 cost, and that it would be in the public interest to grant such  
9 permit. If the commission finds that the applicant has clearly  
10 shown a right to use such gas for the purpose or purposes applied  
11 for, it shall issue a permit upon such terms and conditions as may  
12 be found necessary in order to permit the use of the gas and at  
13 the same time require compliance with the intent of this section.

14 Section 9. Rules and Regulations of Commission; Notice;  
15 Hearing and Entry of Order.

16 1. The commission shall prescribe rules and regulations  
17 governing practice and procedure before the commission.

18 2. No rule, regulation or order, or amendment thereof,  
19 except in an emergency, shall be made by the commission without a  
20 public hearing upon at least 10 days notice. The public hearing  
21 shall be held at such time and place as may be prescribed by the  
22 commission, and any interested person shall be entitled to be  
23 heard.

24 3. When an emergency requiring immediate action is found to  
25 exist, the commission is authorized to issue an emergency order  
26 without notice or hearing, which shall be effective upon promul-  
27 gation. No emergency order shall remain effective for more than  
28 15 days.

29 4. Any notice required by this act shall be given by

1 personal service on all interested persons; and in the event such  
2 personal service cannot be made, then substituted service may be  
3 made in the manner provided for substitute service of process  
4 under the Alaska rules of civil procedure. The notice shall issue  
5 in the name of the Territory, shall be signed by the commission,  
6 and shall specify the style and number of the proceeding, the  
7 time and place of the hearing, and shall briefly state the pur-  
8 pose of the proceeding.

9 5. All rules, regulations and orders issued by the commis-  
10 sion shall be in writing, shall be entered in full and indexed  
11 in books to be kept by the commission for that purpose, and shall  
12 be public records open for inspection at all times during reason-  
13 able office hours. A copy of any rule, regulation or order cer-  
14 tified by the commission, under its seal, shall be received in  
15 evidence in all courts of this Territory with the same effect as  
16 the original.

17 6. The commission may act upon its own motion, or upon the  
18 petition of any interested person. On the filing of a petition  
19 concerning any matter within the jurisdiction of the commission,  
20 the commission shall promptly fix a date for a hearing thereon,  
21 and shall cause notice of the hearing to be given. The hearing  
22 shall be held without undue delay after the filing of the petition.  
23 The commission shall enter its order within 30 days after the  
24 hearing.

25 Section 10. Attendance and Testimony of Witnesses;  
26 Production of Books and Records; Punishment for Contempts.

27 1. The commission shall have power to summon witnesses, to  
28 administer oaths, and to require the production of records, books  
29 and documents for examination at any hearing or investigation

1 conducted by it. No person shall be excused from attending and  
2 testifying, or from producing books, papers and records before  
3 the commission or a court, or from obedience to the subpoena of  
4 the commission or a court, on the ground or for the reason that  
5 the testimony or evidence, documentary or otherwise, required of  
6 him may tend to incriminate him or subject him to a penalty or  
7 forfeiture; provided, that nothing herein contained shall be  
8 construed as requiring any person to produce any books, papers  
9 or records, or to testify in response to any inquiry not perti-  
10 nent to some question lawfully before such commission or court  
11 for determination. No natural person shall be subjected to  
12 criminal prosecution or to any penalty or forfeiture for or on  
13 account of any transaction, matter or thing concerning which, in  
14 spite of his objection, he may be required to testify or produce  
15 evidence, documentary or otherwise, before the commission or court,  
16 or in obedience to its subpoena; provided that no person testify-  
17 ing shall be exempted from prosecution and punishment for perjury  
18 committed in so testifying.

19 2. In case of failure or refusal on the part of any person  
20 to comply with the subpoena issued by the commission, or in case  
21 of the refusal of any witness to testify as to any matter regard-  
22 ing which he may be interrogated, any court of record in the  
23 Territory, upon application of the commission, may issue an  
24 attachment for such person and compel him to comply with such  
25 subpoena, and to attend before the commission and produce such  
26 records, books and documents for examination, and to give his  
27 testimony. Such court shall have the power to punish for contempt  
28 as in the case of disobedience to a like subpoena issued by the  
29 court, or for refusal to testify therein.

1           Section 11. Rehearings and Appeals; Suspension of  
2 Commission Order.

3           1. Within 20 days after written notice of the entry of any  
4 order or decision of the commission, or such further time as the  
5 commission may grant for good cause shown, any person affected  
6 thereby may file with the commission an application for the re-  
7 hearing in respect of any matter determined by such order or  
8 decision, setting forth the respect in which such order or de-  
9 cision is believed to be erroneous. The commission shall grant  
10 or refuse any such application in whole or in part within 10 days  
11 after the same is filed, and failure to act thereon within such  
12 period is deemed a refusal thereof and a final disposition of such  
13 application. In the event the rehearing is granted, the commission  
14 may enter such new order or decision after rehearing as may be  
15 required under the circumstances.

16           2. Any party to such rehearing proceeding, dissatisfied with  
17 the disposition of the application for rehearing, may appeal there-  
18 from to the district court of the division wherein is located any  
19 property affected by the decision of the commission, by filing a  
20 petition for the review of the action of the commission within 20  
21 days after the entry of the order following rehearing or after  
22 the refusal of rehearing as the case may be. Such petition shall  
23 state briefly the nature of the proceedings before the commission  
24 and shall set forth the order or decision of the commission com-  
25 plained of and the grounds of invalidity thereof upon which the  
26 applicant will rely; provided, however, that the questions reviewed  
27 on such appeal shall be only questions presented to the commission  
28 by the application for rehearing. Notice of such appeal shall be  
29 served upon the adverse party or parties and the commission in the

1 manner provided for the service of summons in civil proceedings.  
2 The trial upon appeal shall be without a jury, and the transcript  
3 of proceedings before the commission, including the evidence taken  
4 in hearings by the commission, shall be received in evidence by  
5 the court in whole or in part upon offer by either party, subject  
6 to legal objections to evidence, in the same manner as if such  
7 evidence was originally offered in the district court. The  
8 commission's action complained of shall be prima facie valid and  
9 the burden shall be placed upon the party or parties seeking  
10 review to establish the invalidity of such action of the commis-  
11 sion. The court shall determine the issues of fact and of law  
12 and shall, upon a preponderance of the evidence introduced before  
13 the court, which may include evidence in addition to the trans-  
14 cript of proceedings before the commission, and the law applicable  
15 thereto, enter its order either affirming or vacating the order  
16 of the commission. Appeals may be taken from the judgment or  
17 decision of the district court to the supreme court in the same  
18 manner as provided for appeals from any other final judgment  
19 entered by a district court in this Territory.

20 3. The pendency of proceedings to review shall not of itself  
21 stay or suspend operation of the order or decision being reviewed,  
22 but during the pendency of such proceedings, the district court in  
23 its discretion may, upon its own motion or upon proper application  
24 of any party thereto, stay or suspend, in whole or in part, oper-  
25 ation of the order or decision pending review thereof, on such  
26 terms as the court deems just and proper and in accordance with  
27 the Alaska rules of civil procedure; provided, that the court, as  
28 a condition to any such staying or suspension of operation of any  
29 order or decision, may require that one or more parties secure,

On page 26, line 17, strike words "to the supreme court"

---

On page 26, line 27 strike the word "Alaska"

---

1 in such form and amount as the court may deem just and proper,  
2 one or more other parties against loss or damage due to the stay-  
3 ing or suspension of the commission's order or decision, in the  
4 event that the action of the commission shall be affirmed.

5 4. The applicable rules of practice and procedure in civil  
6 cases for the courts of this Territory shall govern the proceed-  
7 ings for review, and any appeal therefrom to the supreme court,  
8 to the extent such rules are consistent with provisions of this  
9 act.

10 Section 12. Penalties.

11 1. Any person who willfully violates any provision of this  
12 act, or any rule, regulation or order of the commission shall be  
13 subject to a penalty of not more than \$1,000 for each act of  
14 violation and for each day that such violation continues, unless  
15 the penalty for such violation is otherwise provided for and made  
16 exclusive in this act.

17 2. If any person, for the purpose of evading this act, or  
18 any rule, regulation or order of the commission, shall <sup>willfully</sup> make or  
19 cause to be made any false entry in any record, account or memo-  
20 randum required by this act, or by any such rule, regulation or  
21 order, or shall <sup>willfully</sup> omit, or cause to be omitted, from any such  
22 record, account or memorandum, full, true and correct entries as  
23 required by this act, or by any such rule, regulation or order,  
24 or shall remove from this Territory or destroy, mutilate, alter  
25 or falsify any such record, account or memorandum, such person  
26 shall be guilty of a misdemeanor and, upon conviction thereof  
27 shall be punished by a fine not exceeding \$5,000, or imprisonment  
28 in the division federal jail for any term not exceeding 6 months,  
29 or by both such fine and imprisonment.

On page 27, line 7, strike commas and the words "to the supreme court"

---

On page 27, line 18 -- after word "shall" insert word "willfully"

---

On page 27, line 21 -- after word "shall" insert word "willfully"

---

On page 27, line 28 strike word "Division"

---

1           3. Any person knowingly aiding or abetting any other person  
2 in the violation of any provision of this act, or any rule, regu-  
3 lation or order of the commission shall be subject to the same  
4 penalty as that prescribed by this act for the violation by such  
5 other person.

6           4. The penalties provided in this section shall be recover-  
7 able by suit filed by the attorney general in the name and on  
8 behalf of the commission in the district court of the division  
9 in which the defendant resides or in which any defendant resides,  
10 if there be more than one defendant, or in the district court of  
11 any division in which the violation occurred. The payment of any  
12 such penalty shall not operate to relieve a person on whom the  
13 penalty is imposed from liability to any other person for damages  
14 arising out of such violation.

15           Section 13. Injunctive Relief.

16           1. Whenever it appears that any person is violating or  
17 threatening to violate any provision of this act, or any rule,  
18 regulation or order of the commission, the commission shall bring  
19 suit against such person in the district court of any division  
20 where the violation occurs or is threatened, to restrain such  
21 person from continuing such violation or from carrying out the  
22 threat of violation. Upon the filing of any such suit, summons  
23 issued to such person may be directed to the marshal of any  
24 division in this Territory for service by such marshal or his  
25 deputies. In any such suit, the court shall have jurisdiction  
26 to grant to the commission, without bond or other undertaking,  
27 such prohibitory and mandatory injunctions as the facts may warrant.

28           2. If the commission shall fail to bring suit to enjoin a  
29 violation or threatened violation of any provision of this act, or

1 any rule, regulation or order of the commission within 10 days  
2 after receipt of written request to do so by any person who is or  
3 will be adversely affected by such violation, the person making  
4 such request may bring suit in his own behalf to restrain such  
5 violation or threatened violation in any court in which the  
6 commission might have brought suit. If, in such suit, the court  
7 should hold that injunctive relief should be granted, then the  
8 commission shall be made a party and shall be substituted for the  
9 person who brought the suit, and the injunction shall be issued  
10 as if the commission had at all times been the plaintiff.

11 Section 14. Application of Act; Lands Subject to United  
12 States Jurisdiction.

13 This act shall apply to all lands in the Territory of Alaska  
14 lawfully subject to its police powers; provided, it shall apply  
15 to lands of the United States or to lands subject to the juris-  
16 diction of the United States only to the extent that control and  
17 supervision of conservation of oil and gas by the United States  
18 on its lands shall fail to effect the intent and purposes of this  
19 act and otherwise shall apply to such lands to such extent as an  
20 officer of the United States having jurisdiction, or his duly  
21 authorized representative, shall approve any of the provisions of  
22 this act or the order or orders of the commission which affects  
23 such lands.

24 Section 15. Oil and Gas Conservation Fund; Tax on Gas and  
25 Oil Produced.

26 1. All moneys collected under the provisions of this act  
27 shall be remitted to the Territorial treasurer, and by him shall  
28 be credited to a special fund known as the oil and gas conservation  
29 fund, which fund is hereby created. All moneys credited to that

1 fund shall be expended for the purposes of administering the pro-  
2 visions of this act. The Territory of Alaska <sup>has by declared</sup> is affiliated with  
3 the Interstate Oil Compact Commission, as an associate (non-  
4 producing) member, and any and all expenses in connection with  
5 this affiliation shall be paid from the above fund. All moneys  
6 in the oil and gas conservation fund are appropriated to the  
7 Alaska Oil and Gas Conservation Commission. No such moneys shall  
8 revert to the general fund at the end of any fiscal period, but  
9 shall remain in the oil and gas conservation fund to cover future  
10 operating expenses of the commission. All moneys hereby appro-  
11 priated shall be expended under the direction of the commission  
12 in accordance with statutes of this Territory relating to the  
13 expenditure of appropriations, and warrants shall be drawn against  
14 said appropriation as now provided by law.

15 2. For the purpose of paying the expenses of administration  
16 of the act, every producer of oil or natural gas in this Territory  
17 shall on or before the last day of each month report to the com-  
18 mission and to the Territorial treasurer his or its production  
19 in this Territory of oil in barrels and of natural gas in thou-  
20 sands of cubic feet during the preceding month, and at the same  
21 time shall pay to the Territorial treasurer a tax on each and  
22 every barrel of oil and on each and every 50,000 cubic feet of  
23 natural gas produced and marketed by him or it during such pre-  
24 ceding month. Every person purchasing such oil or natural gas  
25 shall be liable for the payment of the tax per barrel of oil or  
26 per 50,000 cubic feet of natural gas, unless it shall have pre-  
27 viously been paid by the producer. The tax rate shall be five  
28 mills (\$.005) per barrel of oil or per 50,000 cubic feet of  
29 natural gas.

On page 30, line 2, after word "is" insert words "hereby declared"

1           3. For the purpose of paying expenses incidental to the  
2 establishment of the commission, funds shall be provided by direct  
3 legislative appropriation from the general fund.

4           Section 16. Repeal.

5           All acts or parts of acts in conflict with the provisions of  
6 this act are hereby repealed.

7           Section 17. Separability of Provisions.

8           If any section, subsection, sentence, clause, phrase or word  
9 of this act is adjudged to be unconstitutional or invalid, such  
10 adjudication shall not affect the validity of the remaining portion  
11 of this act. The legislature hereby declares that it would have  
12 passed this act, and each division, section, subsection, sentence,  
13 clause, phrase or word thereof, irrespective of the fact that any  
14 one or more sections, subsections, sentences, clauses, phrases or  
15 words might be adjudged to be unconstitutional, or for any other  
16 reason invalid.

17           Section 18. Effective Date.

18           This act shall become effective April 1, 1955 upon its passage  
19 and approval.  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29