

Original Sponsor: Resources Committee

Offered: 5/10/76  
Referred: Finance

1 IN THE SENATE

BY THE JUDICIARY COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 720 am H re-engrossed

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the reacquisition of oil and gas  
7 leasehold interests in Kachemak Bay; and providing for  
8 an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 \* Section 1. AS 38.05 is amended by adding a new section to read:

11 Sec. 38.05.184. LIMITATION ON OIL AND GAS LEASES IN CERTAIN AREAS,  
12 AND REACQUISITION OF LEASES. (a) The legislature finds that Kachemak  
13 Bay is an area of extraordinary abundance and diversity of marine life  
14 that has provided, and will continue to provide in the future, a basis  
15 for one of the state's most important commercial fisheries; that recent  
16 information discloses that even minute quantities of oil released into  
17 the marine environment may be harmful to the larval forms of crabs and  
18 other marine life and that the existence of gyral currents within the  
19 bay may increase the likelihood of oil coming into contact with these  
20 valuable commercial fish and shellfish species; and that therefore oil  
21 and gas development in the bay, at this time, presents an undue hazard  
22 to this valuable state renewable resource.

23 (b) No additional oil or gas leases may be issued by the Department  
24 of Natural Resources or any other state agency for the exploration for  
25 or the development or production of oil and gas on state-owned land and  
26 waters seaward of the mean higher high water line, beginning at Anchor  
27 Point; then around the perimeter of Kachemak Bay, to Point Pogibshi;  
28 then west to the three mile limit of state land and waters; then north  
29 to a point three miles west of Anchor Point; then east to the mean

1 higher high water line of Anchor Point, the point of beginning.

2 (c) The commissioner of natural resources may enter into negotia-  
3 tions to reacquire by purchase in the name of the state, title to or  
4 accountable interests in oil or gas leases within the boundaries de-  
5 scribed in (b) of this section which were issued before the effective  
6 date of this Act.

7 (d) In lieu of cash payment for a negotiated purchase of a lease-  
8 hold interest, the commissioner may authorize a credit of the purchase  
9 price plus interest at the rate prescribed by AS 09.30.070 to be granted  
10 the seller to be applied against future lease bonus or rental payments,  
11 permit fees, royalties, or oil and gas taxes which may become owing on  
12 new production from other leases or property held by the seller for oil  
13 and gas development. The commissioner may also negotiate to reimburse  
14 in like manner by credit provision the full bonus paid by the lessee to  
15 the state plus a reasonable amount to compensate the lessee for expenses  
16 and other costs incurred by the lessee.

17 (e) For a period of one year from the effective date of this  
18 section, or until the adjournment of the First Session of the Tenth  
19 Alaska Legislature, whichever period is longer, no drilling activities  
20 to explore or develop any existing state oil and gas leases in the bay  
21 are permitted and the commissioner shall suspend drilling activities  
22 to explore or develop any existing state oil and gas leases in the bay.  
23 The purpose of this moratorium on exploration and development is to (1)  
24 permit the Department of Fish and Game a reasonable time to develop  
25 plans to insure protection for the living resources of the bay from  
26 possible pollution incidental to drilling activities; and (2) permit the  
27 commissioner of natural resources a reasonable period to negotiate for  
28 the repurchase of the leases under (c) of this section. The lease  
29 period for any existing oil and gas leases in Kachemak Bay shall be

1 extended by the commissioner of the Department of Natural Resources for  
2 the period of this moratorium.

3 (f) In the event the commissioner of natural resources is unable  
4 to negotiate a satisfactory price for repurchase of the leases under (c)  
5 of this section, he may at the time the moratorium on exploration and  
6 development expires acquire all title to or interests in said oil or gas  
7 leases through the exercise of the power of eminent domain.

8 (g) In the event the commissioner determines to exercise the  
9 power of eminent domain, such action must be initiated in the courts  
10 within 30 days after the moratorium period provided for under (e) of  
11 this section. In the event that the commissioner does not exercise the  
12 power of eminent domain within the 30-day period, lessees shall have  
13 the immediate right under the terms of the lease to explore, operate,  
14 and produce from the lease of leases, including the right of reasonable  
15 access to and from the lease sites and the transportation of production  
16 from the lease to a shore-based facility or to a refinery or other  
17 market, until full reacquisition of the lease by the state through  
18 negotiations.

19 \* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-  
20 070(c).