

1 IN THE HOUSE BY THE FREE CONFERENCE COMMITTEE
2 FREE CONFERENCE CS FOR SENATE CS FOR CS FOR HOUSE BILL NO. 815
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 TENTH LEGISLATURE - SECOND SESSION
5 A BILL

6 For an Act entitled: "An Act relating to oil and gas conservation; and pro-
7 viding for an effective date."

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

9 * Section 1. AS 31.05.030(d) is amended by adding new paragraphs to read:

10 (8) the measuring and monitoring of oil and gas pool pres-
11 sures;

12 (9) the filing and approval of a plan of development and
13 operation for a field or pool in order to prevent waste, insure a
14 greater ultimate recovery of oil and gas, and protect the correlative
15 rights of persons owning interests in the tracts of land affected.

16 * Sec. 2. AS 31.05.030(e) is amended by adding a new paragraph to read:

17 (6) the quantity and rate of the production of oil and gas
18 from a well or property; this authority shall also apply to a well or
19 property in a voluntary cooperative or unit plan of development or
20 operation entered into in accordance with AS 38.05.180(m).

21 * Sec. 3. AS 31.05.035(a)(2) is amended to read:

22 (2) the filing of flow test information and all logs, except
23 experimental logs [, DIPMETER SURVEYS,] and velocity surveys run on a
24 well and not required by (1) of this subsection;

25 * Sec. 4. AS 31.05.035(a) is amended by adding a new paragraph to read:

26 (3) the operator to make available for copying the digitized
27 log information, if it is available, on any log required to be filed
28 under (1) or (2) of this subsection.

29 * Sec. 5. AS 31.05.035(c) is amended to read:

1 (c) The reports and information required in (a) of this section
2 [MARKED CONFIDENTIAL] shall be kept confidential for 24 months following
3 the 30-day filing period unless the owner of the well gives written
4 permission to release the reports and information at an earlier date.
5 If the commissioner finds that the required reports and information
6 contain significant information relating to the valuation of unleased
7 land in the same vicinity, he shall keep the reports and information
8 confidential for a reasonable time after the disposition of all affected
9 unleased land, unless the owner of the well gives written permission to
10 release the reports and information at an earlier date. Well location,
11 depth, status and production data and production reports required by the
12 department to be filed subsequent to the 30-day filing period shall be
13 considered public information and shall not be classified confidential.
14 Production data, as used in this subsection, means volume, gravity and
15 gas-oil ratio of all production of oil or gas after the well begins
16 regular production.

17 * Sec. 6. AS 31.05.035 is amended by adding a new subsection to read:

18 (d) Engineering, geological, and other information not required by
19 (a) of this section but voluntarily filed with the department shall be
20 kept confidential if the person filing the information so requests.

21 * Sec. 7. AS 31.05.060 is amended by adding a new subsection to read:

22 (b) Except as provided in this subsection, any action by the
23 department under this chapter that has statewide or general application
24 shall be performed in accordance with the Administrative Procedure Act
25 (AS 44.62). Any action by the department under this chapter that has
26 application to a single well or single field need not comply with the
27 provisions of AS 44.62.330 - 44.62.630, but shall be performed in
28 accordance with regulations of the department designed to afford persons
29 affected by the action notice and an opportunity to be heard.

1 * Sec. 8. AS 31.05.110(b) is amended to read:

2 (b) If upon the filing of a petition by or with the department and
3 after notice and hearing, all in the form and manner and in accordance
4 with the procedure and requirements provided in this section, the de-
5 partment finds that (1) the unitized management, operation and further
6 development of a pool or portion of a pool is reasonably necessary in
7 order to effectively carry on pressure control, pressure-maintenance or
8 repressuring operations, cycling operations, water flooding operations,
9 or any combination of these, or any other form of joint effort calcu-
10 lated to substantially increase the ultimate recovery of oil and gas
11 from the pool; (2) one or more of the unitized methods of operation as
12 applied to the pool or portion of it is feasible, and will prevent waste
13 and will with reasonable probability result in the increased recovery of
14 substantially more oil and gas from the pool than would otherwise be
15 recovered; (3) the estimated additional cost, if any, of conducting such
16 operations will not exceed the value of the additional oil and gas so
17 recovered; and (4) the unitization and adoption of one or more of the
18 unitized methods of operation is for the common good [AND WILL RESULT IN
19 THE GENERAL ADVANTAGE OF THE OWNERS OF THE OIL AND GAS RIGHTS WITHIN THE
20 POOL OR PORTION OF IT DIRECTLY AFFECTED], it shall make a finding to
21 that effect and make an order creating the unit and providing for the
22 unitization and unitized operation of the pool or portion of it de-
23 scribed in the order, upon the terms and conditions, as may be shown by
24 the evidence to be fair, reasonable, equitable, and which are necessary
25 or proper to protect, safeguard and adjust the respective rights and
26 obligations of the several persons affected, including royalty owner,
27 owners of overriding royalties, oil and gas payments, carried interests,
28 mortgages, lien claimants and others, as well as the lessees. The
29 petition shall set out a description of the proposed unit area with a

1 map or plat of it attached shall allege the existence of the facts
2 required to be found by the department as provided in this paragraph and
3 shall have attached to it a recommended plan of unitization applicable
4 to the proposed unit area and which the petitioner considers to be fair,
5 reasonable and equitable.

6 * Sec. 9. AS 31.05.110(c) is amended to read:

7 (c) The order of the department shall define the boundary of the
8 area [OF THE POOL OR PORTION OF IT] to be included within the unit area
9 and prescribe with reasonable detail the plan of unitization applicable
10 to it. Each unit and unit area may [SHALL] be limited to all or a
11 portion of a single pool. Only so much of a pool or pools as has been
12 defined and determined to be productive on the basis of information
13 available to the department [OF OIL AND GAS BY ACTUAL DRILLING OPERA-
14 TIONS] may be so included within the unit area. A unit may be created
15 to embrace less than the whole of a pool only where it is shown by the
16 evidence that the area to be so included within the unit area is of a
17 size and shape as may be reasonably required for the successful and
18 efficient conduct of the unitized method of operation for which the unit
19 is created, and that the conduct of it will have no material adverse
20 effect upon the remainder of the pool. The plan of unitization for each
21 unit and unit area shall be one suited to the needs and requirements of
22 the particular unit dependent upon the facts and conditions found to
23 exist with respect to it. In addition to other terms, provisions,
24 conditions and requirements found by the department to be reasonably
25 necessary or proper to carry out the purpose of this chapter, and sub-
26 ject to the further requirements of this section, each plan of unitiza-
27 tion shall contain fair, reasonable and equitable provisions for

28 (1) the efficient unitized management or control of the
29 further development and operation of the unit area for the recovery of

1 oil and gas from the pool affected; under such a plan the actual opera-
2 tions within the unit area may be carried on in whole or in part by the
3 unit itself, or by one or more of the lessees within the unit area as
4 the unit operator subject to the supervision and direction of the unit,
5 dependent upon what is most beneficial or expedient; the designation of
6 the unit operator shall be by vote of the lessees in the unit in a
7 manner provided in the plan of unitization and not by the department;

8 (2) the division of interest or formula for the apportionment
9 and allocation of the unit production, among and to the several sepa-
10 rately owned tracts within the unit area such as will reasonably permit
11 persons otherwise entitled to share in or benefit by the production from
12 such separately owned tracts to produce and receive, instead thereof,
13 their fair, equitable and reasonable share of the unit production or
14 other benefits of it; a separately owned tract's fair, equitable, and
15 reasonable share of the unit production shall be measured by the value
16 of each such tract for oil and gas purposes and its contributing value
17 to the unit in relation to like values of other tracts in the unit,
18 taking into account acreage, the quantity of oil and gas recoverable
19 from it, location on the structure, its probable productivity of oil and
20 gas in the absence of unit operations, the burden of operations to which
21 the tract will or is likely to be subjected, or so many of these fac-
22 tors, or such other pertinent engineering, geological or operating
23 factors as may be reasonably susceptible of determination; unit produc-
24 tion as that term is used in this chapter means all oil and gas produced
25 from a unit area from the effective date of the order of the department
26 creating the unit regardless of the well or tract within the unit area
27 from which the same is produced;

28 (3) the manner in which the unit and the further development
29 and operation of the unit area shall or may be financed and the basis,

1 terms and conditions on which the cost and expense of it shall be appor-
2 tioned among and assessed against the tracts and interests made charge-
3 able with it, including a detailed accounting procedure governing all
4 charges and credits incident to such operations; upon terms and condi-
5 tions as to time and rate of interest as may be fair to all concerned,
6 reasonable provision shall be made in the plan of unitization for carry-
7 ing or otherwise financing lessees who are unable to promptly meet their
8 financial obligations in connection with the unit;

9 (4) the procedure and basis upon which wells, equipment and
10 other properties of the several lessees within the unit area are to be
11 taken over and used for unit operations, including the method of arriv-
12 ing at the compensation for it, or of otherwise proportionately equal-
13 izing or adjusting the investment of the several lessees in the project
14 as of the effective date of unit operation;

15 (5) the creation of an operating committee to have general
16 overall management and control of the unit and the conduct of its busi-
17 ness and affairs and the operations carried on by it, together with the
18 creation or designation of other subcommittees, boards or officers to
19 function under the authority of the operating committee as may be neces-
20 sary, proper or convenient in the efficient management of the unit,
21 defining the powers and duties of all the committees, boards and offi-
22 cers, and prescribing their tenure and time and method for their selec-
23 tion;

24 (6) the time when the plan of unitization becomes effective;

25 (7) the time when and the conditions under which and the
26 method by which the unit shall or may be dissolved and its affairs wound
27 up.

28 * Sec. 10. AS 31.05.110(h) is amended to read:

29 (h) Subject to such reasonable limitations as may be set out in

1 the plan of unitization, the unit has a first and prior lien upon the
2 leasehold estate and all other oil and gas rights (exclusive of a [ONE-
3 EIGHTH] landowners' royalty interest) in and to each separately owned
4 tract, the interest of the owners in and to the unit production and all
5 equipment in the possession of the unit, to secure the payment of the
6 amount of the unit expense charged to and assessed against such sepa-
7 rately owned tract. The interest of the lessee or other persons who by
8 lease, contract or otherwise are obligated or responsible for the cost
9 and expense of developing and operating a separately owned tract for oil
10 and gas in the absence of unitization shall, however, be primarily
11 responsible for and charged with any assessment for unit expense made
12 against the tract and resort may be had to overriding royalties, oil and
13 gas payments, [ROYALTY INTERESTS IN EXCESS OF ONE-EIGHTH OF THE PRODUC-
14 TION,] or other interests, except royalty interests, which otherwise are
15 not chargeable with these costs, only in the event the owner of interest
16 primarily responsible fails to pay the assessment of the production to
17 the credit thereof, or production is insufficient for that purpose. If
18 the owner of any royalty interest, overriding royalty, oil or gas pay-
19 ment, or any other interest which under the plan of unitization is not
20 primarily responsible for it pays in whole or in part the amount of an
21 assessment for unit expense for the purpose of protecting such interest,
22 or the amount of the assessment in whole or in part is deducted from the
23 unit production to the credit of such interest, the owner of it is to
24 the extent of the payment or deduction subrogated to all the rights of
25 the unit with respect to the interest or interests primarily responsible
26 for the assessment. The landowners' royalty share [A ONE-EIGHTH PART]
27 of the unit production allocated to each separately owned tract shall be
28 regarded as royalty to be distributed to and among, or the proceeds of
29 it paid to, the landowners, [THE ROYALTY OWNERS] free and clear of all

1 unit expense and free of any lien for it.

2 * Sec. 11. AS 31.05.110 is amended by adding a new subsection to read:

3 (p) An aliquot of unit production may be underlifted or overlifted
4 from a unit established under this chapter or AS 38.05.180(m) only when
5 it does not create waste, except the commissioner may permit underlift-
6 ing or overlifting for temporary periods for the purpose of accommodat-
7 ing extraordinary disruptions to an interest owner's production disposal
8 system. Underlifted oil may be recovered by an interest owner at a
9 daily rate not to exceed 10 per cent of his working or royalty interest
10 share of daily production at the time of underlift recovery. This
11 subsection applies to all units created after June 30, 1978.

12 * Sec. 12. AS 31.05.110(o) is amended to read:

13 (o) The unit area of a unit may be enlarged to include adjoining
14 portions of the same pool, including the unit area of another unit, and
15 a new unit created for the unitized management, operation and further
16 development of the enlarged unit area, or the plan of unitization may be
17 otherwise amended, or the unit area contracted, all in the same manner,
18 upon the same conditions and subject to the same limitations as provided
19 with respect to the creation of a unit in the first instance [; EXCEPT
20 THAT WHERE THE AMENDMENT TO THE PLAN OF UNITIZATION RELATES ONLY TO THE
21 RIGHTS AND OBLIGATIONS AS BETWEEN LESSEES THE REQUIREMENT THAT IT BE
22 SIGNED, RATIFIED, AND APPROVED BY ROYALTY OWNERS OF RECORD OF NOT LESS
23 THAN 62.5 PER CENT OF THE UNIT AREA DOES NOT APPLY].

24 * Sec. 13. AS 31.05.110 is amended by adding a new subsection to read:

25 (q) This section applies to all involuntary units formed in the
26 state. Subsections (a) and (g) - (p) of this section apply to all
27 voluntary units formed in the state and to a voluntary cooperative or
28 unit plan of development or operation entered into in accordance with AS
29 38.05.180(m).

1 * Sec. 14. AS 31.05.170(11) is amended by adding a new subparagraph to
2 read:

3 (J) the drilling of wells unnecessary to carry out the
4 purpose or intent of this chapter;

5 * Sec. 15. AS 31.05.170 is amended by adding a new paragraph to read:

6 (13) "landowner" means the owner of the subsurface estate of
7 the tract affected.

8 * Sec. 16. AS 38.05.180 is amended by adding a new subsection to read:

9 (t) No leases may be issued under this section without the inclu-
10 sion of the following language: "The landowners' royalty share of the
11 unit production allocated to each separately owned tract shall be re-
12 garded as royalty to be distributed to and among, or the proceeds of it
13 paid to, the landowners, free and clear of all unit expense and free of
14 any lien for it." Leases issued in violation of this subsection shall,
15 for all purposes, be construed as containing the language required by
16 this subsection.

17 * Sec. 17. AS 31.05.110(d) is repealed.

18 * Sec. 18. This Act takes effect immediately in accordance with AS 01.10.-
19 070(c).

20

21

22

23

24

25

26

27

28

29

#