

Offered : 4/12/77  
Referred: Resources and Finance

1 IN THE SENATE

BY CROFT, POLAND AND HUBER

2 SPONSOR SUBSTITUTE FOR SENATE BILL NO. 250

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act providing for the production of natural gas;  
7 and providing for an effective date."

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

9 \* Section 1. AS 31.05 is amended by adding a new section to read:

10 Sec. 31.05.125. NATURAL GAS PRODUCTION. (a) Notwithstanding any  
11 other provisions of law, new production of natural gas, from a reservoir  
12 containing economically producible quantities of oil, for sale or  
13 resale from state-owned leases is prohibited unless

14 (1) a unitization agreement covering the leases has been  
15 certified by the commissioner of natural resources; and

16 (2) a secondary recovery plan for the oil reservoir has been  
17 certified by the commissioner.

18 (b) The commissioner shall review applications for certification  
19 of unitization agreements under (a)(1) of this section. He shall grant  
20 certification for those agreements which prevent or assist in preventing  
21 physical waste, which insure a greater ultimate recovery of oil, gas, or  
22 oil and gas, and which protect the correlative rights of persons owning  
23 interests in the tracts of land affected.

24 (c) The commissioner shall review applications for approval of  
25 secondary recovery plans required by (a)(2) of this section. He shall  
26 certify those plans which provide for

27 (1) the most efficient recovery of total resources, except  
28 that he may not certify a plan unless its efficiency of recovery is at  
29 least equal to that which would be obtained through implementation of

1 a plan of water flooding; and

2 (2) a timetable of implementation and a date certain for  
3 commencement of secondary recovery operations.

4 (d) A plan certified by the commissioner under (a) of this section  
5 may be amended. An amended plan is effective upon approval of the  
6 commissioner. The failure of the commissioner to approve an amended  
7 plan under this subsection does not affect the validity of a secondary  
8 recovery plan approved under (a) of this section.

9 (e) If, in the judgment of the commissioner, an approved secondary  
10 recovery plan is not being implemented under the provisions of a plan  
11 certified under (a) of this section or amended under (d) of this section,  
12 the commissioner shall, after notice to the parties and public hearing,  
13 revoke certification of the plan.

14 (f) Violation of the provisions of this section, including the  
15 production of natural gas from a lease for which certification of a plan  
16 of secondary recovery has been revoked is punishable by a fine equal to  
17 twice the gross value of the natural gas produced.

18 \* Sec. 2. AS 31.05.170 is amended by adding new paragraphs to read:

19 (13) "commissioner" means the commissioner of natural re-  
20 sources;

21 (14) "new production of natural gas" is any production of  
22 natural gas for sale or resale from state-owned leases from which there  
23 has been no production of natural gas for sale or resale before January 1,  
24 1977;

25 (15) "secondary recovery" means any recovery of oil or natural  
26 gas which may be obtained by the injection of liquids or gases into the  
27 reservoir for the purpose of augmenting reservoir energy, where the  
28 injection or production occurs through the use of two or more well  
29 bores;

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(16) "unitization agreement" means the joint operation of some or all of a producing reservoir;

(17) "water flooding" means any process by which water is injected into oil or natural gas-producing reservoirs for the purpose of recovering additional oil or natural gas.

\* Sec. 3. This Act is retroactive to January 1, 1977.

\* Sec. 4. This Act takes effect immediately in accordance with AS 01.10.-070(c).