

Offered: 4/8/86

Original sponsor: Fahrenkamp

1 IN THE SENATE BY THE RULES COMMITTEE
2 CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 430 (Rules)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL
6 For an Act entitled: "An Act relating to the reduction or revocation by
7 the commissioner of the Department of Natural Re-
8 sources of oil or gas royalty obligation increases
9 made in connection with the institution or operation
10 of a cooperative or unit plan; and providing for an
11 effective date."

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

13 * Section 1. AS 38.05.180(p) is amended to read:

14 (p) To conserve the natural resources of all or a part of an oil
15 or gas pool, field, or like area, the lessees and their representa-
16 tives may unite with each other, or jointly or separately with others,
17 in collectively adopting or operating under a cooperative or a unit
18 plan of development or operation of the pool, field, or like area, or
19 a part of it, when determined and certified by the commissioner to be
20 necessary or advisable in the public interest. The commissioner may,
21 with the consent of the holders of leases involved, establish, change,
22 or revoke drilling, producing, and royalty requirements of the leases
23 and adopt regulations with reference to the leases, with like consent
24 on the part of the lessees, in connection with the institution and
25 operation of a cooperative or unit plan as the commissioner determines
26 necessary or proper to secure the proper protection of the public
27 interest. The commissioner may require oil and gas leases issued
28 under this section to contain a provision requiring the lessee to
29 operate under a reasonable cooperative or unit plan, and may prescribe

1 a plan under which the lessee must operate. The plan must adequately
2 protect all parties in interest, including the state. Notwithstanding
3 (j) of this section, if the commissioner determines that the public
4 interest warrants the reduction or revocation, the commissioner may
5 reduce or revoke a royalty obligation increase that was made by the
6 commissioner in connection with the institution or operation of a co-
7 operative or unit plan; however, the reduction or revocation must
8 contain a mechanism to provide that if the profitability of a lessee's
9 operation increases to a specified level after the commissioner makes
10 the reduction or revocation, the commissioner shall increase the
11 royalty obligation of the lessee to a level not exceeding the amount
12 of the royalty obligation increase that the commissioner reduced or
13 revoked.

14 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
15 10.070(c).