

Offered: 4/18/86  
Referred: Resources and  
Finance

Original sponsor: Fahrenkamp

1 IN THE SENATE BY THE HOUSE SPECIAL  
COMMITTEE ON OIL AND GAS  
2 HOUSE CS FOR CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 430 (Oil & Gas)  
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 a lessee's market conditions  
9 improve or if the profitability of a lessee's operation increases to a  
10 specified level after the commissioner makes the reduction or revoca-  
11 tion, the commissioner shall increase the royalty obligation of the  
12 lessee to a level not exceeding the amount of the royalty obligation  
13 increase that the commissioner reduced or revoked. The commissioner  
14 may reduce or revoke a royalty obligation only after the commissioner  
15 of labor finds that the level of resident hire on a subject lease is  
16 consistent with the lessee's stated objectives and applicable laws and  
17 regulations in effect at the time the reduction or revocation is  
18 requested. The lessee shall agree that the percentage of state resi-  
19 dents employed on the lease is not less than the average percentage  
20 employed by other North Slope operators as reported to the Department  
21 of Labor.

22 \* Sec. 2. This Act takes effect immediately in accordance with AS 01.-  
23 10.070(c).