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Original sponsor: Rules/Governor

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IN THE SENATE

BY THE FINANCE COMMITTEE

CS FOR SENATE BILL NO. 232 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to minimum work commitments in oil and gas leases; and providing for an effective date."

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

\* Section 1. AS 38.05.180(h) is amended to read:

(h) The commissioner may include terms in any oil and gas lease imposing a minimum work commitment on the lessee. These terms shall be made public before the sale, and may include appropriate penalty provisions to take effect in the event the lessee does not fulfill the minimum work commitment. If [SHOULD] it is [BE] demonstrated that a lease has been proven unproductive by actions of adjacent lease holders, the commissioner may set aside a work commitment. If a minimum work commitment is not fulfilled because conditions preventing drilling or exploration were not reasonably foreseeable by the lessee or were beyond the lessee's control, the commissioner may waive for two years any term of the minimum work commitment.

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

AS 38.05.180 IS THE STATE OIL AND GAS LEASING AUTHORITY WHICH PROVIDES THE STIPULATIONS UNDER WHICH THE STATE'S LANDS ARE LEASED FOR OIL AND GAS DEVELOPMENT.

AS 38.05.180 (p) PROVIDES FOR LEASEES ON STATE OIL AND GAS LEASE LANDS TO POOL THEIR PROPERTIES INTO A UNIT . UNDER THE UNIT, THE LEASEES AGREE TO ITS COOPERATIVE MANAGEMENT AND DEVELOPMENT. SUBSECTION (p) ALSO PROVIDES THAT THE COMMISSIONER OF NATURAL RESOURCES MAY CHANGE THE DRILLING, PRODUCING OR ROYALTY REQUIREMENTS TO PROTECT THE PUBLIC INTEREST. THIS SUBSECTION ONLY APPLIES TO PRODUCING LEASES AND IS MEANT TO CONSERVE THE RESOURCE THROUGH THE MANAGEMENT/DEVELOPMENT PLAN.

THE COMMITTEE SUBSTITUTE FOR SB 232 (FINANCE) SEEKS TO PROVIDE THE SAME DISCRETION TO THE COMMISSIONER ON STATE OIL AND GAS LEASE LANDS NOT MANAGED UNDER A UNIT PLAN TO CHANGE OR SPECIFICALLY, WAIVE THE WORK COMMITMENT REQUIREMENTS OF A LEASE AGREEMENT FOR A PERIOD OF TWO YEARS. THIS WAIVER AUTHORITY WOULD APPLY TO EXPLORATORY OR WILDCAT TYPE LEASES AND WOULD PROVIDE FLEXIBILITY TO THE COMMISSIONER IN DEALING WITH INDEPENDENT OPERATORS ON STATE LANDS.

SENATE LETTER OF INTENT

CSSB 232 (FIN)

It is the intent of the Senate that the discretionary authority granted in this legislation not be used to extend the term of the minimum work commitment in any situation where constitutional constraints dictate otherwise.

Adopted by the Senate May 9, 1985.