



LAWS OF ALASKA

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AN ACT

Relating to the reacquisition of oil and gas leasehold interests in Kachemak Bay; and providing for an effective date.

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

* Section 1. AS 38.05 is amended by adding a new section to read:

Sec. 38.05.184. LIMITATION ON OIL AND GAS LEASES IN CERTAIN AREAS, AND REACQUISITION OF LEASES. (a) The legislature finds that Kachemak Bay is an area of extraordinary abundance and diversity of marine life that has provided, and will continue to provide in the future, a basis for one of the state's most important commercial fisheries; that recent information discloses that even minute quantities of oil released into the marine environment may be harmful to the larval forms of crabs and other marine life and that the existence of gyral currents within the bay may increase the likelihood of oil coming into contact with these valuable commercial fish and shellfish species; and that therefore oil and gas development in the bay, at this time, presents an undue hazard to this valuable state renewable resource.

(b) No additional oil or gas leases may be issued by the Department of Natural Resources or any other state agency for the exploration for or the development or production of oil and gas on state-owned land and waters seaward of the mean higher high water line, beginning at Anchor Point; then around the perimeter of Kachemak Bay, to Point Pogibshi; then west to the three mile limit of state land and waters; then north to a point three miles west of Anchor Point; then east to the mean higher high water line of Anchor Point, the point of beginning.

(c) The commissioner of natural resources may enter into negotiations to reacquire by purchase in the name of

the state, title to or accountable interests in oil or gas leases within the boundaries described in (b) of this section which were issued before the effective date of this Act.

(d) In lieu of cash payment for a negotiated purchase of a leasehold interest, the commissioner may authorize a credit of the purchase price plus interest at the rate prescribed by AS 09.30.070 to be granted the seller to be applied against future lease bonus or rental payments, permit fees, royalties, or oil and gas taxes which may become owing on new production from other leases or property held by the seller for oil and gas development. The commissioner may also negotiate to reimburse in like manner by credit provision the full bonus paid by the lessee to the state plus a reasonable amount to compensate the lessee for expenses and other costs incurred by the lessee.

(e) For a period of one year from the effective date of this section, or until the adjournment of the First Session of the Tenth Alaska Legislature, whichever period is longer, no drilling activities to explore or develop any existing state oil and gas leases in the bay are permitted and the commissioner shall suspend drilling activities to explore or develop any existing state oil and gas leases in the bay. The purpose of this moratorium on exploration and development is to (1) permit the Department of Fish and Game a reasonable time to develop plans to insure protection for the living resources of the bay from possible pollution incidental to drilling activities; and (2) permit the commissioner of natural resources a reasonable period to negotiate for the repurchase of the leases under (c) of this section. The lease period for any existing oil and gas leases in Kachemak Bay shall be extended by the commissioner of the Department of Natural Resources for the period of this moratorium.

(f) In the event the commissioner of natural resources is unable to negotiate a satisfactory price for repurchase of the leases under (c) of this section, he may at the time the moratorium on exploration and development expires acquire all title to or interests in said oil or gas leases through the exercise of the power of eminent domain.

(g) In the event the commissioner determines to exercise the power of eminent domain, such action must be initiated in the courts within 30 days after the moratorium period provided for under (e) of this section. In the event that the commissioner does not exercise the power of eminent domain within the 30-day period, lessees shall have the immediate right under the terms of the lease to explore, operate, and produce from the lease of leases, including the right of reasonable access to and from the lease sites and the transportation of production from the lease to a shore-based facility or to a refinery or other market, until full reacquisition of the lease by the state through negotiations.

* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.070(c).