

**SENATE BILL NO. 209**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY SENATORS WIELECHOWSKI, French

Introduced: 2/21/12

Referred: Resources, Finance

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to oil and gas or gas only leasing; requiring that a minimum work  
2 commitment be included in each oil and gas and gas only lease and that a proposed plan  
3 of development be included in an application for an oil and gas or gas only lease; and  
4 providing for an effective date."

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

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

7 (h) The commissioner **shall** [MAY] include terms in **a** [ANY] lease **that**  
8 **impose** [IMPOSING] a minimum work commitment on the lessee **to implement the**  
9 **plan of development submitted by the lessee with a bid for an oil and gas or gas**  
10 **only lease. The terms of the minimum work commitment must** [.THESE TERMS  
11 SHALL BE MADE PUBLIC BEFORE THE SALE, AND MAY] include appropriate  
12 penalty provisions to take effect in the event the lessee does not fulfill the minimum  
13 work commitment. If it is demonstrated that a lease has been proven unproductive by  
14 actions of adjacent lease holders, the commissioner may set aside a work commitment.

1 The commissioner may waive for a period not to exceed one two-year period any term  
2 of a minimum work commitment if the commissioner makes a written finding either  
3 that conditions preventing drilling or exploration were beyond the lessee's reasonable  
4 ability to foresee or control or that the lessee has demonstrated through good faith  
5 efforts an intent and ability to drill or develop the lease during the term of the waiver.

6 \* **Sec. 2.** AS 38.05.180 is amended by adding new subsections to read:

7 (hh) The commissioner shall require each bidder for an oil and gas lease or gas  
8 only lease and each lessee applying for an extension or renewal of an oil and gas lease  
9 or gas only lease to submit a plan of development for exploring, developing, and  
10 producing from the lease within the period of the lease or the extension or renewal of  
11 the lease. The commissioner shall review each plan of development and determine if  
12 the proposed plan of development is reasonably expected to develop the lease in the  
13 best interest of the state. The plan of development shall be included in a lease along  
14 with penalties for failing to comply with the plan of development and other terms of  
15 the lease. A bidder may not be a "qualified bidder" for the purposes of (f)(1) of this  
16 section if the commissioner finds that the bidder has not submitted a proposed plan of  
17 development that is in the best interest of the state or that the person that submitted the  
18 plan of development is not reasonably capable of implementing the plan.

19 (ii) The commissioner shall review each oil and gas lease or gas only lease  
20 each year for the purpose of determining whether a lease is being developed in the best  
21 interest of the state, whether the lessee is complying with the plan of development  
22 applicable to the lease, and whether revision of a development plan, including the  
23 planned rate of development, would provide the maximum benefit to the people of the  
24 state. The commissioner shall enforce the terms of the lease, including imposing any  
25 applicable penalty or other remedy for noncompliance, within a reasonable time after  
26 finding that a lessee is out of compliance with the terms of the lease. The  
27 commissioner shall submit a report to the legislature before the first day of each  
28 regular session that lists each lessee that is found to be out of compliance and the  
29 action by the commissioner to bring the lessee back into compliance or to terminate  
30 the lease.

31 (jj) For the purposes of (hh) and (ii) of this section, a plan of development for

1 a cooperative or unit under (p) of this section is the plan of development for a lease  
2 within the cooperative or unit, except where a different plan of development is  
3 established for a lease within the cooperative or unit.

4 \* **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to  
5 read:

6 **APPLICABILITY.** This Act applies to a proposed lease sale and the renewal or  
7 extension of a lease on or after the effective date of this Act.

8 \* **Sec. 4.** This Act takes effect July 1, 2013.