§ 23-1101. Procedure for obtaining oil and gas production lease.

1. The department may make leases on behalf of this state, upon such terms and conditions including consideration as to the department seem just and proper for:

a. The exploration, development and production of gas in state-owned lands, except state park lands, state forests, reforestation areas, wildlife management areas, unique areas, the marine and coastal district as defined in section 13-0103 of this chapter, and the lands under the waters of Lake Ontario or along its shoreline; and

b. The exploration, development and production of oil in state-owned lands, except state park lands, state forests, reforestation areas, wildlife management areas, unique areas, the marine and coastal district as defined in section 13-0103 of this chapter, and the lands under the waters of Lake Erie and Lake Ontario or along their shorelines.

2. All oil and gas leases shall:

a. Be limited in duration to a period not to exceed ten years and as long thereafter as oil and gas is produced in commercially paying quantities;

b. Provide for payment to the agency having jurisdiction over the leased lands of such consideration, royalties, rentals, bonuses and other compensation as shall, in the discretion of the department, be in the best interests of the people of the state of New York;

c. Provide for prompt exploration followed within a reasonable time by operations for the production of oil and gas, if such be found, and shall also contain provisions for the termination of such lease by reason of the lessee's failure to so explore or operate;

d. Be invalid unless they shall have the prior approval of such state department, division, bureau or agency thereof, or state agency having jurisdiction over the land in question; and authority to give such

consent is hereby conferred upon the head of any such state department, or a division, bureau or agency thereof, or any state agency, and with respect to lands under water held by the state in its sovereign capacity, jurisdiction is deemed to be in the Commissioner of General Services; and

e. Be inapplicable to any state park lands and to any lands the leasing of which is prohibited by the State Constitution.

3. In addition to the requirements contained in paragraphs a, c and e of subdivision two of this section, all gas leases with respect to the lands under the waters of Lake Erie shall:

a. Provide for payment to the general fund of the state such consideration, royalties, rentals, bonuses or other compensation as shall, in the discretion of the department, be in the best interests of the people of the state of New York.

b. Require that no well shall be permitted nearer than one-half mile from the shore, two miles from public water intake areas, and one thousand feet from any other structure or installation in or on Lake Erie.

c. Require that the following procedures be established if there is evidence suggesting that liquid hydrocarbons may exist in a stratum penetrated by the well bore:

(i) Drilling or completion operations shall cease immediately.

(ii) The department shall be notified of the evidence indicating the presence of liquid hydrocarbons, pursuant to such notification arrangements as the department shall prescribe.

(iii) A formation test shall be conducted in the presence of a department representative.

(iv) If the formation test indicates the presence of appreciable liquid hydrocarbons, the well bore shall be permanently plugged and abandoned from total depth to the lake bottom with cement.

(v) If the formation test does not indicate the presence of appreciable liquid hydrocarbons, drilling may be resumed after an

intermediate string of casing has been set, cemented and tested.

(vi) If there is any further indication of liquid hydrocarbons the procedures outlined in paragraphs one through five hereof shall be repeated.

d. Require that each lessee, or other person desiring to install a pipeline, bury the most shoreward portion of each pipeline, in accordance with rules and regulations which shall be promulgated by the department, to obviate the risk of damage from ice, wave and wind conditions.

e. Be conditioned upon the posting by the responsible parties of a liability bond or liability insurance coverage in such form as the department may by regulation require and in such amount as the department shall deem to be reasonably sufficient to correct, repair or remedy to the satisfaction of the department any environmental damage or hazardous discharge resulting from gas exploration or recovery.

f. Provide that each lessee shall be strictly liable to the state for all reasonable expenses involved in the restoration of fresh water supplies, cleanup of beaches, piers and other similar facilities, which may be required as a result of exploration, drilling or production operations, and for liability claims arising therefrom.

g. Require each lessee to immediately notify the department of any discharge of oil or other pollutant, to act expeditiously to terminate such discharge and to remove the substance discharged.

h. Provide for the use and regular inspection of modern anti-pollution devices, including blow-out preventors on every drilling rig.

i. Provide that when a well is permanently abandoned for any reason it shall be permanently plugged by filling the well bore for its total depth, with cement or other suitable material.

j. Provide that, where in the department's opinion, damage to the environment is imminent or an emergency exists, the department shall

order the immediate plugging and abandonment, either temporary or permanent, of any well on lands beneath Lake Erie.

3-a. For any lease relating to the exploration, development, and production of gas or oil in state forests, reforestation areas, wildlife management areas, and unique areas, which was entered into, on, or before the effective date of a chapter of the laws of two thousand twenty-five which amended subdivision one of this section, any assignment, transfer, or modification of such lease shall not be considered the making of a lease under such law; provided, however, that no such assignment, transfer, or modification shall allow for an increase in acreage under the lease, the expansion of existing gas or oil wells, the drilling of new gas or oil wells, or the expansion or building of any other new gas or oil infrastructure other than well-plugging and remediation activities; and provided, further, that no such lease shall be continued or renewed upon expiration.

4. Any such oil, gas, or oil and gas lease or leases made and granted pursuant to this section shall be awarded to the highest responsible bidder after advertisement for sealed bids. Such advertisements for bids shall be published in the official newspaper or newspapers, if any, or otherwise in a newspaper or newspapers designated for such purpose. Such advertisement shall contain a statement of the time and place where all bids received pursuant to such notice will be publicly opened and read. All bids received shall be publicly opened and read at the time and place specified. At least thirty days shall elapse between the first publication of such advertisement and the date specified for the opening and reading of bids. Bids shall be submitted on forms provided by the department, which forms shall indicate the method or methods for computing compensation to the state for the lease and shall contain such other directions as may be appropriate to secure comparability of bids submitted for any given lease. The department, in its discretion, shall determine the highest bid after taking into consideration the anticipated compensation to be returned to the state under any such lease by way of royalty payments, delayed lease rental payments, bonuses or other compensation or consideration, or by a combination of any or all of the same. In cases where two or more responsible bidders submit

identical bids, the department in its discretion, may award the lease involved to any of such bidders. The department in its discretion, may also reject any or all bids and readvertise for new bids. The department may disallow any bid if the bidder upon request fails to furnish satisfactory evidence of responsibility.

5. Notwithstanding the requirements contained in subdivision four of this section, the department may negotiate and grant an oil or gas lease on small parcels of stateowned land without public bid in order to consolidate large drilling or production units controlled by a single entity. The department shall make a determination that public bid of such property is unreasonable or impracticable and publish such determination in the state register prior to the granting of any such lease.

6. Notwithstanding subdivision four of this section, the department may negotiate and grant an oil or gas lease of lands identified in subdivision one of this section where oil and gas exploration and development rights are co-owned by the state and another owner, including the United States. The department shall publish its intention to enter into negotiations on such lease in the state register prior to the granting of any such lease.