

CHAPTER 61

AN ACT

Amending the Alaska Land Act, Chapter 169, SLA 1959, to provide for certain exigencies arising during the first year of its administration; prescribing penalties; and providing for an effective date.

(S.B. 200)

Be it enacted by the Legislature of the State of Alaska:

Section 1. **New Definitions.** Sec. 2, Article I, Ch. 169, SLA 1959 is amended by amending subsec. (r) and the addition of two new subsections to read as follows:

(r) "University Lands" means all Sections 33 reserved to the university under 38 Stat. 1214, as amended (48 U.S.C. 353) and all lands granted to or reserved for the benefit of the university.

(s) "Preference Right Grazing Lease" means a grazing lease granted to a lessee whose Federal grazing lease was cancelled to allow the land under lease to be selected by the State.

(t) "Rule of Approximation" is the rule which is applied in determining whether or not a lease complies with the area limits set forth in this Act and regulations promulgated pursuant thereto and in keeping the boundaries of leased lands coincidental with legal subdivisions. Under the rule, if the area covered by a lease in excess of the permitted maximum is smaller than the area of any deficiency that would result by eliminating from the lease the smallest legal subdivision covered by the lease or application for lease, the excess area will be permitted to remain in the lease. On the other hand if the excess area is greater than the deficient area would be, then a smallest legal subdivision will be eliminated from the lease.

Sec. 2. **Confidential Information.** Subsec. (9) of Sec. 5, Article II, Ch. 169, SLA 1959 is amended to read as follows:

(9) Maintain such records as the Commissioner may deem necessary, administer oaths, and do all things incidental to the authority imposed; provided that the following records and

files shall be kept confidential upon request of the persons supplying the information:

a. The name of the person nominating or applying for the sale, lease, or other disposal of lands by competitive bidding.

b. Before the announced time of opening, the names of the bidders and the amounts of the bids.

c. All geological, geophysical and engineering data supplied, whether or not concerned with the extraction or development of natural resources.

d. Cost data and financial information submitted in support of applications, bonds, leases and similar items.

e. Applications by any persons for rights-of-way or easements.

f. Requests for information or applications by public agencies for lands which are being considered for use for a public purpose.

Sec. 3. **Approval of Contracts.** Subsec. (14) of Sec. 5, Article II, Ch. 169, SLA 1959 is amended to read as follows:

(14) When he finds that the interests of Alaska will be best served, he may, with the consent of the Commissioner, approve all contracts respecting the sale, lease, or other disposal of available lands, resources, property or any interest therein, and in addition to the conditions and limitations imposed by law, he may impose any additional conditions or limitations in such contracts as he, with the consent of the Commissioner, determines will best serve the interests of Alaska. No contract respecting the sale, lease, or other disposal of available lands or any interest therein, shall be legally binding on Alaska until the Commissioner has formally recorded his consent to any

contract; provided, however, if the appraised value is not greater than \$10,000.00 in the case of the sale of any land or an interest therein, or \$1,000.00 in the case of the annual rental of any land or interest therein, the Director may approve and issue such contracts without the consent or approval of the Commissioner being necessary. Nor shall this subsection apply to other exceptions set forth in this Act.

Sec. 4. Correction of Administrative Error. Sec. 5, Article II, Ch. 169, SLA 1959, is amended by the addition of a new subsection to read as follows:

(16) The Director may grant preference rights for the lease or purchase of Alaska lands in order to correct the past or future errors or omissions of any state or federal administrative agency where inequitable detriment would otherwise result to a diligent claimant or applicant due to situations over which the claimant or applicant had no control. The exercise of this discretionary power shall operate only to divest Alaska of its title to or interests in lands, and shall be exercised only with the express approval of the Commissioner.

Sec. 5. Notice and Appraisal on Preference Grazing Leases. Sec. 3, Article III, Ch. 169, SLA 1959 is amended to read as follows:

Sec. 3. Notice and Appraisal. No lands shall be sold or leased, or a renewal lease issued, without public notice as provided hereafter, unless the same, except in the case of an oil or gas or mineral lease, has been appraised within ninety days prior to the date fixed for the sale or leasing, provided that when lands have been offered at public sale but were not sold and are available at private sale, no reappraisal is required unless the Director deems that a change in value of the lands may have occurred and further provided, that a grazing lease may be granted to a lessee of federal grazing lands without prior appraisal, if his federal lease was cancelled to allow the State to select the lands under lease. No such lands shall be sold or leased for less than the approved, appraised market value, except as provided in Sections 4 and 5 of

Article III and Sections 2 and 3 of Article V.

Sec. 6. Preference to Prior Permit Holders: State Lands. Subsec. (4) of Sec. 5, Article III, Ch. 169, SLA 1959, is amended by the addition of a new paragraph to read as follows:

h. The holder of a valid Corps of Engineers permit issued prior to November 15, 1959 may be accorded a preference to a lease or permit by the State if justified in accordance with the policy of this Act and if in the best interests of Alaska. Such preference shall be subordinate to all other preferences recognized under this Act.

Sec. 7. Drilling Site Easements. Sec. 7, Article III, Ch. 169, SLA 1959, is amended to read as follows:

Sec. 7. Permits. The Director, without the prior approval of the Commissioner, may issue permits, rights-of-way or easements on Alaska lands for secondary roads, trails, ditches, pipelines, telephone and transmission lines, log storage, oil well drilling sites and production facilities for the purposes of recovering minerals from adjacent lands under valid lease, and other similar uses or improvements, or for the limited personal use of timber or materials. The Commissioner, upon recommendation of the Director, shall establish a reasonable rate or fee schedule to be charged for all such use. In the granting, suspension or revocation of any permit or easement of lands, the Director shall give preference to such use of the land as will be of greatest economic benefit to the State and the development of its resources; provided, however, first preference shall be granted to the upland owner for the use of any tract of tideland, or tideland and contiguous submerged land, which is seaward of the upland property of such upland owner and which is needed by such upland owner for any of the purposes for which such use may be granted.

Sec. 8. New Notice Requirements. Sec. 10, Article III, Ch. 169, SLA 1959, is amended to read as follows:

Sec. 10. Notices. All public notice of any sale, lease or disposal of lands or any interest therein, excepting grants

under provision of Section 7, Article III and preference right grazing leases under Section 2, Article V of this Act, when required, shall be substantially as follows:

Notice shall be published once a week for three consecutive weeks preceding the time of sale stated in the notice, in at least one newspaper of general circulation in the vicinity in which the land, property or interest therein is to be sold, leased or otherwise disposed of; provided that where there is no newspaper of general circulation in the vicinity, notices shall be posted in three public places near the land to be sold, leased or otherwise disposed of; and further provided that the sale, lease or disposal of lands shall be held not less than one week nor more than three weeks following the last appearance of the published notice. Notice shall set forth a description of the land, and interest therein to be sold, leased or otherwise disposed of and the time, place, and general terms of the sale, lease or disposal.

Public notice of grants of permits, rights-of-way and easements under provision of Section 7, Article III and of grants of preference right grazing leases under Section 2, Article V of this Act shall be as set forth in regulations promulgated by the Commissioner.

Sec. 9. Manner of Tender: Land Sales. Sec. 2, Article IV, Ch. 169, SLA 1959, is amended to read as follows:

Sec 2. Sale Procedures. The sale shall be made at public auction to the highest qualified bidder as shall be determined by the Director; provided, however, an aggrieved bidder may appeal to the Commissioner within five days after such sale for a review of the Director's determination. The sale shall be conducted by the Director or his representative, and at the time of sale the successful bidder shall deposit, in cash, or by certified check, cashier's check, or money order, an amount equal to one-tenth of the purchase price, whereupon the Director or his representative shall immediately issue a receipt containing a description of the

land or property purchased, the price bid and the terms of sale, which receipt shall be acknowledged in writing by the bidder. A contract of sale on a form approved by the Attorney General shall be signed by the purchaser and following the approval of the Commissioner, the contract shall also be signed by the Director on behalf of Alaska. Provided, however, and prior to the signing of the formal conveyance by the Director, the Commissioner may reject any and all bids when the best interests of Alaska justify such action. Lands that have been offered at public sale but were not sold may be made available at private sale for not less than the appraised value of such lands.

Sec. 10. Federal Grazing Lease Preference. Sec. 2, Article V, Ch. 169, SLA 1959, is amended to read as follows:

Sec. 2. Leasing Procedures. The leasing shall be made at public auction to the highest qualified bidder as shall be determined by the Director; provided, however, an aggrieved bidder may appeal to the Commissioner within five days for a review of the Director's determination; and further provided that when a valid existing Federal grazing lease is cancelled to allow State selection of the leased area, the lessee of such lands shall have the preference right to lease such lands without competitive bidding upon terms as favorable to the lessee as those contained in the cancelled Federal grazing lease. The leasing shall be conducted by the Director, or his representative, and the successful bidder shall deposit the first year's rental, or such portion thereof as the Commissioner may require, in cash or by certified check, cashier's check, or money order, in accordance with his bid, whereupon the Director or his representative shall immediately issue a receipt containing a description of the land or interest therein leased, the price bid and terms of the lease, which receipt shall be acknowledged in writing by the bidder. A lease, on a form approved by the Attorney General, shall be signed by the lessee and upon approval by the Attorney General, shall be signed by the lessee and upon approval by the Commissioner, shall also be signed by the Director. Provided, however, and prior to the signing

of the formal lease by the Director, the Commissioner may reject any and all bids for leases when the best interest of Alaska justifies such action.

Sec. 11. Continuity of Federal Payment Schedules. Sec. 3, Article V, Ch. 169, SLA 1959, is amended to read as follows:

Sec. 3. Leasing Provisions. The lease shall require advance payment of the annual rent or such portion thereof as the Director, with the approval of the Commissioner, may require, as determined by the accepted bid, provided, however, that preference right lessees of grazing lands will be allowed to follow the payment schedule established in their cancelled Federal grazing lease if they so desire. Such conditions, limitations and terms may also be imposed by the Director, with the approval of the Commissioner, as he shall deem necessary and proper to protect the interests of Alaska. Violations of any provision of this Act or the terms of the lease shall subject the purchaser to appropriate legal action, including, but not limited to, a forfeiture of the lease. Due notice of all action by the Commissioner or Director affecting the rights of the lease shall be given the lessee.

Sec. 12. Continuity of Federal Terminal Rights. The third paragraph of Sec. 4, Article V, Ch. 169, SLA 1959, is amended to read as follows:

If any improvements or chattels, or both, having an appraised value of \$10,000.00 or less, as determined by the Director, are not removed within the time allowed, such improvements or chattels, or both, shall revert to and absolute title shall vest in Alaska; provided, however, that the preference right lessees of grazing lands will be allowed to follow the provisions for removal of improvements upon termination of the lease as authorized in the cancelled Federal grazing lease.

Sec. 13. Manner of Tender: Timber Sales. Sec. 3, Article VI, Ch. 169, SLA 1959, is amended to read as follows:

Sec. 3. Disposal Procedure. Timber and other materials shall be sold at public auction to the highest, qualified bidder as shall be determined by the Director; provided, however, an ag-

grieved bidder may appeal to the Commissioner within five days after such sale for a review of the Director's determination. The sale shall be conducted by the Director or his representative, and at the time of sale the successful bidder shall deposit, in cash or by certified check, cashier's check, or money order, an amount equal to one-tenth of the purchase price, whereupon the Director or his representative shall immediately issue a receipt containing a description of the timber or materials purchased, the price bid, and the terms of sale, which receipt shall be acknowledged in writing by the bidder. A contract of sale, on a form approved by the Attorney General, shall be signed by the purchaser, and following the approval of the Commissioner, the contract shall also be signed by the Director on behalf of Alaska. The Director, with the approval of the Commissioner, may impose such conditions, limitations and terms as he shall deem necessary and proper to protect the interests of Alaska. Violations of any provisions of this Act or the terms of the contract of sale shall subject the purchaser to appropriate legal action.

Sec. 14. Reservation: Exception of Escheated Lands. Sec. 1, Article VII, Ch. 169, SLA 1959, is amended to read as follows:

Sec. 1. Reservation. Each and every contract for the sale, lease or grant of, and each deed to Alaska land, properties or interest therein, made pursuant to Sections 4, 5, and 6 of Article III, or Articles IV, V or VI herein, except for those lands acquired by escheat or foreclosure, shall be subject to the following reservations; "The party of the first part, Alaska, hereby expressly saves, excepts and reserves out of the grant hereby made, unto itself, its lessees, successors, and assigns forever, all oils, gases, coal, ores, minerals, fissionable materials, and fossils of every name, kind or description, and which may be in or upon said lands above described, or any part thereof, and the right to explore the same for such oils, gases, coal, ores, minerals, fissionable materials, and fossils, and it also hereby expressly saves and reserves out of the grant hereby made, unto itself, its lessees, successors, and assigns forever,

the right to enter by itself, its or their agents, attorneys, and servants upon said lands, or any part or parts thereof, at any and all times, for the purpose of opening, developing, drilling, and working mines or wells on these or other lands and taking out and removing therefrom all such oils, gases, coal, ores, minerals, fissionable materials and fossils, and to that end it further expressly reserves out of the grant hereby made, unto itself its lessees, successors, and assigns forever, the right by its or their agents, servants and attorneys at any and all times to erect, construct, maintain, and use all such buildings, machinery, roads, pipelines, powerlines, and railroads, sink such shafts, drill such wells, remove such soil, and to remain on said lands or any part thereof for the foregoing purposes and to occupy as much of said lands as may be necessary or convenient for such purposes hereby expressly reserving to itself, its lessees, successors, and assigns, as aforesaid, generally all rights and power in, to, and over said land, whether herein expressed or not, reasonably necessary or convenient to render beneficial and efficient the complete enjoyment of the property and rights hereby expressly reserved."

Sec. 15. Damages: Posting of Bond. Sec. 2, Article VII, Chapter 169, SLA 1959, is amended to read as follows:

Sec. 2. Damages: Posting of Bond. No rights shall be exercised under the foregoing reservation, by Alaska, its lessees, successors or assigns, until provision has been made by Alaska, its lessees, successors or assigns, to pay to the owner of the land, upon which the rights, herein reserved to Alaska, its lessees, successors, or assigns, are sought to be exercised, full payment for all damages sustained by said owner, by reason of entering upon said land; Provided, that if said owner for any cause whatever refuses or neglects to settle said damages, Alaska, its lessees, successors, assigns, or any applicant for a lease or contract from Alaska for the purpose of prospecting for valuable minerals, or option contract or lease for mining coal or lease for extracting petroleum or natural gas, shall have the right to enter upon said land in the exercise of said reserved rights after

posting a surety bond determined by the Director, after notice and an opportunity to be heard, to be sufficient as to form, amount, and security to secure to said owner full payment for all such damages, and shall have the right to institute such legal proceedings in a court of competent jurisdiction wherein the land is situated, as may be necessary to determine the damages which the owner of such lands may suffer.

Sec. 16. Rule of Approximation. The opening paragraph of Sec. 3, Article VIII, Ch. 169, SLA 1959, is amended to read as follows:

Sec. 3. Leasing Procedure. Deposits of coal, phosphates, oil shale, sodium, potassium, oil, gas, and lands containing such deposits owned by Alaska shall be subject to disposition under rules and regulations, recommended by the Director and promulgated by the Commissioner, and the provisions of this Section. In applying the acreage limitations in this section the Commissioner may apply the rule of approximation. The uses of the rule of approximation made heretofore by the Commissioner are hereby ratified.

Sec. 17. Term of Payment Schedules: Coal. Subsec. (1) of Sec. 3, Article VIII, Ch. 169, SLA 1959, is amended to read as follows:

(1) Coal. The Commissioner is authorized to, and upon the petition of any qualified applicant shall, divide any of the coal lands or the deposits of coal owned by Alaska into leasing tracts of forty acres each, or multiples thereof, and in such form as will permit the economical mining of the coal in such tract, but in no case exceeding 2,560 acres in any one leasing tract. Thereafter the Commissioner shall, in his discretion, upon the request of any qualified applicant or on his own motion, from time to time, offer such lands or deposits of coal for leasing and shall award leases thereon by competitive bidding or by such method as he may by general regulation adopt, to any qualified applicant. Where prospecting or exploration work is necessary to determine the existence or workability of coal deposits in any unclaimed, undeveloped areas, the Commissioner may issue to qualified appli-

cants prospecting permits for a term of two years, not exceeding 2,560 acres; and if within said period of two years thereafter the permittee shows to the Commissioner that the land contains coal in commercial quantities, the permittee shall be entitled to a lease for all or part of the land in his permit. Any coal prospecting permit issued hereunder may be extended by the Commissioner for a period of two years, if he shall find that the permittee has been unable, with the exercise of reasonable diligence, to determine the existence or workability of coal deposits in the area covered by the permit and desires to prosecute further prospecting or exploration, or for other reasons in the opinion of the Commissioner warranting such extension. For the privilege of mining or extracting the coal in the lands covered by the lease, the lessee shall pay to Alaska such royalties as may be specified in the lease, which shall be fixed in advance of offering the same, to be effective for a period of not more than twenty years, and which shall not be less than 5 cents per ton of 2,000 pounds, and an annual rental, payable at the date of the lease and annually thereafter, on the lands or coal deposits covered by such lease, at such rate as may be fixed by the Commissioner prior to offering the same, to be effective for a period of not more than twenty years, and which shall not be less than 25 cents per acre for the first year thereafter, not less than 50 cents per acre for the second, third, fourth and fifth years, respectively, and not less than \$1 per acre for each and every year thereafter during the continuance of the lease, except that such rental for any year shall be credited against the royalties as they accrue for that year. All leases shall stipulate that the annual rental payment shall be subject to adjustment at intervals of no more than twenty years and any adjustments shall be based on the current rates for properties similarly situated. Leases shall be for indeterminate periods upon condition of diligent development and continued operation of the mine or mines, except when such operation shall be interrupted by strikes, the elements, or casualties not attributed to the lessee.

Sec. 18. Conditions of Oil and Gas

Leasing. Subsec. (7) of Sec. 3, Article VIII, Ch. 169, SLA 1959, is amended to read as follows:

(7) Oil and Gas.

(a) All tide and submerged lands, mental health lands, school lands, and university lands shall be leased by competitive bidding, and whenever oil or gas is discovered in any well in commercial quantities, the Commissioner shall determine the extent of the area of any lands in addition to tide, submerged, mental health lands, school, or university lands in the same general area of the discovery well, which by reason of such discovery the Commissioner reasonably believes to be capable of producing oil or gas, and such additional lands shall be leased by competitive bidding. Such competitive lands shall be leased to the highest responsible qualified bidder by competitive bidding under general regulations, in units of not exceeding 640 acres (except that tide and submerged lands shall be leased in units of not exceeding 5,760 acres), which shall be as nearly compact in form as possible, upon the payment by the lessee of such bonus as may be accepted by the Commissioner and of such royalty as may be fixed in the lease which shall be not less than 12½ per centum in amount or value of the production removed or sold from the lease; provided, that any holder of a lease who shall drill and make the first discovery of oil or gas in commercial quantities in any geologic structure shall pay a royalty on all production under the lease of 5 per centum for ten years following the date of such discovery and thereafter the royalty rate shall be not less than 12½ per centum. All lands other than those above provided to be leased by competitive bidding shall be leased without competitive bidding to the first qualified person making application therefor. Noncompetitive leases shall be issued in units of not exceeding 2,560 acres in any one lease. Such noncompetitive leases shall be conditioned upon the payment by the lessee of a royalty of 12½ per centum in amount or value of the production removed or sold from the

lease; provided, that any holder of a lease who shall drill and make the first discovery of oil or gas in commercial quantities in any geologic structure shall pay a royalty on all production under the lease of 5 per centum for ten years following the date of such discovery and thereafter the royalty rate shall be 12½ per centum. Leases issued under this subsection shall be for a primary term of five years and shall continue so long thereafter as oil or gas is produced in paying quantities; provided that if actual drilling has commenced on the expiration date of the primary term of the lease and is continued with reasonable diligence, such operations to include redrilling, sidetracking or other means necessary to reach the originally proposed bottom hole location, the lease shall continue in full force and effect until ninety (90) days after such drilling has ceased and for so long thereafter as oil or gas is produced in paying quantities; and further provided that if all or part of the lands covered by the lease are lands that have been selected by Alaska under laws of the United States granting lands to Alaska and a conditional lease was issued thereon, the term of the lease shall be extended for a period equal to the period during which the lease was conditional.

(b) Any oil or gas lease issued under this subsection which is subject to termination by reason of cessation of production shall not terminate if, within sixty days after production ceases, reworking or drilling operations are commenced on the land under lease and are thereafter conducted with reasonable diligence during such period of nonproduction. No lease issued under the provisions of this subsection shall expire because operations or production is suspended under any order, or with the consent, of the Commissioner. No lease issued under the provisions of this subsection covering lands on which there is a well capable of producing oil or gas in paying quantities shall expire because the lessee fails to produce the same, unless the lessee is allowed a reasonable time, within which to place such well on a producing status;

provided, that after such status is established production shall continue on the leased premises unless and until suspension of production is allowed by the Commissioner.

(c) Upon the expiration of the initial five-year term of any non-competitive lease maintained in accordance with applicable requirements and regulations, the record title holder thereof shall be entitled to a single extension of the lease, unless then otherwise provided by law. A noncompetitive lease, as to lands not determined by the Commissioner to be competitive lands, shall be extended for a period of five years and so long thereafter as oil or gas is produced in paying quantities. A noncompetitive lease, as to lands determined by the Commissioner to be competitive lands, shall be extended for a period of two years and so long thereafter as oil or gas is produced in paying quantities. Any noncompetitive lease extended under this paragraph shall be subject to the rules and regulations in force at the expiration of the initial five-year term of the lease. No extension shall be granted, however, unless within a period of ninety days prior to such expiration date an application therefor is filed by the record title holder or an assignee whose assignment has been filed for approval, or an operator whose operating agreement has been filed for approval.

(d) The Commissioner may, in his discretion, provide for extension of the term of any lease whether competitive or noncompetitive, if such lease is, on the expiration date, included in an approved unit plan or program of secondary recovery operations to bring about or restore production.

(e) All noncompetitive oil or gas leases issued under this subsection shall be conditioned upon the payment by the lessee in advance of an annual rental of 50 cents per acre or fraction thereof. All competitive oil and gas leases issued under this subsection shall be conditioned upon the payment of an annual rental, prior to discovery on the leased lands, of \$1 per acre or fraction thereof. A

minimum royalty of \$1 per acre in lieu of rental shall be payable at the expiration of each lease year beginning on or after a discovery of oil or gas in paying quantities on the lands leased.

(f) Should Alaska select or otherwise acquire any land other than shorelands, title to which was in the Federal government and which, at the effective date of the selection or acquisition, is subject to a valid existing offer for a noncompetitive United States oil and gas lease under the Federal Act of Feb. 25, 1920 (41 Stat. 437 as amended), the offeror for the Federal lease, if a qualified applicant hereunder, shall be deemed to be the first qualified applicant for an Alaska noncompetitive oil and gas lease under the provisions of this Section 3 (7) of this Article VIII, and shall be entitled to an Alaska noncompetitive oil and gas lease upon compliance with the provisions of the regulation covering such applications within 60 days after receipt of written notice from the Commissioner of such selection or acquisition. The priority herein provided for shall not be effective if the land covered by such Federal offer to lease is classified by the Commissioner as competitive lands as herein provided within 90 days after the selection of such land is finally approved by the Secretary of the Interior or such lands is otherwise acquired.

(g) An offeror for a Federal oil and gas lease whose lease was issued on or after January 3, 1959, or a qualified applicant for a preference right under the Act of July 3, 1958 (72 Stat. 322) whose application for a preference right was filed prior to January 3, 1959, shall have a preference right to an Alaska lease on the shorelands included within the exterior boundaries of the Federal lease.

(h) If lands described in the offer for a Federal lease are covered by nontidal water and are excluded from the Federal lease on the basis of navigability, Alaska shall, upon application within sixty days after notice of the exclusion, if not previously filed, grant a preference lease

for the areas thus excluded, carrying the same provisions as an ordinary Alaska lease on the same lands, except that the term of the Alaska lease shall conform in all respects to that of the adjoining Federal lease including extended terms; provided that Alaska shall issue a shorelands preference lease as provided herein where a Federal lease has been issued prior to the date of this Act and application is made to Alaska on or before June 30, 1960; and further provided that where a Federal lessee or offeror failed, prior to January 3, 1959, to file a proper application for a preference right under the Act of July 3, 1958, he may apply for an Alaska preference lease under this Act, subject to the rights of intervening applicants.

(i) Where the lands are classified as competitive, they shall be leased by competitive bidding. The holder of the preference right shall have ten days after receipt of notice in which to submit an amount equal to the highest bid plus the rental for the first year.

(j) If the Federal lease does not exclude any area on the basis of navigability, and it is subsequently determined by a court of competent jurisdiction that any waters included therein are navigable, the lessee may, upon application within sixty days after entry of judgment, have a preference lease issued covering such shorelands as may be included within the exterior boundaries of the Federal lease.

(k) In lieu of the foregoing procedure, the Federal lessee may, at his option, exercise his preference right for an Alaska lease on the shorelands included within the exterior boundaries of his Federal lease by making application to the Division of Lands, Department of Natural Resources. If at the time of making application the lands are classified by Alaska as noncompetitive, the State of Alaska shall, upon application within sixty (60) days after the issuance of the Federal lease, or if the Federal lease shall have been issued prior to the passage of this Act, on or before June 30, 1960,

issue a lease covering whatever shorelands are included within the exterior boundaries of the Federal lease. If at the time of making the application the shorelands included in such offer for a Federal lease have been classified as competitive lands, such lands shall be leased by competitive bidding; provided, however, that said competitive lease shall be issued to the offeror for said Federal lease upon payment to the State of an amount equal to the highest bid for each such lease, plus the rental for the first year, such payment to be made within ten (10) days after the offeror's receipt of written notice from the Director of the Division of Lands of the amount of such bid. All such leases whether competitive or noncompetitive shall carry the same conditions as an ordinary Alaska lease on the same lands, except that the term of the Alaska lease shall conform in all respects to that of the adjoining Federal lease, including extended terms, and the lease shall provide for annual rental at the rate of One Hundred Dollars (\$100.00) per unit of 640 acres or part thereof of the lands included within the Federal lease until such time as agreement is reached between the State and the Secretary of the Interior of the United States, or his authorized representative, as to the actual area of the shorelands included in said offer for a Federal lease, and as to the apportionment between the State and Federal government of the rental theretofore paid pursuant to said Federal lease.

(1) The lease of any record lessee of a Federal oil and gas lease who filed, or whose predecessor in interest filed, between July 3, 1958 and January 3, 1959, a proper preference right application under the Act of July 3, 1958 (72 Stat. 322) to have included in such lease the shorelands within the exterior boundaries of such lease and which lease or any part thereof has terminated or failed as to such shorelands due to mispayment of or failure to pay the required rental as to such shorelands in advance of the anniversary date of the Federal lease, shall be revived and reinstated as to such shorelands

upon payment to the Bureau of Land Management of the U. S. Department of the Interior or to the State of Alaska of all rental payable as to such shorelands under the lease since January 3, 1959. The rights under this section shall terminate sixty days after receipt of notice from the Director, but not later than one year after effective date of this Act. Nothing herein shall operate to extend any lease beyond the stated term thereof.

(m) For the purpose of more properly conserving the natural resources of any oil or gas pool, field, or like area, or any part thereof (whether or not any part of said oil or gas pool, field, or like area is then subject to any cooperative or unit plan of development or operation), lessees thereof and their representatives may unite with each other, or jointly or separately with others, in collectively adopting or operating under a cooperative or unit plan of development or operation of such pool, field, or like area, or any part thereof, whenever determined and certified by the Commissioner to be necessary or advisable in the public interest. The Commissioner is thereunto authorized, in his discretion, with the consent of the holders of leases involved, to establish, alter, change, or revoke drilling, producing, rental, minimum royalty, and royalty requirements of such leases and to make such regulations with reference to such leases, with like consent on the part of the lessees, in connection with the institution and operation of any such cooperative or unit plan as he may determine necessary or proper to secure the proper protection of the public interest. The Commissioner may provide that oil and gas leases issued under this subsection shall contain a provision requiring the lessee to operate under such a reasonable cooperative or unit plan, and he may prescribe such a plan under which such a lessee shall operate, which shall adequately protect all parties in interest, including Alaska.

(n) Any plan authorized by the preceding paragraph, which includes lands owned by Alaska, may, in the

discretion of the Commissioner, contain a provision whereby authority is vested in the Commissioner, or any such person, committee, or State agency as may be designated in the plan, to alter or modify from time to time the rate of prospecting and development and the quantity and rate of production under such plan. All leases operated under any such plan approved or prescribed by the Commissioner shall be excepted in determining holdings or control under the provisions of Section 2 of this Article. The provisions of this Subsection 3 (7) of this Article VIII concerning cooperative or unit plans are in addition to, and shall in no way repeal, diminish, change or abrogate the provisions of Chapter 40, SLA 1955.

(o) Producing acreage on a known geologic structure of a producing oil or gas field shall be excluded from chargeability as against the acreage limitation provisions of Section 2 of this Article.

(p) When separate tracts cannot be individually developed and operated in conformity with an established well-spacing or development program, any lease, or a portion thereof, may be pooled with other lands, whether or not owned by Alaska under a communitization or drilling agreement providing for an apportionment of production or royalties among the separate tracts of land comprising the drilling or spacing unit when determined by the Commissioner to be in the public interest, and operations or production pursuant to such an agreement shall be determined to be operations or production as to each such lease committed thereto.

(q) The Commissioner is hereby authorized, on such conditions as he may prescribe, to approve drilling, or development contracts made by one or more lessees of oil or gas leases, with one or more persons, associations, or corporations, whenever, in his discretion, the conservation of natural products or the public convenience or necessity may require it or the interests of Alaska may be

best served thereby. All leases operated under such approved drilling, or development contracts, and interests thereunder, shall be excepted in determining holdings or control under the provisions of Section 2 of this Article.

(r) The Commissioner, to avoid waste or to promote conservation of natural resources, may authorize the subsurface storage of oil or gas whether or not produced from Alaska lands, in lands leased or subject to lease under this subsection. Such authorization may provide for the payment of a storage fee or rental on such stored oil or gas, or, in lieu of such fee or rental, for a royalty other than that prescribed in the lease when such stored oil or gas is produced in conjunction with oil or gas not previously produced. Any lease on which storage is so authorized shall be extended at least for the period of storage and so long thereafter as oil or gas not previously produced is produced in paying quantities.

Sec. 19. Locator Preference. Sec. 1, Article IX, Ch. 169, SLA 1959, is amended to read as follows:

Sec. 1. Discovery and Appropriation Rights. Except as herein provided, all minerals which are subject to location under the mining laws of the United States, and the mineral lands in which they are contained, shall be subject to discovery, appropriation and location under the provisions of Sections 47-3-9 through 47-3-60 and Sections 47-3-81 through 47-3-92, ACLA 1949, as amended. In the case of tide and submerged lands, and acquired lands known to contain such minerals, except lands acquired by escheat or foreclosure, or lands which have been sold, granted, deeded, or patented reserving such minerals to Alaska, the right to mine and remove such minerals may be acquired only by lease on such terms and conditions as may be recommended by the Director and approved by the Commissioner. In the case of lands classified under the provisions of Article III, Section 1 of this Act on which mining under the location laws above cited would be incompatible with the use for which the land is classified and the

aggregate area so classified exceeds 640 acres, the locator shall have a preference right to a lease, such lease to be subject to such reasonable conditions as may be necessary to protect the surface for its classified use.

Sec. 20. Lands of Department of Public Works. Subsec. (b) of Sec 3, Article XIII, Ch. 169, SLA 1959, is amended to read as follows:

(b) The provisions of this Act shall not apply to any power, duty or authority now or in the future granted to the Alaska Department of Public Works in the name of the state, to acquire, use, lease, dispose of, or exchange real property, or any interest therein; provided, that any lands assigned by the Division of Lands to the Department of Public Works shall be returned to the management of the Division of Lands when such lands are no longer needed for the purposes assigned.

Sec. 21. Exchange of State Lands. Sec. 3, Subsec. (a), Article XIII, Ch. 169, SLA 1959 is amended to read as follows:

(a) The sale, lease or other disposal of University lands shall be made by the Commissioner in accordance with

the provisions of this Act. State lands may be exchanged for University lands. No sale, lease, exchange or other disposal of University lands shall be made without the approval of the Board of Regents of the University of Alaska.

Sec. 22. Collusive Bidding: Hindering Bidding. Sec. 3, Article XIII, Ch. 169, SLA 1959, is amended by the addition of a new subsection to read as follows:

(e) Whoever bargains, contracts, or agrees, or attempts to bargain, contract, or agree with another that such other shall not bid freely upon or purchase any parcels of land of the State of Alaska offered at public sale; or whoever, by intimidation, combination, or unfair management, hinders, prevents, or attempts to hinder or prevent, any person from bidding upon or purchasing any tract of land so offered for sale shall be fined not more than One Thousand Dollars (\$1,000) or imprisoned not more than one (1) year, or both.

Sec. 23. Effective Date. This Act takes effect on the day after its passage and approval or on the day it becomes law without such approval.

Approved March 30, 1960

CHAPTER 62

AN ACT

Levying an additional tax on motor fuel; and providing for an effective date.

(H.B. 268)

Be it enacted by the Legislature of the State of Alaska:

Section 1. There is hereby levied a tax of two cents per gallon on all motor fuel sold and delivered, or otherwise transferred within the State of Alaska.

Sec. 2. The tax levied by this Act does not apply to fuel used (1) to operate aircraft, (2) to operate watercraft of all descriptions, or (3) to fuel used in a foreign country on which duty is paid when such fuel is sold and delivered in Alaska for non-highway use in a foreign country.

Sec. 3. The tax levied by this Act is in

addition to the tax levied in Sec. 48-5-2, ACLA 1949 as amended.

Sec. 4. The tax levied by this Act shall be administered and collected in the same manner as the tax levied in Sec. 48-5-2, ACLA 1949, as amended, except receipts from said tax will be paid into the highway fuel tax account in the state general fund as established by Ch. 20, SLA 1960. The penalties established in that section shall also apply.

Sec. 5. Any person who uses motor fuel for the purpose of operating any internal combustion engine not used in nor in conjunction with any motor vehicle licensed to be operated over or along any