

1 IN THE SENATE

BY RULES COMMITTEE  
BY REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 200

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIRST LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act amending the Alaska Land Act,  
7 Chapter 169, SLA 1959, to provide for cer-  
8 tain exigencies arising during the first  
9 year of its administration; and providing  
10 for an effective date."

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

12 Section 1. NEW DEFINITIONS. Sec. 2, Article 1, Ch. 169,  
13 SLA 1959 is amended by the addition of two new subsections to  
14 read as follows:

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

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

SB #200

1 area is greater than the deficient area would be, then  
2 a smallest legal subdivision will be eliminated from the  
3 lease.

4 Sec. 2. CONFIDENTIAL INFORMATION. Subsec. (9) of Sec. 5,  
5 Article II, Ch. 169, SLA 1959 is amended to read as follows:

6 (9) Maintain such records as the Commissioner  
7 may deem necessary, administer oaths, and do all things  
8 incidental to the authority imposed [ . ] ; provided that  
9 the following records and files shall be kept confidential  
10 upon request of the persons supplying the information:

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

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

16 c. All geological, geophysical and en-  
17 gineering data supplied, whether or not concerned  
18 with the extraction or development of natural  
19 resources.

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

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

25 f. Requests for information or applica-  
26 tions by public agencies for lands which are being  
27 considered for use for a public purpose.

28 Sec. 3. CORRECTION OF ADMINISTRATIVE ERROR. Sec. 5, Article  
29 II, Ch. 169, SLA 1959, is amended by the addition of a new  
SB #200

1 subsection to read as follows:

2           (16) The Director may grant preference rights  
3           for the lease or purchase of Alaska lands in order to  
4           correct the past or future errors or omissions of any  
5           state or federal administrative agency where inequitable  
6           detriment would otherwise result to a diligent claimant  
7           or applicant due to situations over which the claimant  
8           or applicant had no control. The exercise of this dis-  
9           cretionary power shall operate only to divest Alaska  
10           of its title to or interests in lands, and shall be ex-  
11           ercised only with the express approval of the Commissioner.

12           Sec. 4. NOTICE AND APPRAISAL ON PREFERENCE GRAZING LEASES.

13           Sec. 3, Article III, Ch. 169, SLA 1959 is amended to read as  
14           follows:

15                   Sec. 3. NOTICE AND APPRAISAL. No lands shall be  
16           sold or leased, or a renewal lease issued, without public  
17           notice as provided hereafter, unless the same, except in  
18           the case of an oil or gas or mineral lease, has been ap-  
19           praised within ninety days prior to the date fixed for  
20           the sale or leasing, provided that when lands have been  
21           offered at public sale but were not sold and are available  
22           at private sale, no reappraisal is required unless the  
23           Director deems that a change in value of the lands may  
24           have occurred and further provided, that a grazing lease  
25           may be granted to a lessee of federal grazing lands without  
26           prior appraisal, if his federal lease was cancelled to allow  
27           the State to select the lands under lease. No such lands  
28           shall be sold or leased for less than the approved, appraised  
29           market value, except as provided in Sections 4 and 5 of

1 [THIS] Article III and Sections 2 and 3 of Article V.

2 Sec. 5. PREFERENCE TO PRIOR PERMIT HOLDERS: MUNICIPAL LANDS.  
3 Subsec. (3) of Sec. 5, Article III, Ch. 169, SLA 1959, is amended  
4 by the addition of a new paragraph to read as follows:

5 j. The holder of a valid United States  
6 Corps of Engineers permit issued prior to November  
7 15, 1959, who is otherwise qualified in the opinion  
8 of the Director, shall be accorded a preference to  
9 a lease or permit by such municipal corporation, as  
10 the Director may order in accordance with the policy  
11 of this Act and if in the best interests of Alaska.  
12 Such preference shall be subordinate to all other  
13 preferences recognized under this Act.

14 Sec. 6. PREFERENCE TO PRIOR PERMIT HOLDERS: STATE LANDS.  
15 Subsec. (4) of Sec. 5, Article III, Ch. 169, SLA 1959, is amended  
16 by the addition of a new paragraph to read as follows:

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

24 Sec. 7. DRILLING SITE EASEMENTS. Sec. 7, Article III, Ch.  
25 169, SLA 1959, is amended to read as follows:

26 Sec. 7. PERMITS. The Director, without the  
27 prior approval of the Commissioner, may issue permits,  
28 rights-of-way or easements on Alaska lands for secondary  
29 roads, trails, ditches, pipelines, telephone and

1 transmission lines, log storage, oil well drilling sites  
2 and production facilities for the purposes of recovering  
3 minerals from adjacent lands under valid lease, and other  
4 similar uses or improvements, or for the limited personal  
5 use of timber or materials. The Commissioner, upon recom-  
6 mendation of the Director, shall establish a reasonable  
7 rate or fee schedule to be charged for all such use. In  
8 the granting, renewal, suspension or revocation of any per-  
9 mit or [,] easement [OR LEASE] of tide or submerged lands,  
10 the Director shall give preference to such use of the land  
11 as will be of greatest economic benefit to the State and the  
12 development of its resources; provided, however, first pre-  
13 ference shall be granted to the upland owner for the use of  
14 any tract of tideland, or tideland and contiguous submerged  
15 land, which is seaward of the upland property of such up-  
16 land owner and which is needed by such upland owner for  
17 any of the purposes for which such use may be granted.  
18 Sec. 8. NEW NOTICE REQUIREMENTS. Sec. 10, Article III, Ch.  
19 169, SLA 1959, is amended to read as follows:

20 Sec. 10. NOTICES. All public notice of any sale,  
21 lease or disposal of lands or any interest therein, except-  
22 ing grants under provision of Section 7, Article III and  
23 preference right grazing leases under Section 2, Article V  
24 of this Act, when required, shall be substantially as  
25 follows:

26 Notice shall be published once a week for  
27 three consecutive weeks [NEXT] preceding the time of  
28 sale stated in the notice, in at least one newspaper  
29 of general circulation [PUBLISHED] in the vicinity

1 in which the land, property or interest therein is to  
2 be sold, leased or otherwise disposed of; provided that  
3 where there is no newspaper of general circulation [IS  
4 PUBLISHED] in the vicinity, notices shall [ALSO] be  
5 posted in three public places near the land to be sold,  
6 leased or otherwise disposed of; and further provided  
7 that the sale, lease or disposal of lands shall be held  
8 not less than one week nor more than three weeks follow-  
9 ing the last appearance of the published notice. Notice  
10 shall set forth a description of the land, and interest  
11 therein to be sold, leased or otherwise disposed of and  
12 the time, place, and general terms of the sale, lease  
13 or disposal.

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

19 Sec. 9. MANNER OF TENDER: LAND SALES. Sec. 2, Article IV,  
20 Ch. 169, SLA 1959, is amended to read as follows:

21 Sec. 2. SALE PROCEDURES. The sale shall be made  
22 at public auction to the highest qualified bidder as shall  
23 be determined by the Director; provided, however, an ag-  
24 grieved bidder may appeal to the Commissioner within five  
25 days after such sale for a review of the Director's deter-  
26 mination. The sale shall be conducted by the Director or  
27 his representative, and at the time of sale the successful  
28 bidder shall deposit, in cash, or by certified check, cash-  
29 ier's check, or money order, an amount equal to one-tenth

SB #200

1 of the purchase price, whereupon the Director or his re-  
2 presentative shall immediately issue a receipt containing  
3 a description of the land or property purchased, the price  
4 bid and the terms of sale, which receipt shall be acknow-  
5 ledged in writing by the bidder. A contract of sale on a  
6 form approved by the Attorney General shall be signed by  
7 the purchaser and following the approval of the Commissioner,  
8 the contract shall also be signed by the Director on behalf  
9 of Alaska. Provided, however, and prior to the signing of  
10 the formal conveyance by the Director, the Commissioner may  
11 reject any and all bids when the best interests of Alaska  
12 justify such action. Lands that have been offered at public  
13 sale but were not sold may be made available at private sale  
14 for not less than the appraised value of such lands.

15 Sec. 10. FEDERAL GRAZING LEASE PREFERENCE. Sec. 2, Article  
16 V, Ch. 169, SLA 1959, is amended to read as follows:

17 Sec. 2. LEASING PROCEDURES. The leasing shall be  
18 made at public auction to the highest qualified bidder as  
19 shall be determined by the Director; provided, however, an  
20 aggrieved bidder may appeal to the Commissioner within five  
21 days for a review of the Director's determination; and fur-  
22 ther provided that when a valid existing Federal grazing  
23 lease is cancelled to allow State selection of the leased  
24 area, the lessee of such lands shall have the preference  
25 right to lease such lands without competitive bidding upon  
26 terms as favorable to the lessee as those contained in the  
27 cancelled Federal grazing lease. The leasing shall be con-  
28 ducted by the Director, or his representative, and the suc-  
29 cessful bidder shall deposit the first year's rental, or

1 such portion thereof as the Commissioner may require, in  
2 cash or by certified check, cashier's check, or money order,  
3 in accordance with his bid, whereupon the Director or his  
4 representative shall immediately issue a receipt containing  
5 a description of the land or interest therein leased, the  
6 price bid and terms of the lease, which receipt shall be  
7 acknowledged in writing by the bidder. A lease, on a form  
8 approved by the Attorney General, shall be signed by the  
9 lessee and upon approval by the Attorney General, shall be  
10 signed by the lessee and upon approval by the Commissioner,  
11 shall also be signed by the Director. Provided, however,  
12 and prior to the signing of the formal lease by the Director,  
13 the Commissioner may reject any and all bids for leases when  
14 the best interest of Alaska justifies such action.

15 Sec. 11. CONTINUITY OF FEDERAL PAYMENT SCHEDULES. Sec. 3,  
16 Article V, Ch. 169, SLA 1959, is amended to read as follows:

17 Sec. 3. LEASING PROVISIONS. The lease shall require  
18 advance payment of the annual rent or such portion thereof as  
19 the Director, with the approval of the Commissioner, may re-  
20 quire, as determined by the accepted bid, provided, however,  
21 that preference right lessees of grazing lands will be allow-  
22 ed to follow the payment schedule established in their can-  
23 celled Federal grazing lease if they so desire. Such condi-  
24 tions, limitations and terms may also be imposed by the Di-  
25 rector, with the approval of the Commissioner, as he shall  
26 deem necessary and proper to protect the interests of Alaska.  
27 Violations of any provision of this Act or the terms of the  
28 lease shall subject the purchaser to appropriate legal action,  
29 including, but not limited to, a forfeiture of the lease.

1 Due notice of all action by the Commissioner or Director  
2 affecting the rights of the lease shall be given the lessee.  
3 Sec. 12. CONTINUITY OF FEDERAL TERMINAL RIGHTS. The third  
4 paragraph of Sec. 4, Article V, Ch. 169, SLA 1959, is amended to  
5 read as follows:

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

15 Sec. 13. MANNER OF TENDER: TIMBER SALES. Sec. 3, Article VI,  
16 Ch. 169, SLA 1959, is amended to read as follows:

17 Sec. 3. DISPOSAL PROCEDURE. Timber and other mater-  
18 ials shall be sold at public auction to the highest, quali-  
19 fied bidder as shall be determined by the Director; provided,  
20 however, an aggrieved bidder may appeal to the Commissioner  
21 within five days after such sale for a review of the Direc-  
22 tor's determination. The sale shall be conducted by the Di-  
23 rector or his representative, and at the time of sale the  
24 successful bidder shall deposit, in cash or by certified  
25 check, cashier's check, or money order, an amount equal to  
26 one-tenth of the purchase price, whereupon the Director or  
27 his representative shall immediately issue a receipt con-  
28 taining a description of the timber or materials purchased,  
29 the price bid, and the terms of sale, which receipt shall be

1 acknowledged in writing by the bidder. A contract of sale,  
2 on a form approved by the Attorney General, shall be signed  
3 by the purchaser, and following the approval of the Commis-  
4 sioner, the contract shall also be signed by the Director  
5 on behalf of Alaska. The Director, with the approval of  
6 the Commissioner, may impose such conditions, limitations  
7 and terms as he shall deem necessary and proper to protect  
8 the interests of Alaska. Violations of any provisions of  
9 this Act or the terms of the contract of sale shall subject  
10 the purchaser to appropriate legal action.

11 Sec. 14. RESERVATION: EXCEPTION OF ESCHEATED LANDS. Sec. 1,  
12 Article VII, Ch. 169, SLA 1959, is amended to read as follows:

13 Sec. 1. RESERVATION. Each and every contract  
14 for the sale, lease or grant of, and each deed to Alaska  
15 land, properties or interest therein, made pursuant to Sec-  
16 tions 4, 5, and 6 of Article III, or Articles IV, V or VI  
17 herein, except for those lands acquired by escheat or fore-  
18 closure, shall be subject to the following reservations:

19 "The party of the first part, Alaska, hereby expressly saves  
20 excepts and reserves out of the grant hereby made, unto  
21 itself, its lessees, successors, and assigns forever, all  
22 oils, gases, coal, ores, minerals, fissionable materials,  
23 and fossils of every name, kind or description, and which  
24 may be in or upon said lands above described, or any part  
25 thereof, and the right to explore the same for such oils,  
26 gases, coal, ores, minerals, fissionable materials and  
27 fossils, and it also hereby expressly saves and reserves  
28 out of the grant hereby made, unto itself, its lessees,  
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1 successors, and assigns forever, the right to enter by  
2 itself, its or their agents, attorneys, and servants  
3 upon said lands, or any part or parts thereof, at any  
4 and all times, for the purpose of opening, developing,  
5 drilling, and working mines [THEREON,] or wells on these  
6 or other lands and taking out and removing therefrom all  
7 such oils, gases, coal, ores, minerals, fissionable  
8 materials and fossils, and to that end it further ex-  
9 pressly reserves out of the grant hereby made, unto  
10 itself, its lessees, successors, and assigns forever,  
11 the right by its or their agents, servants and attorneys  
12 at any and all times to erect, construct, maintain, and  
13 use all such buildings, machinery, roads, pipelines,  
14 powerlines, and railroads, sink such shafts, drill such  
15 wells, remove such soil, and to remain on said lands or  
16 any part thereof for the foregoing purposes and to occupy  
17 as much of said lands as may be necessary or convenient  
18 for such purposes hereby expressly reserving to itself,  
19 its lessees, successors, and assigns, as aforesaid, gen-  
20 erally all rights and power in, to, and over said land,  
21 whether herein expressed or not, reasonably necessary or  
22 convenient to render beneficial and efficient the com-  
23 plete enjoyment of the property and rights hereby expressly  
24 reserved."

25 Sec. 15. RULE OF APPROXIMATION. The opening paragraph of  
26 Sec. 3, Article VIII, Ch. 169, SLA 1959, is amended to read  
27 as follows:

28 Sec. 3. LEASING PROCEDURE. Deposits of coal,  
29 phosphates, oil shale, sodium, potassium, oil, gas, and

SB #200

1 lands containing such deposits owned by Alaska shall be  
2 subject to disposition under rules and regulations, re-  
3 commended by the Director and promulgated by the Com-  
4 missioner, and the [FOLLOWING] provisions [:] of this  
5 Section. In applying the acreage limitations in this  
6 section the Commissioner may apply the rule of approxi-  
7 mation. The uses of the rule of approximation made  
8 heretofore by the Commissioner are hereby ratified.

9 Sec. 16. TERM OF PAYMENT SCHEDULES: COAL. Subsec. (1) of  
10 Sec. 3, Article VIII, Ch. 169, SLA 1959, is amended to read as  
11 follows:

12 (1) Coal. The Commissioner is authorized to,  
13 and upon the petition of any qualified applicant shall,  
14 divide any of the coal lands or the deposits of coal  
15 owned by Alaska into leasing tracts of forty acres each,  
16 or multiples thereof, and in such form as will permit the  
17 economical mining of the coal in such tract, but in no  
18 case exceeding 2,560 acres in any one leasing tract.  
19 Thereafter the Commissioner shall, in his discretion,  
20 upon the request of any qualified applicant or on his  
21 own motion, from time to time, offer such lands or de-  
22 posits of coal for leasing and shall award leases thereon  
23 by competitive bidding or by such method as he may by  
24 general regulation adopt, to any qualified applicant.  
25 Where prospecting or exploration work is necessary to  
26 determine the existence or workability of coal deposits  
27 in any unclaimed, undeveloped areas, the Commissioner may  
28 issue to qualified applicants prospecting permits for a  
29 term of two years, not exceeding 2,560 acres; and if

SB #200

1 within said period of two years thereafter the permittee  
2 shows to the Commissioner that the land contains coal  
3 in commercial quantities, the permittee shall be entitled  
4 to a lease for all or part of the land in his permit.  
5 Any coal prospecting permit issued hereunder may be  
6 extended by the Commissioner for a period of two years,  
7 if he shall find that the permittee has been unable,  
8 with the exercise of reasonable diligence, to determine  
9 the existence or workability of coal deposits in the  
10 area covered by the permit and desires to prosecute further  
11 prospecting or exploration, or for other reasons in the  
12 opinion of the Commissioner warranting such extension.  
13 For the privilege of mining or extracting the coal in  
14 the lands covered by the lease, the lessee shall pay to  
15 Alaska such royalties as may be specified in the lease,  
16 which shall be fixed in advance of offering the same,  
17 to be effective for a period of not more than twenty  
18 years, and which shall not be less than 5 cents per ton  
19 of 2,000 pounds, and an annual rental, payable at the  
20 date of the lease and annually thereafter, on the lands  
21 or coal deposits covered by such lease, at such rate as  
22 may be fixed by the Commissioner prior to offering the  
23 same, to be effective for a period of not more than twenty  
24 years, and which shall not be less than 25 cents per  
25 acre for the first year thereafter, not less than 50  
26 cents per acre for the second, third, fourth and fifth  
27 years, respectively, and not less than \$1 per acre for  
28 each and every year thereafter during the continuance  
29 of the lease, except that such rental for any year

1 shall be credited against the royalties as they accrue  
2 for that year. All leases shall stipulate that the annual  
3 rental payment shall be subject to adjustment at intervals  
4 of no more than twenty years and any adjustments shall be  
5 based on the current rates for properties similarly  
6 situated. Leases shall be for indeterminate periods  
7 upon condition of diligent development and continued  
8 operation of the mine or mines, except when such opera-  
9 tion shall be interrupted by strikes, the elements, or  
10 casualties not attributed to the lessee.

11 Sec. 17. CONDITIONS OF OIL AND GAS LEASING. Subsec. (7)  
12 of Sec. 3, Article VIII, Ch. 169, SLA 1959, is amended to read as  
13 follows:

14 (7) Oil and Gas.

15 (a) All tide and submerged lands, school  
16 lands, and university lands shall be leased by com-  
17 petitive bidding, and whenever oil or gas is dis-  
18 covered in any well [ON ALASKA LAND] in commercial  
19 quantities, the Commissioner shall determine the  
20 extent of the area of any lands in addition to  
21 tide [AND] , submerged, school, or university lands  
22 in the same general area of the discovery well,  
23 which by reason of such discovery the Commissioner  
24 reasonably believes to be capable of producing oil  
25 or gas, and such additional lands shall be leased  
26 by competitive bidding. Such competitive lands  
27 shall be leased to the highest responsible qualified  
28 bidder by competitive bidding under general regula-  
29 tions, in units of not exceeding 640 acres (except

SB #200

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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 12 1/2 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 12 1/2 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 12 1/2 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

1 lease of 5 per centum for ten years following the  
2 date of such discovery and thereafter the royalty  
3 rate shall be 12 1/2 per centum. Leases issued  
4 under this subsection shall be for a primary term  
5 of five years and shall continue so long thereafter  
6 as oil or gas is produced in paying quantities; pro-  
7 vided that if actual drilling has commenced on the  
8 expiration date of the primary term of the lease and  
9 is continued with reasonable diligence, such opera-  
10 tions to include redrilling, sidetracking or other  
11 means necessary to reach the originally proposed  
12 bottom hole location, the lease shall continue in  
13 full force and effect until ninety (90) days after  
14 such drilling has ceased and for so long thereafter  
15 as oil or gas is produced in paying quantities;  
16 and further provided that if all or part of the  
17 lands covered by the lease are lands that have  
18 been selected by Alaska under laws of the United  
19 States granting lands to Alaska and a conditional  
20 lease was issued thereon, the term of the lease  
21 shall be extended for a period equal to the period  
22 during which the lease was conditional.

23 (b) Any oil or gas lease issued under  
24 this subsection which is subject to termination  
25 by reason of cessation of production shall not  
26 terminate if, within sixty days after production  
27 ceases, reworking or drilling operations are  
28 commenced on the land under lease and are there-  
29 after conducted with reasonable diligence during

1 such period of nonproduction. No lease issued  
2 under the provisions of this subsection shall  
3 expire because operations or production is sus-  
4 pended under any order, or with the consent, of  
5 the Commissioner. No lease issued under the pro-  
6 visions of this subsection covering lands on which  
7 there is a well capable of producing oil or gas  
8 in paying quantities shall expire because the  
9 lessee fails to produce the same, unless the  
10 lessee is allowed a reasonable time, within which  
11 to place such well on a producing status; provided,  
12 that after such status is established production  
13 shall continue on the leased premises unless and  
14 until suspension of production is allowed by the  
15 Commissioner.

16 (c) Upon the expiration of the initial  
17 five-year term of any noncompetitive lease maintained  
18 in accordance with applicable requirements and re-  
19 gulations, the record title holder thereof shall be  
20 entitled to a single extension of the lease, unless  
21 then otherwise provided by law [, FOR SUCH LANDS  
22 COVERED BUT WHICH ARE NOT ON THE EXPIRATION DATE  
23 OF THE LEASE DETERMINED BY THE COMMISSIONER TO BE  
24 COMPETITIVE LANDS AS ABOVE PROVIDED]. A noncom-  
25 petitive lease, as to lands not determined by the  
26 Commissioner to be competitive lands, shall be ex-  
27 tended for a period of five years and so long there-  
28 after as oil or gas is produced in paying quantities.  
29 A noncompetitive lease, as to lands determined by

1 the Commissioner to be competitive lands, shall  
2 be extended for a period of two years and so long  
3 thereafter as oil or gas is produced in paying  
4 quantities. Any noncompetitive lease extended  
5 under this paragraph shall be subject to the rules  
6 and regulations in force at the expiration of the  
7 initial five-year term of the lease. No extension  
8 shall be granted, however, unless within a period  
9 of ninety days prior to such expiration date an  
10 application therefor is filed by the record title  
11 holder or an assignee whose assignment has been  
12 filed for approval, or an operator whose operating  
13 agreement has been filed for approval.

14 (d) The Commissioner may, in his dis-  
15 cretion, provide for extension of the term of any  
16 lease whether competitive or noncompetitive, if such  
17 lease is, on the expiration date, [BEYOND THE TEN-  
18 YEAR PERIOD OF LEASES WHICH, ALTHOUGH NOT THEN PRODUC-  
19 TIVE, ARE AT THAT TIME] included in an approved unit  
20 plan or program of secondary recovery operation to  
21 bring about or restore production.

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

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

5 (f) Should Alaska select or otherwise  
6 acquire any [FEDERAL] land other than shorelands,  
7 title to which was in the Federal government and  
8 which, at the effective date of the selection or  
9 acquisition, is subject to a valid existing offer  
10 for a noncompetitive United States oil and gas  
11 lease under the Federal Act of Feb. 25, 1920  
12 (41 Stat. 437 as amended), the offeror for the  
13 Federal lease, if a qualified applicant hereunder,  
14 shall be deemed to be the first qualified applicant  
15 for an Alaska noncompetitive oil and gas lease under  
16 the provisions of this Section 3 (7) of this Article  
17 VIII, and shall be entitled to an Alaska noncom-  
18 petitive oil and gas lease upon compliance with the  
19 provisions of the regulation covering such applica-  
20 tions within 60 days after receipt of written notice  
21 from the Commissioner of such selection or acqui-  
22 sition. The priority herein provided for shall not  
23 be effective if the land covered by such Federal  
24 offer to lease is classified by the Commissioner as  
25 competitive lands as herein provided within 90 days  
26 after the selection of such land is finally approved  
27 by the Secretary of the Interior or such land is  
28 otherwise acquired.

29 (g) An offeror for a Federal oil and gas

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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.

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(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) 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

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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.

(1) 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

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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.

(m) 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 provision 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.

(n) Producing acreage on a known geologic structure of a producing oil or gas field shall

1 be excluded from chargeability as against the  
2 acreage limitation provisions of Section 2 of this  
3 Article.

4 (o) When separate tracts cannot be in-  
5 dividually developed and operated in conformity  
6 with an established well-spacing or development  
7 program, any lease, or a portion thereof, may be  
8 pooled with other lands, whether or not owned by  
9 Alaska under a communitization or drilling agree-  
10 ment providing for an apportionment of production  
11 or royalties among the separate tracts of land  
12 comprising the drilling or spacing unit when de-  
13 termined by the Commissioner to be in the public  
14 interest, and operations or production pursuant  
15 to such an agreement shall be determined to be  
16 operations or production as to each such lease  
17 committed thereto.

18 (p) The Commissioner is hereby authorized,  
19 on such conditions as he may prescribe, to approve  
20 drilling, or development contracts made by one or  
21 more lessees of oil or gas leases, with one or  
22 more persons, associations, or corporations, when-  
23 ever, in his discretion, the conservation of natural  
24 products or the public convenience or necessity may  
25 require it or the interests of Alaska may be best  
26 served thereby. All leases operated under such  
27 approved drilling, or development contracts, and  
28 interests thereunder, shall be excepted in determin-  
29 ing holdings or control under the provisions of

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Section 2 of this Article.

(g) 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. 18. 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

1 minerals to Alaska, the right to mine and remove such  
2 minerals may be acquired only by lease on such terms and  
3 conditions as may be recommended by the Director and  
4 approved by the Commissioner. In the case of lands  
5 classified under the provisions of Article III, Section  
6 1 of this Act on which mining under the location laws  
7 above cited would be incompatible with the use for which  
8 the land is classified and the aggregate area so classified  
9 exceeds 640 acres, the locator shall have a preference  
10 right to a lease, such lease to be subject to such  
11 reasonable conditions as may be necessary to protect  
12 the surface for its classified use.

13 Sec. 19. LANDS OF DEPARTMENT OF PUBLIC WORKS. Subsec. (6)  
14 of Sec. 3, Article XIII, Ch. 169, SLA 1959, is amended to read  
15 as follows:

16 (b) The provisions of this Act shall not apply  
17 to any [ANY] power, duty or authority now or in the future  
18 granted to the Alaska Department of Public Works [EITHER  
19 THE ALASKA HIGHWAY AND PUBLIC WORKS DEPARTMENT, OR ITS  
20 SUCCESSOR, OR TO THE ALASKA DEPARTMENT OF AVIATION, OR  
21 ITS SUCCESSOR,] to acquire, use, lease, dispose of, or  
22 exchange real property, or any interest therein; provided,  
23 that any lands assigned by the Division of Lands to the  
24 Department of Public Works by the Division of Lands be  
25 returned to the management of the Division of Lands  
26 when such lands are no longer needed for the purposes  
27 assigned. [, SHALL BE EXERCISED BY EITHER OF SAID  
28 DEPARTMENTS IN CONFORMITY WITH THE PROVISIONS OF THIS  
29 ACT. ]

1           Sec. 20. EFFECT OF FRAUD OR COLLUSION. Sec. 3, Article  
2 XIII, Ch. 169, SLA 1959, is amended by the addition of a new  
3 subsection to read as follows:

4                   (e) Any applicant for a sale, lease, permit  
5                   or other grant of Alaska lands who has been guilty of  
6                   any fraud or who has knowledge or reasonable grounds to  
7                   know of any fraud, or who has not acted honestly and in  
8                   good faith, shall not be entitled to any of the benefits  
9                   of this Act.

10           Sec. 21. EFFECTIVE DATE. This Act takes effect on the day  
11 after its passage and approval or on the day it becomes law with-  
12 out such approval.