

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29

IN THE SENATE

BY RULES COMMITTEE
BY REQUEST OF THE GOVERNOR

SENATE BILL NO. 200

IN THE LEGISLATURE OF THE STATE OF ALASKA

FIRST LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "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."

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

1 maximum is smaller than the area of any deficiency that
2 would result by eliminating from the lease the smallest legal
3 subdivision covered by the lease or application for lease,
4 the excess area will be permitted to remain in the lease.
5 On the other hand if the excess area is greater than the
6 deficient area would be, then a smallest legal subdivision
7 will be eliminated from the lease.

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

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

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

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

20 c. All geological, geophysical and en-
21 gineering data supplied, whether or not concerned
22 with the extraction or development of natural
23 resources.

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

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

29 f. Requests for information or applica-

1 tions by public agencies for lands which are being considered
2 for use for a public purpose.

3 Sec. 3. APPROVAL OF CONTRACTS. Subsec. (14) of Sec. 5,
4 Article II, Ch. 169, SLA 1959 is amended to read as follows:

5 (14) When he finds that the interests of Alaska
6 will be best served, he may, with the consent of the Commis-
7 sioner, approve all contracts respecting the sale, lease, or
8 other disposal of available lands, resources, property or
9 any interest therein, and in addition to the conditions and
10 limitations imposed by law, he may impose any additional
11 conditions or limitations in such contracts as he, with the
12 consent of the Commissioner, determines will best serve the
13 interests of Alaska. No contract respecting the sale, lease,
14 or other disposal of available lands or any interest therein,
15 shall be legally binding on Alaska until the Commissioner has
16 formally recorded his consent to any contract; provided,
17 however, if the appraised value is not greater than \$10,000.00
18 in the case of the sale of any land or an interest therein,
19 or \$1,000.00 in the case of the annual rental of any land
20 or interest therein, the Director may approve and issue such
21 contracts without the consent or approval of the Commissioner
22 being necessary. Nor shall this subsection apply to other
23 exceptions set forth in this Act.

24 Sec. 4. CORRECTION OF ADMINISTRATIVE ERROR. Sec. 5, Article
25 II, Ch. 169, SLA 1959, is amended by the addition of a new sub-
26 section to read as follows:

27 (16) The Director may grant preference rights
28 for the lease or purchase of Alaska lands in order to
29 correct the past or future errors or omissions of any

1 state or federal administrative agency where inequitable
2 detriment would otherwise result to a diligent claimant
3 or applicant due to situations over which the claimant
4 or applicant had no control. The exercise of this dis-
5 cretionary power shall operate only to divest Alaska
6 of its title to or interests in lands, and shall be ex-
7 ercised only with the express approval of the Commissioner.

8 Sec. 5. NOTICE AND APPRAISAL ON PREFERENCE GRAZING LEASES.

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

11 Sec. 3. NOTICE AND APPRAISAL. No lands shall be
12 sold or leased, or a renewal lease issued, without public
13 notice as provided hereafter, unless the same, except in
14 the case of an oil or gas or mineral lease, has been ap-
15 praised within ninety days prior to the date fixed for
16 the sale or leasing, provided that when lands have been
17 offered at public sale but were not sold and are available
18 at private sale, no reappraisal is required unless the
19 Director deems that a change in value of the lands may
20 have occurred and further provided, that a grazing lease
21 may be granted to a lessee of federal grazing lands without
22 prior appraisal, if his federal lease was cancelled to allow
23 the State to select the lands under lease. No such lands
24 shall be sold or leased for less than the approved, appraised
25 market value, except as provided in Sections 4 and 5 of
26 [THIS] Article III and Sections 2 and 3 of Article V.

27 Sec. 6. OCCUPIED TIDELANDS AND SUBMERGED LANDS. Subsec. (2)
28 a. of Sec. 5, Article III, Ch. 169, SLA 1959, is amended to read
29 as follows:

SB #200 as amended

1 a. "Occupant" means any person, as defined
2 herein, or his successor in interest, who actually
3 occupied for any business, residential or other beneficial
4 purpose, tidelands, or tidelands and submerged lands
5 contiguous thereto, within the state, on and prior to
6 January 3, 1959, with substantial permanent improvements.
7 The holder of a permit or clearance in respect to inter-
8 ference of navigation, or of a special use permit from
9 a government agency will [NOT] qualify as an "occupant"
10 if [UNLESS] such entry on the land was made with intent
11 to establish substantial permanent improvements thereon
12 and did in fact [HAD,] through exercise of reasonable
13 diligence, result [RESULTED] in actual occupancy and
14 substantial permanent improvements as hereinabove men-
15 tioned; such occupancy and improvements include the
16 erection of structures on fixed piling; the placement
17 of a sand, gravel, or earth fill on all or more than
18 seventy-five percent of the area designated in such
19 permit or clearance; and other material alterations of
20 the original character of the land which may be reason-
21 ably considered as constituting an occupancy and sub-
22 stantial permanent improvement. No person shall be con-
23 sidered an occupant by reason of having (1) placed a
24 fish trap in position for operation or upon the tide or
25 submerged land for storage, (2) placed a set net or
26 piling therefor, or any other device or facility for
27 taking fish, (3) placed pilings or dolphins for log
28 storage or other moorage, (4) placed floats or vessels
29 upon the tide or submerged land, (5) placed telephone,

1 power or other transmission facilities, roads, trails or
2 other improvements not requiring exclusive use or pos-
3 session of tide or submerged lands, [OR] (6) placed a
4 sand, gravel, or earth fill on such land solely for
5 purposes of disposing of waste or spoils, or (7) claimed
6 the land by virtue of some form of constructive occu-
7 pancy. Where land is occupied by a person other than
8 the owner of the improvements thereon, the owner of the
9 improvements shall, for the purposes of this section,
10 be considered the occupant of such lands.

11 Sec. 7. PREFERENCE TO PRIOR PERMIT HOLDERS: STATE LANDS.

12 Subsec. (4) of Sec. 5, Article III, Ch. 169, SLA 1959, is amended
13 by the addition of a new paragraph to read as follows:

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

21 Sec. 8. DRILLING SITE EASEMENTS. Sec. 7, Article III, Ch.
22 169, SLA 1959, is amended to read as follows:

23 Sec. 7. PERMITS. The Director, without the
24 prior approval of the Commissioner, may issue permits,
25 rights-of-way or easements on Alaska lands for secondary
26 roads, trails, ditches, pipelines, telephone and
27 transmission lines, log storage, oil well drilling sites
28 and production facilities for the purposes of recovering
29 minerals from adjacent lands under valid lease, and other

1 similar uses or improvements, or for the limited personal
2 use of timber or materials. The Commissioner, upon recom-
3 mendation of the Director, shall establish a reasonable
4 rate or fee schedule to be charged for all such use. In
5 the granting, [RENEWAL,] suspension or revocation of any per-
6 mit or [,] easement [OR LEASE] of [TIDE OR SUBMERGED] lands,
7 the Director shall give preference to such use of the land
8 as will be of greatest economic benefit to the State and the
9 development of its resources; provided, however, first pre-
10 ference shall be granted to the upland owner for the use of
11 any tract of tideland, or tideland and contiguous submerged
12 land, which is seaward of the upland property of such up-
13 land owner and which is needed by such upland owner for
14 any of the purposes for which such use may be granted.

15 Sec. 9. NEW NOTICE REQUIREMENTS. Sec. 10, Article III, Ch.
16 169, SLA 1959, is amended to read as follows:

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

23 Notice shall be published once a week for
24 three consecutive weeks [NEXT] preceding the time of
25 sale stated in the notice, in at least one newspaper
26 of general circulation [PUBLISHED] in the vicinity
27 in which the land, property or interest therein is to
28 be sold, leased or otherwise disposed of; provided that
29 where there is no newspaper of general circulation [IS

1 PUBLISHED] in the vicinity, notices shall [ALSO] be
2 posted in three public places near the land to be sold,
3 leased or otherwise disposed of; and further provided
4 that the sale, lease or disposal of lands shall be held
5 not less than one week nor more than three weeks follow-
6 ing the last appearance of the published notice. Notice
7 shall set forth a description of the land, and interest
8 therein to be sold, leased or otherwise disposed of and
9 the time, place, and general terms of the sale, lease
10 or disposal.

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

16 Sec.10. MANNER OF TENDER: LAND SALES. Sec. 2, Article IV,
17 Ch. 169, SLA 1959, is amended to read as follows:

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

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

12 Sec. 11. FEDERAL GRAZING LEASE PREFERENCE. Sec. 2, Article
13 V, Ch. 169, SLA 1959, is amended to read as follows:

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

1 representative shall immediately issue a receipt containing
2 a description of the land or interest therein leased, the
3 price bid and terms of the lease, which receipt shall be
4 acknowledged in writing by the bidder. A lease, on a form
5 approved by the Attorney General, shall be signed by the
6 lessee and upon approval by the Attorney General, shall be
7 signed by the lessee and upon approval by the Commissioner,
8 shall also be signed by the Director. Provided, however,
9 and prior to the signing of the formal lease by the Director,
10 the Commissioner may reject any and all bids for leases when
11 the best interest of Alaska justifies such action.

12 Sec. 12. CONTINUITY OF FEDERAL PAYMENT SCHEDULES. Sec. 3,
13 Article V, Ch. 169, SLA 1959, is amended to read as follows:

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

29 Sec. 13. CONTINUITY OF FEDERAL TERMINAL RIGHTS. The third

1 paragraph of Sec. 4, Article V, Ch. 169, SLA 1959, is amended to
2 read as follows:

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

12 Sec. 14. MANNER OF TENDER: TIMBER SALES. Sec. 3, Article VI,
13 Ch. 169, SLA 1959, is amended to read as follows:

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

1 sioner, the contract shall also be signed by the Director
2 on behalf of Alaska. The Director, with the approval of
3 the Commissioner, may impose such conditions, limitations
4 and terms as he shall deem necessary and proper to protect
5 the interests of Alaska. Violations of any provisions of
6 this Act or the terms of the contract of sale shall subject
7 the purchaser to appropriate legal action.

8 Sec. 15. RESERVATION: EXCEPTION OF ESCHEATED LANDS. Sec. 1,
9 Article VII, Ch. 169, SLA 1959, is amended to read as follows:

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

16 "The party of the first part, Alaska, hereby expressly saves
17 excepts and reserves out of the grant hereby made, unto
18 itself, its lessees, successors, and assigns forever, all
19 oils, gases, coal, ores, minerals, fissionable materials,
20 and fossils of every name, kind or description, and which
21 may be in or upon said lands above described, or any part
22 thereof, and the right to explore the same for such oils,
23 gases, coal, ores, minerals, fissionable materials and
24 fossils, and it also hereby expressly saves and reserves
25 out of the grant hereby made, unto itself, its lessees,
26 successors, and assigns forever, the right to enter by
27 itself, its or their agents, attorneys, and servants
28 upon said lands, or any part or parts thereof, at any
29 and all times, for the purpose of opening, developing,

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

21 Sec. 16. DAMAGES: POSTING OF BOND. Sec. 2, Article VII,
22 Chapter 169, SLA 1959, is amended to read as follows:

23 Sec. 2. DAMAGES: POSTING OF BOND. No rights shall be
24 exercised under the foregoing reservation, by Alaska, its
25 lessees, successors or assigns, until provision has been made
26 by Alaska, its lessees, successors or assigns, to pay to the
27 owner of the land, upon which the rights, herein reserved to
28 Alaska, its lessees, successors, or assigns, are sought to
29 be exercised, full payment for all damages sustained by said

1 owner, by reason of entering upon said land; Provided, that if
2 said owner for any cause whatever refuses or neglects to
3 settle said damages, Alaska, its lessees, successors, assigns,
4 or any applicant for a lease or contract from Alaska for
5 the purpose of prospecting for valuable minerals, or option
6 contract or lease for mining coal or lease for extracting
7 petroleum or natural gas, shall have the right to enter upon
8 said land in the exercise of said reserved rights after
9 posting a surety bond determined by the Director, after notice
10 and an opportunity to be heard, to be sufficient as to form,
11 amount, and security to secure to said owner full payment for
12 all such damages, and shall have the right to institute such
13 legal proceedings in a court of competent jurisdiction where
14 the land is situated, as may be necessary to determine the
15 damages which the owner of such lands may suffer.

16 Sec. 17. RULE OF APPROXIMATION. The opening paragraph of
17 Sec. 3, Article VIII, Ch. 169, SLA 1959, is amended to read as
18 follows:

19 Sec. 3. LEASING PROCEDURE. Deposits of coal, phosphates,
20 oil shale, sodium, potassium, oil, gas, and lands containing
21 such deposits owned by Alaska shall be subject to disposition
22 under rules and regulations, recommended by the Director and
23 promulgated by the Commissioner, and the [FOLLOWING] provisions
24 [:] of this Section. In applying the acreage limitations in
25 this section the Commissioner may apply the rule of approxi-
26 mation. The uses of the rule of approximation made heretofore
27 by the Commissioner are hereby ratified.

28 Sec. 18. TERM OF PAYMENT SCHEDULES: COAL. Subsec. (1) of
29 Sec. 3, Article VIII, Ch. 169, SLA 1959, is amended to read as
SB #200 as amended -14-

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29

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 applicants 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

1 prospecting or exploration, or for other reasons in the
2 opinion of the Commissioner warranting such extension.
3 For the privilege of mining or extracting the coal in
4 the lands covered by the lease, the lessee shall pay to
5 Alaska such royalties as may be specified in the lease,
6 which shall be fixed in advance of offering the same,
7 to be effective for a period of not more than twenty
8 years, and which shall not be less than 5 cents per ton
9 of 2,000 pounds, and an annual rental, payable at the
10 date of the lease and annually thereafter, on the lands
11 or coal deposits covered by such lease, at such rate as
12 may be fixed by the Commissioner prior to offering the
13 same, to be effective for a period of not more than twenty
14 years, and which shall not be less than 25 cents per
15 acre for the first year thereafter, not less than 50
16 cents per acre for the second, third, fourth and fifth
17 [FIFTY] years, respectively, and not less than \$1 per acre
18 for each and every year thereafter during the continuance
19 of the lease, except that such rental for any year
20 shall be credited against the royalties as they accrue
21 for that year. All leases shall stipulate that the annual
22 rental payment shall be subject to adjustment at intervals
23 of no more than twenty years and any adjustments shall be
24 based on the current rates for properties similarly
25 situated. Leases shall be for indeterminate periods
26 upon condition of diligent development and continued
27 operation of the mine or mines, except when such opera-
28 tion shall be interrupted by strikes, the elements, or
29 casualties not attributed to the lessee.

1 Sec. 19. CONDITIONS OF OIL AND GAS LEASING. Subsec. (7)
2 of Sec. 3, Article VIII, Ch. 169, SLA 1959, is amended to read as
3 follows:

4 (7) Oil and Gas.

5 (a) All tide and submerged lands, mental health
6 lands, school lands, and university lands shall be leased
7 by competitive bidding, and whenever oil or gas is dis-
8 covered in any well [ON ALASKA LAND] in commercial
9 quantities, the Commissioner shall determine the extent
10 of the area of any lands in addition to tide [AND] submerged,
11 mental health lands, school, or university
12 lands in the same general area of the discovery well,
13 which by reason of such discovery the Commissioner
14 reasonably believes to be capable of producing oil
15 or gas, and such additional lands shall be leased
16 by competitive bidding. Such competitive lands
17 shall be leased to the highest responsible qualified
18 bidder by competitive bidding under general regula-
19 tions, in units of not exceeding 640 acres (except
20 that tide and submerged lands shall be leased
21 in units of not exceeding 5,760 acres), which
22 shall be as nearly compact in form as possible,
23 upon the payment by the lessee of such bonus
24 as may be accepted by the Commissioner and of
25 such royalty as may be fixed in the lease which
26 shall be not less than 12 1/2 per centum in amount
27 or value of the production removed or sold from
28 the lease; provided, that any holder of a lease
29 who shall drill and make the first discovery of

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29

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 lease of 5 per centum for ten years following the date of such discovery and thereafter the royalty rate shall be 12 1/2 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

1 means necessary to reach the originally proposed
2 bottom hole location, the lease shall continue in
3 full force and effect until ninety (90) days after
4 such drilling has ceased and for so long thereafter
5 as oil or gas is produced in paying quantities;
6 and further provided that if all or part of the
7 lands covered by the lease are lands that have
8 been selected by Alaska under laws of the United
9 States granting lands to Alaska and a conditional
10 lease was issued thereon, the term of the lease
11 shall be extended for a period equal to the period
12 during which the lease was conditional.

13 (b) Any oil or gas lease issued under
14 this subsection which is subject to termination
15 by reason of cessation of production shall not
16 terminate if, within sixty days after production
17 ceases, reworking or drilling operations are
18 commenced on the land under lease and are there-
19 after conducted with reasonable diligence during
20 such period of nonproduction. No lease issued
21 under the provisions of this subsection shall
22 expire because operations or production is sus-
23 pended under any order, or with the consent, of
24 the Commissioner. No lease issued under the pro-
25 visions of this subsection covering lands on which
26 there is a well capable of producing oil or gas
27 in paying quantities shall expire because the
28 lessee fails to produce the same, unless the
29 lessee is allowed a reasonable time, within which

1 to place such well on a producing status; provided,
2 that after such status is established production
3 shall continue on the leased premises unless and
4 until suspension of production is allowed by the
5 Commissioner.

6 (c) Upon the expiration of the initial
7 five-year term of any noncompetitive lease maintained
8 in accordance with applicable requirements and re-
9 gulations, the record title holder thereof shall be
10 entitled to a single extension of the lease, unless
11 then otherwise provided by law [, FOR SUCH LANDS
12 COVERED BUT WHICH ARE NOT ON THE EXPIRATION DATE
13 OF THE LEASE DETERMINED BY THE COMMISSIONER TO BE
14 COMPETITIVE LANDS AS ABOVE PROVIDED]. A noncom-
15 petitive lease, as to lands not determined by the
16 Commissioner to be competitive lands, shall be ex-
17 tended for a period of five years and so long there-
18 after as oil or gas is produced in paying quantities.
19 A noncompetitive lease, as to lands determined by
20 the Commissioner to be competitive lands, shall
21 be extended for a period of two years and so long
22 thereafter as oil or gas is produced in paying
23 quantities. Any noncompetitive lease extended
24 under this paragraph shall be subject to the rules
25 and regulations in force at the expiration of the
26 initial five-year term of the lease. No extension
27 shall be granted, however, unless within a period
28 of ninety days prior to such expiration date an
29 application therefor is filed by the record title

1 holder or an assignee whose assignment has been
2 filed for approval, or an operator whose operating
3 agreement has been filed for approval.

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

12 (e) All noncompetitive oil or gas leases
13 issued under this subsection shall be conditioned
14 upon the payment by the lessee in advance of an
15 annual rental of 50 cents per acre or fraction
16 thereof. All competitive oil and gas leases issued
17 under this subsection shall be conditioned upon the
18 payment of an annual rental, prior to discovery on
19 the leased lands, of \$1 per acre or fraction thereof.
20 A minimum royalty of \$1 per acre in lieu of rental
21 shall be payable at the expiration of each lease year
22 beginning on or after a discovery of oil or gas in
23 paying quantities on the lands leased.

24 (f) Should Alaska select or otherwise
25 acquire any [FEDERAL] land other than shorelands,
26 title to which was in the Federal government and
27 which, at the effective date of the selection or
28 acquisition, is subject to a valid existing offer
29 for a noncompetitive United States oil and gas

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29

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 land is otherwise acquired.

N (g) An offeror for a Federal oil and gas
E lease whose lease was issued on or after January
W 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
M prior to January 3, 1959, shall have a preference
A right to an Alaska lease on the shorelands included
T within the exterior boundaries of the Federal lease.

T (h) If lands described in the offer for
E a Federal lease are covered by nontidal water and
R are excluded from the Federal lease on the basis

1 N of navigability, Alaska shall, upon application
2 E within sixty days after notice of the exclusion,
3 W if not previously filed, grant a preference lease
4 for the areas thus excluded, carrying the same
5 provisions as an ordinary Alaska lease on the same
6 lands, except that the term of the Alaska lease
7 shall conform in all respects to that of the adjoin-
8 ing Federal lease including extended terms; pro-
9 vided that Alaska shall issue a shorelands pre-
10 ference lease as provided herein where a Federal
11 lease has been issued prior to the date of this
12 Act and application is made to Alaska on or before
13 June 30, 1960; and further provided that where a
14 Federal lessee or offeror failed, prior to January
15 3, 1959, to file a proper application for a pre-
16 ference right under the Act of July 3, 1958, he
17 may apply for an Alaska preference lease under
18 this Act, subject to the rights of intervening
19 applicants.

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

26 T (j) If the Federal lease does not exclude
27 T any area on the basis of navigability, and it is
28 E subsequently determined by a court of competent
29 R jurisdiction that any waters included therein are

1 N
2 E
3 W
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24 M
25 A
26 T
27 T
28 E
29 R

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

1 N leases whether competitive or noncompetitive shall carry
2 E the same conditions as an ordinary Alaska lease on the
3 W same lands, except that the term of the Alaska lease
4 shall conform in all respects to that of the adjoining
5 Federal lease, including extended terms, and the lease
6 shall provide for annual rental at the rate of One
7 Hundred Dollars (\$100.00) per unit of 640 acres or part
8 thereof of the lands included within the Federal lease
9 until such time as agreement is reached between the State
10 and the Secretary of the Interior of the United States,
11 or his authorized representative, as to the actual area
12 of the shorelands included in said offer for a Federal
13 lease, and as to the apportionment between the State and
14 Federal government of the rental theretofore paid pursuant
15 to said Federal lease.

16 (1) The lease of any record lessee of
17 a Federal oil and gas lease who filed, or whose
18 predecessor in interest filed, between July 3,
19 1958 and January 3, 1959, a proper preference right
20 application under the Act of July 3, 1958 (72 Stat.
21 322) to have included in such lease the shorelands
22 within the exterior boundaries of such lease and
23 which lease or any part thereof has terminated or
24 M failed as to such shorelands due to mispayment of
25 A or failure to pay the required rental as to such
26 T shorelands in advance of the anniversary date of
27 T the Federal lease, shall be revived and reinstated
28 E as to such shorelands upon payment to the Bureau
29 R of Land Management of the U. S. Department of the

1 N
2 E
3 W
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24 M
25 A
26 T
27 T
28 E
29 R

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

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29

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 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.

(o) 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 (p) 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 (q) 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

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29

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. 20. 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. 21. LANDS OF DEPARTMENT OF PUBLIC WORKS. Subsec. (b)
14 of Sec. 3, Article XIII, Ch. 169, SLA 1959, is amended to read as
15 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 in the name
19 of the state, [EITHER THE ALASKA HIGHWAY AND PUBLIC WORKS
20 DEPARTMENT, OR ITS SUCCESSOR, OR TO THE ALASKA DEPARTMENT OF
21 AVIATION, OR ITS SUCCESSOR,] to acquire, use, lease, dispose
22 of, or exchange real property, or any interest therein; pro-
23 vided, that any lands assigned by the Division of Lands to the
24 Department of Public Works shall be returned to the management
25 of the Division of Lands when such lands are no longer needed
26 for the purposes assigned. [, SHALL BE EXERCISED BY EITHER
27 OF SAID DEPARTMENTS IN CONFORMITY WITH THE PROVISIONS OF THIS
28 ACT.]

29 Sec. 22. EXCHANGE OF STATE LANDS. Sec. 3, Subsec. (a),

1 Article XIII, Ch. 169, SLA 1959 is amended by adding a new
2 sentence.

3 (a) The Commissioner shall have no jurisdiction
4 over University lands except when such jurisdiction has been
5 conferred on the Commissioner by the Board of Regents of the
6 University of Alaska. Provided, however, the Commissioner
7 may exchange State and University lands, upon the approval
8 of the Board of Regents of the University of Alaska, when
9 the public interest is involved.

10 Sec. 23. COLLUSIVE BIDDING: HINDERING BIDDING. Sec. 3,
11 Article XIII, Ch. 169, SLA 1959, is amended by the addition of a
12 new subsection to read as follows:

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

23 Sec. 24. EFFECTIVE DATE. This Act takes effect on the day
24 after its passage and approval or on the day it becomes law with-
25 out such approval.