

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; prescribing
10 penalties; and providing for an effective
11 date."

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

13 Section 1. NEW DEFINITIONS. Sec. 2, Article I, Ch. 169, SLA
14 1959 is amended by amending subsec. (r) and the addition of two
15 new subsections to read as follows:

16 (r) "University Lands" means all Sections 33
17 reserved to the university under 38 Stat. 1214, as amended
18 (48 U.S.C. 353) and all lands granted to or reserved for the
19 benefit of the university.

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

24 (t) "Rule of Approximation" is the rule which is
25 applied in determining whether or not a lease complies with
26 the area limits set forth in this Act and regulations promul-
27 gated pursuant thereto and in keeping the boundaries of leased
28 lands coincidental with legal subdivisions. Under the rule,
29 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. PREFERENCE TO PRIOR PERMIT HOLDERS: STATE LANDS.

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

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1 any of the purposes for which such use may be granted.

2 Sec. 8. NEW NOTICE REQUIREMENTS. Sec. 10, Article III, Ch.
3 169, SLA 1959, is amended to read as follows:

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

10 Notice shall be published once a week for
11 three consecutive weeks [NEXT] preceding the time of
12 sale stated in the notice, in at least one newspaper
13 of general circulation [PUBLISHED] in the vicinity
14 in which the land, property or interest therein is to
15 be sold, leased or otherwise disposed of; provided that
16 where there is no newspaper of general circulation [IS
17 PUBLISHED] in the vicinity, notices shall [ALSO] be
18 posted in three public places near the land to be sold,
19 leased or otherwise disposed of; and further provided
20 that the sale, lease or disposal of lands shall be held
21 not less than one week nor more than three weeks follow-
22 ing the last appearance of the published notice. Notice
23 shall set forth a description of the land, and interest
24 therein to be sold, leased or otherwise disposed of and
25 the time, place, and general terms of the sale, lease
26 or disposal.

27 Public notice of grants of permits, rights-of-
28 way and easements under provision of Section 7, Article
29 III and of grants of preference right grazing leases

1 under Section 2, Article V of this Act shall be as set
2 forth in regulations promulgated by the Commissioner.

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

5 Sec. 2. SALE PROCEDURES. The sale shall be made
6 at public auction to the highest qualified bidder as shall
7 be determined by the Director; provided, however, an ag-
8 grievied bidder may appeal to the Commissioner within five
9 days after such sale for a review of the Director's deter-
10 mination. The sale shall be conducted by the Director or
11 his representative, and at the time of sale the successful
12 bidder shall deposit, in cash, or by certified check, cash-
13 ier's check, or money order, an amount equal to one-tenth
14 of the purchase price, whereupon the Director or his re-
15 presentative shall immediately issue a receipt containing
16 a description of the land or property purchased, the price
17 bid and the terms of sale, which receipt shall be acknow-
18 ledged in writing by the bidder. A contract of sale on a
19 form approved by the Attorney General shall be signed by
20 the purchaser and following the approval of the Commissioner,
21 the contract shall also be signed by the Director on behalf
22 of Alaska. Provided, however, and prior to the signing of
23 the formal conveyance by the Director, the Commissioner may
24 reject any and all bids when the best interests of Alaska
25 justify such action. Lands that have been offered at public
26 sale but were not sold may be made available at private sale
27 for not less than the appraised value of such lands.

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

1 Sec. 2. LEASING PROCEDURES. The leasing shall be
2 made at public auction to the highest qualified bidder as
3 shall be determined by the Director; provided, however, an
4 aggrieved bidder may appeal to the Commissioner within five
5 days for a review of the Director's determination; and fur-
6 ther provided that when a valid existing Federal grazing
7 lease is cancelled to allow State selection of the leased
8 area, the lessee of such lands shall have the preference
9 right to lease such lands without competitive bidding upon
10 terms as favorable to the lessee as those contained in the
11 cancelled Federal grazing lease. The leasing shall be con-
12 ducted by the Director, or his representative, and the suc-
13 cessful bidder shall deposit the first year's rental, or
14 such portion thereof as the Commissioner may require, in
15 cash or by certified check, cashier's check, or money order,
16 in accordance with his bid, whereupon the Director or his
17 representative shall immediately issue a receipt containing
18 a description of the land or interest therein leased, the
19 price bid and terms of the lease, which receipt shall be
20 acknowledged in writing by the bidder. A lease, on a form
21 approved by the Attorney General, shall be signed by the
22 lessee and upon approval by the Attorney General, shall be
23 signed by the lessee and upon approval by the Commissioner,
24 shall also be signed by the Director. Provided, however,
25 and prior to the signing of the formal lease by the Director,
26 the Commissioner may reject any and all bids for leases when
27 the best interest of Alaska justifies such action.

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

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

16 Sec. 12. CONTINUITY OF FEDERAL TERMINAL RIGHTS. The third
17 paragraph of Sec. 4, Article V, Ch. 169, SLA 1959, is amended to
18 read as follows:

19 If any improvements or chattels, or both, having
20 an appraised value of \$10,000.00 or less, as determined by
21 the Director, are not removed within the time allowed, such
22 improvements or chattels, or both, shall revert to and ab-
23 solute title shall vest in Alaska; provided, however, that
24 the preference right lessees of grazing lands will be allow-
25 ed to follow the provisions for removal of improvements upon
26 termination of the lease as authorized in the cancelled
27 Federal grazing lease.

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

1 Sec. 3. DISPOSAL PROCEDURE. Timber and other mater-
2 ials shall be sold at public auction to the highest, quali-
3 fied bidder as shall be determined by the Director; provided,
4 however, an aggrieved bidder may appeal to the Commissioner
5 within five days after such sale for a review of the Direc-
6 tor's determination. The sale shall be conducted by the Di-
7 rector or his representative, and at the time of sale the
8 successful bidder shall deposit, in cash or by certified
9 check, cashier's check, or money order, an amount equal to
10 one-tenth of the purchase price, whereupon the Director or
11 his representative shall immediately issue a receipt con-
12 taining a description of the timber or materials purchased,
13 the price bid, and the terms of sale, which receipt shall be
14 acknowledged in writing by the bidder. A contract of sale,
15 on a form approved by the Attorney General, shall be signed
16 by the purchaser, and following the approval of the Commis-
17 sioner, the contract shall also be signed by the Director
18 on behalf of Alaska. The Director, with the approval of
19 the Commissioner, may impose such conditions, limitations
20 and terms as he shall deem necessary and proper to protect
21 the interests of Alaska. Violations of any provisions of
22 this Act or the terms of the contract of sale shall subject
23 the purchaser to appropriate legal action.

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

26 Sec. 1. RESERVATION. Each and every contract
27 for the sale, lease or grant of, and each deed to Alaska
28 land, properties or interest therein, made pursuant to Sec-
29 tions 4, 5, and 6 of Article III, or Articles IV, V or VI

1 herein, except for those lands acquired by escheat or fore-
2 closure, shall be subject to the following reservations:
3 "The party of the first part, Alaska, hereby expressly saves
4 excepts and reserves out of the grant hereby made, unto
5 itself, its lessees, successors, and assigns forever, all
6 oils, gases, coal, ores, minerals, fissionable materials,
7 and fossils of every name, kind or description, and which
8 may be in or upon said lands above described, or any part
9 thereof, and the right to explore the same for such oils,
10 gases, coal, ores, minerals, fissionable materials and
11 fossils, and it also hereby expressly saves and reserves
12 out of the grant hereby made, unto itself, its lessees,
13 successors, and assigns forever, the right to enter by
14 itself, its or their agents, attorneys, and servants
15 upon said lands, or any part or parts thereof, at any
16 and all times, for the purpose of opening, developing,
17 drilling, and working mines [THEREON,] or wells on these
18 or other lands and taking out and removing therefrom all
19 such oils, gases, coal, ores, minerals, fissionable
20 materials and fossils, and to that end it further ex-
21 pressly reserves out of the grant hereby made, unto
22 itself, its lessees, successors, and assigns forever,
23 the right by its or their agents, servants and attorneys
24 at any and all times to erect, construct, maintain, and
25 use all such buildings, machinery, roads, pipelines,
26 powerlines, and railroads, sink such shafts, drill such
27 wells, remove such soil, and to remain on said lands or
28 any part thereof for the foregoing purposes and to occupy
29 as much of said lands as may be necessary or convenient

1 for such purposes hereby expressly reserving to itself,
2 its lessees, successors, and assigns, as aforesaid, gen-
3 erally all rights and power in, to, and over said land,
4 whether herein expressed or not, reasonably necessary or
5 convenient to render beneficial and efficient the com-
6 plete enjoyment of the property and rights hereby expressly
7 reserved."

8 Sec. 15. DAMAGES: POSTING OF BOND. Sec. 2, Article VII,
9 Chapter 169, SLA 1959, is amended to read as follows:

10 Sec. 2. DAMAGES: POSTING OF BOND. No rights shall be
11 exercised under the foregoing reservation, by Alaska, its
12 lessees, successors or assigns, until provision has been made
13 by Alaska, its lessees, successors or assigns, to pay to the
14 owner of the land, upon which the rights, herein reserved to
15 Alaska, its lessees, successors, or assigns, are sought to
16 be exercised, full payment for all damages sustained by said
17 owner, by reason of entering upon said land; Provided, that if
18 said owner for any cause whatever refuses or neglects to
19 settle said damages, Alaska, its lessees, successors, assigns,
20 or any applicant for a lease or contract from Alaska for
21 the purpose of prospecting for valuable minerals, or option
22 contract or lease for mining coal or lease for extracting
23 petroleum or natural gas, shall have the right to enter upon
24 said land in the exercise of said reserved rights after
25 posting a surety bond determined by the Director, after notice
26 and an opportunity to be heard, to be sufficient as to form,
27 amount, and security to secure to said owner full payment for
28 all such damages, and shall have the right to institute such
29 legal proceedings in a court of competent jurisdiction whereir

1 the land is situated, as may be necessary to determine the
2 damages which the owner of such lands may suffer.

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

6 Sec. 3. LEASING PROCEDURE. Deposits of coal, phosphates,
7 oil shale, sodium, potassium, oil, gas, and lands containing
8 such deposits owned by Alaska shall be subject to disposition
9 under rules and regulations, recommended by the Director and
10 promulgated by the Commissioner, and the [FOLLOWING] provisions
11 [:] of this Section. In applying the acreage limitations in
12 this section the Commissioner may apply the rule of approxi-
13 mation. The uses of the rule of approximation made heretofore
14 by the Commissioner are hereby ratified.

15 Sec. 17 TERM OF PAYMENT SCHEDULES: COAL. Subsec. (1) of
16 Sec. 3, Article VIII, Ch. 169, SLA 1959, is amended to read as
17 follows:

18 (1) Coal. The Commissioner is authorized to,
19 and upon the petition of any qualified applicant shall,
20 divide any of the coal lands or the deposits of coal
21 owned by Alaska into leasing tracts of forty acres each,
22 or multiples thereof, and in such form as will permit the
23 economical mining of the coal in such tract, but in no
24 case exceeding 2,500 acres in any one leasing tract.
25 Thereafter the Commissioner shall, in his discretion,
26 upon the request of any qualified applicant or on his
27 own motion, from time to time, offer such lands or de-
28 posits of coal for leasing and shall award leases thereon
29 by competitive bidding or by such method as he may by

1 general regulation adopt, to any qualified applicant.
2 Where prospecting or exploration work is necessary to
3 determine the existence or workability of coal deposits
4 in any unclaimed, undeveloped areas, the Commissioner may
5 issue to qualified applicants prospecting permits for a
6 term of two years, not exceeding 2,560 acres; and if
7 within said period of two years thereafter the permittee
8 shows to the Commissioner that the land contains coal
9 in commercial quantities, the permittee shall be entitled
10 to a lease for all or part of the land in his permit.
11 Any coal prospecting permit issued hereunder may be
12 extended by the Commissioner for a period of two years,
13 if he shall find that the permittee has been unable,
14 with the exercise of reasonable diligence, to determine
15 the existence or workability of coal deposits in the
16 area covered by the permit and desires to prosecute further
17 prospecting or exploration, or for other reasons in the
18 opinion of the Commissioner warranting such extension.
19 For the privilege of mining or extracting the coal in
20 the lands covered by the lease, the lessee shall pay to
21 Alaska such royalties as may be specified in the lease,
22 which shall be fixed in advance of offering the same,
23 to be effective for a period of not more than twenty
24 years, and which shall not be less than 5 cents per ton
25 of 2,000 pounds, and an annual rental, payable at the
26 date of the lease and annually thereafter, on the lands
27 or coal deposits covered by such lease, at such rate as
28 may be fixed by the Commissioner prior to offering the
29 same, to be effective for a period of not more than twenty

1 years, and which shall not be less than 25 cents per
2 acre for the first year thereafter, not less than 50
3 cents per acre for the second, third, fourth and fifth
4 [FIFTY] years, respectively, and not less than \$1 per acre
5 for each and every year thereafter during the continuance
6 of the lease, except that such rental for any year
7 shall be credited against the royalties as they accrue
8 for that year. All leases shall stipulate that the annual
9 rental payment shall be subject to adjustment at intervals
10 of no more than twenty years and any adjustments shall be
11 based on the current rates for properties similarly
12 situated. Leases shall be for indeterminate periods
13 upon condition of diligent development and continued
14 operation of the mine or mines, except when such opera-
15 tion shall be interrupted by strikes, the elements, or
16 casualties not attributed to the lessee.

17 Sec. 18. CONDITIONS OF OIL AND GAS LEASING. Subsec. (7)
18 of Sec. 3, Article VIII, Ch. 169, SLA 1959, is amended to read as
19 follows:

20 (7) Oil and Gas.

21 (a) All tide and submerged lands, mental health
22 lands, school lands, and university lands shall be leased
23 by competitive bidding, and whenever oil or gas is dis-
24 covered in any well [ON ALASKA LAND] in commercial
25 quantities, the Commissioner shall determine the extent
26 of the area of any lands in addition to tide [AND] ,
27 submerged, mental health lands, school, or university
28 lands in the same general area of the discovery well,
29 which by reason of such discovery the Commissioner

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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 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

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

29 (b) Any oil or gas lease issued under

1 this subsection which is subject to termination
2 by reason of cessation of production shall not
3 terminate if, within sixty days after production
4 ceases, reworking or drilling operations are
5 commenced on the land under lease and are there-
6 after conducted with reasonable diligence during
7 such period of nonproduction. No lease issued
8 under the provisions of this subsection shall
9 expire because operations or production is sus-
10 pended under any order, or with the consent, of
11 the Commissioner. No lease issued under the pro-
12 visions of this subsection covering lands on which
13 there is a well capable of producing oil or gas
14 in paying quantities shall expire because the
15 lessee fails to produce the same, unless the
16 lessee is allowed a reasonable time, within which
17 to place such well on a producing status; provided,
18 that after such status is established production
19 shall continue on the leased premises unless and
20 until suspension of production is allowed by the
21 Commissioner.

22 (c) Upon the expiration of the initial
23 five-year term of any noncompetitive lease maintained
24 in accordance with applicable requirements and re-
25 gulations, the record title holder thereof shall be
26 entitled to a single extension of the lease, unless
27 then otherwise provided by law [, FOR SUCH LANDS
28 COVERED BUT WHICH ARE NOT ON THE EXPIRATION DATE
29 OF THE LEASE DETERMINED BY THE COMMISSIONER TO BE

1 COMPETITIVE LANDS AS ABOVE PROVIDED]. A noncom-
2 petitive lease, as to lands not determined by the
3 Commissioner to be competitive lands, shall be ex-
4 tended for a period of five years and so long there-
5 after as oil or gas is produced in paying quantities.

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

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

28 (e) All noncompetitive oil or gas leases
29 issued under this subsection shall be conditioned

1 upon the payment by the lessee in advance of an
2 annual rental of 50 cents per acre or fraction
3 thereof. All competitive oil and gas leases issued
4 under this subsection shall be conditioned upon the
5 payment of an annual rental, prior to discovery on
6 the leased lands, of \$1 per acre or fraction thereof.
7 A minimum royalty of \$1 per acre in lieu of rental
8 shall be payable at the expiration of each lease year
9 beginning on or after a discovery of oil or gas in
10 paying quantities on the lands leased.

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

1 offer to lease is classified by the Commissioner as
2 competitive lands as herein provided within 90 days
3 after the selection of such land is finally approved
4 by the Secretary of the Interior or such land is
5 otherwise acquired.

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

14 (h) If lands described in the offer for
15 a Federal lease are covered by nontidal water and
16 are excluded from the Federal lease on the basis
17 of navigability, Alaska shall, upon application
18 within sixty days after notice of the exclusion,
19 if not previously filed, grant a preference lease
20 for the areas thus excluded, carrying the same
21 provisions as an ordinary Alaska lease on the same
22 lands, except that the term of the Alaska lease
23 shall conform in all respects to that of the adjoin-
24 M ing Federal lease including extended terms; pro-
25 A vided that Alaska shall issue a shorelands pre-
26 T ference lease as provided herein where a Federal
27 T lease has been issued prior to the date of this
28 E Act and application is made to Alaska on or before
29 R June 30, 1960; and further provided that where a

1 N Federal lessee or offeror failed, prior to January
2 E 3, 1959, to file a proper application for a pre-
3 W ference right under the Act of July 3, 1958, he
4 may apply for an Alaska preference lease under
5 this Act, subject to the rights of intervening
6 applicants.

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

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

22 (k) In lieu of the foregoing procedure, the
23 Federal lessee may, at his option, exercise his pref-
24 M erence right for an Alaska lease on the shorelands
25 A included within the exterior boundaries of his Federal
26 T lease by making application to the Division of Lands,
27 T Department of Natural Resources. If at the time of mak-
28 E ing application the lands are classified by Alaska as
29 R noncompetitive, the State of Alaska shall, upon appli-

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1 N cation within sixty (60) days after the issuance of the
2 E Federal lease, or if the Federal lease shall ~~HAVE~~ been
3 W issued prior to the passage of this Act, on or before
4 June 30, 1960, issue a lease covering whatever shorelands
5 are included within the exterior boundaries of the Federal
6 lease. If at the time of making the application the
7 shorelands included in such offer for a Federal lease
8 have been classified as competitive lands, such lands
9 shall be leased by competitive bidding; provided, how-
10 ever, that said competitive lease shall be issued to the
11 offeror for said Federal lease upon payment to the State
12 of an amount equal to the highest bid for each such
13 lease, plus the rental for the first year, such payment
14 to be made within ten (10) days after the offeror's
15 receipt of written notice from the Director of the
16 Division of Lands of the amount of such bid. All such
17 leases whether competitive or noncompetitive shall carry
18 the same conditions as an ordinary Alaska lease on the
19 same lands, except that the term of the Alaska lease
20 shall conform in all respects to that of the adjoining
21 Federal lease, including extended terms, and the lease
22 shall provide for annual rental at the rate of One
23 Hundred Dollars (\$100.00) per unit of 640 acres or part
24 M thereof of the lands included within the Federal lease
25 A until such time as agreement is reached between the State
26 T and the Secretary of the Interior of the United States,
27 T or his authorized representative, as to the actual area
28 E of the shorelands included in said offer for a Federal
29 R lease, and as to the apportionment between the State and

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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 coopera-

1 tive or unit plan of development or operation),
2 lessees thereof and their representatives may
3 unite with each other, or jointly or separately
4 with others, in collectively adopting or operating
5 under a cooperative or unit plan of development
6 or operation of such pool, field, or like area, or
7 any part thereof, whenever determined and certified
8 by the Commissioner to be necessary or advisable in
9 the public interest. The Commissioner is thereunto
10 authorized, in his discretion, with the consent of
11 the holders of leases involved, to establish, alter,
12 change, or revoke drilling, producing, rental,
13 minimum royalty, and royalty requirements of such
14 leases and to make such regulations with reference
15 to such leases, with like consent on the part of the
16 lessees, in connection with the institution and
17 operation of any such cooperative or unit plan as
18 he may determine necessary or proper to secure the
19 proper protection of the public interest. The
20 Commissioner may provide that oil and gas leases
21 issued under this subsection shall contain a pro-
22 vision requiring the lessee to operate under such
23 a reasonable cooperative or unit plan, and he may
24 prescribe such a plan under which such a lessee
25 shall operate, which shall adequately protect all
26 parties in interest, including Alaska.

27 (n) Any plan authorized by the preceding
28 paragraph, which includes lands owned by Alaska,
29 may, in the discretion of the Commissioner, contain

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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 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

1 interest, and operations or production pursuant
2 to such an agreement shall be determined to be
3 operations or production as to each such lease
4 committed thereto.

5 (q) The Commissioner is hereby authorized,
6 on such conditions as he may prescribe, to approve
7 drilling, or development contracts made by one or
8 more lessees of oil or gas leases, with one or
9 more persons, associations, or corporations, when-
10 ever, in his discretion, the conservation of natural
11 products or the public convenience or necessity may
12 require it or the interests of Alaska may be best
13 served thereby. All leases operated under such
14 approved drilling, or development contracts, and
15 interests thereunder, shall be excepted in determin-
16 ing holdings or control under the provisions of
17 Section 2 of this Article.

18 (r) The Commissioner, to avoid waste
19 or to promote conservation of natural resources,
20 may authorize the subsurface storage of oil or
21 gas whether or not produced from Alaska lands, in
22 lands leased or subject to lease under this sub-
23 section. Such authorization may provide for the
24 payment of a storage fee or rental on such stored
25 oil or gas, or, in lieu of such fee or rental,
26 for a royalty other than that prescribed in the
27 lease when such stored oil or gas is produced in
28 conjunction with oil or gas not previously produced.
29 Any lease on which storage is so authorized shall be

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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)

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1 of Sec. 3, Article XIII, Ch. 169, SLA 1959, is amended to read as
2 follows:

3 (b) The provisions of this Act shall not apply
4 to any [ANY] power, duty or authority now or in the future
5 granted to the Alaska Department of Public Works in the name
6 of the state, [EITHER THE ALASKA HIGHWAY AND PUBLIC WORKS
7 DEPARTMENT, OR ITS SUCCESSOR, OR TO THE ALASKA DEPARTMENT OF
8 AVIATION, OR ITS SUCCESSOR,] to acquire, use, lease, dispose
9 of, or exchange real property, or any interest therein; pro-
10 vided, that any lands assigned by the Division of Lands to the
11 Department of Public Works shall be returned to the management
12 of the Division of Lands when such lands are no longer needed
13 for the purposes assigned. [, SHALL BE EXERCISED BY EITHER
14 OF SAID DEPARTMENTS IN CONFORMITY WITH THE PROVISIONS OF THIS
15 ACT.]

16 Sec. 21. EXCHANGE OF STATE LANDS. Sec. 3, Subsec. (a),
17 Article XIII, Ch. 169, SLA 1959 is amended to read as follows:

18 (a) The sale, lease or other disposal of University
19 lands shall be made by the Commissioner in accordance with
20 the provisions of this Act. State lands may be exchanged for
21 University lands. No sale, lease, exchange or other disposal
22 of University lands shall be made without the approval of the
23 Board of Regents of the University of Alaska [THE COMMISSIONER
24 SHALL HAVE NO JURISDICTION OVER UNIVERSITY LANDS EXCEPT WHEN
25 SUCH JURISDICTION HAS BEEN CONFERRED ON THE COMMISSIONER BY
26 THE BOARD OF REGENTS OF THE UNIVERSITY OF ALASKA].

27 Sec. 22. COLLUSIVE BIDDING: HINDERING BIDDING. Sec. 3,
28 Article XIII, Ch. 169, SLA 1959, is amended by the addition of a
29 new subsection to read as follows:

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

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

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