

Original Sponsor: Rules
Committee by Request of the Governor

Offered: 2/28/64
Referred: Rules

1 IN THE SENATE BY THE JUDICIARY COMMITTEE

2 CS FOR SENATE BILL NO. 225

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRD LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the leasing of state
7 mineral lands."

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

9 * Section 1. AS 38.05.135 is amended to read:

10 Sec. 38.05.135. GENERALLY. Except as otherwise pro-
11 vided, valuable mineral deposits in lands belonging to the
12 state shall be open to exploration, development, and the
13 extraction of minerals. All lands, together with tide,
14 submerged, or shorelands [SHORE LANDS], to which the state
15 holds title or to which the state may become entitled, may be
16 obtained by permit or lease for the purpose of exploration,
17 development, and the extraction of minerals. Except as speci-
18 fically limited by secs. 135 - 180 of this chapter, lands
19 [LANDS] may be withheld from lease application on a first-come,
20 first-served basis, and offered only on a competitive bid
21 basis when determined by the commissioner to be in the best
22 interests of the state. In unproven areas the commissioner
23 may offer additional incentive and other terms in granting
24 permit for exploration and development whenever it appears
25 to be in the best interests of the state to do so.

26 * Sec. 2. AS 38.05 is amended by adding a new section to read:

27 Sec. 38.05.137. LEASING AGREEMENTS. The commissioner
28 is authorized to enter into cooperative mineral leasing
29 agreements with the United States regarding lands which are

1 the subject of a title dispute between federal and state
2 authorities. Any such lease need not conform to the pro-
3 visions of state law applicable to state leases issued under
4 the authority of AS 38.05.

5 * Sec. 3. AS 38.05.145 is amended to read:

6 Sec. 38.05.145. LEASING PROCEDURE. (a) Deposits of
7 coal, phosphates, oil shale, sodium, potassium, oil, gas,
8 and state lands containing these deposits are subject to
9 disposition under rules and regulations, recommended by the
10 director and adopted by the commissioner, and the provisions
11 of secs. 145 - 180 of this chapter. In applying the acreage
12 limitations the commissioner may apply the rule of approxi-
13 mation. The uses of the rule of approximation made before
14 March 31, 1960, by the commissioner are ratified.

15 N (b) If the state selects or otherwise acquires land
16 E other than shorelands, title to which was in the federal
17 W government and which, at the effective date of the selection
18 or acquisition, is subject to a valid existing offer for a
19 noncompetitive United States oil and gas lease, or applica-
20 tion for a prospecting permit or noncompetitive mining lease
21 for coal, phosphates, sulphur, oil shale, sodium, or potassium
22 under the federal act of February 25, 1920 (41 Stat. 437 as
23 amended), the offeror or applicant for the federal permit or
24 M lease, if a qualified applicant hereunder, shall be considered
25 A the first qualified applicant for a state noncompetitive oil
26 T and gas lease, prospecting permit, or noncompetitive mining
27 T lease and is entitled to a state noncompetitive lease or per-
28 E mit upon compliance with the provisions of the regulation
29 R covering applications within 60 days after receipt of written

1 notice from the commissioner of selection or acquisition.
2 These priorities are not effective if the land covered by
3 the federal offers or applications is classified by the
4 commissioner as competitive land within 90 days after the
5 selection of the land is finally approved by the Secretary
6 of the Interior or the land is otherwise acquired.

7 * Sec. 4. AS 38.05.180(a) is amended to read:

8 (a) All tide and submerged lands, mental health lands,
9 school lands, and university lands shall be leased by
10 competitive bidding, and whenever oil or gas is discovered
11 in commercial quantities, the commissioner shall determine
12 the extent of the area of lands in addition to tide, sub-
13 merged, mental health lands, school, or university lands in
14 the same general area of the discovery well which, by reason
15 of the discovery, the commissioner reasonably believes to be
16 capable of producing oil or gas, and the additional lands
17 shall be leased to the highest responsible qualified bidder
18 by competitive bidding under general regulations, in units of
19 not exceeding 640 acres (except that tide and submerged
20 lands shall be leased in units of not exceeding 5,760 acres),
21 which shall be as nearly compact in form as possible, upon
22 the payment by the lessee of such bonus as may be accepted
23 by the commissioner and of such royalty as may be fixed in
24 the lease which shall not be less than 12 1/2 per cent in
25 amount or value of the production removed or sold from the
26 lease. However, the holder of a lease who drills and makes
27 the first discovery of oil or gas in commercial quantities
28 in a geologic structure shall pay a royalty on all production
29 under the lease of five per cent for 10 years following the

1 date of discovery and thereafter the royalty rate shall be
2 not less than 12 1/2 per cent. All lands other than those
3 above provided to be leased by competitive bidding may
4 [SHALL] be leased competitively or noncompetitively as
5 determined by the commissioner to be in the best interests
6 of the state [WITHOUT COMPETITIVE BIDDING TO THE FIRST
7 QUALIFIED PERSON MAKING APPLICATION]. Noncompetitive leases
8 shall be issued in units of not exceeding 2,560 acres in any
9 one lease. Noncompetitive leases shall be conditioned upon
10 the payment by the lessee of a royalty of 12 1/2 per cent in
11 amount or value of the production removed or sold from the
12 lease. However, the holder of a lease who drills and makes
13 the first discovery of oil or gas in commercial quantities in
14 a geologic structure shall pay a royalty on all production
15 under the lease of five per cent for 10 years following the
16 date of discovery and thereafter the royalty rate is 12 1/2
17 per cent. Leases issued under this subsection shall be for
18 a primary term of five years and shall continue so long
19 thereafter as oil or gas is produced in paying quantities.
20 If drilling has commenced on the expiration date of the
21 primary term of the lease and is continued with reasonable
22 diligence, such operations to include redrilling, side-
23 tracking or other means necessary to reach the originally
24 proposed bottom hole location, the lease shall continue in
25 effect until 90 days after drilling has ceased and for so
26 long thereafter as oil or gas is produced in paying quantities.
27 If all or part of the lands covered by the lease are lands
28 that have been selected by the state under laws of the United
29 States granting lands to the state and a conditional lease

1 was issued thereon, the term of the lease shall be extended
2 for a period equal to the period during which the lease was
3 conditional.

4 * Sec. 5. AS 38.05.180(d) is amended to read:

5 (d) The commissioner may provide for extension of the
6 term of a lease whether competitive or noncompetitive, if
7 all or part of the lease is [, ON THE EXPIRATION DATE,] in-
8 cluded in an approved unit plan or program of secondary
9 recovery operation to bring about or restore production.

10 * Sec. 6. AS 38.05.180(k) is amended to read:

11 (k) Instead of the foregoing procedure, the federal
12 lessee or his assignee may, at his option, exercise his
13 preference right for a state lease on the shorelands included
14 within the exterior boundaries of his federal lease by applying
15 to the division of lands, Department of Natural Resources.
16 If, at the time of applying, the lands are classified as non-
17 competitive, the state shall, upon application [WITHIN 60 DAYS
18 AFTER THE ISSUANCE OF THE FEDERAL LEASE, OR IF THE FEDERAL
19 LEASE WAS ISSUED BEFORE JULY 1, 1960], issue a lease covering
20 whatever shorelands are included within the exterior boundaries
21 of the federal lease. If, at the time of applying, the shore-
22 lands included in the [OFFER FOR A] federal lease are classi-
23 fied as competitive lands, the lands shall be leased by
24 competitive bidding. The competitive lease shall be issued
25 to the [OFFEROR FOR THE] federal lessee or his assignee
26 [LEASE] upon payment to the state of an amount equal to the
27 highest bid for the lease, plus the rental for the first year,
28 payment to be made within 10 days after the lessee's or assignee's
29 [OFFEROR'S] receipt of written notice from the director of the

1 division of lands of the amount of the highest bid. These
2 leases, whether competitive or noncompetitive, shall carry
3 the same conditions as an ordinary state lease on the same
4 lands, except that the term of the state lease shall conform
5 to that of the adjoining federal lease, including extended
6 terms, and shall terminate if the federal lease is terminated
7 for any reason. The [THE] lease shall provide for annual
8 rental at the rate of \$100 a unit of 640 acres or part thereof
9 of the lands included within the federal lease until agree-
10 ment is reached between the state and the Secretary of the
11 Interior of the United States, or his authorized representa-
12 tive, as to the actual area of the shorelands included in the
13 [OFFER FOR A] federal lease, and as to the apportionment
14 between the state and federal government of the rental there-
15 tofore paid under the federal lease.

16 * Sec. 7. AS 38.05.180(f) is repealed.
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