

Introduced: 4/11/68
Referred: Resources and
Finance

1 IN THE HOUSE

BY THE JUDICIARY COMMITTEE

2 HOUSE BILL NO. 712

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to oil and gas royalties."

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

8 * Section 1. AS 38.05.180(a) is amended to read:

9 (a) All tide and submerged lands, mental health lands, school
10 lands, and university lands shall be leased by competitive bidding, and
11 whenever oil or gas is discovered in commercial quantities, the commis-
12 sioner shall determine the extent of the area of lands in addition to
13 tide, submerged, mental health lands, school, or university lands in the
14 same general area of the discovery well which, by reason of the dis-
15 covery, the commissioner reasonably believes to be capable of producing
16 oil or gas, and the additional lands shall be leased to the highest
17 responsible qualified bidder by competitive bidding under general regu-
18 lations, in units of not exceeding 2,560 acres (except that tide and
19 submerged lands shall be leased in units of not exceeding 5,760 acres),
20 which shall be as nearly compact in form as possible, upon the payment
21 by the lessee of such bonus and royalty as may be accepted by the com-
22 missioner, the royalty to be not [AND OF SUCH ROYALTY AS MAY BE FIXED
23 IN THE LEASE WHICH SHALL NOT BE] less than 12 1/2 per cent in amount or
24 value of the production removed or sold from the lease. However, the
25 holder of a lease who drills and makes the first discovery of oil or
26 gas in commercial quantities in a geologic structure shall pay a
27 royalty on all production under the lease of five per cent for 10 years
28 following the date of discovery and thereafter the royalty rate shall
29 be not less than 12 1/2 per cent, provided, however, that the royalty

1 rate for the first discovery in any unproven area of the Cook Inlet
2 sedimentary basin shall not be less than 12 1/2 per cent unless the
3 commissioner specifically provides that such royalty shall be less at
4 the time such lands are offered for lease and in no event shall such
5 royalty be less than five per cent. All lands other than those above
6 provided to be leased by competitive bidding may be leased competitively
7 or noncompetitively as determined by the commissioner to be in the best
8 interests of the state. Noncompetitive leases shall be issued in units
9 of not exceeding 2,560 acres in any one lease. Noncompetitive leases
10 shall be conditioned upon the payment by the lessee of a royalty of
11 12 1/2 per cent in amount or value of the production removed or sold
12 from the lease. However, the holder of a lease who drills and makes
13 the first discovery of oil or gas in commercial quantities in a geo-
14 logic structure shall pay a royalty on all production under the lease
15 of five per cent for 10 years following the date of discovery and
16 thereafter the royalty rate is 12 1/2 per cent. Competitive leases
17 issued under this subsection shall be for 10 years and shall continue
18 so long thereafter as oil or gas is produced in paying quantities.
19 Noncompetitive leases issued under this subsection shall be for a
20 primary term of five years and shall continue so long thereafter as
21 oil or gas is produced in paying quantities. If drilling has com-
22 menced on the expiration date of the primary term of the lease and is
23 continued with reasonable diligence, such operations to include re-
24 drilling, sidetracking or other means necessary to reach the originally
25 proposed bottom hole location, the lease shall continue in effect until
26 90 days after drilling has ceased and for so long thereafter as oil or
27 gas is produced in paying quantities. If all or part of the lands
28 covered by the lease are lands that have been selected by the state
29 under laws of the United States granting lands to the state and a

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