

Introduced: 2/16/67
Referred: Resources
and Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 115

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to incentive royalty on oil and gas;
7 and providing for an effective date."

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 provided,
11 valuable mineral deposits in lands belonging to the state shall be
12 open to exploration, development, and the extraction of minerals. All
13 lands, together with tide, submerged, or shorelands, to which the
14 state holds title or to which the state may become entitled, may be
15 obtained by permit or lease for the purpose of exploration, develop-
16 ment, and the extraction of minerals. Except as specifically limited
17 by secs. 135 - 180 of this chapter, lands may be withheld from lease
18 application on a first-come, first-served basis, and offered only on
19 a competitive bid basis when determined by the commissioner to be in
20 the best interests of the state. In unproven [UNPROVED] areas the
21 commissioner may offer additional incentives [INCENTIVE], including
22 a reduction of royalty to a minimum of five per cent, and other terms
23 in granting permit for exploration and development whenever it appears
24 to be in the best interests of the state to do so.

25 * Sec. 2. AS 38.05.180(a) is amended to read:

26 (a) All tide and submerged lands, mental health lands, school
27 lands, and university lands shall be leased by competitive bidding,
28 and whenever oil or gas is discovered in commercial quantities, the
29 commissioner shall determine the extent of the area of lands in

1 addition to tide, submerged, mental health lands, school, or university
2 lands in the same general area of the discovery well which, by reason
3 of the discovery, the commissioner reasonably believes to be capable
4 of producing oil or gas, and the additional lands shall be leased to
5 the highest responsible qualified bidder by competitive bidding under
6 general regulations, in units of not exceeding 2,560 acres (except
7 that tide and submerged lands shall be leased in units of not ex-
8 ceeding 5,760 acres), which shall be as nearly compact in form as
9 possible, upon the payment by the lessee of such bonus as may be
10 accepted by the commissioner and of such royalty as may be fixed in
11 the lease which shall not be less than 12 1/2 per cent in amount or
12 value of the production removed or sold from the lease. [HOWEVER, THE
13 HOLDER OF A LEASE WHO DRILLS AND MAKES THE FIRST DISCOVERY OF OIL OR
14 GAS IN COMMERCIAL QUANTITIES IN A GEOLOGIC STRUCTURE SHALL PAY A
15 ROYALTY ON ALL PRODUCTION UNDER THE LEASE OF FIVE PER CENT FOR 10 YEARS
16 FOLLOWING THE DATE OF DISCOVERY AND THEREAFTER THE ROYALTY RATE SHALL
17 BE NOT LESS THAN 12 1/2 PER CENT.] All lands other than those above
18 provided to be leased by competitive bidding may be leased competi-
19 tively or noncompetitively as determined by the commissioner to be in
20 the best interests of the state. Noncompetitive leases shall be
21 issued in units of not exceeding 2,560 acres in any one lease. Non-
22 competitive leases shall be conditioned upon the payment by the lessee
23 of a royalty of 12 1/2 per cent in amount or value of the production
24 removed or sold from the lease. [HOWEVER, THE HOLDER OF A LEASE WHO
25 DRILLS AND MAKES THE FIRST DISCOVERY OF OIL OR GAS IN COMMERCIAL
26 QUANTITIES IN A GEOLOGIC STRUCTURE SHALL PAY A ROYALTY ON ALL PRO-
27 Duction UNDER THE LEASE OF FIVE PER CENT FOR 10 YEARS FOLLOWING THE
28 DATE OF DISCOVERY AND THEREAFTER THE ROYALTY RATE IS 12 1/2 PER CENT.]
29 Competitive leases issued under this subsection shall be for 10 years

1 and shall continue so long thereafter as oil or gas is produced in
2 paying quantities. Noncompetitive leases issued under this sub-
3 section shall be for a primary term of five years and shall continue
4 so long thereafter as oil or gas is produced in paying quantities.
5 If drilling has commenced on the expiration date of the primary term
6 of the lease and is continued with reasonable diligence, such oper-
7 ations to include re-drilling, side-tracking or other means necessary
8 to reach the originally proposed bottom hole location, the lease shall
9 continue in effect until 90 days after drilling has ceased and for so
10 long thereafter as oil or gas is produced in paying quantities. If
11 all or part of the lands covered by the lease are lands that have
12 been selected by the state under laws of the United States granting
13 lands to the state and a conditional lease was issued thereon, the
14 term of the lease shall be extended for a period equal to the period
15 during which the lease was conditional.

16 * Sec. 3. This Act takes effect on the day after its passage and
17 approval or on the day it becomes law without approval.
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