

Offered: 3/14/68  
Referred: Rules

Original sponsor: Resources Committee

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

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CS FOR SENATE BILL NO. 377

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IN THE LEGISLATURE OF THE STATE OF ALASKA

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FIFTH LEGISLATURE - SECOND SESSION

5

A BILL

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For an Act entitled: "An Act relating to the exploration, development and

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extraction of oil and gas on state lands."

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

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\* Section 1. AS 31.05.090 is amended to read:

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Sec. 31.05.090. PERMITS AND FEES TO DRILL WELLS. (a) Except as provided in (b) of this section, a [A] person desiring to drill a well in search of oil or gas shall notify the department of his intent on a form prescribed by the department and shall pay a fee of \$50 for a permit for each well sought to be drilled. Upon receipt of notification and fee, the department shall promptly issue a permit to drill, unless the drilling of the well is contrary to law or a rule, regulation or order of the department. The drilling of a well is prohibited until a permit to drill is obtained in accordance with this chapter.

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(b) No oil and gas drilling permits shall be issued without first consulting with the commissioner of fish and game in order to determine what precautions may be necessary to mitigate possible adverse impact the drilling might have upon the fish and game resources. Recommendations by the commissioner of fish and game shall be considered. If his recommendations are not adopted, the legislature shall be furnished with both a compilation of the recommendations and an explanation as to why they were not adopted.

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

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(a) Except as provided in (a) of this section all [ALL] tide and submerged lands, mental health lands, school lands, and university

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1 lands shall be leased by competitive bidding, and whenever oil or gas  
2 is discovered in commercial quantities, the commissioner shall determine  
3 the extent of the area of lands in addition to tide, submerged, mental  
4 health lands, school, or university lands in the same general area of  
5 the discovery well which, by reason of the discovery, the commissioner  
6 reasonably believes to be capable of producing oil or gas, and the  
7 additional lands shall be leased to the highest responsible qualified  
8 bidder by competitive bidding under general regulations, in units of  
9 not exceeding 2,560 acres (except that tide and submerged lands shall  
10 be leased in units of not exceeding 5,760 acres), which shall be as  
11 nearly compact in form as possible, upon the payment by the lessee of  
12 such bonus as may be accepted by the commissioner and of such royalty  
13 as may be fixed in the lease which shall not be less than 12 1/2 per  
14 cent in amount or value of the production removed or sold from the  
15 lease. However, the holder of a lease who drills and makes the first  
16 discovery of oil or gas in commercial quantities in a geologic struc-  
17 ture shall pay a royalty on all production under the lease of five  
18 per cent for 10 years following the date of discovery and thereafter  
19 the royalty rate shall be not less than 12 1/2 per cent, provided,  
20 however, that the royalty rate for the first discovery in any unproven  
21 area of the Cook Inlet sedimentary basin shall not be less than 12 1/2  
22 per cent unless the commissioner specifically provides that such  
23 royalty shall be less at the time such lands are offered for lease  
24 and in no event shall such royalty be less than five per cent. All  
25 lands other than those above provided to be leased by competitive  
26 bidding may be leased competitively or noncompetitively as determined  
27 by the commissioner to be in the best interests of the state. Non-  
28 competitive leases shall be issued in units of not exceeding 2,560  
29 acres in any one lease. Noncompetitive leases shall be conditioned

1 upon the payment by the lessee of a royalty of 12 1/2 per cent in  
2 amount or value of the production removed or sold from the lease.  
3 However, the holder of a lease who drills and makes the first discovery  
4 of oil or gas in commercial quantities in a geologic structure shall  
5 pay a royalty on all production under the lease of five per cent for  
6 10 years following the date of discovery and thereafter the royalty  
7 rate is 12 1/2 per cent. Competitive leases issued under this sub-  
8 section shall be for 10 years and shall continue so long thereafter  
9 as oil or gas is produced in paying quantities. Noncompetitive leases  
10 issued under this subsection shall be for a primary term of five years  
11 and shall continue so long thereafter as oil or gas is produced in  
12 paying quantities. If drilling has commenced on the expiration date  
13 of the primary term of the lease and is continued with reasonable  
14 diligence, such operations to include re-drilling, sidetracking or  
15 other means necessary to reach the originally proposed bottom hole  
16 location, the lease shall continue in effect until 90 days after  
17 drilling has ceased and for so long thereafter as oil or gas is  
18 produced in paying quantities. If all or part of the lands covered  
19 by the lease are lands that have been selected by the state under laws  
20 of the United States granting lands to the state and a conditional  
21 lease was issued thereon, the term of the lease shall be extended for  
22 a period equal to the period during which the lease was conditional.

23 \* Sec. 3. AS 38.05.180 is amended by adding a new subsection to read:

24 (s) No lands may be leased for the purpose of oil and gas explora-  
25 tion development or extraction without first consulting with the com-  
26 missioner of fish and game in order to determine what precautions may  
27 be necessary to mitigate possible adverse impact oil exploration and  
28 development activities might have upon the fish and game resources.  
29 Recommendations by the commissioner of fish and game shall be considered

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If his recommendations are not adopted, the legislature shall be furnished with both a compilation of the recommendations and an explanation as to why they were not adopted.