

Introduced: 2/13/69
Referred: Resources and
State Affairs

1 IN THE HOUSE

BY HOLM

2 HOUSE BILL NO. 143

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to bidding procedures for oil and
7 gas leases."

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

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

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

1 provided, however, that the royalty rate for the first discovery in
2 any unproven area of the Cook Inlet sedimentary basin shall not be less
3 than 12 1/2 per cent unless the commissioner specifically provides
4 that such royalty shall be less at the time such lands are offered for
5 lease and in no event shall such royalty be less than five per cent.
6 [ALL LAND OTHER THAN THOSE ABOVE PROVIDED TO BE LEASED BY COMPETITIVE
7 BIDDING MAY BE LEASED COMPETITIVELY OR NONCOMPETITIVELY AS DETERMINED
8 BY THE COMMISSIONER TO BE IN THE BEST INTERESTS OF THE STATE.] Non-
9 competitive leases shall be issued in units of not exceeding 2,560 acres
10 in any one lease. Noncompetitive leases shall be conditioned upon the
11 payment by the lessee of a royalty of 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
16 years following the date of discovery and thereafter the royalty rate
17 is 12 1/2 per cent. Competitive leases issued under this subsection
18 shall be for 10 years and shall continue so long thereafter as oil or
19 gas is produced in paying quantities. Noncompetitive leases issued
20 under this subsection shall be for a primary term of five years and
21 shall continue so long thereafter as oil or gas is produced in paying
22 quantities. If drilling has commenced on the expiration date of the
23 primary term of the lease and is continued with reasonable diligence,
24 such operations to include redrilling, sidetracking or other means
25 necessary to reach the originally proposed bottom hole location, the
26 lease shall continue in effect until 90 days after drilling has ceased
27 and for so long thereafter as oil or gas is produced in paying quanti-
28 ties. If all or part of the lands covered by the lease are lands that
29 have been selected by the state under laws of the United States granting

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lands to the state and a 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.