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Referred: Resources and  
Finance

IN THE HOUSE

BY HOLM

HOUSE BILL NO. 153

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: 'An Act relating to oil and gas leasing procedures in the state; and providing for the creation of the Oil and Gas Leasing Board.'

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

\* Section 1. AS 44.37 is amended by adding new sections to read:

Sec. 44.37.040. OIL AND GAS LEASING BOARD. There is created within the Department of Natural Resources the Oil and Gas Leasing Board composed of five members. The commissioner of natural resources shall be a member; the remaining four members shall be appointed by the governor.

Sec. 44.37.041. QUALIFICATIONS OF BOARD MEMBERS. (a) Two members shall be selected from the state at large, shall be at least 21 years of age, and shall be American citizens.

(b) Two members shall be persons holding degrees in geology.

Sec. 44.37.042. TERMS OF OFFICE. (a) The members initially appointed under sec. 41(a) of this chapter serve terms of three years.

(b) The members initially appointed under sec. 41(b) of this chapter serve terms of four years. Subsequent terms for board members appointed under sec. 41(a) and (b) of this chapter shall be for four years.

(c) A vacancy occurring in the membership of the board shall be filled by appointment by the governor for the unexpired portion of the vacated term.

1 (d) Board members serve at the pleasure of the governor.

2 Sec. 44.37.043. COMPENSATION, PER DIEM, OR EXPENSES. Members of  
3 the Oil and Gas Leasing Board, with the exception of the commissioner  
4 of natural resources, are not entitled to a salary, but are entitled to  
5 per diem, reimbursement for travel and other expenses authorized by  
6 law for other boards.

7 Sec. 44.37.044. DUTIES. The board, by a majority vote, shall  
8 determine the oil and gas leasing policy of the state to the extent  
9 that this authority is expressly granted to the board under AS 38.05.-  
10 180(a).

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

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

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

1 thereafter as oil or gas is produced in paying quantities. If all or  
2 part of the lands covered by the lease are lands that have been selected  
3 by the state under laws of the United States granting lands to the state  
4 and a conditional lease was issued thereon, the term of the lease shall  
5 be extended for a period equal to the period during which the lease was  
6 conditional.