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Introduced: 3/6 '69
Referred: Resources and
Finance

1 IN THE HOUSE

BY JACKSON AND MILLER

2 HOUSE BILL NO. 263

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTH LEGISLATURE - FIRST SESSION

5 BILL

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

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

9 * Section 1. AS 38.05.180(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, or the
13 commissioner has geological data available which reasonably leads him
14 to believe that oil or gas is present in commercial quantities, the
15 commissioner shall determine the extent of the area of lands in addition
16 to tide, submerged, mental health lands, school, or university lands in
17 the same general area of the discovery well or promising geological data
18 which, by reason of the discovery, or data the commissioner reasonably
19 believes to be capable of producing oil or gas. AS 44.62.190 - 44.62.
20 300 shall apply to the procedure by the commissioner in determining
21 whether lands are to be leased competitively or noncompetitively. If
22 the commissioner's decision is not challenged or is finally upheld
23 [, AND] the additional lands shall be leased to the highest responsible
24 qualified bidder by competitive bidding under general regulations, in
25 units of not exceeding 2,560 acres (except that tide and submerged
26 lands shall be leased in units of not exceeding 5,760 acres), which
27 shall be as nearly compact in form as possible, upon the payment by the
28 lessee of such bonus as may be accepted by the commissioner and of such
29 royalty as may be fixed in the lease which shall not be less than 12 1/2

1 per cent in amount or value of the production removed or sold from the
2 lease. However, the holder of a lease who drills and makes the first
3 discovery of oil or gas in commercial quantities in a geologic structure
4 shall pay a royalty on all production under the lease of five per cent
5 for 10 years following the date of discovery and thereafter the royalty
6 rate shall be not less than 12 1/2 per cent, provided, however, that
7 the royalty rate for the first discovery in any unproven area of the
8 Cook Inlet sedimentary basin shall not be less than 12 1/2 per cent
9 unless the commissioner specifically provides that such royalty shall
10 be less at the time such lands are offered for lease and in no event
11 shall such royalty be less than five per cent. All lands other than
12 those above provided to be leased by competitive bidding shall [MAY] be
13 leased [COMPETITIVELY OR] noncompetitively [AS DETERMINED BY THE COMMIS-
14 SIONER TO BE IN THE BEST INTERESTS OF THE STATE]. Noncompetitive leases
15 shall be issued in units of not exceeding 2,560 acres in any one lease.
16 Noncompetitive leases shall be conditioned upon the payment by the
17 lessee of a royalty of 12 1/2 per cent in amount or value of the pro-
18 duction removed or sold from the lease. However, the holder of a lease
19 who drills and makes the first discovery of oil or gas in commercial,
20 quantities in a geologic structure shall pay a royalty on all produc-
21 tion under the lease of five per cent for 10 years following the date
22 of discovery and thereafter the royalty rate is 12 1/2 per cent.
23 Competitive leases issued under this subsection shall be for 10 years
24 and shall continue so long thereafter as oil or gas is produced in
25 paying quantities. Noncompetitive leases issued under this subsection
26 shall be for a primary term of five years and shall continue so long
27 thereafter as oil or gas is produced in paying quantities. If drilling
28 has commenced on the expiration date of the primary term of the lease
29 and is continued with reasonable diligence, such operations to include

1 redrilling, sidetracking or other means necessary to reach the
2 originally proposed bottom hole location, the lease shall continue in
3 effect until 90 days after drilling has ceased and for so long there-
4 after as oil or gas is produced in paying quantities. If all or part
5 of the lands covered by the lease are lands that have been selected by
6 the state under laws of the United States granting lands to the state
7 and a conditional lease was issued thereon, the term of the lease shall
8 be extended for a period equal to the period during which the lease was
9 conditional.

10 * Sec. 2. AS 38.05.145(b) is amended to read:

11 (b) If the state selects or otherwise acquires land other than
12 shorelands, title to which was in the federal government and which
13 at the effective date of the selection or acquisition, is subject to a
14 valid existing offer for a noncompetitive United States oil and gas
15 lease, or application for a prospecting permit or noncompetitive
16 mining lease for coal, phosphates, sulphur, oil shale, sodium, or po-
17 tassium under the federal act of February 25, 1920 (41 Stat. 437 as
18 amended), the offeror or applicant for the federal permit or lease, if
19 a qualified applicant hereunder, shall be considered the first quali-
20 fied applicant for a state noncompetitive oil and gas lease, prospect-
21 ing permit, or noncompetitive mining lease and is entitled to a state
22 noncompetitive lease or permit upon compliance with the provisions of
23 the regulations covering applications within 60 days after receipt of
24 written notice from the commissioner of selection or acquisition.
25 **These priorities are not effective if the land covered by the federal**
26 **offers or applications is classified by the commissioner as competitive**
27 **land within 90 days after the selection of the land is finally approved**
28 **by the Secretary of the Interior or the land is otherwise acquired**
29 **unless the offers or applications have been on file with the federal**

1 government for a period of not less than six months in which case the
2 commissioner may not change the disposition of the land by lease from
3 noncompetitive to competitive.

4 * Sec. 3. Section 2 of this Act is retroactive to January 1, 1969.

5 * Sec. 4. This Act takes effect on the day after its passage and approval
6 or on the day it becomes law without approval.