

Introduced: 2/9/70
Referred: Resources and
Finance

1 IN THE HOUSE

BY KERTTULA AND BRADNER

2 HOUSE BILL NO. 632

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to oil and gas royalties."

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

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

9 (a) All tide and submerged lands, mental health lands, school
10 lands, and university lands shall be leased by competitive bidding, and
11 whenever oil or gas is discovered in commercial quantities, the com-
12 missioner shall determine the extent of the area of lands in addition
13 to tide, submerged, mental health lands, school, or university lands in
14 the same general area of the discovery well which, by reason of the
15 discovery, the commissioner reasonably believes to be capable of pro-
16 ducing oil or gas, and the additional lands shall be leased to the
17 highest responsible qualified bidder by competitive bidding under
18 general regulations, in units of not exceeding 2,560 acres (except
19 that tide and submerged lands shall be leased in units of not exceeding
20 5,760 acres), which shall be as nearly compact in form as possible,
21 upon the payment by the lessee of such bonus as may be accepted by the
22 commissioner and of the royalty provided in (s) of this section [SUCH
23 ROYALTY AS MAY BE FIXED IN THE LEASE WHICH SHALL NOT BE LESS THAN 12 1/2
24 PER CENT IN AMOUNT OR VALUE OF THE PRODUCTION REMOVED OR SOLD FROM THE
25 LEASE]. All lands other than those above provided to be leased by
26 competitive bidding may be leased competitively or noncompetitively as
27 determined by the commissioner to be in the best interests of the state.
28 Noncompetitive 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 the payment by the lessee of the
2 royalty provided in (s) of this section [A ROYALTY OF 12 1/2 PER CENT
3 IN AMOUNT OR VALUE OF THE PRODUCTION REMOVED OR SOLD FROM THE LEASE].
4 Competitive leases issued under this subsection shall be for 10 years
5 except that in the Cook Inlet sedimentary basin, leases shall be for a
6 primary term of not more than 10 years and not less than five years
7 at the discretion of the commissioner, and shall continue so long there-
8 after as oil or gas is produced in paying quantities. Noncompetitive
9 leases issued under this subsection shall be for a primary term of
10 five years and shall continue so long thereafter as oil or gas is pro-
11 duced in paying quantities. If drilling has commenced on the expira-
12 tion date of the primary term of the lease and is continued with
13 reasonable diligence, such operations to include redrilling, side-
14 tracking or other means necessary to reach the originally proposed
15 bottom hole location, the lease shall continue in effect until 90 days
16 after drilling has ceased and for so long thereafter as oil or gas is
17 produced in paying quantities. If all or part of the lands covered
18 by the lease are lands that have been selected by the state under laws
19 of the United States granting lands to the state and a patent has not
20 been issued on them, a conditional lease may be issued. However, no
21 term extension may be granted for the period during which the lease
22 was conditional.

23 * Sec. 2. AS 38.05.180 is amended by adding a new subsection to read:

24 (s) The lessee shall pay the following royalty in amount or
25 value of the production removed or sold from the lease:

26 (1) Oil. When the average production for the month in
27 barrels per well per day is:

28 Barrels

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<u>Over</u>	<u>But not over</u>	<u>Royalty</u>
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1		--	50	12.5%
2	50	--	60	13
3	60	--	70	14
4	70	--	80	15
5	80	--	90	16
6	90	--	110	17
7	110	--	130	18
8	130	--	150	19
9	150	--	200	20
10	200	--	250	21
11	250	--	300	22
12	300	--	350	23
13	350	--	400	24
14	400	--		25

(2) Gas. When the average production of gas per well per day for the month does not exceed 5,000,000 cubic feet, 12 1/2 per cent; and when the production of gas exceeds 5,000,000 cubic feet, 16 2/3 per cent.

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