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Introduced: 1/30/69
Referred: Resources

IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

SENATE BILL NO. 81

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 leases; and providing
for an effective date."

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

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

(a) All tide and submerged lands, mental health lands, school lands, and university lands shall be leased by competitive bidding, and whenever oil or gas is discovered in commercial quantities, the commissioner shall determine the extent of the area of lands in addition to tide, submerged, mental health lands, school, or university lands in the same general area of the discovery well which, by reason of the discovery, the commissioner reasonably believes to be capable of producing oil or gas, and the additional lands shall be leased to the highest responsible qualified bidder by competitive bidding under general regulations, in units of not exceeding 2,560 acres (except that tide and submerged lands shall be leased in units of not exceeding 5,760 acres), which shall be as nearly compact in form as possible, upon the payment by the lessee of such bonus as may be accepted by the commissioner and of such royalty as may be fixed in the lease which shall not be less than 12 1/2 per cent in amount or value of the production removed or sold from the lease. However, the holder of a lease who drills and makes the first discovery of oil or gas in commercial quantities in a geologic structure shall pay a royalty on all production under the lease of five per cent for 10 years following the date of discovery and thereafter the royalty

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

1 the lease shall continue in effect until 90 days after drilling has
2 ceased and for so long thereafter as oil or gas is produced in paying
3 quantities. [IF ALL OR PART OF THE LANDS COVERED BY THE LEASE ARE
4 LANDS THAT HAVE BEEN SELECTED BY THE STATE UNDER LAWS OF THE UNITED
5 STATES GRANTING LANDS TO THE STATE AND A CONDITIONAL LEASE WAS ISSUED
6 THEREON, THE TERM OF THE LEASE SHALL BE EXTENDED FOR A PERIOD EQUAL
7 TO THE PERIOD DURING WHICH THE LEASE WAS CONDITIONAL.]

8 * Sec. 2. This Act takes effect on the day after its passage and approval
9 or on the day it becomes law without approval.

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