

Original sponsor: The Rules Committee  
by request of the Governor

Offer: 10/69

1 IN THE SENATE

BY THE COMMERCE COMMITTEE

2 CS FOR SENATE BILL NO. 81

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 oil and gas leases; and providing  
7 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,  
12 and whenever oil or gas is discovered in commercial quantities, the  
13 commissioner 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  
16 the discovery, the commissioner reasonably believes to be capable  
17 of producing oil or gas, and the additional lands shall be leased to  
18 the highest responsible qualified bidder by competitive bidding under  
19 general regulations, in units of not exceeding 2,560 acres (except  
20 that tide and submerged lands shall be leased in units of not exceeding  
21 5,760 acres), which shall be as nearly compact in form as possible,  
22 upon the payment by the lessee of such bonus as may be accepted by  
23 the commissioner and of such royalty as may be fixed in the lease  
24 which shall not be less than 12 1/2 per cent in amount or value of  
25 the production removed or sold from the lease. [HOWEVER, THE HOLDER  
26 OF A LEASE WHO DRILLS AND MAKES THE FIRST DISCOVERY OF OIL OR GAS IN  
27 COMMERCIAL QUANTITIES IN A GEOLOGIC STRUCTURE SHALL PAY A ROYALTY ON  
28 ALL PRODUCTION UNDER THE LEASE OF FIVE PER CENT FOR 10 YEARS FOLLOWING  
29 THE DATE OF DISCOVERY AND THEREAFTER THE ROYALTY RATE SHALL BE NOT

1 LESS THAN 12 1/2 PER CENT, PROVIDED, HOWEVER, THAT THE ROYALTY RATE  
2 FOR THE FIRST DISCOVERY IN ANY UNPROVEN AREA OF THE COOK INLET SEDI-  
3 MENTARY BASIN SHALL NOT BE LESS THAN 12 1/2 PER CENT UNLESS THE COM-  
4 MISSIONER SPECIFICALLY PROVIDES THAT SUCH ROYALTY SHALL BE LESS AT THE  
5 TIME SUCH LANDS ARE OFFERED FOR LEASE AND IN NO EVENT SHALL SUCH  
6 ROYALTY BE LESS THAN FIVE PER CENT.] All lands other than those above  
7 provided to be leased by competitive bidding may be leased competitively  
8 or noncompetitively as determined by the commissioner to be in the best  
9 interests of the state. Noncompetitive leases shall be issued in units  
10 of not exceeding 2,560 acres in any one lease. Noncompetitive leases  
11 shall be conditioned upon the payment by the lessee of a royalty of  
12 12 1/2 per cent in amount or value of the production removed or sold  
13 from the lease. [HOWEVER, THE HOLDER OF A LEASE WHO DRILLS AND MAKES  
14 THE FIRST DISCOVERY OF OIL OR GAS IN COMMERCIAL QUANTITIES IN A GEOLOG-  
15 IC STRUCTURE SHALL PAY A ROYALTY ON ALL PRODUCTION UNDER THE LEASE OF  
16 FIVE PER CENT FOR 10 YEARS FOLLOWING THE DATE OF DISCOVERY AND THERE-  
17 AFTER THE ROYALTY RATE IS 12 1/2 PER CENT.] Competitive leases issued  
18 under this subsection shall be for 10 years except that in the Cook  
19 Inlet sedimentary basin, leases shall be for a primary term of not more  
20 than 10 years and not less than five years at the discretion of the  
21 commissioner, and shall continue so long thereafter as oil or gas is  
22 produced 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 se-  
3 lected by the state under laws of the United States granting lands to  
4 the state and a patent has not been issued thereon, a conditional lease  
5 may be issued. However, no term extension may be granted for the  
6 period during which the lease was conditional. [CONDITIONAL LEASE WAS  
7 ISSUED THEREON, THE TERM OF THE LEASE SHALL BE EXTENDED FOR A PERIOD  
8 EQUAL TO THE PERIOD DURING WHICH THE LEASE WAS CONDITIONAL]

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

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