

5.9.
Introduced: 2/14/69
Referred: Resources

1 IN THE SENATE

BY B. PHILLIPS AND BUTROVICH

2 SENATE BILL NO. 152

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 bidding procedures for oil and
7 gas leases."

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 the
16 discovery, the commissioner reasonably believes to be capable of pro-
17 ducing oil or gas, and the additional lands shall be leased to the
18 highest responsible qualified bidder by competitive bidding under
19 general regulations, in units of not exceeding 2,560 acres (except that
20 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 the
23 commissioner and of such royalty as may be fixed in the lease which
24 shall not be less than 12 1/2 per cent in amount or value of the pro-
25 duction removed or sold from the lease. However, the holder of a
26 lease who drills and makes the first discovery of oil or gas in commer-
27 cial quantities in a geologic structure shall pay a royalty on all
28 production under the lease of five per cent for 10 years following the
29 date of discovery and thereafter the royalty rate shall be not less

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

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produced in paying quantities. If all or part of the lands covered by the lease are lands that have been selected by the state under laws of the United States granting lands to the state and a conditional lease was issued thereon, the term of the lease shall be extended for a period equal to the period during which the lease was conditional.