

Offered: 3/4/69
Referred: Resources

1 IN THE SENATE

BY B. PHILLIPS AND BUTROVICH

2 SPONSOR SUBSTITUTE FOR 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 38.05.145(b) is amended to read:

10 (b) If the state selects or otherwise acquires land other than
11 shorelands, title to which was in the federal government and which,
12 at the effective date of the selection or acquisition, is subject to a
13 valid existing offer for a noncompetitive United States oil and gas
14 lease, or application for a prospecting permit or noncompetitive mining
15 lease for coal, phosphates, sulphur, oil shale, sodium, or potassium
16 under the federal act of February 25, 1920 (41 Stat. 437 as amended),
17 the offeror or applicant for the federal permit or lease, if a qualified
18 applicant hereunder, shall be considered the first qualified applicant
19 for a state noncompetitive oil and gas lease, prospecting permit, or
20 noncompetitive mining lease and is entitled to a state noncompetitive
21 lease or permit upon compliance with the provisions of the regulations
22 covering applications within 60 days after receipt of written notice
23 from the commissioner of selection or acquisition. [THESE PRIORITIES
24 ARE NOT EFFECTIVE IF THE LAND COVERED BY THE FEDERAL OFFERS OR APPLICA-
25 TIONS IS CLASSIFIED BY THE COMMISSIONER AS COMPETITIVE LAND WITHIN 90 DAYS
26 AFTER THE SELECTION OF THE LAND IS FINALLY APPROVED BY THE SECRETARY OF
27 THE INTERIOR OR THE LAND IS OTHERWISE ACQUIRED.]

28 * Sec. 2. AS 38.05.180(a) is amended to read:

29 (a) All tide and submerged lands, mental health lands, school

1 lands, and university lands shall be leased by competitive bidding, and
2 whenever oil or gas is discovered in commercial quantities, the com-
3 missioner shall determine the extent of the area of lands in addition
4 to tide, submerged, mental health lands, school, or university lands
5 in the same general area of the discovery well which, by reason of the
6 discovery, the commissioner reasonably believes to be capable of pro-
7 ducing oil or gas, and the additional lands shall be leased to the
8 highest responsible qualified bidder by competitive bidding under
9 general regulations, in units of not exceeding 2,560 acres (except that
10 tide and submerged lands shall be leased in units of not exceeding
11 5,760 acres), which shall be as nearly compact in form as possible,
12 upon the payment by the lessee of such bonus as may be accepted by the
13 commissioner and of such royalty as may be fixed in the lease which
14 shall not be less than 12 1/2 per cent in amount or value of the pro-
15 duction removed or sold from the lease. However, the holder of a lease
16 who drills and makes the first discovery of oil or gas in commercial
17 quantities in a geologic structure shall pay a royalty on all production
18 under the lease of five per cent for 10 years following the date of
19 discovery and thereafter the royalty rate shall be not less than 12 1/2
20 per cent, provided, however, that the royalty rate for the first dis-
21 covery in any unproven area of the Cook Inlet sedimentary basin shall
22 not be less than 12 1/2 per cent unless the commissioner specifically
23 provides that such royalty shall be less at the time such lands are
24 offered for lease and in no event shall such royalty be less than five
25 per cent. All lands other than those above provided to be leased by
26 competitive bidding may be leased competitively or noncompetitive as
27 determined by the commissioner to be in the best interests of the state.
28 Whenever land is acquired by the state by selection from the public
29 domain of the United States, all federal noncompetitive oil and gas

1 lease offers pending at the time of the acquisition shall be recognized
2 by the state and noncompetitive oil and gas leases shall be issued to
3 any offeror who would have been entitled to a federal lease, but for the
4 acquisition by the state. Noncompetitive leases shall be issued in
5 units of not exceeding 2,560 acres in any one lease. Noncompetitive
6 leases shall be conditioned upon the payment by the lessee of a royalty
7 of 12 1/2 per cent in amount or value of the production removed or sold
8 from the lease. However, the holder of a lease who drills and makes
9 the first discovery of oil or gas in commercial quantities in a geologic
10 structure shall pay a royalty on all production under the lease of five
11 per cent for 10 years following the date of discovery and thereafter the
12 royalty rate is 12 1/2 per cent. Competitive leases issued under this
13 subsection shall be for 10 years and shall continue so long thereafter
14 as oil or gas is produced in paying quantities. Noncompetitive leases
15 issued under this subsection shall be for a primary term of five years
16 and shall continue so long thereafter as oil or gas is produced in
17 paying quantities. If drilling has commenced on the expiration date of
18 the primary term of the lease and is continued with reasonable diligence,
19 such operations to include redrilling, sidetracking or other means
20 necessary to reach the originally proposed bottom hole location, the
21 lease shall continue in effect until 90 days after drilling has ceased
22 and for so long thereafter as oil or gas is produced in paying quantities.
23 If all or part of the lands covered by the lease are lands that have
24 been selected by the state under laws of the United States granting
25 lands to the state and a conditional lease was issued thereon, the
26 term of the lease shall be extended for a period equal to the period
27 during which the lease was conditional.
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