

Introduced: 4/9/69  
Referred: Resources

1 IN THE SENATE

BY BUTROVICH AND B. PHILLIPS

2 SENATE BILL NO. 321

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 certain oil and gas lease  
7 applications."

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. Except as provided  
24 in sec. 180(a) of this chapter, these [THESE] priorities are not  
25 effective if the land covered by the federal offers or applications is  
26 classified by the commissioner as competitive land within 90 days after  
27 the selection of the land is finally approved by the Secretary of the  
28 Interior or the land is otherwise acquired.

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

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

1 domain of the United States, all federal noncompetitive oil and gas  
2 lease offers which were filed between October 1, 1966 and January 17,  
3 1969, and which are pending at the time of selection shall be recognized  
4 by the state and noncompetitive oil and gas leases shall be issued to  
5 any offeror who would have been entitled to a federal lease; except  
6 that no land which was classified as competitive by the state on  
7 January 24, 1969, need receive this recognition. Noncompetitive leases  
8 shall be issued in units of not exceeding 2,560 acres in any one lease.  
9 Noncompetitive leases shall be conditioned upon the payment by the  
10 lessee of a royalty of 12 1/2 per cent in amount or value of the pro-  
11 duction removed or sold from the lease. However, the holder of a  
12 lease who drills and makes the first discovery of oil or gas in com-  
13 mercial quantities in a geologic structure shall pay a royalty on all  
14 production under the lease of five per cent for 10 years following the  
15 date of discovery and thereafter the royalty rate is 12 1/2 per cent.  
16 Competitive leases issued under this subsection shall be for 10 years  
17 and shall continue so long thereafter as oil or gas is produced in  
18 paying quantities. Noncompetitive leases issued under this subsection  
19 shall be for a primary term of five years and shall continue so long  
20 thereafter as oil or gas is produced in paying quantities. If drilling  
21 has commenced on the expiration date of the primary term of the lease  
22 and is continued with reasonable diligence, such operations to include  
23 redrilling, sidetracking or other means necessary to reach the origin-  
24 ally proposed bottom hole location, the lease shall continue in effect  
25 until 90 days after drilling has ceased and for so long thereafter as  
26 oil or gas is produced in paying quantities. If all or part of the  
27 lands covered by the lease are lands that have been selected by the  
28 state under laws of the United States granting lands to the state and  
29 a conditional lease was issued thereon, the term of the lease shall be

1 extended for a period equal to the period during which the lease was  
2 conditional.  
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