

Introduced: 4/9/69
Referred: Resources

1 IN THE SENATE

BY PALMER

2 SENATE BILL NO. 326

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 production tax and royalties on
7 state oil and 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 in
15 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
23 the commissioner and of such royalty as may be fixed in the lease which
24 shall not be less than 22 1/2 [12 1/2] per cent in amount or value of
25 the production removed or sold from the lease. However, the holder of
26 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 follow-
29 ing the date of discovery and thereafter the royalty rate shall be not

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

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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.

* Sec. 2. AS 43.55.010 is amended by adding a new subsection to read:

(e) Any production tax paid under (a) of this section may be credited against the royalty payment owed to the state on the same lease.

* Sec. 3. This Act applies only to leases which are issued after the effective date of this Act.