

Introduced: 2/19/74
Referred: Resources,
Judiciary and Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 660

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the lease of state lands; and
7 providing 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,
13 the commissioner shall determine the extent of the area of lands
14 in addition to tide, submerged, mental health lands, school, or
15 university lands in the same general area of the discovery well
16 which, by reason of the discovery, the commissioner reasonably
17 believes to be capable of producing oil or gas, and the additional
18 lands shall be leased to the highest responsible qualified bidder
19 by competitive bidding under general regulations, in units of not
20 exceeding 2,560 acres (except that tide and submerged lands shall
21 be leased in units of not exceeding 5,760 acres), which shall be
22 as nearly compact in form as possible, upon the payment by the
23 lessee of such bonus as may be accepted by the commissioner and of
24 such royalty as may be fixed in the lease which shall not be less
25 than 12-1/2 per cent in amount or value of the production removed
26 or sold from the lease. All lands other than those above provided
27 to be leased by competitive bidding may be leased competitively or
28 noncompetitively as determined by the commissioner to be in the
29 best interests of the state. Noncompetitive leases shall be issued

1 in units of not exceeding 2,560 acres in any one lease. Noncom-
2 petitive leases shall be conditioned upon the payment by the lessee
3 of a royalty of not less than 12-1/2 per cent in amount or value
4 of the production removed or sold from the lease. Competitive
5 and noncompetitive leases issued under this subsection shall be
6 for not more than 10 and not less than five years [EXCEPT THAT IN
7 THE COOK INLET SEDIMENTARY BASIN, LEASES SHALL BE FOR A PRIMARY
8 TERM OF NOT MORE THAN 10 YEARS AND NOT LESS THAN FIVE YEARS] at the
9 discretion of the commissioner, and shall continue so long thereafter
10 as oil or gas is produced in paying quantities. [NONCOMPETITIVE
11 LEASES ISSUED UNDER THIS SUBSECTION SHALL BE FOR A PRIMARY TERM OF
12 FIVE YEARS AND SHALL CONTINUE SO LONG THEREAFTER AS OIL OR GAS IS
13 PRODUCED IN PAYING QUANTITIES.] If drilling has commenced on the
14 expiration date of the [PRIMARY] term of the lease and is continued
15 with reasonable diligence, such operations to include redrilling,
16 sidetracking or other means necessary to reach the originally
17 proposed bottom hole location, the lease shall continue in effect
18 until 90 days after drilling has ceased and for so long thereafter
19 as oil or gas is produced in paying quantities. If all or part
20 of the lands covered by the lease are lands that have been selected
21 by the state under laws of the United States granting lands to
22 the state and a patent has not been issued on them, a conditional
23 lease may be issued. However, no term extension may be granted for
24 the period during which the lease was conditional.

25 * Sec. 2. AS 38.05.180(c) is repealed.

26 * Sec. 3. This Act takes effect on the day after its passage and
27 approval or on the day it becomes law without approval.
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