

1 IN THE SENATE

BY HUBER

2 SENATE BILL NO. 649

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

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

1 conditioned upon the payment by the lessee of a royalty of 20 [12 1/2]
2 per cent in amount or value of the production removed or sold from the
3 lease. Competitive leases issued under this subsection shall be for 10
4 years except that in the Cook Inlet sedimentary basin, leases shall be
5 for a primary term of not more than 10 years and not less than five
6 years at the discretion of the commissioner, and shall continue so long
7 thereafter as oil or gas is produced in paying quantities. Noncompeti-
8 tive leases issued under this subsection shall be for a primary term of
9 five years and shall continue so long thereafter as oil or gas is
10 produced in paying quantities. If drilling has commenced on the expira-
11 tion date of the primary term of the lease and is continued with rea-
12 sonable diligence, such operations to include redrilling, sidetracking
13 or other means necessary to reach the originally produced bottom hole
14 location, the lease shall continue in effect until 90 days after drill-
15 ing has ceased and for so long thereafter as oil or gas is produced in
16 paying quantities. If all or part of the lands covered by the lease are
17 lands that have been selected by the state under laws of the United
18 States granting lands to the state and a patent has not been issued on
19 them, a conditional lease may be issued. However, no term extension may
20 be granted for the period during which the lease was conditional.
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