

Be it enacted by the Legislature of the State of Alaska:

Section 1. The sum of \$25,000 is appropriated from the general fund to the Local Affairs Agency for the payment of organizational grants to organized bor-

oughs according to the provisions of AS 07.10.170.

Sec. 2. This Act takes effect July 1, 1964.

Approved March 26, 1964

CHAPTER 30

AN ACT

Relating to the leasing of state mineral lands.

(C.S.S.B. 225)

Be it enacted by the Legislature of the State of Alaska:

Section 1. AS 38.05.135 is amended to read:

Sec. 38.05.135. **Generally.** Except as otherwise provided, valuable mineral deposits in lands belonging to the state shall be open to exploration, development, and the extraction of minerals. All lands, together with the tide, submerged, or shorelands, to which the state holds title or to which the state may become entitled, may be obtained by permit or lease for the purpose of exploration, development, and the extraction of minerals. Except as specifically limited by secs. 135 - 180 of this chapter, lands may be withheld from lease application on a first-come, first-served basis, and offered only on a competitive bid basis when determined by the commissioner to be in the best interests of the state. In unproven areas the commissioner may offer additional incentive and other terms in granting permit for exploration and development whenever it appears to be in the best interests of the state to do so.

Sec. 2. AS 38.05 is amended by adding a new section to read:

Sec. 38.05.137. **Leasing Agreements.** The commissioner is authorized to enter into cooperative mineral leasing agreements with the United States regarding lands which are the subject of a title dispute between federal and state authorities. Any such lease need not conform to the provisions of state law applicable to state leases issued under the authority of AS 38.05.

Sec. 3. AS 38.05.145 is amended to read:

Sec. 38.05.145. **Leasing Procedure.**
(a) Deposits of coal, phosphates, oil shale, sodium, potassium, oil, gas, and state lands containing these deposits are subject to disposition under rules and regulations, recommended by the director and adopted by the commissioner, and the provisions of secs. 145 - 180 of this chapter. In applying the acreage limitations the commissioner may apply the rule of approximation. The uses of the rule of approximation made before March 31, 1960, by the commissioner are ratified.

(b) If the state selects or otherwise acquires land other than shorelands, title to which was in the federal government and which, at the effective date of the selection or acquisition, is subject to a valid existing offer for a noncompetitive United States oil and gas lease, or application for a prospecting permit or noncompetitive mining lease for coal, phosphates, sulphur, oil shale, sodium, or potassium under the federal act of February 25, 1920 (41 Stat. 437 as amended), the offeror or applicant for the federal permit or lease, if a qualified applicant hereunder, shall be considered the first qualified applicant for a state noncompetitive oil and gas lease, prospecting permit, or noncompetitive mining lease and is entitled to a state noncompetitive lease or permit upon compliance with the provisions of the regulation covering applications within 60 days after receipt of written notice from the commissioner of selection or acquisition. These priorities are not

effective if the land covered by the federal offers or applications is classified by the commissioner as competitive land within 90 days after the selection of the land is finally approved by the Secretary of the Interior or the land is otherwise acquired.

Sec. 4. AS 38.05.180(a) is amended to read:

(a) All tide and submerged lands, mental health lands, school lands, and university lands shall be leased by competitive bidding, and whenever oil or gas is discovered in commercial quantities, the commissioner shall determine the extent of the area of lands in addition to tide, submerged, mental health lands, school, or university lands in the same general area of the discovery well which, by reason of the discovery, the commissioner reasonably believes to be capable of producing oil or gas, and the additional lands shall be leased to the highest responsible qualified bidder by competitive bidding under general regulations in units of not exceeding 2,560 acres (except that tide and submerged lands shall be leased in units of not exceeding 5,760 acres), which shall be as nearly compact in form as possible, upon the payment by the lessee of such bonus as may be accepted by the commissioner and of such royalty as may be fixed in the lease which shall not be less than 12½ per cent in amount or value of the production removed or sold from the lease. However, the holder of a lease who drills and makes the first discovery of oil or gas in commercial quantities in a geologic structure shall pay a royalty on all production under the lease of five per cent for 10 years following the date of discovery and thereafter the royalty rate shall be not less than 12½ per cent. All lands other than those above provided to be leased by competitive bidding may be leased competitively or noncompetitively as determined by the commissioner to be in the best interests of the state. Noncompetitive leases shall be issued in units of not exceeding 2,560 acres in any one lease. Noncompetitive leases shall be conditioned upon the payment by the lessee of a royalty of 12½ per cent in amount or

value of the production removed or sold from the lease. However, the holder of a lease who drills and makes the first discovery of oil or gas in commercial quantities in a geologic structure shall pay a royalty on all production under the lease of five per cent for 10 years following the date of discovery and thereafter the royalty rate of 12½ per cent. Competitive leases issued under this subsection shall be for 10 years and shall continue so long thereafter as oil or gas is produced in paying quantities. Noncompetitive leases issued under this subsection shall be for a primary term of five years and shall continue so long thereafter as oil or gas is produced in paying quantities. If drilling has commenced on the expiration date of the primary term of the lease and is continued with reasonable diligence, such operations to include re-drilling, sidetracking or other means necessary to reach the originally proposed bottom hole location, the lease shall continue in effect until 90 days after drilling has ceased and for so long thereafter as oil or gas is produced in paying quantities. If all or part of the lands covered by the lease are lands that have been 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. 5. AS 38.05.180(d) is amended to read:

(d) The commissioner may provide for extension of the term of a lease whether competitive or noncompetitive, if all or part of the lease is included in an approved unit plan or program of secondary recovery operation to bring about or restore production.

Sec. 6. AS 38.05.180(k) is amended to read:

(k) Instead of the foregoing procedure, the federal lessee or his assignee may, at his option, exercise his preference right for a state lease on the shorelands included within the exterior boundaries of his federal lease

by applying to the division of lands, Department of Natural Resources. If, at the time of applying, the lands are classified as noncompetitive, the state shall, upon application, issue a lease covering whatever shorelands are included within the exterior boundaries of the federal lease. If, at the time of applying, the shorelands included in the federal lease are classified as competitive lands, the lands shall be leased by competitive bidding. The competitive lease shall be issued to the federal lessee or his assignee upon payment to the state of an amount equal to the highest bid for the lease, plus the rental for the first year, payment to be made within 10 days after the lessee's or assignee's receipt of written notice from the director of the division of lands of the amount of the highest bid. These leases, whether competitive or noncompetitive, shall carry the

same conditions as an ordinary state lease on the same lands, except that the term of the state lease shall conform to that of the adjoining federal lease, including extended terms, and shall terminate if the federal lease is terminated for any reason. The lease shall provide for annual rental at the rate of \$100 a unit of 640 acres or part thereof of the lands included within the federal lease until agreement is reached between the state and the Secretary of the Interior of the United States, or his authorized representative, as to the actual area of the shorelands included in the federal lease, and as to the apportionment between the state and federal government of the rental theretofore paid under the federal lease.

Sec. 7. AS 38.05.180(f) is repealed.

Approved March 27, 1964

CHAPTER 31

AN ACT

Relating to the classification of state lands.

(S.B. 285)

Be it enacted by the Legislature of the State of Alaska:

Section 1. AS 38.05.020(b)(1) is amended to read:

(1) establish reasonable procedures and adopt reasonable rules and regulations necessary to carry out this chapter and may, whenever necessary, issue directives or orders to the director to carry out specific functions and duties. All rules and regulations adopted by the commissioner shall be adopted under the Administrative Procedure Act (AS 44.62). Orders by the commissioner classifying lands issued after January 3, 1959, are not required to be adopted under the Administrative Procedure Act (AS 44.62);

Sec. 2. AS 38.05.300 is amended to read:

Sec. 38.05.300. **Classification of Lands.** The director shall make a preliminary classification for surface use of all lands in areas where he considers

it necessary and proper for future development. The classification, together with a land use plan, shall be transmitted to the commissioner for his approval, modification, or rejection. This section does not prevent reclassification of lands where the public interest warrants reclassification, nor does it preclude multiple purpose use of lands whenever different uses are compatible. No state land, water, or land and water area shall, except by act of the state legislature, be closed to multiple purpose use, if the area involved contains more than 640 acres.

Sec. 3. AS 38.05.365(14) is repealed and re-enacted to read:

(14) "school lands" means those rectangular sections 16 and 36 within each township surveyed on or before January 3, 1959, and confirmed and transferred to the State of Alaska upon its admission under sec. 6(k), Alaska Statehood Act, 72 Stat. 339, and any