

REFERENCE TITLE: state lands; mineral leases

State of Arizona  
Senate  
Forty-eighth Legislature  
First Regular Session  
2007

## **SB 1435**

Introduced by  
Senator Flake

AN ACT

AMENDING SECTION 27-272, ARIZONA REVISED STATUTES; RELATING TO LEASE OF STATE  
LANDS FOR COMMON VARIETY MINERALS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 27-272, Arizona Revised Statutes, is amended to  
3 read:

4 27-272. Common variety mineral leases; terms and conditions;  
5 rules

6 A. The state land department may dispose of common variety minerals at  
7 auction and may execute common variety mineral leases offered at auction for  
8 the severance, extraction or disposal of common variety minerals.

9 B. A lease shall be comprised of not more than one legal section of  
10 six hundred forty acres, more or less, or lot of the public land survey and  
11 shall provide for:

12 1. A term of not more than ten years unless the commissioner considers  
13 a longer term to be necessary, but in no event may the lease issue for a term  
14 longer than twenty years.

15 2. A rental based on a percentage of the appraised land value, payable  
16 before the commissioner executes the lease and at the beginning of each  
17 subsequent annual period.

18 3. The right of the lessee:

19 (a) To use as much of the surface of the premises as is reasonably  
20 necessary to extract, sever, temporarily store, remove and dispose of common  
21 variety minerals.

22 (b) To wash, screen, crush, sort or otherwise mechanically process.

23 (c) Of ingress to and egress from the premises across other state  
24 lands along designated routes approved by the department.

25 (d) To assign the lease, provided that such assignment shall not  
26 become effective until a copy of the lease is filed with the department and  
27 is approved by the commissioner as being in the best interests of the state.

28 4. Other terms and conditions as the department may deem for the best  
29 interests of the state and that are not in conflict with the enabling act,  
30 constitution and laws of this state.

31 C. The department shall establish in the lease the terms of the  
32 royalty to be paid for all common variety minerals severed or extracted from  
33 the leased land and disposed of by the lessee. The royalty rate shall be  
34 established by auction, but it shall be at least the minimum royalty  
35 established by the department based on the appraised value of the common  
36 variety minerals. The lease shall provide for:

37 1. Payment of a minimum annual royalty due and payable on the  
38 anniversary date of the lease. The minimum annual royalty shall be based on  
39 a minimum annual production rate and shall be applied as a credit to payment  
40 for common variety minerals extracted or severed from the land. Royalty for  
41 any common variety mineral extracted, severed or disposed of in excess of the  
42 minimum annual production is due and payable monthly, within thirty days  
43 after billing.

1           2. The application of minimum annual royalty payments as a credit for  
2 payment of common variety minerals for which payment must be made. Monies so  
3 advanced and not credited against payments for common variety minerals become  
4 the sole property of this state on termination or expiration of the  
5 agreement.

6           D. AT LEAST THIRTY BUT NOT MORE THAN SIXTY DAYS BEFORE THE EXPIRATION  
7 OF THE LEASE, THE LESSEE MAY APPLY TO THE COMMISSIONER TO RENEW THE LEASE.  
8 IF THE LESSEE IS NOT DELINQUENT IN PAYING THE RENTAL AND ROYALTY ON THE  
9 EXPIRATION DATE OF THE LEASE, THE LESSEE SHALL HAVE A PREFERRED RIGHT TO  
10 RENEW THE LEASE. IF THE LESSEE HAS SUBSTANTIALLY COMPLIED WITH THE  
11 REQUIREMENTS OF THE LAW AND THE TERMS OF THE LEASE, THE COMMISSIONER MUST  
12 RENEW THE LEASE UNLESS WITHIN TWO YEARS AFTER THE DATE OF THE RENEWAL  
13 APPLICATION THE COMMISSIONER NOTIFIES THE LESSEE THAT RENEWAL IS NOT IN THE  
14 BEST INTEREST OF THE TRUST.

15           ~~D.~~ E. Common variety minerals are not subject to lease as provided by  
16 articles 3 and 4 of this chapter.

17           ~~E.~~ F. The department shall adopt rules necessary for the  
18 administration of this article.