

Senate Engrossed

land sales; foreign entities; prohibition

State of Arizona
Senate
Fifty-sixth Legislature
First Regular Session
2023

SENATE BILL 1115

AN ACT

AMENDING SECTIONS 37-231 AND 37-240, ARIZONA REVISED STATUTES; RELATING TO
LAND SALES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 37-231, Arizona Revised Statutes, is amended to
3 read:

4 37-231. State lands subject to sale; rights reserved in lands
5 sold; state lands not subject to sale; development
6 agreements

7 A. All state lands, except as otherwise provided for in this title,
8 including all improvements made or placed on or connected with state
9 lands, shall be subject to appraisal and sale as provided in this title.

10 B. Any person over eighteen years of age is entitled to purchase
11 any of ~~the state~~ THIS STATE'S lands EXCEPT AS PROVIDED IN SECTION 37-240.

12 C. All sales, grants, deeds or patents to any state lands sold
13 between July 9, 1954 and March 18, 1968 shall be subject to and shall
14 contain a reservation to ~~the~~ THIS state of an undivided one-sixteenth of
15 all oil, gases and other hydrocarbon substances, coal or stone, metals,
16 minerals, fossils and fertilizer of every name and description, together
17 with all uranium, all thorium, or any other material ~~which~~ THAT is or may
18 be determined by the laws of ~~the~~ THIS state or the United States or
19 decisions of courts to be peculiarly essential to the production of
20 fissionable materials, whether or not of commercial value, subject to the
21 following:

22 1. For the purpose of promoting the sale of state lands and the
23 more active cooperation of the owner of the soil, and to facilitate the
24 development of its mineral resources, the state constitutes the purchaser
25 of the land its agent for the purposes specified in this section, and in
26 consideration hereof, relinquishes to and vests in the purchaser of the
27 state land an undivided fifteen-sixteenths of all oil, gas and the value
28 thereof which may be ~~upon~~ ON or within any state land purchased after
29 July 9, 1954 and before March 18, 1968.

30 2. The purchaser of the soil may sell or lease to any person, firm
31 or corporation the oil and gas and other minerals ~~which~~ THAT may be on or
32 in the land, ~~upon~~ ON terms and conditions the purchaser and the owner deem
33 best, subject to the provisions and reservations of this section, but the
34 lessee or purchaser shall pay to ~~the~~ THIS state an undivided one-sixteenth
35 of the mineral produced or the value of the mineral produced at the well
36 or mine as determined by the ~~state land~~ department.

37 3. ~~upon~~ ON discovery of oil and gas in paying quantities on land
38 adjoining state lands purchased under the authority of this section, the
39 purchaser or the purchaser's lessee shall drill and produce all wells
40 necessary to protect the land so purchased from drainage by wells on lands
41 in which ~~the~~ THIS state has no royalty interest, ~~or~~ has a lesser royalty
42 interest. If the purchaser or the purchaser's lessee fails to protect
43 against such drainage, ~~the~~ THIS state, acting through the ~~state land~~
44 department, ~~may~~, three months after demand therefor in writing by the
45 ~~state land~~ department to such purchaser and the purchaser's lessee, MAY

1 enter ~~upon~~ ON such lands and drill all wells necessary to protect ~~the~~ THIS
2 state against such drainage.

3 4. The interest reserved by ~~the~~ THIS state in any state lands sold
4 may be committed to a drilling unit or cooperative or unit plans of
5 development and operation of oil and gas pools with the United States, its
6 agencies and its and their lessees and permittees, and with private owners
7 and persons holding oil and gas leases on private lands or on state
8 lands. The ~~state land~~ department ~~may~~, insofar as the interest of ~~the~~ THIS
9 state may be affected thereby, MAY join in and consent to any such plan on
10 behalf of ~~the~~ THIS state. Such agreements shall provide for the equitable
11 division on an agreed basis of the oil and gas produced from the unit, but
12 ~~no~~ such agreement shall NOT relieve any operator from the obligation to
13 develop reasonably the lands and leases as a whole committed thereto. The
14 royalties to which ~~the~~ THIS state is entitled on production from land
15 purchased under this section shall be computed only on that part of the
16 production allocated to such tract. When the agreements made under this
17 section provide for the return of gas to a formation underlying the unit,
18 they may provide that no royalties are required to be paid on the gas so
19 returned.

20 D. State lands known to contain oil, gases and other hydrocarbon
21 substances, geothermal resources, coal or stone, metals, minerals, fossils
22 and fertilizer of every name and description, in paying quantities, or
23 uranium, thorium or any other material ~~which~~ THAT is or may be determined
24 by the laws of ~~the~~ THIS state OR the United States or BY decisions of
25 court to be peculiarly essential to the production of fissionable
26 materials, whether or not of commercial value, and state lands adjoining
27 lands ~~upon~~ ON which there are producing oil, gas or geothermal wells or
28 adjoining lands known to contain any of such substances in paying
29 quantities, or uranium, thorium or any other material peculiarly essential
30 to the production of fissionable materials, whether or not of commercial
31 value, shall not be sold. The prohibition against sale shall not operate
32 to prevent the sale of lands known to contain, in paying quantities,
33 common variety minerals as defined in section 27-271 or to prevent the
34 sale of lands where ~~the~~ THIS state does not own such substances, minerals
35 or metals in the lands sought to be sold. ~~The provisions of~~ This
36 subsection ~~shall~~ DOES not prohibit the sale of such lands located within
37 the exterior boundaries of an incorporated city or town, in which case the
38 commissioner may offer the land for sale, provided the land shall be used
39 solely for a public purpose. Such land shall revert to ~~the~~ THIS state if
40 it is used other than for a public purpose.

41 E. Notwithstanding ~~the provisions of~~ subsection C of this section,
42 all state lands sold after March 18, 1968 shall be sold with the
43 reservation that all oil, gas, other hydrocarbon substances, helium or
44 other substances of a gaseous nature, geothermal resources, coal, metals,
45 minerals, fossils, fertilizer of every name and description, together with

1 all uranium, all thorium or any other material ~~which~~ THAT is or may be
2 determined by the laws of the United States or of this state, ~~or~~ BY
3 decisions of court, ~~to~~ be peculiarly essential to the production of
4 fissionable materials, whether or not of commercial value, and the
5 exclusive right thereto, on, in, or under such land, shall be and remain
6 and be reserved in and retained by ~~the~~ THIS state, regardless of any sale
7 under this section and the issuance of any certificate of purchase to any
8 purchaser of state lands pursuant to this section, provided, that the
9 reservation shall not include common variety minerals as defined in
10 section 27-271, subject to the following:

11 1. The ~~state land~~ department shall adopt rules providing for the
12 protection of the patentee or contract purchaser of state lands, or their
13 successors in interest, and ~~the~~ THIS state ~~of Arizona~~, against damage to
14 the lands, livestock, water, crops, ~~or~~ other tangible improvements on
15 lands held by such patentee or contract purchaser, and suffered by reason
16 of the use or occupation of such lands by lessees or permittees engaged in
17 mining and oil, gas and geothermal resource exploration and development
18 under leases or permits executed by the department. The ~~state land~~
19 department ~~may~~, at any time, MAY require each of its lessees or permittees
20 to execute a bond in a reasonable principal amount conditioned ~~upon~~ ON
21 payment for all such damages.

22 2. The mineral rights reserved to ~~the~~ THIS state in the lands sold
23 shall be closed to entry and location as a mineral claim or claims, but
24 the department may issue, ~~upon~~ ON application, mineral exploration permits
25 embracing the reserved mineral rights when such issuance is deemed in the
26 best interest of ~~the~~ THIS state, provided that the surface owner or owners
27 shall have the first right of refusal to acquire such mineral exploration
28 permits.

29 Sec. 2. Section 37-240, Arizona Revised Statutes, is amended to
30 read:

31 37-240. Limits on sales of state lands; definition

32 A. ~~No~~ A person may NOT purchase more than six hundred forty acres
33 of grazing land, ~~or~~ or more than one hundred sixty acres of agricultural
34 land.

35 B. ~~No Sales, leases or subleases~~ of state lands ~~shall~~ MAY NOT be
36 made to corporations or associations not qualified to transact business in
37 ~~the~~ THIS state.

38 C. BEGINNING FROM AND AFTER THE EFFECTIVE DATE OF THIS AMENDMENT TO
39 THIS SECTION, SALES OF STATE LANDS MAY NOT BE MADE TO A FOREIGN ENTITY.

40 D. FOR THE PURPOSES OF THIS SECTION, "FOREIGN ENTITY":

41 1. MEANS A FOREIGN GOVERNMENT OR A STATE-CONTROLLED ENTERPRISE OF A
42 FOREIGN GOVERNMENT.

43 2. DOES NOT INCLUDE THE UNITED STATES GOVERNMENT OR ITS STATES,
44 TERRITORIES OR POSSESSIONS.