



Sectional Analysis

Senate Bill 194 – Reduce Royalty on Cook Inlet Oil & Gas (33-GS2381\A)

Section 1: Amends AS 38.05.180(f)(5). The original statute granted a five-percent royalty rate for oil or gas for the first ten years but was limited to six Cook Inlet fields discovered before 1988 and provided a deadline of January 1, 2004, for start of production (in AS 38.05.180(dd)).

This amendment modifies the program to include new production in Cook Inlet, regardless of discovery date, and removes limits on eligible volumes of oil or gas during the ten-year period of reduced royalty. Eligibility is subject to determination by the Department of Natural Resources (DNR) commissioner, rather than being automatic.

Section 2: Repeals the following statutes:

AS 31.05.030(i):

This section relates to the powers and duties of the Alaska Oil and Gas Conservation Commission (AOGCC) and the paragraph outlines the procedure for approving plans of development by the AOGCC. This statute is no longer necessary because the Department of Natural Resources, not the AOGCC, is the agency that administers and approves plans of development.

AS 38.05.180(dd):

This section relates to the State of Alaska's oil and gas and gas only leasing policies. Paragraph (dd) established a deadline for start of production under the unamended AS 38.05.180(f)(5) and is no longer appropriate.

Section 3: The legislation takes effect immediately under AS 01.10.070(c).