

SENATE BILL NO. 185

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY SENATOR WAGONER

Introduced: 4/11/03

Referred: Resources

A BILL

FOR AN ACT ENTITLED

1 **"An Act providing for a reduction of royalty on certain oil produced from Cook Inlet**
2 **submerged land."**

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 *** Section 1.** AS 38.05.180(f)(5) is amended to read:

5 (5) notwithstanding and in lieu of a requirement in the leasing method
6 chosen of a minimum fixed royalty share, or the royalty provision of a lease, for leases
7 unitized as described in (p) of this section, leases subject to an agreement described in
8 (s) or (t) of this section, or interests unitized under AS 31.05,

9 (A) the lessee of all or part of an oil or gas field identified in
10 this section that has been granted approval of a written plan submitted to the
11 Alaska Oil and Gas Conservation Commission under AS 31.05.030(i) shall,
12 subject to (dd) of this section, pay a royalty of five percent on the first
13 25,000,000 barrels of oil and the first 35,000,000,000 cubic feet of gas
14 produced for sale from that field that occurs in the 10 years following the date

1 on which the production for sale commences; the fields eligible for royalty
 2 reduction under this paragraph, all of which are located within the Cook Inlet
 3 sedimentary basin, were discovered before January 1, 1988, and have been
 4 undeveloped or shut in from at least January 1, 1988, through December 31,
 5 1997, are

6 (i) [(A)] Falls Creek;

7 (ii) [(B)] Nicolai Creek;

8 (iii) [(C)] North Fork;

9 (iv) [(D)] Point Starichkof;

10 (v) [(E)] Redoubt Shoal; and

11 (vi) [(F)] West Foreland;

12 (B) the lessee of all or part of an oil field located offshore
 13 beneath the submerged lands of Cook Inlet shall pay a royalty of five
 14 percent on oil produced from the field or platform if oil production that
 15 equaled or exceeded a volume of 1,200 barrels a day declines to less than
 16 that amount, as certified by the Alaska Oil and Gas Conservation
 17 Commission, for as long as the volume of oil produced from the field or
 18 platform remains less than 1,200 barrels a day; and

19 (C) the lessee of all or part of an oil field located offshore
 20 beneath the submerged lands of Cook Inlet shall pay a royalty calculated
 21 under this subparagraph if the volume of oil produced from a field or
 22 platform that was certified by the Alaska Oil and Gas Conservation
 23 Commission under (B) of this paragraph later increases to 1,200 or more
 24 barrels a day and remains at 1,200 or more barrels a day for more than 90
 25 days; until the royalty rate determined under this subparagraph applies,
 26 the royalty continues to be calculated under (B) of this paragraph; on and
 27 after the day the increased production exceeds 90 days, the royalty
 28 payable under this subparagraph is

29 (i) for production of more than 1,200 barrels a day
 30 but not more than 1,300 barrels a day - seven percent;

31 (ii) for production of more than 1,300 barrels a day

1 **but not more than 1,400 barrels a day - eight percent;**
2 **(iii) for production of more than 1,400 barrels a day**
3 **but not more than 1,500 barrels a day - nine percent; and**
4 **(iv) for production of more than 1,500 barrels a day**
5 **- 10 percent.**