

**CS FOR SENATE BILL NO. 185(RES)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - FIRST SESSION

**BY THE SENATE RESOURCES COMMITTEE**

**Offered: 5/7/03**

**Referred: Finance**

**Sponsor(s): SENATOR WAGONER**

**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) is amended by adding a new paragraph to read:

5 (6) 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, the lessee of all or part of  
9 an oil field located offshore in Cook Inlet on which an oil production platform  
10 specified in (A) or (C) of this paragraph operates, or the lessee of all or part of the  
11 field located offshore in Cook Inlet and described in (E) of this paragraph,

12 (A) shall pay a royalty of five percent on oil produced from the  
13 platform if oil production that equaled or exceeded a volume of 1,200 barrels a  
14 day declines to less than that amount for a period of at least one calendar

1 quarter, as certified by the Alaska Oil and Gas Conservation Commission, for  
 2 as long as the volume of oil produced from the platform remains less than  
 3 1,200 barrels a day; the provisions of this subparagraph apply to

- 4 (i) Dolly;
- 5 (ii) Grayling;
- 6 (iii) King Salmon;
- 7 (iv) Steelhead; and
- 8 (v) Monopod;

9 (B) shall pay a royalty calculated under this subparagraph if the  
 10 volume of oil produced from the platform that was certified by the Alaska Oil  
 11 and Gas Conservation Commission under (A) of this paragraph later increases  
 12 to 1,200 or more barrels a day and remains at 1,200 or more barrels a day for a  
 13 period of at least one calendar quarter; until the royalty rate determined under  
 14 this subparagraph applies, the royalty continues to be calculated under (A) of  
 15 this paragraph; on and after the first day of the month following the month the  
 16 increased production exceeds the period specified in this paragraph, the royalty  
 17 payable under this subparagraph is

- 18 (i) for production of at least 1,200 barrels a day but not  
 19 more than 1,300 barrels a day - seven percent;
- 20 (ii) for production of more than 1,300 barrels a day but  
 21 not more than 1,400 barrels a day - 8.5 percent;
- 22 (iii) for production of more than 1,400 barrels a day but  
 23 not more than 1,500 barrels a day - 10 percent; and
- 24 (iv) for production of more than 1,500 barrels a day -  
 25 12.5 percent;

26 (C) shall pay a royalty of five percent on oil produced from the  
 27 platform if oil production that equaled or exceeded a volume of 750 barrels a  
 28 day declines to less than that amount for a period of at least one calendar  
 29 quarter, as certified by the Alaska Oil and Gas Conservation Commission, for  
 30 as long as the volume of oil produced from the platform remains less than 750  
 31 barrels a day; the provisions of this subparagraph apply to

- 1 (i) Granite Point;  
2 (ii) Anna;  
3 (iii) Bruce;  
4 (iv) Baker;  
5 (v) Dillon;  
6 (vi) XTO.A; and  
7 (vii) XTO.C;

8 (D) shall pay a royalty calculated under this subparagraph if the  
9 volume of oil produced from the platform that was certified by the Alaska Oil  
10 and Gas Conservation Commission under (C) of this paragraph later increases  
11 to 750 or more barrels a day and remains at 750 or more barrels a day for a  
12 period of at least one calendar quarter; until the royalty rate determined under  
13 this subparagraph applies, the royalty continues to be calculated under (C) of  
14 this paragraph; on and after the first day of the month following the month the  
15 increased production exceeds the period specified in this paragraph, the royalty  
16 payable under this subparagraph is

- 17 (i) for production of at least 750 barrels a day but not  
18 more than 850 barrels a day - seven percent;  
19 (ii) for production of more than 850 barrels a day but  
20 not more than 1,000 barrels a day - 8.5 percent;  
21 (iii) for production of more than 1,000 barrels a day but  
22 not more than 1,200 barrels a day - 10 percent; and  
23 (iv) for production of more than 1,200 barrels a day -  
24 12.5 percent;

25 (E) shall pay a royalty of five percent on oil produced from the  
26 field if oil production that equaled or exceeded a volume of 750 barrels a day  
27 declines to less than that amount for a period of at least one calendar quarter,  
28 as certified by the Alaska Oil and Gas Conservation Commission, for as long  
29 as the volume of oil produced from the field remains less than 750 barrels a  
30 day; the provisions of this subparagraph apply to the West McArthur River  
31 field;

1 (F) shall pay a royalty calculated under this subparagraph if the  
2 volume of oil produced from the field that was certified by the Alaska Oil and  
3 Gas Conservation Commission under (E) of this paragraph later increases to  
4 750 or more barrels a day and remains at 750 or more barrels a day for a period  
5 of at least one calendar quarter; until the royalty rate determined under this  
6 subparagraph applies, the royalty continues to be calculated under (E) of this  
7 paragraph; on and after the first day of the month following the month the  
8 increased production exceeds the period specified in this paragraph, the royalty  
9 payable under this subparagraph is

10 (i) for production of at least 750 barrels a day but not  
11 more than 850 barrels a day - seven percent;

12 (ii) for production of more than 850 barrels a day but  
13 not more than 1,000 barrels a day - 8.5 percent;

14 (iii) for production of more than 1,000 barrels a day but  
15 not more than 1,200 barrels a day - 10 percent; and

16 (iv) for production of more than 1,200 barrels a day -  
17 12.5 percent; and

18 (G) may obtain the benefits of the royalty adjustments set out  
19 in (A) - (D) of this paragraph only if the reduction in production from the  
20 platform, or as set out in (E) and (F) of this paragraph only if the reduction of  
21 production from the field, is calculated

22 (i) based on the average daily production during the  
23 calendar quarter based on reservoir conditions; and

24 (ii) without consideration of short-term production  
25 declines due to mechanical or other choke-back factors, temporary  
26 shutdowns or decreased production due to environmental or facility  
27 constraints, or market conditions.