

106TH CONGRESS
1ST SESSION

S. 924

Entitled the “Federal Royalty Certainty Act”.

IN THE SENATE OF THE UNITED STATES

APRIL 29, 1999

Mr. NICKLES (for himself, Ms. LANDRIEU, Mr. MURKOWSKI, Mr. DOMENICI, and Mrs. HUTCHISON) introduced the following bill; which was read twice and referred to the Committee on Energy and Natural Resources

A BILL

Entitled the “Federal Royalty Certainty Act”.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Federal Royalty Cer-
5 tainty Act.”

6 **SEC. 2. AMENDMENT OF OUTER CONTINENTAL SHELF**
7 **LANDS ACT.**

8 Section 8(b)(3) of the Outer Continental Shelf Lands
9 Act, as amended (43 U.S.C. § 1337(b)(3)), is amended by
10 striking the semicolon and adding the following proviso:
11 “: *Provided*, That if the payment is in value or amount,

1 the royalty due in value shall be based on the value of
 2 oil or gas production at the lease in marketable condition,
 3 and the royalty due in amount shall be based on the roy-
 4 alty share of production at the lease. If the payment in
 5 value or amount is calculated from a point away from the
 6 lease, the payment shall be adjusted for quality and loca-
 7 tion differentials, and the lessee shall be allowed reim-
 8 bursements at a reasonable commercial rate for transpor-
 9 tation (including transportation to the point where the
 10 production is put in marketable condition), marketing,
 11 processing, and other services beyond the lease through
 12 the point of sale, other disposition, or delivery.”.

13 **SEC. 3. AMENDMENT OF MINERAL LEASING ACT.**

14 Section 17(c) of the Mineral Leasing Act, as amended
 15 (30 U.S.C. § 226(c)), is amended by adding the following
 16 paragraph:

17 “(3) Royalty due in value shall be based on the
 18 value of oil or gas production at the lease in market-
 19 able condition, and the royalty due in amount shall
 20 be based on the royalty share of production at the
 21 lease. If the payment in value or amount is cal-
 22 culated from a point away from the lease, the pay-
 23 ment shall be adjusted for quality and location dif-
 24 ferentials, and the lessee shall be allowed reimburse-
 25 ments at a reasonable commercial rate for transpor-

1 tation (including transportation to the point where
2 the production is put in marketable condition), mar-
3 keting, processing and other services beyond the
4 lease through the point of sale, other disposition, or
5 delivery.”.

6 **SEC. 4. DEFINITIONS.**

7 As used in this Act:

8 (a) The term “reasonable commercial rate” is—

9 (1) for an arm’s-length contract, the actual
10 cost incurred by the lessee;

11 (2) for a non-arm’s-length contract, the
12 rate charged in a contract for similar services
13 in the same area between parties with opposing
14 economic interests; or

15 (3) whenever there are no arm’s-length
16 contracts for similar services in the same area,
17 the just and reasonable rate for the transpor-
18 tation service rendered by the lessee or lessee’s
19 affiliate—disputes between the Secretary and a
20 lessee over what constitutes a just and reason-
21 able rate for such service will be resolved by the
22 Federal Energy Regulatory Commission.

23 (b) The term “marketable condition” means
24 lease production which is sufficiently free from im-
25 purities and otherwise in a condition that it will be

1 accepted by a purchaser under a sales contract typ-
2 ical for the field or area.

3 **SEC. 5. INDIAN LANDS.**

4 (a) This Act shall not apply with respect to Indian
5 lands.

