

SENATE BILL NO. 114

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE RESOURCES COMMITTEE

Introduced: 3/7/95

Referred: RES, FIN

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to high cost marginal oil wells."

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

3 * **Section 1.** AS 31.05 is amended by adding new sections to read:

4 ARTICLE 4. HIGH COST MARGINAL OIL WELLS.

5 Sec. 31.05.200. CERTIFICATION OF HIGH COST MARGINAL OIL

6 WELLS. (a) The commission shall, by regulation, establish procedures under which

7 a producer of oil may apply to the commission and obtain from the commission a

8 certificate that a producing oil well is a high cost marginal oil well. Before issuing

9 a certificate under this subsection, the commission shall determine that an oil well for

10 which certification as a high cost marginal oil well is sought meets all of the following

11 criteria:

12 (1) the well produces at a maximum average production of not more
13 than 100 barrels of oil per day;

14 (2) the percentage of water produced from the well is not less than 70
15 percent; and

1 (3) during the six-month period for which the certificate is sought, the
2 well is in production for at least 120 days.

3 (b) To obtain the certificate authorized by (a) of this section, a producer shall

4 (1) make application to the commission on a form provided by the
5 commission; and

6 (2) provide to the commission the production data that the commission
7 may require to determine whether the well qualifies for certification as a high cost
8 marginal well.

9 (c) Unless earlier revoked under this subsection, a certificate issued by the
10 commission is valid for six months. After notice to a producer holding a certificate
11 and opportunity for hearing, the commission shall revoke a certificate if the
12 commission determines that the oil well fails to meet the criteria established for
13 certification in (a) of this section.

14 Sec. 31.05.210. HIGH COST MARGINAL OIL WELL CREDIT. (a) The
15 producer of oil from an oil well for which a valid certificate as a high cost marginal
16 oil well has been issued may apply to the commissioner of revenue for a high cost
17 marginal oil well credit.

18 (b) The amount of a credit extended under (a) of this section

19 (1) is equal to \$2 per barrel of production from a well for which the
20 credit is given; and

21 (2) may not exceed the lowest of the following:

22 (A) 50 percent of the taxes payable under AS 43.55 on
23 production from the well, as determined by the commissioner of revenue;

24 (B) \$1,000,000 per well; or

25 (C) \$5,000,000 per producer.

26 (c) A credit extended under (a) of this section may be applied against

27 (1) an oil or gas rental or royalty payment payable to the state;

28 (2) taxes payable under AS 43.20 or AS 43.55; and

29 (3) oil and gas bonus payments due the state under AS 38.05.180(f).

30 (d) A credit approved by the commissioner of revenue

31 (1) must be used within five years after it is extended under (a) of this

1 section; and

2 (2) may be assigned by the producer to another person.

3 Sec. 31.05.290. DEFINITIONS. In AS 31.05.200 - 31.05.290,

4 (1) "barrel" has the meaning given in AS 46.04.900;

5 (2) "certificate" means the certificate of a producing well as a high cost
6 marginal oil well;

7 (3) "credit" means the high cost marginal oil well credit authorized by
8 AS 31.05.210.