

**HOUSE BILL NO. 3003**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - THIRD SPECIAL SESSION

BY REPRESENTATIVES CROFT, Crawford, Gruenberg

Introduced: 7/13/06

Referred: Finance

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to oil and gas properties production taxes; providing for a production  
2 tax adjustment to increase the amount of tax at high oil prices and a production tax  
3 adjustment to decrease the tax on the production of heavy oil; providing for an exclusion  
4 of a certain amount of oil and gas from the gross value at the point of production;  
5 relating to the determination of the gross value of oil and gas at the point of production;  
6 and providing for an effective date."

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

8 \* **Section 1.** AS 43.55.011(a) is amended to read:

9 (a) There is levied upon the producer of oil a tax for all oil produced from  
10 each lease or property in the state, less any oil the ownership or right to which is  
11 exempt from taxation. The tax is equal to [EITHER] the percentage-of-value amount  
12 calculated under (b) of this section [OR THE CENTS-PER-BARREL AMOUNT  
13 CALCULATED UNDER (c) OF THIS SECTION, WHICHEVER IS GREATER,

1 MULTIPLIED BY THE ECONOMIC LIMIT FACTOR DETERMINED FOR THE  
 2 OIL PRODUCTION OF THE LEASE OR PROPERTY UNDER AS 43.55.013. IF  
 3 THE AMOUNTS CALCULATED UNDER (b) AND (c) OF THIS SECTION ARE  
 4 EQUAL, THE AMOUNT CALCULATED UNDER (b) OF THIS SECTION SHALL  
 5 BE TREATED AS IF IT WERE THE GREATER FOR PURPOSES OF THIS  
 6 SECTION].

7 \* **Sec. 2.** AS 43.55.011(b) is amended to read:

8 (b) The percentage-of-value amount equals [12.25 PERCENT OF THE  
 9 GROSS VALUE AT THE POINT OF PRODUCTION OF TAXABLE OIL  
 10 PRODUCED ON OR BEFORE JUNE 30, 1981, FROM THE LEASE OR  
 11 PROPERTY AND 15 PERCENT OF THE GROSS VALUE AT THE POINT OF  
 12 PRODUCTION OF TAXABLE OIL PRODUCED FROM THE LEASE OR  
 13 PROPERTY AFTER JUNE 30, 1981; EXCEPT THAT FOR A LEASE OR  
 14 PROPERTY COMING INTO COMMERCIAL OIL PRODUCTION AFTER JUNE  
 15 30, 1981, THE PERCENTAGE-OF-VALUE AMOUNT EQUALS 12.25 PERCENT  
 16 OF THE GROSS VALUE AT THE POINT OF PRODUCTION OF TAXABLE OIL  
 17 PRODUCED FROM THE LEASE OR PROPERTY IN THE FIRST FIVE YEARS  
 18 AFTER THE START OF COMMERCIAL OIL PRODUCTION AND EQUALS] 15  
 19 percent of the **taxable** gross value at the point of production of taxable oil produced  
 20 [THEREAFTER] from the lease or property, **except that, if the gross value at the**  
 21 **point of production of taxable oil produced from the lease or property is**

22 **(1) more than \$50 a barrel but not more than \$100 a barrel, the**  
 23 **tax rate is equal to 15 percent plus 0.2 percent for each dollar or fraction of a**  
 24 **dollar by which the gross value at the point of production exceeds \$50 a barrel;**  
 25 **and**

26 **(2) more than \$100 a barrel, the tax rate is 25 percent.**

27 \* **Sec. 3.** AS 43.55.011(c) is repealed and reenacted to read:

28 (c) For purposes of (b) of this section, the taxable gross value at the point of  
 29 production is determined

30 (1) by subtracting the gross value at the point of production of 10,000  
 31 barrels for each day on which oil is produced from the operating unit from the gross

1 value at the point of production for that operating unit of oil that is not exempt from  
 2 taxation, except that the taxable gross value at the point of production may not be less  
 3 than zero; each lessee receiving the benefit of the reduction in gross value at the point  
 4 of production under this paragraph shall claim the reduction benefit in proportion to  
 5 the interest of each lessee in the oil produced from that operating unit; and

6 (2) for oil with an API gravity equal to or less than 18 degrees, by  
 7 multiplying the gross value at the point of production, after the reduction in value  
 8 under (1) of this subsection, by

$$9 \quad (1 - (18 - A)/20)$$

10 in which "A" is equal to API gravity in degrees of the oil produced from the lease or  
 11 property.

12 \* **Sec. 4.** AS 43.55.016(a) is amended to read:

13 (a) There is levied upon the producer of gas a tax for all gas produced from  
 14 each lease or property in the state, less any gas the ownership or right to which is  
 15 exempt from taxation. The tax is equal to [EITHER] the percentage-of-value amount  
 16 calculated under (b) of this section [OR THE CENTS-PER-MCF AMOUNT  
 17 CALCULATED UNDER (c) OF THIS SECTION, WHICHEVER IS GREATER,  
 18 MULTIPLIED BY THE ECONOMIC LIMIT FACTOR DETERMINED FOR GAS  
 19 PRODUCTION OF THE LEASE OR PROPERTY UNDER AS 43.55.013. IF THE  
 20 AMOUNTS CALCULATED UNDER (b) AND (c) OF THIS SECTION ARE  
 21 EQUAL, THE AMOUNT CALCULATED UNDER (b) OF THIS SECTION SHALL  
 22 BE TREATED AS IF IT WERE THE GREATER FOR PURPOSES OF THIS  
 23 SECTION].

24 \* **Sec. 5.** AS 43.55.016(b) is amended to read:

25 (b) The percentage-of-value amount equals 10 percent of the taxable gross  
 26 value at the point of production of the taxable gas produced from the lease or property.

27 \* **Sec. 6.** AS 43.55.016(c) is repealed and reenacted to read:

28 (c) For purposes of (b) of this section, the taxable gross value at the point of  
 29 production is determined by subtracting the gross value at the point of production of  
 30 60,000 Mcf for each day on which gas is produced from the operating unit from the  
 31 gross value at the point of production for that operating unit of gas that is not exempt

1 from taxation, except that the taxable gross value at the point of production may not be  
 2 less than zero; each lessee receiving the benefit of the reduction in gross value at the  
 3 point of production under this subsection shall claim the reduction benefit in  
 4 proportion to the interest of each lessee in the gas produced from that operating unit.

5 \* **Sec. 7.** AS 43.55.150(a) is amended to read:

6 (a) For the purposes of AS 43.55.011 - 43.55.150, the gross value shall be  
 7 calculated using the reasonable costs of transportation of the oil or gas. The reasonable  
 8 costs of transportation shall be the actual costs, except

9 (1) when the parties to the transportation of oil or gas are affiliated;

10 (2) when the contract for the transportation of oil or gas is not an arm's  
 11 length transaction or is not representative of the market value of that transportation; **or**

12 (3) when the method of transportation of oil or gas is not reasonable in  
 13 view of existing alternative methods of transportation.

14 \* **Sec. 8.** AS 43.55.150(b) is amended to read:

15 (b) If the department finds that the conditions in (a)(1), (2), **or** [AND] (3) of  
 16 this section are present, the department shall determine the reasonable costs of  
 17 transportation, using the fair market value of like transportation, the fair market value  
 18 of equally efficient and available alternative modes of transportation, or other  
 19 reasonable methods. Transportation costs fixed by tariff rates properly on file with the  
 20 Regulatory Commission of Alaska or other regulatory agency shall be considered  
 21 prima facie reasonable.

22 \* **Sec. 9.** AS 43.55.900 is amended by adding a new paragraph to read:

23 (17) "operating unit" means all or a part of an oil or gas pool, field, or  
 24 like area that is the subject of a cooperative or unit plan adopted or operated that is  
 25 approved by the commissioner of natural resources under AS 38.05.180(p).

26 \* **Sec. 10.** AS 43.55.012, 43.55.013, 43.55.900(12), and 43.55.900(16) are repealed.

27 \* **Sec. 11.** The uncodified law of the State of Alaska is amended by adding a new section to  
 28 read:

29 **RETROSPECTIVE EFFECT.** If this Act takes effect on or after September 1, 2006,  
 30 this Act is retroactive to September 1, 2006, and applies to oil and gas produced after  
 31 August 31, 2006.

1      \* **Sec. 12.** This Act takes effect immediately under AS 01.10.070(c).