

Introduced: 1/31/69
Referred: Resources and
Finance

BY FINK, BRADNER, KAY
AND MOSES

1 IN THE HOUSE

2 HOUSE BILL NO. 75

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to revenues from oil and gas
7 properties."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 43.55.010(a) is repealed and reenacted to read:

10 (a) There is levied upon every person producing oil and gas a
11 tax on (1) each barrel of oil produced and not consumed within the
12 state and (2) the gross value at the well of all gas produced and not
13 consumed within the state, less any part or the value of any part the
14 ownership or right to which is exempt from taxation. The tax is upon
15 the whole production, including what is commonly known as the royalty
16 interest. The rates of taxation are as follows:

17 (A) on oil from a basin which has not yielded an
18 average of 100,000 barrels of oil a day for any quarter, the tax
19 shall be nine cents per barrel;

20 (B) on gas from a basin which has not yielded an
21 average of 100,000 cubic feet of gas a day for any quarter, the
22 tax shall be three per cent;

23 (C) on oil from a basin which has yielded an average
24 of 100,000 barrels of oil a day for any quarter, the tax shall be
25 30 cents per barrel; however, the tax on oil substantially
26 processed within the state, as provided in regulations of the
27 Department of Natural Resources, is 15 cents per
28 barrel;

29 (D) on gas from a basin which has yielded an average

1 of 100,000 cubic feet of gas a day for any quarter, the tax shall
2 be 10 per cent; however, the tax on gas substantially processed with-
3 in the state, as provided in regulations of the Department of
4 Natural Resources, is five per cent.

5 * Sec. 2. AS 43.55.010 is amended by adding a new subsection to read:

6 (f) In (a) of this section, "consumed" means produced, processed
7 and used up within the state; processing in any form, or use as an
8 ingredient of a manufactured product, does not by itself constitute
9 being consumed under (a) of this section.

10 * Sec. 3. AS 43.55.010(b) is amended to read:

11 (b) Payment of the tax is in lieu of all ad valorem taxes now or
12 hereafter imposed by the state and cities or organized boroughs of any
13 class, whether home rule or otherwise, [CITIES, TOWNS, SCHOOL DISTRICTS,
14 AND OTHER LOCAL GOVERNMENT UNITS] upon (1) property rights attached to
15 or inherent in the right to producing oil or gas, (2) producing oil or
16 gas leases, (3) machinery, appliances and equipment used in and around
17 a well producing oil or gas and actually used in the operation of the
18 well, (4) oil and gas produced in the state upon which gross production
19 taxes are paid, and (5) an investment in property described in this
20 section.

21 * Sec. 4. AS 43.55.010 is amended by adding new subsections to read:

22 (e) If the tax provided for under (a) of this section is found to
23 be unconstitutional by the supreme court of the state, there is levied
24 upon every person producing oil and gas a tax of 10 per cent of the
25 gross value at the well of all oil and gas produced in the state, less
26 the value of any part, the ownership or right to which is exempt from
27 taxation. The tax is upon the whole production, including what is
28 commonly known as the royalty interest.

29 * Sec. 5. AS 38.05.180(a) is amended to read:

1 (a) All tide and submerged lands, mental health lands, school
2 lands, and university lands shall be leased by competitive bidding,
3 and whenever oil or gas is discovered in commercial quantities, the
4 commissioner shall determine the extent of the area of lands in addi-
5 tion to tide, submerged, mental health lands, school, or university
6 lands in the same general area of the discovery well which, by reason
7 of the discovery, the commissioner reasonably believes to be capable
8 of producing oil or gas, and the additional lands shall be leased to
9 the highest responsible qualified bidder by competitive bidding under
10 general regulations, in units of not exceeding 2,560 acres (except
11 that tide and submerged lands shall be leased in units of not exceeding
12 5,760 acres), which shall be as nearly compact in form as possible,
13 upon the payment by the lessee of such bonus as may be accepted by the
14 commissioner and of such royalty as may be fixed in the lease which
15 shall not be less than 12 1/2 per cent in amount or value of gas, and
16 37.5 cents per barrel of oil, [THE] production removed or sold from the
17 lease. However, the holder of a lease who drills and makes the first
18 discovery of oil or gas in commercial quantities in a geologic structure
19 shall pay a royalty on all production under the lease of five per cent
20 for gas, and 15 cents per barrel of oil, for 10 years following the
21 date of discovery and thereafter the royalty rate shall be not less
22 than 12 1/2 per cent for gas, and 37.5 cents per barrel of oil, provided,
23 however, that the royalty rate for the first discovery in any unproven
24 area of the Cook Inlet sedimentary basin shall not be less than 12 1/2
25 per cent for gas, and 37.5 cents per barrel of oil, unless the commissioner
26 specifically provides that such royalty shall be less at the time such
27 lands are offered for lease and in no event shall such royalty be less
28 than five per cent for gas and 15 cents per barrel of oil. All lands
29 other than those above provided to be leased by competitive bidding may

1 be leased competitively or noncompetitively as determined by the com-
2 missioner to be in the best interests of the state. Noncompetitive
3 leases shall be issued in units of not exceeding 2,560 acres in any
4 one lease. Noncompetitive leases shall be conditioned upon the payment
5 by the lessee of a royalty of 12 1/2 per cent in amount or value of
6 gas, and 37.5 cents per barrel of oil, [THE] production removed or sold
7 from the lease. However, the holder of a lease who drills and makes
8 the first discovery of oil or gas in commercial quantities in a geologic
9 structure shall pay a royalty on all production under the lease of
10 five per cent for gas, and 15 cents per barrel of oil, for 10 years
11 following the date of discovery and thereafter the royalty rate is 12
12 1/2 per cent for gas and 37.5 cents per barrel of oil. Competitive
13 leases issued under this subsection shall be for 10 years and shall
14 continue so long thereafter as oil or gas is produced in paying
15 quantities. Noncompetitive leases issued under this subsection shall
16 be for a primary term of five years and shall continue so long thereafter
17 as oil or gas is produced in paying quantities. If drilling has
18 commenced on the expiration date of the primary term of the lease and
19 is continued with reasonable diligence, such operations to include
20 redrilling, sidetracking or other means necessary to reach the originally
21 proposed bottom hole location, the lease shall continue in effect
22 until 90 days after drilling has ceased and for so long thereafter as
23 oil or gas is produced in paying quantities. If all or part of the
24 lands covered by the lease are lands that have been selected by the
25 state under laws of the United States granting lands to the state and
26 a conditional lease was issued thereon, the term of the lease shall be
27 extended for a period equal to the period during which the lease was
28 conditional.

29 • Sec. 6. AS 38.05 is amended by adding a new subsection to read:

1 (s) In (a) of this section "barrel of oil" means 42 United States
2 gallons of 231 cubic inches a gallon computed at a temperature of 60
3 degrees fahrenheit.

4 * Sec. 7. Secs. 5 and 6 of this Act apply to royalties on leases issued
5 after the effective date of this Act.

6 * Sec. 8. AS 43.55.080 is amended to read:

7 Sec. 43.55.080. COLLECTION AND DEPOSIT OF REVENUE. The department
8 shall deposit quarterly in the general fund the money collected by it
9 under this chapter and AS 38.05.180(a). One-half of the money deposited
10 shall be placed in a special oil and gas properties account in the
11 general fund. The legislature shall appropriate funds from the special
12 account for expenditure by cities and organized boroughs for municipal
13 purposes, according to the following formula:

14 (1) to a city or organized borough which is precluded from
15 imposing ad valorem taxes under sec. 10(b) of this chapter, an amount
16 each fiscal year equal to the taxes which, except for sec. 10(b) of
17 this chapter, would have been imposed during the previous fiscal year
18 by the city or organized borough;

19 (2) the remainder to all cities and organized boroughs each
20 fiscal year in an amount determined by dividing the total amount distri-
21 buted under the Public School Foundation program (AS 14.17) for the
22 previous fiscal year into the amount received by a particular city or
23 organized borough under that program for the previous fiscal year and
24 applying the resulting percentage figure to compute the share of funds
25 to which the city or organized borough is entitled, but in no case
26 may the share allocated to a particular city or organized borough in a
27 fiscal year exceed the amount expended by that city or organized borough
28 for school district purposes during the previous fiscal year.
29