

Original sponsor: Rules Committee by
request of the Governor

Offered: 5/31/72

1 IN THE SENATE

BY THE FREE CONFERENCE COMMITTEE

2 FREE CONFERENCE CS FOR HOUSE CS FOR SENATE BILL NO. 168

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to oil and gas revenues; and providing
7 for an effective date."

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

9 * Section 1. AS 43.55.010(a) is amended to read:

10 (a) There is levied upon the producer of [EVERY PERSON PRODUCING]
11 oil and gas a tax based upon a per cent of the gross value at the well
12 of all oil and gas removed or sold from each lease or property [PRO-
13 DUCE] in the state, less the value of any part [,] the ownership or
14 right to which is exempt from taxation. The tax is determined according
15 to the following schedules, and any part which is exempt from taxation
16 is deducted from the tax levied on a pro rata basis as to each pro-
17 duction level tax bracket [THE TAX IS UPON THE WHOLE PRODUCTION,
18 INCLUDING WHAT IS COMMONLY KNOWN AS THE ROYALTY INTEREST, AND IS LEVIED
19 ACCORDING TO THE FOLLOWING SCHEDULES]:

20 (1) oil: based upon the average daily [PER-WELL] production
21 for each well for the calendar month in barrels, the tax is

22 (A) three per cent on the first 300 barrels;

23 (B) five per cent on the next 700 barrels;

24 (C) six per cent on the next 1,500 barrels; and

25 (D) eight per cent on all production in excess of

26 2,500 barrels;

27 (2) gas: the rate is four per cent of the gross value of
28 the gas and liquid products produced.

29 * Sec. 2. AS 43.55.010(b) is amended to read:

1 (b) Payment of the tax is in lieu of all ad valorem taxes now
2 or hereafter imposed by the state, cities, towns, school districts,
3 and other local government units upon

4 (1) property rights attached to or inherent in the right to
5 producing oil or gas,

6 (2) producing oil or gas leases,

7 [(3) MACHINERY, APPLIANCES AND EQUIPMENT USED IN AND AROUND
8 A WELL PRODUCING OIL OR GAS AND ACTUALLY USED IN THE OPERATION OF THE
9 WELL,]

10 (4) oil and gas produced in the state upon which gross
11 production taxes are paid, and

12 (5) an investment in property described in this section.

13 * Sec. 3. AS 43.55.010 is amended by adding a new subsection to read:

14 (e) If on a tax payment date the amount of tax due under (a)(1)
15 of this section is less than the tax due under sec. 15 of this chapter,
16 the tax levied in sec. 15 of this chapter is payable and the tax
17 levied in this section need not be paid.

18 * Sec. 4. AS 43.55 is amended by adding a new section to read:

19 Sec. 43.55.015. TAX PER BARREL OF OIL. (a) There is levied
20 upon the producer of oil a tax on each barrel of oil removed or sold
21 from each lease or property in the state less any part the ownership
22 or right to which is exempt from taxation. The tax is based upon the
23 average daily production for each well for the calendar month in
24 barrels determined according to the following schedule and any part
25 which is exempt from taxation is deducted from the tax levied on a
26 pro rata basis as to each production level bracket:

27 (1) Before July 1, 1980,

28 (A) \$.458 on the first 300 barrels;

29 (B) \$.511 on the next 700 barrels;

1 (C) \$.538 on the next 1,500 barrels;
2 (D) \$.591 on all production in excess of 2,500
3 barrels;

4 (2) On and after July 1, 1980,
5 (A) \$.432 on the first 300 barrels;
6 (B) \$.482 on the next 700 barrels;
7 (C) \$.507 on the next 1,500 barrels;
8 (D) \$.557 on all production in excess of 2,500
9 barrels.

10 (b) In computing the tax payable under this section the producers
11 of oil may deduct from the amount owing the value of the royalty share
12 paid or transferred by the producer in an amount up to one-eighth of
13 the value of all the oil produced. For any lease where a state
14 royalty of a lesser percentage is payable, the deduction allowed shall
15 be adjusted to equal one-eighth of the value of the oil produced.

16 (c) The tax levied by this section shall be administered and
17 paid in the same manner as the tax levied in sec. 10 of this chapter.

18 (d) If on any tax payment date the amount of tax due under (a)
19 of this section is equal to or less than the tax due under sec. 10(a)(1)
20 of this chapter, the tax levied in sec. 10(a)(1) of this chapter is
21 payable and the tax levied in this section need not be paid.

22 (e) When the tax levied under (a) of this section is payable,
23 state royalties of an amount equal to \$.05 for each barrel of oil
24 taxed shall be paid, pursuant to the revenue-sharing provisions of
25 sec. 9 of the Alaska Native Claims Settlement Act, into the Alaska
26 Native Fund until all amounts paid into the fund equal \$500,000,000.

27 * Sec. 5. AS 43.55.020(a) is amended to read:

28 (a) The gross production tax on oil or gas shall be paid monthly
29 [QUARTERLY]. The tax is due on the last day of each [THE] calendar

1 month [FOLLOWING THE PRECEDING QUARTERLY PERIOD] on [ALL] oil or gas
2 removed or sold from each lease or property [PRODUCED IN AND SAVED]
3 during the preceding month [QUARTERLY PERIOD]. If the tax is not paid
4 before the end of the month in which it becomes due, the tax becomes
5 delinquent.

6 * Sec. 6. AS 43.55.020(b) is amended to read:

7 (b) The gross production tax on oil or gas [SOLD AT THE TIME OF
8 PRODUCTION] shall be paid by or on behalf of the producer [THE
9 PURCHASER, AND THE PURCHASER SHALL DEDUCT THE AMOUNT OF THE TAX PAID
10 IN MAKING SETTLEMENT WITH THE PRODUCER OR ROYALTY OWNER, OR BOTH].

11 * Sec. 7. AS 43.55.020(c) is repealed.

12 * Sec. 8. AS 43.55.020(d) is amended to read:

13 (d) In making settlement with the royalty owner the producer may
14 deduct the amount of the tax paid on royalty oil or gas, or may deduct
15 royalty oil or gas equivalent in value at the time the tax becomes due
16 to the amount of the tax paid.

17 * Sec. 9. AS 43.55.020(e) is amended to read:

18 (e) Gas produced and used, except gas used in the operation of a
19 lease or property [PREMISES] in drilling for or producing oil or gas,
20 or for repressuring, is considered, for the purpose of this chapter and
21 in the amount used, as gas removed or sold from a lease or property
22 [ACTUALLY PRODUCED AND SAVED].

23 * Sec. 10. AS 43.55.030(a) is amended to read:

24 (a) The tax shall be paid to the department and the person paying
25 the tax shall file with the department at the time the tax is required
26 to be paid a statement, under oath, on forms prescribed by or acceptable
27 to the department, giving with other information required, the following:

28 (1) a [FULL] description of the lease or property from which
29 the oil or gas was removed or sold, by [LEASE] name, [SUBDIVISION OF

1 QUARTER SECTION, SECTION, TOWNSHIP AND RANGE, OR OTHER] legal descrip-
2 tion, lease number or by accounting code numbers assigned by the
3 department [BY METES AND BOUNDS, FROM WHICH THE OIL OR GAS WAS PRODUCED];

4 (2) the names [NAME] of the producer and the person paying
5 the tax;

6 (3) the gross amount of oil or gas removed or sold from the
7 lease or property, and the percentage of the gross amount owned by each
8 producer for whom the tax is paid [PURCHASED];

9 (4) the total value of the oil or gas removed or sold from
10 the lease or property owned by each producer for whom the tax is paid
11 [AT THE PRICE PAID FOR IT, IF PURCHASED AT THE TIME OF PRODUCTION];
12 and

13 [(5) THE PREVAILING MARKET PRICE OF OIL OR GAS SOLD AT TIME
14 OF PRODUCTION.]

15 (6) the name of the first purchaser and the price received
16 for the oil or gas if sold in the state.

17 * Sec. 11. AS 43.55.030(b) and (c) are repealed.

18 * Sec. 12. AS 43.55.030(d) is amended to read:

19 (d) Reports by or on behalf of the [FROM THE PURCHASER OR]
20 producer are delinquent the first day following the day the tax is due
21 [30 DAYS AFTER THE TIME FIXED FOR FILING THE REPORTS]. Each producer
22 [PERSON REQUIRED TO FILE A REPORT] is subject to a penalty of \$25 a
23 day for each lease or property upon which the [HE FAILS OR REFUSES TO
24 FILE A] report is not filed. The penalty for failure to file a report
25 is in addition to the penalty for delinquent taxes, and is a lien
26 against the assets of the producer [PERSON FAILING OR REFUSING TO FILE
27 THE REPORTS].

28 * Sec. 13. AS 43.55.070 is amended to read:

29 Sec. 43.55.070. LIEN FOR TAX. The tax is a first and paramount

1 lien against the [PURCHASER'S OR] producer's real and personal prop-
2 erty. [THE PROVISIONS OF THIS CHAPTER MAKING THE PURCHASER LIABLE TO
3 PAY THE TAX, AND THE PROVISIONS REQUIRING THE PRODUCER TO PAY THE
4 ROYALTY OWNER'S TAX, DO NOT RELEASE THE PRODUCER OR PURCHASER FROM
5 LIABILITY TO PAY THE TAX, IF THE TAX IS NOT PAID.] The tax may be
6 recovered at the suit of the state upon relation to the department.

7 * Sec. 14. AS 43.55.080 is amended to read:

8 Sec. 43.55.080. COLLECTION AND DEPOSIT OF REVENUE. The depart-
9 ment shall deposit [QUARTERLY] in the general fund the money collected
10 by it under this chapter.

11 * Sec. 15. AS 43.55.100 is repealed.

12 * Sec. 16. AS 43.55 is amended by adding a new section to read:

13 Sec. 43.55.135. MEASUREMENT. For the purposes of this chapter,
14 oil shall be measured in terms of a "barrel of oil" and gas shall be
15 measured in terms of a "cubic foot of gas".

16 * Sec. 17. AS 43.55.140 is repealed and re-enacted to read:

17 Sec. 43.55.140. DEFINITIONS. In this chapter

18 (1) "barrel of oil" means 42 United States gallons of oil
19 of 231 cubic inches a gallon computed at a temperature of 60 degrees
20 Fahrenheit;

21 (2) "cubic foot of gas" means the volume of gas contained
22 in one cubic foot of space measured at a pressure base of 14.65 pounds
23 per square inch absolute and a temperature base of 60 degrees
24 Fahrenheit;

25 (3) "department" means the Department of Revenue;

26 (4) "gas" means all natural, associated or casinghead gas,
27 all hydrocarbons produced at the wellhead not defined as oil, and all
28 liquid hydrocarbons extracted at a gas processing plant;

29 (5) "oil" means crude petroleum oil and other hydrocarbons

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regardless of gravity which are produced at the wellhead in liquid form and the liquid hydrocarbons known as distillate or condensate recovered by separation from gas other than at a gas processing plant.
* Sec. 18. This Act takes effect July 1, 1972.