

Introduced: 3/26/75  
Referred: Resources and  
Finance

1 IN THE HOUSE

BY COWPER

2 HOUSE BILL NO. 346

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the oil and gas properties pro-  
7 duction tax; and providing 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 oil or gas a tax based  
11 upon a per cent of the gross value at the point of production [AT THE  
12 WELL] of all oil or gas produced [REMOVED OR SOLD] from each lease or  
13 property in the state, less the value of any part the ownership or right  
14 to which is exempt from taxation. The tax is determined according to  
15 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 produc-  
17 tion level tax bracket:

18 (1) oil: based upon the average daily production for each  
19 well for the calendar month in barrels, the tax is

20 (A) five per cent on the first 300 barrels;

21 (B) six per cent on the next 700 barrels;

22 (C) eight per cent on all production in excess of

23 1,000 barrels;

24 (2) gas: the tax is four per cent of the gross value at  
25 the point of production of the gas and liquid products produced each  
26 month.

27 \* Sec. 2. AS 43.55.015(a) is amended to read:

28 (a) There is levied upon the producer of oil a tax on each  
29 barrel of oil produced [REMOVED OR SOLD] from each lease or property

1 in the state less any part the ownership or right to which is exempt  
2 from taxation. The tax is based upon the average daily production for  
3 each well for the calendar month in barrels determined according to  
4 the following schedule and any part which is exempt from taxation is  
5 deducted from the tax levied on a pro rata basis as to each production  
6 level bracket:

- 7 (1) \$.16875 on each of the first 300 barrels;  
8 (2) \$.2025 on each of the next 700 barrels;  
9 (3) \$.2700 on each barrel of production in excess of 1,000  
10 barrels.

11 \* Sec. 3. AS 43.55.020(a) is amended to read:

12 (a) The gross production tax on oil or gas shall be paid monthly.  
13 The tax is due on the last day of each calendar month on oil or gas  
14 produced [REMOVED OR SOLD] from each lease or property during the pre-  
15 ceding month. If the tax is not paid before the end of the month in  
16 which it becomes due the tax becomes delinquent.

17 \* Sec. 4. AS 43.55.020(e) is amended to read:

18 (e) Gas produced and used, except gas used in the operation of  
19 a lease or property in drilling for or producing oil or gas, or for  
20 repressuring, is considered, for the purpose of this chapter and in the  
21 amount used, as gas produced [REMOVED OR SOLD] from a lease or property.

22 \* Sec. 5. AS 43.55.030(a)(1), (3) and (4) are amended to read:

23 (1) a description of the lease or property from which the  
24 oil or gas was produced [REMOVED OR SOLD], by name, legal description,  
25 lease number or by accounting code numbers assigned by the department;

26 (3) the gross amount of oil or gas produced [REMOVED OR  
27 SOLD] from the lease or property, and the percentage of the gross  
28 amount owned by each producer for whom the tax is paid;

29 (4) the total value of the oil or gas produced [REMOVED OR

1 SOLD] from the lease or property owned by each producer for whom the  
2 tax is paid; and

3 \* Sec. 6. AS 43.55.140 is amended by adding new paragraphs to read:

4 (12) "gross value at the point of production" means:

5 (A) for oil, the value of the oil at the point where  
6 it is metered or measured (by automatic custody transfer meter,  
7 tank gauge or other method approved by the commissioner) in a  
8 condition of pipeline quality on the premises of the lease or  
9 property from which it is recovered; however, if the oil is not  
10 of pipeline quality when it is removed from the premises of the  
11 lease or property from which it is recovered, or if the oil  
12 recovered from a lease or property is not metered or measured  
13 (by automatic custody transfer meter, tank gauge or other method  
14 approved by the commissioner) on the premises of the lease or  
15 property from which it is recovered, then the gross value at the  
16 point of production is the value of that oil at the off-premises  
17 location where the oil is first metered or measured (by automatic  
18 custody transfer meter, tank gauge or other method approved by  
19 the commissioner) in a condition of pipeline quality;

20 (B) for gas recovered from or in association with oil,  
21 the value of the gas at the point where it is accurately metered  
22 or measured after separation from the oil; for gas run through a  
23 gas processing plant, the gross value at the point of production  
24 is the full consideration received by the producer for the gas  
25 if sold in an arm's length transaction or, in the absence of an  
26 arm's length transaction, is the sum of the value of the liquids  
27 extracted from the gas at the plant and the value of the residue  
28 gas, less a reasonable allowance for processing the gas at the  
29 plant and for transporting the gas to the plant from the premises

1 upon which the oil production operation is conducted; and

2 (C) for gas not recovered from or in association with  
3 oil, the value of the gas at the point where it is accurately  
4 metered or measured or the value of the gas at the point of sale,  
5 if any, on the premises of the lease or property from which the  
6 gas is recovered, whichever is the higher value; for gas run  
7 through a gas processing plant, the gross value at the point of  
8 production is the full consideration received by the producer  
9 for the gas if sold in an arm's length transaction or, in the  
10 absence of an arm's length transaction, is the sum of the value  
11 of the liquids extracted from the gas at the plant and the value  
12 of the residue gas, less a reasonable allowance for processing  
13 the gas at the plant and for transporting the gas to the plant  
14 from the point where it was accurately metered or measured;

15 (13) "oil production operation" means the operation by which  
16 oil is recovered from a lease or property and rendered into oil of  
17 pipeline quality, and includes any gathering done before the oil is  
18 finally rendered into oil of pipeline quality;

19 (14) "pipeline quality" means good and marketable condition.

20 \* Sec. 7. AS 43.55.140(10) and (11) are repealed.

21 \* Sec. 8. This Act takes effect immediately in accordance with AS 01.10.  
22 070(c).