

Original sponsor: Cowper

Offered: 4/15/76  
Referred: Finance

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE BILL NO. 346

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND 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 [WELL] of  
12 all oil or gas produced [REMOVED OR SOLD] from each lease or property  
13 in the state, less the value of any part the ownership or right to which  
14 is exempt from taxation. The tax is determined according to the follow-  
15 ing schedules, and any part which is exempt from taxation is deducted  
16 from the tax levied on a pro rata basis as to each production level tax  
17 bracket:

18 (1) oil: based upon the total production from each  
19 lease or property [AVERAGE DAILY PRODUCTION FOR EACH WELL] for the  
20 calendar month in barrels, the tax is

21 (A) five per cent on the first 300 barrels of average  
22 daily per well production;

23 (B) six per cent on the next 700 barrels of average  
24 daily per well production;

25 (C) eight per cent on all production in excess of  
26 1,000 barrels of average daily per well production;

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

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

2 (a) There is levied upon the producer of oil a tax on each barrel  
3 of oil produced [REMOVED OR SOLD] from each lease or property in the  
4 state less any part the ownership or right to which is exempt from taxa-  
5 tion. The tax is based upon the total production from each lease or  
6 property [AVERAGE DAILY PRODUCTION FOR EACH WELL] for the calendar month  
7 in barrels determined according to the following schedule and any part  
8 which is exempt from taxation is deducted from the tax levied on a pro  
9 rata basis as to each production level bracket:

10 (1) \$.16875 on each of the first 300 barrels of average  
11 daily per well production;

12 (2) \$.2025 on each of the next 700 barrels of average  
13 daily per well production;

14 (3) \$.2700 on each of the barrels [BARREL OF PRODUCTION]  
15 in excess of 1,000 barrels of average daily per well production.

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

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

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

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

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

28 (1) a description of the lease or property from which the  
29 oil or gas was produced [REMOVED OR SOLD], by name, legal description,

1 lease number or by accounting code numbers assigned by the department;

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

5 (4) the total value of the oil or gas produced [REMOVED OR  
6 SOLD] from the lease or property owned by each producer for whom the  
7 tax is paid; and

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

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

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

25 (B) for gas recovered from or in association with oil,  
26 the value of the gas at the point where it is accurately metered  
27 or measured after separation from the oil; for gas run through a  
28 gas processing plant, the gross value at the point of production  
29 is the full consideration received by the producer for the gas

1 if sold in an arm's length transaction or, in the absence of an  
2 arm's length transaction, is the sum of the value of the liquids  
3 extracted from the gas at the plant and the value of the residue  
4 gas, less a reasonable allowance for processing the gas at the  
5 plant and for transporting the gas to the plant from the premises  
6 upon which the oil production operation is conducted; and

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

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

24 (14) "pipeline quality" means good and marketable condition;

25 (15) "average daily per well production" means the amount  
26 calculated by first dividing the total number of barrels of oil pro-  
27 duced from a lease or property during the calendar month by the total  
28 number of wells on the lease or property that were produced for at  
29 least 25 per cent of the time there was production from the lease or

1 property during the calendar month and then dividing that quotient by  
2 the number of days in the calendar month.

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

4 \* Sec. 8. This Act takes effect immediately in accordance with AS 01.10.-  
5 070(c).

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