

Introduced: 1/19/76
Referred: Resources and
Finance

1
2 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

3 SENATE BILL NO. 538

4 IN THE LEGISLATURE OF THE STATE OF ALASKA

5 NINTH LEGISLATURE - SECOND SESSION

6 A BILL

7 For an Act entitled: "An Act relating to the oil and gas properties
8 production tax; and providing for an effective date."

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

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

11 (a) There is levied upon the producer of oil or gas a tax
12 based upon a per cent of the gross value at the point of production
13 [AT THE WELL] of all oil or gas produced [REMOVED OR SOLD] from
14 each lease or property in the state, less the value of any part
15 the ownership or right to which is exempt from taxation. The
16 tax is determined according to the following schedules, and any
17 part which is exempt from taxation is deducted from the tax levied
18 on a pro rata basis as to each production level tax bracket:

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

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

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

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

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

1 each month.

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

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

12 (1) \$.16875 on each of the first 300 barrels of average
13 daily per well production;

14 (2) \$.2025 on each of the next 700 barrels of average
15 daily per well production;

16 (3) \$.2700 on each of the barrels [OF PRODUCTION]
17 in excess of 1,000 barrels of average daily per well production.

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

19 (a) The gross production tax on oil or gas shall be paid
20 monthly. The tax is due on the 20th day [LAST DAY] of each calendar
21 month on oil or gas produced [REMOVED OR SOLD] from each lease
22 or property during the preceding month. If the tax is not paid
23 before the end of the month in which it becomes due, the tax
24 becomes delinquent.

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

26 (e) Gas produced and used, except gas used in the operation
27 of a lease or property in drilling for or producing oil or gas,
28 or for repressuring, is considered, for the purpose of this chapter
29

1 and in the amount used, as gas produced [REMOVED OR SOLD] from
2 a lease or property.

3 * Sec. 5. AS 43.55.030(a)(1) is amended to read:

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

8 * Sec. 6. AS 43.55.030(a)(3) is amended to read:

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

12 * Sec. 7. AS 43.55.030(a)(4) is amended to read:

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

16 * Sec. 8. AS 43.55.140 is amended by adding new paragraphs to
17 read:

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

19 (A) for oil, the value of the oil at the point
20 where it is metered or measured (by automatic custody transfer
21 meter, tank gauge, or other method approved by the commissioner)
22 in a condition of pipeline quality on the premises of the
23 lease or property from which it is recovered; however, if
24 the oil is not of pipeline quality when it is removed from
25 the premises of the lease or property from which it is recovered,
26 or if the oil recovered from a lease or property is not
27 metered or measured (by automatic custody transfer meter,
28 tank gauge, or other method approved by the commissioner)
29

1 on the premises of the lease or property from which it is
2 recovered, then the gross value at the point of production
3 is the value of that oil at the off-premises location where
4 the oil is first metered or measured (by automatic custody
5 transfer meter, tank gauge, or other method approved by
6 the commissioner) in a condition of pipeline quality;

7 (B) for gas recovered from or in association
8 with oil, the value of the gas at the point where it is
9 accurately metered or measured after separation from the
10 oil; for gas run through a gas processing plant, the gross
11 value at the point of production is the full consideration
12 received by the producer for the gas if sold in an arm's
13 length transaction or, in the absence of an arm's length
14 transaction, is the sum of the value of the liquids extracted
15 from the gas at the plant and the value of the residue gas,
16 less a reasonable allowance for processing the gas at the
17 plant and for transporting the gas to the plant from the
18 premises upon which the oil production operation is conducted;
19 and

20 (C) for gas not recovered from or in association
21 with oil, the value of the gas at the point where it is
22 accurately metered or measured or the value of the gas at
23 the point of sale, if any, on the premises of the lease
24 or property from which the gas is recovered, whichever is
25 the higher value; for gas run through a gas processing plant,
26 the gross value at the point of production is the full considera-
27 tion received by the producer for the gas if sold in an
28 arm's length transaction or, in the absence of an arm's
29

1 length transaction, is the sum of the value of the liquids
2 extracted from the gas at the plant and the value of the
3 residue gas, less a reasonable allowance for processing
4 the gas at the plant and for transporting the gas to the
5 plant from the point where it was accurately metered or
6 measured;

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

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

13 (15) "average daily per well production" means the
14 amount calculated by dividing the total number of barrels of
15 oil produced from each lease or property during the calendar
16 month by the total number of wells produced on the lease or property
17 any time during the calendar month and dividing that amount by
18 the total number of days in the calendar month.

19 * Sec. 9. AS 43.55.140(10) and (11) are repealed.

20 * Sec. 10. This Act takes effect immediately in accordance with
21 AS 01.10.070(c).