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Referred: Resources and
Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY REQUEST
OF THE LEGISLATIVE COUNCIL SUB-
COMMITTEE ON TAXATION AND REVENUE

2 SPONSOR SUBSTITUTE FOR SENATE BILL NO. 567

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act concerning the oil and gas properties production
7 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 is
16 deducted from the tax levied on a pro rata basis as to each production
17 level tax bracket:

18 (1) oil: based upon the total production from each lease or
19 property [AVERAGE DAILY PRODUCTION FOR EACH WELL] for the calendar month
20 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 the next [ALL PRODUCTION IN EXCESS
26 OF] 1,000 barrels of average daily per well production;

27 (D) eleven per cent on the next 1,000 barrels of average
28 daily per well production;

29 (E) fourteen and one-half per cent on all production in

1 excess of 3,000 barrels of average daily per well production;

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

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

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

13 (1) \$.1965 [\$.16875] on each of the first 300 barrels of
14 average daily per well production;

15 (2) \$.2358 [\$.2025] on each of the next 700 barrels of
16 average daily per well production;

17 (3) \$.3144 [\$.2700] on each of the next [BARREL OF PRODUCTION
18 IN EXCESS OF] 1,000 barrels of average daily per well production;

19 (4) \$.4323 on each of the next 1,000 barrels of average daily
20 per well production;

21 (5) \$.56985 on each barrel of production in excess of 3,000
22 barrels of average daily per well production.

23 * Sec. 3. AS 43.55.015(c) is amended to read:

24 (c) The tax rates set out in this section will be increased or
25 decreased by a percentage equal to the percentage of change in the
26 Wholesale Price Index for crude petroleum published by the Bureau of
27 Labor Statistics, of the United States Department of Labor. The year
28 1967 is the base year of 100 for computing the tax rates. Changes in
29 tax rates will be computed based on changes from the December, 1973

1 Wholesale Price Index published in January, 1974 [IN THE WHOLESAL PRICE
2 INDEX OCCURRING AFTER JANUARY 1, 1974, AND WILL NOT INCLUDE CHANGES IN
3 THE WHOLESAL PRICE INDEX PRIOR TO JANUARY 1, 1974]. The department
4 shall post the changes in the tax rates at least semi-annually and shall
5 notify every person producing oil within the state of the changes.

6 * Sec. 4. AS 43.55.020(a) is amended to read:

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

12 * Sec. 5. AS 43.55.020(e) is repealed and re-enacted to read:

13 (e) Gas produced, except gas used in the operation of a lease or
14 property in drilling for or producing oil or gas, or for repressuring,
15 is considered, for the purpose of this chapter, as gas produced from a
16 lease or property. Gas flared under a permit granted by the Department
17 of Natural Resources under AS 31.05.170(11)(H) shall be considered as
18 gas produced, except that it shall pay a severance tax equal to five
19 times the severance tax in effect for that period in which the gas was
20 flared.

21 * Sec. 6. AS 43.55.030(a)(1) is amended to read:

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

25 * Sec. 7. AS 43.55.030(a)(3) is amended to read:

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

29 * Sec. 8. AS 43.55.030(a)(4) is amended to read:

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

4 * Sec. 9. AS 43.55.140 is amended by adding new paragraphs to read:

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

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

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

1 for transporting the gas to the plant from the premises upon which
2 the oil production operation is conducted; and

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

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

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

21 (15) "average daily per well production" means the amount
22 calculated by dividing the total number of barrels of oil produced from
23 each lease or property during the calendar month by the total number of
24 wells produced on the lease or property any time during the calendar
25 month and dividing that amount by the total number of days in the
26 calendar month.

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

28 * Sec. 11. This Act takes effect immediately in accordance with AS 01.-
29 10.070(c).