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Referred: Resources and Finance

BY THE RULES COMMITTEE BY  
REQUEST OF THE LEGISLATIVE  
COUNCIL (for the Subcommittee  
on Oil and Gas Leasing and  
Taxing Policies)

1 IN THE SENATE

CS SENATE BILL NO. 103 (Fin.) am (Gaillet S)

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IN THE LEGISLATURE OF THE STATE OF ALASKA

4

TENTH LEGISLATURE - FIRST SESSION

5

A BILL

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For an Act entitled: "An Act concerning the oil and gas properties pro-  
duction tax; and providing for an effective date."

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

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

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

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

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- (A) zero [FIVE] per cent on the first 100 [300] barrels of average daily per well production;
- (B) four [SIX] per cent on the next 200 [700] barrels of average daily per well production;
- (C) six [EIGHT] per cent on the next 700 [ALL PRODUCTION IN EXCESS OF 1,000] barrels of average daily per well production;
- (D) nine per cent on the next 500 barrels of average daily per well production;
- (E) eleven per cent on the next 2,000 barrels of average

1 daily per well production;

2 (F) fourteen per cent on all production in excess of  
3 3,500 barrels of average daily per well production;

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

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

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

15 (1) \$.0000 [\$.16875] on each of the first 100 [300] barrels  
16 of average daily per well production;

17 (2) \$.1350 [\$.2025] on each of the next 200 [700] barrels of  
18 average daily per well production;

19 (3) \$.2025 [\$.2700] on each of the next 700 [BARREL OF PRO-  
20 DUCTION IN EXCESS OF 1,000] barrels of average daily per well production;

21 (4) \$.3038 on each of the next 500 barrels of average  
22 daily per well production;

23 (5) \$.3713 on each of the next 2,000 barrels of average daily  
24 per well production;

25 (6) \$.4725 on each barrel of production in excess of 3,500  
26 barrels of average daily per well production.

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

28 (c) The tax rates set out in this section will be increased or  
29 decreased by a percentage equal to the percentage of change in the

1 Wholesale Price Index for crude petroleum published by the Bureau of  
2 Labor Statistics, of the United States Department of Labor. The year  
3 1967 is the base year of 100 for computing the tax rates. Changes in  
4 tax rates will be computed based on changes from the December, 1973  
5 Wholesale Price Index published in January, 1974 [IN THE WHOLESale PRICE  
6 INDEX OCCURRING AFTER JANUARY 1, 1974 AND WILL NOT INCLUDE CHANGES IN  
7 THE WHOLESale PRICE INDEX PRIOR TO JANUARY 1, 1974]. The department  
8 shall post the changes in the tax rates at least semi-annually and shall  
9 notify every person producing oil within the state of the changes.

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

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

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

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

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

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

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

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

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

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 tax  
7 is paid; and

8 \* Sec. 9. 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 it  
11 is metered or measured (by automatic custody transfer meter, tank  
12 gauge, or other method approved by the commissioner) in a condition  
13 of pipeline quality on the premises of the lease or property from  
14 which it is recovered; however, if the oil is not of pipeline  
15 quality when it is removed from the premises of the lease or  
16 property from which it is recovered, or if the oil recovered from a  
17 lease or property is not metered or measured (by automatic custody  
18 transfer meter, tank gauge, or other method approved by the com-  
19 missioner) on the premises of the lease or property from which it  
20 is recovered, then the gross value at the point of production is  
21 the value of that oil at the off-premises location where the oil is  
22 first metered or measured (by automatic custody transfer meter,  
23 tank gauge, or other method approved by the commissioner) in a  
24 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 or  
27 measured after separation from the oil; for gas run through a  
28 gas processing plant, the gross value at the point of production is  
29 the full consideration received by the producer for the gas if sold

1 in an arm's length transaction or, in the absence of an arm's  
2 length transaction, is the sum of the value of the liquids ex-  
3 tracted from the gas at the plant and the value of the residue gas,  
4 less a reasonable allowance for processing the gas at the plant and  
5 for transporting the gas to the plant from the premises upon which  
6 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 gas  
11 is recovered, whichever is the higher value; for gas run through a  
12 gas processing plant, the gross value at the point of production is  
13 the full consideration received by the producer for the gas if sold  
14 in an arm's length transaction or, in the absence of an arm's  
15 length transaction, is the sum of the value of the liquids ex-  
16 tracted from the gas at the plant and the value of the residue gas,  
17 less a reasonable allowance for processing the gas at the plant and  
18 for transporting the gas to the plant from the point where it was  
19 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 dividing the total number of barrels of oil produced from  
27 each lease or property during the calendar month by the total number of  
28 wells produced on the lease or property any time during the calendar  
29 month and dividing that amount by the total number of days in the

1       calendar month.

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

3       \* Sec. 11. This Act takes effect July 1, 1977.

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