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1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2

SENATE BILL NO. 158

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH 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 43.55.013(b) is amended to read:

10 (b)(1) The economic limit factor for oil production of a lease
11 or property shall be computed according to the following formula:

12 $(1 - [PEL/TP]) \exp ([460 \times WD]/PEL)$

13 where: PEL = the monthly production rate at the economic limit;

14 TP = the total production during the month for which the tax
15 is to be paid;

16 WD = the total number of well days in the month for which the
17 tax is to be paid; and

18 Where "exp" indicates that the expression following it is an exponent.

19 (2) If, for any month during the first 15 [10] years fol-
20 lowing the commencement of commercial oil production of a lease or
21 property, the economic limit factor for oil production of that lease
22 or property computed under (1) of this subsection is 0.7 or less, then
23 that factor shall be applied.

24 (3) If, for any month during the first 15 [10] years fol-
25 lowing the commencement of commercial oil production of a lease or
26 property, the economic limit factor for oil production of that lease
27 or property computed under (1) of this subsection is greater than 0.7,
28 then the economic limit factor is one.

29 (4) The economic limit factor for oil production of a lease

1 or property after the first 15 [10] years following the commencement
2 of commercial oil production shall be computed and applied under (1)
3 of this subsection.

4 * Sec. 2. AS 43.55.013(d) is amended to read:

5 (d) The monthly production rate at the economic limit for a
6 lease or property is [PRESUMED TO BE] 300 barrels times the number of
7 well days for the lease or property during the month for which the tax
8 is to be paid. [THE TAXPAYER MAY REBUT THIS PRESUMPTION AT A FORMAL
9 HEARING UNDER AS 43.05.240 BY PROVIDING CLEAR AND CONVINCING EVIDENCE
10 OF A DIFFERENT MONTHLY PRODUCTION RATE AT THE ECONOMIC LIMIT FOR THE
11 LEASE OR PROPERTY. THE HEARING SHALL BE HELD BEFORE FEBRUARY 15 OF
12 THE YEAR OR WITHIN SIX MONTHS AFTER COMMENCEMENT OF OIL PRODUCTION FOR
13 A LEASE OR PROPERTY. THE MONTHLY PRODUCTION RATE AT THE ECONOMIC
14 LIMIT FOR THE LEASE OR PROPERTY BASED UPON THE CLEAR AND CONVINCING
15 EVIDENCE OF THE TAXPAYER SHALL BE CALCULATED BY DIVIDING THE VALUE
16 DETERMINED UNDER (f) OF THIS SECTION INTO THE AVERAGE MONTHLY DIRECT
17 OPERATING COST DETERMINED UNDER (e) OF THIS SECTION AND SHALL BE USED
18 FOR PURPOSES OF THIS SECTION FOR ALL OIL PRODUCTION DURING THAT CALEN-
19 DAR YEAR FROM THE LEASE OR PROPERTY.]

20 * Sec. 3. AS 43.55.013(e) and (f) are repealed.

21 * Sec. 4. This Act takes effect immediately under AS 01.10.070(c).