

AMENDMENT # |

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "E"

1 Page 1, lines 2 - 9:

2 Delete "providing that the tax rate applicable to the production of oil as the
3 average production tax value of oil, gas produced in the Cook Inlet sedimentary basin,
4 and gas produced outside of the Cook Inlet sedimentary basin and used in the state
5 increases above \$30 shall be 0.35 percent multiplied by the number that represents the
6 difference between that average monthly production tax value and \$30, or the sum of 25
7 percent and the product of 0.1 percent multiplied by the number that represents the
8 difference between that average monthly production tax value and \$101.43, except that
9 the total rate determined in the calculation may not exceed 35 percent;"

10 Insert "relating to the tax rate applicable to oil production as the average
11 production tax value of oil, gas produced in the Cook Inlet sedimentary basin, and gas
12 produced outside of the Cook Inlet sedimentary basin and used in the state increases
13 above \$30, \$42.50, \$55, \$67.50, \$80, \$92.50, \$105, and \$117.50;"
14

15 Page 5, line 28, through page 7, line 5:

16 Delete all material and insert:

17 "* Sec. 7. AS 43.55.011(g) is repealed and reenacted to read:

18 (g) For each month of the calendar year for which the producer's average
19 monthly production tax value under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent
20 barrel of taxable oil and gas is more than \$30, the amount of tax for purposes of
21 (e)(2)(A) of this section is determined by multiplying the monthly production tax
22 value of the taxable oil produced during the month, gas produced during the month
23 from a lease or property in the Cook Inlet sedimentary basin, and gas produced during

1 the month from a lease or property outside the Cook Inlet sedimentary basin and used
2 in the state by the following tax rates, as applicable:

3 (1) if the producer's average monthly production tax value under
4 AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of taxable oil and gas for the
5 month is not more than \$42.50 under AS 43.55.160(a)(2)(A) - (E), the tax rate is 2.5
6 percent of the difference between that average monthly production tax value of a BTU
7 equivalent barrel and \$30;

8 (2) if the producer's average monthly production tax value under
9 AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of the taxable oil and gas for
10 the month is more than \$42.50 but not more than \$55 under AS 43.55.160(a)(2)(A) -
11 (E), the tax rates are

12 (A) 2.5 percent on the first \$12.50 of monthly production tax
13 value for each BTU equivalent barrel that is greater than \$30; and

14 (B) 7.5 percent of the monthly production tax value for each
15 BTU equivalent barrel that is greater than \$42.50;

16 (3) if the producer's average monthly production tax value under
17 AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of the taxable oil and gas for
18 the month is more than \$55 but not more than \$67.50 under AS 43.55.160(a)(2)(A) -
19 (E), the tax rates are

20 (A) 2.5 percent on the first \$12.50 of monthly production tax
21 value for each BTU equivalent barrel that is greater than \$30;

22 (B) 7.5 percent of the next higher \$12.50 of monthly
23 production tax value for each BTU equivalent barrel; and

24 (C) 12.5 percent of the monthly production tax value for each
25 BTU equivalent barrel that is greater than \$55;

26 (4) if the producer's average monthly production tax value under
27 AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of the taxable oil and gas for
28 the month is more than \$67.50 but not more than \$80 under AS 43.55.160(a)(2)(A) -
29 (E), the tax rates are

30 (A) 2.5 percent on the first \$12.50 of monthly production tax
31 value for each BTU equivalent barrel that is greater than \$30;

1 (B) 7.5 percent of the next higher \$12.50 of monthly
2 production tax value for each BTU equivalent barrel;

3 (C) 12.5 percent of the next higher \$12.50 of monthly
4 production tax value for each BTU equivalent barrel; and

5 (D) 17.5 percent of the monthly production tax value for each
6 BTU equivalent barrel that is greater than \$67.50;

7 (5) if the producer's average monthly production tax value under
8 AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of the taxable oil and gas for
9 the month is more than \$80 but not more than \$92.50 under AS 43.55.160(a)(2)(A) -
10 (E), the tax rates are

11 (A) 2.5 percent on the first \$12.50 of monthly production tax
12 value for each BTU equivalent barrel that is greater than \$30;

13 (B) 7.5 percent of the next higher \$12.50 of monthly
14 production tax value for each BTU equivalent barrel;

15 (C) 12.5 percent of the next higher \$12.50 of monthly
16 production tax value for each BTU equivalent barrel;

17 (D) 17.5 percent of the next higher \$12.50 of monthly
18 production tax value for each BTU equivalent barrel; and

19 (E) 22.5 percent of the monthly production tax value for each
20 BTU equivalent barrel that is greater than \$80;

21 (6) if the producer's average monthly production tax value under
22 AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of the taxable oil and gas for
23 the month is more than \$92.50 but not more than \$105 under AS 43.55.160(a)(2)(A) -
24 (E), the tax rates are

25 (A) 2.5 percent on the first \$12.50 of monthly production tax
26 value for each BTU equivalent barrel that is greater than \$30;

27 (B) 7.5 percent of the next higher \$12.50 of monthly
28 production tax value for each BTU equivalent barrel;

29 (C) 12.5 percent of the next higher \$12.50 of monthly
30 production tax value for each BTU equivalent barrel;

31 (D) 17.5 percent of the next higher \$12.50 of monthly

1 production tax value for each BTU equivalent barrel;

2 (E) 22.5 percent of the next higher \$12.50 of monthly
3 production tax value for each BTU equivalent barrel; and

4 (F) 25 percent of the monthly production tax value for each
5 BTU equivalent barrel that is greater than \$92.50;

6 (7) if the producer's average monthly production tax value under
7 AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of the taxable oil and gas for
8 the month is more than \$105 but not more than \$117.50 under AS 43.55.160(a)(2)(A)
9 - (E), the tax rates are

10 (A) 2.5 percent on the first \$12.50 of monthly production tax
11 value for each BTU equivalent barrel that is greater than \$30;

12 (B) 7.5 percent of the next higher \$12.50 of monthly
13 production tax value for each BTU equivalent barrel;

14 (C) 12.5 percent of the next higher \$12.50 of monthly
15 production tax value for each BTU equivalent barrel;

16 (D) 17.5 percent of the next higher \$12.50 of monthly
17 production tax value for each BTU equivalent barrel;

18 (E) 22.5 percent of the next higher \$12.50 of monthly
19 production tax value for each BTU equivalent barrel;

20 (F) 25 percent of the next higher \$12.50 of monthly production
21 tax value for each BTU equivalent barrel; and

22 (G) 30 percent of the monthly production tax value for each
23 BTU equivalent barrel that is greater than \$105;

24 (8) if the producer's average monthly production tax value under
25 AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of the taxable oil and gas for
26 the month is more than \$117.50 under AS 43.55.160(a)(2)(A) - (E), the tax rates are

27 (A) 2.5 percent on the first \$12.50 of monthly production tax
28 value for each BTU equivalent barrel that is greater than \$30;

29 (B) 7.5 percent of the next higher \$12.50 of monthly
30 production tax value for each BTU equivalent barrel;

31 (C) 12.5 percent of the next higher \$12.50 of monthly

1 production tax value for each BTU equivalent barrel;

2 (D) 17.5 percent of the next higher \$12.50 of monthly
3 production tax value for each BTU equivalent barrel;

4 (E) 22.5 percent of the next higher \$12.50 of monthly
5 production tax value for each BTU equivalent barrel;

6 (F) 25 percent of the next higher \$12.50 of monthly production
7 tax value for each BTU equivalent barrel;

8 (G) 30 percent of the next higher \$12.50 of monthly production
9 tax value for each BTU equivalent barrel; and

10 (H) 35 percent of the monthly production tax value for each
11 BTU equivalent barrel that is greater than \$117.50;

12 (9) for purposes of this subsection, the average monthly production tax
13 value under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of taxable oil and
14 gas is calculated by

15 (A) adding all of the monthly production tax values determined
16 under AS 43.55.160(a)(2)(A) - (E); and

17 (B) dividing the sum calculated under (A) of this paragraph by
18 the total amount, in BTU equivalent barrels, of

19 (i) taxable oil produced by the producer during the
20 month;

21 (ii) taxable gas produced by the producer during the
22 month from a lease or property in the Cook Inlet sedimentary basin;
23 and

24 (iii) taxable gas produced by the producer during the
25 month from a lease or property outside the Cook Inlet sedimentary
26 basin and used in the state."

AMENDMENT

#2

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "E"

1 Page 2, line 1, following "tax":

2 Insert "rate; relating to oil and gas production tax credits, including qualified
3 credits for exploration, development and production"

4
5 Page 4, line 29, through page 5, line 9:

6 Delete all material and insert:

7 "* Sec. 5. AS 43.55.011(e) is repealed and reenacted to read:

8 (e) There is levied on the producer of oil or gas a tax for all oil and gas
9 produced each calendar year from each lease or property in the state, less any oil and
10 gas the ownership or right to which is exempt from taxation or constitutes a
11 landowner's royalty interest. Except as otherwise provided under (f), (j), (k), and (o) of
12 this section, the tax is equal to the sum of the annual production tax value of the
13 taxable oil and gas

14 (1) produced from a lease or property not described in (2) of this
15 subsection as calculated under AS 43.55.160(a)(1) multiplied by 25 percent, and the
16 sum, over all months of the calendar year, of the tax amounts determined under (g)(1)
17 and (p) of this section, as applicable; and

18 (2) produced during the first seven consecutive years after the start of
19 sustained production or produced during the first seven years after the effective date of
20 this subsection, whichever is later, from a lease or property containing land that was
21 not or previously had not been within a unit or in commercial production as of
22 December 31, 2008, as calculated under AS 43.55.160(a)(1) multiplied by 15 percent,
23 and the sum, over all months of the calendar year, of the tax amounts determined

under (g)(2) and (p) of this section, as applicable; in this paragraph, "sustained production" has the meaning given in AS 43.55.025(I)."

Page 5, line 28, through page 7, line 5:

Delete all material and insert:

"* Sec. 7. AS 43.55.011(g) is repealed and reenacted to read:

(g) For each month of the calendar year for which the producer's average monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of taxable oil produced during the month, gas produced during the month from a lease or property in the Cook Inlet sedimentary basin, and gas produced during the month from a lease or property outside the Cook Inlet sedimentary basin and used in the state is more than \$30, the tax is calculated as follows:

(1) the amount of tax for purposes of (e)(1) of this section is determined by multiplying the value calculated under AS 43.55.160(a)(2)(A) - (E) by the tax rate calculated as follows:

(A) if the producer's average monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of the taxable oil and gas for the month is not more than \$92.50, the tax rate is 0.4 percent multiplied by the number that represents the difference between that average monthly production tax value of a BTU equivalent barrel and \$30; or

(B) if the producer's average monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of the taxable oil and gas for the month is more than \$92.50, the tax rate is the sum of 25 percent and the product of 0.1 percent multiplied by the number that represents the difference between the average monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel and \$92.50, except that the sum determined under this subparagraph may not exceed 50 percent;

(2) the amount of tax for purposes of (e)(2) of this section is determined by multiplying the monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) of the taxable oil and gas produced during the month by

the following tax rates, as applicable:

(A) if the producer's average monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of the taxable oil and gas for the month is not more than \$42.50, the tax rate is 2.5 percent of the difference between that average monthly production tax value of a BTU equivalent barrel and \$30;

(B) if the producer's average monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of the taxable oil and gas for the month is more than \$42.50 but not more than \$55, the tax rates are

(i) 2.5 percent on the first \$12.50 of monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) for each BTU equivalent barrel that is greater than \$30; and

(ii) 7.5 percent of the monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) for each BTU equivalent barrel that is greater than \$42.50;

(C) if the producer's average monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of the taxable oil and gas for the month is more than \$55 but not more than \$67.50, the tax rates are

(i) 2.5 percent on the first \$12.50 of monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) for each BTU equivalent barrel that is greater than \$30;

(ii) 7.5 percent of the next higher \$12.50 of monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) for each BTU equivalent barrel; and

(iii) 12.5 percent of the monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) for each BTU equivalent barrel that is greater than \$55;

(D) if the producer's average monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of the

1 taxable oil and gas for the month is more than \$67.50 but not more than \$80,
2 the tax rates are

3 (i) 2.5 percent on the first \$12.50 of monthly production
4 tax value calculated under AS 43.55.160(a)(2)(A) - (E) for each BTU
5 equivalent barrel that is greater than \$30;

6 (ii) 7.5 percent of the next higher \$12.50 of monthly
7 production tax value calculated under AS 43.55.160(a)(2)(A) - (E) for
8 each BTU equivalent barrel;

9 (iii) 12.5 percent of the next higher \$12.50 of monthly
10 production tax value calculated under AS 43.55.160(a)(2)(A) - (E) for
11 each BTU equivalent barrel;

12 (iv) 17.5 percent of the monthly production tax value
13 calculated under AS 43.55.160(a)(2)(A) - (E) for each BTU equivalent
14 barrel that is greater than \$67.50;

15 (E) if the producer's average monthly production tax value
16 calculated under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of the
17 taxable oil and gas for the month is more than \$80 but not more than \$92.50,
18 the tax rates are

19 (i) 2.5 percent on the first \$12.50 of monthly production
20 tax value calculated under AS 43.55.160(a)(2)(A) - (E) for each BTU
21 equivalent barrel that is greater than \$30;

22 (ii) 7.5 percent of the next higher \$12.50 of monthly
23 production tax value calculated under AS 43.55.160(a)(2)(A) - (E) for
24 each BTU equivalent barrel;

25 (iii) 12.5 percent of the next higher \$12.50 of monthly
26 production tax value calculated under AS 43.55.160(a)(2)(A) - (E) for
27 each BTU equivalent barrel;

28 (iv) 17.5 percent of the next higher \$12.50 of monthly
29 production tax value calculated under AS 43.55.160(a)(2)(A) - (E) for
30 each BTU equivalent barrel; and

31 (v) 22.5 percent of the monthly production tax value

1 calculated under AS 43.55.160(a)(2)(A) - (E) for each BTU equivalent
2 barrel that is greater than \$80;

3 (F) if the producer's average monthly production tax value
4 calculated under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of the
5 taxable oil and gas for the month is more than \$92.50, the tax rates are

6 (i) 2.5 percent on the first \$12.50 of monthly production
7 tax value calculated under AS 43.55.160(a)(2)(A) - (E) for each BTU
8 equivalent barrel that is greater than \$30;

9 (ii) 7.5 percent of the next higher \$12.50 of monthly
10 production tax value calculated under AS 43.55.160(a)(2)(A) - (E) for
11 each BTU equivalent barrel;

12 (iii) 12.5 percent of the next higher \$12.50 of monthly
13 production tax value calculated under AS 43.55.160(a)(2)(A) - (E) for
14 each BTU equivalent barrel;

15 (iv) 17.5 percent of the next higher \$12.50 of monthly
16 production tax value calculated under AS 43.55.160(a)(2)(A) - (E) for
17 each BTU equivalent barrel;

18 (v) 22.5 percent of the next higher \$12.50 of monthly
19 production tax value calculated under AS 43.55.160(a)(2)(A) - (E) for
20 each BTU equivalent barrel; and

21 (vi) 25 percent of the monthly production tax value
22 calculated under AS 43.55.160(a)(2)(A) - (E) for each BTU equivalent
23 barrel that is greater than \$92.50;

24 (3) for purposes of this subsection, the average monthly production tax
25 value calculated under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of
26 taxable oil and gas is calculated by

27 (A) adding all of the monthly production tax values determined
28 calculated under AS 43.55.160(a)(2)(A) - (E); and

29 (B) dividing the sum calculated under (A) of this paragraph by
30 the total amount, in BTU equivalent barrels, of

31 (i) taxable oil produced by the producer during the

1 month;

2 (ii) taxable gas produced by the producer during the
3 month from a lease or property in the Cook Inlet sedimentary basin;
4 and

5 (iii) taxable gas produced by the producer during the
6 month from a lease or property outside the Cook Inlet sedimentary
7 basin and used in the state."
8

9 Page 8, line 19, following "percent":

10 Insert ", or 15 percent, as applicable under AS 43.55.011(e),"

11
12 Page 8, line 20:

13 Delete "AS 43.55.011(g)"

14 Insert "AS 43.55.011(g)(1) or (2), as applicable"

15
16 Page 8, line 22, following "percent":

17 Insert ", or 15 percent, as applicable under AS 43.55.011(e),"

18
19 Page 9, line 1, following "percent":

20 Insert ", or 15 percent, as applicable under AS 43.55.011(e),"

21
22 Page 9, line 2:

23 Delete "AS 43.55.011(g)"

24 Insert "AS 43.55.011(g)(1) or (2), as applicable"

25
26 Page 9, line 4, following "percent":

27 Insert ", or 15 percent, as applicable under AS 43.55.011(e)"

28
29 Page 9, line 10:

30 Following "percent":

31 Insert ", or 15 percent, as applicable under AS 43.55.011(e),"

- 1 Delete "AS 43.55.011(g)"
- 2 Insert "AS 43.55.011(g)(1) or (2), as applicable"

AMENDMENT

#3

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "E"

Page 1, line 1, following "tax;":

Insert "relating to oil and gas or gas only leasing; requiring that a minimum work commitment be included in each oil and gas and gas only lease and that a proposed plan of development be included in an application for an oil and gas or gas only lease;"

Page 4, following line 28:

Insert new bill sections to read:

"* Sec. 5. AS 38.05.180(h) is amended to read:

(h) The commissioner shall [MAY] include terms in a [ANY] lease that impose [IMPOSING] a minimum work commitment on the lessee to implement the plan of development submitted by the lessee with a bid for an oil and gas or gas only lease. The terms of the minimum work commitment must [. THESE TERMS SHALL BE MADE PUBLIC BEFORE THE SALE, AND MAY] include appropriate penalty provisions to take effect in the event the lessee does not fulfill the minimum work commitment. If it is demonstrated that a lease has been proven unproductive by actions of adjacent lease holders, the commissioner may set aside a work commitment. The commissioner may waive for a period not to exceed one two-year period any term of a minimum work commitment if the commissioner makes a written finding either that conditions preventing drilling or exploration were beyond the lessee's reasonable ability to foresee or control or that the lessee has demonstrated through good faith efforts an intent and ability to drill or develop the lease during the term of the waiver.

* Sec. 6. AS 38.05.180(x) is amended to read:

(x) A lessee conducting or permitting any exploration for, or development or

1 production of, oil or gas on state land shall provide the commissioner access to all
 2 noninterpretive data obtained from that lease; **shall provide the commissioner access**
 3 **to all information necessary to perform an economic analysis under (ii)(2) of this**
 4 **section, including the capital, operating, production, and development costs and**
 5 **an estimate of total reserves;** and shall provide copies of that data **and information,**
 6 as the commissioner may request. The confidentiality provisions of AS 38.05.035
 7 apply to the information obtained under this subsection.

8 * Sec. 7. AS 38.05.180 is amended by adding new subsections to read:

9 (hh) The commissioner shall require each bidder for an oil and gas lease or gas
 10 only lease and each lessee applying for an extension or renewal of an oil and gas lease
 11 or gas only lease to submit a plan of development for exploring, developing, and
 12 producing from the lease within the period of the lease or the extension or renewal of
 13 the lease. The commissioner shall review each plan of development and determine if
 14 the proposed plan of development is reasonably expected to develop the lease in the
 15 best interest of the state. The plan of development shall be included in a lease along
 16 with penalties for failing to comply with the plan of development and other terms of
 17 the lease. A bidder may not be a "qualified bidder" for the purposes of (f)(1) of this
 18 section if the commissioner finds that the bidder has not submitted a proposed plan of
 19 development that is in the best interest of the state or that the person that submitted the
 20 plan of development is not reasonably capable of implementing the plan.

21 (ii) The commissioner shall

22 (1) review each oil and gas lease or gas only lease each year for the
 23 purpose of determining whether a lease is being developed in the best interest of the
 24 state, whether the lessee is complying with the plan of development applicable to the
 25 lease, and whether revision of a development plan, including the planned rate of
 26 development, would provide the maximum benefit to the people of the state;

27 (2) every five years, perform an economic analysis on each
 28 participating area and determine whether the participating area is capable of increased
 29 production in paying quantities over the current rate of production or plan of
 30 development;

31 (3) enforce the terms of each oil and gas lease or gas only lease,

1 including imposing any applicable penalty or other remedy for noncompliance, within
 2 a reasonable time after finding that a lessee is out of compliance with the terms of the
 3 lease;

4 (4) submit a report to the legislature before the first day of each regular
 5 session that lists each oil and gas or gas only lessee that is found to be out of
 6 compliance and the action by the commissioner to bring the lessee back into
 7 compliance or to terminate the lease.

8 (jj) For the purposes of (hh) and (ii) of this section, a plan of development for
 9 a cooperative or unit under (p) of this section is the plan of development for a lease
 10 within the cooperative or unit, except where a different plan of development is
 11 established for a lease within the cooperative or unit.

12 (kk) For purposes of (ii) of this section,

13 (1) "participating area" means that part of an oil and gas lease unit area
 14 to which production is allocated in the manner described in a unit agreement;

15 (2) "production in paying quantities" means production in quantities
 16 sufficient to yield a return in excess of drilling, development, and operating costs."
 17

18 Renumber the following bill sections accordingly.

19
 20 Page 21, line 8, following "APPLICABILITY.":

21 Insert "(a)"
 22

23 Page 21, line 9:

24 Delete "sec. 13"

25 Insert "sec. 16"
 26

27 Page 21, following line 12:

28 Insert a new subsection to read:

29 "(b) Section 5 of this Act and AS 38.085.180(hh), enacted by sec. 7 of this Act, apply
 30 to a proposed lease sale and the renewal or extension of a lease on or after the effective date
 31 of secs. 5 and 7 of this Act."

1

2 Page 21, line 13:

3 Delete all material and insert:

4 "* **Sec. 21.** Sections 5 - 7 of this Act take effect July 1, 2013.

5 * **Sec. 22.** Except as provided in sec. 21 of this Act, this Act takes effect January 1, 2013."