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Juneau, Alaska

Thursday

November 15, 2007

Twenty-ninth Day

Pursuant to adjournment the Senate was called to order by President Green at 7:11 p.m.

The roll showed 19 members present. Senator Cowdery was excused from a call of the Senate due to illness (Page 1448).

The prayer was offered by the Chaplain, Senator Olson. Senator Hoffman moved and asked unanimous consent that the prayer be spread. Without objection, it was so ordered.

Our dear, heavenly Father, tonight as we gather to look at this very complex issue, something that is far-reaching and will affect not just us, but the generations that are to come, we pray for wisdom and the ability to see the big picture.

Besides wisdom and good judgment, we also ask that you would be with us as we get ready for this Thanksgiving season. This season we can spend with our families. This season when we can give back to you and thank you for what you have given us. Especially here in Alaska, where we been blessed with many resources. May we be good stewards of them, precious Father. Amen

Senator Hoffman led the Senate in the Pledge of Allegiance.

Certification

Senator Stevens moved and asked unanimous consent that the journals for the twenty-sixth through twenty-eighth legislative days be approved as certified by the Secretary. Without objection, it was so ordered.

Communications

Disclosure letters received in accordance with AS 24.60 will be published in Senate Journal Supplement No. 4 and Senate and House Joint Journal Supplement No. 9.

Standing Committee Reports**HB 2001**

The Finance Committee considered CS FOR HOUSE BILL NO. 2001(FIN) am "An Act relating to the production tax on oil and gas and to conservation surcharges on oil; providing a limit on the amount of tax that may be levied on the production of certain gas that is produced outside of the Cook Inlet sedimentary basin; relating to the sharing between agencies of certain information relating to the production tax and to oil and gas or gas only leases; expanding the period in which the Department of Revenue may assess the amount of oil and gas production tax and conservation surcharges; prohibiting a producer or explorer from receiving tax credits if certain judgments are not satisfied and requiring, as a condition of receiving the tax credits, the deposit of the amount of certain unpaid judgments and certain interest on those judgments in the court during an appeal and relating to that interest; relating to state oil and gas audit masters; making conforming amendments; and providing for an effective date" and recommended it be replaced with

SENATE CS FOR CS FOR HOUSE BILL NO. 2001(FIN) "An Act relating to the production tax on oil and gas and to conservation surcharges on oil; relating to the sharing between agencies of certain information relating to the production tax and to oil and gas or gas only leases; expanding the period in which the Department of Revenue may assess the

amount of oil and gas production tax and conservation surcharges; relating to state oil and gas audit masters; relating to oil and gas auditors and certain oil and gas auditor supervisors; making conforming amendments; and providing for an effective date." (Title change SCR 201)

Signing no recommendation: Senators Hoffman, Stedman, Cochairs; Senator Olson. Signing do pass: Senators Elton, Thomas. Signing amend: Senators Dyson, Huggins.

The following fiscal information was published today:

Fiscal Note No. 9, Department of Revenue

Fiscal Note No. 10, Department of Revenue

Fiscal Note No. 11, Department of Natural Resources

The following previously published fiscal information applies:

Fiscal Note No. 1, zero, Department of Administration

The bill is on today's calendar.

Introduction and Reference of Senate Resolutions

SCR 201

SENATE CONCURRENT RESOLUTION NO. 201 BY THE
SENATE FINANCE COMMITTEE,

Suspending Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State Legislature, concerning House Bill No. 2001, relating to the production tax on oil and gas and to conservation surcharges on oil; providing a limit on the amount of tax that may be levied on the production of certain gas that is produced outside of the Cook Inlet sedimentary basin; relating to the sharing between agencies of certain information relating to the production tax and to oil and gas or gas only leases; expanding the period in which the Department of

Revenue may assess the amount of oil and gas production tax and conservation surcharges; prohibiting a producer or explorer from receiving tax credits if certain judgments are not satisfied and requiring, as a condition of receiving the tax credits, the deposit of the amount of certain unpaid judgments and certain interest on those judgments in the court during an appeal and relating to that interest; relating to state oil and gas audit masters; and making conforming amendments.

was read the first time and held on the Secretary's desk.

Consideration of the Daily Calendar

Second Reading of House Bills

HB 2001

CS FOR HOUSE BILL NO. 2001(FIN) am "An Act relating to the production tax on oil and gas and to conservation surcharges on oil; providing a limit on the amount of tax that may be levied on the production of certain gas that is produced outside of the Cook Inlet sedimentary basin; relating to the sharing between agencies of certain information relating to the production tax and to oil and gas or gas only leases; expanding the period in which the Department of Revenue may assess the amount of oil and gas production tax and conservation surcharges; prohibiting a producer or explorer from receiving tax credits if certain judgments are not satisfied and requiring, as a condition of receiving the tax credits, the deposit of the amount of certain unpaid judgments and certain interest on those judgments in the court during an appeal and relating to that interest; relating to state oil and gas audit masters; making conforming amendments; and providing for an effective date" was read the second time.

President Green placed a call on the Senate. There being no objection, it was so ordered.

Senator Stedman, Chair, moved and asked unanimous consent for the adoption of the Finance Senate Committee Substitute offered on page 1508. Without objection, SENATE CS FOR CS FOR HOUSE BILL NO. 2001(FIN) "An Act relating to the production tax on oil and gas and to conservation surcharges on oil; relating to the sharing between agencies of certain information relating to the production tax and to oil and gas or gas only leases; expanding the period in which the Department of Revenue may assess the amount of oil and gas production tax and conservation surcharges; relating to state oil and gas audit masters; relating to oil and gas auditors and certain oil and gas auditor supervisors; making conforming amendments; and providing for an effective date" was adopted.

Senators Thomas, Olson, Wilken, Dyson, Therriault, Ellis, Bunde, Wagoner offered Amendment No. 1:

Page 1, line 2, following "oil;":

Insert **"providing a limit on the amount of tax that may be levied on the production of certain gas that is produced outside of the Cook Inlet sedimentary basin;"**

Page 1, line 11, following "INTENT.":

Insert "(a) It is the intent of the legislature that the provisions of this Act will

(1) ensure a fair and equitable means of assessing and taxing Alaska's oil and gas resources; and

(2) encourage the availability to Alaska's citizens of affordable gas produced, transported, and consumed within the state as one step toward reasonable and equitable energy costs throughout Alaska."

Reletter the following subsections accordingly.

Page 1, line 12:

Delete "sec. 47"

Insert "sec. 48"

Page 2, line 3:

Delete "sec. 68"

Insert "sec. 69"

Page 11, line 18:

Delete "and (k)"

Insert "(k), and (o)"

Page 11, line 26, following "section":

Insert "**and gas subject to (o) of this section**"

Page 14, line 9:

Delete "or (k)"

Insert ", (k), or (o)"

Page 14, line 11:

Delete "and (k)"

Insert ", (k), and (o)"

Page 14, line 13:

Delete "and (k)"

Insert ", (k), and (o)"

Page 14, line 14, following "AS 43.55.011(j)":

Insert "or (o)"

Page 14, lines 16 - 17:

Delete "and (k)"

Insert ", (k), and (o)"

Page 14, line 20:

Delete "or (k)"

Insert ", (k), or (o)"

Page 14, following line 20:

Insert a new bill section to read:

"* **Sec. 21.** AS 43.55.011 is amended by adding a new subsection to read:

(o) Notwithstanding other provisions of this section, for a calendar year before 2022, the tax levied under (e) of this section for each 1,000 cubic feet of gas for gas produced from a lease or property outside the Cook Inlet sedimentary basin and used in the state may not exceed the amount of tax for each 1,000 cubic feet of gas that is determined under (j)(2) of this section."

Renumber the following bill sections accordingly.

Page 15, line 1, following "basin":

Insert "or not subject to AS 43.55.011(o)"

Page 15, line 28:

Delete "or (k)"

Insert ", (k), or (o)"

Page 16, line 8:

Delete "or (k)"

Insert ", (k), or (o)"

Page 16, line 10, following the first occurrence of "(2)":

Insert "or 43.55.011(o)"

Page 16, line 11, following "(2)(A)":

Insert "or 43.55.011(o)"

Page 37, line 15, following "AS 43.55.170;":

Insert **"this subparagraph does not apply to gas subject to AS 43.55.011(o);"**

Page 37, line 23, following "AS 43.55.170;":

Insert **"this subparagraph does not apply to gas subject to AS 43.55.011(o);"**

Page 38, following line 4:

Insert new material to read:

"(E) gas produced during a calendar year from a lease or property outside the Cook Inlet sedimentary basin and used in the state is the gross value at the point of production of that gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to that gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;"

Page 39, lines 14 - 15:

Delete "**or (k)**"

Insert "**, (k), or (o)**"

Page 39, line 17:

Delete "(a)(1)(C) or (D)"

Insert "(a)(1)(C), (D) or (E)"

Page 39, line 20:

Delete "or (k)"

Insert ", (k), or (o)"

Page 39, line 23:

Delete "or (k)"

Insert ", (k), or (o)"

Page 44, line 29, following "gas":

Insert ", between gas subject to AS 43.55.011(o) and other gas,"

Page 47, line 22, following "AS 31.05.110(b)":

Insert ";

(24) "used in the state" means delivered for consumption as fuel in the state, including as fuel consumed to generate electricity"

Page 47, line 29:

Delete "sec. 55"

Insert "sec. 56"

Page 47, line 30:

Delete "secs. 15 - 27, 29 - 42, and 49 - 60"

Insert "secs. 15 - 28, 30 - 43, and 50 - 61"

Page 48, line 1:

Delete "Sections 43 and 45"

Insert "Sections 44 and 46"

Page 48, line 2:

Delete "sec. 43"

Insert "sec. 44"

Page 48, line 3:

Delete "sec. 45"

Insert "sec. 46"

Delete "secs. 43 and 45"

Insert "secs. 44 and 46"

Page 48, line 5:

Delete "Sections 34 - 37, 39, and 41"

Insert "Sections 35 - 38, 40, and 42"

Page 48, line 8:

Delete "sec. 47"

Insert "sec. 48"

Page 48, line 10:

Delete "47"

Insert "48"

Page 48, line 12:

Delete "sec. 44" in both places

Insert "sec. 45" in both places

Page 48, line 15:

Delete "sec. 46"

Insert "sec. 47"

Page 48, line 16:

Delete "sec. 46"

Insert "sec. 47"

Page 49, line 11:

Delete "sec. 21" in both places

Insert "sec. 22" in both places

Page 49, line 13:

Delete "sec. 21"

Insert "sec. 22"

Page 49, line 15:

Delete "sec. 55"

Insert "sec. 56"

Page 49, line 16:

Delete "sec. 68"

Insert "sec. 69"

Page 49, line 17:

Delete "secs. 15 - 27, 29 - 42, 49 - 54, and 56 - 60"

Insert "secs. 15 - 28, 30 - 43, 50 - 55, and 57 - 61"

Delete "sec. 55"

Insert "sec. 56"

Page 49, line 18:

Delete "sec. 68"

Insert "sec. 69"

Page 49, lines 26 - 27:

Delete "secs. 15 - 27, 29 - 42, and 49 - 60"

Insert "secs. 15 - 28, 30 - 43, and 50 - 61"

Page 49, line 29 :

Delete "sec. 55"

Insert "sec. 56"

Page 50, lines 15 - 16:

Delete "Sections 29 and 38"

Insert "Sections 30 and 39"

Page 50, line 17:

Delete "sec. 55"

Insert "sec. 56"

Page 50, line 19:

Delete "Sections 15 - 27, 29 - 42, and 49 - 60"

Insert "Sections 15 - 28, 30 - 43, and 50 - 61"

Page 50, line 21:

Delete "Section 28"

Insert "Section 29"

Page 50, line 22:

Delete "sec. 69"

Insert "sec. 70"

Senator Thomas moved and asked unanimous consent for the adoption of Amendment No. 1. Senator Stevens objected.

The question being: "Shall Amendment No. 1 be adopted?" The roll was taken with the following result:

SCS CSHB 2001(FIN)

Second Reading

Amendment No. 1

YEAS: 19 NAYS: 0 EXCUSED: 1 ABSENT: 0

Yeas: Bunde, Davis, Dyson, Ellis, Elton, French, Green, Hoffman, Huggins, Kookesh, McGuire, Olson, Stedman, Stevens, Therriault, Thomas, Wagoner, Wielechowski, Wilken

Excused: Cowdery

and so, Amendment No. 1 was adopted.

Senators French, Elton offered Amendment No. 2-A:

Page 39, line 27, through page 41, line 10:

Delete all material and insert:

**** Sec. 53.** AS 43.55.165(a) is repealed and reenacted to read:

(a) Except as provided in (k) and (l) of this section, for purposes of this chapter, a producer's lease expenditures for a calendar year are

(1) costs, other than items listed in (e) of this section, that are

(A) incurred in the state by the producer during the calendar year after March 31, 2006, to explore for, develop, or produce oil or gas deposits located within the producer's leases or properties in the state or, in the case of land in which the producer does not own an operating right, operating interest, or working interest, to explore for oil or gas deposits within other land in the state; and

(B) allowed by the department by regulation, based on the department's determination that the costs satisfy the following three requirements:

(i) the costs must be incurred upstream of the point of production of oil and gas;

(ii) the costs must be ordinary and necessary costs of exploring for, developing, or producing, as applicable, oil or gas deposits; and

(iii) the costs must be direct costs of exploring for, developing, or producing, as applicable, oil or gas deposits; and

(2) a reasonable allowance for that calendar year, as determined under regulations adopted by the department, for overhead expenses that are directly related to exploring for, developing, or producing, as applicable, the oil or gas deposits.

* **Sec. 54.** AS 43.55.165(b) is amended to read:

(b) For purposes of (a) of this section,

(1) direct costs include

(A) an expenditure, when incurred, to acquire an item if the acquisition cost is otherwise a direct cost, notwithstanding that the expenditure may be required to be capitalized rather than treated as an expense for financial accounting or federal income tax purposes;

(B) payments of or in lieu of property taxes, sales and use taxes, motor fuel taxes, and excise taxes;

[(C) A REASONABLE ALLOWANCE, AS DETERMINED UNDER REGULATIONS ADOPTED BY THE DEPARTMENT, FOR OVERHEAD EXPENSES DIRECTLY RELATED TO EXPLORING FOR, DEVELOPING, AND PRODUCING OIL OR GAS DEPOSITS LOCATED WITHIN LEASES OR PROPERTIES OR OTHER LAND IN THE STATE;]

(2) an activity does not need to be physically located on, near, or within the premises of the lease or property within which an oil or gas deposit being explored for, developed, or produced is located in order for the cost of the activity to be a cost upstream of the point of production of the oil or gas;

(3) in determining whether costs are lease expenditures, the department may consider, among other factors, the

(A) typical industry practices and standards in the state that determine the costs, other than items listed in (e) of this section, that an operator is allowed to bill a producer that is not the operator, under unit operating agreements or similar operating agreements that were in effect before December 2, 2005, and were subject to negotiation with at least one producer with substantial bargaining power, other than the operator; and

(B) standards adopted by the Department of Natural Resources that determine the costs, other than items listed in (e) of this section, that a lessee is allowed to

deduct from revenue in calculating net profits under a lease issued under AS 38.05.180(f)(3)(B), (D), or (E)."

Page 41, lines 23 - 26:

Delete all material and insert:

"(6) costs arising from fraud, wilful misconduct, [OR] gross negligence, **violation of law, or failure to comply with an obligation under a lease, permit, or license issued by the state or federal government;**"

Page 42, lines 6 - 7:

Delete all material and insert:

"(12) **an expenditure otherwise deductible under (b) of this section that is a result of** [FOR A TRANSACTION THAT IS] an internal transfer, **a transaction with an affiliate, or a transaction between related parties,** or is otherwise not an arm's length transaction, **unless the producer establishes to the satisfaction of the department that the amount of the expenditure does not exceed the** [EXPENDITURES INCURRED THAT ARE IN EXCESS OF] fair market value **of the expenditure;**"

Page 45, lines 7 - 8:

Delete "(a) Unless the payment or credit has already been subtracted in calculating billable or billed costs under AS 43.55.165(c) [OR (d)], a"

Insert "(a) **A** [UNLESS THE PAYMENT OR CREDIT HAS ALREADY BEEN SUBTRACTED IN CALCULATING BILLABLE OR BILLED COSTS UNDER AS 43.55.165(c) OR (d), A]"

Page 47, line 23, following "43.55.160(c),":

Insert "43.55.165(c),"

Senator French moved and asked unanimous consent for the adoption of Amendment No. 2-A. Senator Stevens objected.

Senator Ellis rose to a point of order. President Green cautioned members to proceed in order.

HB 2001

The question being: "Shall Amendment No. 2-A be adopted?" The roll was taken with the following result:

SCS CSHB 2001(FIN) am S
Second Reading
Amendment No. 2-A

YEAS: 13 NAYS: 6 EXCUSED: 1 ABSENT: 0

Yeas: Bunde, Davis, Dyson, Ellis, Elton, French, McGuire, Olson,
Therriault, Thomas, Wagoner, Wielechowski, Wilken

Nays: Green, Hoffman, Huggins, Kookesh, Stedman, Stevens

Excused: Cowdery

and so, Amendment No. 2-A was adopted.

Senator French offered Amendment No. 2-B:

Page 49, line 15:

Delete "AS 43.55.165(e)(19)"

Insert "As 43.55.165(e)(6) and (19)

Page 49, line 29

Delete "AS 43.55.165(e)(19)"

Insert "As 43.55.165(e)(6) and (19)

Page 50, line 17

Delete "AS 43.55.165(e)(19)"

Insert "As 43.55.165(e)(6) and (19)

Senator French moved for the adoption of Amendment No. 2-B.
Senator Stevens objected.

The question being: "Shall Amendment No. 2-B be adopted?" The roll
was taken with the following result:

SCS CSHB 2001(FIN) am S
Second Reading
Amendment No. 2-B

YEAS: 10 NAYS: 9 EXCUSED: 1 ABSENT: 0

Yeas: Dyson, Ellis, Elton, French, McGuire, Therriault, Thomas,
Wagoner, Wielechowski, Wilken

Nays: Bunde, Davis, Green, Hoffman, Huggins, Kookesh, Olson,
Stedman, Stevens

Excused: Cowdery

and so, Amendment No. 2-B was adopted.

Senators French, Elton offered Amendment No. 3:

Page 2, line 3:

Delete "sec. 68"

Insert "sec. 69"

Page 45, following line 5:

Insert a new bill section to read:

"* **Sec. 57.** AS 43.55.165 is amended by adding new subsections to read:

(k) For purposes of AS 43.55.160, for a calendar year after 2006 and before 2010, a producer's total lease expenditures, before adjustment under AS 43.55.170, that are applicable to oil and gas produced by the producer from all leases or properties from which 1,000,000,000 BTU equivalent barrels of oil or gas have been cumulatively produced by the close of 2006 and from which the average daily oil and gas production during 2006 exceeded 100,000 BTU equivalent barrels as the unit boundaries were defined on January 1, 2007, are determined under this subsection and (l) of this section. Except as otherwise provided under (l) of this section, the producer's total lease expenditures, other than qualified capital expenditures, (1) for calendar year 2007, are equal to the product of 1.37 multiplied by the total lease expenditures for calendar year 2006, other than qualified capital expenditures, that are applicable to oil and gas produced by the producer from all leases or properties within the unit, as reported on the producer's statement under AS 43.55.030(a) for calendar year 2006, and (2) for a calendar year after 2007, are equal to the product of 1.03 multiplied by the total lease expenditures, other than qualified capital expenditures, determined for the previous calendar year under this subsection. The producer's total lease expenditures for a calendar year after 2006 that are applicable to oil and gas produced by the producer from all leases or properties within a unit subject to this subsection are the sum of the producer's qualified capital expenditures incurred during the calendar year that are applicable to that oil and gas plus the lease expenditures, other than qualified capital expenditures, that are

applicable to that oil and gas as determined under this subsection and (l) of this section. If a producer whose lease expenditures for 2006 are used to determine lease expenditures for a later calendar year under this subsection transfers an interest in an affected lease or property to a different producer or if the unit area of the applicable unit is changed from the area as it existed on December 31, 2006, the transferee's lease expenditures applicable to oil and gas produced by the transferee from the lease or property and a producer's lease expenditures applicable to oil or gas produced from a lease or property within a unit area as it existed on December 31, 2006, continue to be determined under this subsection using those 2006 lease expenditures. In this subsection, "qualified capital expenditures" has the meaning given in AS 43.55.023.

(l) If, after audit by the department of a producer's statement or amended statement under AS 43.55.030(a) for calendar year 2006, the department finally determines that the reported amount of total lease expenditures, other than qualified capital expenditures, for calendar year 2006 applicable to oil and gas produced by the producer from all leases or properties within a unit subject to (k) of this section exceeds by more than 10 percent the actual amount of those lease expenditures, other than qualified capital expenditures, the producer or transferee, as applicable, shall (1) substitute the actual amount of those lease expenditures, other than qualified capital expenditures, for purposes of the calculations set out in (k) of this section, and (2) file amended statements for affected past tax periods within 60 days after the final determination. The commissioner may adjust the deduction applicable under (k) of this section on changes in unit boundaries."

Renumber the following bill sections accordingly.

Page 47, line 30:

Delete "49 - 60"

Insert "49 - 61"

Page 49, line 16:

Delete "sec. 68"

Insert "sec. 69"

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Page 49, line 17:

Delete "56 - 60"

Insert "56 - 61"

Page 49, line 18:

Delete "sec. 68"

Insert "sec. 69"

Page 49, line 27:

Delete "49 - 60"

Insert "49 - 61"

Page 50, line 19:

Delete "49 - 60"

Insert "49 - 61"

Page 50, line 22:

Delete "sec. 69"

Insert "sec. 70"

Senator French moved and asked unanimous consent for the adoption of Amendment No. 3. Senator Stevens objected.

The question being: "Shall Amendment No. 3 be adopted?" The roll was taken with the following result:

SCS CSHB 2001(FIN) am S

Second Reading

Amendment No. 3

YEAS: 11 NAYS: 8 EXCUSED: 1 ABSENT: 0

Yeas: Dyson, Ellis, Elton, French, Kookesh, Olson, Therriault, Thomas, Wagoner, Wielechowski, Wilken

Nays: Bunde, Davis, Green, Hoffman, Huggins, McGuire, Stedman, Stevens

Excused: Cowdery

and so, Amendment No. 3 was adopted.

Senator Stedman offered Amendment No. 4:

Page 21, line 12:

Delete "**April 1, 2006**"

Insert "**January 1, 2008**"

Page 21, lines 16 - 17:

Delete "are incurred during the calendar year for which the credit is taken"

Insert "**were incurred after March 31, 2006, and before January 1, 2008** [ARE INCURRED DURING THE CALENDAR YEAR FOR WHICH THE CREDIT IS TAKEN]"

Senator Stedman moved and asked unanimous consent for the adoption of Amendment No. 4. Senator Therriault objected, then withdrew his objection. There being no further objection, Amendment No. 4 was adopted.

Senator Wielechowski offered Amendment No. 5:

Page 33, line 31:

Delete "four"

Insert "six"

Delete "latest"

Senator Wielechowski moved for the adoption of Amendment No. 5. Senator Stevens objected.

The question being: "Shall Amendment No. 5 be adopted?" The roll was taken with the following result:

SCS CSHB 2001(FIN) am S

Second Reading

Amendment No. 5

YEAS: 12 NAYS: 7 EXCUSED: 1 ABSENT: 0

Yeas: Bunde, Davis, Dyson, Ellis, Elton, French, McGuire, Therriault, Thomas, Wagoner, Wielechowski, Wilken

Nays: Green, Hoffman, Huggins, Kookesh, Olson, Stedman, Stevens

Excused: Cowdery

and so, Amendment No. 5 was adopted.

Senator Wielechowski offered Amendment No. 6:

Page 25, line 3:

Delete "spudding the well"
Insert "the well is spudded"

Page 25, line 8:

Delete "and"

Page 25, lines 9 - 15:

Delete all material and insert:

"(ii) at the time of the submittal of information under (i) of this subparagraph, the commissioner of natural resources may request from the explorer that specific data sets, ancillary data, and reports including all results, and copies of well data collected and data analyses for the well be provided to the Department of Natural Resources upon completion of the drilling; in this sub-subparagraph, well data include all analyses conducted on physical material, and well logs collected from the well and sample analyses; testing geophysical and velocity data including vertical seismic profiles and check shot surveys; testing data and analyses; age data; geochemical analyses; and access to tangible material; and

(iii) the commissioner of natural resources must make an affirmative determination as to whether the geological objective of the well is a potential oil or gas trap that is distinctly separate from any trap that has been tested by a preexisting well and what information under (ii) of this subparagraph must be submitted by the explorer after completion, abandonment, or suspension under AS 31.05.030; the commissioner of natural resources shall make that determination within 60 days after receiving all the necessary information from the explorer based on the information received and on other information the commissioner of natural resources considers relevant;"

Page 25, line 21, following "abandonment":

Insert "under AS 31.05.030"

Page 25, line 23:

Delete "adequately achieved"

Insert "was consistent with achieving"

Page 25, line 30, following "section;":

Insert **"in addition, the explorer shall submit information necessary for the commissioner of natural resources to evaluate the validity of the explorer's compliance with the requirements of this section;"**

Page 26, line 28, through page 27, line 5:

Delete all material and insert:

"(ii) well data include all analyses conducted on physical material, and well logs collected from the well, results, and copies of data collected and data analyses for the well, including well logs; sample analyses; testing geophysical and velocity data including seismic profiles and check shot surveys; testing data and analyses; age data; geochemical analyses; and tangible material;"

Senator Wielechowski moved for the adoption of Amendment No. 6. Senator Stevens objected, then withdrew his objection. There being no further objection, Amendment No. 6 was adopted.

Senator Wielechowski offered Amendment No. 7:

Page 1, line 6, following "supervisors;":

Insert **"establishing an oil and gas tax credit fund and authorizing payment from that fund;"**

Page 1, line 12:

Delete "sec. 47"

Insert "sec. 49"

Page 2, line 3:

Delete "sec. 68"

Insert "sec. 71"

Page 19, line 24, following "**payment**":

Insert **"under AS 43.55.028"**

Page 20, following line 30:

Insert a new bill section to read:

"* **Sec. 28.** AS 43.55.023(g) is amended to read:

(g) The issuance of a transferable tax credit certificate under (d) of this section or the **purchase of a certificate** [ISSUANCE OF A CASH REFUND] under **AS 43.55.028** [(f) OF THIS SECTION] does not limit the department's ability to later audit a tax credit claim to which the certificate relates or to adjust the claim if the department determines, as a result of the audit, that the applicant was not entitled to the amount of the credit for which the certificate was issued. The tax liability of the applicant under AS 43.55.011(e) and 43.55.017 - 43.55.180 is increased by the amount of the credit that exceeds that to which the applicant was entitled, or the applicant's available valid outstanding credits applicable against the tax levied by AS 43.55.011(e) are reduced by that amount. If the applicant's tax liability is increased under this subsection, the increase bears interest under AS 43.05.225 from the date the transferable tax credit certificate was issued. For purposes of this subsection, an applicant that is an explorer is considered a producer subject to the tax levied by AS 43.55.011(e)."

Renumber the following bill sections accordingly.

Page 29, following line 31:

Insert a new bill section to read:

"* **Sec. 44.** AS 43.55 is amended by adding a new section to read:

Sec. 43.55.028. Oil and gas tax credit fund established; cash purchases of tax credit certificates. (a) The oil and gas tax credit fund is established as a separate fund of the state. The purpose of the fund is to purchase certain transferable tax credit certificates issued under AS 43.55.023 and certain production tax credit certificates issued under AS 43.55.025.

(b) The oil and gas tax credit fund consists of

(1) money appropriated to the fund, including any appropriation of the percentage provided under (c) of this section of all revenue from taxes levied by AS 43.55.011 that is not required to be deposited in the constitutional budget reserve fund established in art. IX, sec. 17(a), Constitution of the State of Alaska; and

(2) earnings on the fund.

(c) The applicable percentage for a fiscal year under (b)(1) of this section is determined with reference to the average price or value forecast by the department for Alaska North Slope oil sold or otherwise disposed of on the United States West Coast during the fiscal year for which the appropriation of revenue from taxes levied by AS 43.55.011 is made. If that forecast is

(1) \$60 a barrel or higher, the applicable percentage is 10 percent;

(2) less than \$60 a barrel, the applicable percentage is 15 percent.

(d) The department shall manage the fund.

(e) The department, on the written application of the person to whom a transferable tax credit certificate has been issued under AS 43.55.023(d) or a production tax credit certificate has been issued under AS 43.55.025(f), may use available money in the oil and gas tax credit fund to purchase, in whole or in part, the certificate if the department finds that

(1) the calendar year of the purchase is not earlier than the first calendar year for which the credit shown on the certificate would otherwise be allowed to be applied against a tax;

(2) within 24 months after applying for the transferable tax credit certificate or filing a claim for the production tax credit certificate, the applicant incurred a qualified capital expenditure or was the successful bidder on a bid submitted for a lease on state land under AS 38.05.180(f);

(3) the amount expended for the purchase would not exceed the total of qualified capital expenditures and successful bids described in (2) of this subsection that have not been the subject of a finding made under this paragraph for purposes of a previous purchase of a certificate;

(4) the applicant does not have an outstanding liability to the state for unpaid delinquent taxes under this title;

(5) the applicant's total tax liability under AS 43.55.011(e), after application of all available tax credits, for the calendar year in which the application is made is zero;

(6) the applicant's average daily production of oil and gas taxable under AS 43.55.011(e) during the calendar year preceding the calendar year in which the application is made was not more than 50,000 BTU equivalent barrels; and

(7) the purchase is consistent with this section and regulations adopted under this section.

(f) Money in the fund remaining at the end of a fiscal year does not lapse and remains available for expenditure in successive fiscal years.

(g) The department may adopt regulations to carry out the purposes of this section, including standards and procedures to allocate available money among applications for purchases the total amount of which exceeds the amount of available money in the fund.

(h) Nothing in this section creates a dedicated fund.

(i) In this section, "qualified capital expenditure" has the meaning given in AS 43.55.023."

Renumber the following bill sections accordingly.

Page 47, following line 24:

Insert a new bill section to read:

"* **Sec. 63.** AS 43.55.023(f) is repealed."

Renumber the following bill sections accordingly.

Page 47, line 29:

Delete "sec. 55"

Insert "sec. 57"

Page 47, line 30:

Delete "29 - 42, and 49 - 60"

Insert "30 - 43, and 51 - 62"

Page 48, line 1:

Delete "Sections 43 and 45"

Insert "Sections 45 and 47"

Page 48, line 2:

Delete "sec. 43"

Insert "sec. 45"

Page 48, line 3:

Delete "sec. 45"

Insert "sec. 47"

Delete "secs. 43 and 45"

Insert "secs. 45 and 47"

Page 48, line 5:

Delete "Sections 34 - 37, 39, and 41"

Insert "Sections 35 - 38, 40, and 42"

Page 48, line 8:

Delete "sec. 47"

Insert "sec. 49"

Page 48, line 10:

Delete "47"

Insert "49"

Page 48, line 12:

Delete "sec. 44" in both places

Insert "sec. 46" in both places

Page 48, line 15:

Delete "sec. 46"

Insert "sec. 48"

Page 48, line 16:

Delete "sec. 46"

Insert "sec. 48"

Page 48, following line 16:

Insert a new subsection to read:

"(h) If an application made under AS 43.55.023(f) is received by the Department of Revenue before January 1, 2008, and is still outstanding on that date, the application is considered to be an application under AS 43.55.028, enacted by sec. 44 of this Act."

Page 49, line 15:

Delete "sec. 55"

Insert "sec. 57"

Page 49, line 16:

Delete "sec. 68"

Insert "sec. 71"

Page 49, line 17:

Delete "29 - 42, 49 - 54, 56 - 60"

Insert "30 - 43, 51 - 56, 58 - 62"

Delete "sec. 55"

Insert "sec. 57"

Page 49, line 18:

Delete "sec. 68"

Insert "sec. 71"

Page 49, lines 26 - 27:

Delete "29 - 42, and 49 - 60"

Insert "30 - 43, and 51 - 62"

Page 49, line 29:

Delete "sec. 55"

Insert "sec. 57"

Page 50, lines 15 - 16:

Delete "Sections 29 and 38"

Insert "Sections 30 and 39"

Page 50, line 17:

Delete "sec. 55"

Insert "sec. 57"

Page 50, line 19:

Delete "29 - 42, and 49 - 60"

Insert "30 - 43, and 51 - 62"

Page 50, line 21:

Delete "Section 28 of this Act takes"

Insert "Sections 28, 29, 44, and 63 of this Act take"

Page 50, line 22:

Delete "sec. 69"

Insert "sec. 72"

Senator Wielechowski moved for the adoption of Amendment No. 7.

Senator Stevens objected.

The question being: "Shall Amendment No. 7 be adopted?" The roll was taken with the following result:

SCS CSHB 2001(FIN) am S
Second Reading
Amendment No. 7

YEAS: 12 NAYS: 7 EXCUSED: 1 ABSENT: 0

Yeas: Bunde, Davis, Dyson, Ellis, French, McGuire, Olson, Therriault, Thomas, Wagoner, Wielechowski, Wilken

Nays: Elton, Green, Hoffman, Huggins, Kookesh, Stedman, Stevens

Excused: Cowdery

and so, Amendment No. 7 was adopted.

Senator McGuire offered Amendment No. 8:

Page 47, line 25:
Delete all material.

Renumber the following bill sections accordingly.

Senator McGuire moved for the adoption of Amendment No. 8.
Senator Stevens objected.

The question being: "Shall Amendment No. 8 be adopted?" The roll was taken with the following result:

SCS CSHB 2001(FIN) am S
Second Reading
Amendment No. 8

YEAS: 14 NAYS: 5 EXCUSED: 1 ABSENT: 0

Yeas: Bunde, Davis, Dyson, French, Huggins, Kookesh, McGuire, Olson, Stedman, Stevens, Therriault, Thomas, Wagoner, Wilken

Nays: Ellis, Elton, Green, Hoffman, Wielechowski

Excused: Cowdery

and so, Amendment No. 8 was adopted.

Senator Stedman offered Amendment No. 9:

Page 14, line 10:

Delete "oil or"

Page 14, line 16:

Delete "oil or"

Page 14, lines 16-17:

Delete "and (k) "

Page 50, line 12, following "by the regulation.":

Insert "The department shall not adopt regulations governing the use of tax credits under AS 43.55 for a calendar year for which the applicable tax credit provisions of AS 43.55 differ as between parts of the year as a result of the retroactive application of a provision of this Act. "

Senator Stedman moved and asked unanimous consent for the adoption of Amendment No. 9. Senator Therriault objected, then withdrew his objection. There being no further objection, Amendment No. 9 was adopted.

Senator Stedman offered Amendment No. 10:

Page 2, line 3:

Delete "sec. 68"

Insert "sec. 69"

Page 11, lines 14 - 22:

Delete all material and insert:

"* Sec. 15. AS 43.55.011(e) is repealed and reenacted to read:

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

(1) the annual production tax value of the taxable oil and gas as calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

(2) the sum, over all months of the calendar year, of the tax amounts determined under (g) of this section."

Page 12, lines 14 - 26:

Delete all material and insert:

"* **Sec. 17.** 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 under AS 43.55.160(a)(2) per BTU equivalent barrel of the taxable oil and gas is more than \$30, the amount of tax for purposes of (e) of this section is determined by multiplying the monthly production tax value of the taxable oil and gas produced during the month by the tax rate calculated as follows:

(1) if the producer's average monthly production tax value per BTU equivalent barrel of the taxable oil and gas for the month is not more than \$90, the tax rate is 0.4 percent multiplied by the number that represents the difference between that average monthly production tax value per BTU equivalent barrel and \$30; or

(2) if the producer's average monthly production tax value per BTU equivalent barrel of the taxable oil and gas for the month is more than \$90, the tax rate is the sum of 24 percent and the product of 0.1 percent multiplied by the number that represents the difference between the average monthly production tax value per BTU equivalent barrel and \$90, except that the sum determined under this paragraph may not exceed 50 percent."

Page 15, line 4:

Delete "the total tax rate for the month determined in"

Insert "the sum of 25 percent and the tax rate calculated for the month under"

Page 15, line 19:

Delete "the total tax rate for the month determined in"

Insert "the sum of 25 percent and the tax rate calculated for the month under"

Page 15, line 30:

Delete "the total tax rate for the month determined in"

Insert "the sum of 25 percent and the tax rate calculated for the month under"

Page 39, following line 6:

Insert a new bill section to read:

"* **Sec. 52.** AS 43.55.160(c) is amended to read:

(c) Notwithstanding any contrary provision of AS 43.55.150, for purposes of calculating a monthly production tax value under (a)(2) of this section, the gross value at the point of production of the oil and gas [TAXABLE UNDER AS 43.55.011(g)] is calculated under regulations adopted by the department that provide for using an appropriate monthly share of the producer's costs of transportation for the calendar year."

Renumber the following bill sections accordingly.

Page 39, line 10:

Delete "**a** [AN ANNUAL]"

Insert "an annual"

Page 47, line 23:

Delete "43.55.160(c),"

Page 47, line 29:

Delete "sec. 55"

Insert "sec. 56"

Page 47, line 30:

Delete "49 - 60"

Insert "49 - 61"

Page 49, line 15:

Delete "sec. 55"

Insert "sec. 56"

Page 49, line 16:

Delete "sec. 68"

Insert "sec. 69"

Page 49, line 17:

Delete "49 - 54, 56 - 60"

Insert "49 - 55, 57 - 61"

Delete "sec. 55"

Insert "sec. 56"

Page 49, line 18:

Delete "sec. 68"

Insert "sec. 69"

Page 49, line 27:

Delete "49 - 60"

Insert "49 - 61"

Page 49, line 29:

Delete "sec. 55"

Insert "sec. 56"

Page 50, line 17:

Delete "sec. 55"

Insert "sec. 56"

Page 50, line 19:

Delete "49 - 60"

Insert "49 - 61"

Page 50, line 22:

Delete "sec. 69"

Insert "sec. 70"

Senator Stedman moved and asked unanimous consent for the adoption of Amendment No. 10. Senator Therriault objected, then withdrew his objection. There being no further objection, Amendment No. 10 was adopted.

Senator Stedman offered Amendment No. 11:

Page 12, line 19:

Delete "\$90"

Insert "\$92.50"

Page 12, line 22:

Delete "\$90"

Insert "\$92.50"

Delete "24"

Insert "25"

Page 12, line 25:

Delete "\$90"

Insert "\$92.50"

Senator Stedman moved and asked unanimous consent for the adoption of Amendment No. 11. Senator Therriault objected, then withdrew his objection. There being no further objection, Amendment No. 11 was adopted.

Senator French offered Amendment No. 12:

Page 1, line 12:

Delete "sec. 47"

Insert "sec. 48"

Page 2, line 3.:

Delete "sec. 68"

Insert "sec. 69"

Page 33, following line 27:

Insert a new bill section to read:

"* **Sec. 47.** AS 43.55 is amended by adding a new section to read:

Sec. 43.55.055. Penalty for understatement of tax. (a) In addition to other penalties prescribed by law, if there is a substantial understatement of tax required to be shown on a statement required under AS 43.55.030(a), there shall be added to the tax an amount equal to 10 percent of the substantial understatement of tax.

(b) In addition to other penalties prescribed by law, if there is a gross understatement of tax required to be shown on a statement required under AS 43.55.030(a), there shall be added to the tax an amount equal to 20 percent of the gross understatement of tax.

(c) In addition to the penalties imposed under (a) or (b) of this section, a person who has made a substantial or gross understatement of tax is liable to the state for the reasonable costs of the state's enforcement action, including auditing costs.

(d) For purposes of this section,

(1) a substantial understatement of tax for any calendar year exists if the amount of the understatement for the calendar year exceeds 10 percent of the tax required to be shown on the statement for the calendar year;

(2) a gross understatement of tax for any calendar year exists if the amount of the understatement for the calendar year exceeds 20 percent of the tax required to be shown on the statement for the calendar year;

(3) "understatement" means the amount by which the tax required to be shown on the statement for the calendar year exceeds the amount of the tax reported as due by the taxpayer as shown on the statement."

Renumber the following bill sections accordingly.

Page 47, line 29:

Delete "sec. 55"

Insert "sec. 56"

Page 47, line 30:

Delete "49 - 60"

Insert "50 - 61"

Page 48, following line 4:

Insert a new subsection to read:

"(d) AS 43.55.055, enacted by sec. 47 of this Act, applies to understatements made after the effective date of sec. 47 of this Act."

Reletter the following subsections accordingly.

Page 48, line 8:

Delete "sec. 47"

Insert "sec. 48"

Page 48, line 10:

Delete "47"

Insert "48"

Page 49, line 15:

Delete "sec. 55"

Insert "sec. 56"

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Page 49, line 16:

Delete "sec. 68"

Insert "sec. 69"

Page 49, line 17:

Delete "49 - 54, 56 - 60"

Insert "50 - 55, 57 - 61"

Delete "sec. 55"

Insert "sec. 56"

Page 49, line 18:

Delete "sec. 68"

Insert "sec. 69"

Page 49, line 27:

Delete "49 - 60"

Insert "50 - 61"

Page 49, line 29:

Delete "sec. 55"

Insert "sec. 56"

Page 50, line 17:

Delete "sec. 55"

Insert "sec. 56"

Page 50, line 19:

Delete "49 - 60"

Insert "50 - 61"

Page 50, line 22:

Delete "sec. 69"

Insert "sec. 70"

Senator French moved and asked unanimous consent for the adoption of Amendment No. 12. Senator Stevens objected.

The question being: "Shall Amendment No. 12 be adopted?" The roll was taken with the following result:

SCS CSHB 2001(FIN) am S
Second Reading
Amendment No. 12

YEAS: 8 NAYS: 11 EXCUSED: 1 ABSENT: 0

Yeas: Davis, Dyson, French, Therriault, Thomas, Wagoner,
Wielechowski, Wilken

Nays: Bunde, Ellis, Elton, Green, Hoffman, Huggins, Kookesh,
McGuire, Olson, Stedman, Stevens

Excused: Cowdery

Bunde changed from "Yea" to "Nay".

and so, Amendment No. 12 failed.

President Green stated in accordance with Uniform Rule 43,
engrossment would be waived on SENATE CS FOR HOUSE BILL
NO. 2001(FIN) am S.

Senators Bunde, Wagoner, Dyson offered Amendment No. 13:

Page 2, line 9

Delete: "June 30, 2007"

Insert: "December 31, 2007"

Page 47, line 31

Delete: "June 30, 2007"

Insert: "December 31, 2007"

Page 49, line 27

Delete: "July 1, 2007"

Insert: "January 1, 2008"

Page 50, line 20

Delete: "July 1, 2007"

Insert: "January 1, 2008"

Senator Bunde moved for the adoption of Amendment No. 13. Senator
Stevens objected.

The question being: "Shall Amendment No. 13 be adopted?" The roll was taken with the following result:

SCS CSHB 2001(FIN) am S

Second Reading

Amendment No. 13

YEAS: 5 NAYS: 14 EXCUSED: 1 ABSENT: 0

Yeas: Bunde, Dyson, McGuire, Therriault, Wagoner

Nays: Davis, Ellis, Elton, French, Green, Hoffman, Huggins, Kookesh, Olson, Stedman, Stevens, Thomas, Wielechowski, Wilken

Excused: Cowdery

and so, Amendment No. 13 failed.

Senators Therriault, Wilken, Dyson, Bunde, Wagoner offered Amendment No. 14:

Page 1, line 12:

Delete "sec. 47"

Insert "sec. 48"

Page 2, line 3:

Delete "sec. 68"

Insert "sec. 69"

Page 2, following line 19:

Insert a new bill section to read:

**** Sec. 2.** AS 37.10 is amended by adding a new section to read:

Sec. 37.10.440. Appropriations to the earnings reserve account of production tax revenue. (a) By February 1 of each year, the Department of Revenue shall determine whether the state received for the general fund, during the immediately preceding calendar year, an additional amount of money under AS 43.55.011(g) because the monthly average production tax value for each BTU equivalent barrel is more than \$30 under that subsection. If the state received an additional amount, the department shall notify the legislature of that amount.

(b) The legislature may appropriate 50 percent of the amount identified by the Department of Revenue under (a) of this section to the earnings reserve account established under AS 37.13.145.

(c) Nothing in this section requires that money be appropriated or creates a dedicated fund."

Renumber the following bill sections accordingly.

Page 47, line 29:

Delete "sec. 55"

Insert "sec. 56"

Page 47, line 30:

Delete "secs. 15 - 27, 29 - 42, and 49 - 60"

Insert "secs. 16 - 28, 30 - 43, and 50 - 61"

Page 48, line 1:

Delete "Sections 43 and 45"

Insert "Sections 44 and 46"

Page 48, line 2:

Delete "sec. 43"

Insert "sec. 44"

Page 48, line 3:

Delete "sec. 45"

Insert "sec. 46"

Delete "secs. 43 and 45"

Insert "secs. 44 and 46"

Page 48, line 5:

Delete "Sections 34 - 37, 39, and 41"

Insert "Sections 35 - 38, 40, and 42"

Page 48, line 8:

Delete "sec. 47"

Insert "sec. 48"

Page 48, line 10:

Delete "secs. 14 and 47"

Insert "secs. 15 and 48"

Page 48, line 12:

Delete "sec. 44" in both places

Insert "sec. 45" in both places

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Page 48, line 15:

Delete "sec. 46"

Insert "sec. 47"

Page 48, line 16:

Delete "sec. 46"

Insert "sec. 47"

Page 49, line 11:

Delete "sec. 21" in both places

Insert "sec. 22" in both places

Page 49, line 13:

Delete "sec. 21"

Insert "sec. 22"

Page 49, line 15:

Delete "sec. 55"

Insert "sec. 56"

Page 49, line 16:

Delete "sec. 68"

Insert "sec. 69"

Page 49, line 17:

Delete "secs. 15 - 27, 29 - 42, 49 - 54, and 56 - 60"

Insert "secs. 16 - 28, 30 - 43, 50 - 55, and 57 - 61"

Delete "sec. 55"

Insert "sec. 56"

Page 49, line 18:

Delete "sec. 68"

Insert "sec. 69"

Page 49, lines 26 - 27:

Delete "secs. 15 - 27, 29 - 42, and 49 - 60"

Insert "secs. 16 - 28, 30 - 43, and 50 - 61"

Page 49, line 29 :

Delete "sec. 55"

Insert "sec. 56"

Page 50, lines 15 - 16:

Delete "Sections 29 and 38"

Insert "Sections 30 and 39"

Page 50, line 17:

Delete "sec. 55"

Insert "sec. 56"

Page 50, line 19:

Delete "secs. 15 - 27, 29 - 42, and 49 - 60"

Insert "secs. 16 - 28, 30 - 43, and 50 - 61"

Page 50, line 21:

Delete "Section 28"

Insert "Section 29"

Page 50, line 22:

Delete "sec. 69"

Insert "sec. 70"

Senator Therriault moved and asked unanimous consent for the adoption of Amendment No. 14. Senator Stevens objected.

The question being: "Shall Amendment No. 14 be adopted?" The roll was taken with the following result:

SCS CSHB 2001(FIN) am S

Second Reading

Amendment No. 14

YEAS: 5 NAYS: 14 EXCUSED: 1 ABSENT: 0

Yeas: Bunde, Dyson, Therriault, Wagoner, Wilken

Nays: Davis, Ellis, Elton, French, Green, Hoffman, Huggins, Kookesh, McGuire, Olson, Stedman, Stevens, Thomas, Wielechowski

Excused: Cowdery

and so, Amendment No. 14 failed.

Senators Wagoner, Bunde offered Amendment No. 15:

Page 2, line 9

Delete: "June 30, 2007"

Insert: "September 30, 2007"

Page 47, line 31

Delete: "June 30, 2007"

Insert: "September 30, 2007"

Page 49, line 27

Delete: "July 1, 2007"

Insert: "October 1, 2007"

Page 50, line 20

Delete: "July 1, 2007"

Insert: "October 1, 2007"

Senator Wagoner moved and asked unanimous consent for the adoption of Amendment No. 15. Senator Stevens objected.

The question being: "Shall Amendment No. 15 be adopted? " The roll was taken with the following result:

SCS CSHB 2001(FIN) am S

Second Reading

Amendment No. 15

YEAS: 6 NAYS: 13 EXCUSED: 1 ABSENT: 0

Yeas: Bunde, Dyson, McGuire, Therriault, Wagoner, Wilken

Nays: Davis, Ellis, Elton, French, Green, Hoffman, Huggins, Kookesh, Olson, Stedman, Stevens, Thomas, Wielechowski

Excused: Cowdery

and so, Amendment No. 15 failed.

Senator Therriault offered Amendment No. 16:

Page 2, line 3:

Delete "sec. 68"

Insert "sec. 69"

Page 47, line 23:

Delete "and 43.55.165(d)"

Insert ", 43.55.165(d), and 43.55.180"

Page 49, line 16:

Delete "sec. 68"

Insert "sec. 69"

Page 49, line 18:

Delete "sec. 68"

Insert "sec. 69"

Page 50, following line 12:

Insert a new bill section to read:

"* **Sec. 68.** The uncodified law of the State of Alaska is amended by adding a new section to read:

REVISOR'S INSTRUCTION. In the following statute sections, the revisor of statutes shall substitute the spanned reference

(1) "AS 43.55.011 - 43.55.170" for the spanned reference "AS 43.55.011 - 43.55.180": AS 43.55.020(e), 43.55.080, 43.55.135, 43.55.150(a), 43.55.201(c), and 43.55.300(c);

(2) "AS 43.55.017 - 43.55.170" for the spanned reference "AS 43.55.017 - 43.55.180": AS 43.55.023(g)."

Renumber the following bill sections accordingly.

Page 50, line 22:

Delete "sec. 69"

Insert "sec. 70"

Senator Therriault moved and asked unanimous consent for the adoption of Amendment No. 16. Senator Stevens objected.

The question being: "Shall Amendment No. 16 be adopted?" The roll was taken with the following result:

SCS CSHB 2001(FIN) am S

Second Reading

Amendment No. 16

YEAS: 6 NAYS: 13 EXCUSED: 1 ABSENT: 0

Yeas: Bunde, Dyson, McGuire, Therriault, Wagoner, Wilken

Nays: Davis, Ellis, Elton, French, Green, Hoffman, Huggins, Kookesh, Olson, Stedman, Stevens, Thomas, Wielechowski

Excused: Cowdery

and so, Amendment No. 16 failed.

Senator Stedman offered Amendment No. 17:

Page 1, line 12:

Delete "sec. 47"

Insert "sec. 48"

Page 2, line 3:

Delete "sec. 68"

Insert "sec. 69"

Page 23, line 30:

Delete "**December 31, 2007**"

Insert "**June 30, 2007**"

Page 25, following line 23:

Insert a new bill section to read:

"* **Sec. 37.** AS 43.55.025(d) is amended to read:

(d) To be eligible for the **30** [20] percent production tax credit authorized by (a)(2) of this section or the 40 percent production tax credit authorized by (a)(3) of this section, an exploration expenditure must

(1) qualify under (b) of this section; and

(2) be for an exploration well that is located not less than 25 miles outside of the outer boundary, as delineated on July 1, 2003, of any unit that is under a plan of development, except that for an exploration well for a Cook Inlet prospect to qualify under this paragraph, the exploration well must be located not less than 10 miles outside the outer boundary, as delineated on July 1, 2003, of any unit that is under a plan of development."

Renumber the following bill sections accordingly.

Page 47, line 26, through page 48, line 16:

Delete all material and insert:

"* **Sec. 63.** The uncoded law of the State of Alaska is amended by adding a new section to read:

APPLICABILITY. AS 43.55.075(a), enacted by sec. 48 of this Act, applies to any tax liability under AS 43.55 for the production of oil and gas after December 31, 2006."

Page 49, line 8:

Delete "TAX."

Insert "TAX; FILING. (a)"

Page 49, line 15:

Delete "sec. 55"

Insert "sec. 56"

Page 49, line 16:

Delete "sec. 68"

Insert "sec. 69"

Page 49, line 17:

Delete "secs. 15 - 27, 29 - 42, 49 - 54, 56 - 60"

Insert "secs. 15 - 27, 30 - 33, 50 - 58, 60, and 61"

Delete "sec. 55"

Insert "sec. 56"

Page 49, line 18:

Delete "sec. 68"

Insert "sec. 69"

Page 49, following line 19:

Insert a new subsection to read:

"(b) A person required to file a statement under AS 43.55.030(a), as amended by sec. 44 of this Act, or a statement under AS 43.55.030(e) or (f), as enacted by sec. 46 of this Act, but that failed to file a statement required under AS 43.55 because of the retroactive application of secs. 44 and 46 of this Act under sec. 69 of this Act, shall file, before April 1, 2008, any statement required to have been filed after June 30, 2007, and before the effective date of this section."

Page 49, lines 26 - 27:

Delete "secs. 15 - 27, 29 - 42, and 49 - 60"

Insert "secs. 15 - 27, 30 - 33, 50 - 58, 60, and 61"

Page 49, line 29:

Delete "sec. 55"

Insert "sec. 56"

Page 50, lines 13 - 20:

Delete all material and insert:

"* **Sec. 69.** The uncodified law of the State of Alaska is amended by adding a new section to read:

RETROACTIVITY OF CERTAIN PROVISIONS OF THIS ACT. (a) Section 39 of this Act, and AS 43.55.890, enacted by sec. 59 of this Act, are retroactive to July 1, 2003.

(b) Section 29 of this Act and AS 43.55.165(e)(19), enacted by the amendment to AS 43.55.165(e) in sec. 56 of this Act, are retroactive to April 1, 2006.

(c) Except as provided in (b) of this section, secs. 15 - 27, 30 - 33, 50 - 58, 60, and 61 of this Act are retroactive to July 1, 2007."

Page 50, following line 21:

Insert a new bill section to read:

"* **Sec. 71.** Sections 34 - 38 and 40 - 43 of this Act take effect July 1, 2008."

Renumber the following bill section accordingly.

Page 50, line 22:

Delete "sec. 69"

Insert "secs. 70 and 71"

Senator Stedman moved and asked unanimous consent for the adoption of Amendment No. 17. Senator Therriault objected, then withdrew his objection. There being no further objection, Amendment No. 17 was adopted.

Senator Thomas offered the following Letter of Intent:

Letter of Intent

It is the intent of the legislature that the extension of the Cook Inlet sedimentary basin gas production tax treatment to the rest of the state in this Act will

(1) encourage gas exploration in other parts of the state which can help replace diminishing gas supplies in South Central and provide fuel alternatives in those other areas of the state, and

(2) provide utilities located outside South Central the opportunity to purchase gas from producers at more favorable prices, to the ultimate benefit of consumers through appropriate oversight and regulation by the Regulatory Commission of Alaska.

Senator Thomas moved and asked unanimous consent for the adoption of the Letter of Intent. Without objection, the Letter of Intent was adopted.

Senator Stevens moved and asked unanimous consent that SENATE CS FOR CS FOR HOUSE BILL NO. 2001(FIN) am S "An Act relating to the production tax on oil and gas and to conservation surcharges on oil; providing a limit on the amount of tax that may be levied on the production of certain gas that is produced outside of the Cook Inlet sedimentary basin; relating to the sharing between agencies of certain information relating to the production tax and to oil and gas or gas only leases; expanding the period in which the Department of Revenue may assess the amount of oil and gas production tax and conservation surcharges; relating to state oil and gas audit masters; relating to oil and gas auditors and certain oil and gas auditor supervisors; establishing an oil and gas tax credit fund and authorizing payment from that fund; making conforming amendments; and providing for an effective date" be considered engrossed, advanced to third reading and placed on final passage. Without objection, it was so ordered.

SENATE CS FOR CS FOR HOUSE BILL NO. 2001(FIN) am S was read the third time.

The question being: "Shall SENATE CS FOR CS FOR HOUSE BILL NO. 2001(FIN) am S "An Act relating to the production tax on oil and gas and to conservation surcharges on oil; providing a limit on the amount of tax that may be levied on the production of certain gas that is produced outside of the Cook Inlet sedimentary basin; relating to the sharing between agencies of certain information relating to the production tax and to oil and gas or gas only leases; expanding the period in which the Department of Revenue may assess the amount of oil and gas production tax and conservation surcharges; relating to state oil and gas audit masters; relating to oil and gas auditors and

certain oil and gas auditor supervisors; establishing an oil and gas tax credit fund and authorizing payment from that fund; making conforming amendments; and providing for an effective date" pass the Senate?" The roll was taken with the following result:

SCS CSHB 2001(FIN) am S
Third Reading - Final Passage
Effective Dates

YEAS: 14 NAYS: 5 EXCUSED: 1 ABSENT: 0

Yeas: Davis, Dyson, Ellis, Elton, French, Kookesh, McGuire, Olson, Stevens, Therriault, Thomas, Wagoner, Wielechowski, Wilken

Nays: Bunde, Green, Hoffman, Huggins, Stedman

Excused: Cowdery

and so, SENATE CS FOR CS FOR HOUSE BILL NO. 2001(FIN) am S passed the Senate.

Senator Stevens moved and asked unanimous consent that the vote on the passage of the bill be considered the vote on the effective date clauses. Without objection, it was so ordered.

Senator Stevens gave notice of reconsideration.

SCR 201

Senator Stevens moved and asked unanimous consent that SENATE CONCURRENT RESOLUTION NO. 201 Suspending Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State Legislature, concerning House Bill No. 2001, relating to the production tax on oil and gas and to conservation surcharges on oil; providing a limit on the amount of tax that may be levied on the production of certain gas that is produced outside of the Cook Inlet sedimentary basin; relating to the sharing between agencies of certain information relating to the production tax and to oil and gas or gas only leases; expanding the period in which the Department of Revenue may assess the amount of oil and gas production tax and conservation surcharges; prohibiting a producer or explorer from receiving tax credits if certain judgments are not satisfied and requiring, as a condition of receiving the tax credits, the deposit of the amount of certain unpaid judgments and certain interest on those judgments in the court during an appeal and

relating to that interest; relating to state oil and gas audit masters; and making conforming amendments, which had been held on the Secretary's desk (Page 1509) be brought up at this time. Without objection, it was so ordered.

The question being: "Shall SENATE CONCURRENT RESOLUTION NO. 201 pass the Senate?" The roll was taken with the following result:

SCR 201

Second Reading - Final Passage

YEAS: 19 NAYS: 0 EXCUSED: 1 ABSENT: 0

Yeas: Bunde, Davis, Dyson, Ellis, Elton, French, Green, Hoffman, Huggins, Kookesh, McGuire, Olson, Stedman, Stevens, Therriault, Thomas, Wagoner, Wielechowski, Wilken

Excused: Cowdery

and so, SENATE CONCURRENT RESOLUTION NO. 201 passed the Senate and was referred to the Secretary for engrossment.

Unfinished Business

Citations

Senator Stevens moved and asked unanimous consent that the following citation be made a special order of business. Without objection, it was so ordered.

Special Order of Business

In Memoriam – Margaret Eagan Sullivan

Representative(s) Doogan, Holmes

Senator(s) French, Green, Bunde, Cowdery, Davis, Dyson, Ellis, Elton, Hoffman, Huggins, Kookesh, McGuire, Olson, Stedman, Stevens, Therriault, Thomas, Wagoner, Wielechowski, Wilken

Senator Stevens moved and asked unanimous consent that the citation be adopted. Without objection, the citation was adopted and referred to the Secretary for transmittal.

Senator Huggins moved and asked unanimous consent to be excused from a call of the Senate from November 17 through November 26 and from December 10 through December 17. Without objection, Senator Huggins was excused.

Announcements

Announcements are at the end of the journal.

Engrossment

SCR 201

SENATE CONCURRENT RESOLUTION NO. 201 Suspending Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State Legislature, concerning House Bill No. 2001, relating to the production tax on oil and gas and to conservation surcharges on oil; providing a limit on the amount of tax that may be levied on the production of certain gas that is produced outside of the Cook Inlet sedimentary basin; relating to the sharing between agencies of certain information relating to the production tax and to oil and gas or gas only leases; expanding the period in which the Department of Revenue may assess the amount of oil and gas production tax and conservation surcharges; prohibiting a producer or explorer from receiving tax credits if certain judgments are not satisfied and requiring, as a condition of receiving the tax credits, the deposit of the amount of certain unpaid judgments and certain interest on those judgments in the court during an appeal and relating to that interest; relating to state oil and gas audit masters; and making conforming amendments was engrossed, signed by the President and Secretary and transmitted to the House for consideration.

Adjournment

Senator Stevens moved and asked unanimous consent that the Senate stand in adjournment until 10:00 a.m., November 16, 2007. Without objection, the Senate adjourned at 10:51 p.m.

Kirsten Waid
Secretary of the Senate

Announcements

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JOINT COMMITTEES**LEGISLATIVE BUDGET & AUDIT**

Dec 10	Monday	Anch Lio Conf Rm	9:00 AM
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EXECUTIVE SESSION:
- Consider Final & Preliminary Audits
OPEN SESSION:
- LB&A Committee Policy Manual Changes
- Update on Electronic Workpaper Software
Procurement
- Contracts: Solicitation & Award for
Audit Services Not to Exceed \$125,000
- Other Committee Business