THE STATE of ALASKA
GOVERNOR MIKE DUNLEAVY

Department of Revenue

COMMISSIONER'S OFFICE

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January 30, 2024

The Honorable Lyman Hoffman
Senate Finance Committee, Co-Chair
Alaska State Legislature
State Capitol, Room 516
Juneau, AK 99801

The Honorable Donald Olson
Senate Finance Committee, Co-Chair,
Alaska State Legislature
State Capitol, Room 508
Juneau, AK 99801

The Honorable Bert Stedman
Senate Finance Committee, Co-Chair,
Alaska State Legislature
State Capitol, Rooms 518
Juneau, AK 99801

Dear Co-Chairs Hoffman, Olson, and Stedman,

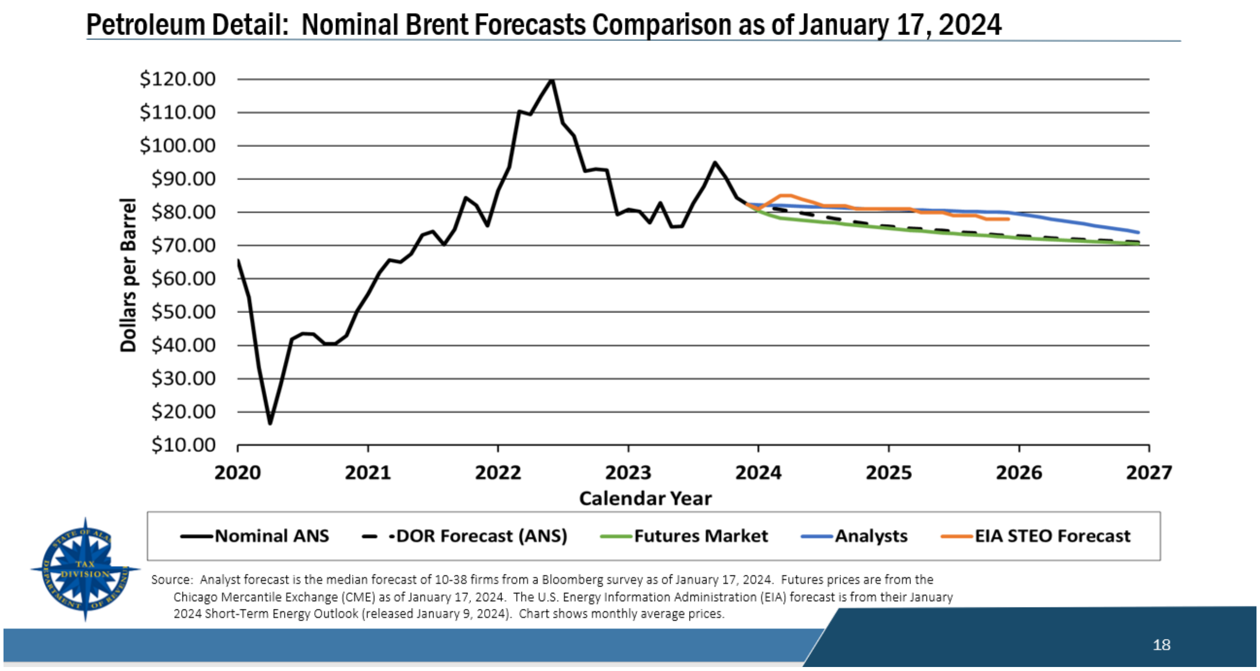
The purpose of this letter is to provide responses to the questions asked of the Department of Revenue (DOR) regarding the Fall 2023 forecast presentation to the Senate Finance Committee on January 18, 2024. Please see the questions in italics and our responses immediately below the questions.

1. ***Provide an analysis showing revenue sensitivity to oil prices over the next several years.***

The attached sensitivity analysis provides estimated unrestricted revenue at a range of Alaska North Slope oil prices. This analysis was prepared based on the Fall 2023 forecast, holding all other variables constant, with the exception of lease expenditures.

2. ***Provide an updated version of slide 18 that contains correct dates.***

See below for an updated version of slide 18 that contains correct dates. Slide 18 shows the Department of Revenue's Fall 2023 Alaska North Slope price forecast compared to Brent prices from the Energy Information Agency, futures markets, and average analyst forecasts. The slide shown in committee contained the correct information but included an incorrect date in the header.




3. ***Provide a list of allowable capital expenditure deductions for purposes of the oil and gas production tax.***

Alaska's oil and gas production tax for North Slope oil is based on a tax on production tax value (similar to net profits) with a minimum tax floor. The production tax value calculation provides that certain allowable lease expenditures may be deducted in the tax calculation.

Alaska statutes specify lease expenditures exempted or excluded from being considered allowable under AS 43.55.165(e). Regulations further define what is an allowable lease expenditure in 15 AAC 55.250 and 15 AAC 55.260. These statutes and regulations are provided in an attachment.

In the current production tax calculation, both capital and operating expenses are treated similarly; all allowable lease expenditures can be applied in the year incurred, without any depreciation calculation. Any lease expenditures beyond those applied to bring production tax value to zero can be carried forward to potentially reduce future year's tax liabilities.

Allowable lease expenditures can be broadly divided into two groups: capital expenditures and operating expenditures.

Capital expenditures represent investments into long term tangible assets, and in general, Alaska follows IRS guidelines in determining what is considered a capital expenditure. Capital expenditures include building facilities, buying equipment with an expected life over one year, geological or geophysical exploration, and some drilling costs.

Operating expenditures are any allowable lease expenditures other than capital expenditures. Operating expenditures can include rent, utilities, wages, regular maintenance of currently existing facilities, and purchasing fuel for vehicles used in normal employee transport.

4. ***How much of the decline between the Spring 2023 and Fall 2023 production forecasts for FY 2024 and FY 2025 was attributable to Prudhoe Bay?***

The tables below compare forecast production in thousand barrels per day for the Spring 2023 Forecast and Fall 2023 Forecast. Categories in the first table match Appendix C-2 in the Revenue Sources Book, while the second table aggregates some of these categories.

The Prudhoe Bay pool is shown in the first line of the first table. More broadly, the Prudhoe Bay pool can be viewed as part of the "Central" group of fields which includes the Prudhoe Bay pool, Prudhoe Bay Satellites (which includes the Milne Point Unit for presentation purposes), and Greater Point McIntyre Area or GPMA. So, this Central group encompasses all of the Prudhoe Bay Unit and Milne Point Unit. For this group:

1. For FY 2024, the Fall 2023 Production Forecast is 11,900 barrels per day lower than the Spring 2023 Production Forecast, of a total North Slope difference of 26,100 barrels per day.
2. For FY 2025, the Fall 2023 Production Forecast is 3,800 barrels per day lower than the Spring 2023 Production Forecast, of a total North Slope difference of 34,200 barrels per day.

Decreases in the production forecast in FY 2024 and FY 2025 primarily derive from differences in expected well productivity for some fields, including Prudhoe Bay pool, Greater Mooses Tooth (GMT) and Point Thomson, partly counteracted by increases in expected well productivity elsewhere. Drilling plans on some units have also changed, with these changes approximately net neutral in FY 2024 and FY 2025.

**Alaska North Slope Oil Production Forecasts, by Area - Thousands of Barrels Per Day**

| | *Spring 2023 Forecast* | | *Fall 2023 Forecast* | | *Difference* | | |
|---|---|---|---|---|---|---|---|
| | FY 2024 | FY 2025 | FY 2024 | FY 2025 | FY 2024 | FY 2025 | Group |
| Prudhoe Bay | 203.8 | 205.0 | 190.4 | 191.8 | (13.4) | (13.2) | Central |
| PBU Satellites | 81.9 | 79.1 | 82.4 | 87.1 | 0.5 | 8.0 | Central |
| GPMA | 27.5 | 26.3 | 28.4 | 27.6 | 0.9 | 1.3 | Central |
| Kuparuk | 53.8 | 51.7 | 51.4 | 45.7 | (2.4) | (6.0) | Kuparuk |
| Kuparuk Satellites | 22.9 | 22.7 | 28.2 | 30.0 | 5.2 | 7.3 | Kuparuk |
| Endicott | 7.2 | 6.8 | 9.5 | 10.8 | 2.4 | 4.0 | Endicott / Offshore |
| Alpine | 28.6 | 25.2 | 32.3 | 30.7 | 3.7 | 5.5 | West |
| Offshore | 28.4 | 27.5 | 27.6 | 25.6 | (0.8) | (1.9) | Endicott / Offshore |
| NPRA | 34.1 | 45.4 | 17.0 | 11.6 | (17.1) | (33.8) | West |
| Point Thomson | 8.1 | 8.0 | 3.0 | 2.8 | (5.1) | (5.2) | Point Thomson |
| Other | 0.0 | 0.2 | 0.0 | 0.0 | 0.0 | (0.2) | Other |
| ***Total Alaska North Slope*** | ***496.4*** | ***497.9*** | ***470.3*** | ***463.8*** | ***(26.1)*** | ***(34.2)*** | |

**Alaska Oil Production Forecasts, by Area Group - Thousands of Barrels Per Day**

| | *Spring 2023 Forecast* | | *Fall 2023 Forecast* | | *Difference* | | |
|---|---|---|---|---|---|---|---|
| Group | FY 2024 | FY 2025 | FY 2024 | FY 2025 | FY 2024 | FY 2025 | Units |
| Central | 313.2 | 310.4 | 301.3 | 306.6 | (11.9) | (3.8) | Milne Point, Prudhoe Bay |
| Kuparuk | 76.7 | 74.5 | 79.5 | 75.8 | 2.8 | 1.3 | Kuparuk River |
| Endicott / Offshore | 35.6 | 34.3 | 37.1 | 36.3 | 1.6 | 2.1 | Badami, Duck Island, Nikaitchuq, Northstar, Oooguruk |
| West | 62.7 | 70.6 | 49.4 | 42.3 | (13.3) | (28.3) | Bear Tooth (Willow), Colville River (Alpine), Greater Mooses Tooth, Southern Miluveach (Mustang) |
| Point Thomson | 8.1 | 8.0 | 3.0 | 2.8 | (5.1) | (5.2) | Point Thomson |
| Other | 0.0 | 0.2 | 0.0 | 0.0 | 0.0 | (0.2) | Alkaid, Horseshoe, Pikka, Quokka, Talitha, Toolik River (Theta West) |
| ***Total Alaska North Slope*** | ***496.4*** | ***497.9*** | ***470.3*** | ***463.8*** | ***(26.1)*** | ***(34.2)*** | |

5. ***How much did the State of Alaska pay out for state purchase of tax credits over the life of the program?***

Certain tax credits under AS 43.55.023, AS 43.55.025, and AS 43.20 were available for state purchase for companies that met certain eligibility criteria. Legislative action in 2016 and 2017 ended eligibility for state purchase of tax credits over time. For more information about these credits, see Chapter 8 of the Fall 2023 Revenue Sources Book.

The first oil and gas tax credits were purchased by the state in FY 2007 and the final tax credits were purchased in FY 2024. Over the life of the program, the total credits purchased by the state amounted to $4,059.4 million: $2,535.6 million for credits earned from North Slope activity and $1,523.8 million for credits earned from Non-North Slope (primarily Cook Inlet) activity.

6. ***Provide and estimated North Slope production eligible for Gross Value Reduction (GVR) and non-GVR production for each year in the 10-year forecast. Further, provide a breakout of that production by landowner and the associated state royalty revenue.***

The table below breaks out GVR and non-GVR production on state, federal, and private lands, per the Fall 2023 forecast. The expected decline in GVR production in FY 2025 and FY 2026 represents some of the currently producing GVR fields reaching the end of the qualification period. Then, the increase in GVR production in FY 2027 and beyond represents new fields coming online, including Pikka and Willow.

**Alaska North Slope GVR & Non-GVR Production by Land Ownership - Thousands Barrels Per Day**

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | FY 2032 | FY 2033 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Non-GVR Production** | | | | | | | | | | |
| State Land | 430.5 | 428.6 | 431.3 | 448.8 | 456.6 | 449.9 | 435.3 | 421.3 | 408.7 | 440.7 |
| Federal Land | 1.9 | 1.7 | 11.7 | 11.6 | 8.5 | 6.4 | 5.2 | 4.3 | 3.6 | 3.2 |
| Private Land | 13.3 | 12.7 | 19.0 | 17.6 | 15.1 | 13.9 | 13.0 | 12.5 | 12.9 | 22.3 |
| *Total* | *445.6* | *443.1* | *462.0* | *478.0* | *480.2* | *470.2* | *453.6* | *438.1* | *425.3* | *466.2* |
| **GVR Production** | | | | | | | | | | |
| State Land | 6.5 | 8.0 | 10.8 | 32.8 | 58.4 | 64.0 | 65.9 | 64.3 | 69.1 | 35.8 |
| Federal Land | 10.1 | 6.8 | 0.0 | 0.0 | 0.0 | 1.0 | 16.3 | 58.3 | 103.4 | 126.4 |
| Private Land | 8.1 | 5.9 | 0.4 | 5.7 | 10.1 | 10.9 | 11.0 | 10.4 | 10.9 | 4.6 |
| *Total* | *24.8* | *20.7* | *11.2* | *38.5* | *68.6* | *75.9* | *93.2* | *133.1* | *183.4* | *166.8* |
| ***Total Production*** | ***470.3*** | ***463.8*** | ***473.1*** | ***516.5*** | ***548.8*** | ***546.1*** | ***546.8*** | ***571.2*** | ***608.7*** | ***633.0*** |

The following table shows estimated state royalty revenue from each category of land ownership over the 10-year forecast, per the Fall 2023 forecast. State land royalty includes total state royalty including unrestricted, Permanent Fund, and School Fund shares. Federal land shared royalty includes share NPRA royalty as well as shared royalty for federal offshore production such as at Northstar. Private land tax represents the state's 5% tax on private landowner royalties, assessed as part of the production tax. Note, the amounts shown reflect only the state's share of expected royalty payments and not the total payments by the producer. Additional payments incurred include bonus and rental payments, as well as federal and private royalty payments beyond the amounts shared with the state.

Non-GVR production on state land accounts for the bulk of royalty revenue throughout the 10-year period. However, increasing production from new fields such as Willow and Pikka leads to higher royalty revenue from GVR-eligible production later in the forecast period, both on state land and federal land.

**Alaska North Slope State Royalty or Private Landowner Royalty Tax Revenue from GVR & Non-GVR Production by Land Ownership - $ million**

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | FY 2032 | FY 2033 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Royalty State Revenue from Non-GVR Production** | | | | | | | | | | |
| State Land (Royalty) | $ 1,410.9 | $ 1,256.2 | $ 1,204.3 | $ 1,209.7 | $ 1,192.1 | $ 1,163.0 | $ 1,110.8 | $ 1,072.1 | $ 1,080.8 | $ 1,231.8 |
| Federal Land (Shared Royalty) | $ 3.0 | $ 1.7 | $ 20.9 | $ 20.2 | $ 14.2 | $ 10.4 | $ 8.1 | $ 6.7 | $ 5.9 | $ 5.3 |
| Private Land (Tax)[1] | $ 2.2 | $ 1.8 | $ 2.8 | $ 2.5 | $ 2.1 | $ 1.8 | $ 1.6 | $ 1.5 | $ 1.6 | $ 3.1 |
| *Total* | *$ 1,416.1* | *$ 1,259.7* | *$ 1,228.1* | *$ 1,232.4* | *$ 1,208.3* | *$ 1,175.2* | *$ 1,120.6* | *$ 1,080.3* | *$ 1,088.3* | *$ 1,240.2* |
| **Royalty State Revenue from GVR Production** | | | | | | | | | | |
| State Land (Royalty) | $ 24.5 | $ 27.8 | $ 36.0 | $ 120.5 | $ 208.8 | $ 226.0 | $ 228.6 | $ 220.9 | $ 244.8 | $ 126.2 |
| Federal Land (Shared Royalty) | $ 22.6 | $ 13.6 | $ - | $ - | $ - | $ 1.8 | $ 27.9 | $ 100.1 | $ 184.5 | $ 229.8 |
| Private Land (Tax)[1] | $ 1.6 | $ 1.0 | $ 0.1 | $ 1.1 | $ 1.8 | $ 1.9 | $ 1.9 | $ 1.8 | $ 2.0 | $ 0.8 |
| *Total* | *$ 48.7* | *$ 42.4* | *$ 36.1* | *$ 121.5* | *$ 210.6* | *$ 229.7* | *$ 258.4* | *$ 322.8* | *$ 431.3* | *$ 356.9* |
| ***Total State Royalty Revenue*** | ***$ 1,464.9*** | ***$ 1,302.1*** | ***$ 1,264.1*** | ***$ 1,354.0*** | ***$ 1,418.9*** | ***$ 1,404.9*** | ***$ 1,379.0*** | ***$ 1,403.1*** | ***$ 1,519.5*** | ***$ 1,597.1*** |

*[1] The state does not collect royalty revenue from private land; however, the state does levy a tax in the amount of 5% of the private landowner royalty interest for oil, which is shown here.*

I hope you find this information to be useful. Please do not hesitate to contact me if you have further questions.

Sincerely,

Adam Crum
Commissioner

Attachments:

Fall 2023 Sensitivity Analysis

Alaska lease expenditures statutes and regulations

# Title: Estimated Unrestricted General Fund Revenue, Production Tax, and Royalty Revenue under Fall 2023 Forecast, at Various ANS Prices

Preparer: Dan Stickel, Chief Economist, and Tori Keso, Petroleum Economist, Economic Research Group

Date: December 13, 2023

Purpose: To show estimated Unrestricted General Fund (UGF), Production Tax, and Royalty revenues across the time horizon of the revenue forecast, at a range of ANS prices.

Data Source: DOR Fall 2023 Forecast Model

Key Assumptions: Non-oil revenues, including Permanent Fund "Percent of Market Value" transfers, are held constant in this analysis. The only variables changed are ANS price and lease expenditures.
Lease expenditures are assumed to change proportionally with ANS prices at a 30% inflator. This means for every 10% ANS price deviates from the official forecast, lease expenditures will change 3%.

Royalty revenues shown include bonuses, rents, and interest.

Acronyms: Alaska North Slope (ANS)
Constitutional Budget Reserve Fund (CBRF)
Percent of Market Value (POMV)

History: First version of this analysis based on the Fall 2023 Forecast. Similar analysis has been prepared for previous forecasts.

Disclaimer: The Department of Revenue is in the process of reviewing and updating the data on which this analysis is based. As a result, future analyses could have different results.

This table presents revenue estimates at a range of ANS prices. Other variables are held constant, with the exception of lease expenditures. This analysis assumes that the given price is in place for all years shown. Only production tax, royalties, and corporate income tax are adjusted for purposes of this analysis. Users should be cautioned that changes in any number of variables, such as netback costs, may cause revenue to vary significantly from amounts shown. In addition, revenues may vary from amount shown due to changes in company decision making, company specific tax calculation issues, month-to-month variation in price or production, and changes in non-oil revenue.

Production tax estimates do not include hazardous release surcharge or purchased production tax credits which may be funded via appropriation.

# Estimated UGF Revenue (excludes POMV Transfer) at various prices, Fall 2023 Forecast, Official Production Forecast, $ millions

Prepared December 13, 2023 by Economic Research Group based on Fall 2023 Forecast

| Unrestricted General Fund Revenue (excludes POMV Transfer) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Price** | **FY 2025** | **FY 2026** | **FY 2027** | **FY 2028** | **FY 2029** | **FY 2030** | **FY 2031** | **FY 2032** | **FY 2033** | **FY 2034** |
| Official Forecast | $ 2,651 | $ 2,542 | $ 2,586 | $ 2,659 | $ 2,609 | $ 2,548 | $ 2,548 | $ 2,687 | $ 2,810 | $ 2,882 |
| $ 20 | $ 928 | $ 966 | $ 986 | $ 1,013 | $ 1,040 | $ 1,062 | $ 1,059 | $ 1,063 | $ 1,076 | $ 1,081 |
| $ 25 | $ 1,041 | $ 1,081 | $ 1,108 | $ 1,145 | $ 1,171 | $ 1,192 | $ 1,191 | $ 1,179 | $ 1,187 | $ 1,186 |
| $ 30 | $ 1,183 | $ 1,216 | $ 1,246 | $ 1,286 | $ 1,321 | $ 1,336 | $ 1,330 | $ 1,324 | $ 1,333 | $ 1,326 |
| $ 35 | $ 1,305 | $ 1,344 | $ 1,373 | $ 1,420 | $ 1,453 | $ 1,469 | $ 1,453 | $ 1,457 | $ 1,468 | $ 1,459 |
| $ 40 | $ 1,424 | $ 1,465 | $ 1,511 | $ 1,566 | $ 1,598 | $ 1,612 | $ 1,589 | $ 1,587 | $ 1,602 | $ 1,591 |
| $ 45 | $ 1,551 | $ 1,597 | $ 1,649 | $ 1,710 | $ 1,741 | $ 1,754 | $ 1,736 | $ 1,724 | $ 1,768 | $ 1,727 |
| $ 50 | $ 1,681 | $ 1,728 | $ 1,788 | $ 1,856 | $ 1,886 | $ 1,898 | $ 1,882 | $ 1,882 | $ 1,936 | $ 1,896 |
| $ 55 | $ 1,819 | $ 1,862 | $ 1,931 | $ 2,004 | $ 2,032 | $ 2,044 | $ 2,066 | $ 2,142 | $ 2,208 | $ 2,154 |
| $ 60 | $ 1,952 | $ 1,989 | $ 2,071 | $ 2,161 | $ 2,185 | $ 2,190 | $ 2,270 | $ 2,315 | $ 2,399 | $ 2,387 |
| $ 65 | $ 2,119 | $ 2,143 | $ 2,244 | $ 2,392 | $ 2,407 | $ 2,407 | $ 2,442 | $ 2,474 | $ 2,563 | $ 2,549 |
| $ 70 | $ 2,347 | $ 2,374 | $ 2,484 | $ 2,655 | $ 2,671 | $ 2,706 | $ 2,705 | $ 2,741 | $ 2,810 | $ 2,783 |
| $ 75 | $ 2,599 | $ 2,634 | $ 2,783 | $ 2,960 | $ 2,963 | $ 2,956 | $ 2,970 | $ 3,026 | $ 3,069 | $ 3,037 |
| $ 80 | $ 2,834 | $ 2,877 | $ 3,026 | $ 3,205 | $ 3,212 | $ 3,201 | $ 3,217 | $ 3,307 | $ 3,384 | $ 3,381 |
| $ 85 | $ 3,065 | $ 3,110 | $ 3,269 | $ 3,459 | $ 3,463 | $ 3,449 | $ 3,468 | $ 3,663 | $ 3,746 | $ 3,746 |
| $ 90 | $ 3,294 | $ 3,345 | $ 3,511 | $ 3,722 | $ 3,716 | $ 3,701 | $ 3,800 | $ 4,023 | $ 4,108 | $ 4,114 |
| $ 95 | $ 3,606 | $ 3,664 | $ 3,832 | $ 4,055 | $ 4,041 | $ 4,051 | $ 4,272 | $ 4,509 | $ 4,596 | $ 4,635 |
| $ 100 | $ 3,850 | $ 3,910 | $ 4,078 | $ 4,309 | $ 4,295 | $ 4,379 | $ 4,609 | $ 4,865 | $ 4,958 | $ 5,003 |
| $ 105 | $ 4,239 | $ 4,233 | $ 4,443 | $ 4,729 | $ 4,758 | $ 4,839 | $ 5,080 | $ 5,351 | $ 5,446 | $ 5,704 |
| $ 110 | $ 4,555 | $ 4,553 | $ 4,775 | $ 5,061 | $ 5,084 | $ 5,164 | $ 5,418 | $ 5,707 | $ 5,810 | $ 6,223 |
| $ 115 | $ 5,000 | $ 5,007 | $ 5,246 | $ 5,540 | $ 5,555 | $ 5,627 | $ 5,889 | $ 6,193 | $ 6,463 | $ 6,832 |
| $ 120 | $ 5,317 | $ 5,327 | $ 5,578 | $ 5,873 | $ 5,882 | $ 5,957 | $ 6,235 | $ 6,551 | $ 6,954 | $ 7,236 |
| $ 125 | $ 5,762 | $ 5,781 | $ 6,048 | $ 6,351 | $ 6,353 | $ 6,436 | $ 6,713 | $ 7,133 | $ 7,539 | $ 7,829 |
| $ 130 | $ 6,080 | $ 6,101 | $ 6,380 | $ 6,684 | $ 6,679 | $ 6,775 | $ 7,062 | $ 7,604 | $ 7,943 | $ 8,246 |
| $ 135 | $ 6,524 | $ 6,554 | $ 6,851 | $ 7,163 | $ 7,150 | $ 7,245 | $ 7,540 | $ 8,234 | $ 8,482 | $ 8,843 |
| $ 140 | $ 6,841 | $ 6,875 | $ 7,185 | $ 7,495 | $ 7,477 | $ 7,581 | $ 7,891 | $ 8,704 | $ 8,885 | $ 9,260 |
| $ 145 | $ 7,286 | $ 7,328 | $ 7,661 | $ 7,974 | $ 7,948 | $ 8,052 | $ 8,393 | $ 9,310 | $ 9,425 | $ 9,858 |
| $ 150 | $ 7,603 | $ 7,649 | $ 7,996 | $ 8,308 | $ 8,276 | $ 8,389 | $ 8,817 | $ 9,708 | $ 9,829 | $ 10,275 |

| Key Fall 2023 Forecast Assumptions included in this analysis | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **FY 2025** | **FY 2026** | **FY 2027** | **FY 2028** | **FY 2029** | **FY 2030** | **FY 2031** | **FY 2032** | **FY 2033** | **FY 2034** |
| ANS Official Forecast Price ($ per barrel) | $76.00 | $73.00 | $71.00 | $69.00 | $68.00 | $67.00 | $67.00 | $69.00 | $70.00 | $72.00 |
| Permanent Fund Transfer ($ millions) | $3,657 | $3,760 | $3,892 | $3,877 | $3,937 | $4,003 | $4,105 | $4,212 | $4,323 | $4,440 |
| **ANS Official FC production (ths bbl/day)** | **463.8** | **473.1** | **516.5** | **548.8** | **546.1** | **546.8** | **571.2** | **608.7** | **633.0** | **632.9** |

Source: DOR Fall 2023 Forecast model

Notes:

This table presents revenue estimates at a range of ANS prices, holding all other variables constant, except lease expenditures. Analysis assumes that the given price is in place for all years shown. Only production tax, royalties, and corporate income tax are adjusted for purposes of this analysis. Users should be cautioned that changes in any number of variables may cause revenue to vary significantly from amounts shown. In addition, revenues may vary from amount shown due to changes in company decision making, company specific tax calculation issues, month-to-month variation in price or production, and changes in non-oil revenue.

# Estimated Royalty Revenue at various prices, Fall 2023 Forecast, Official Production Forecast, $ millions

Prepared December 13, 2023 by Economic Research Group based on Fall 2023 Forecast

| Unrestricted Oil & Gas Royalty (includes Bonuses, Rents, and Interest) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Price** | **FY 2025** | **FY 2026** | **FY 2027** | **FY 2028** | **FY 2029** | **FY 2030** | **FY 2031** | **FY 2032** | **FY 2033** | **FY 2034** |
| Official Forecast | $ 1,008 | $ 975 | $ 1,011 | $ 1,031 | $ 1,017 | $ 996 | $ 1,006 | $ 1,074 | $ 1,111 | $ 1,134 |
| $ 20 | $ 171 | $ 173 | $ 184 | $ 196 | $ 204 | $ 204 | $ 200 | $ 202 | $ 208 | $ 207 |
| $ 25 | $ 242 | $ 245 | $ 261 | $ 278 | $ 285 | $ 285 | $ 282 | $ 288 | $ 295 | $ 293 |
| $ 30 | $ 313 | $ 317 | $ 338 | $ 359 | $ 366 | $ 366 | $ 364 | $ 373 | $ 382 | $ 380 |
| $ 35 | $ 383 | $ 389 | $ 415 | $ 441 | $ 447 | $ 447 | $ 447 | $ 459 | $ 469 | $ 466 |
| $ 40 | $ 456 | $ 461 | $ 497 | $ 528 | $ 534 | $ 532 | $ 533 | $ 549 | $ 560 | $ 555 |
| $ 45 | $ 531 | $ 539 | $ 578 | $ 613 | $ 618 | $ 617 | $ 619 | $ 638 | $ 650 | $ 645 |
| $ 50 | $ 607 | $ 615 | $ 660 | $ 699 | $ 704 | $ 701 | $ 706 | $ 728 | $ 741 | $ 734 |
| $ 55 | $ 687 | $ 696 | $ 746 | $ 789 | $ 793 | $ 790 | $ 796 | $ 821 | $ 835 | $ 827 |
| $ 60 | $ 763 | $ 773 | $ 829 | $ 876 | $ 879 | $ 876 | $ 883 | $ 911 | $ 927 | $ 918 |
| $ 65 | $ 840 | $ 851 | $ 912 | $ 962 | $ 965 | $ 962 | $ 971 | $ 1,002 | $ 1,020 | $ 1,009 |
| $ 70 | $ 916 | $ 929 | $ 994 | $ 1,049 | $ 1,051 | $ 1,047 | $ 1,057 | $ 1,092 | $ 1,111 | $ 1,098 |
| $ 75 | $ 992 | $ 1,006 | $ 1,076 | $ 1,135 | $ 1,136 | $ 1,132 | $ 1,144 | $ 1,182 | $ 1,202 | $ 1,188 |
| $ 80 | $ 1,068 | $ 1,082 | $ 1,159 | $ 1,221 | $ 1,222 | $ 1,217 | $ 1,232 | $ 1,273 | $ 1,295 | $ 1,280 |
| $ 85 | $ 1,143 | $ 1,159 | $ 1,241 | $ 1,307 | $ 1,307 | $ 1,303 | $ 1,320 | $ 1,364 | $ 1,386 | $ 1,370 |
| $ 90 | $ 1,218 | $ 1,235 | $ 1,322 | $ 1,392 | $ 1,392 | $ 1,389 | $ 1,407 | $ 1,453 | $ 1,477 | $ 1,460 |
| $ 95 | $ 1,293 | $ 1,311 | $ 1,404 | $ 1,478 | $ 1,478 | $ 1,475 | $ 1,494 | $ 1,544 | $ 1,569 | $ 1,550 |
| $ 100 | $ 1,368 | $ 1,387 | $ 1,485 | $ 1,564 | $ 1,563 | $ 1,560 | $ 1,580 | $ 1,633 | $ 1,660 | $ 1,640 |
| $ 105 | $ 1,443 | $ 1,463 | $ 1,567 | $ 1,651 | $ 1,649 | $ 1,645 | $ 1,667 | $ 1,723 | $ 1,751 | $ 1,730 |
| $ 110 | $ 1,517 | $ 1,539 | $ 1,649 | $ 1,737 | $ 1,735 | $ 1,730 | $ 1,753 | $ 1,813 | $ 1,842 | $ 1,820 |
| $ 115 | $ 1,592 | $ 1,615 | $ 1,730 | $ 1,824 | $ 1,821 | $ 1,815 | $ 1,841 | $ 1,903 | $ 1,934 | $ 1,910 |
| $ 120 | $ 1,667 | $ 1,692 | $ 1,812 | $ 1,910 | $ 1,906 | $ 1,900 | $ 1,927 | $ 1,993 | $ 2,025 | $ 2,000 |
| $ 125 | $ 1,742 | $ 1,767 | $ 1,894 | $ 1,996 | $ 1,992 | $ 1,986 | $ 2,014 | $ 2,083 | $ 2,116 | $ 2,091 |
| $ 130 | $ 1,817 | $ 1,844 | $ 1,976 | $ 2,083 | $ 2,078 | $ 2,071 | $ 2,101 | $ 2,174 | $ 2,207 | $ 2,180 |
| $ 135 | $ 1,891 | $ 1,919 | $ 2,057 | $ 2,169 | $ 2,164 | $ 2,157 | $ 2,188 | $ 2,263 | $ 2,299 | $ 2,271 |
| $ 140 | $ 1,967 | $ 1,996 | $ 2,140 | $ 2,256 | $ 2,250 | $ 2,242 | $ 2,276 | $ 2,354 | $ 2,390 | $ 2,361 |
| $ 145 | $ 2,041 | $ 2,072 | $ 2,221 | $ 2,343 | $ 2,337 | $ 2,328 | $ 2,362 | $ 2,444 | $ 2,483 | $ 2,452 |
| $ 150 | $ 2,117 | $ 2,148 | $ 2,303 | $ 2,430 | $ 2,423 | $ 2,413 | $ 2,450 | $ 2,535 | $ 2,574 | $ 2,543 |

# Estimated Royalty Revenue at various prices, Fall 2023 Forecast, Official Production Forecast, $ millions

Prepared December 13, 2023 by Economic Research Group based on Fall 2023 Forecast

| Restricted Oil & Gas Royalty (includes Bonuses, Rents, and Interest) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Price | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | FY 2032 | FY 2033 | FY 2034 |
| Official Forecast | $ 436 | $ 426 | $ 482 | $ 523 | $ 523 | $ 516 | $ 522 | $ 566 | $ 601 | $ 640 |
| $ 20 | $ 83 | $ 84 | $ 95 | $ 106 | $ 112 | $ 112 | $ 110 | $ 114 | $ 119 | $ 124 |
| $ 25 | $ 112 | $ 115 | $ 131 | $ 147 | $ 152 | $ 153 | $ 152 | $ 158 | $ 166 | $ 172 |
| $ 30 | $ 142 | $ 145 | $ 167 | $ 187 | $ 193 | $ 194 | $ 194 | $ 202 | $ 212 | $ 219 |
| $ 35 | $ 172 | $ 176 | $ 203 | $ 228 | $ 234 | $ 235 | $ 236 | $ 246 | $ 258 | $ 267 |
| $ 40 | $ 202 | $ 206 | $ 241 | $ 271 | $ 278 | $ 279 | $ 280 | $ 293 | $ 306 | $ 317 |
| $ 45 | $ 233 | $ 239 | $ 279 | $ 313 | $ 320 | $ 321 | $ 324 | $ 339 | $ 354 | $ 366 |
| $ 50 | $ 265 | $ 271 | $ 317 | $ 356 | $ 364 | $ 364 | $ 368 | $ 385 | $ 403 | $ 416 |
| $ 55 | $ 301 | $ 308 | $ 358 | $ 402 | $ 410 | $ 411 | $ 415 | $ 435 | $ 454 | $ 469 |
| $ 60 | $ 333 | $ 341 | $ 397 | $ 446 | $ 454 | $ 455 | $ 460 | $ 482 | $ 503 | $ 520 |
| $ 65 | $ 366 | $ 374 | $ 436 | $ 489 | $ 497 | $ 499 | $ 504 | $ 529 | $ 552 | $ 570 |
| $ 70 | $ 398 | $ 407 | $ 474 | $ 532 | $ 541 | $ 542 | $ 549 | $ 575 | $ 601 | $ 620 |
| $ 75 | $ 430 | $ 439 | $ 513 | $ 574 | $ 584 | $ 585 | $ 593 | $ 622 | $ 649 | $ 670 |
| $ 80 | $ 462 | $ 472 | $ 551 | $ 617 | $ 627 | $ 629 | $ 637 | $ 669 | $ 699 | $ 721 |
| $ 85 | $ 494 | $ 505 | $ 589 | $ 660 | $ 670 | $ 672 | $ 683 | $ 716 | $ 748 | $ 771 |
| $ 90 | $ 525 | $ 537 | $ 627 | $ 702 | $ 713 | $ 716 | $ 727 | $ 762 | $ 796 | $ 821 |
| $ 95 | $ 557 | $ 570 | $ 665 | $ 745 | $ 756 | $ 760 | $ 771 | $ 809 | $ 845 | $ 871 |
| $ 100 | $ 588 | $ 602 | $ 703 | $ 788 | $ 799 | $ 803 | $ 815 | $ 855 | $ 893 | $ 921 |
| $ 105 | $ 620 | $ 634 | $ 742 | $ 831 | $ 843 | $ 846 | $ 859 | $ 902 | $ 941 | $ 971 |
| $ 110 | $ 651 | $ 667 | $ 780 | $ 874 | $ 886 | $ 889 | $ 903 | $ 948 | $ 990 | $ 1,021 |
| $ 115 | $ 683 | $ 699 | $ 818 | $ 917 | $ 930 | $ 933 | $ 947 | $ 995 | $ 1,038 | $ 1,071 |
| $ 120 | $ 715 | $ 732 | $ 856 | $ 960 | $ 973 | $ 976 | $ 991 | $ 1,041 | $ 1,087 | $ 1,120 |
| $ 125 | $ 746 | $ 764 | $ 894 | $ 1,003 | $ 1,016 | $ 1,020 | $ 1,036 | $ 1,088 | $ 1,135 | $ 1,171 |
| $ 130 | $ 778 | $ 796 | $ 932 | $ 1,046 | $ 1,059 | $ 1,063 | $ 1,080 | $ 1,134 | $ 1,184 | $ 1,220 |
| $ 135 | $ 809 | $ 829 | $ 970 | $ 1,089 | $ 1,103 | $ 1,106 | $ 1,124 | $ 1,181 | $ 1,232 | $ 1,271 |
| $ 140 | $ 841 | $ 861 | $ 1,009 | $ 1,132 | $ 1,146 | $ 1,149 | $ 1,169 | $ 1,228 | $ 1,281 | $ 1,321 |
| $ 145 | $ 873 | $ 893 | $ 1,047 | $ 1,175 | $ 1,190 | $ 1,193 | $ 1,213 | $ 1,274 | $ 1,330 | $ 1,371 |
| $ 150 | $ 904 | $ 926 | $ 1,085 | $ 1,218 | $ 1,233 | $ 1,237 | $ 1,257 | $ 1,321 | $ 1,378 | $ 1,421 |

# Estimated Royalty Revenue at various prices, Fall 2023 Forecast, Official Production Forecast, $ millions

Prepared December 13, 2023 by Economic Research Group based on Fall 2023 Forecast

| Total Oil & Gas Royalty (includes Bonuses, Rents, and Interest) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Price** | **FY 2025** | **FY 2026** | **FY 2027** | **FY 2028** | **FY 2029** | **FY 2030** | **FY 2031** | **FY 2032** | **FY 2033** | **FY 2034** |
| Official Forecast | $ 1,444 | $ 1,401 | $ 1,493 | $ 1,554 | $ 1,540 | $ 1,512 | $ 1,528 | $ 1,640 | $ 1,711 | $ 1,774 |
| $ 20 | $ 254 | $ 258 | $ 279 | $ 302 | $ 315 | $ 317 | $ 310 | $ 316 | $ 327 | $ 331 |
| $ 25 | $ 354 | $ 360 | $ 392 | $ 424 | $ 437 | $ 438 | $ 434 | $ 446 | $ 460 | $ 465 |
| $ 30 | $ 455 | $ 462 | $ 505 | $ 546 | $ 559 | $ 560 | $ 558 | $ 575 | $ 593 | $ 599 |
| $ 35 | $ 555 | $ 565 | $ 618 | $ 668 | $ 681 | $ 682 | $ 684 | $ 706 | $ 727 | $ 733 |
| $ 40 | $ 658 | $ 668 | $ 738 | $ 799 | $ 811 | $ 811 | $ 813 | $ 841 | $ 866 | $ 872 |
| $ 45 | $ 764 | $ 778 | $ 857 | $ 927 | $ 939 | $ 938 | $ 943 | $ 977 | $ 1,005 | $ 1,011 |
| $ 50 | $ 872 | $ 886 | $ 977 | $ 1,055 | $ 1,067 | $ 1,066 | $ 1,073 | $ 1,112 | $ 1,144 | $ 1,150 |
| $ 55 | $ 988 | $ 1,003 | $ 1,104 | $ 1,191 | $ 1,203 | $ 1,201 | $ 1,211 | $ 1,255 | $ 1,290 | $ 1,296 |
| $ 60 | $ 1,097 | $ 1,114 | $ 1,226 | $ 1,321 | $ 1,333 | $ 1,331 | $ 1,343 | $ 1,393 | $ 1,431 | $ 1,437 |
| $ 65 | $ 1,206 | $ 1,225 | $ 1,348 | $ 1,451 | $ 1,463 | $ 1,460 | $ 1,475 | $ 1,531 | $ 1,572 | $ 1,579 |
| $ 70 | $ 1,314 | $ 1,336 | $ 1,468 | $ 1,580 | $ 1,591 | $ 1,589 | $ 1,606 | $ 1,667 | $ 1,711 | $ 1,718 |
| $ 75 | $ 1,423 | $ 1,445 | $ 1,589 | $ 1,709 | $ 1,720 | $ 1,717 | $ 1,737 | $ 1,803 | $ 1,851 | $ 1,858 |
| $ 80 | $ 1,530 | $ 1,555 | $ 1,710 | $ 1,838 | $ 1,849 | $ 1,845 | $ 1,869 | $ 1,942 | $ 1,993 | $ 2,000 |
| $ 85 | $ 1,637 | $ 1,664 | $ 1,830 | $ 1,967 | $ 1,978 | $ 1,975 | $ 2,003 | $ 2,080 | $ 2,134 | $ 2,141 |
| $ 90 | $ 1,743 | $ 1,772 | $ 1,949 | $ 2,094 | $ 2,105 | $ 2,106 | $ 2,133 | $ 2,216 | $ 2,273 | $ 2,281 |
| $ 95 | $ 1,850 | $ 1,881 | $ 2,069 | $ 2,224 | $ 2,234 | $ 2,235 | $ 2,265 | $ 2,353 | $ 2,414 | $ 2,421 |
| $ 100 | $ 1,956 | $ 1,989 | $ 2,188 | $ 2,352 | $ 2,362 | $ 2,363 | $ 2,395 | $ 2,488 | $ 2,553 | $ 2,561 |
| $ 105 | $ 2,063 | $ 2,098 | $ 2,308 | $ 2,482 | $ 2,492 | $ 2,492 | $ 2,526 | $ 2,625 | $ 2,693 | $ 2,701 |
| $ 110 | $ 2,169 | $ 2,205 | $ 2,429 | $ 2,611 | $ 2,621 | $ 2,619 | $ 2,656 | $ 2,761 | $ 2,832 | $ 2,841 |
| $ 115 | $ 2,275 | $ 2,314 | $ 2,548 | $ 2,741 | $ 2,750 | $ 2,748 | $ 2,788 | $ 2,898 | $ 2,972 | $ 2,981 |
| $ 120 | $ 2,381 | $ 2,423 | $ 2,668 | $ 2,871 | $ 2,879 | $ 2,876 | $ 2,918 | $ 3,033 | $ 3,111 | $ 3,121 |
| $ 125 | $ 2,488 | $ 2,531 | $ 2,788 | $ 2,999 | $ 3,009 | $ 3,005 | $ 3,050 | $ 3,171 | $ 3,252 | $ 3,261 |
| $ 130 | $ 2,595 | $ 2,640 | $ 2,908 | $ 3,129 | $ 3,137 | $ 3,133 | $ 3,181 | $ 3,308 | $ 3,391 | $ 3,401 |
| $ 135 | $ 2,701 | $ 2,748 | $ 3,028 | $ 3,258 | $ 3,267 | $ 3,263 | $ 3,312 | $ 3,444 | $ 3,532 | $ 3,542 |
| $ 140 | $ 2,808 | $ 2,857 | $ 3,148 | $ 3,388 | $ 3,396 | $ 3,391 | $ 3,444 | $ 3,581 | $ 3,671 | $ 3,682 |
| $ 145 | $ 2,914 | $ 2,965 | $ 3,268 | $ 3,518 | $ 3,527 | $ 3,521 | $ 3,575 | $ 3,718 | $ 3,813 | $ 3,823 |
| $ 150 | $ 3,021 | $ 3,075 | $ 3,389 | $ 3,648 | $ 3,656 | $ 3,650 | $ 3,708 | $ 3,856 | $ 3,953 | $ 3,964 |

| Mining Rents and Royalties (includes Bonuses, Rents, and Interest) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **FY 2025** | **FY 2026** | **FY 2027** | **FY 2028** | **FY 2029** | **FY 2030** | **FY 2031** | **FY 2032** | **FY 2033** | **FY 2034** |
| Unrestricted | $ 2 | $ 2 | $ 2 | $ 2 | $ 2 | $ 2 | $ 2 | $ 2 | $ 2 | $ 2 |
| Restricted | $ 18 | $ 18 | $ 19 | $ 20 | $ 20 | $ 20 | $ 20 | $ 20 | $ 20 | $ 20 |
| Total | $ 20 | $ 20 | $ 21 | $ 22 | $ 22 | $ 22 | $ 22 | $ 22 | $ 22 | $ 22 |

Source: DOR Fall 2023 Forecast Model

Notes:

This table presents revenue estimates at a range of ANS prices, holding all other variables constant, except lease expenditures. Analysis assumes that the given price is in place for all years shown. Only royalties are adjusted for purposes of this analysis. Users should be cautioned that changes in any number of variables may cause revenue to vary significantly from amounts shown. These variables include but are not limited to production, lease expenditures, and netback costs. All amounts are in $millions and are inclusive of bonuses, rents, and interest.

"Restricted Oil & Gas Royalty" includes funds to the Permanent Fund and School Fund only. Federal NPR-A royalties and royalty settlements to the CBRF are not included in this analysis.

"Restricted" Mining Rents and Royalties includes funds to the Permanent Fund and School Fund, as well as mining-related program receipts received by the Department of Natural Resources.

Numbers may not add exactly due to rounding.

# Estimated Production Tax Revenue at various prices, Fall 2023 Forecast
# Official Production Forecast, $ millions

Prepared December 13, 2023 by Economic Research Group based on Fall 2023 Forecast

| Unrestricted Oil & Gas Production Tax | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Price | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | FY 2032 | FY 2033 | FY 2034 |
| Official Forecast | $ 642 | $ 541 | $ 527 | $ 559 | $ 513 | $ 456 | $ 433 | $ 491 | $ 558 | $ 595 |
| $ 20 | $ 21 | $ 22 | $ 23 | $ 24 | $ 24 | $ 24 | $ 24 | $ 24 | $ 23 | $ 22 |
| $ 25 | $ 39 | $ 41 | $ 42 | $ 45 | $ 46 | $ 45 | $ 45 | $ 43 | $ 42 | $ 40 |
| $ 30 | $ 87 | $ 80 | $ 76 | $ 76 | $ 87 | $ 81 | $ 73 | $ 71 | $ 69 | $ 66 |
| $ 35 | $ 115 | $ 112 | $ 100 | $ 101 | $ 111 | $ 104 | $ 83 | $ 87 | $ 85 | $ 81 |
| $ 40 | $ 138 | $ 136 | $ 130 | $ 131 | $ 141 | $ 134 | $ 104 | $ 97 | $ 95 | $ 91 |
| $ 45 | $ 166 | $ 167 | $ 160 | $ 162 | $ 171 | $ 164 | $ 135 | $ 113 | $ 138 | $ 105 |
| $ 50 | $ 196 | $ 197 | $ 191 | $ 194 | $ 202 | $ 195 | $ 167 | $ 151 | $ 183 | $ 152 |
| $ 55 | $ 230 | $ 227 | $ 222 | $ 225 | $ 232 | $ 225 | $ 231 | $ 286 | $ 328 | $ 285 |
| $ 60 | $ 263 | $ 251 | $ 252 | $ 266 | $ 271 | $ 256 | $ 318 | $ 337 | $ 396 | $ 395 |
| $ 65 | $ 330 | $ 303 | $ 316 | $ 382 | $ 378 | $ 360 | $ 374 | $ 374 | $ 435 | $ 434 |
| $ 70 | $ 458 | $ 433 | $ 448 | $ 532 | $ 529 | $ 546 | $ 521 | $ 521 | $ 558 | $ 546 |
| $ 75 | $ 610 | $ 592 | $ 638 | $ 722 | $ 707 | $ 683 | $ 670 | $ 684 | $ 694 | $ 677 |
| $ 80 | $ 746 | $ 734 | $ 772 | $ 853 | $ 843 | $ 815 | $ 800 | $ 842 | $ 884 | $ 897 |
| $ 85 | $ 878 | $ 866 | $ 906 | $ 993 | $ 981 | $ 949 | $ 933 | $ 1,077 | $ 1,122 | $ 1,140 |
| $ 90 | $ 1,009 | $ 1,002 | $ 1,041 | $ 1,142 | $ 1,121 | $ 1,086 | $ 1,150 | $ 1,316 | $ 1,361 | $ 1,385 |
| $ 95 | $ 1,222 | $ 1,220 | $ 1,254 | $ 1,361 | $ 1,333 | $ 1,323 | $ 1,505 | $ 1,681 | $ 1,725 | $ 1,784 |
| $ 100 | $ 1,367 | $ 1,366 | $ 1,392 | $ 1,501 | $ 1,473 | $ 1,538 | $ 1,727 | $ 1,916 | $ 1,963 | $ 2,029 |
| $ 105 | $ 1,657 | $ 1,589 | $ 1,649 | $ 1,806 | $ 1,822 | $ 1,885 | $ 2,082 | $ 2,280 | $ 2,327 | $ 2,608 |
| $ 110 | $ 1,876 | $ 1,808 | $ 1,872 | $ 2,024 | $ 2,035 | $ 2,097 | $ 2,304 | $ 2,516 | $ 2,568 | $ 3,005 |
| $ 115 | $ 2,222 | $ 2,162 | $ 2,236 | $ 2,389 | $ 2,392 | $ 2,447 | $ 2,659 | $ 2,880 | $ 3,097 | $ 3,491 |
| $ 120 | $ 2,441 | $ 2,382 | $ 2,459 | $ 2,606 | $ 2,605 | $ 2,664 | $ 2,889 | $ 3,117 | $ 3,465 | $ 3,774 |
| $ 125 | $ 2,787 | $ 2,735 | $ 2,822 | $ 2,971 | $ 2,962 | $ 3,029 | $ 3,250 | $ 3,578 | $ 3,926 | $ 4,244 |
| $ 130 | $ 3,005 | $ 2,955 | $ 3,045 | $ 3,188 | $ 3,175 | $ 3,256 | $ 3,484 | $ 3,927 | $ 4,206 | $ 4,538 |
| $ 135 | $ 3,352 | $ 3,308 | $ 3,408 | $ 3,553 | $ 3,532 | $ 3,612 | $ 3,845 | $ 4,436 | $ 4,621 | $ 5,013 |
| $ 140 | $ 3,570 | $ 3,528 | $ 3,633 | $ 3,770 | $ 3,745 | $ 3,835 | $ 4,079 | $ 4,785 | $ 4,901 | $ 5,307 |
| $ 145 | $ 3,917 | $ 3,882 | $ 4,001 | $ 4,135 | $ 4,102 | $ 4,192 | $ 4,465 | $ 5,269 | $ 5,316 | $ 5,781 |
| $ 150 | $ 4,135 | $ 4,101 | $ 4,227 | $ 4,353 | $ 4,316 | $ 4,415 | $ 4,773 | $ 5,545 | $ 5,596 | $ 6,076 |

Source: DOR Fall 2023 Forecast model

Notes:

This table presents revenue estimates at a range of ANS prices, holding all other variables constant, except for lease expenditures. Analysis assumes that the given price is in place for all years shown. Only production tax is adjusted for purposes of this analysis. Users should be cautioned that changes in any number of variables may cause revenue to vary significantly from amounts shown. These variables include but are not limited to production, lease expenditures, and netback costs. All amounts are in $millions. Production tax estimates do not include hazardous release surcharge or repurchased production tax credits which may be funded via appropriation in the operating budget.

**Alaska Statutes Governing Allowable Lease Expenditures**
**Sec. 43.55.165. Lease expenditures.**

(a) 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 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;

(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; and

(3) lease expenditures incurred in a previous calendar year, subject to (l) — (r) of this section, that

(A) met the requirements of AS 43.55.160(e) in the year in which the lease expenditures were incurred;

(B) have not been deducted in the determination of the production tax value of oil and gas under AS 43.55.160(a) or (h) in a previous calendar year;

(C) were not the basis of a credit under this title; and

(D) were incurred to explore for, develop, or produce an oil or gas deposit located in the state outside the Cook Inlet sedimentary basin.

(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;

(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).

(c) [Repealed, § 66 ch 1 SSSLA 2007.]
(d) [Repealed, § 66 ch 1 SSSLA 2007.]
(e) For purposes of this section, lease expenditures do not include
(1) depreciation, depletion, or amortization;

(2) oil or gas royalty payments, production payments, lease profit shares, or other payments or distributions of a share of oil or gas production, profit, or revenue, except that a producer's lease expenditures applicable to oil and gas produced from a lease issued under AS 38.05.180(f)(3)(B), (D), or (E) include the share of net profit paid to the state under that lease;

(3) taxes based on or measured by net income;

(4) interest or other financing charges or costs of raising equity or debt capital;

(5) acquisition costs for a lease or property or exploration license;

(6) costs arising from fraud, wilful misconduct, 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;

(7) fines or penalties imposed by law;

(8) costs of arbitration, litigation, or other dispute resolution activities that involve the state or concern the rights or obligations among owners of interests in, or rights to production from, one or more leases or properties or a unit;

(9) costs incurred in organizing a partnership, joint venture, or other business entity or arrangement;

(10) amounts paid to indemnify the state; the exclusion provided by this paragraph does not apply to the costs of obtaining insurance or a surety bond from a third-party insurer or surety;

(11) surcharges levied under AS 43.55.201 or 43.55.300;

(12) an expenditure otherwise deductible under (b) of this section that is a result of 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 fair market value of the expenditure;

(13) an expenditure incurred to purchase an interest in any corporation, partnership, limited liability company, business trust, or any other business entity, whether or not the transaction is treated as an asset sale for federal income tax purposes;

(14) a tax levied under AS 43.55.011 or 43.55.014;

(15) costs incurred for dismantlement, removal, surrender, or abandonment of a facility, pipeline, well pad, platform, or other structure, or for the restoration of a lease, field, unit, area, tract of land, body of water, or right-of-way in conjunction with dismantlement, removal, surrender, or abandonment; a cost is not excluded under this paragraph if the dismantlement, removal, surrender, or abandonment for which the cost is incurred is undertaken for the purpose of replacing, renovating, or improving the facility, pipeline, well pad, platform, or other structure;

(16) costs incurred for containment, control, cleanup, or removal in connection with any unpermitted release of oil or a hazardous substance and any liability for damages imposed on the producer or explorer for that unpermitted release; this paragraph does not apply to the cost of developing and maintaining an oil discharge prevention and contingency plan under AS 46.04.030;

(17) costs incurred to satisfy a work commitment under an exploration license under AS 38.05.132;

(18) that portion of expenditures, that would otherwise be qualified capital expenditures, as defined in AS 43.55.023, incurred during a calendar year that are less than the product of $0.30 multiplied by the total taxable production from each lease or property, in BTU equivalent barrels, during that calendar year, except that, when a portion of a calendar year is subject to this provision, the expenditures and volumes shall be prorated within that calendar year;

(19) costs incurred for repair, replacement, or deferred maintenance of a facility, a pipeline, a structure, or equipment, other than a well, that results in or is undertaken in response to a failure, problem, or event that results in an unscheduled interruption of, or reduction in the rate of, oil or gas production; or costs incurred for repair, replacement, or deferred maintenance of a facility, a pipeline, a structure, or equipment, other than a well, that is undertaken in response to, or is otherwise associated with, an unpermitted release of a hazardous substance or of gas; however, costs under this paragraph that would otherwise constitute lease expenditures under (a) and (b) of this section may be treated as lease expenditures if the department determines that the repair or replacement is solely necessitated by an act of war, by an unanticipated grave natural disaster or other natural phenomenon of an exceptional, inevitable, and irresistible character, the effects of which could not have been prevented or avoided by the exercise of due care or foresight, or by an intentional or negligent act or omission of a third party, other than a party or its agents in privity of contract with, or employed by, the producer or an operator acting for the producer, but only if the producer or operator, as applicable, exercised due care in operating and maintaining the facility, pipeline, structure, or equipment, and took reasonable precautions against the act or omission of the third party and against the consequences of the act or omission; in this paragraph,

(A) “costs incurred for repair, replacement, or deferred maintenance of a facility, a pipeline, a structure, or equipment” includes costs to dismantle and remove the facility, pipeline, structure, or equipment that is being replaced;

(B) “hazardous substance” has the meaning given in AS 46.03.826;

(C) “replacement” includes renovation or improvement;

(20) costs incurred to construct, acquire, or operate a refinery or crude oil topping plant, regardless of whether the products of the refinery or topping plant are used in oil or gas exploration, development, or production operations; however, if a producer owns a refinery or crude oil topping plant that is located on or near the premises of the producer's lease or property in the state and that processes the producer's oil produced from that lease or property into a product that the producer uses in the operation of the lease or property in drilling for or producing oil or gas, the producer's lease expenditures include the amount calculated by subtracting from the fair market value of the product used the prevailing value, as determined under AS 43.55.020(f), of the oil that is processed;

(21) costs of lobbying, public relations, public relations advertising, or policy advocacy.

(f) For purposes of AS 43.55.023(a) and only as to expenditures incurred to explore for an oil or gas deposit located within land in which an explorer does not own a working interest, the term “producer” in this section includes “explorer.”

(g) The department shall specify or approve a reasonable allocation method for determining the portion of a cost that is appropriately treated as a lease expenditure under this section if a cost that would otherwise constitute a lease expenditure under this section is incurred to explore for, develop, or produce

(1) both an oil or gas deposit located within land outside the state and an oil or gas deposit located within a lease or property, or other land, in the state; or

(2) an oil or gas deposit located partly within land outside the state and partly within a lease or property, or other land, in the state.

(h) The department shall adopt regulations that provide for reasonable methods of allocating costs between oil and gas, between gas subject to AS 43.55.011(o) and other gas, and between leases or properties in those circumstances where an allocation of costs is required to determine lease expenditures that are costs of exploring for, developing, or producing oil deposits or costs of exploring for, developing, or producing gas deposits, or that are costs of exploring for, developing, or producing oil or gas deposits located within different leases or properties.

(i) The department may adopt regulations that establish additional standards necessary to carrying out the purposes of this section and AS 43.55.170, including the incorporation of the concepts of 26 U.S.C. 482 (Internal Revenue Code), as amended, the related or accompanying regulations of that provision, and any ruling or guidance issued by the United States Internal Revenue Service that relates to that provision.

(j) [Repealed, § 34 ch 4 4SSLA 2016.]

(k) [Repealed, § 34 ch 4 4SSLA 2016.]

(l) In a calendar year, after application of a producer's lease expenditures that are incurred in that calendar year, the producer may choose to apply all or a portion of a carried-forward annual loss or carry any unused portion forward. The department may not require a producer to apply all or a portion of a carried-forward annual loss in a calendar year.

(m) During a calendar year in which a taxpayer's liability under AS 43.55.011(e) is determined under AS 43.55.011(f), the maximum amount of carried-forward annual loss that a taxpayer may apply in that year is equal to the amount, when combined with the lease expenditures of the current year and any credits under this chapter, necessary to reduce the amount calculated under AS 43.55.011(e) to the equivalent amount of tax due under AS 43.55.011(f) before the application of any credits under this chapter. An amount of carried-forward annual loss not applied under this subsection may continue to be carried forward.

(n) A carried-forward annual loss may only be applied

(1) to determine the production tax value of oil or gas for a category for which a separate annual production tax value is required to be calculated under AS 43.55.160(a) or (h) if the lease expenditure resulting in the carried-forward annual loss was incurred in the same category;

(2) beginning in the calendar year in which regular production of oil or gas from the lease or property where the lease expenditure resulting in the carried-forward annual loss was incurred commences.

(o) A carried-forward annual loss for a lease expenditure incurred on a lease or property that

(1) did not commence regular production of oil or gas before or during the year the lease expenditure was incurred decreases in value each year by one-tenth of the value of the carried-forward annual loss in the preceding year, beginning January 1 of the 11th calendar year after the lease expenditure is carried forward under (a)(3) of this section; a decrease in value under this paragraph does not apply for a year in which the department determines that regular production of oil or gas did not commence because of a natural disaster, an injunction or other court order, or an administrative order;

(2) commenced regular production of oil or gas before or during the year the lease expenditure was incurred decreases in value each year by one-tenth of the value of the carried-forward annual loss in the preceding year, beginning January 1 of the eighth calendar year after the lease expenditure is carried forward under (a)(3) of this section.

(p) A carried-forward annual loss under (o) of this section may not decrease in value for a partial calendar year.

(q) For purposes of (n)(2) and (o) of this section, the Alaska Oil and Gas Conservation Commission shall determine the commencement of regular production.

(r) In adopting a regulation that defines the lease or property where a lease expenditure resulting in a carried-forward annual loss is incurred for purposes of (n) and (o) of this section, the department shall include an exploration lease expenditure that is reasonably related to the lease or property.

(s) For purposes of this section,

(1) “carried-forward annual loss” means a loss established under (a)(3) of this section;

(2) “explore” includes conducting geological or geophysical exploration, including drilling a stratigraphic test well;

(3) “ordinary and necessary” has the meaning given in 26 U.S.C. 162 (Internal Revenue Code), as amended, and regulations adopted under that section;

(4) “stratigraphic test well” means a well drilled for the sole purpose of obtaining geological information to aid in exploring for an oil or gas deposit and the target zones of which are located in the state.

**Alaska Administrative Code Sections 55.250 and 55.260 Governing Allowable Lease Expenditures**

Section 15 AAC 55.250 - Standards for lease expenditures other than overhead

**(a)** Repealed 9/20/2020.

**(b)** Costs incurred after June 30, 2007, satisfy the requirements established in AS 43.55.165(a)(1)(B), as enacted by sec. 58, ch. 1, SSSLA 2007, only if they are

**(1)** direct charges under 15 AAC 55.260 incurred for an activity or purpose described in (c) of this section; and

**(2)** not excluded under AS 43.55.165(e), as amended by sec. 60, ch. 1, SSSLA 2007.

**(c)** The activities or purposes referred to in (b) of this section are

**(1)** conducting a geological or geophysical survey to explore for oil or gas;

**(2)** performing a geological, geophysical, geotechnical, or geochemical examination or investigation specific to reservoir to support development of that reservoir;

**(3)** processing or interpreting data acquired from an activity described in (1) or (2) of this subsection to support oil or gas exploration, development, or production operations;

**(4)** designing, surveying, preparing, constructing, operating, or maintaining a drill site for an exploration well or a well to produce oil or gas or to support oil or gas production;

**(5)** transporting, mobilizing, or demobilizing a rig, coil tubing unit, or similar equipment, or associated supplies, to and on a drill site to drill or perform downhole operations described in (6) - (8) of this subsection on a well described in (4) of this subsection; demobilization does not include transportation out of the state;

**(6)** designing, drilling, testing, logging, completing, operating, maintaining, repairing, or suspending a well described in (4) of this subsection;

**(7)** plugging and abandoning an exploration well, but excluding restoration of the drill site;

**(8)** plugging a well described in (4) of this subsection, or a portion of the well, for the purpose of redrilling;

**(9)** designing, constructing, acquiring, transporting, installing, operating, repairing, or maintaining a facility or equipment, other than a well, if the facility or equipment is

**(A)** used in oil or gas production operations and handles produced fluids upstream of the point of production or fluids injected in a reservoir for reservoir pressure maintenance, repressuring, or enhanced recovery purposes; and

**(B)** not a refinery, crude oil topping plant, or other manufacturing facility; for purposes of this subparagraph, "manufacturing facility" does not include a gas processing plant;

**(10)** designing, constructing, acquiring, transporting, installing, operating, repairing, or maintaining a communications system for communications between the site of oil or gas exploration, development, or production operations, and the operator's headquarters in the state, and that are necessary for the operations;

**(11)** designing, constructing, acquiring, transporting, installing, operating, repairing, or maintaining a field automation system solely dedicated to and specific to a unit or a lease or property and necessary for oil or gas production operations of the unit or the lease or property;

**(12)** preparing and submitting an application, data, or report necessary to obtain or maintain a governmental permit or similar governmental approval for oil or gas exploration, development, or production operations, or for a facility, equipment, or infrastructure described in (16) of this subsection;

**(13)** performing an archaeological, geophysical, or environmental survey or preparing an environmental impact statement required by law or otherwise required by a government agency, or required by an oil and gas lease, for oil or gas exploration, development, or production operations, or for a facility, equipment, or infrastructure described in (16) of this subsection, or otherwise complying with environmental requirements imposed by law or oil and gas lease for those operations, or for that facility, equipment, or infrastructure;

**(14)** performing one or more of the following activities with respect to an oil or hazardous substance cleanup contingency plan, fire response plan, or disaster recovery plan required for safe operation or by law or oil and gas lease, for oil or gas exploration, development, or production operations, or for a facility, equipment, or infrastructure described in (16) of this subsection:

**(A)** preparing and maintaining the plan;

**(B)** training personnel or performing practice drills, monitoring, or inspection under the plan;

**(C)** obtaining and maintaining equipment and supplies required under the plan to be routinely kept on hand;

**(15)** monitoring and maintaining the safety of personnel located at the site, or in the vicinity, of oil or gas exploration, development, or production operations;

**(16)** designing, constructing, acquiring, transporting, installing, operating, repairing, or maintaining a facility, equipment, or infrastructure that is located in the vicinity of and is used to support oil or gas exploration, development, or production operations; that facility, equipment, or infrastructure

**(A)** includes

**(i)** camps;

**(ii)** operations centers;

**(iii)** laboratories;

**(iv)** staging pads, roads, bridges, docks, helipads, landing areas, and similar transportation structures;

**(v)** medical facilities;

**(vi)** emergency response facilities;

**(vii)** storage facilities;

**(viii)** security facilities;

**(ix)** repair and maintenance shops; and

**(x)** vehicles;

**(B)** does not include refineries, topping plants, or other manufacturing facilities.

**(d)** A cost incurred jointly for both an activity or purpose described in (c) of this section and an activity or purpose not described in (c) of this section must be allocated between the activity or purpose described in (c) of this section and the other activity or purpose using a reasonable allocation methodology.

**(e)** Repealed 9/20/2020.

**(f)** Costs incurred after June 30, 2007, that satisfy the requirements of (b)(1) and (2) of this section are not a producer's or explorer's lease expenditures under AS 43.55.165(a), as repealed and reenacted by sec. 58, ch. 1, SSSLA 2007, unless the costs also satisfy the requirements of AS 43.55.165(a)(1)(A), as enacted by sec. 58, ch. 1, SSSLA 2007.

**(g)** For purposes of this section, "designing" is limited to activities specific to an identifiable well, facility, item of equipment, or system, and does not include activities of more general applicability or that would ordinarily be considered research and development.

*15 AAC 55.250*

Eff. 2/27/2010, Register 193; am 12/4/2010, Register 164 ; am 9/20/2020,Register 235, October 2020

***Authority:****AS 43.05.080*

*AS 43.55.110*

*AS 43.55.160*

*AS 43.55.165*

*AS 43.55.170*

Section 15 AAC 55.260 - Direct charges

**(a)** Except as limited by (d) and (e) of this section, direct charges for purposes of 15 AAC 55.250(b) are

**(1)** costs paid to real property owners to acquire surface rights in real property located in the vicinity of oil or gas exploration, development, or production operations, and used in support of those operations;

**(2)** net profit shares required to be paid to the state under leases issued under AS 38.05.180(f)(3)(B), (D), or (E) and paid after June 30, 2007;

**(3)** labor costs, not including work on tax, legal, purchasing, or accounting matters, or matters involving a dispute before a government agency, in the form of salaries and wages of

**(A)** employees of the operator, when those employees are directly employed in or in support of oil or gas exploration, development, or production operations, and

**(i)** on the site or in the vicinity of those operations;

**(ii)** in transit to or from the site or vicinity of those operations;

**(iii)** on a site of a system described in 15 AAC 55.250(c) (10) or (11) if assigned to and working on that system; or

**(iv)** on the site of the construction, transportation, repair, or maintenance of a facility, a system, equipment, or infrastructure described in 15 AAC 55.250(c) (9) - (11) or (16) if assigned to and working on that construction, transportation, repair, or maintenance; or

**(B)** any of the following employees of the operator, while those employees are assigned to a specific lease or property or unit that is the subject of oil or gas exploration, development, or production, and only as to that portion of the salaries and wages attributable to the time actually devoted to that exploration, development, or production, as supported by an approved timesheet or other time writing document:

**(i)** technical employees having special and specific engineering, geological, or other technical skills, including engineers, geologists, geophysicists, environmental specialists, and other technical personnel whose primary function with respect to that exploration, development, or production is the handling of specific problems or operating conditions involving the oil or gas exploration, development, or production operations or the support of those operations;

**(ii)** employees engaged in developing field automation systems dedicated to and specific to a unit or a lease or property and necessary for oil or gas production operations of the unit or the lease or property;

**(iii)** employees engaged in developing computer applications specific to a unit or a lease or property and necessary for oil or gas development or production operations of the unit or the lease or property;

**(4)** costs of employee training that directly relates to the job duties for the employees described in (3) of this subsection; the costs of professional memberships, dues, or periodicals, or of education or training in pursuit of an academic degree or professional credential, are not direct charges;

**(5)** expenditures or contributions made under assessments imposed by governmental authority that are applicable to the operator's labor costs described in (3) of this subsection; as to workers' compensation, if the operator self-insures, it may treat as an expenditure or contribution under this paragraph the charge that is regularly recorded as an accrual in the operator's general ledger as representing the fair and reasonable cost of the self-insurance;

**(6)** reasonable expenses incurred or reimbursed by the employer of those employees described in (3) of this subsection for travel by those employees to or from the site or vicinity of oil or gas exploration, development, or production operations, and for associated living quarters and meals; a reasonable per diem allowance, if paid by the employer in place of reimbursement of actual expenses, may be substituted for actual expenses for living quarters and meals;

**(7)** the employer's share of contributions to established plans for employee group life, disability, or medical insurance, pension, retirement, stock purchase, thrift, bonus, or other similar benefit plans, applicable to the operator's labor costs described in (3) of this subsection, if

**(A)** the plans are available on a regular basis to all employees of the operator who are directly working in oil or gas exploration, development, or production operations, other than employees excluded from a plan's coverage because of participation under a collective bargaining agreement; and

**(B)** the amount of the employer's share of contributions does not exceed the following percentage, as applicable, of the costs under (3) of this subsection incurred for employees covered by the plans:

**(i)** 32 percent for calendar year 2006;

**(ii)** 33 percent for calendar year 2007;

**(iii)** 36 percent for calendar year 2008;

**(iv)** 35 percent for calendar year 2009;

**(v)** 30 percent for a calendar year after 2009;

**(8)** the employer's share of contributions to established plans for employee group life, disability, or medical insurance, pension, retirement, stock purchase, thrift, bonus, or other similar benefit plans, applicable to the operator's labor costs described in (3) of this subsection, and available to employees under a collective bargaining agreement;

**(9)** costs to purchase or transport a facility, equipment, materials, or supplies used in oil or gas exploration, development, or production operations;

**(10)** costs to purchase or transport a facility, a system, equipment, or infrastructure described in 15 AAC 55.250(c) (10), (11), or (16), or to purchase or transport equipment, materials, or supplies used in a facility, a system, equipment, or infrastructure described in 15 AAC 55.250(c) (10), (11), or (16);

**(11)** costs paid to a third party for contract services, utilities, or use of a facility, equipment, or infrastructure provided by the third party and used in oil or gas exploration, development, or production operations, or used in support of those operations, or for use of a system described in 15 AAC 55.250(c) (10) or (11) provided by the third party; for purposes of this paragraph,

**(A)** contract services

**(i)** do not include work in tax, legal, or accounting matters, or matters involving a dispute before a government agency;

**(ii)** are limited to services the labor costs of which, under (3) of this subsection, would be allowable as direct charges if the operator's employees performed the services;

**(B)** support facilities, equipment, and infrastructure are limited to the categories described in 15 AAC 55.250(c) (16);

**(12)** costs charged to a unit or other joint operation for use in its oil or gas exploration, development, or production operations of a facility or equipment that

**(A)** is wholly or partly owned by a producer or explorer with an interest in the unit or other joint operation; and

**(B)** is not, and has not previously been, wholly or partly owned or acquired by or on behalf of the unit or other joint operation;

**(13)** a premium paid to a third-party insurer for insurance covering oil or gas exploration, development, or production operations;

**(14)** standby costs paid to a third party drilling rig contractor, and incurred

**(A)** while rig operations are deferred, suspended, or curtailed by reason of force majeure or another cause beyond the reasonable control of the operator; or

**(B)** to secure a rig for drilling if the rig is actually used for the operation for which it was secured;

**(15)** payments of property taxes, sales or use taxes, motor fuel taxes, or excise taxes if incurred with respect to the sale, acquisition, ownership, or use of a good, service, or property, the cost of which is a lease expenditure under AS 43.55.165, or would be a lease expenditure if incurred during the period for which the payment is made;

**(16)** payments in lieu of property taxes, sales or use taxes, motor fuel taxes, or excise taxes that would otherwise be incurred with respect to the sale, acquisition, ownership, or use of goods, services, or property, the cost of which is a lease expenditure under AS 43.55.165, or would be a lease expenditure if incurred during the period for which the payment is made;

**(17)** a regulatory cost charge under AS 31.05.093;

**(18)** a fee charged by a government agency for a regulatory license, permit, or similar regulatory approval required for oil or gas exploration, development, or production operations, or for a facility, equipment, or infrastructure described in 15 AAC 55.250(c) (16);

**(19)** costs to transport to the injection site, oil, gas, or other fluid recovered from a well and injected for reservoir pressure maintenance, repressuring, or enhanced recovery purposes, and costs paid to a third party producer to purchase that oil, gas, or other fluid from the producer;

**(20)** if a producer owns a refinery or crude oil topping plant that is located on or near the premises of the producer's lease or property in the state and that processes the producer's oil produced from that lease or property into a product that the producer uses in the operation of the lease or property in drilling for or producing oil or gas, the amount calculated by subtracting from the fair market value of the product used the prevailing value of the oil that is processed; for purposes of this paragraph,

**(A)** the amount of the oil that is processed equals the number of barrels of the product into which the oil is processed;

**(B)** the prevailing value of the oil that is processed in a field topping plant in the Alaska North Slope area is the gross value at the point of production of that oil as determined under 15 AAC 55.163(b);

**(21)** costs paid to a third party to acquire geological or geophysical data used in oil or gas exploration, development, or production operations.

**(b)** For purposes of this section, an employee's salary or wages for a given period of time includes the cost in salary or wages for the employee's earned or compensatory time off attributable to the employee's work during that time period.

**(c)** In the absence of evidence to the contrary, and for purposes of AS 43.55.165(e)(12), the department will accept a charge under (a)(12) of this section as being not more than fair market value if the charge does not exceed the cost calculated on the basis of the net book value of the equipment or facility multiplied by the number of hours, days, miles, or throughput volumes for which the equipment or facility is used in the oil or gas exploration, development, or production operations, divided by the number of hours, days, miles, or throughput volumes, as applicable, of estimated remaining useful life of the equipment or facility, or calculated using another method approved by the department. For purposes of this subsection, "net book value" means the dollar amount the owner of an asset records in its financial statements, consistent with generally accepted accounting principles, as the historical cost of the asset, excluding capitalized interest and net of accumulated depreciation or amortization, if the historical cost does not exceed the fair market value of the asset at the time it was acquired by the owner.

**(d)** Except for a cost described in (a)(2), (13), or (19) of this section, a cost that relates to the exploration, development, or production of oil or gas deposits that are subject to a unit operating agreement or other agreement that provides for an operator to conduct the oil or gas exploration, development, or production on behalf of itself and other producers or explorers is not a direct charge under this section if the cost is not (1) incurred in the first instance by the operator on behalf of the producers or explorers under the agreement; (2) actually billed to the producers or explorers under the agreement; and (3) paid, as to the producer's or explorer's share, by the producer or explorer to whom that share is billed. For purposes of this subsection, an agreement includes an instrument or arrangement among the parties to the agreement that modifies a party's rights or obligations under the agreement.

**(e)** A fee or other consideration paid to, or for the benefit of, a producer in connection with the use of a facility in which that producer has an ownership interest or in connection with the producer's management of a facility is not a direct charge under this section to the extent that the fee or other consideration

**(1)** compensates that producer for the deferral or loss of that producer's oil or gas production resulting from the payer's use of the facility; or

**(2)** reimburses that producer for its additional tax liability resulting from the receipt of a fee or other consideration in connection with the payer's use of the facility or in connection with the producer's management of the facility.

**(f)** Direct charges under this section are net of any credits, refunds, reimbursements, purchase discounts, and cost recoveries, unless the credit, refund, reimbursement, or cost recovery is accounted for as an adjustment to lease expenditures under AS 43.55.170. For purposes of this subsection, "credits" do not include tax credits.

**(g)** For purposes of this section, "operator" means, in the case of

**(1)** a producer or explorer carrying out oil or gas exploration, development, or production on behalf of itself, that producer or explorer;

**(2)** a unit operating agreement or other agreement that provides for an operator to carry out oil or gas exploration, development, or production on behalf of itself and other producers or explorers, the producer or explorer acting as operator under that agreement.

*15 AAC 55.260*

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***Authority:****AS 43.05.080*

*AS 43.55.110*

*AS 43.55.160*

*AS 43.55.165*

*AS 43.55.170*