REPRESENTATIVE DONNA MEARS

HB 206

Rep. Donna Mears

Our Responsibility

"The legislature shall provide for the utilization, development, and conservation of all natural resources belonging to the State, including land and waters, for the maximum benefit of its people."

Article VIII, Sec. 2

Our Responsibility

Utilization and development requires balancing competing priorities:

1. Providing a tax environment that incentivizes robust and competitive development; and
2. Collecting taxes and royalties to provide the benefits of our resources to all Alaskans.

The legislature facilitates a balance between the needs of industry and the people of Alaska using tax and royalty policy.

What's the Problem?

- What resource development outcomes are we trying to achieve with our tax system?

  A competitive and dynamic development environment that brings:
    - Increased production
    - Increased investment
    - Increased competition
- Our tax system was designed in 2013 at $100 oil.
- Does our tax system still meet its goals at $70 oil? $60? $50?
  - Would we know if it didn't?

(1) $8 for each barrel of taxable oil if the average gross value at the point of production for the month is less than $80 a barrel;

(2) $7 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to $80 a barrel, but less than $90 a barrel;

(3) $6 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to $90 a barrel, but less than $100 a barrel;

(4) $5 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to $100 a barrel, but less than $110 a barrel;

(5) $4 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to $110 a barrel, but less than $120 a barrel;

(6) $3 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to $120 a barrel, but less than $130 a barrel;

(7) $2 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to $130 a barrel, but less than $140 a barrel;

(8) $1 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to $140 a barrel, but less than $150 a barrel;

(9) zero if the average gross value at the point of production for the month is greater than or equal to $150 a barrel.

REPRESENTATIVE DONNA MEARS

What's the Problem?

- The Legislature is unable to judge the effectiveness of its tax policies
- What information do legislators need to know?
  - Is Alaska an attractive place to invest? How does it compare to other jurisdictions?
  - How does our tax system impact different producers, depending on their position in the market?
  - Is the legislature fulfilling its obligation to provide the maximum benefit to Alaskans?
  - Has our system's effectiveness changed with market conditions?

REPRESENTATIVE DONNA MEARS

Alaska's Unique Structure

- Most oil-producing states—TX, OK, WY, CO, NM—have a gross tax system.
    - The tax is applied to operators' gross revenue from oil and gas sales, with limited exclusions.
- Alaska has a net tax system—companies are only taxed on their profits.
    - Capital, operating, transportation expenses and more are subtracted out before the tax is applied

Alaska's Unique Structure

Under a net tax, the public has a greater interest in transparency because of the higher revenue volatility inherent in the system.

$70 oil	Production	Price	Revenue	Marketing	Production Costs	Taxable Value	Tax Paid	Profit
Gross tax at 5%	1000	$70	$70,000	$ 5,000	$ 55,000	$ 65,000	**$ 3,250**	$ 6,750
Net tax at 32.5%	1000	$70	$70,000	$ 5,000	$ 55,000	$ 10,000	**$ 3,250**	$ 6,750
$65 Oil	Production	Price	Revenue	Marketing	Production Costs	Taxable Value	Tax Paid	Profit
Gross tax at 5%	1000	$65	$65,000	$ 5,000	$ 55,000	$ 60,000	**$ 3,000**	**$ 2,000**
Net tax at 32.5%	1000	$65	$65,000	$ 5,000	$ 55,000	$ 5,000	**$ 1,625**	**$3,375**

Alaska’s Unique Structure

- Some oil-producing states have stronger disclosure requirements.
    - In Texas and North Dakota, producers’ tax returns are public

Reported ANS Lease Expenditures and Capital Lease Expenditures:
CY 2015 - CY 2024
Prepared April 18, 2025 by Economic Research Group

Total Lease Expenditures ($ Millions)	**CY 2015**	**CY 2016**	**CY 2017**	**CY 2018**	**CY 2019**	**CY 2020**	**CY 2021**	**CY 2022**	**CY 2023**	**CY 2024**
Prudhoe Bay Unit	$2,534	$2,020	$1,715	$1,372	$1,700	$1,137	$1,023	$1,245	$1,395	$1,412
All Other ANS	$4,952	$3,069	$2,573	$3,280	$3,599	$3,385	$2,853	$3,238	$4,608	$6,872
Total ANS	**$7,486**	**$5,089**	**$4,288**	**$4,652**	**$5,299**	**$4,522**	**$3,876**	**$4,483**	**$6,003**	**$8,284**

Qualified Capital Expenditures ($ Millions)	**CY 2015**	**CY 2016**	**CY 2017**	**CY 2018**	**CY 2019**	**CY 2020**	**CY 2021**	**CY 2022**	**CY 2023**	**CY 2024**
Prudhoe Bay Unit	$773	$503	$383	$202	$391	$119	$106	$238	$314	$350
All Other ANS	$3,285	$1,578	$1,186	$1,622	$1,935	$1,815	$1,381	$1,690	$2,873	$4,953
Total ANS	**$4,058**	**$2,081**	**$1,569**	**$1,824**	**$2,326**	**$1,934**	**$1,487**	**$1,928**	**$3,188**	**$5,303**

Source: DOR, not published online

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PROGRAM:  T37120                      STATE OF TEXAS                          PAGE:        3
                               COMPTROLLER OF PUBLIC ACCOUNTS                 DATE:   10/25/24
                                 NATURAL GAS TAX-PRODUCER
                               TAXPAYER HISTORY FOR  2401 TO  2401
TP NUMBER:  1-76-0244942-7
TP NAME:    HILCORP ENERGY COMPANY

                                    DATA RECORDS FOR 2401

==============================================================================================
REPORT TYP COMMODITY CODE  LEASE TYPE   EXEMPTION TY   PURCHASER NBR   TOT LEASE VOL  GOVT RYLTY VOL  NET TAX VALUE
LOCATOR NR COUNTY NAME     COUNTY CODE  API NUMBER     PURCHASER NAME  YOUR VOL       GOVT RYLTY VAL  TYPE 05 REDUCED RATE
DLN REF/NR DRLG PERMIT     LEASE NUMBER OFF LSE/TAX RE LIABLE FOR TAX  VAL YOUR VOL   MRKTING COSTS   TAX DUE TYPE 05
                                                                                                      REPORT ERRORS
==============================================================================================

ORIGINAL     1             2                                                  4,748           0           4,439.88
0000004      GALVESTON     084          -    0    OFF LEASE SALE              4,237        0.00              0.000
24079970437  NO            201777       YES / NO  YES                      9,968.92    5,529.04               0.00
                                                                                                                NO

ORIGINAL     1             2                                                    442           0              27.10
0000005      REFUGIO       196          -    0    OFF LEASE SALE                 37        0.00              0.000
24079970437  NO            208164       YES / NO  YES                         96.44       69.34               0.00
                                                                                                               YES

ORIGINAL     1             2                                                    169           0             201.40
0000006      BROOKS        024          -    0    OFF LEASE SALE                169        0.00              0.000
24079970437  NO            222996       YES / NO  YES                        434.07      232.67               0.00
                                                                                                                NO

AMENDED      1             2                                                   169-           0            201.40-
0000006      BROOKS        024          -    0    OFF LEASE SALE               169-        0.00              0.000
24155970178  NO            222996       YES / NO  YES                       434.07-     232.67-               0.00
                                                                                                                NO
----------------------------------------------------------------------------------------------
SUB TOTAL                                                                       442          00              27.10
                                                                                 37        0.00
                                                                              96.44       69.34              00.00
----------------------------------------------------------------------------------------------

AMENDED      1             2                                                    169           0             201.40
0000006      BROOKS        024          -    0    OFF LEASE SALE                169        0.00              0.000
24282970330  NO            222996       YES / NO  YES                        434.07      232.67               0.00
                                                                                                                NO
----------------------------------------------------------------------------------------------
SUB TOTAL                                                                       169          00             201.40
                                                                                169        0.00
                                                                             434.07      232.67              00.00
----------------------------------------------------------------------------------------------
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Source: Texas Comptroller. Full record available from Rep. Mears’s office.

Alaska's Unique Structure

History:

- In 2006, Alaska transitioned from a gross (ELF) to a net tax under the Petroleum Profits Tax (PPT)
  - The PPT system lacked sufficient disclosure, both to the Department of Revenue and the public.
  - ACES (2007) implemented the current disclosure statute, AS 43.55.890, to provide for some disclosure of producer data.

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Alaska's Unique Structure

Weakening Disclosure:

- In 2016, DOR published information on four North Slope units. Today Prudhoe is the only one.
- Units have very different production and economic profiles depending on geology and development

Reported ANS Lease Expenditures and Capital Lease Expenditures: CY 2011-CY 2015 & FY 2016

Revised 11/21/16 by Dan Stickel

Total Lease Expenditures ($ Millions)	*CY 2011*	*CY 2012*	*CY 2013*	*CY 2014*	*CY 2015*	*FY 2016*
Prudhoe Bay Unit	$2,005.3	$2,144.8	$2,335.4	$2,658.7	$2,534.05	$2,404.4
Kuparuk Unit	$1,003.4	$980.5	$1,140.5	$1,615.9	$1,570.78	$1,442.9
Duck Island Unit	$144.0	$129.8	$115.6	$103.3	$103.96	$86.3
Point Thomson Unit	$166.2	$373.8	$629.2	$672.9	$996.25	$796.3
All Other NS Spending	$1,705.0	$1,872.2	$2,025.8	$2,267.7	$2,281.1	$1,924.2
Total ANS	**$5,023.9**	**$5,501.0**	**$6,246.4**	**$7,318.5**	**$7,486.1**	**$6,654.1**

Qualified Capital Expenditures ($ Millions)	*CY 2011*	*CY 2012*	*CY 2013*	*CY 2014*	*CY 2015*	*FY 2016*
Prudhoe Bay Unit	$507.3	$591.4	$826.2	$877.2	$773.0	$725.2
Kuparuk Unit	$435.8	$361.6	$517.9	$889.2	$883.8	$764.1
Duck Island Unit	$2.0	$5.6	$5.2	$0.0	$4.4	$4.1
Point Thomson Unit	$163.8	$395.3	$625.4	$624.8	$919.5	$715.4
All Other NS Spending	$1,059.4	$1,124.9	$1,245.6	$1,551.3	$1,476.9	$1,178.1
Total ANS	**$2,168.3**	**$2,478.9**	**$3,220.3**	**$3,942.5**	**$4,057.6**	**$3,387.0**

What's the Problem?

Without insight into the profitability of oil individual producers in particular fields, the legislature could be—unknowingly:

1. Holding back industry to the detriment of all Alaskans through complex and onerous tax rates
2. Unfairly advantaging some producers over others
3. Incentivizing development of federal land over state land, decreasing royalty income
4. Allowing the maximum benefit of Alaska's resources to flow to out-of-state oil producers instead of Alaskans themselves

What's our solution?

Increased transparency

What’s our solution?

HB 206 would require DOR to publish information about producers at the unit level upon request:

1. The amount of oil or gas produced by each working interest owner (WIO) in a unit
2. The gross value at the point of production (GVPP) by WIO
3. Transportation costs attributable to the product by WIO
4. Production tax value (PTV) by WIO
5. Tax due by WIO
6. State royalty by WIO

This data is to be released with monthly resolution.

What's our solution?

- Most of this information is already public
  - Royalty information is produced by DOR
  - Production data is available from AOGCC
  - Transportation costs—pipeline tariffs and shipping rates—are largely public
  - GVPP is roughly calculable from production data and public price information.
- What's not?
  - Production Tax Value
  - Tax Paid
- Some companies publish this information voluntarily. Others don't. This proposal would level the playing field.

What's our solution?

- HB 206 would provide:
  - Transparency for the public and policymakers
  - Consistent disclosure in substance and format across producers
  - A meaningful dataset for analysis
  - Parity in disclosures between producers

Questions?

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corey.alt@akleg.gov
465-2721

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Supplemental Slides

REPRESENTATIVE DONNA MEARS

What's the context?

- Today, AS 43.55.890 governs the disclosure of tax information
- Requires information to be aggregated among three or more producers
- Allows for the publication of very detailed information
- At the discretion of DOR
- HB 206 would make only a subset of this information public on an unaggregated basis.

- **Sec. 43.55.890. Disclosure of tax information.** Notwithstanding any contrary provision of AS 40.25.100, and regardless of whether the information is considered under AS 43.05.230(e) to constitute statistics classified to prevent the identification of particular returns or reports, the department may publish the following information under this chapter, if aggregated among three or more producers or explorers, showing by month or calendar year and by lease or property, unit, or area of the state:
  (1) the amount of oil or gas production;
  (2) the amount of taxes levied under this chapter or paid under this chapter;
  (3) the effective tax rates under this chapter;
  (4) the gross value of oil or gas at the point of production;
  (5) the transportation costs for oil or gas;
  (6) qualified capital expenditures, as defined in AS 43.55.023;
  (7) exploration expenditures under AS 43.55.025;
  (8) production tax values of oil or gas under AS 43.55.160;
  (9) lease expenditures under AS 43.55.165;
  (10) adjustments to lease expenditures under AS 43.55.170;
  (11) tax credits applicable or potentially applicable against taxes levied by this chapter.

What’s the context?

- DOR doesn’t publish as much as is allowed
  - Lease Expenditure reports are not made available on the DOR website
  - Other units besides Prudhoe—Colville River, for example—have more than 3 producers but are not included
  - DOR’s informal rule of thumb for non-publication—80+% ownership by one owner, 95+% for two
- DOR has sporadically compiled aggregated producer tax data
  - In 2016, their disclosure provided information about Prudhoe Bay, Kuparuk, Duck Island, and Pt. Thomson
  - In 2025, the only unit DOR released information on was Prudhoe Bay.

What’s the context?

Other jurisdictions with net taxes require more transparency

- Australia –Santos, Exxon, Conoco all publish financial information, including their deductible expenses, taxable profit, and tax paid under their Petroleum Resource Rent Tax
    - The Australia Tax Office also publishes a spreadsheet with the corporate income tax and PRRT collections for every large company in the country.
- Newfoundland and Labrador – The government publishes detailed “industrial benefits” reports that include deductible expenses by project
- Norway – Producers publish detailed financial information including gross revenue, taxable income, and taxes paid

What’s the context?

- Publicly traded companies release income, investment and operating cost, and tax payments data under requirements from the SEC.
  - Conoco is the only North Slope producer that breaks out Alaska as an individual segment
  - Santos will under obligations from the Australian Stock Exchange (ASX) and the Australian Tax Office (ATO) once production begins
- Privately held companies, and the units they control, have no such transparency.

REPRESENTATIVE
DONNA MEARS

Santos (Australia)

ITEM	$US MILLION
Consolidated Global Accounting Revenue	**5,889**
Australian Accounting Revenue[2]	**2,863**
Australian Accounting Profit before tax	**2,046**
• Accounting depreciation and impairment	1,331
• Non tax deductible expenses	485
• Petroleum resource rent tax paid	(151)
• Tax deductible exploration and restoration costs	(56)
• Non assessable dividends from foreign subsidiaries	(1,985)
• Tax depreciation	(743)
• Income not assessable for tax	(667)
Taxable income prior to losses	**260**
• Carried forward losses utlised	246
• Taxable income	14
• Tax on taxable income	4
• Tax offsets	(4)
Income tax payable	**0**

Source: Santos 2024 Annual Report

Exxon, Chevron (Newfoundland)

Hebron					
Direct Project Employment					**Q1 2024**
Residency Status at Time of Hire	**Gender**	**Onshore**	**Offshore**	**Total**	**%**
Newfoundland & Labrador	Male	292	555	847	81%
	Female	125	14	139	13%
	Subtotal	**417**	**569**	**986**	**95%**
Other Canadian	Male	15	16	31	3%
	Female	2	0	2	0%
	Subtotal	**17**	**16**	**33**	**3%**
Non-Canadian	Male	12	7	19	2%
	Female	3	0	3	0%
	Subtotal	**15**	**7**	**22**	**2%**
Total		**449**	**592**	**1041**	**100%**
Gender Breakdown		Male		897	**86%**
		Female		144	**14%**
Number of Work Term Students		**Gender**			
Total	**27**	Male		23	**85%**
		Female		4	**15%**
Purchase Orders		**Location of Point of Purchase**			
Total Number of Purchase Orders	**2535**	Newfoundland & Labrador		1412	**56%**
		Other Canadian		734	**29%**
Total Value ($M)	**161.0**	Non-Canadian		389	**15%**
Awarded Contracts Valued Over $250,000		**Location of Contract Awards**			
		Newfoundland & Labrador		12	**52%**
Number of Awarded Contracts	**23**	Other Canadian		2	**9%**
		Non-Canadian		9	**39%**
Expenditures		**Content Estimates**			
		Newfoundland & Labrador			**61%**
Total ($M)	**116.2**	Other Canadian			**14%**
		Non-Canadian			**25%**

Source: Canada-Newfoundland and Labrador Offshore Petroleum Board

Hilcorp (Texas)

PROGRAM: T37120	STATE OF TEXAS	PAGE: 3
	COMPTROLLER OF PUBLIC ACCOUNTS	DATE: 10/25/24
	NATURAL GAS TAX-PRODUCER	
	TAXPAYER HISTORY FOR 2401 TO 2401	

TP NUMBER: 1-76-0244942-7
TP NAME: HILCORP ENERGY COMPANY

DATA RECORDS FOR 2401

REPORT TYP LOCATOR NR DLN REF/NR	COMMODITY CODE COUNTY NAME DRLG PERMIT	LEASE TYPE COUNTY CODE LEASE NUMBER	EXEMPTION TY API NUMBER OFF LSE/TAX RE	PURCHASER NBR PURCHASER NAME LIABLE FOR TAX	TOT LEASE VOL YOUR VOL VAL YOUR VOL	GOVT RYLTY VOL GOVT RYLTY VAL MRKTING COSTS	NET TAX VALUE TYPE 05 REDUCED RATE TAX DUE TYPE 05 REPORT ERRORS
ORIGINAL	1	2			4,748	0	4,439.88
0000004	GALVESTON	084	- 0	OFF LEASE SALE	[illegible]	[illegible]	[illegible]
24079970437	NO	201777	YES / NO	YES	9,968.92	5,529.04	0.00
							NO
ORIGINAL	1	2			442	0	27.10
0000005	REFUGIO	196	- 0	OFF LEASE SALE	37	0.00	0.000
24079970437	NO	208164	YES / NO	YES	96.44	69.34	0.00
							YES
ORIGINAL	1	2			169	0	201.40
0000006	BROOKS	024	- 0	OFF LEASE SALE	169	0.00	0.000
24079970437	NO	222996	YES / NO	YES	434.07	232.67	0.00
							NO
AMENDED	1	2			169-	0	201.40-
0000006	BROOKS	024	- 0	OFF LEASE SALE	169-	0.00	0.000
24155970178	NO	222996	YES / NO	YES	434.07-	232.67-	0.00
							NO
SUB TOTAL					442	00	27.10
					37	0.00	
					96.44	69.34	00.00
AMENDED	1	2			169	0	201.40
0000006	BROOKS	024	- 0	OFF LEASE SALE	169	0.00	0.000
24282970330	NO	222996	YES / NO	YES	434.07	232.67	0.00
							NO
SUB TOTAL					169	00	201.40
					169	0.00	
					434.07	232.67	00.00

Source: Texas Comptroller. Full record available from Rep. Mears's office.

ConocoPhillips (Alaska)

Alaska

		2024	2023	2022
Select financial data by segment before-tax ($MM)				
Sales and other operating revenues ($MM)	$	6,553	7,098	7,905
Production and operating expenses ($MM)		1,951	1,829	1,703
Depreciation, depletion and amortization ($MM)		1,299	1,061	939
Taxes other than income taxes ($MM)		470	497	1,323
Net Income (Loss) ($MM)	$	1,326	1,778	2,352
Average Net Production				
Crude oil (MBD)		173	173	177
Natural gas liquids (MBD)		15	16	17
Natural gas (MMCFD)		39	38	34
Total Production (MBOED)		194	195	200
Total Production (MMBOE)		71	71	73
Average Sales Prices				
Crude oil ($ per bbl)	$	81.73	83.05	101.72
Natural gas ($ per mcf)		3.90	4.47	3.64

Capital Expenditures and Investments

		Millions of Dollars		
		2024	2023	2022
Alaska	$	3,194	1,705	1,091
Lower 48		6,510	6,487	5,630
Canada		551	456	530
Europe, Middle East and North Africa		1,021	1,111	998
Asia Pacific		370	354	1,880
Other International		—	—	—
Corporate and Other		472	1,135	30
Capital Program*	$	12,118	11,248	10,159

** Excludes capital related to acquisitions of businesses, net of cash acquired.*

Source: ConocoPhillips 2024 10-K

Santos (Aus)

Western Australia

Western Australia	2024	2023
Production (mmboe)	**18.9**	21.1
Sales volume (mmboe)	**21.1**	21.4
Revenue (US$m)	**850**	853
Production cost (US$/boe)	**10.21**	9.87
EBITDAX (US$m)	**516**	596
Capex – Upstream (US$m)	**398**	200
Capex – SES (US$m)	**41**	55

Western Australia EBITDAX of $516 million was 13 per cent lower than the corresponding period in 2023, predominantly driven by lower sales volumes, increased third-party purchase costs and a decrease in product inventory. The Halyard-2 infill well was drilled, completed and tested in 2024, and is expected to come online in early 2025.

Alaska Business Unit

Santos' assets in Alaska comprise of exploration and development licences, including the Pikka Unit (Santos 51 per cent equity interest), Horseshoe Unit (Santos 51 per cent equity interest) and Quokka Unit (Santos 46.6 per cent equity interest).

The Pikka phase 1 project remains on schedule to deliver first oil in 2026 and at 31 December 2024 was 74.0 per cent complete. The first winter program was a success finishing in early 2024, with all facility piles installed, all vertical supports in place, and 40 miles of pipeline laid. The second winter season has now commenced and the drilling program is progressing, with results in line with pre-drill expectations.

Source: Santos 2024 Annual Report

Equinor (Norway)

Reconciliation of statutory tax rate to effective tax rate

	Full year		
(in USD million)	**2024**	**2023**	**2022**
Income/(loss) before tax	30,986	37,884	78,604
Calculated income tax at statutory rate[1)]	(7,673)	(8,833)	(18,168)
Calculated Norwegian Petroleum tax[2)]	(14,611)	(17,226)	(36,952)
Tax effect uplift[3)]	216	160	259
Tax effect of permanent differences regarding divestments	426	82	417
Tax effect of permanent differences caused by functional currency different from tax currency	374	5	145
Tax effect of other permanent differences	81	453	403
Recognition/Derecognition of previously (un)recognised deferred tax assets[4)]	60	(137)	4,401
Change in unrecognised deferred tax assets	(132)	(29)	(34)
Change in tax regulations	(34)	4	–
Prior period adjustments	(188)	(290)	(3)
Other items including foreign currency effects	(677)	(169)	(327)
Income tax	(22,157)	(25,980)	(49,861)
Effective tax rate	71.5 %	68.6 %	63.4 %

Source: Equinor 2024 Annual Report