

AMENDMENT

OFFERED IN THE SENATE

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

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

2 Insert "**relating to an adjustment to the gross value at the point of production for**
3 **oil production from certain leases or properties; relating to the determination of the**
4 **production tax value of oil and gas;**"

5

6 Page 2, following line 5:

7 Insert new bill sections to read:

8 "* **Sec. 2.** AS 43.55.160(a) is amended to read:

9 (a) Except as provided in (b) of this section **and subject to an adjustment**
10 **under AS 43.55.162,** for the purposes of

11 (1) AS 43.55.011(e), the annual production tax value of the taxable

12 (A) oil and gas produced during a calendar year from leases or
13 properties in the state that include land north of 68 degrees North latitude is the
14 gross value at the point of production of the oil and gas taxable under
15 AS 43.55.011(e) and produced by the producer from those leases or properties,
16 less the producer's lease expenditures under AS 43.55.165 for the calendar year
17 applicable to the oil and gas produced by the producer from those leases or
18 properties, as adjusted under AS 43.55.170; this subparagraph does not apply
19 to gas subject to AS 43.55.011(o);

20 (B) oil and gas produced during a calendar year from leases or
21 properties in the state outside the Cook Inlet sedimentary basin, no part of
22 which is north of 68 degrees North latitude, is the gross value at the point of
23 production of the oil and gas taxable under AS 43.55.011(e) and produced by

1 the producer from those leases or properties, less the producer's lease
2 expenditures under AS 43.55.165 for the calendar year applicable to the oil and
3 gas produced by the producer from those leases or properties, as adjusted under
4 AS 43.55.170; this subparagraph does not apply to gas subject to
5 AS 43.55.011(o);

6 (C) oil produced during a calendar year from a lease or
7 property in the Cook Inlet sedimentary basin is the gross value at the point of
8 production of the oil taxable under AS 43.55.011(e) and produced by the
9 producer from that lease or property, less the producer's lease expenditures
10 under AS 43.55.165 for the calendar year applicable to the oil produced by the
11 producer from that lease or property, as adjusted under AS 43.55.170;

12 (D) gas produced during a calendar year from a lease or
13 property in the Cook Inlet sedimentary basin is the gross value at the point of
14 production of the gas taxable under AS 43.55.011(e) and produced by the
15 producer from that lease or property, less the producer's lease expenditures
16 under AS 43.55.165 for the calendar year applicable to the gas produced by the
17 producer from that lease or property, as adjusted under AS 43.55.170;

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

25 (2) AS 43.55.011(g), the monthly production tax value of the taxable

26 (A) oil and gas produced during a month from leases or
27 properties in the state that include land north of 68 degrees North latitude is the
28 gross value at the point of production of the oil and gas taxable under
29 AS 43.55.011(e) and produced by the producer from those leases or properties,
30 less 1/12 of the producer's lease expenditures under AS 43.55.165 for the
31 calendar year applicable to the oil and gas produced by the producer from

1 those leases or properties, as adjusted under AS 43.55.170; this subparagraph
2 does not apply to gas subject to AS 43.55.011(o);

3 (B) oil and gas produced during a month from leases or
4 properties in the state outside the Cook Inlet sedimentary basin, no part of
5 which is north of 68 degrees North latitude, is the gross value at the point of
6 production of the oil and gas taxable under AS 43.55.011(e) and produced by
7 the producer from those leases or properties, less 1/12 of the producer's lease
8 expenditures under AS 43.55.165 for the calendar year applicable to the oil and
9 gas produced by the producer from those leases or properties, as adjusted under
10 AS 43.55.170; this subparagraph does not apply to gas subject to
11 AS 43.55.011(o);

12 (C) oil produced during a month from a lease or property in the
13 Cook Inlet sedimentary basin is the gross value at the point of production of
14 the oil taxable under AS 43.55.011(e) and produced by the producer from that
15 lease or property, less 1/12 of the producer's lease expenditures under
16 AS 43.55.165 for the calendar year applicable to the oil produced by the
17 producer from that lease or property, as adjusted under AS 43.55.170;

18 (D) gas produced during a month from a lease or property in
19 the Cook Inlet sedimentary basin is the gross value at the point of production
20 of the gas taxable under AS 43.55.011(e) and produced by the producer from
21 that lease or property, less 1/12 of the producer's lease expenditures under
22 AS 43.55.165 for the calendar year applicable to the gas produced by the
23 producer from that lease or property, as adjusted under AS 43.55.170;

24 (E) gas produced during a month from a lease or property
25 outside the Cook Inlet sedimentary basin and used in the state is the gross
26 value at the point of production of that gas taxable under AS 43.55.011(e) and
27 produced by the producer from that lease or property, less 1/12 of the
28 producer's lease expenditures under AS 43.55.165 for the calendar year
29 applicable to that gas produced by the producer from that lease or property, as
30 adjusted under AS 43.55.170.

31 * **Sec. 3.** AS 43.55 is amended by adding a new section to read:

Sec. 43.55.162. Adjustments to the gross value at the point of production for certain oil. (a) If the volume of taxable oil produced by a producer during a calendar year from leases or properties described in AS 43.55.160(a)(1)(A) is greater than the annual target volume of taxable oil production determined under this section for the calendar year, the gross value at the point of production for the taxable oil produced during

(1) the calendar year for the purpose of determining the annual production tax value under AS 43.55.160(a)(1), shall be reduced by a percentage equal to the percentage by which the volume of taxable oil produced during the calendar year exceeds the target volume of production for the calendar year; and

(2) a calendar month for the purpose of determining the production tax value for the calendar month under AS 43.55.160(a)(2), shall be reduced by a percentage equal to the percentage by which the volume of taxable oil produced during the calendar month exceeds the target volume of production for the calendar month.

(b) Subject to adjustment under (e) of this section, the target volume of taxable oil production by a producer for a calendar year equals the volume of taxable oil produced by the producer from leases or properties described in AS 43.55.160(a)(1)(A) during the calendar year immediately preceding the calendar year for which the tax is being determined, multiplied by the applicable factor determined under (c)(1) - (4) of this section.

(c) For the purpose of determining the target volume of taxable oil production under (b) of this section, for a producer having taxable oil production from a lease or property described in AS 43.55.160(a)(1)(A)

(1) during the calendar year immediately preceding the calendar year for which the tax is being determined and the fourth calendar year preceding the calendar year for which the tax is being determined, the factor is equal to the cube root of the ratio of the volume of taxable oil produced by the producer from the leases or properties described in AS 43.55.160(a)(1)(A) during the calendar year immediately preceding the calendar year for which the tax is being determined to the volume of taxable oil produced from the leases or properties described in AS 43.55.160(a)(1)(A)

1 during the fourth calendar year preceding the year for which the tax is being
2 determined;

3 (2) during the calendar year immediately preceding the calendar year
4 for which the tax is being determined and the third calendar year preceding the
5 calendar year for which the tax is being determined, but not during the fourth year
6 preceding the calendar year for which the tax is being determined, the factor is equal
7 to the square root of the ratio of the volume of taxable oil produced by the producer
8 from the leases or properties described in AS 43.55.160(a)(1)(A) during the calendar
9 year immediately preceding the year for which the tax is being determined to the
10 volume of taxable oil produced from the leases or properties described in
11 AS 43.55.160(a)(1)(A) during the third calendar year preceding the calendar year for
12 which the tax is being determined;

13 (3) during the calendar year immediately preceding the calendar year
14 for which the tax is being determined and the second calendar year preceding the year
15 for which the tax is being determined, but not during the third or fourth calendar years
16 preceding the year for which the tax is being determined, the factor is equal to the ratio
17 of the volume of taxable oil produced by the producer from the leases or properties
18 described in AS 43.55.160(a)(1)(A) during the calendar year immediately preceding
19 the calendar year for which the tax is being determined to the volume of taxable oil
20 produced from the leases or properties described in AS 43.55.160(a)(1)(A) during the
21 second calendar year preceding the calendar year for which the tax is being
22 determined;

23 (4) during the calendar year immediately preceding the year for which
24 the tax is being determined but not during the second, third, or fourth calendar years
25 preceding the calendar year for which the tax is being determined, the factor is equal
26 to one.

27 (d) The target volume of taxable oil production by a producer for a calendar
28 month is equal to 1/12 of the annual target volume of taxable oil production for the
29 calendar year, except as otherwise provided in (e)(4) of this section.

30 (e) For purposes of this section, for a producer that produced taxable oil
31 during a calendar year from a lease or property described in AS 43.55.160(a)(1)(A),

1 (1) if the producer did not produce taxable oil from a lease or property
2 described in AS 43.55.160(a)(1)(A) during the calendar year immediately preceding
3 the calendar year for which the tax is being determined, there is no target volume of
4 taxable oil production for the calendar year or calendar month during the year and no
5 reduction in the gross value at the point of production for that oil production for the
6 purposes of AS 43.55.160(a)(1) for the year for which the tax is being determined,
7 unless the production of taxable oil during the entire calendar year was interrupted
8 because of force majeure;

9 (2) if the producer did not produce taxable oil from a lease or property
10 described in AS 43.55.160(a)(1)(A) during the calendar year immediately preceding
11 the calendar year for which the tax is being determined because the production of
12 taxable oil during the entire calendar year was interrupted because of force majeure,
13 the target volume of taxable oil production for the current year must be determined
14 under (c) of this section based on the fourth, third, or second preceding calendar year,
15 as applicable, in which the producer produced taxable oil from a lease or property
16 described in AS 43.55.160(a)(1)(A);

17 (3) for a producer that produced taxable oil from leases or properties
18 described in AS 43.55.160(a)(1)(A) during a prior year that would have been used in
19 the applicable calculation under (b) of this section, except that there was no taxable oil
20 production for 30 days or more during that calendar year because the producer first
21 produced taxable oil from those leases or properties during that calendar year or
22 because production from the leases or properties was interrupted by force majeure for
23 30 days or more during that calendar year, the producer's volume of taxable oil
24 production from leases or properties described in AS 43.55.160(a)(1)(A) during that
25 prior year is multiplied by a fraction, the numerator of which is the number of days
26 during that prior year and the denominator of which is the number of days during that
27 prior year on which the producer had oil production from a lease or property described
28 in AS 43.55.160(a)(1)(A);

29 (4) for a producer that has production of taxable oil that is interrupted
30 by force majeure for 30 days or more during the year for which the tax is being
31 determined, the target volume of taxable oil production for the current year that would

1 otherwise be applicable shall be reduced by a percentage equal to the percentage of
2 days during the year that the production was interrupted, and the producer's monthly
3 target volume of taxable oil production for the current year is the target volume of
4 taxable oil production for the current year determined under this paragraph divided by
5 a fraction, the numerator of which is the number of days during the year when the
6 producer had production from leases or properties described in AS 43.55.160(a)(1)(A),
7 and the denominator of which is 30.4375.

8 (f) The determination of the adjustment to the gross value at the point of
9 production in this section is based on the location of a lease or property within the area
10 described in AS 43.55.160(a)(1)(A) and is made without regard as to whether taxable
11 oil is produced from a particular lease or property during more than one year.

12 (g) The negligence or recklessness of a producer or operator that prevents the
13 production of taxable oil does not constitute force majeure. However, if there is a
14 sufficient cause for the cessation of production because of force majeure, the
15 negligence or recklessness of the producer, the operator, or the producer and operator
16 does not prohibit treating the inability to produce oil or the suspension of oil
17 production as having been caused by force majeure for the purposes of this section.

18 (h) In this section, "force majeure" means a cause beyond the reasonable
19 ability of a producer, an operator, or a producer and operator of a lease or property to
20 avoid or control that prevents the producer from producing oil or having oil produced
21 for the producer from the lease or property for a period of 24 or more consecutive
22 hours; "force majeure" includes an act of God, war, martial law, insurrection,
23 terrorism, sabotage, government restriction, order of a court or an administrative or
24 regulatory body having jurisdiction over the lease or property or production from the
25 lease or property, a strike or other labor action, or a failure or omission on the part of a
26 third-party supplier, contractor, subcontractor, carrier, or other third party."

27
28 Renumber the following bill section accordingly.