

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE JOHNSON

TO: CSHB 308(), Draft Version "P"

1 Page 9, lines 24 - 31:

2 Delete all material and insert:

3 "(3) In this subsection, "well-related expenditure" means a lease
4 expenditure that is

5 (A) directly related to a well; a lease expenditure is directly
6 related to a well if,

7 (i) during exploration and development, the lease
8 expenditure is a qualified capital expenditure and an intangible drilling
9 and development cost authorized under 26 U.S.C. (Internal Revenue
10 Code), as amended, and 26 C.F.R. 1.612-4, regardless of the elections
11 made under 26 U.S.C. 263(c); in this sub-subparagraph "exploration
12 and development" includes well sidetracking, well deepening, well
13 completion or recompletion, well workover regardless as to whether the
14 well is or has been a producing well, stratigraphic test wells, and
15 injection wells, except that "exploration and development" does not
16 include disposal wells;

17 (ii) during production, the lease expenditure is an
18 expenditure that is intended to increase, maintain, enhance, or mitigate
19 the decline of well production and is directly related to the processes of
20 operating a well and moving fluids to the assembly of valves, pipes,
21 and fittings used to control the flow of oil and gas from the casinghead,
22 but does not include the processes of gathering, separating, and
23 processing well fluids downstream from that assembly;

1 (B) for seismic work conducted within the boundaries of a
2 production or exploration unit; or
3 (C) an overhead expenditure authorized under
4 AS 43.55.165(a)(2) and calculated on well-related lease expenditures allowed
5 under (A) and (B) of this paragraph."