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Bullock  
4/16/10

**HOUSE CS FOR CS FOR SENATE BILL NO. 305(FIN)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-SIXTH LEGISLATURE - SECOND SESSION**

**BY THE HOUSE FINANCE COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): SENATE FINANCE COMMITTEE**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act providing that the tax rate applicable to the production of oil as the average  
2 production tax value of oil, gas produced in the Cook Inlet sedimentary basin, and gas  
3 produced outside of the Cook Inlet sedimentary basin and used in the state increases  
4 above \$30 shall be 0.4 percent multiplied by the number that represents the difference  
5 between that average monthly production tax value and \$30, or the sum of 25 percent  
6 and the product of 0.1 percent multiplied by the number that represents the difference  
7 between that average monthly production tax value and \$92.50, except that the total rate  
8 determined in the calculation may not exceed 50 percent; providing for an increase in  
9 the rate of tax on the production of gas as the average production tax value on a BTU  
10 equivalent barrel basis of gas produced outside of the Cook Inlet sedimentary basin and  
11 not used in the state increases above \$30; relating to payments of the oil and gas  
12 production tax; relating to the lease expenditures that may be deducted when

determining production tax value; relating to availability of a portion of the money received from the tax on oil and gas production for appropriation to the community revenue sharing fund; relating to the allocation of lease expenditures and adjustments to lease expenditures; and providing for an effective date."

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

**\* Section 1.** AS 29.60.850(b) is amended to read:

(b) Each fiscal year, the legislature may appropriate to the community revenue sharing fund an amount equal to 20 percent of the money received by the state during the previous calendar year under AS 43.55.011(g) and (p). The amount may not exceed

(1) \$60,000,000; or

(2) the amount that, when added to the fund balance on June 30 of the previous fiscal year, equals \$180,000,000.

**\* Sec. 2.** AS 43.55.011(e) is amended to read:

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

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

(2) the sum, over all months of the calendar year, of the tax amounts determined under

(A) subsection (g) of this section; and

(B) subsection (p) of this section.

**\* Sec. 3.** AS 43.55.011(g) is amended to read:

(g) For each month of the calendar year for which the producer's average monthly production tax value under AS 43.55.160(a)(2)(A) - (E) of a [AS 43.55.160(a)(2) PER] BTU equivalent barrel of [THE] taxable oil and gas is more

than \$30, the amount of tax for purposes of (e)(2)(A) [(e)(2)] of this section is determined by multiplying the monthly production tax value of the taxable oil [AND GAS] produced during the month, gas produced during the month from a lease or property in the Cook Inlet sedimentary basin, and gas produced during the month from a lease or property outside the Cook Inlet sedimentary basin and used in the state by the tax rate calculated as follows:

(1) if the producer's average monthly production tax value under AS 43.55.160(a)(2)(A) - (E) of a [PER] BTU equivalent barrel of [THE] taxable oil and gas for the month is not more than \$92.50, the tax rate is 0.4 percent multiplied by the number that represents the difference between the producer's [THAT] average monthly production tax value under AS 43.55.160(a)(2)(A) - (E) of a [PER] BTU equivalent barrel of taxable oil and gas and \$30; [OR]

(2) if the producer's average monthly production tax value under AS 43.55.160(a)(2)(A) - (E) of a [PER] BTU equivalent barrel of [THE] taxable oil and gas for the month is more than \$92.50, the tax rate is the sum of 25 percent and the product of 0.1 percent multiplied by the number that represents the difference between the producer's average monthly production tax value under AS 43.55.160(a)(2)(A) - (E) of a [PER] BTU equivalent barrel of taxable oil and gas and \$92.50, except that the sum determined under this paragraph may not exceed 50 percent;

(3) for purposes of this subsection, the average monthly production tax value under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of taxable oil and gas is calculated by

(A) adding all of the monthly production tax values determined under AS 43.55.160(a)(2)(A) - (E); and

(B) dividing the sum calculated under (A) of this paragraph by the total amount, in BTU equivalent barrels, of

(i) taxable oil produced by the producer during the month;

(ii) taxable gas produced by the producer during the month from a lease or property in the Cook Inlet sedimentary

basin; and

(iii) taxable gas produced by the producer during  
the month from a lease or property outside the Cook Inlet  
sedimentary basin and used in the state.

\* **Sec. 4.** AS 43.55.011 is amended by adding a new subsection to read:

(p) For each month of the calendar year for which the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of taxable gas is more than \$30, the amount of tax on the production of gas for purposes of (e)(2)(B) of this section is determined by multiplying the monthly production tax value of the taxable gas produced during the month other than gas produced from a lease or property in the Cook Inlet sedimentary basin or gas produced outside the Cook Inlet sedimentary basin and used in the state by the tax rate calculated as follows:

(1) if the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of taxable gas for the month is not more than \$92.50, the tax rate is 0.4 percent multiplied by the number that represents the difference between the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of gas and \$30;

(2) if the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of taxable gas for the month is more than \$92.50, the tax rate is the sum of 25 percent and the product of 0.1 percent multiplied by the number that represents the difference between the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of gas and \$92.50, except that the sum determined under this paragraph may not exceed 50 percent;

(3) for purposes of this subsection, the average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of taxable gas is calculated by

(A) adding the monthly production tax value determined under AS 43.55.160(a)(2)(F) to the monthly production tax value determined under AS 43.55.160(a)(2)(G); and

(B) dividing the sum calculated under (A) of this paragraph by the total amount, in BTU equivalent barrels, of the taxable gas produced by the producer during the month, other than gas produced from a lease or property in the Cook Inlet sedimentary basin or gas produced outside the Cook Inlet sedimentary basin and used in the state.

\* **Sec. 5.** AS 43.55.020(a) is repealed and reenacted to read:

(a) For a calendar year, a producer subject to tax under AS 43.55.011(e) - (i) and (p) shall pay the tax as follows:

(1) an installment payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each month of the calendar year on the last day of the following month; except as otherwise provided under (2) of this subsection, the amount of the installment payment is the sum of the following amounts in (A) - (C) of this paragraph, less 1/12 of the tax credits that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount of the installment payment may not be less than zero:

(A) the monthly production tax value for the month calculated under AS 43.55.160(a)(2)(B) multiplied by the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g), added to the monthly production tax value for the month calculated under AS 43.55.160(a)(2)(G) multiplied by the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(p);

(B) the greater of

(i) zero percent, one percent, two percent, three percent, or four percent, as applicable under AS 43.55.011(f), of the gross value at the point of production of the oil and gas produced during the month from all leases or properties in the state that include land north of 68 degrees North latitude, other than oil and gas subject to AS 43.55.011(i) and gas subject to AS 43.55.011(o); or

(ii) the monthly production tax value for the month calculated under AS 43.55.160(a)(2)(A) multiplied by the sum of 25

percent and the tax rate calculated for the month under AS 43.55.011(g), added to the monthly production tax value for the month calculated under AS 43.55.160(a)(2)(F) multiplied by the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(p); and

(C) for each lease or property, for gas subject to AS 43.55.011(j), oil subject to AS 43.55.011(k), and gas subject to AS 43.55.011(o), the monthly production tax value for the month calculated under AS 43.55.160(a)(2)(C), (D), or (E), as applicable, multiplied by the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g);

(2) an amount calculated under (1)(C) of this subsection for oil or gas produced from a particular lease or property may not exceed the product obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable for gas, or set out in AS 43.55.011(k)(1) or (2), as applicable for oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable gas produced during the month for the amount of taxable gas produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of taxable oil produced during the month for the amount of taxable oil produced during the calendar year;

(3) an installment payment of the estimated tax levied by AS 43.55.011(i) for each lease or property is due for each month of the calendar year on the last day of the following month; the amount of the installment payment is the sum of

(A) the applicable tax rate for oil provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the oil taxable under AS 43.55.011(i) and produced from the lease or property during the month; and

(B) the applicable tax rate for gas provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the gas taxable under AS 43.55.011(i) and produced from the lease or property during the month;

(4) any amount of tax levied by AS 43.55.011(e) or (i), net of any credits applied as allowed by law, that exceeds the total of the amounts due as installment payments of estimated tax is due on March 31 of the year following the calendar year of production.

\* **Sec. 6.** AS 43.55.020(d) is amended to read:

(d) In making settlement with the royalty owner for oil and gas that is taxable under AS 43.55.011, the producer may deduct the amount of the tax paid on taxable royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in value at the time the tax becomes due to the amount of the tax paid. If the total deductions of installment payments of estimated tax for a calendar year exceed the actual tax for that calendar year, the producer shall, before April 1 of the following year, refund the excess to the royalty owner. Unless otherwise agreed between the producer and the royalty owner, the amount of the tax paid under AS 43.55.011(e) - (g) **and (p)** on taxable royalty oil and gas for a calendar year, other than oil and gas the ownership or right to which constitutes a landowner's royalty interest, is considered to be the gross value at the point of production of the taxable royalty oil and gas produced during the calendar year multiplied by a figure that is a quotient, in which

(1) the numerator is the producer's total tax liability under AS 43.55.011(e) - (g) **and (p)** for the calendar year of production; and

(2) the denominator is the total gross value at the point of production of the oil and gas taxable under AS 43.55.011(e) - (g) **and (p)** produced by the producer from all leases and properties in the state during the calendar year.

\* **Sec. 7.** AS 43.55.160(a) is amended to read:

(a) Except as provided in (b) of this section, for the purposes of

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

(A) oil [AND GAS] produced during a calendar year from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the oil [AND GAS] taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil [AND GAS] produced by the producer from

those leases or properties, and the portion allocated under (g) of this section of the producer's lease expenditures under AS 43.55.165 for the calendar year incurred to explore land that is not a lease or property, or to explore or develop a lease or property before commencement of commercial production of oil or gas from the lease or property, if that land or any part of the lease or property is located north of 68 degrees North latitude, as adjusted under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO AS 43.55.011(o);]

(B) oil [AND GAS] produced during a calendar year from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the oil [AND GAS] taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil [AND GAS] produced by the producer from those leases or properties, and the portion allocated under (g) of this section of the producer's lease expenditures under AS 43.55.165 for the calendar year incurred to explore land that is not a lease or property, or to explore or develop a lease or property before commencement of commercial production of oil or gas from the lease or property, if that land, lease, or property is located outside the Cook Inlet sedimentary basin, and the land and all parts of the lease or property are not north of 68 degrees North latitude, as adjusted under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO AS 43.55.011(o);]

(C) oil produced during a calendar year from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the oil taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil produced by the producer from that lease or property, and the portion allocated under (g) of this section of the producer's lease expenditures under AS 43.55.165 for



1 the calendar year incurred to explore land that is not a lease or property,  
2 or to explore or develop a lease or property before commencement of  
3 commercial production of oil or gas from the lease or property, if that  
4 land or lease or property is located in the Cook Inlet sedimentary basin, as  
5 adjusted under AS 43.55.170;

6 (D) gas 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 gas 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 gas produced by the  
11 producer from that lease or property, and the portion allocated under (g) of  
12 this section of the producer's lease expenditures under AS 43.55.165 for  
13 the calendar year incurred to explore land that is not a lease or property,  
14 or to explore or develop a lease or property before commencement of  
15 commercial production of oil or gas from the lease or property, if that  
16 land or lease or property is located in the Cook Inlet sedimentary basin, as  
17 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,  
24 and the portion allocated under (g) of this section of the producer's lease  
25 expenditures under AS 43.55.165 for the calendar year incurred to explore  
26 land that is not a lease or property, or to explore or develop a lease or  
27 property before commencement of commercial production of oil or gas  
28 from the lease or property, if that land or lease or property is located  
29 outside the Cook Inlet sedimentary basin, as adjusted under AS 43.55.170;

30 (F) gas produced during a calendar year from leases or  
31 properties in the state that include land north of 68 degrees North latitude

1 is the gross value at the point of production of the gas taxable under  
2 AS 43.55.011(e) and produced by the producer from those leases or  
3 properties, less the producer's lease expenditures under AS 43.55.165 for  
4 the calendar year applicable to the gas produced by the producer from  
5 those leases or properties, and the portion allocated under (g) of this  
6 section of the producer's lease expenditures under AS 43.55.165 for the  
7 calendar year incurred to explore land that is not a lease or property, or  
8 to explore or develop a lease or property before commencement of  
9 commercial production of oil or gas from the lease or property, if that  
10 land or any part of the lease or property is located north of 68 degrees  
11 North latitude, as adjusted under AS 43.55.170; this subparagraph does  
12 not apply to gas subject to AS 43.55.011(o);

13 (G) gas produced during a calendar year from leases or  
14 properties in the state outside the Cook Inlet sedimentary basin, no part of  
15 which is north of 68 degrees North latitude, is the gross value at the point  
16 of production of the gas taxable under AS 43.55.011(e) and produced by  
17 the producer from those leases or properties, less the producer's lease  
18 expenditures under AS 43.55.165 for the calendar year applicable to the  
19 gas produced by the producer from those leases or properties, and the  
20 portion allocated under (g) of this section of the producer's lease  
21 expenditures under AS 43.55.165 for the calendar year incurred to explore  
22 land that is not a lease or property, or to explore or develop a lease or  
23 property before commencement of commercial production of oil or gas  
24 from the lease or property, if that land or lease or property is located  
25 outside the Cook Inlet sedimentary basin, and the land and all parts of the  
26 lease or property are not north of 68 degrees North latitude, as adjusted  
27 under AS 43.55.170; this subparagraph does not apply to gas subject to  
28 AS 43.55.011(o);

29 (2) AS 43.55.011(g) and (p), the monthly production tax value of the  
30 taxable

31 (A) oil [AND GAS] produced during a month from leases or

1 properties in the state that include land north of 68 degrees North latitude is the  
2 gross value at the point of production of the oil [AND GAS] taxable under  
3 AS 43.55.011(e) and produced by the producer from those leases or properties,  
4 less 1/12 of the producer's lease expenditures under AS 43.55.165 for the  
5 calendar year applicable to the oil [AND GAS] produced by the producer from  
6 those leases or properties, **and 1/12 of the portion allocated under (g) of this**  
7 **section of the producer's lease expenditures under AS 43.55.165 for the**  
8 **calendar year incurred to explore land that is not a lease or property, or**  
9 **to explore or develop a lease or property before commencement of**  
10 **commercial production of oil or gas from the lease or property, if that**  
11 **land or any part of the lease or property is located north of 68 degrees**  
12 **North latitude**, as adjusted under AS 43.55.170; [THIS SUBPARAGRAPH  
13 DOES NOT APPLY TO GAS SUBJECT TO AS 43.55.011(o);]

14 (B) oil [AND GAS] produced during a month from leases or  
15 properties in the state outside the Cook Inlet sedimentary basin, no part of  
16 which is north of 68 degrees North latitude, is the gross value at the point of  
17 production of the oil [AND GAS] taxable under AS 43.55.011(e) and produced  
18 by the producer from those leases or properties, less 1/12 of the producer's  
19 lease expenditures under AS 43.55.165 for the calendar year applicable to the  
20 oil [AND GAS] produced by the producer from those leases or properties, **and**  
21 **1/12 of the portion allocated under (g) of this section of the producer's**  
22 **lease expenditures under AS 43.55.165 for the calendar year incurred to**  
23 **explore land that is not a lease or property, or to explore or develop a**  
24 **lease or property before commencement of commercial production of oil**  
25 **or gas from the lease or property, if that land, lease, or property is located**  
26 **outside the Cook Inlet sedimentary basin, and the land and all parts of the**  
27 **lease or property are not north of 68 degrees North latitude**, as adjusted  
28 under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY TO  
29 GAS SUBJECT TO AS 43.55.011(o);]

30 (C) oil produced during a month from a lease or property in the  
31 Cook Inlet sedimentary basin is the gross value at the point of production of

the oil taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil produced by the producer from that lease or property, and 1/12 of the portion allocated under (g) of this section of the producer's lease expenditures under AS 43.55.165 for the calendar year incurred to explore land that is not a lease or property, or to explore or develop a lease or property before commencement of commercial production of oil or gas from the lease or property, if that land, lease, or property is located in the Cook Inlet sedimentary basin, as adjusted under AS 43.55.170;

(D) gas produced during a month from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from that lease or property, and 1/12 of the portion allocated under (g) of this section of the producer's lease expenditures under AS 43.55.165 for the calendar year incurred to explore land that is not a lease or property, or to explore or develop a lease or property before commencement of commercial production of oil or gas from the lease or property, if that land, lease, or property is located in the Cook Inlet sedimentary basin, as adjusted under AS 43.55.170;

(E) gas produced during a month from a lease or property in the state outside the Cook Inlet sedimentary basin and used in the state is the gross value at the point of production of that gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to that gas produced by the producer from that lease or property, and 1/12 of the portion allocated under (g) of this section of the producer's lease expenditures under AS 43.55.165 for the calendar year incurred to explore land that is not a lease or property, or to explore or

1 develop a lease or property before commencement of commercial  
2 production of oil or gas from the lease or property, if that land, lease, or  
3 property is located outside of the Cook Inlet sedimentary basin, as adjusted  
4 under AS 43.55.170;

5 (F) gas produced during a month from leases or properties  
6 in the state that include land north of 68 degrees North latitude is the  
7 gross value at the point of production of the gas taxable under  
8 AS 43.55.011(e) and produced by the producer from those leases or  
9 properties, less 1/12 of the producer's lease expenditures under  
10 AS 43.55.165 for the calendar year applicable to the gas produced by the  
11 producer from those leases or properties, and 1/12 of the portion allocated  
12 under (g) of this section of the producer's lease expenditures under  
13 AS 43.55.165 for the calendar year incurred to explore land that is not a  
14 lease or property, or to explore or develop a lease or property before  
15 commencement of commercial production of oil or gas from the lease or  
16 property, if that land or any part of the lease or property is located north  
17 of 68 degrees North latitude, as adjusted under AS 43.55.170; this  
18 subparagraph does not apply to gas subject to AS 43.55.011(o);

19 (G) gas produced during a month from leases or properties  
20 in the state outside the Cook Inlet sedimentary basin, no part of which is  
21 north of 68 degrees North latitude, is the gross value at the point of  
22 production of the gas taxable under AS 43.55.011(e) and produced by the  
23 producer from those leases or properties, less 1/12 of the producer's lease  
24 expenditures under AS 43.55.165 for the calendar year applicable to the  
25 gas produced by the producer from those leases or properties, and 1/12 of  
26 the portion allocated under (g) of this section of the producer's lease  
27 expenditures under AS 43.55.165 for the calendar year incurred to explore  
28 land that is not a lease or property, or to explore or develop a lease or  
29 property before commencement of commercial production of oil or gas  
30 from the lease or property, if that land or lease or property is located  
31 outside the Cook Inlet sedimentary basin, and the land and all parts of the

**lease or property are not north of 68 degrees North latitude, as adjusted under AS 43.55.170; this subparagraph does not apply to gas subject to AS 43.55.011(o).**

**\* Sec. 8.** AS 43.55.160 is amended by adding new subsections to read:

(f) For purposes of (a) of this section, a lease expenditure is applicable to oil or gas produced from a lease or property, or to oil or gas produced from leases or properties in an area of the state, if the lease expenditure is

(1) a cost to explore, develop, or produce oil or gas from that lease or property, or to explore, develop, or produce oil or gas from one of those leases or properties in that area of the state, respectively; and

(2) incurred on or after the commencement of commercial production of oil or gas from the lease or property.

(g) For purposes of (a) of this section, a lease expenditure incurred during a calendar year to explore land that is not a lease or property, or to explore or develop a lease or property before commencement of commercial production of oil or gas from the lease or property, shall be allocated as provided in a regulation adopted by the department under AS 43.55.165(h) to and among oil, gas subject to AS 43.55.011(o), and gas not subject to AS 43.55.011(o) produced by the producer during that calendar year from leases or properties in the same area of the state as the land being explored or the lease or property being explored or developed, respectively.

(h) For purposes of (f) and (g) of this section, an area of the state is one of the following:

(1) land north of 68 degrees North latitude;

(2) land outside the Cook Inlet sedimentary basin not including any land north of 68 degrees North latitude; or

(3) the Cook Inlet sedimentary basin.

**\* Sec. 9.** AS 43.55.165(h) is amended to read:

(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. **When adopting a regulation for determining a reasonable method of allocating lease expenditures between the production of oil and the production of gas, the department shall, to the extent possible, provide for the allocation of lease expenditures in proportion to the gross value at the point of production for oil produced and gas produced.**

\* **Sec. 10.** AS 43.55.170 is amended by adding a new subsection to read:

(d) The department shall adopt regulations that provide for reasonable methods of allocating the adjustments to a producer's lease expenditures in (a) of this section and the payments and credits described in (b) of this section 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. When determining a reasonable method of allocating the adjustments to a producer's lease expenditures between the production of oil and the production of gas, the department shall consider allocating the adjustments in proportion to the lease expenditures allocated to the production of oil and the production of gas under regulations adopted by the department under AS 43.55.165(h).

\* **Sec. 11.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: INSTALLMENT PAYMENTS OF TAX. A producer required to make an installment payment of tax under AS 43.55.020(a)(1) after December 31, 2009, and before the effective date of this Act, and that underpaid the amount due for the installment payment because of the retroactive application of secs. 2 - 4, 7, and 8 of this Act, shall submit the amount of any underpayment on the date the first installment payment is due under AS 43.55.020(a)(1) after the effective date of this Act. Interest on the amount of an

1 underpayment due because of the retroactive application of secs. 2 - 4, 7, and 8 of this Act  
2 does not accrue until the day after the date the first installment payment is due under  
3 AS 43.55.020(a)(1) after the effective date of this Act.

4 \* **Sec. 12.** The uncoded law of the State of Alaska is amended by adding a new section to  
5 read:

6 TRANSITION: RETROACTIVITY OF REGULATIONS. Notwithstanding any  
7 contrary provision of AS 44.62.240, if the Department of Revenue expressly designates in the  
8 regulation that the regulation applies retroactively to that date, a regulation adopted by the  
9 Department of Revenue to implement, interpret, make specific, or otherwise carry out secs. 2  
10 - 4, 7, and 8 of this Act may apply retroactively to January 1, 2010.

11 \* **Sec. 13.** The uncoded law of the State of Alaska is amended by adding a new section to  
12 read:

13 RETROACTIVITY. Sections 2 - 4, 7, and 8 of this Act are retroactive to January 1,  
14 2010.

15 \* **Sec. 14.** This Act takes effect immediately under AS 01.10.070(c).