

Calculation of ACES Taxes: Varying Prices

Annual Taxable Production (Bbls)	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
West Coast ANS Price (\$/Bbl)	\$60.00	\$80.00	\$100.00	\$120.00	\$140.00
Transportation Costs (\$/Bbl)	- 10.00	10.00	10.00	10.00	10.00
Wellhead Value (\$/Bbl)	= \$50.00	\$70.00	\$90.00	\$110.00	\$130.00
Operating Costs (\$/Bbl)	- \$15.00	\$15.00	\$15.00	\$15.00	\$15.00
Capital Expenditures (\$/Bbl)	- 15.00	15.00	15.00	15.00	15.00
Taxable Value (\$/Bbl)	= \$20.00	\$40.00	\$60.00	\$80.00	\$100.00
ACES Base Tax Rate (%)	25.0%	25.0%	25.0%	25.0%	25.0%
ACES Progressive Tax (%)	+ 0.0%	4.0%	12.0%	20.0%	25.8%
Total Tax Rate (%)	= 25.0%	29.0%	37.0%	45.0%	50.8%
Total Wellhead Value (\$)	\$2,500,000,000	\$3,500,000,000	\$4,500,000,000	\$5,500,000,000	\$6,500,000,000
Operating Expenditures (\$)	- 750,000,000	750,000,000	750,000,000	750,000,000	750,000,000
Capital Expenditures (\$)	- 750,000,000	750,000,000	750,000,000	750,000,000	750,000,000
Production Tax Value (\$)	= \$1,000,000,000	\$2,000,000,000	\$3,000,000,000	\$4,000,000,000	\$5,000,000,000
Production Tax Before Credits (PTV x Total Tax Rate) (\$)	\$250,000,000	\$580,000,000	\$1,110,000,000	\$1,800,000,000	\$2,537,500,000
Capital Credits (20% x Capital Expenditures) (\$)	- 150,000,000	150,000,000	150,000,000	150,000,000	150,000,000
Production Tax After Credits (\$)	= \$100,000,000	\$430,000,000	\$960,000,000	\$1,650,000,000	\$2,387,500,000
Effective Production Tax Rate After Credits (%)	10.0%	21.5%	32.0%	41.3%	47.8%

Calculation of Government Take Under ACES: Varying Prices

West Coast ANS Price (\$/Bbl)	\$60.00	\$80.00	\$100.00	\$120.00	\$140.00
Royalty Volumes (Bbls)	7,142,857	7,142,857	7,142,857	7,142,857	7,142,857
Wellhead Value (\$/Bbl)	x \$50.00	\$70.00	\$90.00	\$110.00	\$130.00
Royalty Value (\$)	= \$357,142,857	\$500,000,000	\$642,857,143	\$785,714,286	\$928,571,429
Production Tax Value (\$)	\$1,000,000,000	\$2,000,000,000	\$3,000,000,000	\$4,000,000,000	\$5,000,000,000
Production Tax (\$)	- 100,000,000	430,000,000	960,000,000	1,650,000,000	2,387,500,000
State Income Tax Base (\$)	= \$900,000,000	\$1,570,000,000	\$2,040,000,000	\$2,350,000,000	\$2,612,500,000
State Income Tax Rate (%)	x 6.5%	6.5%	6.5%	6.5%	6.5%
State Income Tax (\$)	= \$58,500,000	\$102,050,000	\$132,600,000	\$152,750,000	\$169,812,500
Production Tax Value (\$)	\$1,000,000,000	\$2,000,000,000	\$3,000,000,000	\$4,000,000,000	\$5,000,000,000
Production Tax (\$)	- 100,000,000	430,000,000	960,000,000	1,650,000,000	2,387,500,000
State Income Tax (\$)	- 58,500,000	102,050,000	132,600,000	152,750,000	169,812,500
Federal Income Tax Base (\$)	= \$841,500,000	\$1,467,950,000	\$1,907,400,000	\$2,197,250,000	\$2,442,687,500
Federal Income Tax Rate (%)	x 35%	35%	35%	35%	35%
Federal Income Tax (\$)	= \$294,525,000	\$513,782,500	\$667,590,000	\$769,037,500	\$854,940,625
Property Tax (\$1.25 x Total Barrels)	\$71,428,571	\$71,428,571	\$71,428,571	\$71,428,571	\$71,428,571
Production Tax Value (\$)	\$1,000,000,000	\$2,000,000,000	\$3,000,000,000	\$4,000,000,000	\$5,000,000,000
Royalty Value (\$)	- 357,142,857	500,000,000	642,857,143	785,714,286	928,571,429
Property Tax (\$)	- 71,428,571	71,428,571	71,428,571	71,428,571	71,428,571
Divisible Income (\$)	= \$1,428,571,429	\$2,571,428,571	\$3,714,285,714	\$4,857,142,857	\$6,000,000,000
Royalty Value (\$)	\$357,142,857	\$500,000,000	\$642,857,143	\$785,714,286	\$928,571,429
Production Tax (\$)	+ 100,000,000	430,000,000	960,000,000	1,650,000,000	2,387,500,000
State Income Tax (\$)	+ 58,500,000	102,050,000	132,600,000	152,750,000	169,812,500
Federal Income Tax (\$)	+ 294,525,000	513,782,500	667,590,000	769,037,500	854,940,625
Property Tax (\$)	+ 71,428,571	71,428,571	71,428,571	71,428,571	71,428,571
Government Revenues (\$)	= \$881,596,429	\$1,617,261,071	\$2,474,475,714	\$3,428,930,357	\$4,412,253,125
Government Take (%)	61.7%	62.9%	66.6%	70.6%	73.5%

Calculation of ACES Tax: Additional Capital Spending

Annual Taxable Production (Bbls)	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
Initial Operational Expenditure (\$)	\$750,000,000	\$750,000,000	\$750,000,000	\$750,000,000	\$750,000,000
Initial Capital Expenditure (\$)	+ 750,000,000	750,000,000	750,000,000	750,000,000	750,000,000
Additional Capital Expenditure (\$)	+ 250,000,000	250,000,000	250,000,000	250,000,000	250,000,000
Total Lease Expenditure (\$)	= \$1,750,000,000	\$1,750,000,000	\$1,750,000,000	\$1,750,000,000	\$1,750,000,000
WC ANS Price (\$/Bbl)	\$60.00	\$80.00	\$100.00	\$120.00	\$140.00
Tax Value Prior To Additional Expenditure (\$/Bbl)	\$20.00	\$40.00	\$60.00	\$80.00	\$100.00
Additional Capital Spending Per-Barrel of Existing Production (\$/Bb -	5.00	5.00	5.00	5.00	5.00
Tax Value After Additional Expenditure (\$/Bbl)	= \$15.00	\$35.00	\$55.00	\$75.00	\$95.00
Taxes Before Additional Expenditure					
Tax Rate (%)	25.0%	29.0%	37.0%	45.0%	50.8%
Production Tax Before Credits (\$)	\$250,000,000	\$580,000,000	\$1,110,000,000	\$1,800,000,000	\$2,537,500,000
Capital Credits (20% x Capital Expenditures) (\$)	- 150,000,000	150,000,000	150,000,000	150,000,000	150,000,000
Production Tax After Credits (\$)	= \$100,000,000	\$430,000,000	\$960,000,000	\$1,650,000,000	\$2,387,500,000
Taxes After Additional Expenditure					
Tax Rate (%)	25.0%	27.0%	35.0%	43.0%	50.3%
Production Tax Before Credits (\$)	\$187,500,000	\$472,500,000	\$962,500,000	\$1,612,500,000	\$2,386,875,000
Capital Credits (20% x Capital Expenditures) (\$)	- 200,000,000	200,000,000	200,000,000	200,000,000	200,000,000
Production Tax After Credits (\$)	= \$0	\$272,500,000	\$762,500,000	\$1,412,500,000	\$2,186,875,000
Reduction in Taxes From Additional Expenditure					
Before Credits (\$)	\$62,500,000	\$107,500,000	\$147,500,000	\$187,500,000	\$150,625,000
Additional Credits (\$)	+ 50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
Total Reduction in Taxes After Credits (\$)	= \$112,500,000	\$157,500,000	\$197,500,000	\$237,500,000	\$200,625,000
Reduction in Tax as % of Expenditure	45%	63%	79%	95%	80%
Due to Change in Taxes (Buy Down Effect)	25%	43%	59%	75%	60%
Due to Additional Credits	20%	20%	20%	20%	20%