

AMENDMENT #16

OFFERED IN THE HOUSE
TO: CSHB 2001(FIN)

BY REPRESENTATIVE SEATON

1 Page 2, line 15:

2 Delete "sec. 46"

3 Insert "sec. 47"

4

5 Page 37, lines 28 - 31:

6 Delete all material and insert:

7 "(2) an activity must be physically located in the state [DOES NOT
8 NEED TO BE PHYSICALLY LOCATED ON, NEAR, OR WITHIN THE
9 PREMISES OF THE LEASE OR PROPERTY WITHIN WHICH AN OIL OR GAS
10 DEPOSIT BEING EXPLORED FOR, DEVELOPED, OR PRODUCED IS
11 LOCATED] in order for the cost of the activity to be a cost upstream of the point of
12 production of the oil or gas;"

13

14 Page 38, following line 13:

15 Insert a new bill section to read:

16 "* **Sec. 46.** AS 43.55.165(b), as amended by sec. 45 of this Act, is amended to read:

17 (b) For purposes of (a) of this section,

18 (1) direct costs include

19 (A) an expenditure, when incurred, to acquire an item if the
20 acquisition cost is otherwise a direct cost, notwithstanding that the expenditure
21 may be required to be capitalized rather than treated as an expense for financial
22 accounting or federal income tax purposes;

23 (B) payments of or in lieu of property taxes, sales and use

1 taxes, motor fuel taxes, and excise taxes;

2 (2) an activity must be physically located **on the premises of the lease**
 3 **or property from which oil or gas is recovered** [IN THE STATE] in order for the
 4 cost of the activity to be a cost upstream of the point of production of the oil or gas;

5 (3) in determining whether costs are lease expenditures, the department
 6 may consider, among other factors, the

7 (A) typical industry practices and standards in the state that
 8 determine the costs, other than items listed in (e) of this section, that an
 9 operator is allowed to bill a producer that is not the operator, under unit
 10 operating agreements or similar operating agreements that were in effect
 11 before December 2, 2005, and were subject to negotiation with at least one
 12 producer with substantial bargaining power, other than the operator; and

13 (B) standards adopted by the Department of Natural Resources
 14 that determine the costs, other than items listed in (e) of this section, that a
 15 lessee is allowed to deduct from revenue in calculating net profits under a lease
 16 issued under AS 38.05.180(f)(3)(B), (D), or (E)."

17
 18 Renumber the following bill sections accordingly.

19
 20 Page 43, line 27:

21 Delete "42 - 48, and 51"

22 Insert "42 - 45, 47 - 49, and 52"

23
 24 Page 44, following line 14:

25 Insert a new subsection to read:

26 "(h) AS 43.55.165(b), as amended by sec. 45 of this Act, applies to oil and gas
 27 produced after March 31, 2006."

28
 29 Page 44, line 31, following "leases,":

30 Insert "or AS 43.55.165(b), as amended by sec. 45 of this Act,"

31

1 Page 45, following line 8:

2 Insert new bill sections to read:

3 **"* Sec. 57.** The uncodified law of the State of Alaska is amended by adding a new section to
4 read:

5 **RETROACTIVITY.** Section 45 of this Act is retroactive to April 1, 2006.

6 *** Sec. 58.** The uncodified law of the State of Alaska is amended by adding a new section to
7 read:

8 **CONTINGENT EFFECT.** Section 46 of this Act takes effect only if a court of
9 competent jurisdiction enters a final judgment on the merits, the final judgment is no longer
10 subject to appeal, and the final judgment nullifies the effect of AS 43.55.165(b), as amended
11 by sec. 45 of this Act.

12 *** Sec. 59.** If sec. 46 of this Act takes effect, it takes effect on the day after the last day on
13 which the final judgment described in sec. 58 of this Act is no longer subject to appeal."
14

15 Renumber the following bill sections accordingly.

16

17 Page 45, line 9:

18 Delete "42 - 48, and 51"

19 Insert "42 - 45, 47 - 49, and 52"

20

21 Page 45, line 10:

22 Delete "sec. 56"

23 Insert "secs. 59 and 60"