

SENATE BILL NO. 174

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIFTH LEGISLATURE - FIRST SESSION

BY SENATORS WAGONER, Dyson, Therriault

Introduced: 5/10/07

Referred: Resources, Judiciary, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the oil and gas properties production tax; providing for a reduction**
2 **in the amount of taxable production; providing for an increase in the tax rate when the**
3 **average Alaska North Slope crude oil West Coast price per barrel exceeds \$40;**
4 **providing for tax credits based on expenditures for oil and gas exploration, gas only**
5 **exploration, and development wells; and providing for an effective date."**

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

7 *** Section 1.** AS 43.55 is amended by adding new sections to read:

8 **Sec. 43.55.001. Oil production tax; production tax on royalty oil or gas. (a)**

9 There is levied upon the producer of oil a tax for all oil produced from each lease or
10 property in the Cook Inlet sedimentary basin, less any oil the ownership or right to
11 which is exempt from taxation or constitutes a landowner's royalty interest. The tax is
12 equal to either the percentage-of-value amount calculated under (b) of this section or
13 the cents-per-barrel amount calculated under (c) of this section, whichever is greater,

1 multiplied by the economic limit factor determined for the oil production of the lease
 2 or property under AS 43.55.005. If the amounts calculated under (b) and (c) of this
 3 section are equal, the amount calculated under (b) of this section shall be treated as if
 4 it were the greater for purposes of this section.

5 (b) The percentage-of-value amount equals 15 percent of the gross value at the
 6 point of production of taxable oil produced from the lease or property in the Cook
 7 Inlet sedimentary basin, except that the percentage-of-value amount equals 12.25
 8 percent of the gross value at the point of production of taxable oil produced from the
 9 lease or property in the Cook Inlet sedimentary basin in the first five years after the
 10 start of commercial oil production.

11 (c) The cents-per-barrel amount equals \$0.80 per barrel for all taxable oil
 12 produced from the lease or property, as adjusted by AS 43.55.003.

13 (d) There is levied upon the producer of oil a tax for all oil produced from
 14 each lease or property in the state outside of the Cook Inlet sedimentary basin, less any
 15 oil the ownership or right to which is exempt from taxation or constitutes a
 16 landowner's royalty interest. The tax is equal to the greater of

17 (1) the cents-per-barrel amount calculated under (c) of this section; or

18 (2) the percentage-of-value amount calculated under (e) of this section
 19 plus the tax determined under (f) of this section.

20 (e) The percentage-of-value amount equals 17 percent of the gross value at the
 21 point of production of taxable oil produced from the lease or property in the state
 22 outside of the Cook Inlet sedimentary basin, as adjusted under AS 43.55.022.

23 (f) In addition to the taxes levied using the percentage-of-value amount under
 24 (d) of this section, if the average ANS West Coast price per barrel of oil during a
 25 month exceeds \$40, there is levied on the producer of oil a tax for oil produced during
 26 that month from each lease or property in the state outside of the Cook Inlet
 27 sedimentary basin, less any oil the ownership or right to which is exempt from
 28 taxation. The tax levied under this subsection is equal to

$$29 \quad [([ANS \text{ West Coast price} - 40] \times .003) \times (ANS \text{ wellhead price} \times .85)]$$

$$30 \quad \times (\text{total taxable barrels of oil at the point of production})$$

31 where "ANS wellhead price" means the prevailing value for oil produced in the

1 Alaska North Slope area.

2 (g) For purposes of (f) of this section, the department may calculate the
3 average price or may, by regulation, specify the method by which the average price
4 shall be calculated with reference to one or more published sources of price
5 information. If, in the department's judgment, reliable published sources of price
6 information on Alaska North Slope crude oil cease, or appear likely to soon cease, to
7 be available, or if, in the department's judgment, the price of Alaska North Slope crude
8 oil ceases, or appears likely to soon cease, to be a reliable indicator of the general
9 price level of crude oils, the department shall, by regulation, specify a substitute
10 formula for computing the oil price index. The substitute formula specified by the
11 department under this subsection must bear, as nearly as is reasonably possible, the
12 same relationship to the general price level of crude oils as did the price of Alaska
13 North Slope crude oil.

14 (h) There is levied on the producer of oil or gas a tax for all oil and gas
15 produced each month from each lease or property in the state the ownership or right to
16 which constitutes a landowner's royalty interest, except for oil and gas the ownership
17 or right to which is exempt from taxation. The provisions of this subsection apply to a
18 landowner's royalty interest as follows:

19 (1) the rate of tax levied on oil is equal to five percent of the gross
20 value at the point of production of the oil;

21 (2) the rate of tax levied on gas is equal to 1.667 percent of the gross
22 value at the point of production of the gas;

23 (3) if the department determines that, for purposes of reducing the
24 producer's tax liability under (1) or (2) of this subsection, the producer has received or
25 will receive consideration from the royalty owner offsetting all or a part of the
26 producer's royalty obligation, other than a deduction under AS 43.55.020(d) of the
27 amount of a tax paid,

28 (A) notwithstanding (1) of this subsection, the tax is equal to

29 (i) for oil that is produced from a lease or property in
30 the Cook Inlet sedimentary basin, five percent of the gross value at the
31 point of production of the oil;

1 (ii) for oil, except oil described in (i) of this
 2 subparagraph, 22.8 percent of the gross value at the point of production
 3 of the oil; and

4 (B) notwithstanding (2) of this subsection, for gas the tax is
 5 equal to 11.25 percent of the gross value at the point of production of the gas.

6 **Sec. 43.55.003. Adjustment in tax rates.** The cents-per-barrel amount set out
 7 in AS 43.55.001(c) applies to oil of 27 degrees API gravity. For each degree of API
 8 gravity less than 27 degrees, the cents-per-barrel amount shall be reduced by \$.005
 9 and for each degree of API gravity greater than 27 degrees the cents-per-barrel amount
 10 shall be increased by \$.005 except that oil above 40 degrees API gravity shall be taxed
 11 as 40 degree oil. In applying the gravity adjustment under this subsection, fractional
 12 degrees of API gravity shall be disregarded.

13 **Sec. 43.55.005. Economic limit factor.** (a) The economic limit factor for oil
 14 production of a lease or property shall be computed according to the following
 15 formula:

$$16 \quad (1 - [PEL/TP]) \exp ([150,000/(TP/Days)] \exp [(460 \times WD)/PEL])$$

17 where:

18 PEL = the monthly production rate at the economic limit;

19 TP = the total production during the month for which the tax is to be paid;

20 WD = the total number of well days in the month for which the tax is to be
 21 paid;

22 Days = the number of days in the month for which the tax is to be paid; and

23 exp = exponent.

24 (b) For oil, the monthly production rate at the economic limit for a lease or
 25 property is 300 barrels times the number of well days for the lease or property during
 26 the month for which the tax is to be paid.

27 (c) The economic limit factor for gas production of a lease or property equals
 28 one minus the ratio of the monthly production rate at the economic limit to the
 29 production during the month for which the tax is to be paid.

30 (d) For gas, the monthly production at the economic limit for a lease or
 31 property is presumed to be 3,000 Mcf times the number of well days for the lease or

1 property during that month for which the tax is to be paid. The taxpayer may rebut this
2 presumption by providing clear and convincing evidence of a different monthly
3 production rate at the economic limit for the lease or property. The hearing shall be
4 held before February 15 of the year or within six months after commencement of gas
5 production for a lease or property. The monthly production rate at the economic limit
6 for the lease or property based upon the clear and convincing evidence of the taxpayer
7 shall be calculated by dividing the value determined under (f) of this section into the
8 average monthly direct operating cost determined under (e) of this section.

9 (e) The average monthly direct operating cost for gas production operations of
10 the lease or property shall be determined based on a period of not less than four
11 consecutive months. The direct operating costs include only royalty actually and
12 currently paid, production supplies, purchased fuel, routine maintenance, and wages
13 and benefits of employees working on the production operations. Additional direct
14 operating costs not listed in this subsection may be included only after their inclusion
15 in a regulation adopted by the department. The direct operating costs do not include
16 capital expenditures, tangible or intangible drilling expenses, costs of well workovers,
17 costs for replacement or repairs (other than routine maintenance), depreciation or
18 amortization, taxes, insurance, overhead, money paid or set aside (or booked as being
19 paid or set aside) to cover the cost of terminating the gas production operations of the
20 lease or property, or any other cost not directly related to the gas production operations
21 of the lease or property.

22 (f) For the purpose of calculating the economic limit, the value at the point of
23 production of gas produced from the lease or property shall be determined on the basis
24 of the volume weighted average price paid for gas of like quality and pressure in the
25 same field.

26 (g) The department may aggregate two or more leases or properties (or
27 portions of them), for purposes of determining economic limit factors under this
28 section and applying them to AS 43.55.001(a) and 43.55.007(a), when economically
29 interdependent oil or gas production operations are not confined to a single lease or
30 property. The department may also segregate a lease or property into two or more
31 parts, for purposes of determining economic limit factors under this section and

1 applying them under AS 43.55.001(a) and 43.55.007(a), when two or more
 2 economically independent oil or gas production operations are being conducted on it,
 3 or when old crude oil is produced from the same lease or property as other oil.

4 (h) A determination of the monthly production rate at the economic limit for a
 5 lease or property is retroactive to January 1 of the current year. For production of a
 6 lease or property commencing after January 1, the determination of the monthly
 7 production rate at the economic limit for that lease or property made within six months
 8 after the commencement of production is retroactive to the commencement of
 9 production.

10 **Sec. 43.55.007. Gas production tax.** (a) There is levied upon the producer of
 11 gas a tax for all gas produced from each lease or property in the Cook Inlet
 12 sedimentary basin, less any gas the ownership or right to which is exempt from
 13 taxation. The tax is equal to either the percentage-of-value amount calculated under
 14 (b) of this section or the cents-per-Mcf amount calculated under (c) of this section,
 15 whichever is greater, multiplied by the economic limit factor determined for gas
 16 production of the lease or property under AS 43.55.005. If the amounts calculated
 17 under (b) and (c) of this section are equal, the amount calculated under (b) of this
 18 section shall be treated as if it were the greater for purposes of this section.

19 (b) The percentage-of-value amount equals 17 percent of the gross value at the
 20 point of production of the taxable gas produced from the lease or property in the Cook
 21 Inlet sedimentary basin.

22 (c) The cents-per-Mcf amount equals \$.064 per 1,000 cubic feet of taxable gas
 23 produced from the lease or property.

24 (d) There is levied upon the producer of gas a tax for all gas produced from
 25 each lease or property in the state outside of the Cook Inlet sedimentary basin, less any
 26 gas the ownership or right to which is exempt from taxation. The tax is equal to either
 27 the cents-per-Mcf amount calculated under (c) of this section or the percentage-of-
 28 value amount calculated under (e) of this section, whichever is greater. If the amounts
 29 calculated under (c) and (e) of this section are equal, the amount calculated under (e)
 30 of this section shall be treated as if it were the greater for purposes of this section.

31 (e) The percentage-of-value amount equals 17 percent of the gross value at the

1 point of production of the taxable gas produced from the lease or property in the state
2 outside of the Cook Inlet sedimentary basin, as adjusted under AS 43.55.022.

3 * **Sec. 2.** AS 43.55.020 is repealed and reenacted to read:

4 **Sec. 43.55.020. Payment of tax.** (a) The production tax on oil or gas shall be
5 paid monthly. The tax is due on the 20th day of each calendar month on oil or gas
6 produced from each lease or property during the preceding month. If the tax is not
7 paid before the end of the month in which it becomes due, the tax becomes delinquent.

8 (b) The production tax on oil or gas shall be paid by or on behalf of the
9 producer.

10 (c) In making settlement with the royalty owner, the producer may deduct the
11 amount of the tax paid on royalty oil or gas, or may deduct royalty oil or gas
12 equivalent in value at the time the tax becomes due to the amount of the tax paid.

13 (d) Gas flared, released, or allowed to escape in excess of the amount
14 authorized by the Alaska Oil and Gas Conservation Commission is considered, for the
15 purpose of AS 43.55.001 - 43.55.150, as gas produced from a lease or property. Oil or
16 gas used in the operation of a lease or property in the state in drilling for or producing
17 oil or gas, or for repressuring, except to the extent determined by the Alaska Oil and
18 Gas Conservation Commission to be waste, is not considered, for the purpose of
19 AS 43.55.001 - 43.55.150, as oil or gas produced from a lease or property.

20 (e) If oil or gas is produced but not sold, or if oil or gas is produced and is sold
21 under circumstances where the sale price does not represent the prevailing value for
22 oil or gas of like kind, character, or quality in the field or area from which the product
23 is produced, the department may require the tax to be paid on the basis of the value of
24 oil or gas of the same kind, quality, and character prevailing for that field or area
25 during the calendar month of production or sale.

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

27 **Sec. 43.55.022. Production deduction.** (a) A producer of oil subject to tax
28 using the percentage-of-value amount in AS 43.55.001(e) and a producer of gas using
29 the percentage-of-value amount in AS 43.55.007(e) may take a deduction against the
30 gross value at the point of production as provided in this section before applying the
31 percentage-of-value tax rate.

1 (b) Each operating unit in the state may reduce the volume of taxable oil and
 2 gas produced from the operating unit by 7,500 barrels of oil equivalent for each day
 3 during which oil or gas is produced from the operating unit. The lessees who are
 4 producers having leases within an operating unit shall allocate the reduction
 5 proportionately to the production in barrels of oil equivalent of oil and gas produced
 6 from the unit and to each producer of oil and gas in proportion to the interest of the
 7 producer in the oil and gas produced from the unit.

8 (c) Each producer of oil and each producer of gas may deduct the value of the
 9 producer's pro rata share of the reduction provided for in (b) of this section from the
 10 gross value at the point of production of oil and the gross value at the point of
 11 production of gas produced from the unit before applying the applicable percentage-
 12 of-value tax rate.

13 (d) The department may adopt regulations providing for the allocation of the
 14 barrels of oil equivalent production deduction within an operating unit between the oil
 15 and gas produced and between producers having an interest in the oil and gas
 16 produced from the operating unit.

17 (e) In this section,

18 (1) "barrel of oil equivalent" means,

19 (A) one barrel, in the case of oil;

20 (B) the amount of gas that has an energy content of 6,000,000

21 British thermal units, in the case of gas;

22 (2) "operating unit" means all or part of an oil or gas pool, field, or like
 23 area that is the subject of a cooperative or unit plan adopted or operated that is
 24 approved by the commissioner of natural resources under AS 38.05.180(p).

25 * **Sec. 4.** AS 43.55.025(a) is amended to read:

26 (a) Subject to the terms and conditions of this section, **on oil and gas**
 27 **produced from an oil and gas lease, or on gas produced from a gas only lease,** a
 28 credit against the production tax due under **this chapter** [AS 43.55.011(e) OR (f)] is
 29 allowed for

30 **(1)** exploration expenditures that qualify under (b) of this section in an
 31 amount equal to one of the following:

1 **(A) 50** [(1) 20] percent of the total exploration expenditures
2 that qualify only under (b) and (c) of this section;

3 **(B) 50** [(2) 20] percent of the total exploration expenditures for
4 work performed before July 1, 2007, and that qualify only under (b) and (d) of
5 this section;

6 **(C) 60** [(3) 40] percent of the total exploration expenditures
7 that qualify under (b), (c), and (d) of this section; or

8 **(D) 60** [(4) 40] percent of the total exploration expenditures
9 that qualify only under (b) and (e) of this section; **and**

10 **(2) 25 percent of the actual expenditures directly related to the**
11 **drilling of a development well, excluding expenditures related to corporate**
12 **overhead or for facilities other than the development well.**

13 * **Sec. 5.** AS 43.55.025(c) is amended to read:

14 (c) To be eligible for the **50** [20] percent production tax credit authorized by
15 **(a)(1)(A)** [(a)(1)] of this section or the **60** [40] percent production tax credit authorized
16 by **(a)(1)(C)** [(a)(3)] of this section, exploration expenditures must

17 (1) qualify under (b) of this section; and

18 (2) be for an exploration well, subject to the following:

19 (A) for an exploration well other than a well that is described in
20 (B) of this paragraph, the well must be located and drilled in such a manner
21 that the bottom hole is located not less than three miles away from the bottom
22 hole of a preexisting suspended, completed, or abandoned oil or gas well; in
23 this subparagraph, "preexisting" means a well that was spudded more than 150
24 days but less than 35 years before the exploration well was spudded;

25 (B) for an exploration well that explores a Cook Inlet prospect,
26 the well must be located at least three miles from any other well drilled for oil
27 and gas with all distances measured as the horizontal distance between
28 exploration targets, except that the exploration well that is located within three
29 miles of a well drilled for oil and gas qualifies for the tax credit authorized by
30 this subsection if the exploration well tests potential hydrocarbon traps that the
31 commissioner of natural resources determines, after analyzing evidence

1 submitted by the explorer and from other information that the commissioner of
 2 natural resources determines relevant, constitute a distinctly separate
 3 exploration target.

4 * **Sec. 6.** AS 43.55.025(d) is amended to read:

5 (d) To be eligible for the 50 [20] percent production tax credit authorized by
 6 (a)(1)(B) [(a)(2)] of this section or the 60 [40] percent production tax credit authorized
 7 by (a)(1)(C) [(a)(3)] of this section, an exploration expenditure must

8 (1) qualify under (b) of this section; and

9 (2) be for an exploration well that is located not less than 25 miles
 10 outside of the outer boundary, as delineated on July 1, 2003, of any unit that is under a
 11 plan of development, except that for an exploration well for a Cook Inlet prospect to
 12 qualify under this paragraph, the exploration well must be located not less than 10
 13 miles outside the outer boundary, as delineated on July 1, 2003, of any unit that is
 14 under a plan of development.

15 * **Sec. 7.** AS 43.55.025(e) is amended to read:

16 (e) To be eligible for the 60 [40] percent production tax credit authorized by
 17 (a)(1)(D) [(a)(4)] of this section, the exploration expenditure must

18 (1) qualify under (b) of this section;

19 (2) be for seismic exploration; and

20 (3) have been conducted outside the boundaries of a production unit or
 21 an exploration unit; however, the amount of the expenditure that is otherwise eligible
 22 under this subsection is reduced proportionately by the portion of the seismic
 23 exploration activity that crossed into a production unit or an exploration unit.

24 * **Sec. 8.** AS 43.55.025(f) is amended to read:

25 (f) For a production tax credit under this section,

26 (1) an explorer or a person drilling a development well shall, in a
 27 form prescribed by the department and within six months of the completion of the
 28 exploration activity or the development well, claim the credit and submit information
 29 sufficient to demonstrate to the department's satisfaction that the claimed exploration
 30 and development well expenditures qualify under this section;

31 (2) an explorer shall agree, in writing,

1 (A) to notify the Department of Natural Resources, within 30
2 days after completion of seismic or geophysical data processing, completion of
3 a well, or filing of a claim for credit, whichever is the latest, for which
4 exploration costs are claimed, of the date of completion and submit a report to
5 that department describing the processing sequence and providing a list of data
6 sets available; if, under (c)(2)(B) of this section, an explorer submits a claim
7 for a credit for expenditures for an exploration well that is located within three
8 miles of a well already drilled for oil and gas, in addition to the submissions
9 required under (1) of this subsection, the explorer shall submit the information
10 necessary for the commissioner of natural resources to evaluate the validity of
11 the explorer's claim that the well is directed at a distinctly separate exploration
12 target, and the commissioner of natural resources shall, upon receipt of all
13 evidence sufficient for the commissioner to evaluate the explorer's claim, make
14 that determination within 60 days;

15 (B) to provide to the Department of Natural Resources, within
16 30 days after the date of a request, specific data sets, ancillary data, and reports
17 identified in (A) of this paragraph;

18 (C) that, notwithstanding any provision of AS 38, information
19 provided under this paragraph will be held confidential by the Department of
20 Natural Resources for 10 years following the completion date, at which time
21 that department will release the information after 30 days' public notice;

22 (3) if more than one person [EXPLORER] holds an interest in a well,
23 [OR] seismic exploration, or development well, each person [EXPLORER] may
24 claim an amount of credit that is proportional to the [EXPLORER'S] cost incurred by
25 that person;

26 (4) the department may exercise the full extent of its powers as though
27 the explorer or the person drilling a development well were a taxpayer under this
28 title, in order to verify that the claimed expenditures are qualified exploration or
29 development well expenditures under this section; and

30 (5) if the department is satisfied that the [EXPLORER'S] claimed
31 expenditures are qualified under this section, the department shall issue to the explorer

1 **or person drilling a development well** a production tax credit certificate for the
 2 amount of credit to be allowed against production taxes due under **this chapter;**
 3 **however, notwithstanding any other provision of this section, the department**
 4 **may not issue a production tax credit certificate under this section if the total of**
 5 **production tax credits submitted for Cook Inlet production, based on exploration**
 6 **and development well expenditures for work performed during the period**
 7 **described in (b) of this section for that production, that have been approved by**
 8 **the department exceeds \$20,000,000** [AS 43.55.011(e) OR (f)].

9 * **Sec. 9.** AS 43.55.025(g) is amended to read:

10 (g) **A person receiving a production tax credit certificate under this**
 11 **section** [AN EXPLORER] may transfer, convey, or sell its production tax credit
 12 certificate to any person, and any person who receives a production tax credit
 13 certificate may also transfer, convey, or sell the certificate.

14 * **Sec. 10.** AS 43.55.025(h) is amended to read:

15 (h) A producer that purchases a production tax credit certificate may apply the
 16 credits against its production tax liability under **this chapter** [AS 43.55.011(e) OR
 17 (f)]. Regardless of the price the producer paid for the certificate, the producer may
 18 receive a credit against its production tax liability for the full amount of the credit, but
 19 for not more than the amount for which the certificate is issued. A production tax
 20 credit allowed under this section may not be applied more than once.

21 * **Sec. 11.** AS 43.55.025(i) is amended to read:

22 (i) For a production tax credit under this section,
 23 (1) the amount of the credit that may be applied against the production
 24 tax for each **tax month** [CALENDAR YEAR] may not exceed the total production tax
 25 liability [UNDER AS 43.55.011(e) OR (f)] of the taxpayer applying the credit for the
 26 same **month** [CALENDAR YEAR]; and
 27 (2) an amount of the production tax credit that is greater than the total
 28 tax liability [UNDER AS 43.55.011(e) OR (f)] of the taxpayer applying the credit for
 29 a **tax month** [CALENDAR YEAR] may be carried forward and applied against the
 30 taxpayer's production tax liability [UNDER AS 43.55.011(e) OR (f)] in one or more
 31 immediately following **months** [CALENDAR YEARS].

1 * **Sec. 12.** AS 43.55.025(j) is amended to read:

2 (j) Notwithstanding any other provision of this title, of AS 31.05, or of
3 AS 40.25.100, the department shall provide to the Department of Natural Resources
4 information submitted with a claim under this section to support the eligibility of an
5 exploration **or development well** expenditure, including seismic exploration data and
6 well data, and any information described in (f)(2) of this section received by the
7 department.

8 * **Sec. 13.** AS 43.55.025(k) is amended by adding new paragraphs to read:

9 (4) "Cook Inlet production" means oil or gas production from the Cook
10 Inlet sedimentary basin;

11 (5) "development well" means a well drilled to a known producing
12 formation in a previously discovered field.

13 * **Sec. 14.** AS 43.55.030(a) is amended to read:

14 (a) The **tax shall be paid to the department, and the** person paying the tax
15 shall file with the department **at the time the tax is required to be paid** [ON
16 MARCH 31 OF THE YEAR FOLLOWING THE CALENDAR YEAR FOR WHICH
17 THE TAX WAS LEVIED] a statement, under oath, in a form prescribed by the
18 department, giving, with other information required, the following:

19 (1) a description of each lease or property from which the oil **or**
20 [AND] gas **was** [WERE] produced, by name, legal description, lease number, or
21 accounting codes assigned by the department;

22 (2) the names of the producer and the person paying the tax;

23 (3) the gross amount of oil **or** [AND THE GROSS AMOUNT OF] gas
24 produced from each lease or property, and the percentage of the gross amount [OF
25 OIL AND GAS] owned by each producer for whom the tax is paid;

26 (4) the **total** [GROSS] value at the point of production of the oil **or**
27 [AND OF THE] gas produced from each lease or property owned by each producer
28 for whom the tax is paid; **and**

29 (5) the name of the first purchaser and the price received for the oil and
30 for the gas, unless relieved from this requirement in whole or in part by the department
31 [; AND

1 (6) THE PRODUCER'S LEASE EXPENDITURES AND
2 ADJUSTMENTS AS CALCULATED UNDER AS 43.55.160 - 43.55.170].

3 * **Sec. 15.** AS 43.55.080 is amended to read:

4 **Sec. 43.55.080. Collection and deposit of revenue.** Except as otherwise
5 provided under art. IX, sec. 17, Constitution of the State of Alaska, the department
6 shall deposit in the general fund the money collected by it under AS 43.55.001 -
7 43.55.150 [AS 43.55.011 - 43.55.180].

8 * **Sec. 16.** AS 43.55.135 is amended to read:

9 **Sec. 43.55.135. Measurement.** For the purposes of AS 43.55.001 - 43.55.150
10 [AS 43.55.011 - 43.55.180], except as otherwise provided, oil is measured in terms of
11 a "barrel of oil" and gas is measured in terms of a "cubic foot of gas."

12 * **Sec. 17.** AS 43.55.150(a) is amended to read:

13 (a) For the purposes of AS 43.55.001 - 43.55.150 [AS 43.55.011 - 43.55.180],
14 the gross value at the point of production is calculated using the reasonable costs of
15 transportation of the oil or gas. The reasonable costs of transportation are the actual
16 costs, except when the

17 (1) parties to the transportation of oil or gas are affiliated;

18 (2) contract for the transportation of oil or gas is not an arm's length
19 transaction or is not representative of the market value of that transportation; and

20 (3) method of transportation of oil or gas is not reasonable in view of
21 existing alternative methods of transportation.

22 * **Sec. 18.** AS 43.55.201(b) is amended to read:

23 (b) The surcharge imposed by (a) of this section is in addition to the tax
24 imposed by AS 43.55.001 - 43.55.150 [AS 43.55.011] and is due on the last day of the
25 month on oil produced from each lease or property during the preceding month. The
26 surcharge is in addition to the surcharge imposed by AS 43.55.300 - 43.55.310.

27 * **Sec. 19.** AS 43.55.201(c) is amended to read:

28 (c) A producer of oil shall make a report of production [ON MARCH 31 OF
29 THE YEAR FOLLOWING THE CALENDAR YEAR OF PRODUCTION AND] in
30 the same manner and under the same penalties as required under AS 43.55.001 -
31 43.55.150 [AS 43.55.011 - 43.55.180].

1 * **Sec. 20.** AS 43.55.201(d) is amended to read:

2 (d) Oil not considered under AS 43.55.020(d) [AS 43.55.020(e)] to be
3 produced from a lease or property is not considered to be produced from a lease or
4 property for purposes of this section.

5 * **Sec. 21.** AS 43.55.300(b) is amended to read:

6 (b) The surcharge imposed by (a) of this section is in addition to the tax
7 imposed by AS 43.55.001 - 43.55.150 [AS 43.55.011] and is due on the last day of the
8 month on oil produced from each lease or property during the preceding month. The
9 surcharge is in addition to the surcharge imposed by AS 43.55.201 - 43.55.231.

10 * **Sec. 22.** AS 43.55.300(c) is amended to read:

11 (c) A producer of oil shall make a report of production [ON MARCH 31 OF
12 THE YEAR FOLLOWING THE CALENDAR YEAR OF PRODUCTION AND] in
13 the same manner and under the same penalties as required under AS 43.55.001 -
14 43.55.150 [AS 43.55.011 - 43.55.180].

15 * **Sec. 23.** AS 43.55.300(d) is amended to read:

16 (d) Oil not considered under AS 43.55.020(d) [AS 43.55.020(e)] to be
17 produced from a lease or property is not considered to be produced from a lease or
18 property for purposes of this section.

19 * **Sec. 24.** AS 43.55.011, 43.55.023, 43.55.024, 43.55.160, 43.55.165, 43.55.170, 43.55.180,
20 43.55.900(2), 43.55.900(3), and 43.55.900(13) are repealed.

21 * **Sec. 25.** The uncodified law of the State of Alaska is amended by adding a new section to
22 read:

23 APPLICABILITY. Sections 1 - 24 of this Act apply to oil or gas produced after
24 December 31, 2006.

25 * **Sec. 26.** The uncodified law of the State of Alaska is amended by adding a new section to
26 read:

27 REVISOR INSTRUCTIONS. The revisor is statutes is advised to change the heading
28 of

29 (1) AS 43.55 from "Oil and Gas Production Tax and Oil Surcharge" to "Oil
30 and Gas Production Taxes and Oil Surcharge";

31 (2) art. 1 of AS 43.55 from "Oil and Gas Production Tax" to "Oil and Gas

1 Properties Production Taxes";

2 (3) AS 43.55.025 from "Alternative tax credit for oil and gas exploration" to
3 "Tax credit for development wells and exploration"; and

4 (4) AS 43.55.150 from "Determination of gross value at the point of
5 production" to "Determination of gross value."

6 * **Sec. 27.** The uncodified law of the State of Alaska is amended by adding a new section to
7 read:

8 **RETROACTIVITY.** Sections 1 - 24 of this Act are retroactive to April 1, 2007.

9 * **Sec. 28.** This Act takes effect immediately under AS 01.10.070(c).