

BY SENATORS

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AMENDMENT #13

OFFERED IN THE SENATE

TO: SCS 2d CSHB 247(FIN)

Kelly  
Costello  
Huggins  
Pirrelli  
STEVENS  
HOFFMAN  
OLSON

1 Page 16, line 10, through page 20, line 15:

2 Delete all material and insert:

3 **\*\* Sec. 18.** AS 43.55.023(a) is amended to read:

4 (a) A producer or explorer may take a tax credit for a qualified capital  
5 expenditure as follows:

6 (1) notwithstanding that a qualified capital expenditure may be a  
7 deductible lease expenditure for purposes of calculating the production tax value of oil  
8 and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under  
9 [AS 38.05.180(i), AS 41.09.010,] AS 43.20.043 [,] or AS 43.55.025, a producer or  
10 explorer that incurs a qualified capital expenditure may also elect to apply a tax credit  
11 against a tax levied by AS 43.55.011(e) in the amount of 10 [20] percent of that  
12 expenditure;

13 (2) a producer or explorer may take a credit for a qualified capital  
14 expenditure incurred in connection with geological or geophysical exploration or in  
15 connection with an exploration well only if the producer or explorer

16 (A) agrees, in writing, to the applicable provisions of  
17 AS 43.55.025(f)(2); and

18 (B) submits to the Department of Natural Resources all data  
19 that would be required to be submitted under AS 43.55.025(f)(2);

20 (3) a credit for a qualified capital expenditure incurred to explore for,  
21 develop, or produce oil or gas deposits located

22 (A) north of 68 degrees North latitude may be taken only if the  
23 expenditure is incurred before January 1, 2014;

1                                   **(B) in the Cook Inlet sedimentary basin may be taken only**  
2                                   **if the expenditure is incurred before January 1, 2018.**

3       \* **Sec. 19.** AS 43.55.023(b) is amended to read:

4                   (b) Before January 1, 2014, a producer or explorer may elect to take a tax  
5                   credit in the amount of 25 percent of a carried-forward annual loss. For lease  
6                   expenditures incurred on and after January 1, 2014, and before January 1, 2016, to  
7                   explore for, develop, or produce oil or gas deposits located north of 68 degrees North  
8                   latitude, a producer or explorer may elect to take a tax credit in the amount of 45  
9                   percent of a carried-forward annual loss. For lease expenditures incurred on and after  
10                  January 1, 2016, to explore for, develop, or produce oil or gas deposits located north  
11                  of 68 degrees North latitude, a producer or explorer may elect to take a tax credit in  
12                  the amount of 35 percent of a carried-forward annual loss. For lease expenditures  
13                  incurred on or after January 1, 2014, **and before January 1, 2017,** to explore for,  
14                  develop, or produce oil or gas deposits located south of 68 degrees North latitude, a  
15                  producer or explorer may elect to take a tax credit in the amount of 25 percent of a  
16                  carried-forward annual loss. **For lease expenditures incurred on or after January 1,**  
17                  **2017, to explore for, develop, or produce oil or gas deposits located south of 68**  
18                  **degrees North latitude, a producer or explorer may elect to take a tax credit in**  
19                  **the amount of 15 percent of a carried-forward annual loss, except that a credit**  
20                  **for lease expenditures incurred to explore for, develop, or produce oil or gas**  
21                  **deposits located in the Cook Inlet sedimentary basin may only be taken if the**  
22                  **expenditure is incurred before January 1, 2018.** A credit under this subsection may  
23                  be applied against a tax levied by AS 43.55.011(e). For purposes of this subsection,

24                               **(1)** a carried-forward annual loss is the amount of a producer's or  
25                               explorer's adjusted lease expenditures under AS 43.55.165 and 43.55.170 for a  
26                               previous calendar year that was not deductible in calculating production tax values for  
27                               that calendar year under AS 43.55.160;

28                               **(2)** **for lease expenditures incurred on or after January 1, 2017,**  
29                               **any reduction under AS 43.55.160(f) or (g) is added back to the calculation of**  
30                               **production tax values for that calendar year under AS 43.55.160 for the**  
31                               **determination of a carried-forward annual loss.**

1 \* **Sec. 20.** AS 43.55.023(*l*) is amended to read:

2 (l) A producer or explorer may apply for a tax credit for a well lease  
3 expenditure incurred in the state south of 68 degrees North latitude after June 30,  
4 2010, as follows:

5 (1) notwithstanding that a well lease expenditure incurred in the state  
6 south of 68 degrees North latitude may be a deductible lease expenditure for purposes  
7 of calculating the production tax value of oil and gas under AS 43.55.160(a), unless a  
8 credit for that expenditure is taken under (a) of this section, [AS 38.05.180(i),  
9 AS 41.09.010,] AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a  
10 well lease expenditure in the state south of 68 degrees North latitude may elect to  
11 apply a tax credit against a tax levied by AS 43.55.011(e) in the amount of

12 (A) 40 percent of that expenditure **incurred before January 1,**

13 **2017;**

14 (B) **20 percent of that expenditure incurred on or after**

15 **January 1, 2017** [; A TAX CREDIT UNDER THIS PARAGRAPH MAY BE  
16 APPLIED FOR A SINGLE CALENDAR YEAR];

17 (2) a producer or explorer may take a credit for a well lease  
18 expenditure incurred in the state south of 68 degrees North latitude in connection with  
19 geological or geophysical exploration or in connection with an exploration well only if  
20 the producer or explorer

21 (A) agrees, in writing, to the applicable provisions of  
22 AS 43.55.025(f)(2); and

23 (B) submits to the Department of Natural Resources all data  
24 that would be required to be submitted under AS 43.55.025(f)(2);

25 (3) **a credit for a well lease expenditure incurred to explore for,**  
26 **develop, or produce oil or gas deposits located in the Cook Inlet sedimentary**  
27 **basin may be taken only if the expenditure is incurred before January 1, 2018."**

28  
29 Renumber the following bill sections accordingly.

30  
31 Page 21, following line 28:

1           Insert a new bill section to read:

2       "\* **Sec. 23.** AS 43.55.025(m) is amended to read:

3           (m) The persons that drill the first four exploration wells in the state and  
4           within the areas described in (o) of this section on state lands, private lands, or federal  
5           onshore lands for the purpose of discovering oil or gas that penetrate and evaluate a  
6           prospect in a basin described in (o) of this section are eligible for a credit under (a)(6)  
7           of this section. A credit under this subsection may not be taken for more than two  
8           exploration wells in a single area described in (o)(1) - (6) of this section.  
9           Notwithstanding (b) of this section, exploration [EXPLORATION] expenditures  
10          eligible for the credit in this subsection must be incurred for work performed after  
11          June 1, 2012, and before January 1, 2017, except that expenditures to complete an  
12          exploration well that was spudded but not completed before January 1, 2017, are  
13          eligible for the credit under this subsection [JULY 1, 2016]. A person planning to  
14          drill an exploration well on private land and to apply for a credit under this subsection  
15          shall obtain written consent from the owner of the oil and gas interest for the full  
16          public release of all well data after the expiration of the confidentiality period  
17          applicable to information collected under (f) of this section. The written consent of the  
18          owner of the oil and gas interest must be submitted to the commissioner of natural  
19          resources before approval of the proposed exploration well. In addition to the  
20          requirements in (c)(1), (c)(2)(A), and (c)(2)(C) of this section and submission of the  
21          written consent of the owner of the oil and gas interest, a person planning to drill an  
22          exploration well shall obtain approval from the commissioner of natural resources  
23          before the well is spudded. The commissioner of natural resources shall make a  
24          written determination approving or rejecting an exploration well within 60 days after  
25          receiving the request for approval or as soon as is practicable thereafter. Before  
26          approving the exploration well, the commissioner of natural resources shall consider  
27          the following: the location of the well; the proximity to a community in need of a local  
28          energy source; the proximity of existing infrastructure; the experience and safety  
29          record of the explorer in conducting operations in remote or roadless areas; the  
30          projected cost schedule; whether seismic mapping and seismic data sufficiently  
31          identify a particular trap for exploration; whether the targeted and planned depth and

1 range are designed to penetrate and fully evaluate the hydrocarbon potential of the  
2 proposed prospect and reach the level below which economic hydrocarbon reservoirs  
3 are likely to be found, or reach 12,000 feet or more true vertical depth; and whether  
4 the exploration plan provides for a full evaluation of the wellbore below surface casing  
5 to the depth of the well. Whether the exploration well for which a credit is requested  
6 under this subsection is located within an area and a basin described under (o) of this  
7 section shall be determined by the commissioner of natural resources and reported to  
8 the commissioner. A taxpayer that obtains a credit under this subsection may not claim  
9 a tax credit under AS 43.55.023 or another provision in this section for the same  
10 exploration expenditure."

11

12 Renumber the following bill sections accordingly.

13

14 Page 23, line 20:

15 Delete "sec. 28"

16 Insert "sec. 26"

17

18 Page 24, line 26, through page 26, line 19:

19 Delete all material.

20

21 Renumber the following bill sections accordingly.

22

23 Page 29, line 4, through page 33, line 2:

24 Delete all material.

25

26 Renumber the following bill sections accordingly.

27

28 Page 33, line 10:

29 Delete "new paragraphs"

30 Insert "a new paragraph"

31

1 Page 33, line 11, through page 34, line 2:

2 Delete all material.

3

4 Renumber the following paragraph accordingly.

5

6 Page 35, lines 15 - 16:

7 Delete "AS 43.55.023(a), 43.55.023(l), 43.55.023(n), 43.55.023(o), 43.55.028(i),  
8 43.55.075(d)(1), 43.55.165(j)"

9 Insert "AS 43.55.165(j)"

10

11 Page 35, line 21:

12 Delete "sec. 27"

13 Insert "sec. 25"

14

15 Page 35, line 22:

16 Delete "sec. 30"

17 Insert "sec. 28"

18

19 Page 35, line 24:

20 Delete "sec. 29"

21 Insert "sec. 27"

22

23 Page 35, line 25:

24 Delete "27, 29, and 30"

25 Insert "25, 27, and 28"

26

27 Page 35, line 31:

28 Delete "sec. 45"

29 Insert "sec. 36"

30

31 Page 36, line 1:

- 1 Delete "secs. 26 and 29"
- 2 Insert "secs. 24 and 27"
- 3
- 4 Page 36, line 3:
  - 5 Delete "sec. 45"
  - 6 Insert "sec. 36"
  - 7
- 8 Page 36, line 5:
  - 9 Delete "sec. 45"
  - 10 Insert "sec. 36"
  - 11
- 12 Page 36, line 7:
  - 13 Delete "secs. 26 and 29"
  - 14 Insert "secs. 24 and 27"
  - 15
- 16 Page 36, line 8:
  - 17 Delete "sec. 45"
  - 18 Insert "sec. 36"
  - 19
- 20 Page 36, line 10:
  - 21 Delete "sec. 45"
  - 22 Insert "sec. 36"
  - 23
- 24 Page 36, line 12:
  - 25 Delete "sec. 45"
  - 26 Insert "sec. 36"
  - 27
- 28 Page 36, line 13, through page 37, line 12:
  - 29 Delete all material.
  - 30
- 31 Renumber the following bill sections accordingly.

1

2 Page 37, line 16:

3 Delete "sec. 36"

4 Insert "sec. 31"

5

6 Page 37, line 17:

7 Delete "sec. 45"

8 Insert "sec. 36"

9

10 Page 37, line 20:

11 Delete "sec. 45"

12 Insert "sec. 36"

13

14 Page 38, line 15:

15 Delete "Sections 51 and 52"

16 Insert "Sections 23, 40, and 41"

17

18 Page 38, lines 16 - 17:

19 Delete "Sections 20 - 22, 26, 29, 31 - 33, 36 - 40, 45, 47 - 50, and AS 43.55.900(26),  
20 added by sec. 42 of this Act,"

21 Insert "Sections 24, 27, 31, 36, 38, and 39 of this Act"

22

23 Page 38, line 18:

24 Delete "secs. 53 and 54"

25 Insert "secs. 42 and 43"