

**SB**

**305**

**(FILE 20)**

**ALASKA STATE LEGISLATURE**  
**SENATOR BERT K. STEDMAN**

SEASION

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**MEMORANDUM**

To: Senator Tom Wagoner/ Mary Jackson  
From: Senator Bert Stedman / Kim Carnot *B.S. by KAC*  
Date: March 22, 2006  
Subject: Amendments to CS SB 305 (RES) Version "Y"

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Attached please find 31 amendments to CS SB 305 (RES) Version "Y" for consideration by the Senate Resources Committee. Amendments Y.1 and Y.2 are offered by Senator Ben Stevens. Amendments Y.3 - Y.31 are offered jointly by Senator Stedman and Senator Ben Stevens.

**DISTRICT A**

*Ketchikan • Sitka • Petersburg • Wrangell  
Pelican • Elfin Cove • Port Alexander • Saxman • Meyers Chuck • Thorne Bay • Coffman Cove • Hollis*

24-GS2052Y.1  
Chenoweth  
3/20/06

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR BEN STEVENS

TO: CSSB 305(RES), Draft Version "Y"

- 1 Page 4, line 29:
- 2 Delete "25 percent"
- 3 Insert "20 percent"

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR BEN STEVENS

TO: CSSB 305(RES), Draft Version "Y"

- 1 Page 10, line 11, following "amount of":
- 2 Delete "25 percent"
- 3 Insert "20 percent"

AMENDMENT

OFFERED IN THE SENATE

BY SENATORS STEDMAN AND

TO: CSSB 305(RES), Draft Version "Y"

BEN STEVENS

- 1 Page 3, line 31, through page 4, line 23:
- 2 Delete all material.
- 3
- 4 Renumber the following bill sections accordingly.
- 5
- 6 Renumber internal references to bill sections in accordance with this amendment. Below are
- 7 all internal bill section references in this bill:
- 8 Page 2, line 14
- 9 Page 28 line 30
- 10 Page 29, lines 1 - 2
- 11 Page 29, line 6
- 12 Page 29, line 9
- 13 Page 29, line 13
- 14 Page 29, line 16
- 15 Page 29, line 18
- 16 Page 29, line 20
- 17 Page 29, line 23
- 18 Page 30, line 19
- 19 Page 30, line 22
- 20 Page 30, line 24.

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATORS STEDMAN AND

TO: CSSB 305(RES), Draft Version "Y"

BEN STEVENS

1 Page 5, lines 6 - 9:

2 Delete all material and insert:

3 "(1) the rate of tax levied on oil and gas produced is five percent;"

AMENDMENT

OFFERED IN THE SENATE

BY SENATORS STEDMAN AND

TO: CSSB 305(RES), Draft Version "Y"

BEN STEVENS

1 Page 5, lines 27 - 29:

2 Delete all material and insert:

3 "(4) the commissioner shall determine the rate applicable to the lessor's  
4 royalty interest on private lease holdings on leases that are entered into after the  
5 effective date of this subsection."

AMENDMENT

OFFERED IN THE SENATE

BY SENATORS STEDMAN AND

TO: CSSB 305(RES), Draft Version "Y"

BEN STEVENS

1 Page 5, line 31, through page 6, line 1:

2 Delete "United States Gulf Coast price for that month of West Texas Intermediate  
3 crude oil"

4 Insert "Alaska North Slope wellhead price for that month"

5

6 Page 6, lines 6 - 17:

7 Delete all material.

AMENDMENT

OFFERED IN THE SENATE

BY SENATORS STEDMAN AND

TO: CSSB 305(RES), Draft Version "Y"

BEN STEVENS

1 Page 6, lines 18 - 27:

2 Delete all material.

3

4 Renumber the following bill sections accordingly.

5

6 Renumber internal references to bill sections in accordance with this amendment. Below are  
7 all internal bill section references in this bill:

8 Page 2, line 14

9 Page 28, line 30

10 Page 29, lines 1 - 2

11 Page 29, line 6

12 Page 29, line 9

13 Page 29, line 13

14 Page 29, line 16

15 Page 29, line 18

16 Page 29, line 20

17 Page 29, line 23

18 Page 30, line 19

19 Page 30, line 22

20 Page 30, line 24.

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATORS STEDMAN AND

TO: CSSL 305(RES), Draft Version "Y"

BEN STEVENS

1 Page 7, lines 16 - 23:

2 Delete all material.

3 Insert "Notwithstanding any contrary provision of AS 43.05.280, interest on an  
4 overpayment is allowed only from a date that is 90 days after the last day of the third month  
5 following the calendar quarter of production, as described in this subsection, and interest is  
6 not allowed if the overpayment was refunded within the 90-day period. In addition, the  
7 producer shall comply with the requirements of AS 43.55.030(a) and 43.55.030(e). In this  
8 subsection, "calendar quarter" means each of the three-month periods ending March 31,  
9 June 30, September 30, and December 31."

10

11 Page 15, lines 4 - 7:

12 Delete all material and insert:

13 "(e) In addition to other required information, the producer shall file a  
14 statement, on or before the last day of each calendar quarter of a year, showing any  
15 adjustments or corrections to the statements that were required under (a) of this section  
16 to be filed for the three months of the preceding calendar year during which the oil or  
17 gas was produced. In this subsection, "calendar quarter" means each of the three-  
18 month periods ending March 31, June 30, September 30, and December 31."

AMENDMENT

OFFERED IN THE SENATE

BY SENATORS STEDMAN AND

TO: CSSB 305(RES), Draft Version "Y"

BEN STEVENS

1 Page 7, line 27, through page 8, line 11:

2 Delete all material and insert:

3 **"\* Sec. 12. AS 43.55.020(d) is amended to read:**

4 (d) In making settlement with the royalty owner with respect to oil or gas  
5 that is taxable under AS 43.55.011, the producer may deduct the amount of the tax  
6 paid on taxable royalty oil and [OR] gas, or may deduct taxable royalty oil or gas  
7 equivalent in value at the time the tax becomes due to the amount of the tax paid.  
8 Unless otherwise agreed between the producer and the royalty owner, the  
9 amount of the tax paid on taxable royalty oil and gas for a month is considered to  
10 be the quantity of that taxable royalty oil and gas produced during the month  
11 multiplied by the quotient of the producer's total tax liability for the month of  
12 production under AS 43.55.011 divided by the producer's total quantity of  
13 taxable oil and gas, other than royalty oil and gas, produced from all leases and  
14 properties in the state during the month. For purposes of the product calculated  
15 under this subsection, 6,000 cubic feet of gas is considered to be equivalent in  
16 amount to one barrel of oil."

AMENDMENT

OFFERED IN THE SENATE

BY SENATORS STEDMAN AND

TO: CSSB 305(RES), Draft Version "Y"

BEN STEVENS

- 1 Page 8, lines 27 - 31:
- 2 Delete all material.
- 3
- 4 Renumber the following bill sections accordingly.
- 5
- 6 Renumber internal references to bill sections in accordance with this amendment. Below are
- 7 all internal bill section references in this bill:
- 8 Page 2, line 14
- 9 Page 28, line 30
- 10 Page 29, lines 1 - 2
- 11 Page 29, line 6
- 12 Page 29, line 9
- 13 Page 29, line 13
- 14 Page 29, line 16
- 15 Page 29, line 18
- 16 Page 29, line 20
- 17 Page 29, line 23
- 18 Page 30, line 19
- 19 Page 30, line 22
- 20 Page 30, line 24.

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATORS STEDMAN AND

TO: CSSB 305(RES), Draft Version "Y"

BEN STEVENS

1 Page 9, lines 6 - 12:

2 Delete all material and insert:

3 "(1) a producer or explorer that incurs a qualified capital expenditure  
4 may also elect to take a tax credit in the amount of 20 percent of that expenditure;"

5

6 Page 9, line 19, through page 10, line 10:

7 Delete all material.

8 Insert "equal to one and two-thirds percent of the total qualified capital expenditures  
9 incurred for expenditures during that year and for which the tax credit is taken for that year;

10 (3) for purposes of (1) and (2) of this subsection, a qualified capital  
11 expenditure is eligible for treatment under this subsection only if the qualified capital  
12 expenditure

13 (A) was incurred on or after the effective date of this section;

14 and

15 (B) meets the requirements of AS 43.55.025(b)(1) - (4)."

16

17 Page 29, line 9:

18 Delete "AS 43.55.024(a)(1)(A)"

19 Insert "AS 43.55.024(a)(2)(A)"

20

21 Page 29, line 13:

22 Delete "AS 43.55.024(a)(1)(B)"

23 Insert "AS 43.55.024(a)(2)(B)"

AMENDMENT

OFFERED IN THE SENATE

BY SENATORS STEDMAN AND

TO: CSSB 305(RES), Draft Version "Y" BEN STEVENS

1 Page 10, lines 11 - 16:

2 Delete all material and insert:

3 "(b) A producer may elect to take a tax credit in the amount of 25 percent of a  
4 carried-forward annual loss. A credit under this subsection may be applied against a  
5 tax for which a credit may be elected under (a) of this section and may be applied  
6 irrespective of whether the producer also claims a deduction of transitional investment  
7 expenditures authorized by AS 43.55.160. For purposes of this subsection, a carried-  
8 forward annual loss is the amount of a producer's adjusted lease expenditures under  
9 AS 43.55.160 for a previous calendar year that was not deductible in any month under  
10 AS 43.55.160(a) and (b)."

AMENDMENT

OFFERED IN THE SENATE

BY SENATORS STEDMAN AND

TO: CSSB 305(RES), Draft Version "Y"

BEN STEVENS

1 Page 11, line 13, following "AS 43.20.":

2       Insert "However, credits shown on transferable tax credit certificates may not be  
3 applied to reduce a producer's total tax due under AS 43.55.011(e) and AS 43.55.017 -  
4 43.55.160 on oil and gas produced during a calendar year to less than 80 percent of the tax  
5 that would otherwise be due without applying those credits. Any portion of a credit not used  
6 for that reason may be applied in a later period."

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATORS STEDMAN AND

TO: CSSB 305(RES), Draft Version "Y"

BEN STEVENS

- 1 Page 11, lines 12 - 13:
- 2 Delete "or AS 43.20"

AMENDMENT

OFFERED IN THE SENATE

BY SENATORS STEDMAN AND

TO: CSSB 305(RES), Draft Version "Y"

BEN STEVENS

1 Page 11, line 11:

2 Delete "(g)"

3 Insert "(f)"

4

5 Page 11, lines 14 - 23:

6 Delete all material.

7

8 Reletter the following subsections accordingly.

9

10 Page 13, line 2:

11 Delete "(i)"

12 Insert "(h)"

AMENDMENT

OFFERED IN THE SENATE

BY SENATORS STEDMAN AND

TO: CSSB 305(RES), Draft Version "Y"

BEN STEVENS

- 1 Page 11, lines 28 - 29:
- 2 Delete "AS 43.55.011(e) and 43.55.017 - 43.55.160"
- 3 Insert "AS 43.55.011 - 43.55.160"

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATORS STEDMAN AND

TO: CSSB 305(RES), Draft Version "Y"

BEN STEVENS

- 1 Page 12, lines 9 - 15:
- 2       Delete all material.
- 3
- 4 Renumber the following paragraphs accordingly.

AMENDMENT

OFFERED IN THE SENATE

BY SENATORS STEDMAN AND

TO: CSSB 305(RES), Draft Version "Y"

BEN STEVENS

- 1 Page 12, line 20:
- 2       Delete ";"
- 3       Insert "."
- 4
- 5 Page 12, lines 21 - 29:
- 6       Delete all material.

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATORS STEDMAN AND

TO: CSSB 305(RES), Draft Version "Y"

BEN STEVENS

1 Page 13, line 11, through page 14, line 7:

2 Delete all material.

3

4 Renumber the following bill sections accordingly.

5

6 Renumber internal references to bill sections in accordance with this amendment. Below are  
7 all internal bill section references in this bill:

8 Page 2, line 14

9 Page 28, line 30

10 Page 29, lines 1 - 2

11 Page 29, line 6

12 Page 29, line 9

13 Page 29, line 13

14 Page 29, line 16

15 Page 29, line 18

16 Page 29, line 20

17 Page 29, line 23

18 Page 30, line 19

19 Page 30, line 22

20 Page 30, line 24.

**AMENDMENT**

OFFERED IN THE SENATE

BY SENATORS STEDMAN AND

TO: CSSB 305(RES), Draft Version "Y"

BEN STEVENS

- 1 Page 14, line 24, following "gas":
- 2       Insert "unless relieved from this requirement in whole or in part by the
- 3 department"

AMENDMENT

OFFERED IN THE SENATE

BY SENATORS STEDMAN AND

TO: CSSB 305(RES), Draft Version "Y" BEN STEVENS

1 Page 15, lines 29 - 30:

2 Delete all material and insert:

3 "(ii) the use of the information to use for that

4 purpose;"

AMENDMENT

OFFERED IN THE SENATE

BY SENATORS STEDMAN AND

TO: CSSB 305(RES), Draft Version "Y" BEN STEVENS

- 1 Page 16, line 26:
- 2 Delete "or"

AMENDMENT

OFFERED IN THE SENATE

BY SENATORS STEDMAN AND

TO: CSSB 305(RES), Draft Version "Y" BEN STEVENS

1 Page 16, line 30, through page 17, line 23:

2 Delete all material and insert:

3 "(d) Under regulations adopted by the department, the department may allow a  
4 producer, subject to limitations prescribed by the department as to the frequency of  
5 making elections, to elect prospectively to calculate the gross value at the point of  
6 production of oil or gas based in whole or part upon

7 (1) a royalty value determined under a royalty settlement agreement  
8 between the producer and the state, with adjustments if appropriate;

9 (2) a formula prescribed by the department that uses, with adjustments  
10 if appropriate, a royalty value or valuation methodology accepted by the

11 (A) Department of Natural Resources under AS 38.05, in the  
12 case of oil and gas produced from a lease issued by the Department of Natural  
13 Resources or produced from a lease or property that is part of a unit approved  
14 by the Department of Natural Resources; or

15 (B) United States Department of the Interior under applicable  
16 federal oil and gas leasing statutes, in the case of oil and gas produced from a  
17 lease issued by the United States Department of the Interior that is not part of a  
18 unit approved by the Department of Natural Resources, or produced from a  
19 lease or property that is part of a unit approved by the United States  
20 Department of the Interior but not approved by the Department of Natural  
21 Resources; or

22 (3) another formula prescribed by the Department of Revenue that  
23 reasonably estimates a value for the oil or gas at a specific geographical location such

1 as the point of tender or delivery into a common carrier pipeline; the formula may use  
2 such factors as published price indices for oil or gas in or outside the state, quality  
3 differentials for oil or gas, transportation costs between markets, and inflation  
4 adjustments."

AMENDMENT

OFFERED IN THE SENATE BY SENATORS STEDMAN AND  
TO: CSSB 305(RES), Draft Version "Y" BEN STEVENS

1 Page 20, line 24:

2 Delete ";

3 Insert "."

4

5 Page 20, line 25, through page 21, line 15:

6 Delete all material.

7

8 Page 22, lines 1 - 2:

9 Delete "the provisions of (l) and (n) of this section apply to an asset that is subject to  
10 this subparagraph;"

11

12 Page 23, line 29, through page 24, line 13:

13 Delete all material.

14

15 Reletter the following subsections accordingly.

16

17 Page 24, line 19:

18 Delete "(1)"

19

20 Page 24, lines 21 - 23:

21 Delete

22 "(A) direct cost under (d)(2)(M) of this section, as a purchase  
23 of assets by the producer; and

1 (B)"

2

3 Page 24, line 24:

4 Delete ";"

5 Insert "."

6

7 Page 24, lines 25 - 27:

8 Delete all material.

9

10 Page 25, lines 2 - 5:

11 Delete

12 "(A) the principle set out in (l) of this section, as interpreted  
13 and implemented by the regulations of the department authorized by (l)(1) of  
14 this section, applies; and

15 (B)"

AMENDMENT

OFFERED IN THE SENATE BY SENATORS STEDMAN AND  
TO: CSSB 305(RES), Draft Version "Y" BEN STEVENS

- 1 Page 17, line 30:  
2 Delete "(1)"  
3  
4 Page 17, line 31, through page 18, line 1:  
5 Delete "and (2) to the extent allowed under (g) of this section and until the total  
6 amount of the producer's transitional investment expenditures has been deducted, less an  
7 amount equal to 1/48 of the producer's transitional investment expenditures"  
8  
9 Page 18, line 6:  
10 Delete "(1)"  
11  
12 Page 18, line 10:  
13 Delete "; the"  
14 Insert ". The"  
15  
16 Page 18, line 14:  
17 Delete ";"  
18 Insert "."  
19  
20 Page 18, lines 15 - 23:  
21 Delete all material.  
22  
23 Page 21, line 10:

1 Delete "(l)"

2 Insert "(j)"

3

4 Page 21, line 14:

5 Delete "(l) and (m)"

6 Insert "(j) and (k)"

7

8 Page 22, line 1:

9 Delete "(l) and (n)"

10 Insert "(j) and (l)"

11

12 Page 22, line 11, through page 23, line 14:

13 Delete all material.

14

15 Reletter the following subsections accordingly.

16

17 Page 24, line 25:

18 Delete "(l)"

19 Insert "(j)"

20

21 Page 24, line 27:

22 Delete "(l)(1)"

23 Insert "(j)(1)"

24

25 Page 25, line 2:

26 Delete "(l)"

27 Insert "(j)"

28

29 Page 25, line 3:

30 Delete "(l)(1)"

31 Insert "(j)(1)"

A M E N D M E N T

OFFERED IN THE SENATE BY SENATORS STEDMAN AND  
TO: CSSB 305(RES), Draft Version "Y" BEN STEVENS

- 1 Page 21, line 10:  
2 Delete "(l)"  
3 Insert "(k)"  
4  
5 Page 21, line 14:  
6 Delete "(l) and (m)"  
7 Insert "(k) and (l)"  
8  
9 Page 22, line 1:  
10 Delete "(l) and (n)"  
11 Insert "(k) and (m)"  
12  
13 Page 22, line 30:  
14 Delete ", as determined under (h) of this section,"  
15  
16 Page 22, lines 30 - 31:  
17 Delete ", as adjusted for inflation under (h) of this section"  
18  
19 Page 23, lines 1 - 14:  
20 Delete all material.  
21  
22 Reletter the following subsections accordingly.  
23

1 Page 24, line 25:

2 Delete "(l)"

3 Insert "(k)"

4

5 Page 24, line 27:

6 Delete "(l)(1)"

7 Insert "(k)(1)"

8

9 Page 25, line 2:

10 Delete "(l)"

11 Insert "(k)"

12

13 Page 25, line 3:

14 Delete "(l)(1)"

15 Insert "(k)(1)"

AMENDMENT

OFFERED IN THE SENATE

BY SENATORS STEDMAN AND

TO: CSSB 305(RES), Draft Version "Y" BEN STEVENS

1 Page 21, lines 10 - 11:

2 Delete "the provisions of (l) of this section apply to a determination under this  
3 subparagraph;"

4

5 Page 21, lines 14 - 15:

6 Delete "; the provisions of (l) and (m) of this section apply to a determination under  
7 this subparagraph"

8

9 Page 22, lines 1 - 2:

10 Delete "the provisions of (l) and (n) of this section apply to an asset that is subject to  
11 this subparagraph;"

12

13 Page 23, line 29, through page 25, line 26:

14 Delete all material.

A M E N D M E N T

OFFERED IN THE SENATE BY SENATORS STEDMAN AND  
TO: CSSB 305(RES), Draft Version "Y" BEN STEVENS

1 Page 25, line 27, through page 26, line 7:

2 Delete all material and insert:

3 **"\* Sec. 27.** AS 43.55.201(b) is amended to read:

4 (b) The surcharge imposed by (a) of this section is in addition to the tax  
5 imposed by AS 43.55.011 and shall be paid in the [SAME] manner described in  
6 AS 43.55.020. The surcharge [AS THE TAX IMPOSED BY AS 43.55.011 -  
7 43.55.150; AND] is in addition to the surcharge imposed by AS 43.55.300 -  
8 43.55.310.

9 **\* Sec. 28.** AS 43.55.201(c) is amended to read:

10 (c) A producer of oil shall make reports of production in the same manner and  
11 under the same penalties as required under AS 43.55.011 - 43.55.160 [AS 43.55.011 -  
12 43.55.150]."

13

14 Renumber the following bill sections accordingly.

15

16 Page 28, line 30:

17 Delete "24 - 35"

18 Insert "24 - 36"

19

20 Page 30, line 19:

21 Delete "sec. 42"

22 Insert "sec. 43"

23

1 Page 30, line 22:

2 Delete "36 - 40"

3 Insert "37 - 41"

4

5 Page 30, line 24:

6 Delete "sec. 41"

7 Insert "sec. 42"

AMENDMENT

OFFERED IN THE SENATE

BY SENATORS STEDMAN AND

TO: CSSB 305(RES), Draft Version "Y" BEN STEVENS

- 1 Page 26, line 14:
- 2 Delete "\$.05"
- 3 Insert "\$.04"

AMENDMENT

OFFERED IN THE SENATE

BY SENATORS STEDMAN AND

TO: CSSB 305(RES), Draft Version "Y" BEN STEVENS

1 Page 28, lines 26 - 27:

2 Delete all material and insert:

3 "\* Sec. 35. AS 43.55.011(b), 43.55.011(c), 43.55.012(b), 43.55.013(b), 43.55.013(c),  
4 43.55.013(d), 43.55.013(g), 43.55.013(h), 43.55.013(i), 43.55.013(j), 43.55.013(k),  
5 43.55.016, 43.55.900(1), 43.55.900(8), 43.55.900(11), 43.55.900(12), and 43.55.900(16) are  
6 repealed."

