

HB

2000 1

(FILE 1)

HFIN

FILE

Adopted

FIN 1

25-GH0014N.19
Cook/Bullock
11/10/07

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE CHENAULT

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 10, line 23:

2 Delete "and (k)"

3 Insert "(k), and (o)"

4

5 Page 10, following line 26:

6 Insert a new bill section to read:

7 "* Sec. 15. AS 43.55.011(f) is amended to read:

8 (f) The levy of tax under this section for [ON A PRODUCER OF] oil and gas
9 produced from leases or properties that include land north of 68 degrees North
10 latitude, other than oil and gas subject to (i) of this section and gas subject to (o)
11 of this section, may not be less than

12 (1) four percent of the gross value at the point of production when the
13 average price per barrel for Alaska North Slope crude oil for sale on the United States
14 West Coast during the calendar year for which the tax is due is more than \$25;

15 (2) three percent of the gross value at the point of production when the
16 average price per barrel for Alaska North Slope crude oil for sale on the United States
17 West Coast during the calendar year for which the tax is due is over \$20 but not over
18 \$25;

19 (3) two percent of the gross value at the point of production when the
20 average price per barrel for Alaska North Slope crude oil for sale on the United States
21 West Coast during the calendar year for which the tax is due is over \$17.50 but not
22 over \$20;

23 (4) one percent of the gross value at the point of production when the

1 average price per barrel for Alaska North Slope crude oil for sale on the United States
2 West Coast during the calendar year for which the tax is due is over \$15 but not over
3 \$17.50; or

4 (5) zero percent of the gross value at the point of production when the
5 average price per barrel for Alaska North Slope crude oil for sale on the United States
6 West Coast during the calendar year for which the tax is due is \$15 or less."

7

8 Renumber the following bill sections accordingly.

9

10 Page 13, line 3:

11 Delete "and (g)"

12 Insert "[AND (g)]"

13

14 Conform internal references to bill sections so that the amendment to AS 43.55.011(f) takes
15 effect on January 1, 2008. Below are all internal references to bill sections in this bill:

16 Page 2, line 4;

17 Page 39, lines 14, 16, 17, 18, 19, 22, 24, 25, 26, 28, and 31;

18 Page 40, lines 1 and 30 - 31;

19 Page 41, lines 1 and 3.

*Adopted
as amended*

FIN 2

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: CSHB 2001(FIN), Work Draft 24-GH0014AN

Chenault

1 Page 2, line 7

2 Insert Intent Language:

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It is the intent of the legislature that costs disallowed in accordance with AS 43.55.165(e)(6) amended by Section 48 of this act include costs, subsequent to the effective date of the enactment of AS 43.55.165(e)(6), incurred as a result of monitoring and management decisions that fail to properly consider risks posed by changing operating conditions and result in failure to take necessary actions to prevent a pipeline spill, *interruption of service or shut down*

Make conforming format changes in section.

Adopted

Kelly
Stalton

AMENDMENT

FIN 3

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 2, line 3, following "that":

2 Insert

3 "(1) the provisions of this Act will

4 (A) ensure a fair and equitable means of assessing and taxing
5 Alaska's oil and gas resources; and

6 (B) encourage the availability to Alaska's citizens of affordable gas
7 produced, transported, and consumed within the state;

8 (2) the enactment of"

9

10 Page 2, line 4:

11 Delete "enacted by"

12 Insert "in"

13 Delete "confirm"

14 Insert "relating to the limitation of assessments for the production tax on oil and
15 gas and conservation surcharges on oil, confirms"

16

17 Page 2, line 5, following "Revenue", through line 6:

18 Delete all material except the final period

19

20

FIN 4

25-GH0014N.1
Bullock
11/9/07

passed 7-4

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER
REPRESENTATIVE THOMAS

TO: CSHB 2001(FIN), Draft Version "N"

- 1 Page 1, lines 8 - 9:
- 2 Delete "amending the State Personnel Act to place in the exempt service certain"
- 3 Insert "relating to"
- 4
- 5 Page 2, line 4:
- 6 Delete "sec. 42"
- 7 Insert "sec. 41"
- 8
- 9 Page 9, lines 16 - 21:
- 10 Delete all material.
- 11
- 12 Renumber the following bill sections accordingly.
- 13
- 14 Page 39, line 14:
- 15 Delete "Sections 14 - 26, 28 - 32, 34 - 38, 40, 44 - 50, and 53"
- 16 Insert "Sections 13 - 25, 27 - 31, 33 - 37, 39, 43 - 49, and 52"
- 17
- 18 Page 39, line 16:
- 19 Delete "Sections 38 and 40"
- 20 Insert "Sections 37 and 39"
- 21
- 22 Page 39, line 17:
- 23 Delete "sec. 38"

- 1 Insert "sec. 37"
- 2
- 3 Page 39, line 18:
- 4 Delete "sec. 40"
- 5 Insert "sec. 39"
- 6
- 7 Page 39, line 19:
- 8 Delete "Sections 29 - 32 and 35"
- 9 Insert "Sections 28 - 31 and 34"
- 10
- 11 Page 39, line 22:
- 12 Delete "sec. 42"
- 13 Insert "sec. 41"
- 14
- 15 Page 39, line 24:
- 16 Delete "secs. 13 and 42"
- 17 Insert "secs. 12 and 41"
- 18
- 19 Page 39, line 25:
- 20 Delete "sec. 24"
- 21 Insert "sec. 23"
- 22
- 23 Page 39, line 26:
- 24 Delete "sec. 24"
- 25 Insert "sec. 23"
- 26
- 27 Page 39, line 28:
- 28 Delete "sec. 39" in both places
- 29 Insert "sec. 38" in both places
- 30
- 31 Page 39, line 31:

1 Delete "sec. 41"

2 Insert "sec. 40"

3

4 Page 40, line 1:

5 Delete "sec. 41"

6 Insert "sec. 40"

7

8 Page 40, lines 2 - 21:

9 Delete all material and insert:

10 "* Sec. 54. The uncodified law of the State of Alaska is amended by adding a new section to
11 read:

12 OIL AND GAS AUDITORS; CLASSIFICATION AND PAY PLANS.
13 Notwithstanding AS 39.25.150(2), the Department of Administration shall develop and
14 implement a distinct position classification plan and a distinct pay plan for oil and gas
15 auditors and their immediate supervisors that perform

16 (1) production tax audits in the Department of Revenue;

17 (2) royalty audits, including net profit share audits, in the Department of
18 Natural Resources."

19

20 Page 40, lines 30 - 31:

21 Delete "Sections 27 and 33"

22 Insert "Sections 26 and 32"

23

24 Page 41, line 1:

25 Delete "Sections 14 - 26, 28 - 32, 34 - 38, 40, 44 - 50, and 53"

26 Insert "Sections 13 - 25, 27 - 31, 33 - 37, 39, 43 - 49, and 52"

27

28 Page 41, line 3:

29 Delete "sec. 58"

30 Insert "sec. 57"

New FIN 5^{sk}

25-GH0014N.30
Bullock
11/10/07

passed 6-5

Kelly,
Stoltze

GARA

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 10, line 23:

2 Delete "and (k)"

3 Insert "(k), and (o)"

4

5 Page 10, line 24, following "to":

6 Insert "the sum of

7 (1)"

8

9 Page 10, line 25:

10 Delete "the tax rate determined"

11 Insert "25 percent; and

12 (2) the sum, over all months of the calendar year, of the tax amounts

13 calculated"

14

15 Page 10, line 27, through page 11, line 9:

16 Delete all material and insert:

17 **** Sec. 15. AS 43.55.011(g) is repealed and reenacted to read:**

18 (g) For each month for which the price index determined under (h) of this
19 section is greater than zero, the amount of tax for purposes of (c)(2) of this section is
20 calculated as follows: (1) for oil and gas produced from each lease or property, the
21 monthly production tax value is calculated in the manner described in AS 43.55.160(a)
22 and (b), except that the gross value at the point of production for the month is
23 substituted for the gross value at the point of production for the calendar year and 1/12

1 of the applicable adjusted lease expenditures for the calendar year is substituted for the
 2 applicable adjusted lease expenditures for the calendar year, (2) the monthly
 3 production tax value determined under (1) of this subsection is multiplied by the
 4 progressivity tax rate for the month. The progressivity tax rate for a month is the
 5 product of 0.4 percent multiplied by the price index for the month determined under
 6 (h) of this section, except that the progressivity tax rate for a month may not exceed 25
 7 percent. Notwithstanding any contrary provision of AS 43.55.150, for purposes of
 8 calculating a monthly production tax value under this subsection, the gross value at the
 9 point of production of the oil and gas is calculated under regulations adopted by the
 10 department that provide for using an appropriate monthly share of the producer's costs
 11 of transportation for the calendar year.

12 * Sec. 16. AS 43.55.011(h) is repealed and reenacted to read:

13 (h) For purposes of (g) of this section, the price index for a month is calculated
 14 by subtracting 30 from the number that is equal to the total of the monthly production
 15 tax values, as calculated under (g) of this section, of the taxable oil and gas produced
 16 by the producer from all leases and properties in the state during that month, divided
 17 by the total amount of taxable oil and gas produced by the producer from all leases
 18 and properties in the state during that month, in BTU equivalent barrels. However, a
 19 price index calculated under this subsection may not be less than zero."
 20

21 Page 14, line 5:

22 Delete "25 percent of"

23 Insert "the sum of 25 percent and the progressivity tax rate calculated under
 24 AS 43.55.011(g) multiplied by"

25
 26 Page 14, lines 17 - 18:

27 Delete "all leases or properties in the unit or nonunitized reservoir"

28 Insert "those properties"

29
 30 Page 14, line 19:

31 Delete "25 percent of"

1 Insert "the sum of 25 percent and the progressivity tax rate calculated under
2 AS 43.55.011(g) multiplied by"

3

4 Page 14, line 29:

5 Delete "25 percent of"

6 Insert "the sum of 25 percent and the progressivity tax rate calculated under
7 AS 43.55.011(g) multiplied by"

8

9 Page 29, line 29:

10 Delete "annual"

11 Insert "[ANNUAL]"

12

13 Page 32, line 16:

14 Delete "an annual"

15 Insert "a [AN ANNUAL]"

16

17 Page 38, following line 26:

18 Insert a new paragraph to read:

19 "(23) "progressivity tax rate" means that part of the tax rate in
20 AS 43.55.011(g) that exceeds 25 percent;"

21

22 Renumber the following paragraphs accordingly.

AMENDMENT

adopted

N10

FIN 6

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: CSHB 2001(FIN), Work Draft 24-GH0014N

- 1 Page 1, lines 3-5
- 2 Delete "providing a penalty for the underpayment of an installment payment of the
- 3 production tax on oil and gas;"
- 4
- 5 Page 17, lines 4-13
- 6 Delete all material.
- 7
- 8 Renumber all sections accordingly.

Adopted

FIN 8

25-GH0014N
Finley/Bullock
11/9/07

CONCEPTUAL AMENDMENT

OFFERED IN THE HOUSE
TO: CSHB 2001(FIN)

BY REPRESENTATIVE JOULE
REPRESENTATIVE CRAWFORD

- 1 Page 18, lines 22-24
Delete all material
- 2
- 3 Page 23, lines 14-18
Delete all material
- 4
- 5 Page 40, lines 28-31
Delete all material
- 6
- 7 Renumber remaining sections accordingly.
- 8
- 9
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AMENDMENT

Adopte

FIN^a

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: CSHB 2001(FIN), Work Draft 24-GH0014N

- 1 Page 21, line 10
- 2 Delete "adequately achieved"
- 3 Insert "was consistent with achieving"
- 4

7-4
passed

FIN 10

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: CSHB 2001(FIN), Work Draft 24-GH0014N

1 Page 21, line 25

2 Insert following "available;"

3 "In addition to the submissions required under (1) of this subsection, the explorer shall
4 submit information necessary for the Commissioner of the Department of Natural
5 Resources to evaluate the validity of the explorer's compliance with the requirements of
6 this section."

7
8 Make conforming changes to punctuation.

9
10 Page 22, lines 11-19

11 Delete "in this subparagraph, well data ... testing the well;"

12

Adopted
as

Joule/Thomas

AMENDMENT
Amended

FIW12

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 22, line 11, following "subparagraph,":

2 Insert In This Subparagraph

3 "(i) a seismic or geophysical data set includes the data for an entire
4 seismic survey, irrespective of whether the survey areas covers nonstate land
5 in addition to state land or land in a unit in addition to land outside a unit;
6 (ii)"

8 Page 22, line 22, following "Resources", through "that department" on line 23:

9 Delete "for 10 years following the completion date, at which time that
10 department"

11 Insert

12 "(i) in the case of well data, until the expiration of the 24-month period
13 of confidentiality described in AS 31.05.035(c), the Department of Natural
14 Resources [FOR 10 YEARS FOLLOWING THE COMPLETION DATE, AT
15 WHICH TIME THAT DEPARTMENT]"

17 Page 22, line 23, following "notice":

18 Insert

19 "unless in the discretion of the commissioner of natural resources, it is
20 necessary to protect information relating to the valuation of unleased acreage
21 in the same vicinity, or unless the well is on private land and the owner,
22 including the lessor but not the lessee, of the oil and gas resource has not
23 given permission to release the well data;

passed 7-4

13
FINI

AMENDMENT

Rep. Gara
Rep Crawford

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 28, following line 11:

2 Insert a new bill section to read:

3 ****Sec. 42.** AS 43.55 is amended by adding a new section to read:

4 **Sec. 43.55.055. Penalty for understatement of tax.** (a) In addition to other
5 penalties prescribed by law, if there is a substantial understatement of tax required to be
6 shown on a statement required under AS 43.55.030(a), there shall be added to the tax an
7 amount equal to 10 percent of the substantial understatement of tax.

8 (b) In addition to other penalties prescribed by law, if there is a gross
9 understatement of tax required to be shown on a statement required under AS
10 43.55.030(a), there shall be added to the tax an amount equal to 20 percent of the gross
11 understatement of tax.

12 (c) In addition to the penalties imposed under (a) or (b) of this section, a person
13 who has made a substantial or gross understatement of tax is liable to the state for the
14 reasonable costs of the state's enforcement action, including auditing costs.

15 (d) For purposes of this section,
16 (1) a substantial understatement of tax for any calendar year exists if the
17 amount of the understatement for the calendar year exceeds the lesser of 10 percent of the
18 tax required to be shown on the statement for the taxable year or \$10,000,000;

1 (2) a gross understatement of tax for any calendar year exists if the
2 amount of the understatement for the calendar year exceeds the lesser of 20 percent of the
3 tax required to be shown on the statement for the calendar year or \$20,000,000;

4 (3) "understatement" means the amount by which the tax required to be
5 shown on the statement for the calendar year exceeds the amount of the tax reported as
6 due by the taxpayer as shown on the statement."

7
8 Renumber the following bill sections accordingly.

adopted

AMENDMENT

Rep Thomas

FIN 15

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 1, line 8, following "surcharges;":

2 Insert "prohibiting a producer or explorer from receiving tax credits if certain
3 judgments are not satisfied and requiring, as a condition of receiving the tax credits, the
4 deposit of the amount of certain unpaid judgments and certain interest on those
5 judgments in the court during an appeal and relating to that interest;"

6
7 Page 28, line 12:

8 Delete "a new section"

9 Insert "new sections"

10

11 Page 29, following line 14:

12 insert a new section to read:

13 "Sec. 43.55.078. Exceptions to tax credits. (a) For a calendar year after 2007,
14 a producer or explorer may not take a tax credit under AS 43.55.023, 43.55.024, or
15 43.55.025 against a tax levied under this chapter if a state court or administrative
16 agency or federal court that has subject matter jurisdiction has entered a judgment in
17 favor of the state or a political subdivision of the state in an amount greater than
18 \$100,000 against the producer or explorer, the producer or explorer has not satisfied
19 the judgment, and the judgment concerns a matter having connections with this state
20 that are sufficient to satisfy constitutional jurisdictional requirements.

21 (b) Notwithstanding (a) of this section, the producer or explorer may receive a
22 tax credit described in (a) of this section if

23 (1) the judgment is appealed but the appeal has not been decided; and

24 (2) the producer or explorer deposits in the court where the judgment

1 was entered or the appeal is pending, in the form of cash, bond, or other security,

2 (A) the full amount of the judgment; and

3 (B) post-judgment interest on the judgment amount described
4 in (A) of this paragraph; notwithstanding another provision of law, the post-
5 judgment interest rate compounded quarterly on a judgment the amount of
6 which is deposited under (a) of this paragraph is equal to the greater of

7 (i) the applicable statutory rate; or

8 (ii) the rate of return on the producer's or explorer's
9 equity as shown on the producer's or explorer's most recent quarterly
10 earnings report as of the date of the notice of appeal.

11 (c) In this section,

12 (1) "judgment" means any final administrative determination or
13 judgment in favor of the state or a political subdivision of the state;

14 (2) "producer or explorer" includes an affiliate of a producer or
15 explorer."

New Fin 17

25-GH0014N.29
Mischel/Bullock
11/10/07

passed 8-3

Kelly, Stolte

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 32, line 20, through page 34, line 4:

2 Delete all material and insert:

3 "* Sec. 46. AS 43.55.165(a) is repealed and reenacted to read:

4 (a) For purposes of this chapter, a producer's lease expenditures for a calendar
5 year are

6 (1) costs, other than items listed in (c) of this section, that are

7 (A) incurred in the state by the producer during the calendar
8 year after March 31, 2006, to explore for, develop, or produce oil or gas
9 deposits located within the producer's leases or properties in the state or, in the
10 case of land in which the producer does not own an operating right, operating
11 interest, or working interest, to explore for oil or gas deposits within other land
12 in the state; and

13 (B) allowed by the department by regulation, based on the
14 department's determination that the costs satisfy the following three
15 requirements:

16 (i) the costs must be incurred upstream of the point of
17 production of oil and gas;

18 (ii) the costs must be ordinary and necessary costs of
19 exploring for, developing, or producing, as applicable, oil or gas
20 deposits; and

21 (iii) the costs must be direct costs of exploring for,
22 developing, or producing, as applicable, oil or gas deposits; and

23 (2) a reasonable allowance for that calendar year, as determined under

1 regulations adopted by the department, for overhead expenses that are directly related
2 to exploring for, developing, or producing, as applicable, the oil or gas deposits.

3 * Sec. 47. AS 43.55.165(b) is amended to read:

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

5 (1) direct costs include

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

10 (B) payments of or in lieu of property taxes, sales and use
11 taxes, motor fuel taxes, and excise taxes;

12 [(C) A REASONABLE ALLOWANCE, AS DETERMINED
13 UNDER REGULATIONS ADOPTED BY THE DEPARTMENT, FOR
14 OVERHEAD EXPENSES DIRECTLY RELATED TO EXPLORING FOR,
15 DEVELOPING, AND PRODUCING OIL OR GAS DEPOSITS LOCATED
16 WITHIN LEASES OR PROPERTIES OR OTHER LAND IN THE STATE;]

17 (2) an activity does not need to be physically located on, near, or
18 within the premises of the lease or property within which an oil or gas deposit being
19 explored for, developed, or produced is located in order for the cost of the activity to
20 be a cost upstream of the point of production of the oil or gas;

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

23 (A) typical industry practices and standards in the state
24 that determine the costs, other than items listed in (c) of this section, that
25 an operator is allowed to bill a producer that is not the operator, under
26 unit operating agreements or similar operating agreements that were in
27 effect before December 2, 2005, and were subject to negotiation with at
28 least one producer with substantial bargaining power, other than the
29 operator; and

30 (B) standards adopted by the Department of Natural
31 Resources that determine the costs, other than items listed in (c) of this

1 section, that a lessee is allowed to deduct from revenue in calculating net
2 profits under a lease issued under AS 38.05.180(f)(3)(B), (D), or (E)."

3
4 Page 34, line 30, following "(12)":

5 Insert "an expenditure incurred"

6
7 Page 34, line 31:

8 Delete "expenditures incurred that are"

9 Insert "unless the producer establishes to the satisfaction of the department that
10 the expenditure is not [EXPENDITURES INCURRED THAT ARE]"

11
12 Page 37, lines 4 - 5:

13 Delete "Unless the payment or credit has already been subtracted in calculating
14 billable or billed costs under AS 43.55.165(c) [OR (d)], a"

15 Insert "A [UNLESS THE PAYMENT OR CREDIT HAS ALREADY BEEN
16 SUBTRACTED IN CALCULATING BILLABLE OR BILLED COSTS UNDER
17 AS 43.55.165(c) OR (d), A]"

18
19 Page 39, line 11, following "AS 43.55.160(c)":

20 Insert ", 43.55.165(c)."

6-5
Adopted

Rep. Gara

FIW2

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 2001 (FIN), Draft Version "N"

- 1 Page 36, Line 21
- 2 Insert
- 3 after lobbying, "public relations,"

Note: If this amendment is adopted, it would read:

"(20) costs of lobbying, public relations, public relations advertising, or policy advocacy."

Adopted

FIN 23
25-GH0014N.10
Kurtz/Bullock
11/9/07

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

*Representative
Nelson*

1 Page 2, line 4:

2 Delete "sec. 42"

3 Insert "sec. 43"

4

5 Page 10, following line 3:

6 Insert a new bill section to read:

7 **** Sec. 12.** AS 42.45 is amended by adding a new section to read:

8 Sec. 42.45.045. Appropriations for the low income heating energy
9 assistance program. (a) By February 1 each year, the Department of Revenue shall
10 determine whether the state received for the general fund, during the immediately
11 preceding calendar year, an amount of money from the tax levied under
12 AS 43.55.011(c) because the price index calculated under AS 43.55.011(h) for a
13 calendar year was greater than zero. If the state received an amount of money because
14 the price index calculated under AS 43.55.011(h) for a calendar year was greater than
15 zero, the department shall notify the legislature of that amount.

16 (b) The legislature may annually appropriate up to \$50,000,000 of the amount
17 reported under (a) of this section for the low income heating energy assistance
18 program.

19 (c) Nothing in this section requires that money be appropriated or creates a
20 dedicated fund.

21 (d) For purposes of this section, "low income heating energy assistance
22 program" means the program created by 7 AAC 44.010 to implement the federal Low-
23 Income Home Energy Assistance Act of 1981, as amended (42 U.S.C. 8621 et seq.)."

1

2 Renumber the following bill sections accordingly.

3

4 Page 39, line 14:

5 Delete "Sections 14 - 26, 28 - 32, 34 - 38, 40, 44 - 50, and 53"

6 Insert "Sections 15 - 27, 29 - 33, 35 - 39, 41, 45 - 51, and 54"

7

8 Page 39, line 16:

9 Delete "Sections 38 and 40"

10 Insert "Sections 39 and 41"

11

12 Page 39, line 17:

13 Delete "sec. 38"

14 Insert "sec. 39"

15

16 Page 39, line 18:

17 Delete "sec. 40"

18 Insert "sec. 41"

19

20 Page 39, line 19:

21 Delete "Sections 29 - 32 and 35"

22 Insert "Sections 30 - 33 and 36"

23

24 Page 39, line 22:

25 Delete "sec. 42"

26 Insert "sec. 43"

27

28 Page 39, line 24:

29 Delete "secs. 13 and 42"

30 Insert "secs. 14 and 43"

31

- 1 Page 39, line 25:
- 2 Delete "sec. 24"
- 3 Insert "sec. 25"
- 4
- 5 Page 39, line 26:
- 6 Delete "sec. 24"
- 7 Insert "sec. 25"
- 8
- 9 Page 39, line 28:
- 10 Delete "sec. 39" in both places
- 11 Insert "sec. 40" in both places
- 12
- 13 Page 39, line 31:
- 14 Delete "sec. 41"
- 15 Insert "sec. 42"
- 16
- 17 Page 40, line 1:
- 18 Delete "sec. 41"
- 19 Insert "sec. 42"
- 20
- 21 Page 40, lines 30 - 31:
- 22 Delete "Sections 27 and 33"
- 23 Insert "Sections 28 and 34"
- 24
- 25 Page 41, line 1:
- 26 Delete "Sections 14 - 26, 28 - 32, 34 - 38, 40, 44 - 50, and 53"
- 27 Insert "Sections 15 - 27, 29 - 33, 35 - 39, 41, 45 - 51, and 54"
- 28
- 29 Page 41, line 3:
- 30 Delete "sec. 58"
- 31 Insert "sec. 59"

FIW 25

AMENDMENT

by Representative Gara
on CSHB2001(FIN)N

passed
6-5

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14

Sec. 44. AS 43.55.110 is amended by adding a new subsection to read:

(h) Subject to legislative appropriation, the department may compensate a person who provides information to the department about noncompliance with the provisions of this chapter by an explorer or a producer of oil or gas if that information leads to the collection of additional taxes, penalties, or interest from the producer. The amount of compensation under this subsection may not exceed the lesser of \$1,000,000 or 10 percent of the additional tax, penalty, or interest collected as a result of the information. A state employee or an agent of the state is not eligible for compensation under this subsection.

adopted
AMENDMENT

Kelly
Stoltz
gava
FIW 21

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 40, following line 21:

2 Insert a new bill section to read:

3 "*Sec. 56. The uncodified law of the State of Alaska is amended by adding a new section
4 to read:

5 TRANSITION: DEPARTMENT OF NATURAL RESOURCES
6 REGULATIONS. Notwithstanding any contrary provision of AS 44.62.240, a regulation
7 adopted by the Department of Natural Resources to implement, interpret, make specific,
8 or otherwise carry out statutory provisions for the administration of oil and gas leases
9 issued under AS 38.05.180(f)(3)(B), (D), or (E), to the extent the regulation deals with
10 the treatment of oil and gas production taxes in determining net profits under those
11 leases, may apply retroactively to April 1, 2006, if the Department of Natural Resources
12 expressly designates in the regulation that the regulation applies retroactively to that
13 date."

14

15 Remember the following sections accordingly.

FIN 29

~~cep~~ Adopted
6-5

25-GH0014N.2
Cook/Bullock
11/9/07

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE CHENAULT

TO: CSHB 2001(FIN), Draft Version "N"

- 1 Page 10, line 29:
- 2 Delete "25"
- 3 Insert "22.5"
- 4
- 5 Page 14, line 5:
- 6 Delete "25"
- 7 Insert "22.5"
- 8
- 9 Page 14, line 19:
- 10 Delete "25"
- 11 Insert "22.5"
- 12
- 13 Page 14, line 29:
- 14 Delete "25"
- 15 Insert "22.5"
- 16
- 17 Page 17, line 15:
- 18 Delete "25"
- 19 Insert "22.5"

adopted - N/A 11/9/07

25-GH0014\N
Finley/Bullock
11/9/07

CS FOR HOUSE BILL NO. 2001(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIFTH LEGISLATURE - SECOND SPECIAL SESSION

BY THE HOUSE FINANCE COMMITTEE

**Offered:
Referred:**

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the production tax on oil and gas and to conservation surcharges on
 2 oil; providing a limit on the amount of tax that may be levied on the production of
 3 certain gas that is produced outside of the Cook Inlet sedimentary basin; providing a
 4 penalty for the underpayment of an installment payment of the production tax on oil
 5 and gas; relating to the sharing between agencies of certain information relating to the
 6 production tax and to oil and gas or gas only leases; expanding the period in which the
 7 Department of Revenue may assess the amount of oil and gas production tax and
 8 conservation surcharges; amending the State Personnel Act to place in the exempt
 9 service certain state oil and gas auditors and their immediate supervisors; providing for
 10 retroactive application of certain statutory provisions to the production tax on oil and
 11 gas; making conforming amendments; and providing for an effective date."

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

1 * Section 1. The uncodified law of the State of Alaska is amended by adding a new section
2 to read:

3 LEGISLATIVE INTENT. It is the intent of the legislature that AS 43.55.075(b),
4 enacted by sec. 42 of this Act, confirm by clarification the long-standing interpretation of
5 AS 43.05.260 by the Department of Revenue relating to limitation of assessments for the
6 production tax on oil and gas and conservation surcharges on oil.

7 * Sec. 2. AS 38.05.035(a) is amended to read:

8 (a) The director shall

9 (1) have general charge and supervision of the division and may
10 exercise the powers specifically delegated to the director; the director may employ
11 and fix the compensation of assistants and employees necessary for the operations of
12 the division; the director [AND] is the certifying officer of the division, with the
13 consent of the commissioner, and may approve vouchers for disbursements of money
14 appropriated to the division;

15 (2) manage, inspect, and control state land and improvements on it
16 belonging to the state and under the jurisdiction of the division;

17 (3) execute laws, rules, regulations, and orders adopted by the
18 commissioner;

19 (4) prescribe application procedures and practices for the sale, lease,
20 or other disposition of available land, resources, property, or interest in them;

21 (5) prescribe fees or service charges, with the consent of the
22 commissioner, for any public service rendered;

23 (6) under the conditions and limitations imposed by law and the
24 commissioner, issue deeds, leases, or other conveyances disposing of available land,
25 resources, property, or any interests in them;

26 (7) have jurisdiction over state land, except that land acquired by the
27 Alaska World War II Veterans Board and the Agricultural Loan Board or the
28 departments or agencies succeeding to their respective functions through foreclosure
29 or default; to this end, the director possesses the powers and, with the approval of the
30 commissioner, shall perform the duties necessary to protect the state's rights and
31 interest in state land, including the taking of all necessary action to protect and

1 enforce the state's contractual or other property rights;

2 (S) [REPEALED

3 (9)] maintain the [SUCH] records [AS] the commissioner considers
4 necessary, administer oaths, and do all things incidental to the authority imposed; the
5 following records and files shall be kept confidential upon request of the person
6 supplying the information:

7 (A) the name of the person nominating or applying for the
8 sale, lease, or other disposal of land by competitive bidding;

9 (B) before the announced time of opening, the names of the
10 bidders and the amounts of the bids;

11 (C) all geological, geophysical, and engineering data supplied,
12 whether or not concerned with the extraction or development of natural
13 resources;

14 (D) except as provided in AS 38.05.036, cost data and
15 financial information submitted in support of applications, bonds, leases, and
16 similar items;

17 (E) applications for rights-of-way or easements;

18 (F) requests for information or applications by public agencies
19 for land that [WHICH] is being considered for use for a public purpose;

20 (9) [(10)] account for the fees, licenses, taxes, or other money
21 received in the administration of this chapter including the sale or leasing of land,
22 identify their source, and promptly transmit them to the proper fiscal department after
23 crediting them to the proper fund; receipts from land application filing fees and
24 charges for copies of maps and records shall be deposited immediately in the general
25 fund of the state by the director;

26 (10) [(11)] select and employ or obtain at reasonable compensation
27 cadastral, appraisal, or other professional personnel the director considers necessary
28 for the proper operation of the division;

29 (11) [(12)] be the certifying agent of the state to select, accept, and
30 secure by whatever action is necessary in the name of the state, by deed, sale, gift,
31 devise, judgment, operation of law, or other means any land, of whatever nature or

1 interest, available to the state; and be the certifying agent of the state, to select,
2 accept, or secure by whatever action is necessary in the name of the state any land, or
3 title or interest to land available, granted, or subject to being transferred to the state
4 for any purpose;

5 (12) on request, furnish records, files, and other information
6 related to the administration of AS 38.05.180 to the Department of Revenue for
7 use in forecasting state revenue under or administering AS 43.55, whether or not
8 those records, files, and other information are required to be kept confidential
9 under (8) of this subsection; in the case of records, files, or other information
10 required to be kept confidential under (8) of this subsection, the Department of
11 Revenue shall maintain the confidentiality that the Department of Natural
12 Resources is required to extend to records, files, and other information under (8)
13 of this subsection

14 [(13) REPEALED

15 14) REPEALED].

16 * Sec. 3. AS 38.05.036(b) is amended to read:

17 (b) The Department of Revenue may obtain from the department information
18 relating to royalty and net profits payments and to exploration incentive credits under
19 this chapter or under AS 41.09, whether or not that information is confidential. The
20 Department of Revenue may use the information in carrying out its functions and
21 responsibilities under AS 43, and shall hold that information confidential to the extent
22 required by an agreement with the department or by AS 38.05.035(a)(8)
23 [AS 38.05.035(a)(9)], AS 41.09.010(d), or AS 43.05.230.

24 * Sec. 4. AS 38.05.036(f) is amended to read:

25 (f) Except as otherwise provided in this section or in connection with official
26 investigations or proceedings of the department, it is unlawful for a current or former
27 officer, employee, or agent of the state to divulge information obtained by the
28 department as a result of an audit under this section that is required by an agreement
29 with the department or by AS 38.05.035(a)(8) [AS 38.05.035(a)(9)] or
30 AS 41.09.010(d) to be kept confidential.

31 * Sec. 5. AS 38.05.036(g) is amended to read:

1 (g) Nothing in this section prohibits the publication of statistics in a manner
2 that maintains the confidentiality of information to the extent required by an
3 agreement with the department or by AS 38.05.035(a)(8) [AS 38.05.035(a)(9)] or
4 AS 41.09.010(d).

5 * Sec. 6. AS 38.05.123(f) is amended to read:

6 (f) As part of the timber sale negotiations authorized by this section, the
7 commissioner may require a prospective purchaser negotiating a timber sale contract
8 to submit financial and technical data that demonstrates that the requirements of this
9 section have been or will be met. Upon the prospective purchaser's request, the
10 commissioner shall keep data provided by the purchaser confidential in accordance
11 with the requirements of AS 38.05.035(a)(8) [AS 38.05.035(a)(9)].

12 * Sec. 7. AS 38.05.133(e) is amended to read:

13 (e) The commissioner may make a written request to a prospective licensee
14 for additional information on the prospective licensee's proposal. The commissioner
15 shall keep confidential information described in AS 38.05.035(a)(8)
16 [AS 38.05.035(a)(9)] that is voluntarily provided if the prospective licensee has made
17 a written request that the information remain confidential.

18 * Sec. 8. AS 38.05.180(j) is amended to read:

19 (j) The commissioner

20 (1) may provide for modification of royalty on individual leases,
21 leases unitized as described in (p) of this section, leases subject to an agreement
22 described in (s) or (t) of this section, or interests unitized under AS 31.05

23 (A) to allow for production from an oil or gas field or pool if

24 (i) the oil or gas field or pool has been sufficiently
25 delineated to the satisfaction of the commissioner;

26 (ii) the field or pool has not previously produced oil or
27 gas for sale; and

28 (iii) oil or gas production from the field or pool would
29 not otherwise be economically feasible;

30 (B) to prolong the economic life of an oil or gas field or pool
31 as per barrel or barrel equivalent costs increase or as the price of oil or gas

1 decreases, and the increase or decrease is sufficient to make future production
2 no longer economically feasible; or

3 (C) to reestablish production of shut-in oil or gas that would
4 not otherwise be economically feasible;

5 (2) may not grant a royalty modification unless the lessee or lessees
6 requesting the change make a clear and convincing showing that a modification of
7 royalty meets the requirements of this subsection and is in the best interests of the
8 state;

9 (3) shall provide for an increase or decrease or other modification of
10 the state's royalty share by a sliding scale royalty or other mechanism that shall be
11 based on a change in the price of oil or gas and may also be based on other relevant
12 factors such as a change in production rate, projected ultimate recovery, development
13 costs, and operating costs;

14 (4) may not grant a royalty reduction for a field or pool

15 (A) under (1)(A) of this subsection if the royalty modification
16 for the field or pool would establish a royalty rate of less than five percent in
17 amount or value of the production removed or sold from a lease or leases
18 covering the field or pool;

19 (B) under (1)(B) or (1)(C) of this subsection if the royalty
20 modification for the field or pool would establish a royalty rate of less than
21 three percent in amount or value of the production removed or sold from a
22 lease or leases covering the field or pool;

23 (5) may not grant a royalty reduction under this subsection without
24 including an explicit condition that the royalty reduction is not assignable without the
25 prior written approval, which may not be unreasonably withheld, by the
26 commissioner; the commissioner shall, in the preliminary and final findings and
27 determinations, set out the conditions under which the royalty reduction may be
28 assigned;

29 (6) shall require the lessee or lessees to submit, with the application
30 for the royalty reduction, financial and technical data that demonstrate that the
31 requirements of this subsection are met; the commissioner

1 (A) may require disclosure of only the financial and technical
2 data related to development, production, and transportation of oil and gas or
3 gas only from the field or pool that are reasonably available to the applicant;
4 and

5 (B) shall keep the data confidential under AS 38.05.035(a)(8)
6 [AS 38.05.035(a)(9)] at the request of the lessee or lessees making application
7 for the royalty reduction; the confidential data may be disclosed by the
8 commissioner to legislators and to the legislative auditor and as directed by
9 the chair or vice-chair of the Legislative Budget and Audit Committee to the
10 director of the division of legislative finance, the permanent employees of
11 their respective divisions who are responsible for evaluating a royalty
12 reduction, and to agents or contractors of the legislative auditor or the
13 legislative finance director who are engaged under contract to evaluate the
14 royalty reduction, if they sign an appropriate confidentiality agreement;

15 (7) may

16 (A) require the lessee or lessees making application for the
17 royalty reduction under (1)(A) of this subsection to pay for the services of an
18 independent contractor, selected by the lessee or lessees from a list of
19 qualified consultants compiled by the commissioner, to evaluate hydrocarbon
20 development, production, transportation, and economics and to assist the
21 commissioner in evaluating the application and financial and technical data;
22 if, under this subparagraph, the commissioner requires payment for the
23 services of an independent contractor, the total cost of the services to be paid
24 for by the lessee or lessees may not exceed \$150,000 for each application, and
25 the commissioner shall determine the relevant scope of the work to be
26 performed by the contractor; selection of an independent contractor under this
27 subparagraph is not subject to AS 36.30;

28 (B) with the mutual consent of the lessee or lessees making
29 application for the royalty reduction under (1)(B) or (1)(C) of this subsection,
30 request payment for the services of an independent contractor, selected from a
31 list of qualified consultants to evaluate hydrocarbon development, production,

1 transportation, and economics by the commissioner to assist the commissioner
2 in evaluating the application and financial and technical data; if, under this
3 subparagraph, the commissioner requires payment for the services of an
4 independent contractor, the total cost of the services that may be paid for by
5 the lessee or lessees may not exceed \$150,000 for each application, and the
6 commissioner shall determine the relevant scope of the work to be performed
7 by the contractor; selection of an independent contractor under this
8 subparagraph is not subject to AS 36.30;

9 (8) shall make and publish a preliminary findings and determination
10 on the royalty reduction application, give reasonable public notice of the preliminary
11 findings and determination, and invite public comment on the preliminary findings
12 and determination during a 30-day period for receipt of public comment;

13 (9) shall offer to appear before the Legislative Budget and Audit
14 Committee, on a day that is not earlier than 10 days and not later than 20 days after
15 giving public notice under (8) of this subsection, to provide the committee a review of
16 the commissioner's preliminary findings and determination on the royalty reduction
17 application and administrative process; if the Legislative Budget and Audit
18 Committee accepts the commissioner's offer, the committee shall give notice of the
19 committee's meeting to all members of the legislature;

20 (10) shall make copies of the preliminary findings and determination
21 available to

22 (A) the presiding officer of each house of the legislature;

23 (B) the chairs of the legislature's standing committees on
24 resources; and

25 (C) the chairs of the legislature's special committees on oil and
26 gas, if any;

27 (11) shall, within 30 days after the close of the public comment period
28 under (8) of this subsection,

29 (A) prepare a summary of the public response to the
30 commissioner's preliminary findings and determination;

31 (B) make a final findings and determination; the

1 commissioner's final findings and determination prepared under this
2 subparagraph regarding a royalty reduction is final and not appealable to the
3 court;

4 (C) transmit a copy of the final findings and determination to
5 the lessee;

6 (D) with the applicant's consent, amend the applicant's lease or
7 unitization agreement consistent with the commissioner's final decision; and

8 (E) make copies of the final findings and determination
9 available to each person who submitted comment under (8) of this subsection
10 and who has filed a request for the copies;

11 (12) is not limited by the provisions of AS 38.05.134(3) or (i) of this
12 section in the commissioner's determination under this subsection.

13 * Sec. 9. AS 38.05.275(c) is amended to read:

14 (c) Subsection (b) of this section may not be construed to limit the director in
15 the exercise of authority granted by AS 38.05.035(a)(11) [AS 38.05.035(a)(12)].

16 * Sec. 10. AS 39.25.110 is amended by adding a new paragraph to read:

17 (42) oil and gas auditors performing

18 (A) production tax audits, and their immediate supervisors, in
19 the Department of Revenue;

20 (B) royalty audits, including net profit share audits, and their
21 immediate supervisors, in the Department of Natural Resources.

22 * Sec. 11. AS 41.09.010(d) is amended to read:

23 (d) Data derived from drilling a stratigraphic test well or exploratory well that
24 is provided to the commissioner under (c)(3) of this section shall be kept confidential
25 for 24 months after receipt by the commissioner unless the owner of the well gives
26 written permission to the state to release the well data at an earlier date, and,
27 notwithstanding AS 31.05.035(e), confidentiality may not be extended beyond 24
28 months. The provisions of AS 38.05.035(a)(8)(C) [AS 38.05.035(a)(9)(C)] apply to
29 other data provided to the commissioner under (c)(3) of this section, except that the
30 commissioner, under appropriate confidentiality provisions and without preference or
31 discrimination, may display to all interested third parties, but may not distribute or

1 transfer in hard copy or electronic form, those data with respect to all land if the
2 commissioner determines that the limited disclosure is necessary to further the
3 interest of the state in evaluating or developing its land.

4 * Sec. 12. AS 43.05.230(h) is amended to read:

5 (h) The commissioner shall, upon request, furnish to the Department of
6 Natural Resources copies of tax returns, reports, and other documents filed under
7 AS 43.55 or AS 43.65, and the Department of Revenue's determinations and
8 workpapers under those chapters. The Department of Natural Resources shall
9 maintain the confidentiality that the Department of Revenue is required to extend to
10 the returns, reports, documents, determinations, and workpapers furnished to the
11 Department of Natural Resources under this subsection.

12 * Sec. 13. AS 43.05.260(a) is amended to read:

13 (a) Except as provided in (c) of this section, [AND] AS 43.20.200(b), and
14 AS 43.55.075, the amount of a tax imposed by this title must be assessed within three
15 years after the return was filed, whether or not a return was filed on or after the date
16 prescribed by law. If the tax is not assessed before the expiration of the applicable
17 [THREE-YEAR] period, proceedings may not be instituted in court for the collection
18 of the tax.

19 * Sec. 14. AS 43.55.011(e) is repealed and reenacted to read:

20 (e) There is levied on the producer of oil or gas a tax for all oil and gas
21 produced each calendar year from each lease or property in the state, less any oil and
22 gas the ownership or right to which is exempt from taxation or constitutes a
23 landowner's royalty interest. Except as otherwise provided under (f), (j), and (k) of
24 this section, the tax is equal to the production tax value of the taxable oil and gas as
25 calculated under AS 43.55.160 multiplied by the tax rate determined under (g) of this
26 section.

27 * Sec. 15. AS 43.55.011(g) is repealed and reenacted to read:

28 (g) The tax rate applied to the production tax value of oil and gas under (e) of
29 this section is 25 percent plus 0.20 percent times the price index for the calendar year
30 determined under (h) of this section. However, the tax rate calculated under this
31 subsection may not be more than 50 percent.

1 * Sec. 16. AS 43.55.011(h) is amended to read:

2 (h) For purposes of (g) of this section, the price index for a calendar year
3 [MONTH] is calculated by subtracting 30 [40] from the number that is equal to [THE
4 QUOTIENT OF] the total [MONTHLY] production tax value of the taxable oil and
5 gas produced by the producer from all leases or properties in the state during that
6 calendar year [DURING THAT MONTH], as calculated under AS 43.55.160,
7 divided by the total amount of that [THE TAXABLE] oil and gas [PRODUCED BY
8 THE PRODUCER DURING THAT MONTH], in BTU equivalent barrels. However,
9 a price index calculated under this subsection may not be less than zero.

10 * Sec. 17. AS 43.55.011(j) is amended to read:

11 (j) For a calendar year before 2022, the [TOTAL] tax levied by (e) [AND (g)]
12 of this section for [ON] gas produced from a lease or property in the Cook Inlet
13 sedimentary basin may not exceed

14 (1) for a lease or property that first commenced commercial
15 production of gas before April 1, 2006, the product obtained by multiplying (A) the
16 amount of taxable gas produced during the calendar year from the lease or property,
17 times (B) the average rate of tax that was imposed under this chapter for [ON]
18 taxable gas produced from the lease or property for the 12-month period ending on
19 March 31, 2006, times (C) the quotient obtained by dividing the total gross value at
20 the point of production of the taxable gas produced from the lease or property during
21 the 12-month period ending on March 31, 2006, by the total amount of that gas;

22 (2) for a lease or property that first commences commercial
23 production of gas after March 31, 2006, the product obtained by multiplying (A) the
24 amount of taxable gas produced during the calendar year from the lease or property,
25 times (B) the average rate of tax that was imposed under this chapter for [ON]
26 taxable gas produced from all leases or properties in the Cook Inlet sedimentary basin
27 for the 12-month period ending on March 31, 2006, times (C) the average prevailing
28 value for gas delivered in the Cook Inlet area for the 12-month period ending
29 March 31, 2006, as determined by the department under AS 43.55.020(f).

30 * Sec. 18. AS 43.55.011(k) is amended to read:

31 (k) For a calendar year before 2022, the [TOTAL] tax levied by (e) [AND

1 (g)] of this section for [ON] oil produced from a lease or property in the Cook Inlet
2 sedimentary basin may not exceed

3 (1) for a lease or property that first commenced commercial
4 production of oil before April 1, 2006, the product obtained by multiplying (A) the
5 amount of taxable oil produced during the calendar year from the lease or property,
6 times (B) the average rate of tax that was imposed under this chapter for [ON]
7 taxable oil produced from the lease or property for the 12-month period ending on
8 March 31, 2006, times (C) the quotient obtained by dividing the total gross value at
9 the point of production of the taxable oil produced from the lease or property during
10 the 12-month period ending on March 31, 2006, by the total amount of that oil;

11 (2) for a lease or property that first commences commercial
12 production of oil after March 31, 2006, the product obtained by multiplying (A) the
13 amount of taxable oil produced during the calendar year from the lease or property,
14 times (B) the average rate of tax that was imposed under this chapter for [ON]
15 taxable oil produced from all leases or properties in the Cook Inlet sedimentary basin
16 for the 12-month period ending on March 31, 2006, times (C) the average prevailing
17 value for oil produced and delivered in the Cook Inlet area for the 12-month period
18 ending on March 31, 2006, as determined by the department under AS 43.55.020(f).

19 * Sec. 19. AS 43.55.011(m) is amended to read:

20 (m) Notwithstanding any contrary provision of AS 38.05.180(i),
21 AS 41.09.010, AS 43.20.043, AS 43.55.024, or 43.55.025, tax credits under
22 AS 38.05.180(i), AS 41.09.010, AS 43.20.043, AS 43.55.024, and 43.55.025 that are
23 allocated to gas produced from leases or properties in the Cook Inlet sedimentary
24 basin and that are available to be applied against a tax levied by (c) of this section for
25 [ON] gas produced from leases or properties in the Cook Inlet sedimentary basin
26 during a calendar year may be applied only against the tax levied by (c) of this section
27 for [ON] that gas. The amount by which the amount of tax credits that are allocated
28 to gas produced from leases or properties in the Cook Inlet sedimentary basin and that
29 the producer would otherwise be allowed to use for a later calendar year or transfer to
30 another person exceeds the amount of tax credits whose application would reduce the
31 tax levied by (c) of this section for [ON] that gas to zero, if any, is considered the

1 amount of excess tax credits, and the excess tax credits are subject to the following:

2 (1) for each lease or property for which a limitation under (j) or (k) of
3 this section on the tax levied by (e) and (g) of this section has the effect of reducing
4 the producer's tax below the amount of tax that would be levied in the absence of that
5 limitation, the producer shall calculate the amount of that reduction;

6 (2) the producer shall calculate the total of the reductions calculated
7 under (1) of this subsection for all affected leases or properties;

8 (3) the producer shall reduce the amount of excess tax credits by the
9 total calculated under (2) of this subsection, but not to less than zero;

10 (4) any amount of excess tax credits remaining after reduction under
11 (3) of this subsection may be used for a later calendar year, transferred to another
12 person, or applied against a tax levied for [ON] oil or gas produced from a lease or
13 property located anywhere in the state to the extent otherwise allowed under
14 applicable law governing the tax credits.

15 * Sec. 20. AS 43.55.011 is amended by adding a new subsection to read:

16 (o) Notwithstanding other provisions of this section, for a calendar year
17 before 2022, the tax levied under (e) of this section for each 1,000 cubic feet of gas
18 for gas produced from a lease or property outside the Cook Inlet sedimentary basin
19 and used in the state may not exceed the amount of tax for each 1,000 cubic feet of
20 gas that is determined under (j)(2) of this section.

21 * Sec. 21. AS 43.55.020(a) is repealed and reenacted to read:

22 (a) For a calendar year, a producer subject to tax under AS 43.55.011(e) - (i)
23 shall pay the tax as follows:

24 (1) an installment payment of the estimated tax levied by
25 AS 43.55.011(e) - (g), net of any tax credits applied as allowed by law, is due for
26 each month of the calendar year on the last day of the following month; except as
27 otherwise provided under (2) of this subsection, the amount of the installment
28 payment is the sum of the following amounts, less 1/12 of the tax credits that are
29 allowed by law to be applied against the tax levied by AS 43.55.011(e) - (g) for the
30 calendar year, but the amount of the installment payment may not be less than zero;

31 (A) for oil and gas produced from leases or properties in the

1 state outside the Cook Inlet sedimentary basin or not subject to
2 AS 43.55.011(o), other than leases or properties subject to AS 43.55.011(f),
3 the greater of

4 (i) zero; or

5 (ii) 25 percent of the remainder obtained by subtracting
6 1/12 of the producer's adjusted lease expenditures for the calendar year
7 of production under AS 43.55.165 and 43.55.170 that are deductible
8 for the leases or properties under AS 43.55.160 from the gross value at
9 the point of production of the oil and gas produced from the leases or
10 properties during the month for which the installment payment is
11 calculated;

12 (B) for oil and gas produced from leases or properties subject
13 to AS 43.55.011(f), the greatest of

14 (i) zero;

15 (ii) zero percent, one percent, two percent, three
16 percent, or four percent, as applicable, of the gross value at the point of
17 production of the oil and gas produced from all leases or properties in
18 the unit or nonunitized reservoir; or

19 (iii) 25 percent of the remainder obtained by
20 subtracting 1/12 of the producer's adjusted lease expenditures for the
21 calendar year of production under AS 43.55.165 and 43.55.170 that are
22 deductible for those leases or properties under AS 43.55.160 from the
23 gross value at the point of production of the oil and gas produced from
24 those leases or properties during the month for which the installment
25 payment is calculated;

26 (C) for oil and gas produced from each lease or property
27 subject to AS 43.55.011(j), (k), or (o), the greater of

28 (i) zero; or

29 (ii) 25 percent of the remainder obtained by subtracting
30 1/12 of the producer's adjusted lease expenditures for the calendar year
31 of production under AS 43.55.165 and 43.55.170 that are deductible

1 under AS 43.55.160 for oil or gas, respectively, produced from the
2 lease or property from the gross value at the point of production of the
3 oil or gas, respectively, produced from the lease or property during the
4 month for which the installment payment is calculated;

5 (2) an amount calculated under (1)(C) of this subsection for oil or gas
6 produced from a lease or property subject to AS 43.55.011(j), (k), or (o) may not
7 exceed the product obtained by carrying out the calculation set out in
8 AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in
9 AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in
10 AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable
11 gas produced during the month for the amount of taxable gas produced during the
12 calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the
13 amount of taxable oil produced during the month for the amount of taxable oil
14 produced during the calendar year;

15 (3) an installment payment of the estimated tax levied by
16 AS 43.55.011(i) for each lease or property is due for each month of the calendar year
17 on the last day of the following month; the amount of the installment payment is the
18 sum of

19 (A) the applicable tax rate for oil provided under
20 AS 43.55.011(i), multiplied by the gross value at the point of production of
21 the oil taxable under AS 43.55.011(i) and produced from the lease or property
22 during the month; and

23 (B) the applicable tax rate for gas provided under
24 AS 43.55.011(i), multiplied by the gross value at the point of production of
25 the gas taxable under AS 43.55.011(i) and produced from the lease or property
26 during the month;

27 (4) any amount of tax levied by AS 43.55.011(e) - (i), net of any
28 credits applied as allowed by law, that exceeds the total of the amounts due as
29 installment payments of estimated tax is due on March 31 of the year following the
30 calendar year of production.

31 * Sec. 22. AS 43.55.020(g) is amended to read:

1 (g) Notwithstanding any contrary provision of AS 43.05.225, an unpaid
2 amount of an installment payment required under (a)(1) - (3) [(a)(1) - (4)] of this
3 section that is not paid when due bears interest (1) at the rate provided for an
4 underpayment under 26 U.S.C. 6621 (Internal Revenue Code), as amended,
5 compounded daily, from the date the installment payment is due until [THE]
6 March 31 following the calendar year of production [DESCRIBED IN
7 AS 43.55.030(a)], and (2) as provided for a delinquent tax under AS 43.05.225 after
8 that March 31. Interest accrued under (1) of this subsection that remains unpaid after
9 that March 31 is treated as an addition to tax that bears interest under (2) of this
10 subsection. An unpaid amount of tax due under (a)(4) [(a)(5)] of this section that is
11 not paid when due bears interest as provided for a delinquent tax under AS 43.05.225.

12 * Sec. 23. AS 43.55.020(h) is amended to read:

13 (h) Notwithstanding any contrary provision of AS 43.05.280,

14 (1) an overpayment of an installment payment required under (a)(1) -
15 (3) [(a)(1) - (4)] of this section bears interest at the rate provided for an overpayment
16 under 26 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily, from
17 the later of the date the installment payment is due or the date the overpayment is
18 made, until the earlier of

19 (A) the date it is refunded or is applied to an underpayment; [,]

20 or

21 (B) [THE] March 31 following the calendar year of
22 production [DESCRIBED IN AS 43.55.030(a)];

23 (2) except as provided under (1) of this subsection, interest with
24 respect to an overpayment is allowed only on any net overpayment of the payments
25 required under (a) of this section that remains after the later of [THE] March 31
26 following the calendar year of production [DESCRIBED IN AS 43.55.030(a)] or
27 the date that the statement required under AS 43.55.030(a) is filed;

28 (3) interest is allowed under (2) of this subsection only from a date
29 that is 90 days after the later of [THE] March 31 following the calendar year of
30 production [DESCRIBED IN AS 43.55.030(a)] or the date that the statement
31 required under AS 43.55.030(a) is filed; interest is not allowed if the overpayment

1 was refunded within the 90-day period;

2 (4) interest under (2) and (3) of this subsection is paid at the rate and
3 in the manner provided in AS 43.05.225(1).

4 * Sec. 24. AS 43.55.020 is amended by adding a new subsection to read:

5 (i) A civil penalty shall be added to the amount of an installment payment
6 required under (a)(1) - (3) of this section if at least 90 percent of the amount of the
7 payment is not paid by the date the payment is due. The penalty is equal to five
8 percent of the difference between the amount of the installment payment that was
9 made timely and the amount of the installment payment required under (a)(1) - (3) of
10 this section. If no part of the required installment payment was made timely, the
11 penalty is equal to five percent of the installment payment required under (a)(1) - (3)
12 of this section. The penalty is in addition to the interest imposed under (g) of this
13 section and a penalty added under AS 43.05.220, if any.

14 * Sec. 25. AS 43.55.023(b) is amended to read:

15 (b) A producer or explorer may elect to take a tax credit in the amount of 25
16 [20] percent of a carried-forward annual loss. A credit under this subsection may be
17 applied against a tax levied by [DUE UNDER] AS 43.55.011(e). For purposes of this
18 subsection, a carried-forward annual loss is the amount of a producer's or explorer's
19 adjusted lease expenditures under AS 43.55.165 and 43.55.170 for a previous
20 calendar year that was not deductible in calculating production tax values for that
21 calendar year under AS 43.55.160 [AS 43.55.160(b) AND (e)].

22 * Sec. 26. AS 43.55.023(i) is amended to read:

23 (i) For the purposes of this section,

24 (1) a producer's or explorer's transitional investment expenditures are
25 the sum of the expenditures the producer or explorer incurred after March 31, 2003
26 [2001], and before April 1, 2006, that would be qualified capital expenditures if they
27 were incurred after March 31, 2006, less the sum of the payments or credits the
28 producer or explorer received before April 1, 2006, for the sale or other transfer of
29 assets, including geological, geophysical, or well data or interpretations, acquired by
30 the producer or explorer as a result of expenditures the producer or explorer incurred
31 before April 1, 2006, that would be qualified capital expenditures, if they were

1 incurred after March 31, 2006;

2 (2) a producer or explorer may elect to take a tax credit against a tax
3 due under AS 43.55.011(e) in the amount of 20 percent of the producer's or explorer's
4 transitional investment expenditures, but only to the extent that the amount does not
5 exceed 1/10 of the producer's or explorer's qualified capital expenditures that are
6 incurred during the calendar year for which the credit is taken;

7 (3) a producer or explorer may not take a tax credit for a transitional
8 investment expenditure

9 (A) for any calendar year after the later of

10 (i) 2013; or

11 (ii) the sixth calendar year after the calendar year for
12 which the producer first applies a credit under this subsection against a
13 tax due under AS 43.55.011(e), if the producer did not have
14 commercial production of oil or gas from a lease or property in the
15 state before April 1, 2006;

16 (B) more than once; or

17 (C) if a credit for that expenditure was taken under
18 AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025;

19 (4) notwithstanding (d), (e), and (g) of this section, a producer or
20 explorer may not transfer a tax credit or obtain a transferable tax credit certificate for
21 a transitional investment expenditure.

22 * Sec. 27. AS 43.55.023 is amended by adding a new subsection to read:

23 (l) A person that is exempt from taxation under this chapter may not apply for
24 a transferable tax credit certificate.

25 * Sec. 28. AS 43.55.023 is amended by adding a new subsection to read:

26 (m) Notwithstanding the limitation on the use of a transferable tax credit by a
27 transferee under (e) of this section and subject to appropriations made by law, if and
28 to the extent that purchase of transferable tax credits by the Alaska Retirement
29 Management Board is authorized by law, the department shall issue a cash refund to
30 the Alaska Retirement Management Board for a transferable tax credit originally
31 issued to a person under (d) of this section and purchased by the Alaska Retirement

1 Management Board.

2 * Sec. 29. AS 43.55.025(a) is amended to read:

3 (a) Subject to the terms and conditions of this section, a credit against the
4 production tax levied by [DUE UNDER] AS 43.55.011(e) or (f) is allowed for
5 exploration expenditures that qualify under (b) of this section in an amount equal to
6 one of the following:

7 (1) 30 [20] percent of the total exploration expenditures that qualify
8 only under (b) and (c) of this section;

9 (2) 30 [20] PERCENT of the total exploration expenditures [FOR
10 WORK PERFORMED BEFORE JULY 1, 2007, AND] that qualify only under (b)
11 and (d) of this section;

12 (3) 40 percent of the total exploration expenditures that qualify under
13 (b), (c), and (d) of this section; or

14 (4) 40 percent of the total exploration expenditures that qualify only
15 under (b) and (c) of this section.

16 * Sec. 30. AS 43.55.025(b) is amended to read:

17 (b) To qualify for the production tax credit under (a) of this section, an
18 exploration expenditure must be incurred for work performed [ON OR] after
19 December 31, 2006 [JULY 1, 2003], and before July 1, 2016, [EXCEPT THAT AN
20 EXPLORATION EXPENDITURE FOR A COOK INLET PROSPECT MUST BE
21 INCURRED FOR WORK PERFORMED ON OR AFTER JULY 1, 2005.] and

22 (1) may be for seismic or other geophysical exploration costs not
23 connected with a specific well;

24 (2) if for an exploration well,

25 (A) must be incurred by an explorer that holds an interest in
26 the exploration well for which the production tax credit is claimed;

27 (B) may be for either a [AN OIL OR GAS DISCOVERY]
28 well that encounters an oil or gas deposit or a dry hole; [AND]

29 (C) must be for a well that has been completed, suspended,
30 or abandoned under AS 31.05.030 at the time the explorer claims the tax
31 credit under (f) of this section; and

1 (D) must be for goods, services, or rentals of personal
2 property reasonably required for the surface preparation, drilling, casing,
3 cementing, and logging of an exploration well, and, in the case of a dry hole,
4 for the expenses required for abandonment if the well is abandoned within 18
5 months after the date the well was spudded;

6 (3) may not be for [TESTING, STIMULATION, OR COMPLETION
7 COSTS;] administration, supervision, engineering, or lease operating costs;
8 geological or management costs; community relations or environmental costs;
9 bonuses, taxes, or other payments to governments related to the well; costs arising
10 from fraud, wilful misconduct, gross negligence, criminal negligence, violation of
11 law, including a violation of 33 U.S.C. 1319(c)(1) or 1321(b)(3) (Clean Water
12 Act), or failure to comply with an obligation under a lease, permit, or license
13 issued by the state or federal government, or other costs that are generally
14 recognized as indirect costs or financing costs; and

15 (4) may not be incurred for an exploration well or seismic exploration
16 that is included in a plan of exploration or a plan of development for any unit on
17 May 13, 2003.

18 * Sec. 31, AS 43.55.025(c) is repealed and reenacted to read:

19 (c) To be eligible for the 30 percent production tax credit authorized by (a)(1)
20 of this section or the 40 percent production tax credit authorized by (a)(3) of this
21 section, exploration expenditures must

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

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

24 (A) before spudding the well, (i) the explorer shall submit to
25 the commissioner of natural resources the information necessary to determine
26 whether the geological objective of the well is a potential oil or gas trap that is
27 distinctly separate from any trap that has been tested by a preexisting well;
28 and (ii) the commissioner of natural resources must make an affirmative
29 determination on that question; the commissioner of natural resources shall
30 decide whether to make that determination within 60 days after receiving all
31 the necessary information from the explorer and based on the information

1 received and on other information the commissioner of natural resources may
2 consider relevant;

3 (B) for an exploration well other than a well to explore a Cook
4 Inlet prospect, the well must be located and drilled in such a manner that the
5 bottom hole is located not less than three miles away from the bottom hole of
6 a preexisting well drilled for oil or gas, irrespective of whether the preexisting
7 well has been completed, suspended, or abandoned;

8 (C) after completion, abandonment, or suspension under
9 AS 31.05.030 of the exploration well, the commissioner of natural resources
10 must determine that the well adequately achieved the explorer's stated
11 geological objective.

12 * Sec. 32. AS 43.55.025(f) is amended to read:

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

14 (1) an explorer shall, in a form prescribed by the department and,
15 except for a credit under (f) of this section, within six months of the completion of
16 the exploration activity, claim the credit and submit information sufficient to
17 demonstrate to the department's satisfaction that the claimed exploration expenditures
18 qualify under this section;

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

20 (A) to notify the Department of Natural Resources, within 30
21 days after completion of seismic or geophysical data processing, completion
22 of [A] well drilling, or filing of a claim for credit, whichever is the latest, for
23 which exploration costs are claimed, of the date of completion and submit a
24 report to that department describing the processing sequence and providing a
25 list of data sets available; [IF, UNDER (c)(2)(B) OF THIS SECTION, AN
26 EXPLORER SUBMITS A CLAIM FOR A CREDIT FOR EXPENDITURES
27 FOR AN EXPLORATION WELL THAT IS LOCATED WITHIN THREE
28 MILES OF A WELL ALREADY DRILLED FOR OIL AND GAS, IN
29 ADDITION TO THE SUBMISSIONS REQUIRED UNDER (1) OF THIS
30 SUBSECTION, THE EXPLORER SHALL SUBMIT THE INFORMATION
31 NECESSARY FOR THE COMMISSIONER OF NATURAL RESOURCES

1 TO EVALUATE THE VALIDITY OF THE EXPLORER'S CLAIM THAT
2 THE WELL IS DIRECTED AT A DISTINCTLY SEPARATE
3 EXPLORATION TARGET, AND THE COMMISSIONER OF NATURAL
4 RESOURCES SHALL, UPON RECEIPT OF ALL EVIDENCE
5 SUFFICIENT FOR THE COMMISSIONER TO EVALUATE THE
6 EXPLORER'S CLAIM, MAKE THAT DETERMINATION WITHIN 60
7 DAYS;]

8 (B) to provide to the Department of Natural Resources, within
9 30 days after the date of a request, unless a longer period is provided by the
10 Department of Natural Resources, specific data sets, ancillary data, and
11 reports identified in (A) of this paragraph; in this subparagraph, well data
12 include all derivative products, results, and copies of data collected and
13 data analyses for the well, including well logs; sample analyses;
14 geophysical and velocity data including vertical seismic profiles and
15 check shot surveys; and tangible material including, for each whole core
16 collected, a lengthwise cut slab that is at least 1/3 of the whole core
17 volume, and representative samples, as specified by the Department of
18 Natural Resources, of other gaseous, liquid, or solid material collected
19 from drilling or testing the well;

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

24 (3) if more than one explorer holds an interest in a well or seismic
25 exploration, each explorer may claim an amount of credit that is proportional to the
26 explorer's cost incurred;

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

30 (5) if the department is satisfied that the explorer's claimed
31 expenditures are qualified under this section and that all data required to be

1 submitted under this section have been submitted, the department shall issue to the
2 explorer a production tax credit certificate for the amount of credit to be allowed
3 against production taxes levied by AS 43.55.011(e) or (f); the credit is available for
4 immediate use; notwithstanding any contrary provision of AS 38, AS 40.25.100,
5 or AS 43.05.230, the following information is not confidential:

6 (A) the explorer's name;

7 (B) the date of the application;

8 (C) the location of the well or seismic exploration;

9 (D) the date of the department's issuance of the certificate;

10 and

11 (E) the date on which the information required to be
12 submitted under this section will be released [DUE UNDER
13 AS 43.55.011(e) OR (f)].

14 * Sec. 33. AS 43.55.025(g) is amended to read:

15 (g) An explorer, other than an entity that is exempt from taxation under
16 this chapter, may transfer, convey, or sell its production tax credit certificate to any
17 person, and any person who receives a production tax credit certificate may also
18 transfer, convey, or sell the certificate.

19 * Sec. 34. AS 43.55.025(i) is repealed and reenacted to read:

20 (i) For a production tax credit under this section,

21 (1) a credit may not be applied to reduce a taxpayer's tax liability
22 under AS 43.55.011(e) or (f) below zero for a calendar year; and

23 (2) an amount of the production tax credit in excess of the amount that
24 may be applied for a calendar year under this subsection, may be carried forward and
25 applied against the taxpayer's tax liability under AS 43.55.011(e) or (f) in one or more
26 later calendar years.

27 * Sec. 35. AS 43.55.025(k) is amended by adding a new paragraph to read:

28 (4) "preexisting well" means a well that was spudded more than 540
29 days but less than 35 years before the date on which the exploration well to which it
30 is compared is spudded.

31 * Sec. 36. AS 43.55.025 is amended by adding a new subsection to read:

1 (f) Subject to the terms and conditions of this section, if a claim is filed under
2 (f)(1) of this section before January 1, 2016, a credit against the production tax levied
3 by AS 43.55.011(e) or (f) is allowed in an amount equal to five percent of an eligible
4 expenditure under this subsection incurred for seismic exploration performed before
5 July 1, 2003. To be eligible under this subsection, an expenditure must

6 (1) have been for seismic exploration that

7 (A) obtained data that the commissioner of natural resources
8 considers to be in the best interest of the state to acquire for public
9 distribution; and

10 (B) was conducted outside the boundaries of a production unit;
11 however, the amount of the expenditure that is otherwise eligible under this
12 section is reduced proportionately by the portion of the seismic exploration
13 activity that crossed into a production unit; and

14 (2) qualify under (b)(3) of this section.

15 * Sec. 37. AS 43.55.025 is amended by adding a new subsection to read:

16 (m) Subject to appropriations made by law, if and to the extent that purchase
17 of transferable tax credits by the Alaska Retirement Management Board is authorized
18 by law, the department shall issue a cash refund to the Alaska Retirement
19 Management Board for a transferable tax credit originally issued to an explorer under
20 (f) of this section and purchased by the Alaska Retirement Management Board.

21 * Sec. 38. AS 43.55.030(a) is amended to read:

22 (a) A producer that produces oil or gas from a lease or property in the
23 state during a calendar year, whether or not any tax payment is due under
24 AS 43.55.020(a) for that oil or gas, [THE PERSON PAYING THE TAX] shall file
25 with the department on March 31 of the following year [FOLLOWING THE
26 CALENDAR YEAR FOR WHICH THE TAX WAS LEVIED] a statement, under
27 oath, in a form prescribed by the department, giving, with other information required,
28 the following:

29 (1) a description of each lease or property from which [THE] oil or
30 [AND] gas was [WERE] produced, by name, legal description, lease number, or
31 accounting codes assigned by the department;

1 (2) the names of the producer and, if different, the person paying the
2 tax, if any;

3 (3) the gross amount of oil and the gross amount of gas produced from
4 each lease or property, and the percentage of the gross amount of oil and gas owned
5 by the [EACH] producer [FOR WHOM THE TAX IS PAID];

6 (4) the gross value at the point of production of the oil and of the gas
7 produced from each lease or property owned by the [EACH] producer and the costs
8 of transportation of the oil and gas [FOR WHOM THE TAX IS PAID];

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

12 (6) the producer's qualified capital expenditures, as defined in
13 AS 43.55.023, other lease expenditures [AND ADJUSTMENTS AS
14 CALCULATED] under AS 43.55.165, and adjustments or other payments or
15 credits under AS 43.55.170;

16 (7) the production tax values of the oil and gas under
17 AS 43.55.160;

18 (8) any claims for tax credits to be applied; and

19 (9) calculations showing the amounts, if any, that were or are due
20 under AS 43.55.020(a) and interest on any underpayment or overpayment
21 [AS 43.55.160 - 43.55.170].

22 * Sec. 39. AS 43.55.030(d) is amended to read:

23 (d) Reports required under this section [BY OR ON BEHALF OF THE
24 PRODUCER] are delinquent the first day following the day the report is due. The
25 person required to file the report is liable for a penalty, as determined by the
26 department under standards adopted in regulation by the department, of not
27 more than \$1,000 for each day the person fails to file the report at the time
28 required. The penalty is in addition to the penalties in AS 43.05.220 and
29 43.05.290 and is assessed, collected, and paid in the same manner as a tax
30 deficiency under this title. In this subsection, "report" includes a statement."

31 * Sec. 40. AS 43.55.030 is amended by adding new subsections to read:

1 (e) An explorer or producer that incurs a lease expenditure under
2 AS 43.55.165 or receives a payment or credit under AS 43.55.170 during a calendar
3 year but does not produce oil or gas from a lease or property in the state during the
4 calendar year shall file with the department on March 31 of the following year a
5 statement, under oath, in a form prescribed by the department, giving, with other
6 information required, the following:

7 (1) the producer's qualified capital expenditures, as defined in
8 AS 43.55.023, other lease expenditures under AS 43.55.165, and adjustments or other
9 payments or credits under AS 43.55.170; and

10 (2) if the explorer or producer receives a payment or credit under
11 AS 43.55.170, calculations showing whether the explorer or producer is liable for a
12 tax under AS 43.55.160(d) or 43.55.170(b) and, if so, the amount.

13 (f) The department may require a producer, an explorer, or an operator of a
14 lease or property to file monthly reports, as applicable, of

15 (1) the amounts and gross value at the point of production of oil and
16 gas produced;

17 (2) transportation costs of the oil and gas;

18 (3) any unscheduled interruption of, or reduction in the rate of, oil or
19 gas production;

20 (4) lease expenditures and adjustments under AS 43.55.165 and
21 43.55.170;

22 (5) joint interest billings;

23 (6) contracts for the sale or transportation of oil or gas;

24 (7) information and calculations used in determining monthly
25 installment payments of estimated tax under AS 43.55.020(a); and

26 (8) other records and information the department considers necessary
27 for the administration of this chapter.

28 **Sec. 41.** AS 43.55.040 is amended to read:

29 **Sec. 43.55.040. Powers of Department of Revenue.** Except as provided in
30 AS 43.05.405 - 43.05.499, the department may

31 (1) require a person engaged in production and the agent or employee

1 of the person, and the purchaser of oil or gas, or the owner of a royalty interest in oil
2 or gas to furnish, whether by the filing of regular statements or reports or otherwise,
3 additional information that is considered by the department as necessary to compute
4 the amount of the tax; notwithstanding any contrary provision of law, the disclosure
5 of additional information under this paragraph to the producer obligated to pay the tax
6 does not violate AS 40.25.100(a) or AS 43.05.230(a); before disclosing information
7 under this paragraph that is otherwise required to be held confidential under
8 AS 40.25.100(a) or AS 43.05.230(a), the department shall

9 (A) provide the person that furnished the information a
10 reasonable opportunity to be heard regarding the proposed disclosure and the
11 conditions to be imposed under (B) of this paragraph; and

12 (B) impose appropriate conditions limiting

13 (i) access to the information to those legal counsel,
14 consultants, employees, officers, and agents of the producer who have
15 a need to know that information for the purpose of determining or
16 contesting the producer's tax obligation; and

17 (ii) the use of the information to use for that purpose;

18 (2) examine the books, records, and files of the [SUCH A] person;

19 (3) conduct hearings and compel the attendance of witnesses and the
20 production of books, records, and papers of any person; [AND]

21 (4) make an investigation or hold an inquiry that is considered
22 necessary to a disclosure of the facts as to

23 (A) the amount of production from any oil or gas location, or
24 of a company or other producer of oil or gas; and

25 (B) the rendition of the oil and gas for taxing purposes;

26 (5) require a producer, an explorer, or an operator of a lease or
27 property to file reports and copies of records that the department considers
28 necessary to forecast state revenue under this chapter; in the case of reports and
29 copies of records relating to proposed, expected, or approved unit expenditures
30 for a unit for which one or more working interest owners other than the
31 operator have authority to approve unit expenditures, the required reports and

1 copies of records are limited to those reports or copies of records that constitute
2 or disclose communications between the operator and the working interest
3 owners relating to unit budget matters; and

4 (6) assess against a person required under this section to file a
5 report, statement, or other document a penalty, as determined by the
6 department under standards adopted in regulation by the department, of not
7 more than \$1,000 for each day the person fails to file the report, statement, or
8 other document after notice by the department; the penalty is in addition to any
9 penalties under AS 43.05.220 and 43.05.290 and is assessed, collected, and paid
10 in the same manner as a tax deficiency under this title; the penalty shall bear
11 interest at the rate specified under AS 43.05.225(1).

12 * Sec. 42. AS 43.55 is amended by adding a new section to read:

13 Sec. 43.55.075. Limitation on assessment and amended returns. (a) Except
14 as provided in AS 43.05.260(c), the amount of a tax imposed by this chapter must be
15 assessed within four years after the latest return was filed.

16 (b) A decision of a regulatory agency, court, or other body with authority to
17 resolve disputes that results in a retroactive change to a lease expenditure, to an
18 adjustment to a lease expenditure, to costs of transportation, to sale price, to
19 prevailing value, or to consideration of quality differentials relating to the
20 commingling of oils has a corresponding effect, either an increase or decrease, as
21 applicable, on the production tax value of oil or gas or the amount or availability of a
22 tax credit as determined under this chapter. For purposes of this section, a change to a
23 lease expenditure includes a change in the categorization of a lease expenditure as a
24 qualified capital expenditure or as not a qualified capital expenditure. The producer
25 shall

26 (1) within 60 days after the change, notify the department in writing;

27 and

28 (2) within 120 days after the change, file amended returns covering all
29 periods affected by the change, unless the department agrees otherwise or a stay is in
30 place that affects the filing or payment, regardless of the pendency of appeals of the
31 decision.

1 (c) If an alteration in or modification of a producer's federal income tax return
2 or a recomputation of the producer's federal income tax or determination of
3 deficiency occurs that affects the amount of a tax imposed on the producer under this
4 chapter, the producer shall

5 (1) within 60 days after the final determination of the alteration,
6 modification, recomputation, or deficiency, notify the department in writing; and

7 (2) within 120 days after the final determination of the alteration,
8 modification, recomputation, or deficiency, file amended returns covering all affected
9 periods.

10 (d) In this section,

11 (1) "qualified capital expenditure" has the meaning given in
12 AS 43.55.023;

13 (2) "return" includes a report, a statement, and an amended return,
14 report, or statement.

15 * Sec. 43. AS 43.55.110 is amended by adding new subsections to read:

16 (e) The department may require that returns, statements, reports, notifications,
17 and applications filed under this chapter be filed electronically in a form and manner
18 approved or prescribed by the department.

19 (f) The department may require that payments required under this chapter be
20 made electronically in a form and manner approved or prescribed by the department.

21 (g) Notwithstanding AS 44.62, the department may issue, for the information
22 and guidance of producers, explorers, and other interested persons, advisory bulletins
23 stating the department's interpretation of provisions of this chapter and of regulations
24 adopted under this chapter. Unless otherwise provided by the department by
25 regulation, interpretations stated in the advisory bulletins are not binding on the
26 department or others.

27 * Sec. 44. AS 43.55.160(a) is amended to read:

28 (a) Except as provided in (b) of this section, for the purposes of

29 [(1)] AS 43.55.011(c), the annual production tax value of the taxable

30 (1) [(A)] oil and gas produced during a calendar year from leases or
31 properties in the state that include land north of 68 degrees North latitude is the gross

1 value at the point of production of the oil and gas taxable under AS 43.55.011(e) and
2 produced by the producer from those leases or properties, less the producer's lease
3 expenditures under AS 43.55.165 for the calendar year applicable to the oil and gas
4 produced by the producer from those leases or properties, as adjusted under
5 AS 43.55.170; this subparagraph does not apply to gas subject to
6 AS 43.55.011(o);

7 (2) [(B)] oil and gas produced during a calendar year from leases or
8 properties in the state outside the Cook Inlet sedimentary basin, no part of which is
9 north of 68 degrees North latitude, is the gross value at the point of production of the
10 oil and gas taxable under AS 43.55.011(e) and produced by the producer from those
11 leases or properties, less the producer's lease expenditures under AS 43.55.165 for the
12 calendar year applicable to the oil and gas produced by the producer from those leases
13 or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to
14 gas subject to AS 43.55.011(o);

15 (3) [(C)] oil produced during a calendar year from a lease or property
16 in the Cook Inlet sedimentary basin is the gross value at the point of production of the
17 oil taxable under AS 43.55.011(e) and produced by the producer from that lease or
18 property, less the producer's lease expenditures under AS 43.55.165 for the calendar
19 year applicable to the oil produced by the producer from that lease or property, as
20 adjusted under AS 43.55.170;

21 (4) [(D)] gas produced during a calendar year from a lease or property
22 in the Cook Inlet sedimentary basin is the gross value at the point of production of the
23 gas taxable under AS 43.55.011(e) and produced by the producer from that lease or
24 property, less the producer's lease expenditures under AS 43.55.165 for the calendar
25 year applicable to the gas produced by the producer from that lease or property, as
26 adjusted under AS 43.55.170;

27 (5) gas produced during a calendar year from a lease or property
28 outside the Cook Inlet sedimentary basin and used in the state is the gross value
29 at the point of production of that gas taxable under AS 43.55.011(e) and
30 produced by the producer from that lease or property, less the producer's lease
31 expenditures under AS 43.55.165 for the calendar year applicable to that gas

1 produced by the producer from that lease or property, as adjusted under
2 AS 43.55.170

3 [(2) AS 43.55.011(g), THE MONTHLY PRODUCTION TAX
4 VALUE OF THE TAXABLE]

5 (A) OIL AND GAS PRODUCED DURING A MONTH
6 FROM LEASES OR PROPERTIES IN THE STATE THAT INCLUDE
7 LAND NORTH OF 68 DEGREES NORTH LATITUDE IS THE GROSS
8 VALUE AT THE POINT OF PRODUCTION OF THE OIL AND GAS
9 TAXABLE UNDER AS 43.55.011(g) AND PRODUCED BY THE
10 PRODUCER FROM THOSE LEASES OR PROPERTIES, LESS 1/12 OF
11 THE PRODUCER'S LEASE EXPENDITURES UNDER AS 43.55.165 FOR
12 THE CALENDAR YEAR APPLICABLE TO THE OIL AND GAS
13 PRODUCED BY THE PRODUCER FROM THOSE LEASES OR
14 PROPERTIES, AS ADJUSTED UNDER AS 43.55.170;

15 (B) OIL AND GAS PRODUCED DURING A MONTH
16 FROM LEASES OR PROPERTIES IN THE STATE OUTSIDE THE COOK
17 INLET SEDIMENTARY BASIN, NO PART OF WHICH IS NORTH OF 68
18 DEGREES NORTH LATITUDE, IS THE GROSS VALUE AT THE POINT
19 OF PRODUCTION OF THE OIL AND GAS TAXABLE UNDER
20 AS 43.55.011(g) AND PRODUCED BY THE PRODUCER FROM THOSE
21 LEASES OR PROPERTIES, LESS 1/12 OF THE PRODUCER'S LEASE
22 EXPENDITURES UNDER AS 43.55.165 FOR THE CALENDAR YEAR
23 APPLICABLE TO THE OIL AND GAS PRODUCED BY THE PRODUCER
24 FROM THOSE LEASES OR PROPERTIES, AS ADJUSTED UNDER
25 AS 43.55.170;

26 (C) OIL PRODUCED DURING A MONTH FROM A
27 LEASE OR PROPERTY IN THE COOK INLET SEDIMENTARY BASIN
28 IS THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL
29 TAXABLE UNDER AS 43.55.011(g) AND PRODUCED BY THE
30 PRODUCER FROM THAT LEASE OR PROPERTY, LESS 1/12 OF THE
31 PRODUCER'S LEASE EXPENDITURES UNDER AS 43.55.165 FOR THE

1 CALENDAR YEAR APPLICABLE TO THE OIL PRODUCED BY THE
2 PRODUCER FROM THAT LEASE OR PROPERTY, AS ADJUSTED
3 UNDER AS 43.55.170;

4 (D) GAS PRODUCED DURING A MONTH FROM A
5 LEASE OR PROPERTY IN THE COOK INLET SEDIMENTARY BASIN
6 IS THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE GAS
7 TAXABLE UNDER AS 43.55.011(g) AND PRODUCED BY THE
8 PRODUCER FROM THAT LEASE OR PROPERTY, LESS 1/12 OF THE
9 PRODUCER'S LEASE EXPENDITURES UNDER AS 43.55.165 FOR THE
10 CALENDAR YEAR APPLICABLE TO THE GAS PRODUCED BY THE
11 PRODUCER FROM THAT LEASE OR PROPERTY, AS ADJUSTED
12 UNDER AS 43.55.170].

13 * Sec. 45. AS 43.55.160(c) is amended to read:

14 (c) Any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that
15 would otherwise be deductible by a producer in a calendar year but whose deduction
16 would cause an annual production tax value calculated under (a) [(a)(1)] of this
17 section of taxable oil or gas produced during the calendar year to be less than zero
18 may be used to establish a carried-forward annual loss under AS 43.55.023(b). In this
19 subsection, "producer" includes "explorer."

20 * Sec. 46. AS 43.55.165(a) is amended to read:

21 (a) Except as provided under (c) and (e) [(c) - (e)] of this section, for the
22 purposes of AS 43.55.160, a producer's lease expenditures for a calendar year are the
23 ordinary and necessary costs upstream of the point of production of oil and gas that
24 are incurred during the calendar year by the producer after March 31, 2006, and that
25 are direct costs of exploring for, developing, or producing oil or gas deposits located
26 within the producer's leases or properties in the state or, in the case of land in which
27 the producer does not own a working interest, that are direct costs of exploring for oil
28 or gas deposits located within other land in the state. In determining whether costs are
29 lease expenditures, the department shall consider, among other factors,

30 (1) the typical industry practices and standards in the state that
31 determine the costs, other than items listed in (c) of this section, that an operator is

1 allowed to bill a working interest owner that is not the operator, under unit operating
2 agreements or similar operating agreements that were in effect before December 2,
3 2005, and were subject to negotiation with at least one working interest owner with
4 substantial bargaining power, other than the operator; and

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

9 * Sec. 47. AS 43.55.165(c) is repealed and reenacted to read:

10 (c) Subject to (g) and (h) of this section, if the department finds that the
11 pertinent provisions of a unit operating agreement or similar operating agreement are
12 substantially consistent with the department's determinations and standards under (a)
13 of this section concerning whether costs are lease expenditures and, in addition, finds
14 that at least one working interest owner party to the agreement, other than the
15 operator, with substantial incentive and ability to effectively audit billings under the
16 agreement, in fact is effectively auditing billings under the agreement, the department
17 may authorize or require a producer, subject to conditions prescribed under
18 regulations adopted by the department, to treat as that portion of its lease expenditures
19 for a calendar year applicable to oil and gas produced from a lease or property in the
20 state only

21 (1) the costs, other than items listed in (e) of this section, that are
22 incurred by the operator during the calendar year and that

23 (A) are billed to the producer by the operator under the
24 agreement to which that lease or property is subject and are either not disputed
25 by a working interest owner party to the agreement or are finally determined
26 to be properly billable as a result of dispute resolution; or

27 (B) for a producer that is the operator, would be billable to the
28 producer by the operator in accordance with the terms of the agreement to
29 which that lease or property is subject if the producer were not the operator;
30 and

31 (2) a reasonable percentage, as determined under regulations adopted

1 by the department, of the costs that are billed under (1) of this subsection as an
2 allowance for overhead expenses directly related to exploring for, developing, and
3 producing oil or gas deposits located within the lease or property, to the extent those
4 expenses are not billable under the agreement.

5 * Sec. 48. AS 43.55.165(e) is amended to read:

6 (e) For purposes of this section, lease expenditures do not include

7 (1) depreciation, depletion, or amortization;

8 (2) oil or gas royalty payments, production payments, lease profit
9 shares, or other payments or distributions of a share of oil or gas production, profit, or
10 revenue;

11 (3) taxes based on or measured by net income;

12 (4) interest or other financing charges or costs of raising equity or
13 debt capital;

14 (5) acquisition costs for a lease or property or exploration license;

15 (6) costs arising from fraud, wilful misconduct, [OR] gross
16 negligence, criminal negligence, violation of law, including a violation of 33
17 U.S.C. 1319(e)(1) or 1321(b)(3) (Clean Water Act), or failure to comply with an
18 obligation under a lease, permit, or license issued by the state or federal
19 government;

20 (7) fines or penalties imposed by law;

21 (8) costs of arbitration, litigation, or other dispute resolution activities
22 that involve the state or concern the rights or obligations among owners of interests
23 in, or rights to production from, one or more leases or properties or a unit;

24 (9) costs incurred in organizing a partnership, joint venture, or other
25 business entity or arrangement;

26 (10) amounts paid to indemnify the state; the exclusion provided by
27 this paragraph does not apply to the costs of obtaining insurance or a surety bond
28 from a third-party insurer or surety;

29 (11) surcharges levied under AS 43.55.201 or 43.55.300;

30 (12) for a transaction that is an internal transfer or is otherwise not an
31 arm's length transaction, expenditures incurred that are in excess of fair market value;

1 (13) an expenditure incurred to purchase an interest in any
2 corporation, partnership, limited liability company, business trust, or any other
3 business entity, whether or not the transaction is treated as an asset sale for federal
4 income tax purposes;

5 (14) a tax levied under AS 43.55.011;

6 (15) [THE PORTION OF] costs incurred for dismantlement, removal,
7 surrender, or abandonment of a facility, pipeline, well pad, platform, or other
8 structure, or for the restoration of a lease, field, unit, area, tract of land, body of
9 water, or right-of-way in conjunction with dismantlement, removal, surrender, or
10 abandonment [, THAT IS ATTRIBUTABLE TO PRODUCTION OF OIL OR GAS
11 OCCURRING BEFORE APRIL 1, 2006; THE PORTION IS CALCULATED AS A
12 RATIO OF THE AMOUNT OF OIL AND GAS PRODUCTION, IN BARRELS OF
13 OIL EQUIVALENT, ASSOCIATED WITH THE FACILITY, PIPELINE, WELL
14 PAD, PLATFORM, OTHER STRUCTURE, LEASE, FIELD, UNIT, AREA, BODY
15 OF WATER, OR RIGHT-OF-WAY OCCURRING BEFORE APRIL 1, 2006, TO
16 THE TOTAL AMOUNT OF OIL AND GAS PRODUCTION, IN BARRELS OF
17 OIL EQUIVALENT, ASSOCIATED WITH THAT FACILITY, PIPELINE, WELL
18 PAD, PLATFORM, OTHER STRUCTURE, LEASE, FIELD, UNIT, AREA, BODY
19 OF WATER, OR RIGHT-OF-WAY THROUGH THE END OF THE CALENDAR
20 MONTH BEFORE COMMENCEMENT OF THE DISMANTLEMENT,
21 REMOVAL, SURRENDER, OR ABANDONMENT]; a cost is not excluded under
22 this paragraph if the dismantlement, removal, surrender, or abandonment for which
23 the cost is incurred is undertaken for the purpose of replacing, renovating, or
24 improving the facility, pipeline, well pad, platform, or other structure; [FOR THE
25 PURPOSES OF THIS PARAGRAPH, "BARREL OF OIL EQUIVALENT" MEANS

26 (A) IN THE CASE OF OIL, ONE BARREL;

27 (B) IN THE CASE OF GAS, 6,000 CUBIC FEET;]

28 (16) costs incurred for containment, control, cleanup, or removal in
29 connection with any unpermitted release of oil or a hazardous substance and any
30 liability for damages imposed on the producer or explorer for that unpermitted
31 release; this paragraph does not apply to the cost of developing and maintaining an oil

1 discharge prevention and contingency plan under AS 46.04.030;

2 (17) costs incurred to satisfy a work commitment under an exploration
3 license under AS 38.05.132;

4 (18) that portion of expenditures, that would otherwise be qualified
5 capital expenditures, as defined in AS 43.55.023 [AS 43.55.023(k)], incurred during a
6 calendar year that are less than the product of \$0.30 multiplied by the total taxable
7 production from each lease or property, in BTU equivalent barrels, during that
8 calendar year, except that, when a portion of a calendar year is subject to this
9 provision, the expenditures and volumes shall be prorated within that calendar year;

10 (19) costs incurred to construct, acquire, or operate a refinery or
11 crude oil topping plant, regardless of whether the products of the refinery or
12 topping plant are used in oil or gas exploration, development, or production
13 operations; however, if a producer owns a refinery or crude oil topping plant
14 that is located on or near the premises of the producer's lease or property in the
15 state and that processes the producer's oil produced from that lease or property
16 into a product that the producer uses in the operation of the lease or property in
17 drilling for or producing oil or gas, the producer's lease expenditures include the
18 amount calculated by subtracting from the fair market value of the product used
19 the prevailing value, as determined under AS 43.55.020(f), of the oil that is
20 processed;

21 (20) costs of lobbying, public relations advertising, or policy
22 advocacy.

23 * Sec. 49. AS 43.55.165(h) is amended to read:

24 (h) The department shall adopt regulations that provide for reasonable
25 methods of allocating costs between oil and gas, between gas subject to
26 AS 43.55.011(o) and other gas, and between leases or properties in those
27 circumstances where an allocation of costs is required to determine [THE
28 DETERMINATION OF THE] lease expenditures that are costs of exploring for,
29 developing, or producing oil deposits or costs of exploring for, developing, or
30 producing gas deposits [APPLICABLE TO OIL OR TO GAS], or that are costs of
31 exploring for, developing, or producing oil or gas deposits located within

1 [APPLICABLE TO OIL AND GAS PRODUCED FROM] different leases or
2 properties [, REQUIRES AN ALLOCATION OF COSTS].

3 * Sec. 50. AS 43.55.170(a) is amended to read:

4 (a) Unless the payment or credit has already been subtracted in calculating
5 billable or billed costs under AS 43.55.165(c) [OR (d)], a producer's lease
6 expenditures under AS 43.55.165 must be adjusted by subtracting payments or
7 credits, other than tax credits, received by the producer or by an operator acting for
8 the producer for

9 (1) the use by another person of a production facility in which the
10 producer has an ownership interest or the management by the producer of a
11 production facility under a management agreement providing for the producer to
12 receive a management fee;

13 (2) a reimbursement or similar payment that offsets the producer's
14 lease expenditures, including an insurance recovery from a third-party insurer and a
15 payment from the state or federal government for reimbursement of the producer's
16 upstream costs, including costs for gathering, separating, cleaning, dehydration,
17 compressing, or other field handling associated with the production of oil or gas
18 upstream of the point of production;

19 (3) the sale or other transfer of

20 (A) an asset, including geological, geophysical, or well data or
21 interpretations, acquired by the producer as a result of a lease expenditure or
22 an expenditure that would be a lease expenditure if it were incurred after
23 March 31, 2006; for purposes of this subparagraph,

24 (i) if a producer removes from the state, for use outside
25 the state, an asset described in this subparagraph, the value of the asset
26 at the time it is removed is considered a payment received by the
27 producer for sale or transfer of the asset;

28 (ii) for a transaction that is an internal transfer or is
29 other wise not an arm's length transaction, if the sale or transfer of the
30 asset is made for less than fair market value, the amount subtracted
31 must be the fair market value; and

1 (B) oil or gas

2 (i) that is not considered produced from a lease or
3 property under AS 43.55.020(c); and

4 (ii) the cost of acquiring which is a lease expenditure
5 incurred by the person that acquires the oil or gas.

6 * Sec. 51. AS 43.55 is amended by adding a new section to article 4 to read:

7 **Sec. 43.55.890. Disclosure of tax information.** Subject to AS 40.25.100 and
8 AS 43.05.230(e), the department may publish the following information under this
9 chapter, if aggregated among three or more producers or explorers, showing by month
10 or calendar year and by lease or property, unit, or area of the state:

11 (1) the amount of oil or gas production;

12 (2) the amount of taxes levied under this chapter or paid under this
13 chapter;

14 (3) the effective tax rates under this chapter;

15 (4) the gross value of oil or gas at the point of production;

16 (5) the transportation costs for oil or gas;

17 (6) qualified capital expenditures under AS 43.55.023(k);

18 (7) exploration expenditures under AS 43.55.025;

19 (8) production tax values of oil or gas under AS 43.55.160;

20 (9) lease expenditures under AS 43.55.165;

21 (10) adjustments to lease expenditures under AS 43.55.170;

22 (11) tax credits applicable or potentially applicable against taxes
23 levied by this chapter.

24 * Sec. 52. AS 43.55.900 is amended by adding new paragraphs to read:

25 (22) "producer" means an owner of an operating right, operating
26 interest, or working interest in a mineral interest in oil or gas;

27 (23) "unit" means a group of tracts of land that is

28 (A) subject to a cooperative or a unit plan of development or
29 operation that has been certified by the commissioner of natural resources
30 under AS 38.05.180(p);

31 (B) subject to a cooperative or a unit plan of development or

1 operation that has been certified by the United States Secretary of the Interior
2 under 30 U.S.C. 226(m);

3 (C) subject to an agreement of the owners of interests in the
4 tracts of land to validly integrate their interests to provide for the unitized
5 management, development, and operation of the tracts of land as a unit, within
6 the meaning of AS 31.05.110(a); or

7 (D) within the unit area of a unit created by order of the
8 Alaska Oil and Gas Conservation Commission under AS 31.05.110(b);

9 (24) "used in the state" means delivered for consumption as fuel in the
10 state, including as fuel consumed to generate electricity.

11 * Sec. 53. AS 43.55.160(c) and 43.55.165(d) are repealed.

12 * Sec. 54. The uncodified law of the State of Alaska is amended by adding a new section to
13 read:

14 APPLICABILITY. (a) Sections 14 - 26, 28 - 32, 34 - 38, 40, 44 - 50, and 53 of this
15 Act apply to oil and gas produced after December 31, 2007.

16 (b) Sections 38 and 40 of this Act apply to statements and reports under
17 AS 43.55.030(a), as amended by sec. 38 of this Act, and AS 43.55.030(e) and (f), as added
18 by sec. 40 of this Act, required to be filed after December 31, 2007.

19 (c) Sections 29 - 32 and 35 of this Act apply to exploration expenditures incurred for
20 work performed after December 31, 2006, that are the basis of tax credits that may be
21 claimed against taxes levied for oil and gas produced after December 31, 2007.

22 (d) AS 43.55.075(a), enacted by sec. 42 of this Act, applies to any tax liability under
23 AS 43.55 with respect to which the period of limitations on assessment under AS 43.05.260
24 had not expired before the effective date of secs. 13 and 42 of this Act.

25 (e) AS 43.55.020(i), enacted by sec. 24 of this Act, applies to any installment
26 payment due after the effective date of sec. 24 of this Act that is not paid timely.

27 (f) The penalty in AS 43.55.030(d), enacted by the amendment to AS 43.55.030(d) in
28 sec. 39 of this Act, applies to any report required to be filed after the effective date of sec. 39
29 of this Act that is not filed timely.

30 (g) The penalty in AS 43.55.040(6), enacted by the amendment to AS 43.55.040 in
31 sec. 41 of this Act, applies to any report, statement, or other document required to be filed

1 after the effective date of sec. 41 of this Act.

2 * **Sec. 55.** The uncodified law of the State of Alaska is amended by adding a new section to
3 read:

4 **TRANSITION: ASSIGNMENT OF OIL AND GAS AUDITORS IN THE**
5 **DEPARTMENT OF REVENUE AND DEPARTMENT OF NATURAL RESOURCES.**
6 Notwithstanding any contrary provision of law, employees employed as oil and gas auditors
7 performing production tax audits or as their immediate supervisors in the Department of
8 Revenue and employees employed as oil and gas auditors performing royalty audits,
9 including net profit share audits, or as their immediate supervisors in the Department of
10 Natural Resources are assigned to the exempt service in accordance with AS 39.25.110(42),
11 added by sec. 10 of this Act, and may not be included in the general government or
12 supervisory collective bargaining units of state employees except as provided in this section.
13 All oil and gas auditors performing production tax audits or royalty audits and their
14 immediate supervisors hired before the effective date of sec 10 of this Act have the option of
15 (1) continuing in the general government or supervisory collective bargaining units and being
16 subject to their respective collective bargaining agreements; or (2) being removed from those
17 bargaining units. Those employees have 90 days from the effective date of sec. 10 of this Act
18 to exercise the option to continue in the collective bargaining units. The option taken under
19 this section by the employee is irrevocable. The employees choosing to be removed from
20 those bargaining units are removed after any notice period required by a collective
21 bargaining agreement.

22 * **Sec. 56.** The uncodified law of the State of Alaska is amended by adding a new section to
23 read:

24 **TRANSITION: REGULATIONS.** The Department of Natural Resources and the
25 Department of Revenue may proceed to adopt regulations to implement this Act. The
26 regulations take effect under AS 44.62 (Administrative Procedure Act), but not before the
27 effective date of the law implemented by the regulation.

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

30 **RETROACTIVITY OF CERTAIN PROVISIONS OF THIS ACT.** Sections 27 and
31 33 of this Act are retroactive to July 1, 2003.

1 * Sec. 58. Sections 14 - 26, 28 - 32, 34 - 38, 40, 44 - 50, and 53 of this Act take effect
2 January 1, 2008.

3 * Sec. 59. Except as provided in sec. 58 of this Act, this Act takes effect immediately under
4 AS 01.10.07(c).

Adopted

FIN 1

25-GH0014VN.19
Cook/Bullock
11/10/07

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE CHENAULT

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 10, line 23:

2 Delete "and (k)"

3 Insert "(k), and (o)"

4

5 Page 10, following line 26:

6 Insert a new bill section to read:

7 ** Sec. 15. AS 43.55.011(f) is amended to read:

8 (f) The levy of tax under this section for [ON A PRODUCER OF] oil and gas
9 produced from leases or properties that include land north of 68 degrees North
10 latitude, other than oil and gas subject to (i) of this section and gas subject to (o)
11 of this section, may not be less than

12 (1) four percent of the gross value at the point of production when the
13 average price per barrel for Alaska North Slope crude oil for sale on the United States
14 West Coast during the calendar year for which the tax is due is more than \$25;

15 (2) three percent of the gross value at the point of production when the
16 average price per barrel for Alaska North Slope crude oil for sale on the United States
17 West Coast during the calendar year for which the tax is due is over \$20 but not over
18 \$25;

19 (3) two percent of the gross value at the point of production when the
20 average price per barrel for Alaska North Slope crude oil for sale on the United States
21 West Coast during the calendar year for which the tax is due is over \$17.50 but not
22 over \$20;

23 (4) one percent of the gross value at the point of production when the

1 average price per barrel for Alaska North Slope crude oil for sale on the United States
2 West Coast during the calendar year for which the tax is due is over \$15 but not over
3 \$17.50; or

4 (5) zero percent of the gross value at the point of production when the
5 average price per barrel for Alaska North Slope crude oil for sale on the United States
6 West Coast during the calendar year for which the tax is due is \$15 or less."
7

8 Renumber the following bill sections accordingly.

9
10 Page 13, line 3:

11 Delete "and (g)"

12 Insert "[AND (g)]"

13

14 Conform internal references to bill sections so that the amendment to AS 43.55.011(f) takes
15 effect on January 1, 2008. Below are all internal references to bill sections in this bill:

16 Page 2, line 4;

17 Page 39, lines 14, 16, 17, 18, 19, 22, 24, 25, 26, 28, and 31;

18 Page 40, lines 1 and 30 - 31;

19 Page 41, lines 1 and 3.

*Adopted
as Amended*

FIN 2

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: CSHB 2001(FIN), Work Draft 24-GH0014N

Chenault

1 Page 2, line 7

2 Insert Intent Language:

3

4 It is the intent of the legislature that costs disallowed in accordance with
5 AS 43.55.165(e)(6) amended by Section 48 of this act include costs, subsequent to the
6 effective date of the enactment of AS 43.55.165(e)(6), incurred as a result of monitoring
7 and management decisions that fail to properly consider risks posed by changing
8 operating conditions and result in failure to take necessary actions to prevent a pipeline
9 spill. ~~interruption of service or shut down~~

10

11 Make conforming format changes in section.

12

Adopted

Kelly
Stalter

AMENDMENT

FIN 3

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 2, line 3, following "that":

2 Insert

3 "(1) the provisions of this Act will

4 (A) ensure a fair and equitable means of assessing and taxing
5 Alaska's oil and gas resources; and

6 (B) encourage the availability to Alaska's citizens of affordable gas
7 produced, transported, and consumed within the state;

8 (2) the enactment of"

9

10 Page 2, line 4:

11 Delete "enacted by"

12 Insert "in"

13 Delete "confirm"

14 Insert "relating to the limitation of assessments for the production tax on oil and
15 gas and conservation surcharges on oil, confirms"

16

17 Page 2, line 5, following "Revenue", through line 6:

18 Delete all material except the final period

19

20

2007 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 11/10

Amendment: FIN 4

MEMBER

Favor

Oppose

FOSTER	✓	
GARA	✓	
HAWKER	✓	
JOULE	✓	
KELLY		✓
NELSON	✓	
STOLTZE		✓
THOMAS	✓	
CRAWFORD	✓	
MEYER		✓
CHENAULT		✓

Yea 7

Nay 4

FIN 4

25-GH0014N.1
Bullock
11/9/07

passed 7-4

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER
REPRESENTATIVE THOMAS

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 1, lines 8 - 9:

2 Delete "amending the State Personnel Act to place in the exempt service certain"

3 Insert "relating to"

4

5 Page 2, line 4:

6 Delete "sec. 42"

7 Insert "sec. 41"

8

9 Page 9, lines 16 - 21:

10 Delete all material.

11

12 Renumber the following bill sections accordingly.

13

14 Page 39, line 14:

15 Delete "Sections 14 - 26, 28 - 32, 34 - 38, 40, 44 - 50, and 53"

16 Insert "Sections 13 - 25, 27 - 31, 33 - 37, 39, 43 - 49, and 52"

17

18 Page 39, line 16:

19 Delete "Sections 38 and 40"

20 Insert "Sections 37 and 39"

21

22 Page 39, line 17:

23 Delete "sec. 38"

- 1 Insert "sec. 37"
- 2
- 3 Page 39, line 18:
- 4 Delete "sec. 40"
- 5 Insert "sec. 39"
- 6
- 7 Page 39, line 19:
- 8 Delete "Sections 29 - 32 and 35"
- 9 Insert "Sections 28 - 31 and 34"
- 10
- 11 Page 39, line 22:
- 12 Delete "sec. 42"
- 13 Insert "sec. 41"
- 14
- 15 Page 39, line 24:
- 16 Delete "secs. 13 and 42"
- 17 Insert "secs. 12 and 41"
- 18
- 19 Page 39, line 25:
- 20 Delete "sec. 24"
- 21 Insert "sec. 23"
- 22
- 23 Page 39, line 26:
- 24 Delete "sec. 24"
- 25 Insert "sec. 23"
- 26
- 27 Page 39, line 28:
- 28 Delete "sec. 39" in both places
- 29 Insert "sec. 38" in both places
- 30
- 31 Page 39, line 31:

1 Delete "sec. 41"

2 Insert "sec. 40"

3

4 Page 40, line 1:

5 Delete "sec. 41"

6 Insert "sec. 40"

7

8 Page 40, lines 2 - 21:

9 Delete all material and insert:

10 "** Sec. 54. The uncodified law of the State of Alaska is amended by adding a new section to
11 read:

12 OIL AND GAS AUDITORS; CLASSIFICATION AND PAY PLANS.
13 Notwithstanding AS 39.25.150(2), the Department of Administration shall develop and
14 implement a distinct position classification plan and a distinct pay plan for oil and gas
15 auditors and their immediate supervisors that perform

16 (1) production tax audits in the Department of Revenue;

17 (2) royalty audits, including net profit share audits, in the Department of
18 Natural Resources."

19

20 Page 40, lines 30 - 31:

21 Delete "Sections 27 and 33"

22 Insert "Sections 26 and 32"

23

24 Page 41, line 1:

25 Delete "Sections 14 - 26, 28 - 32, 34 - 38, 40, 44 - 50, and 53"

26 Insert "Sections 13 - 25, 27 - 31, 33 - 37, 39, 43 - 49, and 52"

27

28 Page 41, line 3:

29 Delete "sec. 58"

30 Insert "sec. 57"

2007 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 11/10/07

Amendment: FIN NEW 5

MEMBER

Favor

Oppose

GARA	✓	
HAWKER		✓
JOULE	✓	
KELLY	✓	
NELSON	✓	
STOLTZE	✓	
THOMAS		✓
CRAWFORD	✓	
FOSTER		✓
CHENAULT		✓
MEYER		✓

Yea 6

Nay 5

New FIN 5 sk

25-GH0014\N.30
Bullock
11/10/07

passed 6-5

Kelly,
Stofftze

GARA

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 10, line 23:

2 Delete "and (k)"

3 Insert "(k), and (o)"

4

5 Page 10, line 24, following "to":

6 Insert "the sum of

7 (1)"

8

9 Page 10, line 25:

10 Delete "the tax rate determined"

11 Insert "25 percent; and

12 (2) the sum, over all months of the calendar year, of the tax amounts
13 calculated"

14

15 Page 10, line 27, through page 11, line 9:

16 Delete all material and insert:

17 "* Sec. 15. AS 43.55.011(g) is repealed and reenacted to read:

18 (g) For each month for which the price index determined under (h) of this
19 section is greater than zero, the amount of tax for purposes of (e)(2) of this section is
20 calculated as follows: (1) for oil and gas produced from each lease or property, the
21 monthly production tax value is calculated in the manner described in AS 43.55.160(a)
22 and (b), except that the gross value at the point of production for the month is
23 substituted for the gross value at the point of production for the calendar year and 1/12

1 of the applicable adjusted lease expenditures for the calendar year is substituted for the
 2 applicable adjusted lease expenditures for the calendar year; (2) the monthly
 3 production tax value determined under (1) of this subsection is multiplied by the
 4 progressivity tax rate for the month. The progressivity tax rate for a month is the
 5 product of 0.4 percent multiplied by the price index for the month determined under
 6 (h) of this section, except that the progressivity tax rate for a month may not exceed 25
 7 percent. Notwithstanding any contrary provision of AS 43.55.150, for purposes of
 8 calculating a monthly production tax value under this subsection, the gross value at the
 9 point of production of the oil and gas is calculated under regulations adopted by the
 10 department that provide for using an appropriate monthly share of the producer's costs
 11 of transportation for the calendar year.

12 * Sec. 16. AS 43.55.011(h) is repealed and reenacted to read:

13 (h) For purposes of (g) of this section, the price index for a month is calculated
 14 by subtracting 30 from the number that is equal to the total of the monthly production
 15 tax values, as calculated under (g) of this section, of the taxable oil and gas produced
 16 by the producer from all leases and properties in the state during that month, divided
 17 by the total amount of taxable oil and gas produced by the producer from all leases
 18 and properties in the state during that month, in BTU equivalent barrels. However, a
 19 price index calculated under this subsection may not be less than zero."
 20

21 Page 14, line 5:

22 Delete "25 percent of"

23 Insert "the sum of 25 percent and the progressivity tax rate calculated under
 24 AS 43.55.011(g) multiplied by"

25
 26 Page 14, lines 17 - 18:

27 Delete "all leases or properties in the unit or nonunitized reservoir"

28 Insert "those properties"

29
 30 Page 14, line 19:

31 Delete "25 percent of"

1 Insert "the sum of 25 percent and the progressivity tax rate calculated under
2 AS 43.55.011(g) multiplied by"

3

4 Page 14, line 29:

5 Delete "25 percent of"

6 Insert "the sum of 25 percent and the progressivity tax rate calculated under
7 AS 43.55.011(g) multiplied by"

8

9 Page 29, line 29:

10 Delete "annual"

11 Insert "[ANNUAL]"

12

13 Page 32, line 16:

14 Delete "an annual"

15 Insert "a [AN ANNUAL]"

16

17 Page 38, following line 26:

18 Insert a new paragraph to read:

19 "(23) "progressivity tax rate" means that part of the tax rate in
20 AS 43.55.011(g) that exceeds 25 percent;"

21

22 Renumber the following paragraphs accordingly.

AMENDMENT

adopted

N10

FIN 6

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: CSHB 2001(FIN), Work Draft 24-GH0014AN

- 1 Page 1, lines 3-5
- 2 Delete "providing a penalty for the underpayment of an installment payment of the
- 3 production tax on oil and gas;"
- 4
- 5 Page 17, lines 4-13
- 6 Delete all material.
- 7
- 8 Reumber all sections accordingly.

WD

FIN 7

AMENDMENT

Rep. Gara
Rep. Crawford

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

- 1 Page 17, line 25, following ""March 31,"
- 2 Delete "2003"
- 3 Insert "2001"
- 4
- 5 Page 17, line 26:
- 6 Delete "[2001]"
- 7
- 8 Page 18, line 2
- 9 Following "explorer"
- 10 Insert :
- 11 "that did not have commercial production of oil or gas from a lease or
- 12 property in the state before January 1, 2008."
- 13
- 14 Page 18, line 3:
- 15 Delete "due under"
- 16 Insert "levied by [DUE UNDER]"
- 17
- 18 Page 18, line 5, following "that", through line 6:
- 19 Delete all material

1 Insert: “were incurred after March 31, 2006, and before January 1, 2008
2 [ARE INCURRED DURING THE CALENDAR YEAR FOR WHICH THE
3 CREDIT IS TAKEN];”

4
5 Page 18, line 9, following “after”:

6 Delete “the later of (i)”

7 Insert “[THE LATER OF (i)]”

8
9 Page 18, Line 10

10 Following “2013”

11 Delete “or (ii) the sixth calendar year after the calendar year for which the
12 producer first applies a credit under this subsection against a tax due under AS
13 43.55.011(e), if the producer did not have commercial production of oil or gas from a
14 lease or property in the state before April 1, 2006”

15 Insert “[OR (ii) THE SIXTH CALENDAR YEAR AFTER THE CALENDAR
16 YEAR FOR WHICH THE PRODUCER FIRST APPLIES A CREDIT UNDER THIS
17 SUBSECTION AGAINST A TAX DUE UNDER AS 43.55.011(e), IF THE
18 PRODUCER DID NOT HAVE COMMERCIAL PRODUCTION OF OIL OR GAS
19 FROM A LEASE OR PROPERTY IN THE STATE BEFORE APRIL 1, 2006]”

Adopted

FIN 8

25-GH0014N
Finley/Bullock
11/9/07

CONCEPTUAL AMENDMENT

OFFERED IN THE HOUSE
TO: CSIB 2001(FIN)

BY REPRESENTATIVE JOULE
REPRESENTATIVE CRAWFORD

- 1 Page 18, lines 22-24
Delete all material
- 2
- 3 Page 23, lines 14-18
Delete all material
- 4
- 5 Page 40, lines 28-31
Delete all material
- 6
- 7 Renumber remaining sections accordingly.
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16

AMENDMENT

Adopte

FIN 9

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: CSHB 2001(FIN), Work Draft 24-GH0014N

- 1 Page 21, line 10
- 2 Delete "adequately achieved"
- 3 Insert "was consistent with achieving"
- 4

2007 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 11/9/10

Amendment: FIN

Am ID -

MEMBER

Favor

Oppose

MEMBER	Favor	Oppose
HAWKER	✓	
JOULE	✓	
KELLY		✓
NELSON	✓	
STOLTZE		✓
THOMAS		✓
CRAWFORD	✓	
FOSTER	✓	
GARA		✓
MEYER	✓	
CHENAULT	✓	

Yea _____

Nay _____

7-4
passed

FIN 10

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: CSHB 2001(FIN), Work Draft 24-GH0014N

1 Page 21, line 25

2 Insert following "available;"

3 "In addition to the submissions required under (1) of this subsection, the explorer shall
4 submit information necessary for the Commissioner of the Department of Natural
5 Resources to evaluate the validity of the explorer's compliance with the requirements of
6 this section."

7

8 Make conforming changes to punctuation.

9

10 Page 22, lines 11-19

11 Delete "in this subparagraph, well data ... testing the well;"

12

WTD

FIN 11

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: CSHB 2001(FIN), Work Draft 24-GH0014N

1 Page 22, line 12

2 Delete "include all derivative products, results, and copies of"

3 Insert "includes all"

4

5 Page 22, lines 15-19

6 Delete "and tangible material ...testing the well;"

7

Adopted
as

Joule/Thomas

AMENDMENT
Amended

FIW12

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 22, line 11, following "subparagraph,":

2 Insert

3 "(i) a seismic or geophysical data set includes the data for an entire
4 seismic survey, irrespective of whether the survey areas covers nonstate land
5 in addition to state land or land in a unit in addition to land outside a unit;
6 (ii)"

7
8 Page 22, line 22, following "Resources", through "that department" on line 23:

9 Delete "for 10 years following the completion date, at which time that
10 department"

11 Insert

12 "(i) in the case of well data, until the expiration of the 24-month period
13 of confidentiality described in AS 31.05.035(c), the Department of Natural
14 Resources [FOR 10 YEARS FOLLOWING THE COMPLETION DATE, AT
15 WHICH TIME THAT DEPARTMENT]"

16
17 Page 22, line 23, following "notice":

18 Insert

19 "unless in the discretion of the commissioner of natural resources, it is
20 necessary to protect information relating to the valuation of unleased acreage
21 in the same vicinity, or unless the well is on private land and the owner,
22 including the lessor but not the lessee, of the oil and gas resources has not
23 given permission to release the well data;

1 (ii) in the case of seismic or other geophysical data, other than seismic data
2 acquired by seismic exploration subject to (l) of this section, for 10 years
3 following the completion date, at which time the Department of Natural
4 Resources will release the information after 30 days' public notice, except as
5 to seismic or other geophysical data acquired from private land, unless the
6 owner, including a lessor but not a lessee, of the oil and gas resources in the
7 private land gives permission to release the seismic or other geophysical data
8 associated with the private land;

9 (iii) in the case of seismic data obtained by seismic exploration subject to (l) of
10 this section , only until the expiration of 30 days' public notice issued on or
11 after the date the production tax credit certificates are issued under (5) of this
12 subsection."

2007 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 11/10

Amendment: FIN 13

MEMBER

Favor

Oppose

KELLY	✓	
NELSON	✓	
STOLTZE	✓	
THOMAS	✓	
CRAWFORD	✓	
FOSTER		✓
GARA	✓	
HAWKER		✓
JOULE	✓	
MEYER		✓
CHENAULT		✓

Yea 7

Nay 4

passed

13
FINI

AMENDMENT

Rep. Gara
Rep Crawford

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 28, following line 11:

2 Insert a new bill section to read:

3 ****Sec. 42.** AS 43.55 is amended by adding a new section to read:

4 **Sec. 43.55.055. Penalty for understatement of tax.** (a) In addition to other
5 penalties prescribed by law, if there is a substantial understatement of tax required to be
6 shown on a statement required under AS 43.55.030(a), there shall be added to the tax an
7 amount equal to 10 percent of the substantial understatement of tax.

8 (b) In addition to other penalties prescribed by law, if there is a gross
9 understatement of tax required to be shown on a statement required under AS
10 43.55.030(a), there shall be added to the tax an amount equal to 20 percent of the gross
11 understatement of tax.

12 (c) In addition to the penalties imposed under (a) or (b) of this section, a person
13 who has made a substantial or gross understatement of tax is liable to the state for the
14 reasonable costs of the state's enforcement action, including auditing costs.

15 (d) For purposes of this section,

16 (1) a substantial understatement of tax for any calendar year exists if the
17 amount of the understatement for the calendar year exceeds the lesser of 10 percent of the
18 tax required to be shown on the statement for the taxable year or \$10,000,000;

1 (2) a gross understatement of tax for any calendar year exists if the
2 amount of the understatement for the calendar year exceeds the lesser of 20 percent of the
3 tax required to be shown on the statement for the calendar year or \$20,000,000;

4 (3) "understatement" means the amount by which the tax required to be
5 shown on the statement for the calendar year exceeds the amount of the tax reported as
6 due by the taxpayer as shown on the statement."

7
8 Renumber the following bill sections accordingly.

withdrawn

FIN 14

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

Rep. Gara
Rep. Crawford

- 1 Page 28, line 15:
- 2 Delete "four"
- 3 Insert "six"
- 4
- 5 Page 28, line 15:
- 6 Delete "latest"
- 7

adopted

AMENDMENT

Rep Thomas

FIW 15

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 1, line 8, following "surcharges;":

2 Insert "prohibiting a producer or explorer from receiving tax credits if certain
3 judgments are not satisfied and requiring, as a condition of receiving the tax credits, the
4 deposit of the amount of certain unpaid judgments and certain interest on those
5 judgments in the court during an appeal and relating to that interest;"

6

7 Page 28, line 12:

8 Delete "a new section"

9 Insert "new sections"

10

11 Page 29, following line 14:

12 Insert a new section to read:

13 "Sec. 43.55.078. Exceptions to tax credits. (a) For a calendar year after 2007,
14 a producer or explorer may not take a tax credit under AS 43.55.023, 43.55.024, or
15 43.55.025 against a tax levied under this chapter if a state court or administrative
16 agency or federal court that has subject matter jurisdiction has entered a judgment in
17 favor of the state or a political subdivision of the state in an amount greater than
18 \$100,000 against the producer or explorer, the producer or explorer has not satisfied
19 the judgment, and the judgment concerns a matter having connections with this state
20 that are sufficient to satisfy constitutional jurisdictional requirements.

21 (b) Notwithstanding (a) of this section, the producer or explorer may receive a
22 tax credit described in (a) of this section if

23 (1) the judgment is appealed but the appeal has not been decided; and

24 (2) the producer or explorer deposits in the court where the judgment

1 was entered or the appeal is pending, in the form of cash, bond, or other security,

2 (A) the full amount of the judgment; and

3 (B) post-judgment interest on the judgment amount described
4 in (A) of this paragraph; notwithstanding another provision of law, the post-
5 judgment interest rate compounded quarterly on a judgment the amount of
6 which is deposited under (a) of this paragraph is equal to the greater of

7 (i) the applicable statutory rate; or

8 (ii) the rate of return on the producer's or explorer's
9 equity as shown on the producer's or explorer's most recent quarterly
10 earnings report as of the date of the notice of appeal.

11 (c) In this section,

12 (1) "judgment" means any final administrative determination or
13 judgment in favor of the state or a political subdivision of the state;

14 (2) "producer or explorer" includes an affiliate of a producer or
15 explorer."

Withdrawn

AMENDMENT

FIW 14

Rep. Gara
Rep. Crawford

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 29, following line 26:

2 Insert new bill sections to read:

3 ***Sec. 44.** AS 43.55.150(a) is amended to read:

4 (a) For the purposes of AS 43.55.011- 43.55.180, the gross value at the point of
5 production is calculated using the reasonable costs of transportation of the oil or gas. The
6 reasonable costs of transportation are the actual costs, except, as provided under (b) of
7 this section, when the

8 (1) shipper [PARTIES TO THE TRANSPORTATION] of oil or gas is
9 [ARE] affiliated with the transportation carrier or with a person that owns an
10 interest in the transportation facility;

11 (2) contract for the transportation of oil or gas is not an arm's length
12 transaction [OR IS NOT REPRESENTATIVE OF THE MARKET VALUE OF
13 THAT TRANSPORTATION]; or [AND]

14 (3) method or terms of transportation of oil or gas are [IS] not reasonable
15 in view of existing alternative [METHODS OF] transportation options.

16 ***Sec. 45.** AS 43.55.150(b) is amended to read:

17 (b) If the department finds that a condition [THE CONDITIONS] in (a)(1), (2),
18 or [AND] (3) of this section is [ARE] present, the department shall determine the
19 reasonable costs of transportation, if lower than actual costs, using the fair market value
20 of like transportation, the fair market value of equally efficient and available alternative

1 modes of transportation, or other reasonable methods. Transportation costs fixed by tariff
2 rates that have been adjudicated as just and reasonable by [PROPERLY ON FILE
3 WITH] the Regulatory Commission of Alaska or other regulatory agency and
4 transportation costs paid by parties not affiliated with an owner of the method of
5 transportation in an arm's length transaction shall be considered prima facie
6 reasonable."

7
8 Renumber the following bill sections accordingly.

Kelly
Stoltze

FIN 17

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 32, line 20, following "is", through page 33, line 8:

2 Delete all material

3 Insert

4 "repealed and reenacted to read:

5 (a) For purposes of this chapter, a producer's lease expenditures for a calendar
6 year are

7 (1) costs, other than items listed in (c) of this section, that are

8 (A) incurred by the producer during the calendar year after March
9 31, 2006, to explore for, develop, or produce oil or gas deposits located within the
10 producer's leases or properties in the state or, in the case of land in which the
11 producer does not own an operating right, operating interest, or working interest,
12 to explore for oil or gas deposits within other land in the state; and

13 (B) allowed by the department by regulation, based on the
14 department's determination that the costs satisfy the following three requirements:

15 (i) the costs must be incurred upstream of the point of
16 production of oil and gas;

17 (ii) the costs must be ordinary and necessary costs of
18 exploring for, developing, or producing, as applicable, oil or gas deposits;
19 and

20 (iii) the costs must be direct costs of exploring for, developing, or
21 producing, as applicable, oil or gas deposits; and

22 (2) a reasonable allowance for that calendar year, as determined under
23 regulations adopted by the department, for overhead expenses that are directly related to
24 exploring for, developing, or producing, as applicable, the oil or gas deposits."

1 Page 33, following line 8:

2 Insert a new bill section to read:

3 ****Sec. 47. AS 43.55.165(b) is amended to read:**

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

5 (1) direct costs include

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

10 (B) payments of or in lieu of property taxes, sales and use taxes,
11 motor fuel taxes, and excise taxes;

12 [(C) A REASONABLE ALLOWANCE, AS DETERMINED
13 UNDER REGULATIONS ADOPTED BY THE DEPARTMENT, FOR
14 OVERHEAD EXPENSES DIRECTLY RELATED TO EXPLORING FOR,
15 DEVELOPING, AND PRODUCING OIL OR GAS DEPOSITS LOCATED
16 WITHIN LEASES OR PROPERTIES OR OTHER LAND IN THE STATE;]

17 (2) an activity does not need to be physically located on, near, or within
18 the premises of the lease or property within which an oil or gas deposit being explored
19 for, developed, or produced is located in order for the cost of the activity to be a cost
20 upstream of the point of production of the oil or gas;

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

23 (A) typical industry practices and standards in the state that
24 determine the costs, other than items listed in (c) of this section, that an
25 operator is allowed to bill a producer that is not the operator, under unit
26 operating agreements or similar operating agreements that were in effect
27 before December 2, 2005, and were subject to negotiation with at least one
28 producer with substantial bargaining power, other than the operator; and

29 (B) standards adopted by the Department of Natural
30 Resources that determine the costs, other than items listed in (c) of this

1 section, that a lessee is allowed to deduct from revenue in calculating net
2 profits under a lease issued under AS 38.05.180(f)(3)(B), (D), or (E)."

3
4 Page 33, line 9, through page 34, line 4:

5 Delete all material

6
7 Renumber the following bill sections accordingly.

8
9 Page 34, line 30, following "(12)":

10 Insert "an expenditure incurred"

11
12 Page 34, line 31, following "transaction,"

13 Delete "expenditures incurred that are"

14 Insert "unless the producer establishes to the satisfaction of the department that the
15 expenditure is not [EXPENDITURES INCURRED THAT ARE]"

16
17 Page 37, line 4, following "(a)":

18 Delete all material

19 Insert "A [UNLESS THE PAYMENT OR CREDIT HAS ALREADY BEEN
20 SUBTRACTED IN CALCULATING BILLABLE OR BILLED COSTS UNDER
21 AS 43.55.165(c) OR (d), A]"

22
23 Page 37, line 5:

24 Delete "billable or billed costs under AS 43.55.165(c) [OR (d)],"

25
26 Page 39, line 11, following "AS 43.55.160(c)":

27 Insert ", 43.55.165(c),"

28

2007 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 11/10

Amendment: FIN NEW 17

MEMBER

Favor

Oppose

MEMBER	Favor	Oppose
NELSON	✓	
STOLTZE	✓	
THOMAS	✓	
CRAWFORD	✓	
FOSTER		✓
GARA	✓	
HAWKER		✓
JOULE	✓	
KELLY	✓	
CHENAULT		✓
MEYER	✓	

Yea 8

Nay 3

New Fin 17^{sh}

25-GH0014\N.29
Mischel/Bullock
11/10/07

passed 8-3

Kelly, Stolfae

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 32, line 20, through page 34, line 4:

2 Delete all material and insert:

3 ** Sec. 46. AS 43.55.165(a) is repealed and reenacted to read:

4 (a) For purposes of this chapter, a producer's lease expenditures for a calendar
5 year are

6 (1) costs, other than items listed in (e) of this section, that are

7 (A) incurred in the state by the producer during the calendar
8 year after March 31, 2006, to explore for, develop, or produce oil or gas
9 deposits located within the producer's leases or properties in the state or, in the
10 case of land in which the producer does not own an operating right, operating
11 interest, or working interest, to explore for oil or gas deposits within other land
12 in the state; and

13 (B) allowed by the department by regulation, based on the
14 department's determination that the costs satisfy the following three
15 requirements:

16 (i) the costs must be incurred upstream of the point of
17 production of oil and gas;

18 (ii) the costs must be ordinary and necessary costs of
19 exploring for, developing, or producing, as applicable, oil or gas
20 deposits; and

21 (iii) the costs must be direct costs of exploring for,
22 developing, or producing, as applicable, oil or gas deposits; and

23 (2) a reasonable allowance for that calendar year, as determined under

1 regulations adopted by the department, for overhead expenses that are directly related
2 to exploring for, developing, or producing, as applicable, the oil or gas deposits.

3 * Sec. 47. AS 43.55.165(b) is amended to read:

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

5 (1) direct costs include

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

10 (B) payments of or in lieu of property taxes, sales and use
11 taxes, motor fuel taxes, and excise taxes;

12 [(C) A REASONABLE ALLOWANCE, AS DETERMINED
13 UNDER REGULATIONS ADOPTED BY THE DEPARTMENT, FOR
14 OVERHEAD EXPENSES DIRECTLY RELATED TO EXPLORING FOR,
15 DEVELOPING, AND PRODUCING OIL OR GAS DEPOSITS LOCATED
16 WITHIN LEASES OR PROPERTIES OR OTHER LAND IN THE STATE;]

17 (2) an activity does not need to be physically located on, near, or
18 within the premises of the lease or property within which an oil or gas deposit being
19 explored for, developed, or produced is located in order for the cost of the activity to
20 be a cost upstream of the point of production of the oil or gas;

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

23 (A) typical industry practices and standards in the state
24 that determine the costs, other than items listed in (c) of this section, that
25 an operator is allowed to bill a producer that is not the operator, under
26 unit operating agreements or similar operating agreements that were in
27 effect before December 2, 2005, and were subject to negotiation with at
28 least one producer with substantial bargaining power, other than the
29 operator; and

30 (B) standards adopted by the Department of Natural
31 Resources that determine the costs, other than items listed in (c) of this

1 section, that a lessee is allowed to deduct from revenue in calculating net
2 profits under a lease issued under AS 38.05.180(f)(3)(B), (D), or (E)."

3
4 Page 34, line 30, following "(12)":

5 Insert "an expenditure incurred"

6
7 Page 34, line 31:

8 Delete "expenditures incurred that are"

9 Insert "unless the producer establishes to the satisfaction of the department that
10 the expenditure is not [EXPENDITURES INCURRED THAT ARE]"

11
12 Page 37, lines 4 - 5:

13 Delete "Unless the payment or credit has already been subtracted in calculating
14 billable or billed costs under AS 43.55.165(c) [OR (d)], a"

15 Insert "A [UNLESS THE PAYMENT OR CREDIT HAS ALREADY BEEN
16 SUBTRACTED IN CALCULATING BILLABLE OR BILLED COSTS UNDER
17 AS 43.55.165(c) OR (d), A]"

18
19 Page 39, line 11, following "AS 43.55.160(c)":

20 Insert ", 43.55.165(c),"

2007 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 11-10

Amendment: FIN 18

MEMBER

Favor

Oppose

STOLTZE		✓
THOMAS	✓	
CRAWFORD	✓	
FOSTER		✓
GARA	✓	
HAWKER		✓
JOULE	✓	
KELLY		✓
NELSON	✓	
MEYER		✓
CHENAULT		✓

Yea 5

Nay 6

FIN 18

25-GH0014\N.21
Luckhaupt/Bullock
11/9/07

Failed 5-6

AMENDMENT

Representative
Crawford

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 32, line 21:

2 Delete "(c) and (e)"

3 Insert "(c), (e), (k), and (l)"

4

5 Page 37, following line 2:

6 Insert a new bill section to read:

7 **** Sec. 50.** AS 43.55.165 is amended by adding new subsections to read:

8 (k) For purposes of AS 43.55.160, for a calendar year after 2006, a producer's
9 total lease expenditures, before adjustment under AS 43.55.170, that are applicable to
10 oil and gas produced by the producer from all leases or properties within a unit from
11 which 1,000,000,000 BTU equivalent barrels of oil or gas have been cumulatively
12 produced by the close of the most recent calendar year and from which the average
13 daily oil and gas production during the most recent calendar year exceeded 100,000
14 BTU equivalent barrels are determined under this subsection and (l) of this section.
15 Except as otherwise provided under (l) of this section, the producer's total lease
16 expenditures, other than qualified capital expenditures, (1) for calendar year 2007, are
17 equal to the product of 1.37 multiplied by the total lease expenditures for calendar year
18 2006, other than qualified capital expenditures, that are applicable to oil and gas
19 produced by the producer from all leases or properties within the unit, as reported on
20 the producer's statement under AS 43.55.030(a) for calendar year 2006, and (2) for a
21 calendar year after 2007, are equal to the product of 1.03 multiplied by the total lease
22 expenditures, other than qualified capital expenditures, determined for the previous
23 calendar year under this subsection. The producer's total lease expenditures for a

1 calendar year after 2006 that are applicable to oil and gas produced by the producer
2 from all leases or properties within a unit subject to this subsection are the sum of the
3 producer's qualified capital expenditures incurred during the calendar year that are
4 applicable to that oil and gas plus the lease expenditures, other than qualified capital
5 expenditures, that are applicable to that oil and gas as determined under this
6 subsection and (l) of this section. If a producer whose lease expenditures for 2006 are
7 used to determine lease expenditures for a later calendar year under this subsection
8 transfers an interest in an affected lease or property to a different producer, the
9 transferee's lease expenditures applicable to oil and gas produced by the transferee
10 from the lease or property continue to be determined under this subsection using those
11 2006 lease expenditures. In this subsection, "qualified capital expenditures" has the
12 meaning given in AS 43.55.023.

13 (l) If, after audit by the department of a producer's statement or amended
14 statement under AS 43.55.030(a) for calendar year 2006, the department finally
15 determines that the reported amount of total lease expenditures, other than qualified
16 capital expenditures, for calendar year 2006 applicable to oil and gas produced by the
17 producer from all leases or properties within a unit subject to (k) of this section
18 exceeds by more than 10 percent the actual amount of those lease expenditures, other
19 than qualified capital expenditures, the producer or transferee, as applicable, shall (1)
20 substitute the actual amount of those lease expenditures, other than qualified capital
21 expenditures, for purposes of the calculations set out in (k) of this section, and (2) file
22 amended statements for affected past tax periods within 60 days after the final
23 determination."

24
25 Renumber the following bill sections accordingly.

26
27 Page 38, following line 5:

28 Insert a new bill section to read:

29 "** Sec. 52. AS 43.55.180(b) is amended to read:

30 (b) The department shall prepare a report on or before the first day of the
31 2010 regular session of the legislature with recommendations concerning the

1 determination of lease expenditures under AS 43.55.165(k) and (l). The
2 department shall prepare a report on or before the first day of the 2011 regular session
3 of the legislature on the results of the study made under (a) of this section, including
4 recommendations as to whether any changes should be made to this chapter. The
5 department shall notify the legislature when each [THAT THE] report prepared under
6 this subsection is available."
7

8 Renumber the following bill sections accordingly.
9

10 Page 39, line 14:

11 Delete "44 - 50, and 53"

12 Insert "44 - 51, and 55"

13
14 Page 41, line 1:

15 Delete "44 - 50, and 53"

16 Insert "44 - 51, and 55"

17
18 Page 41, line 3:

19 Delete "sec. 58"

20 Insert "sec. 60"

FINI

WID

25-GH0014\N.25
Cook/Bullock
11/9/07

Representative
Gara

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 2601(FIN), Draft Version "N"

1 Page 32, line 21:

2 Delete "(e) and"

3

4 Page 33, line 9, through page 34, line 4:

5 Delete all material.

6

7 Renumber the following bill sections accordingly.

8

9 Page 37, lines 4 - 5:

10 Delete "Unless the payment or credit has already been subtracted in calculating
11 billable or billed costs under AS 43.55.165(c) [OR (d)], a"

12 Insert "A [UNLESS THE PAYMENT OR CREDIT HAS ALREADY BEEN
13 SUBTRACTED IN CALCULATING BILLABLE OR BILLED COSTS UNDER
14 AS 43.55.165(c) OR (d)]"

15

16 Page 39, line 11, following "AS 43.55.160(c)":

17 Insert ", 43.55.165(c)"

18

19 Page 39, line 14:

20 Delete "44 - 50, and 53"

21 Insert "44 - 49, and 52"

22

23 Page 41, line 1:

1 Delete "44 - 50, and 53"

2 Insert "44 - 49, and 52"

3

4 Page 41, line 3:

5 Delete "sec. 58"

6 Insert "sec. 57"

2007 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 11/10

Amendment: FIN

20

MEMBER

Favor

Oppose

THOMAS		✓
CRAWFORD	✓	
FOSTER		✓
GARA	✓	
HAWKER	✓	
JOULE	✓	
KELLY		✓
NELSON	✓	
STOLTZE	✓	
CHENAULT		✓
MEYER		✓

Yea _____

Nay _____

6-5
Adopted

Rep. Gara

FIW 20

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 2001 (FIN), Draft Version "N"

1 Page 36, Line 21

2 Insert

3 after lobbying, "public relations,"

Note: If this amendment is adopted, it would read:

"(20) costs of lobbying, public relations, public relations advertising, or policy advocacy."

FIN21

25-GH0014\N.14
Mischel/Bullock
11/9/07

W/P

AMENDMENT

Representative
Gara

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 32, line 20, through page 33, line 8:

2 Delete all material and insert:

3 **** Sec. 46. AS 43.55.165(a)** is repealed and reenacted to read:

4 (a) For purposes of this chapter, a producer's lease expenditures for a calendar
5 year are

6 (1) costs, other than items listed in (e) of this section, that are

7 (A) incurred ~~by the producer~~ by the producer during the calendar
8 year after March 31, 2006, to explore for, develop, or produce oil or gas
9 deposits located within the producer's leases or properties in the state or, in the
10 case of land in which the producer does not own an operating right, operating
11 interest, or working interest, to explore for oil or gas deposits within other land
12 in the state; and

13 (B) allowed by the department by regulation, based on the
14 department's determination that the costs satisfy the following three
15 requirements:

16 (i) the costs must be incurred upstream of the point of
17 production of oil and gas;

18 (ii) the costs must be ordinary and necessary costs of
19 exploring for, developing, or producing, as applicable, oil or gas
20 deposits; and

21 (iii) the costs must be direct costs of exploring for,
22 developing, or producing, as applicable, oil or gas deposits; and

23 (2) a reasonable allowance for that calendar year, as determined under

1 regulations adopted by the department, for overhead expenses that are directly related
2 to exploring for, developing, or producing, as applicable, the oil or gas deposits.

3 * Sec. 47. AS 43.55.165(b) is amended to read:

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

5 (1) direct costs include

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

10 (B) payments of or in lieu of property taxes sales and use taxes,
11 motor fuel taxes, and excise taxes;

12 (C) purchased fuel;

13 (D) routine maintenance;

14 (E) the wages and benefits of employees who are directly
15 participating in exploration, development, or production operations; and

16 (F) other direct costs as may be established in regulations
17 adopted by the department [A REASONABLE ALLOWANCE, AS
18 DETERMINED UNDER REGULATIONS ADOPTED BY THE
19 DEPARTMENT, FOR OVERHEAD EXPENSES DIRECTLY RELATED TO
20 EXPLORING FOR, DEVELOPING, AND PRODUCING OIL OR GAS
21 DEPOSITS LOCATED WITHIN LEASES OR PROPERTIES OR OTHER
22 LAND IN THE STATE];

23 (2) in determining whether costs are lease expenditures, the
24 department may consider, among other factors, the

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

1 (B) standards adopted by the Department of Natural
 2 Resources that determine the costs, other than items listed in (e) of this
 3 section, that a lessee is allowed to deduct from revenue in calculating net
 4 profits under a lease issued under AS 38.05.180(f)(3)(B), (D), or (E) [AN
 5 ACTIVITY DOES NOT NEED TO BE PHYSICALLY LOCATED ON,
 6 NEAR, OR WITHIN THE PREMISES OF THE LEASE OR PROPERTY
 7 WITHIN WHICH AN OIL OR GAS DEPOSIT BEING EXPLORED FOR,
 8 DEVELOPED, OR PRODUCED IS LOCATED IN ORDER FOR THE COST
 9 OF THE ACTIVITY TO BE A COST UPSTREAM OF THE POINT OF
 10 PRODUCTION OF THE OIL OR GAS]."

11
 12 Renumber the following bill sections accordingly.

13
 14 Page 34, lines 30 - 31:

15 Delete

16 "(12) for a transaction that is an internal transfer or is otherwise not an
 17 arm's length transaction, expenditures incurred that are in excess of fair market value;"

18
 19 Insert

20 "(12) an expenditure otherwise deductible under (b) of this section
 21 that is a result of [FOR A TRANSACTION THAT IS] an internal transfer, a
 22 transaction with an affiliate, or a transaction between related parties, or is
 23 otherwise not an arm's length transaction, unless the producer establishes to the
 24 satisfaction of the department that the amount of the expenditure does not exceed
 25 the [EXPENDITURES INCURRED THAT ARE IN EXCESS OF] fair market value
 26 of the expenditure;"

27
 28 Page 36, line 22, following "advocacy":

29 Insert ":

30 (21) overhead, office, or administrative expenses, and all other
 31 indirect costs of oil or gas exploration, development, or production"

1

2 Page 39, line 14:

3 Delete "44 - 50, and 53"

4 Insert "44 - 51, and 54"

5

6 Page 41, line 1:

7 Delete "44 - 50, and 53"

8 Insert "44 - 51, and 54"

9

10 Page 41, line 3:

11 Delete "sec. 58"

12 Insert "sec. 59"

2007 HOUSE FINANCE
COMMITTEE VOTE SHEET

DATE: 11/10

Amendment: FIN

22

MEMBER

Favor

Oppose

MEMBER	Favor	Oppose
CRAWFORD	✓	
FOSTER		✓
GARA	✓	
HAWKER		✓
JOULE	✓	
KELLY		✓
NELSON		✓
STOLTZE		✓
THOMAS		✓
CHENAULT		✓
MEYER		✓

Yea _____

Nay _____

AMENDMENT

3-8
See web

Rep. Gara
Rep. Crawford

FIN 22

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

- 1 Page 38, lines 7-8, following "information.":
- 2 Delete "Subject to AS 40.25.100 and AS 43.05.230(e)"
- 3 Insert "Notwithstanding any contrary provision of AS 40.25.100, and regardless of
- 4 whether the information is considered under AS 43.05.230(e) to constitute
- 5 statistics classified to prevent the identification of particular returns or reports"

Adopted

FIN 23

25-GH0014N.10
Kurtz/Bullock
11/9/07

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

Representative
Nelson

1 Page 2, line 4:

2 Delete "sec. 42"

3 Insert "sec. 43"

4

5 Page 10, following line 3:

6 Insert a new bill section to read:

7 ** Sec. 12. AS 42.45 is amended by adding a new section to read:

8 Sec. 42.45.045. Appropriations for the low income heating energy
9 assistance program. (a) By February 1 each year, the Department of Revenue shall
10 determine whether the state received for the general fund, during the immediately
11 preceding calendar year, an amount of money from the tax levied under
12 AS 43.55.011(e) because the price index calculated under AS 43.55.011(h) for a
13 calendar year was greater than zero. If the state received an amount of money because
14 the price index calculated under AS 43.55.011(h) for a calendar year was greater than
15 zero, the department shall notify the legislature of that amount.

16 (b) The legislature may annually appropriate up to \$50,000,000 of the amount
17 reported under (a) of this section for the low income heating energy assistance
18 program.

19 (c) Nothing in this section requires that money be appropriated or creates a
20 dedicated fund.

21 (d) For purposes of this section, "low income heating energy assistance
22 program" means the program created by 7 AAC 44.010 to implement the federal Low-
23 Income Home Energy Assistance Act of 1981, as amended (42 U.S.C. 8621 et seq.)."

1

2 Renumber the following bill sections accordingly.

3

4 Page 39, line 14:

5 Delete "Sections 14 - 26, 28 - 32, 34 - 38, 40, 44 - 50, and 53"

6 Insert "Sections 15 - 27, 29 - 33, 35 - 39, 41, 45 - 51, and 54"

7

8 Page 39, line 16:

9 Delete "Sections 38 and 40"

10 Insert "Sections 39 and 41"

11

12 Page 39, line 17:

13 Delete "sec. 38"

14 Insert "sec. 39"

15

16 Page 39, line 18:

17 Delete "sec. 40"

18 Insert "sec. 41"

19

20 Page 39, line 19:

21 Delete "Sections 29 - 32 and 35"

22 Insert "Sections 30 - 33 and 36"

23

24 Page 39, line 22:

25 Delete "sec. 42"

26 Insert "sec. 43"

27

28 Page 39, line 24:

29 Delete "secs. 13 and 42"

30 Insert "secs. 14 and 43"

31

- 1 Page 39, line 25:
- 2 Delete "sec. 24"
- 3 Insert "sec. 25"
- 4
- 5 Page 39, line 26:
- 6 Delete "sec. 24"
- 7 Insert "sec. 25"
- 8
- 9 Page 39, line 28:
- 10 Delete "sec. 39" in both places
- 11 Insert "sec. 40" in both places
- 12
- 13 Page 39, line 31:
- 14 Delete "sec. 41"
- 15 Insert "sec. 42"
- 16
- 17 Page 40, line 1:
- 18 Delete "sec. 41"
- 19 Insert "sec. 42"
- 20
- 21 Page 40, lines 30 - 31:
- 22 Delete "Sections 27 and 33"
- 23 Insert "Sections 28 and 34"
- 24
- 25 Page 41, line 1:
- 26 Delete "Sections 14 - 26, 28 - 32, 34 - 38, 40, 44 - 50, and 53"
- 27 Insert "Sections 15 - 27, 29 - 33, 35 - 39, 41, 45 - 51, and 54"
- 28
- 29 Page 41, line 3:
- 30 Delete "sec. 58"
- 31 Insert "sec. 59"

WAF

FINZY

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE JOULE

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 2, line 4:

2 Delete "sec. 42"

3 Insert "sec. 43"

4

5 Page 10, following line 3:

6 Insert a new bill section to read:

7 **** Sec. 12. AS 42.45 is amended by adding a new section to read:**

8 **Sec. 42.45.045. Appropriations for alternative energy projects.** (a) By
9 February 1 each year, the Department of Revenue shall determine whether the state
10 received for the general fund, during the immediately preceding calendar year, an
11 amount of money from the tax levied under AS 43.55.011(e) because the price index
12 calculated under AS 43.55.011(h) for a calendar year was greater than zero. If the
13 state received an amount of money because the price index calculated under
14 AS 43.55.011(h) for a calendar year was greater than zero, the department shall notify
15 the legislature of that amount.

16 (b) The legislature may annually appropriate up to \$30,000,000 of the amount
17 reported under (a) of this section for alternative energy projects.

18 (c) Nothing in this section requires that money be appropriated or creates a
19 dedicated fund.

20 (d) For purposes of this section, "alternative energy project" means a system
21 that provides a source of thermal, mechanical, or electrical energy that is not
22 dependent on a fossil fuel other than natural gas or coal for the supply of energy."
23

1 Renumber the following bill sections accordingly.

2

3 Page 39, line 14:

4 Delete "Sections 14 - 26, 28 - 32, 34 - 38, 40, 44 - 50, and 53"

5 Insert "Sections 15 - 27, 29 - 33, 35 - 39, 41, 45 - 51, and 54"

6

7 Page 39, line 16:

8 Delete "Sections 38 and 40"

9 Insert "Sections 39 and 41"

10

11 Page 39, line 17:

12 Delete "sec. 38"

13 Insert "sec. 39"

14

15 Page 39, line 18:

16 Delete "sec. 40"

17 Insert "sec. 41"

18

19 Page 39, line 19:

20 Delete "Sections 29 - 32 and 35"

21 Insert "Sections 30 - 33 and 36"

22

23 Page 39, line 22:

24 Delete "sec. 42"

25 Insert "sec. 43"

26

27 Page 39, line 24:

28 Delete "secs. 13 and 42"

29 Insert "secs. 14 and 43"

30

31 Page 39, line 25:

- 1 Delete "sec 24"
- 2 Insert "sec. 25"
- 3
- 4 Page 39, line 26:
- 5 Delete "sec. 24"
- 6 Insert "sec. 25"
- 7
- 8 Page 39, line 28:
- 9 Delete "sec. 39" in both places
- 10 Insert "sec. 40" in both places
- 11
- 12 Page 39, line 31:
- 13 Delete "sec. 41"
- 14 Insert "sec. 42"
- 15
- 16 Page 40, line 1:
- 17 Delete "sec. 41"
- 18 Insert "sec. 42"
- 19
- 20 Page 40, lines 30 - 31:
- 21 Delete "Sections 27 and 33"
- 22 Insert "Sections 28 and 34"
- 23
- 24 Page 41, line 1:
- 25 Delete "Sections 14 - 26, 28 - 32, 34 - 38, 40, 44 - 50, and 53"
- 26 Insert "Sections 15 - 27, 29 - 33, 35 - 39, 41, 45 - 51, and 54"
- 27
- 28 Page 41, line 3:
- 29 Delete "sec. 58"
- 30 Insert "sec. 59"

2007 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 11/10

Amendment: FIN 25

MEMBER	Favor	Oppose
GARA	✓	
HAWKER	✓	
JOULE	✓	
KELLY		✓
NELSON	✓	
STOLTZE		✓
THOMAS	✓	
CRAWFORD	✓	
FOSTER		✓
CHENAULT		✓
MEYER		✓

Yea 6

Nay 5

AMENDMENT

FIW 25

by Representative Gara
on CSIB2001(FIN)AN

passed
6-5

1
2
3
4
5
6
7
8
9
10
11
12
13
14

Sec. 44. AS 43.55.110 is amended by adding a new subsection to read:

(h) Subject to legislative appropriation, the department may compensate a person who provides information to the department about noncompliance with the provisions of this chapter by an explorer or a producer of oil or gas if that information leads to the collection of additional taxes, penalties, or interest from the producer. The amount of compensation under this subsection may not exceed the lesser of \$1,000,000 or 10 percent of the additional tax, penalty, or interest collected as a result of the information. A state employee or an agent of the state is not eligible for compensation under this subsection.

adopted
AMENDMENT

Kelly
Stoltz
gana
FIW 26

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 40, following line 21:

2 Insert a new bill section to read:

3 "*Sec. 56. The uncodified law of the State of Alaska is amended by adding a new section
4 to read:

5 TRANSITION: DEPARTMENT OF NATURAL RESOURCES
6 REGULATIONS. Notwithstanding any contrary provision of AS 44.62.240, a regulation
7 adopted by the Department of Natural Resources to implement, interpret, make specific,
8 or otherwise carry out statutory provisions for the administration of oil and gas leases
9 issued under AS 38.05.180(f)(3)(B), (D), or (E), to the extent the regulation deals with
10 the treatment of oil and gas production taxes in determining net profits under those
11 leases, may apply retroactively to April 1, 2006, if the Department of Natural Resources
12 expressly designates in the regulation that the regulation applies retroactively to that
13 date."

14

15 Renumber the following sections accordingly.

Withdrawn

FIN 27

AMENDMENT

Rep. Gara
Rep. Crawford

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 39, line 14, following "14 - ":

2 Delete all material

3 Insert "23, 25, 26, 44 - 47, 49, and 52 of this"

4

5 Page 39, line 15, following "December 31,":

6 Delete "2007"

7 Insert "2006"

8

9 Page 39, following line 15:

10 Insert "(b) Sections 48, 50, and 53 of this Act apply to oil and gas produced after March
11 31, 2006."

12

13 Reletter the following subsections in Sec. 54 accordingly.

14

15 Page 39, line 20, following "December 31,"

16 Delete "2006"

17 Insert "2007"

18

19 Page 40, following line 1:

20 Insert a new bill section to read:

21 "*Sec. 55. The uncodified law of the State of Alaska is amended by adding a new section
22 to read:

23 TRANSITIONAL PROVISIONS. Notwithstanding any contrary provision of
24 AS 43.05 or AS 43.55.

1 (1) any increase in the amount of a producer's tax due under AS 43.55
2 for a period ending before January 1, 2008, that results from the application of a
3 provision of this Act to oil and gas produced before January 1, 2008, is due March 31,
4 2008;

5 (2) interest on an overpayment of a producer's tax under AS 43.55 for a
6 period ending before January 1, 2008, that results from the application of a provision of
7 this Act to oil and gas produced before January 1, 2008, is allowed only from a date that
8 is 90 days after the later of March 31, 2008, or the date that an amended statement under
9 AS 443.55.030(a) covering the affected tax period or periods is filed; interest is not
10 allowed if the overpayment is refunded within the 90-day period."
11

12 Renumber the following section accordingly.
13

14 Page 40, following line 21:

15 Insert a new bill section to read:

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

18 TRANSITION: DEPARTMENT OF REVENUE REGULATIONS.
19 Notwithstanding any contrary provision of AS 44.62.240, if the Department of Revenue
20 expressly designates in the regulation that the regulation applies retroactively to that date,
21 a regulation adopted by the Department of Revenue to implement, interpret, make
22 specific, or otherwise carry out

23 (1) secs. 27, 42, 48, 50, and 53 of this Act may apply retroactively to
24 April 1, 2006;

25 (2) secs. 14 - 23, 25, 26, 44 - 46, 47, 49, and 52 of this Act may apply
26 retroactively to January 1, 2007."
27

28 Renumber the following sections accordingly.
29

30 Page 40, line 30, following "ACT." Through line 31:

31 Delete all material

held

KELLY FIW28

25-GH0014N.20
Chenoweth/Bullock
11/9/07

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 39, line 11:

2 Delete "and 43.55.165(d)"

3 Insert ", 43.55.165(d), and 43.55.180"

4

5 Page 40, following line 27:

6 Insert a new bill section to read:

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

9 REVISOR'S INSTRUCTION. In the following statute sections, the revisor of statutes
10 shall substitute the spanned reference

11 (1) "AS 43.55.011 - 43.55.170" for the spanned reference "AS 43.55.011 -
12 43.55.180"; AS 43.55.020(e), 43.55.080, 43.55.135, 43.55.150(a), 43.55.201(c), 43.55.300(c);

13 (2) "AS 43.55.017 - 43.55.170" for the spanned reference "AS 43.55.017 -
14 43.55.180"; AS 43.55.023(g)."

15

16 Renumber the following bill sections accordingly.

17

18 Page 41, line 3:

19 Delete "sec. 58"

20 Insert "sec. 59"

2007 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 11/10

Amendment: FIN

29

MEMBER

Favor

Oppose

MEMBER	Favor	Oppose
HAWKER	✓	
JOULE	✓	
KELLY		✓
NELSON		✓
STOLTZE		✓
THOMAS	✓	
CRAWFORD		✓
FOSTER	✓	
GARA		✓
MEYER	✓	
CHENAULT	✓	

Yea _____

Nay _____

FIN 29

~~6-5~~ Adopted
6-5

25-GH0014\N.2
Cook/Bullock
11/9/07

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE CHENAULT

TC: CSHB 2001(FIN), Draft Version "N"

- 1 Page 10, line 29:
- 2 Delete "25"
- 3 Insert "22.5"
- 4
- 5 Page 14, line 5:
- 6 Delete "25"
- 7 Insert "22.5"
- 8
- 9 Page 14, line 19:
- 10 Delete "25"
- 11 Insert "22.5"
- 12
- 13 Page 14, line 29:
- 14 Delete "25"
- 15 Insert "22.5"
- 16
- 17 Page 17, line 15:
- 18 Delete "25"
- 19 Insert "22.5"

2007 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 11/10

Amendment: FIN 30

MEMBER	Favor	Oppose
JOULE		✓
KELLY		✓
NELSON	✓	
STOLTZE		✓
THOMAS		✓
CRAWFORD	✓	
FOSTER		✓
GARA	✓	
HAWKER	✓	
CHENAULT		✓
MEYER		✓

Yea 4

Nay 7

Alaska State Legislature
House of Representatives

FIN 30

Alaska State Capitol
Juneau, Alaska 99801-1182
1-907-465-3438 (phone)
1-888-478-3438 (toll free)
1-907-465-4565 (fax)



Interim Address
716 West Fourth Avenue
Anchorage, Alaska 99501-2133
(phone) 1-907-269-0100
(fax) 1-907-269-0105

Representative Harry Crawford
District 21

Failed
4-7

Functions of the amendment:

- Maintains all previous sections from CSHB 2001(FIN) except for applicability to the "legacy fields" on the North Slope. The definition of legacy field is written to encompass Prudhoe, Kuparuk and Alpine fields.
- Implements a 17% tax for oil on the gross value at the point of production.
- Implements a 13% tax for gas on the gross value at the point of production.
- Intent language to allow the legislature to save up to 50% of the annual surcharge revenue in the Constitutional Budget Reserve.
- 0.25 percent progressivity tax that is applied once the gross price of oil reaches \$40 and increases to 0.35 percent once the gross price of oil reaches \$70. This tax is capped at 25%. The progressivity structure also decreases the tax 0.25 percent when the price falls below \$40.
- A 40% credit applicable to all eligible capital expenditures after exceeding \$100,000,000.

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE CRAWFORD

TO: CSHB 2001(FIN), Draft Version "N"

1 Page 2, following line 6:

2 Insert a new bill section to read:

3 **** Sec. 2.** AS 37.10 is amended by adding a new section to read:

4 **Sec. 37.10.440. Appropriations to the budget reserve fund of production**
5 **tax revenue.** (a) By February 1 each year, the Department of Revenue shall determine
6 the amount of revenue received from the tax levied under AS 43.55.410(b)(1) and
7 notify the legislature of that amount.

8 (b) The legislature may appropriate 50 percent of the amount reported by the
9 Department of Revenue to the budget reserve fund (art. IX, sec. 17, Constitution of the
10 State of Alaska).

11 (c) Nothing in this section requires that money be appropriated or creates a
12 dedicated fund."

13

14 Renumber the following bill sections accordingly.

15

16 Page 10, line 21, following "state":

17 Insert "that is not within a unit or area described in AS 43.55.400(a)"

18

19 Page 38, following line 5:

20 Insert new bill sections to read:

21 **** Sec. 52.** AS 43.55.201(b) is amended to read:

22 (b) The surcharge imposed by (a) of this section is in addition to the taxes
23 [TAX] imposed by AS 43.55.011 and 43.55.410 and is due on the last day of the

1 month on oil produced from each lease or property during the preceding month. The
2 surcharge is in addition to the surcharge imposed by AS 43.55.300 - 43.55.310.

3 * Sec. 53. AS 43.55.201(c) is amended to read:

4 (c) A producer of oil shall make a report of production on March 31 of the
5 year following the calendar year of production and in the same manner and under the
6 same penalties as required under AS 43.55.011 - 43.55.180 and 43.55.400 -
7 43.55.440.

8 * Sec. 54. AS 43.55.201(d) is amended to read:

9 (d) Oil not considered under AS 43.55.020(e) or 43.55.430(d) to be produced
10 from a lease or property is not considered to be produced from a lease or property for
11 purposes of this section.

12 * Sec. 55. AS 43.55.300(b) is amended to read:

13 (b) The surcharge imposed by (a) of this section is in addition to the taxes
14 [TAX] imposed by AS 43.55.011 and 43.55.410 and is due on the last day of the
15 month on oil produced from each lease or property during the preceding month. The
16 surcharge is in addition to the surcharge imposed by AS 43.55.201 - 43.55.231 and
17 43.55.400 - 43.55.440.

18 * Sec. 56. AS 43.55.300(c) is amended to read:

19 (c) A producer of oil shall make a report of production on March 31 of the
20 year following the calendar year of production and in the same manner and under the
21 same penalties as required under AS 43.55.011 - 43.55.180 and 43.55.400 -
22 43.55.440.

23 * Sec. 57. AS 43.55.300(d) is amended to read :

24 (d) Oil not considered under AS 43.55.020(e) or 43.55.430(d) to be produced
25 from a lease or property is not considered to be produced from a lease or property for
26 purposes of this section.

27 * Sec. 58. AS 43.55 is amended by adding new sections to read:

28 **Article 3A. Oil and Gas Production Tax for Legacy Fields.**

29 **Sec. 43.55.400. Applicability.** (a) AS 43.55.400 - 43.55.440 apply to the
30 production of oil or gas after December 31, 2007, from a unit that produced more than
31 200,000,000 BTU equivalent barrels after the date of the commencement of

1 commercial operations and before the year in which the tax is levied and has an
2 average daily oil and gas production during the year immediately preceding the
3 calendar year in which the tax is levied of more than 50,000 BTU equivalent barrels.

4 (b) Before February 1 of each year, the commissioner shall identify and
5 publish a description of each unit described in (a) of this section.

6 (c) AS 43.55.011(f), 43.55.011(g), 43.55.020, 43.55.023 - 43.55.025, and
7 43.55.030(a) - (d) do not apply to oil and gas for which a tax is levied under
8 AS 43.55.400 - 43.55.440.

9 (d) In this section,

10 (1) "commencement of commercial operations" means the start of
11 regular deliveries of marketable oil or gas;

12 (2) "unit" means a group of leases covering all or part of one or more
13 potential hydrocarbon accumulations, or all or part of one or more adjacent or
14 vertically separate oil or gas reservoirs that are subject to a unit agreement;

15 (3) "unit agreement" means the agreement executed by the State of
16 Alaska, working-interest owners, and royalty owners creating the unit.

17 **Sec. 43.55.410. Legacy field oil and gas production tax.** (a) There is levied
18 on the producer of oil or gas a tax for all oil and gas produced each month from each
19 lease or property in the state described in AS 43.55.400(a), less any oil and gas the
20 ownership or right to which is exempt from taxation. The tax is equal to

21 (1) 17 percent of the gross value at the point of production of the oil
22 taxable under this section; and

23 (2) 13 percent of the gross value at the point of production of the gas
24 taxable under this section.

25 (b) For each calendar year for which the price index determined under (c) of
26 this section is

27 (1) greater than zero, in addition to the tax levied under (a) of this
28 section, there is levied on the producer of oil or gas a tax for all oil and gas produced
29 that calendar year from each lease or property subject to the provisions of
30 AS 43.55.400 - 43.55.440, less any oil and gas the ownership or right to which is
31 exempt from taxation; the tax levied under this paragraph

1 (A) when the average price per barrel for Alaska North Slope
2 crude oil for sale on the United States West Coast during the calendar year is at
3 least \$40 a barrel but less than \$70 a barrel, is equal to 0.25 percent of the
4 gross value at the point of production of the taxable oil and gas for the calendar
5 year multiplied by the number that represents the difference between the
6 average price per barrel for Alaska North Slope crude oil for sale on the United
7 States West Coast during the calendar year and \$40;

8 (B) when the average price per barrel for Alaska North Slope
9 crude oil for sale on the United States West Coast during the calendar year is at
10 least \$70 a barrel, the tax is equal to 7.5 percent of the gross value at the point
11 of production of taxable oil and gas for that tax year plus 0.35 percent of the
12 gross value at the point of production of the taxable oil and gas for the calendar
13 year multiplied by the number that represents the difference between the
14 average price per barrel for Alaska North Slope crude oil for sale on the United
15 States West Coast during the calendar year and \$70;

16 (C) less than zero, for all oil and gas produced that calendar year from
17 each lease or property subject to the provisions of AS 43.55.400 - 43.55.440, less any
18 oil and gas the ownership or right to which is exempt from taxation, a producer may
19 take a reduction in tax levied under (a) of this section equal to 0.25 percent of the
20 gross value at the point of production of taxable oil and gas for the calendar year
21 multiplied by the price index determined under (c) of this section.

22 (c) For purposes of (b) of this section, the price index for a calendar year is
23 calculated by subtracting 40 from the number that is equal to the average price per
24 barrel for Alaska North Slope crude oil for sale on the United States West Coast
25 during the calendar year for which the tax is due.

26 (d) The tax rate calculated under (b)(1) of this section may not be more than 25
27 percent.

28 **Sec. 43.55.420. Tax credit for exploration and development.** (a) A producer
29 or explorer that incurs an expenditure that otherwise would be a qualified capital
30 expenditure if incurred for a lease or property that is not within a unit described in
31 AS 43.55.400 may take a credit against the tax levied by AS 43.55.410 only as

1 provided in this section.

2 (b) A credit is not available under this section until the total amount of
3 qualified capital expenditures incurred after December 31, 2007, in a unit described in
4 AS 43.55.400(a) exceeds \$100,000,000. When the total amount of qualified capital
5 expenditures exceeds \$100,000,000, the producer or explorer that incurs those capital
6 expenditures is eligible for a credit against the production tax levied in AS 43.55.410
7 in the amount of \$40,000,000.

8 (c) A producer or explorer is eligible for a credit against the production tax
9 levied in AS 43.55.410 in the amount of 40 percent of the qualified expenditures the
10 producer or explorer incurs for a lease or property within a unit described in
11 AS 43.55.400(a) after qualifying for the credit in (b) of this section.

12 (d) A person may not apply a credit under this section against a tax levied by
13 AS 43.55.410 more than five calendar years after the date a qualified capital
14 expenditure is eligible for the credit under (b) or (c) of this section, starting with the
15 first calendar year following the date the expenditure was made that qualified for the
16 credit.

17 (e) A lease expenditure for a lease or property in a unit described in
18 AS 43.55.400(a) may not be treated as a qualified capital expenditure for the purposes
19 of AS 43.55.023 or treated as an expenditure for which a credit is allowed under
20 AS 43.55.025.

21 (f) In this section, "qualified capital expenditure" has the meaning given in
22 AS 43.55.023, except that a qualified capital expenditure must be incurred for a lease
23 or property in a unit described in AS 43.55.400(a) to qualify for a credit under this
24 section.

25 **Sec. 43.55.430. Payment of tax.** (a) For a calendar year, a producer subject to
26 tax under AS 43.55.410 shall pay the tax as follows:

27 (1) an installment payment of the estimated tax levied by
28 AS 43.55.410, net of any tax credits applied as allowed by law, is due for each month
29 of the calendar year on the last day of the following month; the amount of the
30 installment payment is the total amount of the gross value at the point of production of
31 the oil or gas taxable under AS 43.55.410 and produced by the producer from leases or

1 properties in a unit described in AS 43.55.400(a) during the month minus 1/12 of the
2 tax credits that are allowed by law to be applied against the tax levied by
3 AS 43.55.400 for the calendar year, except that the installment payment may not be
4 less than zero;

5 (2) any amount of tax levied by AS 43.55.410, net of any credits
6 applied as allowed by law, that exceeds the total of the amounts due as installment
7 payments of estimated tax is due on March 31 of the year following the calendar year
8 of production.

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

11 (c) In making settlement with the royalty owner for oil and gas that is taxable
12 under AS 43.55.410, the producer may deduct the amount of the tax paid on taxable
13 royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in value at the
14 time the tax becomes due to the amount of the tax paid. If the total deductions of
15 installment payments of estimated tax for a calendar year exceed the actual tax for that
16 calendar year, the producer shall, before April 1 of the following year, refund the
17 excess to the royalty owner.

18 (d) Gas flared, released, or allowed to escape in excess of the amount
19 authorized by the Alaska Oil and Gas Conservation Commission is considered, for the
20 purpose of AS 43.55.400 - 43.55.440, as gas produced from a lease or property. Oil or
21 gas used in the operation of a lease or property a unit described in AS 43.55.400(a)
22 in drilling for or producing oil or gas, or for repressuring, except to the extent
23 determined by the Alaska Oil and Gas Conservation Commission to be waste, is not
24 considered, for the purpose of AS 43.55.400 - 43.55.440, as oil or gas produced from a
25 lease or property.

26 (e) If oil or gas is produced but not sold, or if oil or gas is produced and sold
27 under circumstances where the sale price does not represent the prevailing value for
28 oil or gas of like kind, character, or quality in the field or area from which the product
29 is produced, the department may require the tax to be paid upon the basis of the value
30 of oil or gas of the same kind, quality, and character prevailing for that field or area
31 during the calendar month of production or sale.

1 (f) Notwithstanding any contrary provision of AS 43.05.225, an unpaid
2 amount of an installment payment required under (a)(1) of this section that is not paid
3 when due bears interest (1) at the rate provided for an underpayment under 26 U.S.C.
4 6621 (Internal Revenue Code), as amended, compounded daily, from the date the
5 installment payment is due until the March 31 described in AS 43.55.440(a), and (2)
6 as provided for a delinquent tax under AS 43.05.225 after that March 31. Interest
7 accrued under (1) of this subsection that remains unpaid after that March 31 is treated
8 as an addition to tax that bears interest under (2) of this subsection. An unpaid amount
9 of tax due under (a)(2) of this section that is not paid when due bears interest as
10 provided for a delinquent tax under AS 43.05.225.

11 (g) Notwithstanding any contrary provision of AS 43.05.280,

12 (1) an overpayment of an installment payment required under (a)(1) of
13 this section bears interest at the rate provided for an overpayment under 26 U.S.C.
14 6621 (Internal Revenue Code), as amended, compounded daily, from the later of the
15 date the installment payment is due or the date the overpayment is made, until the
16 earlier of

17 (A) the date it is refunded or is applied to an underpayment; or

18 (B) the March 31 described in AS 43.55.440(a);

19 (2) except as provided under (1) of this subsection, interest with
20 respect to an overpayment is allowed only on any net overpayment of the payments
21 required under (a) of this section that remains after the later of the March 31 described
22 in AS 43.55.440(a) or the date that the statement required under AS 43.55.440(a) is
23 filed;

24 (3) interest is allowed under (2) of this subsection only from a date that
25 is 90 days after the later of the March 31 described in AS 43.55.440(a) or the date that
26 the statement required under AS 43.55.440(a) is filed; interest is not allowed if the
27 overpayment was refunded within the 90-day period;

28 (4) interest under (2) and (3) of this subsection is paid at the rate and in
29 the manner provided in AS 43.05.225(1).

30 **Sec. 43.55.440. Filing of statements.** (a) The person paying the tax under
31 AS 43.55.400 - 43.55.440 shall file with the department on March 31 of the year

1 following the calendar year for which the tax was levied a statement, under oath, in a
2 form prescribed by the department, giving, with other information required, the
3 following:

4 (1) a description of each lease or property within a unit described in
5 AS 43.55.400(a) from which the oil and gas were produced, by name, legal
6 description, lease number, or accounting codes assigned by the department;

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

8 (3) the gross amount of oil and the gross amount of gas produced from
9 each lease or property, and the percentage of the gross amount of oil and gas owned by
10 each producer for whom the tax is paid;

11 (4) the gross value at the point of production of the oil and of the gas
12 produced from each lease or property owned by each producer for whom the tax is
13 paid; and

14 (5) the name of the first purchaser and the price received for the oil and
15 for the gas, unless relieved from this requirement in whole or in part by the
16 department.

17 (b) Reports required under this section are delinquent the first day following
18 the day the report is due. The person required to file the report is liable for a penalty,
19 as determined by the department under standards adopted in regulation by the
20 department, of not more than \$1,000 for each day the person fails to file the report at
21 the time required. The penalty is in addition to the penalties in AS 43.05.220 and
22 43.05.290 and is assessed, collected, and paid in the same manner as a tax deficiency
23 under this title. In this subsection, "report" includes a statement."
24

25 Renumber the following bill sections accordingly.
26

27 Conform internal references to bill sections so that AS 37.10.440 and AS 43.55.400 -
28 43.55.440 take effect January 1, 2008. Below are all internal references to bill sections in this
29 bill:

30 Page 2, line 4;

31 Page 39, lines 14, 16, 17, 18, 19, 22, 24, 25, 26, 28, and 31;

- 1 Page 40, lines 1, and 30 - 31;
- 2 Page 41, lines 1 and 3.

2007 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: _____

Amendment: _____

Move from
Committee

MEMBER

Favor

Oppose

KELLY	✓	
NELSON	✓	
STOLTZE	✓	
THOMAS	✓	
CRAWFORD		✓
FOSTER		✓
GARA	✓	
HAWKER	✓	
JOULE	✓	
MEYER	✓	
CHENAULT	✓	

Yea 9

Nay 2

REPORTED OUT OF FISCAL NOTE

HFC 11/10/07

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: CSHB2001(FIN)
 () Publish Date: _____

Identifier (file name): HB2001CSFIN-DNR-O&G-11-11-07 Dept. Affected: Natural Resources
 Title Oil and Gas Tax Amendments RDU Resource Development
 Component Oil and Gas Development
 Sponsor Rules Committee
 Requester House Finance Component Number 439

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES								
-----------------------------	--	--	--	--	--	--	--	--

CHANGE IN REVENUES ()	**Indeterminate Positive						
-------------------------------	---------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2008) cost: _____

POSITIONS

Full-time								
Part-time								
Temporary								

ANALYSIS: (Attach a separate page if necessary)

This bill would amend the oil and gas production tax under AS 43.55 to retain base tax rate from 22.5% of net income with no retroactivity. The bill has a progressivity surcharge increasing at 0.4% per dollar between the per barrel net revenue and \$30. The bill also reduces the period by which past investments are recognized in the transition investment expenditure credits (AS 43.55.023(a)) from April 1, 2001 to April 1, 2003. Some EICs are increased from 20% to 30%. Administrative changes to the current tax system include changes in the administration of EICs under AS 43.55.025 relating to the kind of information that EIC applicants must provide to the state and the time that this information may be kept confidential.

Prepared by: Kevin Banks, Acting Director
 Division Oil and Gas
 Approved by: Tom Irwin, Commissioner
Natural Resources

Phone 269-8800
 Date/Time 11/11/2007
 Date 11/11/2007

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

BILL NO. CSHB2001(FIN)

ANALYSIS CONTINUATION

**Indeterminate Positive: The royalty revenue impact to the State of ACES is indeterminate positive. The improvements of EICs will bring favorable economics to exploration projects. The reduction of TIE credits available to lessees and the progressivity element that has an impact only when oil prices or margins are high will together have an opposite effect on project economics.

REPORTED OUT OF FISCAL NOTE
HFC 11/10/07

STATE OF ALASKA
 2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: CSHB2001(FIN)
 () Publish Date: _____

Identifier (file name): CSHB2001(FIN)-DOR-TAX-11-10-07 Dept. Affected: Revenue 04
 Title: An Act relating to the production tax on oil and gas.. RDU: Taxation and Treasury
 Component: Tax Division
 Sponsor: Governor
 Requester: House Finance Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services	115.7		115.7	115.7	115.7	115.7	115.7	115.7
Travel								
Contractual	1,018.4		1,018.4	1,018.4	511.8	5.2	5.2	
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	1,134.1		1,134.1	1,134.1	627.5	120.9	120.9	

CAPITAL EXPENDITURES								
-----------------------------	--	--	--	--	--	--	--	--

CHANGE IN REVENUES								
---------------------------	--	--	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF	1,134.1		1,134.1	1,134.1	1,134.1	1,134.1	1,134.1	1,134.1
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL	1,134.1		1,134.1	1,134.1	1,134.1	1,134.1	1,134.1	1,134.1

Estimate of any current year (FY2008) cost: 3,191.2

POSITIONS

Full-time	1	1	1	1	1	1	1
Part-time							
Temporary							

ANALYSIS: (Attach a separate page, if necessary)

This bill makes economic and several administrative changes to the state's current petroleum profits tax. The bill retains the current tax system's structure, which taxes the net value of petroleum resources.

This fiscal note shows operating and capital expenses related to the change in reporting and administering the tax.

Prepared by: Johanna Bales, Roger Marks, Cherio Nienhuis
 Division: Tax Division
 Approved by: Jerry Burnett
Department of Revenue

Phone: 269-6628
 Date/Time: 11/10/07 9:00 PM
 Date: 11/10/2007

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

BILL NO. CSHB2001(FIN)

ANALYSIS CONTINUATION

Administrative changes to the current tax system include the following: requires taxpayers to provide cost projections to allow the state to better forecast state revenues and pursue changes in reported costs; authorizes public reporting of some cost data; authorizes a short-term audit program; and designates an exempt class of oil and gas auditors.

Personal Services: The bill requires the Department of Administration to create a new class and pay system for Oil and Gas revenue auditors. Assuming that this can be done, we have no basis on which to estimate additional costs arising under this pay plan. In addition to the uncertain costs for auditors, the department expects that it will need one additional Programmer Analyst V position to maintain and manage the new oil and gas production tax database system at a cost of \$115,700 annually.

Contractual: Contractual expenditures include \$1,013,200 annually to contract for audit assistance. This estimate is based on 3 auditors, working 40 hours per week each, for 4 years starting in January 2008 at an average rate of \$100 per hour, plus estimated transportation and lodging costs, and additional costs for training auditors. The need for such assistance is based upon the department's substantial difficulty in recruiting enough auditors to administer the oil and gas production tax. The department only anticipates the need for contract audit assistance for 4 years while the department recruits and trains auditors for positions that are currently vacant. The contract auditors would work in conjunction with department auditors during this time to maximize department resources and help train department auditors. The department will also need an additional \$5,200 each year in contractual costs associated with the new Analyst Programmer V position.

Current FY2008 costs: The department expects it will incur costs beginning January 2008 to immediately implement the new production tax structure. Those costs include: **Contractual** - \$2,620,800 capital funding to fund the scoping and development of an oil and gas production tax database system (including associated hardware) and \$506,600 to contract for audit assistance (as described above). The new database system will permit accurate and efficient management of information submitted by taxpayers to facilitate auditing and forecasting of revenues, and timely and accurate reports for internal and public uses. The proposed system will accommodate the migration of ELF-based data and continue to collect supplemental data from producers on volumes, wells and production. The system will include income-based data, including tracking credits, required under PPT and upon which the ACES tax structure is based. The system will also integrate into the division's accounting systems. **Personal Services** - \$218,000 from the period January 1, 2008 through June 30, 2008 due to creating an exempt class of oil and gas revenue auditors and increasing pay to more closely reflect what the market in Alaska pays for roughly similar positions. In addition, we will recruit for the Analyst Programmer V and bring that person on board to participate in the database scoping meetings. We estimate FY 2008 costs for this position to be approximately \$57,800. **Supplies** - \$6,000 for a computer and software for the new analyst programmer V position.

Revenue changes will be shown in another fiscal note.

REPORTED OUT OF
HFC 11/10/07 FISCAL NOTE

STATE OF ALASKA
 2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: CSHB2001(FIN)
 () Publish Date: _____

Identifier (file name): CSHB2001(FIN)-DOR-REV-11-10-07 Dept. Affected: Revenue 04
 Title: An Act relating to the production tax on oil and gas.. RDU: Taxation and Treasury
 Component: Tax Division
 Sponsor: Governor
 Requester: House Finance Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURE	FY 2009						
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING							

CAPITAL EXPENDITURES							
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CHANGE IN REVENUES (374,095	306,613	301,905	485,862	493,481	279,539
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FUND SOURCE (Thousands of Dollars)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other Interagency Receipts						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2008) cost _____

POSITIONS

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*

This fiscal note shows changes in revenues resulting from this legislation; operating and capital costs pertaining to the Department of Revenue for the implementation of this legislation are shown on a separate fiscal note.

This bill makes several economic changes to the state's current petroleum profits tax. The bill retains the current tax system's structure, which taxes the net value of petroleum resources. The bill makes the following changes to the current system: it calculates the progressivity surcharge as the difference between the per barrel net revenue and \$30 at 0.4%; it eliminates the recognition of investments made during the period April 1, 2001 to April 1, 2003 for purposes of the transition investment expenditure credits (AS 43.55.023(i)); and EIC credits are increased from 20% to 30%.

Prepared by: Johanna Bales, Roger Marks, Cherie Nienhuis
 Division: Tax Division
 Approved by: Jerry Burnett
Department of Revenue

Phone: 269-6628
 Date/Time: 11/10/07 9:30 PM
 Date: 11/10/2007

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

BILL NO. CSHB2001(FIN)

ANALYSIS CONTINUATION

Other changes to the current tax system include the following: excludes from qualified lease expenditures those expenses related to unscheduled production interruptions; excludes dismantlement, removal & restoration (DR&R) costs from allowable expenditures; requires taxpayers to provide cost projections to allow the state to better forecast state revenues and pursue changes in reported costs; authorizes public reporting of some cost data; and authorizes a short-term audit program.

Certain lease expenditure allowance provisions are retroactive to April 1, 2006; the other provisions of the tax proposal become effective January 1, 2008.

See page 3 for projected revenue estimates.

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

BILL NO. CSHB2001(FIN)

ANALYSIS CONTINUATION

**Estimated Production Tax Revenues, PPT and ACES,
at Various Prices (in \$millions nominal)**

Fall 2007 DOR Official Forecast Prices

Fiscal Year	ANS WC \$ per barrel (in REAL dollars)	ANS WC \$ per barrel (in NOMINAL dollars)	Status Quo - PPT	ACES	CSHB2001 (Fin)	Increase or (Decrease) from PPT	Increase or (Decrease) from ACES
2008	71.65	71.65	1,947	2,368	2,210	263	-158
2009	64.55	66.30	1,430	1,985	1,804	374	-180
2010	60.05	63.40	1,217	1,767	1,523	307	-243
2011	59.70	64.75	1,250	1,766	1,552	302	-214
2012	59.55	66.35	1,174	1,701	1,660	486	-41
2013	58.90	67.45	1,151	1,685	1,645	493	-40
2014	58.25	68.55	1,217	1,558	1,497	280	-62

DOR Forecast nominal prices rounded to the nearest \$0.05

\$60 per barrel in REAL dollars

Fiscal Year	ANS WC \$ per barrel (in REAL dollars)	ANS WC \$ per barrel (in NOMINAL dollars)	Status Quo - PPT	ACES	CSHB2001 (Fin)	Increase or (Decrease) from PPT	Increase or (Decrease) from ACES
2008	60.00	60.00	1,073	1,452	1,213	139	-239
2009	60.00	61.65	1,197	1,698	1,476	280	-222
2010	60.00	63.35	1,247	1,802	1,561	313	-241
2011	60.00	65.09	1,272	1,795	1,583	311	-212
2012	60.00	66.88	1,204	1,737	1,703	499	-35
2013	60.00	68.72	1,225	1,772	1,750	526	-22
2014	60.00	70.61	1,334	1,696	1,662	328	-34

\$80 per barrel in REAL dollars

Fiscal Year	ANS WC \$ per barrel (in REAL dollars)	ANS WC \$ per barrel (in NOMINAL dollars)	Status Quo - PPT	ACES	CSHB2001 (Fin)	Increase or (Decrease) from PPT	Increase or (Decrease) from ACES
2008	80.00	80.00	2,693	3,137	3,140	447	2
2009	80.00	82.20	2,640	3,294	3,475	835	181
2010	80.00	84.46	2,751	3,431	3,642	891	212
2011	80.00	86.78	2,732	3,411	3,681	899	250
2012	80.00	89.17	2,638	3,360	3,808	1,110	448
2013	80.00	91.62	2,783	3,451	3,945	1,162	493
2014	80.00	94.14	2,950	3,407	3,903	953	496



THE ALLIANCE

... for responsible development of Alaska's Oil, Gas & Mineral Resources

SENATE & HOUSE FINANCE TESTIMONY on SB & HB 2001 November 8, 2007

Thank you, Chairmen Stedman, Hoffman, Chenault & Meyer, members of the Senate & House Finance committees. My name is Paul Laird. I'm general manager and testifying on behalf of the Alaska Support Industry Alliance, a trade association representing companies & individuals that provide goods & services to Alaska's oil, gas & mining industries.

Our 400 member companies and their 35,000-plus Alaska employees don't make the multibillion-dollar investments in oil & gas development that fuel Alaska's economy ... they make those investments work.

As Alaskans whose livelihoods depend on oil & gas investment, we're deeply concerned about the constant tax increases that put some of those investments at risk.

The extent to which yet another tax increase will discourage investment may be debatable. The fact that it will do absolutely nothing to encourage new oil production or construction of a gas project is not.

Every dollar in additional taxes is a dollar that won't be invested in sustaining production, in generating business for Alaska companies, in providing good-paying private sector jobs for Alaskans.

And isn't that what this discussion should be about: how we can ensure our "fair share" of long-term jobs and business opportunities for Alaskans, rather than how much more money the state can extract from the private sector ... just so state government can have more money?

Proponents of this latest increase in Senate Bill 2001 & House Bill 2001 have presented a plethora of preliminary projections & a paucity of proof to push their position.

Regulations for the current PPT haven't even been finalized, and the first returns haven't been audited.

When you adopted the PPT in 2006 after months of deliberations, debate and countless votes, you required a complete review of the system five years later - in 2011. You understood it would take several years to reasonably determine how & if it's working. That hasn't changed.

Please be prudent rather than punitive in setting long-term oil & gas tax policy. Don't put long-term production, Alaska jobs and business opportunities at risk by increasing taxes, increasing costs and jeopardizing the economics of critical investments.

ALASKA SUPPORT INDUSTRY ALLIANCE



UDELHOVEN

184 East 53rd Avenue
Anchorage, Alaska 99518-1222
(907) 344-1577 Fax (907) 522-2541

Mr. Chairman, Co-Chairman, Vice Chairman etc. , Distinguished Committee members both Senate and House--

My name is James Gilbert, I'm President of Udelhoven Oilfield Systems Services

And I testify tonight on behalf of my company and it 538 employees.

A recent article in the Juneau Empire, the text of which in part starts out as --I quote,

Gov. Sarah Palin called a special session to reconsider the state's oil tax over the objections of the oil industry and its allies in the Alaska Legislature. Palin wants to increase the tax on oil company profits from 22.5 percent to 25 percent. End quote.

If you pass the PPT at this higher tax, after only 14 months of the last tax implemented, you are sending a message to the producer companies in which you under line Alaska's instability as a place to operate. 30 years of operation and only one independent is targeting production (Pioneer), maybe in 2008. We should not be considering raising taxes, we need to be considering what it would take to get production back up to 2mm bbls per day.

Some legislators who have backed the Gov.'s call for a new session and a new look at oil taxes cite, the corruption investigations. End quote

These citings show a definite lack of understanding at what WE owe the oil companies, for their years of commitment and perseverance when oil was low and profits were minimal. We should be grateful they had the billions to invest and risk to develop OUR resources. But I have heard and read just the opposite, because the producers are now getting some payback for all those years of investment. Those years of annual investments of billions of dollars to build the facilities, sealift them to Alaska and produce our wealth from Prudhoe Bay and other fields they had discovered. Six oil production plants at Prudhoe, 3 Production plants at Kuparuk, supporting plants to handle gas (two at Prudhoe) plants to handle the immense water requirements, One each at Kuparuk and Prudhoe. The CPS at Prudhoe to produce the enormous power needs for the fields, the Field Fuel Gas Unit to provide fuel for turbines for all the prb plants, the COT Units at Prudhoe and Kuparuk to provide fuel for trucks and equipment, all of these at a billion each in today's dollars and that is not even a complete list.



UDELHOVEN

Oilfield System Services, Incorporated

184 East 53rd Avenue
Anchorage, Alaska 99518-1222
(907) 344-1577 Fax (907) 522-2541

Endicott, Milne Pt, Lisbourne/Pt. MacIntyre, Badami, Alpine, Northstar and simultaneously to build and operate an 800 mile pipeline to transport to market our resource AT A COST OF CONSTRUCTION OF 9 BILLION DOLLARS.

"There was a corrosive cloud over the last proceedings because of these charges," said Rep. Mike Kelly, R-Fairbanks, and a member of the House Finance Committee.

Opponents of the tax increase, including oil companies, various chambers of commerce, oil industry contractors and some legislators, have argued that those so far convicted played no significant role in adopting the Petroleum Profits Tax that Palin has called "tainted." End Quote.

My company does work in the commercial and private sectors, we build schools, build medical facilities, do work for the military, work for the airports in Alaska and also are part of the Alliance where we hire and support collectively some 35,000 employees in our industry. It is demeaning to say that we are a part of some various chambers of commerce, as far as Alaska is concerned we are THE CHAMBER OF COMMERCE.. Our employees are some of the best paid in the state. We pay property taxes, city sales taxes, municipality sales taxes and contribute to non profits in larger amounts than any other sector in the state. Neither fishing, tourism, mining nor any other private enterprise venture contributes what our employees or our clients contribute.

My clients pay their fair share and have been paying it for 30+ years, I ask you to look in the direction of the Permanent Fund, \$39.9 Billion to date. And \$70+ billion paid to the state to operate, tax and spend, \$70 Billion that is the B word. We need to be looking at how we can get the pipeline back to its operating capacity not trying to tax the final 600,000 in to virtual submission..

Don't be fooled by those who see the oil companies as adversaries or opponents, As my Mother would say, "Shame on you" the Producers Companies have been and continue to be our partners in resource development, paying their fair share to help Alaska and Alaskans.

Thank you for your time.



UDELHOVEN

College of Business Administration

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James Gilbert President
184 E. 53rd Ave.
Anchorage, AK 99518
jjgilbert@udelhoven.com
(907)344-1577 office
(907)727-2071 cell

Note: My comments are in blue type and italicized. The remaining text is from the Juneau Empire
http://www.juneauempire.com/stories/110707/sta_20071107025.shtml

7 November 2007

To Members of the Senate and House Committees:-

My name is Maynard V. Tapp, I am an Alaskan resident since 1990. I founded my company Hawk Construction Consultants, Inc. now Hawk Consultants, LLC in 1985 as an Alaskan corporation.

I strongly believe any new approach to raise taxes should be viewed as a "RESOURCE DEVELOPMENT" effort. The state will raise more tax revenues if we raise production.

If you ask any of the tax experts that will testify before your committee, none will say that increasing the tax will increase exploration and production.

The most reliable source of long-term revenue is to increase production. As I understand the state gets 75% of the 12.5% royalty (9.375%). The "fair share" to the Alaskans is the remaining (3.125%) paid into the Permanent Fund. I believe you can build a long term future for my company's employees based on the increase in production.

Hawk employs over 60 Alaskans. Much of their work is related to the reconfiguration of the Trans Alaska Pipeline, and the refurbishment and maintenance of the existing pipelines and facilities on the North Slope.

Our company, its employees and the State of Alaska will greatly benefit from new production. We hope to be involved in all phases of the continuing projects.

From my point of view an increase of 2.5% in tax rates increases the size of government by \$25.0Million. One Senator made the point to me that "there is no guarantee that if the rate was reduced by 1% that the producers would invest that 1% here in Alaska". While this may or may not be true, one thing is certain that \$25.0Million will not be invested by the companies if it is taken away by increasing the tax.

What is the State of Alaska doing to increase oil production which then translates into more tax revenue?

Also, if that \$25.0Million is invested in new production, that amount is the equivalent of 3 new production wells. Those new wells at a nominal rate of 2,500bbls per day could gain the state revenue an additional \$21.0Million per year. (This would include the current PPT of 22.5% of Net plus 9.375% Royalty at \$80/bbl).

My math may not be totally correct but the case remains that the benefits from investment made by the "producers" in the state of Alaska for oil and gas field development far exceeds the benefits to Alaskans from raising an individual tax rate.

If the previous administration made a mistake, I believe your committee could rectify that mistake by dropping the tax rate to "10% 20%". That would make us more competitive at 51% which is closer to the Gulf of Mexico, and Canada's tax rates.

I want the state of Alaska to be at the TOP of the "producers" list when it comes to selecting investment opportunities.

Please, I humbly request you reframe this bill as a Resource Development Bill and not a tax generation bill.

I want us to recognize that Alaska is "big oil" and we get "our fair share" of revenues along with our partners, the producers. Our fair share is calculated in the jobs created by employing Alaskans in the development of our common resource.

One other thing, thanks to all you who were here last year when the PPT was agreed. Your months of hard work resulted in the 22.5/20 agreement. Please don't try to fix that which is not broken.

Thank-you,
Maynard Tapp
200 West 34th Ave, #809
Anchorage, Alaska 99503

ERIC DOMPELING

SENATE & HOUSE FINANCE TESTIMONY
on SB & HB 2001
November 8, 2007

Thank you, Chairmen Stedman, Hoffman, Chenault & Meyer, members of the Senate & House Finance committees. My name is Eric Dompeling. I'm president of, and testifying on behalf of the Alaska Support Industry Alliance, a trade association representing a broad spectrum of companies & individuals that work in Alaska.

I had the pleasure of hearing from Deputy Commissioner Rutherford speak on the AGIA Plan this morning as she addressed the Alliance membership at our breakfast meeting. As with this PPT Discussion, the time is drawing near when we will know the outcome to the question; what's going to happen!

I find this PPT discussion to be much the same hope and pray that is found in the AGIA proposal.

Much like the Canadian province of Alberta; you are considering a significant increase in the way the industry is taxed, Alberta has already experienced a slowdown in the activity levels. I have no doubt we will see the same thing here.

With production declining, the only way to stave off that decline is through the drill bit, we don't have 600 rigs drilling for oil and gas in Alaska we only have about 17 currently operating, and from there to 1 rig only requires a look back to 1999, eight short years ago. Are you prepared to dip into the CBR? Given the propensity for this state to spend money it doesn't have . . . even this tax increase will not cover the pending disaster with the next decrease in the Price of oil. We continue to need a fiscal plan; what do you plan to do with the current excess capital, besides spend it, oh I forgot it's already been spent!

The mining industry recently announced that their contribution to the State coffers has increased by a factor of 3; from 60 Million to roughly 180 million dollars. The Oil industry has also had a significant impact on the states income, coincidentally by a factor of 3; from 1.5 Billion a years in 2003 to over 4.5 billion a year this year, who says were not getting our fair share? Where does all the money go?

I urge you to think long-and hard before committing the citizens of this state to an oil & gas tax policy, that could well follow the law of unintended consequences. Don't sacrifice long-term job and business opportunities, for a short term potential gain, I ask you to leave the PPT legislation alone and focus on the longer term benefit of a Gas line that will be a real economic change to this state as was the Oil Pipeline 30 years ago.



Alaska State Legislature

Please enter into the record my testimony to the House + Senate Finance
committee name

committee on HB + SB 2001 . dated 11-8-07
bill/subject

All,
What we fail to take into account is the cost of the development of the oil fields, drilling wells and building infrastructure to fill the declining oil currently produced. Maybe Alaska should partner with the oil companies for the development of the new and existing oil fields. Have a stake in research and development to recover additional heavy crude oil from the existing fields, feel the pain of spending millions of dollars to bring in a well pad with the expectation of 25000 bpd of production just to find it will only produce 15000 bpd then experience the misfortune of having channelized water from the water flood well invade the oil production well because the oil sands we more permeated than expected and you lose millions of dollars on the drilling cost of the well.

Invest some of Alaska's money into the oil fields for a percentage of the profit after EBITA.

Raising taxes is not the answer for the long term for revenue growth for the state of Alaska. Investing and partnering with the companies to invite and increase industry build a healthy economy.

I am not in favor of raising any taxes on the oil revenue.

Best regards,

Stephen Cordova
Sr. Project Manager
Energy Services and Operations
CH2M HILL
949 E. 36th Avenue,
Suite 500
Anchorage, AK 99508
Tel 907.762.1500
Direct 907.753.1589
Mobile 907-382-9700
Fax
Email
www.CH2M.com

Signed: Via E-Mail
Testifier

Representing (Optional)

Address

Phone No.



Alaska State Legislature

Please enter into the record my testimony to the FINANCE
committee name

committee on HB 2001 / SB 2001, dated 11/8/07
bill/subject

Date: 11-08-07
From Paul D.Kendall
REF: PPT Senate and House Joint PPT hearings testimony
TO above for the record

Ladies and Gentlemen,
Please accept the attached Opinion for the record in your review of the PPT bill 2001.

I find it concerning we citizens are not afforded more time and participation in this PPT process along with other pressing society needs...

Thank You,

Paul D. Kendall

907-222-7882

Signed: _____

Testifier

Representing (Optional)

Address

Phone No

=====

6

11-8-07 Paul D. Kendall PPT testimony
 To: Joint Senate and House committees reviewing PPT 2001 bills
 REF: Testimony Enough is Enough, it is time for a new society !

12

Ladies and Gentlemen of the Legislature and fellow citizens of Alaska,

First, I continue to support our Governor in her honorable intentions with PPT .

However; I still prefer a Gross % of production paid to us and then we give back for partnerships and ventures of earned value and substance from a check off like menu . (needs more discussion)

18

ALSO, We may need to cut our losses by letting the big 3 go and bring new lease holders and more eager investors from China – Or at least replace EXXON who is clearly not "showing us the love...."

24

With the ongoing Political and Oil Co. Corruption, Energy Instability, our part time- Legislatures' cut and run to Juneau, OPEC partnerships, IRAQ Killings, Energy constructed and contrived pricing, Hydrogen Dev., World Oil Companies refusal to testify on record, Our legislature and other bodies not allowing us the citizens to substantially comment and ask questions of substance,

30

I can only conclude the following

The great people of Alaska can and should no longer be a subjugated and enslaved people by Energy interests outside of Alaska.

36 It is time to end this unjustified and illegal economic betrayal and assault on the citizens of Alaska and their families.

This irrational conveyance of our assets to some distant fund or others economic benefit to be enjoyed by a relatively few insiders has to come to an end..

42

The Alaskan people have been an understanding, generous, patient, loyal, and accommodating, partner with the BIG OIL COMPANIES and our POLITICIANS.

48

However; Due to the past, current and predicted ENERGY EVENTS the time has now come for us the citizens of Alaska to begin our next society, a more just and more free society.

You, our elected leaders should publicly and honestly determine the annual amount of Cubic Feet of Natural Gas needed for the single family home owner based on the model below:

 (SFHOM) Single family home owner model = less or up to first 1,000 sq ft living space with 20 x 20 2 car garage, 12 x 12 storage shed, 20 X 20 green house on 100' X 100' lot size --- 1 person, 1 vehicle

60

The annual allotment per household total amount of energy converted to Cubic Feet of gas shall reflect the home needs for:

HEATING AND COOKING

ELECTRICITY

GASOLINE POWERED TRAVEL of 100 miles daily round trip from home.

66 Estimated annual allotment amount of Natural Gas in cubic feet to be in the order of:

Home use	annual max	cu ft conv	X *100,000 homes	**\$
Ht - cook	175 Mcf	same	17.5 MMcf	
Electricity	8,500 kwh	28.2Mcf	28.2 MMcf	
gasoline	1,825 gal (1per)	224.2 Mcf	22.5 MMcf	
***TOTALS (all # are estimates)			68.2 MMcf	discussion

78 *TOTAL NUMBER OF SINGLE FAMILY HOMES IN ALASKA + DATA ??
 100,000 homes = 300,000+ population ? a guess * I have had a hard time trying to gather these numbers by single family home owners, apt complexes, trailers, duplexes, etc...

** the gas comes out of the ground cost nearly nothing in relation to --?

*** I have tried to make these totals maximum to way over amounts

84

 (I gathered these energy figures as best I could on such short notice today!)

90

96 You, our elected officials on our behalf should cause and make to happen Now; within the PPT bill this inclusion as a pilot project towards a new history for Alaska by declaring an annual allotment of energy for 100,000 homes as described above.

102 This pilot project annual energy allotment should be made available to 100,000 home owners on a statewide per capita % basis, by longevity, drawing every 3 years or some other local fair and agreeable means...

We as Alaskans can no longer allow the " the conspiratorial few who for profit of their own would be World rulers at our peoples, families and loved ones expense;

108 Again,, We freedom loving Alaskans will no longer be an economically subjugated and enslaved people. It is over!

The time of being economically blood sucked by a few has come and gone! It is time to begin a new society, a better and more free society. It is time for Alaska to take her place in the history of World as that new society.... First of the surely many to follow.

114 By allowing our homes access to our nearly free energy , we will not only stop the exit of large amounts of our money; but we should see a tremendous growth in our housing markets, new technologies, citizen influxes, and substantial infrastructure growth for our state needs.

120 The true and actual gas allotment cost to the Oil Industry and our permanent fund is nearly nil.

ALASKA is perched to be a new and vibrant society, a shining and historical light in the history of the world...
Its all here;

126 It is time to teach the child who is the parent; to educate the misguided, who have clearly gone to worshipping profits in the place of "spiritual insight" and "Quality of Life"; Other true values.

It is time to become a better and more free society and in order to do that we must come to the aid and defense of the very foundations of our society –

132 The Single family home, Our family's- which we all aspire to be a part of.

IF "fossil fuelers " want to make unbridled profits and wealth, then, so be it; But you shall not make it on the backs of our most fundamental foundations of our society, our homes with our loved ones.

138 The Single Family Home and Our families Energy welfare from this day forward – should be “OFF LIMITS” to the profiteering and capital generation of a few lazy and power drunk individuals running amuck guised as quasi-free enterprise corporations.

144 Sincerely and Respectfully,

Paul D. Kendall
907-222-7882

150 [w[a[t[e[r[[f[u[e[L[END [h[y[[d[r[o[[g[e[n[[

Ps.. Mr. Galvin, with all due respect for your intentions and character.

156 I came to this conclusion listening to Ms Nelson and Mr. Thomas asking you about their community needs for energy.. And you advising him (truthfully) that “the energy price his people would pay would be based on the world oi! market prices”

162 Well, it don't get much plainer than that! Funny thing about the truth, it is what it is....

Ladies and Gentlemen,

Enough is Enough! The time has come to free our people. You know this is the truth; You know I am right...and we are not alone!

168

All EXXON permanent fund stock money shall be redirected immediately to other interests unless EXXON settles with our people within 30 days.

174 That moneys' interests shall augment the immediate construction of our own Alaska Gas pipeline needs and several Hydro-Electric Power and Hydrogen Gas projects for our Alaska families new society and new technological energy needs.

180 Further, be it resolved, PIRS and TIRS shall be placed on notice they shall stand at our ready, to serve our needs as the great state of Alaska they created, may now need them yet again to help carry our journey to a new society, a new recognition for Alaska in the worlds history of a freedom loving peoples.

Well, now ima startin to get carried away here so -- Chow ?

Dear Legislature,

I am currently employed by the State of Alaska, Department of Revenue, Tax Division as an Oil & Gas Revenue Auditor. I have been encouraged by Marcia Davis to independently express my views to you on the proposed job class change for my position from non-exempt to exempt.

I do not feel that my position as an Oil & Gas Revenue Auditor should be changed from non-exempt to exempt, nor any other job directly related to auditing oil and gas taxes. Although the pay increase talked about would be welcomed and beneficial to all currently employed, I believe this change would make our positions very political and take our focus away from the job we are here to do.

I am unsure of the motivation behind the request to make our positions exempt. However, I understand one main point is recruitment and retention of auditors. If the pay scale is the main issue, may I suggest increasing the current auditor pay and leaving our status the way it is? It seems to me that would be a simple solution. I believe that individuals hired in the Oil & Gas Auditor position will not be able to come to work and perform their job duties without proper training no matter how much they are paid. As you all know, the oil and gas tax laws of Alaska are very complicated to understand.

If the status of the Oil & Gas Auditor position was wrapped into HB2001 and the funding for the positions was not available in the future, what would happen to the positions?

How would the legislature insulate exempt positions from the political pressures of any administrations?

Thank you for your time.

Melissa Bayer
Oil & Gas Revenue Auditor

11/8/2007

BACKBONE II
P.O. Box 101700, Anchorage, AK 99510

November 6, 2007

Senator Bert Steinhilber

Fax (907) 465- 3922

Dear Senator,

We are pleased to see the momentum building through the committee process to rewrite the State's oil taxes and regain the trust of the Alaska people. This special session can be truly historic.

We urge you to talk about the "fair price" for our resources, not taxes. This will counter the anti-tax messages of the industry and those Alaskans whose businesses depend on it. Demanding a "fair price" fits the fiduciary responsibilities of corporate officers, which is your role in our unique Owner State.

We recommend that you use dollar amounts, not percentages, when explaining the profits the oil companies make from our resources. All Alaskans know what dollars mean, especially when these same companies cut no slack in gasoline or home-heating fuel prices. Nowhere is the high cost of fuel so destructive as in rural Alaska, where gasoline and diesel prices are crippling our communities.

We support a 25 percent tax rate, .4 percent progressivity, full cost reporting from the producers, and information sharing between state departments.

We also suggest that you explain to your constituents what increased oil revenues will be used for. All Alaskans need to understand the need to invest our legacy funds in economic development infrastructure and education, including vocational technical training. Only then will Alaskans truly benefit from the future economic opportunities on the horizon.

Thank you again for your leadership. Both you, as a legislator, and Governor Palin will receive an outpouring of appreciation from our people as you stand tall for Alaska at this time.

Sincerely,


Walter J. Hinkel


David Gottstein

Co-Chairs, Backbone II

C: Governor Sarah Palin
Commissioner Pat Galvin

Backbone II is a non-partisan citizen organization that advocates on behalf of Alaskans on oil and gas development issues. Our members have no personal financial stake in the outcome of the current and recent deliberations on oil and gas taxes and gasoline development. We offer our ideas based on their merits and many years of involvement in Alaska public policy issues.

COPY

John Jay Darrah
Brooks Range Petroleum Corporation
510 L Street #601
Anchorage, AK 99501
Telephone 907-865-5841

RECEIVED
NOV - 8 2007

November 5, 2007

Re: Special Session

Sen. Bert Stedman
State Capitol
Juneau AK 99801

Dear Sen. Stedman,

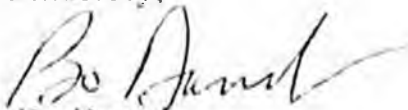
This morning I read with great disappointment the news coming from Juneau. The bills that have gravitated from both the House and the Senate grossly ramp up oil taxes, and if passed, will ultimately decrease future oil and gas exploration in the State of Alaska.

Fortunately in the short term, Brooks Range Petroleum has signed contracts with its working interest partners that require exploration expenditures in the neighborhood of \$40 million for 2008. I doubt that those same partners' appetites will be as great in ensuing years. As I testified to the Senate, for us once again to rewrite the oil tax after just one cycle of PPT, the State of Alaska is sending the message to the rest of the industry that Alaska's tax system is unstable and unreasonably high.

Brooks Range Petroleum is not going to abandon Alaska, our assets or our efforts to commercialize our small 2007 discovery. Hopefully we will find more reserves in 2008 that will require additional development drilling. However, I am very worried about Brooks Range Petroleum's ability to continue bringing new exploration investment to the State, especially for our larger risk and larger reward frontier plays.

I hope reason prevails for the final disposition of your bill. Thank you for hard work and dedication to keeping Alaska's best interests in mind.

Sincerely,


Bo Darrah

2007.11.08-11.22-55

To: Senator Bert Stedman
Finance Committee Co-Chair
Fax # 465-3922 / 225-0713

From: Peter McKay
55441 Chinook Rd
Kenai, AK 99611
(907) 776-5745

Date: 10/27/2007

Subject: Yes - Alaska Clear and Equitable Share (ACES)

Dear Mr. Stedman,

I am a constituent who lives in Nikiski.

I strongly support the ACES proposal advanced by Governor Palin.

I support a 25% net base tax rate for North Slope Oil Producers.

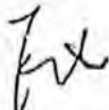
I support a base gross tax floor of 10% on the Prudhoe and Kuparuk fields.

Please act to close the loophole that permits producers to deduct repair cost when repairs are a result of substandard maintenance.

BP should not be able to deduct the cost of replacing the Prudhoe Bay Oil Transit Lines, or the oil spill on the GC-2 OIL. These were both caused by willful negligence.

I am an oilfield worker. I have first-hand experience with North Slope oil company equipment maintenance programs. They are sub-standard. The failures on the Oil Transit Lines (and many other equipment failures) are the result of years worth of deferred maintenance and cost saving. Negligence. This behavior should not be rewarded with a tax credit.

Thank you for considering my opinion.



Peter McKay



Alaska State Legislature

Please enter into the record my testimony to the SENATE FINANCE / HOUSE FINANCE
 committee name
 committee on SB/HB 2001, dated 11-9-07
 bill/subject

SEE

ATTACHMENTS

3-PAGES

Signed: AVES THOMPSON (via Email)
 Testifier
ALASKA TRUCKING ASSOC.
 Representing (Optional)
3443 MINNESOTA, ANCHORAGE 99503
 Address
(907) 276-1149
 Phone No.

Alaska Trucking Association, Inc.

3443 Minnesota Drive · Anchorage, Alaska 99503 · Phone (907) 278-1149 · Fax (907) 274-1946
www.aktrucks.org

The authoritative voice of the trucking industry in Alaska

November 8, 2007

**SB2001 Oil Tax Issues (PPT)
Senate and House Finance Committees**

The Alaska Trucking Association is a state wide organization representing trucking interests from Barrow to Ketchikan. In 2008, our association celebrates its 50th Anniversary of serving the interests of the trucking industry in Alaska. Our more than 200 member companies represent all of the diverse trucking operations in the state along with many associate members who provide goods and services to our industry. It is important to note that, in Alaska, trucking employs over 20,000 people - 1 out of 14 members of the Alaska workforce. Trucking payrolls total over \$900 million annually. Trucking consists of several thousand family owned and corporate trucking businesses, most of which have fewer than 10 employees.

On behalf of the ATA, I wish to submit the following comments for the record.

It has been said many times that, in developing our natural resources, our constitution requires that we seek maximum return to the citizens of Alaska. While it seems that the emphasis has been on raising taxes to increase tax revenue to the state, we believe that the better way to maximize benefits to Alaskans is to provide good paying, long term jobs for this and future generations.

The State needs to focus on how to slow the decline of production. To accomplish that objective, investments need to continue in existing fields, investments need to be made in heavy oil and investments need to



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be made to promote the development of new fields. Existing field development should be the first priority. Most of the new production, in recent years, has occurred in existing fields. Without this base production, heavy oil and other new field development will face major additional challenges.

The oil and gas business is capital intensive and it takes many years for return on investments to occur. Increases to taxes lengthen that recovery time and can negatively impact project economics and investment decisions.

We believe that it is important in setting tax policy to produce adequate revenues for the state but more importantly, encourage further investment in the development of our abundant resources.

We urge you keep the tax rate low and use incentives to encourage increased development investment. As stated earlier, we believe that the better way to maximize benefits to Alaskans is to provide good paying, long term jobs for this and future generations. Investment, not taxes, will provide the jobs we need to ensure our future.

Sincerely,



Aves Thompson
Executive Director



If you got it, a truck brought it...

Tom Lakosh

From: Tom Lakosh [lakosh@gci.net]
Sent: Wednesday, November 07, 2007 2:40 PM
To: 'Bill Stoltz'; 'Bill Thomas'; 'Kevin Meyer'; 'Mary Nelson'; 'Mike Hawker'; 'Mike Kelly'; 'Reggie Joule'; Rep_Harry_Crawford@legis.state.ak.us; Rep_Les_Gara@legis.state.ak.us; Rep_Mike_Chenault@legis.state.ak.us; 'Richard Foster'
Cc: 'sharon_kelly@legis.state.ak.us'
Subject: Requested amendment

Dear Chairman Chenault and Committee Members;

In attempting to arrange concurrent testimony before House and Senate Finance Committees tomorrow night, I began a discussion of my concerns with the Chairman's staff and she asked that I send my recommended amendments to the entire committee ASAP. I am still preparing my testimony that will in part petition the committee to amend CS HB 2001 (RES) with the prayer for relief embodied in the proposed addition of AS 43.55.011(q), (or something close with the same intent). There is some language that isn't necessary relief, AS 43.55.011(q)(5), but it follows the generally accepted proposition that capex has a higher correlation to the barrels produced than opex. You will find the Due Diligence section from the standard oil and gas lease and argument below the proposed new section 20. I am also including a proposed amendment to AS 38.05.180(q) but this is only provided to show the enhanced ADNR role flowing from the necessary amendment to Sec 20.

25-GH0014\V CS FOR HOUSE BILL NO. 2001(RES)

* new Sec. 20. AS 43.55.011 is amended by adding new subsections to read:

(o) In addition to the tax levied under (c) of this section, for each month for which the producer's average monthly production tax value of the taxable oil and gas exceeds \$30 for each BTU equivalent barrel, there is levied on the producer of oil or gas a tax for all oil and gas produced that month from each lease or property in the state, less any oil and gas the ownership or right to which is exempt from taxation or constitutes a landowner's royalty interest. Except as otherwise provided under (j) and (k) of this section, the tax levied under this subsection is equal to the sum over all months of the calendar year of the amount calculated under this subsection. For each month for which this subsection applies and for which the average monthly production tax value of the taxable oil and gas is

(1) not more than \$40 for each BTU equivalent barrel, the tax is equal to 0.2 percent of the gross value at the point of production of the taxable oil and gas for that month multiplied by the number that represents the difference between the average production tax value for

each BTU equivalent barrel of the taxable oil and gas for that month and \$30;

(2) more than \$40 but not more than \$50 for each BTU equivalent barrel, the tax is equal to two percent of the gross value at the point of production of the taxable oil and gas for that month plus 0.3 percent of the gross value at the point of production of the taxable oil and gas for that month multiplied by the number that represents the difference between the average production tax value for each BTU equivalent barrel of the taxable oil and gas for that month and \$40;

(3) more than \$50 but not more than \$60 for each BTU equivalent barrel, the tax is equal to five percent of the gross value at the point of production of the taxable oil and gas for that month plus 0.4 percent of the gross value at the point of production of the taxable oil and gas for that month multiplied by the number that represents the difference between the average production tax value for each BTU equivalent barrel of the taxable oil and gas for that month and \$50; or

(4) more than \$60 for each BTU equivalent barrel, the tax is equal to nine percent of the gross value at the point of production of the taxable oil and gas for that month plus 0.5 percent of the gross value at the point of production of the taxable oil and gas for that month multiplied by the number that represents the difference between the average production tax value for each BTU equivalent barrel of the taxable oil and gas for that month and \$60.

(p) Notwithstanding other provisions of this section, for a calendar year before 2022, the tax levied under (e) and (o) of this section for each 1,000 cubic feet of gas for gas produced from a lease or property outside the Cook Inlet sedimentary basin and used in the state may not exceed the

amount of tax for each 1,000 cubic feet of gas that is determined under (j) (2) of this section.

(q) All tax deductions and tax credits allowable to an oil and gas lessee pursuant to the provisions of AS 38.05.180(i), AS 41.09.010, AS 43.20.043 and 43.55.11-.170 shall not be applied for or transferred by a lessee nor approved by the Alaska Department of Revenue unless:

(1) the lessee has fully satisfied the due diligence requirements of its lease to the extent that it has reinvested all windfall profits above the allowable "reasonable profits", as set forth in their lease and determined by the Commissioner of the Alaska Department of Natural Resources, into drilling, producing, and operating wells on the leased area, and;

(2) the plan of operations approved by the Commissioner of the Alaska Department of Natural Resources pursuant to AS 38.05.180 et. seq. and subject to the pool rules promulgated by the Alaska Oil and Gas Conservation Committee requires expenditures in addition to the amounts dedicated to this purpose in (1) of this subsection, and;

(3) all windfall profits, as described in (1) of this subsection, derived by lessee over the lifetime of the lease are used to offset any and all deductions and credits that have been previously granted or may accrue, and;

(4) the tax deductions and tax credits are claimed by lessee to supplement its due diligence requirements only to the extent that such deductions or credits are necessary to timely complete the plan of operations described in (2) of this subsection.

(5) The allowable tax deductions and tax credits are claimed as necessary in the following progressive order: capital expenditure deductions; capital expenditure credits; operating expense deductions.

The relevant standard lease section requiring due diligence is copied below:

13. DILIGENCE AND PREVENTION OF WASTE. (a) The lessee shall exercise reasonable diligence in drilling, producing, and operating wells on the leased area unless consent to suspend operations temporarily is granted by the state.

(b) Upon discovery of oil or gas on the leased area in quantities that would appear to a reasonable and prudent operator to be sufficient to recover ordinary costs of drilling, completing, and producing an additional well in the same geologic structure at another location with a reasonable profit to the operator, the lessee must drill those wells as a reasonable and prudent operator would drill, having due regard for the interest of the state as well as the interest of the lessee.

(c) The lessee shall perform all operations under this lease in a good and workmanlike manner in accordance with the methods and practices set out in the approved plan of operations and plan of development, with due regard for the prevention of waste of oil, gas, and associated substances and the entrance of water to the oil and gas bearing sands or strata to the destruction or

injury of those sands or strata, and to the preservation and conservation of the property for future productive operations. The lessee shall carry out at the lessee's expense all orders and requirements of the State of Alaska relative to the prevention of waste and to the preservation of the leased area. If the lessee fails to carry out these orders, the state will have the right, together with any other available legal recourse, to enter the leased area to repair damage or prevent waste at the lessee's expense.

(d) The lessee shall securely plug in an approved manner any well before abandoning it.

Argument:

Given this mandated use of all of the lessees' windfall profit beyond a reasonable profit for drilling, completing and producing wells in the interest of the state as set forth in 13(b), there's a dedicated use of the windfall margin:

1. That cannot be refunded with a tax deduction or credit because the state's interest requires the full payment of these costs by lessee under contract
2. where the approved plan of operations does not use up this full windfall margin, the additional state investment detracts from the best interest of the state by incentivizing operations that are already paid for and that would induce investment beyond that of a prudent operator
3. and only if the plan of operations requires more than entire windfall profits available is the best interest of the state advanced by deductions and credits, but only to the extent that such subsidy is required to timely complete the plan of operations .

These facts necessarily establish the credit as a prohibited impairment of the contract.

Amendments to 38.05.180(q) in red

(q) A plan authorized by (h) or (p) of this section, which includes land owned by the state, may contain a provision vesting the commissioner, or a person, committee, or state agency, with authority to modify from time to time the rate of prospecting and development and the quantity and rate of production under the plan to maximize the benefit to the state considering the long term production of all hydrocarbons on such leases or units and as otherwise necessary for most effective utilization of all regional resources. All leases operated under a plan approved or prescribed by the commissioner are excepted in determining holdings or control under AS 38.05.140 . The provisions of this section concerning cooperative or unit plans are in addition to and do not affect AS 31.05.

(A) "Reasonable profit" as used in diligence sections of oil and gas leases is defined for each lessee to the extent that the majority of its Alaskan income is generated from its Alaskan assets dedicated to exploration and production of: light oils and NGLs is that exhibited by the 70th percentile of all rates of returns of all Alaskan corporations filing a tax return and showing a profit; heavy oils is that exhibited by the 85th percentile of all rates of returns of all Alaskan corporations filing a tax return and showing a profit; Natural Gas is that exhibited by the 94th percentile of all rates of returns of all Alaskan corporations filing a tax return and showing a profit.

(B) The definition of due diligence expenditure of net profits after the taking of reasonable profits defined in (A) shall be used for prudent exploration and production drilling operations as proposed by the lessee or unit operator in their plans of operations and annually approved by the commissioner. The commissioner shall, when necessary, issue a conditional permit that modifies the submitted plan of operation to optimize the maximum feasible long term production of all recoverable hydrocarbons on such leases and units. The Commissioner shall also insure that the most effective and efficient means are utilized to develop and conserve the hydrocarbon resources in such plans.

TOM LAKOSH P.O. BOX 100648 ANCHORAGE, AK 99510 Ph/Fax (907) 563-7380
November 8, 2007

For distribution to all Members of the House and Senate Finance Committees before the public testimony session on 11/8/07 at 5:30 PM

**Petition Challenging the Constitutionality of CS SB 2001 and CS HB 2001
(ACES as Amended)**

If it pleases the Chairman, my name is Tom Lakosh. I present this petition to the legislators in both House and Senate Finance Committees on my own behalf but posit claims of unconstitutionality that affect the rights of all Alaskan citizens. Please refer to the written petition submitted to the offices of the Chairmen and otherwise to each legislator via email. I request in response, written conclusions of law and findings of facts and where there are dissenting opinions, I request that such dissent be forwarded as well. I request time and access for oral argument equal to that provided to the Administration and lessees.

The CS versions before the committees are unconstitutional due to violations of Article I Section 7, fair treatment in administrative and legislative investigations, Article I Section 15, prohibition of impairment of contracts, and Article VIII Section 2, legislative development of natural resources in the best interests of its people.

The ACES bill submitted to the legislature and the testimony of the Administration and its consultants is unconstitutional, false, misleading and contains material omissions where they posit mutually exclusive arguments that contradicts their mandated administrative authority pursuant to statutes, regulations, and most importantly, explicit oil and gas lease provisions. The Administration cannot claim that Alaskans must extract a greater percentage of windfall profits at the same time that it claims that further development incentives must be offered where it has the administrative duty to both set the limits of "reasonable profits" and the extent of production and development as stipulated in lease provisions. I first direct the legislators' attention to standard lease sections 13(a) and (b).

13. DILIGENCE AND PREVENTION OF WASTE. (a) The lessee shall exercise reasonable diligence in drilling, producing, and operating wells on the leased area unless consent to suspend operations temporarily is granted by the state.

(b) Upon discovery of oil or gas on the leased area in quantities that would appear to a reasonable and prudent operator to be sufficient to recover ordinary costs of drilling, completing, and producing an additional well in the same geologic structure at another location with a reasonable profit to the operator, the lessee must drill those wells as a reasonable and prudent operator would drill, having due regard for the interest of the state as well as the interest of the lessee.

The plain meaning of these words taken together clearly establishes that lessees must keep drilling and producing hydrocarbons on their lease so long as each additional well will provide a "reasonable profit". The structure of this contract language therefore mimics what is typically known as a "cost-plus contract" where profit is fixed and limited to a "reasonable" rate and all additional windfall profit garnered must be reinvested into the contracted operations. I would assert with a high degree of confidence that there are no cost-plus contracts in the world that would allow the 64%+ rates of return revealed in testimony before you. Under no circumstances would these stratospheric profits be deemed "reasonable" by any competent and unbiased Trier of fact given that the leases are essentially cost-plus contracts of enormous total value. The Administration cannot legitimately claim that there are windfalls to be extracted with higher tax rates and that the state must also subsidize costs that are required to be funded by the same windfall. These arguments are mutually exclusive and may not be deemed credible.

The position of the Administration becomes even more absurd where the leases, statutes and regulations also grant the Alaska Department of Natural resources, ADNRR, complete authority to regulate the plan of operations and plan of development for each lessee and combined lessees in a unit operating plan. I now direct the legislators to the standard lease sections 9(e), 10(a) and 10(b).

9. PLAN OF OPERATIONS. (e) In approving a lease plan of operations or an amendment of a plan, the commissioner will require amendments that the commissioner determines necessary to protect the state's interest. The commissioner will not require an amendment that would be inconsistent with the terms of sale under which the lease was obtained, or with the terms of the lease itself, or which would deprive the lessee of reasonable use of the leasehold interest.

10. PLAN OF DEVELOPMENT. (a) Except as provided in subparagraph (d) below, within 12 months after completion of a well capable of producing oil, gas, or associated substances in paying quantities, the lessee

shall file two copies of an application for approval by the state of an initial plan of development that must describe the lessee's plans for developing the leased area. No development of the leased area may occur until a plan of development has been approved by the state.

(b) The plan of development must be revised, updated, and submitted to the state for approval annually before or on the anniversary date of the previously approved plan. If no changes from an approved plan are contemplated for the following year, a statement to that effect must be filed for approval in lieu of the required revision and update.

The plain meaning of these words taken together with those in the "DILIGENCE AND PREVENTION OF WASTE" section clearly establishes that ADNR must first determine what is in the best interest of the state, in terms of plans of operations and development for each lessee, and then expand any plan of operations or development submitted by a lessee to conform with the best interest of the state so long as it allows "a reasonable profit to the operator". The Administration cannot legitimately claim that state subsidy of costs is needed to incentivize development in the best interest of the state where it is already mandated to amend lessees' plans of operations and development to comport with the state's interest, and there are windfall profits available to fund expanded plans of development. The claim that incentives are needed to advance the interests of the state necessarily implies that lease administration has failed to fully promote the state's interest in conformance with its mandate under lease provisions, statutes and regulations. The proposed increases in taxes to extract windfalls also establishes that the failure to regulate lessees in the best interest of the state is not due to a lack of available funding for imposed expanded plans of operations and development.

While the Administration must preserve the best interests of the state, each legislator and the legislature as a whole must preserve the best interests of the people pursuant to Article VIII Section 2. Legislators must dismiss the vast majority of the arguments of the Administration and lessees as fraudulent on their face and conduct its own investigation consistent with Article I Section 7. The foremost question now before Committee Members is the issue of lease impairment created by the net profits tax and credit system before you in the CS bills that is prohibited by Article I Section 15 and the legislative oversight necessary to correct the failed administration of leases in the best interest of the state or the people.

The primary mechanism of lease contract impairment is presented by the tax deduction and credit provisions in the CS bills that are explicitly designed to offset those

expenditures by lessees who are otherwise required to bear the burden of those costs to the full exhaustion of any windfall profits that may be available to them over the lifetime of lease development. The legislature may well grant subsidies to lessees once these accumulated windfall profits have been fully expended, but it must first determine that the subsidies are actually needed given a proper administration of leases and will result in advancement of the peoples' best interest. The requested relief from impairment of contracts issue would be adoption of my proposed amendments to the CS bills as provided below, (see section (q) in the House CS and (p) in the Senate CS, changes that do not impair the intent would be appreciated):

25-GH0014\V CS FOR HOUSE BILL NO. 2001(RES)

* **new Sec. 20.** AS 43.55.011 is amended by adding new subsections to read:

(o) In addition to the tax levied under (e) of this section, for each month for which the producer's average monthly production tax value of the taxable oil and gas exceeds \$30 for each BTU equivalent barrel, there is levied on the producer of oil or gas a tax for all oil and gas produced that month from each lease or property in the state, less any oil and gas the ownership or right to which is exempt from taxation or constitutes a landowner's royalty interest. Except as otherwise provided under (j) and (k) of this section, the tax levied under this subsection is equal to the sum over all months of the calendar year of the amount calculated under this subsection. For each month for which this subsection applies and for which the average monthly production tax value of the taxable oil and gas is

(1) not more than \$40 for each BTU equivalent barrel, the tax is equal to 0.2 percent of the gross value at the point of production of the taxable oil and gas for that month multiplied by the number that represents the difference between the average production tax value for each BTU equivalent barrel of the taxable oil and gas for that month and \$30;

(2) more than \$40 but not more than \$50 for each BTU equivalent barrel, the tax is equal to two percent of the gross value at the point of production of the taxable oil and gas for that month plus 0.3 percent of the gross value at the point of production of the taxable oil and gas for that month multiplied by the number that represents the difference between the average production tax value for each BTU equivalent barrel of the taxable oil and gas for that month and \$40;

(3) more than \$50 but not more than \$60 for each BTU equivalent barrel, the tax is equal to five percent of the gross value at the point of production of the taxable oil

and gas for that month plus 0.4 percent of the gross value at the point of production of the taxable oil and gas for that month multiplied by the number that represents the difference between the average production tax value for each BTU equivalent barrel of the taxable oil and gas for that month and \$50; or

(4) more than \$60 for each BTU equivalent barrel, the tax is equal to nine percent of the gross value at the point of production of the taxable oil and gas for that month plus 0.5 percent of the gross value at the point of production of the taxable oil and gas for that month multiplied by the number that represents the difference between the average production tax value for each BTU equivalent barrel of the taxable oil and gas for that month and \$60.

(p) Notwithstanding other provisions of this section, for a calendar year before 2022, the tax levied under (e) and (o) of this section for each 1,000 cubic feet of gas for gas produced from a lease or property outside the Cook Inlet sedimentary basin and used in the state may not exceed the amount of tax for each 1,000 cubic feet of gas that is determined under (j)(2) of this section.

(q) All tax deductions and tax credits allowable to an oil and gas lessee pursuant to the provisions of AS 38.05.180(i), AS 41.09.010, AS 43.20.043 and 43.55.11-.170 shall not be applied for, or transferred by a lessee nor approved by the Alaska Department of Revenue unless:

(1) the lessee has fully satisfied the diligence requirements of its lease to the extent that it has reinvested all windfall profits above the allowable "reasonable profits", as set forth in their lease diligence sections and determined by the Commissioner of the Alaska Department of Natural Resources, into drilling, producing, and operating wells on the leased area, and;

(2) the plans of operations and development approved by the Commissioner of the Alaska Department of Natural Resources, pursuant to lease provisions and AS 38.05.180 et. seq., requires expenditures in addition to the amounts dedicated to this purpose in (1) of this subsection, and;

(3) all windfall profits, as described in (1) of this subsection, derived by lessee over the lifetime of the lease have been used to offset any and all deductions and credits that have been previously granted or may accrue, and;

(4) the tax deductions and tax credits are claimed by lessee to supplement its lease diligence requirements only to the extent that such deductions or credits are

necessary to timely complete the plans of operations and development described in (2) of this subsection, and;

(5) The tax deductions and tax credits, deemed allowable pursuant to subsection (4) of this section, are claimed by lessee in the following progressive order: capital expenditure deductions; capital expenditure credits; operating expense deductions.

CS SB 2001 (JUD) 11/05/07

***new Sec. 24 AS 43.55.011 is amended by adding new subsections to read:**

(o) For a calendar year before 2022, the tax levied by (e) of this section for each 1,000 cubic feet of gas that is produced from a lease or property outside of the Cook Inlet sedimentary basin and used in the state may not exceed the amount of tax for each 1,000 cubic feet of gas that is determined under (j)(2) of this section.

(p) All tax deductions and tax credits allowable to an oil and gas lessee pursuant to the provisions of AS 38.05.180(i), AS 41.09.010, AS 43.20.043 and 43.55.11-.170 shall not be applied for, or transferred by a lessee nor approved by the Alaska Department of Revenue unless:

(1) the lessee has fully satisfied the diligence requirements of its lease to the extent that it has reinvested all windfall profits above the allowable "reasonable profits", as set forth in their lease diligence sections and determined by the Commissioner of the Alaska Department of Natural Resources, into drilling, producing, and operating wells on the leased area, and;

(2) the plans of operations and development approved by the Commissioner of the Alaska Department of Natural Resources, pursuant to lease provisions and AS 38.05.180 et. seq., requires expenditures in addition to the amounts dedicated to this purpose in (1) of this subsection, and;

(3) all windfall profits, as described in (1) of this subsection, derived by lessee over the lifetime of the lease have been used to offset any and all deductions and credits that have been previously granted or may accrue, and;

(4) the tax deductions and tax credits are claimed by lessee to supplement its lease diligence requirements only to the extent that such deductions or credits are necessary to timely complete the plans of operations and development described in (2) of this subsection, and;

(5) the tax deductions and tax credits, deemed allowable pursuant to subsection (4) of this section, are claimed by lessee in the following progressive order: capital expenditure deductions; capital expenditure credits; operating expense deductions.

Please note that the proposed structure of profits and tax above directly mimics the royalty and net profits structure described by Pat Foley of Pioneer Natural Resources before the House Finance Committee this afternoon beginning at about 2:20 PM and his testimony is "the other side of the coin" regarding lease impairment imposed by the CS bills. Representative Gara's comments on the matter were quite illuminating on this whole issue as it exposed the primary role that ADNR plays in determining just how much profit may accrue to a lessee and how much revenue the state receives from lessees. The issue of the failed administration of leases can be substantially addressed by the following amendments to the CS bills, (each bill would add an additional section requiring renumbering of successive sections):

25-GH0014\V CS FOR HOUSE BILL NO. 2001(RES)

* **Sec. 9.** AS 38.05.180(q) is amended to read:

(q) A plan authorized by subsections (h) or (p) of this section, which includes land owned by the state, may contain a provision vesting the commissioner, or a person, committee, or state agency, with authority to modify from time to time the rate of prospecting and development and the quantity and rate of production under the plan to maximize the benefit to the state considering the long term production of all hydrocarbons on such leases or units and as otherwise necessary for most effective utilization of all regional resources. All leases operated under a plan approved or prescribed by the commissioner are excepted in determining holdings or control under AS 38.05.140. The provisions of this section concerning cooperative or unit plans are in addition to and do not affect AS 31.05.

(A) The term "reasonable profit" as used in the diligence sections of oil and gas leases is to be defined by the commissioner to reflect the 67th percentile of the aggregation of the rates of return granted in "cost-plus contracts" as compared to projects of similar magnitude and complexity to that of each lessee and within a similar legal framework to that experienced in Alaska.

(B) The definition of due diligence expenditure of net profits after the taking of reasonable profits defined in (A) shall be used for prudent exploration and production drilling operations as proposed by the lessee or unit operator in their plans of operations and development. The commissioner shall annually review the

plans of operations and development, and when changes in material conditions indicate that such plans require amendment in the state's best interest's, issue a conditional permit that modifies the submitted plans. The commissioner shall insure that the plans are optimized to provide the maximum long term production of all recoverable hydrocarbons using the most effective and efficient means to develop the hydrocarbon resources on leased properties. The optimization of plans must be performed in conformance with established and prospective pool rules and other constraints promulgated by the Alaska Oil and Gas Conservation Commission.

CS SB 2001 (JUD) 11/05/07

* **Sec. 10.** AS 38.05.180(q) is amended to read:

(q) A plan authorized by subsections (h) or (p) of this section, which includes land owned by the state, may contain a provision vesting the commissioner, or a person, committee, or state agency, with authority to modify from time to time the rate of prospecting and development and the quantity and rate of production under the plan to maximize the benefit to the state considering the long term production of all hydrocarbons on such leases or units and as otherwise necessary for most effective utilization of all regional resources. All leases operated under a plan approved or prescribed by the commissioner are excepted in determining holdings or control under AS 38.05.140. The provisions of this section concerning cooperative or unit plans are in addition to and do not affect AS 31.05.

(A) The term "reasonable profit" as used in the diligence sections of oil and gas leases is to be defined by the commissioner to reflect the 67th percentile of the aggregation of the rates of return granted in "cost-plus contracts" as compared to projects of similar magnitude and complexity to that of each lessee and within a similar legal framework to that experienced in Alaska.

(B) The definition of due diligence expenditure of net profits after the taking of reasonable profits defined in (A) shall be used for prudent exploration and production drilling operations as proposed by the lessee or unit operator in their plans of operations and development. The commissioner shall annually review the plans of operations and development, and when changes in material conditions indicate that such plans require amendment in the state's best interest's, issue a conditional permit that modifies the submitted plans. The commissioner shall insure that the plans are optimized to provide the maximum long term production

of all recoverable hydrocarbons using the most effective and efficient means to develop the hydrocarbon resources on leased properties. The optimization of plans must be performed in conformance with established and prospective pool rules and other constraints promulgated by the Alaska Oil and Gas Conservation Commission.

While the above proposed amendments address the contract impairment and lease administration issues, there are a whole host of other "maximum benefit" issues that should garner their own amendments. The recognition of the "cost-plus" lease issue should logically lead to the elimination of the net profits tax altogether because lessees are constrained to only accrue "reasonable profits" given that the state's/peoples' best interest will require ever increasing production investment and there would be no need for taxes to track lessees' profitability. Adoption of a highly progressive excise tax levied on the gross value of raw hydrocarbons at the point of export or point of sale in-state would: dispense with an unduly burdensome tax administration cost to both the state and lessees that could be better spent on lease administration and production respectively; incentivize the elimination of "gold plating" of costs upstream of the point of tax, and; capture hydrocarbons for tax that may otherwise be exempt from tax due to point of origin.

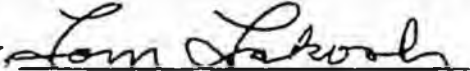
Where a progressive excise tax would be designed to capture the "lion's share" of windfall profits, tax credits for specific equipment that has the highest correlation to ultimate hydrocarbon production would be very useful. Examples of such equipment provided in testimony to date should include: advanced drill rigs; gas processing units; water processing units; sand processing units; advanced seismic testing equipment and software; and other such advanced equipment directly related to finding, drilling and processing hydrocarbons, particularly for heavy oil and gas. Whatever utility office buildings may have for production, Alaskans' best interests are most served in assuring full funding of those assets with the highest correlation to production of hydrocarbons in the proper ratio to allow their efficient transport. If we later find that capital expenditures beyond a short list of highly qualified and extremely expensive equipment would be warranted, no lessee or prospective explorer will complain if the legislature or ADNR expands the list. If these tax credits fail to adequately fund the approved plans of operation and development, all but one lessee still has royalty relief available to supplement funding of their production activities pursuant to AS 38.05.180(j). Lessees that have expended their royalty relief and still cannot adequately fund their operations should be given the option of additional credits or royalty relief, but only to the extent

that the price of hydrocarbon(s) impairs their ability to accrue "reasonable profits" and after a full examination of the competency of the operator is conducted by ADNR.

Where the seismic and/or well information acquired by EIC tax credits are deemed to be in the best interest of the people, legislators must consider that the application for similar tax deductions or credits should trigger the same production of information by the applicant.

Benefits that accrue to the people of Alaska due to the revenue derived from hydrocarbon production are offset by the detrimental effects of climate change suffered by Alaskans that reside in areas with permafrost. These citizens are entitled to equal protection from state and legislative actions impairing their wellbeing. The legislature must minimally commit to mitigation of the unequal effects of any bill that passes and is signed into law.

The CS bill folders presented to both Finance Committees are required to contain my prior written testimony and oral testimony summaries on these bills. I request that the Committee Members review my prior testimony as it contains a supplemental perspective, advice and evidence that are relevant to the instant petition.

Sincerely, 

Tom Lakosh, Pro Per Petitioner

November 7, 2007

Re: proposed oil tax increase

Dear Honored State Legislator:

The Governor asserts that the state of Alaska is owed its fair share of oil taxes. I would challenge that to state that working Alaskans deserve a fair share of the economic benefits of a strong oil industry.

Revenue Commissioner Pat Galvin recently stated he wanted to tax the companies up to the tipping point just short of where oil investments would be deterred. This seems a little cynical to me, akin to throttling the golden goose (but hopefully not quite killing it). This policy is shortsighted and counter productive.

The best interests of Alaska will be served by vibrant oil industry that enjoys relatively low taxes. A moderate oil tax burden will help all working Alaskans and all Alaska based companies oilfield and non-oilfield alike. Real estate, commercial and residential construction, government, professionals, services, local merchants, and outside based retailers all benefit in a trickle down effect from a strong oil economy.

Who builds oil field projects in Alaska? Working Alaska men and women, that's who. Alaska based companies with Alaska based payroll supporting Alaska families build these projects. Raising taxes jeopardizes these jobs and businesses.

A lot has been said about other oil provinces raising taxes and foreign governments whose "take" far exceeds that of Alaska. The oil company executives will tell you that the factors influencing investments are first geology (the potential for large undiscovered resources in the basin), then costs, then fiscal regime, including overall take and risk of change in fiscal structure.

Alaska with a mature onshore oil basin and its harsh arctic environment ranks moderate to poor in the first two categories. Recent changes to the tax structure (i.e. last year's \$1B PPT increase) make Alaska look riskier than it has been historically. A high tax rate proposed by ACES would complete the picture by negatively affecting Alaska's competitive position in all categories. Alaska should give a tax incentive to future investment compared to our neighbors with whom we are competing with for investment.

Let us not forget that Alaska, unlike other US states, has a significant royalty interest. This alone should align Alaska with the producers in a quest to maximize production rather than maximizing taxes on a diminishing production stream. Increasing oil taxes means fewer projects will be executed by the producing companies. This means less oil

production in the long run. Less oil production means fewer royalties to the state of Alaska.

Alaskan's fair share of a bright economic future should be given priority instead of a greater Alaska government take.

Very truly yours

/s/

Paul K. Wharton

The author has lived in Alaska since 1984 and has been employed during that time in oil, mining, and law. The author currently works for ConocoPhillips Alaska, Inc. in the Anchorage tower. The views expressed here are my own.



COPY

Honorable Senate President Lyda Green
Alaska State Senate
State Capitol Building
Room 111
Juneau, AK 99801-1182

Transmitted via fax: 907-465-3805

Dear President Green:

On behalf of the Arctic Slope Regional Corporation (ASRC), I am writing to express both concern with and support for certain provisions in CS SB2001 (JUD). ASRC is thankful for the opportunity to weigh-in as an Alaskan company and major employer in this state.

Our primary concern continues to be with the language in Section 36(f)(2)(B) (i) and (ii), which requires oil and gas explorers applying for exploration tax credits to disclose seismic survey and well data from non-State lands.

It is important for the State to consider and protect the rights of private property owners, especially since the actual privately-owned land acreage is significantly smaller than Federal and State owned lands, and most of those private lands are owned by Alaska Native corporations. Alaska Native corporation lands are perhaps the single most important tool Native corporations use to provide benefits to their shareholders and Alaskans in general through employment and other economic contributions to the State. Diminishing the value of private lands by releasing confidential information about them will have the unintended consequence of injuring Native corporations and their ability to participate and invest in the Alaska economy. The burden on Native corporations is especially unfair, since, as landowners, they do not receive the benefit of the tax credits. Their lessees receive those credits, while the Native corporations' land values are diminished by disclosure of data about Native lands to the State and the public.

As discussed in our November 2, 2007, letter, private landowners place high value on data in their negotiations with prospective lessees. This data is proprietary and valuable precisely because it is confidential. Confidential information about our lands is an important property right. Forced disclosure of the data to the State and especially to the public is a "taking" of that property right. It may be appropriate to request a fiscal note on the cost of defending and the State's liability for "taking" claims by Alaskan private property owners.

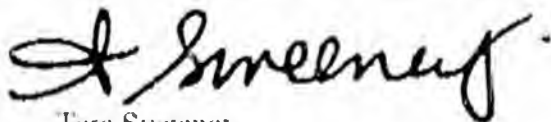
Our second area of concern is with Section 53(b). Recognizing that much committee work remains before final passage, I wish to call your attention to language in this Section that permits the Department of Revenue to substitute its judgment for the detailed and laborious rate-setting work of the Regulatory Commission of Alaska and the Federal Energy Regulatory Commission. Those bodies set intra and inter-state tariffs, respectively, for pipeline common carriers. Both agencies have established expertise to do their work. It is inappropriate for the Department of Revenue to reserve the power to second-guess their decisions about common carrier tariffs.

As you move forward through the legislative process please consider that Arctic Slope Regional Corporation is willing to help craft an acceptable solution to these problems for the benefit of all parties

Other parts of the bill have great merit, and ASRC urges your support for them. Section 24 of CS SB2001 (JUD) provides an incentive for in-state gas use for the benefit of urban and rural consumers and projects. Also, Sections 31 and 32 in the CS HB2001 (RES) version improve the exploration incentive credits (EIC) and foster a positive climate for exploration throughout the State.

I sincerely appreciate the time invested by you, your committees and the Senate to address these critical matters. I am available to discuss these issues further and to provide additional information about the concerns raised in this letter. Please do not hesitate to contact me directly on my cell phone at (202) 669-8495, or in my office at (907) 339-6066.

Sincerely,
ARCTIC SLOPE REGIONAL CORPORATION



Tara Sweeney
Director, Government Affairs

Cx Senator Donny Olson, District T Senator
Senator Gary Stevens, Senate Majority Leader
Senator Charlie Huggins, Senate Majority Whip
Senator Gene Theriault, Senate Minority Leader
Senator Lynn Hoffman, Co-Chair Senate Finance Committee
Senator Bert Stedman, Co-Chair Senate Finance Committee
Senator Bettye Davis, District K
Senator Johnny Elias, District I
Senator Kim Elton, District H
Senator Hollis French, District M
Senator Albert Kookesh, District C
Senator Leal McGuire, District N
Senator Joe Thomas, District D
Senator Bill Wietechowski, District J





November 9, 2007

TO: Anchorage LIO
RE: Submission for the record for House and Senate Finance
Committee meeting held November 8, 2007

Via Fax: 269-0229

To Whom it May Concern:

My name is Lon Wilson, and I am the President of The Wilson Agency. Thank you for the opportunity to share my comments regarding SB/HB 2001.

The Wilson Agency is a leading locally owned and independent employee benefits and financial services advisor/broker. We have a small staff of 17 and provide expertise in consultative advisory services to businesses of all sizes throughout Alaska.

While our client base is diverse, approximately twenty percent of our clients are part of the Alaska Oil Industry Support Alliance, cumulatively contributing over 20% of the total revenue to our agency. In addition, we have another 20% of our revenue generated by clients based in industries such as construction, engineering, real estate, transportation, scientific/technical, architectural and related industries, they would also be heavily impacted by a continued downturn in investment in the State of Alaska's resources.

Private sector investment in this State is key to maintaining a healthy economy. Alaska should be focusing on creating an environment of fiscal predictability and stability to encourage both large and small oil and gas companies to consider investing more funds in our State. Alaska should be encouraging new exploration and investment to promote increased production of oil. It is counter-intuitive to consider raising production taxes in light of the declining production that we are currently seeing. Daily production has plummeted 65% from more than 2 million bpd in 1988 to 726,000 today.

Under the new PPT system, Alaska is getting close to a billion dollars more in oil revenues, as planned. The PPT system hasn't even had a year to work, so it seems premature to dismiss it. The new proposed tax increase would be the 3rd large increase on the industry in the past five years. What business do you know of that would be able to sustain such a tax burden and consider it a healthy environment in which to invest more resources?

As a small business owner, I would urge you to reconsider the proposed changes to PPT and adopt an oil tax regime that will generate sufficient revenue for state government while encouraging maximum utilization of oil reserves. If we can secure increased investment in the state today, it will mean higher revenue in the future.

Thank you for your time.

A handwritten signature in black ink, appearing to read 'Lon G. Wilson'.

Lon G. Wilson, President

Petition to NOT Change the PPT

Petition summary and background	We believe that the October 18, 2007 Special Session on the Petroleum Profits Tax (PPT) has developed an emotional climate that will foster punitive actions instead focusing on facts and a tax policy that encourages growth and investment in Alaska.
Action petitioned for	We, the undersigned, are concerned Alaskans who urge our legislators to NOT make any changes to the PPT during the Special Session. We ask that the Legislators meet with their constituents before the next regular session and discuss how to develop a tax policy that promotes Investment.

Printed Name	Signature	Address	Comment	Date
Olivia Pommante	<i>[Signature]</i>	6222 Green Tree Circle Anchorage 99502		11/1/07
Veronica Reem	<i>[Signature]</i>	6110 W. Loop Dr. Anchorage 99577		11/7/07
Ralph Powell	<i>[Signature]</i>	18350 Potter Bluff Circle 99516	More Taxes = less JOBS	11/7/07
Linda Reissig	<i>[Signature]</i>	7000 Slack Dr Circle AK	"	11-7-07
Dan Winter	<i>[Signature]</i>	9111 Sahalee Dr. ANC- 99507	"	11/7/07
John Miller	<i>[Signature]</i>	8706 Tuya Circle Eagle River AK 99577		11/7/07
DAVID GRASSPUSIT	<i>[Signature]</i>	310 W 76th "G"		11/7/07
Kim Wynns	<i>[Signature]</i>	1892 Brandilyn St. Anchorage 99501	"	11/7/07
Tracy Jones	<i>[Signature]</i>	Anchorage, AK		11/07/07
A. Swick	<i>[Signature]</i>	1401 E. Spruce Ave Wasilla, AK 99654	More Jobs	11-7-07
DIXIE D BANNER	<i>[Signature]</i>	400 Crestwood Wasilla AK 99654	More Jobs Less interference w/ our family & personal lives	11/07/07

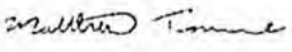
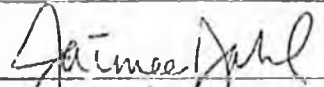


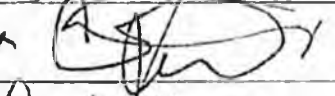
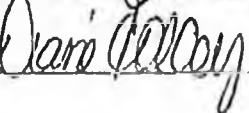
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Printed Name	Signature	Address	Comment	Date
Mary L. Whitmore	<i>Mary L. Whitmore</i>	940 Botanical Hts Cir 99515	A TAX POLICY SHOULD BE BASED ON FACTS NOT EMOTIONS!	11-5-07
GREG YOUNGMAN	<i>Greg Youngman</i>	3145 Skulivik Dr		11-5-07
Eric K. Hulm	<i>E. K. Hulm</i>	12640 Nautilus Cir		11-5-07
Ed Whitmore	<i>Ed Whitmore</i>	940 Botanical Hts Cir Anchorage AK 99515	Stable tax policy that encourages investment	11-5-07
Kelly Tynes	<i>Kelly Tynes</i>	2721 Loren Circle Anchorage AK		11-6-07
Walter Almon	<i>Walter Almon</i>	13651 JARVI DR ANCHORAGE, AK	Decrease marginal tax rate	11-6-07
MARK WICHMAN	<i>Mark Wichman</i>	2919 CAPTAIN COOK EST. CIR. ANCHORAGE, AK 99517		11-6-07
Dennis Shaubert	<i>Dennis Shaubert</i>	8934 Northwood Park Circle E. Anchorage AK 99517	CRAZY!	11-6-07
Leannisa Thompson	<i>Leannisa Thompson</i>	3311 W. 16th Ave. Anchorage AK 99502		11-6-07
JIM SELLOR	<i>Jim Sellor</i>	14841 LeComme Ave Anchorage AK		11-7-07
DALE BURNETT	<i>Dale Burnett</i>	10162 Skiff Ced		11/7/07

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Printed Name	Signature	Address	Comment	Date
Matthew Tomme		4601 Pavalof St. Anchorage, AK 99507		11/7/07
Jaimie Dahl		7400 Florence Cir. Anchorage		11/7/07
TEREY CASOPE		12411 Hops Cir. Anch 99515		11/9/07
Dexter Mose		12920 Lupine Rd 99516		11/27/07
CLIFTON DERRICK		3116 PRINCETON WAY 99503		11/07/07
Diane Colby		2032 Brandilyn 99516		11/7/07

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Subject	Sponsor	Conceptual
Legal Technical	Chenault	N 19
Intent BP spill	Hawker/Chenault	Yes
Alaska affordable instate gas	Kelly/Stoltze	Yes
Auditors	Hawker/Thomas	N 1
Progressivity	Kelly/Stoltze	Yes
Removes penalty	Hawker	Yes
Tie credits (Senate maybe)	Gara/Crawford	Yes
tax exempt (Beluga)	Joule/Crawford	Yes
Wording change "adequately achieved"	Hawker	Yes
information	Hawker	Yes
"donative products"	Hawker	Yes
instate lands	Joule/Thomas	Yes
Penalty for understatement of tax	Gara/Crawford	Yes
Statute of limitations 4-6	Gara/Crawford	Yes
Exxon tax credits non payment issue	Thomas	N 22
TAPS	Gara/Crawford	Yes
lease expenditures	Kelly/Stoltze	Yes
lease expenditures	Crawford	N 18
lease expenditures	Gara	N 25
lease expenditures (dup/sec 20)	Gara	Yes
lease expenditures	Gara	N 14 with amendment
takes out umbrella of confidentiality	Gara/Crawford	yes
Liheap	Nelson	H 10
Alternative energy	Joule	H 13
Whistleblower	Gara	yes
NPSC Regs	Kelly/Stoltze	yes
Retroactivity	Gara/Crawford	yes
2011 report gone	Kelly	H 20
Rate 22.5	Chenault	N 2
New law	Crawford	N 24

N 119
AS amended

N 1
New N 130

w/D

7-4

w/D
amended

w/D

w/D

failed

w/D
failed

w/D

Effective

1/1/08

1/1/08

Current

Current

1/1/2008

Current

Current

Current

Current

1/1/08

State of Alaska

Department of Revenue

Commissioner's Office



SARAH PALIN, GOVERNOR

333 Willoughby Avenue, 11th Floor

P.O. Box 110400

Juneau, Alaska 99811-0405

Phone: (907) 465-2300

Fax: (907) 465-2394

To: Carl Gatto, *Chairman*
House Resources Committee
Capitol Building, Room 108

October 30, 2007

CC: All Members
House Resources Committee

Dear Representative Gatto:

A number of questions were posed during the October 19th hearing of the House Resources Committee. The answers are provided below. If your own records indicate requests which we have not addressed, please notify my office and we will respond as soon as possible.

1. Representative Johnson requested organizational charts for the respective audit divisions of the Department of Revenue and Department of Natural Resources. The requested organization charts, with position vacancies noted are attached.
2. Representative Seaton inquired about the retroactivity of the penalty assessed under ACES for failure to submit required information, in response to testimony given by the Alaska Oil and Gas Association (AOGA).

Under Sections 47 and 49 of the HB 2001, the penalty for failing to file a report by the time required by the department is a fine of not more than \$1,000 per day the failure continues. These two sections were not included in Section 71 of the bill and thus are not effective retroactively. Nor are they included in Section 72 which provides an effective date of January 1, 2008. Therefore, under Section 73, these two sections would take effect immediately in accordance with AS 01.10.070(c).

3. Representative Seaton asked whether in-field use of fuel products from a topping plant would be exempt from royalty.

Fuel gas and crude oil used in field operations is royalty free. The crude oil topping plants sell fuels on the slope. The oil that is consumed in the topping plants that goes into the diesel that is sold does pay royalty. The oil consumed by the topping plants is allocated to lease operations (royalty free) and sales (royalty payable), based upon the ratio of diesel consumption. Likewise the gas that powers the topping plants is also allocated based on the same factor. Royalty is due on the fraction of gas consumption due to third party diesel sales.

4. Representative Seaton asked whether value added petroleum products created in Alaska are taxed under the Alaska Production tax statute.

AS 43.55.020(e) excludes from the production tax, oil or gas produced from a lease that is used in the state for drilling, producing oil or gas, or for repressuring. Therefore, oil refined into diesel in a North Slope crude oil topping plant is not be subject to the production tax if the diesel is used in oil and gas operations. Oil refined into diesel not used for oil and gas operations would be subject to production tax.

5. Representative Roses asked how frequently production tax audits need to be completed beyond the current 3 year statute of limitations.

For the 4-5 smaller taxpayers who do not transport their own oil, the department performs what is known as a "desk audit". These taxpayers sell their oil at pump station one and very little information is needed from the taxpayer and the audits are all completed within the current three year statute of limitation. The remaining 6-7 taxpayers are the larger taxpayers whose audits are "full blown". They either move their own crude or sell at the Valdez terminal. Much more information is needed from these taxpayers and almost all require waiver and extension of the statute of limitations which only happens with taxpayer consent. One very large taxpayer refuses to sign an extension of the statute of limitations as a corporate policy. For the largest taxpayers, where we conduct full audits, we need extensions for 85% of those taxpayers.

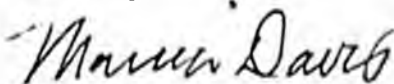
*Warranties and loans
It follows
- 1-3 yrs
Several exchanges
then audit of
Taxpayers*

6. Representative Gatto asked if personnel within DNR and DOR who violate the applicable confidentiality laws can be convicted of a class C felony.

If DOR employees unlawfully disclose confidential tax information, they are subject to a criminal penalty under AS 43.05.230(f), namely, a fine of not more than \$5,000, or by imprisonment for not more than two years, or by both. This offense is defined in AS 43, not in the criminal statutes, and there is no language classifying the offense as a type of felony or misdemeanor. However, the maximum imprisonment authorized in AS 43.05.230(f) is more than the one-year maximum for a Class A misdemeanor and is within the five year maximum for a Class C felony, so it appears to be equivalent to a Class C felony.

Pursuant to AS 38.05.036, if DNR employees use confidential oil and gas information obtained in connection with royalty and net profit audits for personal gain or not in connection with their official duties, they commit the crime of "Misuse of Confidential Information" under AS 11.56.860, and if convicted are guilty of a Class A misdemeanor.

Sincerely,



Marcia Davis
Deputy Commissioner Department of Revenue

