

HB

2001

(1 1/4/07)

AMEND-

MENTS

House Resources Amendments

Amendment #2 - changed progressivity from \$30 a barrel to \$40 a barrel and added graduated rate:

Not more than \$40	.2% of the formula
> \$40 but not more than \$50 -	.3 %
> \$50 but not more than \$60	.4 %
> \$60	.5 %

Amendment #3 - makes the tax credit a sliding rate based on AS 43.55.011(e) PPT.

Amendment #4 - Provides for a penalty equal to 5% of the difference for the underpayment of an installment payment of PPT on oil and gas.

Amendment #5 - Allows the Alaska Retirement Management Board to purchase transferable tax credit at a discounted amount and sell the credits back to the State for full value.

Amendment #6 - Allows for tax credits for exploratory expenditures incurred after December 31, 2007, tightens up qualifying expenditures, and adds to disallowed credits "costs arising from gross negligence or violation of health, safety, or environmental statutes or regulations; increases the 43.55.025(a)(1) production tax credit from 20% to 30%; expands credits for not only seismic exploration, but "other" geophysical exploration costs not connected to a specific well; the credit can not be taken until a well has been completed, suspended, or abandoned; provides that in order to get exploratory credits, the company must notify the commissioner of DNK within 30 days of completion; creates a five percent of eligible expense credit for exploratory data provided to the commissioner of DNR; defines "preexisting well"; requires DNR to keep well data confidential for 24 months and seismic and other geophysical data for ten years at which time DNR will release the data after a 30-day public notice period; split the tax credits under this section into two years.

Amendment #7 - Imposes a fine of \$1,000 per day on persons responsible for filing late forms with DNR disclosing certain information about gross production, gross value of production, description of each lease or property from which production came from and other information.

Amendment #8 - Gives the Commissioner of DNR authority to levy a \$1,000 a day fine for a producer who fails to timely file information required for revenue forecasts.

Amendment #10- Excludes from production tax expenses costs incurred because of gross negligence and violations of the Clean Water Act.

Amendment #11- Adds language to AS 43.55.165(b) direct costs can only be for activities located in the state; has contingency language in case of a court challenge based on the commerce clause that would require the activity to be "physically located on the premises of the lease or property from which oil or gas is recovered".

Amendment #24- Makes exceptions to actual transportation costs separate requirements rather than all inclusive by replacing "and" with "or"; when one of those exceptions are identified by Department of Revenue, a tariff rate must be "adjudicated just and reasonable by" RCA.

Amendment #29- Establishes an oil and gas credit fund as a separate fund which DNR can use to purchase capital expenditure tax credits or alternative tax credits. The monies in the fund do not lapse at the end of the fiscal year.

Amendment #36- Provide legislative intent that half the money received by the state as a result of the retroactivity of certain provisions of ACES will be split evenly for funding of public education funding and for the PERS/TRS indebtedness.

Amendment #38- Makes Cook Inlet ELF formula available statewide for natural gas sold for use in state, meaning "delivered for consumption as a fuel in the state, including as fuel consumed to generate electricity.

Amendment #43- Adds lobbying, public relations, advertising, or public advocacy to the list of expenses not considered lease expenditures.

Amendment #44- Increases PPT to 25 percent from 22.5% and returns the calculation to an annual average.

11/4/07

CSHB 2001(O&G) Version L

Amendment	Sponsor	Section	Action	Notes
First Batch				
1	Seaton	18	withdrawn	
2	Seaton	23	adopted 7-2	L.42
3	Seaton	23	adopted no objection	L.14
4	Wilson	23	adopted no objection	L.15
5	Roses/Wilson	25	adopted no objection	L.4
6	Wilson	26	adopted as amended	L.76
7	Roses	27	adopted	L.25
8	Fairclough	28	adopted	L.26
9	Seaton	32	withdrawn	
10	Seaton/Johnson	32	adopted	L.13
11	Johnson/Roses/Wilson	33	adopted	L.12
12	Fairclough	18	failed 4-5	
13	Fairclough	29	failed	
Second Batch				
14	Johnson	12	withdrawn	
15	Johnson	13	failed 1-8	
16	Guttenberg	10	failed 3-6	
17	Guttenberg	1	withdrawn	
18	Edgmon	11	withdrawn	
19	Guttenberg	13	failed	
20	Edgmon	23	withdrawn	
21	Edgmon	25	withdrawn	
22	Kawasaki	29	failed	
23	Edgmon	32	withdrawn	
24	Guttenberg	34	adopted /amended , not Leg. Svcs.	
25	Guttenberg	32	withdrawn	
26	Seaton	18	withdrawn	
Third Batch				
27	Guttenberg	9	withdrawn	
28	Guttenberg	23	withdrawn	
29	Guttenberg	23	adopted w/concept. amend.	L.51
30	Guttenberg	24	withdrawn	
31	Guttenberg	24	failed 4-5	
32	Edgmon	26	adopted then reversed/failed	
33	Guttenberg	32	withdrawn	
34	Guttenberg	36	withdrawn	
35	Guttenberg	42	withdrawn	
Fourth Batch				
36	Kawasaki	1	adopted/amended	L.77
37	Kawasaki	1	withdrawn	
38	Guttenberg	1	adopted as amended	L.71
39	Guttenberg	14	withdrawn	

40	Guttenberg	23	withdrawn	
41	Guttenberg	23	withdrawn	
42	Guttenberg	26	withdrawn	
43	Edgmon	33	adopted/amended	L.68
44	Gatto	14	adopted/amended	L.72
45	Seaton	33	withdrawn	
46	Guttenberg	30	withdrawn	

See map
Progressivity - follow O&G
goes to ACE's trigger point @ 30
@ 10:30 pm

AMENDMENT

(2) ~~adopted~~
7-2

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

BY REPRESENTATIVE SEATON

Y *N*
S *K* *J*
G *GU* *F*
E *W* *R*

NET PROFIT	
30	30
40	30
50	40
60	50

1 Page 13, lines 8 - 22:

2 Delete all material and insert:

3 "(o) In addition to the tax levied under (e) of this section, for each month for
4 which the producer's average monthly production tax value of the taxable oil and gas
5 exceeds \$30 for each BTU equivalent barrel, there is levied on the producer of oil or
6 gas a tax for all oil and gas produced that month from each lease or property in the
7 state, less any oil and gas the ownership or right to which is exempt from taxation or
8 constitutes a landowner's royalty interest. Except as otherwise provided under (j) and
9 (k) of this section, the tax levied under this subsection is equal to the sum over all
10 months of the calendar year of the amount calculated under this subsection. For each
11 month for which this subsection applies and for which the average monthly production
12 tax value of the taxable oil and gas is

13 (1) not more than \$40 for each BTU equivalent barrel, the tax is equal
14 to 0.2 percent of the gross value at the point of production of the taxable oil and gas
15 for that month multiplied by the number that represents the difference between the
16 average production tax value for each BTU equivalent barrel of the taxable oil and gas
17 for that month and \$30; or

18 (2) more than \$40 but not more than \$50 for each BTU equivalent
19 barrel, the tax is equal to two percent of the gross value at the point of production of
20 the taxable oil and gas for that month plus 0.3 percent of the gross value at the point of
21 production of the taxable oil and gas for that month multiplied by the number that
22 represents the difference between the average production tax value for each BTU
23 equivalent barrel of the taxable oil and gas for that month and \$40;

1 (3) more than \$50 but not more than \$60 for each BTU equivalent
2 barrel, the tax is equal to five percent of the gross value at the point of production of
3 the taxable oil and gas for that month plus 0.4 percent of the gross value at the point of
4 production of the taxable oil and gas for that month multiplied by the number that
5 represents the difference between the average production tax value for each BTU
6 equivalent barrel of the taxable oil and gas for that month and \$50;

7 (4) more than \$60 for each BTU equivalent barrel, the tax is equal to
8 nine percent of the gross value at the point of production of the taxable oil and gas for
9 that month plus 0.5 percent of the gross value at the point of production of the taxable
10 oil and gas for that month multiplied by the number that represents the difference
11 between the average production tax value for each BTU equivalent barrel of the
12 taxable oil and gas for that month and \$60."

AMENDMENT

3

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: CSHB 2001(O&G)

adopted

1 Page 17, following line 3:

2 Insert a new bill section to read:

3 **"* Sec. 23. AS 43.55.023(b) is amended to read:**

4 (b) A producer or explorer may elect to take a tax credit in the amount of the
5 [20 PERCENT OF A] carried-forward annual loss multiplied by the nominal tax
6 rate in AS 43.55.011(e). A credit under this subsection may be applied against a tax
7 due under AS 43.55.011(e). For purposes of this subsection,

8 (1) a carried-forward annual loss is the amount of a producer's or
9 explorer's adjusted lease expenditures under AS 43.55.165 and 43.55.170 for a
10 previous calendar year that was not deductible for that calendar year under
11 AS 43.55.160(b) and (e); and

12 (2) "nominal tax rate" means the tax rate stated in AS 43.55.011(e)
13 that is not the tax determined at the minimum tax rate that may be applicable
14 under AS 43.55.011(f)."

15

16 Renumber the following bill sections accordingly.

17

18 Page 31, line 25:

19 Delete "Sections 24, 25, 32 - 34, and 37"

20 Insert "Sections 23, 25, 26, 33 - 35, and 38"

21

22 Page 31, line 27:

23 Delete "31, and 38"

- 1 Insert "32, and 39"
2
3 Page 31, line 29:
4 Delete "Sections 26 and 27"
5 Insert "Sections 27 and 28"
6
7 Page 31, line 30:
8 Delete "sec. 26"
9 Insert "sec. 27"
10
11 Page 31, line 31:
12 Delete "sec. 27"
13 Insert "sec. 28"
14
15 Page 32, line 1:
16 Delete "sec. 29"
17 Insert "sec. 30"
18
19 Page 32, line 3:
20 Delete "29"
21 Insert "30"
22
23 Page 32, line 31:
24 Delete "secs. 24, 25, 32 - 34, and 37"
25 Insert "secs. 23, 25, 26, 33 - 35, and 38"
26
27 Page 33, line 2:
28 Delete "26, 27, 31, and 38"
29 Insert "27, 28, 32, and 39"
30
31 Page 33, lines 19 - 20:

1 Delete "Sections 24, 25, 32 - 34, and 37"

2 insert "Sections 23, 25, 26, 33 - 35, and 38"

3

4 Page 33, line 21:

5 Delete "26, 27, 31, and 38"

6 Insert "27, 28, 32, and 39"

7

8 Page 33, line 22:

9 Delete "sec. 44"

10 Insert "sec. 45"

AMENDMENT

4

adopted

OFFERED IN THE HOUSE
TO: CSHB 2001(O&G)

BY REPRESENTATIVE SEATON
+ Rep. Wilson

1 Page 1, line 4, following "latitude;":

2 Insert "providing a penalty for the underpayment of an installment payment of
3 the production tax on oil and gas;"

4
5 Page 17, following line 3:

6 Insert a new bill section to read:

7 "* Sec. 23. AS 43.55.020 is amended by adding a new subsection to read:

8 (i) A civil penalty shall be added to the amount of an installment payment
9 required under (a)(1) - (4) of this section if the full amount of the payment is not paid
10 by the date the payment is due. The penalty is equal to five percent of the difference
11 between the amount of the installment payment that was made timely and the amount
12 of the installment payment required under (a)(1) - (4) of this section. If no part of the
13 required installment payment was made timely, the penalty is equal to five percent of
14 the installment payment required under (a)(1) - (4) of this section. The penalty is in
15 addition to the interest imposed under (g) of this section and a penalty added under
16 AS 43.05.220, if any."

17
18 Renumber the following bill sections accordingly.

19
20 Page 31, line 25:

21 Delete "Sections 24, 25, 32 - 34, and 37"

22 Insert "Sections 25, 26, 33 - 35, and 38"

23

1 Page 31, line 27:

2 Delete "31, and 38"

3 Insert "32, and 39"

4

5 Page 31, line 29:

6 Delete "Sections 26 and 27"

7 Insert "Sections 27 and 28"

8

9 Page 31, line 30:

10 Delete "sec. 26"

11 Insert "sec. 27"

12

13 Page 31, line 31:

14 Delete "sec. 27"

15 Insert "sec. 28"

16

17 Page 32, line 1:

18 Delete "sec. 29"

19 Insert "sec. 30"

20

21 Page 32, line 3:

22 Delete "29"

23 Insert "30"

24

25 Page 32, line 31:

26 Delete "secs. 24, 25, 32 - 34, and 37"

27 Insert "secs. 25, 26, 33 - 35, and 38"

28

29 Page 33, line 2:

30 Delete "26, 27, 31, and 38"

31 Insert "27, 28, 32, and 39"

1

2 Page 33, lines 19 - 20:

3 Delete "Sections 24, 25, 32 - 34, and 37"

4 Insert "Sections 25, 26, 33 - 35, and 38"

5

6 Page 33, line 21:

7 Delete "26, 27, 31, and 38"

8 Insert "27, 28, 32, and 39"

9

10 Page 33, line 22:

11 Delete "sec. 44"

12 Insert "sec. 45"

AMENDMENT 5

adopted

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

BY REPRESENTATIVE SEATON

Rep. Roses
Rep. Wilson

1 Page 18, line 23:

2 Delete "a new subsection"

3 Insert "new subsections"

4

5 Page 18, following line 25:

6 Insert new material to read:

7 "(m) Notwithstanding the limitation on the use of a transferable tax credit by a
8 transferee under (e) of this section and subject to appropriations made by law, if and to
9 the extent that purchase of transferable tax credits by the Alaska Retirement
10 Management Board is authorized by law, the department shall issue a cash refund to
11 the Alaska Retirement Management Board for a transferable tax credit originally
12 issued to a person under (d) of this section and purchased by the Alaska Retirement
13 Management Board.

14 * Sec. 26. AS 43.55.025 is amended by adding a new subsection to read:

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

20

21 Renumber the following bill sections accordingly.

22

23 Page 31, line 25:

1 Delete "Sections 24, 25, 32 - 34, and 37"

2 Insert "Sections 24 - 26, 33 - 35, and 38"

3

4 Page 31, line 27:

5 Delete "31, and 38"

6 Insert "32, and 39"

7

8 Page 31, line 29:

9 Delete "Sections 26 and 27"

10 Insert "Sections 27 and 28"

11

12 Page 31, line 30:

13 Delete "sec. 26"

14 Insert "sec. 27"

15

16 Page 31, line 31:

17 Delete "sec. 27"

18 Insert "sec. 28"

19

20 Page 32, line 1:

21 Delete "sec. 29"

22 Insert "sec. 30"

23

24 Page 32, line 3:

25 Delete "29"

26 Insert "30"

27

28 Page 32, line 31:

29 Delete "secs. 24, 25, 32 - 34, and 37"

30 Insert "secs. 24 - 26, 33 - 35, and 38"

31

1 Page 33, line 2:

2 Delete "secs. 14 - 20, 26, 27, 31, and 38"

3 Insert "secs. 14 - 20, 27, 28, 32, and 39"

4

5 Page 33, lines 19 - 20:

6 Delete "Sections 24, 25, 32 - 34, and 37"

7 Insert "Sections 24 - 26, 33 - 35, and 38"

8

9 Page 33, line 21:

10 Delete "26, 27, 31, and 38"

11 Insert "27, 28, 32, and 39"

12

13 Page 33, line 22:

14 Delete "sec. 44"

15 Insert "sec. 45"

adopted

~~Handwritten scribble~~

AMENDMENT //

OFFERED IN THE HOUSE
TO: CSHB 2001(O&G)

BY REPRESENTATIVE SEATON
~~Rep. Johnson~~
~~Rep. Ruses~~
Rep. Wilson

1 Page 26, following line 2:

2 Insert new bill sections to read:

3 **** Sec. 33. 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 under regulations
13 adopted by the department, for overhead expenses directly related to exploring
14 for, developing, and producing oil or gas deposits located within leases or
15 properties or other land in the state;

16 (2) an activity must be physically located in the state [DOES NOT
17 NEED TO BE PHYSICALLY LOCATED ON, NEAR, OR WITHIN THE
18 PREMISES OF THE LEASE OR PROPERTY WITHIN WHICH AN OIL OR GAS
19 DEPOSIT BEING EXPLORED FOR, DEVELOPED, OR PRODUCED IS
20 LOCATED] in order for the cost of the activity to be a cost upstream of the point of
21 production of the oil or gas.

22 *** Sec. 34. AS 43.55.165(b), as amended by sec. 33 of this Act, is amended to read:**

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

Handwritten initials: G, E, K, S, F, R, J, W

1 (1) direct costs include

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

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

8 (C) a reasonable allowance, as determined under regulations
9 adopted by the department, for overhead expenses directly related to exploring
10 for, developing, and producing oil or gas deposits located within leases or
11 properties or other land in the state;

12 (2) an activity must be physically located on the premises of the lease
13 or property from which oil or gas is recovered [IN THE STATE] in order for the
14 cost of the activity to be a cost upstream of the point of production of the oil or gas."
15

16 Renumber the following bill sections accordingly.

17

18 Page 31, line 25:

19 Delete "32 - 34, and 37"

20 Insert "32, 33, 35, 36, and 39"

21

22 Page 31, line 27:

23 Delete "38"

24 Insert "40"

25

26 Page 32, line 31:

27 Delete "32 - 34, and 37"

28 Insert "32, 33, 35, 36, and 39"

29

30 Page 33, line 2:

31 Delete "38"

1 Insert "40"

2

3 Page 33, line 20:

4 Delete "32 - 34, and 37"

5 Insert "32, 33, 35, 36, and 39"

6

7 Page 33, following line 20:

8 Insert new bill sections to read:

9 "* Sec. 46. The uncodified law of the State of Alaska is amended by adding a new section to
10 read:

11 CONTINGENT EFFECT. Section 34 of this Act takes effect only if a court of
12 competent jurisdiction enters a final judgment on the merits, the final judgment is no longer
13 subject to appeal, and the final judgment nullifies the effect of AS 43.55.165(b), as amended
14 by sec. 33 of this Act.

15 * Sec. 47. If sec. 34 of this Act takes effect, it takes effect on the day after the last day on
16 which the final judgment described in sec. 46 of this Act is no longer subject to appeal."

17

18 Renumber the following bill sections accordingly.

19

20 Page 33, line 21:

21 Delete "38"

22 Insert "40"

23

24 Page 33, line 22:

25 Delete "sec. 44"

26 Insert "secs. 47 and 48"

AMENDMENT

7
Roses

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

adopted

1 Page 19, following line 26:

2 Insert a new bill section to read:

3 **** Sec. 27. AS 43.55.030(d) is amended to read:**

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

12
13 Renumber the following bill sections accordingly.

14

15 Page 31, line 25:

16 Delete "32 - 34, and 37"

17 Insert "33 - 35, and 38"

18

19 Page 31, line 27:

20 Delete "31, and 38"

21 Insert "32, and 39"

22

23 Page 31, line 29:

1 Delete "27"
2 Insert "28"
3
4 Page 31, line 31:
5 Delete "sec. 27"
6 Insert "sec. 28"
7
8 Page 32, line 1:
9 Delete "sec. 29"
10 Insert "sec. 30"
11
12 Page 32, line 3:
13 Delete "29"
14 Insert "30"
15
16 Page 32, line 31:
17 Delete "32 - 34, and 37"
18 Insert "33 - 35, and 38"
19
20 Page 33, line 2:
21 Delete "27, 31, and 38"
22 Insert "28, 32, and 39"
23
24 Page 33, line 20:
25 Delete "32 - 34, and 37"
26 Insert "33 - 35, and 38"
27
28 Page 33, line 21:
29 Delete "27, 31, and 38"
30 Insert "28, 32, and 39"
31

- 1 Page 33, line 22:
- 2 Delete "sec. 44"
- 3 Insert "sec. 45"

AMENDMENT

8 Anna
adjusted

OFFERED IN THE HOUSE
TO: CSHB 2001(O&G)

1 Page 21, line 30, following "matters":

2 Insert ";

3 (6) assess against a person required under this section to file a
4 report, statement, or other document a penalty, as determined by the department
5 under standards adopted in regulation by the department, of not more than
6 \$1,000 for each day the person fails to file the report, statement, or other
7 document at the time required; the penalty is in addition to any penalties under
8 AS 43.05.220 and 43.05.290 and is assessed, collected, and paid in the same
9 manner as a tax deficiency under this title; the penalty shall bear interest at the
10 rate specified under AS 43.05.225(1); notwithstanding authority granted under
11 AS 43.05.070 to compromise a penalty, the department may not under that
12 section compromise a penalty under this paragraph by agreeing to accept less
13 than 50 percent of the penalty originally assessed by the department"

AMENDMENT

10

adopted

OFFERED IN THE HOUSE
TC: CSHB 2001(O&G)

BY REPRESENTATIVE SEATON
Rep. Johnson

- 1 Page 26, line 14:
- 2 Following "negligence₃":
- 3 Insert "criminal negligence,"
- 4 Following "law":
- 5 Insert "including a violation of 33 U.S.C. 1319(c)(1) or 1321(b)(3) (Clean
- 6 Water Act),"
- 7
- 8 Page 28, line 6, through page 29, line 1:
- 9 Delete all material.
- 10
- 11 Renumber the following paragraph accordingly.

PLEASE REPLACE AMENDMENT 24 WITH THE
ATTACHED REVISED AMENDMENT 24

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

November 4, 2007

SUBJECT: Transportation rates as determined by AS 43.55.150
(amendment L.74 to CSHB 2001 (O&G))

TO: Representative David Guttenberg
Attn: Christian Gou-Leonhardt

FROM: Alpheus Bullard *AB*
Legislative Counsel

You have requested an amendment that addressed the subject above. Your submitted draft modified both AS 43.55.1509(a) and (b). No amendment of AS 43.55.150(a) was necessitated by the amendment. Your requested changes to AS 43.55.150(b) included language that provided in relevant part:

Transportation costs fixed by tariff rates that have been adjudicated just and reasonable [PROPERLY ON FILE WITH] the Regulatory Commission of Alaska or other regulatory agency shall be considered prima facie reasonable.

It is unclear to me what this sentence means. I have not been able to contact you, so I have left this language in the draft amendment. This subsection might benefit from further clarification of your intent.

If I can be of further assistance, please do not hesitate to contact me.

ALB:lmb
07-149.lmb

Enclosure

AMENDMENT

Passed as amended
24 - Gutterberg

25-GH0014L.74
Bullard/Bullock
11/4/07

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

1 Page 23, following line 14:

2 Insert a new bill section to read:

3 **** Sec. 31. AS 43.55.150(b)** is amended to read:

4 "(b) If the department finds that **a condition** [THE CONDITIONS] in (a)(1),
5 (2), **or** [AND] (3) of this section **is** [ARE] present, the department shall determine the
6 reasonable costs of transportation, using the fair market value of like transportation,
7 the fair market value of equally efficient and available alternative modes of
8 transportation, or other reasonable methods. Transportation costs fixed by tariff rates
9 **that have been adjudicated just and reasonable by** [PROPERLY ON FILE WITH]
10 the Regulatory Commission of Alaska or other regulatory agency shall be considered
11 prima facie reasonable."
12

13 Renumber the following bill sections accordingly.

14
15 Page 31, line 25:

16 Delete "32 - 34, and 37"

17 Insert "33 - 35, and 38"

18

19 Page 31, line 27:

20 Delete "31, and 38"

21 Insert "32, and 39"

22

23 Page 32, line 31:

Amendment #1 DG

insert line 3-12

AS 43.55.150(a)

(attached)

- 1 Delete "32 - 34, and 37"
- 2 Insert "33 - 35, and 38"
- 3
- 4 Page 33, line 2:
 - 5 Delete "31, and 38"
 - 6 Insert "32, and 39"
 - 7
- 8 Page 33, line 20:
 - 9 Delete "32 - 34, and 37"
 - 10 Insert "33 - 35, and 38"
 - 11
- 12 Page 33, line 21:
 - 13 Delete "31, and 38"
 - 14 Insert "32, and 39"
 - 15
- 16 Page 33, line 22:
 - 17 Delete "sec. 44"
 - 18 Insert "sec. 45"

~~Passed~~

AMENDMENT

24

Guttenberg

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G), Draft Version "L"

insert 24-a

1 Page 23, following line 14:

2 Insert new bill sections to read:

3 ***Sec. 31.** 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 when the

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

8 (2) contract for the transportation of oil or gas (A) is not an arm's length
9 transaction or (B) is not representative of the market value of that transportation; or
10 [AND]

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

13 ***Sec. 32.** AS 43.55.150(b) is amended to read:

14 (b) If the department finds that a condition [THE CONDITIONS] in (a)(1), (2),
15 or [AND] (3) of this section is [ARE] present, the department shall determine the
16 reasonable costs of transportation, using the fair market value of like transportation, the
17 fair market value of equally efficient and available alternative modes of transportation, or
18 other reasonable methods. Transportation costs fixed by tariff rates that have been

1 **adiudicated iust and reasonable by** [PROPERLY ON FILE WITH] the Regulatory
2 Commission of Alaska or other regulatory agency shall be considered prima facie
3 reasonable.”

4

5 **Renumber the following bill sections accordingly.**

**PLEASE REPLACE AMENDMENT 24 WITH THE
ATTACHED REVISED AMENDMENT 24**

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

November 4, 2007

SUBJECT: Transportation rates as determined by AS 43.55.150
(amendment L.74 to CSHB 2001 (O&G))

TO: Representative David Guttenberg
Attn: Christian Gou-Leonhardt

FROM: Alpheus Bullard *AB*
Legislative Counsel

You have requested an amendment that addressed the subject above. Your submitted draft modified both AS 43.55.1509(a) and (b). No amendment of AS 43.55.150(a) was necessitated by the amendment. Your requested changes to AS 43.55.150(b) included language that provided in relevant part:

Transportation costs fixed by tariff rates that have been adjudicated just and reasonable [PROPERLY ON FILE WITH] the Regulatory Commission of Alaska or other regulatory agency shall be considered prima facie reasonable.

It is unclear to me what this sentence means. I have not been able to contact you, so I have left this language in the draft amendment. This subsection might benefit from further clarification of your intent.

If I can be of further assistance, please do not hesitate to contact me.

ALB:lmb
07-149.lmb

Enclosure

AMENDMENT

24

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

1 Page 23, following line 14:

2 Insert a new bill section to read:

3 **"* Sec. 31. AS 43.55.150(b) is amended to read:**

4 (b) If the department finds that **a condition** [THE CONDITIONS] in (a)(1),
5 (2), **or** [AND] (3) of this section **is** [ARE] present, the department shall determine the
6 reasonable costs of transportation, using the fair market value of like transportation,
7 the fair market value of equally efficient and available alternative modes of
8 transportation, or other reasonable methods. Transportation costs fixed by tariff rates
9 **that have been adjudicated just and reasonable by** [PROPERLY ON FILE WITH]
10 the Regulatory Commission of Alaska or other regulatory agency shall be considered
11 prima facie reasonable."
12

13 Renumber the following bill sections accordingly.

14

15 Page 31, line 25:

16 Delete "32 - 34, and 37"

17 Insert "33 - 35, and 38"

18

19 Page 31, line 27:

20 Delete "31, and 38"

21 Insert "32, and 39"

22

23 Page 32, line 31:

1 Delete "32 - 34, and 37"

2 Insert "33 - 35, and 38"

3

4 Page 33, line 2:

5 Delete "31, and 38"

6 Insert "32, and 39"

7

8 Page 33, line 20:

9 Delete "32 - 34, and 37"

10 Insert "33 - 35, and 38"

11

12 Page 33, line 21:

13 Delete "31, and 38"

14 Insert "32, and 39"

15

16 Page 33, line 22:

17 Delete "sec. 44"

18 Insert "sec. 45"

(Wilson)

amendment # 1, pg 2, line 22
insert "before or" after "unit"

Adopted

25-GH0014L.76
Bullard/Bullock
1/14/07

AMENDMENT 6

OFFERED IN THE HOUSE

BY REPRESENTATIVE WILSON

TO: CSHB 2001(O&G)

1 Page 18, following line 25:

2 Insert new bill sections to read:

3 **** Sec. 26.** AS 43.55.025(a) is amended to read:

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

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

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

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

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

17 *** Sec. 27.** AS 43.55.025(b) is amended to read:

18 (b) To qualify for the production tax credit under (a) of this section, an
19 exploration expenditure must be incurred for work performed [ON OR] after
20 December 31, 2007 [JULY 1, 2003], and before July 1, 2016, [EXCEPT THAT AN
21 EXPLORATION EXPENDITURE FOR A COOK INLET PROSPECT MUST BE
22 INCURRED FOR WORK PERFORMED ON OR AFTER JULY 1, 2005,] and

23 (1) may be for seismic or other geophysical exploration costs not

1 connected with a specific well;

2 (2) if for an exploration well,

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

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

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

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

15 (3) may not be for [TESTING, STIMULATION, OR COMPLETION
16 COSTS;] administration, supervision, engineering, or lease operating costs; geological
17 or management costs: community relations or environmental costs; bonuses, taxes, or
18 other payments to governments related to the well; costs arising from gross
19 negligence or violation of health, safety, or environmental statutes or regulations;
20 or other costs that are generally recognized as indirect costs or financing costs; and

21 (4) may not be incurred for an exploration well or seismic exploration ^{or before}
22 that is included in a plan of exploration or a plan of development for any unit on ^{before or}
23 May 13, 2003.

24 * Sec. 28. AS 43.55.025(c) is repealed and reenacted to read:

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

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

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

30 (A) before spudding the well, (i) the explorer shall submit to
31 the commissioner of natural resources the information necessary to determine

1 whether the geological objective of the well is a potential oil or gas trap that is
 2 distinctly separate from any trap that has been tested by a preexisting well; and
 3 (ii) the commissioner of natural resources must make an affirmative
 4 determination on that question; the commissioner of natural resources shall
 5 decide whether to make that determination within 60 days after receiving all
 6 the necessary information from the explorer and based on the information
 7 received and on other information the commissioner of natural resources may
 8 consider relevant;

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

14 (C) after completion, abandonment, or suspension under
 15 AS 31.05.030 of the exploration well, the commissioner of natural resources
 16 must determine that the well adequately achieved the explorer's stated
 17 geological objective.

18 * Sec. 29. AS 43.55.025(f) is amended to read:

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

20 (1) an explorer shall, in a form prescribed by the department and,
 21 **except for a credit under (f) of this section,** within six months of the completion of
 22 the exploration activity, claim the credit and submit information sufficient to
 23 demonstrate to the department's satisfaction that the claimed exploration expenditures
 24 qualify under this section;

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

26 (A) to notify the Department of Natural Resources, within 30
 27 days after completion of seismic or geophysical data processing, completion of
 28 [A] well **drilling**, or filing of a claim for credit, whichever is the latest, for
 29 which exploration costs are claimed, of the date of completion and submit a
 30 report to that department describing the processing sequence and providing a
 31 list of data sets available; [IF, UNDER (c)(2)(B) OF THIS SECTION, AN

1 EXPLORER SUBMITS A CLAIM FOR A CREDIT FOR EXPENDITURES
2 FOR AN EXPLORATION WELL THAT IS LOCATED WITHIN THREE
3 MILES OF A WELL ALREADY DRILLED FOR OIL AND GAS, IN
4 ADDITION TO THE SUBMISSIONS REQUIRED UNDER (1) OF THIS
5 SUBSECTION, THE EXPLORER SHALL SUBMIT THE INFORMATION
6 NECESSARY FOR THE COMMISSIONER OF NATURAL RESOURCES
7 TO EVALUATE THE VALIDITY OF THE EXPLORER'S CLAIM THAT
8 THE WELL IS DIRECTED AT A DISTINCTLY SEPARATE
9 EXPLORATION TARGET, AND THE COMMISSIONER OF NATURAL
10 RESOURCES SHALL, UPON RECEIPT OF ALL EVIDENCE SUFFICIENT
11 FOR THE COMMISSIONER TO EVALUATE THE EXPLORER'S CLAIM,
12 MAKE THAT DETERMINATION WITHIN 60 DAYS;]

13 (B) to provide to the Department of Natural Resources, within
14 30 days after the date of a request, unless a longer period is provided by the
15 Department of Natural Resources, specific data sets, ancillary data, and
16 reports identified in (A) of this paragraph; in this subparagraph,

17 (i) a seismic or geophysical data set includes the data
18 for an entire seismic survey, irrespective of whether the survey
19 area covers nonstate land in addition to state land or land in a unit
20 in addition to land outside a unit;

21 (ii) well data include all derivative products, results,
22 and copies of data collected and data analyses for the well,
23 including well logs; sample analyses; geophysical and velocity data
24 including vertical seismic profiles and check shot surveys; and
25 tangible material including, for each whole core collected, a
26 lengthwise cut slab that is at least 1/3 of the whole core volume, and
27 representative samples, as specified by the Department of Natural
28 Resources, of other gaseous, liquid, or solid material collected from
29 drilling or testing the well;

30 (C) that, notwithstanding any provision of AS 38, information
31 provided under this paragraph will be held confidential by the Department of

Natural Resources

(i) in the case of well data, until the expiration of the 24-month period of confidentiality described in AS 31.05.035(c), the Department of Natural Resources [FOR 10 YEARS FOLLOWING THE COMPLETION DATE, AT WHICH TIME THAT DEPARTMENT] will release the information after 30 days' public notice, unless in the discretion of the commissioner of natural resources, it is necessary to protect information relating to the valuation of unleased acreage in the same vicinity;

(ii) in the case of seismic or other geophysical data, other than seismic data acquired by seismic exploration subject to (f) of this section, for 10 years following the completion date, at which time the Department of Natural Resources will release the information after 30 days' public notice;

(iii) in the case of seismic data obtained by seismic exploration subject to (f) of this section, only until the expiration of 30 days' public notice issued on or after the date the production tax credit certificates are issued under (5) of this subsection; and

(D) that, in the case of well data, the explorer will not make a request under AS 31.05.035(c) that the commissioner of natural resources keep the data confidential for longer than the 24-month period of confidentiality described in AS 31.05.035(c);

(3) if more than one explorer holds an interest in a well or seismic exploration,

(A) each explorer may claim an amount of credit that is proportional to the explorer's cost incurred;

(B) in the case of a well, each explorer holding an interest in the well shall agree, in writing, that the explorer will not make the request described in (2)(D) of this subsection;

(4) the department may exercise the full extent of its powers as though the explorer were a taxpayer under this title, in order to verify that the claimed

1 expenditures are qualified exploration expenditures under this section; and

2 (5) if the department is satisfied that the explorer's claimed
 3 expenditures are qualified under this section **and that all data required to be**
 4 **submitted under this section have been submitted**, the department shall issue to the
 5 explorer a production tax credit certificate for the amount of credit to be allowed
 6 against production taxes **levied by AS 43.55.011(e); the credit is available for**
 7 **immediate use; notwithstanding any contrary provision of AS 38, AS 40.25.100,**
 8 **or AS 43.05.230, the following information is not confidential:**

9 **(A) the explorer's name;**

10 **(B) the date of the application;**

11 **(C) the location of the well or seismic exploration;**

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

13 **and**

14 **(E) the date on which the information required to be**
 15 **submitted under this section will be released** [DUE UNDER
 16 AS 43.55.011(e) OR (f)].

17 * Sec. 30. AS 43.55.025(g) is amended to read:

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

22 * Sec. 31. AS 43.55.025(h) is amended to read:

23 (h) A producer that purchases a production tax credit certificate may apply the
 24 credits against its production tax liability under AS 43.55.011(e) [OR (f)]. Regardless
 25 of the price the producer paid for the certificate, the producer may receive a credit
 26 against its production tax liability for the full amount of the credit, but for not more
 27 than the amount for which the certificate is issued. A production tax credit allowed
 28 under this section may not be applied more than once.

29 * Sec. 32. AS 43.55.025(i) is repealed and reenacted to read:

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

31 (1) a credit may not be applied to reduce a taxpayer's tax liability under

1 AS 43.55.011(e) below zero for a calendar year; and

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

6 * Sec. 33. AS 43.55.025(k) is amended by adding a new paragraph to read:

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

10 * Sec. 34. AS 43.55.025 is amended by adding a new subsection to read:

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

16 (1) have been for seismic exploration that

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

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

24 (2) qualify under (b)(3) of this section."
25

26 Renumber the following bill sections accordingly.

27
28 Page 31, line 25:

29 Delete "32 - 34, and 37"

30 Insert "41 - 43, and 46"
31

1 Page 31, line 27:

2 Delete "31, and 38"

3 Insert "31, 32, 34, 40, and 47"

4

5 Page 31, line 29:

6 Delete "Sections 26 and 27"

7 Insert "Sections 35 and 36"

8

9 Page 31, line 30:

10 Delete "sec. 26"

11 Insert "sec. 35"

12

13 Page 31, line 31:

14 Delete "sec. 27"

15 Insert "sec. 36"

16

17 Page 31, following line 31:

18 Insert a new subsection to read:

19 "(d) Sections 26 - 29 and 33 of this Act apply to exploration expenditures incurred for
20 work performed after December 31, 2007, that are the basis of tax credits that may be claimed
21 against taxes levied for oil and gas produced after December 31, 2007."

22

23 Reletter the following subsection accordingly.

24

25 Page 32, line 1:

26 Delete "sec. 29"

27 Insert "sec. 38"

28

29 Page 32, line 3:

30 Delete "29"

31 Insert "38"

1

2 Page 32, line 31:

3 Delete "32 - 34, and 37"

4 Insert "41 - 43, and 46"

5

6 Page 33, line 2:

7 Delete "26, 27, 31, and 38"

8 Insert "26 - 29, 31 - 34, 35, 36, 40, and 47"

9

10 Page 33, line 19, following ".":

11 Insert "(a) Section 30 of this Act is retroactive to July 1, 2003.

12 (b)"

13

14 Page 33, line 20:

15 Delete "32 - 34, and 37"

16 Insert "41 - 43, and 46"

17

18 Page 33, line 21:

19 Delete "26, 27, 31, and 38"

20 Insert "26 - 29, 31 - 34, 35, 36, 40, and 47"

21

22 Page 33, line 22:

23 Delete "sec. 44"

24 Insert "sec. 53"

Gu W S K
GAB

passed as amended
AMENDMENT 29

OFFERED IN THE HOUSE BY REPRESENTATIVE GUTTENBERG
TO: CSHB 2001(O&G)

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

2 Insert "establishing an oil and gas tax credit fund and authorizing payment from
3 that fund;"

5 Page 17, line 6, following "person":

6 Insert "or obtain a cash payment under AS 43.55.028"

Concept Amend #1
25 million cap
Gu W S K
N F
cap on \$25 million

8 Page 17, following line 22:

9 Insert a new bill section to read:

10 "* Sec. 24. AS 43.55.023(g) is amended to read:

11 (g) The issuance of a transferable tax credit certificate under (d) of this section
12 or the purchase of a certificate [ISSUANCE OF A CASH REFUND] under
13 AS 43.55.028 [(t) OF THIS SECTION] does not limit the department's ability to later
14 audit a tax credit claim to which the certificate relates or to adjust the claim if the
15 department determines, as a result of the audit, that the applicant was not entitled to
16 the amount of the credit for which the certificate was issued. The tax liability of the
17 applicant under AS 43.55.011(e) and 43.55.017 - 43.55.180 is increased by the amount
18 of the credit that exceeds that to which the applicant was entitled, or the applicant's
19 available valid outstanding credits applicable against the tax levied by
20 AS 43.55.011(e) are reduced by that amount. If the applicant's tax liability is increased
21 under this subsection, the increase bears interest under AS 43.05.225 from the date the
22 transferable tax credit certificate was issued. For purposes of this subsection, an
23 applicant that is an explorer is considered a producer subject to the tax levied by

1 AS 43.55.011(e)."

2
3 Renumber the following bill sections accordingly.

4
5 Page 18, following line 25:

6 Insert a new bill section to read:

7 **"* Sec. 27.** AS 43.55 s amended by adding a new section to read:

8 **Sec. 43.55.028. Oil and gas tax credit fund established; cash purchases of**
9 **tax credit certificates.** (a) The oil and gas tax credit fund is established as a separate
10 fund of the state. The purpose of the fund is to purchase certain transferable tax credit
11 certificates issued under AS 43.55.023 and certain production tax credit certificates
12 issued under AS 43.55.025.

13 (b) The oil and gas tax credit fund consists of

14 (1) money appropriated to the fund, including any appropriation of the
15 percentage provided under (c) of this section of all revenue from taxes levied by
16 AS 43.55.011 that is not required to be deposited in the constitutional budget reserve
17 fund established in art. IX, sec. 17(a), Constitution of the State of Alaska; and

18 (2) earnings on the fund.

19 (c) The applicable percentage for a fiscal year under (b)(1) of this section is
20 determined with reference to the average price or value forecast by the department for
21 Alaska North Slope oil sold or otherwise disposed of on the United States West Coast
22 during the fiscal year for which the appropriation of revenue from taxes levied by
23 AS 43.55.011 is made. If that forecast is

24 (1) \$60 a barrel or higher, the applicable percentage is 10 percent;

25 (2) less than \$60 a barrel, the applicable percentage is 15 percent.

26 (d) The department shall manage the fund.

27 (e) The department may, on the written application of the person to whom a
28 transferable tax credit certificate has been issued under AS 43.55.023(d) or a
29 production tax credit certificate has been issued under AS 43.55.025(f), use available
30 money in the oil and gas tax credit fund to purchase, in whole or in part, the certificate
31 if the department finds that

1 (1) the calendar year of the purchase is not earlier than the first
2 calendar year for which the credit shown on the certificate would otherwise be allowed
3 to be applied against a tax;

4 (2) within 24 months after applying for the transferable tax credit
5 certificate or filing a claim for the production tax credit certificate, the applicant
6 incurred a qualified capital expenditure or was the successful bidder on a bid
7 submitted for a lease on state land under AS 38.05.180(f);

8 (3) the amount expended for the purchase would not exceed the total of
9 qualified capital expenditures and successful bids described in (2) of this subsection
10 that have not been the subject of a finding made under this paragraph for purposes of a
11 previous purchase of a certificate;

12 (4) the applicant does not have an outstanding liability to the state for
13 unpaid delinquent taxes under this title;

14 (5) the applicant's total tax liability under AS 43.55.011(c), after
15 application of all available tax credits, for the calendar year in which the application is
16 made is zero;

17 (6) the applicant's average amount of oil and gas taxable under
18 AS 43.55.011(e) and produced each day during the calendar year preceding the
19 calendar year in which the application is made was not more than 50,000 BTU
20 equivalent barrels; and

21 (7) the purchase is consistent with this section and regulations adopted
22 under this section.

23 (f) Money in the fund remaining at the end of a fiscal year does not lapse and
24 remains available for expenditure in successive fiscal years.

25 (g) The department may adopt regulations to carry out the purposes of this
26 section, including standards and procedures to allocate available money among
27 applications for purchases the total amount of which exceeds the amount of available
28 money in the fund.

29 (h) Nothing in this section creates a dedicated fund.

30 (i) In this section, "qualified capital expenditure" has the meaning given in
31 AS 43.55.023."

1

2 **Renumber the following bill sections accordingly.**

3

4 **Page 31, line 25:**5 **Delete "Sections 24, 25, 32 - 34, and 37"**6 **Insert "Sections 25, 26, 34 - 36, and 39"**

7

8 **Page 31, line 27:**9 **Delete "31, and 38"**10 **Insert "33, and 40"**

11

12 **Page 31, line 29:**13 **Delete "Sections 26 and 27"**14 **Insert "Sections 28 and 29"**

15

16 **Page 31, line 30:**17 **Delete "sec. 26"**18 **Insert "sec. 28"**

19

20 **Page 31, line 31:**21 **Delete "sec. 27"**22 **Insert "sec. 29"**

23

24 **Page 32, line 1:**25 **Delete "sec. 29"**26 **Insert "sec. 31"**

27

28 **Page 32, line 3:**29 **Delete "29"**30 **Insert "31"**

31

1 Page 32, following line 3:

2 Insert a new subsection to read:

3 "(e) Section 24 of this Act applies to transferable tax credit certificates issued
4 under AS 43.55.023(d), as amended by sec. 23 of this Act, and to transferable tax
5 credit certificates issued under AS 43.55.023(d), in effect before January 1, 2008, for
6 which a cash refund has not been issued under AS 43.55.023(f) before January 1,
7 2008."
8

9 Page 32, line 31:

10 Delete "secs. 24, 25, 32 - 34, and 37"

11 Insert "secs. 25, 26, 34 - 36, and 39"
12

13 Page 33, line 2:

14 Delete "26, 27, 31, and 38"

15 Insert "24, 27 - 29, 33, and 40"
16

17 Page 33, following line 10:

18 Insert a new bill section to read:

19 **** Sec. 43.** The uncodified law of the State of Alaska is amended by adding a new section to
20 read:

21 **TRANSITION: PENDING APPLICATIONS.** If an application made under
22 AS 43.55.023(f) is received by the Department of Revenue before January 1, 2008, and is still
23 outstanding on that date, the application is considered to be an application under
24 AS 43.55.028, enacted by sec. 26 of this Act."
25

26 Renumber the following bill sections accordingly.
27

28 Page 33, lines 19 - 20:

29 Delete "Sections 24, 25, 32 - 34, and 37"

30 Insert "Sections 25, 26, 34 - 36, and 39"
31

1 Page 33, line 21:

2 Delete "26, 27, 31, and 38"

3 Insert "24, 27 - 29, 33, and 40"

4

5 Page 33, line 22:

6 Delete "sec. 44"

7 Insert "sec. 47"

adopted
E S K Y N
G4 G4 W R F J

AMENDMENT

38 Rep. Guttenberg

OFFERED IN THE HOUSE
TO: CSHB 2001(O&G)

#1 Passed (see attached amend #1)
#2 Passed (see attached amend #2)
5/4

1 Page 1, following line 12:

2 Insert a new bill section to read:

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

5 **LEGISLATIVE INTENT.** It is the intent of the legislature that provisions of this Act

6 (1) ensure a fair and equitable means of assessing and taxing Alaska's oil and
7 gas resources;

8 (2) encourage the availability to Alaska's citizens of affordable gas produced,
9 transported, and consumed within the state; and

10 (3) confirm by clarification the longstanding interpretation of AS 43.05.260 by
11 the Department of Revenue through enactment of AS 43.55.075(b) in sec. 30 of this Act,
12 relating to limitation of assessments for the production tax on oil and gas and conservation
13 surcharges on oil."

15 Page 2, line 1:

16 Delete "Section 1"

17 Insert "Sec. 2"

19 Renumber the following bill sections accordingly.

21 Page 14, following line 2:

22 Insert a new subsection to read:

23

(W) (conceptual) amend #3
Passed #3

P&T, line 14 -
subsection 1
- if the company
gets the credit,
that's than they have
to pass the tax benefit
on to their customers

#4
Conceptual amend #4
fair enough
N GA
W GA
K GA

1 "(q) Notwithstanding other provisions of this section, for a calendar year
 2 before 2022, the tax levied ~~under~~ ^{by} this section for each 1,000 cubic feet of gas for gas
 3 produced from a lease or property outside the Cook Inlet sedimentary basin and used
 4 in the state may not exceed the amount of tax for each 1,000 cubic feet of gas that is
 5 determined under (j)(2) of this section."
 6

7 ✓ Page 23, line 24, following "AS 43.55.170;":

8 Insert "**this subparagraph does not apply to gas taxable under AS 43.55.011(h);**"
 9

10 Page 24, line 1, following "AS 43.55.170;":

11 Insert "**this subparagraph does not apply to gas taxable under AS 43.55.011(q);**"
 12

13 Page 24, following line 13:

14 Insert a new subparagraph to read:

15 **"(E) gas produced during a calendar year from a lease or**
 16 **property outside the Cook Inlet sedimentary basin and used in the state is**
 17 **the gross value at the point of production of that gas taxable under**
 18 **AS 43.55.011(e) and produced by the producer from that lease or**
 19 **property, less the producer's lease expenditures under AS 43.55.165 for**
 20 **the calendar year applicable to that gas produced by the producer from**
 21 **that lease or property, as adjusted under AS 43.55.170;"**
 22

23 Page 24, line 22, following "AS 43.55.170;":

24 ✓ Insert "**this subparagraph does not apply to gas subject to additional tax under**
 25 **AS 43.55.011(o);**"
 26

27 Page 24, line 30, following "AS 43.55.170;":

28 ✓ Insert "**this subparagraph does not apply to gas subject to additional tax under**
 29 **AS 43.55.011(o);**"
 30

31 Page 25, line 13, following "AS 43.55.170;":

1 Insert ";

2 **(E) gas produced during a month from a lease or property**
 3 **outside the Cook Inlet sedimentary basin and used in the state is the gross**
 4 **value at the point of production of that gas taxable under AS 43.55.011(e)**
 5 **and produced by the producer from that lease or property, less 1/2 of the**
 6 **producer's lease expenditures under AS 43.55.165 for the calendar year**
 7 **applicable to that gas produced by the producer from that lease or**
 8 **property, as adjusted under AS 43.55.170"**

9
 10 Page 29, following line 12:

11 Insert a new bill section to read:

12 "* Sec. 35. AS 43.55.165(h) is amended to read:

13 "(h) The department shall adopt regulations that provide for reasonable
 14 methods of allocating costs between oil and gas, between gas subject to
 15 AS 43.55.011(q) and other gas, and between leases or properties in those
 16 circumstances where the determination of the lease expenditures that are applicable to
 17 oil or to gas, that are applicable to gas subject to AS 43.55.011(q) or to other gas,
 18 or that are applicable to oil and gas produced from different leases or properties,
 19 requires an allocation of costs."

20
 21 Renumber the following bill sections accordingly.

22
 23 Page 31, line 25:

24 Delete "Sections 24, 25, 32 - 34, and 37"

25 Insert "Sections 25, 26, 33, 34, 36, and 39"

26
 27 Page 31, line 27:

28 Delete "Sections 14 - 20, 31, and 38"

29 Insert "Sections 15 - 21, 32, 35, and 40"

30
 31 Page 31, line 29:

1 Delete "Sections 26 and 27"
2 Insert "Sections 27 and 28"
3
4 Page 31, line 30:
5 Delete "sec. 26"
6 Insert "sec. 27"
7
8 Page 31, line 31:
9 Delete "sec. 27"
10 Insert "sec. 28"
11
12 Page 32, line 1:
13 Delete "sec. 29"
14 Insert "sec. 30"
15
16 Page 32, line 3:
17 Delete "secs. 13 and 29"
18 Insert "secs. 14 and 30"
19
20 Page 32, line 13:
21 Delete "sec. 9"
22 Insert "sec. 10"
23
24 Page 32, line 16:
25 Delete "sec. 9"
26 Insert "sec. 10"
27
28 Page 32, line 19:
29 Delete "sec. 9"
30 Insert "sec. 10"
31

1 Page 32, line 31:

2 Delete "secs. 24, 25, 32 - 34, and 37"

3 Insert "secs. 25, 26, 33, 34, 36, and 39"

4

5 Page 33, line 2:

6 Delete "secs. 14 - 20, 26, 27, 31, and 38"

7 Insert "secs. 15 - 21, 27, 28, 32, 35, and 40"

8

9 Page 33, lines 19 - 20:

10 Delete "Sections 24, 25, 32 - 34, and 37"

11 Insert "Sections 25, 26, 33, 34, 36, and 38"

12

13 Page 33, line 21:

14 Delete "Sections 14 - 20, 26, 27, 31, and 38"

15 Insert "Sections 15 - 21, 27, 28, 32, 35, and 40"

16

17 Page 33, line 22:

18 Delete "sec. 44"

19 Insert "sec. 46"

#1
AMENDMENT

Accepted
to Amendment #38

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: AMENDMENT NO. 38 TO CSHB 2001(O&G), Draft Version "L"

1 Page 1, line 21:

2 Insert "Page 13, line 23, through page 14, line 2:

3 Delete all material"

4

5 Page 2, line 7: (Q)

6 Insert "For purposes of this section, "used in the state" means delivered for
7 consumption as fuel in the state, including as fuel consumed to generate electricity."

pg 13 -

AMENDMENT #2 to Amendment #38

OFFERED IN HOUSE

BY REPRESENTATIVE SEATON

TO: AMENDMENT NO. 38 CSHB 2001(O&G), Draft Version "L"

- 1 Page 2, line 2:
- 2 Delete, "under"
- 3 Insert, "by (e) and (o) of"

Adopted

under this section -
Royalty gas

AMENDMENT #4 TO AMENDMENT #38

Offered by REPRESENTATIVE FAIRCLOUGH

The RCA shall determine if an entity that receives gas that is taxed, for production tax purposes, under the provisions of 43.55.011 (p) falls under their jurisdiction.

New (r)
or additional
sentence
Pg. 2, line 6
new subsection (r)
reference to (p) section
to (g)

Debra Higgins

From: Rynnieva Moss
Sent: Friday, November 02, 2007 4:50 PM
To: Debra Higgins; Rep. Craig Johnson
Subject: FNG

This does do anything for the Fairbanks Natural Gas situation. Their project would have to be a separate subsection allowing for AS 43.55.011(e) to be applied to gas sold and processed into liquefied natural gas in s LNG facility with a limited production.

One suggestion would be:

Page 15, line 3:

Insert:

(q) For a calendar year before 2022, the total tax levied by (e) of this section on gas produced from a lease or property outside of the Cook Inlet sedimentary basin that is sold and processed into liquefied natural gas in the state at a facility with a maximum processing capacity that does not exceed 10,000,000,000 cubic feet a year may not exceed the product of the amount of taxable gas produced during the calendar year from the lease or property, multiplied by the average rate of tax imposed under this chapter for taxable gas produced from all taxes or leases in the Cook Inlet sedimentary basin, multiplied by the average prevailing value for gas delivered in the Cook Inlet area for the 12-month period ending March 31, 2006, as determined by the department under AS 43.55.020(f).

Again, Don Bullock would have to check this out.

I am told that the volume capacity of 10 bcf is based on a five year average of Cook Inlet.

Debra Higgins

From: Rynniva Moss
Sent: Friday, November 02, 2007 4:42 PM
To: Debra Higgins; Rep. Craig Johnson
Cc: Linda Hay; DDickinsonCPA@gci.net
Subject: Map of borough
Attachments: North Slope Borough Map.pdf

I am attaching the map showing the boundaries of the North Slope Borough. If there has to be a boundary, I would suggest something along the line of:

no part of which is north of the southern most boundary of the North Slope Borough as of December 31, 2007 and no part of which is in the North Slope Borough but is situated south of the 68 degree North latitude

Don would have to work on the language but the intent is to use the southern boundary of the North Slope Borough but not allow any property in the North Slope Borough to be included.

- | | | | | | | | | | | | | | | | |
|-----|-----------|-----|--------------|-----|------------|-----|----------|-----|--------------|-----|--------------|-----|----------------|-----|--------|
| L-8 | Diomede | Q-4 | Girdwood | O-6 | Ivanof Bay | L-8 | Krik | O-6 | Marshall | J-6 | Nanana | Q-4 | Duzinkis | O-8 | Pa |
| L-8 | Dot Lake | S-5 | Glennallen | S-5 | Juneseu | X-7 | Kobuk | M-3 | Mary's Igloo | I-4 | New Stuyahok | M-7 | Palmer | I-6 | Palmer |
| L-8 | Dry Creek | S-5 | Gelovin | J-4 | Kachemak | P-7 | Kodlak | O-8 | McCarthy | T-6 | Newhalar | N-7 | Palmer | Q-6 | Palmer |
| O-8 | Eagle | U-4 | Goodnews Bay | K-7 | Kaguyak | O-8 | Kokhanok | N-7 | McGrath | N-5 | Newtok | I-8 | Pauloff Harbor | J-9 | Red |



Adopted

amend #1 - adopted
amend #2 - adopted
amend #3 - failed
amend #4 - adopted

Y N
K R | F
S Gu | W
Ga E | J

25-GH0014L.68
Wayne/Bullock
11/3/07

AMENDMENT 43 Rep. Edgmon

OFFERED IN THE HOUSE
TO: CSHB 2001(O&G)

Adopted amendment #1
DELETE LINE 16, after "located" thru
LINE 17, "property"
Adopted amendment #2
Line 8, delete ", after relations"

1 Page 26, lines 17 - 19:

2 Delete

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

6 Insert

7 "(8) costs of arbitration, litigation, [OR OTHER] dispute resolution,
8 lobbying, public relations, advertising, or policy advocacy [ACTIVITIES THAT
9 INVOLVE THE STATE OR CONCERN THE RIGHTS OR OBLIGATIONS
10 AMONG OWNERS OF INTERESTS IN, OR RIGHTS TO PRODUCTION FROM,
11 ONE OR MORE LEASES OR PROPERTIES OR A UNIT];"

13 Page 29, line 12, following "processed":

14 Insert ";

15 (21) costs relating to office buildings, fixtures and equipment, and
16 real property that is not located on an oil or gas exploration, production, or
17 development lease or property in the state; and

18 (22) overhead, office, or administrative expenses and all other
19 indirect costs of oil or gas exploration, development, or production"

amendment #2 Adopted
Line 8, delete ", " after
"relations"
amendment #4 Adopted
Delete Lines 18-19

~~amendment #3
deletes lines 12-19~~
Y N
R Gu
F E | K
W J | Ga

Handwritten notes: "Y N", "S Ga", "Gu", "R W", and a large oval containing the word "Adopted".

AMENDMENT

44

Rep. Gatto

OFFERED IN THE HOUSE
TO: CSHB 2001(O&G)

W/ Amendment #1
(attached) adopted

1 Page 10, following line 25:

2 Insert a new bill section to read:

3 *** Sec. 14.** AS 43.55.011(e) is amended to read:

4 (c) There is levied on the producer of oil or gas a tax for all oil and gas
5 produced each ^{calendar year} month from each lease or property in the state, less any oil and gas the
6 ownership or right to which is exempt from taxation or constitutes a landowner's
7 royalty interest. Except as otherwise provided under (j) and (k) of this section, the tax
8 is equal to the greater of 25 [22.5] percent of the ^{annual} production tax value of the taxable
9 oil and gas as calculated under AS 43.55.160, or the minimum tax determined under
10 (f) of this section."

11
12 Renumber the following bill sections accordingly.

14 Page 14, line 21:

15 Delete "22.5"

16 Insert "25 [22.5]"

17
18 Renumber internal references to bill sections in accordance with this amendment in a way that
19 makes sec. 14 effective January 1, 2008, and adds sec. 14 to (b) of the APPLICABILITY
20 section and to (1)(B) of the TRANSITION: RETROACTIVITY OF REGULATIONS section.

21 Below are all internal bill section reference in this bill:

22 Page 31, lines 25, 27, 29, 30, and 31

23 Page 32, lines 1, 3, 13, 16, 19, and 31

Handwritten notes: "Conceptual Amendment #2" with "Roses" written above it. Below this is a box containing two lines of text: "4 program 25" and "4 no program 22.5", both crossed out with a large X.

1

Page 33, lines 2, 19 - 20, 21, and 22

adopted

11/4/07

Amendment 1
to
AMENDMENT 44

OFFERED IN THE HOUSE

BY REPRESENTATIVE Gatto

TO: AMENDMENT NO. 44 TO CSHB 2001(O&G), Draft Version "L"

- 1 Page 1, line 5, following "produced each":
- 2 Delete "month"
- 3 Insert "calendar year"
- 4
- 5 Page 1, line 8, following "percent of the"
- 6 Insert "annual"

Amendments

that

Passed

AMENDMENT

2

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: CSHB 2001(O&G)

1 Page 13, lines 8 - 22:

2 Delete all material and insert:

3 "(o) In addition to the tax levied under (e) of this section, for each month for
4 which the producer's average monthly production tax value of the taxable oil and gas
5 exceeds \$30 for each BTU equivalent barrel, there is levied on the producer of oil or
6 gas a tax for all oil and gas produced that month from each lease or property in the
7 state, less any oil and gas the ownership or right to which is exempt from taxation or
8 constitutes a landowner's royalty interest. Except as otherwise provided under (j) and
9 (k) of this section, the tax levied under this subsection is equal to the sum over all
10 months of the calendar year of the amount calculated under this subsection. For each
11 month for which this subsection applies and for which the average monthly production
12 tax value of the taxable oil and gas is

13 (1) not more than \$40 for each BTU equivalent barrel, the tax is equal
14 to 0.2 percent of the gross value at the point of production of the taxable oil and gas
15 for that month multiplied by the number that represents the difference between the
16 average production tax value for each BTU equivalent barrel of the taxable oil and gas
17 for that month and \$30; or

18 (2) more than \$40 but not more than \$50 for each BTU equivalent
19 barrel, the tax is equal to two percent of the gross value at the point of production of
20 the taxable oil and gas for that month plus 0.3 percent of the gross value at the point of
21 production of the taxable oil and gas for that month multiplied by the number that
22 represents the difference between the average production tax value for each BTU
23 equivalent barrel of the taxable oil and gas for that month and \$40;

1 (3) more than \$50 but not more than \$60 for each BTU equivalent
2 barrel, the tax is equal to five percent of the gross value at the point of production of
3 the taxable oil and gas for that month plus 0.4 percent of the gross value at the point of
4 production of the taxable oil and gas for that month multiplied by the number that
5 represents the difference between the average production tax value for each BTU
6 equivalent barrel of the taxable oil and gas for that month and \$50;

7 (4) more than \$60 for each BTU equivalent barrel, the tax is equal to
8 nine percent of the gross value at the point of production of the taxable oil and gas for
9 that month plus 0.5 percent of the gross value at the point of production of the taxable
10 oil and gas for that month multiplied by the number that represents the difference
11 between the average production tax value for each BTU equivalent barrel of the
12 taxable oil and gas for that month and \$60."

AMENDMENT 3

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: CSHB 2001(O&G)

1 Page 17, following line 3:

2 Insert a new bill section to read:

3 **** Sec. 23.** AS 43.55.023(b) is amended to read:

4 (b) A producer or explorer may elect to take a tax credit in the amount of the
5 [20 PERCENT OF A] carried-forward annual loss multiplied by the nominal tax
6 rate in AS 43.55.011(e). A credit under this subsection may be applied against a tax
7 due under AS 43.55.011(e). For purposes of this subsection,

8 (1) a carried-forward annual loss is the amount of a producer's or
9 explorer's adjusted lease expenditures under AS 43.55.165 and 43.55.170 for a
10 p.evious calendar year that was not deductible for that calendar year under
11 AS 43.55.160(b) and (e); and

12 (2) "nominal tax rate" means the tax rate stated in AS 43.55.011(e)
13 that is not the tax determined at the minimum tax rate that may be applicable
14 under AS 43.55.011(f).

15

16 Renumber the following bill sections accordingly.

17

18 Page 31, line 25:

19 Delete "Sections 24, 25, 32 - 34, and 37"

20 Insert "Sections 23, 25, 26, 33 - 35, and 38"

21

22 Page 31, line 27:

23 Delete "31, and 38"

- 1 Insert "32, and 39"
- 2
- 3 Page 31, line 29:
- 4 Delete "Sections 26 and 27"
- 5 Insert "Sections 27 and 28"
- 6
- 7 Page 31, line 30:
- 8 Delete "sec. 26"
- 9 Insert "sec. 27"
- 10
- 11 Page 31, line 31:
- 12 Delete "sec. 27"
- 13 Insert "sec. 28"
- 14
- 15 Page 32, line 1:
- 16 Delete "sec. 29"
- 17 Insert "sec. 30"
- 18
- 19 Page 32, line 3:
- 20 Delete "29"
- 21 Insert "30"
- 22
- 23 Page 32, line 31:
- 24 Delete "secs. 24, 25, 32 - 34, and 37"
- 25 Insert "secs. 23, 25, 26, 33 - 35, and 38"
- 26
- 27 Page 33, line 2:
- 28 Delete "26, 27, 31, and 38"
- 29 Insert "27, 28, 32, and 39"
- 30
- 31 Page 33, lines 19 - 20:

1 Delete "Sections 24, 25, 32 - 34, and 37"

2 Insert "Sections 23, 25, 26, 33 - 35, and 38"

3

4 Page 33, line 21:

5 Delete "26, 27, 31, and 38"

6 Insert "27, 28, 32, and 39"

7

8 Page 33, line 22:

9 Delete "sec. 44"

10 Insert "sec. 45"

AMENDMENT 4

OFFERED IN THE HOUSE
TO: CSHB 2001(O&G)

BY REPRESENTATIVE SEATON
+ Rep. Wilson

1 Page 1, line 4, following "latitude;":

2 Insert "providing a penalty for the underpayment of an installment payment of
3 the production tax on oil and gas;"

4

5 Page 17, following line 3:

6 Insert a new bill section to read:

7 "** Sec. 23. AS 43.55.020 is amended by adding a new subsection to read:

8 (i) A civil penalty shall be added to the amount of an installment payment
9 required under (a)(1) - (4) of this section if the full amount of the payment is not paid
10 by the date the payment is due. The penalty is equal to five percent of the difference
11 between the amount of the installment payment that was made timely and the amount
12 of the installment payment required under (a)(1) - (4) of this section. If no part of the
13 required installment payment was made timely, the penalty is equal to five percent of
14 the installment payment required under (a)(1) - (4) of this section. The penalty is in
15 addition to the interest imposed under (g) of this section and a penalty added under
16 AS 43.05.220, if any."

17

18 Renumber the following bill sections accordingly.

19

20 Page 31, line 25:

21 Delete "Sections 24, 25, 32 - 34, and 37"

22 Insert "Sections 25, 26, 33 - 35, and 38"

23

- 1 Page 31, line 27:
- 2 Delete "31, and 38"
- 3 Insert "32, and 39"
- 4
- 5 Page 31, line 29:
- 6 Delete "Sections 26 and 27"
- 7 Insert "Sections 27 and 28"
- 8
- 9 Page 31, line 30:
- 10 Delete "sec. 26"
- 11 Insert "sec. 27"
- 12
- 13 Page 31, line 31:
- 14 Delete "sec. 27"
- 15 Insert "sec. 28"
- 16
- 17 Page 32, line 1:
- 18 Delete "sec. 29"
- 19 Insert "sec. 30"
- 20
- 21 Page 32, line 3:
- 22 Delete "29"
- 23 Insert "30"
- 24
- 25 Page 32, line 31:
- 26 Delete "secs. 24, 25, 32 - 34, and 37"
- 27 Insert "secs. 25, 26, 33 - 35, and 38"
- 28
- 29 Page 33, line 2:
- 30 Delete "26, 27, 31, and 38"
- 31 Insert "27, 28, 32, and 39"

1

2 Page 33, lines 19 - 20:

3 Delete "Sections 24, 25, 32 - 34, and 37"

4 Insert "Sections 25, 26, 33 - 35, and 38"

5

6 Page 33, line 21:

7 Delete "26, 27, 31, and 38"

8 Insert "27, 28, 32, and 39"

9

10 Page 33, line 22:

11 Delete "sec. 44"

12 Insert "sec. 45"

AMENDMENT 5

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

BY REPRESENTATIVE SEATON

Rep. Roses
Rep. Wilson

1 Page 18, line 23:

2 Delete "a new subsection"

3 Insert "new subsections"

4

5 Page 18, following line 25:

6 Insert new material to read:

7 "(m) Notwithstanding the limitation on the use of a transferable tax credit by a
8 transferee under (e) of this section and subject to appropriations made by law, if and to
9 the extent that purchase of transferable tax credits by the Alaska Retirement
10 Management Board is authorized by law, the department shall issue a cash refund to
11 the Alaska Retirement Management Board for a transferable tax credit originally
12 issued to a person under (d) of this section and purchased by the Alaska Retirement
13 Management Board.

14 * Sec. 26. AS 43.55.025 is amended by adding a new subsection to read:

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

20

21 Renumber the following bill sections accordingly.

22

23 Page 31, line 25:

- 1 Delete "Sections 24, 25, 32 - 34, and 37"
2 Insert "Sections 24 - 26, 33 - 35, and 38"
3
4 Page 31, line 27:
5 Delete "31, and 38"
6 Insert "32, and 39"
7
8 Page 31, line 29:
9 Delete "Sections 26 and 27"
10 Insert "Sections 27 and 28"
11
12 Page 31, line 30:
13 Delete "sec. 26"
14 Insert "sec. 27"
15
16 Page 31, line 31:
17 Delete "sec. 27"
18 Insert "sec. 28"
19
20 Page 32, line 1:
21 Delete "sec. 29"
22 Insert "sec. 30"
23
24 Page 32, line 3:
25 Delete "29"
26 Insert "30"
27
28 Page 32, line 31:
29 Delete "secs. 24, 25, 32 - 34, and 37"
30 Insert "secs. 24 - 26, 33 - 35, and 38"
31

1 Page 33, line 2:

2 Delete "secs. 14 - 20, 26, 27, 31, and 38"

3 Insert "secs. 14 - 20, 27, 28, 32, and 39"

4

5 Page 33, lines 19 - 20:

6 Delete "Sections 24, 25, 32 - 34, and 37"

7 Insert "Sections 24 - 26, 33 - 35, and 38"

8

9 Page 33, line 21:

10 Delete "26, 27, 31, and 38"

11 Insert "27, 28, 32, and 39"

12

13 Page 33, line 22:

14 Delete "sec. 44"

15 Insert "sec. 45"

AMENDMENT 6

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G), Version "L"

1 Page 18, line(s) 25: insert the following:

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

3 (a) Subject to the terms and conditions of this section, a credit against the production tax
4 levied by [DUE UNDER] AS 43.55.011(e) [OR (f)] is allowed for exploration expenditures that
5 qualify under (b) of this section in an amount equal to one of the following:6 (1) 30 percent of the total exploration expenditures that qualify only under (b)
7 and (c) of this section;8 (2) 30 percent of the total exploration expenditures [FOR WORK PERFORMED
9 BEFORE JULY 1, 2007, AND] that qualify only under (b) and (d) of this section;10 (3) 40 percent of the total exploration expenditures that qualify under (h), (c), and
11 (d) of this section; or12 (4) 40 percent of the total exploration expenditures that qualify only under (b)
13 and (e) of this section.

14 *Sec. __. AS 43.55.025(b) is amended to read:

15 (b) To qualify for the production tax credit under (a) of this section, an exploration
16 expenditure must be incurred for work performed [ON OR] after December 31, 2007 [JULY 1,
17 2003], and before July 1, 2016, [EXCEPT THAT AN EXPLORATION EXPENDITURE FOR A
18 COOK INLET PROSPECT MUST BE INCURRED FOR WORK PERFORMED ON OR
19 AFTER JULY 1, 2005,] and20 (1) may be for seismic or other geophysical exploration costs not connected with
21 a specific well;

22 (2) if for an exploration well,

23 (A) must be incurred by an explorer that holds an interest in the
24 exploration well for which the production tax credit is claimed;25 (B) may be for either a [AN OIL OR GAS DISCOVERY] well that
26 encounters an oil or gas deposit or a dry hole; [AND]27 (C) must be for a well that has been completed, suspended, or
28 abandoned per AS 31.05.030 at the time the explorer claims the tax credit under (f)
29 of this section; and

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

6 (3) may not be for testing, stimulation, or completion costs; administration,
 7 supervision, engineering, or lease operating costs; geological or management costs; community
 8 relations or environmental costs; bonuses, taxes, or other payments to governments related to the
 9 well; **costs arising from gross negligence or violation of health, safety, or environmental**
 10 **statutes or regulations;** or other costs that are generally recognized as indirect costs or financing
 11 costs; and

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

14 *Sec. __. AS 43.55.025(c) is repealed and reenacted to read:

15 (c) To be eligible for the 30 percent production tax credit authorized by (a)(1) of this
 16 section; or the 40 percent production tax credit authorized by (a)(3) of this section, exploration
 17 expenditures must

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

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

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

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

1 (C) after completion or abandonment of the exploration well, the
 2 commissioner of natural resources must determine that the well adequately achieved the
 3 explorer's stated geological objective.

4 *Sec. __. AS 43.55.025(f) is amended to read:

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

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

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

11 (A) to notify the Department of Natural Resources, within 30 days after
 12 completion of seismic or geophysical data processing, completion of [A] well drilling, or
 13 filing of a claim for credit, whichever is the latest, for which exploration costs are
 14 claimed, of the date of completion and submit a report to that department describing the
 15 processing sequence and providing a list of data sets available; [IF, UNDER (c)(2)(B) OF
 16 THIS SECTION, AN EXPLORER SUBMITS A CLAIM FOR A CREDIT FOR
 17 EXPENDITURES FOR AN EXPLORATION WELL THAT IS LOCATED WITHIN
 18 THREE MILES OF A WELL ALREADY DRILLED FOR OIL AND GAS, IN
 19 ADDITION TO THE SUBMISSIONS REQUIRED UNDER (1) OF THIS
 20 SUBSECTION, THE EXPLORER SHALL SUBMIT THE INFORMATION
 21 NECESSARY FOR THE COMMISSIONER OF NATURAL RESOURCES TO
 22 EVALUATE THE VALIDITY OF THE EXPLORER'S CLAIM THAT THE WELL IS
 23 DIRECTED AT A DISTINCTLY SEPARATE EXPLORATION TARGET, AND THE
 24 COMMISSIONER OF NATURAL RESOURCES SHALL, UPON RECEIPT OF ALL
 25 EVIDENCE SUFFICIENT FOR THE COMMISSIONER TO EVALUATE THE
 26 EXPLORER'S CLAIM, MAKE THAT DETERMINATION WITHIN 60 DAYS;]

27 (B) to provide to the Department of Natural Resources, within 30 days
 28 after the date of a request, unless a longer period is provided by the Department of
 29 Natural Resources, specific data sets, ancillary data, and reports identified in (A) of this
 30 paragraph; in this subparagraph,

31 (i) a seismic or geophysical data set includes the data for an
 32 entire seismic survey, i. respective of whether the survey area covers
 33 nonstate land in addition to state land or land in a unit in addition to land
 34 outside a unit;

1 (ii) well data include all derivative products, results, and
 2 copies of data collected and data analyses for the well including but not
 3 limited to: well logs; sample analyses; geophysical and velocity data
 4 including vertical seismic profiles and check shot surveys; and tangible
 5 material including, for each whole core collected, a lengthwise cut slab that
 6 is at least 1/3 of the whole core volume, and one set of representative
 7 samples, as specified by the Department of Natural Resources of other
 8 gaseous, liquid, or solid material collected from drilling or testing the well;

9 (C) that, notwithstanding any provision of AS 38, information provided
 10 under this paragraph will be held confidential by the Department of Natural Resources

11 (i) in the case of well data, until the expiration of the 24-
 12 month period of confidentiality described in AS 31.05.035(c), [FOR 10
 13 YEARS FOLLOWING THE COMPLETION DATE, AT WHICH TIME THAT
 14 DEPARTMENT] will release the information after 30 days' public notice, unless
 15 in the discretion of the commissioner of natural resources, it is necessary to
 16 protect information relating to the valuation of unleased acreage in the same
 17 vicinity,

18 (ii) in the case of seismic or other geophysical data, other
 19 than seismic data acquired by seismic exploration subject to (f) of this
 20 section, for 10 years following the completion date, at which time the
 21 Department of Natural Resources will release the information after 30 days'
 22 public notice;

23 (iii) in the case of seismic data obtained by seismic
 24 exploration subject to (f) of this section, only until the expiration of 30 days'
 25 public notice issued on or after the date the production tax credit certificates
 26 are issued under (5) of this subsection; and

27 (D) that, in the case of well data, the explorer will not make a request
 28 under AS 38.05.035(c) that the commissioner of natural resources keep the data
 29 confidential for longer than the 24-month period of confidentiality described in AS
 30 31.05.035(c);

31 (3) if more than one explorer holds an interest in a well or seismic exploration,

32 (A) each explorer may claim an amount of credit that is proportional to
 33 the explorer's cost incurred;

1 (B) in the case of a well, each explorer holding an interest in the well
 2 shall agree, in writing, that the explorer will not make the request described in
 3 (2)(D) of this subsection;

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

7 (5) if the department is satisfied that the explorer's claimed expenditures are
 8 qualified under this section and that all data required to be submitted under this section have
 9 been submitted, the department shall issue to the explorer two [A] production tax credit
 10 certificates, each [CERTIFICATE] for half of the amount of the credit to be allowed against
 11 production taxes levied by AS 43.55.011(e); the credit shown on one of the two certificates is
 12 available for immediate use; the credit shown on the second of the two certificates may not
 13 be applied against a tax for a calendar year earlier than the calendar year following the
 14 calendar year in which the certificate is issued, and the certificate must contain a
 15 conspicuous statement to that effect; notwithstanding any contrary provision of AS 38, AS
 16 40.25.100, or AS 43.05.230, the following information is not confidential:

17 (A) the explorer's name;

18 (B) the date of the application;

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

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

21 and

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

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

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

28 *Sec. __. AS 43.55.025(h) is amended to read:

29 (h) A producer that purchases a production tax credit certificate may apply the credits
 30 against its production tax liability under AS 43.55.011(e) [OR (f)]. Regardless of the price the
 31 producer paid for the certificate, the producer may receive a credit against its production tax
 32 liability for the full amount of the credit, but for not more than the amount for which the
 33 certificate is issued. A production tax credit allowed under this section may not be applied more
 34 than once.

1 *Sec. __. AS 43.55.025(i) is repealed and reenacted to read:

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

3 (1) a credit may not be applied to reduce a taxpayer's tax liability under AS
4 43.55.011(e) below zero for a calendar year; and

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

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

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

11 *Sec. __. AS 43.55.025 is amended by adding a new subsection to read:

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

17 (1) have been for seismic exploration that

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

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

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

25

AMENDMENT

7

Roses

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

1 Page 19, following line 26:

2 Insert a new bill section to read:

3 **** Sec. 27. AS 43.55.030(d) is amended to read:**

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

12

13 Renumber the following bill sections accordingly.

14

15 Page 31, line 25:

16 Delete "32 - 34, and 37"

17 Insert "33 - 35, and 38"

18

19 Page 31, line 27:

20 Delete "31, and 38"

21 Insert "32, and 39"

22

23 Page 31, line 29:

1 Delete "27"

2 Insert "28"

3

4 Page 31, line 31:

5 Delete "sec. 27"

6 Insert "sec. 28"

7

8 Page 32, line 1:

9 Delete "sec. 29"

10 Insert "sec. 30"

11

12 Page 32, line 3:

13 Delete "29"

14 Insert "30"

15

16 Page 32, line 31:

17 Delete "32 - 34, and 37"

18 Insert "33 - 35, and 38"

19

20 Page 33, line 2:

21 Delete "27, 31, and 38"

22 Insert "28, 32, and 39"

23

24 Page 33, line 20:

25 Delete "32 - 34, and 37"

26 Insert "33 - 35, and 38"

27

28 Page 33, line 21:

29 Delete "27, 31, and 38"

30 Insert "28, 32, and 39"

31

- 1 Page 33, line 22:
- 2 Delete "sec. 44"
- 3 Insert "sec. 45"

AMENDMENT

8 Anna

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

1 Page 21, line 30, following "matters":

2 Insert ";

3 (6) assess against a person required under this section to file a
4 report, statement, or other document a penalty, as determined by the department
5 under standards adopted in regulation by the department, of not more than
6 \$1,000 for each day the person fails to file the report, statement, or other
7 document at the time required; the penalty is in addition to any penalties under
8 AS 43.05.220 and 43.05.290 and is assessed, collected, and paid in the same
9 manner as a tax deficiency under this title; the penalty shall bear interest at the
10 rate specified under AS 43.05.225(1); notwithstanding authority granted under
11 AS 43.05.070 to compromise a penalty, the department may not under that
12 section compromise a penalty under this paragraph by agreeing to accept less
13 than 50 percent of the penalty originally assessed by the department"

AMENDMENT

10

OFFERED IN THE HOUSE
TO: CSHB 2001(O&G)

BY REPRESENTATIVE SEATON
Rep Johnson

- 1 Page 26, line 14:
- 2 Following "negligence,"
- 3 Insert "criminal negligence,"
- 4 Following "law,":
- 5 Insert "including a violation of 33 U.S.C. 1319(c)(1) or 1321(b)(3) (Clean
- 6 Water Act),"
- 7
- 8 Page 28, line 6, through page 29, line 1:
- 9 Delete all material.
- 10
- 11 Renumber the following paragraph accordingly.

AMENDMENT //

OFFERED IN THE HOUSE
TO: CSHB 2001(O&G)

BY REPRESENTATIVE SEATON

Rep. Johnson
Rep. Roses
Rep. Wilson

1 Page 26, following line 2:

2 Insert new bill sections to read:

3 ** Sec. 33. 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 under regulations
13 adopted by the department, for overhead expenses directly related to exploring
14 for, developing, and producing oil or gas deposits located within leases or
15 properties or other land in the state;

16 (2) an activity must be physically located in the state [DOES NOT
17 NEED TO BE PHYSICALLY LOCATED ON, NEAR, OR WITHIN THE
18 PREMISES OF THE LEASE OR PROPERTY WITHIN WHICH AN OIL OR GAS
19 DEPOSIT BEING EXPLORED FOR, DEVELOPED, OR PRODUCED IS
20 LOCATED] in order for the cost of the activity to be a cost upstream of the point of
21 production of the oil or gas.

22 * Sec. 34. AS 43.55.165(b), as amended by sec. 33 of this Act, is amended to read:

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

1 (1) direct costs include

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

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

8 (C) a reasonable allowance, as determined under regulations
9 adopted by the department, for overhead expenses directly related to exploring
10 for, developing, and producing oil or gas deposits located within leases or
11 properties or other land in the state;

12 (2) an activity must be physically located on the premises of the lease
13 or property from which oil or gas is recovered [IN THE STATE] in order for the
14 cost of the activity to be a cost upstream of the point of production of the oil or gas."
15

16 Renumber the following bill sections accordingly.

17

18 Page 31, line 25:

19 Delete "32 - 34, and 37"

20 Insert "32, 33, 35, 36, and 39"

21

22 Page 31, line 27:

23 Delete "38"

24 Insert "40"

25

26 Page 32, line 31:

27 Delete "32 - 34, and 37"

28 Insert "32, 33, 35, 36, and 39"

29

30 Page 33, line 2:

31 Delete "38"

1 Insert "40"

2

3 Page 33, line 20:

4 Delete "32 - 34, and 37"

5 Insert "32, 33, 35, 36, and 39"

6

7 Page 33, following line 20:

8 Insert new bill sections to read:

9 **** Sec. 46.** The uncodified law of the State of Alaska is amended by adding a new section to
10 read:

11 CONTINGENT EFFECT. Section 34 of this Act takes effect only if a court of
12 competent jurisdiction enters a final judgment on the merits, the final judgment is no longer
13 subject to appeal, and the final judgment nullifies the effect of AS 43.55.165(b), as amended
14 by sec. 33 of this Act.

15 * Sec. 47. If sec. 34 of this Act takes effect, it takes effect on the day after the last day on
16 which the final judgment described in sec. 46 of this Act is no longer subject to appeal."

17

18 Renumber the following bill sections accordingly.

19

20 Page 33, line 21:

21 Delete "38"

22 Insert "40"

23

24 Page 33, line 22:

25 Delete "sec. 44"

26 Insert "secs. 47 and 48"

AMENDMENT

24
Guttenberg

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G), Draft Version "L"

1 Page 23, following line 14:

2 Insert new bill sections to read:

3 ***Sec. 31.** 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 when the

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

8 (2) contract for the transportation of oil or gas (A) is not an arm's length
9 transaction or (B) is not representative of the market value of that transportation; or
10 [AND]

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

13 ***Sec. 32.** AS 43.55.150(b) is amended to read:

14 (b) If the department finds that a condition [THE CONDITIONS] in (a)(1), (2),
15 or [AND] (3) of this section is [ARE] present, the department shall determine the
16 reasonable costs of transportation, using the fair market value of like transportation, the
17 fair market value of equally efficient and available alternative modes of transportation, or
18 other reasonable methods. Transportation costs fixed by tariff rates that have been

1 **adjudicated just and reasonable by** [PROPERLY ON FILE WITH] the Regulatory
2 Commission of Alaska or other regulatory agency shall be considered prima facie
3 reasonable.''

4

5 Renumber the following bill sections accordingly.

AMENDMENT 29

OFFERED IN THE HOUSE

BY REPRESENTATIVE GUTTENBERG

TO: CSHB 2001(O&G)

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

2 Insert "establishing an oil and gas tax credit fund and authorizing payment from
3 that fund;"

4
5 Page 17, line 6, following "person":

6 Insert "or obtain a cash payment under AS 43.55.028"

7
8 Page 17, following line 22:

9 Insert a new bill section to read:

10 "* Sec. 24. AS 43.55.023(g) is amended to read:

11 (g) The issuance of a transferable tax credit certificate under (d) of this section
12 or the purchase of a certificate [ISSUANCE OF A CASH REFUND] under
13 AS 43.55.028 [(f) OF THIS SECTION] does not limit the department's ability to later
14 audit a tax credit claim to which the certificate relates or to adjust the claim if the
15 department determines, as a result of the audit, that the applicant was not entitled to
16 the amount of the credit for which the certificate was issued. The tax liability of the
17 applicant under AS 43.55.011(e) and 43.55.017 - 43.55.180 is increased by the amount
18 of the credit that exceeds that to which the applicant was entitled, or the applicant's
19 available valid outstanding credits applicable against the tax levied by
20 AS 43.55.011(e) are reduced by that amount. If the applicant's tax liability is increased
21 under this subsection, the increase bears interest under AS 43.05.225 from the date the
22 transferable tax credit certificate was issued. For purposes of this subsection, an
23 applicant that is an explorer is considered a producer subject to the tax levied by

1 AS 43.55.011(e)."

2
3 Renumber the following bill sections accordingly.

4
5 Page 18, following line 25:

6 Insert a new bill section to read:

7 **** Sec. 27.** AS 43.55 is amended by adding a new section to read:

8 **Sec. 43.55.028. Oil and gas tax credit fund established; cash purchases of**
9 **tax credit certificates.** (a) The oil and gas tax credit fund is established as a separate
10 fund of the state. The purpose of the fund is to purchase certain transferable tax credit
11 certificates issued under AS 43.55.023 and certain production tax credit certificates
12 issued under AS 43.55.025.

13 (b) The oil and gas tax credit fund consists of

14 (1) money appropriated to the fund, including any appropriation of the
15 percentage provided under (c) of this section of all revenue from taxes levied by
16 AS 43.55.011 that is not required to be deposited in the constitutional budget reserve
17 fund established in art. IX, sec. 17(a), Constitution of the State of Alaska; and

18 (2) earnings on the fund.

19 (c) The applicable percentage for a fiscal year under (b)(1) of this section is
20 determined with reference to the average price or value forecast by the department for
21 Alaska North Slope oil sold or otherwise disposed of on the United States West Coast
22 during the fiscal year for which the appropriation of revenue from taxes levied by
23 AS 43.55.011 is made. If that forecast is

24 (1) \$60 a barrel or higher, the applicable percentage is 10 percent;

25 (2) less than \$60 a barrel, the applicable percentage is 15 percent.

26 (d) The department shall manage the fund.

27 (e) The department may, on the written application of the person to whom a
28 transferable tax credit certificate has been issued under AS 43.55.023(d) or a
29 production tax credit certificate has been issued under AS 43.55.025(f), use available
30 money in the oil and gas tax credit fund to purchase, in whole or in part, the certificate
31 if the department finds that

1 (1) the calendar year of the purchase is not earlier than the first
2 calendar year for which the credit shown on the certificate would otherwise be allowed
3 to be applied against a tax;

4 (2) within 24 months after applying for the transferable tax credit
5 certificate or filing a claim for the production tax credit certificate, the applicant
6 incurred a qualified capital expenditure or was the successful bidder on a bid
7 submitted for a lease on state land under AS 38.05.180(f);

8 (3) the amount expended for the purchase would not exceed the total of
9 qualified capital expenditures and successful bids described in (2) of this subsection
10 that have not been the subject of a finding made under this paragraph for purposes of a
11 previous purchase of a certificate;

12 (4) the applicant does not have an outstanding liability to the state for
13 unpaid delinquent taxes under this title;

14 (5) the applicant's total tax liability under AS 43.55.011(e), after
15 application of all available tax credits, for the calendar year in which the application is
16 made is zero;

17 (6) the applicant's average amount of oil and gas taxable under
18 AS 43.55.011(e) and produced each day during the calendar year preceding the
19 calendar year in which the application is made was not more than 50,000 BTU
20 equivalent barrels; and

21 (7) the purchase is consistent with this section and regulations adopted
22 under this section.

23 (f) Money in the fund remaining at the end of a fiscal year does not lapse and
24 remains available for expenditure in successive fiscal years.

25 (g) The department may adopt regulations to carry out the purposes of this
26 section, including standards and procedures to allocate available money among
27 applications for purchases the total amount of which exceeds the amount of available
28 money in the fund.

29 (h) Nothing in this section creates a dedicated fund.

30 (i) In this section, "qualified capital expenditure" has the meaning given in
31 AS 43.55.023."

1

2 Renumber the following bill sections accordingly.

3

4 Page 31, line 25:

5 Delete "Sections 24, 25, 32 - 34, and 37"

6 Insert "Sections 25, 26, 34 - 36, and 39"

7

8 Page 31, line 27:

9 Delete "31, and 38"

10 Insert "33, and 40"

11

12 Page 31, line 29:

13 Delete "Sections 26 and 27"

14 Insert "Sections 28 and 29"

15

16 Page 31, line 30:

17 Delete "sec. 26"

18 Insert "sec. 28"

19

20 Page 31, line 31:

21 Delete "sec. 27"

22 Insert "sec. 29"

23

24 Page 32, line 1:

25 Delete "sec. 29"

26 Insert "sec. 31"

27

28 Page 32, line 3:

29 Delete "29"

30 Insert "31"

31

1 Page 32, following line 3:

2 Insert a new subsection to read:

3 "(e) Section 24 of this Act applies to transferable tax credit certificates issued
4 under AS 43.55.023(d), as amended by sec. 23 of this Act, and to transferable tax
5 credit certificates issued under AS 43.55.023(d), in effect before January 1, 2008, for
6 which a cash refund has not been issued under AS 43.55.023(f) before January 1,
7 2008."

8

9 Page 32, line 31:

10 Delete "secs. 24, 25, 32 - 34, and 37"

11 Insert "secs. 25, 26, 34 - 36, and 39"

12

13 Page 33, line 2:

14 Delete "26, 27, 31, and 38"

15 Insert "24, 27 - 29, 33, and 40"

16

17 Page 33, following line 10:

18 Insert a new bill section to read:

19 **** Sec. 43.** The uncodified law of the State of Alaska is amended by adding a new section to
20 read:

21 TRANSITION: PENDING APPLICATIONS. If an application made under
22 AS 43.55.023(f) is received by the Department of Revenue before January 1, 2008, and is still
23 outstanding on that date, the application is considered to be an application under
24 AS 43.55.028, enacted by sec. 26 of this Act."

25

26 Renumber the following bill sections accordingly.

27

28 Page 33, lines 19 - 20:

29 Delete "Sections 24, 25, 32 - 34, and 37"

30 Insert "Sections 25, 26, 34 - 36, and 39"

31

1 Page 33, line 21:

2 Delete "26, 27, 31, and 38"

3 Insert "24, 27 - 29, 33, and 40"

4

5 Page 33, line 22:

6 Delete "sec. 44"

7 Insert "sec. 47"

KAWASAKI

Revised AMENDMENT 36

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

1 Page 1, following line 12:

2 Insert a new bill section to read:

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

5 **LEGISLATIVE INTENT.** It is the intent of the legislature that not less than half of the
6 amount of money received by the state as a result of the retroactivity of certain provisions
7 under sec. 45 of this Act that exceeds the amount the state would have received if those
8 provisions had not been made retroactive will be appropriated to the budget reserve fund (art.
9 IX, sec. 17, Constitution of the State of Alaska)."

10

11 Page 2, line 1:

12 Delete "Section 1"

13 Insert "Sec. 2"

14

15 Renumber the following bill sections accordingly.

16

17 Page 31, line 28:

18 Delete "2007"

19 Insert "2006"

20

21 Page 33, line 3:

22 Delete "2008"

23 Insert "2007"

1

2 Page 33, line 19, following "ACT.":

3 Insert "(a)"

4

5 Page 33, following line 20:

6 Insert a new subsection to read:

7 "(b) Sections 15 - 21, 27, 28, 32, and 39 of this Act are retroactive to January 1,
8 2007."

9

10 Page 33, line 21:

11 Delete all material.

12

13 Renumber the following bill section accordingly.

14

15 Page 33, line 22:

16 Delete "Except as provided in sec. 44 of this Act, this"

17 Insert "This"

18

19 Renumber internal references to bill sections in accordance with this amendment so that the
20 LEGISLATIVE INTENT section, added as bill section 1, is given an immediate effective
21 date. Below are all internal bill section references in this bill:

22 Page 31, lines 25, 27, 29, 30, and 31

23 Page 32, lines 1, 3, 13, 16, 19, and 31

24 Page 33, lines 2, 19 - 20, 21, and 22

AMENDMENT

38 Rep. Guttenberg

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

1 Page 1, following line 12:

2 Insert a new bill section to read:

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

5 **LEGISLATIVE INTENT.** It is the intent of the legislature that provisions of this Act

6 (1) ensure a fair and equitable means of assessing and taxing Alaska's oil and
7 gas resources;

8 (2) encourage the availability to Alaska's citizens of affordable gas produced,
9 transported, and consumed within the state; and

10 (3) confirm by clarification the longstanding interpretation of AS 43.05.260 by
11 the Department of Revenue through enactment of AS 43.55.075(b) in sec. 30 of this Act,
12 relating to limitation of assessments for the production tax on oil and gas and conservation
13 surcharges on oil."

14

15 Page 2, line 1:

16 Delete "Section 1"

17 Insert "Sec. 2"

18

19 Renumber the following bill sections accordingly.

20

21 Page 14, following line 2:

22 Insert a new subsection to read:

23

1 "(q) Notwithstanding other provisions of this section, for a calendar year
2 before 2022, the tax levied under this section for each 1,000 cubic feet of gas for gas
3 produced from a lease or property outside the Cook Inlet sedimentary basin and used
4 in the state may not exceed the amount of tax for each 1,000 cubic feet of gas that is
5 determined under (j)(2) of this section."
6

7 Page 23, line 24, following "AS 43.55.170;":

8 Insert "**this subparagraph does not apply to gas taxable under AS 43.55.011(q);**"
9

10 Page 24, line 1, following "AS 43.55.170;":

11 Insert "**this subparagraph does not apply to gas taxable under AS 43.55.011(q);**"
12

13 Page 24, following line 13:

14 Insert a new subparagraph to read:

15 "**(E) gas produced during a calendar year from a lease or**
16 **property outside the Cook Inlet sedimentary basin and used in the state is**
17 **the gross value at the point of production of that gas taxable under**
18 **AS 43.55.011(e) and produced by the producer from that lease or**
19 **property, less the producer's lease expenditures under AS 43.55.165 for**
20 **the calendar year applicable to that gas produced by the producer from**
21 **that lease or property, as adjusted under AS 43.55.170;**"
22

23 Page 24, line 22, following "AS 43.55.170;":

24 Insert "**this subparagraph does not apply to gas subject to additional tax under**
25 **AS 43.55.011(o);**"
26

27 Page 24, line 30, following "AS 43.55.170;":

28 Insert "**this subparagraph does not apply to gas subject to additional tax under**
29 **AS 43.55.011(o);**"
30

31 Page 25, line 13, following "AS 43.55.170":

1 Insert ";

2 (E) gas produced during a month from a lease or property
 3 outside the Cook Inlet sedimentary basin and used in the state is the gross
 4 value at the point of production of that gas taxable under AS 43.55.011(e)
 5 and produced by the producer from that lease or property, less 1/2 of the
 6 producer's lease expenditures under AS 43.55.165 for the calendar year
 7 applicable to that gas produced by the producer from that lease or
 8 property, as adjusted under AS 43.55.170"
 9

10 Page 29, following line 12:

11 Insert a new bill section to read:

12 ** Sec. 35. AS 43.55.165(h) is amended to read:

13 "(h) The department shall adopt regulations that provide for reasonable
 14 methods of allocating costs between oil and gas, between gas subject to
 15 AS 43.55.011(q) and other gas, and between leases or properties in those
 16 circumstances where the determination of the lease expenditures that are applicable to
 17 oil or to gas, that are applicable to gas subject to AS 43.55.011(q) or to other gas,
 18 or that are applicable to oil and gas produced from different leases or properties,
 19 requires an allocation of costs."
 20

21 Renumber the following bill sections accordingly.

22
 23 Page 31, line 25:

24 Delete "Sections 24, 25, 32 - 34, and 37"

25 Insert "Sections 25, 26, 33, 34, 36, and 39"
 26

27 Page 31, line 27:

28 Delete "Sections 14 - 20, 31, and 38"

29 Insert "Sections 15 - 21, 32, 35, and 40"
 30

31 Page 31, line 29:

1 Delete "Sections 26 and 27"
2 Insert "Sections 27 and 28"
3
4 Page 31, line 30:
5 Delete "sec. 26"
6 Insert "sec. 27"
7
8 Page 31, line 31:
9 Delete "sec. 27"
10 Insert "sec. 28"
11
12 Page 32, line 1:
13 Delete "sec. 29"
14 Insert "sec. 30"
15
16 Page 32, line 3:
17 Delete "secs. 13 and 29"
18 Insert "secs. 14 and 30"
19
20 Page 32, line 13:
21 Delete "sec. 9"
22 Insert "sec. 10"
23
24 Page 32, line 16:
25 Delete "sec. 9"
26 Insert "sec. 10"
27
28 Page 32, line 19:
29 Delete "sec. 9"
30 Insert "sec. 10"
31

1 Page 32, line 31:

2 Delete "secs. 24, 25, 32 - 34, and 37"

3 Insert "secs. 25, 26, 33, 34, 36, and 39"

4

5 Page 33, line 2:

6 Delete "secs. 14 - 20, 26, 27, 31, and 38"

7 Insert "secs. 15 - 21, 27, 28, 32, 35, and 40"

8

9 Page 33, lines 19 - 20:

10 Delete "Sections 24, 25, 32 - 34, and 37"

11 Insert "Sections 25, 26, 33, 34, 36, and 38"

12

13 Page 33, line 21:

14 Delete "Sections 14 - 20, 26, 27, 31, and 38"

15 Insert "Sections 15 - 21, 27, 28, 32, 35, and 40"

16

17 Page 33, line 22:

18 Delete "sec. 44"

19 Insert "sec. 46"

AMENDMENT

1
To Amendment #38

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: AMENDMENT NO. 38 TO CSHB 2001(O&G), Draft Version "L"

1 Page 1, line 21:

2 Insert "Page 13, line 23, through page 14, line 2:

3 Delete all material"

4

5 Page 2, line 7:

6 Insert "For purposes of this section, "used in the state" means delivered for
7 consumption as fuel in the state, including as fuel consumed to generate electricity."

AMENDMENT #2 to Amendment #38

OFFERED IN HOUSE

BY REPRESENTATIVE SEATON

TO: AMENDMENT NO. 38 CSHB 2001(O&G), Draft Version "L"

- 1 Page 2, line 2:
- 2 Delete, "under"
- 3 Insert, "by (e) and (o) of"

AMENDMENT 43 Rep. Edgmon

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

1 Page 26, lines 17 - 19:

2 Delete

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

6 Insert

7 "(8) costs of arbitration, litigation, [OR OTHER] dispute resolution,
8 lobbying, public relations, advertising, or policy advocacy [ACTIVITIES THAT
9 INVOLVE THE STATE OR CONCERN THE RIGHTS OR OBLIGATIONS
10 AMONG OWNERS OF INTERESTS IN, OR RIGHTS TO PRODUCTION FROM,
11 ONE OR MORE LEASES OR PROPERTIES OR A UNIT];"

12

13 Page 29, line 12, following "processed":

14 Insert ";

15 (21) costs relating to office buildings, fixtures and equipment, and
16 real property that is not located on an oil or gas exploration, production, or
17 development lease or property in the state; and

18 (22) overhead, office, or administrative expenses and all other
19 indirect costs of oil or gas exploration, development, or production"

AMENDMENT

44
Rep. Gatto

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

1 Page 10, following line 25:

2 Insert a new bill section to read:

3 **** Sec. 14. AS 43.55.011(e) is amended to read:**

4 (e) There is levied on the producer of oil or gas a tax for all oil and gas
5 produced each month from each lease or property in the state, less any oil and gas the
6 ownership or right to which is exempt from taxation or constitutes a landowner's
7 royalty interest. Except as otherwise provided under (j) and (k) of this section, the tax
8 is equal to the greater of 25 [22.5] percent of the production tax value of the taxable
9 oil and gas as calculated under AS 43.55.160, or the minimum tax determined under
10 (f) of this section."
11

12 Renumber the following bill sections accordingly.

13

14 Page 14, line 21:

15 Delete "22.5"

16 Insert "25 [22.5]"

17

18 Renumber internal references to bill sections in accordance with this amendment in a way that
19 makes sec. 14 effective January 1, 2008, and adds sec. 14 to (b) of the APPLICABILITY
20 section and to (1)(B) of the TRANSITION: RETROACTIVITY OF REGULATIONS section.

21 Below are all internal bill section reference in this bill:

22 Page 31, lines 25, 27, 29, 30, and 31

23 Page 32, lines 1, 3, 13, 16, 19, and 31

1

Page 33, lines 2, 19 - 20, 21, and 22

11/4/07

Amendment 1
to
AMENDMENT *44*

OFFERED IN THE HOUSE

BY REPRESENTATIVE *Gatto*

TO: AMENDMENT NO. 44 TO CSHB 2001(O&G), Draft Version "L"

- 1 Page 1, line 5, following "produced each":
- 2 Delete "month"
- 3 Insert "calendar year"
- 4
- 5 Page 1, line 8, following "percent of the"
- 6 Insert "annual"

Original

Packet of

Amendments

AMENDMENT /

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: CSHB 2001(O&G)

1 Page 13, line 31, through page 14, line 2:

2 Delete "produced from a lease or property for which the start of regular deliveries of
3 marketable gas is after December 31, 2007"

4 Insert

5 "(1) produced from a lease or property for which the start of regular
6 deliveries of marketable gas is after December 31, 2007; and

7 (2) not available

8 manufactu al feedstock for a

9 state; or as for export from the

10
11
12

*Original
packet
of amendments*

AMENDMENT /

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: CSHB 2001(O&G)

1 Page 13, line 31, through page 14, line 2:

2 Delete "produced from a lease or property for which the start of regular deliveries of
3 marketable gas is after December 31, 2007"

4 Insert

5 "(1) produced from a lease or property for which the start of regular
6 deliveries of marketable gas is after December 31, 2007; and

7 (2) not supplied for

8 (A) consumption as petrochemical feedstock for a
9 manufacturing process;

10 (B) processing into liquefied natural gas for export from the
11 state; or

12 (C) conversion to a liquid"

*Original
packet
of amendments*

AMENDMENT

2

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: CSHB 2001(O&G)

1 Page 13, lines 8 - 22:

2 Delete all material and insert:

3 "(o) In addition to the tax levied under (e) of this section, for each month for
4 which the producer's average monthly production tax value of the taxable oil and gas
5 exceeds \$30 for each BTU equivalent barrel, there is levied on the producer of oil or
6 gas a tax for all oil and gas produced that month from each lease or property in the
7 state, less any oil and gas the ownership or right to which is exempt from taxation or
8 constitutes a landowner's royalty interest. Except as otherwise provided under (j) and
9 (k) of this section, the tax levied under this subsection is equal to the sum over all
10 months of the calendar year of the amount calculated under this subsection. For each
11 month for which this subsection applies and for which the average monthly production
12 tax value of the taxable oil and gas is

13 (1) not more than \$40 for each BTU equivalent barrel, the tax is equal
14 to 0.2 percent of the gross value at the point of production of the taxable oil and gas
15 for that month multiplied by the number that represents the difference between the
16 average production tax value for each BTU equivalent barrel of the taxable oil and gas
17 for that month and \$30; or

18 (2) more than \$40 but not more than \$50 for each BTU equivalent
19 barrel, the tax is equal to two percent of the gross value at the point of production of
20 the taxable oil and gas for that month plus 0.3 percent of the gross value at the point of
21 production of the taxable oil and gas for that month multiplied by the number that
22 represents the difference between the average production tax value for each BTU
23 equivalent barrel of the taxable oil and gas for that month and \$40;

1 (3) more than \$50 but not more than \$60 for each BTU equivalent
2 barrel, the tax is equal to five percent of the gross value at the point of production of
3 the taxable oil and gas for that month plus 0.4 percent of the gross value at the point of
4 production of the taxable oil and gas for that month multiplied by the number that
5 represents the difference between the average production tax value for each BTU
6 equivalent barrel of the taxable oil and gas for that month and \$50;

7 (4) more than \$60 for each BTU equivalent barrel, the tax is equal to
8 nine percent of the gross value at the point of production of the taxable oil and gas for
9 that month plus 0.5 percent of the gross value at the point of production of the taxable
10 oil and gas for that month multiplied by the number that represents the difference
11 between the average production tax value for each BTU equivalent barrel of the
12 taxable oil and gas for that month and \$60."

AMENDMENT 3

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: CSHB 2001(O&G)

1 Page 17, following line 3:

2 Insert a new bill section to read:

3 **** Sec. 23.** AS 43.55.023(b) is amended to read:

4 (b) A producer or explorer may elect to take a tax credit in the amount of the
5 [20 PERCENT OF A] carried-forward annual loss multiplied by the nominal tax
6 rate in AS 43.55.011(e). A credit under this subsection may be applied against a tax
7 due under AS 43.55.011(e). For purposes of this subsection,

8 (1) a carried-forward annual loss is the amount of a producer's or
9 explorer's adjusted lease expenditures under AS 43.55.165 and 43.55.170 for a
10 previous calendar year that was not deductible for that calendar year under
11 AS 43.55.160(b) and (e); and

12 (2) "nominal tax rate" means the tax rate stated in AS 43.55.011(e)
13 that is not the tax determined at the minimum tax rate that may be applicable
14 under AS 43.55.011(f).

15

16 Renumber the following bill sections accordingly.

17

18 Page 31, line 25:

19 Delete "Sections 24, 25, 32 - 34, and 37"

20 Insert "Sections 23, 25, 26, 33 - 35, and 38"

21

22 Page 31, line 27:

23 Delete "31, and 38"

1 Insert "32, and 39"

2

3 Page 31, line 29:

4 Delete "Sections 26 and 27"

5 Insert "Sections 27 and 28"

6

7 Page 31, line 30:

8 Delete "sec. 26"

9 Insert "sec. 27"

10

11 Page 31, line 31:

12 Delete "sec. 27"

13 Insert "sec. 28"

14

15 Page 32, line 1:

16 Delete "sec. 29"

17 Insert "sec. 30"

18

19 Page 32, line 3:

20 Delete "29"

21 Insert "30"

22

23 Page 32, line 31:

24 Delete "secs. 24, 25, 32 - 34, and 37"

25 insert "secs. 23, 25, 26, 33 - 35, and 38"

26

27 Page 33, line 2:

28 Delete "26, 27, 31, and 38"

29 Insert "27, 28, 32, and 39"

30

31 Page 33, lines 19 - 20:

1 Delete "Sections 24, 25, 32 - 34, and 37"

2 Insert "Sections 23, 25, 26, 33 - 35, and 38"

3

4 Page 33, line 21:

5 Delete "26, 27, 31, and 38"

6 Insert "27, 28, 32, and 39"

7

8 Page 33, line 22:

9 Delete "sec. 44"

10 Insert "sec. 45"

AMENDMENT 4

OFFERED IN THE HOUSE
TO: CSHB 2001(O&G)

BY REPRESENTATIVE SEATON
+ Rep. Wilson

1 Page 1, line 4, following "**latitude**";:

2 Insert "**providing a penalty for the underpayment of an installment payment of**
3 **the production tax on oil and gas**;"

4
5 Page 17, following line 3:

6 Insert a new bill section to read:

7 "*** Sec. 23.** AS 43.55.020 is amended by adding a new subsection to read:

8 (i) A civil penalty shall be added to the amount of an installment payment
9 required under (a)(1) - (4) of this section if the full amount of the payment is not paid
10 by the date the payment is due. The penalty is equal to five percent of the difference
11 between the amount of the installment payment that was made timely and the amount
12 of the installment payment required under (a)(1) - (4) of this section. If no part of the
13 required installment payment was made timely, the penalty is equal to five percent of
14 the installment payment required under (a)(1) - (4) of this section. The penalty is in
15 addition to the interest imposed under (g) of this section and a penalty added under
16 AS 43.05.220, if any."

17
18 Renumber the following bill sections accordingly.

19
20 Page 31, line 25:

21 Delete "Sections 24, 25, 32 - 34, and 37"

22 Insert "Sections 25, 26, 33 - 35, and 38"

23

- 1 Page 31, line 27:
2 Delete "31, and 38"
3 Insert "32, and 39"
4
- 5 Page 31, line 29:
6 Delete "Sections 26 and 27"
7 Insert "Sections 27 and 28"
8
- 9 Page 31, line 30:
10 Delete "sec. 26"
11 Insert "sec. 27"
- 13 Page 31, line 31:
14 Delete "sec. 27"
15 Insert "sec. 28"
16
- 17 Page 32, line 1:
18 Delete "sec. 29"
19 Insert "sec. 30"
20
- 21 Page 32, line 3:
22 Delete "29"
23 Insert "30"
24
- 25 Page 32, line 31:
26 Delete "secs. 24, 25, 32 - 34, and 37"
27 Insert "secs. 25, 26, 33 - 35, and 38"
28
- 29 Page 33, line 2:
30 Delete "26, 27, 31, and 38"
31 Insert "27, 28, 32, and 39"

1

2 Page 33, lines 19 - 20:

3 Delete "Sections 24, 25, 32 - 34, and 37"

4 Insert "Sections 25, 26, 33 - 35, and 38"

5

6 Page 33, line 21:

7 Delete "26, 27, 31, and 38"

8 Insert "27, 28, 32, and 39"

9

10 Page 33, line 22:

11 Delete "sec. 44"

12 Insert "sec. 45"

AMENDMENT 5

OFFERED IN THE HOUSE
TO: CSHB 2001(O&G)

BY REPRESENTATIVE SEATON

Rep. Roses
Rep. Wilson

1 Page 18, line 23:

2 Delete "a new subsection"

3 Insert "new subsections"

4

5 Page 18, following line 25:

6 Insert new material to read:

7 "(m) Notwithstanding the limitation on the use of a transferable tax credit by a
8 transferee under (e) of this section and subject to appropriations made by law, if and to
9 the extent that purchase of transferable tax credits by the Alaska Retirement
10 Management Board is authorized by law, the department shall issue a cash refund to
11 the Alaska Retirement Management Board for a transferable tax credit originally
12 issued to a person under (d) of this section and purchased by the Alaska Retirement
13 Management Board.

14 * Sec. 26. AS 43.55.025 is amended by adding a new subsection to read:

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

20

21 Renumber the following bill sections accordingly.

22

23 Page 31, line 25:

1 Delete "Sections 24, 25, 32 - 34, and 37"

2 Insert "Sections 24 - 26, 33 - 35, and 38"

3

4 Page 31, line 27:

5 Delete "31, and 38"

6 Insert "32, and 39"

7

8 Page 31, line 29:

9 Delete "Sections 26 and 27"

10 Insert "Sections 27 and 28"

11

12 Page 31, line 30:

13 Delete "sec. 26"

14 Insert "sec. 27"

15

16 Page 31, line 31:

17 Delete "sec. 27"

18 Insert "sec. 28"

19

20 Page 32, line 1:

21 Delete "sec. 29"

22 Insert "sec. 30"

23

24 Page 32, line 3:

25 Delete "29"

26 Insert "30"

27

28 Page 32, line 31:

29 Delete "secs. 24, 25, 32 - 34, and 37"

30 Insert "secs. 24 - 26, 33 - 35, and 38"

31

1 Page 33, line 2:

2 Delete "secs. 14 - 20, 26, 27, 31, and 38"

3 Insert "secs. 14 - 20, 27, 28, 32, and 39"

4

5 Page 33, lines 19 - 20:

6 Delete "Sections 24, 25, 32 - 34, and 37"

7 Insert "Sections 24 - 26, 33 - 35, and 38"

8

9 Page 33, line 21:

10 Delete "26, 27, 31, and 38"

11 Insert "27, 28, 32, and 39"

12

13 Page 33, line 22:

14 Delete "sec. 44"

15 Insert "sec. 45"

AMENDMENT 6

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G), Version "L"

1 Page 18, line(s) 25: insert the following:

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

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

6 (1) 30 percent of the total exploration expenditures that qualify on' ' under (b)
7 and (c) of this section;

8 (2) 30 percent of the total exploration expenditures [FOR WORK PERFORMED
9 BEFORE JULY 1, 2007, AND] that qualify only under (b) and (d) of this section;

10 (3) 40 percent of the total exploration expenditures that qualify under (b), (c), and
11 (d) of this section; or

12 (4) 40 percent of the total exploration expenditures that qualify only under (b)
13 and (e) of this section.

14 *Sec. __. AS 43.55.025(b) is amended to read:

15 (b) To qualify for the production tax credit under (a) of this section, an exploration
16 expenditure must be incurred for work performed [ON OR] after December 31, 2007 [JULY 1,
17 2003], and before July 1, 2016, [EXCEPT THAT AN EXPLORATION EXPENDITURE FOR A
18 COOK INLET PROSPECT MUST BE INCURRED FOR WORK PERFORMED ON OR
19 AFTER JULY 1, 2005,] and

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

22 (2) if for an exploration well,

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

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

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

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

6 (3) may not be for testing, stimulation, or completion costs; administration,
 7 supervision, engineering, or lease operating costs; geological or management costs; community
 8 relations or environmental costs; bonuses, taxes, or other payments to governments related to the
 9 well; **costs arising from gross negligence or violation of health, safety, or environmental**
 10 **statutes or regulations**; or other costs that are generally recognized as indirect costs or financing
 11 costs; and

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

14 *Sec. __. AS 43.55.025(c) is repealed and reenacted to read:

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

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

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

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

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

1 (C) after completion or abandonment of the exploration well, the
 2 commissioner of natural resources must determine that the well adequately achieved the
 3 explorer's stated geological objective.

4 *Sec. __. AS 43.55.025(f) is amended to read:

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

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

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

11 (A) to notify the Department of Natural Resources, within 30 days after
 12 completion of seismic or geophysical data processing, completion of [A] well drilling, or
 13 filing of a claim for credit, whichever is the latest, for which exploration costs are
 14 claimed, of the date of completion and submit a report to that department describing the
 15 processing sequence and providing a list of data sets available; [IF, UNDER (c)(2)(B) OF
 16 THIS SECTION, AN EXPLORER SUBMITS A CLAIM FOR A CREDIT FOR
 17 EXPENDITURES FOR AN EXPLORATION WELL THAT IS LOCATED WITHIN
 18 THREE MILES OF A WELL ALREADY DRILLED FOR OIL AND GAS, IN
 19 ADDITION TO THE SUBMISSIONS REQUIRED UNDER (1) OF THIS
 20 SUBSECTION, THE EXPLORER SHALL SUBMIT THE INFORMATION
 21 NECESSARY FOR THE COMMISSIONER OF NATURAL RESOURCES TO
 22 EVALUATE THE VALIDITY OF THE EXPLORER'S CLAIM THAT THE WELL IS
 23 DIRECTED AT A DISTINCTLY SEPARATE EXPLORATION TARGET, AND THE
 24 COMMISSIONER OF NATURAL RESOURCES SHALL, UPON RECEIPT OF ALL
 25 EVIDENCE SUFFICIENT FOR THE COMMISSIONER TO EVALUATE THE
 26 EXPLORER'S CLAIM, MAKE THAT DETERMINATION WITHIN 60 DAYS:]

27 (B) to provide to the Department of Natural Resources, within 30 days
 28 after the date of a request, unless a longer period is provided by the Department of
 29 Natural Resources, specific data sets, ancillary data, and reports identified in (A) of this
 30 paragraph; in this subparagraph,

31 (i) a seismic or geophysical data set includes the data for an
 32 entire seismic survey, irrespective of whether the survey area covers
 33 nonstate land in addition to state land or land in a unit in addition to land
 34 outside a unit;

1 (ii) well data include all derivative products, results, and
 2 copies of data collected and data analyses for the well including but not
 3 limited to; well logs; sample analyses; geophysical and velocity data
 4 including vertical seismic profiles and check shot surveys; and tangible
 5 material including, for each whole core collected, a lengthwise cut slab that
 6 is at least 1/3 of the whole core volume, and one set of representative
 7 samples, as specified by the Department of Natural Resources, of other
 8 gaseous, liquid, or solid material collected from drilling or testing the well;

9 (C) that, notwithstanding any provision of AS 38, information provided
 10 under this paragraph will be held confidential by the Department of Natural Resources

11 (i) in the case of well data, until the expiration of the 24-
 12 month period of confidentiality described in AS 31.05.035(c), [FOR 10
 13 YEARS FOLLOWING THE COMPLETION DATE, AT WHICH TIME THAT
 14 DEPARTMENT] will release the information after 30 days' public notice, unless
 15 in the discretion of the commissioner of natural resources, it is necessary to
 16 protect information relating to the valuation of unleased acreage in the same
 17 vicinity,

18 (ii) in the case of seismic or other geophysical data, other
 19 than seismic data acquired by seismic exploration subject to (f) of this
 20 section, for 10 years following the completion date, at which time the
 21 Department of Natural Resources will release the information after 30 days'
 22 public notice;

23 (iii) in the case of seismic data obtained by seismic
 24 exploration subject to (f) of this section, only until the expiration of 30 days'
 25 public notice issued on or after the date the production tax credit certificates
 26 are issued under (5) of this subsection; and

27 (D) that, in the case of well data, the explorer will not make a request
 28 under AS 38.05.035(c) that the commissioner of natural resources keep the data
 29 confidential for longer than the 24-month period of confidentiality described in AS
 30 31.05.035(c);

31 (3) if more than one explorer holds an interest in a well or seismic exploration,

32 (A) each explorer may claim an amount of credit that is proportional to
 33 the explorer's cost incurred;

1 (B) in the case of a well, each explorer holding an interest in the well
 2 shall agree, in writing, that the explorer will not make the request described in
 3 (2)(D) of this subsection;

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

7 (5) if the department is satisfied that the explorer's claimed expenditures are
 8 qualified under this section and that all data required to be submitted under this section have
 9 been submitted, the department shall issue to the explorer two [A] production tax credit
 10 certificates, each [CERTIFICATE] for half of the amount of the credit to be allowed against
 11 production taxes levied by AS 43.55.011(e); the credit shown on one of the two certificates is
 12 available for immediate use; the credit shown on the second of the two certificates may not
 13 be applied against a tax for a calendar year earlier than the calendar year following the
 14 calendar year in which the certificate is issued, and the certificate must contain a
 15 conspicuous statement to that effect; notwithstanding any contrary provision of AS 38, AS
 16 40.25.100, or AS 43.05.230, the following information is not confidential:

17 (A) the explorer's name;

18 (B) the date of the application;

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

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

21 and

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

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

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

28 *Sec. __. AS 43.55.025(h) is amended to read:

29 (h) A producer that purchases a production tax credit certificate may apply the credit's
 30 against its production tax liability under AS 43.55.011(e) [OR (f)]. Regardless of the price the
 31 producer paid for the certificate, the producer may receive a credit against its production tax
 32 liability for the full amount of the credit, but for not more than the amount for which the
 33 certificate is issued. A production tax credit allowed under this section may not be applied more
 34 than once.

1 *Sec. __. AS 43.55.025(i) is repealed and reenacted to read:

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

3 (1) a credit may not be applied to reduce a taxpayer's tax liability under AS
4 43.55.011(e) below zero for a calendar year; and

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

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

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

11 *Sec. __. AS 43.55.025 is amended by adding a new subsection to read:

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

17 (1) have been for seismic exploration that

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

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

24 (2) qualify under (b)(3) of this section.
25

AMENDMENT

7

Roses

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

1 Page 19, following line 26:

2 Insert a new bill section to read:

3 **"* Sec. 27. AS 43.55.030(d) is amended to read:**

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

12

13 Renumber the following bill sections accordingly.

14

15 Page 31, line 25:

16 Delete "32 - 34, and 37"

17 Insert "33 - 35, and 38"

18

19 Page 31, line 27:

20 Delete "31, and 38"

21 Insert "32, and 39"

22

23 Page 31, line 29:

1 Delete "27"
2 Insert "28"
3
4 Page 31, line 31:
5 Delete "sec. 27"
6 Insert "sec. 28"
7
8 Page 32, line 1:
9 Delete "sec. 29"
10 Insert "sec. 30"
11
12 Page 32, line 3:
13 Delete "29"
14 Insert "30"
15
16 Page 32, line 31:
17 Delete "32 - 34, and 37"
18 Insert "33 - 35, and 38"
19
20 Page 33, line 2:
21 Delete "27, 31, and 38"
22 Insert "28, 32, and 39"
23
24 Page 33, line 20:
25 Delete "32 - 34, and 37"
26 Insert "33 - 35, and 38"
27
28 Page 33, line 21:
29 Delete "27, 31, and 38"
30 Insert "28, 32, and 39"
31

- 1 Page 33, line 22:
- 2 Delete "sec. 44"
- 3 Insert "sec. 45"

AMENDMENT

8 Anna

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

1 Page 21, line 30, following "matters":

2 Insert ";

3 (6) assess against a person required under this section to file a
4 report, statement, or other document a penalty, as determined by the department
5 under standards adopted in regulation by the department, of not more than
6 \$1,000 for each day the person fails to file the report, statement, or other
7 document at the time required; the penalty is in addition to any penalties under
8 AS 43.05.220 and 43.05.290 and is assessed, collected, and paid in the same
9 manner as a tax deficiency under this title; the penalty shall bear interest at the
10 rate specified under AS 43.05.225(1); notwithstanding authority granted under
11 AS 43.05.070 to compromise a penalty, the department may not under that
12 section compromise a penalty under this paragraph by agreeing to accept less
13 than 50 percent of the penalty originally assessed by the department"

AMENDMENT

9
Rep Seaton

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

1 Page 25, line 15, following "under":

2 Insert "(c) or"

3

4 Page 29, lines 14 - 16:

5 Delete "A [UNLESS THE PAYMENT OR CREDIT HAS ALREADY BEEN
6 SUBTRACTED IN CALCULATING BILLABLE OR BILLED COSTS UNDER
7 AS 43.55.165(c) OR (d), A]"

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

10

11 Page 31, line 21:

12 Delete "AS 43.55.165(c) and 43.55.165(d) are repealed."

13 Insert "AS 43.55.165(d) is repealed."

AMENDMENT 10

OFFERED IN THE HOUSE
TO: CSHB 2001(O&G)

BY REPRESENTATIVE SEATON
Rep. Johnson

- 1 Page 26, line 14:
- 2 Following "negligence₂":
- 3 Insert "**criminal negligence,**"
- 4 Following "**law,**":
- 5 Insert "**including a violation of 33 U.S.C. 1319(c)(1) or 1321(b)(3) (Clean**
- 6 **Water Act),**"
- 7
- 8 Page 28, line 6, through page 29, line 1:
- 9 Delete all material.
- 10
- 11 Renumber the following paragraph accordingly.

AMENDMENT //

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

BY REPRESENTATIVE SEATON

Rep. Johnson
Rep. Roses
Rep. Wilson

1 Page 26, following line 2:

2 Insert new bill sections to read:

3 **** Sec. 33.** 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 under regulations
13 adopted by the department, for overhead expenses directly related to exploring
14 for, developing, and producing oil or gas deposits located within leases or
15 properties or other land in the state;

16 (2) an activity must be physically located in the state [DOES NOT
17 NEED TO BE PHYSICALLY LOCATED ON, NEAR, OR WITHIN THE
18 PREMISES OF THE LEASE OR PROPERTY WITHIN WHICH AN OIL OR GAS
19 DEPOSIT BEING EXPLORED FOR, DEVELOPED, OR PRODUCED IS
20 LOCATED] in order for the cost of the activity to be a cost upstream of the point of
21 production of the oil or gas.

22 *** Sec. 34.** AS 43.55.165(b), as amended by sec. 33 of this Act, is amended to read:

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

1 (1) direct costs include

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

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

8 (C) a reasonable allowance, as determined under regulations
9 adopted by the department, for overhead expenses directly related to exploring
10 for, developing, and producing oil or gas deposits located within leases or
11 properties or other land in the state;

12 (2) an activity must be physically located on the premises of the lease
13 or property from which oil or gas is recovered [IN THE STATE] in order for the
14 cost of the activity to be a cost upstream of the point of production of the oil or gas."
15

16 Renumber the following bill sections accordingly.

17

18 Page 31, line 25:

19 Delete "32 - 34, and 37"

20 Insert "32, 33, 35, 36, and 39"

21

22 Page 31, line 27:

23 Delete "38"

24 Insert "40"

25

26 Page 32, line 31:

27 Delete "32 - 34, and 37"

28 Insert "32, 33, 35, 36, and 39"

29

30 Page 33, line 2:

31 Delete "38"

1 Insert "40"

2

3 Page 33, line 20:

4 Delete "32 - 34, and 37"

5 Insert "32, 33, 35, 36, and 39"

6

7 Page 33, following line 20:

8 Insert new bill sections to read:

9 **"* Sec. 46.** The uncodified law of the State of Alaska is amended by adding a new section to
10 read:

11 CONTINGENT EFFECT. Section 34 of this Act takes effect only if a court of
12 competent jurisdiction enters a final judgment on the merits, the final judgment is no longer
13 subject to appeal, and the final judgment nullifies the effect of AS 43.55.165(b), as amended
14 by sec. 33 of this Act.

15 * Sec. 47. If sec. 34 of this Act takes effect, it takes effect on the day after the last day on
16 which the final judgment described in sec. 46 of this Act is no longer subject to appeal."

17

18 Renumber the following bill sections accordingly.

19

20 Page 33, line 21:

21 Delete "38"

22 Insert "40"

23

24 Page 33, line 22:

25 Delete "sec. 44"

26 Insert "secs. 47 and 48"

AMENDMENT

12 Anna Fairclough
Roses

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

- 1 Page 13, line 22, following ".":
- 2 Insert "All money received by the state as a result of the application of this subsection
- 3 shall be deposited by the department into a separate account in the general fund known as the
- 4 progressivity savings account."

AMENDMENT

13

Fairclough

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

- 1 Page 22, line 3:
- 2 Delete "six"
- 3 Insert "~~four~~ three"

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

November 3, 2007

SUBJECT: Amendment to the production tax on oil and gas legislation
(CSHB 2001(O&G); amendment L.35)

TO: Representative Craig Johnson
Co-chair of the House Resources Committee
Attn: Debra Higgins

FROM: Tamara Brandt Cook
Director

TBC

Here is the amendment you request, but please be aware that significant portions of it appear to be outside of the scope of the subjects identified in the Governor's Executive Proclamation calling the special session. That Proclamation lists four subjects, but all involve oil and gas tax and royalty matters. AS 43.05.230 deals with returns and reports for a variety of types of taxes, not just oil and gas tax. Consequently, changes that apply to the section as a whole necessarily affect the tax returns and reports of types of taxes other than oil and gas taxes.

Under Art. II, sec. 9 at special sessions called by the Governor, legislation is limited to the subjects designated in the proclamation and to subjects presented by the Governor. While the matter has not come up in Alaska, the usual remedy imposed by the other courts of a violation of a similar constitutional subject matter limitation has been to invalidate the legislation.

I suppose the Alaska court could construe Art. II, sec. 9 in a way that is extremely deferential to the legislature and decide that the current Proclamation opens up the entire subject of taxation for possible legislation; however, this strikes me as a very remote possibility. Consequently, I recommend that this amendment be substantially narrowed so that it applies only to oil and gas taxes. I also note that, as it is now drafted, amendment L.35 does not fit within the title of the CSHB 2001(O&G). I have not included a bill title change, but if the amendment is adopted without limiting it to oil and gas, the resulting bill will have to include the technical title change to comply with that portion of Art. II, sec. 13 that requires the contents of each bill to be reflected in the title. Because this bill is still in the first house, there is no problem under the Uniform Rules with making the title change.

TBC:med
07-399.med

Enclosure

AMENDMENT 14

OFFERED IN THE HOUSE

BY REPRESENTATIVE JOHNSON

TO: CSHB 2001(O&G)

1 Page 2, line 29, following "imposed":

2 Delete "tax information, records, and files received from the Department of
3 Revenue under AS 43.05.230 shall be kept confidential in accordance with that section:"

4
5 Page 10, line 7, following "provided in":

6 Insert "(j) of this section and"

7
8 Page 10, following line 10:

9 Insert a new bill section to read:

10 "** Sec. 12. AS 43.05.230(f) is amended to read:

11 (f) A wilful or reckless violation of the provisions of this section or of a
12 condition imposed under AS 43.55.040(1)(B) is punishable by a fine of not more than
13 \$25,000, or by imprisonment for not more than five years, or both. A violation of
14 the provisions of this section or of a condition imposed under AS 43.55.040(1)(B)
15 because of gross negligence is punishable by a fine of not more than \$5,000, or by
16 imprisonment for not more than two years, or by both."

17
18 Renumber the following bill sections accordingly.

19
20 Page 10, line 12:

21 Delete "The"

22 Insert "Except as provided in (j) of this section, the [THE]"

23

1 Page 10, line 18, following "subsection.":

2 Insert "All materials and information furnished to the Department of Natural
3 Resources must be clearly stamped, marked, or otherwise designated, on each page, as
4 being tax materials or information that is required to be kept confidential under this
5 section."

6

7 Page 10, following line 18:

8 Insert a new bill section to read:

9 **** Sec. 14.** AS 43.05.230 is amended by adding new subsections to read:

10 (j) Notwithstanding any provision of AS 38.05 or AS 41.09, the commissioner
11 may not furnish to the Department of Natural Resources any information or materials
12 obtained by the department under AS 43.55 that disclose a person's

13 (1) budget or plans, or lack of a budget or plan, for bidding in any oil
14 and gas lease sale to be held, or planned or scheduled to be held, by the Department of
15 Natural Resources under AS 38.05;

16 (2) budget or plans, or lack of a budget or plan, for bidding to
17 purchase, making an offer to purchase, or soliciting a proposal from the Department of
18 Natural Resources to sell under AS 38.05.183 and AS 38.06, state royalty oil or gas, or
19 both, taken in kind under AS 38.05.182;

20 (3) operating and capital budgets for the current and following
21 calendar years for a lease or property producing oil or gas, or both, including any
22 assumptions in those budgets regarding market prices or conditions for oil and gas,
23 unless the Department of Natural Resources certifies in writing to the department that
24 it has no plan to offer for sale or bid under AS 38.05.183 and AS 38.06, during the
25 current and following two calendar years, state royalty oil or gas taken in kind under
26 AS 39.05.182 other than to renew or extend an existing contract to sell state royalty oil
27 or gas taken in kind; or

28 (4) planned operating and capital budgets for either or both of the
29 second and third calendar years after the current year for a lease or property producing
30 oil or gas, or both, including any assumptions in those planned budgets regarding
31 market prices or conditions for oil and gas, unless the Department of Natural

1 Resources certifies in writing to the department that it has no plan to offer for sale or
 2 bid under AS 38.05.183 and AS 38.06, during the current and following two calendar
 3 years, state royalty oil or gas taken in kind.

4 (k) If the department becomes aware that any material or information that is
 5 confidential under this section has been unlawfully disclosed or is about to be
 6 unlawfully disclosed in violation of this section, or has probable cause to believe that
 7 the information has been or is about to be disclosed, the department shall, within 72
 8 hours of first gaining the awareness or having probable cause, notify each person
 9 whose confidential material or information is or may be included in that actual,
 10 apparent, or threatened disclosure. The department shall cooperate to the fullest extent
 11 permitted by law with each person it notifies under this subsection to prevent the
 12 disclosure, if possible, and, if the disclosure has occurred or appears to have occurred,
 13 to recover as quickly as possible all material or information and to minimize its further
 14 disclosure and dissemination. When the department believes that an unlawful
 15 disclosure has occurred, it shall report the crime as quickly as practicable to the
 16 division in the Department of Public Safety responsible for the Alaska state troopers.

17 (l) Each other state agency that receives confidential material or information
 18 under this section shall, with respect to an actual, apparent, or impending unlawful
 19 disclosure of that information, have the same duty and authority to respond to the
 20 situation that the department has under (k) of this section.

21 (m) In this section, "oil" and "gas" have the meanings given in AS 43.55.900."
 22

23 Renumber the following bill sections accordingly.
 24

25 Page 30, line 17:

26 Delete "Notwithstanding"

27 Insert "(a) Subject to (b) of this section and notwithstanding"
 28

29 Page 30, line 22:

30 Delete "lease or property, unit, or"
 31

1 Page 31, following line 4:

2 Insert a new subsection to read:

3 "(b) The department may not select a group of producers or explorers for
4 purposes of publishing a category of aggregated information for them if the amount in
5 that category of information for one of the group accounts for more than 40 percent of
6 the group's total for that category."
7

8 Renumber internal references to bill sections in accordance with this amendment in a way that
9 make: sections 12 and 14, added by this amendment, effective immediately and omits them
10 from the applicability and retroactive sections. Below are all internal bill section references in
11 this bill:

12 Page 31, lines 25, 27, 29, 30, and 31

13 Page 32, lines 1, 3, 13, 16, 19, and 31

14 Page 33, lines 2, 19 - 20, 21, and 22

25-GH0014\L
11/03/07

AMENDMENT

15

OFFERED IN THE HOUSE
TO: CSHB 2001(O&G)

BY REPRESENTATIVE JOHNSON

Page 10, line 19 – Page 33, line 23

Delete: Sec. 13 through Sec. 45

AMENDMENT 16

OFFERED IN THE HOUSE
TO: CSHB 2001(O&G)

BY REPRESENTATIVE Guttenberg

1 Page 1, line 8, following "supervisors":

2 Insert "and to allow them to participate in the public employees' retirement
3 system defined benefit plan"

4
5 Page 9, following line 15:

6 Insert new bill sections to read:

7 **** Sec. 10.** AS 39.35.095 is amended to read:

8 **Sec. 39.35.095. Applicability of AS 39.35.095 - 39.35.680.** The
9 [FOLLOWING] provisions of AS 39.35.095 - 39.35.680 [THIS CHAPTER] apply
10 only to members first hired before July 1, 2006, or members who are eligible under
11 AS 39.35.159 to elect the defined benefit plan [: AS 39.35.095 - 39.35.680].

12 *** Sec. 11.** AS 39.35 is amended by adding a new section to article 3 to read:

13 **Sec. 39.35.159. Election of retirement benefits by oil and gas auditors.**
14 Notwithstanding any contrary provision of this chapter, an oil and gas auditor under
15 AS 39.25.110(42) may, within 30 days after commencing employment or within 30
16 days after the effective date of this section, whichever occurs later, elect to participate
17 in the defined benefit plan established in AS 39.35.095 - 39.35.680 in lieu of
18 participating in the defined contribution retirement plan established under
19 AS 39.35.700 - 39.35.990. A person making an election under this section may not
20 change the election more than 30 days after commencing employment. The board shall
21 establish transfer procedures by regulation."
22

23 Renumber the following bill sections accordingly.

1

2 Page 31, line 25:

3 Delete "Sections 24, 25, 32 - 34, and 37"

4 Insert "Sections 26, 27, 34 - 36, and 39"

5

6 Page 31, line 27:

7 Delete "Sections 14 - 20, 31, and 38"

8 Insert "Sections 16 - 22, 33, and 40"

9

10 Page 31, line 29:

11 Delete "Sections 26 and 27"

12 Insert "Sections 28 and 29"

13

14 Page 31, line 30:

15 Delete "sec. 26"

16 Insert "sec. 28"

17

18 Page 31, line 31:

19 Delete "sec. 27"

20 Insert "sec. 29"

21

22 Page 32, line 1:

23 Delete "sec. 29"

24 Insert "sec. 31"

25

26 Page 32, line 3:

27 Delete "secs. 13 and 29"

28 Insert "secs. 15 and 31"

29

30 Page 32, line 31:

31 Delete "secs. 24, 25, 32 - 34, and 37"

1 Insert "secs. 26, 27, 34 - 36, and 39"

2

3 Page 33, line 2:

4 Delete "secs. 14 - 20, 26, 27, 31, and 38"

5 Insert "secs. 16 - 22, 28, 29, 33, and 40"

6

7 Page 33, lines 19 - 20:

8 Delete "Sections 24, 25, 32 - 34, and 37"

9 Insert "Sections 26, 27, 34 - 36, and 39"

10

11 Page 33, line 21:

12 Delete "Sections 14 - 20, 26, 27, 31, and 38"

13 Insert "Sections 16 - 22, 28, 29, 33, and 40"

14

15 Page 33, line 22:

16 Delete "sec. 44"

17 Insert "sec. 46"

AMENDMENT 17

OFFERED IN THE HOUSE

BY REPRESENTATIVE *Guttenberg*

TO: CSHB 2001(O&G)

1 Page 1, following line 12:

2 Insert a new bill section to read:

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

5 LEGISLATIVE FINDINGS. The legislature finds that

6 (1) notwithstanding the provisions contained in AS 39.25.150(2), it is
7 appropriate

8 (A) that a distinct position classification plan and pay plan be created
9 for oil and gas revenue auditors that is in accordance with collective bargaining
10 agreements negotiated under AS 23.40.070 - 23.40.260; or

11 (B) to add a new level of senior auditors to conduct oil and gas tax and
12 royalty audits and that these senior employees should be compensated for the extra
13 knowledge and experience required for this work;

14 (2) the exempt service is not suitable for oil and gas revenue auditors, and
15 those employees should remain in the classified service;

16 (3) prior recruitment efforts have limited the pool of applicants and increased
17 the difficulty of recruiting those specialized auditors;

18 (4) to obtain the largest possible pool of applicants, the administration should
19 use a nationwide search to recruit oil and gas revenue auditors;

20 (5) the nature of the work is uniquely complex, and the consequence of error
21 is extremely high;

22 (6) the uniqueness of the work and the need to recruit the highest level of state
23 employees demands that oil and gas auditors be compensated at a rate of pay commensurate

1 with the work involved."

2

3 Page 2, line 1:

4 Delete "Section 1"

5 Insert "Sec. 2"

6

7 Renumber the following bill sections accordingly.

8

9 Renumber internal references to bill sections in accordance with this amendment in a way that
10 makes sec. 1 of this Act effective January 1, 2008, and omits it from the applicability and
11 retroactive sections. Below are all internal bill section references in this bill:

12 Page 31, lines 25, 27, 29, 30, and 31

13 Page 32, lines 1, 3, 13, 16, 19, and 31

14 Page 33, lines 2, 19 - 20, 21, and 22

REF EDGMON

18

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

1 Page 9, following line 28:

2 Insert a new bill section to read:

3 **** Sec. 11.** AS 42.45 is amended by adding a new section to read:

4 **Sec. 42.45.045. Appropriations for the low income heating energy**
5 **assistance program and alternative energy projects.** (a) By February 1 each year,
6 the Department of Revenue shall determine whether the state received for the general
7 fund, during the immediately preceding calendar year, an amount of money as a result
8 of the application of AS 43.55.011(o). If the state received an amount as a result of the
9 application of AS 43.55.011(o), the department shall notify the legislature of that
10 amount.

11 (b) The legislature may annually appropriate up to \$30,000,000 of the amount
12 reported under (a) to the low income heating energy assistance program and up to
13 \$30,000,000 to alternative energy projects.

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

16 (d) For purposes of this section,

17 (1) "alternative energy project" means a system that provides a source
18 of thermal, mechanical, or electrical energy that is not dependent on a fossil fuel other
19 than natural gas for the supply of energy;

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

23

1 Renumber the following bill sections accordingly.

2

3 Page 31, line 25:

4 Delete "Sections 24, 25, 32 - 34, and 37"

5 Insert "Sections 25, 26, 33 - 35, and 38"

6

7 Page 31, line 27:

8 Delete "Sections 14 - 20, 31, and 38"

9 Insert "Sections 15 - 21, 32, and 39"

10

11 Page 31, line 29:

12 Delete "Sections 26 and 27"

13 Insert "Sections 27 and 28"

14

15 Page 31, line 30:

16 Delete "sec. 26"

17 Insert "sec. 27"

18

19 Page 31, line 31:

20 Delete "sec. 27"

21 Insert "sec. 28"

22

23 Page 32, line 1:

24 Delete "sec. 29"

25 Insert "sec. 30"

26

27 Page 32, line 3:

28 Delete "secs. 13 and 29"

29 Insert "secs. 14 and 30"

30

31 Page 32, line 31:

1 Delete "secs. 24, 25, 32 - 34, and 37"

2 Insert "secs. 25, 26, 33 - 35, and 38"

3

4 Page 33, line 2:

5 Delete "secs. 14 - 20, 26, 27, 31, and 38"

6 Insert "secs. 15 - 21, 27, 28, 32, and 39"

7

8 Page 33, following line 16:

9 Insert a new bill section to read:

10 **"* Sec. 44.** The uncodified law of the State of Alaska is amended by adding a new section to
11 read:

12 **APPROPRIATIONS OF PRODUCTION TAX REVENUE.** (a) By February 1 each
13 year, the Department of Revenue shall determine the amount that the state received in
14 additional tax revenue for the immediately preceding calendar year as a result of the
15 retroactive application of AS 43.55.011(o), added by sec. 19 of this Act. The department shall
16 notify the legislature of that amount. Once the amount received for all years as a result of the
17 retroactive application of AS 43.55.011(o) exceeds \$100,000,000, the department's obligation
18 under this section ceases.

19 (b) The legislature may appropriate up to \$100,000,000 of the amount attributable to
20 retroactive application of AS 43.55.011(o), added by sec. 19 of this Act, for either the low
21 income heating energy assistance program or for alternative energy projects or for both.

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

24 (d) For purposes of this section,

25 (1) "alternative energy project" means a system that provides a source of
26 thermal, mechanical, or electrical energy that is not dependent on a fossil fuel other than
27 natural gas for the supply of energy;

28 (2) "low income heating energy assistance program" means the program
29 created by 7 AAC 44.010 to implement the federal Low-Income Home Energy Assistance Act
30 of 1981, as amended (42 U.S.C. 8621 et seq.)."

31

1 Renumber the following bill sections accordingly.

2

3 Page 33, line 19, following "ACT.":

4 Insert "(a)"

5

6 Page 33, following line 20:

7 Insert a new subsection to read:

8 "(b) Sections 15 - 21 and 39 of this Act are retroactive to January 1, 2007."

9

10 Page 33, line 21:

11 Delete "Sections 14 - 20, 26, 27, 31, and 38"

12 Insert "Sections 27, 28, and 32"

13

14 Page 33, line 22:

15 Delete "sec. 44"

16 Insert "sec. 46"

AMENDMENT

19

OFFERED IN THE HOUSE

BY REPRESENTATIVE

TO: CSHB 2001(O&G)

Guttenberg

1 Page 10, following line 18:

2 Insert a new bill section to read:

3 **"* Sec. 13.** AS 43.05.241 is amended by adding a new subsection to read:

4 (b) In an appeal under this section, an amount due under AS 43.55 shall be
5 paid within 30 days after the date of the service of the informal conference decision. In
6 place of payment of the amount due, the taxpayer may file a bond with the department
7 or place funds equal to the amount of the tax obligation in an escrow account, under
8 escrow instructions approved by the department."
9

10 Renumber the following bill sections accordingly.

11

12 Page 31, line 25:

13 Delete "Sections 24, 25, 32 - 34, and 37"

14 Insert "Sections 25, 26, 33 - 35, and 38"

15

16 Page 31, line 27:

17 Delete "Sections 14 - 20, 31, and 28"

18 Insert "Sections 15 - 21, 32, and 39"

19

20 Page 31, line 29:

21 Delete "Sections 26 and 27"

22 Insert "Sections 27 and 28"

23

24 Page 31, line 30:

1 Delete "Section 26"

2 Insert "Section 27"

3

4 Page 31, line 31:

5 Delete "sec. 27"

6 Insert "sec. 28"

7

8 Page 32, line 1:

9 Delete "sec. 29"

10 Insert "sec. 30"

11

12 Page 32, line 3:

13 Delete "secs. 13 and 29"

14 Insert "secs. 14 and 30"

15

16 Page 32, following line 3:

17 Insert a new subsection to read:

18 "(e) AS 43.05.241(b), added by sec. 13 of this Act, applies to informal conference
19 decisions under AS 43.05.240(a) entered on or after the effective date set out in sec. 45 of this
20 Act."

21

22 Page 32, line 31:

23 Delete "secs. 24, 25, 32 - 34, and 37"

24 Insert "secs. 25, 26, 33 - 35, and 38"

25

26 Page 33, line 2:

27 Delete "secs. 14 - 20, 26, 27, 31, and 38"

28 Insert "secs. 15 - 21, 27, 28, 32, and 39"

29

30 Page 33, lines 19 - 20:

31 Delete "Sections 24, 25, 32 - 34, and 37"

1 Insert "Sections 25, 26, 33 - 35, and 38"

2

3 Page 33, line 21:

4 Delete "Sections 14 - 20, 26, 27, 31, and 38"

5 Insert "Sections 15 - 21, 27, 28, 32, and 39"

6

7 Page 33, line 22:

8 Delete "sec. 44"

9 Insert "sec. 45"

AMENDMENT

20

Representative

Edgman

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

1 Page 17, following line 3:

2 Insert a new bill section to read:

3 **"* Sec. 23.** AS 43.55.023(a) is amended to read:

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

6 (1) Unless [NOTWITHSTANDING THAT A QUALIFIED CAPITAL
7 EXPENDITURE MAY BE A DEDUCTIBLE LEASE EXPENDITURE FOR
8 PURPOSES OF CALCULATING THE PRODUCTION TAX VALUE OF OIL AND
9 GAS UNDER AS 43.55.160(a), UNLESS] a credit for an [THAT] expenditure is
10 taken under AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a
11 producer or explorer that incurs a qualified capital expenditure may [ALSO] elect to
12 take a tax credit against a tax due under AS 43.55.011(e) in the amount of 20 percent
13 of that expenditure;

14 (2) a producer or explorer may take a credit for a qualified capital
15 expenditure incurred in connection with geological or geophysical exploration or in
16 connection with an exploration well only if the producer or explorer provides to the
17 department, as part of the statement required under AS 43.55.030(a) for the calendar
18 year for which the credit is sought to be taken, the producer's or explorer's written
19 agreement

20 (A) to notify the Department of Natural Resources, before the
21 later of 30 days after completion of the geological or geophysical data
22 processing or completion of the well, or 30 days after the statement is filed, of
23 the date of completion and to submit a report to that department describing the

1 processing sequence and provide a list of data sets available;

2 (B) to provide to the Department of Natural Resources, within
3 30 days after the date of a request, specific data sets, ancillary data, and reports
4 identified in (A) of this paragraph;

5 (C) that, notwithstanding any provision of AS 38, the
6 Department of Natural Resources shall hold confidential the information
7 provided to that department under this paragraph for 10 years following the
8 completion date, after which the department shall publicly release the
9 information after 30 days' public notice."
10

11 Renumber the following bill sections accordingly.

12
13 Page 18, following line 22:

14 Insert a new bill section to read:

15 **** Sec. 26. AS 43.55.023(k) is amended to read:**

16 (k) In this section, "qualified capital expenditure"

17 (1) means, except as otherwise provided in (2) of this subsection, an
18 expenditure that is a lease expenditure under AS 43.55.165, that is not also a lease
19 expenditure deducted by a producer under AS 43.55.160, and that is

20 (A) incurred for geological or geophysical exploration; or

21 (B) treated as a capitalized expenditure under 26 U.S.C.
22 (Internal Revenue Code), as amended, regardless of elections made under 26
23 U.S.C. 263(c) (Internal Revenue Code), as amended, and is

24 (i) treated as a capitalized expenditure for federal
25 income tax reporting purposes by the person incurring the expenditure;
26 or

27 (ii) eligible to be deducted as an expense under 26
28 U.S.C. 263(c) (Internal Revenue Code), as amended;

29 (2) does not include an expenditure incurred to acquire an asset (A) the
30 cost of previously acquiring which was a lease expenditure under AS 43.55.165 or
31 would have been a lease expenditure under AS 43.55.165 if it had been incurred after

1 March 31, 2006; for purposes of this subparagraph, "asset" includes geological,
2 geophysical, and well data and interpretations; or (B) that has previously been placed
3 in service in the state; an expenditure to acquire an asset is not excluded under this
4 paragraph if not more than an immaterial portion of the asset meets a description
5 under this paragraph."
6

7 Renumber the following bill sections accordingly.

8
9 Page 31, line 25:

10 Delete "Sections 24, 25, 32 - 34, and 37"

11 Insert "Sections 23, 25 - 27, 34 - 36, and 39"

12
13 Page 31, line 27:

14 Delete "31, and 38"

15 Insert "33, and 40"

16
17 Page 31, line 29:

18 Delete "Sections 26 and 27"

19 Insert "Sections 28 and 29"

20
21 Page 31, line 30:

22 Delete "sec. 26"

23 Insert "sec. 28"

24
25 Page 31, line 31:

26 Delete "sec. 27"

27 Insert "sec. 29"

28
29 Page 32, line 1:

30 Delete "sec. 29"

31 Insert "sec. 31"

1

2 Page 32, line 3:

3 Delete "29"

4 Insert "31"

5

6 Page 32, line 31:

7 Delete "24, 25, 32 - 34, and 37"

8 Insert "23, 25 - 27, 34 - 36, and 39"

9

10 Page 33, line 2:

11 Delete "26, 27, 31, and 38"

12 Insert "28, 29, 33, and 40"

13

14 Page 33, lines 19 - 20:

15 Delete "Sections 24, 25, 32 - 34, and 37"

16 Insert "Sections 23, 25 - 27, 34 - 36, and 39"

17

18 Page 33, line 21:

19 Delete "26, 27, 31, and 38"

20 Insert "28, 29, 33, and 40"

21

22 Page 33, line 22:

23 Delete "44"

24 Insert "46"

AMENDMENT

21
Representative
Edgman

OFFERED IN THE HOUSE
TO: CSHB 2001(O&G)

1 Page 18, following line 22:

2 Insert a new bill section to read:

3 **** Sec. 25. AS 43.55.023(k) is amended to read:**

4 (k) In this section, "qualified capital expenditure"

5 (1) means, except as otherwise provided in (2) of this subsection, an
6 expenditure that is [A LEASE EXPENDITURE UNDER AS 43.55.165 AND IS]

7 (A) incurred during the calendar year by a producer or
8 explorer after March 31, 2006;

9 (B) a direct cost of exploring for or developing oil and gas
10 deposits located within leases or properties in the state or, in the case of
11 land in which a producer or explorer does not own a working interest, a
12 direct cost of exploring for oil or gas deposits located within other land in
13 the state, including a cost incurred for geological or geophysical exploration;

14 (C) [OR (B)] treated as a capitalized expenditure under 26
15 U.S.C. (Internal Revenue Code), as amended, regardless of elections made
16 under 26 U.S.C. 263(c) (Internal Revenue Code), as amended, and is

17 (i) treated as a capital expenditure in the producer's
18 or explorer's books and records in accordance with generally
19 accepted accounting principles; and

20 (ii) reported as a capital expenditure in a certified
21 audited financial statement that is accompanied by the report of an
22 independent certified accountant [TREATED AS A CAPITALIZED
23 EXPENDITURE FOR FEDERAL INCOME TAX REPORTING

PURPOSES BY THE PERSON INCURRING THE EXPENDITURE;
OR

(ii) ELIGIBLE TO BE DEDUCTED AS AN
EXPENSE UNDER 26 U.S.C. 263(c) (INTERNAL REVENUE
CODE), AS AMENDED];

(2) does not include an expenditure incurred to acquire an asset (A) the
cost of previously acquiring which was a lease expenditure under AS 43.55.165 or
would have been a lease expenditure under AS 43.55.165 if it had been incurred after
March 31, 2006; for purposes of this subparagraph, "asset" includes geological,
geophysical, and well data and interpretations; or (B) that has previously been placed
in service in the state; an expenditure to acquire an asset is not excluded under this
paragraph if not more than an immaterial portion of the asset meets a description
under this paragraph."

Renumber the following bill sections accordingly.

Page 18, following line 25

~~Page 18, line 23.~~

Insert a new bill section to read:
~~Delete "a new subsection"~~

~~insert "new subsections"~~

** Sec. 26. AS 43.55.023 is amended by adding
new subsections to read:*

~~Page 18, lines 24 - 25:~~

~~Delete all material and insert:~~

M A person receiving a credit under this section that exceeds \$20,000,000
for a calendar year shall provide the department the information and certification
required by (m) and (n) of this section.

n A person receiving a credit as described in *M* of this section shall file with
the department on March 31 of the year following the calendar year for which the
credit is claimed copies of all documents describing the purpose, scope, amount, and
anticipated results of the capital expenditures for which the person is taking the credit.
Documents that must be filed under this subsection include all documents submitted,
reviewed, or executed in connection with an authorization for expenditure with respect

1 to the capital expenditures for which the explorer or producer is taking a credit under
2 this section.

3 A producer or explorer receiving a credit as described in (A) of this section
4 shall, in addition to the documents required by (A) of this section, provide an affidavit
5 by the producer's or explorer's chief financial officer certifying in writing under
6 penalty of perjury that a capital expenditure for which the producer or explorer is
7 taking a credit under this section was

8 (1) treated as a capital expenditure in the producer's or explorer's own
9 books and records in accordance with generally accepted accounting principles; and

10 (2) reported as a capital expenditure in a certified and audited financial
11 statement that was accompanied by the report of a certified public accountant."

12 *Renumber the following bill sections according to*

13 Page 31, line 25:

14 Delete "Sections 24, 25, 32 - 34, and 37"

15 Insert "Sections 24 - 26, 33 - 35, and 38"

) *Renumber*

17 Page 31, line 27:

18 Delete "31, and 38"

19 Insert "32, and 39"

) *Renumber*

21 Page 31, line 29:

22 Delete "Sections 26 and 27"

23 Insert "Sections 27 and 28"

) *Renumber*

25 Page 31, line 30:

26 Delete "sec. 26"

27 Insert "sec. 27"

) *Renumber*

29 Page 31, line 31:

30 Delete "sec. 27"

31 Insert "sec. 28"

) *Renumber*

1

2 Page 32, line 1:

3 Delete "sec. 29"

4 Insert "sec. 30"

5

6 Page 32, line 3:

7 Delete "29"

8 Insert "30"

9

10 Page 32, line 31:

11 Delete "secs. 24, 25, 32 - 34, and 37"

12 Insert "secs. 24 - 26, 33 - 35, and 38"

13

14 Page 33, line 2:

15 Delete "26, 27, 31, and 38"

16 Insert "27, 28, 32, and 39"

17

18 Page 33, lines 19 - 20:

19 Delete "Sections 24, 25, 32 - 34, and 37"

20 Insert "Sections 24 - 26, 33 - 35, and 38"

21

22 Page 33, line 21:

23 Delete "26, 27, 31, and 38"

24 Insert "27, 28, 32, and 39"

25

26 Page 33, line 22:

27 Delete "sec. 44"

28 Insert "sec. 45"

Renumber

Renumber

Renumbered

Renumber

Renumber

Renumber

Renumber

AMENDMENT 22

OFFERED IN THE HOUSE
TO: CSHB 2001(O&G)

BY REPRESENTATIVE
Kawasaki

1 Page 21, following line 30:

2 Insert a new bill section to read:

3 **** Sec. 29.** AS 43.55 is amended by adding a new section to read:

4 **Sec. 43.55.055. Penalty for understatement of tax.** (a) If there is a substantial
5 understatement of tax required to be shown on a return under this chapter, there shall
6 be added to the tax an amount equal to 20 percent of the substantial understatement of
7 tax.

8 (b) If there is a gross understatement of tax required to be shown on a return
9 under this chapter, there shall be added to the tax an amount equal to 40 percent of the
10 gross understatement of tax.

11 (c) If there is a substantial or gross understatement of tax required to be shown
12 on a return under this chapter, the department's reasonable costs of establishing the
13 understatement shall be added to the amount of the penalty established under (a) or (b)
14 of this section.

15 (d) A penalty imposed under this section is in addition to any other penalty,
16 remedy, or amount of interest provided by law.

17 (e) For purposes of this section,

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

21 (2) a gross understatement of tax for any taxable year exists if the
22 amount of the understatement for the taxable year exceeds the lesser of 20 percent of
23 the tax required to be shown on the return for the taxable year or \$20,000,000;

1 (3) "understatement" means the amount by which the tax required to
2 be shown on the return for the taxable year exceeds the amount of the tax reported as
3 due by the taxpayer as shown on the return."
4

4

5 Renumber the following bill sections accordingly.

6

7 Page 31, line 25:

8 Delete "32 - 34, and 37"

9 Insert "33 - 35, and 38"

10

11 Page 31, line 27:

12 Delete "31, and 38"

13 Insert "32, and 39"

14

15 Page 32, line 1:

16 Delete "sec. 29"

17 Insert "sec. 30"

18

19 Page 32, line 3:

20 Delete "29"

21 Insert "30"

22

23 Page 32, line 31:

24 Delete "32 - 34, and 37"

25 Insert "33 - 35, and 38"

26

27 Page 33, line 2:

28 Delete "31, and 38"

29 Insert "32, and 39"

30

31 Page 33, line 20:

- 1 Delete "32 - 34, and 37"
- 2 Insert "33 - 35, and 38"
- 3
- 4 Page 33, line 21:
 - 5 Delete "31, and 38"
 - 6 Insert "32, and 39"
 - 7
- 8 Page 33, line 22:
 - 9 Delete "sec. 44"
 - 10 Insert "sec. 45"

AMENDMENT

23

Edgman

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

1 Page 25, line 14, through page 29, line 12:

2 Delete all material and insert:

3 "* Sec. 32. AS 43.55.165(a) is amended to read:

4 (a) Except as provided under (e) [(c) - (e)] of this section, for the purposes of
5 AS 43.55.160, a producer's lease expenditures for a calendar year are the ordinary and
6 necessary operating costs upstream of the point of production of oil and gas that are
7 incurred during the calendar year by the producer after March 31, 2006, and that are
8 direct operating costs of [EXPLORING FOR, DEVELOPING, OR] producing oil or
9 gas on [DEPOSITS LOCATED WITHIN] the producer's leases or properties in the
10 state [OR, IN THE CASE OF LAND IN WHICH THE PRODUCER DOES NOT
11 OWN A WORKING INTEREST, THAT ARE DIRECT COSTS OF EXPLORING
12 FOR OIL OR GAS DEPOSITS LOCATED WITHIN OTHER LAND IN THE
13 STATE. IN DETERMINING WHETHER COSTS ARE LEASE EXPENDITURES,
14 THE DEPARTMENT SHALL CONSIDER, AMONG OTHER FACTORS,

15 (1) THE TYPICAL INDUSTRY PRACTICES AND STANDARDS
16 IN THE STATE THAT DETERMINE THE COSTS, OTHER THAN ITEMS
17 LISTED IN (e) OF THIS SECTION, THAT AN OPERATOR IS ALLOWED TO
18 BILL A WORKING INTEREST OWNER THAT IS NOT THE OPERATOR,
19 UNDER UNIT OPERATING AGREEMENTS OR SIMILAR OPERATING
20 AGREEMENTS THAT WERE IN EFFECT BEFORE DECEMBER 2, 2005, AND
21 WERE SUBJECT TO NEGOTIATION WITH AT LEAST ONE WORKING
22 INTEREST OWNER WITH SUBSTANTIAL BARGAINING POWER, OTHER
23 THAN THE OPERATOR; AND

1 (2) THE STANDARDS ADOPTED BY THE DEPARTMENT OF
2 NATURAL RESOURCES THAT DETERMINE THE COSTS, OTHER THAN
3 ITEMS LISTED IN (e) OF THIS SECTION, THAT A LESSEE IS ALLOWED TO
4 DEDUCT FROM REVENUE IN CALCULATING NET PROFITS UNDER A
5 LEASE ISSUED UNDER AS 38.05.180(f)(3)(B), (D), OR (E)].

6 * Sec. 33. AS 43.55.165(b) is amended to read:

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

8 [(1)] direct operating costs include the costs of

9 (1) production supplies;

10 (2) purchased fuel;

11 (3) routine maintenance;

12 (4) the wages and benefits of employees working on production
13 operations; and

14 (5) [(A) AN EXPENDITURE, WHEN INCURRED, TO ACQUIRE
15 AN ITEM IF THE ACQUISITION COST IS OTHERWISE A DIRECT COST,
16 NOTWITHSTANDING THAT THE EXPENDITURE MAY BE REQUIRED TO BE
17 CAPITALIZED RATHER THAN TREATED AS AN EXPENSE FOR FINANCIAL
18 ACCOUNTING OR FEDERAL INCOME TAX PURPOSES;

19 (B)] payments of or in lieu of property taxes, sales and use
20 taxes, motor fuel taxes, and excise taxes with respect to property,
21 transactions, or activities taking place on the producer's leases or
22 properties in the state [;

23 (C) A REASONABLE ALLOWANCE, AS DETERMINED
24 UNDER REGULATIONS ADOPTED BY THE DEPARTMENT, FOR
25 OVERHEAD EXPENSES DIRECTLY RELATED TO EXPLORING FOR,
26 DEVELOPING, AND PRODUCING OIL OR GAS DEPOSITS LOCATED
27 WITHIN LEASES OR PROPERTIES OR OTHER LAND IN THE STATE;

28 (2) AN ACTIVITY DOES NOT NEED TO BE PHYSICALLY
29 LOCATED ON, NEAR, OR WITHIN THE PREMISES OF THE LEASE OR
30 PROPERTY WITHIN WHICH AN OIL OR GAS DEPOSIT BEING EXPLORED
31 FOR, DEVELOPED, OR PRODUCED IS LOCATED IN ORDER FOR THE COST

1 OF THE ACTIVITY TO BE A COST UPSTREAM OF THE POINT OF
2 PRODUCTION OF THE OIL OR GAS].

3 * Sec. 34. AS 43.55.165(e) is amended to read:

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

5 (1) depreciation, depletion, or amortization;

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

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

10 (4) interest or other financing charges or costs of raising equity or debt
11 capital;

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

13 (6) costs arising from fraud, wilful misconduct, or gross negligence;

14 (7) fines or penalties imposed by law;

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

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

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

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

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

31 (13) an expenditure incurred to purchase an interest in any corporation,

1 partnership, limited liability company, business trust, or any other business entity,
2 whether or not the transaction is treated as an asset sale for federal income tax
3 purposes;

4 (14) a tax levied under AS 43.55.011;

5 (15) the portion of costs incurred for dismantlement, removal,
6 surrender, or abandonment of a facility, pipeline, well pad, platform, or other
7 structure, or for the restoration of a lease, field, unit, area, body of water, or right-of-
8 way in conjunction with dismantlement, removal, surrender, or abandonment, that is
9 attributable to production of oil or gas occurring before April 1, 2006; the portion is
10 calculated as a ratio of the amount of oil and gas production, in barrels of oil
11 equivalent, associated with the facility, pipeline, well pad, platform, other structure,
12 lease, field, unit, area, body of water, or right-of-way occurring before April 1, 2006,
13 to the total amount of oil and gas production, in barrels of oil equivalent, associated
14 with that facility, pipeline, well pad, platform, other structure, lease, field, unit, area,
15 body of water, or right-of-way through the end of the calendar month before
16 commencement of the dismantlement, removal, surrender, or abandonment; a cost is
17 not excluded under this paragraph if the dismantlement, removal, surrender, or
18 abandonment for which the cost is incurred is undertaken for the purpose of replacing,
19 renovating, or improving the facility, pipeline, well pad, platform, or other structure;
20 for the purposes of this paragraph, "barrel of oil equivalent" means

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

22 (B) in the case of gas, 6,000 cubic feet;

23 (16) costs incurred for containment, control, cleanup, or removal in
24 connection with any unpermitted release of oil or a hazardous substance and any
25 liability for damages imposed on the producer or explorer for that unpermitted release;
26 this paragraph does not apply to the cost of developing and maintaining an oil
27 discharge prevention and contingency plan under AS 46.04.030;

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

30 (18) that portion of expenditures, that would otherwise be qualified
31 capital expenditures as defined in AS 43.55.023(k), incurred during a calendar year

1 that are less than the product of \$0.30 multiplied by the total taxable production from
2 each lease or property, in BTU equivalent barrels, during that calendar year, except
3 that, when a portion of a calendar year is subject to this provision, the expenditures
4 and volumes shall be prorated within that calendar year;

5 (19) overhead, administrative costs, and other indirect costs and
6 expenses."

7
8 Renumber the following bill sections accordingly.

9
10 Page 31, line 21:

11 Delete "AS 43.55.165(c) and 43.55.165(d)"

12 Insert "AS 43.55.165(c), 43.55.165(d), and 43.55.165(f)"

13
14 Page 31, line 25:

15 Delete "32 - 34, and 37"

16 Insert "32 - 35, and 38"

17
18 Page 31, line 27:

19 Delete "38"

20 Insert "39"

21
22 Page 32, line 31:

23 Delete "32 - 34, and 37"

24 Insert "32 - 35, and 38"

25
26 Page 33, line 2:

27 Delete "38"

28 Insert "39"

29
30 Page 33, line 20:

31 Delete "32 - 34, and 37"

1 Insert "32 - 35, and 38"

2

3 Page 33, line 21:

4 Delete "38"

5 Insert "39"

6

7 Page 33, line 22:

8 Delete "sec. 44"

9 Insert "sec. 45"

AMENDMENT

24
Guttenberg

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G), Draft Version "L"

1 Page 23, following line 14:

2 Insert new bill sections to read:

3 ***Sec. 31.** 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 when the

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

8 (2) contract for the transportation of oil or gas (A) is not an arm's length
9 transaction or (B) is not representative of the market value of that transportation; or

10 [AND]

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

13 ***Sec. 32.** AS 43.55.150(b) is amended to read:

14 (b) If the department finds that a condition [THE CONDITIONS] in (a)(1), (2),
15 or [AND] (3) of this section is [ARE] present, the department shall determine the
16 reasonable costs of transportation, using the fair market value of like transportation, the
17 fair market value of equally efficient and available alternative modes of transportation, or
18 other reasonable methods. Transportation costs fixed by tariff rates that have been

1 adjudicated just and reasonable by [PROPERLY ON FILE WITH] the Regulatory
2 Commission of Alaska or other regulatory agency shall be considered prima facie
3 reasonable.”

4

5 Renumber the following bili sections accordingly.

AMENDMENT

25
Representative
Guttenberg

OFFERED IN THE HOUSE
TO: CSHB 2001(O&G)

1 Page 25, line 15, following "e":

2 Insert "or (k)"

3

4 Page 29, following line 12:

5 Insert a new bill section to read:

6 **** Sec. 34.** AS 43.55.165 is amended by adding a new subsection to read:

7 (k) A producer's lease expenditures with respect to oil and gas produced from
8 each lease or property within a unit from which 1,000,000,000 BTU equivalent barrels
9 of oil or gas have been cumulatively produced by the close of the most recent calendar
10 year and from which the average daily oil and gas production during the most recent
11 calendar year exceeded 100,000 BTU equivalent barrels shall be determined according
12 to this subsection. A producer's lease expenditures for purposes of AS 43.55.160 shall
13 be equal to the quotient obtained by dividing the producer's lease expenditures for
14 each lease or property reported on the producer's tax return for 2006 by the total
15 taxable production of each lease or property as reported on the producer's tax return
16 for 2006, multiplied by the producer's total taxable production, in BTU equivalent
17 barrels, during the calendar year. Commencing January 1, 2009, for calendar year
18 2009 the quotient obtained in this subsection shall be increased by three percent. For
19 each calendar year thereafter, the previous year's quotient shall be increased by three
20 percent."

21

22 Renumber the following bill sections accordingly.

23

1 Page 30, following line 15:

2 Insert a new bill section to read:

3 **** Sec. 36. AS 43.55.180(b) is amended to read:**

4 (b) The department shall prepare a report on or before the first day of the 2011
5 regular session of the legislature on the results of the study made under (a) of this
6 section, including recommendations **concerning the amount of lease expenditures**
7 **specified under AS 43.55.165(k) and** [AS TO] whether any **other** changes should be
8 made to this chapter. The department shall notify the legislature that the report
9 prepared under this section is available."

10

11 Renumber the following bill sections accordingly.

12

13 Page 31, line 25:

14 Delete "32 - 34, and 37"

15 Insert "32 - 36, and 39"

16

17 Page 31, line 27:

18 Delete "38"

19 Insert "40"

20

21 Page 32, line 31:

22 Delete "32 - 34, and 37"

23 Insert "32 - 36, and 39"

24

25 Page 33, line 2:

26 Delete "38"

27 Insert "40"

28

29 Page 33, line 20:

30 Delete "32 - 34, and 37"

31 Insert "32 - 36, and 39"

1

2 Page 33, line 21:

3 Delete "38"

4 Insert "40"

5

6 Page 33, line 22:

7 Delete "sec. 44"

8 Insert "sec. 46"

(Replaces #1)

25-GH0014\L.62
Wayne/Bullock
11/3/07

AMENDMENT

#26

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: CSHB 2001(O&G)

1 Page 1, lines 4 - 5:

2 Delete "and south of 68 degrees North latitude"

3

4 Page 13, line 25:

5 Delete "and no part of which is north of 68 degrees North latitude"

6

7 Page 13, line 31, through page 14, line 2:

8 Delete "produced from a lease or property for which the start of regular deliveries of
9 marketable gas is after December 31, 2007"

10 Insert

11 "(1) produced from a lease or property for which the start of regular
12 deliveries of marketable gas is after December 31, 2007; and

13 (2) not supplied for

14 (A) consumption as petrochemical feedstock for a
15 manufacturing process;

16 (B) processing into liquefied natural gas for export from the
17 state; or

18 (C) conversion to a liquid"

AMENDMENT 27

OFFERED IN THE HOUSE
TO: CSHB 2001(O&G)

BY *Guttenberg*

1 Page 1, lines 7 - 8:

2 Delete "amending the State Personnel Act to place in the exempt service certain
3 state oil and gas auditors and their immediate supervisors;"

4 Insert "allowing payment of a higher salary to oil and gas revenue auditors;
5 requiring the Department of Revenue to study the pay and recruitment of oil and gas
6 revenue auditors;"

7

8 Page 9, lines 10 - 15:

9 Delete all material and insert:

10 **** Sec. 9.** AS 39.20 is amended by adding a new section to read:

11 **Sec. 39.20.082. Salary of oil and gas revenue auditor in the classified**
12 **service.** The monthly salary of each oil and gas revenue auditor employed in the
13 classified service of the state is not less than Range 18, step A, or more than Range 28,
14 step F, of the salary schedule negotiated between the state and the oil and gas revenue
15 auditor's collective bargaining unit representative."

16

17 Page 30, following line 15:

18 Insert a new bill section to read:

19 **** Sec. 35.** AS 43.55.180(a) is amended to read:

20 (a) The department shall study

21 (1) the effects of the provisions of this chapter on oil and gas
22 exploration, development, and production in the state on investment expenditures for
23 oil and gas exploration, development, and production in the state, on the entry of new

1 producers into the oil and gas industry in the state, on state revenue, and on tax
 2 administration and compliance, giving particular attention to the tax rates provided
 3 under AS 43.55.011, the tax credits provided under AS 43.55.023 - 43.55.025, and the
 4 deductions for and adjustments to lease expenditures provided under AS 43.55.160 -
 5 43.55.170; and

6 (2) the effects of the tax rates under AS 43.55.011(i) on state revenue
 7 and on oil and gas exploration, development, and production on private land, and the
 8 fairness of those tax rates for private landowners;

9 **(3) the effects of the provisions of this chapter on the recruitment**
 10 **and pay of oil and gas revenue auditors."**

11
 12 Renumber the following bill sections accordingly.

13
 14 Page 32, lines 6 - 23:

15 Delete all material and insert:

16 "TRANSITION: EXTRA COMPENSATION FOR OIL AND GAS REVENUE
 17 AUDITORS. The director of the division of personnel may, within the limitations of
 18 AS 39.35.082, enacted by sec. 9 of this Act, increase the monthly salary of any oil and gas
 19 revenue auditor position in the classified service at the Department of Revenue if the director
 20 of the division of personnel determines the increase is necessary in order to hire or retain an
 21 employee for the position."

22
 23 Page 33, following line 20:

24 Insert a new bill section to read:

25 "* Sec. 45. Section 41 of this Act is repealed July 1, 2011."

26
 27 Renumber internal references to bill sections in accordance with this amendment in a way that
 28 makes secs. 9, 35, 41, and 45 of this Act effective immediately and omits them from the
 29 applicability and retroactive sections. Below are all internal bill section references in this bill:

30 Page 31, lines 25, 27, 29, 30, and 31

31 Page 32, lines 1, 3, 13, 16, 19, and 31

1

Page 33, lines 2, 19 - 20, 21, and 22

AMENDMENT

Rep. Guttenberg

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

1 Page 17, line 11:

2 Delete "60"

3 Insert "120 [60]"

4

5 Page 17, lines 14 - 17:

6 Delete "if the applicant is required under AS 43.55.030(a) to file a statement on or
7 before March 31 of the year following the calendar year in which the qualified capital
8 expenditures or carried-forward annual loss for which the credit is claimed was incurred,"

9 Insert "[IF THE APPLICANT IS REQUIRED UNDER AS 43.55.030(a) TO FILE A
10 STATEMENT ON OR BEFORE MARCH 31 OF THE YEAR FOLLOWING THE
11 CALENDAR YEAR IN WHICH THE QUALIFIED CAPITAL EXPENDITURES OR
12 CARRIED-FORWARD ANNUAL LOSS FOR WHICH THE CREDIT IS CLAIMED WAS
13 INCURRED,]"

14

15 Page 17, line 18, following "filed":

16 Insert "for the calendar year in which the qualified capital expenditure or carried-
17 forward annual loss for which the credit is claimed was incurred"

18

19 Page 21, line 21:

20 Delete "and"

21

22 Page 21, line 30, following "matters":

23 Insert "; and

1 **(6) assess against a person required under this section to file a**
2 **report, statement, or other document a penalty, as determined by the department**
3 **under standards adopted in regulation by the department, of not more than**
4 **\$1,000 for each day the person fails to file the report, statement, or other**
5 **document at the time required; the penalty is in addition to the penalties in**
6 **AS 43.05.220 and 43.05.290 and is assessed, collected, and paid in the same**
7 **manner as a tax deficiency under this title"**

AMENDMENT 29

OFFERED IN THE HOUSE

BY REPRESENTATIVE GUTTENBERG

TO: CSHB 2001(O&G)

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

2 Insert "establishing an oil and gas tax credit fund and authorizing payment from
3 that fund;"

4

5 Page 17, line 6, following "person":

6 Insert "or obtain a cash payment under AS 43.55.028"

7

8 Page 17, following line 22:

9 Insert a new bill section to read:

10 "** Sec. 24. AS 43.55.023(g) is amended to read:

11 (g) The issuance of a transferable tax credit certificate under (d) of this section
12 or the purchase of a certificate [ISSUANCE OF A CASH REFUND] under
13 AS 43.55.028 [(f) OF THIS SECTION] does not limit the department's ability to later
14 audit a tax credit claim to which the certificate relates or to adjust the claim if the
15 department determines, as a result of the audit, that the applicant was not entitled to
16 the amount of the credit for which the certificate was issued. The tax liability of the
17 applicant under AS 43.55.011(e) and 43.55.017 - 43.55.180 is increased by the amount
18 of the credit that exceeds that to which the applicant was entitled, or the applicant's
19 available valid outstanding credits applicable against the tax levied by
20 AS 43.55.011(e) are reduced by that amount. If the applicant's tax liability is increased
21 under this subsection, the increase bears interest under AS 43.05.225 from the date the
22 transferable tax credit certificate was issued. For purposes of this subsection, an
23 applicant that is an explorer is considered a producer subject to the tax levied by

1 AS 43.55.011(e)."

2
3 Renumber the following bill sections accordingly.

4
5 Page 18, following line 25:

6 Insert a new bill section to read:

7 **** Sec. 27.** AS 43.55 is amended by adding a new section to read:

8 **Sec. 43.55.028. Oil and gas tax credit fund established; cash purchases of**
9 **tax credit certificates.** (a) The oil and gas tax credit fund is established as a separate
10 fund of the state. The purpose of the fund is to purchase certain transferable tax credit
11 certificates issued under AS 43.55.023 and certain production tax credit certificates
12 issued under AS 43.55.025.

13 (b) The oil and gas tax credit fund consists of

14 (1) money appropriated to the fund, including any appropriation of the
15 percentage provided under (c) of this section of all revenue from taxes levied by
16 AS 43.55.011 that is not required to be deposited in the constitutional budget reserve
17 fund established in art. IX, sec. 17(a), Constitution of the State of Alaska; and

18 (2) earnings on the fund.

19 (c) The applicable percentage for a fiscal year under (b)(1) of this section is
20 determined with reference to the average price or value forecast by the department for
21 Alaska North Slope oil sold or otherwise disposed of on the United States West Coast
22 during the fiscal year for which the appropriation of revenue from taxes levied by
23 AS 43.55.011 is made. If that forecast is

24 (1) \$60 a barrel or higher, the applicable percentage is 10 percent;

25 (2) less than \$60 a barrel, the applicable percentage is 15 percent.

26 (d) The department shall manage the fund.

27 (e) The department may, on the written application of the person to whom a
28 transferable tax credit certificate has been issued under AS 43.55.023(d) or a
29 production tax credit certificate has been issued under AS 43.55.025(f), use available
30 money in the oil and gas tax credit fund to purchase, in whole or in part, the certificate
31 if the department finds that

1 (1) the calendar year of the purchase is not earlier than the first
2 calendar year for which the credit shown on the certificate would otherwise be allowed
3 to be applied against a tax;

4 (2) within 24 months after applying for the transferable tax credit
5 certificate or filing a claim for the production tax credit certificate, the applicant
6 incurred a qualified capital expenditure or was the successful bidder on a bid
7 submitted for a lease on state land under AS 38.05.180(f);

8 (3) the amount expended for the purchase would not exceed the total of
9 qualified capital expenditures and successful bids described in (2) of this subsection
10 that have not been the subject of a finding made under this paragraph for purposes of a
11 previous purchase of a certificate;

12 (4) the applicant does not have an outstanding liability to the state for
13 unpaid delinquent taxes under this title;

14 (5) the applicant's total tax liability under AS 43.55.011(e), after
15 application of all available tax credits, for the calendar year in which the application is
16 made is zero;

17 (6) the applicant's average amount of oil and gas taxable under
18 AS 43.55.011(e) and produced each day during the calendar year preceding the
19 calendar year in which the application is made was not more than 50,000 BTU
20 equivalent barrels; and

21 (7) the purchase is consistent with this section and regulations adopted
22 under this section.

23 (l) Money in the fund remaining at the end of a fiscal year does not lapse and
24 remains available for expenditure in successive fiscal years.

25 (g) The department may adopt regulations to carry out the purposes of this
26 section, including standards and procedures to allocate available money among
27 applications for purchases the total amount of which exceeds the amount of available
28 money in the fund.

29 (h) Nothing in this section creates a dedicated fund.

30 (i) In this section, "qualified capital expenditure" has the meaning given in
31 AS 43.55.023."

1

2 Renumber the following bill sections accordingly.

3

4 Page 31, line 25:

5 Delete "Sections 24, 25, 32 - 34, and 37"

6 Insert "Sections 25, 26, 34 - 36, and 39"

7

8 Page 31, line 27:

9 Delete "31, and 38"

10 Insert "33, and 40"

11

12 Page 31, line 29:

13 Delete "Sections 26 and 27"

14 Insert "Sections 28 and 29"

15

16 Page 31, line 30:

17 Delete "sec. 26"

18 Insert "sec. 28"

19

20 Page 31, line 31:

21 Delete "sec. 27"

22 Insert "sec. 29"

23

24 Page 32, line 1:

25 Delete "sec. 29"

26 Insert "sec. 31"

27

28 Page 32, line 3:

29 Delete "29"

30 Insert "31"

31

1 Page 32, following line 3:

2 Insert a new subsection to read:

3 "(e) Section 24 of this Act applies to transferable tax credit certificates issued
4 under AS 43.55.023(d), as amended by sec. 23 of this Act, and to transferable tax
5 credit certificates issued under AS 43.55.023(d), in effect before January 1, 2008, for
6 which a cash refund has not been issued under AS 43.55.023(f) before January 1,
7 2008."
8

9 Page 32, line 31:

10 Delete "secs. 24, 25, 32 - 34, and 37"

11 Insert "secs. 25, 26, 34 - 36, and 39"

12

13 Page 33, line 2:

14 Delete "26, 27, 31, and 38"

15 Insert "24, 27 - 29, 33, and 40"

16

17 Page 33, following line 10:

18 Insert a new bill section to read:

19 **** Sec. 43.** The uncodified law of the State of Alaska is amended by adding a new section to
20 read:

21 TRANSITION: PENDING APPLICATIONS. If an application made under
22 AS 43.55.023(f) is received by the Department of Revenue before January 1, 2008, and is still
23 outstanding on that date, the application is considered to be an application under
24 AS 43.55.028, enacted by sec. 26 of this Act."
25

26 Renumber the following bill sections accordingly.
27

28 Page 33, lines 19 - 20:

29 Delete "Sections 24, 25, 32 - 34, and 37"

30 Insert "Sections 25, 26, 34 - 36, and 39"

31

1 Page 33, line 21:

2 Delete "26, 27, 31, and 38"

3 Insert "24, 27 - 29, 33, and 40"

4

5 Page 33, line 22:

6 Delete "sec. 44"

7 Insert "sec. 47"

AMENDMENT

30

OFFERED IN THE HOUSE

BY REPRESENTATIVE GUTTENBERG

TO: CSHB 2001(O&G)

1 Page 17, following line 22:

2 Insert a new bill section to read:

3 *** Sec. 24.** AS 43.55.023(g) is amended to read:

4 (g) The issuance of a transferable tax credit certificate under (d) of this section
5 or the purchase of a certificate [ISSUANCE OF A CASH REFUND] under
6 AS 43.55.028 [(f) OF THIS SECTION] does not limit the department's ability to later
7 audit a tax credit claim to which the certificate relates or to adjust the claim if the
8 department determines, as a result of the audit, that the applicant was not entitled to
9 the amount of the credit for which the certificate was issued. The tax liability of the
10 applicant under AS 43.55.011(e) and 43.55.017 - 43.55.180 is increased by the amount
11 of the credit that exceeds that to which the applicant was entitled, or the applicant's
12 available valid outstanding credits applicable against the tax levied by
13 AS 43.55.011(e) are reduced by that amount. If the applicant's tax liability is increased
14 under this subsection, the increase bears interest under AS 43.05.225 from the date the
15 transferable tax credit certificate was issued. For purposes of this subsection, an
16 applicant that is an explorer is considered a producer subject to the tax levied by
17 AS 43.55.011(e)."

18

19 Renumber the following bill sections accordingly.

20

21 Page 31, line 22, following "43.55.011(h),":

22 Insert "43.55.023(l),"

23

1 Page 32, following line 3:

2 Insert a new subsection to read:

3 "(e) Section 24 of this Act applies to transferable tax credit certificates issued under
4 AS 43.55.023(d), as amended by sec. 23 of this Act, and to transferable tax credit certificates
5 issued under AS 43.55.023(d), in effect before January 1, 2008, for which a cash refund has
6 not been issued under AS 43.55.023(f) before January 1, 2008."

7

8 Page 33, line 2:

9 Delete "26, 27, 31, and 38"

10 Insert "24, 27, 28, 32, and 39"

11

12 Renumber internal references to bill sections in accordance with this amendment in a way that
13 makes sec. 24 effective January 1, 2008. Below are all internal bill section references in this
14 bill:

15 Page 31, lines 25, 27, 29, 30, and 31

16 Page 32, lines 1, 3, 13, 16, 19, and 31

17 Page 33, lines 2, 19 - 20, 21, and 22

AMENDMENT 31

OFFERED IN THE HOUSE

BY REPRESENTATIVE GUTTENBERG

TO: CSHB 2001(O&G)

1 Page 17, line 24, through page 18, line 22:

2 Delete all material and insert:

3 "(i) For the purposes of this section,

4 (1) a producer's or explorer's transitional investment expenditures are
5 the sum of the expenditures the producer or explorer incurred after March 31, 2001,
6 and before April 1, 2006, that would be qualified capital expenditures if they were
7 incurred after March 31, 2006, less the sum of the payments or credits the producer or
8 explorer received before April 1, 2006, for the sale or other transfer of assets,
9 including geological, geophysical, or well data or interpretations, acquired by the
10 producer or explorer as a result of expenditures the producer or explorer incurred
11 before April 1, 2006, that would be qualified capital expenditures, if they were
12 incurred after March 31, 2006;

13 (2) a producer or explorer that did not have commercial production
14 of oil or gas from a lease or property in the state before January 1, 2008, may
15 elect to take a tax credit against a tax levied by [DUE UNDER] AS 43.55.011(e) in
16 the amount of 20 percent of the producer's or explorer's transitional investment
17 expenditures, but only to the extent that the amount does not exceed 1/10 of the
18 producer's or explorer's qualified capital expenditures that were incurred after
19 March 31, 2006, and before January 1, 2008 [ARE INCURRED DURING THE
20 CALENDAR YEAR FOR WHICH THE CREDIT IS TAKEN];

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

23 (A) for any calendar year after [THE LATER OF

1 (i)] 2013; [OR
 2 (ii) THE SIXTH CALENDAR YEAR AFTER THE
 3 CALENDAR YEAR FOR WHICH THE PRODUCER FIRST
 4 APPLIES A CREDIT UNDER THIS SUBSECTION AGAINST A
 5 TAX DUE UNDER AS 43.55.011(e), IF THE PRODUCER DID NOT
 6 HAVE COMMERCIAL PRODUCTION OF OIL OR GAS FROM A
 7 LEASE OR PROPERTY IN THE STATE BEFORE APRIL 1, 2006;]

8 (B) more than once; or

9 (C) if : credit for that expenditure was taken under
 10 AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025;

11 (4) notwithstanding (d), (e), and (g) of this section, a producer or
 12 explorer may not transfer a tax credit or obtain a transferable tax credit certificate for a
 13 transitional investment expenditure."
 14

15 Page 31, line 25:

16 Delete "Sections 24, 25, 32 - 34, and 37"

17 Insert "Sections 25, 32 - 34, and 37"

18

19 Page 31, line 27:

20 Delete "31"

21 Insert "24, 31"

22

23 Page 32, line 31:

24 Delete "secs. 24, 25, 32 - 34, and 37"

25 Insert "secs. 25, 32 - 34, and 37"

26

27 Page 33, line 2:

28 Delete "26, 27, 31, and 38"

29 Insert "24, 26, 27, 31, and 38"

30

31 Page 33, lines 19 and 20:

1 Delete "Sections 24, 25, 32 - 34, and 37"

2 Insert " Sections 25, 32 - 34, and 37"

3

4 Page 33, line 21:

5 Delete "26, 27, 31, and 38"

6 Insert "24, 26, 27, 31, and 38"

Edgmon

25-GH0014L.44
Chenoweth/Bullock
11/3/07

AMENDMENT 32

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

1 Page 1, line 7, 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,
4 deposit of the amount of certain unpaid judgments and certain interest on those
5 judgments in the registry of the court during an appeal;"

6

7 Page 18, following line 25:

8 Insert a new bill section to read:

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

10 **Sec. 43.55.028. Exceptions to tax credits.** (a) A producer or explorer may not
11 take a tax credit under AS 43.55.023, 43.55.024, or 43.55.025 if a state court or a
12 federal court that has subject matter jurisdiction has entered a judgment in an amount
13 greater than \$100,000 against the producer or explorer, the producer or explorer has
14 not satisfied the judgment, and the judgment concerns a matter having connections
15 with this state that are sufficient to satisfy constitutional jurisdictional requirements.

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

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

19 (2) the producer or explorer deposits into the registry of the court
20 where the judgment was entered or the appeal is pending, in the form of cash, bond, or
21 other security,

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

23 (B) post-judgment interest on the judgment amount described

1 in (A) of this paragraph; notwithstanding another provision of law, the post-
2 judgment interest rate on a judgment the amount of which is deposited under
3 (a) of this paragraph is equal to the rate of return on the producer's or expliorer's
4 capital as shown on the producer's or expliorer's quarterly earnings report."
5

6 Renumber the following bill sections accordingly.
7

8 Page 31, line 25:

9 Delete "32 - 34, and 37"

10 Insert "26, 33 - 35, and 38"
11

12 Page 31, line 27:

13 Delete "31, and 38"

14 Insert "32, and 39"
15

16 Page 31, line 29

17 Delete "Sections 26 and 27"

18 Insert "Sections 27 and 28"
19

20 Page 31, line 30:

21 Delete "sec. 26"

22 Insert "sec. 27"
23

24 Page 31, line 31:

25 Delete "sec. 27"

26 Insert "sec. 28"
27

28 Page 32, line 1:

29 Delete "sec. 29"

30 Insert "sec. 30"
31

1 Page 32, line 3:

2 Delete "29"

3 Insert "30"

4

5 Page 32, line 31:

6 Delete "32 - 34, and 37"

7 Insert "26, 33 - 35, and 38"

8

9 Page 33, line 2:

10 Delete "26, 27, 31, and 38"

11 Insert "27, 28, 32, and 39"

12

13 Page 33, lines 19 - 20:

14 Delete "32 - 34, and 37"

15 Insert "26, 33 - 35, and 38"

16

17 Page 33, line 21:

18 Delete "26, 27, 31, and 38"

19 Insert "27, 28, 32, and 39"

20

21 Page 33, line 22:

22 Delete "sec. 44"

23 Insert "sec. 45"

AMENDMENT 33

OFFERED IN THE HOUSE

BY REPRESENTATIVE GUTTENBERG

TO: CSHB 2001(O&G)

1 Page 25, following line 13:

2 Insert a new bill section to read:

3 **** Sec. 32.** AS 43.55.160(e) is repealed and reenacted to read:

4 (e) Any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that
5 (1) would otherwise be deductible by a producer under (a)(1)(A) of this section in
6 calculating a production tax value under (a)(1) of this section of oil and gas produced
7 from a lease or property for a calendar year but whose deduction would cause the
8 production tax value to be less than zero; (2) are the producer's costs incurred during
9 the calendar year of exploring for, developing, or producing oil or gas deposits located
10 within the producer's leases or properties in the state outside the Cook Inlet
11 sedimentary basin that do not produce oil or gas during the calendar year; or (3) are
12 the producer's costs incurred during the calendar year of exploring for oil or gas
13 deposits located within land in the state outside the Cook Inlet sedimentary basin in
14 which the producer does not own an operating right, operating interest, or working
15 interest must be allocated to, and deducted in calculating the producer's production tax
16 value of the oil and gas produced during the calendar year from, the producer's other
17 leases or properties, in accordance with the provisions of (f) and (g) of this section, to
18 the extent consistent with (b) of this section. Other than for a lease or property subject
19 to AS 43.55.011(f) and except as otherwise provided under (h) of this section, any
20 remaining adjusted lease expenditures in excess of what may be deducted consistent
21 with (b) of this section may be used to establish a carried-forward annual loss under
22 AS 43.55.023(b). "

23

1 Renumber the following bill sections accordingly.

2

3 Page 31, line 35:

4 Delete "32 - 34, and 37"

5 Insert "33 - 35, and 38"

6

7 Page 31, line 27:

8 Delete "and 38"

9 Insert "32, and 39"

10

11 Page 32, line 31:

12 Delete "32 - 34, and 37"

13 Insert "33 - 35, and 38"

14

15 Page 33, line 2:

16 Delete "and 38"

17 Insert "32, and 35"

18

19 Page 33, line 20:

20 Delete "32 - 34, and 37"

21 Insert "33 - 35, and 38"

22

23 Page 33, line 21:

24 Delete "and 38"

25 Insert "32, and 39"

26

27 Page 33, line 22:

28 Delete "sec. 44"

29 Insert "sec. 45"

AMENDMENT

34

OFFERED IN THE HOUSE

BY REPRESENTATIVE GUTTENBERG

TO: CSHB 2001(O&G)

1 Page 31, lines 6 - 20:

2 Delete all material and insert:

3 "(22) "nonunitized reservoir" means a pool that is not wholly within a
4 single unit;

5 (23) "pool" has the meaning given in AS 31.05.170;

6 (24) "producer" means an owner of an operating right, operating
7 interest, or working interest in a mineral interest in oil or gas;

8 (25) "unit" means a group of tracts of land that is

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

12 (B) subject to a cooperative or a unit plan of development or
13 operation that has been certified by the United States Secretary of the Interior
14 under 30 U.S.C. 226(m);

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

19 (D) within the unit area of a unit created by order of the Alaska
20 Oil and Gas Conservation Commission under AS 31.05.110(b)."

AMENDMENT 35

OFFERED IN THE HOUSE

BY REPRESENTATIVE GUTTENBERG

TO: CSHB 2001(O&G)

1 Page 33, following line 10:

2 Insert a new bill section to read:

3 "** Sec. 42. The uncodified law of the State of Alaska is amended by adding a new section to
4 read:

5 TRANSITION: PENDING APPLICATIONS. (a) Notwithstanding a contrary
6 provision of law, if an application made under AS 43.55.023(d), in effect before January 1,
7 2008, has not been granted or denied by the Department of Revenue before January 1, 2008,
8 the application is subject to the time period for the Department of Revenue's decision on the
9 application provided in AS 43.55.023(d), as amended by sec. 23 of this Act.

10 (b) If an application made under AS 43.55.023(f) is received by the Department of
11 Revenue before January 1, 2008, and is still outstanding on that date, the application is
12 considered to be an application under AS 43.55.028, enacted by sec. 45 of this Act."

13

14 Renumber the following bill sections accordingly.

15

16 Page 33, line 22:

17 Delete "sec. 44"

18 Insert "sec. 45"

KAWASAKI

Revised AMENDMENT 36

OFFERED IN THE HOUSE
TO: CSHB 2001(O&G)

1 Page 1, following line 12:

2 Insert a new bill section to read:

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

5 LEGISLATIVE INTENT. It is the intent of the legislature that not less than half of the
6 amount of money received by the state as a result of the retroactivity of certain provisions
7 under sec. 45 of this Act that exceeds the amount the state would have received if those
8 provisions had not been made retroactive will be appropriated to the budget reserve fund (art.
9 IX, sec. 17, Constitution of the State of Alaska)."

10

11 Page 2, line 1:

12 Delete "Section 1"

13 Insert "Sec. 2"

14

15 Renumber the following bill sections accordingly.

16

17 Page 31, line 28:

18 Delete "2007"

19 Insert "2006"

20

21 Page 33, line 3:

22 Delete "2008"

23 Insert "2007"

1

2 Page 33, line 19, following "ACT.":

3 Insert "(a)"

4

5 Page 33, following line 20:

6 Insert a new subsection to read:

7 "(b) Sections 15 - 21, 27, 28, 32, and 39 of this Act are retroactive to January 1,
8 2007."

9

10 Page 33, line 21:

11 Delete all material.

12

13 Renumber the following bill section accordingly.

14

15 Page 33, line 22:

16 Delete "Except as provided in sec. 44 of this Act, this"

17 Insert "This"

18

19 Renumber internal references to bill sections in accordance with this amendment so that the
20 LEGISLATIVE INTENT section, added as bill section 1, is given an immediate effective
21 date. Below are all internal bill section references in this bill:

22 Page 31, lines 25, 27, 29, 30, and 31

23 Page 32, lines 1, 3, 13, 16, 19, and 31

24 Page 33, lines 2, 19 - 20, 21, and 22

AMENDMENT

37 Rep. Kawasaki

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

1 Page 1, following line 12:

2 Insert a new bill section to read:

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

5 LEGISLATIVE INTENT. It is the intent of the legislature that half of the amount of
6 money received by the state as a result of the retroactivity of certain provisions under sec. 45
7 of this Act that exceeds the amount the state would have received if those provisions had not
8 been made retroactive will be appropriated to the budget reserve fund (art. IX, sec. 17,
9 Constitution of the State of Alaska)."

10

11 Renumber the following bill sections accordingly.

12

13 Page 2, line 1:

14 Delete "Section 1"

15 Insert "Sec. 2"

16

17 Page 31, line 28:

18 Delete "2007"

19 Insert "2006"

20

21 Page 33, line 3:

22 Delete "2008"

23 Insert "2007"

1

2 Page 33, line 19, following "ACT.":

3 Insert "(a)"

4

5 Page 33, following line 20:

6 Insert a new subsection to read:

7 "(b) Sections 15 - 20, 27, 28, 32, and 39 of this Act are retroactive to January 1,
8 2007."

9

10 Page 33, line 21:

11 Delete "2008"

12 Insert "2007"

13

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

16 Page 31, lines 25, 27, 29, 30, and 31

17 Page 32, lines 1, 3, 13, 16, 19, and 31

18 Page 33, lines 2, 19 - 20, 21, and 22

AMENDMENT

38 Rep. Guttenberg

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

1 Page 1, following line 12:

2 Insert a new bill section to read:

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

5 **LEGISLATIVE INTENT.** It is the intent of the legislature that provisions of this Act

6 (1) ensure a fair and equitable means of assessing and taxing Alaska's oil and
7 gas resources;

8 (2) encourage the availability to Alaska's citizens of affordable gas produced,
9 transported, and consumed within the state; and

10 (3) confirm by clarification the longstanding interpretation of AS 43.05.260 by
11 the Department of Revenue through enactment of AS 43.55.075(b) in sec. 30 of this Act,
12 relating to limitation of assessments for the production tax on oil and gas and conservation
13 surcharges on oil."

14

15 Page 2, line 1:

16 Delete "**Section 1**"

17 Insert "**Sec. 2**"

18

19 Renumber the following bill sections accordingly.

20

21 Page 14, following line 2:

22 Insert a new subsection to read:

23

1 "(q) Notwithstanding other provisions of this section, for a calendar year
2 before 2022, the tax levied under this section for each 1,000 cubic feet of gas for gas
3 produced from a lease or property outside the Cook Inlet sedimentary basin and used
4 in the state may not exceed the amount of tax for each 1,000 cubic feet of gas that is
5 determined under (j)(2) of this section."
6

7 Page 23, line 24, following "AS 43.55.170;":

8 Insert "**this subparagraph does not apply to gas taxable under AS 43.55.011(q);**"
9

10 Page 24, line 1, following "AS 43.55.170;":

11 Insert "**this subparagraph does not apply to gas taxable under AS 43.55.011(q);**"
12

13 Page 24, following line 13:

14 Insert a new subparagraph to read:

15 **"(E) gas produced during a calendar year from a lease or**
16 **property outside the Cook Inlet sedimentary basin and used in the state is**
17 **the gross value at the point of production of that gas taxable under**
18 **AS 43.55.011(e) and produced by the producer from that lease or**
19 **property, less the producer's lease expenditures under AS 43.55.165 for**
20 **the calendar year applicable to that gas produced by the producer from**
21 **that lease or property, as adjusted under AS 43.55.170;**"
22

23 Page 24, line 22, following "AS 43.55.170;":

24 Insert "**this subparagraph does not apply to gas subject to additional tax under**
25 **AS 43.55.011(o);**"
26

27 Page 24, line 30, following "AS 43.55.170;":

28 Insert "**this subparagraph does not apply to gas subject to additional tax under**
29 **AS 43.55.011(o);**"
30

31 Page 25, line 13, following "AS 43.55.170":

1 Delete "Sections 26 and 27"
2 Insert "Sections 27 and 28"
3
4 Page 31, line 30:
5 Delete "sec. 26"
6 Insert "sec. 27"
7
8 Page 31, line 31:
9 Delete "sec. 27"
10 Insert "sec. 28"
11
12 Page 32, line 1:
13 Delete "sec. 29"
14 Insert "sec. 30"
15
16 Page 32, line 3:
17 Delete "secs. 13 and 29"
18 Insert "secs. 14 and 30"
19
20 Page 32, line 13:
21 Delete "sec. 9"
22 Insert "sec. 10"
23
24 Page 32, line 16:
25 Delete "sec. 9"
26 Insert "sec. 10"
27
28 Page 32, line 19:
29 Delete "sec. 9"
30 Insert "sec. 10"
31

1 Page 32, line 31:

2 Delete "secs. 24, 25, 32 - 34, and 37"

3 Insert "secs. 25, 26, 33, 34, 36, and 39"

4

5 Page 33, line 2:

6 Delete "secs. 14 - 20, 26, 27, 31, and 38"

7 Insert "secs. 15 - 21, 27, 28, 32, 35, and 40"

8

9 Page 33, lines 19 - 20:

10 Delete "Sections 24, 25, 32 - 34, and 37"

11 Insert "Sections 25, 26, 33, 34, 36, and 38"

12

13 Page 33, line 21:

14 Delete "Sections 14 - 20, 26, 27, 31, and 38"

15 Insert "Sections 15 - 21, 27, 28, 32, 35, and 40"

16

17 Page 33, line 22:

18 Delete "sec. 44"

19 Insert "sec. 46"

AMENDMENT

1
To Amendment #38

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: AMENDMENT NO. 38 TO CSHB 2001(O&G), Draft Version "L"

1 Page 1, line 21:

2 Insert "Page 13, line 23, through page 14, line 2:

3 Delete all material"

4

5 Page 2, line 7:

6 Insert "For purposes of this section, "used in the state" means delivered for
7 consumption as fuel in the state, including as fuel consumed to generate electricity."

AMENDMENT #2 to Amendment #38

OFFERED IN HOUSE

BY REPRESENTATIVE SEATON

TC: AMENDMENT NO. 38 CSHB 2001(O&G), Draft Version "L"

- 1 Page 2, line 2:
- 2 Delete, "under"
- 3 Insert, "by (e) and (o) of"

AMENDMENT 39

OFFERED IN THE HOUSE

BY REPRESENTATIVE GUTTENBERG

TO: CSHB 2001(O&G)

1 Page 10, line 26, through page 15, line 30:

2 Delete all material and insert:

3 **"* Sec. 14.** AS 43.55.011(g) is repealed and reenacted to read:

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

8 *** Sec. 15.** AS 43.55.011(h) is amended to read:

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

17 *** Sec. 16.** AS 43.55.011(j) is amended to read:

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

21 (1) for a lease or property that first commenced commercial production
22 of gas before April 1, 2006, the product obtained by multiplying (A) the amount of
23 taxable gas produced during the calendar year from the lease or property, times (B) the

1 average rate of tax that was imposed under this chapter for [ON] taxable gas produced
2 from the lease or property for the 12-month period ending on March 31, 2006, times
3 (C) the quotient obtained by dividing the total gross value at the point of production of
4 the taxable gas produced from the lease or property during the 12-month period ending
5 on March 31, 2006, by the total amount of that gas;

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

14 * **Sec. 17.** AS 43.55.011(k) is amended to read:

15 (k) For a calendar year before 2022, the [TOTAL] tax levied by (e) [AND (g)]
16 of this section for [ON] oil produced from a lease or property in the Cook Inlet
17 sedimentary basin may not exceed

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

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

1 produced and delivered in the Cook Inlet area for the 12-month period ending on
2 March 31, 2006, as determined by the department under AS 43.55.020(f).

3 * **Sec. 18.** AS 43.55.011(m) is amended to read:

4 (m) Notwithstanding any contrary provision of AS 38.05.180(i),
5 AS 41.09.010, AS 43.20.043, AS 43.55.024, or 43.55.025, tax credits under
6 AS 38.05.180(i), AS 41.09.010, AS 43.20.043, AS 43.55.024, and 43.55.025 that are
7 allocated to gas produced from leases or properties in the Cook Inlet sedimentary
8 basin and that are available to be applied against a tax levied by (e) of this section **for**
9 [ON] gas produced from leases or properties in the Cook Inlet sedimentary basin
10 during a calendar year may be applied only against the tax levied by (e) of this section
11 **for** [ON] that gas. The amount by which the amount of tax credits that are allocated to
12 gas produced from leases or properties in the Cook Inlet sedimentary basin and that
13 the producer would otherwise be allowed to use for a later calendar year or transfer to
14 another person exceeds the amount of tax credits whose application would reduce the
15 tax levied by (e) of this section **for** [ON] that gas to zero, if any, is considered the
16 amount of excess tax credits, and the excess tax credits are subject to the following:

17 (1) for each lease or property for which a limitation under (j) or (k) of
18 this section on the tax levied by (e) [AND (g)] of this section has the effect of reducing
19 the producer's tax below the amount of tax that would be levied in the absence of that
20 limitation, the producer shall calculate the amount of that reduction;

21 (2) the producer shall calculate the total of the reductions calculated
22 under (1) of this subsection for all affected leases or properties; **however, for a**
23 **calendar year for which the producer has Cook Inlet excess adjusted lease**
24 **expenditures under AS 43.55.160(h), the amount calculated under this paragraph**
25 **is deemed to be**

26 **(A) zero, if the amount calculated under AS 43.55.160(i)(2)**
27 **is greater than or equal to the amount calculated under**
28 **AS 43.55.160(i)(4);**

29 **(B) the remainder calculated by subtracting the amount**
30 **calculated under AS 43.55.160(i)(2) from the amount calculated under**
31 **AS 43.55.160(i)(4), if the amount calculated under AS 43.55.160(i)(2) is**

less than the amount calculated under AS 43.55.160(i)(4);

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

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

* Sec. 19. AS 43.55.020(a) is repealed and reenacted to read:

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

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

(A) for oil and gas produced from leases or properties in the state outside the Cook Inlet sedimentary basin other than leases or properties subject to AS 43.55.011(f), the greater of

(i) zero; or

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

(B) for oil and gas produced from leases or properties subject to AS 43.55.011(f), the total for all units or nonunitized reservoirs of the

1 amount for each unit or nonunitized reservoir that is the greatest of

2 (i) zero;

3 (ii) 10 percent of the gross value at the point of
4 production of the oil and gas produced from all leases or properties in
5 the unit or nonunitized reservoir; or

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

13 (C) for oil and gas produced from each lease or property in the
14 Cook Inlet sedimentary basin, the greater of

15 (i) zero; or

16 (ii) 25 percent of the remainder obtained by subtracting
17 1/12 of the producer's adjusted lease expenditures for the calendar year
18 of production under AS 43.55.165 and 43.55.170 that are deductible
19 under AS 43.55.160 for oil or gas, respectively, produced from the
20 lease or property from the gross value at the point of production of the
21 oil or gas, respectively, produced from the lease or property during the
22 month for which the installment payment is calculated;

23 (2) an amount calculated under (1)(C) of this subsection for oil or gas
24 produced from a lease or property in the Cook Inlet sedimentary basin may not exceed
25 the product obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or
26 (2), as applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil,
27 but substituting in AS 43.55.011(j)(1)(A) or (2)(A), as applicable, the amount of
28 taxable gas produced during the month for the amount of taxable gas produced during
29 the calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable,
30 the amount of taxable oil produced during the month for the amount of taxable oil
31 produced during the calendar year;

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

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

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

13 (4) any amount of tax levied by AS 43.55.011(e) and (i), net of any
 14 credits applied as allowed by law, that exceeds the total of the amounts due as
 15 installment payments of estimated tax is due on March 31 of the year following the
 16 calendar year of production.

17 * Sec. 20. AS 43.55.020(d) is amended to read:

18 (d) In making settlement with the royalty owner for oil and gas that is taxable
 19 under AS 43.55.011, the producer may deduct the amount of the tax paid on taxable
 20 royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in value at the
 21 time the tax becomes due to the amount of the tax paid. If the total deductions of
 22 installment payments of estimated tax for a calendar year exceed the actual tax for that
 23 calendar year, the producer shall, before April 1 of the following year, refund the
 24 excess to the royalty owner. Unless otherwise agreed between the producer and the
 25 royalty owner, the amount of the tax paid under AS 43.55.011(e) [AS 43.55.011(e) -
 26 (g)] on taxable royalty oil and gas for a calendar year, other than oil and gas the
 27 ownership or right to which constitutes a landowner's royalty interest, is considered to
 28 be the gross value at the point of production of the taxable royalty oil and gas
 29 produced during the calendar year multiplied by a figure that is a quotient, in which

30 (1) the numerator is the producer's total tax liability under
 31 AS 43.55.011(e) [AS 43.55.011(e) - (g)] for the calendar year of production; and

1 (2) the denominator is the total gross value at the point of production
2 of the oil and gas taxable under AS 43.55.011(e) [AS 43.55.011(e) - (g)] produced by
3 the producer from all leases and properties in the state during the calendar year."
4

5 Renumber the following bill sections accordingly.
6

7 Page 31, line 22:

8 Delete all material and insert:

9 "* Sec. 38. AS 43.55.011(f) and 43.55.160(c) are repealed."
10

11 Renumber internal references to bill sections in accordance with this amendment in a way that
12 makes secs. 14 - 20 effective January 1, 2008. Insert references to secs. 14 - 20 in the
13 applicability subsection that pertains to oil and gas produced after December 31, 2007, and in
14 the retroactivity of regulations section under the subparagraph that will make those sections
15 apply retroactively to January 1, 2008. Below are all internal bill section references in this
16 bill:

17 Page 31, lines 25, 27, 29, 30, and 31

18 Page 32, lines 1, 3, 13, 16, 19, and 31

19 Page 33, lines 2, 19 - 20, 21, and 22

AMENDMENT

40 Rep. Guttenberg

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

1 Page 17, line 5:

2 Delete "Except as provided by (i) of this section, a"

3 Insert "A [EXCEPT AS PROVIDED BY (i) OF THIS SECTION, A]"

4

5 Page 17, line 23, through page 18, line 22:

6 Delete all material.

7

8 Renumber the following bill sections accordingly.

9

10 Page 31, following line 20:

11 Insert a new bill section to read:

12 "* Sec. 36. AS 43.55.023(i) is repealed."

13

14 Renumber the following bill sections accordingly.

15

16 Page 31, line 25:

17 Delete "25, 32 - 34"

18 Insert "31 - 33"

19

20 Page 31, line 27:

21 Delete "31"

22 Insert "30"

23

1 Page 31, line 29:

2 Delete "Sections 26 and 27"

3 Insert "Sections 25 and 26"

4

5 Page 31, line 30:

6 Delete "sec. 26"

7 Insert "sec. 25"

8

9 Page 31, line 31:

10 Delete "sec. 27"

11 Insert "sec. 26"

12

13 Page 32, line 1:

14 Delete "sec. 29"

15 Insert "sec. 28"

16

17 Page 32, line 3:

18 Delete "29"

19 Insert "28"

20

21 Page 32, line 31:

22 Delete "25, 32 - 34"

23 Insert "31 - 33"

24

25 Page 33, lines 19 - 20:

26 Delete "25, 32 - 34"

27 Insert "31 - 33"

28

29 Page 33, line 21:

30 Delete "26, 27, 31"

31 Insert "25, 26, 30"

AMENDMENT H1

OFFERED IN THE HOUSE

BY REPRESENTATIVE GUTTENBERG

TO: CSHB 2001(O&G)

1 Page 17, following line 3:

2 Insert a new bill section to read:

3 **"* Sec. 23.** AS 43.55.023(b) is amended to read:

4 (b) A producer or explorer may elect to take a tax credit in the amount of 25
5 [20] percent of a carried-forward annual loss. A credit under this subsection may be
6 applied against a tax levied by [DUE UNDER] AS 43.55.011(e). For purposes of this
7 subsection, except as limited by AS 43.55.160(h), a carried-forward annual loss is the
8 amount of a producer's or explorer's adjusted lease expenditures under AS 43.55.165
9 and 43.55.170 for a previous calendar year that was not deductible in calculating
10 production tax values for that calendar year under AS 43.55.160. However, a
11 carried-forward annual loss may not include an adjusted lease expenditure to
12 explore for, develop, or produce oil or gas deposits located within a unit or
13 nonunitized reservoir subject to AS 43.55.011(f) [AS 43.55.160(b) AND (e)]."
14

15 Renumber the following bill sections accordingly.

16

17 Page 25, following line 13:

18 Insert new bill sections to read:

19 **"* Sec. 33.** AS 43.55.160(e) is repealed and reenacted to read:

20 (c) Any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that
21 (1) would otherwise be deductible by a producer under (a)(1)(A) of this section in
22 calculating a production tax value under (a)(1) of this section of oil and gas produced
23 from a lease or property for a calendar year but whose deduction would cause the

1 production tax value to be less than zero; (2) are the producer's costs incurred during
2 the calendar year of exploring for, developing, or producing oil or gas deposits located
3 within the producer's leases or properties in the state outside the Cook Inlet
4 sedimentary basin that do not produce oil or gas during the calendar year; or (3) are
5 the producer's costs incurred during the calendar year of exploring for oil or gas
6 deposits located within land in the state outside the Cook Inlet sedimentary basin in
7 which the producer does not own an operating right, operating interest, or working
8 interest must be allocated to, and deducted in calculating the producer's production tax
9 value of the oil and gas produced during the calendar year from, the producer's other
10 leases or properties, in accordance with the provisions of (f) and (g) of this section, to
11 the extent consistent with (b) of this section. Other than for a lease or property subject
12 to AS 43.55.011(f) and except as otherwise provided under (h) of this section, any
13 remaining adjusted lease expenditures in excess of what may be deducted consistent
14 with (b) of this section may be used to establish a carried-forward annual loss under
15 AS 43.55.023(b).

16 * **Sec. 34.** AS 43.55.160 is amended by adding new subsections to read:

17 (f) This subsection applies to adjusted lease expenditures required to be
18 allocated under (e) of this section that are the producer's costs of exploring for,
19 developing, or producing oil or gas deposits located within the producer's leases or
20 properties that include land north of 68 degrees North latitude or are the producer's
21 costs of exploring for oil or gas deposits located within land in the state north of 68
22 degrees North latitude in which the producer does not own an operating right,
23 operating interest, or working interest. To the extent consistent with (b) of this section,
24 adjusted lease expenditures under this subsection that are

25 (1) not costs of exploring for, developing, or producing oil or gas
26 deposits located within a lease or property subject to AS 43.55.011(f) must be
27 allocated to one or more leases or properties from which the producer produces oil or
28 gas during the calendar year that include land north of 68 degrees North latitude;

29 (2) costs of exploring for, developing, or producing oil or gas deposits
30 located within a lease or property subject to AS 43.55.011(f) must be allocated to one
31 or more other leases or properties from which the producer produces oil or gas during

1 the calendar year that are within the same unit or overlie the same nonunitized
2 reservoir.

3 (g) This subsection applies to adjusted lease expenditures required to be
4 allocated under (e) of this section that are the producer's costs of exploring for,
5 developing, or producing oil or gas deposits located within the producer's leases or
6 properties outside the Cook Inlet sedimentary basin and no part of which is north of 68
7 degrees North latitude or are the producer's costs of exploring for oil or gas deposits
8 located within land in the state outside the Cook Inlet sedimentary basin and not north
9 of 68 degrees North latitude in which the producer does not own an operating right,
10 operating interest, or working interest. To the extent consistent with (b) of this section,
11 adjusted lease expenditures under this subsection must be allocated to one or more
12 leases or properties that are outside the Cook Inlet sedimentary basin and no part of
13 which is north of 68 degrees North latitude from which the producer produces oil or
14 gas during the calendar year.

15 (h) For purposes of this section, Cook Inlet excess adjusted lease expenditures
16 for a calendar year are determined by adding (1) the adjusted lease expenditures that
17 would otherwise be deductible by a producer in calculating production tax values
18 under (a)(2) or (3) of this section for the calendar year but whose deduction would
19 cause a production tax value to be less than zero; (2) the adjusted lease expenditures
20 that are the producer's costs incurred during the calendar year of exploring for,
21 developing, or producing oil or gas deposits located within the producer's leases or
22 properties in the Cook Inlet sedimentary basin from which no oil or gas is produced
23 during the calendar year; and (3) the adjusted lease expenditures that are the
24 producer's costs incurred during the calendar year of exploring for oil or gas deposits
25 located within land in the Cook Inlet sedimentary basin in which the producer does not
26 own an operating right, operating interest, or working interest. For a calendar year for
27 which a limitation under AS 43.55.011(j) or (k) on the tax levied by AS 43.55.011(e)
28 would have the effect of reducing the producer's tax for oil or gas produced from one
29 or more leases or properties in the Cook Inlet sedimentary basin below the amount of
30 the tax that would be levied in the absence of that limitation, the producer shall
31 perform the calculations set out in (i) of this section. The amount, if any, calculated

1 under (i)(6) of this section is the only amount of Cook Inlet excess adjusted lease
 2 expenditures that may be used to establish a carried-forward annual loss under
 3 AS 43.55.023(b).

4 (i) A producer subject to (h) of this section shall perform the following
 5 calculations:

6 (1) calculate the total amount of Cook Inlet excess adjusted lease
 7 expenditures;

8 (2) multiply that total amount by 25 percent;

9 (3) calculate for each lease or property the amount by which a
 10 limitation under AS 43.55.011(j) or (k) would reduce the amount of the producer's tax
 11 levied by AS 43.55.011(e);

12 (4) calculate the total of the reductions calculated under (3) of this
 13 subsection for all affected leases or properties;

14 (5) if the amount calculated under (2) of this subsection is greater than
 15 the amount calculated under (4) of this subsection, subtract the latter from the former;
 16 and

17 (6) multiply the amount, if any, calculated under (5) of this subsection
 18 by four."

19
 20 Renumber the following bill sections accordingly.

21
 22 Renumber internal references to bill sections in accordance with this amendment in a way that
 23 makes secs. 23, 33, and 34 effective January 1, 2008. Insert references to secs. 33 and 34 in
 24 (b) of the applicability section. Insert references to secs. 23, 33, and 34 in (1)(B) of the
 25 retroactivity of regulations section (sec. 41). Below are all internal bill section references in
 26 this bill:

27 Page 31, lines 25, 27, 29, 30, and 31

28 Page 32, lines 1, 3, 13, 16, 19, and 31

29 Page 33, lines 2, 19 - 20, 21, and 22

AMENDMENT 42

OFFERED IN THE HOUSE

BY REPRESENTATIVE GUTTENBERG

TO: CSHB 2001(O&G)

1 Page 18, following line 25:

2 Insert new bill sections to read:

3 ** Sec. 26. AS 43.55.025(a) is amended to read:

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

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

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

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

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

17 * Sec. 27. AS 43.55.025(b) is amended to read:

18 (b) To qualify for the production tax credit under (a) of this section, an
19 exploration expenditure must be incurred for work performed [ON OR] after
20 December 31, 2007 [JULY 1, 2003], and before July 1, 2016, [EXCEPT THAT AN
21 EXPLORATION EXPENDITURE FOR A COOK INLET PROSPECT MUST BE
22 INCURRED FOR WORK PERFORMED ON OR AFTER JULY 1, 2005,] and

23 (1) may be for seismic or other geophysical exploration costs not

1 connected with a specific well;

2 (2) if for an exploration well,

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

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

7 (C) must be for a well that has been completed or
8 abandoned at the time the explorer claims the tax credit under (f) of this
9 section; and

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

15 (3) may not be for testing, stimulation, or completion costs;
16 administration, supervision, engineering, or lease operating costs; geological or
17 management costs; community relations or environmental costs; bonuses, taxes, or
18 other payments to governments related to the well; costs arising from gross
19 negligence or violation of health, safety, or environmental statutes or regulations;
20 or other costs that are generally recognized as indirect costs or financing costs; and

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

24 * Sec. 28. AS 43.55.025(c) is repealed and reenacted to read:

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

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

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

30 (A) before spudding the well, (i) the explorer shall submit to
31 the commissioner of natural resources the information necessary to determine

1 whether the geological objective of the well is a potential oil or gas trap that is
 2 distinctly separate from any trap that has been tested by a preexisting well; and
 3 (ii) the commissioner of natural resources must make an affirmative
 4 determination on that question; the commissioner of natural resources shall
 5 decide whether to make that determination within 60 days after receiving all
 6 the necessary information from the explorer and based on the information
 7 received and on other information the commissioner of natural resources may
 8 consider relevant;

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

14 (C) after completion or abandonment of the exploration well,
 15 the commissioner of natural resources must determine that the well adequately
 16 achieved the explorer's stated geological objective.

17 * Sec. 29. AS 43.55.025(f) is amended to read:

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

19 (1) an explorer shall, in a form prescribed by the department and,
 20 **except for a credit under (f) of this section,** within six months of the completion of
 21 the exploration activity, claim the credit and submit information sufficient to
 22 demonstrate to the department's satisfaction that the claimed exploration expenditures
 23 qualify under this section;

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

25 (A) to notify the Department of Natural Resources, within 30
 26 days after completion of seismic or geophysical data processing, completion of
 27 [A] well **drilling**, or filing of a claim for credit, whichever is the latest, for
 28 which exploration costs are claimed, of the date of completion and submit a
 29 report to that department describing the processing sequence and providing a
 30 list of data sets available; [IF, UNDER (c)(2)(B) OF THIS SECTION, AN
 31 EXPLORER SUBMITS A CLAIM FOR A CREDIT FOR EXPENDITURES

1 FOR AN EXPLORATION WELL THAT IS LOCATED WITHIN THREE
2 MILES OF A WELL ALREADY DRILLED FOR OIL AND GAS, IN
3 ADDITION TO THE SUBMISSIONS REQUIRED UNDER (1) OF THIS
4 SUBSECTION, THE EXPLORER SHALL SUBMIT THE INFORMATION
5 NECESSARY FOR THE COMMISSIONER OF NATURAL RESOURCES
6 TO EVALUATE THE VALIDITY OF THE EXPLORER'S CLAIM THAT
7 THE WELL IS DIRECTED AT A DISTINCTLY SEPARATE
8 EXPLORATION TARGET, AND THE COMMISSIONER OF NATURAL
9 RESOURCES SHALL, UPON RECEIPT OF ALL EVIDENCE SUFFICIENT
10 FOR THE COMMISSIONER TO EVALUATE THE EXPLORER'S CLAIM,
11 MAKE THAT DETERMINATION WITHIN 60 DAYS:]

12 (B) to provide to the Department of Natural Resources, within
13 30 days after the date of a request, unless a longer period is provided by the
14 Department of Natural Resources, specific data sets, ancillary data, and
15 reports identified in (A) of this paragraph; in this subparagraph,

16 (i) a seismic or geophysical data set includes the data
17 for an entire seismic survey, irrespective of whether the survey
18 area covers nonstate land in addition to state land or land in a unit
19 in addition to land outside a unit;

20 (ii) well data include all derivative products, results,
21 and copies of data collected and data analyses for the well; well
22 logs; sample analyses; geophysical and velocity data including
23 vertical seismic profiles and check shot surveys; and tangible
24 material including, for each whole core collected, a lengthwise cut
25 slab that is at least 1/3 of the whole core volume, and representative
26 samples, as specified by the Department of Natural Resources, of
27 other gaseous, liquid, or solid material collected from drilling or
28 testing the well;

29 (C) that, notwithstanding any provision of AS 38, information
30 provided under this paragraph will be held confidential by the Department of
31 Natural Resources

1 (i) in the case of well data, until the expiration of the
 2 24-month period of confidentiality described in AS 31.05.035(c),
 3 without extension, after which the Department of Natural
 4 Resources [FOR 10 YEARS FOLLOWING THE COMPLETION
 5 DATE, AT WHICH TIME THAT DEPARTMENT] will release the
 6 information after 30 days' public notice;

7 (ii) in the case of seismic or other geophysical data,
 8 other than seismic data acquired by seismic exploration subject to
 9 (l) of this section, for 10 years following the completion date, at
 10 which time the Department of Natural Resources will release the
 11 information after 30 days' public notice;

12 (iii) in the case of seismic data obtained by seismic
 13 exploration subject to (l) of this section, only until the expiration of
 14 30 days' public notice issued on or after the date the production tax
 15 credit certificates are issued under (5) of this subsection; and

16 (D) that, in the case of well data, the explorer will not make
 17 a request under AS 31.05.035(c) that the commissioner of natural
 18 resources keep the data confidential for longer than the 24-month period
 19 of confidentiality described in AS 31.05.035(c);

20 (3) if more than one explorer holds an interest in a well or seismic
 21 exploration,

22 (A) each explorer may claim an amount of credit that is
 23 proportional to the explorer's cost incurred;

24 (B) in the case of a well, each explorer holding an interest in
 25 the well shall agree, in writing, that the explorer will not make the request
 26 described in (2)(D) of this subsection;

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 two [A] production tax credit certificates, each [CERTIFICATE] for half of
 3 the amount of the credit to be allowed against production taxes levied by
 4 AS 43.55.011(e); the credit shown on one of the two certificates is available for
 5 immediate use; the credit shown on the second of the two certificates may not be
 6 applied against a tax for a calendar year earlier than the calendar year following
 7 the calendar year in which the certificate is issued, and the certificate must
 8 contain a conspicuous statement to that effect; notwithstanding any contrary
 9 provision of AS 38, AS 40.25.100, or AS 43.05.230, the following information is
 10 not confidential:

11 (A) the explorer's name;

12 (B) the date of the application;

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

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

15 and

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

19 * Sec. 30. AS 43.55.025(g) is amended to read:

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

24 * Sec. 31. AS 43.55.025(h) is amended to read:

25 (h) A producer that purchases a production tax credit certificate may apply the
 26 credits against its production tax liability under AS 43.55.011(e) [OR (f)]. Regardless
 27 of the price the producer paid for the certificate, the producer may receive a credit
 28 against its production tax liability for the full amount of the credit, but for not more
 29 than the amount for which the certificate is issued. A production tax credit allowed
 30 under this section may not be applied more than once.

31 * Sec. 32. AS 43.55.025(i) is repealed and reenacted to read:

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

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

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

8 * Sec. 33. AS 43.55.025(k) is amended by adding a new paragraph to read:

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

12 * Sec. 34. AS 43.55.025 is amended by adding a new subsection to read:

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

18 (1) have been for seismic exploration that

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

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

26 (2) qualify under (b)(3) of this section."
27

28 Renumber the following bill sections accordingly.

29
30 Page 31, line 25:

31 Delete "32 - 34, and 37"

1 Insert "41 - 43, and 46"

2

3 Page 31, line 27:

4 Delete "31, and 38"

5 Insert "31, 32, 34, 40, and 47"

6

7 Page 31, line 29:

8 Delete "Sections 26 and 27"

9 Insert "Sections 35 and 36"

10

11 Page 31, line 30:

12 Delete "sec. 26"

13 Insert "sec. 35"

14

15 Page 31, line 31:

16 Delete "sec. 27"

17 Insert "sec. 36"

18

19 Page 31, following line 31:

20 Insert a new subsection to read:

21 "(d) Sections 26 - 29 and 33 of this Act apply to exploration expenditures incurred for
22 work performed after December 31, 2007, that are the basis of tax credits that may be claimed
23 against taxes levied for oil and gas produced after December 31, 2007."

24

25 Reletter the following subsection accordingly.

26

27 Page 32, line 1:

28 Delete "sec. 29"

29 Insert "sec. 38"

30

31 Page 32, line 3:

1 Delete "29"

2 Insert "38"

3

4 Page 32, line 31:

5 Delete "32 - 34, and 37"

6 Insert "41 - 43, and 46"

7

8 Page 33, line 2:

9 Delete "26, 27, 31, and 38"

10 Insert "26 - 29, 31 - 34, 35, 36, 40, and 47"

11

12 Page 33, line 19, following ".":

13 Insert "(a) Section 30 of this Act is retroactive to July 1, 2003.

14 (b)"

15

16 Page 33, line 20:

17 Delete "32 - 34, and 37"

18 Insert "41 - 43, and 46"

19

20 Page 33, line 21:

21 Delete "26, 27, 31, and 38"

22 Insert "26 - 29, 31 - 34, 35, 36, 40, and 47"

23

24 Page 33, line 22:

25 Delete "sec. 44"

26 Insert "sec. 53"

AMENDMENT 43 Rep. Edgmon

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

1 Page 26, lines 17 - 19:

2 Delete

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

6 Insert

7 "(8) costs of arbitration, litigation, [OR OTHER] dispute resolution,
8 lobbying, public relations, advertising, or policy advocacy [ACTIVITIES THAT
9 INVOLVE THE STATE OR CONCERN THE RIGHTS OR OBLIGATIONS
10 AMONG OWNERS OF INTERESTS IN, OR RIGHTS TO PRODUCTION FROM,
11 ONE OR MORE LEASES OR PROPERTIES OR A UNIT];"

12

13 Page 29, line 12, following "processed":

14 Insert ";

15 (21) costs relating to office buildings, fixtures and equipment, and
16 real property that is not located on an oil or gas exploration, production, or
17 development lease or property in the state; and

18 (22) overhead, office, or administrative expenses and all other
19 indirect costs of oil or gas exploration, development, or production"

44

Rep. Gatto

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

1 Page 10, following line 25:

2 Insert a new bill section to read:

3 **** Sec. 14.** AS 43.55.011(e) is amended to read:

4 (e) There is levied on the producer of oil or gas a tax for all oil and gas
5 produced each month from each lease or property in the state, less any oil and gas the
6 ownership or right to which is exempt from taxation or constitutes a landowner's
7 royalty interest. Except as otherwise provided under (j) and (k) of this section, the tax
8 is equal to the greater of 25 [22.5] percent of the production tax value of the taxable
9 oil and gas as calculated under AS 43.55.160, or the minimum tax determined under
10 (f) of this section."

11

12 Renumber the following bill sections accordingly.

13

14 Page 14, line 21:

15 Delete "22.5"

16 Insert "25 [22.5]"

17

18 Renumber internal references to bill sections in accordance with this amendment in a way that
19 makes sec. 14 effective January 1, 2008, and adds sec. 14 to (b) of the APPLICABILITY
20 section and to (1)(B) of the TRANSITION: RETROACTIVITY OF REGULATIONS section.

21 Below are all internal bill section reference in this bill:

22 Page 31, lines 25, 27, 29, 30, and 31

23 Page 32, lines 1, 3, 13, 16, 19, and 31

1 Page 33, lines 2, 19 - 20, 21, and 22

11/4/07

Amendment 1
to
AMENDMENT *44*

OFFERED IN THE HOUSE

BY REPRESENTATIVE *Gatto*

TO: AMENDMENT NO. 44 TO CSHB 2001(O&G), Draft Version "L"

- 1 Page 1, line 5, following "produced each":
- 2 Delete "month"
- 3 Insert "calendar year"
- 4
- 5 Page 1, line 8, following "percent of the"
- 6 Insert "annual"

AMENDMENT

45

Seaton

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

- 1 Page 26, line 13:
- 2 Delete "arising from"
- 3 Insert "incurred as a result of [ARISING FROM]"

AMENDMENT *46*

OFFERED IN THE HOUSE

BY REPRESENTATIVE GUTTENBERG

TO: CSHB 2001(O&G)

1 Page 23, following line 14:

2 Insert a new subsection to read:

3 "(h) Subject to legislative appropriation for the purpose, the department may
4 compensate a person who provides to the department information about
5 noncompliance with the provisions of this chapter by an explorer or a producer of oil
6 or gas if that information leads to the collection of taxes, penalties, or interest from a
7 producer. The amount of compensation under this subsection may not exceed 10
8 percent of the tax, penalty, or interest collected as a result of the information. A state
9 employee is not eligible for compensation under this subsection."