

SB

20001

(FILE 1)



Official Business

ALASKA STATE LEGISLATURE

SENATOR THOMAS H. WAGONER

- Member, Resources
- Member, Community & Regional Affairs
- Member, World Trade

LBFA Admin

Session: January - May
 State Capitol, #423
 Juneau, AK 99801
 Phone: 907-465-2828 Fax: 907-465-4779

Interim: May - December
 145 Main Street Loop; Suite 226
 Kenai, AK 99611
 Phone: 907-283-7996 Fax 907--283-8127

written req.

DATE: October 5, 2007
 TO: Senator Charlie Huggins, Chair
 Senate Resources Committee
 FROM: Senator Tom Wagoner *Tom*
 RE: ACES Legislation

- retention of contractors of consultants
- hiring of retaining consultants
- anticipate
- LBFA has process for people's req.

I think it's imperative that we have legislative consultants available at the time we begin hearing the ACES legislation.

As of this time, I have no information as to who our consultants might be.

I would like to have those names, at your earliest convenience, so I can prepare for the hearings on the legislation.

✓ Since we now have a draft bill, it seems prudent to have consultants review the draft and at least provide information on how the draft bill improves the current statute.

- Daniel Johnson -
- Peter Van Alburg -
State Parks -
purchase the Admin
and make
avail to my constituency
support public
working before

- 283-9171 direct to Cheryl
- 252-5651 call "

per Linda: - cross on laptop
- hybrid on sub

Dan Dickinson ALASKA STATE LEGISLATURE

Steve Perler SENATOR FIRMUS H. WALKER

ALASKA STATE LEGISLATURE



Interim:

600 East Railroad Avenue
Wasilla, Alaska 99654
(907) 376-3370
(907) 376-3157 Fax

Senator_Lyda_Green@legis.state.ak.us

Session:

State Capitol
Juneau, Alaska 99801-1182
(907) 465-6600
Fax (907) 465-3805

Toll Free: 1-877-465-6601

SENATOR LYDA GREEN
PRESIDENT OF THE SENATE

September 28, 2007

The Honorable Sarah Palin
Governor
State of Alaska
Juneau, Alaska

Dear Governor Palin:

Earlier this month, during conversations with members of your staff, I indicated that the Alaska State Senate is eager to meet with administration officials to review and discuss legislation dealing with oil and gas production taxation as soon as draft legislation has been prepared by your administration. I wanted to follow up in writing regarding this issue, as well as to respectfully request that the Senate Bipartisan Working Group be notified when draft legislation is available for review by lawmakers.

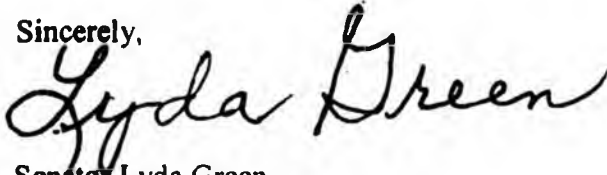
As you know, the Working Group has a wide range of opinions, concerns and questions regarding the issue of oil and gas taxation. Some senators were disappointed that you decided against a gross tax, while others, including myself, believe it is premature to make further changes or additional tax increases to Alaska's recently enacted petroleum production tax before it has been in place long enough to draw impartial and meaningful conclusions about its effectiveness; as well as its potential impact on private sector investment, exploration and development, Alaska jobs, and the overall economy of our State.

It is my belief that any consideration of further changes to Alaska's oil and gas production tax must be carefully weighted, seriously analyzed and fully debated before the legislature takes any action. It is critical that we ensure that the interests of all Alaskans, as well as the economic health of the State of Alaska, are considered and protected.

Therefore, I believe it is important that all senators meet with your oil and gas team between now and the start of the special session. I propose that this meeting take place in Anchorage at the Atwood Building as soon as your draft legislation is made available.

Please have your staff contact me or Portia Babcock in my Anchorage office at 269-0243, so we may schedule a meeting that works for you, your staff and for Working Group senators. Thank you for your consideration of this request. I look forward to hearing from you or your staff very soon.

Sincerely,

A handwritten signature in cursive script that reads "Lyda Green". The signature is written in black ink and is positioned above the typed name and title.

**Senator Lyda Green
Senate President**

cc **All Senators
The Honorable John Harris, Speaker of the House
Michael Tibbles, Chief of Staff, Office of the Governor
Russ Kelly, Legislative Liaison, Office of the Governor**

ALASKA STATE LEGISLATURE



Location:

600 East Railroad Avenue
Wasilla, Alaska 99654
(907) 576-3370
(907) 376-3157 Fax

Session:

State Capitol
Juneau, Alaska 99801-1182
(907) 465-6600
Fax (907) 465-3805

Senator_Lyda_Green@legis.state.ak.us

SENATOR LYDA GREEN
PRESIDENT OF THE SENATE

Toll Free: 1-877-465-6601

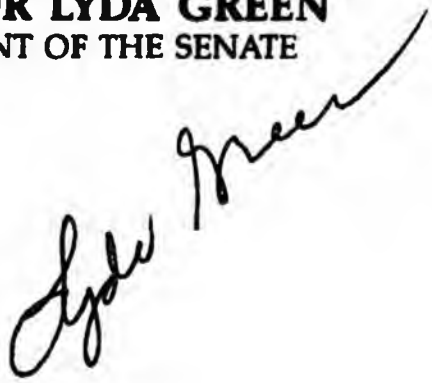
MEMORANDUM

TO: ALL SENATORS
Alaska State Legislature

FROM: Senator Lyda Green
President of the Senate

DATE: September 14, 2007

RE: Special Session called by Governor Palin



This memorandum is to inform you of the details concerning the upcoming special session called by Governor Palin to be held in Juneau commencing on October 18, 2007.

Citations and memoriams will not be introduced during this special scssion. Although the introduction of legislation during the special session can not be prohibited, remember that any such legislation will not carry over to the next regular session.

I am planning to convene the Senate at 8:00 p.m. on Thursday, October 18, 2007, and will begin the work of the Alaska State Senate immediately. In order to facilitate completing the work of the Senate in an expeditious, efficient and cost-effective manner, weekend breaks, session recesses and additional travel will not be authorized during this special session.

Only those staff (outside of Juneau) required to assist designated committee chairman or who are essential to provide assistance in conducting this special session will receive my approval to travel; approval must be granted prior to receiving authorization to travel. It is my intention that very few staff will travel.

If you have not done so already, please make your travel arrangements through Brandi Billings in the LAA Accounting office.

If you have questions regarding travel, please contact Ginger in my office at 465-5038. If you have non-travel related questions regarding the special session, please contact Portia in my office at 269-0243. Thank you.

SARAH PALIN
GOVERNOR
GOVERNOR@GOV.STATE.AK.US



P.O. Box 110001
JUNEAU, ALASKA 99811 0001
(907) 465-3500
FAX (907) 465-3532
WWW.GOV.STATE.AK.US

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

August 3, 2007

The Honorable John Harris
Speaker of the House
Alaska State Legislature
716 West Fourth Avenue, Suite 300
Anchorage, AK 99501-2133

Dear Speaker Harris:

I would like to take this opportunity to respond to your May 7 letter offering your support and cooperation with regard to matters related to the Petroleum Profits Tax (PPT). It was a pleasure reading that we are on the same page regarding the need to revisit PPT this year.

As you requested, I looked into the process in which the PPT was adopted, and I directed the Department of Revenue to review the implementation of PPT. Examination of the public records associated with the public corruption probe and indictments surrounding the passage of PPT last year provide sufficient evidence to conclude that the outcome of the PPT vote was a result of undue influence. In the interest of maintaining the public integrity of our tax system, the legislature should revisit PPT as soon as possible.

Enclosed is a status report on the performance of PPT to date which was recently completed by the Department of Revenue. As you can see, the performance of our new production tax law has fallen short of the goals and objectives touted by its proponents last year. Not only is the new tax resulting in far lower tax receipts than was originally estimated, the investment incentives incorporated into the new system have proven less valuable to explorers than was predicted when the bill was passed. This is unacceptable. Declining North Slope oil production is the most critical revenue issue facing Alaska today. It is imperative that the state provide incentives to explorers to take the risks necessary to discover new sources of oil production.

The Honorable John Harris
August 3, 2007
Page 2

Having reviewed the process leading up to the adoption of the PPT, as well as its performance, I am left with no other conclusion than to remain committed to call a special session.

This is no time for politics and rhetoric. Rather, it's time for good, sound policy that puts the interests of Alaska first. We can ill afford to undervalue a nonrenewable resource such as oil. However, if care is not taken, we jeopardize our long-term prosperity. I am confident we can work together to develop a law that balances an appropriate share of revenue generated from our petroleum resources with an attractive investment climate.

No doubt, there will be critics to whatever proposal is put forward and as we both know it is easy to posture and find fault. However, it will take real leadership committed to find the right solution for the long-term. I urge you and all your colleagues in the legislature to join me in showing Alaskans that we can demonstrate leadership by working together for the common good of our state.

With these thoughts in mind, it is my intention to call a special session of the Alaska State Legislature on October 18. I have directed the Department of Revenue to prepare a proposal to respond to the substantive deficiencies with PPT. I expect a proposal ready for release to the public by September 4. This will provide more than 40 days for the public and legislature to become familiar with the proposal before the special session begins.

I look forward to your continued support and cooperation.

Sincerely,

A handwritten signature in black ink, appearing to read "Sarah", with a long horizontal flourish extending to the right.

Sarah Palin
Governor

Alaska State Legislature

Session: (Jan-May)
State Capitol, Room 208
Juneau, AK 99801-1182
(907) 465-4859
Fax (907) 465-3799



Interim: (June-Dec)
716 West 4th Avenue, Suite 300
Anchorage, AK 99501-2133
(907) 269-0129
Fax (907) 269-0128

John Harris
Speaker of the House

May 7, 2007

The Honorable Sarah Palin
Governor, State of Alaska
P.O. Box 110001
Juneau, AK 99811-0001

Dear Governor Palin: 

In light of all the controversy swirling around the Petroleum Production Tax and the means to which it was adopted, I wish to express my support for a special session to revisit the tax legislation should you decide that one is needed.

I hope you will undertake a review of the process in which the PPT was adopted and decide whether or not the conclusion reached by the Legislature was flawed and tainted to the point that the PPT needs to be revisited.

With the clouds of suspicion hanging over the State today, I pledge my support and full cooperation should you decide to call us back into special session. I respectfully await your decision and look forward to working with your administration to put the events of these past few days behind us and work toward moving our state forward in a positive direction.

Sincerely, 

Representative John Harris
Speaker, Alaska State House



FPT
Sp Session

SENATOR KIM ELTON

MEMORANDUM

DATE: August 3, 2007
TO: Senator Lyda Green, Senate President
FROM: *[Signature]* Senator Kim Elton
SUBJ: Special session

A long special session is best held in Juneau for several important reasons. Administrative staff, legislative legal, legislative finance, and legislative research staff are important to the smooth functioning of a special session that will be lengthy and contentious. In Juneau, each member will have an office and office accoutrements with phone numbers assigned so constituents can contact their legislators.

I've attached the bookings for the Egan Center and the Carlson Center for your information. The Alaska Federation of Natives is holding its annual convention in Fairbanks from October 22 - 27 at the Carlson Center and the Egan Center calendar shows its facility booked for all but a few days during October and November.

In order to realize the governor's vision of having legislative activity on the road system, I believe holding committee meetings around Alaska before the special session begins fulfills that vision. Committee chairs can hold meetings in both urban and rural areas of the state to get the most public participation as possible before we meet.

Please let me know if there's anything I can do to facilitate a challenging special session.

Attachments

cc: Senate majority members

Post-It Fax Note	7671	Date	8/6/07	Page	7
To	<i>Sharon</i>	From	<i>Judy</i>		
Co./Dept.		Co.			
Phone #		Phone #			
Fax #		Fax #			

OCTOBER 2007 EGAN CENTER EVENTS

SUNDAY	MONDAY	TUES	WED	THURSDAY	FRIDAY	SATURDAY
	1 National Association of Social Workers	2 National Association of Social Workers	3 National Association of Social Workers	4 Boxing	5 Anchorage Daily News/DirBee German Club Octoberfest	6 German Club Octoberfest Arctic Beauty Supply
7 Arctic Beauty Supply	8 Gonzalez Marketing IT Expo	9 SAE International Gonzalez Marketing IT Expo	10 SAE International Gonzalez Marketing IT Expo	11 MEDS-PDN Mtg. Boxing	12 MEDS-PDN Mtg. SOA/Court System	13
14 Institute of the North - Arctic Energy	15 Institute of the North - Arctic Energy	16 Institute of the North - Arctic Energy	17 Institute of the North - Arctic Energy	18 Institute of the North - Arctic Energy	19	20 AKCrafters AlaskaPik Productions/Garry Lodson Anchor Lutheran School Dinner
21	22 Chamber Monday Forum Luncheon	23	24	25 Boxing	26	27 Mahatma Banquet
28	29 Chamber Monday Forum Luncheon	30	31			




NOVEMBER 2007 EGAN CENTER EVENTS

SUNDAY	MONDAY	TUES	WED	THURSDAY	FRIDAY	SATURDAY
				1 Boxing	2	3
4	5	6	7 Southern Region EMS	8 Southern Region EMS Boxing	9 Southern Region EMS	10 Southern Region EMS Rocky Mountain Elk Foundation Dinner
11	12 Chamber Monday Forum Luncheon	13	14	15 ACVB Monthly Luncheon & Board Meeting Salvation Army Lunch Boxing	16 Webb's Consulting/Crafts Emporium (Setup)	17 Webb's Consulting/Crafts Emporium
18 Webb's Consulting/Crafts Emporium	19 Chamber Monday Forum Luncheon	20	21 Bureau of Indian Affairs (Storage)	22 Bureau of Indian Affairs (Storage)	23 Bureau of Indian Affairs (Storage)	24 Bureau of Indian Affairs (Storage) Anchorage Women's Club Holiday Party
25 Bureau of Indian Affairs (Storage)	26 Bureau of Indian Affairs	27 Bureau of Indian Affairs	28 Bureau of Indian Affairs	29 Bureau of Indian Affairs	30 Bureau of Indian Affairs	

NOVEMBER 2007 - 7/6/2007



DECEMBER 2007 EGAN CENTER EVENTS

SUNDAY	MONDAY	TUES	WED	THURSDAY	FRIDAY	SATURDAY
						1 Lutheran Women's Advent Breakfast The Employees Activities Comm. of the Trial Courts Shoo Atika Lunch AK USA Holiday Party
2	3 Chamber Monday Forum Luncheon	4	5 Southcentral Foundation Elders Lunch Christmas Party	6 AK School Food Service Assn. Trade Show Boxing	7 PouAir Dinner AK Native Tribal Health Consortium Holiday Party	8 BP Holiday Party 381 st Inlet Squadron Holiday Party
9	10 Chamber Monday Forum Luncheon SOA/Dept of Commerce, Comm. & Econ. Dev. Meeting	11 US Fish & Wildlife SOA/Dept of Commerce, Comm. & Econ. Dev. Meeting	12 US Fish & Wildlife YWCA Luncheon SOA/Dept of Commerce, Comm. & Econ. Dev. Meeting	13 US Fish & Wildlife ACVB Monthly Luncheon Boxing	14 Southcentral Foundation Holiday Party	15 AK Peace Officers Assn. Holiday Dinner
16	17	18	19	20 Boxing	21	22
23	24	25 	26	27 Boxing	28	29
30	31					

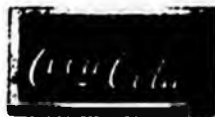
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[MERCHANDISE](#) | [SURVEY](#) | [EMPLOYMENT OPPORTUNITIES](#) | [CONTACT INFORMATION](#)

UPCOMING EVENTS

July 2007 / Aug 07 / Sep 07 / Oct 07 / Nov 07 / Dec 07 / Jan 08 / Feb 08 / Mar 08 / Apr 08 / May 08 / Jun 08



◀ Previous Month

NOVEMBER 2007

Next Month ▶

	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
ticketmaster					1	2 Alaska vs. Michigan State Hockey	3 Alaska vs. Michigan State Hockey
ticketmaster Sellers' Sign Up Now!							
COVERAGE HERE! CALL 907.451.7888 ON EVENT. TODAY!	4	5 Board of Realtors Luncheon	6 Chamber of Commerce General Membership Luncheon	7	8	9 Holiday Marketplace	10 Holiday Marketplace
	11 Holiday Marketplace	12 Chamber of Commerce Board Luncheon	13 Chamber of Commerce General Membership Luncheon	14	15 BP Top of the World Basketball Classic	16 BP Top of the World Basketball Classic	17 BP Top of the World Basketball Classic
	18 BP Top of the World Basketball Classic	19 Chamber of Commerce Board Luncheon	20 Chamber of Commerce General Membership Luncheon	21	22	23	24
	25	26 Chamber of Commerce Board Luncheon	27 Chamber of Commerce General Membership Luncheon	28	29	30 Alaska vs. Northern Michigan Hockey	



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\$\$ MERCHANDISE | SURVEY | * EMPLOYMENT OPPORTUNITIES | CONTACT INFORMATION

UPCOMING EVENTS

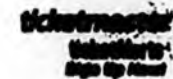
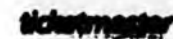


July 2007 / Aug 07 / Sep 07 / Oct 07 / Nov 07 / Dec 07 / Jan 08 / Feb 08 / Mar 08 / Apr 08 / May 08 / Jun 08

◀ Previous Month

DECEMBER 2007

Next Month ▶



	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
							1 Alaska vs. Northern Michigan Hockey
2		3 Chamber of Commerce Board Luncheon	4 Chamber of Commerce General Membership Luncheon	5	6	7 Private Holiday Party	8 Private Holiday Party Newmarket Gingerbread House Competition
9		10 Chamber of Commerce Board Luncheon	11 Chamber of Commerce General Membership Luncheon	12	13	14 Alaska vs. OBU Hockey	15 Alaska vs. OBU Hockey
16		17 Chamber of Commerce Board Luncheon	18 Chamber of Commerce General Membership Luncheon	19	20	21	22
23		24	25	26	27	28 Alaska vs. UAA Hockey	29 Alaska vs. UAA Hockey
30		31					



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TRANSACTION REPORT

AUG-06-2007 MON 02:31 PM

FOR: SEN. GREEN

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FRANK E. MURKOWSKI
Governor



P.O. Box 110001
Juneau, Alaska 99811-0001
(907) 465-3500
Fax (907) 465-3532

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

June 22, 2006

The Honorable Ben Stevens
Alaska State Senate
716 West Fourth Avenue, Suite 510
Anchorage, AK 99501

Dear President Stevens:

By the time you receive this letter you will understand why I am not in Alaska to publicly announce the special session which I am calling for July 12, 2006.

The call will include the continuing need to replace the Economic Limit Factor (ELF)-based oil severance tax with a net profits based Petroleum Production Tax (PPT). By waiting to address PPT we create instability for the private sector and a poor investment climate for oil and gas. We have had a healthy and long debate. Now, we must come to a resolution so that investment decisions can be made without any further delay. I am also concerned that we are losing \$3.2 million per day without the PPT.

I believe this ongoing tax debate is about whether you see Alaska's future as a glass half-full or a glass half-empty. I believe that Alaska is approaching a renaissance of opportunity and prosperity. It is why the 20/20 plan's focus is on encouraging private investment to increase oil production, to grow the economy, and to fill the rest of the "glass."

Some who seek high tax rates view Alaska's glass as half-empty because they are more focused on what the producers might get than Alaska's need for more oil and gas investment and the gas pipeline. Some believe that the extra revenue from a higher PPT tax rate is worth the gamble and are willing to accept the risk that high tax rates will not reduce private investment. Others philosophically believe in high government taxes to promote more government spending.

I want to continue to fill Alaska's "glass," and building the gas pipeline is absolutely critical to future development of the North Slope. That is, without the gas pipeline, revenues from oil will cease in 20 to 30 years.

The grim picture painted by charts illustrating the decline in oil production reflects the policies of the past but do not predict the future I see for Alaska. With a fair tax structure the private sector will develop smaller North Slope oil fields. It is only through increased development that Alaska will receive significant long-term revenues from oil. Add the gas pipeline and the life of the Trans Alaska Pipeline and the jobs and revenue that come with it are extended for an additional two decades.

The 37 trillion cubic feet of gas accessed by the new gas pipeline is the equivalent of six billion barrels of oil – another Prudhoe Bay for our children's future.

I intend to reintroduce my 20/20 proposal, which you will recall I first introduced during the regular session on February 21, 2006:

- This proposal will maximize the long-term value of our oil by encouraging the significant investment (particularly in heavy oil) needed to arrest the continuing substantial decline in the flow of oil through TAPS;
- Any higher PPT tax rate will increase oil revenues only over the very short term, but will result in less investment and thus less oil through TAPS over the long term;
- We have been successful in negotiating a comprehensive, signable gas pipeline contract. At current gas prices, the gas pipeline will provide the people of Alaska more than \$100 billion in revenues over 35 years of the contract. By extending TAPS for another two decades, the gas pipeline project will cause Alaska to receive another \$25 billion in oil revenues.

As we continue the Stranded Gas Development Act (SGDA) approval process, we are listening to you and Alaskans in the meetings we are holding in communities all over Alaska. Alaskans are telling us they want some changes in the contract. This public process will continue. One of the Stranded Gas Development Act/ contract changes, which will also be part of the call, should make it much easier to accept the 20 percent PPT tax rate, which I maintain is in the long-term best interest of the state.

Reforming ELF, increasing oil flows through TAPS, and advancing the gas pipeline project are long overdue. Our gasline proposal is the most realistic alternative for obtaining a revenue source to replace steadily declining oil revenues which, without a gas pipeline, will stop in 20 to 30 years. The misnamed "All Alaska Gas Pipeline" and independent pipeline proposals

Legislators - Second Special Session
June 22, 2006
Page 3 of 3

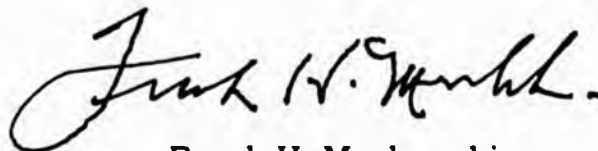
impose greater risk to the state and are painful paths to years of litigation and further delay. The speculation that either could somehow result in a better agreement for Alaska than the agreement you have before you is just that - speculation. Simply put, these are not viable alternatives. They are not economically sound and they are not based on the realities of the gas transmission business.

Some pundits have suggested that due to election politics we should wait until after the elections to address taxes and the pipeline. It's nonsense that any of us would allow election year politics to influence such critical issues and ask that you join me in condemning those who may do so. I appreciate the serious way in which the Legislature has considered these issues. It is our collective responsibility to tackle these items, we can not wait until after the elections are over because the reserves tax (which is on the November ballot) will kill the gas pipeline project by killing the project economics along with oil and gas investment in our state. Signing a contract ahead of that election will provide Alaskans the assurance that punitive taxes are not necessary in order to get the gas pipeline.

To fulfill our responsibilities to the people of this state, the executive and legislative branches of government must come together to co-operate and act now. I understand the July 12th call may be disruptive, but the state is 85 percent reliant on hydrocarbon revenues. Our grandchildren are relying on us to leave them the second Prudhoe Bay similar to what we have enjoyed. Without a pipeline North Slope oil production runs out in 20 to 30 years. If we do not get this project ratified before November, the reserves tax may pass and kill Alaska's future. That is simply not acceptable.

After more than 30 years of discussing it, I look forward to working together with you to approve a gas pipeline project that will guarantee a strong, vibrant future for all Alaskans.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Frank H. Murkowski". The signature is fluid and cursive, with a long horizontal stroke at the end.

Frank H. Murkowski
Governor

cc: Alaska State Legislators

ALASKA STATE LEGISLATURE

Sen. Charlie Huggins, Chair
Sen. Bert Stedman, Vice Chair
Sen. Lyda Green
Sen. Gary Stevens
Sen. Lesil McGuire
Sen. Bill Wielechowski
Sen. Thomas Wagoner



State Capitol, Room 119
Juneau AK 99801-1182
907-465-3878
Fax: 907-465-3265
800-862-3878

Senate Resources Committee

Butrovich Rm 205

Friday, October 19, 2007

9:00 a.m. - 2:00 p.m.

AGENDA

SB 2001

Production Tax on Oil and Gas

Sponsor Presentation: Governor's Production Tax Team

Patrick Galvin, Commissioner Dept. of Revenue
Marcia Davis, Deputy Commissioner Dept. of Revenue
Jon Iverson, Dir. Tax Div., Dept of Revenue
Bob George, Gaffney, Cline & Associates
Rich Ruggiero, Gaffney, Cline & Associates

272-2119
Janet McCabe

ALASKA STATE LEGISLATURE

-line item



- Advising about contracts

State Capitol, Room 113
Juneau, AK 99801-1143
907-586-3473
Fax: 907-469-1508
907-586-3878

Chadler Huggins, Chair
Curtis W. Johnson, Vice Chair
L. V. Adams
Laurie Stevens
L. Earl Stedman
Bill Wiedelowski
Thomas Womack

Senate Resources Committee
Butovitch km 208

Friday, October 19, 2007
9:00 a.m. - 2:00 p.m.

AGENDA

SR 2007

Production Tax on Oil and Gas

Sponsor Presentation: Governor's Production Tax Team

- Patrick Galtin, Commissioner Dept. of Revenue
- Marla Davis, Deputy Commissioner Dept. of Revenue
- for Investor, The Tax Div. Dept. of Revenue
- Bob George, Galtney, Cline & Associates
- Rich Kuggiero, Galtney, Cline & Associates

1. Gavel In & Call to Order : Note time – members present

**I CALL THE SENATE RESOURCES COMMITTEE TO ORDER ON
FRIDAY, OCTOBER 19, 2007. LET THE RECORD REFLECT
THAT IT IS _____ A.M..**

PRESENT ARE:

**Vice-Chairman Senator Bert Stedman
Senator Gary Stevens
Senator Lyda Green
Senator Lesil McGuire
Senator Bill Wielechowski
Senator Tom Wagoner
& myself, Senator Charlie Huggins**

2. SB 2001 OIL & GAS TAX AMENDMENTS

Welcome:

**Patrick Galvin, Commissioner Dept. of Revenue
Marcia Davis, Deputy Commissioner Dept. of Revenue
Jon Iverson, Dir. Tax Div., Dept of Revenue
Bob George, Gaffney, Cline & Associates
Rich Ruggiero, Gaffney, Cline & Associates**

- a. Ask the speakers to introduce themselves for the record.**

3. Announce: We'll have SB 2001 before us this week-end and through next week which I anticipate will see Senate Resources considering this measure for in excess of 60 hours.

Tomorrow: 8:00 AM start right here.

**Sunday: Joint Meeting w/House Oil & Gas starting @ 1:00 PM in
House Finance**

6. Meeting adjourned @ _____.

ALASKA STATE LEGISLATURE

Sen. Charlie Huggins, Chair
Sen. Bert Stedman, Vice Chair
Sen. Lyda Green
Sen. Gary Stevens
Sen. Lesil McGuire
Sen. Bill Wielechowski
Sen. Thomas Wagoner



State Capitol, Room 119
Juneau AK 99801-1182
907-465-3878
Fax: 907-465-3265
800-862-3878

Senate Resources Committee

Butrovich Rm 205

Saturday, October 20, 2007

8:00 a.m. - 1:00 p.m.

AGENDA

SB 2001 - Oil and Gas Production Tax
Sponsor Presentation: Governor's Production Tax Team

II Alaska's Global Competitiveness Under ACES

Bob George, Gaffney, Cline & Associates

Rich Ruggiero, Gaffney, Cline & Associates

Roger Marks, Economist, Dept. of Revenue

Thorsten Wucherphennig, PFC Energy

Dr. Michael Williams, Chief Economist, Dept. of Revenue,

Patrick Galvin, Commissioner, Dept. of Revenue

Marcia Davis, Deputy Commissioner, Dept. of Revenue

Kevin Banks, Acting Director, Division of Oil & Gas

ALASKA STATE LEGISLATURE



**Joint Meeting
Senate Resources and
House Oil and Gas
House Finance Room 519
Sunday, October 21, 2007
1:00 p.m.- 6:00 p.m.**

AGENDA

**SB 2001/HB 2001 - Oil and Gas Production Tax
Presentation by: Governor's Production Tax Team**

**III - ACES Preserves Investment Climate
and
Sectional Analysis of SB 2001/HB 2001**

**Patrick Galvin, Commissioner, Dept. of Revenue
Tony Finizza, Consulting Economist
Cherie Nienhuis, Petroleum Economist, Dept. of Revenue
Kevin Banks, Acting Director, Division of Oil & Gas
Robert Mintz, Preston Gates
Marcia Davis, Deputy Commissioner, Dept. of Revenue**

Gavel In & Call to order:

I call the Joint House Special Committee on Oil & Gas & the Senate Resources Committee meeting to order.

LET THE RECORD REFLECT THAT IT IS _____ A.M.
Sunday October 21, 2007

Present are:

<u>Senate</u>	<u>House Special Cmte on Oil & Gas</u>
Chair Huggins	Chair, Olson
Vice Chair Stedman	Samuels
Green	Dahlstrom
McGuire	Ramras
Stevens	Neuman
Wielechowski	Doogan
Wagoner	Kawasaki

**On the Agenda Today: For part III of the Administration's presentation:
Preserving the Investment Climate and a Sectional Analysis of SB2001 & HB 2001**

Please come forward introduce yourselves for the record.

Patrick Galvin, Commissioner, Dept. of Revenue

Tony Finizza, Consulting Economist

Cherie Nienhuis, Petroleum Economist, Dept. of Revenue

Kevin Banks, Acting Director, Division of Oil & Gas

Robert Mintz, Preston Gates

Marcia Davis, Deputy Commissioner, Dept. of Revenue

Announce: Senate Resources will be back in the Butrovich room tomorrow morning @ 10:15; that's a 15 minute delayed start. Hearing from our legislative consultants & advisors: Don Bullock, Dan Dickenson and Steve Porter.

Chair of HO&G can announce their schedule.

Meeting Adjourned @ _____

ALASKA STATE LEGISLATURE

Sen. Charlie Huggins, Chair
Sen. Bert Stedman, Vice Chair
Sen. Lyda Green
Sen. Gary Stevens
Sen. Lesil McGuire
Sen. Bill Wielechowski
Sen. Thomas Wagoner



State Capitol, Room 119
Juneau AK 99801-1182
907-465-3878
Fax: 907-465-3265
800-862-3878

Senate Resources Committee Butrovich Rm 205

Saturday, October 27, 2007
9:00 a.m. - TBD

AGENDA

CS SB 2001 ()

Work Draft 25-GS0014/E
Bullock 10/26/07

"An Act relating to the production tax on oil and gas and to conservation surcharges on oil; relating to the sharing between agencies of certain information relating to the production tax and to oil and gas or gas only leases; amending the State Personnel Act to place in the exempt service certain state oil and gas auditors and their immediate supervisors; providing for retroactive application of certain statutory and regulatory provisions relating to the production tax on oil and gas; making conforming amendments; and providing for an effective date."

- Don Bullock, Legislative Counsel
- Steve Porter, LB&A Consultant

ALASKA STATE LEGISLATURE

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Senate Resources Committee

Butrovich Rm 205

Tuesday, October 23, 2007

9:00 a.m. - 5:00 p.m.

&

Public Testimony 6:15 - TBD

AGENDA

SB 2001 - Oil and Gas Production Tax

Morning

Chevron North America Exploration & Production,
John P. Zager, General Manager, Alaska

Pioneer Natural Resources Alaska, Inc.,
Ken Sheffield, President

Anadarko Petroleum Corporation
Mark Hanley, Manager, Public Affairs, Alaska

Afternoon

Alaska Oil & Gas Association,
Marilyn Crockett, Executive Director

Alaska Support Industry Alliance,
Lynn Thompson, President
Paul Laird, General Manager

Resource Development Council
John Shively, President

No Handout

6:15 PM

Public Testimony

-Time Limit May Be Set -

ALASKA STATE LEGISLATURE

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Sen. Thomas Wagoner



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Senate Resources Committee

Butrovich Rm 205

Monday, October 22, 2007

10:30 a.m. - 5:00 p.m.

****DELAYED UNTIL 10:30 A.M.****

AGENDA

SB 2001 - Oil and Gas Production Tax

Administration Sectional Analysis of SB 2001

Marcia Davis, Deputy Commissioner, Dept. of Revenue

Robert Mintz, Preston Gates

Legislative Advisors/Consultants

Dan Dickinson, Legislative Budget & Audit Consultant

Steve Porter, Legislative Budget & Audit Consultant

Don Bullock, Legislative Counsel

ALASKA STATE LEGISLATURE

Sen. Charlie Huggins, Chair
Sen. Bert Stedman, Vice Chair
Sen. Lyda Green
Sen. Gary Stevens
Sen. Lesil McGuire
Sen. Bill Wielechowski
Sen. Thomas Wagoner



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Senate Resources Committee

Butrovich Rm 205

Tuesday, October 23, 2007

9:00 a.m. - 5:00 p.m.

&

Public Testimony 6:15 - TBD

AGENDA

SB 2001 - Oil and Gas Production Tax

Morning

Chevron North America Exploration & Production,
John P. Zager, General Manager, Alaska

Pioneer Natural Resources Alaska, Inc.,
Ken Sheffield, President
Pat Foley, Manager, Land & External Affairs

Anadarko Petroleum Corporation
Mark Hanley, Manager, Public Affairs, Alaska

Afternoon

Alaska Oil & Gas Association,
Marilyn Crockett, Executive Director

Alaska Support Industry Alliance,
Lynn Thompson, President
Paul Laird, General Manager

Resource Development Council
John Shively, President

6:15 PM

Public Testimony

-Time Limit May Be Set -

ALASKA STATE LEGISLATURE

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Senate Resources Committee

Butrovich Rm 205

Wednesday, October 24, 2007

10:00 a.m. – 5:00 p.m.

6:15 p.m.

AGENDA

SB 2001 - Oil and Gas Production Tax

Morning

BP Exploration

Claire Fitzpatrick - Commercial Senior Vice President

Mike Utsler - Senior Vice President – Prudhoe Bay

Afternoon

(continuation) BP Exploration testimony

ConocoPhillips

Kevin Mitchell - Vice President, Finance & Administration

Jim Taylor - Vice President, Commercial Assets

6:15 PM

Public Testimony

-Time Limit May Be Set -

ALASKA STATE LEGISLATURE

Sen. Charlie Huggins, Chair
Sen. Bert Stedman, Vice Chair
Sen. Lyda Green
Sen. Gary Stevens
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Sen. Thomas Wagoner



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Senate Resources Committee

Butrovich Rm 205

Thursday, October 25, 2007

10:00 a.m. – 5:00 p.m.

AGENDA

SB 2001 - Oil and Gas Production Tax PPT Amendments

Alaska State Chamber of Commerce
Wayne Stevens - President and CEO

Brooks Range Petroleum
Ken Thompson – via phone

ExxonMobil
Craig Haymes – Production Manager, ExxonMobil Alaska

Possible call backs of Previous Presenters

ALASKA STATE LEGISLATURE

Sen. Charlie Huggins, Chair
Sen. Bert Stedman, Vice Chair
Sen. Lyda Green
Sen. Gary Stevens
Sen. Lesil McGuire
Sen. Bill Wielechowski
Sen. Thomas Wagoner



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Senate Resources Committee

Butrovich Rm 205

Friday, October 26, 2007

1:00 p.m. - TBD

AGENDA

SB 2001 - Oil and Gas Production Tax
PPT Amendments

Patrick Galvin, Commissioner, Dept. of Revenue

John Iverson, Director, Tax Division, Dept. of Revenue

Gary Rogers, Revenue Audit Supervisor, Dept. of Revenue

Rich Ruggiero, Gaffney Cline & Associates

ALASKA STATE LEGISLATURE

Sen. Charlie Huggins, Chair
Sen. Bert Stedman, Vice Chair
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Sen. Gary Stevens
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Sen. Bill Wielechowski
Sen. Thomas Wagoner



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Senate Resources Committee

Butrovich Rm 205

Saturday, October 27, 2007

9:00 a.m. - TBD

AGENDA

CS SB 2001 ()

Work Draft 25-GS0014/E

Bullock 10/26/07

"An Act relating to the production tax on oil and gas and to conservation surcharges on oil; relating to the sharing between agencies of certain information relating to the production tax and to oil and gas or gas only leases; amending the State Personnel Act to place in the exempt service certain state oil and gas auditors and their immediate supervisors; providing for retroactive application of certain statutory and regulatory provisions relating to the production tax on oil and gas; making conforming amendments; and providing for an effective date."

- Don Bullock, Legislative Counsel
- Steve Porter, LB&A Consultant

ACES

Alaska's Clear and Equitable Share

ACES OVERVIEW

HYBRID SYSTEM

- **Net Base**
 - 25% rate
 - Adjustments to progressivity
 - Adjustments to qualified capital credits
 - Improved credit system for explorers
 - Elimination of "TIE" credits (for past expenditures)
- **Gross Floor (Not Additive)**
 - 10% on Prudhoe Bay and Kuparuk Fields
 - Will kick in at low oil prices

TOOLS TO PROTECT THE STATE'S INTERESTS

- **Competitive Pay for Auditors**
- **Information Needed by the State**
 - Expenditure details in a timely manner and
 - Cost forecasts
 - Information sharing between state agencies with protecting confidentiality
 - Public disclosure of certain information
- **Clear Rules**
 - Define allowable deductions
 - Exclude inappropriate deductions (Corrosion / Dismantlement, Removal & Restoration)

Guiding Principles for New Production Tax System

- Fair Revenue to the State
- Attractive Investment Climate
 - New Exploration
 - Re-investment in Existing Fields (including "Heavy Oil")
- Transparency - Minimize Risk to the State



Final Report Sept 2007

Alaska's Clear and Equitable Share (ACES) Plan

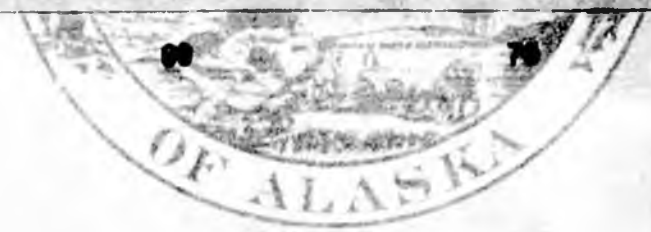
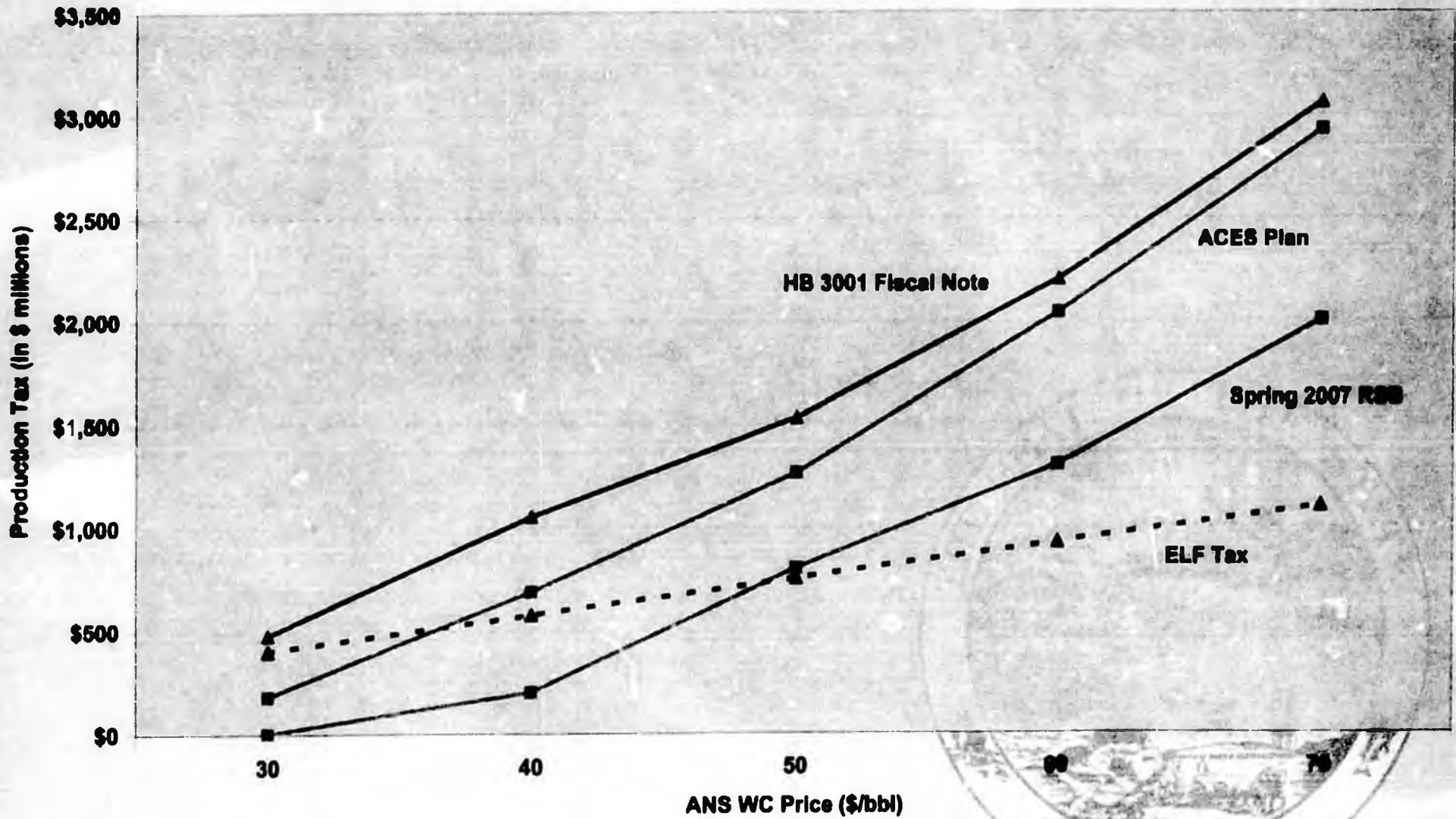
for oil & gas

- 10% Gross-based Tax Floor on Legacy Fields
- 25% Tax Rate on Net Profits
- Progressive Feature that Kicks In at \$30 Net Value (annual) and Rises at Two-tenths of a Percent per Dollar
- Eliminates the Transitional Investment Expenditures "TIE" Credits
- Requires Capital Expenditure Costs to be Taken as Credits Over Two Years, Rather than Immediately
- Fixes "Corrosion" Issue - SB 80 Type Approach
- Excludes Dismantlement, Removal & Restoration (DR&R) Costs from Allowable Expenditures
- Expands Exploration Incentive Credit Program to Include One Exploration Well and Up to Two Delineation Wells
- Provides Vehicle for New Explorers to Get the Same Value for their Credits as Producers
- Transparency - Minimize Risk to the State
 - Requires Taxpayers to Provide Cost Projections to Allow State to Better Forecast State Revenues and Pursue Changes in Reported Costs
 - Authorizes Public Reporting of Some Cost Data
 - Authorizes a Short-term Audit Program
 - Designates an Exempt Class of Oil and Gas Auditors



FY 2008 Production Tax Estimates

HB 3001 Fiscal Note, Spring 2007 Revenue Sources Book, ELF Tax and ACES Plan



Project Net Present Value of Cash Flows (10% Discount Rate)

\$40 Test Price (\$ Millions)

	Status Quo PPT	ACES Plan	16% Gross Tax No Capital Credits	19% Gross Tax With Capital Credits
Field/Project A	178	128	-35	27
Field/Project B	72	48	-22	9
Field/Project C	59	27	-53	-22
Field/Project D	-64	-90	-398	-282
<i>Production Tax Revenues FY2008 @ \$60 oil price</i>	\$1.3B	\$2.0B	\$2.1B	\$2.0B



Government Take Metrics

	At \$60
Marginal Government Take (%) (Fiscal Year 2008)	
ACES	68
International Average – All Fiscal Regimes (Median)	67
International Average – PSA Fiscal Regimes (Median)	74
International Average – Tax Royalty Regimes (Median)	55

Source: International Data from PFC Energy Consultants



10-1-04

FEATURES

Alaska's Clear and Equitable Share (ACES) Plan

- 10% gross-based tax floor on legacy fields;
- 25% tax rate on net profits;
- Progressive feature that kicks in at \$30 net value (annual), and rises at two-tenths of a percent per dollar;
- Eliminates the transitional investment expenditures "TIE" credits;
- Requires capital expenditure costs to be taken as credits over two years, rather than immediately;
- Fixes "corrosion" issue – SB 80 type approach;
- Excludes Dismantlement, Removal & Restoration (DR&R) costs from allowable expenditures;
- Expands Exploration Incentive Credit program to include one exploration well and up to two delineation wells;
- Provides vehicle for new explorers to get the same value for their credits as producers;
- Transparency - Minimize Risks to the State:
 - Requires taxpayers to provide cost projections, to allow state to better forecast state revenues and pursue changes in reported costs;
 - Authorizes public reporting of some cost data;
 - Authorizes a Short-term Audit program;
 - Designates an exempt class of oil and gas auditors to allow the Dept. of Revenue to successfully compete and recruit the highest caliber experienced oil and gas accountants to design and implement the long-term audit program.

10-1-07

ACES

Alaska's Clear and Equitable Share

AGENDA

1. Introductions
2. Overview of Analysis Done by Administration
3. Why we chose the components of Alaska's Clear and Equitable Share (ACES)
4. What do legislators need from the Administration?
5. Questions and Answers



ACES

Alaska's Clear and Equitable Share

Production Tax Team Assignment

- 1. Develop a gross production tax that:
 - A. Encourages industry investment**
 - B. Enhances State Revenue**
 - C. Is transparent and efficient to administer****
- 2. Compare best gross tax options to improved net-based tax options**



ACES

Alaska's Clear and Equitable Share

Multi-Agency Team

- **DOR:**
 - Deputy Commissioner and Tax Director
 - Economists
 - Auditors
- **DNR:**
 - Economists
 - Resource Evaluation Specialists
- **DOL: Assistant Attorney General**
- **Outside Contractors**



ACES

Alaska's Clear and Equitable Share

Approach

- Team divided into subteams to produce timely results
 - Econ Subteam - worked on state revenue model with cost forecasting corrections, created an Alaska specific industry valuation model using real field data, developed optimum gross and net-based tax approaches
 - Administrative Subteam - tasked with identifying problems with existing PPT structure and developing solutions



ACES

Alaska's Clear and Equitable Share

Econ Subteam- Step one

DNR and DOR developed models of 7 Alaska development projects with actual cost, production, and revenue data. Purpose is to enhance prior PPT work where consultants used primarily prototypes. The projects selected as most likely to be developed:

- 1) Small Satellite Field within existing unit
- 2) Midsize new unit, some facility sharing
- 3) Viscous oil satellite project
- 4) Medium Stand alone new unit
- 5) Large Stand alone new unit
- 6) Very remote stand alone unit
- 7) Heavy Oil project



ACES

Alaska's Clear and Equitable Share

Econ Team- Step Two

- Upgrade State Revenue Forecast model by incorporating low, mid and high cost forecast scenarios.
- Necessary in light of step change in costs that occurred in 2005, which made many forecasts inaccurate, including the fiscal note forecast for HB3001.



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Alaska's Clear and Equitable Share

Econ Team- Step Three

Develop understanding of the economic “knobs” and how their settings impact state and industry revenue sharing across range of oil prices.

- 1) Tax rate- single rates and multiple rates for different fields
- 2) Progressivity trigger price and slope of curve
- 3) Capital Credit rates, scope and timing
- 4) Exploration Credit rates, scope and timing
- 5) Heavy Oil discount factor



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Alaska's Clear and Equitable Share

Gross Tax (GT) Options explored

- GT 16%, no credits, no progressivity
- GT 19%, 20% Qualified Capital Expenditure (QCE) credits, progressivity
- GT 13%, no QCE credits, progressivity
- GT 13%, 20% QCE Credits, progressivity
- GT Back End Loaded Table (variable tax rate with higher GT as field aged, built in progressivity), no QCE credits
- GT Back End Loaded Table (variable tax rate with higher GT as field ages, built in progressivity), 20% QCE credits

ACES

Alaska's Clear and Equitable Share

Net Tax Options Explored

- Status Quo- 22.5%, 20% QCE credit
- PPT at 22.5%, 40% well credit
- PPT at 25%, progressivity of .3/\$30, 20% QCE credit
- PPT at 25%, progressivity of .3/\$30, 40% well credit
- PPT at 25%, progressivity of .4/\$25, 20% QCE credit
- PPT at 25%, progressivity of .2/\$30, 20% QCE credit
- PPT at 30%, progressivity of .3/\$30, 20% QCE credit
- PPT at 35% on mature fields, 22.5% all others, progressivity of .3/\$30, 20% QCE credit
- PPT at 30% on mature fields, 22.5% all others, progressivity of .3/\$30, 20% QCE credit
- PPT at 30% on mature fields, 25% all others, progressivity of .3/\$30, 20% QCE credit



Additional Options Examined

- HB89 and SB174 Gross tax proposals
- Proposed Fair Tax Voter Initiative gross tax
- Heavy Oil discount factor for Gross Tax options



ACES

Alaska's Clear and Equitable Share

Consultants' Work

- DOR chose a suite of experts to ensure diverse views and optimum world project information coverage.
- Government take from countries around the world was compiled by PFC, AD Little and Gaffney Cline, and presented across range of oil prices and discount factors.

The logo for ACES (Alaska's Clear and Equitable Share) is displayed in large, bold, white letters. The background of the slide features a black and white photograph of a person in a boat, possibly a fisherman, with a large fish visible in the water.

ACES

Alaska's Clear and Equitable Share

Lessons Learned

- DOR learned the following:
 - 1) Many elements fall within Government take and different experts combine different elements to generate government take data.
 - 2) To be meaningful, world regimes need to be broken into Production Sharing and Tax/Royalty groups.
 - 3) Specific metrics should reflect whether project is a new field or mature field; and whether you are examining perspective of industry or government.
 - 4) Value of government take data is higher when it is derived from actual projects, rather than hypotheticals.
 - 5) An analysis of industry spending is a necessary complement to the government take analysis to assess relative importance of government take and political stability (factors government can control) versus the region's prospectivity and costs to develop (factors government does not directly control).



ACES

Alaska's Clear and Equitable Share

Administrative Subteam

- Reviewed lessons learned since PPT passage
- Met with lawyers and administrators charged with drafting, and administering PPT regulations
- Met with industry to discuss elements that were working and not working well from reporting and compliance standpoint

ACES

Alaska's Clear and Equitable Share

Administrative Provisions

- Tighten Qualified Lease expenditures: modified SB 80, exclusions for refining operations/topping plants, dismantlement, removal, restoration
- Improve Value of Credits to State by aiming more precisely at new investment: EIC credits for 1 exploration and 2 delineation wells, eliminate Transitional Investment Expenditure (TIE) credits, credits are refundable by state if not usable, credits for capital expenditures taken over 2 years
- Calculate Progressivity on an annual basis



ACES

Alaska's Clear and Equitable Share

Administrative Provisions

- Improve State's Audit Function- Add class of exempt auditors; Statute of Limitations extended to 6 years
- Economic information gathering: forward looking PA cost data; monthly and annual reporting in format uploadable to new database
- Economic Information sharing: facilitate DNR-DOR data sharing; enhanced public reporting



ACES

Why we chose the components of Alaska's
Clear and Equitable Share (ACES)

**“Cradle to Grave” Government Share of Pre-Tax Income
Undiscounted @ \$60 (Applicable to New Fields)**

International Tax Regimes- Data Source PFC Study Sept 2007		
	Top 25%	Median (Mid-Point)
All Fiscal Regimes	72%	48%
Production Sharing Fiscal Regimes	82%	75%
Tax Royalty Regime (No AK or lower 48 on-shore)	51%	47%
Norway	78%	78%
UK	50%	50%
Gulf of Mexico	46%	46%
Alaska Tax Regimes (FY 2008) (Six Representative New Fields)		
ACES (2008 cost est.)	66% to 69% (Median 66.5%)	
PPT (Status Quo) (2008 cost est.)	63% to 68% (Median 64%)	

- **ACES is in top 25% of discounted government share among Tax Royalty Regimes**
- **ACES is near the median of discounted government share among All Fiscal Regimes**
- **ACES is between Norway and UK in top 25% of discounted government share**

**“Cradle to Grave” Government Share of Pre-Tax Income
Discounted at 10% @ \$60 (Applicable to New Fields)**

International Tax Regimes- Data Source PFC Study Sept 2007		
	Top 25%	Median (Mid-Point)
All Fiscal Regimes	76%	63%
Profit Sharing Fiscal Regimes	81%	76%
Tax Royalty Regimes (No AK or lower 48 on-shore)	58%	50%
Norway	81%	81%
UK	51%	51%
Gulf of Mexico	52%	48%
Alaska Tax Regimes (FY 2008) (Six Representative New Fields)		
ACES (2008 cost est.)	68% to 74% (Median 69.5%)	
PPT (Status Quo) (2008 cost est.)	65% to 72% (Median 68%)	

- **ACES is in top 25% of discounted government share among Tax Royalty Regimes**
- **ACES is near the median of discounted government share among All Fiscal Regimes**
- **ACES is between Norway and UK in top 25% of discounted government share**

**“Snapshot” of Percent of Incremental \$ to Government @ \$60
(Mature fields- In production > 10 years)**

International Tax Regimes- Data Source PFC Study Sept 2007		
	Top 25%	Median (Mid-Point)
All Fiscal Regimes	62%	43%
PSA Fiscal Regimes	89%	85%
Tax Royalty Regimes (No AK or lower 48 on-shore)	43%	43%
Norway	78%	78%
UK	50%	50%
Gulf of Mexico	43%	43%
Alaska Tax Regimes (NS Average Mature Fields FY 2008)		
ACES (2008 cost est.)	69%	
PPT (Status Quo) (2008 cost est.)	67%	

- **ACES is in the top 25% of Government Share among Tax Royalty Regimes**
- **ACES is in the highest quartile of Government Share among All Fiscal Regimes**
- **ACES is between Norway and UK in the top 25% of Government Share**



What do legislators need from the Administration?

Questions and Answers

State of Alaska

Department of Revenue
Commissioner's Office



SARAH PALIN, GOVERNOR

333 Willoughby Avenue, 11th Floor

P.O. Box 110400

Juneau, Alaska 99811-0405

Phone: (907) 465-2300

Fax: (907) 465-2394

Sectional Analysis ACES

- Section 1:** Expresses legislative intent regarding application of the statute of limitations.
- Section 2:** Provides for the Department of Natural Resources to share with the Department of Revenue confidential information for use in administering the production tax or forecasting tax revenue, and maintains confidentiality.
- Sections 3-9:** No substantive change. Amends references to altered statutes.
- Section 10:** Provides for an exempt class of oil and gas auditors and supervisors.
- Section 11:** See sections 3-9.
- Section 12:** Makes conforming amendment regarding disclosure of certain taxpayer information.
[See Sec. 61]
- Section 13:** Provides for the Department of Revenue to share production tax information with the Department of Natural Resources, and maintains taxpayer confidentiality.
- Section 14:** Makes conforming amendments regarding statute of limitations for production tax.
[See Sec. 50]
- Section 15:** Repeals tax levy under PPT and establishes new oil and gas tax as calculated in following sections.
- Section 16:** Replaces current North Slope tax floor with new 10% gross tax floor on certain very large fields.
- Section 17:** Establishes net tax rate of 25% plus a progressivity factor of 0.2%.
- Section 18:** Lowers progressivity trigger from \$40 per barrel to \$30 per barrel (net) and provides for annual calculation instead of monthly.
- Sections 19-20:** Conforming amendments.
- Section 21:** Makes conforming change consistent with section 55, to the existing provision preventing Cook Inlet producers from utilizing Cook Inlet tax ceiling to export tax credits to other areas of the state.
- Section 22:** Changes the monthly installment tax calculations to conform to changes made by sections 15-18 and to take account of the existing Cook Inlet tax ceilings.
- Sections 23-25:** Conforming amendments.
- Section 26:** Limits to 50% the amount of a capital credit that may be claimed for a single calendar year; conforms data submission requirements for exploration capital credits to the data submission requirements for AS 43.55.025 exploration credits

[See Sec. 39]; Limits use of capital credits generated in fields subject to the 10% gross tax floor to taxes on oil and gas from those fields.

Section 27: Conforms the tax credit rate for carried-forward annual loss to the new basic net tax rate enacted by section 17, and provides that fields subject to the 10% gross tax floor may not carry forward losses.

Section 28: Conforming amendments for transferable tax credit certificates, increases from 60 to 120 days a time limit for Department of Revenue approval of certificates, and applies the 50% annual limitation in section 26 to certificates.

Sections 29-30: Conforming amendments..

Section 31: Clarifies that tax-exempt entities may not apply for transferable credit certificates.

Sections 32-36: Conforming amendments.

Section 37: Updates provisions for exploration credits, provides that a suspended well does not qualify for credits until completed or abandoned, and excludes costs arising from gross negligence or environmental or health and safety violations.

Section 38: Modifies eligibility provisions for exploration wells credits to better define and enforce the requirement to test a previously unexplored prospect while allowing for several exploration wells within a limited period of time.

Section 39: Clarifies the data submission requirements for exploration credits, reduces the confidentiality period for certain data, applies the 50 percent annual limitation in section 26 to exploration credits, and provides for public disclosure of basic information relating to credits.

Section 40: Clarifies that tax-exempt entities may not transfer exploration tax credits.

Sections 41-42: Conforming and clarifying amendments.

Section 43: Changes the definition of "preexisting well" for purposes of exploration credits to exclude wells drilled within 540 days rather than 150 days.

Section 44: Establishes 5% credit which may be claimed against seismic exploration expenses incurred before July 1, 2003, in exchange for seismic data, the acquisition of which is determined by the Commissioner of DNR to be in the best interest of the state.

Section 45: Creates Oil and Gas Tax Credit Fund for the purposes of purchasing certain tax credits from explorers and producers; Establishes procedure and standards for appropriation into and management of fund. (Replaces existing credit buy-back provisions [See Sec. 63])

Section 46: Requires producers to file annual report with the Department of Revenue annually, even if no tax is due that year, and expands examples of required information.

Section 47: Assesses penalty for late filing of reports required under sections 46 and 48.

Section 48: Requires producers and explorers to report certain expenditures and adjustments annually to the Department of Revenue and allows the Department of Revenue to require monthly reporting of information considered necessary for administering of taxes.

Section 49: Authorizes the Department of Revenue to require reporting of information needed for revenue forecasting purposes and to assess penalties for failure to timely file reports.

- Section 50:** Extends statute of limitations for production tax to six years, subject to extension due to changes in federal income tax, and provides for tax effects of retroactive changes in items that affect a producer's tax.
- Section 51:** Allows the Department of Revenue to establish and require electronic filing and payment.
- Section 52:** Clarifies how production tax values (i.e., taxable values) of oil and gas are calculated, consistent with changes enacted by sections 15-18.
- Section 53:** Makes conforming amendments required under section 52.
- Sections 54-55:** Further implements the changes enacted by section 52, providing for allocation of lease expenditures among leases or properties, and specifies an "anti double-dipping" provision with respect to Cook Inlet tax ceilings.
- Section 56:** Amends the description of deductible lease expenditures, provides that only expenditures allowed by regulation may be deducted, and makes terminology for overhead expenses consistent with ordinary usage.
- Section 57:** Conforms with section 56; existing language is moved to a different subsection.
- Section 58:** Makes non-deductible all expenditures for dismantlement, removal, or restoration; for repair, replacement, or repair associated with interruption of or reduction in oil or gas production or releases of oil, gas, or other substances; and for refineries or topping plants; allows for deduction of added value of refinery or topping plant products used in lease operations.
- Section 59:** Clarifies language of existing provision on cost allocation.
- Section 60:** Conforming change regarding repeal of certain provisions (see section 63).
- Section 61:** Authorizes Department of Revenue to publish production tax information if aggregated among at least three producers or explorers.
- Section 62:** Adds definitions needed for other provisions of Act.
- Section 63:** Repeals transitional investment expenditure (TIE) tax credit; repeals provisions for using unit operating agreements to determine deductible lease expenditures; Repeals existing provisions for state refund of certain tax credit certificates and makes conforming repeals.
- Section 64:** Applicability provisions: most substantive tax changes apply starting January 1, 2008; several apply back to April 1, 2006.
- Sections 65-68:** Transition provisions.
- Section 69:** Makes certain provisions of the act retroactive consistent with section 64; Makes section 40 retroactive to beginning of exploration tax credit program (July 1, 2003).
- Section 70:** Provides for January 1, 2008, effective date for most substantive changes to production tax.
- Section 71:** Establishes immediate effective date for Act other than as provided by section 70.