

**SB**

**2001**

**(FILE 3)**

**SIDE-BY-SIDE  
COMPARISONS  
W/ HB 2001**

**Summary Comparison between Various Approaches to Production Tax**

*85% Prudhoe Kuparuk take*

| <u>Issue</u>                      | <u>Current Law</u>                | <u>SB/HB 2001 (ACES) as introduced</u>         | <u>CS HB 2001(FIN)am</u>  | <u>Senate Finance CS</u>   |
|-----------------------------------|-----------------------------------|--|---|--|
| <b>Base Rate</b>                  | <b>AS 43.55.011 (e) &amp; (g)</b> | <b>Bill Sections 15 &amp; 17</b>               | <b>Bill Sections 15</b>   | <b>Bill Sections 15 &amp; 17</b>   |
| Base Tax Rate                     |                                   | 25%  | 25%   |  |
| <b>Progressivity</b>              | <b>AS 43.55.011(g) &amp; (h)</b>  | <b>Bill Sections 17,18</b>                     | <b>Bill Sections 17,18</b>  | <b>Bill Sections 17</b>  |
| \$/bbl Starting point             | \$40 net                          | \$30 net                                       | \$30 net  | \$30;50;70;90 net  |
| Tax/\$ of Price Index             | 0.25%                             | 0.20%  | 0.40%   | .6; .5; .35; .1%   |
| Average Value over                |                                   | year   |   |  |
| Applied to                        |                                   | net  |   |  |
| Cap                               |                                   | 25% of net                                     |   | 50% of net   |
| <b>Gross Value Floor</b>          | <b>AS 43.55.011(i)</b>            | <b>Bill Section 15, 16, 31-36, &amp; 41-42</b> | <b>Bill Section 16</b>  | <b>Bill Section 16</b>   |
| Base                              |                                   | Prudhoe; Kuparuk                               |   |  |
| Rate                              |                                   | 10%  |   |  |
| Apply .024 credits against floor? |                                   | No   |   |  |
| Apply .025 credits against floor? |                                   | No   |   | No   |
| <b>Investment Credits</b>         | <b>AS 43.55.023</b>               | <b>Bill Section 26-28, 38-44 &amp; 63</b>      | <b>Bill Section 26-28</b>   | <b>Bill Section 25-29</b>  |
| Investment Credits                |                                   | 1/2 in each of two years                       |   | 1/2 in each of two years   |
| Loss Carry Forward Credits        | 20%                               | 25%  | 25%   | 22.5%  |
| Transitional Investment Credits   | Yes                               | No   | All taxpayers allowed application of TIE matching spending in April 1 2006 - Dec 31, 2007, even if application deferred | TIE credits end for producers Dec 31, 2008, current non producers can use through 2013 |

*BT*

*Prudhoe Kuparuk - 85% take  
 5% decrease in...  
 ...*

**Summary Comparison between Various Approaches to Production Tax**

| <u>Issue</u>                                 | <u>Current Law</u>           | <u>SB/HB 2001 (ACES) as introduced</u>                | <u>CS HB 2001(FIN)am</u>                                      | <u>Senate Finance CS</u>         |
|--|------------------------------|---|---|----------------------------------|
| <b>Exploration Credits</b>                   | <b>AS 43.55.025</b>          | <b>Bill Section 38 - 44</b>                           | <b>Bill Section 29-35</b>                                     | <b>Bill Section 31-39</b>        |
| Rates  | 20; 40%                      | 20; 40%   | 30; 40%   | 20; 40%                          |
| General & Admin Costs                        | disallowed                   | bad acts I  | costs arising from Bad Acts III - criminal                    | bad acts I                       |
| DNR approval required?                       | In CI, to avoid 3 mile limit | Always  | Always, w/ language changes                                   | Always.                          |
| Confidentiality of well data                 | 10 years                     | 2 years   | 2 years, or if DNR declines to, or private landowner declines | 2 years, or if DNR declines to.  |
| Seismic on non state land                    | silent                       | included  | explicit exclusion without permission                         | silent <i>en part</i>            |
| Pre-existing well                            | One drilling season          | Two consecutive drilling seasons                      | Two consecutive drilling seasons                              | Two consecutive drilling seasons |
| "DNR TIE" Credits for pre 2003 seismic work? | no                           | 5%  | 5%  | 5%                               |
| <b>Exceptions to Tax Credits</b>             |                              |   |   |                                  |
| None   | none                         | none  | unpaid judgment   | none                             |
| Tax Exempt entities take credits?            |                              | no  |   | no                               |
| <b>State Purchase of Credits</b>             |                              |   |   |                                  |
| Paid from:                                   |                              | oil and gas credit fund, funded from production taxes |   |                                  |
| Annual dollar cap per taxpayer?              | \$25 million <sup>2.</sup>   | none  | \$ 25 million (however ARM unlimited)                         | none                             |
| ARM Board Purchases?                         | n/a                          | n/a   | yes   | n/a                              |

*Graham...*

*if...*

*DNR can choose to...*

*returns...*

Summary Comparison between Various Approaches to Production Tax

**CP Producers**

| Issue                                  | Current Law<br>AS 43.55.165       | SB/HB 2001 (ACES) as<br>introduced   | CS HB 2001(FIN)am<br>Bill Section 46-51  | Senate Finance CS<br>Bill Section 46-51  |
|--|-----------------------------------|--|--|--|
| <b>Allowable Lease Expenditures</b>    |                                   |  |  |  |
| Allowed by regulation                  | no language                       | must be  | must be  | must be <i>authorized by DUE</i>   |
| Use producer audits of operators?      | Explicit                          | Explicit repealed; Implicit  | Explicit repealed; Implicit  | Explicit for WIOs <i>(working int owners)</i>  |
| Disallow bad acts II?                  | yes                               | add violation of law, lease or license   | costs arising from Bad Acts III - criminal   | Disallow bad acts II?  |
| DR&R Allowed?                          | Allocated                         | No   | No   | No   |
| "Corrosion" Issue                      |                                   | \$0.30 + unscheduled events disallowed   | \$ 30 a bbl disallowed+ intent language  | \$ 30 a bbl disallowed+ unscheduled interruption   |
| Field Topping Plants allowed?          | Yes                               | No   | No   | No   |
| Off Lease allowed                      |                                   |  | must be in state   |  |
| Public Outreach costs                  | not explicit                      | not explicit   | no; listed   | no; listed   |
| Opex                                   | actual                            | actual   | Yet to be written regulations will define 2006; then 3% annual increase; (regardless of production or ownership?)                    | actual   |
| <b>Information</b>                     | AS 43.05.230 and royalty statutes |  | Bill Sections 2-9,11,13,36-39, 52  | Bill Sections 2-9,11,13,36-39, 52  |
| forward looking information required   | none                              | information "necessary to forecast ... revenues under AS 43.55". Penalty up to \$1000 a day. | information "necessary to forecast ... revenues under AS 43.55". Penalty up to \$1000 a day if demanded information not forthcoming. | information "necessary to forecast ... revenues under AS 43.55". Penalty up to \$1000 a day if demanded information not forthcoming. |
| Disclosure of tax information          |                                   | if aggregated w/2 other producers, no requirement to prevent identification                  | if aggregated w/2 other producers. [ still under umbrella required to prevent identification]  | if aggregated w/2 other producers, no requirement to prevent identification  |
| DNR sharing royalty information w/ DOR | limited ability                   | expanded ability   | expanded ability   | expanded ability   |
| DOR sharing tax information with DNR   | limited ability                   | expanded ability   | expanded ability   | expanded ability   |
| <b>Statute of Limitations</b>          | AS 43.05.260                      | Bill Sections 1,14,50 new AS 43.55.075   | Bill Sections 1,14,41 new AS 43.55.075   | Bill Sections 1,14,41 new AS 43.55.075   |
| State assessment must be issued within | 3 yrs                             | 6 yrs  | 6 yrs  | 4 yrs  |

**Summary Comparison between Various Approaches to Production Tax**

| <b>Issue</b>                             | <b>Current Law</b>      | <b>SB/HB 2001 (ACES) as introduced</b>                  | <b>CS HB 2001(FIN)am</b>  | <b>Senate Finance CS</b>   |
|--|-------------------------|---|---|--|
| <b>DOR Auditors</b>                      | <i>As 39.25.100</i>     | <i>BIH Sections 10, 65, 67</i>                          | <i>BIH Sections 10, 56</i>  | <i>BIH Sections 10, 56</i>   |
| DOR & DNR auditors exempt employees?     | no                      | yes   | 2 DNR and 4 DOR exempt master auditors authorized.                    | 2 DNR and 4 DOR exempt master auditors authorized.                           |
| <b>Effective Date</b>                    |                         | <i>BIH Section 64</i>                                   | <i>BIH Section 1, 60-61</i>   | <i>BIH Section 1, 60-61</i>  |
| Generally                                | n/a                     | Jan 1 2008  | Jan 1 2008  | July 1 2007  |
| Retroactive to April 1 2006              | n/a                     | unscheduled interruption                                | deferred maintenance issues (Intent language)                         | TECHNICAL AMENDMENT: unscheduled interruption                                |
| <b>Downstream Costs</b>                  | <i>As 43.55.150</i>     |   | <i>BIH Section 43</i>   | <i>BIH Section 43</i>  |
| Reasonable v actual                      |                         |   | Downstream Tanker and Pipelines = Actual, except, reasonable if lower | Downstream Tanker and Pipelines = Actual, except, <u>reasonable if lower</u> |
| Prima facie reasonable                   |                         |   | "just and reasonable" and arms' length transactions                   | "just and reasonable" and arms' length transactions                          |
| Taps Tariff                              |                         |   |   |  |
| <b>Gas Ceilings thru 2022</b>            |                         | <i>As 43.55.011</i>                                     | <i>BIH Section 22</i>   | <i>BIH Section 20,22</i>   |
| Where                                    | CI                      | CI  | CI + gas used in the state  |  |
| Interaction with credits                 | implicit                | <i>make less statutory explicit importing from regs</i> | implicit  | explicit high-level statement of rules                                       |
| <b>Additional Penalties</b>              | <i>new As 43.55.055</i> |   | <i>BIH Section 40</i>   | <i>BIH Section 24,40</i>   |
| Additional Penalties for Under reporting | none                    | none  | 10% for 10% or 10mm understmnt, 20% for 20% or 20mm understmnt        | none   |

*Include actual by reasonable*

*make less statutory*

**Summary Comparison between Various Approaches to Production Tax**

| <u>Issue</u>   | <u>Current Law</u>   | <u>SB/HB 2001 (ACES) as introduced</u>     | <u>CS HB 2001(FIN)am</u><br><i>BM Section 1</i>  | <u>Senate Finance CS</u><br><i>BM Section 1</i>   |
|--|--|--|--|---|
| <b>Intent Language</b>   |  |  |  |   |
| overall intent of legislation  | n/a  | no   | included   | no  |
| long standing interpretation of SOL  | n/a  | included                                   | included   | included  |
| Half the money from certain retroactive applications to PERS and public education fund |  |  |  | retroactivity dollars to public education fund, incremental dollars to other listed investments |
| tax savings from gas ceilings outside CI passed on to ultimate consumers               | n/a  | no   | encourage availability of affordable gas   | no  |
| <b>Admin</b>   | <i>AS 43.55.020(a)</i>   |  | <i>BM Sections 12,23-26,42</i>   | <i>BM Sections 12,23-26,42</i>  |
| Monthly Estimated payments   | Estimated payments without ceilings, refund due taxpayer at year end | Ceilings applied monthly                   | Ceilings applied monthly (sec A and C could be parallel)<br>may appropriate \$50 mm from progressivity | Ceilings applied monthly (sec A and C could be parallel)  |
| LIHEAP funding   | No   | No   | yes - with limitation for bad faith  | No  |
| Whistleblower language   | No   | No   | yes - with limitation for bad faith  | yes - with limitation for bad faith   |
| DNR NPSL regulations   | n/a  | general grant for retroactive applications | may be retroactive   | may be retroactive  |
| Required 2011 Report -   | Yes  | Yes  | deleted  | Yes   |

*must still include inadvertently left out*

| Topic                              | RPT                    | ACES   | CS House Bill 2001 (FIN) am  | SCS CS House Bill 2001 (FIN)  |
|------------------------------------|------------------------|--|--|---|
| Intent, Savings                    |                        | Sec. 1. Confirmation of DOR's interpretation of statute of limitations for retroactive tax changes. [effective immediately]  | <del>CS Sec. 1. Confirmation of DOR's interpretation of statute of limitations for retroactive tax changes. [effective immediately]</del>  | <del>CS Sec. 1. Confirmation of DOR's interpretation of statute of limitations for retroactive tax changes. [effective immediately]</del> |
| DNR-DOR Information Sharing        |                        | Sec. 2. Amends AS 38.05.035(a). Adds authority for DNR to share oil & gas info with DOR. [effective immediately]   | CS Sec. 2. ACES language [effective immediately]   | CS Sec. 2. ACES language.   |
| Conforming Amendments              |                        | Secs 3-9 Conforming technical amendments. [effective immediately]  | CS Secs 3-9 ACES language [effective immediately]  | CS Secs 3-9 ACES language   |
| Auditors                           |                        | Sec. 10. Amends AS 39.25.110. Adds departments of revenue and natural resources oil and gas auditors and supervisors to the exempt service. [effective immediately]  | CS Sec. 10. Amends AS 39.25.110. Adds oil and gas auditor masters employed in a professional capacity by DOR & DNR to the exempt service; intent to limit four masters to DOR and two to DNR (CS Sec. 56). [effective immediately] | CS Sec. 10. House language.   |
| Conforming Amendments              |                        | Sec. 11 Amends AS 41.09.010(d) Conforming technical amendments. [effective immediately]  | CS Sec. 11 ACES language [effective immediately]   | CS Sec. 11 ACES language  |
| Energy Assistance                  |                        |  | CS Sec. 12. Adds new section AS 43.45.045. LINEAP funding option. [effective immediately]  | CS deletes.   |
| Information Disclosure             |                        | Sec. 12 Amends AS 43.05.230(a) Adds AS 43.55.890 (disclosure of tax info) as possible exception under AS 43.05.230(a) (unlawful disclosure). [effective immediately] | CS deletes   | CS Sec. 12. ACES language.  |
| DOR-DNR Information Sharing        |                        | Sec. 13 Amends AS 43.05.230(h) Adds authority for DOR to share production tax info with DNR. [effective immediately]   | CS Sec. 13 ACES language [effective immediately]   | CS Sec. 13 ACES language  |
| Assessments Statute of Limitations |                        | Sec. 14 Amends AS 43.05.260(a) Creates an exemption to allow DOR six years to conduct production tax assessments rather than three years. [effective immediately]    | CS Sec. 14 ACES language [effective immediately]   | CS Sec. 14 ACES language  |
| Tax Rate                           | AS 43.55.011(e). 22.5% | Sec 15 25% [effective 1/1/2008] [applies to production after 12/31/07]   | CS Sec. 15. 25% [effective 1/1/2008] [applies to production after 12/31/07]  | CS Sec. 15. 22.5%   |

|  | PPT   | ACES  | CS House Bill 2001 (FIN) am   | SCS CS House Bill 2001 (FIN)   |
|--|---|---|---|--|
| <b>Tax Floor</b>                               | AS 43.55.011(f). Sets a tax floor of not less than 4% of gross value for North Slope oil and gas when the average West Coast price is \$25 per barrel with step down factors. | Sec. 16. Repeals & reenacts AS 43.55.011(f). Sets a tax floor on legacy fields of 10% of the total gross value at the point of production, tax credits cannot reduce liability below floor [effective 1/1/2008] [applies to production after 12/31/07]  | CS Sec. 16. Amends AS 43.55.011(f). Retains PPT tax floor, exempts private royalty interests (AS 43.55.011(i) and gas used instate from the floor. [effective 1/1/2008] [applies to production after 12/31/07]                                  | CS 16. Amends AS 43.55.011(f) tax floor, exempts private royalty interests (AS 43.55.011(i) from the floor.  |
| <b>Progressivity AS 43.55.011(g) &amp; (h)</b> | AS 43.55.011(g) and (h) Triggered at \$40 net value with a .25% increase per dollar. 25% tax cap on progressivity rate.   | Sec. 17 and 18. Repeals & reenacts AS 43.55.011(g); amends (h) Triggered at \$30 net value on an annual basis with 0.2% increase per dollar. 50% maximum tax rate (including progressivity) [effective 1/1/2008] [applies to production after 12/31/07] | CS Sec. 17 and 18. Repeals & reenacts AS 43.55.011(g) and (h). Triggered at \$30 net value on a monthly basis with 0.4% increase; progressivity tax rate capped at 25% for a month. [effective 1/1/2008] [applies to production after 12/31/07] | CS Sec. 17. Repeals & reenacts AS 43.55.011(g). Introduces a new progressivity provision. Repeals AS 43.55.011(h).   |
| <b>Cook Inlet Conforming Amendments</b>        | AS 43.55.011(j). Cook Inlet tax ceiling.  | Sec. 19 Amends AS 43.55.011(j) Conforming technical amendment deletes reference to AS 43.55.011(g) (progressivity) because reference is no longer applicable. [effective 1/1/2008] [applies to production after 12/31/07]                               | CS Sec 19 ACES language [effective 1/1/2008] [applies to production after 12/31/07]   | CS Sec 18 ACES language  |
| <b>Cook Inlet Conforming Amendments</b>        | AS 43.55.011(k). Cook Inlet tax ceiling.  | Sec. 20. Amends AS 43.55.011(k) Conforming technical amendment. deletes reference to AS 43.55.011(g) (progressivity) [effective 1/1/2008] [applies to production after 12/31/07]  | CS Sec 20 ACES language [effective 1/1/2008] [applies to production after 12/31/07]   | CS Sec 19 ACES language  |
| <b>Cook Inlet Conforming Amendments</b>        | AS 43.55.011(l). Cook Inlet tax ceiling.  | Repeals AS 43.55.011(l). conforming technical repeal.   | PPT (retains AS 43.55.011(l))   | Repeals AS 43.55.011(l).   |
| <b>Cook Inlet Tax Credits</b>                  | AS 43.55.011(m) Cook Inlet tax credits  | Sec 21 Amends AS 43.55.011(m) Adds language to be consistent with sec 55 (lease expenditures); deletes reference to AS 43.55.011(g) (progressivity). [effective 1/1/2008] [applies to production after 12/31/07]  | CS Sec. 21. Amends AS 43.55.011(m). Retains ACES technical amendments; deletes additional ACES language. [effective 1/1/2008] [applies to production after 12/31/07]  | CS Sec. 20. Repeals & reenacts AS 43.55.011(m). Adds language that requires DOR to establish by regulation a method for application of Cook Inlet tax credits. |
| <b>Gas Used Instate</b>                        |   |   | CS Sec. 22. Adds new subsection AS 43.55.011(o). Extends Cook Inlet tax ceilings in .011(j)(2) to gas used instate. [effective 1/1/2008] [applies to production after 12/31/07]   | CS deletes.  |
| <b>Tax Payment</b>                             | AS 43.55.020(a). Installment payments.  | Sec. 22. Repeals & reenacts AS 43.55.020(a) Makes installment payment calculations consistent with changes to the production tax [effective 1/1/2008] [applies to production after 12/31/07]  | CS Sec. 23. Repeals & reenacts AS 43.55.020(a). Different changes from Senate. [effective 1/1/2008] [applies to production after 12/31/07]  | CS Sec. 21. Repeals & reenacts AS 43.55.020(a). Different changes from House.  |

| Bill/Section  | PPT  | ACES  | CS House Bill 2001 (FIN) am  | SCS CS House Bill 2001 (FIN)  |
|---|--|---|--|---|
| <b>Tax Payment</b>                                    | AS 43.55.020(d). Royalty owner settlement deductions and instalment payments.  | Sec. 23. Amends AS 43.55.020(d) Conforming technical amendments. deletes reference to AS 43.55.011(f) and (g) (floor & progressivity) because references are no longer applicable [effective 1/1/2008] [applies to production after 12/31/07]   | PPT  | PPT   |
| <b>Tax Payment</b>                                    | AS 43.55.020(g) Interest on unpaid instalment payments.  | Sec. 24 Amends AS 43.55.020(g) Conforming technical amendment [effective 1/1/2008] [applies to production after 12/31/07]   | CS Sec 24 ACES language [effective 1/1/2008] [applies to production after 12/31/07]  | CS Sec 22 ACES language   |
| <b>Tax Payment</b>                                    | AS 43.55.020(h). Interest on overpayment of instalment payments  | Sec. 25. Amends AS 43.55.020(h) Conforming technical amendment [effective 1/1/2008] [applies to production after 12/31/07]  | CS Sec 25 ACES language [effective 1/1/2008] [applies to production after 12/31/07]  | CS Sec 23 ACES language   |
| <b>Capital Expenditure (Cap Ex) Tax Credits</b>       | AS 43.55.023(a) 20% tax credit for qualified capital expenditures and information requirements   | Sec. 26. Amends AS 43.55.023(a) 20% tax credit. spreads use of tax credits over two years. moves and adds to info requirements. requires submission of information that is required under AS 43.55.025(f)(2). adds that legacy field tax credits may be applied only against legacy field taxes. [effective 1/1/2008] [applies to exp. after 12/31/07]                            | PPT  | CS Sec. 24. Amends AS 43.55.023(a). 20% tax credit. ACES language regarding use of tax credits over two years and info requirements; deletes ACES (2)(B); adds that a tax credit for a capital expenditure to develop oil or gas subject to the PPT tax floor cannot be applied against oil or gas produced from property not subject to the tax floor. |
| <b>Cap Ex Tax Credits Carried-forward Annual Loss</b> | AS 43.55.023(b) 20% of carried-forward annual loss tax credit allowed against deductible lease expenditures when use of the deduction would cause the production tax in a month to be less than zero | Sec. 27 Amends AS 43.55.023(b) Matches carried-forward annual loss to production tax rate of 25%. adds that carried-forward annual losses may not be based on lease expenditures accrued in legacy fields. [effective 1/1/2008] [applies to exp. after 12/31/07]  | CS Sec. 26. Amends AS 43.55.023(b). Matches carried-forward annual loss to production tax rate of 25%; deletes ACES language on legacy fields. [effective 1/1/2008] [applies to production after 12/31/07] | CS Sec. 25. House language except matches carried-forward rate to tax rate of 22.5%.  |
| <b>Cap Ex Tax Credits Transfer of Credits</b>         | AS 43.55.023(d) Transferable tax credit certificates   | Sec 28 Amends AS 43.55.023(d) Adds no transfer of tax credits earned on legacy fields. option to obtain cash payment. and more time for agency approval. provides annual reporting requirements. links date for issuance of credit with information required under AS 43.55.030. spreads use of tax credits over two years. [effective 1/1/2008] [applies to exp. after 12/31/07] | PPT  | CS Sec. 26. Amends AS 43.55.023(d). ACES language put back in.  |
| <b>Cap Ex Tax Credits Transfer of Credits</b>         | AS 43.55.023(e). Transfer of tax credits.  | Sec. 29. Amends AS 43.55.023(e) Conforming technical amendment [effective 1/1/2008] [applies to exp. after 12/31/07]  | PPT  | CS Sec. 27. Amends AS 43.55.023(e). ACES language put back in.  |
| <b>Cap Ex Tax Credits Refunds</b>                     | AS 43.55.023(f) Cash refund of up to \$25,000,000 for small producer tax credits.  | Repeals AS 43.55.023(f) (replaced with oil and gas tax credit fund. Sec. 45)  | PPT  | PPT   |

|  |   | ACES  | CS House Bill 2001 (FIN) am   | SCS CS House Bill 2001 (FIN)   |
|--|---|---|---|--|
| Cap Ex Tax Credits Audits              | AS 43.55.023(g). Tax credit audits.   | Sec. 30. Amends AS 43.55.023(g) Adds language to reflect DOR authority to purchase tax credits granted in AS 45.55.028. [effective 1/1/2008] [applies to credits issued under 023(d) amended, and credits issued before 1/1/2008 for which no cash refund has been issued]  | PPT   | PPT  |
| Cap Ex Tax Credits TIE Credits         | AS 43.55.023(i). Transitional investment expenditure (TIE) tax credits for qualified capital expenditures incurred after March 31, 2001 and before April 1, 2006. | Repeals AS 43.55.023(i) (PPT TIE credits).  | CS Sec. 27. Amends AS 43.55.023(i). Limits TIE credits to taxpayers that did not have commercial production before January 1, 2006, and to 1/10 of qualified capital expenditures incurred after March 31, 2006 and before January 1, 2008. [effective 1/1/2008] [applies to production after 12/31/07] | CS Sec. 28. Amends AS 43.55.023(i). Limits TIE credits to taxpayers that did not have commercial production before April 1, 2006.  |
| Cap Ex Tax Credits Tax Exempt Entities |   | Sec. 31. Amends AS 43.55.023 Adds subsection (f) to make clear a tax exempt entity may not obtain a transferable tax credit [retroactive to 4/1/2006]   | CS Sec. 28. Amends AS 43.55.023. Adds subsection (f). Deletes ACES language. Exempts ARMB from limitations under AS 43.55.023(e) regarding transferable tax credits. [effective 1/1/2008] [applies to production after 12/31/07]  | CS Sec. 29. Amends AS 43.55.023. ACES language put back in.  |
| Mid-Alaska Tax Credits                 | AS 43.55.024. Additional tax credit of \$6,000,000 for production from leases outside Cook Inlet and the North Slope for small producers.                         | Secs. 32 - 35. Amends AS 43.55.024 Subsection(a): technical correction. (b). (c). (e). (g): conforming technical amendments. [effective 1/1/2008] [applies to production after 12/31/07]  | PPT   | PPT  |
| Exploration Tax Credits                | AS. 43.55.025. Alternative tax credits for up to 40% for oil and gas exploration.   | Sec. 36. Amends AS 43.55.025(a) Repeals 2007 sunset in (a)(2) and makes the existing 2016 sunset of the tax program uniformly applied [effective 1/1/2008] [applies to exp. after 12/31/2007]   | CS Sec. 29. Amends AS 43.55.025(a). ACES language except ups 20% tax credit to 30%. [effective 1/1/2008] [applies to production after 12/31/07] [applies to expenditures after 12/31/2006]  | CS Sec. 30. Amends AS 43.55.025(a). ACES language; leaves tax rate at 20%.   |
| Exploration Tax Credits                |   | Sec. 37. Amends AS 43.55.025(b) Applies to expenditures incurred for work performed after 12/31/2007. extends eligibility to delineation wells drilled within 540 days. requires that an exploration well be completed or abandoned to qualify for credit disallows tax credits for specified costs [effective 1/1/2008] [applies to exp. after 12/31/2007] | CS Sec. 30. Amends AS 43.55.025(b). Applies to expenditures for work performed after 12/31/2006; changes from ACES the specified costs that are disallowed. [effective 1/1/2008] [applies to production after 12/31/07] [applies to exp. after 12/31/2006]  | CS Sec. 31. ACES language except changes that a qualified cost may not be incurred for an exploration well or seismic exploration for any unit before May 14, 2003 rather than May 13, 2003. |

|                           | PPT  | ACES  | CS House Bill 2001 (2007) am  | CS House Bill 2001 (2007) am                    |
|---------------------------|--|---|---|---|
| Exploration Tax Credits   |  | Sec. 38. Repeals & reenacts AS 43 55.025(c). Provides a clearer definition for new exploration objectives and requires DNR evaluation. [effective 1/1/2008]<br>[applies to exp. after 12/31/2007]   |   |   |
| Exploration Tax Credits   |  | Sec. 39. Amends AS 43 55 025(f). Expands description of required info. limits well data confidentiality to 24 months; provides confidentiality for 30 days for seismic data; requires credits to be spread over at least two years; clarifies public availability of basic credit info [effective 1/1/2008]<br>[applies to exp. after 12/31/2007] |   |   |
| Exploration Tax Credits   |  | Sec. 40 Amends AS 43 55 025(g) Clarifies a tax-exempt entity may not transfer a credit certificate [retroactive to 7/1/2003]  |   |   |
| Exploration Tax Credits   |  | Sec. 41 Amends AS 43 55 025(h). Conforming technical change. [effective 1/1/2008]<br>[applies to production after 12/31/07]   |   |   |
| Exploration Tax Credits   |  | Sec. 42. Repeals & reenacts AS 43 55 025(i). Prohibits application of tax credit to reduce tax liability below zero. allows carry forward of tax credits [effective 1/1/2008]<br>[applies to production after 12/31/07]   | CS Sec. 33. ACES language. [effective 1/1/2008]<br>[applies to production after 12/31/07]   | CS Sec. 36. ACES language.                      |
| Exploration Tax Credits   |  | Sec. 43. Amends AS 43 55 025(k). Defines "preexisting well." [effective 1/1/2008]<br>[applies to exp. after 12/31/2007]   | CS Sec 34 ACES language [effective 1/1/2008]<br>[applies to production after 12/31/07]<br>[applies to exp. after 12/31/2006]                              | CS Sec 37. ACES language.                       |
| Exploration Tax Credits   |  | Sec. 44. Amends AS 43.55.025. Adds a new subsection (l). Provides for a new five percent tax credit for old seismic data that DNR determines is in state's interest to acquire [effective 1/1/2008]<br>[applies to production after 12/31/07]   | CS Sec. 35. ACES language: adds new subsection (m) relating to seismic tax credit refunds. [effective 1/1/2008]<br>[applies to production after 12/31/07] | CS Sec. 38. ACES language: defines seismic data |
| Oil & Gas Tax Credit Fund | AS 43.55.023(f). Permits the state to offer a cash refund of up to \$25,000,000 for tax credits issued to small producers. | Sec. 45. Adds AS 43.55.028. Creates an oil & gas tax credit fund funded by an appropriation of a percentage of production tax revenues and repeals AS 43 55 023(f). PPT tax credit refund. [effective 1/1/2008]   | PPT   | PPT   |

|  | ACES  | CS House Bill 2001 (FIN) am  | SCS CS House Bill 2001 (FIN)  |
|--|---|--|---|
| Reporting Requirements                               | Sec. 46. Amends AS 43.55.030(a). Makes clear every taxpayer must file an annual return; expands info requirements [effective 1/1/2008] [applies to reports due after 12/31/2007]  | CS Sec 36 ACES language [effective 1/1/2008] [applies to production after 12/31/07] [applies to reports due after 12/31/2007]  | CS Sec 39 ACES language   |
| Reporting Requirements Penalties                     | Sec. 47. Amends AS 43.55.030(d) Adds late filing penalty of \$1,000/day [effective immediately]   | CS Sec 37 ACES language [effective immediately] [applies to reports due after effective date]  | CS Sec 40 ACES language   |
| Reporting Requirement                                | Sec. 48. Amends AS 43.55.030 Adds new subsections. (e) requires annual expenditure statement; and (f) authorizes DOR to require monthly filing of info [effective 1/1/2008] [applies to reports due after 12/31/2007]   | CS Sec 38 ACES language [effective 1/1/2008] [applies to production after 12/31/07] [applies to reports due after 12/31/2007]  | CS Sec 41 ACES language   |
| Reporting Requirements and Penalties                 | Sec. 49. Amends AS 43.55.040 Clarifies DOR has authority to require filing of reports necessary to forecast state revenue; adds additional \$1,000 per day penalty for failure to file at the time required. [effective immediately]                          | CS Sec. 39. ACES language except \$1,000 per day penalty is assessed after DOR provides notice of failure to file; also adds that interest accrues to the penalty. [effective immediately] [applies to reports due after effective date] | CS Sec. 42. ACES language plus additional requirement for a producer of more than 100,000 barrels a day to report Alaska oil and gas gross value and deductible lease expenditures. |
| Tax Understatement Penalty                           |   | CS Sec. 40. Adds new section AS 43.55.055. Adds penalty for understatement of tax. [effective immediately] [applies to understatements made after effective date of section]   | CS deletes House language.  |
| Assessment Statute of Limitations                    | Sec. 50. Amends AS 43.55. Adds a new section, AS 43.55.075, that expands statute of limitations for conducting tax assessments from three years to six years. [effective immediately] [applies to assessments whose time have not expired when Act effective] | CS Sec. 41. ACES language for AS 43.55.075. [effective immediately] [applies to assessments whose time have not expired when Act effective]  | CS Sec. 43. Extends statute of limitations to four years rather than six.   |
| Prohibition on Tax Credits                           |   | CS Sec. 41. Adds new section AS 43.55.078. Prohibits a producer or explorer from receiving tax credits if certain judgments are not satisfied. [effective immediately]   | CS deletes.   |
| Electronic Filing Advisory Bulletins Whistle-blowers | Sec. 51. Amends AS 43.55.110 Adds new subsections (e) & (f) that authorize DOR to require electronic filings and payments; and (g) that gives DOR authority to issue advisory bulletins [effective immediately]   | CS Sec. 42. ACES language. Adds whistleblower language; limit of \$1,000,000 compensation or 10% of additional amount collected; penalizes bad faith action by whistleblower. [effective immediately]                                    | CS Sec. 44. ACES language. Adds whistleblower language; limit of \$500,000 or 10% of additional amount collected; deletes House bad faith language.                                 |

|                      | PPT   | ACES  | CS House Bill 2001 (FH) am  | SCS CS House Bill 2001 (FH)   |
|----------------------|---|---|---|---|
| Transportation Costs |   |   |   |   |
| Tax Determination    | AS 43 55 160(a) Determination of production tax value of oil and gas annually and monthly   | Sec 52. Repeals and reenacts AS 43 55 160(a) Retains PPT principle that the taxable value is the gross value at the point of production minus lease expenditures. the changes are necessary to implement different tax treatment. removes monthly value calculation because no longer needed. [effective 1/1/2008] [applies to production after 12/31/07] | CS Sec 44. Amends AS 43 55 160(a) to separate calculation of taxable value for gas (see Senate) and conforms to changes in the progressive tax. deletes monthly calculation language. [effective 1/1/2008] [applies to production after 12/31/07] | CS Sec 44. Amends AS 43 55 160(a) to separate calculation of taxable value for gas (see Senate) and conforms to changes in the progressive tax. deletes monthly calculation language. [effective 1/1/2008] [applies to production after 12/31/07] |
| Tax Determination    | AS 43 55 160(b) Production tax value may not be less than zero  | Sec 53 Amends AS 43 55 160(b) Conforming technical amendment [effective 1/1/2008] [applies to production after 12/31/07]  | PPT   | Sec 47. ACES language   |
| Tax Determination    | AS 43 55 160(e) Carried forward annual losses established when production tax value is less than zero.  | Sec 54. Repeals & reenacts AS 43 55 160(e). Provides explicit rules for calculating production tax values for oil and gas subject to different statutory provisions. [effective 1/1/2008] [applies to production after 12/31/07]  | CS Sec 45. Amends AS 43 55 160(e). Conforming amendment. [effective 1/1/2008] [applies to production after 12/31/07]  | CS Sec 45. Amends AS 43 55 160(e). Conforming amendment. [effective 1/1/2008] [applies to production after 12/31/07]  |
| Tax Determination    |   | Sec 55. Amends AS 43 55 160. Adds four new subsections, (f)-(i), related to allocations and calculations of adjusted lease expenditures. [effective 1/1/2008] [applies to production after 12/31/07]  | Deletes ACES language   | Deletes ACES language   |
| Lease Expenditures   | AS 43 55 165(a) Describes deductible lease expenditures for purposes of determining the net taxable amount. provides standards DOR shall consider for determining lease expenditures. | Sec 56. Repeals & reenacts AS 43 55 165(a) Retains but rewords deductible lease expenditures description. adds requirement that deductible lease expenditures be affirmatively allowed through regulation. allows overhead expenses (moved from 165(b)). deletes standards (moved to 165(b)) [effective 1/1/2008] [applies to production after 12/31/07]  | CS Sec 46. ACES language except adds that costs must be incurred in the state. [effective 1/1/2008] [applies to production after 12/31/07]  | CS Sec 46. ACES language; deletes House requirement that the costs be incurred in state.  |

|                               |  |   | CS House Bill 2001 (FIN) am   | SCS CS House Bill 2001 (FIN)   |
|-------------------------------|--|---|---|--|
| Lease Expenditures            | AS 43.55.165(b). Lists direct costs that may be considered deductible lease expenditures; allows overhead expenses; and specifies allowed costs need not be physically located on lease. | Sec. 57. Amends AS 43.55.165(b) Re-arranges PPT language; adds the standards DOR shall consider for determining lease expenditures (moved from 165(a) and (c)); deletes overhead expenses (moved to 165(a)) [effective 1/1/2008] [applies to production after 12/31/07]   | CS Sec. 47. ACES language except under (b)(3). DOR may consider industry and NP&L standards. [effective 1/1/2008] [applies to production after 12/31/07]  | CS Sec. 50. ACES language; deletes (b)(3) language from "may" back to "shall"  |
| Lease Expenditures            | AS 43.55.165(c) and (d) Allows DOR to substitute costs that are billable or actually billed through unit operating agreements in place of the general lease expenditures standards.      | Repeals AS 43.55.165(c) and (d)   | ACES  | CS Sec. 51. Repeals & reenacts AS 43.55.165(e). Allows use of unit operating agreements to determine allowable lease expenditures.   |
| Lease Expenditures            |  | Sec 58 Amends AS 43 55 165(e) Adds to the list of non-deductible lease expenditures, including costs incurred for violations of law and for repair, replacement or deferred maintenance in specified circumstances; and costs to construct, acquire or operate a refinery or topping plant. [retroactive to 4/1/2006] [applies to production after 3/31/2006] | CS Sec. 48. Amends AS 43.55.165(e). Changes from ACES: expands on (e)(6) to include repair and replacement costs that arise from criminal negligence and violations of the Clean Water Act; adds lobbying, public relations advertising, and public advocacy costs; and for internal transactions, taxpayer must show any costs do not exceed market value; deletes provision regarding repair, replacement and deferred maintenance costs. [effective 1/1/2008] [applies to production after 12/31/07] | CS Sec. 52. Amends AS 43.55.165(e) with changes to ACES and House version: under (e)(2), allows deduction of net profits paid to the state under net profit share leases; (e)(6) ACES language back in, House language out; (e)(12) House internal transaction requirements deleted; adds back ACES (e)(19) corrosion cost language; retains House disallowance of lobbying, public relations, public relations advertising and public advocacy costs. |
| Lease Expenditures            | AS 43.55.165(h). Allocation of costs between oil and gas.  | Sec. 59. Amends AS 43.55.165(h) Conforming amendment to be consistent with new AS 43.55.160 (production tax determination). [effective 1/1/2008] [applies to production after 12/31/07]   | CS Sec. 49. Amends AS 43.55.165(h). ACES language with additional change to conform to tax provisions for gas used in state. [effective 1/1/2008] [applies to production after 12/31/07]  | CS Sec. 53. ACES language; deletes House reference to gas used in state.   |
| Standard Deduction            |  |   | CS Sec. 50. Adds 43.55.165(k) and (l). Adds a standard deduction for operating costs on legacy fields. Also adds AS 43.55.180(b), requiring a report in 2010 (missing from bill). [effective 1/1/2008] [applies to production after 12/31/07]   | CS deletes standard deduction.   |
| Lease Expenditure Adjustments |  | Sec. 60 Amends AS 43 55 170(a) Conforming amendment necessitated by repeal of AS 43.55.165(c) and (d) (determination of lease expenditures) [retroactive to 4/1/2006] [applies to production after 3/31/2006]   | CS Sec. 51. ACES language. [effective 1/1/2008] [applies to production after 12/31/07]  | CS Sec. 54. Amends AS 43.55.170(a) except amendment is missing.  |
| Information Disclosure        |  | Sec. 61. Amends AS 43 55. Adds new section AS 43.55.890; makes clear DOR may publish production tax info that is aggregated among at least three taxpayers. [effective immediately]   | CS Sec 52 ACES language [effective immediately]   | CS Sec 55 ACES language  |

|  | PPT  | ACES  | CS House Bill 2001 (FR) am   | SCS CS House Bill 2001 (FR)  |
|--|--|---|--|--|
| <b>Definitions</b>                             |  | Sec. 62. Amends AS 43.55.900. Adds new definitions for "nonunitized reservoir," "pool," "producer," and "unit" [effective immediately]  |  |  |
| <b>Repeals</b>                                 | AS 43.55.023(f) provides a cash refund of up to \$25,000,000 for small producers' tax credits.   | Sec. 63. Repeals AS 43.55.023(f) (PPT cash refund) [effective 1/1/2008]   | PPT  | PPT  |
| <b>Repeals</b>                                 | AS 43.55.165(c) and (d) allows DOR to substitute costs that are billable or actually billed through unit operating agreements in place of the general lease expenditures standards   | Sec. 64. Repeals AS 43.55.165(c) and (d), determination of deductible lease expenditures using unit operating agreements [retroactive to 4/1/2006] [applies to production after 3/31/2006]                          | CS Sec. 54. Repeals AS 43.55.165(c) and (d). Adds model of AS 43.55.165 that requires 2011 review of the general lease expenditures standard [effective 1/1/07]  |  |
| <b>Repeals</b>                                 | AS 43.55.011(i) order for applying the Cook Inlet tax ceiling; AS 43.55.023(i); transitional investment expenditures tax credits; AS 43.55.160(c); determining the tax value under the progressivity provision AS 43.55.011(g) | Sec. 65. Repeals AS 43.55.011(i), order for applying Cook Inlet tax ceiling; AS 43.55.023(i); transitional investment expenditures; and AS 43.55.160(c) [effective 1/1/2008] [applies to production after 12/31/07] | Retains AS 43.55.011(i) and AS 43.55.023(i); AS 43.55.160(c) is repealed in CS Sec. 54   | Retains AS 43.55.023(i); AS 43.55.011(i) AS 43.55.160(c) are repealed in CS Sec. 57  |
| <b>Applicability</b>                           |  | Sec. 66. Applicability of specified sections [66(g) (assessments) [retroactive to 4/1/2006]; everything else effective immediately]   | CS Sec. 55. Applicability of specified sections [effective immediately]  | CS 58. Applicability of specified sections.  |
| <b>Auditors Intent</b>                         |  | Sec. 67. Allows current oil and gas auditors to opt to remain in classified service [effective immediately]   | CS Sec. 56. Deletes ACES language. Provides legislative intent that the maximum number of exempt auditors is four for DOR and two for DNR; allows DOA to develop a classification plan notwithstanding the equal pay for equal work principle. [effective immediately] | CS Sec. 58. House language regarding number of audit members.<br>CS Sec. 60. Includes House language regarding a classification plan with some changes to the wording. |
| <b>Transition Payment of Tax</b>               |  |   |  | CS Sec. 61. Adds language giving taxpayer to April 1, 2008 to pay balance of any tax due after June 30, 2007 and before effective date.                                |
| <b>Transition Retroactivity of Regulations</b> |  | Sec. 68. Allows regulations adopted by DOR and DNR to be applied retroactively to the applicability date of the statutory provisions being implemented. [retroactive to 4/1/2006]                                   | CS Sec. 67. Allows regulations adopted by DNR to apply retroactively. [effective immediately]  | CS Sec. 65. Adds language for DOR regulations to apply retroactively.  |

|                                 |  |  |   |                           |
|---------------------------------|--|--|---|---------------------------|
| Transition Pending Applications |  | Sec. 69. Provides for the treatment of pending applications for transferable credits and the refund of credits under AS 43.55.023. [effective immediately] | Deleted from ACES                                 | Deleted from ACES         |
| Transition Regulations          |  | Sec. 70. Authorizes DNR and DOR to proceed with adopting regulations. [effective immediately]  | CS Sec. 58. ACES language [effective immediately] | CS Sec. 63. ACES language |
| Retroactivity                   |  | Sec. 71. Provides for the retroactivity of certain provisions. [effective immediately]   | [REDACTED]  | [REDACTED]                |
| Revisor's Instructions          |  |  |   |                           |
| Effective Dates                 |  | Sec. 72. Provides that certain sections take effect January 1, 2008 (including most changes to the production tax). [effective immediately]                |   |                           |
| Effective Dates                 |  | Sec. 73. Provides that certain sections take effect immediately.   |   |                           |

## Summary Comparison between Governor's October 1, 2007 Production Tax Proposal and Current Law

| <u>Issue</u>                                 | <u>Current Law</u>                | <u>Governor's 10/1/2007 Proposal</u>           |
|--|-----------------------------------|--|
| <b>Base Rate</b>                             |                                   |  |
|  | <i>AS 43.55.011 (e) &amp; (g)</i> | <i>Bill Sections 15 &amp; 17</i>               |
| Base Tax Rate                                | 22.50%                            | 25%  |
| <b>Progressivity</b>                         |                                   |  |
|  | <i>AS 43.55.011(g) &amp; (h)</i>  | <i>Bill Sections 17,18</i>                     |
| Starting point                               | \$40                              | \$30   |
| Tax/\$ of Price Index                        | 0.25%                             | 0.20%  |
| Average Value over                           | month                             | year   |
| <b>Gross Value Floor</b>                     |                                   |  |
|  | <i>AS 43.55.011(f)</i>            | <i>Bill Section 15, 16, 31-36, &amp; 41-42</i> |
| Base   | Prudhoe & Kuparuk                 | North Slope                                    |
| Rate   | ranges from 0% to 4%              | 10%  |
| Credits further reduce floor tax?            | Yes                               | No   |
| <b>Credits</b>                               |                                   |  |
|  | <i>AS 43.55.023 and 55.025</i>    | <i>Bill Section 26-28, 38-44 &amp; 63</i>      |
| Investment Credits                           | Taken in year of investment       | 1/2 in each of two years                       |
| Loss Carry Forward Credits                   | 20%                               | 25%  |
| Transitional Investment Credits              | Yes                               | No   |
| <b>Exploration Credits</b>                   |                                   |  |
|  | <i>AS 43.55.025</i>               | <i>Bill Section 36 - 44</i>                    |
| DNR approval required?                       | In CI, to avoid 3 mile limit      | Always   |
| Confidentiality of well data                 | 10 years                          | 2 years  |
| Pre-existing well                            | One drilling season               | Two consecutive drilling seasons               |
| "DNR TIE" Credits for pre 2003 seismic work? | no                                | 5%   |
| <b>Allowable Lease Expenditures</b>          |                                   |  |
|  | <i>AS 43.55.165</i>               | <i>Bill Sections 52-64</i>                     |
| Use producer audits of operators?            | Yes                               | No   |
| DR&R Allowed?                                | Some                              | No   |
| Deferred Maintenance allowed?                | Yes                               | No   |
| Field Topping Plants allowed?                | Yes                               | No   |

DED

10/8/2007

Matrix Summary

**Summary Comparison between Governor's October 1, 2007 Production Tax Proposal and Current Law**

| <u>Issue</u>                           | <u>Current Law</u>   | <u>Governor's 10/1/2007 Proposal</u>   |
|--|--|--|
| <b>State Purchase of Credits</b>       |  |  |
|  | <i>AS 43.55.023(f) &amp; (g)</i>                                     | <i>Bill Section 45 (AS 43.55.028)</i>  |
| Paid from:                             | "appropriations made by law"   | oil and gas credit fund, funded from production taxes  |
| Annual dollar cap per taxpayer?        | \$25 million   | none   |
| <b>Information</b>                     |  |  |
|  | <i>AS 43.05.230 and royalty statutes</i>                             | <i>Bill Sections 2-9,11-13, 49 &amp; 61</i>  |
| forward looking information required   | none   | information "necessary to forecast ... revenues under AS 43.55". Penalty up to \$1000 a day. |
| Disclosure of tax information          | if aggregated to "prevent the identification of particular returns." | if aggregated w/2 other producers  |
| DNR sharing royalty information w/ DOR | limited ability  | expanded ability   |
| DOR sharing tax information with DNR   | limited ability  | expanded ability   |
| <b>Statute of Limitations</b>          |  |  |
|  | <i>AS 43.05.260</i>  | <i>Bill Sections 1,14,50 new AS 43.55.075</i>  |
| State assessment must be issued within | 3 yrs  | 6 yrs  |
| <b>DOR Auditors</b>                    |  |  |
|  | <i>As 39.25.100</i>  | <i>Bill Sections 10, 65, 67</i>  |
| DOR auditors exempt employees?         | no   | yes  |
| <b>Effective Date</b>                  |  |  |
|  |  | <i>Bill Section 64</i>   |
| Generally                              |  | Jan 1 2008   |
| Deferred Maintenance Rules             |  | Apr 1 2006   |

**Comparison CSSB 25-GS0014\B and SB 2001 25-GS0014\A**  
 Senate Resource Committee  
 October 27, 2007

| <b>CS SB 2001<br/>Bill Section</b> | <b>Change</b>   | <b>SB 2001 Administration<br/>Corresponding Bill Section</b> |
|------------------------------------|---|--|
| <b>Title</b>                       | Reflects omissions from SB2001 (25-GS0014\A)<br>Deletes references to the issuance of advisory bulletins, establishing an oil and gas tax credit fund, and reference to the conservation surcharge on oil   | <b>Title - Modified</b>                                      |
| <b>Sec. 1 -12</b>                  | <ul style="list-style-type: none"> <li>Re-numbers sect's 2-12 of admin bill one numeral lower</li> </ul>  | <b>Sec. 2-13 respectively</b>                                |
| <b>Sec.1</b>                       | <ul style="list-style-type: none"> <li>None</li> </ul>  | <b>Sec. 2</b>  |
| <b>Sec. 2</b>                      | <ul style="list-style-type: none"> <li>None</li> </ul>  | <b>Sec. 3</b>  |
| <b>Sec. 3</b>                      | <ul style="list-style-type: none"> <li>None</li> </ul>  | <b>Sec. 4</b>  |
| <b>Sec. 4</b>                      | <ul style="list-style-type: none"> <li>None</li> </ul>  | <b>Sec.5</b>   |
| <b>Sec. 5</b>                      | <ul style="list-style-type: none"> <li>None</li> </ul>  | <b>Sec. 6</b>  |
| <b>Sec. 6</b>                      | <ul style="list-style-type: none"> <li>None</li> </ul>  | <b>Sec. 7</b>  |
| <b>Sec. 7</b>                      | <ul style="list-style-type: none"> <li>None</li> </ul>  | <b>Sec. 8</b>  |
| <b>Sec.8</b>                       | <ul style="list-style-type: none"> <li>None</li> </ul>  | <b>Sec. 9</b>  |
| <b>Sec. 9</b>                      | <ul style="list-style-type: none"> <li>None</li> </ul>  | <b>Sec. 10</b>   |
| <b>Sec. 10</b>                     | <ul style="list-style-type: none"> <li>None</li> </ul>  | <b>Sec. 11</b>   |
| <b>Sec. 11</b>                     | <ul style="list-style-type: none"> <li>None</li> </ul>  | <b>Sec. 12</b>   |
| <b>Sec. 12</b>                     | <ul style="list-style-type: none"> <li>None</li> </ul>  | <b>Sec. 13</b><br><b>Sec. 14- 15 omitted in CSSB</b>         |
| <b>Sec. 13</b>                     | <ul style="list-style-type: none"> <li>T.I.E. credits</li> </ul> Terminates the transitional investment expenditures credit effective January 1, 2008 except for explorers that did not have commercial production prior to January 1, 2008. For those explorers, they may also claim credits for a portion of their expenditures incurred after March 31, 2006 and before January 1, 2008. | <b>Sec. 63</b><br><b>TIE credits repealed</b>                |

**Comparison CSSB 25-GS0014\E and SB 2001 25-GS0014\A**  
**Senate Resource Committee**  
**October 27, 2007**

| <b>CS SB 2001<br/>Bill Section</b> | <b>Change</b>   | <b>SB 2001 Administration<br/>Corresponding Bill Section</b>      |
|------------------------------------|---|---|
| Sec. 14                            | <ul style="list-style-type: none"> <li>• None</li> </ul>  | Sec. 46   |
| Sec. 15                            | <ul style="list-style-type: none"> <li>• None</li> </ul>  | Sec. 47   |
| Sec. 16                            | <ul style="list-style-type: none"> <li>• None</li> </ul>  | Sec. 48   |
| Sec. 17                            | <ul style="list-style-type: none"> <li>• None</li> </ul>  | Sec. 49<br>Sec. 50 omitted in CSSB                                |
| Sec. 18                            | <ul style="list-style-type: none"> <li>• None</li> </ul>  | Sec. 51<br>Sec. 52-55 omitted in CSSB                             |
| Sec. 19                            | <ul style="list-style-type: none"> <li>• None</li> </ul>  | Sec. 56   |
| Sec. 20                            | <ul style="list-style-type: none"> <li>• None</li> </ul>  | Sec. 57   |
| Sec. 21                            | <ul style="list-style-type: none"> <li>• None</li> </ul>  | Sec. 58<br>Sec. 59 omitted in CSSB                                |
| Sec. 22                            | <ul style="list-style-type: none"> <li>• None</li> </ul>  | Sec. 60   |
| Sec. 23                            | <ul style="list-style-type: none"> <li>• None</li> </ul>  | Sec. 61   |
| Sec. 24                            | <ul style="list-style-type: none"> <li>• Definitions of "producer" and "unit"</li> <li>• Section 62 additionally defines "nonunitized reservoir" and "pool"</li> </ul>          | Sec. 62 partially included in CSSB<br><br>Sec. 63 omitted in CSSB |
| Sec. 25                            | <ul style="list-style-type: none"> <li>• None</li> </ul>  | Sec. 64   |
| Sec. 26                            | <ul style="list-style-type: none"> <li>• Repeals AS 43.55.011(l)</li> <li>• Section 65 also repeals AS 43.55.033(i) and AS 43.55.160(c)</li> </ul>                              | Sec. 65 partially included in CSSB                                |
| Sec. 27                            | <ul style="list-style-type: none"> <li>• Applicability</li> </ul> <p>Each draft of the proposed legislation provides Applicability provisions to their proposed legislation</p> | Sec. 66 partially included in CSSB                                |
| Sec. 28                            | <ul style="list-style-type: none"> <li>• None</li> </ul>  | Sec. 67   |

**Comparison CSSB 25-GS0014\E and SB 2001 25-GS0014A**  
 Senate Resource Committee  
 October 27, 2007

| <b>CS SB 2001<br/>Bill Section</b> | <b>Change</b>   | <b>SB 2001 Administration<br/>Corresponding Bill Section</b> |
|------------------------------------|---|--|
| <b>Sec. 29</b>                     | <ul style="list-style-type: none"> <li>Transition: Retroactivity of Regulations<br/>                     Retroactivity of regulations are generally consistent between the two pieces of proposed legislation except for those provisions that have been deleted. E.g., 21/58, 22/60, and 25/64 may apply retroactively to April 1, 2006</li> </ul>           | <b>Sec. 68 partially included in CSSB</b>                    |
| <b>Sec. 30</b>                     | <ul style="list-style-type: none"> <li>None</li> </ul>  | <b>Sec. 70</b>   |
| <b>Sec. 31</b>                     | <ul style="list-style-type: none"> <li>Retroactivity of certain Provisions<br/>                     These sections provide for retroactive effective dates for the appropriate sections of their respective proposed legislations, some of which overlap and are consistent, e.g., 21/58, 22/60, 25/64, and 29/68 are to take effect April 1, 2006</li> </ul> | <b>Sec. 71 partially included in CSSB</b>                    |
| <b>Sec. 32</b>                     | <ul style="list-style-type: none"> <li>This section identifies those portions of the proposed legislation that take effect January 1, 2008</li> </ul>   | <b>Sec. 72 partially included in CSSB</b>                    |
| <b>Sec. 33</b>                     | <ul style="list-style-type: none"> <li>None regarding immediate effective date</li> </ul>   | <b>Sec. 73 partially included in CSSB</b>                    |

**Summary Comparison between Various Approaches to Production Tax**

SB/HB 2001 (ACES) as

| <u>Issue</u>                              | <u>Current Law</u>                | <u>introduced</u>                              | <u>CS HB 2001(FIN)am</u>  |
|---|-----------------------------------|--|---|
| <b>Base Rate</b>                          |                                   |  |   |
|   | <i>AS 43.55.011 (e) &amp; (g)</i> | <i>Bill Sections 15 &amp; 17</i>               | <i>Bill Sections 15</i>   |
| Base Tax Rate                             |                                   | 25%  | 25%   |
| <b>Progressivity</b>                      |                                   |  |   |
|   | <i>AS 43.55.011(g) &amp; (h)</i>  | <i>Bill Sections 17,18</i>                     | <i>Bill Sections 17,18</i>  |
| \$/bbl Starting point                     | \$40 net                          | \$30 net                                       | \$30 net  |
| Tax/\$ of Price Index                     | 0.25%                             | 0.20%  | 0.40%   |
| Average Value over                        |                                   | year   |   |
| Applied to                                |                                   | net  |   |
| Cap                                       |                                   | 25% of net                                     |   |
| <b>Gross Value Floor</b>                  |                                   |  |   |
|   | <i>AS 43.55.011(f)</i>            | <i>Bill Section 15, 16, 31-36, &amp; 41-42</i> | <i>Bill Section 16</i>  |
| Base                                      |                                   | Prudhoe, Kuparuk                               |   |
| Rate                                      |                                   | 10%  |   |
| Credits further reduce floor tax?         |                                   | No   |   |
| Apply .024 and .025 credits against floor |                                   | No   |   |
| <b>Investment Credits</b>                 |                                   |  |   |
|   | <i>AS 43.55.023</i>               | <i>Bill Section 26-28, 38-44 &amp; 63</i>      | <i>Bill Section 26-26</i>   |
| Investment Credits                        |                                   | 1/2 in each of two years                       |   |
| Loss Carry Forward Credits                | 20%                               | 25%  | 25%   |
| Transitional Investment Credits           | Yes                               | No   | All taxpayers allowed application of TIE matching spending in April 1 2006 - Dec 31, 2007, even if application deferred |

*1/2 in each of two years*

*10%*

*2006-2007*

**Summary Comparison between Various Approaches to Production Tax**

| <u>Issue</u>                                 | <u>Current Law</u>           | <u>SB/HB 2001 (ACES) as introduced</u> | <u>CS HB 2001(FIN)am</u>                                      |
|--|------------------------------|--|---|
| <b>Exploration Credits</b>                   | <b>AS 43.55.025</b>          | <b>Bill Section 36 - 44</b>            | <b>Bill Section 29-35</b>                                     |
| Rates  | 20; 40%                      | 20; 40%                                | 30;40%  |
| General & Admin Costs                        | disallowed                   | bad acts I                             | costs arising from Bad Acts III<br>- criminal                 |
| DNR approval required?                       | In CI, to avoid 3 mile limit | Always                                 | Always, w/ language changes                                   |
| Confidentiality of well data                 | 10 years                     | 2 years                                | 2 years, or if DNR declines to, or private landowner declines |
| Seismic on non state land                    | silent                       | included                               | explicit exclusion without permission                         |
| Pre-existing well                            | One drilling season          | Two consecutive drilling seasons       | Two consecutive drilling seasons                              |
| "DNR TIE" Credits for pre 2003 seismic work? | no                           | 5%                                     | 5%  |

*effective 30%*

*2003 seismic work*

| <b>Exceptions to Tax Credits</b> |      |      | <b>Bill Section 41</b> |
|----------------------------------|------|------|------------------------|
| none                             | none | none | unpaid judgment        |

| <b>State Purchase of Credits</b> |              | <b>AS 43.55.023(f) &amp; (g)</b>                      |                                       |
|----------------------------------|--------------|---|---------------------------------------|
| Paid from:                       |              | oil and gas credit fund, funded from production taxes |                                       |
| Annual dollar cap per taxpayer?  | \$25 million | none  | \$ 25 million (however ARM unlimited) |
| ARM Board Purchases?             | n/a          | n/a   | yes                                   |

**Summary Comparison between Various Approaches to Production Tax**

| <u>Issue</u>                        | <u>Current Law</u>  | <u>SB/HB 2001 (ACES) as introduced</u> | <u>CS HB 2001(FIN)am</u>   |
|-------------------------------------|---------------------|--|--|
| <b>Allowable Lease Expenditures</b> | <b>AS 43.55.165</b> |  | <b>Bill Section 46-51</b>  |
| Allowed by regulation               | no language         | must be                                | must be  |
| Use producer audits of operators?   | Explicit            | Explicit repealed; Implicit            | Explicit repealed; Implicit  |
| Disallow bad acts II?               | yes                 | add violation of law, lease or license | costs arising from Bad Acts III - criminal   |
| Dispute resolution                  |                     |  |  |
| DR&R Allowed?                       | Allocated           | No                                     | No   |
| "Corrosion" Issue                   |                     | \$0.30 + unscheduled events disallowed | \$.30 a bbl disallowed+ intent language  |
| Field Topping Plants allowed?       | Yes                 | No                                     | No   |
| Off Lease allowed                   |                     |  |  |
| Public Outreach costs               | not explicit        | not explicit                           | no; listed   |
| Opex                                |                     |  | Legacy Fields<br>Yet to be written regulations will define 2006; then 3% annual increase; (regardless of production or ownership?) |

*amendment #1*

*if under audit it's found to be greater than 10% then SOA*

**Summary Comparison between Various Approaches to Production Tax**

| <u>Issue</u>                           | <u>Current Law</u><br><i>AS 43.05.230 and royalty statutes</i> | <u>SB/HB 2001 (ACES) as introduced</u>   | <u>CS HB 2001(FIN)am</u><br><i>Bill Sections 2-9,11,13,36-39, 52</i>   |
|--|--|--|--|
| <b>Information</b>                     |  |  |  |
| forward looking information required   | none   | information "necessary to forecast ... revenues under AS 43.55". Penalty up to \$1000 a day. | information "necessary to forecast ... revenues under AS 43.55". Penalty up to \$1000 a day if demanded information not forthcoming. |
| Disclosure of tax information          |  | if aggregated w/2 other producers, no requirement to prevent identification                  | if aggregated w/2 other producers, [ still under umbrella -required to prevent identification]                                       |
| DNR sharing royalty information w/ DOR | limited ability  | expanded ability   | expanded ability   |
| DOR sharing tax information with DNR   | limited ability  | expanded ability   | expanded ability   |
| <b>Statute of Limitations</b>          | <i>AS 43.05.260</i>  | <i>Bill Sections 1,14,50 new AS 43.55.075</i>  | <i>Bill Sections 1,14,41 new AS 43.55.075</i>  |
| State assessment must be issued within | 3 yrs  | 6 yrs  | 6 yrs  |
| <b>DOR Auditors</b>                    | <i>As 39.25.100</i>  | <i>Bill Sections 10, 65, 67</i>  | <i>Bill Sections 10, 56</i>  |
| DOR & DNR auditors exempt employees?   | no   | yes  | 2 DNR and 4 DOR exempt master auditors authorized.   |
| <b>Effective Date</b>                  |  | <i>Bill Section 64</i>   | <i>Bill Section 1, 60-61</i>   |
| Generally                              | n/a  | Jan 1 2008   | Jan 1 2008   |
| Retroactive to April 1 2006            | n/a  | deferred maintenance issues  | deferred maintenance issues (Intent language) ←  |

Summary Comparison between Various Approaches to Production Tax

SB/HB 2001 (ACES) as

| <u>Issue</u>                       | <u>Current Law</u>  | <u>introduced</u> | <u>CS HB 2001(FIN)am</u>   |
|------------------------------------|---------------------|-------------------|--|
| <b>Downstream Costs</b>            | <i>As 43.55.150</i> |                   | <i>Bill Section 43</i>   |
| Reasonable v actual                |                     |                   | Downstream Tanker and Pipelines = Actual, except reasonable if lower |
| Prima facie reasonable Taps Tariff |                     |                   | "just and reasonable" and arms' length transactions                  |

| <b>Gas Ceilings thru 2022</b> | <i>As 43.55.011</i> | <i>Bill Section 22</i>     |
|-------------------------------|---------------------|----------------------------|
| Where                         | CI                  | CI + gas used in the state |

| <b>Additional Penalties</b>              | <i>ew As 43.55.055</i> | <i>Bill Section 40</i>   |
|--|------------------------|--|
| Penalty for under estimated payments     |                        |  |
| Additional Penalties for Under reporting | none                   | 10% for 10% or 10mm understmnt. 20% for 20% or 20mm understmnt |

←  
- march 31st state filing = 11%

| <b>Intent Language</b>   |     |          | <i>Bill Section 1</i>                    |
|--|-----|----------|--|
| overall intent of legislation  | n/a | no       | included                                 |
| long standing interpretation of SOL  | n/a | included | included                                 |
| Half the money from certain retroactive applications to PERS and public education fund |     |          |  |
| tax savings from gas ceilings outside CI passed on to ultimate consumers               | n/a | no       | encourage availability of affordable gas |

**Summary Comparison between Various Approaches to Production Tax**

| <u>Issue</u>               | <u>Current Law</u>   | <u>SB/HB 2001 (ACES) as introduced</u>     | <u>CS HB 2001(FIN)am</u>   |
|----------------------------|--|--|--|
| <b>Admin</b>               | <i>AS 43.55.020(a)</i>   |  | <i>BM Sections 12,23-25,42</i>   |
| Monthly Estimated payments | Estimated payments without ceilings, refund due taxpayer at year end | Ceilings applied monthly                   | Ceilings applied monthly (A and C) could be more parallel may appropriate \$50 mm from progressivity |
| LIHEAP funding             | No   | No   | yes - with limitation for bad faith  |
| Whistleblower language     | No   | No   |  |
| DNR NPSL regulations       | n/a  | general grant for retroactive applications | may be retroactive   |
| Required 2011 Report -     | Yes  | Yes  | deleted  |

*Handwritten notes:*  
 New  
 11/12/2007

| Bill Section | Change  | Bill Section |
|--------------|---|--------------|
| 25-GS0014E   |   | 25-GS0014A   |
| Title        | The new Title deletes references to the issuance of advisory bulletins, establishing an oil and gas tax credit fund, and reference to the conservation surcharge on oil   | Title        |
| Deleted      | This section relating to the legislative intent of section 50 has been deleted  | Section 1    |
| Section 1    | No change   | Section 2    |
| Section 2    | No change   | Section 3    |
| Section 3    | No change   | Section 4    |
| Section 4    | No change   | Section 5    |
| Section 5    | No change   | Section 6    |
| Section 6    | No change   | Section 7    |
| Section 7    | No change   | Section 8    |
| Section 8    | No change   | Section 9    |
| Section 9    | No change   | Section 10   |
| Section 10   | No change   | Section 11   |
| Section 11   | No change   | Section 12   |
| Section 12   | No change   | Section 13   |
| Deleted      | This section makes reference to the new proposed AS 43.55.075 that changes the deadline for a tax to be assessed from 3 years to six years.   | Section 14   |
| Deleted      | This section changes the tax from one calculated on a monthly basis to one calculated on an annual basis  | Section 15   |
| Deleted      | This section creates a tax floor of 10% of the total gross value at the point of production   | Section 16   |
| Deleted      | This section establishes a production tax of 25% plus 0.2% times the progressivity price index  | Section 17   |
| Deleted      | This section amends the calculation from a monthly to a calendar year calculation and changes the starting net value of progressivity from \$40 to \$30   | Section 18   |
| Deleted      | Conforming changes to the proposed legislation  | Section 19   |
| Deleted      | Conforming changes to the proposed legislation  | Section 20   |
| Deleted      | This section clarifies what a producer could claim in excess credits from Cook Inlet against taxes on leases or properties elsewhere in the state.  | Section 21   |
| Deleted      | This section reconciles the monthly installment tax calculations to be consistent with the above sections and clarifies some of the ambiguities in the existing legislation concerning Cook Inlet ceilings and credits. | Section 22   |
| Deleted      | Conforming changes to the proposed legislation  | Section 23   |
| Deleted      | Reference changes and clarifies annual due date   | Section 24   |
| Deleted      | Reference changes and clarifies annual due date   | Section 25   |
| Deleted      | This section stipulates that no more than half of a capital   | Section 26   |

|            |   |            |
|------------|---|------------|
|            | expenditure tax credit may be applied in a single year  |            |
| Deleted    | This section changes the amount of carried-forward annual loss that may be taken as a tax credit from 20 percent to 25 percent  | Section 27 |
| Deleted    | Limits ability to transfer tax credits in legacy fields, extends deadline for responding to an application for a tax credit, and places a 50% annual limitation on the use of tax credit certificates   | Section 28 |
| Deleted    | Conforming changes to the proposed legislation  | Section 29 |
| Deleted    | Conforming changes to the proposed legislation  | Section 30 |
| Deleted    | Clarifies that tax exempt entities cannot apply for transferrable tax certificates  | Section 31 |
| Deleted    | Conforming changes to the proposed legislation  | Section 32 |
| Deleted    | Conforming changes to the proposed legislation  | Section 33 |
| Deleted    | Conforming changes to the proposed legislation  | Section 34 |
| Deleted    | Conforming changes to the proposed legislation  | Section 35 |
| Deleted    | Conforming changes to the proposed legislation  | Section 36 |
| Deleted    | This section provides that a well must be completed or abandoned before it is eligible for tax credits and excludes costs for gross negligence or violations of health, safety and environmental statutes regulations   | Section 37 |
| Deleted    | This section provides the Commissioner of the Department of Natural Resources with more oversight/approval authority in determining the tax credit eligibility of a exploratory well.   | Section 38 |
| Deleted    | This section describes the data submission requirements for an exploratory credit, changes the requirement for confidentiality from 10 years to 2 years, creates two certificates from a credit, one to be used immediately and one not to be used before the next calendar year  | Section 39 |
| Deleted    | This section clarifies that tax exempt entities are not eligible for and cannot transfer a tax certificate  | Section 40 |
| Deleted    | Conforming changes to the proposed legislation  | Section 41 |
| Deleted    | Conforming changes to the proposed legislation  | Section 42 |
| Deleted    | Changes the definition of "preexisting well" to wells to exclude wells drilled within 540 days instead of 150 days.   | Section 43 |
| Deleted    | This section would allow DNR to approve a credit for seismic shot prior to July 1, 2003   | Section 44 |
| Deleted    | This section establishes the oil and gas tax credit fund and provides that the fund can be used to purchase tax credit certificates   | Section 45 |
| Section 13 | Section 13 terminates the transitional investment expenditures credit effective January 1, 2008 except for explorers that did not have commercial production prior to January 1, 2008. For those explorers, they may also claim credits for a portion of their expenditures incurred after march 31, 2006 and before January 1, 2008.<br><br>Section 63 terminates the transitional investment expenditures credit. | Section 63 |
| Section 14 | No change   | Section 46 |
| Section 15 | No change   | Section 47 |

|            |  |            |
|------------|--|------------|
| Section 16 | No change  | Section 48 |
| Section 17 | No change  | Section 49 |
| Deleted    | This section provides that the amount of tax imposed by this chapter must be assessed within six years   | Section 50 |
| Section 18 | No change  | Section 51 |
| Deleted    | This section clarifies how tax calculations are to be made, consistent with going from a monthly basis to an annual basis  | Section 52 |
| Deleted    | Conforming changes consistent with Section 52  | Section 53 |
| Deleted    | This section clarifies cost allocation between properties and what may be used to generate loss carry forwards.  | Section 54 |
| Deleted    | This section deals with allocations of costs that a taxpayer incurs in one lease or property against revenues from another lease or property.  | Section 55 |
| Section 19 | No change  | Section 56 |
| Section 20 | No change  | Section 57 |
| Section 21 | No change  | Section 58 |
| Deleted    | This section expands the department's responsibility to adopt regulations regarding methods of allocating costs on oil and gas properties to include costs for exploring for, developing and producing oil deposits or gas deposits            | Section 59 |
| Section 22 | No change  | Section 60 |
| Section 23 | No change  | Section 61 |
| Section 24 | Definitions<br><br>Section 24 and 62 include definitions of "producer" and "unit"<br><br>In addition Section 62 includes definitions of "nonunitized reservoir" and "pool"   | Section 62 |
| Deleted    | Previously discussed in Section 13/Section 63 analysis   | Section 63 |
| Section 25 | No change  | Section 64 |
| Section 26 | Section 65 adds AS 43.55.023(i) and AS 43.55.160(c) to the section repealed in Section 26  | Section 65 |
| Section 27 | Each draft of the proposed legislation provide Applicability provisions to their proposed legislation  | Section 66 |
| Section 28 | No change  | Section 67 |
| Section 29 | The retroactivity of regulations are generally consistent between the two pieces of proposed legislation except for those provisions that have been deleted. E.g., 21/58, 22/60, and 25/64 may apply retroactively to April 1, 2006            | Section 68 |
| Deleted    | This section provides for transition for pending applications before the Department of Revenue   | Section 69 |
| Section 30 | No change  | Section 70 |
| Section 31 | These sections provide for retroactive effective dates for the appropriate sections of their respective proposed legislations, some of which overlap and are consistent, e.g., 21/58, 22/60, 25/64, and 29/68 are to take effect April 1, 2006 | Section 71 |
| Section 32 | This section identifies those portions of the proposed legislation that takes effect January 1, 2008   | Section 72 |
| Section 33 | No change – regarding immediate effect of the Act  | Section 73 |

Resources

2

| Provision  | ACES | SEN CS E | House CS K |
|--|------|----------|------------|
| Leg intent re statute of limitation                                | 1    | X        | x          |
| DNR info to DOR  | 2    | 1        | 1          |
| - Same   | 3    | 2        | 2          |
| -Same  | 4    | 3        | 3          |
| DNR- conform   | 5    | 4        | 4          |
| -same  | 6    | 5        | 5          |
| -same  | 7    | 6        | 6          |
| -same  | 8    | 7        | 7          |
| -same  | 9    | 8        | 8          |
| Exempt DOR/DNR auditors  | 10   | 9        | 9          |
| DNR- conform   | 11   | 10       | 10         |
| DOR- Confid. Info release  | 12   | 11       | 11         |
| DOR info to DNR  | 13   | 12       | 12         |
| TIE credit- 06 to 07 vesting                                       | X    | (13)     | X          |
| Ref to 6 yr stat of limit.   | 14   | X        | 13         |
| .011(e) tax rate   | 15   | X        | X          |
| .011(f) 10% legacy floor (replace 4% floor)                        | 16   | X        | X          |
| .011(g) 25% rate w/.20 price index                                 | 17   | X        | X          |
| .011(h) annual prog. \$30 trigger                                  | 18   | X        | X          |
| .011(j) conforming   | 19   | X        | X          |
| .011(j) reference new (o) <i>CS gas</i>                            | X    | X        | 14         |
| .011(k) conforming   | 20   | X        | X          |
| .011(k)- reference new (o) <i>GI oil</i>                           | X    | X        | 15         |
| .011(m)-conforming CI lease expenditures                           | 21   | X        | X          |
| .011(m) reference new (o)  | X    | X        | 16         |
| .011(o) .225% tax per \$ over \$50                                 | X    | X        | (17)       |
| .011(p) ELF ceiling on Middle earth                                | X    | X        | 17         |
| .020(a)- rewrite   | 22   | X        | X          |
| .020(a) reference new .011(o)                                      | X    | X        | 18         |
| .020(d) conform  | 23   | X        | X          |
| .020(d) reference new .011(o)                                      | X    | X        | 19         |
| .020(g) conform, clarify year                                      | 24   | X        | X          |
| .020(g) clarify year <i>mt begins run IRS</i>                      | X    | X        | 20         |
| .020(h) conform, clarify year                                      | 25   | X        | X          |
| .020(h) clarify year <i>mt begins run IRS over</i>                 | X    | X        | 21         |
| .023(a) 2 yr cap credit use, legacy limit, exploration data rights | 26   | X        | X          |
| .023(b) 2.5% loss carry forward, leg. Limit                        | 27   | X        | X          |
| .023(d) Cap cost credit certif. ref annual statements.             | 23   | X        | X          |
| .023(d) ref annual statements                                      | X    | X        | 22         |
| .023(e) conforming   | 29   | X        | X          |
| .023(g) conforming   | 30   | X        | X          |
| .023(i) TIE credit past costs since 3-31-03                        | X    | X        | 23         |

1909  
T.M.

Market  
paying  
1/2 M and

Capital  
credits

#4  
Tech unit.  
.011 &  
add (o)  
reference

Technical #2  
Amat fix  
language

New  
(P) F&E Nat'l  
Gas Ammt.  
#2

| Provision  | ACES | SEN CS E | House CS K       |
|--|------|----------|------------------|
| .023(l) tax exempt entity-no credits                       | 31   | X        | X <i>Amended</i> |
| .024(a) conforming .011(f)                                 | 32   | X        | X                |
| .024(c) conforming .011(f)                                 | 33   | X        | X                |
| .024(e) conforming .011(f)                                 | 34   | X        | X                |
| .024(g) conforming .011(f)                                 | 35   | X        | X                |
| .025(a) EIC  | 36   | X        | X                |
| .025(b) EIC  | 37   | X        | X                |
| .025(c) EIC  | 38   | X        | X                |
| .025(f) EIC  | 39   | X        | X                |
| .025(g) EIC  | 40   | X        | X                |
| .025(g) EIC  | 40   | X        | X                |
| .025(h) EIC  | 41   | X        | X                |
| .025(i) EIC  | 42   | X        | X                |
| .025(k) EIC  | 43   | X        | X                |
| .025(l) EIC  | 44   | X        | X                |
| .028 New O&G tax credit fund                               | 45   | X        | X                |
| .030(a) Producer Annual report                             | 46   | 14       | 24               |
| .030(d) Penalty for no report                              | 47   | 15       | X                |
| .030(e) Non-producer annual report, monthly reports        | 48   | 16       | 25               |
| .040(5) DOR right to forecast info                         | 49   | 17       | 26               |
| .040(6) penalty for no forecast info                       | 49   | 17       | X                |
| .075- six yr stat of limitation                            | 50   | X        | 27               |
| .110 Electronic filing, payments                           | 51   | 18       | 28               |
| .160(a) production valuation changes                       | 52   | X        | X                |
| .160(a)- ?? <i>conforming</i>                              | X    | X        | 29               |
| .160(b) conforming   | 53   | X        | X                |
| .160(e) rewrite carried forward loss                       | 54   | X        | X                |
| .160(f) allocation leasehold expenditures                  | 55   | X        | X                |
| .165(a) QLE are what are "in" not "out"                    | 56   | 19       | X                |
| .165(a) - ?? <i>conforming</i>                             | X    | X        | 30               |
| .165(b) rewrite factors for determining Lease Expenditures | 57   | 20       | X                |
| .165(e) Excluded lease expenditures- DDR, Corrosion, COTP  | 58   | 21       | 31               |
| .165(h) cost allocation                                    | 59   | X        | X                |
| .170(a) conform deletion of .165(c) and (d)                | 60   | 22       | 32               |
| .890- Public Disclosure                                    | 61   | 23       | 33               |
| .900 Definitions (4)                                       | 62   | X        | X                |
| .900 Definitions (2)                                       | X    | 24       | 34               |
| Repeal .023(f)   | 63   | X        | X                |
| Repeal .165(c) and (d)                                     | 64   | 25       | 35               |
| Repeal .011(l), .023(i), .160(c)                           | 65   | X        | X                |

*Samuel  
unapproved*

*EIC  
credits*

*Production  
valuation*

*Leasehold  
Expenditures  
4-5 years*

| Provision   | ACES | SEN CS E | House CS K |
|---|------|----------|------------|
| Repeal .011(l)  | X    | 26       | X          |
| Repeal .011(g) (progressivity), .011(h) (trigger price), .011(l), .160(c)       | X    | X        | 36         |
| Uncodified- Applicability (various sections) (each bill different)              | 66   | 27       | 37         |
| Uncodified- Exempt Auditors, bargaining units                                   | 67   | 28       | 38         |
| Regs Retroactive <i>4/1/06 - Lease Exp. / 1/5/2012</i><br>(each bill different) | 68   | 29       | 39         |
| Application to Pending Applications   | 69   | X        | X          |
| DNR Regulations   | 70   | 30       | 40         |
| Retroactivity of Provisions (each bill different)                               | 71   | 31       | 41         |
| Provisions Effective 1-1-08 (each bill different)                               | 72   | 32       | 42         |
| Provisions effective immediately  | 73   | 33       | 43         |

— Jim Merry

— Kent Dawson

nr. Nenana Gas

**Comparison CSSB 25-GS0014E and SB 2001 25-GS0014A**  
**Senate Resource Committee**  
**October 27, 2007**

| <b>CS SB 2001<br/>Bill Section</b> | <b>Change</b>   | <b>SB 2001 Administration<br/>Corresponding Bill Section</b> |
|------------------------------------|---|--|
| <b>Title</b>                       | Reflects omissions from SB2001 (25-GS0014A)<br>Deletes references to the issuance of advisory bulletins, establishing an oil and gas tax credit fund, and reference to the conservation surcharge on oil  | <b>Title - Modified</b>                                      |
| <b>Sec. 1 -12</b>                  | <ul style="list-style-type: none"> <li>Re-numbers sect's 2-12 of admin bill one numeral lower</li> </ul>  | <b>Sec. 2-13 respectively</b>                                |
| <b>Sec.1</b>                       | <ul style="list-style-type: none"> <li>None</li> </ul>  | <b>Sec. 2</b>  |
| <b>Sec. 2</b>                      | <ul style="list-style-type: none"> <li>None</li> </ul>  | <b>Sec. 3</b>  |
| <b>Sec. 3</b>                      | <ul style="list-style-type: none"> <li>None</li> </ul>  | <b>Sec. 4</b>  |
| <b>Sec. 4</b>                      | <ul style="list-style-type: none"> <li>None</li> </ul>  | <b>Sec.5</b>   |
| <b>Sec. 5</b>                      | <ul style="list-style-type: none"> <li>None</li> </ul>  | <b>Sec. 6</b>  |
| <b>Sec. 6</b>                      | <ul style="list-style-type: none"> <li>None</li> </ul>  | <b>Sec. 7</b>  |
| <b>Sec. 7</b>                      | <ul style="list-style-type: none"> <li>None</li> </ul>  | <b>Sec. 8</b>  |
| <b>Sec.8</b>                       | <ul style="list-style-type: none"> <li>None</li> </ul>  | <b>Sec. 9</b>  |
| <b>Sec. 9</b>                      | <ul style="list-style-type: none"> <li>None</li> </ul>  | <b>Sec. 10</b>   |
| <b>Sec. 10</b>                     | <ul style="list-style-type: none"> <li>None</li> </ul>  | <b>Sec. 11</b>   |
| <b>Sec. 11</b>                     | <ul style="list-style-type: none"> <li>None</li> </ul>  | <b>Sec. 12</b>   |
| <b>Sec. 12</b>                     | <ul style="list-style-type: none"> <li>None</li> </ul>  | <b>Sec. 13</b><br><b>Sec. 14- 45 omitted in CSSB</b>         |
| <b>Sec. 13</b>                     | <ul style="list-style-type: none"> <li>T.I.E. credits</li> </ul> Terminates the transitional investment expenditures credit effective January 1, 2008 except for explorers that did not have commercial production prior to January 1, 2008. For those explorers, they may also claim credits for a portion of their expenditures incurred after March 31, 2006 and before January 1, 2008. | <b>Sec. 63</b><br><b>TIE credits repealed</b>                |

✓  
discussion w/ Billie  
Gailin  
Wagner  
Lorraine

**Comparison CSSB 25-GS0014E and SB 2001 25-GS0014A**  
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| <b>CS SB 2001<br/>Bill Section</b> | <b>Change</b>   | <b>SB 2001 Administration<br/>Corresponding Bill Section</b>  |
|------------------------------------|---|---|
| Sec. 14                            | • None  | Sec. 46   |
| Sec. 15                            | • None  | Sec. 47   |
| Sec. 16                            | • None  | Sec. 48   |
| Sec. 17                            | • None  | Sec. 49<br>Sec. 50 omitted in CSSB                            |
| Sec. 18                            | • None  | Sec. 51<br>Sec. 52-55 omitted in CSSB                         |
| Sec. 19                            | • None  | Sec. 56   |
| Sec. 20                            | • None  | Sec. 57   |
| Sec. 21                            | • None <i>DRR; Corrosion "SB&amp;O";<br/>exclusions Topping Plant</i>   | Sec. 58<br>Sec. 59 omitted in CSSB                            |
| Sec. 22                            | • None  | Sec. 60   |
| Sec. 23                            | • None  | Sec. 61   |
| Sec. 24                            | • Definitions of "producer" and "unit"<br>• Section 62 additionally defines "nonunitized reservoir" and "pool"            | Sec. 62 partially included in CSSB<br>Sec. 63 omitted in CSSB |
| Sec. 25                            | • None  | Sec. 64   |
| Sec. 26                            | • Repeals AS 43.55.011(l)<br>• Section 65 also repeals AS 43.55.023(i) and AS 43.55.160(c)                                | Sec. 65 partially included in CSSB                            |
| Sec. 27                            | • Applicability<br>Each draft of the proposed legislation provides Applicability provisions to their proposed legislation | Sec. 66 partially included in CSSB                            |
| Sec. 28                            | • None  | Sec. 67   |

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| <b>CS SB 2001<br/>Bill Section</b> | <b>Change</b>  | <b>SB 2001 Administration<br/>Corresponding Bill Section</b> |
|------------------------------------|--|--|
| <b>Sec. 29</b>                     | <ul style="list-style-type: none"> <li>Transition: Retroactivity of Regulations<br/>Retroactivity of regulations are generally consistent between the two pieces of proposed legislation except for those provisions that have been deleted. E.g., 21/58, 22/60, and 25/64 may apply retroactively to April 1, 2006</li> </ul>           | <b>Sec. 68 partially included in CSSB</b>                    |
| <b>Sec. 30</b>                     | <ul style="list-style-type: none"> <li>None</li> </ul>   | <b>Sec. 70</b>   |
| <b>Sec. 31</b>                     | <ul style="list-style-type: none"> <li>Retroactivity of certain Provisions<br/>These sections provide for retroactive effective dates for the appropriate sections of their respective proposed legislations, some of which overlap and are consistent, e.g., 21/58, 22/60, 25/64, and 29/68 are to take effect April 1, 2006</li> </ul> | <b>Sec. 71 partially included in CSSB</b>                    |
| <b>Sec. 32</b>                     | <ul style="list-style-type: none"> <li>This section identifies those portions of the proposed legislation that take effect January 1, 2008</li> </ul>  | <b>Sec. 72 partially included in CSSB</b>                    |
| <b>Sec. 33</b>                     | <ul style="list-style-type: none"> <li>None regarding immediate effective date</li> </ul>  | <b>Sec. 73 partially included in CSSB</b>                    |

Comparison CSSB 25-GS0014E and SB 2001 25-GS0014A

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SRES

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| Bill Section | Change  | Bill Section |
|--------------|---|--------------|
| 25-GS0014E   |   | 25-GS0014A   |
| Title        | The new Title deletes references to the issuance of advisory bulletins, establishing an oil and gas tax credit fund, and reference to the conservation surcharge on oil   | Title        |
| Deleted      | This section relating to the legislative intent of section 50 has been deleted  | Section 1    |
| Section 1    | No change   | Section 2    |
| Section 2    | No change   | Section 3    |
| Section 3    | No change   | Section 4    |
| Section 4    | No change   | Section 5    |
| Section 5    | No change   | Section 6    |
| Section 6    | No change   | Section 7    |
| Section 7    | No change   | Section 8    |
| Section 8    | No change   | Section 9    |
| Section 9    | No change   | Section 10   |
| Section 10   | No change   | Section 11   |
| Section 11   | No change   | Section 12   |
| Section 12   | No change   | Section 13   |
| Deleted      | This section makes reference to the new proposed AS 43.55.075 that changes the deadline for a tax to be assessed from 3 years to six years.   | Section 14   |
| Deleted      | This section changes the tax from one calculated on a monthly basis to one calculated on an annual basis  | Section 15   |
| Deleted      | This section creates a tax floor of 10% of the total gross value at the point of production   | Section 16   |
| Deleted      | This section establishes a production tax of 25% plus 0.2% times the progressivity price index  | Section 17   |
| Deleted      | This section amends the calculation from a monthly to a calendar year calculation and changes the starting net value of progressivity from \$40 to \$30   | Section 18   |
| Deleted      | Conforming changes to the proposed legislation  | Section 19   |
| Deleted      | Conforming changes to the proposed legislation  | Section 20   |
| Deleted      | This section clarifies what a producer could claim in excess credits from Cook Inlet against taxes on leases or properties elsewhere in the state.  | Section 21   |
| Deleted      | This section reconciles the monthly installment tax calculations to be consistent with the above sections and clarifies some of the ambiguities in the existing legislation concerning Cook Inlet ceilings and credits. | Section 22   |
| Deleted      | Conforming changes to the proposed legislation  | Section 23   |
| Deleted      | Reference changes and clarifies annual due date   | Section 24   |
| Deleted      | Reference changes and clarifies annual due date   | Section 25   |
| Deleted      | This section stipulates that no more than half of a capital   | Section 26   |

Comparison CSSB 25-GS0014\E and SB 2001 25-GS0014A

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|            |   |            |
|------------|---|------------|
|            | expenditure tax credit may be applied in a single year  |            |
| Deleted    | This section changes the amount of carried-forward annual loss that may be taken as a tax credit from 20 percent to 25 percent  | Section 27 |
| Deleted    | Limits ability to transfer tax credits in legacy fields, extends deadline for responding to an application for a tax credit, and places a 50% annual limitation on the use of tax credit certificates   | Section 28 |
| Deleted    | Conforming changes to the proposed legislation  | Section 29 |
| Deleted    | Conforming changes to the proposed legislation  | Section 30 |
| Deleted    | Clarifies that tax exempt entities cannot apply for transferrable tax certificates  | Section 31 |
| Deleted    | Conforming changes to the proposed legislation  | Section 32 |
| Deleted    | Conforming changes to the proposed legislation  | Section 33 |
| Deleted    | Conforming changes to the proposed legislation  | Section 34 |
| Deleted    | Conforming changes to the proposed legislation  | Section 35 |
| Deleted    | Conforming changes to the proposed legislation  | Section 36 |
| Deleted    | This section provides that a well must be completed or abandoned before it is eligible for tax credits and excludes costs for gross negligence or violations of health, safety and environmental statutes regulations   | Section 37 |
| Deleted    | This section provides the Commissioner of the Department of Natural Resources with more oversight/approval authority in determining the tax credit eligibility of a exploratory well.   | Section 38 |
| Deleted    | This section describes the data submission requirements for an exploratory credit, changes the requirement for confidentiality from 10 years to 2 years, creates two certificates from a credit, one to be used immediately and one not to be used before the next calendar year  | Section 39 |
| Deleted    | This section clarifies that tax exempt entities are not eligible for and cannot transfer a tax certificate  | Section 40 |
| Deleted    | Conforming changes to the proposed legislation  | Section 41 |
| Deleted    | Conforming changes to the proposed legislation  | Section 42 |
| Deleted    | Changes the definition of "preexisting well" to wells to exclude wells drilled within 540 days instead of 150 days.   | Section 43 |
| Deleted    | This section would allow DNR to approve a credit for seismic shot prior to July 1, 2003   | Section 44 |
| Deleted    | This section establishes the oil and gas tax credit fund and provides that the fund can be used to purchase tax credit certificates   | Section 45 |
| Section 13 | Section 13 terminates the transitional investment expenditures credit effective January 1, 2008 except for explorers that did not have commercial production prior to January 1, 2008. For those explorers, they may also claim credits for a portion of their expenditures incurred after march 31, 2006 and before January 1, 2008. | Section 63 |

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|            |   |            |
|------------|---|------------|
|            | Section 63 terminates the transitional investment expenditures credit.  |            |
| Section 14 | No change   | Section 46 |
| Section 15 | No change   | Section 47 |
| Section 16 | No change   | Section 48 |
| Section 17 | No change   | Section 49 |
| Deleted    | This section provides that the amount of tax imposed by this chapter must be assessed within six years  | Section 50 |
| Section 18 | No change   | Section 51 |
| Deleted    | This section clarifies how tax calculations are to be made, consistent with going from a monthly basis to an annual basis   | Section 52 |
| Deleted    | Conforming changes consistent with Section 52   | Section 53 |
| Deleted    | This section clarifies cost allocation between properties and what may be used to generate loss carry forwards.   | Section 54 |
| Deleted    | This section deals with allocations of costs that a taxpayer incurs in one lease or property against revenues from another lease or property.   | Section 55 |
| Section 19 | No change   | Section 56 |
| Section 20 | No change   | Section 57 |
| Section 21 | No change   | Section 58 |
| Deleted    | This section expands the department's responsibility to adopt regulations regarding methods of allocating costs on oil and gas properties to include costs for exploring for, developing and producing oil deposits or gas deposits | Section 59 |
| Section 22 | No change   | Section 60 |
| Section 23 | No change   | Section 61 |
| Section 24 | Definitions<br><br>Section 24 and 62 include definitions of "producer" and "unit"<br><br>In addition Section 62 includes definitions of "nonunitized reservoir" and "pool"  | Section 62 |
| Deleted    | Previously discussed in Section 13/Section 63 analysis  | Section 63 |
| Section 25 | No change   | Section 64 |
| Section 26 | Section 65 adds AS 43.55.023(i) and AS 43.55.160(c) to the section repealed in Section 26   | Section 65 |
| Section 27 | Each draft of the proposed legislation provide Applicability provisions to their proposed legislation   | Section 66 |
| Section 28 | No change   | Section 67 |
| Section 29 | The retroactivity of regulations are generally consistent between the two pieces of proposed legislation except for those provisions that have been deleted. E.g., 21/58, 22/60, and 25/64 may apply retroactively to April 1, 2006 | Section 68 |
| Deleted    | This section provides for transition for pending applications before the Department of Revenue  | Section 69 |

**Comparison CSSB 25-GS0014E and SB 2001 25-GS0014A**

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|                   |   |                   |
|-------------------|---|-------------------|
| <b>Section 30</b> | <b>No change</b>  | <b>Section 70</b> |
| <b>Section 31</b> | <b>These sections provide for retroactive effective dates for the appropriate sections of their respective proposed legislations, some of which overlap and are consistent, e.g., 21/58, 22/60, 25/64, and 29/68 are to take effect April 1, 2006</b> | <b>Section 71</b> |
| <b>Section 32</b> | <b>This section identifies those portions of the proposed legislation that takes effect January 1, 2008</b>   | <b>Section 72</b> |
| <b>Section 33</b> | <b>No change – regarding immediate effect of the Act</b>  | <b>Section 73</b> |