

**SB 21**

**(FILE 2)**

<TARGET><BILL>SB 21</BILL><SUBJECT>SB 21 (FILE  
2)</SUBJECT><COMM>HRES28</COMM></TARGET>



**SECTIONAL ANALYSIS  
HCS CSSB 21 (RES)  
28-GS1647S**

**Section 1:** Conforming amendments to AS 05.15.095(c) (delinquent gaming fees) required by amendment to AS 43.05.225, interest rates due on delinquent taxes.

**Section 2:** AS 29.60.850(b), relating to certain appropriations to the general fund is amended to remove the reference to AS 43.55.011(g) and to reference instead AS 43.20.030(c), relating to payments under the Alaska Net Income Tax Act. The legislature may appropriate revenues from AS 43.20.030 or an amount to the community revenue sharing fund not to exceed \$60,000,000 or the amount that, when added to the fund balance on June 30 of the previous fiscal year, equals \$180,000,000.

**Section 3:** Conforming amendments to AS 34.45.470(a) (unclaimed property) required by amendment to AS 43.05.225, interest rates due on delinquent taxes.

**Section 4:** AS 43.05.225, interest, is amended to allow that interest rates under current law apply to delinquent taxes and fees before January 1 2014.

**Section 5:** Amends AS 43.05.225, for interest on delinquent taxes after January 1, 2014; to add subsection (b)(1) providing that interest accrues at the rate of three percentage points above the applicable annual federal rate and subsection (b)(2) to refer to the interest rate for delinquent fees ( AS 05.15.095(c)) and unclaimed property (AS 34.45.470(a)).

**Sections 6-7:** Conforming amendments to AS 43.20.046(i) (gas storage credit) and 43.20.047(i) (LNG storage credit) required by amendment to AS 43.05.225, interest rates due on delinquent taxes.

**Section 8:** Amends AS 43.20, the Alaska Net Income Tax Act, by adding a new section, AS 43.20.049, to establish a credit for qualified oil and gas service industry expenditures to be effective for a tax year beginning after the date of this act. A taxpayer may apply a tax credit for 10 percent of the taxpayer's qualified oil and gas service industry expenditures incurred in the state, limited to not more than \$10,000,000 in a tax year. The credit or unused portion of the credit may be carried forward for five years. An expenditure that is the basis for the credit may not be used as a deduction under Chapter 20, a credit or deduction under another provision in Title 43, or for any federal credit under Title 43.

Subsection (d) provides that the Department of Revenue may publish the total amount of tax credits claimed under this section along with a description of the expenditures that were the basis of the tax credits in a year that three or more taxpayers claim a tax credit under this section.

Subsection (e) provides definitions of “manufacture”, “modification” and “qualified oil and gas service industry expenditure.”

**Section 9:** Conforming amendment to AS 43.50.570 (cigarette stamps) required by amendment to AS 43.05.225, interest rates due on delinquent taxes before January 1, 2014.

**Section 10:** Conforming amendment to AS 43.50.570 (cigarette stamps) required by new subsection (b) to AS 43.05.225, interest rates due on delinquent taxes after January 1, 2014.

**Section 11:** Amends AS 43.55.011(e), relating to the levy of the oil and gas production tax. For oil and gas produced before January 1, 2014, the levy of tax remains at the current base rate of 25 percent and the monthly progressivity tax. For oil and gas produced after December 31, 2013 new subsection AS 43.55.011(e)(2) would levy on producers of oil and gas produced each calendar year a flat rate tax of 33 percent (instead of the current 25 percent plus progressivity) of the production tax value of taxable oil and gas produced from each lease or property in the state

**Section 12:** A conforming amendment is made to AS 43.55.011(i), payment of production tax on private landowner royalties.

**Section 13:** Amends AS 43.55.011(o), relating to gas used in the state, to clarify that the tax ceiling applicable to gas used in the state does not apply to gas subject to AS 43.55.011(p) (the seven year tax limitation of four percent of gross value at the point of production for oil and gas first produced commercially outside of the Cook Inlet basin and south of 68 degrees North latitude after December 31, 2012, and before January 1, 2022).

**Section 14:** Amends AS 43.55.020(a), monthly installment payments of estimated tax, for oil and gas produced after January 1, 2014 to apply the new base rate of 33 percent, remove reference to the monthly progressivity tax for oil and gas produced after December 31, 2013, and to account for the reduction in gross value at the point of production for new oil and gas that meets the criteria in new subsection (f), AS 43.55.160 of the bill.

**Section 15:** A conforming amendment to AS 43.55.020(d), related to payment by a producer to a private royalty owner before January 1, 2014.

**Section 16:** Conforming amendments to AS 43.55.020(g) (unpaid installment payments) required by new subsection (b) to AS 43.05.225, the interest rates due on delinquent taxes that will apply on or after January 1, 2014.

**Section 17:** Adds a new section, AS 43.55.020(*l*), related to payment by a producer to a private royalty owner, to apply for settlements with a private royalty owner after January 1, 2014.

**Section 18:** Amends AS 43.55.023(a) to eliminate the current restrictions on use of a tax credit for qualified capital expenditures and allow the full amount of a tax credit to be applied in a single calendar for expenditures incurred on or after January 1, 2013. A new subsection is added to limit the 20 percent tax credit for qualified capital expenditures incurred north of 68 degrees North latitude (North Slope) to expenditures incurred before January 1, 2014.

**Section 19:** Amends AS 43.55.023(b) to provide that the carried-forward annual loss credit will continue to be in the amount of 25 percent for lease expenditures incurred south of 68 degrees North latitude, but the credit will be in the amount of 33 percent based on expenditures incurred after December 31, 2013, to explore for, develop, or produce oil and gas deposits located on the North Slope.

**Section 20:** Amends AS 43.55.023(d), issuance of transferable and redeemable tax credit certificates for qualified capital expenditures, to conform to the amendments to AS 43.55.023(a) authorizing the Department of Revenue to issue one tax credit certificate for the full amount of a transferable tax credit.

**Section 21:** Amends AS 43.55.023(g), issuance of tax credit certificates, to conform to amendments to AS 43.55.020(d) related to issuance of tax credit certificates.

**Section 22:** Amends AS 43.55.023(n), issuance of tax credit certificates, to conform to amendments o AS 43.55.020(d).

**Section 23:** Adds a new section, AS 43.55.023(p), to account for limitations based on AS 43.55.023(i), the transitional investment expenditure credit, before January 1, 2014.

**Section 24:** Amends AS 43.55.024, the small producer credit, by extending the sunset date from 2016 to 2022.

**Section 25:** Amends AS 43.55.024(e) to reference only subsections (a) (the new area credit) and (c) (the small producer credit) to conform to the new per barrel credits in AS 43.55.024 (i) and (j).

**Section 26:** Amends AS 43.55.024 to add two new non-transferable tax credits. Subsection (i) provides for a credit of \$5 for each barrel of oil taxable under AS 43.55.011(e) produced in a calendar year after December 31, 2013 that meets the criteria of AS 43.55.160(f), the gross revenue reduction for certain North Slope production.

Subsection (j) provides a sliding scale credit based on the monthly gross value at the point of production of each barrel of taxable oil produced on the North Slope after December 31, 2013 that does not meet the criteria in AS 43.55.160(f). The sliding scale credit may not be applied to reduce a producer's tax liability under AS 43.55.011(e) to below the amount calculated under AS 43.55.011(f), the alternate minimum tax on North Slope oil and gas.

**Sections 27 -28:** Amends AS 43.55.025 (a) the alternative tax credit for oil and gas exploration so that the three mile well limitation in AS 43.55.025(c)(2)(B) does not apply to subsection (m), the basin tax credit for up to four exploration wells drilled after June 1, 2012 and before July 1, 2016 outside of the Cook Inlet sedimentary basin and south of the North Slope.

**Sections 29 -30:** Amends AS 43.55.028(e) and (g) (oil and gas tax credit fund) to conform to changes in the issuance of tax credit certificates in AS 43.55.020(d).

**Section 31:** Amends AS 43.55.030(e)(1), "Filing of statements", to clarify current practice that both explorers and producers must file statements reporting qualified capital expenditures and other information required under AS 43.55.030(e) even if they do not produce oil or gas.

**Section 32:** Amends AS 43.55.160, relating to calculation of annual and monthly production tax values, to account for new subsection (f), and makes clarifying and conforming amendments.

**Section 33:** Amends AS 43.55.160 by adding new subsection (f) which provides that in calculating the annual production tax value for oil and gas produced from the North Slope on or after January 1, 2014, the gross value at the point of production of the oil or gas meeting one or more of the following criteria is reduced by 20 percent 1) oil or gas produced from a lease or property that does not contain a lease that was within a unit on January 1, 2003; (2) oil or gas produced from a participating area, established after December 31, 2011, within a unit formed by the Department of Natural Resources before January 1, 2003 if the participating area does not contain a reservoir that was previously in a participating area; (3) oil or gas produced from acreage that was added to an existing participating area by the Department of Natural Resources on or after January 1, 2014, and the producer demonstrates to the Department of Revenue the volume of oil or gas from the added acreage.

Adds a new subsection (g) for calculation of annual production tax value for oil and gas produced on or after January 1, 2014.

**Section 34:** Repeals and reenacts AS 43.55.165(a) related to deductible lease expenditures, which are ordinary and necessary costs upstream of the point of production

of oil and gas incurred during a calendar year. In determining whether a cost is a lease expenditure, the Department of Revenue is directed to consider typical industry practices that determine the costs a field operator is allowed to bill a working interest owner, and the standards developed by the Department of Natural Resources that a lessee may deduct under a lease issued under AS 38.05.180(b)(3)(B), (D), or (E), the net profit share lease provisions.

**Section 35:** Repeals and reenacts AS 43.55.165(b), related to qualifications for lease expenditures, for direct costs, a reasonable allowance for overhead (to be determined by regulations) and to provide that an activity need not be physically located on the lease or property in order for the cost to be considered upstream of the point of production of the oil or gas.

**Section 36:** AS 43.55.165 is amended to add a new section (m) to allow the Department of Revenue to consider whether a unit operating agreement or similar agreement is consistent with the Department's determinations and standards under subsection (a) concerning whether costs are lease expenditures, and to allow the Department to authorize or require a producer to treat as lease expenditures costs, other than statutorily excluded costs, that are billed or billable to the producer by the operator under the operating agreement, including a reasonable percentage for overhead expenses related to oil and gas exploration, development and production. The Department is given the discretion, in subsection (n), to authorize or require costs under a unit operating agreement or similar agreement to be treated as lease expenditures if certain conditions related to audit billings by the parties to the unit operating agreement or similar agreement are met.

**Section 37:** Amends AS 43.55.180 to require a report by the Department of Revenue to the legislature on the first day of the 2016 legislative session. The report must consider the effects of AS 43.55 on oil and gas exploration, development, and production, on investment for the same, on the entry of new producers of oil and gas, on state revenue, on tax administration and compliance under AS 43.55011, AS 43.55.023 – 43.55.025, and 43.55.160 – 170 and the effect of tax rates for private landowner royalties on state revenues and oil and gas exploration, development, and production on private land.

**Section 38:** Amends AS 43.56.160, relating to interest on the oil and gas exploration, production, and pipeline transportation property tax, to conform to amendments to AS 43.05.225, interest rate for delinquent taxes.

**Section 39:** Amends AS 43.77.020(d), relating to payments of the fishery resource landing tax, to conform to amendments to AS 43.05.225 relating to interest rates for delinquent taxes.

**Section 40:** Amends AS 43.90.430, relating to interest to payments due the state under the Alaska Gasline Inducement Act, to conform to the changes in bill section 4, amendments to AS 43.05.225.

**Section 41:** Amends AS 44.88.140(a), related to property exempt from taxation of the Alaska Industrial Development and Export Authority (AIDEA), to include reference to new AS 44.88.168 in the bill

**Section 42:** Adds new section AS 44.88.168 to allow AIDEA to issue bonds for an oil processing facility and to establish an oil and gas infrastructure fund. The fund will consist of appropriated funds, and is not an account in the revolving loan fund. Money in the fund will be used to finance the construction or improvement of an oil and gas processing facility on the North Slope, including flow lines and other surface infrastructure.

**Section 43:** Repeals AS 43.55.023(m) related to tax credit certificates to conform to changes made so that tax credit certificates statewide will be issued as one certificate.

**Section 44:** Repeals AS 43.05.225(a), AS 43.50.570(a), AS 43.55.011(e)(1), AS 43.55.011(g), AS 43.55.020(d), 43.55.023(i), AS 43.55.023(p). AS 43.55.160(a)(2) and AS 43.55.160(c) as of January 1, 2014.

**Section 45 :** Applicability sections for sections that apply to oil and gas produced after a certain date and for expenditures incurred after a certain date.

**Section 46 :** Transitional provision providing the Department of Revenue's authority to adopt regulations, to be effective not before the date of the effective date of the provisions of this bill.

**Section 47:** Provisions related to legislative approval of AIDEA bonding issuance.

**Section 48:** Provisions related to retroactive application of certain sections.

**HOUSE CONCURRENT RESOLUTION NO.**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-EIGHTH LEGISLATURE - FIRST SESSION**

**BY THE HOUSE RESOURCES COMMITTEE**

**Introduced:**  
**Referred:**

**A RESOLUTION**

1 **Suspending Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State**  
2 **Legislature, concerning Senate Bill No. 21, relating to the interest rate applicable to**  
3 **certain amounts due for fees, taxes, and payments made and property delivered to the**  
4 **Department of Revenue; providing a tax credit against the corporation income tax for**  
5 **qualified oil and gas service industry expenditures; relating to the oil and gas production**  
6 **tax rate; relating to gas used in the state; relating to monthly installment payments of**  
7 **the oil and gas production tax; relating to oil and gas production tax credits for certain**  
8 **losses and expenditures; relating to oil and gas production tax credit certificates;**  
9 **relating to nontransferable tax credits based on production; relating to the oil and gas**  
10 **tax credit fund; relating to annual statements by producers and explorers; establishing**  
11 **the Oil and Gas Competitiveness Review Board; and making conforming amendments.**

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

13 That under Rule 54, Uniform Rules of the Alaska State Legislature, the provisions of

1 Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State Legislature, regarding  
2 changes to the title of a bill, are suspended in consideration of Senate Bill No. 21, relating to  
3 the interest rate applicable to certain amounts due for fees, taxes, and payments made and  
4 property delivered to the Department of Revenue; providing a tax credit against the  
5 corporation income tax for qualified oil and gas service industry expenditures; relating to the  
6 oil and gas production tax rate; relating to gas used in the state; relating to monthly  
7 installment payments of the oil and gas production tax; relating to oil and gas production tax  
8 credits for certain losses and expenditures; relating to oil and gas production tax credit  
9 certificates; relating to nontransferable tax credits based on production; relating to the oil and  
10 gas tax credit fund; relating to annual statements by producers and explorers; establishing the  
11 Oil and Gas Competitiveness Review Board; and making conforming amendments.

# LEGAL SERVICES

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

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

## MEMORANDUM

April 4, 2013

**SUBJECT:** Changes to HCS CSSB 21(RES)  
(Work Order No. 28-GS1647\S)

**TO:** Representative Eric Feige  
Attn: Linda Hay

**FROM:** Emily Nauman   
Legislative Counsel

Enclosed please find HCS CSSB 21(RES). Please note the following three items.

First, a reference to "March 31, 2006" was replaced with a reference to "the effective date of this Act" in AS 43.55.165 (sec. 34).

Second, with instruction from Representative Hawker, AS 43.55.165(a) and (b) were repealed and reenacted with the text from his amendment. AS 43.55.165(c) and (d), proposed in his amendment, were moved to AS 43.55.165(m) and (n). Please note that the changes to AS 43.55.165 will take effect 90 days after the governor signs the bill; that may result in a change in the way a producer calculates lease expenditures in the middle of a tax year.

Third, a discrepancy in (b) of the applicability section (sec. 45) was corrected. Section 18 appeared twice, once as the complete sec. 18, and once as AS 43.55.023(a)(1), as amended by sec. 18. The error appears to have persisted for several versions. I removed the broader reference to sec. 18, returning to the original intent in the "A" version of the bill. In that draft, only the change AS 43.55.023(a)(1) was applicable to expenditures incurred on and after January 1, 2013, not the rest of sec. 18.

If I may be of further assistance, please advise.

ELN:med  
13-112.med

Enclosure

# Fiscal Note

State of Alaska  
2013 Legislative Session

Bill Version: SB 21  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: SB21HCSCS(RES)-DOR-TAX-04-05-13  
Title: OIL AND GAS PRODUCTION TAX  
Sponsor: RLS BY REQUEST OF THE GOVERNOR  
Requester: (H) FIN

Department: Department of Revenue  
Appropriation: Taxation and Treasury  
Allocation: Tax Division  
OMB Component Number: 2476

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2014 Appropriation Requested	Included in Governor's FY2014 Request	Out-Year Cost Estimates					
			FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Services	150.0							
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
<b>Total Operating</b>	<b>150.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Fund Source (Operating Only)**

1004 Gen Fund	150.0						
<b>Total</b>	<b>150.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Positions**

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>	***	***	***	***	***	***	***
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Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 0.0

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes  
If yes, by what date are the regulations to be adopted, amended or repealed? 01/01/14

**Why this fiscal note differs from previous version:**

This version updates the fiscal note for the House Resources Committee substitute.

Prepared By: Cherie Nienhuis, Ed King and Dan Stickle  
Division: Tax Division  
Approved By: Bryan D. Butcher, Commissioner  
Department of Revenue

Phone: (907)269-1019  
Date: 04/05/2013 04:00 PM  
Date: 04/05/13

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2013 LEGISLATIVE SESSION

BILL NO. HCS CSSB21(RES)

### Analysis

**Operating expenditures:** This bill makes changes to the tax credits under the production tax system. For leases or properties that contain land that is north of 68 degrees North latitude, the following changes are made: (1) Credits for qualified capital expenditures are limited to expenditures incurred before January 1, 2014; (2) Beginning January 1, 2014, the rate for credits earned for net operating losses increases to 33% of the loss. The operating portion of the long-term fiscal plan anticipates an average of \$400 million in refundable credits through 2023. It is anticipated that the changes in this bill would impact those future appropriations, beginning in FY 2015.

The change to the interest rate for delinquent taxes is expected to require changes to the department's tax accounting systems to accommodate the changes, requiring a one-time appropriation of \$100,000 in FY14 for contractor costs.

**Regulations:** The bill does not direct DOR to adopt new regulations to implement its provisions, but existing regulations may need to be reviewed and amended to conform to changes in audit requirements related to the use of joint interest billings, eligibility for redeemable tax credits, and to account for repeal of some sections. We estimate that the legal services required for this regulatory review and possible changes will require an additional appropriation of approximately \$50,000 in FY14. There may be additional regulations required, but not before January 1, 2014.

**\*\*\*The revenue impact of this bill is an estimate based on the Fall 2012 Forecast.**

This bill makes several changes to the oil and gas production tax system. Each of the major changes, along with its potential revenue impact, is discussed separately below. The effective date of each of the bill's provisions listed below is assumed to be January 1, 2014, with the exception of provision 6, which is effective for expenditures beginning January 1, 2013.

**1. The progressive portion of the production tax at AS 43.55.011(g) is repealed.** Based on our Fall 2012 forecast, this change decreases production tax revenue over the forecast period analyzed. Please see detailed summary table on page 4 of this fiscal note.

**2. The production tax rate under AS 43.55.011(e) has been increased to a tax rate of 33% of production tax value.** Based on our Fall 2012 forecast, this change increases production tax revenue over the forecast period analyzed from this portion of the tax. Please see detailed summary table on page 4 of this fiscal note.

**3. Production tax credits under AS 43.55.023(a) for qualified capital expenditures are limited to expenditures incurred before January 1, 2014 on leases or properties that contain land north of 68 degrees North latitude.** Based on our Fall 2012 forecast, this change increases production tax revenue annually over the forecast period analyzed. Please see detailed summary table on page 4 of this fiscal note.

**4. Companies that incur net losses from leases or properties that contain land north of 68 degrees North latitude will earn a credit of 33% of those losses.** These losses are transferable and eligible for refund by the state. The impact of this provision is on the operating budget and is expected to increase credit refunds appropriated through the operating budget by approximately \$30 million per year over the amount anticipated under current law.

**5. A gross revenue exclusion (GRE) of 20% of the gross value at the point of production is applicable to production from certain areas.** The GRE applies to oil or gas production from wells north of 68 degrees North Latitude that meet one or more of the following criteria: (1) is produced within a lease or property that does not contain a lease that was within a unit on January 1, 2003; (2) is produced within a participating area established after December 31, 2011, in a unit formed before January 1, 2003, if the participating area does not contain a reservoir that had been in a participating area established before December 31, 2011; (3) is produced from acreage that was added to an existing participating area by the Department of Natural Resources on or after January 1, 2014, and the producer demonstrates that the volume of oil or gas produced is from acreage added to an existing participating area. The revenue impact of this provision is expected to be up to -\$50 million per year over the time horizon of this fiscal note. Please see detailed summary table on page 4 of this fiscal note for revenue impacts of this provision.

**6. The provision requiring that credits be taken over two years is eliminated.** This provision would result in companies using credits earlier than they would without this change, and except for the time value of money impact, it is revenue neutral. This provision applies to expenditures after December 31, 2012.

(Analysis continued on following pages)

**Analysis Continued**

**7. The community revenue sharing fund is amended to allow the legislature to make an appropriation from the state corporate income tax under AS 43.20 as opposed to tying the appropriation to revenue collected under AS 43.55.011(g).** This provision has no revenue impact under our Fall 2012 forecast.

**8. A credit of \$5 per taxable barrel or a sliding scale credit ranging from zero to \$8 per taxable barrel may be applied against a producer's production tax liability.** For oil produced from GRE-eligible areas the credit is \$5 per taxable barrel. For areas not eligible for a GRE, the credit is a per-taxable-barrel sliding scale credit based on the gross value at the point of production of the oil. The sliding scale credit is a dollar-per-taxable-barrel credit ranging from zero dollars per barrel at per-barrel GVPP values greater than \$150 to \$8 per barrel at per-barrel GVPP values less than \$80. Neither of these credits can be transferred, carried forward, or used to reduce the producer's tax liability to less than zero. The credit for areas not eligible for a GRE may not reduce the producer's tax liability to less than the minimum tax established under AS 43.55.011(f). Please see detailed summary table on page 4 of this fiscal note for the revenue impact of this provision.

**9. A credit of 10% of qualified oil and gas industry service expenditures may be applied to tax liabilities under AS 43.20 in amounts up to \$10 million per taxpayer per year.** The credit applies to qualified oil and gas service expenditures that are for in-state manufacture or in-state modification of oil and gas tangible personal property with a service life of 3 years or more. The credit is not transferable, however, any amount of the credit that exceeds the taxpayer's liability under AS 43.20 may be carried forward for up to five years. We have no data with which to quantify the revenue impact of this provision, although it is possible that the impact may be as high as -\$25 million per year. The revenue impact of this provision is indeterminate.

**10. The interest rate on delinquent taxes is changed from the greater of 5 percentage points above the annual rate of interest charged by the 12th Federal Reserve District or 11 percent, to 3 percentage points above the annual rate of interest charged by the 12th Federal Reserve District.** There will be one-time contractor costs to implement this change in the DOR accounting system. Over the past five fiscal years (FY 2008-FY 2012), interest on delinquent taxes and refunds has resulted in a net positive revenue to the state. The average annual net revenue to the state in these years was \$26 million in revenue to the General Fund and \$71 million in revenue to the Constitutional Budget Reserve Fund. The Department of Revenue does not forecast interest on taxes. Over the time horizon of this fiscal note, this provision is estimated to impact state revenues in amounts up to -\$25 million per year. The impact will increase over time as more delinquent taxes are calculated under the new interest rates established with this provision. Our fiscal impact estimates do not take into account changes in taxpayer behavior as a result of this reduction in interest rate.

**11. The 3-mile requirement for frontier basin tax credit under AS 43.55.025(m) is removed.** The frontier basin credit is a credit of 80% of eligible expenses up to \$25 million per well for first 4 qualifying wells and a seismic basin credit of \$7.5 million or 80 percent, whichever is less. This bill removes the provision that the 4 qualifying wells must be at least 3 miles from an existing well. This provision has no expected fiscal impact, as the Fall 2012 forecast already assumes spending for the 4 eligible wells will take place and credits will be issued.

**12. The small producer credit at AS 43.55.024 is extended to the later of 2022 or the ninth calendar year after the calendar year that the producer first has commercial production.** This provision extends the small producer credit six years from the original sunset date of 2016. The revenue impact based on the current revenue forecast ranges from zero to -\$50 million per year over the time horizon of this fiscal note.

**13. The Department of Revenue is required to provide a report to the legislature on or before the first day of the 2016 regular session.** This report will study various elements of the production tax system and recommend changes to the system. This report will be completed with existing professional staff and has no revenue impact.

**14. The Department of Revenue is required to consider Joint Interest Billings in the audit process for production tax and may rely on audits performed by joint interest owners in performing state audits of taxpayers.** This provision may lead to slight changes in the department's audit process and has an indeterminate fiscal impact.

**15. AIDEA is given bonding authority to finance construction of oil and gas processing facilities.** This provision does not have any fiscal impact on the Department of Revenue.

Analysis Continued

**Provisions in HCS CSSB21(RES) and their Estimated Fiscal Impact as compared to Fall 2012 Forecast (\$millions)<sup>1</sup>**

Brief Description of Provision	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
1. Elimination of progressive portion of tax	-\$800	-\$1,500	-\$1,700	-\$1,800	-\$1,750	-\$1,650
2. Base tax rate changed to 33% of production tax value	\$450	\$850	\$875	\$850	\$800	\$775
3. Limitation of credits for qualified capital expenditures for North Slope	\$300	\$700	\$650	\$550	\$475	\$400
4. Net operating loss credit rate increased to 33%; are transferable and refundable	Minimal revenue impact - see "Impact on Operating Budget"					
5. Gross revenue exclusion for oil production in new units and new or expanded participating areas	\$0	-\$25	-\$25	-\$50	-\$25	-\$50
6. Provision requiring credits be taken over 2 years eliminated <sup>2</sup>	-\$250					
7. Amendment to the community revenue sharing fund	\$0	\$0	\$0	\$0	\$0	\$0
8. Credit of \$5 per taxable barrel / Sliding scale credit per taxable barrel based on oil price	-\$425	-\$825	-\$775	-\$750	-\$700	-\$675
9. Credit under AS 43.20 for qualified oil and gas industry expenditures	Indeterminate (possibly up to -\$25 million annually)					
10. Reduced interest rate for late payments and assessments on most taxes	Indeterminate (possibly up to -\$25 million annually, increasing over time)					
11. Removal of 3-mile requirement for frontier basin tax credit	\$0	\$0	\$0	\$0	\$0	\$0
12. Small producer credit extended to 2022	\$0	\$0	\$0	-\$25	-\$25	-\$50
13. 2016 required report to legislature	No fiscal impact					
14. Requirement to consider Joint Interest Billings in audit process	Indeterminate					
15. AIDEA bonding authority to finance oil and gas processing facilities	No Department of Revenue fiscal impact					
<b>Total Revenue Impact</b>	<b>-\$725 to -\$775</b>	<b>-\$800 to -\$850</b>	<b>-\$975 to -\$1025</b>	<b>-\$1200 to -\$1250</b>	<b>-\$1200 to -\$1250</b>	<b>-\$1200 to -\$1250</b>
Impact on Operating Budget of provision requiring credits be taken over 2 years eliminated	-\$150					
Impact on Operating Budget of limitation to Qualified Capital Expenditure credit		\$150	\$150	\$150	\$150	\$150
Impact on Operating Budget of increase in Net Operating Loss credits		-\$30	-\$30	-\$30	-\$30	-\$30
<b>Total Fiscal Impact - does not include potential revenue impacts from potential increases in production<sup>3</sup></b>	<b>-\$875 to -\$925</b>	<b>-\$680 to -\$730</b>	<b>-\$855 to -\$905</b>	<b>-\$1080 to -\$1130</b>	<b>-\$1080 to -\$1130</b>	<b>-\$1080 to -\$1130</b>

<sup>1</sup>The impacts listed are based on production and prices as forecasted in our Fall 2012 revenue forecast. The forecasted oil prices are between \$109.61 and \$118.29. All data here are estimates; all figures have been rounded to reflect the uncertainty in the estimates.

<sup>2</sup>Provision 6 above, which eliminates the requirement that credits be taken over 2 years is revenue neutral, and simply shifts the tax liability from future years to FY 2014. The total impact of that provision is \$400 million, with \$250 million taken against tax liability as a revenue impact and \$150 million impacting the operating budget. The total fiscal impact consists of both revenue impacts and operating budget impacts of the bill.

<sup>3</sup>NOTE: "Total Fiscal Impact" includes best estimates of both revenue and operating budget impacts. Operating budget impact for FY 2014 represents additional refunded credits due to elimination of the provision requiring that credits be taken over 2 years. Operating budget impact for FY 2015 and beyond represents reduction in refunded credits due to limitation of credits for qualified capital expenditures for North Slope. This amount also includes increases in credit refunds paid through the operating budget for the increase in NOL credit rates.

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2013 LEGISLATIVE SESSION

BILL NO. HCS CSSB21(RES)

Analysis Continued

**Differences in General Fund Unrestricted Revenue under Proposed Bill  
from Current Tax System in \$Millions\***

\*Note: These hypothetical examples of additional production assess the impacts from the change in tax rates, per barrel credits and gross revenue exclusions only and do not attempt to quantify impacts of other parts of the bill, such as the removal of the credit split, or the impact on the long-range budget from the elimination of QCE credits  
Values are generated from a scenario model and may vary slightly from other models.

**At Forecasted Production**

Oil Price in \$/barrel	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
\$90	-\$275	-\$325	-\$475	-\$575	-\$600	-\$650
\$100	-\$350	-\$425	-\$600	-\$725	-\$750	-\$750
\$120	-\$725	-\$1,075	-\$1,275	-\$1,400	-\$1,375	-\$1,325

All additional production scenarios below compare additional production under the proposed bill to ACES without the additional production.

**Additional Production Scenario A**

Forecasted production plus 50 million barrel field developed by a New Entrant

Oil Price in \$/barrel	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
\$90	-\$275	-\$325	-\$475	-\$575	-\$600	-\$625
\$100	-\$350	-\$425	-\$600	-\$700	-\$725	-\$725
\$120	-\$725	-\$1,075	-\$1,275	-\$1,375	-\$1,350	-\$1,275

Assumes field outside of a current unit and subject to gross revenue exclusion, first oil in 2017 and peak production of 10,000 barrels per day in 2019. Total development cost of \$500 million.

**Additional Production Scenario B**

With addition of 4 oil rigs to legacy fields drilling from 2014-2019

Oil Price in \$/barrel	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
\$90	-\$225	-\$100	-\$175	-\$225	-\$150	-\$275
\$100	-\$300	-\$150	-\$250	-\$275	-\$200	-\$275
\$120	-\$650	-\$725	-\$775	-\$775	-\$625	-\$675

Assumes each oil rig drills 4 new production wells per year, with each well producing 1,000 barrels of oil per day beginning in FY 2014, with a maximum production rate of 60,000 barrels per day for a total of 140 million barrels. Development costs for each well assumed to be \$20 million.

**Additional Production Scenario C**

With new well pad and 4 additional rigs in legacy fields, plus new 10,000 bopd field starting in 2017

Oil Price in \$/barrel	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
\$90	-\$350	-\$200	-\$200	-\$75	\$500	\$375
\$100	-\$375	-\$200	-\$175	\$0	\$600	\$525
\$120	-\$700	-\$675	-\$550	-\$275	\$475	\$425

Assumes new well pad within major North Slope unit producing a total of 125 million barrels of new production over an 8-year period starting in 2015 at total development costs of \$5 billion. Also includes scenario B above with 4 oil rigs in legacy fields and scenario A above with the addition of a new field.

# Fiscal Note

State of Alaska  
2013 Legislative Session

Bill Version: SB 21  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: SB021HCSCS(RES)-DNR-DOG-4-5-13  
Title: OIL AND GAS PRODUCTION TAX  
Sponsor: RLS BY REQUEST OF THE GOVERNOR  
Requester: House Finance

Department: Department of Natural Resources  
Appropriation: Oil & Gas  
Allocation: Oil & Gas  
OMB Component Number: 439

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2014 Appropriation Requested	Included in Governor's FY2014 Request	Out-Year Cost Estimates				
			FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>OPERATING EXPENDITURES</b>	<b>FY 2014</b>	<b>FY 2014</b>					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Fund Source (Operating Only)**

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Positions**

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>	***	***	***	***	***	***	***
---------------------------	-----	-----	-----	-----	-----	-----	-----

Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 0.0

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No  
If yes, by what date are the regulations to be adopted, amended or repealed? N/A

**Why this fiscal note differs from previous version:**

The committee substitute adopted by the House Resources Committee makes changes to the third criteria of the Gross Revenue Exclusion and also amends what criteria DNR must utilize to approve an application for the alternative tax credit for oil and gas exploration in "Middle Earth".

Prepared By:	William C. Barron	Phone:	(907)269-8800
Division	Oil and Gas	Date:	04/05/2013 08:00 AM
Approved By:	Daniel S. Sullivan, Commissioner	Date:	04/05/13
	Department of Natural Resources		

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2013 LEGISLATIVE SESSION

BILL NO. HCS CSSB21(RES)

### Analysis

HCS CSSB21(RES) reforms the oil and gas production tax system in Alaska. This bill will not result in any procedural changes in how the Division of Oil and Gas operates and therefore the Department of Natural Resources (DNR) does not anticipate any fiscal impact to the Department's operating budget.

HCS CSSB21(RES) proposes to improve Alaska's competitiveness and encourage producers to invest more by simplifying the oil and gas production tax system. First, this bill repeals the progressive tax structure, which will help encourage the type of long-term planning and investment needed to promote new investment in new production in Alaska. Further, this bill attempts to shift incentives away from spending and provides new incentives to reward new production.

This bill also amends AS 43.55.025(a)(6) and (m) to clarify that in order to qualify for the alternative tax credit for oil and gas exploration, DNR must approve based on criteria established in AS 43.55.025(c)(1), (c)(2)(A), and (c)(2)(C) thereby removing the 3-mile exclusion for areas classified in AS 43.55.025(o), known as "Middle Earth".

A new subsection AS 43.55.160(f) provides the gross revenue exclusion (GRE) for 20% of the gross value at the point of production for 10 years following the commencement of production from the well. The GRE applies to production from leases or properties containing land that is north of 68 degrees North latitude and meets one or more of the three criteria: (1) is produced from a lease or property that does not contain a lease that was within a unit on January 1, 2003; (2) is produced from a participating area established after December 31, 2011, in a unit formed before January 1, 2003, if the participating area does not contain a reservoir that had previously been in a participating area established before December 31, 2011; (3) is produced from acreage that was added to an existing participating area by DNR on and after January 1, 2014, and the producer demonstrates to the department that the volume of oil or gas produced is from acreage added to an existing participating area. This section also clarifies that the GRE may not reduce the gross value at the point of production below zero.

At forecasted price ranges, overall government take and marginal tax rates are reduced materially. To the extent that investments are made as a consequence of these changes to the tax regime, royalty revenue may rise. The fiscal impact on royalty revenue is an indeterminate positive.

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2013 LEGISLATIVE SESSION

BILL NO. HCS CSSB21(RES)

Analysis Continued

**Differences in Royalty Revenues from  
New Production Scenarios in \$Millions\***

\*Note: These scenarios are based on Department of Revenue modeling.

**At Forecasted Production**

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
\$ 120	\$0	\$0	\$0	\$0	\$0	\$0
\$ 100	\$0	\$0	\$0	\$0	\$0	\$0
\$ 90	\$0	\$0	\$0	\$0	\$0	\$0

**Additional Production Scenario A**

Forecasted production plus 50 million barrel field developed by a New Entrant

Oil Price in \$/barrel	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
\$120	\$0	\$0	\$0	\$12	\$24	\$35
\$100	\$0	\$0	\$0	\$10	\$20	\$29
\$90	\$0	\$0	\$0	\$9	\$17	\$26

Assumes field outside of a current unit and subject to gross revenue exclusion, first oil in 2017 and peak production of 10,000 barrels per day in 2019. Total development cost of \$500 million.

**Additional Production Scenario B**

With addition of 4 oil rigs to legacy fields drilling from 2014-2019

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
\$120	\$57	\$106	\$147	\$181	\$212	\$179
\$100	\$47	\$87	\$120	\$148	\$173	\$146
\$90	\$42	\$77	\$107	\$132	\$154	\$130

Assumes each oil rig drills 4 new production wells per year, with each well producing 1,000 barrels of oil per day and declining at a rate of 15% per year. Development costs for each well assumed to be \$20 million.

**Additional Production Scenario C**

With new well pad and 4 additional rigs in legacy fields, plus new 10,000 bopd field starting in 2017

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
\$120	\$111	\$213	\$307	\$433	\$557	\$533
\$100	\$91	\$174	\$251	\$354	\$455	\$435
\$90	\$81	\$155	\$223	\$314	\$404	\$386

Assumes new well pad within major North Slope unit producing a total of 125 million barrels of new production over an 8-year period starting in 2015 at total development costs of \$5 billion. Also includes scenario B above with 4 oil rigs in legacy fields and scenario A above with the addition of a new 50-million barrel field.

# Fiscal Note

State of Alaska  
2013 Legislative Session

Bill Version: SB 21  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: SB021CS(RES)-DCCED-AIDEA-04-06-13  
Title: OIL AND GAS PRODUCTION TAX  
Sponsor: RLS BY REQUEST OF THE GOVERNOR  
Requester: House Resources

Department: Department of Commerce, Community and  
Economic Development  
Appropriation: Alaska Industrial Development and Export  
Authority  
Allocation: Alaska Industrial Development and Export  
Authority  
OMB Component Number: 1234

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2014	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2014 Request	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>OPERATING EXPENDITURES</b>	<b>FY 2014</b>	<b>FY 2014</b>					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Fund Source (Operating Only)**

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Positions**

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>							
---------------------------	--	--	--	--	--	--	--

Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 0.0

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No  
If yes, by what date are the regulations to be adopted, amended or repealed?

**Why this fiscal note differs from previous version:**

The House Resources CS of SB 21 included a new provision regarding AIDEA. Previous versions of this bill did not impact AIDEA.

Prepared By:	Ted Leonard, Executive Director	Phone:	(907)771-3050
Division	Alaska Industrial Development & Export Authority	Date:	04/06/2013 11:55 PM
Approved By:	JoEllen Hanrahan, Director	Date:	04/06/13
	Administrative Services Division		

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2013 LEGISLATIVE SESSION

BILL NO. SB 21

**Analysis**

Section 42 of HCS SB 21 (RES) adds a new section and establishes a new Oil and Gas infrastructure fund in AIDEA. The fund consists of money appropriated to the authority for deposit in the fund and money deposited by the authority. The fund is not an account of AIDEA's revolving fund and AIDEA shall account for it separately. Money in the fund may be used to finance the construction and improvement of an oil or gas processing facility on the North Slope and flow lines and other surface infrastructure for the facility.

Section 47 of the bill provides legislative approval for AIDEA to issue bonds to finance the construction and improvement of an oil or gas processing facility on the North Slope. The principal amount of the bonds may not exceed \$200,000,000. The issuance of bonds under this section does not apply to AIDEA's bond limitation of \$400,000,000 in a 12-month period.

Bond authorization does not imply that AIDEA will issue bonds. Any project financed by AIDEA goes through a project analysis and due-diligence process providing for a series of "go" "no go" decision points concluding with a decision by the AIDEA Board of Directors to execute the project.

No fiscal impact to AIDEA.

Passed

28-GS1647K.7  
Nauman/Bullock  
4/2/13

AMENDMENT

#1

OFFERED IN THE HOUSE

TO: HCS CSSB 21(RES), Draft Version "K"

- 1 Page 17, following line 11:  
2 Insert a new bill section to read:  
3 **\*\* Sec. 24.** AS 43.55.024(d) is amended to read:  
4 (d) A producer may not take a tax credit under (c) of this section for any  
5 calendar year after the later of  
6 (1) **2022** [2016]; or  
7 (2) if the producer did not have commercial oil or gas production from  
8 a lease or property in the state before April 1, 2006, the ninth calendar year after the  
9 calendar year during which the producer first has commercial oil or gas production  
10 before May 1, 2016, from at least one lease or property in the state."  
11  
12 Renumber the following bill sections accordingly.  
13  
14 Page 29, line 6:  
15 Delete "sec. 31"  
16 Insert "sec. 32"  
17  
18 Page 29, line 20:  
19 Delete "sec. 36"  
20 Insert "sec. 37"  
21  
22 Page 29, line 24:  
23 Delete "28, and 37"

1           Insert "29, and 38"

2

3   Page 29, line 25:

4           Delete "31"

5           Insert "32"

passed

28-GS1647K.29  
Nauman/Bullock  
4/2/13

AMENDMENT

#18

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: HCS CSSB 21(RES), Draft Version "K"

1 Page 1, line 11, following "properties;":

2 Insert "allowing the Alaska Industrial Development and Export Authority to issue  
3 bonds for an oil processing facility; creating a fund to finance construction or  
4 improvement of an oil or gas processing facility"

5

6 Page 28, following line 29:

7 Insert new bill sections to read:

8 **\*\* Sec. 37.** AS 44.88.140(a) is amended to read:

9 (a) Except as provided in AS 29.45.030(a)(1) and AS 44.88.168, the real and  
10 personal property of the authority and its assets, income, and receipts are declared to  
11 be the property of a political subdivision of the state and, together with any project or  
12 development project financed under AS 44.88.155 - 44.88.159 or 44.88.172 -  
13 44.88.177, and a leasehold interest created in a project or development project  
14 financed under AS 44.88.155 - 44.88.159 or 44.88.172 - 44.88.177, devoted to an  
15 essential public and governmental function and purpose, and the property, assets,  
16 income, receipts, project, development project, and leasehold interests shall be exempt  
17 from all taxes and special assessments of the state or a political subdivision of the  
18 state, including, without limitation, all boroughs, cities, municipalities, school  
19 districts, public utility districts, and other taxing units. All bonds of the authority are  
20 declared to be issued by a political subdivision of the state and for an essential public  
21 and governmental purpose and to be a public instrumentality, and the bonds, and the  
22 interest on them, the income from them and the transfer of the bonds, and all assets,  
23 income, and receipts pledged to pay or secure the payments of the bonds, or interest on

1       them, shall at all times be exempt from taxation by or under the authority of the state,  
 2       except for inheritance and estate taxes and taxes on transfers by or in contemplation of  
 3       death. Nothing in this section affects or limits an exemption from license fees,  
 4       property taxes, or excise, income, or any other taxes, provided under any other law,  
 5       nor does it create a tax exemption with respect to the interest of any business  
 6       enterprise or other person, other than the authority, in any property, assets, income,  
 7       receipts, project, development project, or lease whether or not financed under this  
 8       chapter. By January 10 of each year, the authority shall submit to the governor a report  
 9       describing the nature and extent of the tax exemption of the property, assets, income,  
 10      receipts, project, development project, and leasehold interests of the authority under  
 11      this section. The authority shall notify the legislature that the report is available.

12      \* **Sec. 38.** AS 44.88 is amended by adding a new section to read:

13               **Sec. 44.88.168. Oil and gas infrastructure fund.** (a) The oil and gas  
 14      infrastructure fund is established in the authority. The oil and gas infrastructure fund  
 15      consists of money appropriated to the authority for deposit in the fund, and money  
 16      deposited in the fund by the authority. The fund is not an account in the revolving loan  
 17      fund established in AS 44.88.060, and the authority shall account for the fund  
 18      separately from the revolving fund. Money in the fund may be used to finance the  
 19      construction and improvement of an oil or gas processing facility on the North Slope  
 20      and flow lines and other surface infrastructure for the facility.

21               (b) Notwithstanding AS 44.88.140, the state or a political subdivision of the  
 22      state may levy a tax or special assessment on an oil or gas processing facility, flow  
 23      lines, and other surface infrastructure for the facility financed by the oil and gas  
 24      infrastructure fund.

25               (c) In this section, "North Slope" means that area of the state lying north of 68  
 26      degrees North latitude."

27  
 28      Renumber the following bill sections accordingly.

29  
 30      Page 29, following line 21:

31               Insert a new bill section to read:

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

3           LEGISLATIVE APPROVAL; NORTH SLOPE OIL OR GAS PROCESSING  
4 FACILITY. (a) The Alaska Industrial Development and Export Authority may issue bonds to  
5 finance the construction and improvement of an oil or gas processing facility on the Alaska  
6 North Slope and flow lines and other surface infrastructure for the facility. The processing  
7 facility, flow lines, and other surface infrastructure for the facility shall be used to secure  
8 bonds issued under this section. The principal amount of the bonds provided by the authority  
9 for the facility, flow lines, and other surface infrastructure may not exceed \$200,000,000 and  
10 may include the costs of funding reserves and other costs of issuing the bonds that the  
11 authority considers reasonable and appropriate. Notwithstanding AS 44.88.140, an oil or gas  
12 processing facility, flow lines, and other surface infrastructure for the facility constructed or  
13 financed by the oil and gas infrastructure fund are subject to taxes and special assessments of  
14 the state or a political subdivision of the state.

15           (b) This section constitutes the legislative approval required by AS 44.88.095(g) and  
16 44.88.690.

17           (c) The prohibition on the issuance of bonds in an amount exceeding \$400,000,000  
18 under AS 44.88.095 does not apply to bonds issued under this section, and the principal  
19 amount of bonds issued under this section may not be considered in determining whether the  
20 limit in AS 44.88.095 has been reached."

21

22 Renumber the following bill section accordingly.

23

24 Page 29, line 24:

25           Delete "37"

26           Insert "39"

Passed

AMENDMENT

# 27

OFFERED IN THE HOUSE

BY REPRESENTATIVE FEIGE

TO: HCS CSSB 21(RES), Draft Version "K"

1 Page 28, lines 3 - 14:

2 Delete all material and insert:

3 "(6) make written findings and recommendations to the Alaska State  
4 Legislature before

5 (A) January 31, 2015, or as soon thereafter as practicable,  
6 regarding

7 (i) changes to the state's regulatory environment and  
8 permitting structure that would be conducive to encouraging increased  
9 investment while protecting the interests of the people of the state and  
10 the environment;

11 (ii) the status of the oil and gas industry labor pool in  
12 the state and the effectiveness of workforce development efforts by the  
13 state;

14 (iii) the status of the oil-and-gas-related infrastructure  
15 of the state, including a description of infrastructure deficiencies; and

16 (iv) the competitiveness of the state's fiscal oil and gas  
17 tax regime when compared to other regions of the world;

18 (B) January 31, 2021, or as soon thereafter as practicable,  
19 regarding

20 (i) changes to the state's fiscal regime that would be  
21 conducive to increased and ongoing long-term investment in and  
22 development of the state's oil and gas resources;

23 (ii) alternative means for increasing the state's ability to

1 attract and maintain investment in and development of the state's oil  
2 and gas resources; and  
3 (iii) a review of the current effectiveness and future  
4 value of any provisions of the state's oil and gas tax laws that are  
5 expiring in the next five years."  
6

7 Page 29, following line 2:

8 Insert a new bill section to read:

9 "\* Sec. 39. AS 43.98.040, 43.98.050, 43.98.060, and 43.98.070 are repealed February 28,  
10 2021."  
11

12 Renumber the following bill sections accordingly.

*passed  
as amended*

AMENDMENT

*#28*

OFFERED IN THE HOUSE

BY REPRESENTATIVE PEGGY WILSON

TO: HCS CSSB 21(RES), Draft Version "K"

1 Page 26, lines 21 - 23:

2 Delete all material and insert:

3 "(1) one ex officio nonvoting member from the senate, selected by the  
4 president of the senate;

5 (2) one ex officio nonvoting member from the house of  
6 representatives, selected by the speaker of the house of representatives;"

7

8 Renumber the following paragraphs accordingly.

9

10 Page 26, lines 26 - 28:

11 Delete ", including one member who is a petroleum engineer, one member who is a  
12 geologist, and one member who is a financial analyst"

13

14 Page 27, line 5:

15 Delete "(b)(1) and (3)"

16 Insert "(b)(4)"

17

18 Page 2, line 11:

19 Delete "(b)(1) and (3)"

20 Insert "(b)(4)"

21

22 Page 29, line 21:

23 Delete "AS 43.98.040(b)(1) and (3)"

*delete*

1      Insert "AS 43.98.040(b)(4)"

AMENDMENT

#29

OFFERED IN THE HOUSE

TO: HCS CSSB 21(RES), Draft Version "K"

1 Page 1, lines 11 - 12:

2 Delete "**establishing the Oil and Gas Competitiveness Review Board;**"

3

4 Page 25, following line 20:

5 Insert a new bill section to read:

6 **\*\* Sec. 33. AS 43.55.180(b) is amended to read:**

7 (b) The department shall prepare a report on or before the first day of the **2016**  
8 [2011] regular session of the legislature on the results of the study made under (a) of  
9 this section, including recommendations as to whether any changes should be made to  
10 this chapter. The department shall notify the legislature that the report prepared under  
11 this subsection is available."

12

13 Page 26, line 16, through page 28, line 29:

14 Delete all material.

15

16 Renumber the following bill sections accordingly.

17

18 Page 29, lines 16 - 21:

19 Delete all material.

20

21 Renumber the following bill section accordingly.

*passed  
as amended*

28-GS1647K.34  
Nauman/Bullock  
4/3/13

AMENDMENT  
*new # 32*

OFFERED IN THE HOUSE

TO: HCS CSSB 21(RES), Draft Version "K"

*Amend #1  
to new # 32  
delete all  
language  
& replace  
with  
CONCEPTUAL  
# 32*

1 Page 1, line 11, following "properties";  
2 Insert "relating to the calculation of lease expenditures"

4 Page 25, following line 20:

5 Insert a new bill section to read:

6 **\*\* Sec. 33.** AS 43.55.165 is amended by adding new subsections to read:

7 **(A)** (m) Except as provided under (e), (o), and (p) of this section, for the purposes  
8 of AS 43.55.160, a producer's lease expenditures for a calendar year are the ordinary  
9 and necessary costs upstream of the point of production of oil and gas that are incurred  
10 during the calendar year by the producer on or after January 1, 2014, and that are  
11 direct costs of exploring for, developing, or producing oil or gas deposits located  
12 within the producer's leases or properties in the state or, in the case of land in which  
13 the producer does not own a working interest, that are direct costs of exploring for oil  
14 or gas deposits located within other land in the state. In determining whether costs are  
15 lease expenditures, the department shall consider, among other factors,

16 (1) the typical industry practices and standards in the state that  
17 determine the costs, other than items listed in (e) of this section, that an operator is  
18 allowed to bill a working interest owner that is not the operator, under unit operating  
19 agreements or similar operating agreements that were in effect before December 2,  
20 2005, and were subject to negotiation with at least one working interest owner with  
21 substantial bargaining power, other than the operator; and

22 (2) the standards adopted by the Department of Natural Resources that  
23 determine the costs, other than items listed in (e) of this section, that a lessee is

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

3 (n) For purposes of (m) of this section,

4 (1) direct costs include

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

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

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

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

19 (o) On or after January 1, 2014, subject to (g) and (h) of this section, if the  
20 department finds that the pertinent provisions of a unit operating agreement or similar  
21 operating agreement are substantially consistent with the department's determinations  
22 and standards under (m) of this section concerning whether costs are lease  
23 expenditures, the department may authorize or require a producer, subject to  
24 conditions prescribed under regulations adopted by the department, to treat as that  
25 portion of its lease expenditures for a calendar year applicable to oil and gas produced  
26 from a lease or property in the state only

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

29 (A) are billable to the producer by the operator in accordance  
30 with the terms of the agreement to which that lease or property is subject;

31 (B) for a producer that is the operator, would be billable to the

1 producer by the operator in accordance with the terms of the agreement to  
2 which that lease or property is subject if the producer were not the operator;

3 (C) would be billable to the producer by the operator in  
4 accordance with the terms of the agreement if that lease or property were  
5 subject to the agreement; or

6 (D) for a producer that is the operator, would be billable to the  
7 producer by the operator in accordance with the terms of the agreement if that  
8 lease or property were subject to the agreement and if the producer were not  
9 the operator; and

10 (2) a reasonable percentage, as determined under regulations adopted  
11 by the department, of the costs that are billable under (1) of this subsection as an  
12 allowance for overhead expenses directly related to exploring for, developing, and  
13 producing oil or gas deposits located within the lease or property, to the extent those  
14 expenses are not billable under the agreement.

15 (p) Subject to (g) and (h) of this section, if the department makes the finding  
16 described in (o) of this section with respect to a unit operating agreement or similar  
17 operating agreement and, in addition, finds that at least one working interest owner  
18 party to the agreement, other than the operator, with substantial incentive and ability to  
19 effectively audit billings under the agreement in fact is effectively auditing billings  
20 under the agreement, the department may authorize or require a producer, subject to  
21 conditions prescribed under regulations adopted by the department, to treat as that  
22 portion of its lease expenditures for a calendar year applicable to oil and gas produced  
23 from a lease or property in the state only

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

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

30 (B) for a producer that is the operator, would be billable to the  
31 producer by the operator in accordance with the terms of the agreement to

1                   which that lease or property is subject if the producer were not the operator;  
2                   and

3                                 (2) a reasonable percentage, as determined under regulations adopted  
4                   by the department, of the costs that are billed under (1) of this subsection as an  
5                   allowance for overhead expenses directly related to exploring for, developing, and  
6                   producing oil or gas deposits located within the lease or property, to the extent those  
7                   expenses are not billable under the agreement."  
8

9    Renumber the following bill sections accordingly.

10

11   Page 29, line 1:

12           Delete "and 43.55.160(c)"

13           Insert "43.55.160(c), 43.55.165(a), 43.55.165(b), 43.55.165(c), and 43.55.165(d)"  
14

14

15   Page 29, line 20:

16           Delete "sec. 36"

17           Insert "sec. 37"

18

19   Page 29, line 24:

20           Delete "37"

21           Insert "38"

CONCEPTUAL  
AMENDMENT  
#32

offered  
then with drawn  
& amended  
into New# 32  
K. 34

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: HCS CS SB 21 (RES) Work Draft K

1 Page 25, following line 20

2 Insert new subsections to read:

3 \* **Sec. 34.** AS 43.55.165 (a) is repealed and reenacted to read:

4 (a) Except as provided under (c) - (e) of this section, for the purposes of AS  
5 43.55.160, a producer's lease expenditures for a calendar year are the ordinary and  
6 necessary costs upstream of the point of production of oil and gas that are incurred during  
7 the calendar year by the producer after March 31, 2006, and that are direct costs of  
8 exploring for, developing, or producing oil or gas deposits located within the producer's  
9 leases or properties in the state or, in the case of land in which the producer does not own  
10 a working interest, that are direct costs of exploring for oil or gas deposits located within  
11 other land in the state. In determining whether costs are lease expenditures, the  
12 department shall consider, among other factors,

13 (1) the typical industry practices and standards in the state that determine the  
14 costs, other than items listed in (e) of this section, that an operator is allowed to bill a  
15 working interest owner that is not the operator, under unit operating agreements or  
16 similar operating agreements that were in effect before December 2, 2005, and were  
17 subject to negotiation with at least one working interest owner with substantial  
18 bargaining power, other than the operator; and

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

23

24 \* **Sec. 35.** AS 43.55.165 (b) is repealed and reenacted to read:

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

26 (1) direct costs include

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

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

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

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

\* Sec. 36. AS 43.55.165 (c) is repealed and reenacted to read:

(c) Subject to (g) and (h) of this section, if the department finds that the pertinent provisions of a unit operating agreement or similar operating agreement are substantially consistent with the department's determinations and standards under (a) of this section concerning whether costs are lease expenditures, the department may authorize or require a producer, subject to conditions prescribed under regulations adopted by the department, to treat as that portion of its lease expenditures for a calendar year applicable to oil and gas produced from a lease or property in the state only

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

(A) are billable to the producer by the operator in accordance with the terms of the agreement to which that lease or property is subject;

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

1 (C) would be billable to the producer by the operator in accordance  
2 with the terms of the agreement if that lease or property were subject to  
3 the agreement; or

4 (D) for a producer that is the operator, would be billable to the  
5 producer by the operator in accordance with the terms of the agreement if  
6 that lease or property were subject to the agreement and if the producer  
7 were not the operator; and

8 (2) a reasonable percentage, as determined under regulations adopted by  
9 the department, of the costs that are billable under (1) of this subsection as an  
10 allowance for overhead expenses directly related to exploring for, developing, and  
11 producing oil or gas deposits located within the lease or property, to the extent  
12 those expenses are not billable under the agreement.

13  
14 \* Sec. 37. AS 43.55.165 (d) is repealed and reenacted to read:

15 (d) Subject to (g) and (h) of this section, if the department makes the finding  
16 described in (c) of this section with respect to a unit operating agreement or similar  
17 operating agreement and, in addition, finds that at least one working interest owner party  
18 to the agreement, other than the operator, with substantial incentive and ability to  
19 effectively audit billings under the agreement in fact is effectively auditing billings under  
20 the agreement, the department may authorize or require a producer, subject to conditions  
21 prescribed under regulations adopted by the department, to treat as that portion of its  
22 lease expenditures for a calendar year applicable to oil and gas produced from a lease or  
23 property in the state only

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

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

30 (B) for a producer that is the operator, would be billable to the  
31 producer by the operator in accordance with the terms of the agreement to

1                   which that lease or property is subject if the producer were not the  
2                   operator; and  
3                   (2) a reasonable percentage, as determined under regulations adopted by  
4                   the department, of the costs that are billed under (1) of this subsection as an  
5                   allowance for overhead expenses directly related to exploring for, developing, and  
6                   producing oil or gas deposits located within the lease or property, to the extent  
7                   those expenses are not billable under the agreement

8

9                   Renumber following sections accordingly

10

11                   Page 29, line 20 following "sec."

12                   Delete "36"

13                   Insert "40"

14

15                   Page 29, line 24 following "and"

16                   Delete "37"

17                   Insert "41"

28-GS281647K

4/2/2013

Feige

CONCEPTUAL  
AMENDMENT #33

Page 18, line 1, following "2013"

Insert "from leases or properties north of 68 degrees North latitude."

Page 18, line 1, following "not"

Insert "be applied against the tax calculated under AS 43.55.011(f). A tax credit authorized by the subsection may not"

Page 18, line 2, following "below"

Insert "the amount calculated under AS 43.55.011(f)"

Delete "zero"

111

11111

AMENDMENT

#30A

WILSON

OFFERED IN THE HOUSE

TO: HCS CSSB 21(RES), Draft Version "K"

1 Page 6, line 8:

2 Delete "35"

3 Insert "30" <sup>33</sup>~~35~~%

4

5 Page 10, line 17:

6 Delete "35"

7 Insert "30" <sup>33</sup>~~35~~%

8

9 Page 11, line 1:

10 Delete "35"

11 Insert "30" <sup>33</sup>~~35~~%

12

13 Page 11, line 14:

14 Delete "35"

15 Insert "30" <sup>33</sup>~~35~~%

16

17 Page 11, line 23:

18 Delete "35"

19 Insert "30" <sup>33</sup>~~35~~%

20

21 Page 15, line 10:

22 Delete "35"

23 Insert "30" <sup>33</sup>~~35~~%

*Facted*

AMENDMENT

*#10*

OFFERED IN THE HOUSE

TO: HCS CSSB 21(RES), Draft Version "K"

- 1 Page 17, line 21:
- 2 Delete "new subsections"
- 3 Insert "a new subsection"
- 4
- 5 Page 17, line 24:
- 6 Delete "one or more"
- 7 Insert "either or both"
- 8
- 9 Page 17, line 28, through page 18, line 28:
- 10 Delete all material.
- 11
- 12 Page 24, line 14:
- 13 Delete "one or more"
- 14 Insert "either or both"
- 15
- 16 Page 24, lines 20 - 23:
- 17 Delete "; (3) the oil or gas is produced from acreage that was added to an existing
- 18 participating area by the Department of Natural Resources after December 31, 2012, and the
- 19 producer demonstrates to the department that the volume of oil or gas produced is from
- 20 acreage added to an existing participating area"

*Withdrawn*

AMENDMENT

*#9*

OFFERED IN THE HOUSE

TO: HCS CSSB 21(RES), Draft Version "K"

- 1 Page 18, lines 4 - 11:
- 2 Delete all material.
- 3
- 4 Renumber the following paragraphs accordingly.

*failed*

AMENDMENT

*#8*

OFFERED IN THE HOUSE

TO: HCS CSSB 21(RES), Draft Version "K"

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

2 Insert "providing an additional tax on the production of oil when the production  
3 tax value of a barrel of oil is more than a certain amount;"

4  
5 Page 6, line 7, following "2014":

6 Insert "the sum of  
7 (A)"

8  
9 Page 6, line 9, following "percent":

10 Insert "and  
11 (B) the sum, over all months of a calendar year after December 31,  
12 2013, of the tax amounts determined under (q) of this section"

13  
14 Page 7, following line 1:

15 Insert a new bill section to read:

16 **\*\* Sec. 14.** AS 43.55.011 is amended by adding a new subsection to read:

17 (q) In addition to the tax in (e) of this section, for a month in which the  
18 average production tax value of a barrel of oil is more than \$150, there is levied on the  
19 producer of oil for each barrel of oil produced and taxable under (e) of this section a  
20 tax of \$1 for each \$10 amount of production tax value that exceeds \$150. The tax in  
21 this subsection does not apply to oil the ownership or right to which is exempt from  
22 taxation or constitutes a landowner's royalty interest. The tax levied under this  
23 subsection shall be paid at the time and manner in which taxes under (e) of this section

1 are paid under AS 43.55.020."

2

3 Renumber the following bill sections accordingly.

4

5 Page 29, line 6:

6 Delete "sec. 31"

7 Insert "sec. 32"

8

9 Page 29, line 7:

10 Delete "18 and 20 - 23"

11 Insert "19 and 21 - 24"

12 Delete "sec. 18"

13 Insert "sec. 19"

14

15 Page 29, line 9:

16 Delete "Section 19"

17 Insert "Section 20"

18

19 Page 29, line 20:

20 Delete "sec. 36"

21 Insert "sec. 37"

22

23 Page 29, line 24:

24 Delete "Sections 13, 20 - 23, 28, and 37"

25 Insert "Sections 13, 21 - 24, 29, and 38"

26

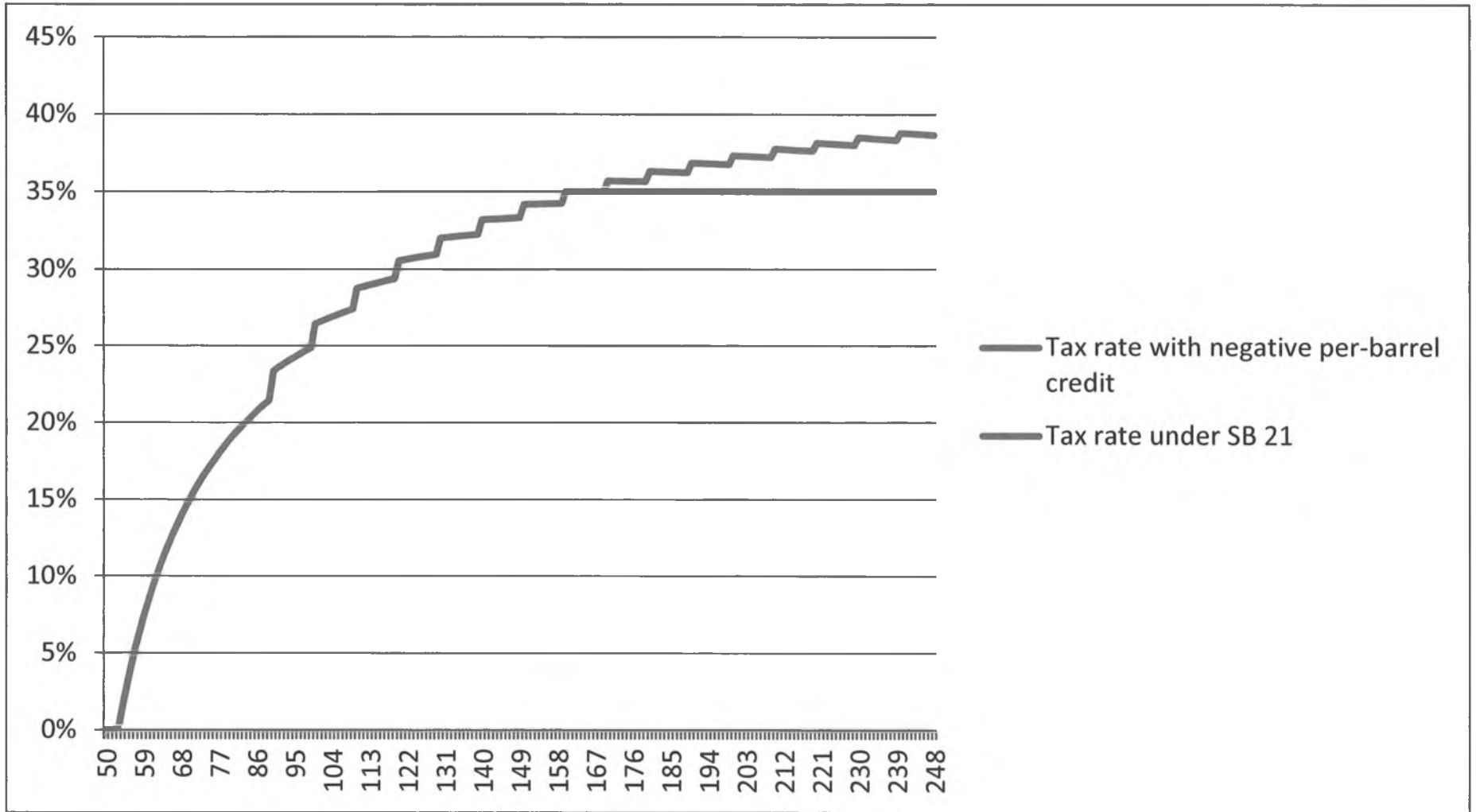
27 Page 29, line 25:

28 Delete "sec. 18"

29 Insert "sec. 19"

30 Delete "sec. 31"

31 Insert "sec. 32"



*Failed*

AMENDMENT

#7

OFFERED IN THE HOUSE

TO: HCS CSSB 21(RES), Draft Version "K"

- 1 Page 6, line 8:
- 2 Delete "35"
- 3 Insert "45"
- 4
- 5 Page 10, line 17:
- 6 Delete "35"
- 7 Insert "45"
- 8
- 9 Page 11, line 1:
- 10 Delete "35"
- 11 Insert "45"
- 12
- 13 Page 11, line 14:
- 14 Delete "35"
- 15 Insert "45"
- 16
- 17 Page 11, line 23:
- 18 Delete "35"
- 19 Insert "45"
- 20
- 21 Page 15, line 10:
- 22 Delete "35"
- 23 Insert "45"
- 24

1 Page 17, line 21:

2 Delete "new subsections"

3 Insert "a new subsection"

4

5 Page 17, line 23:

6 Delete "\$5"

7 Insert "\$10"

8

9 Page 17, line 24:

10 Delete "that meets one or more of the criteria in AS 43.55.160(f) and"

11

12 Page 17, line 28, through page 18, line 28:

13 Delete all material.

*fated*

AMENDMENT

*#6*

OFFERED IN THE HOUSE

TO: HCS CSSB 21(RES), Draft Version "K"

- 1 Page 6, line 8:
- 2 Delete "35"
- 3 Insert "50"
- 4
- 5 Page 10, line 17:
- 6 Delete "35"
- 7 Insert "50"
- 8
- 9 Page 11, line 1:
- 10 Delete "35"
- 11 Insert "50"
- 12
- 13 Page 11, line 14:
- 14 Delete "35"
- 15 Insert "50"
- 16
- 17 Page 11, line 23:
- 18 Delete "35"
- 19 Insert "50"
- 20
- 21 Page 15, line 10:
- 22 Delete "35"
- 23 Insert "50"

1 Page 17, line 21:

2 Delete "new subsections"

3 Insert "a new subsection"

4

5 Page 17, line 23:

6 Delete "\$5"

7 Insert "\$12"

8

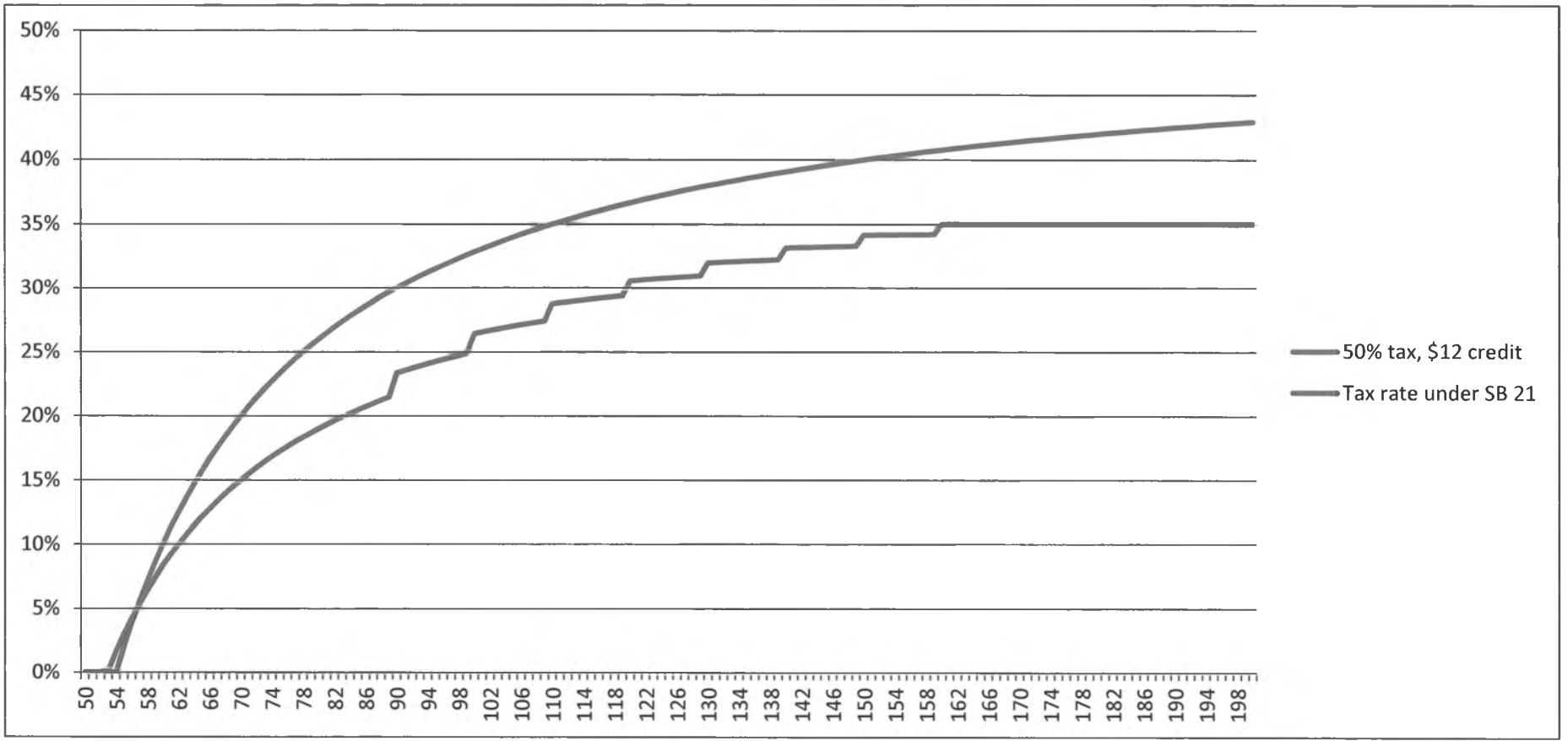
9 Page 17, line 24:

10 Delete "that meets one or more of the criteria in AS 43.55.160(f) and"

11

12 Page 17, line 28, through page 18, line 28:

13 Delete all material.



*Amended*

AMENDMENT

*#5*

OFFERED IN THE HOUSE

TO: HCS CSSB 21(RES), Draft Version "K"

1 Page 1, line 4:

2 Delete "rate"

3 Insert "rates"

4

5 Page 6, line 8:

6 Delete "35"

7 Insert "45"

8

9 Page 6, following line 9:

10 Insert a new bill section to read:

11 **\*\* Sec. 12.** AS 43.55.011(f) is repealed and reenacted to read:

12 (f) Except for oil and gas subject to (i) of this section and gas subject to (o) of  
13 this section, the provisions of this subsection apply to oil and gas produced from each  
14 lease or property within a unit or nonunitized reservoir that has cumulatively produced  
15 1,000,000,000 BTU equivalent barrels of oil or gas by the close of the most recent  
16 calendar year and from which the average daily oil and gas production from the unit or  
17 nonunitized reservoir during the most recent calendar year exceeded 100,000 BTU  
18 equivalent barrels. Notwithstanding any contrary provision of law, a producer may not  
19 apply tax credits to reduce its total tax liability under (e) of this section for oil and gas  
20 produced from all leases or properties within the unit or nonunitized reservoir below  
21 10 percent of the total gross value at the point of production of that oil and gas. If the  
22 amount of tax calculated by multiplying the tax rates in (e) of this section by the total  
23 production tax value of the oil and gas taxable under (e) of this section produced from

1 all of the producer's leases or properties within the unit or nonunitized reservoir is less  
2 than 10 percent of the total gross value at the point of production of that oil and gas,  
3 the tax levied by (e) of this section for that oil and gas is equal to 10 percent of the  
4 total gross value at the point of production of that oil and gas."  
5

6 Renumber the following bill sections accordingly.

7  
8 Page 10, line 17:

9 Delete "35"

10 Insert "45"

11

12 Page 10, lines 27 - 31:

13 Delete all material and insert:

14 "(ii) 10 percent of the gross value at the point of  
15 production of the oil and gas produced from the leases or  
16 properties during the month for which the installment payment is  
17 calculated; or"  
18

19 Page 11, line 1:

20 Delete "35"

21 Insert "45"

22

23 Page 11, line 14:

24 Delete "35"

25 Insert "45"

26

27 Page 11, line 23:

28 Delete "35"

29 Insert "45"

30

31 Page 15, line 10:

- 1 Delete "35"
- 2 Insert "45"
- 3
- 4 Page 17, line 21:
  - 5 Delete "new subsections"
  - 6 Insert "a new subsection"
  - 7
- 8 Page 17, line 23:
  - 9 Delete "\$5"
  - 10 Insert "\$10"
  - 11
- 12 Page 17, line 24:
  - 13 Delete "that meets one or more of the criteria in AS 43.55.160(f) and"
  - 14
- 15 Page 17, line 28, through page 18, line 28:
  - 16 Delete all material.
  - 17
- 18 Page 29, line 5:
  - 19 Delete "Section 13"
  - 20 Insert "Section 14"
  - 21
- 22 Page 29, line 6:
  - 23 Delete "sec. 31"
  - 24 Insert "sec. 32"
  - 25
- 26 Page 29, line 7:
  - 27 Delete "Sections 18 and 20 - 23"
  - 28 Insert "Sections 19 and 21 - 24"
  - 29 Delete "sec. 18"
  - 30 Insert "sec. 19"
  - 31

1 Page 29, line 9:

2 Delete "Section 19"

3 Insert "Section 20"

4

5 Page 29, line 20:

6 Delete "sec. 36"

7 Insert "sec. 37"

8

9 Page 29, line 24:

10 Delete "Sections 13, 20 - 23, 28, and 37"

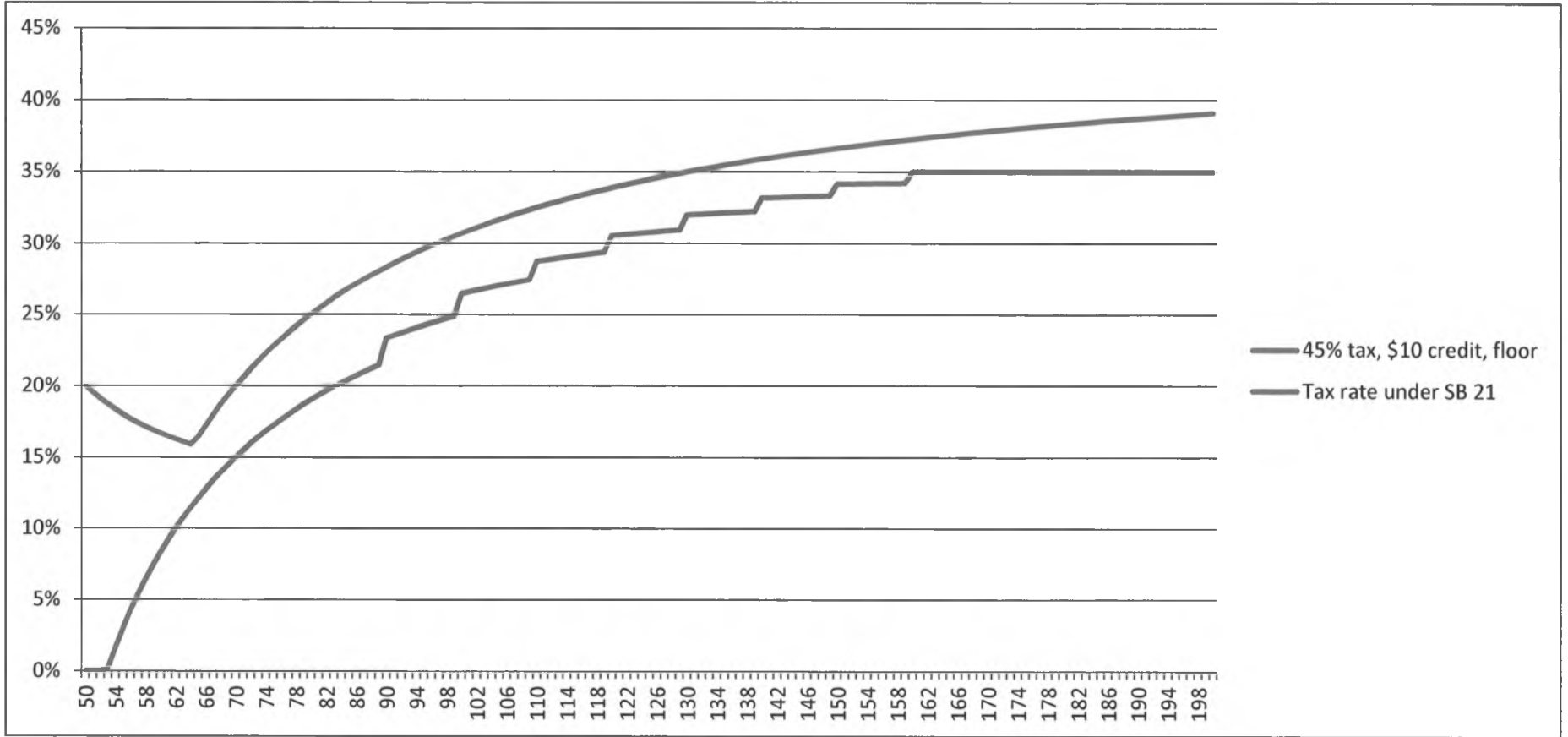
11 Insert "Sections 14, 21 - 24, 29, and 38"

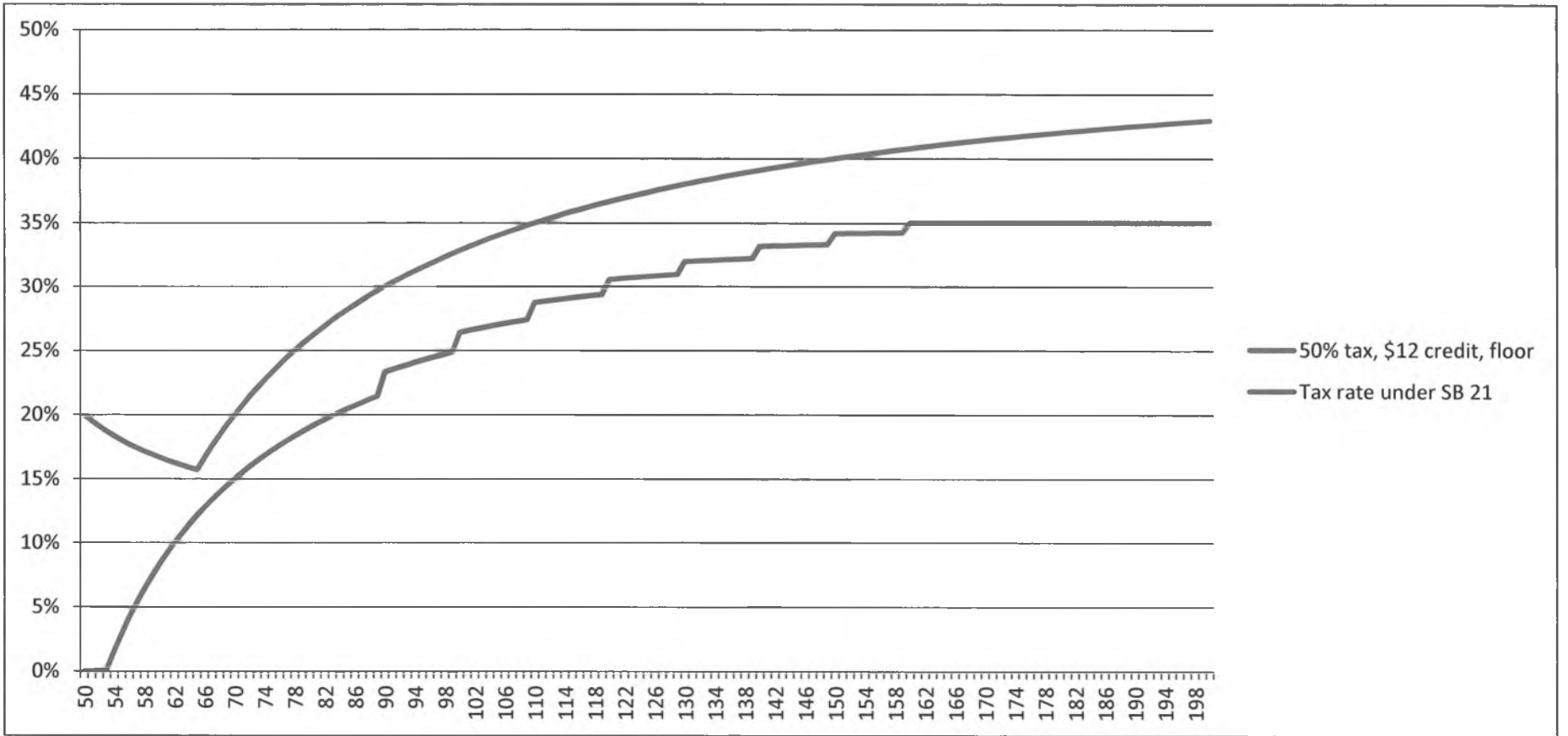
12

13 Page 29, line 25:

14 Delete "sec. 18"

15 Insert "sec. 19"





Amended

AMENDMENT

#4

OFFERED IN THE HOUSE

TO: HCS CSSB 21(RES), Draft Version "K"

1 Page 1, line 4:

2 Delete "rate"

3 Insert "rates"

4

5 Page 6, line 8:

6 Delete "35"

7 Insert "50"

8

9 Page 6, following line 9:

10 Insert a new bill section to read:

11 **\*\* Sec. 12.** AS 43.55.011(f) is amended to read:

12 (f) **Before January 1, 2014, the** [THE] levy of tax under this section for oil  
13 and gas produced north of 68 degrees North latitude, other than oil and gas production  
14 subject to (i) of this section and gas subject to (o) of this section, may not be less than

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

18 (2) three percent of the gross value at the point of production when the  
19 average price per barrel for Alaska North Slope crude oil for sale on the United States  
20 West Coast during the calendar year for which the tax is due is over \$20 but not over  
21 \$25;

22 (3) two percent of the gross value at the point of production when the  
23 average price per barrel for Alaska North Slope crude oil for sale on the United States

1 West Coast during the calendar year for which the tax is due is over \$17.50 but not  
2 over \$20;

3 (4) one percent of the gross value at the point of production when the  
4 average price per barrel for Alaska North Slope crude oil for sale on the United States  
5 West Coast during the calendar year for which the tax is due is over \$15 but not over  
6 \$17.50; or

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

10  
11 Renumber the following bill sections accordingly.

12  
13 Page 7, following line 1:

14 Insert new bill sections to read:

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

16 (g) On and after January 1, 2014, except for oil and gas subject to (i) of this  
17 section and gas subject to (o) of this section, the provisions of this subsection apply to  
18 oil and gas produced from each lease or property within a unit or nonunitized reservoir  
19 that has cumulatively produced 1,000,000,000 BTU equivalent barrels of oil or gas by  
20 the close of the most recent calendar year and from which the average daily oil and  
21 gas production from the unit or nonunitized reservoir during the most recent calendar  
22 year exceeded 100,000 BTU equivalent barrels. Notwithstanding any contrary  
23 provision of law, a producer may not apply tax credits to reduce its total tax liability  
24 under (e) of this section for oil and gas produced from all leases or properties within  
25 the unit or nonunitized reservoir below 10 percent of the total gross value at the point  
26 of production of that oil and gas. If the amount of tax calculated by multiplying the tax  
27 rates in (e) of this section by the total production tax value of the oil and gas taxable  
28 under (e) of this section produced from all of the producer's leases or properties within  
29 the unit or nonunitized reservoir is less than 10 percent of the total gross value at the  
30 point of production of that oil and gas, the tax levied by (e) of this section for that oil  
31 and gas is equal to 10 percent of the total gross value at the point of production of that

AMENDMENT

# 3

OFFERED IN THE HOUSE

TO: HCS CSSB 21(RES), Draft Version "K"

1 Page 6, line 6:

2 Delete "(g)"

3 Insert "(g)(1) [(g)]"

4

5 Page 6, line 7, following "2014":

6 Insert "

7 (A)"

8

9 Page 6, line 9, following "percent":

10 Insert "; and

11 (B) the sum, over all the months of the calendar year, of the  
12 tax amounts determined under (g) of this section"

13

14 Page 6, following line 9:

15 Insert a new bill section to read:

16 "\*\* **Sec. 12.** AS 43.55.011(g) is amended to read:

17 (g) For purposes of (e) of this section, the tax amount is determined by  
18 multiplying the monthly production tax value of the taxable oil and gas produced  
19 during the month by the tax rate calculated as follows:

20 (1) before January 1, 2014, for [FOR] each month of the calendar  
21 year for which the producer's average monthly production tax value under  
22 AS 43.55.160(a)(2) of a [PER] BTU equivalent barrel of the taxable oil and gas is  
23 more than \$30, [THE AMOUNT OF TAX FOR PURPOSES OF (e)(2) OF THIS

1 SECTION IS DETERMINED BY MULTIPLYING THE MONTHLY  
2 PRODUCTION TAX VALUE OF THE TAXABLE OIL AND GAS PRODUCED  
3 DURING THE MONTH BY] the tax rate calculated as follows:

4 (A) [(1)] if the producer's average monthly production tax value of a  
5 [PER] BTU equivalent barrel of the taxable oil and gas for the month is not more than  
6 \$92.50, the tax rate is 0.4 percent multiplied by the number that represents the  
7 difference between that average monthly production tax value of a [PER] BTU  
8 equivalent barrel and \$30; or

9 (B) [(2)] if the producer's average monthly production tax value  
10 of a [PER] BTU equivalent barrel of the taxable oil and gas for the month is  
11 more than \$92.50, the tax rate is the sum of 25 percent and the product of 0.1  
12 percent multiplied by the number that represents the difference between the  
13 average monthly production tax value of a [PER] BTU equivalent barrel and  
14 \$92.50, except that the sum determined under this paragraph may not exceed  
15 50 percent;

16 (2) on or after January 1, 2014, for each month of the calendar  
17 year for which the producer's average monthly production tax value under  
18 AS 43.55.160(a)(2) of a BTU equivalent barrel of the taxable oil and gas is more  
19 than \$55, the tax rate calculated by multiplying by 0.2 the number that  
20 represents the difference between that average monthly production tax value of a  
21 BTU equivalent barrel and \$55, except that the tax rate determined under this  
22 paragraph may not exceed 15 percent."

23  
24 Renumber the following bill sections accordingly.

25  
26 Page 10, line 17:

27 Delete "35 percent"

28 Insert "the sum of 35 percent and the tax rate calculated for the month under  
29 AS 43.55.011(g)"

30  
31 Page 11, line 1:

1 Delete "35 percent"

2 Insert "the sum of 35 percent and the tax rate calculated for the month under  
3 AS 43.55.011(g)"

4

5 Page 11, line 14:

6 Delete "35 percent"

7 Insert "the sum of 35 percent and the tax rate calculated for the month under  
8 AS 43.55.011(g)"

9

10 Page 11, line 23:

11 Delete "35 percent"

12 Insert "the sum of 35 percent and the tax rate calculated for the month under  
13 AS 43.55.011(g)"

14

15 Page 12, lines 13 - 31:

16 Delete all material.

17

18 Renumber the following bill sections accordingly.

19

20 Page 13, line 25, through page 14, line 12:

21 Delete all material.

22

23 Renumber the following bill sections accordingly.

24

25 Page 28, line 31:

26 Delete "43.55.011(g)"

27 Insert "43.55.011(g)(1)"

28

29 Page 29, line 1:

30 Delete "AS 43.55.020(d), 43.55.023(i), 43.55.023(p), 43.55.160(a)(2), and  
31 43.55.160(c)"

1 Page 29, line 9:

2 Delete "Section 19"

3 Insert "Section 18"

4

5 Page 29, line 20:

6 Delete "sec. 36"

7 Insert "sec. 35"

8

9 Page 29, line 24:

10 Delete "Sections 13, 20 - 23, 28, and 37"

11 Insert "Sections 12, 19 - 22, 27, and 36"

12

13 Page 29, line 25:

14 Delete "sec. 18"

15 Insert "sec. 17"

16 Delete "sec. 31"

17 Insert "sec. 30"

1           Insert "43.55.023(i), and 43.55.023(p)"

2

3   Page 29, line 5:

4           Delete "Section 13"

5           Insert "Section 14"

6

7   Page 29, line 6:

8           Delete "sec. 31"

9           Insert "sec. 30"

10

11   Page 29, line 7:

12           Delete "Sections 18 and 20 - 23"

13           Insert "Sections 17 and 19 - 22"

14           Delete "sec. 18"

15           Insert "sec. 17"

16

17   Page 29, line 9:

18           Delete "Section 19"

19           Insert "Section 18"

20

21   Page 29, line 20:

22           Delete "sec. 36"

23           Insert "sec. 35"

24

25   Page 29, line 24:

26           Delete "Sections 13, 20 - 23, 28, and 37"

27           Insert "Sections 14, 19 - 22, 27, and 36"

28

29   Page 29, line 25:

30           Delete "sec. 18"

31           Insert "sec. 17"

- 1 Delete "sec. 31"
- 2 Insert "sec. 30"

*Ailed*

AMENDMENT

*#2*

OFFERED IN THE HOUSE

TO: HCS CSSB 21(RES), Draft Version "K"

1 Page 1, lines 2 - 11:

2 Delete "providing a tax credit against the corporation income tax for qualified oil  
3 and gas service industry expenditures; relating to the oil and gas production tax rate;  
4 relating to gas used in the state; relating to monthly installment payments of the oil and  
5 gas production tax; relating to oil and gas production tax credits for certain losses and  
6 expenditures; relating to oil and gas production tax credit certificates; relating to  
7 nontransferable tax credits based on production; relating to the oil and gas tax credit  
8 fund; relating to annual statements by producers and explorers; relating to the  
9 determination of annual oil and gas production tax value including adjustments based  
10 on a percentage of gross value at the point of production from certain leases or  
11 properties;"

12

13 Page 5, line 27, through page 12, line 31:

14 Delete all material and insert:

15 **\*\* Sec. 11.** AS 43.55.011(g) is amended to read:

16 (g) For each month of the calendar year for which the producer's average  
17 monthly production tax value under AS 43.55.160(a)(2) of a [PER] BTU equivalent  
18 barrel of the taxable oil and gas is more than \$30, the amount of tax for purposes of  
19 (e)(2) of this section is determined by multiplying the monthly production tax value of  
20 the taxable oil and gas produced during the month by the tax rate calculated as  
21 follows:

22 (1) if the producer's average monthly production tax value of a [PER]  
23 BTU equivalent barrel of the taxable oil and gas for the month is not more than

1 \$92.50, the tax rate is 0.4 percent multiplied by the number that represents the  
2 difference between that average monthly production tax value of a [PER] BTU  
3 equivalent barrel and \$30; or

4 (2) if the producer's average monthly production tax value of a [PER]  
5 BTU equivalent barrel of the taxable oil and gas for the month is more than \$92.50,  
6 the tax rate is the sum of 25 percent and the product of 0.1 percent multiplied by the  
7 number that represents the difference between the average monthly production tax  
8 value of a [PER] BTU equivalent barrel and \$92.50, except that the sum determined  
9 under this paragraph may not exceed 30 [50] percent."  
10

11 Renumber the following bill sections accordingly.

12  
13 Page 14, line 13, through page 16, line 9:

14 Delete all material.  
15

16 Renumber the following bill sections accordingly.

17  
18 Page 16, lines 11 - 12:

19 Delete "of this section"  
20

21 Page 16, line 12:

22 Delete "former"  
23

24 Page 16, line 26, through page 25, line 20:

25 Delete all material.  
26

27 Renumber the following bill sections accordingly.

28  
29 Page 28, line 30, through page 29, line 15:

30 Delete all material.  
31

- 1 Renumber the following bill sections accordingly.
- 2
- 3 Page 29, line 20:
- 4       Delete "sec. 36"
- 5       Insert "sec. 16"
- 6
- 7 Page 29, lines 22 - 26:
- 8       Delete all material.

passed

AMENDMENT

#1

OFFERED IN THE HOUSE

TO: HCS CSSB 21(RES), Draft Version "K"

1 Page 17, following line 11:

2 Insert a new bill section to read:

3 **\*\* Sec. 24.** AS 43.55.024(d) is amended to read:

4 (d) A producer may not take a tax credit under (c) of this section for any  
5 calendar year after the later of

6 (1) **2022** [2016]; or

7 (2) if the producer did not have commercial oil or gas production from  
8 a lease or property in the state before April 1, 2006, the ninth calendar year after the  
9 calendar year during which the producer first has commercial oil or gas production  
10 before May 1, 2016, from at least one lease or property in the state."  
11

12 Renumber the following bill sections accordingly.

13

14 Page 29, line 6:

15 Delete "sec. 31"

16 Insert "sec. 32"

17

18 Page 29, line 20:

19 Delete "sec. 36"

20 Insert "sec. 37"

21

22 Page 29, line 24:

23 Delete "28, and 37"

- 1           Insert "29, and 38"
- 2
- 3    Page 29, line 25:
- 4           Delete "31"
- 5           Insert "32"

*Wiffland*  
AMENDMENT

*#4*

OFFERED IN THE HOUSE

TO: HCS CSSB 21(RES), Draft Version "K"

1 Page 1, line 4:

2 Delete "rate"

3 Insert "rates"

4

5 Page 1, line 12:

6 Delete the second occurrence of "and"

7

8 Page 1, line 12, following "amendments":

9 Insert "; and providing for an effective date"

10

11 Page 2, following line 13:

12 Insert a new bill section to read:

13 "\*\* Sec. 3. AS 29.60.850(b), as amended by sec. 2 of this Act, is amended to read:

14 (b) Each fiscal year, the legislature may appropriate to the community revenue  
15 sharing fund an amount equal to 20 percent of the money received by the state  
16 during the previous calendar year under AS 43.55.011(g) [AS 43.20.030(c)]. The  
17 amount may not exceed

18 (1) \$60,000,000; or

19 (2) the amount that, when added to the fund balance on June 30 of the  
20 previous fiscal year, equals \$180,000,000."

21

22 Renumber the following bill sections accordingly.

23

1 Page 6, following line 9:

2 Insert a new bill section to read:

3 **\*\* Sec. 13.** AS 43.55.011(e), as amended by sec. 12 of this Act, is repealed and reenacted to  
4 read:

5 (e) There is levied on the producer of oil or gas a tax for all oil and gas  
6 produced each calendar year from each lease or property in the state, less any oil and  
7 gas the ownership or right to which is exempt from taxation or constitutes a  
8 landowner's royalty interest. Except as otherwise provided under (f), (j), (k), (o), and  
9 (p) of this section, the tax is equal to the sum of

10 (1) the annual production tax value of the taxable oil and gas as  
11 calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

12 (2) the sum, over all months of the calendar year, of the tax amounts  
13 determined under (q) of this section."  
14

15 Renumber the following bill sections accordingly.  
16

17 Page 7, following line 1:

18 Insert new bill sections to read:

19 **\*\* Sec. 16.** AS 43.55.011(o), as amended by sec. 15 of this Act, is amended to read:

20 (o) Notwithstanding other provisions of this section, for a calendar year before  
21 2022, the tax levied under (e) of this section for each 1,000 cubic feet of gas for gas  
22 produced from a lease or property outside the Cook Inlet sedimentary basin and used  
23 in the state [, OTHER THAN GAS SUBJECT TO (p) OF THIS SECTION,] may not  
24 exceed the amount of tax for each 1,000 cubic feet of gas that is determined under  
25 (j)(2) of this section.

26 **\* Sec. 17.** AS 43.55.011 is amended by adding a new subsection to read:

27 (q) For each month of the calendar year for which the producer's average  
28 monthly production tax value under AS 43.55.160(a)(2) of a BTU equivalent barrel of  
29 the taxable oil and gas is more than \$30, the amount of tax for purposes of (e)(2) of  
30 this section is determined by multiplying the monthly production tax value of the  
31 taxable oil and gas produced during the month by the tax rate calculated as follows:

1 (1) if the producer's average monthly production tax value of a BTU  
 2 equivalent barrel of the taxable oil and gas for the month is not more than \$92.50, the  
 3 tax rate is 0.4 percent multiplied by the number that represents the difference between  
 4 that average monthly production tax value of a BTU equivalent barrel and \$30; or

5 (2) if the producer's average monthly production tax value of a BTU  
 6 equivalent barrel of the taxable oil and gas for the month is more than \$92.50, the tax  
 7 rate is the sum of 25 percent and the product of 0.1 percent multiplied by the number  
 8 that represents the difference between the average monthly production tax value of a  
 9 BTU equivalent barrel and \$92.50, except that the sum determined under this  
 10 paragraph may not exceed 50 percent."

11  
 12 Renumber the following bill sections accordingly.

13  
 14 Page 12, following line 12:

15 Insert a new bill section to read:

16 **\*\* Sec. 19.** AS 43.55.020(a), as amended by sec. 18 of this Act, is repealed and reenacted to  
 17 read:

18 (a) For a calendar year, a producer subject to tax under AS 43.55.011(e), (f),  
 19 (h), (i), (p), or (q) shall pay the tax as follows:

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

27 (A) for oil and gas produced from leases or properties in the  
 28 state outside the Cook Inlet sedimentary basin but not subject to  
 29 AS 43.55.011(o) or (p), other than leases or properties subject to  
 30 AS 43.55.011(f), the greater of

31 (i) zero; or

1 (ii) the sum of 25 percent and the tax rate calculated for  
2 the month under AS 43.55.011(q) multiplied by the remainder obtained  
3 by subtracting 1/12 of the producer's adjusted lease expenditures for the  
4 calendar year of production under AS 43.55.165 and 43.55.170 that are  
5 deductible for the leases or properties under AS 43.55.160 from the  
6 gross value at the point of production of the oil and gas produced from  
7 the leases or properties during the month for which the installment  
8 payment is calculated;

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

11 (i) zero;

12 (ii) zero percent, one percent, two percent, three  
13 percent, or four percent, as applicable, of the gross value at the point of  
14 production of the oil and gas produced from all leases or properties  
15 during the month for which the installment payment is calculated; or

16 (iii) the sum of 25 percent and the tax rate calculated for  
17 the month under AS 43.55.011(q) multiplied by the remainder obtained  
18 by subtracting 1/12 of the producer's adjusted lease expenditures for the  
19 calendar year of production under AS 43.55.165 and 43.55.170 that are  
20 deductible for those leases or properties under AS 43.55.160 from the  
21 gross value at the point of production of the oil and gas produced from  
22 those leases or properties during the month for which the installment  
23 payment is calculated;

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

26 (i) zero; or

27 (ii) the sum of 25 percent and the tax rate calculated for  
28 the month under AS 43.55.011(q) multiplied by the remainder obtained  
29 by subtracting 1/12 of the producer's adjusted lease expenditures for the  
30 calendar year of production under AS 43.55.165 and 43.55.170 that are  
31 deductible under AS 43.55.160 for oil or gas, respectively, produced

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

5 (2) an amount calculated under (1)(C) of this subsection for oil or gas  
6 produced from a lease or property

7 (A) subject to AS 43.55.011(j), (k), or (o) may not exceed the  
8 product obtained by carrying out the calculation set out in AS 43.55.011(j)(1)  
9 or (2) or 43.55.011(o), as applicable, for gas or set out in AS 43.55.011(k)(1)  
10 or (2), as applicable, for oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A)  
11 or 43.55.011(o), as applicable, the amount of taxable gas produced during the  
12 month for the amount of taxable gas produced during the calendar year and  
13 substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of  
14 taxable oil produced during the month for the amount of taxable oil produced  
15 during the calendar year;

16 (B) subject to AS 43.55.011(p) may not exceed four percent of  
17 the gross value at the point of production of the oil or gas;

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

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

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

30 (4) any amount of tax levied by AS 43.55.011(e) or (i), net of any  
31 credits applied as allowed by law, that exceeds the total of the amounts due as

1 installment payments of estimated tax is due on March 31 of the year following the  
2 calendar year of production."  
3

4 Renumber the following bill sections accordingly.  
5

6 Page 12, following line 31:

7 Insert a new bill section to read:

8 **\*\* Sec. 21.** AS 43.55.020(d), as amended by sec. 20 of this Act, is repealed and reenacted to  
9 read:

10 (d) In making settlement with the royalty owner for oil and gas that is taxable  
11 under AS 43.55.011, the producer may deduct the amount of the tax paid on taxable  
12 royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in value at the  
13 time the tax becomes due to the amount of the tax paid. If the total deductions of  
14 installment payments of estimated tax for a calendar year exceed the actual tax for that  
15 calendar year, the producer shall, before April 1 of the following year, refund the  
16 excess to the royalty owner. Unless otherwise agreed between the producer and the  
17 royalty owner, the amount of the tax paid under AS 43.55.011(e), (f), and (q) on  
18 taxable royalty oil and gas for a calendar year, other than oil and gas the ownership or  
19 right to which constitutes a landowner's royalty interest, is considered to be the gross  
20 value at the point of production of the taxable royalty oil and gas produced during the  
21 calendar year multiplied by a figure that is a quotient, in which

22 (1) the numerator is the producer's total tax liability under  
23 AS 43.55.011(e), (f), and (q) for the calendar year of production; and

24 (2) the denominator is the total gross value at the point of production  
25 of the oil and gas taxable under AS 43.55.011(e), (f), and (q) produced by the producer  
26 from all leases and properties in the state during the calendar year."  
27

28 Renumber the following bill sections accordingly.  
29

30 Page 15, following line 2:

31 Insert a new bill section to read:

1     \*\* Sec. 25. AS 43.55.023(a), as amended by sec. 24 of this Act, is amended to read:

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

4                     (1) notwithstanding that a qualified capital expenditure may be a  
5             deductible lease expenditure for purposes of calculating the production tax value of oil  
6             and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under  
7             AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or  
8             explorer that incurs a qualified capital expenditure may also elect to apply a tax credit  
9             against a tax levied by AS 43.55.011(e) in the amount of 20 percent of that  
10            expenditure; **however, not more than half of the tax credit may be applied for a**  
11            **single calendar year;**

12                    (2) a producer or explorer may take a credit for a qualified capital  
13            expenditure incurred in connection with geological or geophysical exploration or in  
14            connection with an exploration well only if the producer or explorer

15                            (A) agrees, in writing, to the applicable provisions of  
16                            AS 43.55.025(f)(2); and

17                            (B) submits to the Department of Natural Resources all data  
18                            that would be required to be submitted under AS 43.55.025(f)(2) [;

19                            (3) A CREDIT FOR A QUALIFIED CAPITAL EXPENDITURE  
20            INCURRED TO EXPLORE FOR, DEVELOP, OR PRODUCE OIL OR GAS  
21            DEPOSITS LOCATED NORTH OF 68 DEGREES NORTH LATITUDE MAY BE  
22            TAKEN ONLY IF THE EXPENDITURE IS INCURRED BEFORE JANUARY 1,  
23            2014]."

24

25     Renumber the following bill sections accordingly.

26

27     Page 15, following line 15:

28             Insert a new bill section to read:

29     \*\* Sec. 27. AS 43.55.023(b), as amended by sec. 26 of this Act, is amended to read:

30             (b) **A** [FOR LEASE EXPENDITURES INCURRED TO EXPLORE FOR,  
31             DEVELOP, OR PRODUCE OIL OR GAS DEPOSITS LOCATED SOUTH OF 68

1 DEGREES NORTH LATITUDE, A] producer or explorer may elect to take a tax  
2 credit in the amount of 25 percent of a carried-forward annual loss. [FOR LEASE  
3 EXPENDITURES INCURRED AFTER DECEMBER 31, 2013, TO EXPLORE FOR,  
4 DEVELOP, OR PRODUCE OIL OR GAS DEPOSITS LOCATED NORTH OF 68  
5 DEGREES NORTH LATITUDE, A PRODUCER OR EXPLORER MAY ELECT TO  
6 TAKE A TAX CREDIT IN THE AMOUNT OF 35 PERCENT OF A CARRIED-  
7 FORWARD ANNUAL LOSS.] A credit under this subsection may be applied against  
8 a tax levied by AS 43.55.011(e). For purposes of this subsection, a carried-forward  
9 annual loss is the amount of a producer's or explorer's adjusted lease expenditures  
10 under AS 43.55.165 and 43.55.170 for a previous calendar year that was not  
11 deductible in calculating production tax values for that calendar year under  
12 AS 43.55.160."

13  
14 Renumber the following bill sections accordingly.

15  
16 Page 16, following line 9:

17 Insert a new bill section to read:

18 **\*\* Sec. 29.** AS 43.55.023(d), as amended by sec. 28 of this Act, is repealed and reenacted to  
19 read:

20 (d) A person that is entitled to take a tax credit under this section that wishes  
21 to transfer the unused credit to another person or obtain a cash payment under  
22 AS 43.55.028 may apply to the department for transferable tax credit certificates. An  
23 application under this subsection must be in a form prescribed by the department and  
24 must include supporting information and documentation that the department  
25 reasonably requires. The department shall grant or deny an application, or grant an  
26 application as to a lesser amount than that claimed and deny it as to the excess, not  
27 later than 120 days after the latest of the following: March 31 of the year following the  
28 calendar year in which the qualified capital expenditure or carried-forward annual loss  
29 for which the credit is claimed was incurred; the date the statement required under  
30 AS 43.55.030(a) or (e) was filed for the calendar year in which the qualified capital  
31 expenditure or carried-forward annual loss for which the credit is claimed was

1 incurred; or the date the application was received by the department. If, based on the  
2 information then available to it, the department is reasonably satisfied that the  
3 applicant is entitled to a credit, the department shall issue the applicant two  
4 transferable tax credit certificates, each for half of the amount of the credit. The credit  
5 shown on one of the two certificates is available for immediate use. The credit shown  
6 on the second of the two certificates may not be applied against a tax for a calendar  
7 year earlier than the calendar year following the calendar year in which the certificate  
8 is issued, and the certificate must contain a conspicuous statement to that effect. A  
9 certificate issued under this subsection does not expire."  
10

11 Renumber the following bill sections accordingly.

12  
13 Page 16, following line 25:

14 Insert a new bill section to read:

15 **\*\* Sec. 31.** AS 43.55.023(g), as amended by sec. 30 of this Act, is amended to read:

16 (g) The issuance of a transferable tax credit certificate under (d) or (p) of this  
17 section or former (m) of this section or the purchase of a certificate under  
18 AS 43.55.028 does not limit the department's ability to later audit a tax credit claim to  
19 which the certificate relates or to adjust the claim if the department determines, as a  
20 result of the audit, that the applicant was not entitled to the amount of the credit for  
21 which the certificate was issued. The tax liability of the applicant under  
22 AS 43.55.011(e) and 43.55.017 - 43.55.180 is increased by the amount of the credit  
23 that exceeds that to which the applicant was entitled, or the applicant's available valid  
24 outstanding credits applicable against the tax levied by AS 43.55.011(e) are reduced  
25 by that amount. If the applicant's tax liability is increased under this subsection, the  
26 increase bears interest under [AS 43.05.225(a) BEFORE JANUARY 1, 2014, OR  
27 UNDER] AS 43.05.225(b)(1) [ON AND AFTER JANUARY 1, 2014,] from the date  
28 the transferable tax credit certificate was issued. For purposes of this subsection, an  
29 applicant that is an explorer is considered a producer subject to the tax levied by  
30 AS 43.55.011(e)."  
31

1 Renumber the following bill sections accordingly.

2

3 Page 17, following line 8:

4 Insert new bill sections to read:

5 **\*\* Sec. 33.** AS 43.55.023(n), as amended by sec. 32 of this Act, is amended to read:

6 (n) For the purposes of (l) **and (p)** of this section, a well lease expenditure  
7 incurred in the state south of 68 degrees North latitude is a lease expenditure that is

8 (1) directly related to an exploration well, a stratigraphic test well, a  
9 producing well, or an injection well other than a disposal well, located in the state  
10 south of 68 degrees North latitude, if the expenditure is a qualified capital expenditure  
11 and an intangible drilling and development cost authorized under 26 U.S.C. (Internal  
12 Revenue Code), as amended, and 26 C.F.R. 1.612-4, regardless of the elections made  
13 under 26 U.S.C. 263(c); in this paragraph, an expenditure directly related to a well  
14 includes an expenditure for well sidetracking, well deepening, well completion or  
15 recompletion, or well workover, regardless of whether the well is or has been a  
16 producing well; or

17 (2) an expense for seismic work conducted within the boundaries of a  
18 production or exploration unit.

19 **\* Sec. 34.** AS 43.55.023 is amended by adding a new subsection to read:

20 (p) For a lease expenditure incurred in the state south of 68 degrees North  
21 latitude after December 31, 2018, that qualifies for tax credits under (a) and (b) of this  
22 section, and for a well lease expenditure incurred in the state south of 68 degrees  
23 North latitude that qualifies for a tax credit under (l) of this section, the department  
24 shall issue transferable tax credit certificates to the person entitled to the credit for the  
25 full amount of the credit. The transferable tax credit certificates do not expire."

26

27 Renumber the following bill sections accordingly.

28

29 Page 21, following line 13:

30 Insert a new bill section to read:

31 **\*\* Sec. 41.** AS 43.55.028(e), as amended by sec. 40 of this Act, is amended to read:

1 (e) The department, on the written application of a person to whom a  
 2 transferable tax credit certificate has been issued under AS 43.55.023(d) or (p) or  
 3 former AS 43.55.023(m) or to whom a production tax credit certificate has been issued  
 4 under AS 43.55.025(f), may use available money in the oil and gas tax credit fund to  
 5 purchase, in whole or in part, the certificate if the department finds that

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

9 (2) the applicant does not have an outstanding liability to the state for  
 10 unpaid delinquent taxes under this title;

11 (3) the applicant's total tax liability under AS 43.55.011(e), after  
 12 application of all available tax credits, for the calendar year in which the application is  
 13 made is zero;

14 (4) the applicant's average daily production of oil and gas taxable  
 15 under AS 43.55.011(e) during the calendar year preceding the calendar year in which  
 16 the application is made was not more than 50,000 BTU equivalent barrels; and

17 (5) the purchase is consistent with this section and regulations adopted  
 18 under this section."  
 19

20 Renumber the following bill sections accordingly.

21  
 22 Page 21, following line 23:

23 Insert a new bill section to read:

24 **"\* Sec. 43.** AS 43.55.028(g), as amended by sec. 42 of this Act, is amended to read:

25 (g) The department may adopt regulations to carry out the purposes of this  
 26 section, including standards and procedures to allocate available money among  
 27 applications for purchases under this chapter and claims for refunds and payments  
 28 under AS 43.20.046 or 43.20.047 when the total amount of the applications for  
 29 purchase and claims for refund exceed the amount of available money in the fund. The  
 30 regulations adopted by the department may not, when allocating available money in  
 31 the fund under this section, distinguish an application for the purchase of a credit

1 certificate issued under AS 43.55.023(p) or former AS 43.55.023(m), or a claim for a  
2 refund or payment under AS 43.20.046 or 43.20.047."

3

4 Renumber the following bill sections accordingly.

5

6 Page 22, following line 5:

7 Insert a new bill section to read:

8 **\*\* Sec. 45.** AS 43.55.030(e), as amended by sec. 44 of this Act, is amended to read:

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

15 (1) the [EXPLORER'S OR] producer's qualified capital expenditures,  
16 as defined in AS 43.55.023, other lease expenditures under AS 43.55.165, and  
17 adjustments or other payments or credits under AS 43.55.170; and

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

21

22 Renumber the following bill sections accordingly.

23

24 Page 24, following line 10:

25 Insert a new bill section to read:

26 **\*\* Sec. 47.** AS 43.55.160(a), as amended by sec. 46 of this Act, is repealed and reenacted to  
27 read:

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

29 (1) AS 43.55.011(e), the annual production tax value of the taxable oil,  
30 gas, or oil and gas subject to this paragraph produced during a calendar year is the  
31 gross value at the point of production of the oil, gas, or oil and gas taxable under

1 AS 43.55.011(e), less the producer's lease expenditures under AS 43.55.165 for the  
2 calendar year applicable to the oil, gas, or oil and gas, as applicable, produced by the  
3 producer from leases or properties, as adjusted under AS 43.55.170; this paragraph  
4 applies to

5 (A) oil and gas produced from leases or properties in the state  
6 that include land north of 68 degrees North latitude, other than gas produced  
7 before 2022 and used in the state;

8 (B) oil and gas produced from leases or properties in the state  
9 outside the Cook Inlet sedimentary basin, no part of which is north of 68  
10 degrees North latitude; this subparagraph does not apply to

11 (i) gas produced before 2022 and used in the state; or

12 (ii) oil and gas subject to AS 43.55.011(p);

13 (C) oil produced before 2022 from a lease or property in the  
14 Cook Inlet sedimentary basin;

15 (D) gas produced before 2022 from a lease or property in the  
16 Cook Inlet sedimentary basin;

17 (E) gas produced before 2022 from a lease or property in the  
18 state outside the Cook Inlet sedimentary basin and used in the state;

19 (F) oil and gas subject to AS 43.55.011(p) produced from  
20 leases or properties in the state;

21 (G) oil and gas produced from a lease or property no part of  
22 which is north of 68 degrees North latitude, other than oil or gas described in  
23 (B), (C), (D), (E), or (F) of this paragraph;

24 (2) AS 43.55.011(q), the monthly production tax value of the taxable

25 (A) oil and gas produced during a month from leases or  
26 properties in the state that include land north of 68 degrees North latitude is the  
27 gross value at the point of production of the oil and gas taxable under  
28 AS 43.55.011(e) and produced by the producer from those leases or properties,  
29 less 1/12 of the producer's lease expenditures under AS 43.55.165 for the  
30 calendar year applicable to the oil and gas produced by the producer from  
31 those leases or properties, as adjusted under AS 43.55.170; this subparagraph

1 does not apply to gas subject to AS 43.55.011(o);

2 (B) oil and gas produced during a month from leases or  
3 properties in the state outside the Cook Inlet sedimentary basin, no part of  
4 which is north of 68 degrees North latitude, is the gross value at the point of  
5 production of the oil and gas taxable under AS 43.55.011(e) and produced by  
6 the producer from those leases or properties, less 1/12 of the producer's lease  
7 expenditures under AS 43.55.165 for the calendar year applicable to the oil and  
8 gas produced by the producer from those leases or properties, as adjusted under  
9 AS 43.55.170; this subparagraph does not apply to gas subject to  
10 AS 43.55.011(o);

11 (C) oil produced during a month from a lease or property in the  
12 Cook Inlet sedimentary basin is the gross value at the point of production of  
13 the oil taxable under AS 43.55.011(e) and produced by the producer from that  
14 lease or property, less 1/12 of the producer's lease expenditures under  
15 AS 43.55.165 for the calendar year applicable to the oil produced by the  
16 producer from that lease or property, as adjusted under AS 43.55.170;

17 (D) gas produced during a month from a lease or property in  
18 the Cook Inlet sedimentary basin is the gross value at the point of production  
19 of the gas taxable under AS 43.55.011(e) and produced by the producer from  
20 that lease or property, less 1/12 of the producer's lease expenditures under  
21 AS 43.55.165 for the calendar year applicable to the gas produced by the  
22 producer from that lease or property, as adjusted under AS 43.55.170;

23 (E) gas produced during a month from a lease or property  
24 outside the Cook Inlet sedimentary basin and used in the state is the gross  
25 value at the point of production of that gas taxable under AS 43.55.011(e) and  
26 produced by the producer from that lease or property, less 1/12 of the  
27 producer's lease expenditures under AS 43.55.165 for the calendar year  
28 applicable to that gas produced by the producer from that lease or property, as  
29 adjusted under AS 43.55.170."

30  
31 Renumber the following bill sections accordingly.

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Page 25, following line 20:

Insert a new subsection to read:

"(h) Notwithstanding any contrary provision of AS 43.55.150, for purposes of calculating a monthly production tax value under (a)(2) of this section, the gross value at the point of production of the oil and gas is calculated under regulations adopted by the department that provide for using an appropriate monthly share of the producer's costs of transportation for the calendar year."

Page 29, following line 2:

Insert a new bill section to read:

**\*\* Sec. 55.** AS 43.55.020(l), 43.55.024(i), 43.55.024(j), 43.55.160(f), and 43.55.160(g) are repealed."

Page 29, line 5:

Delete "Section 13 of this Act and AS 43.55.160(a)(1)(E), as amended by sec. 31"

Insert "Section 15 of this Act, AS 43.55.160(a)(1)(E), as amended by sec. 46 of this Act, and AS 43.55.160(f) and (g) as enacted by sec. 48"

Page 29, line 7:

Delete "Sections 18 and 20 - 23"

Insert "Sections 24, 28, 30, 32, and 35"

Delete "sec. 18"

Insert "sec. 24"

Page 29, line 9:

Delete "Section 19"

Insert "Section 26"

Page 29, following line 10:

Insert a new subsection to read:

1           "(d) AS 43.55.160(h), enacted by sec. 48 of this Act, applies to the transportation of  
2 oil and gas produced on and after January 1, 2019."

3

4 Page 29, line 20:

5           Delete "sec. 36"

6           Insert "sec. 52"

7

8 Page 29, line 24:

9           Delete "Sections 13, 20 - 23, 28, and 37"

10          Insert "Sections 15, 28, 30, 32, and 53"

11

12 Page 29, following line 26:

13          Insert a new bill section to read:

14        "\* **Sec. 60.** Sections 3, 13, 16, 17, 19, 21, 25, 27, 29, 31, 33, 34, 41, 43, 45, 47, and 55 of  
15 this Act, and AS 43.55.160(h), added by sec. 48 of this Act, take effect January 1, 2019."

*Amended*

AMENDMENT

*#13*

OFFERED IN THE HOUSE

TO: HCS CSSB 21(RES), Draft Version "K"

1 Page 24, line 14:

2 Delete "one or more"

3 Insert "either or both"

4

5 Page 24, lines 20 - 23:

6 Delete "; (3) the oil or gas is produced from acreage that was added to an existing  
7 participating area by the Department of Natural Resources after December 31, 2012, and the  
8 producer demonstrates to the department that the volume of oil or gas produced is from  
9 acreage added to an existing participating area"

*failed*

28-GS1647\K.23  
Nauman/Bullock  
4/2/13

AMENDMENT

*#12*

OFFERED IN THE HOUSE

TO: HCS CSSB 21(RES), Draft Version "K"

- 1 Page 17, line 21:
- 2 Delete "new subsections"
- 3 Insert "a new subsection"
- 4
- 5 Page 17, line 28, through page 18, line 28:
- 6 Delete all material.

*Amended*

**AMENDMENT**

*#1)*

OFFERED IN THE HOUSE

TO: HCS CSSB 21(RES), Draft Version "K"

- 1 Page 17, line 24:
- 2 Delete "one or more of the criteria in AS 43.55.160(f)"
- 3 Insert "the criteria in AS 43.55.160(f)(1) or (2) or both"
- 4
- 5 Page 17, line 28, through page 18, line 28:
- 6 Delete all material.

*facted*

AMENDMENT

*#17*

OFFERED IN THE HOUSE

TO: HCS CSSB 21(RES), Draft Version "K"

- 1 Page 24, line 22:
- 2 Delete "2014"
- 3 Insert "2017"

*Failed*

AMENDMENT

*#16*

OFFERED IN THE HOUSE

TO: HCS CSSB 21(RES), Draft Version "K"

1 Page 1, line 4:

2 Delete "rate"

3 Insert "rates"

4

5 Page 6, following line 9:

6 Insert a new bill section to read:

7 **\*\* Sec. 11.** AS 43.55.011(f) is repealed and reenacted to read:

8 (f) Except for oil and gas subject to (i) of this section and gas subject to (o) of  
9 this section, the provisions of this subsection apply to oil and gas produced after  
10 December 31, 2013, from each lease or property within a unit or nonunitized reservoir  
11 that has cumulatively produced 1,000,000,000 BTU equivalent barrels of oil or gas by  
12 the close of the most recent calendar year and from which the average daily oil and  
13 gas production from the unit or nonunitized reservoir during the most recent calendar  
14 year exceeded 100,000 BTU equivalent barrels. Notwithstanding any contrary  
15 provision of law, a producer may not apply tax credits to reduce its total tax liability  
16 under (e) of this section for oil and gas produced from all leases or properties within  
17 the unit or nonunitized reservoir below 10 percent of the total gross value at the point  
18 of production of that oil and gas. If the amount of tax calculated by multiplying the tax  
19 rates in (e) of this section by the total production tax value of the oil and gas taxable  
20 under (e) of this section produced from all of the producer's leases or properties within  
21 the unit or nonunitized reservoir is less than 10 percent of the total gross value at the  
22 point of production of that oil and gas, the tax levied by (e) of this section for that oil  
23 and gas is equal to 10 percent of the total gross value at the point of production of that

1 oil and gas."

2

3 Renumber the following bill sections accordingly.

4

5 Page 10, lines 27 - 31:

6 Delete all material and insert:

7

8

9

10

11

12 Page 11, line 8:

13 Delete "a 20 percent"

14 Insert "an"

15

16 Page 29, line 5:

17 Delete "Section 13"

18 Insert "Section 14"

19

20 Page 29, line 6:

21 Delete "sec. 31"

22 Insert "sec. 32"

23

24 Page 29, line 7:

25 Delete "Sections 18 and 20 - 23"

26 Insert "Sections 19 and 21 - 24"

27 Delete "sec. 18"

28 Insert "sec. 19"

29

30 Page 29, line 9:

31 Delete "Section 19"

1           Insert "Section 20"

2

3   Page 29, line 20:

4           Delete "sec. 36"

5           Insert "sec. 37"

6

7   Page 29, line 24:

8           Delete "Sections 13, 20 - 23, 28, and 37"

9           Insert "Sections 14, 21 - 24, 29, and 38"

10

11   Page 29, line 25:

12          Delete "sec. 18"

13          Insert "sec. 19"

14          Delete "sec. 31"

15          Insert "sec. 32"

*Failed*

AMENDMENT

*#15*

OFFERED IN THE HOUSE

TO: HCS CSSB 21(RES), Draft Version "K"

1 Page 1, line 4:

2 Delete "rate"

3 Insert "rates"

4

5 Page 1, line 12:

6 Delete the second occurrence of "and"

7

8 Page 1, line 12, following "amendments":

9 Insert "; and providing for an effective date"

10

11 Page 2, following line 13:

12 Insert a new bill section to read:

13 "\* Sec. 3. AS 29.60.850(b), as amended by sec. 2 of this Act, is amended to read:

14 (b) Each fiscal year, the legislature may appropriate to the community revenue  
15 sharing fund an amount equal to 20 percent of the money received by the state  
16 during the previous calendar year under AS 43.55.011(g) [AS 43.20.030(c)]. The  
17 amount may not exceed

18 (1) \$60,000,000; or

19 (2) the amount that, when added to the fund balance on June 30 of the  
20 previous fiscal year, equals \$180,000,000."

21

22 Renumber the following bill sections accordingly.

23

1 Page 6, following line 9:

2 Insert a new bill section to read:

3 **"\* Sec. 13.** AS 43.55.011(e), as amended by sec. 12 of this Act, is repealed and reenacted to  
4 read:

5 (e) There is levied on the producer of oil or gas a tax for all oil and gas  
6 produced each calendar year from each lease or property in the state, less any oil and  
7 gas the ownership or right to which is exempt from taxation or constitutes a  
8 landowner's royalty interest. Except as otherwise provided under (f), (j), (k), (o), and  
9 (p) of this section, the tax is equal to the sum of

10 (1) the annual production tax value of the taxable oil and gas as  
11 calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

12 (2) the sum, over all months of the calendar year, of the tax amounts  
13 determined under (q) of this section."  
14

15 Renumber the following bill sections accordingly.

16

17 Page 7, following line 1:

18 Insert new bill sections to read:

19 **"\* Sec. 16.** AS 43.55.011(o), as amended by sec. 15 of this Act, is amended to read:

20 (o) Notwithstanding other provisions of this section, for a calendar year before  
21 2022, the tax levied under (e) of this section for each 1,000 cubic feet of gas for gas  
22 produced from a lease or property outside the Cook Inlet sedimentary basin and used  
23 in the state [, OTHER THAN GAS SUBJECT TO (p) OF THIS SECTION,] may not  
24 exceed the amount of tax for each 1,000 cubic feet of gas that is determined under  
25 (j)(2) of this section.

26 **\* Sec. 17.** AS 43.55.011 is amended by adding a new subsection to read:

27 (q) For each month of the calendar year for which the producer's average  
28 monthly production tax value under AS 43.55.160(a)(2) of a BTU equivalent barrel of  
29 the taxable oil and gas is more than \$30, the amount of tax for purposes of (e)(2) of  
30 this section is determined by multiplying the monthly production tax value of the  
31 taxable oil and gas produced during the month by the tax rate calculated as follows:

1 (1) if the producer's average monthly production tax value of a BTU  
 2 equivalent barrel of the taxable oil and gas for the month is not more than \$92.50, the  
 3 tax rate is 0.4 percent multiplied by the number that represents the difference between  
 4 that average monthly production tax value of a BTU equivalent barrel and \$30; or

5 (2) if the producer's average monthly production tax value of a BTU  
 6 equivalent barrel of the taxable oil and gas for the month is more than \$92.50, the tax  
 7 rate is the sum of 25 percent and the product of 0.1 percent multiplied by the number  
 8 that represents the difference between the average monthly production tax value of a  
 9 BTU equivalent barrel and \$92.50, except that the sum determined under this  
 10 paragraph may not exceed 50 percent."

11  
 12 Renumber the following bill sections accordingly.

13  
 14 Page 12, following line 12:

15 Insert a new bill section to read:

16 "\* **Sec. 19.** AS 43.55.020(a), as amended by sec. 18 of this Act, is repealed and reenacted to  
 17 read:

18 (a) For a calendar year, a producer subject to tax under AS 43.55.011(e), (f),  
 19 (h), (i), (p), or (q) shall pay the tax as follows:

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

27 (A) for oil and gas produced from leases or properties in the  
 28 state outside the Cook Inlet sedimentary basin but not subject to  
 29 AS 43.55.011(o) or (p), other than leases or properties subject to  
 30 AS 43.55.011(f), the greater of

31 (i) zero; or

1 (ii) the sum of 25 percent and the tax rate calculated for  
2 the month under AS 43.55.011(q) multiplied by the remainder obtained  
3 by subtracting 1/12 of the producer's adjusted lease expenditures for the  
4 calendar year of production under AS 43.55.165 and 43.55.170 that are  
5 deductible for the leases or properties under AS 43.55.160 from the  
6 gross value at the point of production of the oil and gas produced from  
7 the leases or properties during the month for which the installment  
8 payment is calculated;

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

11 (i) zero;

12 (ii) zero percent, one percent, two percent, three  
13 percent, or four percent, as applicable, of the gross value at the point of  
14 production of the oil and gas produced from all leases or properties  
15 during the month for which the installment payment is calculated; or

16 (iii) the sum of 25 percent and the tax rate calculated for  
17 the month under AS 43.55.011(q) multiplied by the remainder obtained  
18 by subtracting 1/12 of the producer's adjusted lease expenditures for the  
19 calendar year of production under AS 43.55.165 and 43.55.170 that are  
20 deductible for those leases or properties under AS 43.55.160 from the  
21 gross value at the point of production of the oil and gas produced from  
22 those leases or properties during the month for which the installment  
23 payment is calculated;

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

26 (i) zero; or

27 (ii) the sum of 25 percent and the tax rate calculated for  
28 the month under AS 43.55.011(q) multiplied by the remainder obtained  
29 by subtracting 1/12 of the producer's adjusted lease expenditures for the  
30 calendar year of production under AS 43.55.165 and 43.55.170 that are  
31 deductible under AS 43.55.160 for oil or gas, respectively, produced

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

5 (2) an amount calculated under (1)(C) of this subsection for oil or gas  
6 produced from a lease or property

7 (A) subject to AS 43.55.011(j), (k), or (o) may not exceed the  
8 product obtained by carrying out the calculation set out in AS 43.55.011(j)(1)  
9 or (2) or 43.55.011(o), as applicable, for gas or set out in AS 43.55.011(k)(1)  
10 or (2), as applicable, for oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A)  
11 or 43.55.011(o), as applicable, the amount of taxable gas produced during the  
12 month for the amount of taxable gas produced during the calendar year and  
13 substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of  
14 taxable oil produced during the month for the amount of taxable oil produced  
15 during the calendar year;

16 (B) subject to AS 43.55.011(p) may not exceed four percent of  
17 the gross value at the point of production of the oil or gas;

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

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

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

30 (4) any amount of tax levied by AS 43.55.011(e) or (i), net of any  
31 credits applied as allowed by law, that exceeds the total of the amounts due as

1 installment payments of estimated tax is due on March 31 of the year following the  
2 calendar year of production."  
3

4 Renumber the following bill sections accordingly.  
5

6 Page 12, following line 31:

7 Insert a new bill section to read:

8 "\* **Sec. 21.** AS 43.55.020(d), as amended by sec. 20 of this Act, is repealed and reenacted to  
9 read:

10 (d) In making settlement with the royalty owner for oil and gas that is taxable  
11 under AS 43.55.011, the producer may deduct the amount of the tax paid on taxable  
12 royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in value at the  
13 time the tax becomes due to the amount of the tax paid. If the total deductions of  
14 installment payments of estimated tax for a calendar year exceed the actual tax for that  
15 calendar year, the producer shall, before April 1 of the following year, refund the  
16 excess to the royalty owner. Unless otherwise agreed between the producer and the  
17 royalty owner, the amount of the tax paid under AS 43.55.011(e), (f), and (q) on  
18 taxable royalty oil and gas for a calendar year, other than oil and gas the ownership or  
19 right to which constitutes a landowner's royalty interest, is considered to be the gross  
20 value at the point of production of the taxable royalty oil and gas produced during the  
21 calendar year multiplied by a figure that is a quotient, in which

22 (1) the numerator is the producer's total tax liability under  
23 AS 43.55.011(e), (f), and (q) for the calendar year of production; and

24 (2) the denominator is the total gross value at the point of production  
25 of the oil and gas taxable under AS 43.55.011(e), (f), and (q) produced by the producer  
26 from all leases and properties in the state during the calendar year."  
27

28 Renumber the following bill sections accordingly.  
29

30 Page 15, following line 2:

31 Insert a new bill section to read:

1     \*\* Sec. 25. AS 43.55.023(a), as amended by sec. 24 of this Act, is amended to read:

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

4                     (1) notwithstanding that a qualified capital expenditure may be a  
5             deductible lease expenditure for purposes of calculating the production tax value of oil  
6             and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under  
7             AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or  
8             explorer that incurs a qualified capital expenditure may also elect to apply a tax credit  
9             against a tax levied by AS 43.55.011(e) in the amount of 20 percent of that  
10            expenditure; **however, not more than half of the tax credit may be applied for a**  
11            **single calendar year:**

12                     (2) a producer or explorer may take a credit for a qualified capital  
13             expenditure incurred in connection with geological or geophysical exploration or in  
14             connection with an exploration well only if the producer or explorer

15                             (A) agrees, in writing, to the applicable provisions of  
16                             AS 43.55.025(f)(2); and

17                             (B) submits to the Department of Natural Resources all data  
18                             that would be required to be submitted under AS 43.55.025(f)(2) [;

19                     (3) A CREDIT FOR A QUALIFIED CAPITAL EXPENDITURE  
20             INCURRED TO EXPLORE FOR, DEVELOP, OR PRODUCE OIL OR GAS  
21             DEPOSITS LOCATED NORTH OF 68 DEGREES NORTH LATITUDE MAY BE  
22             TAKEN ONLY IF THE EXPENDITURE IS INCURRED BEFORE JANUARY 1,  
23             2014]."

24  
25     Renumber the following bill sections accordingly.

26  
27     Page 15, following line 15:

28             Insert a new bill section to read:

29     \*\* Sec. 27. AS 43.55.023(b), as amended by sec. 26 of this Act, is amended to read:

30             (b) A [FOR LEASE EXPENDITURES INCURRED TO EXPLORE FOR,  
31             DEVELOP, OR PRODUCE OIL OR GAS DEPOSITS LOCATED SOUTH OF 68

1 DEGREES NORTH LATITUDE, A] producer or explorer may elect to take a tax  
2 credit in the amount of 25 percent of a carried-forward annual loss. [FOR LEASE  
3 EXPENDITURES INCURRED AFTER DECEMBER 31, 2013, TO EXPLORE FOR,  
4 DEVELOP, OR PRODUCE OIL OR GAS DEPOSITS LOCATED NORTH OF 68  
5 DEGREES NORTH LATITUDE, A PRODUCER OR EXPLORER MAY ELECT TO  
6 TAKE A TAX CREDIT IN THE AMOUNT OF 35 PERCENT OF A CARRIED-  
7 FORWARD ANNUAL LOSS.] A credit under this subsection may be applied against  
8 a tax levied by AS 43.55.011(e). For purposes of this subsection, a carried-forward  
9 annual loss is the amount of a producer's or explorer's adjusted lease expenditures  
10 under AS 43.55.165 and 43.55.170 for a previous calendar year that was not  
11 deductible in calculating production tax values for that calendar year under  
12 AS 43.55.160."

13  
14 Renumber the following bill sections accordingly.

15  
16 Page 16, following line 9:

17 Insert a new bill section to read:

18 **\*\* Sec. 29.** AS 43.55.023(d), as amended by sec. 28 of this Act, is repealed and reenacted to  
19 read:

20 (d) A person that is entitled to take a tax credit under this section that wishes  
21 to transfer the unused credit to another person or obtain a cash payment under  
22 AS 43.55.028 may apply to the department for transferable tax credit certificates. An  
23 application under this subsection must be in a form prescribed by the department and  
24 must include supporting information and documentation that the department  
25 reasonably requires. The department shall grant or deny an application, or grant an  
26 application as to a lesser amount than that claimed and deny it as to the excess, not  
27 later than 120 days after the latest of the following: March 31 of the year following the  
28 calendar year in which the qualified capital expenditure or carried-forward annual loss  
29 for which the credit is claimed was incurred; the date the statement required under  
30 AS 43.55.030(a) or (e) was filed for the calendar year in which the qualified capital  
31 expenditure or carried-forward annual loss for which the credit is claimed was

1 incurred; or the date the application was received by the department. If, based on the  
2 information then available to it, the department is reasonably satisfied that the  
3 applicant is entitled to a credit, the department shall issue the applicant two  
4 transferable tax credit certificates, each for half of the amount of the credit. The credit  
5 shown on one of the two certificates is available for immediate use. The credit shown  
6 on the second of the two certificates may not be applied against a tax for a calendar  
7 year earlier than the calendar year following the calendar year in which the certificate  
8 is issued, and the certificate must contain a conspicuous statement to that effect. A  
9 certificate issued under this subsection does not expire."  
10

11 Renumber the following bill sections accordingly.

12  
13 Page 16, following line 25:

14 Insert a new bill section to read:

15 **\*\* Sec. 31.** AS 43.55.023(g), as amended by sec. 30 of this Act, is amended to read:

16 (g) The issuance of a transferable tax credit certificate under (d) or (p) of this  
17 section or former (m) of this section or the purchase of a certificate under  
18 AS 43.55.028 does not limit the department's ability to later audit a tax credit claim to  
19 which the certificate relates or to adjust the claim if the department determines, as a  
20 result of the audit, that the applicant was not entitled to the amount of the credit for  
21 which the certificate was issued. The tax liability of the applicant under  
22 AS 43.55.011(e) and 43.55.017 - 43.55.180 is increased by the amount of the credit  
23 that exceeds that to which the applicant was entitled, or the applicant's available valid  
24 outstanding credits applicable against the tax levied by AS 43.55.011(e) are reduced  
25 by that amount. If the applicant's tax liability is increased under this subsection, the  
26 increase bears interest under [AS 43.05.225(a) BEFORE JANUARY 1, 2014, OR  
27 UNDER] AS 43.05.225(b)(1) [ON AND AFTER JANUARY 1, 2014,] from the date  
28 the transferable tax credit certificate was issued. For purposes of this subsection, an  
29 applicant that is an explorer is considered a producer subject to the tax levied by  
30 AS 43.55.011(e)."  
31

1 Renumber the following bill sections accordingly.

2

3 Page 17, following line 8:

4 Insert new bill sections to read:

5 **\*\* Sec. 33.** AS 43.55.023(n), as amended by sec. 32 of this Act, is amended to read:

6 (n) For the purposes of (l) **and (p)** of this section, a well lease expenditure  
7 incurred in the state south of 68 degrees North latitude is a lease expenditure that is

8 (1) directly related to an exploration well, a stratigraphic test well, a  
9 producing well, or an injection well other than a disposal well, located in the state  
10 south of 68 degrees North latitude, if the expenditure is a qualified capital expenditure  
11 and an intangible drilling and development cost authorized under 26 U.S.C. (Internal  
12 Revenue Code), as amended, and 26 C.F.R. 1.612-4, regardless of the elections made  
13 under 26 U.S.C. 263(c); in this paragraph, an expenditure directly related to a well  
14 includes an expenditure for well sidetracking, well deepening, well completion or  
15 recompletion, or well workover, regardless of whether the well is or has been a  
16 producing well; or

17 (2) an expense for seismic work conducted within the boundaries of a  
18 production or exploration unit.

19 **\* Sec. 34.** AS 43.55.023 is amended by adding a new subsection to read:

20 (p) For a lease expenditure incurred in the state south of 68 degrees North  
21 latitude after December 31, 2018, that qualifies for tax credits under (a) and (b) of this  
22 section, and for a well lease expenditure incurred in the state south of 68 degrees  
23 North latitude that qualifies for a tax credit under (l) of this section, the department  
24 shall issue transferable tax credit certificates to the person entitled to the credit for the  
25 full amount of the credit. The transferable tax credit certificates do not expire."  
26

27 Renumber the following bill sections accordingly.

28

29 Page 21, following line 13:

30 Insert a new bill section to read:

31 **\*\* Sec. 41.** AS 43.55.028(e), as amended by sec. 40 of this Act, is amended to read:

1 (e) The department, on the written application of a person to whom a  
 2 transferable tax credit certificate has been issued under AS 43.55.023(d) or (p) or  
 3 former AS 43.55.023(m) or to whom a production tax credit certificate has been issued  
 4 under AS 43.55.025(f), may use available money in the oil and gas tax credit fund to  
 5 purchase, in whole or in part, the certificate if the department finds that

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

9 (2) the applicant does not have an outstanding liability to the state for  
 10 unpaid delinquent taxes under this title;

11 (3) the applicant's total tax liability under AS 43.55.011(e), after  
 12 application of all available tax credits, for the calendar year in which the application is  
 13 made is zero;

14 (4) the applicant's average daily production of oil and gas taxable  
 15 under AS 43.55.011(e) during the calendar year preceding the calendar year in which  
 16 the application is made was not more than 50,000 BTU equivalent barrels; and

17 (5) the purchase is consistent with this section and regulations adopted  
 18 under this section."  
 19

20 Renumber the following bill sections accordingly.

21  
 22 Page 21, following line 23:

23 Insert a new bill section to read:

24 **\*\* Sec. 43.** AS 43.55.028(g), as amended by sec. 42 of this Act, is amended to read:

25 (g) The department may adopt regulations to carry out the purposes of this  
 26 section, including standards and procedures to allocate available money among  
 27 applications for purchases under this chapter and claims for refunds and payments  
 28 under AS 43.20.046 or 43.20.047 when the total amount of the applications for  
 29 purchase and claims for refund exceed the amount of available money in the fund. The  
 30 regulations adopted by the department may not, when allocating available money in  
 31 the fund under this section, distinguish an application for the purchase of a credit

1 certificate issued under AS 43.55.023(p) or former AS 43.55.023(m), or a claim for a  
2 refund or payment under AS 43.20.046 or 43.20.047."

3  
4 Renumber the following bill sections accordingly.

5  
6 Page 22, following line 5:

7 Insert a new bill section to read:

8 **\*\* Sec. 45.** AS 43.55.030(e), as amended by sec. 44 of this Act, is amended to read:

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

15 (1) the [EXPLORER'S OR] producer's qualified capital expenditures,  
16 as defined in AS 43.55.023, other lease expenditures under AS 43.55.165, and  
17 adjustments or other payments or credits under AS 43.55.170; and

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

21  
22 Renumber the following bill sections accordingly.

23  
24 Page 24, following line 10:

25 Insert a new bill section to read:

26 **\*\* Sec. 47.** AS 43.55.160(a), as amended by sec. 46 of this Act, is repealed and reenacted to  
27 read:

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

29 (1) AS 43.55.011(e), the annual production tax value of the taxable oil,  
30 gas, or oil and gas subject to this paragraph produced during a calendar year is the  
31 gross value at the point of production of the oil, gas, or oil and gas taxable under

1 AS 43.55.011(e), less the producer's lease expenditures under AS 43.55.165 for the  
2 calendar year applicable to the oil, gas, or oil and gas, as applicable, produced by the  
3 producer from leases or properties, as adjusted under AS 43.55.170; this paragraph  
4 applies to

5 (A) oil and gas produced from leases or properties in the state  
6 that include land north of 68 degrees North latitude, other than gas produced  
7 before 2022 and used in the state;

8 (B) oil and gas produced from leases or properties in the state  
9 outside the Cook Inlet sedimentary basin, no part of which is north of 68  
10 degrees North latitude; this subparagraph does not apply to

11 (i) gas produced before 2022 and used in the state; or

12 (ii) oil and gas subject to AS 43.55.011(p);

13 (C) oil produced before 2022 from a lease or property in the  
14 Cook Inlet sedimentary basin;

15 (D) gas produced before 2022 from a lease or property in the  
16 Cook Inlet sedimentary basin;

17 (E) gas produced before 2022 from a lease or property in the  
18 state outside the Cook Inlet sedimentary basin and used in the state;

19 (F) oil and gas subject to AS 43.55.011(p) produced from  
20 leases or properties in the state;

21 (G) oil and gas produced from a lease or property no part of  
22 which is north of 68 degrees North latitude, other than oil or gas described in  
23 (B), (C), (D), (E), or (F) of this paragraph;

24 (2) AS 43.55.011(q), the monthly production tax value of the taxable

25 (A) oil and gas produced during a month from leases or  
26 properties in the state that include land north of 68 degrees North latitude is the  
27 gross value at the point of production of the oil and gas taxable under  
28 AS 43.55.011(e) and produced by the producer from those leases or properties,  
29 less 1/12 of the producer's lease expenditures under AS 43.55.165 for the  
30 calendar year applicable to the oil and gas produced by the producer from  
31 those leases or properties, as adjusted under AS 43.55.170; this subparagraph

1 does not apply to gas subject to AS 43.55.011(o);

2 (B) oil and gas produced during a month from leases or  
3 properties in the state outside the Cook Inlet sedimentary basin, no part of  
4 which is north of 68 degrees North latitude, is the gross value at the point of  
5 production of the oil and gas taxable under AS 43.55.011(e) and produced by  
6 the producer from those leases or properties, less 1/12 of the producer's lease  
7 expenditures under AS 43.55.165 for the calendar year applicable to the oil and  
8 gas produced by the producer from those leases or properties, as adjusted under  
9 AS 43.55.170; this subparagraph does not apply to gas subject to  
10 AS 43.55.011(o);

11 (C) oil produced during a month from a lease or property in the  
12 Cook Inlet sedimentary basin is the gross value at the point of production of  
13 the oil taxable under AS 43.55.011(e) and produced by the producer from that  
14 lease or property, less 1/12 of the producer's lease expenditures under  
15 AS 43.55.165 for the calendar year applicable to the oil produced by the  
16 producer from that lease or property, as adjusted under AS 43.55.170;

17 (D) gas produced during a month from a lease or property in  
18 the Cook Inlet sedimentary basin is the gross value at the point of production  
19 of the gas taxable under AS 43.55.011(e) and produced by the producer from  
20 that lease or property, less 1/12 of the producer's lease expenditures under  
21 AS 43.55.165 for the calendar year applicable to the gas produced by the  
22 producer from that lease or property, as adjusted under AS 43.55.170;

23 (E) gas produced during a month from a lease or property  
24 outside the Cook Inlet sedimentary basin and used in the state is the gross  
25 value at the point of production of that gas taxable under AS 43.55.011(e) and  
26 produced by the producer from that lease or property, less 1/12 of the  
27 producer's lease expenditures under AS 43.55.165 for the calendar year  
28 applicable to that gas produced by the producer from that lease or property, as  
29 adjusted under AS 43.55.170."

30  
31 Renumber the following bill sections accordingly.

1

2 Page 25, following line 20:

3 Insert a new subsection to read:

4 "(h) Notwithstanding any contrary provision of AS 43.55.150, for purposes of  
5 calculating a monthly production tax value under (a)(2) of this section, the gross value  
6 at the point of production of the oil and gas is calculated under regulations adopted by  
7 the department that provide for using an appropriate monthly share of the producer's  
8 costs of transportation for the calendar year."

9

10 Page 29, following line 2:

11 Insert a new bill section to read:

12 "\* **Sec. 55.** AS 43.55.020(*l*), 43.55.024(*i*), 43.55.024(*j*), 43.55.160(*f*), and 43.55.160(*g*) are  
13 repealed."

14

15 Page 29, line 5:

16 Delete "Section 13 of this Act and AS 43.55.160(a)(1)(E), as amended by sec. 31"

17 Insert "Section 15 of this Act, AS 43.55.160(a)(1)(E), as amended by sec. 46 of this  
18 Act, and AS 43.55.160(*f*) and (*g*) as enacted by sec. 48"

19

20 Page 29, line 7:

21 Delete "Sections 18 and 20 - 23"

22 Insert "Sections 24, 28, 30, 32, and 35"

23 Delete "sec. 18"

24 Insert "sec. 24"

25

26 Page 29, line 9:

27 Delete "Section 19"

28 Insert "Section 26"

29

30 Page 29, following line 10:

31 Insert a new subsection to read:

1           "(d) AS 43.55.160(h), enacted by sec. 48 of this Act, applies to the transportation of  
2 oil and gas produced on and after the effective date of sec. 13 of this Act."  
3

4 Page 29, line 20:

5           Delete "sec. 36"

6           Insert "sec. 52"

7  
8 Page 29, line 24:

9           Delete "Sections 13, 20 - 23, 28, and 37"

10          Insert "Sections 15, 28, 30, 32, and 53"

11  
12 Page 29, following line 26:

13          Insert new bill sections to read:

14          **\*\* Sec. 60.** The uncodified law of the State of Alaska is amended by adding a new section to  
15 read:

16           CONDITIONAL EFFECT. Sections 3, 13, 16, 17, 19, 21, 25, 27, 29, 31, 33, 34, 41,  
17 43, 45, 47, and 55 of this Act, and AS 43.55.160(h) in sec. 48 of this Act take effect only if  
18 the volume of oil production for the calendar year 2017 does not exceed the volume of oil  
19 produced for the 2012 calendar year by more than 10 percent. The commissioner of natural  
20 resources shall notify the lieutenant governor and the revisor of statutes before January 1,  
21 2018, or as soon as practicable thereafter, if the volume of oil production for the calendar year  
22 2017 is greater than the volume of oil produced during the 2012 calendar year.

23          \* **Sec. 61.** If secs. 3, 13, 16, 17, 19, 21, 25, 27, 29, 31, 33, 34, 41, 43, 45, 47, and 55 of this  
24 Act, and AS 43.55.160(h) in sec. 48 of this Act take effect under sec. 59 of this Act, they take  
25 effect January 1, 2018."

*Amended*

**AMENDMENT**

*#24*

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: HCS CSSB 21(RES), Draft Version "K"

1 Page 1, line 5, following "state;":

2 Insert "relating to the taxation of certain natural gas that is reinjected;"

3

4 Page 12, following line 31:

5 Insert a new bill section to read:

6 "\* Sec. 16. AS 43.55.020(f) is amended to read:

7 (f) If oil or gas is produced but not sold, gas is produced but is stored in a gas  
8 storage facility, or oil or gas is produced and sold under circumstances where the sale  
9 price does not represent the prevailing value for oil or gas of like kind, character, or  
10 quality in the field or area from which the product is produced, the department may  
11 require the tax to be paid upon the basis of the value of oil or gas of the same kind,  
12 quality, and character prevailing for that field or area during the calendar month of  
13 production or sale. If an economic sale is available for gas and the producer  
14 determines it is in the best interest of the producer to reinject rather than sell the  
15 gas, the producer shall pay the tax on the volume of gas reinjected."

16

17 Renumber the following bill sections accordingly.

18

19 Page 29, line 6:

20 Delete "sec. 31"

21 Insert "sec. 32"

22

23 Page 29, line 7:

- 1 Delete "18 and 20 - 23"
- 2 Insert "19 and 21 - 24"
- 3 Delete "sec. 18"
- 4 Insert "sec. 19"
- 5
- 6 Page 29, line 9:
  - 7 Delete "Section 19"
  - 8 Insert "Section 20"
  - 9
- 10 Page 29, line 20:
  - 11 Delete "sec. 36"
  - 12 Insert "sec. 37"
  - 13
- 14 Page 29, line 24:
  - 15 Delete "20 - 23, 28, 37"
  - 16 Insert "21 - 24, 29, 38"
  - 17
- 18 Page 29, line 25:
  - 19 Delete "sec. 18"
  - 20 Insert "sec. 19"
  - 21 Delete "sec. 31"
  - 22 Insert "sec. 32"

*Withdrawn*

AMENDMENT

#23

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: HCS CSSB 21(RES), Draft Version "K"

1 Page 11, line 10, following "AS 43.55.160(f)":

2 Insert "or (g)"

3

4 Page 24, following line 27:

5 Insert a new subsection to read:

6 "(g) In the calculation of an annual production tax value of a producer under  
7 (a)(1) of this section, the gross value at the point of production of oil or gas produced  
8 from a shale formation from a lease or property in the state is reduced by 10 percent.  
9 A reduction under this subsection may not reduce the gross value at the point of  
10 production below zero."

11

12 Reletter the following subsection accordingly.

*Withdrawn*

28-GS1647/K.32  
Nauman/Bullock  
4/2/13

AMENDMENT

*#22*

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: HCS CSSB 21(RES), Draft Version "K"

1 Page 11, line 10, following "AS 43.55.160(f)":

2 Insert "or (g)"

3

4 Page 24, following line 27:

5 Insert a new subsection to read:

6 "(g) In the calculation of an annual production tax value of a producer under  
7 (a)(1) of this section, the gross value at the point of production of oil or gas produced  
8 from a shale formation from a lease or property in the state is reduced by 20 percent  
9 for the first three years immediately following the commencement of production  
10 subject to tax under AS 43.55.011(e). A reduction under this subsection may not  
11 reduce the gross value at the point of production below zero."

12

13 Reletter the following subsection accordingly.

*Amend*

28-GS1647\K.31  
Nauman/Bullock  
4/2/13

**AMENDMENT**

*# 21*

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: HCS CSSB 21(RES), Draft Version "K"

- 1 Page 24, line 13, following "section,":
- 2       Insert "for the first five years immediately following the commencement of production
- 3 subject to tax under AS 43.55.011(e),"

*- rate of return*

*Amended*

AMENDMENT

#20

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: HCS CSSB 21(RES), Draft Version "K"

1 Page 1, line 11, following "properties;":

2       Insert "relating to the additional conservation surcharge on oil;"

3

4 Page 25, following line 20:

5       Insert a new bill section to read:

6       "\* Sec. 33. AS 43.55.300(a) is amended to read:

7               (a) Every producer of oil shall pay a surcharge of \$.07 for each [\$.04 PER]  
8       barrel of oil produced from each lease or property in the state, less any oil the  
9       ownership or right to which is exempt from taxation."

10

11 Renumber the following bill sections accordingly.

12

13 Page 29, line 20:

14       Delete "sec. 36"

15       Insert "sec. 37"

16

17 Page 29, line 24:

18       Delete "37"

19       Insert "38"

*Withdrawn*

AMENDMENT

#19

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: HCS CSSB 21(RES), Draft Version "K"

1 Page 1, lines 2 - 4:

2 Delete "providing a tax credit against the corporation income tax for qualified oil  
3 and gas service industry expenditures;"

4

5 Page 4, line 5, through page 5, line 11:

6 Delete all material.

7

8 Renumber the following bill sections accordingly.

9

10 Page 29, line 5:

11 Delete "Section 13"

12 Insert "Section 12"

13

14 Page 29, line 6:

15 Delete "sec. 31"

16 Insert "sec. 30"

17

18 Page 29, line 7:

19 Delete "Sections 18 and 20 - 23"

20 Insert "Sections 17 and 19 - 22"

21 Delete "sec. 18"

22 Insert "sec. 17"

23

1 oil and gas."

2

3 Renumber the following bill sections accordingly.

4

5 Page 10, line 15:

6 Delete "AS 43.55.011(f)"

7 Insert "AS 43.55.011(a)"

8

9 Page 10, line 17:

10 Delete "35"

11 Insert "50"

12

13 Page 10, line 25:

14 Delete "AS 43.55.011(f)"

15 Insert "AS 43.55.011(a)"

16

17 Page 10, lines 27 - 31:

18 Delete all material and insert:

19 "(ii) 10 percent of the gross value at the point of production of the oil and gas  
20 produced from the leases or properties during the month for which the installment  
21 payment is calculated; or "

22

23 Page 11, line 1:

24 Delete "35"

25 Insert "50"

26

27 Page 11, line 14:

28 Delete "35"

29 Insert "50"

30

31 Page 11, line 23:

- 1 Delete "35"
- 2 Insert "50"
- 3
- 4 Page 15, line 10:
- 5 Delete "35"
- 6 Insert "50"
- 7
- 8 Page 17, line 21:
- 9 Delete "new subsections"
- 10 Insert "a new subsection"
- 11
- 12 Page 17, line 23:
- 13 Delete "\$5"
- 14 Insert "\$12"
- 15
- 16 Page 17, line 24:
- 17 Delete "that meets one or more of the criteria in AS 43.55.160(f) and"
- 18
- 19 Page 17, line 28, through page 18, line 28:
- 20 Delete all material.
- 21
- 22 Page 29, line 5:
- 23 Delete "Section 13"
- 24 Insert "Section 14"
- 25
- 26 Page 29, line 6:
- 27 Delete "sec. 31"
- 28 Insert "sec. 33"
- 29
- 30 Page 29, line 7:
- 31 Delete "Sections 18 and 20 - 23"

- 1           Insert "Sections 20 and 22 - 25"
- 2           Delete "sec. 18"
- 3           Insert "sec. 20"
- 4
- 5   Page 29, line 9:
  - 6           Delete "Section 19"
  - 7           Insert "Section 21"
  - 8
- 9   Page 29, line 20:
  - 10          Delete "sec. 36"
  - 11          Insert "sec. 38"
  - 12
- 13   Page 29, line 24:
  - 14          Delete "Sections 13, 20 - 23, 28, and 37"
  - 15          Insert "Sections 14, 22 - 25, 30, and 39"
  - 16
- 17   Page 29, line 25:
  - 18          Delete "sec. 18"
  - 19          Insert "sec. 20"
  - 20          Delete "sec. 31"
  - 21          Insert "sec. 33"

*Passed*

A M E N D M E N T

*#18*

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: HCS CSSB 21(RES), Draft Version "K"

1 Page 1, line 11, following "**properties**";:

2 Insert "**allowing the Alaska Industrial Development and Export Authority to issue**  
3 **bonds for an oil processing facility; creating a fund to finance construction or**  
4 **improvement of an oil or gas processing facility"**

5

6 Page 28, following line 29:

7 Insert new bill sections to read:

8 **\*\* Sec. 37. AS 44.88.140(a)** is amended to read:

9 (a) Except as provided in AS 29.45.030(a)(1) and AS 44.88.168, the real and  
10 personal property of the authority and its assets, income, and receipts are declared to  
11 be the property of a political subdivision of the state and, together with any project or  
12 development project financed under AS 44.88.155 - 44.88.159 or 44.88.172 -  
13 44.88.177, and a leasehold interest created in a project or development project  
14 financed under AS 44.88.155 - 44.88.159 or 44.88.172 - 44.88.177, devoted to an  
15 essential public and governmental function and purpose, and the property, assets,  
16 income, receipts, project, development project, and leasehold interests shall be exempt  
17 from all taxes and special assessments of the state or a political subdivision of the  
18 state, including, without limitation, all boroughs, cities, municipalities, school  
19 districts, public utility districts, and other taxing units. All bonds of the authority are  
20 declared to be issued by a political subdivision of the state and for an essential public  
21 and governmental purpose and to be a public instrumentality, and the bonds, and the  
22 interest on them, the income from them and the transfer of the bonds, and all assets,  
23 income, and receipts pledged to pay or secure the payments of the bonds, or interest on

1           them, shall at all times be exempt from taxation by or under the authority of the state,  
2           except for inheritance and estate taxes and taxes on transfers by or in contemplation of  
3           death. Nothing in this section affects or limits an exemption from license fees,  
4           property taxes, or excise, income, or any other taxes, provided under any other law,  
5           nor does it create a tax exemption with respect to the interest of any business  
6           enterprise or other person, other than the authority, in any property, assets, income,  
7           receipts, project, development project, or lease whether or not financed under this  
8           chapter. By January 10 of each year, the authority shall submit to the governor a report  
9           describing the nature and extent of the tax exemption of the property, assets, income,  
10          receipts, project, development project, and leasehold interests of the authority under  
11          this section. The authority shall notify the legislature that the report is available.

12       \* **Sec. 38.** AS 44.88 is amended by adding a new section to read:

13               **Sec. 44.88.168. Oil and gas infrastructure fund.** (a) The oil and gas  
14               infrastructure fund is established in the authority. The oil and gas infrastructure fund  
15               consists of money appropriated to the authority for deposit in the fund, and money  
16               deposited in the fund by the authority. The fund is not an account in the revolving loan  
17               fund established in AS 44.88.060, and the authority shall account for the fund  
18               separately from the revolving fund. Money in the fund may be used to finance the  
19               construction and improvement of an oil or gas processing facility on the North Slope  
20               and flow lines and other surface infrastructure for the facility.

21               (b) Notwithstanding AS 44.88.140, the state or a political subdivision of the  
22               state may levy a tax or special assessment on an oil or gas processing facility, flow  
23               lines, and other surface infrastructure for the facility financed by the oil and gas  
24               infrastructure fund.

25               (c) In this section, "North Slope" means that area of the state lying north of 68  
26               degrees North latitude."

27  
28       Renumber the following bill sections accordingly.

29  
30       Page 29, following line 21:

31               Insert a new bill section to read:

1     **\*\* Sec. 44.** The uncodified law of the State of Alaska is amended by adding a new section to  
2 read:

3           LEGISLATIVE APPROVAL; NORTH SLOPE OIL OR GAS PROCESSING  
4 FACILITY. (a) The Alaska Industrial Development and Export Authority may issue bonds to  
5 finance the construction and improvement of an oil or gas processing facility on the Alaska  
6 North Slope and flow lines and other surface infrastructure for the facility. The processing  
7 facility, flow lines, and other surface infrastructure for the facility shall be used to secure  
8 bonds issued under this section. The principal amount of the bonds provided by the authority  
9 for the facility, flow lines, and other surface infrastructure may not exceed \$200,000,000 and  
10 may include the costs of funding reserves and other costs of issuing the bonds that the  
11 authority considers reasonable and appropriate. Notwithstanding AS 44.88.140, an oil or gas  
12 processing facility, flow lines, and other surface infrastructure for the facility constructed or  
13 financed by the oil and gas infrastructure fund are subject to taxes and special assessments of  
14 the state or a political subdivision of the state.

15           (b) This section constitutes the legislative approval required by AS 44.88.095(g) and  
16 44.88.690.

17           (c) The prohibition on the issuance of bonds in an amount exceeding \$400,000,000  
18 under AS 44.88.095 does not apply to bonds issued under this section, and the principal  
19 amount of bonds issued under this section may not be considered in determining whether the  
20 limit in AS 44.88.095 has been reached."

21

22 Renumber the following bill section accordingly.

23

24 Page 29, line 24:

25           Delete "37"

26           Insert "39"

AMENDMENT

#25

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: HCS CSSB 21(RES), Draft Version "K"

1 Page 1, line 4:

2 Delete "rate"

3 Insert "rates"

4

5 Page 1, line 12:

6 Delete the second occurrence of "and"

7

8 Page 1, line 12, following "amendments":

9 Insert "; and providing for an effective date"

10

11 Page 2, following line 13:

12 Insert a new bill section to read:

13 **\*\* Sec. 3.** AS 29.60.850(b), as amended by sec. 2 of this Act, is amended to read:

14 (b) Each fiscal year, the legislature may appropriate to the community revenue  
15 sharing fund an amount equal to 20 percent of the money received by the state  
16 during the previous calendar year under AS 43.55.011(g) [AS 43.20.030(c)]. The  
17 amount may not exceed

18 (1) \$60,000,000; or

19 (2) the amount that, when added to the fund balance on June 30 of the  
20 previous fiscal year, equals \$180,000,000."

21

22 Renumber the following bill sections accordingly.

23

→ outcome depends on lots  
of variables  
→ disincentives introduced  
→ Future legislators are  
capable of deciding  
→ Competitiveness Board

1 Page 6, following line 9:

2 Insert a new bill section to read:

3 **\*\* Sec. 13.** AS 43.55.011(e), as amended by sec. 12 of this Act, is repealed and reenacted to  
4 read:

5 (e) There is levied on the producer of oil or gas a tax for all oil and gas  
6 produced each calendar year from each lease or property in the state, less any oil and  
7 gas the ownership or right to which is exempt from taxation or constitutes a  
8 landowner's royalty interest. Except as otherwise provided under (f), (j), (k), (o), and  
9 (p) of this section, the tax is equal to the sum of

10 (1) the annual production tax value of the taxable oil and gas as  
11 calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

12 (2) the sum, over all months of the calendar year, of the tax amounts  
13 determined under (q) of this section."  
14

15 Renumber the following bill sections accordingly.

16

17 Page 7, following line 1:

18 Insert new bill sections to read:

19 **\*\* Sec. 16.** AS 43.55.011(o), as amended by sec. 15 of this Act, is amended to read:

20 (o) Notwithstanding other provisions of this section, for a calendar year before  
21 2022, the tax levied under (e) of this section for each 1,000 cubic feet of gas for gas  
22 produced from a lease or property outside the Cook Inlet sedimentary basin and used  
23 in the state [, OTHER THAN GAS SUBJECT TO (p) OF THIS SECTION,] may not  
24 exceed the amount of tax for each 1,000 cubic feet of gas that is determined under  
25 (j)(2) of this section.

26 **\* Sec. 17.** AS 43.55.011 is amended by adding a new subsection to read:

27 (q) For each month of the calendar year for which the producer's average  
28 monthly production tax value under AS 43.55.160(a)(2) of a BTU equivalent barrel of  
29 the taxable oil and gas is more than \$30, the amount of tax for purposes of (e)(2) of  
30 this section is determined by multiplying the monthly production tax value of the  
31 taxable oil and gas produced during the month by the tax rate calculated as follows:

1 (1) if the producer's average monthly production tax value of a BTU  
2 equivalent barrel of the taxable oil and gas for the month is not more than \$92.50, the  
3 tax rate is 0.4 percent multiplied by the number that represents the difference between  
4 that average monthly production tax value of a BTU equivalent barrel and \$30; or

5 (2) if the producer's average monthly production tax value of a BTU  
6 equivalent barrel of the taxable oil and gas for the month is more than \$92.50, the tax  
7 rate is the sum of 25 percent and the product of 0.1 percent multiplied by the number  
8 that represents the difference between the average monthly production tax value of a  
9 BTU equivalent barrel and \$92.50, except that the sum determined under this  
10 paragraph may not exceed 50 percent."

11  
12 Renumber the following bill sections accordingly.

13  
14 Page 12, following line 12:

15 Insert a new bill section to read:

16 **"\* Sec. 19.** AS 43.55.020(a), as amended by sec. 18 of this Act, is repealed and reenacted to  
17 read:

18 (a) For a calendar year, a producer subject to tax under AS 43.55.011(e), (f),  
19 (h), (i), (p), or (q) shall pay the tax as follows:

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

27 (A) for oil and gas produced from leases or properties in the  
28 state outside the Cook Inlet sedimentary basin but not subject to  
29 AS 43.55.011(o) or (p), other than leases or properties subject to  
30 AS 43.55.011(f), the greater of

31 (i) zero; or

1 (ii) the sum of 25 percent and the tax rate calculated for  
2 the month under AS 43.55.011(q) multiplied by the remainder obtained  
3 by subtracting 1/12 of the producer's adjusted lease expenditures for the  
4 calendar year of production under AS 43.55.165 and 43.55.170 that are  
5 deductible for the leases or properties under AS 43.55.160 from the  
6 gross value at the point of production of the oil and gas produced from  
7 the leases or properties during the month for which the installment  
8 payment is calculated;

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

11 (i) zero;

12 (ii) zero percent, one percent, two percent, three  
13 percent, or four percent, as applicable, of the gross value at the point of  
14 production of the oil and gas produced from all leases or properties  
15 during the month for which the installment payment is calculated; or

16 (iii) the sum of 25 percent and the tax rate calculated for  
17 the month under AS 43.55.011(q) multiplied by the remainder obtained  
18 by subtracting 1/12 of the producer's adjusted lease expenditures for the  
19 calendar year of production under AS 43.55.165 and 43.55.170 that are  
20 deductible for those leases or properties under AS 43.55.160 from the  
21 gross value at the point of production of the oil and gas produced from  
22 those leases or properties during the month for which the installment  
23 payment is calculated;

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

26 (i) zero; or

27 (ii) the sum of 25 percent and the tax rate calculated for  
28 the month under AS 43.55.011(q) multiplied by the remainder obtained  
29 by subtracting 1/12 of the producer's adjusted lease expenditures for the  
30 calendar year of production under AS 43.55.165 and 43.55.170 that are  
31 deductible under AS 43.55.160 for oil or gas, respectively, produced

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

5 (2) an amount calculated under (1)(C) of this subsection for oil or gas  
6 produced from a lease or property

7 (A) subject to AS 43.55.011(j), (k), or (o) may not exceed the  
8 product obtained by carrying out the calculation set out in AS 43.55.011(j)(1)  
9 or (2) or 43.55.011(o), as applicable, for gas or set out in AS 43.55.011(k)(1)  
10 or (2), as applicable, for oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A)  
11 or 43.55.011(o), as applicable, the amount of taxable gas produced during the  
12 month for the amount of taxable gas produced during the calendar year and  
13 substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of  
14 taxable oil produced during the month for the amount of taxable oil produced  
15 during the calendar year;

16 (B) subject to AS 43.55.011(p) may not exceed four percent of  
17 the gross value at the point of production of the oil or gas;

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

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

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

30 (4) any amount of tax levied by AS 43.55.011(e) or (i), net of any  
31 credits applied as allowed by law, that exceeds the total of the amounts due as

1 installment payments of estimated tax is due on March 31 of the year following the  
2 calendar year of production."  
3

4 Renumber the following bill sections accordingly.  
5

6 Page 12, following line 31:

7 Insert a new bill section to read:

8 **\*\* Sec. 21.** AS 43.55.020(d), as amended by sec. 20 of this Act, is repealed and reenacted to  
9 read:

10 (d) In making settlement with the royalty owner for oil and gas that is taxable  
11 under AS 43.55.011, the producer may deduct the amount of the tax paid on taxable  
12 royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in value at the  
13 time the tax becomes due to the amount of the tax paid. If the total deductions of  
14 installment payments of estimated tax for a calendar year exceed the actual tax for that  
15 calendar year, the producer shall, before April 1 of the following year, refund the  
16 excess to the royalty owner. Unless otherwise agreed between the producer and the  
17 royalty owner, the amount of the tax paid under AS 43.55.011(e), (f), and (q) on  
18 taxable royalty oil and gas for a calendar year, other than oil and gas the ownership or  
19 right to which constitutes a landowner's royalty interest, is considered to be the gross  
20 value at the point of production of the taxable royalty oil and gas produced during the  
21 calendar year multiplied by a figure that is a quotient, in which

22 (1) the numerator is the producer's total tax liability under  
23 AS 43.55.011(e), (f), and (q) for the calendar year of production; and

24 (2) the denominator is the total gross value at the point of production  
25 of the oil and gas taxable under AS 43.55.011(e), (f), and (q) produced by the producer  
26 from all leases and properties in the state during the calendar year."  
27

28 Renumber the following bill sections accordingly.  
29

30 Page 15, following line 2:

31 Insert a new bill section to read:

1     **\*\* Sec. 25.** AS 43.55.023(a), as amended by sec. 24 of this Act, is amended to read:

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

4                     (1) notwithstanding that a qualified capital expenditure may be a  
5             deductible lease expenditure for purposes of calculating the production tax value of oil  
6             and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under  
7             AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or  
8             explorer that incurs a qualified capital expenditure may also elect to apply a tax credit  
9             against a tax levied by AS 43.55.011(e) in the amount of 20 percent of that  
10            expenditure; **however, not more than half of the tax credit may be applied for a**  
11            **single calendar year;**

12                    (2) a producer or explorer may take a credit for a qualified capital  
13            expenditure incurred in connection with geological or geophysical exploration or in  
14            connection with an exploration well only if the producer or explorer

15                            (A) agrees, in writing, to the applicable provisions of  
16                            AS 43.55.025(f)(2); and

17                            (B) submits to the Department of Natural Resources all data  
18                            that would be required to be submitted under AS 43.55.025(f)(2) [;

19                            (3) A CREDIT FOR A QUALIFIED CAPITAL EXPENDITURE  
20            INCURRED TO EXPLORE FOR, DEVELOP, OR PRODUCE OIL OR GAS  
21            DEPOSITS LOCATED NORTH OF 68 DEGREES NORTH LATITUDE MAY BE  
22            TAKEN ONLY IF THE EXPENDITURE IS INCURRED BEFORE JANUARY 1,  
23            2014]."

24  
25     Renumber the following bill sections accordingly.

26  
27     Page 15, following line 15:

28             Insert a new bill section to read:

29     **\*\* Sec. 27.** AS 43.55.023(b), as amended by sec. 26 of this Act, is amended to read:

30             (b) A [FOR LEASE EXPENDITURES INCURRED TO EXPLORE FOR,  
31             DEVELOP, OR PRODUCE OIL OR GAS DEPOSITS LOCATED SOUTH OF 68

1 DEGREES NORTH LATITUDE, A] producer or explorer may elect to take a tax  
2 credit in the amount of 25 percent of a carried-forward annual loss. [FOR LEASE  
3 EXPENDITURES INCURRED AFTER DECEMBER 31, 2013, TO EXPLORE FOR,  
4 DEVELOP, OR PRODUCE OIL OR GAS DEPOSITS LOCATED NORTH OF 68  
5 DEGREES NORTH LATITUDE, A PRODUCER OR EXPLORER MAY ELECT TO  
6 TAKE A TAX CREDIT IN THE AMOUNT OF 35 PERCENT OF A CARRIED-  
7 FORWARD ANNUAL LOSS.] A credit under this subsection may be applied against  
8 a tax levied by AS 43.55.011(e). For purposes of this subsection, a carried-forward  
9 annual loss is the amount of a producer's or explorer's adjusted lease expenditures  
10 under AS 43.55.165 and 43.55.170 for a previous calendar year that was not  
11 deductible in calculating production tax values for that calendar year under  
12 AS 43.55.160."  
13

14 Renumber the following bill sections accordingly.  
15

16 Page 16, following line 9:

17 Insert a new bill section to read:

18 **\*\* Sec. 29.** AS 43.55.023(d), as amended by sec. 28 of this Act, is repealed and reenacted to  
19 read:

20 (d) A person that is entitled to take a tax credit under this section that wishes  
21 to transfer the unused credit to another person or obtain a cash payment under  
22 AS 43.55.028 may apply to the department for transferable tax credit certificates. An  
23 application under this subsection must be in a form prescribed by the department and  
24 must include supporting information and documentation that the department  
25 reasonably requires. The department shall grant or deny an application, or grant an  
26 application as to a lesser amount than that claimed and deny it as to the excess, not  
27 later than 120 days after the latest of the following: March 31 of the year following the  
28 calendar year in which the qualified capital expenditure or carried-forward annual loss  
29 for which the credit is claimed was incurred; the date the statement required under  
30 AS 43.55.030(a) or (e) was filed for the calendar year in which the qualified capital  
31 expenditure or carried-forward annual loss for which the credit is claimed was

1 incurred; or the date the application was received by the department. If, based on the  
2 information then available to it, the department is reasonably satisfied that the  
3 applicant is entitled to a credit, the department shall issue the applicant two  
4 transferable tax credit certificates, each for half of the amount of the credit. The credit  
5 shown on one of the two certificates is available for immediate use. The credit shown  
6 on the second of the two certificates may not be applied against a tax for a calendar  
7 year earlier than the calendar year following the calendar year in which the certificate  
8 is issued, and the certificate must contain a conspicuous statement to that effect. A  
9 certificate issued under this subsection does not expire."

10  
11 Renumber the following bill sections accordingly.

12  
13 Page 16, following line 25:

14 Insert a new bill section to read:

15 **"\* Sec. 31.** AS 43.55.023(g), as amended by sec. 30 of this Act, is amended to read:

16 (g) The issuance of a transferable tax credit certificate under (d) **or (p)** of this  
17 section or former (m) of this section or the purchase of a certificate under  
18 AS 43.55.028 does not limit the department's ability to later audit a tax credit claim to  
19 which the certificate relates or to adjust the claim if the department determines, as a  
20 result of the audit, that the applicant was not entitled to the amount of the credit for  
21 which the certificate was issued. The tax liability of the applicant under  
22 AS 43.55.011(e) and 43.55.017 - 43.55.180 is increased by the amount of the credit  
23 that exceeds that to which the applicant was entitled, or the applicant's available valid  
24 outstanding credits applicable against the tax levied by AS 43.55.011(e) are reduced  
25 by that amount. If the applicant's tax liability is increased under this subsection, the  
26 increase bears interest under [AS 43.05.225(a) BEFORE JANUARY 1, 2014, OR  
27 UNDER] AS 43.05.225(b)(1) [ON AND AFTER JANUARY 1, 2014,] from the date  
28 the transferable tax credit certificate was issued. For purposes of this subsection, an  
29 applicant that is an explorer is considered a producer subject to the tax levied by  
30 AS 43.55.011(e)."

31

1 Renumber the following bill sections accordingly.

2

3 Page 17, following line 8:

4

Insert new bill sections to read:

5

**\*\* Sec. 33.** AS 43.55.023(n), as amended by sec. 32 of this Act, is amended to read:

6

(n) For the purposes of (l) **and (p)** of this section, a well lease expenditure incurred in the state south of 68 degrees North latitude is a lease expenditure that is

7

8

(1) directly related to an exploration well, a stratigraphic test well, a producing well, or an injection well other than a disposal well, located in the state south of 68 degrees North latitude, if the expenditure is a qualified capital expenditure and an intangible drilling and development cost authorized under 26 U.S.C. (Internal Revenue Code), as amended, and 26 C.F.R. 1.612-4, regardless of the elections made under 26 U.S.C. 263(c); in this paragraph, an expenditure directly related to a well includes an expenditure for well sidetracking, well deepening, well completion or recompletion, or well workover, regardless of whether the well is or has been a producing well; or

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18

(2) an expense for seismic work conducted within the boundaries of a production or exploration unit.

19

**\* Sec. 34.** AS 43.55.023 is amended by adding a new subsection to read:

20

(p) For a lease expenditure incurred in the state south of 68 degrees North latitude after December 31, 2018, that qualifies for tax credits under (a) and (b) of this section, and for a well lease expenditure incurred in the state south of 68 degrees North latitude that qualifies for a tax credit under (l) of this section, the department shall issue transferable tax credit certificates to the person entitled to the credit for the full amount of the credit. The transferable tax credit certificates do not expire."

21

22

23

24

25

26

27 Renumber the following bill sections accordingly.

28

29 Page 21, following line 13:

30

Insert a new bill section to read:

31

**\*\* Sec. 41.** AS 43.55.028(e), as amended by sec. 40 of this Act, is amended to read:

1 (e) The department, on the written application of a person to whom a  
2 transferable tax credit certificate has been issued under AS 43.55.023(d) or (p) or  
3 former AS 43.55.023(m) or to whom a production tax credit certificate has been issued  
4 under AS 43.55.025(f), may use available money in the oil and gas tax credit fund to  
5 purchase, in whole or in part, the certificate if the department finds that

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

9 (2) the applicant does not have an outstanding liability to the state for  
10 unpaid delinquent taxes under this title;

11 (3) the applicant's total tax liability under AS 43.55.011(e), after  
12 application of all available tax credits, for the calendar year in which the application is  
13 made is zero;

14 (4) the applicant's average daily production of oil and gas taxable  
15 under AS 43.55.011(e) during the calendar year preceding the calendar year in which  
16 the application is made was not more than 50,000 BTU equivalent barrels; and

17 (5) the purchase is consistent with this section and regulations adopted  
18 under this section."  
19

20 Renumber the following bill sections accordingly.  
21

22 Page 21, following line 23:

23 Insert a new bill section to read:

24 **\*\* Sec. 43.** AS 43.55.028(g), as amended by sec. 42 of this Act, is amended to read:

25 (g) The department may adopt regulations to carry out the purposes of this  
26 section, including standards and procedures to allocate available money among  
27 applications for purchases under this chapter and claims for refunds and payments  
28 under AS 43.20.046 or 43.20.047 when the total amount of the applications for  
29 purchase and claims for refund exceed the amount of available money in the fund. The  
30 regulations adopted by the department may not, when allocating available money in  
31 the fund under this section, distinguish an application for the purchase of a credit

1 certificate issued under AS 43.55.023(p) or former AS 43.55.023(m), or a claim for a  
2 refund or payment under AS 43.20.046 or 43.20.047."

3

4 Renumber the following bill sections accordingly.

5

6 Page 22, following line 5:

7 Insert a new bill section to read:

8 **"\* Sec. 45.** AS 43.55.030(e), as amended by sec. 44 of this Act, is amended to read:

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

15 (1) the [EXPLORER'S OR] producer's qualified capital expenditures,  
16 as defined in AS 43.55.023, other lease expenditures under AS 43.55.165, and  
17 adjustments or other payments or credits under AS 43.55.170; and

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

21

22 Renumber the following bill sections accordingly.

23

24 Page 24, following line 10:

25 Insert a new bill section to read:

26 **"\* Sec. 47.** AS 43.55.160(a), as amended by sec. 46 of this Act, is repealed and reenacted to  
27 read:

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

29 (1) AS 43.55.011(e), the annual production tax value of the taxable oil,  
30 gas, or oil and gas subject to this paragraph produced during a calendar year is the  
31 gross value at the point of production of the oil, gas, or oil and gas taxable under

1 AS 43.55.011(e), less the producer's lease expenditures under AS 43.55.165 for the  
2 calendar year applicable to the oil, gas, or oil and gas, as applicable, produced by the  
3 producer from leases or properties, as adjusted under AS 43.55.170; this paragraph  
4 applies to

5 (A) oil and gas produced from leases or properties in the state  
6 that include land north of 68 degrees North latitude, other than gas produced  
7 before 2022 and used in the state;

8 (B) oil and gas produced from leases or properties in the state  
9 outside the Cook Inlet sedimentary basin, no part of which is north of 68  
10 degrees North latitude; this subparagraph does not apply to

11 (i) gas produced before 2022 and used in the state; or

12 (ii) oil and gas subject to AS 43.55.011(p);

13 (C) oil produced before 2022 from a lease or property in the  
14 Cook Inlet sedimentary basin;

15 (D) gas produced before 2022 from a lease or property in the  
16 Cook Inlet sedimentary basin;

17 (E) gas produced before 2022 from a lease or property in the  
18 state outside the Cook Inlet sedimentary basin and used in the state;

19 (F) oil and gas subject to AS 43.55.011(p) produced from  
20 leases or properties in the state;

21 (G) oil and gas produced from a lease or property no part of  
22 which is north of 68 degrees North latitude, other than oil or gas described in  
23 (B), (C), (D), (E), or (F) of this paragraph;

24 (2) AS 43.55.011(q), the monthly production tax value of the taxable

25 (A) oil and gas produced during a month from leases or  
26 properties in the state that include land north of 68 degrees North latitude is the  
27 gross value at the point of production of the oil and gas taxable under  
28 AS 43.55.011(e) and produced by the producer from those leases or properties,  
29 less 1/12 of the producer's lease expenditures under AS 43.55.165 for the  
30 calendar year applicable to the oil and gas produced by the producer from  
31 those leases or properties, as adjusted under AS 43.55.170; this subparagraph

1 does not apply to gas subject to AS 43.55.011(o);

2 (B) oil and gas produced during a month from leases or  
3 properties in the state outside the Cook Inlet sedimentary basin, no part of  
4 which is north of 68 degrees North latitude, is the gross value at the point of  
5 production of the oil and gas taxable under AS 43.55.011(e) and produced by  
6 the producer from those leases or properties, less 1/12 of the producer's lease  
7 expenditures under AS 43.55.165 for the calendar year applicable to the oil and  
8 gas produced by the producer from those leases or properties, as adjusted under  
9 AS 43.55.170; this subparagraph does not apply to gas subject to  
10 AS 43.55.011(o);

11 (C) oil produced during a month from a lease or property in the  
12 Cook Inlet sedimentary basin is the gross value at the point of production of  
13 the oil taxable under AS 43.55.011(e) and produced by the producer from that  
14 lease or property, less 1/12 of the producer's lease expenditures under  
15 AS 43.55.165 for the calendar year applicable to the oil produced by the  
16 producer from that lease or property, as adjusted under AS 43.55.170;

17 (D) gas produced during a month from a lease or property in  
18 the Cook Inlet sedimentary basin is the gross value at the point of production  
19 of the gas taxable under AS 43.55.011(e) and produced by the producer from  
20 that lease or property, less 1/12 of the producer's lease expenditures under  
21 AS 43.55.165 for the calendar year applicable to the gas produced by the  
22 producer from that lease or property, as adjusted under AS 43.55.170;

23 (E) gas produced during a month from a lease or property  
24 outside the Cook Inlet sedimentary basin and used in the state is the gross  
25 value at the point of production of that gas taxable under AS 43.55.011(e) and  
26 produced by the producer from that lease or property, less 1/12 of the  
27 producer's lease expenditures under AS 43.55.165 for the calendar year  
28 applicable to that gas produced by the producer from that lease or property, as  
29 adjusted under AS 43.55.170."

30  
31 Renumber the following bill sections accordingly.

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Page 25, following line 20:

Insert a new subsection to read:

"(h) Notwithstanding any contrary provision of AS 43.55.150, for purposes of calculating a monthly production tax value under (a)(2) of this section, the gross value at the point of production of the oil and gas is calculated under regulations adopted by the department that provide for using an appropriate monthly share of the producer's costs of transportation for the calendar year."

Page 29, following line 2:

Insert a new bill section to read:

"\* **Sec. 55.** AS 43.55.020(*l*), 43.55.024(*i*), 43.55.024(*j*), 43.55.160(*f*), and 43.55.160(*g*) are repealed."

Page 29, line 5:

Delete "Section 13 of this Act and AS 43.55.160(a)(1)(E), as amended by sec. 31"

Insert "Section 15 of this Act, AS 43.55.160(a)(1)(E), as amended by sec. 46 of this Act, and AS 43.55.160(*f*) and (*g*) as enacted by sec. 48"

Page 29, line 7:

Delete "Sections 18 and 20 - 23"

Insert "Sections 24, 28, 30, 32, and 35"

Delete "sec. 18"

Insert "sec. 24"

Page 29, line 9:

Delete "Section 19"

Insert "Section 26"

Page 29, following line 10:

Insert a new subsection to read:

1           "(d) AS 43.55.160(h), enacted by sec. 48 of this Act, applies to the transportation of  
2 oil and gas produced on and after the effective date of sec. 13 of this Act."

3  
4 Page 29, line 20:

5           Delete "sec. 36"

6           Insert "sec. 52"

7  
8 Page 29, line 24:

9           Delete "Sections 13, 20 - 23, 28, and 37"

10          Insert "Sections 15, 28, 30, 32, and 53"

11  
12 Page 29, following line 26:

13          Insert new bill sections to read:

14          "\* **Sec. 60.** The uncodified law of the State of Alaska is amended by adding a new section to  
15 read:

16           CONDITIONAL EFFECT. Sections 3, 13, 16, 17, 19, 21, 25, 27, 29, 31, 33, 34, 41,  
17 43, 45, 47, and 55 of this Act, and AS 43.55.160(h) in sec. 48 of this Act take effect only if  
18 the volume of oil production for the calendar year 2018 does not exceed the volume of oil  
19 produced for the 2013 calendar year. The commissioner of natural resources shall notify the  
20 lieutenant governor and the revisor of statutes before January 1, 2019, or as soon as  
21 practicable thereafter, if the volume of oil production for the calendar year 2018 is greater  
22 than the volume of oil produced during the 2013 calendar year.

23          \* **Sec. 61.** If secs. 3, 13, 16, 17, 19, 21, 25, 27, 29, 31, 33, 34, 41, 43, 45, 47, and 55 of this  
24 Act, and AS 43.55.160(h) in sec. 48 of this Act take effect under sec. 59 of this Act, they take  
25 effect January 1, 2019."

*Am. led*

**AMENDMENT**

**#31**

OFFERED IN THE HOUSE

TO: HCS CSSB 21(RES), Draft Version "K"

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

2 Insert "**relating to the determination of gross value at the point of production;**"

3  
4 Page 22, following line 5:

5 Insert new bill sections to read:

6 **\*\* Sec. 31.** AS 43.55.150(a) is amended to read:

7 (a) For the purposes of AS 43.55.011 - 43.55.180, the gross value at the point  
8 of production is calculated using the **reasonable** [ACTUAL] costs of transportation of  
9 the oil or gas. **The reasonable costs of transportation are the actual costs,** except  
10 when the

11 (1) **parties to the transportation** [SHIPPER] of oil or gas **are** [IS]  
12 affiliated [WITH THE TRANSPORTATION CARRIER OR WITH A PERSON  
13 THAT OWNS AN INTEREST IN THE TRANSPORTATION FACILITY];

14 (2) contract for the transportation of oil or gas is not an arm's length  
15 transaction [;] or **is not representative of the market value of that transportation;**  
16 **and**

17 (3) method [OR TERMS] of transportation of oil or gas **is** [ARE] not  
18 reasonable in view of existing alternative **methods of** transportation [OPTIONS].

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

20 (b) If the department finds that **the conditions** [A CONDITION] in (a)(1), (2),  
21 **and** [OR] (3) of this section **are** [IS] present, the [GROSS VALUE AT THE POINT  
22 OF PRODUCTION IS CALCULATED USING THE ACTUAL COSTS OF  
23 TRANSPORTATION, OR THE REASONABLE COSTS OF TRANSPORTATION

1 AS DETERMINED UNDER THIS SUBSECTION, WHICHEVER IS LOWER.  
2 THE] department shall determine the reasonable costs of transportation, using the fair  
3 market value of like transportation, the fair market value of equally efficient and  
4 available alternative modes of transportation, or other reasonable methods.  
5 Transportation costs fixed by tariff rates properly on file with [THAT HAVE BEEN  
6 ADJUDICATED AS JUST AND REASONABLE BY] the Regulatory Commission  
7 of Alaska or other [ANOTHER] regulatory agency [AND TRANSPORTATION  
8 COSTS IN AN ARM'S LENGTH TRANSACTION PAID BY PARTIES NOT  
9 AFFILIATED WITH AN OWNER OF THE METHOD OF TRANSPORTATION]  
10 shall be considered prima facie reasonable."  
11

12 Renumber the following bill sections accordingly.

13  
14 Page 29, line 6:

15 Delete "sec. 31"

16 Insert "sec. 33"

17  
18 Page 29, following line 10:

19 Insert a new subsection to read:

20 "(d) Sections 31 and 32 of this Act apply to the transportation of oil and gas produced  
21 on and after January 1, 2014."  
22

23 Page 29, line 20:

24 Delete "sec. 36"

25 Insert "sec. 38"

26  
27 Page 29, line 24:

28 Delete "37"

29 Insert "39"

30  
31 Page 29, line 25:

1 Delete "sec. 31"

2 Insert "sec. 33"

*Failed*

28-GS1647\K.3  
Nauman/Bullock  
4/2/13

AMENDMENT

*#30*

OFFERED IN THE HOUSE

TO: HCS CSSB 21(RES), Draft Version "K"

- 1 Page 6, line 8:
- 2 Delete "35"
- 3 Insert "30"
- 4
- 5 Page 10, line 17:
- 6 Delete "35"
- 7 Insert "30"
- 8
- 9 Page 11, line 1:
- 10 Delete "35"
- 11 Insert "30"
- 12
- 13 Page 11, line 14:
- 14 Delete "35"
- 15 Insert "30"
- 16
- 17 Page 11, line 23:
- 18 Delete "35"
- 19 Insert "30"
- 20
- 21 Page 15, line 10:
- 22 Delete "35"
- 23 Insert "30"

*passed*

AMENDMENT

*#29*

OFFERED IN THE HOUSE

TO: HCS CSSB 21(RES), Draft Version "K"

1 Page 1, lines 11 - 12:

2 Delete "**establishing the Oil and Gas Competitiveness Review Board;**"

3

4 Page 25, following line 20:

5 Insert a new bill section to read:

6 "**\* Sec. 33.** AS 43.55.180(b) is amended to read:

7 (b) The department shall prepare a report on or before the first day of the **2016**  
8 [2011] regular session of the legislature on the results of the study made under (a) of  
9 this section, including recommendations as to whether any changes should be made to  
10 this chapter. The department shall notify the legislature that the report prepared under  
11 this subsection is available."

12

13 Page 26, line 16, through page 28, line 29:

14 Delete all material.

15

16 Renumber the following bill sections accordingly.

17

18 Page 29, lines 16 - 21:

19 Delete all material.

20

21 Renumber the following bill section accordingly.

*passed*

AMENDMENT

*#28*

OFFERED IN THE HOUSE BY REPRESENTATIVE PEGGY WILSON  
TO: HCS CSSB 21(RES), Draft Version "K"

1 Page 26, lines 21 - 23:

2 Delete all material and insert:

3 "(1) one ex officio nonvoting member from the senate, selected by the  
4 president of the senate;

5 (2) one ex officio nonvoting member from the house of  
6 representatives, selected by the speaker of the house of representatives;"

7  
8 Renumber the following paragraphs accordingly.

9  
10 Page 26, lines 26 - 28:

11 Delete ", including one member who is a petroleum engineer, one member who is a  
12 geologist, and one member who is a financial analyst"

13  
14 Page 27, line 5:

15 Delete "(b)(1) and (3)"

16 Insert "(b)(4)"

17  
18 Page 27, line 11:

19 Delete "(b)(1) and (3)"

20 Insert "(b)(4)"

21  
22 Page 29, line 21:

23 Delete "AS 43.98.040(b)(1) and (3)"

1      Insert "AS 43.98.040(b)(4)"

*passed*

AMENDMENT

*# 27*

OFFERED IN THE HOUSE

BY REPRESENTATIVE FEIGE

TO: HCS CSSB 21(RES), Draft Version "K"

1 Page 28, lines 3 - 14:

2 Delete all material and insert:

3 "(6) make written findings and recommendations to the Alaska State  
4 Legislature before

5 (A) January 31, 2015, or as soon thereafter as practicable,  
6 regarding

7 (i) changes to the state's regulatory environment and  
8 permitting structure that would be conducive to encouraging increased  
9 investment while protecting the interests of the people of the state and  
10 the environment;

11 (ii) the status of the oil and gas industry labor pool in  
12 the state and the effectiveness of workforce development efforts by the  
13 state;

14 (iii) the status of the oil-and-gas-related infrastructure  
15 of the state, including a description of infrastructure deficiencies; and

16 (iv) the competitiveness of the state's fiscal oil and gas  
17 tax regime when compared to other regions of the world;

18 (B) January 31, 2021, or as soon thereafter as practicable,  
19 regarding

20 (i) changes to the state's fiscal regime that would be  
21 conducive to increased and ongoing long-term investment in and  
22 development of the state's oil and gas resources;

23 (ii) alternative means for increasing the state's ability to

1 attract and maintain investment in and development of the state's oil  
2 and gas resources; and

3 (iii) a review of the current effectiveness and future  
4 value of any provisions of the state's oil and gas tax laws that are  
5 expiring in the next five years."  
6

7 Page 29, following line 2:

8 Insert a new bill section to read:

9 "\* **Sec. 39.** AS 43.98.040, 43.98.050, 43.98.060, and 43.98.070 are repealed February 28,  
10 2021."  
11

12 Renumber the following bill sections accordingly.

*Amended*

AMENDMENT # 26

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: HCS CSSB 21(RES), Draft Version "K"

1 Page 17, line 28, through page 18, line 28:

2 Delete all material and insert:

3 "(j) For each month of the calendar year for which a producer's average  
4 monthly gross value at the point of production of a barrel of taxable oil and gas is less  
5 than \$150, a producer may apply against the producer's tax liability for the calendar  
6 year under AS 43.55.011(e) a tax credit in the amount specified in this subsection for  
7 each barrel of taxable oil under AS 43.55.011(e) that does not meet any of the criteria  
8 in AS 43.55.160(f) and that is produced during a calendar year after December 31,  
9 2013. A tax credit under this section may not reduce a producer's tax liability for a  
10 calendar year under AS 43.55.011(e) below zero. The amount of the tax credit for a  
11 barrel of taxable oil subject to this subsection is

12 (1) if the producer's average monthly gross value at the point of  
13 production of a barrel of taxable oil and gas is less than or equal to \$100, \$5 for each  
14 barrel of taxable oil; or

15 (2) if the producer's average monthly gross value at the point of  
16 production of a barrel of taxable oil and gas is more than \$100 and less than \$150, \$5  
17 for each barrel of taxable oil, reduced by one-tenth of the difference between that  
18 average monthly gross value at the point of production of a barrel of oil and \$100."

*→ eliminates competitiveness in the 70-90 bbl*

A M E N D M E N T

# 32  
new

OFFERED IN THE HOUSE

TO: HCS CSSB 21(RES), Draft Version "K"

1 Page 1, line 11, following "properties;":

2 Insert "relating to the calculation of lease expenditures"

3

4 Page 25, following line 20:

5 Insert a new bill section to read:

6 **\*\* Sec. 33.** AS 43.55.165 is amended by adding new subsections to read:

7 **(A)** (m) Except as provided under (e), (o), and (p) of this section, for the purposes  
8 of AS 43.55.160, a producer's lease expenditures for a calendar year are the ordinary  
9 and necessary costs upstream of the point of production of oil and gas that are incurred  
10 during the calendar year by the producer on or after January 1, 2014, and that are  
11 direct costs of exploring for, developing, or producing oil or gas deposits located  
12 within the producer's leases or properties in the state or, in the case of land in which  
13 the producer does not own a working interest, that are direct costs of exploring for oil  
14 or gas deposits located within other land in the state. In determining whether costs are  
15 lease expenditures, the department shall consider, among other factors,

16 (1) the typical industry practices and standards in the state that  
17 determine the costs, other than items listed in (e) of this section, that an operator is  
18 allowed to bill a working interest owner that is not the operator, under unit operating  
19 agreements or similar operating agreements that were in effect before December 2,  
20 2005, and were subject to negotiation with at least one working interest owner with  
21 substantial bargaining power, other than the operator; and

22 (2) the standards adopted by the Department of Natural Resources that  
23 determine the costs, other than items listed in (e) of this section, that a lessee is

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

3 (n) For purposes of (m) of this section,

4 (1) direct costs include

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

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

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

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

19 (o) On or after January 1, 2014, subject to (g) and (h) of this section, if the  
20 department finds that the pertinent provisions of a unit operating agreement or similar  
21 operating agreement are substantially consistent with the department's determinations  
22 and standards under (m) of this section concerning whether costs are lease  
23 expenditures, the department may authorize or require a producer, subject to  
24 conditions prescribed under regulations adopted by the department, to treat as that  
25 portion of its lease expenditures for a calendar year applicable to oil and gas produced  
26 from a lease or property in the state only

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

29 (A) are billable to the producer by the operator in accordance  
30 with the terms of the agreement to which that lease or property is subject;

31 (B) for a producer that is the operator, would be billable to the

1 producer by the operator in accordance with the terms of the agreement to  
2 which that lease or property is subject if the producer were not the operator;

3 (C) would be billable to the producer by the operator in  
4 accordance with the terms of the agreement if that lease or property were  
5 subject to the agreement; or

6 (D) for a producer that is the operator, would be billable to the  
7 producer by the operator in accordance with the terms of the agreement if that  
8 lease or property were subject to the agreement and if the producer were not  
9 the operator; and

10 (2) a reasonable percentage, as determined under regulations adopted  
11 by the department, of the costs that are billable under (1) of this subsection as an  
12 allowance for overhead expenses directly related to exploring for, developing, and  
13 producing oil or gas deposits located within the lease or property, to the extent those  
14 expenses are not billable under the agreement.

15 (p) Subject to (g) and (h) of this section, if the department makes the finding  
16 described in (o) of this section with respect to a unit operating agreement or similar  
17 operating agreement and, in addition, finds that at least one working interest owner  
18 party to the agreement, other than the operator, with substantial incentive and ability to  
19 effectively audit billings under the agreement in fact is effectively auditing billings  
20 under the agreement, the department may authorize or require a producer, subject to  
21 conditions prescribed under regulations adopted by the department, to treat as that  
22 portion of its lease expenditures for a calendar year applicable to oil and gas produced  
23 from a lease or property in the state only

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

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

30 (B) for a producer that is the operator, would be billable to the  
31 producer by the operator in accordance with the terms of the agreement to

1           which that lease or property is subject if the producer were not the operator;  
2           and

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

8

9    Renumber the following bill sections accordingly.

10

11   Page 29, line 1:

12           Delete "and 43.55.160(c)"

13           Insert "43.55.160(c), 43.55.165(a), 43.55.165(b), 43.55.165(c), and 43.55.165(d)"

14

15   Page 29, line 20:

16           Delete "sec. 36"

17           Insert "sec. 37"

18

19   Page 29, line 24:

20           Delete "37"

21           Insert "38"

*passed*

AMENDMENT

*#32*

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: HCS CS SB 21 (RES) Work Draft K

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Page 25, following line 20

Insert new subsections to read:

\* **Sec. 34.** AS 43.55.165 (a) is repealed and reenacted to read:

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

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

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

\* **Sec. 35.** AS 43.55.165 (b) is repealed and reenacted to read:

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

(1) direct costs include

*- can you audit as effectively if the amendment passes*  
*- could you proceed faster with audits if amendment passes*

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

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

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

11 (2) an activity does not need to be physically located on, near, or within the  
12 premises of the lease or property within which an oil or gas deposit being explored  
13 for, developed, or produced is located in order for the cost of the activity to be a cost  
14 upstream of the point of production of the oil or gas.

15  
16 \* Sec. 36. AS 43.55.165 (c) is repealed and reenacted to read:

17 (c) Subject to (g) and (h) of this section, if the department finds that the pertinent  
18 provisions of a unit operating agreement or similar operating agreement are substantially  
19 consistent with the department's determinations and standards under (a) of this section  
20 concerning whether costs are lease expenditures, the department may authorize or require  
21 a producer, subject to conditions prescribed under regulations adopted by the department,  
22 to treat as that portion of its lease expenditures for a calendar year applicable to oil and  
23 gas produced from a lease or property in the state only

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

26 (A) are billable to the producer by the operator in accordance with  
27 the terms of the agreement to which that lease or property is subject;

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

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(C) would be billable to the producer by the operator in accordance with the terms of the agreement if that lease or property were subject to the agreement; or

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

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

\* Sec. 37. AS 43.55.165 (d) is repealed and reenacted to read:

(d) Subject to (g) and (h) of this section, if the department makes the finding described in (c) of this section with respect to a unit operating agreement or similar operating agreement and, in addition, finds that at least one working interest owner party to the agreement, other than the operator, with substantial incentive and ability to effectively audit billings under the agreement in fact is effectively auditing billings under the agreement, the department may authorize or require a producer, subject to conditions prescribed under regulations adopted by the department, to treat as that portion of its lease expenditures for a calendar year applicable to oil and gas produced from a lease or property in the state only

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

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

(B) for a producer that is the operator, would be billable to the producer by the operator in accordance with the terms of the agreement to

1                   which that lease or property is subject if the producer were not the  
 2                   operator; and  
 3                   (2) a reasonable percentage, as determined under regulations adopted by  
 4                   the department, of the costs that are billed under (1) of this subsection as an  
 5                   allowance for overhead expenses directly related to exploring for, developing, and  
 6                   producing oil or gas deposits located within the lease or property, to the extent  
 7                   those expenses are not billable under the agreement

8  
 9                   Renumber following sections accordingly

10  
 11                   Page 29, line 20 following "sec."

12                   Delete "36"

13                   Insert "40"

14  
 15                   Page 29, line 24 following "and"

16                   Delete "37"

17                   Insert "41"

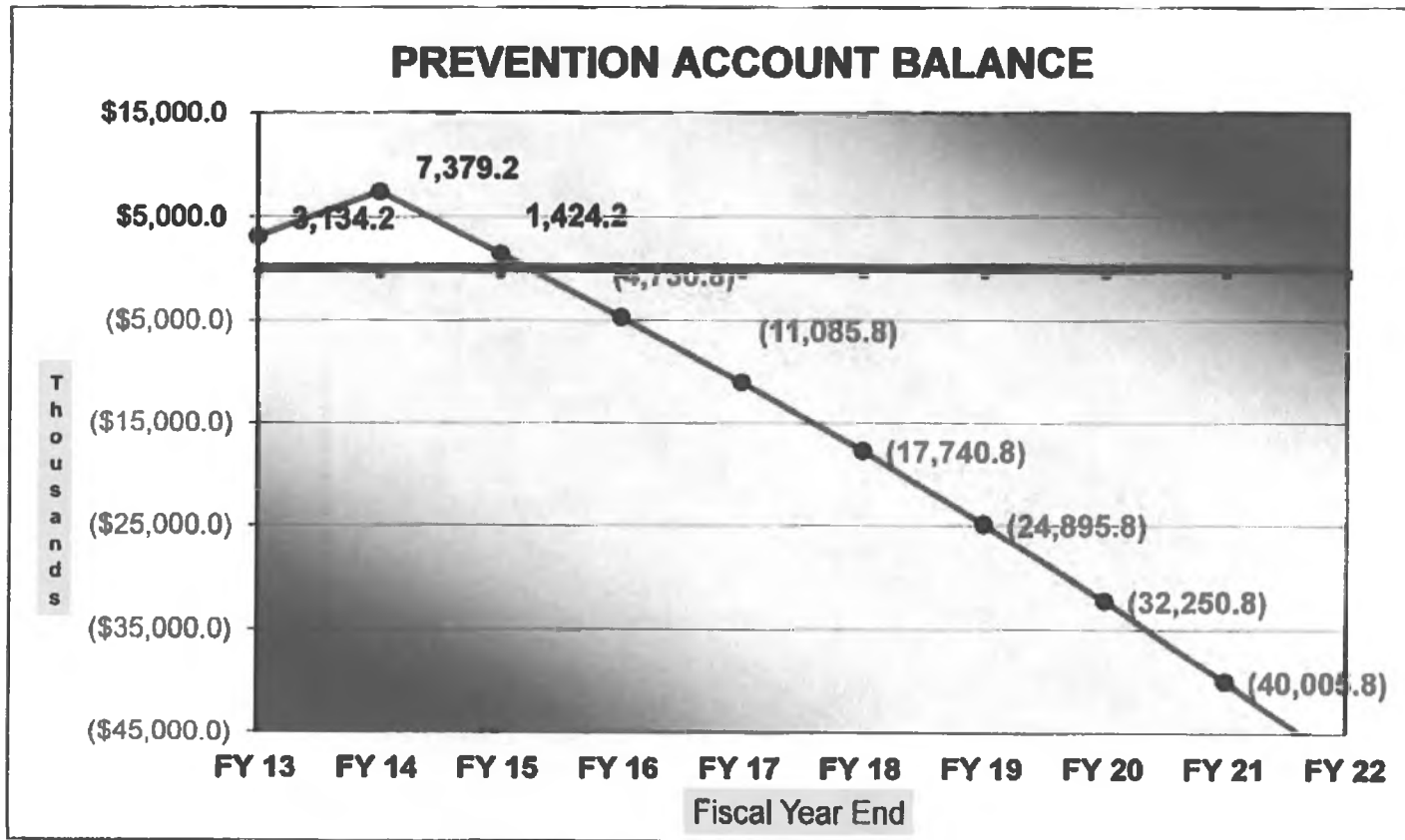
Distributed by Rep. Seaton for amendment #LU



# Status of the Prevention Account

PREVENTION ACCOUNT - BALANCE PROJECTION  
12.4.2013 UPDATE - 4¢ Surcharge

Amend #20  
Backup



February 7, 2013

House Finance Sub-Committee Overview



# Status of the Prevention Account

## PREVENTION ACCOUNT - BALANCE PROJECTION

12.4.2013 UPDATE - 4¢ Surcharge

<b>FY 12 YEAR END PREVENTION ACCOUNT BALANCE</b>	<b>9,599.2</b>									
	<b>FY 13</b>	<b>FY 14</b>	<b>FY 15</b>	<b>FY 16</b>	<b>FY 17</b>	<b>FY 18</b>	<b>FY 19</b>	<b>FY 20</b>	<b>FY 21</b>	<b>FY 22</b>
<b>REVENUE to PREVENTION ACCOUNT</b>										
4¢ Surcharge (Fall 2012 Revenue Sources)	7,569.6	7,000.0	6,900.0	6,600.0	6,400.0	6,100.0	5,600.0	5,400.0	5,000.0	4,700.0
Coal Recovery/Fines/Penalties	976.4	11,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0
Investment Income	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0
<b>Total Projected Annual Revenue</b>	<b>9,736.9</b>	<b>19,700.0</b>	<b>9,599.9</b>	<b>9,300.0</b>	<b>9,100.0</b>	<b>8,800.0</b>	<b>8,300.0</b>	<b>8,100.0</b>	<b>7,700.0</b>	<b>7,400.0</b>
<b>EXPENSES from PREVENTION ACCOUNT</b>										
Governor's Operating Budget	15,450.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0
Governor's Capital Budget	750.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Projected Annual Expenses</b>	<b>16,200.0</b>	<b>15,455.0</b>	<b>15,455.0</b>	<b>15,455.0</b>	<b>15,455.0</b>	<b>15,455.0</b>	<b>15,455.0</b>	<b>15,455.0</b>	<b>15,455.0</b>	<b>15,455.0</b>
<b>Projected Annual Surplus (Deficit)</b>	<b>(6,465.0)</b>	<b>4,245.0</b>	<b>(5,955.0)</b>	<b>(6,155.0)</b>	<b>(6,355.0)</b>	<b>(6,655.0)</b>	<b>(7,155.0)</b>	<b>(7,355.0)</b>	<b>(7,755.0)</b>	<b>(8,055.0)</b>
<b>PROJECTED YEAR END PREVENTION ACCOUNT BALANCE</b>	<b>3,134.2</b>	<b>7,379.2</b>	<b>1,424.2</b>	<b>(4,730.8)</b>	<b>(11,085.8)</b>	<b>(17,740.8)</b>	<b>(24,895.8)</b>	<b>(32,250.8)</b>	<b>(40,005.8)</b>	<b>(48,060.8)</b>

Distributed by Rep. Seaton for amendments LL and CS



## House Resources Committee

## Requested Analysis for Rep. Paul Seaton

April 3 2013  
Janak Mayer  
Manager, Upstream  
PFC Energy

**PFC Energy**

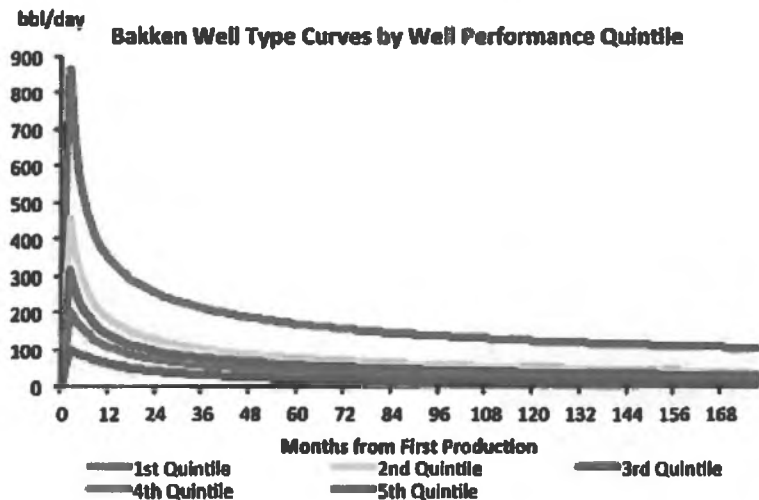
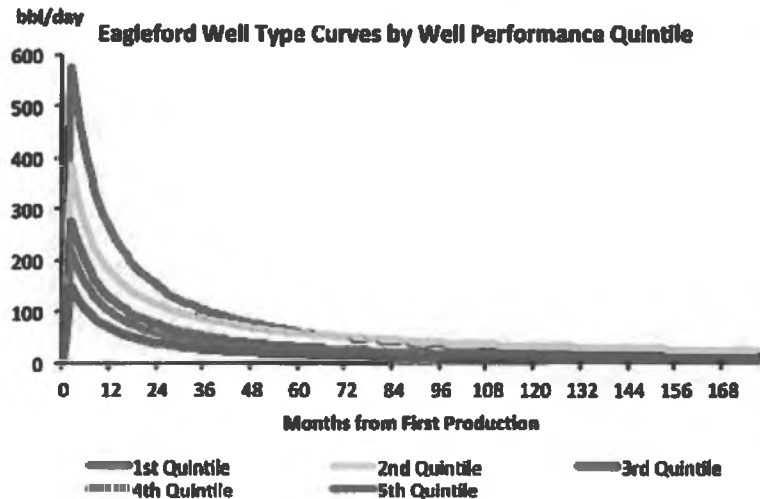
Amend # 22 & 23 Backup



# **Analysis of Well Type Curves for Shale Oil Production**

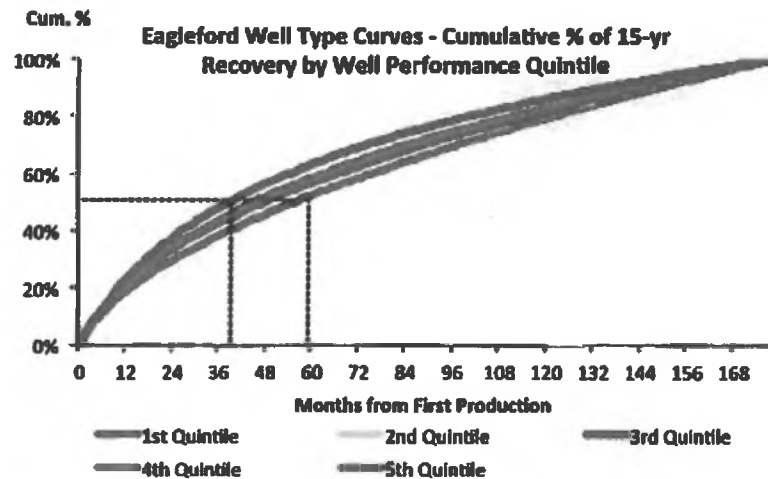
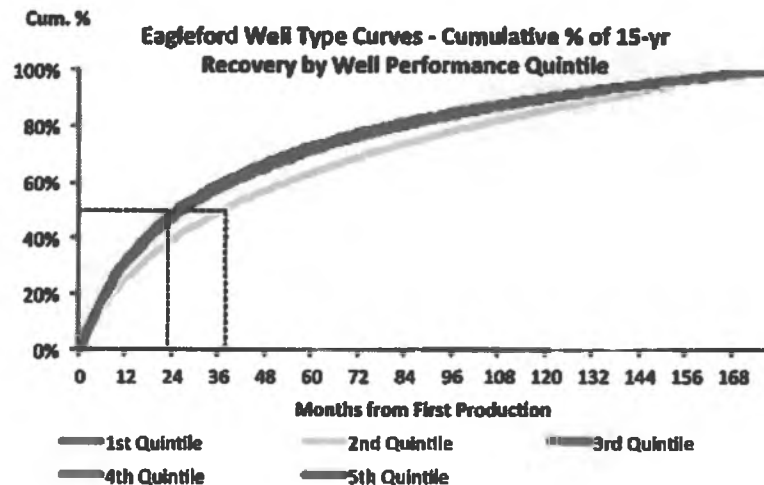
PFC Energy

# Shale Oil Type Curves for Eagleford & Bakken



- Productivity and production profiles vary greatly from well to well
- A type curve is a statistical abstraction of well performance from a particular region or play that seeks to draw generalizations about the nature of well performance
- These type curves were generated by PFC Energy by analyzing large volumes of well-by-well production data from the Bakken and Eagleford plays
- Because well performance varies dramatically within shale plays, PFC Energy categorizes wells by quintile within each play, based on their Initial Production (IP)
- Top quintile wells in both plays are dramatically more productive than lower quintile wells
- The nature of well decline can vary substantially between different plays, and even between performance quintiles with a play

# Time taken to reach 50% of ultimate recovery



- PFC Energy type curves have been only modeled to 15 years of production, because of the limited time series data available to enable a longer forecast
- In reality, many shale wells will likely produce for much longer than 15 years, and particularly after workovers may end up having a dramatically longer productive life
- As a result, this analysis will tend to understate the time required to reach 50% of ultimate recovery from the well
- What the analysis does make clear is that the time taken to reach 50% recovery varies dramatically by play and by well productivity. A top quintile well in the Bakken may take as long as 5 years to recover 50% of its forecast 15-yr recovery, while a less productive Bakken well may take only a little over 3 years. Wells in the Eagleford Shale will likely take between 2 and 3 years
- Very little is currently known about the likely production profiles of Shale wells in Alaska, which could likely differ substantially from these examples
- If Gross Value Reduction (GVR) benefits were to be granted at the well-level, putting a time-limit on this benefit seems likely to create perverse incentives to shut a well in early and drill anew, rather than maintain or work-over, since any reduction in support would also come at a time that well economics were becoming more challenged. This would not be a desirable effect.
- If GVR were to be applied at a well-level, it may thus be better to limit the fiscal exposure from the GVR through limiting its overall level, then through a time limit.

Amend  
handout #25

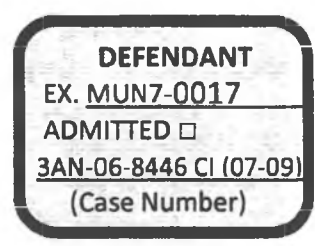
**REPORT ON THE ESTIMATED LIFE OF THE  
ALASKA NORTH SLOPE PROVEN OIL RESERVES**

**Prepared by William Van Dyke, P.E.  
Petrotechnical Resources Alaska  
3601 C Street, Suite 822  
Anchorage Alaska**

**March 7, 2011**

~~**INCLUDES CONFIDENTIAL AND HIGHLY CONFIDENTIAL INFORMATION**~~

RECLASSIFIED AS PUBLIC  
11-19-2011



**REPORT ON THE ESTIMATED LIFE OF THE  
ALASKA NORTH SLOPE PROVEN OIL RESERVES**

**Prepared by William Van Dyke, P.E.  
Petrotechnical Resources Alaska  
3601 C Street, Suite 822  
Anchorage Alaska**

**March 7, 2011**

## Report on the Estimated Life of the Alaska North Slope Proven Oil Reserves

statute. It would be improper and inconsistent with the Statute to truncate the production forecasts based on a throughput or mechanical capacity constraint for TAPS

1. For tax year 2007 North Slope proven reserves are 8.2 billion barrels. The remaining life of these proven reserves extends through 2075.
2. For tax year 2008 North Slope proven reserves are 7.6 billion barrels. The remaining life of these proven reserves extends through 2075.
3. For tax year 2009 North Slope proven reserves are 7.4 billion barrels. The remaining life of these proven reserves extends through 2075.

### A Common Sense Test

I am not aware of any oil basin that was shut in or quit producing when production rates, which had been higher, dropped below 200,000 b/d. I am also not aware of any major oil pipeline that was shut down or quit operating when throughput rates, which had been higher, dropped below 200,000 b/d.

Assuming a fixed simple 3% annual decline rate in production, the "stranded" reserves between the production rates of 200,000 b/d and 100,000 b/d would be 1.26 billion barrels. At an assumed wellhead value of \$75/bbl, these reserves would be valued at 94.6 billion dollars. I cannot imagine that a prudent operator would strand these reserves based on a transportation constraint that could be remedied.

## 8. Summary

### Summary

The Platt production forecasts presented in this report meet the definition of proven reserves in the statute. These production forecasts are still conservative, in that they do not include future production from (1) yet to be discovered oil fields, (2) a majority of the oil in place in the viscous and heavy oil reservoirs already delineated on the North Slope, (3) future reserve growth in existing fields, (4) the Federal Outer Continental Shelf (OCS) Beaufort Sea adjacent to the North Slope, except for a small portion of the now-producing NorthStar field and the soon-to-be producing Liberty field, and (5) ANWR.

It is important to again emphasize the earlier comments on "the timing of production" and "the estimated life of TAPS." Future North Slope oil production is not a question of "if" but of "when."

North Slope operators, except for Pioneer, are multi-national, integrated oil and gas companies. Even Pioneer is a multi-national "independent" oil and gas company. All these companies have

worldwide projects and priorities to balance, and not just Alaska or North Slope projects to develop and produce.

These large companies have:

1. Limited numbers of staff;
2. Limited numbers of support contractors to draw on; and
3. Only so many dollars available to spend in any given year.

In addition, North Slope projects:

1. Require long lead time and often specialized equipment;
2. Face challenging logistics and supply-chain issues; and
3. Require permitting efforts that can take many years to complete.

So, North Slope development and production projects:

1. Do not move forward as fast as theoretically possible;
2. Are slower to move forward, as compared to other projects in say, for example, Kansas; and
3. Are often completed in phases or in smaller, more-manageable pieces.

This metered pace of development, at times, frustrates Alaska state officials and other oil and gas lessors, but it is a deliberate and very well-managed process. For better or worse, it is how many multi-billion dollar companies run their businesses. Projects and project phasing are optimized for maximum profit and efficiency.

I expect North Slope oil production will continue for many, many years to come. Production will continue at least through 2075. Adjustments will be made, if needed and as necessary, to the TAPS facilities, infrastructure, and operating practices to accommodate any challenges arising from lower oil flow rates in future years. I do not believe that the North Slope lessees will shut in or strand 200,000 b/d or even 100,000 b/d of North Slope oil production as a result of any potential "low flow" challenges associated with TAPS. Additionally, I do not believe that the people of Alaska would allow the waste or stranding of this precious natural resource.

The North Slope lessees and the TAPS operator have tremendous resources of talent and capital available to them to remedy any technical challenges associated with transporting oil in TAPS at lower flow rates.

## 9. Conclusion

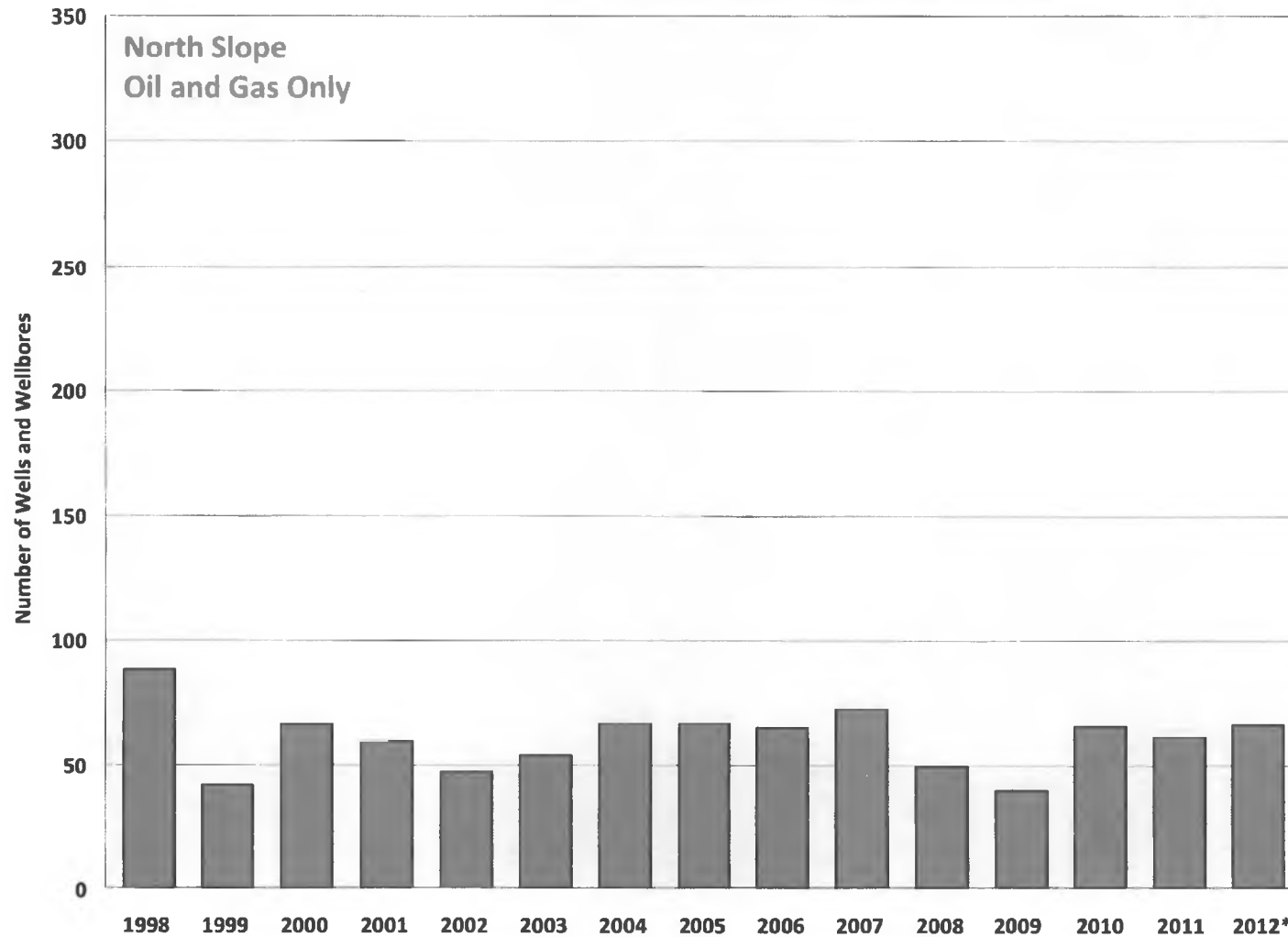
### Conclusion

1. For tax year 2007, the North Slope proven reserves are 8.2 billion barrels. The remaining life of these proven reserves extends through 2075.
2. For tax year 2008, the North Slope proven reserves are 7.6 billion barrels. The remaining life of these proven reserves extends through 2075.
3. For tax year 2009, the North Slope proven reserves are 7.4 billion barrels. The remaining life of these proven reserves extends through 2075.

# Development & Service Wells and Wellbores Drilled (1998 – 2012\*)

## North Slope: Oil and Gas Only\*\*

by ConocoPhillips Alaska, Inc.

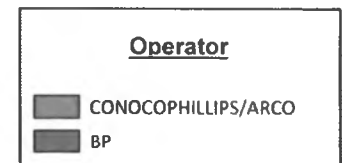


Total Wells and Wellbores Completed, Suspended or Abandoned = 904 since 1998

\*\*Does not include coal- or shale-bed gas, underground coal gasification, or geothermal

AOGCC

\* Counted on February 14, 2013



# Amend 25 Background

## **Alaska oil production changes over time:**

(1995 to 1998) and (2009 to 2012)

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In 1995, total Alaska oil production was 1,484,000 barrels

In 1998, total Alaska oil production was 1,175,000 barrels

This is a **20.8% decrease in oil production.**

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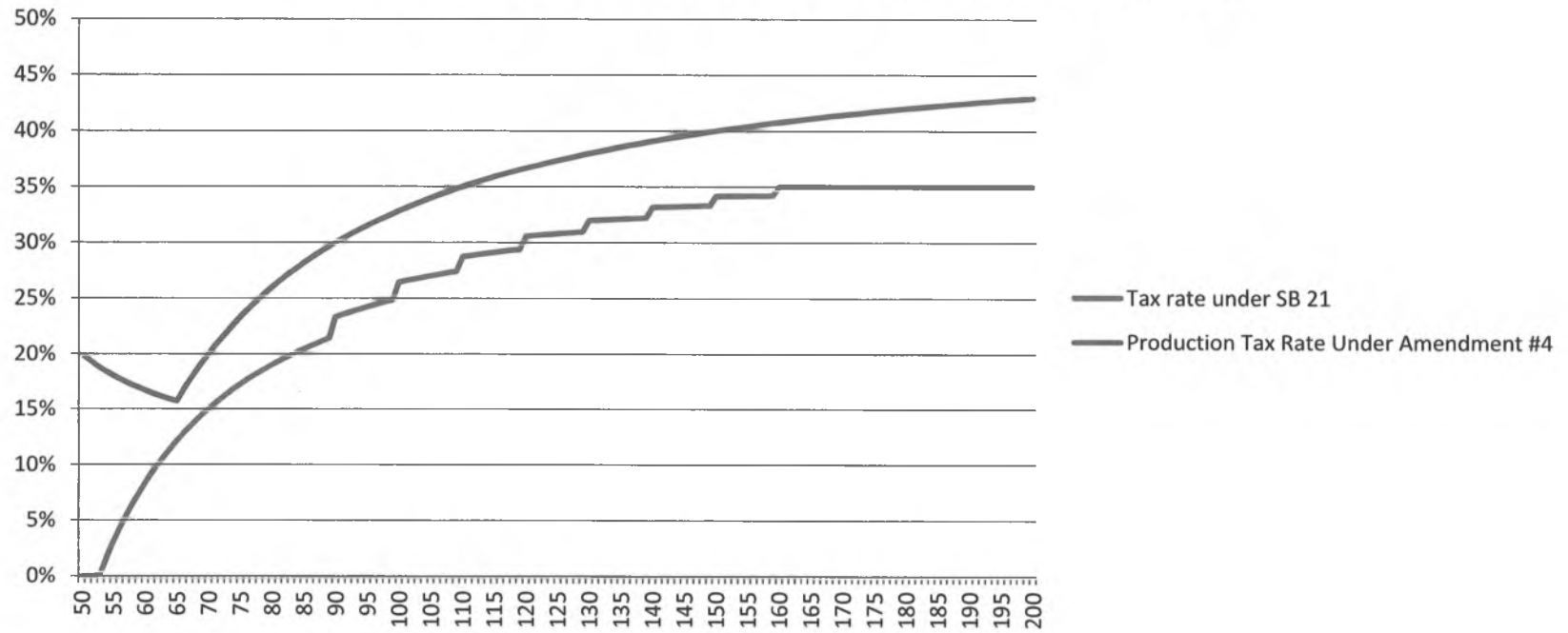
In 2009, total Alaska oil production was 645,000 barrels

In 2012, total Alaska oil production was 526,000 barrels

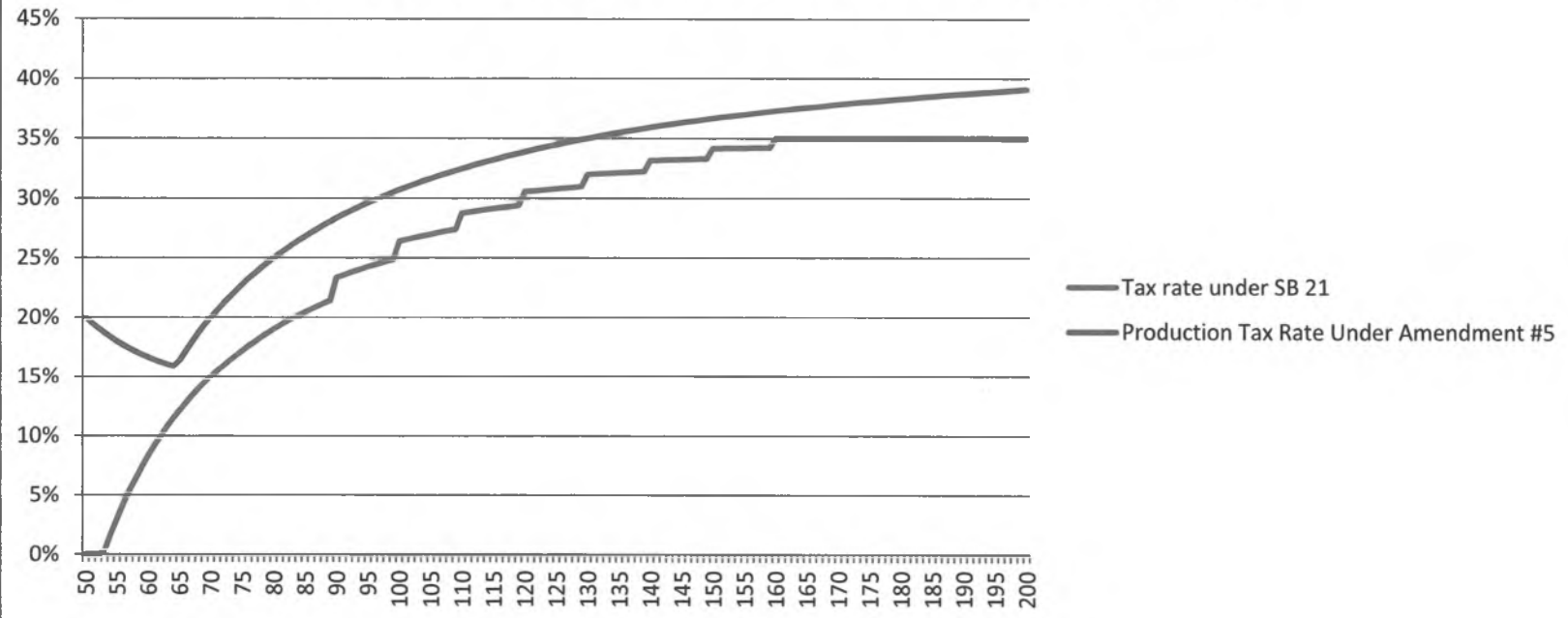
This is an **18.4% decrease in oil production.**

- Distributed by Representative Seaton for SB 21 Version K Amendment 25

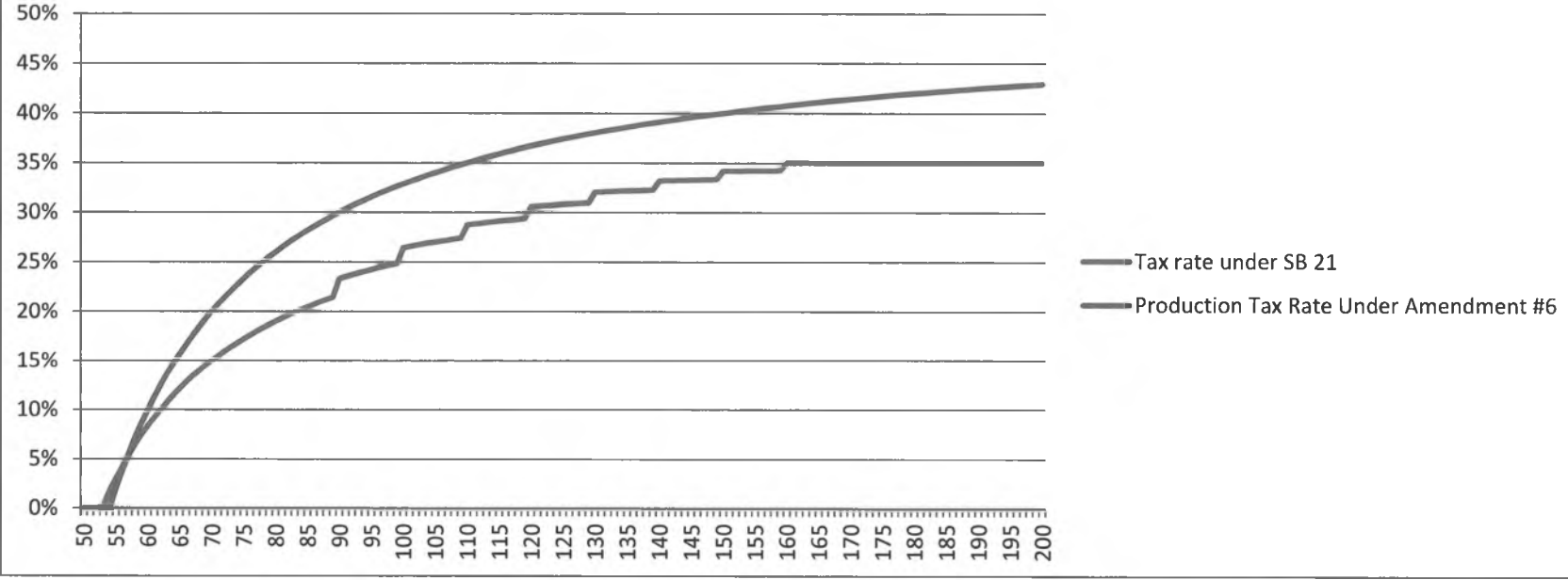
### Tax rate under SB 21 versus Amendment #4 (K.25)



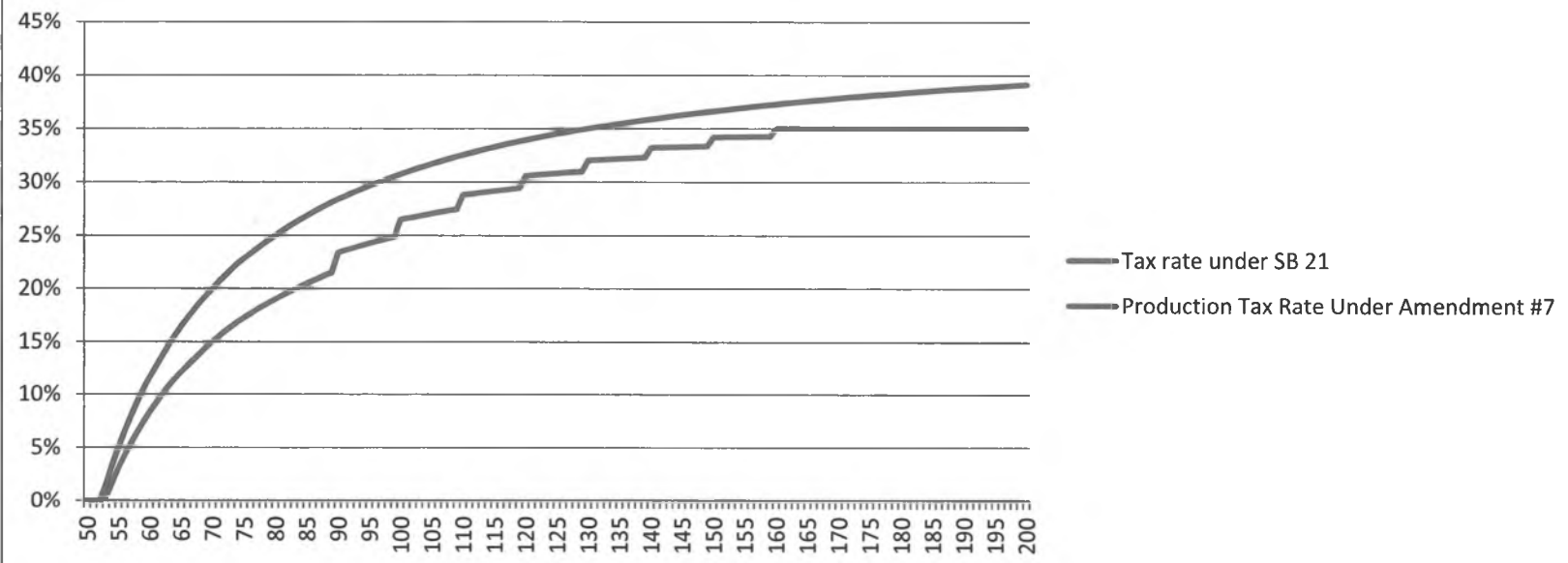
### Tax rate under SB 21 versus Amendment #5 (K.24)



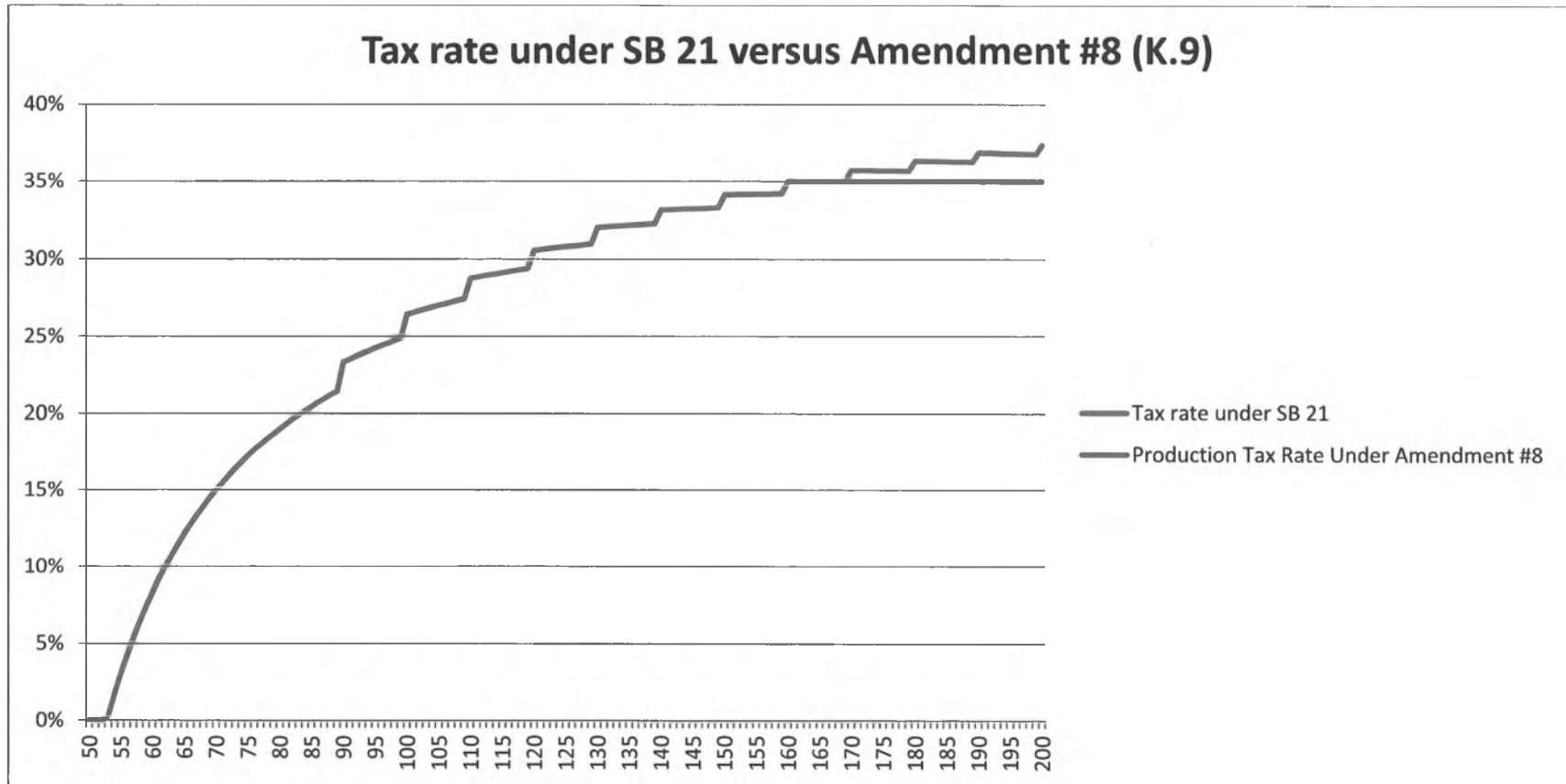
### Tax rate under SB 21 versus Amendment #6 (K.11)



### Tax rate under SB 21 versus Amendment #7 (K.22)



# Amend # 8 Graph



# Average Government Take for All Existing Producers (FY2015-FY2019)

\$2012 West Coast ANS Price (\$2012 \$/Bbl)	If Wellhead Value is At Least (Dollars Per Barrel)	Alternative Sliding Scale Credit (Dollars Per Barrel)	Alternative Sliding Scale Credit (Dollars Per Barrel)	Government Take							
				35%/ Sliding Scale	35%/Alt Sliding Scale	35% / \$5	33%/ Sliding Scale	33%/Alt Sliding Scale	33% / \$5	30% / \$5	ACES
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
\$60	\$0	\$8.00	\$7.00	57.8%	59.1%	63.0%	57.3%	58.4%	62.1%	60.8%	61.6%
\$70	60	8.00	7.00	59.8%	61.1%	63.7%	58.9%	60.2%	62.8%	61.4%	62.2%
\$80	70	8.00	7.00	61.6%	62.0%	64.1%	60.7%	61.1%	63.1%	61.7%	64.1%
\$90	80	7.00	7.00	63.1%	63.1%	64.3%	62.2%	62.2%	63.4%	61.9%	66.2%
\$100	90	6.00	6.00	64.4%	64.4%	64.5%	63.4%	63.4%	63.5%	62.1%	68.5%
\$110	100	5.00	5.00	65.3%	65.3%	64.7%	64.3%	64.3%	63.7%	62.2%	70.7%
\$120	110	4.00	4.00	65.8%	65.8%	64.8%	64.8%	64.8%	63.8%	62.3%	72.8%
\$130	120	3.00	3.00	66.4%	66.4%	64.9%	65.4%	65.4%	63.9%	62.4%	73.8%
\$140	130	2.00	2.00	66.8%	66.8%	65.0%	65.8%	65.8%	63.9%	62.4%	74.5%
\$150	140	1.00	1.00	67.0%	67.0%	65.0%	66.0%	66.0%	64.0%	62.5%	75.1%
\$160	150	0.00	0.00	66.9%	66.9%	65.1%	65.9%	65.9%	64.1%	62.5%	75.7%
\$170	160	0.00	0.00	66.8%	66.8%	65.1%	65.8%	65.8%	64.1%	62.6%	76.3%
\$180	170	0.00	0.00	66.7%	66.7%	65.2%	65.7%	65.7%	64.1%	62.6%	77.0%
\$190	180	0.00	0.00	66.7%	66.7%	65.2%	65.6%	65.6%	64.2%	62.6%	77.6%
\$200	190	0.00	0.00	66.6%	66.6%	65.2%	65.6%	65.6%	64.2%	62.7%	78.2%

## Maynard Tapp

---

**From:** Maynard Tapp  
**Sent:** Monday, April 01, 2013 12:25 PM  
**To:** Maynard; Maynard Tapp (maynard@hawkpros.com)  
**Subject:** Alaska Oil Tax policy

<b>Tracking:</b>	<b>Recipient</b>	<b>Delivery</b>
	Maynard	
	Maynard Tapp (maynard@hawkpros.com)	Delivered: 4/1/2013 12:25 PM

My name is Maynard Tapp and I am testifying on my own behalf.

1. Eliminate progressivity. 50% govt take and 50% producers take seems fair.
  2. Level production to 600,000 bbls per day.
  3. Determine a way to get the Governor's 1.0 million bbls per day production.
- 
1. Eliminate progressivity. I want Alaska to be the first place in investor's minds when we our assets are considered for investment/development.
  2. Level production at 600,000 bbls per day or better. After 40 international years in the oil and gas industry I have learned that not everything works out the way you plan. It may be mechanically possible to transport oil at 300,000 bbls per day but it doesn't allow for upsets in flow and breakdowns in a facility that is 36 years old.
  3. Produce 1.0 million bbls per day from state lands. Determine a selection of paths to producing 1.0 million bbls per day. It may be possible. What are the scenario's, and what is the cost?

Thank-you for the opportunity to testify.

Sincerely  
Maynard Tapp

---

**Tom Maloney  
3215 Legacy Drive  
Anchorage, AK 99516  
(907) 244-4119**

**Good afternoon, my name is Tom Maloney. I am a long term resident of South Anchorage and am providing personal testimony.**

**The Governor, his Administration and consultants, along with the Legislature and staff have done an outstanding job in examining our current production and tax system.**

**The DOR recently presented a graph on Crude Oil Production by State for 2011-2012. There were 15 locations. The number 2 and number 1 oil producing states were North Dakota and Texas. They were up over 55% and 34% respectively for the year. Every other state was up for the year, except one. You guessed it. Alaska was down by 7.1%. Even California was up.**

**In the fall of 2007, the Resource Review published by RDC contained the following quote from then Commissioner Pat Galvin: "Frankly, we have not said that ACES improves the investment climate –clearly, there is going to be a larger state share and that isn't going to make economics of projects better."**

**This was a very astute observation with has unfortunately been proven correct.**

**In calendar year 2007, North Slope oil production averaged 739 thousand barrels a day. How did calendar 2012 go? Production averaged 548 thousand barrels a day which is down 191 thousand barrels a day. Just think—5 short years ago, production was nearly 35% higher. Production ranged from a low of 399 thousand in August to a high of 624 thousand in January 2012. In 2012, the highest producing month was lower than the lowest producing month in 2007.**

**This is strictly not sustainable for a positive long term economy for Alaska. I urge the committee to focus on the Governor's guiding principles and to not be fine with production decline.**

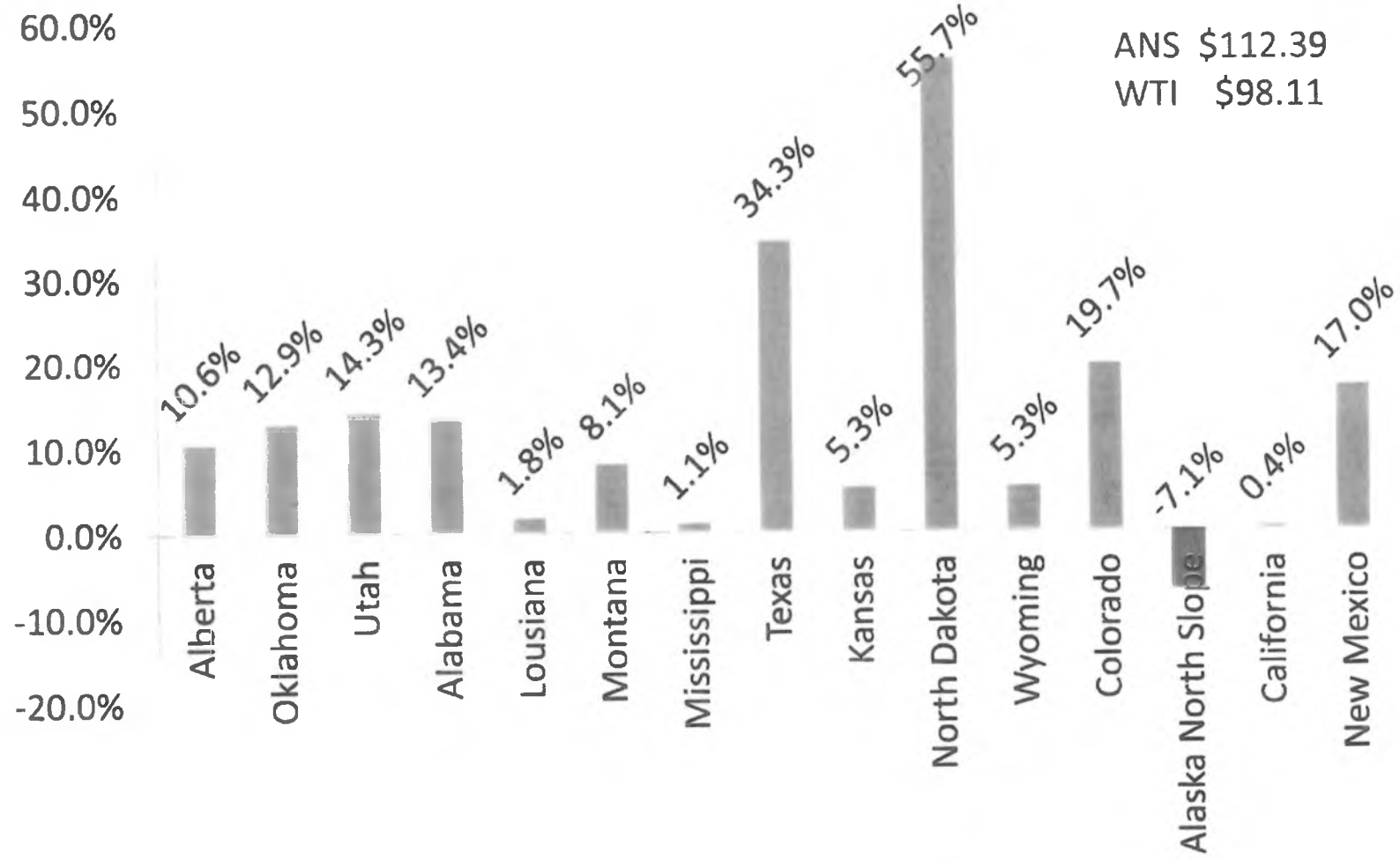
**The reduction of 191 thousand BPD for a year at \$100 a barrel results in a reduction of approximately \$7 billion in Alaska's economy in one year alone. Let's change the course. We need to show that Alaska really is a resource state.**



# Change in Average Daily Oil Production By State 2011-2012



Prepared by the Department of Revenue, Economic Research Group (March 18, 2013)



Source: EIA Crude Oil Production By State. Link: [http://www.eia.gov/dnav/pet/pet\\_crd\\_crpdn\\_adc\\_mbbldp\\_m.htm](http://www.eia.gov/dnav/pet/pet_crd_crpdn_adc_mbbldp_m.htm)

# North Slope Oil Production Barrels Per Day (bpd)

	2007 bpd	2012 bpd	Better or (Worse) Than 2007
January	796	624	(172)
February	775	609	(166)
March	764	591	(173)
April	757	578	(179)
May	779	571	(208)
June	725	517	(208)
July	725	430	(295)
August	658	399	(259)
September	649	516	(133)
October	715	571	(144)
November	765	582	(183)
December	756	582	(174)
<b>Average Per Day</b>	<b>739</b>	<b>548</b>	<b>(191)</b>

191,000 bpd x 365 x \$100/barrel is approximately \$7 BILLION DOLLAR reduction in Alaska's Economy in ONE YEAR alone.

**Green, Graham P/ANV**

---

Graham Green  
2335 Lord Baranof Drive  
Anchorage, Alaska 99517  
907-245-4148

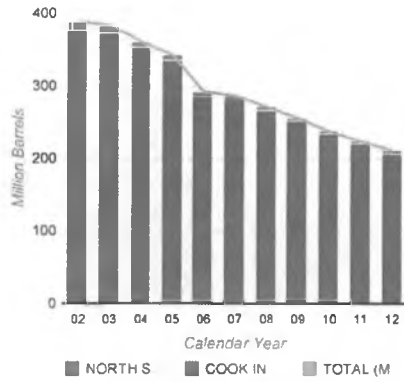
Good afternoon, it's a balmy thirty five degrees and sunny here in Anchorage. Would like to thank this committee for giving us the opportunity to share our thoughts on this really important piece of legislation. My name is Graham Green and I'm here representing myself.

Anyone who wants to know what the State of Alaska's policy on oil production has been can simply goto the Alaska Department of Natural Resource's Division of Oil and Gas website (<http://dog.dnr.alaska.gov/>). There Alaska's Oil / Gas Production graph shows it all. In 2002 Total production was 388 million barrels, ten years later in 2012 Total production was 211 million barrels. That's a 45+% decline. Since 2007 when the failed policy of ACES was enacted production has declined over 26%! (2007-286MMbbls, 2012-211MMbbls) How can this be seeing that oil prices are historically high in these years and production has risen in other oil producing states? Incredibly according to Economic Research Group all other oil producing states in 2012 had increases in production except the State of Alaska, who was down over 7%! Sadly, this weekend UAA Seawolve's mens hockey coach was let go after a second year of finishing in last place. According to KTUU athletic director Dr. Steve Cobb stated that "a change had to be made". After numerous production declining seasons since ACES was enacted "a change has to be made". I urge your support for SB21.

### Alaska's Oil / Gas Production

January 2013 Oil Production: 18.81 million barrels  
Fiscal YTD Oil Production: 118.25 million barrels  
January 2013 Gas Production: 33,156.84 MMcf\*  
Fiscal YTD Gas Production: 203,963.058 MMcf\*  
MMcf = Million Cubic Feet. Fiscal Year = July 1 - June 30

Annual Gross Oil Production off of State Lands 2002-2012



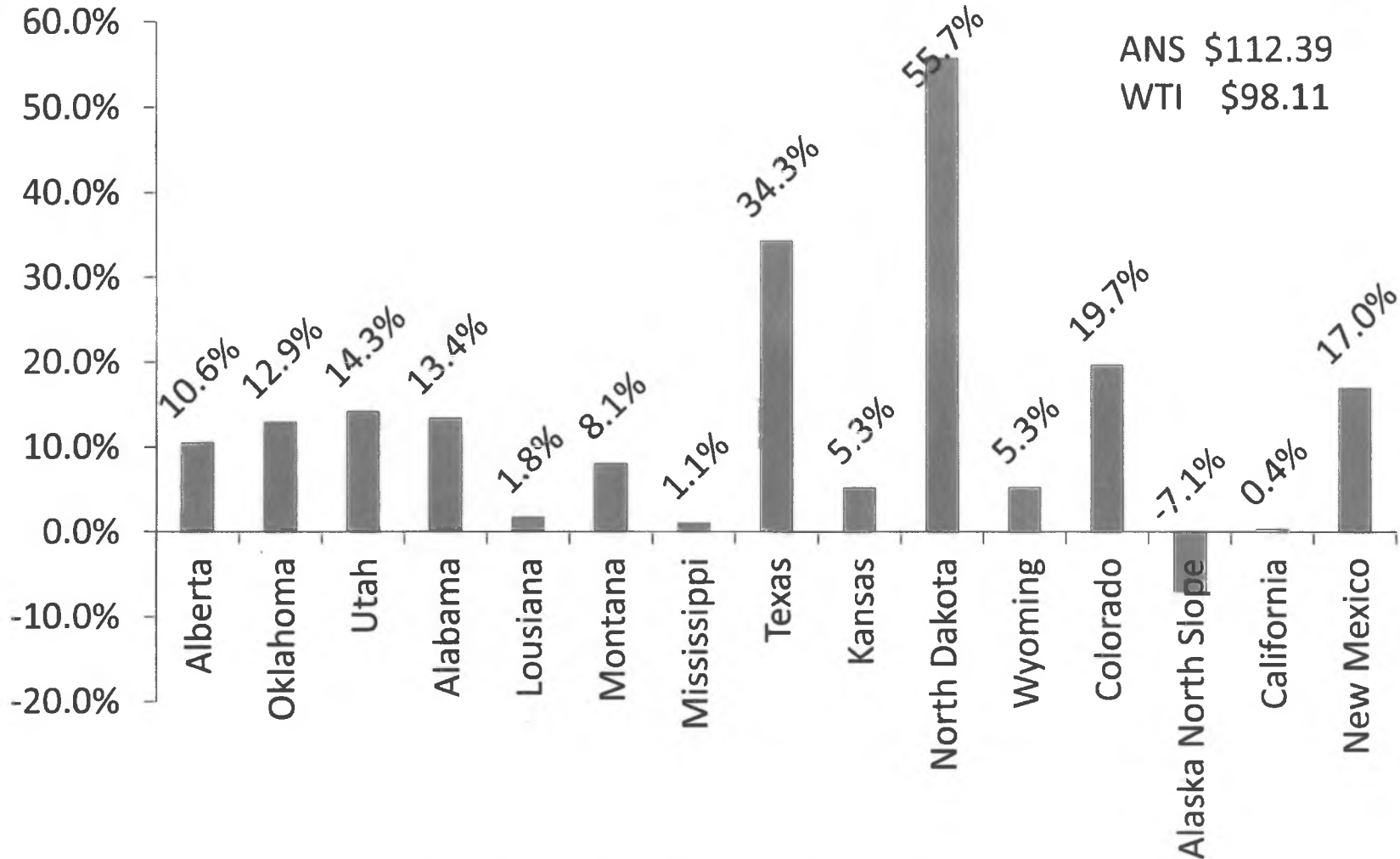
[Click here for detailed production data](#)



# Change in Average Daily Oil Production By State 2011-2012



Prepared by the Department of Revenue, Economic Research Group (March 18, 2013)



Source: EIA Crude Oil Production By State. Link: [http://www.eia.gov/dnav/pet/pet\\_crd\\_crpdn\\_adc\\_mbbldp\\_m.htm](http://www.eia.gov/dnav/pet/pet_crd_crpdn_adc_mbbldp_m.htm)

# ANCHORAGE LEGISLATIVE INFORMATION OFFICE

Email: Anchorage\_LIO@legis.state.ak.us  
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## WRITTEN TESTIMONY

NAME: Michael Jespersen  
REPRESENTING: SELF  
BILL#/ SUBJECT: # SB 21 (Committee substitute)  
COMMITTEE &  
HEARING DATE: House Resources

Pass CS/SB21.

I come to speak in person however  
as a parent it is important that I keep a long  
standing appointment at my sons school.

Pass this bill, give my children  
a future.

ACES didn't work TAPS - is below  
what the state said it would be this year  
when ACES passed.

Pass ~~CS/SB~~ CS/SB21. take a small  
financial decrease now so there will be  
MORE money for the state in the  
future.

Please call me: 907-317-4313 or  
Jespersen@acs.alaska.net.  
Pass SB 21!

Michael Jespersen

April 01, 2013

To: House Resources Committee

From: Lynn C. Johnson Concerned Alaskan Citizen.

RE: SB 21 Testimony

- Alaskan resident for 40 years.
- Businessman. Dowland-Bach Corp.
- Alaska Support Industry Alliance, MACC, Girdwood 2020, Anchorage International Rotary Club, Past Chairman or Board American Red Cross of Alaska.
- Very Simple Message Today: **BECOME MORE COMPETITIVE WITH OTHER OIL PRODUCING BASINS.** North Dakota and Texas are kicking our tails in production rates. Investment capital flows to regions and projects with the best overall rate of return. Alaska is already “high cost” basin due to geography and our climate. Soon to 4<sup>th</sup> in Domestic production, behind California.
- We need meaningful reform that does the following:
  - 1) Fair to Alaskans
  - 2) Encourages New Production
  - 3) Simple
  - 4) Durable.
- Alaska’s Economic Future is definitely at stake.
- We need to increase oil production now.
- **DO IT NOW.** This is the 3<sup>rd</sup> Legislative Session that testimony has been taken on ACES reform. In this period of study and debate, TAPS throughput has declined almost 100,000 barrels per day. Cannot afford further decline.
- **GO FOR IT FOR OUR FUTURE. MAKE ALASKA COMPETITIVE AGAIN.**

Lynn C. Johnson

[lynn@dowlandbach.com](mailto:lynn@dowlandbach.com)

(907) 242-5688

## WRITTEN TESTIMONY

Name: Pamela Brodie  
 Representing: \_\_\_\_\_  
 Bill No./Subject: SB 21  
 Committee: House Resources  
 Date of Hearing: April 2, 2013

Position: Opposed

Thank you for giving us the opportunity to testify.

If SB 21 would make the difference, leading the oil industry to exploration and development they would not otherwise pursue, it would be logical and rational for them to guarantee ~~the~~ <sup>such</sup> exploration.

But they do not.

If they would pursue this exploration regardless of a tax cut, it would be logical for them to lobby for the tax cut and wait for it - which they do - but also to give the state guarantees for future <sup>explorations</sup>.

But they do not.

Only if <sup>they</sup> do not plan more development anyway is it logical for them to give the state no guarantees.

And this is what they are doing.

It is a frightening prospect that oil <sup>throughput</sup> is declining and the <sup>industry</sup> is apparently un-interested in more exploration <sup>regardless of tax rates</sup>. But even more frightening would be for the state to lower taxes to no purpose as the ~~state~~ amount of oil declines. Please vote "no" on SB 21. ~~Thank you.~~ so the state won't face double losses. Thank you.

# KENAI LEGISLATIVE INFORMATION OFFICE

Email: Kenai.Lio@akleg.gov

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## WRITTEN TESTIMONY

**NAME:** Michelle Vasquez

**REPRESENTING:** \_\_\_\_\_

**BILL # or SUBJECT:** SB21

**COMMITTEE & DATE:** HRES040113

Dear Chairmen Feige and Saddler and Committee members:

Business owners don't spend billions of dollars to buy nothing. Family's don't take their life savings and bet it all on a casino game in Vegas. And this legislature should not give Alaska's money to oil companies with fingers crossed hoping production and development will increase. If SB 21 goes forward, it will be a travesty for the citizens of Alaska. Plain and simple, this outrageous bill gives away our state owned resources while paying the oil companies to take it. Who benefits? Not the state, not the citizens, but I suspect there are quite a few legislators who will benefit with nice, fat contributions to re-election campaigns and/or promises of a job. Any legislator who votes for this obvious oil wealth giveaway does not care about Alaska's citizens or the state's fiscal responsibilities. The citizens have already seen two employees of Conoco in the Senate vote in favor of this bill, which is an absolute disgrace and total conflict of interest regardless of the pathetic political theater of pretending to abstain. And let's not forget our governor, who worked for Exxon as a lawyer and performed beautifully as a lobbyist for oil interests. This is not how we do things in America; we are a democracy, not an oligarchy.

How many programs will be cut when the production of oil does not increase or development does not go forward? How many public education budgets, healthcare programs, police departments, DOT services, public colleges, and state parks, among so many other things, will lose funding so oil companies can be lavished with "tax breaks" they do not need? Where is the guarantee or commitment from these companies that production and development will increase over the next five years while the state forks over \$1 billion per year? There have been zero promises, and why should these companies make promises? The fact is, the oil companies don't have to do anything at all for the money. It is shameful when a state legislature thinks it has to grease the palm of multi-billion dollar corporations instead of looking out for citizens and a precious state resource. This is corporate welfare taken to the extreme. Vote no on SB 21; don't squander our oil resource.

Sincerely,  
Michele Vasquez  
Soldotna, AK

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# BP Testimony to House Resources

**Damian Bilbao**

**Head of Finance**

**April 2, 2013**

# SB 21 makes Alaska more competitive



## What it does well:

- Elimination of progressivity is a game changer
  - Puts Alaska “back in the game” of competition for investment
- ✔ Gross Revenue Exclusion could have a positive impact on economics
  - Application to legacy fields targets most reliable source of new oil
- ✔ Simplifies Alaska’s fiscal system
  - Removes many inefficient elements of administering ACES

## What it could do better:

- ✔ Base rate presents a challenge below \$100/bbl for all players
  - 2010 prices averaged \$80/bbl
- ✔ More certainty on criteria for receiving Gross Revenue Exclusion

*5/6 for rate sustaining*  
*1/6 for rate adding*
- ✔ **CS makes additional progress on item**

# Brooks Range Petroleum Corporation

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*Presentation for:*

**House Resources Committee**

**HCS for CSSB 21 (RES)**

**Bart Armfield, Chief Operating Officer**

**April 2, 2013**

# Mustang Development - UPDATE

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## Access Road & Production Pad

Completion of mining & construction phase

Results:

Overburden – less than expected

Gravel quantity – much larger volume

Quality – greater portion within design specifications



Summer conditioning

Facility design, procurement and fabrication

On-site Construction in Q2 2014

FIRST OIL in 17 months

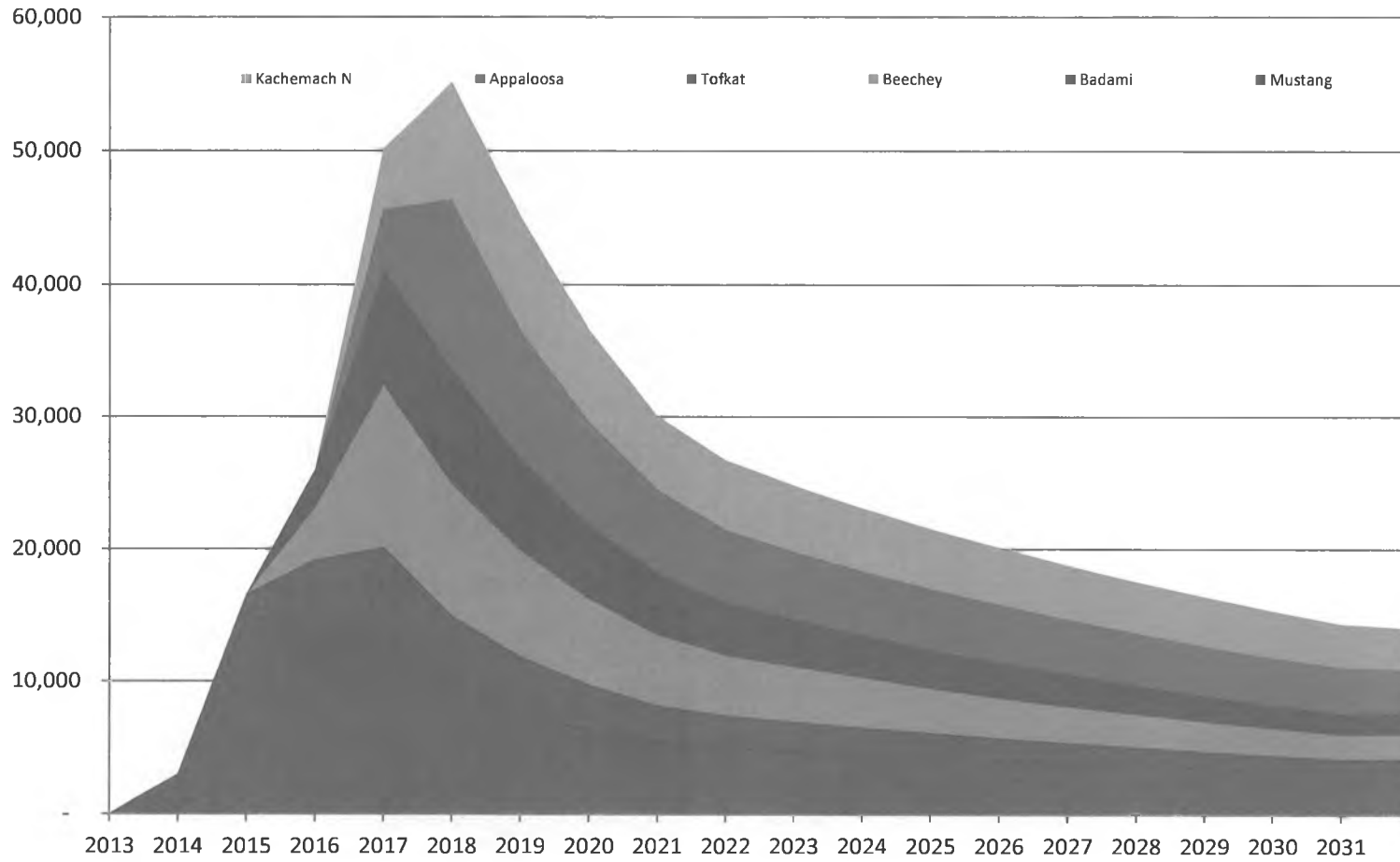
15,000 BOPD contribution to TAPS throughput

## Key Considerations for HCS to CSSB 21 (RES)

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1. *Alaska needs E AND P, not just P*
2. *"One size does not fit all." The bill should address what keeps Exploration aggressive..... in addition to what motivates Production to progress .....each is different.*
3. *BRPC as a very small independent, has delivered on bringing significant value to the state for the credits previously provided, and will continue to do so.*
  - Overall, the JV has received \$ 69 MM in credits
  - Mustang alone will recover ALL credits within single year
  - Project life will return to SOA 1.2 B in revenue (17 times credits paid out)

# Future Projects



# Support / Considerations

	As Proposed in CS draft	Input Consideration
Base Tax Rate	35%	Flat base of 30%
<b>Credits</b>		
QCE (elimination of 20%)		Consider extending to 2016
EIC (elimination)		Long-term effects on Fiscal Note
Produced barrel credit	\$ 5.00 / bbl	Support produced bbl credit
Monetization of NOL's	35%	<u>Transition</u> to a 35% rate from a defined <u>45%</u>
GVR	20%	Support GVR concept
Small Producer Credit	2016	Extend qualification period to 2022

# PIONEER

NATURAL RESOURCES ALASKA

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April 2, 2013

The Honorable Eric Feige  
House of Representatives  
Alaska State Capitol  
Juneau, Alaska 99801

Dear Representative Feige,

Please consider this letter our testimony regarding HCS CSSB21(RES).

As we stated in our testimony before your committee on March 27, Pioneer supports the Governor's four key principals regarding any new oil policy. If we could add one editorial, it would be that any policy should seek to make as many types of development projects as attractive as possible to new investment.

Pioneer has spent over \$1 billion in Alaska since 2002, produced over 12 million barrels of oil and employs hundreds of Alaskans in our operations. Our company is trying to build our business in Alaska. The Nuna project which we've discussed is currently under evaluation and expected to be brought forward to a sanction decision this fall. Nuna would produce new oil through TAPS with first oil projected in the short term. However, the current bill as it stands before the committee does not help our current funding request as the contemplated tax regime makes this new project less attractive than under ACES when viewed as a stand-alone incremental investment project.

The current bill has come a long way since its first introduction, but has some way to go to ensure an attractive and durable fiscal system. Pioneer advocates for the following changes to the bill:

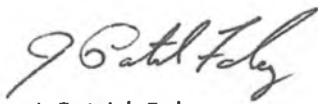
1. **Extend the Small Producer Credit to 2022, or indefinitely.** The Small Producer Credit is a very simple and proven tax reduction that provides almost immediate value to a small producer's project. The value of the credit is predictable and minor in size comparatively and should ease budgetary concerns. Coupled with the NOL credit, this can truly make projects more attractive to current and new small developers.
2. **Lower the base rate below 35%.** While we understand the budgetary tension, and the trade-offs regarding the loss of progressivity, a fiscal system that starts with a 35% base rate we believe automatically puts Alaska out of contention. Please consider a reduction to 30% or lower.

rate we believe automatically puts Alaska out of contention. Please consider a reduction to 30% or lower.

3. **Create a targeted incentive at a lower rate.** We offer that targeted incentives work best to attract new capital and should be considered in the final version. A 5% - 20% drilling credit is of great value to a project's overall economics and would complete this package.

Thank you for your hard work and consideration of our requested changes.

Sincerely,



J. Patrick Foley

Cc: House Resources Committee Members

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# House Resources Committee

**CSSB21**

Scott Jepsen, VP External Affairs  
**ConocoPhillips Alaska**

April 2, 2013

# Changes to ACES to Improve Alaska's Investment Climate

Issue	CSSB21
<ul style="list-style-type: none"> <li>• Eliminate progressivity</li> </ul>	<ul style="list-style-type: none"> <li>• Slightly progressive tax structure</li> </ul>
<ul style="list-style-type: none"> <li>• Create a flatter tax rate over a broad range of prices               <ul style="list-style-type: none"> <li>➤ Producer and State share proportionately as prices fluctuate and margins change</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Improved over ACES</li> <li>• Fixes tax increase at lower prices relative to ACES (previous CS)</li> </ul>
<ul style="list-style-type: none"> <li>• Establish a tax structure creating an attractive investment climate               <ul style="list-style-type: none"> <li>➤ Competitive tax rate</li> <li>➤ Provide the incentives to balance Alaska's high cost environment</li> <li>➤ Incentives for both legacy and new field investments</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Base rate too high</li> <li>• Lacks investment incentives inside legacy PA's</li> <li>• Has increased likelihood that PA expansions will receive the GRE</li> </ul>
<ul style="list-style-type: none"> <li>• Leads to increased investment</li> </ul>	<ul style="list-style-type: none"> <li>• New CS creates an environment that we believe will lead to increased investment and additional production.</li> </ul>

**HOUSE CS FOR CS FOR SENATE BILL NO. 21(RES)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-EIGHTH LEGISLATURE - FIRST SESSION**

**BY THE HOUSE RESOURCES COMMITTEE**

**Offered:  
Referred:**

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

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to the interest rate applicable to certain amounts due for fees, taxes,  
2 and payments made and property delivered to the Department of Revenue; providing a  
3 tax credit against the corporation income tax for qualified oil and gas service industry  
4 expenditures; relating to the oil and gas production tax rate; relating to gas used in the  
5 state; relating to monthly installment payments of the oil and gas production tax;  
6 relating to oil and gas production tax credits for certain losses and expenditures;  
7 relating to oil and gas production tax credit certificates; relating to nontransferable tax  
8 credits based on production; relating to the oil and gas tax credit fund; relating to  
9 annual statements by producers and explorers; relating to the determination of annual  
10 oil and gas production tax value including adjustments based on a percentage of gross  
11 value at the point of production from certain leases or properties; establishing the Oil  
12 and Gas Competitiveness Review Board; and making conforming amendments."

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

2 \* **Section 1.** AS 05.15.095(c) is amended to read:

3 (c) **Before January 1, 2014, a** [A] delinquent fee bears interest at the rate set  
4 by **AS 43.05.225(a). On and after January 1, 2014, a delinquent fee bears interest**  
5 **at the rate set by AS 43.05.225(b)(2)** [AS 43.05.225].

6 \* **Sec. 2.** AS 29.60.850(b) is amended to read:

7 (b) Each fiscal year, the legislature may appropriate to the community revenue  
8 sharing fund [AN AMOUNT EQUAL TO 20 PERCENT OF THE] money received by  
9 the state during the previous calendar year under **AS 43.20.030(c)** [AS 43.55.011(g)].  
10 The amount may not exceed

11 (1) \$60,000,000; or

12 (2) the amount that, when added to the fund balance on June 30 of the  
13 previous fiscal year, equals \$180,000,000.

14 \* **Sec. 3.** AS 34.45.470(a) is amended to read:

15 (a) **Before January 1, 2014, a** [A] person who fails to pay or deliver property  
16 within the time prescribed by this chapter may be required to pay to the department  
17 interest at the annual rate calculated under **AS 43.05.225(a)** [AS 43.05.225] on the  
18 property or the value of it from the date the property should have been paid or  
19 delivered. **On and after January 1, 2014, a person who fails to pay or deliver**  
20 **property within the time prescribed by this chapter may be required to pay to the**  
21 **department interest at the annual rate calculated under AS 43.05.225(b)(2) on the**  
22 **property or the value of it from the date the property should have been paid or**  
23 **delivered.**

24 \* **Sec. 4.** AS 43.05.225 is amended to read:

25 **Sec. 43.05.225. Interest. Before January 1, 2014, unless** [UNLESS]  
26 otherwise provided,

27 (1) when a tax levied in this title becomes delinquent, it bears interest  
28 in a calendar quarter at the rate of five percentage points above the annual rate charged  
29 member banks for advances by the 12th Federal Reserve District as of the first day of  
30 that calendar quarter, or at the annual rate of 11 percent, whichever is greater,  
31 compounded quarterly as of the last day of that quarter;

1 (2) the interest rate is 12 percent a year for

2 (A) delinquent fees payable under AS 05.15.095(c); and

3 (B) unclaimed property that is not timely paid or delivered, as  
4 allowed by AS 34.45.470(a).

5 \* **Sec. 5.** AS 43.05.225 is amended by adding a new subsection to read:

6 (b) On and after January 1, 2014, unless otherwise provided,

7 (1) when a tax levied in this title becomes delinquent, it bears interest  
8 in a calendar quarter at the rate of three percentage points above the annual rate  
9 charged member banks for advances by the 12th Federal Reserve District as of the  
10 first day of that calendar quarter compounded quarterly as of the last day of that  
11 quarter;

12 (2) the interest rate is 12 percent a year for

13 (A) delinquent fees payable under AS 05.15.095(c); and

14 (B) unclaimed property that is not timely paid or delivered, as  
15 allowed by AS 34.45.470(a).

16 \* **Sec. 6.** AS 43.20.046(i) is amended to read:

17 (i) The issuance of a refund under this section does not limit the department's  
18 ability to later audit or adjust the claim if the department determines, as a result of the  
19 audit, that the person that claimed the credit was not entitled to the amount of the  
20 credit. The tax liability of the person receiving the credit under this chapter is  
21 increased by the amount of the credit that exceeds that to which the person was  
22 entitled. If the tax liability is increased under this subsection, the increase bears  
23 interest under AS 43.05.225(a) before January 1, 2014, or under  
24 AS 43.05.225(b)(1) on and after January 1, 2014. [AS 43.05.225] from the date the  
25 refund was issued.

26 \* **Sec. 7.** AS 43.20.047(i) is amended to read:

27 (i) The issuance of a refund under this section does not limit the department's  
28 ability to later audit or adjust the claim if the department determines, as a result of the  
29 audit, that the person that claimed the credit was not entitled to the amount of the  
30 credit. The tax liability of the person receiving the credit under this section is  
31 increased by the amount of the credit that exceeds that to which the person was

1 entitled. If the tax liability is increased under this subsection, the increase bears  
2 interest at the rate set by AS 43.05.225(a) before January 1, 2014, or under  
3 AS 43.05.225(b)(1) on and after January 1, 2014, [AS 43.05.225] from the date the  
4 refund was issued.

5 \* **Sec. 8.** AS 43.20 is amended by adding a new section to read:

6 **Sec. 43.20.049. Qualified oil and gas service industry expenditure credit.**

7 (a) For a tax year beginning after December 31, 2013, a taxpayer may apply a credit  
8 against the tax due under this chapter for a qualified oil and gas service industry  
9 expenditure incurred in the state. The total amount of credit a taxpayer may receive in  
10 a tax year may not exceed the lesser of 10 percent of qualified oil and gas service  
11 industry expenditures incurred in the state during the tax year or \$10,000,000.

12 (b) A taxpayer may not apply more than \$10,000,000 in tax credits under this  
13 section in a tax year. A tax credit or portion of a tax credit under this section may not  
14 be used to reduce the taxpayer's tax liability under this chapter below zero. Any  
15 unused tax credit or portion of a tax credit under this section may be applied in later  
16 tax years, except that any unused tax credit or portion of a tax credit may not be  
17 carried forward for more than five tax years immediately following the tax year in  
18 which the qualified oil and gas service industry expenditures were incurred.

19 (c) An expenditure that is the basis of the credit under this section may not be  
20 the basis for

- 21 (1) a deduction against the tax levied under this chapter;  
22 (2) a credit or deduction under another provision of this title; or  
23 (3) any federal credit claimed under this title.

24 (d) Notwithstanding any contrary provision of AS 40.25.100(a) or  
25 AS 43.05.230(e), for a year that three or more taxpayers claim a tax credit under this  
26 section, the department may publish the aggregated amount of tax credits claimed  
27 under this section and a description of the qualified oil and gas service industry  
28 expenditures that were the basis for a tax credit under this section.

29 (e) In this section,

30 (1) "manufacture" means to perform substantial industrial operations in  
31 the state to transform raw material into tangible personal property with a useful life of

1 three years or more for use in the exploration for, development of, or production of oil  
2 or gas deposits;

3 (2) "modification" means an adjustment, equipping, or other alteration  
4 to existing tangible personal property that has a useful life of three years or more and  
5 is for use in the exploration for, development of, or production of oil or gas deposits;  
6 "modification" does not include minor product alterations or inventory activities;

7 (3) "qualified oil and gas service industry expenditure" means an  
8 expenditure directly attributable to an in-state manufacture or in-state modification of  
9 tangible personal property used in the exploration for, development of, or production  
10 of oil or gas deposits, but does not include components or equipment used for or in the  
11 process of that manufacturing or modification.

12 \* **Sec. 9.** AS 43.50.570 is amended to read:

13 **Sec. 43.50.570. Interest.** Before January 1, 2014, a [A] licensee who fails to  
14 pay an amount due for the purchase of stamps within the time required

15 (1) is considered to have failed to pay the cigarette taxes due under this  
16 chapter; and

17 (2) shall pay interest at the rate established under AS 43.05.225(a)  
18 [AS 43.05.225] from the date on which the amount became due until the date of  
19 payment.

20 \* **Sec. 10.** AS 43.50.570 is amended by adding a new subsection to read:

21 (b) On and after January 1, 2014, a licensee who fails to pay an amount due  
22 for the purchase of stamps within the time required

23 (1) is considered to have failed to pay the cigarette taxes due under this  
24 chapter; and

25 (2) shall pay interest at the rate established under AS 43.05.225(b)(1)  
26 from the date on which the amount became due until the date of payment.

27 \* **Sec. 11.** AS 43.55.011(e) is amended to read:

28 (e) There is levied on the producer of oil or gas a tax for all oil and gas  
29 produced each calendar year from each lease or property in the state, less any oil and  
30 gas the ownership or right to which is exempt from taxation or constitutes a  
31 landowner's royalty interest. Except as otherwise provided under (f), (j), (k), (o), and

1 (p) of this section, the tax is equal to

2 (1) before January 1, 2014, the sum of

3 (A) the annual production tax value of the taxable oil and gas  
4 as calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

5 (B) [(2)] the sum, over all months of the calendar year, of the  
6 tax amounts determined under (g) of this section;

7 (2) on and after January 1, 2014, the annual production tax value  
8 of the taxable oil and gas as calculated under AS 43.55.160(a) multiplied by 35  
9 percent.

10 \* Sec. 12. AS 43.55.011(i) is amended to read:

11 (i) There is levied on the producer of oil or gas a tax for all oil and gas  
12 produced each calendar year from each lease or property in the state the ownership or  
13 right to which constitutes a landowner's royalty interest, except for oil and gas the  
14 ownership or right to which is exempt from taxation. The provisions of this subsection  
15 apply to a landowner's royalty interest as follows:

16 (1) the tax levied for oil is equal to five percent of the gross value at  
17 the point of production of the oil;

18 (2) the tax levied for gas is equal to 1.667 percent of the gross value at  
19 the point of production of the gas;

20 (3) if the department determines that, for purposes of reducing the  
21 producer's tax liability under (1) or (2) of this subsection, the producer has received or  
22 will receive consideration from the royalty owner offsetting all or a part of the  
23 producer's royalty obligation, other than a deduction under AS 43.55.020 related to a  
24 settlement with a royalty owner [AS 43.55.020(d)] of the amount of a tax paid, then,  
25 notwithstanding (1) and (2) of this subsection, the tax is equal to 25 percent of the  
26 gross value at the point of production of the oil and gas.

27 \* Sec. 13. AS 43.55.011(o) is amended to read:

28 (o) Notwithstanding other provisions of this section, for a calendar year before  
29 2022, the tax levied under (e) of this section for each 1,000 cubic feet of gas for gas  
30 produced from a lease or property outside the Cook Inlet sedimentary basin and used  
31 in the state, other than gas subject to (p) of this section, may not exceed the amount

1 of tax for each 1,000 cubic feet of gas that is determined under (j)(2) of this section.

2 \* **Sec. 14.** AS 43.55.020(a) is amended to read:

3 (a) For a calendar year, a producer subject to tax under AS 43.55.011  
4 [AS 43.55.011(e) - (i) OR (p)] shall pay the tax as follows:

5 (1) before January 1, 2014, an installment payment of the estimated  
6 tax levied by AS 43.55.011(e), net of any tax credits applied as allowed by law, is due  
7 for each month of the calendar year on the last day of the following month; except as  
8 otherwise provided under (2) of this subsection, the amount of the installment payment  
9 is the sum of the following amounts, less 1/12 of the tax credits that are allowed by  
10 law to be applied against the tax levied by AS 43.55.011(e) for the calendar year, but  
11 the amount of the installment payment may not be less than zero:

12 (A) for oil and gas not subject to AS 43.55.011(o) or (p)  
13 produced from leases or properties in the state outside the Cook Inlet  
14 sedimentary basin [BUT NOT SUBJECT TO AS 43.55.011(o) OR (p)], other  
15 than leases or properties subject to AS 43.55.011(f), the greater of

16 (i) zero; or

17 (ii) the sum of 25 percent and the tax rate calculated for  
18 the month under AS 43.55.011(g) multiplied by the remainder obtained  
19 by subtracting 1/12 of the producer's adjusted lease expenditures for the  
20 calendar year of production under AS 43.55.165 and 43.55.170 that are  
21 deductible for the oil and gas [LEASES OR PROPERTIES] under  
22 AS 43.55.160 from the gross value at the point of production of the oil  
23 and gas produced from the leases or properties during the month for  
24 which the installment payment is calculated;

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

27 (i) zero;

28 (ii) zero percent, one percent, two percent, three  
29 percent, or four percent, as applicable, of the gross value at the point of  
30 production of the oil and gas produced from the [ALL] leases or  
31 properties during the month for which the installment payment is

1 calculated; or

2 (iii) the sum of 25 percent and the tax rate calculated for  
3 the month under AS 43.55.011(g) multiplied by the remainder obtained  
4 by subtracting 1/12 of the producer's adjusted lease expenditures for the  
5 calendar year of production under AS 43.55.165 and 43.55.170 that are  
6 deductible for the oil and gas [THOSE LEASES OR PROPERTIES]  
7 under AS 43.55.160 from the gross value at the point of production of  
8 the oil and gas produced from those leases or properties during the  
9 month for which the installment payment is calculated;

10 (C) for oil or [AND] gas [PRODUCED FROM EACH LEASE  
11 OR PROPERTY] subject to AS 43.55.011(j), (k), or (o) [, OR (p)], for each  
12 lease or property, the greater of

13 (i) zero; or

14 (ii) the sum of 25 percent and the tax rate calculated for  
15 the month under AS 43.55.011(g) multiplied by the remainder obtained  
16 by subtracting 1/12 of the producer's adjusted lease expenditures for the  
17 calendar year of production under AS 43.55.165 and 43.55.170 that are  
18 deductible under AS 43.55.160 for the oil or gas, respectively,  
19 produced from the lease or property from the gross value at the point of  
20 production of the oil or gas, respectively, produced from the lease or  
21 property during the month for which the installment payment is  
22 calculated;

23 (D) for oil and gas subject to AS 43.55.011(p), the lesser of

24 (i) the sum of 25 percent and the tax rate calculated  
25 for the month under AS 43.55.011(g) multiplied by the remainder  
26 obtained by subtracting 1/12 of the producer's adjusted lease  
27 expenditures for the calendar year of production under  
28 AS 43.55.165 and 43.55.170 that are deductible for the oil and gas  
29 under AS 43.55.160 from the gross value at the point of production  
30 of the oil and gas produced from the leases or properties during the  
31 month for which the installment payment is calculated, but not less

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than zero; or

(ii) four percent of the gross value at the point of production of the oil and gas produced from the leases or properties during the month, but not less than zero;

(2) before January 1, 2014, an amount calculated under (1)(C) of this subsection for oil or gas [PRODUCED FROM A LEASE OR PROPERTY

(A)] subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable gas produced during the month for the amount of taxable gas produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of taxable oil produced during the month for the amount of taxable oil produced during the calendar year;

[(B) SUBJECT TO AS 43.55.011(p) MAY NOT EXCEED FOUR PERCENT OF THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL OR GAS;]

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

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

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

(4) any amount of tax levied by AS 43.55.011 [AS 43.55.011(e) OR

1 (i)], net of any credits applied as allowed by law, that exceeds the total of the amounts  
2 due as installment payments of estimated tax is due on March 31 of the year following  
3 the calendar year of production;

4 (5) on and after January 1, 2014, an installment payment of the  
5 estimated tax levied by AS 43.55.011(e), net of any tax credits applied as allowed  
6 by law, is due for each month of the calendar year on the last day of the following  
7 month; except as otherwise provided under (6) of this subsection, the amount of  
8 the installment payment is the sum of the following amounts, less 1/12 of the tax  
9 credits that are allowed by law to be applied against the tax levied by  
10 AS 43.55.011(e) for the calendar year, but the amount of the installment payment  
11 may not be less than zero:

12 (A) for oil and gas not subject to AS 43.55.011(o) or (p)  
13 produced from leases or properties in the state outside the Cook Inlet  
14 sedimentary basin, other than leases or properties subject to  
15 AS 43.55.011(f), the greater of

16 (i) zero; or

17 (ii) 35 percent multiplied by the remainder obtained  
18 by subtracting 1/12 of the producer's adjusted lease expenditures  
19 for the calendar year of production under AS 43.55.165 and  
20 43.55.170 that are deductible for the oil and gas under  
21 AS 43.55.160 from the gross value at the point of production of the  
22 oil and gas produced from the leases or properties during the  
23 month for which the installment payment is calculated;

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

26 (i) zero;

27 (ii) zero percent, one percent, two percent, three  
28 percent, or four percent, as applicable, of the gross value at the  
29 point of production of the oil and gas produced from the leases or  
30 properties during the month for which the installment payment is  
31 calculated; or

1 (iii) 35 percent multiplied by the remainder obtained  
2 by subtracting 1/12 of the producer's adjusted lease expenditures  
3 for the calendar year of production under AS 43.55.165 and  
4 43.55.170 that are deductible for the oil and gas under  
5 AS 43.55.160 from the gross value at the point of production of the  
6 oil and gas produced from those leases or properties during the  
7 month for which the installment payment is calculated, except that,  
8 for the purposes of this calculation, a 20 percent exclusion from the  
9 gross value at the point of production may apply for oil and gas  
10 subject to AS 43.55.160(f);

11 (C) for oil or gas subject to AS 43.55.011(i), (k), or (o), for  
12 each lease or property, the greater of

13 (i) zero; or

14 (ii) 35 percent multiplied by the remainder obtained  
15 by subtracting 1/12 of the producer's adjusted lease expenditures  
16 for the calendar year of production under AS 43.55.165 and  
17 43.55.170 that are deductible under AS 43.55.160 for the oil or gas,  
18 respectively, produced from the lease or property from the gross  
19 value at the point of production of the oil or gas, respectively,  
20 produced from the lease or property during the month for which  
21 the installment payment is calculated;

22 (D) for oil and gas subject to AS 43.55.011(p), the lesser of

23 (i) 35 percent multiplied by the remainder obtained  
24 by subtracting 1/12 of the producer's adjusted lease expenditures  
25 for the calendar year of production under AS 43.55.165 and  
26 43.55.170 that are deductible for the oil and gas under  
27 AS 43.55.160 from the gross value at the point of production of the  
28 oil and gas produced from the leases or properties during the  
29 month for which the installment payment is calculated, but not less  
30 than zero; or

31 (ii) four percent of the gross value at the point of

1 production of the oil and gas produced from the leases or  
2 properties during the month, but not less than zero;

3 (6) on and after January 1, 2014, an amount calculated under  
4 (5)(C) of this subsection for oil or gas subject to AS 43.55.011(i), (k), or (o) may  
5 not exceed the product obtained by carrying out the calculation set out in  
6 AS 43.55.011(i)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in  
7 AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in  
8 AS 43.55.011(i)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of  
9 taxable gas produced during the month for the amount of taxable gas produced  
10 during the calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as  
11 applicable, the amount of taxable oil produced during the month for the amount  
12 of taxable oil produced during the calendar year.

13 \* Sec. 15. AS 43.55.020(d) is amended to read:

14 (d) Before January 1, 2014, in [IN] making settlement with the royalty owner  
15 for oil and gas that is taxable under AS 43.55.011, the producer may deduct the  
16 amount of the tax paid on taxable royalty oil and gas, or may deduct taxable royalty oil  
17 or gas equivalent in value at the time the tax becomes due to the amount of the tax  
18 paid. If the total deductions of installment payments of estimated tax for a calendar  
19 year exceed the actual tax for that calendar year, the producer shall, before April 1 of  
20 the following year, refund the excess to the royalty owner. Unless otherwise agreed  
21 between the producer and the royalty owner, the amount of the tax paid under  
22 AS 43.55.011(e) - (g) on taxable royalty oil and gas for a calendar year, other than oil  
23 and gas the ownership or right to which constitutes a landowner's royalty interest, is  
24 considered to be the gross value at the point of production of the taxable royalty oil  
25 and gas produced during the calendar year multiplied by a figure that is a quotient, in  
26 which

27 (1) the numerator is the producer's total tax liability under  
28 AS 43.55.011(e) - (g) for the calendar year of production; and

29 (2) the denominator is the total gross value at the point of production  
30 of the oil and gas taxable under AS 43.55.011(e) - (g) produced by the producer from  
31 all leases and properties in the state during the calendar year.

1 \* **Sec. 16.** AS 43.55.020(g) is amended to read:

2 (g) Notwithstanding any contrary provision of AS 43.05.225,

3 (1) before January 1, 2014, an unpaid amount of an installment  
4 payment required under (a)(1) - (3) of this section that is not paid when due bears  
5 interest **(A)** [(1)] at the rate provided for an underpayment under 26 U.S.C. 6621  
6 (Internal Revenue Code), as amended, compounded daily, from the date the  
7 installment payment is due until March 31 following the calendar year of production,  
8 and **(B)** [(2)] as provided for a delinquent tax under AS 43.05.225(a) [AS 43.05.225]  
9 after that March 31; interest [. INTEREST] accrued under **(A)** [(1)] of this  
10 paragraph [SUBSECTION] that remains unpaid after that March 31 is treated as an  
11 addition to tax that bears interest under **(B)** [(2)] of this paragraph; an  
12 [SUBSECTION. AN] unpaid amount of tax due under (a)(4) of this section that is not  
13 paid when due bears interest as provided for a delinquent tax under AS 43.05.225(a);

14 (2) on and after January 1, 2014, an unpaid amount of an  
15 installment payment required under (a)(3), (5), or (6) of this section that is not  
16 paid when due bears interest (A) at the rate provided for an underpayment  
17 under 26 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily,  
18 from the date the installment payment is due until March 31 following the  
19 calendar year of production, and (B) as provided for a delinquent tax under  
20 AS 43.05.225(b)(1) after that March 31; interest accrued under (A) of this  
21 paragraph that remains unpaid after that March 31 is treated as an addition to  
22 tax that bears interest under (B) of this paragraph; an unpaid amount of tax due  
23 under (a)(4) of this section that is not paid when due bears interest as provided  
24 for a delinquent tax under AS 43.05.225(b)(1) [AS 43.05.225].

25 \* **Sec. 17.** AS 43.55.020 is amended by adding a new subsection to read:

26 (I) On and after January 1, 2014, in making settlement with the royalty owner  
27 for oil and gas that is taxable under AS 43.55.011, the producer may deduct the  
28 amount of the tax paid on taxable royalty oil and gas, or may deduct taxable royalty oil  
29 or gas equivalent in value at the time the tax becomes due to the amount of the tax  
30 paid. If the total deductions of installment payments of estimated tax for a calendar  
31 year exceed the actual tax for that calendar year, the producer shall, before April 1 of

1 the following year, refund the excess to the royalty owner. Unless otherwise agreed  
2 between the producer and the royalty owner, the amount of the tax paid under  
3 AS 43.55.011(e) on taxable royalty oil and gas for a calendar year, other than oil and  
4 gas the ownership or right to which constitutes a landowner's royalty interest, is  
5 considered to be the gross value at the point of production of the taxable royalty oil  
6 and gas produced during the calendar year multiplied by a figure that is a quotient, in  
7 which

8 (1) the numerator is the producer's total tax liability under  
9 AS 43.55.011(e) for the calendar year of production; and

10 (2) the denominator is the total gross value at the point of production  
11 of the oil and gas taxable under AS 43.55.011(e) produced by the producer from all  
12 leases and properties in the state during the calendar year.

13 \* **Sec. 18.** AS 43.55.023(a) is amended to read:

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

16 (1) notwithstanding that a qualified capital expenditure may be a  
17 deductible lease expenditure for purposes of calculating the production tax value of oil  
18 and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under  
19 AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or  
20 explorer that incurs a qualified capital expenditure may also elect to apply a tax credit  
21 against a tax levied by AS 43.55.011(e) in the amount of 20 percent of that  
22 expenditure; [HOWEVER, NOT MORE THAN HALF OF THE TAX CREDIT MAY  
23 BE APPLIED FOR A SINGLE CALENDAR YEAR;]

24 (2) a producer or explorer may take a credit for a qualified capital  
25 expenditure incurred in connection with geological or geophysical exploration or in  
26 connection with an exploration well only if the producer or explorer

27 (A) agrees, in writing, to the applicable provisions of  
28 AS 43.55.025(f)(2); and

29 (B) submits to the Department of Natural Resources all data  
30 that would be required to be submitted under AS 43.55.025(f)(2);

31 **(3) a credit for a qualified capital expenditure incurred to explore**

1 for, develop, or produce oil or gas deposits located north of 68 degrees North  
2 latitude may be taken only if the expenditure is incurred before January 1, 2014.

3 \* Sec. 19. AS 43.55.023(b) is amended to read:

4 (b) For lease expenditures incurred to explore for, develop, or produce oil  
5 or gas deposits located south of 68 degrees North latitude, a [A] producer or  
6 explorer may elect to take a tax credit in the amount of 25 percent of a carried-forward  
7 annual loss. For lease expenditures incurred on and after January 1, 2014, to  
8 explore for, develop, or produce oil or gas deposits located north of 68 degrees  
9 North latitude, a producer or explorer may elect to take a tax credit in the  
10 amount of 35 percent of a carried-forward annual loss. A credit under this  
11 subsection may be applied against a tax levied by AS 43.55.011(e). For purposes of  
12 this subsection, a carried-forward annual loss is the amount of a producer's or  
13 explorer's adjusted lease expenditures under AS 43.55.165 and 43.55.170 for a  
14 previous calendar year that was not deductible in calculating production tax values for  
15 that calendar year under AS 43.55.160.

16 \* Sec. 20. AS 43.55.023(d) is amended to read:

17 (d) A [EXCEPT AS LIMITED BY (i) OF THIS SECTION, A] person that is  
18 entitled to take a tax credit under this section that wishes to transfer the unused credit  
19 to another person or obtain a cash payment under AS 43.55.028 may apply to the  
20 department for a transferable tax credit certificate [CERTIFICATES]. An application  
21 under this subsection must be in a form prescribed by the department and must include  
22 supporting information and documentation that the department reasonably requires.  
23 The department shall grant or deny an application, or grant an application as to a lesser  
24 amount than that claimed and deny it as to the excess, not later than 120 days after the  
25 latest of (1) March 31 of the year following the calendar year in which the qualified  
26 capital expenditure or carried-forward annual loss for which the credit is claimed was  
27 incurred; (2) the date the statement required under AS 43.55.030(a) or (e) was filed for  
28 the calendar year in which the qualified capital expenditure or carried-forward annual  
29 loss for which the credit is claimed was incurred; or (3) the date the application was  
30 received by the department. If, based on the information then available to it, the  
31 department is reasonably satisfied that the applicant is entitled to a credit, the

1 department shall issue the applicant a [TWO] transferable tax credit certificate for  
2 [CERTIFICATES, EACH FOR HALF OF] the amount of the credit. [THE CREDIT  
3 SHOWN ON ONE OF THE TWO CERTIFICATES IS AVAILABLE FOR  
4 IMMEDIATE USE. THE CREDIT SHOWN ON THE SECOND OF THE TWO  
5 CERTIFICATES MAY NOT BE APPLIED AGAINST A TAX FOR A CALENDAR  
6 YEAR EARLIER THAN THE CALENDAR YEAR FOLLOWING THE  
7 CALENDAR YEAR IN WHICH THE CERTIFICATE IS ISSUED, AND THE  
8 CERTIFICATE MUST CONTAIN A CONSPICUOUS STATEMENT TO THAT  
9 EFFECT.] A certificate issued under this subsection does not expire.

10 \* **Sec. 21.** AS 43.55.023(g) is amended to read:

11 (g) The issuance of a transferable tax credit certificate under (d) of this  
12 section or former (m) of this section or the purchase of a certificate under  
13 AS 43.55.028 does not limit the department's ability to later audit a tax credit claim to  
14 which the certificate relates or to adjust the claim if the department determines, as a  
15 result of the audit, that the applicant was not entitled to the amount of the credit for  
16 which the certificate was issued. The tax liability of the applicant under  
17 AS 43.55.011(e) and 43.55.017 - 43.55.180 is increased by the amount of the credit  
18 that exceeds that to which the applicant was entitled, or the applicant's available valid  
19 outstanding credits applicable against the tax levied by AS 43.55.011(e) are reduced  
20 by that amount. If the applicant's tax liability is increased under this subsection, the  
21 increase bears interest under AS 43.05.225(a) before January 1, 2014, or under  
22 AS 43.05.225(b)(1) on and after January 1, 2014, [AS 43.05.225] from the date the  
23 transferable tax credit certificate was issued. For purposes of this subsection, an  
24 applicant that is an explorer is considered a producer subject to the tax levied by  
25 AS 43.55.011(e).

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

27 (n) For the purposes of (l) [AND (m)] of this section, a well lease expenditure  
28 incurred in the state south of 68 degrees North latitude is a lease expenditure that is

29 (1) directly related to an exploration well, a stratigraphic test well, a  
30 producing well, or an injection well other than a disposal well, located in the state  
31 south of 68 degrees North latitude, if the expenditure is a qualified capital expenditure

1 and an intangible drilling and development cost authorized under 26 U.S.C. (Internal  
2 Revenue Code), as amended, and 26 C.F.R. 1.612-4, regardless of the elections made  
3 under 26 U.S.C. 263(c); in this paragraph, an expenditure directly related to a well  
4 includes an expenditure for well sidetracking, well deepening, well completion or  
5 recompletion, or well workover, regardless of whether the well is or has been a  
6 producing well; or

7 (2) an expense for seismic work conducted within the boundaries of a  
8 production or exploration unit.

9 \* **Sec. 23.** AS 43.55.023 is amended by adding a new subsection to read:

10 (p) Before January 1, 2014, the provisions of (d) of this section may be limited  
11 by (i) of this section.

12 \* **Sec. 24.** AS 43.55.024(e) is amended to read:

13 (e) On written application by a producer that includes any information the  
14 department may require, the department shall determine whether the producer  
15 qualifies for a calendar year under (a) and (c) of this section. To qualify under (a) and  
16 (c) of this section, a producer must demonstrate that its operation in the state or its  
17 ownership of an interest in a lease or property in the state as a distinct producer would  
18 not result in the division among multiple producer entities of any production tax  
19 liability under AS 43.55.011(e) that reasonably would be expected to be attributed to a  
20 single producer if the tax credit provisions of (a) or (c) of this section did not exist.

21 \* **Sec. 25.** AS 43.55.024 is amended by adding new subsections to read:

22 (i) A producer may apply against the producer's tax liability for the calendar  
23 year under AS 43.55.011(e) a tax credit of \$5 for each barrel of oil taxable under  
24 AS 43.55.011(e) that meets one or more of the criteria in AS 43.55.160(f) and that is  
25 produced during a calendar year after December 31, 2013. A tax credit authorized by  
26 this subsection may not reduce a producer's tax liability for a calendar year under  
27 AS 43.55.011(e) to below zero.

28 (j) A producer may apply against the producer's tax liability for the calendar  
29 year under AS 43.55.011(e) a tax credit in the amount specified in this subsection for  
30 each barrel of taxable oil under AS 43.55.011(e) that does not meet any of the criteria  
31 in AS 43.55.160(f) and that is produced during a calendar year after December 31,

1 2013. A tax credit under this section may not reduce a producer's tax liability for a  
2 calendar year under AS 43.55.011(e) to below zero. The amount of the tax credit for a  
3 barrel of taxable oil subject to this subsection is

4 (1) \$8 for each barrel of taxable oil if the average gross value at the  
5 point of production for the month is less than \$80 a barrel;

6 (2) \$7 for each barrel of taxable oil if the average gross value at the  
7 point of production for the month is greater than or equal to \$80 a barrel, but less than  
8 \$90 a barrel;

9 (3) \$6 for each barrel of taxable oil if the average gross value at the  
10 point of production for the month is greater than or equal to \$90 a barrel, but less than  
11 \$100 a barrel;

12 (4) \$5 for each barrel of taxable oil if the average gross value at the  
13 point of production for the month is greater than or equal to \$100 a barrel, but less  
14 than \$110 a barrel;

15 (5) \$4 for each barrel of taxable oil if the average gross value at the  
16 point of production for the month is greater than or equal to \$110 a barrel, but less  
17 than \$120 a barrel;

18 (6) \$3 for each barrel of taxable oil if the average gross value at the  
19 point of production for the month is greater than or equal to \$120 a barrel, but less  
20 than \$130 a barrel;

21 (7) \$2 for each barrel of taxable oil if the average gross value at the  
22 point of production for the month is greater than or equal to \$130 a barrel, but less  
23 than \$140 a barrel;

24 (8) \$1 for each barrel of taxable oil if the average gross value at the  
25 point of production for the month is greater than or equal to \$140 a barrel, but less  
26 than \$150 a barrel;

27 (9) zero if the average gross value at the point of production for the  
28 month is greater than or equal to \$150 a barrel.

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

30 (a) Subject to the terms and conditions of this section, a credit against the  
31 production tax levied by AS 43.55.011(e) is allowed for exploration expenditures that

1 qualify under (b) of this section in an amount equal to one of the following:

2 (1) 30 percent of the total exploration expenditures that qualify only  
3 under (b) and (c) of this section;

4 (2) 30 percent of the total exploration expenditures that qualify only  
5 under (b) and (d) of this section;

6 (3) 40 percent of the total exploration expenditures that qualify under  
7 (b), (c), and (d) of this section;

8 (4) 40 percent of the total exploration expenditures that qualify only  
9 under (b) and (e) of this section;

10 (5) 80, 90, or 100 percent, or a lesser amount described in (l) of this  
11 section, of the total exploration expenditures described in (b)(1) and (2) of this section  
12 and not excluded by (b)(3) and (4) of this section that qualify only under (l) of this  
13 section;

14 (6) the lesser of \$25,000,000 or 80 percent of the total exploration  
15 drilling expenditures described in (m) of this section and that qualify under (b) and  
16 (c)(1), (c)(2)(A), and (c)(2)(C) [(c)] of this section; or

17 (7) the lesser of \$7,500,000 or 75 percent of the total seismic  
18 exploration expenditures described in (n) of this section and that qualify under (b) of  
19 this section.

20 \* **Sec. 27.** AS 43.55.025(m) is amended to read:

21 (m) The persons that drill the first four exploration wells in the state and  
22 within the areas described in (o) of this section on state lands, private lands, or federal  
23 onshore lands for the purpose of discovering oil or gas that penetrate and evaluate a  
24 prospect in a basin described in (o) of this section are eligible for a credit under (a)(6)  
25 of this section. A credit under this subsection may not be taken for more than two  
26 exploration wells in a single area described in (o)(1) - (6) of this section. Exploration  
27 expenditures eligible for the credit in this subsection must be incurred for work  
28 performed after June 1, 2012, and before July 1, 2016. A person planning to drill an  
29 exploration well on private land and to apply for a credit under this subsection shall  
30 obtain written consent from the owner of the oil and gas interest for the full public  
31 release of all well data after the expiration of the confidentiality period applicable to

1 information collected under (f) of this section. The written consent of the owner of the  
2 oil and gas interest must be submitted to the commissioner of natural resources before  
3 approval of the proposed exploration well. In addition to the requirements in (c)(1),  
4 (c)(2)(A), and (c)(2)(C) [(c)] of this section and submission of the written consent of  
5 the owner of the oil and gas interest, a person planning to drill an exploration well  
6 shall obtain approval from the commissioner of natural resources before the well is  
7 spudded. The commissioner of natural resources shall make a written determination  
8 approving or rejecting an exploration well within 60 days after receiving the request  
9 for approval or as soon as is practicable thereafter. Before approving the exploration  
10 well, the commissioner of natural resources shall consider the following: the location  
11 of the well; the proximity to a community in need of a local energy source; the  
12 proximity of existing infrastructure; the experience and safety record of the explorer in  
13 conducting operations in remote or roadless areas; the projected cost schedule;  
14 whether seismic mapping and seismic data sufficiently identify a particular trap for  
15 exploration; whether the targeted and planned depth and range are designed to  
16 penetrate and fully evaluate the hydrocarbon potential of the proposed prospect and  
17 reach the level below which economic hydrocarbon reservoirs are likely to be found,  
18 or reach 12,000 feet or more true vertical depth; and whether the exploration plan  
19 provides for a full evaluation of the wellbore below surface casing to the depth of the  
20 well. Whether the exploration well for which a credit is requested under this  
21 subsection is located within an area and a basin described under (o) of this section  
22 shall be determined by the commissioner of natural resources and reported to the  
23 commissioner. A taxpayer that obtains a credit under this subsection may not claim a  
24 tax credit under AS 43.55.023 or another provision in this section for the same  
25 exploration expenditure.

26 \* **Sec. 28.** AS 43.55.028(e) is amended to read:

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

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

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

6 (3) the applicant's total tax liability under AS 43.55.011(e), after  
7 application of all available tax credits, for the calendar year in which the application is  
8 made is zero;

9 (4) the applicant's average daily production of oil and gas taxable  
10 under AS 43.55.011(e) during the calendar year preceding the calendar year in which  
11 the application is made was not more than 50,000 BTU equivalent barrels; and

12 (5) the purchase is consistent with this section and regulations adopted  
13 under this section.

14 \* **Sec. 29.** AS 43.55.028(g) is amended to read:

15 (g) The department may adopt regulations to carry out the purposes of this  
16 section, including standards and procedures to allocate available money among  
17 applications for purchases under this chapter and claims for refunds and payments  
18 under AS 43.20.046 or 43.20.047 when the total amount of the applications for  
19 purchase and claims for refund exceed the amount of available money in the fund. The  
20 regulations adopted by the department may not, when allocating available money in  
21 the fund under this section, distinguish an application for the purchase of a credit  
22 certificate issued under former AS 43.55.023(m) or a claim for a refund or payment  
23 under AS 43.20.046 or 43.20.047.

24 \* **Sec. 30.** AS 43.55.030(e) is amended to read:

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

31 (1) the explorer's or producer's qualified capital expenditures, as

1 defined in AS 43.55.023, other lease expenditures under AS 43.55.165, and  
2 adjustments or other payments or credits under AS 43.55.170; and

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

6 \* **Sec. 31.** AS 43.55.160(a) is amended to read:

7 (a) Except as provided in (b) **and (f)** of this section, for the purposes of

8 (1) AS 43.55.011(e), the annual production tax value of the taxable oil,  
9 gas, or oil and gas subject to this paragraph produced during a calendar year is the  
10 gross value at the point of production of the oil, gas, or oil and gas taxable under  
11 AS 43.55.011(e), less the producer's lease expenditures under AS 43.55.165 for the  
12 calendar year applicable to the oil, gas, or oil and gas, as applicable, produced by the  
13 producer from leases or properties, as adjusted under AS 43.55.170; this paragraph  
14 applies to

15 (A) oil and gas produced from leases or properties in the state  
16 that include land north of 68 degrees North latitude, other than gas produced  
17 before 2022 and used in the state;

18 (B) oil and gas produced from leases or properties in the state  
19 outside the Cook Inlet sedimentary basin, no part of which is north of 68  
20 degrees North latitude; this subparagraph does not apply to [GAS]

21 (i) gas produced before 2022 and used in the state; or

22 (ii) oil and gas subject to AS 43.55.011(p);

23 (C) oil produced before 2022 from **each** [A] lease or property  
24 in the Cook Inlet sedimentary basin;

25 (D) gas produced before 2022 from **each** [A] lease or property  
26 in the Cook Inlet sedimentary basin;

27 (E) gas produced before 2022 from **each** [A] lease or property  
28 in the state outside the Cook Inlet sedimentary basin and used in the state,  
29 **other than gas subject to AS 43.55.011(p)**;

30 (F) oil and gas subject to AS 43.55.011(p) produced from  
31 leases or properties in the state;

1 (G) oil and gas produced from leases or properties in the  
2 state [A LEASE OR PROPERTY] no part of which is north of 68 degrees  
3 North latitude, other than oil or gas described in (B), (C), (D), (E), or (F) of  
4 this paragraph;

5 (2) AS 43.55.011(g), the monthly production tax value of the taxable

6 (A) oil and gas produced during a month from leases or  
7 properties in the state that include land north of 68 degrees North latitude is the  
8 gross value at the point of production of the oil and gas taxable under  
9 AS 43.55.011(e) and produced by the producer from those leases or properties,  
10 less 1/12 of the producer's lease expenditures under AS 43.55.165 for the  
11 calendar year applicable to the oil and gas produced by the producer from  
12 those leases or properties, as adjusted under AS 43.55.170; this subparagraph  
13 does not apply to gas subject to AS 43.55.011(o);

14 (B) oil and gas produced during a month from leases or  
15 properties in the state outside the Cook Inlet sedimentary basin, no part of  
16 which is north of 68 degrees North latitude, is the gross value at the point of  
17 production of the oil and gas taxable under AS 43.55.011(e) and produced by  
18 the producer from those leases or properties, less 1/12 of the producer's lease  
19 expenditures under AS 43.55.165 for the calendar year applicable to the oil and  
20 gas produced by the producer from those leases or properties, as adjusted under  
21 AS 43.55.170; this subparagraph does not apply to gas subject to  
22 AS 43.55.011(o);

23 (C) oil produced during a month from a lease or property in the  
24 Cook Inlet sedimentary basin is the gross value at the point of production of  
25 the oil taxable under AS 43.55.011(e) and produced by the producer from that  
26 lease or property, less 1/12 of the producer's lease expenditures under  
27 AS 43.55.165 for the calendar year applicable to the oil produced by the  
28 producer from that lease or property, as adjusted under AS 43.55.170;

29 (D) gas produced during a month from a lease or property in  
30 the Cook Inlet sedimentary basin is the gross value at the point of production  
31 of the gas taxable under AS 43.55.011(e) and produced by the producer from

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that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(E) gas produced during a month from a lease or property outside the Cook Inlet sedimentary basin and used in the state is the gross value at the point of production of that gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to that gas produced by the producer from that lease or property, as adjusted under AS 43.55.170.

\* **Sec. 32.** AS 43.55.160 is amended by adding new subsections to read:

(f) On and after January 1, 2014, in the calculation of an annual production tax value of a producer under (a)(1) of this section, the gross value at the point of production of oil or gas meeting one or more of the following criteria is reduced by 20 percent: (1) the oil or gas is produced from a lease or property that does not contain a lease that was within a unit on January 1, 2003; (2) the oil or gas is produced from a participating area established after December 31, 2011, that is within a unit formed under AS 38.05.180(p) before January 1, 2003, if the participating area does not contain a reservoir that had previously been in a participating area established before December 31, 2011; (3) the oil or gas is produced from acreage that was added to an existing participating area by the Department of Natural Resources on and after January 1, 2014, and the producer demonstrates to the department that the volume of oil or gas produced is from acreage added to an existing participating area. A reduction under this subsection may not reduce the gross value at the point of production below zero. In this subsection, "participating area" means a reservoir or portion of a reservoir producing or contributing to production as approved by the Department of Natural Resources.

(g) On and after January 1, 2014, a separate annual production tax value must be calculated under (a)(1) of this section for

(1) oil and gas produced from leases or properties in the state that include land north of 68 degrees North latitude, other than gas produced before 2022

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1 and used in the state;

2 (2) oil and gas produced from leases or properties in the state outside  
3 the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North  
4 latitude, during a calendar year before or during the last calendar year under  
5 AS 43.55.024(b) for which the producer could take a tax credit under  
6 AS 43.55.024(a); this paragraph does not apply to

7 (A) gas produced before 2022 and used in the state; or

8 (B) oil and gas subject to AS 43.55.011(p);

9 (3) oil produced before 2022 from each lease or property in the Cook  
10 Inlet sedimentary basin;

11 (4) gas produced before 2022 from each lease or property in the Cook  
12 Inlet sedimentary basin;

13 (5) gas produced before 2022 from each lease or property in the state  
14 outside the Cook Inlet sedimentary basin and used in the state, other than gas subject  
15 to AS 43.55.011(p);

16 (6) oil and gas subject to AS 43.55.011(p) produced from leases or  
17 properties in the state;

18 (7) oil and gas produced from leases or properties in the state no part  
19 of which is north of 68 degrees North latitude, other than oil or gas described in (2),  
20 (3), (4), (5), or (6) of this subsection.

21 \* **Sec. 33.** AS 43.56.160 is amended to read:

22 **Sec. 43.56.160. Interest and penalty.** When the tax levied by AS 43.56.010(a)  
23 becomes delinquent, a penalty of 10 percent shall be added. **Before January 1, 2014,**  
24 **interest** [INTEREST] on the delinquent taxes, exclusive of penalty, shall be assessed  
25 at a rate of eight percent a year. **On and after January 1, 2014, interest on the**  
26 **delinquent taxes, exclusive of penalty, shall be assessed at the rate specified in**  
27 **AS 43.05.225(b)(1).**

28 \* **Sec. 34.** AS 43.77.020(d) is amended to read:

29 (d) A person subject to the tax under this chapter shall make quarterly  
30 payments of the tax estimated to be due for the year, as required under regulations  
31 adopted by the department. A taxpayer will be subject to an estimated tax penalty,

1 determined by applying the interest rate specified in AS 43.05.225(a) before  
2 January 1, 2014, or under AS 43.05.225(b)(1) on and after January 1, 2014,  
3 [AS 43.05.225] to the underpayment for each quarter, unless the taxpayer makes  
4 estimated tax payments in equal installments that total either

5 (1) at least 90 percent of the taxpayer's tax liability under this chapter  
6 for the tax year; or

7 (2) at least 100 percent of the taxpayer's tax liability under this chapter  
8 for the prior tax year.

9 \* **Sec. 35.** AS 43.90.430 is amended to read:

10 **Sec. 43.90.430. Interest.** Before January 1, 2014, when [WHEN] a payment  
11 due to the state under this chapter becomes delinquent, the payment bears interest at  
12 the rate applicable to a delinquent tax under AS 43.05.225(a). On and after  
13 January 1, 2014, when a payment due to the state under this chapter becomes  
14 delinquent, the payment bears interest at the rate applicable to a delinquent tax  
15 under AS 43.05.225(b)(1) [AS 43.05.225].

16 \* **Sec. 36.** AS 43.98 is amended by adding new sections to read:

17 **Article 2. Oil and Gas Competitiveness Review Board.**

18 **Sec. 43.98.040. Oil and Gas Competitiveness Review Board.** (a) The Oil and  
19 Gas Competitiveness Review Board is established in the department.

20 (b) The board shall consist of nine members as follows:

21 (1) two members nominated by the two leading nonprofit trade  
22 associations representing the oil and gas industry in the state and appointed by the  
23 governor, with one member nominated by each association;

24 (2) the chair of the Alaska Oil and Gas Conservation Commission or  
25 the chair's designee;

26 (3) three members of the public appointed by the governor, including  
27 one member who is a petroleum engineer, one member who is a geologist, and one  
28 member who is a financial analyst;

29 (4) the commissioner of environmental conservation or the  
30 commissioner's designee;

31 (5) the commissioner of natural resources or the commissioner's

1 designee; and

2 (6) the commissioner of revenue or the commissioner's designee.

3 (c) The governor shall, every two years, designate one of the members as  
4 chair.

5 (d) Members of the board appointed under (b)(1) and (3) of this section serve  
6 for four years. An individual who has served on the board may be reappointed.

7 (e) A vacancy on the board shall be filled in the manner of the original  
8 appointment.

9 (f) A member of the board may be removed and replaced at the discretion of  
10 the governor.

11 (g) The members of the board appointed under (b)(1) and (3) of this section  
12 serve without compensation but shall receive per diem and travel expenses authorized  
13 for boards and commissions under AS 39.20.180.

14 (h) The board may enter into contracts for professional services. The  
15 department shall provide staff for administrative support for the board.

16 (i) The board may not meet more than once in a calendar year.

17 **Sec. 43.98.050. Duties.** The duties of the board include the following:

18 (1) establish and maintain a salient collection of information related to  
19 oil and gas exploration, development, and production in the state and related to tax  
20 structures, rates, and credits in other regions with oil and gas resources;

21 (2) review historical, current, and potential levels of investment in the  
22 state's oil and gas sector;

23 (3) identify factors that affect investment in oil and gas exploration,  
24 development, and production in the state, including tax structure, rates, and credits;  
25 royalty requirements; infrastructure; workforce availability; and regulatory  
26 requirements;

27 (4) review the competitive position of the state to attract and maintain  
28 investment in the oil and gas sector in the state as compared to the competitive  
29 position of other regions with oil and gas resources;

30 (5) in order to facilitate the work of the board, establish procedures to  
31 accept and keep confidential information that is beneficial to the work of the board,

1 including the creation of a secure data room and confidentiality agreements to be  
2 signed by individuals having access to confidential information;

3 (6) make written findings and recommendations to the Alaska State  
4 Legislature before January 31, 2015, or as soon thereafter as practicable, and every  
5 four years thereafter beginning January 31, 2015, regarding

6 (A) changes to the state's regulatory environment that would be  
7 conducive to encouraging increased investment while protecting the interests  
8 of the people of the state and the environment;

9 (B) changes to the state's fiscal regime that would be conducive  
10 to increased and ongoing long-term investment in and development of the  
11 state's oil and gas resources; and

12 (C) alternative means for increasing the state's ability to attract  
13 and maintain investment in and development of the state's oil and gas  
14 resources.

15 **Sec. 43.98.060. Information to be provided to board.** (a) The commissioner  
16 of natural resources, the commissioner of revenue, the commissioner of environmental  
17 conservation, and other commissioners and state agencies that have responsibility for  
18 and maintain information related to oil and gas investment and activity in the state  
19 shall, at the request of the board, provide information required by the board to carry  
20 out the duties described in AS 43.98.050.

21 (b) At the request of the board, and except for information that is confidential  
22 under AS 40.25.100(a) or AS 43.05.230 and information required to be held  
23 confidential by the Alaska Oil and Gas Conservation Commission, a commissioner  
24 may disclose to the board information that is otherwise confidential after each member  
25 of the board and each staff member for the board with access to the information signs  
26 a confidentiality agreement prepared by the commissioner making the disclosure.  
27 Information that is confidential under AS 43.05.230 may not be disclosed to the board.

28 **Sec. 43.98.070. Definition.** In AS 43.98.040 - 43.98.070, "board" means the  
29 Oil and Gas Competitiveness Review Board.

30 \* **Sec. 37.** AS 43.55.023(m) is repealed.

31 \* **Sec. 38.** AS 43.05.225(a); AS 43.50.570(a); AS 43.55.011(e)(1), 43.55.011(g)

1 AS 43.55.020(d), 43.55.023(i), 43.55.023(p), 43.55.160(a)(2), and 43.55.160(c) are repealed  
2 January 1, 2014.

3 \* **Sec. 39.** The uncodified law of the State of Alaska is amended by adding a new section to  
4 read:

5 **APPLICABILITY.** (a) Section 13 of this Act and AS 43.55.160(a)(1)(E), as amended  
6 by sec. 31 of this Act, apply to oil and gas produced on and after January 1, 2014.

7 (b) Sections 18 and 20 - 23 of this Act and AS 43.55.023(a)(1), as amended by sec. 18  
8 of this Act, apply to expenditures incurred on and after January 1, 2013.

9 (c) Section 19 of this Act applies to expenditures incurred on and after January 1,  
10 2014.

11 \* **Sec. 40.** The uncodified law of the State of Alaska is amending by adding a new section to  
12 read:

13 **TRANSITION: REGULATIONS.** The Department of Revenue may adopt regulations  
14 to implement this Act. The regulations take effect under AS 44.62 (Administrative Procedure  
15 Act), but not before the effective date of the respective provision of this Act.

16 \* **Sec. 41.** The uncodified law of the State of Alaska is amended by adding a new section to  
17 read:

18 **TRANSITION: OIL AND GAS COMPETITIVENESS REVIEW BOARD.** The  
19 governor shall appoint the initial members of the Oil and Gas Competitiveness Review Board,  
20 established in sec. 36 of this Act, before November 1, 2014. The initial terms of the members  
21 of the board appointed under AS 43.98.040(b)(1) and (3) shall be four years.

22 \* **Sec. 42.** The uncodified law of the State of Alaska is amended by adding a new section to  
23 read:

24 **RETROACTIVITY.** Sections 13, 20 - 23, 28, and 37 of this Act, AS 43.55.023(a)(1),  
25 as amended by sec. 18 of this Act, and AS 43.55.160(a)(1)(E), as amended by sec. 31 of this  
26 Act, are retroactive to January 1, 2013.

**Linda Hay**

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**From:** Steve Pratt <spratt@consumerenergyalliance.org>  
**Sent:** Monday, April 01, 2013 11:01 AM  
**To:** Rep. Eric Feige; Rep. Dan Saddler; Rep. Peggy Wilson; Rep. Mike Hawker; Rep. Craig Johnson; Rep. Kurt Olson; Rep. Paul Seaton; Rep. Geran Tarr; Rep. Chris Tuck  
**Subject:** Pass SB 21 for Alaska's Future  
**Categories:** Linda



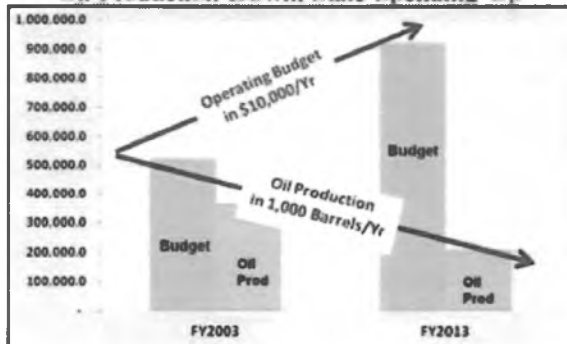
Members of the House Resources Committee –

My name is Steve Pratt, Executive Director of Consumer Energy Alaska, a regional chapter affiliated with the national Consumer Energy Alliance. We believe the greatest economic threat to Alaska energy consumers is declining TAPS throughput as state spending increases. We need to reverse these decade long trends. Consequently your focus on declining throughput and fiscal issues this legislative session is critical.

The Greatest Economic Threat to Alaska:  
Declining TAPS Throughput &  
Increasing Budget



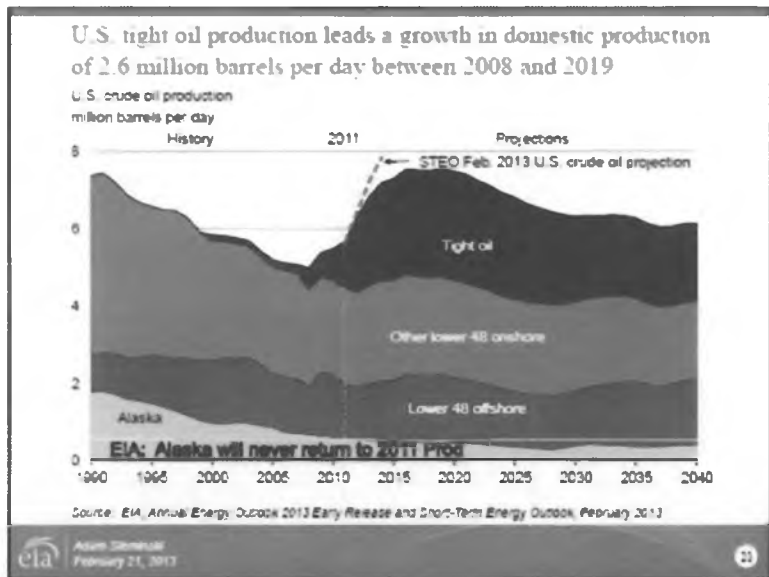
Oil Production Down: State Spending Up



As energy consumers, we all have a direct interest in obtaining competitively priced domestic energy. We also have a direct interest in robust overall economic activity to maintain livelihoods and at least 30% of working Alaskans are dependent upon oil and gas exploration and development for employment.

Unfortunately, Alaska oil production has declined from a peak of over 2 million barrels a day to a little over 500 thousand barrels, and is in freefall at the rate of 5 - 7% per year. What is especially remarkable is that these declines have occurred during times of high and increasing oil prices.

Alaska is capable of making a substantially greater contribution to U.S. domestic oil production and the nation's energy and economic security than it does today. Five weeks ago CEA met with Adam Sieminski, the head of the Energy Information Administration in the U.S. Department of Energy. Mr. Sieminski gave us a presentation on the agency's draft 2013 Energy Outlook. To me, Alaska was a disappointment. In the Energy Outlook, Alaska's contribution to the nation's energy supply will never return even to 2011 levels let alone increase unless state fiscal and federal regulatory changes occur. We are not doing our part to secure US energy security or fulfill our constitutional mandate to develop our resources.



A sustainable increase of only 500,000 bbls/day from today's levels, at \$100/bbl., would add \$1.5 Billion **per month** to overall U.S. economic activity. It might also reduce the export of 1.5 Billion U.S. consumer dollars per month to OPEC nations.

However, new, risky exploratory and development drilling is necessary to stem the decline in Alaska oil production. Alaska students need to compete globally for jobs. Alaska natural gas needs to compete globally to secure markets. And Alaska oil field development needs to compete globally for investment dollars. Your work here can enable that ability.

The rates and progressivity structure of Alaska's current tax regime provide a disincentive to attracting risk capital to the state as evidenced by declining production during times of high oil prices. As demonstrated in the EIA's Energy Outlook, increased prices and new technologies have resulted in substantial increases in oil production in other locations around the United States, but not in Alaska, and not because more oil is not available.

Alaska's remoteness from the markets, Arctic climate, high labor and logistical costs argue for a more competitive tax and regulatory structure.

Consumer Energy Alliance – Alaska, along with a solid majority of Alaskans, is in favor of the Alaska State Legislature reviewing and approving revisions to the Alaska Tax Code that will improve the investment climate in Alaska.

In closing I will simply note that something is terribly wrong here, and I thank you, members of the Resources Committee, for taking on the task, with the Governor, of coming up with useful changes to the tax code.

**Linda Hay**

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**From:** Alan LeMaster <gakona@gakonaak.net>  
**Sent:** Monday, April 01, 2013 10:56 AM  
**To:** Representative\_Eric\_Feige@legis.state.ak.us  
**Subject:** For your perusal.

**Categories:** Linda

## **SB 21 will cost state billions**

**Posted: March 20, 2013 - 4:51pm**

By [Brad Faulkner](#)

In 1975, right out of high school, I went to work on the pipeline for a year. I then worked my way through Harvard University in the oil field. After college, I held a number of jobs in Prudhoe from field engineer to maintenance scheduling supervisor field wide for SOHIO. These were the early days when liquor flowed and tongues were loose. We had just built the pipeline and were building out the field.

Prudhoe is an elephant field. Kuparuk, Alpine and all other currently producing fields pale in comparison. Like every field, Prudhoe has a predictable decline curve. Production has been declining since 1987. Gas injection and sea water injection have helped slow the decline, but decline is inevitable.

The oil companies know this. To plan for the inevitable they set aside a 600 million barrel warehouse field on the eastern edge of the main Prudhoe structure. Essentially they warehoused this oil to keep the pipeline full through the main field's declining years. Think of it as an oilfield IRA. This is "proprietary information." I am not even sure how I know it. I have just known it for decades. The oil companies know it for sure. I expect the state reservoir people know it. Why we, the owners of the oil, are not allowed to know what is in the ground before making tax policy is a matter for another day. Trust me, it is there.

I have heard an oil field described as a glass of water that you put a straw into. This is wrong. It is many glasses. Sucking on a straw in one glass won't change the level in the other glasses. Many sub-fields at varying pressures and depths make up the Prudhoe Bay structure. Under a previous tax regime called the Economic Limit Factor, most of the oil leaving Kuparuk and Prudhoe had zero production taxes. The producers used sleight-of-hand accounting to juggle these sub-fields to pay zero taxes on most of the oil.

The best thing Frank Murkowski did as governor was declare all sub-fields within the main Prudhoe structure one unit.

The bipartisan coalition worked really hard last year to come up with some much-needed changes to ACES which was killed in the House. Now the Senate is working on the governor's bill, SB 21. This bill could have been written in a

Houston boardroom. SB 21 allows major tax breaks for new portions of legacy fields. It is specifically written to exempt the 600 million barrel warehouse field that has been known about for 40 years. Trust me again, the majority of "new oil" entering the pipeline in the next decade will come from this single field. It is adjacent infrastructure and will be easy to develop. The oil companies are following the plan of 35 years ago to keep pipeline throughput viable. This governor wants to call it "new oil" and the Republican controlled Senate is ready to play along.

## Linda Hay

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**From:** Donald Witzel <witzdp@mtaonline.net>  
**Sent:** Monday, April 01, 2013 7:18 AM  
**To:** Rep. Eric Feige  
**Subject:** Oil tax

**Categories:** Linda

I oppose the House's, Senate's and Governor's bills to reduce taxes on the oil industry. I would support some modification to ACES to spur new and legacy development, but most of you folks don't comprehend is that the oil industry will always ask for more. Like the 5 yr olds in the TV ad, they will always ask for more. You need to protect the future of Alaska. The changes proposed will jeopardize the financial security for our state. Several Senators suggested that reducing oil taxes is a good way to reign in state spending, but I find this to be a political cowards way to cut the budget rather than do the hard work legislators are elected to do. It has also been suggested that changes will spur jobs which may help individual Alaskans, however will not benefit the state since we have no state income tax. The result is the same, the state will suffer financially.

The oil companies will not walk away from the legacy fields and Alaska is already a cash cow for the industry. They also seem to say one thing to federal govt. and stakeholders and another when they testify to you, the legislature, when discussing the decline in the flow of oil in the pipeline. In short, we do not have the facts to support the changes they ask for and instead seem poised to make a leap of faith with no assurance as to the result. Please use common sense and go table the process. Go back and begin by asking the question of what is really good for Alaska, then create the changes that wii truly benefit all of Alaska.

Don and Phyllis Witzel  
Palmer, Alaska

**Linda Hay**

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**From:** JanVandever <jan@mtaonline.net>  
**Sent:** Monday, March 25, 2013 4:55 PM  
**To:** Rep. Eric Feige  
**Subject:** RE: SB21

**Importance:** High

**Categories:** Linda

I do not favor a giveaway. I can understand a tax credit for more realized production/exploration. I cannot understand a giveaway without any guarantee that oil companies will use the money in this state. Incentive is one thing; a gift is another.

Dr. Jan Vandever female.....

**From:** Rep. Eric Feige [<mailto:Rep.Eric.Feige@akleg.gov>]  
**Sent:** Monday, March 25, 2013 12:27 PM  
**To:** JanVandever  
**Subject:** RE: SB21

Mr. Vandever,

What is it about the bill that you are not in favor of?

Rep Feige

**From:** JanVandever [<mailto:jan@mtaonline.net>]  
**Sent:** Monday, March 25, 2013 12:17 PM  
**To:** Rep. Eric Feige  
**Subject:** SB21  
**Importance:** High

Dear Representative Feige:

It is not often that I contact my state legislators, but I cannot let the opportunity to encourage you to vote against SB21 as it comes to the House. I hope that you will be a voice of reason. First, let me point out that senators with immediate ties – on the payroll - to the oil companies were allowed to vote on oil legislation in the first place. Do you and others not understand conflict of interest??? It is like having someone on trial also get a vote with the jury. Unbelievable. I hope when this legislation comes to you that you find the courage to stand up to the oil interests and the governor and vote as a representative of those who elected you. I certainly do not support giving money to oil interests without any guarantees. Should we all expect to be paid without doing any work??? Give them a break when they actually produce for the State. Not before...

Jan Vandever

Palmer AK

**Linda Hay**

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**From:** ttisworth@alaska.edu  
**Sent:** Friday, March 22, 2013 4:12 PM  
**To:** "Representative.Alan.Austerman@akleg.gov"@mxjnu01.legis.state.ak.us;  
"Representative.Bryce.Edgmon@akleg.gov"@mxjnu01.legis.state.ak.us;  
"Representative.Lynn.Gattis@akleg.gov"@mxjnu01.legis.state.ak.us;  
"Representative.Bob.Herron@akleg.gov"@mxjnu01.legis.state.ak.us;  
"Representative.Doug.Isaacson@akleg.gov"@mxjnu01.legis.state.ak.us;  
"Representative.Wes.Keller@akleg.gov"@mxjnu01.legis.state.ak.us;  
"Representative.Bob.Lynn@akleg.gov"@mxjnu01.legis.state.ak.us;  
"Representative.Mark.Neuman@akleg.gov"@mxjnu01.legis.state.ak.us;  
"Representative.Dan.Saddler@akleg.gov"@mxjnu01.legis.state.ak.us;  
"Representative.Steve.Thompson@akleg.gov"@mxjnu01.legis.state.ak.us;  
"Representative.Mike.Chenault@akleg.gov"@mxjnu01.legis.state.ak.us;  
"Representative.Eric.Feige@akleg.gov"@mxjnu01.legis.state.ak.us;  
"Representative.Max.Gruenberg@akleg.gov"@mxjnu01.legis.state.ak.us;  
"Representative.Pete.Higgins@akleg.gov"@mxjnu01.legis.state.ak.us;  
"Representative.Craig.Johnson@akleg.gov"@mxjnu01.legis.state.ak.us;  
"Representative.Beth.Kertula@akleg.gov"@mxjnu01.legis.state.ak.us;  
"Representative.Charisse.Millett@akleg.gov"@mxjnu01.legis.state.ak.us;  
"Representative.Kurt.Olson@akleg.gov"@mxjnu01.legis.state.ak.us;  
"Representative.Paul.Seaton@akleg.gov"@mxjnu01.legis.state.ak.us; Rep. Chris Tuck  
**Subject:** SB21 and the Alaska House  
**Categories:** Linda

**Senate Bill 21 is not in the best interest of Alaskans. Here's what is going to happen unless the House gets serious about representing Alaskans instead of the oil industry:**

- 1. Production – Based on SB21, Alaska will not likely see any increase in production until 2017 and possibly as late as 2020. SB21 passed 11-9 only because two industry employees, who asked to recused were required to vote – that is unethical at its worst. Had they not voted SB21 would have failed.**
- 2. State Budget – a looming fiscal crisis. We will lose important revenue under SB21 which will probably require we dip into the \$16+/- reserve. This continuing loss may mean the State will deplete that reserve and we may not recover any lost funds used to produce theoretical increased production.**
- 3. The oil industry has given no commitment to increase production based on SB21 – none.**
- 4. The Big3 oil industry will continue to take their profits and spend them in places other than Alaska.**
- 5. SB21 in essence negates ACES. This is wrong. There is factual evidence to show that production did not decrease because of ACES. Simply revise ACES by reducing progressivity when oil is above \$100/barrel. There are some good things about SB21 (like exploration, development and new fields), so don't throw the baby out with the bath water. Just revise SB21 to make ACES applicable, only, to the Legacy Fields.**
- 6. If the State budget continues to increase, and oil revenue decreases, the State may be looking at teacher layoffs, government layoffs, a possible return to a State income tax, and a possible raid on the Permanent Fund. This would be disastrous!**

**PLEASE THINK CAREFULLY, before you blindly decide to support SB21. Some of the results of SB21 may not be obvious for 5-10 years.**

**If you choose to support SB21, there are many Alaskans that will not forget how you voted. So, before you cast your vote – think twice.**

**Timothy Tilsworth, PhD, PE  
Professor Emeritus, Civil and Environmental Engineering  
University of Alaska  
Fairbanks, Alaska 99709**

**907-479-0643**

[ttilsworth@alaska.edu](mailto:ttilsworth@alaska.edu)

## Linda Hay

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**From:** Sue Sprinkle <suesprinkle@alaska.net>  
**Sent:** Monday, April 01, 2013 12:13 PM  
**To:** Rep. Eric Feige; Rep. Dan Saddler; Rep. Peggy Wilson; Rep. Mike Hawker; Rep. Craig Johnson; Rep. Paul Seaton; Rep. Geran Tarr; Rep. Chris Tuck  
**Subject:** SB21  
**Categories:** Linda

To all my State Representatives,

I've been following this topic for the past year (and some) and don't believe that what the Governor plans to "give away" to the oil companies will make it back into our State coffers. Where are the promised jobs? The promised production? We aren't even asking that they use these tax incentives in our State.

As a business person, I'd never "give" money to vendor without a promise for something in return. How is that smart business? I hope that you ask more questions before allowing our Governor to give away our precious resources.

This oil won't go "bad" if it sits in the ground until we know how these proposed changes effect our bottom line.

Sue Sprinkle

Creative Partner and Chief Visionary

**5th Avenue Design & Graphics, Inc.**  
1222 Well Street, Suite 3  
Fairbanks, AK 99701

PH: (907) 452-4166

**Linda Hay**

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**From:** maborche@gmail.com on behalf of Mary Ann Borchert <maborche@alaska.net>  
**Sent:** Monday, April 01, 2013 12:21 PM  
**To:** Rep. Eric Feige; Rep. Dan Saddler; Rep. Peggy Wilson; Rep. Mike Hawker; Rep. Craig Johnson; Rep. Paul Seaton; Rep. Geran Tarr; Rep. Chris Tuck  
**Subject:** Opposed to SB 21  
**Categories:** Linda

I cannot make it to the hearing this afternoon, but I want to register my strong opposition to SB 21. The oil companies are not going to change their plans for drilling and producing oil on the basis of our tax laws. Please do not pass this bill!

Mary Ann Borchert

--  
Mary Ann Borchert  
Educational Consulting  
2450 Locksley Ct.  
Fairbanks, AK 99709  
907-479-2087

**Linda Hay**

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**From:** Chelly Nelson <Chelly.Nelson@Kinross.com>  
**Sent:** Monday, April 01, 2013 12:53 PM  
**To:** Rep. Eric Feige; Rep. Dan Saddler; Rep. Peggy Wilson; Rep. Mike Hawker; Rep. Craig Johnson; Rep. Paul Seaton; Rep. Geran Tarr; Rep. Chris Tuck  
**Subject:** In support of SB21  
**Categories:** Linda

All,

As a lifelong Alaskan who watched the pipeline be developed, built and go into production, I am saddened that we are not taking better advantage of our resources. New production will promote growth in the private sector economy, leading to more jobs and a more stable and long-term revenue stream for the State. I support SB21 and hope that you will all consider moving forward with measures to increase North Slope production now and for the years to come.

Thank you,

Richell D. Nelson

## Linda Hay

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**From:** Jenny Mahlen <jmahlen@fnbalaska.com>  
**Sent:** Monday, April 01, 2013 2:14 PM  
**To:** Rep. Eric Feige; Rep. Dan Saddler; Rep. Peggy Wilson; Rep. Mike Hawker; Rep. Craig Johnson; Rep. Paul Seaton; Rep. Geran Tarr; Rep. Chris Tuck  
**Subject:** SB21  
**Categories:** Linda

I would like to voice my support of SB21. I am registered and I vote in all elections. I feel this is extremely important that we get this done ASAP.

Thank you for your time.

**Jenny Mahlen**  
**Vice President - NMLS#685949**  
**First National Bank Alaska NMLS#640297**  
907-459-7121 - phone  
907-459-7112 - fax

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# PETERSBURG LEGISLATIVE INFORMATION OFFICE

Email: petersburg.lio@akleg.gov  
907-772-3741/ phone/ 907-772-3779/fax

## WRITTEN TESTIMONY

NAME: Joseph Sebastian  
REPRESENTING: Self - Family  
BILL#/SUBJECT: SB 21  
COMMITTEE &  
HEARING DATE: 4.1.13

Our beloved Ex-oil lobbyist Governor Sean Parnell has assured us that if we pass this bill, and wait 3 to 5 years something will happen. OMB, Ms Lakefield (sic) says "the hope is, we will see an increase in production." So we have a maybe and a hope, but nothing in black or white or legal factual response from the oil companies.

President Calvin Coolidge, a honest man of few words said quote "it is much more important to kill bad bills than to pass good ones." end quote.

Have any of you heard of Chuck Hamel, or Wackerhut ~~detective~~ detective Agency or Alaska pipeline consortium?

The oil companies are notorious liars

One of Alaska's longest most trusted oil advisors, Pedro Van-Meers has said this oil tax giveaway was unnecessary and wrong.

Let's stay the course for the next 3 to 5 years and wait till there is a solid and factual and legal commitment from the oil companies before ALASKANS consider changes. There is no rush or emergency at this time. Let HB 21 die the legislative death it deserves

# KENAI LEGISLATIVE INFORMATION OFFICE

Email: Kenai.Lio@akleg.gov

Phone: 907-283-2030 / Fax: 907-283-3075

## WRITTEN TESTIMONY

**NAME:** Michelle Vasquez  
**REPRESENTING:** \_\_\_\_\_  
**BILL # or SUBJECT:** SB21  
**COMMITTEE & DATE:** HRES040113

Dear Chairmen Feige and Saddler and Committee members:

Business owners don't spend billions of dollars to buy nothing. Family's don't take their life savings and bet it all on a casino game in Vegas. And this legislature should not give Alaska's money to oil companies with fingers crossed hoping production and development will increase. If SB 21 goes forward, it will be a travesty for the citizens of Alaska. Plain and simple, this outrageous bill gives away our state owned resources while paying the oil companies to take it. Who benefits? Not the state, not the citizens, but I suspect there are quite a few legislators who will benefit with nice, fat contributions to re-election campaigns and/or promises of a job. Any legislator who votes for this obvious oil wealth giveaway does not care about Alaska's citizens or the state's fiscal responsibilities. The citizens have already seen two employees of Conoco in the Senate vote in favor of this bill, which is an absolute disgrace and total conflict of interest regardless of the pathetic political theater of pretending to abstain. And let's not forget our governor, who worked for Exxon as a lawyer and performed beautifully as a lobbyist for oil interests. This is not how we do things in America; we are a democracy, not an oligarchy.

How many programs will be cut when the production of oil does not increase or development does not go forward? How many public education budgets, healthcare programs, police departments, DOT services, public colleges, and state parks, among so many other things, will lose funding so oil companies can be lavished with "tax breaks" they do not need? Where is the guarantee or commitment from these companies that production and development will increase over the next five years while the state forks over \$1 billion per year? There have been zero promises, and why should these companies make promises? The fact is, the oil companies don't have to do anything at all for the money. It is shameful when a state legislature thinks it has to grease the palm of multi-billion dollar corporations instead of looking out for citizens and a precious state resource. This is corporate welfare taken to the extreme. Vote no on SB 21; don't squander our oil resource.

Sincerely,  
Michele Vasquez  
Soldotna, AK

Soldotna, AK

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*Maynard Tapp  
written Testimony (SB 21)  
House Resources*

**Maynard Tapp**

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**From:** Maynard Tapp  
**Sent:** Monday, April 01, 2013 12:25 PM  
**To:** Maynard; Maynard Tapp (maynard@hawkpros.com)  
**Subject:** Alaska Oil Tax policy

<b>Tracking:</b>	<b>Recipient</b>	<b>Delivery</b>
	Maynard	
	Maynard Tapp (maynard@hawkpros.com)	Delivered: 4/1/2013 12:25 PM

My name is Maynard Tapp and I am testifying on my own behalf.

1. Eliminate progressivity. 50% govt take and 50% producers take seems fair.
  2. Level production to 600,000 bbls per day.
  3. Determine a way to get the Governor's 1.0 million bbls per day production.
- 
1. Eliminate progressivity. I want Alaska to be the first place in investor's minds when we our assets are considered for investment/development.
  2. Level production at 600,000 bbls per day or better. After 40 international years in the oil and gas industry I have learned that not everything works out the way you plan. It may be mechanically possible to transport oil at 300,000 bbls per day but it doesn't allow for upsets in flow and breakdowns in a facility that is 36 years old.
  3. Produce 1.0 million bbls per day from state lands. Determine a selection of paths to producing 1.0 million bbls per day. It may be possible. What are the scenario's, and what is the cost?

Thank-you for the opportunity to testify.

Sincerely  
Maynard Tapp

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*written testimony*  
*Tom Maloney*  
*(SB 2-1)* *pg. 1 of 3*  
*Home Resources*

Tom Maloney  
3215 Legacy Drive  
Anchorage, AK 99516  
(907) 244-4119

Good afternoon, my name is Tom Maloney. I am a long term resident of South Anchorage and am providing personal testimony.

The Governor, his Administration and consultants, along with the Legislature and staff have done an outstanding job in examining our current production and tax system.

The DOR recently presented a graph on Crude Oil Production by State for 2011-2012. There were 15 locations. The number 2 and number 1 oil producing states were North Dakota and Texas. They were up over 55% and 34% respectively for the year. Every other state was up for the year, except one. You guessed it. Alaska was down by 7.1%. Even California was up.

In the fall of 2007, the Resource Review published by RDC contained the following quote from then Commissioner Pat Galvin: "Frankly, we have not said that ACES improves the investment climate—clearly, there is going to be a larger state share and that isn't going to make economics of projects better."

This was a very astute observation with has unfortunately been proven correct.

In calendar year 2007, North Slope oil production averaged 739 thousand barrels a day. How did calendar 2012 go? Production averaged 548 thousand barrels a day which is down 191 thousand barrels a day. Just think—5 short years ago, production was nearly 35% higher. Production ranged from a low of 399 thousand in August to a high of 624 thousand in January 2012. In 2012, the highest producing month was lower than the lowest producing month in 2007.

This is strictly not sustainable for a positive long term economy for Alaska. I urge the committee to focus on the Governor's guiding principles and to not be fine with production decline.

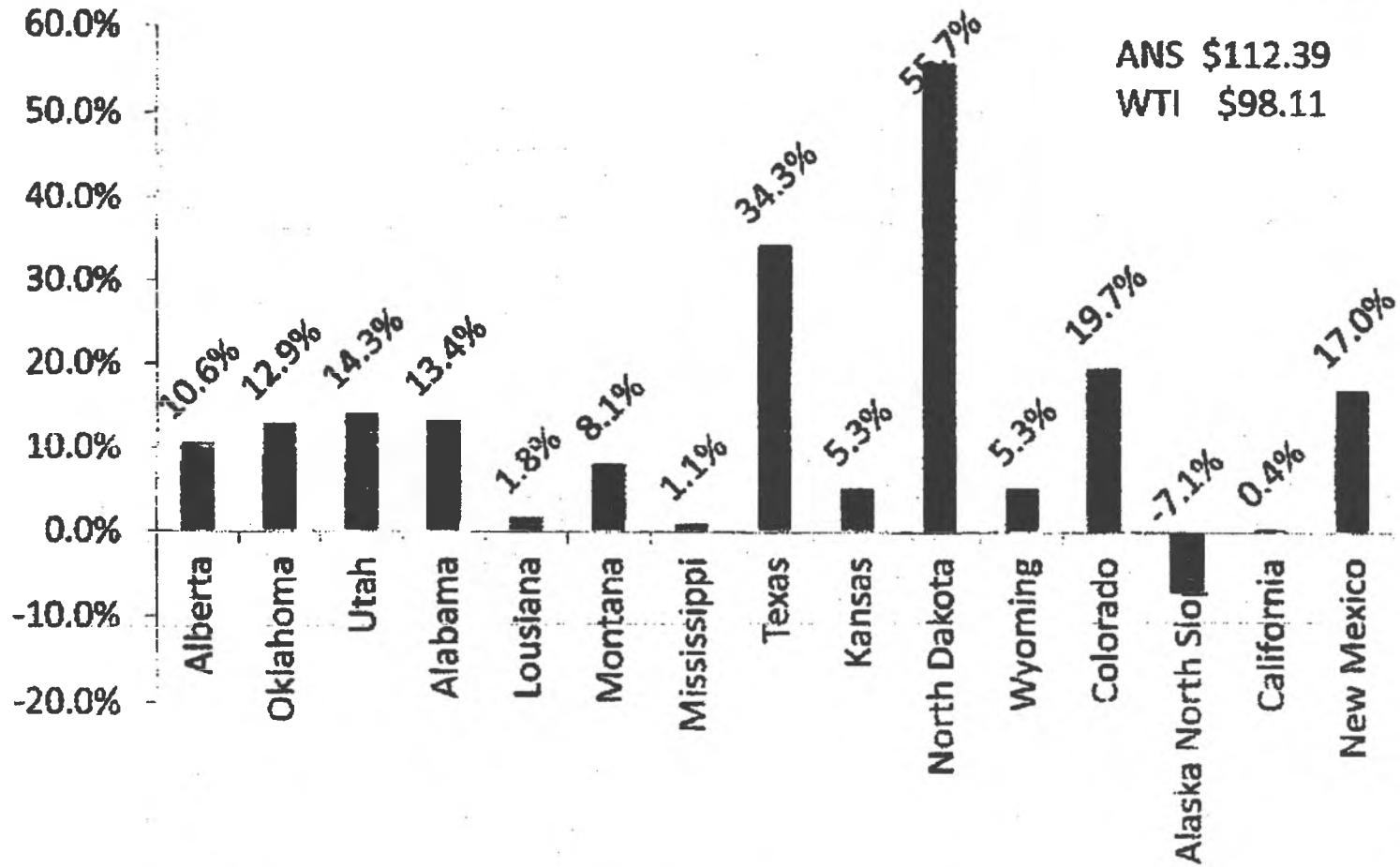
The reduction of 191 thousand BPD for a year at \$100 a barrel results in a reduction of approximately \$7 billion in Alaska's economy in one year alone. Let's change the course. We need to show that Alaska really is a resource state.



# Change in Average Daily Oil Production By State 2011-2012



Prepared by the Department of Revenue, Economic Research Group (March 18, 2013)



Source: EIA Crude Oil Production By State. Link: [http://www.eia.gov/dnav/pet/pet\\_cri\\_crdn\\_adc\\_mbbld m.htm](http://www.eia.gov/dnav/pet/pet_cri_crdn_adc_mbbld m.htm)

*Tom McInroy  
written testimony  
(SB 2-1)  
pg. 2 of 3  
House testimony*

# North Slope Oil Production Barrels Per Day (bpd)

	2007 bpd	2012 bpd	Better or (Worse) Than 2007
<b>January</b>	<b>796</b>	<b>624</b>	<b>(172)</b>
<b>February</b>	<b>775</b>	<b>609</b>	<b>(166)</b>
<b>March</b>	<b>764</b>	<b>591</b>	<b>(173)</b>
<b>April</b>	<b>757</b>	<b>578</b>	<b>(179)</b>
<b>May</b>	<b>779</b>	<b>571</b>	<b>(208)</b>
<b>June</b>	<b>725</b>	<b>517</b>	<b>(208)</b>
<b>July</b>	<b>725</b>	<b>430</b>	<b>(295)</b>
<b>August</b>	<b>658</b>	<b>399</b>	<b>(259)</b>
<b>September</b>	<b>649</b>	<b>516</b>	<b>(133)</b>
<b>October</b>	<b>715</b>	<b>571</b>	<b>(144)</b>
<b>November</b>	<b>765</b>	<b>582</b>	<b>(183)</b>
<b>December</b>	<b>756</b>	<b>582</b>	<b>(174)</b>
<b>Average Per Day</b>	<b>739</b>	<b>548</b>	<b>(191)</b>

*House Resolution*  
*Written testimony*  
*Tom Maloney*  
*(SB 01)*  
*Pg 3 of 3*

191,000 bpd x 365 x \$100/barrel is approximately \$7 BILLION DOLLAR reduction in Alaska's Economy in ONE YEAR alone.

House Resources  
SB 21

Lynn Johnson  
(written testimony)

April 01, 2013

To: House Resources Committee

From: Lynn C. Johnson Concerned Alaskan Citizen.

RE: SB 21 Testimony

- Alaskan resident for 40 years.
- Businessman. Dowland-Bach Corp.
- Alaska Support Industry Alliance, MACC, Girdwood 2020, Anchorage International Rotary Club, Past Chairman or Board American Red Cross of Alaska.
- Very Simple Message Today: **BECOME MORE COMPETITIVE WITH OTHER OIL PRODUCING BASINS.** North Dakota and Texas are kicking our tails in production rates. Investment capital flows to regions and projects with the best overall rate of return. Alaska is already "high cost" basin due to geography and our climate. Soon to 4<sup>th</sup> in Domestic production, behind California.
- We need meaningful reform that does the following:
  - 1) Fair to Alaskans
  - 2) Encourages New Production
  - 3) Simple
  - 4) Durable.
- Alaska's Economic Future is definitely at stake.
- We need to increase oil production now.
- **DO IT NOW.** This is the 3<sup>rd</sup> Legislative Session that testimony has been taken on ACES reform. In this period of study and debate, TAPS throughput has declined almost 100,000 barrels per day. Cannot afford further decline.
- **GO FOR IT FOR OUR FUTURE. MAKE ALASKA COMPETITIVE AGAIN.**

Lynn C. Johnson

[lynn@dowlandbach.com](mailto:lynn@dowlandbach.com)

(907) 242-5688

**Green, Graham P/ANV**

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Graham Green  
2335 Lord Baranof Drive  
Anchorage, Alaska 99517  
907-245-4148

SB 21 pg. 1 of 3  
Horse Resumes  
Graham Green  
(written testimony)

Good afternoon, It's a balmy thirty five degrees and sunny here in Anchorage. Would like to thank this committee for giving us the opportunity to share our thoughts on this really important piece of legislation. My name is Graham Green and I'm here representing myself.

Anyone who wants to know what the State of Alaska's policy on oil production has been can simply go to the Alaska Department of Natural Resource's Division of Oil and Gas website (<http://dog.dnr.alaska.gov/>). There Alaska's Oil / Gas Production graph shows it all. In 2002 Total production was 388 million barrels, ten years later in 2012 Total production was 211 million barrels. That's a 45+% decline. Since 2007 when the failed policy of ACES was enacted production has declined over 26%! (2007-286MMbbls, 2012-211MMbbls) How can this be seeing that oil prices are historically high in these years and production has risen in other oil producing states? Incredibly according to Economic Research Group all other oil producing states in 2012 had increases in production except the State of Alaska, who was down over 7%! Sadly, this weekend UAA Seawolve's mens hockey coach was let go after a second year of finishing in last place. According to KTUU athletic director Dr. Steve Cobb stated that "a change had to be made". After numerous production declining seasons since ACES was enacted "a change has to be made". I urge your support for SB21.

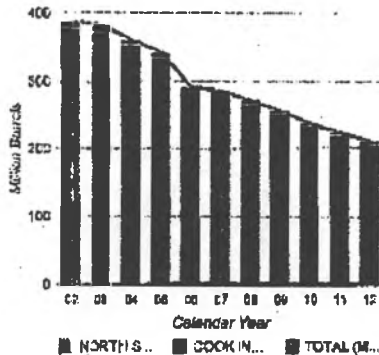
State of Alaska DNR, Division of Oil and Gas

*Graham Green pg. 2 of 3  
Written testimony (98-2-1)  
Horse Resources*

### Alaska's Oil / Gas Production

January 2013 Oil Production:	18.8 million barrels
Fiscal YTD Oil Production:	118.25 million barrels
January 2013 Gas Production:	23,156.84 MMcf
Fiscal YTD Gas Production:	203,963.058 MMcf
<small>MMcf = Million Cubic Feet Fiscal Year = July 1 - June 30</small>	

Annual Gross Oil Production off of State Lands 2002-2012



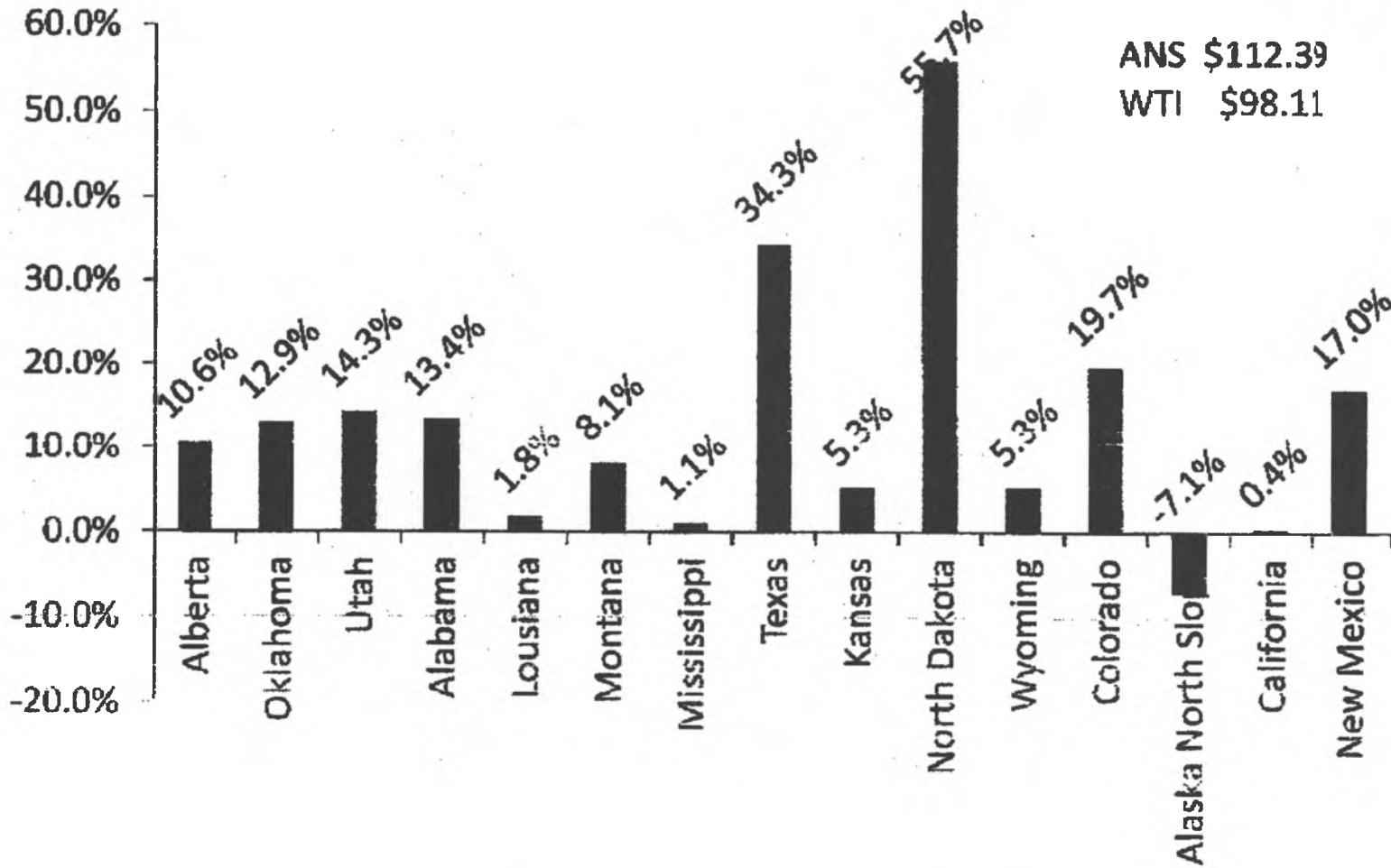
[Click here for detailed production data](#)



# Change in Average Daily Oil Production By State 2011-2012



Prepared by the Department of Revenue, Economic Research Group (March 18, 2013)



Source: EIA Crude Oil Production by State. Link: [http://www.eia.gov/totav/pet/pet\\_crd\\_crdpnd\\_cdc\\_mbbiupf\\_m.htm](http://www.eia.gov/totav/pet/pet_crd_crdpnd_cdc_mbbiupf_m.htm)

*Graham Berger  
with Hon. Jostrommy (SB 01)  
Honor Rosmarie pg. 3 of 3*

Michael Jespersen  
written testimony (SB 21)  
House Resources

**ANCHORAGE LEGISLATIVE INFORMATION OFFICE**

Email: Anchorage\_LIO@legis.state.ak.us  
907-269-0111/ phone, 907-269-0229/fax

**WRITTEN TESTIMONY**

NAME: Michael Jespersen  
REPRESENTING: Self  
BILL#/ SUBJECT: # SB 21 (Committee substitute)  
COMMITTEE &  
HEARING DATE: House Resources

Pass CS/SB 21.  
I come to speak in person however  
as a parent it is important that I keep a long  
standing appointment at my sons school.  
Pass this bill, give my children  
a future.

ACES didn't work TAPS - is below  
what the state said it would be this year  
when ACES passed.

Pass ~~CS~~ CS/SB 21. Take a small  
financial decrease now so there will be  
MORE money for the state in the  
future.

Please call me: 907-317-4213 or  
Jespersen@legis.alaska.net  
Pass SB 21!

Michael Jespersen

## WRITTEN TESTIMONY

Name: Pamela Brodie  
 Representing: \_\_\_\_\_  
 Bill No./Subject: SB 21  
 Committee: House Resources  
 Date of Hearing: April 2, 2013

Position: Opposed

Thank you for giving us the opportunity to testify.  
 If SB 21 would make the difference, leading the oil industry to exploration and development they would not otherwise pursue, it would be logical and rational for them to guarantee <sup>such</sup> exploration. But they do not.

If they would pursue this exploration regardless of a tax cut, it would be logical for them to lobby for the tax cut and wait for it - which they do - but also to give the state guarantees for future exploration. But they do not.

Only if <sup>they</sup> do not plan more development anyway is it logical for them to give the state no guarantees.

And this is what they are doing.

It is a frightening prospect that oil <sup>throughout</sup> is declining and the <sup>regardless of tax rates</sup> industry is apparently uninterested in more exploration. But even more frightening would be for the state to lower taxes to no purpose as the ~~state~~ amount of oil declines. Please vote "no" on SB 21. ~~Thank you.~~ so the state won't face double losses. Thank you.

**Linda Hay**

---

**From:** E. Thomas Robinson <etrobinson@alaska.edu>  
**Sent:** Monday, April 01, 2013 11:01 AM  
**Subject:** oil tax reform

**Categories:** Linda

We must pass meaningful oil tax reform, and we must do it this session.

E. Thomas Robinson, CPA, CMA, Professor Emeritus  
School of Management, University of Alaska Fairbanks  
Ducks Unlimited Member; Youth & Education National committee  
3744 Mitchell Avenue, Fairbanks, AK 99709-4635  
H:907.479.2110; C:750.3396 F:455.9110 email: [etrobinson@alaska.edu](mailto:etrobinson@alaska.edu)

**To the Honorable Co-Chairs of the House Resources Committee:**

**Representative Eric Feige:**

**Representative Dan Saddler:**

**and Committee Members::**

**Rep. Mike Hawker:**

**Rep. Craig Johnson:**

**Rep. Kurt Olson:**

**Rep. Paul Seaton**

**Rep. Peggy Wilson:**

**Rep. Geran Tarr:**

**Rep. Chris Tuck:**

**Testimony of Dan Donkel April 1, 2013;**

Please allow me to introduce my small company and myself to you. My name is Dan Donkel and I am the founder of Donkel Oil and Gas LLC, and Danco Exploration Inc.

My primary reason for being here today is to explain what I believe is necessary for this Legislature to do if it wants to see those smaller companies whose business is confined to exploration, production and sale of crude oil, companies commonly referred to as independents, flourish in Alaska. I am in the business of bringing such companies to Alaska and have been for thirty years. For my business and the business of those I bring to Alaska to be successful, I believe, NO. I KNOW. — this legislature needs to do three things that are not being considered in this bill..

This Legislature should:

1. Adopt a simple easy to explain 75% exploration and production credit that can't be manipulated to exclude independents
2. While leaving a fixed royalty in place, provide a seven year exemption from taxes for all new production outside of the existing participating areas:
3. Leave the ACES tax, including its progressivity as is for all existing participating areas:

I am going to share some information with you that the Majors don't want you to know. By Majors, I mean companies that I mean those fully integrated companies that explore, drill, transport, refine, and distribute, refined products for wholesale and retail.

I began forming investment groups and partnerships to acquire, explore, drill, and otherwise promote small leases on the Kenai in the early nineteen eighties. My first big re-sales were to Arco, Amoco, and Unocal. In the mid-eighties I acquired over 100,000 leased acres in Cook Inlet. Today, part of that acreage is known as the Redoubt unit operated by Cook Inlet Energy. In 1995 I sold to Marathon a 50 % interest in the Sterling oil and gas unit which I acquired from Unocal. In 2010 we encouraged Apache to come to Alaska and purchase 200,000 acres we had leased in the Cook

Inlet. The Osprey, the last platform to be built in the Cook Inlet, was built to access a formation that was made interesting by geological and geophysical reports developed and presented by Danco Exploration.

For thirty years I've made a living from the royalty and partnership interests I have retained in producing fields I helped bring into production. I have high expectations for royalty interests I have in the fields Buccaneer Energy plans to drill next summer. No company has interests more closely aligned with Alaska's need to attract companies willing to buy and drill leases.

When ACES passed I refocused to take advantage of new investment opportunities made possible on the North Slope by ACES. Today, an investment partner Samuel H. Cade and I hold leases on around 200,000 acres on the North Slope.

Since ACES was passed we've sold leases to Pioneer, Brooks Range Petroleum, Bald Eagle, True North Energy, Buccaneer, Apache, Aurora, and Fox Petroleum.— True North Energy partnered with Savant to drill a well near Liberty and Duck Island. In total, we've sold around 200,000 leased North Slope acres. The hole Fox Petroleum and Savant drilled was dry. True North Energy elected to put Alaska behind; citing harsh regulations and uncooperative regulators for their decision. Several of those who we have sold leases to have publicly stated that the credits made available through ACES is why we are here. My fear is what will happen to future markets when our prospects observe the difficulty the independents we have sold to will have getting the oil they find into the pipeline without being the victim of excessive charges by the owners of the feeder-lines and conditioning facilities..

We at Donkel Oil have been aggressively selling Polar Petroleum on Alaska's cost participation program and recently sold them 40,000 acres. Polar Petroleum opened an office in Alaska last month. We are now negotiating a sale to an Australian company who has put us on hold, waiting to see what happens with SB-21. If SB-21 passes the House as it passed the Senate, it is less than likely that we will be closing that sale.

As written by the Senate, SB-21 will enable the major oil companies, BP, ConocoPhillips, and EXXON, to elbow small companies like mine off the slope. It is our hope that the Alaska House will have the wisdom to use SB-21 to not only keep the participation program created by ACES, we hope you will also use it to level the playing field between us and the Majors. We will bring more small players to Alaska if you do.

My experiences have convinced me that the Majors' don't want companies we attract on the Slope. We threaten their control of the basin. To such ends, the Majors use the regulatory system to their

advantage. Regulators give sway to the Majors but stand rigidly for independents and I will give you examples. The Majors have the time and financial strength to litigate and navigate regulations that keep smaller companies away. The Majors also have a need for reserve crude supplies that the independents do not. The Majors need crude they control as a back-up in the event a large source of crude is lost. A backup supply protects the Majors from losing their retail market share due to even a temporary interruption in their ability to meet their market share for retail refined products.

Smaller companies are not integrated from the well to the gas pump and have no such need. Smaller companies have a much shorter window of time to drill and produce before they are bled dry by an uncooperative regulatory system. It took a large company like Anadarko to challenge the excessive pipeline tariff. Companies of the size I deal with would likely go bankrupt if they had tried. Preferential treatment for the Majors comes in many forms and it is contributing to Alaska's production decline.

Hemi Springs is an example of regulators favoring the Majors. Hemi Springs is a proven approximate 500 bpd oil and gas field discovered by ARCO in 1984. Like point Thompson, Hemi Springs has had no production in 29 years. Repsol saw value and tendered a bid (***North Slope lease sale 2011 tract #973***) for the opportunity to develop it and their bid was denied. Last year (***NS 2012***) Donkel oil tendered a bid on the same tract and we are waiting for a response.

In contrast, just two miles from Point Thompson, Donkel oil made application for a unit to develop a discovery in the East Point Thompson Field, which was estimated to flow at 700 to 800 bpd. Donkel planned to drill an exploration well in August of 2015. Commissioner Dan Sullivan and his D.O.G. Director Bill Barron denied Donkel oil's unit application and there are no immediate plans to develop the find at this time.

My first point is this. The biggest obstacle in the way of my ability to attract new interments to Alaska's oil patch comes from the interference run by the Majors and those regulators who pander to their every wish. the biggest selling point has been the credits and the profits guaranteed by ACES.

My second point is; — someone needs to ask why DNR DOG is allowing ConocoPhillips to store the Hemi Springs oil in the ground. This is one of many examples where I believe the Majors are using Alaska as a warehouse reserve to be accessed in the event of an interruption in supply. Other examples include the Kavik Field, also held by ConocoPhillips for nearly thirty years and the Mikkelsen OIL Field, which Exxon, Conoco, and Shell have all held an interest in for nearly thirty years.

As passed by the Senate, the only thing SB 21 will produce is a windfall profit and a tighter lock on the North Slope for the Majors. For the independent oil and gas companies it will provide lawsuits and bankruptcies. And it may well put me and everyone like me out of business.

The only thing that's clear about SB 21 is just how unclear everyone is on how credits will be managed. Based on my long, successful history in attracting oil and gas companies to Alaska, I believe SB 21 is a deal killer. I believe DNR DOG will use its complication to arbitrarily pour money into the pockets of the Majors, while sandbagging the independents. I believe the simpler way of doing things outlined below would cause the Majors to produce more oil and I know it would enable me to pick up the pace of bringing new independents into Alaska's exploration and production market.

(1.) The State should just keep the tax portion of ACES and its progressivity as is on all participating areas in producing units as of the effective date of this act. Doing so would provide the State with the revenue necessary to fund a simplified flat 75% E&P credit on all non-producing units and on all E&P expenditures spent drilling for new oil north of the Brooks Range. New discoveries and new participating areas north of the Brooks Range should receive a 7-year (fixed royalty only) tax holiday for all new production on non-producing units or leases. ACES allows an extraordinarily generous profit for existing proven fields whose investors have recovered their investments years ago. Keeping ACES won't discourage production, and applying it, with its existing progressivity, to companies like mine, after seven years of investment recovery, would be more than fair. The Majors should like such a plan. It should incentivize them to explore more and produce new oil. If they don't, it's a good bet that they, for reasons of their own, have no intention of drilling for new oil under any circumstances. The credit should be monetized annually within 90 days of the FY year-end after the money is spent on E&P cost to be effective to cause new oil production and royalty income currently received on an oil and gas lease contract.

(2.) The State should steer clear of complicated and hard to audit tax credits. Complicated regulations create opportunities for arbitrary decisions by regulators who favor Majors over independents. The credit should cover permitting, well cost, roads, all seismic work, production facilities, gathering systems, pipelines, geological and geophysical work and other relative costs that cause new investment, including reasonable promotional costs to find new investment partners to find new oil and produce. The tax holiday should begin when production of oil or gas is placed on line and end seven years thereafter.

I've spent 30 years in Alaska investing and bringing oil companies to Alaska to explore. A system that favors the Majors has prevented all small independents from ever making a profit in Alaska.

I realized this years ago and consequently chose to use my knowledge and experience to compete, where the Majors could not interfere. With the help of some of the world's best geologists I carefully select the most marketable oil and gas leases I can find, and display them year after year at the North American Prospect Expo, (NAPE). — NAPE typically has over 17,000 attendees. Many of those attendees are there in search of exploration opportunity. My exhibiter booth is always well equipped and well staffed with maps, geophysical data, and Geologists familiar with the North Slope and the leases were promoting.

My goal at NAPA is to attract oil companies to Alaska who will drill and produce. The goal of Alaska's Legislature is to attract oil companies to Alaska who will drill and produce. No one has interests more clearly paralleled with Alaska's interests than Donkel Oil and Gas. If SB 21 is amended to reflect these recommendations, my job will be much easier and Alaska will be the biggest winner.

I have been studying the oil and gas Industry for decades. I've compared regulatory systems and tax regimes all over the world. From that learning experience, I believe there are three things Alaskans need to know. (1.) If you give a fully integrated major oil company control of your basin, they will abuse you. (2) No matter what tax regime you install, the Majors will always say it's not enough. (3.) Contrary to what the Majors would have you believe, ACES is generous in comparison to the majority of the tax regimes around the world. My ability to explain the generosity of ACES at my booth has enabled me to attract several independents to Alaska.

If you want to ramp up the salability of Alaska, give us who do the selling the tools.

1. Adopt a simple easy to explain 75% exploration and production credit that can't be manipulated to exclude independents
2. While leaving a fixed royalty in place, provide a seven year exemption from taxes for all new production outside of the existing participating areas:
3. Leave the ACES tax, including its progressivity as is for all existing participating areas:

Alaska would then have one of the strongest producer magnets in the world.

Thank you for your time and consideration,

Best Regards,  
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