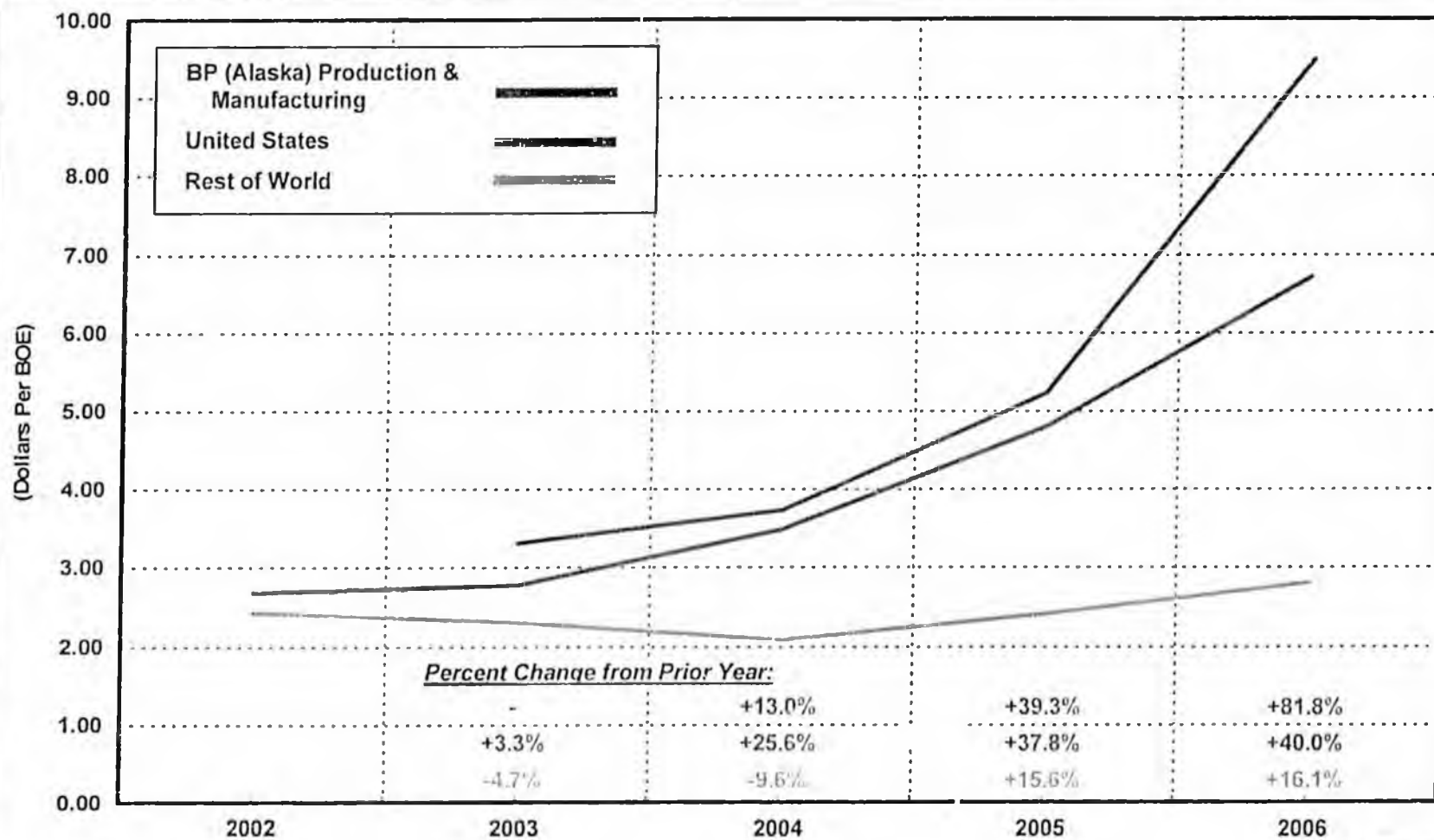


AK LEGISLATURE FINANCE COMMITTEES FILES 2007-2008 3405

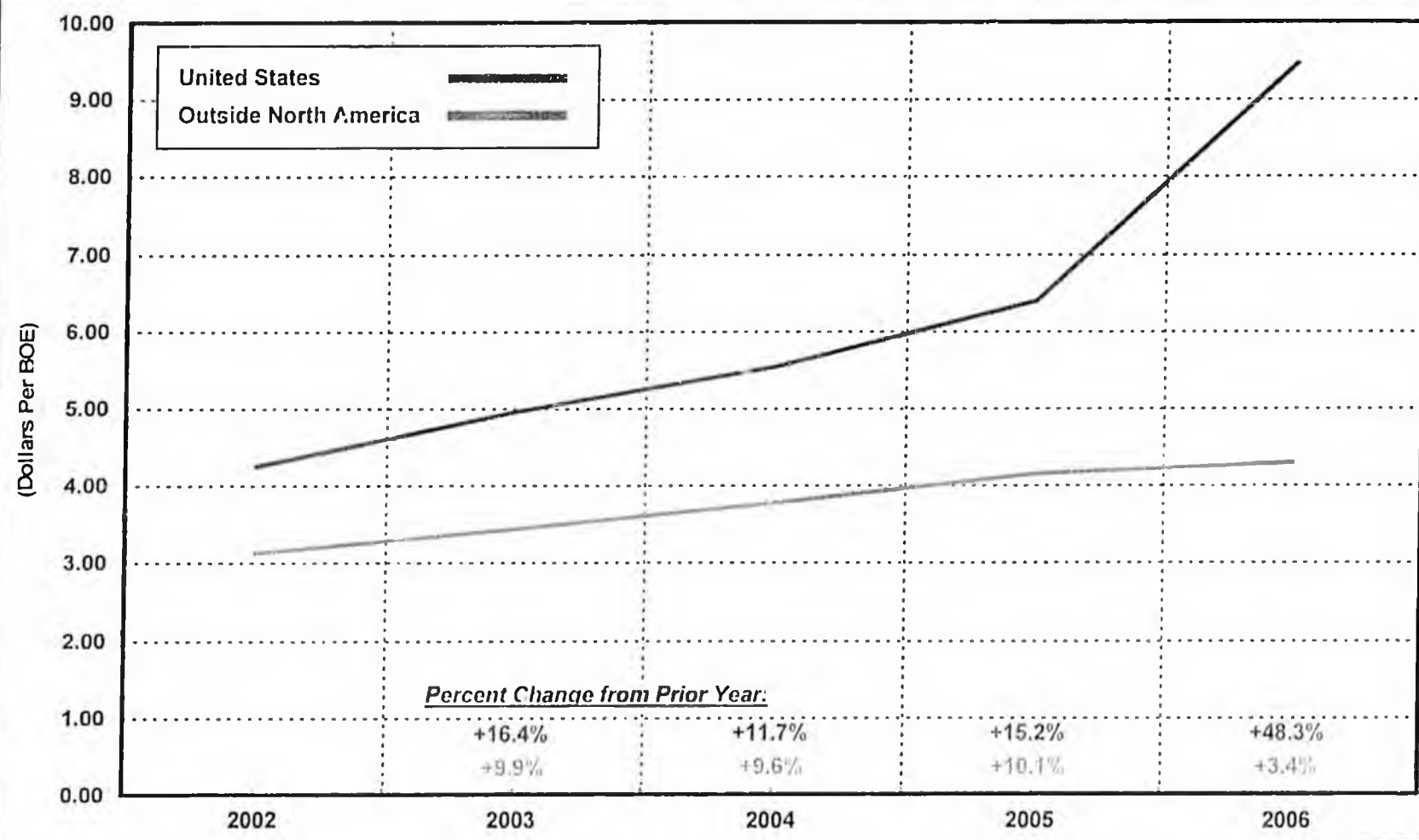
# BP Reported Production Costs Per BOE 2002 - 2006



Source: BP Financial and Operating Information, 2002-2006.

# **Attachment 11**

# ExxonMobil Reported Production Costs Per BOE 2002 - 2006

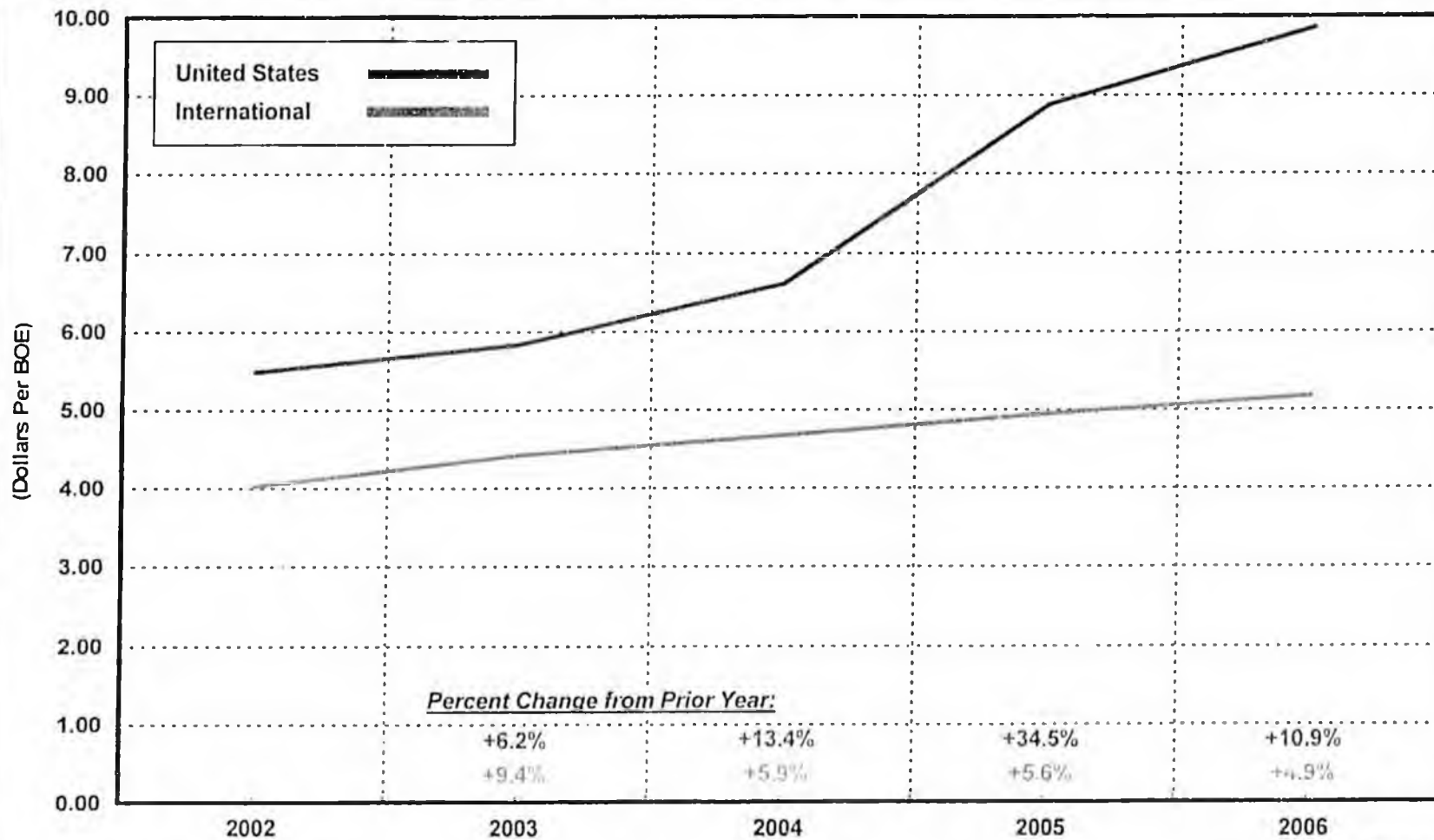


Source: ExxonMobil Financial and Operating Review, 2006.



# **Attachment 12**

# Chevron Reported Production Costs Per BOE 2002 - 2006



Source: Chevron 10-K filings.



# AMENDMENTS

SENATE FINANCE  
COMMITTEE

Amendment # 1

To Bill Number: \_\_\_\_\_

Sponsor: Hoffman

Date: 11/14 Logged by: \_\_\_\_\_

25-GH0014R.14  
Chenoweth/Bullock  
11/14/07

*adopted*

AMENDMENT

OFFERED IN THE SENATE

*BY SEN HOFFMAN*

TO: SCS CSHB 2001(FIN), Draft Version "R"

1 Page 12, line 17, through page 13, line 5:

2 Delete all material and insert:

3 "(g) The tax rate applied to the monthly production tax value of oil and gas  
4 under (e) of this section for each month of the calendar year in which the tax is levied  
5 is 25 percent plus, for each month for which the monthly average production tax value  
6 for each BTU equivalent barrel is more than

7 (1) \$30 but not more than \$90, 0.4 percent multiplied by the number  
8 that represents the difference between the average production tax value for each BTU  
9 equivalent barrel of the taxable oil and gas for that month and \$30;

10 (2) \$90, the sum of 24 percent and the product of 0.1 percent  
11 multiplied by the number that represents the difference between the average  
12 production tax value for each BTU equivalent barrel of the taxable oil and gas for that  
13 month and \$90, except that the sum determined under this paragraph may not exceed  
14 50 percent."

15

16 Page 15, line 14:

17 Delete "22.5"

18 Insert "25"

19

20 Page 15, line 28:

21 Delete "22.5"

22

23 Page 16, line 7:

1 Delete "22.5"

2 Insert "25"

3

4 Page 19, line 26:

5 Delete "22.5"

6 Insert "25"

SENATE FINANCE  
COMMITTEE  
Amendment # 2  
To Bill Number: \_\_\_\_\_  
Sponsor: Stedman  
Date: 11/14 Logged by: \_\_\_\_\_

25-GH0014R.22  
Luckhaupt/Bullock  
11/14/07

*adopted*

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR STEDMAN

TO: SCS CSHB 2001(FIN), Draft Version "R"

- 1 Page 11, line 22, following "equal to the":
- 2       Insert "sum, over all the months of the calendar year, of the"
- 3
- 4 Page 11, line 22, following "value":
- 5       Insert "for the month"
- 6
- 7 Page 11, line 23, following "rate":
- 8       Insert "for the month"
- 9
- 10 Page 15, line 14:
- 11       Delete "22.5 percent of"
- 12       Insert "the total tax rate for the month determined in AS 43.55.011(g) multiplied by"
- 13
- 14 Page 15, line 28:
- 15       Delete "22.5 percent of"
- 16       Insert "the total tax rate for the month determined in AS 43.55.011(g) multiplied by"
- 17
- 18 Page 16, line 7:
- 19       Delete "22.5 percent of"
- 20       Insert "the total tax rate for the month determined in AS 43.55.011(g) multiplied by"
- 21
- 22 Page 35, line 27, through page 38, line 3:
- 23       Delete all material and insert:

1     \*\* Sec. 46. AS 43.55.160(a) is amended to read:

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

3                     (1) AS 43.55.011(e), the annual production tax value of the taxable

4                             (A) oil and gas produced during a calendar year from leases or  
5                             properties in the state that include land north of 68 degrees North latitude is the  
6                             gross value at the point of production of the oil and gas taxable under  
7                             AS 43.55.011(e) and produced by the producer from those leases or properties,  
8                             less the producer's lease expenditures under AS 43.55.165 for the calendar year  
9                             applicable to the oil and gas produced by the producer from those leases or  
10                            properties, as adjusted under AS 43.55.170;

11                           (B) oil and gas produced during a calendar year from leases or  
12                           properties in the state outside the Cook Inlet sedimentary basin, no part of  
13                           which is north of 68 degrees North latitude, is the gross value at the point of  
14                           production of the oil and gas taxable under AS 43.55.011(e) and produced by  
15                           the producer from those leases or properties, less the producer's lease  
16                           expenditures under AS 43.55.165 for the calendar year applicable to the oil and  
17                           gas produced by the producer from those leases or properties, as adjusted under  
18                           AS 43.55.170;

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

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

31                           (2) AS 43.55.011(g), the monthly production tax value of the taxable

1 (A) oil and gas produced during a month from leases or  
2 properties in the state that include land north of 68 degrees North latitude is the  
3 gross value at the point of production of the oil and gas taxable under  
4 AS 43.55.011(e) [AS 43.55.011(g)] and produced by the producer from those  
5 leases or properties, less 1/12 of the producer's lease expenditures under  
6 AS 43.55.165 for the calendar year applicable to the oil and gas produced by  
7 the producer from those leases or properties, as adjusted under AS 43.55.170;

8 (B) oil and gas produced during a month from leases or  
9 properties in the state outside the Cook Inlet sedimentary basin, no part of  
10 which is north of 68 degrees North latitude, is the gross value at the point of  
11 production of the oil and gas taxable under AS 43.55.011(e) [AS 43.55.011(g)]  
12 and produced by the producer from those leases or properties, less 1/12 of the  
13 producer's lease expenditures under AS 43.55.165 for the calendar year  
14 applicable to the oil and gas produced by the producer from those leases or  
15 properties, as adjusted under AS 43.55.170;

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

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

30

31 Page 38, line 10:

1 Delete "a [(a)(1)]"

2 Insert "(a)(1)"

3

4 Page 38, line 17:

5 Delete "(a)(3) or (4)"

6 Insert "(a)(1)(C) or (D)"

SENATE FINANCE COMMITTEE  
11 / 14 / 2007 COMMITTEE ACTION

Bill Number	HB2001		
Amendment			
Motion			
<u>Motion by</u>			
<u>Objection by</u>			
Removed			
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Elton	✓		
Senator Huggins	✓		
Senator Olson	✓		
Senator Thomas	✓		
Senator Dyson		✓	
Co-Chair Hoffman	✓		
Co-Chair Stedman	✓		
<u>Tally</u>			
Yea	6		
Nay			
Absent	1		
<b>MOTION</b>			

SENATE FINANCE  
COMMITTEE  
Amendment # 3  
To Bill Number: \_\_\_\_\_  
Sponsor: Hoffman  
Date: 11/14 Logged by: \_\_\_\_\_

25-GH0014R.23  
Cook/Bullock  
11/14/07

*passed 6-1*

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR STEDMAN

TO: SCS CSHB 2001(FIN), Draft Version "R"

1 Page 2, line 7:

2 Delete "sec. 65"

3 Insert "sec. 64"

4

5 Page 38, line 27, through page 40, line 18:

6 Delete all material and insert:

7 **\*\* Sec. 49. AS 43.55.165(a) is amended to read:**

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

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

23 (2) the standards adopted by the Department of Natural Resources that

1 determine the costs, other than items listed in (c) of this section, that a lessee is  
2 allowed to deduct from revenue in calculating net profits under a lease issued under  
3 AS 38.05.180(f)(3)(B), (D), or (E)."  
4

5 Renumber the following bill sections accordingly.  
6

7 Page 47, line 20:

8 Delete "45 - 57"

9 Insert "45 - 56"  
10

11 Page 49, line 4:

12 Delete "45 - 57"

13 Insert "45 - 56"

14 Delete "sec. 64"

15 Insert "sec. 63"  
16

17 Page 49, line 14:

18 Delete "45 - 57"

19 Insert "45 - 56"  
20

21 Page 50, line 1:

22 Delete "45 - 57"

23 Insert "45 - 56"  
24

25 Page 50, line 3:

26 Delete "sec. 65"

27 Insert "sec. 64"

SENATE FINANCE  
COMMITTEE  
Amendment # 4  
To Bill Number: \_\_\_\_\_  
Sponsor: Hoffman  
Date: 11/14 Logged by: \_\_\_\_\_

25-GH0014R.17  
Kane/Bullock  
11/14/07

*passed*

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR HOFFMAN

TO: SCS CSHB 2001(FIN), Draft Version "R"

- 1 Page 2, line 20:
- 2 Delete "and"
- 3
- 4 Page 2, line 22, following "state":
- 5 Insert "; and
- 6 (5) for statewide energy needs of Alaskans to assist with rising energy costs"

SENATE FINANCE  
COMMITTEE  
Amendment # 5  
To Bill Number: \_\_\_\_\_  
Sponsor: Olson  
Date: 11/14 Logged by: \_\_\_\_\_

25-GH0014\R.15  
Kane/Bulleck  
11/14/07

*adopted*  
AMENDMENT

OFFERED IN THE SENATE

BY SENATOR OLSON

TO: SCS CSHB 2001(FIN), Draft Version "R"

- 1 Page 22, line 23:
- 2 Delete "20"
- 3 Insert "30 [20]"
- 4
- 5 Page 22, line 25:
- 6 Delete "20"
- 7 Insert "30 [20]"
- 8
- 9 Page 24, line 2:
- 10 Delete "20"
- 11 Insert "30"

SENATE FINANCE  
COMMITTEE  
Amendment # 6  
To Bill Number: \_\_\_\_\_  
Sponsor: OLSON  
Date: 11/14 Logged by: \_\_\_\_\_

25-GH0014\R.13  
Cook/Bullock  
11/14/07

*adopted*

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR OLSON

TO: SCS CSHB 2001(FIN), Draft Version "R"

1 Page 26, lines 13 - 21:

2 Delete all material and insert:

3 "(i) in the case of well data, until the expiration of  
4 the 24-month period of confidentiality described in AS 31.05.035(c)  
5 [FOR 10 YEARS FOLLOWING THE COMPLETION DATE], at  
6 which time the Department of Natural Resources [THAT  
7 DEPARTMENT] will release the information after 30 days' public  
8 notice unless, in the discretion of the commissioner of natural  
9 resources, it is necessary to protect information relating to the  
10 valuation of unleased acreage in the same vicinity, or unless the  
11 well is on private land and the owner, including the lessor but not  
12 the lessee, of the oil and gas resources has not given permission to  
13 release the well data;"

14  
15 Page 26, line 26, following "notice":

16 Insert ", except as to seismic or other geophysical data acquired from  
17 private land, unless the owner, including a lessor but not a lessee, of the oil and  
18 gas resources in the private land gives permission to release the seismic or other  
19 geophysical data associated with the private land"

SENATE FINANCE  
COMMITTEE  
Amendment # 7  
To Bill Number: \_\_\_\_\_  
Sponsor Stedman  
Date: 11/14 Logged by: \_\_\_\_\_

25-GH0014\R.19  
Chenoweth/Bullock  
11/14/07

*adopted*

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR STEDMAN

TO: SCS CSIB 2001(FIN), Draft Version "R"

1 Page 23, lines 25 - 27:

2 Delete "costs arising from gross negligence or violation of health, safety, or  
3 environmental statutes or regulations:"

4 Insert "costs, including repairs and replacements, arising from or associated with  
5 fraud, wilful misconduct, gross negligence, criminal negligence, or violation of law,  
6 including a violation of 33 U.S.C. 1319(c)(1) or 1321(b)(3) (Clean Water Act):"

7

8 Page 41, lines 26 - 28:

9 Delete all material and insert:

10 "(6) costs, including repairs and replacements, arising from or  
11 associated with fraud, wilful misconduct, [OR] gross negligence, criminal  
12 negligence, or violation of law, including a violation of 33 U.S.C. 1319(c)(1) or  
13 1321(b)(3) (Clean Water Act):"

SENATE FINANCE  
COMMITTEE  
Amendment # 8  
To Bill Number: \_\_\_\_\_  
Sponsor: Stedman  
Date: 11/14 Logged by: \_\_\_\_\_

25-GH0014\R.21  
Cook  
11/14/07

*adopted*

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR STEDMAN

TO: SCS CSHB 2001(FIN), Draft Version "R"

- 1 Page 22, following line 17:
- 2       Insert new bill sections to read:
- 3       "\* Sec. 30. AS 43.55.024(a) is amended to read:
- 4               (a) For a calendar year for which a producer's tax liability under
- 5               AS 43.55.011(e) [OR (f)] on oil and gas produced from leases or properties outside the
- 6               Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude,
- 7               exceeds zero before application of any credits under this chapter, a producer that is
- 8               qualified under (e) of this section may apply a tax credit against that liability of not
- 9               more than \$6,000,000.
- 10       \* Sec. 31. AS 43.55.024(c) is amended to read:
- 11               (c) For a calendar year for which a producer's tax liability under
- 12               AS 43.55.011(e) [OR (f)] exceeds zero before application of any credits under this
- 13               chapter, other than a credit under (a) of this section but after application of any credit
- 14               under (a) of this section, a producer that is qualified under (e) of this section and
- 15               whose average amount of oil and gas produced a day and taxable under
- 16               AS 43.55.011(e) [OR (f)] is less than 100,000 BTU equivalent barrels a day may apply
- 17               a tax credit under this subsection against that liability. A producer whose average
- 18               amount of oil and gas produced a day and taxable under AS 43.55.011(e) [OR (f)] is
- 19                       (1) not more than 50,000 BTU equivalent barrels may apply a tax
- 20                       credit of not more than \$12,000,000 for the calendar year;
- 21                       (2) more than 50,000 and less than 100,000 BTU equivalent barrels
- 22                       may apply a tax credit of not more than \$12,000,000 multiplied by the following
- 23                       fraction for the calendar year:

1  $1 - [2 \times (AP - 50,000)] \div 100,000$

2 where AP = the average amount of oil and gas taxable under AS 43.55.011(e) [OR  
3 (f)], produced a day during the calendar year in BTU equivalent barrels.

4 \* Sec. 33. AS 43.55.024(e) is amended to read:

5 (e) On written application by a producer that includes any information the  
6 department may require, the department shall determine whether the producer  
7 qualifies for a calendar year under this section. To qualify under this section, a  
8 producer must demonstrate that its operation in the state or its ownership of an interest  
9 in a lease or property in the state as a distinct producer would not result in the division  
10 among multiple producer entities of any production tax liability under  
11 AS 43.55.011(e) [OR (f)] that reasonably would be expected to be attributed to a  
12 single producer if the tax credit provisions of (a) or (c) of this section did not exist.

13 \* Sec. 34. AS 43.55.024(g) is amended to read:

14 (g) A tax credit authorized by (c) of this section may not be applied to reduce  
15 a producer's tax liability for any calendar year under AS 43.55.011(e) [OR (f)] below  
16 zero."

17  
18 Renumber the following bill sections accordingly:

19  
20 Conform internal references to bill sections so that sections 30 - 33, added by this amendment,  
21 are retroactive to July 1, 2007.

SENATE FINANCE  
COMMITTEE  
Amendment # 9  
To Bill Number: \_\_\_\_\_  
Sponsor: Stedman  
Date: 11/14 Logged by: \_\_\_\_\_

25-GH0014\R.24  
Cook/Bullock  
11/14/07

*- adopted -*

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR STEDMAN

TO: SCS CSHB 2001(FIN), Draft Version "R"

- 1 Page 19, line 13:
- 2 Delete "]"
- 3
- 4 Page 19, lines 14 - 17:
- 5 Delete all material.
- 6
- 7 Page 19, line 18:
- 8 Delete "["
- 9
- 10 Page 20, lines 4 - 5:
- 11 Delete "other than a tax credit described in (a)(3) of this section, and"

SENATE FINANCE  
COMMITTEE  
Amendment # 10  
To Bill Number: \_\_\_\_\_  
Sponsor: Elton  
Date: 11/14 Logged by: \_\_\_\_\_

25-GH0014\R.8  
Cook/Bullock  
11/14/07

*adopted*

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR ELTON

TO: SCS CSHB 2001(FIN), Draft Version "R"

- 1 Page 46, line 11:  
2 Delete "a new section"  
3 Insert "new sections"  
4  
5 Page 46, following line 30:  
6 Insert new material to read:  
7 "Sec. 43.55.895. Applicability to municipal entities. (a) Notwithstanding  
8 AS 29.35.670(a) or other provision of law, a producer that is a municipal entity is  
9 subject to taxation and payment of surcharges under this chapter for oil and gas that it  
10 sells to another party.  
11 (b) A municipal entity subject to taxation because of this section is eligible for  
12 all tax credits under this chapter to the same extent as any other producer.  
13 (c) In this section, "municipal entity" means a municipality, municipally  
14 owned utility, public corporation of a municipality, or entity established by more than  
15 one municipality."

SENATE FINANCE COMMITTEE  
11 / 14 / 2007 COMMITTEE ACTION

Bill Number	HB 2001		
Amendment			
Motion			
<u>Motion by</u>			
<u>Objection by</u>			
<u>Removed</u>			
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Dyson			✓
Senator Elton	✓		
Senator Huggins	✓		
Senator Olson	✓		
Senator Thomas	✓		
Co-Chair Hoffman	✓		
Co-Chair Stedman	✓		
<u>Tally</u>			
Yea	6		
Nay	1		
Absent			
<b>MOTION</b>			

SENATE FINANCE  
COMMITTEE  
Amendment # 11  
To Bill Number: \_\_\_\_\_  
Sponsor: Elton  
Date: 11/14 Logged by: \_\_\_\_\_

25-GH0014\R.6  
Mischel/Bullock  
11/13/07

*passed 6-1*

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR ELTON

TO: SCS CSHB 2001(FIN), Draft Version "R"

- 1 Page 2, line 7:
- 2 Delete "sec. 65"
- 3 Insert "sec. 66"
- 4
- 5 Page 47, following line 17:
- 6 Insert a new bill section to read:
- 7 "\* Sec. 58. AS 39.25.110(42) is repealed December 31, 2011."
- 8
- 9 Renumber the following bill sections accordingly.
- 10
- 11 Page 49, line 4:
- 12 Delete "sec. 64"
- 13 Insert "sec. 65"
- 14
- 15 Page 50, line 3:
- 16 Delete "sec. 65"
- 17 Insert "sec. 66"

SENATE FINANCE  
COMMITTEE  
Amendment # 12  
To Bill Number: \_\_\_\_\_  
Sponsor: Stedman  
Date: 11/14 Logged by: \_\_\_\_\_

25-GH0014\R.18  
Bullock  
11/14/07

*adopted*

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR STEDMAN

TO: SCS CSHB 2001(FIN), Draft Version "R"

1 Page 15, line 4:

2 Delete "and (i)"

3

4 Page 15, line 8:

5 Delete "and (i)"

6

7 Page 34, following line 17:

8 Insert a new subsection to read:

9 "(i) A person who, under (h) of this section, provides, in bad faith, to the  
10 department erroneous information about noncompliance with the provisions of this  
11 chapter by an explorer or producer of oil or gas shall pay to the

12 (1) department all expenses related to the department's investigation of  
13 the alleged noncompliance; and

14 (2) explorer or producer about whom the noncompliance was alleged  
15 all expenses that are incurred by the explorer or producer relating to the department's  
16 investigation of the alleged noncompliance."

17

18 Page 47, lines 20 - 21:

19 Delete all material and insert:

20 "APPLICABILITY. (a) AS 43.55.165(e)(19), enacted by the amendment to  
21 AS 43.55.165(e) in sec. 52 of this Act, applies to expenditures after March 31, 2006.

22 (b) Except as provided in (a) of this section, secs. 15 - 27, 29 - 38, and 45 - 57 of this  
23 Act apply to oil and gas produced after June 30, 2007."

1

2 Reletter the following subsections accordingly.

3

4 Page 48, line 31, following "under":

5       Insert "AS 43.55.020(a) during the period after March 31, 2006, and before the  
6 effective date of sec. 21 of this Act, and under"

7

8 Page 49, line 1:

9       Delete "June 30, 2007"

10       Insert "March 31, 2006"

11

12 Page 49, lines 3-5:

13       Delete "AS 43.55.020(a) because of the retroactive application of secs. 15 - 27, 29 -  
14 38, and 45 - 57"

15       Insert "AS 43.55 because of the retroactive application of AS 43.55.165(e)(19), as  
16 enacted in the amendment to AS 43.55.165(e) in sec. 52 of this Act, that is retroactive to  
17 April 1, 2006 under sec. 64 of this Act, and the retroactive application of secs. 15 - 27, 29 -  
18 38, 45 - 51, 53 - 57, and that part of AS 43.55.165(e) in sec. 52"

19

20 Page 49, line 5:

21       Delete "June 30, 2007"

22       Insert "March 31, 2006"

23

24 Page 49, line 14, following "2007":

25       Insert ", except that a regulation adopted by the Department of Revenue to implement,  
26 interpret, make specific, or otherwise carry out AS 43.55.165(e)(19), as enacted in the  
27 amendment to AS 43.55.165(e) in sec. 52 of this Act, may apply retroactively to April 1,  
28 2006"

29

30 Page 50, line 1:

31       Delete all material and insert:

1           (b) AS 43.55.165(c)(19), enacted by the amendment to AS 43.55.165(c) in sec. 52 of  
2 this Act, is retroactive to April 1, 2006.

3           (c) Except as provided in (b) of this section, secs. 15 - 27, 29 - 38, and 45 - 57 of this  
4 Act are retroactive to July 1, 2007."

PUBLIC  
TESTIMONY



# Alaska State Legislature

Please enter into the record my testimony to the House + Senate Finance  
 committee name  
 committee on HB + SB 2001, dated 11-8-07  
 bill/subject

All,  
 What we fail to take into account is the cost of the development of the oil fields, drilling wells and building infrastructure to fill the declining oil currently produced. Maybe Alaska should partner with the oil companies for the development of the new and existing oil fields. Have a stake in research and development to recover additional heavy crude oil from the existing fields, feel the pain of spending millions of dollars to bring in a well pad with the expectation of 25000 bpd of production just to find it will only produce 15000 bpd then experience the misfortune of having channelized water from the water flood well invade the oil production well because the oil sands we more permeated than expected and you lose millions of dollars on the drilling cost of the well.

Invest some of Alaska's money into the oil fields for a percentage of the profit after EBITA.

Raising taxes is not the answer for the long term for revenue growth for the state of Alaska. Investing and partnering with the companies to invite and increase industry build a healthy economy.

I am not in favor of raising any taxes on the oil revenue.

Best regards,

Stephen Cordova  
 Sr. Project Manager  
 Energy Services and Operations  
 CH2M HILL  
 949 E. 36th Avenue,  
 Suite 500  
 Anchorage, AK 99508  
 Tel 907.762.1500  
 Direct 907.753.1589  
 Mobile 907-382-9700  
 Fax:  
 Email  
[www.CH2M.com](http://www.CH2M.com)

Signed: See E-MAIL  
 Testifier

\_\_\_\_\_  
 Representing (Optional)

\_\_\_\_\_  
 Address

\_\_\_\_\_  
 Phone No.



# Fax Cover Sheet

Anchorage Legislative Information Office  
Office - (907) 269-0111 Fax - (907) 269-0229

To: HFIN / SFIN Fax: \_\_\_\_\_ Phone: \_\_\_\_\_

From: ANC. LIO

Instructions: Public written testimony from  
11/8/07 joint meeting

Date: 11/8/07 Time: \_\_\_\_\_

Number of Pages: 7 (including cover sheet)



## THE ALLIANCE

... for responsible development of Alaska's Oil, Gas & Mineral Resources

### SENATE & HOUSE FINANCE TESTIMONY on SB & HB 2001 November 8, 2007

Thank you, Chairmen Stedman, Hoffman, Chenault & Meyer, members of the Senate & House Finance committees. My name is Paul Laird. I'm general manager and testifying on behalf of the Alaska Support Industry Alliance, a trade association representing companies & individuals that provide goods & services to Alaska's oil, gas & mining industries.

Our 400 member companies and their 35,000-plus Alaska employees don't make the multibillion-dollar investments in oil & gas development that fuel Alaska's economy ... they make those investments work.

As Alaskans whose livelihoods depend on oil & gas investment, we're deeply concerned about the constant tax increases that put some of those investments at risk.

The extent to which yet another tax increase will discourage investment may be debatable. The fact that it will do absolutely nothing to encourage new oil production & construction of a gas project is not.

Every dollar in additional taxes is a dollar that won't be invested in sustaining production, in generating business for Alaska companies, in providing good-paying private sector jobs for Alaskans.

And isn't that what this discussion should be about: how we can ensure our "fair share" of long-term jobs and business opportunities for Alaskans, rather than how much more money the state can extract from the private sector ... just so state government can have more money?

Proponents of this latest increase in Senate Bill 2001 & House Bill 2001 have presented a plethora of preliminary projections & a paucity of proof to push their position.

Regulations for the current PPT haven't even been finalized, and the first returns haven't been audited.

When you adopted the PPT in 2006 after months of deliberations, debate and countless votes, you required a complete review of the system five years later - in 2011. You understood it would take several years to reasonably determine how & if it's working. That hasn't changed.

Please be prudent rather than punitive in setting long-term oil & gas tax policy. Don't put long-term production, Alaska jobs and business opportunities at risk by increasing taxes, increasing costs and jeopardizing the economics of critical investments.

### ALASKA SUPPORT INDUSTRY ALLIANCE

360 W. Denson Blvd., Suite 200 • Anchorage, Alaska 99503 • Phone: (907) 563-2226 • Fax: (907) 561-8870 • [www.alaskaalliance.com](http://www.alaskaalliance.com)



## UDELHOVEN

Oilfield System Services Incorporated

184 East 53<sup>rd</sup> Avenue  
Anchorage, Alaska 99518-1222  
(907) 344-1577 Fax (907) 522-2541

*Mr. Chairman, Co-Chairman, Vice Chairman etc. , Distinguished Committee members both Senate and House-*

*My name is James Gilbert, I'm President of Udelhoven Oilfield Systems Services  
And I testify tonight on behalf of my company and it 538 employees.*

*A recent article in the Juneau Emplre, the text of which in part starts out as -I  
quote,*

*Gov. Sarah Palin called a special session to reconsider the state's oil tax over the  
objections of the oil industry and its allies in the Alaska Legislature. Palin wants to  
increase the tax on oil company profits from 22.5 percent to 25 percent. End  
quote.*

*If you pass the PPT at this higher tax. after only 14 months of the last tax  
implemented, you are sending a message to the producer companies in which you  
under line Alaska's instability as a place to operate. 30 years of operation and  
only one independent is targeting production (Pioneer), maybe in 2008. We  
should not be considering raising taxes, we need to be considering what it would  
take to get production back up to 2mm bbls per day.*

*Some legislators who have backed the Gov.'s call for a new session and a new look  
at oil taxes cite, the corruption investigations. End quote*

*These citings show a definite lack of understanding at what WE owe the oil  
companies, for their years of commitment and perseverance when oil was low and  
profits were minimal. We should be grateful they had the billions to invest and  
risk to develop OUR resources. But I have heard and read just the opposite,  
because the producers are now getting some payback for all those years of  
investment. Those years of annual investments of billions of dollars to build the  
facilities, sealift them to Alaska and produce our wealth from Prudhoe Bay and  
other fields they had discovered. Six oil production plants at Prudhoe, 3  
Production plants at Kuparuk, supporting plants to handle gas (two at Prudhoe)  
plants to handle the immense water requirements, One each at Kuparuk and  
Prudhoe. The CPS at Prudhoe to produce the enormous power needs for the  
fields, the Field Fuel Gas Unit to provide fuel for turbines for all the prb plants, the  
COT Units at Prudhoe and Kuparuk to provide fuel for trucks and equipment, all of  
these at a billion each in today's dollars and that is not even a complete list.*



## UDELHOVEN

Oilfield System Services, Incorporated

184 East 53<sup>rd</sup> Avenue  
Anchorage, Alaska 99518-1222  
(907) 344-1577 Fax (907) 522-2541

*Endicott, Milne Pt, Lisbourne/Pt. MacIntyre, Badami, Alpine, Northstar and simultaneously to build and operate an 80u mile pipeline to transport to market our resource AT A COST OF CONSTRUCTION OF 9 BILLION DOLLARS.*

"There was a corrosive cloud over the last proceedings because of these charges," said Rep. Mike Kelly, R-Fairbanks, and a member of the House Finance Committee.

Opponents of the tax increase, including oil companies, various chambers of commerce, oil industry contractors and some legislators, have argued that those so far convicted played no significant role in adopting the Petroleum Profits Tax that Palin has called "tainted." End Quote.

*My company does work in the commercial and private sectors, we build schools, build medical facilities, do work for the military, work for the airports in Alaska and also are part of the Alliance where we hire and support collectively some 35,000 employees in our industry. It is demeaning to say that we are a part of some various chambers of commerce, as far as Alaska is concerned we are THE CHAMBER OF COMMERCE.. Our employees are some of the best paid in the state. We pay property taxes, city sales taxes, municipality sales taxes and contribute to non profits in larger amounts than any other sector in the state. Neither fishing, tourism, mining nor any other private enterprise venture contributes what our employees or our clients contribute.*

*My clients pay their fair share and have been paying it for 30+ years, I ask you to look in the direction of the Permanent Fund, \$39.9 Billion to date. And \$70+ billion paid to the state to operate, tax and spend, \$70 Billion that is the B word. We need to be looking at how we can get the pipeline back to its operating capacity not trying to tax the final 600,000 in to virtual submission..*

*Don't be fooled by those who see the oil companies as adversaries or opponents, As my Mother would say, "Shame on you" the Producers Companies have been and continue to be our partners in resource development, paying their fair share to help Alaska and Alaskans.*

*Thank you for your time.*



# UDELHOVEN

Oilfield System Services, Incorporated

184 East 53<sup>rd</sup> Avenue  
Anchorage, Alaska 99518-1222  
(907) 344-1577 Fax (907) 522-2541

James Gilbert President  
184 E. 53<sup>rd</sup> Ave.  
Anchorage, AK. 99518  
[jgilbert@udelhoven.com](mailto:jgilbert@udelhoven.com)  
(907)344-1577 office  
(907)727-2071 ce.l

Note: My comments are in blue type and italicized. The remaining text is from the Juneau Empire  
[http://www.juneauempire.com/stories/110707/sta\\_20071107025.shtml](http://www.juneauempire.com/stories/110707/sta_20071107025.shtml)

7 November 2007

To: Members of the Senate and House Committees:-

My name is Maynard V. Tapp, I am an Alaskan resident since 1990. I founded my company Hawk Construction Consultants, Inc. now Hawk Consultants, LLC in 1985 as an Alaskan corporation.

I strongly believe any new approach to raise taxes should be viewed as a "RESOURCE DEVELOPMENT" effort. The state will raise more tax revenues if we raise production.

If you ask any of the tax experts that will testify before your committee, none will say that increasing the tax will increase exploration and production.

The most reliable source of long-term revenue is to increase production. As I understand the state gets 75% of the 12.5% royalty (9.375%). The "fair share" to the Alaskans is the remaining (3.125%) paid into the Permanent Fund. I believe you can build a long term future for my company's employees based on the increase in production.

Hawk employs over 60 Alaskans. Much of their work is related to the reconfiguration of the Trans Alaska Pipeline, and the refurbishment and maintenance of the existing pipelines and facilities on the North Slope.

Our company, its employees and the State of Alaska will greatly benefit from new production. We hope to be involved in all phases of the continuing projects.

From my point of view an increase of 2.5% in tax rates increases the size of government by \$25.0Million. One Senator made the point to me that "there is no guarantee that if the rate was reduced by 1% that the producers would invest that 1% here in Alaska". While this may or may not be true, one thing is certain that \$25.0Million will not be invested by the companies if it is taken away by increasing the tax.

What is the State of Alaska doing to increase oil production which then translates into more tax revenue?

Also, if that \$25.0Million is invested in new production, that amount is the equivalent of 3 new production wells. Those new wells at a nominal rate of 2,500bbls per day could gain the state revenue an additional \$21.0Million per year. (This would include the current PPT of 22.5% of Net plus 9.375% Royalty at \$80/bbl).

My math may not be totally correct but the case remains that the benefits from investment made by the "producers" in the state of Alaska for oil and gas field development far exceeds the benefits to Alaskans from raising an individual tax rate.

If the previous administration made a mistake, I believe your committee could rectify that mistake by dropping the tax rate to "10%/20%". That would make us more competitive at 51% which is closer to the Gulf of Mexico, and Canada's tax rates.

I want the state of Alaska to be at the TOP of the "producers" list when it comes to selecting investment opportunities.

Please, I humbly request you reframe this bill as a Resource Development Bill and not a tax generation bill.

I want us to recognize that Alaska is "big oil" and we get "our fair share" of revenues along with our partners, the producers. Our fair share is calculated in the jobs created by employing Alaskans in the development of our common resource.

One other thing, thanks to all you who were here last year when the PPT was agreed. Your months of hard work resulted in the 22.5/20 agreement. Please don't try to fix that which is not broken.

Thank-you,  
Maynard Tapp  
200 West 34<sup>th</sup> Ave. #809  
Anchorage, Alaska 99503

ERIC DOMPELING

SENATE & HOUSE FINANCE TESTIMONY  
on B & HB 2001  
November 8, 2007

Thank you, Chairmen Stedman, Hoffman, Chenault & Meyer, members of the Senate & House Finance committees. My name is Eric Dompeling. I'm president of, and testifying on behalf of the Alaska Support Industry Alliance, a trade association representing a broad spectrum of companies & individuals that work in Alaska.

I had the pleasure of hearing from Deputy Commissioner Rutherford speak on the AGIA Plan this morning as she addressed the Alliance membership at our breakfast meeting. As with this PPT Discussion, the time is drawing near when we will know the outcome to the question; what's going to happen!

I find this PPT discussion to be much the same hope and pray that is found in the AGIA proposal.

Much like the Canadian province of Alberta; you are considering a significant increase in the way the industry is taxed, Alberta has already experienced a slowdown in the activity levels. I have no doubt we will see the same thing here.

With production declining, the only way to stave off that decline is through the drill bit, we don't have 600 rigs drilling for oil and gas in Alaska we only have about 17 currently operating, and from there to 1 rig only requires a look back to 1999, eight short years ago. Are you prepared to dip into the CBR? Given the propensity for this state to spend money it doesn't have . . . even this tax increase will not cover the pending disaster with the next decrease in the Price of oil. We continue to need a fiscal plan; what do you plan to do with the current excess capital, besides spend it, oh I forgot it's already been spent!

The mining industry recently announced that their contribution to the State coffers has increased by a factor of 3; from 60 Million to roughly 180 million dollars. The Oil industry has also had a significant impact on the states income, coincidentally by a factor of 3; from 1.5 Billion a years in 2003 to over 4.5 billion a year this year, who says: were not getting our fair share? Where does all the money go?

I urge you to think long-and hard before committing the citizens of this state to an oil & gas tax policy, that could well follow the law of unintended consequences. Don't sacrifice long-term job and business opportunities, for a short term potential gain, I ask you to leave the PPT legislation alone and focus on the longer term benefit of a Gas line that will be a real economic change to this state as was the Oil Pipeline 30 years ago.



# Alaska State Legislature

Please enter into the record my testimony to the FINANCE  
 committee name  
 committee on HB 2001 / SB 2001 , dated 11/8/07  
 bill/subject

Date: 11-08-07  
 From Paul D.Kendall  
 RE: PPT Senate and House Joint PPT hearings testimony  
 TO above for the record

Ladies and Gentlemen,  
 Please accept the attached Opinion for the record in your review of the PPT bill 2001.

I find it concerning we citizens are not afforded more time and participation in this PPT process along with other pressing society needs...

Thank You,

Paul D. Kendall

907-222-7882

Signed: \_\_\_\_\_

Testifier

\_\_\_\_\_  
Representing (Optional)

\_\_\_\_\_  
Address

\_\_\_\_\_  
Phone No.

=====

6

11-8-07 Paul D. Kendall PPT testimony  
To: Joint Senate and House committees reviewing PPT 2001 bills  
REF: Testimony Enough Is Enough, it is time for a new society !

12

Ladies and Gentlemen of the Legislature and fellow citizens of Alaska,

First, I continue to support our Governor in her honorable intentions with PPT .

However; I still prefer a Gross % of production paid to us and then we give back for partnerships and ventures of earned value and substance from a check off like menu . (needs more discussion)

18

ALSO, We may need to cut our losses by letting the big 3 go and bring new lease holders and more eager investors from China – Or at least replace EXXON who is clearly not "showing us the love...."

24

With the ongoing Political and Oil Co. Corruption, Energy Instability, our part time- Legislatures' cut and run to Juneau, OPEC partnerships, IRAQ Killings, Energy constructed and contrived pricing, Hydrogen Dev., World Oil Companies refusal to testify on record, Our legislature and other bodies not allowing us the citizens to substantially comment and ask questions of substance,

30

I can only conclude the following

The great people of Alaska can and should no longer be a subjugated and enslaved people by Energy interests outside of Alaska.

36

It is time to end this unjustified and illegal economic betrayal and assault on the citizens of Alaska and their families.

This Irrational conveyance of our assets to some distant fund or others economic benefit to be enjoyed by a relatively few insiders has to come to an end...

42

The Alaskan people have been an understanding, generous, patient, loyal, and accommodating, partner with the BIG OIL COMPANIES and our POLITICIANS.

48

However; Due to the past, current and predicted ENERGY EVENTS the time has now come for us the citizens of Alaska to begin our next society, a more just and more free society.

54

You, our elected leaders should publicly and honestly determine the annual amount of Cubic Feet of Natural Gas needed for the single family home owner based on the model below:

-----  
 (SFHOM) Single family home owner model = less or up to first 1,000 sq ft living space with 20 x 20 2 car garage, 12 x12 storage shed, 20 X 20 green house on 100' X 100' lot size --- 1 person, 1 vehicle  
 -----

60

The annual allotment per household total amount of energy converted to Cubic Feet of gas shall reflect the home needs for:

HEATING AND COOKING

ELECTRICITY

GASOLINE POWERED TRAVEL of 100 miles daily round trip from home.

66

Estimated annual allotment amount of Natural Gas in cubic feet to be in the order of:

Home use	annual max	cu ft conv	X *100,000 homes	**\$
Ht - cook	175 Mcf	same	17.5 MMcf	
Electricity	8,500 kwh	28.2Mcf	28.2 MMcf	
gasoline	1,825 gal (1per)	224.2 Mcf	22.5 MMcf	
***TOTALS (all # are estimates)			68.2 MMcf	discussion

78

\*TOTAL NUMBER OF SINGLE FAMILY HOMES IN ALASKA + DATA ??  
 100,000 homes = 300,000+ population ? a guess \* I have had a hard time trying to gather these numbers by single family home owners, apt complexes, trailers, duplexes, etc...

\*\* the gas comes out of the ground cost nearly nothing in relation to --?

\*\*\* I have tried to make these totals maximum to way over amounts

84

-----  
 (I gathered these energy figures as best I could on such short notice today!)

90

96 You, our elected officials on our behalf should cause and make to happen Now; within the PPT bill this inclusion as a pilot project towards a new history for Alaska by declaring an annual allotment of energy for 100,000 homes as described above.

102 This pilot project annual energy allotment should be made available to 100,000 home owners on a statewide per capita % basis, by longevity, drawing every 3 years or some other local fair and agreeable means...

We as Alaskans can no longer allow the " the conspiratorial few who for profit of their own would be World rulers at our peoples, families and loved ones expense;

103 Again,, We freedom loving Alaskans will no longer be an economically subjugated and enslaved people. It is over!

The time of being economically blood sucked by a few has come and gone! It is time to begin a new society, a better and more free society. It is time for Alaska to take her place in the history of World as that new society.... First of the surely many to follow.

114 By allowing our homes access to our nearly free energy , we will not only stop the exit of large amounts of our money; but we should see a tremendous growth in our housing markets, new technologies, citizen influxes, and substantial Infrastructure growth for our state needs.

120 The true and actual gas allotment cost to the Oil Industry and our permanent fund is nearly nil.

ALASKA is perched to be a new and vibrant society, a shining and historical light in the history of the world... Its all here;

126 It is time to teach the child who is the parent; to educate the misguided, who have clearly gone to worshipping profits in the place of "spiritual insight" and "Quality of Life"; Other true values.

It is time to become a better and more free society and in order to do that we must come to the aid and defense of the very foundations of our society --

132 The Single family home, Our family's- which we all aspire to be a part of.

IF "fossil fuelers " want to make unbridled profits and wealth, then, so be it; But you shall not make it on the backs of our most fundamental foundations of our society, our homes with our loved ones.



**Alaska Trucking Association, Inc.**

3443 Minnesota Drive · Anchorage, Alaska 99503 · Phone (907) 276-1149 · Fax (907) 274-1946  
[www.aktrucks.org](http://www.aktrucks.org)

*The authoritative voice of the trucking industry in Alaska*

---

November 8, 2007

SB2001 Oil Tax Issues (PPT)  
Senate and House Finance Committees

The Alaska Trucking Association is a state wide organization representing trucking interests from Barrow to Ketchikan. In 2008, our association celebrates its 50<sup>th</sup> Anniversary of serving the interests of the trucking industry in Alaska. Our more than 200 member companies represent all of the diverse trucking operations in the state along with many associate members who provide goods and services to our industry. It is important to note that, in Alaska, trucking employs over 20,000 people - 1 out of 14 members of the Alaska workforce. Trucking payrolls total over \$900 million annually. Trucking consists of several thousand family owned and corporate trucking businesses, most of which have fewer than 10 employees.

On behalf of the ATA, I wish to submit the following comments for the record.

It has been said many times that, in developing our natural resources, our constitution requires that we seek maximum return to the citizens of Alaska. While it seems that the emphasis has been on raising taxes to increase tax revenue to the state, we believe that the better way to maximize benefits to Alaskans is to provide good paying, long term jobs for this and future generations.

The State needs to focus on how to slow the decline of production. To accomplish that objective, investments need to continue in existing fields, investments need to be made in heavy oil and investments need to



*If you got it, a truck brought it...*

**Alaska Trucking Association, Inc.**

3443 Minnesota Drive · Anchorage, Alaska 99503 · Phone (907) 276-1149 · Fax (907) 274-1848  
[www.aktrucks.org](http://www.aktrucks.org)

*The authoritative voice of the trucking industry in Alaska*

be made to promote the development of new fields. Existing field development should be the first priority. Most of the new production, in recent years, has occurred in existing fields. Without this base production, heavy oil and other new field development will face major additional challenges.

The oil and gas business is capital intensive and it takes many years for return on investments to occur. Increases to taxes lengthen that recovery time and can negatively impact project economics and investment decisions.

We believe that it is important in setting tax policy to produce adequate revenues for the state but more importantly, encourage further investment in the development of our abundant resources.

We urge you keep the tax rate low and use incentives to encourage increased development investment. As stated earlier, we believe that the better way to maximize benefits to Alaskans is to provide good paying, long term jobs for this and future generations. Investment, not taxes, will provide the jobs we need to ensure our future.

Sincerely,



Aves Thompson  
Executive Director



*If you got it, a truck brought it...*



# Alaskans Working For Alaska!

1577 C Street, Suite 201, Anchorage, Alaska 99501 • Phone (907)277-5200 • Fax (907)277-5206

E-mail: [asenhq@afscmelocal52.org](mailto:asenhq@afscmelocal52.org) • Website: [www.afscmelocal52.org](http://www.afscmelocal52.org)

November 8, 2007

The Honorable Lyman Hoffman  
The Honorable Bert Stedman  
Co-Chairs Senate Finance Committee  
State Capitol  
Juneau, Alaska 99801

Dear Senators Hoffman and Stedman,

On behalf of ASEA/AFSCME Local 52, the exclusive representative of all Oil and Gas Revenue Auditors in the General Government Unit of State employees, I want to inform you that I do not support the provisions in SB 2001, Oil and Gas Tax Amendments, which move Oil and Gas Revenue Auditors from classified to exempt service. I also oppose the provision in the Senate Judiciary Committee Substitute that creates a new class of Oil and Gas Revenue Auditors in exempt service.

I do recognize the necessity for the State to have a full compliment of qualified Oil and Gas Revenue Auditors to ensure compliance with Oil and Gas Tax statutes. However, I do not believe it is in the best interest of the State and the citizens of Alaska nor is it necessary to move the auditors to exempt service.

On October 27, 2007 I presented testimony to the Senate Judiciary Committee stating the following concerns regarding the proposal to move the Oil and Gas Revenue Auditors to exempt service:

1. Moving the current classification of Oil and Gas Revenue Auditors from classified to exempt service or creating a new class of Oil and Gas Revenue Auditors in exempt service will remove them from the protections they have in classified service. A position in exempt service is exempt from the State Personnel Act, there is no requirement for competitive recruitment, and they have no right of appeal of dismissal to the State Personnel Board. Their employment is governed only by the general labor laws of the State of Alaska and the personnel policies of the Administration. For positions in exempt service there will be no requirement that the most qualified be hired and they will be "at will" employees who may be dismissed without "just cause".
2. Positions in exempt service can be subject to outside and political pressure. Entities they are auditing could bring pressure, either directly on the auditor or on a policy maker in a future State Administration, to overlook certain subjective items in an audit. If such a directive was given to an auditor they would have to comply or could be dismissed for failure to follow a management directive.
3. There would be no protections to ensure stability and continuity for Oil and Gas Revenue Auditors. If the auditors are in exempt service the individuals filling those positions could be replaced with each new Administration. It is critical that professional auditors not be subject to political influence or pressure or replaced at the "whim" of a new State Administration.

Hoffman and Stedman  
Re: SB 2001  
November 8, 2007  
Page 2 of 2

4. The statements made by the Administration that they can not fill the Oil and Gas Revenue Auditor positions unless they are moved to exempt service are not supported by the facts. According to an October 2, 2007 Organization Chart for the Tax Division Department of Revenue (attached), in the Production Audit Group there are 7 Oil and Gas Revenue Auditor IV positions of which 6 are filled and 2 Oil and Gas Revenue Auditor III positions which are both filled. The Organization Chart also shows that there are 3 Oil and Gas Revenue Auditor II positions which are currently filled and 4 Oil and Gas Revenue Auditor positions which are currently vacant. However, information provided by the Department of Administration (attached) indicates that there were 4 applicants for the vacant Oil and Gas Revenue Auditor I positions but the offer of employment was "withdrawn due to pending legislation" on October 17, 2007. The fact that there is only one vacancy in the senior level Auditor positions (Auditor IV, III, and II) and there were qualified applicants for the Auditor I positions makes it clear to me that it is not necessary to move any of the positions to exempt service to successfully recruit qualified Oil and Gas Revenue Auditors.

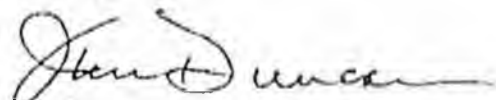
ASEA/AFSCME Local 52 does support a change in State law to provide more flexibility and assurances that the State will be able to successfully recruit and retain highly qualified Auditors in the future. As a former Commissioner of the Department of Administration I believe this can be done while maintaining the positions in classified service.

Attached is a proposed amendment to the uncodified law of the State of Alaska that, notwithstanding the provisions contained in A.S. 39.25.150 (2), "like pay for like work", would authorize the Department of Administration to develop and implement a distinct position classification plan and pay plan for Oil and Gas Auditors who perform the specific duties relating to the production tax audits and royalty audits including net profit share audits. This distinct classification plan and pay plan would apply to the auditors and their supervisors. The compensation and pay plan for auditors and their supervisors in this new classification would be determined in accordance with collective bargaining under A.S. 23.40.070-250 (Public Employment Relations Act). The amendment would also delete the provisions in the legislation that move the auditors to exempt service.

Let me assure you that ASEA/AFSCME Local 52 and I support your efforts to ensure that the State has the qualified personnel to oversee this legislation and ensure that there is full and complete compliance with the Oil and Gas Tax law. In that regard we do support the proposal in the fiscal note to contract with highly trained and professional auditors for a period not to exceed 4 years while the department recruits and trains auditors to oversee and enforce the oil and gas tax.

I urge you to give full and thoughtful consideration to the amendment I have attached.

Sincerely,



Jim Duncan  
Business Manager  
ASEA/AFSCME Local 52, AFL-CIO

Cc: Senate Finance Committee members  
All members Alaska State Senate

---

CS for SB 2001 (FIN)

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

LEGISLATIVE FINDINGS:

The legislature finds that recruiting and retaining the highest quality state employees to conduct production tax and royalty audits of Oil and Gas companies doing business in the state of Alaska is extremely important.

The nature of the work is uniquely complex and the consequence of error is extremely high.

The uniqueness of the work and the need to recruit the highest level of state employees demands that Oil and Gas Revenue Auditors be compensated at rate of pay commensurate with the work involved.

Sec. XX The uncodified law of the State of Alaska is amended by adding a new section to read:

Notwithstanding the provisions contained in A.S. 39.25.150(2), the Department of Administration shall develop and implement a distinct position classification plan and pay plan for oil and gas auditors performing

- A) production tax audits, and their immediate supervisors, in the Department of Revenue; and
- B) royalty audits, including net profit share audits, and their immediate supervisors, in the Department of Natural Resources

Compensation for oil and gas auditors shall be in accordance with collective bargaining under A.S. 23.40.070-.250 (Public Employment Relations Act).



Recruitment Period	Job Class	PCN(s)	Total Number of Applicants	Applicants available and eligible	Appointment Made	Comments
10/12/07 - 10/17/07	Oil and Gas Revenue Auditor I/II/III	04-3271 04-3272 04-3273 04-3274	4	4	No	Withdrawn due to pending legislation.
5/25/2007 - 6/4/2007	Oil and Gas Revenue Auditor IV	04-8023 04-3277 04-3276 04-3275	1	1	Yes (3 unsuccessful)	All State Employee recruitment
9/27/2007 - 10/17/2007	Oil and Gas Revenue Auditor IV	10-4233.	4	4	Pending	Alaska Resident only recruitment
9/20/2006 - 4/19/2007	Oil and Gas Revenue Auditor III	04-8039; 04-3271; 04-3272; 04-3273; 04-3274	9	3	No	All Applicant recruitment
9/20/2006 - 4/19/2007	Oil and Gas Revenue Auditor IV	04-8023; 04-3277; 04-3276; 04-3275	8	4	Yes (2 unsuccessful)	All Applicant recruitment
8/4/2006 - 8/18/2006	Oil and Gas Revenue Auditor I/II/III	10-4249.	21	19	Yes	Alaska Resident only recruitment
6/6/2006 - 6/16/2006	Oil and Gas Revenue Auditor I/II/III	04-3262 04-3263	17	12	Yes (1 unsuccessful)	All Applicant recruitment
4/28/2006 - 5/30/2006	Oil and Gas Revenue Auditor III	10-4210.	3	1	Yes	Alaska Resident only recruitment
6/13/2006 - 6/23/2006	Oil and Gas Revenue Auditor III	04-8039.	2	1	No	All Applicant recruitment
3/9/2006 - 3/20/2006	Oil and Gas Revenue Auditor IV	10-4233.	5	4	Yes	All State Employee recruitment
6/8/2006 - 6/19/2006	Oil and Gas Revenue Auditor IV	04-8023.	2	2	No	All Applicant recruitment
8/10/2005 - 9/1/2005	Oil and Gas Revenue Auditor I/II	04-3262 04-3263 04-8022	13	11	Yes (2 unsuccessful)	All Applicant recruitment
9/30/2005 - 10/10/2005	Oil and Gas Revenue Auditor I	04-3262 04-3263 04-8023	1	1	Yes (one unsuccessful due to filling from previous recruitment)	All Applicant recruitment



6441 South Airpark Place  
Anchorage, Alaska 99502-1809  
(907) 245-1544  
Fax (907) 245-1744

RECEIVED

NOV - 9 2007

November 7, 2007

Senator Bert Stedman  
Senator Lyman Hoffman  
Senate Finance Committee  
Pouch V  
Juneau, Alaska 99801

Re: ACES Legislation

Lynden is an Alaskan transportation company – bringing goods to, from and within Alaska by road, air and sea. We provide logistics and transportation for most of Alaska's resource industries: fisheries, mining, construction and oil/gas. Our company employs over 500 Alaskans. We have been providing service to Alaska for over 50 years.

We urge the legislature not to increase taxes on the oil industry again. Another major addition to the oil industry tax burden is not good policy and has potential to negatively impact Alaska's future. Jobs and development of our oilfields are more important than further adding to state government.

It is difficult to imagine what our state will look like in the future, but if good decisions are made by our State leadership and the legislature we can have a healthy economy, and we will be a strong State. It will take tremendous effort; however, to make this happen. If we do not make good decisions and if we discourage investment and/or drive away the resource industries, Alaska will lose a large number of private sector jobs and our future will be dismal.

It is a critical time. We must understand that these decisions have long term implications, just as Alaska's success today is the result of good decisions made many years ago. Our economic future depends upon the decisions you make today.



Senate Finance Committee  
November 7, 2007  
Page 2

As the legislature deliberates on the Governor's proposal and as you hear conflicting testimony from expert witnesses, consultants, industry representatives and the general public, please weigh the risks of the proposed tax increase carefully against the suggested benefits. While another increase in the tax rate may bring in more revenue to the state in the short run – assuming the price of oil stays in the high range of 2007 - will it bring in higher revenues in the long run? – Where will we be in 2020 or 2030? Will it lead to the development of heavy oil and satellite fields? Will it keep the pipeline in operation longer? Will we have a gas line? Will it lead to a brighter economic future for our state?

Our concern is that increasing taxes at this critical point will discourage new investment, not only on oil and gas but on minerals. Let's not enhance Alaska's reputation as an unstable place to invest

Increased taxes will further inhibit a gas line. Increased taxes under the ACES legislation will likely result in a bleaker future for Alaska – fewer jobs, reduced revenue, lower property values and increased local taxes – and a stagnate economy. We can't just hope it will not do these things; we need to make sure it will not do these things.

The success of PPT should not be measured by the tax income to the state. It should also be measured by the number of jobs and development of new sources of oil. PPT has been very successful, with employment and activity on the North Slope at the highest level since construction of the pipeline itself.

Please make good decisions that create a viable future for our children and grandchildren, just as your predecessors many years ago, to create the vibrant an economy we enjoy today.

Respectfully,

A handwritten signature in dark ink, appearing to read 'Jim Jansen', written over a faint, larger version of the same signature.

Jim Jansen  
President & CEO

# Session: Palin says value of oil will continue to spur more development in state

Continued from Page A1

state of Alaska, for us to muster the political will to make adjustments," said Sen. Johnny Ellis, D-Anchorage.

The bill passed by the Legislature on Friday was much changed from the Alaska's Clear and Equitable Share bill introduced by Palin when the session began on Alaska Day, but Palin praised it at a victorious press conference with a bipartisan group of legislators who helped her pass it.

"It meets the principles we set out to achieve," she said.

Among those was a fair share of Alaska's oil wealth.

An increase in the base oil tax rate from 22.5 percent to 25 percent of profits, along with a progressively higher tax rate at higher prices, would combine with new restrictions on deductions to give the state a fair value for its oil, bill supporters said.

And importantly, supporters said a fair share will ensure the oil industry will get the stability that it said repeatedly was a top concern.

"I think it puts this issue to bed, rather than something that is scratched open year after year," said Rep. Mike Kelly, R-Fairbanks, a conservative Republican who carried the bill through the House.

Rep. Jay Ramirez, R-Fairbanks, though, called it a "massive, massive taxation increase" and said it risked driving oil industry investment and jobs away from Alaska.

"This is too much," he said.

Palin on Friday said the tremendous valuable resource, combined with incentives in the



MICHAEL PENN / JUNEAU EMPIRE

**Quitting time:** House Majority Leader Ralph Samuels, R-Anchorage, pulls his tie off Friday after the House concurred with the Senate's version of the oil tax bill.

didn't make themselves.

She said the standard deduction provision that emerged late in the session as the key to passing the bill would cost existing jobs.

"If we limit deductions on the North Slope, producers will lay off people, that's my fear," she said.

A gross profits tax, such as the Petroleum Profits Tax passed under former Gov. Frank Murkowski last year and the

said she'd immediately call for other special session if the Legislature did not act.

She later denied that was a threat.

"I didn't threaten that we would come back. I reminded," she said.

Soon after the Senate Finance Committee acted and moved a bill to the Senate Floor, Councilman Stedman denied any effort at stalling, and blamed the delay on the difficulty in getting a bill

solidly backed the governor on the bill.

Harris voted for Palin's ACES bill, but it was hard to tell from the statement he issued after the legislation passed.

"The governor and her administration have crafted a bill and pushed it through the Legislature that will either tap the producers for another \$1.5 billion without hurting or ending hurting our economy by driving away oil industry investment," he said.

## Three conflicts become key in special session

### Gross vs. net

Juneau's top two legislators began the special session opposed to Gov. Sarah Palin's plan to tax oil companies' net profits, hoping for a tax on gross revenues as well.

"I've always been a gross tax girl," said Rep. Beth Kerttula, D-Juneau, and House Democratic leader.

Sen. Kim Elton, D-Juneau, was once a gross tax supporter as well.

Both took different tacks during the session.

Kerttula remained a believer in a gross tax but shifted to support a net tax so she could influence the debate.

The net tax that came out of the Legislature was the best that could be obtained, she said, and it includes provisions such as a standard deduction on some operating expenses that will reduce the state's risk.

Elton, a member of the powerful Senate Finance Committee, said he came to believe a net tax was actually the best way to go.

"It's difficult to change your mind," he said. "I changed my mind."

Sen. Johnny Ellis, another prominent gross tax supporter, did the same thing.

"I have evolved in my thinking," he said, though he said an

minimize risk.

"The Legislature is listening to industry, and has taken that off the table," said Sen. Lyman Hoffman, D-Bethel.

What convinced the Legislature to remove the floor was a desire to instead get more revenue for the state at higher prices.

Department of Revenue Commissioner Pat Galvin told the House Finance Committee that was an acceptable trade-off.

"We believe you have to use one or the other, from our perspective," he said.

"Either include the floor in order to protect the state at the low end, or increase progressivity ... and save the difference to protect the state at those low prices," he said.

Palin said Friday that the inclusion of more progressivity plus the standard deduction was a fair trade for the gross floor.

### Tools of the trade

Alaska last year adopted a tax on oil company net profits, without knowing much about what those profits were and how much the tax would raise.

This year Galvin said they know more. Palin's bill included new tools to provide that information to the state, and the ability to make public more in-

"This is too much," he said. Palin on Friday said the tremendously valuable resource, combined with incentives in the bill, would keep the development going.

BP Alaska President Doug Suttles, whose company operates the nation's largest oil field at Prudhoe Bay, issued a statement criticizing the action Friday.

During testimony before numerous committees of the Legislature, BP executives hinted, but didn't actually say, that they'd cut spending in Alaska if taxes were raised.

On Friday, Suttles continued that strategy.

"We all need to be focused on developing new oil production for future generations of Alaskans, but this legislation does nothing to encourage more investment," he said.

Rep. Anna Fairclough, R-Eagle River, went a step further and made a claim the oil companies

"A gross profits tax, such as the Petroleum Profits Tax passed under former Gov. Frank Murkowski last year and the ACES plan proposed by Palin this year, allows deductions of costs to calculate the companies' net profits.

Palin said her bill was crafted to get more for the state when prices were high and the companies could afford it, but also use credits and deductions to spur investment in new production, even at lower prices.

"The bill strikes a careful balance," she said. "It assures a fair share of our oil's value for Alaska, while encouraging producers to invest in new fields."

Late in the session, the bill appeared stalled in the Senate Finance Committee, where co-chairmen Sen. Bert Stedman, R-Sitka, and Sen. Lyman Hoffman, D-Bethel, opposed it.

With the constitutionally mandated 30-day limit to the session approaching rapidly, Palin

did to the Senate floor. Stedman denied any effort at stalling, and blamed the delay on the difficulty in getting a bill drafted.

Stedman's committee, along with the corresponding committee in the House, were both heavy with allies of the oil industry.

Senate Finance Committee member Kim Elton, D-Juneau, said that on an issue as big as this one it almost didn't matter what the usually important committee did. Elton said his main goal was to get a bill to the Senate floor, where he and other allies of the governor had a majority.

"It came down to where are you going to make the fight," he said.

Despite opposition from the Legislature's top leaders, including the Senate president and co-chairmen of both Finance Committees, and lukewarm support from House Speaker John Harris, R-Vaduz, the Legislature

for another \$1.5 billion without harm, or end up hurting our economy by driving away oil industry investment," he said.

"We will need billions of dollars of investment to keep our production up, so I am hopeful the governor has not made a serious mistake with this legislation. But we won't really know for sure for a couple of years," he said.

Freshman Sen. Bill Wielechowksi, D-Anchorage, emerged as a major player inside the Senate Working Group, the bipartisan coalition that elected Sen. Lyda Green, R-Wasilla, Senate president, but which was split on raising taxes.

He called the bill they passed fairly moderate.

"We're not going crazy here," he said.

The amount of money the tax will raise depends greatly on the price of oil. The new tax will bring more to the state at high prices, but at the recent average or even high prices, the new tax brings in less than PPT was expected to last year, he said.

Senate Republican Minority Leader Gene Therriault, R-North Pole, said oil companies complaining that ACES meant a "second" tax increase after PPT were overstating the case because Palin's ACES probably wouldn't bring in as much as the companies and the public were told the PPT would bring in.

"It's not new dollars on top of it, it's the same dollars," he said.

Juneau Rep. Beth Kerttula, leader of the House Democratic Minority, helped broker a deal with Republicans who favored a net tax, and brought most of her caucus along as supporters after the standard deduction was included.

She called ACES a risk the state needed to take to guarantee its future.

"We're Alaskans, we like to risk," she said.

The standard deduction fixes operating costs for several years

promoters give the supporters did the same thing.

"I have evolved in my thinking," he said, though he said an online poll shows 74 percent of his constituents still support a gross tax.

A net profits tax automatically reduces taxes on the industry at low prices, a self-adjusting mechanism Ellis called "elegant in its design."

Elton and Ellis weren't the only Alaskans to change. Palin endorsed a gross tax during her campaign last year, but when she introduced her bill it was based on the structure of former Gov. Frank Murkowski's net profits method.

Among those who were not persuaded, but also didn't adopt Kerttula's strategy was Rep. Harry Crawford, D-Anchorage.

"I think a net profits tax is just a huge mistake," he said.

Crawford voted against the bill, the only member of Kerttula's caucus to do so.

## Fight on the floor

When Palin introduced her bill, she included a safety mechanism, a small minimum gross tax called a "floor" that would only kick in at very low oil prices.

That would mean the state would get at least some income, even at very low prices.

The Legislature eliminated the floor from Palin's bill, however.

The oil industry had opposed the floor, because it made some projects more risky if prices fell. With the floor in, they might not be done at all to

at 2006 levels, plus a 3 percent annual adjustment, for the huge Prudhoe Bay and Kuparuk fields. That's intended to prevent deductions shooting up again and reduce the state's risk, she said.

know more. Palin's bill included new tools to provide that information to the state, and the ability to make public more information about the oil business and the state's oil fields.

At the same time, Galvin said they need additional auditors and authority to make the tax work.

"Give me the tools I need to implement this tax," he said.

The industry balked at some of those changes, especially Exxon Mobil Corp. Securities and Exchange Commission rules require the state's other to big oil producers, ConocoPhillips and BP p.l.c., to release some specific information about their Alaska operations.

Those rules don't cover Exxon, and the company zealously guards what it sees as its business secrets.

"This is obviously very sensitive to Exxon Mobil," said Dan Seckers, Alaska tax counsel for the company.

He called the demands for information "almost like a witch hunt."

Seckers said it would hurt the business climate in the state.

"Is this really the position the state wants to have?" he asked.

Among the changes in the law are requirements that companies that get valuable tax credits to encourage exploration, tell the state about what they find.

"We now have the ability to gather data and understand our oil patch," said Rep. David Guttenberg, D-Fairbanks.

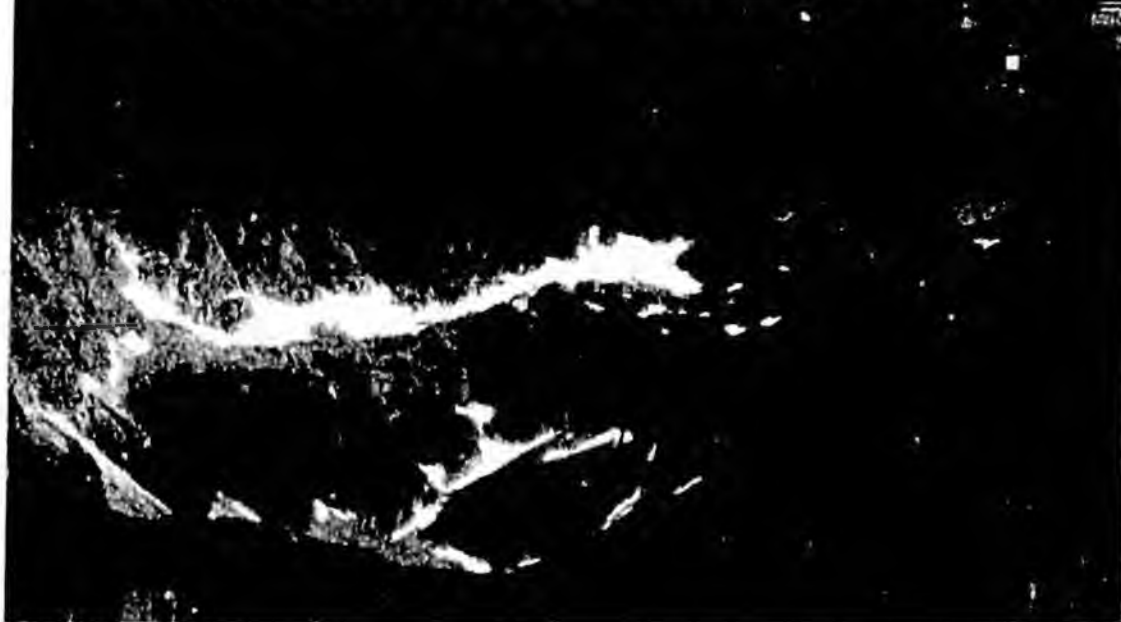
"That information is wealth all by itself," he said.

• Contact Pat Forgy at 523-2250 or patrick.forgy@juneauempire.com.

In 2006, deduction amounts doubled from the previous year, a surprise Commissioner of Revenue Pat Galvin attributed to the PPT bringing in \$800 million less than expected.

Sen. Lesil McGuire, R-Anchorage, supported the tax in-

# A Great Job Awaits You



www.KensingtonGold.com



**COEUR**  
ALASKA

Coeur Alaska is building up its workforce to prepare for operations. We are proud to be an employer that recognizes talent in our own state and offers family support, a safe and full benefit packages. Come be a part of the Coeur Alaska team. We are recruiting for the following positions:

- Materials Superintendent
- Mine Engineer
- Mill Operators
- Mill Supervisor
- Mine Electrician
- Mine Supervisors
- Process Control Technician
- Electrical Supervisor
- Maintenance Planner
- Metallurgist
- Mill Mechanic
- Human Resources Coordinator

Go to [www.KensingtonGold.com](http://www.KensingtonGold.com) for more information.

**PRODUCING & PROTECTING**

3031 Clinton Dr., Suite 202 • Juneau, AK 99801 • phone 523-3300

state needed to take to guarantee its future.

"We're Alaskans, we like to risk," she said.

The standard deduction fixes operating costs for several years

at 2006 levels, plus a 3 percent annual adjustment, for the huge Prudhoe Bay and Kuparuk fields. That's intended to prevent deductions shooting up again and reduce the state's risk, she said.

In 2006, deduction amounts doubled from the previous year, a surprise. Commissioner of Revenue Pat Galvin attributed to the PPT bringing in \$800 million less than expected.

Sen. Lesil McGuire, R-Anchorage, supported the tax increase, but objected strongly to the standard deduction's late arrival as part of the debate.

"In the final hours this comes out as the thing that is going to make or break it," she said.

She called it a significant change that was poorly understood and inadequately debated.

Therriault, who helped Palin move the bill through the Senate despite his position in the Senate Republican Minority, said the state's tax increase would come before the oil companies paid federal taxes, and would lower those taxes significantly.

"A third of the take comes from the federal treasury," he said.

"Let's be fair when we talk about the potential impact to the industry," he said.

Rep. Les Gara, D-Anchorage, a longtime advocate of oil tax reform but an opponent of last year's PPT, said he looked to former Gov. Wally Hickel's advice about how to judge ACES.

"The Constitution says we should develop our natural resources for the maximum benefit for our people. That's how you measure any oil tax," he said.

The bill the Legislature passed "restores the state's sovereignty," he said.

Contact Pat Forgy at 523-2250 or [patrick.forgy@junEAUempire.com](mailto:patrick.forgy@junEAUempire.com).

ALL THE TRIMMINGS

T.K. MAGUIRE'S

# Fabulous THANKSGIVING BUFFET

11AM TO 4PM

KEY LIME, AND ALL THE FIXENS

\$19.95 ADULTS

\$17.95 SENIORS

\$15.95 6-12 YEARS

\$9.95 3-5 YEARS

T.K. MAGUIRE'S

Reservations Recommended

585-5777

Happy Holidays Juneau!

**SB**

**20001**

**(FILE 3)**

**SFIN**

**FILE**

DOR-SHARE

100%

R  
e  
v  
e  
n  
u  
e  
  
S  
h  
a  
r  
e

Total Revenue

0%

Price →

100%

Transportation

← Costs

R  
e  
v  
e  
n  
u  
e  
  
S  
h  
a  
r  
e

Total Revenue

0%

Price →

100%

Transportation

← Costs

R  
e  
v  
e  
n  
u  
e  
  
S  
h  
a  
r  
e

Gross Production Value

0%

Price →

100%

Transportation  
← Costs

R  
e  
v  
e  
n  
u  
e  
  
S  
h  
a  
r  
e

Producer  
Costs

Production Tax Value

0%

Price →



100%

R  
e  
v  
e  
n  
u  
e  
  
S  
h  
a  
r  
e

0%

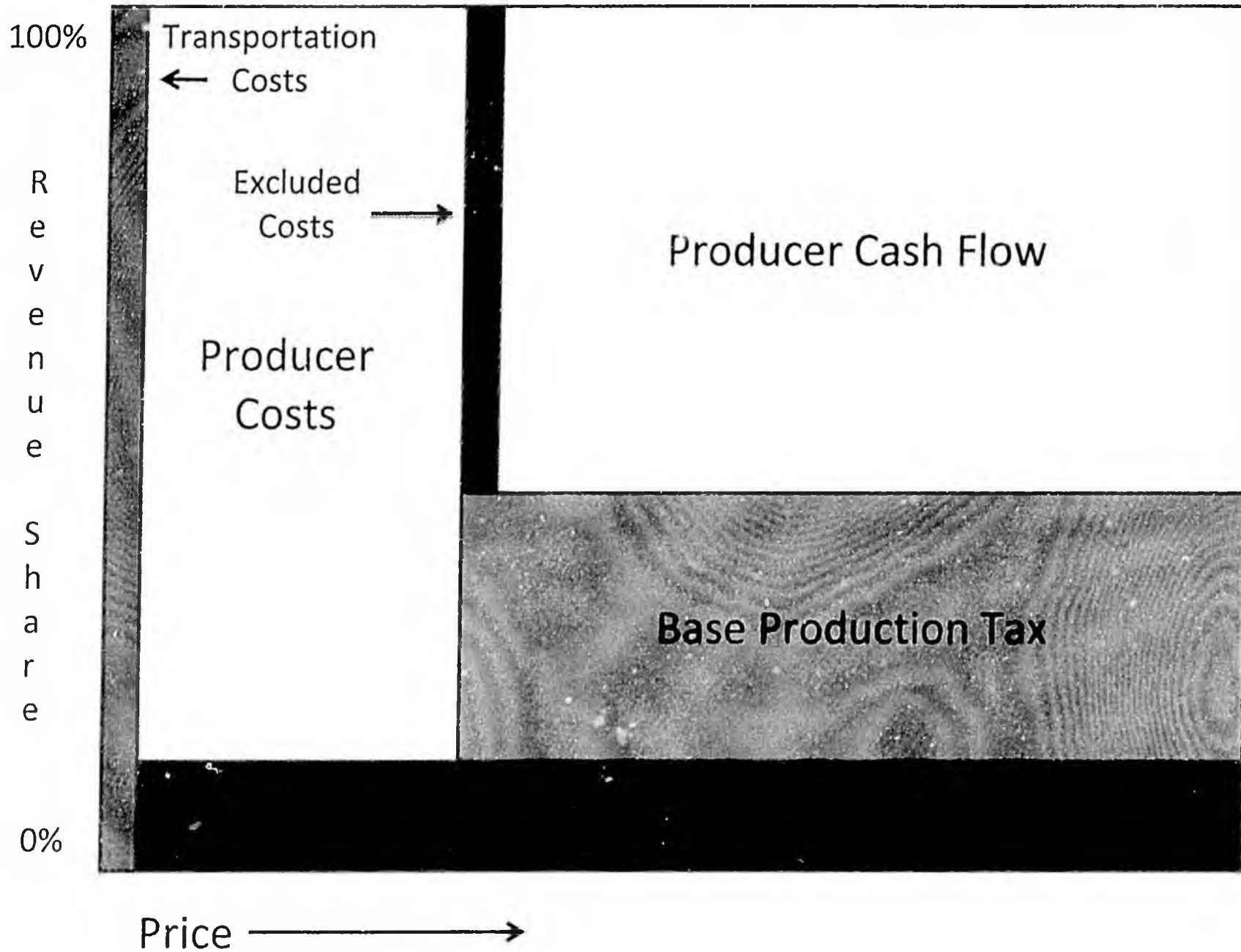
Transportation  
← Costs

Producer  
Costs

Producer Cash Flow

Base Production Tax

Price →



100%

Transportation

← Costs

R  
e  
v  
e  
n  
u  
e

Excluded  
Costs →

Producer Cash Flow

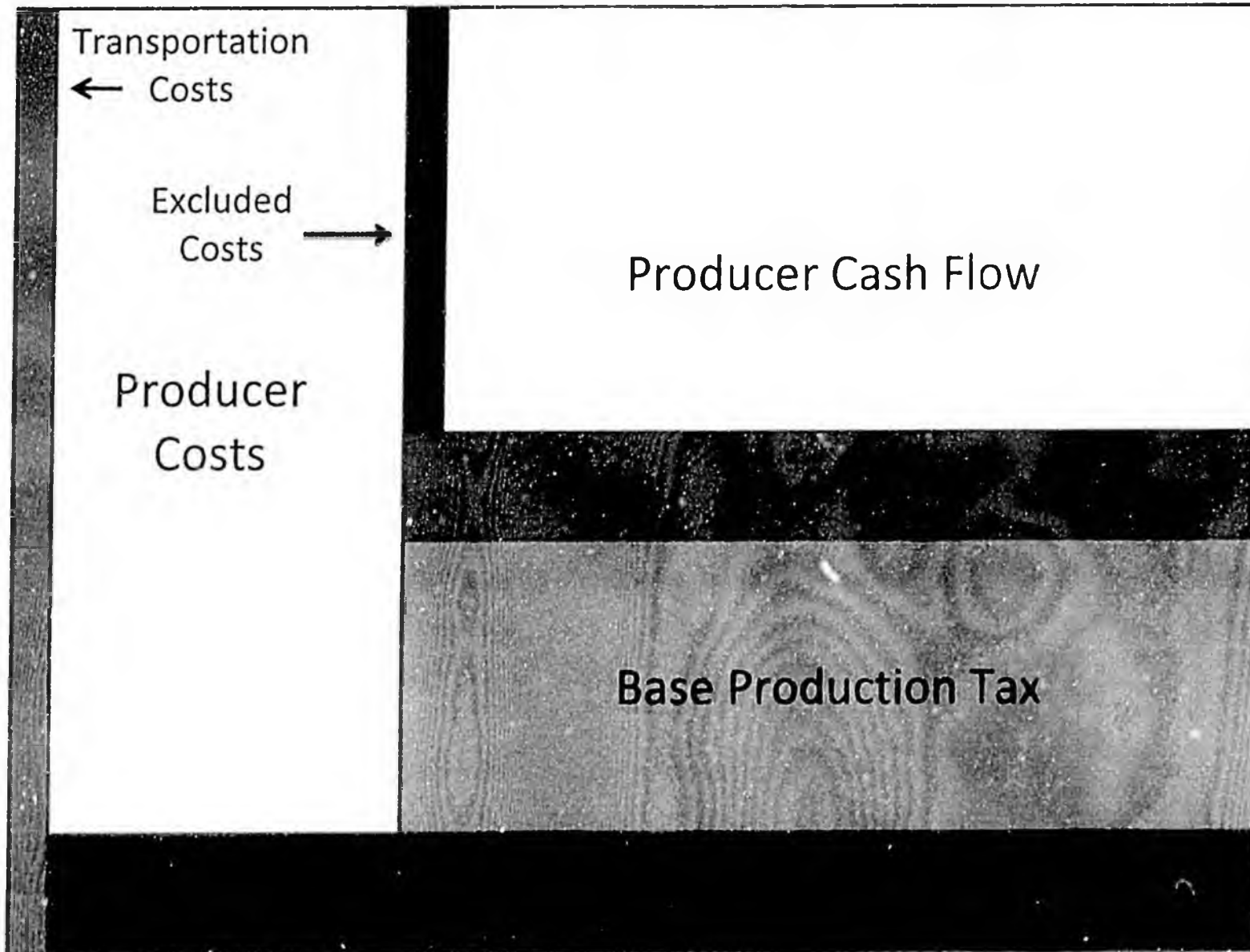
Producer  
Costs

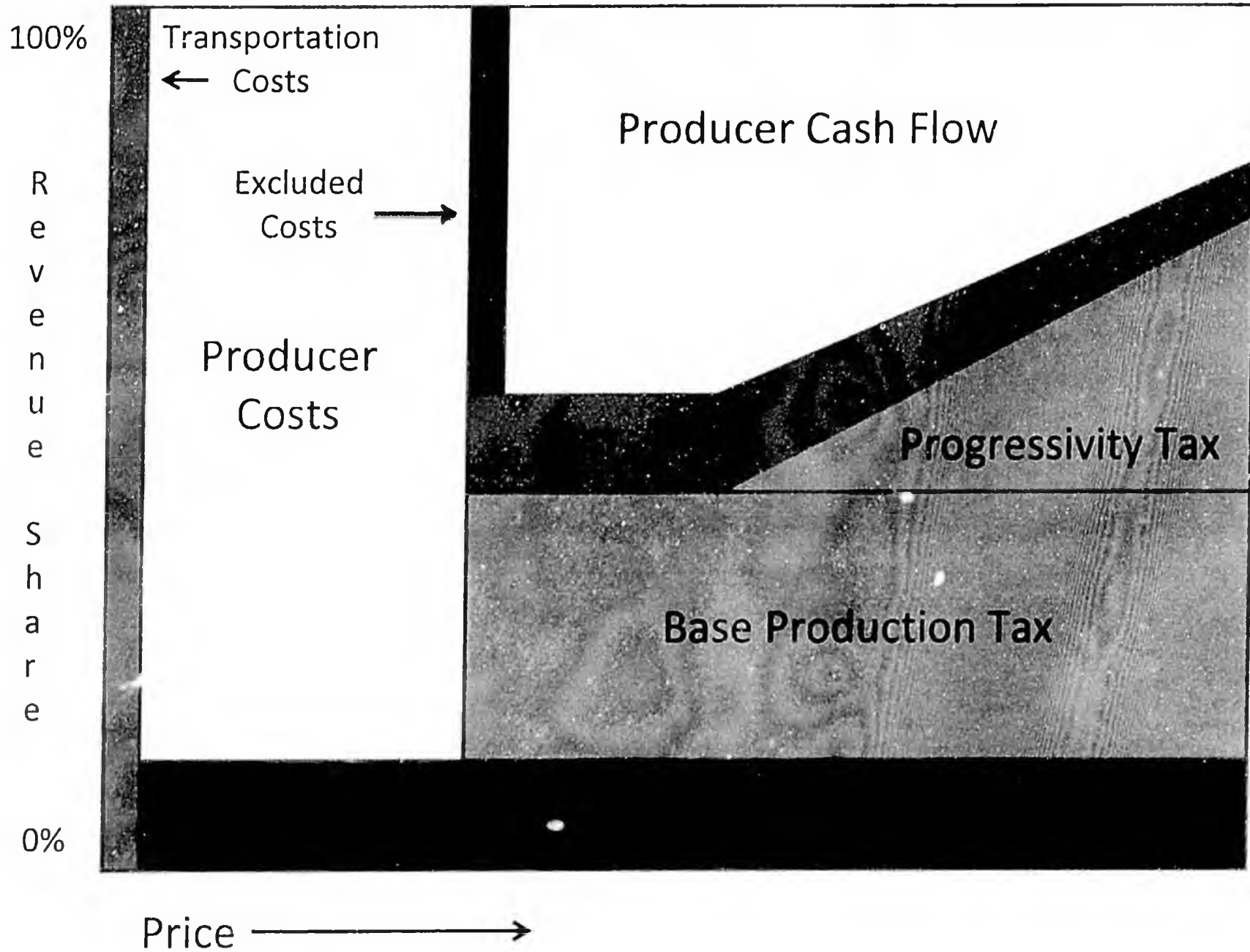
S  
h  
a  
r  
e

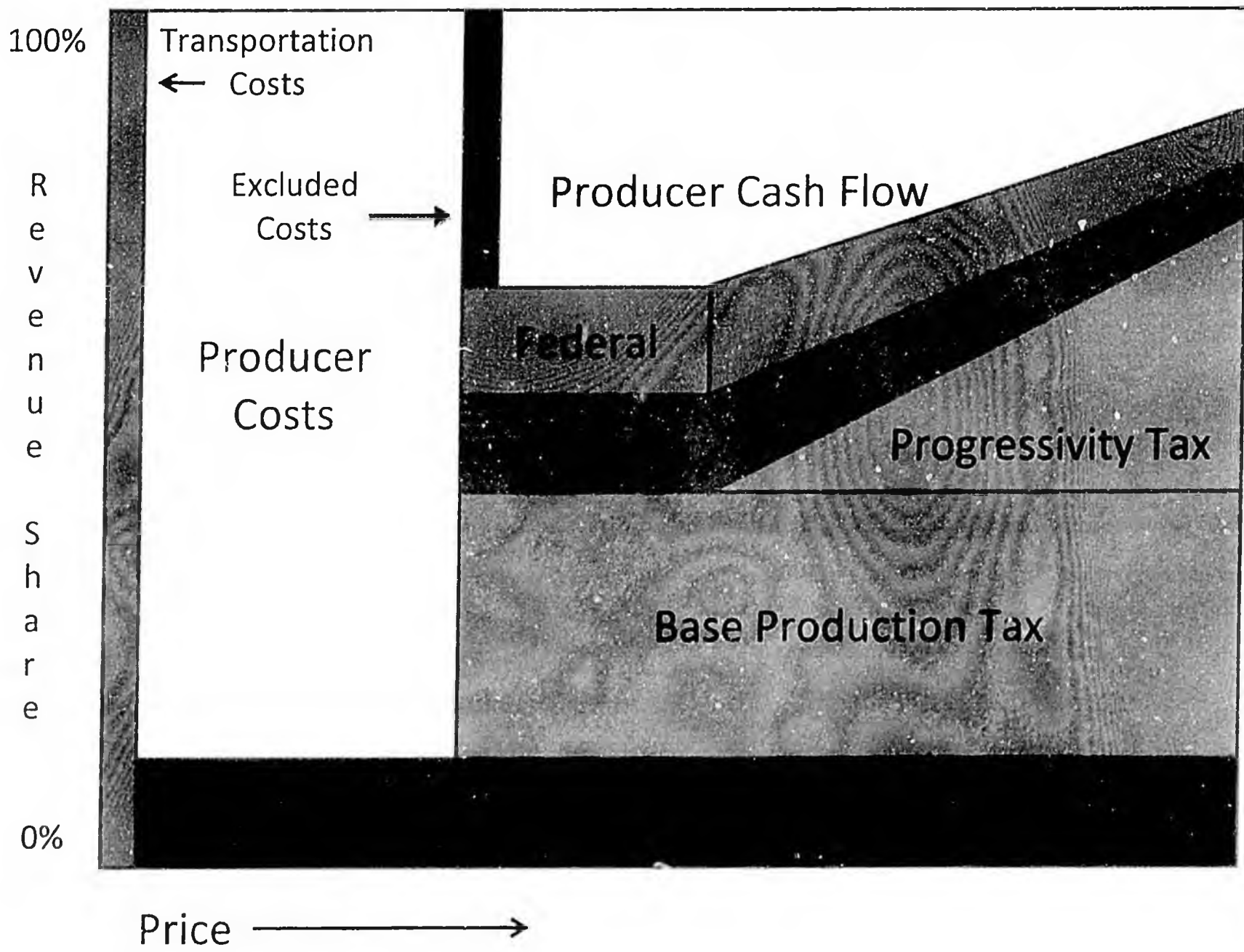
Base Production Tax

0%

Price →







100%

Producer Cash Flow

R  
e  
v  
e  
n  
u  
e

Progressivity Tax

S  
h  
a  
r  
e

Base Production Tax

0%

PRODUCTION  
TAX - DAN  
DICKERSON

Summary Comparison between Various Approaches to Production Tax

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

Summary Comparison between Various Approaches to Production Tax

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

**Exceptions to Tax Credits**

			<i>Bill Section 41</i>
none	none	none	unpaid judgment

**State Purchase of Credits**

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

Summary Comparison between Various Approaches to Production Tax

Issue	Current Law <i>AS 43.55.165</i>	SB/HB 2001 (ACES) as introduced	CS HB 2001(FIN)am <i>Bill Section 46-51</i>
Allowable Lease Expenditures	no language	must be	must be
Allowed by regulation			
Use producer audits of operators?	Explicit	Explicit repealed; Implicit	Explicit repealed; Implicit
Disallow bad acts II?	yes	add violation of law, lease or license	costs arising from Bad Acts III - criminal
Dispute resolution			
DR&R Allowed?	Allocated	No	No
"Corrosion" Issue		\$0.30 + unscheduled events disallowed	\$.30 a bbl disallowed+ intent language
Field Topping Plants allowed?	Yes	No	No
Off Lease allowed			
Public Outreach costs	not explicit	not explicit	no: listed
Opex			Yet to be written regulations will define 2005; then 3% annual increase; (regardless of production or ownership?)

Summary Comparison between Various Approaches to Production Tax

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

Summary Comparison between Various Approaches to Production Tax

SB/HB 2001 (ACES) as introduced

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

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

<b>Additional Penalties</b>	<i>new As 43.55.055</i>	<i>Bill Section 49</i>
Penalty for under estimated payments		
Additional Penalties for Under reporting	none	10% for 10% or 10mm understmnt, 20% for 20% or 20mm understmnt

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

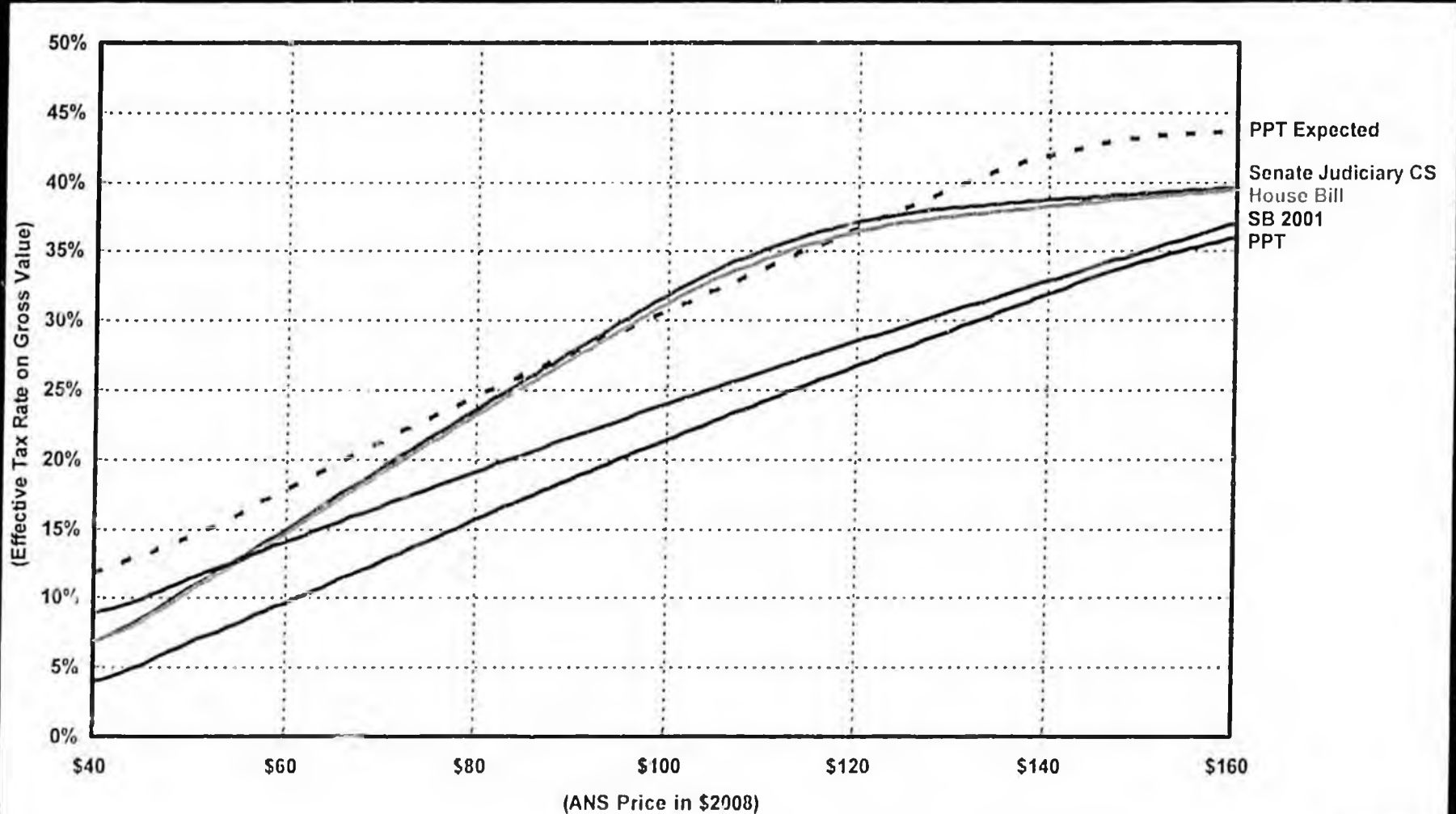
Summary Comparison between Various Approaches to Production Tax

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

ECON ONE  
CHARTS

11/12/07 Barry Pulliam

# Estimated Average Effective Tax Rate on Gross Taxable Value at Various West Coast ANS Price Levels (FY 2008-2014)



Note: Volumes per current Fall 2007 DOR Forecasts.

PPT Expected: Current Law using costs per fiscal note to HB3001.

Senate Judiciary: SB2001 using 0.4% progressivity rate, 64% overall exp, TIE credit 2006-2007 for new producers, does not include TAPS adjustment.

House Bill: SB2001 using 0.4% progressivity rate, 68% overall exp, TIE credit 2006-2007 for new producers, Opex indexed to 2006 figures.

11/12/07

