

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672  
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phase. Acquisition costs include lease bonus payments, successful exploration expenses and property taxes paid before production. Reserve estimates used for calculating units of production factors were based on estimated total recoverable reserves. Unit of production factors varied between scenarios as production volumes varied.

In addition to the aforementioned production deductions developed by field for analysis of pre-SB 524 and HB 353, three other deductions are allowed under both laws and were estimated on an aggregate basis instead of by field. These deductions were made against the total gross production income of all producing fields.

Uncapitalized interest and general overhead and administration expense were projected based on historical trends actually reported under the pre-SB 524 separate accounting law through CY 1981. The projections also consider the provisions of both laws which cap the maximum allowable deduction a corporation may claim for each item. The cap is the total expense of the corporation's consolidated worldwide business in those categories multiplied by the ratio of the cost of real and tangible personal property used in production in Alaska to the cost of real and tangible personal property used in the consolidated business worldwide.

Unsuccessful exploration and abandonment expenses are also allowed as a deduction under both pre-SB 524 and HB 353 separate accounting approaches. The projections were based on historical trends actually reported under the pre-SB 524 separate accounting law and allowing for

possible impacts on exploration expenditures of alternative price scenarios. The projected exploration expense was assumed to be deducted in the year of abandonment even though it may be that the corporation with the expense would have insufficient production income against which to write off their full exploration expense and hence, would have to carry losses forward. Also, as mentioned earlier under HB 353, corporations with exploration expenses but no production income would fall under separate accounting, a provision different from the pre-SB 524 law. This could increase total exploration expenses reported. However, these corporations would be carrying losses forward until they had production income to expense against and thus, this difference would not materially impact tax collections in the time frame of this analysis.

Deductions from gross transportation for TAPS were derived as follows:

All deductions allowed from gross transportation income are the same for both pre-SB 524 and HB 353 separate accounting approaches and therefore, were projected on the same basis throughout the FY 1982 through FY 2005 time period.

Direct operating costs were projected based on an operating cost function with both a fixed component and a variable component based on thruput. Specific cost escalation factors were also considered. The function was derived based on actual FERC filings. The projections differ between price scenarios as thruput varies.

Depreciation and amortization were calculated on a straight line basis and using useful life estimates as allowed by FERC. This would be the same regardless of thruput and those would not vary between scenarios.

Uncapitalized interest was calculated based on the actual TAPS debt schedule and would not vary between scenarios.

Property taxes under the Alaska Petroleum Production and Pipeline Property Tax were computed based on the assessed value of tangible TAPS property multiplied by the rate of 2 percent. The assessed value was assumed not to vary between scenarios.

Total separate accounting gross production income for all fields and gross transportation income for TAPS less all allowable production and transportation separate accounting deductions were calculated to arrive at net separate accounting income subject to the tax rate for each year. Pre-SB 524 provisions were applied for FY 1982 through FY 1985. HB 353 provisions were applied for FY 1985 through 2005. Thus, two estimates for FY 85 were made: one under pre-SB 524; the other under HB 353. This was done in order to be able to show the impact of SB 524 from FY 1982 through FY 1985 and also, the impact of HB 353 from FY 1985 through FY 2005. Net separate accounting income on a fiscal year basis was used to derive separate accounting tax liability on a fiscal year basis which in turn, was used to derive estimated separate accounting tax collections on a fiscal year basis.

### III.

Under the current (SB 524) Petroleum Corporate Income Tax, corporate income is taxed on a modified apportionment basis as described earlier. The projection of future tax collections under this tax was performed on a disaggregated basis by corporation instead of by field. This is because under apportionment, the worldwide petroleum business income of each corporation is apportioned to Alaska based on factors specific to that corporation. Thus, for example, even though two corporations may have identical production, income and costs in Alaska they may not have the same taxable income under apportionment if their worldwide operations and hence, apportionment factors are different.

The current apportionment tax has been in effect since the beginning of CY 1982. Corporations thus far have filed returns for two years, CY 1982 and CY 1983, under this tax structure. The three major taxpayers are ARCO, Exxon and Sohio-BP which account for approximately 90 percent of the total tax collected. Using the information for CY 1982 and CY 1983 as a basis, projections of worldwide apportionable petroleum business income and Alaska apportionment factors for each of these three corporations were made on a calendar year basis through 2005. Calendar year tax liability for the "Big Three" corporations was thus derived. Based on the corporate ownership percentages of current and prospective fields the Big Three were assumed to continue to account for 90 percent

of total tax liability throughout the period to 2005. Thus, projections of total apportionment tax liability on a calendar year basis were derived and used to project apportionment tax collections on a fiscal year basis through FY 2005.

For each corporation, projections of Alaska Production, Property and Sales used in calculating the apportionment factors were made based on the various field production and development costs and TAPS thruput and tariff rates associated with the three different price scenarios. Also, the specific corporation's ownership percentage of each field and TAPS was considered. Worldwide income, production, sales and property projections were also made assuming different growth rates consistent with the various price scenarios.

#### IV.

The following tables summarize the results of our analysis under the Mean, 30 percent and 70 percent price and production scenarios.

There are three sections, each corresponding with a specific scenario.

Each section contains seven tables. The tables are described as follows:

**Table 1:**

The first part of Table 1 summarizes the estimated impact of SB 524 (current law) on both the Petroleum Corporate Income Tax and the Petroleum Severance Tax for FY 1982 through FY 1985.

The comparison on the Petroleum Corporate Income Tax side of the table is between the pre-SB 524 separate accounting corporate tax and the current apportionment corporate tax. Two sets of figures are shown for FY 1982. The first is as if apportionment had been in effect for the full year. The second is the actual amount collected for FY 1982 which is a combination of apportionment and separate accounting. The reason for this is that SB 524 put the current apportionment tax in effect at the beginning of CY 1982, midway through FY 1982, and also raised the maximum marginal rate under the pre-SB 524 separate accounting tax from 9.4 percent to 11 percent for the last year it was in effect, CY 1981.

The comparison on the Petroleum Severance Tax side of the table is between the pre-SB 524 severance tax and the current (SB 524) severance tax. Again, two sets of figures are shown for FY 1982, however, they are both the same because SB 524 changed the severance tax effective at the beginning of FY 1982.

The second part of Table 1 summarizes the projected impact of HB 353 on both the Petroleum Corporate Income tax and the Petroleum Severance Tax for FY 1985 through FY 2005.

The comparison on the Petroleum Corporate Income Tax side is between the current apportionment corporate tax and the proposed HB 353 separate accounting corporate tax. The figures presented assume the HB 353 separate accounting tax will be effective at the beginning of CY 1985, midway through FY 1985.

The comparison on the Petroleum Severance Tax side is between the current severance tax and the proposed HB 353 severance tax. The figures presented assume the HB 353 severance tax will be effective at the beginning of CY 1987, midway through FY 1987.

Table 2a:

Table 2a summarizes estimated and projected state petroleum revenues from production as a percentage of net production revenues.

Gross revenue for each year is the sum of production multiplied by wellhead value for all producing fields. Costs are all allowable, non-tax, separate accounting deductions associated with production. Net revenue for each year is gross revenue less costs.

State petroleum revenues include royalties, severance taxes, property taxes on production facilities and income taxes. Royalties and property taxes included are the same for all tax structures presented. Property taxes are gross and include amounts credited to local governments. Severance taxes are included on the same basis and timing

as those shown in Table 1 as to pre-SB 524, current (SB 524) and proposed HB 353 laws. Income taxes included are on the same basis and timing as those shown in Table 1 except separate accounting corporate tax under pre-SB 524 and HB 353 exclude amounts attributable to TAPS which are included in Table 1. No such adjustment was made to apportionment income taxes included under current law as it was not possible to calculate separately amounts attributable to TAPS.

Table 2b:

Table 2b summarizes estimated and projected state petroleum revenues from production and pipeline transportation as a percentage of net production and transportation revenues.

Gross revenue for each year is the sum of production multiplied by wellhead value for all producing fields plus thruput multiplied by tariff for TAPS. Costs are all allowable, non-tax, separate accounting deductions associated with production and pipeline transportation. Net revenue for each year is gross revenue less costs.

State petroleum revenues include royalties, severance taxes, property taxes on production and TAPS facilities and income taxes. Royalties and property taxes included are the same for all tax structures presented. Property taxes are gross and include amounts credited to local governments. Severance taxes are included on the same basis and

timing as those shown in Table 1 as to pre-SB 524, current (SB 524) and proposed HB 353 laws. Income taxes are included on the same basis and timing as those shown in Table 1. Separate accounting corporate tax included under pre-SB 524 and HB 353 includes amounts attributable to TAPS.

Table 3:

Table 3 summarizes income and deductions on a separate accounting basis for all petroleum production, pipeline transportation and exploration activities in the State. The fields included in production activities are Cook Inlet, Sadlerochit and Kuparuk, all of which are currently in commercial production. In addition, the prospective "marginal" North Slope fields of Milne Point, Lisburne, Endicott, West Sak and Point Thompson are also included. TAPS is included in transportation activities.

The figures presented in all columns from FY 1982 through the first FY 1985 row are based on pre-SB 524 separate accounting law. The figures presented from the second FY 1985 row through FY 2005 are based on the proposed HB 353 separate accounting law. As discussed earlier, the severance tax law and the WPT deductibility provisions are different under these two laws. The figures shown in the severance tax column were calculated based on pre-SB 524 severance tax law through the first FY 1985 row and on HB 353 severance tax law from the second FY 1985 row on.

Figures shown in the WPT column are included in total deductions and deducted in calculating net income only under pre-SB 524 law through the first FY 1985 row. All tax liability and collection figures shown in this table are calculated assuming the relevant tax structure is in effect for the full year.

Table 4:

Table 4 summarizes income and deductions on a separate accounting basis for all producing fields. All calculations are on the same basis as in Table 3 except only the producing fields are included.

Table 5:

Table 5 summarizes income and deductions on a separate accounting basis for TAPS. As discussed earlier, treatment of petroleum pipeline transportation income and deductions is the same under both the pre-SB 524 and the proposed HB 353 separate accounting tax laws. All figures presented are calculated assuming separate accounting is in effect for a full year.

Table 6:

Table 6 summarizes the impact of the WPT deduction on separate accounting tax liability. Only Sadlerochit and Cook Inlet production is subject to the WPT. All other North Slope fields are exempt.

HB 353 AND SB 524  
ANALYSIS  
JUNE, 1985  
MEAN CASE ASSUMPTIONS  
SUMMARY TABLES

TABLE 1  
Old Law (Pre SB 524)  
Current Law (AS43.20 & AS 43.55)  
Proposed Law (HB 353)  
(all current FY \$)

| Fiscal Year | To. Corp Pre | Inc Tax AS 43.20 | Collections Diff | Total Prodn Tax Liability Pre | AS 43.55 | Liability Diff | Total Gain or Loss |
|-------------|--------------|------------------|------------------|-------------------------------|----------|----------------|--------------------|
|             | SB 524       |                  |                  | SB 524                        |          |                |                    |
| 82          | 837.62       | 242.50           | -595.12 1)       | 1219.03                       | 1581.70  | 362.67         | -232.45            |
|             |              |                  | Impact SB 524    |                               |          | Impact SB 524  | Impact SB 524      |
| 82          | 837.62       | 668.90           | -168.72 2)       | 1219.03                       | 1581.70  | 362.67         | 193.95             |
| 83          | 796.15       | 236.00           | -560.15          | 1098.94                       | 1493.70  | 394.76         | -165.39            |
| 84          | 782.86       | 265.10           | -517.76          | 1032.93                       | 1393.10  | 360.17         | -157.59            |
| 85          | 797.00       | 168.60           | -628.40          | 1013.86                       | 1388.50  | 374.64         | -253.76            |
|             |              |                  | Impact HB 353    | existing                      |          | Impact HB 353  | Impact HB 353      |
|             | HB 353       |                  |                  | AS 43.55                      |          |                |                    |
| 85          | 448.48       | 168.60           | 279.88 3)        | 1388.50                       | 1388.50  | 0.00           | 279.88             |
| 86          | 698.21       | 228.07           | 470.15           | 1204.74                       | 1204.74  | 0.00           | 470.15             |
|             |              |                  |                  | HB 353                        |          |                |                    |
| 87          | 607.04       | 241.37           | 365.67           | 979.68                        | 1072.99  | -93.31         | 272.36             |
| 88          | 567.21       | 249.25           | 317.96           | 685.93                        | 830.45   | -144.52        | 173.44             |
| 89          | 550.19       | 252.48           | 297.71           | 661.33                        | 794.12   | -132.79        | 164.92             |
| 90          | 519.30       | 254.00           | 265.30           | 640.39                        | 761.26   | -120.87        | 144.43             |
| 91          | 476.02       | 251.48           | 224.55           | 603.23                        | 707.14   | -103.91        | 120.64             |
| 92          | 466.96       | 248.45           | 218.51           | 610.04                        | 715.61   | -105.57        | 112.94             |
| 93          | 466.49       | 244.40           | 222.09           | 609.35                        | 719.25   | -109.90        | 112.19             |
| 94          | 434.06       | 236.82           | 197.24           | 562.39                        | 660.96   | -98.57         | 98.67              |
| 95          | 403.64       | 228.19           | 175.44           | 535.46                        | 631.20   | -95.74         | 79.70              |
| 96          | 370.16       | 219.58           | 150.58           | 490.99                        | 580.20   | -89.21         | 61.37              |
| 97          | 343.05       | 211.35           | 131.69           | 456.78                        | 539.66   | -82.88         | 48.81              |
| 98          | 321.93       | 204.13           | 117.80           | 427.43                        | 503.60   | -76.17         | 41.63              |
| 99          | 302.91       | 197.49           | 105.42           | 402.26                        | 471.98   | -69.72         | 35.70              |
| 2000        | 290.31       | 190.00           | 100.31           | 372.55                        | 437.26   | -64.71         | 35.60              |
| 01          | 257.19       | 180.10           | 77.09            | 326.22                        | 377.30   | -51.08         | 26.01              |
| 02          | 212.73       | 169.31           | 43.42            | 279.22                        | 322.12   | -42.90         | 0.52               |
| 03          | 170.62       | 159.82           | 10.81            | 245.16                        | 260.13   | -14.97         | -24.16             |
| 04          | 141.77       | 150.55           | -8.78            | 221.49                        | 247.03   | -25.54         | -34.32             |
| 05          | 109.07       | 140.64           | -31.57           | 201.66                        | 221.37   | -19.51         | -51.08             |
| SUM85-05    | 8157.35      | 4426.09          | 3731.26          | 11905.00                      | 13466.67 | -1561.67       | 2169.39            |

1) FY 1982 receipts are estimated as if AS43.21 were in effect for the whole year in column 2 then as if AS43.20 were in effect for the whole year in column 3 though each was in effect only half the fiscal year.

2) FY 1982 collections under SB 524 of \$668.9a are comprised of \$579.2a from AS43.21\*OLD SEPARATE ACCT\* law and \$130.7 from AS43.20 \*CURRENT MODIFIED APPORTIONMENT\* law.

3) FY 1985 HB353 Corp. Inc. Tax includes \$60.9m of AS43.20 already collected through December 31, 1984.

4) FY 1985 AS43.20 collections are expected to be low due to substantial refunds and credits for prior year's tax overpayments. Tax liability on a calendar year basis under AS43.20 was CY82, \$236.50m; CY83, \$224.01a; CY84 \$241.54a.

5) Based on 6/85 Mean case price and production assumptions.

TABLE 2a  
Calculation of State Petroleum Revenues as a  
Percent of Adjusted Production Income  
6/85 Forecast Assumptions Mean Case FY 85-05 Using MHV

|             |                            |               |             | With AS 43.20 Corporate Income Tax & AS 43.55 Production Tax |                   |              |                            |               |             |                       |                   |
|-------------|----------------------------|---------------|-------------|--------------------------------------------------------------|-------------------|--------------|----------------------------|---------------|-------------|-----------------------|-------------------|
| Fiscal Year | Total Petroleum Production |               |             | State Petrol Revenues                                        | State / Net Rev % | Fiscal Year  | Total Petroleum Production |               |             | State Petrol Revenues | State / Net Rev % |
|             | Gross Revenue              | Cost Deductns | Net Revenue |                                                              |                   |              | Gross Revenue              | Cost Deductns | Net Revenue |                       |                   |
| 82          | 12958.93                   | 1740.58       | 11218.35    | 3525.22                                                      | 31.42%            | 82           | 12958.93                   | 1740.58       | 11218.35    | 3502.40               | 31.22%            |
|             |                            |               |             | Pre SB 524                                                   |                   | AS43.20 & 55 |                            |               |             |                       |                   |
|             |                            |               |             | Impact SB 524                                                |                   |              |                            |               |             |                       |                   |
| 82          | 12958.93                   | 1740.58       | 11218.35    | 3525.22                                                      | 31.42%            | 82           | 12958.93                   | 1740.58       | 11218.35    | 3928.80               | 35.02%            |
| 83          | 11941.70                   | 2113.21       | 9828.49     | 3270.36                                                      | 33.27%            | 83           | 11941.70                   | 2113.21       | 9828.49     | 3321.58               | 33.80%            |
| 84          | 11327.62                   | 2511.29       | 8816.33     | 3148.49                                                      | 35.71%            | 84           | 11327.62                   | 2511.29       | 8816.33     | 3220.43               | 36.53%            |
| 85          | 11382.33                   | 2832.59       | 8549.74     | 3161.10                                                      | 36.97%            | 85           | 11382.33                   | 2832.59       | 8549.74     | 3154.10               | 36.89%            |
|             |                            |               |             | HB 353 as of 1/1/85 1)                                       |                   | AS43.20 & 55 |                            |               |             |                       |                   |
|             |                            |               |             | Impact HB 353                                                |                   |              |                            |               |             |                       |                   |
| 85          | 11382.33                   | 2832.59       | 8549.74     | 3297.36                                                      | 38.57%            | 85           | 11382.33                   | 2832.59       | 8549.74     | 3154.10               | 36.89%            |
| 86          | 10144.92                   | 3016.23       | 7128.69     | 3133.99                                                      | 43.96%            | 86           | 10144.92                   | 3016.23       | 7128.69     | 2918.12               | 40.93%            |
| 87          | 9186.96                    | 3365.90       | 5821.05     | 2739.66                                                      | 47.06%            | 87           | 9186.96                    | 3365.90       | 5821.05     | 2728.41               | 46.87%            |
| 88          | 9007.17                    | 3588.61       | 5418.56     | 2386.40                                                      | 44.04%            | 88           | 9007.17                    | 3588.61       | 5418.56     | 2463.54               | 45.46%            |
| 89          | 9143.65                    | 3773.47       | 5370.17     | 2372.84                                                      | 44.19%            | 89           | 9143.65                    | 3773.47       | 5370.17     | 2446.11               | 45.55%            |
| 90          | 9095.93                    | 3923.57       | 5172.36     | 2363.66                                                      | 45.70%            | 90           | 9095.93                    | 3923.57       | 5172.36     | 2441.83               | 47.21%            |
| 91          | 8808.87                    | 3896.45       | 4912.42     | 2277.76                                                      | 46.37%            | 91           | 8808.87                    | 3896.45       | 4912.42     | 2354.81               | 47.94%            |
| 92          | 9018.44                    | 3900.45       | 5117.99     | 2314.22                                                      | 45.22%            | 92           | 9018.44                    | 3900.45       | 5117.99     | 2381.93               | 46.54%            |
| 93          | 9112.08                    | 3835.75       | 5276.33     | 2336.99                                                      | 44.29%            | 93           | 9112.08                    | 3835.75       | 5276.33     | 2390.22               | 45.30%            |
| 94          | 8711.44                    | 3691.57       | 5019.87     | 2233.22                                                      | 44.49%            | 94           | 8711.44                    | 3691.57       | 5019.87     | 2275.33               | 45.33%            |
| 95          | 8469.24                    | 3564.66       | 4904.58     | 2163.87                                                      | 44.12%            | 95           | 8469.24                    | 3564.66       | 4904.58     | 2202.06               | 44.90%            |
| 96          | 8114.79                    | 3453.17       | 4661.62     | 2058.35                                                      | 44.16%            | 96           | 8114.79                    | 3453.17       | 4661.62     | 2191.17               | 47.00%            |
| 97          | 7908.83                    | 3371.45       | 4537.38     | 1983.17                                                      | 43.71%            | 97           | 7908.83                    | 3371.45       | 4537.38     | 2010.93               | 44.32%            |
| 98          | 7745.92                    | 3316.04       | 4429.88     | 1918.21                                                      | 43.30%            | 98           | 7745.92                    | 3316.04       | 4429.88     | 1936.69               | 43.72%            |
| 99          | 7613.86                    | 3292.00       | 4321.86     | 1861.46                                                      | 43.07%            | 99           | 7613.86                    | 3292.00       | 4321.86     | 1871.94               | 43.31%            |
| 2000        | 7505.98                    | 3233.04       | 4272.94     | 1803.53                                                      | 42.21%            | 2000         | 7505.98                    | 3233.04       | 4272.94     | 1802.25               | 42.18%            |
| 01          | 7058.19                    | 3191.10       | 3867.09     | 1646.97                                                      | 42.59%            | 01           | 7058.19                    | 3191.10       | 3867.09     | 1640.85               | 42.43%            |
| 02          | 6540.09                    | 3147.51       | 3392.58     | 1468.94                                                      | 43.30%            | 02           | 6540.09                    | 3147.51       | 3392.58     | 1473.12               | 43.42%            |
| 03          | 6137.45                    | 3175.88       | 2961.57     | 1311.45                                                      | 44.28%            | 03           | 6137.45                    | 3175.88       | 2961.57     | 1327.19               | 44.81%            |
| 04          | 5860.91                    | 3099.70       | 2761.21     | 1185.11                                                      | 43.87%            | 04           | 5860.91                    | 3099.70       | 2761.21     | 1199.96               | 44.42%            |
| 05          | 5388.99                    | 3063.13       | 2325.86     | 1051.88                                                      | 45.23%            | 05           | 5388.99                    | 3063.13       | 2325.86     | 1072.99               | 46.13%            |

1) FY 1985 HB353 Corp. Inc. Tax includes \$60.8m of AS43.20 already collected through December 31, 1984 and half a year of the new tax.

2) Based on 6/85 Mean case price and production assumptions.

TABLE 2b  
Calculation of State Petroleum Revenues as a  
and as a Percent of Prod'n & Pipeline Income  
6/85 Forecast Assumptions Mean Case FY 85-05 Using WHV

| Fiscal<br>Year | -----Total Petroleum----- |                  |                | State<br>Petrol<br>Revenues | State /<br>Net Rev<br>% | With AS 43.20 Corporate Income Tax & AS 43.55 Production Tax |                           |                  |                  |                | State<br>Petrol<br>Revenues | State /<br>Net Rev<br>% |
|----------------|---------------------------|------------------|----------------|-----------------------------|-------------------------|--------------------------------------------------------------|---------------------------|------------------|------------------|----------------|-----------------------------|-------------------------|
|                | Gross<br>Revenue          | Cost<br>Deductns | Net<br>Revenue |                             |                         | Fiscal<br>Year                                               | -----Total Petroleum----- | Gross<br>Revenue | Cost<br>Deductns | Net<br>Revenue |                             |                         |
| 82             | 16455.80                  | 2839.52          | 13616.28       | 3896.85                     | 28.62%                  | 82                                                           | 16455.80                  | 2839.52          | 13616.28         | 3664.40        | 26.91%                      |                         |
|                |                           |                  |                | Pre SB 524                  |                         |                                                              |                           |                  |                  |                | AS43.20 & 55                |                         |
|                |                           |                  |                | Impact SB 524               |                         |                                                              |                           |                  |                  |                |                             |                         |
| 82             | 16455.80                  | 2839.52          | 13616.28       | 3896.85                     | 28.62%                  | 82                                                           | 16455.80                  | 2839.52          | 13616.28         | 4090.80        | 30.04%                      |                         |
| 83             | 15469.75                  | 3156.70          | 12313.06       | 3644.37                     | 29.60%                  | 83                                                           | 15469.75                  | 3156.70          | 12313.06         | 3478.98        | 28.25%                      |                         |
| 84             | 14955.03                  | 3492.67          | 11462.37       | 3544.02                     | 30.92%                  | 84                                                           | 14955.04                  | 3492.67          | 11462.37         | 3386.43        | 29.54%                      |                         |
| 85             | 15135.98                  | 3750.89          | 11385.10       | 3569.86                     | 31.36%                  | 85                                                           | 15135.99                  | 3750.89          | 11385.10         | 3316.10        | 29.13%                      |                         |
|                |                           |                  |                | HB 353 as of 1/1/85 1)      |                         |                                                              |                           |                  |                  |                | AS43.20 & 55                |                         |
|                |                           |                  |                | Impact HB 353               |                         |                                                              |                           |                  |                  |                |                             |                         |
| 85             | 15135.98                  | 3750.89          | 11385.10       | 3585.00                     | 31.49%                  | 85                                                           | 15135.98                  | 3750.89          | 11385.10         | 3316.10        | 29.13%                      |                         |
| 86             | 13905.72                  | 3905.70          | 10000.02       | 3544.03                     | 35.44%                  | 86                                                           | 13905.72                  | 3905.70          | 10000.02         | 3073.89        | 30.74%                      |                         |
| 87             | 13017.77                  | 4248.71          | 8769.06        | 3150.31                     | 35.93%                  | 87                                                           | 13017.77                  | 4248.71          | 8769.06          | 2877.95        | 32.82%                      |                         |
| 88             | 12634.59                  | 4451.25          | 8183.34        | 2780.29                     | 33.97%                  | 88                                                           | 12634.59                  | 4451.25          | 8183.34          | 2606.85        | 31.86%                      |                         |
| 89             | 12632.58                  | 4620.60          | 8011.98        | 2748.11                     | 34.30%                  | 89                                                           | 12632.58                  | 4620.60          | 8011.98          | 2583.19        | 32.24%                      |                         |
| 90             | 12386.26                  | 4760.52          | 7625.75        | 2717.11                     | 35.63%                  | 90                                                           | 12386.26                  | 4760.52          | 7625.75          | 2572.68        | 33.74%                      |                         |
| 91             | 11789.54                  | 4722.70          | 7066.85        | 2600.06                     | 36.79%                  | 91                                                           | 11789.54                  | 4722.70          | 7066.85          | 2479.43        | 35.09%                      |                         |
| 92             | 11834.36                  | 4712.14          | 7122.22        | 2613.25                     | 36.69%                  | 92                                                           | 11834.36                  | 4712.14          | 7122.22          | 2500.31        | 35.11%                      |                         |
| 93             | 11738.58                  | 4632.28          | 7106.30        | 2614.56                     | 36.79%                  | 93                                                           | 11738.58                  | 4632.28          | 7106.30          | 2502.37        | 35.21%                      |                         |
| 94             | 11023.65                  | 4473.66          | 6550.00        | 2479.92                     | 37.86%                  | 94                                                           | 11023.65                  | 4473.66          | 6550.00          | 2381.25        | 36.36%                      |                         |
| 95             | 10538.09                  | 4336.33          | 6201.77        | 2381.46                     | 38.40%                  | 95                                                           | 10538.09                  | 4336.33          | 6201.77          | 2301.75        | 37.11%                      |                         |
| 96             | 9936.752                  | 4216.39          | 5720.36        | 2248.00                     | 39.30%                  | 96                                                           | 9936.752                  | 4216.39          | 5720.36          | 2284.63        | 39.94%                      |                         |
| 97             | 9515.632                  | 4126.62          | 5389.01        | 2146.98                     | 39.84%                  | 97                                                           | 9515.632                  | 4126.62          | 5389.01          | 2098.16        | 38.93%                      |                         |
| 98             | 9171.577                  | 4062.83          | 5108.75        | 2059.32                     | 40.31%                  | 98                                                           | 9171.577                  | 4062.83          | 5108.75          | 2017.69        | 39.49%                      |                         |
| 99             | 8885.202                  | 4032.89          | 4852.31        | 1982.41                     | 40.85%                  | 99                                                           | 8885.202                  | 4032.89          | 4852.31          | 1946.71        | 40.12%                      |                         |
| 2000           | 8645.682                  | 3969.34          | 4676.34        | 1906.39                     | 40.77%                  | 2000                                                         | 8645.682                  | 3969.34          | 4676.34          | 1870.79        | 40.01%                      |                         |
| 01             | 8025.031                  | 3925.09          | 4099.94        | 1729.17                     | 42.18%                  | 01                                                           | 8025.031                  | 3925.09          | 4099.94          | 1703.16        | 41.54%                      |                         |
| 02             | 7343.314                  | 3884.93          | 3458.38        | 1529.72                     | 44.23%                  | 02                                                           | 7343.314                  | 3884.93          | 3458.38          | 1529.20        | 44.22%                      |                         |
| 03             | 6811.310                  | 3922.66          | 2888.65        | 1352.87                     | 46.83%                  | 03                                                           | 6811.310                  | 3922.66          | 2888.65          | 1377.04        | 47.67%                      |                         |
| 04             | 6367.785                  | 3858.14          | 2509.65        | 1209.26                     | 48.18%                  | 04                                                           | 6367.785                  | 3858.14          | 2509.65          | 1243.58        | 49.55%                      |                         |
| 05             | 5850.748                  | 3834.13          | 2016.62        | 1059.29                     | 52.53%                  | 05                                                           | 5850.748                  | 3834.13          | 2016.62          | 1110.37        | 55.06%                      |                         |

1) FY 1985 HB353 Corp. Inc Tax includes \$60.8m of AS43.20 already collected through December 1, 1984 and half a year of the new tax.

2) Based on 6/85 Mean case price and production assumptions.

TABLE 3  
Pipeline, Production & Exploration  
Income Tax Estimates  
(mil current FY \$)

| Fiscal Year | Total Revenue | State Royalty Share | Prod'n& Cons Tax | Total Property Tax | Total Oper'g Costs | Total Depre | Total Acquis Costs | Windfall Profits Tax | Interest Expense Uncap | Exploratr'n Costs | Admin Costs | Other Deductns | Total Deductns | Total Net Income | Liability-----HB 353 1) | Collections-----HB 353 1) | AS 43.20 2) | Diff   |
|-------------|---------------|---------------------|------------------|--------------------|--------------------|-------------|--------------------|----------------------|------------------------|-------------------|-------------|----------------|----------------|------------------|-------------------------|---------------------------|-------------|--------|
| 82          | 16455.80      | 1564.30             | 1219.03          | 275.90             | 939.80             | 602.58      | 0.77               | 2017.66              | 720.69                 | 190.90            | 236.20      | 148.58         | 7916.41        | 8539.40          | 802.70                  | 837.62                    | 130.72      | 706.90 |
| 83          | 15469.75      | 1442.73             | 1098.94          | 306.55             | 1100.56            | 780.16      | 0.98               | 1018.38              | 676.04                 | 204.26            | 252.30      | 142.39         | 7023.30        | 8446.46          | 793.97                  | 796.15                    | 236.00      | 560.15 |
| 84          | 14955.04      | 1370.57             | 1032.93          | 357.66             | 1259.34            | 998.45      | 1.09               | 412.33               | 614.13                 | 218.56            | 264.90      | 136.20         | 6666.16        | 8288.87          | 779.15                  | 782.86                    | 265.10      | 517.76 |
| 85          | 15135.99      | 1362.44             | 1013.86          | 396.56             | 1449.17            | 1093.32     | 0.80               | 70.26                | 565.55                 | 233.86            | 278.20      | 130.00         | 6594.01        | 8541.97          | 802.95                  | 797.00                    | 168.60      | 628.40 |
| 85          | 15135.99      | 1362.44             | 1377.52          | 396.56             | 1449.17            | 1093.32     | 0.80               | 69.59                | 565.55                 | 233.86            | 278.20      | 130.00         | 6887.41        | 8248.58          | 775.37                  | 581.52                    | 168.60      | 412.92 |
| 86          | 13905.72      | 1220.61             | 1204.74          | 420.27             | 1477.66            | 1224.05     | 0.76               | 39.85                | 541.76                 | 245.55            | 292.10      | 123.82         | 6751.52        | 7154.20          | 672.50                  | 698.21                    | 228.07      | 470.15 |
| 87          | 13017.78      | 1098.54             | 979.68           | 465.05             | 1599.63            | 1441.20     | 7.86               | 18.80                | 517.87                 | 257.83            | 306.70      | 117.63         | 6791.98        | 6225.79          | 585.22                  | 607.04                    | 241.37      | 365.67 |
| 88          | 12634.59      | 1025.54             | 685.93           | 501.61             | 1644.96            | 1583.60     | 25.26              | 9.83                 | 490.28                 | 270.72            | 322.00      | 114.43         | 6664.33        | 5970.26          | 561.20                  | 567.21                    | 249.25      | 317.96 |
| 89          | 12632.59      | 1017.67             | 661.33           | 518.92             | 1672.48            | 1698.84     | 55.27              | 6.32                 | 466.41                 | 284.26            | 338.10      | 105.24         | 6818.52        | 5814.06          | 546.52                  | 550.19                    | 252.48      | 297.71 |
| 90          | 12386.27      | 1014.66             | 640.39           | 542.76             | 1760.02            | 1711.70     | 93.64              | 4.14                 | 442.64                 | 298.47            | 355.30      | 99.05          | 6958.33        | 5427.94          | 510.23                  | 519.30                    | 254.00      | 265.30 |
| 91          | 11789.55      | 981.67              | 603.23           | 537.14             | 1747.62            | 1653.39     | 124.08             | 2.71                 | 418.55                 | 313.40            | 372.80      | 92.86          | 6846.74        | 4942.81          | 464.62                  | 476.02                    | 251.48      | 224.55 |
| 92          | 11834.36      | 1008.55             | 610.04           | 528.09             | 1763.64            | 1618.38     | 129.44             | 1.72                 | 393.54                 | 329.07            | 391.40      | 86.67          | 6858.43        | 4975.93          | 467.74                  | 466.96                    | 248.45      | 218.51 |
| 93          | 11738.58      | 1022.99             | 609.35           | 515.73             | 1761.02            | 1535.91     | 130.52             | 0.70                 | 367.83                 | 345.52            | 411.00      | 80.48          | 6780.35        | 4958.23          | 466.07                  | 466.41                    | 244.40      | 222.09 |
| 94          | 11023.66      | 982.41              | 562.39           | 501.06             | 1727.71            | 1405.20     | 126.96             | 0.03                 | 345.21                 | 362.79            | 431.50      | 74.29          | 6519.52        | 4504.14          | 423.39                  | 434.06                    | 236.82      | 197.24 |
| 95          | 10538.10      | 958.25              | 535.46           | 484.11             | 1674.87            | 1305.73     | 124.63             | 0.00                 | 328.97                 | 380.93            | 453.10      | 68.10          | 6314.15        | 4223.95          | 397.05                  | 403.64                    | 228.19      | 175.44 |
| 96          | 9936.75       | 922.47              | 490.99           | 464.38             | 1649.40            | 1199.88     | 113.07             | 0.00                 | 316.45                 | 399.98            | 475.70      | 61.91          | 6094.23        | 3842.52          | 361.20                  | 370.16                    | 236.82      | 133.34 |
| 97          | 9515.63       | 904.71              | 456.78           | 442.44             | 1632.22            | 1116.78     | 97.80              | 0.00                 | 304.62                 | 419.98            | 499.50      | 55.72          | 5930.55        | 3585.08          | 337.00                  | 343.05                    | 211.35      | 131.69 |
| 98          | 9171.58       | 891.76              | 427.43           | 418.20             | 1621.84            | 1052.52     | 80.44              | 0.00                 | 293.02                 | 440.98            | 524.50      | 49.53          | 5800.22        | 3371.36          | 316.91                  | 321.93                    | 204.13      | 117.80 |
| 99          | 8865.20       | 884.73              | 402.26           | 392.51             | 1619.95            | 1002.70     | 70.07              | 0.00                 | 283.10                 | 463.03            | 550.70      | 43.34          | 5712.39        | 3172.81          | 298.24                  | 302.91                    | 197.49      | 105.42 |
| 2000        | 8645.68       | 877.78              | 372.55           | 365.75             | 1584.89            | 949.30      | 59.65              | 0.00                 | 273.89                 | 486.18            | 578.30      | 37.14          | 5585.42        | 3060.26          | 287.66                  | 290.31                    | 190.00      | 100.31 |
| 01          | 8025.03       | 831.91              | 326.22           | 313.85             | 1580.39            | 879.42      | 50.65              | 0.00                 | 265.99                 | 510.49            | 607.20      | 30.95          | 5397.07        | 2627.96          | 247.03                  | 257.19                    | 180.10      | 77.09  |
| 02          | 7343.31       | 775.51              | 279.22           | 262.26             | 1567.70            | 812.89      | 43.16              | 0.00                 | 262.91                 | 536.01            | 637.50      | 24.76          | 5201.92        | 2141.39          | 201.29                  | 212.73                    | 169.31      | 43.42  |
| 03          | 6811.31       | 725.47              | 245.16           | 211.62             | 1580.84            | 762.60      | 35.11              | 0.00                 | 263.33                 | 562.81            | 699.40      | 18.57          | 5104.91        | 1706.40          | 160.40                  | 170.62                    | 159.82      | 10.81  |
| 04          | 6367.79       | 684.66              | 221.49           | 161.34             | 1539.73            | 719.23      | 28.51              | 0.00                 | 264.44                 | 590.95            | 702.90      | 12.38          | 4925.63        | 1442.16          | 135.56                  | 141.77                    | 150.55      | -8.78  |
| 05          | 5850.75       | 637.09              | 201.86           | 111.27             | 1507.31            | 672.99      | 24.26              | 0.00                 | 264.88                 | 620.50            | 738.00      | 6.19           | 4784.35        | 1066.40          | 100.24                  | 109.07                    | 140.64      | -31.57 |

1) These estimates assume the tax plan is in effect for the whole year; for FY 1982-85 this is Pre SB 524, for FY 1985-05 this is HB 353.

2) FY82 collections of \$130.72m are the actual amounts collected or credited to CY82 liability. The estimate for a full year under AS43.20 in FY82 is \$242.5m which would result in a difference of \$595.12m as presented in column 4 of Table 1. FY 1985 AS43.20 collections are expected to be low due to substantial refunds and credits for prior year's tax overpayments. Tax liability on a calendar year basis under AS43.20 was CY82, \$236.50m; CY83, \$224.01m; CY84 \$241.54m.

3) Based on 6/85 Mean case price and production assumptions.

TABLE 4  
All Producing Fields  
Income Tax Estimates  
(as current FY \$)

| Fiscal Year | Dil Prod'n (oil B/D) | Wellhead Value (cur \$) | Gas Prod'n (acft/day) | Gas Price (acft) | Total Revenue (cur \$) | State Royalty Share | Prod'n Cons Tax | Property Tax | Total Oper'tg Costs | Depr Devel Costs | Acquis Costs | Windfall Profits Tax | Interest Expense | Exploratin Costs (expen'd) | Admin Cost | Other Deductns | Total Deductns | Total Taxable Income | Total Tax Liability | Total Tax Collectns |
|-------------|----------------------|-------------------------|-----------------------|------------------|------------------------|---------------------|-----------------|--------------|---------------------|------------------|--------------|----------------------|------------------|----------------------------|------------|----------------|----------------|----------------------|---------------------|---------------------|
| 82          | 1.6533               | 21.293                  | 507000                | 0.590            | 12958.93               | 1564.30             | 1219.03         | 113.90       | 710.80              | 333.93           | 0.77         | 2017.66              | 119.40           | 190.90                     | 236.20     | 148.58         | 6655.47        | 6303.46              | 592.53              | 627.99              |
| 83          | 1.7006               | 19.040                  | 503000                | 0.670            | 11941.70               | 1442.73             | 1098.94         | 149.15       | 880.56              | 511.51           | 0.98         | 1018.38              | 121.20           | 204.26                     | 252.30     | 142.39         | 5822.41        | 6119.30              | 575.21              | 579.54              |
| 84          | 1.7183               | 17.864                  | 505000                | 0.670            | 11327.62               | 1370.57             | 1032.93         | 191.66       | 1038.34             | 729.80           | 1.09         | 412.33               | 122.40           | 218.56                     | 264.90     | 136.20         | 5518.78        | 5808.83              | 546.03              | 553.33              |
| 85          | 1.7523               | 17.483                  | 565091                | 0.971            | 11382.33               | 1362.44             | 1013.86         | 234.56       | 1237.67             | 824.67           | 0.80         | 70.26                | 127.40           | 233.86                     | 278.20     | 130.00         | 5513.71        | 5868.61              | 551.65              | 550.24              |
| 85          | 1.7523               | 17.483                  | 565091                | 0.971            | 11382.33               | 1362.44             | 1377.52         | 234.56       | 1237.67             | 824.67           | 0.80         | 69.59                | 127.40           | 233.86                     | 278.20     | 130.00         | 5807.11        | 5575.22              | 524.07              | 393.05              |
| 86          | 1.7528               | 15.521                  | 537624                | 1.097            | 16144.92               | 1220.81             | 1204.74         | 264.50       | 1266.76             | 955.40           | 0.76         | 39.85                | 131.90           | 245.55                     | 292.10     | 123.82         | 5706.28        | 4478.64              | 417.23              | 443.94              |
| 87          | 1.78-8               | 13.713                  | 625000                | 1.200            | 9186.96                | 1098.54             | 979.68          | 315.51       | 1367.24             | 1172.55          | 7.86         | 18.80                | 136.10           | 257.83                     | 306.70     | 117.63         | 5759.63        | 3427.32              | 322.17              | 345.93              |
| 88          | 1.6838               | 14.108                  | 705650                | 1.306            | 9007.17                | 1025.54             | 885.93          | 358.30       | 1402.65             | 1314.95          | 25.26        | 7.83                 | 138.60           | 270.72                     | 322.00     | 114.43         | 5658.38        | 3348.79              | 314.79              | 316.63              |
| 89          | 1.6171               | 14.872                  | 714549                | 1.400            | 9143.65                | 1017.67             | 661.33          | 381.84       | 1421.01             | 1430.19          | 55.27        | 6.32                 | 139.40           | 284.26                     | 338.10     | 105.24         | 5834.31        | 3309.33              | 318.08              | 312.00              |
| 90          | 1.5236               | 15.535                  | 797800                | 1.570            | 9095.93                | 1014.66             | 640.39          | 411.91       | 1494.06             | 1443.05          | 93.64        | 4.14                 | 140.30           | 298.47                     | 355.00     | 99.05          | 5990.53        | 3105.40              | 291.91              | 296.70              |
| 91          | 1.3796               | 16.431                  | 858950                | 1.706            | 8808.87                | 983.67              | 603.23          | 412.52       | 1467.67             | 1384.74          | 124.08       | 2.71                 | 140.90           | 313.40                     | 372.80     | 92.86          | 5895.87        | 2913.00              | 273.82              | 278.34              |
| 92          | 1.3020               | 17.691                  | 902485                | 1.856            | 9018.44                | 1008.16             | 610.04          | 409.71       | 1473.04             | 1349.73          | 129.44       | 1.72                 | 141.10           | 329.07                     | 391.40     | 86.67          | 5928.36        | 3070.08              | 290.47              | 286.31              |
| 93          | 1.2133               | 19.063                  | 920067                | 1.995            | 9112.08                | 1022.99             | 609.35          | 403.58       | 1459.67             | 1267.26          | 130.52       | 0.70                 | 141.30           | 345.52                     | 411.00     | 80.48          | 5871.67        | 3240.41              | 304.60              | 301.07              |
| 94          | 1.0681               | 20.548                  | 893060                | 2.149            | 8711.44                | 982.41              | 562.39          | 395.14       | 1418.28             | 1136.55          | 126.96       | 0.03                 | 141.20           | 362.79                     | 431.50     | 74.29          | 5631.51        | 3079.93              | 289.51              | 293.28              |
| 95          | 0.9563               | 22.107                  | 906349                | 2.270            | 8469.24                | 958.25              | 535.46          | 384.42       | 1358.12             | 1037.08          | 124.63       | 0.00                 | 142.70           | 380.93                     | 453.10     | 68.10          | 5442.79        | 3026.45              | 284.49              | 295.74              |
| 96          | 0.8435               | 23.745                  | 920462                | 2.395            | 8114.79                | 922.47              | 490.99          | 370.92       | 1324.58             | 931.23           | 113.07       | 0.00                 | 146.70           | 399.98                     | 475.70     | 61.91          | 5237.55        | 2877.24              | 270.46              | 273.97              |
| 97          | 0.7449               | 25.868                  | 936358                | 2.562            | 7908.83                | 904.71              | 456.78          | 355.21       | 1298.82             | 848.13           | 97.80        | 0.00                 | 151.50           | 419.98                     | 499.50     | 55.72          | 5088.15        | 2820.68              | 265.14              | 266.47              |
| 98          | 0.6617               | 28.124                  | 954349                | 2.737            | 7745.92                | 891.76              | 427.43          | 337.20       | 1279.92             | 783.87           | 60.44        | 0.00                 | 156.80           | 440.98                     | 524.50     | 49.53          | 4972.43        | 2773.49              | 260.71              | 261.82              |
| 99          | 0.5910               | 30.529                  | 943764                | 2.987            | 7613.86                | 884.73              | 402.26          | 317.74       | 1268.61             | 734.05           | 70.07        | 0.00                 | 162.20           | 463.03                     | 550.70     | 43.34          | 4896.73        | 2717.13              | 255.41              | 256.73              |
| 2000        | 0.5296               | 33.163                  | 924739                | 3.244            | 7505.98                | 877.78              | 372.55          | 297.21       | 1223.13             | 680.65           | 59.65        | 0.00                 | 168.00           | 486.18                     | 578.30     | 37.14          | 4760.58        | 2725.40              | 256.19              | 255.99              |
| 01          | 0.4497               | 35.970                  | 890963                | 3.550            | 7058.19                | 831.91              | 326.22          | 251.54       | 1207.04             | 610.77           | 50.65        | 0.00                 | 174.00           | 510.49                     | 607.20     | 30.93          | 4600.77        | 2457.42              | 231.00              | 237.30              |
| 02          | 0.3739               | 38.662                  | 899667                | 3.847            | 6540.09                | 775.51              | 279.22          | 206.18       | 1181.44             | 544.24           | 43.16        | 0.00                 | 180.40           | 536.01                     | 637.50     | 24.76          | 4408.42        | 2131.67              | 200.38              | 208.03              |
| 03          | 0.3140               | 41.858                  | 879601                | 4.172            | 6137.45                | 725.47              | 245.16          | 161.77       | 1178.94             | 493.95           | 35.11        | 0.00                 | 187.10           | 562.81                     | 699.40     | 18.57          | 4308.28        | 1829.17              | 171.94              | 179.05              |
| 04          | 0.2645               | 45.394                  | 860541                | 4.518            | 5800.91                | 684.66              | 221.49          | 117.72       | 1120.38             | 450.58           | 28.51        | 0.00                 | 194.00           | 590.95                     | 702.90     | 12.38          | 4123.57        | 1677.34              | 157.67              | 161.24              |
| 05          | 0.2158               | 49.264                  | 843787                | 4.896            | 5388.99                | 637.09              | 201.86          | 75.89        | 1068.44             | 404.34           | 24.26        | 0.00                 | 201.40           | 620.50                     | 738.00     | 6.19           | 3975.97        | 1413.02              | 132.82              | 139.04              |

1) These prices are weighted average wellhead values derived from the various values at the N. Slope and Cook Inlet fields evaluated in this study.

TABLE 5  
Trans Alaska Pipeline  
Income Tax Estimates  
(mil current FY \$)

| Fiscal Year | Pipeline Thruput (mil B/D) | Tariff (\$/B) | Total Revenue | Operat'g Costs/Year | Amort & Deprec | Uncap Interest | Property Tax | Total Deduction | Net Income | Tax Liability (9.4%) |
|-------------|----------------------------|---------------|---------------|---------------------|----------------|----------------|--------------|-----------------|------------|----------------------|
| 82          | 1.5680                     | 6.11          | 3496.88       | 229.00              | 268.65         | 601.29         | 162.00       | 1260.94         | 2235.94    | 210.18               |
| 83          | 1.6300                     | 5.93          | 3528.05       | 220.00              | 268.65         | 554.84         | 157.40       | 1200.89         | 2327.16    | 218.75               |
| 84          | 1.6536                     | 6.01          | 3627.42       | 221.00              | 268.65         | 491.73         | 166.00       | 1147.38         | 2480.04    | 233.12               |
| 85          | 1.7140                     | 6.00          | 3753.66       | 211.50              | 268.65         | 438.15         | 162.00       | 1080.30         | 2673.36    | 251.30               |
| 86          | 1.7173                     | 6.00          | 3760.80       | 210.96              | 268.65         | 409.86         | 155.77       | 1045.24         | 2715.56    | 255.26               |
| 87          | 1.7492                     | 6.00          | 3830.82       | 232.39              | 268.65         | 381.77         | 149.54       | 1032.35         | 2798.47    | 263.06               |
| 88          | 1.6564                     | 6.00          | 3627.42       | 242.31              | 268.65         | 351.68         | 143.31       | 1005.95         | 2621.47    | 246.42               |
| 89          | 1.5931                     | 6.00          | 3488.94       | 251.47              | 268.65         | 327.01         | 137.08       | 984.21          | 2504.73    | 235.44               |
| 90          | 1.5024                     | 6.00          | 3290.34       | 265.96              | 268.65         | 302.34         | 130.85       | 967.80          | 2322.54    | 218.32               |
| 91          | 1.3610                     | 6.00          | 2980.68       | 279.95              | 268.65         | 277.65         | 124.62       | 950.87          | 2029.81    | 190.80               |
| 92          | 1.2858                     | 6.00          | 2815.92       | 290.60              | 268.65         | 252.44         | 118.38       | 930.07          | 1885.85    | 177.27               |
| 93          | 1.1993                     | 6.00          | 2626.50       | 301.35              | 268.65         | 226.53         | 112.15       | 908.68          | 1717.82    | 161.48               |
| 94          | 1.0558                     | 6.00          | 2312.22       | 309.43              | 268.65         | 204.01         | 105.92       | 888.01          | 1424.21    | 133.88               |
| 95          | 0.9447                     | 6.00          | 2068.86       | 316.75              | 268.65         | 186.27         | 99.69        | 871.36          | 1197.50    | 112.57               |
| 96          | 0.8319                     | 6.00          | 1821.96       | 324.82              | 268.65         | 169.75         | 93.46        | 856.68          | 965.28     | 90.74                |
| 97          | 0.7337                     | 6.00          | 1606.80       | 333.40              | 268.65         | 153.12         | 87.23        | 842.40          | 764.40     | 71.85                |
| 98          | 0.6510                     | 6.00          | 1425.66       | 341.92              | 268.65         | 136.22         | 81.00        | 827.79          | 597.87     | 56.20                |
| 99          | 0.5805                     | 6.00          | 1271.34       | 351.34              | 268.65         | 120.90         | 74.77        | 815.66          | 455.68     | 42.83                |
| 2000        | 0.5204                     | 6.00          | 1139.70       | 361.76              | 268.65         | 105.89         | 68.54        | 804.84          | 334.86     | 31.48                |
| 01          | 0.4415                     | 6.00          | 966.84        | 373.35              | 268.65         | 91.99          | 62.31        | 796.30          | 170.54     | 16.03                |
| 02          | 0.3668                     | 6.00          | 803.22        | 386.26              | 268.65         | 82.51          | 56.08        | 793.50          | 9.72       | 0.91                 |
| 03          | 0.3077                     | 6.00          | 673.86        | 401.90              | 268.65         | 76.23          | 49.85        | 796.63          | -122.77    | -11.54               |
| 04          | 0.2588                     | 6.00          | 566.88        | 419.35              | 268.65         | 70.44          | 43.62        | 802.06          | -235.18    | -22.11               |
| 05          | 0.2108                     | 6.00          | 461.76        | 438.87              | 268.65         | 63.48          | 37.38        | 808.38          | -346.62    | -32.58               |

- 1) No gas production considered (26 TCF).
- 2) No TAPS settlement.
- 3) Some amount of total crude taken off at N. Pole i.e. does not go to Valdez.
- 4) Based on 6/85 Mean case price and production assumptions.
- 5) Seal Is. excluded.

ASSUMPTIONS:

Property taxes per AS43.56 @2% gross.

TABLE 6  
WINDFALL PROFITS TAX DEDUCTION  
(mil current FY \$)

DEDUCTION FROM FY TAXABLE INCOME

| <u>Fiscal Year</u>      | <u>Sadlerochit</u> | <u>Cook Inlet</u> | <u>Total</u> | <u>Impact on FY Tax Liability (Total * .094)</u> |
|-------------------------|--------------------|-------------------|--------------|--------------------------------------------------|
| <u>Under Pre-SB 524</u> |                    |                   |              |                                                  |
| a)                      |                    |                   |              |                                                  |
| 82                      | 1750.61            | 267.05            | 2017.66      | 189.66                                           |
| 83                      | 848.78             | 169.60            | 1018.38      | 95.73                                            |
| 84                      | 289.25             | 123.08            | 412.33       | 38.76                                            |
| 85                      | 8.93               | 61.33             | 70.26        | 6.60                                             |
| <u>Under HB 353</u>     |                    |                   |              |                                                  |
| b)                      |                    |                   |              |                                                  |
| 85                      | 8.51               | 61.09             | 69.60        | 6.54                                             |
| 86                      | -0-                | 39.85             | 39.85        | 3.75                                             |
| 87                      | -0-                | 18.80             | 18.80        | 1.77                                             |
| 88                      | -0-                | 9.83              | 9.83         | .92                                              |
| 89                      | -0-                | 6.32              | 6.32         | .59                                              |
| 90                      | -0-                | 4.14              | 4.14         | .39                                              |
| 91                      | -0-                | 2.71              | 2.71         | .25                                              |
| 92                      | -0-                | 1.72              | 1.72         | .16                                              |
| 93                      | -0-                | .70               | .70          | .07                                              |
| 94                      | -0-                | .03               | .03          | -0-                                              |

Note:

- 1/ Based on 6/85 Mean case price and production assumptions.
- 2/ Windfall Profits Tax is phased out and no longer in effect in FY 1995 and thereafter.
- 3/ The reason for the slight difference in FY 85 under Pre-SB 524 compared to HB 353 is the difference in the Oil Severance Tax law and thus, the severance tax adjustment under the WPT.
- a) For FY 1982 through 1985, these impacts are included in Tables 3 and 4 under the Pre-SB 524 separate accounting corporate tax. If the WPT was not a deduction for those years, the total tax liability columns would have been increased by these amounts.
- b) For FY 1982 through 2005, these impacts are not included in Tables 3 and 4 under the HB 353 separate accounting corporate tax. If the WPT was a deduction for these years, the total tax liability columns would be reduced by these amounts. In FY 1985, the reduction would be approximately one half the amount because HB 353 goes into effect midway through the fiscal year.

HB 353 AND SB 524  
ANALYSIS  
JUNE, 1985  
30% CASE ASSUMPTIONS

SUMMARY TABLES

TABLE 1  
Old Law (Pre SB 524)  
Current Law (AS43.20 & AS 43.55)  
Proposed Law (HB 353)  
(mil current FY \$)

| Fiscal Year | To. Corp Pre<br>SB 524 | Inc Tax AS 43.20 | Collections Diff | Total Prodn Tax Liability Pre<br>SB 524 | AS 43.55 | Diff          | Total Gain or Loss |
|-------------|------------------------|------------------|------------------|-----------------------------------------|----------|---------------|--------------------|
| 62          | 837.62                 | 242.50           | -595.12 1)       | 1219.03                                 | 1581.70  | 362.67        | -232.45            |
|             |                        |                  | Impact SB 524    |                                         |          | Impact SB 524 | Impact SB 524      |
| 82          | 837.62                 | 668.90           | -168.72 2)       | 1219.03                                 | 1581.70  | 362.67        | 193.95             |
| 83          | 796.15                 | 236.00           | -560.15          | 1098.94                                 | 1493.70  | 394.76        | -165.39            |
| 84          | 782.86                 | 265.10           | -517.76          | 1032.93                                 | 1393.10  | 360.17        | -157.59            |
| 85          | 797.00                 | 168.60           | -628.40          | 1013.36                                 | 1388.50  | 374.64        | -253.76            |
|             |                        |                  | Impact HB 353    | existing AS 43.55                       |          | Impact HB 353 | Impact HB 353      |
| 85          | 448.48                 | 168.60           | 279.88 3)        | 1388.50                                 | 1388.50  | 0.00          | 279.88             |
| 86          | 684.73                 | 223.67           | 461.06           | 1172.84                                 | 1172.84  | 0.00          | 461.06             |
|             |                        |                  |                  | HB 353                                  |          |               |                    |
| 87          | 563.79                 | 232.71           | 331.09           | 904.34                                  | 939.98   | -85.64        | 245.44             |
| 88          | 515.28                 | 238.38           | 276.90           | 638.67                                  | 773.71   | -135.04       | 141.86             |
| 89          | 491.39                 | 241.26           | 250.13           | 610.81                                  | 737.68   | -127.07       | 123.06             |
| 90          | 456.84                 | 241.28           | 215.56           | 586.91                                  | 703.35   | -116.44       | 99.12              |
| 91          | 410.91                 | 238.09           | 172.82           | 541.91                                  | 642.15   | -100.24       | 72.58              |
| 92          | 401.05                 | 235.48           | 165.57           | 546.70                                  | 646.31   | -99.61        | 65.96              |
| 93          | 401.31                 | 232.44           | 168.87           | 552.78                                  | 639.54   | -86.76        | 82.11              |
| 94          | 373.10                 | 225.67           | 147.43           | 507.40                                  | 595.90   | -88.50        | 59.93              |
| 95          | 344.91                 | 217.58           | 127.33           | 480.40                                  | 562.13   | -81.73        | 45.60              |
| 96          | 316.61                 | 209.73           | 106.88           | 443.18                                  | 516.64   | -73.46        | 33.42              |
| 97          | 292.49                 | 202.00           | 90.49            | 415.23                                  | 494.75   | -69.52        | 20.97              |
| 98          | 270.06                 | 194.51           | 75.55            | 388.95                                  | 451.24   | -62.29        | 13.26              |
| 99          | 247.16                 | 167.15           | 60.01            | 361.51                                  | 418.64   | -57.13        | 2.88               |
| 2000        | 226.90                 | 178.63           | 48.27            | 332.77                                  | 384.15   | -51.38        | -3.11              |
| 01          | 184.23                 | 167.79           | 16.45            | 283.19                                  | 328.46   | -45.27        | -28.82             |
| 02          | 141.64                 | 156.78           | -15.14           | 245.12                                  | 278.92   | -33.80        | -48.94             |
| 03          | 102.09                 | 147.24           | -45.15           | 214.75                                  | 243.63   | -29.28        | -74.43             |
| 04          | 70.65                  | 137.62           | -66.97           | 198.20                                  | 217.30   | -19.10        | -86.07             |
| 05          | 29.57                  | 126.56           | -96.99           | 181.65                                  | 199.81   | -18.16        | -115.15            |
| SUM95-05    | 6973.24                | 4203.18          | 2770.05          | 10995.41                                | 12375.83 | -1380.42      | 1369.63            |

1) FY 1982 receipts are estimated as if AS43.21 were in effect for the whole year in column 2 then as if AS43.20 were in effect for the whole year in column 3 though each was in effect only half the fiscal year.

2) FY 1982 collections under SB 524 of \$668.9m are comprised of \$538.2m from AS43.21 "OLD SEPARATE ADCT" law and \$130.7 from AS43.20 "CURRENT MODIFIED AFFORTIONMENT" law.

3) FY 1985 HB353 Corp. Inc. Tax includes \$60.8m of AS43.20 already collected through December 31, 1984.

4) FY 1985 AS43.20 collections are expected to be low due to substantial refunds and credits for prior year's tax overpayments. Tax liability on a calendar year basis under AS43.20 was CY82, \$236.50m; CY83, \$224.01m; CY84 \$241.54m.

5) Based on 6/85 30% case price and production assumptions.

TABLE 2a  
Calculation of State Petroleum Revenues as a  
Percent of Adjusted Production Income  
6/85 Forecast Assumptions 30% Case FY 85-05 Using WHV

|             |                            |               |             |                       | With AS 43.20 Corporate Income Tax & AS 43.55 Production Tax |             |                            |               |             |                       |                   |
|-------------|----------------------------|---------------|-------------|-----------------------|--------------------------------------------------------------|-------------|----------------------------|---------------|-------------|-----------------------|-------------------|
| Fiscal Year | Total Petroleum Production |               |             | State Petrol Revenues | State / Net Rev %                                            | Fiscal Year | Total Petroleum Production |               |             | State Petrol Revenues | State / Net Rev % |
|             | Gross Revenue              | Cost Deductns | Net Revenue |                       |                                                              |             | Gross Revenue              | Cost Deductns | Net Revenue |                       |                   |
| 82          | 12958.93                   | 1740.58       | 11218.35    | 3525.22               | 31.42%                                                       | 82          | 12958.93                   | 1740.58       | 11218.35    | 3502.40               | 31.22%            |
|             |                            |               |             |                       | Pre SB 524                                                   |             |                            |               |             |                       | AS43.20 & 55      |
|             |                            |               |             |                       | Impact SB 524                                                |             |                            |               |             |                       |                   |
| 82          | 12958.93                   | 1740.58       | 11218.35    | 3525.22               | 31.42%                                                       | 82          | 12958.93                   | 1740.58       | 11218.35    | 3928.80               | 35.02%            |
| 83          | 11941.70                   | 2113.21       | 9828.49     | 3270.36               | 33.27%                                                       | 83          | 11941.70                   | 2113.21       | 9828.49     | 3321.58               | 33.80%            |
| 84          | 11327.62                   | 2511.29       | 8816.33     | 3148.49               | 35.71%                                                       | 84          | 11327.62                   | 2511.29       | 8816.33     | 3220.43               | 36.53%            |
| 85          | 11382.33                   | 2832.59       | 8549.74     | 3161.10               | 36.97%                                                       | 85          | 11382.33                   | 2832.59       | 8549.74     | 3154.10               | 36.89%            |
|             |                            |               |             |                       | HB 353 as of 1/1/85 1)                                       |             |                            |               |             |                       | AS43.20 & 55      |
|             |                            |               |             |                       | Impact HB 353                                                |             |                            |               |             |                       |                   |
| 85          | 11382.33                   | 2832.59       | 8549.74     | 3297.36               | 38.57%                                                       | 85          | 11382.33                   | 2832.59       | 8549.74     | 3154.10               | 36.89%            |
| 86          | 9887.72                    | 3015.48       | 6872.24     | 3055.24               | 44.46%                                                       | 86          | 9887.72                    | 3015.48       | 6872.24     | 2848.45               | 41.45%            |
| 87          | 8471.80                    | 3356.83       | 5114.97     | 2532.10               | 49.50%                                                       | 87          | 8471.80                    | 3356.83       | 5114.97     | 2547.16               | 49.80%            |
| 88          | 8329.60                    | 3543.97       | 4785.63     | 2211.37               | 46.21%                                                       | 88          | 8329.60                    | 3543.97       | 4785.63     | 2316.57               | 48.41%            |
| 89          | 8353.24                    | 3632.71       | 4720.52     | 2186.06               | 46.31%                                                       | 89          | 8353.24                    | 3632.71       | 4720.52     | 2290.29               | 48.52%            |
| 90          | 8258.78                    | 3741.13       | 4517.65     | 2166.34               | 47.95%                                                       | 90          | 8258.78                    | 3741.13       | 4517.65     | 2274.97               | 50.36%            |
| 91          | 7904.70                    | 3688.01       | 4216.70     | 2064.21               | 48.95%                                                       | 91          | 7904.70                    | 3688.01       | 4216.70     | 2173.54               | 51.55%            |
| 92          | 8107.26                    | 3709.46       | 4397.81     | 2094.52               | 47.63%                                                       | 92          | 8107.26                    | 3709.46       | 4397.81     | 2194.70               | 49.90%            |
| 93          | 8221.24                    | 3673.21       | 4548.02     | 2123.74               | 46.70%                                                       | 93          | 8221.24                    | 3673.21       | 4548.02     | 2194.89               | 48.26%            |
| 94          | 7885.09                    | 3559.52       | 4325.56     | 2028.93               | 46.91%                                                       | 94          | 7885.09                    | 3559.52       | 4325.56     | 2101.34               | 48.58%            |
| 95          | 7646.27                    | 3432.19       | 4214.09     | 1957.90               | 46.46%                                                       | 95          | 7646.27                    | 3432.19       | 4214.09     | 2021.91               | 47.98%            |
| 96          | 7363.98                    | 3335.04       | 4028.95     | 1867.70               | 46.36%                                                       | 96          | 7363.98                    | 3335.04       | 4028.95     | 2019.17               | 50.12%            |
| 97          | 7169.51                    | 3252.94       | 3916.57     | 1796.94               | 45.88%                                                       | 97          | 7169.51                    | 3252.94       | 3916.57     | 1847.31               | 47.17%            |
| 98          | 6955.00                    | 3173.31       | 3781.69     | 1724.47               | 45.60%                                                       | 98          | 6955.00                    | 3173.31       | 3781.69     | 1766.06               | 46.70%            |
| 99          | 6738.45                    | 3115.29       | 3623.15     | 1649.99               | 45.54%                                                       | 99          | 6738.45                    | 3115.29       | 3623.15     | 1687.16               | 46.57%            |
| 2000        | 6513.93                    | 3032.96       | 3480.97     | 1573.83               | 45.21%                                                       | 2000        | 6513.93                    | 3032.96       | 3480.97     | 1604.07               | 46.08%            |
| 01          | 5912.10                    | 2940.61       | 2971.49     | 1388.82               | 46.74%                                                       | 01          | 5912.10                    | 2940.61       | 2971.49     | 1428.57               | 48.08%            |
| 02          | 5485.48                    | 2915.17       | 2570.31     | 1232.63               | 47.96%                                                       | 02          | 5485.48                    | 2915.17       | 2570.31     | 1277.36               | 49.70%            |
| 03          | 5109.57                    | 2945.74       | 2163.83     | 1091.16               | 50.43%                                                       | 03          | 5109.57                    | 2945.74       | 2163.83     | 1148.81               | 53.09%            |
| 04          | 4743.44                    | 2867.67       | 1875.77     | 974.30                | 51.94%                                                       | 04          | 4743.44                    | 2867.67       | 1875.77     | 1032.52               | 55.05%            |
| 05          | 4269.43                    | 2865.16       | 1404.27     | 830.15                | 59.12%                                                       | 05          | 4269.43                    | 2865.16       | 1404.27     | 906.04                | 64.52%            |

1) FY 1985 HB353 Corp. Inc. Tax includes \$60.8m of AS43.20 already collected through December 31, 1984 and half a year of the new tax.

2) Based on 6/85 30% case price and production assumptions.

TABLE 2b  
Calculation of State Petroleum Revenues as a  
and as a Percent of Prod'n & Pipeline Income  
6/85 Forecast Assumptions 30% Case FY 85-05 Using WHV

| Fiscal<br>Year | -----Total Petroleum----- |                  |                | State<br>Petrol<br>Revenues | State /<br>Net Rev<br>% | With AS 43.20 Corporate Income Tax & AS 43.55 Production Tax | Fiscal<br>Year | -----Total Petroleum----- |                  |                | State<br>Petrol<br>Revenues | State /<br>Net Rev<br>% |
|----------------|---------------------------|------------------|----------------|-----------------------------|-------------------------|--------------------------------------------------------------|----------------|---------------------------|------------------|----------------|-----------------------------|-------------------------|
|                | Gross<br>Revenue          | Cost<br>Deductns | Net<br>Revenue |                             |                         |                                                              |                | Gross<br>Revenue          | Cost<br>Deductns | Net<br>Revenue |                             |                         |
| 82             | 16455.80                  | 2839.52          | 13616.28       | 3896.85                     | 28.62%                  |                                                              | 82             | 16455.80                  | 2839.52          | 13616.28       | 3664.40                     | 26.91%                  |
|                |                           |                  |                | Pre SB 524                  |                         |                                                              |                |                           |                  |                | AS43.20 & 55                |                         |
|                |                           |                  |                | Impact SB 524               |                         |                                                              |                |                           |                  |                |                             |                         |
| 82             | 16455.80                  | 2839.52          | 13616.28       | 3896.85                     | 28.62%                  |                                                              | 82             | 16455.80                  | 2839.52          | 13616.28       | 4090.80                     | 30.04%                  |
| 83             | 15469.75                  | 3156.70          | 12313.06       | 3644.37                     | 29.60%                  |                                                              | 83             | 15469.75                  | 3156.70          | 12313.06       | 3478.98                     | 28.25%                  |
| 84             | 14955.03                  | 3492.67          | 11462.37       | 3544.02                     | 30.92%                  |                                                              | 84             | 14955.04                  | 3492.67          | 11462.37       | 3386.43                     | 29.54%                  |
| 85             | 15135.98                  | 3750.89          | 11385.10       | 3569.86                     | 31.36%                  |                                                              | 85             | 15135.99                  | 3750.89          | 11385.10       | 3316.10                     | 29.13%                  |
|                |                           |                  |                | HB 353 as of 1/1/85 1)      |                         |                                                              |                |                           |                  |                | AS43.20 & 55                |                         |
|                |                           |                  |                | Impact HB 353               |                         |                                                              |                |                           |                  |                |                             |                         |
| 85             | 15135.98                  | 3750.89          | 11385.10       | 3585.00                     | 31.49%                  |                                                              | 85             | 15135.98                  | 3750.89          | 11385.10       | 3316.10                     | 29.13%                  |
| 86             | 13648.51                  | 3904.95          | 9743.57        | 3465.28                     | 35.56%                  |                                                              | 86             | 13648.51                  | 3904.95          | 9743.57        | 3004.22                     | 30.83%                  |
| 87             | 12293.67                  | 4239.30          | 8054.38        | 2942.14                     | 36.53%                  |                                                              | 87             | 12293.67                  | 4239.30          | 8054.38        | 2696.70                     | 33.48%                  |
| 88             | 11908.05                  | 4404.62          | 7503.44        | 2601.74                     | 34.67%                  |                                                              | 88             | 11908.05                  | 4404.62          | 7503.44        | 2459.88                     | 32.78%                  |
| 89             | 11697.09                  | 4473.67          | 7223.42        | 2550.43                     | 35.31%                  |                                                              | 89             | 11697.09                  | 4473.67          | 7223.42        | 2427.37                     | 33.60%                  |
| 90             | 11377.10                  | 4570.41          | 6806.69        | 2504.94                     | 36.80%                  |                                                              | 90             | 11377.10                  | 4570.41          | 6806.69        | 2405.82                     | 35.35%                  |
| 91             | 10708.14                  | 4505.98          | 6202.17        | 2370.74                     | 38.22%                  |                                                              | 91             | 10708.14                  | 4505.98          | 6202.17        | 2298.16                     | 37.05%                  |
| 92             | 10766.04                  | 4513.45          | 6252.60        | 2379.04                     | 38.05%                  |                                                              | 92             | 10766.04                  | 4513.45          | 6252.60        | 2313.08                     | 36.99%                  |
| 93             | 10718.43                  | 4463.08          | 6255.35        | 2389.15                     | 38.19%                  |                                                              | 93             | 10718.43                  | 4463.08          | 6255.35        | 2307.04                     | 36.88%                  |
| 94             | 10099.08                  | 4336.29          | 5762.79        | 2266.19                     | 39.32%                  |                                                              | 94             | 10099.08                  | 4336.29          | 5762.79        | 2207.26                     | 38.30%                  |
| 95             | 9623.390                  | 4198.63          | 5424.77        | 2167.20                     | 39.95%                  |                                                              | 95             | 9623.390                  | 4198.63          | 5424.77        | 2121.60                     | 39.11%                  |
| 96             | 9118.502                  | 4094.19          | 5024.32        | 2050.85                     | 40.82%                  |                                                              | 96             | 9118.502                  | 4094.19          | 5024.32        | 2112.63                     | 42.05%                  |
| 97             | 8719.606                  | 4004.47          | 4715.14        | 1955.51                     | 41.47%                  |                                                              | 97             | 8719.606                  | 4004.47          | 4715.14        | 1934.54                     | 41.03%                  |
| 98             | 8319.520                  | 3915.96          | 4403.56        | 1860.32                     | 42.25%                  |                                                              | 98             | 8319.520                  | 3915.96          | 4403.56        | 1847.06                     | 41.94%                  |
| 99             | 7936.706                  | 3850.96          | 4085.74        | 1764.81                     | 43.19%                  |                                                              | 99             | 7936.706                  | 3850.96          | 4085.74        | 1761.93                     | 43.12%                  |
| 2000           | 7567.690                  | 3762.81          | 3805.08        | 1669.50                     | 43.88%                  |                                                              | 2000           | 7567.690                  | 3762.81          | 3805.08        | 1672.61                     | 43.96%                  |
| 01             | 6769.499                  | 3665.94          | 3103.56        | 1462.05                     | 47.11%                  |                                                              | 01             | 6769.499                  | 3665.94          | 3103.56        | 1490.88                     | 48.04%                  |
| 02             | 6187.359                  | 3643.99          | 2543.37        | 1284.50                     | 50.50%                  |                                                              | 02             | 6187.359                  | 3643.99          | 2543.37        | 1333.44                     | 52.43%                  |
| 03             | 5687.426                  | 3684.00          | 2003.43        | 1124.23                     | 56.12%                  |                                                              | 03             | 5687.426                  | 3684.00          | 2003.43        | 1198.66                     | 59.83%                  |
| 04             | 5211.317                  | 3616.86          | 1594.46        | 990.07                      | 62.09%                  |                                                              | 04             | 5211.317                  | 3616.86          | 1594.46        | 1076.14                     | 67.49%                  |
| 05             | 4618.090                  | 3624.93          | 993.16         | 828.28                      | 83.40%                  |                                                              | 05             | 4618.090                  | 3624.93          | 993.16         | 943.42                      | 94.99%                  |

1) FY 1985 HB353 Corp. Inc Tax includes \$60.8m of AS43.20 already collected through December 1, 1984 and half a year of the new tax.

2) Based on 6/85 30% case price and production assumptions.

TABLE 3  
Pipeline, Production & Exploration  
Income Tax Estimates  
(mil current FY \$)

| Fiscal Year | Total Revenue | State Royalty Share | Prod'n& Cons Tax | Total Property Tax | Total Oper'g Costs | Total Depre | Total Acquis Costs | Windfall Profits Tax | Interest Expense Uncap | Exploratn Costs | Admin Costs | Other Deductns | Total Deductns | Total Net Income | Liability-----HB 353 1) | Collections-----HB 353 1) | AS 43.20 2) | Diff   |
|-------------|---------------|---------------------|------------------|--------------------|--------------------|-------------|--------------------|----------------------|------------------------|-----------------|-------------|----------------|----------------|------------------|-------------------------|---------------------------|-------------|--------|
| 62          | 16455.80      | 1564.30             | 1219.03          | 275.90             | 939.80             | 602.58      | 0.77               | 2017.66              | 720.69                 | 190.90          | 236.20      | 148.58         | 7916.41        | 8539.40          | 802.70                  | 837.62                    | 130.72      | 66.90  |
| 83          | 15469.75      | 1442.73             | 1098.94          | 306.55             | 1100.56            | 780.16      | 0.98               | 1018.38              | 676.04                 | 204.26          | 252.30      | 142.39         | 7023.30        | 8446.46          | 793.97                  | 796.15                    | 236.00      | 560.15 |
| 84          | 14955.04      | 1370.57             | 1032.93          | 357.66             | 1259.34            | 998.45      | 1.09               | 412.33               | 614.13                 | 218.56          | 264.90      | 136.20         | 6666.16        | 8288.87          | 779.15                  | 782.86                    | 265.10      | 517.76 |
| 85          | 15135.99      | 1362.44             | 1013.86          | 396.56             | 1449.17            | 1093.32     | 0.80               | 70.26                | 565.55                 | 233.86          | 278.20      | 130.00         | 6594.01        | 8541.97          | 802.95                  | 797.00                    | 168.60      | 628.40 |
| 85          | 15135.99      | 1362.44             | 1377.52          | 396.56             | 1449.17            | 1093.32     | 0.80               | 69.59                | 565.55                 | 233.86          | 278.20      | 130.00         | 6887.41        | 8248.58          | 775.37                  | 581.52                    | 168.60      | 412.92 |
| 86          | 13648.52      | 1187.44             | 1172.84          | 420.27             | 1477.66            | 1224.05     | 0.76               | 35.96                | 541.76                 | 244.80          | 292.10      | 123.82         | 6685.50        | 6963.02          | 654.52                  | 684.73                    | 223.67      | 461.06 |
| 87          | 12293.68      | 1008.96             | 904.34           | 465.05             | 1597.00            | 1437.62     | 6.25               | 10.87                | 517.87                 | 256.24          | 306.70      | 117.63         | 6617.65        | 5676.03          | 533.55                  | 563.79                    | 232.71      | 331.08 |
| 88          | 11908.06      | 946.18              | 638.67           | 501.61             | 1629.36            | 1562.56     | 17.75              | 4.06                 | 490.28                 | 268.23          | 322.00      | 114.43         | 6491.08        | 5416.98          | 509.20                  | 515.28                    | 238.38      | 276.90 |
| 89          | 11697.10      | 929.31              | 610.81           | 518.92             | 1625.11            | 1624.89     | 33.16              | 2.14                 | 466.41                 | 280.77          | 338.10      | 105.24         | 6532.71        | 5164.38          | 485.45                  | 491.39                    | 241.26      | 250.13 |
| 90          | 11377.10      | 922.19              | 586.91           | 539.00             | 1702.64            | 1619.49     | 57.70              | 0.51                 | 442.64                 | 293.90          | 355.00      | 99.05          | 6618.51        | 4758.59          | 447.31                  | 456.84                    | 241.28      | 215.56 |
| 91          | 10708.14      | 685.09              | 541.91           | 532.83             | 1686.99            | 1546.15     | 80.98              | 0.00                 | 418.55                 | 307.65          | 372.80      | 92.86          | 6465.81        | 4242.34          | 398.78                  | 410.91                    | 238.09      | 172.82 |
| 92          | 10766.04      | 908.04              | 546.70           | 523.25             | 1709.49            | 1516.09     | 94.23              | 0.00                 | 393.54                 | 322.03          | 391.40      | 86.67          | 6491.44        | 4274.61          | 401.81                  | 401.05                    | 235.48      | 165.57 |
| 93          | 10718.44      | 924.67              | 552.78           | 510.39             | 1715.39            | 1448.71     | 102.58             | 0.00                 | 367.83                 | 337.09          | 411.00      | 80.48          | 6450.92        | 4267.51          | 401.15                  | 401.31                    | 232.44      | 168.87 |
| 94          | 10099.09      | 890.42              | 507.40           | 495.27             | 1691.98            | 1333.24     | 107.22             | 0.00                 | 345.21                 | 352.86          | 431.50      | 74.29          | 6229.38        | 3869.70          | 363.75                  | 373.10                    | 225.67      | 147.43 |
| 95          | 9623.39       | 863.98              | 480.40           | 477.91             | 1640.12            | 1230.56     | 108.41             | 0.00                 | 328.97                 | 369.36          | 453.10      | 68.10          | 6020.92        | 3602.48          | 338.63                  | 344.91                    | 217.58      | 127.33 |
| 96          | 9118.50       | 833.24              | 443.18           | 457.82             | 1621.89            | 1127.87     | 103.73             | 0.00                 | 316.45                 | 386.63          | 475.70      | 61.91          | 5828.43        | 3290.08          | 309.27                  | 316.61                    | 225.67      | 90.93  |
| 97          | 8719.61       | 812.20              | 415.23           | 435.59             | 1606.92            | 1035.88     | 97.12              | 0.00                 | 304.62                 | 404.71          | 499.50      | 55.72          | 5667.49        | 3052.12          | 286.90                  | 292.49                    | 202.00      | 90.49  |
| 98          | 8319.52       | 769.94              | 388.95           | 411.37             | 1592.93            | 947.57      | 84.77              | 0.00                 | 293.02                 | 423.64          | 524.50      | 49.53          | 5506.22        | 2813.30          | 264.45                  | 270.06                    | 194.51      | 75.55  |
| 99          | 7936.71       | 770.14              | 361.51           | 386.00             | 1584.30            | 871.20      | 74.87              | 0.00                 | 283.10                 | 443.45          | 550.70      | 43.34          | 5368.61        | 2568.09          | 241.40                  | 247.16                    | 187.15      | 60.01  |
| 2000        | 7567.89       | 750.23              | 332.77           | 359.60             | 1542.66            | 802.43      | 64.20              | 0.00                 | 273.69                 | 464.19          | 578.30      | 37.14          | 5205.41        | 2362.48          | 222.07                  | 226.90                    | 178.63      | 48.27  |
| 01          | 6769.50       | 687.20              | 283.19           | 307.43             | 1513.33            | 709.22      | 53.36              | 0.00                 | 265.99                 | 485.89          | 607.20      | 30.95          | 4943.76        | 1825.74          | 171.62                  | 184.23                    | 167.79      | 16.45  |
| 02          | 6187.36       | 640.81              | 245.12           | 256.93             | 1516.82            | 647.61      | 45.77              | 0.00                 | 262.91                 | 508.62          | 637.50      | 24.76          | 4786.85        | 1400.51          | 131.65                  | 141.64                    | 156.78      | -15.14 |
| 03          | 5687.43       | 601.02              | 214.35           | 206.77             | 1533.59            | 598.56      | 38.15              | 0.00                 | 263.33                 | 532.40          | 699.40      | 18.57          | 4706.14        | 981.29           | 92.24                   | 102.09                    | 147.24      | -45.15 |
| 04          | 5211.32       | 564.20              | 198.20           | 157.02             | 1489.05            | 559.16      | 31.62              | 0.00                 | 264.44                 | 557.30          | 702.90      | 12.38          | 4536.28        | 675.04           | 63.45                   | 70.65                     | 137.62      | -66.97 |
| 05          | 4618.09       | 509.52              | 181.65           | 107.53             | 1494.37            | 511.86      | 26.27              | 0.00                 | 264.88                 | 583.36          | 738.00      | 6.19           | 4423.63        | 194.46           | 18.28                   | 29.57                     | 126.56      | -96.99 |

1) These estimates assume the tax plan is in effect for the whole year; for FY 1982-85 this is Pre SB 524, for FY 1985-05 this is HB 353.

2) FY82 collections of \$130.72m are the actual amounts collected or credited to CY82 liability. The estimate for a full year under AS43.20 in FY82 is \$242.5m which would result in a difference of \$595.12m as presented in column 4 of Table 1. FY 1985 AS43.20 collections are expected to be low due to substantial refunds and credits for prior year's tax overpayments. Tax liability on a calendar year basis under AS43.20 was CY82, \$236.50m; CY83, \$224.01m; CY84 \$241.54m.

3) Based on 6/85 30% case price and production assumptions.

TABLE 4  
All Producing Fields  
Income Tax Estimates  
(mil current FY \$)

| Fiscal Year | Oil Prod'n (mil B/D) | Wellhead Value (cur \$) | Gas Prod'n (acft/day) | Gas Price (1/acft) | Total Revenue (cur \$) | State Royalty Share | Prod'n Cons Tax | Property Tax | Total Oper'tg Costs | Depre Devel Costs | Acquis Costs | Windfall Profits Tax | Interest Expense | Exploratin Costs (expen'd) | Admin Other Cost | Total Deductns | Total Deductns | Total Taxable Income | Total Tax Liability | Total Tax Collectns |
|-------------|----------------------|-------------------------|-----------------------|--------------------|------------------------|---------------------|-----------------|--------------|---------------------|-------------------|--------------|----------------------|------------------|----------------------------|------------------|----------------|----------------|----------------------|---------------------|---------------------|
| 82          | 1.6533               | 21.293                  | 507000                | 0.590              | 12958.93               | 1564.30             | 1219.03         | 113.90       | 710.80              | 333.93            | 0.77         | 2017.66              | 119.40           | 190.90                     | 236.20           | 148.58         | 6655.47        | 6303.46              | 592.53              | 627.99              |
| 83          | 1.7006               | 19.040                  | 503000                | 0.670              | 11941.70               | 1442.73             | 1098.94         | 149.15       | 880.56              | 511.51            | 0.98         | 1018.38              | 121.20           | 204.26                     | 252.30           | 142.39         | 5822.41        | 6119.30              | 575.21              | 579.54              |
| 84          | 1.7183               | 17.864                  | 505000                | 0.670              | 11327.62               | 1370.57             | 1032.93         | 191.66       | 1038.34             | 729.80            | 1.09         | 412.33               | 122.40           | 218.56                     | 264.90           | 136.20         | 5518.78        | 5808.83              | 546.03              | 553.33              |
| 85          | 1.7523               | 17.483                  | 565091                | 0.971              | 11382.33               | 1362.44             | 1013.86         | 234.56       | 1237.67             | 824.67            | 0.80         | 70.26                | 127.40           | 233.86                     | 278.20           | 130.00         | 5513.71        | 5868.61              | 551.65              | 550.24              |
| 85          | 1.7523               | 17.483                  | 565091                | 0.971              | 11382.33               | 1362.44             | 1377.52         | 234.56       | 1237.67             | 824.67            | 0.80         | 69.59                | 127.40           | 233.86                     | 278.20           | 130.00         | 5807.11        | 5575.22              | 524.07              | 393.05              |
| 86          | 1.7528               | 15.119                  | 537624                | 1.097              | 9887.72                | 1187.44             | 1172.84         | 264.50       | 1266.70             | 955.40            | 0.76         | 35.96                | 131.90           | 244.80                     | 292.10           | 123.82         | 5640.26        | 4247.46              | 399.26              | 430.46              |
| 87          | 1.7767               | 12.642                  | 625000                | 1.200              | 8471.80                | 1008.96             | 904.34          | 315.51       | 1364.95             | 1168.97           | 6.25         | 10.87                | 136.10           | 256.24                     | 306.70           | 117.63         | 5585.64        | 2886.16              | 271.30              | 303.29              |
| 88          | 1.6615               | 13.181                  | 705650                | 1.306              | 8329.60                | 946.18              | 638.67          | 358.30       | 1389.04             | 1293.91           | 17.75        | 4.06                 | 138.60           | 268.23                     | 322.00           | 114.43         | 5487.12        | 2842.48              | 267.19              | 268.22              |
| 89          | 1.5509               | 14.111                  | 714549                | 1.400              | 8353.24                | 929.31              | 610.81          | 381.84       | 1379.81             | 1356.24           | 33.16        | 2.14                 | 139.40           | 280.77                     | 338.10           | 105.24         | 5554.67        | 2798.56              | 263.06              | 264.10              |
| 90          | 1.4450               | 14.792                  | 797800                | 1.570              | 8258.78                | 922.19              | 586.91          | 408.15       | 1444.35             | 1350.84           | 57.70        | 0.51                 | 140.30           | 293.90                     | 355.00           | 99.05          | 5658.38        | 2600.40              | 244.44              | 249.09              |
| 91          | 1.2987               | 15.548                  | 858950                | 1.706              | 7904.70                | 885.09              | 541.91          | 408.21       | 1415.32             | 1277.50           | 80.98        | 0.00                 | 140.90           | 307.65                     | 372.80           | 92.86          | 5523.22        | 2381.49              | 223.86              | 229.00              |
| 92          | 1.2702               | 16.693                  | 902485                | 1.856              | 8107.26                | 908.04              | 546.70          | 404.87       | 1426.59             | 1247.44           | 94.23        | 0.00                 | 141.10           | 322.03                     | 391.40           | 86.67          | 5569.07        | 2538.20              | 238.59              | 234.91              |
| 93          | 1.1542               | 17.924                  | 920067                | 1.995              | 8221.24                | 924.67              | 552.78          | 398.24       | 1420.70             | 1180.06           | 102.58       | 0.00                 | 141.30           | 337.09                     | 411.00           | 80.48          | 5548.90        | 2672.33              | 251.20              | 248.05              |
| 94          | 1.0233               | 19.236                  | 893060                | 2.149              | 7885.09                | 890.42              | 507.40          | 389.35       | 1387.87             | 1064.59           | 107.22       | 0.00                 | 141.20           | 352.86                     | 431.50           | 74.29          | 5346.69        | 2538.39              | 238.61              | 241.76              |
| 95          | 0.9146               | 20.654                  | 906549                | 2.270              | 7646.27                | 863.98              | 480.40          | 378.22       | 1328.60             | 961.91            | 108.41       | 0.00                 | 142.70           | 369.36                     | 453.10           | 68.10          | 5154.79        | 2491.49              | 234.20              | 235.30              |
| 96          | 0.8127               | 22.114                  | 920462                | 2.395              | 7363.98                | 833.24              | 443.18          | 364.36       | 1301.14             | 859.22            | 103.73       | 0.00                 | 146.70           | 386.63                     | 475.70           | 61.91          | 4975.82        | 2288.17              | 224.49              | 226.92              |
| 97          | 0.7190               | 23.983                  | 936358                | 2.562              | 7169.51                | 812.20              | 415.23          | 348.36       | 1277.16             | 767.23            | 97.12        | 0.00                 | 151.50           | 404.71                     | 499.50           | 55.72          | 4828.73        | 2340.78              | 220.03              | 221.15              |
| 98          | 0.6338               | 25.944                  | 954349                | 2.737              | 6955.00                | 789.94              | 388.95          | 330.37       | 1255.15             | 678.92            | 84.77        | 0.00                 | 156.80           | 423.64                     | 524.50           | 49.53          | 4682.57        | 2272.43              | 213.61              | 215.21              |
| 99          | 0.5576               | 28.054                  | 943764                | 2.987              | 6738.45                | 770.14              | 361.51          | 311.23       | 1238.18             | 602.55            | 74.87        | 0.00                 | 162.20           | 443.45                     | 550.70           | 43.34          | 4558.17        | 2180.27              | 204.95              | 207.11              |
| 2000        | 0.4905               | 30.268                  | 924739                | 3.244              | 6513.93                | 750.23              | 332.77          | 291.06       | 1187.35             | 533.78            | 64.20        | 0.00                 | 168.00           | 464.19                     | 578.30           | 37.14          | 4407.02        | 2106.91              | 198.05              | 199.77              |
| 01          | 0.3997               | 32.611                  | 890963                | 3.550              | 5912.10                | 687.20              | 283.19          | 245.12       | 1148.64             | 440.57            | 53.36        | 0.00                 | 174.00           | 485.69                     | 607.20           | 30.95          | 4156.12        | 1755.98              | 165.06              | 173.31              |
| 02          | 0.3277               | 35.304                  | 899667                | 3.847              | 5485.48                | 640.81              | 245.12          | 200.85       | 1139.16             | 378.96            | 45.77        | 0.00                 | 180.40           | 508.62                     | 637.50           | 24.76          | 4001.95        | 1483.53              | 139.45              | 145.85              |
| 03          | 0.2762               | 38.227                  | 879601                | 4.172              | 5109.57                | 601.02              | 214.35          | 156.92       | 1140.21             | 329.91            | 38.15        | 0.00                 | 187.10           | 532.40                     | 699.40           | 18.57          | 3918.03        | 1191.54              | 112.00              | 118.87              |
| 04          | 0.2193               | 41.539                  | 860541                | 4.518              | 4743.44                | 564.20              | 198.20          | 113.40       | 1078.95             | 290.51            | 31.62        | 0.00                 | 194.00           | 557.70                     | 702.90           | 12.38          | 3743.47        | 999.97               | 94.00               | 98.50               |
| 05          | 0.1642               | 46.078                  | 843787                | 4.896              | 4269.43                | 509.52              | 181.65          | 70.15        | 1066.73             | 243.21            | 26.27        | 0.00                 | 201.40           | 583.36                     | 718.00           | 6.19           | 3626.48        | 642.95               | 60.44               | 68.83               |

1) These prices are weighted average wellhead values derived from the various values at the N. Slope and Cook Inlet fields evaluated in this study.

TABLE 5  
Trans Alaska Pipeline  
Income Tax Estimates  
(mil current FY \$)

| Fiscal Year | Pipeline Tariff<br>Thruput (\$/B)<br>(mil B/D) | Total Revenue | Operat'g Costs/<br>Year | Amort &<br>Deprec | Uncap Interest | Property Tax | Total Deduction | Net Income | Tax Liability<br>(9.4%) |        |
|-------------|------------------------------------------------|---------------|-------------------------|-------------------|----------------|--------------|-----------------|------------|-------------------------|--------|
| 82          | 1.5680                                         | 6.11          | 3496.88                 | 229.00            | 268.65         | 601.29       | 162.00          | 1260.94    | 2235.94                 | 210.18 |
| 83          | 1.6300                                         | 5.93          | 3528.05                 | 220.00            | 268.65         | 554.84       | 157.40          | 1200.89    | 2327.16                 | 218.75 |
| 84          | 1.6536                                         | 6.01          | 3627.42                 | 221.00            | 268.65         | 491.73       | 166.00          | 1147.38    | 2480.04                 | 233.12 |
| 85          | 1.7140                                         | 6.00          | 3753.66                 | 211.50            | 268.65         | 438.15       | 162.00          | 1080.30    | 2673.36                 | 251.30 |
| 86          | 1.7173                                         | 6.00          | 3760.80                 | 210.96            | 268.65         | 409.86       | 155.77          | 1045.24    | 2715.56                 | 255.26 |
| 87          | 1.7452                                         | 6.00          | 3821.88                 | 232.05            | 268.65         | 381.77       | 149.54          | 1032.01    | 2789.87                 | 262.25 |
| 88          | 1.6340                                         | 6.00          | 3578.46                 | 240.32            | 268.65         | 351.68       | 143.31          | 1003.96    | 2574.50                 | 242.00 |
| 89          | 1.5269                                         | 6.00          | 3343.86                 | 245.30            | 268.65         | 327.01       | 137.08          | 978.04     | 2365.82                 | 222.39 |
| 90          | 1.4239                                         | 6.00          | 3118.32                 | 258.29            | 268.65         | 302.34       | 130.85          | 960.13     | 2158.19                 | 202.87 |
| 91          | 1.2801                                         | 6.00          | 2803.44                 | 271.67            | 268.65         | 277.65       | 124.62          | 942.59     | 1660.85                 | 174.92 |
| 92          | 1.2141                                         | 6.00          | 2658.78                 | 282.90            | 268.65         | 252.44       | 118.38          | 922.37     | 1736.41                 | 163.22 |
| 93          | 1.1403                                         | 6.00          | 2497.20                 | 294.69            | 268.65         | 226.53       | 112.15          | 902.02     | 1595.18                 | 149.95 |
| 94          | 1.0110                                         | 6.00          | 2214.00                 | 304.11            | 268.65         | 204.01       | 105.92          | 882.69     | 1331.31                 | 125.14 |
| 95          | 0.9028                                         | 6.00          | 1977.12                 | 311.52            | 268.65         | 186.27       | 99.69           | 866.13     | 1110.99                 | 104.43 |
| 96          | 0.8012                                         | 6.00          | 1754.52                 | 320.75            | 268.65         | 169.75       | 93.46           | 852.61     | 901.91                  | 84.78  |
| 97          | 0.7078                                         | 6.00          | 1550.10                 | 329.76            | 268.65         | 153.12       | 87.23           | 838.76     | 711.34                  | 66.87  |
| 98          | 0.6231                                         | 6.00          | 1364.52                 | 337.78            | 268.65         | 136.22       | 81.00           | 823.65     | 540.87                  | 50.84  |
| 99          | 0.5472                                         | 6.00          | 1198.26                 | 346.12            | 268.65         | 120.90       | 74.77           | 810.44     | 387.82                  | 36.46  |
| 2000        | 0.4813                                         | 6.00          | 1053.96                 | 355.31            | 268.65         | 105.89       | 68.54           | 798.39     | 255.57                  | 24.02  |
| 01          | 0.3915                                         | 6.00          | 857.40                  | 364.69            | 268.65         | 91.99        | 62.31           | 787.64     | 69.76                   | 6.56   |
| 02          | 0.3205                                         | 6.00          | 701.88                  | 377.66            | 268.65         | 82.51        | 56.08           | 784.90     | -83.02                  | -7.80  |
| 03          | 0.2639                                         | 6.00          | 577.86                  | 393.38            | 268.65         | 76.23        | 49.85           | 788.11     | -210.25                 | -19.76 |
| 04          | 0.2136                                         | 6.00          | 467.88                  | 410.10            | 268.65         | 70.44        | 43.62           | 792.81     | -324.93                 | -30.54 |
| 05          | 0.1592                                         | 6.00          | 348.66                  | 427.64            | 268.65         | 63.48        | 37.38           | 797.15     | -448.49                 | -42.16 |

- 1) No gas production considered (26 TCF).
- 2) No TAPS settlement.
- 3) Some amount of total crude taken off at N. Pole i.e. does not go to Valdez.
- 4) Based on 6/85 30% case price and production assumptions.
- 5) Seal Is. excluded.

ASSUMPTIONS:

Property taxes per AS43.56 @2% gross.

**TABLE 6**  
**WINDFALL PROFITS TAX DEDUCTION**  
**(mil current FY \$)**

DEDUCTION FROM FY TAXABLE INCOME

| <u>Fiscal Year</u>      | <u>Sadlerochit</u> | <u>Cook Inlet</u> | <u>Total</u> | <u>Impact on FY Tax Liability (Total * .094)</u> |
|-------------------------|--------------------|-------------------|--------------|--------------------------------------------------|
| <u>Under Pre-SB 524</u> |                    |                   |              |                                                  |
| a)                      |                    |                   |              |                                                  |
| 82                      | 1750.61            | 267.05            | 2017.66      | 189.66                                           |
| 83                      | 848.78             | 169.60            | 1018.38      | 95.73                                            |
| 84                      | 289.25             | 123.08            | 412.33       | 38.76                                            |
| 85                      | 8.93               | 61.33             | 70.26        | 6.60                                             |
| <u>Under HB 353</u>     |                    |                   |              |                                                  |
| b)                      |                    |                   |              |                                                  |
| 85                      | 8.51               | 61.09             | 69.60        | 6.54                                             |
| 86                      | -0-                | 35.96             | 35.96        | 3.38                                             |
| 87                      | -0-                | 10.87             | 10.87        | 1.02                                             |
| 88                      | -0-                | 4.06              | 4.06         | .38                                              |
| 89                      | -0-                | 2.14              | 2.14         | .20                                              |
| 90                      | -0-                | .51               | .51          | .05                                              |
| 91                      | -0-                | -0-               | -0-          | -0-                                              |
| 92                      | -0-                | -0-               | -0-          | -0-                                              |
| 93                      | -0-                | -0-               | -0-          | -0-                                              |
| 94                      | -0-                | -0-               | -0-          | -0-                                              |

**Note:**

- 1/ Based on 6/85 30% case price and production assumptions.
- 2/ Windfall Profits Tax is phased out and no longer in effect in FY 1995 and thereafter.
- 3/ The reason for the slight difference in FY 85 under Pre-SB 524 compared to HB 353 is the difference in the Oil Severance Tax law and thus, the severance tax adjustment under the WPT.
  - a) For FY 1982 through 1985, these impacts are included in Tables 3 and 4 under the Pre-SB 524 separate accounting corporate tax. If the WPT was not a deduction for those years, the total tax liability columns would have been increased by these amounts.
  - b) For FY 1982 through 2005, these impacts are not included in Tables 3 and 4 under the HB 353 separate accounting corporate tax. If the WPT was a deduction for these years, the total tax liability columns would be reduced by these amounts. In FY 1985, the reduction would be approximately one half the amount because HB 353 goes into effect midway through the fiscal year.

HB 353 AND SB 524  
ANALYSIS  
JUNE, 1985  
70% CASE ASSUMPTIONS

SUMMARY TABLES

TABLE 1  
Old Law (Pre SB 524)  
Current Law (AS43.20 & AS 43.55)  
Proposed Law (HB 353)  
(mil current FY \$)

| Fiscal Year                     | To. Corp Pre | Inc Tax AS 43.20 | Collections Diff | Total Prodn Tax Liability Pre | AS 43.55 | Diff     | Total Gain or Loss |
|---------------------------------|--------------|------------------|------------------|-------------------------------|----------|----------|--------------------|
| SB 524                          |              |                  |                  |                               |          |          |                    |
| 82                              | 837.62       | 242.50           | -545.12 1)       | 1219.03                       | 1581.70  | 362.67   | -232.45            |
| Impact SB 524                   |              |                  |                  |                               |          |          |                    |
| 82                              | 837.62       | 668.90           | -168.72 2)       | 1219.03                       | 1581.70  | 362.67   | 193.95             |
| 83                              | 796.15       | 236.00           | -560.15          | 1098.94                       | 1493.70  | 394.76   | -165.39            |
| 84                              | 782.86       | 265.10           | -517.76          | 1032.93                       | 1393.10  | 360.17   | -157.59            |
| 85                              | 797.00       | 168.60           | -628.40          | 1013.86                       | 1388.50  | 374.64   | -253.76            |
| Impact HB 353 existing AS 43.55 |              |                  |                  |                               |          |          |                    |
| HB 353                          |              |                  |                  |                               |          |          |                    |
| 85                              | 448.48       | 168.60           | 279.88 3)        | 1388.50                       | 1388.50  | 0.00     | 279.88             |
| 86                              | 723.72       | 235.73           | 487.99           | 1262.27                       | 1262.27  | 0.00     | 487.99             |
| HB 353                          |              |                  |                  |                               |          |          |                    |
| 87                              | 664.57       | 260.61           | 403.96           | 1076.73                       | 1180.56  | -103.83  | 300.13             |
| 88                              | 652.24       | 286.69           | 365.54           | 785.41                        | 949.86   | -164.45  | 201.09             |
| 89                              | 666.33       | 305.76           | 360.57           | 778.54                        | 930.19   | -151.65  | 208.92             |
| 90                              | 670.13       | 314.61           | 355.52           | 784.53                        | 927.21   | -142.68  | 212.84             |
| 91                              | 644.76       | 313.14           | 331.61           | 749.98                        | 872.96   | -122.99  | 208.63             |
| 92                              | 652.14       | 311.00           | 341.14           | 768.16                        | 894.45   | -126.29  | 214.65             |
| 93                              | 664.12       | 306.83           | 357.28           | 772.90                        | 912.04   | -139.14  | 218.14             |
| 94                              | 633.70       | 298.04           | 335.66           | 718.76                        | 844.67   | -125.91  | 209.75             |
| 95                              | 604.66       | 287.54           | 317.12           | 691.55                        | 819.80   | -128.25  | 188.87             |
| 96                              | 566.06       | 276.00           | 290.06           | 636.25                        | 755.74   | -119.49  | 170.57             |
| 97                              | 531.12       | 263.02           | 268.09           | 589.58                        | 700.65   | -112.07  | 156.02             |
| 98                              | 499.12       | 249.03           | 250.09           | 535.28                        | 635.29   | -100.01  | 150.08             |
| 99                              | 464.59       | 234.66           | 229.93           | 481.42                        | 567.82   | -86.40   | 143.53             |
| 2000                            | 429.55       | 219.24           | 210.31           | 426.21                        | 502.15   | -75.94   | 134.37             |
| 01                              | 368.43       | 201.62           | 166.81           | 354.12                        | 415.11   | -60.99   | 105.82             |
| 02                              | 297.67       | 183.82           | 113.85           | 285.39                        | 333.60   | -47.61   | 66.24              |
| 03                              | 228.30       | 167.72           | 60.58            | 237.25                        | 270.88   | -33.63   | 26.95              |
| 04                              | 158.93       | 152.99           | 5.94             | 195.90                        | 221.31   | -25.41   | -19.47             |
| 05                              | 103.98       | 139.26           | -35.28           | 173.46                        | 194.21   | -20.75   | -56.03             |
| SUM85-05                        | 10672.59     | 5175.91          | 5496.67          | 13691.19                      | 15578.67 | -1687.48 | 3609.19            |

1) FY 1992 receipts are estimated as if AS43.21 were in effect for the whole year in column 2 then as if AS43.20 were in effect for the whole year in column 3 though each was in effect only half the fiscal year.

2) FY 1982 collections under SB 524 of \$668.9m are comprised of \$538.2m from AS43.21 "OLD SEPARATE ACCT" law and \$130.7 from AS43.20 "CURRENT MODIFIED APPORTIONMENT" law.

3) FY 1995 HB353 Corp. Inc. Tax includes \$60.8m of AS43.20 already collected through December 31, 1984.

4) FY 1985 AS43.20 collections are expected to be low due to substantial refunds and credits for prior year's tax overpayments. Tax liability on a calendar year basis under AS43.20 was CY82, \$236.50m; CY83, \$224.01m; CY84 \$241.54m.

5) Based on 6/85 70% case price and production assumptions.

TABLE 2a  
Calculation of State Petroleum Revenues as a  
Percent of Adjusted Production Income  
6/85 Forecast Assumptions 70% Case FY 85-05 Using MHV

| Fiscal<br>Year | Total Petroleum Production |                  |                | State<br>Petrol<br>Revenues | State /<br>Net Rev<br>% | With AS 43.20 Corporate Income Tax & AS 43.55 Production Tax |                                                |                  |                |                             |                         |
|----------------|----------------------------|------------------|----------------|-----------------------------|-------------------------|--------------------------------------------------------------|------------------------------------------------|------------------|----------------|-----------------------------|-------------------------|
|                | Gross<br>Revenue           | Cost<br>Deductns | Net<br>Revenue |                             |                         | Fiscal<br>Year                                               | Total Petroleum Production<br>Gross<br>Revenue | Cost<br>Deductns | Net<br>Revenue | State<br>Petrol<br>Revenues | State /<br>Net Rev<br>% |
| 82             | 12958.93                   | 1740.58          | 11218.35       | 3525.22                     | 31.42%                  | 82                                                           | 12958.93                                       | 1740.58          | 11218.35       | 3502.40                     | 31.22%                  |
|                |                            |                  |                | Pre SB 524                  |                         |                                                              |                                                |                  |                | AS43.20 & 55                |                         |
|                |                            |                  |                | Impact SB 524               |                         |                                                              |                                                |                  |                |                             |                         |
| 82             | 12958.93                   | 1740.58          | 11218.35       | 3525.22                     | 31.42%                  | 82                                                           | 12958.93                                       | 1740.58          | 11218.35       | 3928.80                     | 35.02%                  |
| 83             | 11941.70                   | 2113.21          | 9828.49        | 3270.36                     | 33.27%                  | 83                                                           | 11941.70                                       | 2113.21          | 9828.49        | 3321.58                     | 33.80%                  |
| 84             | 11327.62                   | 2511.29          | 8816.33        | 3148.49                     | 35.71%                  | 84                                                           | 11327.62                                       | 2511.29          | 8816.33        | 3220.43                     | 36.53%                  |
| 85             | 11382.33                   | 2832.59          | 8549.74        | 3161.10                     | 36.97%                  | 85                                                           | 11382.33                                       | 2832.59          | 8549.74        | 3154.10                     | 36.89%                  |
|                |                            |                  |                | HB 353 as of 1/1/85 1)      |                         |                                                              |                                                |                  |                | AS43.20 & 55                |                         |
|                |                            |                  |                | Impact HB 353               |                         |                                                              |                                                |                  |                |                             |                         |
| 85             | 11382.33                   | 2832.59          | 8549.74        | 3297.36                     | 38.57%                  | 85                                                           | 11382.33                                       | 2832.59          | 8549.74        | 3154.10                     | 36.89%                  |
| 86             | 10626.57                   | 3018.24          | 7608.33        | 3277.37                     | 43.08%                  | 86                                                           | 10626.57                                       | 3018.24          | 7608.33        | 3043.65                     | 40.00%                  |
| 87             | 10097.40                   | 3372.15          | 6725.24        | 3008.16                     | 44.73%                  | 87                                                           | 10097.40                                       | 3372.15          | 6725.24        | 2969.30                     | 44.15%                  |
| 88             | 10290.63                   | 3724.11          | 6566.52        | 2737.62                     | 41.69%                  | 88                                                           | 10290.63                                       | 3724.11          | 6566.52        | 2794.18                     | 42.55%                  |
| 89             | 10851.82                   | 4006.66          | 6845.16        | 2811.92                     | 41.08%                  | 89                                                           | 10851.82                                       | 4006.66          | 6845.16        | 2856.64                     | 41.73%                  |
| 90             | 11219.23                   | 4192.75          | 7026.48        | 2890.57                     | 41.14%                  | 90                                                           | 11219.23                                       | 4192.75          | 7026.48        | 2921.76                     | 41.58%                  |
| 91             | 11135.31                   | 4239.84          | 6895.47        | 2845.35                     | 41.26%                  | 91                                                           | 11135.31                                       | 4239.84          | 6895.47        | 2858.94                     | 41.46%                  |
| 92             | 11619.35                   | 4306.37          | 7312.98        | 2937.53                     | 40.17%                  | 92                                                           | 11619.35                                       | 4306.37          | 7312.98        | 2929.87                     | 40.06%                  |
| 93             | 11906.75                   | 4294.64          | 7612.10        | 2999.89                     | 39.41%                  | 93                                                           | 11906.75                                       | 4294.64          | 7612.10        | 2974.17                     | 39.07%                  |
| 94             | 11555.98                   | 4200.03          | 7355.96        | 2896.65                     | 39.38%                  | 94                                                           | 11555.98                                       | 4200.03          | 7355.96        | 2853.84                     | 38.80%                  |
| 95             | 11412.40                   | 4134.28          | 7278.12        | 2839.38                     | 39.01%                  | 95                                                           | 11412.40                                       | 4134.28          | 7278.12        | 2793.96                     | 38.39%                  |
| 96             | 11031.65                   | 4068.39          | 6963.25        | 2715.29                     | 38.99%                  | 96                                                           | 11031.65                                       | 4068.39          | 6963.25        | 2775.67                     | 39.86%                  |
| 97             | 10742.51                   | 3988.64          | 6753.87        | 2606.74                     | 38.60%                  | 97                                                           | 10742.51                                       | 3988.64          | 6753.87        | 2548.60                     | 37.74%                  |
| 98             | 10330.41                   | 3814.79          | 6515.62        | 2478.06                     | 38.03%                  | 98                                                           | 10330.41                                       | 3814.79          | 6515.62        | 2405.06                     | 36.91%                  |
| 99             | 9886.53                    | 3668.77          | 6217.76        | 2343.22                     | 37.69%                  | 99                                                           | 9886.53                                        | 3668.77          | 6217.76        | 2257.66                     | 36.31%                  |
| 2000           | 9386.09                    | 3490.23          | 5895.86        | 2196.96                     | 37.26%                  | 2000                                                         | 9386.09                                        | 3490.23          | 5895.86        | 2103.35                     | 35.68%                  |
| 01             | 8490.22                    | 3343.89          | 5146.33        | 1936.40                     | 37.63%                  | 01                                                           | 8490.22                                        | 3343.89          | 5146.33        | 1852.20                     | 35.99%                  |
| 02             | 7572.23                    | 3202.43          | 4369.80        | 1665.97                     | 38.12%                  | 02                                                           | 7572.23                                        | 3202.43          | 4369.80        | 1602.40                     | 36.67%                  |
| 03             | 6788.11                    | 3173.14          | 3614.98        | 1430.85                     | 39.58%                  | 03                                                           | 6788.11                                        | 3173.14          | 3614.98        | 1390.72                     | 38.47%                  |
| 04             | 5928.08                    | 3088.80          | 2839.28        | 1190.54                     | 41.93%                  | 04                                                           | 5928.08                                        | 3088.80          | 2839.28        | 1182.56                     | 41.65%                  |
| 05             | 5324.82                    | 3045.12          | 2279.70        | 1009.80                     | 44.30%                  | 05                                                           | 5324.82                                        | 3045.12          | 2279.70        | 1027.10                     | 45.05%                  |

1) FY 1985 HB353 Corp. Inc. Tax includes \$60.8m of AS43.20 already collected through December 31, 1984 and half a year of the new tax.

2) Based on 6/85 70% case price and production assumptions.

TABLE 2b  
Calculation of State Petroleum Revenues as a  
and as a Percent of Prod'n & Pipeline Income  
6/85 Forecast Assumptions 70% Case FY 85-05 Using WHV

| -----Total Petroleum----- |          |          |          | State                  |         | With AS 43.20 Corporate Income Tax & AS 43.55 Production Tax |          |          |          | State        |         |
|---------------------------|----------|----------|----------|------------------------|---------|--------------------------------------------------------------|----------|----------|----------|--------------|---------|
| Fiscal                    | Gross    | Cost     | Net      | Petro                  | State / | Fiscal                                                       | Gross    | Cost     | Net      | Petrol       | State / |
| Year                      | Revenue  | Deductns | Revenue  | Revenues               | Net Rev | Year                                                         | Revenue  | Deductns | Revenue  | Revenues     | Net Rev |
|                           |          |          |          |                        | %       |                                                              |          |          |          |              | %       |
| 82                        | 16455.80 | 2839.52  | 13616.28 | 3896.85                | 28.62%  | 82                                                           | 16455.80 | 2839.52  | 13616.28 | 3664.40      | 26.91%  |
|                           |          |          |          | Pre SB 524             |         |                                                              |          |          |          | AS43.20 & 55 |         |
|                           |          |          |          | Impact SB 524          |         |                                                              |          |          |          |              |         |
| 82                        | 16455.80 | 2839.52  | 13616.28 | 3896.85                | 28.62%  | 82                                                           | 16455.80 | 2839.52  | 13616.28 | 4090.80      | 30.04%  |
| 83                        | 15469.75 | 3156.70  | 12313.06 | 3644.37                | 29.60%  | 83                                                           | 15469.75 | 3156.70  | 12313.06 | 3478.98      | 28.25%  |
| 84                        | 14955.03 | 3492.67  | 11462.37 | 3544.02                | 30.92%  | 84                                                           | 14955.04 | 3492.67  | 11462.37 | 3366.43      | 29.54%  |
| 85                        | 15135.98 | 3750.89  | 11385.10 | 3569.86                | 31.36%  | 85                                                           | 15135.99 | 3750.89  | 11385.10 | 3316.10      | 29.13%  |
|                           |          |          |          | HB 353 as of 1/1/85 1) |         |                                                              |          |          |          | AS43.20 & 55 |         |
|                           |          |          |          | Impact HB 353          |         |                                                              |          |          |          |              |         |
| 85                        | 15135.98 | 3750.89  | 11385.10 | 3585.00                | 31.49%  | 85                                                           | 15135.98 | 3750.89  | 11385.10 | 3316.10      | 29.13%  |
| 86                        | 14397.36 | 3907.71  | 10479.66 | 3687.41                | 35.19%  | 86                                                           | 14387.36 | 3907.71  | 10479.66 | 3199.42      | 30.53%  |
| 87                        | 13930.61 | 4255.05  | 9675.56  | 3418.97                | 35.34%  | 87                                                           | 13930.61 | 4255.05  | 9675.56  | 3118.84      | 32.23%  |
| 88                        | 14021.78 | 4590.92  | 9430.87  | 3138.59                | 33.28%  | 88                                                           | 14021.78 | 4590.92  | 9430.87  | 2937.49      | 31.15%  |
| 89                        | 14534.91 | 4861.97  | 9672.95  | 3202.64                | 33.11%  | 89                                                           | 14534.91 | 4861.97  | 9672.95  | 2993.72      | 30.95%  |
| 90                        | 14762.89 | 5041.00  | 9721.89  | 3265.45                | 33.59%  | 90                                                           | 14762.89 | 5041.00  | 9721.89  | 3052.61      | 31.40%  |
| 91                        | 14396.60 | 5079.20  | 9317.41  | 3192.20                | 34.26%  | 91                                                           | 14396.60 | 5079.20  | 9317.41  | 2983.56      | 32.02%  |
| 92                        | 14737.37 | 5132.85  | 9604.52  | 3263.10                | 33.97%  | 92                                                           | 14737.37 | 5132.85  | 9604.52  | 3048.25      | 31.74%  |
| 93                        | 14836.00 | 5106.76  | 9729.24  | 3304.47                | 33.96%  | 93                                                           | 14836.00 | 5106.76  | 9729.24  | 3086.32      | 31.72%  |
| 94                        | 14159.38 | 4997.89  | 9161.50  | 3169.51                | 34.60%  | 94                                                           | 14159.38 | 4997.89  | 9161.50  | 2959.76      | 32.31%  |
| 95                        | 13768.29 | 4922.30  | 8846.00  | 3082.52                | 34.85%  | 95                                                           | 13768.29 | 4922.30  | 8846.00  | 2893.65      | 32.71%  |
| 96                        | 13116.52 | 4847.39  | 8269.13  | 2928.73                | 35.42%  | 96                                                           | 13116.52 | 4847.39  | 8269.13  | 2859.13      | 34.70%  |
| 97                        | 12584.20 | 4758.72  | 7825.49  | 2791.86                | 35.68%  | 97                                                           | 12584.20 | 4758.72  | 7825.49  | 2635.83      | 33.68%  |
| 98                        | 11935.47 | 4573.61  | 7361.86  | 2636.14                | 35.81%  | 98                                                           | 11935.47 | 4573.61  | 7361.86  | 2486.06      | 33.77%  |
| 99                        | 11277.87 | 4418.18  | 6859.69  | 2475.96                | 36.09%  | 99                                                           | 11277.87 | 4418.18  | 6859.69  | 2332.43      | 34.00%  |
| 2000                      | 10584.46 | 4230.95  | 6353.52  | 2306.26                | 36.30%  | 2000                                                         | 10584.46 | 4230.95  | 6353.52  | 2171.89      | 34.18%  |
| 01                        | 9464.018 | 4078.47  | 5385.55  | 2020.33                | 37.51%  | 01                                                           | 9464.018 | 4078.47  | 5385.55  | 1914.51      | 35.55%  |
| 02                        | 8342.030 | 3937.21  | 4404.82  | 1724.72                | 39.16%  | 02                                                           | 8342.030 | 3937.21  | 4404.82  | 1658.48      | 37.65%  |
| 03                        | 7399.393 | 3914.46  | 3484.94  | 1467.52                | 42.11%  | 03                                                           | 7399.393 | 3914.46  | 3484.94  | 1440.57      | 41.34%  |
| 04                        | 6391.219 | 3837.70  | 2553.52  | 1206.71                | 47.26%  | 04                                                           | 6391.219 | 3837.70  | 2553.52  | 1226.18      | 48.02%  |
| 05                        | 5683.562 | 3806.07  | 1877.49  | 1008.45                | 53.71%  | 05                                                           | 5683.562 | 3806.07  | 1877.49  | 1064.48      | 56.70%  |

1) FY 1985 HB353 Corp. Inc Tax includes \$60.8m of AS43.20 already collected through December 1, 1984 and half a year of the new tax.

2) Based on 6/85 70% case price and production assumptions.

TABLE 3  
Pipeline, Production & Exploration  
Income Tax Estimates  
(mil current FY \$)

| Fiscal Year | Total Revenue | State Royalty Share | Prod'n& Cons Tax | Total Property Tax | Total Oper'g Costs | Total Depre | Total Acquis Costs | Windfall Profits Tax | Interest Expense Uncap | Exploratr'n Costs | Admin Costs | Other Deductns | Total Deductns | Total Net Income | Liability-----<br>HB 353 1) | -----Collections-----<br>HB 353 1) | AS 43.20 2) | Diff   |
|-------------|---------------|---------------------|------------------|--------------------|--------------------|-------------|--------------------|----------------------|------------------------|-------------------|-------------|----------------|----------------|------------------|-----------------------------|------------------------------------|-------------|--------|
| 82          | 16455.80      | 1564.30             | 1219.03          | 275.90             | 939.80             | 602.58      | 0.77               | 2017.66              | 720.69                 | 190.90            | 236.20      | 148.58         | 7916.41        | 8539.40          | 802.70                      | 837.62                             | 130.72      | 706.90 |
| 83          | 15469.75      | 1442.73             | 1098.94          | 306.55             | 1100.56            | 780.16      | 0.98               | 1018.38              | 676.04                 | 204.26            | 252.30      | 142.39         | 7023.30        | 8446.46          | 793.97                      | 796.15                             | 236.00      | 560.15 |
| 84          | 14955.04      | 1370.57             | 1032.93          | 357.66             | 1259.34            | 998.45      | 1.09               | 412.33               | 614.13                 | 218.56            | 264.90      | 136.20         | 6666.16        | 8288.87          | 779.15                      | 782.86                             | 265.10      | 517.76 |
| 85          | 15135.99      | 1362.44             | 1013.86          | 396.56             | 1449.17            | 1093.32     | 0.80               | 70.26                | 565.55                 | 233.86            | 278.20      | 130.00         | 6594.01        | 8541.97          | 802.95                      | 797.00                             | 168.60      | 628.40 |
| 85          | 15135.99      | 1362.44             | 1377.52          | 396.56             | 1449.17            | 1093.32     | 0.80               | 69.59                | 565.55                 | 233.86            | 278.20      | 130.00         | 6887.41        | 8248.58          | 775.37                      | 581.52                             | 168.60      | 412.92 |
| 86          | 14387.37      | 1281.15             | 1262.27          | 420.27             | 1477.66            | 1224.05     | 0.76               | 46.77                | 541.76                 | 247.56            | 292.10      | 123.82         | 6871.40        | 7515.97          | 706.50                      | 723.72                             | 235.73      | 487.99 |
| 87          | 13930.62      | 1212.62             | 1076.73          | 465.05             | 1600.34            | 1442.16     | 8.29               | 29.02                | 517.87                 | 262.07            | 306.70      | 117.63         | 7009.45        | 6921.16          | 650.59                      | 664.57                             | 260.61      | 403.96 |
| 88          | 14021.79      | 1178.25             | 785.41           | 522.69             | 1735.17            | 1619.02     | 32.60              | 20.35                | 490.28                 | 277.42            | 322.00      | 114.43         | 7077.27        | 6944.52          | 652.78                      | 652.24                             | 286.69      | 365.54 |
| 89          | 14534.92      | 1214.68             | 778.54           | 543.09             | 1796.67            | 1790.55     | 71.31              | 17.39                | 466.41                 | 293.68            | 338.10      | 105.24         | 7398.28        | 7136.64          | 670.84                      | 666.33                             | 305.76      | 360.57 |
| 90          | 14762.89      | 1259.40             | 784.53           | 551.39             | 1854.43            | 1861.31     | 117.68             | 16.27                | 442.64                 | 310.89            | 355.00      | 99.05          | 7636.32        | 7126.57          | 669.90                      | 670.13                             | 314.61      | 355.52 |
| 91          | 14396.61      | 1251.54             | 749.98           | 545.92             | 1855.24            | 1859.87     | 150.78             | 14.42                | 418.55                 | 329.10            | 372.80      | 92.86          | 7626.64        | 6769.97          | 636.38                      | 644.76                             | 313.14      | 331.61 |
| 92          | 14737.37      | 1305.88             | 768.16           | 536.92             | 1880.35            | 1880.23     | 152.28             | 9.36                 | 393.54                 | 348.38            | 391.40      | 86.67          | 7743.81        | 6993.56          | 657.39                      | 652.14                             | 311.00      | 341.14 |
| 93          | 14836.01      | 1343.04             | 772.90           | 524.41             | 1881.28            | 1846.17     | 151.20             | 3.87                 | 367.83                 | 368.80            | 411.00      | 80.48          | 7747.11        | 7088.89          | 666.36                      | 664.12                             | 306.83      | 357.28 |
| 94          | 14159.38      | 1307.55             | 718.76           | 509.50             | 1846.56            | 1764.64     | 145.28             | 0.14                 | 345.21                 | 390.40            | 431.50      | 74.29          | 7533.70        | 6625.69          | 622.81                      | 633.70                             | 298.04      | 335.66 |
| 95          | 13768.30      | 1294.13             | 691.55           | 492.18             | 1794.52            | 1721.36     | 142.96             | 0.00                 | 328.97                 | 413.28            | 453.10      | 68.10          | 7400.16        | 6368.14          | 598.61                      | 604.66                             | 287.54      | 317.12 |
| 96          | 13116.53      | 1255.86             | 636.25           | 470.56             | 1762.00            | 1665.21     | 128.63             | 0.00                 | 316.45                 | 437.49            | 475.70      | 61.91          | 7210.06        | 5906.46          | 555.21                      | 566.06                             | 298.04      | 268.02 |
| 97          | 12584.21      | 1226.77             | 588.58           | 445.39             | 1735.20            | 1590.25     | 110.30             | 0.00                 | 304.62                 | 463.13            | 499.50      | 55.72          | 7019.46        | 5564.75          | 523.09                      | 531.12                             | 263.02      | 268.09 |
| 98          | 11935.47      | 1182.46             | 535.28           | 419.28             | 1701.13            | 1425.06     | 90.11              | 0.00                 | 293.02                 | 490.26            | 524.50      | 49.53          | 6710.63        | 5224.84          | 491.14                      | 499.12                             | 249.03      | 250.09 |
| 99          | 11277.87      | 1136.99             | 481.42           | 392.96             | 1672.97            | 1271.87     | 77.21              | 0.00                 | 283.10                 | 518.99            | 550.70      | 43.34          | 6429.55        | 4848.32          | 455.74                      | 464.59                             | 234.66      | 229.93 |
| 2000        | 10584.47      | 1085.01             | 426.21           | 365.49             | 1609.52            | 1120.11     | 62.59              | 0.00                 | 273.89                 | 549.40            | 578.30      | 37.14          | 6107.66        | 4476.81          | 420.82                      | 429.55                             | 219.24      | 210.31 |
| 01          | 9464.02       | 984.97              | 354.12           | 312.81             | 1579.08            | 962.54      | 51.13              | 0.00                 | 265.99                 | 581.59            | 607.20      | 30.95          | 5730.37        | 3733.65          | 350.96                      | 368.43                             | 201.62      | 166.81 |
| 02          | 8342.03       | 881.27              | 285.39           | 260.39             | 1541.87            | 813.50      | 41.00              | 0.00                 | 262.91                 | 615.66            | 637.50      | 24.76          | 5364.26        | 2977.77          | 279.91                      | 297.67                             | 183.82      | 113.85 |
| 03          | 7399.39       | 793.12              | 237.25           | 208.85             | 1539.02            | 708.25      | 34.14              | 0.00                 | 263.33                 | 651.74            | 699.40      | 18.57          | 5153.68        | 2245.72          | 211.10                      | 228.30                             | 167.72      | 60.58  |
| 04          | 6391.22       | 694.26              | 195.90           | 157.62             | 1538.45            | 605.57      | 24.04              | 0.00                 | 264.44                 | 689.92            | 702.90      | 12.38          | 4885.48        | 1505.74          | 141.54                      | 158.93                             | 152.99      | 5.94   |
| 05          | 5683.56       | 624.48              | 173.46           | 106.53             | 1518.24            | 530.99      | 17.43              | 0.00                 | 264.88                 | 730.35            | 738.00      | 6.19           | 4710.54        | 973.02           | 91.46                       | 103.98                             | 139.26      | -35.28 |

1) These estimates assume the tax plan is in effect for the whole year; for FY 1982-85 this is Pre SB 524, for FY 1985-05 this is HB 353.

2) FY82 collections of \$130.72m are the actual amounts collected or credited to CY82 liability. The estimate for a full year under AS43.20 in FY82 is \$242.5m which would result in a difference of \$595.12m as presented in column 4 of Table 1. FY 1985 AS43.20 collections are expected to be low due to substantial refunds and credits for prior year's tax overpayments. Tax liability on a calendar year basis under AS43.20 was CY82, \$236.50m; CY83, \$224.01m; CY84 \$241.54m.

3) Based on 6/85 70% case price and production assumptions.

TABLE 4  
All Producing Fields  
Income Tax Estimates  
(mil current FY \$)

| Fiscal Year | Oil Prod'n (mil B/D) | Wellhead Value (1) (cur \$) | Gas Prod'n (mcf/day) | Gas Price (1) (mcf) | Total Revenue (cur \$) | State Royalty Share | Prod'n Cons Tax | Property Tax | Total Oper'tg Costs | Depr Devel Costs | Amort of Acquis Costs | Windfall Profits Tax | Interest Expense | Exploratn Costs (expen'd) | Admin Cost | Other Deductns | Total Deductns | Total Taxable Income | Total Tax Liability | Total Tax Collectns |
|-------------|----------------------|-----------------------------|----------------------|---------------------|------------------------|---------------------|-----------------|--------------|---------------------|------------------|-----------------------|----------------------|------------------|---------------------------|------------|----------------|----------------|----------------------|---------------------|---------------------|
| 82          | 1.6533               | 21.293                      | 507000               | 0.590               | 12958.93               | 1564.30             | 1219.03         | 113.90       | 710.80              | 333.93           | 0.77                  | 2017.66              | 119.40           | 190.90                    | 236.20     | 148.58         | 6655.47        | 6303.46              | 592.53              | 627.99              |
| 83          | 1.7006               | 19.040                      | 503000               | 0.670               | 11941.70               | 1442.73             | 1098.94         | 149.15       | 880.56              | 511.51           | 0.98                  | 1018.38              | 121.20           | 204.26                    | 252.30     | 142.39         | 5822.41        | 6119.30              | 575.21              | 579.54              |
| 84          | 1.7183               | 17.864                      | 505000               | 0.670               | 11327.62               | 1370.57             | 1032.93         | 191.66       | 1038.34             | 729.80           | 1.09                  | 412.33               | 122.40           | 218.56                    | 264.90     | 136.20         | 5518.78        | 5808.83              | 546.03              | 553.33              |
| 85          | 1.7523               | 17.483                      | 565091               | 0.971               | 11382.33               | 1362.44             | 1013.86         | 234.56       | 1237.67             | 824.67           | 0.80                  | 70.26                | 127.40           | 233.86                    | 278.20     | 130.00         | 5513.71        | 5868.61              | 551.65              | 550.24              |
| 86          | 1.7523               | 17.483                      | 565091               | 0.971               | 11382.33               | 1362.44             | 1377.52         | 234.56       | 1237.67             | 824.67           | 0.80                  | 69.59                | 127.40           | 233.86                    | 278.20     | 130.00         | 5807.11        | 5575.22              | 524.07              | 393.05              |
| 86          | 1.7523               | 16.273                      | 537624               | 1.097               | 10626.57               | 1281.15             | 1262.77         | 264.50       | 1266.70             | 955.40           | 0.76                  | 46.77                | 131.90           | 247.56                    | 292.10     | 123.82         | 5826.16        | 4800.41              | 451.24              | 469.45              |
| 87          | 1.7819               | 15.105                      | 625000               | 1.200               | 10097.40               | 1212.62             | 1076.73         | 315.51       | 1367.86             | 1173.51          | 8.29                  | 29.02                | 136.10           | 262.07                    | 306.70     | 117.63         | 5977.01        | 4120.38              | 387.32              | 403.30              |
| 88          | 1.7312               | 15.753                      | 705650               | 1.306               | 10290.63               | 1178.25             | 785.41          | 379.38       | 1488.69             | 1350.37          | 32.60                 | 20.35                | 138.60           | 277.42                    | 322.00     | 114.43         | 6067.15        | 4223.48              | 397.01              | 394.58              |
| 89          | 1.7058               | 16.843                      | 714549               | 1.400               | 10851.82               | 1214.68             | 778.54          | 406.01       | 1537.02             | 1521.90          | 71.31                 | 17.39                | 139.40           | 293.68                    | 338.10     | 105.24         | 6405.89        | 4445.93              | 417.92              | 412.69              |
| 90          | 1.6392               | 17.987                      | 797800               | 1.570               | 11219.23               | 1259.40             | 784.53          | 420.54       | 1577.17             | 1592.66          | 117.68                | 16.27                | 140.30           | 310.89                    | 355.00     | 99.05          | 6657.22        | 4562.01              | 428.83              | 426.10              |
| 91          | 1.5077               | 19.262                      | 858950               | 1.706               | 11135.31               | 1251.54             | 749.98          | 421.30       | 1562.18             | 1591.22          | 150.78                | 14.42                | 140.90           | 329.10                    | 372.80     | 92.86          | 6662.66        | 4472.65              | 420.43              | 422.53              |
| 92          | 1.4399               | 20.945                      | 902485               | 1.856               | 11619.35               | 1305.88             | 768.16          | 418.54       | 1574.96             | 1611.58          | 152.28                | 9.36                 | 141.10           | 348.38                    | 391.40     | 86.67          | 6798.95        | 4820.40              | 453.12              | 444.95              |
| 93          | 1.3515               | 22.778                      | 920067               | 1.995               | 11906.75               | 1343.04             | 772.90          | 412.26       | 1564.34             | 1577.52          | 151.20                | 3.87                 | 141.30           | 368.80                    | 411.00     | 80.48          | 6822.84        | 5083.90              | 477.89              | 471.69              |
| 94          | 1.2011               | 24.762                      | 893060               | 2.149               | 11555.98               | 1307.55             | 718.76          | 403.58       | 1521.36             | 1495.99          | 145.28                | 0.14                 | 141.20           | 390.40                    | 431.50     | 74.29          | 6629.92        | 4926.07              | 463.05              | 466.76              |
| 95          | 1.0876               | 26.856                      | 906549               | 2.270               | 11412.40               | 1294.13             | 691.55          | 392.49       | 1461.42             | 1452.71          | 142.96                | 0.00                 | 142.70           | 413.28                    | 453.10     | 68.10          | 6512.45        | 4899.95              | 460.60              | 461.21              |
| 96          | 0.9635               | 29.080                      | 920462               | 2.395               | 11031.65               | 1255.86             | 636.25          | 377.10       | 1421.40             | 1396.56          | 128.63                | 0.00                 | 146.70           | 437.49                    | 475.70     | 61.91          | 6337.60        | 4694.04              | 441.24              | 446.08              |
| 97          | 0.8521               | 31.723                      | 936358               | 2.562               | 10742.51               | 1226.77             | 588.58          | 358.16       | 1386.89             | 1321.60          | 110.30                | 0.00                 | 151.50           | 463.13                    | 499.50     | 55.72          | 6162.15        | 4580.36              | 430.55              | 433.23              |
| 98          | 0.7436               | 34.548                      | 954349               | 2.737               | 10330.41               | 1182.46             | 535.28          | 338.28       | 1347.18             | 1156.41          | 96.11                 | 0.00                 | 156.80           | 490.26                    | 524.50     | 49.53          | 5870.81        | 4459.60              | 419.20              | 422.04              |
| 99          | 0.6457               | 37.580                      | 943764               | 2.987               | 9886.53                | 1136.99             | 481.42          | 318.19       | 1313.11             | 1003.22          | 77.21                 | 0.00                 | 162.20           | 518.99                    | 550.70     | 43.34          | 5605.37        | 4281.16              | 402.43              | 406.62              |
| 2000        | 0.5564               | 40.823                      | 924739               | 3.244               | 9386.09                | 1085.01             | 426.21          | 296.95       | 1243.34             | 851.46           | 62.59                 | 0.00                 | 168.00           | 549.40                    | 578.30     | 37.14          | 5298.40        | 4087.69              | 384.24              | 388.79              |
| 01          | 0.4528               | 44.381                      | 890963               | 3.550               | 8490.22                | 984.97              | 354.12          | 250.50       | 1205.14             | 693.89           | 51.13                 | 0.00                 | 174.00           | 581.59                    | 607.20     | 30.95          | 4933.48        | 3556.74              | 334.33              | 346.81              |
| 02          | 0.3587               | 48.191                      | 899667               | 3.847               | 7572.23                | 881.27              | 285.39          | 204.31       | 1158.25             | 544.85           | 41.00                 | 0.00                 | 180.40           | 615.66                    | 637.50     | 24.76          | 4573.40        | 2998.83              | 281.89              | 295.00              |
| 03          | 0.2655               | 52.293                      | 879601               | 4.172               | 6788.11                | 793.12              | 237.25          | 159.00       | 1142.58             | 439.60           | 34.14                 | 0.00                 | 187.10           | 651.74                    | 699.40     | 18.57          | 4362.51        | 2425.61              | 228.01              | 241.48              |
| 04          | 0.2171               | 56.904                      | 860541               | 4.518               | 5928.08                | 694.26              | 195.90          | 114.00       | 1128.64             | 336.92           | 24.04                 | 0.00                 | 194.00           | 689.92                    | 702.90     | 12.38          | 4092.96        | 1835.12              | 172.50              | 186.38              |
| 05          | 0.1688               | 61.951                      | 843787               | 4.896               | 5324.82                | 624.48              | 173.46          | 69.15        | 1089.42             | 262.34           | 17.43                 | 0.00                 | 201.40           | 730.35                    | 738.00     | 6.19           | 3912.21        | 1412.61              | 132.79              | 142.71              |

1) These prices are weighted average wellhead values derived from the various values at the M. Slope and Cook Inlet fields evaluated in this study.

TABLE 5  
Trans Alaska Pipeline  
Income Tax Estimates  
(mil current FY \$)

| Fiscal Year | Pipeline Throughput (mil B/D) | Tariff (\$/B) | Total Revenue | Operat'g Costs/Year | Amort & Deprec | Uncap Interest | Property Tax | Total Deduction | Net Income | Tax Liability (9.4%) |
|-------------|-------------------------------|---------------|---------------|---------------------|----------------|----------------|--------------|-----------------|------------|----------------------|
| 82          | 1.5680                        | 6.11          | 3496.88       | 229.00              | 268.65         | 601.29         | 162.00       | 1260.94         | 2235.94    | 210.18               |
| 83          | 1.6300                        | 5.93          | 3528.05       | 220.00              | 268.65         | 554.84         | 157.40       | 1200.89         | 2327.16    | 218.75               |
| 84          | 1.6536                        | 6.01          | 3627.42       | 221.00              | 268.65         | 491.73         | 166.00       | 1147.38         | 2480.04    | 233.12               |
| 85          | 1.7140                        | 6.00          | 3753.66       | 211.50              | 268.65         | 438.15         | 162.00       | 1080.30         | 2673.36    | 251.30               |
| 86          | 1.7173                        | 6.00          | 3760.80       | 210.96              | 268.65         | 409.86         | 155.77       | 1045.24         | 2715.56    | 255.26               |
| 87          | 1.7503                        | 6.00          | 3833.22       | 232.48              | 268.65         | 381.77         | 149.54       | 1032.44         | 2800.78    | 263.27               |
| 88          | 1.7037                        | 6.00          | 3731.16       | 246.48              | 268.65         | 351.68         | 143.31       | 1010.12         | 2721.04    | 255.78               |
| 89          | 1.6818                        | 6.00          | 3683.10       | 259.65              | 268.65         | 327.01         | 137.08       | 992.39          | 2690.71    | 252.93               |
| 90          | 1.6181                        | 6.00          | 3543.66       | 277.26              | 268.65         | 302.34         | 130.85       | 979.10          | 2564.56    | 241.07               |
| 91          | 1.4892                        | 6.00          | 3261.30       | 293.06              | 268.65         | 277.65         | 124.62       | 963.98          | 2297.32    | 215.95               |
| 92          | 1.4238                        | 6.00          | 3118.02       | 305.39              | 268.65         | 252.44         | 118.38       | 944.86          | 2173.16    | 204.28               |
| 93          | 1.3376                        | 6.00          | 2929.26       | 316.94              | 268.65         | 226.53         | 112.15       | 924.27          | 2004.99    | 188.47               |
| 94          | 1.1888                        | 6.00          | 2603.49       | 325.20              | 268.65         | 204.01         | 105.92       | 903.78          | 1699.62    | 159.76               |
| 95          | 1.0758                        | 6.00          | 2355.90       | 333.10              | 268.65         | 186.27         | 99.69        | 887.71          | 1468.19    | 138.01               |
| 96          | 0.9520                        | 6.00          | 2084.88       | 340.60              | 268.65         | 169.75         | 93.46        | 872.46          | 1212.42    | 113.97               |
| 97          | 0.8410                        | 6.00          | 1841.70       | 348.31              | 268.65         | 153.12         | 87.23        | 857.31          | 984.39     | 92.53                |
| 98          | 0.7329                        | 6.00          | 1605.06       | 353.95              | 268.65         | 136.22         | 81.00        | 839.82          | 765.24     | 71.93                |
| 99          | 0.6353                        | 6.00          | 1391.34       | 359.86              | 268.65         | 120.90         | 74.77        | 824.18          | 567.16     | 53.31                |
| 2000        | 0.5472                        | 6.00          | 1198.38       | 366.18              | 268.65         | 105.89         | 68.54        | 809.26          | 389.12     | 36.58                |
| 01          | 0.4447                        | 6.00          | 973.80        | 373.94              | 268.65         | 91.99          | 62.31        | 796.89          | 176.91     | 16.63                |
| 02          | 0.3515                        | 6.00          | 769.80        | 383.62              | 268.65         | 82.51          | 56.08        | 790.86          | -21.06     | -1.98                |
| 03          | 0.2791                        | 6.00          | 611.28        | 396.44              | 268.65         | 76.23          | 49.85        | 791.17          | -179.89    | -16.91               |
| 04          | 0.2115                        | 6.00          | 463.14        | 409.81              | 268.65         | 70.44          | 43.62        | 792.52          | -329.38    | -30.96               |
| 05          | 0.1638                        | 6.00          | 358.74        | 428.82              | 268.65         | 63.48          | 37.38        | 798.33          | -439.59    | -41.32               |

- 1) No gas production considered (26 TCF).
- 2) No TAPS settlement.
- 3) Some amount of total crude taken off at N. Pole i.e. does not go to Valdez.
- 4) Based on 6/85 70% case price and production assumptions.
- 5) Seal Is. excluded.

ASSUMPTIONS:

Property taxes per AS43.56 @2% gross.

TABLE 6  
WINDFALL PROFITS TAX DEDUCTION  
(mil current FY \$)

DEDUCTION FROM FY TAXABLE INCOME

| <u>Fiscal Year</u>      | <u>Sadlerochit</u> | <u>Cook Inlet</u> | <u>Total</u> | <u>Impact on FY Tax Liability (Total * .094)</u> |
|-------------------------|--------------------|-------------------|--------------|--------------------------------------------------|
| <u>Under Pre-SB 524</u> |                    |                   |              |                                                  |
| a)                      |                    |                   |              |                                                  |
| 82                      | 1750.61            | 267.05            | 2017.66      | 189.66                                           |
| 83                      | 848.78             | 169.60            | 1018.38      | 95.73                                            |
| 84                      | 289.25             | 123.08            | 412.33       | 38.76                                            |
| 85                      | 8.93               | 61.33             | 70.26        | 6.60                                             |
| <u>Under HB 353</u>     |                    |                   |              |                                                  |
| b)                      |                    |                   |              |                                                  |
| 85                      | 8.51               | 61.09             | 69.60        | 6.54                                             |
| 86                      | -0-                | 46.77             | 46.77        | 4.40                                             |
| 87                      | -0-                | 29.02             | 29.02        | 2.73                                             |
| 88                      | -0-                | 20.35             | 20.35        | 1.91                                             |
| 89                      | -0-                | 17.39             | 17.39        | 1.63                                             |
| 90                      | -0-                | 16.27             | 16.27        | 1.53                                             |
| 91                      | -0-                | 14.42             | 14.42        | 1.36                                             |
| 92                      | -0-                | 9.36              | 9.36         | .88                                              |
| 93                      | -0-                | 3.87              | 3.87         | .36                                              |
| 94                      | -0-                | .14               | .14          | .01                                              |

Note:

- 1/ Based on 6/85 70% case price and production assumptions.
  - 2/ Windfall Profits Tax is phased out and no longer in effect in FY 1995 and thereafter.
  - 3/ The reason for the slight difference in FY 85 under Pre-SB 524 compared to HB 353 is the difference in the Oil Severance Tax law and thus, the severance tax adjustment under the WPT.
- a) For FY 1982 through 1985, these impacts are included in Tables 3 and 4 under the Pre-SB 524 separate accounting corporate tax. If the WPT was not a deduction for those years, the total tax liability columns would have been increased by these amounts.
  - b) For FY 1982 through 2005, these impacts are not included in Tables 3 and 4 under the HB 353 separate accounting corporate tax. If the WPT was a deduction for these years, the total tax liability columns would be reduced by these amounts. In FY 1985, the reduction would be approximately one half the amount because HB 353 goes into effect midway through the fiscal year.

V.

This section will present comments and conclusions relative to HB 353 based on the analysis outlined and summarized in preceding sections.

As to the feasibility analysis performed relative to the impact of HB 353 on development and production of the "marginal" North Slope fields, the following qualifications should be noted:

The feasibility analysis performed in the Petroleum Revenue Forecasting Model tests the real after tax discounted cash flow rate of return from a field against an assumed "hurdle" real rate of return to determine feasibility. If the rate of return for the field given projected production, prices, development costs, operating costs and tax rates exceeds the hurdle rate, development of the field is deemed feasible.

There are three potential problems with applying this quantitative analysis to the "marginal" North Slope fields and then drawing conclusions about the actual timing and magnitude of their development. The first is the "hurdle" rate used in the model may not be the same as the "hurdle" rate actually used by the corporations with lease rights to develop the field. The second is that the model analysis assumes no capital budget constraint. In reality, the corporations have a limited amount of capital to invest in the development of fields in Alaska and

elsewhere in the world. Even though development of a field in Alaska may be projected by the corporation to provide an acceptable rate of return given the corporation's actual "hurdle" rate, there may be other even more attractive projects elsewhere which would be developed instead, given a limited capital budget. Finally, there may be non-quantifiable judgmental factors which the corporations consider in making their investment decisions. These types of judgmental considerations are necessary to distinguish between two investment alternatives which are projected to be equally attractive on a quantitative basis.

Regardless of these three potential problems in applying the feasibility model to analyze when and at what level a field will actually be developed, the model is useful in analyzing the relative effect of alternative tax structures on rates of return and feasibility of development given projected production, costs and prices. Here, as discussed earlier, our analysis indicated the impact of the HB 353 tax structure with respect to Petroleum Corporate Income Tax and Petroleum Severance Tax on the feasibility of development was relatively insignificant. The future of oil prices will have a much more significant effect on the feasibility of development for these fields.

As to the revenue impact of HB 353, the analysis indicated that under all alternative price and production scenarios examined, cumulative revenues from income and severance taxes for FY 1985 through FY 2005 were greater under HB 353 than under the current tax structure. The absolute and percentage gain, however, varied significantly between scenarios.

For example, cumulative revenues from income and severance taxes for FY 1985 through FY 2005 were 12.12 percent higher under HB 353 than under current law given the Mean case price and production scenario, 8.38 percent higher given the 30 percent scenario and 17.39 percent higher given the 70 percent scenario.

This is because the tax structure proposed by HB 353 is more sensitive to price and production changes than the current tax structure. The severance tax under HB 353 is slightly less sensitive to price and production changes than the current severance tax simply because it is levied at a lower maximum rate, 12.25 percent as compared to 15 percent under the current law. However, this is more than offset by the income tax which is significantly more sensitive under HB 353 than under current law resulting in greater overall revenue sensitivity under HB 353.

The cumulative revenues collected from income taxes for FY 1985 through FY 2005 under the current apportionment tax structure were projected to be 5.04 percent lower given the 30 percent scenario as compared to the Mean scenario and 16.94 percent higher given the 70 percent scenario as compared to the Mean scenario. The cumulative revenues collected under the proposed HB 353 separate accounting income tax were projected to be 14.52 percent lower given the 30 percent scenario compared to the Mean scenario and 30.83 percent higher given the 70 percent scenario compared to the Mean scenario. The reason for this

is under separate accounting, revenue collections are directly dependent upon the level of production and wellhead values in Alaska. Under apportionment, however, revenue collections are dependent on both worldwide income and the level of Alaska activity compared to worldwide activity as measured by apportionment factors. Therefore, the apportionment tax structure is less directly sensitive to changes in Alaska production and wellhead values. Also, it should be noted that a given percentage change in worldwide oil prices results in a greater percentage change in Alaska wellhead values due to the fixed transportation cost differential which exists between the two. For example, if world crude prices were \$20.00 per barrel and there was a total fixed transportation cost of \$10.00 per barrel to get Alaska crude to market, the wellhead value of Alaska crude would be \$10.00 per barrel. If world prices were to increase by 5 percent to \$21.00 per barrel, Alaska wellhead value would increase from \$10.00 to \$11.00 per barrel which would represent a 10 percent increase. Therefore, alternative price scenarios result in greater percentage differences in Alaska activity and income upon which separate accounting is based than in worldwide activity and income upon which apportionment is based.

The HB 353 proposal, because it is more sensitive to oil prices, has the potential for greater upside gain should prices increase and the potential for greater downside risk should prices decrease when compared to the current tax structure.

It should be noted that by FY 2005, the revenues collected under apportionment were projected to be greater than under separate accounting given all alternative scenarios. This is because under apportionment, worldwide income was assumed to increase over time and was only partially offset by declining apportionment factors as Alaska activity declined. Under separate accounting, collections declined directly over time with declining Alaska activity and income.

It is also interesting to note that by FY 2005, collections under the current apportionment tax are approximately equal given both the Mean and 70 percent assumptions. This is because even though the 70 percent case assumes a higher long-run worldwide apportionable income growth rate it also assumes a higher growth rate in worldwide production which acts to reduce the apportionment factor at a faster rate thus offsetting the higher income growth rate. As noted earlier, however, over the entire period from FY 1985 through FY 2005, the 70 percent case assumptions resulted in revenue collections which were 16.94 percent higher than the Mean.

In comparing revenue collections under separate accounting in FY 2005 given Mean and 70 percent scenario assumptions, the 70 percent case generates less revenue than the Mean case. The reason for this is that under the 70 percent scenario, development of fields in Alaska occurs earlier and at a more rapid pace. Therefore, by FY 2005, production

under the 70 percent scenario is less than production under the Mean scenario. As noted earlier, however, over the entire period from FY 1985 through FY 2005, the 70 percent case assumptions resulted in revenue collections which were 30.83 percent higher than the Mean.

A number of revisions have been made to the analysis compared with the preliminary analysis previously presented to the Legislature during the 1985 legislative session. The previous analysis was based on March, 1985 Mean case price assumptions whereas this analysis is based on June, 1985 price assumptions which are significantly lower in the Mean case. This analysis includes two additional marginal fields, West Sak and Point Thompson which were not included before. The March analysis included projections only through FY 1995. Total projected cumulative revenue collections from both income and severance taxes given Mean case assumptions under both current and proposed tax structures are lower now than in March.

Severance taxes projected under both laws are lower due to lower price and wellhead value projections in spite of somewhat higher production from the inclusion of the two additional fields in the analysis.

Income tax projections under the current apportionment law are lower due primarily to lower expectations for long-run worldwide apportionable income growth rates. Income tax projections under the proposed HB 353 separate accounting law are lower due to lower wellhead

values and hence, gross revenues. The inclusion of additional fields does not result in enough additional production to offset the effect of lower wellhead values on gross revenues, and the additional fields included also had deductions associated with them which reduced net taxable income even more. Also, as discussed earlier, separate accounting deductions primarily operating cost estimates, have been revised upward since March.

The revisions since March have resulted in a greater downward revision in projected collections under the current income and severance tax laws than under the proposed HB 353 income and severance tax laws. Therefore, the absolute and percentage revenue gain from HB 353 is projected to be greater now than in March. Total cumulative revenues collected for FY 1985 through FY 1995 were projected to be 13.46 percent higher under HB 353 than under current law given the Mean case assumptions in March and now are projected to be 16.79 percent higher for the same period (1985-1995) given the Mean case assumptions.

It should also be noted that due to the revision in the operating cost deduction, the estimates of revenues which would have been collected under the pre-SB 524 separate accounting corporate tax for FY 1982 through FY 1985 are lower now than in March.

Vincent D. Wright  
Chief of Research  
Office of the Commissioner  
Department of Revenue

December 19, 1986

465-2300

Sensitivity Analysis of  
HB 353

John Larson, Economist *HL*  
Charles Logsdon, Petroleum Economist *CL*  
Roger Marks, Petroleum Economist *RM*

Per your instructions we have conducted a price sensitivity analysis of a separate accounting (HB 353) versus a modified apportionment approach to oil corporate income taxation. The results are outlined in the executive summary.

The important aspect of this study is the relative relationship between the two different types of tax structures. This study is not designed to forecast revenues under the two approaches but rather to examine the relationship between the two tax structures and thus answer fundamental questions about price sensitivity.

We will be submitting to you on occasion updated information as events change in what is obviously a dynamic tax and oil arena.

**SENSITIVITY ANALYSIS  
OF  
PROJECTED REVENUE COLLECTIONS**

**HB 353  
COMPARED TO  
CURRENT LAW**

**ALASKA DEPARTMENT OF REVENUE  
DECEMBER 1986**

**By  
John Larson, Economist  
Charles Logsdon, Petroleum Economist  
Roger Marks, Petroleum Economist**

## Executive Summary

This study is a follow-up to a previous study on corporate income taxation presented by the Department of Revenue on October 31, 1985. At that time we evaluated HB 353, a separate accounting approach to income taxation, versus the current modified apportionment approach. Subsequent to the completion of the previous study two significant events transpired. First, worldwide crude oil prices and hence Alaskan wellhead values (WHV) have declined considerably. Second, the State of Alaska and the TAPS oil pipeline owner corporations have negotiated a settlement on TAPS tariffs which is known as the TAPS Settlement Methodology (TSM). As a result of these two events we updated and modified our analysis. This analysis further differs from the previous one in that it is a sensitivity study of possible revenue collections for the period (FY) 1986 through FY 2005 under both current law and HB 353 with respect to a broad range of Alaskan crude oil wellhead values. The present study was done entirely in terms of constant 1986 dollars as opposed to current or inflated dollars which were used in the previous study. Also, projected revenue collections associated with TAPS in this study fully incorporate the provisions of TSM.

As a result of the fact that worldwide crude oil prices have recently been on the decline, concern has been expressed as to the relative oil price sensitivity of revenue collections under HB 353 and current law. At what crude oil world price level and associated Alaska wellhead value would revenue collections under HB 353 exceed those under current law. This is the type of sensitivity question which this current study was designed to answer.

The results of the analysis done for the current study support the basic conclusions of the previous October 31, 1985 study. Those conclusions being as follows:

- 1) The proposed tax law changes under HB 353 would not significantly impact the projected development feasibility or production volume profiles of any of the currently producing or prospective Alaskan oil or gas fields. The feasibility of development and production volume profile for a field are primarily dependent on WHV in conjunction with certain technical and cost considerations for that particular field. The impact of alternative WHV scenarios on projected total Alaska oil and gas production volumes can be seen in Graphs I-1 through I-3 presented at the end of this summary section.
- 2) The revenues projected to be collected under HB 353 particularly from the petroleum corporate income tax would be more sensitive to Alaska crude oil WHV and production volume changes than revenues projected under the current tax structure. This can be seen in Graphs III-8605-1 and III-8605-2 presented at the end of this summary section. The sum from FY 1986 through FY 2005 of projected income taxes and production taxes combined for current law and HB 353 are shown as functions of alternative WHV scenarios.

Due to the way in which the current analysis is structured, it is not only possible to conclude whether the current law or HB 353 has greater revenue sensitivity to oil price changes but also to quantify the relative sensitivity of the two tax structures. This was not possible in the previous study. The conclusions which can be drawn from the results of this analysis are summarized in Graphs III-8605-1, III-8605-2, III-8605-PV@5-1, III-8605-PV@5-2, III--8605-PV@10-1 and III-8605-PV@10-2 presented at the end of this summary section. These graphs show the cumulative revenues for the entire period from FY 1986 through FY 2005 which are projected to accrue from the petroleum corporate income tax alone and petroleum corporate income tax and petroleum production tax combined under both current law and HB 353. The projected revenues are shown on an undiscounted basis and also on a discounted basis, discounted at both 5 and 10 percent. The conclusions relative to the oil price sensitivity of revenues under the two tax structures are as follows:

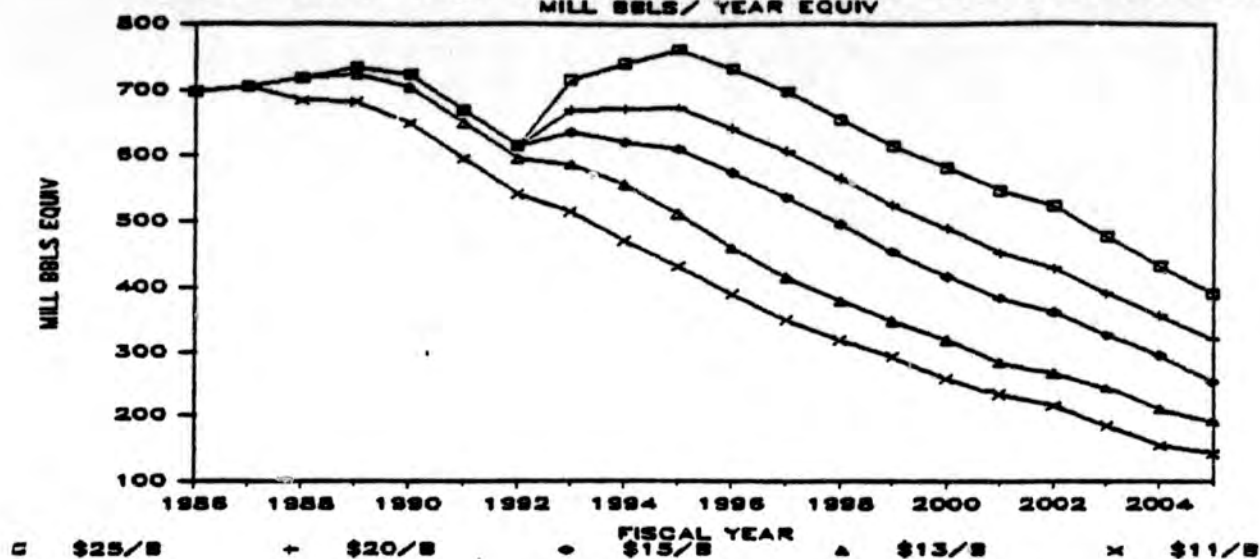
- 1) Considering only the petroleum corporate income tax aspects of the two tax structures on an undiscounted basis, Graph III-8605-1 shows the crossover WHV is just slightly over \$9 per barrel. This is the WHV where the cumulative income tax revenues for FY 1986 through FY 2005 under HB 353 exceed those under current law.
- 2) When both the income and production tax aspects of HB 353 are considered together, Graph III-8605-2 shows the crossover WHV is between \$15 and \$20 per barrel.

- 3) In addition to simply comparing the cumulative sum of projected revenues over the period, it is also useful to compare the discounted present value of projected future revenues for the two tax structures. Discounting takes account of the fact that differences in revenue collections between the two tax structures may not be uniformly distributed over time and that revenue received earlier is worth more than revenue received later due to the time value of money. Discount rates of both 5 and 10 percent were used for the comparison. These rates encompass a reasonable range of real discount rates for the State. On a discounted basis at both 5 and 10 percent respectively, the crossover WHVs for the income tax aspect of the two tax structures are shown in Graphs III-8605-PV@5-1 and III-8605-PV@10-1. Note that the crossover WHV is somewhat less in both these discounted cases than is the undiscounted case shown in Graph III-8605-1. This is because the income tax under HB 353 generally produces more revenue than current law in earlier years for the various WHV scenarios because production volumes are higher.
- 4) A comparison on the same discounted basis for both income and production taxes combined is shown in Graphs III-8605-PV@5-2 and III-8605-PV@10-2. Note that when discounted at 5 percent the total revenue crossover WHV changes to just slightly over \$15 per barrel. When discounted at 10 percent the crossover is approximately \$13 per barrel.

5). At the present time the North Slope weighted average netback WHV is below \$6 per barrel. This is well below any of the crossover WHV's discussed above. Thus, unless real WHV's increase significantly from their present levels, enactment of HB 353 would result in a net revenue loss over the next 20 years when compared to current law. This would also be true if only the separate accounting income tax aspects of HB 353 were enacted without enacting the offsetting changes to the production tax currently included in HB 353.

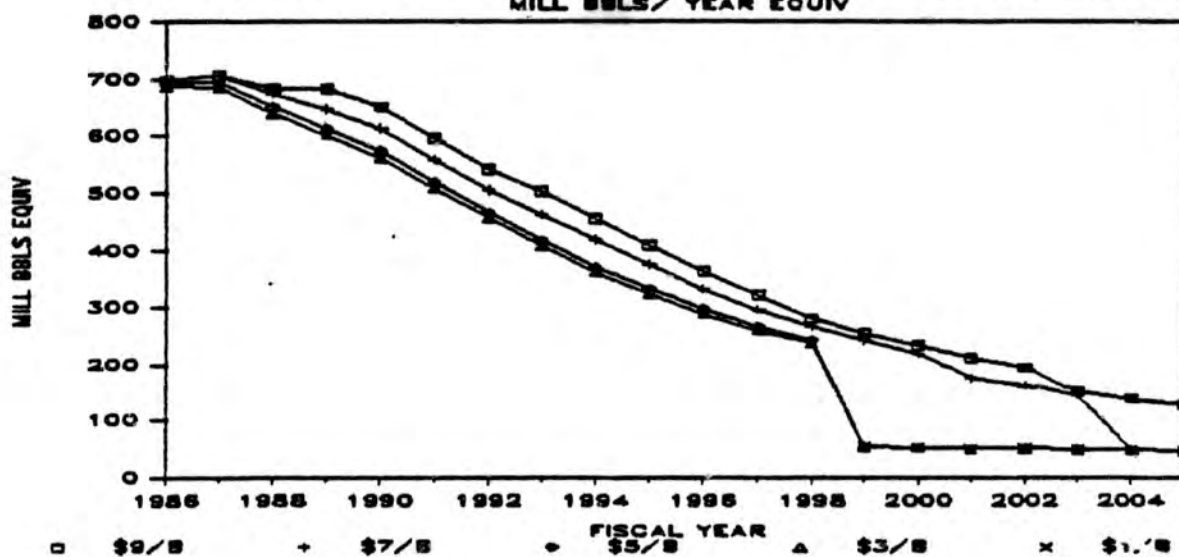
GRAPH I-1

# TOTAL AK OIL & GAS PRODN COMPARISON MILL BBLs/ YEAR EQUIV



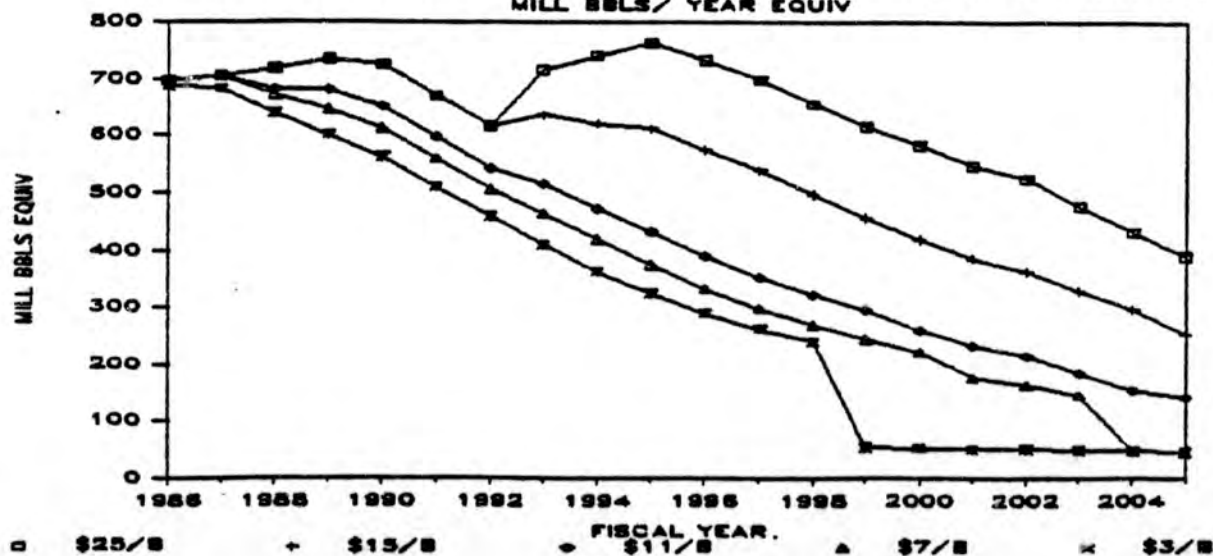
GRAPH I-2

# TOTAL AK OIL & GAS PRODN COMPARISON MILL BBLs/ YEAR EQUIV

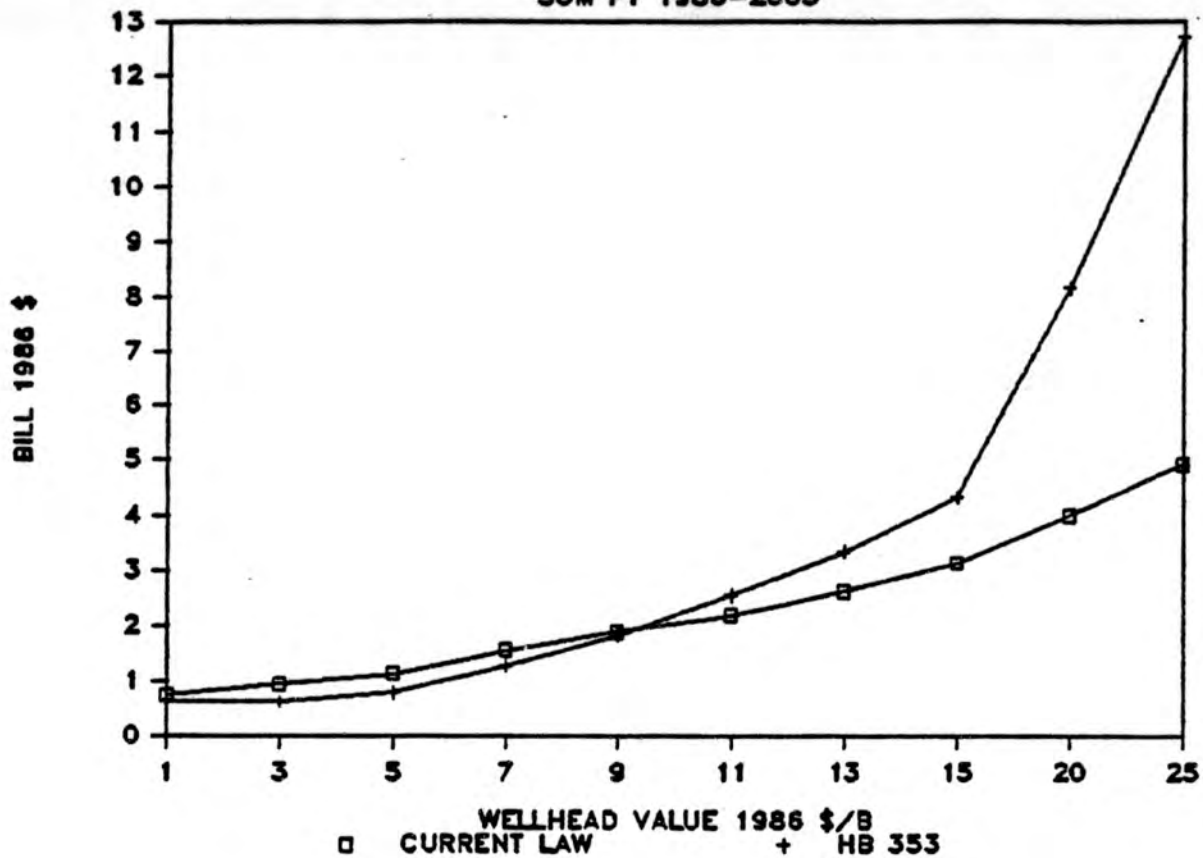


GRAPH I-3

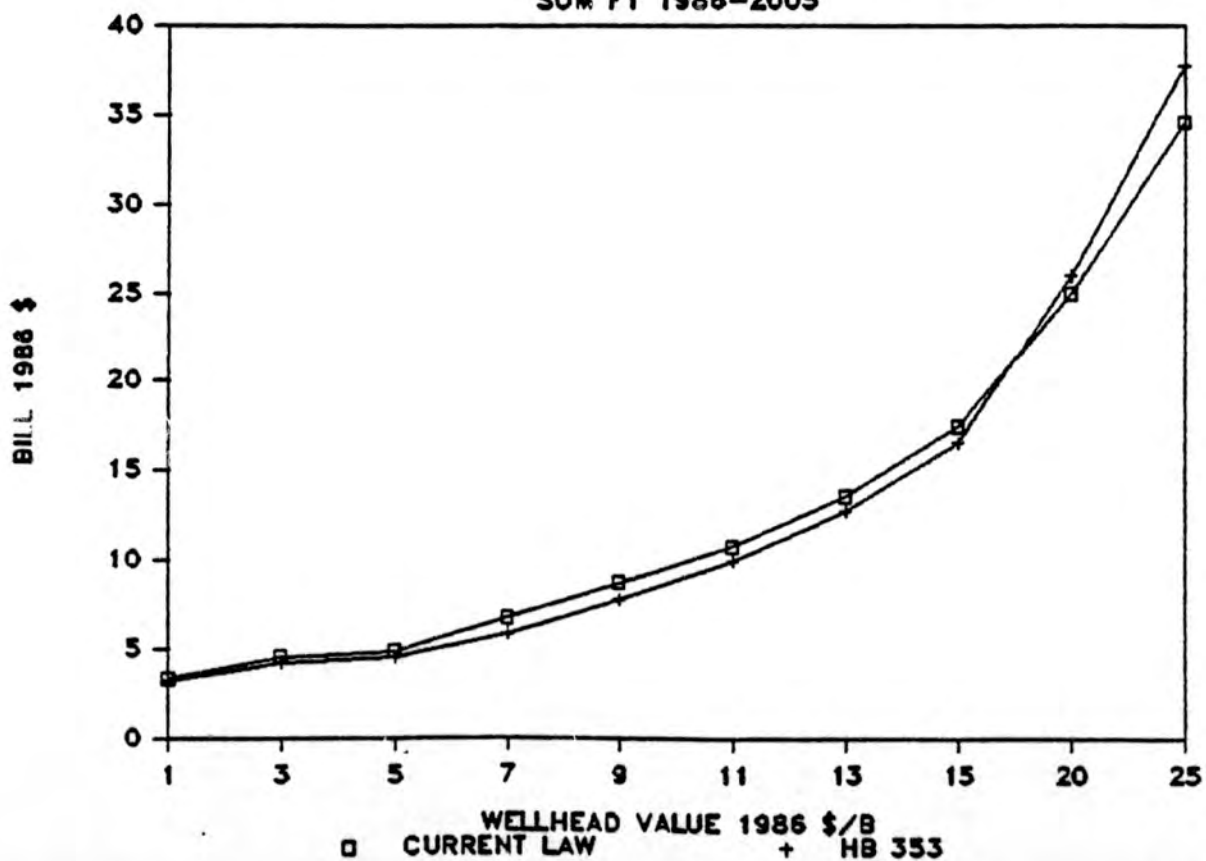
# TOTAL AK OIL & GAS PRODN COMPARISON MILL BBLs/ YEAR EQUIV



GRAPH III-8605-1  
**INCOME TAX COMPARISON**  
 SUM FY 1986-2005



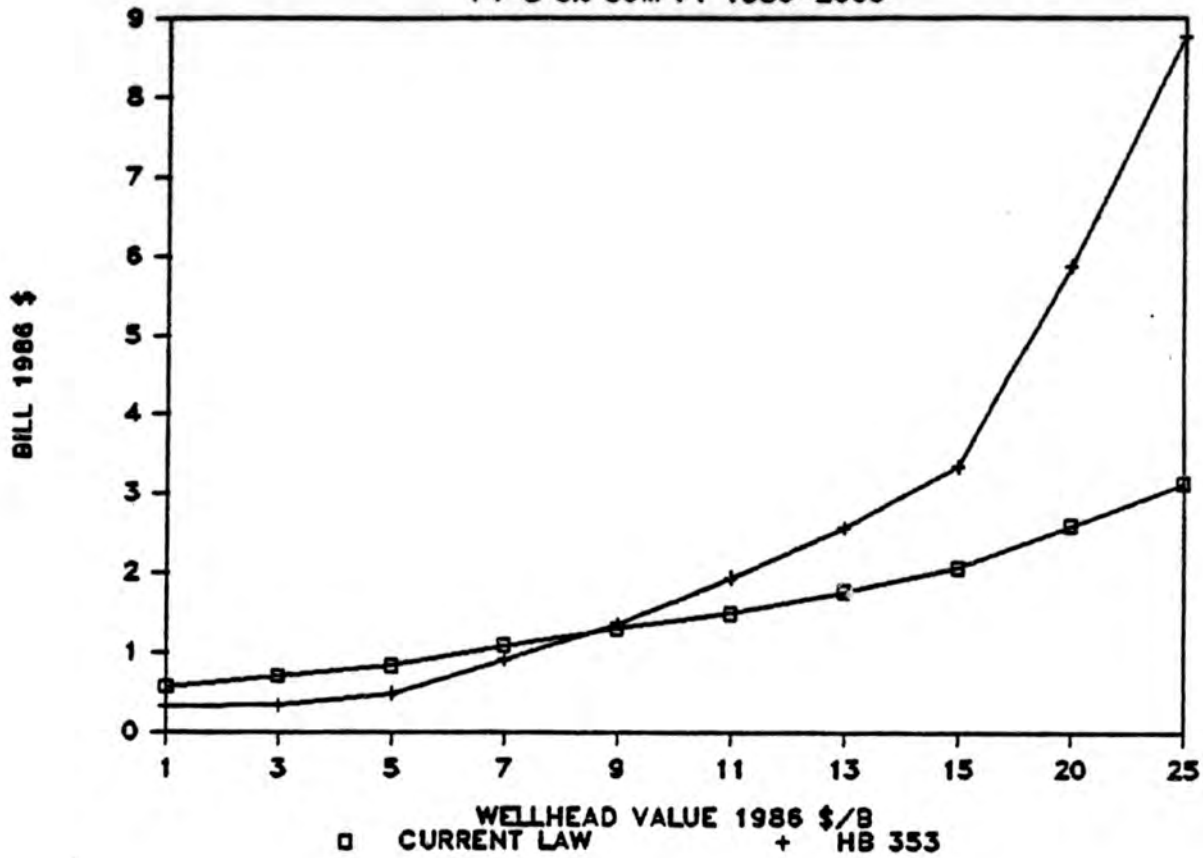
GRAPH III-8605-2  
**INCOME + PRODN TAX COMPARISON**  
 SUM FY 1986-2005



GRAPH III-8605-PV05-1

# INCOME TAX COMPARISON

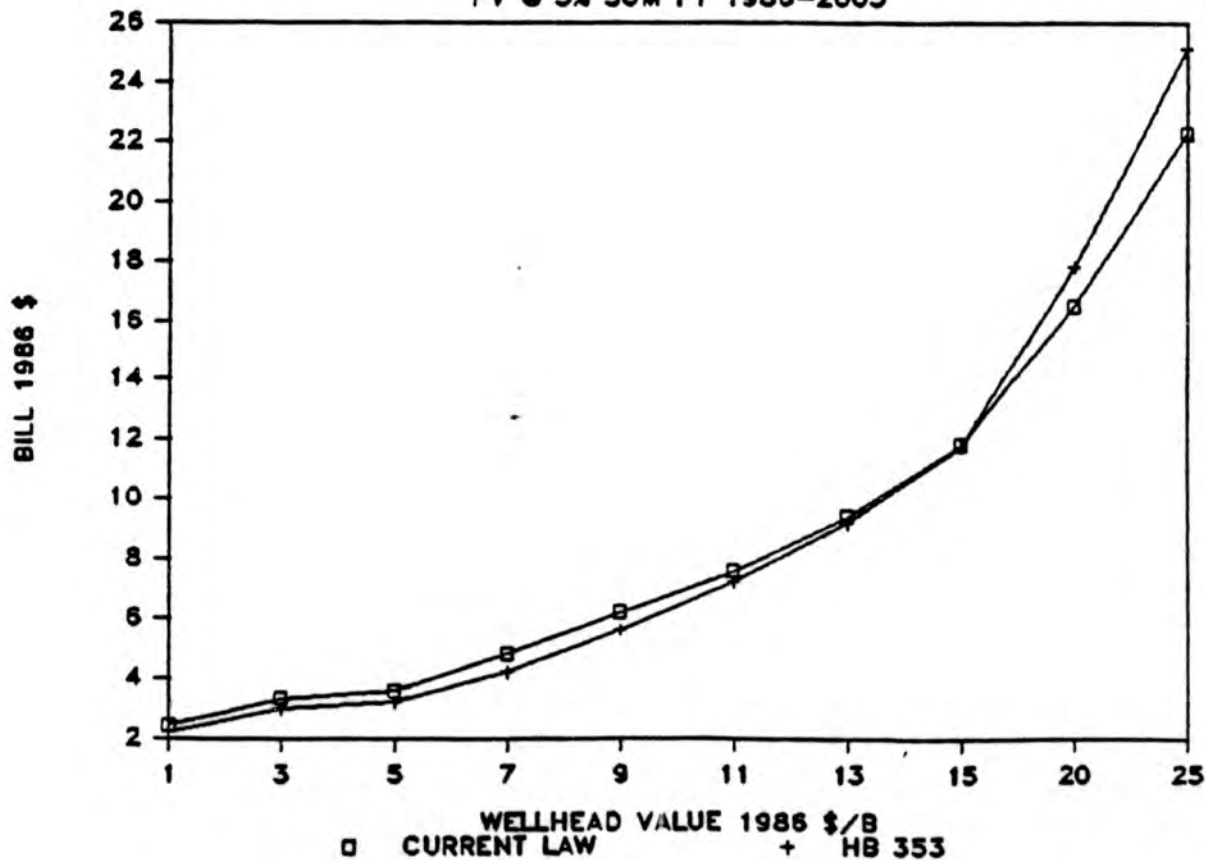
PV @ 5% SUM FY 1986-2005



GRAPH III-8605-PV05-2

# INCOME + PRODN TAX COMPARISON

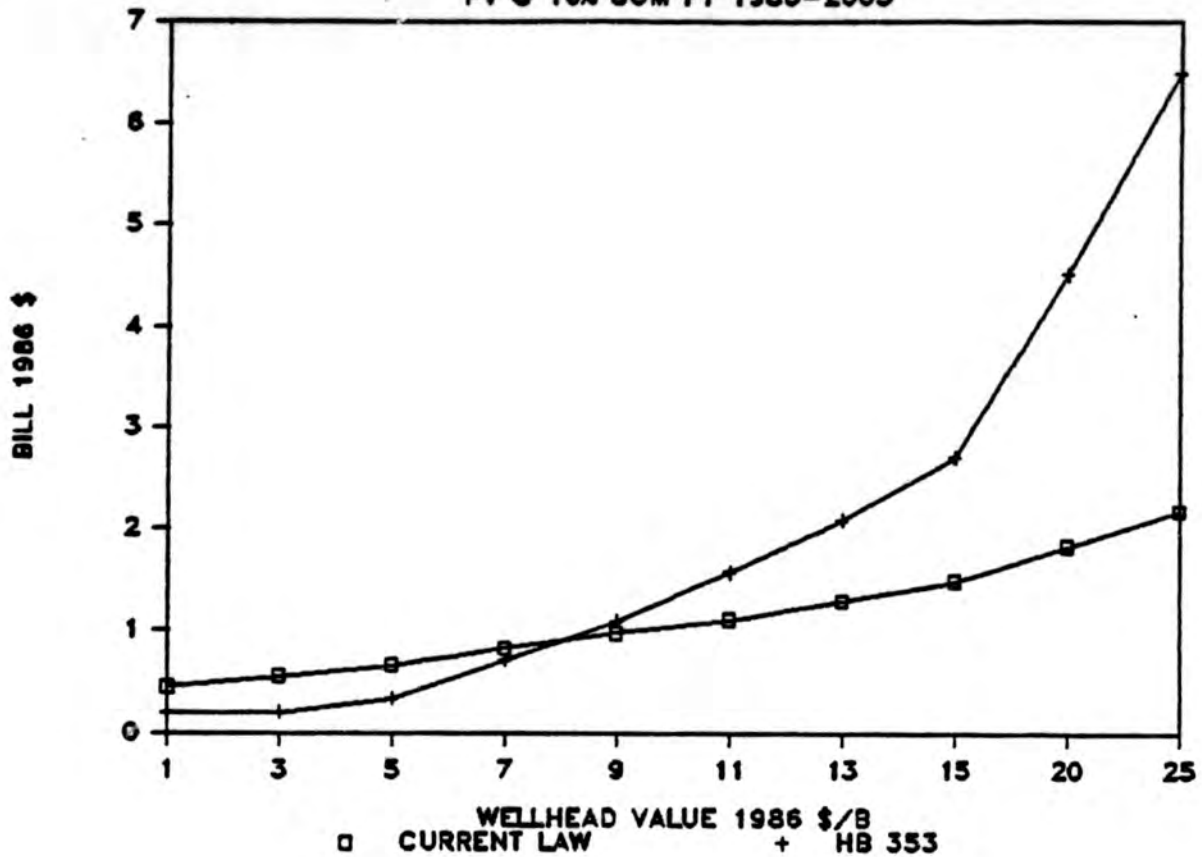
PV @ 5% SUM FY 1986-2005



GRAPH III-8605-PV010-1

# INCOME TAX COMPARISON

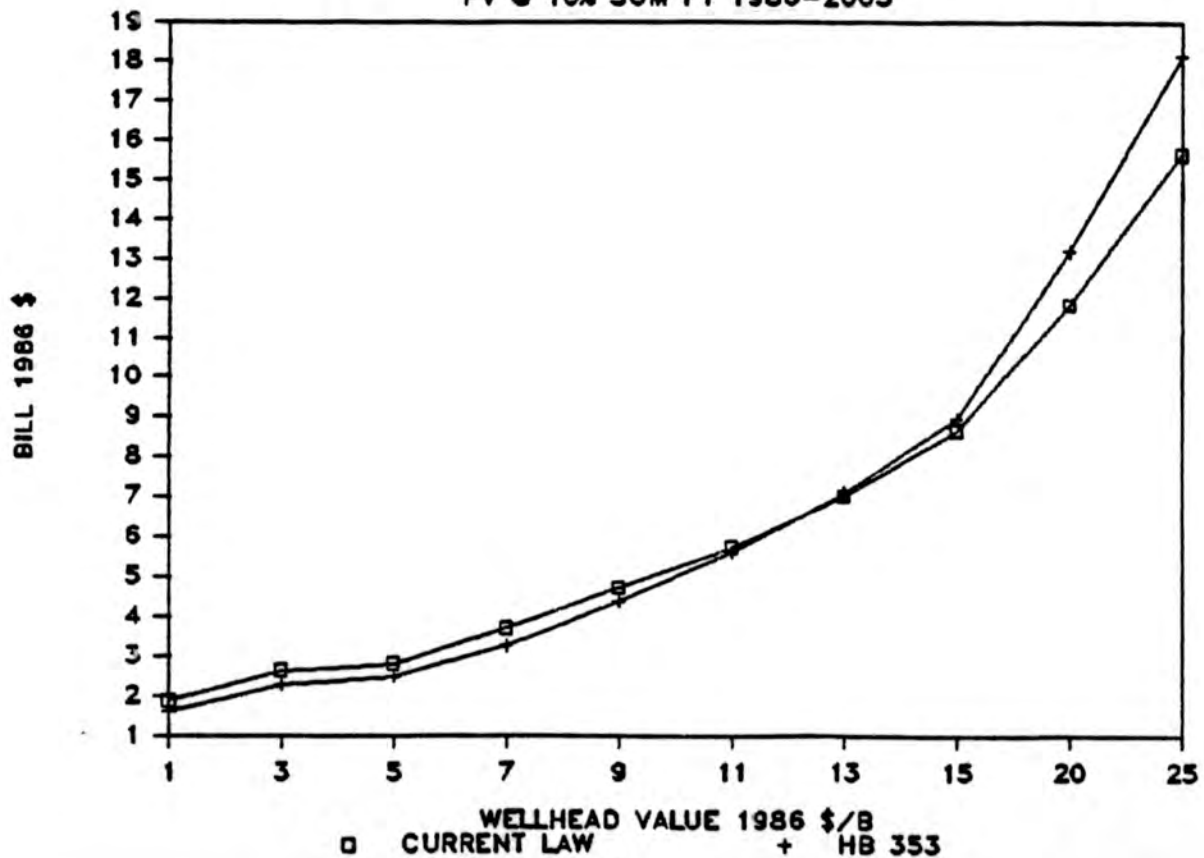
PV @ 10% SUM FY 1986-2005



GRAPH III-8605-PV010-2

# INCOME + PRODN TAX COMPARISON

PV @ 10% SUM FY 1986-2005



## Introduction

This study is a follow-up to a study presented by the Department of Revenue in a memorandum dated October 31, 1985 on the impact of HB 353. Subsequent to that memorandum, which presented the impact of HB 353 under the assumptions of the June 1985 Petroleum Revenue Forecast, crude oil prices have declined considerably. A primary concern among decision makers now regarding HB 353 seems to be the question: At what crude oil world price level and associated Alaska wellhead value (WHV) would revenue collections under HB 353 exceed those under the current law? This study was designed to answer that type of "sensitivity" question.

The study shows the projected change in revenue collections from the Petroleum Corporate Income Tax and the Petroleum Production (severance) Tax under the provisions and effective dates of HB 353 compared to current law. The comparison was done for fiscal years (FY) 1986 through 2005 under ten different Alaska North Slope (Sadlerochit TAPS-Pump Station No. 1) wellhead value scenarios. The entire analysis was done in constant 1986 dollars and the WHV scenarios used ranged from \$25 per barrel to \$1 per barrel.

A detailed description of the historical legal development of the Petroleum Corporate Income and Petroleum Production taxes along with a description of changes proposed to those taxes under HB 353 can be found in the aforementioned October 31, 1985 memorandum. To summarize: The Petroleum Corporation Income tax levied under current law, AS 43.20.072, uses a modified three factor formula based on on the average ratio of Alaska to worldwide extraction (net oil and gas production), property and

sales to apportion a corporation's worldwide petroleum business income to Alaska. The corporation's Alaska petroleum business income is taxed under a graduated rate schedule with the maximum rate being 9.4 percent. Under the provisions proposed by HB 353, the Petroleum Corporate Income tax would be levied on a separate accounting basis similar to the now repealed AS 43.21 which was in effect for tax years 1978 through 1981. A Corporation's Alaska petroleum production and pipeline transportation income would be calculated on a separate accounting basis considering only income and deductions directly associated with its Alaskan operations. This income would be taxed at a maximum rate of 9.4 percent. Petroleum Production tax on crude oil production, under current law AS 43.55, is levied at a maximum nominal rate of 15 percent on the value of the oil at the point of production modified by an economic limit factor (ELF) to determine the effective tax rate on the production value. The ELF is calculated on a per well basis and attempts to adjust tax rates for changes in well economics when operating costs and production rates are considered. The ELF is set equal to 1 by law if it is calculated to be greater than .7 for the first ten years of production. The nominal tax rate for all North Slope fields other than Sadlerochit is 12.25 percent for the first five years of production and 15 percent thereafter. Also there is a floor tax of 80 cents per barrel which is also modified by the ELF. HB 353 proposes to change the maximum nominal rate to 12.25 percent for all fields beginning in calendar year (CY) 1987. The ELF and floor provisions would remain the same as under current law.

Results of the study are presented in three parts as follows:

- A. Conclusions relative to the results of the study.
- B. Summary tables, graphs and descriptions showing the quantitative results of the study.
- C. A description of the analysis, methodology, and assumptions used in this study.

A.

Conclusions

This part of the paper will summarize the major conclusions which may be drawn from the results of this analysis.

Two of the basic conclusions of this study are the same as in the previously presented October 31, 1985 study. First, that the proposed law changes under HB 353 would not significantly impact the projected development feasibility or production volume profiles of any of the currently producing or prospective Alaskan oil or gas fields. Second, that the revenues projected to be collected under HB 353, particularly from the petroleum corporate income tax, would be more sensitive to Alaska crude oil WHV and production volume changes than the revenues projected under the current tax structure.

Given the assumptions made in this study, the feasibility of development and production volumes for a field are primarily dependent on WHV in conjunction with certain technical and cost considerations for that particular field. The tax structure change proposed under HB 353 would have no significant impact on field feasibility. The impact of alternative WHV scenarios on projected oil and gas production volumes can be seen in Part B, Section I, Table I-1 and Graphs I-1 through I-3. Cumulative Alaska oil and gas production for FY 1986 through FY 2005 is projected to be over twice as great in the \$25 per barrel WHV scenario

than in the \$1 per barrel WHV scenario. In graph I-1 the impact of enhanced recovery investments on the production volume curves for the higher WHV scenarios can be seen. Note, that in performing this feasibility analysis, assumptions had to be made relative to the project evaluation criteria which would be used by the corporations with leases in the various fields. The major explicit assumption relative to economic evaluation criteria was the specific after tax discounted cash flow rate of return (DCFROR) from the project, which the corporations would require to deem a project feasible and go ahead with development. The major implicit assumption relative to economic evaluation criteria was that the corporations would have an unlimited ability to secure the capital necessary to invest in any project which meets their required DCFROR. Also, there is an implicit assumption in this feasibility analysis that non-economic judgmental factors will not override the economic factors, in the decisions by the corporations to develop these fields. To the extent these assumptions differ from the assumptions actually used by these corporations, the actual timing and magnitude of field development may differ. However, the feasibility analysis utilized is a valid tool for determining the relative significance of WHV changes and tax law changes, such as those proposed under HB 353, for field economics.

This study was designed to answer questions which the previous HB 353 study did not. The broad range of real 1986 \$ WHVs selected for study along with the assumption of constant real price levels throughout the projection period allowed for a true sensitivity analysis to be

performed. In contrast, the previous study was based on a probabilistic simulation type of analysis and attempted to forecast future nominal and real price levels and the associated production volumes and revenues. In that analysis various higher and lower price vector forecasts were used in alternative scenarios deemed to be the 70 percent, mean and 30 percent cases. In each case, however, the real price changed over the forecast period. While that methodology was certainly realistic and valid for forecasting purposes it made it difficult to characterize a particular forecast scenario for sensitivity analysis purposes. In addition, the probabilistic nature of the simulation forecasting model can produce average revenue forecast results which appear inconsistent with the weighted average assumptions used in the forecast. This is because the probability distribution of revenue results will not be exactly the same as the probability distribution of input assumptions. This is in turn a result of the revenue laws which are modeled, where there are constraints on the revenue distribution, such as with the cents per barrel floor for the production tax, which do not apply to the input WHV distribution. Under the methodology used for the present study, projected scenarios are clearly characterized and differentiated from one another. Again, this analysis is a series of hypothetical projections based on a series of alternate assumptions and is not meant to be used as a forecast of future revenue collections. The methodology is valid and useful for determining the relative price and production sensitivity of revenue collections under different tax structures.

The primary sensitivity question with respect to HB 353 is: At what Alaska North Slope WHV would revenues under HB 353 exceed those under

current law? The answer to that question depends on the time period for which it is asked. This is because revenues are not only sensitive to WHV but also to production volumes. Note from Table I-1 and Graphs I-1 through I-3, in Part B, Section I, that under all WHV scenarios Alaska petroleum production declines over the period. The specific path of the decline differs for each scenario. However in all cases, even the higher WHV scenarios where very significant enhanced recovery is feasible, the general trend is down. Analysis of the graphs presented in Part B, Section III indicates that the crossover WHV, that WHV for which revenues from HB 353 exceed current law, changes depending on the year for which the revenue comparison is presented and on whether income tax alone is considered or whether the sum of income and production taxes together is considered. Generally, over time as production declines the crossover wellhead value becomes greater, until by FY 2000 the sum of income and production taxes combined under HB 353 produces less revenue than current law even under the \$25 per barrel WHV scenario. This is because by FY 2000 production volumes have declined to levels under all scenarios such that there is no WHV within the range of WHV's considered where HB 353 is projected to generate more revenue than current law. Note that for FY 2000 and FY 2005 there is a double crossover or reverse crossover, where under lower WHVs, revenue projected under HB 353 exceeds that under current law. This effect is due to the fact that by FY 2000 and FY 2005, given the lower WHV scenarios, there would be no North Slope production, and therefore, no TAPS operation. Only Cook Inlet would then be in production. Thus, HB 353, separate accounting applied to Cook Inlet alone would generate more revenue than current law.

Also note from Tables 7 and Graph 2 in the various Part B, Section II, subsections that for WHV scenarios of \$5 per barrel and below and for later years in the WHV scenarios above \$5 per barrel when there is no North Slope production, that production taxes under the two tax structures are essentially the same. Thus, there is no significant revenue loss from production taxes due to HB 353. This effect is due to the operation of the cents per barrel floor which is the same for both current law and HB 353 and also the fact that in later years there is no Cook Inlet oil production. There is only gas production for which HB 353 does not change the tax provisions.

The way it is most useful to look at this question is over the entire period from FY 1986 through FY 2005. In Part B, Section III, Graph III-8605-1 shows the undiscounted sum from FY 1986 through FY 2005 of income taxes under HB 353 and the current law as a function of WHV. Note that the crossover WHV, where the sum of revenues projected from FY 1986 through FY 2005 under HB 353 exceed those under current law, is just slightly over \$9 per barrel when only the income tax aspect of HB 353 is considered alone. The crossover WHV is between \$15 and \$20 per barrel when both the income and production tax aspects of HB 353 are considered together. This can be seen in Graph III-8605-2. In addition to simply comparing the cumulative sum of projected revenues over the period, it is also useful to compare the discounted present value of projected future revenues over the period for the two alternative tax structures. Discounting takes account of the fact that differences in revenue collections between the two tax structures may not be uniformly

distributed over time. Due to the time value of money, gains or losses in earlier years are weighted more heavily than gains or losses in later years for comparison purposes on a discounted basis. The time value of money can be illustrated by the fact that money the State has now can be invested at some positive interest rate and is therefore worth more in "present value" than money the State will receive a year from now. Discount rates of both 5 and 10 percent were used for the comparison. These rates encompass a reasonable range of real discount rates for the State. Graphs III-8605-PV@5-1 and III-8605-PV@10-1 show the present value, discounted at rates of 5 percent and 10 percent respectively, of the sum of projected future income tax revenues under current law and HB 353 as a function of WHV. Note that the crossover WHV is somewhat less in both of these discounted cases than in the undiscounted case shown in Graph III-8605-1. This is because the income tax under HB 353 generally produces more revenue than under current law in earlier years, when production volumes are higher, for the various WHV scenarios. Since revenue received earlier has a greater "present value", HB 353 income taxes appear relatively more advantageous in discounted than in undiscounted terms. A comparison on the same discounted basis for both income and production taxes combined can be seen in Graphs III-8605-PV@5-2 and III-8605-PV@10-2. Note that when discounted at 5 percent the total revenue crossover WHV changes from midway between \$15 and \$20 per barrel on an undiscounted basis, as shown in Graph III-8605-2, to just slightly over \$15 per barrel. When discounted at 10 percent, the crossover is approximately \$13 per barrel.

At the present time the North Slope weighted average netback WHV is

below \$6 per barrel. This is well below any of the crossover WHV's discussed above. Thus, unless real WHVs increase significantly from their present levels enactment of HB 353 would result in a net revenue loss over the next 20 years when compared to current law. This would also be true if only the separate accounting income tax aspects of HB 353 were enacted, without enacting the offsetting changes to the production tax currently included in HB 353.

## B.

### Results

The quantitative results of this analysis are summarized in the tables and graphs presented in this part of the report. There are three sections which are described as follows:

Section I contains a table and graphs which summarize the results of the field feasibility analysis which was performed to determine the impact on production volumes of alternative WHV scenarios. Table I-1 shows total Alaska - (North Slope and Cook Inlet) oil and gas production volume expressed in millions of barrels of oil per year equivalents for each year and cumulatively from 1986 through 2005, given each WHV scenario analyzed. Graphs I-1 through I-3 provide a graphic representation of the information contained in Table I-1.

Section II contains tables and graphs which summarize the results of the revenue projections which were done for current law and HB 353 given the alternative WHV scenarios analyzed. Section II is divided into ten subsections, II-25, II-20, II-15, II-13, II-11, II-9, II-7, II-5, II-3 and II-1 each corresponding to the WHV scenario equal to the subsection number. Each subsection contains nine tables numbered 1 to 9 and three graphs numbered 1 to 3. Tables and graphs with the same number in each subsection show the same information only for a different WHV scenario.

Table 1 in each subsection presents projected HB 353 petroleum corporate income tax liability for all North Slope producing fields. It summarizes income and deductions on a separate accounting basis for these fields. It also shows the petroleum production tax liability for all North Slope fields under current law and HB 353. The production taxes deducted in calculating HB 353 income tax liability are of course those projected under HB 353. Note that in all subsections the production volume weighted average gross WHV for all North Slope fields together is less than the Sadlerochit WHV associated with the scenario. This is because the non-Sadlerochit North Slope fields have lower WHV's than Sadlerochit due to additional transportation costs to get oil from those fields to TAPS Pump Station No. 1. Thus, when all North Slope fields are averaged together the WHV will be lower than for Sadlerochit alone. The production volume weighted average gross WHV column is derived by dividing the total gross revenue column by the total gross production volume column. Deductions, taxable income and tax liability are shown with and without the inclusion of Windfall Profit Taxes (WPT) in total deductions.

Table 2 in each subsection summarizes income, deductions and petroleum corporate income tax liability under HB 353 for Cook Inlet oil and gas fields. Again oil production taxes are shown under current law and HB 353. Also taxable income and tax liability are shown with and without a WPT deduction. Note that the oil gross WHV is always \$6 per barrel higher than the Sadlerochit WHV for the scenario due to the fixed transportation differential which was assumed.

Table 3 in each subsection summarizes HB 353 corporate income tax, taxable income, tax liability and tax collections for all Alaska producing fields, i.e. North Slope and Cook Inlet combined. Again the impact of allowing a WPT deduction is shown for comparison purposes. Note as will be explained in Part C of this report that North Slope and Cook Inlet tax liabilities are calculated independently and then added together to calculate total tax liability and collections.

Table 9 in each subsection summarizes projected HB 353 separate accounting income, deductions and tax liability for the TAPS oil pipeline under the provisions of the proposed HB 353 income tax.

Table 5 in each subsection summarizes HB 353 corporate income tax liability and tax collections for all petroleum production, exploration, and pipeline transportation activities in the State. The North Slope and Cook Inlet fields as well as TAPS are all combined. Note, as will be explained in Part C of this report, that tax liability is calculated jointly for the North Slope fields and the TAPS pipeline. That joint tax liability is then added to Cook Inlet liability which is calculated independently to arrive at total tax liability. Again, collections are shown with and without the WPT deduction. Also, current law modified apportionment petroleum corporate income tax collections from Table 6 are shown. The differences between current law and HB 353 income taxes with and without the WPT deduction are also calculated.

Table 6 in each subsection presents projected current law, AS 43.20,

modified apportionment petroleum corporate income tax collections. Estimated weighted average apportionment factors, worldwide net profits and tax liability are shown for the three largest corporate taxpayers combined as will be explained in Part C of this report. Total tax liability and tax collections for all corporate taxpayers is also shown.

Table 7 in each subsection shows the revenue comparison between current law and HB 353 for the period from FY 1986 through FY 2005 and cumulatively over the period. The comparison is shown separately for petroleum corporate income taxes, petroleum production taxes and the two taxes combined. Thus, the projected impacts of HB 353 on the two taxes which it would affect and on total State revenues are presented. The figures for HB 353 under the income tax comparison, show total production, exploration, and pipeline transportation separate accounting collections. They assume no WPT deduction is allowed as per the provisions drafted in HB 353. Also, note that under the production tax comparison the HB 353 figures assume the production tax provisions of HB 353 become effective at the beginning of CY 1987, midway through FY 1987.

Table 8 in each subsection shows projected State revenues associated with petroleum production activities under both current law and HB 353 as a percentage of projected net production income for all fields. Gross production income is the sum of gross production revenues from both North Slope and Cook Inlet fields. All non-tax HB 353 separate accounting deductions for these fields were deducted from gross income to compute net production income. State petroleum production revenues include royalties, production and conservation taxes, property taxes on field

production facilities and income taxes. Property taxes included are the total amount paid under the State petroleum property tax on field production facilities including amounts credited to local governments. The income taxes included in revenues under HB 353 are for all producing fields and exclude TAPS from consideration. Also, income taxes under HB 353 assume no WPT deduction. It was not possible to separate income taxes under current law between production and transportation activities of the corporate taxpayers due to the worldwide apportionment methodology. Thus, income taxes included under current law are the total for all petroleum activities in the State. Note that in some WHV scenarios net income in some years was calculated to be very low or negative and thus the percentage calculation is either very high or not possible.

Table 9 in each subsection shows projected State revenues associated with both petroleum production and pipeline transportation activities under both current law and HB 353 as a percentage of projected net production and pipeline transportation income for all fields and TAPS. Table 9 is basically the same as Table 8 except TAPS was included on both the income and State petroleum revenue side of the analysis. TAPS gross revenues and non-tax deductions were included in the net income calculation. Petroleum property taxes and separate accounting HB 353 income taxes on TAPS were included in the State revenue calculation.

Graphs 1 through 3 show a comparison of revenues projected under current law and HB 353 for FY 1986 through FY 2005. Graph 1 compares petroleum corporate income taxes, Graph 2 compares petroleum production

taxes and Graph 3 compares the sum of the two taxes.

Section III contains 16 graphs which summarize the results of the sensitivity analysis. They show projected revenues under current law and HB 353 as a function of alternative WHVs for given years and cumulatively from FY 1986 through FY 2005. There are eight subsections numbered corresponding to the fiscal year or years which are shown in the subsection. The subsections are III-86, III-90, III-95, III-00, III-05, III-8605, III-8605PV@5, III-8605PV@10. The last three subsections show cumulative revenues from FY 1986 through FY 2005 on an undiscounted basis, a present value basis discounted at 5 percent and a present value basis discounted at 10 percent respectively. There are two graphs in each subsection. Graph 1 shows petroleum corporate income taxes under current law and HB 353 as a function of WHV for the time period specified in the subsection. Graph 2 shows the sum of petroleum corporate income taxes and petroleum production taxes together under current law and HB 353 as a function of WHV for the time period specified in the subsection.

**SECTION I**

**FEASIBILITY ANALYSIS RESULTS**

**ALASKA OIL AND GAS PRODUCTION VOLUME COMPARISON  
FOR FISCAL YEARS 1986-2005**

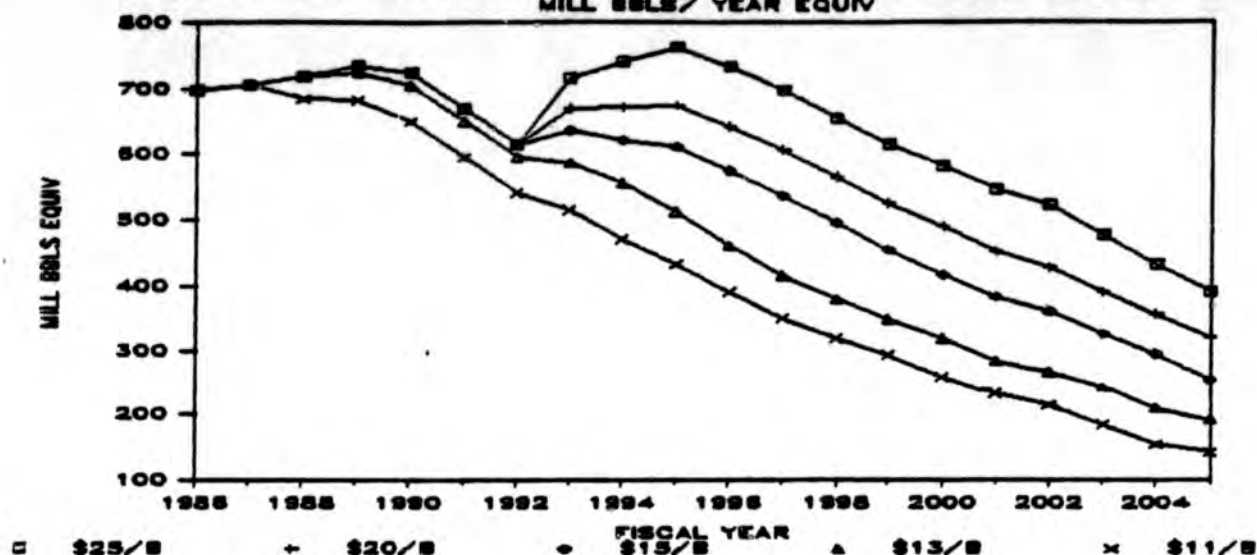
**ASSUMING ALTERNATIVE (1986 \$) WELLHEAD VALUE SCENARIOS**

**SUMMARY TABLE AND GRAPHS**

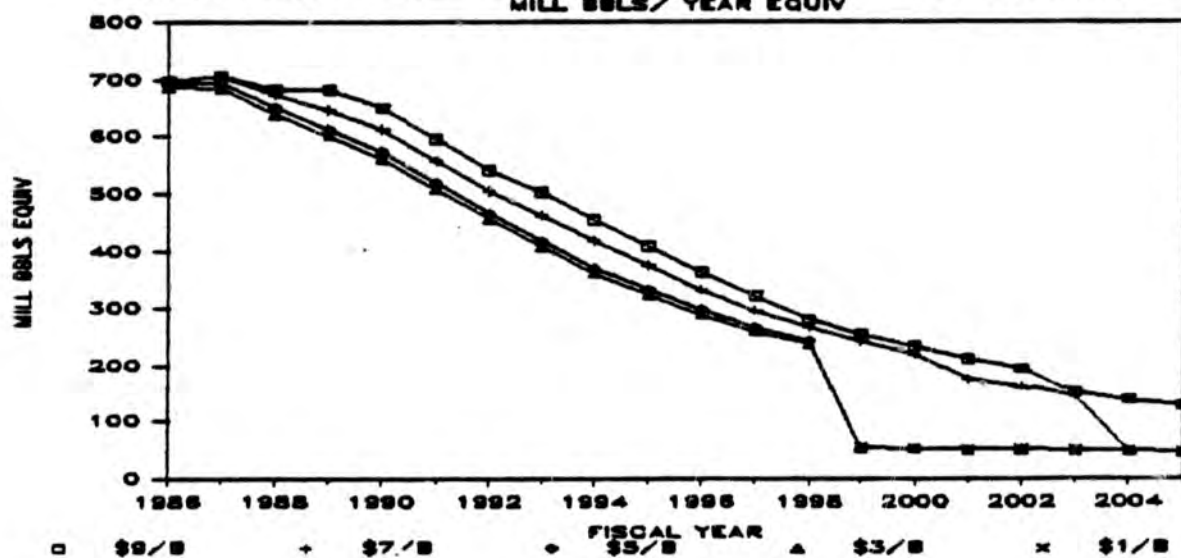
TABLE I-1  
TOTAL AK G&S PRODUCTION  
MMB/Y EQUIV  
VARIOUS 1986 \$/B WHV

|          | \$25/B WHV     | \$20/B WHV     | \$15/B WHV     | \$13/B WHV     | \$11/B WHV     | \$9/B WHV      | \$7/B WHV      | \$5/B WHV      | \$3/B WHV      | \$1/B WHV      |
|----------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| FY       | PRODN<br>MMB/Y | PRODN<br>MMB/Y | PRODN<br>MMB/Y | PRODN<br>MMB/Y | PRODN<br>MMB/Y | PRODN<br>MMB/Y | PRODN<br>MMB/Y | PRODN<br>MMB/Y | PRODN<br>MMB/Y | PRODN<br>MMB/Y |
| 1986     | 696.67         | 696.67         | 696.67         | 696.67         | 696.67         | 696.67         | 696.67         | 693.67         | 687.67         | 687.67         |
| 1987     | 706.00         | 706.00         | 706.00         | 706.00         | 706.00         | 706.00         | 706.00         | 695.00         | 684.00         | 684.00         |
| 1988     | 717.68         | 717.68         | 717.68         | 717.68         | 683.68         | 683.68         | 672.68         | 650.68         | 639.68         | 639.68         |
| 1989     | 734.89         | 734.89         | 734.89         | 723.89         | 682.89         | 682.89         | 645.89         | 612.89         | 601.89         | 601.89         |
| 1990     | 724.34         | 724.34         | 724.34         | 705.34         | 650.34         | 650.34         | 613.34         | 574.34         | 563.34         | 563.34         |
| 1991     | 669.53         | 669.53         | 669.53         | 650.53         | 595.53         | 595.53         | 558.53         | 519.53         | 508.53         | 508.53         |
| 1992     | 615.74         | 615.74         | 615.74         | 596.74         | 541.74         | 541.74         | 504.74         | 465.74         | 457.74         | 457.74         |
| 1993     | 715.98         | 669.98         | 635.98         | 586.98         | 513.98         | 502.98         | 462.98         | 417.98         | 407.98         | 407.98         |
| 1994     | 741.35         | 672.35         | 621.35         | 556.35         | 471.35         | 455.35         | 419.35         | 371.35         | 362.35         | 362.35         |
| 1995     | 767.00         | 675.00         | 612.00         | 512.00         | 433.00         | 410.00         | 376.00         | 334.00         | 325.00         | 325.00         |
| 1996     | 773.48         | 642.48         | 575.48         | 461.48         | 390.48         | 363.48         | 333.48         | 298.48         | 290.48         | 290.48         |
| 1997     | 698.45         | 606.45         | 537.45         | 416.45         | 351.45         | 323.45         | 297.45         | 268.45         | 261.45         | 261.45         |
| 1998     | 655.42         | 564.42         | 495.42         | 379.42         | 320.42         | 281.42         | 268.42         | 243.42         | 238.42         | 238.42         |
| 1999     | 615.82         | 524.82         | 454.82         | 348.82         | 293.82         | 256.82         | 243.82         | 51.82          | 51.82          | 51.82          |
| 2000     | 581.78         | 459.78         | 415.78         | 319.78         | 258.78         | 233.78         | 220.78         | 50.78          | 50.78          | 50.78          |
| 2001     | 545.66         | 450.66         | 383.66         | 284.66         | 231.66         | 212.66         | 175.66         | 48.66          | 48.66          | 48.66          |
| 2002     | 527.15         | 428.15         | 361.15         | 267.15         | 214.15         | 195.15         | 162.15         | 49.15          | 49.15          | 49.15          |
| 2003     | 474.22         | 390.22         | 327.22         | 243.22         | 183.22         | 149.22         | 144.22         | 47.22          | 47.22          | 47.22          |
| 2004     | 472.15         | 357.15         | 296.15         | 209.15         | 153.15         | 137.15         | 46.15          | 46.15          | 46.15          | 46.15          |
| 2005     | 390.55         | 322.55         | 254.55         | 190.55         | 140.55         | 126.55         | 45.55          | 45.55          | 45.55          | 45.55          |
| SUM84-05 | 12737.86       | 11658.86       | 10835.86       | 9572.86        | 8512.86        | 8204.86        | 7593.86        | 6484.86        | 6367.86        | 6367.86        |

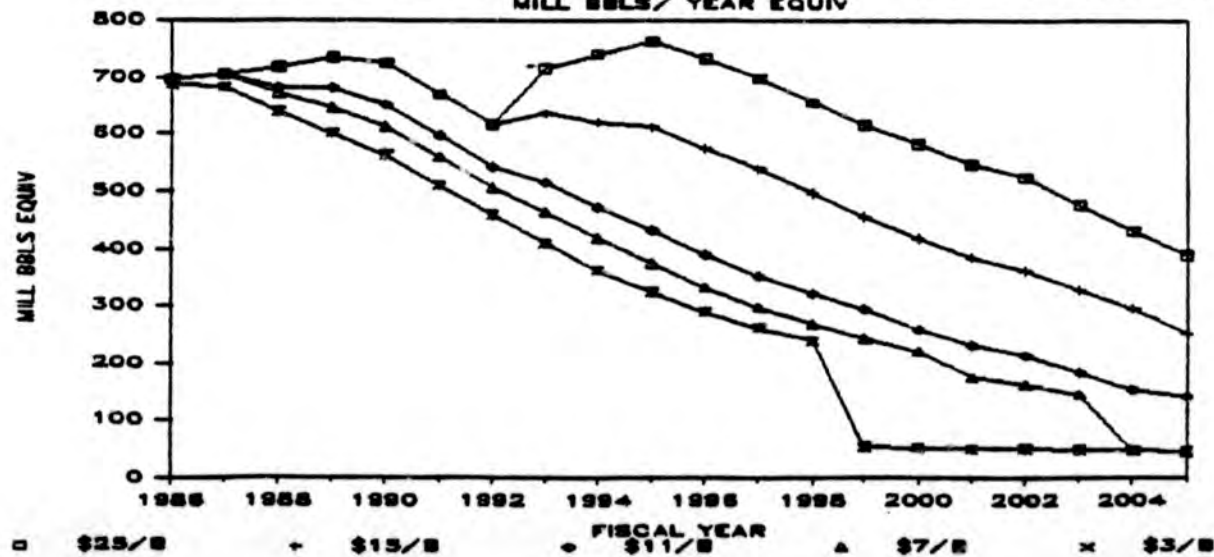
GRAPH I-1  
TOTAL AK OIL & GAS PRODN COMPARISON  
MILL BBLs/ YEAR EQUIV



GRAPH I-2  
TOTAL AK OIL & GAS PRODN COMPARISON  
MILL BBLs/ YEAR EQUIV



GRAPH I-3  
TOTAL AK OIL & GAS PRODN COMPARISON  
MILL BBLs/ YEAR EQUIV



**SECTION II**

**REVENUE PROJECTION COMPARISON RESULTS**

**PETROLEUM CORPORATE INCOME TAX & PETROLEUM PRODUCTION TAX  
HB 353 vs CURRENT LAW  
FOR FISCAL YEARS 1986-2005**

**ASSUMING ALTERNATIVE (1986 \$)WELLHEAD VALUE SCENARIOS**

SECTION II-25

REVENUE PROJECTION COMPARISON

HB 353 vs CURRENT LAW  
FOR FISCAL YEARS 1986-2005

ASSUMING \$25/BARREL (1986 \$) WELLHEAD VALUE

SUMMARY TABLES AND GRAPHS

TABLE 11-25-1

ALL NORTH SLOPE PRODUCING FIELDS-SEPARATE ACCT (M333) INCOME TAX ESTS  
(8-1986 \$) SENSITIVITY ANALYSIS \$25/B MMV

| FISCAL<br>YEAR | PROD VOL<br>MT AVG<br>GROSS<br>WELLHEAD<br>VALUE<br>\$/B | TOTAL<br>GROSS<br>PROBN<br>VOL<br>MMB/Y | TOTAL<br>GROSS<br>REV<br>MMB/Y | ROYALTY<br>SHARE<br>MMB/Y | PROBN<br>& CONS<br>TAX<br>MMB/Y | PTY<br>TAX<br>MMB/Y | OPER<br>COSTS<br>MMB/Y | DEPREC<br>EXPENSE<br>MMB/Y | AMORT<br>EXPENSE<br>MMB/Y | INTEREST &<br>EXPENSE<br>ALLOWED<br>MMB/Y | ADMIN<br>& OVERHD<br>EXPENSE<br>ALLOWED<br>MMB/Y | EXPLOR<br>(UNSUCCS)<br>EXPENSE<br>ALLOWED<br>MMB/Y | TOTAL<br>DEDUCT<br>MMB/Y | TOTAL<br>TAXABLE<br>INCOME<br>MMB/Y | TOTAL<br>TAX<br>LIAB<br>MMB/Y | WINDFALL<br>PROFITS<br>TAX<br>MMB/Y | TOTAL<br>DEDUCT<br>MMB/Y | TOTAL<br>TAXABLE<br>INCOME<br>MMB/Y | TOTAL<br>TAX<br>LIAB<br>MMB/Y | PROBN<br>TAX<br>MMB/Y | PROBN<br>TAX<br>MMB/Y |
|----------------|----------------------------------------------------------|-----------------------------------------|--------------------------------|---------------------------|---------------------------------|---------------------|------------------------|----------------------------|---------------------------|-------------------------------------------|--------------------------------------------------|----------------------------------------------------|--------------------------|-------------------------------------|-------------------------------|-------------------------------------|--------------------------|-------------------------------------|-------------------------------|-----------------------|-----------------------|
|                |                                                          |                                         |                                |                           |                                 |                     |                        |                            |                           |                                           |                                                  |                                                    |                          |                                     |                               |                                     |                          |                                     |                               |                       |                       |
| 1986           | 24.81650                                                 | 651.00                                  | 16155.54                       | 1990.24                   | 1964.41                         | 215.43              | 1137.47                | 853.30                     | 5.85                      | 105.00                                    | 240.00                                           | 400.00                                             | 6919.69                  | 9235.85                             | 848.17                        | 2003.33                             | 8923.04                  | 7232.50                             | 679.85                        | 1963.69               | 1963.69               |
| 1987           | 24.78849                                                 | 661.00                                  | 16385.19                       | 2015.51                   | 1785.25                         | 240.60              | 1157.10                | 1001.66                    | 14.22                     | 105.00                                    | 240.00                                           | 400.00                                             | 6959.34                  | 9425.85                             | 886.03                        | 2010.10                             | 8969.44                  | 7415.75                             | 697.00                        | 1975.48               | 1784.32               |
| 1988           | 24.60535                                                 | 671.00                                  | 16510.19                       | 2038.87                   | 1330.07                         | 269.58              | 1287.09                | 1139.51                    | 35.94                     | 105.00                                    | 240.00                                           | 400.00                                             | 6846.66                  | 9664.13                             | 908.43                        | 1909.77                             | 8755.84                  | 7754.35                             | 728.91                        | 1605.87               | 1329.33               |
| 1989           | 24.44170                                                 | 689.00                                  | 16840.33                       | 2093.50                   | 1303.29                         | 279.92              | 1352.21                | 1313.29                    | 83.36                     | 105.00                                    | 240.00                                           | 400.00                                             | 7170.56                  | 9669.77                             | 908.96                        | 1771.24                             | 8941.00                  | 7898.53                             | 742.46                        | 1558.44               | 1302.54               |
| 1990           | 24.34475                                                 | 676.00                                  | 16457.05                       | 2048.36                   | 1275.55                         | 279.14              | 1356.02                | 1377.21                    | 107.04                    | 105.00                                    | 240.00                                           | 400.00                                             | 7188.32                  | 9268.73                             | 871.26                        | 1617.54                             | 8805.86                  | 7651.19                             | 719.21                        | 1508.07               | 1274.81               |
| 1991           | 24.30961                                                 | 619.00                                  | 15047.65                       | 1875.81                   | 1103.44                         | 271.31              | 1290.25                | 1788.39                    | 106.97                    | 105.00                                    | 240.00                                           | 400.00                                             | 7181.17                  | 7866.48                             | 739.45                        | 1377.50                             | 8558.67                  | 6488.98                             | 609.96                        | 1321.37               | 1102.76               |
| 1992           | 24.27798                                                 | 564.00                                  | 13692.78                       | 1707.35                   | 972.31                          | 432.28              | 1225.23                | 2594.31                    | 105.37                    | 105.00                                    | 240.00                                           | 400.00                                             | 7781.84                  | 5910.94                             | 555.63                        | 807.25                              | 8589.10                  | 5103.68                             | 479.75                        | 1160.87               | 971.69                |
| 1993           | 24.38959                                                 | 664.00                                  | 16194.69                       | 2012.45                   | 1254.43                         | 592.61              | 2305.87                | 3833.41                    | 104.90                    | 105.00                                    | 240.00                                           | 400.00                                             | 10848.67                 | 5346.02                             | 502.53                        | 440.19                              | 11288.86                 | 4905.83                             | 461.15                        | 1524.89               | 1253.70               |
| 1994           | 24.46065                                                 | 691.00                                  | 16902.31                       | 2093.32                   | 1346.97                         | 596.32              | 2232.16                | 4280.58                    | 102.86                    | 105.00                                    | 240.00                                           | 400.00                                             | 11397.22                 | 5505.09                             | 517.48                        | 17.81                               | 11415.03                 | 5487.28                             | 515.80                        | 1648.42               | 1346.21               |
| 1995           | 24.44010                                                 | 713.00                                  | 17425.79                       | 2158.88                   | 1430.78                         | 594.17              | 2258.82                | 4646.11                    | 102.34                    | 105.00                                    | 240.00                                           | 400.00                                             | 11928.10                 | 5497.69                             | 516.78                        | 0.00                                | 11928.10                 | 5497.69                             | 516.78                        | 1751.02               | 1430.00               |
| 1996           | 24.42593                                                 | 683.00                                  | 16682.91                       | 2057.46                   | 1356.08                         | 567.39              | 2139.83                | 4546.18                    | 94.26                     | 105.00                                    | 240.00                                           | 400.00                                             | 11506.20                 | 5176.71                             | 486.61                        | 0.00                                | 11506.20                 | 5176.71                             | 486.61                        | 1659.60               | 1355.34               |
| 1997           | 24.40351                                                 | 647.00                                  | 15789.07                       | 1946.91                   | 1284.80                         | 535.74              | 2014.43                | 4370.59                    | 86.91                     | 105.00                                    | 240.00                                           | 400.00                                             | 10984.39                 | 4801.68                             | 451.64                        | 0.00                                | 10984.39                 | 4801.68                             | 451.64                        | 1572.36               | 1284.09               |
| 1998           | 24.44167                                                 | 603.00                                  | 14738.33                       | 1816.65                   | 1206.68                         | 499.29              | 1881.31                | 4023.96                    | 77.99                     | 105.00                                    | 240.00                                           | 400.00                                             | 10250.88                 | 4487.45                             | 421.82                        | 0.00                                | 10250.88                 | 4487.45                             | 421.82                        | 1476.76               | 1206.02               |
| 1999           | 24.48184                                                 | 564.00                                  | 13807.76                       | 1700.40                   | 1132.42                         | 462.84              | 1767.06                | 3715.87                    | 67.87                     | 105.00                                    | 240.00                                           | 400.00                                             | 9591.47                  | 4216.29                             | 396.33                        | 0.00                                | 9591.47                  | 4216.29                             | 396.33                        | 1385.89               | 1131.81               |
| 2000           | 24.51446                                                 | 531.00                                  | 13017.18                       | 1602.25                   | 1078.29                         | 426.40              | 1672.26                | 3467.53                    | 58.90                     | 105.00                                    | 240.00                                           | 400.00                                             | 9050.63                  | 3966.55                             | 372.86                        | 0.00                                | 9050.63                  | 3966.55                             | 372.86                        | 1319.65               | 1077.71               |
| 2001           | 24.54475                                                 | 497.00                                  | 12198.74                       | 1500.99                   | 1022.47                         | 389.95              | 1592.19                | 3221.49                    | 53.63                     | 105.00                                    | 240.00                                           | 400.00                                             | 8525.72                  | 3673.02                             | 345.26                        | 0.00                                | 8525.72                  | 3673.02                             | 345.26                        | 1251.33               | 1021.92               |
| 2002           | 24.56097                                                 | 474.00                                  | 11641.90                       | 1432.63                   | 991.12                          | 353.50              | 1527.08                | 3054.42                    | 49.27                     | 105.00                                    | 240.00                                           | 400.00                                             | 8153.02                  | 3488.88                             | 327.95                        | 0.00                                | 8153.02                  | 3488.88                             | 327.95                        | 1212.98               | 990.60                |
| 2003           | 24.57510                                                 | 429.00                                  | 10542.72                       | 1296.22                   | 899.42                          | 317.05              | 1470.37                | 2743.85                    | 46.03                     | 105.00                                    | 240.00                                           | 400.00                                             | 7517.95                  | 3024.77                             | 284.33                        | 0.00                                | 7517.95                  | 3024.77                             | 284.33                        | 1100.76               | 898.96                |
| 2004           | 24.60731                                                 | 386.00                                  | 9498.42                        | 1144.64                   | 813.52                          | 280.60              | 1390.77                | 2427.01                    | 39.21                     | 105.00                                    | 240.00                                           | 400.00                                             | 6860.74                  | 2637.68                             | 247.94                        | 0.00                                | 6860.74                  | 2637.68                             | 247.94                        | 995.63                | 813.10                |
| 2005           | 24.61820                                                 | 345.00                                  | 8493.28                        | 1041.02                   | 726.96                          | 245.30              | 1351.04                | 2165.79                    | 34.58                     | 105.00                                    | 240.00                                           | 400.00                                             | 6309.70                  | 2183.58                             | 205.26                        | 0.00                                | 6309.70                  | 2183.58                             | 205.26                        | 889.70                | 726.59                |

TABLE 11-25-2

COOK INLET-SEPARATE ACCT (H0353) INCOME TAX ESTS  
(8-1986 \$) SENSITIVITY ANALYSIS \$25/B MHV

| FISCAL<br>YEAR | OIL<br>GROSS<br>WELLHEAD<br>VALUE<br>\$/B | OIL<br>GROSS<br>PRODN<br>VOL<br>MMB/Y | OIL<br>GROSS<br>REV<br>MM\$/Y | GAS<br>GROSS<br>WELLHEAD<br>VALUE<br>\$/MCF | GAS<br>GROSS<br>PRODN<br>VOL<br>BCF/Y | GAS<br>GROSS<br>REV<br>MM\$/Y | TOTAL<br>GROSS<br>REV<br>MM\$/Y | OIL<br>ROYALTY<br>SHARE<br>MM\$/Y | GAS<br>ROYALTY<br>SHARE<br>MM\$/Y | OIL<br>PRODN<br>& CONS<br>TAX<br>CURRENT<br>MM\$/Y | OIL<br>PRODN<br>& CONS<br>TAX<br>H0353<br>MM\$/Y | GAS<br>PRODN<br>TAX<br>MM\$/Y | PTY<br>TAX<br>MM\$/Y | OPER<br>COSTS<br>MM\$/Y | OTHER<br>DEDUCT<br>MM\$/Y | TOTAL<br>TAXABLE<br>INCOME<br>MM\$/Y | TOTAL<br>TAX<br>LIAB<br>MM\$/Y | WINDFALL<br>PROFITS<br>TAX<br>MM\$/Y | TOTAL<br>TAXABLE<br>INCOME<br>MM\$/Y | TOTAL<br>TAX<br>MM\$/Y |
|----------------|-------------------------------------------|---------------------------------------|-------------------------------|---------------------------------------------|---------------------------------------|-------------------------------|---------------------------------|-----------------------------------|-----------------------------------|----------------------------------------------------|--------------------------------------------------|-------------------------------|----------------------|-------------------------|---------------------------|--------------------------------------|--------------------------------|--------------------------------------|--------------------------------------|------------------------|
| 1986           | 31.00                                     | 18.03                                 | 558.93                        | 0.79                                        | 193.45                                | 152.83                        | 711.76                          | 69.07                             | 19.10                             | 0.61                                               | 0.61                                             | 9.09                          | 11.00                | 225.54                  | 135.74                    | 240.00                               | 22.64                          | 147.14                               | 93.66                                | 8.00                   |
| 1987           | 31.00                                     | 12.67                                 | 392.77                        | 0.93                                        | 226.30                                | 210.46                        | 603.23                          | 49.10                             | 26.31                             | 0.43                                               | 0.39                                             | 12.15                         | 11.68                | 241.65                  | 140.20                    | 121.67                               | 11.44                          | 103.41                               | 18.26                                | 1.72                   |
| 1988           | 31.00                                     | 10.10                                 | 315.50                        | 1.06                                        | 255.50                                | 270.83                        | 586.41                          | 39.45                             | 33.85                             | 0.30                                               | 0.25                                             | 15.17                         | 12.32                | 241.65                  | 142.62                    | 101.10                               | 9.50                           | 83.11                                | 18.00                                | 1.49                   |
| 1989           | 31.00                                     | 8.87                                  | 274.97                        | 1.14                                        | 259.15                                | 295.43                        | 570.40                          | 34.37                             | 36.93                             | 0.23                                               | 0.19                                             | 16.54                         | 11.94                | 241.65                  | 142.62                    | 86.16                                | 8.10                           | 72.42                                | 13.74                                | 1.29                   |
| 1990           | 31.00                                     | 7.15                                  | 221.65                        | 1.32                                        | 288.35                                | 380.62                        | 602.27                          | 27.71                             | 47.58                             | 0.15                                               | 0.13                                             | 21.31                         | 11.55                | 241.65                  | 142.62                    | 109.73                               | 10.31                          | 58.39                                | 31.34                                | 4.83                   |
| 1991           | 31.00                                     | 6.21                                  | 192.51                        | 1.45                                        | 310.25                                | 511.91                        | 704.42                          | 24.06                             | 63.99                             | 0.01                                               | 0.01                                             | 26.88                         | 11.17                | 241.65                  | 142.62                    | 194.05                               | 18.24                          | 48.10                                | 145.95                               | 13.72                  |
| 1992           | 31.00                                     | 5.33                                  | 165.23                        | 1.80                                        | 324.05                                | 584.73                        | 749.96                          | 20.65                             | 73.09                             | 0.01                                               | 0.01                                             | 30.19                         | 10.78                | 241.65                  | 142.62                    | 230.97                               | 21.71                          | 27.22                                | 203.75                               | 19.15                  |
| 1993           | 31.00                                     | 4.53                                  | 140.43                        | 1.93                                        | 332.15                                | 641.05                        | 781.48                          | 17.55                             | 80.13                             | .00                                                | .00                                              | 33.09                         | 10.40                | 241.65                  | 142.62                    | 256.03                               | 24.07                          | 9.81                                 | 246.22                               | 23.14                  |
| 1994           | 31.00                                     | 3.94                                  | 122.14                        | 2.46                                        | 324.85                                | 799.13                        | 921.27                          | 15.27                             | 99.89                             | .00                                                | .00                                              | 42.65                         | 10.01                | 241.65                  | 142.62                    | 369.17                               | 34.70                          | 0.32                                 | 368.85                               | 34.67                  |
| 1995           | 31.00                                     | 3.07                                  | 95.17                         | 3.07                                        | 328.50                                | 1008.50                       | 1103.67                         | 11.90                             | 126.06                            | .00                                                | .00                                              | 54.71                         | 9.63                 | 225.54                  | 142.62                    | 533.20                               | 50.12                          | 0.00                                 | 533.20                               | 50.12                  |
| 1996           | 31.00                                     | 3.03                                  | 93.93                         | 3.07                                        | 332.15                                | 1019.70                       | 1113.63                         | 11.74                             | 127.46                            | .00                                                | .00                                              | 56.21                         | 9.24                 | 209.43                  | 142.62                    | 556.92                               | 52.35                          | 0.00                                 | 556.92                               | 52.35                  |
| 1997           | 31.00                                     | 2.96                                  | 91.76                         | 3.07                                        | 339.45                                | 1042.11                       | 1133.87                         | 11.47                             | 130.26                            | .00                                                | .00                                              | 57.45                         | 8.86                 | 209.43                  | 142.62                    | 573.78                               | 53.94                          | 0.00                                 | 573.78                               | 53.94                  |
| 1998           | 31.00                                     | 2.88                                  | 89.28                         | 3.07                                        | 346.75                                | 1064.52                       | 1153.80                         | 11.14                             | 133.07                            | .00                                                | .00                                              | 59.61                         | 8.47                 | 209.43                  | 142.62                    | 589.44                               | 55.41                          | 0.00                                 | 589.44                               | 55.41                  |
| 1999           | 31.00                                     | 2.81                                  | 87.11                         | 3.07                                        | 343.10                                | 1053.32                       | 1140.43                         | 10.89                             | 131.66                            | .00                                                | .00                                              | 58.99                         | 8.09                 | 209.43                  | 142.62                    | 578.74                               | 54.40                          | 0.00                                 | 578.74                               | 54.40                  |
| 2000           | 31.00                                     | 2.81                                  | 87.11                         | 3.07                                        | 335.80                                | 1030.91                       | 1118.02                         | 10.89                             | 128.86                            | .00                                                | .00                                              | 57.73                         | 7.70                 | 193.32                  | 142.62                    | 576.89                               | 54.23                          | 0.00                                 | 576.89                               | 54.23                  |
| 2001           | 31.00                                     | 2.77                                  | 85.87                         | 3.07                                        | 321.20                                | 986.08                        | 1071.95                         | 10.73                             | 123.26                            | .00                                                | .00                                              | 54.35                         | 7.32                 | 177.21                  | 142.62                    | 556.45                               | 52.31                          | 0.00                                 | 556.45                               | 52.31                  |
| 2002           | 31.00                                     | 2.74                                  | 84.94                         | 3.07                                        | 324.85                                | 997.29                        | 1082.23                         | 10.62                             | 124.66                            | .00                                                | .00                                              | 54.10                         | 6.93                 | 177.21                  | 142.62                    | 566.08                               | 53.21                          | 0.00                                 | 566.08                               | 53.21                  |
| 2003           | 31.00                                     | 1.86                                  | 57.66                         | 3.07                                        | 317.55                                | 974.88                        | 1032.54                         | 7.21                              | 121.86                            | .00                                                | .00                                              | 52.03                         | 6.55                 | 177.21                  | 142.62                    | 525.06                               | 49.36                          | 0.00                                 | 525.06                               | 49.36                  |
| 2004           | 31.00                                     | 1.83                                  | 56.73                         | 3.07                                        | 310.25                                | 952.47                        | 1005.20                         | 7.09                              | 119.06                            | .00                                                | .00                                              | 50.84                         | 6.16                 | 177.21                  | 142.62                    | 506.22                               | 47.58                          | 0.00                                 | 506.22                               | 47.58                  |
| 2005           | 31.00                                     | 1.75                                  | 54.25                         | 3.07                                        | 306.60                                | 941.26                        | 995.51                          | 6.78                              | 117.66                            | .00                                                | .00                                              | 50.24                         | 5.78                 | 177.21                  | 142.62                    | 495.22                               | 46.55                          | 0.00                                 | 495.22                               | 46.55                  |

TABLE 11-25-3  
ALL PRODUCING FIELDS SEPARATE ACCT (NO353) INCOME TAX ESTS  
11-1986 01 SENSITIVITY ANALYSIS 425/8 MHV

| FISCAL<br>YEAR | NS                            |                         | NS                                 |                      | NS             |                         | NS                   |              | NS                            |                | CI                                 |                      | CI           |                | CI                                 |                      | CI           |                 | CI             |                                    | NS+CI                |              | NS+CI           |                | NS+CI                              |                      | NS+CI        |                 |
|----------------|-------------------------------|-------------------------|------------------------------------|----------------------|----------------|-------------------------|----------------------|--------------|-------------------------------|----------------|------------------------------------|----------------------|--------------|----------------|------------------------------------|----------------------|--------------|-----------------|----------------|------------------------------------|----------------------|--------------|-----------------|----------------|------------------------------------|----------------------|--------------|-----------------|
|                | TOTAL<br>GROSS<br>REV<br>MM/Y | TOTAL<br>DEDUCT<br>MM/Y | TOTAL<br>TAXABLE<br>INCOME<br>MM/Y | TOTAL<br>TAX<br>MM/Y | DEDUCT<br>MM/Y | TOTAL<br>INCOME<br>MM/Y | TOTAL<br>TAX<br>MM/Y | LIAB<br>MM/Y | TOTAL<br>GROSS<br>REV<br>MM/Y | DEDUCT<br>MM/Y | TOTAL<br>TAXABLE<br>INCOME<br>MM/Y | TOTAL<br>TAX<br>MM/Y | LIAB<br>MM/Y | DEDUCT<br>MM/Y | TOTAL<br>TAXABLE<br>INCOME<br>MM/Y | TOTAL<br>TAX<br>MM/Y | LIAB<br>MM/Y | COLLECT<br>MM/Y | DEDUCT<br>MM/Y | TOTAL<br>TAXABLE<br>INCOME<br>MM/Y | TOTAL<br>TAX<br>MM/Y | LIAB<br>MM/Y | COLLECT<br>MM/Y | DEDUCT<br>MM/Y | TOTAL<br>TAXABLE<br>INCOME<br>MM/Y | TOTAL<br>TAX<br>MM/Y | LIAB<br>MM/Y | COLLECT<br>MM/Y |
| 1986           | 16155.54                      | 6919.69                 | 9235.85                            | 868.17               | 8923.04        | 7232.50                 | 679.85               | 711.76       | 470.95                        | 240.80         | 22.64                              | 618.09               | 93.66        | 8.80           | 890.80                             | 723.50               | 688.66       | 571.89          |                |                                    |                      |              |                 |                |                                    |                      |              |                 |
| 1987           | 16385.19                      | 6959.34                 | 9425.85                            | 886.03               | 8969.44        | 7415.75                 | 697.08               | 683.23       | 481.56                        | 121.67         | 11.44                              | 584.97               | 18.26        | 1.72           | 897.47                             | 895.80               | 698.80       | 696.26          |                |                                    |                      |              |                 |                |                                    |                      |              |                 |
| 1988           | 16510.19                      | 6846.06                 | 9664.13                            | 908.43               | 8755.84        | 7754.35                 | 728.91               | 586.41       | 485.31                        | 101.10         | 9.50                               | 548.41               | 18.00        | 1.69           | 917.93                             | 912.82               | 730.60       | 722.65          |                |                                    |                      |              |                 |                |                                    |                      |              |                 |
| 1989           | 16810.33                      | 7170.56                 | 9669.77                            | 908.96               | 8941.80        | 7898.53                 | 742.46               | 578.40       | 484.24                        | 86.16          | 8.10                               | 556.66               | 13.74        | 1.29           | 917.06                             | 917.28               | 743.75       | 740.46          |                |                                    |                      |              |                 |                |                                    |                      |              |                 |
| 1990           | 16457.05                      | 7188.32                 | 9268.73                            | 871.26               | 8805.86        | 7651.19                 | 719.21               | 602.27       | 492.55                        | 109.73         | 10.31                              | 550.93               | 51.34        | 4.83           | 881.58                             | 890.45               | 724.04       | 728.97          |                |                                    |                      |              |                 |                |                                    |                      |              |                 |
| 1991           | 15047.65                      | 7181.17                 | 7866.48                            | 739.45               | 8558.67        | 6488.98                 | 609.96               | 704.42       | 516.38                        | 194.05         | 18.24                              | 558.48               | 145.95       | 13.72          | 757.69                             | 788.66               | 623.68       | 648.77          |                |                                    |                      |              |                 |                |                                    |                      |              |                 |
| 1992           | 13692.78                      | 7781.84                 | 5910.94                            | 555.63               | 8589.10        | 5103.68                 | 479.75               | 749.96       | 518.99                        | 230.97         | 21.71                              | 546.21               | 203.75       | 19.15          | 577.34                             | 622.43               | 498.90       | 530.89          |                |                                    |                      |              |                 |                |                                    |                      |              |                 |
| 1993           | 16194.69                      | 10849.67                | 5346.02                            | 502.53               | 11288.86       | 4905.83                 | 461.15               | 781.48       | 525.45                        | 256.03         | 24.07                              | 535.26               | 246.22       | 23.14          | 526.59                             | 539.28               | 484.29       | 487.94          |                |                                    |                      |              |                 |                |                                    |                      |              |                 |
| 1994           | 16902.31                      | 11397.22                | 5505.09                            | 517.46               | 11415.03       | 5487.28                 | 515.80               | 921.27       | 552.10                        | 369.17         | 34.70                              | 552.42               | 368.85       | 34.67          | 552.18                             | 545.78               | 550.48       | 533.93          |                |                                    |                      |              |                 |                |                                    |                      |              |                 |
| 1995           | 17425.79                      | 11928.10                | 5497.69                            | 516.78               | 11928.10       | 5497.69                 | 516.78               | 1103.67      | 570.46                        | 533.20         | 50.12                              | 570.46               | 533.20       | 50.12          | 566.90                             | 563.22               | 566.90       | 562.80          |                |                                    |                      |              |                 |                |                                    |                      |              |                 |
| 1996           | 16191.91                      | 11506.20                | 5176.71                            | 486.61               | 11506.20       | 5176.71                 | 486.61               | 1113.63      | 556.71                        | 556.92         | 52.35                              | 556.71               | 556.92       | 52.35          | 538.96                             | 545.95               | 538.96       | 545.95          |                |                                    |                      |              |                 |                |                                    |                      |              |                 |
| 1997           | 15789.07                      | 10984.39                | 4804.68                            | 451.64               | 10984.39       | 4804.68                 | 451.64               | 1133.87      | 560.09                        | 573.78         | 53.94                              | 560.09               | 573.78       | 53.94          | 505.58                             | 513.92               | 505.58       | 513.92          |                |                                    |                      |              |                 |                |                                    |                      |              |                 |
| 1998           | 14738.33                      | 10250.88                | 4487.45                            | 421.82               | 10250.88       | 4487.45                 | 421.82               | 1153.80      | 564.36                        | 589.44         | 55.41                              | 564.36               | 589.44       | 55.41          | 477.23                             | 484.31               | 477.23       | 484.31          |                |                                    |                      |              |                 |                |                                    |                      |              |                 |
| 1999           | 13807.76                      | 9591.47                 | 4216.29                            | 396.33               | 9591.47        | 4216.29                 | 396.33               | 1140.43      | 561.68                        | 578.74         | 54.40                              | 561.68               | 578.74       | 54.40          | 450.73                             | 457.36               | 450.73       | 457.36          |                |                                    |                      |              |                 |                |                                    |                      |              |                 |
| 2000           | 13017.18                      | 9050.63                 | 3966.55                            | 372.86               | 9050.63        | 3966.55                 | 372.86               | 1118.02      | 541.13                        | 576.89         | 54.23                              | 541.13               | 576.89       | 54.23          | 427.08                             | 433.00               | 427.08       | 433.00          |                |                                    |                      |              |                 |                |                                    |                      |              |                 |
| 2001           | 12198.74                      | 8525.72                 | 3673.02                            | 345.26               | 8525.72        | 3673.02                 | 345.26               | 1071.95      | 515.51                        | 556.45         | 52.31                              | 515.51               | 556.45       | 52.31          | 397.57                             | 404.95               | 397.57       | 404.95          |                |                                    |                      |              |                 |                |                                    |                      |              |                 |
| 2002           | 11441.90                      | 8153.02                 | 3488.88                            | 327.95               | 8153.02        | 3488.88                 | 327.95               | 1082.23      | 516.14                        | 566.08         | 53.21                              | 516.14               | 566.08       | 53.21          | 381.17                             | 385.27               | 381.17       | 385.27          |                |                                    |                      |              |                 |                |                                    |                      |              |                 |
| 2003           | 10542.72                      | 7517.95                 | 3024.77                            | 284.33               | 7517.95        | 3024.77                 | 284.33               | 1032.54      | 507.48                        | 525.06         | 49.36                              | 507.48               | 525.06       | 49.36          | 333.68                             | 345.55               | 333.68       | 345.55          |                |                                    |                      |              |                 |                |                                    |                      |              |                 |
| 2004           | 9498.42                       | 6860.74                 | 2637.68                            | 247.94               | 6860.74        | 2637.68                 | 247.94               | 1009.20      | 502.98                        | 506.22         | 47.58                              | 502.98               | 506.22       | 47.58          | 295.53                             | 305.07               | 295.53       | 305.07          |                |                                    |                      |              |                 |                |                                    |                      |              |                 |
| 2005           | 8493.28                       | 6309.70                 | 2183.58                            | 205.26               | 6309.70        | 2183.58                 | 205.26               | 995.51       | 500.29                        | 495.22         | 46.55                              | 500.29               | 495.22       | 46.55          | 251.81                             | 262.74               | 251.81       | 262.74          |                |                                    |                      |              |                 |                |                                    |                      |              |                 |

TABLE 11-25-4  
TAFS-SEPARATE ACCT (HB353) INCOME TAX ESTS  
(1-1986 0) SENSITIVITY ANALYSIS 025/B MNV

| FISCAL<br>YEAR | TARIFF<br>\$/B | PIPELINE<br>THRUPT<br>MMB/Y | TOTAL<br>GROSS<br>REV<br>MMB/Y | OPER<br>COSTS<br>MMB/Y | AMORT &<br>DEPREC<br>EXPENSE<br>MMB/Y | UNCAP<br>INT<br>EXPENSE<br>MMB/Y | PTY<br>TAX<br>MMB/Y | TOTAL<br>DEDUCT<br>MMB/Y | TOTAL<br>TAXABLE<br>INCOME<br>MMB/Y | TOTAL<br>TAX<br>LIAB<br>MMB/Y |
|----------------|----------------|-----------------------------|--------------------------------|------------------------|---------------------------------------|----------------------------------|---------------------|--------------------------|-------------------------------------|-------------------------------|
| 1986           | 4.78           | 651.00                      | 3110.10                        | 259.76                 | 268.65                                | 409.86                           | 207.19              | 1145.47                  | 1964.63                             | 184.68                        |
| 1987           | 4.53           | 661.00                      | 2996.05                        | 262.11                 | 268.65                                | 381.77                           | 182.35              | 1094.88                  | 1901.17                             | 178.71                        |
| 1988           | 3.95           | 671.00                      | 2651.43                        | 264.46                 | 268.65                                | 351.68                           | 156.79              | 1041.57                  | 1609.86                             | 151.33                        |
| 1989           | 3.31           | 689.00                      | 2277.87                        | 268.68                 | 268.65                                | 327.01                           | 134.00              | 998.34                   | 1279.53                             | 120.28                        |
| 1990           | 3.07           | 676.00                      | 2076.08                        | 265.63                 | 268.65                                | 302.34                           | 114.81              | 951.42                   | 1124.65                             | 105.72                        |
| 1991           | 2.91           | 619.00                      | 1800.96                        | 252.26                 | 268.65                                | 277.65                           | 97.71               | 896.26                   | 904.70                              | 85.04                         |
| 1992           | 2.73           | 564.00                      | 1540.87                        | 239.35                 | 268.65                                | 252.44                           | 83.24               | 843.69                   | 697.18                              | 65.54                         |
| 1993           | 2.20           | 664.00                      | 1458.36                        | 262.81                 | 268.65                                | 226.53                           | 71.40               | 829.40                   | 628.97                              | 59.12                         |
| 1994           | 1.95           | 691.00                      | 1346.31                        | 269.15                 | 268.65                                | 204.01                           | 60.86               | 802.67                   | 543.64                              | 51.10                         |
| 1995           | 1.77           | 713.00                      | 1262.72                        | 274.31                 | 268.65                                | 186.27                           | 51.55               | 780.78                   | 481.94                              | 45.30                         |
| 1996           | 1.64           | 683.00                      | 1118.84                        | 267.27                 | 268.65                                | 169.75                           | 43.07               | 748.74                   | 370.10                              | 34.79                         |
| 1997           | 1.50           | 647.00                      | 971.85                         | 258.83                 | 268.65                                | 153.12                           | 36.00               | 716.59                   | 255.26                              | 23.99                         |
| 1998           | 1.38           | 603.00                      | 834.96                         | 248.50                 | 268.65                                | 136.22                           | 30.45               | 683.83                   | 151.13                              | 14.21                         |
| 1999           | 1.39           | 564.00                      | 785.46                         | 239.35                 | 268.65                                | 120.90                           | 26.32               | 655.23                   | 130.23                              | 12.24                         |
| 2000           | 1.41           | 531.00                      | 747.76                         | 231.61                 | 268.65                                | 105.89                           | 22.32               | 628.47                   | 119.29                              | 11.21                         |
| 2001           | 1.38           | 497.00                      | 688.18                         | 206.99                 | 268.65                                | 91.99                            | 18.33               | 585.95                   | 102.23                              | 9.61                          |
| 2002           | 1.39           | 474.00                      | 657.05                         | 202.36                 | 268.65                                | 82.51                            | 14.41               | 567.93                   | 89.11                               | 8.38                          |
| 2003           | 1.40           | 429.00                      | 600.97                         | 193.31                 | 268.65                                | 76.23                            | 10.50               | 548.69                   | 52.27                               | 4.91                          |
| 2004           | 1.42           | 386.00                      | 549.64                         | 184.66                 | 268.65                                | 70.44                            | 6.82                | 530.57                   | 19.07                               | 1.79                          |
| 2005           | 1.45           | 345.00                      | 501.35                         | 176.42                 | 268.65                                | 63.48                            | 3.32                | 511.87                   | -10.53                              | -0.99                         |

TABLE 11-25-5  
 PRODUCTION, PIPELINE & EXPLORATION-SEPARATE ACCT (H0353) INCOME TAX ESTS  
 (8-1986 8)

| SENSITIVITY ANALYSIS #25/B HHV |         |         |          |         |         |         |        |       |        | TOTAL   |         |        |        |        | TOTAL  |        |        |      |  |
|--------------------------------|---------|---------|----------|---------|---------|---------|--------|-------|--------|---------|---------|--------|--------|--------|--------|--------|--------|------|--|
| FISCAL<br>YEAR                 | NS      |         | NS+TAPS  |         | NS+TAPS |         | CI     |       | NS     |         | TOTAL   |        | TOTAL  |        | TOTAL  |        | TOTAL  |      |  |
|                                | TOTAL   | TAX     | TOTAL    | TAX     | TOTAL   | TAX     | TOTAL  | TAX   | TOTAL  | TAX     | TOTAL   | TAX    | TOTAL  | TAX    | TOTAL  | TAX    | TOTAL  | TAX  |  |
|                                | INCOME  | LESS    | INCOME   | LESS    | INCOME  | LESS    | INCOME | LESS  | INCOME | LESS    | INCOME  | LESS   | INCOME | LESS   | INCOME | LESS   | INCOME | LESS |  |
|                                | HH/Y    | HH/Y    | HH/Y     | HH/Y    | HH/Y    | HH/Y    | HH/Y   | HH/Y  | HH/Y   | HH/Y    | HH/Y    | HH/Y   | HH/Y   | HH/Y   | HH/Y   | HH/Y   | HH/Y   | HH/Y |  |
| 1986                           | 9235.85 | 1964.63 | 1020.43  | 1052.04 | 7232.50 | 9197.13 | 864.53 | 22.64 | 8.80   | 1075.48 | 1075.48 | 249.64 | 612.36 | 873.33 | 710.39 | 249.64 | 460.76 |      |  |
| 1987                           | 9425.85 | 1901.17 | 1011.03  | 1064.74 | 7415.75 | 9316.93 | 875.79 | 11.44 | 1.72   | 1076.18 | 1076.00 | 267.86 | 808.14 | 877.51 | 876.46 | 267.86 | 608.60 |      |  |
| 1988                           | 9664.13 | 1609.86 | 11273.99 | 1059.75 | 7754.35 | 9364.21 | 880.24 | 9.50  | 1.69   | 1069.26 | 1070.99 | 267.78 | 803.21 | 881.93 | 880.82 | 267.78 | 613.05 |      |  |
| 1989                           | 9669.77 | 1279.53 | 10949.30 | 1029.23 | 7898.53 | 9178.06 | 862.74 | 8.10  | 1.29   | 1037.33 | 1045.31 | 268.61 | 776.70 | 864.03 | 868.50 | 268.61 | 599.89 |      |  |
| 1990                           | 9268.73 | 1124.65 | 10393.39 | 976.98  | 7651.19 | 8775.84 | 824.93 | 10.31 | 4.83   | 987.29  | 999.80  | 266.63 | 733.17 | 829.76 | 838.32 | 266.63 | 571.69 |      |  |
| 1991                           | 7866.48 | 904.70  | 8771.18  | 824.49  | 6488.98 | 7393.68 | 695.01 | 18.24 | 13.72  | 842.73  | 878.87  | 256.68 | 622.20 | 708.72 | 738.98 | 256.68 | 482.31 |      |  |
| 1992                           | 5910.94 | 697.18  | 6608.12  | 621.16  | 5103.68 | 5800.86 | 545.28 | 21.71 | 19.15  | 642.87  | 692.84  | 245.12 | 447.72 | 564.43 | 600.51 | 245.12 | 355.38 |      |  |
| 1993                           | 5346.02 | 628.97  | 5974.98  | 561.65  | 4905.83 | 5534.79 | 520.27 | 24.07 | 23.14  | 585.71  | 600.00  | 256.76 | 343.24 | 543.41 | 548.67 | 256.76 | 291.91 |      |  |
| 1994                           | 5505.09 | 543.64  | 6048.73  | 568.58  | 5487.28 | 6030.92 | 566.91 | 34.70 | 34.67  | 603.28  | 598.89  | 276.17 | 322.72 | 601.58 | 587.04 | 276.17 | 310.87 |      |  |
| 1995                           | 5497.69 | 481.94  | 5979.63  | 562.09  | 5497.69 | 5979.63 | 562.09 | 50.12 | 50.12  | 612.21  | 609.98  | 282.01 | 327.97 | 612.21 | 609.55 | 282.01 | 327.54 |      |  |
| 1996                           | 5176.71 | 370.10  | 5546.81  | 521.40  | 5176.71 | 5546.81 | 521.40 | 52.35 | 52.35  | 575.75  | 583.36  | 278.35 | 305.02 | 573.75 | 583.36 | 278.35 | 305.02 |      |  |
| 1997                           | 4804.68 | 255.26  | 5059.94  | 475.63  | 4804.68 | 5059.94 | 475.63 | 53.94 | 53.94  | 529.57  | 540.62  | 267.81 | 272.81 | 529.57 | 540.62 | 267.81 | 272.81 |      |  |
| 1998                           | 4487.45 | 151.13  | 4638.58  | 436.03  | 4487.45 | 4638.58 | 436.03 | 55.41 | 55.41  | 491.43  | 500.97  | 255.69 | 245.28 | 491.43 | 500.97 | 255.69 | 245.28 |      |  |
| 1999                           | 4216.29 | 130.23  | 4346.52  | 408.57  | 4216.29 | 4346.52 | 408.57 | 54.40 | 54.40  | 462.98  | 470.09  | 243.09 | 227.00 | 462.98 | 470.09 | 243.09 | 227.00 |      |  |
| 2000                           | 3966.55 | 119.29  | 4085.84  | 384.07  | 3966.55 | 4085.84 | 384.07 | 54.23 | 54.23  | 438.30  | 444.47  | 231.62 | 212.85 | 438.30 | 444.47 | 231.62 | 212.85 |      |  |
| 2001                           | 3673.02 | 102.23  | 3775.25  | 354.87  | 3673.02 | 3775.25 | 354.87 | 52.31 | 52.31  | 407.18  | 414.96  | 220.55 | 194.41 | 407.18 | 414.96 | 220.55 | 194.41 |      |  |
| 2002                           | 3488.88 | 89.11   | 3578.00  | 336.33  | 3488.88 | 3578.00 | 336.33 | 53.21 | 53.21  | 389.54  | 393.95  | 211.03 | 182.93 | 389.54 | 393.95 | 211.03 | 182.93 |      |  |
| 2003                           | 3024.77 | 52.27   | 3077.05  | 289.24  | 3024.77 | 3077.05 | 289.24 | 49.36 | 49.36  | 338.60  | 351.33  | 199.97 | 151.37 | 338.60 | 351.33 | 199.97 | 151.37 |      |  |
| 2004                           | 2637.68 | 19.07   | 2656.75  | 249.73  | 2637.68 | 2656.75 | 249.73 | 47.58 | 47.58  | 297.32  | 307.64  | 186.24 | 121.40 | 297.32 | 307.64 | 186.24 | 121.40 |      |  |
| 2005                           | 2183.58 | -10.53  | 2173.06  | 204.27  | 2183.58 | 2173.06 | 204.27 | 46.55 | 46.55  | 250.82  | 262.44  | 173.07 | 89.38  | 250.82 | 262.44 | 173.07 | 89.38  |      |  |

TABLE 11-25-6  
CURRENT LAW-MODIFIED APPORTIONMENT (AS4320) INCOME TAX ESTS  
(8-1986)

SENSITIVITY ANALYSIS #25/B WHV

| FISCAL YEAR    |                                                      |                                                         |                               |                                  | CALENDAR YEAR    |                             |                                 |                           |                                    | FISCAL YEAR    |                                       |
|----------------|------------------------------------------------------|---------------------------------------------------------|-------------------------------|----------------------------------|------------------|-----------------------------|---------------------------------|---------------------------|------------------------------------|----------------|---------------------------------------|
|                |                                                      |                                                         |                               |                                  | TOP 3 COMPANIES  |                             |                                 |                           |                                    |                |                                       |
| FISCAL<br>YEAR | TOTAL<br>AK<br>OIL<br>& GAS<br>PROD<br>MM/Y<br>EQUIV | CHG<br>TOTAL<br>AK<br>OIL<br>& GAS<br>PROD<br>MM/Y<br>% | APPNT<br>FAC<br>CHG<br>FACTOR | NET<br>PROFIT<br>APPNT<br>FACTOR | CALENDAR<br>YEAR | WH<br>NET<br>PROFIT<br>MM/Y | AK<br>TAXABLE<br>INCOME<br>MM/Y | AK<br>TAX<br>LIAB<br>MM/Y | TOTAL<br>AK<br>TAX<br>LIAB<br>MM/Y | FISCAL<br>YEAR | TOTAL<br>AK<br>TAX<br>COLLECT<br>MM/Y |
|                |                                                      |                                                         |                               |                                  |                  |                             |                                 |                           |                                    |                |                                       |
| 1986           | 696.67                                               | 0.0000                                                  | 0.0000                        | 0.2787                           | 1986             | 9206.98                     | 2565.98                         | 241.20                    | 268.00                             | 1986           | 249.64                                |
| 1987           | 706.00                                               | 1.3396                                                  | 1.0087                        | 0.2783                           | 1987             | 9206.98                     | 2562.44                         | 240.87                    | 267.63                             | 1987           | 267.86                                |
| 1988           | 717.68                                               | 1.6546                                                  | 1.0108                        | 0.2785                           | 1988             | 9206.98                     | 2564.10                         | 241.03                    | 267.81                             | 1988           | 267.78                                |
| 1989           | 734.89                                               | 2.3982                                                  | 1.0156                        | 0.2800                           | 1989             | 9206.98                     | 2578.03                         | 242.34                    | 269.26                             | 1989           | 268.61                                |
| 1990           | 724.34                                               | -1.4354                                                 | 0.9907                        | 0.2746                           | 1990             | 9206.98                     | 2528.44                         | 237.67                    | 264.00                             | 1990           | 266.63                                |
| 1991           | 669.53                                               | -7.5671                                                 | 0.9508                        | 0.2585                           | 1991             | 9247.86                     | 2390.60                         | 224.72                    | 249.69                             | 1991           | 256.68                                |
| 1992           | 615.74                                               | -8.0346                                                 | 0.9478                        | 0.2426                           | 1992             | 9504.54                     | 2305.36                         | 216.70                    | 240.78                             | 1992           | 245.12                                |
| 1993           | 715.98                                               | 16.2801                                                 | 1.1058                        | 0.2655                           | 1993             | 9790.75                     | 2599.82                         | 244.38                    | 271.54                             | 1993           | 256.76                                |
| 1994           | 741.35                                               | 3.5430                                                  | 1.0230                        | 0.2689                           | 1994             | 9981.56                     | 2684.41                         | 252.33                    | 280.37                             | 1994           | 276.17                                |
| 1995           | 763.00                                               | 2.9206                                                  | 1.0190                        | 0.2713                           | 1995             | 10002.00                    | 2713.56                         | 255.07                    | 283.42                             | 1995           | 282.01                                |
| 1996           | 733.48                                               | -3.8688                                                 | 0.9749                        | 0.2618                           | 1996             | 10002.00                    | 2618.87                         | 246.17                    | 273.53                             | 1996           | 278.35                                |
| 1997           | 698.45                                               | -4.7755                                                 | 0.9690                        | 0.2512                           | 1997             | 10002.00                    | 2512.20                         | 236.15                    | 262.39                             | 1997           | 267.81                                |
| 1998           | 655.42                                               | -6.1618                                                 | 0.9599                        | 0.2387                           | 1998             | 10002.00                    | 2387.47                         | 224.42                    | 249.36                             | 1998           | 255.69                                |
| 1999           | 615.82                                               | -6.0407                                                 | 0.9607                        | 0.2270                           | 1999             | 10002.00                    | 2270.79                         | 213.45                    | 237.17                             | 1999           | 243.09                                |
| 2000           | 581.78                                               | -5.5280                                                 | 0.9641                        | 0.2167                           | 2000             | 10002.00                    | 2167.30                         | 203.73                    | 226.36                             | 2000           | 231.62                                |
| 2001           | 545.64                                               | -6.2095                                                 | 0.9596                        | 0.2059                           | 2001             | 10002.00                    | 2059.63                         | 193.55                    | 215.05                             | 2001           | 220.55                                |
| 2002           | 523.15                                               | -4.1251                                                 | 0.9732                        | 0.1983                           | 2002             | 10002.00                    | 1983.78                         | 186.48                    | 207.20                             | 2002           | 211.03                                |
| 2003           | 476.22                                               | -8.9693                                                 | 0.9417                        | 0.1849                           | 2003             | 10002.00                    | 1849.44                         | 173.85                    | 193.16                             | 2003           | 199.97                                |
| 2004           | 432.15                                               | -9.2546                                                 | 0.9398                        | 0.1720                           | 2004             | 10002.00                    | 1720.81                         | 161.76                    | 179.73                             | 2004           | 186.24                                |
| 2005           | 390.55                                               | -9.6266                                                 | 0.9374                        | 0.1597                           | 2005             | 10002.00                    | 1597.00                         | 150.12                    | 166.80                             | 2005           | 173.07                                |

TABLE II-25-7  
REVENUE COMPARISON  
CURRENT LAW

INCOME TAX-MODIFIED APPORTIONMENT (AS4320)  
PRODUCTION TAX-15% MAX NOMINAL RATE (AS4355)

PROPOSED LAW (HB353)

INCOME TAX-SEPARATE ACCOUNTING  
PRODUCTION TAX-12.25% MAX NOMINAL RATE  
BEGINNING IN CY 1987

| FISCAL<br>YEAR | INCOME TAX COLLECTIONS |               |                                          | PRODUCTION TAX LIABILITY |               |                                          | INCOME TAX COLLECTIONS +<br>PRODUCTION TAX LIABILITY |               |                                          |
|----------------|------------------------|---------------|------------------------------------------|--------------------------|---------------|------------------------------------------|------------------------------------------------------|---------------|------------------------------------------|
|                | CURRENT<br>LAW<br>MM/Y | HB353<br>MM/Y | DIFF<br>HB353<br>LESS<br>CURRENT<br>MM/Y | CURRENT<br>LAW<br>MM/Y   | HB353<br>MM/Y | DIFF<br>HB353<br>LESS<br>CURRENT<br>MM/Y | CURRENT<br>LAW<br>MM/Y                               | HB353<br>MM/Y | DIFF<br>HB353<br>LESS<br>CURRENT<br>MM/Y |
| 1986           | 249.64                 | 862.00        | 612.36                                   | 1973.38                  | 1973.38       | 0.00                                     | 2223.02                                              | 2835.38       | 612.36                                   |
| 1987           | 267.86                 | 1076.00       | 808.14                                   | 1988.05                  | 1797.06       | -190.99                                  | 2255.91                                              | 2873.06       | 617.15                                   |
| 1988           | 267.78                 | 1070.99       | 803.21                                   | 1621.33                  | 1344.74       | -276.59                                  | 1889.11                                              | 2415.72       | 526.62                                   |
| 1989           | 268.61                 | 1045.31       | 776.70                                   | 1575.20                  | 1319.26       | -255.95                                  | 1843.82                                              | 2364.57       | 520.75                                   |
| 1990           | 266.63                 | 999.80        | 733.17                                   | 1529.53                  | 1296.24       | -233.29                                  | 1796.16                                              | 2296.05       | 499.88                                   |
| 1991           | 256.68                 | 878.87        | 622.20                                   | 1348.25                  | 1129.64       | -218.61                                  | 1604.93                                              | 2008.51       | 403.59                                   |
| 1992           | 245.12                 | 692.84        | 447.72                                   | 1191.06                  | 1061.88       | -129.19                                  | 1436.18                                              | 1694.71       | 258.53                                   |
| 1993           | 256.76                 | 600.00        | 343.24                                   | 1557.98                  | 1285.80       | -271.18                                  | 1814.75                                              | 1886.80       | 72.06                                    |
| 1994           | 276.17                 | 598.89        | 322.72                                   | 1691.08                  | 1388.87       | -302.21                                  | 1967.25                                              | 1987.76       | 20.51                                    |
| 1995           | 282.01                 | 609.98        | 327.97                                   | 1805.73                  | 1484.71       | -321.02                                  | 2087.74                                              | 2094.69       | 6.95                                     |
| 1996           | 278.35                 | 583.36        | 305.02                                   | 1715.81                  | 1411.55       | -304.26                                  | 1994.16                                              | 1994.91       | 0.76                                     |
| 1997           | 267.81                 | 540.62        | 272.81                                   | 1629.80                  | 1341.54       | -288.27                                  | 1897.61                                              | 1882.15       | -15.46                                   |
| 1998           | 255.69                 | 500.97        | 245.28                                   | 1536.37                  | 1265.63       | -270.74                                  | 1792.06                                              | 1766.60       | -25.46                                   |
| 1999           | 243.09                 | 470.09        | 227.00                                   | 1444.87                  | 1190.79       | -254.08                                  | 1687.97                                              | 1660.88       | -27.08                                   |
| 2000           | 231.62                 | 444.47        | 212.85                                   | 1377.38                  | 1135.44       | -241.94                                  | 1609.00                                              | 1579.91       | -29.09                                   |
| 2001           | 220.55                 | 414.96        | 194.41                                   | 1305.69                  | 1076.28       | -229.41                                  | 1526.24                                              | 1491.24       | -35.00                                   |
| 2002           | 211.03                 | 393.95        | 182.93                                   | 1267.08                  | 1044.70       | -222.38                                  | 1478.10                                              | 1438.65       | -39.45                                   |
| 2003           | 199.97                 | 351.33        | 151.37                                   | 1152.80                  | 950.99        | -201.81                                  | 1352.76                                              | 1302.32       | -50.44                                   |
| 2004           | 186.24                 | 307.64        | 121.40                                   | 1046.47                  | 863.93        | -182.53                                  | 1232.71                                              | 1171.57       | -61.14                                   |
| 2005           | 173.07                 | 262.44        | 89.38                                    | 939.94                   | 776.83        | -163.11                                  | 1113.00                                              | 1039.27       | -73.73                                   |
| SUM86-05       | 4904.67                | 12704.52      | 7799.86                                  | 29697.80                 | 25080.25      | -4617.55                                 | 34602.47                                             | 37784.78      | 3182.31                                  |

TABLE 11.25.8  
PERCENTAGE SHARE COMPARISON  
CALCULATION OF STATE PETROLEUM PRODUCTION REVENUES  
AS A PERCENTAGE OF  
PETROLEUM PRODUCTION NET INCOME  
10-158681 SENSITIVITY ANALYSIS #25/D MMV

| FISCAL<br>YEAR | TOTAL<br>PETRO<br>PRODN<br>GROSS<br>INCOME<br>MM\$/Y | TOTAL<br>PETRO<br>PRODN<br>NON TAX<br>DEDUCTS<br>MM\$/Y | TOTAL<br>PETRO<br>PRODN<br>NET<br>INCOME<br>MM\$/Y | CURRENT<br>LAW<br>STATE<br>PETRO<br>PRODN<br>REVENUE<br>MM\$/Y | REVENUE<br>VS<br>NET<br>INCOME<br>% | H0353<br>STATE<br>PETRO<br>PRODN<br>REVENUE<br>MM\$/Y | REVENUE<br>VS<br>NET<br>INCOME<br>% |
|----------------|------------------------------------------------------|---------------------------------------------------------|----------------------------------------------------|----------------------------------------------------------------|-------------------------------------|-------------------------------------------------------|-------------------------------------|
| 1986           | 16867.30                                             | 3102.89                                                 | 13764.40                                           | 4537.39                                                        | 32.96                               | 5011.25                                               | 36.41                               |
| 1987           | 16988.42                                             | 3299.91                                                 | 13688.51                                           | 4599.85                                                        | 33.60                               | 5036.79                                               | 36.80                               |
| 1988           | 17096.60                                             | 3591.81                                                 | 13504.79                                           | 4283.93                                                        | 31.72                               | 4652.37                                               | 34.45                               |
| 1989           | 17410.73                                             | 3878.12                                                 | 13532.61                                           | 4301.24                                                        | 31.78                               | 4693.96                                               | 34.69                               |
| 1990           | 17059.32                                             | 3969.54                                                 | 13089.78                                           | 4211.24                                                        | 32.17                               | 4601.77                                               | 35.16                               |
| 1991           | 15752.07                                             | 4314.88                                                 | 11437.19                                           | 3851.95                                                        | 33.68                               | 4165.33                                               | 36.42                               |
| 1992           | 14442.74                                             | 5054.18                                                 | 9388.56                                            | 3680.96                                                        | 39.21                               | 3869.08                                               | 41.21                               |
| 1993           | 16976.17                                             | 7373.45                                                 | 9602.72                                            | 4528.62                                                        | 47.16                               | 4539.95                                               | 47.28                               |
| 1994           | 17823.58                                             | 7744.87                                                 | 10078.71                                           | 4782.82                                                        | 47.45                               | 4750.23                                               | 47.13                               |
| 1995           | 18529.46                                             | 8112.43                                                 | 10417.03                                           | 4989.16                                                        | 47.89                               | 4949.36                                               | 47.51                               |
| 1996           | 17796.54                                             | 7877.32                                                 | 9919.22                                            | 4748.20                                                        | 48.07                               | 4731.54                                               | 47.70                               |
| 1997           | 16922.94                                             | 7568.98                                                 | 9353.96                                            | 4531.57                                                        | 48.45                               | 4489.42                                               | 47.99                               |
| 1998           | 15892.13                                             | 7080.31                                                 | 8811.82                                            | 4261.36                                                        | 48.36                               | 4219.25                                               | 47.88                               |
| 1999           | 14946.19                                             | 6647.85                                                 | 8300.33                                            | 4002.47                                                        | 48.22                               | 3962.65                                               | 47.74                               |
| 2000           | 14135.20                                             | 6279.63                                                 | 7855.57                                            | 3785.68                                                        | 48.19                               | 3745.12                                               | 47.67                               |
| 2001           | 13270.69                                             | 5932.15                                                 | 7338.54                                            | 3559.03                                                        | 48.50                               | 3514.02                                               | 47.88                               |
| 2002           | 12724.13                                             | 5695.61                                                 | 7028.52                                            | 3406.96                                                        | 48.47                               | 3358.83                                               | 47.79                               |
| 2003           | 11575.26                                             | 5325.08                                                 | 6250.18                                            | 3102.12                                                        | 49.63                               | 3045.90                                               | 48.73                               |
| 2004           | 10507.62                                             | 4921.82                                                 | 5585.80                                            | 2810.68                                                        | 50.32                               | 2746.97                                               | 49.18                               |
| 2005           | 9488.79                                              | 4616.24                                                 | 4872.55                                            | 2529.92                                                        | 51.92                               | 2456.48                                               | 50.41                               |