1121 HRES HB 963

HB
963

COMPARISON OF CRUDE OIL TAX PROPOSALS

(Prepared by Minority Counsel, Senate Finance Committee)

	SENATE FINANCE COMMITTEE	HOUSE BILL	ADMINISTRATION
LOWER TIER OIL	75 percent of different between base price of $6.00 (adjusted for inflation) and the selling price Applies to released lower tier oil that is below 1.5 percent decline curve Tax phases out by 6 84	Same except tax rate is 60 percent	Tax rate is 50 percent & decline curve is 2 percent
UPPER TIER OIL	60 percent of difference between base price of $13.00 (adjusted for inflation) and selling price Tax phases out between 1986 & 1990	Same	Same except tax rate is 50 percent
NEWLY DISCOVERED OIL	Total exemption for oil discovered on a property which had no production in 1978 (DOE pricing definition)	50 percent of the difference between a base price of $17.00 per barrel (adjusted for inflation plus 2 percent per year) and the selling price up to $26.00 per barrel (adjusted for inflation plus 2 percent per year) and the selling price Tax is permanent Restrictive definition	50 percent of difference between $16 bbl (adjusted for inflation) & the selling price Tax is permanent
TERTIARY OIL	Total exemption for incremental tertiary production Producer can use actual decline rate for post 1978 months before project starts	50 percent of difference between $17.00 (adjusted for inflation plus 2 percent & selling price) Tax terminates on 12 31 90 Applies oil above a level determined by a decline curve of 1 percent a month until project starts 2.5 percent per month once project starts	Same as newly discovered apply only to oil produced by enhanced recovery on case by case basis
ALASKA NORTH SLOPE	Taxes Sadlerochit oil in as Upper Tier Oil (60 percent rate with $13 base price) modified pipeline tariff adjustment	50 percent of difference between a base price of $7.50 (adjusted for inflation and the selling price) Applies to oil from S[illegible] rochit Reservoir Adjustment for value of pipeline tariff	Originally no tax but later modified to tax in Tier 2
STRIPPER OIL	Exempts first 1,000 bbls day produced by independent producer & royalty holder Other stripper taxed at 60 percent tax rate on the difference of $16 base price & selling price	Taxed at 60 percent tax rate on the difference of $16 base price & selling price	Same as House bill but tax rate is 50 percent
MARGINAL OIL (deep stripper)	Taxed in Tier 2 60 percent of difference between $13 and selling price Tax phases out between 1986 & 1990 definition includes high water cut oil	Same as Finance Committee but excludes high water cut oil	Same as House but rate is 50 percent
HEAVY OIL	Exempts oil with a specific gravity of 16 degrees or less	Heavy oil treated no differently from other oil	Recommended exemption after the House bill passed

OTHER CHANGES FROM HOUSE BILL

- Senate Finance Committee reduces net income limitation from 100 percent of net income from property to 50 percent
- Allows severance tax deduction for all oil including increases after March 1979 if applies to entire oil price
- Allows longer payment period of tax for independent refiners
- Entire tax phases out volumetrically at 3 percent per month when revenues collected reach 90 percent of anticipated total

Former DOE Undersecretary Myers Heads Jacobs Engineering Group

PASADENA, Calif. — Former U.S. Undersecretary of Energy [illegible] Responsible during his tenure for all basic and applied research [illegible]

Is Newfoundland Drill Profitable?

ST. JOHN's, Newfoundland — Discovery of a reservoir of close to 500 million barrels will be necessary before oil production off the Newfoundland coast becomes worthwhile, Mobil Oil Canada Ltd. [illegible]

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Talk to Chief

DISCUSSION OF THE OIL AND GAS INCOME TAX LAWSUIT

The Oil and Gas Income Tax Act, AS 43.21, taxes oil and gas companies at the same rate as other corporations. However, it provides for a different method of determining the tax base (i.e., taxable income) from the regular corporate income tax. AS 43.21 combines the two basic approaches to the taxation of income of multistate corporations. On one hand, it incorporates "separate accounting," in which the income and expenses of a company's in-state activities are separately determined without regard to the corporation's out-of-state business, as if the in-state business were the only business the company engages in. This approach is applied to determine an oil company's taxable income from oil and gas production or pipeline transportation. On the other hand, AS 43.21 also utilizes the "apportionment" approach, whereby income from the corporation's worldwide activities is apportioned to in-state activities by applying a formula. Apportionment is used in AS 43.21 to determine a taxpayer's in-state income from sources other than oil and gas production and pipeline transportation.

The litigation over AS 43.21 questions whether it violates the due process clause, the equal protection clause and the commerce clause of the U.S. Constitution, as well as provisions of the Outer Continental Shelf Lands Act that limit state taxation of the OCS. The original case, brought by Atlantic Richfield and Sohio, presents eight counts in its cause of action. The State subsequently presented the same eight counts, but expressed in the negative, in a second lawsuit against all other taxpayers under AS 43.21 who filed and paid under protest. The eight counts are:

1. Duplicative taxation. Count I of the Arco suit alleges that AS 43.21 results in impermissible duplicative taxation by imposing an unapportioned tax on interstate income. In other words, it alleges that separate accounting for production income and pipeline income is unconstitutional. The plaintiffs point out that other states which use an apportionment formula might require the plaintiffs to include the Alaska-taxed income as part of the total apportionable income for purposes of those other states' income taxes. The combined result, the companies argue, could be that more than 100% of their income ends up being taxed by the states.

A case is currently pending before the U.S. Supreme Court, Exxon Corp. v Wisconsin Dept. of Revenue, which may considerably affect the outcome of Count I in the Arco case. The issue there is whether separate accounting is constitutionally required instead of apportionment in cases where a corporation

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has functionally separate operations (i.e., exploration, production and marketing) and some occur within the taxing jurisdiction and others are entirely outside it. If the Court requires separate accounting in Exxon, the State's position on Count I will be strengthened. If the Court upholds apportionment, then Exxon could seriously weaken our position, but not necessarily so; the exact effect would depend on the Court's reasoning and the language used in reaching its decision. The case is expected to be decided by the end of June.

Besides the basic question in Count I as to whether separate accounting is permissible in AS 43.21, there are also some issues of duplicative taxation in the application of the apportionment formula embodied in AS 43.21.040 for "other" income. For instance, although production and pipeline income earned in Alaska is already fully recognized under the separate accounting provisions, the income from similar activities occurring wholly outside Alaska is nevertheless included in the worldwide "pie" of income to be divided under apportionment. Similarly, a company engaged only in production in Alaska could still be subjected to apportionment of its "other" worldwide income simply because it charters tankers from a third party to ship its oil out of the state. Both of these problems would be dealt with in the Administration's "technical amendments" bill (HB 963), at a cost to the State of less than a million dollars in FY 81.

While these last two issues have relatively small dollars-and-cents consequences themselves, losing them in court could be serious. The legislative history of AS 43.21 shows that all antecedent versions of the bill in 1978 had severability clauses. The final version of AS 43.21 did not. One could argue from this fact that the Legislature wanted the entire Act to stand or fall together. If the courts agreed, then losing even these "minor" issues would lead to the downfall of the entire tax. The possibility of this outcome is, of course, significantly reduced by the general severability clause in AS 01.10.030, but not absolutely eliminated.

2. Equal protection. The second count in the Arco case alleges that AS 43.21 discriminates against interstate commerce and violates equal protection and due process. This is based on a comparison of the tax treatment of oil and gas companies under AS 43.21 vis a vis their previous treatment under AS 43.20, which is still afforded to all other corporations. This issue could not be entirely resolved, legislatively or by regulation, except by repealing AS 43.21 and going back to AS 43.20 as the tax for the oil industry. However, there are legislative and regulatory actions that could be taken that would eliminate differences between AS 43.20 and AS 43.21 that the industry regards as being the

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most important. These relate to accelerated depreciation and the expensing of intangible drilling costs for wells in Alaska.

Depreciation is currently allowed for production equipment on a unit-of-production basis; that is, each barrel produced has the same amount of depreciation associated with it. This is a form of accelerated depreciation since production rates over the life of a field are greatest in the early years and fall off in later years. By regulation the Department of Revenue could authorize other forms of accelerated depreciation, such as those used for the IRS.

Depreciation for pipelines is strictly on a straight-line basis. This is because taxable pipeline income is tied by statute to the pipeline's net income as regulated by the Federal Energy Regulatory Commission (FERC). FERC uses straight-line depreciation.

Allowing accelerated depreciation does not affect the total amount of depreciation allowed as a deduction, it changes the timing. The effect is to reduce the tax liability in the early years and make up for it in later years. In the case of tax year 1980 (one quarter paid in FY80 and three quarters in FY81), the tax deferral from accelerated depreciation of production equipment would be $25 million. For pipelines it would be $36 million.

Intangible drilling costs are now required to be capitalized and depreciated on a unit-of-production basis as production equipment. Expensing such costs is the fastest possible form of accelerated depreciation. If only new drilling could be expensed, the tax deferral would be about $72 million for FY81.

3. Excessive, discriminatory taxation. In Count III of the complaint, plaintiffs alleged that the amount of taxes imposed by AS 43.21 bears no fair relation to services provided by the State. In doing so, they pointed out the large anticipated surplus of funds coming into the treasury, the high proportion of state revenues already being derived from sources other than AS 43.21, and the large amount of taxes that they will have to pay in addition under the oil and gas income tax.

4. Modification of leases. Count IV of the complaint alleges that Alaska, by enacting AS 43.21, unilaterally and unconstitutionally modified its oil and gas leases. This seems almost frivolous in light of the Alaska Constitution's specific prohibition against contracting away the State's taxation power; no lease provision could have abridged this power.

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5. OCS income. The Outer Continental Shelf Lands Act forbids the states from taxing activites beyond their three-mile limits. Count V of the Arco/Sohio complaint alleges that AS 43.21.040, by including Alaska OCS property and payrolls in the formula for apportioning worldwide "other" income, violates this federal prohibition and is thus pre-empted under the supremacy clause of the U.S. Constitution. The dollars at stake in Count V are comparatively small at present, under $5 million a year. But this would change if there is significant new activity in the OCS of Alaska. Also, an adverse ruling here could bear on the nonseverability issue.

6. Retroactivity. Count VI of the lawsuit raises a technical question as to procedure in the enactment of AS 43.21. Plaintiffs allege that the Act, which became law on July 6, 1978, cannot be made retroactive to the first of that year without the concurrence of two-thirds of the membership of each house of the Legislature. They further allege that such concurrence was not given by the Senate. This issue should, at most, affect receipts under AS 43.21 for only part of the 1978 tax year.

7. Regulations. The Department adopted regulations requiring payments of estimated taxes in installments in advance of the final due date for each year. Count VII alleges that the statutory authorization for "installments" means the Department could only adopt regulations allowing payments after the due date. The effect of losing this count would not be a loss in tax receipts finally collected, but only in the cash-flow timing of those receipts and the lost interest income from the prepayments. The lost interest would be $45.8 million a year if the annual tax receipts are $500 million.

8. Taxation of out-of-state income. Count VIII alleges that AS 43.21 taxes out-of-state income having no connection with Alaska. To some extent this repeats the Count I challenge to aspects of the apportionment formula. Besides being a sort of "catch all," this last count could also refer to AS 43.21.010, which subjects to the tax all corporations deriving income from the production of oil and gas from a lease or property "in or directly associated with the state". The underlined portion refers to leases in the OCS whose operations are supported from a base or staging area onshore in Alaska. There is a real constitutional "due process" question as to whether Alaska may tax a corporation having no contact with Alaska other than deriving income from a lease or property "directly associated" with the state. In addition, the provisions of the OCS Lands Act could apply to bar such taxation. HB 963 would eliminate this issue. Since there are at present no such corporations, the present revenue effect is nil. Again, a loss here could trigger far greater effects if nonseverability in fact applies to the Act.

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SETTLEMENT DISCUSSIONS
IN THE OIL AND GAS INCOME TAX LAWSUIT

In the course of administering AS 43.21, the Department of Revenue has had to adopt a considerable number (over 30 pages worth in the Administrative Code) of fairly technical, detailed regulations to clarify and interpret the Act. In order to adopt appropriate and workable regulations covering such complex and arcane matters as the leveraged leasing of oil tankers, there was considerable dialogue and discussion, both at hearings and in conferences, between the Department and various affected oil companies.

As the full range of policy considerations relating to the successful implementation of the tax was discussed, certain regulatory actions appeared which, in conjunction with some legislative amendments, presented a good promise of being a foundation for a settlement by which the basic validity of the tax would be acknowledged, while reserving for litigation a few narrow issues about the particulars of the application of the tax. The ongoing litigation of those issues would therefore not jeopardize the tax itself, nor would their adjudication one way or the other put major sums of money at risk.

These legislative and regulatory actions do not fall neatly into the categories of issues presented in the various counts given by Arco and Sohio in their lawsuit. In fact, a number of the actions do not even tie directly into any one count. In some cases, the proposed changes could be justified just on the basis of policy considerations, apart from any settlement possibilities. In this group of independently justifiable actions are:

1. The technical amendments proposed in HB 963. Reasons for them are given in Governor Hammond's transmittal letter. Their combined revenue effects are about $5 million a year.

2. Allow current amortization of estimated costs of terminating production operations, removing field facilities and restoring the site. There would be a "settling up" when these had happened to account for any over- or under-amortization. Reasons for this are: A) termination costs may be carried back only three years, which may not allow for them to be fully recognized; and B) this is already allowed in the case of pipelines, because of current FERC rulings. The revenue impact would be about $2 million a year currently.

Less clearly justifiable would be the elimination of the present limitations on interest expense and overhead costs that may be deducted against production income. It would be advisable in such a case to grant the Department clear authority to set aside undue charges for these items, especially if they result from intracorporate or less-than-arms-length transactions. With such safeguards, the present revenue effect would be about $3,500,000 a year.

The big dollars-and-cents issue in the settlement discussion was accelerated depreciation. This is really a tax deferral since the total amount of depreciation ultimately taken does not change, regardless of whether the depreciation is straight-line or accelerated. For tax year 1980, it would amount to $61 million -- $25 million for production equipment and $35 million for pipelines. Of course, interest would be lost on the money until it is recovered, and the payback in later years would be in dollars of reduced buying power.

Intangible drilling costs are merely an aspect of accelerated depreciation. Right now they are capitalized and depreciated on the same basis as production equipment. Allowing them to be expensed (i.e., fully deducted as they are incurred) is simply allowing the ultimate in accelerated depreciation. As with pipelines and production equipment, the tax loss now would be recovered eventually through reduced deductions later in the life of the field. But the impact today is still some $72 million for FY81, not counting forgone interest.

The discussions of these possibilities indicated that, in exchange for these considerations, the oil companies would dismiss the present lawsuit except for the issues regarding OCS and the use of "book" income for apportionment instead of taxable income as reported to IRS. The settlement would not extend to any future developments in federal law, either judicial or legislative, that would impair or annul the State's method of taxing income. Also they would reserve the right to challenge new regulations or interpretations as may arise which are not subjects of the present litigation.

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THE ROLE OF THE WINDFALL PROFITS TAX IN THE OIL AND GAS INCOME TAX

The windfall profits tax is not recognized under AS 43.21 as an allowable deduction against production income. At present this has not become an additional basis for the oil companies' challenge to the oil and gas income tax, but it surely will be.

In thinking about the windfall profits tax, it is important to remember that it is not necessary to settle the lawsuit in order to deal with the windfall profits tax. It is separable from the settlement considerations. However, settlement is most unlikely if there is nothing done about the windfall profits tax.

The revenue implications of the windfall profits tax are far greater than the combined effects of all the other items involved in coming up with a settlement. In FY81 alone, the effect is $142.5 million; in FY82, another $378.4 million. By FY85 it will be almost $600 million a year.

In all settlement discussions through January of this year (when they were broken off), the windfall profits tax was recognized as a major factor for any settlement, but it was a subject whose discussion was postponed until Congress actually passed such a tax and we could see exactly what it was.

Oil Taxes

Royalty
Severence
Property
Income

AGL 185755

Petroleum Revenue Division 201 E. 9th Ave. Anchorage, Ak., 99501	Alaska Department of Revenue Oil and Gas Corporate Income Tax Return	Employer Federal Identification Number:
This Return is due on or before the date specified in Regulation 15 AAC 12.700.	(Please Type or Print) Name Number and Street City State Zip Code	This Return is for the Tax Year Ended: __/__/__ See Regulation 15 AAC 12.820.

A complete copy of the following reports must be attached to this Return when filed: (a) Annual financial report to stockholders; (b) Federal Energy Regulatory Commission Form P, reporting Alaska oil pipeline activities only; (c) Alaska Public Utilities Commission Form APUC 2, reporting natural gas activities in Alaska (only). All questions and requests for information on page 2 of this Return must be answered.

Schedule A - Computation of Tentative Tax

1. Taxable Production Income (Loss) - Schedule B ....
2. Taxable Oil Pipeline Income (Loss) - Schedule C ....
3. Taxable Gas Pipeline Income (Loss) - Schedule D ....
4. Taxable Apportioned Income (Loss) - Schedule E ....
5. Total, lines 1, 2, 3 and 4 (If less than zero enter -0- here and on line 7)..........
6. Less: Net Loss Carryover(s)/Carryback(s) - Schedule F ....
7. Total Taxable Income (Loss) ....
8. Surtax Exemption. (See Sections 1561 and 1563 of the Internal Revenue Code) ....
9. Line 7 less line 8 - (If less than zero enter -0-)..........
10. Income Tax Computation:
    (a) 5.4% of line 7 (If less than zero enter -0-) ....
    (b) 4.0% of line 9 (If less than zero enter -0-) ....
    (c) Total, lines 10(a) and (b) ....
11. Estimated Tax Payments: (Date / Amount)
    (a) First Quarter Estimated Payment ....
    (b) Second Quarter Estimated Payment ....
    (c) Third Quarter Estimated Payment ....
    (d) Fourth Quarter Estimated Payment ....
    (e) If an Extension has been granted for this Return, the amount paid at the time of Extension ....
12. Other Payments (Specify:).
13. Total Prepayments. Add lines 11(a),(b),(c),(d),(e), and line 12 ....
14. Unpaid or Overpaid Tentative Tax. Line 10(c) less line 13; (If greater than zero pay this amount. If less than zero complete lines 15(a) and 15(b).) ....
15. If lines 14 is an overpayment (i.e. less than zero) indicate amount to be:
    (a) Refunded: ....
    (b) Applied to your estimated tax for next year: ....

I declare under the penalties of perjury that I have examined this Return including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. If prepared by a person other than the taxpayer, his declaration is based on all information of which he has any knowledge.

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Date Signature of Officer Title

3/79

Alaska Department of Revenue
Oil and Gas Corporate Income Tax Return

Questionnaire and Other Required Information.

A. Attach a schedule of the following information for each corporation included in this Return (Note; Place an asterisk by corporations doing business in Alaska and deriving income from oil and gas production in Alaska or Alaska OCS or deriving income from one or more oil or gas pipelines in Alaska; see also (B) this page);

(1) Name.
(2) Federal Employer Identification Number.
(3) Address.
(4) Date began doing business in Alaska.
(5) State or country in which business was incorporated or formed.
(6) State or country of commercial domicile.
(7) Percentage of voting stock owned by the parent company or by any other entity within the consolidated business (indicate each such stockholder's name and address).
(8) Net income of each corporation reported to stockholders for the period covered by this Return.

B. Did any corporation included in this Return and doing business in Alaska during the tax year, conduct through one or more non-corporate intermediaries operations that generated income for those intermediaries which would make them subject to tax under AS 43.21--if they had been corporations? ________. If the answer is yes, attach a schedule showing the following information:

(1) Name of each corporation which conducted business in this manner.
(2) Name of each intermediary.
(3) Type of intermediary (e.g., individual, estate, trust, partnership).
(4) Address of each intermediary.
(5) Federal Employer Identification Number or Social Security Number of each intermediary.
(6) Percentage of voting stock of each corporation listed in B.(1), above, which is directly or indirectly owned by each intermediary listed in B.(2), above.

C. Name, title, mailing address and phone number of the individual who should be contacted concerning an audit of this Return: ________________________________

____

D. Location(s) of principal accounting records: ________________________________

____

E. Location(s), if different than (D) above, of minutes of this year's meetings of the Board of Directors, Executive Committee and/or any other committee involved in the business operations of the parent corporation or non-corporate intermediary exercising direct or indirect control over the consolidated business: ________________________________

____

F. Name and address on the prior year's Return if different from this year. State the reason for the change (e.g., merger, name change, moved to new location, etc.,): ________________________________

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Instructions.

15 AAC 12.010. PERSONS SUBJECT TO THIS CHAPTER. A corporation doing business in the state and deriving income from one or more of the following sources is subject to the provisions of this chapter, even if that income is more than offset during a year by expenses associated with it:

(1) a production interest in one or more leases or properties in commercial production that are within the state;

(2) a production interest in one or more leases or properties in commercial production that are in areas within the United States and adjacent to the State of Alaska but not within this or any other state, and which are supported from a base of operations within this state;

(3) the transportation of oil or gas or both by means of a pipeline or pipeline system of which part or all is within the state.

15 AAC 12.020. TAXPAYERS HAVING INCOME FROM OTHER ACTIVITIES. A taxpayer deriving income from one or more sources in addition to any of those listed in sec. 10 of this chapter is subject to the requirements and income tax liability under AS 43.21 and this chapter only, for all of its income.

15 AAC 12.030. CONSOLIDATED BUSINESS. (a) A group of two or more corporations that are directly or indirectly controlled or at least 50-percent owned (directly or through one or more intermediaries) by one common person (corporate or otherwise) constitute a consolidated business for purposes of this chapter.

(b) The income, expenses and assets of a consolidated business include, respectively, all income, expenses and assets attributed to it under sec. 40 of this chapter.

(c) If a corporation or consolidated business is in turn itself controlled (by a means characteristic of ownership rather than through the exercise of general governmental powers such as laws, regulations, judicial decisions, proclamations and the like) or at least 50 percent owned by a sovereign, head of state, government or governmental agency, the consolidated business does not include the sovereign, head of state, government or governmental agency for purposes of this chapter.

15 AAC 12.040. ATTRIBUTION OF INCOME. (a) The income, expenses and assets of an enterprise involving undivided joint ownership must be attributed to the joint owners of that enterprise on the basis of their respective ownership interests, as may be modified by agreement among those joint owners. For purposes of this section, partnerships, joint ventures, trusts with joint beneficiaries and similar legal entities (but not a corporation) are enterprises involving undivided joint ownership.

(continued)

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Instructions.

(b) If a corporation doing business in the state conducts, through one or more non-corporate intermediaries, operations that generate income for those intermediaries which would make them subject to tax under AS 43.21 and this chapter if they were corporations, then that corporation is presumed to derive income from those operations in the amount of the income earned by those intermediaries and therefore subject to tax under this chapter. Such a corporation's tax is calculated using the revenues and deductions of the intermediaries, as if the corporation were directly conducting the operations actually conducted by the intermediaries.

15 AAC 12.050. NET TAXABLE INCOME. (a) A taxpayer's 5.4-percent tax and 4-percent surtax under AS 43.21 and this chapter for a year are on the taxpayer's net taxable income for that year as determined under (b) of this section, except that the surtax will be computed on that net taxable income minus the surtax exemption specified in sec. 60 of this chapter.

(b) A taxpayer's net taxable income for a year is that taxpayer's taxable production income under sec. 100 of this chapter for that year, plus that taxpayer's taxable oil pipeline income under sec. 300 of this chapter for that year, plus that taxpayer's taxable gas pipeline income under sec. 400 of this chapter for that year, plus that taxpayer's taxable apportioned income under sec. 500 of this chapter for that year, and minus all net losses of that taxpayer that are being carried back or carried forward to that year from one or more other tax years in accordance with sec. 70 of this chapter. If the taxpayer's income under one or more of secs. 100, 300, 400 and 500 of this chapter reflects a loss, the total of the losses under those sections is offset against the total gain (if any) under the rest of those sections.

15 AAC 12.060. SURTAX EXEMPTION. A taxpayer's surtax exemption shall be calculated in accordance with AS 43.20.011(e) and AS 43.20.021(a). The surtax exemption for tax year 1978 is $10,000. The surtax exemption, if any, for tax years after 1978 will be an amount determined under AS 43.20.

15 AAC 12.610. NOTICE OF COMMENCEMENT OF TAXABLE ACTIVITY. A corporation not subject to tax under AS 43.21 and this chapter shall, within 30 days of the time it begins to derive income (even if that income is exceeded by the expenses involved) from any of the sources described in sec. 10 of this chapter, give written notice to the department of the fact that it has begun deriving income from those sources. This section applies only to those who, after the effective date of AS 43.21 and the original adoption date of this section, begin deriving income from any source described in sec. 10 of this chapter.

(continued)

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Instructions.

15 AAC 12.700. RETURNS AND ASSESSMENTS. (a) A taxpayer reporting on a calendar year basis shall file, on or before April 15 of each year, a tax return on such forms as may be prescribed by the department, setting out all the information required in determining that taxpayer's net taxable income under this chapter for the previous year and the amount of tax due on that income.

(b) A fiscal-year taxpayer shall file, on or before the 15th day of the fourth month after the month in which the taxpayer's fiscal year ends, a tax return on such forms as may be prescribed by the department, setting out all the information required in determining that taxpayer's net taxable income under this chapter for the taxpayer's fiscal year last ended and the amount of tax due on that income.

(c) In its discretion, the department will grant a taxpayer an extension of as many as 60 days from the deadlines for filing returns specified in (a) and (b) of this section. An application for an extension must be on a form prescribed by the department, setting forth all the information required to support the application.

(d) Returns required under this section must be filed by the corporation deriving income (or to which income is attributed under sec. 40 of this chapter) from one or more of the sources described in sec. 10 of this chapter. Where two or more such corporations are parts of the same consolidated business, they shall file a single consolidated return.

(e) On or before August 15 (for fiscal-year taxpayers, the 15th day of the eighth month after the month in which the taxpayer's fiscal year ends), the department will assess the taxpayer and send the taxpayer a notice of assessment showing the amount of net taxable income under this chapter for that taxpayer during the previous year, the total amount of tax due under this chapter, and the amount (if any) of that tax remaining unpaid or overpaid. Returns and assessments under this section are subject to amendment for three years from the date of the original notice of assessment.

15 AAC 12.710. PAYMENTS; INSTALLMENTS. (a) For the 1978 tax year, each taxpayer shall prepay its estimated tax under this chapter in an installment on or before March 15, 1979, which, when combined with the taxpayer's installment payments (if any) of estimated tax under AS 43.20 and ch. 5 of this title made after December 31, 1977, brings the total prepaid tax to 100 percent of the tax and surtax on the taxpayer's total estimated 1978 net taxable income under this chapter, as that net taxable income is estimated and reported by the taxpayer at the time it makes the installment.

(b) For tax years after the 1978 tax year, each taxpayer shall prepay its estimated tax under this chapter in installments in accordance with the following schedule:

Instructions.

(1) On June 15 of each year (for a fiscal-year taxpayer, the 15th day of the sixth month after the start of the fiscal year), a first installment comes due that is equal to one-quarter of the tax and surtax on the taxpayer's total estimated net taxable income for that year under this chapter, as that net taxable income is then estimated and reported by the taxpayer.

(2) On September 15 of each year (for a fiscal-year taxpayer, the 15th day of the ninth month after the start of the fiscal year), a second installment comes due that, when combined with the first installment, brings the total prepaid tax to one-half of the tax and surtax on the taxpayer's total estimated net taxable income for that year under this chapter, as that net taxable income is then estimated and reported by the taxpayer

(3) On December 15 of each year (for a fiscal-year taxpayer, the 15th day of the 12th month after the start of the fiscal year), a third installment comes due that, when combined with the first two installments, brings the total prepaid tax to three-quarters of the tax and surtax on the taxpayer's total estimated net taxable income for that year under this chapter, as that net taxable income is then estimated and reported by the taxpayer.

(4) On March 15 of each year (for a fiscal-year taxpayer, the 15th day of the 15th month after the start of the fiscal year), a fourth installment comes due that, when combined with the first three installments, brings the total prepaid tax to 100 percent of the tax and surtax on the taxpayer's total estimated net taxable income under this chapter for the year in question, as that net taxable income is then estimated and reported by the taxpayer.

(c) If, because of unexpected events, a taxpayer has to revise its total estimated net taxable income downward so significantly that its prior installments that year under (b) of this section equal or exceed the amount to which the total prepaid tax is to be brought when the next installment comes due, then the taxpayer needs only to report the current estimate of its total tax for that year and does not need to make any further payment as an installment at that time. No refund will be made at that time as the result of a taxpayer's having a negative installment an apparent overpayment from its prior installments; however, if the condition of overpayment continues until the time of the department's assessment under sec. 700 of this chapter, the remaining overpayment will then be handled as an ordinary refund under sec. 720 of this chapter.

(d) At the time a taxpayer files its tax return required under sec. 700 of this chapter, the taxpayer shall pay the excess, if any, of its total tax over the amount already paid by the taxpayer in its installments under this section.

(continued)

AGO 785761

Instructions.

(e) If the department's assessment under sec. 700 of this chapter shows a total tax for a taxpayer greater than the amount already paid by the taxpayer in its installments and its payment made at the time of filing its return under sec. 700 of this chapter for that year, the taxpayer shall pay the additional amount of tax on or before September 30 (for a fiscal-year taxpayer, the last day of the ninth month after the month in which the taxpayer's latest fiscal year ended).

(f) A payment of $50,000 or more must be made by wire transfer of funds, in accordance with the standard procedures required by the department for wire transfers. Payment of smaller sums may be by wire transfer, check, money order, or cash.

(g) Payments and reports required under this section shall be made on the same basis as returns required under sec. 700 of this chapter.

15 AAC 12.720. REFUNDS. (a) The department will refund to a taxpayer any overpayment of the taxpayer's tax for a year under this chapter on or before September 30 of the following year (in the case of a fiscal-year taxpayer, the last day of the ninth month after the month in which the taxpayer's fiscal year ended). The amount of the overpayment will be determined on the basis of the tax as determined by the department in its assessment under sec. 700 of this chapter for the year in question, unless the overpayment arises from a reduction in the assessment as the result of a subsequent audit by the department or a carry-back of a later year's net loss under sec. 70 of this chapter. In the case of such a reduction in a taxpayer's assessment, the refund by the department will equal that reduction. In addition, the department will simultaneously pay the taxpayer any interest due on the refund as computed in accordance with sec. 730 of this chapter.

(b) At its option, the taxpayer may elect to have the department apply the amount of a refund (including any interest) under this section as a credit against future payments of tax coming due under this chapter, instead of remitting the refund to the taxpayer.

15 AAC 12.740. CIVIL PENALTIES. For unpaid taxes to which paragraph (1),(2), or (3) of sec. 730(a) of this chapter applies, the civil penalty provided by AS 43.05.220 will be imposed beginning the day after the starting date specified in the applicable paragraph of that section. For unpaid taxes to which paragraph (4) of sec. 730(a) of this chapter applies, the civil penalty provided by AS 43.05.220 will be imposed beginning the 31st day after the department's written notice to the taxpayer of an increase in its assessment as the result of an audit by the department.

(continued)

AGO 785762

Instructions.

15 AAC 12.820. FISCAL-YEAR TAXPAYERS. All taxpayers shall report and pay tax under this chapter on a calendar year basis unless they have received prior written authorization from the department to report and pay tax under this chapter on a fiscal year basis. The department, in its discretion, will grant such an authorization to a taxpayer, but only if the taxpayer's financial accounting is done on a fiscal year (as opposed to calendar year) basis. If granted, each such authorization by the department authorizes a taxpayer to report and pay tax under this chapter on the basis of only the fiscal year that is used for purposes of the taxpayer's financial accounting and not on the basis of any other fiscal year. A taxpayer thus authorized to use its financial accounting fiscal year is a "fiscal-year taxpayer".

AGO 785763

Alaska Department of Revenue
Oil and Gas Corporate Income Tax Return

Taxable Production Income (Loss) — Schedule B

1. Gross Production Revenue. (From Schedule B.1)........................ ______

2. Extraordinary Production Revenue or (Loss). (Total of the amounts entered on line 13 of the Schedules B.8 that are filed as part of this Return)......... .... ______

3. Add amounts on lines 1 and 2.. ______

Deductions from Gross Production Revenue

4. Royalties. (Total of the amounts entered on line 3 of the Schedules B.9 that are filed as part of this Return).................. ______

5. Production Taxes. (Total of the amounts entered on line 3 of the Schedules B.10 that are filed as part of this Return).................. ______

6. Ad Valorem Taxes. (Total of the amounts entered on line 3 of the Schedules B.11 that are filed as part of this Return).................. ______

7. Direct Operating Costs. (Total of the amounts entered on line 10 of the Schedules B.12 that are filed as part of this Return).............. ______

8. Acquisition Costs. (Total of the amounts entered on lines 6, 21 and 33 of the Schedules B.13 that are filed as part of this Return).... ______

9. Development Costs. (Total of the amounts entered on lines 4, 21 and 47 of the Schedules B.14 that are filed as part of this Return).... ______

10. Exploration Costs. (The amount entered on line 10 of Schedule B.15)... ______

11. Uncapitalized Interest. (The amount entered on line 9 of Schedule B.16) ______

12. General Overhead and Administrative Expense. (The amount entered on line 23 of Schedule B.17)... ______

13. Total Deductions. (Add amounts on lines 4-12)........................ ______

14. Taxable Production Income. (Line 3 less line 13; enter also on Schedule A, line 1)... ______

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Alaska Department of Revenue
Oil and Gas Corporate Income Tax Return

Instructions: Taxable Production Income

15 AAC 12.100. TAXABLE PRODUCTION INCOME. A taxpayer's taxable production income during a year equals the total of the taxpayer's gross production revenue (determined in accordance with secs. 110 -- 130 of this chapter) during that year for each lease or property in the state in which the taxpayer has a production interest, plus the total of the taxpayer's extraordinary production revenue (determined in accordance with sec. 140 of the chapter), if any, during that year for each lease or property in the state in which the taxpayer has a production interest, minus the total of the taxpayer's deductions for that year under secs. 200 -- 290 of this chapter, and minus the total of the taxpayer's extraordinary production loss (determined in accordance with sec. 140 of this chapter), if any, during that year for each lease or property in the state in which the taxpayer has a production interest.

15 AAC 12.110. GROSS PRODUCTION REVENUE. A taxpayer's gross production revenue during a year from a production interest in a lease or property is the value at the point of production of the taxpayer's gross share of the oil and gas produced from (or allocated to) that lease or property; however, oil or gas that is used, flared or unavoidably lost in the production operations for the lease or property or is injected into a reservoir in the course of the operations for the same field, may not be included in determining the taxpayer's gross production revenue from that or any other lease or property.

15 AAC 12.120. VALUE AT THE POINT OF PRODUCTION. (a) The value at the point of production for oil or gas produced from a lease or property is the sales price of that oil or gas, minus the reasonable cost of transportation (if any) from the point of production for that oil or gas to the sales delivery point for that oil or gas; except that in no event may the value at the point of production for a taxpayer's oil or gas exceed the ceiling price (if any) that is applicable to that oil or gas under a mandatory price control program.

(b) For purposes of this chapter, "sales price" means

(1) for a taxpayer's oil and gas sold in a bona fide, arm's length sale to a third party, the cash value of the full consideration given and received for that oil and gas, except in the case of a sale to which (f) of this section applies;

(2) for a taxpayer's oil not sold in a bona fide, arm's length sale to a third party, the total acquisition cost for imported oil of similar quality delivered F.O.B. at the gate of the refinery to which the taxpayer's oil is ultimately delivered, with an appropriate adjustment for differences, if any, in quality or in entitlements treatment between the two oils (whenever possible, such an adjustment will be based on market data involving bona fide, arm's length sales of comparable Alaskan oil and similar imported oil); and

(continued)

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Instructions: Taxable Production Income

(3) for a taxpayer's gas not sold in a bona fide, arm's length sale to a third party, the volume-weighted average of the prices then being given and received under the terms of the sales contracts for significant quantities of gas (in terms of delivery rates or reserves committed, or both) which have been entered into or whose pricing provisions have been amended during the tax year or the two preceding years among all the bona fide, arm's length sales contracts (whether between third parties or not) applying to gas from the same field as the taxpayer's gas (or if there are no such contracts for that field, the counterparts of those contracts in the nearest field to that field), with an appropriate adjustment according to the ideal gas laws for any difference in the specified delivery pressure or temperature between the gas sold under the reference sales contracts and the taxpayer's gas.

(c) For purposes of this chapter, "sales delivery point" means

(1) for a taxpayer's oil and gas sold in a bona fide, arm's length sale to a third party, the point of delivery under the terms of the contract or agreement for that sale, except in the case of a sale to which (f) of this section applies;

(2) for a taxpayer's oil not sold in a bona fide, arm's length sale to a third party, the gate of the refinery to which that oil is ultimately transported; and

(3) for a taxpayer's gas not sold in a bona fide, arm's length sale to a third party, the point of delivery under the terms of the sales contract being used as the reference for the sales price of the taxpayer's gas under (b)(3) of this section.

(d) For purposes of this chapter, "point of production" means

(1) for oil, the automatic custody transfer meter or unit through which the oil enters into the facilities of a carrier pipeline or other transportation carrier; and in the absence of an automatic custody transfer meter or unit, the "point of production" for oil is the outlet flange of the tank gauge (or in the absence of a tank gauge, another mechanism or device to measure the quantity of oil that has been approved by the department for this purpose) through which the oil is tendered and accepted into the facilities of a carrier pipeline or other transportation carrier;

(2) for gas, the meter on, or nearest (measured along the course taken by the gas) to, the lease or property from which the gas is recovered, at which meter the sales stream of gas is measured with sufficient accuracy and at appropriate temperature, pressure and other condition for purposes of sale, regardless whether the particular gas in question is actually sold at that meter.

(continued)

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Instructions: Taxable Production Income

(e) Notwithstanding anything to the contrary in (a) - (d) of this section, where a taxpayer's gas from a lease or property is run through a gas processing plant and part or all of the residue gas and extracted liquids are returned to that taxpayer, the "value at the point of production" for that gas is the total value of that residue gas and extracted liquids as they come out of the plant, less (1) a reasonable allowance (either withheld in kind by the plant operator or paid in cash to the plant operator) for the cost of processing that gas through the plant, (2) the reasonable cost of transportation, if any, from the point of production for that gas to the intake into the plant, and (3) the value of any residue gas returned to the taxpayer that is used, flared or unavoidably lost in the production operations for the lease or property or is injected into a reservoir in the course of operations for the same field.

(f) If a taxpayer sells its oil or gas to a third party in what would otherwise be a bona fide, arm's length sale but at the time of this particular sale the taxpayer expects to repurchase that oil or gas at a subsequent time and place, then that sale to the third party and the repurchase from the third party, when it occurs, must be disregarded and the oil or gas subject to that sale must be regarded as if it had remained the taxpayer's own oil or gas throughout the time between that sale and repurchase. In determining the value at the point of production in such a case, the reasonable cost of transportation between the point of sale for that sale and the point of repurchase must be determined as if the taxpayer were the shipper for purposes of sec. 130 of this chapter. This subsection does not apply if the taxpayer's expected repurchase does not in fact occur.

15 AAC 12.130. REASONABLE COSTS OF TRANSPORTATION. (a) In the case of transportation of oil or gas by a regulated carrier, the reasonable cost for that transportation is, for purposes of this chapter, the tariff on file with FERC or other regulatory agency having jurisdiction that is applicable to that transportation of the oil or gas by the carrier, from the point where that oil or gas is tendered into the facilities of the carrier to the point where it is delivered from the facilities of the carrier.

(b) In the case of transportation of oil by a tanker or other vessel that is not owned or effectively owned by the shipper of that oil,

(1) for a single voyage charter, the reasonable cost for that transportation is, for purposes of this chapter, the charter fee for that vessel, plus any voyage and port costs not included in that fee which are incurred with respect to that transportation during the term of the charter and which are borne by the shipper, plus the positioning cost, if any, borne by the shipper for that vessel;

(continued)

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Instructions: Taxable Production Income

(2) for a consecutive voyage charter or a time charter, the reasonable cost for that transportation is, for purposes of this chapter, the charter fee for that vessel, plus any voyage and port costs not included in that fee which are incurred with respect to that transportation during the term of the charter and which are borne by the shipper, plus the positioning cost (amortized over the lesser of 36 months or the term of the charter in the case of a time charter, and amortized on the basis of the number of voyages in the case of a consecutive voyage charter), if any, borne by the shipper for that vessel;

(3) for a contract of affreightment, the reasonable cost for that transportation is, for purposes of this chapter, the affreightment fee specified in that contract, plus any voyage and port costs and any positioning costs not included in that fee which are incurred with respect to that transportation during the term of the contract of affreightment and which are borne by the shipper.

(c) In the case of transportation of oil by a tanker or other vessel that is owned or effectively owned by the shipper of that oil, the department may, at the request of a taxpayer (but in the department's sole discretion), authorize the taxpayer to use the fair market value of like transportation as the reasonable cost for the transportation in question. If the taxpayer's request is granted, the department, and not the taxpayer, will determine the fair market value of like transportation, on the basis of third-party time charters (that is, time charters in which the shipper does not own or effectively own the vessel) of one year or more which are reported to the department for like vessels; and when it makes its determination, the department will notify the taxpayer of it in the notice of assessment described in sec. /00 of this chapter. Two vessels will be considered like vessels for purposes of this chapter if the difference between them in deadweight tonnage is less than 10,000 deadweight tons and if they are both Jones Act vessels, or are both CDS vessels, or are both ODS vessels or are both CDS/ODS vessels. If the department does not authorize the taxpayer to use fair market value of like transportation (as described in this subsection) as the reasonable cost for the transportation in question, then the reasonable cost for that transportation is, for purposes of this chapter, the taxpayer's actual cost for that transportation. This actual cost equals the sum of

(1) the voyage and port costs incurred with respect to that transportation,

(2) the positioning cost, amortized over 36 months, for that vessel, but only for placing that vessel into position before its employment in the Alaska trade and not for placing it into position after its employment in the Alaska trade for employment in another trade,

(continued)

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Instructions: Taxable Production Income

(3) depreciation of the vessel; if the vessel is actually owned by the shipper, depreciation must be calculated in accordance with the applicable FASB Financial Accounting Standards for such owned assets; if the vessel is effectively owned by the shipper, depreciation must be calculated in accordance with FASB-13 from the standpoint of a lessee under a capital lease; and

(4) an amount which, when taken together with depreciation under (3) of this subsection, will provide a reasonable rate of return on the acquisition cost of the vessel over its expected life; for purposes of this paragraph,

(A) "acquisition cost" means the cost of the vessel which may be capitalized by its actual owner under generally accepted financial accounting principles, and

(B) "expected life" means the period of time used to calculate depreciation under (3) of the subsection.

(d) In the case of transportation of gas as LNG where not all of the LNG transportation facilities are subject to tariff regulation (by FERC or another agency of the United States, a state, a territory or possession of the United States or a foreign nation),

(1) when the shipper does not have or effectively have an ownership interest in the LNG transportation facility, the reasonable cost of transportation for that LNG transportation facility is, for purposes of this chapter, the amount charged to the shipper for that LNG transportation; or

(2) when the shipper has or effectively has an ownership interest in the LNG transportation facility, the department may, at the request of a taxpayer (but in the department's sole discretion), authorize the taxpayer to use the fair market value of like transportation as the reasonable cost for the transportation in question. If the taxpayer's request is granted, the department, and not the taxpayer, will determine the fair market value of like transportation, on the basis of third-party charters or leases (that is, charters or leases in which the shipper does not own or effectively own the LNG transportation facility in question) of three years or more which are reported to the department for like LNG transportation facilities; and if it makes such a determination, the department will notify the taxpayer of it in the notice of assessment described in sec. 700 of this chapter. If the department does not authorize the taxpayer to use fair market value of like transportation (as described in this paragraph) as the reasonable cost for the transportation in question, then the reasonable cost for that transportation is, for purposes of this chapter, the taxpayer's actual cost for that transportation. This actual cost equals the sum of

(A) the direct operating costs of the LNG transportation facility (in the case of an LNG tanker, its respective voyage and port costs) incurred with respect to the shipper's gas;

(B) depreciation of the LNG transportation facility; if the facility is actually owned by the shipper, depreciation must be calculated in accordance with the applicable FASB Financial Accounting Standards for the owner of such assets; if the LNG transportation facility is effectively owned by the shipper, depreciation must be calculated in accordance with FASB-13 from the standpoint of a lessee under a capital lease; and

(C) an amount which, when taken together with depreciation under (B) of this paragraph, will provide a reasonable rate of return on the acquisition cost of the LNG transportation facility over its expected life; for purposes of this subparagraph,

(i) "acquisition cost" means the cost of the LNG transportation facility which may be capitalized by its actual owner under generally accepted financial accounting principles, and

(ii) "expected life" means the period of time used to calculate depreciation under (B) of this paragraph.

(e) For purposes of this chapter, "voyage and port costs" for a vessel are

(1) costs actually incurred for fuel for the vessel while in port and at sea, stores and provisions for the vessel and for her captain and crew, wages and benefits of the vessel's captain and crew, routine maintenance, port and dock fees, storage costs, demurrage, tug and pilotage fees, marine agents' fees in port, lightering, transshipment charges, customs fees and duties, regular and customary gratuities that are also legal, insurance premiums actually paid, minor cargo losses or measuring differentials, loading and unloading inspection fees, Panama Canal transit fees, a reasonable management fee (to be pro-rated equally among vessels) for coordinating arrivals and departures into and out of ports for vessels owned, effectively owned or chartered by the shipper, and other reasonable costs associated with the operation or maintenance (or both) of the vessel; and

(2) in addition to the costs listed in (1) of this subsection, in the case of catastrophic loss or damage of a vessel transporting oil or LNG from Alaska or enroute to Alaska to take on oil or LNG, a portion of the loss (for loss or damage of the ship, for injury or loss of her captain or crew and for damage and clean-up due to spillage of part or all of her cargo, but not for the loss of the cargo itself) which is borne by the shipper as the result of that catastrophic loss or damage and which is not reimbursed by insurance or by a third party; this portion of the loss is determined by dividing the unreimbursed liability on the basis of deadweight tonnage among the vessels owned, effectively owned or chartered by the shipper to transport oil or LNG (whichever was lost) from Alaska.

(continued)

AGO 785770

Instructions: Taxable Production Income

(f) A person "effectively owns", has "effective ownership" or "effectively has an ownership interest" in a vessel or LNG transportation facility for purposes of this section if either

(1) the vessel or LNG transportation facility is owned by another person comprising part of a consolidated business in which the first person is also a part; or

(2) the vessel or LNG transportation facility is the subject of a capital lease in which the person, or another person comprising part of a consolidated business in which the first person is also a part, is the lessee.

(g) For purposes of this chapter, the "positioning cost" for a vessel includes the costs not included in the charter for that vessel which are borne by the shipper for placing that vessel into position before the first voyage under that charter or the estimated costs to be borne by the shipper for delivering it up at a specified location after the last voyage under that charter, or both if the shipper is obligated under the terms of the charter or contract of affreightment to bear them both.

(h) A reasonable rate of return under (c) (4) or (d)(2)(C) of this section is presumed to be that internal rate of return (after federal income tax) on an investment which equals two percent plus the average annual national inflation rate (measured by the GNP deflator) during (1) the period between the time the commitment is made to construct or acquire the vessel or LNG transportation facility and the time when the vessel or LNG transportation facility has been received (or delivered) and is ready to be placed into service, or (2) if the period in (1) of this subsection falls entirely within a calendar year, that entire calendar year. At the request of a taxpayer or on its own motion, the department may replace this presumed rate of return with one based on the rate of return imputed to that investment or similar ones by the person owning or effectively owning the vessel or LNG transportation facility.

(i) The third party nature of an agreement between a shipper and a third-party carrier regarding transportation costs is not affected during the term of that agreement by a subsequent consolidation of that shipper and carrier into a consolidated business, if, at the time they entered that agreement neither the shipper nor the carrier exercised, directly or indirectly, any control over the business affairs of the other as the result of, or in anticipation of, their subsequent consolidation into the same consolidated business.

AGO 785771

Gross Production Revenue — Schedule B.1

Gross Production Revenue: Oil

1. Sales Proceeds. (Total of the amounts entered on line 7 of the Schedules B.2 that are filed as part of this Return)............... ________

2. Costs of Transportation. (Total of the amounts entered on line 4 of the Schedules B.3 that are filed as part of this Return)............ ________

3. Subtract the amount on line 2 from the amount on line 1................ ________

Gross Production Revenue: Gas

4. Sales Proceeds. (Total of the amounts entered on line 13 of the Schedules B.5 that are filed as part of this Return)............... ________

5. Costs of Transportation. (Total of the amounts entered on line 8 of the Schedules B.6 that are filed as part of this Return)............ ________

6. Subtract the amount on line 5 from the amount on line 4................ ________

7. Gross Production Revenue. Add the amounts on lines 3 and 6............ ________

AGO 785772

Alaska Department of Revenue
Oil and Gas Corporate Income Tax Return

Sales Proceeds: Oil

Schedule B.2

NOTE: A separate copy of this schedule must be completed for each property in Alaska with commercial oil production; in cases of unitization, the unit (or if the unit is divided into participating areas, the participating area) is the "property" for purposes of this schedule.

1. Identify the property. ______________________________

Category I: Oil Production Being Reported at its Full Ceiling Price

2. Volume of oil in Category I.......................... ________ bbls.

3. Value of oil in Category I........................... ________

Category II: Other Oil Production

4. Volume of oil in Category II......................... ________ bbls.

5. Gross proceeds from oil in Category II that was sold to one or more third parties:

(a) in contemplation of subsequently reacquiring it, but it was in fact not subsequently reacquired (use the sales price)............................ ________

(b) in contemplation of subsequently reacquiring it, and after it was in fact reacquired it was again sold to one or more third parties (use the price of the second sale)............................... ________

(c) not in contemplation of subsequently reacquiring it (use the sales price).... .... ________

(d) total: add lines 5(a), 5(b) and 5(c)......................... ________

(continued)

AGO 785773

Sales Proceeds: Oil | Schedule B.2

6. Value of oil in Category II

   (a) that was not sold to a third party (use the acquisition cost for similar imported oil delivered F.O.B. at the same destination).......... ________

   (b) that was sold to one or more third parties in contemplation of subsequently reacquiring it and after it was in fact reacquired it was not sold to a third party (use the acquisition cost for similar imported oil delivered F.O.B. at the same destination)............................ ________

   (c) total: add lines 6(a) and 6(b)................................ ________

7. Total sales proceeds: add lines 2 5(d) and 6(c).................. ________

AGO 785774

Alaska Department of Revenue
Oil and Gas Corporate Income Tax Return

Costs of Transportation: Oil — Schedule B.3

Oil transported by regulated carrier.

1. Attach a schedule identifying each regulated carrier (pipeline) and indicating:

   (a) The point(s) in Alaska where oil is tendered into the facilities of the carrier(s).

   (b) The point(s) where oil is delivered from the facilities of the carrier(s).

   (c) The transportation tariff rate(s) on file with FERC or other regulatory agency having jurisdiction over each carrier.

   (d) Total tariff paid each carrier for transporting oil during the tax year between points 1(a) and (b), above.

2. Total Tariff Paid All Carriers During the Tax Year .... ________

3. Total Tanker and Other Vessel Costs. (Total of the amounts entered on line 18 of the Schedules B.4 that are filed as part of this Return) .... ________

4. Total Costs of Transportation: Oil. Add amounts on lines 2 and 3 .... ________

AGO 785775

Submit a completed Schedule B.4 for each tanker or other vessel.

Costs of Transportation: Oil
Tankers or Other Vessels Not Owned:
Single Voyage Charter. 15 AAC 12.130(b)(1).

Schedule B.4

1. Charter Fees .... ________
2. Voyage and Port Costs (not in charter fees) .... ________
3. Positioning Costs .... ________
4. Total. Add amounts on lines 1, 2 and 3 .... ________

Consecutive Voyage or Time Charter. 15 AAC 12.130(b)(2).

5. Charter Fees .... ________
6. Voyage and Port Costs (not in charter fees) .... ________
7. Amortized Positioning Costs .... ________
8. Total. Add amounts on lines 5, 6 and 7 .... ________

Contract(s) of Affreightment. 15 AAC 12.130(b)(3).

9. Affreightment Fees .... ________
10. Voyage and Port Costs (not in affreightment fees) .... ________
11. Total. Add amounts on lines 9 and 10 .... ________

Tankers or Other Vessels Owned or Effectively Owned. 15 AAC 12.130(c).
Fair Market Value Method: (Attach a copy of the Department of Revenue letter of approval to use this method.)

12. FMV of Transportation Costs .... ________

Actual Cost Method:

13. Voyage and Port Costs. 15 AAC 12.130(c)(1).
(Attach schedule) .... ________
14. Positioning Costs. 15 AAC 12.130(c)(2).
(Attach schedule) .... ________
15. Depreciation. 15 AAC 12.130(c)(3).
(Attach schedule) .... ________
16. Return on Acquisition Costs. 15 AAC 12.130(c)(4).
(Attach schedule) .... ________
17. Total. Add amounts on lines 13,14,15 and 16 .... ________
18. Total Tanker and Other Costs. Add amounts on lines 4, 8, 11, 12 and 17 .... ________

AGO 785776

Alaska Department of Revenue
Oil and Gas Corporate Income Tax Return

Sales Proceeds: Gas

Schedule B.5

NOTE: A separate Schedule B.5 must be completed for each property in Alaska with commercial gas production; in cases of unitization, the unit (or if the unit is divided into participating areas, the participating area) is the "property" for purposes of this schedule.

1. Identify the property. ______________________
2. Date of sales contract(s) and most recent amendment(s). ____________
____

Lines 3 through 7 are only for gas not run through a gas processing plant. Complete lines 8 through 12 for gas run through a gas processing plant.

Category I: Gas Production Being Reported at its Full Ceiling Price.

3. Volume of gas in Category I.............................. ________ Mcf
4. Value of gas in Category I............................... ________

Category II: Other Gas Production.

5. Volume of gas in Category II............................. ________ Mcf
6. Gross proceeds from gas that was sold to one or more third parties:
   (a) in contemplation of subsequently reacquiring it, but it was in fact not subsequently reacquired (use the sales price)............................. ________
   (b) in contemplation of subsequently reacquiring it, and after it was in fact reacquired it was again sold to one or more third parties (use the price of the second sale)................................ ________
   (c) not in contemplation of subsequently reacquiring it (use the sales price).......................... ________
   (d) Total. Add the amounts on lines 6(a), 6(b) and 6(c).. ________

7. Value of gas in Category II:

   (a) that was not sold to a third party (use your most recent or highest price as an interim value).. ________
   (b) that was sold to one or more third parties in contemplation of subsequently reacquiring it and after it was in fact reacquired it was not sold to a third party (use your most recent or highest price as an interim value)........... ... ________
   (c) Total. Add amounts on lines 7(a) and 7(b) .... ________

(continued)

AGO 785777

Alaska Department of Revenue
Oil and Gas Corporate Income Tax Return

Sales Proceeds: Gas | Schedule B.5

Where gas is run through a gas processing plant and part or all of the residue gas and extracted liquids are returned to the taxpayer, the following costs must be reported. 15 AAC 12.120(e):

8. Volume of extracted liquids that are:
   (a) attributed to the gas run into the plant .... ________ Bbl
   (b) withheld by the plant operator for plant processing costs .... ________ Bbl
   (c) used, flared or unavoidably lost in production operations for the same field .... ________ Bbl
   (d) injected into a reservoir in the course of operations for the same field .... ________ Bbl
   (e) net to the taxpayer. Line 8(a) minus the sum of lines 8(b), (c) and (d) .... ________ Bbl

9. (a) Price per barrel of taxpayer's net extracted liquids .... ________ Bbl
   (b) Proceeds from extracted liquids. Line 8(e) times 9(a) .... ________

10. Value of residue gas that is:
   (a) attributed to the gas run into the plant .... ________ Mcf
   (b) withheld by the plant operator as plant processing costs .... ________ Mcf
   (c) used, flared or unavoidably lost in production operations for the same field .... ________ Mcf
   (d) injected into a reservoir in the course of operations for the same field .... ________ Mcf
   (e) net to the taxpayer. Line 10(a) minus the sum of lines 10(b), (c) and (d) .... ________ Mcf

11. (a) Price per Mcf of taxpayer's residue gas .... ________ $/Mcf
   (b) Proceeds from residue gas. Line 10(e) times 11(a). ________

12. Total. Lines 9(b) plus 11(b) ....

13. Sales Proceeds: Gas. Total of lines 4, 6(d), 7(c), and 12 ....

AGO 785778

Submit a completed Schedule B.6 for each LNG Transportation Facility.

Costs of Transportation: Gas — Schedule B.6

Gas transported as LNG and not all of the LNG transportation facilities are subject to tariff regulation (by FERC or another agency of the U.S., a state, territory or possession of the U.S. or a foreign nation).

LNG Transportation Facility Not Owned. 15 AAC 12.130(d)(1).

1. Amount Paid to Carrier(s) .... ______

LNG Transportation Facility Owned or Effectively Owned. 15 AAC 12.130(d)(2).

Fair Market Value Method. (Attach a copy of the Department of Revenue letter of approval to use this method)

2. FMV of Transportation Costs .... ______

Actual Cost Method.

3. Direct Operating Costs. 15 AAC 12.130(d)(2)(A).
   (Attach schedule) .... ______

4. Depreciation. 15 AAC 12.130(d)(2)(B).
   (Attach schedule) .... ______

5. Return on Acquisition Costs. 15 AAC 12.130(d)(2)(C).
   (Attach schedule) .... ______

6. Total. Add the amounts on lines 3, 4 and 5 .... ______

7. Total Tariff Paid All Carriers. (Schedule B.7, line 2) .... ______

8. Total Costs of Transportation: Gas. Add the amounts on lines
   1, 2, 6 and 7 .... ______

Costs of Transportation: Gas — Schedule B.7

1. Attach a schedule identifying each regulated carrier (pipeline) and indicating:
   (a) The point(s) in Alaska where gas is tendered into the facilities of the carrier(s).
   (b) The point(s) where gas is delivered from the facilities of the carrier(s).
   (c) Total tariff paid each carrier for transporting gas during the tax year between points 1(a) and (b), above.

2. Total Tariff Paid All Carriers During the Tax Year .... ______

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Extraordinary Production Revenue or (Loss) — Schedule B.8

15 AAC 12.140. EXTRAORDINARY PRODUCTION REVENUE OR (LOSS). (a) A taxpayer's extraordinary production revenue or loss for a lease or property is fully recognized for purposes of this chapter in the year in which it is realized. There is no carry-back or carry-forward of extraordinary production revenue or loss under this chapter to any other year. except to the extent that an extraordinary production loss may contribute to a taxpayer's net loss under sec. 70 of this chapter. Multiple realizations of extraordinary production revenue or loss by a taxpayer during a single year are cumulative, with revenues added to revenues and losses to losses, and with revenues and losses offset against each other.

Enter on line 1 the amount of any extraordinary operating revenues or losses resulting from a retroactive increase or decrease in a tariff or fee allowed to be charged by a regulated carrier for transporting this taxpayer's oil or gas produced from a lease or property in Alaska. Also, indicate the effective date(s) of any such retroactive changes and the period covered, by carrier below:

Effective Date:	Tariff or fee change: From	To	Period Covered: From	To	Volume subject to each change

Line 2. The amount of the extraordinary production revenue or loss is the amount of the change at the point of production offset by any corresponding changes in deductions.
Enter on line 2 any such changes in deductions. 15 AAC 12.140(d).

Enter on line 4 the amount of any extraordinary operating revenues or losses resulting from retroactive changes in the sales price in a bona fide arm's length sale of this taxpayer's oil or gas produced from a lease or property in Alaska. Also, indicate the effective date(s) of any such retroactive changes and the period covered, by carrier below:

Effective Date:	Sales price change: From	To	Period Covered: From	To	Volume subject to each change

Line 5. The amount of the extraordinary production revenue or loss is the amount of the change at the point of production offset by any corresponding changes in deductions. Enter on line 5 any such changes in deductions. 15 AAC 12.140(d).

(continued)

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Extraordinary Production Revenue or (Loss) Schedule B.8

Catastrophic Losses

In the case of catastrophic loss of a taxpayer's oil or gas that has passed its point of production but for which the risk of loss has not shifted from the taxpayer to a common carrier or a third party, the taxpayer realizes an extraordinary production loss for that oil or gas. The amount of the taxpayer's extraordinary loss in such a case shall be the reasonable cost of transportation borne by the taxpayer for that oil or gas from its point of production to the point of its loss, plus the value at the point of production for that oil or gas but only to the extent that the value at the point of production for that oil or gas is included in the taxpayer's gross production revenue for the lease or property from (or to) which that oil or gas was produced (or allocated), and minus reimbursements to the taxpayer from insurance or from one or more third parties for that loss. 15 AAC 12.140(e).

Enter on line 9 the cost of transportation borne by the taxpayer for oil or gas lost in a c[illegible]ophe from its point of production to the point of the oil or gas catast[illegible] loss.

Enter on line 10 the value at the point of production for oil or gas lost in a catastrophe. Enter only the values for oil or gas that have been included in the taxpayer's gross production revenue.

Enter on line 11 reimbursements to the taxpayer from insurance or from one or more third parties for such catastrophic loss.

1. Retroactive Tariff Change: (a) Increased Cost ....________
   (b) Decreased Cost ....________

2. Resulting Change in Royalties Paid: (a) Increase ....________
   (b) Decrease ....________

3. Resulting Change in Production Tax Paid: (a) Increase....________
   (b) Decrease....________

4. (a) Extraordinary Revenue from Tariff Change: Line 1(b) less sum of lines 2(a) and 3(a) ....________

   (b) Extraordinary Loss from Tariff Change: Line 1(a) less sum of lines 2(b) and 3(b) ....________

   (c) Net Extraordinary Revenue or Loss from Tariff Change: Line 4(a) less line 4(b) ....________

5. Retroactive Price Change: (a) Increase ....________
   (b) Decrease ....________

6. Resulting Change in Royalties Paid: (a) Increase ....________
   (b) Decrease ....________

7. Resulting Change in Production Tax Paid: (a) Increase....________
   (b) Decrease....________

(continued)

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Extraordinary Production Revenue or (Loss) — Schedule B.8

8. Extraordinary Revenue from Price Change: Line 5(a) less sum of lines 6(a) and 7(a) .... ______

   (b) Extraordinary Loss from Price Change: Line 5(b) less sum of lines 6(b) and 7(b) .... ______

   (c) Net Extraordinary Revenue or Loss from Price Change: Line 8(a) less line 8(b) .... ______

9. Cost of Transportation - Oil or Gas Catastrophic Loss ....(______)

10. Value at Point of Producton - Oil or Gas Catastrophic Loss(______)

11. Reimbursements - Oil or Gas Catastrophic Loss .... ______

12. Add the amounts on lines 9, 10 and 11.............................. ______

13. Extraordinary Production Revenue (Loss). Add lines 4(c), 8(c) and 12 .... ______

(Enter also on Schedule B, line 2.)

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Deduction for Royalties

Schedule B.9

Submit a completed Schedule B.9 and B.10 for each lease or Property.

15 AAC 12.210. DEDUCTION FOR ROYALTY. (a) The amount of royalty for a lease or property in the state that is paid during a year by or for a taxpayer is a deduction for purposes of determining the taxpayer's taxable production inc[illegible] for that year.

(b) The value at the point of production (determined on the basis of the value at the point of production for the taxpayer's production interest at the time when the royalty is delivered) of royalty for a lease or property in the state that is delivered in kind by or for a taxpayer during a year is a deduction for purposes of determining the taxpayer's taxable production income for that year.

	col. (a) Oil	col. (b) Gas
1. Royalties Paid		
2. Value of Royalties Delivered in Kind		
3. Total. Add amounts on lines 1(a), 1(b), 2(a) and 2(b)		

Deduction for Production Taxes

Schedule B.10

15 AAC 12.220. DEDUCTION FOR PRODUCTION TAXES. Taxes imposed under AS 43.55 and AS 43.57 for production from (or allocated to) a lease or property which are paid by, or on behalf of, a taxpayer during a year constitute a deduction in determining the taxpayer's taxable production income for that year. The amount of tax paid under AS 43.55 includes FDIC applied under AS 43.55.018 against that tax.

	col. (a) Oil	col. (b) Gas
1. Production Taxes Paid under AS 43.55 (Include FDIC applied)		
2. Production Taxes Paid under AS 43.57		
3. Total. Add amounts on lines 1(a), 1(b), 2(a) and 2(b)		

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Deduction for Ad Valorem Taxes | Schedule B.11

15 AAC 12.230. DEDUCTION FOR AD VALOREM TAXES. The amount of tax under AS 43.56 paid during a year to the state (net of credits or refunds made that year for municipal ad valorem taxes on the same properties) and the total amount paid that year for municipal ad valorem taxes under AS 29.53.045 -- .055, for a taxpayer's properties used directly in the production, gathering, treatment or preparation for pipeline shipment of oil and gas from a lease or property that is in commercial production before those payments to the state or any municipality are made, constitute a deduction in determining the taxpayer's taxable production income for that year.

Submit a completed Schedule B.11 for each lease or property.

1. Ad Valorem Taxes Paid to the State of Alaska .... ______

2. Ad Valorem Taxes Not Included on Line 1, above,

   Which Were Paid to the Alaska Municipality of:

   (a) ______________________________ .... ______

   (b) ______________________________ .... ______

   (c) ______________________________ .... ______

   (d) ______________________________ .... ______

   (e) ______________________________ .... ______

3. Total. Add the amounts on lines 1 and 2(a) - (e) .... ______

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15 AAC 12.240. DEDUCTION FOR DIRECT OPERATING COSTS. (a) The direct operating costs during a year that are incurred by or for a taxpayer for a lease or property in the state are a deduction in determining the taxpayer's taxable production income for that year.

(b) Before the commencement of commercial production from (or allocated to) a lease or property, the direct operating costs for that lease or property are (1) the costs for geological and geophysical work conducted on the lease or property after the taxpayer has acquired a working interest in the lease or property, (2) rentals and shut-in royalties paid in order to retain the lease or property, and (3) the costs for operations conducted on or near the lease or property in support of drilling and/or development operations for the lease or property but excluding the actual drilling costs and development costs themselves; however, if the lease or property is subject to an operating agreement in which at least one working-interest owner is a third party to the operator, then the direct operating costs for that lease or property are the costs (excluding drilling costs and development costs) that are incurred by the operator in operating that lease or property and which are reimbursable to the operator by the working-interest owners, under the terms of that operating agreement.

(c) After the commencement of commercial production from (or allocated to) a lease or property, the direct operating costs for that lease or property are the costs of operating the wells, facilities and equipment on or for the lease or property which directly result in or are necessary for the continued or enhanced production from (or allocated to) the lease or property and the costs of operations conducted on or near the lease or property in support of drilling and/or development operations for the lease or property but excluding the actual drilling costs and development costs themselves; however, if the lease or property is subject to an operating agreement in which at least one working-interest owner is a third party to the operator, then the direct operating costs for that lease or property are the costs (excluding drilling costs and development costs) that are incurred by the operator in operating that lease or property and which are reimbursable to the operator by the working-interest owners, under the terms of that operating agreement.

(d) No cost for the taxpayer's general overhead or administrative expense and no cost that is to be amortized or depreciated under secs. 250 and 260 of this chapter, respectively, may be included in a deduction under this section.

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(continued)

Alaska Department of Revenue
Oil and Gas Corporate Income Tax Return

Deduction for Direct Operating Costs — Schedule B.12

Before Commercial Production:

Submit a completed Schedule B.12 for each lease or property.

1. Geological and Geophysical Work .... ________
2. Rentals and Shut-In Royalties .... ________
3. Operational Costs in Support of Drilling and Development .... ________
4. Total. Add the amounts on lines 1, 2 and 3 .... ________

After Commencement of Commercial Production:

If the lease or property is subject to an operating agreement as described in 15 AAC 240(c), skip lines 5 through 8 and enter the total reimbursable costs on line 9.

5. Costs of Operating Wells .... ________
6. Costs of Operating Facilities .... ________
7. Costs of Operating Equipment .... ________
8. Operational Costs in Support of Drilling and Development .... ________
9. Total. Add the amounts on lines 5 - 8 .... ________
10. Total Direct Operating Costs. Add the amounts on lines 4 and 9 .... ________

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Deduction for Acquisition Costs — Schedule B.13

15 AAC 12.250. DEDUCTION FOR ACQUISITION COSTS. (a) A taxpayer's acquisition costs for a lease or property in the state that has never had commercial production from (or allocated to) it from any zone are deferred for purposes of this chapter until either there is commercial production from (or allocated to) it or until the lease or property is abandoned without ever having had commercial production from (or allocated to) it.

(b) If a lease or property is abandoned, then the taxpayer's unamortized acquisition costs for that lease or property are a deduction in determining the taxpayer's taxable production income for the year in which the lease or property is abandoned. If only part of the lease or property is thus abandoned, the unamortized acquisition costs for that lease or property must be apportioned to that abandoned portion on the basis of acreage.

(c) A taxpayer's acquisition costs for a lease or property having commercial production from (or allocated to) it during a year must be amortized, and the amount of amortization that year for those acquisition costs is a deduction in determining the taxpayer's taxable production income for the year. Except for cases when (d) of this section applies, the amount of amortization in a year for a lease or property equals the taxpayer's unamortized acquisition costs as of the beginning of that year, multiplied by the ratio of the Btu-equivalents of the production from (or allocated to) that lease or property during the year, to the total number of the Btu-equivalents represented by the remaining proved reserves (both developed and undeveloped) of that lease or property as of the beginning of the year.

(d) During a year it may happen that a taxpayer transfers part or all of its production interest in a commercially producing lease or property to one or more third parties or receives part or all of a production interest in a lease or property as the result of a transfer from one or more third parties. In such a case, the taxpayer receiving the production interest and the taxpayer transferring the production interest shall each calculate its respective amortization of acquisition costs for that portion of the year preceding the transfer separately from its amortization of acquisition costs for that portion of the year following the transfer; and the sum of each taxpayer's respective amortization of acquisition costs for those two portions of the year will be a deduction in determining that taxpayer's taxable production income for that year. In calculating amortization for the portion of the year preceding the date of the transfer, the taxpayer shall use the procedure prescribed in (c) of this section, except that the ratio of the Btu-equivalents of production may include only the taxpayer's production from (or allocated to) the lease or property for the portion of the year preceding the date of the production-interest transfer. For that portion of the year following the transfer, the amount of amortization equals the taxpayer's unamortized acquisition costs as of the time immediately following the production interest transfer, multiplied by the ratio of Btu equivalents of the taxpayer's production from (or allocated to) the lease or property for the portion of the year on and after the date of the transfer to the total number of Btu-equivalents represented by the taxpayer's remaining proved reserves (both developed and undeveloped) of the lease or property as of the time immediately following the production-interest transfer.

(continued)

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(e) The amount of a taxpayer's unamortized acquisition costs for a lease or property as of a particular date equals the taxpayer's acquisition costs for its original production interest in the lease or property, plus the unamortized acquisition costs for each production interest in the lease or property transferred to the taxpayer on or before that date, and minus the sum of (1) the unamortized acquisition costs for each production interest in the lease or property transferred from the taxpayer on or before that date, (2) the cumulative amount (as of that date) of the taxpayer's acquisition costs for the lease or property that has been allowed under this section for amortization or abandonment, and (3) the taxpayer's standardized prior-tax amortization for the lease or property under sec. 630. of this chapter.

(f) A taxpayer amortizing its acquisition costs for a lease or property for financial accounting purposes on a basis other than a variant of unit-of-production amortization may apply to the department for authorization to use that other basis for purposes of calculating the deduction under this section. Upon a satisfactory showing that the taxpayer does use another basis for amortizing its acquisition costs for financial accounting purposes, the department may grant the requested authorization to the taxpayer. Until that authorization is granted in writing, the taxpayer shall follow the method prescribed in this section to amortize its acquisition costs for leases or properties in the state.

(g) The amount of a taxpayer's acquisition costs for a lease or property equals the taxpayer's net payments for

(1) cash bonus or comparable advance payment to acquire the lease or property;

(2) drilling costs for wells bottomed on the lease or property which were completed or abandoned no later than the completion of the discovery well for the field that includes the lease or property and which were spudded after the acquisition of the lease or property or in fulfillment of a condition or requirement to acquire or retain the lease or property;

(3) tax paid under AS 43.56 to the state (net of all credits and refunds for municipal ad valorem taxes on the same property) for property used on or for the lease or property after its acquisition and before the completion of the discovery well for the field that includes the lease or property or for property used in the drilling described in (2) of this subsection, and ad valorem and other taxes paid to one or more municipalities under AS 29.53 that were incurred for the drilling referred to in (2) of this subsection or for property or operations on or for the lease or property after its acquisition and before the completion of that discovery well;

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(4) that portion of the full consideration given by the taxpayer in acquiring a production interest in the lease or property which is properly attributable to the acquisition of the lease or property (as opposed to the wells, facilities and equipment on or in support of the lease or property which directly result in or are necessary for continued or enhanced production from (or allocated to) the lease or property);

(5) interest on capital borrowed from one or more third parties for any of the expenditures described in (1) - (4) of this subsection that was capitalized for purposes of the taxpayer's financial accounting; however, interest so capitalized may be recognized for purposes of this chapter at a rate not to exceed the composite cost of the taxpayer's borrowed capital from third parties as reflected in the taxpayer's financial accounting for the year in which the interest is capitalized.

Property or Lease Abandoned During the Year. 15 AAC 12.250(b).

Column (a): Enter the location of the abandoned property or lease.

Column (b): Enter the total acreage in the entire property or lease.

Column (c): Enter the total acreage in the property or lease abandoned during this year.

Column (d): Divide the acreage in column (c) by the acreage in column (b). Enter the quotient as a amount (Quotient should be to six figures) in this column.

Column (e): Enter the amount of the taxpayer's unamortized acquisition costs attributable to the total lease or property acreage in column (b).

Column (f): Multiply the amount in column (e) by the amount in column (d) and enter the product in column (f):

Line	col. (a) Abandoned Property or Lease Location	col. (b) Total Acreage In: Lease or Property	col. (c) Total Acreage In: Abandoned Lease or Property	col. (d) (c) ÷ (b)	col. (e) Unamortized Cost	col. (f) Allowable Acquisition Cost Deduction
1.						
2.						
3.						
4.						
5.						
6.	Total. Add the amounts in column (f), lines 1-5					

(Attach a separate schedule if more than five properties or leases were abandoned this year.)

(continued)

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Alaska Department of Revenue
Oil and Gas Corporate Income Tax Return

Deduction for Acquisition Costs — Schedule B.13(b)

DO NOT INCLUDE ON LINES 7-21 ANY EXPENSES OF A PRODUCTION INTEREST TRANSFERRED TO OR FROM THE TAXPAYER OR ANY ABANDONMENT COSTS CLAIMED ON LINE 6.

Submit a completed Schedule B.13(b) for each lease or property.

7. Cash Bonus (or comparable advance payment).
   15 AAC 12.250(g)(1) .... ________

8. Drilling Costs for Wells Bottomed.
   15 AAC 12.250(g)(2) .... ________

9. Taxes Paid Under AS 43.56.
   15 AAC 12.250(g)(3) .... ________

10. Taxes Paid Under AS 29.53.
    15 AAC 12.250(g)(3) .... ________

11. Other Consideration(s).
    15 AAC 12.250(g)(4) .... ________

12. Interest. 15 AAC 12.250(g)(5) .... ________

13. Total. Add the amounts on lines 7 - 12 .... ________

14. Cumulative Amount of AS 43.21 Acquisition Costs Allowed.
    15 AAC 12.250(b) and (e). (Attach schedule) .... ________

15. Standardized Prior-Tax Amortization. 15 AAC 12.630 ...... ________

16. Add amounts on lines 14 and 15 .... ________

17. Net Acquisition Costs.
    Amount on line 13 less amount on line 16 .... ________

18. Btu Equivalents of Production from (or allocated to)
    the Lease or Property During This Tax Year .... ________

19. Total Reserve Btu-Equivalents. 15 AAC 12.250(c) .... ________

20. Divide the amount on line 18 by amount on line 19.
    (Quotient should be to six figures) .... ________

21. Acquisition Cost Deduction. Amount on line 17
    multiplied by the amount on line 20 .... ________

(continued)

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Alaska Department of Revenue
Oil and Gas Corporate Income Tax Return

Deduction for Acquisition Costs — Schedule B.13(c)

Amortization of acquisition costs applicable to a commercially producing lease or property which had all or part of a production interest transferred during the period covered by this Return:

Enter on lines 22-32 expenses as of the beginning of the year for such lease or property. 15 AAC 12.250(e). Submit a completed Schedule B.13(c) for each such commercially producing lease or property. Do not include any acquisition costs attributable to any lease or property abandoned during the year.

Depreciation for Portion of Year Preceding Transfer.

22. Cash Bonus (or comparable advance payment). 15 AAC 12.250(g)(1) .... ______
23. Drilling Costs for Wells Bottomed. 15 AAC 12.250(g)(2) .... ______
24. Taxes Paid Under AS 43.56. 15 AAC 12.250(g)(3) .... ______
25. Taxes Paid Under AS 29.53. 15 AAC 12.250(g)(3) .... ______
26. Other Consideration(s). 15 AAC 12.250(g)(4) .... ______
27. Interest. 15 AAC 12.250(g)(5) .... ______
28. Total. Add the amounts on line 22-27 .... ______
29. Cumulative Amount of AS 43.21 Acquisition Costs Allowed as of the Beginning of the Year 15 AAC 12.250(b) and (c). (Attach schedule) .... ______
30. Standardized Prior-Tax Amortization. 15 AAC 12.630 .... ______
31. Add amounts on lines 29 and 30 .... ______
32. Net Acquisiton Costs of Production Interest. Amount on line 28 less amount on line 31 .... ______
33. Date and Description of Production Interest Transferred. (Attach schedule).
34. Btu-Equivalents of Production Realized from Production Interest for the Portion of the Year Preceding the Transfer. (Attach schedule) .... ______
35. Total Btu-Equivalents of Remaining Proved Reserves (both developed and undeveloped) of the Production Interest as of the Beginning of the Year .... ______
36. Divide the amount on line 34 by the amount on line 35. (Quotient should be to six figures) .... ______
37. Allowable Acquisiton Costs Prior to Transfer. Multiply the amount on line 32 by the amount on line 36 .... ______

(continued)

Alaska Department of Revenue
Oil and Gas Corporate Income Tax Return

Deduction for Acquisition Costs — Schedule B.13(c)

Depreciation for Portion of Year Following Transfer.

Enter on lines 38-44 expenses of such Lease or Property Following the Production Interest Transfer.

38. Cash Bonus (or comparable advance payment). 15 AAC 12.250(g)(1) .... ______
39. Drilling Costs for Wells Bottomed. 15 AAC 12.250(g)(2) .... ______
40. Taxes Paid Under AS 43.56. 15 AAC 12.250(g)(3) .... ______
41. Taxes Paid Under AS 29.53. 15 AAC 12.250(g)(3) .... ______
42. Other Consideration(s). 15 AAC 12.250(g)(4) .... ______
43. Interest. 15 AAC 12.250(g)(5) .... ______
44. Total. Add the amounts on lines 38-43 .... ______
45. Cumulative amount of AS 43.21 Acquisition Costs Allowed as of the Time Immediately Before the Transfer. 15 AAC 12.250 (b) and (e). (Attach schedule) .... ______
46. Standardized Prior-Tax Amortization. 15 AAC 12.630 .... ______
47. Add the Amounts on lines 45 and 46 .... ______
48. Net Acquisition Costs of Production Interest. Amount on line 44 less amount on line 47 .... ______
49. Btu-Equivalents of Production Realized from Production Interest for the Portion of the Year On and After the Transfer Date. (Attach schedule) .... ______
50. Total Btu-Equivalents Of Remaining Proved Reserves (both developed and undeveloped) of the Production Interest as of the Time Immediately Following the Production Interest Transfer .... ______
51. Divide the amount on line 49 by the amount on line 50. (Quotient should be to six figures) .... ______
52. Allowable Acquisition Costs Following Transfer. Multiply the amount on line 48 by the amount on line 51 .... ______
53. Allowable Acquisition Cost Deduction. Add the amounts on lines 37 and 52 .... ______

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Deduction for Development Costs | Schedule B.14

15 AAC 12.260. DEDUCTION FOR DEVELOPMENT COSTS. (a) A taxpayer's development costs for a lease or property in the state that has never had commercial production from (or allocated to) it from any zone are deferred for purposes of this chapter until either there is production from (or allocated to) it or until the lease or property is abandoned without ever having had commercial production from (or allocated to) it.

(b) If a lease or property is abandoned without ever having had commercial production from (or allocated to) it, then the taxpayer's undepreciated development costs for that lease or property are a deduction in determining that taxpayer's taxable production income for the year in which the lease or property is abandoned.

(c) Except for development costs to which (d) or (e) of this section applies, a taxpayer's development costs for a lease or property having commercial production from (or allocated to) it during a year must be depreciated, and the amount of depreciation that year for those development costs is a deduction in determining the taxpayer's taxable production income for the year. The amount of depreciation in a year for a lease or property equals

(1) the average between the taxpayer's undepreciated development costs for the lease or property as of the beginning of the year and those costs as of the end of the year; multiplied by

(2) the ratio of the Btu-equivalents of the production from (or allocated to) that lease or property during the year, to the total number of the Btu equivalents represented by the remaining proved development reserves for that lease or property as of the beginning of that year.

(d) A taxpayer's undepreciated development costs for wells of a lease or property that are abandoned during a year or for facilities or equipment for the lease or property which are removed during the year are excluded from the development costs that are to be depreciated that year under (c) of this section for that lease or property. Instead, the undepreciated development costs for those wells, facilities or equipment as of the beginning of the year, offset by their salvage value (if any), are a deduction in determining the taxpayer's taxable production income for the year in which they are removed.

(continued)

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(e) During a year it may happen that a taxpayer transfers part or all of its production interest in a commercially producing lease or property to one or more third parties or receives part or all of a producing interest in a lease or property as the result of a transfer from one or more third parties. In such a case, the taxpayer receiving the production interest and the taxpayer transferring the production interest shall each calculate its respective depreciation of development costs for that portion of the year preceding the transfer separately from its depreciation of development costs for that portion of the year following the transfer; and the sum of each taxpayer's respective depreciation of development costs for those two portions of the year will be a deduction in determining that taxpayer's taxable production income for that year. In calculating depreciation for the portion of the year preceding the date of the transfer, the taxpayer shall use the procedure prescribed in (c) of this section, except that the ratio of the Btu-equivalents of production may include only the taxpayer's production from (or allocated to) the lease or property for the portion of the year preceding the date of the production-interest transfer. For that portion of the year following the transfer, the amount of depreciation equals the average of the taxpayer's undepreciated development costs as of the time immediately following the production-interest transfer and as of the end of the year multiplied by the ratio of Btu-equivalents of the taxpayer's production from (or allocated to) the lease or property for the portion of the year on and after the date of the transfer to the total number of Btu-equivalents represented by the taxpayer's remaining proved developed reserves of the lease or property as of the time immediately following the production-interest transfer.

(f) The amount of a taxpayer's undepreciated development costs for a lease or property as of a particular date equals the taxpayer's development costs as of that date for the wells, facilities and equipment for that lease or property that are then in place, minus the sum of (1) the cumulative amount (as of that date) allowed under this chapter for depreciation of the taxpayer's development costs for the lease or property and (2) the taxpayer's standardized prior tax depreciation for the lease or property under sec. 630 of this chapter.

(g) A taxpayer depreciating its development costs for a lease or property for financial accounting purposes on a basis other than a variant of unit-of-production depreciation may apply to the department for authorization to use that other basis for purposes of calculating the deduction under this section. Upon a satisfactory showing that the taxpayer does use another basis for depreciating its development costs for financial accounting purposes, the department may grant the requested authorization to the taxpayer. Until that authorization is granted in writing, the taxpayer shall follow the method prescribed in this section to depreciate its development costs for leases or properties in the state for purposes of this chapter.

(h) The amount of a taxpayer's development costs for a lease or property equals the taxpayer's net payments for

(1) drilling costs for wells drilled on or for the lease or property which were completed or abandoned after the completion of the discovery well for the field that includes the lease or property,

(continued)

(2) development costs for facilities and equipment on or in support of the lease or property that directly result in or are necessary for continued or enhanced production from (or allocated to) the lease or property,

(3) tax paid under AS 43.56 to the state (net of all credits and refunds for municipal ad valorem taxes on the same property) for property used in the drilling described in (1) of this subsection or described in (2) of this subsection, and ad valorem and other taxes paid to one or more municipalities under AS 29.53 that were incurred directly as the result of, and in the course of, the drilling described in (1) of this subsection and/or the installation or operation of the property described in (2) of this subsection,

(4) that portion of the full consideration given by the taxpayer in acquiring a production interest in the lease or property, which is properly attributable to the wells, facilities and equipment on or in support of the lease or property which directly result in or are necessary for continued or enhanced production from (or allocated to) the lease or property (as opposed to the consideration given for the lease or property itself),

(5) interest on capital borrowed from one or more third parties for any of the expenditures described in (1) - (4) of this subsection that was capitalized for purposes of the taxpayer's financial accounting; however, interest so capitalized may be recognized for purposes of this chapter at a rate not to exceed the composite cost of the taxpayer's borrowed capital from third parties as reflected in the taxpayer's financial accounting for the year in which the interest is capitalized.

Submit a completed Schedule B.14(a) for each lease or property.

Property Abandoned During the Year. 15 AAC 12.260(b) and (d).

1. Total Undepreciated Development Costs as of the Beginning of the Year Directly Related to Leases, Properties, Facilities, Wells and/or Equipment which was Abandoned or Removed During the Year. (Attach schedule). .... ________

2. Date(s) and Location(s) of Property Abandoned. (Attach schedule)

3. Salvage Value Attributable to Line 1 Property, above. (Attach schedule).. ________

4. Development Cost Deduction. Amount on line 1 less amount on line 3..... ________

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(continued)

Alaska Department of Revenue
Oil and Gas Corporate Income Tax Return

Deduction for Development Costs

Schedule B.14(b)

Submit a completed Schedule B.14(b) for each lease or property.

Enter on lines 5-9 all Alaska Development Costs, EXCEPT THOSE ATTRIBUTABLE TO A PRODUCTION INTEREST(S) WHICH WAS TRANSFERRED TO OR FROM THE TAXPAYER, AND/OR ANY LEASES, PROPERTIES, FACILITIES, WELLS, AND/OR EQUIPMENT ABANDONED OR REMOVED DURING THE YEAR.

		(a) Amount at Beginning of Year	(b) Amount at End of Year
5.	Drilling Costs. 15 AAC 12.260(h)(1)		
6.	Development Costs. 15 AAC 12.260(h)(2)		
7.	Taxes. 15 AAC 12.260(h)(3)		
8.	Consideration. 15 AAC 12.260(h)(4)		
9.	Interest. 15 AAC 12.260(h)(5)		
10.	Total. Add amounts on lines 5-9		
11.	Enter the amount on line 10, col. (a), here		
12.	Add line 10 column (b) and line 11		
13.	Average Development Costs. Divide the amount on line 12 by 2		

Reductions to amount on line 13.

14. Cumulative Amount of AS 43.21 Depreciation Allowed. 15 AAC 12.260(f)(1) ....

15. Standardized Prior-Tax Depreciation. 15 AAC 12.630 ....

16. Add amounts on lines 14 and 15 ....

17. Undepreciated Development Costs. Subtract the amount on line 16 from the amount on line 13 ....

18. Btu-Equivalents of Production from (or allocated to) the Lease or Properties during the Year ....

19. Total Btu-Equivalents. (Developed proved reserves only) ....

20. Divide the amount on line 18 by the amount on line 19 (Quotient should be to six figures) ....

21. Development Cost Deduction. Multiply the amount on line 17 by the amount on line 20 ....

(continued)

Deduction for Development Costs — Schedule B.14(c)

Depreciation of development costs applicable to a commercially producing lease or property which had all or part of a production interest transferred during the period covered by this Return.

Enter on lines 22-27 Alaska development costs for such lease or property. Do not include any development costs attributable to any leases, properties, facilities, wells and/or equipment abandoned or removed during the year. Submit a completed Schedule B.14(c) for each such commercially producing lease or property.

	(a) Amount at Beginning of Year	(b) Amount Immediately Prior to Transfer Date	(c) Amount Immediately Following the Date of Transfer	(d) Amount at End of Year
22. Drilling Costs. 15 AAC 12.260(h)(1)				
23. Development Costs. 15 AAC 12.260(h)(2)				
24. Taxes. 15 AAC 12.260(h)(3)				
25. Consideration. 15 AAC 12.260(h)(4)				
26. Interest. 15 AAC 12.260(h)(5)				
27. Total. Add the amounts on lines 22-26				

28. Average Development Costs for Portion of Year Preceding Transfer. Add lines 27(a) and 27(b) then divide the sum by 2 .... ________

29. Average Development Costs for Portion of Year Following Transfer. Add lines 27(c) and 27(d) then divide the sum by 2 ....

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(continued)

Deduction for Development Costs — Schedule B.14(c)

Depreciation for Portion of Year Preceding Transfer

30. Cumulative amount of AS 43.21 Depreciation Allowed as of Beginning of the Year. 15 AAC 12.260(f)(1) .... ______
31. Standardized Prior-Tax Depreciation. 15 AAC 12.630 .... ______
32. Add amounts on lines 30 and 31 .... ______
33. Undepreciated Development Costs. Subtract the amount on line 32 from the amount on line 28 .... ______
34. Date and Description of Production Interest Transferred. (Attach schedule.)
35. Btu-Equivalents of Production for the Portion of the Year Preceding the Transfer. (Attach schedule) .... ______
36. Total Btu-Equivalents Represented by the Taxpayer's Remaining Proved Developed Reserves of the Production Interest Immediately Prior to Transfer. 15 AAC 12.260(e) .... ______
37. Divide the amount on line 35 by the amount on line 36. (Quotient should be to six figures) .... ______
38. Development Costs Deductible Prior to Transfer. Multiply the amount on line 33 by the amount on line 37 .... ______

Depreciation for Portion of Year Following Transfer

39. Cumulative amount of AS 43.21 Depreciation Allowed as of the Time Immediately Before the Transfer. 15 AAC 12.260(f)(1) .... ______
40. Standardized Prior-Tax Depreciation. 15 AAC 12.630 .... ______
41. Add amounts on lines 39 and 40 .... ______
42. Undepreciated Development Costs. Subtract the amount on line 41 from the amount on line 29 .... ______
43. Btu-Equivalents of Production for that Portion of the Year On and After the Transfer Date. (Attach schedule) .... ______
44. Total Btu-Equivalents Represented by the Taxpayer's Remaining Proved Developed Reserves of the Production Interest Immediately Following Transfer. 15 AAC 12.260(e). (Attach schedule) .... ______
45. Divide the amount on line 43 by the amount on line 44. (Quotient should be to six figures) .... ______
46. Development Costs Deductible Following Transfer. Multiply the amount on line 42 by the amount on line 45 .... ______
47. Development Costs Deductible for Production Interest Transferred During the Year. Add lines 38 and 46 .... ______

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Deduction for Exploration Costs | Schedule B.15

15 AAC 12.270. DEDUCTION FOR EXPLORATION COSTS. (a) A taxpayer's costs (excluding all general overhead and administrative expense allocated to the exploration) for oil and gas exploration on land in the state before the taxpayer has any production interest in that land constitute a deduction in determining the taxpayer's taxable production income for the earlier of (1) the year in which the permit or other authorization to enter that land to conduct that exploration expires without the taxpayer's having by then acquired a production interest in that land or (2) the year the taxpayer acquires a production interest in that land; except that the drilling costs for a well drilled in the course of that exploration may be deducted in determining the taxpayer's taxable production income for only that year in which the well is completed or abandoned.

(b) A taxpayer's exploration costs incurred in a project involving land both within and outside the state and in which the taxpayer then has no production interest should be allocated on the basis of relative acreage involved in the project. The department may authorize or require such an allocation to be on another basis if that is more appropriate than using acreage.

Column (a): Enter project or activity name or other identifier.
Column (b): Enter the total geological or geophysical costs for oil or gas exploration attributable to the activity or project identified in column (a).
Column (c): Enter the total drilling costs for oil or gas exploration attributable to the activity or project identified in column (a).
Column (d): Enter the sum of the amounts in columns (b) and (c).
Column (e): Enter the number of acres (miles shot or footage drilled) in Alaska attributable to the activity or project identified in column (a).
Column (f): Enter the number of acres (miles shot or footage drilled) for the entire activity or project identified in column (a).
Column (g): Enter the quotient (to six figures) obtained by dividing the amount in column (e) by the amount in column (f).
Column (h): Enter the product obtained by multiplying the amount in column (d) by the quotient in column (g).

	(a) Identify the Exploration Activity or Project	(b) Geological/ Geophysical Costs	(c) Drilling Costs	(d) Total, col. (b) and col. (c)	(e) Number of Acres (miles shot or footage drilled) in Alaska	(f) Total Acres (miles shot or footage drilled) in project or Activity	(g) col. (d) ÷ col. (e)	(h) Allowable Exploration Cost Deduction. col. (f) x col. (g)
1.								
2.								
3.								
4.								
5.								
6.								
7.								
8.								
9.								
10.	Total							

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Deduction for Uncapitalized Interest   Schedule B.16

15 AAC 12.280. DEDUCTION FOR UNCAPITALIZED INTEREST. (a) Subject to the limitation in (b) of this section, a deduction is allowed in determining a taxpayer's taxable production income during a year for interest paid to third parties by the taxpayer that year which was not capitalized by the taxpayer for financial accounting purposes.

(b) The deduction under (a) of this section for interest by a taxpayer for any year may not exceed an amount equal to the total interest of which the taxpayer is a part, multiplied by a fraction whose numerator equals the net book value (as of the end of the year) for financial accounting purposes of the taxpayer's real and tangible personal property of the type described in secs. 250 and 260 of this chapter (excluding the estimated value of the taxpayer's remaining oil and gas reserves), and whose denominator is the net book value (as of the end of the year) for financial accounting purposes of all real and tangible personal property (excluding the estimated value of remaining oil and gas reserves) worldwide of the consolidated business of which the taxpayer is a part.

Submit a completed Schedule B.16 for each lease or property.

1. Total Interest Paid by or for the Taxpayers'. 15 AAC 12.280(a) .... ________

2. Total Interest Paid by Consolidated Business Worldwide. 15 AAC 12.280(b) .... ________

3. Book Value of Taxpayers' 15 AAC 12.250 Real and Tangible Personal Property (excluding oil and gas reserves) ________

4. Book Value of Taxpayers' 15 AAC 12.260 Real and Tangible Personal Property (excluding oil and gas reserves) ________

5. Add the amounts on lines 3 and 4 and enter here ..... ________

6. Book Value of All Worldwide Real and Tangible Personal Property of the Consolidated Business (excluding oil and gas reserves) .... ________

7. Divide the amount on line 5 by the amount on line 6. (Quotient should be to six figures) .... ________

8. Multiply the amount on line 2 by the amount on line 7 and enter here: .... ________

9. Uncapitalized Interest Deduction. Enter the smaller of the amounts on line 1 or line 8... ________

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Deduction for General Overhead and Administrative Expenses — Schedule B.17

15 AAC 12.290. DEDUCTION FOR GENERAL OVERHEAD AND ADMINISTRATIVE EXPENSE. (a) Subject to the limitation in (b) of this section, a deduction is allowed in determining a taxpayer's taxable production income during a year, for the taxpayer's general overhead and administrative expense during that year which is properly allocated (on the basis of personnel time sheets, office space or another basis having general currency in the oil and gas industry) to (1) operations for leases or properties in the state, (2) acquiring leases or properties in the state, or (3) exploration in the state. Where general overhead and administrative expense is properly allocated to an activity described in the preceding sentence that is conducted both within and outside the state, that general overhead and administrative expense must be allocated to in-state activity on the basis of the relative acreage involved in that activity which is in the state; however, the department will, in its discretion, authorize or require another basis for this allocation if that other basis is more appropriate than acreage.

(b) The deduction under (a) of this section for a taxpayer's general overhead and administrative expense for any year may not exceed the lesser of

(1) an amount equal to the taxpayer's own general overhead and administrative expense worldwide during that year, multiplied by a fraction whose numerator equals the net book value (as of the end of the year) for financial accounting purposes of the taxpayer's real and tangible personal property of the type described in secs. 250 and 260 of this chapter (excluding the estimated value of the taxpayer's remaining oil and gas reserves), and whose denominator is the net book value (as of the end of the year) for financial accounting purposes of all real and tangible personal property (excluding the estimated value of remaining oil and gas reserves) worldwide of the consolidated business of which the taxpayer is a part; or

(2) an amount equal to 12 cents for each barrel of the taxpayer's gross share of oil production during that year from leases or properties in the state, plus two cents for each Mcf of the taxpayer's gross share of gas production during that year from leases or properties in the state.

(continued)

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Alaska Department of Revenue
Oil and Gas Corporate Income Tax Return

Deduction for General Overhead and Administrative Expenses Schedule B.17

Submit a completed Schedule B.17 for each lease or property.

General Overhead and Administrative Expense Attributable to Taxpayers' Leases or Properties Solely in Alaska for:

1. The Operation of Leases or Properties ....________

2. Acquiring Leases or Properties ....________

3. Exploration ....________

4. Total. Add the amounts on lines 1 - 3 ....________

If there are no General Overhead and Administrative Expenses attributable to projects conducted both within and outside Alaska, skip lines 5 - 12 and enter the amount on line 4 on line 13.

General Overhead and Administrative Expenses Attributable to Taxpayers' Leases or Properties Within and Outside Alaska (do not include any amounts included on line 4, above) for:

5. The Operation of Leases or Properties ....________

6. Acquiring Leases or Properties ....________

7. Exploration ....________

8. Add the amounts on lines 5, 6 and 7 ....________

Have you been authorized or required by the department to use another basis for allocation other than acreage? If so skip lines 9 and 10 and enter the allocation factor on line 11.

9. Alaska Acreage Attributable to Amount on Line 8 ....________

10. Total Acreage Attributable to Amount on Line 8 ....________

11. Divide the amount on line 9 by the amount on line 10. (Quotient should be to six figures) ....________

12. General Overhead and Administrative Costs Deductible. Multiply the amount on line 8 by the amount on line 11 ....________

13. Add the amounts on lines 4 and 12 and enter here ....________

(continued)

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Alaska Department of Revenue
Oil and Gas Corporate Income Tax Return

Deduction for General Overhead and Administrative Expenses — Schedule B.17

Limitation:

14. General Overhead and Administrative Expenses of the Consolidated Business Worldwide .... ________

15. Book Value of Taxpayers' 15 AAC 12.250 Real and Tangible Personal Property (excluding oil and gas reserves) .... ________

16. Book Value of Taxpayers' 15 AAC 12.260 Real and Tangible Personal Property (excluding oil and gas reserves) .... ________

17. Add the amounts on lines 15 and 16 and enter here: .... ________

18. Book Value of All Worldwide Real and Tangible Personal Property of the Consolidated Business (excluding oil and gas reserves) .... ________

19. Divide the amount on line 17 by the amount on line 18. (Quotient should be to six figures) .... ________

20. Multiply the amount on line 14 by the amount on line 19 .... ________

21. Enter the taxpayer's share of units of production during the tax year: (a) OIL (BBLS)...... ________
(b) GAS (MCF)...... ________

22. (a) Multiply the amount on line 21 (a) by 12¢ ________
(b) Multiply the amount on line 21 (b) by 2¢ ________
(c) Total. Add the amounts on lines 22(a) and (b)........ ________

23. Deductible General Overhead and Administrative Expense. Enter the smallest of the amounts on lines 13, 20 or 22(c) .... ________

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Alaska Department of Revenue
Oil and Gas Corporate Income Tax Return

Oil Pipeline Income (Loss) Schedule C

General Instruction: A completed FERC Form P containing the operating income and expense pertaining to the pipeline transportation of oil in Alaska for the period covered by this Return must be attached to this Schedule.

Enter on Line 1 the total current operating revenue from the pipeline transportation of oil in Alaska during the period covered by this Return. This income is composed of all gathering, trunk, delivery, allowance oil, storage and demurrage, rental and incidental revenue, which must agree with the total on Schedule 300 of FERC Form P, attached.

Enter on Line 2 the total current operating expenses, excluding uncapitalized interest, incurred for the pipeline transportation of oil in Alaska during the period covered by this Return. The total of these expenses must agree with the total on Schedule 320 of FERC Form P, attached.

Enter on Line 4 all uncapitalized interest paid or accrued to third parties during the period covered by this Return on borrowed capital to construct or enlarge the facilities of Alaska oil pipelines. Attach a schedule of total amounts paid or accrued to each payee.

Enter on Line 5 all taxes paid or accrued during the period covered by this Return, except federal income and Alaska oil and gas corporate income taxes, related to carrier property, operations, privileges and licenses for oil pipeline transportation activities in Alaska. Attach a schedule of total amounts paid or accrued to each payee.

Enter on Line 8 any extraordinary operating revenues or losses as detailed on Schedule C.1.

Submit a completed Schedule C for each Pipeline Company.

1. Operating Revenues. (From Schedule 300, FERC Form P) ....

2. Operating Expenses. (From Schedule 320, FERC Form P) ....

3. Line 1 less line 2 ....

4. Uncapitalized Interest. (Attach schedule) ....

5. Taxes. (Attach schedule) ....

6. Total, lines 4 and 5 ....

7. Line 3 less line 6 ....

8. Extraordinary Oil Pipeline Operating Revenue (Loss). (Schedule C.1, line 4) ....

9. Taxable Oil Pipeline Income (Loss). Amount on line 7 plus or (minus) amount on line 8 ....

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Alaska Department of Revenue
Oil and Gas Corporate Income Tax Return

Extraordinary Oil Pipeline Operating Revenue (Loss) **Schedule C.1**

Submit a completed Schedule C.1 for each Pipeline Company.

Enter on Line 1 the amount of any extraordinary operating revenue or (loss) resulting from a legally allowed retroactive increase or decrease in Alaska oil pipeline transportation tariffs during the period covered by this Return. The amount of the extraordinary operating revenue or extraordinary operating loss in such a case equals the difference between the operating revenue actually received under the tariff(s) previously charged and the operating revenue that would have been received under the tariff(s) as retroactively changed, during the period to which the change applies.

Indicate the effective date(s) of any such retroactive changes and the period covered by each.

Effective Date:	Tariff Change From	Tariff Change To	Period Covered From	Period Covered To	Volume subject to each change

Enter on Line 2 the amount of any catastrophic loss(es), during the period covered by this Return, related to Alaska oil pipeline property or the pipeline transportation of oil. The amount of those extraordinary operating losses equals the pipeline's costs, unreimbursed by insurance or from one or more third parties and not included in account 570 of FERC's Uniform System of Accounts for oil pipelines for damage to pipeline property, for repayment to shippers for lost oil, and for damage or clean-up of spilled oil. These extraordinary operating losses are fully recognized for purposes of this chapter in the year when the oil is lost.

Attach an explanation describing any losses claimed.

Enter on line 3 the costs of permanently terminating operations and/or removing part or all of the facilities and equipment of a pipeline. The amount of those extraordinary operating losses in a year equals the unreimbursed termination and removal costs for the pipeline that are actually incurred that year, offset by the salvage value (if any) of the removed facilities and equipment.

Operating Revenue or (Loss) Resulting From:

1. Retroactive Tariff Increase(s) or (Decrease(s)) .... ________
2. Catastrophic Losses. (Attach schedule) .... (________)
3. Termination Costs. (Attach schedule) .... (________)
4. Extraordinary Oil Pipeline Operating Revenue (Loss).
   Add lines 1, 2 and 3 .... ________

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Alaska Department of Revenue
Oil and Gas Corporate Income Tax Return

Taxable Gas Pipeline Transportation Income (Loss) Schedule D

Submit a completed Schedule D for each Pipeline Company.

General Instructions: A completed APUC Form 2 containing the operating income and expense pertaining to the pipeline transportation of natural gas in Alaska, for the period covered by this Return, must be attached to this Schedule.

1. Taxable Gas Pipeline Income (Loss) of a Natural Gas Company Regulated on a Consolidated Basis with a Retail Sales and Distribution System in Alaska. Enter amount from line 15, Schedule D.1 ....

2. Taxable Gas Pipeline Income (Loss) of a Class A or B Natural Gas Company Not Regulated on a Consolidated Basis with a Retail Sales and Distribution System in Alaska. Enter amount from line 35, Schedule D.2......................

3. Taxable Gas Pipeline Income (Loss) of a Class C or D Natural Gas Company Not Regulated on a Consolidated Basis with a Retail Sales and Distribution System in Alaska. Enter amount from line 20, Schedule D.3 ....

4. Taxable Gas Pipeline Transportation Income (Loss)......................
Add the amounts on lines 1, 2 and 3.

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Alaska Department of Revenue
Oil and Gas Corporate Income Tax Return

Taxable Gas Pipeline Income (Loss) of a Natural Gas Company Regulated on a Consolidated Basis with a Retail Sales and Distribution System in Alaska. — Schedule D.1

Submit a completed Schedule D.1 for each Pipeline Company.

ENTER AMOUNTS APPLICABLE TO NATURAL GAS PIPELINE TRANSPORTATION IN ALASKA

		FERC Account Number	Amount	
1.	Operating Revenue	400	X	
	Deductions			
2.	Operating Expense	401		
3.	Maintenance Expense	402		
4.	Depreciation Expense	403		
5.	Amortization of Underground Storage Land and Land Rights	404.2		
6.	Amortization of Other Limited Term Gas Plant	404.3		
7.	Amortization of Other Gas Plant	405		
8.	Amortization of Gas Plant Acquisition Adjustments	406		
9.	Amortization of Conversion Expenses	407.2		
10.	Taxes Other than Income Taxes	408.1		
11.	Interest on Long Term Debt	427		
12.	Total Deductions. Add lines 2 - 11			
13.	Line 1 less line 12			
14.	Extraordinary Gas Pipeline Operation Revenue (loss). (Schedule D.4, line 4)			
15.	Taxable Gas Pipeline Transportation Income (loss). Line 13 plus (minus) line 14			

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Alaska Department of Revenue
Oil and Gas Corporate Income Tax Return

Taxable Gas Pipeline Income (Loss) of a Class A or B Natural Gas Company Not Regulated on a Consolidated Basis with a Retail Sales and Distribution System in Alaska.

Schedule D.2

Submit a completed Schedule D.2 for each Pipeline Company.

		FERC Account Number	Amount
1.	Gross Proceeds from All Gas Delivered or Sold		
	Deductions		
2.	Natural Gas Wellhead ....) Purchases (.....	800	
3.	Natural Gas Field Line ....) From (.....	801	
4.	Natural Gas Plant Outlet ......) Third (.....	802	
5.	Natural Gas Transmission Line .) Parties (.....	803	
6.	Other Gas Purchases ....) (.....	805	
7.	Value at Point of Production of Gas Not Acquired from Third Parties		
8.	Total, lines 2-7		
9.	Operating Revenues. Line 1 less line 8		
	Operating Deductions		
10.	Operation Supervision and Engineering	850	
11.	System Control and Load Dispatching	851	
12.	Communication System Expenses	852	
13.	Compressor Station Labor and Expenses	853	
14.	Gas for Compressor Station Fuel	854	
15.	Other Fuel and Power for Compressor Stations	855	
16.	Mains Expenses	856	
17.	Measuring and Regulating Station Expenses	857	
18.	Transmission and Compression of Gas by Others ...	858	
19.	Other Expenses	859	
20.	Rents	860	
21.	Total Operations Deductions. Add lines 10-20.........................		
	Maintenance Deductions		
22.	Maintenance Supervision and Engineering	861	
23.	Maintenance of Structures and Improvements.......	862	
24.	Maintenance of Mains	863	
25.	Maintenance of Compressor Station Equipment	864	
26.	Maintenance of Measuring and Regulating Station Equipment	865	
27.	Maintenance of Communications Equipment	866	
28.	Maintenance of Other Equipment	867	
29.	Total Maintenance Deductions. Add lines 22-28........................		
30.	Uncapitalized Interest		
31.	Taxes		
32.	Total Deductions. Add lines 21,29,30 and 31		
33.	Line 8 less line 32		
34.	Extraordinary Gas Pipeline Operating Revenue (loss). (Schedule D.4, line 4)		
35.	Taxable Gas Pipeline Transportation Income (loss). Line 33 plus (minus) line 34		

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Alaska Department of Revenue
Oil and Gas Corporate Income Tax Return

Taxable Gas Pipeline Income (Loss) of a Class C or D Natural Gas Company Not Regulated on a Consolidated Basis with a Retail Sales and Distribution System in Alaska.

Schedule D.3

Submit a completed Schedule D.3 for each Pipeline Company.

	FERC Account Number		Amount
Operating Revenues			
1. Gross Proceeds from All Gas Delivered or Sold			
2. Natural Gas Purchases from Third Parties	730		
3. Other Gas Purchases from Third Parties	731		
4. Value at Point of Production of Gas Not Acquired from Third Parties			
5. Total, lines 2-4			
6. Operating Revenues. Line 1 less line 5			
Deductions			
7. Operation Supervision and Labor	750		
8. Compressor Station Fuel and Power	751		
9. Operation Supplies and Equipment	752		
10. Transmission and Compression of Gas by Others.....	753		
11. Rents	754		
12. Maintenance of Mains	755		
13. Maintenance of Compressor Station Equipment	756		
14. Maintenance of Other Plant	757		
15. Uncapitalized Interest			
16. Taxes			
17. Total Deductions. Add lines 7-16			
18. Line 6 less line 17			
19. Extraordinary Gas Pipeline Operating Revenue (Loss). (Schedule D.4, line 4)			
20. Taxable Gas Pipeline Transportation Income (Loss). Line 18 plus (minus) line 19			

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Alaska Department of Revenue
Oil and Gas Corporate Income Tax Return

Extraordinary Gas Pipeline Operating Revenue (Loss) — Schedule D.4

Submit a completed Schedule D.4 for each Pipeline Company.

Enter on Line 1 the amount of any extraordinary operating revenue or loss resulting from a legally allowed retroactive increase or decrease in Alaska gas pipeline transportation tariffs during the period covered by this Return.

The amount of the extraordinary operating revenue or extraordinary operating loss in such a case equals the difference between the operating revenue actually received under the tariff(s) previously charged and the operating revenue that would have been received under the tariff(s) as retroactively changed, during the period to which the change applies.

Indicate the effective date(s) of any such retroactive changes and the period covered by each:

Effective Date:	Tariff Change From	Tariff Change To	Period Covered From	Period Covered To	Volume Subject to each Change

Enter on Line 2 the amount of any catastrophic loss(es), during the period covered by this Return, related to Alaska gas pipeline property or the pipeline transportation of gas.

The amount of an extraordinary operating loss equals the pipeline costs, unreimbursed by insurance or from one or more third parties and not included in the pipeline's operating expense already deducted, for damage to pipeline property, for repayment to shippers for lost gas, and for damage or clean-up resulting from the loss of the gas. Such extraordinary operating loss is fully recognized for purposes of this chapter in the year when the gas is lost.

Attach an explanation describing any loss claimed.

Enter on Line 3 the amount authorized or required by FERC to be included in account 182 (Extraordinary Property Losses) for a gas pipeline. The account 182 extraordinary property losses are fully recognized for purposes of this chapter in the year in which incurred (account 182 refers to the account of that number in both FERC's Uniform System of Accounts for Class A and B natural gas companies and the one for Class C and D natural gas companies).

Operating Revenue or (Loss) Resulting From:

1. Retroactive Tariff Increase(s) or (Decrease(s)) .... ______
2. Catastrophic Loss ....(______)
3. Extraordinary Property Loss. (Account 182) ....(______)
4. Extraordinary Gas Pipeline Revenue (Loss). Add lines 1, 2 and 3 .... ______

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Alaska Department of Revenue
Oil and Gas Corporate Income Tax Return

Taxable Apportioned Income (Loss) — Schedule E

15 AAC 12.510. APPORTIONABLE INCOME. A taxpayer's apportionable income for a year equals

(1) the net income (calculated without regard to any taxes on or measured by net income) worldwide of the consolidated business of which the taxpayer is a part, as determined and certified by an independent certified public accountant (or, as appropriate, the foreign counterpart of a certified public accountant, such as a chartered accountant) for purposes of reporting that year's earnings and profits to the stockholders; minus either

(2) the sum (if greater than zero) of

(A) the taxpayer's taxable production income that year under sec. 100 of this chapter,

(B) the taxpayer's taxable oil pipeline income that year under sec. 300 of this chapter, and

(C) the taxpayer's taxable gas pipeline income that year under sec. 400 of this chapter; or

(3) zero, if the sum in paragraph (2) of this section is less than or equal to zero.

1. Worldwide Net Income (Loss) of the Consolidated Business. (Attach schedule) .... ______
2. All Taxes On or Measured By Net Income. (Attach schedule) .... ______
3. Add the amounts on lines 1 and 2 .... ______
4. Taxable Production Income (From Schedule B) .... ______
5. Taxable Oil Pipeline Income (From Schedule C) .... ______
6. Taxable Gas Pipeline Income (From Schedule D) .... ______
7. Add the amounts on lines 4, 5 and 6 and enter here; if less than zero enter -0- .... ______
8. Apportionable Net Income (Loss). Subtract the amount on line 7 from the amount on line 3 .... ______
9. Property Factor. (From Schedule E.1, line 16, col. (c)) .... ______
10. Payroll Factor. (From Schedule E.2, line 7, col. (c)) .... ______
11. Sales Factor. (From Schedule E.3, line 8, col. (c)) .... ______
12. Total Factors. Add the amounts on lines 9 - 11 .... ______
13. Average Factor. Divide the amount on line 12 by 3. (Quotient should be to six figures) .... ______
14. Taxable Apportioned Income (Loss). Multiply the amount on line 8 by the amount on line 13 (Enter also on Schedule A, line 4) .... ______

AGO 765811

Alaska Department of Revenue
Oil and Gas Corporate Income Tax Return

Alaska Property Factor — Schedule E.1

Instructions: Owned Real and Tangible Personal Property.

On a federal income tax basis (15 AAC 10.181(a)) enter the average original cost values of owned real and tangible personal property. Do not include leases or properties, other real property and tangible personal property in Alaska that is owned by the taxpayer and is used directly in, or is necessary for the continuation or enhancement of, exploration for oil and gas, production of oil and gas, and transportation of oil and gas by pipeline. The amount entered, however, must include all other owned properties used, available for or capable of being used in producing, directly or indirectly, income of the corporation(s) included in this return.

Include in column (a) the average original cost values of owned real and tangible personal property of the consolidated business of which the taxpayer is a part which is located in the United States but not in any state and which either

(1) is serviced or supplied from a base of operations maintained in Alaska, or

(2) relies on onshore facilities in Alaska for storage of oil or gas (or both) produced from or by that real and tangible personal property or both.

Owned Real and Tangible Personal Property.

	col. (a) Total Within Alaska	col. (b) Total Within and Outside Alaska	col. (c)
1. Inventories. (Attach a days-in port computation schedule, if applicable. See specific instruction 1(a), page 62)			
2. Buildings			
3. Machinery and Equipment			
4. Furniture and Fixtures			
5. Delivery Equipment			
6. Leasehold Improvements. (Attach a days in-port computation schedule, if applicable. See specific instruction 1(a), page 62)			
7. Land			
8. Marine Vessels. (Attach a days-in port computation schedule, if applicable. See specific instruction 1(a), page 62)			
9. Other Assets. (Describe on a separate schedule)			
10. Add the amounts on lines 1-9 and enter here.			
11. Construction in Progress (if included in lines 1-9 above)			
12. Total. Subtract the amount on line 11 from the amount on line 10			

(continued)

AGO 785812

Alaska Department of Revenue
Oil and Gas Corporate Income Tax Return

Alaska Property Factor

Schedule E.1

Instructions: Rented or Leased Property.

Refer to Specific Instruction number 4, Valuation of Rented Property, and Specific Instruction 1 (a) (ii) regarding special treatment for chartered marine vessels. All rents must be capitalized by multiplying the expense by eight and they must be entered in this subsection. Do not include rents paid for leases or properties, other real property and tangible personal property in Alaska that is rented by the taxpayer and is used directly in, or is necessary for the continuation or enhancement of exploration for oil and gas, production of oil and gas, and transportation of oil and gas by pipeline. Intercompany rents must be eliminated. The amount entered, however, must include all other rented properties used, available for or capable of being used in producing, directly or indirectly, income of the corporation(s) included in this return. Include in column (a) all properties rented or leased by the consolidated business of which the taxpayer is a part which is located in the United States but not in any state and which either

(1) is serviced or supplied from a base of operations maintained in Alaska, or

(2) relies on onshore facilities in Alaska for storage of oil or gas (or both) produced from or by that rented or leased property or both.

Rented or Leased Property.

	col. (a) Total Within Alaska	col. (b) Total Within and Outside Alaska	col. (c)
13. Chartered Marine Vessels, capitalized. (Attach a days in port computation schedule. See specific instruction 1(a), page [illegible].)			X
14. Other Rented Property, Capitalized. (Attach schedule)			X
15. Total Capitalized Rents. Add the amounts on lines 13 and 14			X
16. Property Factor. Add the amounts on lines 12 and 15 and enter here:			

(Divide the amount on line 16, column (a) by the amount on line 16, column (b). Enter the quotient, (to six figures) in column (c), and also on Schedule E, line 9.)

AGO 785813

Alaska Department of Revenue
Oil and Gas Corporate Income Tax Return

Alaska Payroll Factor

Schedule E.2

15 AAC 12.540. PAYROLL FACTOR. A taxpayer's payroll factor for a year equals the payroll factor that year for the consolidated business of which the taxpayer is a part, as determined under the applicable methods of AS 43.19.010 (Art. IV, secs. 13 and 14), AS 43.20.072(c) and (e), and 15 AAC 10.211 -- 15 AAC 10.241; except that

(1) the numerator and denominator of the payroll factor must each be determined without reference to

(A) compensation earned by the taxpayer's employees working directly in operations on or for a lease or property in the state which directly result in or are necessary for the continued or enhanced production of oil or gas from (or allocated to) the lease or property, and

(B) compensation earned by the taxpayer's employees working directly in the in-state operations of an oil pipeline or a gas pipeline; and

(2) the numerator of the payroll factor must include compensation earned by the employees of the consolidated business of which the taxpayer is a part, who are working in the United States but not in any state and who are directly supplied from a base of operations maintained in this state.

Enter payroll, wages, salaries, commissions and other compensation attributable to:	col. (a) Total Within Alaska	col. (b) Total Within and Outside Alaska	col. (c)
1. Cost of Goods Sold			X
2. Compensation of Officers			X
3. Salesmen's Salaries and Commissions			X
4. Repairs			X
5. Operation of Marine Vessels. (Attach Days-In-Port computation schedule. See specific instruction 1(b), page 62)			X
6. Other. (Specify)			X
7. Payroll Factor. Add the amounts on lines 1-6 and enter here:			

(Divide the amount on line 7, column (a) by the amount on line 7, column (b). Enter the quotient, (to six figures) in column (c), and also on Schedule E, line 10.)

AGO 785 14

Alaska Sales Factor

Schedule E.3

15 AAC 12.550. SALES FACTOR. A taxpayer's sales factor for a year equals the sales factor that year for the consolidated business of which the taxpayer is a part, as determined under the applicable methods of AS 43.19.010 (Art. IV, secs. 15 --17), AS 43.20.071(d) and (e), and 15 AAC 10.251 -- 15 AAC 10.302; except that the numerator and denominator of the sales factor must each exclude non-retail sales of oil or gas produced from (or allocated to) one or more leases or properties in the state, but only to the extent that those sales would otherwise be included in the numerator and denominator of the sales factor.

(continued)

AGO 785815

Alaska Department of Revenue
Oil and Gas Corporate Income Tax Return

Alaska Sales Factor

Schedule E.3

	col. (a) Total Within Alaska	col. (b) Total Within and Outside Alaska	col. (c)
1. Sales Delivered or Shipped to Alaska Purchasers:			
(a) Shipped from Outside Alaska			
(b) Shipped from Within Alaska			
Total, line 1 Add the amounts on lines 1(a) and (b)			
2. Taxpayer's Operating Revenues Attributable to Marine Vessels. (Attach a days-in-port computation schedule. See specific instruction 1(c), page 62)			
3. Sales Shipped from Alaska to:			
(a) The United States Government			
(b) Purchasers in a State Where the Taxpayer Was Not Subject to a Net Income Tax or a Tax Based Upon Or Measured By Net Income			
Total, line 3. Add the amounts on lines 3(a) and (b)			
4. Other Alaska Business Income Gross Receipts			
(a) Interest			
(b) Dividends			
(c) Rents			
(d) Royalties			
(e) Other. (Specify)			
Total, line 4. Add the amounts on lines 4(a) - (e)			
5. Total Alaska Sales. Add the amounts on lines 1-4			
6. Total Corporation or Consolidated Business Sales, Net of Intercompany Eliminations. (Attach schedule)			
7. Sales Factor Numerator and Denominator Reductions: (Enter the following amounts only if included on lines 5 and 6, above) Non-retail sales of oil or gas produced from (or allocated to) one or more leases or properties in the state			
8. Sales Factor. Subtract the amounts on line 7 from the amounts on lines 5 and 6 ...			

(Divide the amount on line 8, column (a) by the amount on line 8, column (b). Enter the quotient, (to six figures) in column (c), and also on Schedule E, line 11.)

AGO 785816

Alaska Department of Revenue
Oil and Gas Corporate Income Tax Return

Specific Instructions for Apportionment Factors.

1. Tankers and Other Marine Vessels. The property, payroll and sales factor numerator values emanating from tankers and other marine vessels must be determined as follows:

   (a) Property Factor Numerator. AS 43.20.071 (b) and (e).

      (i) Owned Marine Vessels. The numerator must be determined by multiplying the average original cost values of each vessel by the days-in-port factor of each vessel.

      (ii) Chartered Vessels. The net annual rental rate of each chartered vessel is multiplied by 8, and that product is then multiplied by the days-in-port factor of each vessel to determine the numerator value.

      (iii) The Average Original Costs of Leasehold Improvements on Board marine vessels must be multiplied by the days-in-port factor to determine the numerator value.

      (iv) Average Inventories (bunker fuel, stores, spare parts, etc.) on board each vessel must be multiplied by each marine vessel's days-in-port factor to determine the numerator value.

   (b) Payroll Factor Numerator. AS 43.20.071 (c) and (e). Compensation paid by the taxpayer to marine vessel employees must be multiplied by the days-in-port factor of each marine vessel to determine the payroll factor numerator.

   (c) Sales Factor Numerator. AS 43.20.071 (c) and (e). The taxpayer's operating revenues attributable to each marine vessel must be multiplied by the days-in-port factor of each marine vessel to determine the sales factor numerator.

   (d) Days-In-Port Factor Defined. The days in-port factor is determined by dividing the number of days-in-port in Alaska of the tanker or other vessel by the number of days-in-port everywhere. A day in-port does not include time when a vessel is tied up due to repairs, strikes or seasonal inactivity. A day-in-port occurs when the vessel is tied up to a dock or wharf or when it is anchored offshore for purposes of loading or offloading cargo. A day in-port is determined by dividing the number of hours in port by 24. AS 43.20.071.

(continued)

AGU 785817

Specific Instructions Regarding
the Apportionment Factors.

2. PROPERTY IN TRANSIT. 15 AAC 10.171 (b). Property in transit between locations of the taxpayer to which it belongs must be considered to be at the destination for purposes of the property factor. Property in transit between a buyer and seller which is included by a taxpayer in the denominator of its property factor in accordance with its regular accounting practices must be included in the numerator according to the state of destination.

3. MOBILE OR MOVABLE PROPERTY. 15 AAC 10.171(c). The value of mobile or movable property such as construction equipment, trucks or leased electronic equipment which is located within and outside of this state during the tax period must be determined for purposes of the numerator of the factor on the basis of total time within the state during the tax period.

4. VALUATION OF RENTED PROPERTY. 15 AAC 10.191 (a). Property rented by the taxpayer must be valued at eight times its net annual rental rate. The net annual rental rate for any item of rented property is the annual rental rate paid by the taxpayer for that property, less the aggregate annual sub-rental rates paid by subtenants of the taxpayer. (See sec. 202 of this chapter for special rules where the use of that net annual rental rate produces a negative or clearly inaccurate value or where property is used by the taxpayer at no charge or rented at a nominal rental rate).

   (b) Subrents are not deducted when the subrents constitute business income because the property which produces the subrents is used in the regular course of a trade or business of the taxpayer when it is producing that income. Accordingly there is no reduction in its value.

   (c) "Annual rental rate" is the amount paid as rental for property for a 12-month period (i.e., the amount of the annual rent). Where property is rented for less than a 12-month period, the rent paid for the actual period of rental constitutes the "annual rental rate" for the tax period. However, where a taxpayer has rented property for a term of 12 or more months and the current tax period covers a period of less than 12 months (due, for example, to a reorganization or change of accounting period), the rent paid for the short tax period must be annualized. If the rental term is for less than 12 months, the rent may not be annualized because of the uncertain duration when the rental term is on a month-to- month basis.

5. SPECIAL RULES. 15 AAC 10.202(a). If the subrents taken into account in determining the net annual rental rate under sec. 191 of this chapter produce a negative or clearly inaccurate value for any item of property, another method which will properly reflect the value of rented property may be required by the commissioner of revenue or requested by the taxpayer.

   In no case, however, shall such value be less than an amount which bears the same ratio to the annual rental rate paid by the taxpayer for such property as the fair market value of that portion of the property used by the taxpayer bears to the total fair market value of the rented property.

   (b) If property owned by others is used by the taxpayer at no charge or rented by the taxpayer for a nominal rate, the net annual rental rate for that property must be determined on the basis of a reasonable market rental rate for that property.

AGO 785818

Net Loss Carryovers/Carrybacks — Schedule F

THIS SCHEDULE MUST BE COMPLETED IF A NET LOSS IS CLAIMED ON LINE 6 SCHEDULE A.

15 AAC 12.070. TREATMENT OF NET LOSSES REALIZED UNDER THIS CHAPTER.
(a) A taxpayer realizes a net loss under this chapter if the taxpayer's net taxable income under sec. 50 of this chapter for that year is less than zero.

(b) A taxpayer's net loss may be carried back not more than three tax years before the tax year for which it is realized (but in no event before the 1978 tax year) and may be carried forward if necessary as far as the seventh tax year following the tax year for which it is realized. This carrying back and carrying forward must be on a first-in, first-out basis; that is, the tax loss must first be carried back as an offset against the taxpayer's net taxable income, if any, for the third preceding tax year, and any remaining tax loss must next be applied as an offset against the taxpayer's net taxable income, if any, for the second preceding tax year, and so on until either the tax loss is fully used as offsets against the taxpayer's net taxable income or until it has been carried forward into the seventh year following the tax year in which the net loss is realized. Any net loss from a tax year still remaining after the seventh following tax year will be lost.

(c) If a taxpayer has net losses from more than one tax year that may be applied as offsets against the taxpayer's net taxable income for the same tax year, the net loss from the earliest of those tax years must first be applied, then the net loss from the second earliest of those tax years must be applied (assuming the earliest tax loss does not fully offset the net taxable income against which it is applied), and so on.

A TAXPAYER'S NET OPERATING LOSSES UNDER ALASKA STATUTE 43.20 ARE NOT RECOGNIZED [illegible] 15 AAC 12.0[illegible]0(d).

(continued)

AGO 785819

Alaska Department of Revenue
Oil and Gas Corporate Income Tax Return

Net Loss Carryovers/Carrybacks — Schedule F

Computation of Loss Carryovers/Carrybacks.

Column (a): Enter the year(s) of all AS 43.21 losses (whether unapplied, partially applied or fully used) in chronological order. If a loss is being carried to more than one year, use additional lines until the loss being applied is fully absorbed.

Column (b): Enter the amount of loss by year.

Column (c): Enter the tax year(s) to which a loss has been or is being applied.

Column (d): Enter the amount of loss applied.

Column (e): Enter the unused tax loss (subtract the amount in column (d) from the amount in column (b)).

Column (f): Enter the loss claimed on this return.

Line	col. (a) Net Loss Year	col. (b) Amount of Loss	col. (c) Year Loss Applied To	col. (d) Amount of Loss Applied	col. (e) Net Loss Remaining	col. (f) Net Loss Applied To This Return
1.						
2.						
3.						
4.						
5.						
6.						
7.						
8.						
9.						
Total						

(Enter the total of col. (f) on Schedule A, line 6.)

ACC 785 117

STATE OF ALASKA

DEPARTMENT OF REVENUE

DIVISION OF PETROLEUM REVENUE

JAY S. HAMMOND, GOVERNOR

201 E. 9th AVENUE
ANCHORAGE, ALASKA 99501
PHONE: (907) 276-1363
(907) 277-5627

January 18, 1980

Re: Income Tax Regulations
(AS 43.21)

To Recipients of Proposed Regulations:

Proposals which would amend existing oil and gas corporate income tax regulations have been distributed to you. The most recent set of proposals followed a published notice which related that set of proposals to an earlier one distributed late in October 1979. It has come to our attention that the most recent set of proposals inadvertently dropped a couple of paragraphs contained in the earlier draft. The unintended deletions, which are obvious in the context of the proposals, are contained in proposed sections 132(b)(3) and (4), 240, and 990(31) and (32). The deleted language is attached.

We apologize for any inconvenience this has caused you.

Sincerely,

Robert M. Johnson
Director

Attachment

RMJ/rdm

AGO 785820

Proposed Regulation 132(b)(3) and (4) should read:

(3) when transportation of oil is by a tanker or other vessel that is owned or effectively owned by the taxpayer of that oil, the taxpayer's actual cost for that transportation, which is the sum of:

(A) voyage and port costs incurred with respect to that transportation;

(B) the positioning cost, amortized over 36 months, for that vessel but only for placing that vessel into position before its employment in the Alaska trade and not for placing it into position after its employment in the Alaska trade for employment in another trade,

(C) depreciation of the vessel; if the vessel is actually owned by the taxpayer, depreciation must be calculated in accordance with the applicable FASB Financial Accounting Standards for such owned assets; if the vessel is effectively owned by the taxpayer, depreciation must be calculated in accordance with FASB-13 from the standpoint of a lessee under a capital lease; and

(D) an amount, which when added to the amount of depreciation allowed under (C) of this paragraph, will provide a reasonable return on the acquisition cost of the vessel over its expected life; for purposes of this paragraph,

(i) "acquisition costs" means the cost of the vessel which may be capitalized by its actual owner under generally accepted accounting principles, but not including costs of improvements made after the date the vessel is placed in service by or on behalf of the taxpayer, and

(ii) "expected life" means the period of time used to calculate depreciation under (C) of this paragraph;

(4) in the case of transportation of gas as LNG

(A) where not all of the LNG transportation facilities are subject to tariff regulations (by FERC or other agencies of the United States, state or territory or a possession of the United States or a foreign nation) and when the taxpayer does not have or effectively have any ownership interest in the LNG transportation facility, the amount charged to the taxpayer for that LNG transportation;

(B) when the taxpayer has or effectively has an ownership interest in the LNG transportation facility, the taxpayer's actual cost for that transportation equalling the sum of:

(i) the direct operating costs of the LNG transportation facility (in the case of an LNG tanker, its respective voyage and port costs) incurred with respect to the taxpayer's gas;

(ii) the positioning cost, amortized over 36 months, for that vessel but only for placing that vessel into position before its employment in the Alaska trade and not for placing it into position after its employment in the Alaska trade for employment in another trade;

(iii) depreciation of the LNG transportation facility; if the facility is actually owned by the taxpayer, depreciation must be calculated in accordance with the applicable FASB Financial Accounting Standards for the owner of such assets; if the LNG transportation facility is effectively owned by the taxpayer, depreciation must be calculated in accordance with FASB-13 from the standpoint of a lessee under a capital lease; and

(iv) an amount which, when added to the amount of depreciation allowed under (iii) of this subparagraph, will provide a reasonable return on the acquisition cost of the LNG transportation facility over its expected life; for purposes of this subparagraph, "acquisition cost" means the cost of the LNG transportation facility which may be capitalized by its actual owner under generally accepted accounting principles, and "expected life" means the period of time used to calculate depreciation under (iii) of this subparagraph;

Proposed Regulation 240 should read:

15 AAC 12.240. DEDUCTION FOR DIRECT OPERATING COSTS. (a) The direct operating costs during a year that are incurred by or for a taxpayer for a lease or property in the state are a deduction in determining the taxpayer's taxable production income for that year.

(b) Before the commencement of commercial production from (or allocated to) a lease or property, the direct operating costs for that lease or property are:

(1) the costs for geological and geophysical work conducted on the lease or property after the taxpayer has acquired a working interest in the lease or property;

(2) rentals and shut-in royalties paid in order to retain the lease or property;

(3) drilling costs for wells bottomed on the lease or property; and

(4) the costs for operations conducted on or near the lease or property in support of drilling and/or development operations for the lease or property, but excluding the actual development costs themselves; however, if the lease or property is subject to an operating agreement in which at least one working-interest owner is a third party to the operator, the direct operating costs for that lease or property and the costs (excluding development costs but including drilling costs) that are incurred by the operator in operating that lease or property and which are reimbursable to the operator by the working-interest owners, under the terms of that operating agreement.

(c) After the commencement of commercial production from (or allocated to) a lease or property, the direct operating costs for that lease or property are:

(1) the costs of operating the facilities and equipment on or for the lease or property which directly result in or are necessary for the continued or enhanced production from (or allocated to) the lease or property;

(2) the costs of drilling and/or operating wells bottomed on the lease or property; and

(3) the costs of operations conducted on or near the lease or property in support of drilling and/or development operations for the lease or property but excluding the actual development costs themselves; however, if the lease or property is subject to an operating agreement in which at least one working-interest owner is a third party to the operator, then the direct operating costs for that lease or property are the costs (excluding development costs but excluding drilling costs) that are incurred by the operator in operating that lease or property and which are reimbursable to the operator by the working interest owners, under the terms of that operating agreement.