

0072

11595 HOUSE RESOURCES

1

Insert "sec. 48"

# 15

adopted

24-GH2052\Y.13  
Chenoweth  
3/17/06

conceptual AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: CSHB 488(RES), Draft Version "Y"

1 Page 4, line 8:

2 Delete "(g) of"

3

4 Page 4, lines <sup>14</sup>~~13~~ - 19:

5 Delete all material.

6 Insert "index as determined under this subsection. The oil price index for a month is  
7 the number equal to the average United States Gulf Coast price determined under (h) of this  
8 section for that month of West Texas Intermediate crude oil in dollars per barrel, less 50. If  
9 the average price determined under (h) of this section is not more than \$50 per barrel, the oil  
10 price index is zero.

11 (g) Notwithstanding calculation of the rate of tax under (f) of this section, if  
12 the average price determined under (h) of this section is at least \$110 per barrel, the  
13 rate of tax under (f) of this section is 37.5 percent."

failed

# 16

24-GH2052\Y.14  
Chenoweth  
3/17/06

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE CRAWFORD

TO: CSHB 488(RES), Draft Version "Y"

1 Page 4, following line 31:

2 Insert a new subsection to read:

3 "(i) Notwithstanding any other provision of this chapter, except as to oil or gas  
4 described in (e) of this section, tax credits that are authorized against the tax due under  
5 this section by this title, AS 38.05.180, and AS 41.09 may not be applied to reduce the  
6 producer's total tax due under this section on oil and gas produced during a calendar  
7 year to less than six percent of the production tax value of the taxable oil and gas  
8 produced by the producer from all leases or properties in the state, based on the gross  
9 value of the oil and gas at the point of production and determined without reference to  
10 adjustments authorized by AS 43.55.160. In making the determination required by this  
11 subsection, the department shall exclude oil and gas produced, the ownership or right  
12 to which is exempt from taxation."

wants min floor - 6%

11/4

~~11/2~~

failed

# 17

CONCEPTUAL AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE CRAWFORD

TO: CSHB 488 (RES), Version Y

Delete inclusion of gas in the new production tax; retain current tax on gas.

$\frac{y}{11}$

~~$\frac{2}{11}$~~

*adopted*

# 18

*(relates to 11-A)*

24-GH2052\Y.10  
Chenoweth  
3/16/06

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE CRAWFORD

TO: CSHB 488(RES), Draft Version "Y"

- 1 Page 19, line 7, following "AS 38.05.132":
- 2       Insert ", and do not include, in connection with a catastrophic oil discharge into the
- 3 marine or inland water of the state, the containment and clean up expenses incurred by the
- 4 producer, the incremental expenses of transportation of oil due to loss or damage incurred by
- 5 the producer, and any damages or penalties imposed on the producer"

adopted

# 19

24G-2  
3/17/2006  
(12:05 P.M.)

AMENDMENT

OFFERED IN THE HOUSE RESOURCES  
COMMITTEE

BY RAMRAS

TO: CSHB 488(RES) (24-GH2052\Y) (3/15/06 Work Draft: Chenoweth)

1 Page 4, following line 31:

2 Insert the following material:

3 "(i) In addition to the taxes levied under (a), (e), and (f) of this section, for each  
4 month for which the gas price index determined under (j) of this section is greater than  
5 zero, there is levied upon the producer of gas a tax for all gas produced during that month  
6 from each lease or property in the state, less any gas the ownership or right to which is  
7 exempt from taxation. The tax is equal to two percent of the gross value at the point of  
8 production of the gas multiplied by the gas price index as determined under (j) of this  
9 section.

10 (j) The gas price index for a month is the number equal to the average Henry Hub  
11 gas price determined under (k) of this section for that month in dollars per million British  
12 thermal units, less eight, except that if the average price determined under (k) of this  
13 section is

14 (1) not more than \$8 per million British thermal units, the gas price index  
15 is zero; and

16 (2) more than \$23 per million British thermal units, the gas price index is  
17 15.

18 (k) For purposes of (i) and (j) of this section, the department may calculate the  
19 average price or may, by regulation, specify the method by which the average price shall  
20 be calculated with reference to one or more published sources of price information. If, in  
21 the department's judgment, reliable published sources of Henry Hub gas price

1 information cease, or appear likely to soon cease, to be available, or if, in the  
2 department's judgment, the Henry Hub gas price ceases, or appears likely to soon cease,  
3 to be a reliable indicator of the general price level of gas, the department shall, by  
4 regulation, specify a substitute formula for computing the gas price index. The substitute  
5 formula specified by the department under this subsection must bear, as nearly as is  
6 reasonably possible, the same relationship to the general price level of gas as did the  
7 Henry Hub gas price."  
8

9 Page 6, line 26:

10 Delete "and (f)"

11 Insert ", (f), and (i)"  
12

13 Page 6, line 31:

14 Delete "and (f)"

15 Insert "(f), and (i)"  
16

17 Page 17, line 24, following "AS 43.55.011(f)":

18 Insert "and (i)"  
19

20 Page 29, line 12:

21 Delete "and (f)"

22 Insert ", (f), and (i)"

H.RCS  
3-17-06

Gas progressive for market  
Same concept as oil

(Henry Hub - 8) x 2%

MIN = 0%

MAX = 30% at HH of

\$23/MBtu

Refer to Henry Hub -

assumptions

# 19

H. RGS  
3-17-06

# 21

by Seaton

Conceptual  
Amendment # 21

To Amend #19

Adopted 3/17/06

Page 1 line 16

delete 23

Insert 18

adopted

page 1 line 17

delete 15

Insert 18.75

adopted

# 20

24G-2  
3/17/2006  
(11:58 A.M.)

AMENDMENT

OFFERED IN THE HOUSE RESOURCES  
COMMITTEE

BY RAMRAS

TO: CSHB 488(RES) (24-GH2052\Y) (3/15/06 Work Draft: Chenoweth)

- 1 Page 24, line 9:
- 2 Delete "\$10,000,000"
- 3 Insert "\$12,000,000"
- 4
- 5 Page 24, line 10:
- 6 Delete "\$2,500,000"
- 7 Insert "\$3,000,000"
- 8
- 9 Page 28, line 28:
- 10 Delete ""\$10,000,000""
- 11 Insert ""\$12,000,000""
- 12
- 13 Page 28, line 29:
- 14 Delete ""\$7,500,000"
- 15 Insert ""\$9,000,000""
- 16

# LEGAL SERVICES

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

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

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

## MEMORANDUM

March 24, 2006

**SUBJECT:** CSHB 488(RES) -- sectional analysis  
(Work Order No. 24-GH2052L)

**TO:** Representative Jay Ramras  
Representative Ralph Samuels  
Co-Chairs of the House Resources Committee

**FROM:** Jack Chenoweth  
Assistant Revisor

The House Resources Committee Substitute proposes to repeal the state's current oil and gas properties production tax and replace it with a production tax on oil and gas. The replacement tax is to be based on a percentage of the production tax value of oil and gas, the determination of which is prescribed by the bill. The measure makes a number of related and conforming additions and changes.

The measure is an administration-sponsored bill, so in the preparation of this memo, for provisions not substantively altered by the Resources Committee, I have drawn on the explanatory language of the administration's February 21 sectional analysis of the bill as introduced.

### **PROVISIONS IMPOSING A PRODUCTION TAX ON THE NET VALUE OF OIL AND GAS:**

#### *Provisions imposing the tax and setting the basic tax rate(s) --*

**Bill section 5:** The bill section enacts (as a repeal and reenactment of AS 43.55.011(a) levying a tax on a percentage of the gross value at the point of production) the tax levy as a production tax on both oil and gas, with exceptions and limitations noted in the provision's text, and sets the rate of levy at 20 percent of the production tax value of the taxable oil and gas.

**Bill section 6:** As part of this bill section, a new subsection, AS 43.55.011(e), is added to authorize a levy and set a rate of levy on oil and gas produced that constitutes a lessor's royalty interest under an oil and gas lease. The rate specifies a rate of five percent of the gross value at the point of production. It also sets out an alternative rate of 20 percent of the gross value that applies under circumstances in which there is evidence the producer's receipt of consideration from the lessor offsets the producer's royalty obligation.

***Provisions authorizing a progressively higher tax rate for oil when the price exceeds \$50 per barrel --***

As part of **bill section 6**, proposed AS 43.55.011(f) sets out an oil price index by which the tax levy on oil is adjusted by an addition .3 percent of gross value per dollar in excess of \$50, based on Gulf Coast prices for West Texas Intermediate crude. Subsection (g) caps the index increase when the average price reaches \$110 per barrel. Subsection (h) sets out the manner in which the index may be calculated and authorizes use of a substitute formula under circumstances specified in the subsection.

***Provisions authorizing a progressively higher tax rate for gas when the price of gas exceeds \$8 per million BTUs --***

Again, as part of **bill section 6**, proposed AS 43.55.011(i) sets out a natural gas price index by which the tax levy on gas is adjusted by 2 percent of gross value when the average Henry Hub price exceeds \$8 per million BTUs. Subsection (j) caps the index increase at 18.75 and subsection (k) spells out the manner in which the index may be calculated and authorizes use of a substitute formula under circumstances specified in the subsection.

***Provisions relating to the determination of the production tax value of oil and gas --***

The oil and gas production tax levy is imposed as a percentage of the production tax value of the taxable oil and gas. Calculation of the production tax value is set out in AS 43.55.160, added by **bill section 28**:

-- Under AS 43.55.160(a), the calculation begins with the determination of the gross value at the point of production of all of a producer's taxable oil and gas statewide. The producer may deduct taxes paid that are attributable to application of the indexed production tax rate increases as well as the deductible costs of oil and gas exploration, development, and production (adjusted deductible lease expenses). Subsection (a) contains language that precludes net value calculation from falling below zero.

-- Subsection (b) sets out rules for the producer's claim and use of unused deductions.

-- Subsection (c) spells out the exploration, development, and production costs that qualify as deductible lease expenses ("total costs upstream of the point of production . . . incurred on or after January 1, 2006, . . . and that are direct, ordinary, and necessary costs for exploring for, developing, or producing oil or gas deposit"), and provides guidance to the department as to evidence of those costs, especially in situations involving activities occurring under operating agreements.

-- Subsection (d) spells out allowable direct costs and costs that may not be deductible because they are not direct costs.

-- The mechanics of making adjustments to a producer's lease expenditures are addressed in subsection (e). Adjustments are required to account for reimbursements, assets sales, and other producer receipts.

-- Subsection (f) authorizes substitution of determination of adjusted lease expenditures on a monthly basis, at the election of the producer.

--The provisions of subsections (g) - (i) spell out additional authority of the department with respect to tax administration, while subsection (j) supplies definitions of terms used.

***Tax credit provisions --***

The measure contains two separate sections authorizing tax credits.

**Bill section 14** adds a new section, AS 43.55.024, that sets out tax credits for certain expenditures and losses. In the section,

-- Subsection (a) authorizes a tax credit of 20 percent of "qualified capital expenditures"--the term is defined in subsection (j)--against the production tax on the net value of taxable oil, bars claim of the tax if the same expenditures are used to claim a credit under AS 43.55.025 (existing tax credit for oil and gas exploration or gas only exploration), and authorizes claim and application of the credit on a monthly basis if, under AS 43.55.160(f), the producer has elected to substitute determination of adjusted lease expenditures on a monthly basis.

-- Subsection (b) authorizes election of a 20 percent tax credit on the basis of carried forward annual losses, defined in the subsection as "the producer's . . . adjusted lease expenditures under AS 43.55.160 for a previous calendar year that was not deductible in any month under AS 43.55.160(a) and (b)."

-- Subsection (c) precludes a tax credit from reducing the producer's tax liability below zero but authorizes application of the unused portion of the credit in a later month.

-- Subsections (d) and (e) establish a system by which tax credits for expenditures and losses as authorized by the section may be transferred through transferable tax credit certificates. Subsection (f) authorizes the department to repurchase credit certificates and, subject to appropriation, make cash refunds, but repurchase and refunds must comply with the requirements spelled out in paragraphs (1) - (5).

-- Subsections (g) and (h) spell out the authority of the department with respect to the administration of transferable tax credit certificates.

-- Subsection (i) bars a producer from making a claim of a tax credit for expenditures to acquire and use certain assets or for costs associated with abandonment.

AS 43.55.170, enacted as part of **bill section 28**, sets out a second or additional tax credit. The section allows the producer to claim a credit for qualified capital expenditures (as that term is defined in AS 43.55.024). The credit may not be applied to reduce the producer's tax liability to less than zero. Unused portions of the credit may be carried forward from month-to-month within a calendar year, may not exceed a total of \$12,000,000 for a calendar year, and may not be carried forward into a following calendar year. These credits are not transferable and not refundable. The authorization for these additional credits expires March 31, 2016.

*Provisions relating to tax payment and the administration of the tax --*

**Bill section 8:** The bill section enacts (as a repeal and reenactment of AS 43.55.020(a)) a requirement of monthly payment of the net value production tax on oil, with payment due at the end of the calendar month for production during the preceding month. The provision spells out conditions when a tax due is delinquent, the handling of overpayments, and limitations on interest that may be payable on tax overpayments.

**Bill section 10,** amending AS 43.55.020(d), deals with a producer's right to charge a private royalty owner for the share of production taxes attributable to royalty oil and gas. The amending language adds a method of determining the royalty share of taxes in the absence of an agreement between the producer and royalty owner to use a different method.

**Bill section 11** expands the current production tax exemption for gas that is used in lease operations by including oil that is used in those lease operations. The section also clarifies the manner of tax treatment of flared gas, based on authorization to do so from the Alaska Oil and Gas Conservation Commission.

**Bill sections 1 and 12:** The latter provision amends AS 43.55.020(f) allowing the Department of Revenue to require production tax to be paid on the basis of prevailing value. It clarifies that the provision applies not only when the sale price differs from the prevailing value but also when the oil or gas on which tax is due is not sold at all. The former sets out a statement of intent for the amendment made to the permanent law provision.

**Bill section 13:** As is done earlier in the bill with respect to oil, proposed AS 43.55.020(g) enacts a requirement of monthly payment of the net value production tax on amounts due under the lessor's royalty share provisions, on the indexed production tax rate increases as applied to oil and the indexed production tax rate increases as applied to gas. Payment is due at the end of the calendar month for production during the preceding month and, if not paid, the tax due is delinquent. Proposed AS 43.55.020(h)

authorizes imposition and collection of a five percent civil penalty on the difference between the amount not paid and a 90 percent threshold if payment, when due, falls below that threshold.

**Bill section 20:** This section, proposing amendments to AS 43.55.030(a), clarifies what the Department of Revenue may obtain as information relevant to determining taxes due under AS 43.55.

**Bill section 21** amends AS 43.55.030(d) to delete a per day penalty for failure to file a tax return under AS 43.55. Other provisions in this measure and in AS 43 are applicable to late filing of tax return documents.

**Bill section 22,** adding AS 43.55.030(e), sets out a requirement of an annual "true-up" of the prior year monthly returns and directs submission of adjustments or corrections of the previously-filed statements.

**Bill section 23,** amending AS 43.55.040, clarifies the department's power to obtain information relevant to determining taxes imposed under AS 43.55 by adding the authority to require filing of regular statements or reports. In addition, the bill section modifies the statutory confidentiality restrictions related to use of information in returns and reports when necessary to determine a taxpayer's liability, particularly as those provisions may be applicable to persons -- state officers and employees and privately-retained contractors -- who may have access to the information.

**Bill section 27:** AS 43.55.150 deals with determining the gross value at the point of production of oil and gas. The addition of new subsection (d) authorizes the Department of Revenue to allow producers to calculate that gross value with a formula that uses a producer's royalty agreement with the state, a royalty value or valuation method accepted by the Department of Natural Resources or the United States Department of the Interior, or another formula using factors such as published price indices.

#### **OTHER SUBSTANTIVE PROVISIONS AFFECTING OIL PRODUCTION AND GAS PRODUCTION TAXES:**

**Bill section 16:** The amendment to AS 43.55.025(b) extends the current production tax credit for exploration expenditures, authorized by AS 43.55.025, from the current deadline of July 2007 (July 2010 for the North Slope and Cook Inlet activities) to July 1, 2016, on a statewide basis.

**Bill section 29:** The amendments to AS 43.55.201 modify the component of the so-called nickel-per-barrel surcharge that directs a portion of the money to the response account in the oil and hazardous substance release prevention and response fund, reducing by one cent the amount directed to that account, and making necessary conforming changes to cross-references.

**Bill section 30:** The addition of AS 43.55.201(d) relieves from payment of this component of the tax surcharge oil that is exempt from the production tax because it is used in lease operations.

**Bill section 31:** The amendments to AS 43.55.300 modify the component of the so-called nickel-per-barrel surcharge that directs a portion of the money to the release prevention account in the oil and hazardous substance release prevention and response fund, increasing by one cent the amount directed to that account, and making necessary conforming changes to cross-references.

**Bill section 32:** The addition of AS 43.55.300(d) relieves from payment of this component of the tax surcharge oil that is exempt from the production tax because it is used in lease operations.

**Bill sections 33 - 35** amend definitions of terms used in the chapter: "gas", "gross value at the point of production," and "oil."<sup>1</sup>

**Bill section 36** adds definitions for "explorer" (for use in the chapter), "gas processing", and "gas treatment".<sup>2</sup>

#### **PROVISIONS PROPOSING REPEAL OF THE CURRENT OIL AND GAS PROPERTIES PRODUCTION TAX:**

In addition to repeals and reenactments made in bill sections 1 and 8, **bill section 37** collects and sets out repeals of provisions relating to the current oil and gas properties production tax that are obsolete or unnecessary due to other changes proposed in the measure:

-- repeal of AS 43.55.011(b) and (c) delete the provisions spelling out the percentage-of-value and cents-per-barrel tax methodologies applicable to taxation of oil;

-- repeal of AS 43.55.012(b) repeals the special cents-per-barrel provisions for heavy oil;

---

<sup>1</sup> By cross-reference, the change in the definition of "gas" has the effect of changing the definition of "gas" as used in AS 43.82, the Alaska Stranded Gas Development Act. See AS 43.82.900.

<sup>2</sup> As to the definitions, the administration's initial sectional analysis noted that

Under these definitions, gas processing is considered an operation upstream of the point of production for gas, and generally the line between what is oil and what is gas corresponds to what substances are in liquid form and what substances are in gaseous form, respectively, at the point of production.

-- repeal of AS 43.55.013 eliminates the economic limit factor, or ELF;

-- repeal of AS 43.55.016 deletes the current gas production tax;

-- repeal of AS 43.55.025(k)(3) eliminates the definition of "explorer" as applicable to the current tax credit for oil and gas exploration; the term is defined for the chapter by an addition made in bill section 36;

-- repeal of paragraphs (1), (8), (11), (12) and (16) of AS 43.55.900 eliminate definitions appearing in other repealed sections -- "API gravity", "intangible drilling expense", "oil production operation", "old crude oil", and "well days".

#### **CONFORMING ADDITIONS AND AMENDMENTS:**

**Bill section 2** amends criminal provisions for unauthorized disclosure of confidential records. The section imposes criminal penalties on current or former officers and employees for unauthorized disclosure; the amendment extends the penalties to others, private persons such as legal counsel and consultants, who make an unauthorized disclosure of otherwise confidential information to which they have had access.

**Bill sections 3 and 4** authorize a producer who is a taxpayer under the Alaska Net Income Tax Act, AS 43.20, to deduct the production tax payments and disallows the adding back of the production taxes levied and paid in the determination of the producer's corporate income tax.

**Bill section 7** conforms certain statutory language to that used in the Internal Revenue Code and incorporates by reference a definition for a term used elsewhere in the chapter.

**Bill section 9** makes a corrective amendment to AS 43.55.020(b).

**Bill sections 15, 17, 18, and 19:** The provisions are in the nature of conforming amendments made to various subsections of AS 43.55.025, authorizing the current tax credit for oil and gas exploration or gas only exploration. The amendments insert or substitute reference to the specific subsection levying the production tax on oil and gas. The changes are necessary because, as proposed in the original bill and the committee substitute, the chapter (AS 43.55) would have multiple tax credits rather than the one existing tax credit for oil and gas, or gas only, exploration.

**Bill section 24** proposes amendments to AS 43.55.080, directing that production taxes be deposited into the general fund, to incorporate exceptions imposed under the constitutional budget reserve fund amendment, and making a conforming amendment due to addition of new sections to article 1 of AS 43.55.

Representative Jay Rararas  
Representative Ralph Samuels  
March 24, 2006  
Page 8

**Bill section 25**, amending AS 43.55.135, sets out a conforming amendment due to addition of new sections to article 1 of AS 43.55.

**Bill section 26**, amending AS 43.55.150(a), makes conforming amendments relating to the determination of gross value to be calculated and in the reference due to addition of new sections to article 1.

#### **APPLICABILITY, TRANSITIONAL, AND RELATED PROVISIONS:**

**Bill section 38** specifies that provisions relating to the new tax on the production tax value of oil and gas apply to oil and gas produced on or after April 1, 2006, and that the provision under which the Department of Revenue collects the tax on the basis of prevailing value and that clarifies how that value is to be measured, confirming long-standing agency policy, applies to all production without reference to date.

**Bill section 39** sets out a series of transitional provisions that clarify how certain calendar year rules added by the new tax will apply during the first nine-month period that the tax is in effect, that authorize the claim of tax credit for expenditures and losses based on expenditures made on or after January 1, 2006, that set out a transitional schedule for tax payments, and that former regulations in effect under the previous severance tax statute continue to govern oil and gas produced before the April 1, 2006, effective date of the new production tax.

**Bill section 40** authorizes adoption of new regulations and provides that the new regulations adopted may apply retroactively as of the April 1, 2006, effective date of the new production tax.

**Bill section 41** prescribes editorial instructions for the revisor of statutes.

**Bill section 42** adds a provision authorizing retroactive application of expenditures incurred on or after January 1, 2006, for expenditures that support the tax credit claims under the new production tax.

In the event the bill becomes law after April 1, 2006, **bill section 43** makes the provisions of the measure that are identified as taking effect on that date retrospectively effective to that date.

**Bill sections 44 and 45** are the measure's effective dates. The production tax provisions have an April 1 effective date; the remainder of the bill is given immediate effect.

JBC:lmb  
06-118.lmb

# LEGAL SERVICES

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

(907) 465-3667 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 229

## MEMORANDUM

March 17, 2006

**SUBJECT:** Resources Committee amendment 8 to CSHB 488(RES), draft version "Y" (Work Order No. 24-GH2052\Y)

**TO:** Representative Jay Ramras  
Representative Ralph Samuels  
Co-Chairs of the House Resources Committee

**FROM:** Jack Chenoweth  
Assistant Revisor

Tim Benintendi has provided copies of amendments adopted by the committee during yesterday's mark-up of the above-captioned bill.

To meet the direction set out in committee amendment 8 ("delete sections relating to transitional investment expenditures"), captioned as a conceptual amendment, unless someone gives me different guidance, to meet the committee's direction, I propose to delete

- (1) AS 43.55.160(a)(3) [bill, page 17, lines 26 to the end of the sentence on line 28];
- (2) all of AS 43.55.160(b)(2) [bill, page 18, lines 14 - 22], and
- (3) all of AS 43.55.160(g) and (h) [bill, page 21, line 25, through page 23, line 6].

The deletions will necessitate some internal renumbering or relettering.

If there are other provisions covered under the general direction that deserve attention or that were intended to be encompassed within the scope of committee amendment 8, please advise.

JBC:ljw  
06-135.ljw

cc: Representative Mary Kapsner, amendment sponsor

Estimated Revenue Impact of Status Quo and PPT Tax Proposals, FY 2007 - 2012							
Fiscal Year	Spring 2006 DOR Forecast	Status Quo Tax System	Difference SQ & HB 488/SB 305	HB 488/SB 305 Tax Proposal	Difference HB 488/SB 305 & House CS	House CS Tax Proposal	Difference SQ & House CS
	\$/bbl	\$Millions	\$Millions	\$Millions	\$Millions	\$Millions	\$Millions
2007	53.60	939	525	1,514	311	1,825	836
2008	46.90	759	377	1,156	182	1,318	559
2009	25.50	355	(53)	302	21	323	(32)
2010	25.50	315	(32)	283	21	304	(11)
2011	25.50	281	10	291	21	312	31
2012	25.50	271	20	291	21	312	41
<b>5-Year Average (2007-2011)</b>		<b>540</b>	<b>165</b>	<b>705</b>	<b>111</b>	<b>816</b>	<b>277</b>

**Title: Comparison of Status Quo and PPT Tax Proposals**

Preparer: Cherie Nienhuis

Purpose: For Representative Ralph Samuels

Data Source: PPT Models, and PPT Fiscal Note Adjustments.xls

Key Assumptions: All assumptions included in PPT model

History: None

**Disclaimer:**

The Department of Revenue is in the process of reviewing and updating the data on which this analysis is based. As a result, future analysis could have different results.

The information contained in this workbook may be privileged, confidential or otherwise protected from disclosure. If you are not the intended recipient, any use, dissemination, disclosure, distribution or copying is strictly prohibited.

**Tim Benintendi**

---

**From:** Cherie Nienhuis [cherie\_nienhuis@revenue.state.ak.us]  
**Sent:** Friday, March 24, 2006 2:41 PM  
**To:** Tim Benintendi  
**Cc:** Rogor Marks; Jerry Burnett; Robynn J Wilson  
**Subject:** PPT Proposals: Revenue Impacts  
**Attachments:** House CS Comparison.xls

Tim,

Attached is a file with the information you requested on the revenue impact of the status quo tax system and the HB 488/SB 305 and House CS tax proposals. The revenue figures are based on our Spring 2006 production and price forecast.

I hope you find this information to be useful. Please do not hesitate to contact me if you need further information.

Cherie

Cherie Nienhuis  
Petroleum Economist  
Alaska Department of Revenue  
907.465.3682

3/24/2006

# CORRECTION

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HAVE BEEN REFILMED TO  
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Department of Education & Early Development  
State of Alaska

**Tim Benintendi**

---

**From:** Cherie Nienhuis [cherie\_nienhuis@revenue.state.ak.us]  
**Sent:** Friday, March 24, 2006 2:41 PM  
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I hope you find this information to be useful. Please do not hesitate to contact me if you need further information.

Cherie

Cherie Nienhuis  
Petroleum Economist  
Alaska Department of Revenue  
907.465.3682

3/24/2006

## **.2.4 NORWAY**

### ***Background***

The petroleum industry is over thirty years old and plays a vital part in the economy; petroleum accounts for approximately 32% of export value and about 12% of GDP. Norway has significant oil and gas reserves. Proven oil reserves are 1.3 bt, which will last 8.3 years at current production rates and proven gas reserves are 1.48 tcm, which will last 32 years at current production levels.

Norway is the biggest oil producer in Western Europe and accounts for 4.3 % of world oil production or the eight largest oil production in the world. Production in 1997 was 156.9 mt. Norway is the second biggest exporter of oil in the world and oil consumption was 10.2 mt in 1997, a small increase on 1996. Approximately two thirds of the country's oil reserves are located in or close to the Statfjord, Oseberg, Gullfaks and Ekofisk fields in the North Sea. At the beginning of 1998, there were 42 oil and gas fields in production, 11 fields had been approved for development and 3 fields had stopped producing. In addition, there are 129 oil and gas discoveries, which have not been approved for development. Approximately 25% of oil reserves and 10% of gas reserves have been produced. Oil production is expected to peak at 194 mt in 2001-2002.

Oil reserves are now maturing and no major new discoveries have been made in the past decade. Exploration activity is focusing further north. The Norwegian Government has introduced the NORSOK plan in 1993, which aims to reduce development costs and to extend the recovery life of a field through the use of new technology.

Norway produced 46.7 bcm of gas in 1997, an increase of 13.9% on 1996. The country is a primary gas exporter and exported 42.3 bcm by pipeline in 1997, all of it to Europe and the majority to France and Germany. Gas exports are expected to increase significantly in the future. Contracted gas sales will increase from 46 bcm in 1997 to 76 bcm in 2005. Gas consumption began in 1995 and remains low (0.4 bcm in 1997). Gas consumption is low in Norway, due to the availability of hydro-electric sources and also due to the fact that the country is not densely populated. Gas consumption is, however, expected to rise in the future. Norway's exports of oil and gas represented 37% of all Norsk exports in 1997 and investments in the oil and gas sector amounted to 22% of all investments in Norway in 1997.

### ***Control***

The key concepts of Norwegian oil and gas policy have been state ownership and management of natural resources and state participation. The petroleum industry is characterised by co-operation between the State and private Norwegian and foreign companies. The largest oil and gas producer is Statoil, the state-owned oil and gas company. Other major Norwegian companies are Norsk Hydro and Saga Petroleum. Until 1996, Statoil was awarded shares in all petroleum licences in Norway, but now competes on competitive terms with private Norwegian and foreign companies. Norsk Hydro is owned 51% by the State, although it is run as if it were completely private. Saga is now owned 15% by Statoil after Hydro disposed of its interest in Saga at the beginning of 1998. In order to reduce the level of investment in the offshore sector, the government announced plans to delay all new fields by one year (with only a few exceptions).

### ***Operating Framework***

A concession system is in operation and all exploration/development activity is performed through joint ventures. Norway holds regular licensing rounds and the first round was announced in 1965. The licensing framework for the Barents Sea changed in 1994 and may be applied to the rest of Norway. The new system allows companies to make a group application and thus waives licence fees and reduces pre-evaluation costs. It enables companies to carry out most of the work after the licence has been awarded.

### ***Privatisation***

There are three major oil companies in Norway. Statoil, the most dominant in terms of production and biggest operator, is state-owned. Currently, there are no plans to privatise Statoil. However, Statoil's shipping company Navion has announced its intention to seek a market quotation and its marketing activities will be put into a joint venture with a Norwegian supermarket chain. Norsk Hydro is owned 51% by the State and Saga Petroleum is a private company.

***Pricing and Sales***

Norway has no pricing or sales restrictions.

***Trade Restrictions***

No restrictions on the import or export of oil and gas are in place.

***Fiscal Framework***

A Special Petroleum Tax (SPT) exists. There are some special concessions and allowances available.

**Printer Friendly**

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## **Transformation of Norway's Oil and Gas Industry (Special Report)**

**Description:** This is a story of how Norway grew from a relatively modest position as an industrialised country, although with an important strategic position in post war political tensions, to a world power in the politics of energy. It is also a story of how a nation, suddenly finding itself very rich in a natural resource of strategic importance to the world, had to protect its interests and at the same time find its position in the process of globalisation. It is therefore a story about the processes that fuelled the transformation of a nation, its oil and gas resources.

Traditionally there has been a high degree of agreement across political dividing lines about Norway's national policy towards its upstream oil and gas industries. The fundamental basis on which the policy builds, is the principle of public ownership to the country's natural resources. The law has placed the onus on the government to grant concessions to private or public companies to exploit the resources to the maximum benefit of the people of Norway.

When policy is based on such strong declarations of public ownership, this is bound to influence the management of a country's resource base. In some political quarters the principle of public ownership has been interpreted to mean maximum state participation in the actual exploitation of the resources. This has been the issue over which there has been some degree of political controversy in Norway. In a process that has lasted for some 30 years, consensus has now been reached over the issue, and Norway has entered a process of re-organising the state's direct participation in the oil and gas sector. In concrete terms this means partial privatisation of Statoil and the sell-off of some of the state's direct financial interests (Sdfi) in exploration/production licences.

**Contents:** **1. Foreword (by the Minister of Oil & Energy)**

**2. The Transformation of Norway's Oil and Gas Industry**

In political terms the process of transformation occurring in Norway's oil and gas sector is deep and fundamental. This process represents a break with a political tradition built over 30 years on the strong principal foundation of public ownership of a nation's natural resources. In practical terms, the process could mean the beginning of a process that could lead to a real transformation of the framework and therefore conditions under which the oil and gas industry will operate in Norway.

**3. Country of opportunities**

There is no doubt Norway has been brought back to the top of the target lists of many international oil companies as they continue to nominate candidate areas for their global exploration efforts.

#### **4. Norway's historic opportunity**

As Europe's gas markets expand and EU legislation adds to the dynamics of the markets, Norway faces the challenge of exploiting its position as a supplier.

#### **5. Gas drives Norway's offshore E&P expenditures**

Total expenditures in offshore exploration, field development and field operations in Norway are set to increase from US\$6.4bn this year to almost US\$10bn in 2004. The most important contributors to this growth are new field development projects and soaring operations costs. The other major factor affecting expenditure is the takeover of oil by gas as the prime driver of the offshore E&P market.

#### **6. Something as rare as a successful State Oil Company**

As Statoil appears on the international arena as a partially privatised national oil company, it becomes exposed to the scrutiny of the financial world and the psychology of the stock markets, a relatively far cry from the safe heaven of state ownership and the appurtenant privileges.

#### **7. Norsk Hydro -Building on solid traditions**

Norsk Hydro in the 1960s was about the only Norwegian based industrial group working internationally. Based on processes owned by the group and relatively unrestricted availability of hydro power, Norsk Hydro had built a substantial activity in chemicals, fertilisers and magnesium, and was a world wide exporter of the products.

#### **8. The Norwegian implementation of the EU Gas Directive**

Ingvald Falch provides an outline of the contents of the EU Gas Directive and discusses some key issues of interpretation that are of particular relevance to Norway

#### **9. The role of an independent in a changing industry**

There have been many changes in the Norwegian oil and gas industry recently which companies have had to adapt to and Enterprise Oil has faced these challenges head on

#### **10. A symbiotic relationship between Norway and the outside world**

Dieter Schaubert and Haakon Haaland discuss the role of international energy companies in creating value for Norway

#### **11. Norwegian gas sales post-GFU: Opportunities and challenges**

Eirik Høiby looks at the way ahead for sales of gas in Norway, following the abolition of the GFU

#### **12. The new structure of Norway's interests on the Norwegian Continental Shelf**

The new structure of the Norwegian State's oil and gas ownership interests on the Norwegian Continental Shelf

#### **Company Profiles**

- The New Statoil
- Advokatfirmaet Schjødt

- Enterprise Oil Norge Ltd
- Norske Conoco
- Simonsen Foyen
- Thommessen Krefting Greve Lund

Summary:

**Foreword by the Minister of Oil & Energy - Einar Steensnæs**

The coalition partners which have formed the new Norwegian government have been active supporters and part initiators of the policy moves that have started the process towards the transformation of Norway's oil and gas industry. The new government intends to continue this process, with the intention of creating a framework of conditions under which the continued development of Norway's oil and gas resources can take place in a safe and efficient manner, with full consideration made to the protection of the environment.

After more than 30 years of exploration and production activities, Norway's oil and gas resource base is far from being exhausted. The country has large un-explored continental shelf areas and huge potential reserves of oil and gas. In exploiting this potential, a number of unrivalled opportunities lie ahead for Norway and its people, but also some significant challenges.

Indications are that most of Norway's future hydrocarbon potential is in natural gas and that the most immediate new opportunities for development of the natural gas resources are in the Norwegian Sea. These opportunities appear to coincide with a rapidly expanding market for gas imports in the European Union, predominantly in the United Kingdom. Norway could obviously be a natural source of supply to meet Europe's growing gas needs. The liberalisation of the gas market in Europe could result in increasing risk exposure for Norwegian gas producers. Development of new gas reserves will therefore be more demanding in the future.

Norway's northern waters offer a number of special environmental challenges. These challenges will have to be tackled as a precondition of the development of the oil and gas resources in the region. Our government will be uncompromising in its demands for environmentally safe exploitation of these resources.

At the same time, however, Norway fully recognises its responsibilities as a supplier of oil and gas in support of the social and economic development of nations and people in need of the energy. One such responsibility is the creation of a business environment that will safeguard the investments and skills needed to develop Norway's natural resources.

Reorganising and diminishing the state's direct financial participation in the industry are means by which a business environment can be improved in order to attract further private investments in Norway's oil and gas sector.

Norway offers excellent opportunities for investors who are ready to employ their best human, financial and technical skills in the safe and efficient development of the country's hydrocarbon resources, on behalf of the people of Norway.

**Einar Steensnæs**

## ISSUE:

# Third Quarter 2005 Earnings Compared to Other Industries

The oil and natural gas industry is among one of the world's largest industries. Its revenues are large, but so are its costs of providing consumers with the energy they need. Among those are the cost of finding and producing oil and natural gas and the costs of refining, distributing and marketing it. The energy Americans consume today is brought to us by investments made years or even decades ago. Today's oil and natural gas industry earnings are invested in new technology, new production, and environmental and product quality improvements to meet tomorrow's energy needs.

The industry's earnings are very much in line with other industries and often they are lower. This fact is not well understood, in part, because reports typically focus on only half the story—the profits earned. Profits reflect the size of an industry, but they're not necessarily a good reflection of financial performance. Profit margins or earnings per dollar of sales (measured as net income divided by sales) provide a more relevant and accurate measure of a company or an industry's health, and also provide a useful way of comparing financial performance between industries large and small.

For the third quarter of 2005, the oil and natural gas industry earned 8.2 cents for every dollar of sales compared to an average of 6.8 cents for all U.S. industries. Many industries earned better returns in the third quarter than the oil and natural gas industry. For example, pharmaceuticals and biotechnology realized earnings of 18.5 cents on the dollar. Banks reached 18.0 cents, household and personal products averaged 11.4 cents, customer services earned 10.1 cents and software and services saw 9.9 cents for every dollar of sales.

## Earnings of Major Industries

(cents per dollar of sales)

Pharmaceuticals & Biotechnology	18.5
Banks	18.0
Semiconductors & Semiconductor Equipment	14.1
Diversified Financials	13.4
Household & Personal Products	11.4
Consumer Services	10.1
Software & Services	9.9
Telecommunications Services	8.1
Food, Beverages & Tobacco	8.6
Oil and Natural Gas	8.2
Real Estate	8.0
Capital Goods	7.1
All Industries	6.8
Technology Hardware & Equipment	6.6
Utilities	6.5
Consumer Durables & Apparel	6.9
Media	6.4
Commercial Services & Supplies	5.0
Materials	4.8
Retailing	3.5
Health-Care Equipment & Services	3.5
Insurance	2.8
Food & Staples Retailing	2.5
Transportation	0.2

Source: Based on company filings with the federal government as reported by the Oil Policy for the oil and natural gas and by PricewaterhouseCoopers LLP from data compiled by Standard & Poor's Compustat for all other industries.

**API.**

American Petroleum Institute  
[www.api.org](http://www.api.org)

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Constituent/Non-Constituent

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Charley Walton of Fairbanks (07) wrote the following message On 2/28/2006 at 09:17 In opposition of  
*SB 305 OIL AND GAS PRODUCTION TAX*

**Message:**

Concerning Oil Production Tax: The governor starts with secret negotiations, all parties have come to a compromise pipeline agreement, two days later oil official testifies will discourage oil industry from working Alaska. If they don't like this tax bill then raise the taxes. Trouble paying my bills on their profits.

Message was delivered by Pom

The number of original recipients of this message is 60

Save case

Delete case

**Contact Info:**

Charley Walton  
1062 Steele Creek Rd  
Fairbanks 99712

---

**Constituent/Non-Constituent**

**Save/ Not Saved**

Richard Melms of Anchorage (31) wrote the following message On 2/27/2006 at 16:38 about *Oil & Gas*

**Message:**

Congratulations on tackling the issue of oil taxation. This is long overdue and difficult. Pls make the best decision for Alaska. The resources are ours and the oil companies have had a "sweetheart" deal for to long. We are counting on all of you to protect our interests first. Thank y

Message was delivered by Pom

The number of original recipients of this message is 60

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**Contact Info:**

Richard Melms

4201 Leyden Rd

Anchorage 99516

Email:[rdzmelms@alaska.net](mailto:rdzmelms@alaska.net)

day:907 3456184

eve:907 3456184

---

**Constituent/Non-Constituent**

**Saved/ Not Saved**

Matthew Erickson of Fairbanks (09) wrote the following message On 2/28/2006 at 03:32 about *Oil & Gas*

**Message:**

PLEASE!! Should we support an oil tax scheme, that causes government to desire continued high oil prices? Flat percent tax on each barrel of oil, and penalty tax for under production, is the only fair and equitable way!

Message was delivered by Pom

The number of original recipients of this message is 60

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**Contact Info:**

Matthew Erickson

Po Box 70335

Fairbanks 99707-0335

Email:look412\_2001@hotmail.com

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Constituent/**Non-Constituent**

Saved/ **Not Saved**

Thomas Patmor of Clam Gulch (34) wrote the following message On 2/28/2006 at 12:14 about *HB 488 OIL AND GAS PRODUCTION TAX*

**Message:**

Expecting oil companies to voluntarily pay their taxes doesn't always work, traditionally. We've just been paying millions for lawyers' fees trying to collect. If we charge them for the oil as soon as it's out of the ground, we'd have the money and they could apply to be reimbursed accordingly.

Message was delivered by Pom

The number of original recipients of this message is 60

Save case    Delete case

**Contact Info:**

Thomas Patmor  
Po Box 124  
Clam Gulch 99568-0124

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Constituent/Non-Constituent

Saved/ Not Saved

Thomas Patmor of Clam Gulch (34) wrote the following message On 2/27/2006 at 15:15 about *HB 488 OIL AND GAS PRODUCTION TAX*

**Message:**

If a big company makes 10 billion dollars and are charged 2 billion taxes which they reinvest and so are thus charged nothing for the oil that year,decides to sell out to smaller satellite companies making less that 73 million, they still get the oil for nothing every year.

Message was delivered by Pom

The number of original recipients of this message is 60

Save case    Delete case

**Contact Info:**

Thomas Patmor

Po Box 124

Clam Gulch 99568-0124



# Alaska State Legislature

Please enter into the record my testimony to the House Resource  
committee name

committee on HB 488 , dated 3-14-06  
bill/subject

Subject: Elimination of ELF

Sirs,

As you well know, the Cook Inlet oil fields are very mature and extremely challenging to operate in a manner that is profitable enough to outweigh the risks involved. My families as well as thousands of people in the Cook Inlet region rely heavily on the long term economic viability of this field. Elimination of the ELF without a doubt will significantly shorten the life of this field and cause more harm than good to the State of Alaska.



Paul Delago  
Production Foreman  
Unocal Alaska Business Unit  
Trading Bay Production Facility  
907-776-6855  
Monopod Platform  
907-776-6672  
Cell 398-9943

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

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

\_\_\_\_\_  
Address

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

District 16  
Bill Stoltze

**Maxine Blake**

**From:** Ray, Malcolm (PROFESSIONAL BUSINESS SERVICES (PBS)) [MALCOLM.Ray@bp.com]  
**Sent:** Wednesday, March 08, 2006 2:42 PM  
**To:** Senator Johnny; Senator\_Tom\_Waggoner@legis.state.ak.us; Rep. Vic Kohring; Rep. Ralph Samuels; Rep. Mark Neuman; Representative\_Michael\_Kelly@legis.state.ak.us; Rep. David Guttenberg; Sen. Gretchen Guess  
**Cc:** radianresources@alaska.com; Ray, Malcolm (PROFESSIONAL BUSINESS SERVICES (PBS))  
**Subject:** Proposed Oil Taxation Increase

Dear Alaska State Senator/Representative:

There are dozens of issues about this state government policies that are of great concern to me. But on this occasion I want to address this singular matter of the proposed increased tax on oil and gas E & P; my 40 years experience is directly connected to the exploration and production of hydrocarbon energy. Please keep in mind that I could address numerous specific points regarding this taxation, but will try to effectively make important points relating to a particular aspect.

I take this proposal by the state administration to increase taxes on petroleum mining and upstream operations as a direct attack on my life, personally, and as a potentially devastating recipe for utter disaster for Alaska's future. There are impressive reasons for this statement that I will not go into at this time, but perhaps if we have time to talk one on one. Note that other mining industries pay around 3% tax and is permitted depletion allowables for taxation purposes that range as high as 50%. Therefore it is not that difficult to see the unfairness directed at oil & gas.

Oil and gas is already carrying the bulk of expenses in this state; the state school system is failing to educate the youth of Alaska, and waste is rampant throughout almost every state office that I have visited. The ignorance of the industry that is evident even from public statements by past directors of the State's AOGCC is quite unbelievable at times.

With these remarks as a backdrop, I offer the following more specific comments concerning the impropriety of only a single aspect of increased taxation.

March 7, 2006

**Oil Profits Tax; Excessive Taxation Without Price Subsidies?**

No oil company has the capacity to control the price of petroleum. There is no historical precedent for any oil company ever having set oil price (*petroleum is and has been for decades now, a global commodity with global pricing implications*). This proposed tax, with implications very similar to the unconstitutional proposal for royalty taxation of in-place reserves by Alaska in c. 1980, is extremely unfair; the tax, if enacted, imposes further burden on a high-risk industry that is already paying 83% of Alaska's ticket for big government and this additionally excessive taxation will be the deciding factor that will substantially halt further investment by already-overtaxed oil and gas companies in Alaska. All of us will suffer when the state makes O&G exploration unprofitable by imposing even more taxes. As a petroleum engineer of 40 years experience, I consider this proposed tax as an unnecessary attack on my livelihood, as should all oil and gas industry people; Alaska government should first make some effort to control its runaway expenditures, which it has not done.

3/8/2006

If there is over-production in the future giving us much lower crude oil prices, is the State of Alaska going to provide subsidies to the oil companies? Upon making this tax proposal, the administration is remiss in its responsibilities and has not written subsidy provisions into this tax proposal. Fair consideration on the downside can only be achieved by addressing this issue, as Alaska continues its 29-year trend of exploitation of the oil and gas industry. The profit-producing current crude oil product prices have been in effect now for only a 19-month period, as set by TEMPORARY world oil demand. Note that other businesses are reaping as much as \$15 billion each year with a skeleton staff of employees and very low risk; for example check out PayPal Inc, the online instant money transfer company. *Yet these businesses are not objects of governmental taxation attacks.* The industry has waited numerous decades for this event. The industry needs more price stabilization then a brief year-and-a-half interval in order to march into uncharted, high risk exploration ventures in this state. The State has no reason to punish business unless the same state is prepared to prop up the bottom line when prices fall. The provision for these subsidies should have been written into the proposal, but were not for lack of an educated and professional treatment of this matter by the present administration of the State of Alaska and its rather inept consultants.

**Malcolm G. Ray**

***Petroleum Engineer***

**Professional Business Services Consultant**

**DAY: 907 / 564-4087**

**Night: 907 / 688-8977**



THE PALACE  
THEATRE & SALOON

3175 College Road #1, Fairbanks Alaska 99709

office 907-452-7274 fax 907-456-6997 800-354-7274

March 8, 2006

Representative Samuels and Representative Ramras, Co Chairs  
Natural Resource Committee

Dear Sirs:

Thank you for your diligence in the process of evaluating future financial structure of the partnership between Alaska and the Oil and Gas Industry. It is complicated and difficult and only could be made easier with a crystal ball!

I have been in business a long time in Alaska and I have seen the strengths and weaknesses of our taxing structure. Please be careful when deciding at what level to tax the industry that you do not make future exploration and development such a high risk that the return on their investments would be better even in a less stable environment.

In the restaurant business, we have enjoyed busy and profitable seasons and those that were more challenging. Being profitable in some years keeps us in business to weather the less positive years. Do not expect less for the Oil industry and allow them the same level of flexibility that we in the private sector enjoy. Tax credits are available in many businesses and do provide incentives for investments. I would not like to see our State with an inability to develop our natural resources due to high taxes, high labor, high materials costs, etc. and less stability than we could provide by being fair and reasonable. A predictable tax regime and an attitude of we are open for business is what we all deserve as residents of this wonderful State.

The negotiated 20/20 may not be perfect, but it should be close if that is what has been negotiated in good faith. Good luck with your tasks and I appreciate your service.

Sincerely

*Rick Winther*



TECHNICAL CONSULTANTS, INC.

3425 International Way  
Fairbanks, Alaska 99701

Phone: 907-452-1792 • Fax: 907-452-8207 • [tc@mosquitonet.com](mailto:tc@mosquitonet.com) • [www.tci-alaska.com](http://www.tci-alaska.com)

March 8, 2006

Representative Samuels, co-Chair Natural Resources Committee  
Representative Jay Ramras, Co Chair Natural Resources Committee

RE. HB488

Honorable Representatives:

You are obviously working very diligently on determining a future gas and oil industry tax structure. I applaud your intentions and believe that after all of the debate you will realize that we need these valuable investors in our state.

Maybe we have been spoiled with the Permanent Fund Checks and somewhat take these companies for granted. While I understand that we are "negotiating" please do not tax them higher than the governor's recommended agreement unless they are compensated for with tax investment credits of some type. In my opinion, 20/20 as we hear is reasonable and although I will never be convinced they will leave the State of Alaska entirely, I am sure that they will not invest here unless they make some money!

Good luck and God bless your endeavors because you are making a big decision for the future of our State.

Sincerely and with respect,

David Gerdes, Engineer



TECHNICAL CONSULTANTS, INC.

3425 International Way  
Fairbanks, Alaska 99701

Phone: 907-452-1792 • Fax: 907-452-8207 • [tc1@mosquitonet.com](mailto:tc1@mosquitonet.com) • [www.tci-alaska.com](http://www.tci-alaska.com)

March 9, 2006

Representative Samuels and Representative Ramras, Co-Chairs  
Natural Resource Committee

Subject: HB488

Dear Sirs:

I have heard Gavel to Gavel coverage and read the news papers of the hearings before your Resources committee and the testimony of experts that you pay to give you good advice.

Well, my advice is free! It is easy for these experts to tell you that you should demand more from the oil and gas producers, but my view as a lifelong Alaskan is-don't kill the golden goose! Please make your decisions in a fair and balanced mind set that will encourage future development and a possible gas line project.

After all, your consultants will move on to another \$3000 per day contract and we Alaskans have to live with the consequences of their advice.

Please do not sacrifice a reasonably stable future with a continued partnership with the oil and gas community for a quick sound bite about "sticking it to the oil industry"!

We want another 30 years of business and financial fairness.

Sincerely,

Mike McGlinchy



3425 International Way • Fairbanks, Alaska 99701 • 907-456-5155

March 9, 2006

Representative Samuels and Representative Ramras, Co- Chairs  
Natural Resource Committee

Subject: HB488

In the Interior of our state we saw the problems that came from being unprepared for the oil boom of the TransAlaska Pipeline. We have all learned a great deal since then and we have watched as our children and grandchildren have reaped the rewards of an excellent and visionary financial structure that produces Permanent Fund Checks.

As you are negotiating now for the next generations taxing structure with the oil and gas industry I want to ask you to remember that basic business principals should apply to any natural resource development. Investment tax credits from today forward are good. That creates incentive for new development. The negotiated agreement existing now is reasonable and is a "win- win" for the industry and the residents of the state. The ELF concept worked for a long time and now we have to be aware of the higher risks of developing marginal fields. If the largest oil companies in the world can look at the return on their investment in Alaska and compare it to other parts of the country, please do not make our tax structure so complicated and instable that the politically unstable countries appear more attractive due to other factors. We need to remain open for business and we need predictability to insure a natural gas line being developed.

Thank you for your public service and your endless hours of research and awareness.

Sincerely,

A handwritten signature in cursive script that reads "Vernon H. Boyles".

Vernon H Boyles

Constituent/**Non-Constituent**

**Saved/ Not Saved**

Matthew Erickson of Fairbanks (09) wrote the following message On 3/9/2006 at 16:47 In opposition of  
*HB 488 OIL AND GAS PRODUCTION TAX*

**Message:**

It seems as though Murkowski hinges retirement on whether or not his oil tax scheme is approved. I have to ask, "Is he desperate, or is it obsession?" How can anyone support a proposal where so many factors are being kept secret? Please don't be rushed by Murkowski's agenda.

Message was delivered by Pom

The number of original recipients of this message is 60

[View Case](#) [Delete case](#)

**Contact Info:**

Matthew Erickson

Po Box 70335

Fairbanks AK, 99707-0335

**Email:**look412\_2001@hotmail.com

---

**Constituent/Non-Constituent**

**Saved/ Not Saved**

**Britton Cook of Kenai (33)** wrote the following message On 3/10/2006 at 08:09 In opposition of *HB 488*  
*OIL AND GAS PRODUCTION TAX*

**Message:**

New statewide tax structure is not warranted. Producers need stability in order to invest. New tax structure may make Chevron's sizable investment strategy in Cook Inlet financially unfeasible. The Cook Inlet does not have the same economics as the North Slope. Cook Inlet should be left alone under ELF.

Message was delivered by Pom

The number of original recipients of this message is 17

[View Case](#)   [Delete case](#)

**Contact Info:**

Britton Cook  
4092 Lupine Dr  
Kenai 99611  
Email: [Britt@gci.net](mailto:Britt@gci.net)

---

**Constituent/Non-Constituent**

**Saved/ Not Saved**

Kevin Morin of Kenai (33) wrote the following message On 3/10/2006 at 09:14 In opposition of *HB 488*  
*OIL AND GAS PRODUCTION TAX*

**Message:**

I believe that a tax structure change is unwise and will result in a loss of investment in Cook Inlet. The C.I. fields are mature and declining so investment by Chevron is critical to continued output. Stability of regulatory and tax outlook is vital to corporate planning.

Message was delivered by Pom

The number of original recipients of this message is 17

[View Case](#)   [Delete case](#)

**Contact Info:**

Kevin Morin

114 Paula St

Kenai 99611-6814

organization:iisco@acsalaska.net

---

**Constituent/Non-Constituent**

**Saved/ Not Saved**

Christine Cook of Kenai (33) wrote the following message On 3/10/2006 at 10:12 about *SB 305 OIL AND GAS PRODUCTION TAX*

**Message:**

i make my living as a contractor within the Cook Inlet oil and gas industry. I would like to continue to do so! I strongly urge you to oppose HB 488 and SB 305. "Encouraging investment", replacing ELF "with a more progressive...tax system"?? Puhleese! Just say NO!

Message was delivered by Pom

The number of original recipients of this message is 6

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**Contact Info:**

Christine Cook  
4092 Lupine Dr  
Kenai 99611  
**Email:**[chrisc@gci.net](mailto:chrisc@gci.net)  
**day:**907-283-8350  
**eve:**same  
**organization:**Citizen

My name is Mike Koy.

I've worked with BP for over eleven years in various capacities including numerous business development roles, which includes strategy and economic evaluations of gas sales from the north slope of Alaska, mergers and acquisitions and finance.

I am currently on a leave of absence and therefore free to speak with all the knowledge and perspective of someone from within the industry but without any of the associated limitations or constraints.

Let me start by saying that most oil companies use fixed prices when making investment decisions and those prices have tended to be in the \$20-\$30/bbl range. Within this price range is where the tax regime needs to look attractive relative to other places in the world in order to attract investment. What happens outside of this range is important, but largely immaterial when making investment decisions. This, coupled with the State's objectives, is what is important in determining a tax structure.

Having said that, and inferring what the State wants to achieve, the basis of HB488 and SB305 is reasonable. An oil tax that is less regressive, provides incentive for investment and is based on profits instead of revenues is a good thing.

However, while the premise is ok, the proposed bill misses the mark on several points which the committee should consider in its deliberations. These are:

- **Risks:** The tax as proposed dramatically increases the risks to the State. This occurs for several reasons, but the most important is that it reduces the regressive nature of the current tax without sufficiently allowing the State to participate in the upside when oil prices are high. To mitigate this, the legislature should increase slightly the regressive nature of the tax while implementing a graduated profit tax structure which increases the State's proportional share of profits as price goes up. Again, as long as the graduated profit tax kicks in at prices high enough not to impact investment decisions, the State can and should consider a maximum profit tax rate that exceeds the proposed 20% rate.

- **Incentives:** The 20% tax incentive is reasonable. As mentioned though most oil companies use fixed prices to make investment decisions and providing a tax incentive outside of this investment range is a concession by the State without any offsetting benefit. High oil price is the incentive and the State should consider tapering off the tax incentive as prices increase. In addition, rather than apply the credit to exploration costs, which again increases the State's risk and in reality makes them a participant in exploration, the State should consider allowing a higher tax incentive on viscous oil development, which is a large discovered resource close to existing infrastructure which means it can be brought on line faster.
- **Tax Phase-ins:** The tax phase-in period should be removed.

The final thing I would like to say is around the relationship of oil fiscal terms and a gas pipeline project. Oil fiscal terms have no bearing whatsoever on the economics of a gas pipeline project. They are not related at all except through negotiation. The legislature should and must separate the two and insure that no oil tax fiscal terms are included in the gas fiscal contract in order to preserve their rights to set fiscal terms.

In summary, while I think there are better starting points for amending the State's oil fiscal terms than this bill, if it is to be the basis for a new system amendments should be made to make it slightly more regressive on the low price side, implement a graduated progressive tax on the high side, consider a tax incentive for viscous oil and most importantly consider oil tax legislation separate from a gas pipeline project and ensure oil fiscal terms are not included in a gas contract.

Thank you.

**Tim Benintendi**

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**From:** Kirby Koy [kirbykoy@gmail.com]  
**Sent:** Friday, March 10, 2006 2:23 PM  
**Attachments:** Testimony.doc

Attached is my testimony from today's public hearing for HB488. I very much appreciate the opportunity to speak today.

What I didn't mention is the point of production issue is extremely important. It is most relevant for the gas treatment plant which would be constructed at the cost of \$2.5-\$4.0bn if there is a gas pipeline. The proposed tax structure would allow these costs to qualify for the 20% investment credit which is worth \$0.4- 0.8bn. Just as important, it allows the owners in the Prudhoe Bay Unit to make a stronger argument for ringfencing the gas treatment plant within the Unit. This means that it would not be subject to RCA or FERC regulation and gives the Prudhoe Bay producers a lot of control over who utilizes the gas treatment plant and at what price. Since the gas treatment plant is the first part of a gas pipeline it means that the Prudhoe Bay owners will be able to control to some extent who uses the pipeline and who doesn't. This control is as important if not more so than the tax credits.

Best Regards,  
Mike Koy

3/10/2006

MAR 09 2006

## Oil and Gas Call Ins

**Bill Warren, Kenai, 776-8551.** Has lived in AK for 55 years and has been a part of the "industry" for years.

Watched RS on the news yesterday and was disappointed in comments re: not taxing stranded gas. Would like you:

- to get a gas contract date
- would like gas to be run through Southcentral AK first
- the pipeline should be an all AK pipeline/no Canada
- feels the Governor needs to give you the contract so that you have all the information to make decisions
- does not like it that you are being nice to oil producers

*Would like a call back to talk about it further.*

## **Frank Shelton, Fairbanks**

Came to AK in '51, so knows the history of the last deal. The oil companies took us for a bunch of country pumpkins. It looks like they plan to do the same deal.

Are we caving in? We shouldn't give any write-offs, look at all the money they make.

The State took away the money from the elderly here and we should set it up that we have enough to take care of them and the schools.

Senator Samuels, don't weaken. Murkowski is a rat, a schill fo the oil companies. The oil companies told him what to say. Stand up now and be a statesman.

Even if we have to walk away to get a good profit, we should do it.

The people here don't want to give in. Put a ramrod up your back and stand strong.

March 9, 2006

Dear Senator or Representative:

I am a member of a partnership that owns a commercial building in Anchorage. A major tenant in our building is a popular restaurant, the owner of which owns and operates restaurants in several states. Our rent from the restaurant is based on a percentage of gross receipts. We, as the landlord, negotiated the gross receipts percentage rent to avoid the arguments and creative accounting that can arise in determining net profits.

I believe that a smaller percentage tax on the gross value, or receipts, of oil and gas production <sup>AS DEFINED</sup> under 43.55.160 and 43.55.900(7) as set forth in SB305 is a better way to go than a tax on net value or net profit, especially where the major producers are multi-national corporations who are able to, and will, allocate and shift costs internally so as to distort and diminish net profits or value in Alaska.

I am a 58 year resident of Alaska and am tired of seeing Alaska duped by the "Big Guys."



Kenneth R. Atkinson  
1336 W. 15th Avenue  
Anchorage, Alaska 99501  
Phone: 272-1836  
Fax: 272-1837

83617/9999.1

SENT TO

- BEN STEVENS FAX 465-3872
- THOMAS WAGNER " 465-4779
- JAY RAMRAS " 465-2070
- RALPH SIMONIS " 465-3810
- JOHN HARRIS " 465-3799

**Jane Pierson**

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**From:** Craig O'Donoghue [dentist@gci.net]

**Sent:** Thursday, March 09, 2006 5:58 PM

**To:** Rep. Jay Ramras

Dear Representative Ramras:

I have some concerns about all the details of the Net Profits Tax and Gas Pipeline. I trust that you are researching the details of the former in depth. It also does not make sense that the Net Profits Tax Bill needs to be passed before the details of the Gas Pipeline deal are revealed. Well, it might make sense if there is something to hide.

As a small businessman in Fairbanks, I want to see economic growth as much as the next guy, but somehow, my gut reaction to these developments is that something isn't right. When someone says that in order for you to see the details of one deal, you need to make this other bill law, one has to ask the question "what are they hiding?" Why will the governor not put everything on the table if he thinks it is such a great deal for the state?

Also, thank you for taking the time away from your business to serve in Juneau. I know that not many business owners can afford the time to do what you are doing.

Sincerely,

Craig O'Donoghue, DDS  
General Dentist  
Fairbanks, Alaska  
[www.alaskasmiles.com](http://www.alaskasmiles.com)  
(907) 374-6688

## ***FLOWLINE ALASKA, INC.***

---

March 10, 2006

State of Alaska, Legislature  
House of Representatives  
House Resources Committee  
Juneau, Alaska

RE: HB 488 and SB 305

Thank you for this opportunity to comment on House Bill 488 and SB 305. My name is Richard Schok, I operate Flowline Alaska a Fairbanks based family owned business. Our firm provides value added products and services to the oil industry.

By 9 am this morning I walked through our insulation and fabrication shop, twice, drove around our storage yard, checked on progress of a few different projects, spoke with a few hands, and returned to my office where I proceeded to sign 94 paychecks for our weekly payroll. Every Friday morning I complete this same ritual. I share this experience because it relates to my next points.

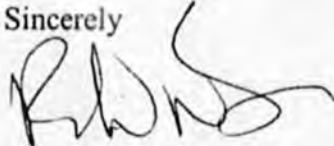
Investment in the oil industry in Alaska only happens when Alaska is competitive on a global scale. The investment tax credit and standard deduction as outlined in HB488 are strong tools for encouraging investment. From independents to the majors this tool will encourage investment, new discoveries and opportunities for Alaskans and Alaskan businesses. Investments in Alaska by the oil industry allowed 94 individuals at my facility to earn a paycheck last week.

At current crude price levels the State of Alaska stands to generate an additional \$1 billion in tax revenues from the oil industry if HB 488 and SB 305 pass. One billion dollars that is a lot of money. As a business owner I cringe when I hear about raising taxes. Taxes affect the value of investments over the long term. This bill, which is acceptable to the producers, will provide the long term fiscal certainty they need in order to invest in a \$25 billion gas project. Long term stability is another major puzzle piece to investment in Alaska. Over the past few months I have 94 weekly recurring paychecks to prove it.

I caution this legislative body to tread lightly when the urge strikes to tinker with the details of this legislation. This piece of legislation will have effects on more than just the "Big 3" producers; there are at least 94 more reasons which I know of to take into consideration.

Thank you for taking time to review to my comments.

Sincerely



Richard Schok  
Vice President  
Flowline Alaska, Inc.

1881 Livengood ♥ Fairbanks, Alaska 99791  
Phone: (907) 456-4911 ♥ Fax: (907) 456-1194  
<http://www.flowlinealaska.com>

**Jane Pierson**

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**From:** Kirby Koy [kirbykoy@gmail.com]

**Sent:** Friday, March 10, 2006 2:23 PM

**Attachments:** Testimony.doc

Attached is my testimony from today's public hearing for HB488. I very much appreciate the opportunity to speak today.

What I didn't mention is the point of production issue is extremely important. It is most relevant for the gas treatment plant which would be constructed at the cost of \$2.5-\$4.0bn if there is a gas pipeline. The proposed tax structure would allow these costs to qualify for the 20% investment credit which is worth \$0.4- 0.8bn. Just as important, it allows the owners in the Prudhoe Bay Unit to make a stronger argument for ringfencing the gas treatment plant within the Unit. This means that it would not be subject to RCA or FERC regulation and gives the Prudhoe Bay producers a lot of control over who utilizes the gas treatment plant and at what price. Since the gas treatment plant is the first part of a gas pipeline it means that the Prudhoe Bay owners will be able to control to some extent who uses the pipeline and who doesn't. This control is as important if not more so than the tax credits.

Best Regards,  
Mike Koy

3/10/2006

My name is Mike Koy.

I've worked with BP for over eleven years in various capacities including numerous business development roles, which includes strategy and economic evaluations of gas sales from the north slope of Alaska, mergers and acquisitions and finance.

I am currently on a leave of absence and therefore free to speak with all the knowledge and perspective of someone from within the industry but without any of the associated limitations or constraints.

Let me start by saying that most oil companies use fixed prices when making investment decisions and those prices have tended to be in the \$20-\$30/bbl range. Within this price range is where the tax regime needs to look attractive relative to other places in the world in order to attract investment. What happens outside of this range is important, but largely immaterial when making investment decisions. This, coupled with the State's objectives, is what is important in determining a tax structure.

Having said that, and inferring what the State wants to achieve, the basis of HB488 and SB305 is reasonable. An oil tax that is less regressive, provides incentive for investment and is based on profits instead of revenues is a good thing.

However, while the premise is ok, the proposed bill misses the mark on several points which the committee should consider in its deliberations. These are:

- **Risks:** The tax as proposed dramatically increases the risks to the State. This occurs for several reasons, but the most important is that it reduces the regressive nature of the current tax without sufficiently allowing the State to participate in the upside when oil prices are high. To mitigate this, the legislature should increase slightly the regressive nature of the tax while implementing a graduated profit tax structure which increases the State's proportional share of profits as price goes up. Again, as long as the graduated profit tax kicks in at prices high enough not to impact investment decisions, the State can and should consider a maximum profit tax rate that exceeds the proposed 20% rate.

- **Incentives:** The 20% tax incentive is reasonable. As mentioned though most oil companies use fixed prices to make investment decisions and providing a tax incentive outside of this investment range is a concession by the State without any offsetting benefit. High oil price is the incentive and the State should consider tapering off the tax incentive as prices increase. In addition, rather than apply the credit to exploration costs, which again increases the State's risk and in reality makes them a participant in exploration, the State should consider allowing a higher tax incentive on viscous oil development, which is a large discovered resource close to existing infrastructure which means it can be brought on line faster.
- **Tax Phase-ins:** The tax phase-in period should be removed.

The final thing I would like to say is around the relationship of oil fiscal terms and a gas pipeline project. Oil fiscal terms have no bearing whatsoever on the economics of a gas pipeline project. They are not related at all except through negotiation. The legislature should and must separate the two and insure that no oil tax fiscal terms are included in the gas fiscal contract in order to preserve their rights to set fiscal terms.

In summary, while I think there are better starting points for amending the State's oil fiscal terms than this bill, if it is to be the basis for a new system amendments should be made to make it slightly more regressive on the low price side, implement a graduated progressive tax on the high side, consider a tax incentive for viscous oil and most importantly consider oil tax legislation separate from a gas pipeline project and ensure oil fiscal terms are not included in a gas contract.

Thank you.

**Jane Pierson**

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**From:** Hugh Fate [hbfate@gci.net]  
**Sent:** Friday, March 10, 2006 11:45 AM  
**To:** Rep. Jay Ramras; Rep. Ralph Samuels  
**Cc:** Hugh B. Fate  
**Subject:** HB488

I have been watching with great interest all the committee hearings and presentations on HB488. I have also taped most of them. It seems to me you are quite close with the 20/20 provision. Several in the Legislature want a higher tax of 25% or more. The Producers are saying 25% is too high and could drive off new exploration efforts. Even though the Producers signed on with HB488, they are not necessarily happy with the tax provision. It therefore follows that when both parties to a negotiated agreement are not happy, a titration point has been reached; In this case, around the Governor's 20% figure in the Bill.

Good luck and God speed,

Hugh "Bud" Fate ( Rep.,retired )

Home tel. (907) 457 6860  
Cell 378 2222  
Fax 457 6861

Jane Pierson

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**From:** LIO Fairbanks  
**Sent:** Friday, March 10, 2006 1:16 PM  
**To:** Jane Pierson  
**Subject:** FW: Statement FOR Increasing Oil Taxes

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**From:** Ken Larson [mailto:larson\_ken@hotmail.com]  
**Sent:** Fri 3/10/2006 12:41 PM  
**To:** LIO Fairbanks  
**Subject:** Statement FOR Increasing Oil Taxes

Ken & Marla Larson  
1074 Eliz Street  
North Pole, AK 99705  
(907) 488-2960  
Email: [larson\\_ken@hotmail.com](mailto:larson_ken@hotmail.com)

REF: Overhaul of the State's Oil Taxation System

Gentlefolk of the House Resources Committee:

Thank you for this opportunity to express my concern about Governor Murkowski's proposed Oil Tax Bill. His actions prior to formally introducing his Oil Tax Bill surely indicates his close ties to the Big Oil companies! It's obvious the oil companies are calling his shots even more so than they were for VP Dick Cheney, and you see what happened to him! This is doing a disservice to the State of Alaska! Let's face it, **Alaska is a SUPER GOOD DEAL for the oil companies** and they know it!

I have been following UAF's Prof. Doug Reynolds' oil tax analysis books and articles fairly closely and have to say I agree with most of what he says. As he said in his 5 Mar 06 News-Miner Article, **the oil companies' "...earnings based on price rises are not due to skill or hard work but due to world events and marketplace forces. There is no reason to reward oil companies for OPEC-induced price changes."** The Guv's proposed 20% tax rate on net profits and 20% deduction on capital expenses is supposed to yield an effective profits tax of about 60% according to the various experts. This compares rather poorly to the rest of the world where many countries have an effective profits tax of 80%. As a result I strongly support Doug Reynolds' idea of a Progressive Tax Rate when high prices generate progressive revenues.

Go ahead and establish a 25% profit tax rate/20% deduction or something close to that now while Oil is around \$60/barrel, and include a GDP-indexed inflation rate. But when, not if, the price of oil starts climbing and hits a pre-determined threshold, like \$75/barrel, then start the super-progressive tax. So, once the gas and oil prices rise above the threshold, then the progressive tax rate increases kick in. For example, add a 1% increase for every 10% the price increases up to some pre-determined maximum, like 100%. So at \$75 the law becomes 26/20, at \$82.50, 27/20, and so on. There has also got to be some monitoring measures put in place to keep the Oil Companies from just continuing to pass on these taxes to the consumers as they have in the past.

The oil companies have been manipulating us folks for years and we all know it, and have accepted it because of our demand-created reliance on oil products. They have not been very active in creating new energy efficient products or new fuel types since there is so much money

3/10/2006

to be made in oil. Their competition is all but non-existent (if not collusive) and they retain oil and gas in the ground to help manipulate prices to their best profit advantage. That's why the other Bill being considered for action to Tax the undeveloped Natural Gas in the ground just makes a whole lot of sense to me. **I feel great outrage at how the world oil companies manipulate us and we just keep accepting their self serving pronouncements and control of our elected officials through Lobbying and Campaign Contributions!**

I guess I would feel a little more sympathetic toward the oil companies if their profits were not so OBSCENE and obviously following the same price run-up scenario that occurred in the early 1970's prior to the Alaska Oil Pipeline being built. What part of history repeating itself don't we understand? It would also help if Exxon would just pay their Exxon Valdez fine, which they've held in escrow for years, and quit paying the lawyers to obfuscate the process! The oil companies' threats to leave the State if they can't continue receiving these obscene profits by using Alaskan's resources need to be ignored. **Alaska needs to collect part of the windfall profits the oil companies keep reaping through no extraordinary efforts of their own!** If the present oil companies don't want to play fair then Alaska needs to sell their leases to someone else who will develop the products.

Thank you,

Ken & Maria Larson

**Jane Pierson**

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**From:** LIO Fairbanks  
**Sent:** Friday, March 10, 2006 10:28 AM  
**To:** Jane Pierson  
**Subject:** FW: HB 488

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**From:** Robert Perry [mailto:robert\_perry@dot.state.ak.us]  
**Sent:** Fri 3/10/2006 8:49 AM  
**To:** LIO Fairbanks  
**Subject:** HB 488

The proposed legislation does not address the appropriate reimbursement for what the oil companies extract from the ground. A flat rate per barrel taken at the well head and take the accountants out of the mix makes accountability fair and just for both parties involved. Operating expenses can be manipulated, but flat rate per barrel as it is taken out of Alaskan soil makes for a friendly business relationship with large and small producers. Simplicity should be our goal so that everyone knows what is expected.

Robert Perry

**Jane Pierson**

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**From:** LIO Fairbanks  
**Sent:** Friday, March 10, 2006 11:12 AM  
**To:** Jane Pierson  
**Subject:** FW: House Bill 488

number 5

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**From:** Wendee Colette [mailto:wendee.colette@chugach-ak.com]  
**Sent:** Fri 3/10/2006 11:05 AM  
**To:** Fairbanks\_LIO@legis.state.ak.us.  
**Subject:** House Bill 488

I think the tax bill should NOT be linked to the gas line. I feel that Gov. Murkowski can not be trusted to do what is right for Alaskans and the mere fact he is trying to push this through merits a closer look. Slow down, give us all a chance to get up to speed on what is truly going on before we are forced to vote on it.

Wendee Colette  
907-452-4811  
fax 907-456-2875

**Jane Pierson**

---

**From:** LIO Fairbanks  
**Sent:** Friday, March 10, 2006 10:29 AM  
**To:** Jane Pierson  
**Subject:** FW: Oil and gas legislation

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**From:** Mike Hersey [mailto:kicksaver@acsalaska.net]  
**Sent:** Thu 3/9/2006 11:22 PM  
**To:** LIO Fairbanks  
**Cc:** Tom Brice Jr.  
**Subject:** Oil and gas legislation

Since Gov. Murkowski is rated at the bottom of the list of governors in the United States and has already acted like a bull in the china cabinet why don't we let his term expire before we make any long term deal with the BIG THREE. We have waited many years for this deal and the gas is becoming harder to find. We will not lose an opportunity, and if we do it may be better than making a deal without knowing what you are signing off on. If you were my lawyers, you would not be signing any agreement that you didn't read and fully understand. Murkowski has nerve even suggesting that we should take his word for anything. mike hersey

3982 lancelet dr.  
North Pole Ak. 99705

**Jane Pierson**

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**From:** LIO Fairbanks  
**Sent:** Friday, March 10, 2006 10:30 AM  
**To:** Jane Pierson  
**Subject:** FW: Overhaul of Oil Tax

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**From:** Mary and Tim [mailto:yetna@acsalaska.net]  
**Sent:** Fri 3/10/2006 9:44 AM  
**To:** LIO Fairbanks  
**Subject:** Overhaul of Oil Tax

To whom it may concern,

It is impossible to make a decision without making all the information available to those making the decision. This seems to be the position the governor is putting the legislators in by keeping the details of the gas pipeline deal secret and asking the legislators to pass a change in the way the state receives its revenue from the oil industry.

Any decisions made by the legislators and the governor today will affect the residents of this state and the economic well being of the state for years to come. Why would a governor who should have those concerns as the elemental driving force of his administration (after all he is a public SERVANT) place the electorate and the legislators in a position of limited knowledge? It seems something is amiss here and the legislators should stand strong and demand disclosure.

Thank you for considering my comments,  
Mary A. Calmes

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### Messages

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Timothy Tilsworth of Fairbanks (07) wrote the following message On 3/10/2006 at 02:36 about *Oil & Gas*

**Message:**

Get tough with the Oil Industry They've had 30 years great years of oil and now it's the State's turn for a better return. I and my friends support a tax initiative on the gas reserves. We have the ace of trump - not them.

Message was delivered by Pom

The number of original recipients of this message is 60

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**Contact Info:**

Timothy Tilsworth

1900 Raven Dr

Fairbanks 99709-6661

Email: [fft@uaf.edu](mailto:fft@uaf.edu)

day:907-479-0643

eve:907-479-0643

organization:self

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**Jane Pierson**

---

**From:** LIO Fairbanks  
**Sent:** Friday, March 10, 2006 10:32 AM  
**To:** Jane Pierson  
**Subject:** FW: oil taxation system

---

**From:** Len Osimowicz [mailto:LenO@fcmhc.org]  
**Sent:** Fri 3/10/2006 10:18 AM  
**To:** LIO Fairbanks  
**Subject:** oil taxation system

Please consider a progressive tax. Listen to the oil consultants you hired and not the "big oil companies"  
Thanks

Len Osimowicz

Confidentiality Notice: The information disclosed within this email is intended only for the use of the individual(s) named above. If you are not the intended recipient, please return this message to sender. The information disclosed may be considered Confidential and may be protected under state law or federal regulations. These laws and regulations prohibit any further disclosure of this information without the specific written consent of the person to whom the information pertains, or as otherwise permitted by laws and regulations. Re-disclosure of this information is a violation of HIPAA laws and may subject the offender to civil and/or criminal penalties. <br/>

**Tim Benintendi**

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**From:** Kirby Koy [kirbykoy@gmail.com]  
**Sent:** Saturday, March 11, 2006 7:49 AM  
**Subject:** HB488: Increased Risk to the State – A Simple Example

### **Increased Risk to the State – An Example**

A simple example showing how the State takes on more risk with the proposed tax legislation

Relative to the current oil tax system, the proposed system earns the State less money at low oil prices and more money at high oil prices. By my calculations, which are in the same ballpark as those mentioned by the State's consultants, with the proposed tax system the State earns \$250 million less when oil prices are \$20/bbl and earns \$800 million more when oil prices are \$60/bbl.

The average long term oil price is between \$18-\$22/bbl which is significantly less than today's oil price of \$60/bbl. However, unless there has been a paradigm shift we can expect oil prices to be in the \$18-\$22/bbl range a lot more often than in the \$60/bbl range. That also means we can expect, with the proposed tax system, to be paying the oil companies \$250 million more often than we'll receive \$800 million.

For example, for every year that oil prices are \$60/bbl there needs to be seven years of \$15/bbl prices in order to equal the average long term oil price of between \$18-\$22/bbl. That means for the one time the State earns \$800 million, when oil prices are at \$60/bbl, the State will be paying \$250 million seven times when oil prices are at \$15/bbl. Netting that out the State is down -\$950 million relative to the current system. If you are in to probabilities the expected outcome is -\$115 million. The State's experts can perform a more sophisticated analysis, but the result will be the same.

Why does this happen? It occurs because relative to the current tax structure the State has given away a bit too much on the low side and not gained enough on the high side. To reduce the State's risk, or to at least make them more neutral, the State should make the proposed tax system slightly more regressive than it is on the low price side. On the high price side, the State should implement a graduated progressive tax which allows it to share in greater proportions of the upside as price goes up than the current tax proposal allows.

As far as other risks, namely investment credits for exploration, we'll save that for another day.

Best Regards,  
Mike Koy  
907 250 7169

3/11/2006

**Emily Stancliff**

---

**From:** Larry & Rhonda Fisk [fisk@acsalaska.net]  
**Sent:** Tuesday, February 28, 2006 6:40 AM  
**To:** Rep. Jay Ramras  
**Subject:** Oil Tax's

Mr. Ramas,

I am outraged that you and your colleagues are pursuing to put a heavy tax on oil companies because they made a large profit. Oil has brought so much to our state and now I am sure their interest will wane with this action. Tell me why anyone would want to do business here if they had their tax increased heavily because they were making a profit! That is what a business is supposed to do! Do you raise tax's on other citizens because they make a big profit for their families? NO! But oil companies are an easy target seen as the golden cow for you and your state problems. They take all the risk in finding and producing the product while you stand there with your hands out when they actually make a nice profit. Where were you and your cohorts when oil prices were low and many citizens were losing their jobs? I never heard a word of sympathy from you bunch of wolves. I realize this e-mail will make no difference in your decision to enact this tax. I fear that government will always allow their greed and hunger for more money to cloud any good judgment. I know the talk with friends is how sad it is at a time that ConocoPhillips, BP, and other producers are investing so much in our state we reward them with a hefty tax and then laugh about it. You and your friends on the Natural Resources committee are a sorry bunch that I consider pitiful state representatives. Yes, and I AM a republican!

Larry Fisk  
P.O. Box 2604  
Soldotna, AK 99669

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**Constituent/Non-Constituent**

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**William Phillips of Soldotna (33) wrote the following message On 3/6/2006 at 10:11 about *HB 488***  
***OIL AND GAS PRODUCTION TAX***

**Message:**

Under the one third to each oil monies idea, Alaska's share at current oil prices and production would be about 6.5 billions per year. Are we getting it?

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**Contact Info:**

William Phillips

35555 Spur Hwy # 294

Soldotna AK, 99669-7625

**Email:** [wj\\_phillips@hotmail.com](mailto:wj_phillips@hotmail.com)

---

Constituent/**Non-Constituent**

Saved/ Not Saved

Charley Walton of Fairbanks (07) wrote the following message On 3/6/2006 at 12:05 about *HB 488*  
*OIL AND GAS PRODUCTION TAX*

**Message:**

Don't give up the farm on the oil production tax. There are still many questions unanswered that I have as well as the one's your asking. This lifeline is important to Alaskans and before we let any gas out of our state we should have a petrochemical plant with Railroad.

Message was delivered by Pom

The number of original recipients of this message is 60

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**Contact Info:**

Charley Walton  
1062 Steele Creek Rd  
Fairbanks 99712

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**Constituent/Non-Constituent**

**Saved/ Not Saved**

**Jerry Mccutcheon** of Anchorage (23) wrote the following message On 3/7/2006 at 14:45 In opposition of *HB 488 OIL AND GAS PRODUCTION TAX*

**Message:**

When the drunk shot a hole in the oil line, the oil companies took their time getting around to repair it. Because they were making money at it. The more it leaked, the more they made. The state rewarded negligence. Murkowski's tax plan will extend it to the gathering lines.

Message was delivered by Pom

The number of original recipients of this message is 60

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**Contact Info:**

Jerry Mccutcheon

Po Box 101838

Anchorage AK, 99510-1838

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**Constituent/Non-Constituent**

**Saved/ Not Saved**

**Clifford Boner** of Copper Center (06) wrote the following message On 3/9/2005 at 14:43 about *Oil & Gas*

**Message:**

Revamp what oil companies pay per barrel of oil and solve some of the States problems. A floating scale with the price of oil would be far to all.

Message was delivered by Pom

The number of original recipients of this message is 60

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Delete case

**Contact Info:**

Clifford Boner

Hc 60 Box 2465

Copper Center 99573-9801

day:822-3806

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**Constituent/Non-Constituent**

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**Clifford Boner** of Copper Center (06) wrote the following message On 1/18/2006 at 09:48 about *Oil & Gas*

**Message:**

We need to change the state's oil production tax! Any Legislator against this re-do should resign from office; it looks like you are in the pockets of the oil companies. Get Alaskans what they are due!

Message was delivered by Pom

The number of original recipients of this message is 60

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**Contact Info:**

Clifford Boner  
Hc 60 Box 2465  
Copper Center 99573-9801  
day:822-3806

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**Constituent/Non-Constituent**

**Saved/ Not Saved**

**Ron Kovalik** of Fairbanks (08) wrote the following message On 1/24/2006 at 14:30 about *Oil & Gas*

**Message:**

How much longer are you going to keep giving away our crude oil for a fraction of what it is worth?  
Does "bought-off" mean anything to you?

Message was delivered by Pom

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**Contact Info:**

Ron Kovalik  
Po Box 72563  
Fairbanks 99707-2563

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**Constituent/Non-Constituent**

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William Phillips of Soldotna (33) wrote the following message On 1/30/2006 at 13:37 about *Oil & Gas*

**Message:**

Note the latest news reports that big oil claims one price to stockholders then a lower price to the feds, cutting 700 million in payments. Conoco Phillips new buy, Burlington Resources is a repeat offender. Don't assume they'll be any more honest with Alaska.

Message was delivered by Pom

The number of original recipients of this message is 60

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**Contact Info:**

William Phillips

35555 Spur Hwy # 294

Soldotna AK, 99669-7625

**Email:** [wj\\_phillips@hotmail.com](mailto:wj_phillips@hotmail.com)

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**Constituent/Non-Constituent**

**Saved/ Not Saved**

Richard Olson of Homer (35) wrote the following message On 1/30/2006 at 16:32 about *Oil & Gas*

**Message:**

Repeal the ELF now! Make Exxon pay the 6 billion it lost in the oil spill case or start arresting CEOs. Divide that 6 billion amount all Alaskans. Increase the PFD yearly payout to individual Alaskans. Increase taxes on big oil.

Message was delivered by Pom

The number of original recipients of this message is 60

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**Contact Info:**

Richard Olson  
64615 Star Ct  
Homer 99603

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**Constituent/Non-Constituent**

**Saved/ Not Saved**

**William Phillips** of Soldotna (33) wrote the following message On 2/7/2006 at 15:54 about *Oil & Gas*

**Message:**

If the oil companies want tax changes as part of any gasoline deal, it can only mean Alaska will get stiffed. There is no goodness in their hearts.

Message was delivered by Pom

The number of original recipients of this message is 60

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**Contact Info:**

William Phillips

35555 Spur Hwy # 294

Soldotna AK, 99669-7625

Email: [wj\\_phillips@hotmail.com](mailto:wj_phillips@hotmail.com)

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**Constituent/Non-Constituent**

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Clifford Boner of Copper Center (06) wrote the following message On 2/9/2006 at 14:03 about *Oil & Gas*

**Message:**

Pass the oil tax legislation and put a tax on natural gas. We need the funds to get public safety officers or VPSOs back into the villages. Let's get it done!

Message was delivered by Pom

The number of original recipients of this message is 60

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**Contact Info:**

Clifford Boner  
Hc 60 Box 2465  
Copper Center 99573-9801  
day:822-3806

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Constituent/Non-Constituent

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Gail Boerwinkle of Anchorage (25) wrote the following message On 2/22/2006 at 10:44 about *Oil & Gas*

**Message:**

If you do not stop Murkowski's tax plan for the oil you shgould all be fired. That oil belongs to us, the people of the State of Alaska. It needs to be at 33% not 20%

Message was delivered by Pom

The number of original recipients of this message is 60

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**Contact Info:**

Gail Boerwinkle  
1210 W 47th Ave Apt 2  
Anchorage 99503-6980  
day:563-1440

**Constituent/Non-Constituent**

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**Matthew Erickson** of Fairbanks (09) wrote the following message On 2/24/2006 at 03:42 about *Oil & Gas*

**Message:**

Don't try to tax "net profits" that can be grossly reduced in overspending. A tax of 7% on the barrel, would eliminate many problems. I would also have that increased to 12% if production falls below a certain margin. Keep it simple.

Message was delivered by Pom

The number of original recipients of this message is 60

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**Contact Info:**

Matthew Erickson

Po Box 70335

Fairbanks 99707-0335

Email: [look412\\_2001@hotmail.com](mailto:look412_2001@hotmail.com)

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**Constituent/Non-Constituent**

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**Kenneth Ambrosius** of Palmer (16) wrote the following message On 2/26/2006 at 10:02 about *Oil & Gas*

**Message:**

RE the Governor's oil & gas tax bill - PLEASE look to Alaska's intrests, the tax rate should be 25%, and there should be no credits for investments already made. Don't give the state's resources away for less than they are worth.

Message was delivered by Pom

The number of original recipients of this message is 60

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**Contact Info:**

Kenneth Ambrosius

1005 N Witherspoon Rd.

Palmer 99645-9510

**Email:**[kcbrosus@mtaonline.net](mailto:kcbrosus@mtaonline.net)

**day:**564-5139

**eve:**745-3860

**organization:**myself