



Replacing \$73 Million Per Producer Per Year Tax-Free Allowance
With 4,000 B/D Tax Exemption for 7 Years for New Fields
March 16, 2006

Option #2

Changes to select provisions of SB 305 as introduced:

Delete Section 21(i) and (j).

Delete Section 36(d).

Insert the following as Section 21(i):

(i) Except as limited by this subsection, for each oil and gas unit in the state, and for each oil or gas field in the state but outside an oil and gas unit, which first commences commercial production on or after July 1, 2006, the first 4,000 barrels of oil or oil equivalent produced each day during the first seven consecutive years of production shall be exempt from taxes levied under AS 43.55.011, and their value shall be excluded from the calculation of gross value at the point of production, except that to the extent that the gross value at the point of production for any one barrel of oil or oil equivalent exceeds \$40, then the excess above \$40 on that barrel of oil or oil equivalent is not exempt from taxes levied under AS 43.55.011 and shall be included in the calculation of gross value at the point of production. No producer may claim an exemption under this subsection to the extent that the exemption would result in a carried forward loss credit under AS 43.55.024. No single producer may claim further exemptions under this subsection once the total of all exemptions claimed on or after July 1, 2006 by the producer under this subsection equals or exceeds 10,220,000 barrels of oil or oil equivalent. The Alaska Oil and Gas Conservation Commission shall have jurisdiction to resolve any disputes about what constitutes an oil and gas field or oil and gas unit for purposes of this subsection. The Department of Revenue, after consultation with the Department of Natural Resources, shall resolve any dispute about the allocation of tax exemptions among multiple producers under this subsection.¹

¹ DOR is working on standards to support this option

Two for One System

March 18, 2006

Pedro van Meurs

The "Two for One" concept is designed to reform the "claw back" into a feature that would reward companies that have been traditionally strong investors in Alaska and are now, as a result of the PPT law, be prepared to significantly increase the level of investment.

The past investments would be the investments made from January 1, 2001 to December 31, 2005.

It is suggested to establish a 7 year period from January 1, 2006 to December 31, 2012. During this period investors would be able to recover for every two new dollars invested, one dollar of previous capital. On this investment recovery companies would get the tax credit of 20% related to the capital cost deduction, but not the investment tax credit of 20%.

However, this recovery of capital can only be used in any month where the price is above the floor price of \$ 40 per barrel, escalated with CPI inflation.

Any past investment not recovered on December 31, 2012, "falls of the table" and can no longer be used.

The fixed period of 7 years seems reasonable since it can be anticipated that there will be one or more years where the price is below the floor price. Also companies would need one or two years to gear up for a higher level of investment.

The following table provides a comprehensive example of how the system would work.

It is assumed that in years 2009 and 2010 the actual price would be below the escalated floor price and therefore during these two years no investment recovery would take place. CPI escalation is assumed to be 2%.

Examples:

Company A has invested \$ 1800 million during the last five years. This company is prepared to significantly increase the level of investment. In fact, in total the company actually invests \$ 5400 during the 7 year period. Company A would fully recover the prior investment in 2012. During years 2006, 2007, 2008 and 2011 when prices are high the company receives a tax credit of 50%. Due to the two years of no recovery the tax credits are only 40%. The average tax credit rate is 46.7%.

Company B has invested only \$ 500 million during the prior five years. However, this company is also accelerating its investments in the future significantly. Total investments over the 7 year period are \$ 3700 million. This company recovers its past investment in the first three years and receives a tax credit of 50% in these years. Thereafter the company is no further eligible for past investment recovery. In years 4 – 7 the company therefore only receives the 40% tax credit. The company fully recovers its capital, but the average tax credit rate over the 7 year period is only 42.7%

Company C decides to reduce its rate of investment. Over the 7 year period the investments are \$ 1500 million, equal to the total incurred during the prior 5 years. In this case the company will get a tax credit of 50% in every year that the price is over the floor price. However, in total Company will only recover \$ 550 million of its \$ 1500 million prior investment. On December 31, 2012 \$ 950 million "falls of the table".

2 for 1 concept of Investment Recovery based on 20/20 system
(\$ million)

		2006	2007	2008	2009	2010	2011	2012 Total	Recovery percentage	Average Tax Credit
Price Floor		\$40.00	\$40.80	\$41.62	\$42.45	\$43.30	\$44.16	\$45.05		
Actual Price		\$60	\$55	\$52	\$39	\$41	\$46	\$49		
Company A										
Previous Investments	1800									
Investments		400	600	800	600	800	1000	1200		
Investment Recovery		200	300	400	0	0	500	400	100.0%	
Tax Credits		200	300	400	240	320	500	560		46.7%
Net Investment		200	300	400	360	480	500	640		
Company B										
Previous Investments	500									
Investments		200	400	600	600	700	600	600		
Investment Recovery		100	200	200	0	0	0	0	100.0%	
Tax Credits		100	200	280	240	280	240	240		42.7%
Net Investment		100	200	320	360	420	360	360		
Company C										
Previous Investments	1500									
Investments		200	300	200	200	200	200	200		
Investment Recovery		100	150	100	0	0	100	100	36.7%	
Tax Credits		100	150	100	80	80	100	100		47.3%
Net Investment		100	150	100	120	120	100	100		

SB

305

(FILE 17)

CS for Senate Bill No 305 (RES)

Further Commentary

March 20, 2006

2 for 1 system

2 for 1 concept of Investment Recovery based on 20/20 system (\$ million)

	2006	2007	2008	2009	2010	2011	2012	Total	Recovery percentage	Average Tax Credit
Price Floor	\$40.00	\$40.80	\$41.62	\$42.45	\$43.30	\$44.16	\$45.05			
Actual Price	\$60	\$55	\$52	\$39	\$41	\$46	\$49			
Company A										
Previous Investments	1800									
Investments	400	600	800	600	800	1000	1200	5400		
Investment Recovery	200	300	400	0	0	500	400	1800	100.0%	
Tax Credits	200	300	400	240	320	500	560	2520		46.7%
Net Investment	200	300	400	360	480	500	640	2880		
Company B										
Previous Investments	500									
Investments	200	400	600	600	700	600	600	3700		
Investment Recovery	100	200	200	0	0	0	0	500	100.0%	
Tax Credits	100	200	280	240	280	240	240	1580		42.7%
Net Investment	100	200	320	360	420	360	360	2120		
Company C										
Investments	1500									
Investments	200	300	200	200	200	200	200	1500		
Investment Recovery	100	150	100	0	0	100	100	550	36.7%	
Tax Credits	100	150	100	80	80	100	100	710		47.3%
Net Investment	100	150	100	120	120	100	100	790		

Rating at \$ 46 per barrel

large Companies

	\$26 20-20-0	\$36 20-20-0	\$26 25-20-0	\$36 25-20-0	
Alaska Current	196	161	193	158	regressive
Alaska PPT	154	147	158	153	neutral
No way	182	214	181	214	progressive
UK	68	63	68	63	neutral
US GOM	27	25	27	25	regressive
Nigeria	80	92	80	92	progressive
Alberta-Oil Sands	80	74	80	74	neutral
Angola	151	160	151	158	progressive
Russia-Sakhalin	214	226	214	226	progressive
Azerbaijan	168	158	168	157	U-shape

Costs included in 20% tax credit

Capital costs that will be subject to a 20% tax credit:

- Geophysical surveys
- Exploration Wells
- Development Wells (incl. intangible costs).
- Field facilities (tanks, separators, etc.)
- Gas processing plants

Cook Inlet feature

Provide a tax free allowance for each company based on barrels of oil equivalent per day.

In order to ensure that it would only apply to small companies, the amount of the allowance could be determined on the basis of the following formula:

$$\text{Boepd} = 5000 - (\text{Prod} - 5000) \times 0.1$$

Amount cannot be more than 5000 or less than 0

CS for Senate Bill No 305 (RES)

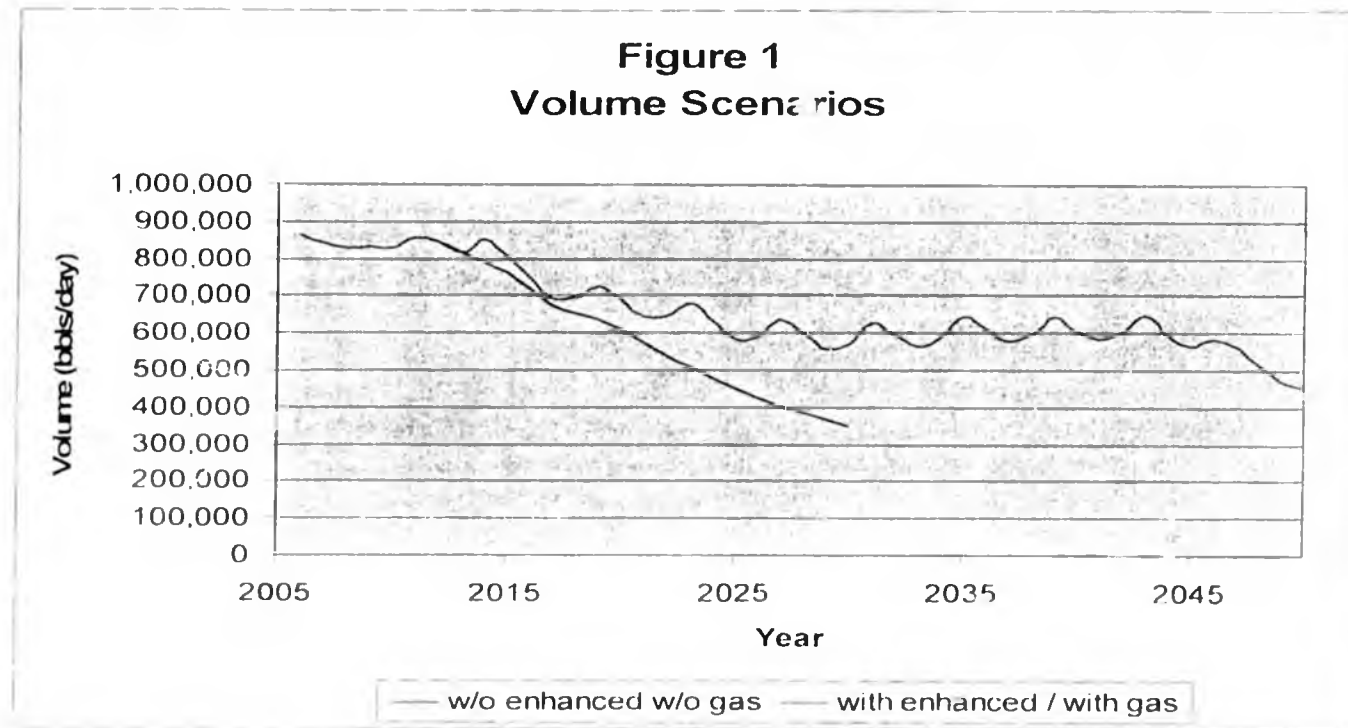
Commentary

March 18, 2006

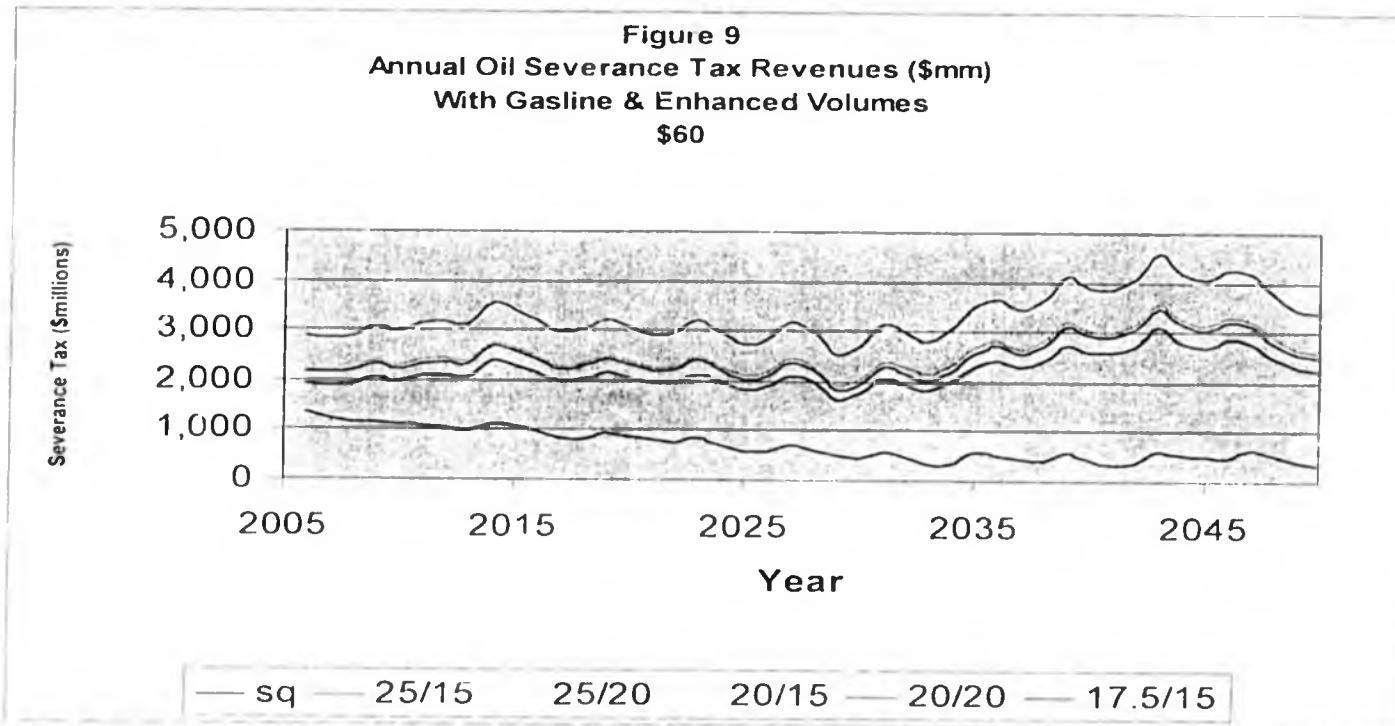
TOTAL VISION

PPT bill is the first step in a process that may lead to a stranded gas contract. The gas line in turn will significantly prolong the life of the oil pipeline and lead to considerable additional oil developments.

TOTAL VISION

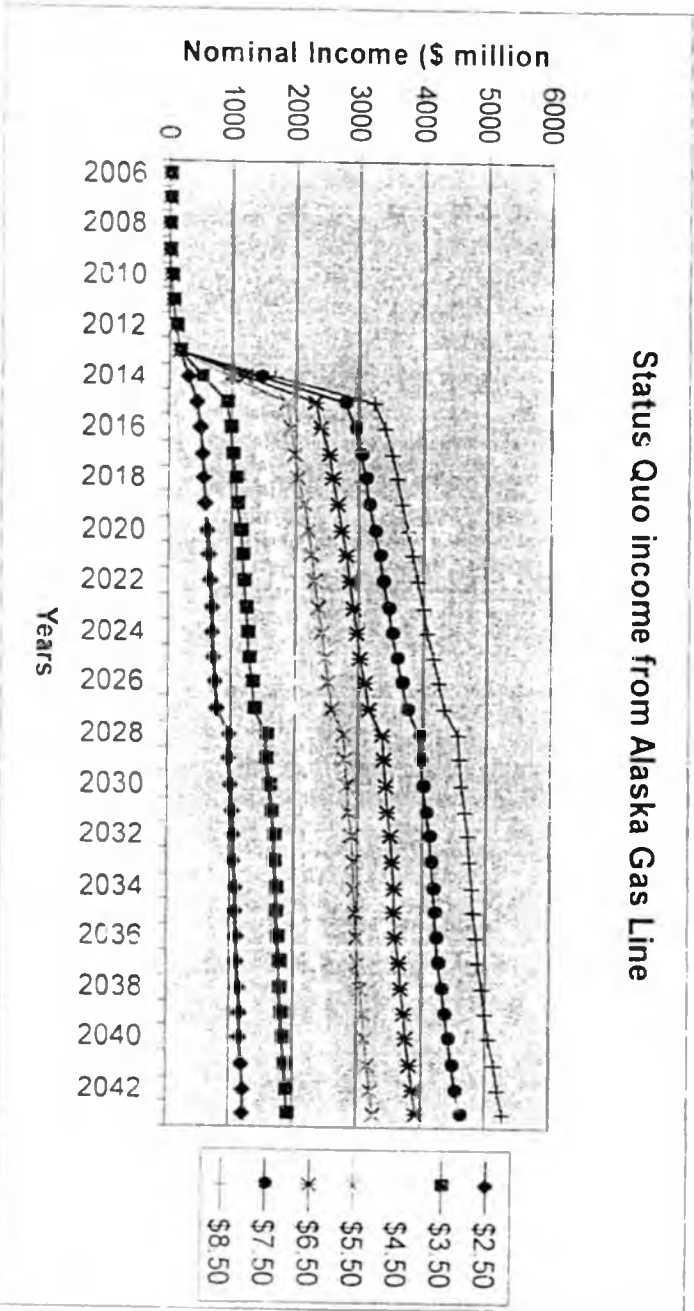


TOTAL VISION



TOTAL VISION

Status Quo income from Alaska Gas Line



Tax rate and Investment

Within the range of PPT tax rates that were evaluated, there is a relationship between level of investment and tax rate.

TAX RATE AND INVESTMENT

Large Companies

COMPETITIVENESS RATING INDEX

\$36	20-20-0	25-20-0	30-20-0	30-15-0
Alaska Current	161	158	157	156
Alaska PPT	147	153	160	166
Norway	214	214	214	213
UK	63	63	63	63
US GOM	25	25	25	25
Nigeria	92	92	90	89
Alberta-Oil Sands	74	74	74	73
Angola	160	158	157	156
Russia-Sakhalin	226	226	224	224
Azerbaijan	158	157	156	155

TAX RATE AND INVESTMENT

Level of Investment

	20-20	25-20	30-20	30-15
Large Producers	more	same	less	much less
New Investors	more	more	more	more

COOK INLET

Carving out regions in Alaska from the PPT will complicate administration and creates unfair practices across Alaska.

Promotion of Exploration

20/20 rating

Overall	IRR Subtotal	NPV Subtotal	EMV Subtotal	GOV TAKE Subtotal	SUM TOTAL
Alaska Current	100	97	88	78	363
20-20-73	49	78	57	65	249
Norway	90	108	86	115	399
UK	31	30	24	52	137
US GOM	14	12	15	12	53
Nigeria	46	36	51	45	178
Alberta-Oil Sands	41	42	43	37	163
Angola	76	73	80	95	324
Russia-Sakhalin	116	103	118	108	445
Azerbaijan	97	81	98	53	329

Promotion of Exploration

The PPT bill as introduced already strongly promotes exploration. There is no need for special further features that would complicate the administration of the PPT

Small Companies

There is a need to provide long term support for small companies. These companies play a special role and often contribute significantly to the local economy.

This can be achieved:

- with the \$ 73 million allowance per company or equivalent credit, or
- by making a level of production per company exempt from the PPT

State Owned Assets

Clause 43.55.024 (i) (3) (B) is out of place and seems to prejudge a possible stranded gas contract.

ALASKA LEGISLATURE - LEGISLATIVE AFFAIRS AGENCY - ONLINE TELECONFERENCE ORDER FORM

Note: All Fields Must Be Completed

New Meeting Update to an existing meeting Cancel Meeting

Sponsor and/or Committee Name:

Date of Teleconference:

Start Time: End Time:

Chairing Site: Juneau Room:

Testimony: Yes No Invitation Only N/A

Testimony Time Limit: 1 min 2 min 3 min 5 min no time limit other - see instructions

Will there be an Executive Session during this meeting? Yes No

Contact Person

Telephone Number

Email Address

LIO sites: Anchorage Barrow Bethel Cordova Delta Junction Dillingham Fairbanks Glennallen Homer Juneau Kenai Ketchikan Kodiak Kotzebue Matsu Nome

Other sites may add? Yes No

Offnet Name (s)

Please list all offnet callers

- Petersburg
- Seward
- Sitka
- Tok
- Valdez
- Wrangell
- No LIOs

Subject of meeting and/or Bills on Agenda

Monday	March 20: 3:30 pm Room 205	
	SB 305 Oil and Gas Production Tax	
	Public Hearing - testimony limited to 3 minutes person; 5 minutes for a group's representative	
Tuesday	March 21: 3:30 pm Room 205	
	SB 305 Oil and Gas Production Tax (invited testimony only)	

VIDEO CONFERENCING - Video Conferencing is available in the Juneau, Anchorage and Fairbanks Legislative Information Offices. For more information or to schedule a video conference call the Juneau LIO at (907) 465-4648.

**Testimony of James D. Weeks
On CS for SB 305
Oil and Gas Production Tax
Alaska State Senate Resources Committee**

20 March, 2006

Mr. Chairman, distinguished members of the Senate Resources Committee. My name is Jim Weeks, and I am here today representing UltraStar Exploration LLC, based in Anchorage, with offices at 3111 C Street, Suite 500. Thanks for the opportunity to testify on this important legislation again.

I want to make a few brief comments on the Committee Substitute: I've seen two options being proposed to replace the \$73 million allowance. UltraStar prefers Option 2, which eliminates the \$40/barrel oil price ceiling above which the exemption would not apply. It seems that if the legislature is willing to grant a 10,220,000 barrel per new field exemption, then it shouldn't matter how fast that exemption is recovered, and sooner is better than later for industry. I also hear that the Committee may be considering an increase of the 4000 barrels per day to 5000, and lifting the total of the exemptions to a corresponding 12,775,000 barrels. This is more consistent with the Administration's initial proposal, and is a change I encourage you to make.

I question the need for a 7 year time limit after which the tax exemption will expire. Again, it seems if you're willing to grant a 10 or 13 million barrel exemption, then there is no need for a time limit, and we recommend that it be deleted. Industry will do everything economically feasible to use up the exemption as soon as possible, but well productivity and conservation issues may not allow for that to be the case in all instances.

Both options to replace the \$73 million allowance name the Alaska Oil and Gas Conservation Commission (AOGCC) as being the "referee" to resolve disputes about what constitutes an oil and gas field or unit. We agree with the selection of the AOGCC for this role, but recommend you clarify your intent regarding eligibility for the 4000 barrels per day exemption described in the first three lines of Section 21(i). In addition to providing incentives and tax exemptions for the drilling of new field wildcats, if the Committee wants every company, large and small, current producer, or wannabes like us, to be poking around the fringes of existing reservoirs, as well as looking deeper and shallower within the boundaries of existing units; then I suggest the following:

When the PPT becomes effective, establish a "ring fence" around existing, producing units. Current production from these units would not receive the 4000 barrel per day exemption. If peripheral drilling outside of that ring fence confirms commercial hydrocarbons and justifies unit expansions, then those expanded

areas should be eligible for the tax exemptions and exploration and development credits contemplated in CSSB 305. Deeper and shallower accumulations, drilled within existing units after July 1, 2006, should also be eligible. If the current producing unit owners receive a 4000 barrel per day exemption on current production, which means very little to them, they have will no additional incentive to push the envelope. If however, the exemption applies only to new production within an existing or expanded unit, it provides a meaningful incentive.

Lastly, I'd like to register my support of Dr. Van Meurs "Two for One System" that he summarized on March 18.

Thanks for the opportunity to testify at this important proceeding.

James D. Weeks
Managing Member
UltraStar Exploration LLC
907-258-2969

Mary Jackson

From: Wayne Stevens [wstevens@alaskachamber.com]
Sent: Monday, March 20, 2006 7:19 PM
To: Mary Jackson
Subject: Testimony for CSSB 305

Attachments: Wayne A. Stevens.vcf; testimony for CSSB 305 PPT.doc



Wayne A. Stevens.vcf (808 B) testimony for CSSB 305 PPT.doc...

Ms. Jackson,

At the request of Senator Waggoner, I am forwarding my comments presented at the Senate Resources Committee meeting this afternoon.

Regards
Wayne

Wayne A. Stevens
President/CEO
Alaska State Chamber of Commerce
217 Second St., Suite 201
Juneau, Alaska 99801
907-586-2010

Mary Jackson

From: Wayne Stevens [wstevens@alaskachamber.com]
Sent: Monday, March 20, 2006 7:19 PM
To: Mary Jackson
Subject: Testimony for CSSB 305

Attachments: Wayne A. Stevens.vcf; testimony for CSSB 305 PPT.doc



Wayne A. Stevens.vcf (808 B) testimony for CSSB 305 PPT.doc...

Ms. Jackson,

At the request of Senator Waggoner, I am forwarding my comments presented at the Senate Resources Committee meeting this afternoon.

Regards

Wayne

Wayne A. Stevens
President/CEO
Alaska State Chamber of Commerce
217 Second St., Suite 201
Juneau, Alaska 99801
907-586-2010

The Alaska State Chamber of Commerce supports a revision to the current Alaska oil & gas production tax. We also support a change in production tax, to a net profit tax with tax incentives for oil & gas exploration and reinvestment.

Through the PPT legislation, the Legislature has the opportunity to help define the pace of North Slope oil production for both the near- and long-term.

While the oil and gas industry in the State appears to be generally supportive of the Governor's 20/20 oil tax proposal, the State Chamber stands firm with its traditional position that any increase in taxes needs to be carefully scrutinized for detrimental impacts on investment in the State.

If the Legislature chooses a tax rate that is higher than that proposed by the Governor, the Chamber has concerns about the impact on exploration and other investment, job growth and economic development in the State. We believe higher taxes could accelerate the rate of production decline, with even greater impact on jobs and economic growth in the State.

The Chamber is concerned that calls for a greater tax take from the oil and gas industry may result in damage to the long-term future for Alaskans in favor of a short term unsustainable revenue gain.

Current North Slope production is not declining because taxes are too low.

While the Legislature addresses an increase in oil taxes, the Chamber recommends they also consider developing a long-term state fiscal plan that would make Alaska a more stable economy attractive to private sector investment.



RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

Founded 1975
 Executive Director
 Thomas J. Owens
 2005-2006 Executive Committee
 John T. Shively, President
 Rick Rogers, Sr. Vice President
 Wendy Lindskoog, Vice President
 Thomas Maloney, Secretary
 Stephanie Madson, Treasurer
 Patty Bielawski
 Allen Bingham
 Marilyn Crockett
 Steve Denton
 Jeffrey Y. Foley
 Carol Jor
 Paul S. Glavinovich
 Mark Hanley
 Ron McPherson
 Richard J. Owen
 Thomas Papamarcos
 Lisa M. Parker
 Robert B. Poles
 Scott L. Thorson
 Andrew Van Chau
 John Whitland
 Directors
 Irene A. Anderson
 Sharon Anderson
 Tim Arnold
 John A. Barnes
 Mark Begich
 Jason Bergerson
 Mr. Bodo
 Thomas Boyles
 Frank M. Brown
 Al Burch
 Patrick Carter
 Richard C. Ranagh
 James L. Cloud
 Stephen M. Cooney
 Jeffrey J. Cook
 Bert Cottle
 Robert E. Cox
 Paula P. Kuley
 Stanley T. Foo
 Carol Finner
 Charles J. Greene
 John K. Handeland
 Karl Harvonen
 Steve Hensen
 Rick P. Harris
 Lawrence L. Hartig
 Dan Hickey
 Teresa Iken
 Anthony M. Izzo
 David Jensen
 Charles W. Johnson
 Diane Keller
 Frank V. Kelly
 Thomas G. Kretzschald
 Francis LaChapelle
 Jim Ladd
 Thomas Loman
 David L. Matthews
 William J. Murray McDonald
 William McLaughlin
 James Merry
 Jim Palmer
 William E. Pecos
 Debbie Reinwand
 Elizabeth Reusch
 Thym J. Rhoads
 Lorna Shaw
 Kenneth Shedd
 Keith N. Silver
 Joseph Sprague
 Jeanine St. John
 Leo Stoops
 John L. Sturgeson
 Ben Turo
 Craig Tison
 Eric P. Yould

Ex-Officio Members
 Senator Tim Stevens
 Senator Lisa Murkowski
 Congressman Don Young
 Governor Frank Murkowski

March 20, 2006

Senator Tom Wagoner
 Chair, Senate Resources Committee
 Alaska State Legislature
 State Capitol
 Juneau, AK 99801-1182

Re: CSSB 305 – Petroleum Production Tax

Dear Senator Wagoner:

On behalf of the Resource Development Council for Alaska, Inc., (RDC), I am writing to provide comments on the Committee Substitute (CS) to Senate Bill 305.

RDC is a private, non-profit business association comprised of individuals and leading companies from Alaska's oil and gas, mining, forest products, fisheries and tourism industries. The association's membership also includes construction companies, local communities, Native corporations, organized labor and a wide range of industry-support firms. RDC's mission is to grow Alaska's economy through the responsible development of the state's natural resources.

There is a strong consensus among our oil and gas members, both large and small, that the Legislature is moving in the wrong direction with the Governor's proposed petroleum production tax. Even our members outside the oil patch fear the legislation would enact a new tax regime with massive potential long-term consequences to the well-being of Alaska's largest industry, the state's general fund and the economy.

The proposed legislation targets the one industry already responsible for providing nearly 90 percent of Alaska's general fund revenues through taxes and royalties during a time when the state is already experiencing budget surpluses and does not have a long-term plan in place to manage the money going forward. RDC has been working with other business, community and social service organizations in advocating for the development of a long-term state fiscal plan for nearly a decade. We have argued the state must do more to bring recurring revenues in line with expenditures in order to achieve tax stability and create a positive and predictable business climate. How the state manages surplus revenues is as important as managing deficits when it comes to accomplishing these policy goals.

A major concern of our members is that the committee substitute appears to have an increasing concentration on short-term revenues for the state, but potentially at the expense of the long-term investment needed to slow the decline in oil production. By jeopardizing investment, the bill puts at risk long-term production and corresponding state revenues. Approximately half of the production currently forecasted over the next



RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

decade directly hinges on new investments yet to be committed by industry. Unless additional investments are made, the decline will continue at the current rate and state revenues will fall short of projections. Alaska needs more industry investment to slow the decline, not the same or less.

The tax regime ultimately approved by the Legislature will directly impact how attractive Alaska is for investment, and that in turn will have a direct impact on declining production. RDC believes it is in the best interest of Alaska to focus on production – growing the pie – rather than increasing the state take from a sharply declining production curve. Greater investment means higher production, which will result in increased revenues to the state over a longer period of time.

Almost every proposed change in the committee substitute amounts to an increase in government take on the industry when compared with the Governor's original proposal and will not help attract the additional investment to maximize resource production.

In conclusion, RDC is concerned the committee substitute will put Alaska at a competitive disadvantage, given its challenged resource base, high cost environment, distance to market and the urgent need to attract very large amounts of capital to slow the decline in production. If enacted, the committee substitute will leave Alaska with the highest cost structure in the United States, when total government take (federal, state, local) and operating costs are factored into the investment equation.

The challenge for the Legislature is to strike the proper balance between Alaska getting its appropriate share of the wealth generated by its own resources and providing the fiscal certainty necessary to encourage the investment required to turn those resources into wealth. We believe the direction the legislature is moving with regard to the Governor's original proposal will discourage investment and elevate the risk to long-term production and revenue.

Sincerely,

RESOURCE DEVELOPMENT COUNCIL
For Alaska, Inc.

Tadd Owens
Executive Director

**Testimony of James D. Weeks
On CS for SB 305
Oil and Gas Production Tax
Alaska State Senate Resources Committee**

20 March, 2006

Mr. Chairman, distinguished members of the Senate Resources Committee. My name is Jim Weeks, and I am here today representing UltraStar Exploration LLC, based in Anchorage, with offices at 3111 C Street, Suite 500. Thanks for the opportunity to testify on this important legislation again.

I want to make a few brief comments on the Committee Substitute: I've seen two options being proposed to replace the \$73 million allowance. UltraStar prefers Option 2, which eliminates the \$40/barrel oil price ceiling above which the exemption would not apply. It seems that if the legislature is willing to grant a 10,220,000 barrel per new field exemption, then it shouldn't matter how fast that exemption is recovered, and sooner is better than later for industry. I also hear that the Committee may be considering an increase of the 4000 barrels per day to 5000, and lifting the total of the exemptions to a corresponding 12,775,000 barrels. This is more consistent with the Administration's initial proposal, and is a change I encourage you to make.

I question the need for a 7 year time limit after which the tax exemption will expire. Again, it seems if you're willing to grant a 10 or 13 million barrel exemption, then there is no need for a time limit, and we recommend that it be deleted. Industry will do everything economically feasible to use up the exemption as soon as possible, but well productivity and conservation issues may not allow for that to be the case in all instances.

Both options to replace the \$73 million allowance name the Alaska Oil and Gas Conservation Commission (AOGCC) as being the "referee" to resolve disputes about what constitutes an oil and gas field or unit. We agree with the selection of the AOGCC for this role, but recommend you clarify your intent regarding eligibility for the 4000 barrels per day exemption described in the first three lines of Section 21(i). In addition to providing incentives and tax exemptions for the drilling of new field wildcats, if the Committee wants every company, large and small, current producer, or wannabes like us, to be poking around the fringes of existing reservoirs, as well as looking deeper and shallower within the boundaries of existing units; then I suggest the following:

When the PPT becomes effective, establish a "ring fence" around existing, producing units. Current production from these units would not receive the 4000 barrel per day exemption. If peripheral drilling outside of that ring fence confirms commercial hydrocarbons and justifies unit expansions, then those expanded

areas should be eligible for the tax exemptions and exploration and development credits contemplated in CSSB 305. Deeper and shallower accumulations, drilled within existing units after July 1, 2006, should also be eligible. If the current producing unit owners receive a 4000 barrel per day exemption on current production, which means very little to them, they have will no additional incentive to push the envelope. If however, the exemption applies only to new production within an existing or expanded unit, it provides a meaningful incentive.

Lastly, I'd like to register my support of Dr. Van Meurs "Two for One System" that he summarized on March 18.

Thanks for the opportunity to testify at this important proceeding.

James D. Weeks
Managing Member
UltraStar Exploration LLC
907-258-2969

1) Call to Order – note time – note members present

Bring attention of committee to memo from me laying on the procedure on amendments and also added info on proposed amendments.

2) Today we have a public hearing and then we will continue with questions from Pedro van Muers.

3) We will distribute the memo to legal on the amendments by 5pm today.

We will NOT have a meeting tomorrow, so everyone can consider what amendments are being offered and what amendments you may wish to offer.

4) Meeting adjourned at ____.

Put (2) concepts into the CS

Pedro: ① 2/1 working now [NON SALEABLE]
② drafting memo now on \$,000

SB

305

(FILE 18)

FRANK H. MURKOWSKI
GOVERNOR
GOVERNOR@GOV.STATE.AK.US



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

P.O. Box 110001
JUNEAU, ALASKA 99811-0001
(907) 465-3500
FAX (907) 465-3532
WWW.GOV.STATE.AK.US

March 22, 2006

The Honorable Tom Wagoner
Chair, Senate Resources Committee
State Capitol, Room 427
Juneau, AK 99801

Re: CS for SB 305

Dear Senator Wagoner,

As we discussed last night, one of the amendments currently being considered by the Senate Resources Committee concerns the powers of the state to audit transfer prices. A related part of the amendment seeks to impose a 20% penalty for a taxpayer failing to provide contemporaneous documentation in connection with a transfer-pricing audit.

While we appreciate the committee's concern about mechanisms to deal with this issue, we do not believe that the proposed audit amendments are necessary to the successful administration of the Petroleum Production Tax (PPT). The audit mechanisms in place have proven adequate and successful over the years.

Further, the consideration of this issue appears to be distracting focus from the goal of passing a PPT which is so critical to Alaska's future. We respectfully suggest that these audit amendments be removed from consideration.

Thank you for your consideration and hard work.

Sincerely,

A handwritten signature in cursive script that reads "James F. Clark".

James F. Clark
Chief of Staff

ALASKA STATE LEGISLATURE



Official Business

SENATE RESOURCES COMMITTEE

Senator Tom Wagoner, Chair

State Capitol, Room 427

Juneau, AK 99801-1182

Phone: (907) 465-4907 Fax: (907) 465-4779

Senator Ralph Seekins, Vice-Chair

Senator Ben Stevens

Senator Kim Elton

Senator Fred Dyson

Senator Bert Stedman

Senator Albert Kookesh

DATE: March 22, 2006

TO: Resource Committee Members

FROM: Senator Tom Wagoner, Chair 

RE: Amendments for SB 305 – today

Attached, find the packets for Technical Amendment #1 and #2 and the Administrative Amendment.

You will note that they correspond to the information you received on Monday, where we asked Jack Chenoweth to prepare amendments to the bill.

I would appreciate your reviewing these two amendment packets to determine if we have already taken care of an amendment that you were thinking of offering.

It will cut down on the time required in my office to double check all the amendments and see whether there are duplicates and will also cut down on the committee's time.

If you turn in duplicative amendments, I will have to either rule that they are not in order, or I will ask that you withdraw them.

I would rather have the committee's time spent on the substantive issues.

Thank you for helping out in this process.

SB 305

Technical Amendment # 1

This amendment refers to the following items (cross-reference to 3-20-06 "Y" Version Amendments)

The items are:

4, 6, 7, 9, 10, 13 & 22, 14, 15, 17, 19, 20, 21, 22 & 13

NOTE:

- Page 2, this is to be inserted following the second "is"
- Page 2, line, 13 ... this should read "transferee's"
- Page 3, lines 8-15: Administration is checking on whether they still need this section (item #6)

TECHNICAL # 1

24-GS2052Y.34
Chenoweth
3.21/06

AMENDMENT

OFFERED IN THE SENATE - WAGONER
TO: CSSB 305(RES), Draft Version "Y"

- 1 Page 5, line 19, following "owner:"
- 2 Insert "and"
- 3
- 4 Page 5, line 20:
- 5 Delete "except as provided in (4) of this subsection."
- 6
- 7 Page 5, line 26:
- 8 Delete "; and"
- 9 Insert "."
- 10
- 11 Page 5, lines 27 - 29:
- 12 Delete all material.
- 13
- 14 Page 7, lines 16 - 23:
- 15 Delete all material.
- 16 Insert "Notwithstanding any contrary provision of AS 43.05.280, interest on an
- 17 overpayment is allowed only from a date that is 90 days after the last day of the third month
- 18 following the calendar quarter of production, as described in this subsection, and interest is
- 19 not allowed if the overpayment was refunded within the 90-day period. In addition, the
- 20 producer shall comply with the requirements of AS 43.55.030(a) and 43.55.030(e). In this
- 21 subsection, "calendar quarter" means each of the three-month periods ending March 31,
- 22 June 30, September 30, and December 31."
- 23

#A

#b

the second

1 Page 8, line 21, following "is":

2 Insert "produced and"

3

4 Page 11, lines 7 - 23:

5 Delete all material and insert:

6 "(e) A person to which a transferable tax credit certificate is issued under (d)
 7 of this section may transfer the certificate to another person, and a transferee may
 8 further transfer the certificate. Subject to the limitations set out in (a) - (c) of this
 9 section, and notwithstanding any action the department may take with respect to the
 10 applicant under (f) of this section, the owner of a certificate may apply the credit or a
 11 portion of the credit shown on the certificate only against a tax due under
 12 AS 43.55.011(e). However, a credit shown on a transferable tax credit certificate may
 13 not be applied to reduce a ~~transferer's~~ ^{TRANSFEEE'S} total tax due under AS 43.55.011(e) on oil and
 14 gas produced during a calendar year to less than 80 percent of the tax that would
 15 otherwise be due without applying that credit. Any portion of a credit not used under
 16 this subsection may be applied in a later period."

17
18 Reletter the following subsections accordingly.

19
20 Page 12, line 21:

21 Delete "(A)"

22
23 Page 12, line 22, following "service":

24 Insert "economically"

25
26 Page 12, line 24:

27 Delete "similar"

28 Insert "any successor"

29 Delete "; or"

30 Insert "."

31

#14 1 Page 12, lines 25 - 29:

2 Delete all material.

3

4 Page 13, line 2:

"D" 5 Delete "(i)"

6 Insert "(h)"

7

#16 8 Page 15, lines 4 - 7:

9 Delete all material and insert:

10 (c) In addition to other required information, the producer shall file a
 11 statement, on or before the last day of each calendar quarter of a year, showing any
 12 adjustments or corrections to the statements that were required under (a) of this section
 13 to be filed for the three months of the preceding calendar year during which the oil or
 14 gas was produced. In this subsection, "calendar quarter" means each of the three-
 15 month periods ending March 31, June 30, September 30, and December 31."

16

#15 17 Page 16, line 26:

18 Delete "or"

19

20 Page 16, line 29:

"D" 21 Delete "a new subsection"

22 Insert "new subsections"

23

#17 24 Page 17, line 19:

25 Delete "(A)"

26

27 Page 17, line 21:

28 Delete ":",

29 Insert ":",

30

31 Page 17, lines 22 - 23:

1 Delete all material and insert:

2 "(e) A formula prescribed by the department under (d) of this section may not
3 incorporate a reference to royalty value, royalty valuation methodology, or royalty
4 settlement agreement."
5

#19

6 Page 19, line 3:

7 Delete "an"
8

9 Page 19, line 17:

#20

10 Delete "the operator or a working interest owner"

11 Insert "a producer that is an operator"
12

#21

13 Page 20, line 6:

14 Delete "of capital assets"
15

#22

16 Page 21, line 3, following "service":

17 Insert "economically"
18

19 Page 21, line 5, following "similar":

20 Insert "regulatory"
21

"D"

22 Page 24, line 4, following "Code).":

23 Insert "as amended."

Senate Resources Committee

March 22, 10076

SB 305

Technical Amendment # 2

This amendment refers to the following items (cross-reference to 3-20-06 "Y" Version Amendments)

The items are:

#6

Item 6

24G-2
3/22/2006
(10:53 A.M.)

AMENDMENT

OFFERED IN THE SENATE RESOURCES
COMMITTEE

BY WAGONER

TO: CSSB 305(RES) (24-GS2052\Y) (3/16/06 Work Draft: Chenoweth)

1 Page 29, following line 28:

2 Insert the following material:

3 "(e) Notwithstanding any contrary provision of AS 43.55.020(a), as repealed and
4 reenacted by sec. 10 of this Act, or of AS 43.55.020(g), enacted by sec. 15 of this Act, for oil and
5 gas produced on or after April 1, 2006, and before the first day of the first month that begins at
6 least 180 days after the effective date of secs. 10 and 15 of this Act,

7 (1) the amount of the taxes that would have been levied upon the producer under
8 AS 43.55, as the provisions of that chapter read on March 31, 2006, is due on the last day of each
9 calendar month on the oil and gas that was produced from each lease or property during the
10 preceding month;

11 (2) the portion, if any, of the taxes levied under AS 43.55.011(a), as amended by
12 sec. 5 of this Act, and under AS 43.55.011(e), (f), and (g), enacted by sec. 7 of this Act, that
13 remains unpaid, net of any credits applied as allowed by law, is due on the last day of the second
14 month that begins at least 180 days after the effective date of secs. 5 and 7 of this Act.

15 (f) Notwithstanding any contrary provision of AS 43.55.030(a), as amended by sec. 18 of
16 this Act, for oil and gas produced on or after April 1, 2006, and before the first day of the first
17 month that begins at least 180 days after the effective date of sec. 18 of this Act, the person
18 paying the tax shall file with the Department of Revenue, at the time an amount of tax is due

19 (1) under (e)(1) of this section, the statement required under former
20 AS 43.55.030(a), as that subsection read on March 31, 2006; and

21 (2) under (e)(2) of this section, the statements required under AS 43.55.030(a), as

1 amended by sec. 18 of this Act.

2 (g) For purposes of taxes to be calculated and due under (e)(1) of this section and
3 statements to be filed under (f)(1) of this section, regulations that were adopted by the
4 Department of Revenue under AS 43.55, as the provisions of that chapter read on March 31,
5 2006, and that were in effect on that date apply to those taxes and statements."

6

7 Page 29, line 31, following "REGULATIONS":

8 Delete "."

9 Insert "AND RETROACTIVITY OF REGULATIONS. (a)"

10

11 Page 30, following line 3:

12 Insert the following material:

13 "(b) Notwithstanding any contrary provision of AS 44.62.240, a regulation adopted by
14 the Department of Revenue to implement, interpret, make specific, or otherwise carry out the
15 provisions of secs. 5 - 8, 10 - 13, 15 - 18, 20, 24 - 35, and 37 of this Act may apply retroactively
16 as of April 1, 2006, if the Department of Revenue expressly designates in the regulation that the
17 regulation applies retroactively to that date."

AMENDMENT

OFFERED IN THE SENATE:

BY SENATOR WAGONER

TO: CSSB 305(RES), draft version 24-GS2052\Y

Page 18, line 4: insert after "than zero"

If a producer does not produce taxable oil or gas during a month, the producer is considered to have generated a positive production tax value if the calculation described in this subsection yields a positive number because the producer's adjusted lease expenditures for a month are less than zero as a result of the producer's receiving a payment or credit under (e) of this section or otherwise.

Page 18, line 23: insert new paragraph (3)

(3) an explorer that has taken a tax credit under AS 43.55.024(b) or that has obtained a transferable tax credit certificate under AS 43.55.024(d) for the amount of a tax credit under AS 43.55.024(b) is considered a producer, subject to the tax levied under AS 43.55.011(e), to the extent that the explorer generates a positive production tax value as the result of the explorer's receiving a payment or credit described in (e) of this section.

SB 305

Administrative Amendment # 1

This amendment refers to the following items (cross-reference to 3-20-06 "Y" Version Amendments)

The items are:

18, 25, 17, 18, 29, 30 and 31

AMENDMENT

OFFERED IN THE SENATE:

BY SENATOR WAGONER

TO: CSSB 305(RES), draft version 24-GS2052\Y

Page 18, line 4: insert after "than zero"

New From ADMIN

If a producer does not produce taxable oil or gas during a month, the producer is considered to have generated a positive production tax value if the calculation described in this subsection yields a positive number because the producer's adjusted lease expenditures for a month are less than zero as a result of the producer's receiving a payment or credit under (e) of this section or otherwise.

Page 18, line 23: insert new paragraph (3)

New From ADMIN

(3) an explorer that has taken a tax credit under AS 43.55.024(b) or that has obtained a transferable tax credit certificate under AS 43.55.024(d) for the amount of a tax credit under AS 43.55.024(b) is considered a producer, subject to the tax levied under AS 43.55.011(e), to the extent that the explorer generates a positive production tax value as the result of the explorer's receiving a payment or credit described in (e) of this section.

#18
ADMIN. DEFINITION
FOR CAP. ASSETS

Page 19, line 29: replace (A) "outlays for capital assets" with

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

Page 21, line 9: replace "amounts that have not been paid" with

amounts incurred

Page 21, lines 14-15: after "business entity" delete all material and insert

, whether or not the transaction is treated as an asset sale for federal income tax purposes.

Page 21, line 16-17: replace "any payment of credit the producer receives for" with

certain payments or credits received by the producer, as provided in this subsection. If one or more payments or credits subject to this subsection are received by a producer during a month or, under (f) of this section, during a calendar year, and if either the total amount of the payments or credits exceeds the amount of the producer's lease expenditures or the producer has no lease expenditures, the producer shall nevertheless subtract those payments or credits from the lease expenditures or from zero, respectively, and the producer's adjusted lease expenditures for that month or calendar year are a negative number and shall be applied to the calculation under (a) of this section as a negative number. The payments or credits that a producer must subtract from the

New From
Admin.

producer's lease expenditures, or from zero, under this subsection are payments or credits received by the producer for

ITEMS # 25
27-31

Page 21, line 18-22: delete all material, insert

(1) the use by another person of a production facility in which the producer has an ownership interest or the management by the producer of a production facility under a management agreement providing for the producer to receive a management fee;

Page 22, line 1: replace (n) with (m) and after "2006;" insert

for purposes of this subsection, if a producer removes from the state, for use outside the state, an asset described in this paragraph, the value of the asset at the time it is removed is considered a payment received by the producer for the transfer of the asset;

Page 23, line 28: insert "(b)." at the beginning of the line

Page 23, lines 29 through 30: replace (d)(2)(L) with (d)(2)(N) and delete "or (d)(2)(M)"

Page 23, line 31: delete "(d)(2)(L) or (d)(2)(M)" and insert (c)(3)(A)

Page 24, line 10: delete "(d)(2)(L)" and replace with (d)(2)(N)

Page 24, line 4: insert after "Revenue Code),"

as amended,

Page 24, lines 12-13: after due: delete all material and insert

if a producer fails to comply with a request under this paragraph, there shall be added to any underpayment determined by the department under this section a penalty in the amount of 20 percent of the underpayment.

Page 24, lines 14-27: delete all material and reorder

Page 24, lines 28-30: delete all material and insert

(n) For purposes of determining the amount of the adjustment by subtraction that must be made to a producer's lease expenditures as a result of the producer's receiving a payment or credit under (e)(3)(A) of this section,

Page 25, lines 7-11: delete all material and reorder

ITEMS # 25 AND 27-31

t

SB 305

Substantive Amendment #2

This amendment refers to the following items (cross-reference to 3-20-06 "Y" Version Amendments)

The item is #26

NOTE: This is the new "claw-back" or 2 for 1 provision.

AMENDMENT

OFFERED IN THE SENATE RESOURCES

BY _____

COMMITTEE

TO: CSSB 305(RES) (24-GS2052\Y) (3/16/06 Work Draft: Chenoweth)

1 Page 17, line 31, following "(2)", through Page 18, line 2:

2 Delete all material and insert "for a month that ends before April 1, 2013, and to the
3 extent allowed under (g) of this section, less an amount of the producer's transitional investment
4 expenditures that has not previously been deducted under this subsection."
5

6 Page 18, line 20:

7 Delete "(g)"

8 Insert "(g)(3)"
9

10 Delete ", but not more than 1/48 of a producer's transitional investment expenditures may
11 be deducted in any month"
12

13 Page 22, line 13:

14 Delete "January 1, 2003"

15 Insert "April 1, 2001"
16

17 Page 22, lines 18 - 19:

18 Delete "on or after January 1, 2003, and"
19

20 Page 22, line 20:

21 Delete ", multiplied by"

1 Insert ";

2

3 Page 22, lines 21 - 26:

4 Delete all material and insert the following:

5 "(2) an amount of a producer's transitional investment expenditures may
6 be deducted under (a) of this section only to the extent that the amount does not exceed

7 (A) one-half of the producer's qualified capital expenditures, as
8 defined in AS 43.55.024, that are incurred during the month, if the producer does
9 not make an election under (f) of this section;

10 (B) 1/24 of the producer's qualified capital expenditures, as
11 defined in AS 43.55.024, that are incurred during the calendar year, if the
12 producer makes an election under (f) of this section;"

13

14 Page 22, line 27:

15 Delete "(2) notwithstanding (1)"

16 Insert "(3) notwithstanding (2)"

17

18 Page 29, following line 25:

19 Insert the following material:

20 "(d) Notwithstanding any contrary provision of AS 43.55.160(g)(2), enacted by sec. 26
21 of this Act, for oil and gas produced on or after April 1, 2006, and before January 1, 2007,

22 (1) the number "1/24" in AS 43.55.160(g)(2)(B), enacted by sec. 26 of this Act,
23 shall be replaced by the number "1/18";

24 (2) the phrase "calendar year" in AS 43.55.160(g)(2)(B), enacted by sec. 26 of
25 this Act, shall be replaced by the phrase "last nine months of the calendar year"."

26

27 Page 29, line 26:

28 Delete "(d)"

29 Insert "(e)"

SB

305

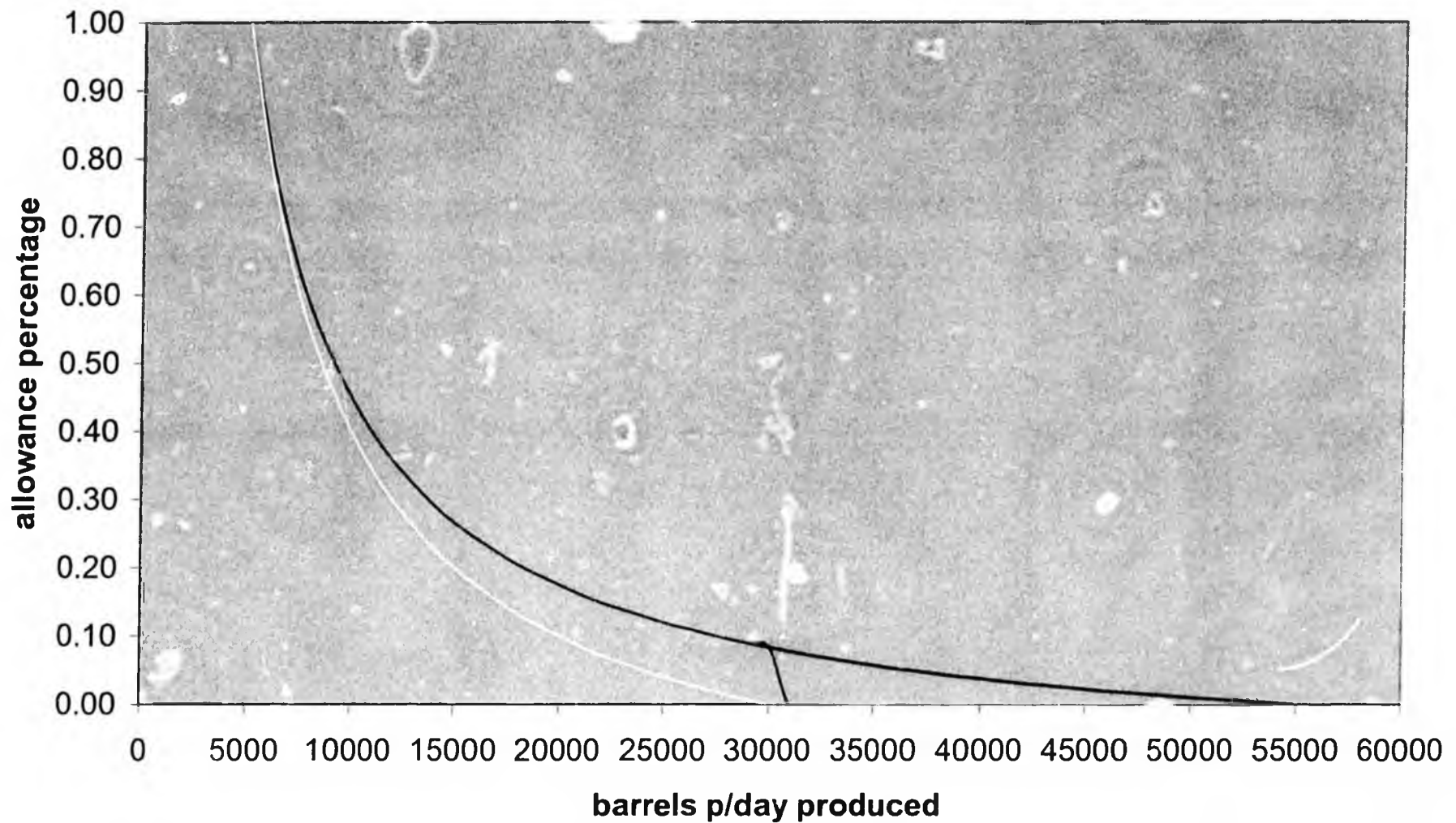
(FILE 19)

Producer 2005 Daily Production (BOE Equivalents)

SUBS. #3
Progressivity
INFO FROM
R. MARKS
3-23

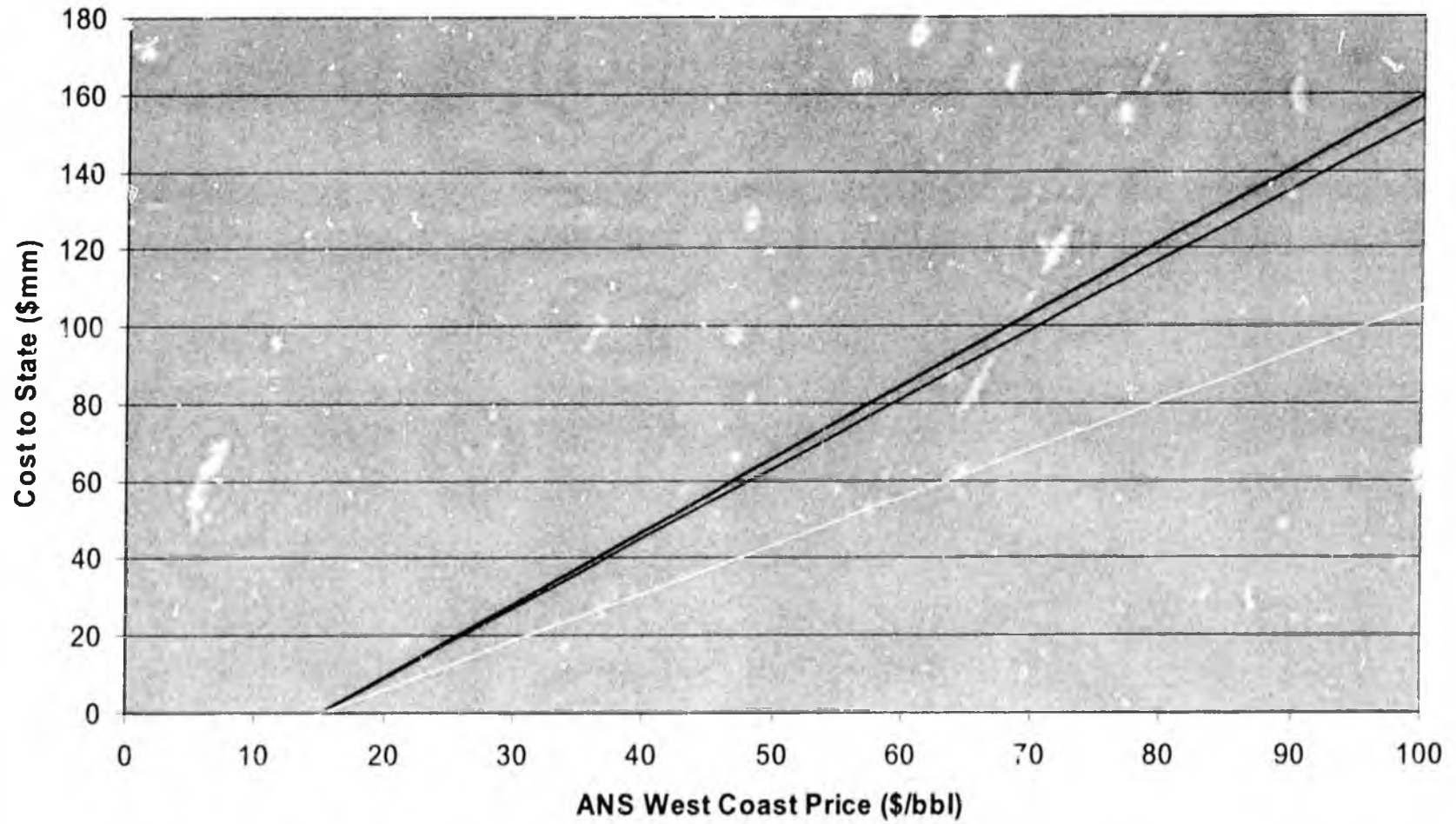
• Anadarko	27,801
• Aurora	1,543
• BP	354,670
• Chevron	44,757
• Doyon	27
• ExxonMobil	182,117
• Forest	7,004
• Marathon	27,705
• ML&P	2,572
• NANA	80
• ConocoPhillips	426,087
• XTOE Energy	3,345
• Kerr-McGhee**	20,000
• Pioneer**	<u>20,000</u>
• TOTAL	1,117,798

Allowance Mechanisms



— amendment as proposed — amendment with 30,000 b/d cutoff amendment with 0.2 multiplier

Amendments - Annual Cost to State (\$millions)



— amendment as proposed — amendment with 30,000 b/d cutoff — amendment with 0.2 multiplier

ALASKA STATE LEGISLATURE

Records



Official Business

SENATE RESOURCES COMMITTEE

Senator Tom Wagoner, Chair

State Capitol, Room 427

Juneau, AK 99801-1182

Phone: (907) 465-4907 Fax: (907) 465-4779

Senator Ralph Seekins, Vice-Chair

Senator Ben Stevens

Senator Kim Elton

Senator Fred Dyson

Senator Bert Stedman

Senator Albert Kookesh

DATE: March 23, 2006
TO: Senate Resources Committee
FROM: Senator Tom Wagoner, Chair *Tom*
RE: SB 305 – Miscellaneous Information

Yesterday, Senator Ben Stevens objected to the adoption of Technical Amendment #1, stating a point of order that the draft CS had not been adopted.

In fact, the draft CS was adopted last Friday – see the attached email.

Senator Ben Stevens also requested a copy of the email sent by Rob Mintz regarding DOR's signing off on the Administrative Amendment. That too is attached.

My plan for today is as follows:

1. at 10am, room #205, start with Administrative Amendment. The tax consultants will be calling in to speak directly with the committee.
2. We will then go to the pull-out from Technical #1 – the issue of valuation on the basis of royalty settlement agreements.
3. We will then proceed with:
 - a. Substantive Amendment #1 – 5,000 barrel issue
 - b. Substantive Amendment #2 – new "claw back"Please note that I have attached a single-sided copy of these two amendments.

There are two more substantive amendments – one pertains to progressivity and the other to private royalty.

There are also numerous amendments turned in by Senators Stedman/Stevens that pertain to many of the issues that were resolved in the technical amendment.

We are copying these amendments and the added substantive amendments and will hand them out shortly.

Mary Jackson

From: Ann Krekelberg
Sent: Thursday, March 23, 2006 8:35 AM
To: Mary Jackson
Subject: RE: cs sb 305

He moved to adopt it as the working document.

From: Mary Jackson
Sent: Thursday, March 23, 2006 7:43 AM
To: Ann Krekelberg
Subject: cs sb 305

last friday - the 17th - we presented this to the committee.

i would swear that it was moved by ralph seekins.

would you please check that.

Mary Jackson

From: Joseph Balash
Sent: Wednesday, March 22, 2006 1:09 PM
To: Mary Jackson
Subject: FW: Here's the FINAL

-----Original Message-----

From: Rob Mintz [mailto:Robert_Mintz@law.state.ak.us]
Sent: Wednesday, March 22, 2006 11:44 AM
To: DDickinsonCPA@gci.net; KirsnerM@gtlaw.com; Joseph Balash;
robynn_wilson@revenue.state.ak.us
Subject: Re: Here's the FINAL

Looks good. This is a non-substantive point, but the first provision on the last page should switch places with the second provision, because it deals with line 10 on p. 24 of the bill, while the second provision deals with line 4 on p. 24 of the bill.

>>> Joseph Balash <Joseph_Balash@legis.state.ak.us> 3/22/2006 11:31:16 AM >>>

SB 305

Substantive Amendment # 1

This amendment refers to the following items (cross-reference to 3-20-06 "Y" Version Amendments)

The items are:

1, 2, 8 and 16

NOTE: This amendment is the "5,000 barrel" amendment. It replaces:

- The Cook Inlet tax structure issue (items 1, 2, & 16)
- The \$73 million standard deduction issue (item 8)

1 Delete "(l)(1)"
2 Insert "(n)(1)"
3
4 Page 24, line 28:
5 Delete "(n)"
6 Insert "(p)"
7
8 Page 25, line 2:
9 Delete "(l)"
10 Insert "(n)"
11
12 Page 25, line 3:
13 Delete "(l)(1)"
14 Insert "(n)(1)"
15
16 Page 25, line 18:
17 Delete "(o)"
18 Insert "(q)"
19
20 Page 28, line 26:
21 Delete "AS 43.55.013(c),"
22 Insert "AS 43.55.011(a), 43.55.011(b), 43.55.013(c),"
23
24 Following: 43.55.013(i),"
25 Insert "43.55.013(j),"
26
27 Make changes throughout the bill to conform to the statute repeals added on Page 28, line 26,
28 above.

CORRECTION

THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION



Central Microfilm Services
Department of Education & Early Development
State of Alaska

SB 305

Substantive Amendment # 1

This amendment refers to the following items (cross-reference to 3-20-06 "Y" Version Amendments)

The items are:

1, 2, 8 and 16

NOTE: This amendment is the "5,000 barrel" amendment. It replaces:

- The Cook Inlet tax structure issue (items 1, 2, & 16)
- The \$73 million standard deduction issue (item 8)

AMENDMENT

OFFERED IN THE SENATE RESOURCES
COMMITTEE

BY WAGONER

TO: CSSB 305(RES) (24-GS2052\Y) (3/16/06 Work Draft: Chenoweth)

- 1 Page 3, line 16, through Page 4, line 23:
- 2 Delete all material.
- 3
- 4 Renumber the following bill sections accordingly.
- 5
- 6 Page 6, lines 18 - 27:
- 7 Delete all material.
- 8
- 9 Renumber the following bill sections accordingly.
- 10
- 11 Page 13, line 11, through Page 14, line 7:
- 12 Delete all material.
- 13
- 14 Renumber the following bill sections accordingly.
- 15
- 16 Make changes throughout the bill to conform to the deletions above.
- 17
- 18 Page 17, line 26, following "(f)":
- 19 Insert "and (i)"
- 20
- 21 Page 21, line 10:
- 22 Delete "(l)"

1 must demonstrate that its operation in the state or its ownership of an interest in a lease or
2 property in the state as a distinct producer entity would not result in the division among
3 multiple producer entities of any production tax value of taxable oil and gas, as defined
4 under (a) of this section, that would be reasonably expected to be attributed to a single
5 producer entity if the allowance provision of (i) of this section did not exist."
6

7 Page 23, line 15:

8 Delete "(i)"

9 Insert "(k)"

10
11 Page 23, line 23:

12 Delete "(j)"

13 Insert "(l)"

14
15 Page 23, line 25":

16 Delete "(k)"

17 Insert "(m)"

18
19 Page 23, line 29:

20 Delete "(l)"

21 Insert "(n)"

22
23 Page 24, line 14:

24 Delete "(m)"

25 Insert "(o)"

26
27 Page 24, line 25:

28 Delete "(l)"

29 Insert "(n)"

30
31 Page 24, line 27:

1 Delete "(l)(1)"
2 Insert "(n)(1)"
3
4 Page 24, line 28:
5 Delete "(n)"
6 Insert "(p)"
7
8 Page 25, line 2:
9 Delete "(l)"
10 Insert "(n)"
11
12 Page 25, line 3:
13 Delete "(l)(1)"
14 Insert "(n)(1)"
15
16 Page 25, line 18:
17 Delete "(o)"
18 Insert "(q)"
19
20 Page 28, line 26:
21 Delete "AS 43.55.013(c),"
22 Insert "AS 43.55.011(a), 43.55.011(b), 43.55.013(c),"
23
24 Following: 43.55.013(i),"
25 Insert "43.55.013(j),"
26
27 Make changes throughout the bill to conform to the statute repeals added on Page 28, line 26,
28 above.

Senate Resources Committee

March 22, 10076

SB 305

Substantive Amendment #2

This amendment refers to the following items (cross-reference to 3-20-06 "Y" Version Amendments)

The item is #26

NOTE: This is the new "claw-back" or 2 for 1 provision.

AMENDMENT

OFFERED IN THE SENATE RESOURCES

BY _____

COMMITTEE

TO: CSSB 305(RES) (24-GS2052\Y) (3/16/06 Work Draft: Chenoweth)

1 Page 17, line 31, following "(2)", through Page 18, line 2:

2 Delete all material and insert "for a month that ends before April 1, 2013, and to the
3 extent allowed under (g) of this section, less an amount of the producer's transitional investment
4 expenditures that has not previously been deducted under this subsection."
5

6 Page 18, line 20:

7 Delete "(g)"

8 Insert "(g)(3)"
9

10 Delete ", but not more than 1/48 of a producer's transitional investment expenditures may
11 be deducted in any month"
12

13 Page 22, line 13:

14 Delete "January 1, 2003"

15 Insert "April 1, 2001"
16

17 Page 22, lines 18 - 19:

18 Delete "on or after January 1, 2003, and"
19

20 Page 22, line 20:

21 Delete ", multiplied by"

1 Insert ";"

2

3 Page 22, lines 21 - 26:

4 Delete all material and insert the following:

5 "(2) an amount of a producer's transitional investment expenditures may
6 be deducted under (a) of this section only to the extent that the amount does not exceed

7 (A) one-half of the producer's qualified capital expenditures, as
8 defined in AS 43.55.024, that are incurred during the month, if the producer does
9 not make an election under (f) of this section:

10 (B) 1/24 of the producer's qualified capital expenditures, as
11 defined in AS 43.55.024, that are incurred during the calendar year, if the
12 producer makes an election under (f) of this section;"

13

14 Page 22, line 27:

15 Delete "(2) notwithstanding (1)"

16 Insert "(3) notwithstanding (2)"

17

18 Page 29, following line 25:

19 Insert the following material:

20 "(d) Notwithstanding any contrary provision of AS 43.55.160(g)(2), enacted by sec. 26
21 of this Act, for oil and gas produced on or after April 1, 2006, and before January 1, 2007,

22 (!) the number "1/24" in AS 43.55.160(g)(2)(B), enacted by sec. 26 of this Act,
23 shall be replaced by the number "1/18";

24 (2) the phrase "calendar year" in AS 43.55.160(g)(2)(B), enacted by sec. 26 of
25 this Act, shall be replaced by the phrase "last nine months of the calendar year"."

26

27 Page 29, line 26:

28 Delete "(d)"

29 Insert "(e)"