



# 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

November 4, 2007

**SUBJECT:** Transportation rates as determined by AS 43.55.150  
(amendment L.74 to CSHB 2001 (O&G))

**TO:** Representative David Guttenberg  
Attn: Christian Gou-Leonhardt

**FROM:** Alpheus Bullard *AB*  
Legislative Counsel

You have requested an amendment that addressed the subject above. Your submitted draft modified both AS 43.55.1509(a) and (b). No amendment of AS 43.55.150(a) was necessitated by the amendment. Your requested changes to AS 43.55.150(b) included language that provided in relevant part:

Transportation costs fixed by tariff rates that have been adjudicated just and reasonable [PROPERLY ON FILE WITH] the Regulatory Commission of Alaska or other regulatory agency shall be considered prima facie reasonable.

It is unclear to me what this sentence means. I have not been able to contact you, so I have left this language in the draft amendment. This subsection might benefit from further clarification of your intent.

If I can be of further assistance, please do not hesitate to contact me.

ALB:lmb  
07-149.lmb

Enclosure

AMENDMENT

Passed as amended  
24 - Gutterberg

25-GH0014L.74  
Bullard/Bullock  
11/4/07

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

1 Page 23, following line 14:

2 Insert a new bill section to read:

3 **\*\* Sec. 31. AS 43.55.150(b)** is amended to read:

4 (b) If the department finds that **a condition** [THE CONDITIONS] in (a)(1),  
5 (2), **or** [AND] (3) of this section **is** [ARE] present, the department shall determine the  
6 reasonable costs of transportation, using the fair market value of like transportation,  
7 the fair market value of equally efficient and available alternative modes of  
8 transportation, or other reasonable methods. Transportation costs fixed by tariff rates  
9 **that have been adjudicated just and reasonable by** [PROPERLY ON FILE WITH]  
10 the Regulatory Commission of Alaska or other regulatory agency shall be considered  
11 prima facie reasonable."  
12

13 Renumber the following bill sections accordingly.

14

15 Page 31, line 25:

16 Delete "32 - 34, and 37"

17 Insert "33 - 35, and 38"

18

19 Page 31, line 27:

20 Delete "31, and 38"

21 Insert "32, and 39"

22

23 Page 32, line 31:

Amendment #1 DG

insert line 3-12

AS 43.55.150(a)

(attached)

- 1 Delete "32 - 34, and 37"
- 2 Insert "33 - 35, and 38"
- 3
- 4 Page 33, line 2:
  - 5 Delete "31, and 38"
  - 6 Insert "32, and 39"
  - 7
- 8 Page 33, line 20:
  - 9 Delete "32 - 34, and 37"
  - 10 Insert "33 - 35, and 38"
  - 11
- 12 Page 33, line 21:
  - 13 Delete "31, and 38"
  - 14 Insert "32, and 39"
  - 15
- 16 Page 33, line 22:
  - 17 Delete "sec. 44"
  - 18 Insert "sec. 45"

~~Passed~~

AMENDMENT

24

Guttenberg

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G), Draft Version "L"

insert 24-a

1 Page 23, following line 14:

2 Insert new bill sections to read:

3 **\*Sec. 31.** AS 43.55.150(a) is amended to read:

4 (a) For the purposes of AS 43.55.011 – 43.55.180, the gross value at the point of  
5 production is calculated using the reasonable costs of transportation of the oil or gas. The  
6 reasonable costs of transportation are the actual costs, except when the

7 (1) parties to the transportation of oil or gas are affiliated;

8 (2) contract for the transportation of oil or gas (A) is not an arm's length  
9 transaction or (B) is not representative of the market value of that transportation; or  
10 [AND]

11 (3) method of transportation of oil or gas is not reasonable in view of  
12 existing alternative methods of transportation.

13 **\*Sec. 32.** AS 43.55.150(b) is amended to read:

14 (b) If the department finds that a condition [THE CONDITIONS] in (a)(1), (2),  
15 or [AND] (3) of this section is [ARE] present, the department shall determine the  
16 reasonable costs of transportation, using the fair market value of like transportation, the  
17 fair market value of equally efficient and available alternative modes of transportation, or  
18 other reasonable methods. Transportation costs fixed by tariff rates that have been

1        **adiudicated iust and reasonable by** [PROPERLY ON FILE WITH] the Regulatory  
2        Commission of Alaska or other regulatory agency shall be considered prima facie  
3        reasonable.”

4

5        **Renumber the following bill sections accordingly.**

**PLEASE REPLACE AMENDMENT 24 WITH THE  
ATTACHED REVISED AMENDMENT 24**

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Transportation costs fixed by tariff rates that have been adjudicated just and reasonable [PROPERLY ON FILE WITH] the Regulatory Commission of Alaska or other regulatory agency shall be considered prima facie reasonable.

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ALB:lmb  
07-149.lmb

Enclosure

AMENDMENT

24

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

1 Page 23, following line 14:

2 Insert a new bill section to read:

3 **"\* Sec. 31. AS 43.55.150(b) is amended to read:**

4 (b) If the department finds that **a condition** [THE CONDITIONS] in (a)(1),  
5 (2), **or** [AND] (3) of this section **is** [ARE] present, the department shall determine the  
6 reasonable costs of transportation, using the fair market value of like transportation,  
7 the fair market value of equally efficient and available alternative modes of  
8 transportation, or other reasonable methods. Transportation costs fixed by tariff rates  
9 **that have been adjudicated just and reasonable by** [PROPERLY ON FILE WITH]  
10 the Regulatory Commission of Alaska or other regulatory agency shall be considered  
11 prima facie reasonable."  
12

13 Renumber the following bill sections accordingly.

14

15 Page 31, line 25:

16 Delete "32 - 34, and 37"

17 Insert "33 - 35, and 38"

18

19 Page 31, line 27:

20 Delete "31, and 38"

21 Insert "32, and 39"

22

23 Page 32, line 31:

1 Delete "32 - 34, and 37"

2 Insert "33 - 35, and 38"

3

4 Page 33, line 2:

5 Delete "31, and 38"

6 Insert "32, and 39"

7

8 Page 33, line 20:

9 Delete "32 - 34, and 37"

10 Insert "33 - 35, and 38"

11

12 Page 33, line 21:

13 Delete "31, and 38"

14 Insert "32, and 39"

15

16 Page 33, line 22:

17 Delete "sec. 44"

18 Insert "sec. 45"

(Wilson)

amendment # 1, pg 2, line 22  
insert "before or" after "unit"

Adopted

25-GH0014L.76  
Bullard/Bullock  
1/14/07

AMENDMENT 6

OFFERED IN THE HOUSE

BY REPRESENTATIVE WILSON

TO: CSHB 2001(O&G)

1 Page 18, following line 25:

2 Insert new bill sections to read:

3 **\*\* Sec. 26.** AS 43.55.025(a) is amended to read:

4 (a) Subject to the terms and conditions of this section, a credit against the  
5 production tax **levied by** [DUE UNDER] AS 43.55.011(e) [OR (f)] is allowed for  
6 exploration expenditures that qualify under (b) of this section in an amount equal to  
7 one of the following:

8 (1) 30 [20] percent of the total exploration expenditures that qualify  
9 only under (b) and (c) of this section;

10 (2) 30 [20] PERCENT of the total exploration expenditures [FOR  
11 WORK PERFORMED BEFORE JULY 1, 2007, AND] that qualify only under (b)  
12 and (d) of this section;

13 (3) 40 percent of the total exploration expenditures that qualify under  
14 (b), (c), and (d) of this section; or

15 (4) 40 percent of the total exploration expenditures that qualify only  
16 under (b) and (c) of this section.

17 **\* Sec. 27.** AS 43.55.025(b) is amended to read:

18 (b) To qualify for the production tax credit under (a) of this section, an  
19 exploration expenditure must be incurred for work performed [ON OR] after  
20 **December 31, 2007** [JULY 1, 2003], and before July 1, 2016, [EXCEPT THAT AN  
21 EXPLORATION EXPENDITURE FOR A COOK INLET PROSPECT MUST BE  
22 INCURRED FOR WORK PERFORMED ON OR AFTER JULY 1, 2005,] and

23 (1) may be for seismic or **other** geophysical exploration costs not

1 connected with a specific well;

2 (2) if for an exploration well,

3 (A) must be incurred by an explorer that holds an interest in the  
4 exploration well for which the production tax credit is claimed;

5 (B) may be for either a [AN OIL OR GAS DISCOVERY] well  
6 that encounters an oil or gas deposit or a dry hole; [AND]

7 (C) must be for a well that has been completed, suspended,  
8 or abandoned under AS 31.05.030 at the time the explorer claims the tax  
9 credit under (f) of this section; and

10 (D) must be for goods, services, or rentals of personal property  
11 reasonably required for the surface preparation, drilling, casing, cementing,  
12 and logging of an exploration well, and, in the case of a dry hole, for the  
13 expenses required for abandonment if the well is abandoned within 18 months  
14 after the date the well was spudded;

15 (3) may not be for [TESTING, STIMULATION, OR COMPLETION  
16 COSTS;] administration, supervision, engineering, or lease operating costs; geological  
17 or management costs: community relations or environmental costs; bonuses, taxes, or  
18 other payments to governments related to the well; costs arising from gross  
19 negligence or violation of health, safety, or environmental statutes or regulations;  
20 or other costs that are generally recognized as indirect costs or financing costs; and

21 (4) may not be incurred for an exploration well or seismic exploration <sup>or before</sup>  
22 that is included in a plan of exploration or a plan of development for any unit on <sup>before or</sup>  
23 May 13, 2003.

24 \* Sec. 28. AS 43.55.025(c) is repealed and reenacted to read:

25 (c) To be eligible for the 30 percent production tax credit authorized by (a)(1)  
26 of this section or the 40 percent production tax credit authorized by (a)(3) of this  
27 section, exploration expenditures must

28 (1) qualify under (b) of this section; and

29 (2) be for an exploration well, subject to the following:

30 (A) before spudding the well, (i) the explorer shall submit to  
31 the commissioner of natural resources the information necessary to determine

1 whether the geological objective of the well is a potential oil or gas trap that is  
 2 distinctly separate from any trap that has been tested by a preexisting well; and  
 3 (ii) the commissioner of natural resources must make an affirmative  
 4 determination on that question; the commissioner of natural resources shall  
 5 decide whether to make that determination within 60 days after receiving all  
 6 the necessary information from the explorer and based on the information  
 7 received and on other information the commissioner of natural resources may  
 8 consider relevant;

9 (B) for an exploration well other than a well to explore a Cook  
 10 Inlet prospect, the well must be located and drilled in such a manner that the  
 11 bottom hole is located not less than three miles away from the bottom hole of a  
 12 preexisting well drilled for oil or gas, irrespective of whether the preexisting  
 13 well has been completed, suspended, or abandoned;

14 (C) after completion, abandonment, or suspension under  
 15 AS 31.05.030 of the exploration well, the commissioner of natural resources  
 16 must determine that the well adequately achieved the explorer's stated  
 17 geological objective.

18 \* Sec. 29. AS 43.55.025(f) is amended to read:

19 (f) For a production tax credit under this section,

20 (1) an explorer shall, in a form prescribed by the department and,  
 21 **except for a credit under (f) of this section,** within six months of the completion of  
 22 the exploration activity, claim the credit and submit information sufficient to  
 23 demonstrate to the department's satisfaction that the claimed exploration expenditures  
 24 qualify under this section;

25 (2) an explorer shall agree, in writing,

26 (A) to notify the Department of Natural Resources, within 30  
 27 days after completion of seismic or geophysical data processing, completion of  
 28 [A] well **drilling**, or filing of a claim for credit, whichever is the latest, for  
 29 which exploration costs are claimed, of the date of completion and submit a  
 30 report to that department describing the processing sequence and providing a  
 31 list of data sets available; [IF, UNDER (c)(2)(B) OF THIS SECTION, AN

1 EXPLORER SUBMITS A CLAIM FOR A CREDIT FOR EXPENDITURES  
2 FOR AN EXPLORATION WELL THAT IS LOCATED WITHIN THREE  
3 MILES OF A WELL ALREADY DRILLED FOR OIL AND GAS, IN  
4 ADDITION TO THE SUBMISSIONS REQUIRED UNDER (1) OF THIS  
5 SUBSECTION, THE EXPLORER SHALL SUBMIT THE INFORMATION  
6 NECESSARY FOR THE COMMISSIONER OF NATURAL RESOURCES  
7 TO EVALUATE THE VALIDITY OF THE EXPLORER'S CLAIM THAT  
8 THE WELL IS DIRECTED AT A DISTINCTLY SEPARATE  
9 EXPLORATION TARGET, AND THE COMMISSIONER OF NATURAL  
10 RESOURCES SHALL, UPON RECEIPT OF ALL EVIDENCE SUFFICIENT  
11 FOR THE COMMISSIONER TO EVALUATE THE EXPLORER'S CLAIM,  
12 MAKE THAT DETERMINATION WITHIN 60 DAYS;]

13 (B) to provide to the Department of Natural Resources, within  
14 30 days after the date of a request, unless a longer period is provided by the  
15 Department of Natural Resources, specific data sets, ancillary data, and  
16 reports identified in (A) of this paragraph; in this subparagraph,

17 (i) a seismic or geophysical data set includes the data  
18 for an entire seismic survey, irrespective of whether the survey  
19 area covers nonstate land in addition to state land or land in a unit  
20 in addition to land outside a unit;

21 (ii) well data include all derivative products, results,  
22 and copies of data collected and data analyses for the well,  
23 including well logs; sample analyses; geophysical and velocity data  
24 including vertical seismic profiles and check shot surveys; and  
25 tangible material including, for each whole core collected, a  
26 lengthwise cut slab that is at least 1/3 of the whole core volume, and  
27 representative samples, as specified by the Department of Natural  
28 Resources, of other gaseous, liquid, or solid material collected from  
29 drilling or testing the well;

30 (C) that, notwithstanding any provision of AS 38, information  
31 provided under this paragraph will be held confidential by the Department of

Natural Resources

(i) in the case of well data, until the expiration of the 24-month period of confidentiality described in AS 31.05.035(c), the Department of Natural Resources [FOR 10 YEARS FOLLOWING THE COMPLETION DATE, AT WHICH TIME THAT DEPARTMENT] will release the information after 30 days' public notice, unless in the discretion of the commissioner of natural resources, it is necessary to protect information relating to the valuation of unleased acreage in the same vicinity;

(ii) in the case of seismic or other geophysical data, other than seismic data acquired by seismic exploration subject to (f) of this section, for 10 years following the completion date, at which time the Department of Natural Resources will release the information after 30 days' public notice;

(iii) in the case of seismic data obtained by seismic exploration subject to (f) of this section, only until the expiration of 30 days' public notice issued on or after the date the production tax credit certificates are issued under (5) of this subsection; and

(D) that, in the case of well data, the explorer will not make a request under AS 31.05.035(c) that the commissioner of natural resources keep the data confidential for longer than the 24-month period of confidentiality described in AS 31.05.035(c);

(3) if more than one explorer holds an interest in a well or seismic exploration,

(A) each explorer may claim an amount of credit that is proportional to the explorer's cost incurred;

(B) in the case of a well, each explorer holding an interest in the well shall agree, in writing, that the explorer will not make the request described in (2)(D) of this subsection;

(4) the department may exercise the full extent of its powers as though the explorer were a taxpayer under this title, in order to verify that the claimed

1 expenditures are qualified exploration expenditures under this section; and

2 (5) if the department is satisfied that the explorer's claimed  
 3 expenditures are qualified under this section **and that all data required to be**  
 4 **submitted under this section have been submitted**, the department shall issue to the  
 5 explorer a production tax credit certificate for the amount of credit to be allowed  
 6 against production taxes **levied by AS 43.55.011(e); the credit is available for**  
 7 **immediate use; notwithstanding any contrary provision of AS 38, AS 40.25.100,**  
 8 **or AS 43.05.230, the following information is not confidential:**

9 **(A) the explorer's name;**

10 **(B) the date of the application;**

11 **(C) the location of the well or seismic exploration;**

12 **(D) the date of the department's issuance of the certificate;**

13 **and**

14 **(E) the date on which the information required to be**  
 15 **submitted under this section will be released** [DUE UNDER  
 16 AS 43.55.011(e) OR (f)].

17 \* Sec. 30. AS 43.55.025(g) is amended to read:

18 (g) An explorer, **other than an entity that is exempt from taxation under**  
 19 **this chapter**, may transfer, convey, or sell its production tax credit certificate to any  
 20 person, and any person who receives a production tax credit certificate may also  
 21 transfer, convey, or sell the certificate.

22 \* Sec. 31. AS 43.55.025(h) is amended to read:

23 (h) A producer that purchases a production tax credit certificate may apply the  
 24 credits against its production tax liability under AS 43.55.011(e) [OR (f)]. Regardless  
 25 of the price the producer paid for the certificate, the producer may receive a credit  
 26 against its production tax liability for the full amount of the credit, but for not more  
 27 than the amount for which the certificate is issued. A production tax credit allowed  
 28 under this section may not be applied more than once.

29 \* Sec. 32. AS 43.55.025(i) is repealed and reenacted to read:

30 (i) For a production tax credit under this section,

31 (1) a credit may not be applied to reduce a taxpayer's tax liability under

1 AS 43.55.011(e) below zero for a calendar year; and

2 (2) an amount of the production tax credit in excess of the amount that  
3 may be applied for a calendar year under this subsection may be carried forward and  
4 applied against the taxpayer's tax liability under AS 43.55.011(e) in one or more later  
5 calendar years.

6 \* Sec. 33. AS 43.55.025(k) is amended by adding a new paragraph to read:

7 (4) "preexisting well" means a well that was spudded more than 540  
8 days but less than 35 years before the date on which the exploration well to which it is  
9 compared is spudded.

10 \* Sec. 34. AS 43.55.025 is amended by adding a new subsection to read:

11 (l) Subject to the terms and conditions of this section, if a claim is filed under  
12 (f)(1) of this section before January 1, 2016, credit against the production tax levied  
13 by AS 43.55.011(e) is allowed in an amount equal to five percent of an eligible  
14 expenditure under this subsection incurred for seismic exploration performed before  
15 July 1, 2003. To be eligible under this subsection, an expenditure must

16 (1) have been for seismic exploration that

17 (A) obtained data that the commissioner of natural resources  
18 considers to be in the best interest of the state to acquire for public distribution;  
19 and

20 (B) was conducted outside the boundaries of a production unit;  
21 however, the amount of the expenditure that is otherwise eligible under this  
22 section is reduced proportionately by the portion of the seismic exploration  
23 activity that crossed into a production unit; and

24 (2) qualify under (b)(3) of this section."  
25

26 Renumber the following bill sections accordingly.

27  
28 Page 31, line 25:

29 Delete "32 - 34, and 37"

30 Insert "41 - 43, and 46"  
31

1 Page 31, line 27:

2 Delete "31, and 38"

3 Insert "31, 32, 34, 40, and 47"

4

5 Page 31, line 29:

6 Delete "Sections 26 and 27"

7 Insert "Sections 35 and 36"

8

9 Page 31, line 30:

10 Delete "sec. 26"

11 Insert "sec. 35"

12

13 Page 31, line 31:

14 Delete "sec. 27"

15 Insert "sec. 36"

16

17 Page 31, following line 31:

18 Insert a new subsection to read:

19 "(d) Sections 26 - 29 and 33 of this Act apply to exploration expenditures incurred for  
20 work performed after December 31, 2007, that are the basis of tax credits that may be claimed  
21 against taxes levied for oil and gas produced after December 31, 2007."

22

23 Reletter the following subsection accordingly.

24

25 Page 32, line 1:

26 Delete "sec. 29"

27 Insert "sec. 38"

28

29 Page 32, line 3:

30 Delete "29"

31 Insert "38"

1

2 Page 32, line 31:

3 Delete "32 - 34, and 37"

4 Insert "41 - 43, and 46"

5

6 Page 33, line 2:

7 Delete "26, 27, 31, and 38"

8 Insert "26 - 29, 31 - 34, 35, 36, 40, and 47"

9

10 Page 33, line 19, following ".":

11 Insert "(a) Section 30 of this Act is retroactive to July 1, 2003.

12 (b)"

13

14 Page 33, line 20:

15 Delete "32 - 34, and 37"

16 Insert "41 - 43, and 46"

17

18 Page 33, line 21:

19 Delete "26, 27, 31, and 38"

20 Insert "26 - 29, 31 - 34, 35, 36, 40, and 47"

21

22 Page 33, line 22:

23 Delete "sec. 44"

24 Insert "sec. 53"

Gu W S K  
GAB

passed as amended  
AMENDMENT 29

25-GH0014\L.51  
Kurtz\Bullock  
11/3/07

OFFERED IN THE HOUSE BY REPRESENTATIVE GUTTENBERG  
TO: CSHB 2001(O&G)

1 Page 1, line 8, following "supervisors;":

2 Insert "establishing an oil and gas tax credit fund and authorizing payment from  
3 that fund;"

5 Page 17, line 6, following "person":

6 Insert "or obtain a cash payment under AS 43.55.028"

8 Page 17, following line 22:

9 Insert a new bill section to read:

10 "\* Sec. 24. AS 43.55.023(g) is amended to read:

11 (g) The issuance of a transferable tax credit certificate under (d) of this section  
12 or the purchase of a certificate [ISSUANCE OF A CASH REFUND] under  
13 AS 43.55.028 [(t) OF THIS SECTION] does not limit the department's ability to later  
14 audit a tax credit claim to which the certificate relates or to adjust the claim if the  
15 department determines, as a result of the audit, that the applicant was not entitled to  
16 the amount of the credit for which the certificate was issued. The tax liability of the  
17 applicant under AS 43.55.011(e) and 43.55.017 - 43.55.180 is increased by the amount  
18 of the credit that exceeds that to which the applicant was entitled, or the applicant's  
19 available valid outstanding credits applicable against the tax levied by  
20 AS 43.55.011(e) are reduced by that amount. If the applicant's tax liability is increased  
21 under this subsection, the increase bears interest under AS 43.05.225 from the date the  
22 transferable tax credit certificate was issued. For purposes of this subsection, an  
23 applicant that is an explorer is considered a producer subject to the tax levied by

Concept Amend #1  
25 million cap  
Gu W S K  
N F  
cap on \$25 million

1 AS 43.55.011(e)."

2  
3 Renumber the following bill sections accordingly.

4  
5 Page 18, following line 25:

6 Insert a new bill section to read:

7 **"\* Sec. 27.** AS 43.55 s amended by adding a new section to read:

8 **Sec. 43.55.028. Oil and gas tax credit fund established; cash purchases of**  
9 **tax credit certificates.** (a) The oil and gas tax credit fund is established as a separate  
10 fund of the state. The purpose of the fund is to purchase certain transferable tax credit  
11 certificates issued under AS 43.55.023 and certain production tax credit certificates  
12 issued under AS 43.55.025.

13 (b) The oil and gas tax credit fund consists of

14 (1) money appropriated to the fund, including any appropriation of the  
15 percentage provided under (c) of this section of all revenue from taxes levied by  
16 AS 43.55.011 that is not required to be deposited in the constitutional budget reserve  
17 fund established in art. IX, sec. 17(a), Constitution of the State of Alaska; and

18 (2) earnings on the fund.

19 (c) The applicable percentage for a fiscal year under (b)(1) of this section is  
20 determined with reference to the average price or value forecast by the department for  
21 Alaska North Slope oil sold or otherwise disposed of on the United States West Coast  
22 during the fiscal year for which the appropriation of revenue from taxes levied by  
23 AS 43.55.011 is made. If that forecast is

24 (1) \$60 a barrel or higher, the applicable percentage is 10 percent;

25 (2) less than \$60 a barrel, the applicable percentage is 15 percent.

26 (d) The department shall manage the fund.

27 (e) The department may, on the written application of the person to whom a  
28 transferable tax credit certificate has been issued under AS 43.55.023(d) or a  
29 production tax credit certificate has been issued under AS 43.55.025(f), use available  
30 money in the oil and gas tax credit fund to purchase, in whole or in part, the certificate  
31 if the department finds that

1 (1) the calendar year of the purchase is not earlier than the first  
2 calendar year for which the credit shown on the certificate would otherwise be allowed  
3 to be applied against a tax;

4 (2) within 24 months after applying for the transferable tax credit  
5 certificate or filing a claim for the production tax credit certificate, the applicant  
6 incurred a qualified capital expenditure or was the successful bidder on a bid  
7 submitted for a lease on state land under AS 38.05.180(f);

8 (3) the amount expended for the purchase would not exceed the total of  
9 qualified capital expenditures and successful bids described in (2) of this subsection  
10 that have not been the subject of a finding made under this paragraph for purposes of a  
11 previous purchase of a certificate;

12 (4) the applicant does not have an outstanding liability to the state for  
13 unpaid delinquent taxes under this title;

14 (5) the applicant's total tax liability under AS 43.55.011(c), after  
15 application of all available tax credits, for the calendar year in which the application is  
16 made is zero;

17 (6) the applicant's average amount of oil and gas taxable under  
18 AS 43.55.011(e) and produced each day during the calendar year preceding the  
19 calendar year in which the application is made was not more than 50,000 BTU  
20 equivalent barrels; and

21 (7) the purchase is consistent with this section and regulations adopted  
22 under this section.

23 (f) Money in the fund remaining at the end of a fiscal year does not lapse and  
24 remains available for expenditure in successive fiscal years.

25 (g) The department may adopt regulations to carry out the purposes of this  
26 section, including standards and procedures to allocate available money among  
27 applications for purchases the total amount of which exceeds the amount of available  
28 money in the fund.

29 (h) Nothing in this section creates a dedicated fund.

30 (i) In this section, "qualified capital expenditure" has the meaning given in  
31 AS 43.55.023."

1

2 **Renumber the following bill sections accordingly.**

3

4 **Page 31, line 25:**5 **Delete "Sections 24, 25, 32 - 34, and 37"**6 **Insert "Sections 25, 26, 34 - 36, and 39"**

7

8 **Page 31, line 27:**9 **Delete "31, and 38"**10 **Insert "33, and 40"**

11

12 **Page 31, line 29:**13 **Delete "Sections 26 and 27"**14 **Insert "Sections 28 and 29"**

15

16 **Page 31, line 30:**17 **Delete "sec. 26"**18 **Insert "sec. 28"**

19

20 **Page 31, line 31:**21 **Delete "sec. 27"**22 **Insert "sec. 29"**

23

24 **Page 32, line 1:**25 **Delete "sec. 29"**26 **Insert "sec. 31"**

27

28 **Page 32, line 3:**29 **Delete "29"**30 **Insert "31"**

31

1 Page 32, following line 3:

2 Insert a new subsection to read:

3 "(e) Section 24 of this Act applies to transferable tax credit certificates issued  
4 under AS 43.55.023(d), as amended by sec. 23 of this Act, and to transferable tax  
5 credit certificates issued under AS 43.55.023(d), in effect before January 1, 2008, for  
6 which a cash refund has not been issued under AS 43.55.023(f) before January 1,  
7 2008."  
8

9 Page 32, line 31:

10 Delete "secs. 24, 25, 32 - 34, and 37"

11 Insert "secs. 25, 26, 34 - 36, and 39"  
12

13 Page 33, line 2:

14 Delete "26, 27, 31, and 38"

15 Insert "24, 27 - 29, 33, and 40"  
16

17 Page 33, following line 10:

18 Insert a new bill section to read:

19 **\*\* Sec. 43.** The uncodified law of the State of Alaska is amended by adding a new section to  
20 read:

21 **TRANSITION: PENDING APPLICATIONS.** If an application made under  
22 AS 43.55.023(f) is received by the Department of Revenue before January 1, 2008, and is still  
23 outstanding on that date, the application is considered to be an application under  
24 AS 43.55.028, enacted by sec. 26 of this Act."  
25

26 Renumber the following bill sections accordingly.  
27

28 Page 33, lines 19 - 20:

29 Delete "Sections 24, 25, 32 - 34, and 37"

30 Insert "Sections 25, 26, 34 - 36, and 39"  
31

1 Page 33, line 21:

2 Delete "26, 27, 31, and 38"

3 Insert "24, 27 - 29, 33, and 40"

4

5 Page 33, line 22:

6 Delete "sec. 44"

7 Insert "sec. 47"

**adopted**  
E S K Y N  
G4 G4 W R F J

25-GH0014L.71  
Cook/Bullock  
11/3/07

**AMENDMENT**

38 Rep. Guttenberg

OFFERED IN THE HOUSE  
TO: CSHB 2001(O&G)

#1 Passed (see attached amend #1)  
#2 Passed (see attached amend #2)  
5/4

1 Page 1, following line 12:

2 Insert a new bill section to read:

3 **"\* Section 1.** The uncodified law of the State of Alaska is amended by adding a new section  
4 to read:

5 **LEGISLATIVE INTENT.** It is the intent of the legislature that provisions of this Act

6 (1) ensure a fair and equitable means of assessing and taxing Alaska's oil and  
7 gas resources;

8 (2) encourage the availability to Alaska's citizens of affordable gas produced,  
9 transported, and consumed within the state; and

10 (3) confirm by clarification the longstanding interpretation of AS 43.05.260 by  
11 the Department of Revenue through enactment of AS 43.55.075(b) in sec. 30 of this Act,  
12 relating to limitation of assessments for the production tax on oil and gas and conservation  
13 surcharges on oil."

15 Page 2, line 1:

16 Delete "Section 1"

17 Insert "Sec. 2"

19 Renumber the following bill sections accordingly.

21 Page 14, following line 2:

22 Insert a new subsection to read:

23

(W) (conceptual) amend #3  
Passed #3

P&T, line 14 -  
subsection  
- if the company  
gets the credit,  
that's than they have  
to pass the tax benefit  
on to their customers

#4  
Conceptual amend #4  
fair enough  
N  
GA  
GA

1           "(q) Notwithstanding other provisions of this section, for a calendar year  
2 before 2022, the tax levied ~~under~~ <sup>by</sup> this section for each 1,000 cubic feet of gas for gas  
3 produced from a lease or property outside the Cook Inlet sedimentary basin and used  
4 in the state may not exceed the amount of tax for each 1,000 cubic feet of gas that is  
5 determined under (j)(2) of this section."  
6

7 ✓ Page 23, line 24, following "AS 43.55.170;":

8           Insert "**this subparagraph does not apply to gas taxable under AS 43.55.011(h);**"  
9

10 Page 24, line 1, following "AS 43.55.170;":

11           Insert "**this subparagraph does not apply to gas taxable under AS 43.55.011(q);**"  
12

13 Page 24, following line 13:

14           Insert a new subparagraph to read:

15                           **"(E) gas produced during a calendar year from a lease or**  
16                           **property outside the Cook Inlet sedimentary basin and used in the state is**  
17                           **the gross value at the point of production of that gas taxable under**  
18                           **AS 43.55.011(e) and produced by the producer from that lease or**  
19                           **property, less the producer's lease expenditures under AS 43.55.165 for**  
20                           **the calendar year applicable to that gas produced by the producer from**  
21                           **that lease or property, as adjusted under AS 43.55.170;"**  
22

23 Page 24, line 22, following "AS 43.55.170;":

24 ✓ Insert "**this subparagraph does not apply to gas subject to additional tax under**  
25 **AS 43.55.011(o);**"  
26

27 Page 24, line 30, following "AS 43.55.170;":

28 ✓ Insert "**this subparagraph does not apply to gas subject to additional tax under**  
29 **AS 43.55.011(o);**"  
30

31 Page 25, line 13, following "AS 43.55.170;":

1           Insert ";

2                                   **(E) gas produced during a month from a lease or property**  
 3                                   **outside the Cook Inlet sedimentary basin and used in the state is the gross**  
 4                                   **value at the point of production of that gas taxable under AS 43.55.011(e)**  
 5                                   **and produced by the producer from that lease or property, less 1/2 of the**  
 6                                   **producer's lease expenditures under AS 43.55.165 for the calendar year**  
 7                                   **applicable to that gas produced by the producer from that lease or**  
 8                                   **property, as adjusted under AS 43.55.170"**

9  
 10   Page 29, following line 12:

11           Insert a new bill section to read:

12       "\* Sec. 35. AS 43.55.165(h) is amended to read:

13                   "(h) The department shall adopt regulations that provide for reasonable  
 14                   methods of allocating costs between oil and gas, **between gas subject to**  
 15                   **AS 43.55.011(q) and other gas,** and between leases or properties in those  
 16                   circumstances where the determination of the lease expenditures that are applicable to  
 17                   oil or to gas, **that are applicable to gas subject to AS 43.55.011(q) or to other gas,**  
 18                   or that are applicable to oil and gas produced from different leases or properties,  
 19                   requires an allocation of costs."

20  
 21   Renumber the following bill sections accordingly.

22  
 23   Page 31, line 25:

24           Delete "Sections 24, 25, 32 - 34, and 37"

25           Insert "Sections 25, 26, 33, 34, 36, and 39"

26  
 27   Page 31, line 27:

28           Delete "Sections 14 - 20, 31, and 38"

29           Insert "Sections 15 - 21, 32, 35, and 40"

30  
 31   Page 31, line 29:

1 Delete "Sections 26 and 27"  
2 Insert "Sections 27 and 28"  
3  
4 Page 31, line 30:  
5 Delete "sec. 26"  
6 Insert "sec. 27"  
7  
8 Page 31, line 31:  
9 Delete "sec. 27"  
10 Insert "sec. 28"  
11  
12 Page 32, line 1:  
13 Delete "sec. 29"  
14 Insert "sec. 30"  
15  
16 Page 32, line 3:  
17 Delete "secs. 13 and 29"  
18 Insert "secs. 14 and 30"  
19  
20 Page 32, line 13:  
21 Delete "sec. 9"  
22 Insert "sec. 10"  
23  
24 Page 32, line 16:  
25 Delete "sec. 9"  
26 Insert "sec. 10"  
27  
28 Page 32, line 19:  
29 Delete "sec. 9"  
30 Insert "sec. 10"  
31

1 Page 32, line 31:

2 Delete "secs. 24, 25, 32 - 34, and 37"

3 Insert "secs. 25, 26, 33, 34, 36, and 39"

4

5 Page 33, line 2:

6 Delete "secs. 14 - 20, 26, 27, 31, and 38"

7 Insert "secs. 15 - 21, 27, 28, 32, 35, and 40"

8

9 Page 33, lines 19 - 20:

10 Delete "Sections 24, 25, 32 - 34, and 37"

11 Insert "Sections 25, 26, 33, 34, 36, and 38"

12

13 Page 33, line 21:

14 Delete "Sections 14 - 20, 26, 27, 31, and 38"

15 Insert "Sections 15 - 21, 27, 28, 32, 35, and 40"

16

17 Page 33, line 22:

18 Delete "sec. 44"

19 Insert "sec. 46"

#1  
AMENDMENT

Accepted  
to Amendment #38

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: AMENDMENT NO. 38 TO CSHB 2001(O&G), Draft Version "L"

1 Page 1, line 21:

2 Insert "Page 13, line 23, through page 14, line 2:

3 Delete all material"

4

5 Page 2, line 7: (Q)

6 Insert "For purposes of this section, "used in the state" means delivered for  
7 consumption as fuel in the state, including as fuel consumed to generate electricity."

pg 13 -

AMENDMENT #2 to Amendment #38

OFFERED IN HOUSE

BY REPRESENTATIVE SEATON

TO: AMENDMENT NO. 38 CSHB 2001(O&G), Draft Version "L"

- 1 Page 2, line 2:
- 2 Delete, "under"
- 3 Insert, "by (e) and (o) of"

Adopted

under this section -  
Royalty gas

**AMENDMENT #4 TO AMENDMENT #38**

Offered by **REPRESENTATIVE FAIRCLOUGH**

The RCA shall determine if an entity that receives gas that is taxed, for production tax purposes, under the provisions of 43.55.011 (p) falls under their jurisdiction.

New (r)  
or additional  
sentence  
Pg. 2, line 6  
new subsection (r)  
reference to (p) section  
to (g)

**Debra Higgins**

---

**From:** Rynnieva Moss  
**Sent:** Friday, November 02, 2007 4:50 PM  
**To:** Debra Higgins; Rep. Craig Johnson  
**Subject:** FNG

This does do anything for the Fairbanks Natural Gas situation. Their project would have to be a separate subsection allowing for AS 43.55.011(e) to be applied to gas sold and processed into liquefied natural gas in s LNG facility with a limited production.

One suggestion would be:

Page 15, line 3:

Insert:

(q) For a calendar year before 2022, the total tax levied by (e) of this section on gas produced from a lease or property outside of the Cook Inlet sedimentary basin that is sold and processed into liquefied natural gas in the state at a facility with a maximum processing capacity that does not exceed 10,000,000,000 cubic feet a year may not exceed the product of the amount of taxable gas produced during the calendar year from the lease or property, multiplied by the average rate of tax imposed under this chapter for taxable gas produced from all taxes or leases in the Cook Inlet sedimentary basin, multiplied by the average prevailing value for gas delivered in the Cook Inlet area for the 12-month period ending March 31, 2006, as determined by the department under AS 43.55.020(f).

Again, Don Bullock would have to check this out.

I am told that the volume capacity of 10 bcf is based on a five year average of Cook Inlet.

**Debra Higgins**

---

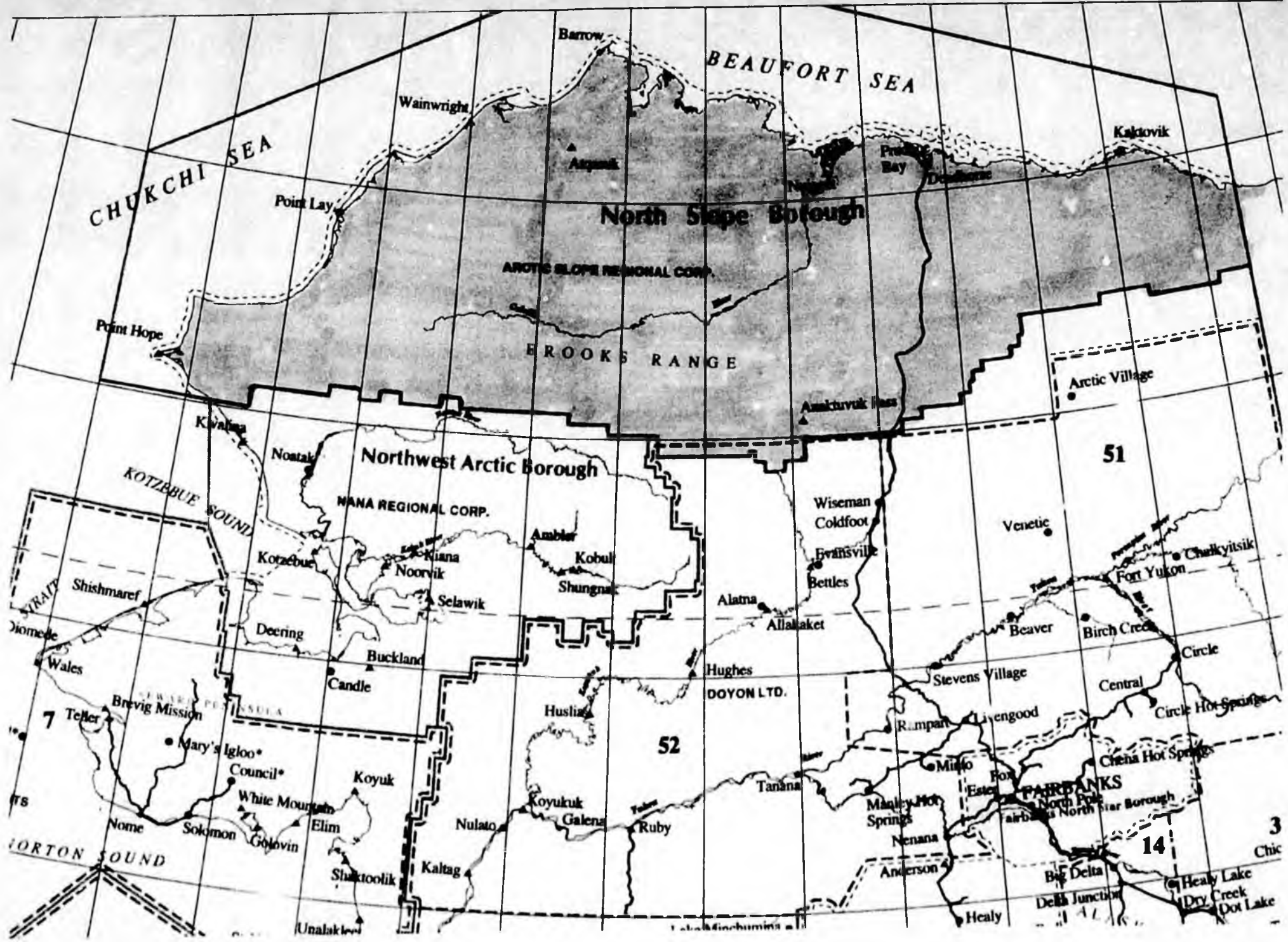
**From:** Rynniva Moss  
**Sent:** Friday, November 02, 2007 4:42 PM  
**To:** Debra Higgins; Rep. Craig Johnson  
**Cc:** Linda Hay; DDickinsonCPA@gci.net  
**Subject:** Map of borough  
**Attachments:** North Slope Borough Map.pdf

I am attaching the map showing the boundaries of the North Slope Borough. If there has to be a boundary, I would suggest something along the line of:

**no part of which is north of the southern most boundary of the North Slope Borough as of December 31, 2007 and no part of which is in the North Slope Borough but is situated south of the 68 degree North latitude**

Don would have to work on the language but the intent is to use the southern boundary of the North Slope Borough but not allow any property in the North Slope Borough to be included.

- |     |           |     |              |     |            |     |          |     |              |     |              |     |                |     |        |
|-----|-----------|-----|--------------|-----|------------|-----|----------|-----|--------------|-----|--------------|-----|----------------|-----|--------|
| L-8 | Diomede   | Q-4 | Girdwood     | O-6 | Ivanof Bay | L-8 | Krik     | O-6 | Marshall     | J-6 | Nanana       | Q-4 | Duzinkis       | O-8 | Pa     |
| L-8 | Dot Lake  | S-5 | Glennallen   | S-5 | Juneseu    | X-7 | Kobuk    | M-3 | Mary's Igloo | I-4 | New Stuyahok | M-7 | Palmer         | I-6 | Palmer |
| L-8 | Dry Creek | S-5 | Gelovin      | J-4 | Kachemak   | P-7 | Kodlak   | O-8 | McCarthy     | T-6 | Newhalar     | N-7 | Palmer         | Q-6 | Palmer |
| O-8 | Eagle     | U-4 | Goodnews Bay | K-7 | Kaguyak    | O-8 | Kokhanok | N-7 | McGrath      | N-5 | Newtok       | I-8 | Pauloff Harbor | J-9 | Red    |



**Adopted**

amend #1 - adopted  
amend #2 - adopted  
amend #3 - failed  
amend #4 - adopted

Y N  
K R | F  
S Gu | W  
Ga E | J

25-GH0014L.68  
Wayne/Bullock  
11/3/07

AMENDMENT 43 Rep. Edgmon

OFFERED IN THE HOUSE  
TO: CSHB 2001(O&G)

**Adopted** amendment #1  
DELETE LINE 16, after "located" thru  
LINE 17, "property"  
~~amendment #2  
Line 8, delete ", " after relations"~~

1 Page 26, lines 17 - 19:

2 Delete

3 "(8) costs of arbitration, litigation, or other dispute resolution activities  
4 that involve the state or concern the rights or obligations among owners of interests in,  
5 or rights to production from, one or more leases or properties or a unit;"

6 Insert

7 "(8) costs of arbitration, litigation, [OR OTHER] dispute resolution,  
8 lobbying, public relations, advertising, or policy advocacy [ACTIVITIES THAT  
9 INVOLVE THE STATE OR CONCERN THE RIGHTS OR OBLIGATIONS  
10 AMONG OWNERS OF INTERESTS IN, OR RIGHTS TO PRODUCTION FROM,  
11 ONE OR MORE LEASES OR PROPERTIES OR A UNIT];"

13 Page 29, line 12, following "processed":

14 Insert ";

15 (21) costs relating to office buildings, fixtures and equipment, and  
16 real property that is not located on an oil or gas exploration, production, or  
17 development lease or property in the state; and

18 (22) overhead, office, or administrative expenses and all other  
19 indirect costs of oil or gas exploration, development, or production"

amendment #2 **Adopted**  
Line 8, delete ", " after  
"relations"  
amendment #4 **Adopted**  
Delete Lines 18-19

~~amendment #3  
deletes lines 12-19~~  
Y N  
R Gu  
F E | K  
W J | Ga

Y N  
G U  
S Ga R E W  
Adopted

AMENDMENT

44

Rep. Gatto

OFFERED IN THE HOUSE  
TO: CSHB 2001(O&G)

W/ Amendment #1  
(attached) adopted

1 Page 10, following line 25:

2 Insert a new bill section to read:

3 **"\* Sec. 14.** AS 43.55.011(e) is amended to read:

4 (c) There is levied on the producer of oil or gas a tax for all oil and gas  
5 produced each <sup>calendar year</sup> ~~month~~ from each lease or property in the state, less any oil and gas the  
6 ownership or right to which is exempt from taxation or constitutes a landowner's  
7 royalty interest. Except as otherwise provided under (j) and (k) of this section, the tax  
8 is equal to the greater of 25 [22.5] percent of the <sup>annual</sup> production tax value of the taxable  
9 oil and gas as calculated under AS 43.55.160, or the minimum tax determined under  
10 (f) of this section."

11  
12 Renumber the following bill sections accordingly.

14 Page 14, line 21:

15 Delete "22.5"

16 Insert "25 [22.5]"

17  
18 Renumber internal references to bill sections in accordance with this amendment in a way that  
19 makes sec. 14 effective January 1, 2008, and adds sec. 14 to (b) of the APPLICABILITY  
20 section and to (1)(B) of the TRANSITION: RETROACTIVITY OF REGULATIONS section.

21 Below are all internal bill section reference in this bill:

22 Page 31, lines 25, 27, 29, 30, and 31

23 Page 32, lines 1, 3, 13, 16, 19, and 31

Conceptual  
Amendment #2  
Roses  
~~of program 25  
if no progress 22.5~~

1

Page 33, lines 2, 19 - 20, 21, and 22

adopted

11/4/07

Amendment 1  
to  
AMENDMENT 44

OFFERED IN THE HOUSE

BY REPRESENTATIVE Gatto

TO: AMENDMENT NO. 44 TO CSHB 2001(O&G), Draft Version "L"

- 1 Page 1, line 5, following "produced each":
- 2 Delete "month"
- 3 Insert "calendar year"
- 4
- 5 Page 1, line 8, following "percent of the"
- 6 Insert "annual"

Amendments

that

Passed

AMENDMENT

2

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: CSHB 2001(O&G)

1 Page 13, lines 8 - 22:

2 Delete all material and insert:

3 "(o) In addition to the tax levied under (e) of this section, for each month for  
4 which the producer's average monthly production tax value of the taxable oil and gas  
5 exceeds \$30 for each BTU equivalent barrel, there is levied on the producer of oil or  
6 gas a tax for all oil and gas produced that month from each lease or property in the  
7 state, less any oil and gas the ownership or right to which is exempt from taxation or  
8 constitutes a landowner's royalty interest. Except as otherwise provided under (j) and  
9 (k) of this section, the tax levied under this subsection is equal to the sum over all  
10 months of the calendar year of the amount calculated under this subsection. For each  
11 month for which this subsection applies and for which the average monthly production  
12 tax value of the taxable oil and gas is

13 (1) not more than \$40 for each BTU equivalent barrel, the tax is equal  
14 to 0.2 percent of the gross value at the point of production of the taxable oil and gas  
15 for that month multiplied by the number that represents the difference between the  
16 average production tax value for each BTU equivalent barrel of the taxable oil and gas  
17 for that month and \$30; or

18 (2) more than \$40 but not more than \$50 for each BTU equivalent  
19 barrel, the tax is equal to two percent of the gross value at the point of production of  
20 the taxable oil and gas for that month plus 0.3 percent of the gross value at the point of  
21 production of the taxable oil and gas for that month multiplied by the number that  
22 represents the difference between the average production tax value for each BTU  
23 equivalent barrel of the taxable oil and gas for that month and \$40;

1                   (3) more than \$50 but not more than \$60 for each BTU equivalent  
2 barrel, the tax is equal to five percent of the gross value at the point of production of  
3 the taxable oil and gas for that month plus 0.4 percent of the gross value at the point of  
4 production of the taxable oil and gas for that month multiplied by the number that  
5 represents the difference between the average production tax value for each BTU  
6 equivalent barrel of the taxable oil and gas for that month and \$50;

7                   (4) more than \$60 for each BTU equivalent barrel, the tax is equal to  
8 nine percent of the gross value at the point of production of the taxable oil and gas for  
9 that month plus 0.5 percent of the gross value at the point of production of the taxable  
10 oil and gas for that month multiplied by the number that represents the difference  
11 between the average production tax value for each BTU equivalent barrel of the  
12 taxable oil and gas for that month and \$60."

AMENDMENT 3

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: CSHB 2001(O&G)

1 Page 17, following line 3:

2 Insert a new bill section to read:

3 **"\* Sec. 23.** AS 43.55.023(b) is amended to read:

4 (b) A producer or explorer may elect to take a tax credit in the amount of the  
5 [20 PERCENT OF A] carried-forward annual loss multiplied by the nominal tax  
6 rate in AS 43.55.011(e). A credit under this subsection may be applied against a tax  
7 due under AS 43.55.011(e). For purposes of this subsection,

8 (1) a carried-forward annual loss is the amount of a producer's or  
9 explorer's adjusted lease expenditures under AS 43.55.165 and 43.55.170 for a  
10 p.evious calendar year that was not deductible for that calendar year under  
11 AS 43.55.160(b) and (e); and

12 (2) "nominal tax rate" means the tax rate stated in AS 43.55.011(e)  
13 that is not the tax determined at the minimum tax rate that may be applicable  
14 under AS 43.55.011(f).

15

16 Renumber the following bill sections accordingly.

17

18 Page 31, line 25:

19 Delete "Sections 24, 25, 32 - 34, and 37"

20 Insert "Sections 23, 25, 26, 33 - 35, and 38"

21

22 Page 31, line 27:

23 Delete "31, and 38"

- 1           Insert "32, and 39"
- 2
- 3   Page 31, line 29:
- 4           Delete "Sections 26 and 27"
- 5           Insert "Sections 27 and 28"
- 6
- 7   Page 31, line 30:
- 8           Delete "sec. 26"
- 9           Insert "sec. 27"
- 10
- 11   Page 31, line 31:
- 12           Delete "sec. 27"
- 13           Insert "sec. 28"
- 14
- 15   Page 32, line 1:
- 16           Delete "sec. 29"
- 17           Insert "sec. 30"
- 18
- 19   Page 32, line 3:
- 20           Delete "29"
- 21           Insert "30"
- 22
- 23   Page 32, line 31:
- 24           Delete "secs. 24, 25, 32 - 34, and 37"
- 25           Insert "secs. 23, 25, 26, 33 - 35, and 38"
- 26
- 27   Page 33, line 2:
- 28           Delete "26, 27, 31, and 38"
- 29           Insert "27, 28, 32, and 39"
- 30
- 31   Page 33, lines 19 - 20:

1 Delete "Sections 24, 25, 32 - 34, and 37"

2 Insert "Sections 23, 25, 26, 33 - 35, and 38"

3

4 Page 33, line 21:

5 Delete "26, 27, 31, and 38"

6 Insert "27, 28, 32, and 39"

7

8 Page 33, line 22:

9 Delete "sec. 44"

10 Insert "sec. 45"

AMENDMENT 4

OFFERED IN THE HOUSE  
TO: CSHB 2001(O&G)

BY REPRESENTATIVE SEATON  
+ Rep. Wilson

1 Page 1, line 4, following "latitude;":

2 Insert "providing a penalty for the underpayment of an installment payment of  
3 the production tax on oil and gas;"

4

5 Page 17, following line 3:

6 Insert a new bill section to read:

7 "\*\* Sec. 23. AS 43.55.020 is amended by adding a new subsection to read:

8 (i) A civil penalty shall be added to the amount of an installment payment  
9 required under (a)(1) - (4) of this section if the full amount of the payment is not paid  
10 by the date the payment is due. The penalty is equal to five percent of the difference  
11 between the amount of the installment payment that was made timely and the amount  
12 of the installment payment required under (a)(1) - (4) of this section. If no part of the  
13 required installment payment was made timely, the penalty is equal to five percent of  
14 the installment payment required under (a)(1) - (4) of this section. The penalty is in  
15 addition to the interest imposed under (g) of this section and a penalty added under  
16 AS 43.05.220, if any."

17

18 Renumber the following bill sections accordingly.

19

20 Page 31, line 25:

21 Delete "Sections 24, 25, 32 - 34, and 37"

22 Insert "Sections 25, 26, 33 - 35, and 38"

23

- 1 Page 31, line 27:
- 2 Delete "31, and 38"
- 3 Insert "32, and 39"
- 4
- 5 Page 31, line 29:
- 6 Delete "Sections 26 and 27"
- 7 Insert "Sections 27 and 28"
- 8
- 9 Page 31, line 30:
- 10 Delete "sec. 26"
- 11 Insert "sec. 27"
- 12
- 13 Page 31, line 31:
- 14 Delete "sec. 27"
- 15 Insert "sec. 28"
- 16
- 17 Page 32, line 1:
- 18 Delete "sec. 29"
- 19 Insert "sec. 30"
- 20
- 21 Page 32, line 3:
- 22 Delete "29"
- 23 Insert "30"
- 24
- 25 Page 32, line 31:
- 26 Delete "secs. 24, 25, 32 - 34, and 37"
- 27 Insert "secs. 25, 26, 33 - 35, and 38"
- 28
- 29 Page 33, line 2:
- 30 Delete "26, 27, 31, and 38"
- 31 Insert "27, 28, 32, and 39"

1

2 Page 33, lines 19 - 20:

3 Delete "Sections 24, 25, 32 - 34, and 37"

4 Insert "Sections 25, 26, 33 - 35, and 38"

5

6 Page 33, line 21:

7 Delete "26, 27, 31, and 38"

8 Insert "27, 28, 32, and 39"

9

10 Page 33, line 22:

11 Delete "sec. 44"

12 Insert "sec. 45"

AMENDMENT 5

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

BY REPRESENTATIVE SEATON

Rep. Roses  
Rep. Wilson

1 Page 18, line 23:

2 Delete "a new subsection"

3 Insert "new subsections"

4

5 Page 18, following line 25:

6 Insert new material to read:

7 "(m) Notwithstanding the limitation on the use of a transferable tax credit by a  
8 transferee under (e) of this section and subject to appropriations made by law, if and to  
9 the extent that purchase of transferable tax credits by the Alaska Retirement  
10 Management Board is authorized by law, the department shall issue a cash refund to  
11 the Alaska Retirement Management Board for a transferable tax credit originally  
12 issued to a person under (d) of this section and purchased by the Alaska Retirement  
13 Management Board.

14 \* Sec. 26. AS 43.55.025 is amended by adding a new subsection to read:

15 (l) Subject to appropriations made by law, if and to the extent that purchase of  
16 transferable tax credits by the Alaska Retirement Management Board is authorized by  
17 law, the department shall issue a cash refund to the Alaska Retirement Management  
18 Board for a transferable tax credit originally issued to an explorer under (f) of this  
19 section and purchased by the Alaska Retirement Management Board."

20

21 Renumber the following bill sections accordingly.

22

23 Page 31, line 25:

- 1 Delete "Sections 24, 25, 32 - 34, and 37"
- 2 Insert "Sections 24 - 26, 33 - 35, and 38"
- 3
- 4 Page 31, line 27:
  - 5 Delete "31, and 38"
  - 6 Insert "32, and 39"
  - 7
- 8 Page 31, line 29:
  - 9 Delete "Sections 26 and 27"
  - 10 Insert "Sections 27 and 28"
  - 11
- 12 Page 31, line 30:
  - 13 Delete "sec. 26"
  - 14 Insert "sec. 27"
  - 15
- 16 Page 31, line 31:
  - 17 Delete "sec. 27"
  - 18 Insert "sec. 28"
  - 19
- 20 Page 32, line 1:
  - 21 Delete "sec. 29"
  - 22 Insert "sec. 30"
  - 23
- 24 Page 32, line 3:
  - 25 Delete "29"
  - 26 Insert "30"
  - 27
- 28 Page 32, line 31:
  - 29 Delete "secs. 24, 25, 32 - 34, and 37"
  - 30 Insert "secs. 24 - 26, 33 - 35, and 38"
  - 31

1 Page 33, line 2:

2 Delete "secs. 14 - 20, 26, 27, 31, and 38"

3 Insert "secs. 14 - 20, 27, 28, 32, and 39"

4

5 Page 33, lines 19 - 20:

6 Delete "Sections 24, 25, 32 - 34, and 37"

7 Insert "Sections 24 - 26, 33 - 35, and 38"

8

9 Page 33, line 21:

10 Delete "26, 27, 31, and 38"

11 Insert "27, 28, 32, and 39"

12

13 Page 33, line 22:

14 Delete "sec. 44"

15 Insert "sec. 45"

AMENDMENT 6

OFFERED IN THE HOUSE

TO: CSHB 2001(O&amp;G), Version "L"

1 Page 18, line(s) 25: insert the following:

2 \*Sec. \_\_. AS 43.55.025(a) is amended to read:

3 (a) Subject to the terms and conditions of this section, a credit against the production tax  
4 levied by [DUE UNDER] AS 43.55.011(e) [OR (f)] is allowed for exploration expenditures that  
5 qualify under (b) of this section in an amount equal to one of the following:6 (1) 30 percent of the total exploration expenditures that qualify only under (b)  
7 and (c) of this section;8 (2) 30 percent of the total exploration expenditures [FOR WORK PERFORMED  
9 BEFORE JULY 1, 2007, AND] that qualify only under (b) and (d) of this section;10 (3) 40 percent of the total exploration expenditures that qualify under (h), (c), and  
11 (d) of this section; or12 (4) 40 percent of the total exploration expenditures that qualify only under (b)  
13 and (e) of this section.

14 \*Sec. \_\_. AS 43.55.025(b) is amended to read:

15 (b) To qualify for the production tax credit under (a) of this section, an exploration  
16 expenditure must be incurred for work performed [ON OR] after December 31, 2007 [JULY 1,  
17 2003], and before July 1, 2016, [EXCEPT THAT AN EXPLORATION EXPENDITURE FOR A  
18 COOK INLET PROSPECT MUST BE INCURRED FOR WORK PERFORMED ON OR  
19 AFTER JULY 1, 2005,] and20 (1) may be for seismic or other geophysical exploration costs not connected with  
21 a specific well;

22 (2) if for an exploration well,

23 (A) must be incurred by an explorer that holds an interest in the  
24 exploration well for which the production tax credit is claimed;25 (B) may be for either a [AN OIL OR GAS DISCOVERY] well that  
26 encounters an oil or gas deposit or a dry hole; [AND]27 (C) must be for a well that has been completed, suspended, or  
28 abandoned per AS 31.05.030 at the time the explorer claims the tax credit under (f)  
29 of this section; and

1                    **(D) must be for** goods, services, or rentals of personal property  
 2 reasonably required for the surface preparation, drilling, casing, cementing, and logging  
 3 of an exploration well, and, in the case of a dry hole, for the expenses required for  
 4 abandonment if the well is abandoned within 18 months after the date the well was  
 5 spudded;

6                    (3) may not be for testing, stimulation, or completion costs; administration,  
 7 supervision, engineering, or lease operating costs; geological or management costs; community  
 8 relations or environmental costs; bonuses, taxes, or other payments to governments related to the  
 9 well; **costs arising from gross negligence or violation of health, safety, or environmental**  
 10 **statutes or regulations;** or other costs that are generally recognized as indirect costs or financing  
 11 costs; and

12                    (4) may not be incurred for an exploration well or seismic exploration that is  
 13 included in a plan of exploration or a plan of development for any unit on May 13, 2003.

14 \*Sec. \_\_. AS 43.55.025(c) is repealed and reenacted to read:

15                    (c) To be eligible for the 30 percent production tax credit authorized by (a)(1) of this  
 16 section; or the 40 percent production tax credit authorized by (a)(3) of this section, exploration  
 17 expenditures must

18                    (1) qualify under (b) of this section; and

19                    (2) be for an exploration well, subject to the following:

20                    (A) before spudding the well, (i) the explorer shall submit to the  
 21 commissioner of natural resources the information necessary to determine whether the  
 22 geological objective of the well is a potential oil or gas trap that is distinctly separate  
 23 from any trap that has been tested by a preexisting well; and (ii) the commissioner of  
 24 natural resources must make an affirmative determination on that question; the  
 25 commissioner of natural resources shall decide whether to make that determination  
 26 within 60 days after receiving all the necessary information from the explorer and based  
 27 on the information received and on other information the commissioner of natural  
 28 resources may consider relevant;

29                    (B) for an exploration well other than a well to explore a Cook Inlet  
 30 prospect, the well must be located and drilled in such a manner that the bottom hole is  
 31 located not less than three miles away from the bottom hole of a preexisting well drilled  
 32 for oil or gas, irrespective of whether the preexisting well has been completed,  
 33 suspended, or abandoned;

1 (C) after completion or abandonment of the exploration well, the  
 2 commissioner of natural resources must determine that the well adequately achieved the  
 3 explorer's stated geological objective.

4 \*Sec. \_\_. AS 43.55.025(f) is amended to read:

5 (f) For a production tax credit under this section,

6 (1) an explorer shall, in a form prescribed by the department and, except for a  
 7 credit under (f) of this section, within six months of the completion of the exploration activity,  
 8 claim the credit and submit information sufficient to demonstrate to the department's satisfaction  
 9 that the claimed exploration expenditures qualify under this section;

10 (2) an explorer shall agree, in writing,

11 (A) to notify the Department of Natural Resources, within 30 days after  
 12 completion of seismic or geophysical data processing, completion of [A] well drilling, or  
 13 filing of a claim for credit, whichever is the latest, for which exploration costs are  
 14 claimed, of the date of completion and submit a report to that department describing the  
 15 processing sequence and providing a list of data sets available; [IF, UNDER (c)(2)(B) OF  
 16 THIS SECTION, AN EXPLORER SUBMITS A CLAIM FOR A CREDIT FOR  
 17 EXPENDITURES FOR AN EXPLORATION WELL THAT IS LOCATED WITHIN  
 18 THREE MILES OF A WELL ALREADY DRILLED FOR OIL AND GAS, IN  
 19 ADDITION TO THE SUBMISSIONS REQUIRED UNDER (1) OF THIS  
 20 SUBSECTION, THE EXPLORER SHALL SUBMIT THE INFORMATION  
 21 NECESSARY FOR THE COMMISSIONER OF NATURAL RESOURCES TO  
 22 EVALUATE THE VALIDITY OF THE EXPLORER'S CLAIM THAT THE WELL IS  
 23 DIRECTED AT A DISTINCTLY SEPARATE EXPLORATION TARGET, AND THE  
 24 COMMISSIONER OF NATURAL RESOURCES SHALL, UPON RECEIPT OF ALL  
 25 EVIDENCE SUFFICIENT FOR THE COMMISSIONER TO EVALUATE THE  
 26 EXPLORER'S CLAIM, MAKE THAT DETERMINATION WITHIN 60 DAYS;]

27 (B) to provide to the Department of Natural Resources, within 30 days  
 28 after the date of a request, unless a longer period is provided by the Department of  
 29 Natural Resources, specific data sets, ancillary data, and reports identified in (A) of this  
 30 paragraph; in this subparagraph,

31 (i) a seismic or geophysical data set includes the data for an  
 32 entire seismic survey, i. respective of whether the survey area covers  
 33 nonstate land in addition to state land or land in a unit in addition to land  
 34 outside a unit;

1                    (ii) well data include all derivative products, results, and  
 2                    copies of data collected and data analyses for the well including but not  
 3                    limited to: well logs; sample analyses; geophysical and velocity data  
 4                    including vertical seismic profiles and check shot surveys; and tangible  
 5                    material including, for each whole core collected, a lengthwise cut slab that  
 6                    is at least 1/3 of the whole core volume, and one set of representative  
 7                    samples, as specified by the Department of Natural Resources of other  
 8                    gaseous, liquid, or solid material collected from drilling or testing the well;

9                    (C) that, notwithstanding any provision of AS 38, information provided  
 10                    under this paragraph will be held confidential by the Department of Natural Resources

11                    (i) in the case of well data, until the expiration of the 24-  
 12                    month period of confidentiality described in AS 31.05.035(c), [FOR 10  
 13                    YEARS FOLLOWING THE COMPLETION DATE, AT WHICH TIME THAT  
 14                    DEPARTMENT] will release the information after 30 days' public notice, unless  
 15                    in the discretion of the commissioner of natural resources, it is necessary to  
 16                    protect information relating to the valuation of unleased acreage in the same  
 17                    vicinity,

18                    (ii) in the case of seismic or other geophysical data, other  
 19                    than seismic data acquired by seismic exploration subject to (f) of this  
 20                    section, for 10 years following the completion date, at which time the  
 21                    Department of Natural Resources will release the information after 30 days'  
 22                    public notice;

23                    (iii) in the case of seismic data obtained by seismic  
 24                    exploration subject to (f) of this section, only until the expiration of 30 days'  
 25                    public notice issued on or after the date the production tax credit certificates  
 26                    are issued under (5) of this subsection; and

27                    (D) that, in the case of well data, the explorer will not make a request  
 28                    under AS 38.05.035(c) that the commissioner of natural resources keep the data  
 29                    confidential for longer than the 24-month period of confidentiality described in AS  
 30                    31.05.035(c);

31                    (3) if more than one explorer holds an interest in a well or seismic exploration,

32                    (A) each explorer may claim an amount of credit that is proportional to  
 33                    the explorer's cost incurred;

1 (B) in the case of a well, each explorer holding an interest in the well  
 2 shall agree, in writing, that the explorer will not make the request described in  
 3 (2)(D) of this subsection;

4 (4) the department may exercise the full extent of its powers as though the  
 5 explorer were a taxpayer under this title, in order to verify that the claimed expenditures are  
 6 qualified exploration expenditures under this section; and

7 (5) if the department is satisfied that the explorer's claimed expenditures are  
 8 qualified under this section and that all data required to be submitted under this section have  
 9 been submitted, the department shall issue to the explorer two [A] production tax credit  
 10 certificates, each [CERTIFICATE] for half of the amount of the credit to be allowed against  
 11 production taxes levied by AS 43.55.011(e); the credit shown on one of the two certificates is  
 12 available for immediate use; the credit shown on the second of the two certificates may not  
 13 be applied against a tax for a calendar year earlier than the calendar year following the  
 14 calendar year in which the certificate is issued, and the certificate must contain a  
 15 conspicuous statement to that effect; notwithstanding any contrary provision of AS 38, AS  
 16 40.25.100, or AS 43.05.230, the following information is not confidential:

17 (A) the explorer's name;

18 (B) the date of the application;

19 (C) the location of the well or seismic exploration;

20 (D) the date of the department's issuance of the certificate;

21 and

22 (E) the date on which the information required to be submitted  
 23 under this section will be released [DUE UNDER AS 43.55.011(e) OR (f)].

24 \*Sec. \_\_, AS 43.55.025(g) is amended to read:

25 (g) An explorer, other than an entity that is exempt from taxation under this chapter,  
 26 may transfer, convey, or sell its production tax credit certificate to any person, and any person  
 27 who receives a production tax credit certificate may also transfer, convey, or sell the certificate.

28 \*Sec. \_\_, AS 43.55.025(h) is amended to read:

29 (h) A producer that purchases a production tax credit certificate may apply the credits  
 30 against its production tax liability under AS 43.55.011(e) [OR (f)]. Regardless of the price the  
 31 producer paid for the certificate, the producer may receive a credit against its production tax  
 32 liability for the full amount of the credit, but for not more than the amount for which the  
 33 certificate is issued. A production tax credit allowed under this section may not be applied more  
 34 than once.

1 \*Sec. \_\_. AS 43.55.025(i) is repealed and reenacted to read:

2 (i) For a production tax credit under this section,

3 (1) a credit may not be applied to reduce a taxpayer's tax liability under AS  
4 43.55.011(e) below zero for a calendar year; and

5 (2) an amount of the production tax credit in excess of the amount that may be  
6 applied for a calendar year under this subsection may be carried forward and applied against the  
7 taxpayer's tax liability under AS 43.55.011(e) in one or more later calendar years.

8 \*Sec. \_\_. AS 43.55.025(k) is amended by adding a new paragraph to read:

9 (4) "preexisting well" means a well that was spudded more than 540 days but less  
10 than 35 years before the date on which the exploration well to which it is compared is spudded.

11 \*Sec. \_\_. AS 43.55.025 is amended by adding a new subsection to read:

12 (l) Subject to the terms and conditions of this section, if a claim is filed under (f)(1) of  
13 this section before January 1, 2016, a credit against the production tax levied by AS 43.55.011(e)  
14 is allowed in an amount equal to five percent of an eligible expenditure under this subsection  
15 incurred for seismic exploration performed before July 1, 2003. To be eligible under this  
16 subsection, an expenditure must

17 (1) have been for seismic exploration that

18 (A) obtained data that the commissioner of natural resources considers to  
19 be in the best interest of the state to acquire for public distribution; and

20 (B) was conducted outside the boundaries of a production unit; however,  
21 the amount of the expenditure that is otherwise eligible under this section is reduced  
22 proportionately by the portion of the seismic exploration activity that crossed into a  
23 production unit; and

24 (2) qualify under (b)(3) of this section.

25

AMENDMENT

7

Roses

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

1 Page 19, following line 26:

2 Insert a new bill section to read:

3 **\*\* Sec. 27. AS 43.55.030(d) is amended to read:**

4 (d) Reports **required under this section** [BY OR ON BEHALF OF THE  
5 PRODUCER] are delinquent the first day following the day the report is due. **The**  
6 **person required to file the report is liable for a penalty, as determined by the**  
7 **department under standards adopted in regulation by the department, of not**  
8 **more than \$1,000 for each day the person fails to file the report at the time**  
9 **required. The penalty is in addition to the penalties in AS 43.05.220 and 43.05.290**  
10 **and is assessed, collected, and paid in the same manner as a tax deficiency under**  
11 **this title. In this subsection, "report" includes a statement.**

12

13 Renumber the following bill sections accordingly.

14

15 Page 31, line 25:

16 Delete "32 - 34, and 37"

17 Insert "33 - 35, and 38"

18

19 Page 31, line 27:

20 Delete "31, and 38"

21 Insert "32, and 39"

22

23 Page 31, line 29:

1 Delete "27"  
2 Insert "28"  
3  
4 Page 31, line 31:  
5 Delete "sec. 27"  
6 Insert "sec. 28"  
7  
8 Page 32, line 1:  
9 Delete "sec. 29"  
10 Insert "sec. 30"  
11  
12 Page 32, line 3:  
13 Delete "29"  
14 Insert "30"  
15  
16 Page 32, line 31:  
17 Delete "32 - 34, and 37"  
18 Insert "33 - 35, and 38"  
19  
20 Page 33, line 2:  
21 Delete "27, 31, and 38"  
22 Insert "28, 32, and 39"  
23  
24 Page 33, line 20:  
25 Delete "32 - 34, and 37"  
26 Insert "33 - 35, and 38"  
27  
28 Page 33, line 21:  
29 Delete "27, 31, and 38"  
30 Insert "28, 32, and 39"  
31

- 1 Page 33, line 22:
- 2       Delete "sec. 44"
- 3       Insert "sec. 45"

AMENDMENT

8 Anna

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

1 Page 21, line 30, following "matters":

2 Insert ";

3 (6) assess against a person required under this section to file a  
4 report, statement, or other document a penalty, as determined by the department  
5 under standards adopted in regulation by the department, of not more than  
6 \$1,000 for each day the person fails to file the report, statement, or other  
7 document at the time required; the penalty is in addition to any penalties under  
8 AS 43.05.220 and 43.05.290 and is assessed, collected, and paid in the same  
9 manner as a tax deficiency under this title; the penalty shall bear interest at the  
10 rate specified under AS 43.05.225(1); notwithstanding authority granted under  
11 AS 43.05.070 to compromise a penalty, the department may not under that  
12 section compromise a penalty under this paragraph by agreeing to accept less  
13 than 50 percent of the penalty originally assessed by the department"

AMENDMENT

10

OFFERED IN THE HOUSE  
TO: CSHB 2001(O&G)

BY REPRESENTATIVE SEATON  
Rep Johnson

- 1 Page 26, line 14:
- 2 Following "negligence,"
- 3 Insert "criminal negligence,"
- 4 Following "law,":
- 5 Insert "including a violation of 33 U.S.C. 1319(c)(1) or 1321(b)(3) (Clean
- 6 Water Act),"
- 7
- 8 Page 28, line 6, through page 29, line 1:
- 9 Delete all material.
- 10
- 11 Renumber the following paragraph accordingly.

AMENDMENT //

OFFERED IN THE HOUSE  
TO: CSHB 2001(O&G)

BY REPRESENTATIVE SEATON

Rep. Johnson  
Rep. Roses  
Rep. Wilson

1 Page 26, following line 2:

2 Insert new bill sections to read:

3 \*\* Sec. 33. AS 43.55.165(b) is amended to read:

4 (b) For purposes of (a) of this section,

5 (1) direct costs include

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

10 (B) payments of or in lieu of property taxes, sales and use  
11 taxes, motor fuel taxes, and excise taxes;

12 (C) a reasonable allowance, as determined under regulations  
13 adopted by the department, for overhead expenses directly related to exploring  
14 for, developing, and producing oil or gas deposits located within leases or  
15 properties or other land in the state;

16 (2) an activity must be physically located in the state [DOES NOT  
17 NEED TO BE PHYSICALLY LOCATED ON, NEAR, OR WITHIN THE  
18 PREMISES OF THE LEASE OR PROPERTY WITHIN WHICH AN OIL OR GAS  
19 DEPOSIT BEING EXPLORED FOR, DEVELOPED, OR PRODUCED IS  
20 LOCATED] in order for the cost of the activity to be a cost upstream of the point of  
21 production of the oil or gas.

22 \* Sec. 34. AS 43.55.165(b), as amended by sec. 33 of this Act, is amended to read:

23 (b) For purposes of (a) of this section,

1 (1) direct costs include

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

6 (B) payments of or in lieu of property taxes, sales and use  
7 taxes, motor fuel taxes, and excise taxes;

8 (C) a reasonable allowance, as determined under regulations  
9 adopted by the department, for overhead expenses directly related to exploring  
10 for, developing, and producing oil or gas deposits located within leases or  
11 properties or other land in the state;

12 (2) an activity must be physically located on the premises of the lease  
13 or property from which oil or gas is recovered [IN THE STATE] in order for the  
14 cost of the activity to be a cost upstream of the point of production of the oil or gas."  
15

16 Renumber the following bill sections accordingly.

17

18 Page 31, line 25:

19 Delete "32 - 34, and 37"

20 Insert "32, 33, 35, 36, and 39"

21

22 Page 31, line 27:

23 Delete "38"

24 Insert "40"

25

26 Page 32, line 31:

27 Delete "32 - 34, and 37"

28 Insert "32, 33, 35, 36, and 39"

29

30 Page 33, line 2:

31 Delete "38"

1           Insert "40"

2

3   Page 33, line 20:

4           Delete "32 - 34, and 37"

5           Insert "32, 33, 35, 36, and 39"

6

7   Page 33, following line 20:

8           Insert new bill sections to read:

9           **\*\* Sec. 46.** The uncodified law of the State of Alaska is amended by adding a new section to  
10 read:

11           CONTINGENT EFFECT. Section 34 of this Act takes effect only if a court of  
12 competent jurisdiction enters a final judgment on the merits, the final judgment is no longer  
13 subject to appeal, and the final judgment nullifies the effect of AS 43.55.165(b), as amended  
14 by sec. 33 of this Act.

15           \* Sec. 47. If sec. 34 of this Act takes effect, it takes effect on the day after the last day on  
16 which the final judgment described in sec. 46 of this Act is no longer subject to appeal."

17

18   Renumber the following bill sections accordingly.

19

20   Page 33, line 21:

21           Delete "38"

22           Insert "40"

23

24   Page 33, line 22:

25           Delete "sec. 44"

26           Insert "secs. 47 and 48"

AMENDMENT

24  
Guttenberg

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G), Draft Version "L"

1 Page 23, following line 14:

2 Insert new bill sections to read:

3 **\*\*Sec. 31.** AS 43.55.150(a) is amended to read:

4 (a) For the purposes of AS 43.55.011 – 43.55.180, the gross value at the point of  
5 production is calculated using the reasonable costs of transportation of the oil or gas. The  
6 reasonable costs of transportation are the actual costs, except when the

7 (1) parties to the transportation of oil or gas are affiliated;

8 (2) contract for the transportation of oil or gas (A) is not an arm's length  
9 transaction or (B) is not representative of the market value of that transportation; or  
10 [AND]

11 (3) method of transportation of oil or gas is not reasonable in view of  
12 existing alternative methods of transportation.

13 **\*Sec. 32.** AS 43.55.150(b) is amended to read:

14 (b) If the department finds that a condition [THE CONDITIONS] in (a)(1), (2),  
15 or [AND] (3) of this section is [ARE] present, the department shall determine the  
16 reasonable costs of transportation, using the fair market value of like transportation, the  
17 fair market value of equally efficient and available alternative modes of transportation, or  
18 other reasonable methods. Transportation costs fixed by tariff rates that have been

1        **adjudicated just and reasonable by** [PROPERLY ON FILE WITH] the Regulatory  
2        Commission of Alaska or other regulatory agency shall be considered prima facie  
3        reasonable.''

4

5        Renumber the following bill sections accordingly.

AMENDMENT 29

OFFERED IN THE HOUSE

BY REPRESENTATIVE GUTTENBERG

TO: CSHB 2001(O&G)

1 Page 1, line 8, following "supervisors;":

2 Insert "establishing an oil and gas tax credit fund and authorizing payment from  
3 that fund;"

4  
5 Page 17, line 6, following "person":

6 Insert "or obtain a cash payment under AS 43.55.028"

7  
8 Page 17, following line 22:

9 Insert a new bill section to read:

10 "\* Sec. 24. AS 43.55.023(g) is amended to read:

11 (g) The issuance of a transferable tax credit certificate under (d) of this section  
12 or the purchase of a certificate [ISSUANCE OF A CASH REFUND] under  
13 AS 43.55.028 [(f) OF THIS SECTION] does not limit the department's ability to later  
14 audit a tax credit claim to which the certificate relates or to adjust the claim if the  
15 department determines, as a result of the audit, that the applicant was not entitled to  
16 the amount of the credit for which the certificate was issued. The tax liability of the  
17 applicant under AS 43.55.011(e) and 43.55.017 - 43.55.180 is increased by the amount  
18 of the credit that exceeds that to which the applicant was entitled, or the applicant's  
19 available valid outstanding credits applicable against the tax levied by  
20 AS 43.55.011(e) are reduced by that amount. If the applicant's tax liability is increased  
21 under this subsection, the increase bears interest under AS 43.05.225 from the date the  
22 transferable tax credit certificate was issued. For purposes of this subsection, an  
23 applicant that is an explorer is considered a producer subject to the tax levied by

1 AS 43.55.011(e)."

2  
3 Renumber the following bill sections accordingly.

4  
5 Page 18, following line 25:

6 Insert a new bill section to read:

7 **\*\* Sec. 27.** AS 43.55 is amended by adding a new section to read:

8 **Sec. 43.55.028. Oil and gas tax credit fund established; cash purchases of**  
9 **tax credit certificates.** (a) The oil and gas tax credit fund is established as a separate  
10 fund of the state. The purpose of the fund is to purchase certain transferable tax credit  
11 certificates issued under AS 43.55.023 and certain production tax credit certificates  
12 issued under AS 43.55.025.

13 (b) The oil and gas tax credit fund consists of

14 (1) money appropriated to the fund, including any appropriation of the  
15 percentage provided under (c) of this section of all revenue from taxes levied by  
16 AS 43.55.011 that is not required to be deposited in the constitutional budget reserve  
17 fund established in art. IX, sec. 17(a), Constitution of the State of Alaska; and

18 (2) earnings on the fund.

19 (c) The applicable percentage for a fiscal year under (b)(1) of this section is  
20 determined with reference to the average price or value forecast by the department for  
21 Alaska North Slope oil sold or otherwise disposed of on the United States West Coast  
22 during the fiscal year for which the appropriation of revenue from taxes levied by  
23 AS 43.55.011 is made. If that forecast is

24 (1) \$60 a barrel or higher, the applicable percentage is 10 percent;

25 (2) less than \$60 a barrel, the applicable percentage is 15 percent.

26 (d) The department shall manage the fund.

27 (e) The department may, on the written application of the person to whom a  
28 transferable tax credit certificate has been issued under AS 43.55.023(d) or a  
29 production tax credit certificate has been issued under AS 43.55.025(f), use available  
30 money in the oil and gas tax credit fund to purchase, in whole or in part, the certificate  
31 if the department finds that

1 (1) the calendar year of the purchase is not earlier than the first  
2 calendar year for which the credit shown on the certificate would otherwise be allowed  
3 to be applied against a tax;

4 (2) within 24 months after applying for the transferable tax credit  
5 certificate or filing a claim for the production tax credit certificate, the applicant  
6 incurred a qualified capital expenditure or was the successful bidder on a bid  
7 submitted for a lease on state land under AS 38.05.180(f);

8 (3) the amount expended for the purchase would not exceed the total of  
9 qualified capital expenditures and successful bids described in (2) of this subsection  
10 that have not been the subject of a finding made under this paragraph for purposes of a  
11 previous purchase of a certificate;

12 (4) the applicant does not have an outstanding liability to the state for  
13 unpaid delinquent taxes under this title;

14 (5) the applicant's total tax liability under AS 43.55.011(e), after  
15 application of all available tax credits, for the calendar year in which the application is  
16 made is zero;

17 (6) the applicant's average amount of oil and gas taxable under  
18 AS 43.55.011(e) and produced each day during the calendar year preceding the  
19 calendar year in which the application is made was not more than 50,000 BTU  
20 equivalent barrels; and

21 (7) the purchase is consistent with this section and regulations adopted  
22 under this section.

23 (f) Money in the fund remaining at the end of a fiscal year does not lapse and  
24 remains available for expenditure in successive fiscal years.

25 (g) The department may adopt regulations to carry out the purposes of this  
26 section, including standards and procedures to allocate available money among  
27 applications for purchases the total amount of which exceeds the amount of available  
28 money in the fund.

29 (h) Nothing in this section creates a dedicated fund.

30 (i) In this section, "qualified capital expenditure" has the meaning given in  
31 AS 43.55.023."

1

2 Renumber the following bill sections accordingly.

3

4 Page 31, line 25:

5 Delete "Sections 24, 25, 32 - 34, and 37"

6 Insert "Sections 25, 26, 34 - 36, and 39"

7

8 Page 31, line 27:

9 Delete "31, and 38"

10 Insert "33, and 40"

11

12 Page 31, line 29:

13 Delete "Sections 26 and 27"

14 Insert "Sections 28 and 29"

15

16 Page 31, line 30:

17 Delete "sec. 26"

18 Insert "sec. 28"

19

20 Page 31, line 31:

21 Delete "sec. 27"

22 Insert "sec. 29"

23

24 Page 32, line 1:

25 Delete "sec. 29"

26 Insert "sec. 31"

27

28 Page 32, line 3:

29 Delete "29"

30 Insert "31"

31

1 Page 32, following line 3:

2 Insert a new subsection to read:

3 "(e) Section 24 of this Act applies to transferable tax credit certificates issued  
4 under AS 43.55.023(d), as amended by sec. 23 of this Act, and to transferable tax  
5 credit certificates issued under AS 43.55.023(d), in effect before January 1, 2008, for  
6 which a cash refund has not been issued under AS 43.55.023(f) before January 1,  
7 2008."

8

9 Page 32, line 31:

10 Delete "secs. 24, 25, 32 - 34, and 37"

11 Insert "secs. 25, 26, 34 - 36, and 39"

12

13 Page 33, line 2:

14 Delete "26, 27, 31, and 38"

15 Insert "24, 27 - 29, 33, and 40"

16

17 Page 33, following line 10:

18 Insert a new bill section to read:

19 **\*\* Sec. 43.** The uncodified law of the State of Alaska is amended by adding a new section to  
20 read:

21 TRANSITION: PENDING APPLICATIONS. If an application made under  
22 AS 43.55.023(f) is received by the Department of Revenue before January 1, 2008, and is still  
23 outstanding on that date, the application is considered to be an application under  
24 AS 43.55.028, enacted by sec. 26 of this Act."

25

26 Renumber the following bill sections accordingly.

27

28 Page 33, lines 19 - 20:

29 Delete "Sections 24, 25, 32 - 34, and 37"

30 Insert "Sections 25, 26, 34 - 36, and 39"

31

1 Page 33, line 21:

2 Delete "26, 27, 31, and 38"

3 Insert "24, 27 - 29, 33, and 40"

4

5 Page 33, line 22:

6 Delete "sec. 44"

7 Insert "sec. 47"

KAWASAKI

Revised AMENDMENT 36

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

1 Page 1, following line 12:

2 Insert a new bill section to read:

3 **\*\* Section 1.** The uncodified law of the State of Alaska is amended by adding a new section  
4 to read:

5 **LEGISLATIVE INTENT.** It is the intent of the legislature that not less than half of the  
6 amount of money received by the state as a result of the retroactivity of certain provisions  
7 under sec. 45 of this Act that exceeds the amount the state would have received if those  
8 provisions had not been made retroactive will be appropriated to the budget reserve fund (art.  
9 IX, sec. 17, Constitution of the State of Alaska)."

10

11 Page 2, line 1:

12 Delete "Section 1"

13 Insert "Sec. 2"

14

15 Renumber the following bill sections accordingly.

16

17 Page 31, line 28:

18 Delete "2007"

19 Insert "2006"

20

21 Page 33, line 3:

22 Delete "2008"

23 Insert "2007"

1

2 Page 33, line 19, following "ACT.":

3 Insert "(a)"

4

5 Page 33, following line 20:

6 Insert a new subsection to read:

7 "(b) Sections 15 - 21, 27, 28, 32, and 39 of this Act are retroactive to January 1,  
8 2007."

9

10 Page 33, line 21:

11 Delete all material.

12

13 Renumber the following bill section accordingly.

14

15 Page 33, line 22:

16 Delete "Except as provided in sec. 44 of this Act, this"

17 Insert "This"

18

19 Renumber internal references to bill sections in accordance with this amendment so that the  
20 LEGISLATIVE INTENT section, added as bill section 1, is given an immediate effective  
21 date. Below are all internal bill section references in this bill:

22 Page 31, lines 25, 27, 29, 30, and 31

23 Page 32, lines 1, 3, 13, 16, 19, and 31

24 Page 33, lines 2, 19 - 20, 21, and 22

AMENDMENT

38 Rep. Guttenberg

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

1 Page 1, following line 12:

2 Insert a new bill section to read:

3 **"\* Section 1.** The uncodified law of the State of Alaska is amended by adding a new section  
4 to read:

5 **LEGISLATIVE INTENT.** It is the intent of the legislature that provisions of this Act

6 (1) ensure a fair and equitable means of assessing and taxing Alaska's oil and  
7 gas resources;

8 (2) encourage the availability to Alaska's citizens of affordable gas produced,  
9 transported, and consumed within the state; and

10 (3) confirm by clarification the longstanding interpretation of AS 43.05.260 by  
11 the Department of Revenue through enactment of AS 43.55.075(b) in sec. 30 of this Act,  
12 relating to limitation of assessments for the production tax on oil and gas and conservation  
13 surcharges on oil."

14

15 Page 2, line 1:

16 Delete "Section 1"

17 Insert "Sec. 2"

18

19 Renumber the following bill sections accordingly.

20

21 Page 14, following line 2:

22 Insert a new subsection to read:

23

1           "(q) Notwithstanding other provisions of this section, for a calendar year  
2 before 2022, the tax levied under this section for each 1,000 cubic feet of gas for gas  
3 produced from a lease or property outside the Cook Inlet sedimentary basin and used  
4 in the state may not exceed the amount of tax for each 1,000 cubic feet of gas that is  
5 determined under (j)(2) of this section."  
6

7 Page 23, line 24, following "AS 43.55.170;":

8           Insert "**this subparagraph does not apply to gas taxable under AS 43.55.011(q);**"  
9

10 Page 24, line 1, following "AS 43.55.170;":

11           Insert "**this subparagraph does not apply to gas taxable under AS 43.55.011(q);**"  
12

13 Page 24, following line 13:

14           Insert a new subparagraph to read:

15                           **"(E) gas produced during a calendar year from a lease or**  
16                           **property outside the Cook Inlet sedimentary basin and used in the state is**  
17                           **the gross value at the point of production of that gas taxable under**  
18                           **AS 43.55.011(e) and produced by the producer from that lease or**  
19                           **property, less the producer's lease expenditures under AS 43.55.165 for**  
20                           **the calendar year applicable to that gas produced by the producer from**  
21                           **that lease or property, as adjusted under AS 43.55.170;**"  
22

23 Page 24, line 22, following "AS 43.55.170;":

24           Insert "**this subparagraph does not apply to gas subject to additional tax under**  
25 **AS 43.55.011(o);**"  
26

27 Page 24, line 30, following "AS 43.55.170;":

28           Insert "**this subparagraph does not apply to gas subject to additional tax under**  
29 **AS 43.55.011(o);**"  
30

31 Page 25, line 13, following "AS 43.55.170;":

1 Insert ";

2 (E) gas produced during a month from a lease or property  
 3 outside the Cook Inlet sedimentary basin and used in the state is the gross  
 4 value at the point of production of that gas taxable under AS 43.55.011(e)  
 5 and produced by the producer from that lease or property, less 1/2 of the  
 6 producer's lease expenditures under AS 43.55.165 for the calendar year  
 7 applicable to that gas produced by the producer from that lease or  
 8 property, as adjusted under AS 43.55.170"  
 9

10 Page 29, following line 12:

11 Insert a new bill section to read:

12 **\*\* Sec. 35.** AS 43.55.165(h) is amended to read:

13 "(h) The department shall adopt regulations that provide for reasonable  
 14 methods of allocating costs between oil and gas, between gas subject to  
 15 AS 43.55.011(q) and other gas, and between leases or properties in those  
 16 circumstances where the determination of the lease expenditures that are applicable to  
 17 oil or to gas, that are applicable to gas subject to AS 43.55.011(q) or to other gas,  
 18 or that are applicable to oil and gas produced from different leases or properties,  
 19 requires an allocation of costs."  
 20

21 Renumber the following bill sections accordingly.

22  
 23 Page 31, line 25:

24 Delete "Sections 24, 25, 32 - 34, and 37"

25 Insert "Sections 25, 26, 33, 34, 36, and 39"  
 26

27 Page 31, line 27:

28 Delete "Sections 14 - 20, 31, and 38"

29 Insert "Sections 15 - 21, 32, 35, and 40"  
 30

31 Page 31, line 29:

1 Delete "Sections 26 and 27"  
2 Insert "Sections 27 and 28"  
3  
4 Page 31, line 30:  
5 Delete "sec. 26"  
6 Insert "sec. 27"  
7  
8 Page 31, line 31:  
9 Delete "sec. 27"  
10 Insert "sec. 28"  
11  
12 Page 32, line 1:  
13 Delete "sec. 29"  
14 Insert "sec. 30"  
15  
16 Page 32, line 3:  
17 Delete "secs. 13 and 29"  
18 Insert "secs. 14 and 30"  
19  
20 Page 32, line 13:  
21 Delete "sec. 9"  
22 Insert "sec. 10"  
23  
24 Page 32, line 16:  
25 Delete "sec. 9"  
26 Insert "sec. 10"  
27  
28 Page 32, line 19:  
29 Delete "sec. 9"  
30 Insert "sec. 10"  
31

1 Page 32, line 31:

2 Delete "secs. 24, 25, 32 - 34, and 37"

3 Insert "secs. 25, 26, 33, 34, 36, and 39"

4

5 Page 33, line 2:

6 Delete "secs. 14 - 20, 26, 27, 31, and 38"

7 Insert "secs. 15 - 21, 27, 28, 32, 35, and 40"

8

9 Page 33, lines 19 - 20:

10 Delete "Sections 24, 25, 32 - 34, and 37"

11 Insert "Sections 25, 26, 33, 34, 36, and 38"

12

13 Page 33, line 21:

14 Delete "Sections 14 - 20, 26, 27, 31, and 38"

15 Insert "Sections 15 - 21, 27, 28, 32, 35, and 40"

16

17 Page 33, line 22:

18 Delete "sec. 44"

19 Insert "sec. 46"

AMENDMENT # 1 To Amendment #38

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: AMENDMENT NO. 38 TO CSHB 2001(O&G), Draft Version "L"

1 Page 1, line 21:

2 Insert "Page 13, line 23, through page 14, line 2:

3 Delete all material"

4

5 Page 2, line 7:

6 Insert "For purposes of this section, "used in the state" means delivered for  
7 consumption as fuel in the state, including as fuel consumed to generate electricity."

AMENDMENT #2 to Amendment #38

OFFERED IN HOUSE

BY REPRESENTATIVE SEATON

TO: AMENDMENT NO. 38 CSHB 2001(O&G), Draft Version "L"

- 1 Page 2, line 2:
- 2 Delete, "under"
- 3 Insert, "by (e) and (o) of"

AMENDMENT 43 Rep. Edgmon

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

1 Page 26, lines 17 - 19:

2 Delete

3 "(8) costs of arbitration, litigation, or other dispute resolution activities  
4 that involve the state or concern the rights or obligations among owners of interests in,  
5 or rights to production from, one or more leases or properties or a unit;"

6 Insert

7 "(8) costs of arbitration, litigation, [OR OTHER] dispute resolution,  
8 lobbying, public relations, advertising, or policy advocacy [ACTIVITIES THAT  
9 INVOLVE THE STATE OR CONCERN THE RIGHTS OR OBLIGATIONS  
10 AMONG OWNERS OF INTERESTS IN, OR RIGHTS TO PRODUCTION FROM,  
11 ONE OR MORE LEASES OR PROPERTIES OR A UNIT];"

12

13 Page 29, line 12, following "processed":

14 Insert ";

15 (21) costs relating to office buildings, fixtures and equipment, and  
16 real property that is not located on an oil or gas exploration, production, or  
17 development lease or property in the state; and

18 (22) overhead, office, or administrative expenses and all other  
19 indirect costs of oil or gas exploration, development, or production"

AMENDMENT

44  
Rep. Gatto

OFFERED IN THE HOUSE

TO: CSHB 2001(O&G)

1 Page 10, following line 25:

2 Insert a new bill section to read:

3 **\*\* Sec. 14.** AS 43.55.011(e) is amended to read:

4 (e) There is levied on the producer of oil or gas a tax for all oil and gas  
5 produced each month from each lease or property in the state, less any oil and gas the  
6 ownership or right to which is exempt from taxation or constitutes a landowner's  
7 royalty interest. Except as otherwise provided under (j) and (k) of this section, the tax  
8 is equal to the greater of 25 [22.5] percent of the production tax value of the taxable  
9 oil and gas as calculated under AS 43.55.160, or the minimum tax determined under  
10 (f) of this section."

11

12 Renumber the following bill sections accordingly.

13

14 Page 14, line 21:

15 Delete "22.5"

16 Insert "25 [22.5]"

17

18 Renumber internal references to bill sections in accordance with this amendment in a way that  
19 makes sec. 14 effective January 1, 2008, and adds sec. 14 to (b) of the APPLICABILITY  
20 section and to (1)(B) of the TRANSITION: RETROACTIVITY OF REGULATIONS section.

21 Below are all internal bill section reference in this bill:

22 Page 31, lines 25, 27, 29, 30, and 31

23 Page 32, lines 1, 3, 13, 16, 19, and 31

1

Page 33, lines 2, 19 - 20, 21, and 22